THE CENTRAL BANK
OF THE RUSSIAN FEDERATION
(BANK OF RUSSIA)

Monetary Policy Report

No. 4 • October 2013

Moscow
2013

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Many thanks in advance for your assistance.

Report is prepared on the basis of data as of 1 October 2013.

An electronic version of the information and analytical report can be found on the official website of the Bank of Russia: *http://www.cbr.ru/publ/.*

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Summary

In Q3 2013, the Bank of Russia pursued its monetary policy amid overstepped inflation targets and continuing low growth rates in the Russian economy. In view of current trends and the macroeconomic growth projections, in its meetings held over the period from August to October 2013, the Bank of Russia Board of Directors decided to maintain the stance of its monetary policy unchanged.

Statistical data for the last quarter showed some improvements in foreign economic conditions. In particular, there were signs of economic recovery in the euro area, Russia's largest trading partner, and an increase in global oil prices. The Bank of Russia anticipates a gradual increase in the growth rate of the global economy in the medium term and a reduction in the restraining effect of external factors on the Russian economy. Nonetheless, the potential for growth in oil prices in view of the combined effect of oil demand- and supply-side factors is, as expected, limited.

Domestic conditions were characterised by low growth rates in total output and the retention of a slight negative output gap. This restraining influence on the economy was caused primarily by a decline in investment activity, which was more pronounced than previously assumed. Domestic consumption remained a key driver of economic growth. In July-August 2013, movements in some indicators pointed to higher consumer activity. Future forecasts suggest a slight increase in growth rates in domestic demand and total output amid slowing inflation and continuing moderate growth rates in real wages and lending.

In 2013 Q3, the trend of slowing credit growth in the economy continued. At the same time, there was a decrease in interest rates on credit to non-financial organisations and households, while non-price lending conditions changed only marginally. On the whole, the situation in the financial markets remained stable.

Annual inflation in 2013 Q3 continued to fall and in September reached its lowest level since the start of the year – 6.1% – approaching the upper limit of the Bank of Russia's target range. Pricing trends in the foodstuff market contributed to a slowdown in inflation. There was also a gradual decline in core inflation amid the retention of a small negative output gap and the absence of any significant changes in the inflation expectations of economic agents.

According to Bank of Russia forecasts, inflation will slow in 2013, remaining within the target range, and will continue to decrease in 2014. However, to achieve inflation targets in the medium term more pronounced positive trends need to develop in inflation expectations, and as a result the Bank of Russia decided to maintain its monetary policy stance unchanged in August-October 2013. Thus, this policy allows for a reduction in inflation without creating any significant risks of a slower economic growth. According to Bank of Russia estimates, where there are marked trends of reduced inflation expectations, there is justification for a gradual decrease in the tightness of its monetary policy. Therefore, decisions will be made on the basis of a comprehensive analysis of economic conditions.

As part of the transition to inflation targeting, in September 2013, the Bank of Russia adopted a series of measures to enhance the effectiveness of the interest rate channel of the monetary policy transmission mechanism. In particular, a key rate was announced, and the borders of the Bank of Russia's interest rate corridor were finalised. In addition, to improve the functioning of the money market the Bank of Russia introduced regular auctions to provide liquidity secured by non-marketable assets at a floating interest rate for a period of three months.

I. Macroeconomic Conditions

I.1. Foreign economic conditions and exchange rate

Global economy

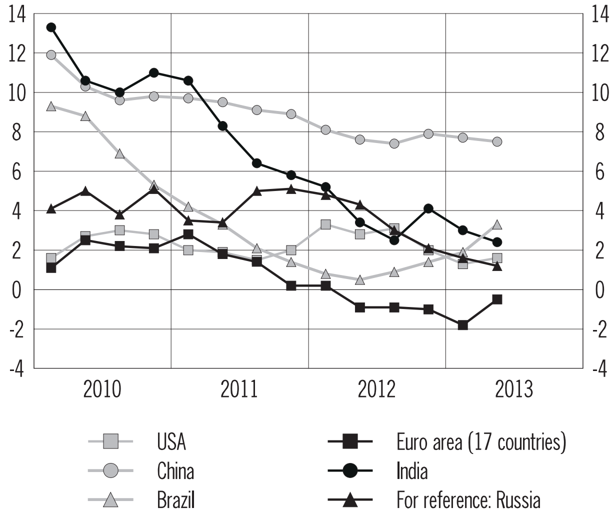
The gradual recovery of business activity in the leading developed economies facilitated the improvement of foreign economic conditions. In 2013 Q2, for the first time in seven quarters, the euro area GDP increased relative to the previous period (by 0.3%). In Q3, there was an increase in short-term business indicators in many economies, including those in the euro area, the US, and China. However, evolving external environment continues to hamper growth in the Russian economy. One of the key factors is the persistent low rates of economic growth in emerging markets, limiting demand for raw commodities and the restoration of favourable terms of trade for Russia. Furthermore, the fiscal austerity measures implemented by the governments of many developed nations continued to exert a restraining influence on increases in global economic activity.

Aggregate inflation in those trading partner nations accounting for the bulk of goods imported by Russia remained low from January to August 2013. However, from May a number of countries showed some stabilisation in their inflation rates, and some major emerging market economies witnessed growth in inflation rates (Brazil, South Africa, Turkey, and Indonesia). Against this backdrop, the number of countries continuing the easing of their monetary policy reduced. In 2013 Q3, key interest rates across the central banks of Mexico, Poland, and Hungary reduced, while rates in Brazil, India, and Indonesia witnessed increases.

In 2013 Q3, expectations of decline in the volume of the US Federal Reserve (Fed) asset purchases continued to exert a considerable influence on global financial markets. Fears of price adjustments led to a fall in investors' propensity to risk, and increased volatility of asset prices. As a result of capital outflow, the national currencies of a number of emerging markets depreciated, in particular the Indian rupee, the Brazilian real, and the Turkish lira.

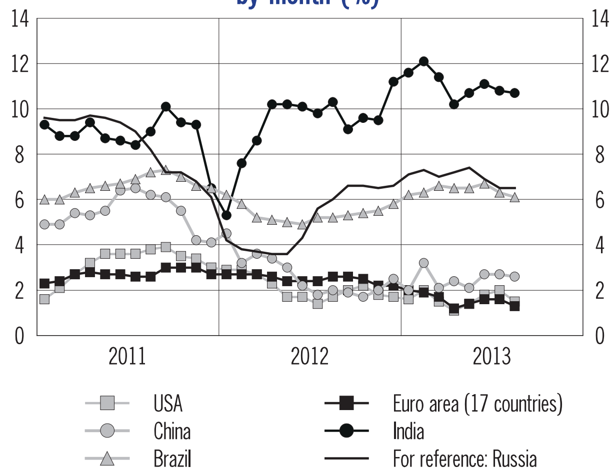
Since August, the situation in global stock markets and in the international foreign exchange market stabilised. In September, the Fed decided not to change the parameters of its monetary policy, including the volumes of its asset purchase programme. However, no significant improvements in investor sentiments occurred in

GDP growth rates in foreign economies (quarter on corresponding quarter of previous year, %)



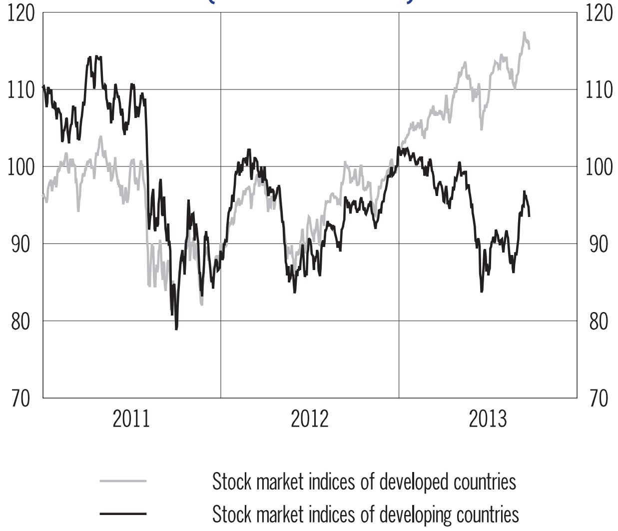
Source: national statistics agencies, Eurostat.

Inflation in foreign economies by month (%)*



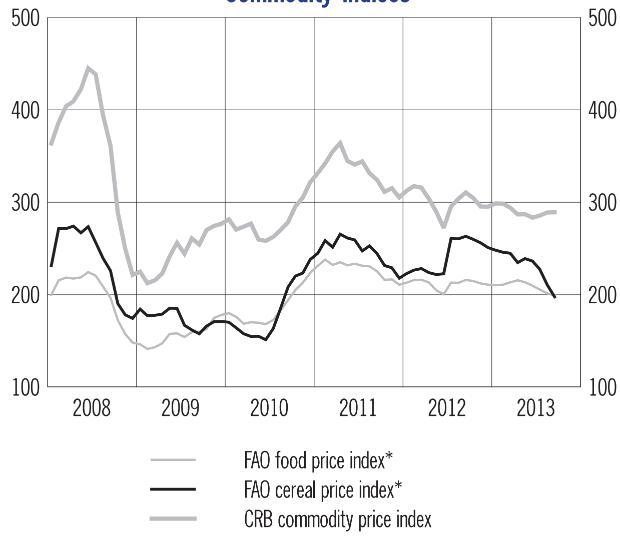
** Increase in the general level of consumer prices relative to the corresponding month of the previous year.*
Source: national statistics agencies, Eurostat.

MSCI stock markets indices by day (31.12.2012 = 100)



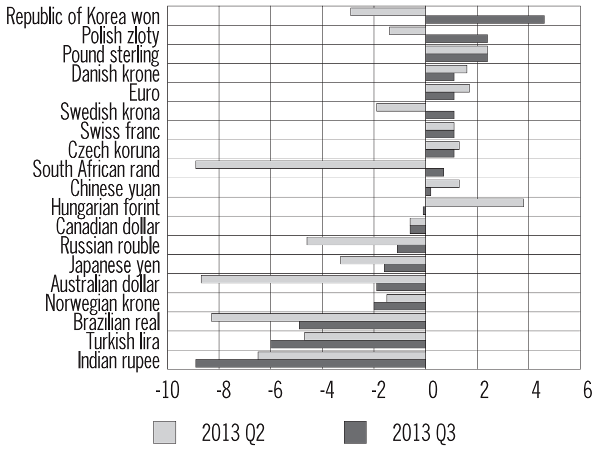
Source: Bloomberg.

Commodity indices



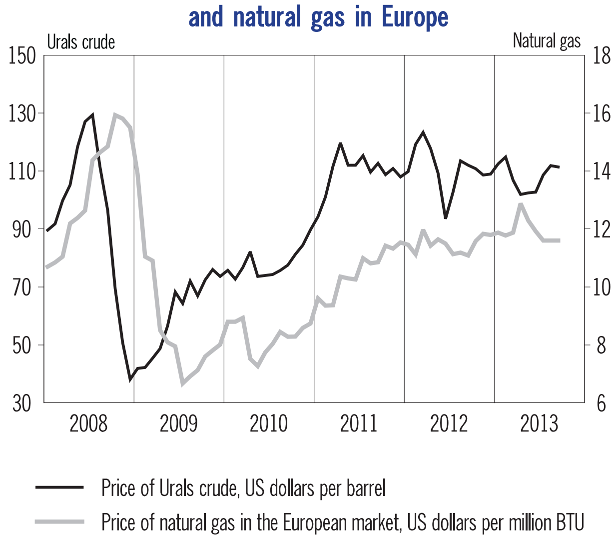
** 2002-2004 = 100.*
Source: FAO, Bloomberg.

Change in exchange rate of some currencies against the US dollar (%)*



** The average for the last month of the quarter relative to the average for the last month of the previous quarter. The sign '+' denotes appreciation of currency against the US dollar, and the sign '-' denotes its depreciation.*
Source: Bank of Russia.

Global prices for Urals crude and natural gas in Europe



Source: Reuters, World Bank.

relation to the approach of the deadline to resolve the issue of raising the legal government debt ceiling in the United States.

Commodity markets

In 2013 Q3, changes to commodity prices in the global market were shaped by continued relatively weak demand. The average value of the CRB[1] commodity market index in 2013 Q3 as compared with the previous quarter rose by 2.0% (at the same time, it was 6.1% lower than in 2012 Q3). The index growth resulted from increased energy prices, whereas prices for non-energy raw commodities and foodstuffs declined.

In 2013 Q3, oil price dynamics were largely conditioned by the risks associated with increased geopolitical tensions in oil-producing and neighbouring regions around the world. The oil price in the global market during 2013 Q3 increased for the most part and almost reached the level observed in Q1. The average price of Urals crude in 2013 Q3 increased by 8.1% on the previous quarter, from \$102.3 to \$110.6 per barrel.

Petroleum product price dynamics were generally consistent with those of oil prices. At the same time, natural gas prices in the European

[1] *This composite index of prices for commodity markets is calculated using 19 commodity futures prices.*

market in 2013 Q3 were down on the previous quarter. In the global non-ferrous metals market prices continued to decrease amid weakening demand and sustained high levels of stocks.

Against weak demand and prospects for good harvests this year, food prices in the global market largely reduced in Q3. Relative to the previous quarter, prices dropped across all of the food groups monitored by the FAO[2], which led to a reduction in the FAO food price index by 5.1% after an increase of 0.6% in the previous quarter. The largest fall in prices was observed in the cereals markets. At the same time, meat prices remained at a high level due to increased prices for certain meat categories (pork and poultry).

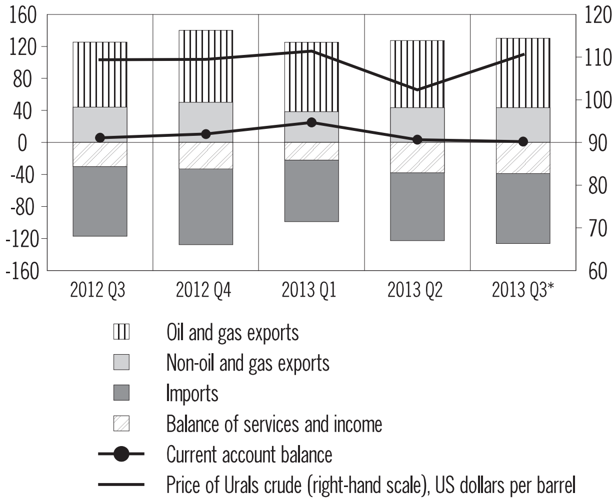
Russia's balance of payments

In 2013 Q3, the current account surplus reduced to its lowest value across comparable periods from 1999, totalling $1.1 billion. This change was caused by an increase in the deficit of the primary and secondary income balance (by 25% compared with 2012 Q3) and the services balance (by 30%), while the trade balance surplus rose (by 11%).

The increase in the trade surplus was due to increased exports (exclusively as a result of the growth in actual export quantities) combined with near static levels of imports. Together with the fall in domestic investment demand observed in the previous quarter, the trend of gradual reduction in import quantities continued.

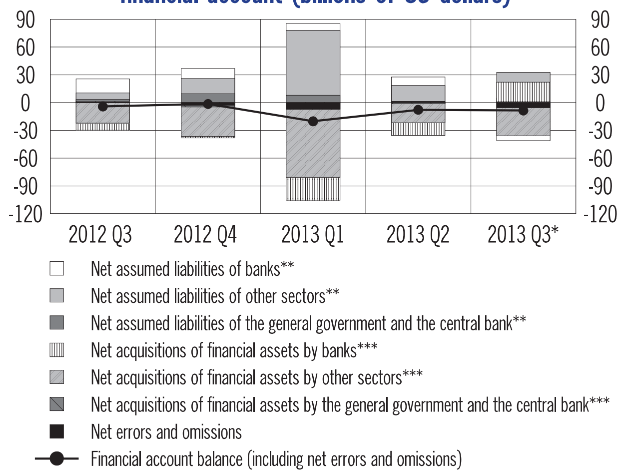
A reduction in the inflow of funds to the current account was accompanied by a slight reduction in the outflow from the financial account, the deficit of which was $3.0 billion in 2013 Q3 ($4.0 billion in the same period of 2012). For the general government in the same period there was a significant inflow of funds ($7.5 billion net) associated with non-resident acquisitions of Eurobonds issued by the Russian Ministry of Finance. This outflow of non-resident funds from current accounts and deposits, taking place in the context of worsening sentiment among international investors, was accompanied by a significant decrease in the banking sector's foreign assets, which led to an increase in the net banking capital inflow. Nevertheless, the increase in foreign assets of other sectors led to a general increase in the net private capital outflow in 2013

Major components of the balance of payments current account (billions of US dollars)



** Estimate.*
Source: Bank of Russia.

Major components of the balance of payments financial account (billions of US dollars)



** Estimate.*
*** Net assumed liabilities ('+' denotes increase, '-' denotes decrease).*
**** Net acquisitions of financial assets ('-' denotes increase, '+' denotes decrease).*
Source: Bank of Russia.

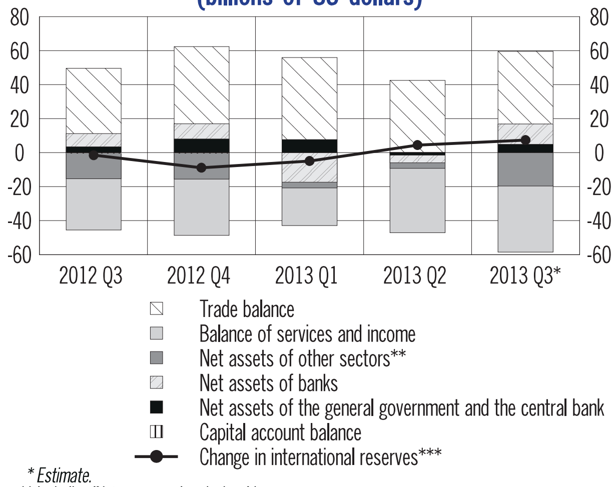
Q3, amounting to $12.9 billion ($7.9 billion in 2012 Q3)[3].

In 2013 Q3, due to operations recorded in the balance of payments, there was a reduction in the reserve assets by $7.4 billion. Such a fall was largely due to the sales of foreign exchange by the Bank of Russia in order to smooth out the volatility of the rouble exchange rate ($14.2 billion). However, given the positive revaluation, predominantly due to the exchange rate

[2] *Food and Agriculture Organisation of the United Nations.*

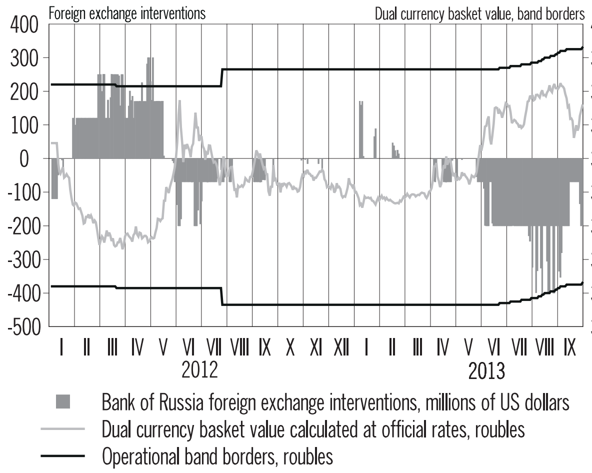
[3] *Adjusted for the value of Bank of Russia currency swaps with resident banks and funds on correspondent accounts of resident banks with the Bank of Russia, the net private capital outflow in 2013 Q3 amounted to $14.8 billion (in 2012 Q3 it was $5.7 billion).*

Major balance of payments components (billions of US dollars)



* Estimate.
** Including 'Net errors and omissions' item.
*** Increase - '-', decrease - '+'.
Note: Assets: '-' - increase, '+' - decrease.
Source: Bank of Russia.

Bank of Russia interventions in the domestic foreign exchange market and rouble value of dual currency basket



Source: Bank of Russia.

revaluation, the international reserves of the Russian Federation grew by $8.8 billion and, as of 1 October 2013, reached $522.6 billion.

Exchange rate policy

In 2013 Q3, the Bank of Russia continued to implement its exchange rate policy as part of the managed floating exchange rate regime, making sure this does not inhibit trends in the rouble exchange rate caused by the macroeconomic fundamentals.

Rouble exchange rate dynamics over the reviewed period were predominately a result of external factors. In the period from July to August 2013, there was a continued decline in investor risk appetite in global financial markets due to expected reductions in the amount of asset purchases by the Federal Reserve as part of its quantitative easing programme up to the end of this year. This led to a weakening of the rouble against major world currencies. Rising oil prices in global commodity markets, caused by an increase in geopolitical tension in the Middle East in the second half of August 2013, restrained the rouble depreciation. Following the announcement on 18 September 2013 by the Federal Open Market Committee that it would postpone the exit from the aforementioned accommodative policies indefinitely, the majority of emerging market currencies, including the Russian rouble, rallied against the US dollar.

At the end of the reporting period, the value of the dual currency basket increased by 1.0% compared to 1 July 2013, and as of 1 October 2013, was valued at 37.43 roubles. The Bank of Russia sold foreign exchange in the domestic market over the period from 1 July to 30 September 2013 to the amount of $14.2 billion.

In accordance with Bank of Russia exchange rate policy mechanism, in July-September 2013, the borders of the operational band were adjusted, leading to an upward shift of 60 kopecks. As of 1 October 2013, the lower and upper borders of the band were 32.3 and 39.3 roubles respectively. In order to increase the flexibility of its exchange rate policy mechanism, from 9 September 2013 the Bank of Russia reduced the total value of accumulated interventions leading to a 5-kopeck shift in the operational band from $450 million to $400 million. Moreover, from 1 October 2013 adjustments were made to the exchange rate policy mechanism, which require determining the parameters of Bank of Russia foreign exchange purchases and sales in the domestic currency market with account of Federal Treasury operations to replenish and spend sovereign foreign exchange funds.

To further increase the flexibility of the exchange rate policy mechanism and to proceed to the gradual transition to the floating exchange rate regime by 2015, from 7 October 2013 the Bank of Russia symmetrically expanded the 'neutral' range of the floating operational band of permissible values in roubles of the dual currency basket (where no exchange rate interventions take place) from 1.00 to 3.10 roubles, at the same time keeping the width of the operational band unchanged. In addition, to increase the FX policy transparency and enhance its understanding by economic agents, the Bank of Russia widened the range of disclosed information on the parameters and implementation of Bank of Russia FX policy (this material can be accessed on Bank of Russia website in the 'Monetary Policy' section, the 'Bank of Russia FX policy' subsection).

I.2. Financial sector

Money market

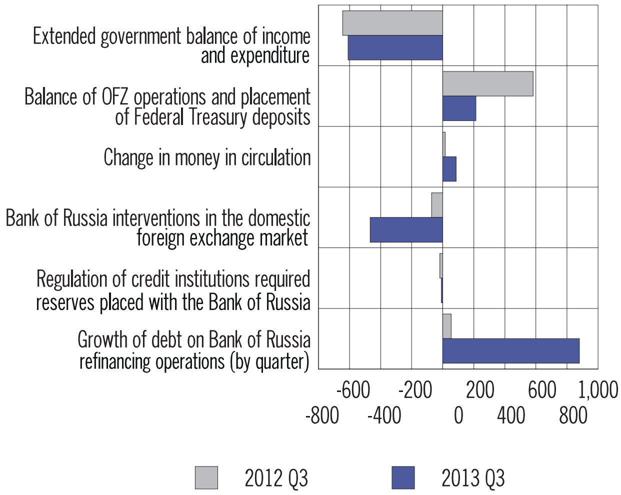
The liquidity of the banking sector exerted a controlling influence on shaping money market activity in 2013 Q3. From July to September 2013, owing to the effects of autonomous factors, liquidity supply in the banking sector dropped by 785.0 billion roubles, leading to a significant growth in demand from credit institutions for refinancing by the Bank of Russia. The budget flows had a decisive effect on the liquidity situation (liquidity absorption totalled 644.4 billion roubles[1]) together with the Bank of Russia's intervention in the domestic foreign exchange market amid the rouble weakening under the influence of external factors (totalled 467.9 billion roubles). Smoothing out the effects of budget flows on banking sector liquidity was in part assisted by the placement of temporarily free funds of the federal budget on deposits with credit institutions (net placements amounted to 274.5 billion roubles) together with funds from the Russian Federation Pension Fund (net placements amounted to 35 billion roubles). Operations with government securities had no material impact on banking sector liquidity.

Changes to the amount of money in circulation as a result of seasonal factors and a general medium-term slowing of demand for cash in July-September 2013 had a moderate impact on banking sector liquidity (liquidity inflows amounted to 87.0 billion roubles). Demand from credit institutions for liquidity on correspondent accounts with the Bank of Russia in 2013 Q3 remained almost unchanged compared with the previous period and totalled 858.3 billion roubles on average.

In view of the impact of the above factors shaping banking sector liquidity, credit institution's debt to the Bank of Russia on refinancing operations increased for Q3 from 2.3 to 3.2 trillion roubles. The money market interest rate remained in the upper part of Bank of Russia interest rate corridor. The average MIACR on overnight interbank rouble loans for the quarter was 6.14% p.a., compared with 6.29% p.a. in the previous quarter. The volatility of money market interest rates remained moderate. The spread between the rates, which reflected borrowing by participant groups with different credit ratings (MIACR-IG versus MIACR-B), did not exceed 15 basis points for the majority of the quarter, which suggests that market participants continue to assess the credit risk of interbank operations as low.

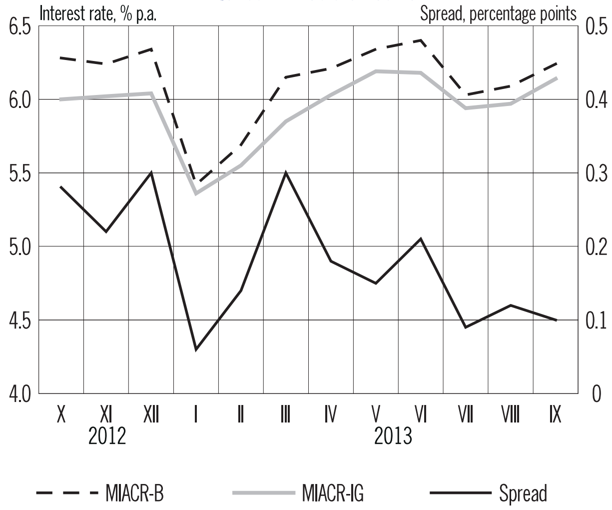
[1] *Excluding operations with federal government bonds (OFZ), and changes to Federal Treasury deposits and Russian Federation Pension Fund deposits.*

Factors shaping banking sector liquidity (billions of roubles)



Source: Bank of Russia.

Spread of rates on overnight interbank rouble loans



Source: Bank of Russia.

In 2013 Q3, participants' activity remained on a par with the previous quarter in the main segments of the money market. The turnover of interbank operations continued to be dominated by unsecured loans (deposits) and currency swaps with a low share of repos. As before, the bulk of operations in the money market were represented by overnight deals. The share of money market instruments in the assets of the Russian banking sector remained low. The volume of claims on interbank loans and deposits placed in the domestic market totalled 1.88 trillion roubles at the beginning of September 2013 (3.5% of the total asset value of Russian banks).

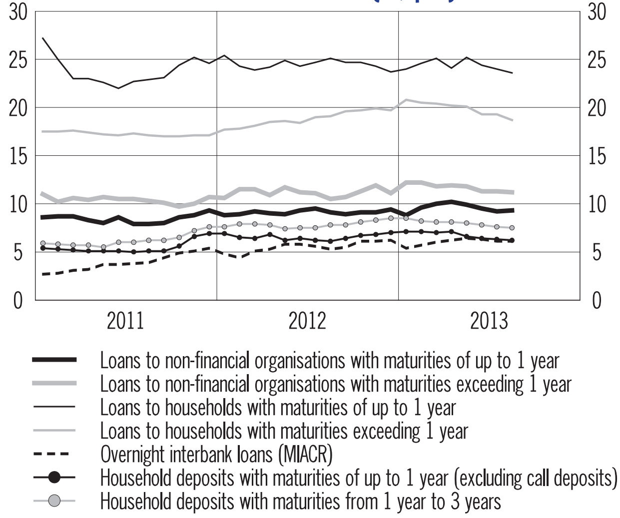
Bank interest rates and non-price lending conditions

In July-August 2013, there were continuing trends of a gradual decline in interest rates on rouble loans to non-financial organisations. Interest rates on rouble loans to households, including mortgages, reduced reaching their lowest level since the beginning of 2013. Interest rates on household rouble deposits in January-August 2013 also decreased for the most part.

In 2013 Q3, the change in non-price bank lending conditions in all segments of the Russian loan market was negligible relative to the previous quarter[2]. Individual banks continued to tighten requirements to the financial standing of borrowers and loan security, primarily due to changes in the financial position of companies in the real sector. However, banks expanded the range of credit products, and increased maturities and the amount of loans. Banks assessed demand for loans as moderate, with the largest growth coming from households and small and medium businesses. According to their estimates, 2013 Q4 is expected to bring a relaxation of household lending conditions, whereas for large corporate borrowers bank lending conditions may become somewhat stricter.

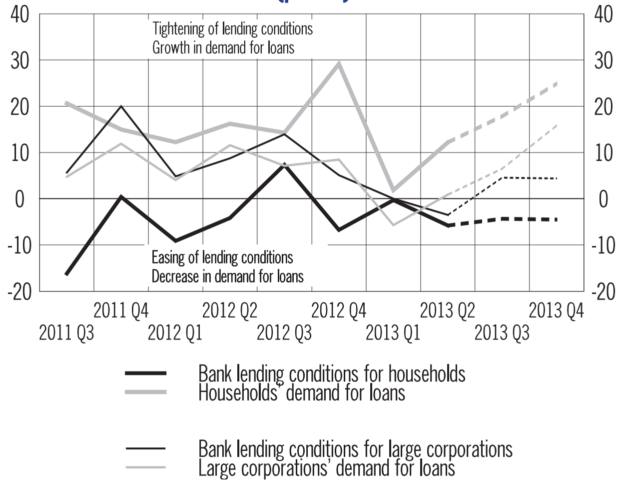
[2] *Bank lending conditions are evaluated on the basis of a quarterly survey of credit institutions carried out by the Bank of Russia. The assessment methodology was published in the 'Bank of Russia Bulletin' No. 68 (1311) dated 14 December 2011 (p.11). The results of surveys are published on the Bank of Russia website in the 'Information and Analytical Materials' section ('Financial Markets' subsection). See also the Glossary.*

Nominal interest rates on rouble operations of credit institutions (%, p.a.)



Source: Bank of Russia.

Lending conditions index (points)



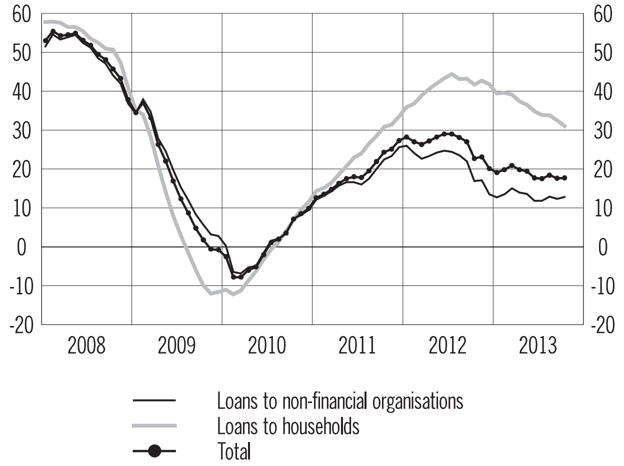
Source: Bank of Russia.

Bank lending and monetary aggregates

Developments in lending volumes in 2013 Q3 show persistent trends towards slowing growth in lending. As of 1 October 2013, the annual rate of growth of the total outstanding loans to non-financial organisations and households stood at 17.7%, compared with 19.1% in early 2013. The significant difference that remained between the annual growth rates of outstanding loans to households and non-financial organisations continues to be characteristic of the current situation (31.0% and 12.8% respectively, as of 1 October 2013).

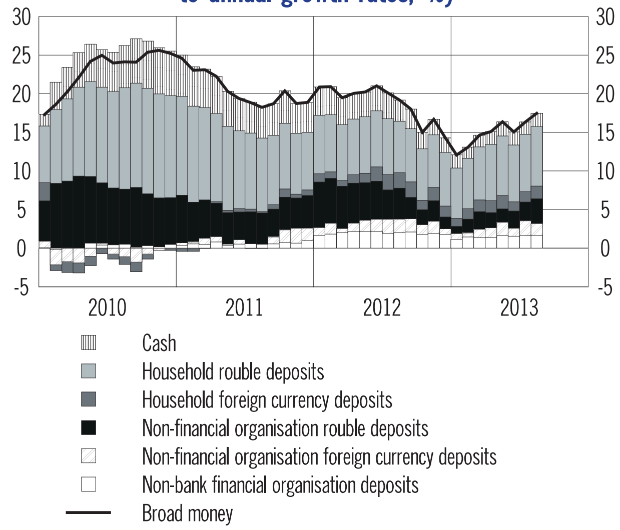
In the face of declining investment activity and deteriorating financial environment, non-

Loans to non-financial organisations and households in roubles and foreign currency (growth as % of corresponding date of previous year)



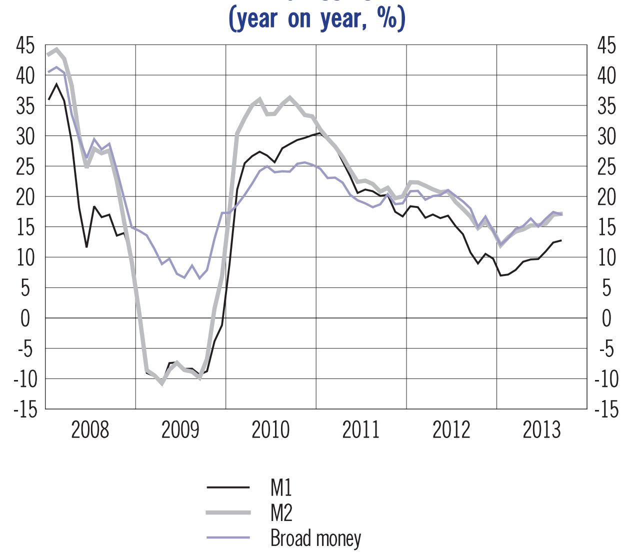
Source: Bank of Russia.

Broad money (contributions by various components to annual growth rates, %)



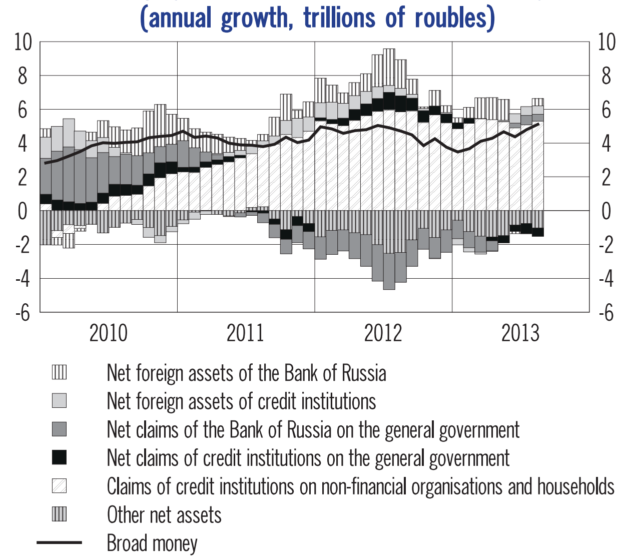
Source: Bank of Russia.

Monetary aggregates (year on year, %)



Source: Bank of Russia.

Banking system basic assets and broad money (annual growth, trillions of roubles)



Source: Bank of Russia.

financial organisations were largely building up a portfolio of short-term loans for their current activities; however, the share of loans with maturities of up to one year in the structure of the corporate loan portfolio was still significantly less than loans with maturities exceeding one year. Broken down by sector these were predominately loans to wholesale and retail trade organisations, in addition to manufacturing enterprises. The most noticeable increase in outstanding loan volume was registered in loans to construction companies, however their share of the total corporate loan portfolio remained low (approximately 8%).

The rate of growth in outstanding loans to households in 2013 Q3 fell slightly, caused in part by the tightening of the Bank of Russia's requirements to the procedure of their provisioning and accounting when calculating the capital adequacy ratio. The volume of retail loans with maturities of up to one year grew more rapidly in Q3 than loans with maturities exceeding one year. However, the share of long-term loans, including mortgages and car loans, accounted for over 80% of the retail loan portfolio.

For the bigger part of 2013 the annual growth rate of the M2 monetary aggregate increased and reached 17.1% as of 1 September 2013. In Q3, the largest contribution to the increase in money supply came from rouble deposits of households and non-financial organisations. In 2013, the level of dollarisation of deposits[3] did not undergo any significant changes and, as of 1 September

[3] See the Glossary.

2013, stood at approximately 20%. The annual broad money growth was similar to the M2 growth.

Lending activity remained the main source of growth for money supply. The increase in the annual growth rate of money supply was mainly due to the less sizeable accumulation of extended government funds (compared with the previous year) on Bank of Russia accounts. In the absence of any substantial changes to the budget policy it may be assumed that the trend of higher money supply growth rates is temporary and in the medium term it will not have any significant macroeconomic impact. Inflation risk indicators do not suggest any material threats to price stability from monetary factors.

Asset prices and debt market

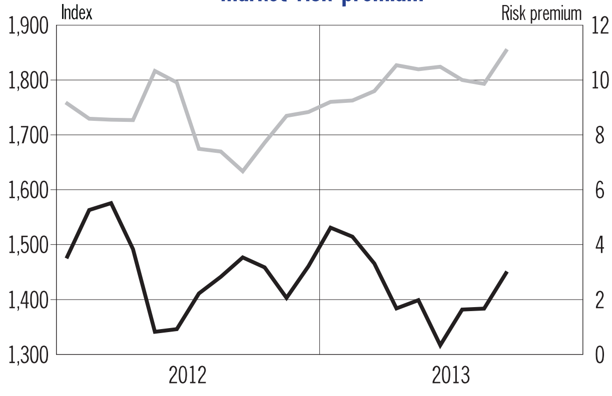
In 2013 Q3, the situation in key segments of the domestic financial market was shaped by changes to investor sentiment regarding the global capital market, their interest in rouble assets and Bank of Russia decisions concerning its interest rate policy.

The volatility of Russian equity price indices fell slightly compared with 2013 Q2. In the secondary stock market, July and September saw an influx of capital from foreign investors. The Russian equity market portfolio risk premium[4] changed only negligibly in comparison with the previous quarter. At the end of September, the MICEX and RTS indices rose (by 9.9% and 11.5% respectively) compared with end-June.

In the domestic bond market, Q3 saw some reduction in yields. At the end of September 2013, OFZ yields fell relative to the end of June 2013 by 25 basis points to 7.3% p.a., and the yield of corporate bonds dropped by 30 basis points to 8.0% p.a. Fluctuations in global finance market sentiment to a greater extent influenced the dynamics of OFZ market indicators rather than the dynamics of corporate bond indicators, leading to greater volatility of the former due to the larger share of foreign investors in this segment.

The possibility of using debt instruments in refinancing operations with the Bank of Russia bolstered demand for them[5]. Credit institutions kept in their portfolios large quantities of bonds from the Bank of Russia's Lombard list (worth more than 4 trillion roubles). The volume of securities sold by issuers in the primary market in Q3 dropped relative to Q2: by 5% in the OFZ market (to 168.4 billion roubles at par value) and by 6% in the corporate bonds market (to 334.6 billion roubles at par value). In the secondary market the volume of OFZ operations reduced by 36% in Q3 compared with Q2 to 1.2 trillion roubles, whereas the volume of operations with corporate bonds rose by 2% to 1.6 trillion roubles at actual cost.

MICEX index and equity market risk premium*



** Portfolio of equities included in the calculation of the MICEX index.*
*** Average monthly indicator.*
Source: Moscow Exchange, Bloomberg, Bank of Russia calculations.

Rouble bond yields in the domestic market (%, p.a.)

Source: Cbonds.ru, Moscow Exchange.

[4] *See the Glossary.*

[5] *In September 2013 more than two thirds of bond issues traded on the Moscow Stock Exchange were on the Bank of Russia's Lombard list.*

I.3. Internal economic conditions

Real sector

The dynamics of key macroeconomic indicators are suggestive of continuing low economic activity. According to Bank of Russia estimates, under the influence of weak foreign demand and slowing domestic demand in 2013 Q2-Q3, a small negative output gap[1] formed amid a reduction of annual growth rates in potential output to 2%.

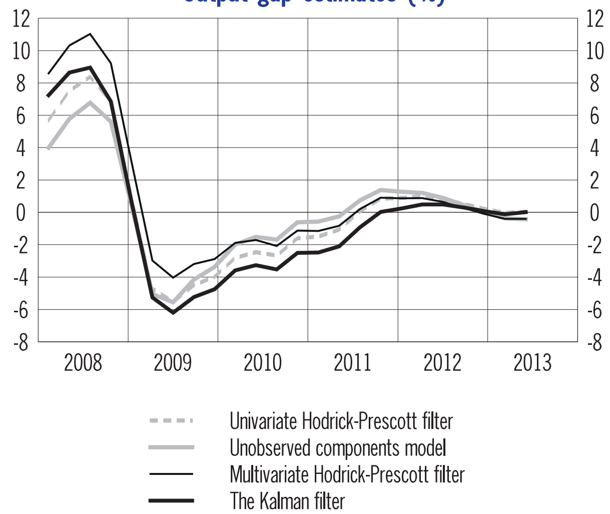
In 2013 Q2, GDP growth rate decreased to 1.2% year on year (from 1.6% in the previous quarter), primarily due to a reduction in production volume in manufacturing and construction. Moreover, there was a slowing of output growth in economic sectors such as real estate, financial activity, and the wholesale and retail trade which, as in the previous quarter, made a major contribution to growth in GDP.

Along with the decline in production activity in Q2, investment in fixed capital fell, leading to the negative contribution of the gross capital formation to GDP growth by component use. The most significant reductions in investment rates were observed in the fuel and energy sector and the electricity, gas and water production and distribution (the share of which accounts for nearly one third of all investments made by large and medium-sized enterprises), which to a certain extent is due to the completion of a number of large projects and the uncertainty associated with the potential implementation of new investment programmes. Also, a substantial negative contribution to GDP growth, as in the previous quarter, was made by a reduction in inventories amid worsening manufacturers' expectations with regard to demand dynamics.

Consumer activity remained the main driver of economic growth, despite a slight slowdown in the growth of household final consumption expenditure during this period. In addition, a positive contribution to output growth came from net exports, which was due both to an increase in exports and a slowdown in import quantities against the backdrop of declining domestic investment demand and rouble depreciation.

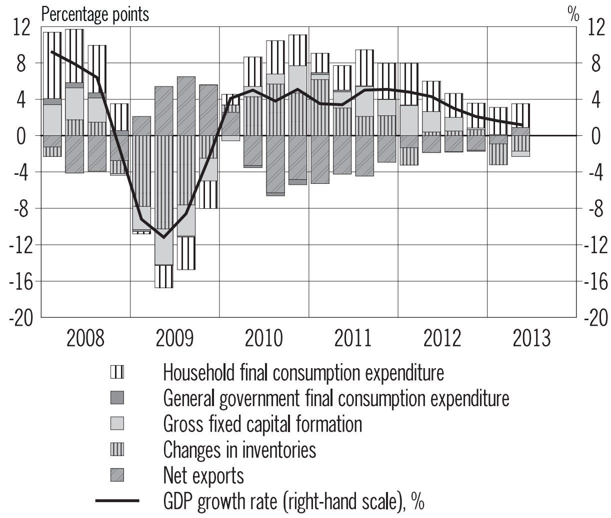
Macroeconomic indicators for July to September 2013 suggested continuing low growth rates in the Russian economy. In August, for a fourth consecutive month there was a decline in output in manufacturing accompanied by instability in industrial output volumes as a whole. The utilisation of production factors fell slightly, but remained at a high level, pointing to limited capacities for increase in output for

Output gap estimates (%)



** The approaches differ in the set of indicators used when estimating the output gap and in structural prerequisites.*
Source: Bank of Russia calculations.

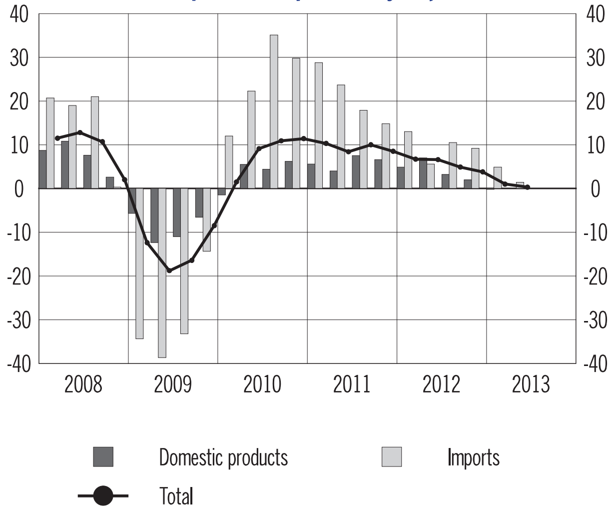
GDP growth structure by element of use (percentage points)



Source: Bank of Russia calculations, Rosstat.

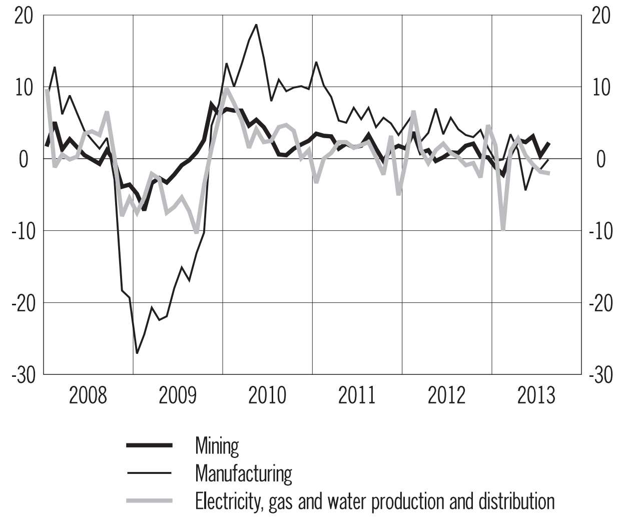
[1] *Further details on the method used to assess the indicator can be found in the box 'Output gap indicator' in Monetary Policy Report No. 1.*

Domestic demand (growth as % of corresponding quarter of previous year)



Source: Bank of Russia calculations, Rosstat.

Industrial production by activity type (growth as % of corresponding month of previous year)



Source: Rosstat.

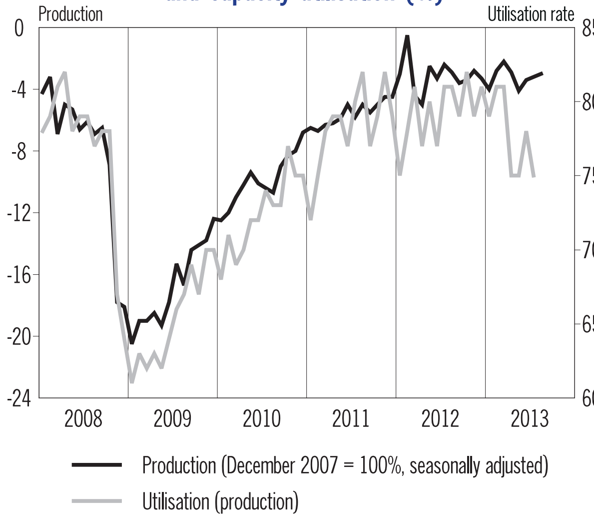
goods and services over the short-term horizon. Against this backdrop, the outlook of producers' sentiment in mining and manufacturing continues to dampen. According to business leaders, among the most dominant factors constraining output growth were high taxation levels and insufficient demand for products in the domestic market (in manufacturing) and in the foreign market (in mining).

With these continuing high levels of uncertainty over the further development of economic situation and the worsening financial performance of businesses (especially in manufacturing and trade), July to August saw no noticeable improvement in fixed capital investment dynamics. Business activity in construction also remained low which, according to the survey of the business activity of construction firms, is due in particular to high taxation and client insolvency.

Despite persisting weak economic activity, the level of labour force utilisation remained high due to zero growth in numbers among the economically active population. Following the growth in unemployment (seasonally adjusted) in 2013 Q2, July to August saw some reduction. At the same time, in July and August there was some acceleration in the growth of real wages.

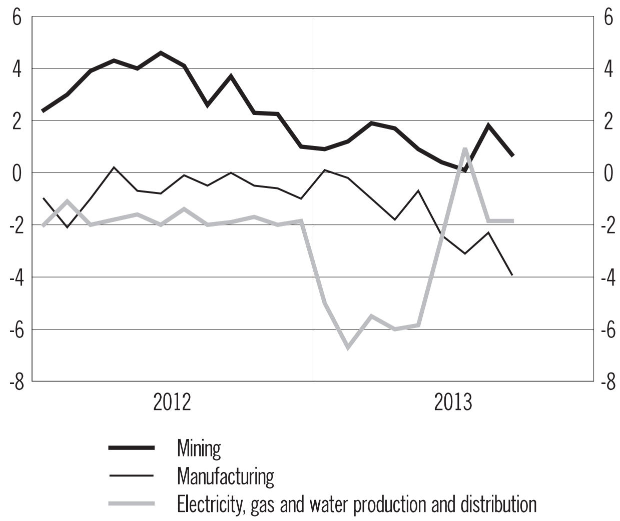
The stable situation in the labour market, together with sustained moderately high annual growth rates in retail lending in July-August 2013, facilitated the increase of the annual growth rate of retail trade turnover. In addition, this period

Industrial production growth and capacity utilisation (%)



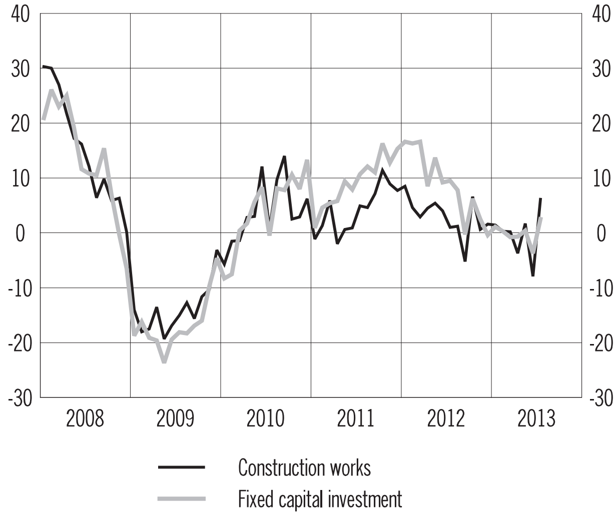
Source: Rosstat, Bank of Russia calculations, Russian Economic Barometer.

Business confidence indices by activity type (growth as % of corresponding month of previous year)



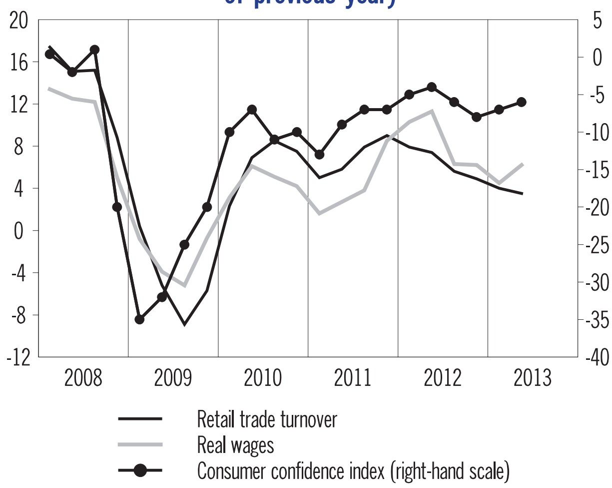
Source: Rosstat.

Fixed capital investment and construction works (growth as % of corresponding month of previous year)



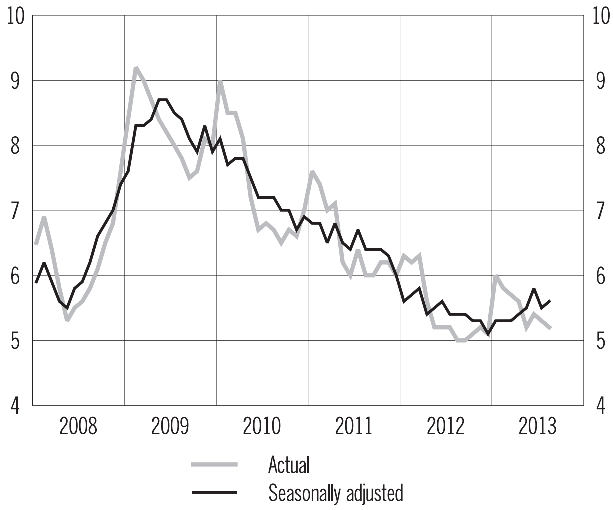
Source: Rosstat.

Real retail trade turnover, real wages and consumer sentiment (growth as % of corresponding quarter of previous year)



Source: Rosstat.

Unemployment rate (number of unemployed by the ILO, as % of economically active population)



Source: Bank of Russia calculations, Rosstat.

witnessed an increase in the average monthly growth rate of household consumer spending in real terms (seasonally adjusted) compared with April-June 2013. Despite a slight improvement in consumer activity indicators, the consumer confidence index dropped slightly in Q3 following an upward path in the first half of 2013.

Budget policy

According to Federal Treasury data, based on the results of the extended government budget execution over the period from January to July 2013, expenditure was at 34.8% of GDP, while non-interest expenditure stood at 34.1% of GDP. Compared with the same period in 2012, the growth in both cases amounted to 0.3% of GDP. This is due to more even spending of budget funds over the year.

Amid the reduction in the revenue side of the budget, the extended government budget surplus for January-July 2013 reduced by 2.1 GDP percentage points year on year, amounting to 2.0% of GDP. The non-oil and gas primary deficit rose by 1.0 percentage point to 7.2% of GDP.

Forecasts suggest that at the end of 2013 the extended government budget will run at a deficit of 1.0-1.5% of GDP, in contrast to 2012, where there was a surplus. This trend can be explained by the forecasted reduction both of oil and gas and non-oil and gas budget revenue, while budget expenditure is expected to be at 2012 levels. The value of the structural non-oil and gas primary deficit in 2013, according to estimates, will increase relative to 2012 (it is expected to grow by 0.5-1.0 percentage point to 10.0-10.5% of GDP). Thus, there may be some positive effect on the growth of aggregate demand from the general government sector in 2013. Moreover, amid the expected formation of a small negative output gap in 2013, the budget policy easing reflects its countercyclical nature[2].

The assessment of the state of public finances in Russia, calculated using a fiscal stress indicator[3], allows conclusions to be drawn on this high short-term sustainability, despite a possible minor increase in fiscal risk in 2013.

[2] *See the Glossary. For further details see Vlasov S. 'Russian fiscal framework: Past, present and future. Do we need a change?' BOFIT Online 2011, No. 5.*

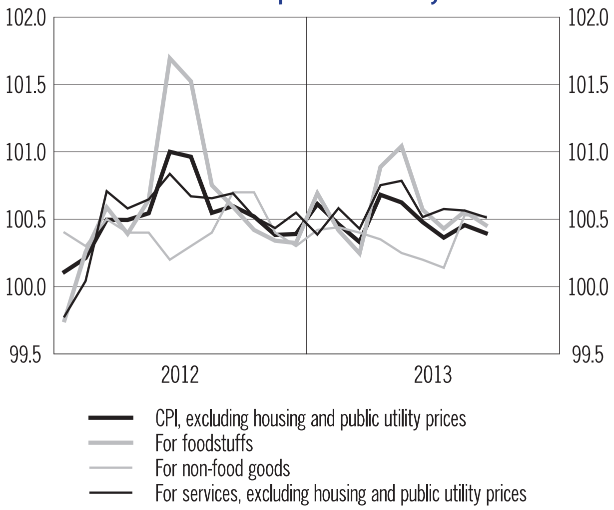
[3] *See the Glossary.*

I.4. Inflation

In 2013 Q3, the annual inflation rate continued to fall and in September reached 6.1%, its lowest level since the start of the year, nearing the 5-6% upper border of the 2013 target range set by the 'Guidelines for the Single State Monetary Policy in 2013 and for 2014 and 2015'. The greatest contribution to the slowdown in annual consumer price inflation continued to come from changes in prices for foodstuffs which, among other things, occurred as a result of the favourable base effect of the previous year.

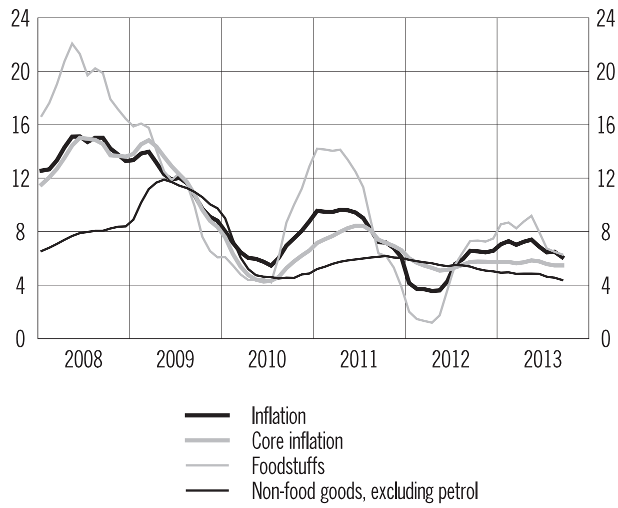
The overall increase in the consumer price index for Q3 was lower than for the previous quarter, with the monthly growth rate in consumer prices (excluding prices for housing and public utilities[1]) for the period July-September displaying stable trends, while remaining below the average level throughout Q2. The effect of the indexation of administered prices and tariffs for the services of infrastructure activity types introduced on 1 July 2013 made a perceptible contribution to the total increase in consumer prices. At the same time, in September 2013, the annual increase in prices for these services dropped due to the difference in the 2012 and 2013 indexation schedules of administered prices and tariffs. In 2013 Q3, there was a slower growth in food prices amid positive data on current and projected harvests of major agricultural crops. The overall growth rates

Price indices (seasonally adjusted, as % on previous month)



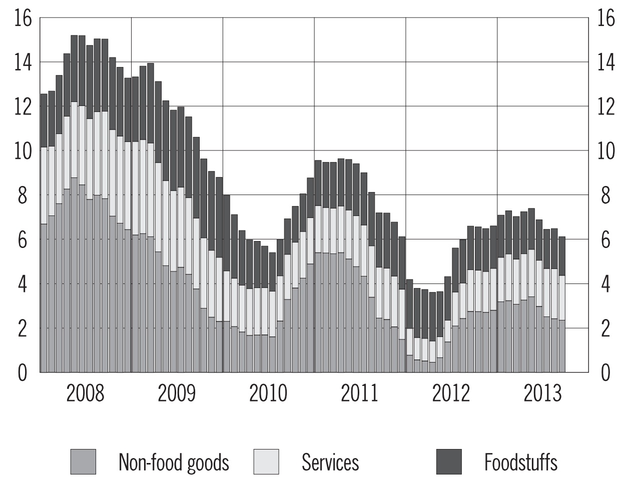
Source: Rosstat, Bank of Russia calculations.

Prices for consumer goods and services (month on corresponding month of previous year, %)



Source: Rosstat, Bank of Russia calculations.

Contribution to inflation (month on corresponding month of previous year, %)



Source: Rosstat, Bank of Russia calculations.

[1] *This section discusses growth rates of prices for a month in relation to the previous month, and their seasonally adjusted values. Data reported by Rosstat are provided in Tables 1 and 2 of the Appendix. Last year's change in the schedule for the annual indexation of housing and public utility services prices and tariffs does not make it possible to correctly eliminate the seasonality in various inflation series and growth rates for the service prices, which is why the price growth indicator of the consumer basket, adjusted by this component, can be considered more representative.*

of non-food goods prices changed very little in Q3, with the rate of inflation on non-food goods (excluding petrol) dropping.

On the whole, the observed price dynamics reflect the continuing neutral impact of general economic factors on inflation. The retention of a small negative output gap exerted a minor restraining effect on inflation dynamics with economic agents' inflation expectations not showing any significant changes. Against this backdrop, the pro-inflation effect of the rouble depreciation which took place over 2013 Q2-Q3 primarily affecting non-food goods and services, including tourism, remained limited.

II. Economic development prospects and risk assessment

II.1. Economic development prospects

In the period up to the end of 2013 and in 2014, weak foreign demand will continue to restrain the Russian economy growth, but in the medium term the negative effects will gradually diminish. Despite a slight increase in the forecast for economic growth in the euro area (Russia's largest consolidated trading partner), the negative output gap in the region is still expected to remain[1].

In addition, the slow growth rates forecasted for the global economy and the high level of global stocks for many industrial products, as well as the lack of reasons for a rise in oil prices, are limiting the potential growth of prices for Russia's main export commodities. As a result, as before, it is projected that oil prices will remain close to current levels, in the range of $95-$105 per barrel over the next three years.

The low level of business activity, as expected, will call for the continuation of an accommodative monetary policy among foreign central banks. According to consensus forecasts, monetary policy rates in the euro area and the United States will remain at record low levels until the end of 2014. At the same time, in Russia's major trading partners no appreciable pro-inflation effect from the continuation of accommodative policies is expected.

In 2013 Q3, actual foreign inflation was lower than anticipated. Consensus forecasts of this indicator for end-2013 were also reduced. There are still grounds, therefore, to believe that in the absence of further price shocks in the global markets and significant changes in the rouble exchange rate upward pressure on consumer prices in Russia from imported inflation will remain negligible.

In 2013 Q3, GDP compared with the corresponding quarter of the previous year may increase by 1.5-1.8% and in Q4 by – 1.8-2.2%. This acceleration in GDP growth will largely be due to a significant positive contribution from agriculture.

It is expected that a moderate negative output gap will persist in 2014 as a result of several factors. Primarily, it is due to a weak foreign demand and the lack of improvement in the terms of trade, linked to the absence of prerequisites for an increase in oil prices. At the same time, the rouble depreciation observed in 2013 Q3 and the increase in oil prices suggest that the value of the negative output gap may be less than previously assumed. It is expected that the output gap will reduce in future, in which case a significant acceleration in economic growth rates in the medium term is not forecasted. Current estimates of potential output suggest that with the existing structural limitations, its annual growth rates in the medium term may stay around 2.0-2.5% (see the box 'Evaluations of potential output growth rates in Russia').

In the short term, the main factor in reducing the rate of inflation will continue to be the food price dynamics caused by good harvests this year in Russia as well as in the rest of the world. With the gradual decline in core inflation it is highly probable that, without any further shocks in the food market before the end of this year, inflation will be within the target range (5-6%). The risks of exceeding this range are not high at present. This downward trend in inflation is likely to continue in 2014.

In the medium term, the monetary policy will be directed at driving inflation towards its target values (5.0% in 2014, 4.5% in 2015, and 4.0% in 2016). In the first half of 2013, one of the main factors indicating that an easing of the monetary policy stance would be ill-advised was inflation expectations. In future, a reduction in inflation expectations should assist in reinforcing the slowing of inflation trends. Consumer survey results show that 2013 Q3 witnessed some

[1] *According to European Commission and IMF estimates, the output gap will be negative until the end of 2016.*

Evaluations of potential output growth rates in Russia

One of the methods used by the Bank of Russia to evaluate potential output growth rates[1] is a multivariate structural filter using a broad set of indicators characterising economic activity, monetary conditions and foreign sector environment. According to current estimates, potential growth rates are around 2.0-2.5%. A similar evaluation method, but with a different set of structural assumptions is used, in particular, by IMF specialists. IMF estimates of potential growth for Russia, published in the World Economic Outlook report for October 2013, put forward a case for a slowdown in economic growth rates in BRICS nations in 2011-2013. IMF calculations correlate with the results obtained by the Bank of Russia and show a decrease in the potential output growth rate in Russia in 2013.

IMF experts have concluded that the observed slowdown in aggregate output in Russia may be due to both cyclical and structural factors (a slowdown of potential output growth rates), such as insufficient infrastructure development, an unfavourable investment climate, and a low level of economic diversification. At the same time, IMF experts consider cyclical factors to be more significant and mention such factors as the downturn in the commodities market, the shrinking of monetary and fiscal accommodative programmes, and lower global demand for Russian exports. Therefore, the halt in rising oil prices is, according to the logic of this study, mainly a cyclical factor, whereas the Bank of Russia also views it as a fundamental factor limiting potential output growth.

[1] Potential output means the level of output corresponding to stable inflation (see also the Glossary). This definition may differ from definitions used in other works. For more details on the evaluation of potential output growth rates at the Bank of Russia see the box 'Output gap indicator', in Monetary Policy Report No. 1.

deterioration in consumer sentiment and the lack of significant changes in short-term inflation expectations[2]. Calculations based on financial market data suggest that short-term inflation expectations of its participants are gradually declining, but remain at an elevated level. The consensus inflation forecast for 2013 by Reuters based on the results of a survey of experts from late September to early October was lowered to 5.8% (from 6.0% in June), and Interfax lowered its forecast to 6.1% (from 6.2% in June).

In future, if more positive trends in inflation forecasts continue to evolve, a gradual reduction in the tightness of the interest rate policy may be possible.

[2] See 'Household inflation expectations' in the 'Monetary policy' section on Bank of Russia official website (Russian version of the website).

II.2. Risk assessment

The medium-term inflation forecast, which reflects a delay in the impact of monetary policy on economic processes, plays a key role in Bank of Russia decision-making on its policy stance. The Bank of Russia currently foresees a number of risks which could lead to off-target deviations in inflation forecasts and to the formation of imbalances in the macroeconomic and financial sectors, which in turn could influence the future stance of the monetary policy. Should inflation deviate from the target level, the need to react in terms of monetary policy will be assessed based upon the nature of the shock, the risks of it spreading to inflation expectations, and medium-term inflation forecasts.

At present, the main uncertainty lies with inflation components which are influenced primarily by non-monetary factors. A good harvest this year does not give rise to talk about additional inflation risks from foodstuff price inflation over the next six months. At the same time, due to adverse weather conditions the situation developing with the sowing of winter crops may have a negative impact on agricultural yields and food prices in the coming year[1]. According to estimates, the increase in inflation, should this risk occur, and its possible resulting deviation from the target value will remain within the specified permissible range (1.5 percentage points up or down). Given the short-term nature of this supply-side shock, rising inflation will only spur monetary policy response if the growth brings about an increase in medium-term inflation expectations.

There remains some uncertainty over the scope of influence that changes to tariff policy can have on inflation. On the one hand, the decision to index administered prices and tariffs for households in 2014 in line with the inflation value for the previous year adjusted by a reduction factor of 0.7 will significantly decrease the direct contribution of administered prices and tariffs to consumer price inflation. On the other hand, in addition to the direct impact of changes to tariff policy on administered prices secondary effects could occur in the prices of other inflation components and the exchange rate.

The Bank of Russia sees the preservation of low investment activity amid high economic uncertainty as a source of risk of a further slowdown in economic growth in the medium term. This trend could limit the economy's capacity in the long term, creating prerequisites for its slowdown without any increase in downward pressure on inflation. Should such risks occur the easing of monetary policy to restore business activity would be ineffective as it would have a short-term effect, could increase volatility in output and inflation, and would not provide a basis for a stable and long-term growth.

[1] According to Russian Ministry of Agriculture data, as of 30 September 2013, almost one third less winter crops were sowed compared with the same date of the previous year.

III. Implementation of Bank of Russia monetary policy

III.1. Key monetary policy decisions

Based on a comprehensive analysis of current economic trends, an assessment of economic growth prospects and the risks of inflation deviating from its target, over the period from August to October 2013, the Bank of Russia did not change its monetary policy stance as well as interest rates on the main instruments.

Dynamics of the main macroeconomic indicators point to continued low growth rates in the Russian economy and a small negative output gap. According to Bank of Russia estimates, in the medium term the main source of economic growth will continue to be consumer activity supported by a downturn in inflation and by retail lending. At the same time, low investment activity and the slow recovery of foreign demand will continue to restrain growth in the Russian economy. As a result, no material broadening of the negative output gap is anticipated.

In 2013 Q3, the annual growth rate of consumer prices was above the upper border of the target range, sitting at 6.1% in September. However, decreasing trends were prevailing, largely due to a slowing of growth in foodstuff prices. The reduction in the rate of inflation was also supported by a lack of demand-driven inflationary pressure amid aggregate output somewhat lower than potential levels.

According to Bank of Russia estimates, with the preservation of current macroeconomic trends and taking into account the improving situation in the food market in view of favourable harvest data for major crops, inflation will slow in 2013, remaining within the target range, and will continue to decline in 2014. However, to achieve the inflation target in the medium term, more pronounced positive trends in inflation expectations need to be created.

Under these circumstances, in order to achieve a trade-off between inflation risks and the risks of slowing economic growth in the medium term, the Bank of Russia maintained its monetary policy stance unchanged in August-October 2013.

III.2. Changes to the system of instruments and other monetary policy measures

To effectively manage interest rates in the money market and successfully implement monetary policy the Bank of Russia needs to have in place an efficient system of interest rate policy instruments – one that is clear to all market players. In this regard, in September 2013, the Bank of Russia made a range of decisions to improve the system of monetary policy instruments: it introduced a key rate, finalised borders of the interest rate corridor, and also adopted a number of other decisions directed at strengthening the effectiveness of the interest rate channel of its monetary policy transmission mechanism.

In line with the decision by the Bank of Russia Board of Directors, with effect from 16 September 2013, the maximum interest rate on one-week auction-based deposit operations was set at the minimum interest rate of one-week auction-based liquidity provision operations. The single interest rate for one-week auction-based liquidity provision (absorption) operations was declared a key rate of the Bank of Russia and a primary indicator of its monetary policy. The Bank of Russia plans to adjust its refinancing rate to match the key rate level by 1 January 2016. Prior to this date it will only be of secondary importance as time is needed to amend regulatory acts and agreements concluded by economic subjects which make use of the refinancing rate.

The Bank of Russia Board of Directors also decided to reduce interest rates on overnight loans and loans secured by non-marketable assets or guarantees to the level of interest rate on other overnight liquidity provision standing facilities. This decision completed the creation of Bank of Russia interest rate corridor borders, which are rates of Bank of Russia overnight liquidity provision and absorption standing facilities The borders of the interest rate corridor are symmetric relative to Bank of Russia key rate, and in the event of any changes to this rate they will automatically shift by the same amount. The width of the interest rate corridor is 2 percentage points which, according to Bank of Russia estimates, is optimal for limiting the volatility of money market interest rates, while maintaining incentives to redistribute funds in the interbank market.

Given the projected increase in demand for refinancing operations over the medium term, the Bank of Russia Board of Directors decided to supplement its system of instruments with auctions to provide loans secured by non-marketable assets at a floating interest rate for three months. These operations will be carried out on a regular basis (quarterly). Bank of Russia key rate will be used as the floating component when calculating their value, with the minimum spread on the key rate set at 0.25 percentage points. Compared to 12-month floating-rate loan auctions, such three-month floating-rate loan auctions will allow credit institutions to use a wider range of collateral[1]. This will contribute to the partial decrease of the market collateral received by the Bank of Russia for liquidity provision operations, thereby improving the functioning of the money market. Likewise, floating-rate loan auctions will enable the Bank of Russia to intensify its interest rate policy signal due to the fact that the change in its key rate will be translated into changes in the cost of funds previously extended by the Bank of Russia to credit institutions.

In September 2013, the Bank of Russia Board of Directors also announced a number of upcoming changes to the system of monetary policy instruments. In particular, from 1 February 2014, the Bank of Russia will cease daily overnight repo auctions. Bank of Russia main operations to manage liquidity will continue to be one-week repo auctions. This will contribute to a more active distribution of funds in the interbank market and an increase in the effectiveness of liquidity management by credit institutions. In addition, the Bank of Russia will use one- to six-day auction-based repo operations as 'fine-tuning' instruments. The Bank of Russia will make prompt decisions to conduct such operations if it needs to offset any significant changes in banking sector liquidity levels as a result of autonomous factors or changes to liquidity demand from credit institutions. From this date all standing facility operations for maturities of more than one

[1] Credit institutions will be able to use promissory notes and credit claims with maturities less than 12 months, which make up a significant share of bank assets.

Interest rates on main Bank of Russia operations (%, p.a.)

<table>
<tr><th rowspan="2">Purpose</th><th rowspan="2">Type of instrument</th><th rowspan="2">Instrument</th><th rowspan="2">Maturity</th><th colspan="2">Rate from:</th></tr>
<tr><th>11.06.2013</th><th>16.09.2013</th></tr>
<tr><td rowspan="5">Liquidity provision</td><td rowspan="3">Standing facilities
(at fixed interest rates)</td><td>Overnight loans</td><td>1 day</td><td>8.25</td><td rowspan="3">6.50</td></tr>
<tr><td>Repos, currency swaps (rouble leg), Lombard loans, loans secured by gold</td><td>1 day</td><td>6.50</td></tr>
<tr><td>Loans secured by non-marketable assets or guarantees</td><td>1 day</td><td>6.75</td></tr>
<tr><td rowspan="2">Auction-based operations
(minimum interest rates)</td><td>Loan auctions secured by non-marketable assets</td><td>3 months</td><td>—</td><td>5.75*</td></tr>
<tr><td>Repo auctions</td><td>1 day, 1 week</td><td>5.50</td><td rowspan="2">5.50</td></tr>
<tr><td rowspan="2">Liquidity absorption</td><td>Auction-based operations
(maximum interest rates)</td><td>Deposit auctions</td><td>1 week</td><td>5.00</td></tr>
<tr><td>Standing facilities
(at fixed interest rates)</td><td>Deposit operations</td><td>1 day, on demand</td><td>4.50</td><td>4.50</td></tr>
<tr><td colspan="6">For reference:</td></tr>
<tr><td colspan="4">Refinancing rate</td><td>8.25</td><td>8.25</td></tr>
</table>

** Floating interest rate linked to Bank of Russia key rate.*

day will be suspended, in addition to Lombard auctions (for all maturities) and repo auctions for three and 12 months. It is possible that the Bank of Russia may from time to time conduct auctions for 12-month loans secured by non-marketable assets or guarantees.

As a result of the above changes, the system of interest rate instruments outlined above will form the basis for Bank of Russia operational procedures.

III.3. Bank of Russia operations to regulate banking sector liquidity

A key element in the implementation of Bank of Russia monetary policy is its operations to regulate banking sector liquidity. The Bank of Russia maintains the total banking liquidity at a precautionary level which guarantees compliance with required reserve ratios, and ensures that the payment needs of credit institutions are fulfilled together with their demands for liquid funds. The process of managing banking sector liquidity, predominantly carried out by means of open market operations, in addition to guaranteeing the proper functioning of the money market and uninterrupted settlements and payments, is aimed at keeping overnight money market rates close to the Bank of Russia's key rate.

2013 Q3 saw substantial growth in demand from credit institutions for Bank of Russia refinancing operations, while the volume of liquidity absorption operations remained low. The Bank of Russia's gross credit over the period under review increased by 0.9 trillion roubles to 3.2 trillion roubles[1].

The Bank of Russia's main liquidity provision operations were primarily repo auctions. The average outstanding debt on such operations in July-September 2013 increased by 0.3 trillion roubles, with its maximum level reaching 2.6 trillion roubles.

Credit institutions continued to use one-week repo auctions as their main source of obtaining liquidity from the Bank of Russia. The average volume of funds supplied through this instrument in 2013 Q3 was 1.8 trillion roubles, marking an increase of 0.4 trillion roubles compared with the previous quarter. At the same time, the average amount of funds provided by the Bank of Russia through overnight repo auctions decreased by 60.1 billion roubles compared with the previous quarter, totalling 256.9 billion roubles.

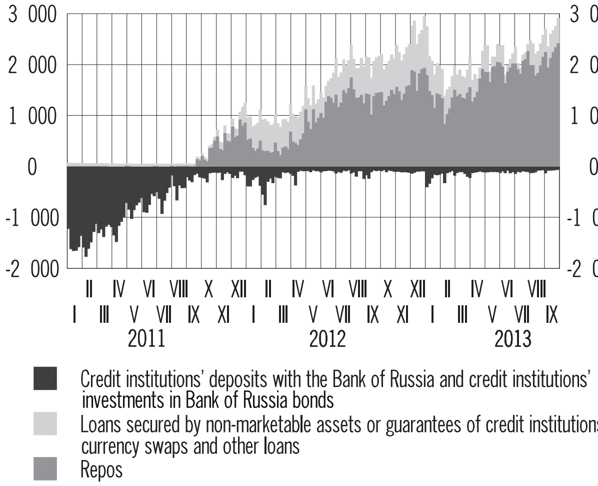
Credit institution demand for repo auctions with longer maturities still remained low. By the end of 2013 Q3, the debt of credit institutions on three-month repo operations dropped from 57 to 30 billion roubles, and on one-year repo auctions – to zero.

The increased demand of credit institutions for Bank of Russia refinancing operations and the fact that some banks did not have any securities eligible to be used as collateral for repo transactions with the Bank of Russia, as well as the inadequate distribution of liquidity in the Russian money market, caused sustained demand from credit institutions for standing facility operations. Out of these, the most popular continued to be currency swaps and loans secured by non-marketable assets or guarantees.

The average value of currency swaps on dealing days in 2013 Q3 amounted to 60.3 billion roubles (in Q2 it was 97.6 billion roubles). The demand for such operations from credit institutions primarily occurred in periods of increased demand for rouble liquidity from individual money market participants, including in relation to tax payments. In July-September 2013, the proportion of currency swaps carried out over the last ten days of each month in the overall value of operations totalled 84.7% (in Q2 it was 68.5%).

The average debt on fixed-rate loans secured by non-marketable assets or guarantees fell from 169.9 billion roubles in 2013 Q2 to 82.1 billion roubles in 2013 Q3. Due to the inclusion into Bank of Russia system of instruments of auctions to provide three-month loans secured by non-

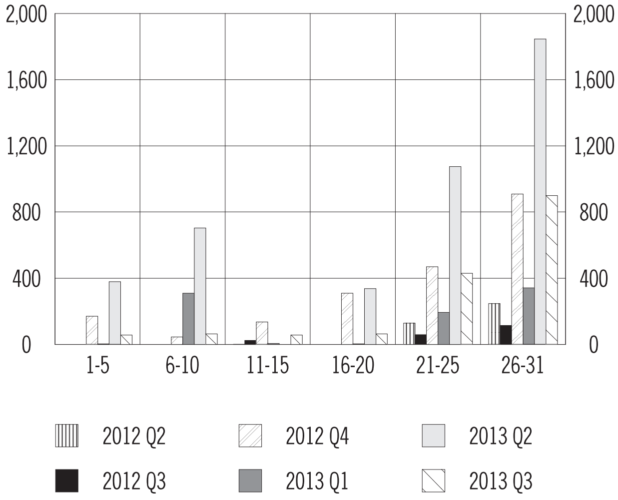
Bank of Russia gross credit to credit institutions* and liabilities on absorption operations (billions of roubles)



*Excluding subordinated loan to Sberbank and Bank of Russia deposits placed with credit institutions.
Source: Bank of Russia.

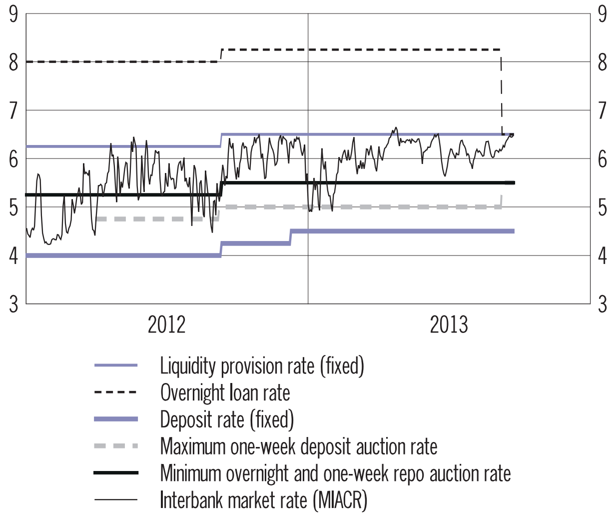
[1] Excluding subordinated loans to Sberbank and Bank of Russia deposits placed with credit institutions.

Bank of Russia currency swap operations - intramonth activity distribution (billions of roubles)



Source: Rosstat, Bank of Russia calculations.

Interest rates on main Bank of Russia operations and overnight MIACR (%, p.a.)



Source: Bank of Russia.

The forecast of liquidity-forming factors

Banking sector liquidity level from 2013 Q4 to 2014 Q1 will be largely shaped by changes in the balances of the extended government's accounts with the Bank of Russia and the volume of cash in circulation.

In October 2013, the excess of budget revenue over expenditure (excluding OFZ operations and changes in the deposits of the Federal Treasury), including as a result of quarterly tax payments, may lead to an outflow of liquidity from the banking sector of approximately 0.2 trillion roubles. However, from November to December 2013, in line with the seasonal increase in budget expenditure, it is expected that there will be an inflow of liquidity into the banking sector of 1.4 trillion roubles.

In 2013 Q4, due to the need to fund government expenditure, it is expected that there will be a reduction in the volume of funds placed by the Federal Treasury, budgets of constituent territories of the Russian Federation, and extra-budgetary funds in deposits with credit institutions.

According to Bank of Russia estimates, from October to December 2013, the general increase in cash in circulation as a result of the traditional seasonal factors will lead to an absorption of liquidity from the banking sector of around 0.8 trillion roubles.

The direction and scale of the impact on liquidity from Bank of Russia foreign exchange interventions will depend on developments in the domestic foreign exchange market.

At the beginning of 2014, the structural demand of the banking sector for refinancing from the Bank of Russia is likely to continue (structural liquidity deficit), but it is expected that there will be a slight decline due to the inflow of a substantial amount of funds through the budget channel at the end of 2013. In addition, the seasonal decline in the volume of cash in circulation, which is characteristic for the beginning of the year, will also lead to a substantial inflow of funds into the banking sector in this period.

marketable assets, at floating interest rates close to Bank of Russia key rate, it is expected that there will be a decline in credit institutions' demand for fixed-rate funds secured by non-marketable assets and guarantees.

In July-September 2013, the volume of other fixed-rate refinancing (Lombard loans, overnight loans, loans secured by gold, as well as repo operations) remained negligible.

On 29 July 2013, the Bank of Russia held an auction to provide to credit institutions loans secured by non-marketable assets or guarantees[2] with a 12-month term at a floating interest rate. The volume of funds provided through this loan auction amounted to 306.8 billion roubles. The 12-month floating-interest-rate loan auction made it possible to release part of marketable assets pledged to the Bank of Russia and to

[2] *In accordance with Bank of Russia Regulation No. 312-P, dated 12 November 2007, 'On the Procedure for Extending Bank of Russia Loans Covered by Assets or Guarantees to Credit Institutions'.*

reduce the burden on key marketable refinancing instruments.

In 2013 Q3, money market rates were in the upper half of Bank of Russia interest rate corridor. The average MIACR on one-day interbank loans in roubles reduced by 0.2 percentage points to 6.1% compared with the previous quarter. The average deviation of the MIACR from Bank of Russia key rate reduced from 0.79 to 0.64 percentage points.

2013 Q4 is expected to see continued high demand from credit institutions for Bank of Russia refinancing operations (see the box 'The forecast of liquidity-forming factors'). Due to the traditional growth of budget expenditure it is likely that credit institution demand for refinancing from the Bank of Russia will fall towards the end of the year.

The potential volume of money that can be borrowed by credit institutions through Bank of Russia instruments is sufficient to satisfy the liquidity needs of the banking sector. The volume of securities and assets available to credit institutions and accepted as collateral on Bank of Russia operations, as of 1 August 2013, amounted to about 5.5 trillion roubles (approximately 3/4 are securities, and 1/4 are non-marketable assets[3]). The maximum rate of utilisation of market collateral in 2013 Q3 reached 80% compared with 70% in the previous quarter. In view of the changes in Bank of Russia system of instruments (in particular, supplementing it with auctions for the provision of loans secured by non-marketable assets at floating interest rates) it is expected that there will be a fall in the market collateral utilisation rate, which will improve the money market functioning.

[3] *Loan agreements and claims which underwent Bank of Russia verification procedure and may be accepted as collateral on Bank of Russia loans.*

Glossary

Autonomous factors shaping the liquidity of the banking sector

Changes in the balance-sheet of a central bank which affect the liquidity of the banking sector, but are not the result of central bank operations to manage liquidity. These autonomous factors include changes in cash in circulation, changes in extended government account balances with the Bank of Russia, Bank of Russia operations in the domestic foreign exchange market (excluding operations regulating banking sector liquidity), as well as changes to the value of required reserves of credit institutions as a result of changes to their obligations.

Averaging of required reserves

The right of a credit institution to meet ratios set by the Bank of Russia on required reserves by maintaining a share of required reserves equal to the averaging ratio on a correspondent account with the Bank of Russia during a specified period.

Banking sector liquidity

Credit institutions' funds held in correspondent accounts with the Bank of Russia to carry out payment transactions and to comply with the Bank of Russia's reserve requirements.

Bank lending conditions index

A generalised indicator of changes to bank lending conditions, as calculated by the Bank of Russia based on the results of a quarterly survey among leading Russian banks operating in the credit market as follows: (proportion of banks reporting a significant tightening of lending conditions, as a percentage) + 0.5 x (proportion of banks reporting a moderate tightening of lending conditions, as a percentage) − 0.5 x (proportion of banks reporting a moderate easing of lending conditions, as a percentage) − (proportion of banks reporting a significant easing of lending conditions, as a percentage). Measured in percentage points.

Bank of Russia interest rate corridor (interest rate corridor)

The basis of Bank of Russia interest rate system. The interest rate corridor is structured as follows: the centre of the corridor is set by the Bank of Russia's key interest rate; the upper and lower borders are symmetric relative to the key interest rate, and are determined on the basis of overnight standing facilities (deposit facilities and refinancing facilities).

Bank of Russia key interest rate

Interest rate on main operations of the Bank of Russia to manage banking sector liquidity. A key monetary policy indicator.

Broad money (monetary aggregate M2X)

Includes all of the components of the monetary aggregate M2 and foreign currency deposits of residents of the Russian Federation (organisations and individuals) placed in operating credit institutions.

Consumer price index (CPI)

The CPI tracks changes over time in the overall price level of goods and services purchased by households for private consumption. It is calculated by the Federal State Statistics Service and is measured as the ratio *of the value of a fixed set of goods and services at current prices to the value of the same set of goods and services at prices of a previous (reference) period. The CPI is calculated on the basis of data on the actual structure of consumer spending and is therefore one of the key indicators of household living costs.*

Core inflation

Inflation as measured on the basis of a core consumer price index (CCPI). The difference between the CCPI and the consumer price index (CPI) lies in the CCPI calculation method, which excludes a change in price for individual goods and services subject to the influence of administrative and seasonal factors (fruit and vegetables, fuel, passenger transportation services, communications services, and the majority of housing and public utility services).

Countercyclical currency

A currency which conventionally demonstrates appreciation in periods of instability in global markets and/or recession in the global economy. Specifically, this category of currencies includes the US dollar, Japanese yen, and Swiss franc.

Countercyclical (stabilising) fiscal policy

A tightening of fiscal policy in a period of economic 'boom' and easing in a period of economic downturn. In the opposite scenario the policy would be described as procyclical. As an indicator characterising a phase of the economic cycle, the change in the size of the annualised output gap is used, whereas the tightness of the fiscal policy is determined by shifts in the structural non-oil and gas primary deficit.

'Currency swap' operation

A deal which consists of two legs: one party to the deal initially exchanges a certain amount in a domestic or foreign currency for an equivalent amount in another currency provided by the second party to the deal. Then, once the deal term has expired, the parties reverse-convert the currency (in the corresponding volumes) at a predetermined rate. Currency swaps are used by the Bank of Russia to provide credit institutions with refinancing in roubles.

Dollarisation of deposits

Share of foreign currency deposits in total deposits in the banking sector.

Dual currency basket

Operational indicator of the exchange rate policy of the Bank of Russia expressed in the national currency (in roubles) and made up of US dollars and euros (effective since February 2005). The rouble value of the dual currency basket is calculated as the sum of 0.55 US dollars and 0.45 euros in roubles (effective since 8 February 2007).

Fiscal stress indicator

An approach developed by experts at the IMF using an aggregate early crisis warning indicator, calculated on the basis of studies of signals from three complementary clusters of indicators: primary budget indicators; long-term budget trends; and, asset and liability management (a total of 12 indicators). For each indicator a threshold is calculated, which, if exceeded, signals the threat of a crisis in the following year (a signal strength is also estimated, i.e. its weight in the fiscal stress indicator). For more details see the methodology in: Baldacci E., McHugh J., Petrova I., 'Measuring Fiscal Vulnerability and Fiscal Stress: A Proposed Set of Indicators'. IMF Working Paper, No. 94, 2011 and Baldacci E., Petrova I., Belhocine N., Dobrescu G., Mazraani S., 'Assessing Fiscal Stress'. IMF Working Paper, No. 100, 2011.

Floating exchange rate regime

Under this regime the exchange rate of the domestic currency is determined predominantly under the influence of market factors, and its path is not predictable. The central bank does not set targets for *the level of, or changes to, the exchange rate. In this case, the central bank conducts foreign exchange interventions to smooth out any excessive exchange rate fluctuations not associated with fundamental factors.*

Floating interest rate on Bank of Russia operations

An interest rate tied to the key interest rate of the Bank of Russia. If the Bank of Russia Board of Directors decides to change the key interest rate for loans previously provided at a floating interest rate the interest rate applied will be adjusted in line with the change to the key rate with effect from the corresponding date.

Free credit institution reserves

These include balances of correspondent accounts in the currency of the Russian Federation and of deposit accounts of credit institutions with the Bank of Russia, as well as credit institutions' investments in Bank of Russia bonds.

Funds on extended government's accounts

Funds on accounts with the Bank of Russia representing funds of the federal budget, the budgets of constituent territories of the Russian Federation, local budgets, government extra-budgetary funds and extra-budgetary funds of constituent territories of the Russian Federation and local authorities.

Generalised (composite) consumer confidence index

Calculated by Rosstat on the basis of quarterly surveys, as an arithmetical mean value of five indices: occurred and expected changes in personal wealth; occurred and expected changes in the economic situation in Russia; and, the favourability of conditions for high-value purchases. Partial indices are calculated by drawing up the balance of respondents' estimates (as a percentage). The balance of estimates is the difference between the sum of shares (as a percentage) of decisively positive and 1/2 of the rather positive answers and the sum of shares (as a percentage) of negative and 1/2 of the rather negative answers. Neutral answers are not taken into account.

Gross credit of the Bank of Russia

Includes loans extended by the Bank of Russia to credit institutions (including banks with revoked licences), overdue loans and overdue interest on loans, funds provided by the Bank of Russia to credit institutions through repos and currency swaps.

Inflation targeting regime

A monetary policy framework where the central bank's main aim is to guarantee price stability. Under this regime a quantitative inflation target is set and announced. The central bank is responsible for achieving this target. Typically, under an inflation targeting regime, the monetary policy may affect the economy through interest rates. Decisions are made primarily on the basis of economic forecasts and inflation dynamics. An important aspect of this regime is the practice of offering regular explanations to the public of decisions adopted by the central bank, which guarantees its accountability and transparency.

Interest rate corridor

See Bank of Russia interest rate corridor.

Monetary aggregate M2

Total amount of cash in circulation and cashless funds of non-financial and financial (excluding credit) organisations and individuals who are residents of the Russian Federation in on-demand accounts and time deposit accounts opened in the banking system in the currency of the Russian Federation.

Monetary policy stance

The characteristics of a monetary policy's impact on the economy. A tight stance suggests the restraining effect of the monetary policy on economic activity in order to reduce inflationary pressures, whereas a loose monetary policy stance suggests economic stimulation with possible upward pressure on inflation.

Monetary policy transmission mechanism

The process which serves to transfer the effect of monetary policy decisions (in particular, decisions made by a central bank in relation to changes to interest rates on its operations) on the economy as a whole and on price dynamics, in particular. The most important channel of monetary policy transmission is the interest rate channel. The impact of the latter is based on the influence of a central bank policy on changes to the interest rates at which economic agents may deposit and attract funds, and as a result on decisions regarding consumption, saving and investment and, thereby, on the aggregate demand, economic activity and inflation.

Money supply

See Monetary aggregate M2.

Net credit of the Bank of Russia to credit institutions

Gross credit of the Bank of Russia to credit institutions net of correspondent account balances in the currency of the Russian Federation (including the averaged amount of required reserves) and deposit account balances of credit institutions with the Bank of Russia, and investments by credit institutions in Bank of Russia bonds (at prices fixed as of the start of the current year).

Net private capital inflow/outflow

The total balance of private sector operations involving foreign assets and liabilities recorded on the financial account of the balance of payments.

Nominal effective rouble exchange rate index

The nominal effective rouble exchange rate index reflects changes in the exchange rate of the rouble against the currencies of Russia's main trading partners. It is calculated as the weighted average change in the nominal exchange rates of the rouble to the currencies of Russia's main trading partners. The weights are determined according to the foreign trade turnover share of Russia with each of these countries in the total foreign trade turnover of Russia with its main trading partners.

Non-marketable assets eligible as collateral for Bank of Russia loans

Promissory notes and credit claims eligible as collateral for Bank of Russia loans in accordance with Bank of Russia Regulation No. 312-P, dated 12 November 2007, 'On the Procedure for Extending Bank of Russia Loans Covered by Assets or Guarantees to Credit Institutions'.

Non-price bank lending conditions

Bank lending conditions aside from the cost of a loan to the borrower, such as maximum loan amount and lending term, collateral requirements and the financial standing of the borrower.

Open market operations

Operations carried out on the initiative of a central bank. This type of operations includes auction-based refinancing and sterilisation operations (repo auctions, deposit auctions, etc.), as well as purchases and sales of financial assets (government securities, currency, gold).

Output gap

Deviation of GDP from potential output, expressed as a percentage. Characterises the balance between demand and supply and may be regarded as an aggregate indicator of the effect which the demand *factors have on inflation. If the actual output is larger than the potential output (positive output gap), all else equal, inflation is expected to accelerate. A negative output gap is an indicator of an expected slowdown in price growth.*

Potential output

The aggregate level of output in the economy achieved under normal utilisation of production factors with existing resource and institutional constraints. Reflects the volume of products that may be produced and sold without creating prerequisites to a change in price growth rates. The level of potential output is not linked to a certain level of inflation; it merely indicates the presence or absence of conditions for the inflation acceleration or deceleration.

Procyclical currency

A currency which conventionally demonstrates appreciation in periods of global economic growth. Specifically, this category of currencies includes the euro, the Canadian dollar, and the Australian dollar.

Real effective rouble exchange rate index

Calculated as the weighted average change in real exchange rates of the rouble to the currencies of Russia's main trading partners. The real exchange rate of the rouble to a foreign currency is calculated using the nominal exchange rate of the rouble to the same currency and the ratio of price levels in Russia to those in the corresponding country. When calculating the real effective exchange rate, weights are determined according to the foreign trade turnover share of Russia with each of these countries in the total foreign trade turnover of Russia with its main trading partners. The real effective rouble exchange rate index reflects changes in the competitiveness of Russian goods in comparison to those of Russia's main trading partners.

Repo operation

A deal which consists of two legs: one party to the deal initially sells securities to the other party in return for cash, and then, once the deal term has expired, buys them back at a predetermined price. Repos are used by the Bank of Russia to provide credit institutions with liquid assets in roubles in exchange for collateral in the form of securities.

Risk premium on the market securities portfolio

Calculated in accordance with the capital asset pricing model as the difference between the yield of a market securities portfolio and the yield of a risk-free asset. The yield of a risk-free asset is, as a rule, taken to be the yield of government securities (for example, OFZ – federal government bonds). Measured in percentage points.

Standing facilities

Operations carried out by the Bank of Russia to provide and absorb liquidity at fixed interest rates.

Structural deficit of banking sector liquidity

The state of the banking sector characterised by a stable demand by credit institutions for liquidity through operations with the Bank of Russia. The reverse situation, characterised by a stable demand by credit institutions to deposit funds with the Bank of Russia is a structural liquidity surplus.

Structural non-oil and gas primary budget deficit

Budget items that are not dependent on the phase of the business cycle and are determined by general government decisions. In other words, it is the aggregate budget deficit, excluding oil and gas revenue, net interest payments and other items directly dependent on changes in economic activity.

Appendix
(statistical tables)

Table 1

Consumer prices by group of goods and services
(month on previous month, %)

	Inflation	Core inflation	Food price growth	Food price growth[1]	Vegetable and fruit price growth	Non-food price growth	Non-food price growth, excluding petrol[2]	Service price growth
2011								
January	2.4	1.1	2.6	1.6	11.2	0.9	0.6	4.1
February	0.8	0.7	1.2	1.0	2.7	0.3	0.5	0.8
March	0.6	0.7	0.9	0.9	1.4	0.5	0.6	0.3
April	0.4	0.5	0.4	0.6	-1.6	0.5	0.5	0.5
May	0.5	0.4	0.0	0.2	-1.6	0.8	0.4	0.7
June	0.2	0.3	-0.2	0.1	-3.2	0.4	0.3	0.7
July	0.0	0.4	-0.7	0.4	-9.2	0.3	0.3	0.6
August	-0.2	0.4	-1.4	0.3	-16.0	0.5	0.4	0.3
September	0.0	0.5	-0.6	0.2	-9.8	0.7	0.7	-0.1
October	0.5	0.5	0.5	0.5	0.5	0.7	0.7	0.1
November	0.4	0.5	0.5	0.7	-1.0	0.6	0.5	0.1
December	0.4	0.4	0.7	0.6	1.3	0.3	0.4	0.3
Total for the year (December to December)	6.1	6.6	3.9	7.4	-24.7	6.7	6.0	8.7
2012								
January	0.5	0.5	0.8	0.6	2.8	0.4	0.5	0.2
February	0.4	0.4	0.7	0.5	2.1	0.3	0.4	0.0
March	0.6	0.5	0.8	0.6	2.7	0.5	0.5	0.4
April	0.3	0.4	0.2	0.3	-0.4	0.4	0.4	0.3
May	0.5	0.2	0.6	0.0	5.8	0.4	0.3	0.7
June	0.9	0.4	1.6	0.3	13.4	0.2	0.2	0.8
July	1.2	0.5	1.1	0.8	3.5	0.3	0.3	2.7
August	0.1	0.6	-0.5	0.8	-10.8	0.4	0.4	0.6
September	0.6	0.7	0.1	0.8	-5.6	0.7	0.6	1.0
October	0.5	0.6	0.5	0.8	-2.2	0.7	0.6	0.1
November	0.3	0.5	0.5	0.6	-1.3	0.4	0.4	0.0
December	0.5	0.4	0.9	0.7	2.4	0.3	0.3	0.4
Total for the year (December to December)	6.6	5.7	7.5	7.1	11.0	5.2	5.0	7.3
2013								
January	1.0	0.5	1.8	1.2	7.4	0.4	0.4	0.6
February	0.6	0.4	0.8	0.6	2.8	0.4	0.4	0.4
March	0.3	0.4	0.4	0.5	0.1	0.4	0.4	0.2
April	0.5	0.4	0.7	0.4	3.6	0.4	0.4	0.5
May	0.7	0.3	1.0	0.3	6.5	0.3	0.4	0.8
June	0.4	0.3	0.5	0.2	3.0	0.2	0.2	0.6
July	0.8	0.3	0.0	0.4	-3.0	0.1	0.1	3.1
August	0.1	0.5	-0.7	0.6	-11.3	0.5	0.3	0.9
September	0.2	0.7	0.0	0.8	-7.6	0.5	0.4	0.1

[1] *Excluding vegetables and fruit.*
[2] *Bank of Russia estimate.*
Source: Rosstat, Bank of Russia calculations.

Table 2

Consumer prices by group of goods and services (month on corresponding month of previous year, %)

	Inflation	Core inflation	Food price growth	Food price growth[1]	Vegetable and fruit price growth	Non-food price growth	Non-food price growth, excluding petrol[2]	Service price growth
2011								
January	9.6	7.2	14.2	10.2	51.1	5.6	5.2	8.2
February	9.5	7.4	14.2	10.5	46.9	5.6	5.4	7.9
March	9.5	7.7	14.1	10.8	42.9	5.8	5.6	7.9
April	9.6	8.0	14.1	11.2	39.1	5.9	5.8	8.2
May	9.6	8.3	13.4	11.6	27.7	6.3	5.9	8.6
June	9.4	8.4	12.5	11.7	18.3	6.6	5.9	8.8
July	9.0	8.4	11.3	11.7	8.1	6.6	6.0	8.9
August	8.2	8.1	8.8	10.7	-7.9	6.8	6.1	9.0
September	7.2	7.4	6.4	8.9	-17.1	6.8	6.1	8.8
October	7.2	7.2	6.2	8.4	-15.2	6.9	6.2	9.0
November	6.8	6.9	5.3	8.0	-19.3	6.8	6.1	8.8
December	6.1	6.6	3.9	7.4	-24.7	6.7	6.0	8.7
2012								
January	4.2	6.0	2.0	6.3	-30.4	6.2	5.9	4.7
February	3.7	5.7	1.5	5.8	-30.8	6.2	5.8	3.9
March	3.7	5.5	1.3	5.5	-29.9	6.2	5.7	3.9
April	3.6	5.3	1.2	5.2	-29.1	6.1	5.6	3.7
May	3.6	5.1	1.7	4.9	-23.8	5.6	5.5	3.7
June	4.3	5.2	3.6	5.1	-10.8	5.4	5.4	3.8
July	5.6	5.3	5.5	5.6	1.7	5.5	5.5	5.9
August	5.9	5.5	6.5	6.1	8.0	5.3	5.5	6.2
September	6.6	5.7	7.3	6.7	13.1	5.4	5.4	7.3
October	6.5	5.8	7.3	7.0	10.1	5.3	5.2	7.2
November	6.5	5.8	7.3	7.0	9.8	5.2	5.1	7.2
December	6.6	5.7	7.5	7.1	11.0	5.2	5.0	7.3
2013								
January	7.1	5.7	8.6	7.8	16.1	5.1	4.9	7.8
February	7.3	5.7	8.7	7.8	16.8	5.3	5.0	8.2
March	7.0	5.6	8.3	7.7	13.8	5.2	4.8	7.9
April	7.2	5.7	8.8	7.7	18.3	5.1	4.9	8.1
May	7.4	5.9	9.2	8.0	19.1	5.0	4.9	8.3
June	6.9	5.8	8.0	7.9	8.2	4.9	4.9	8.1
July	6.5	5.6	6.8	7.4	1.3	4.8	4.6	8.4
August	6.5	5.5	6.5	7.2	0.8	4.9	4.5	8.7
September	6.1	5.5	6.3	7.2	-1.4	4.7	4.4	7.8

[1] *Excluding vegetables and fruit.*
[2] *Bank of Russia estimate.*
Source: Rosstat, Bank of Russia calculations.

Table 3

Macroeconomic indicators (seasonally adjusted, growth as % of previous period)

	Industrial production[1]	Agriculture	Construction	Freight turnover	Retail trade turnover	Fixed capital investment	Household consumer spending	Output index of goods and services by key economic activities[2]	GDP[3]
2012									
January	1.4	-25.3	-0.6	3.2	-0.2	-3.4	-0.8	0.8	
February	1.4	25.5	-0.8	-0.5	1.0	2.3	1.1	1.6	
March	-2.5	1.2	0.1	-1.0	-0.1	0.9	0.2	-2.2	-0.3
April	0.3	5.5	0.5	-0.9	0.4	-3.1	0.0	-0.6	
May	1.7	4.5	0.0	-0.6	1.1	3.8	1.2	2.0	
June	-0.7	-14.0	0.6	0.9	0.4	0.1	1.3	-0.3	0.4
July	1.2	24.3	-0.7	-0.1	-0.2	-0.6	-0.7	0.3	
August	-1.0	7.0	1.1	0.5	0.4	1.7	0.8	0.0	
September	0.4	25.4	-1.3	0.9	0.5	-6.9	0.4	-0.7	1.2
October	-0.7	-20.2	8.9	-2.4	0.1	9.7	0.3	0.7	
November	0.5	11.0	-6.5	0.8	0.5	-4.2	0.4	0.0	
December	0.3	-22.3	0.3	1.7	0.7	0.1	1.3	0.3	0.5
2013									
January	-1.4	-25.4	-0.1	-1.2	-0.4	-0.6	-0.6	-0.5	
February	0.0	28.2	-1.4	-1.4	-0.3	0.7	-0.8	0.1	
March	2.5	0.5	-0.4	0.5	1.1	-0.2	-0.1	0.6	-0.2
April	-0.9	3.5	-2.7	0.5	0.1	-2.3	0.4	-0.6	
May	-1.1	4.0	4.3	-0.4	-0.1	3.7	0.4	-0.4	
June	1.2	-14.2	-8.6	-0.2	0.9	-2.6	1.0	-0.5	-0.3
July	-0.9	28.8	14.3	0.4	0.7	4.2	1.1	0.8	
August	0.7	3.0	-7.3	1.3	0.0	-3.8	0.0	-0.4	
September	0.1	-6.8	-8.7	-0.5	0.9	-2.7	1.7		

[1] *Rosstat estimate.*
[2] *Output index of goods and services by key economic activities.*
[3] *Quarterly data.*
Source: Rosstat, Bank of Russia calculations.

Table 4

Macroeconomic indicators (as % of corresponding period of previous year)

	2013									For ref.: 2012
	January	February	March	April	May	June	July	August	January-August	January-August
Output of goods and services by key economic activities	0.7	-0.9	2.0	1.9	-0.4	-0.9	0.1	-0.4	0.2	4.3
Industrial output	-0.8	-2.1	2.6	2.3	-1.4	0.1	-0.7	0.1	0.0	3.1
Agricultural output	2.5	2.4	2.1	1.7	1.5	2.1	5.8	3.3	3.3	-0.5
Fixed capital investment	1.1	0.3	-0.8	-0.7	0.4	-3.7	2.5	-3.9	-1.3	11.5
Construction	1.4	0.3	0.2	-3.7	1.7	-7.9	6.1	-3.1	-0.8	3.6
Retail trade turnover	4.4	3.2	4.5	4.2	3.0	3.6	4.4	4.0	3.9	7.1
Household real disposable money income	0.7	6.7	10.0	7.6	-1.1	2.3	4.2	2.1	4.1	3.5
Real imputed per employee wage	5.4	3.3	5.1	8.5	4.7	5.3	6.4	5.9	5.5	9.7
Number of unemployed	-5.8	-6.9	-9.5	-0.6	-2.2	2.7	1.2	3.9	-2.5	-16.1
Unemployment (as % of economically active population, at end-period)	6.0	5.8	5.7	5.6	5.2	5.4	5.3	5.2	5.2	5.0

Source: Rosstat, Bank of Russia calculations.

List of boxes