

Pregled ruskega trga, 5. april 2022

I. Russia's sovereign debt

US stops Russian bond payments in bid to raise pressure on Moscow

The US stopped the Russian government on April, 4 from paying holders of its sovereign debt more than US\$ 600 million from reserves held at American banks. Under sanctions put in place after Russia invaded Ukraine on Feb. 24, 2022, foreign currency reserves held by the Central Bank of Russia at US financial institutions were frozen. But the US Treasury Department had been allowing the Russian government to use those funds to make coupon payments on dollar-denominated sovereign debt on a case-by-case basis. The move was meant to force Moscow to make the difficult decision of whether it would use dollars that it has access to for payments on its debt. Russia faces a historic default if it chooses to not do so.

Source: <https://www.reuters.com/business/us-cracks-down-russian-debt-payments-latest-sovereign-payments-halted-2022-04-05/>

II. Banking sector

Central Bank of Russia issued an official clarification to legal entities on the application of the provisions of Presidential Decrees: No. 79 of February 28, 2022, and No. 95 of March 5, 2022.

The document provides the guidelines on mandatory sale of part of foreign currency and temporary procedure for Russian debtors to fulfil their obligations to foreign creditors.

Source: <https://www.cbr.ru/Crosscut/LawActs/File/5856>

III. Foreign trade and commodity markets

Russian Energy Ministry did not rule out the transfer of electricity exports to ruble settlements

Russian Energy Ministry does not exclude the perspective of transfer of electricity exports to ruble settlements. The decision will be taken by the exporter 'Inter RAO', the Ministry reported.

Source: <https://ria.ru/20220405/elektroenergiya-1781864466.html>

Ministry of Agrarian Policy of Ukraine: food exports will be reduced at least three times

Ukraine will be able to export by rail no more than 1.5 million tons of food per month, which is three times less than the country exported by sea before the start of the Russian special operation, said First Deputy Minister of Agrarian Policy and Food Taras Vysotsky.

Source: <https://ria.ru/20220405/eksport-1781863427.html>

Hungarian MVM and Gazprom are discussing payments for gas in rubles

The Hungarian energy company MVM is discussing with Gazprom the issue of switching the payments for gas to rubles, the Russian Ambassador in Budapest Yevgeny Stanislavov said in an interview with RIA Novosti.

Source: <https://ria.ru/20220405/gaz-1781805388.html>

Sources: <https://www.vedomosti.ru/economics/news/2022/04/04/916582-saudovskaya-araviya-podnyala-tseni>
<https://www.bloomberg.com/news/articles/2022-04-04/saudi-arabia-hikes-oil-prices-further-into-record-territory>

Bloomberg: Saudi Arabia raised prices for May oil supplies

Saudi Arabia raised prices for May oil supplies to all regions of the world, Bloomberg reports. The price of Arab Light crude to Asian buyers was raised by national oil company Saudi Aramco by US\$ 4.40. The prices for other grades of oil for Asia are expected to raise by at least US\$ 2.70 per barrel, and for the US by US\$ 2.20 per barrel. More than 60% of Saudi Arabia's oil supplies are oriented to the Asian market, where the largest buyers are China, Japan, South Korea, and India, writes Bloomberg. Saudi Arabia is the world's largest exporter of crude oil. In March 2022, the country produced 10.3 million barrels.

Sources: <https://www.vedomosti.ru/economics/news/2022/04/04/916582-saudovskaya-araviya-podnyala-tseni>
<https://www.bloomberg.com/news/articles/2022-04-04/saudi-arabia-hikes-oil-prices-further-into-record-territory>

NLMK: transition to settlements in rubles will "throw out" the company from foreign markets

The expansion of the list of exported goods in rubles, may lead to the exit of the Novolipetsk Iron and Steel Combinat (NLMK) from international markets. Vladimir Lisin, the company's Board Directors Chairman, said this in an interview with Kommersant.

According to him, the company has been fighting for export markets for decades, and the transition to payments in rubles could throw the company out of international markets. In addition, in his opinion, fixing prices for steel products in the domestic market and the rejection of formula pricing based on market indices do not make life easier for business. Under such conditions, the freezing of prices for end products will lead to the fact that its production will simply stop due to losses.

Source: <https://www.vedomosti.ru/business/news/2022/04/05/916640-glava-nlmk-rascheti-v-rublyah>

Russian natural gas no longer entering Baltics

Natural gas from Russia has not been coming into the Baltic states of Latvia, Lithuania and Estonia since the beginning of April 2022, Uldis Bariss, Chairman of the Board of natural gas system operator JSC Conexus Baltic Grid (Conexus), told Latvijas Radio. Russia's announcement that the natural gas it delivers may only be paid for in Russian rubles was a cue that supplies from Russia need to be sharply reduced, as they can no longer be relied upon, he said. A new arrangement for payment of gas supplies from Russia has gone into effect in April 2022 based on a Presidential decree, making it mandatory to convert the contract currency into rubles through Gazprombank.

Source: <https://interfax.com/newsroom/top-stories/77773/>

Fish imports to Russia in 2022 may be reduced by a third

The supply of imported fish to Russia in 2022 will be reduced by a third due to sanctions, according to a study by the Pollock Fishers Association, which is quoted by RBC. It is expected that fish imports will decrease by 28-35% compared to 2021. By the end of 2022, the supply of fish products will decrease to 385,000 tons (US\$ 1.5 billion in monetary terms). In 2021, this figure was 579,000 tons (US\$ 2.1 billion). The largest share in fish imports in physical terms belongs to Atlantic salmon and trout. They account for about 17% of deliveries (100,000 tons last year). Other important items include frozen shrimp (86,100 tons), mackerel (77,300 tons) and frozen herring (55,700 tons).

The Pollock Fishers Association believes that the reduction in fish imports in 2022 may be comparable to the fall that followed the Russian embargo on the import of products from the US and European countries, including fish from Norway and Iceland. The decision was made in response to the sanctions associated with the annexation of Crimea in 2014. At that time, fish imports fell by about half compared to the volumes that Russia imported in 2013. In 2022, it may decrease again due to the cessation of supplies from "unfriendly" countries, as well as from those states that themselves restrict the export of fish products to Russia - last year they accounted for 35% of imports in physical terms and 24 % - in monetary terms, the fishermen recalled.

Earlier, Russian fish processors asked the Russian Government to limit the export of bioresources in order to provide for the domestic market. It was primarily about the most popular and affordable types of fish: herring, mackerel, pollock, pink salmon, and cod.

Source: <https://www.vedomosti.ru/economics/news/2022/04/05/916647-import-ribi-2022>

IV. Russian market related developments

Economic measures to support the IT sector

On April 4, 2022, Russian Prime Minister Mikhail Mishustin signed an order allocating 21.5 billion roubles to support the IT sector. The package of measures includes grants to IT companies, subsidies covering interest rate costs, subsidies to employees of IT companies covering a part of mortgage costs and some other measures. The other order signed by Prime Minister Mishustin allocates 20 billion roubles for beneficial loans to companies developing import substitution technologies and production.

Source: <https://www.finam.ru/publications/item/pravitelstvo-vydelilo-21-5-mlrd-rubleiy-na-mery-podderzhki-it-otrasli-20220404-090146>

Index of service sector's business activity in Russia fell to 38.1 points in March 2022

The index of business activity in the service sector of Russia fell from 52.1 points in February 2022 to 38.1 points in March 2022, according to the research organisation IHS Markit. An index value above 50 points means an increase in economic activity, below - a decline.

The combined index of production volumes tracks the activity in both the manufacturing and service sectors of the Russian economy. According to the report, the latest data show a marked decline in business activity in the Russian services sector, which contrasts with the modest expansion seen in the previous period.

Sources: <https://www.kommersant.ru/doc/5293904>
<https://www.vedomosti.ru/economics/news/2022/04/05/916634-delovaya-aktivnost-rekordnoe-padenie>

Experts called the amount of anti-crisis spending to keep the Russian economy from failure

The consequences of sanctions for the Russian economy can be mitigated by a sharp increase in budget spending, experts at the Institute for Economic Forecasting (IEF) of the Russian Academy of

Sciences believe. The amount of additional anti-crisis spending should be at least 4 trillion rubles, or about 3% of nominal GDP for 2021, according to the report of the organization "Assessment of the consequences of sanctions pressure on the Russian economy." The experts of the Russian Academy of Sciences propose to distribute these funds in the following proportion: 1% of GDP, or 1.3 trillion rubles, to support the income of the population; another 0.5%, or 650 billion rubles, to government consumption; the remaining 1.5%, or 2 trillion rubles - for budget investments.

The implementation of such a plan will help to keep the economy from a too sharp failure: an increase in budget spending by 4 trillion rubles, included in the "realistic" scenario of the IEF RAS. According to this option, Russia's GDP will contract by 5.1% in 2022, while investment will fall by 17%, according to the Institute's calculations. These are much more optimistic estimates compared to other forecasts. The Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF) expects a fall in GDP by 6.3-6.6%. According to the consensus forecast of analysts prepared by the Central Bank of Russia, the economy may shrink by 8%.

The IEF scenario assumes a reduction in exports from Russia by 9.5 trillion rubles. (in 2021 prices), imports - by 13.7 trillion rubles. Inflation parameters are fixed at 20% at the end of the year, the national currency exchange rate is 110 rubles per US dollar, the price of oil is US\$ 95 per barrel.

Under these conditions, the real money income of the population (minus inflation and mandatory payments) will fall by 5%, experts believe. And most of all, the sanctions will affect business income - they can be reduced by 14.2%, and property income (interest on deposits, securities, dividends) - by 12.5%. Wages in the non-budgetary sector may fall by 7.5% in real terms, the report notes, while wages in the public sector and social benefits (pensions, benefits, scholarships, etc.) will not decrease. The RAS scenario for real incomes is also quite optimistic. CMASF, in fact the only institution that has publicly assessed this indicator, expects it to decline by 7-7.2% in 2022.

The Russian Academy of Sciences has another, more pessimistic forecast - a "conditional" one. It involves a reduction in imports from all countries except the EAEU, China, Turkey and a number of other states, as well as an embargo on exports to "unfriendly countries." This scenario assumes a much more significant reduction in exports - by 28.7 trillion rubles, and imports - by 17.4 trillion rubles in 2022. Inflation parameters are fixed at 35%. The exchange rate of the national currency and the price of oil in both scenarios are the same. In this case, Russia's GDP will decline by 15% in 2022, and household incomes may fall by up to 10%, experts expect.

Source: <https://www.vedomosti.ru/economics/articles/2022/04/04/916602-antikrizisnih-rashodov-ekonomiki>

V. EAEU market related developments

Kazakhstan almost halved the forecast for GDP growth in 2022

The Government of Kazakhstan has lowered its forecast for the country's GDP growth in 2022 from 3.9% to 2.1%. This decision was made against the background of a deteriorating geopolitical situation, said Minister of National Economy Alibek Kuantirov. According to him, the growth rate of Kazakhstan's GDP in January-February 2022 amounted to 3.5%.

"The forecast of macroeconomic indicators has been revised taking into account the external economic situation, assessments of the development of the world economy, as well as trends in the oil market," Mr. Kuantirov explained.

Source: <https://www.kommersant.ru/doc/5293875>

Rosatom and Uzbekistan discussing details of NPP construction project

The Rosatom state corporation's project to build a nuclear power plant (NPP) in Uzbekistan is still under discussion by the parties, according to Vadim Titov, president of Rusatom International

Network, which represents the interests of the corporation abroad. Rosatom is also proposing that Uzbekistan to participate in the development of wind energy, as the state corporation is the largest operator of wind farms in Russia. Furthermore, the corporation is implementing in Uzbekistan a project of multifunctional irradiation center for sterilisation of medical products and treatment of agricultural products, Titov said.

In December 2017, the governments of Russia and Uzbekistan signed an agreement on the peaceful use of atomic energy.

In September 2018, an intergovernmental agreement was signed on cooperation in the construction of a Russian-designed nuclear power plant in the country. Rosatom plans to build a complex of two generation 3+ power units with VVER-1200 reactor units. The power units are of generation "3+" and fully meet modern IAEA safety requirements, including the significantly increased reliability of modern technologies. In February 2019, President of Uzbekistan Shavkat Mirziyoyev approved a concept of nuclear power development for the country for 2019-2029.

Source: <https://interfax.com/newsroom/top-stories/77774/>

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