



State Policy Developments

The Centre for Strategic Research has finalized elaboration of the strategy of Russia for 2018-2024 to be presented to the President

On May 2, 2017 Mr. Alexey Kudrin, the head of the Centre for Strategic Research, announced that the Centre has finalized own version of the Russian strategy for 2018-2024. The strategy is supposed to be presented to Mr. Vladimir Putin, the Russian President, in May 2017. Afterwards, it will serve as one of the key sources for elaboration of the actual strategy based on the President's feedback.

The strategy, which is aimed at facilitating GDP growth to 3.0-3.5% pa on average throughout 2018-2024, will not be disclosed to the public. However, Mr. Kudrin in his interview to [TASS news agency](#) indicated some of its key points.

Referring to Mr. Kudrin, the efforts of the state shall be focused on several directions (human capital, technology and the state management) assuming a number of reforms. The summary on reforms and activities mentioned in the interview is presented below (please, note that only a part of the proposed actions was covered in the interview).

Education

- Equipping the Russian universities with the most up-to-date technical means (150 selected universities);
- Development of secondary educational institutions focusing on training in a profession (colleges, technical training institutes);
- Facilitating links between the business and educational institutions;
- Support of continuous education after graduation;
- Substantial increase of preparation of programmers for the needs of the modern economy.

Healthcare

- A variety of measures assuming introduction of new technologies, medicines, procedures and observations in healthcare;
- As a result of implementation of the proposed measures, the average age at death shall increase from 71.4 years to 76 years.

Technologies

- Facilitating technology spillovers;
- Bringing investment in development of the existing technologies;
- Introduction of new IT-based enterprise management practices;

- Facilitating full digitalisation in the critical sectors of the Russian economy (transport, construction, education, healthcare and the state management).

State management

- Changes in the training system for the state employees in order to improve efficiency;
- Changes in hiring requirements for the state employees raising overall level of qualifications and productivity;
- Decrease in the number of state employees as a result of efforts aimed at improving efficiency;
- Decriminalisation reform assuming introduction of administrative penalties for selected offences instead of criminal prosecution;
- Changes in reporting of the law enforcement bodies allowing getting better perception of the situation with criminal offences.

Indicated financing needs of the strategy

- The state expenditures for education shall be increased by 0.8% of GDP by 2024;
- The state expenditures for healthcare shall be increased by 0.7% of GDP by 2024;
- The state expenditures for road infrastructure construction and maintenance, as well as introduction of new technologies in transportation shall be increased by 0.8% of GDP by 2024.

Proposed sources of financing of the strategy

- No increase in taxes;
- Decrease in budgetary outlays for the military purposes;
- Decrease in the general state management outlays;
- Softening the budgetary rule, i.e. directing all budgetary revenues from the oil industry for outlays under the crude oil price at USD 45 per barrel (instead of USD 40 per barrel as planned for today). That will allow gaining +0.5% of GDP for budgetary outlays in total, while retaining the Russian budget deficit at 1.5% of GDP in the medium-term instead of 1.0% level as planned for today.

As a result of the implementation of the strategy, the Russian real GDP is expected to increase by 29% by 2024, the real disposable income shall grow by 25%, the labour productivity shall raise by 30% and exports (excluding exports of natural resources) shall double.

Full text of interview of Mr. Kudrin to TASS news agency: [Original](#) (Rus)| [Google Translate](#)

The Government proposes amendments to legislation providing corporate tax benefits for companies cooperating with educational institutions

On May 4, 2017 the Ministry of Economic Development presented for the public discussion the Government's corrections to the *amendments to the Tax Code on incentives for organisations related to participation in preparation of highly qualified employees*. The amendments passed the first reading in [the State Duma](#) in December 2016, and on April 11, 2017 Mr. Dmitry Medvedev, [the Russian Prime Minister](#), ordered to prepare new revision with corrections



of the Government before the appropriate law is provided to the Duma for the second reading.

The new regulations allow organisations to decrease the corporate tax base for the sums paid to educational institutions for preparation of new employees under contracts. The corrections proposed by the Government also address the corporate input to endowments that is presently not subject to any of tax privileges. According to the amendments, the businesses that participate in renovation and purchase of the assets of educational institutions, as well as those providing input to endowments, will be allowed to decrease corporate tax base for that sums (not exceeding 1.5% of annual sales).

Initial amendments that passed the first reading in the State Duma in December 2016: [Original](#) (Rus)

Corrections of the Government provided for public discussion: [Original](#) (Rus)

Business Environment Developments

RosNeft initiates USD 1.9 billion lawsuit against AFK Systema with negative impact on investment climate

On May 2, 2017 [RosNeft](#), the largest Russian oil company led by Mr. Igor Sechin, launched a case against [AFK Systema](#), the holding company owned by Mr. Vladimir Yevtushenkov, claiming loss of RUR 106.5 billion due to previous activities of its top managers in relation to [BashNeft](#), an oil company incorporated into Systema before 2014.

In October 2014 the state obtained 71% shareholding in BashNeft following a criminal case initiated against Mr. Yevtushenkov, and in October 2016 the majority shareholding in BashNeft was acquired from the state by RosNeft.

The case for the sum equal to 66% of the market cap of Systema primarily concerns losses driven by reorganisation procedures within BashNeft during the period when the company was controlled by Systema.

Systema is listed at London Stock Exchange (SSA) and Moscow Stock Exchange (AFKS), and the case dramatically hit the market capitalisation of the company (-37% at MSE after the announcement on the claim).

According to the experts, there is a doubtful legal ground for the case, and it is considered to influence negatively the investment climate in Russia.

Dedicated article by Bloomberg: [Original](#) (Eng)

The Ministry of Finance aims at decreasing the federal budget deficit to 2% of GDP already in 2017

On May 2, 2017 Mr. Anton Siluanov, the Russian Minister of Finance, commented in his interview to [Handelsblatt](#), that the Ministry expects the federal budget deficit to decrease to 2% already in 2017 owing to improving macroeconomic conditions (3.2% deficit was initially planned for 2017). It is presently planned to direct about EUR 16 billion for the budget deficit coverage from [the Reserve Fund](#) in 2017 instead of EUR 29 billion expected before.

Interview of Mr. Anton Siluanov to Handelsblatt: [Original](#) (Rus)| [Google Translate](#)

National Statistics

The Central Bank estimated the Russian GDP growth at 0.2-0.4% in 1Q 2017

On May 3, 2017 the Russian Central Bank provided own estimate of the Russian GDP developments in 1Q 2017 indicating growth in the range of 0.2-0.4% (0.3-0.7% growth was estimated in March issue of the bank's analytical comments on the Russian economy developments). Referring to the bank's comments, the growth was driven by activation of investment activities, increase in exports and recovery of inventories. The difference as compared to previous estimate had a technical nature and was related to updates of GDP estimates for previous periods provided by the Russian State Statistics Service.

The Central Bank projects the Russian GDP growth in the range of 0.3-0.5% in 2Q 2017 (seasonally and calendar adjusted).

Analytical comments on the Russian economy developments of the Russian Central Bank: [Original](#) (Rus)

The Russian CPI grew by 0.3% in April 2017

On May 5, 2017 the Russian State Statistics Service released information on CPI in April 2017. The monthly CPI is estimated at 100.3% as compared to March 2017, 101.3% as compared to December 2016 and 104.1% as compared to April 2016 (104.5% if comparing January-April 2017 with January-April 2016). The CPI statistics shows that the present inflation is within the target trajectory of the Russian authorities that assumes reaching 4% CPI growth in 2017 (December to December).

Information at the web-site of the Russian State Statistics Service: [Original](#) (Rus)| [Google Translate](#)



Reports and Forecasts on Russia Traced by Factsphere

Date	Publisher	Document name	URL
02.05.2017	The Russian Ministry of Finance	Interview of Mr. Anton Siluanov, the Russian Minister of Finance, to Handelsblatt	Original (Rus) Google Translate
02.05.2017	TASS News Agency	Interview of Mr. Alexey Kudrin, the head of the Centre for Strategic Research, to TASS news agency	Original (Rus) Google Translate
03.05.2017	The Russian Ministry of Economic Development	Report on implementation of the state program "Economic Development and Innovation Economy" in 2016	Original (Rus)
03.05.2017	The Russian Central Bank	Analytical comments on the Russian economy developments, April 2017	Original (Rus)
03.05.2017	The Russian Central Bank	Mortgage Loan Market in 2016	Original (Eng)

Statistical Publications Traced by Factsphere

Date	Publisher	Document name	URL
02.05.2017	The Russian Ministry of Finance	Weekly data on budget funds in deposits, public budget loans and REPO	Original (Eng)
02.05.2017	The Russian Ministry of Finance	On results of placement of assets of the Reserve Fund and the National Wealth Fund	Original (Rus) Google Translate
02.05.2017	The Russian Ministry of Finance	On average Urals crude oil price in January-April 2017	Original (Rus) Google Translate
02.05.2017	The Russian Central Bank	Money Supply (M2), seasonally adjusted	Original (Eng)
02.05.2017	The Russian Central Bank	Broad Money, seasonally adjusted	Original (Eng)
03.05.2017	The Russian State Statistics Service	Short-Term Economic Indicators of the Russian Federation in March 2017	Original (Rus / Eng)
03.05.2017	The Russian State Statistics Service	Information for Monitoring of Social and Economic Status of Subjects of the Russian Federation in March 2017	Original (Rus)
03.05.2017	The Russian State Statistics Service	Social and Economic Status of the Russian Federation in January-March 2017	Original (Rus)
04.05.2017	The Russian State Statistics Service	On CPI estimate for April 25-May 2, 2017	Original (Rus) Google Translate
04.05.2017	The Russian State Statistics Service	On production volumes of oil products and dynamics of their retail prices for April 24-30, 2017	Original (Rus) Google Translate
04.05.2017	The Russian Ministry of Finance	On mining and production of gold and silver in January-February 2017	Original (Rus) Google Translate
04.05.2017	The Russian Ministry of Finance	On foreign currency interventions	Original (Rus) Google Translate
04.05.2017	The Russian Central Bank	International reserves of the Russian Federation	Original (Eng)
05.05.2017	The Russian Central Bank	Information on registration and licensing of credit institutions as of April 30, 2017	Original (Eng)
05.05.2017	The Russian State Statistics Service	On CPI in April 2017	Original (Rus) Google Translate



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