

COMMERZBANK

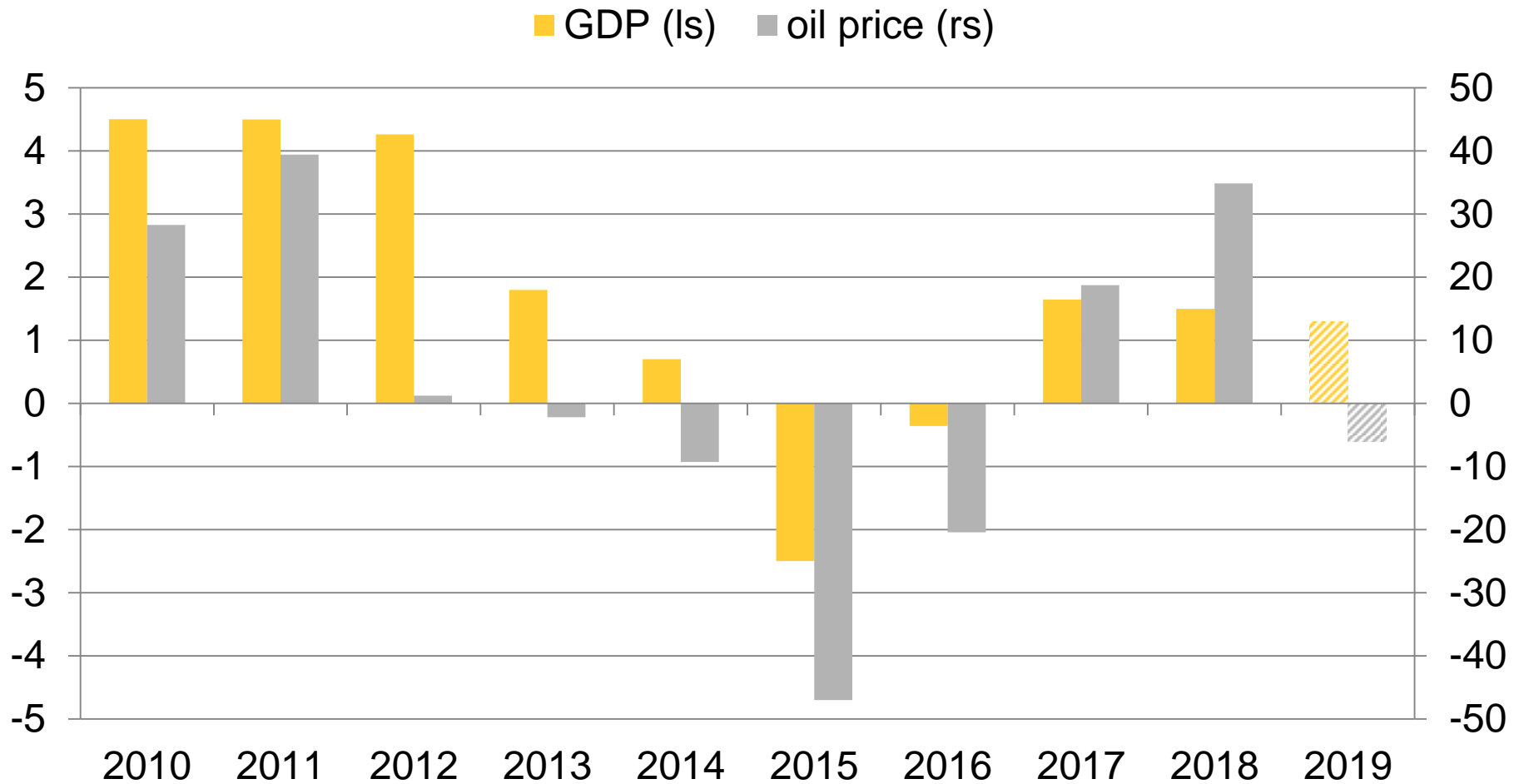


Russia: Economy under sanction regime

Brussels, 12. February 2019

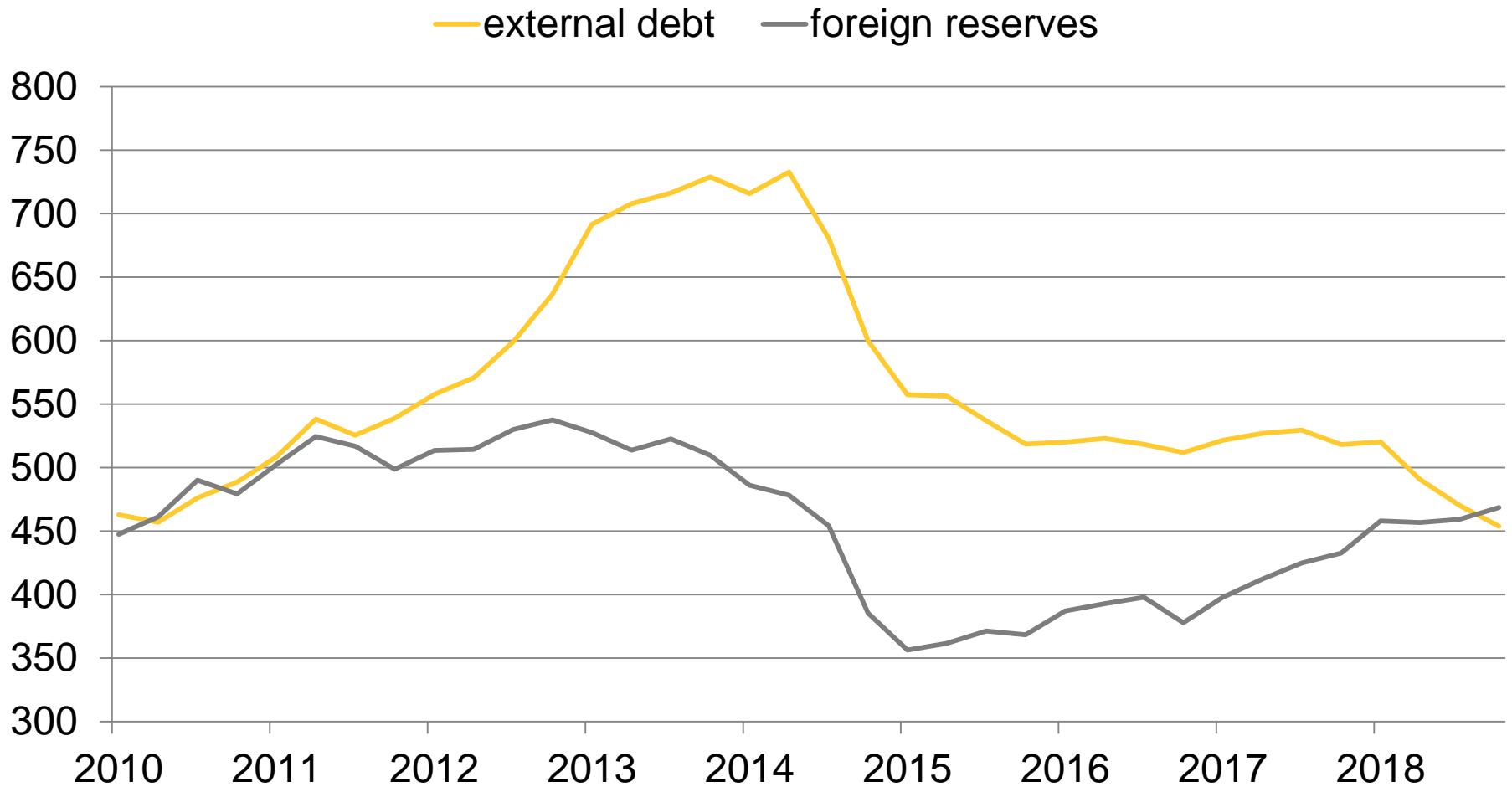
Despite sanctions oil price remains the main driver of the economy

Real GDP and oil price in USD, change year-on-year in %



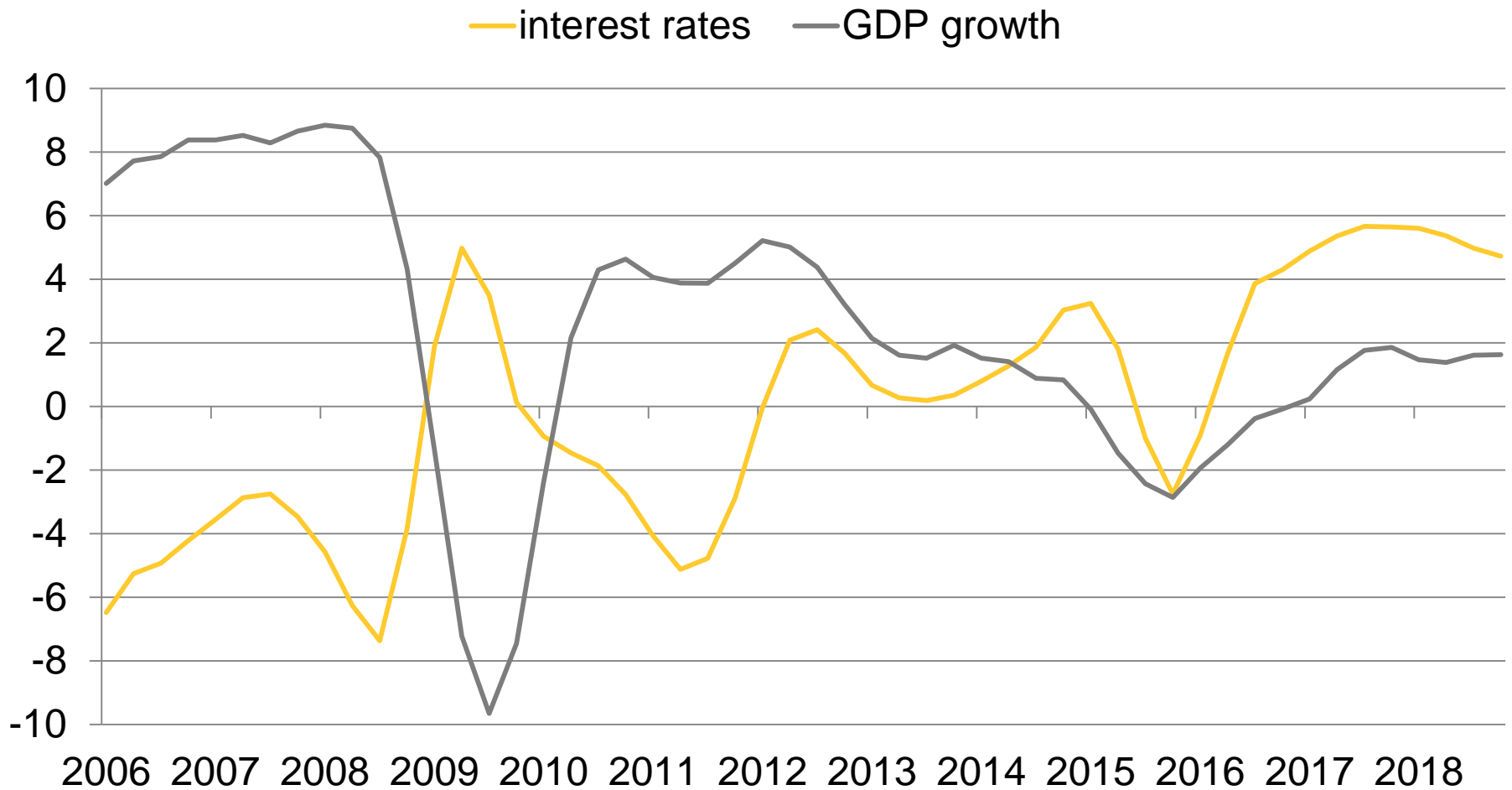
Prohibition of new Western financing lowers external debt

External debt and foreign reserves in billion USD



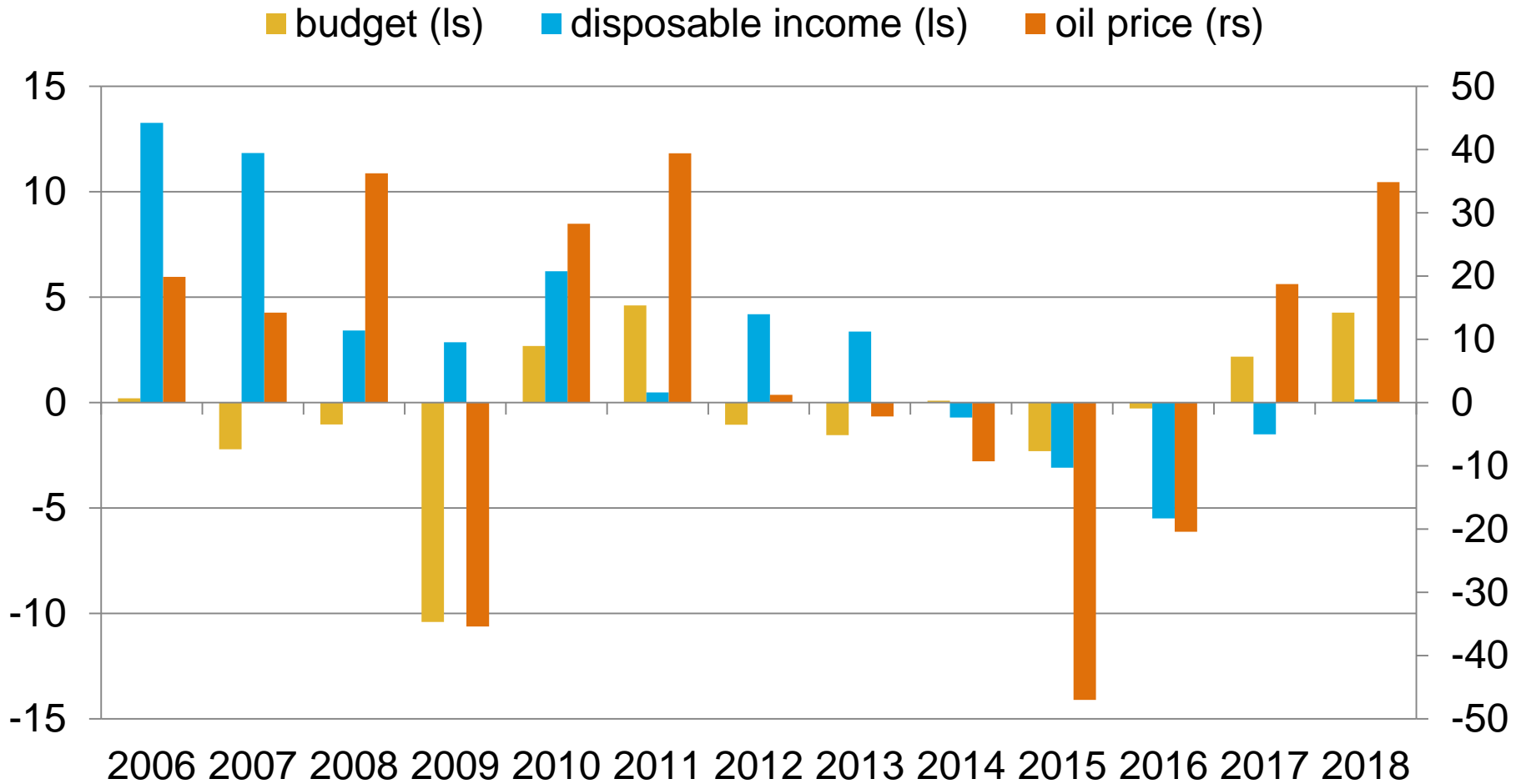
Restrictive monetary policy since 2014

3 months money market rates minus consumer price inflation; real GDP, change year-on-year in %



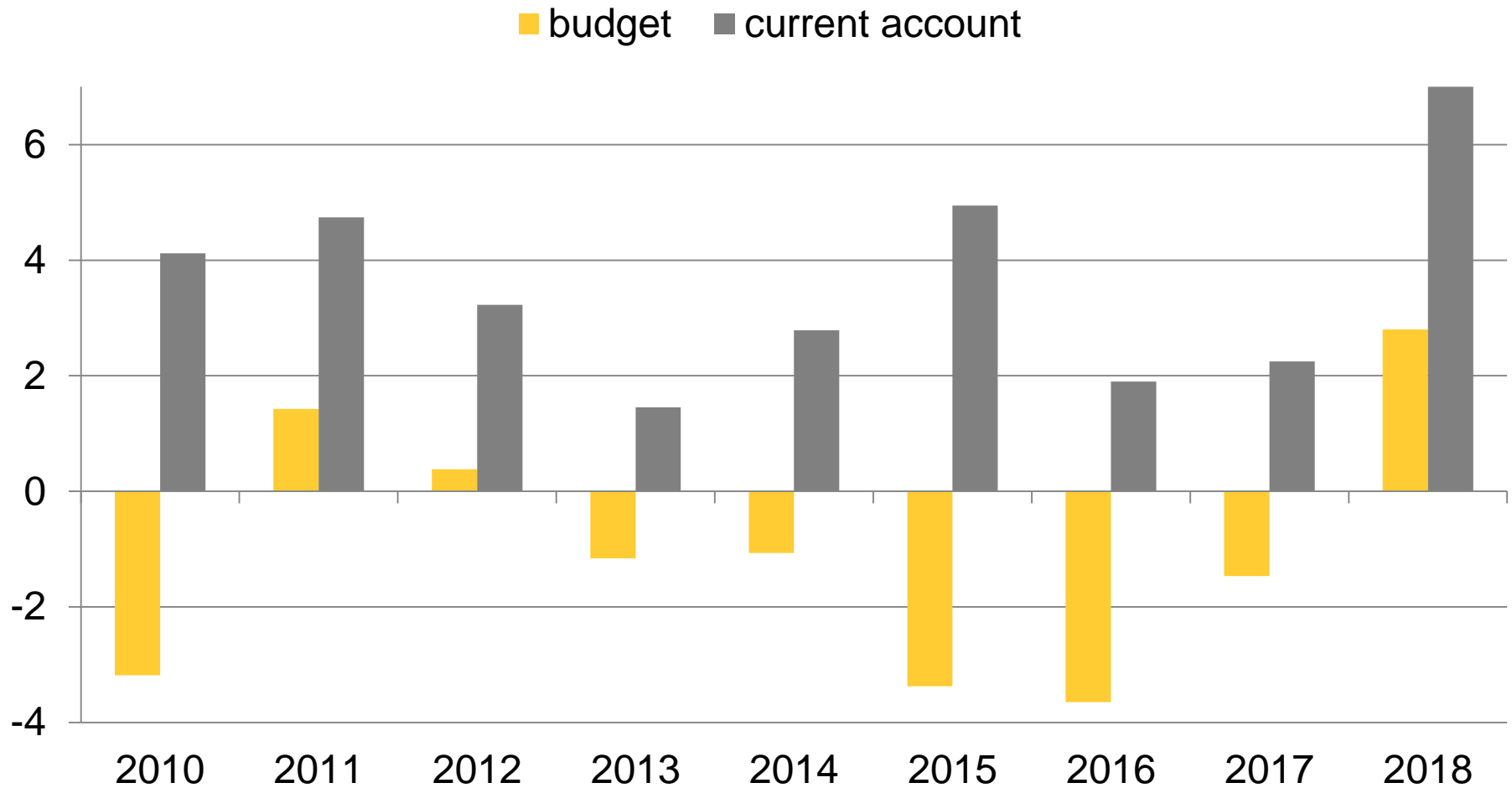
Restrictive fiscal policy depresses disposable income

General government budget balance in % of GDP, change year-on-year in percentage points; real disposable income and oil price in USD; change year-on-year in %



Double surplus in preparation for new sanctions

General government budget balance and current account balance in % of GDP



Additional US sanctions likely this year

Most important sanctions so far:

- › Prohibition of medium- and long-term financing for Russian state owned banks and state owned oil corporations
- › Complete sanctions on individual persons (most impact case Oleg Deripaska)

Additional sanctions currently discussed:

- › Prohibition of new financing for the Russian government (sovereign bonds)
- › Complete sanctions on a number of state owned banks
- › Complete sanctions on a number of state owned corporations
- › Complete sanctions on additional oligarchs
- › Special sanction on the energy sector

Base case: Some more of the same to show dissatisfaction with Russian actions but leave room for further tightening (deterrence)

-> No major impact on economy given Russian preparations for this case

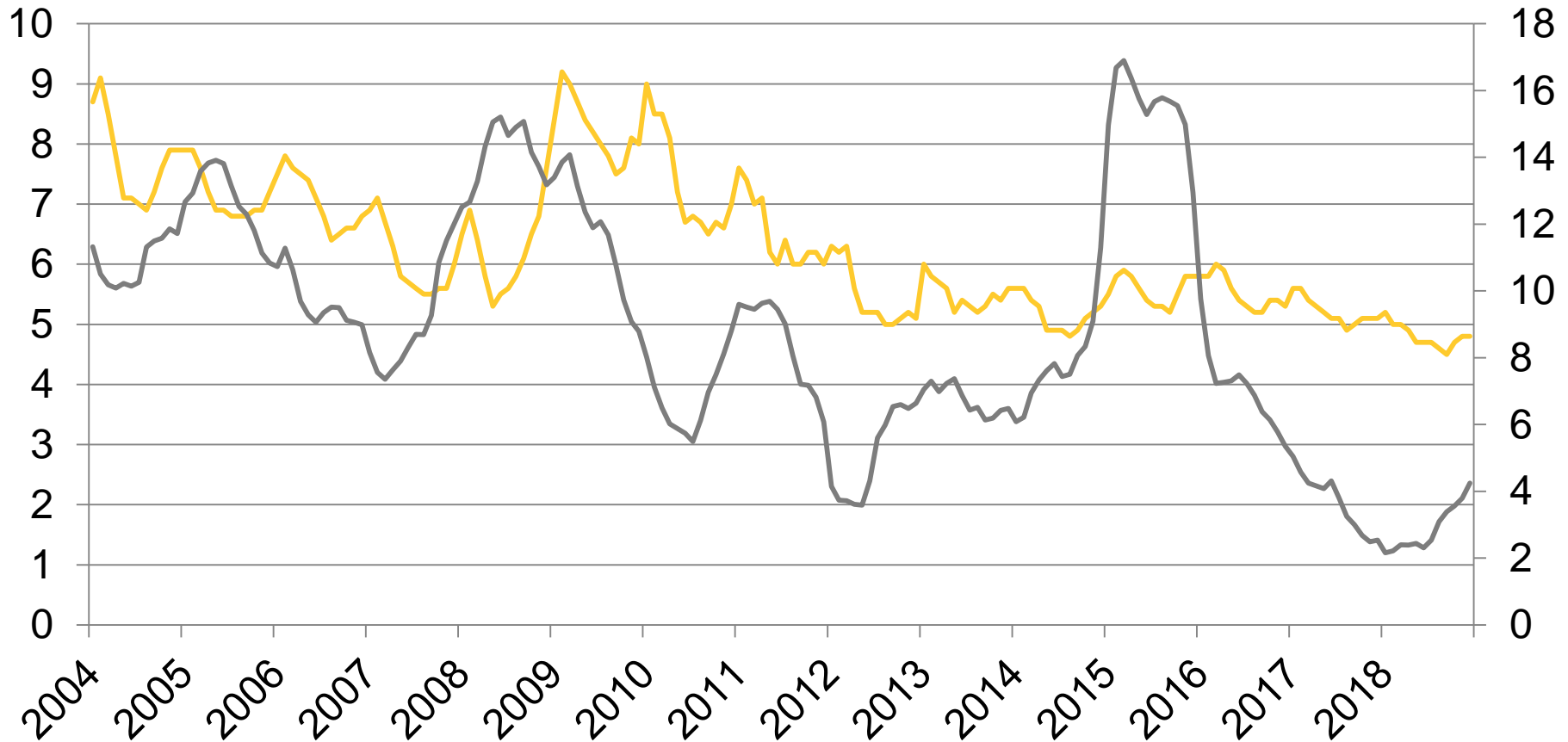
Worst case: Comprehensive sanctions which will limit trade with Russia including oil

-> Outcome uncertain as a restriction on Russian oil exports would boost global oil prices which would support the Russian economy

Historically low unemployment and inflation

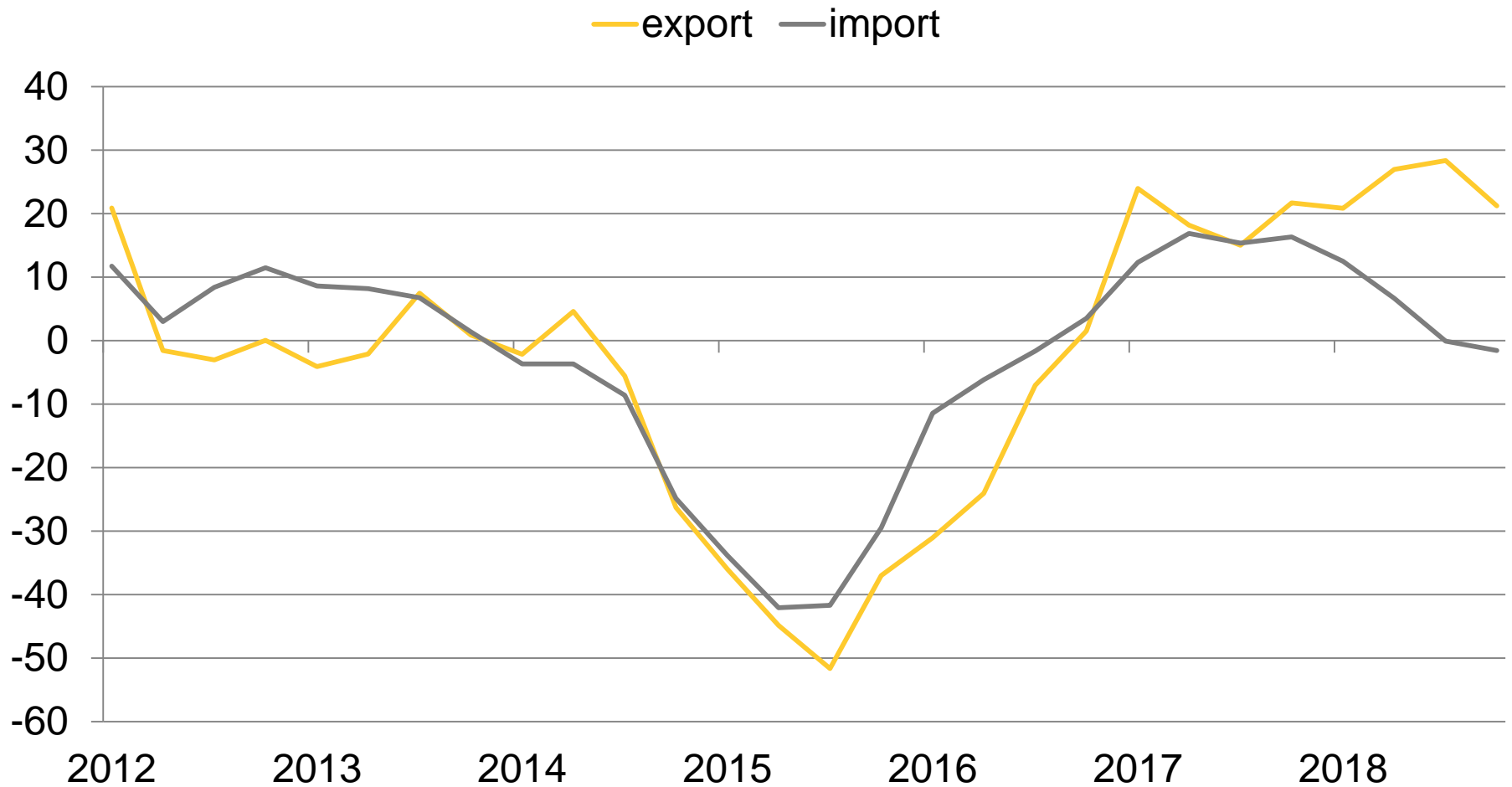
Unemployment rate and inflation rate in %

—unemployment rate (ls) —inflation rate (rs)



Sanctions weaken import demand

Export and imports, year-on-year change in billion USD



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