



State Policy Developments

The Government updates budgetary projections until 2020

On September 14, 2017, Kommersant newspaper reported that the Ministry of Finance revised the budgetary projections for 2018-2020. The new projections assume further stabilization of the Russian state finances and aim at reaching the level of the budgetary deficit below 1% of GDP by 2019.

The **federal budget balance** is expected at -1.4% of GDP in 2018, -0.8% of GDP in 2019 and -0.9% of GDP in 2020.

The **revenues of the federal budget** are projected to grow slightly in nominal terms from RUR 15.197 trillion in 2018 to RUR 15.565 trillion in 2019 and RUR 16.298 trillion in 2020.

The **federal budget outlays** are projected to be cut in nominal terms from RUR 16.531 trillion in 2018 to 16.432 trillion in 2019 with further growth to RUR 17.258 trillion in 2020. The share of the federal budget outlays in the planned GDP of corresponding years is assumed to be decreasing from 17% in 2018 to 15.9% in 2019 and 15.7% in 2020.

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

The Russian Central Bank cuts the base rate to 8.5%

On September 15, 2017, the Russian Central Bank made a decision to cut the base rate from 9.0% to 8.5%.

The cut was expected by the majority of experts, as far as the inflation rates registered in the recent weeks (3.3% in August 2017 and 3.2% in the first weeks of September) have been below the Central Bank's target for the year (4.0%).

The Bank pointed at substantial short-term and medium-term risks related to possible fluctuations of the inflation rates above the target due to volatility in the local and global commodity markets. The short-term risks concern primarily food prices dynamics in the coming 6 months that will depend on quality and preserved volumes of the harvest in Russia.

The Bank indicated possibility of further cuts during two coming quarters. The majority of analysts expect the cuts to 8.0-8.25% by the end of 2017 subject to stabilization of inflation rates at the level below or equal to the Central Bank's target.

Dedicated press release of the Russian Central Bank: [Original \(Eng\)](#)

Business Environment

Nord Stream 2 project faces troubles with financing due to the recently introduced U.S. sanctions

On September 13, 2017, Mr. Rainer Seele, the CEO of [OMV AG](#) and the President of [Russian-German Foreign Trade Chamber](#), made a speech at the press conference dedicated to presentation of the results of survey on the impact of the recently introduced U.S. sanctions on the German businesses in Russia. Referring to the results, 97% of the members of the Chamber demonstrated negative attitude towards introduction of the sanctions, while 52% of the respondents believe that the new sanctions may have a negative impact on their businesses in Russia.

The energy companies will suffer the most, as well as their suppliers and other counteragents. The sanctions will hit particularly hard the Nord Stream 2 project that assumes construction of the natural gas pipeline from Russia to Europe.

Specifically, Mr. Seele commented that the participants of the project (Gazprom as the sole shareholder in cooperation with OMV, Shell, Engie, Uniper and Wintershall) are not likely to bring in required volume of the loan financing that is estimated at 70% of EUR 9.5 billion project.

The initial project financing scheme assumed granting the bridge loans for 50% of required investment by the mentioned European companies (EUR 950 million each) before securing long-term financing. By this time, the project participants secured 30% of the project cost in total. The companies provided EUR 1.4 billion (EUR 285 million each), and EUR 1.4 billion was provided by Gazprom as the charter capital of dedicated SPV.

Despite the indicated problem, there is still a strong commitment to implementation of the project from the side of participants, and the new approaches to financing are being considered. The considered options assume that Gazprom may increase equity financing of the project or the participants bring in loan financing from the Russian or/and Chinese banks instead of the European ones.

Meanwhile, the European Commission aims to ensure that the new gas pipeline does not reshape energy markets for Russia's gain. The appropriate draft plan with a number of tough conditions has been elaborated, but there is a legal void concerning the offshore part of the pipeline to be discussed between the parties.

Press release at website of the Russian-German Foreign Trade Chamber: [Original \(Rus\)](#) | [Google Translate](#)

Dedicated article on the impact on Nord Stream 2 by Kommersant newspaper: [Original \(Rus\)](#) | [Google Translate](#)

Dedicated article on the EU policy by EU Observer: [Original \(Eng\)](#)



National Statistics

The Russian industrial output grew by 1.5% in August 2017

On September 15, 2017, the Russian State Statistics Service released data on industrial output in August, which was estimated at 101.5% as compared to August 2016 and 102.0% as compared to July 2017. The cumulative growth for January-August was indicated at +1.9% as compared to appropriate period of the previous year.

The growth in August has been driven primarily by *mining and quarrying* (+2.9% as compared to August 2016), while the *manufacturing* contributed with the moderate +0.7% increase in output. The *electricity, gas, steam and air conditioning supply* demonstrated lacklustre developments (+0.3%), while there was a slump in *water supply, sewerage, waste management and remediation activities* (-3.4%).

The major contribution to the registered growth in the mining and quarrying was provided by the natural gas extraction (growth of the natural gas output by 19.7% and associated petroleum gas output by 16.8%).

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

Reports and Forecasts on Russia Traced by Factsphere

Date	Publisher	Document name	URL
11.09.2017	The Russian Ministry of Finance	Comments of Mr. Konstantin Vychkovsky, Director of Department on the State Debt and the State Financial Assets, on exchange of Eurobonds with maturity in 2018 and 2030	Original (Rus) Google Translate
12.09.2017	Centre for Development of Higher School of Economics	Comments on the state and the business, August 15-September 11, 2017	Original (Rus, pdf)
12.09.2017	The Russian Ministry of Finance	Description of planned amendments to the law #44-FZ on the government purchases	Original (Rus) Google Translate
12.09.2017	OPEC	OPEC monthly oil market report. September 2017.	Original (Eng, pdf)
12.09.2017	Institute of the National Economy Forecasting of the Russian Academy of Sciences	Assessment of results of operations of the Russian industry in August 2017	Original (Rus)
12.09.2017	ROMIR	RUR 518. Survey on the average spending in Russian retail outlets in August 2017.	Original (Rus) Google Translate
12.09.2017	The Russian Ministry of Economic Development	Speech of Mr. Maxim Oreshkin, the Russian Minister of Economic Development, on the prospects of the Russian economy until 2020	Original (Rus) Google Translate
13.09.2017	The Russian Ministry of Finance	Press release on exchange of Eurobonds with maturity in 2018 and 2030	Original (Rus) Google Translate
13.09.2017	Deka Group	Emerging Markets Trends September 2017	Original (Ger, pdf)
13.09.2017	ACRA	Recovering prices for non-ferrous metals to boost import substitution in Russia. Non-ferrous metals market forecast until 2021.	Original (Eng)
13.09.2017	PwC	FTS comments on court practices on business splitting	Original (Eng)
13.09.2017	The Russian Ministry of Economic Development	Picture of inflation in August 2017.	Original (Rus, pdf)
13.09.2017	The Center for Strategic Research	Digital transformation in the Russian electric power generation. Report.	Summary: Original (Rus) Google Translate
13.09.2017	The Institute of Natural Monopolies Research (IPEM)	Results of the Russian industrial developments for 8 months of 2017	Original (Rus) Google Translate
13.09.2017	World Economic Forum	The Global Human Capital Report 2017.	Original (Eng)
14.09.2017	ACRA	Poor asset quality to remain the key risk of Russian banks' creditworthiness decline. Analysis of Russian banks' asset quality.	Original (Eng)
14.09.2017	The Russian Central Bank	Banking Supervision Report 2016.	Original (Eng, pdf)
14.09.2017	ROMIR	ROMIR's "Coffee and Milk" index for August 2017.	Original (Rus) Google Translate
14.09.2017	Russian Presidential Academy of National Economy and Public Administration	Monitoring of social and economic status and well-being of the population (August 2017)	Original (Rus) Google Translate
15.09.2017	The Russian Central Bank	Draft of the monetary policy guidelines for 2018-2020	Summary: Original (Eng, pdf) Full text: Original (Rus, pdf)
15.09.2017	The Russian Central Bank	The monetary policy report. September 2017.	Summary: Original (Eng, pdf) Full text: Original (Rus, pdf)
15.09.2017	The Russian Central Bank	Review of the banking sector. September 2017.	Original (Eng, pdf)
15.09.2017	The Russian Central Bank	Bank of Russia Statistical Bulletin No. 8 (291)	Original (Eng, pdf)
15.09.2017	BNP Paribas	Emerging countries: mainly clear skies but some patchy cloud. Report.	Original (Eng, pdf)
15.09.2017	Berenberg	Makroausblick September 2017	Original (Ger)
15.09.2017	Institute of the Statistical Studies and Economics of Knowledge of Higher School of Economics	Employment in the Russian R&D sector	Original (Rus) Google Translate
14.09.2017	VTB	Weekly Custody newsletter #35 / 2017	Original (Eng)
15.09.2017	Commerzbank	Week in Focus (forecast)	Original (Eng, pdf)
15.09.2017	BOFIT	BOFIT Weekly	Original (Eng, pdf)



Statistical Publications Traced by Factosphere

Date	Publisher	Document name	URL
11.09.2017	The Russian State Statistics Service	On production of GDP in 2Q 2017	Original (Rus) Google Translate
11.09.2017	The Russian State Statistics Service	First estimate of GDP in 2Q 2017	Original (Rus)
11.09.2017	The Russian Central Bank	Merchandise Trade of the Russian Federation	Original (Eng, xls)
11.09.2017	The Russian Central Bank	Main Stock Market Indicators	Original (Eng, xls)
13.09.2017	The Russian State Statistics Service	On CPI estimate for September 5-11, 2017	Original (Rus) Google Translate
13.09.2017	The Russian State Statistics Service	Key indicators of social and economic developments of subjects of the Federation in 1H 2017	Original (Rus)
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13.09.2017	The Russian Customs Service	Foreign trade of the Russian Federation excl. CIS in January-July 2017	Original (Rus, xls)
13.09.2017	The Russian Customs Service	Foreign trade of the Russian Federation with CIS countries in January-July 2017	Original (Rus, xls)
13.09.2017	The Russian Customs Service	Foreign trade of the Russian Federation in January-July 2017, breakdown by key partner	Original (Rus, xls)
13.09.2017	The Russian Customs Service	Imports of the Russian Federation in January-July 2017, breakdown by commodity group	Original (Rus, xls)
13.09.2017	The Russian Customs Service	Exports of the Russian Federation in January-July 2017, breakdown by commodity group	Original (Rus, xls)
13.09.2017	The Russian Customs Service	Exports of the Russian Federation in January-July 2017, breakdown by key commodity	Original (Rus, xls)
13.09.2017	The Russian Customs Service	Foreign trade of the Russian Federation with members of Eurasian Economic Union in January- July 2017	Original (Rus, xls)
14.09.2017	The Russian State Statistics Service	On production volumes of oil products and dynamics of their retail prices for September 4-10, 2017	Original (Rus) Google Translate
14.09.2017	The Russian Ministry of Finance	Weekly data on budget funds in deposits, public budget loans and REPO	Original (Eng)
14.09.2017	The Russian Central Bank	International Reserves of the Russian Federation (Weekly values as of the end of accounting date)	Original (Eng)
15.09.2017	The Russian State Statistics Service	On industrial output in August 2017	Original (Rus) Google Translate
15.09.2017	The Russian Ministry of Finance	Preliminary estimate of the federal budget execution for January-August 2017	Original (Rus) Google Translate
15.09.2017	The Russian Ministry of Finance	On the average crude oil price and the exports duty (August 15-September 14, 2017)	Original (Rus) Google Translate
15.09.2017	The Russian Central Bank	The Coordinated Direct Investment Survey of the Russian Federation — Outward Direct Investment Position	Original (Eng)
15.09.2017	The Russian Central Bank	The Coordinated Direct Investment Survey of the Russian Federation — Inward Direct Investment Position	Original (Eng)



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