



GAZPROMBANK

Economic Forecasting Center

Russia's macroeconomic outlook

Vasilisa Baranova

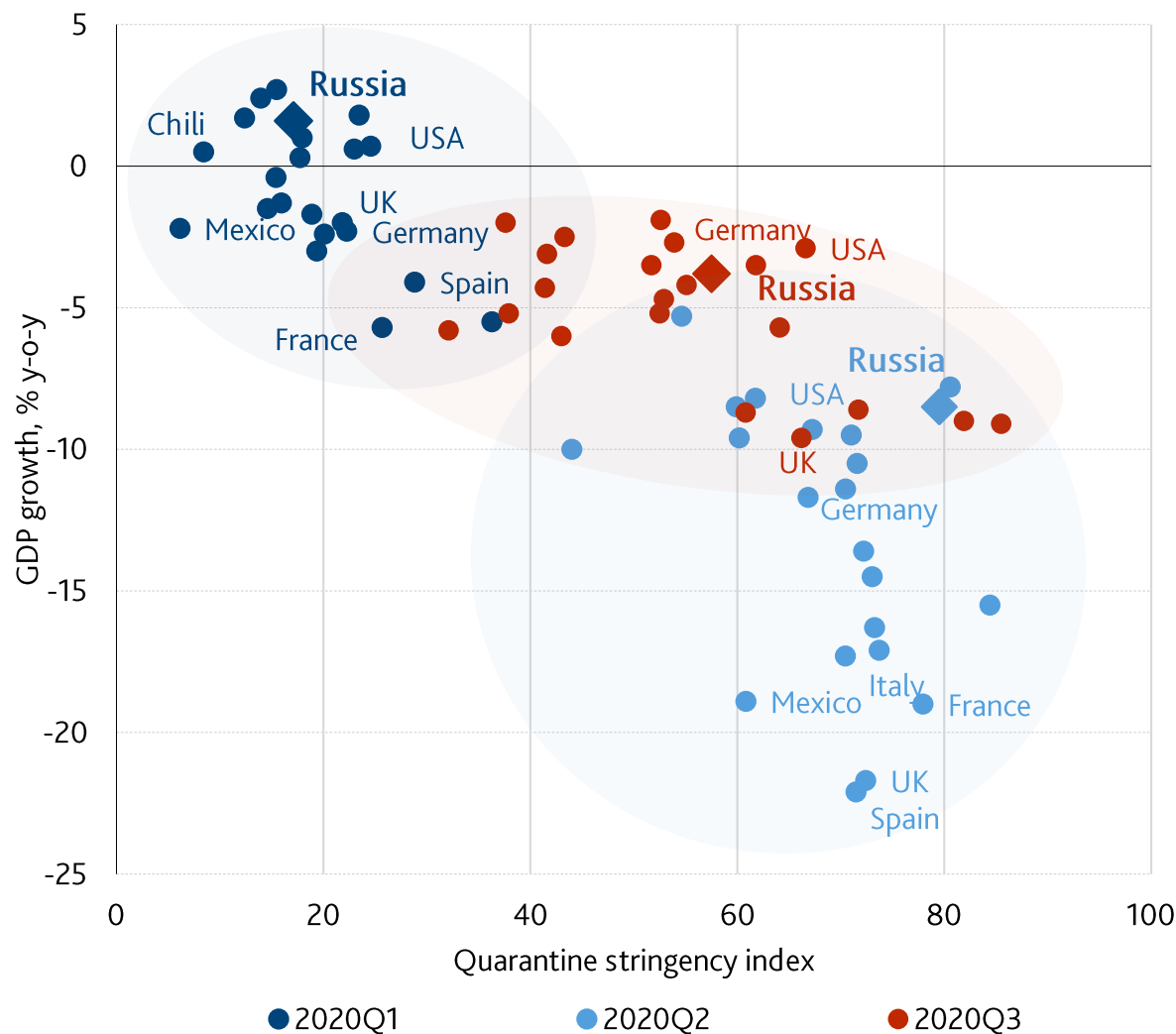
Expert

Vasilisa.Baranova@gazprombank.ru

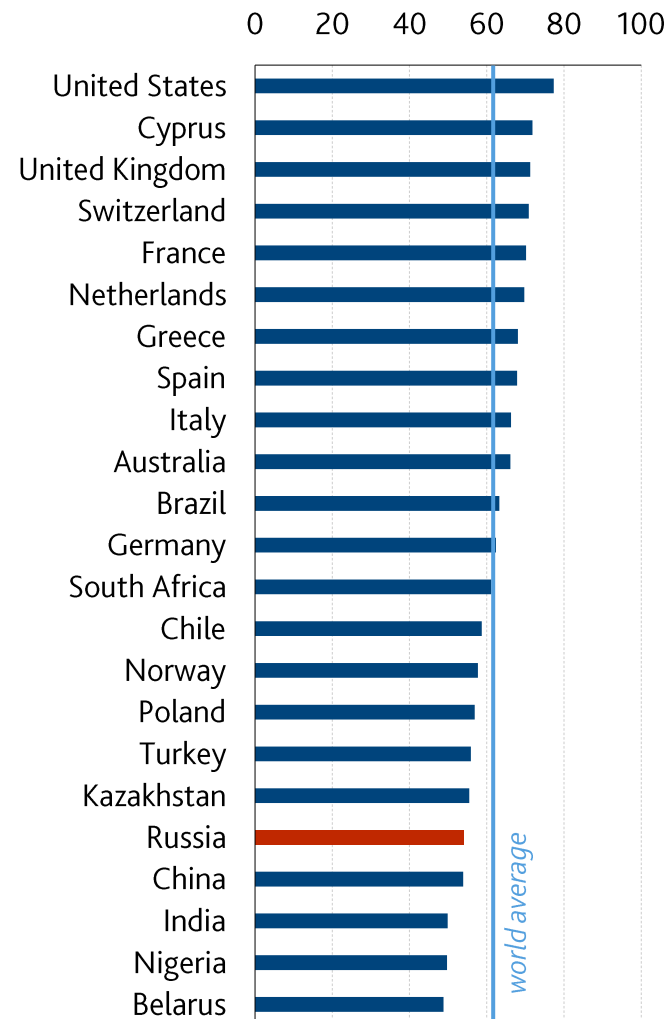
December 2020

Russian economy is less susceptible to lockdown measures compared to developed countries

Correlation between quarantine measures stringency and GDP growth decline in 2020

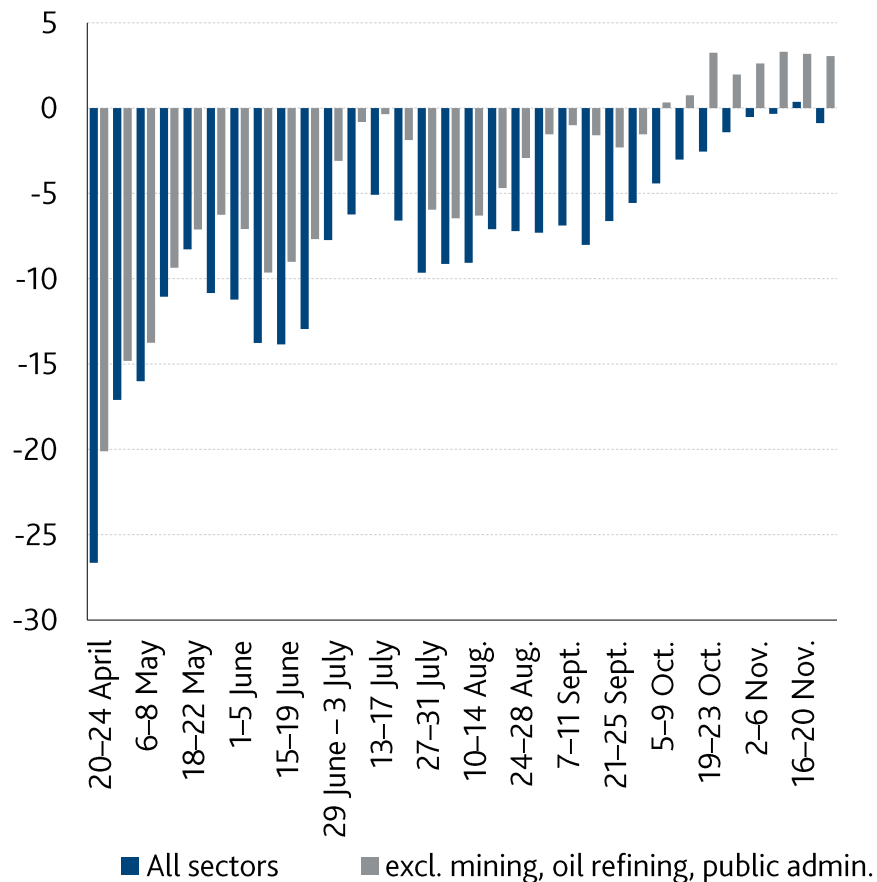


Share of services in value added, % GDP 2019

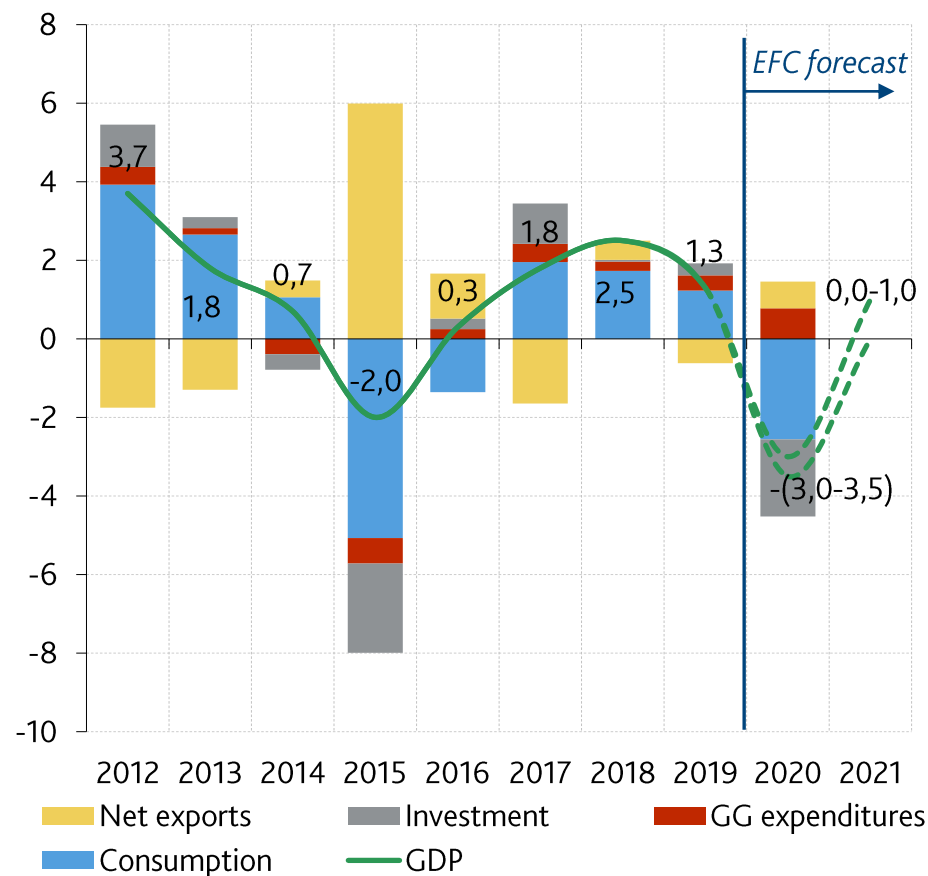


Russian economy is expected to contract by 3-3.5% in 2020

Four-week moving average deviation of incoming payments from "normal" level, %



Real GDP growth decomposition, %

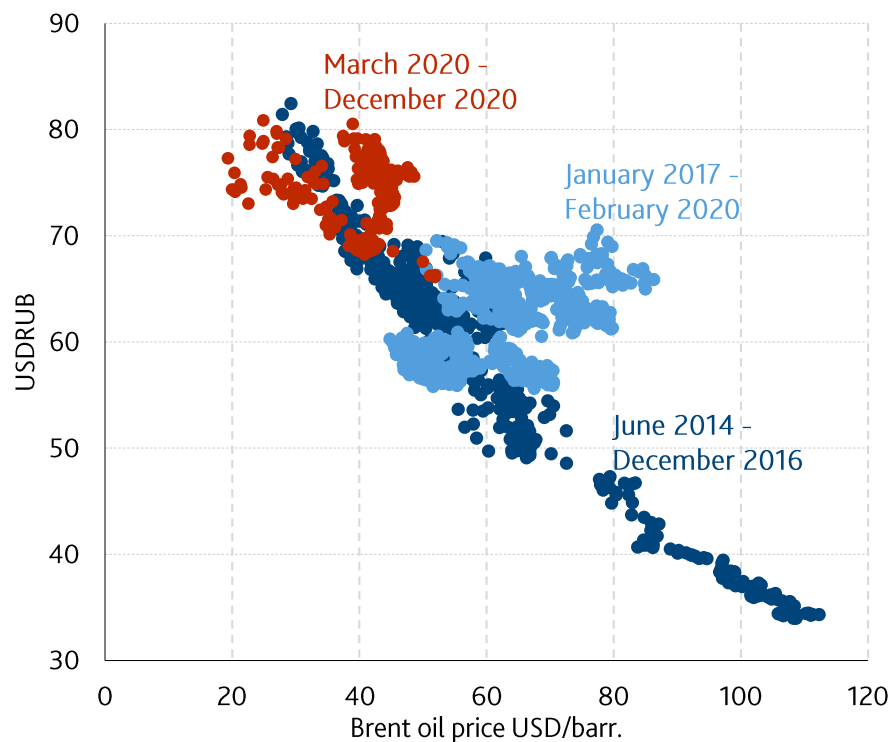


- Due to falling external demand and lockdown measures Russian economy is expected to contract by 3-3.5% in 2020. Fourth quarter statistics is expected to be better than for the third quarter.
- Real GDP growth in 2021 will be 0.0-1.0% on the back of sluggish domestic demand and gradual improvement of external environment.

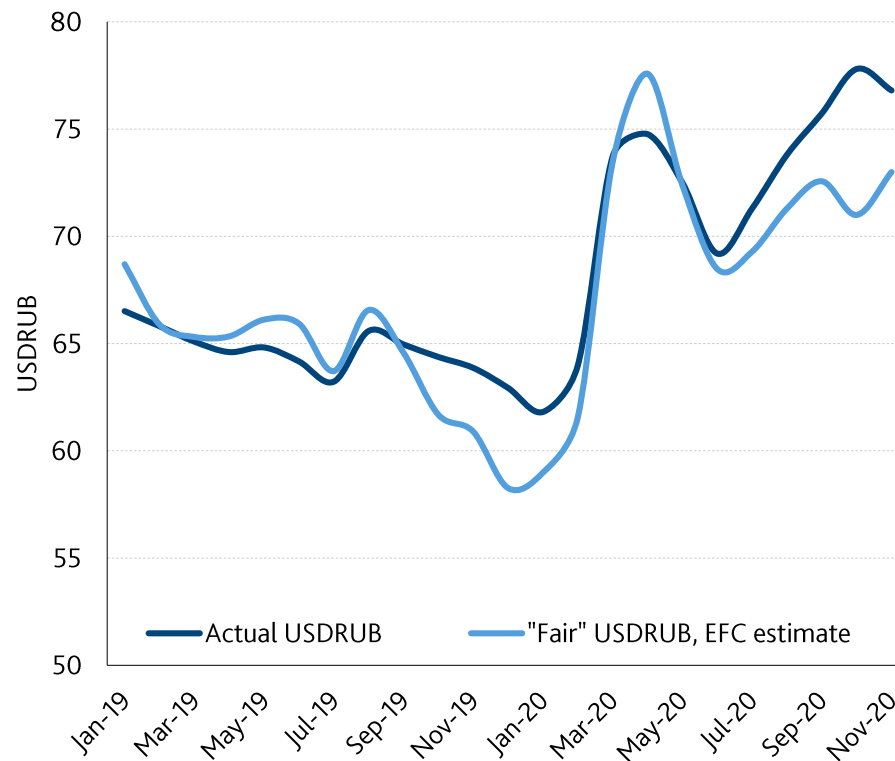


Ruble is likely to strengthen in 2021

Correlation between oil prices and ruble exchange rate



"Fair" and actual ruble exchange rate dynamics

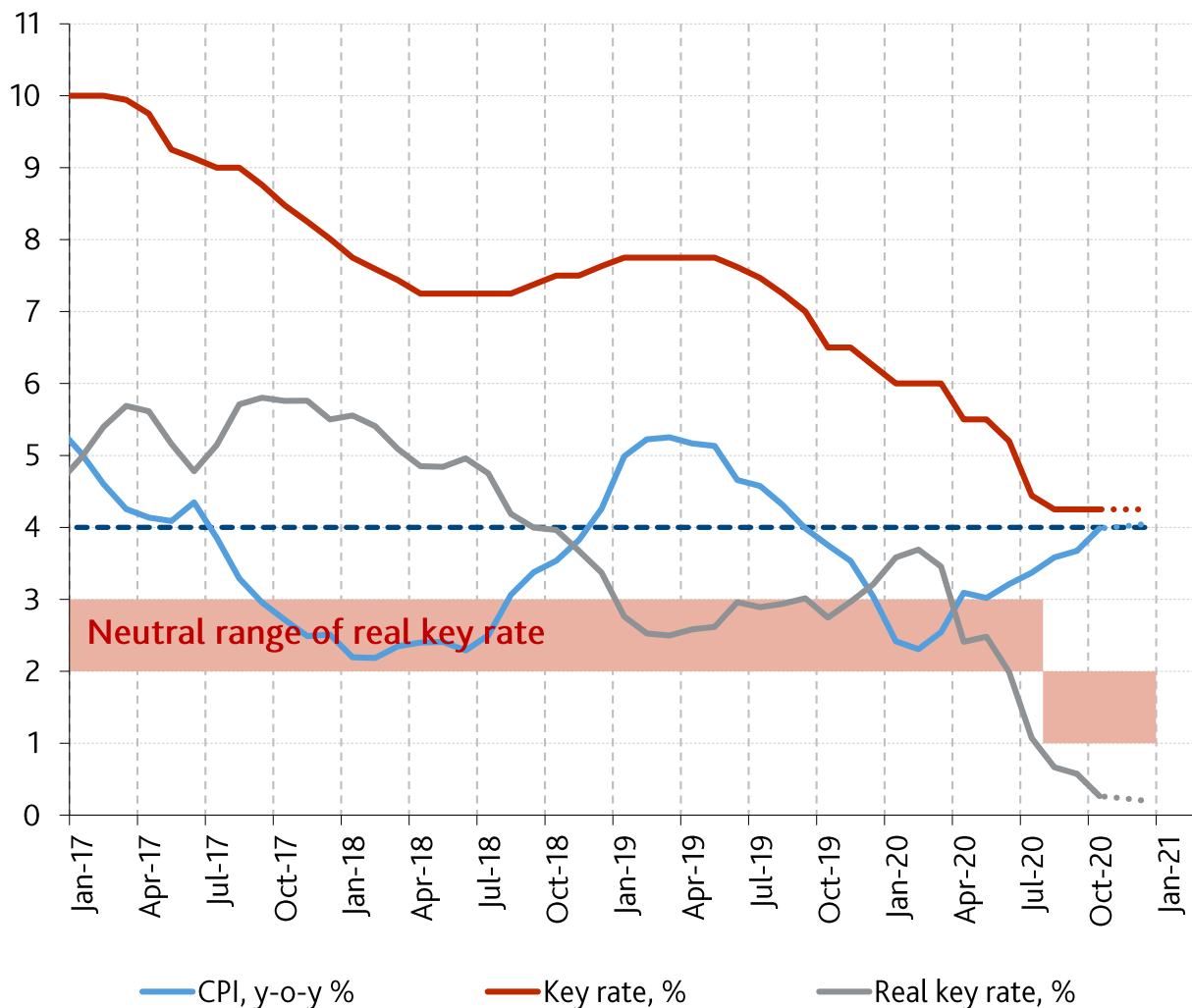


- ❑ Decrease of oil prices below the level implied by the budget rule (42.4 USD/barr.) and increase in risk premium brought back correlation between ruble exchange rate and oil prices.
- ❑ In March-May ruble depreciation could be much higher, but Central Bank and Ministry of Finance interventions helped to stabilize exchange rate. In September-November the main reason behind ruble weakening were political factors.
- ❑ We expect ruble exchange rate to be 71-74 RUB/USD on average in 2021 due to gradual recovery of economic situation and decrease in risk perception of investors in emerging markets.



Bank of Russia decreased key rate to historically low level

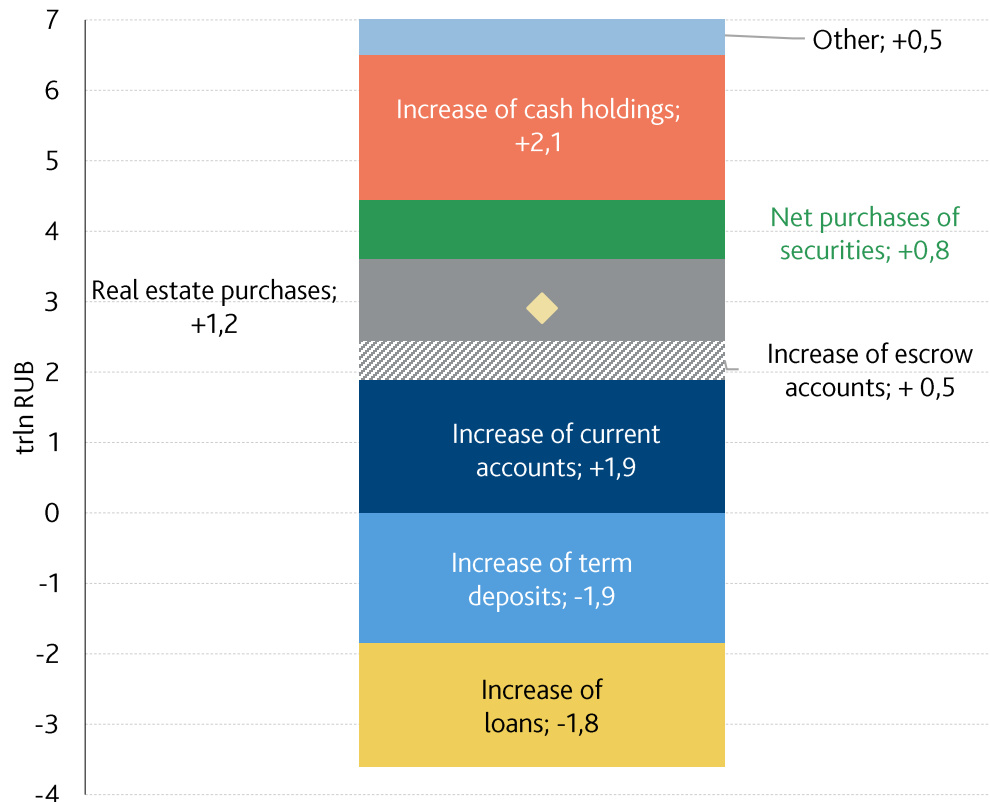
Inflation and key rate dynamics, %



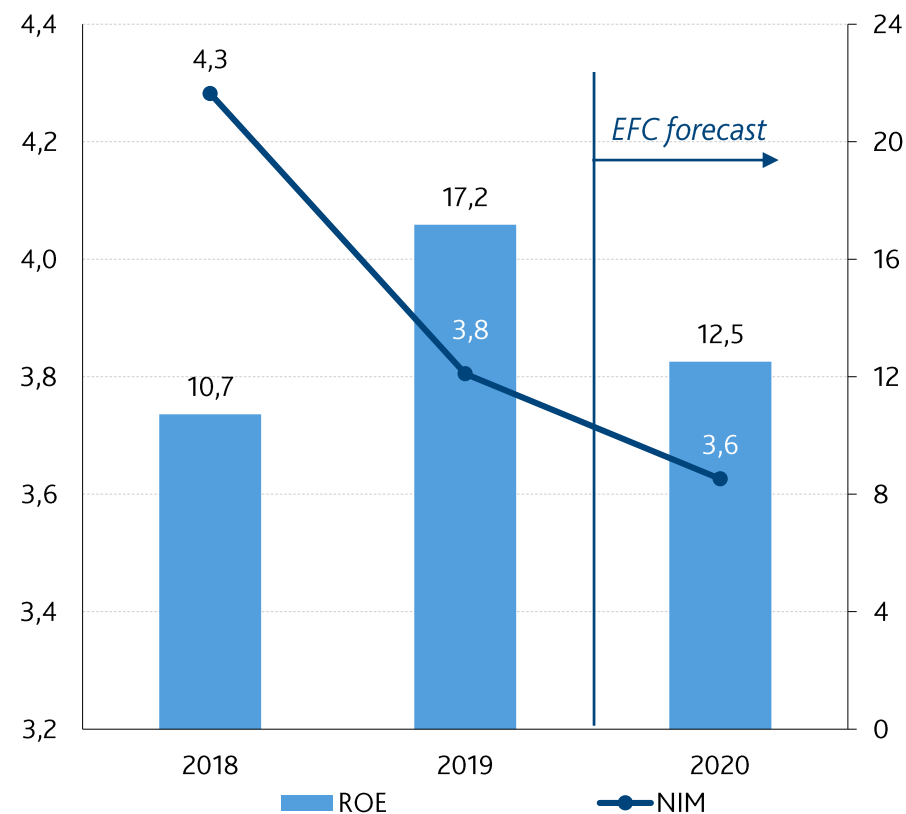
- ❑ Bank of Russia has decreased key rate to historically low level (4.25%). Further decline is unlikely due to accelerating inflation and existing transmission mechanism's lagged effect.
- ❑ We expect key rate to remain on current level in 2021.
- ❑ Bank of Russia lowered neutral range of key rate in 2020 from 6-7% to 5-6%. The main reason is decline of the global neutral key rate.
- ❑ It means that interests rates will on average be at a lower level when crisis will end compared to the pre-crisis period.

New trend brought by low interest rate environment – change of household saving behavior

Composition of household savings in first three quarters 2020



Banking sector profitability ratios, %



- Households have changed their savings preferences, there is a large withdrawal of money from term deposits to current accounts, increase in cash holdings, real estate and securities purchases.
- Low interest rates have negatively affected banking sector net interest margin (NIM). Importance of non-interest income is growing. Brokerage fees now constitute about 10% of overall commission fees.



**Thank you
for your attention!**





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