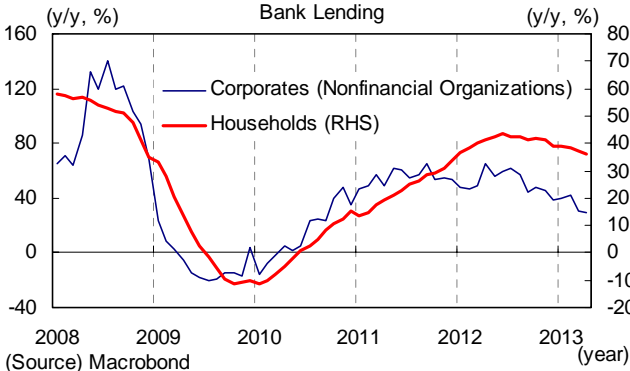
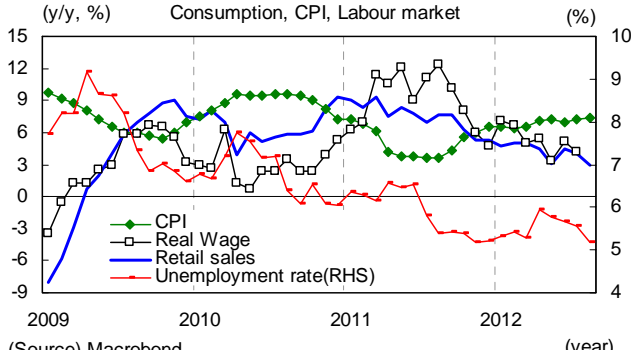
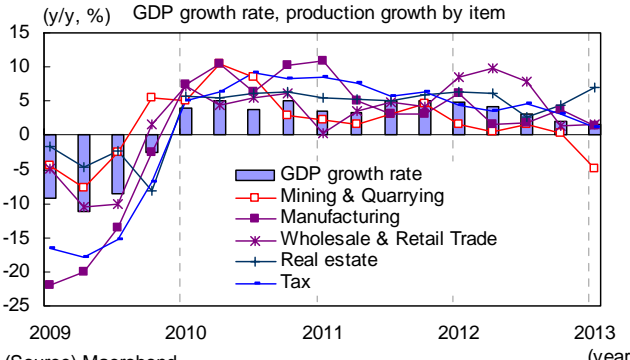


Main Economic & Financial Indicators: Russia

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Overview	Output
<p>A slowdown of the Russian economy has continued led by the corporate sector. Real GDP growth in Q1 stood at 1.6% y/y, which is the slowest growth seen since 2010 when the economy bounced back to positive y/y growth after the financial crisis. The growth in exports has been sluggish reflecting the economic downturn in the eurozone. Additionally, weaker fixed investment in the corporate and public sector dragged the economy down. Slowdown in gross fixed capital formation is the result of a rise in bank lending rates triggered by the Bank of Russia's policy rate rise, tighter bank lending criteria as well as widespread reluctance to invest in the corporate sector reflecting sluggish exports. On the other hand, private consumption remained resilient reflecting relatively good labour market conditions. However, since the latter half of 2012, slower real wage growth due to a rise in inflation and the peaking of growth in household lending has been putting pressure on household budgets. Indeed, retail sales growth has been slowing down in recent months. In light of these circumstances, although private consumption is still likely to remain resilient enough to keep the economy afloat, it would be difficult to expect it to strongly lead the economy.</p>  <p>(Source) Macrobond</p>	<p>Industrial production in May saw a negative growth of 1.4% y/y, after two months of positive growth. This was mainly due to a fall in manufacturing by 4.4% y/y. The purchasing managers' index (PMI) in May was at 50.4, a slight deterioration from the previous month's figure of 50.6, but remained above the 50 mark which indicates an expansion in the sector. That said, the PMI in the sector deteriorated for three months in a row. Looking at the breakdown of this figure, growth in new orders continued to slow down. In light of these circumstances, It is difficult to expect a significant recovery in production.</p>
Consumption/Labour Market	
	<p>Retail sales in May grew by 2.9% y/y, slowing down from the previous month's growth rate of 4.1% y/y. The new car registration in May declined further from the previous month's -8.0% y/y to -12.1% y/y. Weaker real wage growth and a slowdown in household lending are putting pressure on household's purchasing power. On the other hand, the labour market remained resilient. The unemployment rate in May stood at 5.2%, the lowest level in 20 years. The latest PMI readings suggested that, although employment in the manufacturing sector continued to decrease, employment growth in the service sector, which accounts for 60% of the total employment, has picked up pace.</p>  <p>(Source) Macrobond</p>
GDP	Prices/Monetary policy
<p>Real GDP in Q1 grew by 1.6% y/y, slowing down from the previous quarter's growth of 2.1% y/y. Looking at the GDP data by production, the extraction of natural resources such as crude oil fell sharply by 4.9%y/y because of sluggish demand for natural resources due to a delay in the global economic recovery as well as weaker oil prices. Growth in the trade sector which has slowed down since the latter half of last year, grew by 1.5% y/y in Q1 and was owing to rising pressure on households imposed by a rise in the inflation rate as well as a rise in bank lending rates. Growth in the manufacturing sector slowed down from 3.9% y/y in the previous quarter to 1.3% y/y, reflecting a sluggish external demand and weaker domestic demand. Given that resource prices are expected to stay weak due to a slow economic recovery in China and other emerging countries, the Russian economy is likely to remain weak.</p>  <p>(Source) Macrobond</p>	<p>The consumer price index in May rose by 7.4% y/y from 7.2% y/y in April. This is mainly due to a continuous increase in vegetable and fruit prices, up by 19.1% y/y due to a poor harvest in the previous year. As the inflation rate remains above the Central Bank of Russia's upper limit for 2013 of 6%, the bank's Monetary Policy Committee decided to keep its policy rate (refinancing rate) at 8.25% at its meeting on June 10th. However, it is expected that the inflation rate will ease toward the latter half of this year as a normal harvest is expected this year and as well as owing to favourable base effects. Meanwhile, Elvira Nabiullina, the former minister of Russian Economic Development Ministry and is said to be close to the president, Vladimir Putin, took over as the governor of the central bank on June 24th. As the president is seeking to boost economy, it is more likely that under its new leadership the central bank will embark on monetary easing.</p>
Balance of Payments	
	<p>According to the preliminary data from the Central Bank of Russia, the current account surplus in Q1 stood at \$27.9bn, down from the surplus of \$39.2bn a year earlier. This was mainly due to a fall in the trade surplus to \$50.1bn from \$58.7bn in the same period of the last year. Reflecting a decrease in natural resource demand and weaker oil prices, exports decreased by 4.6% y/y, recording four consecutive quarters of decline. Meanwhile, imports increased 3.7% y/y due to relatively resilient domestic demand.</p>

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1. Annual & Quarterly data

		2010	2011	2012	12/Q1	12/Q2	12/Q3	12/Q4	13/Q1
GDP (at current prices)	(US\$ bn)	1,524.5	1,898.3	2,014.7	457.5	483.3	511.4	561.0	492.7
Real GDP growth	(%, y/y)	4.5	4.2	3.5	4.8	4.3	3.0	2.1	1.6
(Private consumption)	(%, y/y)	5.5	6.3	6.9	9.1	6.9	5.6	5.8	-
(Gross fixed capital formation)	(%, y/y)	4.6	10.6	7.8	15.5	9.7	4.7	1.4	-
Industrial production (real)	(%, y/y)	8.3	4.8	2.7	4.1	2.3	2.5	1.7	-0.1
Retail sales (real)	(%, y/y)	6.2	6.9	6.5	7.9	7.4	5.6	4.9	4.0
Bank credits to the private sector	(%, y/y)	13.0	28.1	19.6	27.5	29.1	22.1	19.6	21.0
Consumer price index	(%, y/y)	6.9	8.5	5.1	3.9	3.8	6.0	6.5	7.1
Average monthly wage growth (nominal)	(%, y/y)	12.8	11.7	13.3	14.4	14.8	11.8	12.4	12.1
Unemployment rate	(%)	7.5	6.6	5.7	6.5	5.5	5.3	5.3	5.8
Trade balance	(US\$ mn)	146,995	196,853	193,275	58,691	49,406	38,540	46,638	50,100
Exports	(US\$ mn)	392,674	515,408	529,104	131,664	131,564	125,552	140,324	125,700
Export growth	(%, y/y)	32.1	31.3	2.7	17.9	-1.4	-2.2	-1.1	-4.6
Imports	(US\$ mn)	245,679	318,555	335,829	72,973	82,158	87,012	93,686	75,700
Import growth	(%, y/y)	33.6	29.7	5.4	12.8	-0.2	4.7	6.0	3.7
Current account	(US\$ mn)	71,129	98,834	74,798	39,181	16,535	6,250	12,832	27,900
Capital and financial balances	(US\$ mn)	-25,909	-76,213	-35,559	-29,480	1,318	-4,956	-2,441	-22,400
Foreign direct investment	(US\$ mn)	43,288	52,879	51,417	12,840	4,375	16,756	17,446	-
Foreign reserves	(US\$ mn)	443,586	453,948	486,577	486,577	486,577	486,577	486,577	-
External debt	(US\$ bn)	488,940	538,843	631,784	557,537	570,576	595,331	631,784	684,350
Stock price index		1,435	1,606	1,453	1,392	1,442	1,442	1,500	1,369
Short-term int. rates (Interbank 3m)		5.61	5.33	7.34	7.21	7.44	7.57	7.37	7.40
Rouble/U S D		30.377	29.395	31.070	31.066	31.967	31.079	30.417	31.652
Rouble/E u r o		40.269	40.883	39.917	39.824	39.975	40.312	40.148	41.312
Rouble/G B P		46.948	47.111	49.236	49.143	50.493	49.922	47.225	48.607
European Urals Oil prices	(US\$/Barrel)	78.117	109.642	110.775	116.983	106.503	108.744	108.877	110.351

2. Monthly data

		12/10	11	12	13/01	2	3	4	5
Industrial production (real)	(%, y/y)	1.8	1.9	1.4	-0.8	-2.1	2.6	2.3	-1.4
Retail sales (real)	(%, y/y)	4.7	5.0	5.0	4.4	3.1	4.5	4.1	2.9
Bank credits to the private sector	(%, y/y)	23.9	21.4	19.6	20.9	21.9	21.0	20.1	-
Consumer price index	(%, y/y)	6.5	6.5	6.6	7.1	7.3	7.0	7.2	7.4
Average monthly wage growth (nominal)	(%, y/y)	13.6	13.0	11.1	13.0	10.8	12.6	11.8	-
Unemployment rate	(%)	5.3	5.4	5.3	6.0	5.8	5.7	5.6	5.2
Trade balance	(US\$ mn)	14,863	15,252	16,523	17,742	15,906	16,112	14,234	-
Exports	(US\$ mn)	46,540	45,643	48,141	39,038	41,916	44,243	44,025	-
Export growth	(%, y/y)	2.9	-1.7	-4.2	-1.6	-7.2	-5.6	-2.3	-
Imports	(US\$ mn)	31,677	30,391	31,618	21,296	26,010	28,131	29,791	-
Import growth	(%, y/y)	10.4	2.1	5.6	10.3	4.3	-2.1	10.3	-
Stock price index		1,459	1,405	1,461	1,519	1,514	1,467	1,384	1,400
Short-term int. rates (Interbank 3m)		7.508	7.625	7.576	7.374	7.306	7.414	7.454	7.370
Rouble/U S D		31.126	31.376	30.715	30.238	30.209	30.811	31.319	31.360
Rouble/E u r o		40.356	40.250	40.330	40.191	40.334	39.925	40.752	40.684
Rouble/G B P		50.052	50.086	49.609	48.291	46.759	46.503	47.955	47.930
European Urals Oil prices	(US\$/Barrel)	111.800	109.391	109.289	111.981	116.440	109.656	103.830	102.922

Note: Highlighted figures are estimates from the Russian Central Bank

Source: Russian Central Bank, Federal Statistic Office of Russia, Bloomberg etc.

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