Post-crisis recovery in Russia: Growth, Investments, Savings, Risks

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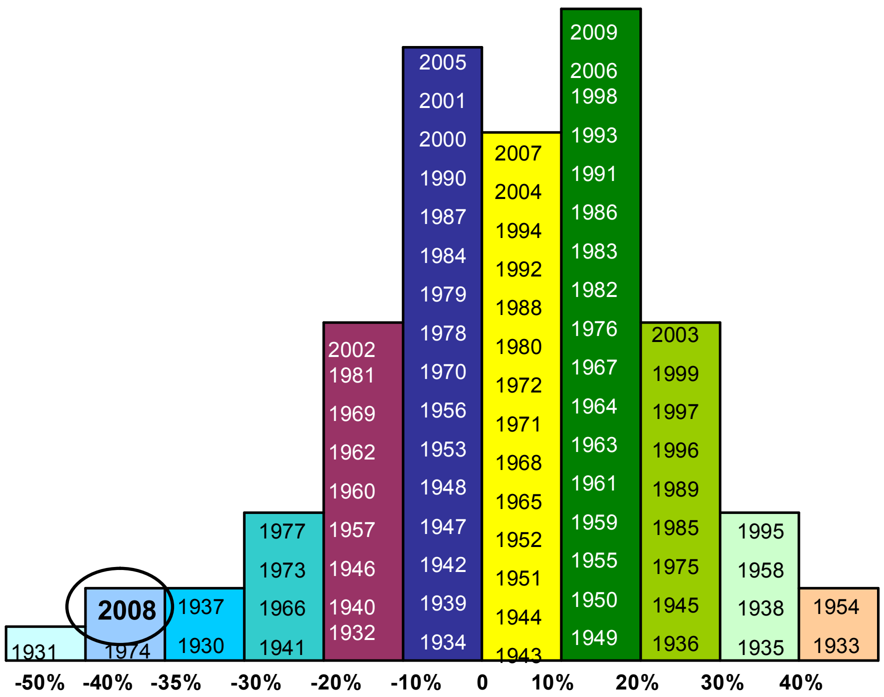
The crisis hit some countries quite strongly

DJ Trends in 1930-2009*

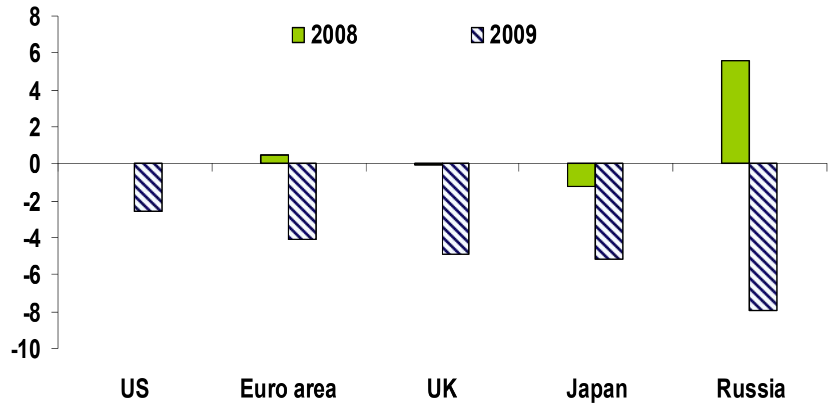


* Rate of increase; in real terms of chained 2000 dollars.

Source: calc. based on NYSE data

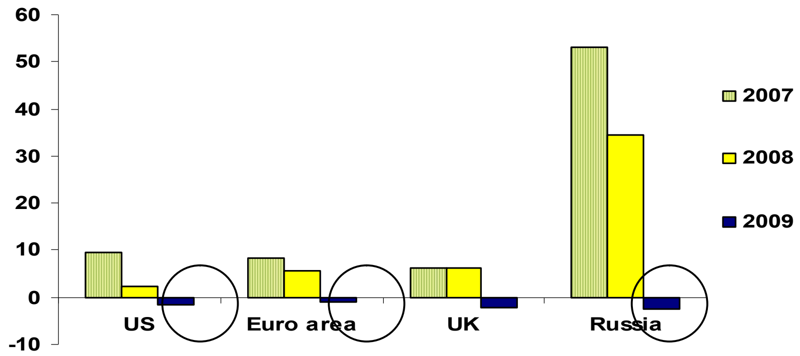
Real growth rate of GDP

(yoy, %)



Loans to non-financial sector

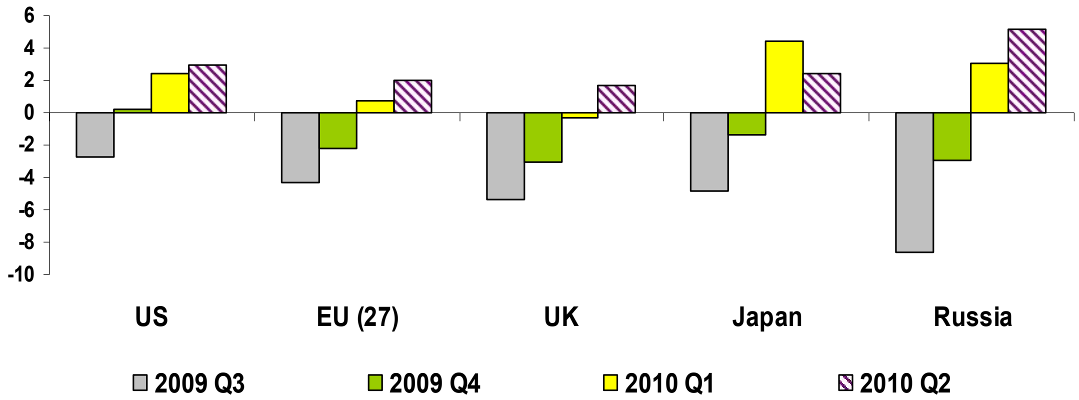
(growth rate, yoy, %)



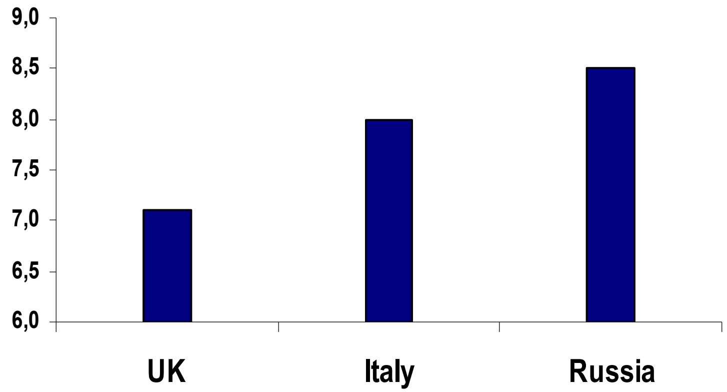
A trough in business activity occurred in the US economy in June 2009. It marks the end of the recession that began in December 2007 and the beginning of an expansion.

National Bureau of Economic Research, 20.09.2010

Real growth rate of GDP
(yoy, %)



Loans to non-financial sector
(growth rate, yoy, 2010 %)*



* Sept.-Oct. 2010

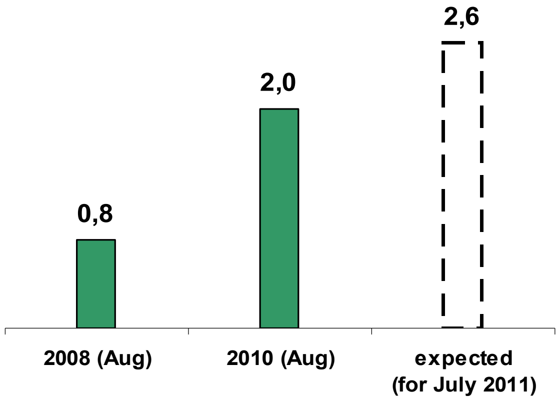
Source: Eurostat, Rosstat, CBR, Bank of England, Bank of Italy

Some recovery occurred indeed

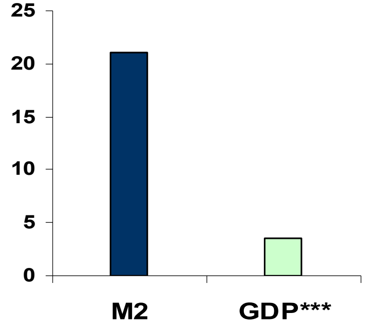
Abundance of global liquidity which emerged will be looking where to go and may lead to:

- Hot money inflows/outflows
- New bubbles (commodities, stock markets, etc.)
- Further debasement of US dollar

USD Monetary Base *(USD bln)*



Growth rate of Money Supply (M2) & GDP in main countries* in 2008-2009** *(%)*

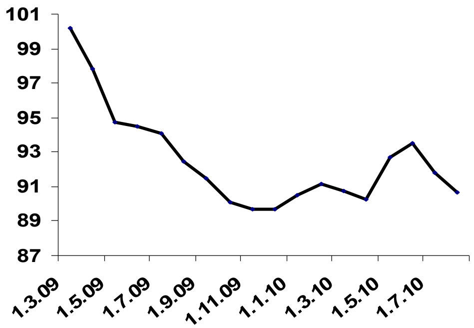


* Euro area, US, UK, Japan, China, Russia;

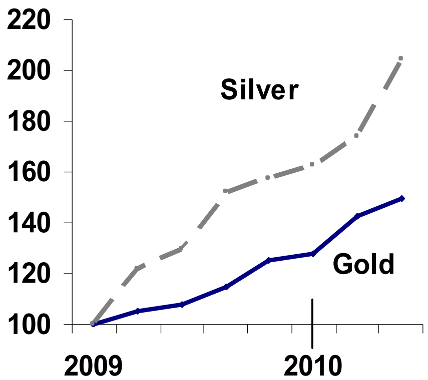
** Jan. 2008 г. – Dec. 2009 г.; *** Nominal growth rate of GDP

It all makes markets feel uncertain

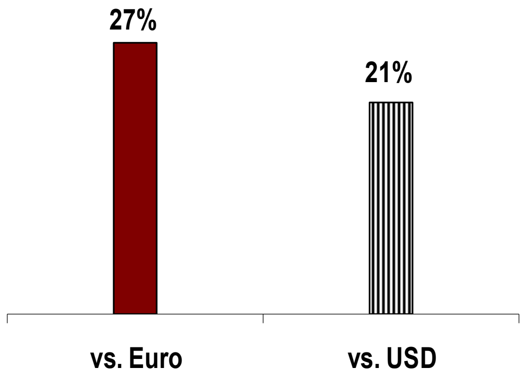
USD Depreciation
(real effective exchange rate, 2005 =100)



Price Index of Gold & Silver
(oz, Jan. 2009 = 100)

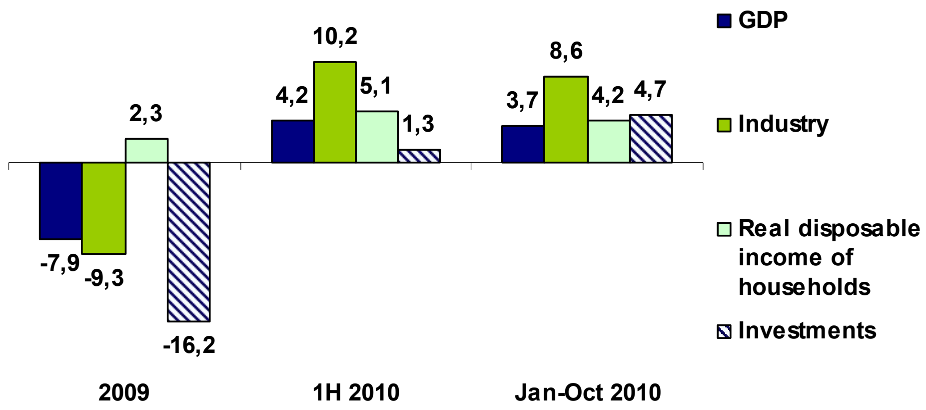


Swiss Franc Appreciation
(July 2007 - Sept. 2010, %)

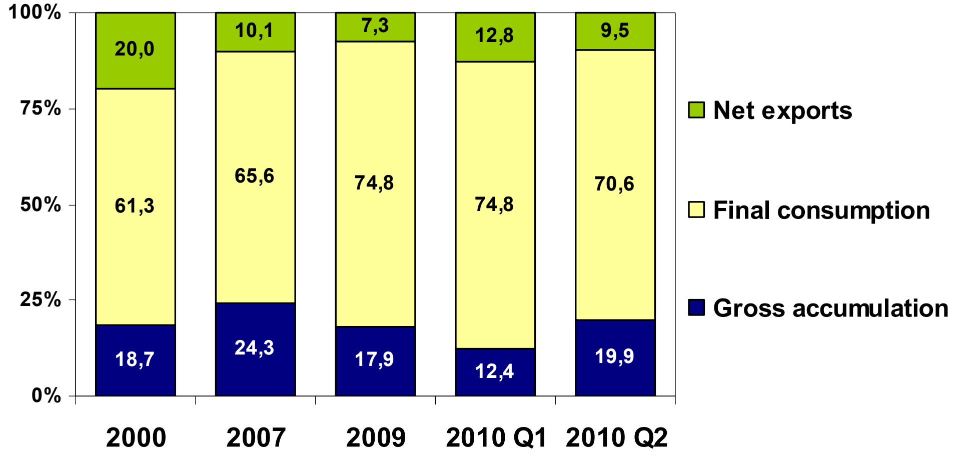


In Russia investments fell most (vs. other sectors), but they gradually recover

Growth rate of Investments & some other indicators *(yoy , %)*



Use of GDP *(structure, %)*



Calc. based on Rosstat data

Real growth/decrease of GDP: contribution by sectors *(%)*

	2009	2Q 2010
Tradable sectors	**27.1**	**55.2**
Agriculture, forestry	-0.1	0.48
Extraction industries	0.9	9.0
Manufacturing	26.3	45.8
Non-tradable sectors	**24.6**	**28.9**
Electricity, gas & water production	9.4	1.8
Construction	1.9	-0.25
Whole sale & retail trade	10.7	11.6
Transport & communication	4.2	16.3
Financial services	-1.6	-0.9
Other	**48.3**	**15.9**

Source: calc. based on Rosstat data

Recent trends show that:

- **The role of domestic demand in economic growth becomes more important than the role of external demand;**
- **Manufacturing starts to grow more quickly than extracting industries.**

If these tendencies remain it may lead to better <u>quality of economic growth</u>.

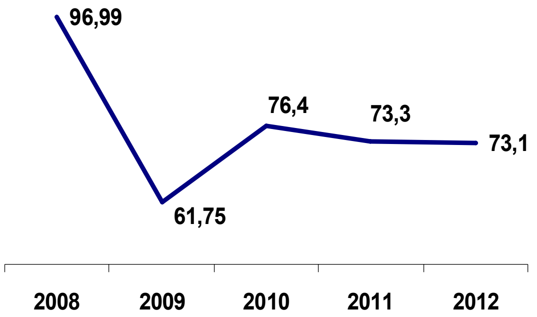
Gross Savings & Investments *(% of GDP)*

	Savings		Investments	
	2001	2008	2001	2008
Developed countries	20	18.8	20.6	20.4
US	16.4	11.9	19.1	17.5
UK	15.4	15.1	17.4	16.8
Germany	19.5	25.7	19.5	19.3
Japan	26.9	26.7	24.8	23.5
Developing countries	26.6	36.6	25.1	31.8
China	38.4	49.2	36.3	42.6
India	23.5	32.5	22.8	34.9
Russia	32.5	31.5	16.8	21.0

Countries where savings exceed investments may remain sources of funds to the deficit countries. Russia continued to place some of its funds into foreign instruments.

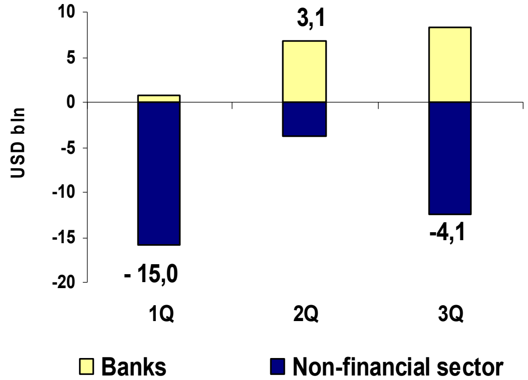
High dependence on oil and gas in exports affects exchange rate of the rouble

Oil Price: World Bank Forecast*
(USD/bbl)

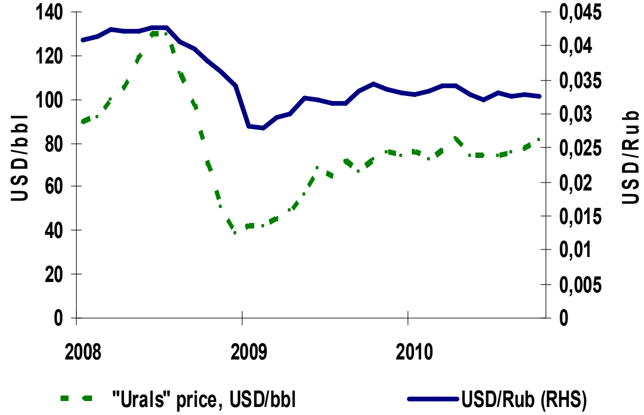


* November 2010. **Basket:** Brent, Dubai, WTI

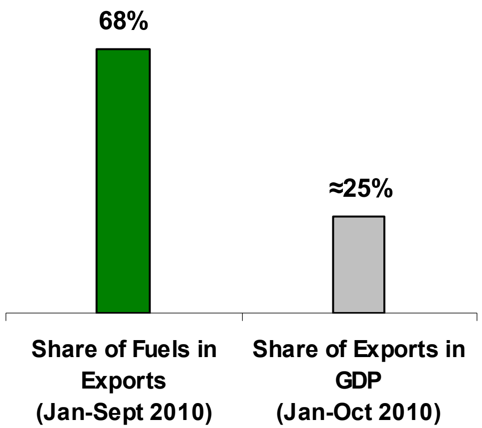
Net private capital inflow/outflow in 2010
(USD bln)



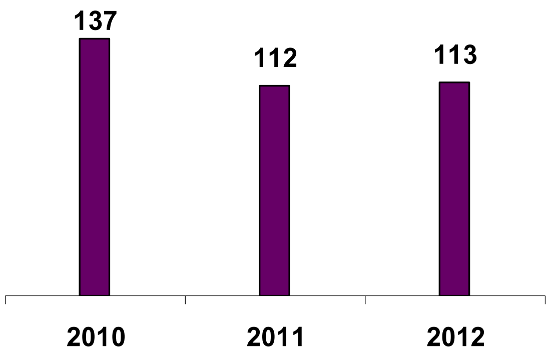
Rouble exchange rate & Oil Price
(USD/Rub; Urals, USD/bbl)



Share of Fuels & Exports in GDP *(%)*

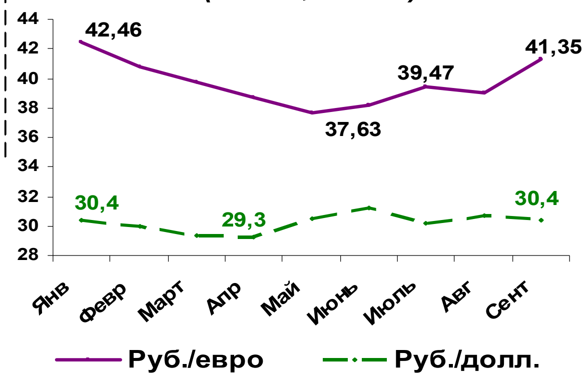


Trade Balance of Russia: MED* Forecast *(USD bln)*



* Ministry for Economic Development of Russia

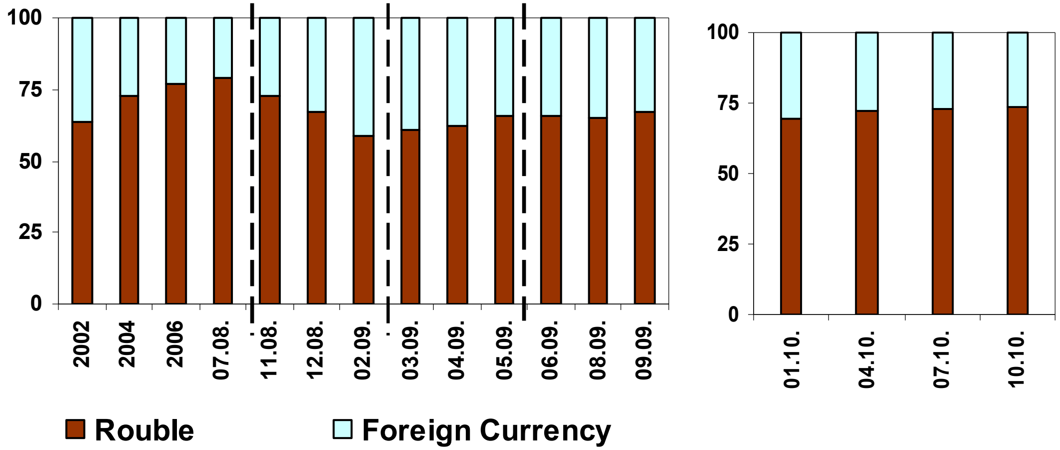
Nominal rate of the ruble
(Rub/$, Rub/€) in 2010



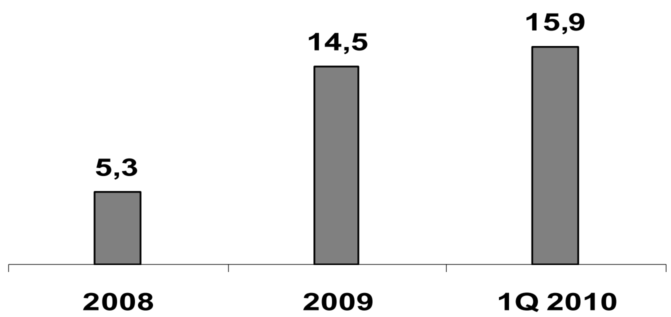
Source: World Bank, MED, CBR, Rosstat

After crisis savings begin to grow again.
It creates potential for future investments

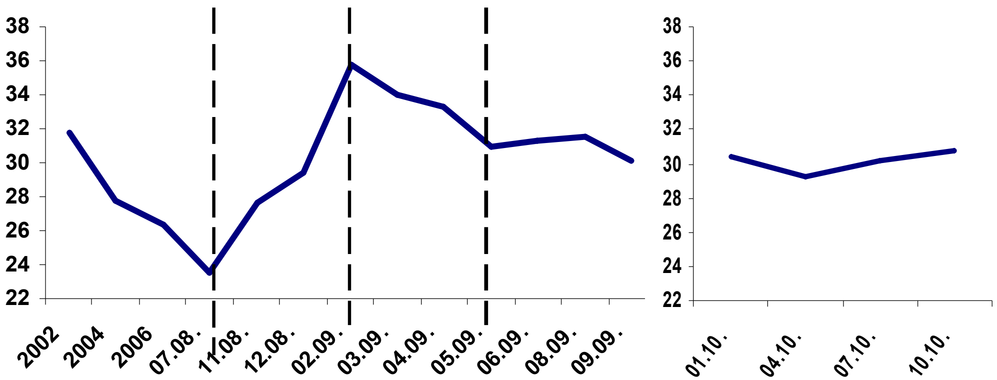
Currency Structure of Deposits of Households & Corporate Funds *(%)*



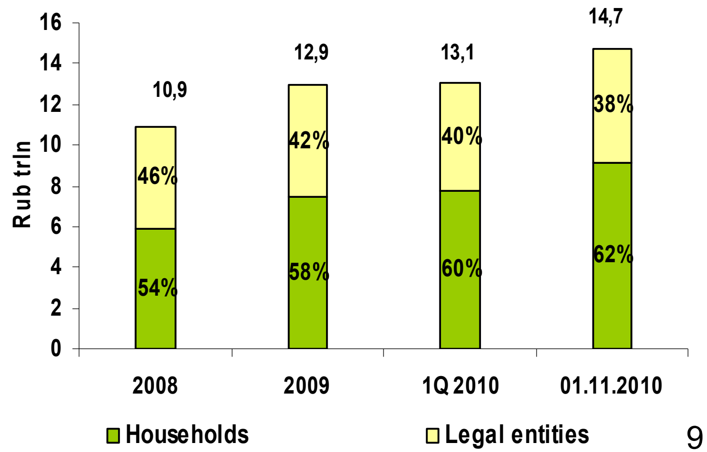
Savings Rate in Russia *(%)*



USD Nominal Exchange Rate *(Rub/USD)*



Deposits of Households & Legal Entities
(Rub trln, %)



* Corporate funds incl. money on deposits, settlement accounts and other accounts.
Source: CBR; calc. based on CBR data.

Some forecasts for Russian economy in 2011*

	GDP real growth, %	Inflation, Dec/Dec., %	Investments, growth rate, %	Federal Budge Deficit, % of GDP	Urals price, $/bbl	Current account, $ bln	Net inflow (+)/outflow (-) of capital, $ bln	$ exchange rate
MED, CBR**	**4.2**	**6-7**	**10**	**-3.6**	**75**	**46.2**	**12**	**30.5*****
Citigroup	4.0	7.6		-4		43.8		29.6
Alfa Bank	3.0	8		-4.4	75	30	5	33
Sberbank	4.2	7.8		-1	75	110	40	28.9
HSBC Bank	3.5	9.5		-4.1	76	30	15	33.35
CMASF	3.7	6.9		-2.6	80	50	4	29.2
Development Center Institute	1.5	7.5		-3.9	75	25	-30	32
Mean	3.82	8.22		-2.74	77.37	52.75	6.53	30.28
Min	3	6.6		-4.7	70	16.5	-51	28.5
Max	4.5	9.5		-0.1	85	110	50	33.35

* According to survey conducted by Association "Russia" among 19 experts; ** Ministry for Economic Development of Russia and Central Bank of Russia; Basic scenario; *** Annual average.

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