Russia Business "Gossip" Update

"Sensible Reassurance" for Headquarters

by Dr. Daniel Thorniley
President, DT-Global Business Consulting
danielthorniley@dt-gbc.com

19 February 2015

IN ASSOCIATION WITH:

Content

© 2015 CEEMEA Business Group, a joint venture between

DT-Global Business Consulting GmbH, Address: Keinergasse 8/33, 1030 Vienna, Austria,
Company registration: FN 331137t
and GSA Global Success Advisors GmbH, Hoffeldstraße 1, 2522 Oberwaltersdorf, Austria
Company registration: FN 331082k

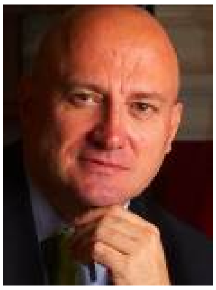
Source: DT Global Business Consulting GmbH and CEEMEA Business Group research. This material is provided for information purposes only. It is not a recommendation or advice of any investment or commercial activity whatsoever. The CEEMEA Business Group accepts no liability for any commercial losses incurred by any party acting on information in these materials.

Contact: Dr Daniel Thorniley, President, DT Global Business Consulting GmbH
E: danielthorniley@dt-gbc.com / www.ceemeabusinessgroup.com

About the author

Dr Daniel Thorniley
danielthorniley@dt-gbc.com

Danny Thorniley is President of DT-Global Business Consulting GmbH (an LLC company) which is Danny's own consultancy company based in Vienna through which he works with some 330 key clients on business strategy in CEEMEA, global and emerging markets especially Russia. These companies are part of the CEEMEA and Russia Business Group, which is an advisory and consultancy service. The services of the Group include written position papers, presentation slides and private client meetings as well as in-house presentations.



Danny writes a well-received monthly position paper on the Russian market as well as quarterly presentation slides on other CIS markets. He visits Moscow on business every 2-3 weeks and hosts 8-9 private meetings of the Russia Business Group annually. The most recent one was attended by some 140 senior executives. He is also invited to make some 50 speeches/presentations each year by clients across the world on global business trends, business operations, emerging markets, corporate best practice. Many of these speeches are focused on Russia and the CIS and he has made some 60 "Russia presentations" to visiting western CEOs explaining the positives of the market without being naïve.

For 23 years (until the closure of the Vienna office) Danny was Senior Vice President and Senior Consultant at The Economist Group, Vienna on global corporate business trends, with specialisation in BRIC.

Danny has exceptional skill sets in global business strategy, business in emerging markets and CEEMEA and hands-operational knowledge of business operations, distribution, partnerships, investments and human resource issues.

Danny is regarded as a charismatic speaker who can present detailed business and economic analysis in an easily digestible fashion with a great deal of genuine humour. Danny is renowned for not using PowerPoint presentation slides - never. Dr Thorniley has also given guest presentations at Executive MBA courses on behalf of Oxford University, the University of Chicago, IESE (Spain) and the Central European University in Budapest. The executive MBA students at Chicago rated him "best speaker" on 12 occasions out of 12 over 5 years.

He has worked on a personal basis with companies operating in emerging markets for 26 years and has personal contacts with most senior western MNCs operating in the Russia and the CEEMEA region and beyond. He makes frequent presentations at CEO and Board level and has long-standing personal friendships with leading executives.

He holds and has held a number of non-executive and advisory board memberships.

Dr Thorniley was educated at Oxford University. He holds a Bachelor of Arts degree, a diploma and a doctorate degree in Soviet political economy.

He has published three books, including one on Russia with Macmillan (UK/USA) and two with Profile books on Doing Business in Global Emerging Markets.

His beloved daughter is called Natasha after he read Tolstoy's War and Peace when he was a young man. One of his other favourite books is Master and Margarita by Bulgakov.

Executive summary

- Managers working in Moscow have to provide their global headquarters with some sensible reassurance; we outline this below.
- The traumatic December 2014 did impact consumer confidence which fell to a multi-year low in the final quarter of 2014.
- Results on the consumers sector published yesterday for January 2015 make bleak reading: with retail sales down by -4.4%, their worst figure since December 2009 and real wages collapsed, as we anticipated, by a whopping -8.0% year-on-year.
- Business confidence is declining but not as steeply as consumer sentiment.
- Companies continue to focus on the Russian regions and this is "a given."
- Localisation remains a key part of business strategy for many companies: those who are pulled on-shore by the Russian government and those who want to capture more market share.
- One B2B company is keeping US content below 25% to get ahead of any future Russian formal or informal limits on foreign input.
- A small but growing number of companies are considering using Russia as an export base (one pharmaceutical company will be producing insulin for export to Germany).
- Diversification is still a good place to be: being a conglomerate is helpful in spreading risks and ensuring business in some remaining good sectors.
- 2014 was still a good year for some/many companies in roubles and for a few in FX.
- "Consumer tourism" trends are helping some consumer product companies in Russia: Russians are staying at home and spending in Russia rather than in Cyprus or Turkey and Finns are crossing the border to buy "cheap" Russian products.
- Selling to the Russian oil and gas sector is extremely tough.
- Best Practice does remain trying to protect the supply chain while remaining efficient.
- Some companies are taking costs out of their companies but going too far and creating operational dysfunctions.
- "Price is easier to achieve than volume" and some executives argue forcefully for price and FX
- Industrial output softened in January as anticipated but was not worse than expected because defence spending and procurements were brought forward into January and thus the budget deficit also expanded in January to still manageable levels.
- Inflation leapt to 15% in January from 11.4% in December.
- Most companies plan below inflation salary increases this year. BUT they were probably planning with 2015 average inflation at 8-9% instead of the current forecast of 10-13%. Staff may ask now for inflationary compensation adjustments.
- In January the rouble did not fully match the rally in oil prices; something similar is going on in February. Clearly events in eastern Ukraine (and other growth-debt factors) are preventing a rouble surge.

The business mood today?

Regarding business mood, there are two business dynamics going on at the moment: one perhaps positive and one causing concern.

1) To some/ a large extent business has stabilised after surviving 2014 with some companies ending last year quite well. The worst of the frenetic December turmoil appears over (for now). In mood and conversations, executives have to some extent become accustomed to the "New Normals" of the Russian market. Compared with December, there is some relative calm. This is the good news.

2) But a growing number of executives concur that there will be some tough times ahead occurring in April-May by which time the extent of the crisis will really hit the Russian consumer and the worst of inflation trends in the early months of the year will have kicked in. General industrial and investment figures, excluding defence spending, are unlikely to be positive and the crisis and recession will be perceived as deepening. Additionally some executives now think that it is "foolish to try to predict 2015" but are looking

forward to the first months of 2016, and these two will be challenging in the opinion of some executives. The view is that the immediate short-term will be survivable but deteriorating and then followed by some hard commercial times.

One senior regional managing director also summed up the latter opinion to some degree when he stated that:

> To be honest I don't expect any fundamental changes in government structure behavior. There will be few serious reforms and little diversification. This is what we've got and we will have to live with it.

The MD of a European company supplying the local food and beverages sector commented yesterday that:

> We have not reached the bottom yet. We are staying close to customers, enhancing relationships and managing expectations at headquarters.

Good advice.

Best case/worst case: giving headquarters some sensible reassurance:

What could go right: two potentially big positive scenarios?

We estimate that the oil price slump accounts for 60% of the current economic slump and sanctions and their effects for 40% of the problem (we ignore here systemic investment issues).

It's hard to believe in a bleak January/February that things could actually spin positively and quickly if a couple of things went right but…

1) If the oil price stabilizes or actually rises in the short term to $60-65 per barrel (the consensus at end of January 2015 is that oil will average $62 this year), then the picture changes for Russia for the better. Many commentators and myself included think oil is over-sold now (Saudi Arabia makes a balanced budget at $78 per barrel, so for how long can it want to keep prices down? Some shale producers are going out of business thereby reducing supply). I think there is a 50% chance that oil price will rise in the short-term but I also admit that the long-term outlook for oil price is not strong and very unlikely to get back to $80-100 average for several years. The new consensus price for oil is $62 as an average for 2015. If this consensus proves correct, then there is room for stabilisation and GDP, consumption and production figures would all improve somewhat.

2) While the consensus is that sanctions will remain in place through all of 2015, there is a 20% chance that they are rescinded in summer this year if Putin softens Russian policy (admittedly, this does not look good in mid-February despite the Minsk-2 agreement). Certainly several European countries would like to break ranks and repeal European sanctions given any signs that Russia was implementing properly the cease fire agreement.

   If oil stabilizes or rises and/or if the sanctions outlook improves, the rouble could easily appreciate in 1-4 weeks by 10-20% with positive consequences for GDP and inflation, business confidence and corporate results BUT I confess this requires things to "go right" for Russia.

   Additionally, it now seems possible that negative events in eastern Ukraine can eliminate in large parts the positives stemming from any oil boost.

We have provided various scenarios at different oil prices and with varying levels of tension in Ukraine, but our central outlook for 2015-16 hasn't really changed with GDP this year at minus -3.8% and investment down -10%, household spending minus - 5% and real wages down at least -5.5% (see tables below). A weaker oil price below $50 or even below $45 per barrel would worsen these numbers with GDP deteriorating to -5% to -6.5% but import substitution, defence spending and links with Asia could prevent any larger collapse.

The worst case can go to any length including a vivid Cold War in trade, investment and business with expropriations and nationalisation of assets. Certainly headquarters are asking these kinds of questions and a sensible response runs like this:

> Some 15 months ago the chances of expropriation and nationalisation of assets was 0.0%. Today it is about 5.5% (!) and things would have to progress through several sharply deteriorating stages to arrive at that point. A random figure of 5.5% is a lot less than 100% certainty for a worst case scenario. But then again 5.5% is quite a bit worse than 0.0%.

Currently, probably more companies are still trying to take advantage of the crisis and some are investing to capture market share rather than turning to downsizing because of fears of the “very worst case”.

> Downsizing excessively or even “pulling out” of the market now is absolutely a bad tactical and strategic decision. Russia government officials and Russian corporate executives will not forget or forgive such behavior and turn to your competitors. And recapturing lost market share later will be prohibitively expensive or indeed impossible.

Business “gossip”

We have argued in several reports over many months that sales to federal government’s budgets were under downward pressure and this was clear in pharmaceuticals, IT tenders and infrastructure spending among others. Also until recently, the Russian consumer was holding up the economic numbers but will be less able to do so this year. Still, one regional managing director of a major European pharmaceutical company argued last week in Moscow that the consumer sector will still relatively provide the best opportunities in the Russian economy in 2015-17:

> I would recommend that you build your business plans around consumer spending and NOT around government spending plans or even on Russian corporate spending.

As we say, this argument was certainly strong 12 months ago and still retains validity because we see government spending at least at the federal level being cut in many sectors except defence while consumers may still prove to “have a little bit left in the tank”. While consumers may prove strained this year (and latest January results prove that), they are also probably the best “target market” for the years 2016-17. Just a word on pharmaceuticals: federal spending is weak, but companies are targeting their sales at some regional budgets and hospitals (which admittedly are also somewhat stressed) but also at the nascent but growing private health sector where sales are better; but it is consumer /OTC/ pharmacy spending which is most buoyant which supports the above arguments.

This view regarding the Russian consumer was endorsed by other executives who confirmed our analysis that the Russian consumer has proven very resilient until the end of 2014 to the surprise of some companies. One or two consumer product managers noted last week that spending had not actually collapsed like for like in January (always a relatively slow month). One senior regional manager underscored this last week:

> I don’t know how Russian consumers survive, but they do!

One regional manager talked a lot of sense last week when he noted that:

> Of course we are looking at the supply chain and trying to save money. But what do we want to end up with? I don’ want to cut my distributors out of business. Do I want to be left with 3 distributors working or me in Russia? Not really.

On the downside, those January consumer sector results are sobering and a sign of things to come (see below).

In the B2B sector one managing director of a leading US company made this series of remarks:

- The direct effects of sanctions have been fairly limited on our business and we grew at 10% last year, one of the best global performers in our company
- But of course indirect impacts have been greater
- Financing is still the key challenge in FX of course and in roubles. The recent cut in interest rates is insufficient to loosen financing and local financing is still at an elevated level of 22-25% interest rates
- Sales into the Russian energy sector are currently falling by -30%
- Capex cuts in Russian industry such as -8% for Gazprom are painful for suppliers such as us
- We have to be more localised and we are going this route quickly: we used to be 70% foreign and 30% local some 18 months ago and we have reversed that to 60-40 in favour of local and we plan to increase that
- We did buy a plant in the Urals several years ago and that has had many benefits: being local, good publicity and improved relations with regions and federal authorities
- "We like being in the regions" as the locals give you attention and we are seen as "special"

This executive very correctly commented that:

> Maintaining relationships now will pay dividends later. If you leave or downsize, the cost of returning or re-capturing market share will be massive.

The managing partner of a major US services company alluded to several business and investment trends that he sees among his clientele of international and Russian clients:

- Pricing to government and state entities is certainly down as budgets at all levels are squeezed.
- (We pointed out in our last paper that overall federal spending would probably decline this year by -5% to -7%, although spending was still going on in January - see below).
- There is a lack of clarity in budgets and planning processes (and we are seeing this in IT and pharmaceuticals among others sectors).
- Small investors and newcomers are entering the market as the relative cost of capital is coming down.
- Chinese investors are investigating the market but not much is actually coming in so far.
- Some companies are taking cost out of their companies but going too far and creating operational dysfunctions.
- A brain drain is certainly taking place as more talented people emigrate (and the question is if and when they will ever return).

Comments on "price or volume"?

In a very recent paper we put forward the consensus view that it is easier to achieve results by price increases in Russia than by expanding volume sales. Last month in Moscow one regional manager of a major FMCG company argued that: "We should try to aim for volume increase and it's not only about price". To be fair to this executive, he was not advocating doing away with price increases but aiming for a balance with volume. But we recognise that volume increases in the current environment are difficult to achieve.

Last week in Moscow another regional managing director probably put more emphasis on the other side of the equation by suggesting that: "You cannot have price and volume at the same time" in this environment. This point is well taken. The senior executive with 17 years' experience in the Russian market continued:

> Keeping Russia on your corporate map is helped by managing your P&L in FX and not just in roubles. We need constant price increases to achieve anything like an FX target. I would make the choice on price for now because volume will "come back one day" and you can worry about that later. I choose to manage the budget on FX and I know where I need to go to obtain that through 1-5-10 phases. And of course such price increases are best adopted in steps.

Just to repeat a couple of points on prices:

- Western companies have had good historical experiences of raising prices especially in 2008-09 when the Russian consumer did absorb much/all of these increases.
- Companies have been raising prices through 2014 and generally so far Russian consumers have shown their resilience again and taken the prices on board.
- However, in 2015 executives wonder how much longer this can last with the Russian consumer under more strain.
- Many companies will be raising their prices in February in the first of 1-2-3 stages and each round usually sees increases of 6-15% meaning that some companies have been raising prices 15-35% range.

Comments on “brands or value”?

Related to this, more executives are wondering just how difficult it will be to sell premium-priced brands in Russia in 2015. Generally executives believe that such a market will remain but it will be harder to sell in this segment. One MD of a European food company manufacturing in Russia, commented last month that:

> There must be a big shift this year away from premium priced brand and to more affordable and discount products. We and other companies are seeing this change happen and I think it will be a big thing in 2015-16.

Another managing director of a European retailer who has enjoyed a very successful 2014 with 30% volume growth in 2014:

> Our customers are also looking much more for value and we have to adapt to this constantly. We, like other retailers, are offering all sorts of incentives of “buy one, get one free”.

And we agree. Russia has had the advantage in recent years of offering sales opportunities in both the premium and discount segments. This year a shift in focus will presumably take place with more emphasis on the lower end of the market. This will also ensure that executives take a fresh look at the mid-price and mid-range offerings as well: can we get more leverage in that difficult segment?

Some strategic issues

The rest of the world is not so good and that helps Russia!

> **“We’re better than the Eurozone and even a bit better than Brazil!”**
>
> Business globally is not that great. This is good news for managing directors based in Russia!!

Let me explain: business is tough in the Eurozone and many emerging markets are struggling with significant wobbles in emerging markets (South Africa, partly in Turkey, India, now parts of Africa with weaker oil prices, Brazil almost in recession, other Latin American economies slowing including Mexico and a number of South east Asian markets and the big one of course is a slowing China where some western FMCG companies reported 2-3% sales growth year-on-year at the end of 2014). This is “good” for at least two reasons for country managers in Russia:

1) When headquarters criticise and complain about results coming out of Russia which are indeed some of the most strained among the emerging markets in terms of the rate of decline over the last 12 months, they can only point to a diminishing number of markets where the company is doing very well in comparison. Yes, Russia is struggling (and the currency fluctuation is extreme) but other markets are comparatively weak as well. Headquarters can’t say: “John, Boris, Susan/Sveta: the Russian results stick out a mile as terrible and the worst in the world. You are the only major headache we have”!

2) A related point is that companies are therefore wary of downsizing too steeply or pulling out existing assets or curtailing completely existing investment. Headquarters can't say for now: "Russia is terrible, we can pull most investment out of there and take it to Nirvana where we will automatically do so much better than in Russia".

Russian profits are also a buttress in the argument against down-sizing too aggressively. Yes, sales levels are under pressure in roubles and in FX but, as we have argued, there are a couple of possible scenarios where sales could turn out reasonably ok in roubles and even in FX (see above). But profits too are holding up or coming down at least from previously very high levels.

> Executives who want "to keep Russia on the corporate map" are helped by the comparative global trends and by the level of profitability that they have been able to protect at least until now.

How are headquarters responding?

As we have noted in previous reports, country and regional CEE executives need to manage corporate global expectations regarding Russia. Headquarters are behaving in different ways:

*Many believe/hope/trust that Russia can do well and therefore still set stretch budgets which seem too demanding now (see "budget traps" below)

*A growing minority (almost majority) of companies are re-setting, reforecasting the whole Russian budget for 2015 and have to develop scenarios based on the oil price and rouble fluctuations. Figures and targets in roubles are more attuned to normal business pressures of inflation, spending terms and investment etc. but trying to come up with a bottom, profit line in FX is virtually impossible. Executives rightly complain that short-term planning is massively challenging.

As one executive remarked last week in Moscow:

> "We thoroughly revised the budget at the start of January this year and it now makes a bit more sense. I think other companies have followed the same path".

*There also happens to be a small hand-full of companies where headquarters were positively surprised by the 2014 results (at least in roubles and in some cases in FX) and are actually advising caution on their local Moscow offices suggesting that such good results were a "flash in the pan" and "not sustainable" and that 2015-16 targets should be moderated!

That budget trap again

Executives globally were yet again caught in the autumn budget trap when companies around September set targets for the calendar year 2015. For a little time then the world didn't look too desperate and the outlook for Russia was not so bad. But since last autumn global and regional turmoil kicked in. Budgets for Russia finalised in autumn 2014 have little relevance for the Russian reality of 2015. As we know, even budgets set in early December are far from the real world given the immense rouble turmoil which set in during mid-December.

Executives globally and in Russia in 2012 and 2013 were caught in budget tarps but this is by far the worst one in recent year.

© 2015 CEEMEA Business Group, DT Global Business Consulting GmbH

Quick economic outlook

We produced a full Economic Outlook just two weeks ago and this is a very short summary of recent news.

- Inflation will now probably average slightly more than we anticipated just 2-3 weeks ago. The Central Bank has stated that prices will not fall below 10% until at least December 2015 so the average will obviously be above that level. We still except prices to rise by 13.0% to 17.5% in the period February-May but then several effects ought to bring inflation down to 10-13% in the second half of the year leaving an average 2015 figure of about 12.5% or even slightly higher

- We have lowered our GDP estimate, as we expected to do so, and now estimate a GDP decline by -4.1 this year but there are probably slightly more risks on the downside to even -4.5%

- January consumer sector year-on-year results were published yesterday: they are quite tough. Thanks to spiking inflation and as we reported two weeks ago, real wages have slumped to -8%, one of their worst figures in 10 years. We presume they could worsen to
-10% in the coming months as inflation rises and nominal wages stay around +5%. Retail sales went negative by -4.4%, their worst figure since December 2009 and unemployment crawled upwards but not by much to 5.5%.

- Consumer confidence fell in the final quarter of 2014 by a factor of -18 which is the lowest figure in 10 years with the exception of end-2008 and early-2009. For the last 3-4 years this indicator has averaged around -5 to -7 which comparatively in Europe was a good or very good level but the fall last year mirrors trends with real wages which will decline by -5% to -10% in the early months of 2015 and could average -7% through the year.

  The trend in real wages is currently one of the most worrisome in the economy related of course to rising inflation.

- Business confidence, not surprisingly, is also declining but not as quickly as consumer confidence which is coming off a higher level. Business confidence was down to -10 in December and -9 in January 2015 compared with levels of about -6 in the period 2010-14. Some defence spending and import substitution prevents this number getting worse for now.

- Industry will be down -4% this year and given tremendous financing strains, investment will diminish by as much as -10%. The year-on-year figure for January (just published) was 0.9% and below the surge figure of last December (3.9% year-on-year). But it appears that the figure would have been worst still without a boost from defence spending and related procurements expenditures.

- This is also borne out by the fact that the Purchasing Managers’ Index worsened badly in January to a level of 47.6 (a level of 50 is need to indicate growth). In 2014 the figure averaged about 40 and was as high as 51.5 last summer. The PMI indictor does not include much defence spending and so is a better indicator of the overall Russian economy.

- Federal spending increased in January to 21.6% of GDP compared with 20.4% of GDP in December. The increase was very largely attributable to front-loaded defence spending and reportedly some 20% of the full-year military budget was expended in January alone. On a 12-month rolling basis the budget deficit expanded from -0.5% in December to -1.6% in January. So the government spending figures are buttressed by defence spending.

Getting accustomed to a volatile rouble

As one executive commented last week:

> No one has clue where the rouble is going!

This is a fair comment but as we have argued before, some sort of triangulation is taking place between oil prices, eastern Ukraine and the rouble (with other factors thrown in).

Executives need to get accustomed to weekly fluctuations in the rouble versus the dollar and Euro of 3-10% and we have seen several such swings since the start of this year.

There is a triangular effect impacting the rouble FX value: the oil price is clearly a key factor but for now developments in Eastern Ukraine are triangulating with oil to affect the rouble/FX rate: for example in January there was at least one occasion when the oil price rallied 18-21% in a few days but in that period the rouble only strengthen 5-7% and there were days when the rouble was falling as the oil price jumped upwards: the explanation was a deteriorating situation in Eastern Ukraine. Now with the recent signing of the second Minsk agreement and with oil stable, the rouble is appreciating by about 10% in the last 8-9 days. The trouble is that it is at the mercy still of the oil price and the geo-political situation.

Consumer-related statistics: by year and monthly

	2012	2013	2014												2015
	year	year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Disposable income	3.7	3.3	-1.5	1.0	-6.8	1.9	5.8	-2.9	2.3	3.4	0.6	2.1	-4.7	-7.3	-0.8
Real wages	8.2	5.2	5.2	4.6	3.1	3.2	5.0	2.1	1.4	-1.2	1.5	0.3	0.5	-4.7	-8.0
Real retail sales	5.7	3.9	2.4	4.1	4.0	2.6	2.1	0.9	1.2	1.4	1.7	1.7	1.8	5.3	-4.4
Unemployment	5.3	5.5	5.7	5.6	5.4	5.3	4.9	4.9	4.9	4.8	4.9	5.1	5.2	5.3	5.5
Industrial output	2.6	0.3	-0.2	2.1	1.4	2.4	2.8	0.4	1.5	0.0	2.8	2.9	-0.4	3.9	0.9
Fixed investment	6.0	-0.1	-7.0	-3.5	-4.3	-2.7	-2.6	0.5	-2.0	-2.7	-2.8	-2.9	-4.8	-2.4	n/a
Consumer prices	6.6	6.5	6.1	6.2	6.9	7.3	7.6	7.8	7.5	7.7	8.0	8.3	9.1	11.4	15.0
Budget deficit (running)	0.0	-0.5	0.4	0.3	1.4	-0.4	-0.1	-0.1	-0.1	-0.2	-0.4	-0.5	-0.6	-0.6	-1.6

Macro-economic data 2009-2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP	-7.9	4.3	4.3	3.4	1.3	-0.8	-4.1	0.5	2.1	2.7
Retail sales	-5.5	6.3	7.2	5.7	3.9	2.5	-4.0	1.0	2.5	2.8
Household spending	-7.6	5.5	6.8	7.9	4.7	1.8	-5.0	0.9	2.3	2.8
Real wages	-2.8	4.4	4.9	8.2	5.2	1.9	-6.8	1.0	3.1	3.0
Disposable income	1.0	3.7	2.8	3.7	3.3	2.1	-2.0	1.0	2.5	2.9
Inflation (year-end)	8.8	8.7	6.1	6.6	6.5	11.4	11.0	7.7	6.6	6.2
Unemployment rate	7.9	7.6	6.5	5.3	5.5	5.3	6.5	6.0	5.7	5.5
Gross fixed investment	-17.9	5.6	9.8	6.0	-0.3	-5.8	-10.0	0.3	3.2	3.8
Industrial output	-10.8	8.3	4.7	2.6	0.3	1.1	-4.0	0.7	2.4	3.0
FX reserves ($bn) year-end	447	485	510	528	509	385	340	310	280	290
Rouble/$ (year-end)	30.3	30.4	32.1	30.4	32.9	58.0	70.0	72.1	75.0	79.0
Rouble/Euro (year-end)	43.4	40.0	41.5	40.1	45.1	72.0	78.5	79.3	77.3	79.0
Budget balance (% of GDP)	-6.3	-3.5	-0.2	0.0	-0.5	-0.5	-2.3	-1.6	-1.0	-0.5
Current-account balance (% of GDP)	3.8	4.9	4.9	3.6	1.6	2.0	2.6	2.2	1.8	1.8

As ever, I hope you have found this paper useful and if you have any queries or comments, do get in touch danielthorniley@dt-gbc.com

19 February 2015