



## State Policy Developments

### Russian authorities aim to secure control over critical infrastructure of the Russian segment of Internet

On August 16, 2017, the Ministry of Telecom and Mass Communications of the Russian Federation proposed amendments to the federal law [#126-FZ “On Communications”](#) envisaging additional regulations of the Russian segment of Internet.

Referring to the proposed bill, the critical Internet infrastructure will be supervised via newly established State Information System of Provision of Integrity, Sustainability and Security of Operations of Runet (Russian segment of Internet). The operator of the system is supposed to be assigned by the Russian Government.

The amendments also limit the foreign shareholdings in the legal entities owing Internet exchange points (IXPs' owners) to 20% similarly to ownership limits introduced for the mass media, audio and video services and TV audience measurement services in 2016-2017. The Russian telecom operators will have to direct Internet traffic only to IXPs listed in the dedicated state register.

The order of interactions between the owners and operators of IXPs with the state bodies and a number of additional requirements to IXPs (security, information exchange procedure, etc.) are supposed to be defined by the Ministry of Telecom and Mass Communications in cooperation with the Federal Security Service (FSB).

After the bill goes through the governmental approval procedure, it will be considered by the Russian Parliament.

Amendments to the federal law #126-FZ “On Communications” at Federal Portal of Drafts of Legislative Acts: [Original](#) (Rus)

### Introduction of the added income tax in the oil industry starting from the beginning of 2018 is under question

On August 14, 2017 Mr. Alexey Texler, the Russian Deputy Minister of Energy, commented to the press that the ministries engaged in elaboration of the reform on introduction of the added income tax (AIT) in the oil industry miss the deadlines when drafting the appropriate bill.

The Russian Budgetary Code requires all bills related to taxation changes for the next year to be adopted by the Russian Parliament at least a month before a bill on the federal budget for the coming year is provided for consideration to the State Duma by the Government (not later than October 1). Therefore, the bill on the added income tax shall be adopted not later than September 1, 2017 in order to be introduced starting from the beginning

of 2018 that seems quite unrealistic (the bill has not been yet even provided to the State Duma for consideration).

The Ministry of Energy still aims to facilitate introduction of AIT and proposed to abolish temporarily Article 53 of the Budgetary Code stating the deadline on adoption of taxation bills. Thus, it aims to secure adoption of the bill on AIT until December 1, 2017.

At the same time, the Ministry of Finance is not ready to support that initiative, as far as it does not support planned tax privileges for water-bearing deposits lobbied by the Ministry of Energy and Rosneft. Therefore, the prospects of introduction of AIT starting from 2018 are presently quite doubtful.

*The government plans to introduce the added income tax (AIT, *nalog na dobavleniiy dokhod*, налог на добавленный доход) in order to replace export duties in the oil industry and partially the severance tax.*

*According to the publicly available information on formulas agreed by the Ministry of Energy and the Ministry of Finance (end of 2016), the added income tax rate is stated at 50% for the income from oil sales excluding extraction and transportation costs. In case the oil price is at USD 50 per barrel, the tax will amount to USD 17.5 per barrel or 35% of the oil price (as of the mid-2016, severance tax and export duties stood at about 42% of the oil price).*

*The tax reform will initially cover new deposits and selected old deposits with extraction volumes not exceeding 10-15 million tons (there will be a list of pilot projects for AIT introduction). For new deposits (less than 8 years in operation), there will be lower rates at the level of around 14% of the oil price until the year 5 and a bit more afterwards.*

*The full-scale launch of AIT is assumed to take place in 5 years after introducing the tax for the pilot projects. Based on discussions in the government that took place in September 2016, the greenfield projects enjoying specific tax benefits are supposed to have an option, but not an obligation of introduction of the new taxation system.*

Vedomosti newspaper citing Mr. Alexey Texler (ref. Interfax news agency): [Original](#) (Rus) | [Google Translate](#)

## Business Environment

### The Russian banking system cleanup is not likely to be over soon

Since 2014, one third of the Russian banks have lost their licenses in the course of the banking system cleanup initiated by the Central Bank. Despite the [announcements of the state authorities](#), the process of the financial system rehabilitation is yet to take substantial time.

On August 17, 2017, Bloomberg cited Ms. Ekaterina Trofimova, the CEO of [ACRA](#), which is the Russian credit rating agency authorized to grant the national scale ratings. Referring to ACRA, as much as 14% of the Russian lenders' assets are considered problematic, while the Russian Central Bank estimates the share of non-performing loans in top 30 lenders' assets at 7.6%. At the same time, the



capital levels of one third of the remaining Russian banks are assessed as weak or critical.

The necessity of further cleanup efforts was confirmed by [the recent collapse of Jugra](#), the 15<sup>th</sup> largest Russian bank by retail deposits, which led to extraordinary payments by the national Deposit Insurance Agency.

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

### **The Nielsen Consumer Confidence Index for Russia showed positive developments in 2Q 2017 after reaching bottom**

On August 17, 2017, Nielsen released results of the consumer confidence survey for 2Q 2017. The Consumer Confidence Index (CCI) for Russia grew by 7 points to 70 recovering from the bottom registered in 1Q and 4Q 2016 (63). At the same time, the global CCI reached 104 that is 3 points higher as compared to 4Q 2016.

*The Nielsen Consumer Confidence Index measures perceptions of local job prospects, personal finances and immediate-spending intentions. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism, respectively. Within a country, period-to-period movements of seven points or more are considered statistically significant (citing [www.nielsen.com](http://www.nielsen.com)).*

“First signs of the Russian consumers’ confidence revival” at website of Nielsen: [Original](#) (Rus)| [Google Translate](#)

## **National Statistics**

### **The Russian industrial production growth slowed down to 1.1% in July**

On August 15, 2017, the Russian State Statistics Service released data on industrial production in July 2017 indicating 1.1% growth as compared to July 2016 and 2.5% contraction as compared to June 2017 (1.1% seasonally and calendar adjusted contraction). The cumulative growth in January-July 2017 was estimated at 1.9% as compared to appropriate period of the previous year.

The registered contraction was not expected by the majority of the analysts who predicted developments supporting the surge observed in May and June (5.6% and 3.5% growth, respectively). Manufacturing demonstrated quite poor performance in July (0.8% contraction as compared to July 2016), while the major growth driver has been mining and quarrying (4.0% growth).

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

### **The Russian fixed investment demonstrated surprising 6.4% growth in 2Q 2017**

On August 17, 2017, the Russian State Statistics Service released the bulletin on social and economic developments of Russia in July 2017.

The bulletin features the estimate of the Russian fixed investment growth for the first half of 2017 indicated at

4.8% as compared to appropriate period of the previous year that corresponds to 6.4% quarterly growth in 2Q 2017 (2.3% growth was registered in 1Q 2017). Therefore, the fixed investment developments can be considered the major contributor to the Russian GDP growth that was registered at 2.5% in 2Q 2017 and 1.5% in 1H 2017 (preliminary estimates).

Information on social and economic developments of Russia in January-July 2017: [Original](#) (Rus, pdf)

## Reports and Forecasts on Russia Traced by Factosphere

Date	Publisher	Document name	URL
n/a	<a href="#">AEB</a>	AEB Business Quarterly Summer 2017	<a href="#">Original</a> (Eng)
14.08.2017	<a href="#">The Institute of Natural Monopolies Research (IPEM)</a>	Results of the Russian industrial developments for 7 months of 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
14.08.2017	<a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a>	Comparison of model of the Russian financial sector with models of financial sectors of other countries.	<a href="#">Original</a> (Rus)
14.08.2017	<a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a>	Financial sector, economic growth and macroeconomic stability.	<a href="#">Original</a> (Rus)
14.08.2017	<a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a>	Long-term forecast of the size and structure of the Russian financial sector	<a href="#">Original</a> (Rus)
14.08.2017	<a href="#">Russian Venture Capital Association</a>	Russian private equity and venture capital market review, 1 half of 2017	<a href="#">Original</a> (Rus), <a href="#">Original</a> (Rus, xls)
14.08.2017	<a href="#">The Ministry of Trade and Industry</a>	Interview with Mr. Denis Manturov, the Russian Minister of Trade and Industry	<a href="#">Original</a> (Rus)
15.08.2017	<a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a>	What do the leading indicators of systematic financial and macroeconomic risks show? (data as of July 1, 2017)	<a href="#">Original</a> (Rus)
15.08.2017	<a href="#">Centre of Development of Higher School of Economics</a>	Comments on the State and the Business, July 27-August 14, 2017 (#138)	<a href="#">Original</a> (Rus)
15.08.2017	<a href="#">Centre of Development of Higher School of Economics</a> in cooperation with <a href="#">The Russian Ministry of Economic Development</a> and <a href="#">Russian Venture Company</a>	Cluster policy: reaching global competitiveness. Study.	<a href="#">Original</a> (Rus)
15.08.2017	<a href="#">ROMIR</a>	Burst of private inflation. ROMIR's deflator index in July 2017.	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
15.08.2017	<a href="#">The Russian Central Bank</a>	On dynamics of development of the Russian banking sector in July 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
15.08.2017	<a href="#">The Russian Central Bank</a>	Banking sector liquidity and financial markets	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
16.08.2017	<a href="#">The Analytical Centre for the Government of the Russian Federation</a>	Application of the special regime of processing within the territory of the Russian Federation: issues of concern for exporters. Report.	<a href="#">Original</a> (Rus)
16.08.2017	<a href="#">The Economist Intelligence Unit</a>	Global Liveability Report 2017	<a href="#">Original</a> (Eng, registration required)
17.08.2017	<a href="#">ROMIR</a>	Coffee and Milk index. July 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
17.08.2017	<a href="#">Levada Center</a>	Russia-wide survey on priorities in foreign affairs	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
17.08.2017	<a href="#">Nielsen</a>	First signs of the Russian consumers' confidence revival	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
17.08.2017	<a href="#">VTB</a>	Weekly Custody newsletter #31 / 2017	<a href="#">Original</a> (Eng)
18.08.2017	<a href="#">BOFIT</a>	BOFIT Weekly	<a href="#">Original</a> (Eng)
18.08.2017	<a href="#">Commerzbank</a>	Week in Focus (forecast)	<a href="#">Original</a> (Eng)
18.08.2017	<a href="#">Berenberg</a>	Makroausblick August 2017	<a href="#">Original</a> (Ger)
18.08.2017	<a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a>	Bankruptcies of legal entities in Russia: key trends, 2Q 2017.	<a href="#">Original</a> (Rus)
18.08.2017	<a href="#">Institute of the Statistical Studies and Economics of Knowledge of Higher School of Economics</a>	Business climate in wholesale trade in 2Q 2017	<a href="#">Original</a> (Rus)

## Statistical Publications Traced by Factosphere

Date	Publisher	Document name	URL
14.08.2017	<a href="#">The Russian State Statistics Service</a>	National accounts of Russia in 2011-2016	<a href="#">Original</a> (Rus, rar)
14.08.2017	<a href="#">The Russian State Statistics Service</a>	National accounts of Russia in 2011-2016, breakdown by region	<a href="#">Original</a> (Rus, rar)
14.08.2017	<a href="#">The Russian Ministry of Finance</a>	Average Urals crude oil price in January-July 2017	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>



<b>Date</b>	<b>Publisher</b>	<b>Document name</b>	<b>URL</b>
14.08.2017	<a href="#">The Russian Ministry of Finance</a>	Weekly data on budget funds in deposits, public budget loans and REPO	<a href="#">Original</a> (Eng)
15.08.2017	<a href="#">The Russian State Statistics Service</a>	On industrial production in July 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
15.08.2017	<a href="#">The Russian State Statistics Service</a>	On outstanding payroll debt as of August 1, 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
15.08.2017	<a href="#">The Russian Ministry of Finance</a>	On average Urals crude oil price and exports duties (July 15-August 14, 2017)	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
15.08.2017	<a href="#">The Russian Ministry of Finance</a>	On average Urals crude oil price and exports duties (July 15-August 14, 2017)	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
16.08.2017	<a href="#">The Russian Central Bank</a>	Time series of indicators from certain tables of Review of the Banking Sector of the Russian Federation	<a href="#">Original</a> (Eng, xls)
16.08.2017	<a href="#">The Russian State Statistics Service</a>	On CPI estimate for August 8-14, 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
17.08.2017	<a href="#">The Russian State Statistics Service</a>	On production volumes of oil products and dynamics of their retail prices for August 7-13, 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
17.08.2017	<a href="#">The Russian State Statistics Service</a>	On PPI in July 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
17.08.2017	<a href="#">The Russian State Statistics Service</a>	Information on social and economic developments of Russia in January-July 2017	<a href="#">Original</a> (Rus, pdf)
17.08.2017	<a href="#">The Russian Central Bank</a>	International Reserves of the Russian Federation (Weekly values as of the end of accounting date)	<a href="#">Original</a> (Eng)
18.08.2017	<a href="#">The Russian State Statistics Service</a>	Results of statistical observation over salaries of employees in social sector and science in 1H 2017	<a href="#">Original</a> (Rus)
18.08.2017	<a href="#">The Russian State Statistics Service</a>	Social and economic developments of the Russian federal districts in 1 half of 2017	<a href="#">Original</a> (Rus)
18.08.2017	<a href="#">The Russian Ministry of Finance</a>	Public domestic debt of the Russian Federation	<a href="#">Original</a> (Eng)
18.08.2017	<a href="#">The Russian Central Bank</a>	Russian Federation: Data Template on International Reserves and Foreign Currency Liquidity	<a href="#">Original</a> (Eng)
18.08.2017	<a href="#">The Russian Central Bank</a>	International reserve assets and other foreign currency liquidity of the Russian Federation	<a href="#">Original</a> (Rus, xls)



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