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Liquidity Maneuver in the Russian Financial System in the Context of Inflation Issues and Stock Market Development

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ABSTRACT

The **object** of the study is the financial system of Russia. The subject of the study is the reasons for the increase in household deposits in banks and the impact of these funds on the economy during the period of reducing the key rate. The **relevance** of the work is due to the potential impact of these funds on inflation. The **purpose** of the study is to assess the volume of funds on bank deposits that can exert inflationary pressure, and to develop proposals for its minimization. Econometric modeling and general scientific **methods**, including analysis and synthesis, were used. Based on the results of the study, it was recommended that authorized government agencies carry out a liquidity maneuver in order to reduce inflationary pressure from deposits. This should also contribute to the growth of stock market capitalization. **Scientific novelty** lies in a comprehensive study of the problem of household savings and the proposal of a liquidity maneuver to solve a number of macroeconomic problems. Conclusions are made that deposits can affect inflation depending on the macroeconomic scenario. To minimize this impact, the authors proposed to conduct a liquidity maneuver, the effectiveness of which will depend on the implementation of a set of measures, including: expanding the investment insurance system to include property recorded in all household investment accounts; increasing the profitability and diversity of collective investment schemes through legal incentives for management companies by the regulator within the framework of consolidated supervision; improving the culture of dividend payments within the framework of the exercise of shareholder rights; promoting the creation of independent "long-only" funds that invest for the long term; creating a state-controlled fund to support the IPO market and secondary circulation of recently listed shares; fine-tuning tax incentives for companies entering IPO and SPO, and for households investing in industries critical to the economy; exemption from dividend taxation; creating guarantees for households participating in IPOs; popularizing the culture of investment in the media. The results of the study may be useful to government agencies when making decisions on further macroeconomic policy.

Keywords: stock market; inflation; deposits; investments; key rate; shares; liquidity maneuver

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INTRODUCTION

The rise in inflation in Russia, caused by changes in the conditions of the economy's functioning, necessitated countermeasures from the state, with the main instrument being an increase in the key interest rate — from 9.5% in February 2022 to 21% in October 2024.[1] This led to an increase in the attractiveness of bank deposits, as well as money market funds and bonds. As a result, over three and a half years (2022 — first half of 2025), the volume of household deposits doubled, reaching 61 trillion rubles,[2] which accounted for 50% of the money supply (M2). For comparison: over a similar period before 2022, when the rate was in the range of 4.25–8.5%, the volume of deposits grew by only 34%. As the key interest rate decreases, risk-free instruments will become less attractive. At the same time, considering that according to the Bank of Russia's assessment,[3] high consumer activity has become one of the main drivers of inflation, the transformation of part of savings into consumer spending could again influence inflation both through demand and

[1] Bank of Russia. The Bank of Russia's key rate. URL: https://cbr.ru/hd_base/KeyRate/ (accessed on 05.07.2025).

[2] Bank of Russia. Money supply (national definition). URL: https://cbr.ru/statistics/ms/ (accessed on 05.07.2025).

[3] Bank of Russia. Statement by the Governor of the Bank of Russia following the meeting of the Bank of Russia Board of Directors on October 25, 2024. URL: https://www.cbr.ru/press/event/?id=21111 (accessed on 05.07.2025).

the "marker good" effect, where rising prices for in-demand assets form high inflationary expectations [1]. The possibility of pro-inflationary factors intensifying cannot be ruled out, which, in stress scenarios, could activate consumer sentiment aimed at protecting savings, as was the case, for example, in Turkey in 2021–2023 [2].

As a result, an unusual situation is observed — a vicious cycle could form when monetary policy is reversed: the Bank of Russia responded to accelerating inflation by tightening monetary conditions, the easing of which could once again trigger inflation.

The scientific hypothesis became the assumption about significant volumes of the deposit "overhang" capable of exerting inflationary pressure, as well as about the possibility of its neutralization by market mechanisms. The aim of the study was to test the hypothesis and, if confirmed, to develop proposals for minimizing the potential for inflationary pressure.

MATERIALS AND METHODS

The research was based on data from the Bank of Russia, Rosstat, the State Corporation "Deposit Insurance Agency" (DIA), PJSC "Moscow Exchange", JSC "DOM.RF", the National Association of Securities Market Participants (NAUFOR), foreign regulators, the World Bank, and the Organization for Economic Co-operation and Development.

Relevant legal acts, data from specialised resources (Expert RA, Finmarket, Autonews, Frank RG), and federal media (TASS, Kommersant, RBC, Izvestia) were studied. Research results have been taken into account. The scientific apparatus included analysis and synthesis methods, a regression model was applied, and expert assessments were conducted.

RESULTS AND DISCUSSION

The achievement of the research goal is ensured by the consistent solution of a number of tasks, which are described further in the text.

Assessment of the Inflow of Funds Into Bank Deposits Due to the Increase in Interest Rates

As can be seen in *Fig. 1*, the sharp increase in deposit volumes coincided with the Bank of Russia's decision to hike the key interest rate to 20% at the end of February 2022.

At the same time, a noticeable inflow of funds into deposits occurred not only against the backdrop of a high interest rate, but also at low levels — for example, at the end of 2022 and in 2023. It was the same in 2015–2021.

Analysis of data on the dynamics of total real disposable income of the population[4] showed that income grew significantly in 2023, most of which the rate was low (7.5–8.5%), and also in 2024 — by 5.4% and 7.3% respectively, which suggests that this factor also influenced savings.

Additionally, until 2022, foreign assets, including stocks, crypto assets, and real estate, were in demand among Russians: in the fourth quarter of 2021, foreign stocks accounted for 10% of retail investors' net purchases, and foreign stocks worth 1 trillion rubles were held in their accounts.[5] The volume of investments in crypto assets was estimated at 5 trillion rubles.[6] In 2021, according to some estimates,[7] Russians were among the top 5 buyers of the most expensive real estate in the UK, France, Spain, Italy, and Monaco.

Statistics confirm a decrease in foreign investment: non-residents' investments in foreign stocks and other forms of equity participation decreased by 40% between the beginning of 2022 and the first quarter of 2025.[8]

To estimate the contribution of each factor to the increase in deposits from the first quarter of

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[4] Rosstat. Information and analytical materials. URL: https://rosstat.gov.ru (accessed on 08.07.2025).

[5] Bank of Russia. Review of Key Performance Indicators for Professional Securities Market Participants in 2021. URL: https://cbr.ru/Collection/Collection/File/40858/review_secur_21.pdf (accessed on 08.07.2025).

[6] TASS. Aksakov reported that Russians have invested 5 trillion rubles in the cryptocurrency market. URL: https://tass.ru/ekonomika/13245805 (accessed on 08.07.2025).

[7] RBC Real Estate. Where should Russian investors invest their money abroad? URL: https://rbcrealty.ru/news/62b0953a9a79475a5a6bb17c (accessed on 08.07.2025).

[8] Bank of Russia. Household savings. URL: https://cbr.ru/statistics/macro_itm/households/hh (accessed on 09.07.2025).

2022 to the second quarter of 2025, a regression model of the following type was applied:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon, \qquad (1)$$

where Y — growth in household deposits in rubles as part of the M2 monetary aggregate (31.7 trillion rubles); β_0 — free member; β_1, β_2, β_3 — coefficients; X_1: the weighted average key rate in the quarter (by the number of days in effect); X_2 — change in real disposable income of the population compared to the same quarter of the previous year; X_3 — change in household investments in non-resident stocks and debt securities and in other forms of non-resident equity relative to the previous quarter; ε — regression residual.

Model Statistics: $R^2 = 0.96$; adjusted $R^2 = 0.95$; F- statistic = 14.38; P-value < 0.0001.

The regression results and the calculation of the contribution of the independent variables to the dependent variable are presented in *Tables 1* and *2*.

The dominant factor was the increase in the key interest rate — 21.5 out of 31.7 trillion rubles (68%), followed by the growth in total real disposable money income (7.7 trillion rubles, or 24%). The reduction in investments in foreign securities and other forms of non-resident capital participation contributed about 2 trillion rubles (6%) to the overall increase in funds.

The unexplained remainder — about 1 trillion rubles — could be data not reflected in statistics. The inflow of funds was also affected by overall market uncertainty, the decline in the attractiveness of reserve currencies as a means of saving, high prices for "safe-haven assets", and other factors.

These figures are approximate, but they align with data from the Bank of Russia, according to which the increase in funds on deposits during the period preceding and equal in length to the analysed period was only 34.2% against 109.3% in the analysed period, against the backdrop of a low-key interest rate (4.25–8.5%).

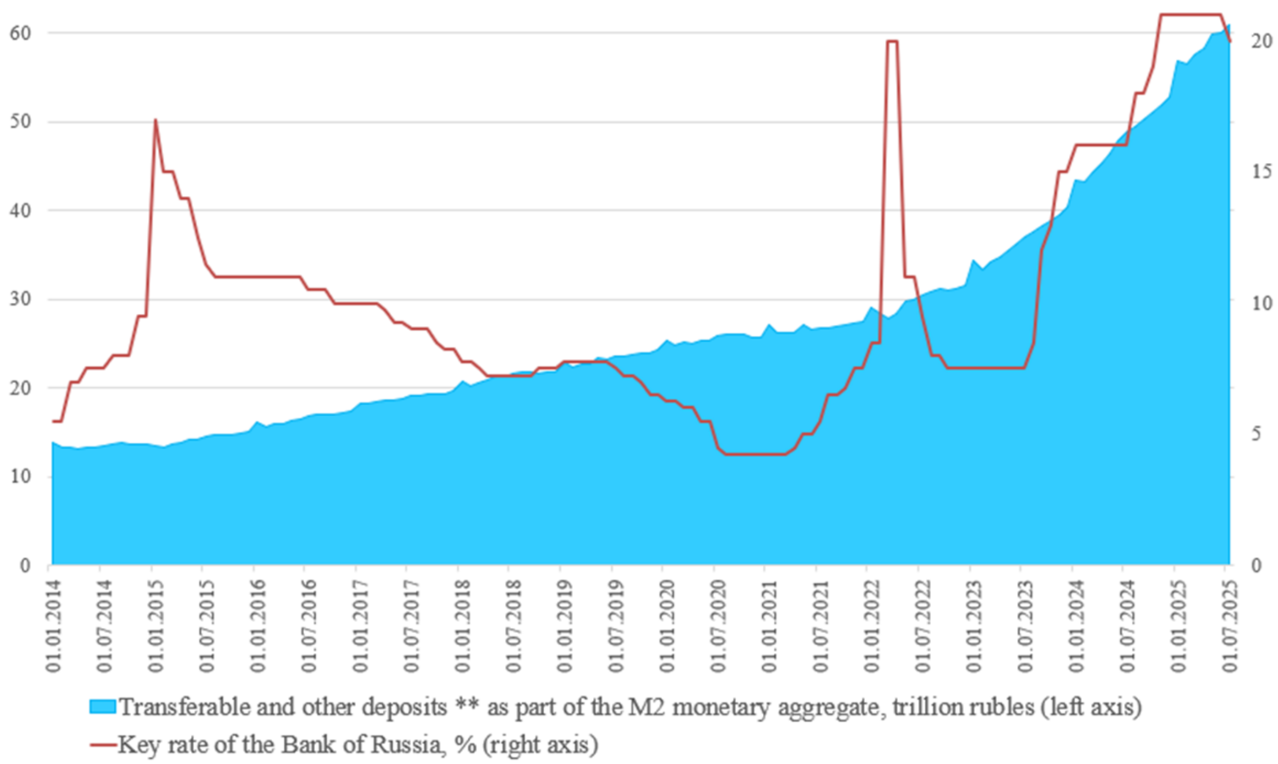

Fig. 1. **The Key Rate of the Bank of Russia and the Volume of Funds on Household Bank Deposits As Part of the M2 Monetary Aggregate in 2014–2025***

Source: Compiled by the authors.

Note: * monthly data as of the 1st; ** in the terminology of the Bank of Russia.

Table 1

Regression Results

Variable	Regression coefficient (β_i)	Standard error	P-value
X_1	0.110	0.008	<0.0001
X_2	0.130	0.015	<0.0001
X_3	−0.045	0.006	<0.0001

Source: Compiled by the authors.

Table 2

Calculation of the Contribution of Independent Variables to the Change in the Dependent Variable

Variable	ΣX_i (sum of values)	Regression coefficient (β_i)	Contribution of variable X_i to Y	
			in trillion rubles	in %
X_1	195.75	0.110	21.5	68
X_2	58.90	0.130	7.7	24
X_3	−40.3	−0.045	1.8	6
Total for X_{1-3}	–	–	31.0	98
Total	–	–	31.7	100

Source: Compiled by the authors.

LIQUIDITY RELEASE FROM BANK DEPOSITS IN A RATE-CUTTING CYCLE

As the study showed, representatives of scientific schools and practicing economists agree that lowering interest rates holds the potential for consumption growth, at least through the impact of the monetary policy (hereinafter — MP) interest rate channel on lending and a decrease in the propensity to save, which is noted, for example, in [3, 4].

At the same time, many, including John Maynard Keynes [5], point out the non-linearity of the relationship. The influence varies depending on the monetary context (high or low-interest rate environment) [6], and it is important to consider factors that either restrain or strengthen the correlation, including household income [4], inflation and inflation expectations [7, 8], the state of the economy [9, 10], and government support measures.

Economic classics in all their diversity are also applicable to Russia. According to the Bank of Russia,[9] the interest rate channel of monetary policy effectively transmits changes in rates to consumption: in 2020–2023, about 70% of funds deposited into escrow accounts were for mortgage lending, and 40% of passenger car sales were for auto loans. Pro-inflationary factors also play a significant role: limited supply in the economy, business competition for resources, budget deficit, growth in total household income, weakening of the national currency, etc. — all of this the regulator is forced to take into account when making a decision on the rate.[10]

According to the authors' estimates, consumer demand will be able to grow significantly after market lending rates reach levels of 14–15%, which corresponds to a key rate of 10–

[9] Bank of Russia. Main Directions of the Single State Monetary Policy for 2025 and the Period of 2026 and 2027. URL: https://cbr.ru/Content/Document/File/164702/on_2025(2026–2027).pdf (accessed on 12.07.2025).

[10] Bank of Russia. Statement by Bank of Russia Governor Elvira Nabiullina following the Bank of Russia Board of Directors meeting on 25 July 2025. URL: https://cbr.ru/press/event/?id=26808 (accessed on 13.07.2025).

12%. However, as market rates approach 10% and below (key rate: 7.5–8.5% and below), a noticeable shift in the population's propensity to save towards increased consumption and investment is quite possible.

The importance of the key rate threshold of 10–12% is confirmed by retrospective data for 2023–2025 (*Fig. 2*), according to which a sharp decline in auto lending and mortgages in September-October 2023 followed the key rate moving above the 10–12% range. Industry representatives attributed the temporary revival in auto lending to expectations of further interest rate hikes and to a rise in the recycling fee.[11]

If the key interest rate falls below 10%, the likelihood of funds being withdrawn from deposits will increase even further, which is confirmed by retrospective data on the decline in the savings rate and the rise in consumption in response to lower interest rates (*Fig. 3*).

However, if pro-inflationary factors intensify, increased consumer pressure on inflation can occur even at higher rates, which is confirmed by research, including [11, 12]. Pressure on inflation can also be exerted by an increase in the total income of the population: for example, in the work [13], it is noted that over time, a positive response in inflation is observed even with an increase in nominal wages.

The authors' position also aligns with the opinion of businesses (banks, real estate agents, the automotive industry, etc.), who point to a revival of demand when the key rate reaches 15%,[12] a noticeable rise in consumer sentiment at a key rate of 10–12%[13] and a sharp increase in activity at a rate of 7–8%.[14]

[11] Izvestia. Ruble booster: car loans increased by 70% over the year. URL: https://iz.ru/1808884/evgenii-grachev/usilitel-rublya-vydachi-avtokreditov-vyrosli-na-70-za-god (accessed on 18.07.2025).

[12] News. The Russian Union of Industrialists and Entrepreneurs (RSPP) has named the optimal key interest rate level for business. URL: https://iz.ru/1907166/2025–06–19/v-rspp-nazvali-optimalnyi-uroven-kliuchevoi-stavki-dlia-biznesa (accessed on 15.07.2025).

[13] RA Expert. Mortgage rates could drop to 15% no earlier than 2026. URL: https://raexpert.ru/researches/publications/rbc_mar25_2025 (accessed on 16.07.2025).

[14] Autonews. When will Russians start buying cars again? URL: https://www.autonews.ru/news/6883562b9a7947e0dc827d9a (accessed on 17.07.2025).

Of course, the amount accumulated over three and a half years against the backdrop of high interest rates (around 21.5 trillion rubles), taking into account the propensity to save and other factors, will not be fully used for consumption, especially in the short term. However, even 30–50%, which is up to 10% of the money supply (M2), will be enough to put pressure on inflation, not considering stress scenarios.

To minimize the impact of consumption on inflation, it seems advisable to implement measures in advance, before the key rate reaches a level of 10–12%, that would redirect a portion of the deposit "excess" towards purposes unrelated to final consumption. This would constitute a *liquidity manoeuvre* — a state-managed, natural, and stimulated flow of liquidity within the financial system without affecting inflation. According to the authors, the most harmonious absorption of funds can be achieved by utilizing the potential of the stock market.

THE POTENTIAL OF THE RUSSIAN STOCK MARKET TO ABSORB THE DEPOSIT "OVERHANG"

The choice of the stock market for a liquidity manoeuvre is due to its natural correlation with rates in the fixed income segment, which is noted in many studies, such as [14–17]. Russia is no exception (*Fig. 5*).

Following 2015 and up to 2021, against the backdrop of a key rate decrease, there was a slowdown in the growth of funds on deposits, accompanied by an increase in the capitalization of the stock market, with the exception of 2017, when the market declined under the influence of a number of factors (sanctions, uncertainty regarding dividends, falling oil prices, outflow of non-resident funds, etc.), and 2020 (pandemic).

In stressful scenarios, this correlation can strengthen, for example, with a sharp decrease in the real interest rate, as happened in Turkey in 2021–2023, where the BIST 100 index rose by 500% in just two years due to the population's desire to protect their savings from inflation, which far exceeded the risk-free rate [18].

Choosing the stock market for a liquidity manoeuvre is important, especially in the context

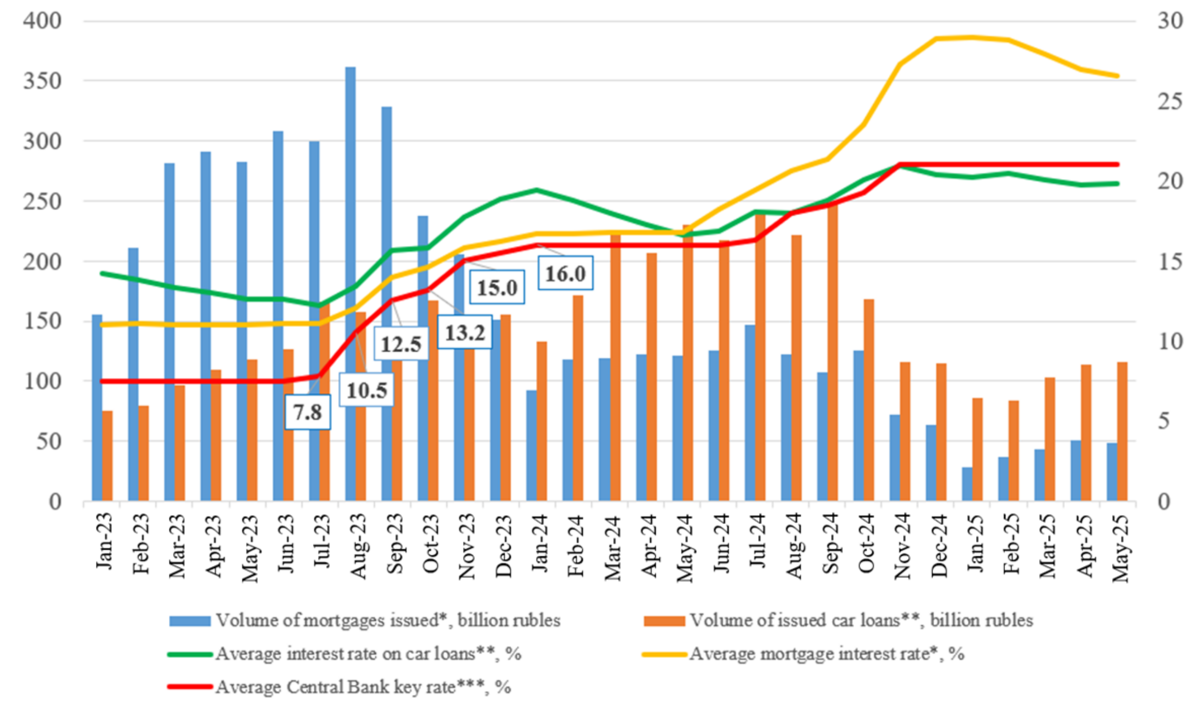

Fig. 2. **The Key Rate of the Bank of Russia, the Volume of Issued Mortgages and Car Loans and Interest Rates on them in January 2023 — May 2025**

Source: Compiled by the authors.
Note: * based on data from TOP-20 mortgage banks for market mortgage programs; ** average rate for new and used cars; *** weighted average rate by the number of days of validity.

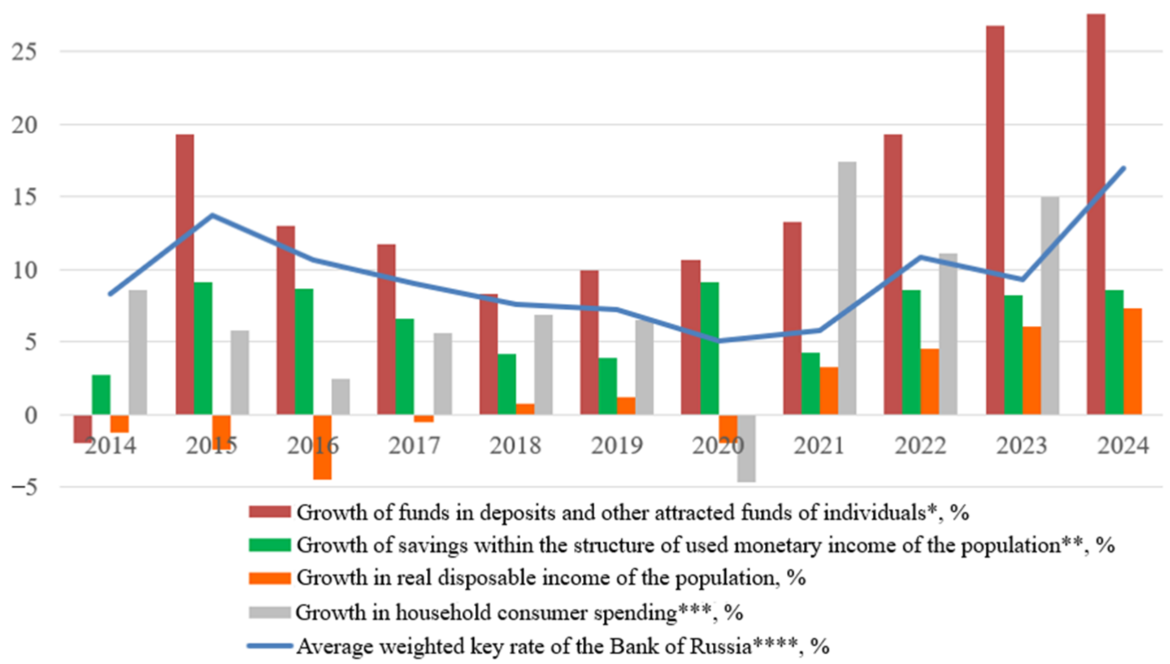

Fig. 3. **Selected Indicators Characterizing the Propensity of the Russian Population to Save in 2014–2024, %**

Source: Compiled by the authors.
Note: * including escrow accounts; ** reflects both changes in funds on deposits and other components of savings; *** data for 2024 were not available at the time of preparing the chart; **** by the number of days of validity.

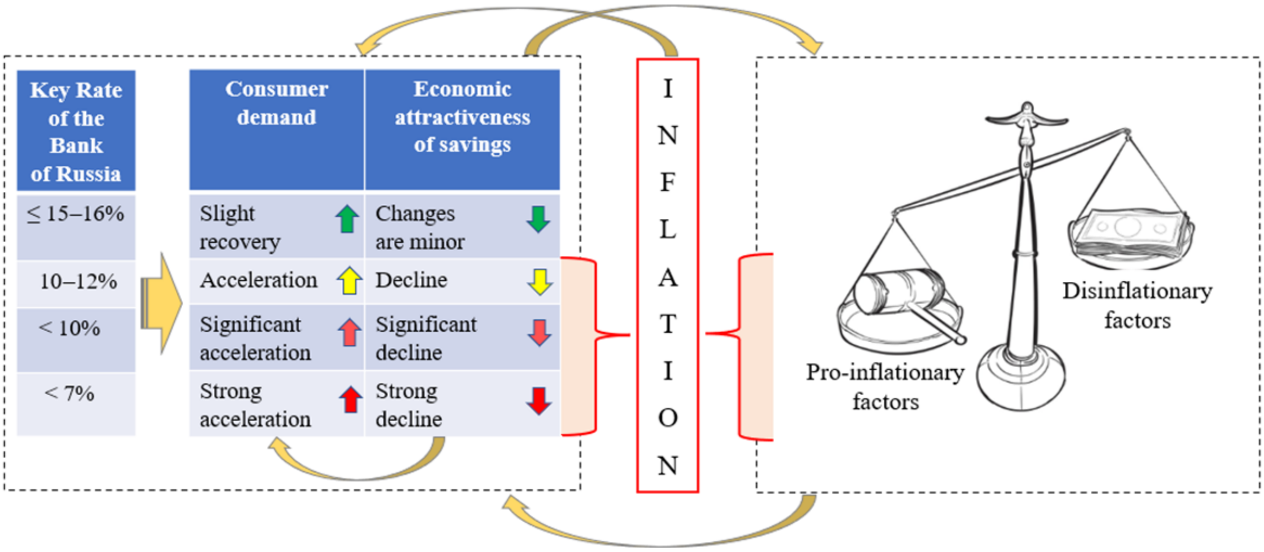

Fig. 4. **The Impact of the Lowering of the Key Rate of the Bank of Russia on Inflation in the Current Conditions of the Functioning of the Russian Economy**

Source: Compiled by the authors.

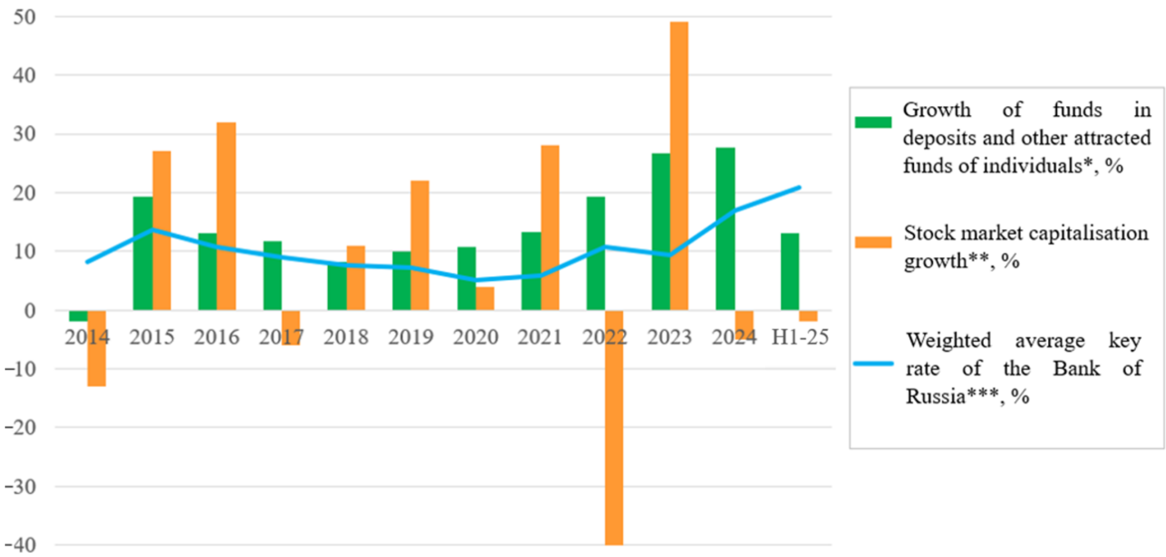

Fig. 5. **Growth in Market Capitalization of the Russian Stock Market, Funds on Deposits and Other Attracted Funds of Individuals and the Average Weighted Key Rate of the Bank of Russia in 2014 – First Half of 2025, %**

Source: Compiled by the authors.

Note: * to ensure comparability of data with previous periods, the increase for the first half of 2025 is given in annual terms; ** based on the results of trading on the stock market of Russian issuers of Moscow Exchange PJSC; *** by the number of days of validity.

of the need to fulfil the Russian President's instruction to achieve a market capitalization level of 66% of GDP by 2030,[15] which will require increasing it by at least 81 trillion rubles (based on current capitalization and GDP values). In this regard, the funds of individuals, considering their share in market liquidity (*Fig. 6*), are of great importance.

At the same time, the fact that households increased their deposits against the backdrop of high interest rates doesn't mean they will all buy stocks when rates are low: some of the funds represent pent-up demand, and some were intended for travel, etc.

[15] Website of the President of Russia. List of instructions for implementing the President's Address to the Federal Assembly. URL: http://www.kremlin.ru/acts/assignments/orders/73759 (accessed on 21.07.2025).

An analysis of the age structure of investments showed that the investor's age criterion is not entirely suitable for this purpose: almost all assets are held by people over 30, and among them, it is impossible to distinguish those who do not invest or, conversely, are the main investors. The data is from 2022, but the situation in this part hasn't changed significantly.[16]

An analysis of the DIA data on the structure of deposits by size (*Fig. 8*) showed that 96% of depositors had deposits with balances up to 1 million rubles, which accounted for 23% of the total value of all deposits. Regarding this category of deposits (15 trillion rubles), it's difficult to count on their outflow into stocks, which is why it can be excluded from the assessment.

The remaining amount has been adjusted for the willingness to invest in stocks: taking into account the share of investments in stocks and other forms of equity participation in the structure of the population's financial assets (on average about 35% over the past three and a half years), the potential for a natural outflow of funds from deposits into stocks in the baseline scenario can be estimated at 2.5–3 trillion rubles, and taking into account money market and bond funds, it is estimated at 4–7 trillion rubles.

Considering the multiplicative effect noted by several researchers, such as [19–21], which arises from demand pressure in a growing market, against the backdrop of low stock liquidity and prices relative to the size of investments, etc., the increase in market capitalization under favorable conditions can significantly exceed the volume of investments. It is impossible to accurately predict the size of this effect because it acts in conjunction with other factors, some of which are difficult to assess. Several studies, such as [22, 23], also point to the short-term effect of market injections. However, as the study showed, "being in the market" does allow for judging the presence of an effect, including in relation to the Russian market (*Fig. 9*).

In a positive market environment, as was the case, for example, from December 2022 to January 2024 (economic adaptation, low interest rates, a favorable exchange rate for exports, etc.), against the backdrop of a stable net inflow of funds from individuals, demand pressure led to an increase in capitalization, in some months exceeding the

[16] See, for example, the Bank of Russia. Financial Literacy Level Study: Phase Five. URL: https://cbr.ru/analytics/szpp/fin_literacy/research/fin_ed_5 (accessed on 22.07.2025).

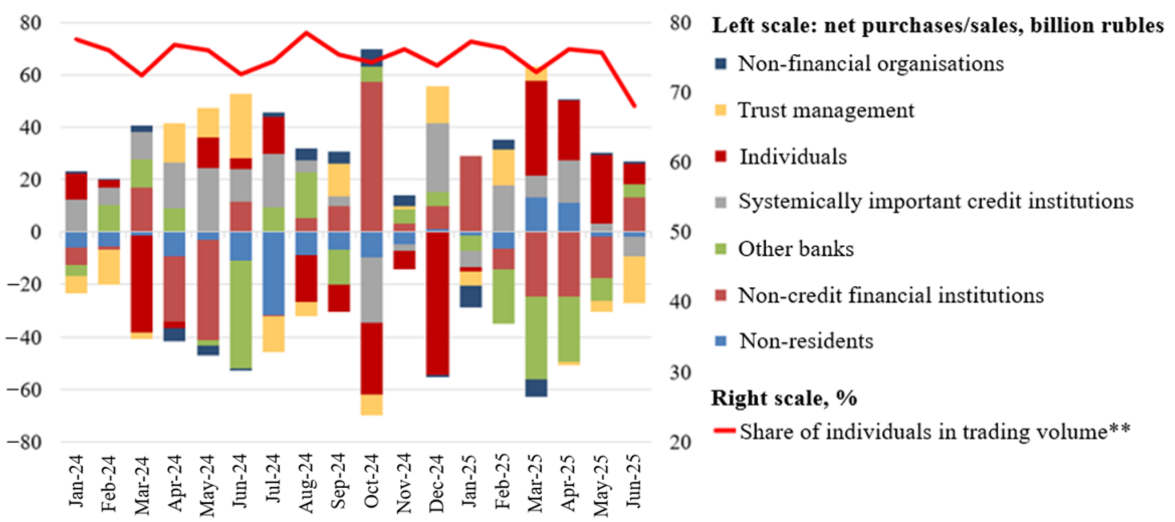

Fig. 6. **The Structure of Net Purchases/Sales of Shares at Moscow Exchange PJSC Trading by Their Participants and the Share of Individuals in the Trading Volume in the Period from 2024 to June 2025***

Source: составлено авторами / Compiled by the authors.
Note: * secondary stock market; ** average for the month.

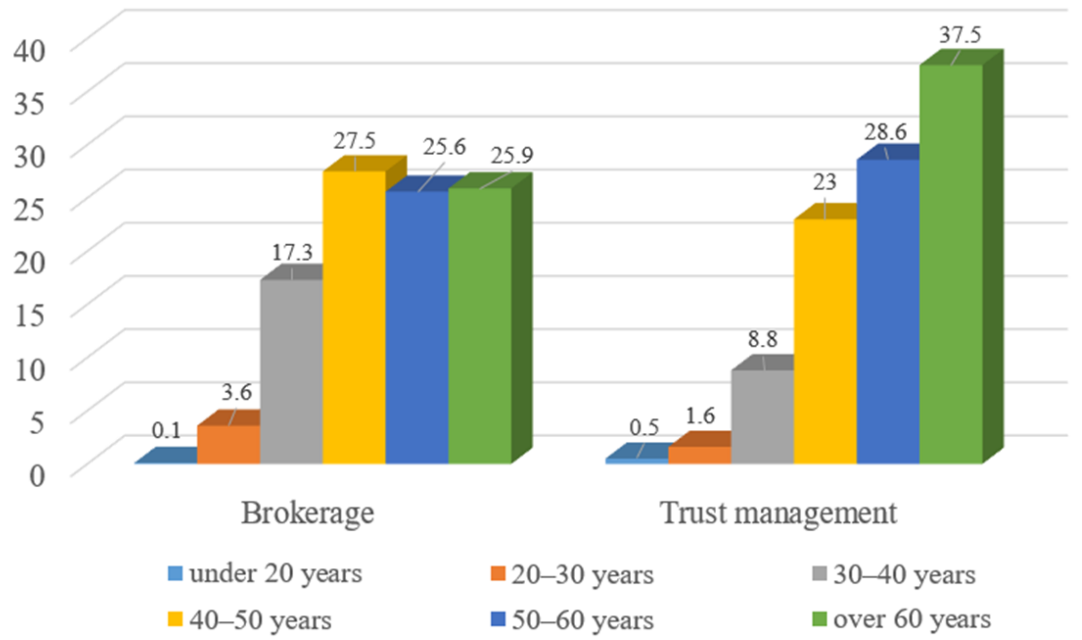

Fig. 7. **Age Structure of Assets of Retail Investors Within the Framework of Brokerage Services and Trust Management Based on the Results of the First Half of 2022, %**

Source: Compiled by the authors.

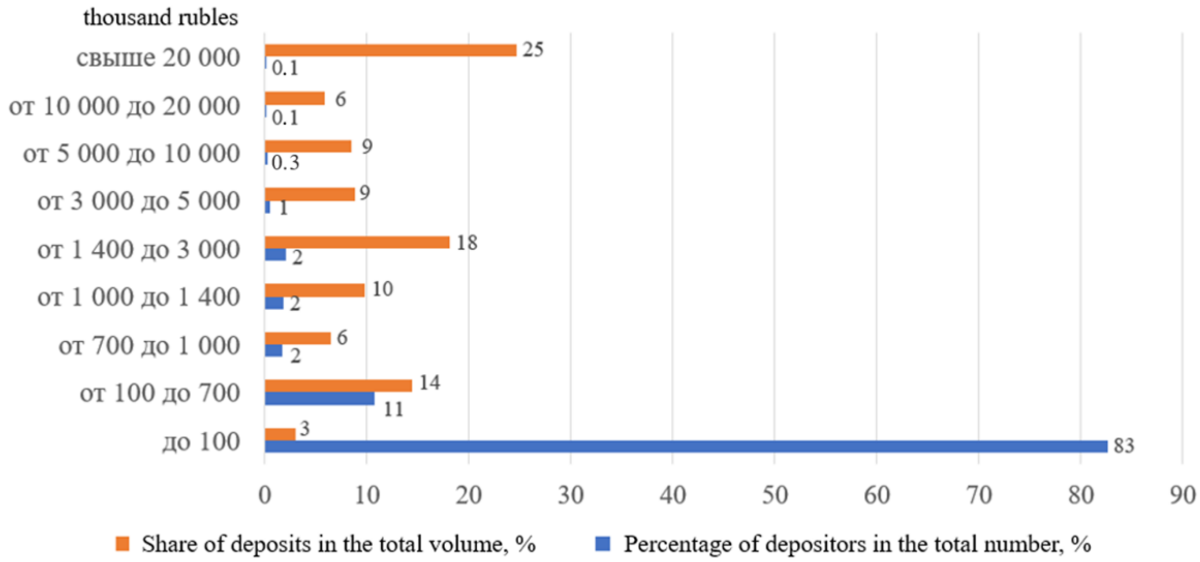

Fig. 8. **Structure of Deposits of Individuals in Banks Participating in the Deposit Insurance System by Deposit Size as of 01.07.2025***

Source: Compiled by the authors.
Note: * according to the DIA methodology, excluding escrow accounts and special accounts.

inflow of funds from individuals by hundreds of times. In total, from December 2022 to January 2024, against the backdrop of a total net inflow of funds from individuals of approximately 200 billion rubles, combined with other factors, capitalization grew by 22 trillion rubles.

The liquidity manoeuvre should also help unlock the market's potential, which is currently fundamentally undervalued, as evidenced, among other things, by the data in *Fig. 10* and *11*.

The potential of the Russian market is also evidenced by the results of other studies. For example, in the work [24], it is noted that despite the progressive development of the retail market segment, there are still opportunities for further capital inflow.

THE ROLE OF PUBLIC OFFERINGS IN EXECUTING A LIQUIDITY MANOEUVRE

Research results on various aspects of the impact of initial public offerings (IPOs) on the stock market, such as [25–27], indicate a two-way relationship and the multifaceted nature of the effects. Under favorable economic conditions and high liquidity, new investment ideas often lead to market growth. It's no coincidence that IPOs are considered in Russia as one of the drivers for achieving the target ratio of stock market capitalization to GDP by 2030. Most estimates put the total size of IPOs in the next 5 years at 5–10 trillion rubles.[17]

An active IPO market benefits all stakeholders. By listing on an active market, issuers gain the necessary demand and price, while investors get new ideas. Investors and stakeholders also benefit from the transparency of public companies and stakeholders' awareness of companies' activities and development plans, as well as from better governance (including through the institution of independent directors).

Cross-sectoral effects are also evident — strengthening the structures of banks responsible for trust management, IPO support, and broking. Since these areas are profitable, almost risk-free for banks, and do not burden capital, the development of the IPO market will contribute to lower provisioning and cheaper loans.

Secondary offerings (SPOs) can also benefit from an active IPO market, including through the opportunity to unload large credit portfolios.

However, the current state of the IPO market in Russia does not yet lend itself to a significant contribution to the development of the stock market.

Since the end of 2022, Russia has seen a trend towards active IPO development, driven by the economy's adaptation to external challenges and

[17] For example, NAUFUR. The goal of increasing the capitalization of the Russian stock market has become difficult to achieve. URL: https://naufor.ru/tree.asp?n=30380 (accessed on 17.08.2025).

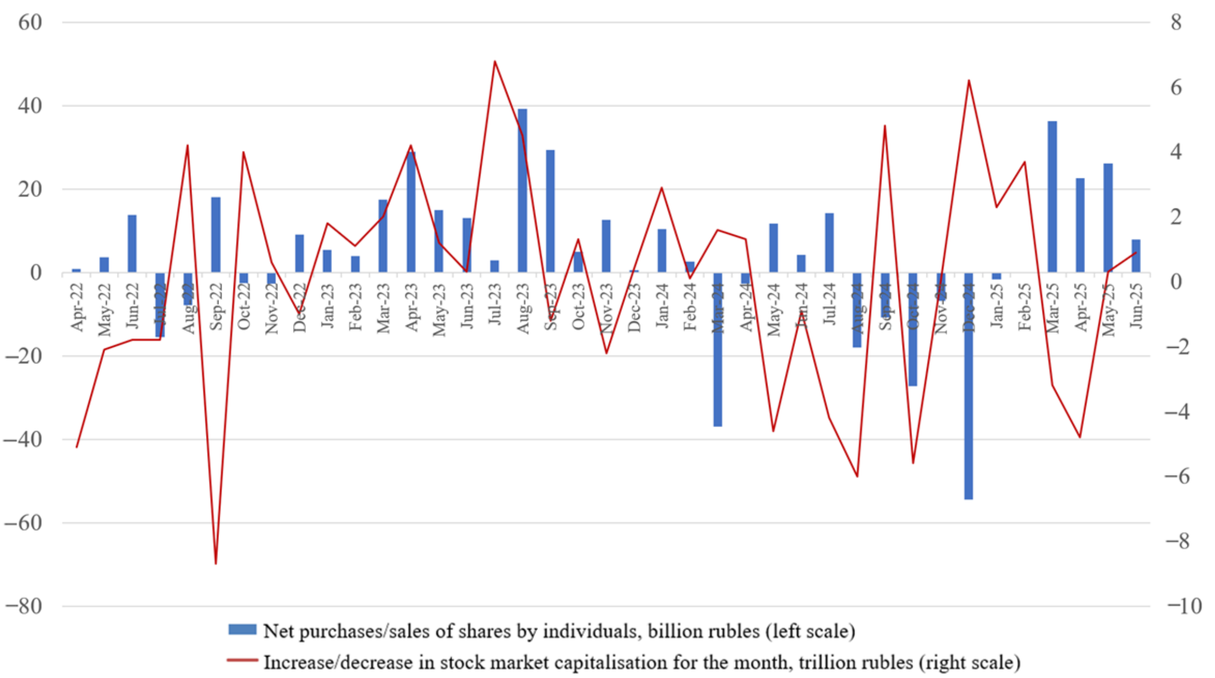

Fig. 9. **Net Purchases/Sales of Shares by Individuals and Increase/Decrease in Capitalization of the Moscow Exchange PJSC Share Market in 2022 – First Half of 2025**

Source: Compiled by the authors.

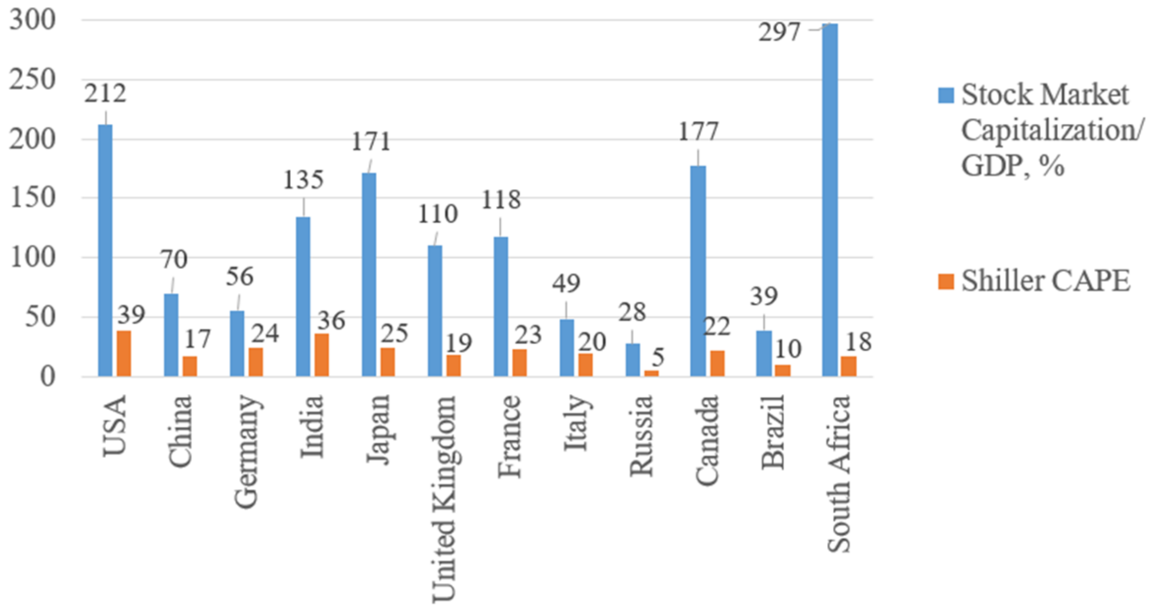

Fig. 10. **Stock Market Capitalization to GDP Ratio and Shiller CAPE Ratio in G-7 and Major BRICS Economies as of 01.08.2025**
Source: Compiled by the authors.

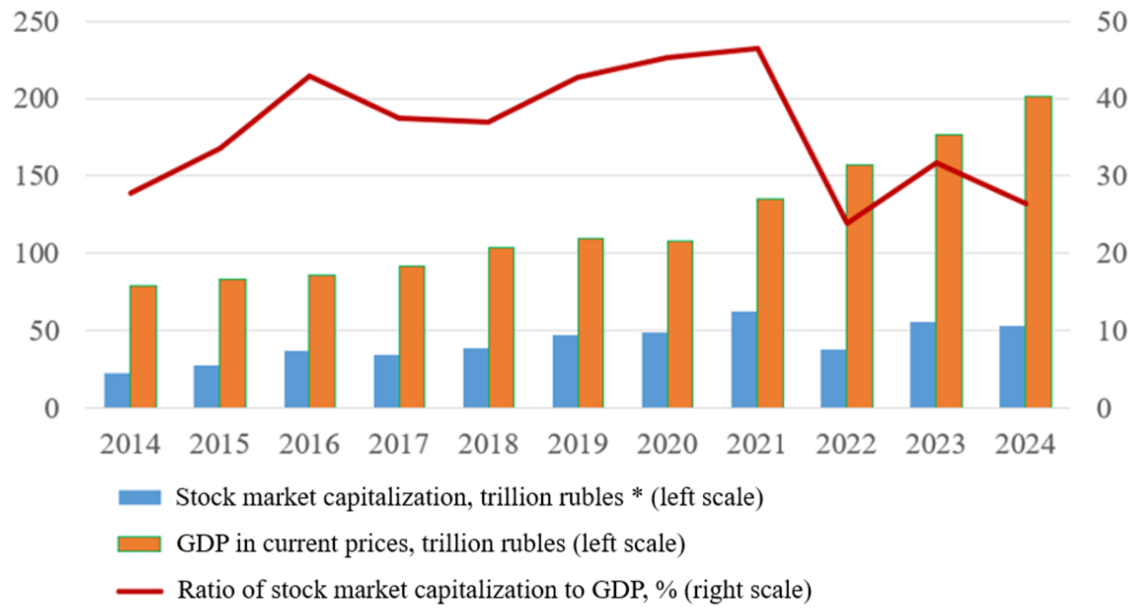

Fig. 11. **The Ratio of Russian Stock Market Capitalization to Russian GDP in 2014–2024**
Source: Compiled by the authors.
Note: * for shares of Russian issuers based on the results of trading on the stock market of PJSC Moscow Exchange, on the 1st day of the following year.

low interest rates: from December 2022 to March 2025, 24 IPOs took place, raising 128 billion rubles. In 18 cases (75%), the book-building was oversubscribed multiple times, including more than 10 times for the IPOs of PJSC MTS-Bank, PJSC Sovcombank, PJSC Diasoft, and PJSC Astra Group. But the market effectively froze from mid-2024, after the key rate exceeded 16% (*Fig. 12*). Individual placements no longer affected the overall picture.

According to the authors' assessment, the current state of affairs in the Russian IPO market does not match its potential: public joint-stock companies account for only 0.03% of commercial organizations and 1.5% of joint-stock companies.[18] Even more striking, especially in comparison to developed markets, is the indicator of the share of value added created by public companies in GDP — in Russia, this is around 7% and less than 4% — excluding state-controlled companies. Only China among the leading economies has similar indicators (*Fig. 13*).

RECOMMENDATIONS FOR MAINTAINING LIQUIDITY

As the study showed, even a natural flow of funds into stocks amounting to 4–7 trillion rubles is not guaranteed in conditions where stock prices are at 5–10-year-old levels, and the return on investments in the IMOEX over the past 5 years, taking dividends into account (MCFTRR), is lower than investments in money market funds — 31% versus 76%. To shift the focus to the stock market, it needs to be made economically attractive for both the population and businesses. For this purpose, two sets of measures are proposed.

As part of the first set of measures, it is proposed:

1) Expand the coverage of the investment insurance system from funds in Individual Investment Accounts (IIA)[19] to assets held in all household accounts used for investment, as assets in IIA are almost 20 times less than the total volume of funds invested.[20]

2) Increase the role of collective investment, the current state of which does not motivate households to use it: investments in instruments in this segment are more than 10 times lower than direct investments.[21] For comparison: in the US in the first quarter of 2025, the share of

[18] Federal Tax Service of Russia. Statistics and Analytics. URL: https://www.nalog.gov.ru/rn77/related_activities/statistics_and_analytics (accessed on 17.08.2025).

[19] Federal Law No. 331from 31 July 2025.

[20] Bank of Russia. Time series of key performance indicators for professional securities market participants (PSMP). URL: https://cbr.ru/statistics/rcb/purcb_stat (accessed on 26.07.2025).

[21] NAUFUR. Conference "Collective Investment Market 2025". URL: https://naufor.ru/download/2025/RKI_24072025/data/20250724_RKI_16.pdf (accessed on 29.07.2025).

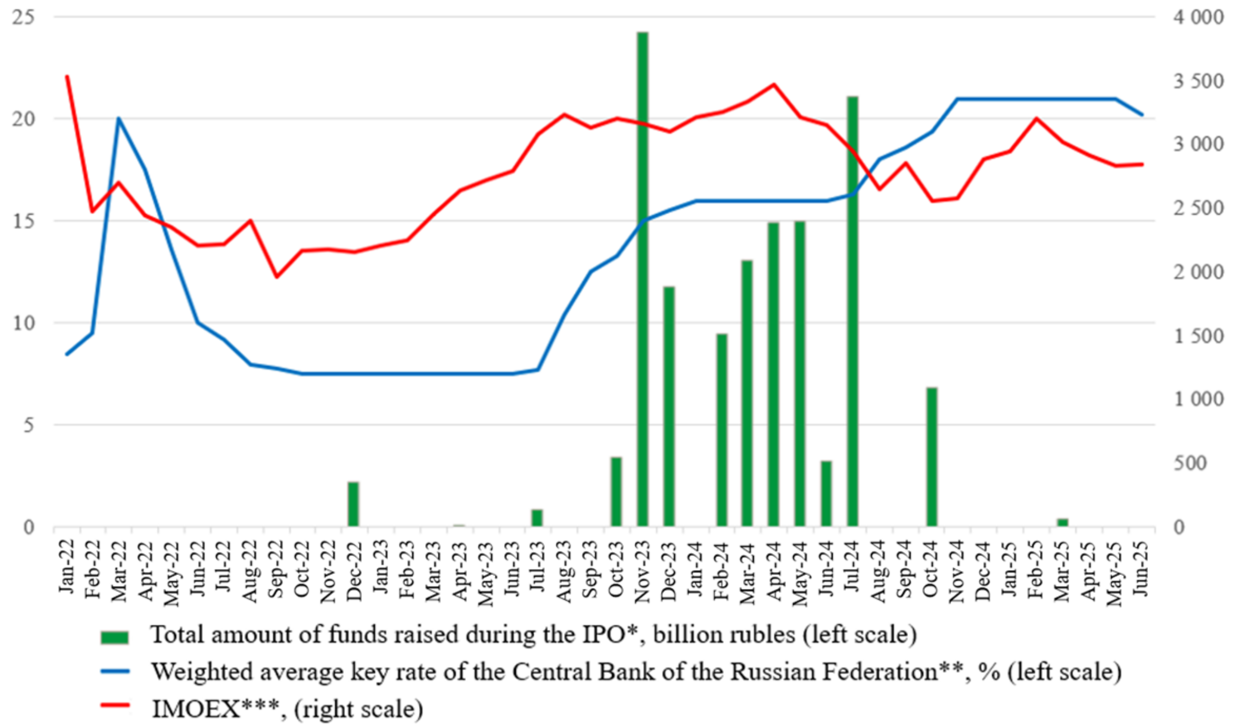

Fig. 12. **IMOEX, the Key Rate of the Bank of Russia and the Volume Of Funds Raised During IPOs in 2022 — First Half of 2025**

Source: Compiled by the authors.
Note: * for all IPOs for the month; ** by the number of days of validity; *** at the end of the month.

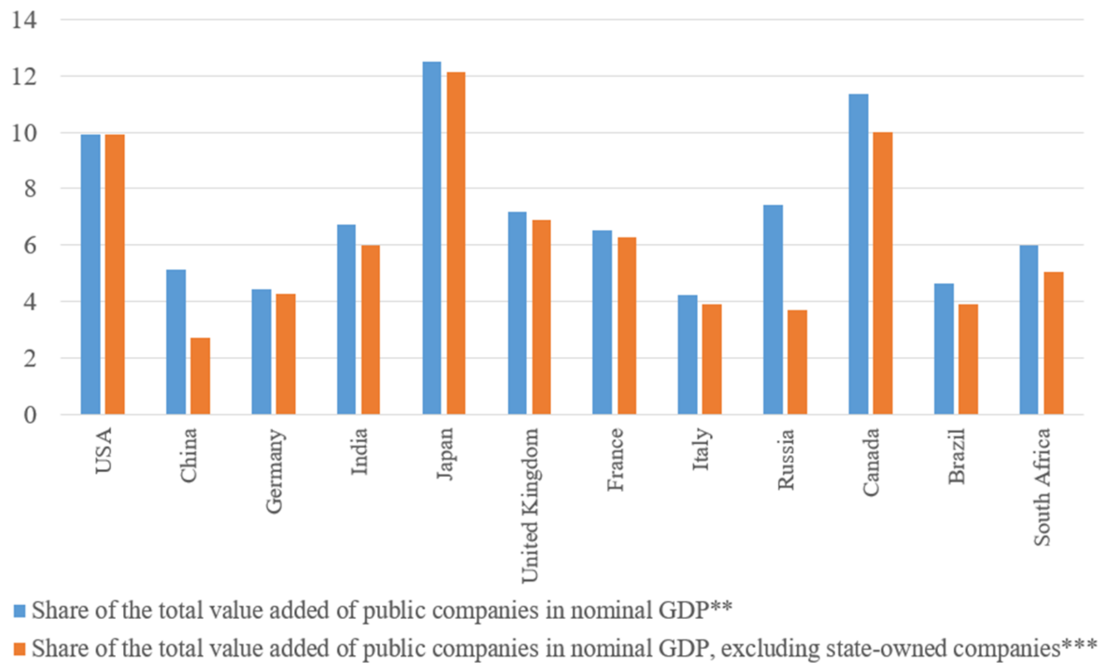

Fig. 13. **Share of Total Added Value of Public Companies in Nominal GDP in G-7 Countries and in the Largest BRICS Economies As of 15.08.2025, %***

Source: Compiled by the authors.
Note: * GDP data are taken for 2024, for added value — depending on available data [for 2024 or for the last 4 quarters (TTM)]; ** the operating profit indicator is used, taking into account the specifics in different countries; *** taking into account the OECD methodology, based on the share of SOE in the country's market capitalization.

households' indirect investments in securities (through funds, etc.) in the structure of their financial assets was only 2 times less than direct investments.

The main reason for the current situation is the low level of profitability in this sector (across the market as a whole): no type of investment fund has outperformed the returns from investing in money market funds over the past 5 years.[22] It is also noted that there is a lack of diversity in investment ideas and an infrastructure deficiency — there is no platform where operations with all funds could be conducted in one place.

The low returns of collective investment, in turn, are unlikely to be related to insufficient professionalism on the part of management companies (MCs). The Bank of Russia notes their good profitability as financial intermediaries. But fund managers don't share enough of the profits from the funds they raise with investors. The root cause of this situation, according to the authors, based in part on their professional experience, may lie in the banking business model of the management company, where collective investment acts more as a tool for attracting funds to be used in the interests of the group (REPO, lending, etc.) rather than a professional field.

In this situation, in the authors' opinion, it would hardly be fair to blame the management company: collective investment is a business, and management companies use it as they see fit within the group.

In such a situation, the role of the state in unlocking the industry's potential needs to be taken on, as it can increase the motivation of management companies to demonstrate higher returns on invested funds (relative to the risk-free rate) in the long term, specifically for collective investment products. In the authors' view, this can be achieved by balancing financial incentives and regulatory requirements in legal acts within the framework of consolidated supervision as a whole, in such a way that

[22] NAUFUR. Conference "Collective Investment Market 2025". URL: https://naufor.ru/download/2025/RKI_24072025/data/20250724_RKI_16.pdf (accessed on 27.07.2025).

professional collective investment receives the necessary emphasis in the activities of banking groups.

It is also advisable for the Bank of Russia, together with Moscow Exchange and management companies, to work on the creation of a "single supermarket" for collective investment funds, including assessing the technological capabilities of the Finuslugi platform and addressing data exchange and "end-to-end" transaction processing issues.

3) Develop a culture of dividend payments, considering their direct impact on market capitalization. Unlike developed markets, where dividends consistently fuel the market and their announcements rarely lead to significant market fluctuations due to their predictability, in Russia, dividend decision announcements often cause strong movements in the IMOEX.

Considering that many blue chips in the Russian market are state-controlled enterprises, it is advisable to use administrative and corporate tools to encourage profitable issuers to implement a policy of regular dividend payments, which would simultaneously serve as a stable fiscal stimulus. There are variations of this policy in international practice.[23]

4) Take measures to establish independent "long-only" funds that invest long-term based on in-depth fundamental analysis. After foreign funds left the Russian market, such organizations are virtually absent there, while significant movements are often observed in the market that are difficult to justify with fundamental factors. Technically, the authors see the solution to this problem in financial (grants, preferential taxation, etc.) and administrative support for relevant initiatives.

5) Improve the institution of qualified investors. Meeting many requirements for obtaining the status (asset size, frequency and volume of transactions, etc.) does not indicate qualification, which does not contribute to quality pricing in the market. Such criteria can be additional; only those that confirm competencies should be made mandatory.

The second set of measures — fine-tuning measures:

1) "Targeted" tax incentives that are in the best interests of both the market and the state simultaneously:

- tax benefits for companies conducting IPOs or SPOs of the "cash in" type. Of the total funds raised through IPOs in Russia in 2022–2025, over 50% were not directly used for business development (purposes included covering expenses, debt repayment, "cash out", etc.).
- inking VAT payment for SMEs with going public (possible distribution of the tax increase over time).
- linking tax benefits for households to the criticality of stock issuers for ensuring sovereignty and economic development, for which it is advisable to create a corresponding taxonomy, taking into account existing lists intended for various purposes.[24] The possibility of using maternity capital funds to purchase securities, linking investments to preferential lending, and so on can also be considered.
- exemption from dividend taxation, at least for funds remaining in the IIA. The current practice of withholding tax at the time of payment, regardless of whether the funds remain in the broking account or the type of account, reduces the motivation to reinvest dividends.
- providing advantages to issuers going public when participating in government procurement.

2) Guarantees for private investors participating in an IPO:

- guarantees of repurchase by a state agent of shares at the IPO offering price, with the hedge paid by the issuer and/or repurchase of shares from certain categories of long-term investors, such as those who invested in the offerings of

[23] OECD/World Bank (2024), Dividend payments by state-owned enterprises: Policies and practices. OECD Business and Finance Policy Papers, OECD Publishing, Paris. URL: https://doi.org/10.1787/bf84ff64-en (accessed on 05.08.2025).

[24] Including Russian Government Decree No. 603 of April 15, 2023; Appendix No. 1 to the minutes of the meeting of the Subcommittee on Enhancing the Resilience of the Financial Sector and Certain Sectors of the Economy of the Government Commission on Enhancing the Resilience of the Russian Economy under Sanctions from 22 April 2022; the list of issuers of the Innovation and Investment Market of PJSC Moscow Exchange.

issuers from critical state sectors, if the price falls by 20–30% from the offering price.

• guarantee of repurchase by banks from private investors at a specific price of the shares of over-indebted borrowers, provided that the funds raised in the placements are used to repay the loan or a portion of it.

3) Establishing a fund managed by a structure similar to VEB.RF, which would support IPOs meeting a state-defined list of criteria, investing at least 30% of the declared volume. At least 50% of the fund's resources would be reserved for stabilizing and maintaining the secondary market. Such a measure would ensure positive price dynamics, which would add confidence in the IPO market for private investors, the majority of whose IPO investments in 2023–2024 are currently unprofitable or underperforming the risk-free rate. This would also allow hundreds of companies to refinance their loans and restart the investment cycle.

4) Popularizing investment culture in the media space, for which separate media outlets can be created with state support. Similar techniques are successfully used abroad, for example, in Brazil with the participation of the B 3 exchange, where trending topics and current financial issues are discussed on leading platforms with popular figures.

To refine and "adjust" the proposed measures, a working group could be established based on relevant ministries and departments, with the participation of systemically important infrastructure organizations, major market players, and the Financial University under the Government of Russia.

CONCLUSION

The main driver behind the doubling of household deposits in Russia in three and a half years was high interest rates — accounting for about 70% of the increase. A significant contribution was made by the increase in the total (nationwide) disposable cash income of the population (up to 24%) and the reduction in investments in foreign assets (up to 6%). Market uncertainty, a decline in the attractiveness of reserve currencies, and other factors also played a role.

Given the negative impact of high interest rates on the economy, a key rate cut cycle is inevitable. At the same time, the deposit "overhang" that formed against the backdrop of high interest rates will represent a potential for inflationary pressure during a cycle of interest rate cuts, at least through increased consumption and a decrease in the attractiveness of deposits. The specific effect will depend on a combination of many factors, but even a 30–50% deposit "overhang", which accounts for up to 10% of the money supply (M2), will be enough to put noticeable pressure on inflation.

The authors see the way out of the situation in performing a liquidity *manoeuvre* — a state-managed, natural, and stimulated flow of liquidity within the financial system without affecting inflation. The stock market has been proposed as a natural "communicating vessel" with deposits, the liquidity of which is interconnected with interest rates. Performing this manoeuvre is a way out of the situation that will contribute to solving a whole range of challenges — inflation, business over-indebtedness, the task of increasing stock market capitalization, attracting capital for business development, and others.

Against the backdrop of falling rates, we can only expect a natural outflow of funds into stocks in the amount of 2.5–3 trillion rubles, and 4–7 trillion rubles including money market and bond funds. This amount is significant in terms of its potential impact on inflation, and in the stock market, considering the possible multiplier effect, a noticeable contribution to market capitalization can also be expected.

The authors see the problem in the still insufficient long-term attractiveness of the stock market compared to risk-free instruments, which should be the focus of the complex of general and "fine-tuning" measures proposed by the authors, linking the interests of the population, business, and the state.

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