



State Policy Developments

Fiscal consolidation policy is likely to hit a number of important planned outlays totaling 1.85% of GDP in 2018

On September 8, 2017, Kommersant newspaper reported that the Ministry of Finance had not approved a number of outlays planned by other Russian ministries due to the budgetary deficit and the lack of sources of financing. Specifically, for the year 2018 the total sum of rejected outlays was estimated at RUR 1.8 trillion or 1.85% of the projected GDP for the year (RUR 2.2 trillion for 2019 and RUR 2.4 trillion for 2020 that comprises 2.1% of the planned GDP).

The following inquiries of the ministries had not been reportedly approved by September 6, 2017:

- Defense: RUR 485 billion required primarily for indexation of payments to the military personnel;
- Defense: RUR 118 billion (undisclosed section of the Russian budget);
- Defense (investment): RUR 87 billion for undisclosed articles;
- Healthcare: RUR 181 billion, including RUR 126 billion required by Federal Medical and Biological Agency for centralization of regional blood donorship systems and its anti-terror defense;
- Education: RUR 95 billion, including RUR 60 billion required for renovation of schools and increase in teachers' wages;
- Education (investment): RUR 25 billion required for construction of new schools;
- Transportation (current expenditures): RUR 112 billion primarily required by Russian Railways.
- Transportation (investment): RUR 320 billion, including RUR 231 billion required for repair of roads;
- State housing program (investment): RUR 38 billion;
- Culture: RUR 14 billion;
- Tourism: RUR 12 billion.

The federal budget for 2018 has been mostly drafted already, and the major part of the mentioned outlays is not likely to be covered. Even spending the National Wealth Fund in full and abolishing the fiscal rule will not allow covering those requests in 2018-2020. The state is not going to change the plans on raising domestic debt (OFZ issues for RUR 1 trillion annually), while foreign debt growth prospects are limited by sanctions. Therefore, the possibilities of financing of those expenditures via debt increase are also quite limited.

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

Business Environment

The Russian state will not allow using cryptocurrencies for payments

On September 8, 2017, Ms. Elvira Nabiullina, the head of the Russian Central Bank, commented to the press at the Moscow Financial Forum that the bank would not let using cryptocurrencies as the money substitutes in Russia due to the risks of undermining money circulation.

At present, the Central Bank and the Ministry of Finance consider options on legalization of cryptocurrencies in Russia. Referring to Mr. Anatoly Aksakov, the head of the Committee on Financial Market of the State Duma, the concept of appropriate law is likely to be ready by the end of Autumn 2017.

In August 2017, the Ministry of Finance proposed to allow trading with cryptocurrencies at the Moscow Stock Exchange, and that option would be granted to qualified investors only.

Citing Ms. Elvira Nabiullina by TASS news agency: [Original \(Rus\)](#) | [Google Translate](#)

Glencore-QIA Consortium sells 14.16% shareholding in Rosneft to CEFC China Energy Company Limited for approx. USD 9 billion

On September 8, 2017, Glencore, a Swiss-based natural resource commodities producer and trader, issued the press release stating that Glencore-QIA (Qatar Investment Authority) Consortium concluded an agreement with CEFC China Energy Company Limited on selling 14.16% shareholding in Rosneft, the Russian largest oil producer. The transaction value is calculated at a premium of approx. 16% to the 30 day volume weighted average price (estimated at USD 9 billion). The transaction is still subject to all regulatory approvals.

The named parties purchased 19.5% shareholding in Rosneft for RUR 692 billion (approx. EUR 10.2 billion) in December 2016 from Rosneftegas, the nominal shareholder controlled by the Russian state. The deal structure assumed purchase of 5.3% shareholding using equity investment of the parties and 14.2% shareholding using loan financing. The transaction was led by Intesa Sanpaolo, an Italy-based financial group, which provided a part of the required sum as a loan (EUR 5.2 billion) and reportedly committed to gather a pool of 15 banks for the remaining part by May 2017. However, due to introduction of new sanctions from the side of the U.S. it was not possible to bring in that financing.

Glencore and QIA are supposed to retain their original equity investments in Rosneft that have been made outside the consortium (indicated at 0.5% and 4.7%, respectively).

Referring to Mr. Igor Sechin, the head of Rosneft, the new Chinese partner will be allowed to participate in a number of the Russian oil & gas projects as a minority shareholder (primarily projects in Western Siberia).

Press-release of Glencore: [Original \(Eng\)](#)

Interview of Mr. Igor Sechin to Russia 24 TV channel: [Original \(Rus\)](#) | [Google Translate](#)



National Statistics

The Russian inflation falls to a record low of 3.3% in August 2017

On September 5, 2017, the Russian State Statistics Service released information on CPI in August 2017. The CPI growth was estimated at -0.5% as compared to July 2017, +1.8% as compared to December 2016 and +3.3% as compared to August 2016.

The major contribution to the registered deflation was provided by CPI for fruits and vegetables that contracted by 15.5% in August following 8.3% contraction in July. At the same time, the CPI for non-foods grew by +0.1%, while the CPI for services increased by +0.4% as compared to July 2017.

The Russian Central Bank considers the contraction to be of temporary nature, as far as it is mostly connected with the seasonal factors related to the late crop collection, relatively good harvest and intention of producers to sell it fast due to the lack of storage facilities. The bank believes that the prices for fruits and vegetables may be volatile in September-October depending on the weather conditions and retained the year-end inflation projection to be near its inflation target for the year (4.0%).

At the same time, Mr. Maxim Oreshkin, the Russian Minister of Economic Development, stated that the year-end inflation in Russia might fall below 3.5% in 2017, while the chances of further deflation in September 2017 are considered minimal.

Data on CPI in August 2017 at website of the Russian State Statistics Service: [Original](#) (Rus)| [Google Translate](#)

Comments of the Russian Central Bank cited by Vedomosti newspaper: [Original](#) (Rus)| [Google Translate](#)

Citing Mr. Maxim Oreshkin by 1Prime information agency: [Original](#) (Rus)| [Google Translate](#)



Reports and Forecasts on Russia Traced by Factosphere

Date	Publisher	Document name	URL
04.09.2017	The Analytical Centre for the Government of the Russian Federation	Economic links and development of Eurasian Economic Union. Report.	Original (Rus, pdf)
04.09.2017	Accounts Chamber of the Russian Federation	Report on the federal budget execution in January-July 2017	Original (Rus, xlsx); Original (Rus, docx) Google Translate
05.09.2017	Centre for Development of Higher School of Economics	Indices of intensity of output of goods and services in the key economic sectors. July 2017.	Original (Rus, pdf)
05.09.2017	The Analytical Centre for the Government of the Russian Federation	The environment and the economy: decreasing air pollution in the country. Report.	Original (Rus, pdf)
05.09.2017	The Russian Ministry of Finance	On revenues from the oil and gas sector and the foreign currency sales/purchases in the domestic Forex market	Original (Rus) Google Translate
06.09.2017	The Russian Ministry of Economic Development	Monitoring of key development trends of the economy sectors. July 2017	Original (Rus, pdf)
06.09.2017	Nordea Markets	Nordea Economic Outlook 03 / 2017	Original (Eng, pdf)
07.09.2017	Gaidar Institute in cooperation with Russian Presidential Academy of National Economy and Public Administration and Russian Foreign Trade Academy	Monitoring of Economic Situation in Russia. September 2017, #15(53)	Original (Rus, pdf)
07.09.2017	The Analytical Centre for the Government of the Russian Federation	Energy supply of isolated territories. Report.	Original (Rus, pdf)
07.09.2017	The Russian Ministry of Economic Development	The list of agreements between Russia and Japan based on results of the Eastern Economic Forum	Original (Rus) Google Translate
07.09.2017	ROMIR	New harvest decreased expenses. Survey on the daily consumer expenses in August 2017	Original (Rus) Google Translate
07.09.2017	The Russian Central Bank	Talking Trends bulletin. September 2017	Original (Eng, pdf)
07.09.2017	VTB	Weekly Custody newsletter #34 / 2017	Original (Eng)
07.09.2017	The Russian Ministry of Finance	Interview of Mr. Vladimir Kolychev, the Deputy Minister of Finance, to Kommersant newspaper	Original (Rus) Google Translate
08.09.2017	Commerzbank	Week in Focus (forecast)	Original (Eng, pdf)
08.09.2017	Berenberg	Makroausblick 08.09.2017	Original (Ger, pdf)
08.09.2017	BOFIT	BOFIT Weekly	Original (Eng, pdf)
09.09.2017	The Economist	The Economist Poll. September averages.	Original (Eng)

Statistical Publications Traced by Factosphere

Date	Publisher	Document name	URL
05.09.2017	The Russian State Statistics Service	On CPI in August 2017	Original (Rus) Google Translate
05.09.2017	The Russian Central Bank	Statistical bulletin of the Bank of Russia #8 2017	Original (Rus, pdf)
05.09.2017	The Russian Ministry of Finance	Weekly data on budget funds in deposits, public budget loans and REPO	Original (Eng)
06.09.2017	The Russian State Statistics Service	On CPI estimate for August 29-September 4, 2017	Original (Rus) Google Translate
07.09.2017	The Russian Central Bank	Russian Federation: Outward Foreign Direct Investment Positions by Instruments and Geographical Allocation (directional principle)	Original (Eng)
07.09.2017	The Russian Central Bank	Russian Federation: Inward Foreign Direct Investment Positions by Instruments and Geographical Allocation (directional principle)	Original (Eng)
07.09.2017	The Russian Central Bank	Russian Federation: Outward Foreign Direct Investment Positions by Instruments and Geographical Allocation (asset/liabilities principle)	Original (Eng)



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07.09.2017	The Russian Central Bank	Russian Federation: Inward Foreign Direct Investment Positions by Geographical Allocation (asset/liabilities principle)	Original (Eng)
07.09.2017	The Russian State Statistics Service	On production volumes of oil products and dynamics of their retail prices for August 28-September 3, 2017	Original (Rus) Google Translate
07.09.2017	The Russian Central Bank	International Reserves of the Russian Federation (Weekly values as of the end of accounting date)	Original (Eng)
07.09.2017	The Russian Central Bank	International Reserves of the Russian Federation (Monthly values as of the end of accounting date)	Original (Eng)
07.09.2017	The Russian Central Bank	International investment position on international reserves of the Russian Federation	Original (Eng)



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