

I. Russia's sovereign debt

Russian Finance Ministry: NSD received funds totaling US\$ 65.63 mln to pay yield on Russia 2029 Eurobond coupon

The Russian Finance Ministry informed that the funds for paying the yield totaling US\$ 65.63 million on the external bond loans of the Russian Federation maturing in 2029, for the period of March 21, 2022, were received by the JSC National Settlement Depository. Consequently, the Russian Finance Ministry has completely fulfilled its obligations to service the Russian Federation's sovereign securities in accordance with the issuance documentation for Eurobond issues, the Ministry reported on March 22, 2022.

Sources: <https://interfax.com/newsroom/top-stories/77171/>
<https://www.vedomosti.ru/finance/news/2022/03/22/914584-rossiya-kupon-656-mln>
<https://minfin.gov.ru>

II. Macroeconomic indicators

Fitch downgraded 2022 global GDP growth forecast from 4.2% to 3.5%

The Fitch Ratings cut its 2022 global growth forecast from previously expected 4.2% to 3.5% and raised inflation estimates. The revision of economic forecasts reflects not only a rise in energy prices, but also a faster pace of interest rate hikes by the US Federal Reserve than previously thought. The expectations for the eurozone GDP growth were worsened to 3% from 4.5%, for the US - to 3.5% from 3.7%, for the UK - to 3.8% from 5%. The growth of the economies of emerging markets, excluding China, is projected at 2.5% in 2022. The increase in consumer prices in the US in 2022 is expected to be around 7% (compared to 4.5% predicted in December 2021), in the eurozone - 5% (2.6%), in the UK - 6.6% (4.5%). In 2023, as analysts of the agency expect, global GDP will increase by 2.8% against the previous estimate of 3%.

Source: <https://www.interfax.ru/business/830447>

Fitch expects Russian economy to shrink 8%, consumer prices to soar 18% in 2022

Russia's GDP could shrink 8% in 2022 amid coordinated international financial and economic sanctions which will cause major disruption to the banking sector and trade relationships, Fitch Ratings said. But the extent of the GDP decline in 2022 is "highly uncertain" and will depend how long Russia's special operation in Ukraine lasts and how long the sanctions remain in place. In 2023, Russian GDP could fall just 0.2%.

The ruble has declined sharply against the US dollar since the start of the special operation in Ukraine, to around 105 rubles from 77 rubles, and has already triggered a sharp pick-up in inflation, Fitch said. Consumer price inflation might climb to 18% by the end of 2022 and could

be 15% by the end of 2023. Fitch expects an exchange rate of 135 rubles/\$ 1 at end of 2022 and 130 rubles/\$ 1 at end of 2023. The freezing of much of the Central Bank of Russia's US\$ 640 billion reserves hinders its ability to use these assets to stabilise the Russian ruble and meet its international payment obligations.

Source: <https://interfax.com/newsroom/top-stories/77151/>

III. International trade & commodity markets

Experts predict Russia's isolation from WTO benefits

Russia may face expulsion from the World Trade Organisation (WTO) or, at least, isolation from its benefits, experts predict. By March 16, 2022, the US, Canada, and Japan abolished the most-favoured-nation treatment for Russia, a fundamental principle which defines the WTO membership meaning. The refusal of other countries to provide Russia with the most-favoured-nation treatment, for example by the EU, is quite possible as it would correspond to general sanctions' aspirations, experts believe. There is no legal prohibition for taking such actions. According to paragraph 3 of Article IX of the Marrakesh Agreement on the WTO establishment, exclusion from the most favored nation treatment is allowed on certain grounds (implementation of measures necessary to protect public morality, protect human life and health, animals and plants, etc). However, mass adherence to this type of sanctions would create a precedent for the existence of the entire legal framework for international trade. That would be a blow not only to Russia's interests, but to the entire WTO system as a whole.

Source: <https://www.vedomosti.ru/economics/articles/2022/03/21/914525-eksperti-izolyatsiyu-vto>

Russian Economic Development Ministry: WTO is a single international body for protecting Russia's interests

The Russian Economic Development Ministry made a press statement saying that the WTO is a single international body in which Russia can defend its interests. Russia's exit from the WTO would be seen negatively by the countries who did not join the Western sanctions against Russia. The statement was made following a submission of the draft bill to the Duma by the Duma faction of Fair Russia party demanding Russia's exit from the WTO.

Source: <https://rbc.ru>

Prospects for Russian oil embargo

Russian oil embargo may affect less than a third of deliveries from the Russian Federation, analysts say. According to the International Energy Agency, by the end of 2021, the total demand for oil in Europe amounted to about 13 million b/d from a global one of 97.5 million b/d. In 2021, Russia produced 524 million tons of oil, or 3.84 billion barrels, according to

Rosstat. According to this indicator, Russia took third place, behind the US and Saudi Arabia. The average daily production in Russia amounted to about 10.5 million b/d, follows from the data of the Russian Energy Ministry. Its export deliveries, according to Rosstat, amounted to about 225 million tons, or 1.65 billion barrels. In February 2022, Russia exported about 4.6 million b/d to Europe.

The introduction of an EU embargo on Russian energy carriers is generally possible, experts say. But the implementation of this ban will be phased and will require different efforts and timeframes for different energy sources - for oil and gas. It will be easier for the EU to refuse oil imports from Russia than gas. According to experts, if this happens, Europe will face very serious additional costs in the short term. In addition, it will be very problematic to replace heavy Russian oil of the Urals brand, which European refineries currently operate on, with light grades.

Additionally, it will not be possible to quickly replace Russian oil coming under long-term contracts with the same long-term contracts from Asia. Europe will have to buy oil under short-term contracts at a price that may be twice as high as current quotations. According to estimates, if the new sanctions package does not apply to pipeline oil supplies, about 30% of Russian crude oil exports, i.e. no more than 1.4 million bp/d, will be banned from the EU.

Source: <https://www.vedomosti.ru/business/articles/2022/03/21/914533-es-rossiiskoi-nefti>

Oil continues to rise in price on the fears of EU sanctions against Russia

On March 21, 2022, Brent crude rose by US\$ 7.69 (7.1%) to US\$ 115.62 per barrel. On March 22, the May futures for Brent crude rose in price on the London ICE Futures Exchange by US\$ 3.11 (2.69%), to US\$ 118.73 per barrel. The April futures for WTI rose in electronic trading on NYMEX by US\$ 2.71 (2.46%) to US\$ 112.68 per barrel.

Significant pressure on traders comes from reports that the EU may expand sanctions against Russia by limiting energy imports. According to Commerzbank analysts, Yemeni missile strikes on Saudi Arabia also contribute to the increase in fuel prices. They did not cause serious damage, but clearly showed that the supply disruptions were possible, and it would be almost no chance to compensate them in the current conditions.

Sources: <https://tass.ru/ekonomika/14135569>
<https://www.interfax.ru/business/830429>
<https://www.interfax.ru/business/830462>

Russia is considering possible ban on uranium exports to U.S. as countermeasure

Russia is considering the possibility of banning the export of uranium to the US as part of Russia's response to sanctions, Russian Deputy Prime Minister Alexander Novak said at a meeting with the State Duma faction of the Liberal Democratic Party of Russia on March 21, 2022.

Source: <https://interfax.com/newsroom/top-stories/77153/>

Fitch raises metals and coal prices for coming years

Fitch has upgraded its base metal and coal cost estimate, which it uses in its operating and financial forecasts for companies in the industry. This is due to increased demand amid the recovery of the economy after the COVID-19 pandemic, insufficient supply and short-term supply disruptions, including due to the conflict in Ukraine. Also, the revision of prices for a number of metals is associated with an increase in long-term demand against the backdrop of global decarbonisation.

The upgrade in the nickel price forecast for 2022-2024 reflects increased supply risks, as Russia accounts for about 7% of global nickel production. In addition, the demand for nickel from battery manufacturers remains significant. World copper inventories are at an extremely low level, while there are problems with supplies from Chile and Peru, Fitch analysts say. Russia accounts for approximately 4% of the world's supplies of this metal, and therefore sanctions against the country may also have a negative impact on supplies.

Source: <https://www.interfax.ru/business/830462>

Naftogaz announced the continuation of the transit of Russian gas

The Ukrainian side will continue the transit of Russian gas to Europe as long as it is technically possible, Naftogaz head Yuriy Vitrenko said in an interview with Bloomberg. "The issue of transit through Ukraine to Europe is very complicated. It is being discussed at the highest political level and not only in Ukraine. At the moment, the solution is that, while it is technically possible, we continue the transit of Russian gas," Vitrenko said. According to him, the Russian military during the special operation are trying not to damage the infrastructure for the transit of fuel.

Under the current contract, signed at the end of 2019, Gazprom annually transports 40 billion cubic meters through the territory of Ukraine from 2021 to 2024, paying for capacities regardless of the actual pumping volumes.

Source: <https://www.vedomosti.ru/economics/news/2022/03/22/914541-naftogaza-prodolzhenii-tranzita>

IV. Russian market developments

Russia simplifies access for airlines to international flights

On March 21, 2022, the Russian Transport Ministry's Interdepartmental Commission has approved rules to allow airlines to operate flights abroad, which will be valid while international air traffic is restricted.

The Federal Air Transport Agency (Rosaviatsia) said that under the new rules, the commission can decide on the temporary transfer of permits from one carrier to another at extraordinary meetings on the basis either of a request by a carrier for a permit, or non-fulfillment of flights under a permit for a week prior to a meeting. The interested carriers should apply to

Rosaviatsia. They must attach data on the aircraft planned for transportation. Upon receipt of one application, admission is automatically transferred to the applicant. If there are several applications, a vote is taken.

Source: <https://interfax.com/newsroom/top-stories/77145/>

Rosdravnadzor admitted price hikes for drugs not included in vital drugs list

The Federal Service for Surveillance in Healthcare (Rosdravnadzor) admitted price hikes for drugs which is not part of the vital drug list in Russia. "As for prices, we see increases, in particular, in the segment of drugs that are currently not regulated. These are drugs not included in the list of vital drugs," said Rosdravnadzor Deputy Head Dmitry *Parkhomenko* at a roundtable meeting in the State Duma, dedicated to the national system of drug security in Russia. Earlier Dmitry *Parkhomenko* said prices on drugs had increased on average by 2 % in Russia in the period from the end of February to the middle of March 2022.

Source: <https://interfax.com/newsroom/top-stories/77141/>

Experts predict a rise in prices for mobile communications in Russia by 10-20%

The price increases for a number of tariff plans for mobile communications due to the crisis may be 10-20%, according to various estimates. The tariffs may be revised as early as late March - early April 2022, experts say.

Source: <https://www.interfax.ru/digital/830492>

RSPP proposed to limit the rights of foreign shareholders

Russian Union of Industrialists and Entrepreneurs (RSPP) President Alexander Shokhin sent his proposals to Russian Economic Development Minister Maxim Reshetnikov, aimed at the stabilisation of corporate relations in the face of tougher sanctions. One of the necessary measures, according to Shokhin, is to restrict the rights of foreign shareholders and shareholders with unknown citizenship in strategic enterprises, companies with state participation or companies in which 20% of the shares are owned by strategic enterprises or enterprises with state participation.

RSPP suggested:

- Not to take into account the votes of foreign shareholders and shareholders with unknown citizenship at the general meeting of shareholders. The authorities should determine the cases when this can be done;
- Not to extend to them the right to demand a share buyback in case of reorganisation, delisting of the company or amendment of the charter to restrict the rights of shareholders;
- Not to apply to such shareholders the rules that follow the purchase of more than 30% of the shares of a public company;
- Deprive them of their right to demand an extraordinary shareholder meeting and allow companies not to send them ballots to vote on the agenda of the shareholder meeting;

- Do not give them a pre-emptive right to purchase additional shares or convertible securities of the company;
- Deprive the right to demand access to documents and information of the society;
- Give the company the right not to accrue or pay dividends to such shareholders.

Earlier, the investors from 'unfriendly countries' were banned from conducting transactions with Russian securities and real estate (require permission from the Governmental Commission) and limited their ability to sell Russian assets.

Source: <https://www.vedomosti.ru/business/news/2022/03/22/914543-rspp-ogranichit-prava-inostrannih-aktsionerov>

V. EAEU integration

EAEU countries switch to trade in national currencies

The EAEU Council approved a package of 33 measures to stabilise the EAEU economies. Russian Economic Development Minister Maxim Reshetnikov said that the EAEU countries would trade in national currencies between themselves. The EAEU will gradually build a common rouble space, he said. The EAEU Council adopted a zero-rate import duties on 458 customs tariff positions which certain vegetables, grains, food ingredients, baby food, pharmaceutical substances, inputs for producing construction materials, aviation spare parts, etc.

Source: <https://www.vedomosti.ru/economics/articles/2022/03/18/914184-eaes-perehode-natsvalyutah>

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