

Main Economic & Financial Indicators: Russia

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| Overview | Output |
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| <p>Uncertainties over the Russian economy are increasing. Real GDP growth in 2013 decelerated to 1.3% y/y, the lowest growth rate since 2010. Private consumption was supported by lower inflation somewhat while gross fixed capital formation remained depressed as the corporate sector continued to be reluctant to invest reflecting a rise in bank lending rates. Adding to this, a slowdown in demand for raw materials from western Europe and emerging markets as well as somewhat weaker oil prices dampened overall growth.</p> <p>Looking ahead, the Russian economy is likely to face strong headwinds given the downward pressure on the rouble and the possibility of further sanctions by the West over Russia's annexation of Crimea. The rating agencies, S&P and Fitch downgraded Russia's rating outlook from Stable to Negative, saying sanctions could further undermine Russia's economic growth prospects. Although the current sanctions imposed by the US and the EU are mainly aimed at individuals such as travel restrictions and asset freezes, they left open the possibility of tightening these further. That being said, it is uncertain whether the EU, which is closer to Russia geographically and has tighter economic ties, can actually take tougher sanctions. Germany in particular has been more cautious as it depends on Russia for around 30% of its gas and oil imports. Meanwhile, in the G7 meeting held on March 24th, it has been agreed that they would work together to reduce their dependence on Russia's gas and oil. This would damage Russia's economic prospects in the long-term given its dependence on energy export.</p> <p>Private consumption which has supported the Russian economy so far is likely to be dampened by higher inflation reflecting the rouble depreciation since January as well as the further deceleration in bank lending given the central bank's 150bps rate increase in early March in order to limit the capital flight as the situation between Ukraine and Russia worsened. In light of these circumstances, the Russian economy is likely to be weak for a while.</p> | <p>Industrial production in February rose by 2.1% y/y after negative growth of 0.2% y/y in January, but it remained weak nonetheless. The Purchasing Managers Index for the manufacturing sector in March stood at 48.5, edging up from 48.0 in February, which was the lowest figure since 2009, but it remained below the 50 mark for four months in a row. New orders declined as both domestic and export orders shrank while employment also decreased.</p> <p style="text-align: center;">Consumption/ Prices</p> <p>Retail sales in February remained resilient, up by 4.1% y/y. Private consumption is likely to slowdown in coming months affected by rising inflation and lower wage growth. Consumer confidence deteriorated to the lowest level in three years in the final quarter of 2013 as concerns over economic prospects and inflation increased. Meanwhile, growth in gross wages has been decelerating sharply since the second half of 2013. Inflation in February accelerated slightly to 6.2% y/y. The effect of the rouble depreciation since January has started to pass through to consumer prices in February, and is likely to push up the inflation rate further in the coming months.</p> <div data-bbox="831 996 1452 1366"> <p>(Source) Macrobond</p> </div> |
| GDP | Monetary Policy |
| <p>According to the flash estimate from the Rosstat, real GDP in 2013 was up 1.3% y/y, lower than the Russian government's growth expectation of 1.8% y/y. The growth rate for the final quarter of 2013 is not published yet, but it could be around 1.3% to 1.4% y/y. A slowdown in private consumption as well as continued sluggishness in gross fixed capital formation reflecting the corporate sector's reluctance to invest seems to have been a drag on overall growth.</p> <div data-bbox="167 1713 790 2083"> <p>(Source) Macrobond</p> </div> | <p>As rouble and equity prices plummeted, the central bank of Russia raised its key policy rate (one-week repo rate) from 5.5% to 7.0% on March 3. Net outflow of capital in 2013 increased from US\$54.6bn in 2012 to US\$62.7bn. According to the estimate by the Ministry of Economy, capital flight accelerated further in Q1, amounting to US\$65-70bn, already exceeding the total amount in 2013. Given that downward pressure on the rouble is likely to continue for some time, the central bank may have to hike rates further.</p> <div data-bbox="831 1736 1452 2094"> <p>(Source) Macrobond</p> </div> |

Main Economic & Financial Indicators: Russia

1. Annual & Quarterly data

| | | 2011 | 2012 | 2013 | 12/Q4 | 13/Q1 | 13/Q2 | 13/Q3 | 13/Q4 |
|---------------------------------------|---------------|---------|---------|---------|---------|---------|---------|---------|---------|
| GDP (at current prices) | (US\$ bn) | 1,898.3 | 2,014.7 | 2093.9* | 561.0 | 492.7 | 509.0 | 547.2 | - |
| Real GDP growth | (y/y, %) | 4.2 | 3.5 | 1.3* | 2.1 | 1.6 | 1.2 | 1.2 | - |
| (Private consumption) | (y/y, %) | 6.3 | 6.9 | - | 5.8 | 6.1 | 5.4 | 5.3 | - |
| (Gross fixed capital formation) | (y/y, %) | 9.0 | 7.8 | - | 1.4 | 0.1 | -2.5 | -0.9 | - |
| Industrial production (real) | (y/y, %) | 5.1 | 3.4 | 0.4 | 3.2 | -1.2 | 0.8 | 0.6 | 1.4 |
| Retail sales (real) | (y/y, %) | 6.9 | 6.5 | 3.9 | 4.9 | 4.0 | 3.6 | 4.0 | 4.0 |
| Bank credits to the private sector | (y/y, %) | 28.1 | 19.6 | 17.2 | 19.6 | 21.0 | 18.6 | 18.6 | 17.2 |
| Consumer price index | (y/y, %) | 8.5 | 5.1 | 6.8 | 6.5 | 7.1 | 7.2 | 6.4 | 6.4 |
| Average monthly wage growth (nominal) | (y/y, %) | 11.7 | 13.3 | 12.3 | 12.4 | 12.1 | 13.9 | 13.3 | 10.3 |
| Unemployment rate | (%) | 6.6 | 5.7 | 5.5 | 5.3 | 5.8 | 5.4 | 5.3 | 5.5 |
| Trade balance | (US\$ mln) | 196,853 | 192,298 | 179,043 | 45,461 | 48,310 | 42,462 | 43,212 | 45,059 |
| Exports | (US\$ mln) | 515,408 | 528,006 | 523,328 | 140,067 | 125,222 | 127,412 | 131,240 | 139,454 |
| Export growth | (y/y, %) | 31.3 | 2.4 | -0.9 | -1.3 | -4.6 | -2.9 | 4.6 | -0.4 |
| Imports | (US\$ mln) | 318,555 | 335,708 | 344,285 | 94,606 | 76,912 | 84,950 | 88,028 | 94,395 |
| Import growth | (y/y, %) | 29.7 | 5.4 | 2.6 | 7.0 | 6.5 | 3.7 | 1.2 | -0.2 |
| Current account | (US\$ mln) | 97,274 | 72,015 | 33,017 | 10,534 | 25,059 | 2,629 | 629 | 4,700 |
| Capital and financial balances | (US\$ mln) | -76,013 | -31,204 | - | 91 | -12,818 | -8,830 | -6,828 | - |
| Foreign direct investment | (US\$ mln) | 55,083 | 50,661 | - | 16,859 | 39,350 | 15,985 | 15,308 | - |
| Foreign reserves | (US\$ mln) | 462,686 | 476,241 | 474,950 | 476,241 | 475,650 | 473,393 | 464,202 | 474,950 |
| External debt | (US\$ bn) | 538,871 | 636,435 | 732,046 | 636,435 | 690,232 | 706,157 | 714,206 | 732,046 |
| Stock price index (MICEX) | | 1,606 | 1,453 | 1,441 | 1,442 | 1,500 | 1,369 | 1,404 | 1,493 |
| Short-term int. rates (Interbank 3m) | | 5.33 | 7.34 | 7.32 | 7.57 | 7.37 | 7.40 | 7.27 | 7.24 |
| Rouble/USD | | 29.39 | 31.07 | 31.86 | 31.08 | 30.42 | 31.65 | 32.77 | 32.55 |
| Rouble/Euro | | 40.88 | 39.92 | 42.32 | 40.31 | 40.15 | 41.31 | 43.44 | 44.30 |
| Rouble/GBP | | 47.11 | 49.24 | 49.87 | 49.92 | 47.23 | 48.61 | 50.85 | 52.69 |
| Urals crude price | (US\$/Barrel) | 109.6 | 110.8 | 108.3 | 109.4 | 111.3 | 102.4 | 110.6 | 108.900 |

2. Monthly data

| | | 13/07 | 8 | 9 | 10 | 11 | 12 | 14/01 | 2 |
|---------------------------------------|---------------|--------|--------|--------|--------|--------|--------|--------|-------|
| Industrial production (real) | (y/y, %) | 0.8 | -0.2 | 1.3 | 1.0 | 2.8 | 0.4 | -0.2 | 2.1 |
| Retail sales (real) | (y/y, %) | 4.6 | 4.2 | 3.3 | 3.6 | 4.5 | 3.8 | 2.4 | 4.1 |
| Bank credits to the private sector | (y/y, %) | 18.9 | 18.4 | 18.6 | 17.6 | 18.6 | 17.2 | 18.5 | - |
| Consumer price index | (y/y, %) | 6.5 | 6.5 | 6.1 | 6.3 | 6.5 | 6.5 | 6.1 | 6.2 |
| Average monthly wage growth (nominal) | (y/y, %) | 13.3 | 13.6 | 12.9 | 12.2 | 10.4 | 8.8 | 7.8 | - |
| Unemployment rate | (%) | 5.3 | 5.2 | 5.3 | 5.5 | 5.5 | 5.6 | 5.6 | - |
| Trade balance | (US\$ mln) | 13,314 | 13,977 | 15,921 | 12,713 | 16,550 | 15,796 | 18,855 | - |
| Exports | (US\$ mln) | 43,796 | 42,597 | 44,847 | 43,563 | 46,736 | 49,155 | 39,460 | - |
| Export growth | (y/y, %) | 6.3 | 3.4 | 4.0 | -6.4 | 3.2 | 1.9 | 1.5 | - |
| Imports | (US\$ mln) | 30,482 | 28,620 | 28,926 | 30,850 | 30,186 | 33,359 | 20,605 | - |
| Import growth | (y/y, %) | 2.7 | -4.4 | 5.7 | -4.1 | -1.3 | 4.7 | -4.8 | - |
| Stock price index (MICEX) | | 1,382 | 1,384 | 1,448 | 1,505 | 1,496 | 1,477 | 1,481 | 1,476 |
| Short-term int. rates (Interbank 3m) | | 7.33 | 7.23 | 7.25 | 7.20 | 7.26 | 7.26 | 7.30 | 7.36 |
| Rouble/USD | | 32.73 | 33.01 | 32.57 | 32.08 | 32.75 | 32.86 | 33.78 | 35.29 |
| Rouble/Euro | | 42.86 | 43.97 | 43.51 | 43.74 | 44.16 | 45.03 | 46.00 | 48.26 |
| Rouble/GBP | | 49.72 | 51.23 | 51.68 | 51.59 | 52.75 | 53.79 | 55.66 | 58.54 |
| Urals crude price | (US\$/Barrel) | 108.6 | 111.8 | 111.4 | 108.2 | 107.9 | 110.6 | - | - |

Note: GDP figures for 2013 are Rosstat's flash estimate. Trade data is based on Balance of Payment statistics.

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

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