



Bank of Russia



**TALKING TRENDS**  
**Economy and markets**  
*Executive summary*

Research and Forecasting Department Bulletin

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## Executive summary

### Monthly summary

- Q1 GDP grew 5.4% on an annual basis; adjusted for one additional day in the leap February of 2024, growth was 4.5–4.8%. Q1 GDP growth was higher than in 2023 Q4. Flash readings and survey data for April, even though slightly less positive, indicate continued growth of the Russian economy both in terms of household consumption and investment activity. At the same time, the disinflationary trend of previous months came to a halt in April. This is evidenced by both the overall CPI and a wide range of performance indicators. It will take a further decline in the mismatch between aggregate demand and production capabilities for disinflation trends to resume. This can only occur on the back of demand growing at a more moderate pace than in previous quarters. Accordingly, to return inflation to target, tight monetary conditions need to be maintained for a long time. Moreover, unless current price growth and inflation expectations return to a downward path, a further tightening of monetary conditions may be required to restore price stability.
  - Current economic activity and demand trends are supported by high growth rates of income, and substantial growth in lending and public demand. To reinstate the balance between aggregate demand and potential output expansion, further cooling in credit activity is needed alongside more entrenched saving behaviour of households.
  - Between April and the first half of May, seasonally adjusted growth in consumer prices was up and back to its January–February readings. The acceleration is largely driven by the underlying components of inflation. Conversely, prices for volatile goods and services in April saw disinflationary changes. Household inflation expectations were also up slightly in May, while corporate expectations held steady. Failure of disinflation to resume in the coming months may well be a sign of insufficiently tight monetary conditions needed to return inflation to target.
- Fixed-rate bonds were under pressure from mounting inflation expectations, the expectations for the high rates to remain for a long time, and from expansionary borrowing. The Russian stock market grew between April and early May on the back of benign macroeconomic statistics and upcoming dividend payments by a number of major companies. Corporate demand for market financing remains high, with overall bond placement in January–April approaching the average volumes of 2023. The ruble strengthened slightly, thanks to support from exporters selling currency earnings for large March supplies, as well as on the back of lower demand from importers in the context of continued problems with cross-border payments.