

#RF economy weekly

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Macro. RF estimates of GDP decline -9.2%, inflation - 22% (20% in Mar). Estimates of international organization range between 8.5% by IMF to 30%+ by IIF Chief Economist and KSE. April inflation is 17.62% (22% forecast for the year). As of April 21, 9,741 sanctions and restrictions imposed on RF. Iran, Syria, North Korea, Myanmar, Venezuela and Cuba in total - 9,670 restrictions over decades of isolation. Yet, RF restrictions are of smaller scope.

Banks. In March, the outflow of retail deposits in foreign currency equaled \$9.8bn. For Q1 22 - \$20bn (or -22% from \$93bn as of Dec 2021). The number of consumer loans issued in Mar has sharply dropped by -61.6% (compared to Feb). Most Russians are not planning to take a loan in the next 2-3 months, only 8% are considering such a possibility – NAFI poll. Since April 8 central bank of RF has been softening currency controls imposed on February 28 suggesting that there is no deficit of dollars and euros.

RF statistics conceal. exports and imports, cargo turnover of Russian seaports, oil production and exports. Previously, RF central bank allowed banks not to publish financial reports from 31 Dec 2021 to 30 Sep 2022. In its turn, the CBR won't publish on its website the reporting forms of banks until Oct 1, 2022. Also, CBR hid the list of participants in the financial messaging system (SPFS).

Investments. The British Tax Service is revoking the status of the Moscow Exchange as a recognized stock exchange.

Energy. In the 1st half of Apr, the average daily refining fell by 6%. Shipments of Russian oil by sea for the week fell by 25% - Bloomberg. India's state-owned oil refining companies plan to buy as much oil as possible from Russia. Export of Russian coal in April collapsed by more than 20%, and since the beginning of the year, the decline was 9%.

Divestment of Japanese, US and British companies from RF LNG projects poses a risk of China taking over more control of RF offshore oil and gas development, thus making Japan hesitate over withdrawal. Japanese trading company Marubeni Group (owns 30% of the Sakhalin-1; ExxonMobil owns 30% withdrawing from RF; the rest is owned by India and Russia) decided to withdraw from Russia. Yet, Japanese companies Mitsubishi and Mitsui decided to continue Sakhalin-2 LNG project (they own 22.5%; Shell owns 27.5% withdrawing from RF; Gazprom holds 50%). Chinese state companies have already announced plans to buy Shell's stake.

Italian energy company Enel and Danish Vestas have frozen wind farm project in Tatarstan due to sanctions.

Aerospace. Rosatom and the Moscow Aviation Institute to produce new electric air transport, incl. unmanned aerial vehicles (potential military). The Novosibirsk Aircraft Plant employs 1.6 K people and invests \$33.6 mln in construction of heavy stealth drones Okhotnik

Self-sanctioning. At least 206K employees of international companies continue to be on payrolls (FT).

RF allows parallel import for 200+ brands, including Tesla and Jaguar, technology brands Apple and Samsung, Xbox and PlayStation consoles, etc.

Industry. The production index in RF in Mar increased by +5.7% (against Mar 2021), while the demand index decreased by -2.2%. The greatest decline in demand is observed in high-tech industries (-16.7%). On Apr 20, RF PM stated that total cost of introduced support "packages" ~\$31.6bn.

Cars. Sales of new cars in Russia may be reduced by 50%. Russia is to allow production of cars with engines of "Euro-0". German tire manufacturer Continental has resumed production at the Kaluga factory (due to the risk of criminal prosecution by management in the RF).

Metallurgy.

Iron and Steel: Russian metallurgists estimate a decrease in sales in 2022 at 17 mln tons or 23% decline or more (metallurgy is 3.7% of Russia's GDP, \$50 bln; ~72 mln tons sales).

Titanium: Crimean Titan resumed work after a 4-month break. They want to create a chemical cluster with Kazakhstan.

Gold: The London Bullion Market Association has suspended the Good Delivery status of Russian suppliers - six Russian refineries (Mar 2022), as well as 3 banks. LBMA accounted for up to 88% of Russian exports or \$15.4 bln in 2021. To circumvent LBMA self-sanctions, Russian gold producers can use the refining scheme in other countries (Kazakhstan, India, China).

Wood. The export of unprocessed wood from RF in Q1 22 dropped by 54% to 1.4 mln m³ – RF Federal Customs Service. Decrease in exports of sawn timber in Q1 22 is also observed. Finland has closed the border crossing with RF and froze all plans for its development, through which timber was transported.