



Russia' macro - 2017:

Not recovery, but transformation

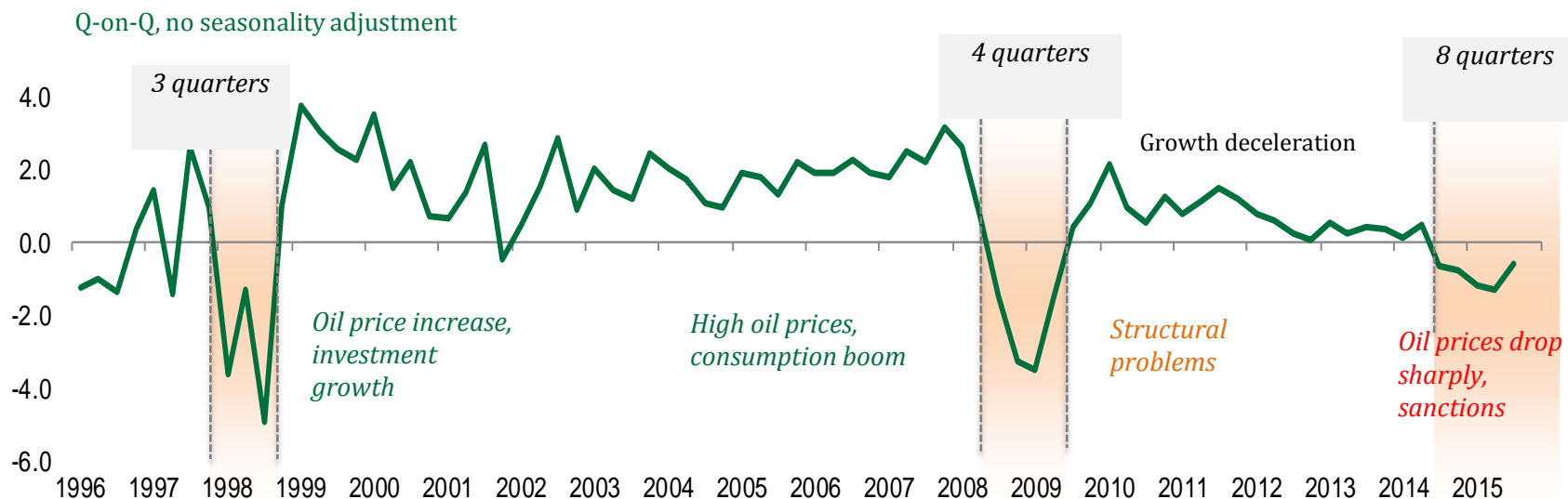
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Russia's GDP growth



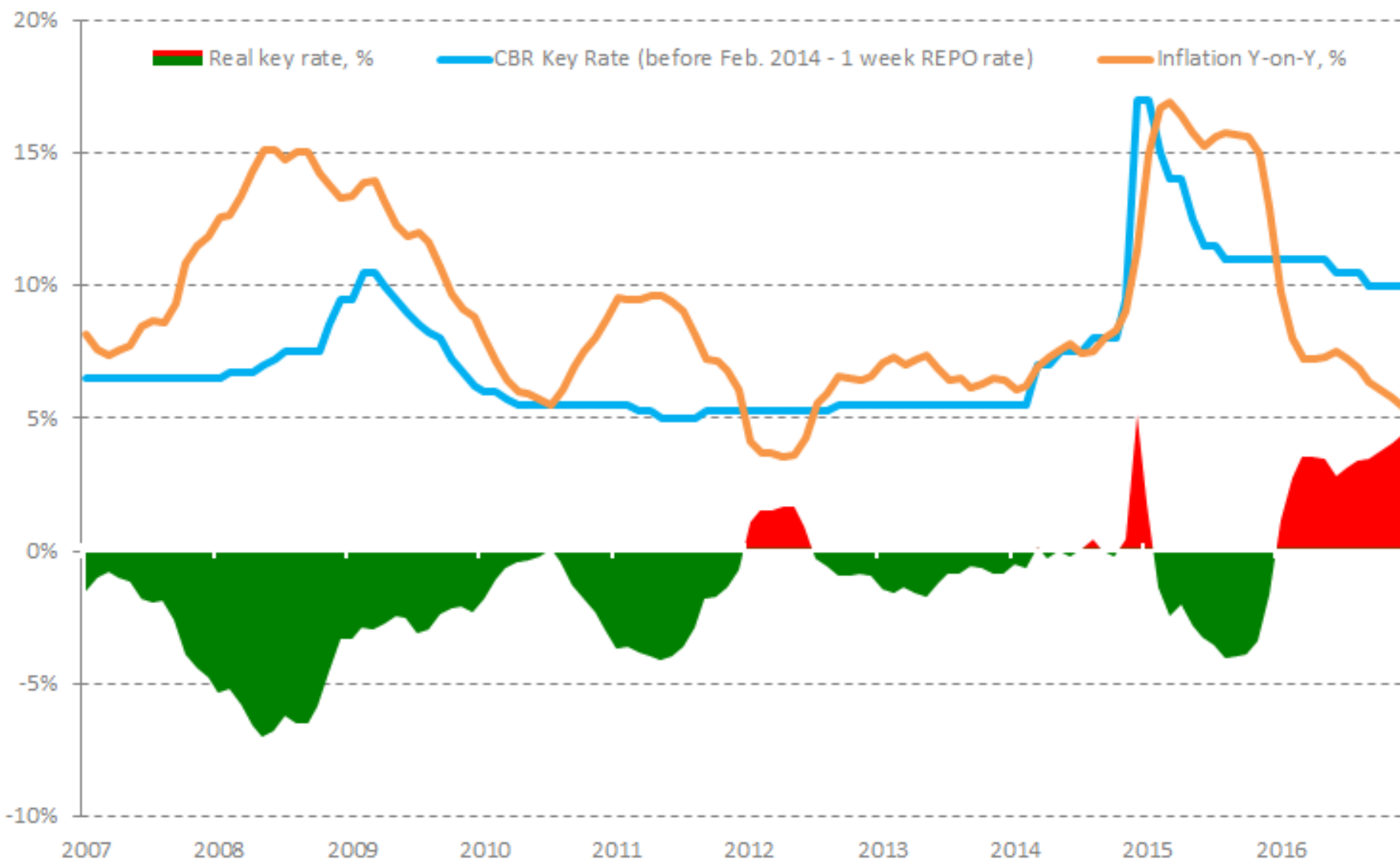
- The population of working age by 2025 will be reduced by about 5%
- Oil production volumes until 2025 do not grow in all projections (ERI RAS, IEA, BP, IHS)
- The loss of a number of traditional markets (Ukraine), squeezing Russia from the EU energy market, the pressure on the Russian trading partners outside the EU and the US
- The growth of the country risk: less than FDI, and less expensive to attract loans, lower valuation of shares, the growth of insurance premiums, less joint projects in the sphere of non-oil
- Ratings of Russia and Russian companies and banks lowered below investment grade
- The difficulties with the purchase of high-tech equipment

Russia GDP structure and growth

	2015		2015 vs. 2014, %		1H16 vs 1H15, %	
GDP	72 365	100,0%		-3,7%		-0,9%
Agriculture	3 158	4,4%		3,1%		1,5%
Fishery	192	0,3%		-0,7%		-9,5%
Mineral resources	7 066	9,8%		1,1%		1,2%
Processing	10 245	14,2%		-5,1%		-1,7%
Utilities	2 019	2,8%		-1,4%		0,2%
Construction	4 264	5,9%		-7,4%		-6,4%
Trade	11 430	15,8%		-10,0%		-1,8%
Hospitality	653	0,9%		-5,3%		-2,4%
Transport and Telecom	5 305	7,3%		-1,5%		-0,7%
Finance	3 088	4,3%		-3,6%		1,4%
Real estate	12 556	17,4%		-0,9%		1,2%
Administration	5 870	8,1%		-0,8%		-1,9%
Education	1 878	2,6%		-4,1%		-2,7%
Healthcare	2 963	4,1%		0,4%		-1,2%
Personal services	1 181	1,6%		-1,4%		0,1%
Households	497	0,7%		1,4%		0,9%

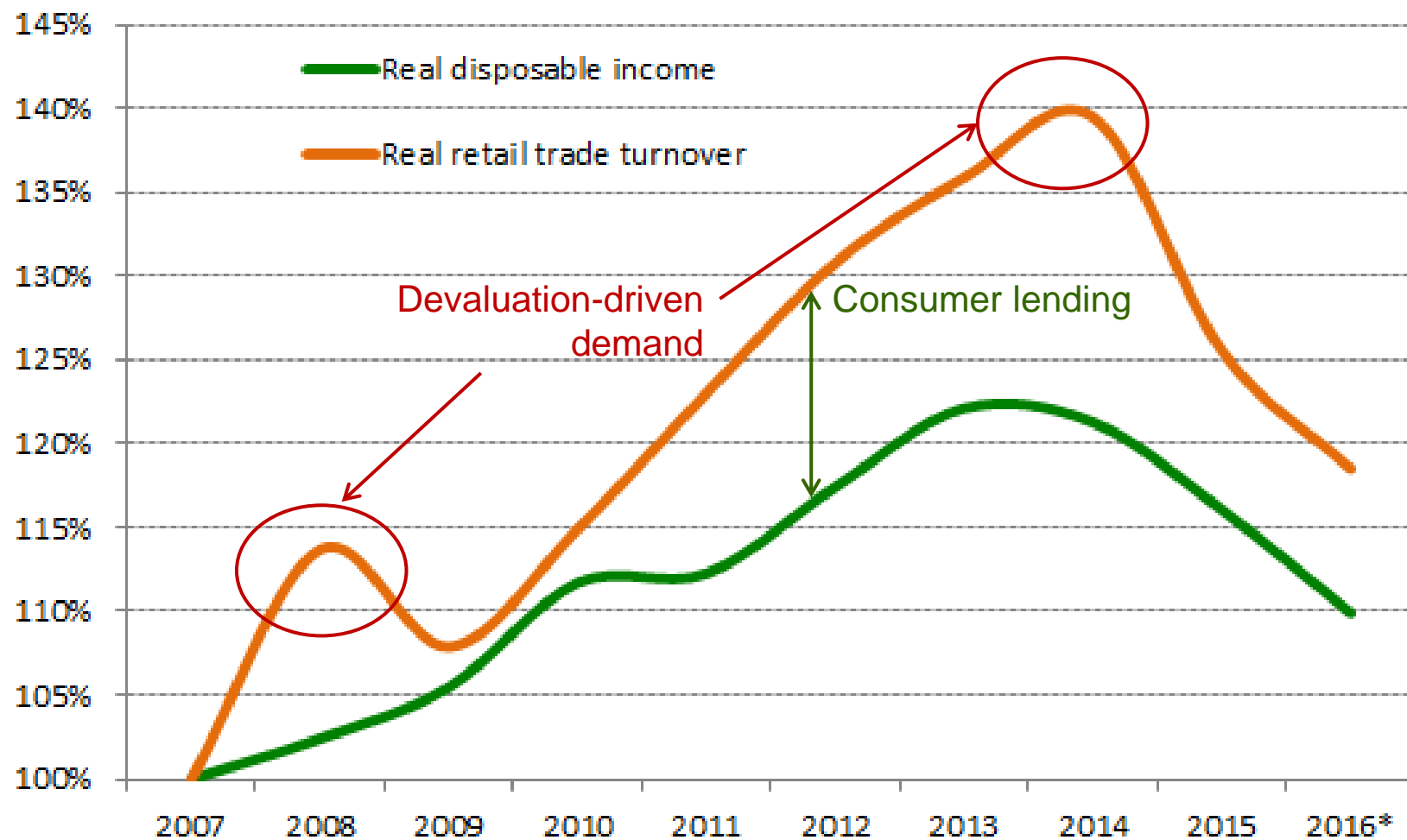
Tough monetary policy adds to demand contraction

CBR Key rate, Inflation and Real interest rate



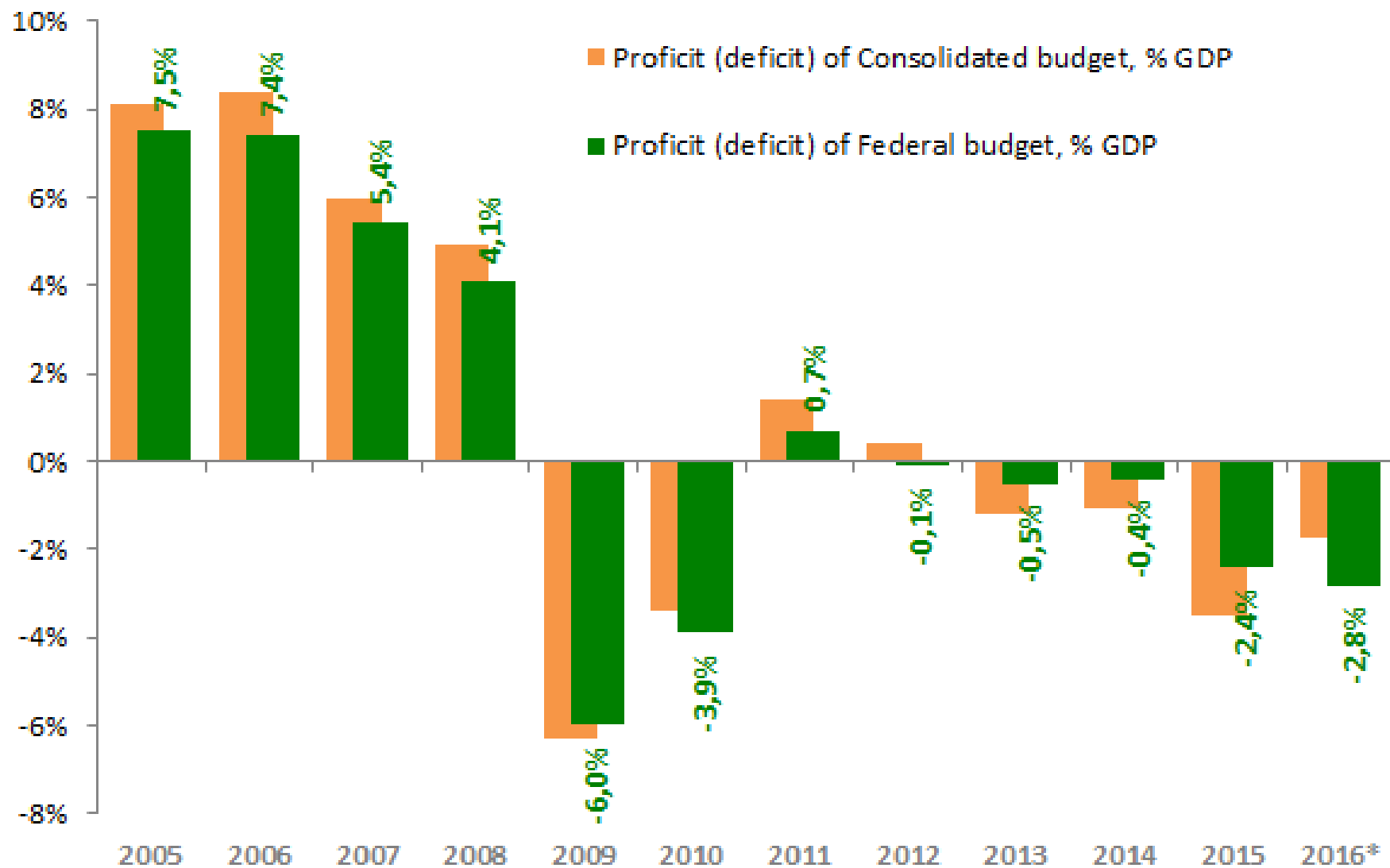
Retail trade and Real income back to 2010 level

Real disposable income and Real retail trade turnover, 2007 = 100%



In 3 years government plans to reduce deficit by 2,5% GDP

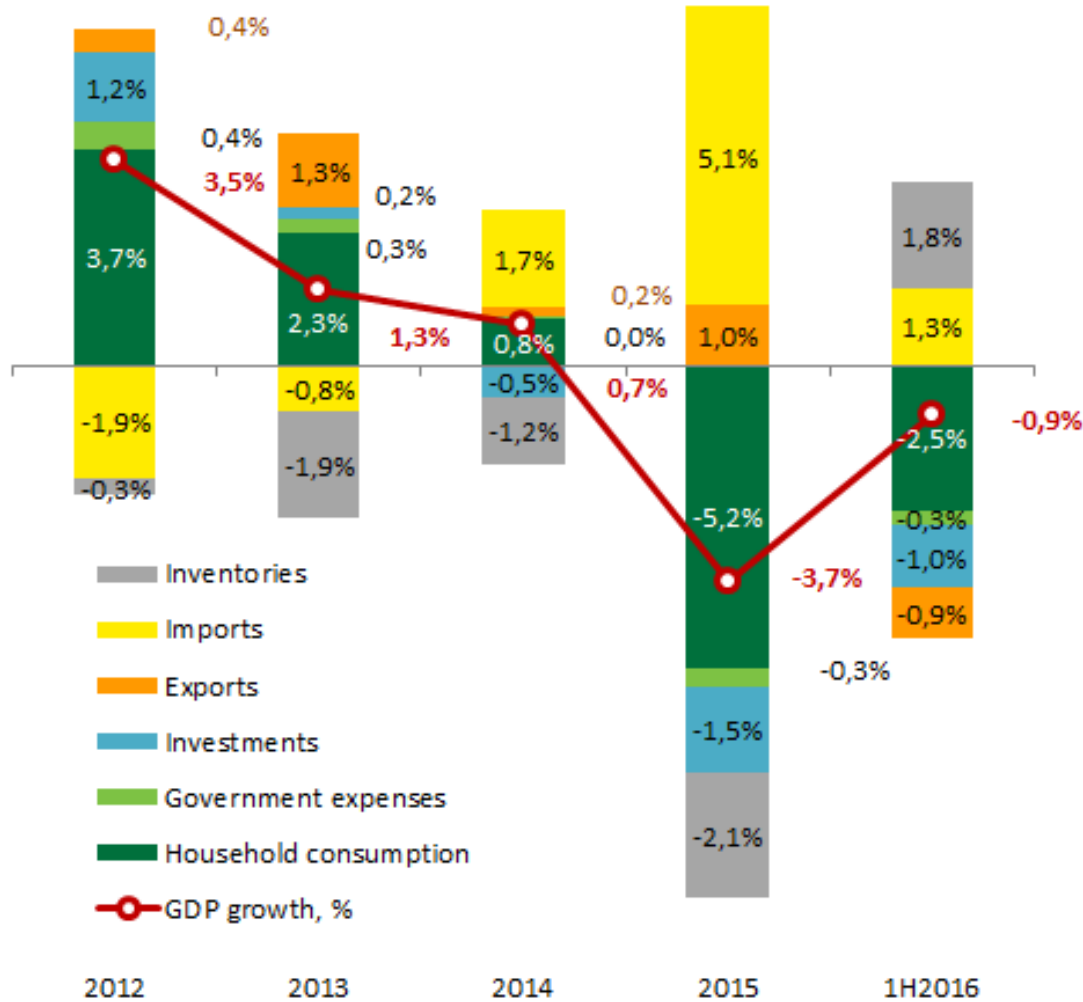
Budget deficit, % of GDP





External sector was the main absorber of the shock through decline of imports

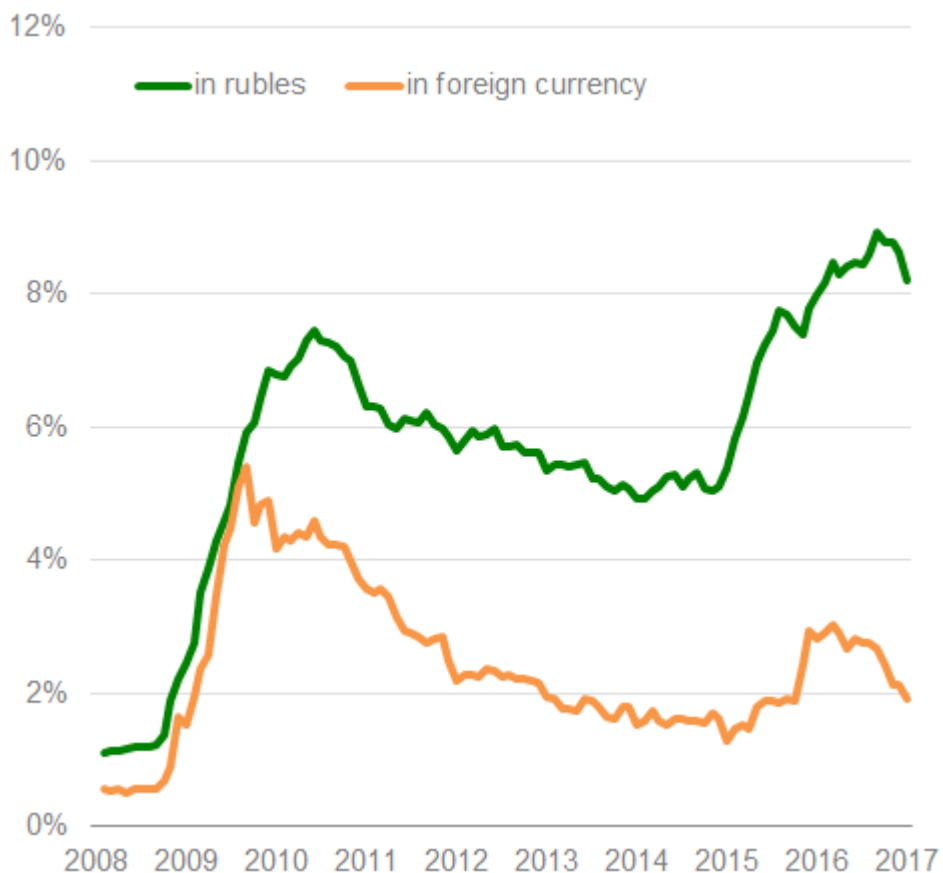
Input of different factors to GDP growth (decline),
% of change Y-on-Y



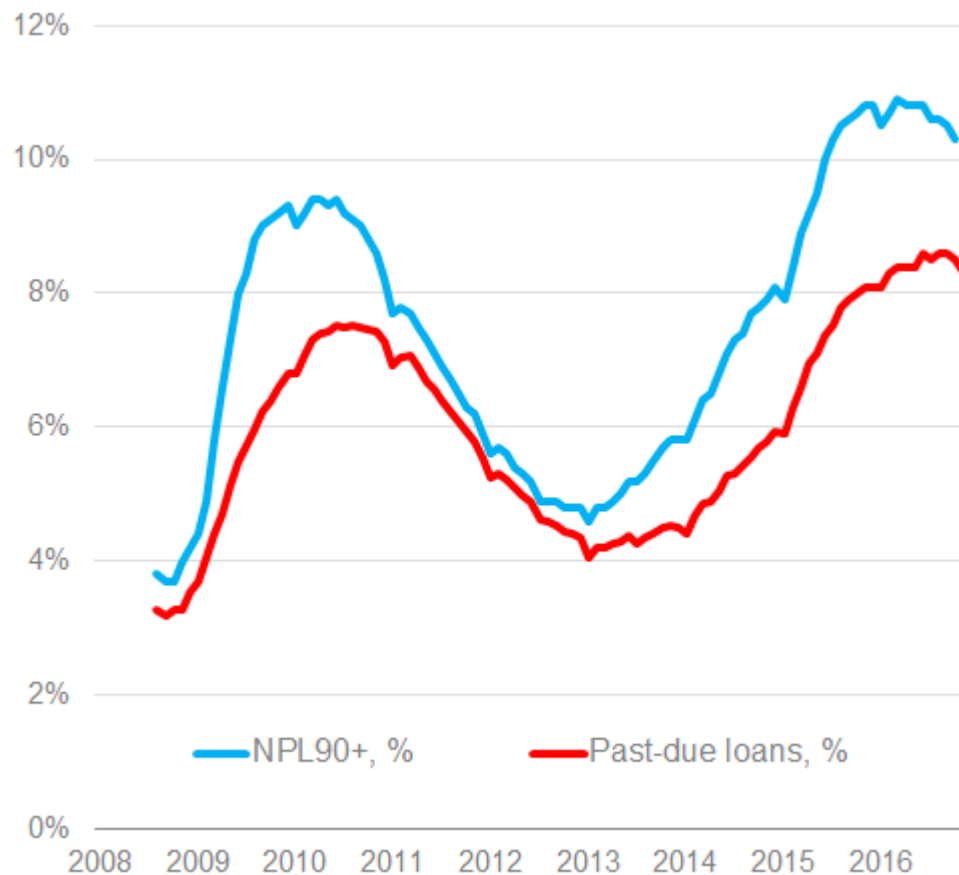
Bad loans ratios have passed their peak

Past-due loans. % of loans

Corporate loans

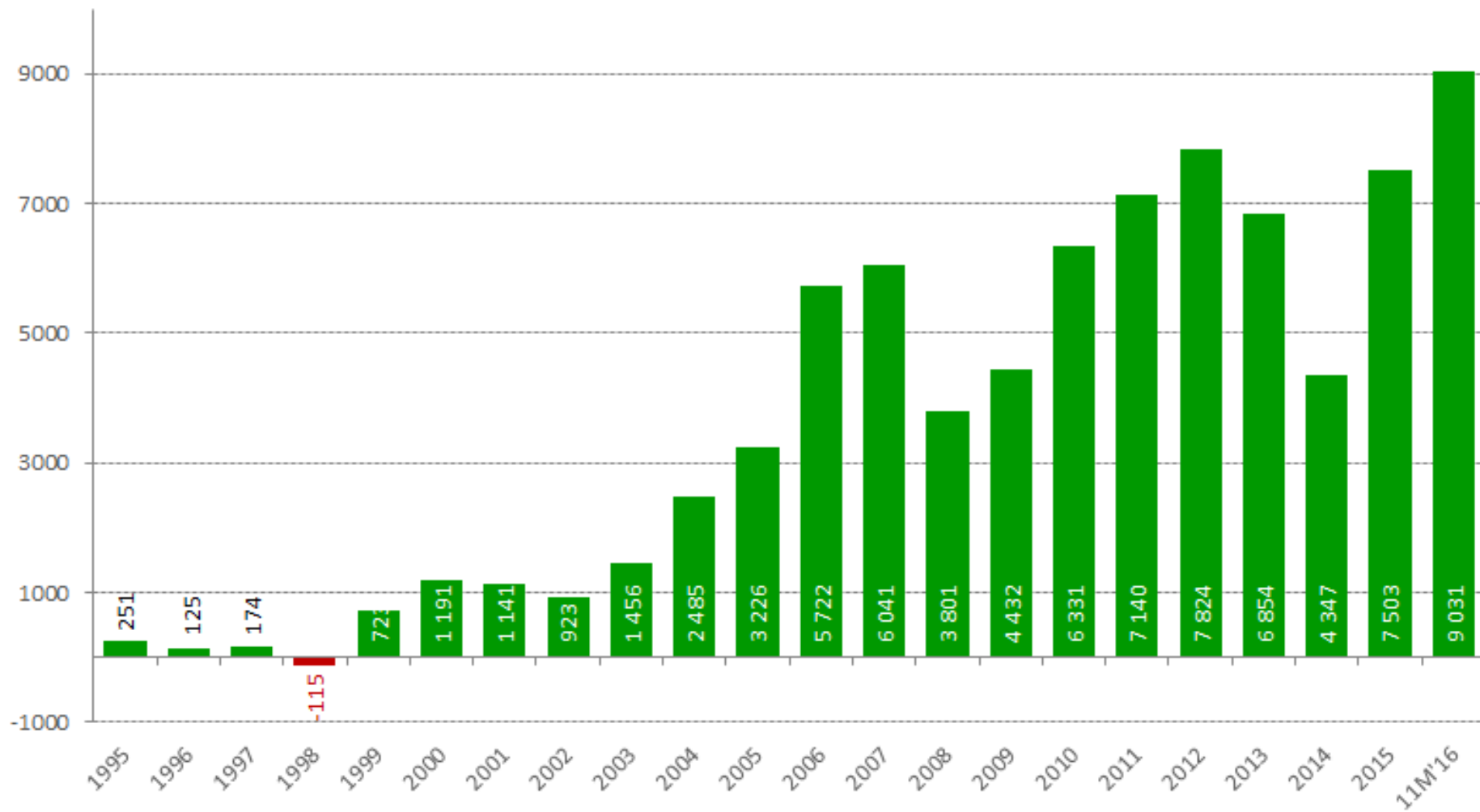


Loans to individuals



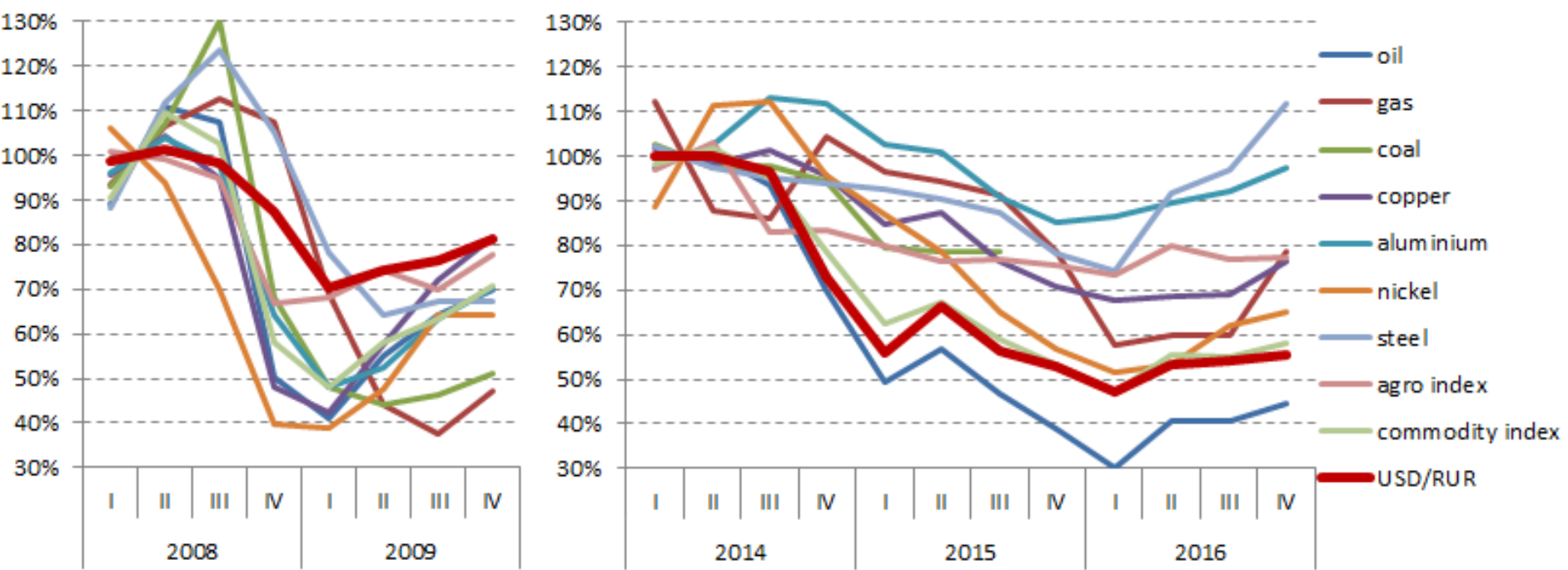
Corporate profits are up in contrast to the previous crisis, will post record in 2016

Corporate financial results (excluding banks and SMEs), bn. RUR



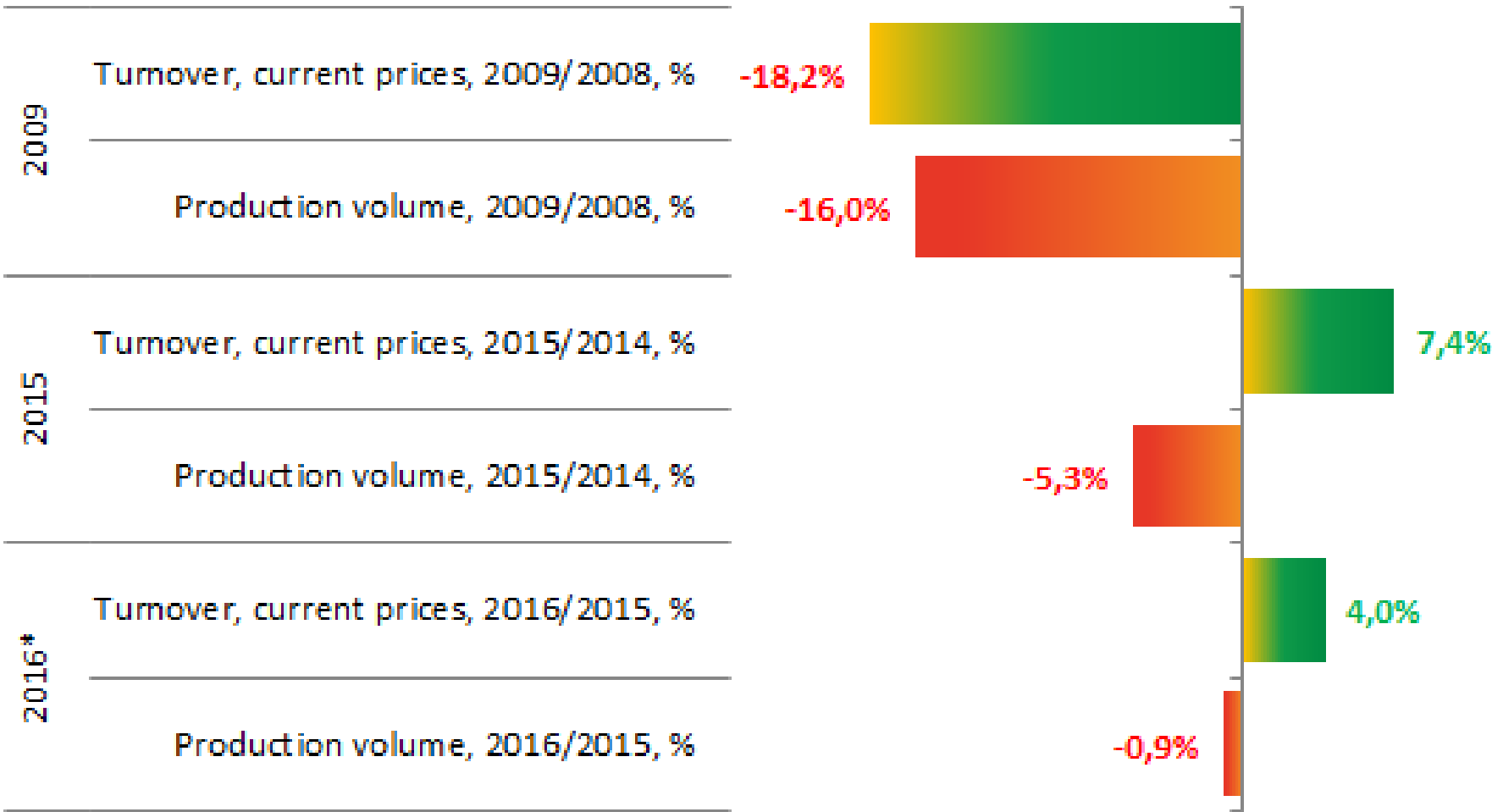
Deep devaluation helped exporters in contract to the previous crisis

Devaluation and export prices in 2008/2009 and 2014/2016



Revenues grew on lower volumes because of inflation and reduced competition from imports

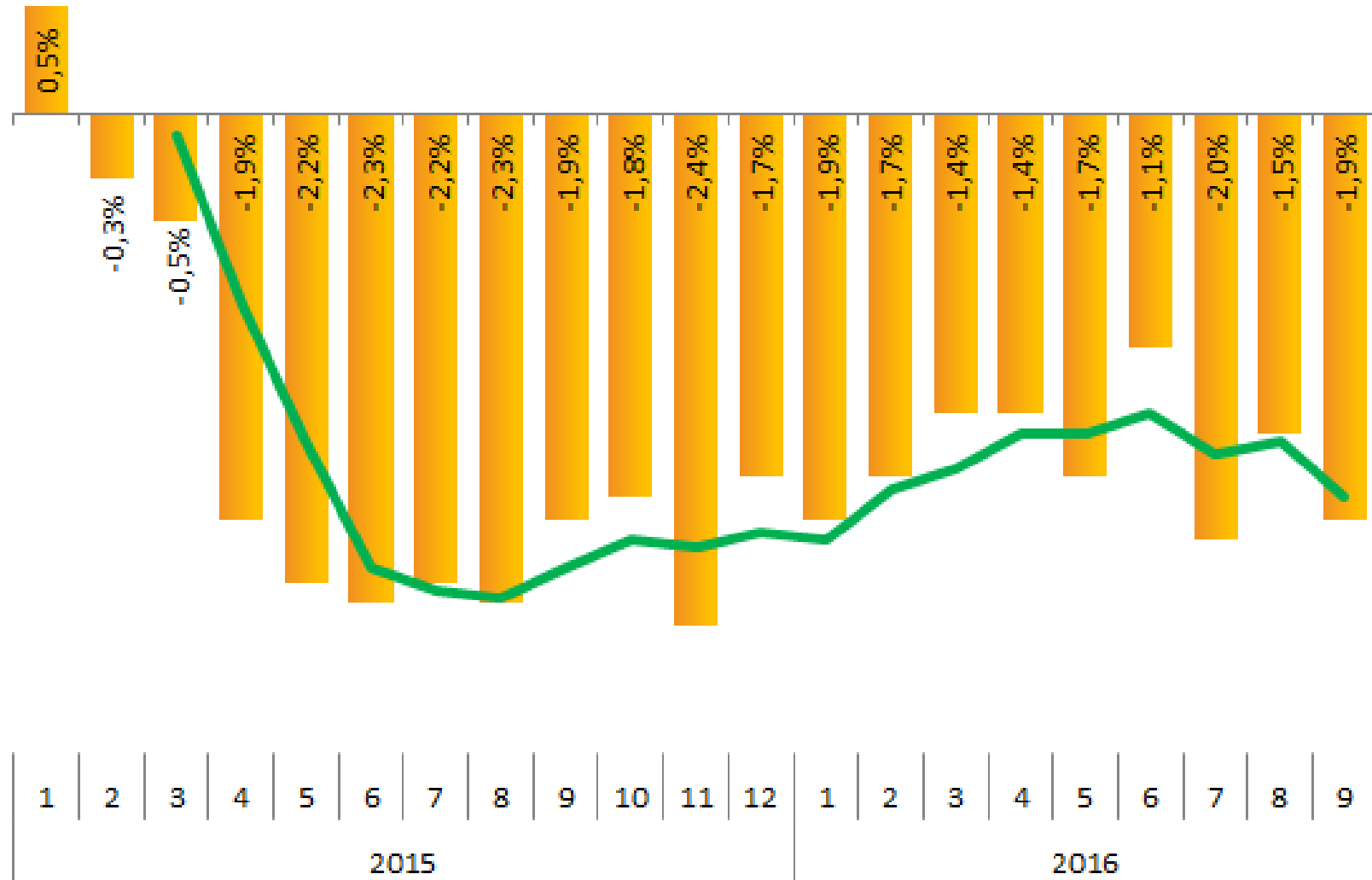
Two crises: 2009 vs 2015



* 10 months 2016

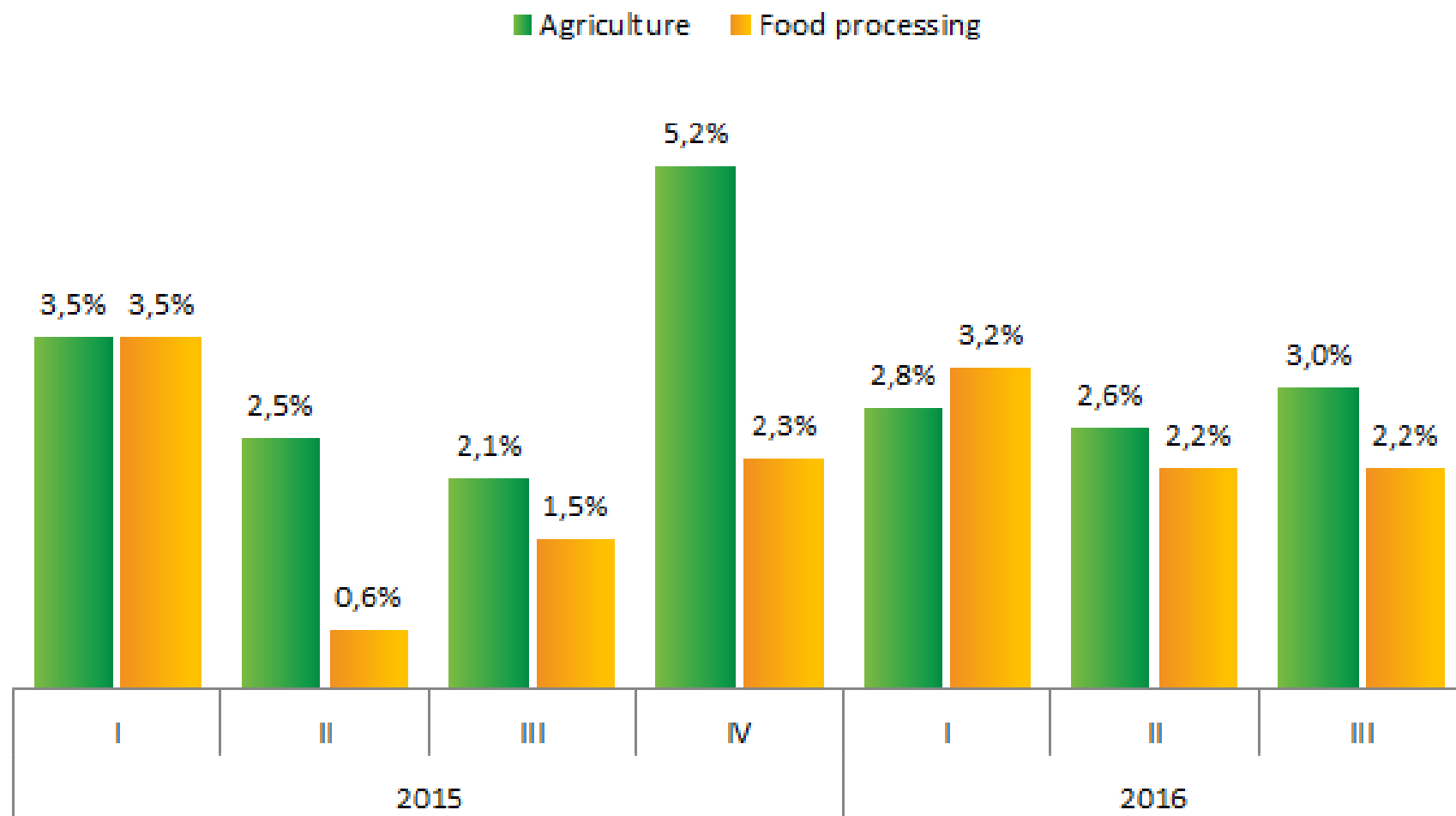
The trough of production slump was in summer 2015, since than slow recovery is going on

Industrial production in processing industries as % of avg. monthly industrial production in 2013, seasonally adjusted



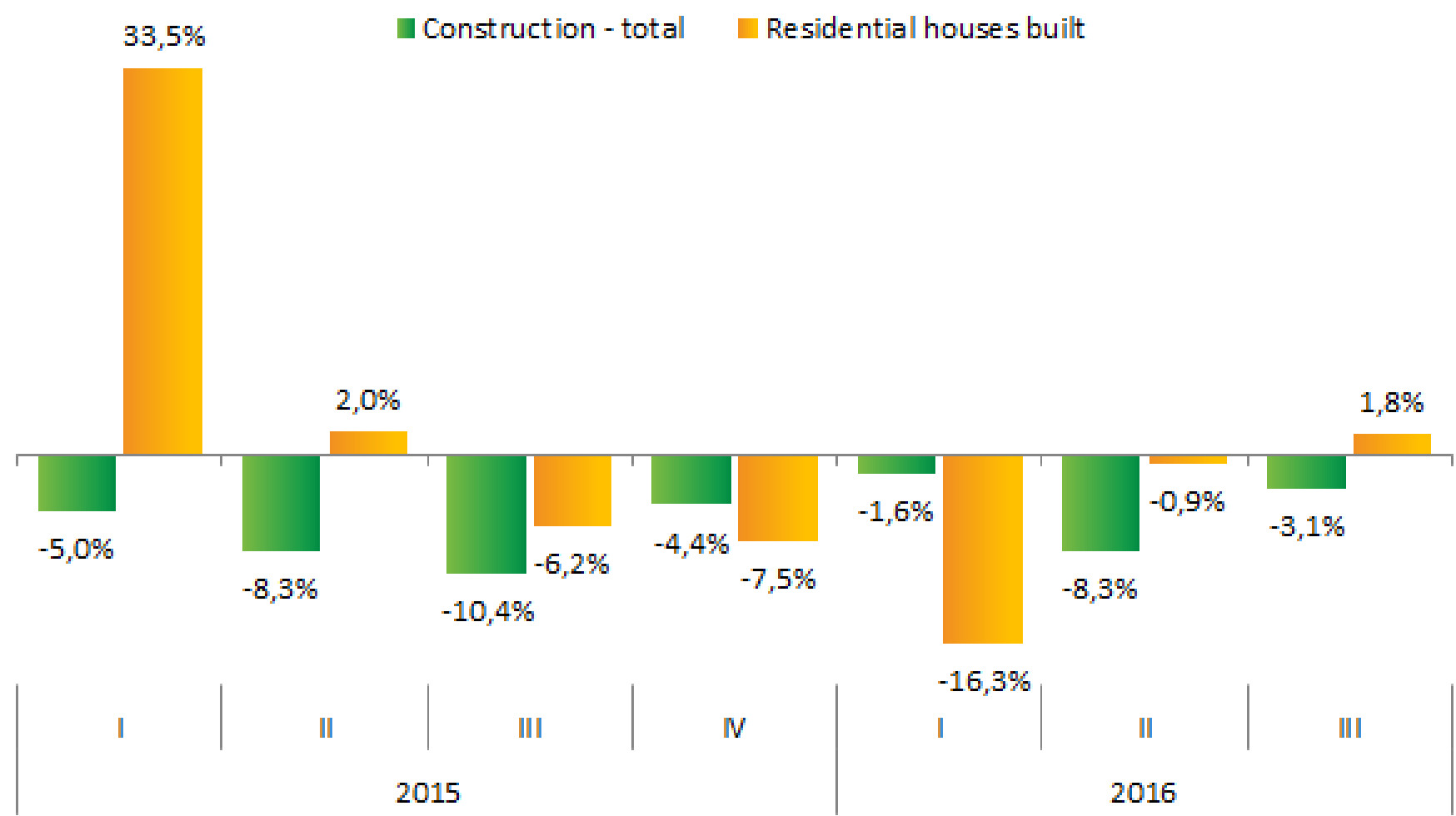
Agro and Food industries are amongst the main beneficiaries

Agriculture and Food industry production volumes, % change to the previous year



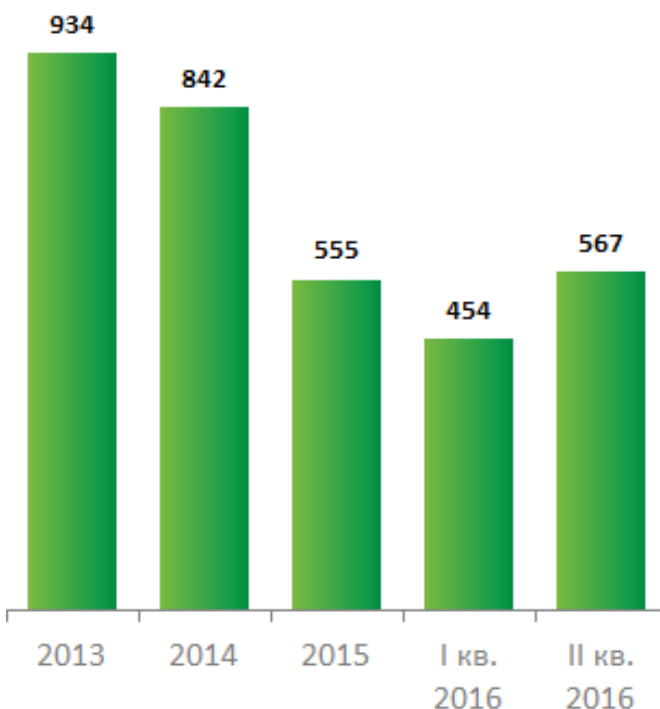
Construction is still in free fall

Construction industry indicators, % change to the previous year



Labor in Russia became cheaper than in China

Average salary, USD/month



Many companies grow despite crisis

- Kirov's Candy Plant began shipments to Europe, Australia, Japan
- Bosch and Siemens Electronics plans to double exports
- Continental supplies tires to Europe and Asia
- Volkswagen, Ford, Nissan export engines to Europe from Russia, increasing exports of other automotive components, pistons and cylinders for motors (Kostroma)
- Auchan, IKEA, Leroy Merlin expand business in Russia
- P&G exports 30% of production, increasing exports of L'Oreal, Unilever, Oriflame
- "Monocrystal" has become the largest manufacturer of sapphire glass in the world thanks to the cooperation with Apple Watch
- Exports of offshore software development services reached \$8 billion. In 2015
- T-Platforms delivered a supercomputer to Germany
- Arms Export contracts -> \$ 50 billion, Rosatom contracts for 10 years - \$ 300 bn.
- Oatmeal cookies exports to China (currently 5% of turnover)
- Medical masks (Vladimir), Cotton cosmetic disks
- Surgery equipment (Kazan)
- Longboards (Moscow), premium Custom Bicycles (St. Petersburg)
- Fabrics (Ivanovo) – BoP: + 8% in USD terms
- Paints and varnishes (Yaroslavl) - in China, India, Vietnam
- Confectionery - in the US, Europe
- Medical services in Cardiology (St. Petersburg)
- Not only grain, but also chicken, pork, beef, sunflower oil, ice cream, brew, sweetened condensed milk, canned meat
- Transportation and other services
- Inbound tourism (Russia entered the top 10 attractive countries)

Exports fall on lower prices

Russia's exports: 1H 2016 vs 1H 2015, USD mln, change to the previous year

	2016	2015	chg, %
Agriculture and food	8 414	8 143	3%
Mineral products	90 992	138 070	-34%
of which: Fuels	89 403	136 230	-34%
Chemical products	11 713	15 132	-23%
Leather and Fur Goods	170	205	-17%
Wood, Wood processing and Paper	5 545	5 711	-3%
Textiles and clothing, shoes	489	457	7%
Precious stones and metals	5 045	5 059	0%
Metals	15 780	20 298	-22%
Machinebuilding	11 360	13 153	-14%
Other	3 042	2 818	8%
Total	152 549	209 046	-27%

Exports fall on lower prices

Russia's exports: Q2 2016 vs Q2 2015, in USD mln and constant prices

	Exports in Q2 2016		% Chg to Q2 2015	
	USD bn.	% of total	in USD terms	constant prices
oil, gas, coal and their products	40,1	63%	-32%	8%
metals	7,1	11%	-19%	-1%
fertilisers	1,8	3%	-23%	1%
other chemicals	1,6	2%	-22%	5%
wood and wood processing	1,5	2%	2%	17%
agriculture and food	2,6	4%	5%	16%
other goods	8,4	13%	2%	12%
Total: top 200	63,2	100%	-25%	8%