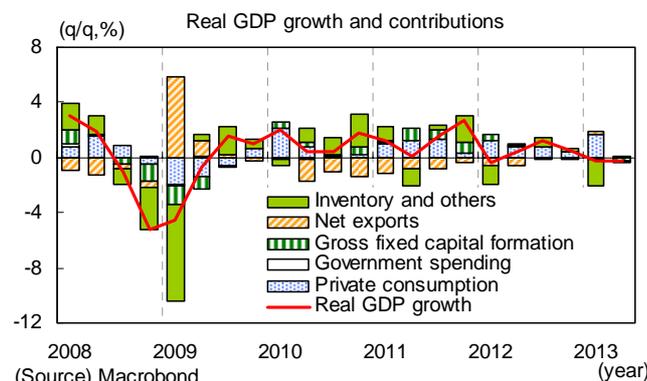
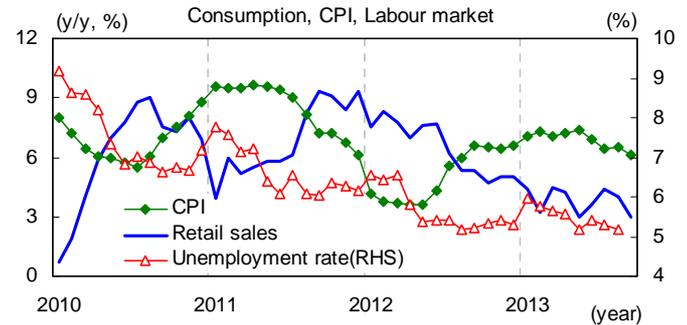


Main Economic & Financial Indicators: Russia

Economic Research Office  
(Akiko Darvell, [akiko.darvell@uk.mufg.jp](mailto:akiko.darvell@uk.mufg.jp))

Overview	Consumption/Labour Market
<p>The Russian economy continued to be weak. On a quarter-on-quarter basis, real GDP growth in Q2 contracted for a second quarter in a row, down by 0.3% on the back of sluggish domestic demand. Gross fixed capital formation remained depressed as the corporate sector continued to be reluctant to invest reflecting a rise in bank lending rates earlier in the year which was triggered by the Bank of Russia's policy rate rise in September last year as well as tighter bank lending criteria. Adding to this, private consumption which has traditionally supported the economy slowed down.</p> <p>Looking at more recent data in Q3, industrial production continued to be weak while the Purchasing Managers Index for the manufacturing sector remained for three months in a row. PMI readings below 50 indicate a contraction in the sector. Growth in bank lending for the non-financial corporations picked up pace again albeit marginally. That said, it is more likely that the recovery in the corporate sector's sentiment for investment will take some time given the recent weakness in domestic demand. As for private consumption, the recent slowdown in inflation rate can be seen as positive news for household spending. That said, bank lending to households continued to decelerate while the labour market conditions are showing signs of softening. The recent weakness in consumer sentiment on the back of rising concerns over the economic outlook suggests that private consumption may slow further in the coming months</p>	<p>Retail sales in September grew by 3.0% y/y, slowing down from the previous month's growth rate of 4.0% y/y. The labour market conditions are softening. While the unemployment rate (not seasonally adjusted) was flat compared to a year earlier at 5.2% in August, the number of people employed has been decreasing compared to a year earlier level for four months in a row. Considering the fact that the PMI figures for the manufacturing and service sectors both indicate that the employment levels remain on a declining trend, labour market conditions are likely to worsen further. Consumer confidence for Q3 stood at -7.0, down 1.0 point from the previous quarter reflecting concerns about the economic outlook as well as inflation</p>
Prices/Monetary policy	
<p><b>GDP</b></p>	<p>The consumer price index in September rose by 6.1% y/y down from 6.5% y/y in August and closer to the Central Bank of Russia's upper limit of 6% for 2013. The decline in the inflation rate is mainly due to lower food price inflation on the back of a better harvest in the summer compared to last year when the harvest was hit by bad weather conditions. Meanwhile, the government and the corporate sector's demand for monetary easing are increasing on the back of the sluggish economic growth. However, the central bank decided to keep the main policy rate on hold at 8.25% at their monetary policy meeting on Oct 14 as the inflation rate is still exceeding the bank's target band for 2013 (5-6%). That said, the bank recognised that the economy may remain weak in the medium term. Additionally, as food price inflation is expected to ease further while inflationary pressure from demand side remains weak on the back of weak domestic demand, the inflation rate is more likely to come down to within the bank's target band by the end of this year, raising the prospect of additional easing by the central bank by the end of year. Looking forward, the bank set the target band for inflation in 2014 at 4.5-5.5%. It expects that inflationary pressures will remain lower as the government announced that it will cap increases in state controlled prices such as electricity and gas for 2014. The targets for 2015 and 2016 are set at 4.0-5.0% and 3.5-4.5% respectively.</p>
<p>Real GDP in Q2 contracted by 0.3% q/q following the 0.2% q/q contraction in Q1. Looking at GDP figures in terms of expenditure, private consumption was flat q/q, partly owing to a high base in Q1 when private consumption grew by 3.1% q/q. Gross fixed capital formation contracted by 1.2% y/y, contracting for four quarters in a row. Net exports made a positive contribution to overall growth by 0.1% as growth in imports slowed down. Overall, against the backdrop of a disappointing first half of the year, the Russian government revised down its GDP growth forecast for 2013 from 2.4% y/y to 1.8% y/y.</p>  <p>(Source) Macrobond</p>	 <p>(Source) Macrobond</p>
Output	International Reserve
<p>Industrial production in September rose by 0.3% y/y, slightly better than the 0.1% y/y increase in August, but it remained weak nonetheless. The Purchasing Managers Index for the manufacturing sector in September remained flat at 49.4, below the 50 mark. Growth in new orders was weighed down by a drop in export orders for the first time in the last five months as well as a weaker domestic demand, suggesting output will remain sluggish for a while.</p>	<p>Since the US Fed indicated it may taper its QE programme back in May, the Russian rouble depreciated like other fellow emerging currencies. From May to the end of August, it lost 6.9% against US dollar and 8.1% against Euro. The Central Bank of Russia's intervention between June and August amounted to US\$13.8bn, and its foreign currency reserve decreased to US\$464.2 at the end of August, the lowest level since the beginning of the year. However, more recently, as the downward pressure on rouble eased reflecting the US Fed's decision to delay its QE tapering, the central bank's intervention has decreased. The outstanding amount of foreign currency reserves at the end of September increased to US\$479.5bn.</p>

## Main Economic & Financial Indicators: Russia

### 1. Annual & Quarterly data

		2010	2011	2012	12/Q3	12/Q4	13/Q1	13/Q2	13/Q3
GDP (at current prices)	(US\$ bn)	1,524.5	1,898.3	2,014.7	511.4	561.0	492.7	509.0	-
Real GDP growth	(y/y, %)	4.5	4.3	3.6	3.0	2.1	1.6	1.2	-
(Private consumption)	(y/y, %)	5.5	6.3	6.9	5.6	5.8	6.1	5.4	-
(Gross fixed capital formation)	(y/y, %)	4.6	9.0	7.8	4.7	1.4	0.1	-2.5	-
Industrial production (real)	(y/y, %)	8.3	4.8	2.7	2.5	1.7	-0.1	0.3	-0.1
Retail sales (real)	(y/y, %)	6.2	6.9	6.5	5.6	4.9	4.0	3.6	3.8
Bank credits to the private sector	(y/y, %)	13.0	28.1	19.6	22.1	19.6	21.0	18.6	-
Consumer price index	(y/y, %)	6.9	8.5	5.1	6.0	6.5	7.1	7.2	6.4
Average monthly wage growth (nominal)	(y/y, %)	12.8	11.7	13.3	11.8	12.4	12.1	13.9	-
Unemployment rate	(%)	7.5	6.6	5.7	5.3	5.3	5.8	5.4	-
Trade balance	(US\$ mn)	146,995	196,853	192,298	38,490	45,461	48,310	42,462	-
Exports	(US\$ mn)	392,674	515,408	528,006	125,500	140,067	125,222	127,412	-
Export growth	(y/y, %)	32.1	31.3	2.4	-2.2	-1.3	-4.6	-2.9	-
Imports	(US\$ mn)	245,679	318,555	335,708	87,010	94,606	76,912	84,950	-
Import growth	(y/y, %)	33.6	29.7	5.4	4.7	7.0	6.5	3.7	-
Current account	(US\$ mn)	67,452	97,274	71,431	5,872	10,035	25,026	3,412	1,100
Capital and financial balances	(US\$ mn)	-21,565	-76,013	-31,204	-4,255	91	-13,120	-9,232	-3,000
Foreign direct investment	(US\$ mn)	43,167	55,083	50,661	16,578	16,859	39,364	16,603	-
Foreign reserves	(US\$ mn)	443,591	453,952	486,578	476,380	486,578	477,267	475,224	479,451
External debt	(US\$ bn)	488,940	538,871	636,435	598,917	636,435	690,261	706,147	719,600
Stock price index (MICEX)		1,435	1,606	1,453	1,442	1,442	1,500	1,369	1,404
Short-term int. rates (Interbank 3m)		5.61	5.33	7.34	7.44	7.57	7.37	7.40	7.27
Rouble/US\$		30.38	29.39	31.07	31.97	31.08	30.42	31.65	32.77
Rouble/Euro		40.27	40.88	39.92	39.98	40.31	40.15	41.31	43.44
Rouble/GBP		46.95	47.11	49.24	50.49	49.92	47.23	48.61	50.85
Urals crude price	(US\$/Barrel)	78.1	109.6	110.8	109.4	109.4	111.3	102.4	-

### 2. Monthly data

		13/02	3	4	5	6	7	8	9
Industrial production (real)	(y/y, %)	-2.1	2.6	2.3	-1.4	0.1	-0.7	0.1	0.3
Retail sales (real)	(y/y, %)	3.2	4.5	4.2	3.0	3.6	4.4	4.0	3.0
Bank credits to the private sector	(y/y, %)	21.9	21.0	20.1	18.4	18.6	19.0	-	-
Consumer price index	(y/y, %)	7.3	7.0	7.2	7.4	6.9	6.5	6.5	6.1
Average monthly wage growth (nominal)	(y/y, %)	10.8	12.6	16.4	12.7	12.7	13.3	12.8	-
Unemployment rate	(%)	5.8	5.7	5.6	5.2	5.4	5.3	5.2	-
Trade balance	(US\$ mn)	15,326	15,774	14,267	14,611	13,584	13,311	13,798	-
Exports	(US\$ mn)	41,851	44,507	44,481	41,024	41,907	43,455	42,158	-
Export growth	(y/y, %)	-6.9	-4.8	-1.0	-9.8	2.6	5.5	2.3	-
Imports	(US\$ mn)	26,525	28,733	30,214	26,413	28,323	30,144	28,360	-
Import growth	(y/y, %)	7.5	1.2	12.9	-6.2	5.0	1.5	-5.3	-
Stock price index (MICEX)		1,514	1,467	1,384	1,400	1,316	1,382	1,384	1,448
Short-term int. rates (Interbank 3m)		7.31	7.41	7.45	7.37	7.39	7.33	7.23	7.25
Rouble/US\$		30.21	30.81	31.32	31.36	32.35	32.73	33.01	32.57
Rouble/Euro		40.33	39.93	40.75	40.68	42.65	42.86	43.97	43.51
Rouble/GBP		46.76	46.50	47.95	47.93	50.10	49.72	51.23	51.68
Urals crude price	(US\$/Barrel)	114.8	106.8	101.9	102.5	102.7	108.6	111.8	-

Note: Trade data is based on Balance of Payment statistics.

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

The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch ("BTMU LONDON") is based in England at Ropemaker Place, 25 Ropemaker St., London EC2Y 9AN. BTMU LONDON is authorised and regulated by the Japanese Financial Services Authority. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

This report shall not be construed as solicitation to take any action such as purchasing/selling/investing in financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee, and do not accept any liability whatsoever for, its accuracy and we accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by copyright. No part of this report may be reproduced in any form without express statement of its source.

The Bank of Tokyo-Mitsubishi UFJ, Ltd. retains copyright to this report and no part of this report may be reproduced or re-distributed without the written permission of The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. expressly prohibits the re-distribution of this report to Retail Customers, via the internet or otherwise and The Bank of Tokyo-Mitsubishi UFJ, Ltd., its subsidiaries or affiliates accept no liability whatsoever to any third parties resulting from such re-distribution.