

# RenCap-NES Macro Monitor

- Our GDP forecasting model signals higher 1Q12 GDP growth relative to the previous release.** The third forecast for 1Q12 came in at 3.4% YoY, up from 2.6% YoY in December. This is the second consecutive edition of the forecasting model that signals a better economic performance in 1Q12.
- Below-consensus 2.3% 2012 GDP forecast maintained.** Our 2012 GDP growth forecast is based on the assumptions of a mild European recession, weak US growth and a soft landing in China. We expect to see increasing signs of a more moderate pace of economic activity, due to weaker external demand and the completion of the inventory restocking cycle. Supply-side indicators have already started to send weaker signals, but we expect demand-side parameters, including consumption, to catch up this quarter. Heightened political uncertainty in the aftermath of the Russian parliamentary elections in December and in the run-up to the March presidential elections will also weigh on 1Q12 growth, in our view.
- Net capital outflow from the private sector was \$37.8bn in 4Q11** and \$84.2bn for the whole of 2011. According to the Central Bank of Russia (CBR), 4Q11 net capital outflows by banks and the corporate sector amounted to \$7.5bn and \$30.3bn, respectively. This may have been at least partially related to the heightened political uncertainty in the aftermath of the 4 December elections; although it surely reflects the grimmer global economic backdrop as well. For the whole of 2011, net capital outflow reached \$84.2bn, second only to the \$133.7bn figure posted in 2008.
- Current net capital flow, measured as a percentage of GDP, is much smaller than the peaks of 2008/2009 and 1998/2001.** Although absolute capital outflow is significant, it looks much more benign by historical standards when evaluated as a share of GDP. In particular, on a four-quarter moving average basis, 4Q11 net capital outflow amounted to around 5% of GDP. In comparison, net capital outflow averaged around 15% of GDP in 2008/2009 and 10-12% of GDP in 1998.
- With 2011 inflation the lowest on record, we see more scope for interest rate cuts.** Headline inflation fell to 6.1% YoY in December from 6.8% in November. This is the seventh consecutive month of decline for the headline inflation number. Given expectations for a more modest pace of economic expansion in 2012, we think this should encourage the CBR to cut rates.

Konstantin Styryn, PhD  
+7 (495) 956-9508 x254  
KStyryn@nes.ru

Ivan Tchakarov, PhD  
+7 (495) 258-7770 x7400  
ITchakarov@rencap.com

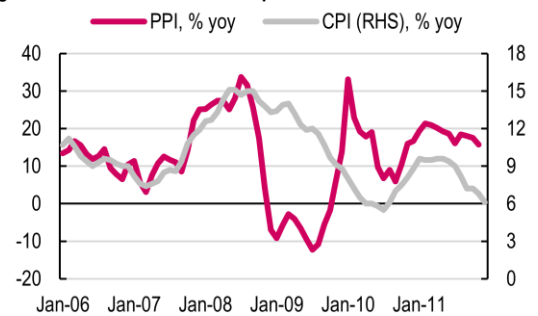
Valentina Potapova, CFA  
Natalia Suseeva

Figure 1: Russia – real economy

	Nov-11	Oct-11	05-08	09	10	11
Industrial production, % YoY	3.9	3.6	4.1	-10.8	8.2	3.9
Fixed investment, % YoY	7.7	8.6	15.0	-17.0	6.0	8.0
Retail sales, % YoY	8.6	9.0	13.7	-5.5	4.4	4.5
Real wages, % YoY	7.1	5.0	14.2	-2.6	4.2	2.5
Real disposable income, % YoY	0.2	0.4	10.6	0.8	4.3	2.7
Unemployment, %	6.3	6.4	6.9	8.2	7.2	6.5

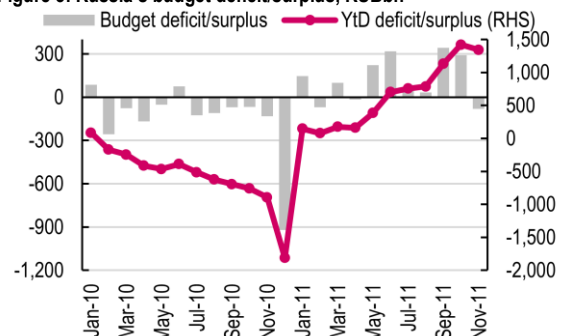
Source: Rosstat, Renaissance Capital estimates

Figure 2: Russia – consumer and producer inflation



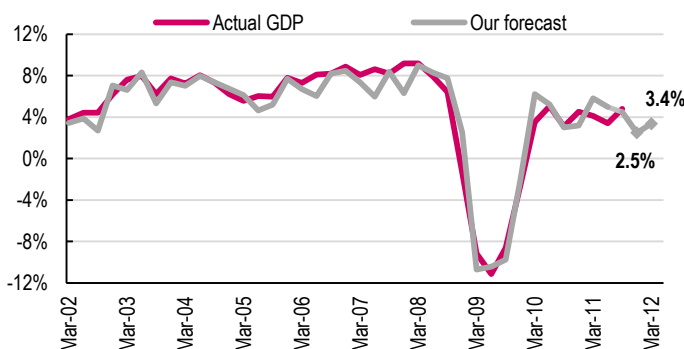
Source: Rosstat

Figure 3: Russia's budget deficit/surplus, RUBbn



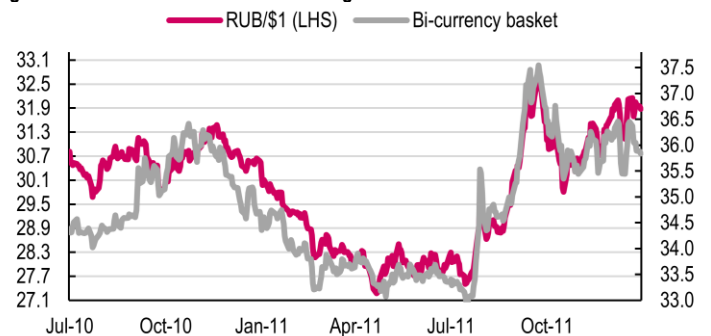
Source: MinFin

Figure 4: RenCap-NES Leading GDP Indicator, % YoY



Source: Rosstat, NES estimates, Renaissance Capital estimates

Figure 5: Dollar/rouble and basket exchange rates



Source: Bloomberg

# Executive summary

Our GDP forecasting model signals higher 1Q12 GDP growth relative to the previous release. The third forecast for 1Q12 came in at 3.4% YoY, up from 2.6% YoY last month. This is the second consecutive edition of the forecasting model that signals a better economic performance in 1Q12. The main upward drivers of our 1Q12 GDP forecast revision were improving Russian Economic Barometer (REB) indices covering actual employment in industry and companies in sound financial condition. The industrial production index and output of machines and equipment were also among the top positive drivers.

We continue to maintain our below-consensus 2.3% 2012 GDP forecast, based on the assumptions of a mild European recession, weak US growth and a soft landing in China. We expect to see increasing signs of this more moderate pace of economic activity on the back of weaker external demand and the completion of the inventory restocking cycle. Supply-side indicators have already started to send weaker signals, but we expect demand-side parameters, including consumption, to catch up this quarter. Heightened political uncertainty in the aftermath of the Russian parliamentary elections in December and the run-up to the March presidential elections will also weigh on 1Q12 growth, in our view.

According to the CBR, 4Q11 net capital outflow by banks and the corporate sector amounted to \$7.5bn and \$30.3bn, respectively. This may have been at least partially related to the heightened political uncertainty in the aftermath of the 4 December elections; although it surely reflects the grimmer global economic backdrop as well. For the whole of 2011, net capital outflow reached \$84.2bn, second only to the \$133.7bn figure posted in 2008.

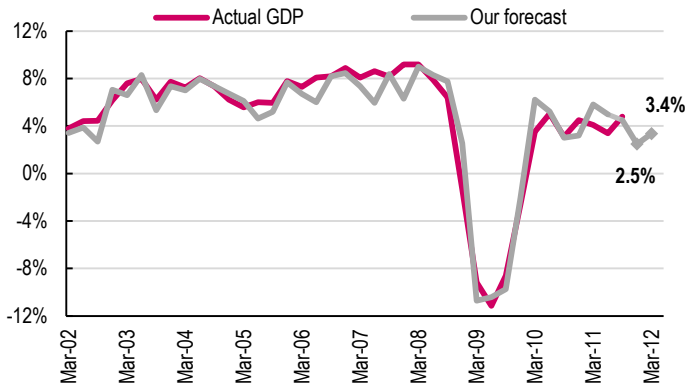
The magnitude of the current net capital flows, measured as a percentage of GDP, is much smaller than the peaks reached during 2008/2009 and 1998/2001. Although capital outflow is significant in absolute terms, it looks much more benign by historical standards when evaluated as a share of GDP. In particular, on a four-quarter moving average basis, 4Q11 net capital outflow amounted to around 5% of GDP. In comparison, net capital outflows averaged around 15% of GDP in 2008/2009 and 10-12% of GDP in 1998.

The Russian budget disbursement accelerated in November, with a preliminary budget surplus of RUB1,343bn in January-November 2011, down from RUB1,423bn in January-September 2011. The better-than-expected fiscal performance was driven by higher-than-projected oil prices and traditionally slower fiscal disbursement. The picture will of course have changed in December, as disbursement will have accelerated significantly to meet the government's target of a broadly balanced full-year budget. However, according to comments by Minister of Finance Anton Siluanov made at the end of December, the 2011 budget surplus should be around 0.8-1.0% of GDP, instead of balancing. Deputy Finance Minister Tatyana Nesterenko said that the unspent oil windfall will add around RUB900bn to the reserve fund in January 2012.

Headline inflation fell to 6.1% YoY in December from 6.8% in November. This was the seventh consecutive month of decline for the headline inflation number. Given expectations of a more modest pace of economic expansion in 2012, we think this should encourage the CBR to cut rates.

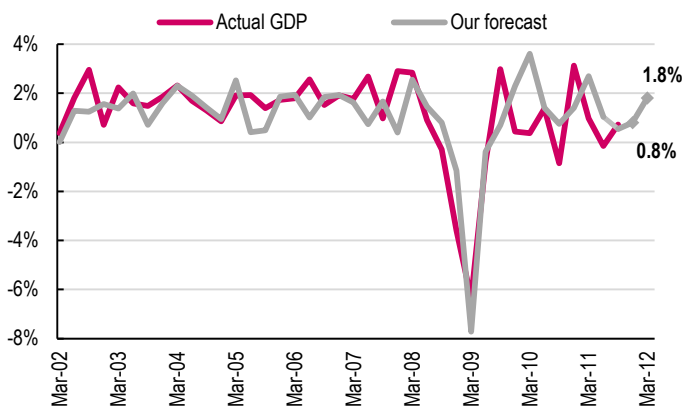
# RenCap-NES Leading GDP Indicator

Figure 6: Real GDP growth, YoY



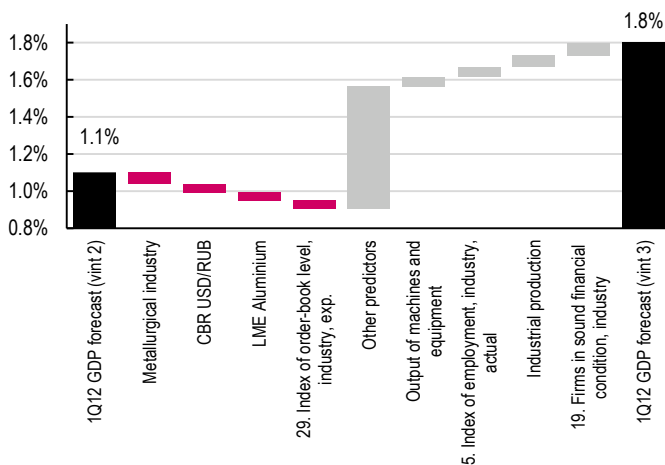
Source: Rosstat, NES estimates, Renaissance Capital estimates

Figure 7: S/A GDP growth, QoQ



Source: Rosstat, NES estimates, Renaissance Capital estimates

Figure 8: 1Q12 GDP forecast revision and main drivers



Source: NES estimates, Renaissance Capital estimates

## Our GDP forecast for 1Q12 has improved since last month

- Our estimate of YoY 1Q12 GDP growth has increased to 3.4% from 2.6% published in our December report. In terms of QoQ seasonally adjusted (S/A) figures, our forecast for 1Q12 has rebounded to 1.8% from 1.1%, and is approaching the level we forecast in November (+1.6%).
- The main upward drivers of our QoQ S/A 1Q12 GDP forecast revision were improving REB indices covering actual employment in industry and companies in sound financial condition. The industrial production index and output of machines and equipment were also among the top positive drivers.
- Next month we intend to produce our preliminary estimates for 2Q12 GDP growth and our 1H12 forecast.

Figure 9: Our estimates of real GDP growth

	To previous year	QoQ	QoQ, S/A	Annualised
4Q11 (vintage 5)	2.5%	5.5%	0.8%	3.2%
1Q12 (vintage 3)	3.4%	-20.4%	1.8%	7.4%
1Q12 (vintage 2)	2.6%	-20.9%	1.1%	4.5%
FY11	3.7%			

Source: Rosstat, NES estimates, Renaissance Capital estimates

# Real economy

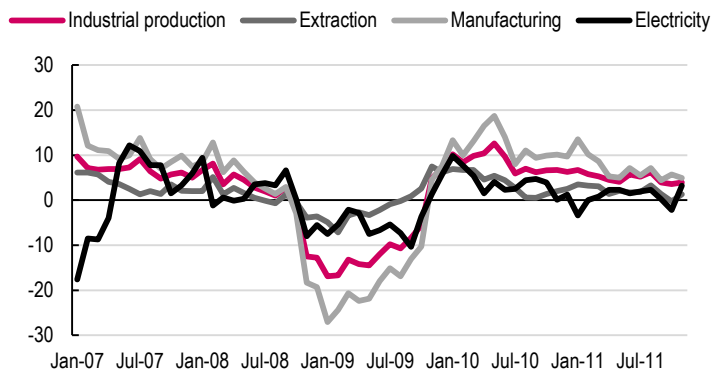
- Activity in the real sector remains solid.** Industrial production growth remains well within positive territory, after marginally improving to 3.9% YoY in November from 3.6% YoY in October (the slowest growth since December 2009). Manufacturing and extraction grew 4.9% YoY and 1.3% YoY, respectively; although each declined compared with October, by 1.3% MoM and 0.5% MoM, respectively.
- The Russian consumer continues to spend robustly.** Retail sales were up 8.6% YoY in November, only marginally slower than 9.0% YoY in October and 9.4% YoY in September. Healthy spending was supported by accelerating real wage growth, which at 7.1% YoY increased at the fastest pace of the past three years, and strong bank retail lending, which has been expanding at above 30% YoY in recent months. We expect December to surprise on the upside, with government spending executed at about twice the average monthly rate.
- The weakening rouble has not weighed on consumer confidence** as has traditionally been the case in previous instances of the currency's depreciation. We believe the CBR has managed the public's expectations very well so far, by convincing them that the times of the one-way bet on the rouble are long gone. We think consumers may have started to adjust to that reality.
- We think the Russian economy will experience the largest impact of the global slowdown in 1H12.** We maintain our 2.3% 2012 GDP growth forecast on the assumptions of a mild European recession, weak US growth and a soft landing in China. We expect to see increasing signs of this more moderate pace of economic activity on the back of weaker external demand and the completion of the inventory restocking cycle. Supply-side indicators have already started to send weaker signals, but we expect demand-side parameters, including consumption, to catch up sometime in 1Q12.

Figure 10: Real economy

	Nov-11	Oct-11	YtD	2005-2008	2009	2010	2011E
Industrial production, % YoY	3.9	3.6	5.0	4.1	-10.8	8.2	3.9
Fixed investment, % YoY	7.7	8.6	5.6	15.0	-17.0	6.0	8.0
Retail sales, % YoY	8.6	9.0	6.9	13.7	-5.5	4.4	4.5
Real wages, % YoY	7.1	5.0	3.3	14.2	-2.6	4.2	2.5
Real disposable income, % YoY	0.2	0.4	0.2	10.6	0.8	4.3	2.7
Unemployment, %	6.3	6.4	6.3	6.9	8.2	7.2	6.5

Source: Rosstat, Renaissance Capital estimates

Figure 11: Industrial production, % YoY



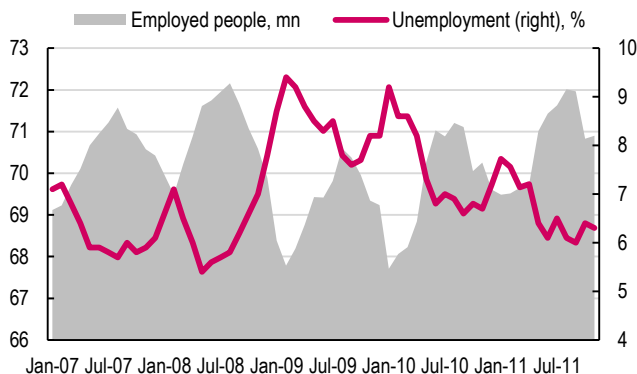
Source: Rosstat

Figure 12: Fixed investment, % YoY



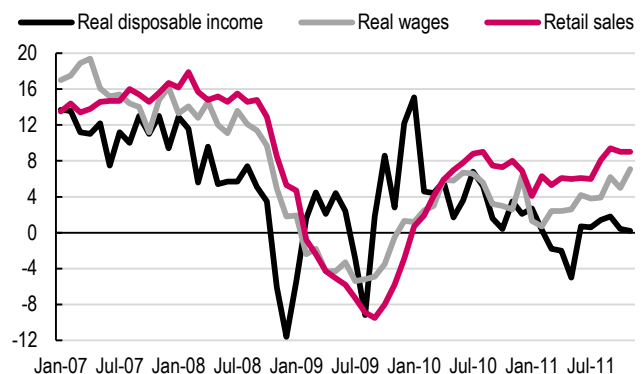
Source: Rosstat

Figure 13: Employment



Source: Rosstat

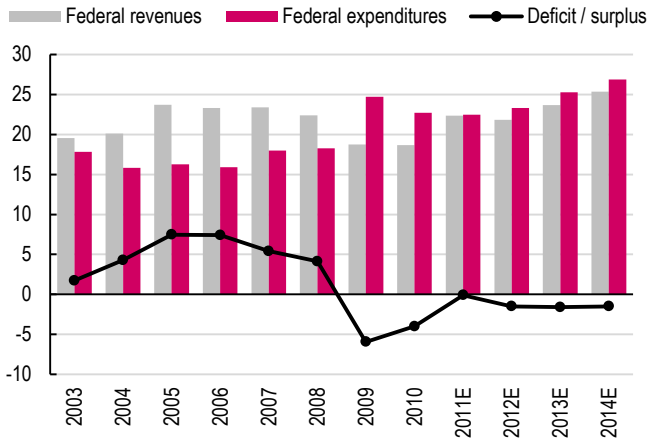
Figure 14: Labour market and consumer demand, % YoY



Source: Rosstat

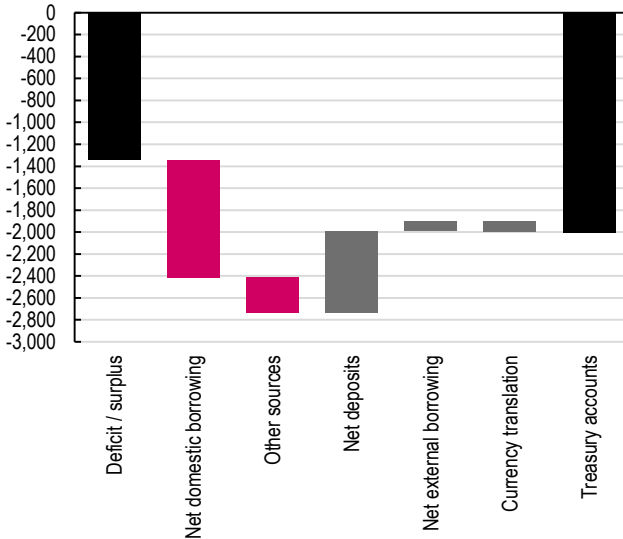
# Budget

Figure 15: Federal budget performance 2003-2010, % GDP



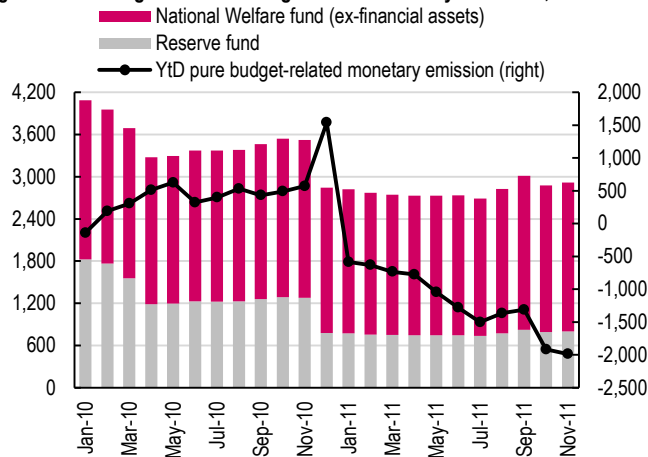
Source: MinFin, Federal Treasury, Renaissance Capital estimates

Figure 16: YtD federal budget deficit financing, RUBbn



Source: MinFin, Renaissance Capital estimates

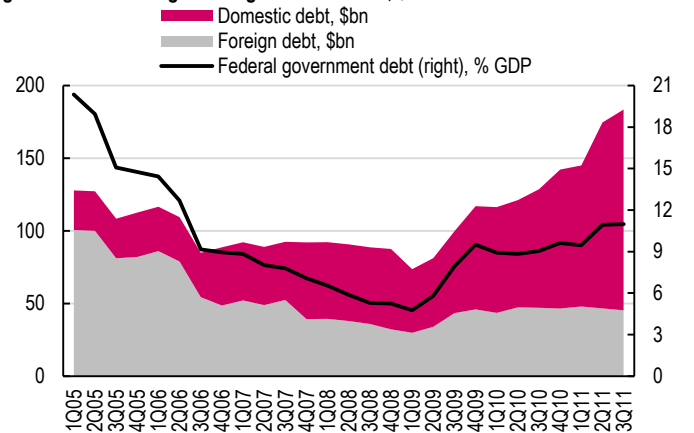
Figure 17: Sovereign funds and budget-related monetary emissions, RUBbn



Source: MinFin, Renaissance Capital estimates

- **The Russian budget disbursement accelerated in November**, with a preliminary budget surplus of RUB1,343bn in January-November 2011, down from RUB1,423bn in January-September 2011. The better-than-expected fiscal performance was driven by higher-than-projected oil prices and traditionally slower fiscal disbursement. The picture will of course have changed in December, as disbursement will have accelerated significantly to meet the government's target of a broadly balanced full-year budget. However, according to comments made by Minister of Finance Siluanov at the end of December, the 2011 budget surplus would be around 0.8-1.0% of GDP, instead of balancing. Deputy Finance Minister Nesterenko said that the unspent oil windfall would contribute around RUB900bn to the reserve fund in January 2012.
- **A strategy of moderately higher government spending on the eve of Russia's March presidential elections may help assuage current political pressures.** Russia's 2012 budget already assumes that spending will grow at higher rate than inflation, but we believe additional fiscal disbursement may well occur. A more robust fiscal effort at the start of 2012 should help the Russian economy, not only by cushioning the impact of any global slowdown, bringing GDP to about 3.0%, but also by alleviating some political pressure. At the same time, headline inflation may feel some upside pressure, exceeding our current 2012 average estimate of 6.0% by 100 bpts.
- **Total sovereign debt was around 11% of GDP at the end of September 2011.** Although external sovereign debt decreased marginally to \$45.2bn at the end of 3Q11 from \$46.7bn at the end of 2Q11, domestic government debt increased by \$10.3bn and reached \$138.2bn at the end of 3Q11. Deputy Minister of Finance Sergei Storchak said that Russia will issue eurobonds in 1Q12, and that the government's total target volume of eurobonds is \$7bn for 2012.

Figure 18: Outstanding federal government debt, \$bn

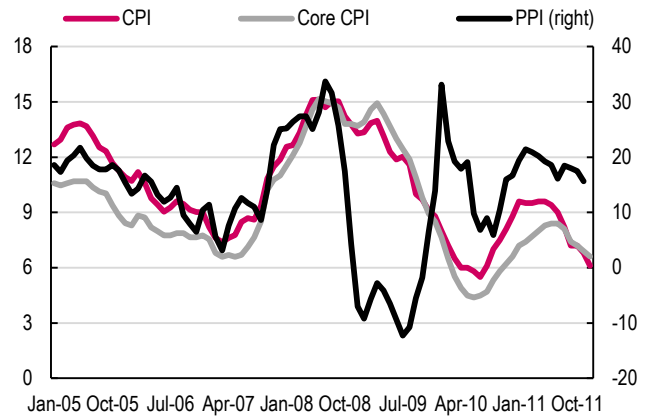


Source: MinFin, Renaissance Capital estimates

# Inflation

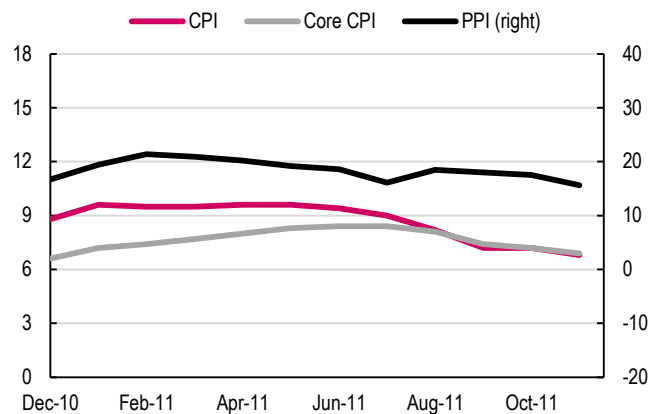
- Inflation declined further in December.** Headline inflation decelerated to 6.1% YoY in December from 6.8% in November, implying a 0.4% MoM increase. The fall was broad based, with food, non-food and services inflation contributing to the decrease. This is the seventh consecutive month of decline for the headline inflation number. The decline was sharper than consensus expectations of an inflation rate of 6.5% YoY and our own forecast of 6.8% YoY.
- We do not expect the weaker currency to lead to higher inflation.** We think the potential inflationary impact of a softer rouble will be offset by the deflationary nature of the external shock. This was the case during the 2009 crisis and we believe a similar pattern will develop this time around.
- The CBR cut the refinancing rate by 25 bpts to 8.00%, but maintained the repo rate at 5.25% and increased the deposit rate to 4%.** In its accompanying statement, the CBR maintained its key message that the current level of money market rates strikes the right balance between inflation and growth risks. It gives the CBR plenty of flexibility to change course depending on incoming economic data. Given the fact that the repo rate is the most relevant policy rate during the current period of tight liquidity, we interpret the decision as an attempt by the CBR to deliver the most cautious easing possible.
- The CBR's decision displays signs of a more pronounced easing bias.** We had argued, against consensus, that the CBR should adopt a much more aggressive stance and cut the repo rate by 25 bpts, in an attempt to counteract the imminent economic slowdown this year. In our view, the CBR has now clearly shifted focus to a more accommodating stance, given the balance of external and domestic risks.

Figure 19: Consumer and producer prices since 2005, %



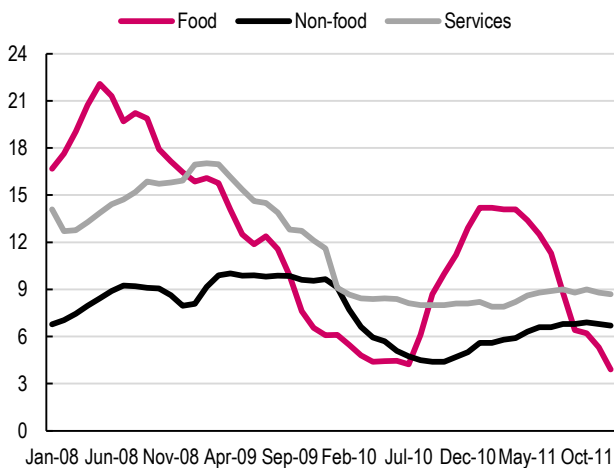
Source: Rosstat, Renaissance Capital estimates

Figure 20: Consumer and producer prices (12 months), %



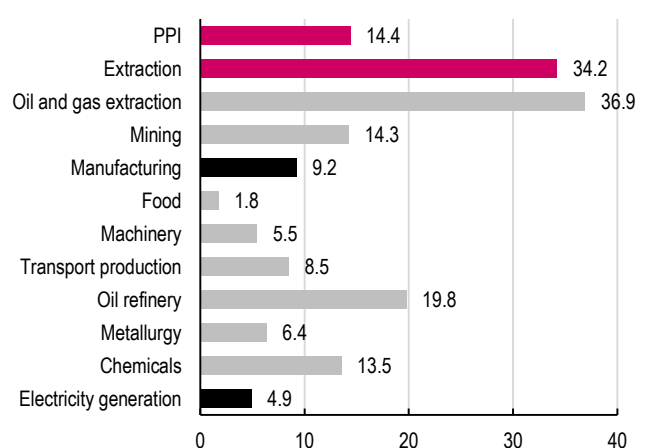
Source: Rosstat

Figure 21: Food, non-food and services prices, %



Source: Rosstat, Renaissance Capital estimates

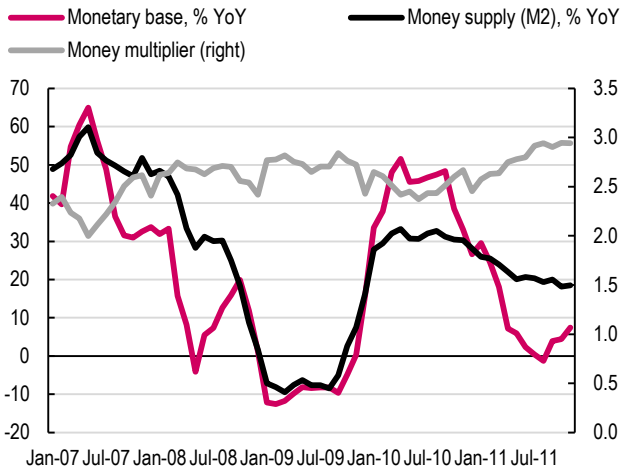
Figure 22: YtD change in producer prices, %



Source: Rosstat

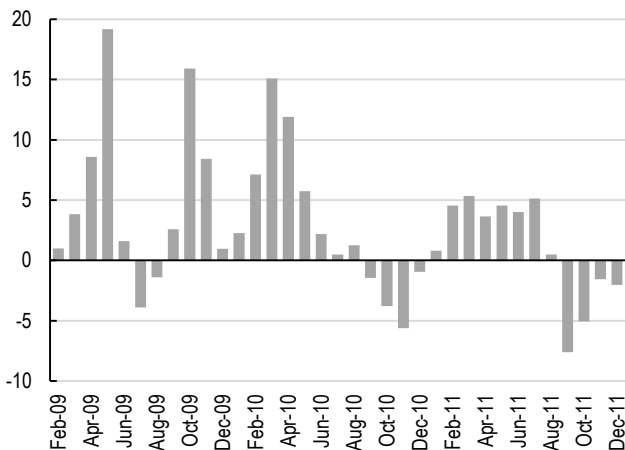
# Money and exchange rate

Figure 23: Monetary aggregates



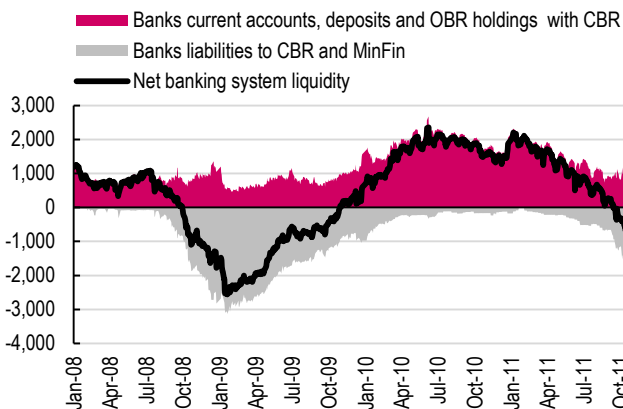
Source: CBR, Renaissance Capital estimates

Figure 24: FX interventions by the CBR, \$bn



Source: CBR

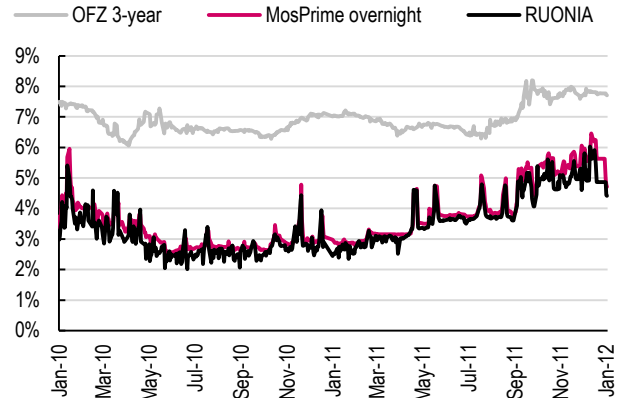
Figure 25: Banking system liquidity, RUBbn



Source: CBR, MinFin

- **The rouble depreciated against the basket in December, from RUB35.5 to RUB36.5.** The rouble weakened by 50-60 kopecks against the basket in the middle of the month after the parliamentary elections and public protests against alleged voting irregularities. The currency continued to depreciate towards the end of the month, after the CBR widened the rouble's trading band vs the euro/dollar basket from RUB5 to RUB6.
- **The CBR sold \$2bn in December,** marginally higher than the level of intervention of \$1.6bn in November, but significantly below the interventions of \$7.6bn in September and \$5.1bn in October.
- **Domestic liquidity conditions improved at the end of December.** The size of deposits and correspondent accounts of banks at the CBR increased from RUB850bn to RUB1,400bn in December, while net banking system liquidity improved significantly from -RUB1,000bn to -RUB300bn (turning positive at the beginning of the year: +RUB56bn as of 13 January). In the week following the December Russian parliamentary elections, the CBR constrained the supply of liquidity via the repo window, arguably in an attempt to prevent currency conversion from roubles to dollars. Therefore, bank lending rates hiked around 30 bpts in the week following the elections. Furthermore, both RUONIA and MosPrime rose during the tax payment period, reaching 5.96% and 6.46%, respectively, on 21-22 December.
- **OFZ yields were flat in December.** The three-year OFZ yield was around 7.8% in December, and is currently running at 7.77%; while the five-year OFZ yield was around 8.3%. The spread between the five- and three-year OFZs was around 50-60 bpts in December.
- **Money supply aggregates expanded in November.** Money supply (M2) showed an increase of 2.7% MoM, or 18.5% YoY, at the end of November. The broad monetary base grew 2.8% MoM and 7.5% YoY in November (vs -2.0% MoM and +4.4% YoY in October), reflecting the beginning of the budget funds disbursement.

Figure 26: Interest rates

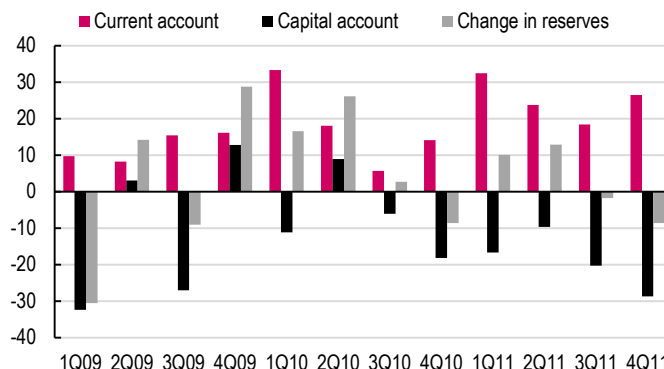


Source: Bloomberg, Renaissance Capital estimates

# Foreign trade

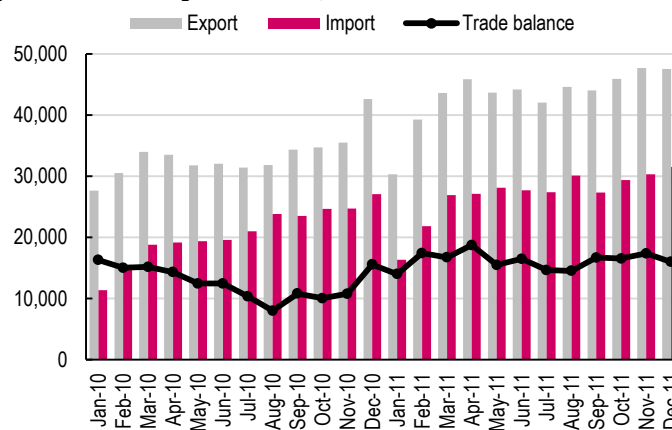
- The current account and trade balance improved in 4Q11.** According to preliminary estimates from the CBR, the current account surplus in 2011 was \$101.1bn, or around 6% of GDP. Therefore, the 4Q11 current account surplus amounted to \$26.5bn (almost twice as high as the 4Q10 surplus of \$14.1bn). The 4Q11 trade balance also improved and reached \$49.9bn, implying 37% YoY growth.
- Net capital outflow from the private sector reached \$37.8bn in 4Q11, and was \$84.2bn for the whole of 2011.** According to the CBR, net capital outflow by banks and the corporate sector amounted to \$7.5bn and \$30.3bn, respectively, in 4Q11. This may have been at least partially related to the heightened political uncertainty in the aftermath of the 4 December parliamentary elections; although it surely reflects the grimmer global economic backdrop as well. For the whole of 2011, net capital outflow reached \$84.2bn, second only to the \$133.7bn figure posted in 2008.
- The magnitude of the current net capital flows, measured as a percentage of GDP, is much smaller than the peaks reached during 2008/2009 and 1998/2001.** Although capital outflow is significant in absolute terms, it looks much more benign by historical standards when evaluated as a share of GDP. In particular, on a four-quarter moving average basis, 4Q11 net capital outflow amounted to around 5% of GDP. In comparison, net capital outflow averaged around 15% of GDP in 2008/2009 and 10-12% of GDP in 1998.
- Nevertheless, the balance of payments position will weaken if capital outflows persist.** The situation with the overall balance of payment is still very manageable, in our view, as capital outflows are more than offset by current account surpluses. However, should capital outflows persist in the future, the balance of payments position may come under strain with the expected transition of the current account from surplus to deficit around 2014.

Figure 27: Balance of payments, \$bn



Source: CBR

Figure 28: Russia's foreign trade balance, \$bn



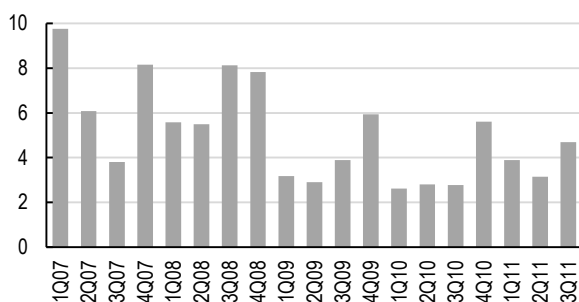
Source: CBR

Figure 29: Russia's export and import structure, \$bn

	2008	2009	2010	Last 12M
<b>Export:</b>				
Oil and gas	307.2	189.9	257.4	335.6
Chemicals	28.5	17.5	22.8	28.9
Metallurgy	51.8	32.2	39.5	43.5
Other sectors	57.0	45.3	53.1	64.3
<b>Import:</b>				
Food and agriculture	33.3	28.3	33.7	39.5
Chemicals	34.2	27.1	35.9	43.5
Textiles	10.8	8.9	13.3	15.4
Metallurgy	17.4	10.3	15.5	19.7
Machinery	136.5	70.6	98.6	138.3
Other sectors	24.2	15.5	20.4	24.5

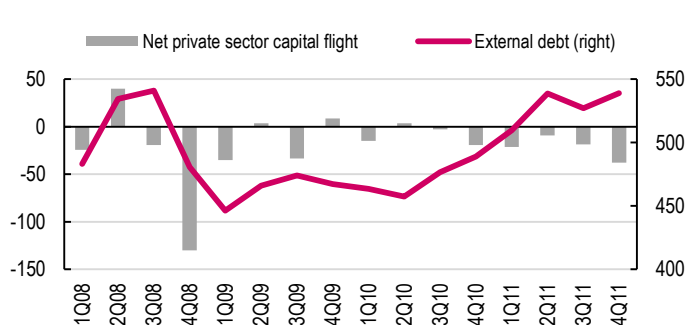
Source: Federal Customs

Figure 30: Russia – quarterly FDI, \$bn



Source: Rosstat, Renaissance Capital estimates

Figure 31: Russia – net capital flight by private sector and external debt, \$bn



Source: CBR, Renaissance Capital estimates

# Annual economic indicators

**Figure 32: Russia – annual economic indicators**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012E	2013E
<b>Activity</b>														
Real GDP, % YoY	10.0	5.1	4.4	7.3	7.2	6.4	8.2	8.5	5.2	-7.9	4.0	4.0	2.3	4.5
Private consumption, % YoY	7.3	9.5	8.4	7.7	12.5	12.2	12.2	14.3	10.6	-4.9	3.0	3.8	2.3	4.5
Government consumption, % YoY	2.0	-0.8	4.1	2.4	2.1	1.4	2.3	2.7	3.4	0.2	1.4	3.0	3.0	3.0
Investment, % YoY	17.4	10.0	2.8	12.8	12.6	10.6	18.0	21.1	10.3	-15.7	6.0	3.8	2.2	6.4
Industrial production, % YoY	8.7	2.9	3.1	8.9	8.3	4.0	3.9	6.3	2.1	-9.3	8.2	3.9	3.5	4.8
Unemployment rate year-end, %	10.5	9.1	8.1	8.6	8.0	7.7	6.1	6.1	7.7	8.4	7.5	6.7	7.0	6.3
Nominal GDP, RUBbn	7,306	8,944	10,818	13,243	17,048	21,625	26,904	33,114	41,540	38,786	44,939	50,222	53,268	58,760
Nominal GDP, \$bn	260	306	345	432	592	764	990	1,295	1,669	1,222	1,480	1,708	1,713	1,880
Population, mn	147	146	145	145	144	143	143	142	142	142	143	143	142	142
GDP per capita, \$	1,770	2,098	2,372	2,986	4,116	5,356	6,948	9,114	11,751	8,611	10,355	11,946	12,062	13,237
Gross domestic saving, % of GDP	37.0	32.1	28.0	29.1	31.9	33.5	34.0	33.5	35.1	22.5	26.5	28.3	27.5	27.9
Stock of bank credit to corp/households, RUBbn	808	1,286	1,755	2,733	3,945	5,540	8,181	12,504	16,527	16,116	18,148	22,333	25,013	28,015
Stock of bank credit to corp/households, % of GDP	11.1	14.4	16.2	20.6	23.1	25.6	30.4	37.8	39.8	41.5	40.4	44.5	47.0	47.7
Deposits, RUBbn	1,124	1,525	2,165	3,027	4,051	5,754	8,340	11,890	14,373	16,809	20,699	24,185	28,538	31,392
Loan-to-deposit ratio	71.9	84.3	81.1	90.3	97.4	96.3	98.1	105.2	115.0	95.9	87.7	92.3	87.6	89.2
<b>Prices</b>														
CPI (average), % YoY	21.0	21.6	15.8	13.7	10.9	12.7	9.7	9.0	14.1	11.7	6.9	8.5	6.5	5.9
CPI (year-end), % YoY	20.2	18.6	15.1	12.0	11.7	10.9	9.0	11.9	13.3	8.8	8.8	6.1	6.2	5.7
PPI (average), % YoY	na	18.6	10.3	16.6	22.0	18.6	12.2	12.0	22.1	-14.3	14.9	18.0	10.0	8.0
Nominal wages (monthly), RUB	2,223	3,240	4,360	5,499	6,740	8,555	10,634	13,593	17,290	18,638	21,134	23,733	25,822	28,507
Wage rates (nominal), % YoY	46.0	45.7	34.6	26.1	22.6	26.9	24.3	27.8	27.2	7.8	13.4	12.3	8.8	10.4
<b>Fiscal balance</b>														
Consolidated government balance, % of GDP	2.4	3.0	1.4	1.7	4.3	7.5	7.4	5.4	4.1	-5.9	-4.0	0.0	-1.5	-1.6
Total public debt, % of GDP	57.2	42.2	36.5	29.8	22.5	14.8	8.9	7.1	5.2	9.4	12.7	11.2	14.1	16.1
<b>External balance</b>														
Exports, \$bn	105	102	107	136	183	244	304	354	469	303	400	521	554	570
Imports, \$bn	44.9	53.8	61.0	76.1	97.4	125	164	223	293	192	248	323	395	454
Trade balance, \$bn	60.2	48.1	46.3	59.9	85.8	118.4	139.3	131.0	176.5	111.6	152.1	198.1	159.1	116.3
Trade balance, % of GDP	23.2	15.7	13.4	13.9	14.5	15.5	14.1	10.1	10.6	9.1	10.3	11.6	9.3	6.2
Current account balance, \$bn	46.8	33.9	29.1	35.4	59.5	84.6	94.7	77.8	103.7	49.4	71.1	87.9	72.1	24.3
Current account balance, % of GDP	18.0	11.1	8.4	8.2	10.1	11.1	9.6	6.0	6.2	4.0	4.8	5.1	4.2	1.3
Gross FDI, \$bn	4.4	4.0	4.0	6.8	9.4	13.1	13.7	27.8	27.0	15.9	13.8	15.0	10.0	10.0
Gross FDI, % of GDP	1.7	1.3	1.2	1.6	1.6	1.7	1.4	2.1	1.6	1.3	0.9	0.9	0.6	0.5
Current account balance plus FDI, % of GDP	19.8	12.4	9.6	9.8	11.6	12.8	10.9	8.2	7.8	5.3	5.7	6.0	4.8	1.8
Exports (value), % YoY	39.0	-3.0	5.3	26.7	34.8	33.1	24.5	16.8	32.3	-35.3	31.9	30.3	6.7	2.9
Imports (value), % YoY	13.5	19.8	13.4	24.8	28.0	28.8	31.0	36.0	30.9	-34.4	29.3	30.4	16.1	14.9
Foreign exchange reserves (ex. gold), \$bn	28.0	36.6	47.8	76.9	125	182	304	479	427	439	479	497	569	604
Import cover (months of merchandise imports)	7.5	8.2	9.4	12.1	15.3	17.4	22.2	25.7	17.5	27.5	23.2	18.5	17.3	16.0
<b>Debt indicators</b>														
Gross external debt year-end, \$bn	160	146	152	186	213	257	313	464	481	467	483	539	550	571
Gross external debt, % of GDP	62	48	44	43	36	34	32	36	29	38	33	32	34	30
Gross external debt, % of exports	152	144	142	137	117	105	103	131	102	154	121	103	111	100
Total debt service, \$bn	22.1	23.7	29.4	28.4	44.3	58.7	85.2	107	148	87.0	100	99	106	110
Total debt service, % of GDP	9	8	9	7	7	8	9	8	9	7	7	6	6	6
Total debt service, % of exports	21	23	27	21	24	24	28	30	32	29	25	19	20	19
<b>Interest and exchange rates</b>														
Broad money supply, % YoY	61.5	39.7	32.4	50.5	35.8	38.6	48.8	47.5	1.7	16.3	21.0	16.7	12.0	15.0
Refinancing rate year-end, %	25.0	25.0	21.0	16.0	13.0	12.0	11.0	10.0	13.0	8.8	7.8	8.25	7.75	7.50
Repo rate year-end, %	-	-	-	-	-	-	-	-	9.5	6.0	5.0	5.25	4.75	4.75
Deposit rate year-end, %	-	-	-	-	-	-	-	-	7.25	4.0	3.0	3.75	3.50	3.50
3-month interest rate (MosPrime avg.), %	15.7	15.2	14.0	7.8	7.2	4.9	5.1	5.9	9.8	13.7	4.3	4.5	5.5	5.0
3-month rates minus \$-LIBOR	9.2	11.4	12.2	6.6	5.6	1.3	-0.1	0.6	6.8	13.0	4.0	4.2	5.2	4.3
3-year yield (avg.), %	na	na	na	na	na	na	na	6.1	7.5	10.7	6.8	7.3	7.8	8.0
Exchange rate (RUB/\$) year-end	28.2	30.5	31.8	29.5	27.7	28.8	26.3	24.5	29.4	30.2	30.5	31.1	30.7	31.6
Exchange rate (RUB/\$) annual average	28.2	29.2	31.4	30.7	28.8	28.3	27.2	25.6	24.9	31.7	30.4	29.4	31.1	31.3
Exchange rate (RUB/EUR) year-end	26.8	27.1	33.5	36.8	37.6	34.1	34.7	35.9	42.7	43.3	40.8	41.7	43.0	43.6
Exchange rate (RUB/EUR) annual average	26.0	26.2	29.7	34.7	35.8	35.2	34.1	35.0	36.5	44.1	40.3	40.9	43.3	43.3

Source: Rosstat, MiniFin, CBR, IMF, Bloomberg, Renaissance Capital estimates

# Monthly economic indicators

Figure 33: Russia – monthly economic indicators

	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sept-11	Oct-11	Nov-11
<b>Real indicators</b>												
Nominal GDP, RUBbn	12,971.0	-	-	11,410	-	-	12,642	-	-	14,114	-	-
Nominal GDP, \$bn	421.8	-	-	387.9	-	-	451.0	-	-	488	-	-
Real GDP, % YoY	4.5	-	-	4.1	-	-	3.5	-	-	4.8	-	-
Industrial production, % YoY	6.3	6.7	5.8	5.3	4.5	4.1	5.7	5.2	6.2	3.9	3.6	3.9
Fixed investment, % YoY	10.1	-4.7	-0.4	-0.3	2.2	7.4	4.7	7.9	6.5	8.5	8.6	7.7
Retail trade, % YoY	6.9	3.9	6.0	5.1	5.8	5.8	5.9	5.7	7.8	9.2	8.8	8.6
Retail services, % YoY	1.2	3.9	2.6	2.5	4.1	4.0	3.4	1.1	4.7	4.1	2.1	-
<b>Prices</b>												
CPI, % MoM	1.1	2.4	0.8	0.6	0.4	0.5	0.2	0.0	-0.2	0.0	0.5	0.4
CPI, % YoY	8.8	9.6	9.5	9.5	9.6	9.6	9.4	9.0	8.2	7.2	7.2	6.8
Core CPI, % MoM	0.7	1.1	0.7	0.7	0.5	0.4	0.3	0.4	0.4	0.5	0.5	0.5
PPI, % MoM	1.0	2.1	3.3	1.3	2.0	1.2	-2.2	-1.0	4.6	-0.7	1.7	1.6
PPI, % YoY	16.7	19.4	21.4	20.9	20.2	19.2	18.6	16.1	18.5	18.0	17.5	15.7
<b>Monetary indicators</b>												
M2 supply, % YoY (EoP)	28.5	25.9	25.5	23.7	22.0	20.1	20.7	20.3	19.3	20.0	18.1	18.5
Money velocity	2.2	-	-	2.4	-	-	2.4	-	-	2.4	-	-
Exchange rate (RUB/EUR; EoP)	40.8	40.8	39.8	40.3	40.6	40.2	40.5	39.72	41.52	43.28	42.10	41.28
Exchange rate (RUB/\$; EoP)	30.5	29.8	28.9	28.4	27.4	28.0	27.87	27.61	28.83	32.18	30.24	30.70
Exchange rate (RUB/\$; pa)	30.9	30.2	29.4	28.6	28.1	27.9	28.04	27.95	28.54	30.26	31.44	30.77
Gross foreign reserves, \$bn (EoP)	479.4	484.2	493.8	502.5	524.0	521.1	524.5	533.9	545.0	516.8	525.6	510.9
<b>Federal budget</b>												
Revenue, RUBbn	872.2	804.9	700.8	887.2	946.9	860.3	1,106.3	927.5	986.4	992.8	1,027.7	924.3
Expenditure, RUBbn	1,792.3	657.4	769.8	787.6	961.9	638.2	788.1	874.7	954.0	650.6	735.9	1,003.9
Budget balance, RUBbn	-920.1	147.5	-69.0	99.6	-15.0	222.2	318.2	52.8	32.4	342.2	291.9	-79.6
<b>Balance of payments</b>												
Exports, \$bn	42.7	30.3	39.3	43.7	45.9	43.7	44.2	42.1	44.6	44.1	45.9	47.7
Imports, \$bn	27.1	16.3	21.8	26.9	27.1	28.1	27.7	27.4	30.1	27.4	29.4	30.3
Exports, % YoY	24.1	9.6	28.6	28.4	36.9	37.2	37.8	33.9	40.2	28.2	32.3	34.4
Imports, % YoY	25.2	43.6	40.6	43.1	41.4	45.3	41.3	30.3	26.3	16.2	19.1	22.7
Trade balance, \$bn	15.4	14.0	17.4	16.7	18.8	15.5	16.5	14.7	14.5	16.7	16.6	17.4
Current account, \$bn	14.1	-	-	32.5	-	-	23.8	-	-	18.4	-	-
Capital account, \$bn	-18.1	-	-	-16.7	-	-	-9.7	-	-	-20.2	-	-
FDI, \$bn	5.6	-	-	3.9	-	-	3.2	-	-	4.7	-	-
<b>Social indicators</b>												
Population, mn (EoP)	141.8	142.9	142.9	142.9	142.9	142.8	142.8	142.8	142.8	142.8	142.9	142.9
Nominal avg. monthly wage, \$	906.5	683.5	702.6	793.5	800.4	807.0	877.3	854.9	810.3	780.7	742.7	790.1
Real wages, % YoY	6.3	1.3	0.7	2.4	2.4	2.6	4.2	3.8	3.9	6.2	5.0	7.1
Real disposable income, % YoY	2.1	2.7	0.3	-1.8	-2.0	-5.0	0.7	0.6	1.4	1.8	0.4	0.2
Unemployment, %	7.2	7.7	7.6	7.1	7.2	6.4	6.1	6.5	6.1	6.0	6.4	6.3
Urals NWE price, \$/bl (EoP)	92.2	97.2	109.2	113.1	122.0	114.5	109.9	115.8	114.8	100.9	108.3	110.9

Source: Rosstat, MinFin, CBR

# Disclosures appendix

## Analysts certification

This research report has been prepared by the research analyst(s), whose name(s) appear(s) on the front page of this document, to provide background information about the issuer or issuers (collectively, the "Issuer") and the securities and markets that are the subject matter of this report. Each research analyst hereby certifies that with respect to the Issuer and such securities and markets, this document has been produced independently of the Issuer and all the views expressed in this document accurately reflect his or her personal views about the Issuer and any and all of such securities and markets. Each research analyst and/or persons connected with any research analyst may have interacted with sales and trading personnel, or similar, for the purpose of gathering, synthesizing and interpreting market information. If the date of this report is not current, the views and contents may not reflect the research analysts' current thinking.

Each research analyst also certifies that no part of his or her compensation was, or will be, directly or indirectly related to the specific ratings, forecasts, estimates, opinions or views in this research report. Research analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Renaissance Securities (Cyprus) Limited and any of its affiliates ("Renaissance Capital"). Like all of Renaissance Capital's employees, research analysts receive compensation that is impacted by overall Renaissance Capital profitability, which includes revenues from other business units within Renaissance Capital.

## Important issuer disclosures

Important issuer disclosures outline currently known conflicts of interest that may unknowingly bias or affect the objectivity of the analyst(s) with respect to an issuer that is the subject matter of this report. Disclosure(s) apply to Renaissance Securities (Cyprus) Limited or any of its direct or indirect subsidiaries or affiliates (which are individually or collectively referred to as "Renaissance Capital") with respect to any issuer or the issuer's securities.

**A complete set of disclosure statements associated with the issuers discussed in the Report is available using the 'Stock Finder' or 'Bond Finder' for individual issuers on the Renaissance Capital Research Portal at: <http://research.rencap.com/eng/default.asp>**

At the time of publication, Renaissance Capital was not aware of any actual, material conflict of interest with any issuers and this report.

This Communication is for information purposes only. The Communication does not form a fiduciary relationship or constitute advice and is not and should not be construed as a recommendation or an offer or a solicitation of an offer of securities or related financial instruments, or an invitation or inducement to engage in investment activity, and cannot be relied upon as a representation that any particular transaction necessarily could have been or can be effected at the stated price. The Communication is not an advertisement of securities nor independent investment research, and has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Opinions expressed therein may differ or be contrary to opinions expressed by other business areas or groups of the Renaissance Group as a result of using different assumptions and criteria. All such information is subject to change without notice, and neither Renaissance Capital nor any of its subsidiaries or affiliates is under any obligation to update or keep current the information contained in the Communication or in any other medium.

Descriptions of any company or issuer or their securities or the markets or developments mentioned in the Communication are not intended to be complete. The Communication should not be regarded by recipients as a substitute for the exercise of their own judgment as the Communication has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. The material (whether or not it states any opinions) is for general information purposes only and does not take into account your personal circumstances or objectives and nothing in this material is or should be considered to be financial, investment or other advice on which reliance should be placed. Any reliance you place on such information is therefore strictly at your own risk. The application of taxation laws depends on an investor's individual circumstances and, accordingly, each investor should seek independent professional advice on taxation implications before making any investment decision. The Communication has been compiled or arrived at based on information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified, is provided on an 'as is' basis and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness, reliability, merchantability or fitness for a particular purpose of such information, except with respect to information concerning Renaissance Capital, its subsidiaries and affiliates. All statements of opinion and all projections, forecasts, or statements relating to expectations regarding future events or the possible future performance of investments represent Renaissance Capital's own assessment and interpretation of information available to them currently. Any information relating to past performance of an investment does not necessarily guarantee future performance.

The Communication is not intended for distribution to the public and may be confidential. It may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Renaissance Capital, and neither Renaissance Capital nor any of its affiliates accepts any liability whatsoever for the actions of third parties in this respect. The information may not be used to create any financial instruments or products or any indices. Neither Renaissance Capital and its affiliates, nor their directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the Communication.

© 2012 Renaissance Securities (Cyprus) Limited. All rights reserved. Regulated by the Cyprus Securities and Exchange Commission (Licence No: KEPEY 053/04).

## Renaissance Capital research team

<b>Head of Equity Research</b>	David Nangle	+7 (495) 258-7748	DNangle@rencap.com
<b>Deputy Head of Equity Research</b>	Milena Ivanova-Venturini	+7 (495) 258-7916	MivanovaVenturini@rencap.com
<b>Research COO</b>	Ben Carey	+44 (207) 367-8224	BCarey@rencap.com
<b>Head of South African Research</b>	Gerhard Engelbrecht	+27 (11) 750-1454	GEngelbrecht@rencap.com
<b>Head of Turkish Equity Research</b>	Yavuz Uzay	+44 (207) 367-7982	YUzay@rencap.com
<b>Head of Sub-Saharan African Research</b>	Nothando Ndebele	+27 (11) 750-1472	NNdebele@rencap.com

Name	Telephone number	Coverage
<b>Equity Strategy</b>		
Charles Robertson	+44 (207) 367-8235	Global
Herman van Papendorp	+27 (11) 750-1465	South Africa
Renda Rundle	+44 (207) 367-8240	EMEA

Name	Telephone number	Coverage
<b>Macro and Fixed income research</b>		
Charles Robertson	+44 (207) 367-8235	Global
Ivan Tchakarov	+7 (495) 258-7770 x7400	Russia/CIS
Mert Yildiz	+44 (207) 367-7735	CE3/Turkey
Anastasiya Golovach	+38 (044) 492-7382	Ukraine/Belarus
Vladlen Andryushchenko	+7 (495) 258-7770 x4908	Russia/CIS
Mikhail Nikitin	+7 (495) 258-7789	Russia/CIS
Rita Tsovyan	+7 (495) 258-7770 x4516	Russia/CIS
James Lewis	+7 (495) 258-7770 x4427	Russia/CIS
Natalia Suseeva	+7 (495) 258-7770 x4082	Russia/CIS
Elna Moolman	+27 (11) 750-1462	South Africa
Busi Radebe	+27 (11) 750-1473	South Africa
Mamokete Lijane	+27 (11) 750-1471	South Africa
Yvonne Mhango	+27 (11) 750-1488	Sub-Saharan Africa

Name	Telephone number	Coverage
<b>Banking</b>		
David Nangle	+7 (495) 258-7748	EMEA
Milena Ivanova-Venturini	+7 (495) 258-7916	Central Asia
Yavuz Uzay	+44 (207) 367-7982	Turkey
Svetlana Kovalskaya	+7 (495) 258-7752	Russia
Armen Gasparyan	+44 (207) 367-7795	CEE
Kirill Rogachev	+7 (495) 258-7770 x4015	Russia
Ilan Stermer	+27 (11) 750-1482	South Africa
Naeem Badat	+27 (11) 750-1431	South Africa
Nothando Ndebele	+27 (11) 750-1472	Sub-Saharan Africa
Adesoji Solanke	+234 (1) 448-5300 x5384	Sub-Saharan Africa

Name	Telephone number	Coverage
<b>Utilities</b>		
Derek Weaving	+44 (207) 367-7793	Russia/CIS
Vladimir Sklyar	+7 (495) 258-7770 x4624	Russia/CIS

Name	Telephone number	Coverage
<b>Consumer/Retail/Agriculture</b>		
Natasha Zagvozdina	+7 (495) 258-7753	Eastern Europe, Russia/CIS
Ulyana Lenvalskaya	+7 (495) 258-7770 x7265	Eastern Europe, Russia/CIS
Konstantin Fastovets	+38 (044) 492-7385 x7125	Ukraine
Robyn Collins	+27 (11) 750-1480	South Africa
Roman Ivashko	+7 (495) 258-7770 x4994	Russia/CIS
Jeanine Womersley	+27 (11) 750-1458	South Africa
Lauren Beale	+27 (11) 750-1424	South Africa

Name	Telephone number	Coverage
<b>Telecoms/Transportation</b>		
Alexander Kazbegi	+7 (495) 258-7902	Global
Ivan Kim	+7 (495) 258-7770 x5620	Russia/CIS, Africa
Alexandra Serova	+7 (495) 258-7770 x4073	Russia/CIS
Johan Snyman	+27 (11) 750-1432	South Africa

Name	Telephone number	Coverage
<b>Oil and gas</b>		
Daniel Barcelo	+7 (495) 258-7770 x4824	Global
Ilya Balabanovsky	+44 (207) 367-7905	Russia/CIS
Ildar Davletshin	+7 (495) 258-7770 x4971	Russia/CIS
Dragan Trajkov	+44 (207) 367-7941	Africa, MENA
Gerhard Engelbrecht	+27 (11) 750-1454	South Africa
Farid Abasov	+44 (207) 367-7983	Central Asia

Name	Telephone number	Coverage
<b>Metals and mining</b>		
Rob Edwards	+44 (207) 367-7781	Global
Boris Krasnojenov	+7 (495) 258-7770 x4219	Russia/CIS
Andrew Jones	+44 (207) 367-7734	Russia/CIS
Ekaterina Gazadze	+44 (207) 367-8274	Central Asia
Jim Taylor	+44 (207) 367-7736	South Africa
Vasilij Kuligin	+7 (495) 258-7770 x4065	Russia/CIS
Christina Claassens	+27 (11) 750-1460	South Africa
Emma Townshend	+27 (21) 794-8345	South Africa
Leavitt Pope	+852 3972-3832	Asia-Pacific
Matthew Whittall	+852 3972-3835	Asia-Pacific

Name	Telephone number	Coverage
<b>Media/Technology/Real estate</b>		
David Ferguson	+7 (495) 641-4189	Russia/CIS, Africa
Anastasia Demidova	+7 (495) 258-7770 x4040	Russia/CIS, Africa
Johan Snyman	+27 (11) 750-1432	South Africa
Adriana Benedetti	+27 (11) 750-1452	South Africa

Name	Telephone number	Coverage
<b>Fertilisers</b>		
Anna Kupriyanova	+7 (495) 258-7770 x4781	Russia/CIS

Name	Telephone number	Coverage
<b>Chemicals/Engineering/Building materials</b>		
Mikhail Safin	+7 (495) 258-7770 x7550	Russia/CIS

Name	Telephone number	Coverage
<b>Luxury goods and tobacco/Beverages</b>		
Rey Wium	+27 (11) 750-1478	Global/South Africa
Ryno Truter	+27 (11) 750-1497	South Africa

Name	Telephone number	Coverage
<b>Quantitative analysis</b>		
Renda Rundle	+44 (207) 367-8240	EMEA

Name	Telephone number	Coverage
<b>Paper</b>		
Adriana Benedetti	+27 (11) 750-1452	South Africa

Name	Telephone number	Coverage
<b>Medium cap/Transport/Construction/Building materials</b>		
John Arron	+27 (11) 750-1466	Africa

Name	Telephone number	Coverage
<b>Regional research</b>		
Yavuz Uzay	+44 (207) 367-7982	Turkey
Mbithe Muema	+254 (20) 368-2316	East Africa
Anthea Alexander	+263 (772) 421-845	Southern Africa
Ruvimbo Kuzviwanza	+263 (7) 88-317 x8795	Southern Africa

Renaissance Capital research is available via the following platforms:

**Renaissance research portal:** [research.rencap.com](http://research.rencap.com)

**Bloomberg:** RENA <GO>

**Capital IQ:** [www.capitaliq.com](http://www.capitaliq.com)

**Thomson Reuters:** [thomsonreuters.com/financial](http://thomsonreuters.com/financial)

**Factset:** [www.factset.com](http://www.factset.com)

<b>Renaissance Capital (Hong Kong) Ltd.</b> Hong Kong T +852 3972 3800	<b>Renaissance Capital</b> Moscow T + 7 (495) 258 7777	<b>Renaissance Capital Ltd.</b> London T + 44 (20) 7367 7777	<b>Renaissance Securities (Cyprus) Ltd.</b> Nicosia T + 357 (22) 505 800
<b>Renaissance Securities (Nigeria) Ltd.</b> Lagos T +234 (1) 448 5300	<b>Renaissance Capital</b> Nairobi T +254 (20) 368 2000	<b>Renaissance Capital Ukraine</b> Kyiv T +38 (044) 492-7383	<b>Renaissance Capital</b> Almaty T + 7 (727) 244 1544
<b>NewWorld Renaissance Securities Ltd</b> <b>Renaissance Partners</b> Accra T +233 (302) 660163	<b>Renaissance Capital</b> Johannesburg T +27 (11) 750 1400	<b>Renaissance Capital</b> Harare T +263 (4) 788336	<b>Pangaea Renaissance Securities Ltd.</b> Lusaka T +260 (21) 123 8709

© 2012 Renaissance Securities (Cyprus) Limited, an indirect subsidiary of Renaissance Capital Holdings Limited ("Renaissance Capital"), which together with other subsidiaries operates outside of the USA under the brand name of Renaissance Capital, for contact details see Bloomberg page RENA, or contact the relevant office. All rights reserved. This document and/or information has been prepared by and, except as otherwise specified herein, is communicated by Renaissance Securities (Cyprus) Limited, regulated by the Cyprus Securities and Exchange Commission (License No: KEPEY 053/04). The RenCap-NES Leading GDP Indicator is a model that seeks to forecast GDP growth and was developed by and is the exclusive property of Renaissance Capital and the New Economic School (e-mail: nes@nes.ru).

This document is for information purposes only. The information presented herein does not comprise a prospectus of securities for the purposes of EU Directive 2003/71/EC or Federal Law No. 39-FZ of 22 April 1994 (as amended) of the Russian Federation "On the Securities Market". Any decision to purchase securities in any proposed offering should be made solely on the basis of the information to be contained in the final prospectus published in relation to such offering. This document does not form a fiduciary relationship or constitute advice and is not and should not be construed as an offer, or a solicitation of an offer, or an invitation or inducement to engage in investment activity, and cannot be relied upon as a representation that any particular transaction necessarily could have been or can be effected at the stated price. This document is not an advertisement of securities. Opinions expressed herein may differ or be contrary to opinions expressed by other business areas or groups of Renaissance Capital as a result of using different assumptions and criteria. All such information and opinions are subject to change without notice, and neither Renaissance Capital nor any of its subsidiaries or affiliates is under any obligation to update or keep current the information contained herein or in any other medium.

Descriptions of any company or companies or their securities or the markets or developments mentioned herein are not intended to be complete. This document and/or information should not be regarded by recipients as a substitute for the exercise of their own judgment as the information has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. The application of taxation laws depends on an investor's individual circumstances and, accordingly, each investor should seek independent professional advice on taxation implications before making any investment decision. The information and opinions herein have been compiled or arrived at based on information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified, is provided on an "as is" basis and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness, reliability, merchantability or fitness for a particular purpose of such information and opinions, except with respect to information concerning Renaissance Capital, its subsidiaries and affiliates. All statements of opinion and all projections, forecasts, or statements relating to expectations regarding future events or the possible future performance of investments represent Renaissance Capital's own assessment and interpretation of information available to them currently.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. The value of investments may fall as well as rise and the investor may not get back the amount initially invested. Some investments may not be readily realisable since the market in the securities is illiquid or there is no secondary market for the investor's interest and therefore valuing the investment and identifying the risk to which the investor is exposed may be difficult to quantify. Investments in illiquid securities involve a high degree of risk and are suitable only for sophisticated investors who can tolerate such risk and do not require an investment easily and quickly converted into cash. Foreign-currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or the price of, or income derived from, the investment. Other risk factors affecting the price, value or income of an investment include but are not necessarily limited to political risks, economic risks, credit risks, and market risks. Investing in emerging markets such as Russia, other CIS, African or Asian countries and emerging markets securities involves a high degree of risk and investors should perform their own due diligence before investing.

Excluding significant beneficial ownership of securities where Renaissance Capital has expressed a commitment to provide continuous coverage in relation to an issuer or an issuer's securities, Renaissance Capital and its affiliates, their directors, representatives, employees (excluding the US broker-dealer unless specifically disclosed), or clients may have or have had interests in the securities of issuers described in the Investment Research or long or short positions in any of the securities mentioned in the Investment Research or other related financial instruments at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case as principals or as agents. Where Renaissance Capital has not expressed a commitment to provide continuous coverage in relation to an issuer or an issuer's securities, Renaissance Capital and its affiliates (excluding the US broker-dealer unless specifically disclosed) may act or have acted as market maker in the securities or other financial instruments described in the Investment Research, or in securities underlying or related to such securities. Employees of Renaissance Capital or its affiliates may serve or have served as officers or directors of the relevant companies, Renaissance Capital and its affiliates may have or have had a relationship with or provide or have provided investment banking, capital markets, advisory, investment management, and/or other financial services to the relevant companies, and have established and maintain information barriers, such as 'Chinese Walls', to control the flow of information contained in one or more areas within the Renaissance Group of companies to which Renaissance Capital belongs, into other areas, units, groups or affiliates of the Renaissance Group.

The information herein is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Renaissance Capital, and neither Renaissance Capital nor any of its affiliates accepts any liability whatsoever for the actions of third parties in this respect. This information may not be used to create any financial instruments or products or any indices. Neither Renaissance Capital and its affiliates, nor their directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

**Bermuda:** Neither the Bermuda Monetary Authority nor the Registrar of Companies of Bermuda has approved the contents of this document and any statement to the contrary, express or otherwise, would constitute a material misstatement and an offence.

**EEA States:** Distributed by Renaissance Securities (Cyprus) Limited, regulated by Cyprus Securities and Exchange Commission, or Renaissance Capital Limited, member of the London Stock Exchange and regulated in the UK by the Financial Services Authority ("FSA") in relation to designated investment business (as detailed in the FSA rules). **Cyprus:** Except as otherwise specified herein the information herein is not intended for, and should not be relied upon by, retail clients of Renaissance Securities (Cyprus) Limited. The Cyprus Securities and Exchange Commission Investor Compensation Fund is available where Renaissance Securities (Cyprus) Limited is unable to meet its liabilities to its retail clients, as specified in the Customer Documents Pack. **United Kingdom:** Approved and distributed by Renaissance Capital Limited only to persons who are eligible counterparties or professional clients (as detailed in the FSA Rules). The information herein does not apply to, and should not be relied upon by, retail clients; neither the FSA's protection rules nor compensation scheme may be applied.

**Ghana:** Distributed through NewWorld Renaissance Securities Ltd, a licenced broker dealer in Accra and an affiliate of Renaissance Capital.

**Hong Kong:** Distributed to professional investors (as defined in the Securities and Futures Ordinance and its subsidiary legislation) by Renaissance Capital (Hong Kong) Limited, regulated by the Hong Kong Securities and Futures Commission.

**Kazakhstan:** Distributed by Renaissance Capital Investments Kazakhstan JSC, regulated by the Agency for the Regulation and Supervision of the Financial Market and Financial Organizations.

**Kenya:** Distributed by Renaissance Capital (Kenya) Limited, regulated by the Capital Markets Authority.

**Nigeria:** Distributed by RenCap Securities (Nigeria) Limited, member of The Nigerian Stock Exchange, or Renaissance Securities (Nigeria) Limited, entities regulated by the Securities and Exchange Commission.

**Russia:** Distributed by CJSC Renaissance Capital, LLC Renaissance Broker, or Renaissance Online Limited, entities regulated by the Federal Financial Markets Service.

**South Africa:** Distributed by Renaissance BJM Securities (Proprietary) Limited, regulated by the Johannesburg Stock Exchange.

**Ukraine:** Distributed by Renaissance Capital LLC, authorized to perform professional activities on the Ukrainian stock market.

**United States:** Distributed in the United States by RenCap Securities, Inc., member of FINRA and SIPC, or by a non-US subsidiary or affiliate of Renaissance Capital Holdings Limited that is not registered as a US broker-dealer (a "non-US affiliate"), to major US institutional investors only. RenCap Securities, Inc. accepts responsibility for the content of a research report prepared by another non-US affiliate when distributed to US persons by RenCap Securities, Inc. Although it has accepted responsibility for the content of this research report when distributed to US investors, RenCap Securities, Inc. did not contribute to the preparation of this report and the analysts authoring this are not employed by, and are not associated persons of, RenCap Securities, Inc. Among other things, this means that the entity issuing this report and the analysts authoring this report are not subject to all the disclosures and other US regulatory requirements to which RenCap Securities, Inc. and its employees and associated persons are subject. Any US person receiving this report who wishes to effect transactions in any securities referred to herein should contact RenCap Securities, Inc., not its non-US affiliate. RenCap Securities, Inc. is a subsidiary of Renaissance Capital Holdings Limited and forms a part of a group of companies operating outside of the United States as "Renaissance Capital". Contact: RenCap Securities, Inc., 780 Third Avenue, 20th Floor, New York, New York 10017, Telephone: +1 (212) 824-1099.

**Zambia:** Distributed through Pangaea Renaissance Securities Ltd, a licenced broker dealer in Lusaka and an affiliate of Renaissance Capital.

**Zimbabwe:** Distributed by the representative office in Harare of Renaissance Africa (Mauritius) Limited, part of the Renaissance Group.

**Other distribution:** The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

**Additional information (including information about the RenCap-NES Leading GDP Indicator) and supporting documentation is available upon request.**