

## **Pregled ruskega gospodarstva, 25. marec 2022**

### **I Sanctions update**

On 24 March 2022, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) took the following actions:

OFAC has added the following individuals and entities to its list of Specially Designated Nationals (SDN list):

- 48 Russian companies that are part of Russia's defense-industrial base and that produce weapons that have been used in the special military operation in Ukraine;
- 328 members of the Russian State Duma, who supported the signature of the treaties recognizing the self-proclaimed independence of the so-called Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR);
- as well as Herman Gref, the head of Sberbank.

The assets of the designated individuals or entities are blocked and U.S. persons are generally prohibited from dealing with them.

This action aligns with similar actions taken by the European Union, the United Kingdom, and Canada.

OFAC published [Frequently Asked Question a1,029](#) "How do the prohibitions of Executive Order (E.O.) 14024 and other Russia-related sanctions impact gold-related transactions or persons participating in the gold market?"

Sources:

<https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220324>

<https://www.treasury.gov/ofac/downloads/sdnlist.pdf>

<https://sanctionssearch.ofac.treas.gov/>

### **II. Banking sector**

#### **Central Bank of Russia announced mirror measures on freezing gold and foreign exchange reserves**

The Central Bank of Russia announced it had taken mirror measures for a comparable amount in response to the freezing of its gold and foreign exchange reserves by the West. "The restrictions were introduced on the movement of capital, a ban on the sale of securities by foreign investors and a ban on the withdrawal of funds from the Russian financial system. In addition, the payments on corporate debt of Russian companies and public debt to the debt holders from 'unfriendly' countries will only take place with the permission of the Governmental Commission," the Central Bank of Russia reported.

The regulator thus answered the question on whether it was possible to avoid freezing part of Russia's gold and foreign exchange reserves in dollars and euros. "There is no such way: non-cash currency is always reflected in correspondent accounts in foreign banks and therefore can be frozen". At the same time, the Central Bank added that, in fact, it applied a mirror measure in response to the freezing of its gold and foreign exchange reserves.

Sources: <https://www.rbc.ru/finances/25/03/2022/623d75619a7947468c490936?from=newsfeed>  
<https://www.cbr.ru/>

## **Central Bank of Russia explained why it kept half of the reserves in dollars and euros**

The Central Bank of Russia explained in its Telegram channel that since 2014 it has taken into account two possible types of crises. The first is the traditional financial crisis, which happened earlier in 2008, 2014, and 2020. During such crises, prices for export goods are significantly reduced, there is a sharp outflow of capital from countries with emerging markets. "At this time, we need reserves in the currencies of countries with which Russia is actively trading and in which the debts of companies, banks and the state are denominated. These currencies are predominantly dollars and euros," the bank noted.

The second type of crisis is geopolitical. To withstand such a crisis, reserves are needed that cannot be affected by the sanctions of Western states. Therefore, in recent years, the Central Bank of Russia has increased the share of gold and the Chinese yuan to almost half of its reserves.

The bank also confirmed that currently all the gold from the gold and foreign exchange reserves is in vaults in Russia. As of January 1, 2022, the reserves of monetary gold in the international reserves of Russia as of January 1, 2022 amounted to 74.0 million ounces (2301.657 tons). At the end of 2021, they increased by 0.14%. Russia ranks fifth in the world in terms of gold reserves.

Source: <https://www.kommersant.ru/doc/5272573?from=lenta>

## **Russian National Wealth Fund down by US\$ 6.8 bln in February 2022**

Russia's National Wealth Fund (NWF) decreased by 675.16 bln rubles (\$6.8 bln) in February 2022 to around 12.9 trillion rubles, the Russian Finance Ministry said in a statement. "As of March 1, 2022, the National Wealth Fund amounted to 12.935 trillion rubles, or 9.7% of GDP projected for 2022. As of February 1, the National Wealth Fund amounted to 13.6 trillion rubles (\$177 bln). Its liquid part stood at 7.3% of GDP, or 9.73 trillion rubles (\$116.5 bln), as of February 1, " said in the statement.

Sources : <https://tass.com/economy/1426619>

<https://minfin.gov.ru/ru/>

## **III. International trade and commodity markets**

### **Credit Suisse predicted a transition to settlements in commodity-backed currencies**

"Bretton Woods III- is a new world monetary order centered around commodity-based currencies in the East that will likely weaken the Eurodollar system and also contribute to inflationary forces in the West," said Zoltan Pozar, analyst at **Credit Suisse in its newly published report**. According to the report, the current crisis is associated primarily with an artificial shortage of goods. The regional currencies, which are backed by these goods, are beginning to crowd out global ones. The new era will be secured by external money backed by gold reserves and manufactured goods.

Source: <https://www.vedomosti.ru/economics/articles/2022/03/24/915139-credit-suisse-epohi-dollara>

<https://thebittimes.com/ukraine-war-raises-questions-about-the-end-of-monetary-regime-and-role-of-bitcoin-tbt13241.html>

## **Russia plans to sign an agreement on the 'Pakistani Stream' project**

Russia is counting on the signing of a shareholder agreement for the implementation of the 'Pakistani Stream' gas pipeline project in the near future, Russian Energy Minister Nikolai Shulginov said on March 23, 2022. The 'Pakistani Stream' gas pipeline, originally called 'North-South', is supposed to link the infrastructure for receiving liquefied natural gas (LNG) in the ports of Karachi and Gwadar in southern Pakistan with power plants and industrial gas consumers in Kasur district (Punjab) in the north of the country. Its length under the project will be more than 1.1 thousand kilometers, while the throughput was expected to be up to 12.3 billion cubic meters per year.

Source:

[https://1prime.ru/gas/20220323/836473532.html?utm\\_source=yxnews&utm\\_medium=desktop&utm\\_referrer=https%3A%2F%2Fyandex.ru%2Fnews%2Fsearch%3Ftext%3D](https://1prime.ru/gas/20220323/836473532.html?utm_source=yxnews&utm_medium=desktop&utm_referrer=https%3A%2F%2Fyandex.ru%2Fnews%2Fsearch%3Ftext%3D)

## **Novatek put on hold its investment projects**

Novatek suspended all of its investment projects with the exception for Arctic LNG-2. Novatek plans to transport the first floating platform from Murmansk to the estuary of Ob river by the end of August 2022. There is not clarity with the second and third lines of the project as TotalEnergies announced the suspension of investment into the project.

Source: [https://www.kommersant.ru/doc/5272310?from=glavnoe\\_3](https://www.kommersant.ru/doc/5272310?from=glavnoe_3)

## **Kazakhstan can reroute over 16 mln t of 54 mln t of oil its exports via CPC pipeline**

Kazakhstan can redirect more than 16 million tonnes of the 54 million tonnes of oil it exports through the Caspian Pipeline Consortium's (CPC) system to alternative routes, Kazakh Energy Minister Bolat Akchulakov said at a briefing on March 25, 2022. The alternative routes cannot currently pump the whole amount if the CPC is completely shut down. The alternative routes can be developed for the whole amount, but this would take a long time, as a new pipeline would have to be built, he said. Kazakhstan exports about 68 million tonnes of oil per year in total, he added.

Source: <https://interfax.com/newsroom/top-stories/77351/>

## **IV. EAEU integration**

### **EAEU as a source of stabilisation under external pressure**

The integration processes within the EAEU could contribute to the reduction of sanctions pressure on Russia. In this regard, the following directions might be considered:

1. The development of mutual trade between the EAEU countries by removing internal barriers in the EAEU market. At the end of 2021, the volume of mutual trade in the EAEU amounted to US \$ 72.6 billion - this is the largest value since its inception. Today, according to various estimates, up to 30% of all internal barriers in the EAEU market have been eliminated. Eliminating half of the remaining 70% could give an additional 0.5 p.p. increase in the total EAEU GDP, or about US \$10 billion.
2. The development of industrial cooperation, both between the EAEU countries and with the external partners.

3. The formation of alternative routes for the import and export of goods, using the EAEU customs territory, in particular, the development of the international transport corridor "North-South".
4. The development of financial infrastructure or the gradual formation of a common financial market to simplify settlements in mutual trade between the EAEU countries and reduce the risk of new restrictions.
5. The development of external loop of integration to contribute to the reorientation of trade flows. Today, the EAEU has formalised the trade agreements with Vietnam, Singapore, Iran, Serbia, and non-preferential trade agreements with China. The estimated volume of the unrealised export potential of Russian products to alternative markets of the countries that have not imposed restrictions on Russia is US\$ 37 billion: China - US\$ 14 billion, India - US\$ 4 billion, Turkey - US\$ 4 billion, Egypt - US\$ 2.3 billion, Uzbekistan - US\$ 1.4 billion. The negotiations on a free trade zone with India are scheduled; the negotiations with Egypt are already underway, Uzbekistan is an observer in the EAEU.

Source: Nikita Pyzhikov, Head of the Institute of International Economics and Finance of the All-Russian Academy of Foreign Trade of the Ministry of Economic Development of the Russian Federation: <https://expert.ru/2022/03/21/yeaes-kak-istochnik-stabilizatsii-v-usloviyakh-vneshnego-davleniya/>

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