



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

No.1 (47) • January 2020

Information and analytical commentary

14 February 2020

BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (JANUARY 2020)

- The structural surplus of liquidity expanded to 3.6 trillion rubles in January (+0.9 trillion rubles), driven by an inflow of funds through the fiscal channel and a reduction in the amount of cash in circulation.
- The spread between interbank lending rates and the Bank of Russia key rate changed only slightly, to -21 bp (vs -24 bp in the December averaging period). The spread remained relatively wide owing to liquidity inflows and an increased demand for borrowings under Federal Treasury operations.
- Interest rates in the FX swap segment mostly stayed close to interbank lending rates as the banking sector's foreign currency liquidity remained at a comfortable level.
- The first half of the month was positive for the Russian financial market, with prices in most of its segments rising amid favourable developments in international markets. However, the coronavirus outbreak in the second half of January entailed a decline in demand for high-risk assets on international exchanges and in oil prices, which affected the Russian market.
- The mortgage interest rate hit a new record-low in December 2019. Interest rates on long-term corporate loans resumed a downward trend in November 2019.
- Activity in retail lending continued to decline, dragged down by the further slowdown of growth in consumer lending associated with the tightening of the requirements for borrowers in 2019 Q4.

BANKING SECTOR LIQUIDITY AND MONEY MARKET

Ruble liquidity. The structural surplus of liquidity expanded by 0.9 trillion rubles in January to total 3.6 trillion rubles (Chart 1). Its amount averaged 3.7 trillion rubles over the January averaging period (vs 3.0 trillion rubles in the December averaging period). This was driven by a gradual increase in funds placed with banks by the Federal Treasury (FT) and local governments and by large redemptions on federal government bonds (OFZ). Taking into account coupon payments, these redemptions exceeded the amount of placements of government securities. Budget expenses and banks' proceeds from VAT refunds increased in January 2020 compared to previous years. Overall, the above operations substantially exceeded the outflow of funds caused by bank clients' large tax payments.

After the New Year holidays, the amount of cash in circulation decreased. As was noted in the previous issue of this information and analytical commentary,¹ retail enterprises

completed the recording of their cash receipts a little earlier than usual. Accordingly, the January inflow of funds was somewhat lower due to the reduced amount of cash.

Money market. The spread between short-term interbank lending rates² and the Bank of Russia key rate changed only slightly, to -21 bp (vs -24 bp in the December averaging period) (Chart 2). The volatility of the spread somewhat decreased, to 10 bp (vs 16 bp in the December averaging period). The spread remained relatively wide owing to liquidity inflows on certain days. Interest rates were also dragged down by a higher demand for borrowings under FT operations demonstrated by individual banks, which was associated with the specifics of their averaging of required reserves and temporary local liquidity outflows.

Foreign currency liquidity. As before, interest rate spreads in the FX swap and interbank lending (basis) segments formed close to zero, averaging -4 bp in the January averaging period (vs 0 bp in the December averaging period) (Chart 3). But at the end of January, the basis slightly shrank as non-residents reduced their

¹ See *Banking sector liquidity and financial markets: facts, assessments and comments*, No. 12 (46), December 2019.

² Interbank lending rate means the rate on unsecured loans in the money market.

long ruble positions (see the section 'Foreign exchange and stock markets') and, consequently, lending in rubles in the FX swap segment to the mid-December readings.

The **forecast for the structural liquidity surplus for the end of 2020** remains at the level of 3.4–3.9 trillion rubles.

Key rate expectations. Market participants mostly expected a 25 bp key rate reduction at the 7 February meeting of the Bank of Russia Board of Directors and the maintenance of it at the 6% level for the next 6 months.

MOST MARKET PARTICIPANTS EXPECTED A KEY RATE REDUCTION

Table 1

1. Expectations based on market indicators*, interest rate (instrument)	March 2020	June 2020
– MosPrime 3M (FRA)	6.38 (6.33)	6.26 (6.22)
– RUONIA (ROISfix)	5.92 (6.04)	5.78 (5.87)
– RUONIA (futures)	6.04 (6.15)	5.93 (6.11)
2. Analysts' key rate expectations*	As of 31.03.2020	As of 30.06.2020
– Bloomberg survey	6.00 (6.00)	6.00 (6.00)
– Reuters survey	6.00 (6.00)	6.00 (6.00)
3. Implied inflation rate (OFZ-IN) (monthly average)	January 2020	
– OFZ-IN-52001 (until 16.08.2023)	2.75 (2.84)	
– OFZ-IN-52002 (from 16.08.2023 until 02.02.2028)	3.68 (3.85)	

* Values are given as of the end of the current and previous (in brackets) months.

Source: Bank of Russia calculations.

THE FORECAST FOR THE STRUCTURAL LIQUIDITY SURPLUS FOR THE END OF 2020 REMAINS AT THE LEVEL OF 3.4–3.9 TRILLION RUBLES
(TRILLIONS OF RUBLES)

Table 2

	2019 (actual)	January 2019	2020 (forecast)
1. Liquidity factors (supply)	0.5	0.9	[0.7; 1.1]
– change in the balances of general government accounts with the Bank of Russia, and other operations*	0.2	0.5	[1.0; 1.3]
– change in the amount of cash in circulation	-0.1	0.4	[-0.3; -0.2]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.4	0.0	0.0
– regulation of banks' required reserves with the Bank of Russia	0.0	0.0	0.0
2. Change in free bank reserves (correspondent accounts)*** (demand)	0.7	0.0	[-0.1; 0.0]
3. Change in banks' claims on deposits with the Bank of Russia and BoR coupon bonds	-0.3	0.9	[0.6; 1.1]
4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)	-0.1	0.0	0.0
Structural liquidity deficit (+) / surplus (-) (as of the period-end)	-2.8	-3.6	[-3.9; -3.4]

* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market, settlements on Bank of Russia USD/RUB FX swaps, and other operations.

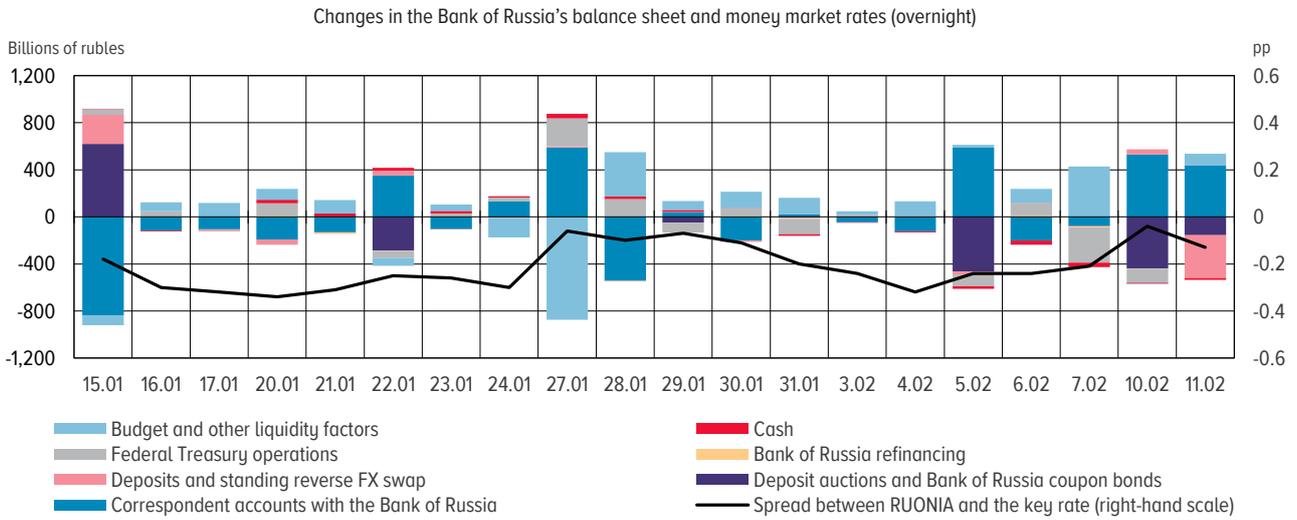
** Forecast values of the indicator are in line with the actual amount of operations conducted.

*** The forecast for the end of 2019 implies uniform averaging of required reserves by banks and correspondent account balances close to the required ratio.

Source: Bank of Russia calculations.

JANUARY 2020 SAW A SEASONAL INFLOW OF LIQUIDITY THROUGH THE FISCAL CHANNEL AND AS A RESULT OF A REDUCTION IN THE AMOUNT OF CASH IN CIRCULATION

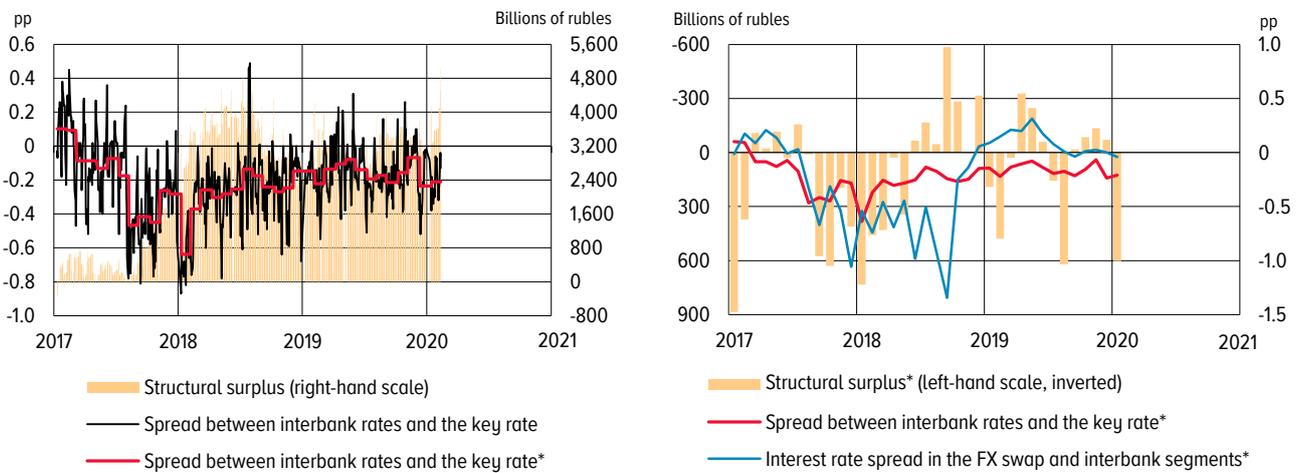
Chart 1



Source: Bank of Russia calculations.

THE SPREAD BETWEEN INTERBANK LENDING RATES AND THE BANK OF RUSSIA KEY RATE CHANGED ONLY SLIGHTLY

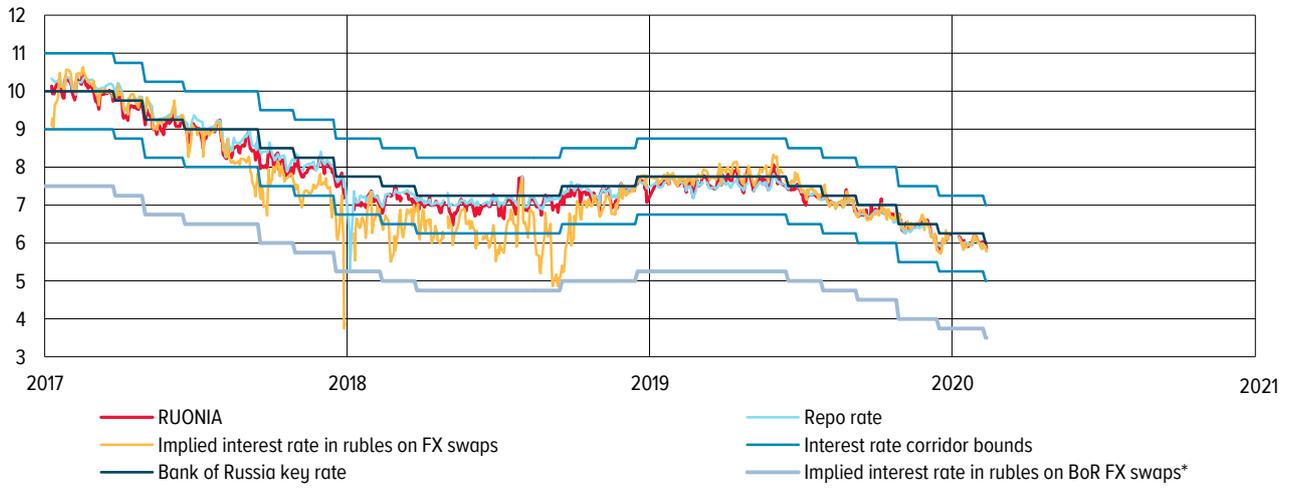
Chart 2



* Average for averaging periods.
Source: Bank of Russia calculations.

THE SPREAD IN THE FX SWAP AND INTERBANK LENDING SEGMENTS STAYED CLOSE TO ZERO (% P.A.)

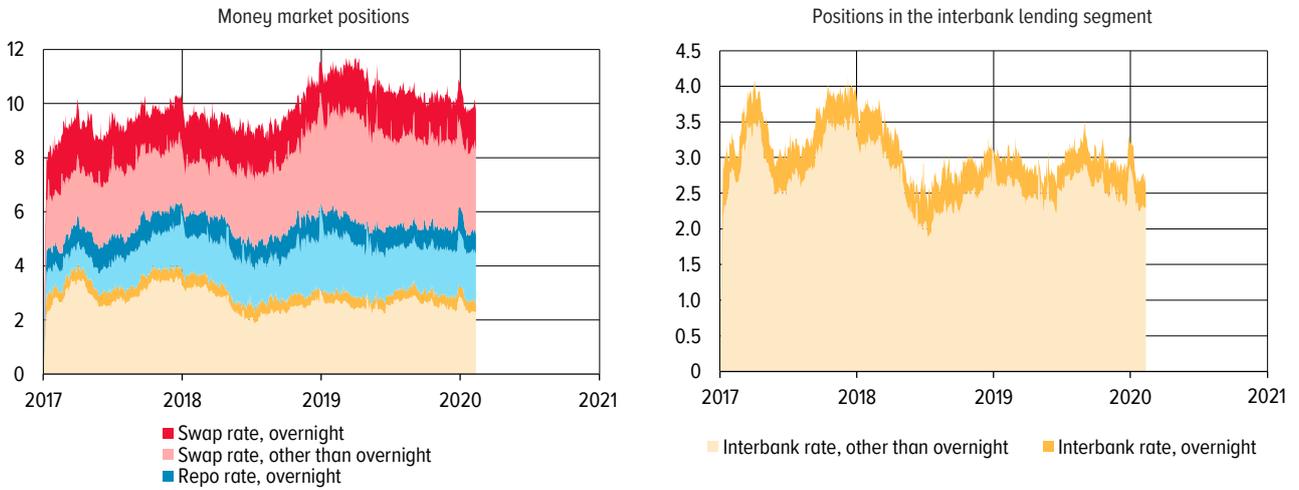
Chart 3



* $Implied\ rate = ruble\ lending\ rate - foreign\ currency\ borrowing\ rate + LIBOR$
 (from 19 December 2016: $key\ rate - 1\ pp - (LIBOR + 1.5\ pp) + LIBOR = key\ rate - 2.5\ pp$).
 Source: Bank of Russia calculations.

BANKS' POSITIONS IN THE MONEY MARKET REMAINED ALMOST UNCHANGED (TRILLIONS OF RUBLES)

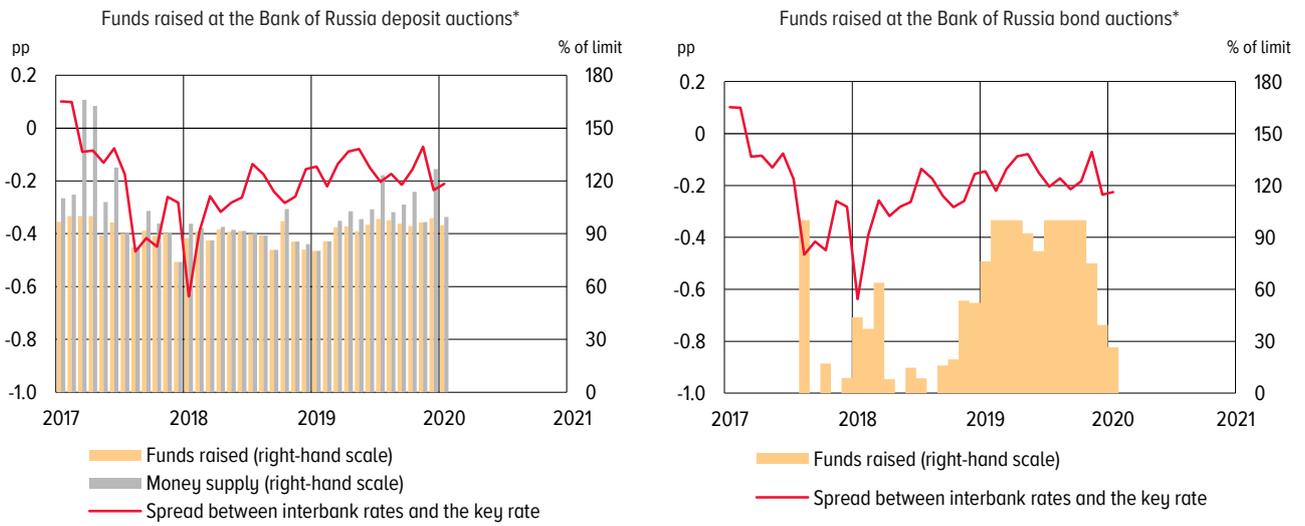
Chart 4



Source: Bank of Russia calculations

BANKS' SUPPLY AT THE BANK OF RUSSIA DEPOSIT AUCTIONS WAS CLOSE TO THE ESTABLISHED LIMITS

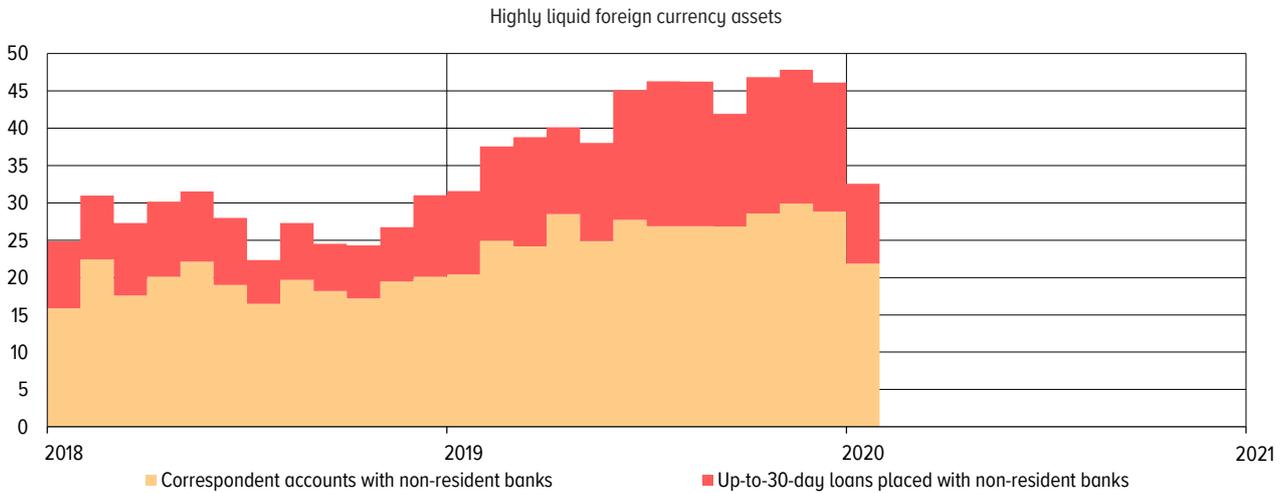
Chart 5



* Average for averaging periods
Source: Bank of Russia.

THE AMOUNT OF HIGHLY LIQUID FOREIGN CURRENCY ASSETS TEMPORARILY DECREASED AT THE END OF THE YEAR (AS OF 01 JANUARY 2020) (BILLIONS OF US DOLLARS)

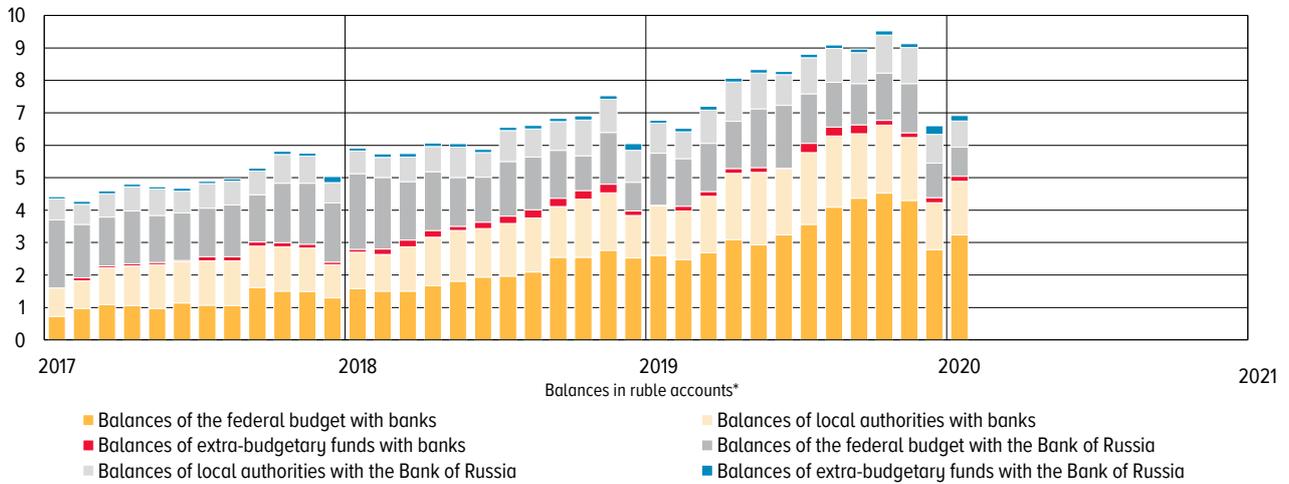
Chart 6



Source: Bank of Russia.

IN JANUARY 2020, THE FT AND LOCAL GOVERNMENTS INCREASED THEIR FUNDS PLACED WITH BANKS
(AS OF THE END OF THE PERIOD, TRILLIONS OF RUBLES)

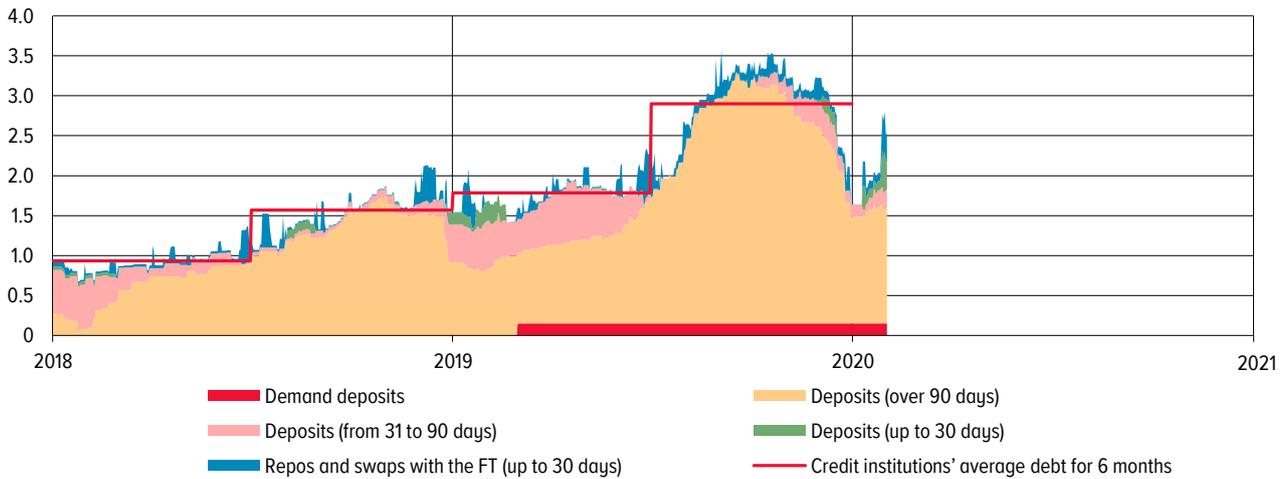
Chart 7



* According to banking reporting form 0409301 'Performance indicators of a credit institution'.
Source: Bank of Russia calculations.

CREDIT INSTITUTIONS' DEBT UNDER FT OPERATIONS WAS UP BY 0.9 TRILLION RUBLES IN JANUARY 2020
(TRILLIONS OF RUBLES)

Chart 8



Sources: Federal Treasury, Bank of Russia calculations.

THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS EXPANDED IN JANUARY 2020
(START OF BUSINESS, BILLIONS OF RUBLES)

Table 3

	01.01.2017	01.01.2018	01.01.2019	01.01.2020	01.02.2020
Structural liquidity deficit (+) / surplus (-)	736	-2,639	-3,024	-2,761	-3,632
Bank of Russia's claims on credit institutions	1,258	10	13	18	5
Auction-based facilities	216	-	-	-	-
– repos and FX swap	-	-	-	-	-
– secured loans	216	-	-	-	-
Fixed interest rate facilities	1,042	10	13	18	5
– repos and FX swap	632	4	8	13	0
– secured loans	411	5	5	5	5
Credit institutions' claims on the Bank of Russia	785	2,729	3,293	2,983	3,838
Deposits	785	2,372	1,902	1,026	1,766
– auction-based	397	2,125	1,478	697	1,619
– fixed interest rate	388	247	424	330	147
BoR coupon bonds	0	357	1,391	1,956	2,072
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	263	81	256	204	202

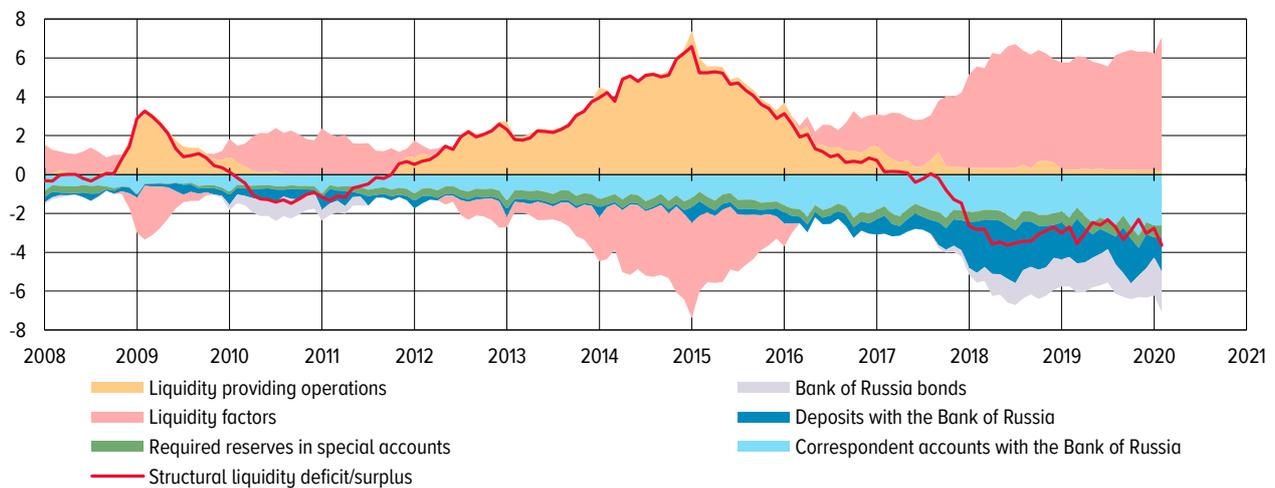
* These transactions include Bank of Russia specialised refinancing instruments, loans granted by the Bank of Russia within irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.

Note: due to rounding, final values may differ from the total of respective values.

Source: Bank of Russia calculations.

BANK OF RUSSIA'S BALANCE SHEET
(TRILLIONS OF RUBLES)

Chart 9



Source: Bank of Russia calculations.

FOREIGN EXCHANGE AND STOCK MARKETS

The first half of the month was positive for the Russian financial market, with prices in most of its segments rising amid favourable developments in international markets. However, the coronavirus outbreak in the second half of January entailed a decline in demand for high-risk assets on international exchanges and in oil prices, which affected the Russian market.

Exchange rate. In early January, the ruble continued to strengthen on the back of the general growth of emerging market economies' (EME) exchange rates. This was also supported by large OFZ purchases by foreign investors in the secondary market (20 billion rubles) and increased sales of foreign currency revenues by exporters, which could be associated with deferred demand for OFZ and rubles because of the long New Year holidays. However, then the ruble started to gradually depreciate due to the overall decline in demand for high-risk assets amid rising concerns about the negative impact of the coronavirus outbreak on the global economy (Chart 10). By the end of the month, the ruble exchange rate dropped by 3.0%, returning to the level recorded in early December 2019. Other EME currencies weakened by 2.6%.

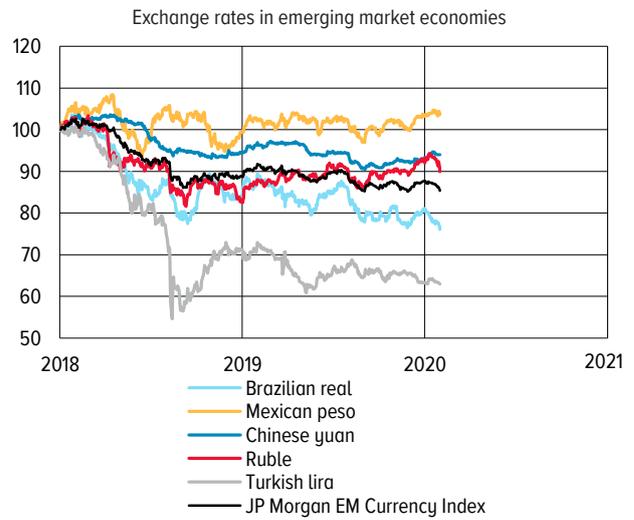
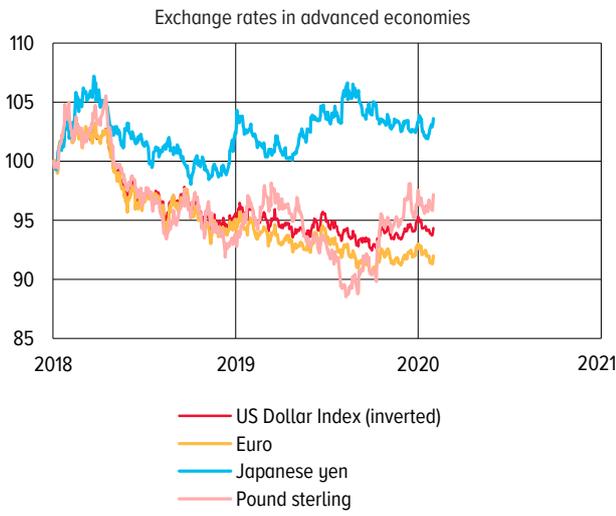
Country risk premium. Russia's CDS spread expanded by 9 bp, reaching 65 bp as of the end of the month (Chart 11). In general, this trend was in line with how the CDS spread in other EMEs responded to the decline in demand for high-risk assets.

Federal government bonds. The decreased demand for high-risk assets affected the OFZ market the least. After the decline at the beginning of the month, yields on long-term bond issues slightly rose (Chart 12); however, there were no large-scale sales on the part of foreign investors. On the contrary, they built up their investments by 131 billion rubles in January (according to the depository reporting of the National Settlement Depository), of which 83.7 billion rubles were accounted for by a foreign bank's subsidiary that acquired OFZ at the auctions on 22 and 29 January to the benefit of other non-residents (61.6 and 22.2 billion rubles respectively).

Stocks. There were large-scale sales in the stock markets. Having hit a new high in the middle of January, the S&P 500 index then dropped by 3.0%, declining by 0.2% as of the end of the month. In January, the MSCI EM index was down by 4.7% and MSCI Russia was down by 3.2% (Chart 3). Russia's index was primarily dragged down by lower prices for shares of oil and gas companies (due to the downturn in oil prices) and the depreciation of the ruble. As opposed to the exchange rate indices, the MOEX Index went up by 1.0% over the period under review. In addition, the growth in the non-oil and gas sector was approximately 2.5%, which was mostly attributed to the rise in prices for shares of export-oriented companies on the back of the exchange rate decline.

**MOST CURRENCIES WEAKENED IN THE SECOND HALF OF JANUARY
(02.01.2018 = 100)**

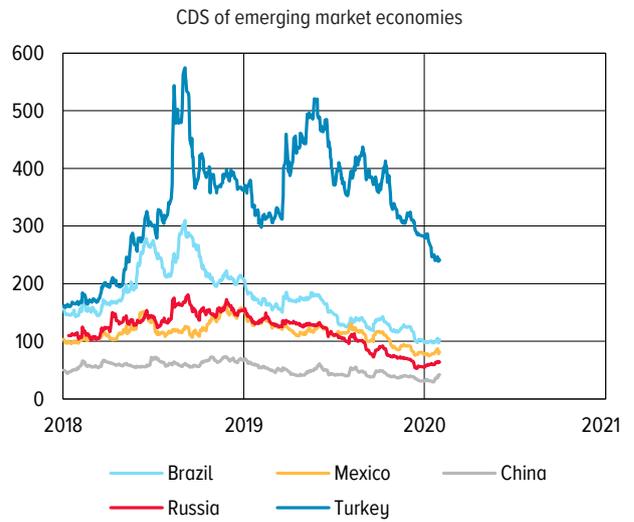
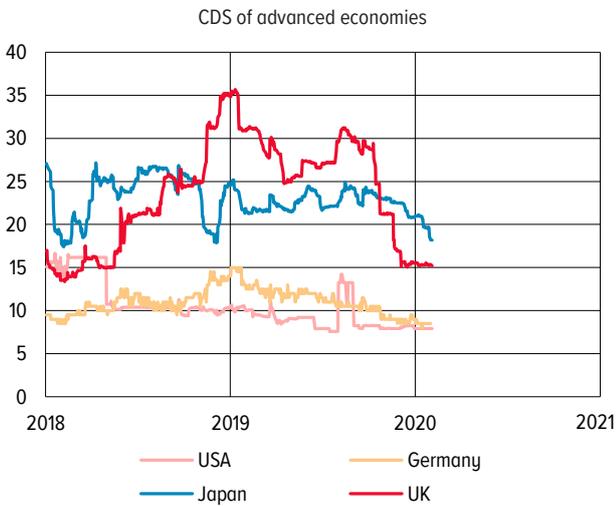
Chart 10



* Against the US dollar. Reverse exchange rates.
Sources: Bloomberg, Bank of Russia calculations.

**RUSSIA'S CDS SPREAD WIDENED BY 9 BP, FOLLOWING THE TREND IN OTHER EMES
(BP)**

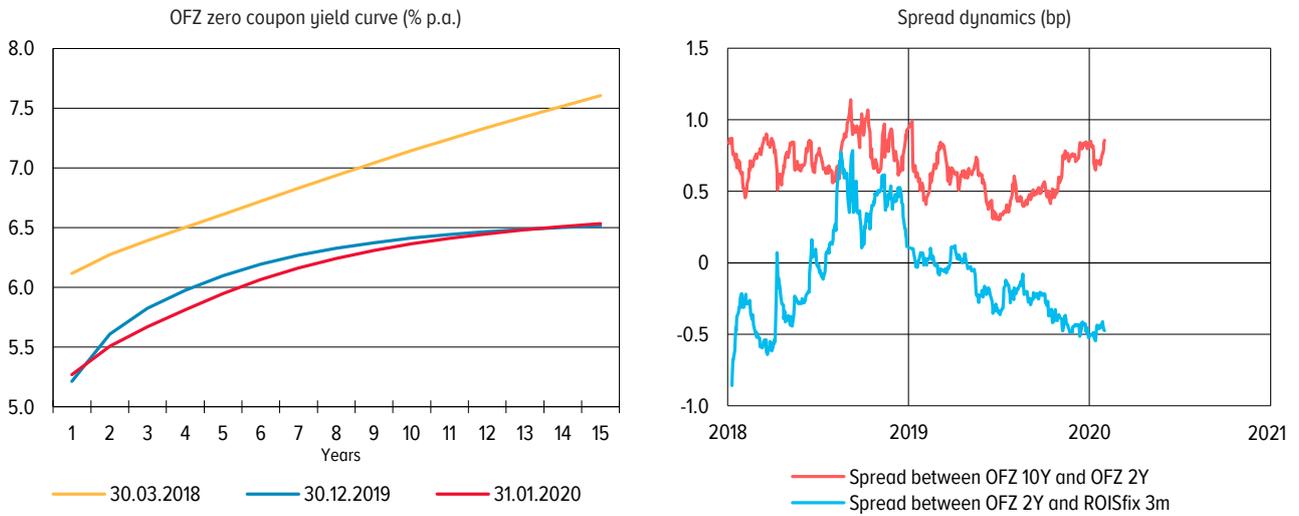
Chart 11



Sources: Bloomberg, Thomson Reuters, Bank of Russia calculations.

AFTER HAVING DECLINED IN EARLY JANUARY, YIELDS ON LONG-TERM OFZ ISSUES RETURNED TO PREVIOUS LEVELS

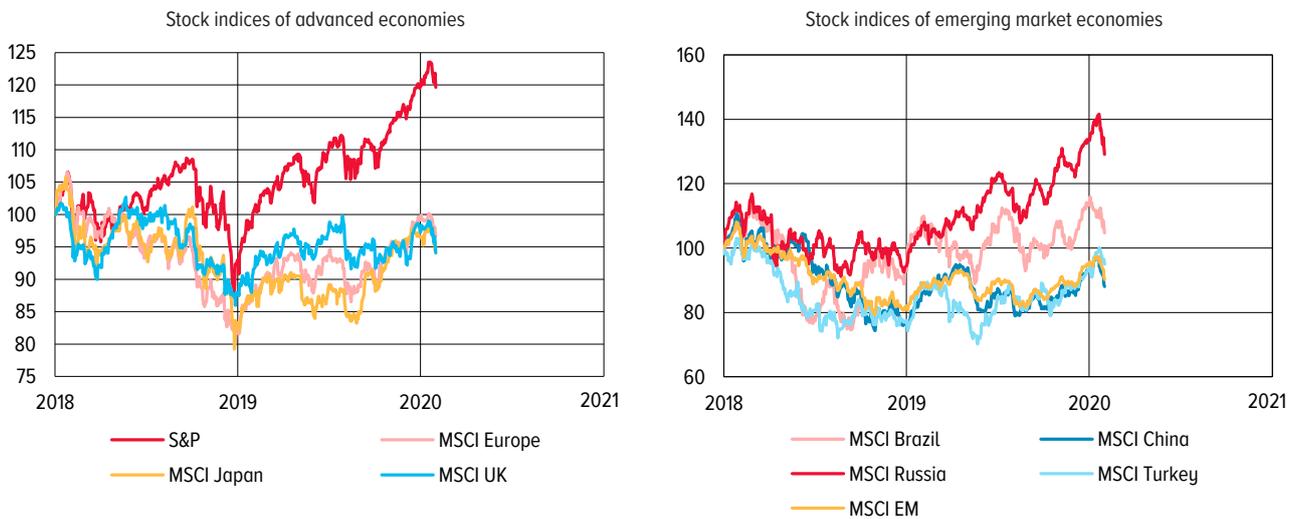
Chart 12



Source: PJSC Moscow Exchange.

MOVEMENTS OF RUSSIAN INDICES WERE IN LINE WITH GLOBAL MARKET TRENDS
(02.01.2018 = 100)

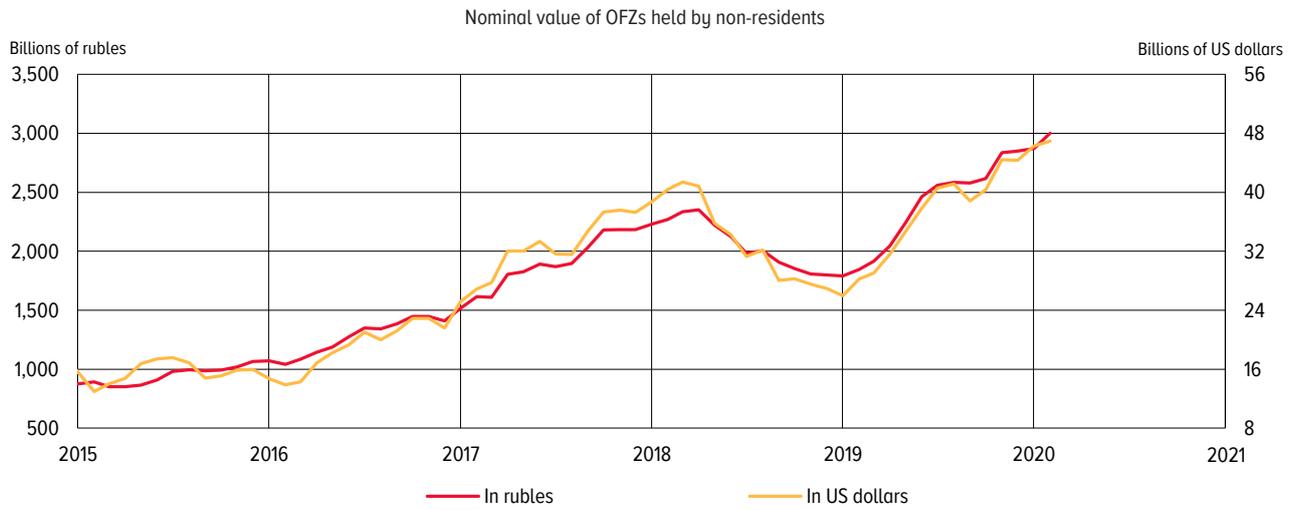
Chart 13



Sources: Bloomberg, Bank of Russia calculations.

NON-RESIDENTS INCREASED THEIR INVESTMENTS IN OFZ BY 131 BILLION RUBLES IN JANUARY 2020

Chart 14



Source: Bank of Russia calculations.

MOST MARKETS SAW A PRICE DOWNTURN IN JANUARY 2020

Table 4

Indicator		31.01.2020	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		63.96	-3.0	-0.7	1.9	-3.0	2.2
MOEX Index		3 077	1.0	5.0	15.0	1.0	22.5
RTS Index		1 517	-2.1	4.2	17.3	-2.1	26.5
Government bond yield		5.96	-15	-32	-108	-15	-218
Corporate bond yield		6.52	-14	-57	-141	-14	-234
Regional bond yield		6.31	-14	-63	-150	-14	-226
CDS spread		64	9	-10	-43	9	-70
RVI		22	0	2	-1	0	0
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	97.39	1.0	0.2	-0.7	1.0	2.2
	Euro	1.11	-1.1	-0.7	-0.1	-1.1	-3.4
	Japanese yen	108.35	0.2	-0.2	-1.6	0.2	0.6
	Pound sterling	1.32	-0.4	2.0	8.6	-0.4	0.7
EMEs	JP Morgan EM Currency Index	59.80	-2.6	-2.3	-3.1	-2.6	-6.7
	Ruble	63.96	-3.0	-0.7	1.9	-3.0	2.2
	Brazilian real	4.28	-6.1	-6.8	-9.2	-6.1	-14.0
	Mexican peso	18.84	0.4	1.4	2.4	0.4	1.5
	Chinese yuan	6.91	0.8	1.8	0.4	0.8	-2.8
	Turkish lira	5.98	-0.5	-4.5	-7.1	-0.5	-12.6
	South Africa	15.03	-6.8	0.0	-1.6	-6.8	-11.3
	10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)						
AEs	USA	1.51	-41	-20	-34	-41	-117
	Germany	-0.44	-25	-5	6	-25	-62
	Japan	-0.07	-5	11	10	-5	-7
	UK	0.52	-29	-14	-3	-29	-73
EMEs	Russia	6.27	-9	-15	-120	-9	-208
	Brazil	6.71	-8	31	-52	-8	-233
	Mexico	6.61	-28	-16	-82	-28	-185
	China	2.99	-15	-27	-10	-15	-13
	Turkey	9.91	-204	-231	-514	-204	-459
	South Africa	8.97	-5	-27	-4	-5	-26
CDS spreads (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	8	0	0	-5	0	-2
	Germany	9	-1	-1	-2	-1	-5
	Japan	18	-3	-5	-4	-3	-4
	UK	15	0	-6	-14	0	-16
EMEs	Russia	64	9	-10	-43	9	-70
	Brazil	103	3	-16	-29	3	-67
	Mexico	82	3	-8	-41	3	-53
	China	42	11	3	-4	11	-16
	Turkey	241	-42	-95	-135	-42	-82
	South Africa	186	23	-4	0	23	-4
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P	3,226	-0.2	5.2	10.0	-0.2	20.3
	MSCI Europe	1,738	-2.6	1.7	7.9	-2.6	10.4
	MSCI Japan	1,021	-1.6	1.4	10.1	-1.6	9.5
	MSCI UK	2,084	-3.4	-0.3	-2.1	-3.4	3.9
EMEs	MSCI EM	1,062	-4.7	1.3	5.8	-4.7	2.5
	MSCI Russia	781	-3.2	0.8	15.4	-3.2	21.6
	MSCI Brazil	2,193	-7.6	-3.2	-1.1	-7.6	-1.6
	MSCI Mexico	4,823	1.4	1.7	13.4	1.4	1.4
	MSCI China	81	-5.1	3.2	7.5	-5.1	4.1
	MSCI Turkey	1,533,454	2.0	15.4	11.7	2.0	6.4
MSCI South Africa	1,340	-2.2	-0.8	-2.6	-2.2	-0.6	

* Advanced economies.

Sources: Bloomberg, PJSC Moscow Exchange, Cbonds.ru, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. The cost of ruble-denominated retail deposits went down over the last months of 2019, which was associated with the easing of monetary policy. Thus, over the period October–December 2019, the average market interest rate on long- and short-term retail deposits dropped by 0.72 bp and 0.37 bp respectively. The decrease in the funding cost of up-to-one-year deposits from households slowed down over the said period, which was caused by the new offering of seasonal deposits launched in December on beneficial terms. However, acceptance of most seasonal deposits terminated already in January, and combined with decisions to cut retail deposit rates made by banks – major deposit market players, this will continue to put downward pressure on average market interest rates.

Interest rates on foreign currency retail deposits changed only slightly in December: the weighted average interest rate on short-term foreign currency deposits remained below 1% per annum, while stabilising close to its record-low in the long-term foreign currency deposit segment.

Deposit operations. Although deposit interest rates continued to go down, ruble deposits as the main household savings instrument remained attractive because of the real yield on deposits achieved owing to the slower inflation. Thus, the annual growth of ruble-denominated household deposits totalled 9.9%³ over 2019, remaining the major contributor to the expansion of the retail deposit portfolio (Chart 16).

In December 2019, the outflow of funds from foreign currency deposits terminated: the annual growth as of the end of December equalled 9.8% compared to 9.6% in November. Among other factors, this was associated with a slower reduction in short-term foreign

currency deposits caused by a notable increase in up-to-30-day foreign currency deposits, including demand deposits (the annualised growth as of the end of December reached 22.8% against 7.8% in November). This increase was driven by currency exchange transactions amid the appreciation of the ruble. As a result, the portion of foreign currency deposits in the retail portfolio continued to shrink, reaching 19.6% as of the end of 2019.

Credit rates. Yields on financial market instruments declined in November. In these conditions, interest rates on short-term corporate loans continued to adjust downwards (by 0.3 pp vs October). After a two-month rise in long-term corporate lending, driven by an increase in lending to higher-risk industries, interest rates resumed their decline. Thus, the interest rate on loans issued to non-financial organisations for a period of more than one year dropped by 0.5 pp, to 8.7% per annum (Chart 15). However, the decline in the average market interest rate in this segment was associated with, among other factors, a notable reduction in the cost of small and medium-sized enterprises' long-term borrowings (8.8% p.a. in November against 10.5% p.a. in October), combined with an increase in the amounts of such loans through concluding a single large transaction. Accordingly, the interest rate in long-term corporate lending may be expected to show a more moderate decline or even a slight increase in December as compared to November, while maintaining the general downward trend of 2019 Q4.

Interest rates in retail lending also went down. In December 2019, the average market interest rate on ruble-denominated mortgage loans hit a new record-low, declining by 0.2 pp against November to 9% per annum. Against this background, long- and short-term interest rates on household loans lowered by 0.3 pp in December, to reach 12.1% and 14.8% per annum respectively.

Thus, the decrease in interest rates remained the major trend in the easing of lending conditions for all main categories of borrowers, which is evidenced by the study of bank lending conditions (BLC) in 2019 Q4 (Chart 19).

³ Hereinafter, increases in banks' balance sheet indicators are calculated based on the reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

Corporate lending. The growth in corporate lending slightly sped up in December 2019. Over the month, the annual growth rate of the portfolio of loans issued to non-financial organisations increased by 0.3 pp, to reach 4.3% (Chart 17). As in the previous month, the rise in corporate lending was supported by the trends in the segment of foreign currency loans. Thus, as of the end of December, the pace of reduction in the portfolio of foreign currency loans considerably decreased, to 2.2% compared to 7.3% a month before, driven by, among other things, foreign currency loans extended to resident companies (as of the end of December, the annualised growth reached positive levels for the first time since April 2016, equalling 1.2%). As a result, the portion of foreign currency loans in the corporate portfolio increased by 0.2 pp to 24.8% in December, despite the strengthening of the ruble.

The annualised growth rate in the segment of ruble-denominated corporate loans went down by 1.5 pp to 6.9% by the end of December, which could be caused by a partial replacement of loans with bank investments in the non-financial sector's bonds. Moreover, long-term ruble loans remained the major contributor to the dynamics of the portfolio of loans granted to non-financial organisations.

In these conditions, the quality of the corporate loan portfolio was improving for the third consecutive month, creating the prerequisites for an expansion of activity in this segment of the lending market. Thus, by the end of 2019, the share of overdue debt in the portfolio of loans issued to non-financial organisations equalled 7.75%.

Retail lending. In December 2019, the expansion of the household loan portfolio continued to slow down, while the pace of this decline was notably lower than in the

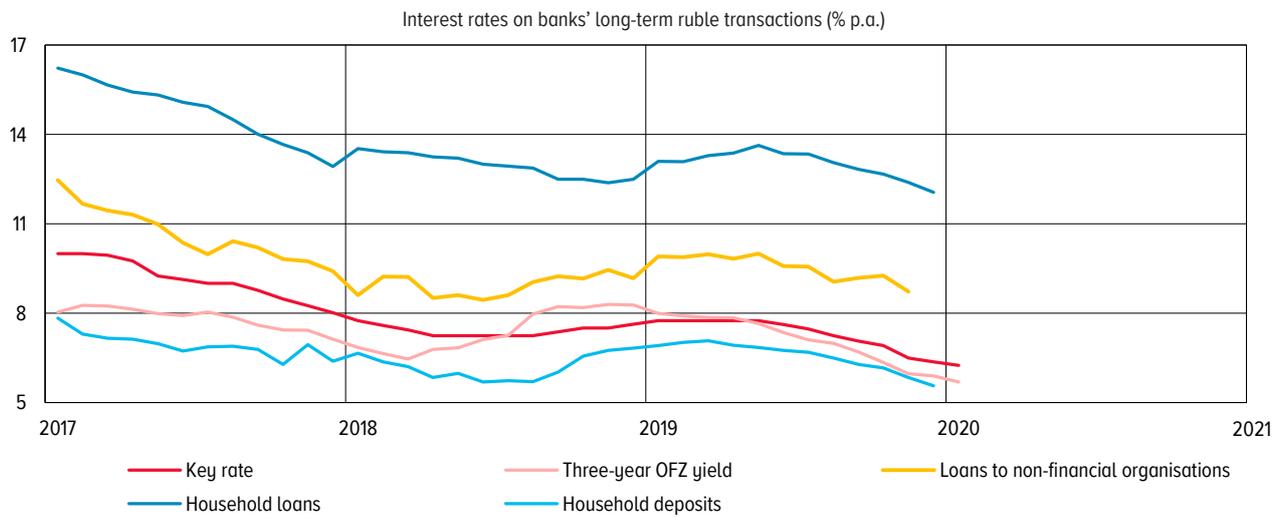
previous seven months, which was explained by the trends in the mortgage segment of the credit market. Thus, the annual growth rate in retail lending dropped by 0.1 pp to 18.5% over December 2019, while that of ruble-denominated mortgage loans was up by 0.5 pp to reach 17.2% (Chart 17). Accordingly, the share of mortgage loans in the retail portfolio continued to slowly increase in December, as in the previous month, amid the decline in mortgage interest rates.

Unsecured consumer lending continued the downward trend, including due to the substantial tightening of the requirements for borrowers in this segment (for the first time since early 2015) which banks participating the 2019 Q4 BLC study referred to (Chart 19). Consequently, after risk-based buffers depending on a borrower's debt burden ratio became effective, the annual growth rate of the unsecured consumer loan portfolio decreased by 2.6 pp to 20.8% over the period October–December (Chart 18). The rise in the retail lending segments involving increased risk may be expected to decelerate further in the mid run.

Money supply. Broad money continued to stably increase over the last months of 2019, reaching 7.7% by the end of the year. As in the previous several years, the banking system's claims on the economy remained the major source of broad money growth, while the effect of budget operations amid a budget surplus was generally offset by an increase in the banking system's net foreign assets, including through fiscal rule-based foreign currency purchases. Thus, over the past year, claims on non-financial and financial organisations (other than credit institutions) were up by 7.1%, and those on households – by 19.0%, as a result of which the growth rate of claims on the economy was in line with the Bank of Russia's forecast (Chart 20).

INTEREST RATES ON CORE BANKING OPERATIONS CONTINUE THE DOWNWARD TREND

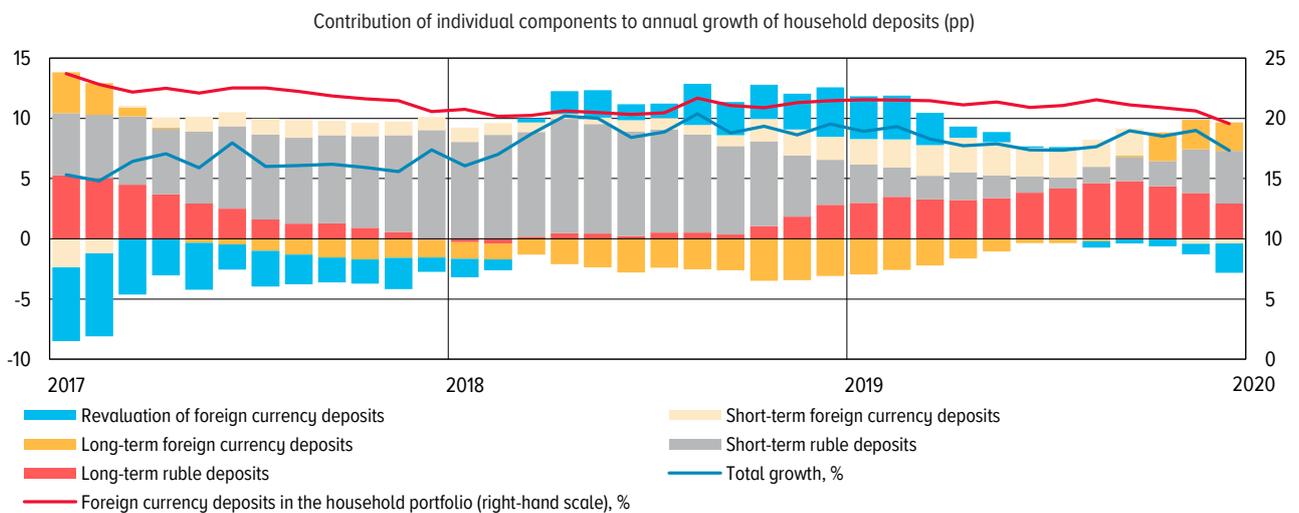
Chart 15



Source: Bank of Russia calculations.

RUBLE-DENOMINATED DEPOSITS REMAIN ATTRACTIVE

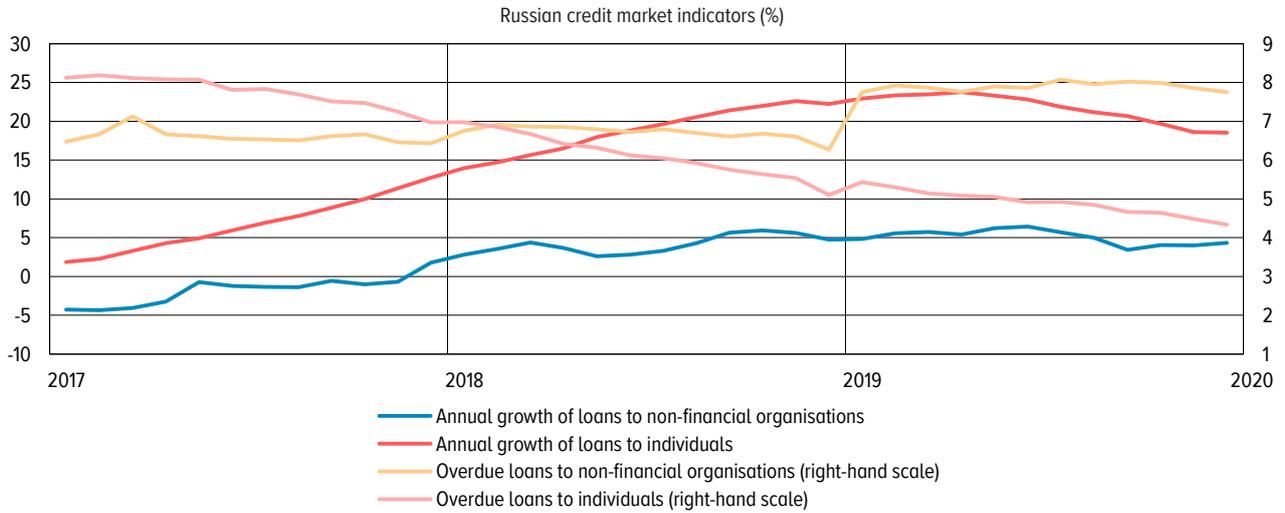
Chart 16



Source: Bank of Russia calculations.

CORPORATE LENDING HAS STARTED TO RECOVER

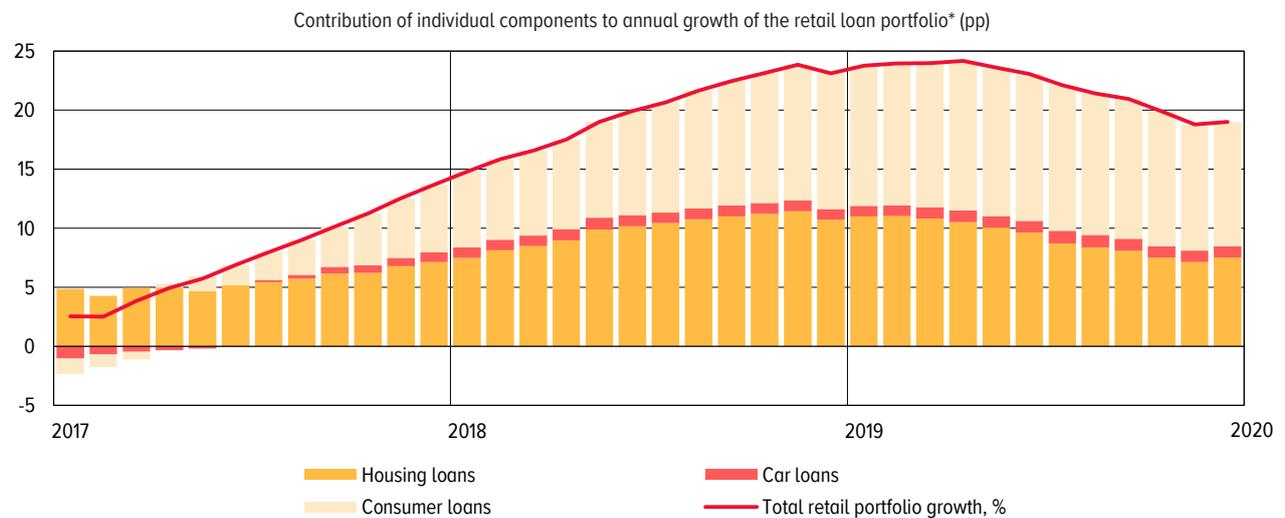
Chart 17



Source: Bank of Russia calculations.

CONSUMER LENDING GROWTH CONTINUES TO SLOW DOWN, WHILE THE EXPANSION OF THE MORTGAGE LOAN PORTFOLIO SLIGHTLY ACCELERATED

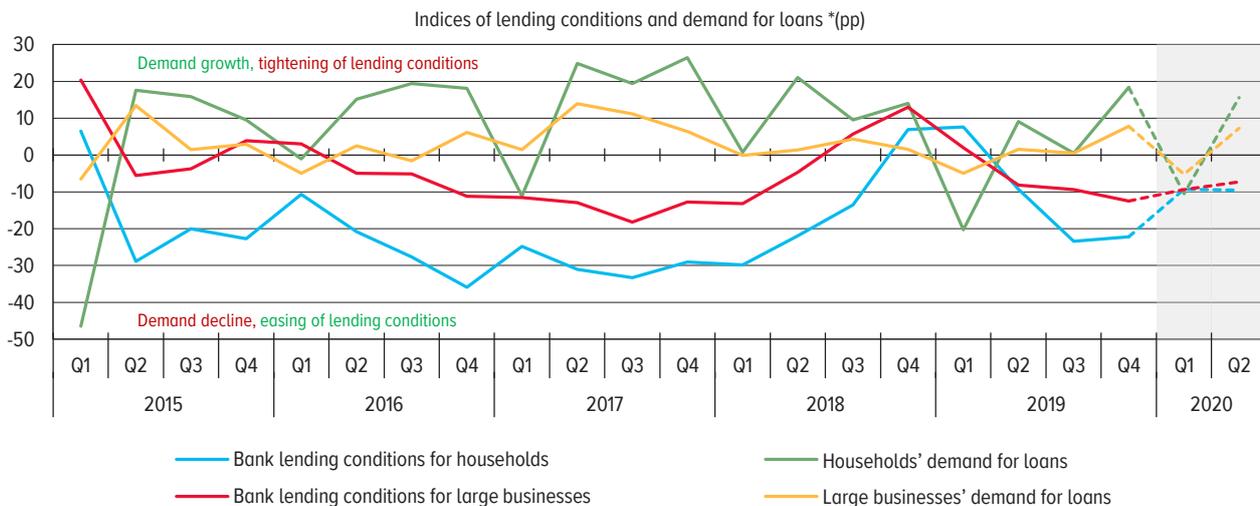
Chart 18



* For loans grouped into homogeneous loan portfolios.
Source: Bank of Russia calculations.

BANK LENDING CONDITIONS WERE EASING IN 2019 Q4, PRIMARILY OWING TO LOWER INTEREST RATES

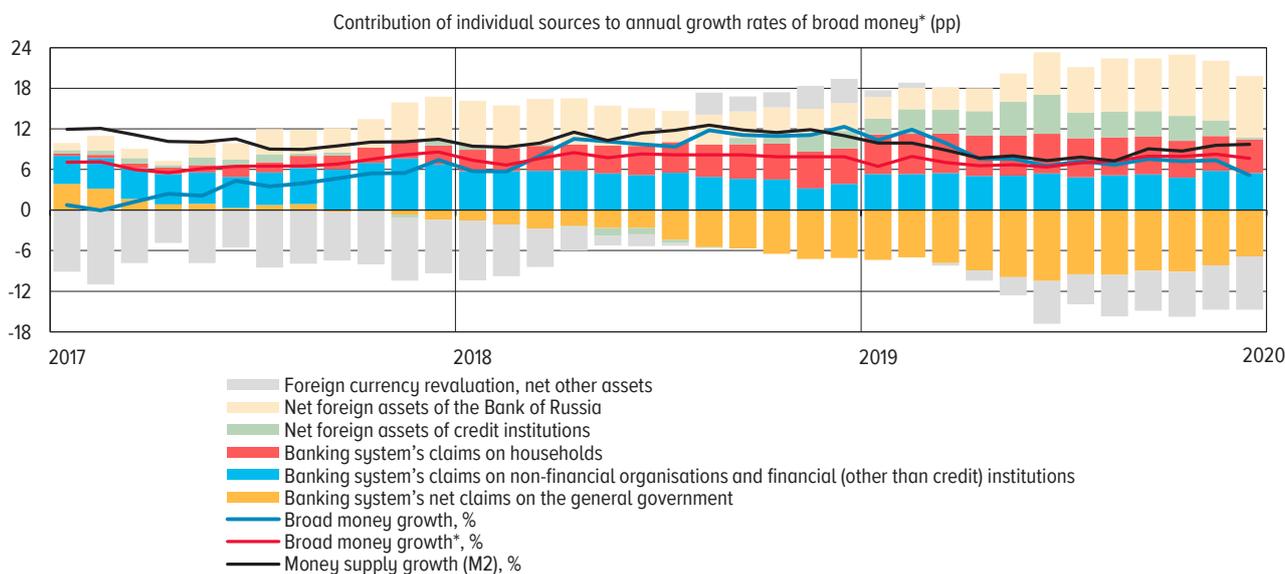
Chart 19



* The dotted lines signify banks' expectations regarding changes in lending conditions and demand for loans.
Source: Bank of Russia.

CLAIMS OF THE BANKING SYSTEM ON THE ECONOMY REMAIN THE MAJOR SOURCE OF BROAD MONEY GROWTH

Chart 20



* Adjusted for foreign currency revaluation.
Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		September 2019	October 2019	November 2019	December 2019
Rates on banks' long-term ruble transactions					
– household deposits	% p.a.	6.3	6.2	5.8	5.6
– household loans	% p.a.	12.8	12.7	12.4	12.1
– corporate loans	% p.a.	9.2	9.3	8.7	
Household deposits	% YoY, AFCR	9.4	9.2	9.8	9.8
– in rubles	% YoY	8.9	8.6	10.0	9.9
– in foreign currency	% YoY	11.3	11.7	9.6	9.8
– percentage of foreign currency deposits	%	21.1	20.9	20.6	19.6
Loans to non-financial organisations	% YoY, AFCR	3.4	4.1	4.0	4.3
– short-term (up to 1 year)	% YoY, AFCR	1.2	1.3	0.6	0.4
– long-term (more than 1 year)	% YoY, AFCR	2.1	3.0	3.1	3.2
– overdue loans	%	8.0	8.0	7.9	7.8
Household loans	% YoY, AFCR	20.7	19.7	18.6	18.5
– housing mortgage loans	% YoY, AFCR	18.3	17.3	16.4	16.9
– unsecured consumer loans	% YoY	23.4	22.6	21.1	20.8
– overdue loans	%	4.7	4.6	4.5	4.3
Banking system's claims on the economy	% YoY, AFCR	10.2	9.4	10.2	10.1
– on businesses	% YoY, AFCR	6.6	5.9	7.3	7.1
– on households	% YoY, AFCR	21.1	20.1	19.0	19.0
Money supply (monetary aggregate M2)	% YoY	9.1	8.7	9.6	9.7
Broad money	% YoY, AFCR	8.0	7.9	8.3	7.7

Note: YoY – year-over-year; AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.
Source: Bank of Russia calculations.

Data cut-off dates:

- 'Banking sector liquidity and money market' section – 11.02.2020 (The reserve requirements are an important part of the Bank of Russia's instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of the required reserves averaging periods. In January–February 2020, this period is from 15.01.2020 to 11.02.2020);
- 'Foreign exchange and stock markets' section – 31.01.2020;
- 'Credit and deposit market' section – 01.01.2020.

A soft copy of the information and analytical commentary is available on the Bank of Russia website (<http://www.cbr.ru/DKP/>).

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

Cover photo: A.V. Rummyantsev, Bank of Russia

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