



## Weekly Newsletter Russia

June 19-25, 2017

### State Policy Developments

#### The Ministry of Finance considers merging the Russian sovereign funds

On June 19, 2017, Mr. Anton Siluanov, the Russian Minister of Finance, announced that the Ministry considers merging [the Reserve Fund and the National Wealth Fund](#).

The major reason for that is the intention to use resources of both funds for the budget deficit coverage. At present, the National Wealth Fund (NWF) is positioned as a part of the pension system established with the major purpose to lower its vulnerability to external shocks. The merger will allow for spending resources of the NWF without present limitations after the Reserve Fund is fully depleted.

As of June 1, 2017, the aggregate resources of the sovereign funds amounted to approx. RUR 5 trillion (about USD 86 billion).

Dedicated article by Kommersant newspaper: [Original](#) (Rus) | [Google Translate](#)

#### The Government approved the strategy of development of the railway vehicles manufacturing until 2030

On June 22, 2017, Kommersant newspaper reported that the Russian Government approved the strategy of railway vehicles construction until 2030 (in Russian: транспортное машиностроение, транспортное mashinostroenie, "transport machine-building"). The appropriate decision was made on June 15, 2017 at the meeting led by Mr. Arkady Dvorkovich, the Russian Vice Prime Minister.

Referring to Kommersant, the strategy, which was elaborated by the Ministry of Trade and Industry, envisages two scenarios of the industry's development:

- (1) **Moderately optimistic scenario** assumes that the share of the local producers in the domestic market will increase to 90% by 2020 (92% by 2030). The share of exports in production volumes is supposed to reach 18% by 2020 (22% by 2030), while the number of employees will increase from 84.6 thousand people to 89.6 thousand people in 2020 (93 thousand people in 2030). The implementation of the scenario requires measures of the state supports, including creative incentives for the production localization and introducing additional protectionism measures.
- (2) **Inertial scenario** assumes domination of the foreign manufacturers in the domestic market that are supposed to retain only "screwdriver" assembly within Russia moving the major part of production facilities to Asia. Under this scenario, the local market share of domestic manufacturers will drop to 59% by 2020 and 50% by 2030. The volumes of exports will stay low, while the number of employees will decrease

to 79.2 thousand people by 2020 (83 thousand people by 2030).

Some of the key measures of support of the railway vehicles manufacturers have also been indicated:

- (1) Support of increasing penetration of heavy weight railway vehicles with introduction of gondola cars and hopper cars having the axle load up to 27 tons per axle to the railway network already in 2017-2020;
- (2) In order to facilitate localization of production, it is proposed to limit access to state contracts for JVs with foreign participation having the level of localization below 80%. The strategy also envisages the annual revision of existing state contracts on the matter;
- (3) Prolongation of existing subsidies;
- (4) Active support of exports;
- (5) Provision of new subsidies solely for introduction of "break-through" technologies.

Dedicated article in Kommersant newspaper: [Original](#) (Rus) | [Google Translate](#)

#### The organizational structure of the Ministry of Economic Development is being optimized

On June 23, 2017, the Ministry of Economic Development of Russia reported on abolishment of three departments:

- Department of Implementation of Regional Investment Programs;
- Department of Coordination of Social and Economic Development of Regions
- Department of Development of Inter-Regional and Cross-Border Cooperation.

At the same time, the Ministry introduced the **Department of Implementation of Regional Investment Programs and Coordination of Social and Economic Development of Regions**.

Press release by the Russian Ministry of Economic Development: [Original](#) (Rus) | [Google Translate](#)

### Business Environment Developments

#### EU expectedly extended sanctions on Russia by one year

On June 19, 2017, the Council of the European Union extended the effective sanctions on Russia until June 23, 2018 in response to annexation of Crimea and Sevastopol.

The sanctions prohibit EU-based companies and individuals (1) imports of products from Crimea, (2) exports of certain products to Crimea, (3) rendering the tourist services within Crimea and (4) any investment in Crimea.

Press release of the Council of the European Union: [Original](#) (Eng)

#### Russia successfully placed USD 3 billion sovereign Eurobond issue

On June 20, 2017, the Russian Ministry of Finance placed the sovereign Eurobond issue for the first time in 9 months. Two tranches of Eurobonds have been offered (10 and 30 years) with the volumes of USD 1 billion and USD 2 billion,



respectively. The interest rates (coupons) were indicated at 4.25% for 10-years tranche and 5.25% for 30-years tranche. Referring to the Ministry of Finance, the demand for the bonds exceeded supply. The order book for USD 3 billion had been formed by 5 p.m. on June 19.

The exclusive bond placement agent has been [VTB Capital](#).

Press release by the Russian Ministry of Finance: [Original](#) (Rus) | [Google Translate](#)

### **Russia took 67<sup>th</sup> place in 2017 Social Progress Index Ranking**

*The Social Progress Index aims to offer more precise assessment of quality of life in a country as compared to GDP per capita figures. It is an aggregate index of social and environmental indicators that capture three dimensions of social progress: Basic Human Needs, Foundations of Wellbeing, and Opportunity. The 2017 Social Progress Index includes data from 128 countries on 50 indicators. The index is run by Social Progress Imperative, a U.S.-based foundation.*

On June 21, 2017, the 2017 Social Progress Index was released with Russia holding 67<sup>th</sup> place with index value of 67.17 out of 100.

The country performs better on Access to Advanced Education (4<sup>th</sup> place, 82.08 index), Access to Basic Knowledge (19, 98.48), Nutrition and Basic Medical Care (42, 98.34), and Environmental Quality (51, 69.35).

The lowest registered scores are in Health and Wellness (119, 47.14), Personal Rights (118, 25.42), Tolerance and Inclusion (115, 36.15) and Personal Safety (104, 57.83).

Page of Social Progress Index on Russia: [Original](#) (Eng)

Global Innovation Index 2017: [Original](#) (Eng)

### **National Statistics**

#### **The Ministry of Economic Development estimated the Russian GDP growth for May 2017 at 3.1%**

On June 21, 2017, the Ministry of Economic Development provided the estimate of the Russian GDP growth for May 2017 at 3.1% as compared to May 2016. The Ministry also revised the April GDP growth estimate to 1.7%. The cumulative growth for January-May 2017 is estimated at 1.3%.

Dedicated message by the Russian Ministry of Economic Development: [Original](#) (Rus) | [Google Translate](#)

## Reports and Forecasts on Russia Traced by Factsphere

Date	Publisher	Document name	URL
19.06.2017 (16.06.2017)	<a href="#">The Russian Central Bank</a>	Monetary Policy Report June 2017	<a href="#">Original</a> (Eng)
19.06.2017 (02.06.2017)	<a href="#">The Russian Central Bank</a>	Monetary Policy Report June 2017	<a href="#">Original</a> (Eng)
19.06.2017	<a href="#">The Russian Central Bank</a>	Report on development of the banking sector and the supervision over banks in 2016	<a href="#">Original</a> (Rus)
19.06.2017	<a href="#">The Russian Central Bank</a>	Report on development of the banking sector and the supervision over banks in 2016	<a href="#">Original</a> (Rus)
19.06.2017	<a href="#">The Russian Central Bank</a>	Review of cross-border remittances of private persons in 2016	<a href="#">Original</a> (Rus)
19.06.2017	<a href="#">Centre for Strategic Research</a>	Problems of the law-enforcement pressure on business: false assumptions and unpromising proposals	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
20.06.2017	<a href="#">CESifo Group Munich</a>	ifo Konjunkturprognose 2017/2018: Deutsche Wirtschaft stark und stabil (ifo Economic Forecast for 2017/2018: Germany's Economy Is Strong and Stable)	<a href="#">Original</a> (Ger)   <a href="#">Summary</a> (Eng)
20.06.2017	<a href="#">The World Bank</a>	Russia Monthly Economic Developments June 2017	<a href="#">Original</a> (Eng)
20.06.2017	<a href="#">The Russian Central Bank</a>	On dynamics of development of the banking sector of Russia in May 2017	<a href="#">Original</a> (Rus)
20.06.2017	<a href="#">The Russian Central Bank</a>	Review of the banking sector of Russia	<a href="#">Original</a> (Rus)
21.06.2017	<a href="#">The Russian Central Bank</a>	Assessment of trend inflation in May 2017	<a href="#">Original</a> (Rus)
22.06.2017	<a href="#">Fitch Ratings</a>	Inflation Collapses as Brazil and Russia Emerge from Recession	<a href="#">Original</a> (Eng)
22.06.2017	<a href="#">ACRA</a>	Weak economic growth to boost capital adequacy of Russian banks. Capital adequacy analysis of the Russian banks.	<a href="#">Original</a> (Eng)
22.06.2017	<a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a>	The Russian Economy Trends. May 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
22.06.2017	<a href="#">DIW Berlin</a>	DIW Economic Bulletin 24 / 2017	<a href="#">Original</a> (Eng)
22.06.2017	<a href="#">BOFIT</a>	BOFIT Weekly	<a href="#">Original</a> (Eng)
22.06.2017	<a href="#">VTB</a>	Weekly Custody newsletter #23 / 2017	<a href="#">Original</a> (Eng)
23.06.2017	<a href="#">The Russian Ministry of Finance</a>	On results of placement of new sovereign Eurobond issues	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
23.06.2017	<a href="#">Commerzbank</a>	Week in Focus	<a href="#">Original</a> (Eng)
23.06.2017	<a href="#">Berenberg</a>	Makroausblick Juni 2017	<a href="#">Original</a> (Ger)

## Statistical Publications Traced by Factsphere

Date	Publisher	Document name	URL
19.06.2017	<a href="#">The Russian State Statistics Service</a>	On PPI in May 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
20.06.2017	<a href="#">The Russian Central Bank</a>	Russian Federation: Data Template on International Reserves and Foreign Currency Liquidity	<a href="#">Original</a> (Eng)
20.06.2017	<a href="#">The Russian State Statistics Service</a>	On Outstanding Debt Due to the Employees by the Employers (Wages) as of June 1, 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
20.06.2017	<a href="#">The Russian State Statistics Service</a>	Information on social and economic developments of Russia in January-May 2017	<a href="#">Original</a> (Rus)
21.06.2017	<a href="#">The Russian State Statistics Service</a>	On CPI estimate for June 14-19, 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
21.06.2017	<a href="#">The Russian State Statistics Service</a>	On the state of foreign trade in January-April 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
22.06.2017	<a href="#">The Russian State Statistics Service</a>	On production volumes of oil products and dynamics of their retail prices for June 12-18, 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
22.06.2017	<a href="#">The Russian Central Bank</a>	International reserves of the Russian Federation (weekly)	<a href="#">Original</a> (Eng)
22.06.2017	<a href="#">The Russian Ministry of Finance</a>	Public external debt of the Russian Federation as of June 1, 2017.	<a href="#">Original</a> (Eng)
23.06.2017	<a href="#">The Russian State Statistics Service</a>	On the state of the oil market in January-April 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>



<b>Date</b>	<b>Publisher</b>	<b>Document name</b>	<b>URL</b>
23.06.2017	<a href="#">The Russian State Statistics Service</a>	Employment and unemployment in Russia in January-April 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
23.06.2017	<a href="#">The Russian State Statistics Service</a>	Business activities of organisations in Russia in June 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
23.06.2017	<a href="#">The Russian State Statistics Service</a>	On correlation of personal income of population with the living wage and the size of low-income population in 1Q 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
23.06.2017	<a href="#">The Russian Central Bank</a>	Portfolio Investment Assets of the Russian Federation by Economy of Nonresident Issuer	<a href="#">Original</a> (Eng)
23.06.2017	<a href="#">The Russian Central Bank</a>	Portfolio Investment Assets of the Russian Federation in SDDS Plus format	<a href="#">Original</a> (Eng)
23.06.2017	<a href="#">The Russian Central Bank</a>	Turnover structure of Foreign Exchange and Derivatives Market	<a href="#">Original</a> (Eng)



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