

11.10.2019

RUSSIAN ECONOMY: RECENT TRENDS AND OUTLOOK

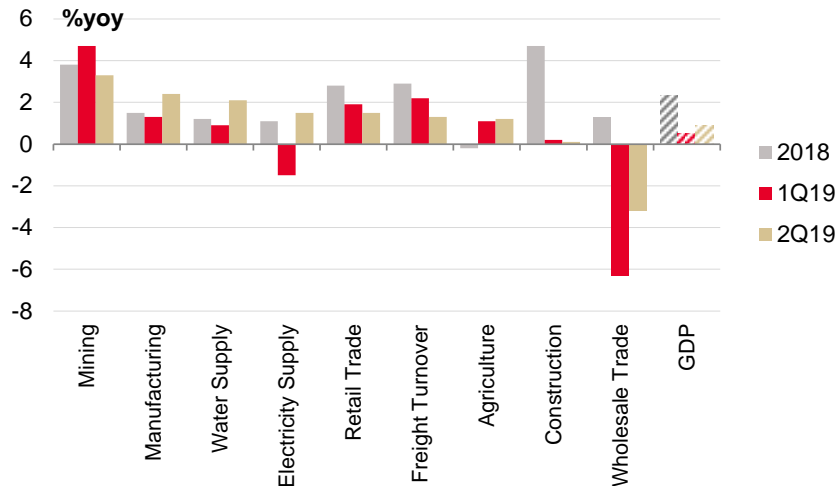
Anna Zaigrina, economist

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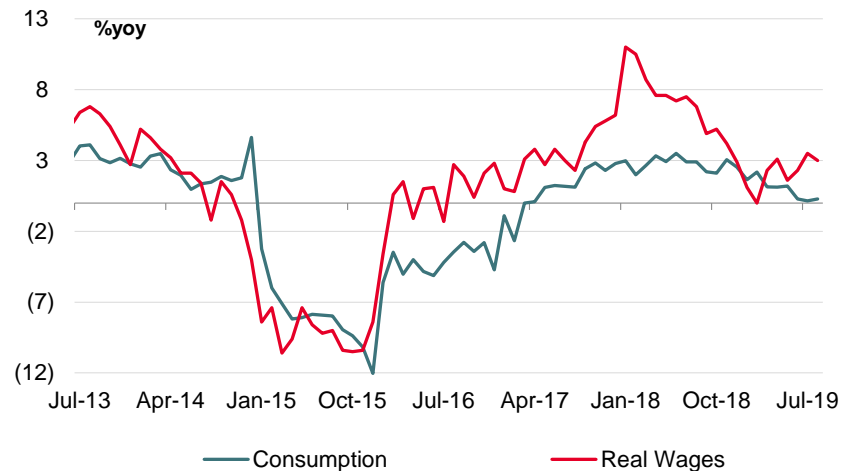
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ECONOMIC GROWTH – RECOVERY IS DELAYED

BASE INDUSTRIES DEMONSTRATED WEAK PERFORMANCE



CONSUMPTION SUFFERED FROM PRICE SHOCK



THE GROWTH MOMENTUM OF THE ECONOMY IS SURPRISINGLY WEAK

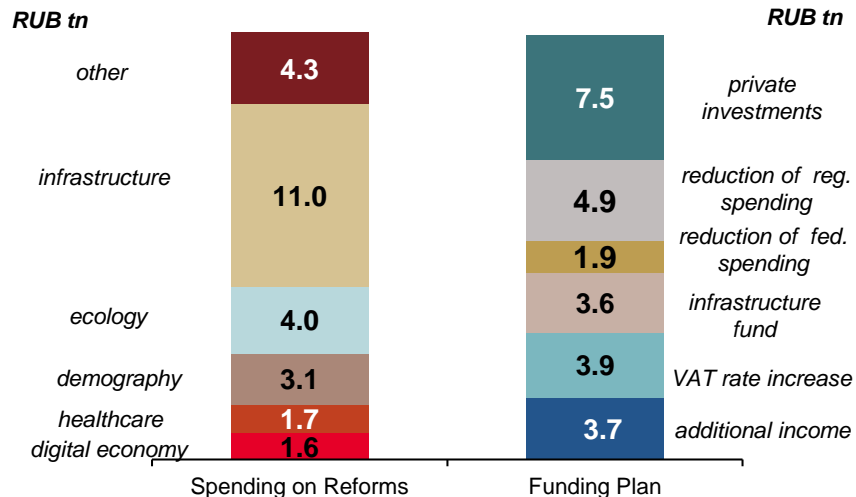
Source: Rosstat, Rosbank



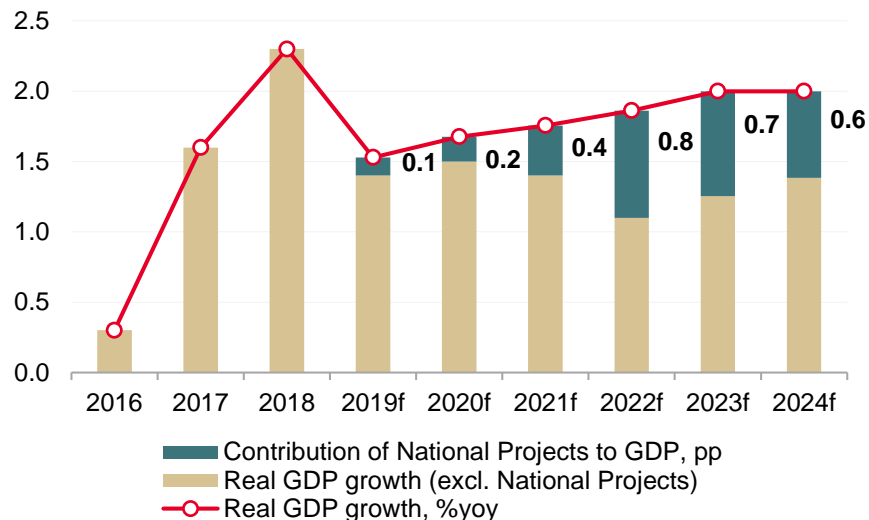
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NATIONAL PROJECTS TO BOOST GROWTH

MASSIVE PUBLIC INVESTMENTS...



...SHOULD SUPPORT ACCELERATION OF THE ECONOMY



PROJECTS WILL UNLIKELY BOOST GDP STRONGLY, BUT MAY HELP IN RE-BUILDING THE INVESTMENT CYCLE

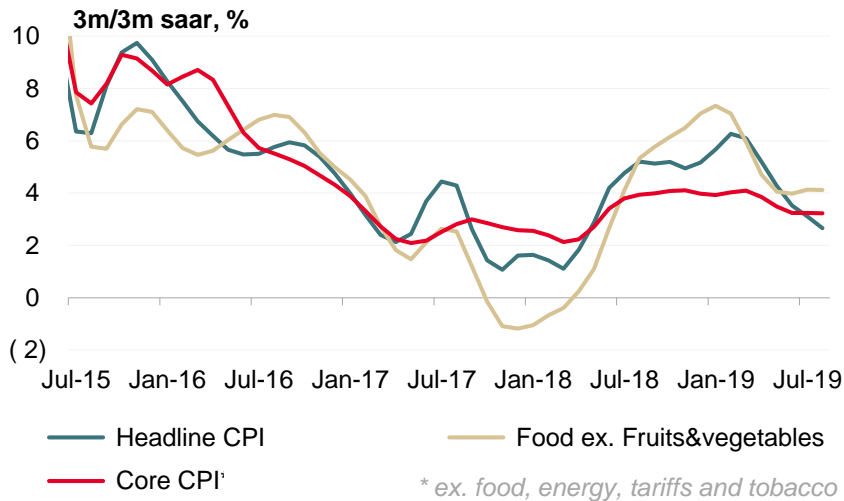
Source: Rosstat, MinFin, Rosbank



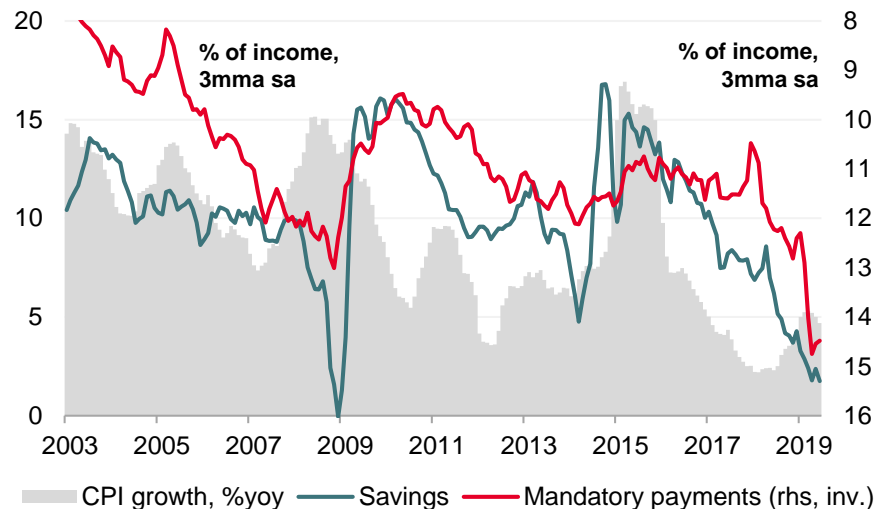
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INFLATION IS ON THE DOWNWARD TRAJECTORY

PRICES FOR ALL MAJOR CATEGORIES EDGED DOWN



INCREASED CREDIT BURDEN RESTRAINED PRICE GROWTH

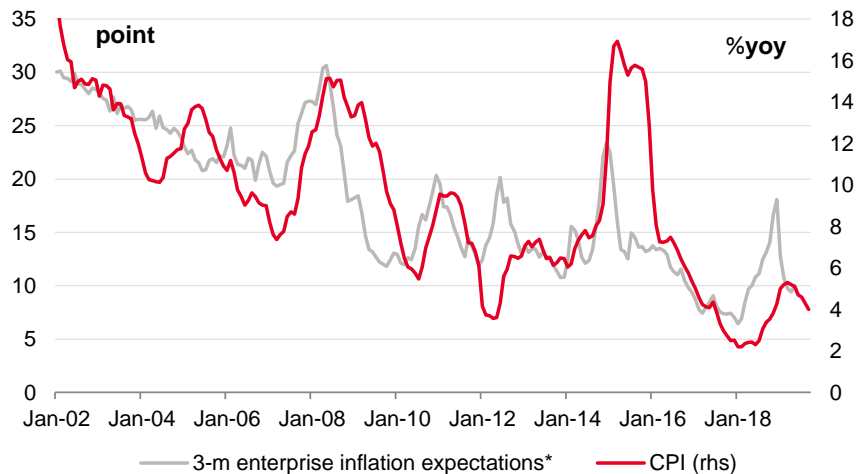


SLUGGISH DEMAND GROWTH IS THE MAJOR DRIVER FOR DISINFLATION

Source: Rosstat, Rosbank

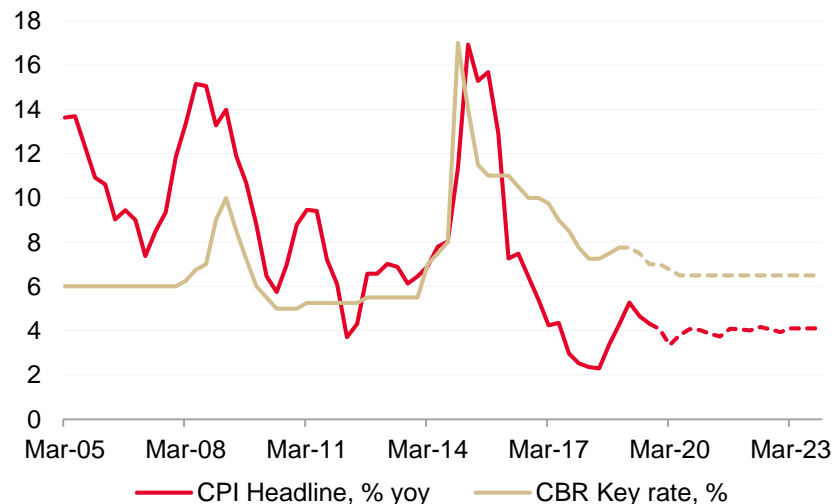
CBR HAS A ROOM TO EASE FURTHER

FORWARD-LOOKING ENTERPRISE EXPECTATIONS SLOWED



*balance of answers between those who expect acceleration of price growth and those who expect the pace of inflation to decrease

CBR HAS REACHED UPPER BOUND OF THE NEUTRAL RANGE



WE EXPECT TWO KEY RATE CUTS TO 6.5% BY THE END OF 1H20

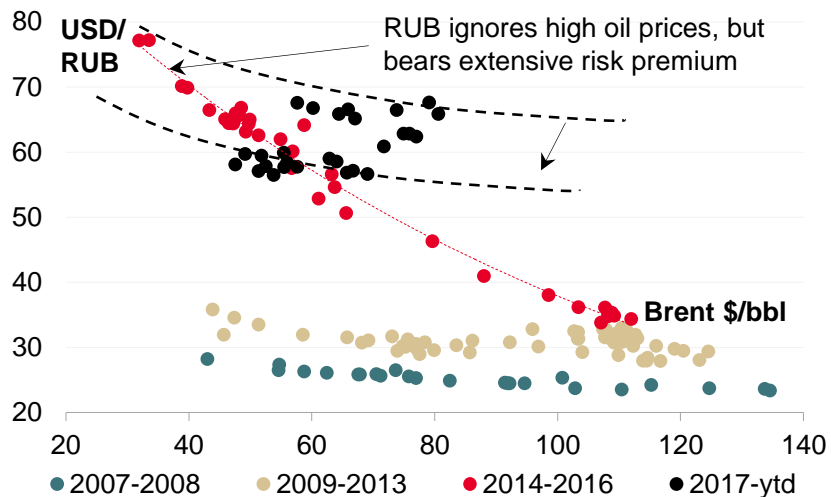
Source: Rosstat, CBR, Rosbank



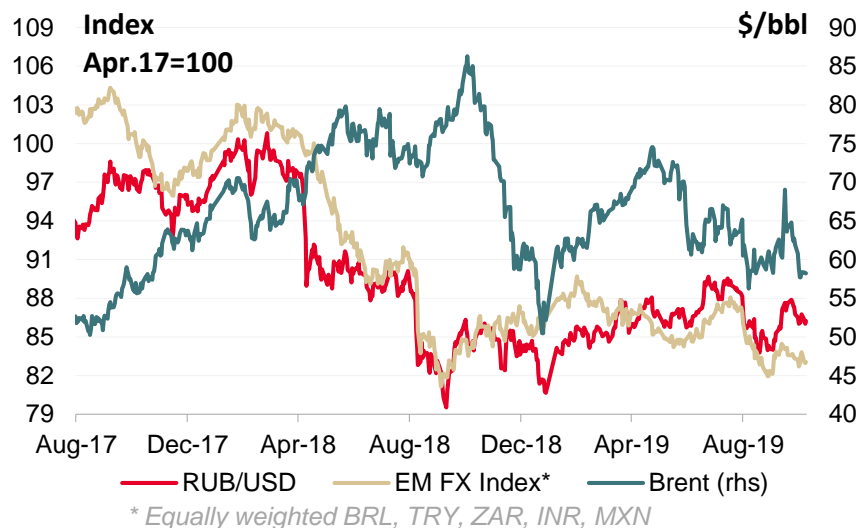
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FX – THE RUB FAILED TO WITHSTAND THE CNY SELL-OFF

DESPIITE LOWER SENSITIVITY TO OIL PRICES...



...THE RUB FOLLOWED PESSIMISM IN THE EM SEGMENT



GENERAL UNCERTAINTY ON THE GLOBAL MARKETS WILL UNDERMINE STABILITY OF THE RUBLE

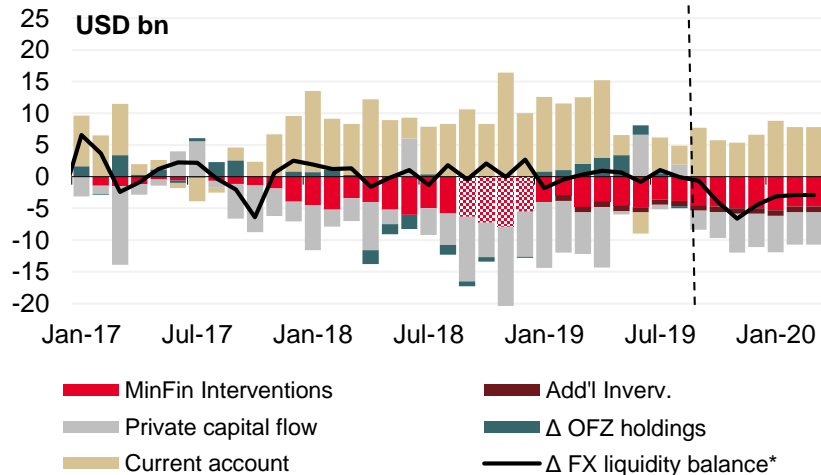
Source: Bloomberg, Rosbank



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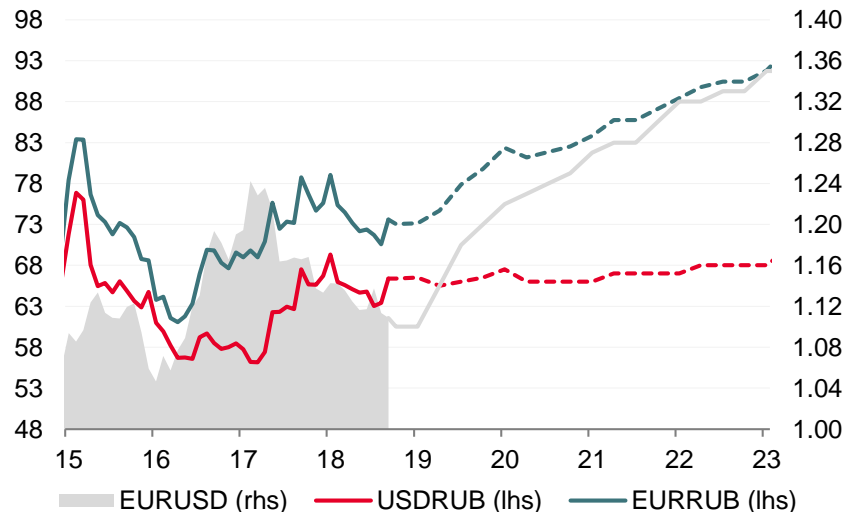
FX – FUNDAMENTALS CONTINUE TO SUPPORT STABILITY

FX LIQUIDITY BALANCE IS SQUEEZING SLOWLY...



* Current account excl Private flows & OFZ & MinFin interventions

...SUPPORTING ONLY GRADUAL WEAKENING OF THE RUBLE



WE EXPECT USD/RUB AT 66.5 IN 4Q19 AND 67.5 IN 4Q20

Source: MinFin, CBR, Bloomberg, Rosbank

FORECASTS

| | current | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 2020 | 2021 |
|------------------|---------|------|------|------|------|------|------|
| Brent, \$/bbl | 58.4 | 70.0 | 61.0 | 59.0 | 60.0 | 59.0 | 60.0 |
| Key rate, % | 7.00 | 7.00 | 6.75 | 6.50 | 6.50 | 6.50 | 6.50 |
| Inflation, % yoy | 4.0 | 4.1 | 3.4 | 3.6 | 4.1 | 3.8 | 3.9 |
| GDP, % yoy | 0.9 | 1.3 | 0.8 | 1.6 | 2.1 | 1.7 | 1.8 |
| USD/RUB | 65.0 | 66.5 | 65.5 | 66.0 | 66.5 | 66.3 | 66.1 |
| EUR/RUB | 71.3 | 73.2 | 74.7 | 77.9 | 79.8 | 78.2 | 82.0 |
| EUR/USD | 1.10 | 1.10 | 1.14 | 1.18 | 1.20 | 1.18 | 1.24 |
| GBP/USD | 1.22 | 1.22 | 1.25 | 1.28 | 1.33 | 1.30 | 1.36 |
| USD/CNY | 7.13 | 7.25 | 7.35 | 7.45 | 7.50 | 7.41 | 7.09 |

Source: Rosbank

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