

Pregled ruskega trga, 30. marec 2022

I. Russia's credit rating

S&P excluded bonds of a number of Russian and Belarusian companies from 11 indices

The index provider S&P Dow Jones Indices announced the exclusion of bonds of a number of Russian and Belarusian companies from 11 indices due to the risks associated with sanctions. The companies whose bonds were excluded are Veon, ALROSA Finance, Bashneft, Zenit Bank, RZD Capital, KamAZ, Lukoil Capital, VEB Finance, Rusal Capital D.A.C. SIBUR Securities, JSC "Development Bank of the Republic of Belarus" and others. The Moscow City Government bonds were also excluded from indices.

Sources: <https://www.spglobal.com/ratings/en/research-insights/topics/russia-ukraine-conflict>
<https://www.kommersant.ru/doc/5283445>

II Banking sector

IMF: Russia sanctions threaten to weaken the dominance of US dollar

IMF First Deputy Managing Director Gita Gopinath said that sanctions against Russia threaten to weaken the dominance of the US dollar. In her opinion, this could lead to a more fragmented international monetary system. Ms. Gopinath also specified that restrictions, including against the Central Bank of Russia, could lead to the creation of small currency blocs within which individual countries would trade among themselves. Now there is a trend towards the fact that other currencies have become more actively used in trade. However, according to IMF First Deputy Managing Director even the Chinese yuan will not yet be able to replace the dollar. According to the IMF, less than 3% of world bank reserves are denominated in yuan. "This is a slow process that takes time, and dollar dominance will continue for a while," she added.

Sources: <https://www.ft.com/content/3e0760d4-8127-41db-9546-e62b6f8f5773>
<https://www.kommersant.ru/doc/5283505>
<https://www.imf.org/en/News/>

EBRD predicts Russia's GDP to fall by 10% in 2022 and zero growth in 2023

The EBRD predicts a 10% decline in economic growth in Russia in 2022 due to the military operation in Ukraine. In 2023, according to the bank's forecasts, the Russian economy expects zero growth.

"Sanctions on Russia are expected to continue for the foreseeable future, which, after a sharp fall in GDP in 2022, will lead the Russian economy to stagnation in 2023. This will have a negative impact on a number of neighboring countries in Eastern Europe, the Caucasus and Central Asia," the EBRD said in a statement. In November 2021, the EBRD forecast Russian GDP growth in 2022 at 3%. At the same time, the bank warns that the presented forecast "possesses an extremely high level of uncertainty." In addition, there are serious risks of deterioration if the military operation in Ukraine does not stop or if gas or other raw materials from Russia fall under restrictions.

According to the EBRD forecasts, the Ukrainian economy is expected to fall by 20% in 2022. In case of an early end to the conflict and the start of active restoration of infrastructure next year, the growth of the country's economy, according to the bank, should be 23%. A significant drop in GDP, according to bank forecasts, will occur in the countries of Eastern Europe and the Caucasus (Azerbaijan, Armenia, Belarus, Georgia, Moldova): their economic growth is expected to decrease by 11.8% instead of growing by 3.6% in 2022.

After February 24, 2022, the global economy suffered its worst shock since the early 1970s as Russia

and Ukraine shipped a "disproportionate" number of goods to other countries, from energy to metals, foodstuffs and fertilizers, which supplies were significantly reduced. Earlier, EU officials repeatedly warned of a possible food crisis in the world against the backdrop of Russia's military operation in Ukraine. The experts fear that world food prices may rise by 8-22%.

Sources: <https://tass.ru/ekonomika/14236095>
<https://www.kommersant.ru/doc/5283490>
<https://www.ebrd.com>

Central Bank of Russia will stop disclosing data on its reserves structure

The Central Bank of Russia will suspend the publication of foreign exchange and gold asset management report; the latest data as of January 1, 2022 will appear in its 2021 annual report, the regulator said in a statement. But the Central Bank will, starting on March 31, resume the publication of its overall international reserves on a weekly and monthly basis.

The Central Bank has altered the format for publishing data on its assets management in order to limit the effect of sanctions-related risks. The international reserves were US\$ 643.2 billion as of February 18, 2022. The regulator said at the beginning of March 2022 it would use those data in all publications for the next three months.

Sources: <https://www.cbr.ru/press/event/?id=12780>
<https://interfax.com/newsroom/top-stories/77615/>

III. Foreign trade and commodity markets

Details of the payment scheme for Russian gas in rubles

The Russian side has offered companies from 'unfriendly' countries a gas payment scheme in rubles, according to which importers will be required to open a ruble account in a Russian bank. On March 31, 2022, Presidential Spokesman Dmitry Peskov said that the new payment scheme had already been presented to President Putin and would be published soon. He also confirmed the message to the German Government that a scheme, in which companies will pay for gas in dollars or euros but through Gazprombank, is being considered. After that Gazprombank will transfer the money into rubles, and they will go to Russia. Besides, Dmitry Peskov noted that President Putin provided the information on such a scheme to French President Emmanuel Macron and Italian Prime Minister Mario Draghi.

Source: <https://www.vedomosti.ru/business/news/2022/03/31/916052-rbk-shemi-oplati>

Russia raised export quotas for nitrogen and complex fertilizers

The Subcommittee for customs tariffs and nontariff regulation at the Russian Economy Development Ministry has decided to increase export quotas for nitrogen and complex fertilizers by 231,000 and 466,000 tonnes, respectively. The quotas have been updated taking into account the balance of production and consumption of these types of fertilizer, the Ministry reported.

The Russian Government introduced export quotas for nitrogen fertilizers and complex fertilizers containing nitrogen on December 1, 2021, as a measure to curb the growth of food prices. The cap on exports, in effect until May 31, 2022, was set at 5.9 million tonnes for nitrogen fertilizers and 5.35 million tonnes for complex fertilizers. Later the export quota for urea was increased by 280,000 tonnes taking into account the launch of new production capacity by Acron. Russia also imposed a two-month ban on exports of ammonium nitrate on February 1, 2022, and the ban was extended this week until May 1, 2022.

Source: <https://interfax.com/newsroom/top-stories/77636/>

US eased the restrictions on imports of Russian mineral fertilizers

The US eased the restrictions on imports of Russian mineral fertilizers in order to avoid a shortage of foodstuff. The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury published a new general license dated March 24, 2022, which effectively removed Russian mineral fertilizers from possible sanctions. The mineral fertilizers were included in the list of essential products along with agricultural products, medicines, and medical products.

Sources: <https://www.kommersant.ru/doc/5283343>
<https://ria.ru/20220331/udobreniya-1781002942.html>

Russia extended the duty-free imports list

The Subcommittee for customs tariffs and nontariff regulation and protective measures in foreign trade at the Russian Economic Development Ministry has extended the list of goods that can temporarily be imported into the country duty-free. It included a number of food products, chemical products, components for machinery and equipment, and raw materials for light industry. "As part of the continued implementation of the priority action plan to increase the stability of the Russian economy, the Economic Development Ministry received proposals from the Industry and Trade Ministry, Digital Development Ministry and other agencies to expand the previously approved list. Proposals were also received from member countries of the EAEU," the Ministry reported.

The Eurasian Economic Commission (EEC) decided earlier to exempt a number of food products and products used in their production from import duties for six months. "The decision, among other things, applies to animal and dairy products, vegetables, sunflower seeds, juices, sugars, cocoa powder, amino acids, starches, ferments and other food products," the EEC trade department reported.

Source: <https://interfax.com/newsroom/top-stories/77657/>
<https://ria.ru/20220331/tovary-1781006165.html>

China is considering switching to rubles and yuan in energy trade with Russia

China admits the possibility of switching to rubles and yuan in energy trade with Russia. "When carrying out bilateral mutual settlements, market entities can choose a currency in accordance with their own needs. The use of our own national currency in the process of regular trade and economic interaction can help avoid currency risks and reduce the costs associated with currency exchange," the Chinese Foreign Ministry said. The Ministry also added that Chinese business is going to use rubles and yuans more actively in trade with Russia.

Source: <https://www.kommersant.ru/doc/5283541?from=lenta>
https://tass.ru/ekonomika/14235243/amp?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com

Trade with Russia in national currencies is supported by other countries

Nigeria is ready, if necessary, to trade with Russia in national currencies, said the country's Ambassador to Moscow, Abdullahi Shehu. Earlier the transition to settlements in national currencies with Russia was supported by Turkey and Syria. The representatives of the Ansar Allah rebel movement in Yemen (Houthis) said they were ready to buy wheat from Russia for rubles.

Sources: <https://www.kommersant.ru/doc/5283450>
<https://ria.ru/20220331/nigeriya-1781000120.html>

BRICS countries are building a new financial system to bypass the dollar

The financial system being built by the BRICS countries (Brazil, Russia, India, China, and South Africa) will not allow countries to use currencies as an instrument of political pressure and will put everyone on an equal footing, said Venezuelan President Nicolas Maduro. In his opinion, in the future, an international exchange currency to replace the dollar might be created.

Source: <https://www.kommersant.ru/doc/5283453>

The Economic Times: India and Russia complete the work on an alternative to SWIFT

India and Russia are finalising an alternative transaction platform, seen as a replacement for SWIFT, according to The Economic Times newspaper. "Russian state development bank VEB and the Reserve Bank of India (Central Bank), are completing the work on an alternative transaction platform to facilitate bilateral trade after Western sanctions blocked Moscow's access to the SWIFT banking platform", the newspaper informs. The new payment system is likely to be installed at the headquarters of both the Reserve Bank of India and VEB.

The new system is expected to be in place within a week and will be able to ensure the smooth transmission of import or export documents for transactions in rupees and rubles. According to the publication, in early April 2022, representatives of the Central Bank of Russia will meet with their counterparts from the Central Bank of India to create a regulatory framework that will help support bilateral trade and banking operations.

Sources: <https://economictimes.indiatimes.com/news/economy/finance/no-restriction-on-rupee-rouble-trade-says-russia/articleshow/90554164.cms>
<https://ria.ru/20220331/swift-1781027661.html>

Japan is not going to withdraw from the Sakhalin-2 project

Japan is not going to withdraw from the Sakhalin-2 oil and gas project, as it is interested in continuing to purchase energy resources. This was stated by Japanese Prime Minister Fumio Kishida. "This is an extremely important project for our energy security, as it contributes to long-term, low-cost and stable supply of LNG. We do not intend to get out of it," said Mr. Kishida, speaking in parliament (quoted by TASS).

Sakhalin Energy is the main operator of Sakhalin-2. The controlling stake belongs to Gazprom, the Japanese energy companies Mitsui and Mitsubishi together own more than 20% of the shares (12.5% and 10% respectively). Sakhalin-2 produces 10 million tons of LNG per year, while 60% of the project's fuel is consumed by Japan. In the event of a unilateral withdrawal of Japanese companies from the Russian project, the total losses could amount to almost \$15 billion, Nikkei reported. Japan's Sodeco also owns a 30% stake in the Sakhalin-1 oil and gas project.

Earlier, the largest majors Shell and BP announced their refusal to purchase Russian oil and their intention to gradually reduce gas purchases. Shell also announced its withdrawal from the Sakhalin-2 LNG project.

Sources: <https://tass.ru/ekonomika/14236679>
<https://www.kommersant.ru/doc/5283530?from=lenta>

IV Russian market related developments

Parallel imports legalisation

Russia decided to allow the import into the country of in-demand original goods of foreign origin without the consent of the rights holders. The Russian Government Resolution No. 506 of March 29, 2022, is cancelling the responsibility for so-called parallel imports without consent of IPR holders. The list of original goods will be formed by the Russian Ministry of Industry and Trade on the basis of proposals of respective federal agencies. All necessary customs and control procedures will be carried out for goods as part of parallel imports. In addition, the products will be covered by warranty service. Under the conditions of external restrictions, the solution will help to saturate the domestic market with demanded goods and help stabilise prices for them.

The main supporter of the legalization of parallel imports in Russia was the Federal Antimonopoly Service (FAS). The Russian Government has long sided with foreign businesses, which until now had exclusive rights to import their products. Currently, many of them refuse to work in Russia, so citizens risk being left without the usual imported goods. Foreign business is really not happy with the decision on parallel imports legalisation. The Association of European Businesses (AEB) noted that the legalisation of this measure is contrary to Russia's long-term interests and negatively affects the country's investment climate.

Sources: <http://government.ru/news/44987/>
<http://duma.gov.ru/news/53896/>
<https://aebrus.ru/>

Russian Industry and Trade Ministry proposed to allocate 55 bln rubles to support Russian auto industry

Russian Industry and Trade Ministry proposed the second package of the plan to support the Russian economy amid sanctions to include a measure allocating 55.3 billion rubles in support for Russian automakers, producers of specialized machinery and incentives for local production of automotive components. In particular, the Ministry is proposing that 18.4 billion rubles to be allocated from the federal budget in 2022 to subsidise interest rates on loans issued to the automotive industry.

Another 30 billion rubles is proposed to be allocated in the current year to implement a program for the production of universal automobile components. The Ministry indicated that the redistribution of funds in this amount to that end in 2022 would be at the expense of funds for the recycling fee.

Source: <https://interfax.com/newsroom/top-stories/77620/>

Sanctions of 'unfriendly' states are to be recognised as force majeure circumstances

The sanctions of 'unfriendly' states are to be recognised as force majeure. Respective bills are currently under discussion by the Russian Government, Central Bank of Russia, and State Duma. The Russian Chamber of Commerce and Industry recommends to the regional CCIs to suspend the certification of force majeure circumstances vs. sanctions imposed on foreign components and equipment, as regards contracts concluded for domestic economic activities.

Source: http://www.consultant.ru/document/cons_doc_LAW_412982

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