

Russia: Macroeconomic forecasts

Monthly

- Analysts forecasts
- Macroeconomic Indicators
- Consensus-forecasts

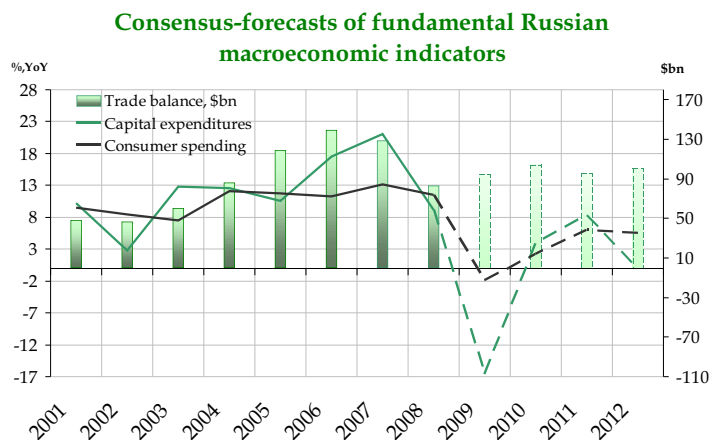
The overview includes the latest Russian economy statistical data and macroeconomic indicators forecasts made by leading domestic and foreign investment firms and brokers as well as their comments. It is available on a monthly basis.

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Consensus-forecasts of fundamental Russian macroeconomic indicators

Information providers

- The World Bank
- IMF
- HSBC
- Bank of America Securities & Merrill Lynch
- Raiffeisen Research
- UBS
- Capital Economics
- Deutsche Bank
- Sberbank
- UniCredit Securities
- Troika Dialog
- BDO Unicon
- Renaissance Capital
- Uralsib
- Bank of Moscow
- Other



Source: Rosstat, RBC Consensus-forecasts

Russian economy indicators	2009f	2010f	2011f
GDP, %	-7.3	2.6	4.1
Industrial production, %	-10.4	3.6	3.9
Consumer spending, %	-1.9	2.2	6.0
Capital expenditures, %	-16.7	4.0	8.3
Inflation, %	11.2	9.2	8.7
Unemployment, %	9.8	9.2	10.0
Trade balance, \$bn	94	104	96
Exports, \$bn	289	332	362
Imports, \$bn	196	231	266

GROSS DOMESTIC PRODUCT

Russian GDP in August 2009 remained unchanged from July. According to the Rosstat's preliminary estimate, Russian GDP in the second quarter 2009 advanced 7,5% from the first quarter and reduced 10,9% from the same period of 2008. Current estimates of Ministry for Economic Development of the Russian Federation suggest that Russian GDP will reduce by 8,5% in 2009 and show about 1,6% growth in 2010.



Source: Rosstat, RBC Consensus-forecasts

Barclays Capital

According to Barclays Capital economists, though Russia is likely to close this year with a GDP contraction of 7,5% – even worse than the 6,5% contraction of 1998 when oil prices plummeted to US\$10/bbl – macroeconomic and financial stability is re-emerging and growth should turn positive in Q1 2010. Analysts expect 2,3% YoY GDP growth in Q1 2010 and 3,0% for 2010. Sustained high oil prices and capital market access are the key drivers for growth, as private sector consumption and investment will be anaemic for several quarters.

Bank of America Securities & Merrill Lynch

Russia finally bottomed in June-July, and it seems that a recovery has begun on the back of rebound in global demand and in oil prices. In 2H09, economists from Bank of America Securities & Merrill Lynch expect economic growth to be highly positive in QoQ s.a. terms with an acceleration in 4Q, further supported by massive fiscal stimuli. In 2010, experts expect favourable oil conjuncture (Urals at US\$73/bbl) and consequently GDP growth at 2,4%YoY.

Russian Real GDP Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	-7.3	2.6	4.1	4.3
Median	-7.5	2.4	4.0	4.5
Commerzbank & Dresdner Kleinwort	-7.5	2.0	-	-
HSBC	-8.3	3.1	2.4	-
IMF	-7.5	1.5	2.3	3.5
Bank of America Securities & Merrill Lynch	-8.5	2.4	-	-
BNP Paribas	-8.2	1.7	5.3	5.4
Raiffeisen Research	-7.5	1.5	-	-
The World Bank	-7.9	2.5	3.5	-
Troika Dialog	-5.0	5.0	-	-
UniCredit Securities	-7.4	0.8	3.3	-
BDO Unicon	-6.5	0.5	-	-
Uralsib	-5.8	4.2	-	-
UBS	-5.5	4.7	-	-
Capital Economics	-10.0	1.0	1.0	-
Bank of Moscow	-7.6	7.4	5.8	-
Alfa-Bank	-7.0	-1.1	-	-
OECD	-6.8	3.7	-	-
Wachovia	-7.7	2.6	3.6	-
Deutsche Bank	-6.4	2.3	-	-
Barclays Capital	-7.2	0.4	-	-
Economist Intelligence Unit	-7.3	2.3	4.0	4.5
Citigroup	-7.5	3.0	4.1	4.0
Goldman Sachs Group	-7.5	3.0	-	-
ING Bank	-7.7	2.5	4.5	4.0
TD Bank Financial Group	-9.2	4.2	4.7	-
Nomura Equity Research	-7.2	3.5	4.4	-
Danske Bank	-8.0	1.5	-	-
Standard Chartered Bank	-6.5	-	-	-
CIBC	-8.0	3.0	4.0	-

Source: investment companies data

INDUSTRIAL PRODUCTION

Industrial production plunged 14,0% in the first eight months (Jan-Aug) of 2009 compared with the same period of 2008. In August of 2009 it was down 3,0% MoM and 12,6% YoY. In the first seven months (Jan-July) of 2009 Industrial production declined 14,2%YoY. In July drop in production was 10,8% YoY. The Ministry for Economic Development of the Russian Federation estimates 12,4% drop in 2009 and 1,4% decline in 2010.



Source: Rosstat, RBC Consensus-forecasts

Renaissance Capital

According to Renaissance Capital analysts, there are multiple reasons for a decline in production in August. One, there were two less working days in August than in July. Second, as far as manufacturing is concerned, the automotive sector was one of the main drags, with AvtoVaz, Toyota, KamAz, Ford and others shutting production for much of the month, clearly impacting the overall number both directly and indirectly through the chain of suppliers. Finally, electricity production was down due to abnormally cool weather last month and a drop in electricity produced by water power plants (-3,6% MoM) as a result of the Sayano-Shushenskaya incident. Negative overall industrial production may be quite disappointing, but at least some of the factors should be more positive in September. All car and truck producers resumed working in September, and electricity consumption seems to have decisively changed trend in September as well.

Citigroup

Russia industrial production for August fell somewhat sharper than expected. The result is in contrast to the industrial optimism survey for August and the PMI readings, which both showed substantial improvement owing to the improved estimates of demand by companies, as well as higher access to credit by public sector companies. But Citigroup economists suppose this only proves that we are at the very beginning of stabilization. Risks remain high and therefore economists expect output data to remain volatile.

Russian Industrial Production Index Forecasts Year-over-Year, %

	2009f	2010f	2011f
Consensus	-10.4	3.6	3.9
Median	-10.2	3.4	4.1
HSBC	-13.1	3.4	2.7
Bank of America Securities & Merrill Lynch	-10.2	2.8	-
Troika Dialog	-10.0	4.0	-
BDO Unicon	-11.0	2.0	-
Uralsib	-7.9	9.4	-
UBS	-9.9	4.7	-
Renaissance Capital	-12.5	4.1	-
Bank of Moscow	-10.2	6.2	5.0
Alfa-Bank	-10.0	-	-
Barclays Capital	-10.9	-0.8	-
Goldman Sachs Group	-9.5	3.0	-
ING Bank	-11.5	3.9	4.1
Danske Bank	-8.0	1.0	-

Source: investment companies data

CAPITAL EXPENDITURES

Fixed capital investments fell 19,4% YoY and increased by 4,6% MoM in August of 2009 to RUR 656,2 bn. Decreasing of investments in the first eight months (Jan-Aug) of 2009 compared with the same period of 2008 accounts for 18,9%. According to forecasts of Ministry for Economic Development of the Russian Federation decline in fixed capital investments in 2009 will probably accounts for 20%.



Source: Rosstat, RBC Consensus-forecasts

IMF

Compared to before the crisis, much lower oil prices and a sharp turn-around in capital flows are expected to exert a significant drag on domestic demand. In particular, with capital flows projected to remain limited, the investment-consumption nexus that underpinned Russia's impressive economic performance in recent years is likely to be severed. Fixed investment would remain subdued in the face of heightened uncertainty and reduced credit availability. With sluggish investment growth dampening labor productivity, real wages are likely to remain stagnant. While the planned large fiscal stimulus is expected to provide temporary support for private consumption, weak labor market conditions would continue to weigh on private consumption well into 2010.

UniCredit Securities

As analysts of UniCredit Securities noted, in August, despite the weakening of «high base» effect, decline in demand for investment accelerated. Most likely, the reduction was due to deterioration of the situation in industrial production sector, where in August a lot of factories were closed. However, investments appears to have stabilized, as the rate of decline remained well above the minimum in May 2009, when the fall was 23,1% YoY.

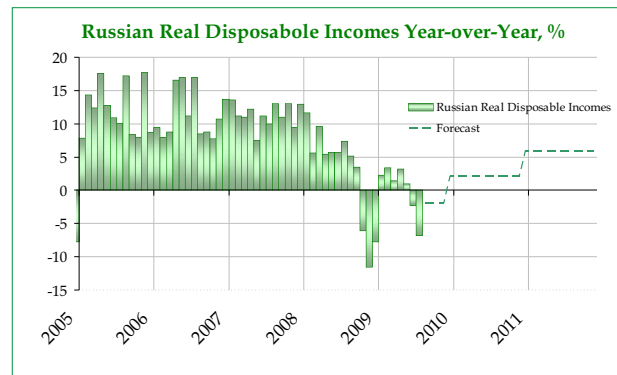
Russian Capital Expenditures Forecasts Year-over-Year, %

	2009f	2010f	2011f
Consensus	-16.7	4.0	8.3
Median	-16.0	3.0	7.0
Bank of America Securities & Merrill Lynch	-16.8	3.0	-
Troika Dialog	-14.0	5.0	-
BDO Unicon	-18.0	2.0	-
Uralsib	-16.0	8.5	-
UBS	-11.6	3.8	-
Renaissance Capital	-11.3	4.5	-
Capital Economics	-15.0	2.0	3.0
Bank of Moscow	-18.0	16.0	15.0
Alfa-Bank	-19.0	-	-
Barclays Capital	-33.4	0.2	-
Citigroup	-15.5	0.0	-
Goldman Sachs Group	-14.0	0.0	-
ING Bank	-18.8	5.5	7.0
Danske Bank	-13.0	1.0	-

Source: investment companies data

REAL DISPOSABLE INCOMES

According to Rosstat, real disposable incomes declined 6,8% YoY and 2,6% MoM in August 2009. In the first eight months (Jan-Aug) of 2009 indicator plunged 0,7% compared to the same period of 2008. According to forecasts of Ministry for Economic Development of the Russian Federation, real disposable incomes will probably decline 1,4% in 2009.



Source: Rosstat, RBC Consensus-forecasts

Bank of Moscow

Russian economy showed some signs of stabilization, but at the same time, consumer demand continued to decline. However, according to analysts of Bank of Moscow, there is nothing unusual, it is normal for most economic cycles that industrial production fall at the beginning, followed by decline in investment and construction, and all of it in turn lead to increase in unemployment, fall of real incomes and consumer demand. Based on Ministry of Economic Development data it is possible to conclude that consumer demand responded to the crisis with a quarterly lag. Thus, experts of Bank of Moscow assume that in October-November we could see real signs of recovery of consumer activity.

Citigroup

Consumption continued its negative trend, but this was largely expected by Citi economists. Russian consumers dissaved heavily in 4Q08-1Q09 - savings ratio fell from about 11% of households' monthly income in 2007 to 6,2% in 1Q09. At the same time the Russian consumer is largely unleveraged. Citi analysts therefore expect that a stabilization in industrial output together with the balance of payments inflows will lead to a stabilization in income and then, with some lag, a stabilization in consumption towards end-2009.

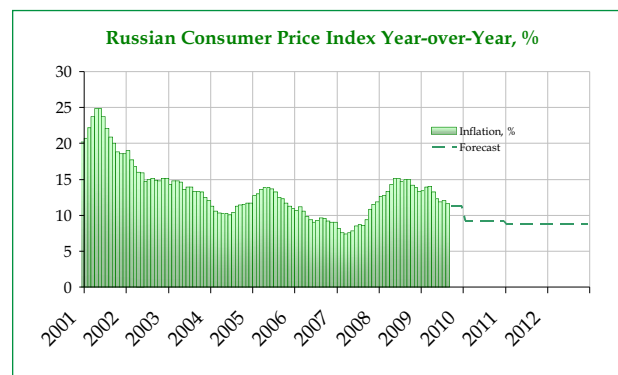
Russian Real Disposable Incomes Year-over-Year, %

	2009f	2010f	2011f
Consensus	-1.9	2.2	6.0
Median	-2.0	2.0	-
The World Bank	-5.0	3.0	-
BDO Unicon	-3.5	0.5	-
Uralsib	-1.2	2.6	-
UBS	1.8	2.0	-
Bank of Moscow	-1.4	3.3	8.5
Nomura Equity Research	-2.0	1.8	3.5

Source: investment companies data

CONSUMER PRICE INDEX

According to Rosstat, consumer prices in Russia reached 8,1% YoY and stayed unchanged YTD in August 2009. It must be recalled that in August 2008 inflation made up 0,4% and 9,7% YTD. The Ministry for Economic Development of the Russian Federation downgraded its inflation forecast for 2009 to 11,0-12,0%.



Source: Rosstat, RBC Consensus-forecasts

UBS

Given that in July, the headline inflation number stopped declining YoY, it is good to see that this seems to have been a one-off and disinflation is back on track, said UBS economists. This should give the CBR the confidence to continue to cut rates. The one-off slight increase in YoY inflation in July was due to fruit and vegetable prices, and although these trends in fruits and vegetables continue, this is not strong enough to overturn the general disinflationary environment.

Bank of America Securities & Merrill Lynch

Economists of Bank of America Securities & Merrill Lynch expect inflation to slow further to 9% in 2009 and 7,0% in 2010. They do not foresee a severe slowdown in inflation (below 6%YoY) in the mid-term due to cost-push inflation on the back the high degree of monopolisation in the Russian economy.

Russian Consumer Price Index Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	11.2	9.2	8.7	8.7
Median	11.1	9.0	9.0	8.9
Commerzbank & Dresdner Kleinwort	10.0	9.0	-	-
HSBC	11.9	8.7	-	-
IMF	11.0	9.0	8.0	7.5
Bank of America Securities & Merrill Lynch	9.0	7.0	-	-
BNP Paribas	14.5	8.9	9.4	10.9
Raiffeisen Research	13.0	8.8	-	-
The World Bank	13.0	-	-	-
Troika Dialog	10.0	8.0	-	-
European Commission	10.0	-	-	-
BDO Unicon	11.5	13.0	-	-
Uralsib	12.2	9.8	-	-
UBS	9.7	7.1	-	-
Renaissance Capital	9.7	9.2	8.3	8.9
Capital Economics	10.0	8.0	6.5	-
Bank of Moscow	12.5	10.0	9.0	-
Alfa-Bank	13.0	13.0	-	-
OECD	8.0	6.0	-	-
Wachovia	12.3	8.9	9.8	-
Deutsche Bank	10.1	9.2	-	-
Barclays Capital	12.7	11.3	-	-
Citigroup	12.4	9.7	9.6	7.5
Goldman Sachs Group	10.5	8.0	-	-
ING Bank	11.0	9.3	10.0	-
Nomura Equity Research	-	9.3	8.0	-
Danske Bank	11.1	10.0	-	-

Source: investment companies data

RUSSIAN LABOUR MARKET

The total number of the unemployed grew by 38,6% YoY to 6,2 mln in August 2009. In the first eight months (Jan-Aug) of 2009 men out of occupation up by 42,5% compared to the same period of 2008. There were registered 2,1 mln unemployed in Public employment service at the end of August. As Ministry for Economic Development of the Russian Federation estimates, unemployment rate will probably account 10,4% in 2009.



Source: Rosstat, RBC Consensus-forecasts

Danske Bank

Labour market dynamics have worsened throughout 2009 as unemployment has risen sharply and real wages have dropped. Unemployment dropped mid-year, but that was due to a technical reshuffling of statistics. Fall in real disposable income has put a strain on final demand. Lower employment put pressure on public budget, which analysts of Danske Bank expect to reach as much as 9% of GDP in 2009.

Renaissance Capital

As analysts of Renaissance Capital noted, the drop in unemployment might be explained mostly by the seasonal effect: Its figure is distorted by a high number of summer part-time workers. Unemployment adjusted for seasonality declined only 0,1 ppt from its highest level reached in May and July. Nevertheless, in last six months the situation in the labour sector seems to have already stabilized near trough levels and experts of Renaissance Capital are continuing to see the recovery in this sector as the government's fiscal stimulus package is further implemented.

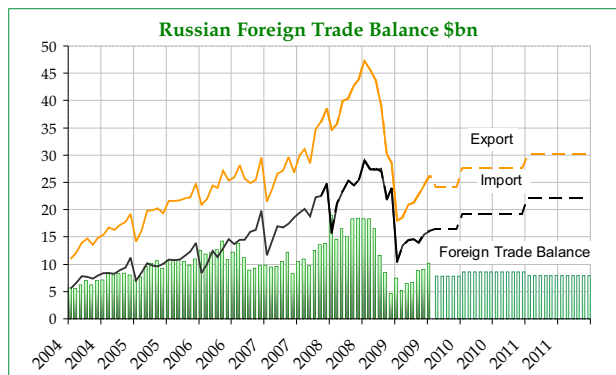
Russian Unemployment Rate Forecasts Year-over-Year, %

	2009f	2010f	2011f
Consensus	9.8	9.2	10.0
Median	9.5	8.8	9.8
Bank of America Securities & Merrill Lynch	11.0	9.9	-
The World Bank	13.0	-	-
Troika Dialog	9.0	7.5	-
European Commission	9.5	8.4	-
BDO Unicon	8.4	8.1	-
UBS	8.5	7.6	-
Renaissance Capital	10.5	9.8	-
Capital Economics	11.0	13.0	11.5
Bank of Moscow	9.9	9.5	8.7
Barclays Capital	9.1	8.8	-
Citigroup	8.3	8.0	-
ING Bank	10.0	10.5	9.8
Danske Bank	9.0	9.5	-

Source: investment companies data

RUSSIAN FOREIGN TRADE

Foreign trade turnover in Russia amounted to US\$42,4bn (RUR 1335,4 bn) in July 2009. Export totaled US\$26,3 bn (RUR 828,3 bn), import amounted to US\$16,1 bn (RUR 507,1 bn). The trade surplus totaled US\$10,2 bn in July 2009 (in July 2008 it was US\$18,7 bn).



Source: Rosstat, RBC Consensus-forecasts

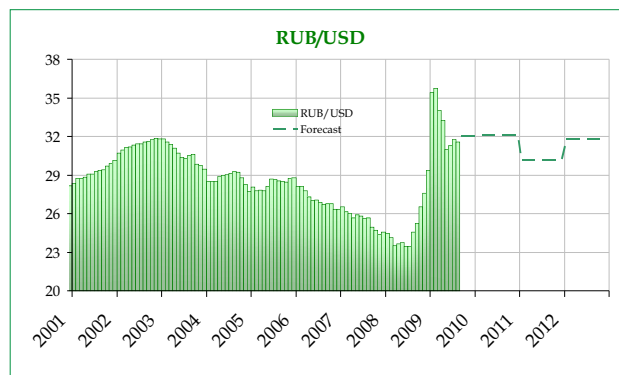
Nomura

Given the importance of the terms-of-trade for output performance in the commodity-dependent CIS economies, Nomura economists think it would be unreasonable to expect a speedy recovery as in the aftermath of the 1998 crisis. Although the terms-of-trade are set to revive over the next two years, their small size and the lack of a robust pickup in foreign import demand will likely prevent the CIS economies enjoying the kind of vigorous and speedy recovery that characterised the previous post-crisis period. Analysts expect the terms-of-trade to start to recover gradually in the third quarter of 2009, to show their first positive reading in the first quarter of 2010, and to peak only in the third quarter of that year.

Danske Bank

According to Danske Bank analysts, new export orders are improving and inventories are coming down. Trade balance improves as exports rise amid rising oil prices and imports remain weak and based on their estimations experts of Danske Bank forecast a trade surplus of USD100bn in 2009.

RUSSIAN EXCHANGE RATE



Source: CBR, RBC Consensus-forecasts

Bank of America Securities & Merrill Lynch

FX Bank of America Securities & Merrill Lynch strategists expect rouble volatility, especially in 4Q09 as a result of increased government spending. However, they see USD/RUB at 30.6 at end-2009 and 26,6 at end- 2010.

Barclays Capital

The developments in the external accounts bode well for further rouble stability in the coming months. While a weaker rouble is probably optimal for the balance of payments and fiscal accounts, experts of Barclays Capital do not expect it to materialize in the remainder of this year or indeed into 2010. The exchange rate is likely to succumb to bouts of heightened volatility and experts doubt the BoR would feel compelled to intervene against modest portfolio-induced pressure.

Russian Foreign Trade Balance Forecasts \$bn

	2009f	2010f	2011f
Trade balance			
Consensus	94	104	96
Median	95	110	-
IMF	79	111	-
Bank of America Securities & Merrill Lynch	120	130	-
Troika Dialog	80	110	-
BDO Unicon	95	100	-
UBS	87	132	-
Renaissance Capital	35	38	-
Bank of Moscow	110	100	50
Alfa-Bank	140	-	-
Citigroup	80	86	-
ING Bank	113	125	141
Exports			
Consensus	289	332	362
Median	290	330	-
IMF	278	321	-
Bank of America Securities & Merrill Lynch	300	360	-
Troika Dialog	260	310	-
BDO Unicon	285	310	-
Uralsib	283	312	-
UBS	296	352	-
Renaissance Capital	260	349	-
Bank of Moscow	290	345	370
Alfa-Bank	340	-	-
Citigroup	283	330	-
ING Bank	298	318	353
Danske Bank	298	340	-
Imports			
Consensus	196	231	266
Median	195	230	-
IMF	200	210	-
Bank of America Securities & Merrill Lynch	180	230	-
Troika Dialog	180	200	-
BDO Unicon	190	210	-
Uralsib	207	246	-
UBS	210	221	-
Renaissance Capital	225	311	-
Bank of Moscow	180	245	320
Alfa-Bank	200	-	-
Citigroup	203	244	-
ING Bank	185	193	212
Danske Bank	195	232	-

Source: investment companies data

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