

Pregled ruskega gospodarstva, 28. marec 2022

I. Russia's credit rating

Fitch withdraws Russia's ratings

Fitch has withdrawn Russia's ratings. The withdrawals are for sanction-related reasons as indicated by Fitch in its press release of March 23, 2022. The ratings were withdrawn in advance of the April 15, 2022 deadline, imposed by the EU. On March 7, 2022, Fitch Group announced the suspension of its commercial operations in Russia.

Sources: <https://www.fitchratings.com/research/sovereigns/fitch-withdraws-russia-ratings-25-03-2022>
<https://www.vedomosti.ru/finance/news/2022/03/28/915440-fitch-otozvalo-suverennii-reiting-rossii-iz-za-sanktsii>
<https://www.fitchratings.com/research/banks/fitch-ratings-to-withdraw-ratings-on-russian-entities-23-03-2022>

II. International trade and commodity markets

Transfer of payments for Russian gas exports into rubles

President Putin instructed the Russian Government, Central Bank of Russia, and Gazprom to transfer payments into rubles under contracts for gas supplies to 'unfriendly' countries and to ensure the possibility of making payments for gas in rubles, by March 31, 2022. Russian Prime Minister Mikhail Mishustin, Central Bank Governor Elvira Nabiullina, and Gazprom CEO Alexei Miller, were appointed responsible for the order's implementation. On March 31, 2022, they must submit a respective report and continue to do it monthly.

By answering the question on how Moscow would react if Europe refused to pay in rubles, Presidential Press Secretary Dmitry Peskov said: "The fact that we will not supply gas for free is unequivocal. In our situation, it is hardly possible and hardly expedient to engage in pan-European charity."

According to Ivan Timofeev, Programme Director of the Russian International Affairs Council (RIAC), EU countries can switch to rubles by introducing exceptions to their sanctions regimes, if they need to buy Russian gas. He also stressed that Russia, by converting payments for gas supplies to 'unfriendly' countries into domestic currency, did not pursue the goal of circumventing European sanctions. The main goal was to support the national currency rate and build a different logic of relations with those countries that have imposed sanctions against Russia.

Speaking on the new partnership between Brussels and Washington on the supply of LNG from the US to Europe, Timofeev called it an 'expected move'. At the same time, he noted that it will take time and it will require the construction of appropriate infrastructure to replace such large volumes.

Sources: <https://www.kremlin.ru>
<https://www.vedomosti.ru/economics/news/2022/03/28/915450-putin-31-marta-eksport-gaza-rubli>
<https://ria.ru/20220328/gaz-1780406904.html>
<https://ria.ru/20220328/gaz-1780437999.html>
<https://expert.ru/2022/03/25/ekspert-predpolozhil-poydut-li-strany-yevrosoyuza-na-zakupki-gaza-za-rubli/>

Member of the State Duma Committee on Budget and Taxes Oksana Dmitrieva: Russia can switch to barter in settlements with 'unfriendly' countries

The transition to barter could be one of the next steps in Russia's settlements for goods with 'unfriendly' countries, Oksana Dmitrieva, a member of the State Duma Committee on Budget and Taxes, told RIA Novosti. "The next stage in settlements with 'unfriendly' countries is the condition that we are ready to sell them, for example, gas or oil, titanium or nickel, on the condition that they sell us what we need vs critical import. Another option is generally a transition to barter or clearing," Dmitrieva said.

Source: <https://ria.ru/20220328/barter-1780448344.html>

European Union may give up on Russian gas within two years

The head of European diplomacy Josep Borrell believes that the countries of the European Union may give up on Russian gas within the next two years. The diplomat stressed that the EU wants to reduce dependence on Russian energy resources, and not ban them completely, Mr. Borrell said in an interview with Sky News Arabia.

Source: https://www.kommersant.ru/doc/5281243?from=top_main_10

UAE Industry Minister: Oil demand will return to pre-pandemic levels at the end of 2022

A return to oil demand to pre-coronavirus levels is possible by the last quarter of 2022, said Sultan Al Jaber, UAE Minister of Industry and head of Abu Dhabi's state oil company ADNOC, speaking at the Global Energy Forum in the UAE. In the near future, supply will begin to decline compared to demand, he said. According to him, demand is now up by about 3 million b/d compared to 2021.

Source: <https://ria.ru/20220328/neft-1780398917.html>

Prospects for the implementation of Russian LNG projects

LNG production is one of the weak spots in Russia. The main problem of Russia in the LNG issue is the lack of its own technologies for the construction of large-capacity plants and critical dependence on European and US technologies. Under the new political conditions, this is a serious risk, which at present cannot be fully offset either through cooperation with China or through import substitution.

The largest Russian player in the LNG market, acquiring in the new economic realities strategic importance, is PAO Novatek. To date, the company has several promising projects in this area: three lines of 'Artik LNG-2', 'Ob gas chemical complex', and 'Ob LNG'. According to media reports, at the moment the company is ready to complete only the first line of 'Artik LNG-2'. Not only Novatek's projects are in doubt, but the LNG plants of the gas chemical cluster in Ust-Luga, owned by Gazprom ('Baltic LNG'), as both equipment supplies and investments in them are frozen.

According to experts, the growing confrontation between China and the West and China's interest in Russian LNG projects to enter the market can play into the hands of Russia in this matter. As an option, Russia may offer China to urgently develop technologies for large-capacity plants together.

Source: <https://expert.ru/2022/03/25/kitay-podderzhit-novatek/>

III Russian market related developments

Russian Industry and Trade Ministry developed a draft decree to abolish liability for parallel imports of certain goods

Russian Industry and Trade Ministry has developed a draft decree, which proposes to abolish liability for parallel imports of certain goods. According to the Ministry, the list will include only the products needed for the saturation of internal consumer market and will be compiled at the proposals of respective governmental bodies.

Parallel imports is the importation of original goods into the country not through an accredited distributor, but through alternative channels. According to current Russian legislation, in case of parallel imports, the importing company must pay compensation to the copyright holder in the amount of up to 5 million rubles, and all the goods must be destroyed. The issue of the legalisation of parallel imports was repeatedly raised in Russia in previous years. In 2015, the discussions on the legalisation of parallel imports of auto components, medicines, and perfumes took place. However, no decision was made then.

Sources: <https://www.vedomosti.ru/business/news/2022/03/28/915424-minpromtorg-parallelnii-import>
<https://iz.ru/1310689/elena-leksina/vse-ottenki-serogo-v-rf-otmeniat-nakazanie-za-parallelnyi-import>

Russian Industry and Trade Minister Manturov: restructuring of supply chains will take from three to six months

Russian Industry and Trade Minister Denis Manturov said on March 27, 2022, on the air of the Rossiya 1 TV channel, that the restructuring of supply chains would take from three to six months in Russia. There will be no interruptions in the supply of clothing, as there is a sufficient number of domestic manufacturers. As for medicines, even if foreign companies stop deliveries, Russia will be able to establish its own production, he said. Minister Manturov also assured that imported spare parts for servicing SSJ100 aircraft would be enough for a "significant time".

Earlier, Russian Prime Minister Mikhail Mishustin announced a new package of measures to support the Russian economy. Among the proposed steps were the adjustment of a special program to stimulate the development of design documentation by Russian enterprises; simplification of the registration of pharmaceutical products and medical devices and change of their procurement procedures; subsidising interest rates on loans provided to manufacturers and distributors. The proposals for further implementation of the program is under development.

Source: <https://expert.ru/2022/03/27/manturov-sprognoziroval-razvitiye-sobytyy-v-rossiyskoy-promyshlennosti/>

Support measures for participants of foreign economic activity are established

The new regulation provides for the following measures:

- import of multi-component goods within several foreign economic transactions till January 1, 2029;
- no need for security of obligations to pay customs duties, taxes in respect of participants of foreign economic activity, carrying out such activity less than a year;
- reduction of the procedure of classification decisions issuance by the customs authorities;
- experiment on labeling of imported alcoholic beverages and the term of its implementation has been expanded.

Source: <http://publication.pravo.gov.ru/Document/View/0001202203260009>

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