



Bank of Russia



# BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

9 October 2019

## BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (SEPTEMBER 2019)

- The structural liquidity surplus reduced to 2.9 trillion rubles in September (-0.5 trillion rubles). Banks increased balances in their correspondent accounts with the Bank of Russia, which contributed to this temporary drop in the surplus.
- The spread between interbank rates and the key rate remained negative, averaging -21 bp over the averaging period (since the beginning of 2019: -16 bp). Expectations for the key rate cut continued to impact money market rates in September.
- The interest rate spread in the FX swap and interbank lending segments slightly expanded (to -4 bp) owing to a risen demand among non-residents for foreign currency in the FX swap segment.
- The Russian financial market was moderately positive in September. Most segments of the Russian market saw an increase in quotes amid the easing of monetary policies in Russia and in a number of foreign countries.
- Interest rates continued to decline at the beginning of 2019 Q3 across all main segments of the credit and deposit market.
- Growth of the corporate loan portfolio slowed down in August against the backdrop of an increase in loan maturities. Activity in the retail segment of the credit market preserved a downward trend.

### BANKING SECTOR LIQUIDITY AND MONEY MARKET

**Ruble liquidity.** The structural liquidity surplus dropped by 0.5 trillion rubles in September to total 2.9 trillion rubles (Chart 1). Banks increased balances in their correspondent accounts with the Bank of Russia month-on-month, which contributed to this temporary decline in the surplus at the end of September. Expecting the Bank of Russia Board of Directors to cut the key rate at the meeting on 6 September, banks, as in June–July 2019, formed high liquidity supply at the Bank of Russia deposit auctions at the beginning of the required reserve averaging period. After the approval of the key rate decision, banks increased their correspondent account balances again, which slightly reduced the liquidity surplus as of early October.

Placement of budgetary funds in accounts of individual credit institutions contributed to a liquidity inflow to banks. Banks' debts within the Federal Treasury operations slightly rose. However, in general there was a liquidity outflow through the budget channel due to the seasonal excess of budget revenue over expenditure.

**Money market.** The spread between short-term interbank rates and the Bank of Russia key rate expanded by 4 bp to total -21 bp (in the August averaging period: -17 bp; since early 2019: -16 bp) (Chart 2). The spread volatility stayed almost the same equalling 12 bp. In the September averaging period, interest rates were influenced by the following factors. Firstly, at the beginning of the averaging period market participants again expected the Bank of Russia Board of Directors to cut the key rate at the meeting on 6 September. Banks strived to be able to deposit funds at a high interest rate. As a result, supply at the Bank of Russia deposit auction substantially exceeded the limit. Market participants who were unable to deposit funds at the auction for the above reason placed them in the interbank lending segment of the money market, which entailed a decrease in interest rates. Secondly, interest rates were also affected by the liquidity surplus in some weeks when banks' supply at the deposit auctions was below the established limits. Thirdly, placement of budgetary funds in accounts of individual credit institutions resulted in a liquidity inflow

to banks, which also had an impact on interest rates in the last week of September. To reduce the liquidity surplus, the Bank of Russia held a one-day fine-tuning deposit auction on 1 October with the limit of 500 billion rubles.

**Foreign currency liquidity.** The interest rate spread in the FX swap and interbank segments (basis) remained almost the same, averaging -4 bp over the September averaging period (in the August averaging period: +1 bp; since the beginning of 2019: +12 bp) (Chart 3). A slight drop in the basis might be caused by an increase in non-residents' long ruble positions and the corresponding rise in demand for foreign currency in the FX swap segment.

**The structural liquidity surplus forecast for the end of 2019** was raised from 3.4–3.7 trillion rubles to 3.6–3.9 trillion rubles. This revision was associated with the placement of budgetary funds in accounts of individual credit institutions.

**Key rate expectations.** The decision to lower the key rate approved by the Bank of Russia Board of Directors on 6 September was in line with market expectations. In addition, as compared to August, many market participants started to expect another key rate cut by the end of the year, which is explained by slower inflation and weak economic activity.

THE EXPECTED INTEREST RATE PATH BASED ON MARKET INDICATORS  
REMAINED ALMOST UNCHANGED

Table 1

1. Expectations based on market indicators (as of month-end) *, interest rate (instrument)	December 2019
– MosPrime 3M (FRA)	7.03 (7.46)
– RUONIA (ROISfix)	6.76 (7.07)
– RUONIA (futures)	6.74
2. Analysts' key rate expectations*	As of 31.12.2019
– Bloomberg survey	6.75 (7.00)
– Reuters survey	6.75
3. Imputed inflation rate (OFZ-IN)	September 2019
OFZ-IN-52 001 (until 16.08.2023)	3.25 (3.51)
OFZ-IN-52 002 (from 16.08.2023 until 02.02.2028)	3.77

\* Values are given as of the end of the current and previous months (in brackets).  
Source: Bank of Russia calculations.

THE FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS FOR THE YEAR-END 2019 WAS RAISED FROM 3.4–3.7 TO 3.6–3.9 TRILLION RUBLES AFTER THE REVISION OF THE FORECAST AMOUNT OF CASH IN CIRCULATION (TRILLIONS OF RUBLES)

Table 2

	January–September 2019	September 2019	2019 (assessment)	2020 (forecast)
<b>1. Liquidity factors (supply)</b>	<b>0.6</b>	<b>0.1</b>	<b>[0.8; 1.1]</b>	<b>[0.7; 0.9]</b>
– change in the balances of general government accounts with the Bank of Russia, and other operations*	0.1	0.1	[0.8; 1.0]	[1.1; 1.2]
– change in the amount of cash in circulation	0.3	0	[-0.3; -0.2]	[-0.4; -0.3]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.4	0	0.4	-
– regulation of banks' required reserves with the Bank of Russia	0	0	0	0
<b>2. Change in free bank reserves (correspondent accounts)*** (demand)</b>	<b>0.8</b>	<b>0.6</b>	<b>0.3</b>	<b>0.1</b>
<b>3. Change in banks' claims on deposits with the Bank of Russia and BoR coupon bonds</b>	<b>-0.2</b>	<b>-0.5</b>	<b>[0.5; 0.8]</b>	<b>[0.5; 0.7]</b>
<b>4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Structural liquidity deficit (+) / surplus (-) (as of the period-end)</b>	<b>-2.9</b>		<b>[-3.9; -3.6]</b>	<b>[-4.6; -4.1]</b>

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

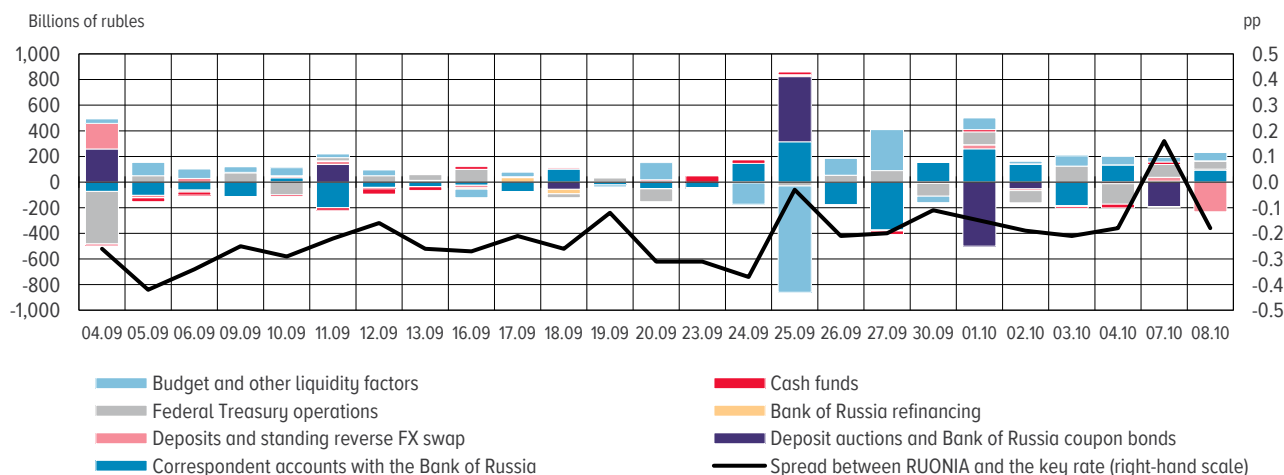
\*\* Forecast values of the indicator are in line with the actual amount of operations conducted.

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

Source: Bank of Russia calculations.

IN SEPTEMBER, PLACEMENT OF BUDGETARY FUNDS IN ACCOUNTS OF INDIVIDUAL CREDIT INSTITUTIONS CONTRIBUTED TO A LIQUIDITY INFLOW TO BANKS  
CHANGES IN THE BANK OF RUSSIA BALANCE SHEET AND MONEY MARKET RATES (OVERNIGHT)

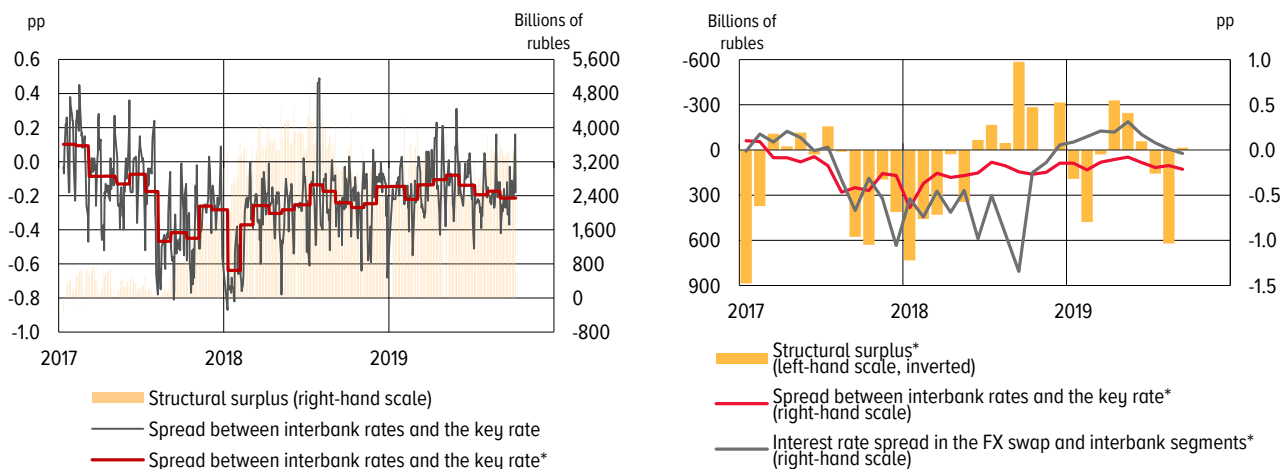
Chart 1



Source: Bank of Russia calculations.

## THE SPREAD BETWEEN INTERBANK RATES AND THE KEY RATE REMAINED NEGATIVE

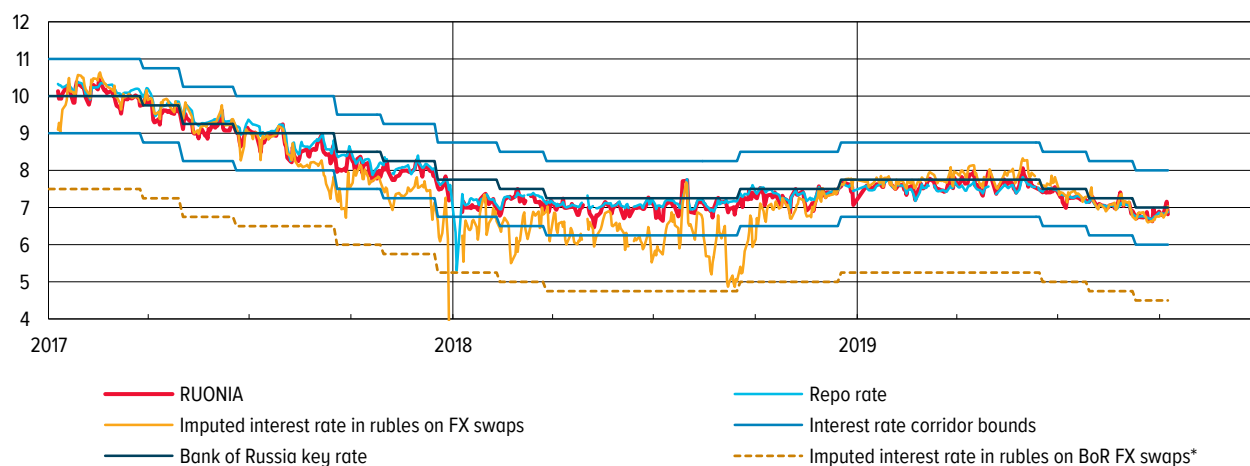
Chart 2



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

## THE INTEREST RATE SPREAD IN THE FX SWAP AND INTERBANK SEGMENTS STAYED CLOSE TO ZERO (PP)

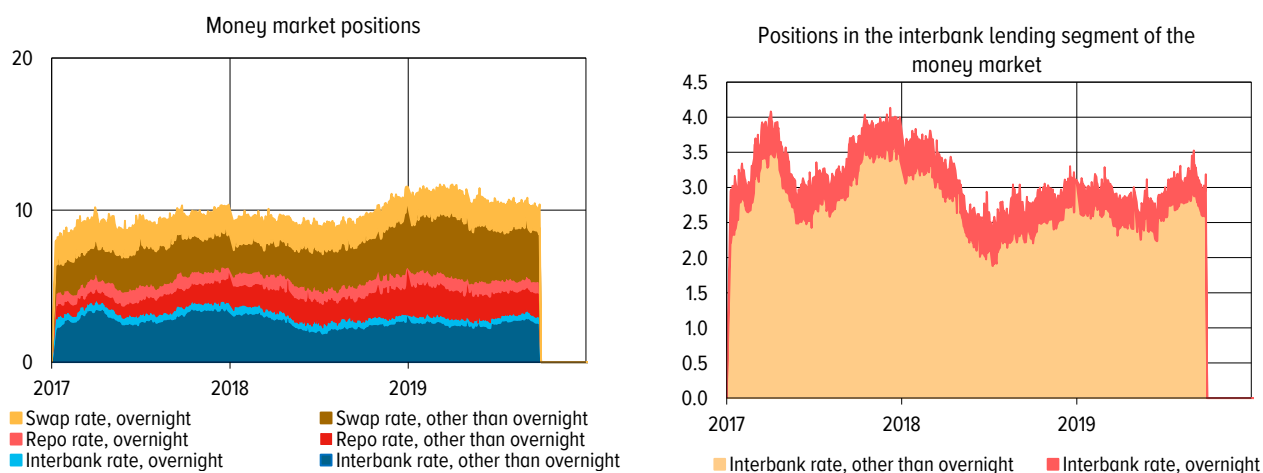
Chart 3



\* Imputed rate on BoR reverse FX swap = ruble lending rate – foreign currency borrowing rate + LIBOR  
(from 19.12.2016: key rate – 1 pp – (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp)  
Source: Bank of Russia calculations.

BANK'S LONGER-THAN-OVERNIGHT POSITIONS IN THE MONEY MARKET SLIGHTLY DECREASED  
(TRILLIONS OF RUBLES)

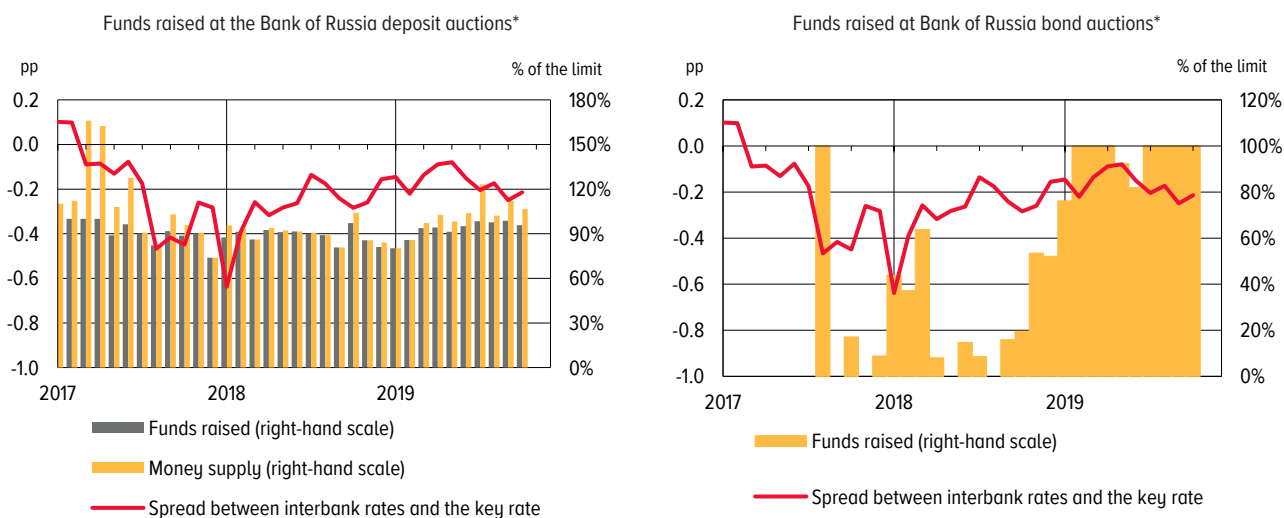
Chart 4



Source: Bank of Russia calculations

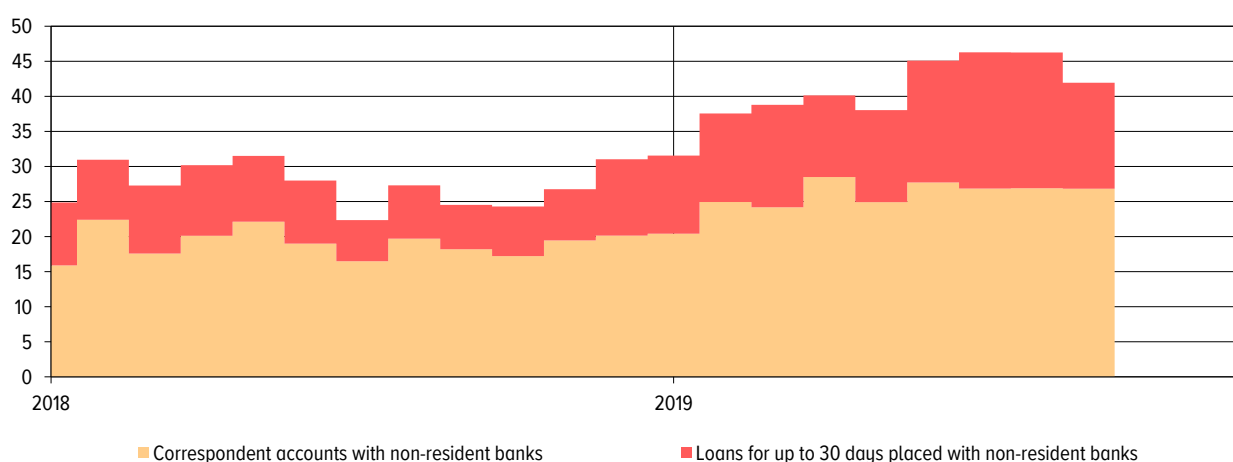
BANKS FORMED HIGH LIQUIDITY SUPPLY AT THE BANK OF RUSSIA DEPOSIT AUCTIONS  
AT THE BEGINNING OF THE AVERAGING PERIOD

Chart 5

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

HIGHLY LIQUID FOREIGN-CURRENCY ASSETS SLIGHTLY REDUCED (AS OF 1 SEPTEMBER)  
(BILLIONS OF US DOLLARS)

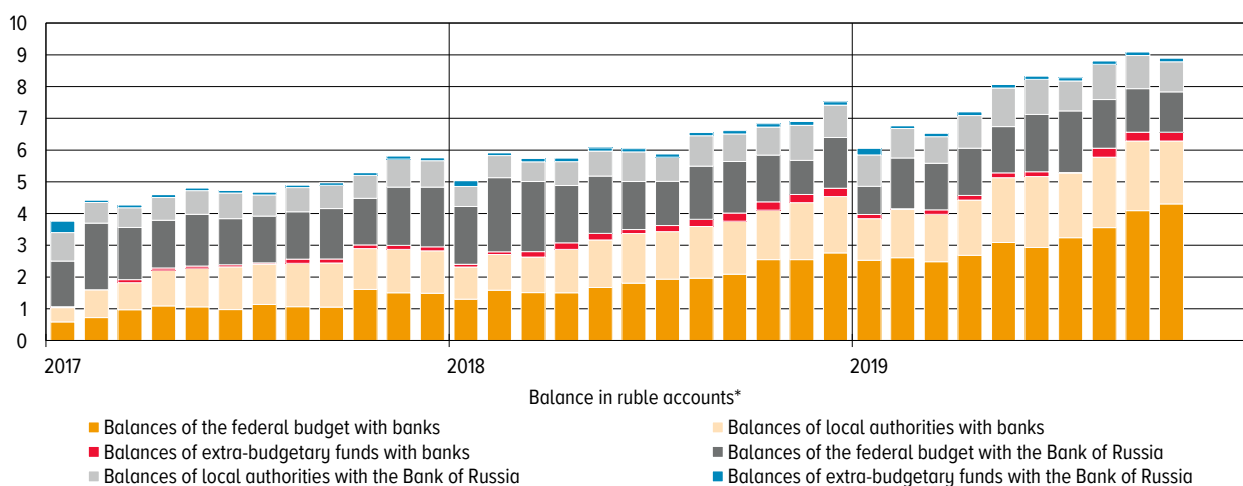
Chart 6



Source: Bank of Russia.

IN SEPTEMBER, BALANCES OF PUBLIC FUNDS WITH BANKS REMAINED UNCHANGED AS COMPARED TO AUGUST  
(TRILLIONS OF RUBLES)

Chart 7



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

IN SEPTEMBER 2019, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED  
(START OF BUSINESS, BILLIONS OF RUBLES)

Table 3

	01.01.2017	01.01.2018	01.01.2019	01.09.2019	01.10.2019
<b>Structural liquidity deficit (+) / surplus (-)</b>	<b>736</b>	<b>-2,639</b>	<b>-3,024</b>	<b>-3,347</b>	<b>-2,892</b>
<b>Bank of Russia claims to credit institutions</b>	<b>1,258</b>	<b>10</b>	<b>13</b>	<b>6</b>	<b>5</b>
Auction-based facilities	216	-	-	-	-
– repos and FX swap	-	-	-	-	-
– secured loans	216	-	-	-	-
Fixed interest rate facilities	1,042	10	13	6	5
– repos and FX swap	632	4	8	1	0
– secured loans	411	5	5	5	5
<b>Credit institutions' claims to the Bank of Russia</b>	<b>785</b>	<b>2,729</b>	<b>3,293</b>	<b>3,579</b>	<b>3,123</b>
Deposits	785	2,372	1,902	2,365	2,315
– auction-based	397	2,125	1,478	2,215	2,180
– fixed interest rate	388	247	424	150	135
BoR coupon bonds	0	357	1,391	1,214	808
<b>Standing reverse facilities, other than Bank of Russia standard monetary policy instruments*</b>	<b>263</b>	<b>81</b>	<b>256</b>	<b>226</b>	<b>226</b>

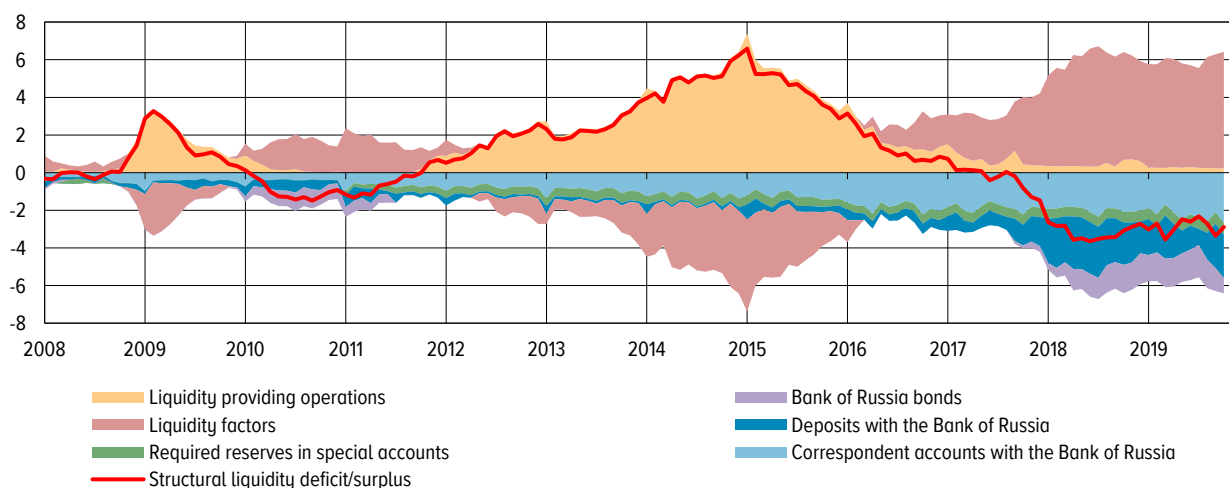
\* These transactions include Bank of Russia specialised refinancing instruments, loans granted by the Bank of Russia within irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.

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

Source: Bank of Russia calculations.

BANK OF RUSSIA BALANCE SHEET  
(TRILLIONS OF RUBLES)

Chart 8



Source: Bank of Russia calculations.



## FOREIGN EXCHANGE AND STOCK MARKETS

The Russian financial market was positive in September. Most segments of the Russian market saw an increase in quotes amid the easing of monetary policies in Russia and in a number of foreign states.

**Exchange rate.** The ruble strengthened against the US dollar during the most part of the month, reaching at its maximum the level recorded at the end of July 2019 – ₪63.8 per US dollar. As a result, the ruble offset its decline in August, when the currencies of all emerging market economies (EMEs) considerably weakened due to the escalation of the trade controversies between the USA and China. However, at the end of September the exchange rate of the ruble slightly decreased to ₪64.88 per US dollar as of the end of the period. The ruble exchange rate movements over the month mainly resulted from the dynamics of demand for high-risk assets. Another contributor to the ruble appreciation in the second ten days of September was foreign currency sales by exporters and non-residents amid the suspension of oil production by the largest Saudi Arabian oil refinery and a surge in oil prices.

**Country risk premium.** Russia's CDS spread continued to shrink and on 19 September 2019 it reached 73 bp – its lowest reading since November 2007. It then adjusted upwards owing to the change of the contract where the premium is used as the CDS spread indicator for Russia. This takes place on a regular basis because the maturity of contracts decreases

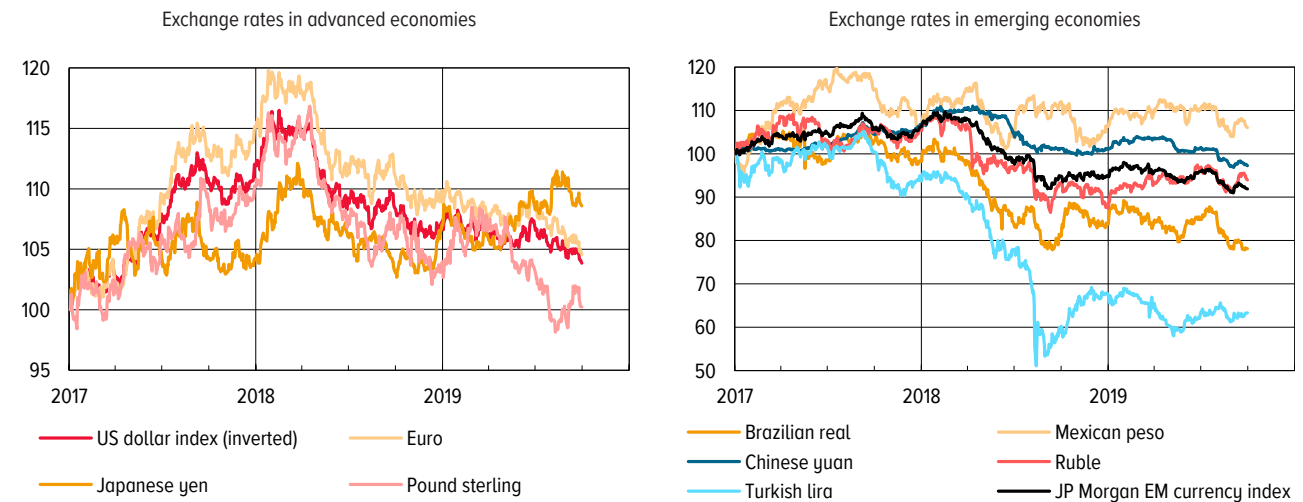
over time and, consequently, related premiums reduce. A similar situation was also observed in other EMEs where country risk premiums after the contract change rose on average by 10–15 bp over the same period.

**Federal government bonds.** The situation in the government bond (OFZ) market remained almost unchanged. Russia's Ministry of Finance carried out several auctions both with and without an offering limit. Despite high demand at several limited auctions, the amount of placements was below the level offered, which evidences that the Ministry seeks to minimize the cost of borrowed funds. As a result, the Q3 target for borrowings was achieved by 87%, and the overall amount totalled 261.4 billion rubles at par value. The yield curve declined by 1–19 bp depending on maturities. Yields decreased the most in the short section of the curve. This was largely associated with the easing of monetary policy by the Bank of Russia.

**Stocks.** The MOEX Index remained almost the same in September (after its adjustment upwards at the end of August). As of the end of the month, it rose by 0.3%. Amid these dynamics of the MOEX Index, the path of the RTS Index was primarily driven by the ruble exchange rate, with its monthly growth equalling 2.9%. In most other EMEs, stock indices also increased approximately by 2–3%, partially offsetting the drop in August. This was associated with a higher probability of further trade negotiations between the USA and China.

### THE RUBLE APPRECIATION WAS MORE SIGNIFICANT AS COMPARED TO THE CURRENCIES OF OTHER EMES\* (03.01.2017 = 100)

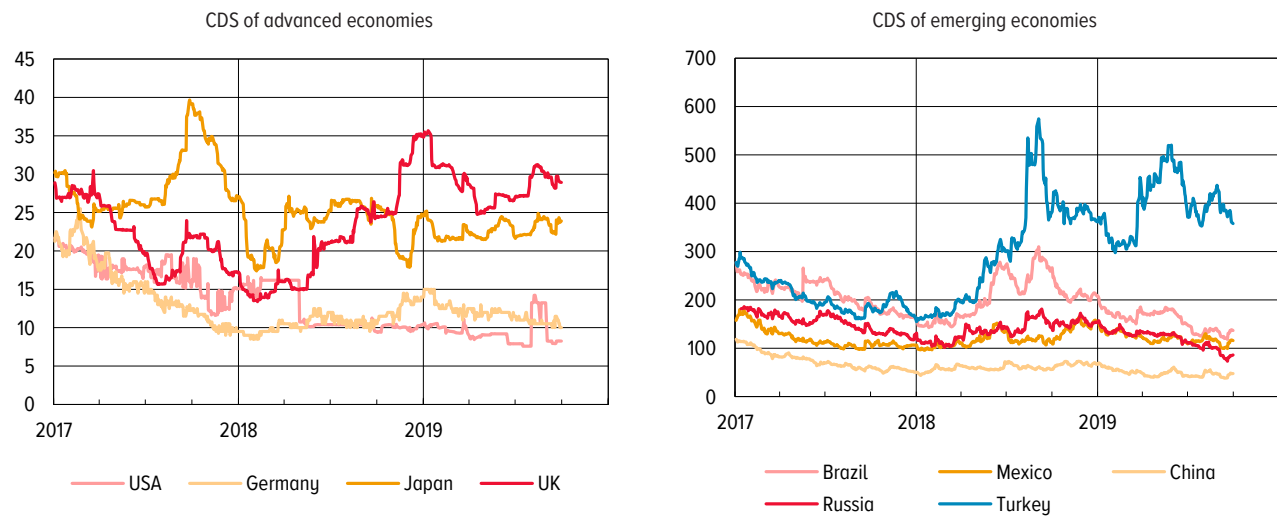
Chart 9



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

### RUSSIA' CDS SPREAD REACHED A NEW LOW SINCE NOVEMBER 2007 (BP)

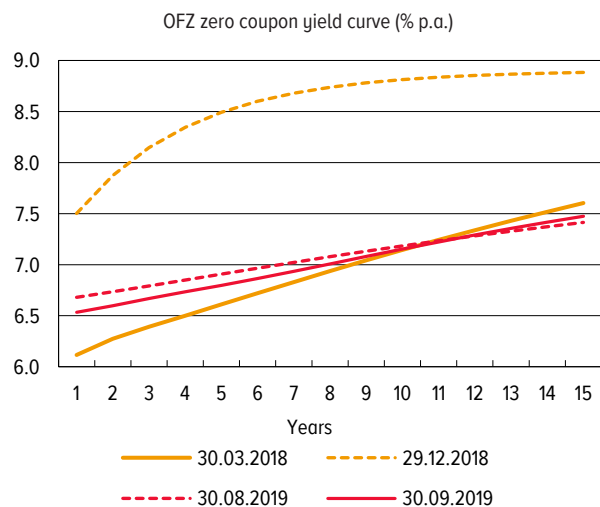
Chart 10



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

THE OFZ YIELD CURVE DECLINED AMID EXPECTATIONS  
FOR FURTHER EASING OF MONETARY POLICY

Chart 11



Sources: PJSC Moscow Exchange.

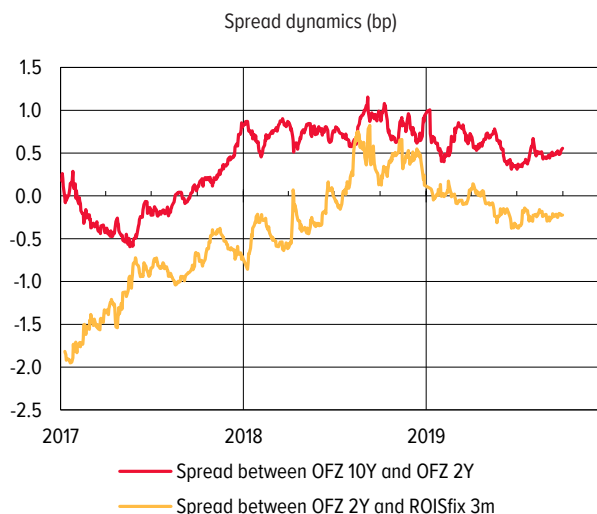
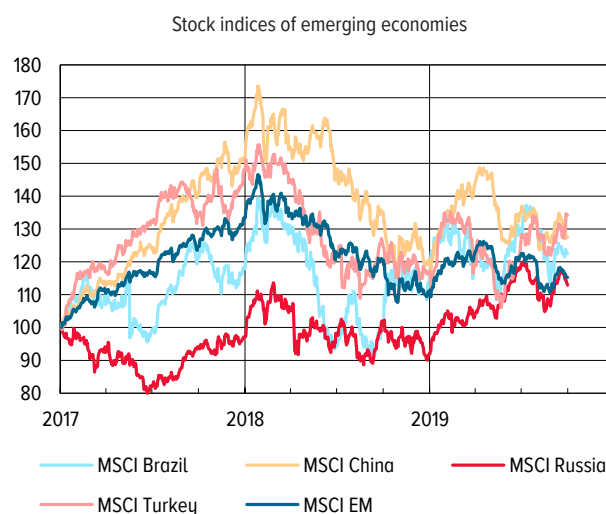
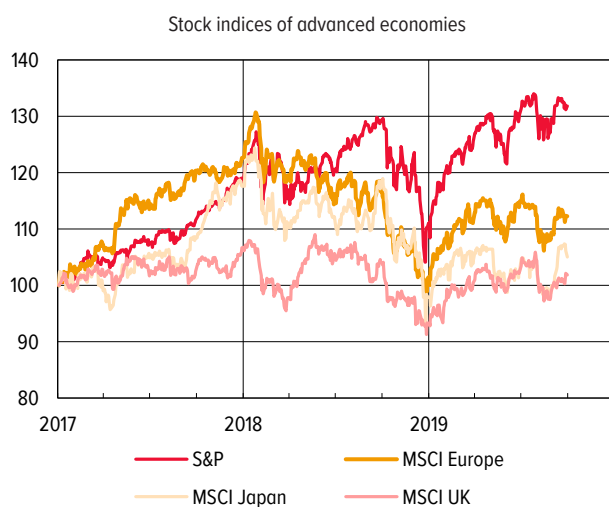
STOCK INDICES OF MOST EMES PARTIALLY OFFSET THE DROP IN AUGUST  
(03.01.2017 = 100)

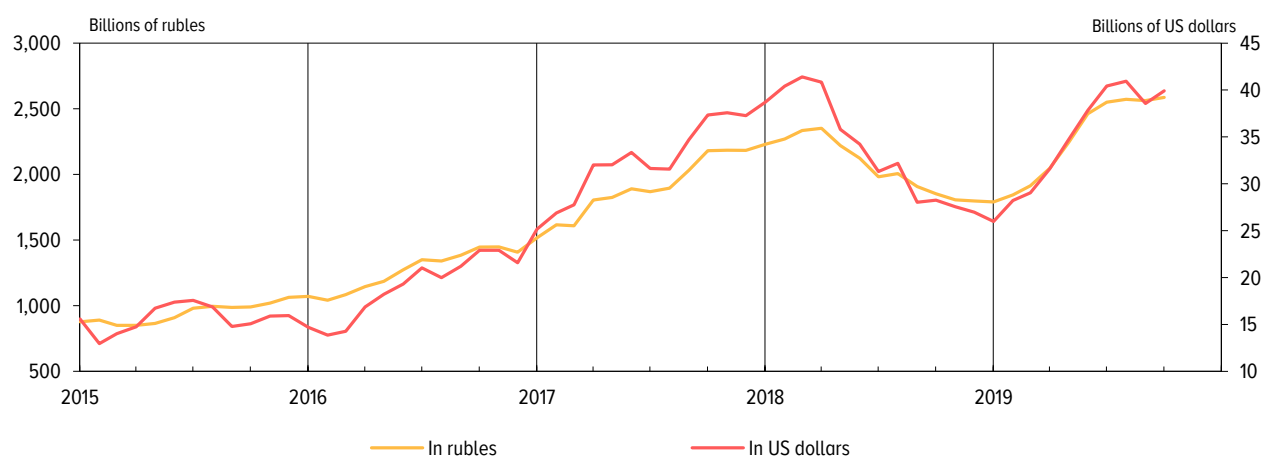
Chart 12



Sources: Bloomberg, Bank of Russia calculations.

IN SEPTEMBER, NON-RESIDENTS INCREASED THEIR INVESTMENTS IN OFZS  
NOMINAL VALUE OF OFZS HELD BY NON-RESIDENTS

Chart 13



Source: Bank of Russia calculations.

## RUSSIA'S FINANCIAL MARKET WAS MODERATELY POSITIVE

Table 4

Indicator		30.09.2019	1M	3M	6M	YTD	1Y
<b>Russian financial market</b>							
RUB/USD exchange rate		64.88	2.9	-2.8	0.7	7.2	0.8
MOEX Index		2,747	0.26	-1.9	9	16.5	11
RTS Index		1,334	3.1	-4.8	9.9	25.1	12.3
Government bond yield		6.89	3	-33	-126	-152	-142
Corporate bond yield		7.51	-26	-50	-134	-164	-126
Regional bond yield		7.42	-32	-73	-127	-131	-125
CDS spread		86	-12	-24	-48	-68	-58
RVI		19	-1	-1	-6	-8	-6
<b>Exchange rates (per US dollar, per cent change, '+' – appreciation, '-' – depreciation)</b>							
AEs*	US dollar index	99.38	0.5	2.6	2.2	3.1	4.7
	Euro	1.09	-0.7	-3.5	-2.7	-4.7	-6.6
	Japanese yen	108.15	-1.7	0.3	3	2	4.9
	Pound sterling	1.23	1.1	-2.7	-6.3	-3.2	-6.2
EMEs	JP Morgan EM currency index	60.29	0.6	-4.2	-4.3	-3.1	-3.2
	Ruble	64.88	2.9	-2.8	0.7	7.2	0.8
	Brazilian real	4.16	-0.7	-8	-7	-7	-4
	Mexican peso	19.73	1.7	-3.1	-2.7	-0.4	-4.7
	Chinese yuan	7.15	0.1	-4.2	-6.1	-3.8	-3.6
	Turkish lira	5.65	3.1	0.1	-3.2	-6.7	5.9
<b>10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)</b>							
AEs	USA	1.67	17	-36	-84	-105	-139
	Euro area	-0.57	13	-22	-55	-81	-110
	Japan	-0.22	6	-7	-14	-22	-33
	UK	0.48	1	-33	-56	-78	-111
EMEs	Russia	7.01	-11	-35	-140	-169	-154
	Brazil	7.05	-38	-24	-178	-219	-457
	Mexico	6.88	-10	-61	-114	-181	-105
	China	3.14	8	-9	0	-17	-49
	Turkey	13.12	-247	-269	-434	-296	-559

CDS spreads (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	8	-5	0	-1	-2	-1
	Euro area	10	-1	-2	-3	-4	-1
	Japan	24	0	2	1	-1	-2
	UK	29	-1	2	0	-6	5
EMEs	Russia	86	-12	-24	-48	-68	-58
	Brazil	137	1	-11	-35	-74	-122
	Mexico	116	2	7	-5	-41	3
	China	48	2	5	0	-19	-9
	Turkey	358	-72	-13	-38	-5	-14
Stock indices (p., % change, '+' – increase, '-' – decrease)							
AEs	S&P	2,977	1.7	0.4	3.8	19.8	2.2
	MSCI Europe	1,645	2.6	-2.4	-0.5	11.1	-5.1
	MSCI Japan	960	5.1	0.5	-0.7	7.3	-10.3
	MSCI UK	2,127	2.8	-1.5	0.9	9.1	-2.6
EMEs	MSCI EM	1,001	1.7	-5.9	-6.5	4	-4.8
	MSCI Russia	702	2.8	-5.5	8.2	23.6	11.5
	MSCI Brazil	2,102	2.4	-6	-0.2	7.9	20.3
	MSCI Mexico	4,516	2.6	-3.9	-4.4	2.7	-17.3
	MSCI China	75	-0.2	-5.9	-11.6	6.4	-5.7
	MSCI Turkey	1,434,590	8.9	5	12.5	15.6	5.7

\* Advanced economies.

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

## CREDIT AND DEPOSIT MARKET

**Deposit rates.** The funding cost of retail ruble deposits preserved its downward trend in August, following the persisting decline in OFZ yields (Chart 14). Long-term rates showed a more pronounced downward adjustment (according to the preliminary data, they fell by 0.2 pp in August) against the backdrop of an outpacing decrease in short-term rates during the previous months. One of the factors behind these dynamics of interest rates is that market participants feel more confident about further easing of monetary policy. Amid a gradual slowdown of inflation, household deposit rates in real terms remained attractive, which supported a stable growth of ruble deposits.

Foreign currency deposit rates also demonstrated downward dynamics in August amid the actual cut of interest rates in the USA. According to the preliminary data, the funding cost of US dollar deposits with maturities of over 1 year decreased by 0.3 pp in August. As compared to ruble deposit rates, foreign currency deposit rates declined more notably, gradually approaching their all-time lows recorded in mid-2017.

**Deposit operations.** In August, households continued to extensively use bank deposits as the main savings instrument: annual growth of the retail deposit portfolio totalled 8.2% as compared to 7.1% in July<sup>1</sup> (Chart 15). As interest rates in the economy continued to decline and, consequently, depositors sought to preserve the profitability of their savings, long-term ruble deposits were the main source of a stable increase in household deposits: annual growth of retail ruble deposits with maturities of over 1 year sped up in August from 14.9% to 16.8%. However, growth of short-term ruble deposits accelerated to a lesser extent: 2.7% in annual terms against 1.8% in the previous month. As a

result, the trend to increase deposit maturities that had emerged in May preserved in August, expanding the possibilities for banks in long-term lending.

Depositors started to demonstrate a weaker interest in foreign currency deposits: their amount declined month-on-month for the first time since the beginning of the year. Yet, the reduction in foreign currency deposits in August was less significant as compared to the decrease in the same month last year. As a result, annual growth of foreign currency deposits stayed close to the reading of the previous month (9.6% in August against 9.5% in July). Despite a decline in foreign currency deposits and a stable growth of ruble deposits in August, the share of foreign currency retail deposits rose by 0.5 pp, which was caused by the weakening of the ruble.

**Credit rates.** In July, corporate loan rates continued to drop as a result of a decrease in the funding cost of deposits and yields on government securities (Chart 14). Short-term interest rates showed a more significant reduction (by 0.3 pp to 8.8%), while the long-term rate remained almost the same in July due to its outpacing downward adjustment in the previous month. Amid these dynamics of interest rates on corporate loans, the maturity premium has stayed positive since the beginning of 2019.

Interest rates continued their downward trend in retail lending likewise. And according to the preliminary data, the decreases in short- and long-term household loan rates were comparable in August. The reduction in interest rates on loans granted for over 1 year was driven by a considerable drop in the mortgage rate as compared to the July decrease (by 0.3 pp to 9.9% in August). It approached the reading recorded at the beginning of the year. According to the preliminary data, the car loan rate in the short-term segment of retail lending demonstrated a substantial downward adjustment, falling below the previous-month level by 0.8 pp. In the short run, we can expect a further drop in household retail rates due to gradually declining interest rates in the stock and money markets, cheaper bank funding and sustainably improving quality of the retail loan portfolio. However, the potential for a decrease in market average

<sup>1</sup> Hereinafter, increases in banks' balance sheet indicators are calculated based on reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. To analyse flows of funds between banks and their customers, the growth of the foreign currency component is converted into rubles using the period average exchange rate where increases in balance sheet indicators comprising foreign currency and ruble components are calculated herein.

household loan rates may be somewhat limited as a result of risk-based buffers for unsecured consumer loans introduced on 1 October 2019 for macroprudential purposes and depending on borrowers' debt burden ratio. This may make high-risk segments of retail lending less attractive for mid-cap banks and, consequently, have a slight upward pressure on interest rates for such loans.

**Corporate lending.** Growth of the corporate loan portfolio continued to slow down since the beginning of 2019 Q3: in August, annual growth of the portfolio of loans granted to non-financial organisations decreased by 0.7 pp to 5.0% (Chart 16). These dynamics were accompanied by changes in the structure of the corporate loan portfolio. Amid the reduction in short-term ruble lending, ruble loans with maturities of over 3 years were the major contributor to the increase in the corporate loan portfolio (annual growth as of the end of August equalled 11.5% as compared to 10.6% in July). This evidences a revival of investment demand, including in the context of low and stable inflation. One of the drivers behind an increase in the loan portfolio maturity was a gradual expansion in lending to the construction industry supported by project financing.

The deceleration of annual growth in corporate lending in August was accompanied by the continuing replacement of foreign currency loans with ruble-denominated loans, as well as by enhancement of the loan portfolio quality

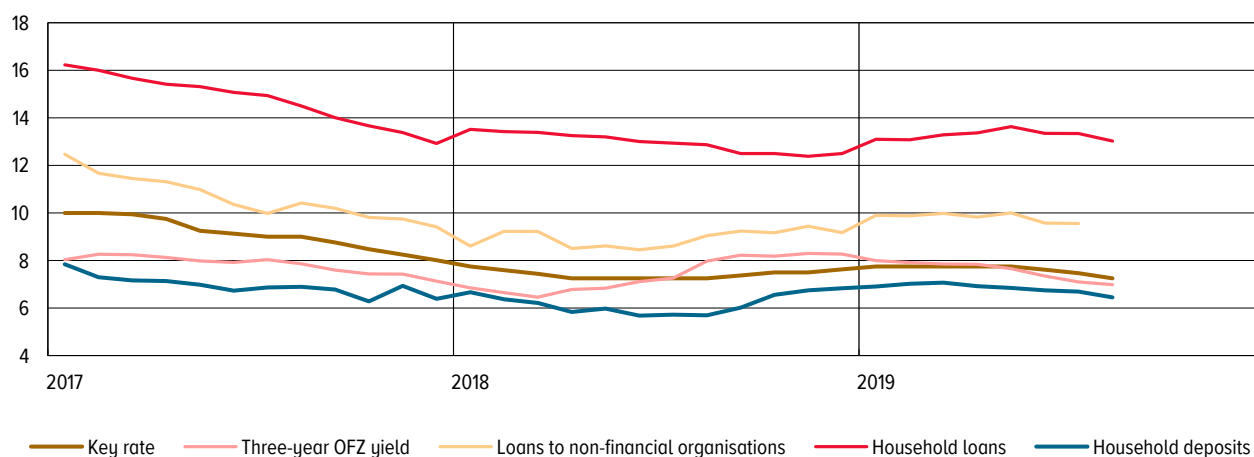
(the share of overdue debt in the portfolio of loans granted to non-financial organisations reduced by 0.1 pp).

**Retail lending.** Activity across all retail lending segments continued to slow down (Chart 17). As of the end of August, annual growth of unsecured consumer loans declined to 23.7% (as compared to 24.4% in July), accounting, however, for a little more than 50% of the increase in the overall retail loan portfolio. In this context, annual growth of mortgage lending also decelerated as of the end of August (19.0% against 19.8% in the previous month), but not as much as it had declined by the end of July. Mortgage lending was supported by an increase in maturities of credit transactions (the average mortgage loan maturity hit a new high – 18.1 years), a high level of payment discipline among borrowers (the share of overdue debt in mortgage lending continued to reduce), as well as a downward path of market average mortgage rates. As a result, annual growth of the overall household loan portfolio decreased by 0.7 pp to 21.2% (Chart 16).

Banks expect that by the end of the year households' demand for loans will go up amid the easing of lending conditions. Coupled with the introduced risk-based buffers for unsecured consumer loans, this will drive a balanced growth in retail lending accompanied by a gradual restoration of the share of mortgage loans in the household loan portfolio (Chart 18).

CREDIT AND DEPOSIT RATES CONTINUED TO DECREASE  
INTEREST RATES ON BANKS' LONG-TERM RUBLE TRANSACTIONS (% P.A.)

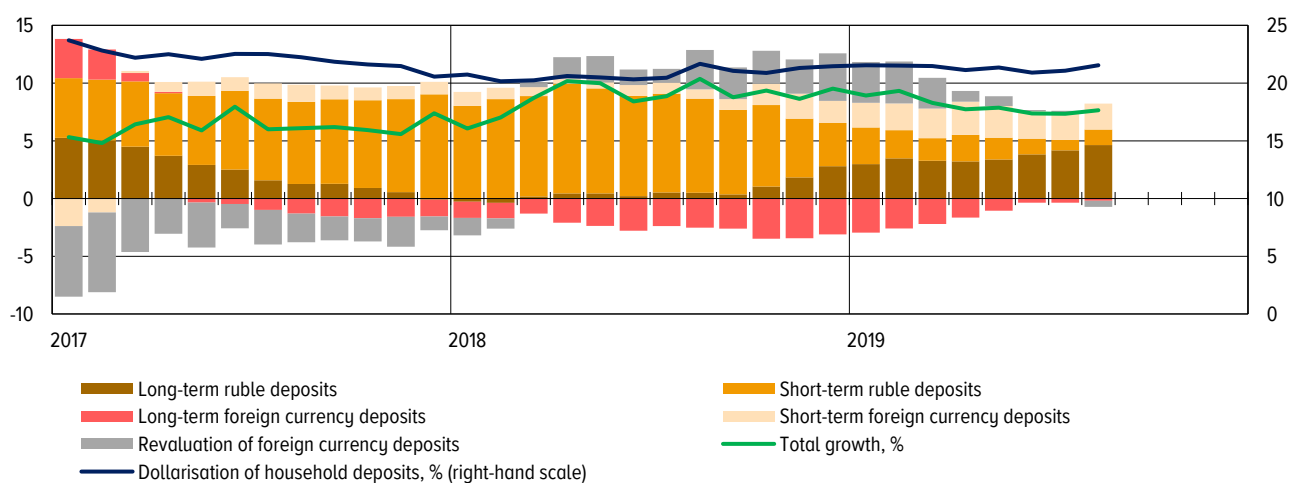
Chart 14



Source: Bank of Russia calculations.

MONTHLY GROWTH OF FOREIGN CURRENCY DEPOSITS SLOWED DOWN IN AUGUST  
AMID AN INCREASE IN MATURITIES OF RUBLE DEPOSITS  
CONTRIBUTION OF INDIVIDUAL COMPONENTS TO ANNUAL GROWTH OF HOUSEHOLD DEPOSITS (PP)

Chart 15

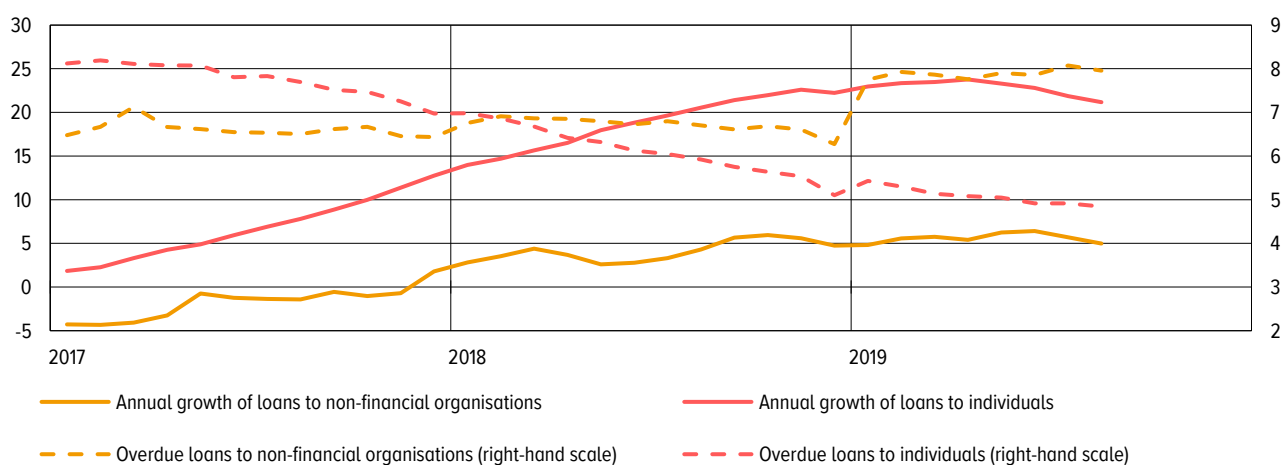


Source: Bank of Russia calculations.



GROWTH CONTINUED TO SLOW DOWN BOTH IN RETAIL AND CORPORATE LENDING  
RUSSIAN CREDIT MARKET INDICATORS, %

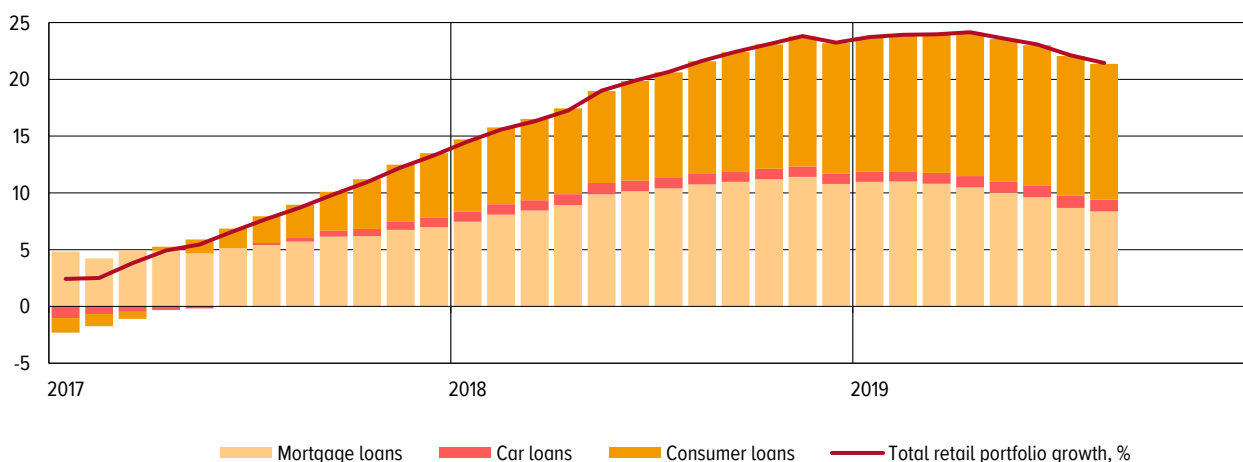
Chart 16



Source: Bank of Russia calculations.

AMID THE WEAKER DYNAMICS OF MORTGAGE AND CONSUMER LENDING, THE LATTER STILL ACCOUNT FOR OVER 50% OF THE INCREASE IN THE OVERALL RETAIL LOAN PORTFOLIO  
CONTRIBUTION OF INDIVIDUAL COMPONENTS TO ANNUAL GROWTH OF THE RETAIL LOAN PORTFOLIO\* (PP)

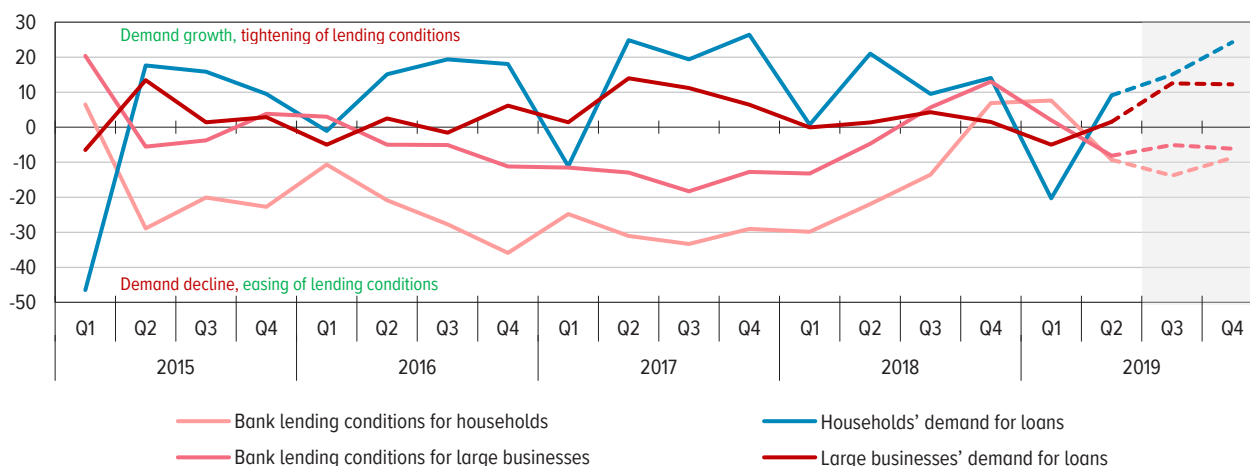
Chart 17



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

DEMAND FOR BORROWINGS AMONG HOUSEHOLDS AND BUSINESSES IS EXPECTED TO GROW BY THE END OF 2019  
INDICES OF LENDING CONDITIONS AND DEMAND FOR LOANS, PP

Chart 18



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

## CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		May 2019	June 2019	July 2019	August 2019
Rates on banks' long-term ruble transactions					
– household deposits	% p.a.	6.9	6.8	6.7	
– household loans	% p.a.	13.6	13.4	13.3	
– corporate loans	% p.a.	10.0	9.6	9.6	
Household deposits	% YoY, AFCR	7.0	7.3	7.1	8.2
– in rubles	% YoY	6.7	6.6	6.5	7.8
– in foreign currency	% YoY	8.1	9.9	9.5	9.6
– dollarisation	%	21.3	20.9	21.1	21.5
Loans to non-financial organisations	% YoY, AFCR	6.2	6.4	5.7	5.0
– short-term (up to 1 year)	% YoY, AFCR	1.3	4.7	4.9	2.1
– long-term (more than 1 year)	% YoY, AFCR	5.9	5.4	4.3	4.0
– overdue loans	%	7.9	7.9	8.1	8.0
Household loans	% YoY, AFCR	23.3	22.8	21.9	21.2
– housing mortgage loans	% YoY, AFCR	22.7	21.6	19.8	19.0
– unsecured consumer loans	% YoY	24.9	24.6	24.4	23.7
– overdue loans	%	5.0	4.9	4.9	4.8

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

Source: Bank of Russia calculations.

## Data cut-off dates:

- 'Banking sector liquidity and money market' section – 08.10.2019 (The reserve requirements are an important part of the Bank of Russia's instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of the required reserves averaging periods. In September–October 2019, this period is from 04.09.2019 to 08.10.2019);
- 'Foreign exchange and stock market' section – 30.09.2019;
- 'Credit and deposit market' section – 01.09.2019.

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

Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

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