Bank of Russia

TALKING TRENDS
Economy and markets

Research and Forecasting Department Bulletin

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CONTENTS

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Executive summary

MONTHLY SUMMARY

- In March, the Russian economy started to decline due to large-scale sanctions and restrictions in foreign trade and finance. Russian enterprises faced disruptions in many production and logistics chains related to export and import operations and financial transactions, as well as cooperation with foreign companies that announced termination of their operation in Russia. Furthermore, anti-coronavirus restrictions introduced in China also had a negative effect on the logistics of Russian foreign trade supplies. Coupled with the sharp weakening of the ruble, this triggered drastic changes in prices across a broad range of goods and services and a surge in inflation.
  - The persistence of sanctions and foreign companies' self-imposed restrictions after the economic decline during the adjustment period will cause a structural transformation in the economy based on alternative, less technology-intensive imports and a gradual development of import-substituting production facilities and technologies. The economy will lose a part of its potential, and its recovery will be gradual and long-lasting. If the restrictions on technology imports persist and those on commodity exports are tightened, the portion of investment sectors in the structure of output will expand in the medium term due to a decreasing share of consumer industries.
  - Following the surge in March, current price growth is slowing down, although remaining high as compared to the target. Furthermore, annual inflation will continue to edge up due to the base effects, while less significantly than in March. Its steady deceleration is expected in 2023, which will create conditions for returning inflation to the 4% target in the medium term considering the monetary policy pursued.
  - In late February–March, Russian financial markets plunged, whereas the extensive sanctions in finance and foreign trade caused a threat to financial stability. By the end of March–early April, after the situation stabilised, the Russian securities market resumed trading, and the inflow of households' funds into time deposits significantly increased. This upward trend was driven by the rapid rise in the key rate and the forced introduction of a range of capital controls.

1. Inflation

Price rises accelerated sharply in March across the Russian economy, hitting this century's record monthly levels and responding to massive foreign trade and financial shocks, triggered by the sanctions. Business and households' inflation expectations also reached many-year or all-time highs. The economy's adaptation is still continuing, implying the persistence of high inflationary pressure in the near future and further acceleration of annual inflation.

At the same time, weekly data on consumer price rises suggest that we are now past the peak of the inflation surge and the pace of monthly price rises will be much slower than in March. Following a one-off spike, there have been signs of a consumer activity decline in real and even nominal terms. An increase in banks' household deposit rates following the key interest rate hike has drawn household funds to time deposits. This is set to restrain further demand-driven consumer price rises.

To adapt to the ongoing shocks and structural transformation, the economy requires financial support. But this should not turn into an overly accelerated lending expansion, let alone a full compensation for actual price rises. Otherwise, inflation will receive a new impulse, and inflation expectations will remain high and hamper a return to moderate interest rates. Monetary and fiscal policies alike should be calibrated so as to strike a balance between the required alleviation of the effects of shocks for the economy and sustainable inflation deceleration towards the target as part of inflation targeting policy, which has already proved effective in the Russian environment.

1.1. Annual inflation deceleration after spike in March

- Annual inflation climbed to 16.7% in March, resulting from both the ongoing price adjustment to the changed external conditions and a rise in household inflation expectations, sparking panic buying amid the worsening situation with the deliveries of some goods.
- A trend inflation estimate rose to 9.5%. Analytical indicators suggest mounting inflationary pressure across a wide range of items.
- Week-on-week consumer price increases are slowing consistently, but the worsening logistics situation and limited possibilities of switching to domestic suppliers may cause the elevated pace of price rises in some items to persist in the months to come.

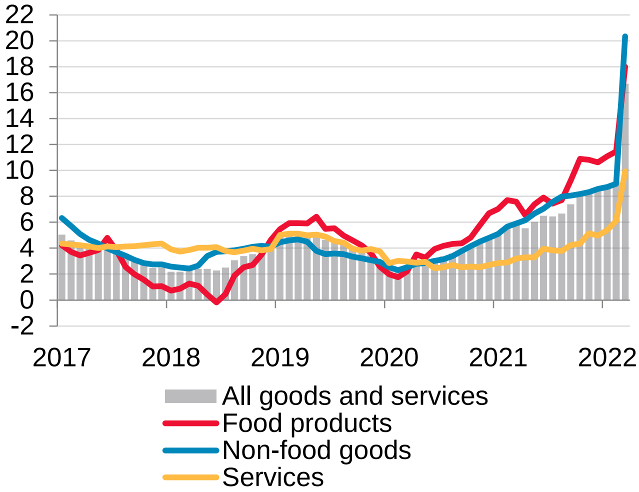
Annual inflation soared to 16.7% in March from 9.2% in February (Table 1, Figure 1). Month-on-month inflation came in at 7.5% MoM in seasonally adjusted terms, up from 0.7%–1.0% in January–February (Figure 2). Rapid price rises were posted in many food products, as well as some non-food goods and services sensitive to exchange rate movements.

Table 1. Inflation and its components

	Dec	Dec	Jan	Feb	Mar
	2020	2021	2022		
% YoY					
All goods and services	**4.9**	**8.4**	**8.7**	**9.2**	**16.7**
Core inflation	**4.2**	**8.9**	**9.2**	**9.7**	**18.7**
Food products	6.7	10.6	11.1	11.5	18.0
Non-food goods	4.8	8.6	8.7	9.0	20.3
Services	2.7	5.0	5.4	6.1	9.9
% MoM SAAR					
All goods and services	**7.0**	**6.8**	**8.6**	**12.8**	**138.9**
Core inflation	**6.5**	**9.0**	**9.9**	**12.1**	**175.8**
Food products	10.8	8.3	9.5	13.9	114.1
– net of fruit and vegetables	**6.5**	**11.3**	**8.9**	**12.3**	**90.8**
Non-food goods	5.3	8.3	8.6	9.9	258.4
– net of refined petroleum products	**5.9**	**8.1**	**8.3**	**11.2**	**331.4**
Services	3.9	2.6	7.1	15.2	59.7
– net of housing and communal services	**3.3**	**1.5**	**9.0**	**16.3**	**105.1**

Source: Rosstat, R&F Department estimates.

Figure 1. Inflation and its components, % YoY

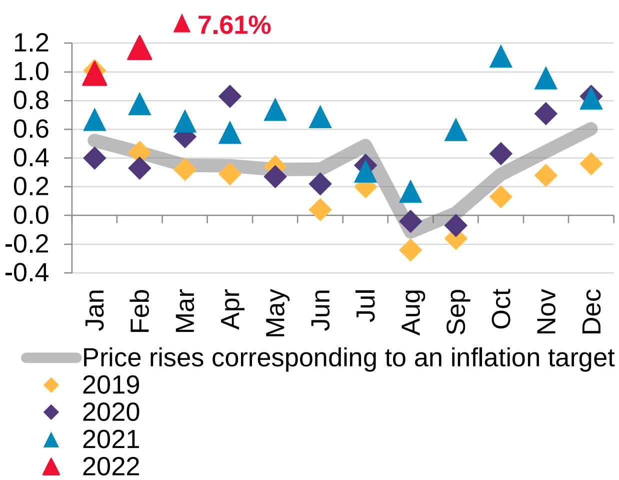


Source: Rosstat.

Month-on-month food price inflation stood at 6.6% MoM SA (Figure 3). The start of the month saw a clear trend towards non-perishable food hoarding by households, sparking accelerated price rises in this category of food products. Price rises have been slowing since the middle of March as consumer demand has been coming back to normal.

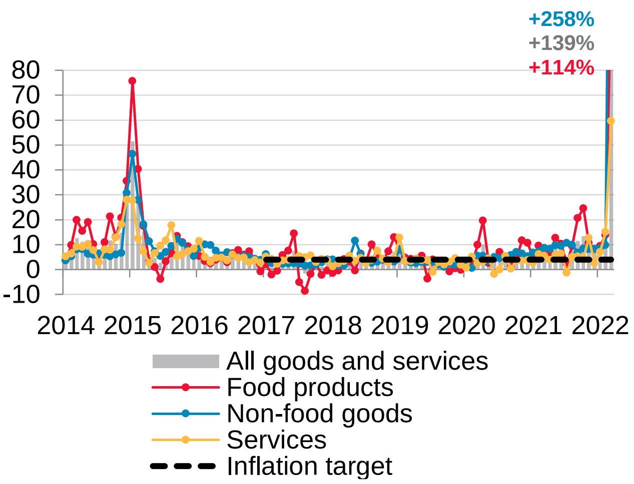
Fruit and vegetable price rises surged to 13.1% MoM SA, driven by soaring prices of imports, whose share is relatively high in the market at this time of year. At the same time, a rise in greenhouse vegetable harvest brought down cucumber and tomato prices towards the end of the month.

Figure 2. Price rises corresponding to an inflation rate of 4%, % MoM



Source: Rosstat, R&F Department estimates.

Figure 3. Seasonally adjusted inflation, % MoM SAAR



Source: Rosstat, R&F Department estimates.

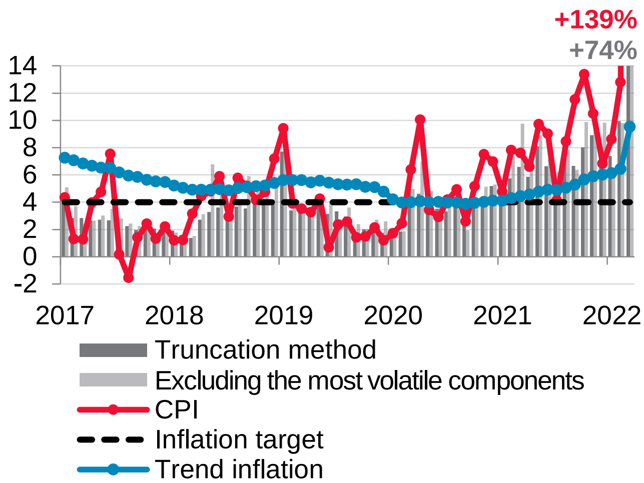
Non-food price inflation surged to 11.2% in March from 0.8% MoM SA in February (Figure 3), driven chiefly by an accelerated pass-through of exchange rate weakening to consumer prices: electronic and household goods as well as passenger cars went up in price more than

20% in March. Real-time data suggest a drop in the prices of this category at the start of April, driven by ruble strengthening in recent weeks.

The services sector saw inflation accelerating to 4.0% MoM SA (Figure 3), mainly due to the soaring prices of foreign travel, up 37.8% MoM SA, and rising air fares, up 5.9% MoM SA.

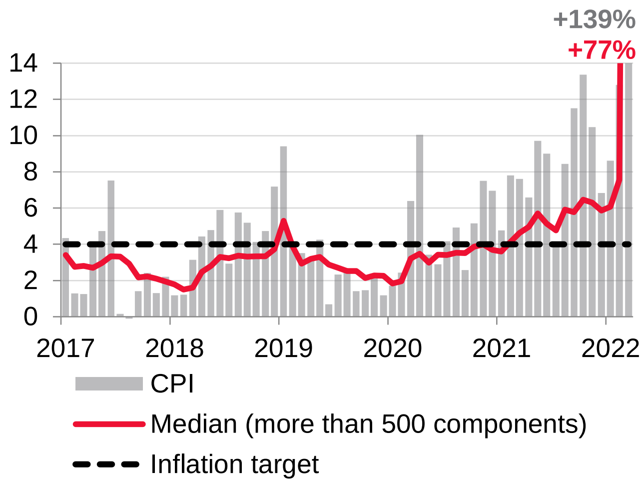
The analytical indicators of price movements show a considerable increase in inflationary pressure across a wide range of consumer goods and services. Trend inflation accelerated to 9.5% (Figure 4). Median distribution computed on disaggregated components also went up significantly (Figure 5).

Figure 4. Modified core inflation indicators and trend inflation estimates, % in annual terms



Source: Rosstat, R&F Department estimates.

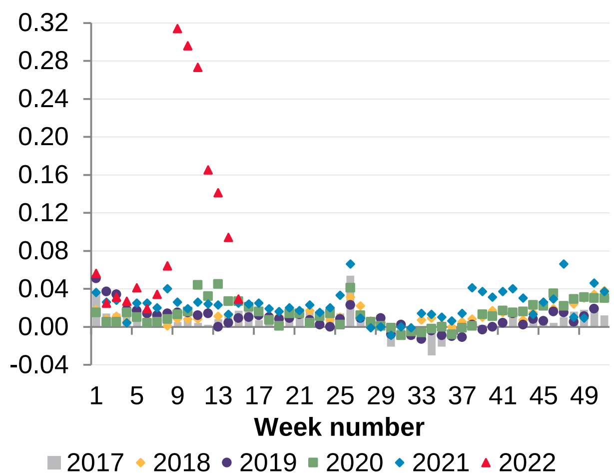
Figure 5. Median distribution estimated on disaggregated components, % MoM SAAR



Source: Rosstat, R&F Department estimates.

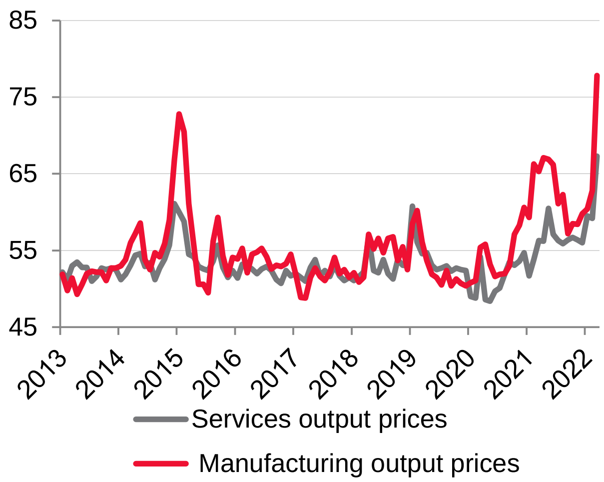
Real-time indicators from Rosstat suggest a consistent price movement deceleration in late March – early April (Figure 6). At the same time, weekly price rises are still far above the level of previous years, suggesting further annual inflation acceleration in the immediate future.

Figure 6. Average daily price rises, %



Source: Rosstat, R&F Department estimates.

Figure 7. Services and manufacturing PMI price indexes, points



Source: IHS Markit.

The record high PMI price indexes in March give reason to expect the persistence of significant price pressure in the immediate future (Figure 7). Even if the ruble strengthens further, the balance of risks will be leaning towards pro-inflationary ones. The worsening logistics situation and limited possibilities of switching to domestic suppliers may prompt further price rises, primarily, in the non-food segment. We expect consumer price inflation to remain elevated in the immediate future before starting to slow afterwards.

2. Economic activity

March saw the Russian economy move into a downturn phase in the wake of the unprecedented sanctions and many foreign companies winding down business relations with Russia. Unlike the short-lived coronavirus-related fall in Q2 2020, the current downturn is in all probability *transformational and structural* in nature and is set to be larger in scale and longer under any scenario. That said, the issue of the downturn pace and scale and of how long it will take to overcome is open to debate. The level of uncertainty is too high for such estimates to be made.

In addition to the uncertainty related to the sanctions, there is significant uncertainty concerned with the behaviour of individual companies, industries, and consumers. Foreign companies' business links with Russian firms are being wound down or curtailed due to the negative effect of such links in the eyes of foreign consumers, suppliers, and economic agents at large. This might potentially affect various elements of the foreign trade logistics chain. That said, the more complex the logistics chain is and the more links it has, the higher the likelihood of such effects emerging in one or several links. As a result, the adverse effect of a refusal to operate in the Russian market may be more massive than a negative impact of direct sanctions.

Currently, it is only business surveys that point to an economic activity downturn. Meanwhile, real-time economic indicators so far fail to report this, which is largely owed to the inventories of raw materials and supplies some producers have accumulated. Retailers posted sales expansion in March amid a temporary surge in consumption by households. But data on foreign trade flows suggest a contraction: imports by value and exporting industries' incoming ruble payments are declining notably. Freight rail traffic is also contracting. Business surveys are starting to post mounting adverse phenomena in the economy, which are set to spread via production chains and a drop in demand.

2.1. Nature of economic downturn and its consequences

Massive sanctions have exposed the Russian economy to severe *supply-side shocks*: restrictions on the deliveries of and payments for imported commodities, materials and components, as well as those on the deliveries of finished Russian products to both external and domestic markets and getting payments for them. The domestic market is affected by production and sales chains that link importer companies and subsidiaries of foreign investors with Russian suppliers. Given the persistence of supply-side shocks, the downturn can be quite deep and exit trajectory drawn out in time.

Manufacturing of high-tech products, as a rule, involves global production chains which may include hundreds and even thousands of manufacturing, transport, financial, and service companies from a host of world countries. With several links of this chain falling out, the operation of the entire chain can be paralised. Therefore, even a high degree of production localisation may fail to help where the missing components are unique and cannot be readily replaced by products from another manufacturer. This creates risks for, above all, machinery and electronic industries.

Foreign trade and financial restrictions embracing a wide range of goods, services, business and financial activities, make the Russian economy more closed. As a result, the share of exports and that of imports in Russia's GDP will be declining, alongside the GDP contraction. This also means that *in the medium term,* after the economy's structural transformation is over and the relative world commodity prices decline, the Russian GDP in terms of reserve currencies (the renminbi, dollar, etc.) will decline more than in real terms. The gap between GDP in terms of purchasing power parity and nominal GDP in terms of reserve currencies will increase.

Restrictions will also bring down the technological and engineering level along with that of labour productivity in industries affected by them. Industries employing the most advanced foreign technologies and those that have reached the high level of their business process digitalisation risk suffering more heavily than others.

Relative prices are set to change in the medium term. First, prices of goods will increase relative to services prices (except for imported services). The rise in relative prices will be the steepest in goods with a large import component in their cost. Second, there will be a rise in prices of investment goods relative to labour (wages and income). This is owed to a labour productivity decline in the economy at large and a fall in total factor productivity (TFP). As a result, the share of wages in GDP will contract. Third, production output will contract less than GDP because of lower production efficiency. At the same time, labour demand will increase for the same reason, with a relative substitution of labour for capital.

Output contraction will, above all, be driven by a fall in potential GDP. Potential GDP will be dragged down by two key factors. First, an export fall in physical terms on the back of sanctions and restrictions, which means a direct subtraction from GDP. Second, a decline in efficiency and value added resulting from a partial switch to alternative, less sophisticated, lower-quality and more expensive imports, as well as import substitution necessitated by the loss of imports due to sanctions and restrictions.

A decline in potential GDP will limit the possibility of subsequent recovery driven by demand factors (closing of the negative output gap) and substantially delay the return of GDP to the 2021 level. As regards the pace of future growth in potential GDP, it is so far impossible to tell definitively whether it will accelerate or slow. Essentially this boils down to whether the gap between the Russian economy's development and that of OECD countries increased in the course of the downturn will subsequently narrow or widen. The answer to this question depends on many factors, the key ones being technological in nature and related to the Russia economy's ability to import or quickly replicate foreign technologies, as well as develop technologies of its own enabling the technological gap to narrow and applicable in mass production.

The Russian economy’s structural transformation amid long-lasting external restrictions will be accompanied by technological regress in a number of industries and a concurrent rise in the production of investment goods and technologies. The scenarios of transformation have yet to be determined, but it may proceed along the following lines and go through the following stages.

First stage: the break-up of many well-established technological, production, and logistics chains. This primarily affects companies importing (directly or via providers of commodities and materials) critically important production components, which could make up even a small share in the cost of a product. The disruption or cessation of deliveries create risks to the financial position or operation of all the companies in the production chain, curtailing access to financing even from Russian sources. The level of inventories of commodities, materials, and components accumulated by companies plays an important role at this stage. Exporting companies and their supply-chain partners are hurt less severely thanks to a financial cushion, as a rule, accumulated earlier through exports in 2021, and less massive export restrictions at this stage.

At this stage, the adaptation strategy seeks to maintain the current operating capacity, which involves using inventories (including financial reserves) and locating alternative foreign customers/suppliers and transportation routes. If inventories are not available and prompt adjustment is impossible, there comes a sharp output contraction affecting the entire production chain. Simultaneously the he risk of “infecting” other production chains rises. This is, among other things, owed to the buildup of uncertainty in the economy at large and the escalation of companies’ credit risks, undermining incentives to lend to them.

The first stage sees a gradual escalation of engineering/technological problems due to the shortage of spare parts and inadequate maintenance of foreign equipment. This increasingly results in the malfunction and failure of equipment, as well as an overall worsening of technical efficiency.

The economic policy goal at this stage is to *minimise the scale of the downturn* owed to the break-up of production chains. To address this goal, the government takes on a part of financial risks (credit and interest rate ones, etc.), using specific instruments, such as programmes of partial government guarantees and interest rate subsidies. An effective tool of general support for businesses is tax cuts and deregulation of business activities: cancellation of a moratorium on the implementation of statutory regulations (except for vital ones) imposing an administrative or financial burden on businesses, especially small ones.

Second stage: initial adjustment of companies and production chains to the new operating environment. As inventories get depleted, it will become clear which production chains have survived, even if in a modified form, and which have not. A possibility to promptly switch to alternative foreign and Russian suppliers will play a crucial rule in that. It is at this stage that adverse secondary effects of the downturn will emerge, additionally hurting the economy via demand, the labour market, and income.

As regards Russian suppliers, production capacities and dependence on imports for their expansion will be key constraints on ramping up the substitution potential of production.

Therefore, a sharp rise in the manufacture of substitution products is not to be expected at this stage. This is a fundamental difference from the development of a typical cyclical downturn driven by a temporary decline in demand, with aggregate supply remaining unchanged. At the same time, repair and servicing businesses, both existing and new ones, which will be capable of remedying the problems and maintaining the operating ability of production lines, will receive an impulse to growth.

As regards arranging deliveries from alternative foreign suppliers amid continuing restrictions, the role of small intermediary trade firms and small “shuttle-trade” businesses (especially in the consumer sector) will increase. But small scale and complicated logistics of these purchases, will make such imports more expensive and impossible to substitute for those from conventional suppliers in full.

The Russian economy’s overall engineering and technological level will continue to decline at this stage, dragged down by the ageing of facilities and their replacement by less efficient substitutes.

The second stage will see a more extensive employment contraction in the hardest hit industries and those which have failed to adapt. At the same time, labour demand will start rising in medium-sized and small businesses (including in the informal sector) involved in foreign trade and those providing repair and maintenance services. That said, employment in the consumer services sector will likely fall as the structure of the consumer basket and relative prices will shift towards goods.

Output and gross value added will likely drop mainly at the first and second stages, roughly until the end of 2022.

Third stage: “reverse industrialisation”, or industrialisation based on development of less advanced technologies. At this stage, which may take several years, implementation of investment projects may result in a partial import substitution for technologies and production facilities, access to which has been lost. Production of equipment and technologies expands but on a lower technological level. Also, the effect of a small scale (the impossibility of mass production, given a limited volume of the Russian market) will make this equipment and technologies more expensive relative to more advanced but unobtainable technologies. The technological and economic efficiency of equipment thus produced will be inferior to what is available currently. In particular, this will affect the digitalisation *level* of equipment and business processes. Meanwhile, import substituting industries will see employment rise, with output expanding at a faster pace than in other industries. As a result, the share of industry will expand in the Russian economy. The worsening of environmental friendliness of production will be yet another important consequence of the above developments. Emissions and waste per unit of output will increase, since less resource-saving technologies will have to be used.

At the same time, the economy’s return to the growth path at this stage will help reduce general economic uncertainty, restore the credit activity, and close the negative output gap. This implies that the Russian economy’s potential growth rate will be temporarily surpassed.

Lower productivity and efficiency of equipment and technologies will require an employment headcount increase in industries which use equipment and technologies and service them. This will bring down the unemployment rate but will fail to have a major effect on the level of real wages. Therefore, wage growth will trail output expansion, with labour becoming less expensive relative to capital (fixed assets).

Fourth stage: completion of restructuring, achievement of a new equilibrium and development on a new, less advanced, technological base, a gradual return to previous technological levels. That said, local technological breakthroughs along some directions are possible.

After the economy's transformation towards alternative foreign trade partners and import substitution (to the extent possible) for other types of intermediate and investment goods, further economic performance, including potential growth, will depend on the following factors:

- The degree of technological lag from other countries. The larger the lag, the easier, all other things being equal, to replicate advanced technologies locally.
- The possibilities of the large-scale export to other countries of high-value-added products, in particular, equipment and technologies meeting modern requirements, active tapping of new markets. The stronger economies of scale, the more efficient is production and the greater are growth opportunities
- A ratio between the government and private sectors of the economy. Expansion of private entrepreneurship across a wide range of industries and deregulation are an indispensable condition for supporting potential growth.
- A decrease in the share of rent taxes in budget revenue, and a possible raise of general taxes for their compensation, which would be a factor restraining business activity.
- A possible scaling-up of the share of government consumption in GDP through either an additional tax raise or redistribution of budget expenditure. This structural shift would hurt the potential growth rate.
- The role and place of foreign companies and foreign investment in Russia. It is important to bring back the attractiveness of direct and financial investment in Russia.
- Development of human capital and availability of social lifts.
- Maintenance and development of economic and social institutions and infrastructure.
- Intensity of external restrictions and their change.

As a result of particular combinations of these factors and their interaction, the potential growth rate (the rate of potential GDP growth) may turn out to stand both above and below the last decade's level estimated at just below 2%.

In structural terms, the share of manufacturing companies and the business services sector will rise in the medium term. The share of consumer services and their relative prices will decline. The employment headcount distribution across industries will change in a similar fashion. Meanwhile, given the demographic situation and the economy's need for a greater number of workers, the unemployment rate is expected to be low.

It is important to note that the success of adaptation and subsequent structural transformation depends, above all, on *entrepreneurial activity*. Therefore, the government's strategic goal is to support it in every possible way. This implies a large-scale economic liberalisation, a radical scaling down of government regulation and oversight, tax burden alleviation (except for rent taxes).

Inflation and monetary policy. External shocks provoke massive structural shifts in the Russian economy, accompanied by a significant change in relative prices and a rise in costs. A temporary inflation acceleration is inevitable in this situation. For inflation to stay close to the Bank of Russia target in this period, a sharp decline in consumer services prices is required, which is unacceptable, since this will trigger an even steeper contraction of the economy. Therefore, monetary policy's objective at the first stage is to ensure financial stability, support credit activity, rein in the scale of the price shock, and prevent the emergence of a self-feeding inflationary spiral.

At the second and subsequent stages, with the weakening of price shocks sparked by the economy's adaptation to the new external conditions and its transformation, monetary policy should ensure sustainable inflation deceleration (disinflation). Subsequently, after the effect of price shocks has petered out, inflation slows to the target, helped by monetary policy measures.

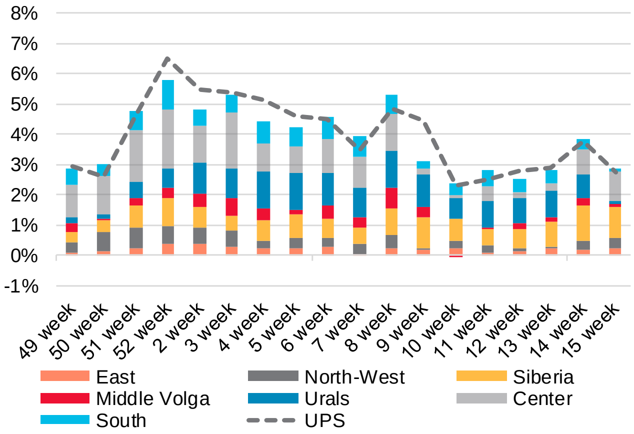
In the current environment, the transmission mechanism of monetary policy becomes less effective than previously. Indeed, the exchange rate, wealth, and balance of payments channels either stop working or work more slowly. As a result, changes in the Bank of Russia's key interest rate translate into economic agents' behaviour and the economy at large to a lesser degree and with a longer delay. This necessitates a more active implementation of macroprudential policy measures and regulatory changes to allow a partial "compensation" for the depressed effectiveness of monetary policy's transmission mechanism.

2.2. Worsening of external conditions brings down economic activity in March

- Real-time indicators suggest that economic activity contracted in March as external conditions worsened significantly.
- On one hand, electricity consumption, which is one of indirect indicators of production, showed stable performance in March – early April relative to the start of the year. On the other hand, manufacturing PMI survey data pointed to a decline in output and new orders as logistics and deliveries problems arose, bringing down companies' inventories of finished products and raw materials.
- Logistics complications have also hurt rail freight traffic. Rail shipments contracted year-on-year in March, dragged down mainly by exports: those of oil and refined petroleum products, coal, and grain. That said, other shipments stayed above the level posted a year earlier.

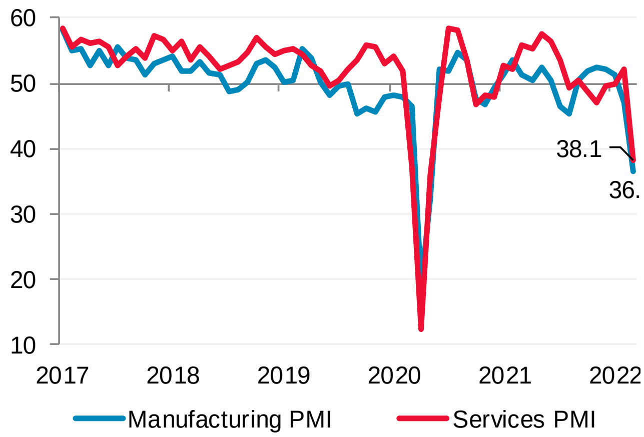
- The first half of March saw a consumer demand surge, driven by rising inflation expectations as the ruble weakened. This rise in demand was concentrated in the segment of non-food goods, which became one of the factors of their faster price growth relative to other segments.
- The consumer expenditure increase had returned to the level of the start of the year in nominal terms by the end of March – beginning of April. With inflation accelerating, this means expenditure contraction in real terms. The steepest fall is registered in the segment of non-food goods. In addition to the recent wave of panic buying, this is prompted by a drop in supply on the back of disruptions in import deliveries. Against this background, there have been signs of a temporary expenditure shift towards services. As the stock of goods hoarded by household peters out, a recent rise in the prices of consumer goods relative to services will keep up a higher share of goods in the household expenditure structure than in 2021.

Figure 8. Contribution of regional systems to electricity consumption dynamics adjusted for temperature and number of working days, YoY (2021 to 2019; 2022 to 2021)



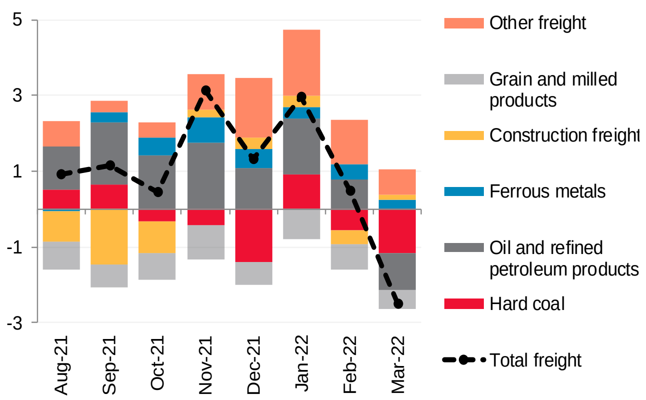
Source: SO UES, R&F Department estimates.

Figure 9. Russia PMI Manufacturing and Services indices, p.



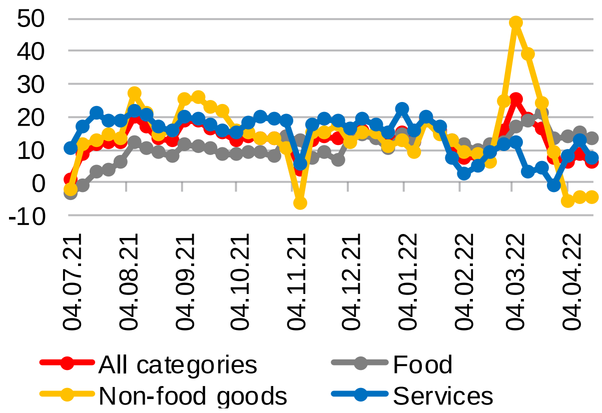
Source: S&P Global.

Figure 10. Change in rail shipments by freight type, pp, YoY



Source: Russian Railways, R&F Department estimates.

Figure 11. Rise in nominal consumer expenditure, % YoY



Source: SberIndex.

2.3. Subsidised programmes buoy lending

- A sharp key rate increase and a rise in uncertainty regarding further business activity have caused banks to tighten their loan issuance policies, with loan demand falling. The subsidised lending programmes partially mitigate the effect of monetary tightening.
- A dramatic increase in deposit rates has put a brake on the outflows of household funds from banks, making household ruble deposits expand. The deposit expansion was concentrated in deposits with maturities of up to six months, whose rates exceeded the key interest rate level at many banks.

The overall retail loan portfolio contracted in March.[1] Retail loan issuance dropped almost 40% YoY (Figure 12). This was driven by a number of factors, such as a sharp rise in in interest rates on loans in the wake of a key interest rate raise at the start of March, a drop in the supply of some (above all, non-food) goods, following the exit of many foreign companies from the Russian market and disruption of deliveries, which brought down loan demand, as well as the tightening of loan issuance by banks due to a rise in uncertainty regarding further economic performance.

An issuance decline was posted in all the segments, except for mortgage lending, whose performance was supported by a significant increase in issuance under subsidised programmes (Figure 13) and the use of loan applications approved earlier. Subsidised mortgage loans will remain the key factor of support for the lending market in the immediate future. First, this is the type of retail lending the least risky for banks thanks to the collateral, second, subsidised loan programmes will remain in place. As a result, one can expect a major change in demand and structure of mortgage loan issuance towards subsidised loans in the new housing market.

Ruble loans to non-financial organisations expanded[2] in March, despite a substantial change in monetary conditions. Going forward, corporate loan portfolio may be supported by subsidised loan programmes for SMEs and systemically important enterprises, along with a decrease in economic uncertainty.

A total of household funds at banks rose in March, offsetting its decline in February as banks raised their deposit rates dramatically. A 20% raise of the key interest rate played an important role, mitigating risks to financial stability, and, together with maintaining banks' operating activity, brought back households' confidence in these financial institutions. Many banks raised their rates on deposits with maturities of 3–6 months above the key rate level. As a result, this segment saw the largest increase in banks' liabilities to households.

Expansion in corporate ruble funds accelerated from 2.5% MoM SA to 3.1% MoM SA, whereas corporate foreign currency funds continued to slide, contracting 5.6% MoM SA in March after a drop of 5.1% MoM SA in February. This trend may be owed to a mandatory

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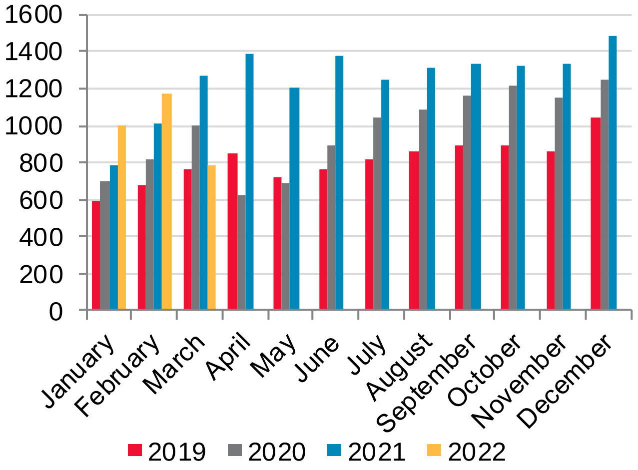
[1] Seasonally adjusted.
[2] Seasonally adjusted.

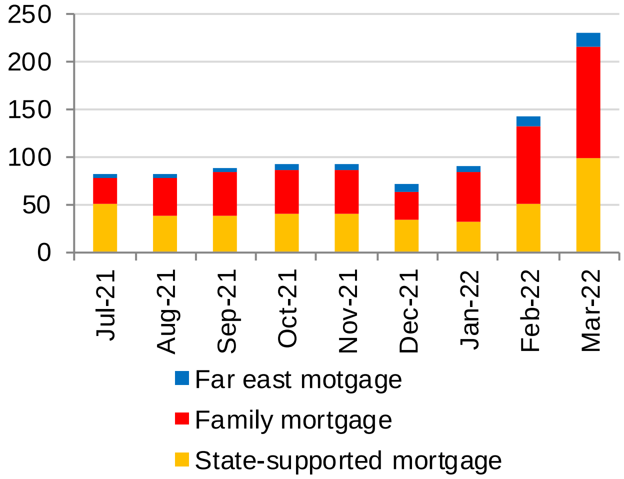
conversion of foreign exchange revenue. Besides, companies may be wary of keeping a large stock of foreign currency savings because of a perceived risk that they may be frozen.

Figure 12. A total of new retail loans issued, billion rubles



Source: Bank of Russia, R&F Department estimates.

Figure 13. A total of new preferential mortgage loans issued, billion rubles



Source: Bank of Russia, R&F Department estimates.