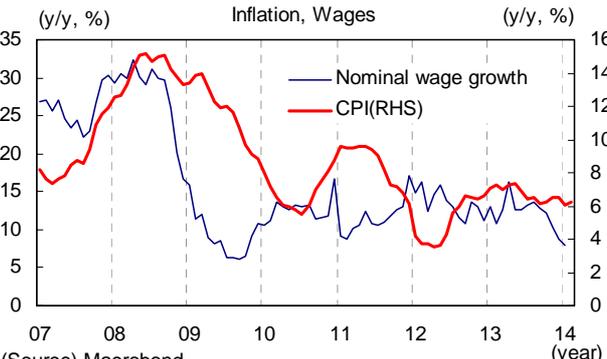
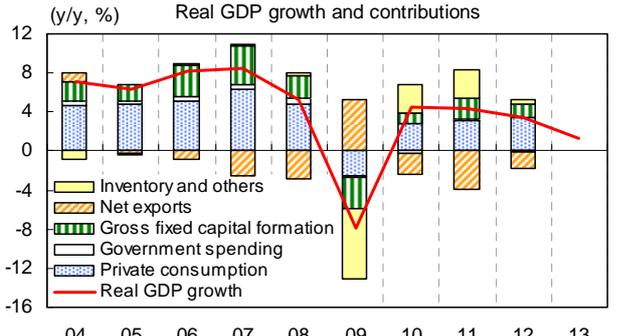


Main Economic & Financial Indicators: Russia

Economic Research Office
(Akiko Darvell, akiko.darvell@uk.mufg.jp)

Overview	Output
<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>  <p>(Source) Macrobond</p>
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>  <p>(Source) Macrobond</p>	<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>  <p>(Source) Macrobond</p>

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.

The Bank of Tokyo-Mitsubishi UFJ, Ltd is incorporated and Registered with Limited liability in the Tokyo Affairs Bureau in Japan. Registered in England and Wales (Branch No.BR002013). Authorised and regulated by the Japanese Financial Services Agency. Authorised by the Prudential Regulation Authority (FCA/PRA number 139189). 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.