Bank of Russia

07.08.2024

SUMMARY OF THE KEY RATE DISCUSSION

DURING THE QUIET PERIOD AND IN THE COURSE OF THE MEETING OF THE BANK OF RUSSIA BOARD OF DIRECTORS ON 26 JULY 2024

Discussants: members of the Bank of Russia Board of Directors, senior executives of the Monetary Policy Department, the Research and Forecasting Department, and a number of other Bank of Russia Departments and Main Branches.

The Monetary Policy Department together with the Research and Forecasting Department presented the results of the analysis of the current economic developments nationwide and worldwide, as well as their suggestions regarding the baseline macroeconomic forecast for 2024–2027 and its variations. The Bank of Russia Main Branches provided information on the situation in the Russian regions, including based on companies' surveys. Furthermore, the participants in the discussion considered the information from the Financial Stability Department and the International Settlements Department.

This Summary covers the **key points of the discussion**.

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ECONOMIC SITUATION AND INFLATION

MAIN FACTS

Economic growth rates in 2024 Q1 exceeded the forecast of the Bank of Russia primarily due to domestic demand dynamics. As estimated, the economy continued to grow rapidly in 2024 Q2. According to high-frequency data and surveys, June–July saw the first signs of a slight slowdown in the economic growth. The Bank of Russia's Business Climate Index declined in July, while staying at a historically high level. The overall financial performance of large and medium-sized enterprises (except for credit institutions) for the last 12 months equalled ₽34.5 trillion in May, holding close to its historical peaks. In May, the unemployment rate remained at its all-time low of 2.6% (seasonally adjusted, SA), while annual growth rates of real and nominal wages stayed high. The current price growth rate averaged 8.6% (seasonally adjusted annualised rate, SAAR) in 2024 Q2 after 5.8% SAAR in 2024 Q1. In 2024 Q2, most measures of underlying inflation went up quarter on quarter. Specifically, core inflation averaged 9.2% SAAR in 2024 Q2 after 6.8% SAAR in 2024 Q1.

DISCUSSION

The discussants concurred that **inflationary pressures picked up again in 2024 Q2, following a decline in 2024 Q1, and were above the April forecast.** In 2024 Q2, most measures of underlying inflation went up quarter on quarter. The participants in the discussion pointed out that the acceleration in the current price growth rates over the previous months could partly be attributed to transitory factors, such as the indexation of communication service tariffs in April, one-off rises in prices for domestic cars in May, and a shift in seasonality affecting fruit and vegetable prices in June. In addition, the growth in prices for tourism services that had been demonstrating high volatility over the past few years significantly contributed to inflation in May–June. However, underlying inflationary pressures were higher in 2024 Q2 than in 2024 Q1 even net of the impact of these factors on prices. Furthermore, most discussants agreed that the surge in prices for tourism services in the past months indicated elevated consumer demand that should not be excluded from calculations when assessing underlying inflationary pressures. The participants in the discussion further stated that, according to preliminary data, the current price growth rate in July was high even net of the impact of utility tariff indexation. The meeting inferred that inflation in 2024 would exceed the April forecast given the actual price trend and situation in the economy.

Inflation acceleration was accompanied by an increase in most indicators of inflation expectations. Households' inflation expectations were rising for three consecutive months. Analysts' inflation expectations for 2024 were up, starting to deviate from the 2025 target. In July, breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) slightly adjusted downwards after soaring in the previous months. Businesses' price expectations remained elevated. Elevated inflation expectations increase the inertia of underlying inflation.

The economy continued to grow rapidly in 2024 H1. Increasing domestic demand that was outstripping the capabilities to expand the supply of goods and services remained the main contributor to this growth. The participants in the discussion shared the opinion that **high inflationary pressures indicated that there was no decline in the considerable positive output gap, meaning that overheating in the economy in 2024 Q2 did not subside**.

The meeting highlighted **several signs of a slight slowdown in the economic activity in June–July**. During the discussion, the participants noted that this slowdown in the economic activity could suggest both that domestic demand started to cool off and that production capacity constraints became tighter. If the economic activity slowed down due to the cooling of the domestic demand, the positive output gap would subsequently narrow, and the economy would return to a balanced growth path, while underlying inflationary pressures would decrease. At the same time, the discussants pointed out that amid an emerging slowdown in the economic growth, inflationary pressures were building up across a number of indicators over the recent months. This could mean that the economy was experiencing increasingly acute constraints of production factors, such as labour resources and production capacities, including due to the additional time and effort required for their upgrading and expansion amid sanctions. In this context, the expansion of demand would lead to additional persistent inflationary pressures rather than to an increase in output, and the positive output gap would widen unless monetary conditions tightened further.

Labour shortages remain the major constraint on a further expansion of aggregate supply. The level of tightness in the labour market has been increasing. The survey conducted by the Bank of Russia in June shows a record high increase in labour shortage. To reduce the negative impact of labour shortages and enhance labour productivity, companies have been purchasing new equipment and streamlining production processes. Workers' intersectoral and interregional mobility has been growing. Nevertheless, the effects of investments in boosting labour productivity and labour market flexibility usually manifest themselves over rather long periods of time. Because of labour shortages, companies have been competing for workers and trying to retain their employees by offering them higher wages. Raising wages without a commensurate growth in labour productivity increases companies' costs. Costs also rise due to higher expenses for logistics and cross-border settlements. At the same time, high domestic demand makes it easier for companies to pass through rising costs to prices.

The meeting discussed the reasons behind **steadily high consumer activity**. Consumer optimism has been encouraged by increasing incomes as wages continue to grow fast. Nominal wage growth rate in May was considerably higher than average monthly growth rates in 2023. Various fiscal transfers, along with high retail lending growth rates, also contribute to the expanding consumption. The discussants emphasised that a balanced growth of domestic demand which would adequately match the potential to ramp up supply was a prerequisite for reducing inflation.

Investment demand also remains high. In 2024 Q1, GDP growth was largely driven by investments. Taking into account available GDP statistics and high-frequency data, the Bank of Russia projects that investment activity in 2024 will exceed the April forecast. Investment activity has been supported by positive business sentiment, continuing growth in companies' profits, high lending growth rates, and government incentives. In the context of sanctions imposed on the import of goods and services and withdrawal of a number of foreign companies from the Russian market, businesses have been seeking to occupy the vacant market niches. However, the availability of financing for investment does not remove non-financial restrictions. For example, companies report that the toughening of sanctions has made it more difficult for them to purchase equipment and components to maintain existing production capacities and create new ones. Although investment expansion may lead to an increase in the growth rate of the economy's potential in the long run, it primarily contributes to the growth of the aggregate demand in the short term. In the context of existing supply-side constraints, the rise in companies' demand, along with strong consumer demand, is a factor that contributes to the strengthening of inflationary pressures.

The discussants concurred that companies' investments in the expansion of production capacities and labour productivity, as well as a more intensive use of labour resources over the past years could lead **to a more notable potential GDP growth in 2024–2025**, which should be taken into account when making a forecast.

The participants noted that the updating of the parameters of tax innovations and additional budget expenditures referred to in the Presidential Address to the Federal Assembly of the Russian Federation, as well as amendments to the law on the federal budget for 2024 did not require any significant adjustment of the fiscal policy stance. Although the aggregate impact of the tax reform on inflation is still assessed as rather neutral, there may be secondary effects related to the structure of these expenditures and revenues. Both overall proinflationary and disinflationary effects are possible depending on which kind of impact will prevail.

MONETARY CONDITIONS

MAIN FACTS

Money market rates and yields on federal government bonds (OFZ) significantly increased over the period since the key rate meeting in June. The OFZ yield curve became more inverted. Real yields on OFZ-IN rose substantially, while breakeven inflation somewhat declined. Deposit and loan interest rates were up as well. The inflow of households' funds into banks, primarily ruble term deposits of up to one year, continued. Credit activity in the corporate and retail segments remained high in 2024 Q2. In the consumer segment, lending growth rate was still elevated in June. Mortgage lending growth rates rose sharply in June owing to strong demand in anticipation of the termination of the non-targeted subsidised mortgage programme (MoM, SA), whereas in early July, new mortgage loans contracted in part due to a pause in the announcement of new parameters of the subsidised family mortgage programme.

DISCUSSION

The participants in the discussion noted **the tightening of monetary conditions after the key rate meeting in June**.

- Money market rates and OFZ yields increased significantly. Market participants' expectations regarding the key rate path were up as well. Besides a higher key rate path, they expected a longer period of tight monetary policy. Market participants' expectations were driven by the macroeconomic data released over the period and the changes in fiscal policy, as well as by the monetary policy tightening announced by the Bank of Russia in June–July. According to the discussants, the possible reasons behind the growth of medium- and long-term OFZ yields included higher risk premiums in the context of unanchored inflation expectations of market participants and financial market participants' persistent opinion that the timing and path of fiscal policy normalisation could shift.

- Deposit rates were growing, most notably in the segment of deposits with maturities from six months to two years. The credit market saw the tightening of monetary conditions translate into the growth of interest rates. However, its impact on lending dynamics was limited due to significant amounts of the transactions predominantly insensitive to the changes in the key rate. The participants in the discussion pointed out that deposit and lending rates could rise further, as they would continue to adjust to the OFZ yields and money market rates growth that had taken place.

Credit activity in 2024 H1 slowed down compared to 2023 H2 owing to the monetary policy tightening. However, this slowdown was weak. The meeting mentioned a number of reasons behind the strong growth in lending. First, loans at subsidised rates and other fiscal incentives were making lending facilities less sensitive to the key rate changes in general. Second, economic agents expected the key rate to drop fast during 2024, including based on the Bank of Russia's signal given at the beginning of the year. Many companies took out loans at floating rates, expecting the key rate to decrease. In particular, the growth in floating rate loans accounted for nearly 99% of the overall expansion of ruble corporate lending since early 2024. Third, contrary to the Bank of Russia's inflation forecast, inflation expectations of economic agents remained high. Therefore, businesses and households assessed real interest rates on loans (nominal interest rates net of expected inflation) as relatively low, taking into account the expected downward path of the key rate. As a result, high nominal lending rates did not curb the demand for new loans. Fourth, the expansion of corporate and household lending was driven by the actual and expected increase in incomes and profits. Companies expected to occupy new market niches and recoup their costs owing to a high demand. Banks in turn were not apprehensive about expanding lending at high interest rates, assuming that, with the growing incomes, companies and households would be able to service loans in due time.

The discussants suggested that **in 2024 H2, monetary conditions might tighten further due to autonomous factors**, such as changes in the structure and parameters of government subsidised lending programmes, previously adopted macroprudential measures, and the cancellation of the regulatory easing for banks. In particular, the meeting discussed the impact of the changes in the parameters of mortgage lending programmes. They stated that the reaction to the forthcoming termination of the non-targeted subsidised mortgage lending programme in June and the pause before approving new parameters of the family mortgage programme in July made it difficult for them to assess the sustained trend in mortgage lending over these months. It will be possible to assess it more accurately only by the end of 2024 Q3.

There was no further growth in savings in 2024 Q2. The view was expressed that amid heightened inflation expectations, the current level of interest rates was not high enough to further boost the attractiveness of savings. Furthermore, some households whose incomes have increased over the past years are characterised by a lower propensity to save. The participants in the discussion concluded that a higher saving ratio was required to finance investment, as its proportion in the structure of the economy was growing.

The meeting shared the view that **lending and deposit trends indicated insufficient tightness of monetary conditions in 2024 H1. To return the economy to a balanced growth path and bring inflation down to the target, the level of real interest rates in the economy should be higher.** The absence of the economy's expected reaction to the key rate increase is confirmed by the Bank of Russia's new estimates of the neutral interest rate which were revised upwards. Based on a comprehensive analysis of the economy and the changes that had occurred in it over the past five years, **the estimate of the long-run real neutral interest rate in the Russian economy was raised by 1.5 pp as compared to the previous estimates to equal 3.5–4.5% per annum**. This range corresponds to the nominal neutral interest rate of 7.5–8.5% per annum given the inflation target being close to 4%. The increase in the neutral interest rate estimate was caused by the following factors. First, the growing need to expand domestic production and build up capital in the context of the ongoing economic transformation, which requires a higher interest rate to boost domestic savings that are currently a key source of investment financing. Second, a higher risk premium due to significant changes in the external conditions for Russia in 2022 and the subsequent toughening of sanctions. Third, easing of the current fiscal rule parameters as compared to 2021. Fourth, a higher estimate of the external neutral interest rate compared to the one made before the COVID-19 pandemic, taking into account the observed resilience of inflation to rising interest rates in advanced economies.

EXTERNAL ENVIRONMENT

MAIN FACTS

Global economic growth remains sustained. Inflation slowed down in the key advanced economies. Market expectations about the US Fed funds rate and ECB policy rate suggest that monetary policy normalisation in the USA and the euro area will be faster than predicted before. The index of prices for Russian exports barely changed since the key rate meeting in June, as the growth in *prices for oil offset their decline for a majority of other Russian exports. From the beginning of 2024, the current account surplus was larger than last year. The value of exports was generally close to the last year's levels, while the value of imports declined.*

DISCUSSION

The discussants highlighted that **the global economy developed better in general than was forecast in April**. The economy of the euro area is growing faster than expected by the Bank of Russia in April, while the development of the US and Chinese economies is in line with the forecast. China's economic growth rates remain high despite some slowdown. Government measures will support the Chinese economy and ensure its growth rate at the level close to 5% as of the end of the year. Given the actual expansion of the key advanced and emerging market economies in 2024 H1, global GDP growth rates in 2024 are likely to be slightly higher than expected earlier.

Despite market expectations regarding a quicker normalisation of the monetary policies of the US Fed and ECB based on the inflation data released, **the discussants did not expect these central banks to cut their policy rates any faster**. The resilience of inflation to the monetary policy tightening in the US may indicate a higher neutral rate of interest.

The situation in the oil market did not change in any significant way since the key rate meeting in June. The oil market deficit is expected to persist until the end of 2024 due to the extension of production cuts by OPEC+ countries and a further gradual transition to its surplus. The participants in the discussion reiterated their previous estimates suggesting that, with the expansion of oil supply in the global market, oil prices would gradually decline. At the same time, the updated forecast should include a smoother path of oil prices decrease. The Brent crude prices forecast for 2026 was raised by $5 to $75 per barrel to reach $70 per barrel by 2027.

The larger current account surplus in 2024 H1 as compared with the previous year and the Bank of Russia's forecast was mainly attributed to the imports dynamics. The value of exports remained close to the 2023 level, supported by rising oil prices. The discussants identified the following reasons why imports lagged behind the last year's trend. First, the toughening of sanctions since the beginning of the year and a growing number of problems with cross-border payments and logistics (according to business surveys). Second, the Bank of Russia's tight monetary policy which restrained the growth of the ruble demand for imports. The meeting noted that orders for imported goods were placed well in advance, and their deliveries took a long time. Therefore, the challenges related to payments and logistics will continue to affect the imports dynamics in the next months. Given the monetary policy stance and the changes in external environment, a more moderate imports trend might be expected in the future than previously estimated.

Weaker dynamics of imports compared to those of exports as well as tight monetary policy promoting ruble savings were the main factors of the ruble appreciation. The discussants concurred that the disinflationary effect of a stronger ruble could be offset by the pass-through of higher logistics and cross-border payments costs resulting from tougher sanctions to prices for imported goods and services.

INFLATION RISKS

The participants in the discussion inferred that **the balance of inflation risks remained tilted to the upside**.

The main **proinflationary risks** mentioned by the discussants were as follows:

- *More severe supply-side constraints*. Further expansion of the labour shortage might lead to labour productivity lagging even more behind the growth of real wages. Alongside staff shortages, further supply expansion is constrained by a high production capacity utilisation rate and challenges related to expanding and upgrading production facilities, including due to the toughening of sanctions. This could eventually have a dampening effect on the potential growth rate of the economy. If supply-side constraints persist or intensify, continued strong growth of domestic demand will lead to persistently high inflationary pressures or even their strengthening.

- *Worsening of the terms of trade due to the impact of the geopolitical situation and deteriorating conditions in global commodity markets*. In particular, a decline in exports coupled with persistently high demand for imports might create risks to the ruble exchange rate and inflation dynamics.

- *High and unanchored inflation expectations sensitive to transitory rises in prices for certain goods and services,* which might intensify secondary effects on inflation dynamics.

- *Expansion of the budget deficit and the emergence of secondary effects associated with the structure of extra revenues and expenditures of the budget system*. The new structure of expenditures might have a stronger proinflationary effect despite the unchanged path of the fiscal policy normalisation approved earlier. In particular, a further extensive use of interest rate subsidies from the budget is creating leverage, making it possible to significantly expand domestic demand, compared to more conventional areas of government expenditures. Furthermore, the proportion of the recipients of budget funds who are less sensitive to interest rate changes and demonstrate a higher propensity to consume is increasing in the new structure of budget expenditures. In addition to the structure of expenditures, the mere expectations of their steadily high amounts support demand, which might also provoke proinflationary risks.

Disinflationary risks are minor and mostly associated with a potentially faster deceleration of the increase in domestic demand under the influence of the earlier monetary policy tightening. Besides, if the growth of the economy is driven, to a greater extent, by the expansion of its potential rather than the cyclical component (gap), inflationary pressures in the economy might be weaker.

CONCLUSIONS FOR MONETARY POLICY AND THE KEY RATE DECISION

The meeting considered the updated forecast estimates. In addition to the baseline scenario, the participants also discussed a number of its variations. Differences in the variations were related to the short-term inflation path, the economic growth, as well as the estimated size and pace of the decrease in the positive output gap (including at different levels of potential).

Taking into account the statistics released since the key rate meeting in June and the updated forecast estimates, **the participants in the discussion agreed that the current environment required a further increase of the key rate**. Inflation and economic activity were notably higher than assumed by the Bank of Russia in its baseline scenario in April. All the key factors in raising the key rate highlighted during the meeting in March had lined up: underlying inflation was increasing; consumer activity was not cooling down; labour market tightness was growing; there were no signs of a decline in the positive output gap; and proinflationary risks related to the sanctions had materialised.

The participants in the discussion emphasised that **although a higher key rate was essential for making monetary policy sufficiently tight, the expectations of households, businesses, and financial market participants regarding its future path were no less important**. According to the meeting, the following was needed to shift these expectations upwards:

- *First, a significant upward revision of the medium-term forecast of the key rate path in the July baseline scenario.* The discussants concurred that one of the reasons behind the insufficient monetary tightening in 2024 H1 was economic agents' expectations of a fast key rate decrease coupled with persistently high inflation expectations. All of the above reduced the tightness of monetary conditions in real terms. With this in mind, it was important that the Bank of Russia's communication following the July key rate meeting more clearly stated that the projected path of the key rate is inseparably linked with the forecast of other macroeconomic variables, particularly inflation forecast. Any deviation of macroeconomic variables from the forecast inevitably leads to the revision of the key rate forecast. Specifically, this implies that, when making decisions, those economic agents who rely upon another inflation trajectory (e.g., they expect a higher inflation to persist for some reason) should bear in mind that if their macroeconomic scenario unfolds, the key rate in it will be higher than in the Bank of Russia's scenario.

- *Second, a clear signal of a possible rise in the key rate at the upcoming meetings*. Many participants expressed the view that such a signal would foster expectations ruling out fast key rate cuts. However, some discussants noted that giving a clear signal would be an excessive measure that would overtighten monetary conditions.

The participants in the discussion were choosing between the two main alternatives:

- Raising the key rate to 18.00% per annum and giving a clear signal about the need to assess whether the key rate should be raised further at the upcoming meetings.

- Raising the key rate to 19.00–20.00% per annum without giving a clear signal about changing the key rate at the upcoming meetings.

Some discussants proposed to consider keeping the key rate unchanged at 16.00% per annum. They pointed to the additional substantial tightening of monetary conditions over the past months, which was yet to fully manifest itself in demand and inflation dynamics. However, most participants in the discussion noted that the above tightening occurred due to the expectations of a higher key rate path, which would be able to affect the economy and inflation only if the key rate was actually raised and kept at a high level for a long period of time. Hence, the option of keeping the key rate unchanged at 16.00% per annum was not supported.

The main arguments for raising the key rate to 18.00% per annum and giving a clear signal were as follows:

- Monetary conditions should be tightened further to bring inflation back to the target in 2025. However, the underlying trends in price movements should be assessed carefully, taking into account the significant impact of one-off factors on them in the recent months.

- The tightening of monetary conditions since the June decision on the key rate had not yet affected borrowing and saving activities. Raising the key rate in July would be in line with the market expectations and solidify the effects of tightened price conditions, which in turn would provide additional impetus to an increase in the saving ratio and help cool down domestic demand.

- A number of factors unrelated to the monetary policy would additionally tighten bank lending conditions in the next few quarters (the termination of the non-targeted subsidised mortgage lending programme from 1 July 2024; previously adopted macroprudential measures; and the cancellation of the regulatory easing for banks).

- Maintaining a clear signal coupled with an updated projected path of the key rate would ensure the required adjustment of the economic agents' expectations regarding the future key rate path. This could be sufficient to tighten monetary conditions to the extent necessary to bring inflation down to the target in 2025.

Some discussants were in favour of raising the key rate to 19.00–20.00% per annum without giving a clear signal and provided the following additional arguments:

- Underlying measures of inflation had long been exceeding the level of 4%. As a result, inflation expectations became more backward-looking and current high inflation was getting more entrenched in the economy, adversely affecting its growth prospects. Taking a larger step in July would make it possible to decisively slow down the current price growth and lower inflation expectations, which is essential for bringing inflation down to the target in 2025.

- Certain signs of a slowdown in economic activity in June–July amid accelerating current price growth could indicate the exhaustion of factors of production, especially with regard to the labour market. In this environment, inflation might react to the overheated domestic demand even more strongly, requiring a significant monetary policy response.

- The upward revision of the long-run nominal neutral interest rate by 150 bp to 7.50–8.50% per annum could mean that additional considerable tightening of monetary conditions would take place only if the key rate was raised more substantially in July.

- Considering, among other things, the projected key rate path, the absence of a clear signal would minimise the risks of overtightening monetary conditions.

Having weighed the arguments for and against each of the alternatives, the discussants came to the conclusion that the available data did not warrant a bigger step to be taken in July for bringing inflation back to the target in 2025. In addition, it was noted that the absence of a clear signal accompanied by a bigger key rate hike could result in expectations of its fast drop in the future. This would entail risks of the repeating of the 2024 H1 scenario when economic agents' expectations of a too fast key rate decrease amid elevated inflation expectations restrained the tightening of monetary conditions. At the same time, raising the key rate to 18.00% per annum would not lead to a higher demand for loans due to the expectations of a further key rate increase, including because most corporate loans are currently issued at a floating rate.

The discussants believed that raising the key rate to 18.00% per annum and giving a clear signal about the need to assess whether the key rate should be raised further would be more efficient in terms of ensuring the degree of monetary tightness required to bring inflation down to the target in 2025. The participants in the discussion agreed that the above decision was a more balanced one, including because it factored in the lagging effects of the previous key rate decisions and the tightening of monetary conditions that had already taken place. Moreover, if the information that will be received in the next few months indicates unchanged inflationary pressures, the Bank of Russia will be able to additionally tighten its monetary policy at the upcoming meetings.

Following the discussion, **on 26 July 2024, the Bank of Russia Board of Directors made the decision to raise the key rate to 18.00% per annum from**

29 July 2024, to considerably revise upwards the projected key rate path in the baseline scenario, and to give a clear signal of possible future steps regarding the key rate. The Board of Directors emphasised the need to maintain tighter monetary conditions than expected earlier. The Bank of Russia will consider the need to raise the key rate further at its upcoming meetings.

The key rate path was raised across the entire forecast horizon, including taking into account the upward revision of the range of the long-run neutral interest rate for the Russian economy from 6.0–7.0% to 7.5–8.5%. In 2024, the average key rate will range from 16.9% to 17.4% per annum, including from 18.0% to 19.4% per annum starting from 29 July through the end of the year. It is expected to average 14.0–16.0% per annum in 2025, 10.0–11.0% per annum in 2026, and reach a neutral range of 7.5–8.5% per annum in 2027.

In its baseline scenario, the Bank of Russia Board of Directors expects the positive output gap to gradually narrow in 2024 H2 under the influence of the monetary policy stance. At the same time, inflation will be returning to the target at a slightly slower pace than expected earlier, while still reaching it by the end of 2025. The inflation forecast for 2024 has been revised upwards. Inflation will be 6.5–7.0% in 2024, dropping to 4.0–4.5% in 2025, and will stay close to 4% further on. The Russian economy's growth forecast has also been revised. The economy will grow by 3.5–4.0% in 2024, by 0.5–1.5% in 2025, by 1.0–2.0% in 2026, and by 1.5–2.5% in 2027. More details on the forecast are available in the Bank of Russia's Commentary on the Medium-term Forecast.