

Pregled ruskega gospodarstva na dan 13. april 2022

1/19

I. Banking sector

Central Bank of Russia submitted 2021 Annual Report to the State Duma

On April 11, 2022, the Central Bank of Russia reported on its website it submitted 2021 Annual Report to the State Duma. The report will be considered by the lower chamber of the State Duma at a plenary session and will be further forwarded to the President and the Russian government.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 2/19

The report presents the main results of the regulator's activity, its financial statements, and audit reports, as well as a review of the key measures implemented in February-March 2022 to support people and businesses and stabilise the financial market. As stated by Central Bank Governor Elvira Nabiullina, since 2014 the Central Bank of Russia had been progressively expanding and diversifying its international reserves in order to have two safety cushions in actual fact — in the event of a financial crisis when the demand for US dollars and euros is high, and in the event of a geopolitical crisis when Russia's access to most reserve currencies might be restricted. 'Today, even though Western countries have frozen our reserves in their currencies, Russia still has a sufficient amount of reserves in gold and Chinese yuan,' the Central Bank Governor emphasised.

Source: <https://www.cbr.ru/eng/press/event/?id=12806>

Chairman of the Accounts Chamber Alexei Kudrin: Russia's GDP in 2022 will fall by more than 10%

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 3/19

The Russian Finance Ministry and the Economic Development Ministry are currently updating the forecast for the volume of the Russian economy for 2022, Chairman of the Accounts Chamber Alexei Kudrin said at a meeting of the Budget Committee of the Federation Council. According to the official forecast, the fall in Russia's GDP in 2022 will be more than 10%. He added that the fall in GDP will affect Russia's budget and budget revenues.

Source: <https://www.vedomosti.ru/economics/news/2022/04/12/917673-kudrin-vvp-rossii-10>

World Bank predicted a fall in Russia's GDP by 11.2% in 2022

Russia's economy has already plunged into a deep recession with output projected to contract by 11.2 % in 2022. In 2023 and 2024 the World Bank expects the Russian economy to grow by 0.6% and 1.3%, respectively. According to the WB's experts, due to the military operation in Ukraine and the sanctions of Western countries, the uncertainty about the forecasts is "unprecedentedly high." The report says that "the harsh consequences of the sanctions already imposed" will lead to the fall of the Russian economy, largely due to reduced domestic demand.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 4/19

The World Bank also predicted an increase in inflation by the end of 2022 to 22%. Exports of goods and services will decrease by 30.9%, imports - by 35.2%. The share of Russians with incomes below the poverty line will grow by 2.6 million people to 12.8% by the end of the year.

Sources: <https://www.vedomosti.ru/economics/news/2022/04/11/917493-vsemirni-bank-padenie-vvp>

<https://www.worldbank.org/en/news/press-release/2022/04/10/russian-invasion-to-shrink-ukraine-economy-by-45-percent-this-year>

Currency control vs. ruble strengthening

Since April 11, 2022 a weakening of the ruble is observed as a reaction to the easing by the Central Bank of Russia of temporary restrictions on foreign exchange transactions. In particular, on April 11, the Central Bank abolished the 12% commission for the purchase of foreign currency, allowed the sale of cash to citizens, and lowered the key rate from 20% to 17%.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 5/19

Despite the easing of foreign exchange restrictions, the market is still under the influence of a ban on the movement of capital. According to economists, the easing of currency control is likely to have only a short-term effect on the ruble in the form of its depreciation, since the ban on the withdrawal of capital and the narrowing of imports still play in favor of the Russian currency. The main driver of the recent strengthening of the ruble - the obligation of exporters to sell 80% of foreign exchange earnings - remains in force and will continue to support the Russian currency.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 6/19

The balance in the foreign exchange market is still biased towards supply. Export earnings significantly exceed import volumes, and the demand of individuals for foreign currency does not compensate for this difference. The positive balance of the current account of payments of Russia in Q1 2022 amounted to US\$ 58.2 billion, which is 2.6 times more than in the same period in 2021 (US\$ 22.5 billion), follows from the preliminary estimate published by the Central Bank of Russia on April 11, 2022. The volume of Russian exports in the first three months amounted to US\$ 156.7 billion, which is 1.5 times more than the volume of exports in the first quarter of 2021 (US\$ 104.8 billion). The volume of imports in Q1 2022 increased compared to the same period in 2021 by 14% to US\$ 90.4 billion from US\$ 79 billion.

If the country receives an influx of foreign currency from exports, which has nowhere to "canalise" (imports do not grow, capital outflows are blocked, it will not be possible to send them to reserves), then there will be a chronic excess supply of foreign currency on the market, which means that the ruble will continue to strengthen.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 7/19

Against that background, the current rate does not reflect the whole picture –that is due to restrictive measures and the actual isolation of Russia, the expert notes. The real exchange rate of the ruble would be closer to 100 rubles per dollar (official rate by Central Bank on April 13, 2022 is 79,6 roubles per US dollar). At the same time, it is predicted that in a while the ruble will begin to feel a negative effect from the gradual reduction in exports under the influence of sanctions. A strong ruble is good for slowing down inflation and restoring imports of key goods, but hurts budget revenues and makes it harder for non-oil exports and import substitution. It is expected that in the near future the Central Bank of Russia may reduce the share of the mandatory sale of foreign currency for exporters (now it is 80%) in order to further balance the situation in the foreign exchange market.

Sources: <https://www.vedomosti.ru/economics/articles/2022/04/11/917652-eksporteri-prodat-valyutnuyu>

<https://www.vedomosti.ru/finance/articles/2022/04/11/917648-rubl-oslab>

<https://ria.ru/20220412/rubl-1783012318.html>

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 8/19

Capital outflow from Russia could have amounted to US\$ 51.4 bln in February-March 2022

Capital outflow from Russia could have amounted to US\$ 51.4 billion in February-March 2022, according to estimates published by the Central Bank of Russia. The regulator reported on April 11, 2022, that capital outflow was estimated at US\$ 64.2 billion in Q1 2022. It said two months ago that US\$ 12.8 billion had flowed out of the country in January 2022.

Source: <https://interfax.com/newsroom/top-stories/78115/>

II. Foreign trade and commodity markets

Europe refused to supply LNG equipment to Russia

The EU imposed the first direct sanctions against the gas industry, banning the supply of LNG production equipment to Russia. Thus, the fifth package of sanctions, published on April 8, establishes a ban on the sale, supply, transfer or export to Russia, directly or indirectly, of goods and technologies necessary for gas liquefaction, regardless of whether such goods or technologies originate from the EU or not. Deliveries under contracts concluded before February 26, 2022 must be completed no later than May 27, 2022.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 9/19

This decision puts an end to Russia's plans to become one of the world's largest LNG producers, since key equipment for large-tonnage liquefaction is produced only in "unfriendly" countries. The implementation of the Arctic LNG-2 and Baltic LNG projects already under construction by NOVATEK and Gazprom is questionable, since the ban also applies to concluded and paid contracts.

Source: <https://www.kommersant.ru/doc/5304289>

Sanctions against Russia could cause one of the worst oil supply disruptions in history

Sanctions against Russia could trigger one of the worst oil supply disruptions in history. This, according to Reuters, at a meeting with the EU representatives, said OPEC Secretary General Mohammed Barkindo. According to him, as a result of sanctions and other restrictions against Russia, the world market could lose about 7 million barrels of Russian oil and other liquid hydrocarbons per day. "Given the current demand forecast, it would be nearly impossible to offset a volume loss of this magnitude," Barkindo said.

Source: <https://www.rbc.ru/economics/11/04/2022/625460539a7947ef99c4dce1?from=newsfeed>

Transit of Russian gas through Ukraine decreases for the second day in a row

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 10/19

On April 13, 2022, Russia applied for the pumping of 66.33 million cubic meters of gas through the Ukrainian stations "Sudzha" and "Sokhranivka". This is 11% less than on April 12, 2022 RIA Novosti reports, citing data from the GTS Operator of Ukraine. The maximum obligations of Gazprom to Ukraine under the contract are about 109.6 million cubic meters per day.

Since April 8, 2022, Gazprom has not booked the capacities of the Yamal-Europe gas pipeline for gas transit through Poland. Since April 7, 2022, the pipeline has switched to reverse mode, gas goes from Germany to Poland.

Sources: <https://ria.ru/20220413/gaz-1783246598.html>

<https://www.kommersant.ru/doc/5305730?from=lenta>

Trade between Russia and China grew by 28.7% in Q1 2022

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 11/19

The trade turnover between Russia and China in January-March 2022 increased 28.7% yoy, reaching US\$ 38.17 billion. This was announced on April 13, 2022, by the General Administration of Customs of the People's Republic of China. According to the agency, imports of Russian goods and services increased by 31%, to US\$ 21.73 billion. In turn, exports to Russia grew by 25.9% over three months and amounted to about US\$ 16.44 billion. The positive balance of Russia in trade with China for January-March 2022 reached US\$ 5.29 billion.

Source: <https://iz.ru/1319845/2022-04-13/tovarooborot-rossii-i-kitaia-za-pervyi-kvartal-2022-goda-vyros-na-287>

[Russian market related developments](#)

Russia to prepare countermeasures to EU decision to blacklist Russian airlines

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 12/19

The decision by the European Commission to place 20 Russian airline companies on the European Union Air Safety List will entail countermeasures, the Federal Air Transport Agency (Rosaviatsia) stated on Monday. "The decision to place a number of Rosaviatsia-certified Russian airline companies on the so-called blacklist of the European Union attests to its policy of discrimination and violation of international aviation law, which inevitably will lead to response measures from the Russian aviation authorities in regard to EU members' aviation enterprises," the statement said. Earlier on Monday the European Commission blacklisted Aeroflot, Rossiya, Pobeda, UTair, S7, Avrora, Izhavia, Yakutia, UVT Aero, Smartavia, IrAero, Ural Airlines, Alrosa, Nordstar, Rusline, Yamal, Nordwind, IFly, Rusjet and Aviastar-TU.

Source: <https://interfax.com/newsroom/top-stories/78097/>

Russian government simplified the registration of some medications in Russia

On April 11, 2022, Russian Prime Minister Mikhail Mishustin signed a decree to simplify state registration of some drugs in order to avoid shortages and supply disruptions.

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 13/19

- The registration procedure of the medicines will be reduced by 30 days, the Government explained. The new procedure will be valid until the end of 2023.
- The list of drugs that can be registered under accelerated procedure shall be defined by a special Interdepartmental Commission. Its composition shall be approved by the Ministry of Public Health shortly.
- Medications that are not registered in Russia can be used in the country subject to temporary approval, the government noted.
- Now it is also allowed to sell newly registered foreign drugs in their original packaging with a label in the Russian language. This rule will be in effect until the end of 2022.

Source: <http://government.ru/news/45105/>

Russian government will support backbone enterprises in the pharmaceutical and medical industry

The Russian government will support backbone enterprises in the pharmaceutical and medical industry, as well as suppliers of these products and pharmacy chains by providing bank guarantees

with a preferential commission rate of 1%, Russian Prime Minister Mikhail Mishustin said at a meeting with deputy prime ministers on April 11, 2022.

Sources: <http://government.ru/news/45107/>

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 14/19

<https://interfax.com/newsroom/top-stories/78087/>

[EAEU market developments](#)

Impact of the military operation in Ukraine and sanctions pressure on the EAEU countries

According to the World Bank, the military operation in Ukraine is hitting hard the emerging and developing economies of Europe and Central Asia. In addition to Russia and Ukraine, Belarus, Kyrgyz Republic, Moldova and Tajikistan are projected to fall into recession this year.

Russia and Ukraine account for about 40 % of wheat imports in the region and about 75 % or more in Central Asia and the South Caucasus. Russia is also a major export destination for many countries, while remittances from Russia are close to 30 % of GDP in some Central Asian economies (Kyrgyz Republic, Tajikistan).

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 15/19

"The Ukraine war and the pandemic have once again shown that crises can cause widespread economic damage and set back years of per capita income and development gains," said Asli Demirgüç-Kunt, World Bank Chief Economist for Europe and Central Asia. "Governments in the region should fortify their macroeconomic buffers and credibility of their policies to contain risks and deal with potential fragmentation of trade and investment channels; strengthen their social safety nets to protect the most vulnerable, including the refugees; and not lose focus on improving energy efficiency to ensure a sustainable future, he said".

Source: <https://www.worldbank.org/en/news/press-release/2022/04/10/russian-invasion-to-shrink-ukraine-economy-by-45-percent-this-year>

Belarusian President Alexander Lukashenko confirmed settlements in Russian rubles

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 16/19

Belarusian President Alexander Lukashenko said that the country pays for energy in Russian rubles and it suits well. "Russian rubles don't bother us. I have demanded since long time ago that we switch to settlements in Russian rubles. We do not need dollars and euros", Lukashenko said during a meeting with the head of Primorye region Oleg Kozhemyako. The meeting was dedicated to trade issues, including the supply of fish products to the Belarusian market.

Source: <https://ria.ru/20220413/rubli-1783247117.html>

Belarus restricts exports of food products

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 17/19

On April 12, 2022, the Belarusian government imposed a ban on the exports of salt, sugar and other food products due to the high demand in border areas, the government's press service said. The decision was adopted to protect the domestic market due to the increased demand in the border areas for food products. According to the government's decision, now no more than one kilogram of salt, sugar, flour (buckwheat flour, wheat flour), certain types of cereals (buckwheat, rice, semolina, oats, oat flakes, millet) can be exported from Belarus outside the Eurasian Economic Union. The

export of vegetable oil (up to one liter), canned meat, dairy and fish, except for canned baby food (up to three cans), is restricted. The restriction does not apply to goods purchased in duty-free stores, which are located at Belarusian border checkpoints.

Source: <https://interfax.com/newsroom/top-stories/78138/>

Belarus and Russia enhancing cooperation in production of semiconductors for space industry

6tybvVuqNMHvbsPhYgGKG1b+duT2cFbEZ7aaxtLJ2C31URdhLuB9HfjkUK86sgumwPg= 18/19

Belarus and Russia will develop cooperation in the area of technological production for the space industry, including the creation of semiconductor production, said Belarusian President Alexander Lukashenko during a visit to the Vostochny Cosmodrome on April 12, 2022.

Source: <https://interfax.com/newsroom/top-stories/78134/>

Pripravila:

Tatiana Morozova
Local Counsellor for Economics
Embassy of the Republic of Slovenia in Moscow