

Russia: Macroeconomic forecasts

Monthly

- **Analysts forecasts**
- **Macroeconomic Indicators**
- **Consensus-forecasts**

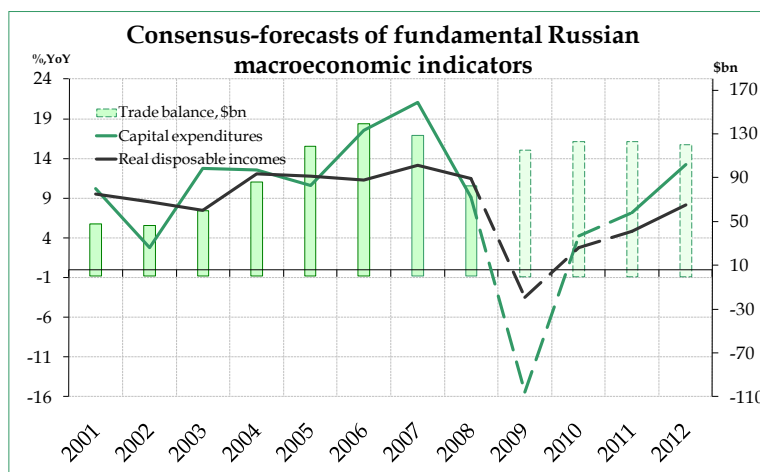
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The overview includes the latest Russian economy statistical data and macroeconomic indicators forecasts made by leading domestic and foreign investment firms and brokers as well as their comments. It is available on a monthly basis.

Consensus-forecasts of fundamental Russian macroeconomic indicators

Information providers

- The World Bank
- IMF
- HSBC
- Bank of America Securities & Merrill Lynch
- Raiffeisen Research
- UBS
- Capital Economics
- Deutsche Bank
- Sberbank
- UniCredit Securities
- Troika Dialog
- BDO Unicon
- Renaissance Capital
- Uralsib
- Bank of Moscow
- Other



Source: Rosstat, RBC Consensus-forecasts

Russian economy indicators	2009f	2010f	2011f	2012f
GDP,%	-7.8	3.6	4.1	4.7
Industrial production,%	-10.5	4.8	4.5	4.7
Real disposable incomes,%	-3.5	2.8	4.8	8.2
Capital expenditures,%	-15.4	4.3	7.2	13.2
Inflation,%	10.6	8.4	8.3	7.7
Unemployment,%	9.0	9.0	8.7	7.2
Trade balance, \$bn	115	123	124	120
Exports, \$bn	312	365	417	448
Imports, \$bn	204	249	280	328

GROSS DOMESTIC PRODUCT

According to Rosstat preliminary estimates, 3Q09 GDP fell 8.9% YoY and increased 13.9% QoQ. GDP contracted by 3.8% YoY in November 2009 and decreased 9.1% YoY in the first 11 months of this year. Ministry for Economic Development of the Russian Federation expects Russian GDP to increase by 3.1% in 2010, 3.4% in 2011 and 4.2% in 2012.



Source: Rosstat, RBC Consensus-forecasts

Danske Bank

The economic outlook in Russia is buoyed by the recent rise in oil prices, which lifts exports and brings better external balances, note Danske Bank economists. Russia saw positive sequential GDP growth in Q3 as manufacturing activity expanded. Further, retail sales have advanced slightly in recent months too, but overall final demand remains weak, and it not expected to be a key driver for growth going into 2010. While Danske Bank economists expect an economic contraction of 7.5% YoY this year, they lift their expectation for 2010 to 2.5% YoY from 1.0%. The government has stimulated the economy through tax cuts, higher social spending and by boosting strategically important sectors.

Russian Real GDP Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	-7.8	3.6	4.1	4.7
Median	-8.0	3.4	4.2	4.7
Allianz	-8.0	2.5	4.3	-
Commerzbank & Dresdner Kleinwort	-8.2	4.0	-	-
HSBC	-8.3	3.7	2.4	-
IMF	-7.5	1.5	-	-
Bank of America Securities & Merrill Lynch	-8.5	5.0	4.2	-
BNP Paribas	-8.0	3.8	4.1	6.4
Raiffeisen Research	-7.5	3.0	5.0	-
The World Bank	-8.7	3.2	-	-
Troika Dialog	-6.0	5.0	-	-
UniCredit Securities	-8.6	2.7	5.2	3.9
BDO Unicon	-8.1	1.5	-	-
Uralsib	-6.9	5.5	5.9	6.3
UBS	-7.4	5.6	4.2	-
EBRD	-8.5	3.1	-	-
Renaissance Capital	-2.9	2.1	-	-
Capital Economics	-8.5	4.0	1.5	-
Bank of Moscow	-8.0	7.0	5.5	5.6
Alfa-Bank	-9.0	-	-	-
OECD	-8.7	4.9	4.2	-
Deutsche Bank	-7.4	3.8	4.5	5.0
Barclays Capital	-7.1	4.5	4.5	-
Economist Intelligence Unit	-7.8	2.6	4.1	4.7
Citigroup	-7.5	3.0	4.1	4.0
Goldman Sachs Group	-9.0	4.5	5.5	-
TD Bank Financial Group	-8.9	4.3	4.8	-
Crédit Agricole Group	-8.0	3.0	4.5	-
Nomura Equity Research	-7.2	3.5	4.4	-
Danske Bank	-7.5	2.5	3.0	-
CIBC	-8.0	3.0	4.0	-
Rye, Man & Gor Securities	-8.5	3.0	2.0	2.0
Nordea	-7.0	1.5	3.0	-
Lloyds TSB	-9.1	3.4	4.4	-

Source: investment companies data

INDUSTRIAL PRODUCTION

Russian industrial production (IP) plunged 12% YoY in the first eleven months (Jan-Nov) of 2009. Russia's November IP increased 1.5% YoY and 2% MoM. Ministry for Economic Development of the Russian Federation expects IP to increase 2.8% in 2010, 2.9% in 2011 and 4.3% in 2012.



Source: Rosstat, RBC Consensus-forecasts

Renaissance Capital

The numbers were impressive at first glance, note RenaissanceCapital economists. However, the IP results do not indicate that a recovery in the real sector has begun. Analysts believe that accelerated government spending in the end of the year is the main reason for such an unexpected increase in output in November, while demand for final goods remains sluggish without government participation. On this backdrop RenaissanceCapital economists team forecasts that in December the Russian budget is likely to continue to be spent at a faster pace than in Jan-Oct 2009. Therefore the pick-up in IP on a MoM basis to continue through the end of the year. Moreover, at the start of 2010 the usual slowdown in the pace of budget spending should have a negative effect on industrial production, believe RenaissanceCapital economists.

Bank of Moscow

Russian IP (YoY) has made a first step into positive territory since the beginning of the economic crisis. According to Bank of Moscow economists, seasonally adjusted IP showed positive dynamics in November, offsetting reduction in October 2009. Bank of Moscow analysts maintain their 2009 industrial production estimates of -10%-10.5% and forecast 2010 IP growth of at least 8%.

Russian Industrial Production Index Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	-10.5	4.8	4.5	4.7
Median	-10.4	4.1	4.5	4.6
HSBC	-11.3	4.6	3.6	-
Bank of America Securities & Merrill Lynch	-11.0	4.7	3.7	-
BNP Paribas	-14.0	4.0	3.0	2.5
Troika Dialog	-10.0	4.0	-	-
BDO Unicon	-10.8	2.0	-	-
Uralsib	-10.4	8.2	6.5	6.9
UBS	-11.2	8.2	4.5	-
Renaissance Capital	-6.2	4.1	-	-
Bank of Moscow	-10.0	8.0	5.0	4.6
Deutsche Bank	-8.1	2.0	-	-
Barclays Capital	-13.4	3.0	5.0	-
Goldman Sachs Group	-9.5	3.0	-	-
Lloyds TSB	-10.2	6.3	-	-

Source: investment companies data

CAPITAL EXPENDITURES

Fixed capital investments in Russian fell 14.8% YoY (to RUR 697.4 bn) and increased by 2.6% MoM in November. In the first eleven months (Jan-Nov) of 2009 the indicator dropped by 18.4% YoY.



Source: Rosstat, RBC Consensus-forecasts

Troika Dialog

In 1H09, domestic demand (consumption and investment) fell around 7.7% YoY, while the correction on the supply side was 10.4% (destocking compensated for the gap between domestic demand and supply), note Troika Dialog economists. Now the opposite is true: restocking is spurring output, while demand is growing more slowly. Nevertheless, retail was down 6.4% YoY in November, while investments were at 14.8%. Both results were better than the comparable October figures, and although the YoY dynamics were still negative, the gap is narrowing. The YoY retail and investment figures are expected to turn positive in 1Q10 and 2Q10, respectively, forecast Troika Dialog economic team.

UniCredit Securities

UniCredit Securities economists expect investment demand in Russia to be weak in 2010, increasing by only 4.5% mainly due to lower capacity utilization, that decreased in spite of substantial recovery of corporate profits. With some companies continuing staff reduction consumer demand should also remain depressed. This, according to UniCredit Securities economic team, should discourage any substantial wage hikes and keep consumer demand at lower levels.

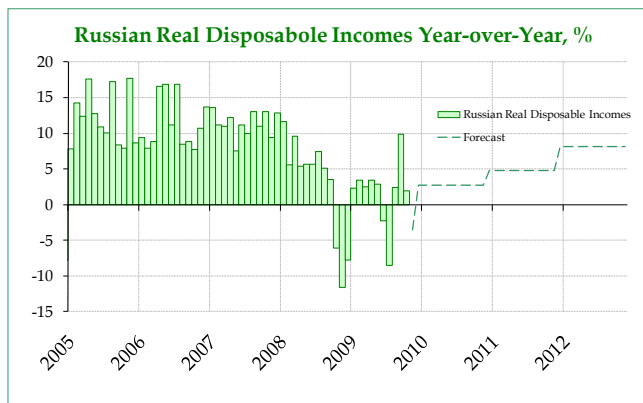
Russian Capital Expenditures Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	-15.4	4.3	7.2	13.2
Median	-15.0	4.6	6.5	-
Bank of America Securities & Merrill Lynch	-17.8	7.5	6.5	-
Troika Dialog	-14.0	7.0	-	-
BDO Unicon	-18.9	3.0	-	-
Uralsib	-15.2	6.1	9.0	10.4
UBS	-17.4	4.6	7.0	-
Renaissance Capital	-11.3	4.5	-	-
Capital Economics	-15.0	2.0	3.0	-
Bank of Moscow	-18.0	10.0	12.0	16.0
Alfa-Bank	-19.0	-	-	-
Deutsche Bank	-13.5	4.8	-	-
Citigroup	-15.5	0.0	10.0	-
Goldman Sachs Group	-14.3	0.0	-	-
Nordea	-10.0	2.0	3.0	-

Source: investment companies data

REAL DISPOSABLE INCOMES

According to Rosstat preliminary estimates real disposable incomes increased 1.9% YoY and plunged 5.2% MoM in November 2009. In the first eleven months of 2009 indicator increased 1.1% compared to the same period of 2008. Preliminary estimates also suggest that average monthly nominal accrued wage per employee amounted to RUR19,174 in November 2009, i.e. +8,4% YoY and +2% MoM, while average monthly real wage per employee was down 0.7% YoY and increased 1.7% MoM in November 2009 (in October 2009 the latter dropped 4.5% YoY and 1% MoM).



Source: Rosstat, RBC Consensus-forecasts

UniCredit Securities

UniCredit Securities economists expect substantial economic growth is likely to resume in Russia in 2011, when consumer demand and investments is expected to start to improve. They see strong consumption growth, measured by sustainable growth of nominal wages and disposable incomes, as a key driver of country's long-term growth.

Bank of America Securities & Merrill Lynch

Consumption lagging in Russia is normal at this stage of the cycle, economists of Bank of America Securities & Merrill Lynch noted. Soon, the consumer sector should recover, with declining unemployment, low household leverage, public real wage growth of 2%, and a pension hike of about 40%.

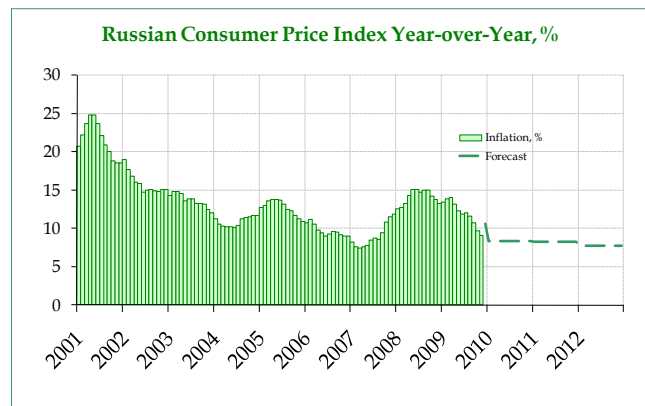
Russian Real Disposable Incomes Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	-3.5	2.8	4.8	8.2
Median	-3.5	2.9	5.4	7.7
The World Bank	-5.0	3.0	-	-
UniCredit Securities	-7.5	2.9	5.4	7.7
BDO Unicon	-0.3	2.0	-	-
Uralsib	-1.1	3.4	3.5	6.8
Bank of Moscow	-3.5	2.5	5.5	10.0

Source: investment companies data

CONSUMER PRICE INDEX

According to Rosstat, inflation in Russia reached 0.3% MoM and 8.4% YTD in November 2009. (In November 2008 inflation amounted to 0.8% MoM and 12.5% YTD). The Ministry for Economic Development of the Russian Federation downgraded its forecasts for inflation to 6.5-7.5% in 2010, 6-7% in 2011 and 5-6.5% in 2012.



Source: Rosstat, RBC Consensus-forecasts

UBS

UBS economists believe, that inflation [in Russia] will continue to fall well into 2010 towards the mid-single digits. Non-food inflation has a large component of imports and will fall in YoY terms as the base effect from ruble weakness last winter comes into play. Service price inflation will benefit from the very high base effect from administrative prices last January. Taking these two into account, economists think inflation will fall to 7% by end-1Q.

Uralsib

Rouble appreciation stopped at the end of November. Uralsib economists believe that this is likely to affect dynamics of consumer prices in the future. Moreover, monthly inflation in Russia is expected to accelerate dramatically in December-January due to planned pension and regulated tariffs increases, annual bonuses payments and usual year-end increase of budget expenses. Uralsib economists forecast that inflation will amount to 0.6% in December and 1.7% in January. While inflation is expected to fall below 9% YoY in 2009, we will likely to see reversal of the trend in the middle of the next year associated with the strengthening of inflationary pressure in the world, Uralsib economic team notes.

Russian Consumer Price Index Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	10.6	8.4	8.3	7.7
Median	10.7	8.5	8.2	7.6
Commerzbank & Dresdner Kleinwort	11.8	9.0	-	-
HSBC	11.7	7.2	11.7	-
IMF	11.0	9.0	-	-
Bank of America Securities & Merrill Lynch	10.0	8.0	8.5	-
BNP Paribas	11.3	9.4	8.2	10.1
Raiffeisen Research	12.9	9.2	9.5	-
The World Bank	11.0	-	-	-
Troika Dialog	9.0	6.5	-	-
UniCredit Securities	9.1	8.0	7.4	6.6
BDO Unicon	9.0	8.7	-	-
Uralsib	9.2	9.0	8.8	7.9
UBS	8.8	8.5	9.5	-
Renaissance Capital	10.7	9.7	-	-
Capital Economics	11.8	7.6	7.0	-
Bank of Moscow	9.0	5.5	7.0	8.2
Alfa-Bank	13.0	13.0	-	-
OECD	9.2	6.7	7.6	-
Deutsche Bank	9.1	8.5	9.5	8.0
Barclays Capital	12.0	10.3	7.0	-
Economist Intelligence Unit	11.6	8.8	8.2	7.6
Citigroup	11.7	6.8	8.3	7.5
Goldman Sachs Group	8.7	6.0	-	-
Crédit Agricole Group	11.5	8.5	9.0	-
Nomura Equity Research	9.3	8.5	-	-
Danske Bank	11.8	7.3	8.0	-
Rye, Man & Gor Securities	9.0	7.5	6.0	6.0
Nordea	12.0	10.0	9.0	-
Lloyds TSB	11.7	8.4	6.6	-

Source: investment companies data

RUSSIAN LABOUR MARKET

According to Rosstat preliminary estimates the total number of the unemployed in Russia grew 15.9% YoY to 6.1 mn (8.1% of economically active population) and 5% MoM in November 2009. In the first eleven months (Jan-Nov) the number of the unemployed increased by 34.7% YoY. During the same period the rate of registered unemployed grew 56,5% YoY to 2 mn.



Source: Rosstat, RBC Consensus-forecasts

UniCredit Securities

UniCredit Securities economists expect nominal wages growth to recover to two-digit numbers by the end of 2010 mainly due to decrease in labour supply in response to continuous contraction of population and demographic imbalances. They forecast that working-age population will be contracting at an average rate of 0.9 mn a year (about 1% of economically active population) until at least 2015. Such a substantial natural decline in the population should limit unemployment rate thus supporting higher wage growth.

HSBC

After peaking at 9.3% in February unemployment started improving faster than positive seasonality had implied. A fall in the number of part-time workers and workers on leave confirms that labour conditions have indeed improved. Against a backdrop of economic recovery, this suggests that the forthcoming seasonal rise in unemployment will fail to reach the February 2009 peak. Lower unemployment sets a basis for gradual recovery of domestic consumption that should support economic growth in 2010, HSBC economists suggest.

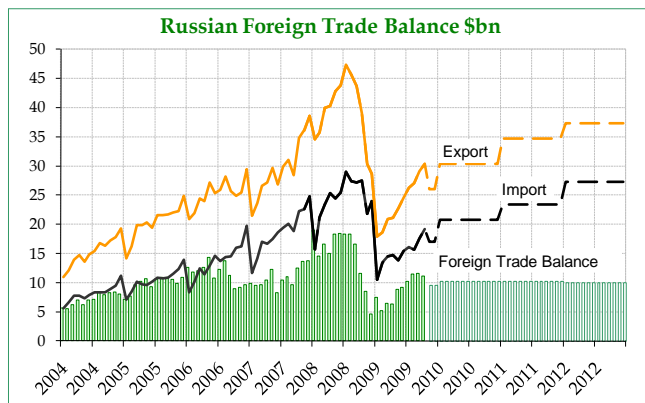
Russian Unemployment Rate Forecasts Year-over-Year, %

	2009f	2010f	2011f	2012f
Consensus	9.0	9.0	8.7	7.2
Median	8.5	8.2	8.0	7.0
Bank of America Securities & Merrill Lynch	9.7	9.0	8.5	-
BNP Paribas	9.0	10.3	9.5	9.5
Troika Dialog	9.0	7.5	-	-
UniCredit Securities	8.8	8.0	7.3	6.3
European Commission	0.0	0.0	-	-
BDO Unicon	8.5	8.9	-	-
Uralsib	8.0	7.4	7.2	7.0
UBS	8.2	7.8	7.2	-
Renaissance Capital	10.5	9.8	-	-
Capital Economics	11.0	13.0	11.5	-
Bank of Moscow	7.9	7.5	6.9	6.1
Deutsche Bank	8.5	8.2	-	-
Barclays Capital	8.1	7.7	7.2	-
Citigroup	8.3	8.0	8.0	-
Nomura Equity Research	7.8	7.5	-	-
Nordea	13.0	14.0	13.5	-
Lloyds TSB	8.4	8.7	-	-

Source: investment companies data

RUSSIAN FOREIGN TRADE

Russian foreign trade turnover (according to methodology for current account) amounted to US\$49.6bn (RUR1461.6bn) in October 2009 (in real prices). Export totaled US\$30.4 bn (RUR895.1bn), import reached US\$19.2 bn (RUR566.5bn). The trade surplus in October 2009 was positive and totaled US\$11.1 bn (it was US\$11.6 bn in October 2008).



Source: Rosstat, RBC Consensus-forecasts

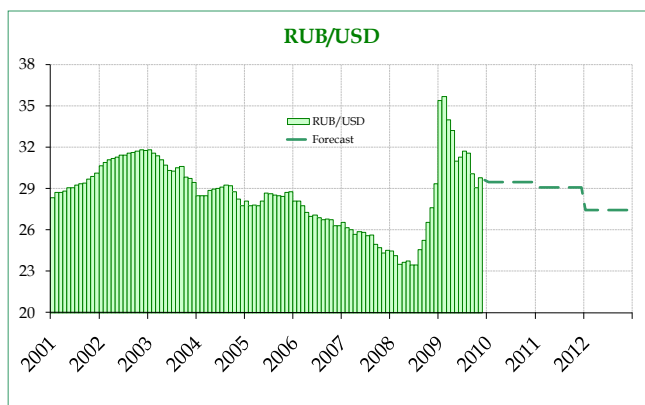
Renaissance Capital

The trade-balance contraction in November largely reflects the continuing strengthening of the rouble over the month. YoY, foreign trade dynamics remains negative (less than -20% YoY), but RenaissanceCapital economists expect to see a turnaround with the low-base effect approaching next month.

Nomura

Russia was disproportionately affected by the global financial crisis. However, reduction in domestic demand, capital outflows and the faster-than-expected recovery in oil prices has paved the way for a faster improvement in the external position and foreign reserves. The central bank managed to navigate the stormy waters of abrupt currency movements at the start of 2009, although this was greatly facilitated by the loss of a third of foreign reserves. However, the partial build-up in reserves and the drop in imports have significantly strengthened external vulnerability indicators since Q1 2009. Nomura economists believes that the improving economy should provide additional key support for the currency.

RUSSIAN EXCHANGE RATE



Source: CBR, RBC Consensus-forecasts

Lloyds TSB

EM currencies depreciated against the US\$ last month with RUR underperforming other currencies. Rouble came under pressure on the back of falling oil prices and lost 4.8% against the US\$ during the month. Lloyds TSB analysts firmly believe that EM currencies could potentially show further growth next year. This opinion is based on expectations that emerging markets will lead recovery of the world economy. Lloyds TSB forecasts \$/Rub rising only modestly from current levels to 30.92 at end Jun 2010, before scaling 32.00 at end 2010.

ING

ING analysts see Brent trading at US\$70-80/bbl next year, which should translate into a current account surplus of 5-7% of GDP. They believe that with oil prices in this range, RUB should return to an appreciation path in 1Q10; the CBR is likely to employ a combination of tools to ensure that it firms by only about 4-5% vs the basket in 2010.

Russian Foreign Trade Balance Forecasts \$bn

	2009f	2010f	2011f	2012f
Trade balance				
Consensus	115	123	124	120
Median	114	129	130	101
Bank of America Securities & Merrill Lynch	120	155	130	-
Troika Dialog	130	160	-	-
UniCredit Securities	116	123	124	101
BDO Unicon	110	100	-	-
Uralsib	114	138	154	164
UBS	100	129	80	-
Bank of Moscow	120	160	130	95
Alfa-Bank	140	-	-	-
Deutsche Bank	95	60	-	-
Citigroup	107	86	-	-
Exports				
Consensus	312	365	417	448
Median	301	371	414	450
Bank of America Securities & Merrill Lynch	300	390	405	-
Troika Dialog	320	390	-	-
UniCredit Securities	378	421	439	450
BDO Unicon	301	310	-	-
Uralsib	306	371	414	439
UBS	301	371	407	-
Renaissance Capital	260	349	-	-
Bank of Moscow	300	390	420	455
Alfa-Bank	340	-	-	-
Deutsche Bank	305	325	-	-
Citigroup	295	330	-	-
Nomura Equity Research	340	364	-	-
Imports				
Consensus	204	249	280	328
Median	192	241	275	349
Bank of America Securities & Merrill Lynch	180	235	275	-
Troika Dialog	190	230	-	-
UniCredit Securities	262	298	315	349
BDO Unicon	192	210	-	-
Uralsib	192	233	260	275
UBS	201	241	261	-
Renaissance Capital	225	311	-	-
Bank of Moscow	180	230	290	360
Alfa-Bank	200	-	-	-
Deutsche Bank	210	265	-	-
Citigroup	188	244	-	-
Nomura Equity Research	232	244	-	-

Source: investment companies data

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