

Russian macroeconomic outlook

2023-2024

February 2023

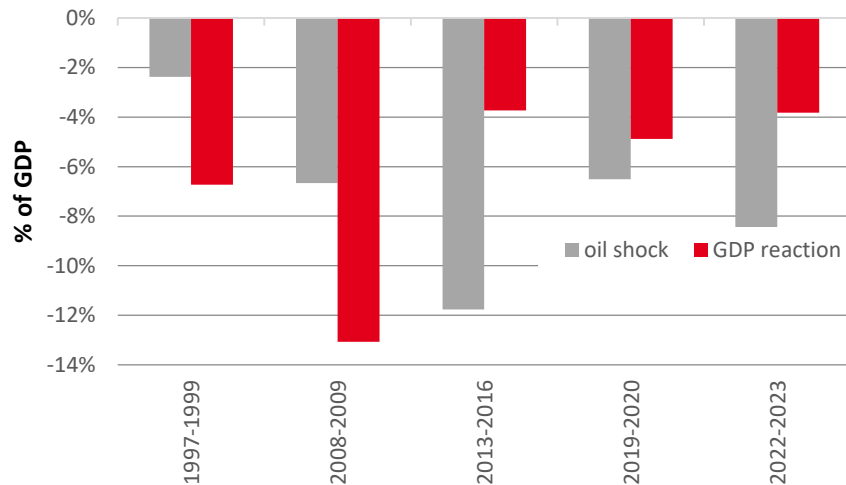
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Russian macroeconomic outlook

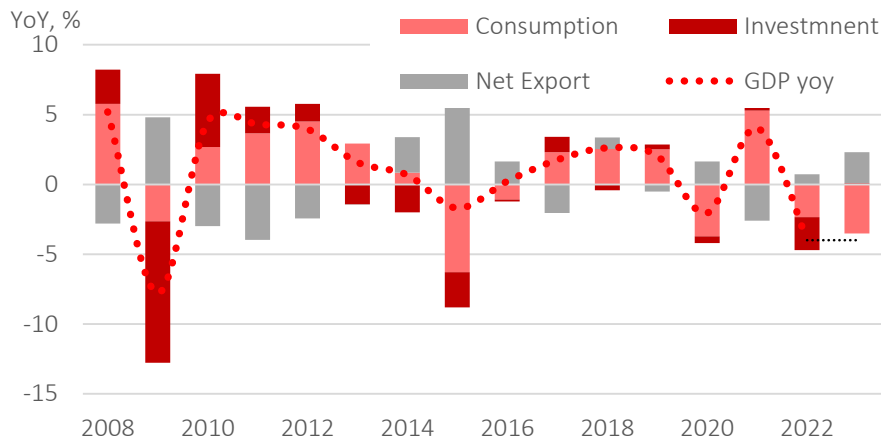
Surprising resistance of GDP

• Public

GDP and shocks: learning from the past



GDP by components



- Russian economy gets more and more resilient against external shocks: while the scale of shocks have considerably increased, the GDP “reaction” is much milder. Financial restrictions should be added “on top” over the oil shock, which makes this picture even more illustrative.
- Net export is an economic stabilizer, as observed during past crises. This is the case now as well, albeit to a lesser degree.
- Still the performance of the economy is surprisingly resilient.

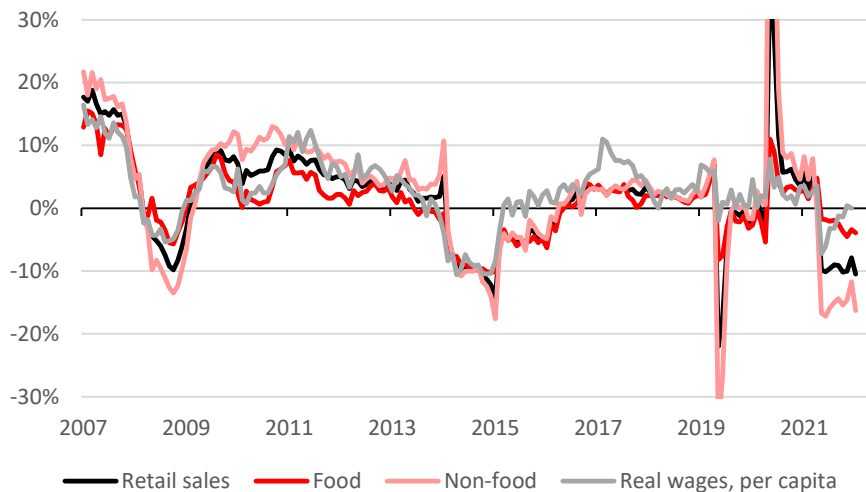


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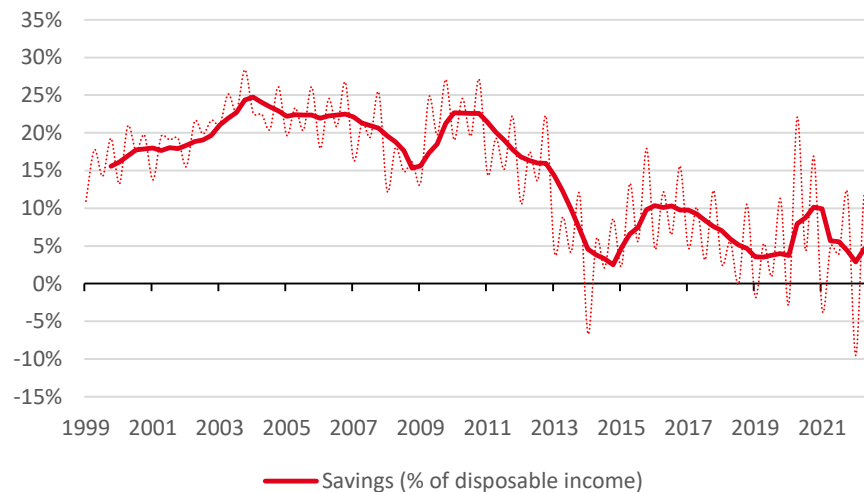
Consumption and savings

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Retail sales, yoy



Savings rate (% of income)



- Retail sales barely started recovering in Aug when mobilization effects hindered growth again. The end of the year was really poor, especially in non-foods.
- Meanwhile, while wages are recovering, the households are still in the elevated savings pattern.
- Savings rate only starting to adjust, normally takes about 4 quarters. Unwinding of these savings will contribute to recovery in 2023.

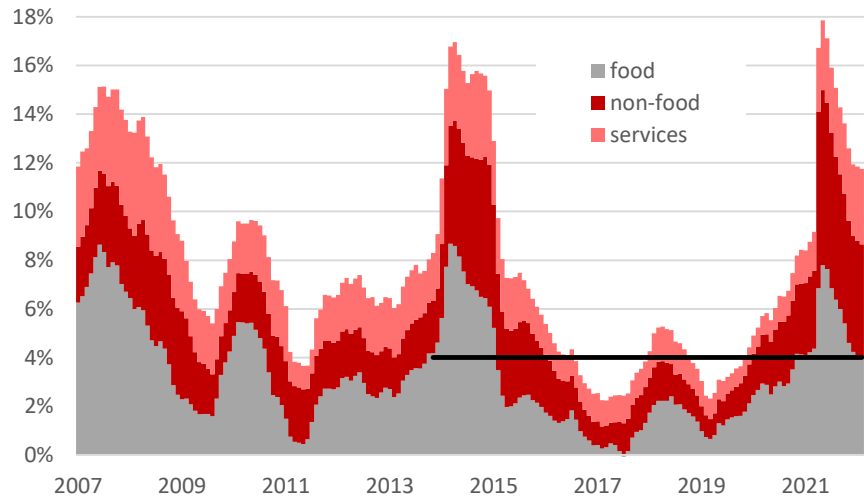


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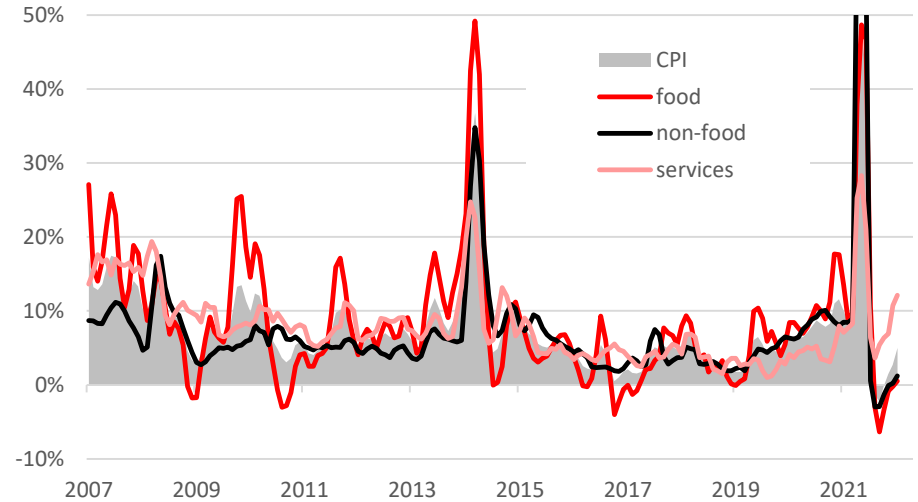
Inflation and the CBR policy

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Components of inflation



Inflation momentum



- Inflation in Russia stood at below 11.8% yoy in January and will likely remain at this level till March when it is set to fall due to base effect
- Monthly seasonally adjusted inflation rate turned positive in September, with food&non-food prices hovering around zero due to subdued demand, and services prices (the least competitive) contributing to overall price growth a lot.

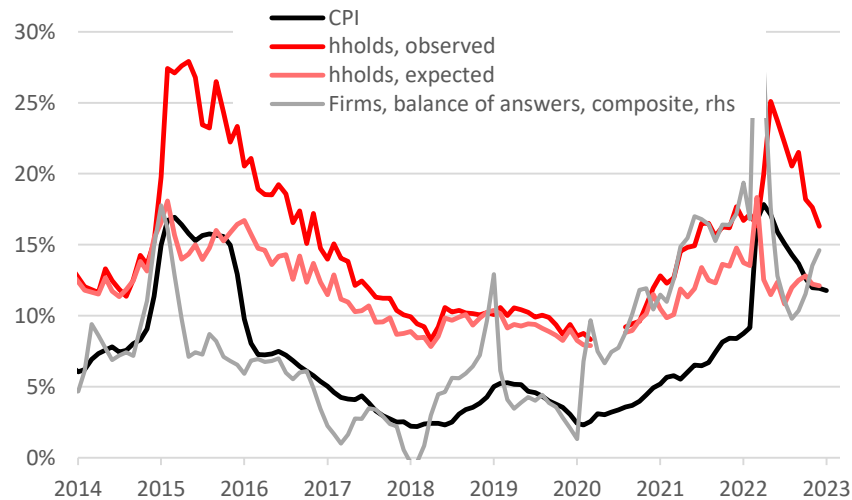


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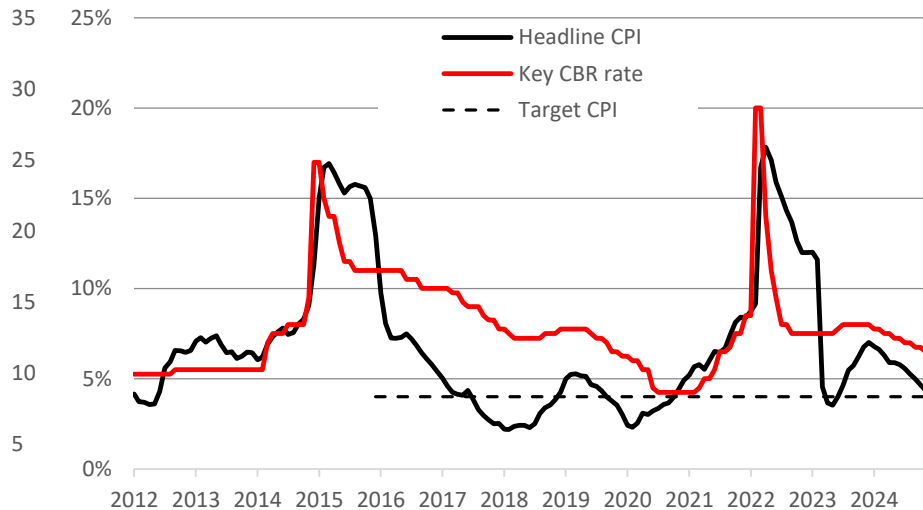
Inflation and the CBR policy (2)

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Inflation expectations



Key rate path

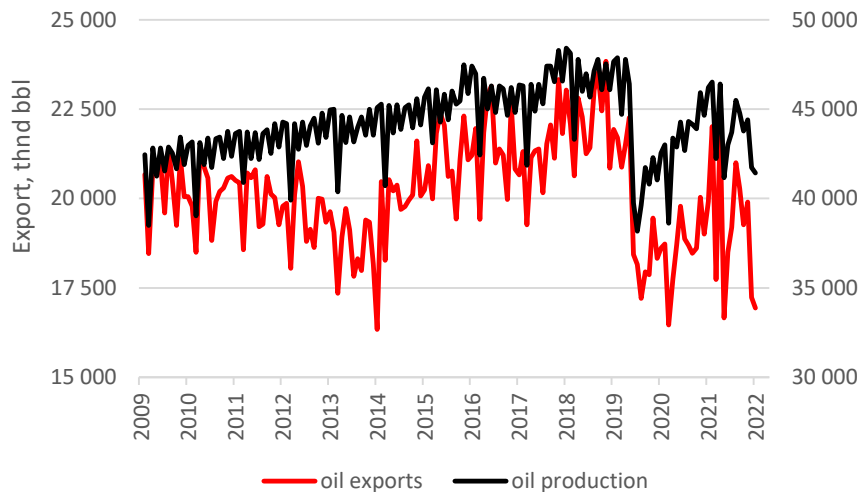


- Inflation expectations of both firms and households returned to pre-crisis levels.
- Firms' expectations are growing marginally over last several months, although households' expectations remain steady.

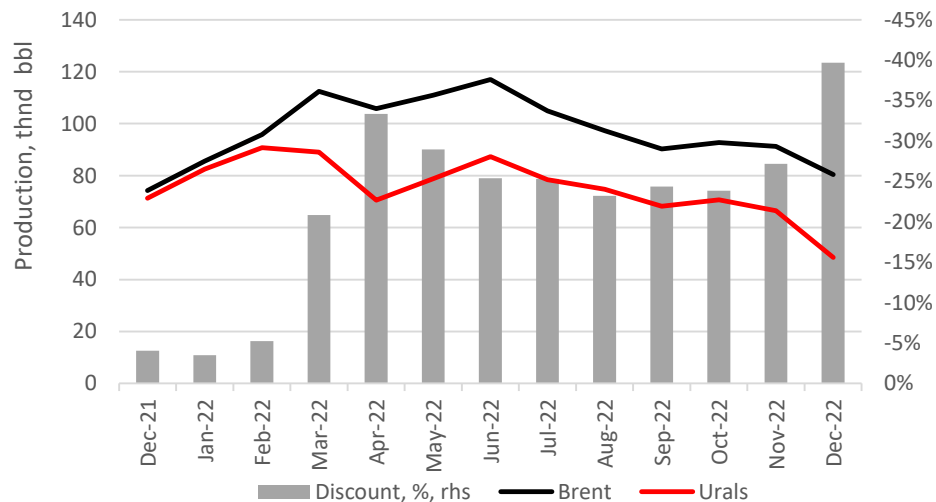


Impact from (or on?) external trade

Oil production and export



Oil prices



- Both production and export have reacted on the restrictions, yet the initial reaction seems to be somewhat overestimating the lasting impact.
- Oil exports has been resilient so far in terms of volumes, but prices are already falling. Brent-Urals discount likely increased rapidly in Dec
- Oil and products embargo (since Dec 22 and Feb 23, respectively) will lead to further fall in export revenue. This is to be a strongly negative impact on the GDP this year, at least at the headline figure.

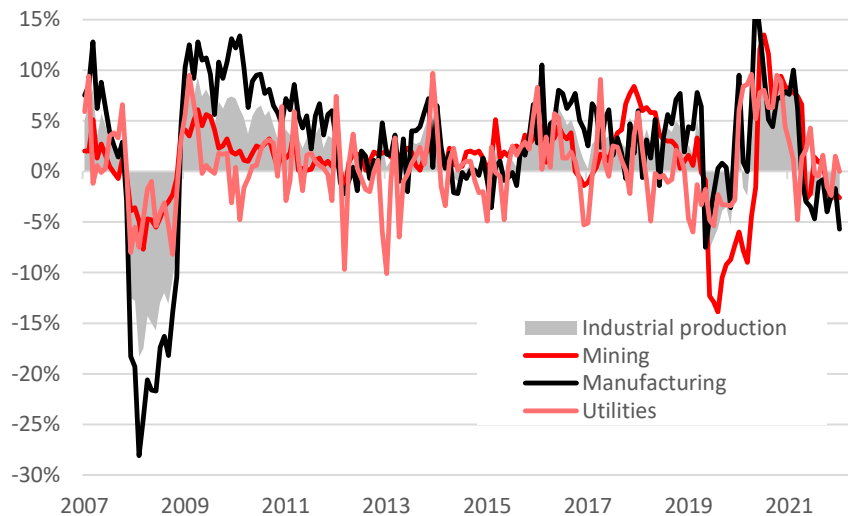


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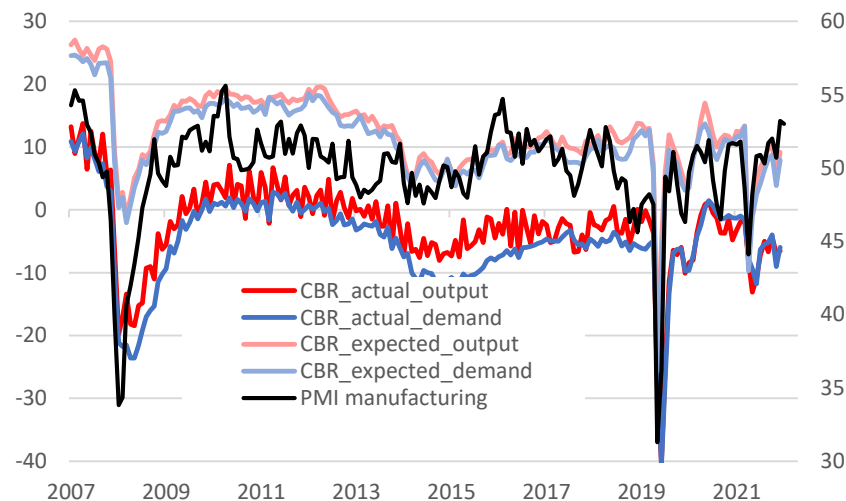
Production and activity

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Industrial production



Soft indicators of economic activity

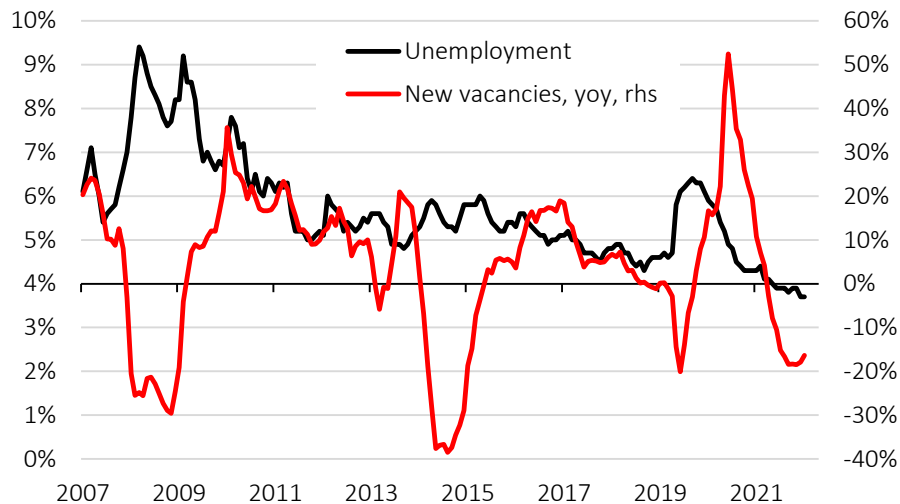


- Industrial production remains relatively afloat, probably due to orders related to the defense sector (only -1.3% yoy in 2022FY);
- However, mining is also rather strong, although seems starting to feel some pain
- Surveys results got worse after mobilization, but are still much higher than expected, probably due to some recovery in supply chains. Moreover, expectations components are generally better than estimates of the current conditions.

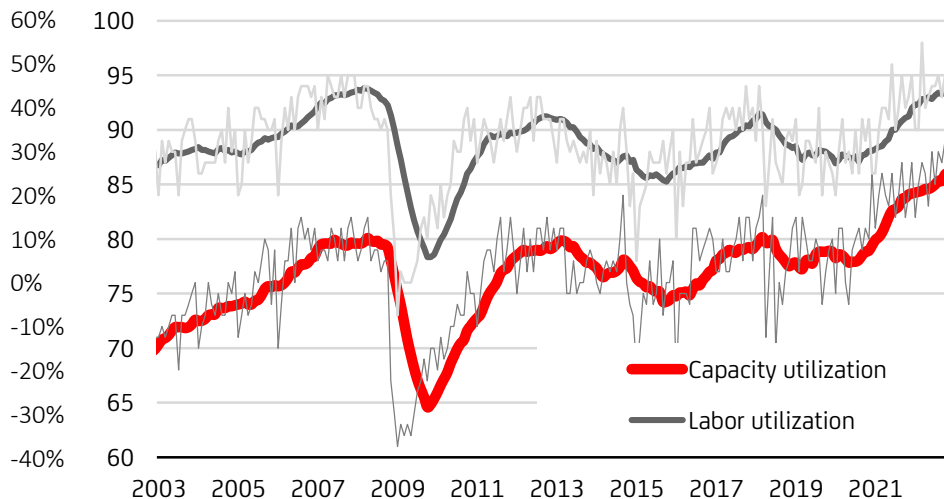


Labour market and capacity utilization

Unemployment data



Capacity and labour utilization



- Labor market remains very tight...
- ... and the CBR mentions labor market conditions as one of the important inflationary risks



Russian macroeconomic outlook

Forecast summary

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Macroeconomic scenario	2020	2021	2022E	2023F	2024F
Real GDP, yoy % change	-2.7%	5.6%	-3.1%	-5.0%	2.5%
- Investment, yoy % change	-4.4%	9.1%	0.4%	-1.3%	2.7%
- Exports, yoy % change	-4.2%	3.3%	-5.2%	-25.8%	-0.8%
- Imports, yoy % change	-11.9%	-11.9%	-3.1%	-1.6%	1.3%
Inflation (CPI) yoy, eop	4.9%	8.4%	11.9%	7.0%	4.0%
average	3.4%	6.7%	13.8%	6.3%	5.5%
Monthly Wage nominal, avg. Euro	623	647	843	810	685
Central Bank Reference rate, eop	4.3%	8.5%	7.5%	8.0%	6.5%
Interest rate eop	4.9%	9.3%	7.8%	7.3%	6.8%
average	5.4%	6.6%	12.4%	7.5%	7.0%
Current Account/GDP (%)	2.4%	6.8%	11.4%	5.9%	6.2%
Budget balance/GDP (%)	-3.8%	0.4%	-2.3%	-4.4%	-2.3%
FX / EUR rates	2020	2021	2022	2023F	2024F
eop	90.7	84.1	74.6	91.0	112.0
avg	82.5	87.2	72.4	80.1	101.8



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