

Russia Business Forecast Report Q2 2014

<https://marketpublishers.com/r/R4416472463EN.html>

Date: February 2014

Pages: 47

Price: US\$ 1,195.00 (Single User License)

ID: R4416472463EN

Abstracts

Includes 3 FREE quarterly updates

Core Views

We expect inflation to end 2014 at 5.4%, slightly above the Central Bank of Russia (CBR)'s inflation target of 5.0% for 2014, and to average 5.1% in 2015, mainly driven by the government-mandated utility price freeze in 2014-2015. Abating inflation will allow the CBR to cut its main policy rate, from 5.50% at the time of writing to 5.25% in 2014, in a bid to shore up the flagging economy.

We forecast the Russian economy to grow by a modest 1.9% in 2014 and 2.1% in 2015, as the main driver of growth over the past decade – household consumption – continues to weaken. At the same time, the demand-side measures taken by the government to boost investment will do little to address the supply-side factors weighing on investment, further reinforcing our expectations for subdued growth for the foreseeable future. The precarious security situation in the North Caucasus poses a major challenge for the Russian authorities, who are at risk of losing control of this vital region. The Kremlin has few good options and will most likely maintain a combination of repression and federal subsidies; however, tough security policies will create a backlash that could undermine its position further.

Major Forecast Changes

While we have long maintained a bearish view on the Russian rouble, its recent rapid depreciation has led us to further revise our already downbeat outlook. As such, we have recently adjusted our 2014-2015 outlook for the currency, and now we expect the rouble to average RUB35.20/US\$ in 2014, from a previous forecast of RUB33.16/US\$, and RUB35.55/US\$ in 2015, from a previous forecast of RUB34.10/ US\$.

Key Risks To Outlook

Unless we see strong moves towards liberalisation of the economy, we remain sceptical that Russia can change its current consumptioncentred commodity-dependent growth model into an investmentoriented one. The diminishing windfall from oil and commodity prices will put into sharper relief the structural impediments to investment, such as corruption, grossly inefficient bureaucracy, poor property rights and questionable independence of the judiciary, among others. These will make it difficult for investment to pick up the slack from falling state revenues, which in the past decade of high oil prices have bolstered rising incomes and living standards.

The appointment of former finance minister and prominent liberal Alexei Kudrin to head state-controlled Sberbank's strategic committee might be a step towards liberalisation of the banking sector. Although no concrete steps are taken yet, a move in this direction will prompt us to revise our subdued growth forecasts for Russia.

Contents

Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

Repetition Of December Attacks Remains A Possibility

While damaging to investor sentiment, the December 2013 suicide bombing attacks in the Russian city of Volgograd do not threaten

President Vladimir Putin's standing in public opinion or his position in power. The attacks reflect the socio-economic situation of Russia's troubled North Caucasus region, and given the difficulty in resolving them, we do not preclude a repetition of these attacks in the foreseeable future.

Table: Political Overview

Long-Term Political Outlook

Political Competition To Increase Over The Next Decade

Russia's main political challenges over the coming decade will be the implementation of institutional and economic reform, managing the country's demographic decline, and containing the Islamist insurgency in the North Caucasus. We expect Russia's political system to become more competitive over the next decade, either due to public pressure or internal rivalry, especially as the search begins for President Vladimir Putin's successor.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Demand-Side Measures To Help Growth A Little

We forecast the Russian economy to grow by a modest 1.9% in 2014 and 2.1% in 2015, as the main driver of growth over the past decade – household consumption – continues to weaken. At the same time, the demand-side measures taken by the government to boost investment will do little to address the supply-side factors weighing on investment, further reinforcing our expectations for subdued growth for the foreseeable future.

Table: ECONOMIC ACTIVITY**Fiscal Policy****Fiscal Consolidation To Remain Elusive**

Although Russia's revised budget envisions lower revenues in 2014-2016, as the authorities have adjusted their expectation for economic growth downwards, we expect the budget shortfall to exceed the government's expectation over this period. The revised plan does little to address the country's bloated pension and social security system, as it prioritises short-term political objectives over longterm fiscal sustainability.

Table: FISCAL POLICY**Monetary Policy****Abating Inflation To Allow For A Rate Cut In 2014**

We expect inflation to end 2014 at 5.4%, slightly above the Central Bank of Russia (CBR)'s inflation target of 5.0%, and to average 5.1% in 2015. Abating inflation will allow the CBR to cut its main policy rate from 5.50% at the time of writing to 5.25% in 2014 in a bid to shore up the flagging economy.

Table: MONETARY POLICY**Balance Of Payments****Current Account Deficit By 2017**

Russia's current account surplus is poised to gradually narrow over the next few years and turn into deficit in 2017. The main driver of this trend will be the tapering trade surplus underpinned by subsiding commodities – especially oil and gas – prices, which comprise the lion's share of Russia's export basket.

Table: CURRENT ACCOUNT**CHAPTER 3: 10-YEAR FORECAST****the Russian Economy To 2023****Major Long-Term Growth Challenges**

We forecast Russian growth to slow markedly over our 10-year forecast period and project average real GDP growth of just 2.7 %between 2016 and 2023. During this period the economy will shift increasingly towards domestic demand, with private consumption to account for 57.5% of total GDP in 2023, up from an estimated 52.2% in 2013. While we expect Russia to converge towards developed standards of wealth, structural risks including a weak business environment, poor institutional capacity and declining population pose major challenges to long-term growth.

Table: Long-Term Macroeconomic Forecasts**CHAPTER 4: BUSINESS ENVIRONMENT****SWOT Analysis**

BMI Business Environment Risk Ratings**Business Environment Outlook institutions**

Table: BMI BUSINESS AND OPERATION RISK RATINGS

Table: BMI LEGAL FRAMEWORK RATING

Table: LABOUR FORCE QUALITY infrastructure

Table: EMERGING EUROPE – ANNUAL FDI INFLOWS

Table: TRADE AND INVESTMENT RATINGS

Market Orientation

Table: Top Export Destinations, US\$m

Operational Risk**CHAPTER 5: KEY SECTORS****Autos**

Table: Autos Sales, 2011-2017

Table: Autos Production, 2011-2017

Table: Autos Trade, 2011-2017

Food & Drink

Table: Food Consumption Indicators, 2010-2017

Table: Beer Value/Volume Sales, 2010-2017

Table: Mass Grocery Retail Sales, 2010-2017

Other Key Sectors

Table: Telecoms Sector Key Indicators

Table: Infrastructure Sector Key Indicators

Table: Pharma Sector Key Indicators

Table: Oil & Gas Sector Key Indicators

Table: Freight Key Indicators

Table: Defence & Security Sector Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS**Global Outlook****Fairly Benign Prognosis ... With Risks**

Table: Global Assumptions

Table: Developed States, Real GDP Growth H, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH

FORECASTS, %

Table: Emerging Markets, Real GDP Growth, %

I would like to order

Product name: Russia Business Forecast Report Q2 2014

Product link: <https://marketpublishers.com/r/R4416472463EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/R4416472463EN.html>