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I. Russia's sovereign debt

US Treasury delayed the default: payments in dollars on Russian debts are possible until May 24, 2022

Russia's payments on sovereign debt in dollars, despite the sanctions against the Central Bank of Russia, are possible until May 25, 2022. As the representative of the US Treasury explained, the restrictions do not prevent debt service payments before this date, after which they will require a special license.

Sources:

<https://www.bloomberg.com/news/articles/2022-03-16/u-s-treasury-confirms-russia-not-barred-from-servicing-bonds?sref=Y0jVLcFo>

<https://www.forbes.ru/finansy/459305-minfin-ssa-otsroci-defolt-platzi-v-dollarah-po-dolgam-rossii-vozmozny-do-24-maa>

Minister Siluanov commented on the state debt payment

On March 14, 2022, Russian Ministry of Finance sent a payment order for the payment of a coupon on Eurobonds for a total of US\$ 117.2 million. The payment is currently being processed. According to the Russian Ministry of Finance, the corresponding US bank is negotiating with OFAC (Office of Foreign Assets Control of the US Treasury) on the payment.

In this regard, Russian Finance Minister Anton Siluanov did not rule out that the payment may not reach the final recipients due to blocking of the dollar account. At the same time, he stressed that Russian assets are sufficient to fulfill debt obligations, both in foreign currency and in rubles, and Western countries should only unfreeze foreign currency accounts for payments.

Source: <https://expert.ru/2022/03/16/siluanov-otsenil-sudbu-platzhki-po-gosdolgu/>

II. Macroeconomic indicators

"Universal shock": energy costs in the world will reach a record level

The reduction of demand is the only short-term way to reduce the shortage of raw materials and goods, experts say. The energy costs could hit an all-time high this year, at more than 13% of global GDP, according to Bloomberg. Soaring commodity prices are pushing up inflation and pushing up the bills for both households and industry.

Source: <https://expert.ru/2022/03/16/zatraty-na-energiyu/>

Annual inflation in Russia accelerated to 12.54 %

On March 11, 2022, the inflation in Russia accelerated in annual terms to 12.54% against 10.42% a week earlier, according to the review conducted by Russian Ministry of Economic Development. For the week from March 5, 2022 to March 11, 2022, the prices increased by 2.09 % due to the depreciation of the ruble and the increased demand for a number of food and non-food products. The main contribution to inflation is still made by non-food products. As regards food products, the highest increase in prices was observed for tomatoes (+12.27%) and bananas (+11.32%); sugar price rose sharply - by 12.76% (a week earlier - by 3.29%).

Sources:

<https://expert.ru/2022/03/16/godovaya-inflyatsiya-uskorilas-do-1254/>

<https://www.vedomosti.ru/economics/news/2022/03/16/913804-potrebitelskie-tseni-virosli-bolee-chem-na-2>

III. International trade and commodity markets

US House of Representatives to vote on bill to change Russia's trade status

The US House of Representatives plans to vote on March 17, 2022, on a bill to deprive the Russian Federation of the status of a country with most favored nation treatment, Bloomberg reports. A draft law on "suspension of normal trade relations with Russia and Belarus" is under consideration. According to the source, the bill will also include an expansion of the global "Magnitsky Act", which will allow the administration of US President Joe Biden to impose further sanctions against Russian officials.

Source: <https://ria.ru/20220317/ssha-1778587120.html>

International Energy Agency expects oil production in Russia to fall by 30%

Due to the situation in Ukraine, oil production in Russia, according to the agency, will fall by 3 million b/d to 7.1 million b/d in 2022 (in February, the agency estimated production in Russia at 10.1 million b/d). IEA analysts also note that now Russian oil is supplied to the world market only under contracts concluded before the start of the military operation in Ukraine. At the same time, traders are beginning to abandon Russian oil, according to the agency's report.

The IEA emphasizes that only Saudi Arabia and the UAE have free production capacity that can compensate for the decline in oil production in Russia. According to analysts, if sanctions are lifted from Iran, then oil exports from the country could increase by 1 million barrels per day within six months. In addition to the participants in the OPEC + deal, oil supplies can be increased by the US, Canada, Brazil and Guyana.

Analysts also note that volatility will remain in the oil market in the med-term. According to the ICE exchange, on March 16, 2022, the cost of the May (nearest) futures of Brent was US\$ 102 per barrel, the US WTI (April futures) was US\$ 99 per barrel. The energy prices, including oil, began to

rise from the second half of 2021. In 2022, the peak of price growth was observed on March 8, 2022, when the price of Brent exceeded \$127 per barrel.

Source: <https://www.vedomosti.ru/business/articles/2022/03/16/913802-mea-ozhidaet-padeniya>

India may import 15 million barrels of crude oil from Russia

India, the world's third-largest energy consumer, is considering buying oil from Russia at a discount, according to the Indian edition of The Economic Times, citing a statement by India's oil and gas minister Hardeep Singh Puri. There is a number of issues to be explored in this regard, including on insurance and freight. According to the newspaper, the deal is likely to be carried out in rubles or rupees.

Sources:

<https://ria.ru/20220317/neft-1778577367.html>

<https://www.interfax.ru/business/828261>

Financial Times: India explores 'rupee-rouble' exchange scheme to beat Russia sanctions

The Central Bank of India is discussing with Moscow a possible scheme for a direct foreign exchange in order to expand trade in the face of international sanctions against Russia, the Financial Times reports.

The Central Bank of India is in initial consultations with Moscow on an agreement on the rupee-ruble currency pair, which would allow exports to Russia to continue after the imposition of Western sanctions, limiting international payment mechanisms. Swapping rupees for rubles could also allow India to continue buying Russian energy in the event of an oil embargo.

Sources:

<https://www.ft.com/content/a5ee2d6b-693f-475d-80c6-0036c2657ef1>

<https://ria.ru/20220317/obmen-1778600627.html>

Gas transit through Ukraine

The transit of Russian gas through Ukrainian territory on March 17, 2022, will remain at the level of the previous day, according to the data of the GTS Operator of Ukraine (OGTSU). The revised figure for March 16, 2022, was estimated at 95.1 million cubic meters; transit of Russian gas through Ukraine decreased since March 15, 2022.

As for the Yamal-Europe gas pipeline, through which gas from Russia is delivered in transit through Belarus and Poland to Germany, Gazprom did not order the capacity of this pipeline for a full gas day on March 17, 2022.

Source: <https://ria.ru/20220317/gaz-1778589208.html>

IV. Banking sector

President Putin must choose a candidate for the post of the Governor of the Central Bank of Russia by March 24, 2022

The decision on the appointment of the Governor of the Central Bank of Russia must be made before March 24, 2022. The procedure for introducing and considering the candidature of the head of the Central Bank is strictly regulated. The State Duma regulations state that the President presents the candidacy no later than three months before the expiration of the term of office of the Central Bank Governor. The Kremlin has so far not spoken out about its preferences.

The speculations on whether Elvira Nabiullina would be reappointed to this post arose, among other things, because she did not enter the Presidium of the Governmental Commission on the Russian economy sustainability, the composition of which was approved by Russian Prime Minister Mikhail Mishustin on March 15, 2022.

Source: <https://www.vedomosti.ru/politics/articles/2022/03/16/913846-prezident-vibrat-kandidata-banka>

Raiffeisen Bank will continue to operate in Russia

Due to the situation in Ukraine, the Austrian Raiffeisen Bank International (RBI) is considering several options for the future for its "daughter" in Russia JSC "Raiffeisenbank". "We are evaluating all strategic options for the future of Raiffeisenbank in Russia, including a carefully considered exit from Raiffeisenbank in Russia," CEO Johann Strobl was quoted as saying in an RBI report.

"Raiffeisenbank will continue to work on the Russian market, regardless of the format of participation of the RBI group in its capital. In addition, the review of the participation of the RBI is now considered solely as a last resort, no specific decisions have been made. We provide all financial services in full and are ready to ensure the uninterrupted availability of transactions for our clients in order to protect their interests as much as possible. Our safety margin will allow us to feel confident in any crisis situation," the bank said.

Earlier, against the background of the Russian military operation in Ukraine, German banks Commerzbank and Deutsche Bank, as well as American banks JP Morgan Chase and Goldman Sachs Group, announced the curtailment of activities in Russia.

Source: <https://www.kommersant.ru/doc/5260091>

IV. Russian economy support measures

Measures to ensure socio-economic stability

On March 16, 2022, President Putin signed a decree No. 121 "On measures to ensure socio-economic stability and protection of the population in the Russian Federation". The President instructed regional Governors to "take comprehensive measures" to ensure socio-economic stability. Such measures in the decree signed by the president include, in particular:

- preserving the availability of social services;
- uninterrupted functioning of life support facilities, transport, social infrastructure, health care, communications, and so on;
- implementation of additional measures aimed at eliminating increased demand for certain types of goods.

Source: <http://kremlin.ru/events/president/news/67994>

Moscow to expand SME support and to increase compensation for the cost of high-tech projects equipment up to 50%

Moscow has expanded the programme of co-financing the expenditure on the purchase of equipment by entrepreneurs in the capital. It is aimed at supporting the SMEs - participants of the Moscow innovative cluster that run the projects in the field of a science, the industry and information technologies.

- The maximum amount of the aid is increased from 10 to 30 million rubles per organization.
- From now on, when purchasing the equipment at their own expense or leasing it, the companies will be able to get reimbursement from Moscow City budget up to 50 percent of cost for domestic equipment (previously - up to 35 percent) and up to 35 percent of cost for foreign equipment (previously - up to 25 percent).
- Additionally, the program allows to compensate the interest rate on loans for working capital within the limits of the key rate of the Central Bank of Russia.

Source: <https://www.mos.ru/mayor/themes/12299/8149050/>

Russian Energy Ministry elaborated the support measures for energy complex in the face of sanctions

The Russian Ministry of Energy elaborated a list of measures to support the energy complex in the face of sanctions, which, among other things, includes tax cuts, extension of the modernisation of refineries, rejection of dividends in favor of the implementation of investment programs. The Ministry admitted that the sectors of the economy under its jurisdiction - electricity, oil, gas and coal - under the conditions of sanctions will no longer be able to fulfill the announced plans for decarbonisation by 2050.

Source: <https://ria.ru/20220317/energokompleks-1778590655.html>

"Rostech" is considering the possibility of resuming mass production of Tu-214 and Il-96

Against the background of sanctions, state corporation "Rostech" is considering the possibility of resuming mass production of domestic Tu-214 and Il-96 aircraft, "Rostech" CEO Sergei Chemezov stated on March 17, 2022.

In the context of serious restrictions on the operation of foreign-made civil aircraft, the Russian aviation industry faces large-scale tasks, and they must be solved in a very tight time frame. This primarily concerns the expansion of production of existing aircraft. In addition, it is necessary to consider the possibility of resuming the serial production of the medium-haul Tu-204/214 and the Russian wide-body airliner Il-96. Currently, Il-96 and Tu-214 aircraft are produced in a small series for special customers.

The state corporation clarifies that the resumption of serial production is considered as an additional measure before the deployment of large-scale serial production of the new import-substituted aircraft types: SSJ-NEW and MS-21 airliners.

Sources:

<https://ria.ru/20220317/avia-1778645725.html>

<https://expert.ru/2022/03/16/vitse-premer-borisov-v-rossii-rassmotryat-vozmozhnost-narastit-vypusk-il-96-i-tu-214/>

Ministry of Industry and Trade spoke about the stocks of products in Russia

Russian Deputy Ministry of Industry and Trade Viktor Yevtukhov assured that at present there are sufficient stocks of products in Russian retail chains. According to him, there are "abundant" stocks of sugar, cereals and essential goods in the country. Previously, the Russians bought cereals and hygiene items, which caused minor interruptions in their delivery to the country's stores. Currently, the stocks of these goods in retail chains are enough for 2-3 months. A shortage of household chemicals in Russia is also not expected, the country has excess capacity for its production.

Sources:

<https://expert.ru/2022/03/17/v-minpromtorge-rasskazali-o-zapasakh-produktov-v-rossii/>

<https://www.kommersant.ru/doc/5260091>

Foreign pharmaceutical companies refuse to conduct research in Russia

Large international pharmaceutical companies will not conduct new clinical trials of their drugs in Russia. The corresponding statements on global websites were made by Pfizer, Lilly, AbbVie, Sanofi, and MSD. In particular, Pfizer, whose sales in Russia for 2021, according to the analytical company DSM Group, amounted to 52.8 billion rubles, said it would transfer all current clinical trials to alternative sites outside of Russia.

Foreign innovative drugs that are registered in Russia must undergo clinical trials on the territory of the stat. The exceptions are made for medicines for rare diseases and drugs used during pandemics. If the pause in clinical trials is prolonged, new drugs will appear on the Russian market with a large lag. The process of entering the Russian market of foreign drugs is already slowing down, and there is also a boom in demand for drugs and rising prices for them.

Source: <https://www.vedomosti.ru/business/articles/2022/03/16/913847-inostrannie-farmkompanii>

Head of Opora Rossii Kalinin: most European companies continue to work with Russia

"Most European companies did not refuse to cooperate with Russia. Their goods can be delivered through Turkey by changing the logistics. The economic life cannot be stopped", Alexander Kalinin, president of Opora Rossii, told reporters at the Opora Rossii forum in Krasnoyarsk.

Source: <https://ria.ru/20220317/ekonomika-1778588582.html>

VI. Russia-Belarus integration

Russia and Belarus are lifting all travel restrictions between two countries

Russia and Belarus are lifting all travel restrictions between the two countries at midnight March 18, Russian Prime Minister Mikhail Mishustin said at the RF Government meeting on March 17, 2022, Vedomosti reported. According to him, freedom of movement is important for the development of trade, economic and humanitarian cooperation.

Source: <https://www.vedomosti.ru/politics/news/2022/03/17/913971-rossiya-belorussiya>

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