



Weekly Newsletter Russia

September 18-24, 2017

State Policy Developments

The Government plans extra growth of excise duties for gasoline in 2018 in order to finance selected road construction projects

On September 18, 2017, Vedomosti newspaper reported on approval of increase in excise duties for gasoline in 2018 by the Russian Government totaling RUR 1 per liter to be implemented in two stages (RUR 0.5 starting from January 1 and RUR 0.5 starting from July 1, 2018).

The indicated increase substantially exceeds planned indexation of excise duties for the inflation rates in 2018 provided by the Russian Budgetary Code (4% or RUR 0.3 per liter of gasoline and RUR 0.23 per liter of diesel fuel).

The additional budgetary revenues are estimated in the range of RUR 40-60 billion for 2018 to be directed for implementation of a number of infrastructure projects (road construction) in Crimea, the Kaliningrad region and the Far East. Tavrida highway in Crimea that shall connect the cities of Kerch and Sevastopol and Primorskoe Koltso highway in the Kaliningrad region were mentioned among the projects to be financed. The cumulative revenues from the planned growth in excise duties may reach RUR 220 billion for 2018-2020.

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

The Government approves the draft of the federal budget for 2018-2020

On September 18, 2017, the mass media reported that the Russian Government finally approved the draft of the federal budget for 2018-2020, which was proposed by the Russian Ministry of Finance. The draft will be further delivered to the Russian Parliament for consideration.

In the coming years, the Government aims to proceed with the fiscal consolidation policy retaining expenditures nearly at the same level in the real terms, while sticking to conservative projections when it comes to the budgetary revenues. This will allow keeping the budgetary deficit at the level below 1% starting from 2019.

The Russian budgetary **revenues** have been approved at RUR 15.18 trillion in 2018, RUR 15.55 trillion in 2019 and RUR 16.28 trillion in 2020.

The federal budget **outlays** are projected at RUR 16.51 trillion in 2018, RUR 16.42 trillion in 2019 and RUR 17.24 trillion in 2020.

The **deficit** of the federal budget is estimated at RUR 1.33 trillion in 2018 (1.37% of GDP), RUR 0.867 trillion in 2019 (0.84% of GDP) and RUR 0.96 trillion in 2020 (0.87% of GDP).

The *National Wealth Fund* will become the major source of the federal budget deficit coverage in 2018 with projected outflows exceeding RUR 1 trillion.

The Government intends to *decrease the domestic borrowings in 2018-2019* by reducing the planned volume of issues of the federal bonds (OFZs). For 2018 the volume of issues was reduced from RUR 1.1 trillion to RUR 0.868 trillion, while for 2019 it was cut to RUR 0.87 trillion. However, for the year 2020 the domestic borrowings unexpectedly increase to RUR 1.34 trillion.

In opposite, the *external borrowings are projected to grow*. The Ministry of Finance plans issuing 30-year Eurobonds for USD 7 billion annually.

The budget draft assumes *dividend payments* to the budget from the state-controlled companies equal to 50% of their net income. The budgetary revenues from dividends are planned at the level slightly exceeding RUR 400 billion annually.

The *revenues from privatization have been stated at minimal level* in the new budget, probably reflecting the conservative approach to revenues' planning and the confidence in availability of other sources of the budgetary deficit financing.

The draft also assumes a *minor decrease in defense outlays* from RUR 1.021 trillion to RUR 0.943 trillion.

The draft law on the federal budget in 2018-2020 at website of drafts of the Russian legislative acts: [Original](#) (Rus)

Business Environment

Another large bank to be bailed out in Russia

On September 20, 2017, the Russian Central Bank informed that it received a bailout request from the owners of [Binbank](#), the 12th largest Russian bank by assets and 7th largest bank by deposits. The bank, which is controlled by Mr. Mikhail Gutseriev and Mr. Mikhail Shishkhanov representing one Russian oligarch family, asked for initiation of the bailout procedure using the Fund of Consolidation of the Financial Sector similarly to the recent [Otkritie case](#).

The problems of Binbank concerned primarily the bank's inability to manage bailouts of Rost Bank and MDM bank. In 2015, Binbank was appointed the bailout manager for the mentioned banks and was provided with loans from the Deposit Insurance Agency in order to complete the procedure. Referring to comments of the owners, the bank was not successful in its efforts facing deteriorating market conditions.

The state acts as a new shareholder in the recent bailouts of Otkritie and Binbank confirming that under this scheme the banks shall go private again after completion of their rehabilitation, which is to take 6-8 months under announced estimate of the Russian Central Bank. However, the experts indicate that the process is likely to take much more time, and there are substantial risks for the Russian banking system related to increasing share of the state.

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

Reports and Forecasts on Russia Traced by Factsphere

Date	Publisher	Document name	URL
18.09.2017	The Russian Central Bank	Dynamics of consumer prices. September 2017.	Original (Rus, pdf)
18.09.2017	Centre for Development of Higher School of Economics	Exports and imports of goods in July 2017 (seasonally adjusted data). Monthly report.	Original (Rus, pdf)
19.09.2017	The Russian Central Bank	'Talking Trends' bulletin. September 2017.	Original (Eng, pdf)
19.09.2017	The Russian Ministry of Finance	Regulation on endorsement of the International Standards on Auditing for their application in the territory of the Russian Federation	Original (Eng, pdf)
19.09.2017	PwC	Russia and Japan sign new Double Tax Treaty	Original (Eng)
19.09.2017	The Analytical Centre for the Government of the Russian Federation	Specifics of exports control of dual use products: potential barriers for exporters and possibilities for overcoming. Report.	Original (Rus)
19.09.2017	ROMIR	Cheap vegetables decreased deflator. Monthly deflator index survey.	Original (Rus) Google Translate
19.09.2017	Levada Center	Russia and the European Union. Survey results.	Original (Rus) Google Translate
19.09.2017	The Center for Strategic Research	Atlas of the Russian contracting system. Report on competitive environment in the state contracting market.	Summary: Original (Rus) Google Translate
20.09.2017	The Russian Ministry of Finance	Press release on results of exchange of the Russian sovereign bonds.	Original (Rus) Google Translate
20.09.2017	Centre for Development of Higher School of Economics	Indices of intensity of industrial production. August 2017. Monthly report.	Original (Rus, pdf)
20.09.2017	The Economist Intelligence Unit	Europe Growth and Inflation Forecast	Original (Eng)
20.09.2017	OECD	OECD Interim Economic Outlook	Original (Eng)
20.09.2017	Levada Center	Russian presidential elections. Survey results.	Original (Rus) Google Translate
21.09.2017	The Russian Central Bank	Assessment of trend inflation. August 2017.	Original (Rus, pdf)
21.09.2017	Euler Hermes	WERO N°34: US, Ireland, Egypt, Russia	Original (Eng)
21.09.2017	The Center for Macroeconomic Analysis and Short-Term Forecasting	The Russian Economy Trends. August 2017.	Original (Rus, pdf)
21.09.2017	ACRA	Russian non-oil exporters benefit on shale oil. Commodity market trends.	Original (Eng)
21.09.2017	PwC	Do not deduct interest expenses if the loan will never be repaid	Original (Eng)
21.09.2017	PwC	Debt forgiven by a shareholder will be a taxable income of a subsidiary soon	Original (Eng)
21.09.2017	Levada Center	The state power approval ratings. September 2017.	Original (Rus) Google Translate
21.09.2017	Institute of the Statistical Studies and Economics of Knowledge of Higher School of Economics	Innovative activities in the Russian agricultural sector.	Original (Rus) Google Translate
21.09.2017	VTB	Weekly Custody newsletter #36 / 2017	Original (Eng)
21.09.2017	The Center for Strategic Research	Issues of the Russian migration policy. External affairs viewpoint.	Summary: Original (Rus) Google Translate
22.09.2017	The World Bank	Russia Monthly Economic Developments. September 2017.	Original (Eng, pdf)
22.09.2017	Berenberg	Makroausblick September 2017	Original (Ger)
22.09.2017	Gaidar Institute	Investments and construction in 1H 2017: general and regional trends. Comments.	Original (Rus) Google Translate
22.09.2017	Fitch	Fitch Revises Russia's Outlook to Positive; Affirms at 'BBB-'	Original (Eng)
22.09.2017	VEB	Forecast of economic development of Russia in 2018-2020	Original (Rus, pdf) Google Translate
22.09.2017	VEB	GDP Indices in August 2017	Original (Rus, pdf) Google Translate
22.09.2017	Commerzbank	Week in Focus (forecast)	Original (Eng, pdf)
22.09.2017	BOFIT	BOFIT Weekly	Original (Eng, pdf)
22.09.2017	Institute of the Statistical Studies and Economics of Knowledge of Higher School of Economics	The demand for services continues to deteriorate in Russia.	Original (Rus) Google Translate



23.09.2017	The Russian Ministry of Economic Development	Comments of Mr. Maxim Oreshkin, the Russian Minister of Economic Development, on developments of the Russian economy in August 2017 (report to Mr. Vladimir Putin)	Original (Rus) Google Translate
23.09.2017	The Russian Ministry of Trade and Industry	Comments of Mr. Denis Manturov, the Russian Minister of Trade and Industry, on developments of the Russian industry (report to Mr. Vladimir Putin)	Original (Rus, pdf)

Statistical Publications Traced by Factosphere

Date	Publisher	Document name	URL
18.09.2017	The Russian State Statistics Service	On the crop collection as of September 1, 2017	Original (Rus) Google Translate
18.09.2017	The Russian State Statistics Service	On PPI in August 2017	Original (Rus) Google Translate
18.09.2017	The Russian State Statistics Service	Outstanding payroll debt as of September 1, 2017.	Original (Rus) Google Translate
19.09.2017	The Russian State Statistics Service	On the grain stock as of September 1, 2017	Original (Rus) Google Translate
19.09.2017	The Russian State Statistics Service	Information on social and economic developments of Russia in January-August, 2017	Original (Rus, pdf)
19.09.2017	The Russian State Statistics Service	On the state of the oil market in January-July 2017	Original (Rus) Google Translate
20.09.2017	The Russian State Statistics Service	On CPI estimate for September 12-18, 2017	Original (Rus) Google Translate
20.09.2017	The Russian State Statistics Service	On the state of foreign trade in January-July 2017	Original (Rus) Google Translate
20.09.2017	The Russian Central Bank	Russian Federation: Data Template on International Reserves and Foreign Currency Liquidity	Original (Eng)
21.09.2017	The Russian State Statistics Service	On production volumes of oil products and dynamics of their retail prices for September 11-17, 2017	Original (Rus) Google Translate
21.09.2017	The Russian Central Bank	International Reserves of the Russian Federation (Weekly values as of the end of accounting date)	Original (Eng)
21.09.2017	The Russian Ministry of Finance	Public external debt of the Russian Federation	Original (Eng, xls)
21.09.2017	The Russian Ministry of Finance	Public domestic debt of the Russian Federation	Original (Eng, xls)
21.09.2017	The Russian Ministry of Finance	The volume and structure of sub-sovereign debt and municipal debt of the Russian Federation	Original (Eng, xls)
22.09.2017	The Russian State Statistics Service	Current statistical survey bulletin. #2 2017	Original (Rus, pdf)
22.09.2017	The Russian State Statistics Service	Outstanding payroll debt as of September 1, 2017. Bulletin.	Original (Rus, rar)



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