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RUSSIA 2015: THE YEAR OF CHANGE

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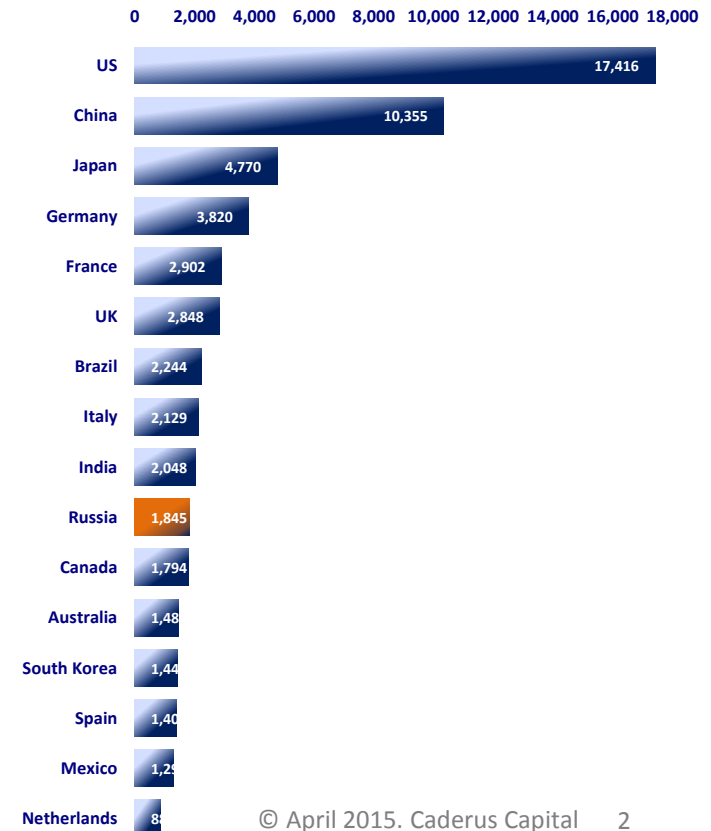
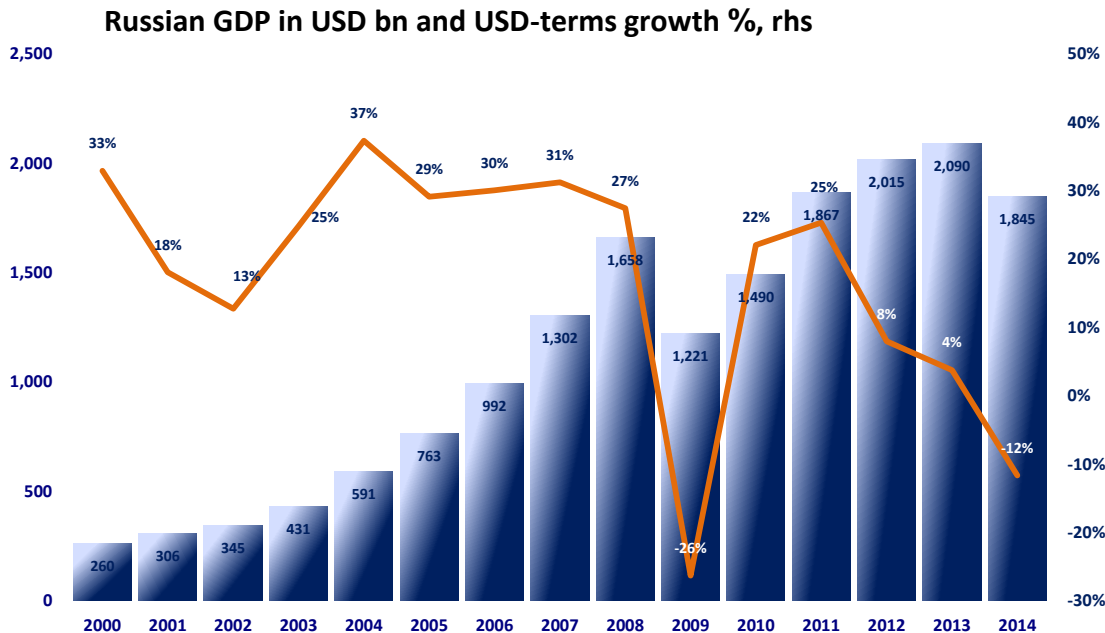
Russian GDP

Negative growth in 2015



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- Descending from 8th place in 2012-13 to 10th place in 2014 due to RUB depreciation
- 2015 GDP real growth forecast: IMF -3.8%; World Bank -2.9%; Min Econ -3%



Source: Russian Statistics Agency, Caderus research

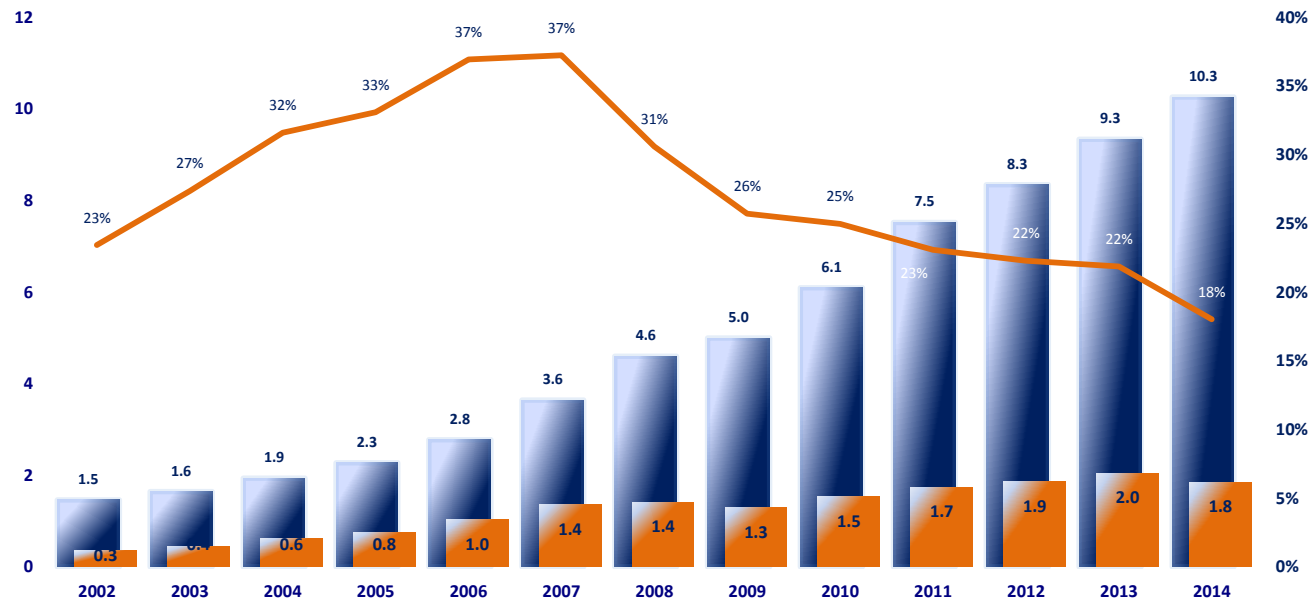
Russian vs Chinese GDP in USD terms

Faster Russian growth before 2008



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Russian and Chinese GDP (USD tn, aop rate), Russian GDP as % of China's GDP in USD-terms, red line, % rhs



Source: PRC National Statistics Bureau, Russian Statistics Agency, Caderus research

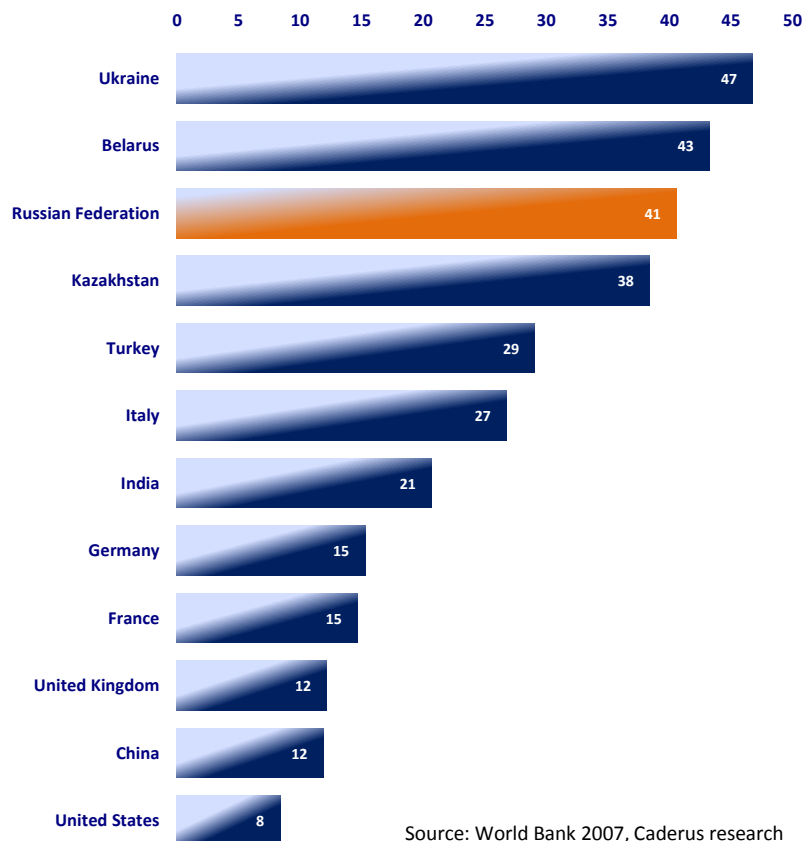
There is more economy than meets the eye

Shadow economy has picked up since 2008



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Shadow economy as share of GDP per country, %



Source: World Bank 2007, Caderus research

Shadow economy is adding up to

41% more to GDP in Russia

(World Bank, 2007)

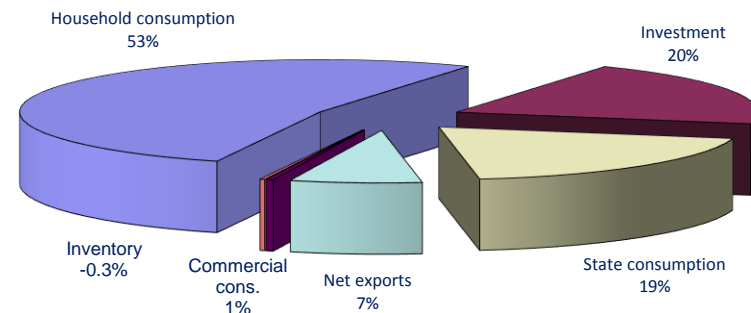
GDP structure and growth drivers

Household consumption no more fuelling growth



- Household consumption was 53.3% of GDP in 2014, up from 48.6% in 2011 primarily on consumer finance growth
- Share of state consumption is picking up
- Fixed assets investment is expected to decline by 13% in 2015 (Min Econ)
- Net exports share of GDP is up in 2014 despite a 9.2% decline in imports and a 5.8% decline in exports

2014 GDP composition



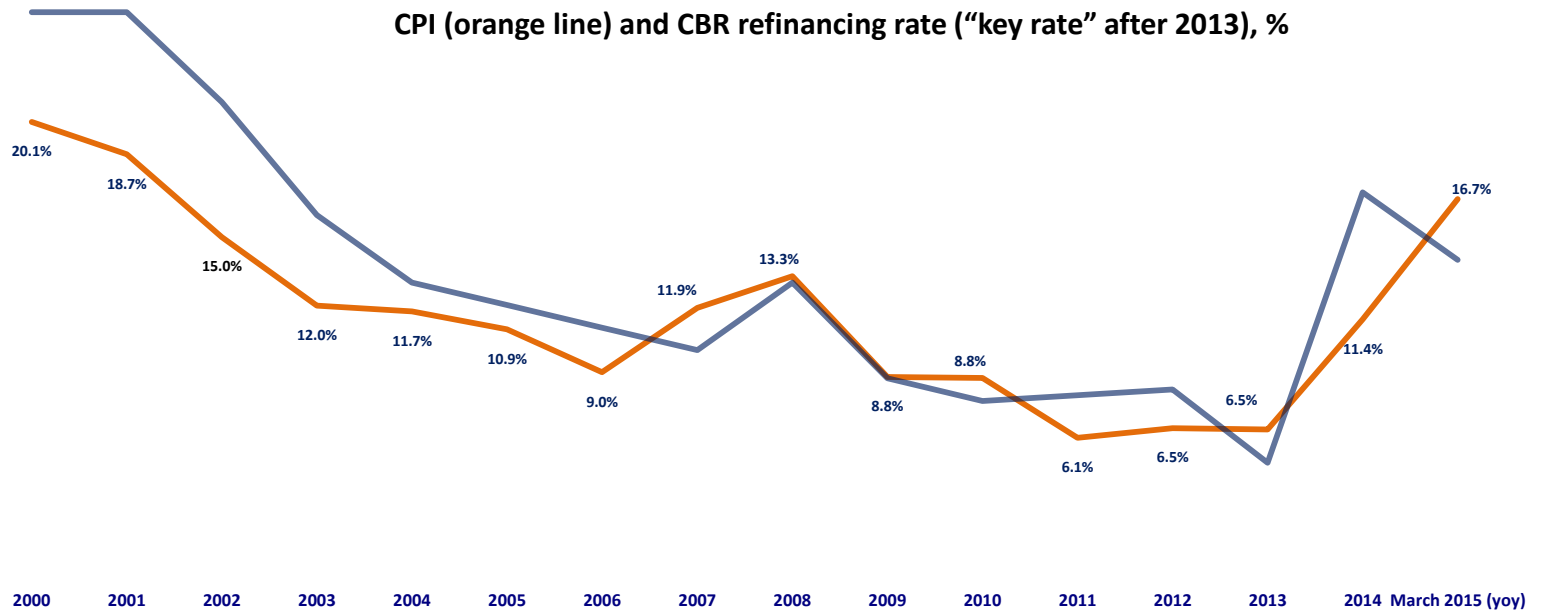
Source: Russian Statistics Agency, Caderus research

Inflation: reversing the trend

Rising inflation is back to 2000-02 levels



Russian CPI and key rates turned north in 2014



Source: Central Bank of Russia, Caderus research

Russian Ruble

Strength in 2015 after the 2014 meltdown

- Key decision in 2014: ruble free float on 10 November
- After having spent \$29.3bn of FX res in Oct 14; \$68.3bn since 1 March 2014 to year end; \$2.9bn in 2015 so far

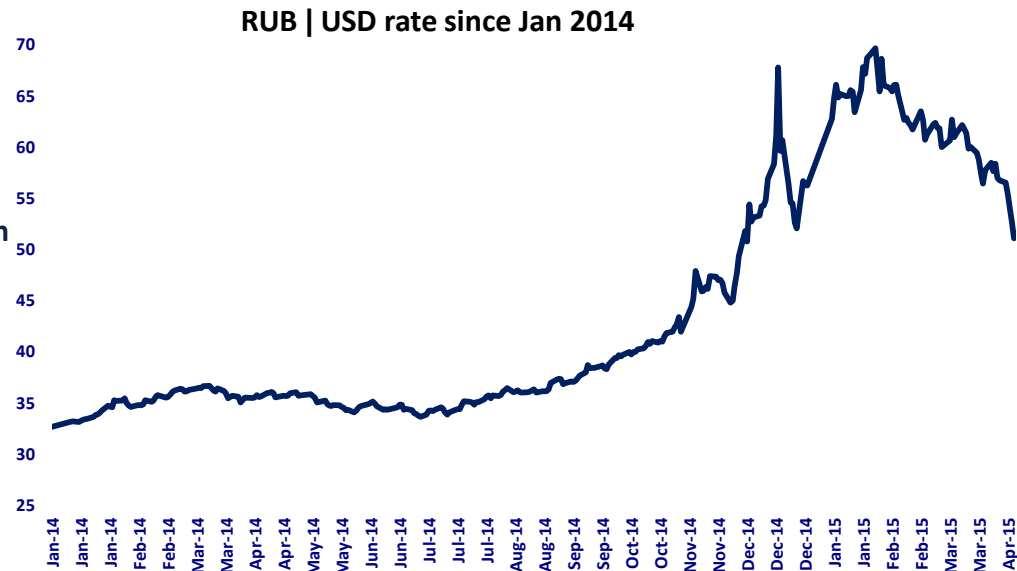


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Some of the reasons for rouble appreciation in 2015:

(+26% since 69.664 trough on 3 Feb 2015)

- Stabilisation of crude oil prices
- Ceasefire in Ukraine
- Lower demand for FC from companies and population
- Oversold in 2014, reverse panic and stop-losses
- Better Bank of Russia's handling of the FC shortage
- Sharp decline in imports (-36.3% in Q1 2015 yoy)
- Profitable carry trade in RUB
- Demand from foreign investors for RUB assets



Source: Central Bank of Russia, Caderus research

Foreign currency reserves

Among the top 10 in the world

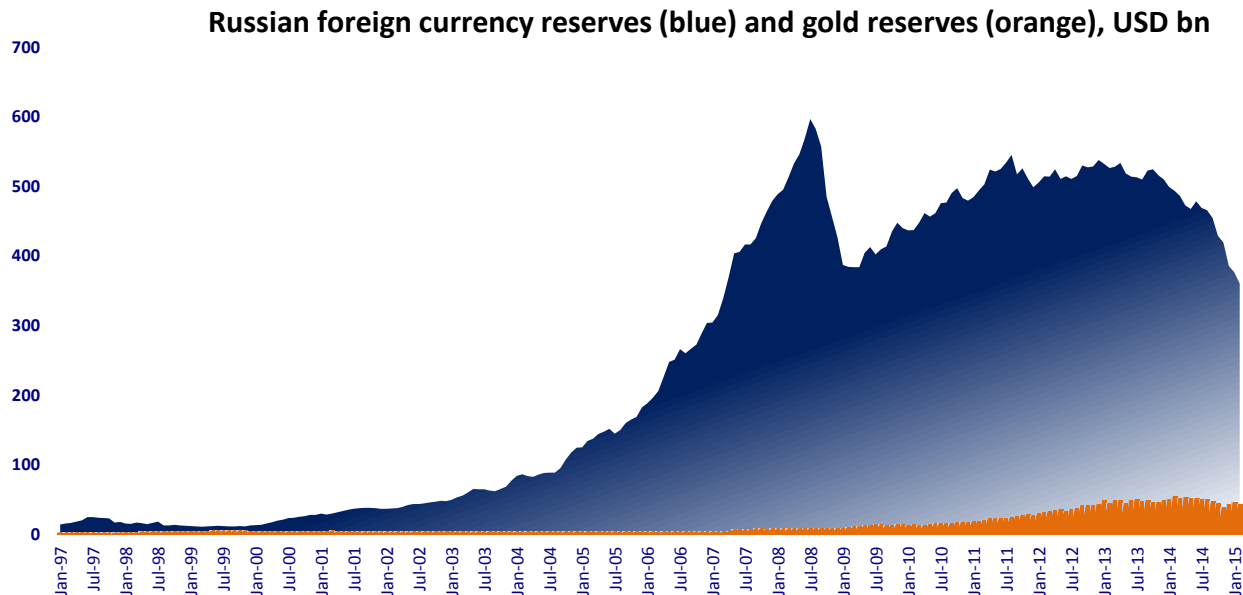


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- Foreign currency reserves: **USD 360.8bn (Mar 15)**

low: \$10.7bn (2 Apr 1999); high: \$598bn (8 Aug 2008)

- FC reserves include **\$75.7bn Sovereign Reserve Fund** and **\$74.35bn National Welfare Fund** (as at 1 April 2015)



Source: Central Bank of Russia, Ministry of Finance, Caderus research

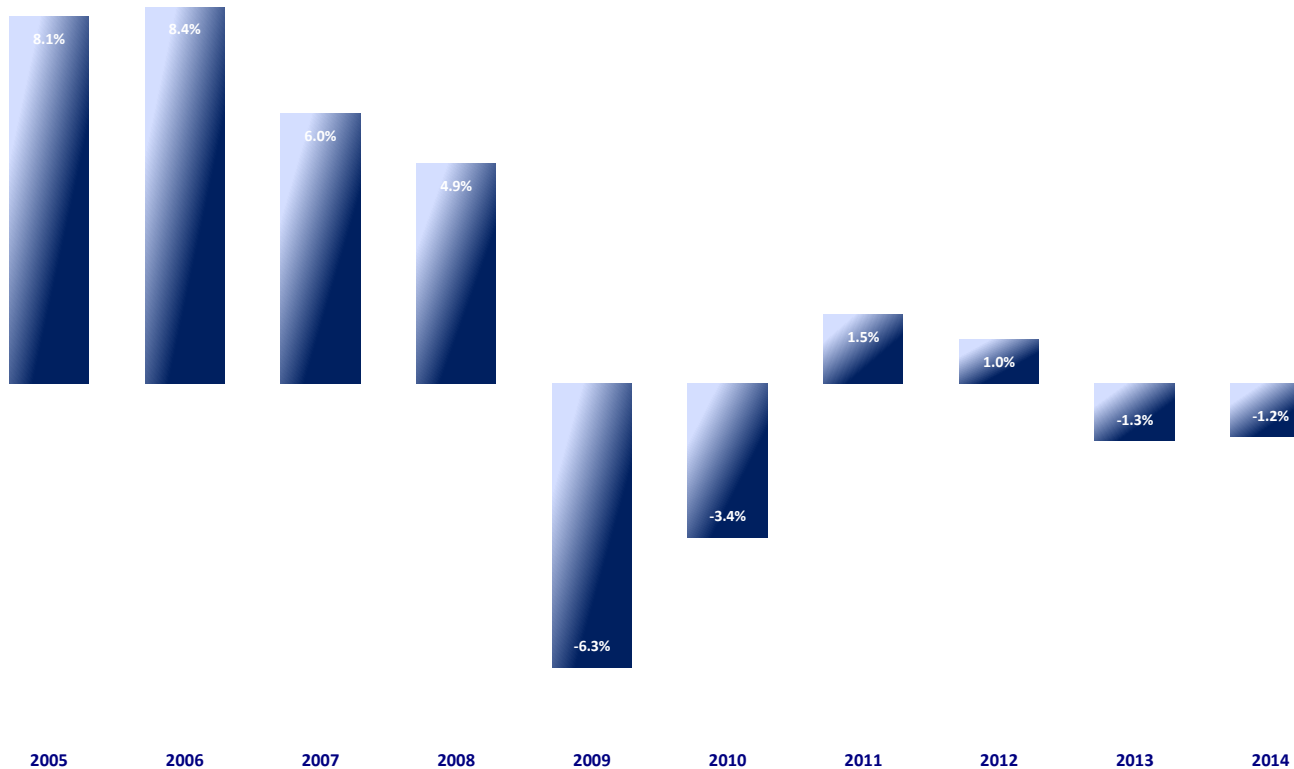
Budget balance

A difficult year



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Budget balance has been very strong before 2008, -4.9% in Q1 2015



Source: Russian Statistics Bureau, Caderus research

Federal debt and total foreign debt

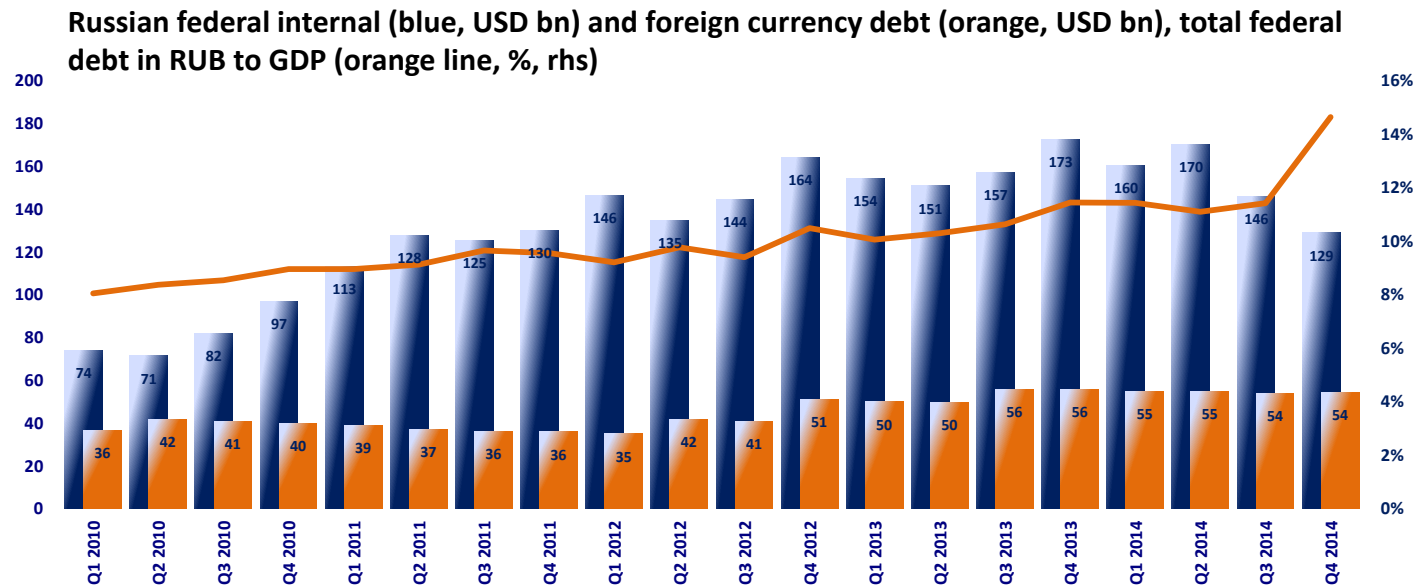
The bulk of fc debt is not directly on the state



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Sovereign debt/ GDP: 14.63%

Total external debt (including private companies) to GDP: 36.8%



Source: Russian Statistics Bureau, Caderus research

Foreign trade: 2015 will be very different

Q1 2015: imports down 36.3%, exports down 29.6%



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▪ **Export in 2014** **\$496.9bn (-5.8%)**

Energy 73.3%

Metals and metal goods 7.9%

Chemical products 5.1%

Machines and equipment 3.7%

Food and agro products 3.2%

Timber and paper 2.1%

▪ **Import in 2014** **\$286.0bn (-9.2%)**

Machines and equipment 50.5%

Chemical products 16.8%

Food and agro products 13.4%

Metals and metal goods 5.7%

▪ **EU share (№1)** **48.2%** (↓ vs 49.6% in 2013)

▪ **Asia (mainly China)** **27%** (↑ vs 24.8% in 2013)

Source: Federal Customs Office, Caderus research

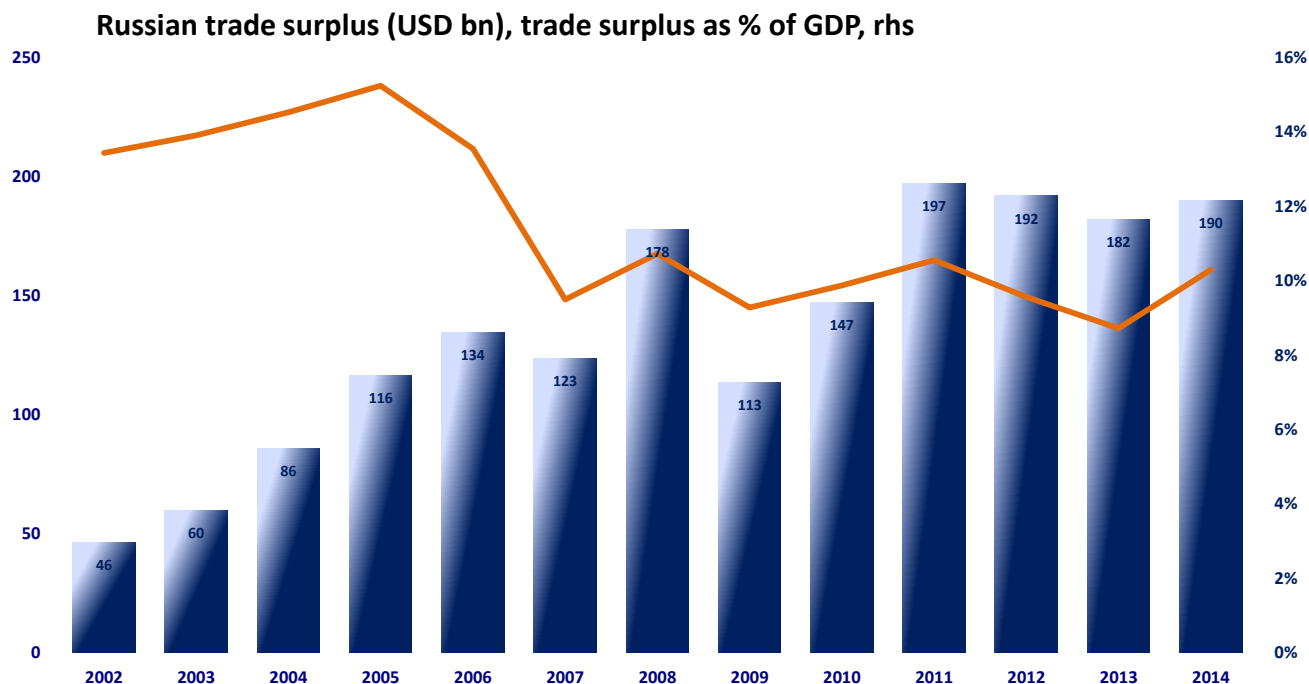
Trade balance

The main source of foreign currency this year



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Still healthy in Q1 2015 at \$40.3bn (-20% yoy)



Source: Central Bank of Russia, Caderus research

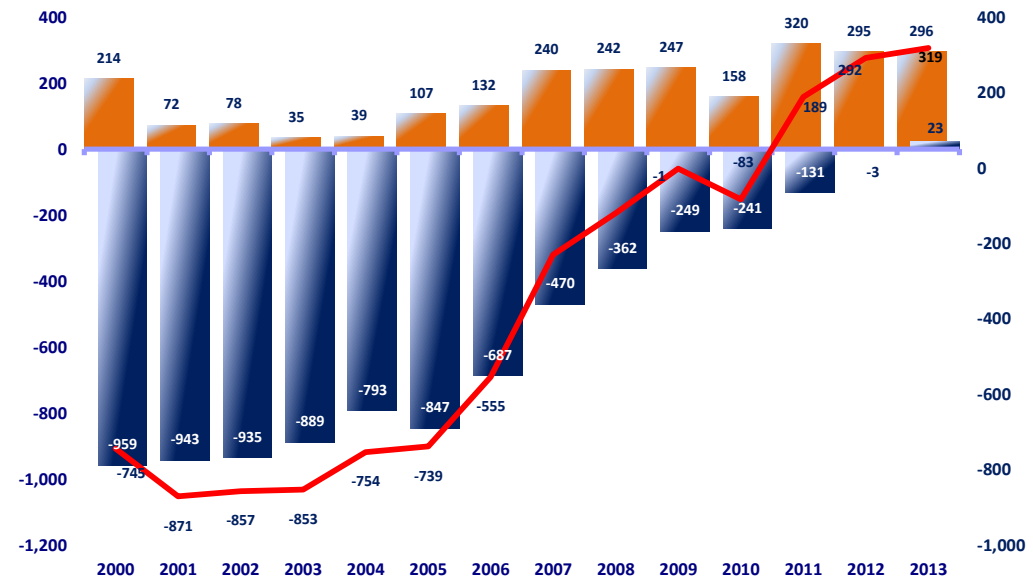
Population drives growth

Consumption, savings and investment growth



- Russian population dynamics turned from negative to positive in 2011
- Population growth is very concentrated in a few regions in Russia
- Population aged 15-59 (2013): 94.1 mn in Russia (+10.2% yoy)
- Moscow has been the magnet for working population from other Russian regions and also from neighbouring countries

Russian population organic growth (blue bars), net immigration (orange bars) and total growth (red line), '000s



Source: Russian Statistics Agency, Caderus research

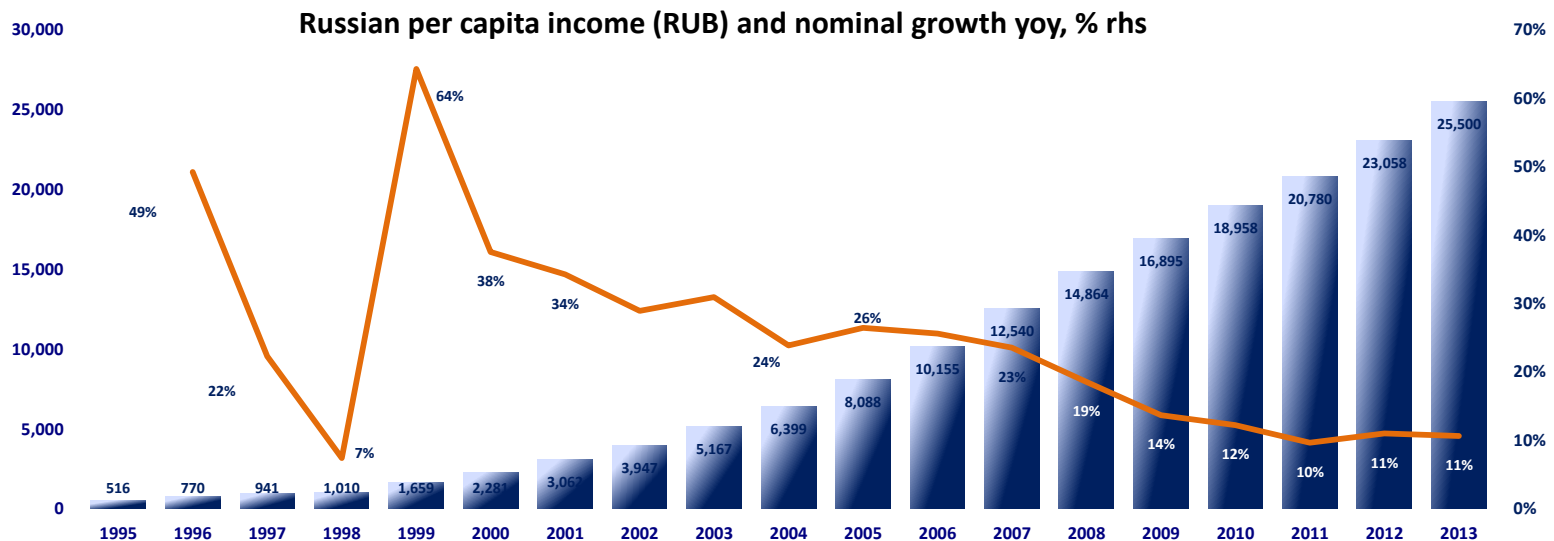
Per capita income

Good numbers hide uneven distribution of income



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- Avg salary in 2014 = 32,611 (\$572, +8.8% yoy) is lower than in China (\$691 at start 2014)
- Moscow is still better off at 61,357 (\$1,076) vs Beijing (\$938)
- 110 billionaires own 35% of all wealth in Russia (CS 2013)



Source: Russian Statistics Bureau, Caderus research

Thank you



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