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Center for Economic Forecasting



Current trends in Russian economy

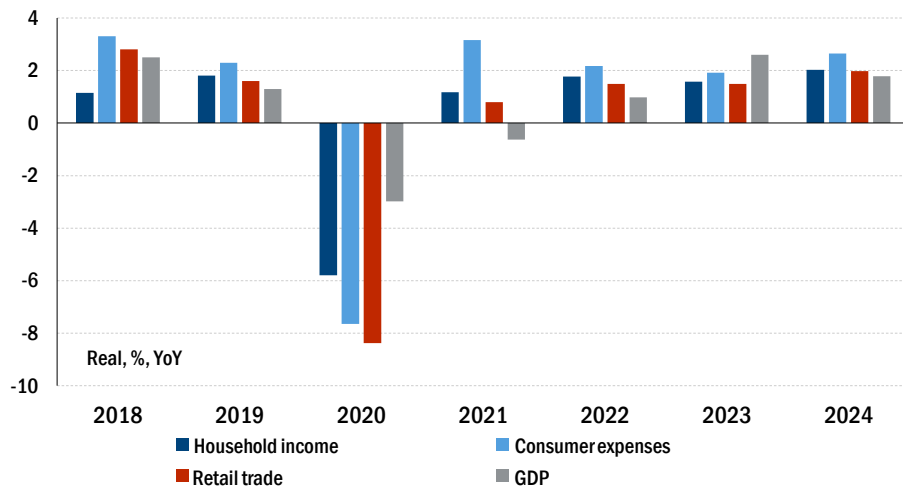
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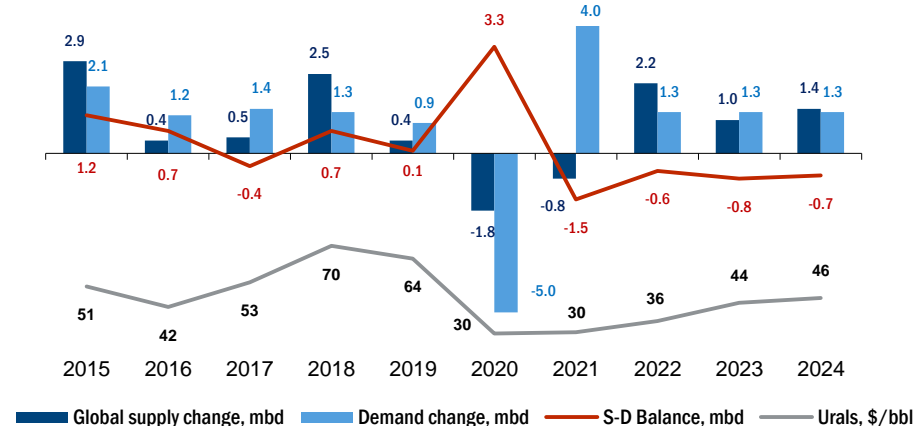
June 2020

Each crisis is unfolding in its own way

Consumer and service sector would lead GDP decrease



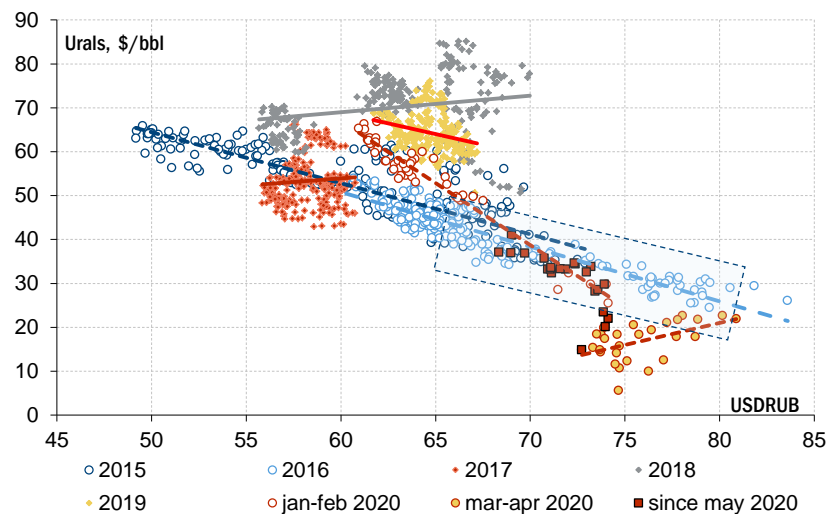
In 2020 global oil market will have a surplus large enough to keep prices low for several years



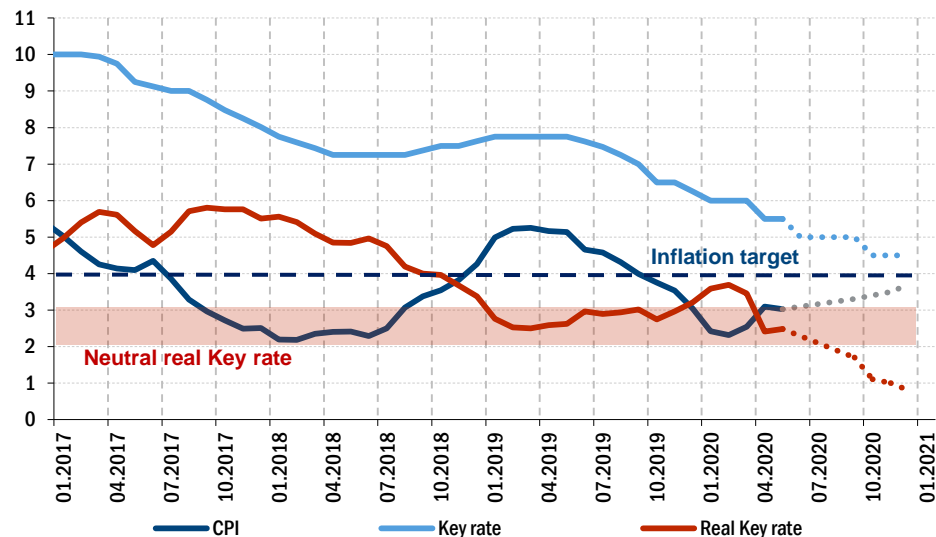
- ❑ Recession in 2020 would likely be moderate (-3...-5%) due to compensatory effect of decrease in import and growth of inventories.
- ❑ Russian labor market should be comparatively stable (unemployment rate ~6% in 2020) despite large decrease of activity in consumer and service sectors.
- ❑ Export income is expected to be small for several years predominantly due to low commodity prices.
- ❑ Government countercyclical spending seems to be limited to 1.5-2% GDP as of June 2020.

Monetary conditions should ease

Oil-ruble interdependency returns



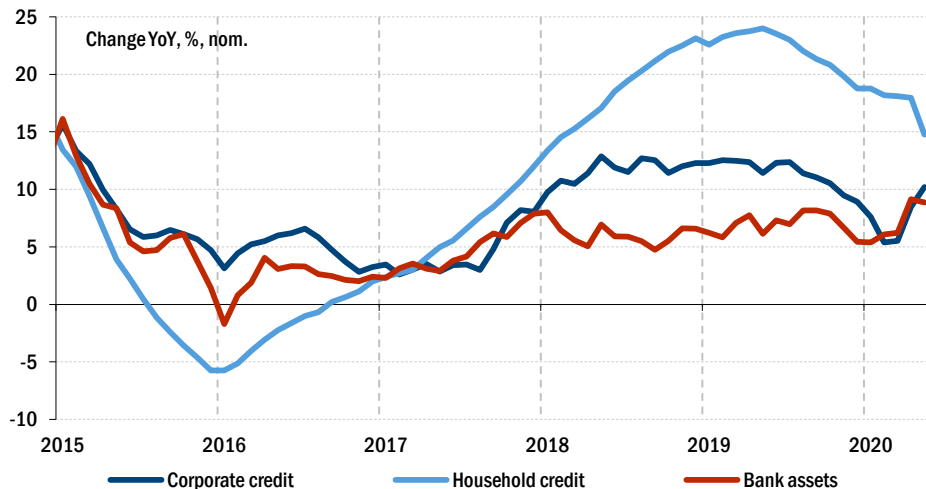
Inflation decline allows to ease monetary policy



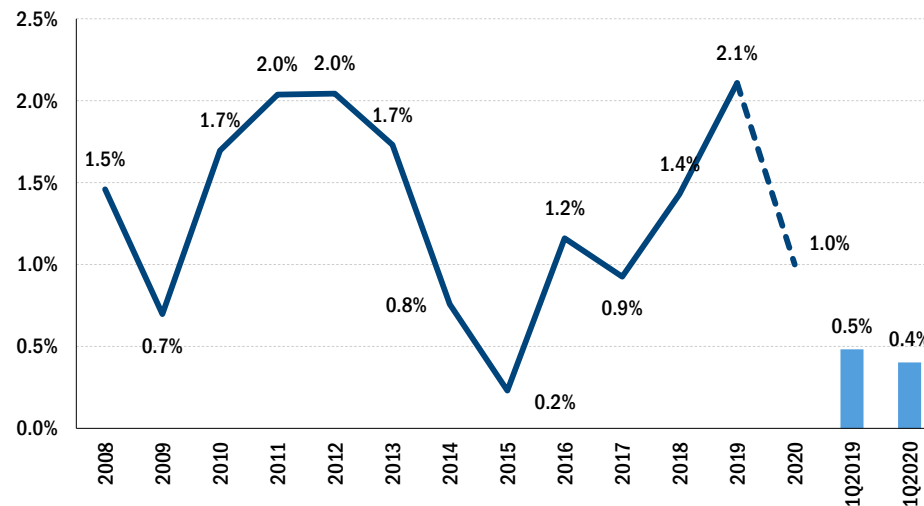
- Ruble exchange rate still shows a correlation with a price of oil in situations when government interventions stop being effective.
 - Oil price around \$30/bbl implies USDRUB over 70 for several years.
 - Current international reserves (\$560bn) are enough to maintain a predictable exchange rate for several years.

- Bank of Russia is expected to lower Key (refinancing) rate to 4.5% in 2020.
 - Low inflation and a need in countercyclical easing program provide a fitting rationale for additional easing.
 - Beyond 2020 Bank of Russia might lower its estimate of neutral Key rate, that might lead to further decrease.

Consumer lending would lose it's recent significance for banki asset growth



Banking system return on assets is expected to decrease in half



- ❑ Banking system asset growth should be moderate in 2020 primarily due to expected anti-crisis lending.
 - Consumer credit becomes less profitable due to increasing risk and tightening of regulation of consumer credit in 2019. Mortgage remains the most attractive segment of household lending.
 - Corporate sector has sharply increased its short-term lending using anti-crisis programs.
- ❑ Banking system profits are expected to decrease for about a half in 2020 (to 1 tn rubles) due to a massive credit restructuring and loan write offs.
- ❑ Credit risk seems to be the main danger for the banking system in current environment, but banking system as a whole has a significant reserve position.
 - Banking system has low but positive ROA and ROE that assures mid-term stability of capital structure.

Thank you
for your attention

