



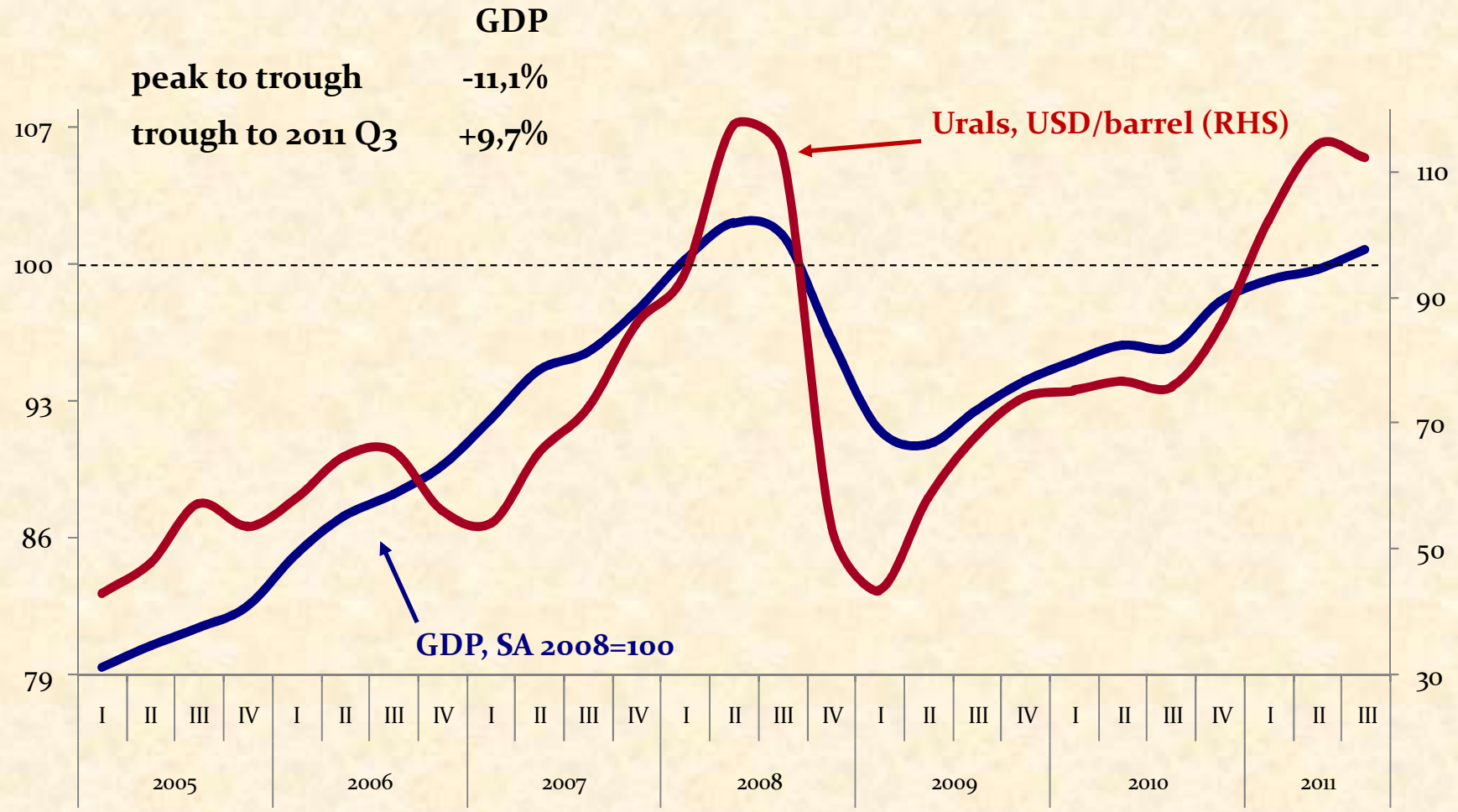
# Current economic situation and economic outlook in Russia

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*Ministry of Economic Development of Russia*

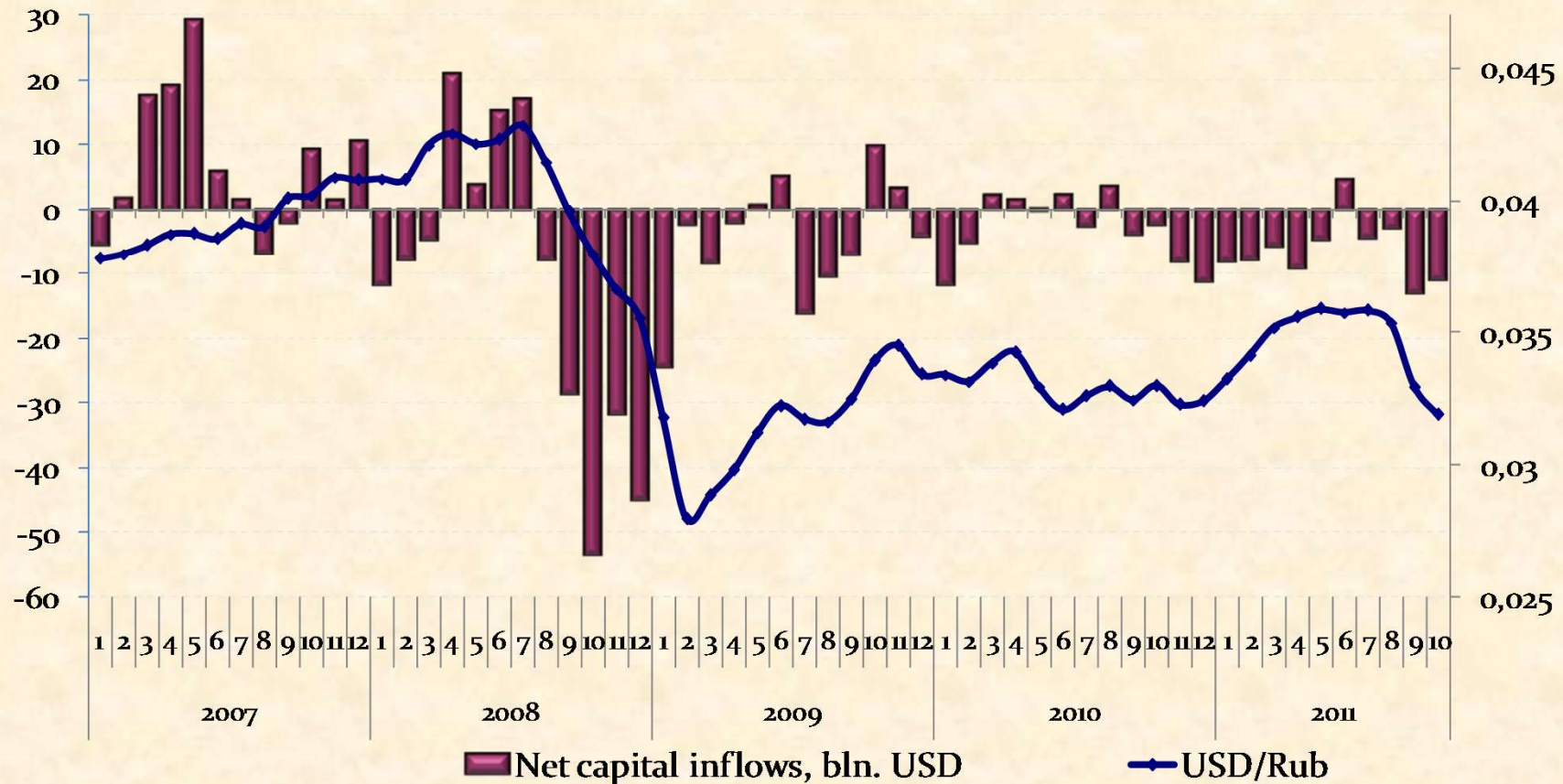
November 2011

# Post-crisis economic recovery is well underway in Russia supported by a rebound in oil prices

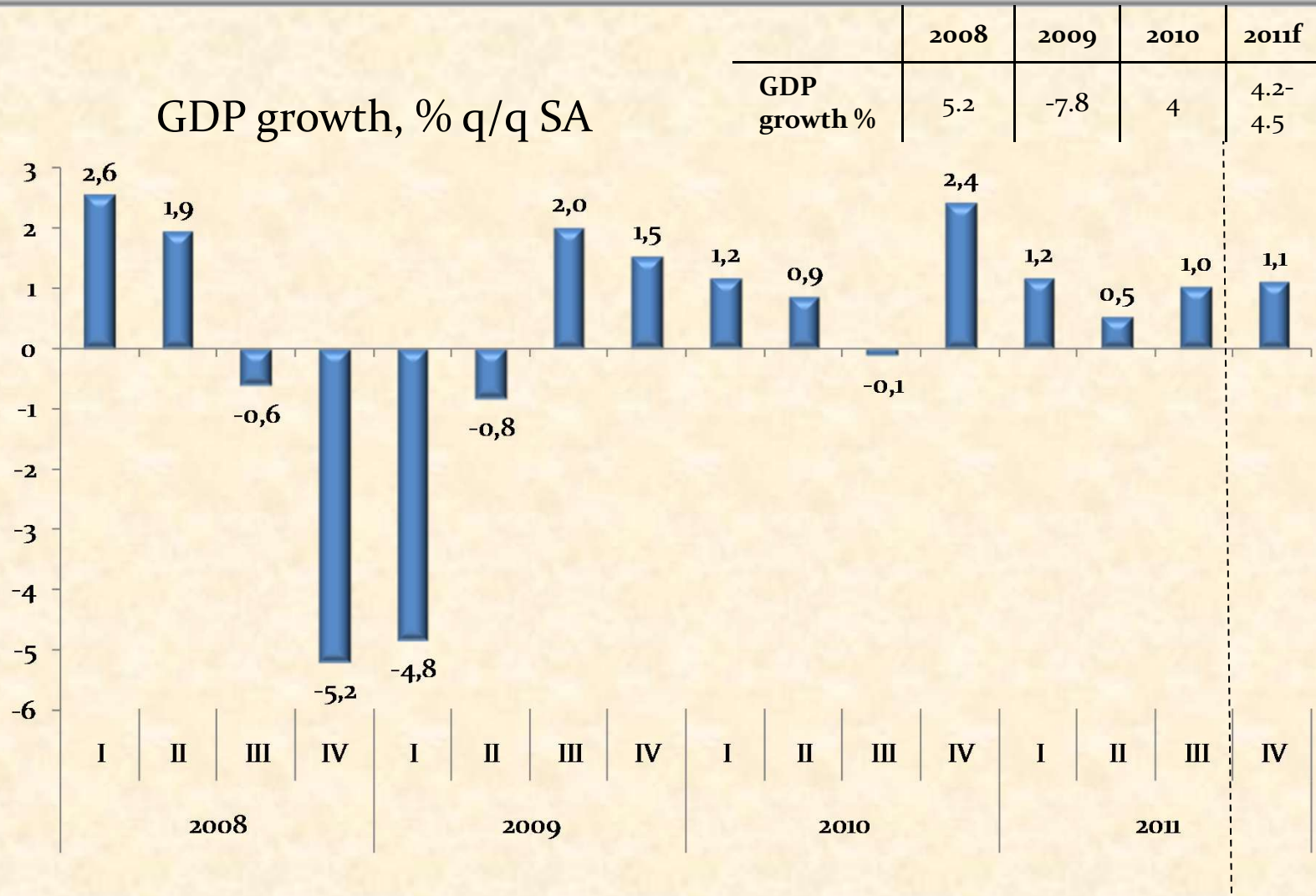


# New wave of growing uncertainties has strengthened capital outflows and weakened exchange rate

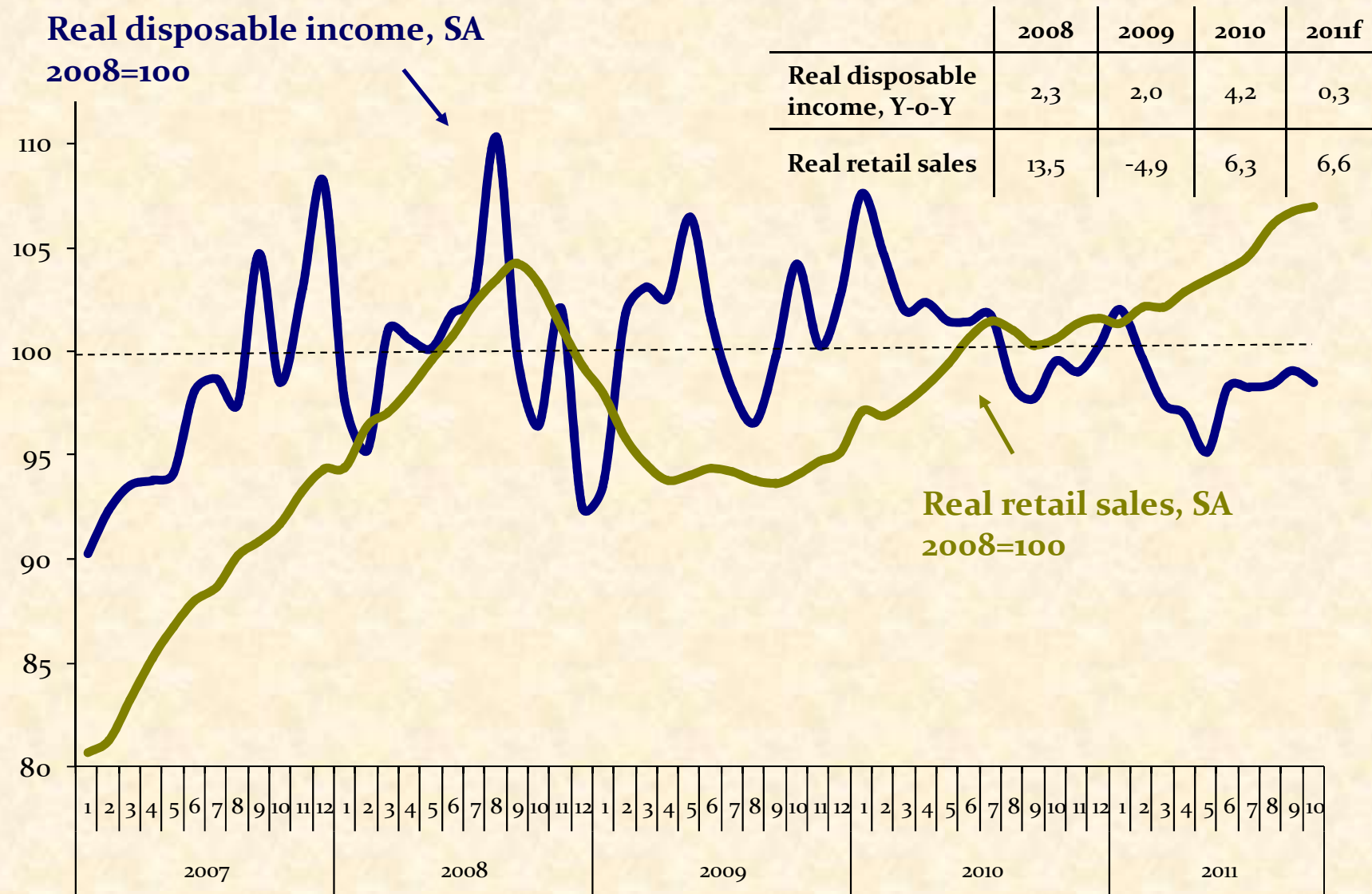
bln. USD



# Economic growth accelerated in Q3 and our official GDP forecast will most likely be revised upwards



# Consumer demand is again the main factor behind the growth while real income is still subdued

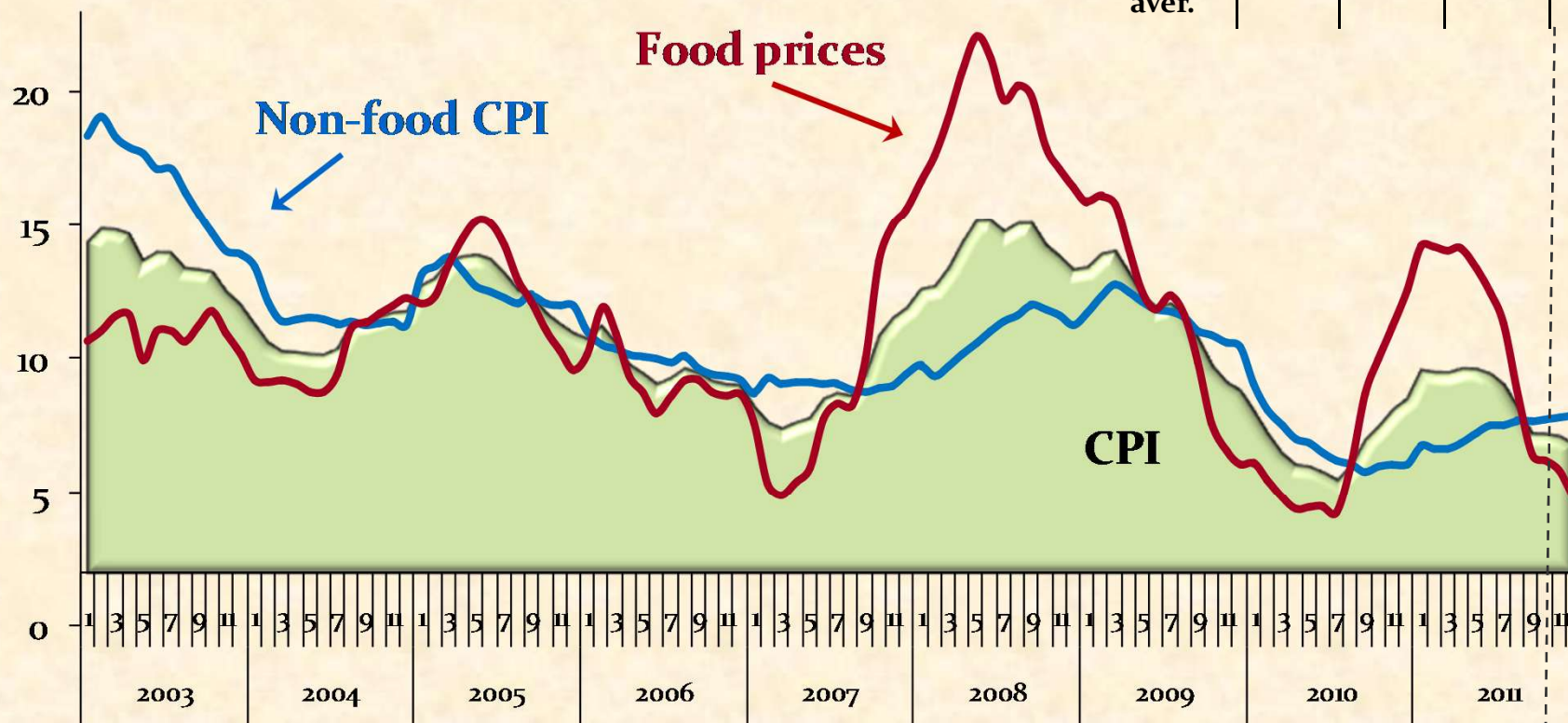




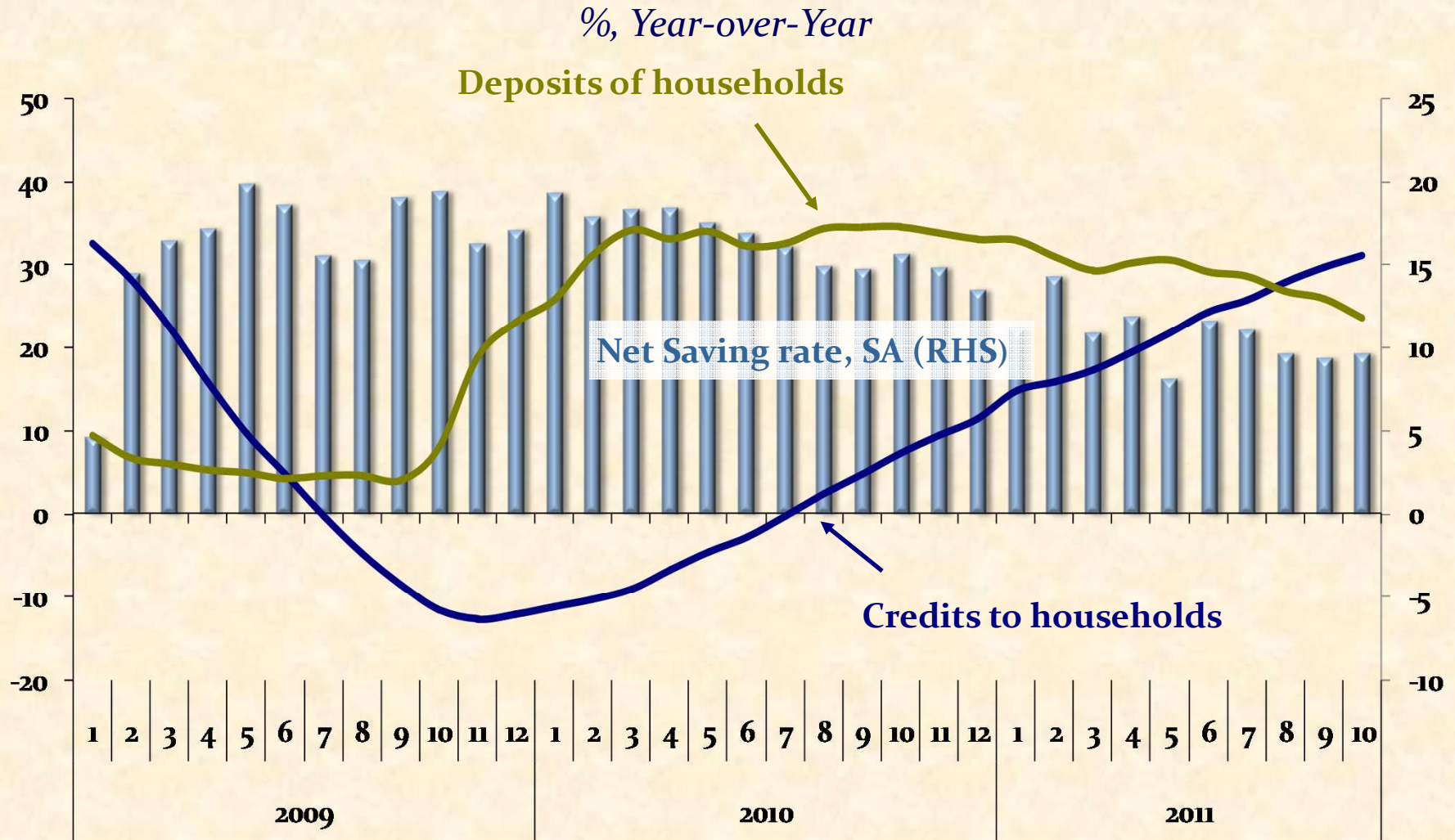
# Food prices slow down overall inflation in H2

% , Year-over-Year

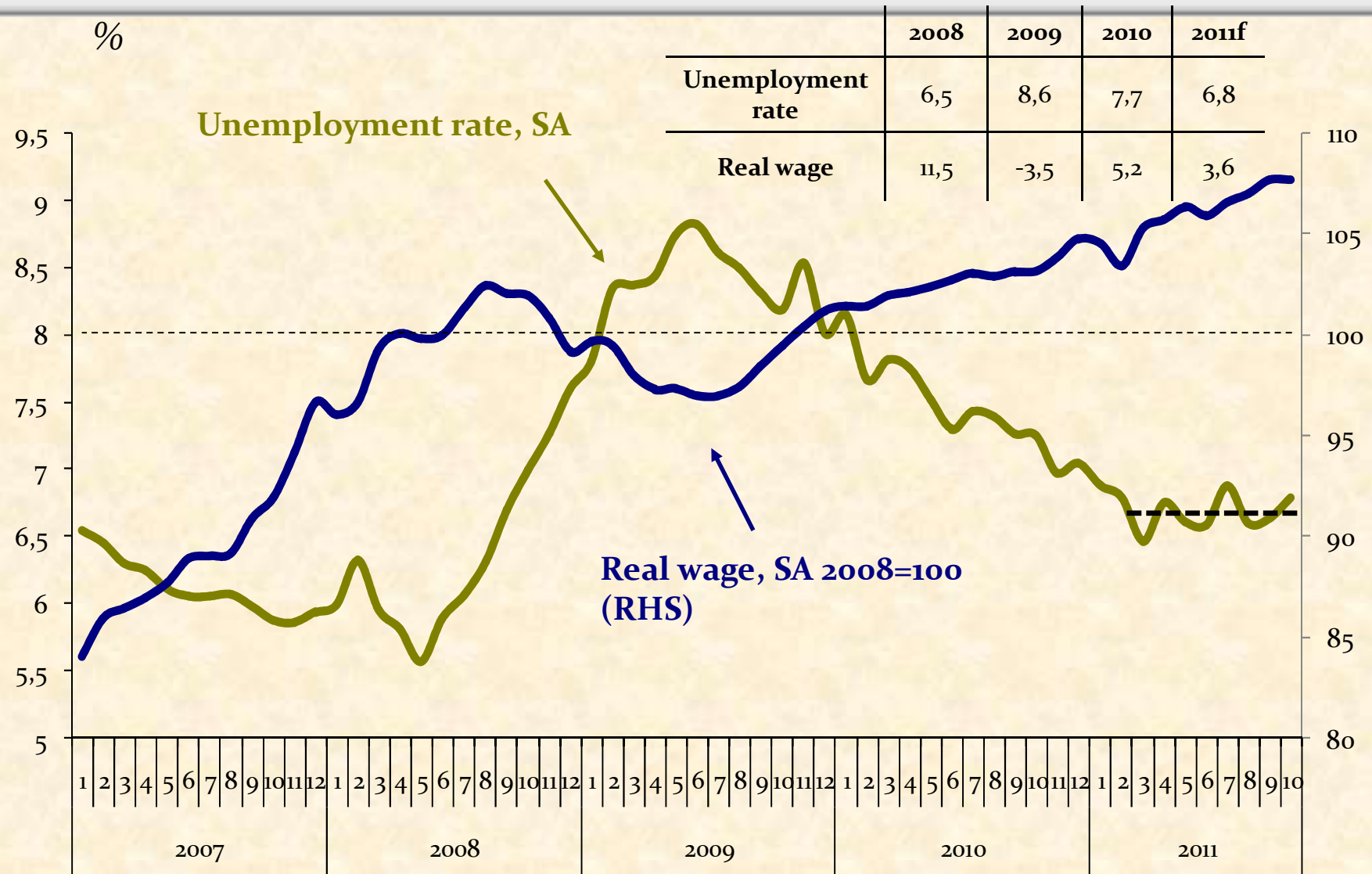
	2008	2009	2010	2011f
CPI, dec/dec	13,3	8,8	8,8	6,8
CPI, aver.	14,1	11,7	6,9	8,5



# Consumer credit boom and a decrease in precautionary savings have lead to a drop in the household saving rate but we expect the tendency to be reversed soon



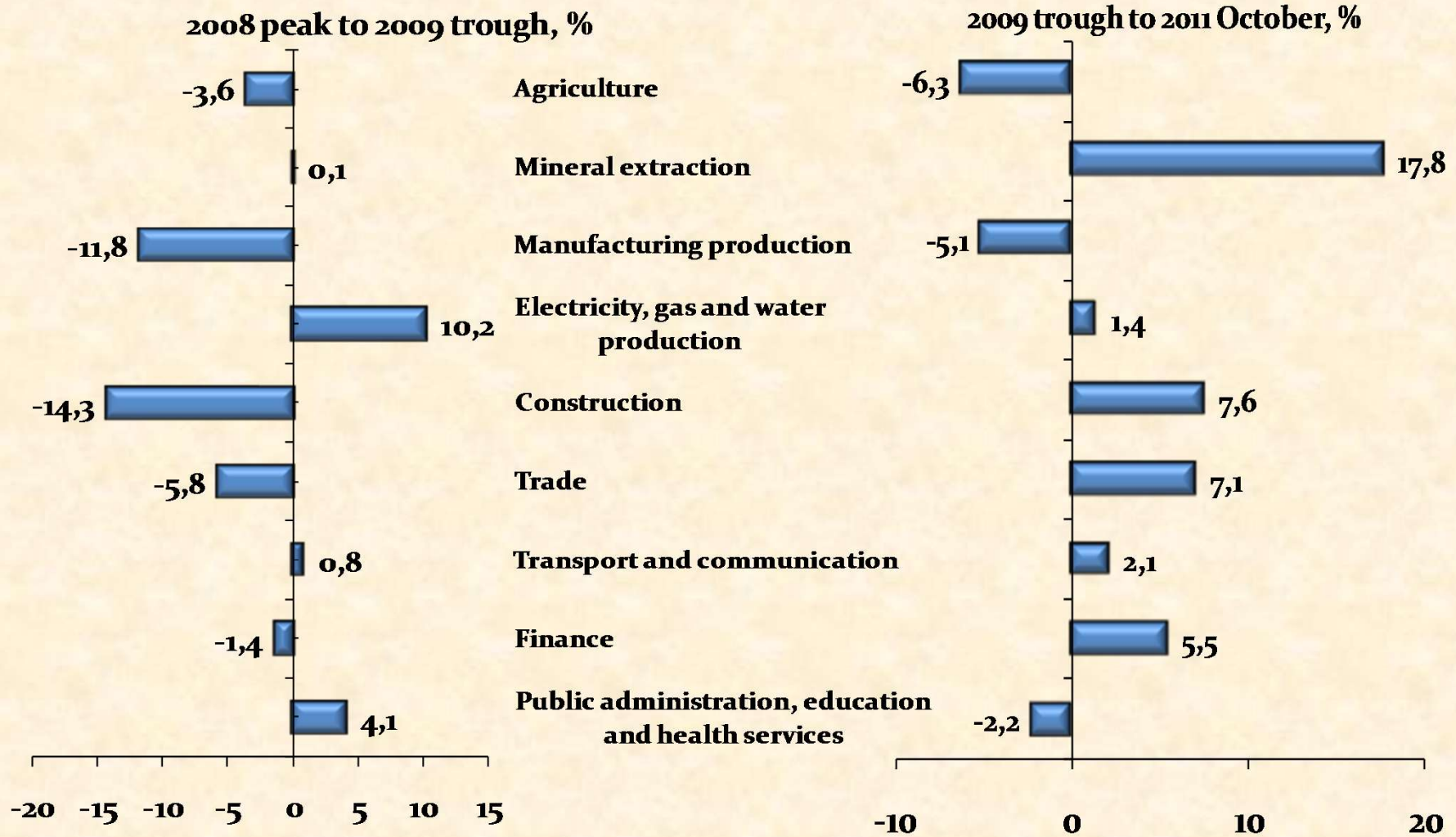
# Unemployment rate decreased markedly but in 2011 it stabilised at the level slightly above the precrisis level





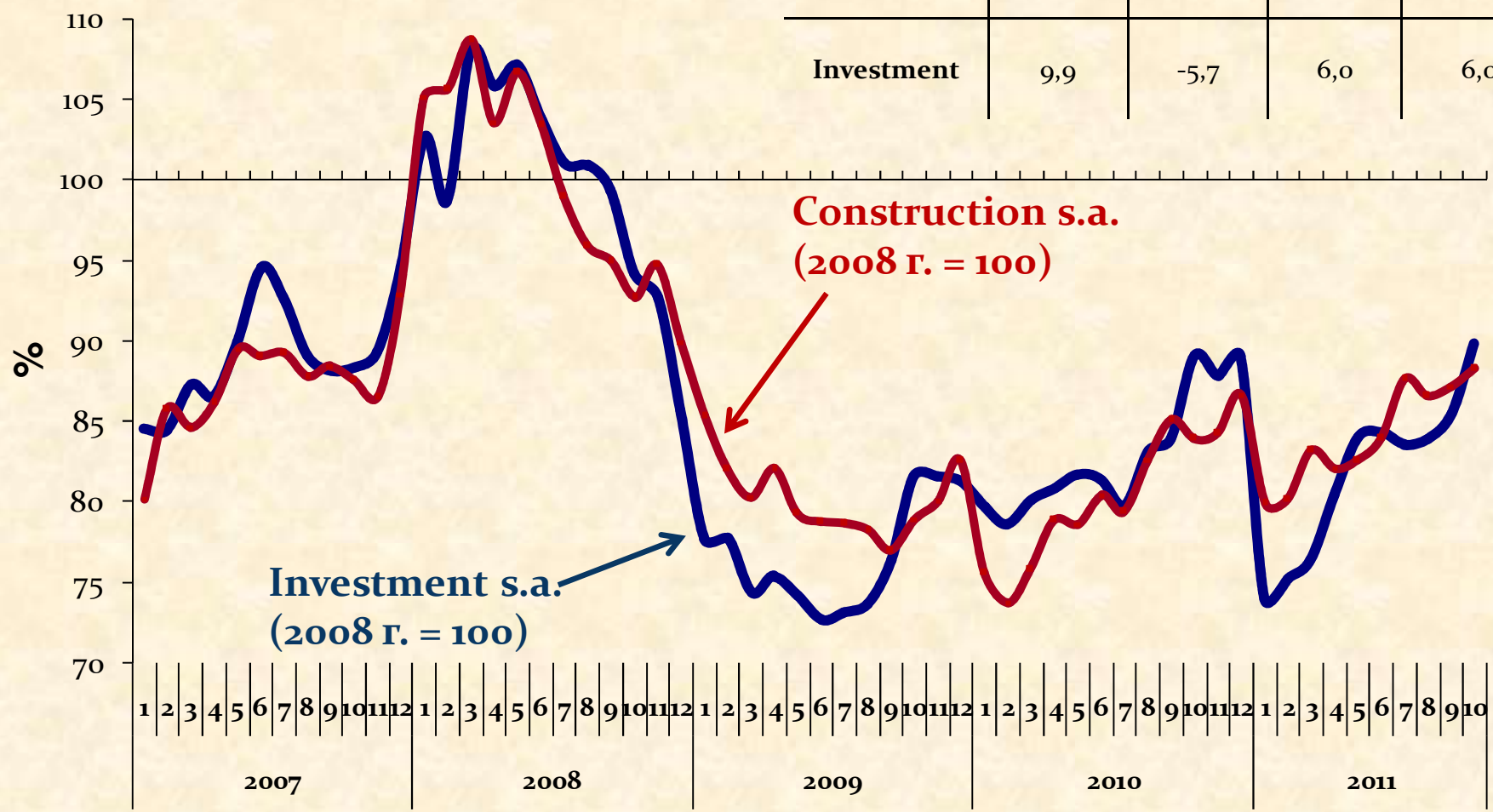
# Job creation has occurred mainly in mineral extraction and sectors where employment dropped the most during the crisis

## Employment changes



# Investment and construction are far below the pre-crisis level and recovery is sluggish

	2008	2009	2010	2011f
Construction	12,8	-13,2	3,5	4,1
Investment	9,9	-5,7	6,0	6,0



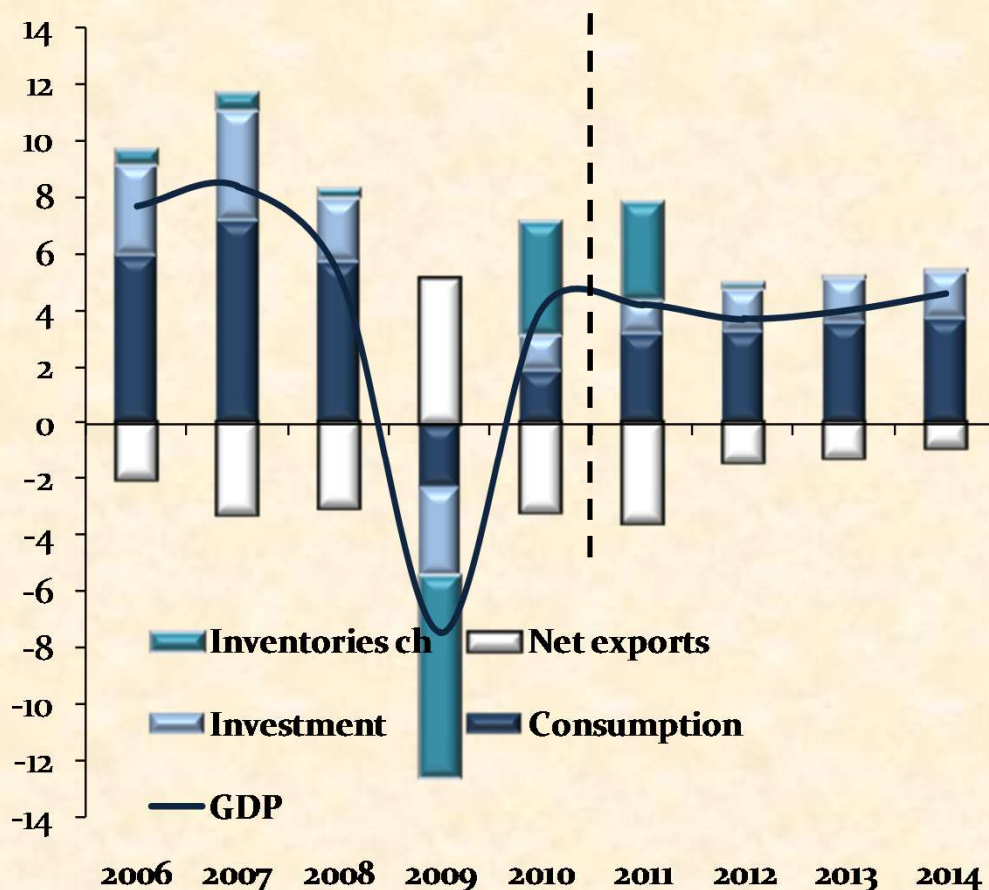
# THE OUTLOOK

## Assumptions for 2012-2014

- Positive external environment
  - Commodity prices will remain rather supportive: Urals price is on the level around 100 USD/barrel in 2012-2014
  - growth of the world output is 3.5-4<sup>0</sup>% per annum
  - no significant financial adverse shocks
  - capital inflows will come back starting from 2013
- Inflation will slow down to 4-5<sup>0</sup>%

# GDP growth is likely to stabilize around 4% during next 3 years

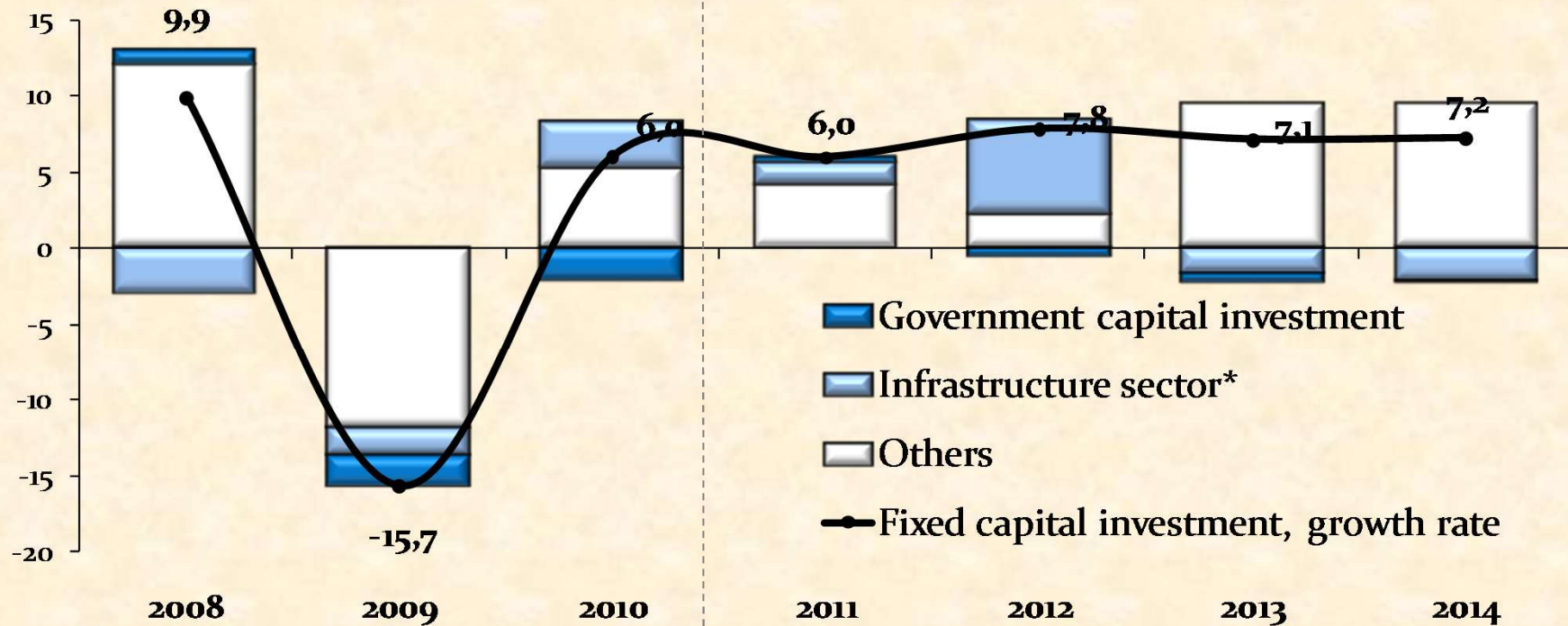
Contribution to GDP growth, %



	2011	2012	2013	2014
Urals, \$/br	109	100	97	101
GDP	4,2- 4,5	3,7	4,0	4,6
Investment	6,0	7,8	7,1	7,2
Real retail sales	6,6	5,5	5,3	5,5
Real income	0,3	5,0	4,8	5,3
CAB, % GDP	5,5	3,2	0,7	-0,2
Fiscal balance % GDP	0,5	-1,5	-1,6	-0,7

# Investment growth in 2012 will be supported by strong increase in investment plans of infrastructure sector

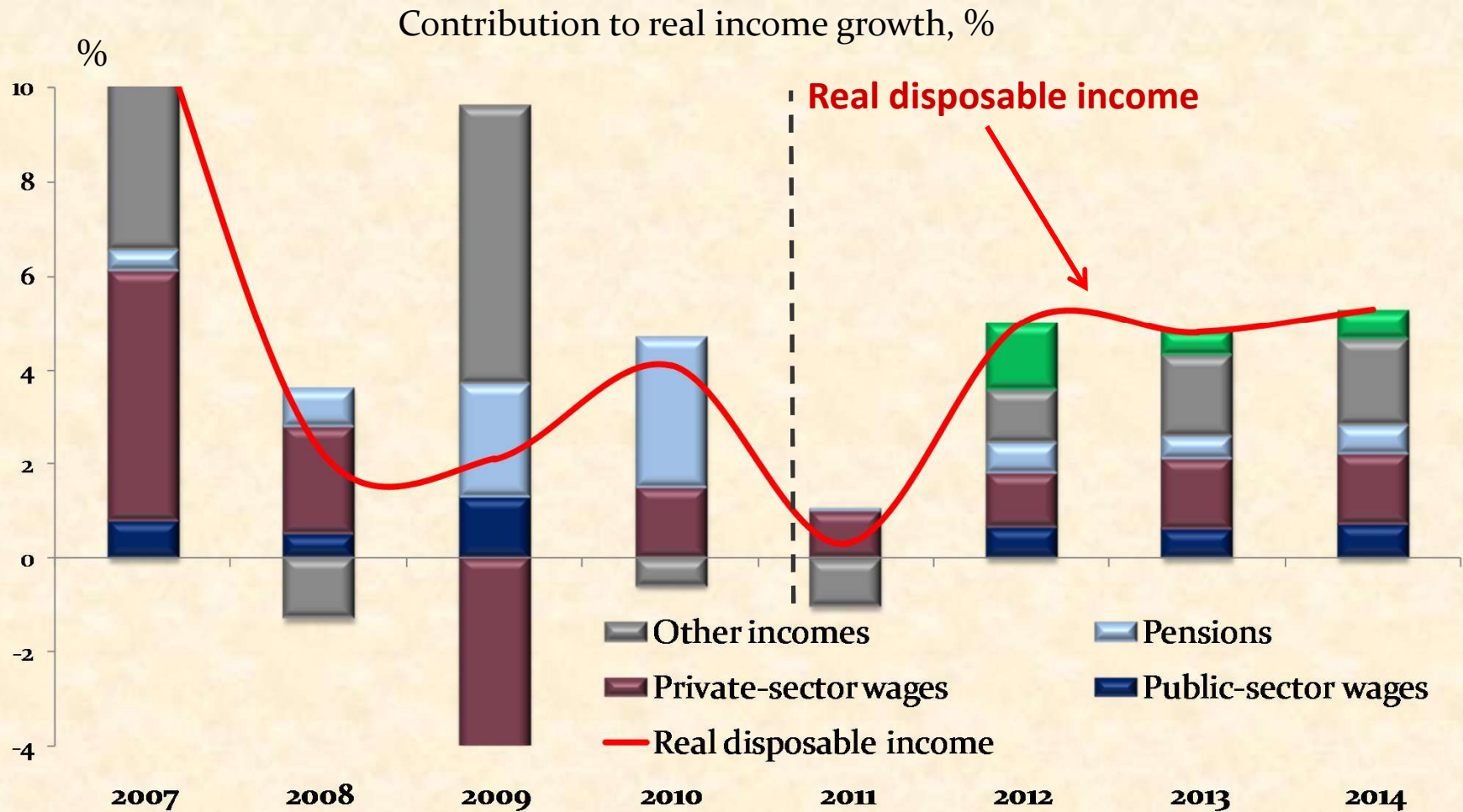
Contribution to investment growth, %



\* Oil and gas production, Pipeline, Energy Complex and Railway Transportation



**Real income growth slows down this year due to smaller contribution from pensions and higher inflation. Starting from 2012 military compensation and private-sector wages will strengthen income growth**



## Fiscal balance is achieved this year due to high oil prices but from 2012 budget position will somewhat ease

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Federal budget revenues	23,7	23,3	23,4	22,5	18,9	18,5	20,9	20,1	19,6	19,4
oil and gas	10,0	10,9	8,7	10,6	7,7	8,5	10,5	9,5	8,7	8,4
non-oil	13,7	12,4	14,7	11,8	11,2	10,0	10,4	10,6	10,9	11,0
Federal budget expenditures	16,3	15,9	18,0	18,3	24,9	22,5	20,4	21,6	21,2	20,1
Surplus/deficit(-)	7,5	7,4	5,4	4,1	-6,0	-4,0	0,5	-1,5	-1,6	-0,7
<b>Supplementary:</b>										
<i>Non-oil deficit</i>	-2,5	-3,5	-3,3	-6,5	-13,7	-12,6	-10,1	-11,0	-10,3	-9,1

## Stress-test of the Russian economy

	2011	2012	2012
		Baseline	Negative
Urals, USD/barrel	109	100	60
Global GDP, %	3,8	3,7	2,4
GDP, %	4,2	3,7	-1,4
REER, %	5,4	-0,1	-18
CPI, average	8,5	5,1	12
CAB, bln.\$	100	60	35
Capital outflows, bln.\$	70	0	60
Fiscal balance % GDP	0,5	-1,5	-5,0

### Negative scenario 2012:

- Decline in oil prices to 60 USD/barrel, accompanied by capital outflows;
- Ruble depreciation by 18% & higher inflation;
- Domestic demand & GDP contraction. CAB recovery.