

Pregled ruskega trga, 21. marec 2022

I. Russia's sovereign debt

Russia's default did not happen

The Russian Ministry of Finance paid out a coupon in foreign currency on two issues of Russian Eurobonds in the amount of US\$ 117.2 million. Thus, the technical default predicted by Western rating agencies did not happen. The money was sent through the London branch of Citibank. According to the Russian Finance Ministry, the bank confirmed that these funds were received. Russia's payments were made from the country's foreign exchange reserves frozen by the West.

Experts suggest that this easing in sanctions by the US and the EU may be associated with numerous statements about the intentions of a number of countries to expand the scope of settlements with Russia in other currencies. As a result, the US Treasury said that the current sanctions do not prevent the servicing of Russia's sovereign debt in dollars until May 25, 2022. The transactions to receive dividends and interest were allowed to be carried out with the Central Bank of Russia, Russian National Wealth Fund and Russian Ministry of Finance. This relief only applies to old debt issued before March 1, 2022.

Source: <https://expert.ru/expert/2022/12/default-ne-sluchilsya/>

II. Russian banking sector

Statement by Central Bank of Russia Governor Elvira Nabiullina on March 18, 2022

Current situation in banking system

"The banking system is operating smoothly. The liquidity situation has stabilised. At the end of February, banks faced a considerable outflow of ruble funds from household accounts, but these funds have been returning to time deposits during the recent two weeks. This has become possible predominantly owing to the increase in the key rate".

Inflation trends

"The acceleration of inflation in late February-early March was provoked by soaring demand, mostly for non-food goods. People were actively buying household appliances, cars, electronic devices, and furniture, fearing that the range and affordability of these goods will decrease drastically due to the imposed sanctions, the exit of some foreign companies from the Russian market, and a weaker ruble. During the second week of March, this feverish demand declined

Another segment showing a surge in consumer activity is non-perishable food products, including cereals, flour, pasta, and sugar. These products are mostly manufactured in Russia using domestic raw materials. Russia has sufficient stocks of these products, and companies continue to manufacture them. As the soaring demand decreases, price dynamics in this segment will return to normal. Moreover, prices for some products might even lower. Further inflation trends will depend on how fast the economy adjusts to the new conditions.

It is essential to avoid 'manual' price regulation. The administrative price regulation would inevitably cause a deficit and lower the quality of products, in general, it would slow down the adjustment of the economy to the new conditions. This year and most probably next year, inflation will exceed the previous estimates. Russia's GDP will decline in the next quarters".

A new macroeconomic forecast will be presented by the Central Bank in April 2022.

Foreign trade conditions

"The foreign trade conditions is the key uncertainty amid the increasing pressure of sanctions. The imposed restrictions affect a considerable part of exports and imports. In addition to the official sanctions, foreign companies' decisions to suspend their operation in the Russian market may also have a significant adverse impact on the situation. The period of the economy's adjustment to the new conditions will depend on companies' ability to replenish these stocks, including to replace withdrawn imported goods for domestic alternatives."

Implemented measures on stabilisation

"The implemented elements of capital controls was a forced decision as the Central Bank's opportunities to use international reserves are limited. The mandatory sale of foreign currency earnings and a number of other measures ensure an inflow of foreign currency needed for foreign trade transactions into the domestic market.

In recent years, the Central Bank of Russia was taking significant efforts to improve the autonomy of Russia's financial infrastructure and enhance the stability of the banking system. As a result, the Russian payment infrastructure ensures the continuity of payments even amid the imposed restrictions. Moreover, banks are able to meet the needs of their clients, those companies and individuals who are facing hardships, and restructure their loans.

As regards the real sector, the Central Bank of Russia jointly with the Government is taking measures to support lending to businesses. Additional 500 billion rubles have been allocated under the programmes for encouraging lending to SMEs. This will enable them to raise working capital loans for up to one year and investment loans for up to three years. Furthermore, jointly with the Government and banks, the Central bank is elaborating measures to mitigate the consequences of drastic changes in the conditions for servicing floating rate loans for companies."

Source: Central Bank of Russia: <https://www.cbr.ru/eng/press/event/?id=12765>

Central Bank of Russia's regulation of the type 'C' bank accounts

On March 18, 2022, the regulation of the type 'C' bank accounts were introduced for the settlement and execution of the transactions named in the Presidential Decree No. 95 of March 5, 2022, as follows:

- The type 'C' bank account can be credited with funds: from residents on operations (transactions) listed in the Presidential Decree No. 95; transfers from bank accounts of type 'C', brokerage accounts of type "C", special brokerage accounts of type "C", clearing bank accounts of type "C", trading bank accounts of type "C"; funds erroneously debited from a type "C" bank account.
- Funds can be debited from a type 'C' bank account in order to: payment of taxes, duties, fees and other obligatory payments payable in accordance with the budget legislation

of the Russian Federation; transfers for the purchase of federal loan bonds placed by the Russian Ministry of Finance at auctions; transfers to settlement accounts of non-residents in the currency of the Russian Federation, provided for by the permit; transfers in the course of other transactions provided for by the permit; transfers to bank accounts of type "C".

Source: Central Bank of Russia: http://www.cbr.ru/about_br/dir/rsd_2022-03-18_04

Central Bank of Russia decided to keep the key rate at 20 % per annum

On 18 March 2022, the Board of Directors on the Central Bank of Russia decided to keep the key rate at 20% per annum. Against the background of a drastic change in external conditions, the sharp increase in the Bank of Russia key rate of 28 February helped sustain financial stability and prevented uncontrolled price rises. The Russian economy is entering the phase of a large-scale structural transformation, which will be accompanied by a temporary but inevitable period of increased inflation, mainly related to adjustments of relative prices across a wide range of goods and services. The Bank of Russia's monetary policy is set to enable a gradual adaptation of the economy to new conditions and a return of annual inflation to 4% in 2024.

Source: Central Bank of Russia:

https://www.cbr.ru/eng/press/pr/?file=18032022_133000key_eng.htm

III. Commodity markets

Russian Deputy Prime Minister Novak: oil and gas are produced in full

The production of oil and gas in Russia, despite the sanctions pressure, is carried out in full, Deputy Prime Minister Alexander Novak told on March 21 to reporters. Deputy Prime Minister also emphasised that Russia continues to ensure the export of products, including gas, LNG, oil and oil products. "Not everything is simple. Nevertheless, our companies and we monitor the situation and work with them manually," he said. Alexander Novak also noted that the decision of the US and the UK to refuse to import Russian oil and oil products had little effect on Moscow, since the volume of supplies was small. "As for the US, we supplied there 3% of all our oil exports and 7% of oil products," he precised.

Sources: <https://ria.ru/20220321/neft-1779258769.html>

<https://ria.ru/20220321/neft-1779258642.html>

<https://ria.ru/20220321/gazprom-1779267133.html>

Gazprom supplies natural gas in transit through Ukraine on a regular basis

Gazprom supplies gas for transit through Ukraine on a regular basis, in accordance with the applications of consumers - 104.7 million cubic meters on March 21, 2022, the company said. Gazprom's contractual obligations for transit to Ukraine for 2022 amount to 40 billion cubic meters, or about 109.6 million cubic meters per day.

Source: <https://ria.ru/20220321/gazprom-1779267133.html>

Gazprom did not book Yamal-Europe capacities for transit in April 2022

According to the results of the auction, Gazprom did not reserve the capacities of Yamal-Europe for transit in April 2022.

Source: <https://ria.ru/20220321/gazprom-1779215840.html>

Decoupling from the dollar in oil trade

The last week's talks between Saudi Arabia and China were aimed, inter alia, at the decoupling from the dollar in oil trade. According to analysts, Saudi Arabia produces 11 million b/d, a quarter of which goes to China. Currently, all Saudi Arabia's oil transactions are carried out in dollars. The volume of the annual oil trade is estimated at 14 trillion dollars, and the world's foreign exchange reserve has a volume of 8 trillion, 7.1 of which falls on the US currency. The euro has 2.5 trillion, the British pound has 0.6 trillion, and the Chinese yuan is content with a modest 0.2 trillion. Decoupling from the dollar in oil trade might lead to a sharp jump in the importance of the yuan, as well as an equally rapid increase in its monetary supply.

Source: <https://ria.ru/20220321/neft-1779158083.html>

IV Russia-Belarus integration

Belarusian Finance Minister Yury Seliverstov: there is no talk of switching to the Russian ruble

According to Belarusian Finance Minister Yury Seliverstov, there is no talk of Belarus switching to the Russian ruble. "There is a task to use national currencies in mutual trade with the Russian Federation. The situation that is currently developing will spur many to move away from the dollar," he said on the air of the Belarus 1 TV channel on March 20, 2022, commenting on the assumptions in the media that Minsk could switch to the Russian ruble in the near future.

Source: <https://ria.ru/20220320/rubl-1779175611.html>

Minsk agreed with Moscow to postpone part of loan payments for several years

Minsk agreed with Moscow to postpone part of the payments on Russian loans for five to six years, said Belarusian Finance Minister Yury Seliverstov on the air of the Belarus 1 TV channel on March 20, 2022. Minister Seliverstov called these terms more comfortable and mutually acceptable. According to him, the parties agreed that it would be advisable to direct mutual payments on the improvement of mutual trade during the sanctions period.

Source: <https://ria.ru/20220320/kredity-1779175377.html?in=t>

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