

Гайдаровский форум
2016
«Россия и мир:
взгляд в будущее»



Gaidar Forum
2016
«Russia and the World:
Looking to the Future»

Monitoring Service in respect of media publications
regarding the Gaidar Forum 2016 «Russia and the
World: Looking to the Future»

Gaidar Forum 2016 Foreign languages Press
clippings Prepared by RANEPА Public Relations
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410 messages, 355 pages Based on DOW JONES
FACTIVA Press Clipping Database

Moscow, 2016

1. COMPANIES & MARKETS; Rosneft, Bashneft might be privatized - Ulyukayev
2. Rosneft, Bashneft might be privatized, Sberbank not on list - Ulyukayev
3. The CEO of the largest Russian bank said the age of oil was over. He is sort of right.
4. COMPANIES & MARKETS; Positive developments observed in respect of EU sanctions, Russian countersanctions - Italy's agriculture minister
5. Gaidar Institute for Economic Policy: Russia's budget must be adapted to current economic situation
6. CPRF: CALLING FOR PRESIDENTIAL ADVISOR
7. Summary of Russian press for Monday 8 February 2016
8. Jewgenij Gontmacher; Russlands Wirtschaft im freien Fall?
9. Gaidar Institute for Economic Policy on structural reforms
10. Iran's Ambassador to Russia Mehdi Sanaei says Tehran is interested in creating a free trade zone with the Eurasian Economic Union (EEU).
11. INSURANCE MARKET: NEWS AND COMMENTARY; Siluanov not ruling out Sberbank , VTB privatizations but proposes starting with Rosneft
12. Living standards in Russia are decreasing and will continue to decrease. Over a third of the Russian population may join the poor this year
13. Economists do not rule out downgrade of Russia's rating
14. In his address to the Asian Financial Forum on January 18, Deputy Prime Minister Arkady Dvorkovich assured investors that, despite the cr...
15. NAVAL OPTIMISM IS NOT CONFIRMED BY ANYTHING
16. "Venäjän täytyy leikata menoja rankasti"
17. FINANCIAL & BUSINESS SERVICES; Sberbank privatization cannot take place before end of 2016 - Gref
18. POLITICS. ECONOMY; Siluanov not ruling out Sberbank , VTB privatizations but proposes starting with Rosneft
19. RUSSIAN BANKS; Sberbank privatization in 2016 unrealistic - Gref
20. Russian Official: Easing of Anti-Russia Sanctions to Begin in 2016-2017
21. Wirtschaftslage in Russland: Systemkrise sorgt für Talfahrt
22. Weekly inflation runs 0.2%
23. INSURANCE MARKET: NEWS AND COMMENTARY; Kudrin suggests merging Reserve Fund, NWF
24. INSURANCE MARKET: NEWS AND COMMENTARY; Current situation not even close to 1998; economy difficult, but manageable - Medvedev
25. Lukoil maintains forecast for average annual oil price at \$50/barrel - company's president
26. Sberbank privatization cannot take place before end of 2016 - Gref
27. TOPIC IN FOCUS: RBC sizes up consequences of ruble's new reality
28. ECONOMIC POLICY; RUSSIA SEES NO REASON TO RENEW CONTRACT TO SUPPLY ELECTRICITY TO UKRAINE – MINISTER
29. ECONOMIC POLICY; RUSSIA TO FILE COURT CLAIM FOR \$3 BLN DEBT AGAINST UKRAINE BY END-JAN
30. ECONOMIC POLICY; ALL RUSSIAN DECISIONS ON UKRAINE COMPLY WITH WTO STANDARDS – RUSSIA DEPUTY ECONOMY MINISTER
31. Project of Innokam innovative production center presented at panel discussion of Gaidar forum-2016
32. When addressing the Gaidar forum hosted by RANEP, Herman Gref , the Head of Sberbank , said that Russia is one of the downshifting countries. Gref called

- upon to change all national systems, including education
33. AGRICULTURE; UGC will most likely be state agent for interventions of dairy market
 34. BANKING REGULATION; Privatization of state banks should be synchronized - dep. minister
 35. Herman Gref speaks at Gaidar Forum
 36. Vnesheconombank Participates in Gaidar Forum
 37. Kama agglomeration - point of growth of Russian economy
 38. Tatarstan Investment Development Agency head takes part in panel discussion 'Russia and Europe: Economic Prospects' within the Gaidar Forum-2016
 39. Russia preparing for large-scale privatization
 40. Association of Innovative Regions of Russia holds meeting
 41. CBR: Sberbank privatization should not affect confidence of deposit holders
 42. Weniger Geld für Rentner und Generäle
 43. The first data announced by the Ministry of Finance and the Audit Chamber shows that the budget performance in 2015 was actually better than...
 44. ELECTRONICS; Sberbank buys stake in Russian-U.S. co. to rebuild its tech platform - Gref
 45. CIS, BALTIC and international NEWS; Gazprom produces 418.47 bcm of gas in 2015 - sources
 46. Russia hot wires privatisation drive as coffers empty
 47. Russia Bargains and Bluffs for Breakthrough in Ukraine
 48. VTB Capital Took Part in Gaidar Forum 2015: 'Russia and the World: looking to the future'
 49. Russian TV weekly highlights: "deadly" oil prices, Obama "swan song", Iran deal
 50. 18Jan/Ksenia Yudaeva: National debt - vice or virtue?
 51. THE RUSSIAN ECONOMY IS PROMISED A TIME OF TRIALS
 52. Econ Ministry to propose legislative changes for Sberbank privatization - Ulyukayev
 53. Siluanov not ruling out Sberbank , VTB privatizations but proposes starting with Rosneft
 54. Energy
 55. 'Downshifter' Russia is losing global competition, warns state bank chief
 56. Summary of Russian press for Monday 18 January 2016
 57. Programme summary of Russian Rossiya 1 TV "Vesti Nedeli" 1700 gmt 17 Jan 16
 58. STOLYPIN: Russia needs its brains
 59. Modernizing Russia in a challenging global environment
 60. 'Age of Crude Oil Over' as China Develops Alternative Energy Sources
 61. Iran interested in FTZ with EEU
 62. Russia and the World: Challenges of Integration - G20's Answers to the Global Challenges
 63. Official Visit to Russia (Moscow, 17th - 18th January 2013)
 64. Foreign Military Review; Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow
 65. Defence Industry; Russia preparing to sell 25% stake in Russian Helicopters - Manturov
 66. FINANCIAL & BUSINESS SERVICES; Govt not discussing Sberbank privatization in detail at present - Gref

67. FINANCIAL & BUSINESS SERVICES; CBR sees no need yet to revise risk scenario, although this becoming more likely
68. Corridors of Power; Russia not in talks with EU on lifting sanctions, conditions of their lifting - Russian Foreign Ministry
69. COMPANIES & MARKETS; Gazprom produces 418.47 bcm of gas in 2015 - sources
70. POLITICS. ECONOMY; Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue
71. POLITICS. ECONOMY; Medvedev suggests mobilizing budget revenue, including from privatization
72. COVER STORY; Russia bans Turkish companies from construction, tourism, hotel business
73. COVER STORY; Russia formally halts free trade zone regime with Ukraine, makes exception for gas export duty
74. COVER STORY; Oil price to stabilize in coming months, but at low level - Ulyukayev
75. COVER STORY; Current situation not even close to 1998; economy difficult, but manageable - Medvedev
76. "We have lost": Sberbank of Russia's CEO calls Russia "downshifter state"
77. PRESS REVIEW; Russian press on the Banking & Finance sector for January 14
78. CENTRAL BANK; CBR sees no need yet to revise risk scenario, although this becoming more likely
79. OFFICIAL COMMENTS; Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue
80. FINANCIAL & BUSINESS SERVICES; Gref: govt not discussing Sberbank privatization in detail at present
81. HEADLINE NEWS; Digest of headline news
82. Russland; Auf der Ölspur in die Pleite
83. Petrolio: capo Sberbank , era è finita, la Russia ha perso
84. Quote of the week: The head of Sberbank on economic crisis in Russia
85. Russia plans to repeat last year's oil production record in 2016 minister
86. "Cost of EU-Russia sanctions reached 75 billion last year"
87. Petrolio: capo Sberbank , era è finita, la Russia ha perso (2).
88. Daily Headline News for January 15, 2016
89. IT system of Russian top bank uncompetitive, CEO says
90. Russian Telecom Ministry plans launch of two more mobile communication operators in Crimea - minister Nikiforov
91. Yesterday in Brief for January 15, 2016
92. Gref: government not discussing Sberbank privatization in detail at present
93. Yesterday in Brief for January 15, 2016
94. Manturov: counterfeit goods main problem in Russian retail, not lack of assortment
95. Moscow hosts a regular Gaidar Forum organized by RANEPA. The key topic is how to avoid a default scenario
96. The Bank of Russia does not hope for normalization of the access of Russian financial institutions and companies to external financing...
97. Sberbank made a request to remove it from anti-Turkey sanctions, Alexei Likhachev, First Deputy Economic Development Minister, said on the...
98. The government advocated privatization of Sberbank and VTB amid sanctions.

- But issuing new shares of these state banks in the market is i...
99. The Russian government is seeking ways how to remake the budget with the falling oil price, preparing various stress scenarios. Yet, the...
 100. THE COUNTRY THAT HAS NEVER OCCURRED
 101. Medvedev to hold meeting on 2016 budget adjustment and other economic issues
 102. Gov't stumbles upon unaccounted \$13bn
 103. Russia sees no reason to renew contract to supply electricity to Ukraine - minister
 104. Can Russia and the EU restore their friendship?
 105. Iran Interested in Free Trade Zone With Eurasian Economic Union
 106. CEO of RUSNANO Corporation Chubais attends a session of the Gaidar Forum 2016 in Moscow
 107. TASS late and overnight roundup 20:00-08:00
 108. Director of Kurchatov Institute Kovalchuk attends session of Gaidar Forum 2016 in Moscow
 109. Russian Communications Minister Nikolai Nikiforov attends a session of the Gaidar Forum 2016 "Russia and the World: Looking to the Future..."
 110. Energy
 111. Anatoly Chubais, chief executive of Rusnano Corporation, speaks during a session of the Gaidar Forum 2016 "Russia and the World: Looking to..."
 112. Director of Kurchatov Institute Kovalchuk speaks during session of Gaidar Forum 2016 in Moscow
 113. Sberbank CEO Gref attends session of Gaidar Forum 2016 in Moscow
 114. Iran Interested in Free Trade Zone With Eurasian Economic Union
 115. RPT - PREVIEW: Putin to Meet With Greek President in Moscow to Discuss Relations Development
 116. Russia political and economic calendar: January 15
 117. Iran Expects EU to Lift Sanctions Right After Nuclear Deal Implementation
 118. Opinions of EU member countries' parliaments was ignored when deciding on sanctions against Russia - Duma speaker
 119. Macroeconomy and analytics; Kudrin: increase of pension age in Russia unavoidable
 120. Macroeconomy and analytics; Russian budget deficit at 2.6% of GDP in 2015 - minister
 121. Macroeconomy and analytics; Shuvalov: situation in Russian economy significantly more stable than in Jan 2015
 122. Macroeconomy and analytics; Medvedev sees Russia's economic situation as difficult, but manageable
 123. Reports: Russian minister calls for privatization of Sberbank , VTB
 124. No saviour found for Russia's Ergo Bank as license is revoked
 125. Russia bites the budget bullet as "new normal" hurts
 126. 油价暴跌令俄财政恶化 官员建议出售银行..
 127. 油价暴跌 俄罗斯竟沦落到出售银行股份救财政!
 128. 油价暴跌令俄财政状况恶化 官员建议出售银行股份
 129. Mitten im Wahljahr muss der Kreml die Russen vor eine bittere Entscheidung stellen: "Müssen uns auf das Schlimmste vorbereiten"

130. FINANCIAL & BUSINESS SERVICES; Central Bank sees no need yet to revise risk scenario, although this becoming more likely
131. COMPANIES & MARKETS; Federal Freight Co lost 8 bln rubles in 2015 - Lisin
132. COMPANIES & MARKETS; Russia preparing to sell 25% stake in Russian Helicopters - Manturov
133. HEADLINE NEWS; Digest of headline news
134. Russia might be forced to close some oil production
135. Russian oil producers plan to repeat last-year production record in 2016 - Russian Energy Minister
136. Russian Energy Ministry forecasts average annual oil price of \$30-50/bbl in 2016 - Minister Novak
137. Ministry of Energy to meet oil producers in January, oil price forecast in budget is still \$50/bbl - Russia's Energy Minister
138. Russia not in talks with EU on lifting sanctions, conditions of their lifting - Russian Foreign Ministry
139. Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow
140. 《國際經濟》俄羅斯財長：油價短期將再跌
141. PRESS-REVIEW; Russian press on the energy sector on January 14
142. PIPELINES & TRANSPORTATION; EC seeking to ensure Nord Stream II compliance with Third Energy Package
143. GAS; Turkey second biggest importer of Russian gas for ninth straight year
144. Duma-Chef: EU-Entscheidungen nehmen nationalen Parlamenten Teil ihrer Souveränität
145. Daily Headline News for January 14, 2015
146. Manturov may become deputy PM, sources say, but minister claims no prior knowledge
147. Daily Headline News for January 14, 2015
148. Anti-crisis measures in support of car demand to remain as planned - Russia's Minister of Industry
149. TASS DAYTIME NEWS ROUNDUP 08:00-19:00
150. Investment stimulation as key task for Russian economic growth - experts
151. Events due in Moscow, Russia, CIS and Baltic countries on Friday, January 15, 2016
152. Russia political and economic calendar: January 15 - May 12
153. Min: OPEC to meet with Russia's Energy Ministry closer to March
154. Minsker Gespräche: Neuer Lösungsversuch im Ukraine-Konflikt
155. Russia's former Finance Minister Kudrin attends a session of the Gaidar Forum 2016 in Moscow
156. Russia's former Finance Minister Kudrin attends a session of the Gaidar Forum 2016 in Moscow
157. Russia's former Finance Minister Kudrin and President of the Republic of Tatarstan Minnikhanov attend session of the Gaidar Forum 2016 in...
158. President of the Republic of Tatarstan Minnikhanov attends session of the Gaidar Forum 2016 in Moscow
159. Russian Energy Minister Novak attends a session of the Gaidar Forum 2016 in Moscow

160. President of the Republic of Tatarstan Minnikhanov attends session of the Gaidar Forum 2016 in Moscow
161. Russian Minister of Transport Sokolov attends session of the Gaidar Forum 2016 in Moscow
162. Russia's former Finance Minister Kudrin attends a session of the Gaidar Forum 2016 in Moscow
163. Russian Energy Minister Novak attends a session of the Gaidar Forum 2016 in Moscow
164. Aeroflot likely to post 2015 losses to both IFRS and RAS
165. Russia's Freight One sees 2015 net profit at 200 mln rbl
166. Budget cuts may not affect agribusiness and Crimea development programs - Russia's Deputy Minister of Economic Development
167. Russian flag carrier Aeroflot expects losses as of 2015 year-end
168. Aeroflot to nix dividends over poor results in 2015
169. Participants attend a session of the Gaidar Forum 2016 in Moscow
170. Min: Russian Helicopters net profit triples to 60 bln rbl in 2015
171. Chairman of Novolipetsk Steel, Lisin attends a session of the Gaidar Forum 2016 in Moscow
172. Russian Minister of Industry and Trade Manturov attends a session of the Gaidar Forum 2016 in Moscow
173. President of Russian Railways Belozеров speaks during a session of the Gaidar Forum 2016 in Moscow
174. President of Russian Railways Belozеров attends a session of the Gaidar Forum 2016 in Moscow
175. Dmitry Medvedev announces Russia's readiness to restore interaction with EU
176. Govt mulls selling Russian Helicopters stake to strategic investor
177. Olga Golodets calls for additional indexation of pensions in 2016
178. Auditors see Russian budget deficit at 2.6% of GDP in 2015
179. Finance Minister: Russia Must Cut Spending or Suffer Crash
180. PENSIONERS WILL PAY FOR CHEAP OIL
181. CRISIS'2016: SLOGANS INSTEAD OF MEDICINES
182. SHADE OF GAIDAR VS SPECTER OF DEFAULT
183. Moscow press review for January 14, 2016
184. Alexey Ulyukaev: low oil prices may stay low for decades
185. Dmitry Medvedev recognizes Russia's economic challenges gravest in decade
186. Russia's budget gap was ca. 2.6% of GDP in 2015
187. Russia morning headlines: Greek president's visit, government meeting
188. Gaidar Forum; AP Planner; Future News Item; Gaidar Forum
189. Russia political and economic calendar: January 14
190. 《國際經濟》俄羅斯財長：油價短期將再跌
191. Russia faces more economic difficulties ahead, but to weather challenges: Russian PM
192. 《國際經濟》俄羅斯財長：油價短期將再跌
193. Russian TV news: Economy OK, Obama's "empty" speech, Russia's new Syria victory

194. 《国际经济》俄罗斯财长：油价短期将再跌
195. 《國際經濟》俄羅斯財長：油價短期將再跌
196. Russian leaders warn more cuts needed if nation is to avoid repeat of 1998 economic crash
197. To restore Russian-EU relations not only desire, but also mutual trust needed - Usackas
198. GRAIN; AgMin to submit wheat export duty proposals to govt at end-Jan
199. Unemployment in Russia trending up, help on its way - Golodets (Part 2)
200. ANALYSIS: US Uses TPP to Make China Follow Rules of Competition in Asia-Pacific Region
201. Sberbank asks Economic Development Ministry about possible withdrawals from Russian measures against Turkey - Likhachyov
202. Events due in Moscow, Russia, CIS and Baltic countries on Thursday, January 14, 2016
203. Russia seeks spending cuts to ready for low oil price era
204. China's Economic Turmoil Ruins Russia's New Year
205. EU-Botschafter: Russland und EU trotz Sanktionen wichtige Partner
206. TRADE & TTIP
207. WORLD; EC SEEKS TO ENSURE NORD STREAM II COMPLIANCE WITH THIRD ENERGY PACKAGE
208. WORLD; RUSSIA NOT IN TALKS WITH EU ON LIFTING SANCTIONS, CONDITIONS OF THEIR LIFTING - RUSSIAN FOREIGN MINISTRY
209. FINANCE; RUSSIA TO FILE COURT CLAIM FOR \$3 BLN DEBT AGAINST UKRAINE BY END-JAN
210. ECONOMIC POLICY; ALL RUSSIAN DECISIONS ON UKRAINE COMPLY WITH WTO STANDARDS – RUSSIA DEPUTY ECONOMY MINISTER
211. 林毅夫：中國經濟崩潰論者不理解本質
212. FINANCIAL & BUSINESS SERVICES; Central Bank sees no need yet to revise risk scenario, although this becoming more likely
213. COMPANIES & MARKETS; Turkey second biggest importer of Russian gas for 9th straight year - Gazprom CEO
214. POLITICS. ECONOMY; Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue
215. COVER STORY; Current situation not even close to 1998; economy difficult, but manageable - Medvedev
216. HEADLINE NEWS; Digest of headline news
217. Talking Points for Jan Walliser, Gaidar Forum, Plenary Session Russia and the World: Looking to the Future
218. Medvedev: Russia's Economy Must Prepare for Worst-Case Scenario
219. 林毅夫：中國經濟崩潰論者不理解本質
220. Programme summary of Russian Rossiya 1 TV "Vesti" news 1700 gmt 13 Jan 16
221. Programme summary of Russian NTV "Segodnya" news 1600 gmt 13 Jan 16
222. RUSSIA; Medvedev calls to avoid populism in 2016 election campaign
223. RUSSIA; Medvedev sure Russia-EU relations to be normalized
224. RUSSIA; Medvedev: EU remains key economic partner of Russia despite sanctions

225. RUSSIA; Unified mechanism for administering tax payments to be finalized - Medvedev
226. RUSSIA; Medvedev backs Central Bank's clean-up policy
227. RUSSIA; Medvedev urges creation of new economic growth model since slump may last years
228. RUSSIA; PM sees drop in middle class incomes as most painful result of economic troubles
229. RUSSIA; Medvedev sees Russia's economy withstanding lack of oil, gas revenues
230. RUSSIA; Budget will have to be adjusted if oil prices slide further - Medvedev
231. RUSSIA; Economic situation is cardinaly different from 1998 crisis - Medvedev
232. RUSSIA; Medvedev sees Russia's economic situation as difficult, but manageable
233. RUSSIA; Medvedev: Geopolitics having ever greater impact on global economy
234. Putins store atomeventyr gir sårt trengte rubler i lommen
235. POWER; Russia ready to resume electricity supplies to Ukraine - deputy minister
236. TOP STORY; Oil price to stabilize in coming months, but at low level - Ulyukayev
237. Russia warns cuts needed to avoid repeat of '98 crash
238. Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow
239. WORLD; RUSSIAN BUDGET DEFICIT AT 2.6% OF GDP IN 2015 - MINISTER
240. WORLD; RUSSIA NEEDS TO RETURN TO ISSUE OF PRIVATIZING SBERBANK, VTB - ULYUKAYEV
241. WORLD; MINISTER SEES CONSUMERS SWITCHING TO SAVING AS KEY RISK FOR RUSSIA'S ECONOMY
242. UPDATE 1-Russia could raise state debt but must consider risks - central banker
243. Kudrin suggests merging Reserve Fund, NWF
244. Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue
245. Kudrin: increase of pension age in Russia unavoidable
246. Kudrin doubts Russia can find funds for additional pension indexation in H2 2016
247. Daily Headline News for January 13, 2015
248. Daily Headline News for January 13, 2015
249. Pekingin professori: Kiina avaa rahahanat talouskasvun varmistamiseksi
250. Western sanctions, Russian counter-sanctions lower GDP by 1.5 pp
251. Russia political and economic calendar: January 14 - May 12
252. Max level of Russian debt burden shouldn't exceed 25%-30% of GDP - Yudayeva
253. VEB story shows how significant off-balance budget liabilities can be - Yudayeva
254. Risks associated with Russian company debt burden 'under control' - Yudayeva
255. Deficit should be financed more from borrowing than reserves at present -

Yudayeva

256. Central Bank's 4% inflation target in 2017 still can be achieved - First Deputy Chairperson Yudaeva
257. Bank of Russia does not rule out macroeconomic outlook revision in late January - First Deputy Chairperson Yudaeva
258. Ulyukayev: still too early to revise 2016 budget
259. Daily Headline News for January 13, 2015
260. Daily Headline News for January 13, 2015
261. Tough budget decisions inevitable - Shuvalov
262. Budget state cos yet to adapt to new realities, unlike private sector - Siluanov (Part 2)
263. Deputy fin min sees Russian annual inflation at about 10% in Jan
264. Dmitry Medvedev : Russian economy is different from 1998 crisis times
265. Shuvalov: situation in Russian economy significantly more stable than in Jan 2015
266. Russia needs to return to issue of privatizing Sberbank , VTB - Ulyukayev (Part 2)
267. Lengthy spell of low oil in prospect, 2016-2018 forecasts so far little-changed - Ulyukayev (Part 2)
268. TASS DAYTIME NEWS ROUNDUP 08:00-19:00
269. EU and Eurasian Economic Union to create common economic space sooner or later - First Deputy Minister of Economic Development
270. Ex-finance minister Kudrin suggests consolidating Reserve Fund and National Wealth Fund
271. Russia's inflation in annual terms to be about 10% at end of January - Deputy Finance Minister
272. Russia's losses due to EU sanctions amounted to 25 bln euro in 2015 - First Deputy Minister of Economic Development
273. Finanzminister warnt vor Russland-Crash
274. EU, Russia Remain Partners Regardless of Sanctions - EU Envoy
275. Deputy speaker of the Duma, Alexander Zhukov, attends the Gaidar Forum in...
276. Russia Loses 25Bln Euro in 2015 Over EU Sanctions
277. Deputy PM praises work of Russian gov't in 2015
278. Medvedev: «Prepararsi al peggio se il petrolio scenderà ancora»
279. Russian Analytical Credit Rating Agency starts contacts on going to rating markets of Eurasian Economic Union - CEO Trofimova
280. Medvedev: EU:n pakotteet säälittäviä – ja pian historiaa
281. Russian inflation to revert to single figures in Feb, could exceed 6.5% forecast in year - MinFin
282. Medvedev: EU:n pakotteet säälittäviä – ja pian historiaa
283. Russian Russian Labor Minister Maxim Topilin attends the Gaidar Forum in Moscow,...
284. Russian Health Minister Veronika Skvortsova, left front, and Chief of Russia's...
285. 林毅夫：中国经济崩溃论者不理解本质
286. 林毅夫：中國經濟崩潰論者不理解本質
287. Russian Health Minister Veronika Skvortsova attends the Gaidar Forum in

Moscow,...

288. Vyugin, Chairman of Board of Directors of MDM Bank, attends a session of the Gaidar Forum 2016 in Moscow
289. Pakistan Sends Request to EEU on Creation of Free Trade Area
290. Number of impoverished Russians rising
291. Fradkov, First Deputy Chairman of Russian State Corporation 'Bank for Development and Foreign Economic Affairs', attends a session of the...
292. Russia's Losses From EU Sanctions in 2015 Estimated at 25 Bln Euro - Deputy Minister
293. Ulyukayev: sanctions no obstacle to Sberbank , VTB privatizations; conceptual decision needed
294. Minister: Russia's 2016 budget deficit at 7-7.5% of GDP in stress test with very low oil price
295. Economic situation is cardinally different from 1998 crisis - Medvedev
296. Budget will have to be adjusted if oil prices slide further - Medvedev
297. Medvedev: Geopolitics having ever greater impact on global economy
298. Medvedev sure Russia-EU relations to be normalized
299. Medvedev backs Central Bank's clean-up policy
300. No talk yet of slashing budget spending, but of reducing allocations - Ulyukayev
301. Weber, Chairman of the Board of Directors of UBS, attends a session of the Gaidar Forum 2016 'Russia and the World: Looking to the Future...
302. CEO of Analytical Credit Rating Agency Trofimova attends the Gaidar Forum 2016 in Moscow
303. Aganbegyan, Director General of Otkritie Financial Corporation Bank, attends the Gaidar Forum 2016 in Moscow
304. The 7th Gaidar Forum
305. Central Bank sees no need yet to revise risk scenario, although this becoming more likely
306. Medvedev sees Russia's economy withstanding lack of oil, gas revenues
307. Medvedev: EU remains key economic partner of Russia despite sanctions
308. PM sees drop in middle class incomes as most painful result of economic troubles
309. Yudaeva, First Deputy Governor of Bank of Russia, attends the Gaidar Forum 2016 in Moscow
310. VTB and Sberbank should be privatized simultaneously to boost competition - Finance Ministry
311. Russia's former Finance Minister Kudrin attends the Gaidar Forum 2016 in Moscow
312. Privatization of state banks should be synchronized - dep. minister
313. Minister sees ruble as likely to strengthen as weaken
314. Kaluga region delegation to take part in Gaidar Forum
315. Pakistan Sends Request to EEU on Creation of Free Trade Area
316. Russia to file court claim for \$3 bln debt against Ukraine by end-Jan
317. AgMin to submit wheat export duty proposals to govt at end-Jan
318. Russian budget deficit at 2.6% of GDP in 2015 - minister (Part 2)
319. Minister sees consumers switching to saving as key risk for Russia's economy (Part 2)
320. Medvedev: Anti-Russian Sanctions Undermine Int'l Institutions Like WTO

321. Russia may have to deal with low oil prices for years
322. UPDATE 2-Russia seeks spending cuts to ready for low oil price era
323. Lengthy spell of low oil in prospect, 2016-2018 forecasts so far little-changed - Ulyukayev (Part 2)
324. Yesterday in Brief for January 13, 2016
325. Ulyukaev suggested revisiting privatization of Sberbank and VTB
326. Russian inflation could slow to 7% at \$35 oil in 2016 - Central Bank
327. Russian ministries must submit proposals to cut ineffective spending by 10% in 2016
328. Oil prices to continue falling, Russia warns
329. Russia's Prime Minister Medvedev attends the Gaidar Forum 2016 in Moscow
330. Russia's First Deputy Prime Minister Shuvalov attends the Gaidar Forum 2016 in Moscow
331. Russia's Prime Minister Medvedev attends the Gaidar Forum 2016 in Moscow
332. Budget state cos yet to adapt to new realities, unlike private sector - Siluanov
333. Ministry expects weaker ruble's impact on inflation to be lower than usual
334. Less Than Expected: Russian Budget Deficit Stood at 2.6% of GDP in 2015
335. Russia's Prime Minister Medvedev attends the Gaidar Forum 2016 in Moscow
336. Russia needs to return to issue of privatizing Sberbank , VTB - Ulyukayev
337. Lengthy spell of low oil prices in prospect, but 2016-2018 forecasts so far little-changed - Ulyukayev
338. Global capital markets to remain closed to Russia, banks must be recapitalized - Ulyukayev
339. Chairman of JPMorgan Chase International Jacob Frenkel attends a session of the Gaidar Forum 2016 "Russia and the World: Looking to the..."
340. DIARY - Political and General News Events From Jan 13
341. UPDATE 1-Russia should consider cutting stakes in Sberbank and VTB, says minister
342. CORRECT&UPDATE: Cbank affirms Russia's 2016 CPI at 7% on \$35 oil price
343. Minister calls again for privatization of Sberbank , VTB
344. Finance minister warns of 1998-like crisis
345. Central bank sees Fitch, Moody's , S&P launching units in Russia
346. UPDATE2: Minister says Russia should discuss sale of Sberbank , VTB
347. Russia's Prime Minister Medvedev attends the Gaidar Forum 2016 in Moscow
348. Russia Cannot Allow Itself to Be Stuck at Zero-Level Economic Growth Rate - Medvedev
349. 林毅夫：大陸經濟崩潰論者不理解本質
350. Russia Needs to Adapt Budget as Oil Prices Likely to Continue Falling – Finance Minister
351. Gaidar Forum; Advance Media Information; Future News Item; Gaidar Forum
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353. Russia's former Finance Minister Kudrin attends the Gaidar Forum 2016 in Moscow
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355. UPDATE: Russia will spend 30 bln rbl on indexation of payments in '16

356. Russian economic minister suggests discussing privatization of major state banks
357. Min: Russia will spend 30 bln rbl on indexation of payments in 2016
358. Minister: Russia's 2015 budget deficit at around 2.6% of GDP
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365. Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow
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410. Sberbank CEO: Russia faces largest banking crisis



COMPANIES & MARKETS; Rosneft, Bashneft might be privatized - Ulyukayev

15 февраля 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Feb 15 (Interfax) - Rosneft and Bashneft are on the privatization list that has received general approval, but Sberbank is not and is unlikely to be in the foreseeable future, Russian Economic Development Minister Alexei Ulyukayev told the NTV television channel.

The TV presenter said there was a lot of public concern about the prospect of Sberbank being privatized. "They include my own parents, who anxiously ask me whether we are going to [privatize Sberbank] and that if we are, do let us know so we can get ready," Ulyukayev replied.

"Well, we aren't proposing to privatize Sberbank in the near future," Ulyukayev said.

"In the proposals we have made and which the government has given its general backing to, there are fuel and energy assets Rosneft, Bashneft, but no Sberbank. This is because there are not just macroeconomic issues there but social ones too. Right now, we cannot lower the state's stake, held by the Central Bank, below 50% plus one share, and that's just how much the Central Bank holds. There are no concrete plans today to privatize Sberbank," said Ulyukayev.

Ulyukayev himself suggested during the **Gaidar Forum** in January that the privatization of Sberbank and VTB, the country's second biggest bank, might be discussed, partly with a view to recapitalizing those banks. But Central Bank Governor Elvira Nabiullina said at a meeting with President Vladimir Putin the end of January that the Central Bank did not think it advisable to privatize Sberbank in the medium term and the president agreed.

Market interest

Asked by NTV whether government stakes might be sold at knock-down prices, and

whether there was demand for them in the current economic conditions, Ulyukayev said: "Right now we're talking mainly about publicly traded companies with market valuations." "Clearly we won't be going below those market valuations," he said.

He said that in the economy at present there was "a lot of money in the form of the companies' profits that are currently sitting on bank deposits earning paltry interest."

"My personal experience of contacts with major Russian entrepreneurs is that there is a lot of interest in such deals and that they are ready to participate. I think there'll be quite a lot of demand for those assets that we will be offering to the market," he said.

Shares in Bashneft rallied more than 4% on February 12 afternoon on rumors some of the government shares in the oil company might be sold.

Reuters quoted government sources as saying that several companies were interested in buying Bashneft shares. Lukoil, for example, had enquired to the government about the possibility of buying either a controlling or a minority stake.

The agency said two options for privatizing Bashneft were on the table: either selling more than 50%, or a lighter option to sell 25% on the stock exchange.

AFK Sistema returned a controlling stake in Bashneft to the state following a court ruling in December 2014. The state now owns 75% of Bashneft: Russian Federal Property Agency (Rosimuschestvo) holds 50% plus one share and the government of Bashkortostan holds 25% plus one share.

Oil prices

The current oil price is "extremely low" and the most realistic scenario for 2016 is \$40 a barrel, Ulyukayev said.

"We have a stress-test scenario of \$25. We think we should be ready for short-term tests of that nature, but we don't think the price will average at that level this year. Even so we're ready for \$25 a barrel. There is also a more realistic scenario from my point of view, that of \$40 a barrel. And I think that together we can look at that sort of level," Ulyukayev said.

The 2016 budget assumes oil will trade at \$50 a barrel. Finance Minister Anton Siluanov has already suggested it be amended for \$40 oil.

The Kommersant newspaper said that according to the Economic Development Ministry's forecast, GDP might fall 0.8% this year at \$40 oil. Industrial output might drop 0.3% and inflation could be 8%-8.5%. Investment might fall 6%, retail services 1.5%, real wages 3.5%, real disposable income 3.9% and retail in goods 2.9%. The federal budget deficit might be 5.1% of GDP.

If Urals crude trades at \$25 a barrel, then inflation might be 8.8-9.2% this year, investment could fall 5.9%, industry 1.1% and real disposable incomes 4.7%.



Rosneft, Bashneft might be privatized, Sberbank not on list - Ulyukayev

15 февраля 2016

MOSCOW. Feb 15 (Interfax) - Rosneft (MOEX: ROSN) and Bashneft (MOEX: BANE) are on the privatization list that has received general approval, but Sberbank (MOEX: SBER) is not and is unlikely to be in the foreseeable future, Russian Economic Development Minister Alexei Ulyukayev told the NTV television channel.

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THE HUFFINGTON POST

The CEO of the largest Russian bank said the age of oil was over. He is sort of right.

Julian Popov

Chairman of the Buildings Performance Institute Europe, Fellow of the European Climate Foundation and former Minister of Environment of Bulgaria

In January, at the prominent Gaidar Forum in Moscow, Herman Gref the CEO of Sberbank, the largest Russian bank, made a strong critical statement about the Russian economy. His main point was that the oil age was over and Russia has lost the global competition because it has not adjusted to the clean energy race.

The next day Aleksey Teksler, the Russian Deputy Minister of Energy, said in Abu Dhabi that Russia has significant renewables resources and it is taking the path of renewable energy, solar and wind in particular.

So, is the age of oil over? And is Russia taking a new turn in its energy policy.

Well, not exactly. The statement of Herman Gref touches upon two points - the high dependency of Russia on oil and gas export and the future of oil. The oil dependency is a well known weakness of the Russian economy and since the collapse of the Soviet Union there is hardly any commentator on Russia who has not said that. Some even explain the collapse of the Soviet Union with this dependency. The theory is simple - when the oil prices went up following the 1973 Arab exporters embargo the Soviet government started spending, created high social and economic expectations without reforming its economy. When the oil price tumbled down in the 80ies the government could not fulfil the expectations and the Soviet Union fell apart. Unfortunately the Russian economy was never restructured in a way that could absorb significant oil price fluctuations. Forced by the low energy export revenues Russia is now considering selling stakes in the oil company Rosneft, Mr Gref's Sberbank and other large state owned assets. However this is more of an act of desperation, which could be seen among most oil producing countries, rather than a sign of a long-term economic strategy.

More interesting is Gref's statement about the end of the oil age. Coming from the leading banker of the second largest oil exporter such view should not be ignored. It is not surprising that over a few days the YouTube video with of the statement was watched over 120,000 times even though it was only in Russian.

What would constitute an end of the oil age? Currently the world is using around 93 million barrels of oil per day (mbpd). OPEC expects that by 2040 this would increase to 110 mbpd. To start talking about a beginning of the end of the oil age we should see at least a reverse of this trend. Following the Paris climate agreement, it is appropriate to look into its implications for oil demand. The International Energy Agency (IEA) has done that in its 450 ppm scenario. It projects that by 2040 the global oil demand would

fall to 83.4 mbpd. This is a downward trend though calling it an end of the oil age might be a bit premature.

Both OPEC and IEA's predict in any scenario declining oil use in the OECD countries based on saturation and efficiency - people in the economically advanced countries are not expected to buy more cars than they own now, efficiency standards are reducing the use of oil products and the population is not growing. In the rest of the world however people are rapidly moving into the middle class category, car ownership is expected to increase and population to grow.

The big question about the future of oil is the technological transformation of the transport industry. We burn about 44% of the global oil production on the road. The advance of the electric cars, and more precisely the batteries and the hydrogen cells, is a key factor. Plug-in hybrid cars will also play an important role since they have minimal petrol consumption. Some studies expect that about half of the new cars sold in 2030 in the leading electric vehicle (EV) markets would be electric, hydrogen cell and plug-in hybrid.

Strong competition is growing for the niche that Tesla is exploiting. Nearly every day, news emerges of another launch of a long-range premium EV. If the electric car succeeds in steeply lowering its cost to a level of, or even below, the internal combustion engine car, and if the issue with the driving range limit is solved then the electric car could swarm not only the rich world but it could also start dominating the new purchases in the emerging markets. This might be a big "if" though some predict a decline of cost of batteries from the current \$700-800/kWh to below \$200/kWh in 2020.

The spread of electric cars could be helped also by the strong growth of renewable power, which is now competitive with conventional energy in many places around the world, and it could provide both cheaper and decentralised energy for cars.

The end of the oil age would be also aided by stricter efficiency standards for the conventional cars. By 2021 all new cars in the European Union should not exceed the limit of 95g CO₂ emissions per kilometre. If this standard is lowered further the oil consumption in the EU will decline even more. Inevitably, in a carbon-constrained world and globalised car industry, low carbon car standards will also spread globally.

The end of the oil age however will be slowed by the car's lifespan. Any new petrol or diesel driven car bought today is likely to be on the road for approximately 15 years. And of course cars are not the only oil products consumer. The petrochemical industry consumes about 10% of the global oil, and oil products would be difficult to take out of aviation (6%) and shipping (5%).

In other words the oil age might be over in sense of an expected steady decline of use of oil but not as an end of use of oil. At least not yet. Analysts, especially those associated with official agencies, tend to ignore technological breakthroughs. Revolutions are unpredictable and they do not usually figure in the models for the future. But as we know from personal computers, mobile phones or digital photography they do happen and then they do take over the world by storm.

We don't know how driverless cars, car sharing, services like UBER, 3D printing, videoconferencing and other innovations would affect mobility. For example a study on the impact of shared autonomous vehicles (SAV) in Texas estimates that a single SAV could replace nine conventional cars. And Google is expected to introduce self-driving vehicles next year.

Going back to the statement of the Russian banker, his alarm is justified. He is also raising a wider issue - the age of the security dominance of oil exporters is most likely over. With a wide variety of energy choices energy consumers feel much less dependent on oil and even less dependent on oil from a limited number of suppliers. The energy security agenda is unlikely to be set by oil producers again. The abundance of oil and declining demand is only one of the reasons. Much more significant might be the trends of energy technology proliferation, fuel switch and the energy cost convergence that have been supported for over two decades by increasingly ambitious low carbon policies. After the Paris climate conference these trends are likely to deepen. The future oil related confrontations might not be between oil exporters and oil importers but probably mainly among the oil exporters only. We can already see these tensions between Saudi Arabia and Iran and we might witness much more of that. The supply security scare that defined the post 1973 embargo energy policies around the world is being replaced by growing demand security concerns.

Oil prices could still go up even if the prediction for the end of the oil age is correct. If the oil production of the US declines, the conflict between Iran and Saudi Arabia turns ugly and the investors pull out of oil too rapidly the price of oil might increase again. But such volatility might not change the general trend.

As far as Russia is concerned the formula is painfully obvious - its government should introduce policies that finally drive forward domestic economic diversification and reduction of oil revenue dependency. In that sense the statement by the Russian Deputy Minister of Energy is a logical follow up of the alarm raised by the banker. Whether both statements will remain lonely voices in the steppe remains to be seen.

http://www.huffingtonpost.com/julian-popov/the-ceo-of-the-largest-ru_b_9212410.html



COMPANIES & MARKETS; Positive developments observed in respect of EU sanctions, Russian countersanctions - Italy's agriculture minister

11 февраля 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Feb 11 (Interfax) - Italian Minister of Agriculture Maurizio Martina expects an adoption of productive ideas with regard to the EU sanctions against Russia and the Russian response sanctions against the EU.

"We are with those who are currently utmost active in pursuing the line to restoration of

diplomatic bridges and political agreements. There are some positive developments in the area of the sanctions, and countersanctions, which, as we hope, may lead to some productive ideas being adopted," he told reporters on Wednesday, during his visit to Russia in connection with his participation in the Prodexpo exhibition.

"We are here to give added confidence to Italian firms, the ones that have been working in the Russian market for a long time, and the ones that view this exhibition as an opportunity to forge trade links with Russia, while understanding all the complexity of the current period," Martina said.

When asked about the sanctions, and whether this topic will be on the agenda of his meeting with Russian Deputy Prime Minister Arkady Dvorkovich, due on Thursday, Martina said: "We met two weeks ago. But, we will certainly discuss the current situation, including this matter, during our meeting tomorrow."

"This is a normal approach. We will try to move forward and look into possibilities of cooperation, starting from industries with the highest potential, that is, agriculture and food industry - the ones that I am in charge of," Martina added.

In mid-January, Russian Prime Minister Dmitry Medvedev said that Russia is ready to restore normal economic relations with EU member states.

"We are ready to restore normal interaction with the countries of the European Union. Europe is our closest neighbor, our important economic partner. Our trade turnover is still in the billions of euros, despite the regrettable sanctions factor," Medvedev said at the **Gaidar Forum**.



Gaidar Institute for Economic Policy: Russia's budget must be adapted to current economic situation

10 февраля 2016

10:10

SKRIN Newswire

Russia's budget must be adapted to the current economic situation, otherwise a spontaneous "fine-tuning" may hit the population through high inflation, as was the case during the crisis in 1998-1999, assumed Russia's Finance Minister Anton Siluanov at the 7th **Gaidar Forum**.

The assumption of facing an economy similar to that in 1998 is a figure of speech, because at that time Russia had budget-related problems plus a short-term government debt accrued during previous years. Russia's current budget faces no such pressure from debt commitments.

However, with the current prices of energy resources, it is difficult to maintain an

overage to the budget expenditure commitments. The question regarding the effect of upcoming budget cuts on slower economic growth rates is not quite correct. If budget cuts affect non-productive items, namely military spending and social policy, this will have no effect whatsoever on economic growth rates.

In fact, economic experts including Aleksey Kudrin recommend that these budget expenditures should be trimmed. However, if spending on infrastructure, health care and education declines, such a budget cutting will have more effect on long-term economic growth rates. Regarding the effect of the dramatic fall in oil prices on Russia's budget, it is worth saying that none of the countries that export energy resources is ready to face such prices. All countries including Russia will have to adapt to new conditions, adjusting their budget policy.

In our view, with oil prices most likely ranging between \$30 and \$50 per barrel, not only will the Russian economy will see no conditions for recovery, but also it will unlikely to stabilize at the bottom of the business cycle (i.e, a stagnation).

Note that the first signs of crisis were actually noticed by the expert community as early as 2013, when oil prices were not so low yet. Respective signals were sent to the Russian government, which, however, took no relevant measures, hoping that the situation would stabilize and the global economy begin to show positive signs.

Also, in recent years economic experts have recommended the Russian government to undertake structural economic reforms such as privatization, demonopolization, redundancies in the public sector, as well as a pension reform, revision of the budget structure priorities, changes in the fiscal policy, etc.

Further delays in following these recommendations may have dramatic consequences for the Russian economy in the long term. / Gaidar Institute



Summary of Russian press for Monday 8 February 2016

8 февраля 2016

BBC Monitoring Former Soviet Union

...Nezavisimaya Gazeta

2. Yekaterina Trifonova article headlined "Communist Party of the Russian Federation invites presidential adviser" says that the CPRF will hold an economic forum in Orel Region on 12 February, which the party contrasts to the Gaydar (**Gaidar**) Forum; pp 1, 3 (624 words)...

Ausland

Jewgenij Gontmacher; Russlands Wirtschaft im freien Fall?

Willershausen, Florian;
5 февраля 2016
WirtschaftsWoche Online

Der russische Ökonom Jewgenij Gontmacher spricht im Interview über die Notwendigkeit liberaler Reformen in Russland, seine Erwartungen für das Wirtschaftswachstum und die Gefahr der Abhängigkeit von Öl und Gas.

Erstveröffentlichung 05.02.2016 09:26:05

Die russische Wirtschaft steckt in einer schwierigen Situation. Im vergangenen Jahr ist das Bruttoinlandsprodukt (BIP) um vier Prozent gesunken, die Inflation ist gestiegen. Was erwarten Sie für 2016?

Jewgenij Gontmacher:

Ich denke, dass BIP wird in diesem Jahr weniger stark sinken als 2015, aber die negative Entwicklung setzt sich dennoch fort. Nach den Prognosen erwartet man minus ein Prozent. Ich glaube aber, die Inflation wird gleichzeitig wieder im zweistelligen Bereich - bei etwa zehn Prozent - landen. Mit anderen Worten: es erwartet uns nichts Gutes, die russische Wirtschaft befindet sich weiter im Fall und hat den Grund noch nicht erreicht.

Sie sind auch ein Experte für soziale Fragen. Welche Stimmung herrscht bei den Russen? Protestieren sie oder ist ihre Leidensgrenze noch nicht erreicht?

Die Bevölkerung ist beunruhigt. Die Umfragen zeigen, die Bevölkerung versteht, dass sich ihre sozialen Umstände weiter verschlechtern werden. Das bedeutet konkret: sinkende Einkommen, weniger Chancen eines freien Zugangs zur staatlichen Gesundheitsversorgung sowie steigende Preise. Aber führt das zu Protest? Ich denke nicht. Es gibt kleine lokale Demonstrationen wie den Streik der Fernfahrer, der durch die Medien ging. Es gibt aber keine überregionale Bewegung wie damals 'Solidarnosz' in Polen oder in anderen Staaten Osteuropas. Und ich glaube auch, dass es das in den kommenden Jahren in Russland nicht geben wird.

Wie reagiert die Regierung auf die Situation? Bei dem **Gaidar-Forum** im Januar schien die Mehrheit der Regierungsmitglieder von einem neuen Status quo auf schlechterem Niveau zu sprechen, an den man sich jetzt gewöhnen sollte.

Die Regierung ist besorgt, rechnet aber mit einer baldigen Eindämmung der Krise. Spätestens ab 2017 rechnet man wieder mit einem bescheidenen Wirtschaftswachstum. Die Regierung ist der Meinung, die Krankheit sei nicht so kompliziert. Die Gründe seien die niedrigen Ölpreise und Sanktionen. Deswegen brauche man auch keine Reformen. Die Ölpreise würden wieder steigen. In Regierungskreisen kursiert momentan die Prognose, dass das Barrel Öl bald wieder 60 Dollar kosten würde. Und die Sanktionen? Eigentlich auch kein Problem. Europa würde irgendwann der Sanktionen überdrüssig sein und sie selbst wieder aufheben. Danach

wäre dann wieder alles gut und schön. Alles, um den Status quo zu stützen. Es gebe temporäre Schwierigkeiten, sagt man der Bevölkerung. Die müsse man ein paar Jahre erdulden, aber dann wird alles wieder gut.

Das wirkt wie nur ein Teil der Wahrheit. Verschiedene Strukturreformvorschläge lagen in den letzten Jahren auf dem Tisch. Welche Reformen wurden denn nicht umgesetzt, was wurde verschlafen?

Das ist natürlich nur ein Teil der Wahrheit. In Wirklichkeit liegt das Hauptproblem im ganzen russischen Wirtschaftsmodell: Stabilität auf der Grundlage von Öl und Gas, ohne die Entwicklung anderer Wirtschaftsbereiche. Welche Reformen hat man verschlafen? Man muss zum Beispiel die starke Rolle des Staates in der Wirtschaft einschränken. Die Befreiung von der Dominanz der großen Staatskonzerne ist sehr wichtig. Man hätte einen Privatisierungsprozess beginnen können, wie Tschubais es seinerzeit beim ehemaligen Energiemonopol 'RAO EES' (Aktiengesellschaft Unified Energy System) getan hat. Dazu ist eine flexible Steuerpolitik notwendig, gerade für die kleineren Unternehmen. Es ist notwendig zu deregulieren. Und man sollte sich selbstverständlich mit dem Justizsystem beschäftigen. Wir brauchen ein unabhängiges Justizsystem, das echten Eigentumsschutz garantiert und bei dem man seine Rechte vor Gericht verteidigen kann.

"In Wirklichkeit passiert nichts"

Putin argumentiert teilweise ähnlich. Er behauptet beispielsweise, dass die wirtschaftlichen Schwierigkeiten nicht nur am Ölpreis, sondern auch an Strukturproblemen liegen. Gibt es im Moment Hoffnung auf neue Reformbestrebungen?

Alle sprechen von einer Diversifizierung der Wirtschaft: Das sagt Putin, das sagt Medvedev. In Wirklichkeit passiert aber nichts. Um eine Trendwende einzuleiten, braucht man die tiefgreifenden Reformen, von denen ich gesprochen habe. Es sind keine reinen Wirtschaftsreformen, es sind eher Strukturreformen, Reformen der Staatsverwaltung und des Rechtssystems. Gref (ehemaliger Minister für wirtschaftliche Entwicklung und Handel, Anm. d. Red.) hat völlig Recht damit, dass das Hauptproblem bei uns in der mangelnden Effektivität der Staatsverwaltung liegt. Keine einzige Reform kann heute in Russland erfolgreich sein ohne die Änderung des Staatsverwaltungsstils.

Sind Reformen mit dem jetzigen Personal möglich?

Ich würde es so sagen: Es gibt in der Regierung viele hochqualifizierte Leute, insbesondere im wirtschaftlichen und finanziellen Sektor. Es sind Leute, die ihr Fach verstehen. Gleichzeitig sind sie aber gezwungen, gegen besseres Wissen Politik durchzusetzen. Das Problem sind aber nicht die Leute, sondern die Verwaltungsstruktur. Die Staatsduma braucht eine Opposition, die diese Kontrollfunktion auch wahrnimmt. Wir erinnern uns noch gut an den Staatshaushalt 2015, den die Duma mit der Mehrheit der Stimmen (in erster Linie die Stimmen der Partei 'Einiges Russland') im Dezember 2014 angenommen hat - mit einem erwarteten Ölpreis in Höhe von 90 Dollar! Die Duma stimmte zu, obwohl alle wussten, dass dieses Ölpreis-Szenario mehr als unrealistisch war. Darüber hinaus ist es ein riesiges Problem, dass jede Entscheidung von Putin abhängt. Es gibt also nur eine Chance bei echten

Strukturreformen, wenn es weiter bei kosmetischen Eingriffen bleibt, passiert nicht viel.

Für Liberale ist das Rechtssystem in Bezug auf Bürger-, Menschen- und Eigentumsrechte entscheidend. Wie realistisch ist die Reform des Justizsystems?

Die Justizreform ist keine einfache Sache, sondern ein langfristiges Projekt. Ein sehr langfristiges Projekt, das man dringend angehen muss. Schnellere Erfolge könnte man bei der Reform der kommunalen Selbstverwaltung sehen, allerdings nicht sofort in allen Regionen. Es ist wichtig zu verstehen, dass Russland sehr unterschiedlich ist. Man sollte schon in zwei bis drei Regionen anfangen, die bereits strukturell dazu in der Lage sind.

Dieser Artikel erschien zuerst auf freiheit.org

Prof. Dr. Jewgenij Gontmacher

Prof. Dr. Jewgenij Gontmacher, von 1992 bis 2003 stellvertretender russischer Minister für Soziale Aufgaben, seit 2008 Vorstandsmitglied des Instituts für Moderne Entwicklung (INSOR), seit 2009 Vizedirektor des Instituts für Weltwirtschaft und Internationale Beziehungen der Russischen Akademie der Wissenschaften und seit 2012 Mitglied des Komitees für bürgerschaftliche Initiativen.



Gaidar Institute for Economic Policy on structural reforms

5 февраля 2016
SKRIN Newswire

21 January 2016 As the **Gaidar Forum** has shown, there are no illusions about the current economic situation either with the expert community or the government and that is a positive signal.

A year ago, about 30% of speakers were optimistic about the developments which took place at that time and many of them even avoided the mention of the word "crisis", but at present everybody admits existence of serious problems in the economy.

Evidence of the crises started to emerge from 2013 when a downward trend in investment and business activities became quite discernable. It is to be noted that there was a decrease not only in foreign investments, but in internal ones, too: companies preferred to accumulate funds in their accounts rather than to invest them in their own production.

The crisis in question is of a structural nature, not of a cyclic one. If in 2008 there was a cyclic crisis, that is, the global economy was falling and then picked up again, at present the situation is different: though global economic growth rates are declining, they remain still positive, while the Russian economy demonstrates negative dynamics. Unfortunately, in such a situation hitting the bottom will not guarantee a subsequent

recovery and growth.

The factor behind the present worsening of the economic situation was the fact that structural reforms were disregarded. Historically, amid high prices on oil the ruling bureaucracy is usually guided by false motives. To prove that, it will suffice to refer to the experience of the USSR. After Stalin's death, the Soviet government carried out among other things a budget maneuver having cut substantially defense expenditures and increased spendings on healthcare and education and started to import food which situation engineered smooth economic growth. But from the mid-60s the resources of that mechanism started to be exhausted, so the government had to think about the prospect of granting more freedom to enterprises and the so-called Kosygin reforms were started. However, that process was hindered by detection of oil in Siberia in the late 60s and revision of the economic growth model: the authorities understood that amid high prices on energy commodities current problems could be dealt with by means of exports of crude oil. So, for quite a while the USSR existed at the expense of high oil prices, while structural reforms were never begun and that resulted in a complicated economic situation in the late 80s when oil prices started to fall.

The answer to the challenges of the 2000s was Gref's economic program which was fulfilled only for 40% by the end of President V. Putin's first term in office. Complete implementation of the above program was prevented again by appreciation of prices on energy commodities, so structural reforms were not required.

At present, a similar situation is observed: oil prices go down and everybody is talking about the need of structural reforms. An important lesson taken by modern Russia from the experience of the USSR consists in the fact that reserves should be accumulated while prices on oil are high. Thanks to Alexei Kudrin, those reserves were in place and helped Russia go through the 2008 crisis. Moreover, they will help the country to hold out for 1.5-2 years. However, if in 2008 it was a cyclic crisis, now it is a structural one and it is difficult to say how long it is going to last.

Unfortunately, so far recognition of problems in the economy and comprehension of the need to make relevant decisions do not materialize in full-scale structural reforms. /
Gaidar Institute for Economic Policy



Russia says studying proposal for global oil production cuts

Russian Energy Minister Novak attends a session of the Gaidar Forum 2016 in Moscow. Photo: Reuters

ST PETERSBURG, Russia/DUBAI - Russia said on Thursday that OPEC had proposed oil production cuts of up to 5 percent in what would be the first global deal in over a decade to help reduce a glut of crude and prop up sinking prices.

It remained unclear whether Russian Energy Minister Alexander Novak was referring to a months old proposal by OPEC members Venezuela and Algeria or a new proposal backed by OPEC leader Saudi Arabia. Saudi officials did not immediately comment on the proposal, and a Gulf OPEC delegate said it came from Venezuela and Algeria.

For non-OPEC member Russia, the world's top producer, that would represent an output cut of around 500,000 bpd.

Benchmark Brent futures jumped as much as 8 percent to nearly \$36 a barrel on hopes for a deal that could immediately reduce surplus global output by 1 million barrels per day (bpd). Brent was trading at around \$34 a barrel at 1940 GMT.

Higher crude prices would be welcomed by oil-rich countries where the steep slide has squeezed budgets and caused political turmoil. Some countries have had to devalue their currencies.

"Indeed, these parameters were proposed, to cut production by each country by up to 5 percent," Novak said when asked if Saudi Arabia had made a proposal to cut output.

"This is a subject for discussions, it's too early to talk about."

Oil sank to 12-year lows of around \$27 a barrel earlier this month, from as high as \$115 some 18 months ago, as the U.S. shale oil boom boosted output and OPEC decided to pump more to fight for market share against higher-cost producers.

But cheap oil has caused economic pain in many producer countries. In Saudi Arabia it has pressured the currency and opened up a record state budget deficit of around \$100 billion.

In Russia, the rouble hit an all-time low, street protests have flared in Azerbaijan and investors are concerned about a potential debt default by OPEC member Venezuela.

PUTIN SILENT

Novak also told reporters there was a proposal for a meeting between the Organization of the Petroleum Exporting Countries and non-OPEC nations at the oil minister level and that Russia was ready for such talks.

"There are lots of questions about the oversight over cuts," he added.

Saudi Arabia has repeatedly called on non-members to contribute to output cuts if they want OPEC to help producers deal with the oil glut with the world running out of space to stockpile unwanted crude.

A senior Gulf OPEC delegate said on Thursday after comments by Novak : "Gulf OPEC

countries and Saudi Arabia are willing to cooperate for any action to stabilize the international oil market."

Russia has long rebuffed the idea of cuts, saying its fields differ from those in the Gulf and are difficult to shut.

President Vladimir Putin, who has yet to comment on the idea of joint cuts, sees the oil sector as an important bargaining chip in relations with the West that have become tense due to disagreements over Russia's annexation of the Crimea region and over the conflict in Syria.

"You have to take this seriously now. Key will be if Russia can deliver," said Gary Ross, a veteran OPEC watcher and founder of U.S.-based Pira group.

Brenda Kelly, head analyst at London Capital Group, said the proposed cuts were unlikely to happen.

"There have been attempts in the past that have come to (nothing). Saying something about the oil price and doing something are very different things, and it seems like panic given the price drop," she said.

A global deal could also be complicated by OPEC member Iran, which wants to raise output after the lifting of Western sanctions which had curtailed production for years.

"Because of the international sanctions, we lost 1.1 million barrels per day of our exports. So we have to go back to our share of the market," a source familiar with Iranian thinking said.

<http://www.todayonline.com/business/russian-says-saudi-arabia-proposed-oil-output-cuts-5-percent?page=1>



INSURANCE MARKET: NEWS AND COMMENTARY; Siluanov not ruling out Sberbank, VTB privatizations but proposes starting with Rosneft

28 января 2016

Interfax: Russia & CIS Insurance Weekly

Privatization sales at Russia's biggest state banks are a possibility, but the state needs to sell a stake in Rosneft first, Finance Minister Anton Siluanov said.

"We are talking first off about a stake that should have been sold several years ago. This is the 19.5% Rosneft stake. It is not ruled out that this will those banks that you mentioned," he said on the Vesti v subbotu television program, asked whether the Economic Development Ministry and Finance Ministry held the same position concerning privatization sales at Sberbank of Russia and VTB.

At the **Gaidar Forum** last week, Economic Development Minister Alexei Ulyukayev spoke of the need to return to the question of privatizing those banks.

It is still too early to speak about the timetable for a potential Sberbank of Russia privatization sale because legislative amendments - which the Economic Development Ministry is prepared to supply - must be made first, Ulyukayev told journalists.

"This question is ahead of time. For Sberbank, as is well known, the law currently does not allow it [for the Central Bank of Russia's stake in Sberbank to fall below 50% plus one share]," Ulyukayev said concerning the timing of the privatization sale.

"But we will make proposals [submit the appropriate changes]," he said.

Elsewhere, unifying the system for administering collection of taxes, customs fees and insurance payments to non-budgetary funds within the Finance Ministry, and unifying the information systems of the Federal Tariff Service (FTS) and Federal Customs Service (FCS), could have an impact on budget revenue as early as the first half this year, Siluanov said.

"The effect is an increase in tax collections. A portion of the decisions will become operative in the very near future. We have agreed to create an operational plan in the course of two months on interaction between the tax and customs services, although the issues of integrating the information systems will take about a year, I think," Siluanov said.

These will require legislative and statutory changes, "as will transfer of administration of insurance payments from the Pension Fund to the FTS," he said. "This will take some time; it will require a lot of legislative work. But we are setting ourselves the goal of achieving an impact on the budget from this unification this year, setting ourselves the goal of having this impact in the first half," Siluanov said.



Living standards in Russia are decreasing and will continue to decrease. Over a third of the Russian population may join the poor this year

26 января 2016

WPS: Banking and Stock Exchange

The number of poor families in Russia nearly doubled in 2015, according to the findings of the survey announced by WCIOM in late December: the number of families whose money is only enough for food and those who have no money enough even for food was 39% as of the end of 2015, an increase of 17% compared to 2014.

The share of the middle class - those who can afford major purchases such as furniture and a car - decreased. The picture is supplemented with a minor increase in the share of the well-off who can afford virtually everything. Growth of poverty has begun in

Russia again, which is always accompanied by an increase in income inequality.

Surprisingly as it may be, but the government seems not to view it as a problem: at the **Gaidar Forum** held recently, economic officials were speaking about cutting of budget expenditures, representatives of the social arm of the government about targeted support (Labor Minister Maxim Topilin said, in particular, that regions should not support employed holders of pensions with payments). It only remains to note that while following the same course, in disregard of the fall of real consumer spending and problems with economic growth, the government does not do anything to improve the people's living standards, driving the population even deeper into poverty.

The worst thing is that the purchasing value of the ruble is diminishing. With growth of inflation in 2014, real personal income has been going downwards since then. Moreover, all the trends of today show that real income will continue falling this year as well.

"This crisis will be the first crisis "with a human face" in many years," Dmitry Belousov, Head of Macroeconomic Process Analysis and Forecasting, CMASF, said to Expert. "We had no or little loss of well-being in 2008. In 2016 and 2017, we will see a negative trend of real wages and real income. This will take place for the first time since 1998, and the crisis will affect a large number of average residents for the first time in the last twenty years." CMASF estimates that real wages will likely decrease by about 9% as of the end of 2015, and their downward trend will continue in 2016 to reach minus 3.4-3.8%. Consequently, real personal income will fall by 2.5-3%.

Inflation accounts for much of the real income decline. Contrary to the Bank of Russia's illusions, inflation does not hurry to reach the announced target, and a new rise in inflation may be seen in 2016. "The trend of inflation in 2016 looks somewhat uncertain," says Anton Struchenevsky, a senior economist at Sberbank CIB. "A month ago, 7 percent looked quite a realistic figure. However, the fall in oil prices in December 2015 and January 2016 accelerated the ruble devaluation, which will result in higher inflation." In his opinion, if oil prices flatten out at USD 30 per barrel at least and the exchange rate keeps within RUR/USD 75-80, inflation will not exceed 10%. "Inflationary expectations keep at a rather high level in Russia. There is a high likelihood that an increase in nominal spending will go behind the price rise and real personal income will continue reducing this year. I'd expect real income and consumption to decrease from zero to 3 percent in 2016. This is much better than the drop by about 8% in 2015."

Many middle-class consumers noticed their daily spending growing much stronger than it could have been expected based on the official inflation. How high is real inflation and how far is it from the officially announced figures? It is difficult to answer this question as nobody made any calculations to that effect, but intuition suggests: the higher the standard of living and the wider the consumer basket, the higher the rate of inflation. The list of goods and services used by Rosstat for the calculation of the underlying CPI reflects more the living standards of the 1980s than the current ones. For example, the list includes men's and children's jeans, but does not include women's jeans. There are diapers and crawlers on the list, but there are no modern baby sleepers. There is pearl barley, but there is no wide array of vegetables and greens (sweet pepper, salad, zucchini), etc. The CPI is affected by such insignificant or rarely purchased goods as

thread or a wedding ring. Therefore, the set of goods and services which a middle-class consumer buys regularly looks different today and seems to be rising in price stronger than the one defined by Rosstat.

"There is one more unpleasant trend: seasonally-adjusted sales of goods have been falling since H2 2015," adds Dmitry Belousov. "Sales of food staples decrease more significantly than those of nonfoods, although it is usually the other way around: during a crisis, consumers usually choose not to buy nonfoods rather than food." There may be two explanations, says the economist: either consumers use the products of private subsidiary farming more actively or more and more consumers come short of money for food. The findings of opinion polls speak for the latter. "So, the reduction in food sales may hide a drama of the group of people - the poor and those who become poor today," Dmitry Belousov noted.

Impacts on the consumer's purse increase not only because goods and services are rising in price. There is a combination of factors not taken into account in real income figures. They are taxes and other fees and levies. In particular, effective this year, residents will have to pay a real property tax based on the assessed value instead of the cadastral one. The minimum term of possession of an apartment required not to pay a personal income tax when the apartment is sold increases from three to five years. Fees for major repair introduced in the mid-2015 will have to be paid for the full year 2016.

Fines are a separate item of expense: for example, penalties for a delay in payment of housing and public utilities increase by 2.3 times with effect from this year.

Finally, regions and local governments are scaling down their own measures of support: a few days ago, spontaneous protest actions swept over Sochi and Krasnodar where pension-holders have no more privileges in traveling by public transport (such privileges were left only to those whose income is below the subsistence level). This is the targeted support as it is viewed by Maxim Topilin: the Krasnodar Territory will save RUR 600 million. Moscow acts in own way: by increasing the paid parking zone. One way or another, consumers' spending increases with new and new payments.

Lyudmila Rzhantsyna, an honored economist of Russia, reminds that a free-of-charge basis of the most important services like education, public health and social services is not included in income calculation, but this basis is decreasing. "As is known, social mandates were shifted onto the regions in 2015 and 2016," says the economist. "The situation in the regions is worse, and debt has already reached more than RUR 2 trillion. This is a factor of deterioration, too. Generally speaking, the so-called targeted social action procedure was introduced in the 1990s as directed by the World Bank, but later on, everybody switched to categorical accounting of social assistance and thereby rescued the socially weak population. The targeted procedure is a way of unrecorded saving on the population, taking refuge in slogans like "compliance with all social obligations"."

Saving, including within the budget, is not a way to development, says Lyudmila Rzhantsyna. Other methods are needed. "The most important thing is to restrain the Ministry of Finance and cut it down to the size fitting for such agencies. A purse cannot

be in command of the head. The head should be used. It is necessary to calculate effectiveness, at least in the medium-term, not here and now. Today the most important thing is to provide support to working people and wages in order to overcome the crisis. In Russia, the minimum wage was raised to RUR 6.4 thousand a month, which is only half of the subsistence level. What's the point in working if wages are at this level? What's the point for a business owner to introduce expensive equipment or improve efficiency with such an "indulgence"? One more way out is to impose a graduated income tax on the very rich: for example, a personal income tax may be increased by, say, 2% for those whose monthly income exceeds RUR 1 million. One percent of the Russian people hold 70% of all personal assets versus 46% worldwide on average. This additional two percent may be used as taxes in favor of, say, children. Besides, science shows that this is a way of raising GDP. By the way, taxes on personal income are higher than ours everywhere. Similar taxes in favor of children could be received from gambling business. There were proposals to give excise duties on alcohol and tobacco to support of families with children or, in other words, to switch to household taxation."

However, all these measures demand from the entire government concerted efforts in combating the growing poverty, but for the moment, the government does not even think that such combating is needed.

Evgenia Obukhova "Poor Man, Poor Man", Expert, No.3, January 18, 2016, p.26

EL PAÍS

Los rusos se lanzan a hacer patria hasta

26 января 2016

Испанский

<http://inosmi.ru/social/20160127/235188055.html>

http://elpais.com/elpais/2016/01/25/opinion/1453744853_694927.html%20 (платный просмотр)



РосБизнесКонсалтинг

Economists do not rule out downgrade of Russia's rating

26 января 2016

RosBusinessConsulting

International rating agencies may downgrade Russia' sovereign rating this year if oil prices continue to slide, more than half of analysts polled by RBC said.

Sixteen out of thirty analysts believe that Russia's rating could be lowered by one notch.

Standard and Poor's (S&P) and Moody's have already cut Russia's ratings to junk, but Fitch Ratings still keeps it at the investment level of BBB-.

Six experts say that the country's rating would be revised down if oil drops to \$15-20 a barrel. Two economists opined that the cut is possible with oil price at \$25, and four analysts believe that it will happen if oil price stays at the current level for a long time.

With oil prices at the present level Russia's reserve funds will run dry and the country will no longer have a safety cushion, Berenberg Bank Economist Wolf-Fabian Hungerland said.

The resolutions of the Central Bank of Russia (CBR) and the Finance Ministry will also weigh on the rating agencies' decisions, Uralsib Senior Analyst Irina Lebedeva said.

For example, cancellation of the ruble free floating policy will be regarded as a negative factor. The Finance Ministry's control of the federal budget is also important, Lebedeva said.

"We believe that the rating decision will primarily depend on how the Russian economy adjusts to low oil prices," Promsvyazbank's Chief Analyst Ekaterina Krylova said.

Meanwhile, seven economists are confident that the international rating agencies will not downgrade Russia's sovereign rating and the same number of pundits abstained from answering this question.

Rating agencies are currently revising down oil price forecasts and consequently lowering the growth forecasts of all oil-producing countries including Russia, BofA Merrill Lynch Chief Economist for Russia and CIS Vladimir Osakovsky said. "But considering our current rating, the chances of it being cut further are substantially lower than that of other oil exporters especially if the government's efforts to rebalance the budget, free float the ruble, and the Reserve Fund are taken into account," he said.

The government is actively looking for alternative sources of financing, the expert pointed out. For example, it is likely to start privatization if oil price falls. "The government intends to preserve part of the Reserve Fund. With a deficit of 3% or a little higher and borrowings planned by the Finance Ministry the Reserve Fund should have enough money for a couple of years," Osakovsky said.

Rating agencies are guided by a budget deficit of 3.2%-3.8% of GDP, Gulnara Khaidarshina, deputy head of department for market environment analysis at Gazprombank, said. The federal budget deficit is planned at 3% of GDP in 2016 assuming the average price of Urals oil at \$50 a barrel, she added.

Also, a sovereign rating is supported by considerable amounts of international reserves, that's why the CBR won't resort to forex interventions to prop up the ruble in the near future, she opined.

The amount of public spending reduction will be an important factor, BNP Paribas Economist for Russia Eldar Vakhitov said. "There is still no clarity on this issue, therefore rating agencies are likely to wait for a new version of the budget before taking any steps," he said.

The Russian government plans to cut budget spending 10% in 2016, Reuters reported at the beginning of January citing sources. This decision was reportedly made at a meeting chaired by Prime Minister Dmitry Medvedev in December, Reuters said.

Speaking at the **Gaidar Forum** 2016 Medvedev said that if oil price continues to fall the budget parameters based on the average price of \$50 a barrel would have to be revised. The PM called for preparing for the worst-case scenario like other countries do.

S&P and Moody's maintain Russia's ratings below the investment grade. S&P downgraded Russia's rating to the speculative grade of BB+ in late January 2015. Moody's followed the suit by downgrading Russia's debt status to Ba1, which is also a speculative-grade rating. Both agencies affirmed their ratings at the junk level in late 2015, with negative outlook from S&P and stable outlook from Moody's.

Fitch is the only one of three major international rating agencies to keep Russia's sovereign credit rating at the investment-grade of BBB-. The agency affirmed it in October 2015 with negative outlook. It said that external conditions deteriorated since July, translating into a weaker oil price outlook, higher ruble volatility and higher inflation, but the depreciation of the ruble continued to benefit the balance of payments.

If one of the agencies downgrades the rating, this decision will have a small impact on the government's debt, Evgeny Malukhin, director of investment department at Aton Management, said. "There were such fears in late 2014 and early 2015 and those investors and funds that are sensitive to a change in the rating already got rid of securities." However, the rating often serves as a covenant in loan agreements and its downgrade may trigger a revision of such agreements, the expert added.



In his address to the Asian Financial Forum on January 18, Deputy Prime Minister Arkady Dvorkovich assured investors that, despite the crisis, the Russian government is committed to achieving economic growth this year. Russian observers were puzzled, to say the least. Are there are reasons for such expectations?

25 января 2016

WPS: Banking and Stock Exchange

"We are committed to achieving a positive rate of economic growth this year, despite the economic crisis. We keep up a permanent dialogue with the business community, discussing ways of support to the economy and opportunities for the business climate improvement," TASS quotes Arkady Dvorkovich as saying.

If the Deputy Prime Minister's words are cited correctly, then his speech may be called a bolt from the blue. The point is that this speech devaluates everything what was said by other governmental officials a few days earlier.

The media carried reports of a draft of the updated baseline forecast from the Ministry for Economic Development in which the recession in the Russian economy is extended for one more year: with the oil price of USD 40 per barrel, the GDP decline will be 0.8% in 2016. Besides, Economic Development Minister Alexei Ulyukaev who toned down his optimistic speeches told about a stress scenario for oil at USD 25 per barrel. Yet, as the minister made believe, even in this case, economic downturn will be smaller than it was in 2015.

Deputy Finance Minister Maxim Oreshkin said on the sidelines of the **Gaidar Forum** that, as expected by the ministry, Russia's GDP, seasonally-adjusted, would drop in Q1 2016 compared to Q4 2015. In 2016 in general, year-end GDP dynamics will be near zero with oil price of USD 40 per barrel, Interfax quotes Maxim Oreshkin as saying.

In late 2015, the Bank of Russia released "The Main Trends of Monetary Policy" giving the following details of the baseline scenario: the average annual price of the Urals oil will be USD 50 per barrel in 2016, Russia's GDP will shrink by about 0.5-1%. Later on, the Bank of Russia specified that the current situation "is more in line with a risk scenario". "The risk scenario is that the Urals oil prices will fall to USD 35 per barrel in 2016 and keep low in the medium-term. In this scenario, the GDP decline is estimated at 2-3% in 2016," the ministry's press service said.

The regulator's intention to toughen the monetary policy again is not conducive to economic growth either. On January 14, Ksenia Yudaeva, the Bank of Russia First Deputy Governor, announced increased inflationary risks and said that "the monetary policy path will be somewhat tougher than it was expected earlier."

Arkady Dvorkovich may have brightened up Russia's prospects intentionally to attract investors. Demonstrating optimism before foreign investors is good, but it should hardly come to discrediting the government.

Or Arkady Dvorkovich means something special by saying the word "committed". Probably, he meant only the government's desire to have economic growth at year-end, but this desire is not fortified by objective factors.

Many experts do not hurry to make precise forecasts as forecasts in respect of Russia depend directly on ups and downs of oil quotations. "The current global economic environment allows great latitude in forecasting. Too many variables affect the accuracy of forecasts. Since the Russian economy remains pinioned to oil quotations which have been very volatile in recent months, we can speak about a firm downward or upward trend within a certain range as much as we wish, but accuracy of forecasts will be in doubt all the same," says Pavel Sigal, First Vice President of OPORA Russia.

The expert detailed possible drivers for economic growth in Russia, "Liberalization of small business, a reduction in lending rates, alleviation of taxes, though it will be to the detriment of the budget at first." "The increase in the share of non-oil and gas exports and diversification of income may be viewed as the most significant positive shift. For the moment, this increase stems mostly from the fall in prices for energy resources, but in the future, I hope, economic growth will be based on high added-value goods," Pavel

Sigal adds.

Some experts called Arkady Dvorkovich's speech bravado and told why the Russian economy is unlikely to grow this year. "In 2015, the weakening ruble neutralized losses from the falling prices for raw materials, for example, for metal manufacturers. This resource has nearly been used up by now. Therefore, the majority of companies will likely have much worse economic results in 2016," warns Azret Guliev, chief analyst of Solid Company. "Since no special structural changes are seen in the Russian economy for the moment, a rebound of commodity prices is the only thing the Russian government can count on."

Andrei Lyushin, Deputy Chairman of the Management Board of Locko-Bank, says that the government may actually have any result as of the year-end should statistics be treated as needed.

"Growth by 1% or a drop by 1% may be considered a statistical error. Everything is actually in the hands of our statistical department," says Andrei Lyushin. "It is obvious to the people engaged in real business that the economy is shrinking, bank liquidity contracting. There are defaults on corporate bonds - the thing which was rare a short time ago."

However, some experts tend to believe in minor growth in the future. "The situation on the oil market will remain rather challenging in the first half of the year, but the second half-year may see a strong recovery of oil prices fueled by a decline in global oil production, which may raise Brent oil quotations to more than USD 50 per barrel. So, we may see a recovery of the economic situation in Russia in the second half of this year," says Bogdan Zvarich, an analyst of Finam. In this case, capital inflows into the economy, improvement of the business climate, growth of consumer demand, investment and GDP may be expected, he notes.

Anastasia Bashkatova "The Government Split on Country Development Prospects", Nezavisimaya Gazeta, No.7, January 19, 2016, p.1

Chicago Tribune

Putin's oil despair drives lucky few investors toward the exits

February 24, 2016

Dmitri Barinov has been following the volatile economy of his homeland from the safe distance of Union Investment's offices in Frankfurt.

Last year, as other money managers were steering clear of Russia's broken economy, the Moscow-born Barinov pulled off something of a coup: He persuaded his bosses to take the plunge and buy Russian government bonds. It was a narrow bet, but he ended

up winning because the central bank-after implementing the biggest interest rate hike since the Russian financial crisis in 1998 to prop up the collapsing ruble-changed course and aggressively backtracked.

In the first 10 months of 2015, ruble-denominated government bonds handed investors such as Barinov a 25 percent return in dollar terms, the biggest gain for local bonds anywhere.

This year not even Barinov can spot an escape from the rubble of an economy mired in its longest recession in two decades. Sanctions imposed by the United States and the European Union to punish President Vladimir Putin for meddling in Ukraine remain a drag on growth. And oil's decline to a 13-year low has been catastrophic for Russia, where almost 50 percent of government revenue comes from crude and natural gas.

"With oil, you rely on a very volatile factor," says Barinov, who oversees about \$2.6 billion in assets. So as far as he's concerned, "all bets are off."

A persistent glut in crude supply could push prices to as low as \$16 a barrel this year, according to former Russian Finance Minister Alexei Kudrin. Kudrin won plaudits overseas for his stewardship of Russia's finances during Putin's first decade in power. As the current crisis deepened, Bloomberg News reported in December, he was in discussions about a possible return to government. (He declined to comment on that.) A Putin ally, Kudrin remains negative about Russia's prospects. "Over the next year to 18 months," he says, "Russia will suffer major economic difficulties."

Thanks to the plunge in oil prices, says Dmitri Barinov, "all bets are off" when it comes to investing in Russia.

In his early days in office, Putin didn't have to contend with such unpleasantness. The year he came to power-2000-oil traded at an average of \$28.44 a barrel. For eight years, he benefited from rising oil revenue and gross domestic product growth averaging 7 percent.

Putin usually revels in his annual year-end press conference, fielding mostly harmless questions for hours on end. At the one on Dec. 17, however, even reporters from state-controlled media grilled him on the economy. Tamara Shornikova, a journalist from a state TV channel, asked the 63-year-old Putin how pensioners and others can get by when "bills keep growing."

The president, his mood clearly darkening, noted disparagingly that the channel's "audience is not very large, probably, but I sometimes watch your programs." He said the government was trying to index pension increases to inflation (12.9 percent last year). "We will see how the situation in the Russian economy plays out," he said. "I would really like 2016 indexation to be at least on par with the annual rate of inflation. I cannot say whether we will be able to do it or not."

With the 2015 budget based on \$50 a barrel, says former Deputy Economy Minister Mikhail Dmitriev, "even \$40 a barrel is a dangerous scenario for Russia."

The country holds parliamentary polls in September and a presidential election in 2018, when Putin is expected to run again. The election cycle puts pressure on the government to spend beyond its means, says Dmitriev, who five years ago accurately foresaw the street demonstrations over allegations of vote rigging in legislative elections that turned into the biggest protests of Putin's rule. "If social dissatisfaction boils over," he says, "Russia will adopt a populist economic policy for an extended time."

That kind of spending could exhaust Russia's National Wellbeing and Reserve funds—currently totaling about \$120 billion—within a year or two, says former Russian government adviser Sergei Guriev, who takes over as chief economist of the European Bank for Reconstruction and Development in mid-2016. "After that," he says, "they will have to increase taxes on businesses, which will undermine incentives to invest, resulting in continuing capital outflow and a further decline in GDP."

In mid-January, as snow blanketed Moscow, the mood was grim at the Gaidar Forum, a kind of Russia-focused mini-Davos. The yearly economic conference is named after the free-market Russian economist Yegor Gaidar, who pioneered the shock therapy that introduced capitalism to Russia in the early 1990s. Finance Minister Anton Siluanov set the tone for the event, warning that without deep budget cuts to keep the deficit at 3 percent, the country risks a financial crash like that of the late '90s, when Russia defaulted on its debts, the ruble crashed, and inflation spun out of control.

Siluanov's assessment surprised no one. Russian GDP contracted 3.7 percent last year and could fall as much as 3 percent in 2016 if oil prices average \$35, according to the central bank. In January, the ruble sank to new depths—60 percent below its value against the dollar in mid-2014.

On a weekday evening in January at Moscow Domodedovo Airport, a trickle of passengers flowed through passport control, with half the booths closed. Several carriers, including Delta Air Lines, Air Berlin, and Cathay Pacific Airways, have stopped flying to Russia because of low passenger traffic and the ruble's devaluation.

Last December, in the runup to New Year's Eve and Orthodox Christmas festivities, retail sales—which fueled profits for the German cash-and-carry chain Metro, Sweden's Ikea, and others during the boom years—had their biggest contraction since 1999. Not long ago, the Russian car market was set to overtake Germany's, the largest in Europe. Yet in 2016, auto sales are expected to fall for a fourth consecutive year.

Putin has said Ukraine-related sanctions have helped devastate the Russian economy. He sees them as a conspiracy against Russian resurgence on the world scene. But the impact of sanctions pales in comparison with that of oil. In a recent report, Citigroup said sanctions are responsible for just one-tenth of Russia's economic contraction, with plunging crude prices responsible for the rest.

Union Investment's Barinov is hardly alone in scaling back investment in Russia. After also reaping profits from bond gains last year, Ogeday Topcular, managing partner at Ram Capital in Geneva, who helps oversee \$300 million in fixed-income assets, sold all of his Russian local debt holdings in mid-2015 because of concern about the ruble's dependence on oil.

Mark Mobius, chairman of the emerging-markets group at Franklin Templeton Investments, which last year shut its underperforming 20-year-old Russia fund, says the oil curse is weighing heavily on the economy. "In view of the fact that the Russian government budget has been so reliant on oil prices, it is clear that the prospects for the economy and the market aren't good," he says.

Russia may exhaust its \$120 billion in rainy-day funds within a year or two, says one former government adviser

Last fall, a glimmer of hope pierced the gloom. Russian assets rallied following the start of Putin's air war in support of Syria's President Bashar Assad in September. It was a clever-looking ploy by Putin, who has a knack for outflanking Western leaders. The idea was that Russian intervention would give Moscow a role in high-level diplomatic efforts to find a resolution to the Syrian civil war-and a seat at the top table of world powers once again.

If only temporarily, the gambit worked. Putin's intervention forced U.S. and European leaders to engage in a conversation with Russia, fueling speculation that Ukraine-related sanctions might be eased. "Of course Putin wants to get out of isolation," says Gleb Pavlovsky, a political analyst who advised the Kremlin during Putin's first two terms. "The Syrian campaign was dreamed up precisely as a way to get out of isolation."

At the end of last year, the United States, Russia, and other big players agreed to push for a power-sharing government in Damascus by the middle of this year and elections a year later. In February they came up with a cease-fire plan. But the outcome of the peace process was in doubt as a Kremlin-backed military offensive not only shored up the Assad regime but also dangerously poisoned relations with Turkey, a NATO member and one of Russia's biggest trading partners, which threatened to send troops to Syria.

Putin's failure to diversify the economy away from its heavy dependence on oil remains the country's fatal flaw. "The Russian government missed opportunities to implement serious reforms in the economy and diversify the budget revenues," says Marco Ruijer, who oversees about \$7 billion of debt as a money manager at NN Investment Partners in The Hague. While some Russian sovereign and corporate bonds are "attractive," he says, "many investors are now selling everything that's oil-related, and Russia is part of that, of course."

Cayman Islands-based Prosperity Capital Management, which has \$2 billion invested in the country, is a rare bull among bears. It's counting on a rebound in oil prices and an improvement in the geopolitical climate. "The issue of sanctions has been pushed aside," Prosperity director Ivan Mazalov says. "Investors are used to working with Russian assets in the new reality."

In this new reality, if there's any ray of hope, it's that the markets have already discounted Russia's myriad problems, says John Manley, who helps oversee about \$233 billion as chief equity strategist for Wells Fargo Funds Management in New York.

Putin could reassure investors by moving ahead with long-stalled privatization plans as well as improving the rule of law to ease pressure on businesses, says Ivan Tchakarov, chief economist in Russia for Citigroup. Russia ranked 119th on Berlin-based Transparency International's corruption perception index, released in January, behind Pakistan and Tanzania.

Fundamentally, Russia is a "commodity play," says Gary Greenberg, who helps oversee about \$1.8 billion as head of emerging-markets equities at London-based fund manager Hermes Investment Management. Since Russia's main exports-raw materials-are dependent directly and indirectly on China's lackluster growth, the outlook for Russia "is moderate at best," he says.

"In terms of emerging markets, it feels a lot like 1997," says John-Paul Smith, the former Deutsche Bank strategist who predicted Russia's 1998 market crash and went on to found Ecstrat, a London-based research firm. "The Chinese have been doing everything to get their economy going again, and they simply can't do it."

Then there's the bleak view of Bill Browder, an American investor who became one of Putin's most nettlesome *bêtes noires* and paid a price for it. Browder, a grandson of a U.S. Communist Party leader, ventured into Russia in the 1990s. He made a fortune specializing in undervalued Russian blue-chip stocks such as state-run Gazprom, the largest gas producer in the world, which saw the value of its stock soar 750 percent from 1999 to 2005. Browder's Hermitage Capital Management started with \$25 million in 1996 and at its 2005 peak had \$4.5 billion under management, making it the biggest investment fund in Russia.

The London-based Browder was barred from Russia in 2005 after pushing aggressively for the rights of minority shareholders. He became a vocal critic of Putin after his accountant, Sergei Magnitsky, uncovered the theft of \$230 million from the Russian treasury and later died under suspicious circumstances in a Moscow prison in 2009.

For Browder, like many investors with long experience in Russia, it all comes down to Putin, who's expected to win reelection to another six-year term in 2018, despite Russia's economic travails. "No matter how cheap anything might seem," Browder says, "it doesn't matter if you're on a negative trajectory." He says the economy still has depths to plumb. "It hasn't hit bottom, because Putin is still in power."

<http://www.chicagotribune.com/news/sns-wp-blm-russia-econ-assess-288c41ce-dae7-11e5-8210-f0bd8de915f6-20160224-story.html>



Интервью с Георгием Дерлугьяном
22 января 2016 г.

http://www.bbc.com/russian/society/2016/01/160120_georgi_derluguian_interview



NAVAL OPTIMISM IS NOT CONFIRMED BY ANYTHING

Vladimir Gundarov

Nezavisimoe Voennoe Obozrenie, No. 2, January 22-28, 2016, p. 2

NON-OBSERVANCE OF THE STATE DEFENSE ORDER OF 2015 WITH REGARD TO NAVAL HARDWARE IS HUGE

In 2015, Russian practically fulfilled the plan of hardware supply to the Navy. Everything that has not been fulfilled will be fulfilled in the first quarter of 2016.

Last Saturday, head of the shipbuilding department of the Navy Captain of the First Rank Vladimir Tryapichnikov shared optimistic plans for the future with the audience of one of the Russian radio stations. He reported that last year the Navy had to receive 51 combat ships. Tryapichnikov said, "And we practically fulfilled the plan. Everything that we have not fulfilled we will fulfill in the first quarter of 2016." However, non-observance of the state defense order of 2015 is huge. The Navy fell short of two first frigates of project 11356 Admiral Grigorovich and Admiral Essen, frigate of project 22350 Admiral Gorshkov, big landing ship of project 11711 Ivan Gren and sea tug of project 12700 Alexander Obukhov. The head of the shipbuilding department denied the information of mass media that Ivan Gren would be commissioned with the Navy not earlier than in 2017.

According to Tryapichnikov, in 2016 the Navy should be refilled with 42 ships and vessels and 15 ships and vessels will be laid down. Only absence of money and imported components can prevent this. At the **Gaidar forum** Dmitry Medvedev said, "It is necessary to live according to your wealth." Economic Development Minister Alexei Ulyukaev confirmed that ministries and agencies were ordered to prepare proposals about reduction of expenses by 10%.

Navy is the most expensive part of the Armed Forces. If it is necessary to reduce financing of the state defense order this will be done, first of all, at expense of the navy. That is why it is difficult to believe that modernization of heavy aircraft-carrying cruiser Admiral Flota Sovetskogo Soyuza Kuznetsov will begin at the end of 2015 and construction of universal landing ship similar to Mistral will begin in 2018. Promises that very soon the Pacific Fleet will be refilled with a series of submarines of project 636 Varshavyanka looks more realistic. But it is necessary to complete two submarines for the Black Sea Fleet first.

Along with this, situation regarding submarines of project 677 Lada with air-independent power plants remains not very good. Although Tryapichnikov stated that first tests of the power plant demonstrated that according to its characteristics it would not be worse than foreign counterparts submarines of project 677 would probably be powered by ordinary diesel engines for a long time ahead. In general, "there are questions" about them after 20 years of their construction. St. Petersburg, the lead submarine in the

series, remains in pilot operation in the Northern Fleet. Tryapichnikov states, "There are questions but when they are settled, corrections are made to the working designer documentation and instruction manuals this will be a serious submarine."

Today, it is easier to promise modernization of heavy nuclear missile cruiser Petr Veliky to the Navy after 2018 and it is much easier to promise construction of a nuclear aircraft-carrier by 2030 than to complete construction of Ivan Gren this year. Along with this, Russian Navy has always been strong because of this very optimism.



FINANCIAL & BUSINESS SERVICES; Sberbank privatization cannot take place before end of 2016 - Gref

22 января 2016

Interfax: Russia & CIS Business & Investment Weekly

DAVOS. Jan 21 (Interfax) - The privatization sale of a portion of Sberbank of Russia shares can take place no earlier than the end of 2016 or 2017, bank chief German Gref said.

"I think we will be able to talk about privatization at the end of this year or in 2017, but no sooner. Now is the right time for the privatization, but first we have to wait for the market situation to stabilize," Gref said in an interview on CNBC television.

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POLITICS. ECONOMY; Siluanov not ruling out Sberbank, VTB privatizations but proposes starting with Rosneft

22 января 2016

Interfax: Russia & CIS Business & Investment Weekly

PETROVPAVLOVSK-KAMCHATSKY. Jan 18 (Interfax) - Privatization sales at Russia's biggest state banks are a possibility, but the state needs to sell a stake in Rosneft first, Finance Minister Anton Siluanov said.

"We are talking first off about a stake that should have been sold several years ago. This is the 19.5% Rosneft stake. It is not ruled out that this will those banks that you mentioned," he said on the Vesti v subbotu television program, asked whether the Economic Development Ministry and Finance Ministry held the same position concerning privatization sales at Sberbank of Russia and VTB.

At the **Gaidar Forum** last week, Economic Development Minister Alexei Ulyukayev spoke of the need to return to the question of privatizing those banks.

It is still too early to speak about the timetable for a potential Sberbank of Russia privatization sale because legislative amendments - which the Economic Development Ministry is prepared to supply - must be made first, Ulyukayev told journalists.

"This question is ahead of time. For Sberbank, as is well known, the law currently does not allow it [for the Central Bank of Russia's stake in Sberbank to fall below 50% plus one share]," Ulyukayev said concerning the timing of the privatization sale.

"But we will make proposals [submit the appropriate changes]," he said.



RUSSIAN BANKS; Sberbank privatization in 2016 unrealistic - Gref

22 января 2016

Interfax: Russia & CIS Banking & Finance Weekly

DAVOS. Jan 22 (Interfax) - The privatization sale of Sberbank of Russia shares in 2016 is most likely unrealistic, bank CEO German Gref told journalists at the World Economic Forum in Davos on Friday.

The day before, Gref said he thought a Sberbank privatization sale might take place no later than the end of 2016 or in 2017.

"I don't think it's very realistic this year because if we talk about Sberbank, then privatization law needs to be changed. Of course we need to wait for the right moment for privatization, and I'm not prepared to say when that might be, whether it'll be this year, next year or a year later," Gref said on Friday.

Gref said it was necessary to wait for a time when there is not so much volatility in the market, but at the same time "it is hard to choose the right moment for privatization in such a challenging economic situation."

"Many people are saying today that loss-making assets should be sold. That, too, is right, only they'll be sold for a pittance. But if we're talking about the budget's fiscal function, then you can't make any money in loss-making assets, so you have to sell profitable, interesting assets," he said.

Gref said Sberbank would be in demand among investors when it is being privatized.

"We'll have to wait for a serious decision at the level of the State Duma, the Central Bank regarding a time when we can hit the market," Gref said.

At the **Gaidar Forum** last week, Economic Development Minister Alexei Ulyukayev spoke of the need to return to the issue of privatizing VTB and Sberbank of Russia. Gref subsequently said that the government was not discussing a privatization with Sberbank "in detail" but said his attitude toward the idea was "exclusively favorable, as is the idea of privatizing the other banks and the bulk of state property."

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Wirtschaftslage in Russland: Systemkrise sorgt für Talfahrt

Tagesschau.de, 10:41, 22 января 2016, 1163 слов, (Немецкий)

Rubelverfall und Rezession - die Wirtschaft in Russland schrumpft. Die Ursachen der Talfahrt sind jedoch nicht Ölpreisverfall oder Sanktionen, sondern vielmehr strukturelle Probleme. Experten sprechen von einer Systemkrise.



Banking and state insurance
Weekly inflation runs 0.2%

22 января 2016
SKRIN Newswire

From January 12 through January 18, 2015 consumer prices in Russia rose 0.2%, data released by the Federal Statistics Service on Wednesday showed.

As earlier reported, from January 1 till January 11 the inflation rate in Russia came in at 0.3%. Overall, prices jumped 3.9% during the first month of 2015, the statistical

authority noted.

The Bank of Russia expects January the Russian inflation rate in January at 9.7% to 10% against January 2015. This preliminary estimate was specified in a information and analytical comment published on Wednesday. Deputy Finance Minister Maxim Oreshkin forecast earlier this week that Russian inflation would be around 10% y-o-y in January.

The Bank of Russia expects inflation under 7% by the end of 2016, the Bank of Russia's Monetary Policy Department chief Igor Dmitriev said at the **Gaidar Forum**. According to RosStat data, Russian inflation equaled 12.9% in 2015. / banki.ru

INSURANCE MARKET: NEWS AND COMMENTARY; Kudrin suggests merging Reserve Fund, NWF

21 января 2016

Interfax: Russia & CIS Insurance Weekly

Given that the difference between the Reserve Fund and National Welfare Fund (NWF) is only notional and given the emergence of problems with the pension system, which is what the NWF was created for in the first place, maintaining the two funds as separate entities is no longer worthwhile, former finance minister Alexei Kudrin said.

"Pension system problems have already arrived today. They [the funds] are managed virtually identically with the exception of a small portion directed at the domestic market. It would probably be possible to transfer them in some fashion to some development institutions and merge the Reserve Fund and NWF, because, given the challenges that we face in the coming two-three years, they need to be managed as a single instrument, to understand the resource, and this notional separation already has no significance," he said at the **Gaidar Forum**.

Kudrin pointed out that the Reserve Fund and NWF had originally been formed by splitting up the Stabilization Fund. The Reserve Fund was to maintain a certain volume of reserves and was to be "managed in a special way, very conservative investment, and was to be insurance for a rainy day." The NWF was to cover financing shortfalls associated with demographic issues. "We planned to figure out the shortfalls in advance and plan out NWF spending. It was to be managed somewhat differently, put in riskier securities," Kudrin said.

INSURANCE MARKET: NEWS AND COMMENTARY; Current situation not even close to 1998; economy difficult, but manageable - Medvedev

21 января 2016

Interfax: Russia & CIS Insurance Weekly

Russian Prime Minister Dmitry Medvedev told the **Gaidar Forum** in Moscow on Wednesday the despite the current situation, the Russian economy is a long way from being where it was in 1998. He said that although the current situation is not easy, it is

manageable, while First Deputy Prime Minister Igor Shuvalov told the Forum that the Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year.

Medvedev said he believes that geopolitics is having an increasingly greater impact on economic processes in the world and the cumulative effect of Western sanctions against Russia and Russia's counter-sanctions has been a 1.5 percentage point reduction in GDP. Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year, while Economic Development Minister Alexei Ulyukayev said the price of oil will stabilize in the near future, but at a fairly low level. Ministers at the Forum warned a further slide would likely lead to amendments to the budget.

The current situation in the Russian economy is not even close to the situation that existed in 1998, Medvedev said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.

"The situation in the economy is not easy, but manageable," Medvedev said.

Medvedev said he believes that geopolitics is having an increasingly greater impact on economic processes in the world.

"The situation is exacerbated by the fact that conditions in the economy are now strictly dictated by politics and geostrategy. Established rules are ignored or rewritten due to short-term considerations," Medvedev said, citing the International Monetary Fund's decision on Ukraine's debts as an example.

"This is also exhibited in the issue of economic sanctions against our country. They are declared by individual countries, which radically undermines the authority of market institutions such as the WTO," Medvedev said.

However, Russia is ready to restore normal economic relations with the countries of the European Union, Medvedev said.

"We are ready to restore normal interaction with the countries of the European Union. Europe is our closest neighbor, our important economic partner. Our trade turnover is still in the billions of Euros, despite the regrettable sanctions factor," Medvedev said.

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.

The price of oil will stabilize in the near future, but at a fairly low level, Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices "But this stabilization will be at a fairly low level," he said.

The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Medvedev said.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.

The depreciation of the ruble that Russia has seen in recent months will have a weaker impact on inflation than usual, since economic agents and households have grown accustomed to the volatility of the exchange rate and the economy is less dependent on imported goods, the head of long-term strategic planning at the Finance Ministry, Vladimir Kolychev told reporters at the Forum.

"Usually, every 10% of depreciation adds 1.3 percentage points to inflation. There are now arguments in favor of the impact being lower. Firstly, because households are no longer so moved by the volatility of the exchange rate, there are no longer the sentiments that existed, for example in December of the year before last - the panic buying of imported goods, attempts to increase stocks of foods and so on. And secondly, there is import substitution - it is after all taking place to some extent. Consequently, the lower the import dependence the lower the exchange rate's influence on retail prices," Kolychev said.

"The impact of depreciation will be less than usual. Usually it is realized within three to six months. Last time, due to the fact that the scale of depreciation was fairly strong, it happened faster, within three months. Now, in principle, the scale is not so great. Economic agents have already gotten used to volatility. I think that the impact will be realized according to the usual trajectory (within six months)," Kolychev said.

"Before we had an estimate of about 5-6% [for inflation in 2016] with oil at \$50 per barrel and an exchange rate of about 63 [rubles] per dollar. Now the exchange rate has changed by 20%. Based on the fact that the carryover effect should be less than 1.3 percentage points, it's possible to approximately estimate," Kolychev said when asked if the Finance Ministry had revised its inflation forecast for this year.

The Russian Central Bank is seeing potential for an increase of the state debt burden, however feels that the maximum debt burden should not exceed 25%-30% of GDP.

"Does Russia have to potential for an increase in debt? Theoretically there is, but our country is a country with one of the lowest levels of state debt. In connection with this, the development of the state debt market might be facilitated by the development of the financial system in general. In any case I would proceed from conservative estimates of the highest possible debt burden on the Russian economy, which does not threaten macroeconomic stability. We are saying no more than 25% to a maximum of 30% of GDP," Yudayeva said.

She said that examples from Russian history show that the real interest rates that the Russian budget must pay in the case an increase in state debt to 35%-40% of GDP become extremely high and lead to a rapid unravelling of the debt spiral. "I also connect to ousting of corporate and private borrowers by the state to negative consequences of the growth of state debt," she said.

Yudayeva also said that the size of the largest possible debt burden is higher the countries where one sees persistently low inflation and persistently low inflationary expectations.

The risks associated with the debt burden of Russian companies are under control, Yudayeva said.

"Problems with foreign currency and ruble liquidity, and with other risks to financial stability, are not arising. Risks associated with the debt burden of companies are under control," she said.

The Central Bank "is monitoring the situation with financial stability and regularly and responsively adjusts its macroeconomic forecasts and its policy," Yudayeva said.

"The Central Bank is ready to use all available resources to stabilize the situation as needed," she said.

The situation with Russia's financial stability remains relatively steady, even given the global volatility in recent times, she said.

Russia's budget deficit in the current situation should be financed more with borrowing than from reserves, she said.

"An important question is how to finance the deficit: using reserves or using debt. Strictly speaking, both the one and the other will lead to an increase in net debt, that is, debt from deduction of reserves, meaning, accumulation of a debt burden. For that

reason, this is to a significant degree an imaginary choice. Nonetheless, since the risks of the raw materials markets are great, in our view, the priority in the current situation should be given to debt financing and maintenance of reserves in case more difficult scenarios materialize, when access to debt financing will be even more difficult," she said.

Moreover, the presence of a certain safety margin in reserves is insurance from the standpoint of the market and somewhat simplifies access to debt financing.



Lukoil maintains forecast for average annual oil price at \$50/barrel - company's president

21 января 2016
ITAR-TASS World Service

ECONOMY: LUKOIL-OIL-PRICE

Lukoil maintains forecast for average annual oil price at \$50/barrel - company's president

DAVOS, January 21. /TASS/. Russian oil major Lukoil maintains optimistic forecast for the average annual oil price in the range of \$40-50 per barrel, the company's President Vagit Alekperov said in an interview with Rossiya 24 TV channel.

"Our stress scenario is \$20. Our working scenario today, for the first half of the year is \$30. And the optimistic scenario is between \$40 and 50 per barrel," - he said.

Alekperov expressed confidence that in the second half of the year the oil price will reach the anticipated level.

"We will finish the year with a price around \$50," - he said.

When commenting on the words of former Finance Minister Alexei Kudrin, that we may see a drop in oil prices to \$16-18 / barrel, Alekperov said that the lowest oil price mark is set at \$24 per barrel because after this level oil industry projects cease to be profitable.

Meanwhile, head of Russian state oil company Rosneft Igor Sechin said that in his company's budget includes the oil price of \$45 per barrel.

Earlier, Finance Minister Anton Siluanov suggested that the average oil price can be established at the level of \$30-40 per barrel.

Speaking on the sidelines of the **Gaidar Forum**, Russian Energy Minister Alexander Novak said that the average oil price in 2016 would be at the level of \$30-50 per barrel.

The Energy Ministry recommended oil companies to include a stress scenario with oil prices in the range of \$25-30 dollars in their budgets.

The updated socio-economic forecast of the Economic Development Ministry envisages the decline in GDP by 0.8% against the expected growth of 0.7%; the average annual ruble exchange rate will be 68.2 rubles per dollar; the price of Urals oil will be \$40/barrel, inflation is seen at 8.5%; capital outflow is expected to reach \$50 billion. Russia's budget for 2016 is based on the oil price of \$50.



Sberbank privatization cannot take place before end of 2016 - Gref

21 января 2016

Interfax: Russia & CIS Business and Financial Newswire

DAVOS. Jan 21 (Interfax) - The privatization sale of a portion of Sberbank of Russia (MOEX: SBER) shares can take place no earlier than the end of 2016 or 2017, bank chief German Gref said.

"I think we will be able to talk about privatization at the end of this year or in 2017, but no sooner. Now is the right time for the privatization, but first we have to wait for the market situation to stabilize," Gref said in an interview on CNBC television.

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TOPIC IN FOCUS: RBC sizes up consequences of ruble's new reality

21 января 2016

RosBusinessConsulting

The ruble hit a new historic bottom trading at 82 against the dollar on the exchange.

RBC examined how this new reality will affect prices, which companies will benefit, and why the budget needs the weak ruble.

The impact on inflation will depend on how long the ruble will stay at the new level, explains ING chief economist Dmitry Polevoy. "If this situation persists for several months, it would weigh on the inflation within the common range: 10% decrease in the currency value roughly adds one percentage point to the inflation," the expert noted.

So far the government relies on a 6.4% inflation forecast by the end of 2016 compared to almost 13% last year. A potential increase in inflation raises the question of how realistic is the Central Bank's inflation target of 4% in 2017. "There are ways to reach this target, but it all depends how tough the Central Bank's policy would be," VTB Capital chief economist Alexander Isakov points out. The regulator's first deputy chairwoman, Ksenia Yudaeva, recently admitted that the key rate currently set at 11% may be raised in case of rising inflation pressure on the economy.

Inflation weighs on real household incomes. Still, nominal incomes are unlikely to slide, Isakov from VTB Capital says, adding that similar to last year, incomes will grow at a different pace depending on the sector. Trade sectors that compete with imports or are export-oriented will keep high salary growth, he noted, saying that last year, it varied from 7% to 13%, while non-trade sectors such as financial and public sectors will see a moderate growth regardless of the exchange rate.

Exporters traditionally benefit from the weaker ruble, albeit to a varying degree. Metallurgical and steel companies such as NLMK and Severstal are faring better than others. Prime Minister Dmitry Medvedev highlighted Russian metals companies at the recent **Gaidar Forum**, saying that they achieved possibly the lowest cost of production globally. Still, the industry can't overcome the decline relying on the weak ruble alone, the Gaidar Institute and the Russian Presidential Academy of National Economy and Public Administration said in a December review. Falling domestic demand forced local producers to ramp up physical exports of metal and steel, which shrank considerably in monetary terms.

In addition to metallurgists, the chemical industry and agriculture (grain supplies) stand to gain from the depreciation in the ruble, says Alexander Abramov, professor at the Higher School of Economics. "Costs are denominated in rubles, while they receive profits in dollars and euros. Industries that can increase their exports and save on labor costs denominated in rubles win. Fertilizers and chemical goods are always in demand abroad and their prices do not depend on oil. The global economy is recovering, fueling demand for metallurgical goods," he explains.

Luxury goods producers and vendors, on the other hand, will be on the losing side, as will be the makers of premium products (producers of high-priced French champagne) and cars (who rely heavily on imported components) and dealership centers, says Vladimir Bragin, director for analysis of financial markets and macroeconomics at Alfa Capital. However, retailers and food companies benefit from the falling domestic currency, Bragin notes. They may try to shift inflation costs to the end consumer. They may also raise prices and increase market share as foreign analogues become more expensive, the expert says. Finally, companies involved in domestic tourism will also

gain from the falling ruble.

Sanctions restricting access of Russian companies to external markets contributed to the reduction of the corporate debt from almost USD 500bn at the beginning of 2014 to USD 418bn in mid-2015, according to data from the Central Bank. Having analyzed liquidity of 57 companies of the non-financial sector last October 2015, Moody's concluded that 84% of them had sufficient reserves to pay debts due by the end of 2016, without any additional external borrowings. These companies may use existing cash reserves and operating cash flow to meet their obligations, the rating agency highlighted.

Almost all exporters have adequate ratios of the forex debt and forex revenue, notes BCS Prime analyst Artem Usmanov. Nevertheless, companies focusing on the local market and running up considerable forex debts such as Transneft, TMK, and Brunswick Rail are more vulnerable. "They are burdened with substantial foreign-currency debt, while the revenue they receive is mostly in rubles," Usmanov points out. For example, TMK's share of ruble-denominated revenue reached 75% in 9M 2015, while the share of foreign-currency debt stood at 64%. Transneft received 100% of revenue in rubles, while the share of forex debt was 75%. Brunswick Rail's forex debt exceeds 87%, while its revenue is mostly denominated in rubles.

According to Fyodor Bizikov, senior portfolio manager at GHP Group, companies that need to buy foreign equipment are more vulnerable to sharp increases in the dollar's rate, which means they will try to diminish investments and slow down business growth. For example, telecom companies need foreign equipment to build mobile networks.

The weakening ruble helps the budget to offset the shortfall in oil incomes. Just a week ago, Economic Development Minister Alexey Ulyukaev said that the government was considering a stress scenario of USD 25 per barrel (Urals oil) and the dollar exchange rate above RUB 80. In this case budget deficit may reach 7-7.5% of GDP. The country came close to that scenario on January 20, with the dollar crossing the RUB 80 threshold and Urals hovering around USD 25.

Currently the government may resort to the same measures it used at the beginning of 2015 when the ruble was strengthening, says Capital PF chief economist Evgeny Nadorshin. Exporters may be asked again to sell forex revenue following a specific schedule. Moreover, soft limitations on capital transactions were introduced: the backshoring process was launched; transactions with foreign individual accounts were limited, and the government was planning to fine companies for issuing loans to non-residents in certain circumstances, the expert said. Together these measures may curb the demand for foreign currencies, he concluded.

At the same time, there is no critical limit set for the ruble's devaluation in order for the central bank and the government to take urgent measures, says Gazprombank analyst Egor Susin. For them to act, the ruble's exchange rate must deviate dramatically from the oil price dynamics and create additional inflation risks.

The current devaluation of the ruble is linked to lower prices driven by the oil glut, but this is a short-term trend, says Susin. Oil prices try to find the bottom and the

government and the central bank will not take radical steps, he believes. "Current dynamics will persist short-term; this doesn't lead to a panic on the financial market, whereas the central bank's serious measures may bring about a more negative impact and put pressure on the ruble," the analyst pointed out.

ECONOMIC POLICY; RUSSIA SEES NO REASON TO RENEW CONTRACT TO SUPPLY ELECTRICITY TO UKRAINE – MINISTER

20 января 2016

Interfax: Ukraine Business Weekly

MOSCOW. Jan 15 (Interfax) – Russia does not see any reason to continue electricity supplies to Ukraine as a contract has not been signed for supplies of electricity from Ukraine to Crimea, Russian Energy Minister Alexander Novak told reporters on the sidelines of the **Gaidar Forum**.

"Today, considering the fact that the contract for Crimea has not been extended, there are consequently no grounds for extending the contract to Ukraine," Novak said when asked about the conditions on which negotiations with Ukraine on this matter might be resumed.

He recalled that two electricity contracts were signed with Ukraine at the end of 2014: for supplies from Russia to Ukraine and supplies from Ukraine's power grid to Crimea.

"They were linked. This was mutually beneficial in terms of setting prices, the volume of sales and so on," Novak said.

Russia declined to renew the contract for Crimea as it disagreed with Ukraine's proposed wording about the status of the region. According to a survey by VTsIOM, the overwhelming majority of residents of the Black Sea peninsula were opposed to signing a contract with Kyiv on these terms.

Ukrainian Energy and Coal Minister Volodymyr Demchyshyn has said that Ukraine does not need electricity supplies from Russia. "We currently have sufficient capacity," he said after a government meeting on Wednesday. He asserted that electricity is not being supplied from Russia because Ukraine has not requested it, not because Russia has refused to supply it.

ECONOMIC POLICY; RUSSIA TO FILE COURT CLAIM FOR \$3 BLN DEBT AGAINST UKRAINE BY END-JAN

20 января 2016

Interfax: Ukraine Business Weekly

MOSCOW. Jan 13 (Interfax-Ukraine) – Russia will file a court claim against Ukraine, which has defaulted on \$3 billion in Eurobonds, before the end of January, Russian Finance Minister Anton Siluanov told reporters.

"Before the end of January," Siluanov told reporters on the sidelines of the **Gaidar Forum** in Moscow, when asked when the lawsuit might be filed.

The \$3 billion in Eurobonds acquired by Russia late in 2013 with National Welfare Fund (NWF) money were supposed to be redeemed by New Year's Eve. Ukraine declared a moratorium on servicing that debt and Russia said it would defend its interests in court.

The Russian Finance Ministry said that by January 1 Ukraine has not paid \$3.075 billion in principle debt plus interest on the bonds held by Russia during a grace period, which expired on December 31, 2015.

The Finance Ministry contacted The Law Debenture Corporation plc, and initiated legal procedures required for filing a lawsuit against Ukraine. The lawsuit will be filed with a British court, the ministry said.

Finance Minister Anton Siluanov said earlier that Russia did not deem dialogue with Ukraine to be impossible even despite the legal action.

"Russia intends to carefully examine any significant proposal from Ukraine, but it also believes that the court proceedings do not rule out a constructive dialogue in order to reach an acceptable settlement of the debt," the ministry said in its statement of December 31.

ECONOMIC POLICY; ALL RUSSIAN DECISIONS ON UKRAINE COMPLY WITH WTO STANDARDS – RUSSIA DEPUTY ECONOMY MINISTER

20 января 2016

Interfax: Ukraine Business Weekly

MOSCOW. Jan 13 (Interfax) – All the decisions Russia made with respect to Ukraine comply with the standards of the World Trade Organization (WTO), First Deputy Economic Minister Alexei Likhachyov told reporters at the **Gaidar Forum** on Wednesday.

"Everything will depend on the level of decision-making," he said when asked if Russia was preparing a new response to Ukraine's own measures.

In this respect, Russia has acted "quite logically," the official said. After Ukraine joined other countries' sanctions, Russia put Ukraine on its counter-sanctions list. In addition, after Ukraine joined the European Union regulations, Russia moved it into the list of its non-preferential trade partners.

"If they somehow continue their negative policy towards Russia, we will have to respond accordingly. If they don't, we won't," the first deputy minister said.

Ukraine's Prime Minister Arseniy Yatseniuk said earlier that Ukraine could broaden its restrictive measures against Russia.

Commenting on a possible complaint by Ukraine to the WTO about Russia's decision to

stop transit of Ukrainian goods, Likhachyov said: "At talks on this subject we will act strictly in accordance with the WTO regulations and rules."

He also stressed that today Russia works on the premise that all the decisions it has made with respect to Ukraine were prepared in accordance with the basic agreements with the WTO.



Project of Innokam innovative production center presented at panel discussion of Gaidar forum -2016

20 января 2016
SKRIN Newswire

On January 14, a project of Innokam innovative production center was presented at one of panel discussion of **Gaidar forum**-2016. Tatarstan President Rustam Minnikhanov took part in the event.

Rector of Russian Presidential Academy of National Economy and Public Administration Vladimir Mau was moderator of the discussion.

The following topics were discussed: the prospects for the implementation of the social and economic policy of the republic of Tatarstan in terms of the Strategy-2030: development of the Kama agglomeration as a growth point of the domestic economy; development of the transport infrastructure using the example of the Kama agglomeration of the republic of Tatarstan: current emphasis and priorities; access to raw materials and the preservation of the competitiveness of petrochemical complex of the Volga region and Western Siberia: development prospects of the investment project for the transportation of natural gas liquids "Yamal-Volga".

Participants of the panel discussion were told that the project of Innokam innovative production center was developed by Russian Presidential Academy of National Economy and Public Administration and the republic of Tatarstan.

The Kama agglomeration is one of the main economic zones for the development of internal space in the republic of Tatarstan, as long as in Kazan and Almetievsk economic zones.

Innokam is aimed at "the creation of Russia's best innovation and production center, the development of high-tech clusters and stable transport infrastructure of the Kama agglomeration to effectively transform the industrial and technological potential into the high living standards of the population". / Tatarstan President's press office



When addressing the **Gaidar forum hosted by RANEPA, Herman Gref, the Head of Sberbank, said that Russia is one of the downshifting countries. Gref called upon to change all national systems, including education**

19 января 2016

WPS: Banking and Stock Exchange

Herman Gref spoke about the crisis on the oil market which, as he said, was caused by "drastic changes in consumption". "The age of hydrocarbons is gone. The Stone Age came to an end not because there were no more stones left. The oil age has come to an end, too," said Herman Gref.

"The future came sooner than we had expected it to come. We are in this future today. Welcome to the future!" the Head of Sberbank invited.

In his opinion, the question how much oil will be is not very important. "We will lag behind greatly unless we change the concept of our public approach," Herman Gref warned.

"We lost competition and are among the countries coming off a loser, downshifting countries. The winners are countries and people who managed to adapt and invest in it on time. Those who failed will lose a lot," said Herman Gref. In his opinion, Russia is faced with the threat of an "ocean-wide income disparity" compared to the winning countries.

In order to adapt itself to the new environment, Russia should "change all its national systems, including education in the first place, from nursery to higher schools", said Herman Gref. "In-between people" - those who can do neither high-skilled nor low-skilled work - will have the "biggest problems" in the world of new technology, he said.

In his interview to The Financial Times in early January 2016, Herman Gref named the fall in oil prices, sanctions imposed by the West and lack of structural reforms as the key problems of the Russian economy.

In April 2015, he announced that the first reform to be carried out in Russia is a reform of "the administration system which is absolutely ineffective".

"Russia is currently not ready for any reforms... As soon as we finish this reform, all the others may be carried out," said Herman Gref.

Nikolai Levichev, the State Duma vice speaker representing A Just Russia, called upon the Head of Sberbank to resign voluntarily. "I'm set against any pursuit for views, various acts of faith, but I think the head of the largest state bank should have stepped down after such statements," said Nikolai Levichev.

Nikolai Levichev said that Russia has "the advanced military and industrial complex,

nuclear and aerospace industry." "Many countries which are thought by Herman Gref to be among the advanced countries, not among downshifter, have such technologies partially or do not have them at all, following all the whims and reckless schemes of "the Washington regional committee" humbly and gloomily," the deputy added.

Siranush Sharoyan "Gref Ranked Russia among Downshifter Countries", RBC, January 15, 2016; Anton Feinberg "State Duma Asked Gref to Resign after his Words about a Downshifter Country", RBC, January 15, 2016



AGRICULTURE; UGC will most likely be state agent for interventions of dairy market

19 января 2016

Interfax: Russia & CIS Business Law Weekly

MOSCOW. Jan 13 (Interfax) – The United Grain Company (UGC), which is currently fulfilling the functions of a state agent in grain interventions, will most likely be a state agent for interventions on the grain market.

"I don't believe it is expedient to consider the issue of a different agent until we generally develop the rules and methods for interventions on the dairy market," Russian Deputy Agriculture Minister Sergei Levin told reporters at the **Gaidar Forum**.

Recalling that the Agriculture Ministry suggests conducting dairy interventions in nine regions, he, at the same time, did not rule out that the number of regions can be increased or reduced. He said the selected regions "are determined as the main cause of imbalance on the dairy market from the point of view of pricing and seasonal fluctuations." "That's where interventions are expected to begin. They will be target interventions," he said.

"We will decide on whether we should broaden or narrow the list of regions where it is expedient to conduct them," the deputy minister said.

According to earlier reports, target interventions on the dairy market are expected to be conducted on dry milk and butter. They will be conducted in Bashkortostan, Tatarstan, Udmurtia, Altai Territory, Orenburg region, Saratov region, Omsk region, Novosibirsk region and Belgorod region. These regions are characterized by high production and price fluctuations and they have drying capacities for dry link production. Up to 90% of all dry milk produced annually is produced in these regions.

The Agriculture Ministry estimates the cost of purchase and commodity interventions on the dairy market at one billion rubles a year. The total effect for raw milk manufacturers will reach some three billion rubles, the agency said.



BANKING REGULATION; Privatization of state banks should be synchronized - dep. minister

19 января 2016

Interfax: Russia & CIS Business Law Weekly

MOSCOW. Jan 13 (Interfax) - The privatization of Russia's biggest state banks - Sberbank and VTB - should be carried out more or less at the same time, Deputy Finance Minister Alexei Moiseyev believes.

"The biggest state banks, Sberbank and VTB, should be privatized more or less simultaneously. So as not to create a distorted competitive environment, they should be privatized simultaneously," Moiseyev told reporters on the sidelines of the **Gaidar Forum**, adding that the Finance Ministry does not object to the privatization of state banks.

However, he remarked that, "frankly speaking, I don't really understand what foreign investors might be interested in banks subject to sanctions."

The Finance Ministry has studied the impact of sanctions in the event of a new share issue by the banks.

"To be honest, I don't understand at all how an issue of even one new share can be carried out in the public space by any organization subject to sanctions. Such an issue on the market will lead to all holders of the banks' current shares being subjected to investigation in terms of violation of sanctions," Moiseyev said.



Herman Gref speaks at **Gaidar Forum**

19 января 2016

SKRIN Newswire

Herman Gref, CEO and Chairman of the Executive Board of Sberbank, took part in the panel discussion "The Future of the Impossible" during the **Gaidar Forum**.

The CEO of Sberbank shared his opinions on how new technology will change society and business and also talked about Sberbank's vector of development in the IT sphere.

"Every modern bank is an IT company," said Mr Gref. "Sberbank's key task this year is to radically increase the speed at which changes are made."

The **Gaidar Forum** is a discussion platform and a meeting point for the world-leading scientists and politicians and influential representatives of global financial and business elites. The 2016 edition of the forum has the theme "Russia and the World: Looking to the Future". / Sberbank



Vnesheconombank Participates in **Gaidar Forum**

19 января 2016
RIA Oreanda-News

Companies. Moscow. OREANDA-NEWS . Vnesheconombank's First Deputy Chairman - Member of the Board Petr Fradkov and Vnesheconombank Deputy Chairman (Chief Economist) - Member of the Board Andrei Klepach took part in the **Gaidar Forum**-2016. Speaking at a panel discussion "Russia and Europe: Economic Prospects" Petr Fradkov said that the need on the part of business for insuring exports to Europe had increased manifold. To my mind, this is not a favorable signal because the need to close this risk even in 2013 or in 2014 was not so significant, it was insignificant. Instruments for insuring political risks did not prevail over other instruments. Experts placed special emphasis on discussing the connection between the economies of Russia and Europe, they also considered implications of mutual sanctions, conditions and prospects for resetting Russian-European relations in a post-sanction period.

Andrei Klepach took part in an expert discussion "China's Economy: Potential Scenarios and Strategies for Russia". In his opinion, Russia's economy could grow at a rate of 4-5% but we could make it happen if we create a significant export potential and could expand our positions on China's market substantially. Even if China's economic growth rate is 5 or 6% it will become a serious driver for Russia's economic growth. The Forum's participants discussed structural causes and long-term implications of China's slowdown, China's reaction to integration processes in the Asia-Pacific region and the Trans-Pacific influence on economic growth rates in China. Special emphasis was placed on China's sectorial markets which are of interest for Russia under the new conditions as well as on raising capital fleeing China.



Miscellaneous
Кама agglomeration - point of growth of Russian economy

19 января 2016
SKRIN Newswire

14.01.2016 The second day of the "Russia and the World: Looking to the Future" **Gaidar Forum** has ended with the "Strategy for the creation of a territorial separate

innovation and production center InnoKam" plenary discussion. The event was attended by President of the republic of Tatarstan Rustam Minnikhanov, Tatarstan Investment Development Agency Chief Executive Taliya Minullina and other members of the government of the republic, JSC "Tatneftekhiminvest Holding" CEO Rafinat Yarullin, Chairman of the Board of the Chamber of Commerce and Industry of the republic of Tatarstan Shamil Ageev. Also participated the Chairman of the Committee of Civil Initiatives Alexey Kudrin, Russian Transport Minister Maxim Sokolov, Russian Energy Minister Alexander Novak, CEO of the Federal Fund for Housing Development Alexander Braverman, other officials and guests.

They discussed prospects for the implementation of socio-economic policy of Tatarstan in terms of Strategy 2030 - namely, the development of the Kama agglomeration as "points of growth" of the domestic economy. Also, on the example of the Kama agglomeration considered strategy of development of transport infrastructure in Russia as a whole. In the next ten years, the main point of economic growth in the republic of Tatarstan is determined Kama innovative regional production cluster. Sectoral specialization of the cluster - oil and gas processing and petrochemicals, automotive. It is one of 25 regional innovative clusters, development programs of which was supported at the federal level. Kama cluster today - is a modern petrochemical, refineries in Nizhnekamsk, automotive and Car Components production in Naberezhnye Chelny, which are known in the domestic and world markets, as well as scientific and educational complex, represented by two national research and one federal universities, industry and research centers. " InnoKam development undoubtedly will lead to attraction of more foreign direct investment and integration of agglomeration's enterprises in the world market of high-tech products. The SEZ "Alabuga" and many other powerful and serious players are located in this territory - that is, the prospects are good, but the effort will have to take a lot, because the plans are very ambitious. It is expected that the implementation of investment projects will allow Kama cluster in 2020 to create more than 30 thousand high production jobs, to increase the amount of shipped products in 3 times (up to 2 trillion rubles), the amount established in the Kama cluster gross added value - 3 times (up to 1.1 trillion rubles)," says Taliya Minullina. For reference. Key members of the Kama cluster are: OJSC "KAMAZ", PJSC "Nizhnekamskneftekhim", JSC "TANECO", JSC "Tatneftekhiminvest Holding", JSC "SEZ "Alabuga", the petrochemical complex of JSC "Tatneft", "Kazan National Research Technological University", JSC "Ammonium", JSC "TAIF-NK", JSC "Chemical Plant of. L. Karpov" and others. Competitive advantages of the cluster is defined by favorable economic and geographical position, lined up cooperation links and a high degree of localization of the participants (all major companies are located within a radius of 30 km). High investment attractiveness of the Cluster confirms the fact that there have located its business such world famous companies as "Daimler", "Ford", "Rockwool", "Cummins", "Tsanrad factory", "Case New Holland", "Air Liquide", "Schneider Electric", "Mitsubishi Fuso Truck & Bus". / Tatarstan Investment Development Agency



Tatarstan Investment Development Agency head takes part in panel discussion

'Russia and Europe: Economic Prospects' within the **Gaidar Forum** -2016

19 января 2016
SKRIN Newswire

On January 13, 2015, Chief Executive of Tatarstan Investment Development Agency Taliya Minullina took part in the panel discussion "Russia and Europe: Economic Prospects", held within the **Gaidar Forum**-2016.

During the debate the Head of the IMF mission in Russia Ernesto Ramirez Rigo, Deputy Energy Minister of Russia Alexey Teksler, First Deputy Minister of Economic Development of Russia Alexey Likhachev, prominent economists and financial experts presented.

Participants discussed issues of influence formed the transatlantic trade and investment partnership between the US and the EU on the Russian-European economic cooperation, the relationship of the economies of Russia and Europe, their long-term trends, common interests and controversy, the effects of mutual sanctions.

In particular, it was noted that the trade turnover of the EU with Russia is falling, but despite this, even today, more than 44.5% of Russia's trade turnover goes to the EU. For the Old world Russia remains a key partner, after the US and China. Russia's main European partners today are Germany, the Netherlands and Italy. Thus, as was noted in the debate, despite of annoying pause in the relationship, the work is still work.

According to Ernesto Ramirez Rigo "Sanctions and oil prices - the two shock for Russia. Investors need confidence, as well as technology transfer is necessary." However, apart from the negative factors, there are positive aspects in the trade and economic cooperation between Russia and the EU. This is a continuation of interaction between European companies, active participation of European entrepreneurs in business forums and the continued partnership on the four sectoral dialogues: space, migration, health and science. Moreover, Russia and the EU have many common interests - the establishment of a joint energy space with strong internal connections, the formation of a common transport and logistics structures, the gradual removal of barriers in trade and investment.

During the discussion, Alexey Likhachev said that trade with the EU in comparison with other partners declined, Russia's exports to the EU decreased by 37.7%, while imports from the EU - 41.5%, but at the same time, Russia's trade with the EU countries in physical terms grew by 2.5% in 2015 against the background of all sanctions. For some positions, there was a significant increase of products shipped from Russia to eurozone countries. For example, shipping of tractors and trucks has increased three times. The speaker also noted that foreign direct investment from France, Germany, the Netherlands and Cyprus showed an increase, comparing the first half of 2015 with the same period of 2014. Generally, in 2011 to 2014 investments from Europe to Russia increased by three times, but the spring of 2014 presented a different reality.

At the same time in 2015 was held seven intergovernmental commissions with European countries. "That is, in spite of the worsening of relations, Russia has been

able to maintain the trend of growth of physical volumes of Russian supplies, investments also have been increased," - said Alexey Likhachev.

- Europe for Tatarstan, as well as for the whole of the Russian Federation is an important partner. The difference approaches to Syria and Ukraine problems, sanctions and answers to them, of course, have an impact on the business. However, this is unprofitable for the European economy or the economy of Russia. Therefore, the warming of relations with time is inevitable: lovers' quarrels are soon mended, says Taliya Minullina. / Tatarstan Investment Development Agency



Miscellaneous

Association of Innovative Regions of Russia holds meeting

19 января 2016
SKRIN Newswire

As part of the **Gaidar Forum** 2016 a meeting of the Association of Innovative Regions of Russia. Its Chairman, the President of Tatarstan Rustam Minnikhanov, lead it. The meeting discussed issues of innovation business in Russia, in particular, the creation of rankings of the business in the regions. The event was attended by the Tatarstan Investment Development Agency Chief Executive Taliya Minullina. Krasnoyarsk Territory Governor Viktor Tolokonkiy, the Governor of Tomsk region Sergey Zhvachkin, Deputy Governor of the Novosibirsk region Anatoly Sobolev, Deputy Prime Minister of Bashkortostan Dmitry Sharonov, and other officials took an active part in the discussion.

After the meeting Rustam Minnikhanov thanked the participants and said: "Association of innovative regions of Russia allows us to consolidate the position of the regions of Russia." New rating of conditions and the results of high-tech business is designed to show where it is profitable to do innovation business, reflect the real situation on the basis of innovation activity in the regions. It is planned that the rating will be based not on an expert judgment, but on the quantitative indicators that make it reasonable. It involves the assessment of the regions of the individual components of the conditions and results blocks. This will identify the leaders in each component, show the strengths and weaknesses of each region. - High-tech manufacturing is not always innovative. Tatarstan in this sense, headed for the modernization of existing plants, the creation of new high-tech production and innovations. Rating in any case will be useful, because an analytical approach to its formation will allow us to identify the "narrow" places in the process of development of innovative business environment. This will give an opportunity to increase the competitiveness of the regions of Russia in the global business space, said Taliya Minullina. **Gaidar Forum** continues with the plenary session, where participates the Russian Prime Minister Dmitry Medvedev. / Tatarstan Investment Development Agency

RUSSIA BEYOND THE HEADLINES

Russia preparing for large-scale privatization

January 19, 2016

Shares of country's largest banks could be sold.

According to Russian Minister of Finance Anton Siluanov there's a possibility that the country's largest state banks – Sberbank and VTB – could be privatized, but it's necessary to start the process with the sale of the state stake in the Rosneft petroleum company. Siluanov made this announcement during an interview with the news program, "Vesti on Saturday with Sergei Brilev."

"We are primarily talking about a package, which should have been sold a few years ago," the minister said. "This Rosneft package equals 19.5 percent."

On January 13, 2016 Alexei Ulyukayev, the minister of economic development, declared the need to return to the issue of privatization of state-owned banks. He expressed this opinion while speaking at the Gaidar Forum.

According to Ulyukayev, partial privatization and partial occupancy of the companies will help fundamentally change the situation in the field of the capitalization of the domestic banking sector.

In an interview with the German publication Handelsblatt in December 2015, German Gref, the head of Sberbank, spoke about the need for the "full privatization" of the company. According to him, in this case it should be a transitional period during which the Bank of Russia, which is now the largest shareholder of the credit institution (50 percent plus one share), should retain 25 percent of the company. Gref also noted that the privatization would allow the bank to "significantly improve its situation."

http://rbth.com/business/2016/01/19/russia-preparing-for-large-scale-privatization_560529



Banks

CBR: Sberbank privatization should not affect confidence of deposit holders

19 января 2016

SKRIN Newswire

In the course of privatization Sberbank should not lose confidence of deposit holders, the Bank of Russia's press service told Banki.ru.

"Strategically, we are all hands up for gradual privatization. But this should not influence

confidence of deposit holders in the country's biggest bank, so it should be carried out gradually, and the society should be ready," the mega-regulator's press service told Banki.ru.

To remind, the Central Bank of Russia holds a controlling interest in Sberbank. Last Minister for Economic Development Alexei Ulyukaev said at the **Gaidar Forum** 2016 that it is necessary to hark back to the privatization of the country's largest banks.

On Monday, the MED chief said that the ministry would compile its proposals related to the privatization of Sberbank and VTB Bank.

Sberbank CEO German Gref claimed that he is "exceptionally positive" about the lending institution's privatization, but he added that the Russian government had not yet conducted any specific discussions on the issue with the bank's executives. / banki.ru

Berliner Zeitung

Weniger Geld für Rentner und Generäle

Christian Esch
19 января 2016
Berliner Zeitung

Wegen des Ölpreisverfalls muss Russland seine Ausgaben stark kürzen. Die Rücklagen aus fetten Jahren sind schnell aufgebraucht

VON CHRISTIAN ESCH

MOSKAU. Schon vergangenen Winter erfuhren die Moskauer einen heftigen Schock. Der Rubel-Kurs stürzte damals ins Bodenlose, so schien es jedenfalls, und die Mittelschicht hamsterte Ikea-Möbel und Elektronik-Geräte, um ihr Ersparnis zu retten. Erst Ende Januar 2015 stabilisierte sich der Rubel wieder. Genau einen Winter später ist der Rubel schon wieder im Trudeln: 86 Rubel musste man am Montag für einen Euro zahlen. Oder umgekehrt: Für gut einen Euro-Cent bekam man einen Rubel. Diesmal ist von Panik in der Bevölkerung allerdings wenig zu spüren. Dafür sind es eher Stimmen in der politischen Elite, die Alarm schlagen. Denn den Experten ist klar: Diesmal ist die Lage dramatisch - weil mit dem dramatischen Ölpreisverfall auch Russlands wichtigste Einnahmequelle fast versiegt ist.

Finanzminister Anatoli Siluanow erinnerte vergangene Woche auf dem **Gaidar-Forum** gar an die harte Wirtschaftskrise von 1998 bis 1999, um harte Einschnitte zu rechtfertigen. Eine zehnpromzentige Kürzung der Ausgaben im gerade erst verabschiedeten Etat 2016 sei schon beschlossene Sache, sagte Siluanow: "Wenn wir das nicht tun, dann passiert das, was 1998/99 passierte, als die Bevölkerung über die Inflation dafür bezahlte, was wir nicht getan haben." Und German Gref, Chef der Sberbank, des größten Kreditinstitutes Russlands und angesehener Manager, kam mit einem unbarmherzigen Ausspruch in die Schlagzeile. Das Ölzeitalter sei endgültig vorüber, und Russland habe es verpasst, sich auf die Zeit danach umzustellen. "Wir

formell getrennten Kassen verschoben.

Immerhin gibt es, anders als 1998, reichlich Spielraum bei der Staatsverschuldung. Die betrug damals fast eineinhalb mal so viel wie die Wirtschaftsleistung, jetzt beträgt sie rund 15 Prozent. Und außerdem gibt es ja einen Menschen, der gute Stimmung macht, und das ist Präsident Wladimir Putin selbst. Im Interview mit der Bild-Zeitung sagte er, der Rückgang der Öleinnahmen "mache die Wirtschaft gesund".

GIGANTISCHE RESERVEN

Im Zuge des Atom-Abkommens mit dem Iran entfallen die meisten Handelsbeschränkungen. Das Land kann wieder uneingeschränkt Öl und Gas exportieren. Damit wird das Angebot am Weltmarkt noch einmal beträchtlich zunehmen.

Der Iran sitzt auf gigantischen Ölreserven. Er fördert derzeit rund drei Millionen Fass (159 Liter) pro Tag. Die Regierung hat angekündigt, dass sie die tägliche Förderung um 500 000 Fass erhöhen will. Sie braucht Geld für Investitionen.

Die Ölpreise befinden sich ohnehin schon im freien Fall - und der könnte sich jetzt noch einmal beschleunigen. Am Montag gaben die Preise weiter nach. Ein Fass der Nordsee-Sorte Brent kostete zeitweise weniger als 28 Dollar.

Zum Überangebot trägt das Ölkartell Opec selbst bei. Vor allem Saudi-Arabien will seine Marktanteile verteidigen. Auch in Russland, das nicht der Opec angehört, steigt die Produktion. Und in den USA wird im großen Stil Öl durch Fracking gewonnen.



The first data announced by the Ministry of Finance and the Audit Chamber shows that the budget performance in 2015 was actually better than officials had expected. The federal budget deficit is by RUR 200 billion smaller than expected, the deficit of the regional budget by RUR 750 billion smaller

18 января 2016

WPS: Banking and Stock Exchange

Besides, RUR 235 billion of appropriations remained unused by the department last year. Together with the reserve and frozen pension savings, it gives around RUR 640 billion of "extra" money which the authorities may use for the 2016 budget equalization. This cushion allowed the Audit Chamber heads and Duma deputies to disagree in public with the Ministry of Finance's intention to "mechanically" cut the 2016 expenditures by 10%.

The first results of the budget execution in 2015 are being summed up. This data hasn't been announced officially so far, but on January 12, Finance Minister Anton Siluanov said that, according to his ministry's estimates, the federal budget ran a deficit of 2.6% instead of 2.9% of GDP (this target was set after amending the budget law in November

2015; before that it had been 3.7% of GDP). On January 14, Tatiana Golikova, Head of the Audit Chamber, announced the other federal budget details: revenue in 2015 reached RUR 13.6 trillion (versus RUR 13.2 trillion expected), expenditures were RUR 15.6 trillion (instead of RUR 15.4 trillion). So, the 2015 budget deficit was RUR 2 trillion instead of RUR 2.2 trillion provided in the law. Consolidated budgets of the regions ran a final deficit of RUR 191 billion in 2015 versus RUR 950 billion expected by the Audit Chamber in the mid-2015.

The reduction in the federal budget deficit only means that slightly more money (RUR 49.95 billion as of January 1, 2016) is left in the source of budget funding - the Reserve Fund. In the light of the current drop in Urals oil prices below USD 30 per barrel (versus USD 50 provided in the budget), the data from the Audit Chamber about the government's "pockets" developed at year-end looks more interesting. "There is a certain margin of safety in the 2016 budget," Tatiana Golikova said at the **Gaidar forum** on January 14. The first reserve is RUR 65 billion that remained undistributed plus the amount that remained unused in 2015: according to the data from the Audit Chamber, the key spending units did not use RUR 235 billion. The second reserve is RUR 342 billion of pension savings. In total, the government has at its disposal around RUR 642 billion of budget funds which remain undistributed.

This is even more than the Ministry of Finance intends to gain from the 10-percent cutting. At the **Gaidar forum**, Anton Siluanov said that the reduction in expenditures in 2016 promoted by him would help save RUR 500 billion. It should be noted that this amount together with the reserves may be enough to balance the budget at the new level of the Urals oil prices. Now the ministry expects the average annual price of the Russian oil to be USD 40 per barrel in 2016, and in this case, RUR 1.1 trillion will be required additionally to keep the budget deficit at the target level of 3% of GDP.

The reserves formed as of the end of 2015 allow those involved in the budget process not to hurry to support the budget cutting promoted by the Ministry of Finance. On January 14, Tatiana Golikova called upon not to hurry with cost cutting until all economic parameters are evaluated. "While these results are not summed up, it is unreasonable to make hasty decisions to adjust any budget items," she said adding that after the last year's similar cutting, the government had to recover the cut items during the year.

On January 14, Andrei Makarov, Head of the State Duma's Budget Committee, spoke against a frontal reduction in expenditure items. "I am dead set against budget cutting by some predefined figure - 10% for all. This is a wrong approach. Only ineffective expenditures and costs should be cut, and the President said about it," the deputy said at the **Gaidar forum**. The budget should be adjusted by bringing it into line with the facts of life, he said.

Vadim Visloguzov "Budget Is No Sore", Kommersant, No.4, January 15, 2016, p.2; Pyotr Natreba, Svetlana Bocharova "Budget Nest Egg", RBC, No.5, January 15, 2016, pp.1-2; Elena Egorova "The Union of Sword and Plow Prevents the Ministry of Finance from Cutting", Moskovsky Komsomolets, No.5, January 15, 2016, p.1; Interfax, "Assessment Before Adjustment", Vedomosti, No.5, January 15, 2016, p.4



ELECTRONICS; Sberbank buys stake in Russian-U.S. co. to rebuild its tech platform - Gref

18 января 2016

Interfax: Russia & CIS IT & Telecom Weekly

MOSCOW. Jan 15 (Interfax) - Sberbank some time ago bought a small stake in a Russian-U.S. company, which helped the credit organization rebuild its technological platform, Sberbank head German Gref said at the **Gaidar Forum**.

"We made the decision for ourselves that we want to make a breakthrough in general, we are completely changing our entire platform, we are buying a small stake in the a Russian-U.S. company, which won the tender over Oracle and IBM, over all," Gref said.

He said that the concept of this platform of Sberbank "turned out much higher than those of the remaining companies".

"This is surprising, 60 programmers did it. This is an open source platform with all cloud based elements, machine learn, deep machine learn and artificial intelligence," the bank chief said. He said that all of these elements can be introduced by the credit organization itself, because this is an open source platform. Also agile product management technology will be used.

"We came to the conclusion that we were absolutely uncompetitive. This was a horrible conclusion, for me personally this was a simply a blow. Why do I constantly say that we are not competitive with banks? We created a very good banking system. But it wasn't banks that beat us, but those people that beat us, and they are eating the sweetest piece of the pie," Gref said.

He said that last year Sberbank made 27,000 changes of the platform per year against 600-700 changes a year five years ago. In 2016 41,000 changes are planned.

"If one looks at banks, we are up to snuff, we are in order. If once looks at those guys, Amazon, Google and so on... Amazon makes 10,000 changes to its platform a day, time to market," Gref said, speaking about the technological competitors of Sberbank. The executive said that the key task for Sberbank in 2016 will be speed. "10,000 a day and 40,000 a year - these are incomparable things. Time to market hours and time to market months, which we have today - this is an uncompetitive story," Gref said.

He noted that six years ago the company Sberbank Technology was created with 8,000 programmers.

CIS, BALTIC and international NEWS; Gazprom produces 418.47 bcm of gas in 2015 - sources

18 января 2016

Interfax: Kazakhstan Oil & Gas Weekly

MOSCOW. Jan 12 (Interfax) - Gazprom's official gas production figure for 2015 is in: 418.47 billion cubic meters (bcm), several sources in the sector told Interfax.

That is down from the 443.88 bcm Gazprom produced in 2014.

Analysts must independently piece together Gazprom's production data using statistics for the sector, because the gas giant has been concealing more and more information about itself: last year for example, production by the world's biggest gas company was hidden in the "other resource users" line of the monthly reports from the Central Dispatching Department of the Fuel and Energy Complex (CDU TEK).

The Russian gas giant produced 43.96 bcm in December, 0.07% less than in December 2014, sources told Interfax. That is virtually the same as the 43.9 bcm calculated by analysts at Sberbank CIB. Production received support from the 3.3 bcm increase in exports outside the CIS in December, although that was more than offset by a decline in domestic sales totaling 3.8 bcm.

As a result, production in 2015 fell to a new all-time low of 418.47 bcm, 5.73% less than the previous all-time low recorded in 2014.

The final result fully accords with the provisional estimates from Gazprom management at the beginning of December, which said production would total 418-419 bcm. Mild weather throughout December - with temperatures substantially above average - made it unnecessary to revise those figures.

Gazprom's production wing has always hoped for growth when drawing up production targets, and 2015 was no exception. The initial production plan for the year was 487.4 bcm, subsequently lowered to 471 bcm, then 444.6 bcm and later 427 bcm.

The gas balance in 2016 sets Gazprom production at 450-460 bcm, according to Interfax calculations using data from the gas giant.

Official publication of Gazprom's production is not expected before February 15, when the report for the fourth quarter of 2015 is published.

2016 balance

Gazprom has set the gas balance for the Unified Gas Supply System (UGSS) in 2016 at 645.331 billion cubic meters (bcm), the Russian gas giant said in materials.

The Energy Ministry's latest estimate for gas production in 2015 is 633 bcm. Adjusting for LNG production, the total is 605 bcm.

The production target for 2015 is 672.455 bcm (updated data has not been reported). The 2014 target was 689.489 bcm. Actual production was 627.531 bcm

The gas transportation plan for independent producers in 2016 is 148.398 bcm. The declared volume for 2015 was 149.9 bcm. The declared volume for 2014 was 135 bcm and the actual total was 134.46 bcm

Based on those figures, given that the transportation volumes for the independents have coincided with the declared amounts, Gazprom expects to produce 450-460 bcm of gas in 2016, up from 418 bcm this year.

Exports

Turkey was the second biggest buyer of Russian gas for the ninth straight year, Gazprom CEO Alexei Miller told journalists on Wednesday.

"Turkey had the second biggest demand for Russian gas in 2015 after Germany," Miller said.

Turkey first moved into second place among Russian gas customers in 2007, displacing Italy. It has held onto that position ever since.

Miller provided detailed commentary on Gazprom's export results for 2015 on Monday, noting the individual trend in supplies to Germany, Italy, France, Austria and the UK. He only spoke about Turkey two days later, without specifying volumes.

According to Interfax calculations based on data from European gas pipeline operators, Turkey bought about 27 billion cubic meters (bcm) of gas from Russia in 2015, roughly 1% less than in 2014. Turkish consumption of Russian gas declined from the first to the third quarters, but grew markedly in the fourth quarter, virtually offsetting the decline over the first nine months.

Gazprom exported 159.4 bcm of gas outside the CIS in 2015, 8% more than in 2014.

Speaking at the **Gaidar Forum** in Moscow on Wednesday, Deputy Energy Minister Anatoly Yanovsky expressed confidence that Russian gas exports to Europe would continue to increase: "We have the optimistic view that the volumes of oil and gas supplies to Europe will remain at the same level. It will increase for gas; there might be some decline for oil given the overall decline in consumption."

Russia hot wires privatisation drive as coffers empty

Business New Europe, 00:00, 19 января 2016, 2257 слов, (Английский)

Strapped for cash and increasingly desperate, the Russian government has put privatisation back on the agenda. The trouble is it is the same privatisation programme that flopped after being launched by Russian Prime Minister Dmitry Medvedev

Russia Bargains and Bluffs for Breakthrough in Ukraine

Jamestown Foundation, 00:38, 19 января 2016, 1143 слов, (Английский)

For months, the various negotiations formats on conflict management in Ukraine appeared deadlocked. But suddenly, in mid-January 2016, signs of a breakthrough in the making have multiplied—bringing both hopes and concerns to all the parties

India Banking News

VTB Capital Took Part in **Gaidar Forum 2015: 'Russia and the World: looking to the future'**

India Banking News

Jan. 18 -- VTB Capital took part in the **Gaidar Forum** 2015: "Russia and the World: looking to the future". The Forum was held between 13-15 January in Moscow.

Petr Grishin, Head of Macro Research at VTB Capital, attended the panel discussion "Inflation targeting in crisis conditions".

During the discussion, Grishin claimed that in order to improve the Bank of Russia's communications approach, forecasts should be accompanied by some indication of key rate dynamics within the respective scenarios considered by the regulator. According to Mr Grishin, this measure, given the asymmetry of how interest rate risks are distributed throughout the Russian economy, could lead to reduced uncertainty in the banking sector, and enhance the availability of loans provided by banks.

The **Gaidar Forum** provides a regular platform for discussion of global economic issues. The Forum has been held since 2010 in memory of Egor Gaidar, an academic scientist and leading proponent of Russian economic reforms in the early 1990s.

Source: VTB Capital



Russian TV weekly highlights: "deadly" oil prices, Obama "swan song", Iran deal

18 января 2016

BBC Monitoring Former Soviet Union

Main themes from Russian TV weekly news review programmes on Rossiya 1, Channel One and NTV on 17 January 2016

The Russian economy, badly hit by falling oil prices and Western sanctions, was in the spotlight on the weekly news review programmes on the two main Russian television channels - Rossiya 1 and Channel One - as they came back on air after the New Year holidays on 13 January. No weekly news review programme was broadcast on Russia's third main channel, Gazprom-Media-owned NTV.

Russian economy: will it survive low oil prices?

A government meeting on 13 January - the first in 2016, and chaired by President Putin - was the top story on official state channel Rossiya 1 and state-controlled Channel One. Both admitted the situation in the economy was serious.

Dmitriy Kiselev, presenter of flagship "Vesti Nedeli" on Rossiya 1, must have startled his viewers when he exclaimed, opening the programme: "How low does the oil price have to fall to become deadly for the Russian economy?" he asked.

"Hope for the best but prepare for the worst," was how Kiselev summarized what Putin had told ministers.

"One has to be ready for any development of the situation," Putin said. And he repeated the phrase three times during the meeting, Kiselev observed, sounding rather ominous.

Irada Zeynalova, presenter of the "Voskresnoye Vremya" programme on Channel One, said 2015 had been the "worst year ever" for the Russian economy, citing Prime Minister Dmitriy Medvedev.

Still, both channels tried to see a silver lining in the situation.

"The good news is that the rouble is not falling as quickly as the oil price," Kiselev said and, according to him, this shows that the rouble does not directly depend on the oil price and that the Russian economy is showing its resilience.

According to Zeynalova, the Russian economy "demonstrates stability - it has not crashed by 10 per cent as in 2008. The rouble is falling but it has not collapsed," she said.

The situation is "not easy but it is controllable", Kiselev concluded, quoting the prime minister.

Gaydar Forum: little optimism

The Gaydar (**Gaidar**) Forum, an international economic conference, opened in Moscow also on 13 January. Both channels covered it in depth.

"To the government's credit, both Prime Minister Medvedev and his ministers were absolutely open there and didn't hide the acuteness of the problem," Kiselev said.

Channel One admitted that economists and businessmen at the forum were not very optimistic. Some even drew parallels with the 1998 default.

But "serious experts do not agree with this view, saying that our economy has enough strength to withstand the crisis", a report on "Voskresnoye Vremya" said.

At the same time, a correspondent admitted that the current crisis had been caused,

among other things, by "structural problems" in the economy and that, unless these were resolved, there would be no growth.

This crisis and a weaker rouble could be good for Russia, he suggested. It is an opportunity to rid the Russian economy of the so-called "Dutch disease" - in the case of Russia, its over-dependence on oil revenues.

"Only the most acute economic crisis forced the Dutch to carry out reforms that brought prosperity back to the country," the correspondent said.

"There are all indications that we too have no other choice left," the Channel One correspondent concluded.

Obama's "swan song"

Both Rossiya 1 and Channel One voiced criticism of Barack Obama's State of the Union address on 12 January.

On "Vesti Nedeli", Dmitriy Kiselev cited Republican presidential hopeful Donald Trump describing the US president's speech as "boring".

Channel One resented Obama's insistence on the "exclusivity and superiority of the American nation" and described the speech as "lacking in substance".

Obama praised his presidency but in reality his presidency has been a "tale of wasted time", Irada Zeynalova said on "Voskresnoye Vremya".

"When it comes to every important international issue, people of the world do not look to Beijing or Moscow to lead - they call us," Obama said in his address. Both Rossiya 1 and Channel One disagreed.

It is all very well, Kiselev observed, but as soon as Obama finished his speech, he was on the phone dialling Putin. "Without coordination with Russia", he continued, the USA won't be able to "untie the Middle East knot".

Channel One said that, "by naming Beijing and Moscow, Obama - probably unwittingly - identified those whom he regards as the USA's main geopolitical rivals, i.e. global centres of power alternative to Washington".

Channel One pointed out that Obama's popularity was "a thing of the past". On Rossiya 1, Kiselev described it as Obama's "swan song", adding that the speech was "nothing special".

Iran vs. Saudi Arabia

Russian commentators gave a cautious welcome to the lifting of sanctions against Iran. There was no suggestion that Iran's re-entering the oil market might bring oil prices down even more and could be the final nail in the coffin of the Russian economy.

Instead, both channels chose to focus on growing tensions between Iran and Saudi Arabia. The lifting of sanctions is bad news for Riyadh, they said.

It is a "turning point" for Iran, which can now expect investment, resumption of trade ties and, subsequently, economic growth.

But this could also be a "turning point" for Saudi Arabia, albeit in the negative sense, he added.

The lifting of sanctions "cannot but annoy Saudi Arabia". Saudi Arabia is "annoyed so much" that it is doing everything possible to "incite a big religious war" between Sunni and Shi'a Muslims, Kiselev said.

Saudi Arabia is "on the brink of war with Iran", Irada Zeynalova agreed on Channel One. The current crisis in the region is the "worst for decades". "The Persians and the Saudis, who until now have been gazing at each other with hostile coldness, are now not just ready to find out who is right on Islam but also who is the most important in the region," she said.

Saudi Arabia vs. USA

A report that followed highlighted the growing differences between Saudi Arabia and the United States. In the past their relations were based on "common interests" rather than "common values", a correspondent said, citing a former US ambassador to Saudi Arabia.

But the nuclear deal with Iran shows that, as regards oil and Iran, these interests now "significantly differ".

Now that the Americans have signed the nuclear deal with Iran, "there can be no normal relations between America and Saudi Arabia", a Russian expert told "Voskresnoye Vremya".

Saudi Arabia risks becoming "more unpredictable" and in the circumstances a "consolidated position" by Russia and the USA could be a "way out", the correspondent said, adding that this position, however, would only be possible "if there is a compromise at the talks on a peace settlement in Syria".

The problem, he explained, is that success at the Syria talks "directly depends on Saudi Arabia" and the latter, fearing Iran's growing influence, "will do everything possible to ensure that these talks never succeed".

18Jan/Ksenia Yudaeva: National debt - vice or virtue?

Bank for International Settlements (BIS), 11:08, 18 января 2016, 1642 слов,
(Английский)

Statement by Ms Ksenia Yudaeva, Deputy Governor of the Bank of Russia, at the Gaidar Forum 2016 "Russian and the world - looking to the future", panel discussion "National debt - vice or virtue?", Moscow, 13 January 2016.



Econ Ministry to propose legislative changes for Sberbank privatization - Ulyukayev

18 января 2016

Interfax: Russia & CIS Business and Financial Newswire

BEIJING. Jan 18 (Interfax) - It is still too early to speak about the timetable for a potential Sberbank of Russia (MOEX: SBER) privatization sale because legislative amendments - which the Economic Development Ministry is prepared to supply - must be made first, Economic Development Minister Alexei Ulyukayev told journalists in Beijing, where he took part in a meeting of the management board of the Asian Infrastructure Investment Bank.

"This question is ahead of time. For Sberbank, as is well known, the law currently does not allow it [for the Central Bank of Russia's stake in Sberbank to fall below 50% plus one share]," Ulyukayev said concerning the timing of the privatization sale.

"But we will make proposals [submit the appropriate changes]," he said.

At the **Gaidar Forum** last Wednesday, Ulyukayev spoke of the need to return to the issue of privatizing Sberbank and VTB (MOEX: VTBR), in order to recapitalize both banks, among other goals.



Siluanov not ruling out Sberbank, VTB privatizations but proposes starting with Rosneft

18 января 2016

Interfax: Russia & CIS Business and Financial Newswire

PETROVPAVLOVSK-KAMCHATSKY. Jan 18 (Interfax) - Privatization sales at Russia's biggest state banks are a possibility, but the state needs to sell a stake in Rosneft (MOEX: ROSN) first, Finance Minister Anton Siluanov said.

"We are talking first off about a stake that should have been sold several years ago. This is the 19.5% Rosneft stake. It is not ruled out that this will those banks that you mentioned," he said on the Vesti v subbotu television program, asked whether the Economic Development Ministry and Finance Ministry held the same position concerning privatization sales at Sberbank of Russia (MOEX: SBER) and VTB (MOEX: VTBR).

At the **Gaidar Forum** last week, Economic Development Minister Alexei Ulyukayev spoke of the need to return to the question of privatizing those banks.

18 января 2016

Turan Information Agency (Azerbaijan)

German Greff: "Russia is lost country"

Baku/18.01.16/Turan: Russia has lost the competition in the world economy and it is expected to lag behind the developed countries even more, than during the industrial revolution, German Greff, President of Saving Bank, said last week at the **Gaidar Forum** "Future of the Impossible."

He believes that the end of the oil century has come and the country's only chance now is the triage "science-education-business" with change of all state institutions.

"Honestly, we have lost the competition. This is a technological enslavement; we have turned out to be among the countries, who are losers, and among the countries downshifters. The countries and people that have managed to adapt in time and invest in that are winners now. The countries that failed to adapt their entire social system and their all institutions to their own economy will keep on losing. The gap will be even wider, than during the previous industrial revolution," RNS quoted Greff as saying.

In order to correct the situation, he has urged to start from a deep change of the education model - from kindergarten to the university, get rid of the "old Soviet education system, which is stuffing the children with an enormous volume of information," and join the technological revolution. The transition of the existing model to i-learning does not change the problem, he added. "I do not believe in science that is not connected with practice, education that is not connected with practice and business not connected with science and education," said Saving Bank President.—0—

From January to November 2015 incomes from Russian oil export dropped by 1.7 times



'Downshifter' Russia is losing global competition, warns state bank chief

Sergey Smirnov, Vitaly Petlevoy
Bizekon-Russica Izvestia

Russia has failed to adapt to economic and technological change and has fallen into the ranks of "downshifter" countries that will catastrophically lag behind their more advanced rivals, the head of the country's largest bank said Friday.

"We must honestly admit that we have lost to competitors," German Gref told the

Gaidar Forum in Moscow. Warning of "technological subjugation," he said, "we have found ourselves in the ranks of countries that are losing, downshifter counties."

Gref - head of Sberbank and a former economic development minister under President Vladimir Putin - said the era of oil was over and that in the new technology-driven world the difference between the leaders and losers would be "larger than during the industrial revolution".

His warning came as a steep decline in oil prices has pitched Russia into its longest recession since the 1990s, demonstrating the country's reliance on energy exports.

Gref called for radical overhaul of state institutions and the education system to enable people to join the technical revolution.

But referring to the huge numbers of educated Russians who prefer to live and work in Europe and the United States, he warned: "Our most terrible export, and our largest export, which we must stop, is the export of brainpower. We don't count how many we export each year but I fear that in terms of losses, it is the biggest of our exports."



Summary of Russian press for Monday 18 January 2016

BBC Monitoring Former Soviet Union

Kommersant

...5. Sofya Samokhina article headlined "Gaydar [**Gaidar**] **Forum** presents results of future elections" features political analysts' comments on the forthcoming election to the State Duma in September; p 3 (522 words)...

FINANCIAL TIMES

Russia's pensioners squeezed as recession bites

<http://www.ft.com/intl/cms/s/0/9a14c310-bb9e-11e5-bf7e-8a339b6f2164.html#axzz3xOfg0kRZ>
<http://inosmi.ru/economic/20160117/235077428.html>



Programme summary of Russian Rossiya 1 TV "Vesti Nedeli" 1700 gmt 17 Jan 16

18 января 2016
BBC Monitoring Former Soviet Union

"Vesti Nedeli" presented by Dmitriy Kiselev

Headline: How low should the oil price fall for the Russian economy to collapse?

Other headlines over video: Putin tells government to be ready for any eventuality in the oil market; migrants divide Europe; the Dutch do not want association with Ukraine; Turkey hit by terrorist attacks.

...2. 1705 Gaydar (**Gaidar** Forum), an international economic conference, opens in Moscow on the same day. Government ministers admit the situation is serious...

Finance Minister Siluanov recalls 1998 default, says the budget needs to be brought in line with the new reality and will be cut.

Prime Minister Medvedev reassures the audience by saying the situation is not as bad as in 1998 but the budget will have to be adjusted. The situation is "not easy but controllable", he says.

Former Finance Minister Kudrin warns against cutting all budget articles, says health, education and infrastructure should be protected.

Economic Development Minister Ulyukayev says the rouble may either rise or fall this year. He must have been joking, presenter comments.

Tatyana Golikova, head of Audit Chamber, criticizes government high budget spending. Medvedev, too, says one should live according to one's means.

Andrey Makarov, head of Duma committee on budget and taxes, calls for judicial reform, says Russian people trust only one person in the country - Putin; warns against privatization.

Government, parliament determined to overcome the crisis. Situation is controllable, presenter concludes.

3. 1716 During debate at Gaydar Forum, Mikhail Kovalchuk, head of Kurchatov Institute, warns against "technological colonization". Head of Sberbank German Gref highlights that the age of hydrocarbons is over and Russia loses competition in development of alternative energy, needs to change its state institutions. Russia needs "colossal self-transformation", Gref says. Video.

4. 1721 For the time being, though, oil remains Russia's main export. What level of oil price will "kill" Russia?

In studio interview, Energy Minister Aleksandr Novak says Russia going through the worst crisis in past 45 years but Russian companies still make profit because the cost of oil production in Russia is low. The crisis of oil supply exceeding demand will continue

for at least another year. Low oil prices give Russia an opportunity to diversify its economy, make it more competitive and reduce its dependence on hydrocarbons.

5. 1725 Putin approves Prime Minister Medvedev's proposal to set up a super tax service and give more power to current head of tax service Mikhail Mishustin. Video.

STOLYPIN: Russia needs its brains

Business New Europe, 00:00, 18 января 2016, 1487 слов, (Английский)

At January's Gaidar Forum, Sberbank chief and former minister German Gref said what everyone knows but officially no one wants to admit: that “downshifter” Russia is losing its best and its brightest to Europe and the US. “Our most terrible

RUSSIA BEYOND THE HEADLINES

Can Russia and the EU restore their friendship?

January 15, 2016 NIKOLAI SHEVCHENKO, SPECIAL TO RBTH

Russian and EU participants criticized the policies of their respective capitals at the recent Gaidar Forum in Moscow. Both sides accused each other of being unreceptive to the interests of their counterparts and acrimony prevailed despite assurances by both sides that they want to cooperate.

Mutual accusations tainted a Gaidar Forum panel discussion between Russian and European Union officials. Russian participants cited economic sanctions and political conditionality as impediments for constructive trade relations between Moscow and Brussels.

“Political conditions are primarily being imposed on us,” said Anatoly Yanovsky, the deputy minister of energy for the Russian Federation. “We must decide if equal trade and economic partnership is possible between participants – one of which puts such conditions forward.”

Vladimir Salamatov of the Chamber of Commerce and Industry of Russia suggested that Gunnar Wiegand, the European external action service director for Russia, Eastern Partnership, Central Asia, Regional Cooperation and OSCE, practically “refused to listen” to the Russian envoy when the former touched upon the technical regulation of Ukraine’s trade with the Russia-led Eurasian Customs Union.

Political tensions diminished the trust of Russian exporters to their EU clients according to speakers. “I must admit that the number of requests that the Russian business community makes to insure exports to Europe has increased exponentially,” said Pyotr Fradkov, the general director of the Russian Export Center.

Stumbling block

The insufficient fulfillment of the Minsk Accords and the controversy surrounding Crimea makes up the bulk of the EU's discontent with Moscow. The EU refuses to recognize Crimea as being part of Russia and has adjusted its trade and investment policies towards Moscow accordingly.

Russia's Ukraine policy makes the EU implement measures that negatively affect trade between Moscow and Brussels, pointed out Vygaudas Ušackas, head of the European Union's delegation to Russia. Russian exports to the EU have diminished by 37.7 percent since 2014 according to Alexei Likhachev, the first deputy minister of economic development of Russia.

"The road from Vladivostok to Lisbon goes through Kiev," said Ušackas, while Likhachev referred to Minsk as the primary route to Europe for Russia.

Moscow's decision to introduce counter-sanctions undermined the Russia-led Eurasian Economic Union (EAEU), according to Ušackas. The diplomat questioned Russia's ability to combine its import-substitution policies with WTO and EAEU obligations.

"In relations between the EU and Russia we have the reserves, desire and will, but we also need a shared vision and naturally – mutual trust," said Ušackas. "Unfortunately, we do not have a shared vision yet and trust is severely damaged."

Hope for a brighter future

Rhetorical battles notwithstanding, the speakers acknowledged the need to promote dialogue between Moscow and Brussels, including in the trade and energy sectors. The EU remains Russia's main trade partner in spite of the economic sanctions and a recent decline in bilateral trade.

Russia still exports up to 70 percent of its hydrocarbons to the EU. Moscow and Brussels continue cooperation in the spheres of education and product safety standards. "We have not reached the point of no return with the EU," added Likhachev.

According to the speakers the Russian business community is interested in normalizing relations between Moscow and Brussels and keeps working with its EU partners.

"A barrier-free and comfortable business environment will eventually be designed," said Likhachev. "The question is which generation of politicians will fulfill these expectations. I personally would not want to us to delegate such important problems to anybody."

The Gaidar Forum is an annual platform for officials, analysts and business elites to discuss Russia's role in the world. The forum was held in Moscow at the Russian Presidential Academy of National Economy and Public Administration from January 13-15.

'Age of Crude Oil Over' as China Develops Alternative Energy Sources

16 января 2016
Mehr News Agency

In December, Carbon Tracker, a financial think-tank that promotes the green energy market, told Sputnik that China aimed to become the world's largest green economy due to Beijing's determination to move away from coal to wind and solar energy.

"The most proximate forecast is that China will consume some 45 percent less of traditional energy sources, with the way it is creating alternative energy," Gref, who is also the former minister of economic development of Russia, said at the **Gaidar Forum**.

Given the development of electric cars, Gref noted that, "we can say that the oil age is over."

Oil prices have been falling since 2014.

Earlier this week, the Organization of the Petroleum Exporting Countries (OPEC) stated that its Reference Basket of petroleum blends had fallen in value by 4.88 percent, reaching the same level as on October 1, 2003, or \$27.07 per barrel, majorly due to prolonged global oversupply and the OPEC unwillingness to cut production out of fear of losing market share.

http://rbth.com/gaidar_forum_in_moscow/2016/01/15/can-russia-and-the-eu-restore-their-friendship_559591

Iran interested in FTZ with EEU

16 января 2016
Iranian Students News Agency

TEHRAN (ISNA)- Iran's Ambassador to Russia Mehdi Sanaei said that Tehran is interested in creating a free trade zone with the Eurasian Economic Union (EEU).

"Iran is interested in the introduction of a free trade regime with the EEU and considers that the establishment of closer ties with the Union may become the basis for the development of economic cooperation of Iran with the Union's member countries," Sanaei told the **Gaidar Forum** in Moscow as reported by Sputnik news agency.

The EEU chairman said last December that the union considered Iran a key potential partner and voiced interest in creation of a free trade zone with the country. Also, Russia's First Deputy Prime Minister Igor Shuvalov announced again last December that talks on the creation of a free trade zone with Iran could be completed in the near future.

Sanaei added that Iran was particularly interested in economic projects of the Shanghai Cooperation Organization (SCO) member states, the EEU and the Chinese Silk Road.

The EEU is a bloc created to streamline the flow of goods, capital and labor between its member nations, namely Russia, Kyrgyzstan, Armenia, Belarus, and Kazakhstan. The union came into being on January 1, 2015.

In April 2015, Russia invited Iran to join the Union and reports said at the time that expert talks over Iran's membership to the Union have already started.

Iran announced a measure last December that it said could bring it closer to free trade with a key Russian-led economic union.

Officials in Tehran said a temporary agreement" has been signed with the EEU – that comprises Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia – to reduce trade tariffs between Iran and the Union's member states.

The agreement was signed by Iran's Minister of Industry, Mines and Trade Mohammad-Reza Nematzadeh and EEU's Trade Minister Andrei Slepnev.

Official Visit to Russia (Moscow, 17th - 18th January 2013)

Organisation for Economic Co-operation and Development (France), 02:00, 16 января 2016, 85 слов, (Английский)

During his visit, Mr. Gurría delivered a keynote address on "Modernising Russia in a challenging global environment" at the Gaidar Forum-2013, an International Research and Policy Conference on "Russia and the World: Challenges of

Foreign Military Review; Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow

Interfax: Russia & CIS Military Weekly

MOSCOW. Jan 13 (Interfax) - The European Union has always called for the coordination of actions in Syria, but a solution to the Syrian conflict should be political, head of the European Union delegation to Russia Vygaudas Usackas said.

"The European Union has always called for us to coordinate our actions," Usackas told reporters on the sidelines of the **Gaidar Forum** Russia and the World: Looking to the Future, which is being held in Moscow on Wednesday.

He replied thus to a question as to how the cooperation between the military structures of Russia, the United States and the EU states can be established in Syria.

In addition, Usackas said that "the response to the conflict in Syria should be political."

"Therefore, we support all the steps which are being taken by the UN envoy to create this platform and begin political talks between different groupings in Syria," he said.

Defence Industry; Russia preparing to sell 25% stake in Russian Helicopters - Manturov

15 января 2016

Interfax: Russia & CIS Military Weekly

MOSCOW. Jan 14 (Interfax) - The state is preparing to sell a 25% stake in Russian Helicopters.

"Twenty-five percent," Industry and Trade Minister Denis Manturov told journalists on Thursday on the sidelines of the **Gaidar Forum**, when asked what stake Russia was prepared to offer investors.

"As for Russian Helicopters, then I think the most beneficial for the state and for the company itself would be the option [of selling company shares] via a strategic investor," Manturov said.

"Everything depends on the market situation, but we hope that [sale of the stake] will take place this year," Manturov said. He did not provide an estimate of how much the deal is expected to be worth.



FINANCIAL & BUSINESS SERVICES; Govt not discussing Sberbank privatization in detail at present - Gref

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

MOSCOW. Jan 15 (Interfax) - The Russian government is not for now discussing the privatization of Sberbank of Russia in detail, Sberbank President and CEO German Gref told journalists on the sidelines of the **Gaidar Forum**.

"I would only welcome the idea of privatizing Sberbank, like the idea of privatizing any other bank and most of what is owned by the state. The government is working on it and we'll be hoping some sort of decisions will be reached, but there have not yet been any detailed discussions with us," Gref said.

The current ruble devaluation is not at this moment critical for Sberbank's capital adequacy, Gref told reporters.

"Devaluation and capital adequacy are broadly associated, but this is all not critical so far. Subsequently it'll once again all depend on the extent of the decline, how long it lasts," he said.

Gref said the ruble was unlikely to fall to 80 or a few kopecks more against the dollar.

"Generally speaking, when [oil] costs \$30 we're seeing 75, 76 and 77 rubles [to the dollar], and when it is \$25 we'd see 80, 80 plus a few kopecks. But it's unlikely this will happen; if it does, then for not long. I think this would be very hard to bear, very unpleasant, including for the banking sector, in fact primarily for the banking sector," he said.

But even this sort of ruble devaluation is preferable to the policy of propping the exchange rate up, and the Central Bank was right to let the ruble in November 2014, he said.

As of December 1, the bank's N1.1 and N1.2 capital adequacy levels to Russian Accounting Standards (RAS) were both 8.2%, as at the start of last year, and the N1.0 ratio was 12.1%, up from 11.6%.

Meanwhile Sberbank is now working out a stress scenario for oil at \$25 a barrel in its planning for 2016, the bank's head, Gref told reporters.

"True, we had the \$30 scenario. But the \$30 is now out of date. That was the worst-case scenario in our business plan, and it has become reality at the start of the year," he said.

The bank will be reviewing its existing scenarios, he said. "Of course we have already started to test \$25 now," he said.



FINANCIAL & BUSINESS SERVICES; CBR sees no need yet to revise risk scenario, although this becoming more likely

15 января 2016

MOSCOW. Jan 13 (Interfax) - The Central Bank of Russia does not yet see any need to revise its risk scenario, where oil trades at \$35 a barrel, although the risk of this scenario playing out has increased since the December meeting of the Central Bank's board of directors.

"There's no need to revise the risk scenario yet," Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, told reporters on the sidelines of the **Gaidar Forum** in Moscow.

But there is a stronger likelihood of the risk scenario coming true than there was in

December, when the regulator decided to keep its key lending rate on hold at 11% pa.

"Generally speaking, in the framework of the baseline scenario, we have said oil prices will stay low throughout December and January. So there are no major deviations from the baseline scenario, however the likelihood has of course increased," Dmitriyev said.

The Central Bank's 2017 inflation target is still 4% in all its macroeconomic development scenarios.

Asked how far oil might fall, Dmitriyev said: "We have no such estimates. We recognize that oil might in the risk scenario be lower than \$35 a barrel, but we have no concrete estimate. There is no such need for the purposes of the scenario," he said.

Monetary tightening is possible in the risk scenario, he said, but this does not necessarily mean the key rate will be raised.

"It is important to understand that tightening does not necessarily mean the rate will be hiked. In some conditions leaving the rate unchanged can represent tightening, as we have seen generally in the interpretation of market participants in the second half...in various conditions a differing rate can be interpreted in various ways," he said.

"The ruble is behaving quite steadfastly for such changes in the oil market," Dmitriyev said in addition.

Corridors of Power; Russia not in talks with EU on lifting sanctions, conditions of their lifting - Russian Foreign Ministry

15 января 2016

Interfax: Russia & CIS Military Weekly

MOSCOW. Jan 13 (Interfax) - The Russian Foreign Ministry has rejected a statement that Russia has been conducting dialogue with the European Union on lifting sanctions through different working groups under the Minsk agreements.

"This dialogue is not being conducted. We are not discussing any conditions for the lifting of sanctions. The European Union has imposed these sanctions itself, and it is the EU's business to think over how to lift them, taking into account the damage which is caused to the EU states by these sanctions," a source in the Russian Foreign Ministry told Interfax, commenting on EU Ambassador to Russia Vygaudas Usackas' statement.

Usackas told reporters on the sidelines on the **Gaidar Forum** Russia and the World: Looking to the Future that Moscow and the EU have been conducting dialogue on the issue of lifting sanctions, and that they might be lifted after the Minsk agreements are implemented.

"Dialogue on lifting sanctions is being conducted. It is being conducted through different working groups under the Minsk agreements. When the sides which have signed the Minsk agreements fully implement them, then a decision will be taken," he said.



COMPANIES & MARKETS; Gazprom produces 418.47 bcm of gas in 2015 - sources

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

...Exports

Turkey was the second biggest buyer of Russian gas for the ninth straight year, Gazprom CEO Alexei Miller told journalists on Wednesday.

"Turkey had the second biggest demand for Russian gas in 2015 after Germany," Miller said.

Turkey first moved into second place among Russian gas customers in 2007, displacing Italy. It has held onto that position ever since.

Miller provided detailed commentary on Gazprom's export results for 2015 on Monday, noting the individual trend in supplies to Germany, Italy, France, Austria and the UK. He only spoke about Turkey two days later, without specifying volumes.

According to Interfax calculations based on data from European gas pipeline operators, Turkey bought about 27 billion cubic meters (bcm) of gas from Russia in 2015, roughly 1% less than in 2014. Turkish consumption of Russian gas declined from the first to the third quarters, but grew markedly in the fourth quarter, virtually offsetting the decline over the first nine months.

Gazprom exported 159.4 bcm of gas outside the CIS in 2015, 8% more than in 2014.

Speaking at the **Gaidar Forum** in Moscow on Wednesday, Deputy Energy Minister Anatoly Yanovsky expressed confidence that Russian gas exports to Europe would continue to increase: "We have the optimistic view that the volumes of oil and gas supplies to Europe will remain at the same level. It will increase for gas; there might be some decline for oil given the overall decline in consumption."



POLITICS. ECONOMY; Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

MOSCOW. Jan 13 (Interfax) - Russia needs to grow at a 5% pace to be able to create a genuinely social state, former finance minister Alexei Kudrin said, warning that unless changes are made, the country risked falling into a "vicious cycle" of rising spending amid declining revenue.

"I believe that for the time being 'a social state today' is more of a declaration and sometimes a populist slogan. In our situation, Russia needs to build a somewhat different [economy]. We need 5% growth a year. That will provide the increases in real incomes each year and increases in resources which we can allocate step by step to social support," Kudrin said at the **Gaidar Forum** on January 13.

The pension age must be raised and "other questions of restructuring liabilities" must be resolved. Otherwise, within just four years, support for the pension system will have to increase to 1% of GDP a year, which will inevitably hurt business.

"I can say right off: this will put a burden on business, because, frankly speaking, I no longer know where spending can be cut. Education, healthcare: we are already cutting what we could, but this is human capital, competitiveness, the future. We have fallen into a closed, vicious cycle," Kudrin said.

The only way the break that cycle is to grow the economy, he said.

"Without economic growth, we will not resolve the problems. They will grow and get worse," Kudrin said.

Reserve Fund, NWF

Given that the difference between the Reserve Fund and National Welfare Fund (NWF) is only notional and given the emergence of problems with the pension system, which is what the NWF was created for in the first place, maintaining the two funds as separate entities is no longer worthwhile, Kudrin said.

"Pension system problems have already arrived today. They [the funds] are managed virtually identically with the exception of a small portion directed at the domestic market. It would probably be possible to transfer them in some fashion to some development institutions and merge the Reserve Fund and NWF, because, given the challenges that we face in the coming two-three years, they need to be managed as a single instrument, to understand the resource, and this notional separation already has no significance," he said.

Kudrin pointed out that the Reserve Fund and NWF had originally been formed by splitting up the Stabilization Fund. The Reserve Fund was to maintain a certain volume of reserves and was to be "managed in a special way, very conservative investment, and was to be insurance for a rainy day." The NWF was to cover financing shortfalls associated with demographic issues. "We planned to figure out the shortfalls in advance and plan out NWF spending. It was to be managed somewhat differently, put in riskier securities," Kudrin said.



POLITICS. ECONOMY; Medvedev suggests mobilizing budget revenue, including from privatization

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

...Retail problems

The main problem in the Russian retail sector is counterfeit goods, not the product assortment or the competitive environment, despite the difficult economic situation, Manturov said.

"We do not see any problems in retail trade in terms of assortment or, all the more so, competition: competition is plain to see. As for the assortment - this question has already been asked regarding Turkey and other countries - we have no limitations. Growth of domestic production will gradually advance," Manturov told journalists on the sidelines of the **Gaidar Forum** on Thursday.

"We are gradually resolving the problem connected with contraband, counterfeit goods. This is the main problem, not the assortment," he said.



COVER STORY; Russia bans Turkish companies from construction, tourism, hotel business

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

MOSCOW. Dec 30 (Interfax)

...Banking

Sberbank asked the Ministry of Economic Development about possible withdrawals from Russia's measures against Turkey, First Deputy Minister of Economic Development Alexei Likhachyov said on the sidelines of the **Gaidar Forum** in Moscow on Wednesday.

"There are several withdrawals from the measures: there is a list of employers, which are permitted to continue contracting the workforce; there is a list of companies and contracts, which will not come under the effect of the measures; there is a "grandfather clause", that is to say all contracts, which were concluded on services and commodities before [the restrictions] took effect," he said.

Commenting on the issue of requests by the Russian companies, which could be affected by Russia's restrictions against Turkey, the first deputy minister said that the systemic work was under way to scrutinize all the consequences of the measures taken against Russia and by Russia, including with due account of an industry survey, up to a request by concrete companies.

"I can say that several major companies, including Sberbank, have filed such requests. Naturally, we are preparing proposals in the government so that these measures [for the support to such companies] will be taken," Likhachyov said...



COVER STORY; Russia formally halts free trade zone regime with Ukraine, makes exception for gas export duty

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

MOSCOW. Dec 30 (Interfax)

...\$3 BLN DEBT: Ukraine imposes payment moratorium, Russia set to sue

The Ukrainian Cabinet of Ministers also decided to impose a moratorium on the payment of the \$3 billion debt to Russia, which was taken at the time when the country was led by former president Viktor Yanukovich, Yatsenyuk said.

"The Ukrainian government has made a decision to declare a moratorium on the \$3 billion debt that we didn't take and that was nothing else than a bribe given by the Kremlin to the former president of Ukraine for not signing a free trade agreement [with the EU]. The Ukrainian government declared the moratorium on the payment of the \$3 billion, and that is primarily due to the fact that Russia had refused to restructure these debts in the way that all other Ukraine's creditors have restructured," Yatsenyuk said at a government meeting on December 30.

He said Ukraine is ready for litigation on the matter. "The Kremlin will not receive any other conditions except for the conditions proposed for other creditors who have accepted Ukraine's proposal. That is the reason why the moratorium has been declared until the moment when Russia either accepts Ukraine's proposal or there is a relevant court decision, and we are fully ready for litigation with the Russian Federation," Yatsenyuk said.

Ukrainian Finance Minister Natalie Jaresko expects to continue the dialog with the Russian side over the \$3 billion in Eurobonds purchased by Russia, which came due on December 20, 2015, in January 2016.

"I expect that the dialog will continue after the holidays," Jaresko said during a press

conference in Kyiv on December 30.

Russia will be ready to discuss Ukraine's proposals on its debt even after the litigation process begins, Finance Minister Anton Siluanov told Rossiya 24 television in an interview.

Ukraine failed to make payment on \$3 billion in Eurobonds and \$75 million in coupons held by Russia that came due on December 20. If the country does not pay the amount due during the grace period - before December 31 - Russia will file in court in order to secure repayment.

"After December 31, we will file, as is stipulated in the prospectus for the issue in the event of nonpayment, in arbitration court. This will be arbitration under English law," Siluanov said.

"We evaluate the chance of a win in arbitration as very high..Yes of course, this may take some time. But how much time it will take is difficult to say right now...We will work to secure full repayment of the debt that Ukraine owes Russia," he said.

"If in this period the Ukrainian colleagues change their position and return to discussing the issue of repaying their debt, we will be ready to consider proposals even while we are engaged in litigation with the Ukrainian side," he said.

Russia will file a court claim against Ukraine, which has defaulted on \$3 billion in Eurobonds, before the end of January, Russian Finance Minister Anton Siluanov told reporters.

"Before the end of January," Siluanov told reporters on the sidelines of the **Gaidar Forum** in Moscow, when asked when the lawsuit might be filed.

The \$3 billion in Eurobonds acquired by Russia late in 2013 with National Welfare Fund (NWF) money were supposed to be redeemed by New Year's Eve. Ukraine declared a moratorium on servicing that debt and Russia said it would defend its interests in court.

The Russian Finance Ministry said that by January 1 Ukraine has not paid \$3.075 billion in principle debt plus interest on the bonds held by Russia during a grace period, which expired on December 31, 2015.

The Finance Ministry contacted The Law Debenture Corporation plc, and initiated legal procedures required for filing a lawsuit against Ukraine. The lawsuit will be filed with a British court, the ministry said.

Finance Minister Anton Siluanov said earlier that Russia did not deem dialogue with Ukraine to be impossible even despite the legal action.

"Russia intends to carefully examine any significant proposal from Ukraine, but it also believes that the court proceedings do not rule out a constructive dialogue in order to reach an acceptable settlement of the debt," the ministry said in its statement of December 31.

Russia will be ready to discuss Ukraine's proposals on its debt even after the litigation process begins, Siluanov said before the New Year.

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COVER STORY; Oil price to stabilize in coming months, but at low level - Ulyukayev

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

MOSCOW. Jan 13 (Interfax) - The price of oil will stabilize in the near future, but at a fairly low level, Economic Development Minister Alexei Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices.

"But this stabilization will be at a fairly low level," he said.

Ulyukayev held back from commenting on a potential new baseline forecast for the price of oil in 2016 and GDP growth, noting only: "Of course, the chances for [economic] growth diminish given declining oil prices."

Lengthy low

The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time, Ulyukayev said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-

2018 have not yet altered much, he said at the **Gaidar Forum** in Moscow.

"The period of low oil prices will be very lengthy. It's very hard for me to say whether this is the low stage of the global commodity cycle, or whether it's the new normality, but I'm convinced [low oil prices] are for the very long term. I don't think it falling to \$20 or \$15 is what we ought to be frightened about, as market logic dictates that the lower something falls today, the higher the probability it will rebound tomorrow. This [oil falling to \$20] is not the main risk. The main risk is that oil prices will be low for long periods, for years, or decades," he said.

So this, Ulyukayev said, meant that "fundamental decisions regarding structural changes in the economy" are needed. When the strategy to 2030 is being developed, the need will be not to "transgress by extrapolating today's decisions, but to approach it from the point of view of strategic targeting," he said.

Ulyukayev pointed to how consensus forecasts for oil prices were changing. "Look at how the consensus forecasts are changing. Analysts always change their forecast depending on what takes place in a current quarter, but this wave of alterations is fading. If we take the consensus for oil right now, then it has fallen steeply for the first quarter. It has fallen for the second quarter also, but it is almost unchanged for 2016 as a whole, and is \$63 a barrel in 2017 and \$70 in 2018. That's the consensus forecast for oil," he said.

"So this sort of extrapolation is not much use, but target-setting is where we define those contours that correspond, on the one hand, to fundamental constraints and on the other, give rise to the challenges that make us mobilize the economy's internal resources, and that is a very useful thing indeed," Ulyukayev said.

Further fall possible

Oil prices are likely to go on sliding in the near future, Russian Finance Minister Anton Siluanov said.

"Today there's a very tight balance on the oil market, we're seeing that nobody is cutting oil production. We're likely in the short term to see further decline in prices for this commodity," he said.

"Indicators for this commodity are unlikely to increase in the short term as the global economy declines and oil stocks remain high," he said in addition.

He said he believes that the forecast average price of oil in 2016 could be revised downward to \$40 per barrel and that this figure could be factored into the budget when it is revised.

"The forecast will now be revised. We believe that the average price of oil could be revised to about \$40 per barrel this year. We believe that it could be significantly lower in the first half of the year, like now, perhaps even lower, but in the second half of the year we believe that a recovery process could easily begin," Siluanov told reporters.

Asked if this figure would be factored into the budget for this year, Siluanov said: "Yes, but we should be ready for any changes, including for \$30 per barrel. In any case, the measures that we are developing will also apply to this."

Budget adjustments

The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Russian Prime Minister Dmitry Medvedev said at the **Gaidar Forum**.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.

The current situation in the Russian economy is not even close to the situation that existed in 1998, he said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.

Oil cos. can cope

The price of oil, which has dropped to \$30 per barrel, should not scare oil companies so much, analysts polled by Interfax believe, although they note that the oil-dollar link, which even every grandmother is already aware of, is ceasing to be constant.

This is more of a problem for the Russian budget. Deputy Prime Minister Arkady Dvorkovich said recently that the main risks of changes in the oil price are borne by the state and the country's budget, rather than by companies, as the tax system allows companies to implement their programs with both high and low prices.

At current oil prices, Russian companies remain profitable in terms of earnings before interest, tax, depreciation and amortization (EBITDA), although most are generating zero or negative cash flow, BCS analyst Kirill Tachennikov believes.

"At the level of EBITDA, Russian companies are all profitable. There are no problems here, because taxes have also fallen. I'd say that one needs to look at profitability in terms of free cash flow. At the current oil price, I think that almost all companies are generating zero or negative cash flow. But this depends on how much they cut capital expenditures," Tachennikov said.

He believes that, at a price of \$30 per barrel, Lukoil, Bashneft, Gazprom Neft and Tatneft will generate negative cash flow. Rosneft will have about zero cash flow if it keeps capex at the 2015 level and negative cash flow if it increases capex. Surgutneftegas will also have zero cash flow at current prices, while Novatek will have positive cash flow, the bank forecasts.

Artyom Konchin of Otkritie said that a drop in the ruble price of oil is more dire than a drop in the dollar price. "It's not very clear what will happen when we drop to \$25, for example. There the form of the tax already changes and the natural resource extraction tax ceases to be collected, the state share begins to decrease considerably. The price of a ruble barrel is low compared to last year: it averaged 3,200 rubles, but now it's about 2,400. Accordingly, for companies that trade in ruble figures, this will look even worse than it might have with a weaker ruble," he said.

Companies' operating margin will deteriorate with such a drop in oil prices, he expects. "If your taxes are linked to the dollar, and your ruble is too strong, you essentially have pressure on operating margin. Therefore, operating margin will be under pressure, plus it might be necessary to ask for government aid. Such a situation will be fairly frequent particularly for Rosneft," Konchin said.

The drop in oil prices will have a greater impact on foreign companies than on Russian ones, Andrei Polischuk of Raiffeisenbank believes.

"For Russian companies, there's a small plus in the depreciation of the ruble, which partially offsets the drop in oil prices. But it's worth noting that the ruble price of oil has also decreased considerably. I think that our companies are not on the brink of profitability, they are nonetheless higher and not by any means in the red. This applies more to foreign companies," Polischuk said.

Silver lining?

Russian President Vladimir Putin said the decline in oil prices also has a positive side for Russia in that it helps its economic recovery and stimulates production.

"As to the worst harm inflicted by today's situation, first of all on our economy, it is the harm caused by the falling prices on our traditional export goods," he said in an interview with the German Bild newspaper.

At the same time, the president also noted a positive side to this trend.

"When oil prices are high, it is very difficult for us to resist spending oil revenues to cover current expenses. I believe that our non-oil and gas deficit had risen to a very dangerous level. So now we are forced to lower it. And this is healthy [for the economy]," he said.

In this respect, Putin cited the example of Norway that puts a significant portion of its revenues from sources other than oil and gas in reserve.

"It is very difficult, I repeat, to resist spending oil and gas revenues to cover current expenses. It is the reduction of these expenses that improves the economy. That is the first point," he said.

"Second point. You can buy anything with petrodollars. High oil revenues discourage development, especially in the high technology sectors," Putin said.

He recalled that Russia's GDP has dropped by 3.8%, industrial production by 3.3% and inflation rose to 12.7%.

"This is a lot, but we still have a surplus in foreign trade, and the total exports of goods with high added value have grown significantly for the first time in years. That is an expressly positive trend in the economy," the president said.

Putin also pointed to Russia's substantial reserves.

"The Central Bank has about 340 billion in gold and foreign currency reserves. If I am not mistaken, they amount to over 300. There are also two reserve funds of the Government of the Russian Federation, each of which amounts to \$70 to \$80 billion. One of them holds \$70 billion, the other - \$80 billion," he said.

The Russian economy will gradually pick up, he said.

"We have adopted a whole range of programmes, including those aimed at import replacement, which means investing in high technologies," the president said.

interfax

COVER STORY; Current situation not even close to 1998; economy difficult, but manageable - Medvedev

15 января 2016

Interfax: Russia & CIS Business & Investment Weekly

MOSCOW. Jan 13 (Interfax) – Russian Prime Minister Dmitry Medvedev told the **Gaidar Forum** in Moscow on Wednesday the despite the current situation, the Russian economy is a long way from being where it was in 1998. He said that although the current situation is not easy, it is manageable, while First Deputy Prime Minister Igor Shuvalov told the Forum that the Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year. Medvedev said he believes that geopolitics is having an increasingly greater impact on economic processes in the world and the cumulative effect of Western sanctions against Russia and Russia's counter-sanctions has been a 1.5 percentage point reduction in GDP.

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year, while Economic Development Minister Alexei Ulyukayev said the price of oil will stabilize in the near future, but at a fairly low level. Ministers at the Forum warned a further slide would likely lead to amendments to the budget.

ECONOMY: Difficult, but manageable

The current situation in the Russian economy is not even close to the situation that existed in 1998, Medvedev said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.

"The situation in the economy is not easy, but manageable," Medvedev said.

"We have managed to ease the impact of external shocks to some degree, including with the help of the anti-crisis plan, in which we have concentrated resources to support the most vulnerable areas both in the economy and the social sphere," Medvedev said.

Shuvalov told the Forum that the Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year.

"The situation is extremely difficult, but I think we endured the entire burden in 2015," Shuvalov said.

"Recalling the economic situation in January 2015 and public sentiment, this was an entirely different situation. Now it is significantly more stable," he said.

"Despite all the ruble volatility and even at such oil prices, if one looks at any reasonable

opinion poll, people have begun to reckon their salaries in dollars less. People are thinking in rubles. This is a result that we didn't even expect would occur in one year," he said.

Medvedev said that the measures adopted by the government should now facilitate the achievement of one of the most important goals - to overcome the decline of living standards.

Medvedev said that the main way to reach this goal is to attain stable growth of the economy.

"The task in the current conditions is difficult, but we never have had easy tasks, it is enough to remember, with some initial data we began 2015: we had lines at currency exchanges, panic on markets, the gloomiest forecasts on the growth of unemployment and more promises to rip our economy into pieces. This did not happen," Medvedev said.

Russia needs to create a new economic growth model because the economic slump may last for several years, he said.

"Right now we are in fact creating a new economic growth model. We have regions that can survive without earnings from export of energy resources. They invested in modernizing productive capacity on time and effectively, found investors, built new factories, grew production of output with the highest value-added level and this is the example toward which we must strive on a nationwide scale," Medvedev said.

"The problem is that halting the GDP decline does not mean an automatic switch to growth. Instead of this, a long period of fluctuation around the zero level may commence, which cannot be called a trend," he said.

"As global experience shows, an economic depression can last decades and recovery from such an abnormal condition is no easier than recovery from the acute phase of a crisis," Medvedev said.

People's incomes have fallen as a result of the economic difficulties in Russia and the middle class has been hit the hardest, Medvedev said.

"Our own structural problems have become exacerbated against the new global backdrop. The lack of sources for economic growth and export revenues other than the resource sector is clear," Medvedev said.

"The repercussions of the difficulties of [2015] have led to the reduction of production volumes, the decline of business and investment activities, but most importantly and most seriously to a drop in people's incomes. Many have become poorer, the middle class has suffered. And these, perhaps, are the most painful consequences of the economic blows of last year," Medvedev said.

Ulyukayev said one of the main risks for the Russian economy in the near future is that households might switch from a behavioral pattern of consumption to one of saving.

"There's a risk, in my view a very serious, significant thing, of a change in the consumption behaviour of households - a shift from a consumption model to a model of saving," Ulyukayev said.

"Essentially this is already happening," he said. "Households are starting to take a different view of the future, they are also becoming adept to the 'new normal' in a sense," he said.

"On the one hand this is a risk but on the other, it could be a very powerful driver of our development. So it seems to me on the one hand that this fits with the global 'new normal', that is constraints on the principle of consumerism, of dynamic growth in consumer demand. On the other hand, powerful saving activity creates a resource which, if the corresponding institutions and instruments are properly tuned, will create a basis for investment growth," Ulyukayev said.

Meanwhile, unemployment in Russia has a tendency to rise, but companies will receive help from the budget to deal with this, Deputy Prime Minister Olga Golodets told reporters.

The Federal State Statistics Service (Rosstat) has said unemployment in Russia increased to 5.8% in November, from 5.5% in October.

"We see certain trends that suggest we ought to be paying more attention to issues of employment today. Although we have the same number of vacancies as before, we saw at the end of last year that unemployment - not registered, but that which Rosstat estimates - has a tendency to grow. We're now looking very closely at the whole situation, we have an agreement with our partners - with employers and representatives of employees - to give us immediate signals if problems arise at their enterprises. Targeted aid is already in effect being provided to those enterprises experiencing difficulties," Golodets told reporters on the sidelines of the **Gaidar Forum**.

"Last year, we managed to provide very effective help to enterprises like Kamaz, which were able to re-focus and adapt to the new conditions with an extensive retraining program for personnel. The program covers around 12 regions at present, but as the situation unfolds, we'll be extending it to the whole of Russia," Golodets said.

"We have money in the Reserve Fund that we can resort to if the need arises. We have money reserved to support the labor market. So far there have been no dramatic changes, but even minor fluctuations are very important to us," she said.

SANCTIONS: Geopolitics having a greater effect

Medvedev said he believes that geopolitics is having an increasingly greater impact on economic processes in the world.

"The situation is exacerbated by the fact that conditions in the economy are now strictly dictated by politics and geostrategy. Established rules are ignored or rewritten due to short-term considerations," Medvedev said, citing the International Monetary Fund's

decision on Ukraine's debts as an example.

"This is also exhibited in the issue of economic sanctions against our country. They are declared by individual countries, which radically undermines the authority of market institutions such as the WTO," Medvedev said.

However, Russia is ready to restore normal economic relations with the countries of the European Union, Medvedev said.

"We are ready to restore normal interaction with the countries of the European Union. Europe is our closest neighbor, our important economic partner. Our trade turnover is still in the billions of euros, despite the regrettable sanctions factor," Medvedev said.

Medvedev also said there is a need to fully disclose the integration potential of the Eurasian Economic Union, create free trade zones with the leading foreign economic counterparts, and expand cooperation in the Shanghai Cooperation Organization and ASEAN.

"I emphasize that we will build this work on the basis of the universal rules of the WTO and, of course, we will not create closed clubs with our own rules of the game that disregard the interests of other global economy and trade participants," Medvedev said.

"I am sure, which I have said more than once, that, in the end, common sense will prevail, the sanctions will become a thing of the past, and relations between Russia and the European Union will be back to normal. But for this to happen, some steps need to be taken based on economic logic, taking into consideration both the European and Russian businesses' impartial interest," Medvedev said.

In the meantime, the cumulative effect of Western sanctions against Russia and Russia's counter-sanctions is a 1.5 percentage point reduction in GDP, First Deputy Economic Development Minister Alexei Likhachev said at the Forum.

"The spring of 2014 gifted us with a completely different reality. We estimate the losses from the imposition of sanctions and retaliatory measures at 40 billion euro in 2014 and 50 billion euro in 2015 for the EU and at 25 billion euro for Russia in the just completed year, somewhere around 1.5% of GDP," he said.

The negative effect on Russia will diminish, and not only because there are hopes the sanctions will be canceled, but because the economy and enterprises have adapted to the current conditions.

"Naturally, there is little good in having a sanctions policy in place, but life is wiser than we are, than are the politicians and bureaucrats, and suggests certain solutions and abilities for working effectively and growing relations between companies, between economic operators, including against the backdrop of the existing, continuing sanctions regime," he said.

OIL: Stability coming, but at a low level

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.

The price of oil will stabilize in the near future, but at a fairly low level, Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices "But this stabilization will be at a fairly low level," he said.

Ulyukayev held back from commenting on a potential new baseline forecast for the price of oil in 2016 and GDP growth, noting only: "Of course, the chances for [economic] growth diminish given declining oil prices."

The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time, he said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said.

"The period of low oil prices will be very lengthy. It's very hard for me to say whether this is the low stage of the global commodity cycle, or whether it's the new normality, but I'm convinced [low oil prices] are for the very long term. I don't think it falling to \$20 or \$15 is what we ought to be frightened about, as market logic dictates that the lower something falls today, the higher the probability it will rebound tomorrow. This [oil falling to \$20] is not the main risk. The main risk is that oil prices will be low for long periods, for years, or decades," he said.

So this, Ulyukayev said, meant that "fundamental decisions regarding structural changes in the economy" are needed. When the strategy to 2030 is being developed, the need will be not to "transgress by extrapolating today's decisions, but to approach it from the point of view of strategic targeting," he said.

Ulyukayev pointed to how consensus forecasts for oil prices were changing. "Look at how the consensus forecasts are changing. Analysts always change their forecast depending on what takes place in a current quarter, but this wave of alterations is fading. If we take the consensus for oil right now, then it has fallen steeply for the first quarter. It has fallen for the second quarter also, but it is almost unchanged for 2016 as a whole, and is \$63 a barrel in 2017 and \$70 in 2018. That's the consensus forecast for oil," he said.

"So this sort of extrapolation is not much use, but target-setting is where we define

those contours that correspond, on the one hand, to fundamental constraints and on the other, give rise to the challenges that make us mobilize the economy's internal resources, and that is a very useful thing indeed," Ulyukayev said.

The stress scenario assumes the average annual price of oil at \$25 per barrel.

The government is not yet talking about slashing budget spending but of reducing budget allocations, he said.

"So far we're not talking about any spending cuts. We're talking about the reducing allocations by a certain amount on a certain date, by 10%. This means that, depending how the situation unfolds, either this non-allocation will be legalized, that is amendments will be made to the budget to reduce the corresponding spending; or the reverse, that the limit will be restored," Ulyukayev said.

"We have agreed that these issues will be discussed by Shuvalov's commission on the effectiveness of budget spending. Some positions might be reinstated quickly, we have reserve funds for that, and some might need more work. So I'd not yet say this budget spending is being slashed, but frozen, perhaps," he said.

The stress version of the macroeconomic forecast assuming oil at \$25 per barrel insures the budget against surprises, he said.

"We are even doing calculations at the \$25-per-barrel level. In this way, it seems to me, we are indemnifying ourselves against surprises, will be ready from the standpoint of regulatory documents, in order that state organizations and budget recipients, business and companies and the public passed through this difficult period easily and without large losses," he said.

In its calculations, the ministry must take into account various options. For that reason the macro-forecast is being worked up from the standpoint of the baseline version, taking into account the additional information that is now available. The forecast is being refined in order "to be ready for any unexpectedness, including the extremely low price range persisting for the entire year," he said.

Ulyukayev said he agreed with analysts who forecast oil prices to grow in the second quarter of 2016. "My thinking is the likelihood of such a scenario is high. The period of low, perhaps even lower prices, will persist for a time, and then, beginning somewhere in the second quarter, stabilization and a return to, movement toward higher levels, will begin," he said.

Oil market analysts and investment company analysts expect demand for oil to increase by 1.25 million bpd this year.

"That makes it possible to expect a supply and demand balance somewhere, let's say, in the third quarter. Clearly, no one is giving a precise forecast, but there is substantial logic in this," Ulyukayev said.

Analysts expect that as soon as the end of the first quarter oil prices will gradually

recover, he said, adding that their consensus forecast for the oil price in 2016 is \$52 per barrel.

Oil prices are likely to go on sliding in the near future, Russian Finance Minister Anton Siluanov said.

"Today there's a very tight balance on the oil market, we're seeing that nobody is cutting oil production. We're likely in the short term to see further decline in prices for this commodity," he said.

"Indicators for this commodity are unlikely to increase in the short term as the global economy declines and oil stocks remain high," he said in addition.

Deputy Finance Minister Maxim Oreshkin believes that Russia will see approximately zero GDP growth in 2016 with an average annual oil price of \$40 per barrel.

"In this scenario, the figure will be about zero," Oreshkin told reporters on Wednesday, declining to provide more specific figures. He said the final results for the fourth quarter of 2015 are not in yet, so the "question of a specific figure in the forecast is not the right question."

"In order to return to economic growth, we need to wait for the stabilization of oil prices and the stabilization of the exchange rate. Our main reason for contracting GDP is the acceleration of inflation, which is a consequence of the weakness of the exchange rate due to the drop in oil prices," Oreshkin said.

"Therefore, in the current situation we can expect negative growth in the first quarter compared to the fourth quarter of 2015. What happens next, we'll see," Oreshkin said.

BUDGET: Adjustments needed if oil falls further

The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Medvedev said.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.

Siluanov said he believes that the forecast average price of oil in 2016 could be revised downward to \$40 per barrel and that this figure could be factored into the budget when it is revised.

"The forecast will now be revised. We believe that the average price of oil could be revised to about \$40 per barrel this year. We believe that it could be significantly lower in the first half of the year, like now, perhaps even lower, but in the second half of the year we believe that a recovery process could easily begin," Siluanov told reporters.

Asked if this figure would be factored into the budget for this year, Siluanov said: "Yes, but we should be ready for any changes, including for \$30 per barrel. In any case, the measures that we are developing will also apply to this."

The Finance Ministry plans to draft and submit to the government proposals on amending the 2016 federal budget by the end of the first quarter, Siluanov told reporters.

"We think we should draft the proposals on amending [the budget] by the end of the first quarter. Ministries will draft their own proposals before the middle of the month and submit them to the Finance Ministry," he said.

At present ministries, "without having signed contracts or social commitments, are using up the most important and necessary spending, and all the non-priority spending will be left for later or will be reduced. "And they'll present us with their proposals [on the return of budget limits] which we will ultimately take into consideration when setting new financing limits and in subsequent budget adjustments," he said.

Russian ministries and government departments will have to submit proposals to the Finance Ministry to optimize ineffective expenditures in order to reduce Russia's budget spending by 10%, Siluanov said.

"We need to adopt sound measures to bring the budget in line with the new realities. The government has already made such decisions. The first step is that we agreed that ministries and departments, having received allocations for 2016, set allocation priorities and themselves make decisions to select the main, most effective expenditures and cut ineffective ones, and will present proposals to the Finance Ministry to optimize the expenditure side of the budget by about 10% for the main discretionary items. This will provide some resources," Siluanov said.

The Finance Ministry is also working with the administrators of revenues - the Federal Tax Service, Federal Customs Service and the Federal Alcohol Market Regulation Service - to increase collection of revenues.

Another source of revenue that the ministry is counting on is privatization. Siluanov said that the goal is to additionally raise "about 1 trillion rubles in two years" with the sale of state property. "This is quite a realistic figure," he said.

He said it is also possible to use undistributed resources that have not been earmarked for specific expenditures.

"We need to talk about a very economical, tight fiscal policy so as not to slide into a high deficit, into large amounts of debt," Siluanov said.

The 10% spending cuts will save the federal budget more than 500 billion rubles this year, he said.

Siluanov said earlier that the MinFin would submit its own proposals on amending the budget, based on proposals by other ministries and agencies, before the end of the quarter.

The Russian budget needs to be brought into accordance with the current economic situation, otherwise spontaneous fine-tuning may hit the population through high inflation, as was the case during the 1998-1999 crisis, Siluanov said. "Our task now is to bring the budget into accordance with the new realities. If we do not do this, then the same thing will happen as happened in 1998-1999, when the population pays for what we did not do in order to bring the budget into line with the new realities through inflation," he said.

The minister said that in 1998-1999, the budget was automatically adjusted through high inflation growth under new macroeconomic conditions, which fell in comparison to GDP by 10 percentage points. "But this was done spontaneously, through growth of inflation, through the reduction in real terms of all spending. Could we behave like that now? Of course, this is incorrect. This is the worst option for development," Siluanov said.

He said that the authorities already are taking measures to adjust the budget. So the ministry when receiving budget funds should decide for itself how "to prune away inefficient spending" and defend its decision at the Finance Ministry, for undefended articles of the budget this should give a reduction by 10%. Also work is being carried out on increasing budget revenue from the tax and customs services and the federal alcohol market regulation service. In addition, additional revenue may be received from privatization, about 1 trillion rubles for two years.

The Russian government's priority is to adapt the budget to the new realities. Government-related companies must also adapt their budgets, he said.

"If in current conditions enterprises and the private sector have largely adapted to the new realities, then the budget, state companies and the public sector still have to adapt to new conditions. This task is now before us. If this doesn't take place, we might have negative consequences from the point of view of the economic situation," he said.

Siluanov said budget revenue would continue to decline this year and this year it would be 1.5 trillion rubles below what was approved previously in the three-year budget. In the years to come, the tendency for the resource base to contract will persist, he said.

"In these conditions it is impossible not to adapt spending to the new conditions," Siluanov said.

State companies, which account for a significant portion of the economy, need to take similar action to bring their budgets into line with the new conditions. "Without it will not be possible to say the public sector has generally adapted to the new conditions," Siluanov said.

He said structural reforms would be needed in 2016-2017 to adapt the budget. "If we don't do this, we'll later have to draw up our own strategic plan for a tougher scenario, because we hardly have any time for these changes," he said.

Ulyukayev said it is still too early to revise the 2016 federal budget since the situation on global markets is still too volatile.

"It seems to me that it is too early to revise the budget, because of the high degree of market uncertainty, volatility and because there is no need to harass budget money recipients. They are concluding contracts, implementing projects, building, etc. In my view, a more cautious, balanced policy is needed here," Ulyukayev said.

"Secondly, of course, our reckoning must include various possibilities, because now we are working up both a possible refinement to our baseline version of the forecast that incorporates the additional information on oil quotations that we now have, as well as their forecast dynamics, and preparing a stress test scenario, in order to be ready for any unexpected development. Including oil prices remaining in the extremely low range for the entire year," he said.

The Economic Development Ministry is considering various stress scenarios for this year that envision a dramatic increase in the budget deficit if the unfavorable situation on commodity markets continues. "In the stress test that assumes that extremely low oil prices will continue for the whole year, we are considering a possibility where the budget deficit could increase to 7-7.5% of GDP. Right now we have a figure of 3% of GDP set in the budget law," Ulyukayev said.

Tough Russian budget decisions are inevitable, Shuvalov said.

"We will in fact have to make tough budget decisions. The finance minister and the prime minister spoke about that today. Here will not just have to determine what is effective and what is not," he said.

The government will have to take action in two areas: cutting budget spending and "as regards financing, identify the ineffective items that don't need to be carried out."

"Overall we have an idea about which of the most important state programs are effective spending and which aren't. I cannot say that this is such a comfortable situation for us - it's uncomfortable - but absolutely useful," Shuvalov said. The current situation is useful for invigorating the budget system as well and for switching to a more diversified economy.

"It would seem we always had many opportunities for this, but it only seems that way. Given high earnings from oil and gas, and from our other traditional groups, including metals, there were big expectations for spending. It is very difficult for the State Duma to make other decisions," Shuvalov said.

RUBLE: Still a chance of strengthening

Ulyukayev said he believes that the ruble has just as much of a chance of strengthening as it has of weakening in the current volatile situation.

"I believe that the chances are equal both for strengthening and for weakening," Ulyukayev said, commenting on his expectations for the ruble's exchange rate.

Asked how the economy will do in the next few months, Ulyukayev said the "Russian economy and social system have shown high adaptability and one should not be scared by the volatility on either financial or commodity markets."

"I think that the situation will be quite stable. This means that social and state obligations will be fulfilled, both in the area of wages and in the area of pensions," Ulyukayev said.

"We are counting on inflation gradually decreasing, which is very important for the wallets and consumer baskets of our citizens," the minister added.

Fundamentals currently point to a greater likelihood for some future ruble strengthening than weakening, and may go as far as the forecast indicator for 2016: 63 rubles per dollar. "These preconditions [for ruble strengthening this year] exist. I would point out that in our baseline forecast for 2016, the average exchange rate is 63 rubles/\$1. I believe that we have a chance to return to this trajectory in future," Ulyukayev told journalists.

"In any case we have a free floating exchange rate. The Central bank is pursuing a policy of inflation targeting, so fluctuations in one or the other direction are possible. But the fundamentals indicate that there is more likely to be some strengthening rather than weakening compared with current quotations," he said.

The stress scenario for the Russian economy's growth puts the ruble's exchange rate against the dollar at 80 rubles/\$1 or more, but the baseline scenario gives the Russian currency a good chance of strengthening, Ulyukayev said.

"There's a good chance of the ruble strengthening to some extent. The stress-test analysis give other amounts - 80 or even more, but I think and many analysts think the oil situation will stabilize and that the ruble's rate still has some potential to go down, but in the short term the balance will be in favor of it strengthening," he said.

The depreciation of the ruble that Russia has seen in recent months will have a weaker impact on inflation than usual, since economic agents and households have grown accustomed to the volatility of the exchange rate and the economy is less dependent on imported goods, the head of long-term strategic planning at the Finance Ministry, Vladimir Kolychev told reporters at the Forum.

"Usually, every 10% of depreciation adds 1.3 percentage points to inflation. There are now arguments in favor of the impact being lower. Firstly, because households are no longer so moved by the volatility of the exchange rate, there are no longer the sentiments that existed, for example in December of the year before last - the panic buying of imported goods, attempts to increase stocks of foods and so on. And

secondly, there is import substitution - it is after all taking place to some extent. Consequently, the lower the import dependence the lower the exchange rate's influence on retail prices," Kolychev said.

"The impact of depreciation will be less than usual. Usually it is realized within three to six months. Last time, due to the fact that the scale of depreciation was fairly strong, it happened faster, within three months. Now, in principle, the scale is not so great. Economic agents have already gotten used to volatility. I think that the impact will be realized according to the usual trajectory (within six months)," Kolychev said.

"Before we had an estimate of about 5-6% [for inflation in 2016] with oil at \$50 per barrel and an exchange rate of about 63 [rubles] per dollar. Now the exchange rate has changed by 20%. Based on the fact that the carryover effect should be less than 1.3 percentage points, it's possible to approximately estimate," Kolychev said when asked if the Finance Ministry had revised its inflation forecast for this year.

INFLATION: Return to single figures possible

Russian inflation could revert to single figures as early as February but, due to the ruble's devaluation, it could exceed the official 6.5% forecast for the year, Oreshkin told reporters.

"By our estimates, the carry-over effect of the ruble's devaluation on inflation has now fallen to around 0.1% from 0.13%-0.14%," he said. "We're expecting single-figure inflation, less than 10%, in February," he said.

The Finance Ministry's inflation forecast for the year is 5.5%-6.5%, but on the condition oil trades at \$63 a barrel, Oreshkin said. "If oil prices are lower we get a weaker ruble, that is each percentage point by which the exchange rate weakens adds about 0.1 of a percentage point to inflation," he said, adding that "right now it's hard to say what the inflation forecast will be as this will depend on the level at which oil prices stabilize."

Russia will have about 10% inflation in January in annual terms, he said.

"The data from Rosstat has come out optimistic. We will be located somewhere at about 10% for January. More or less, we will see," Oreshkin told journalists.

Inflation in Russia might be 7% this year in the scenario that oil trades at \$35 a barrel, a Central Bank official said.

Inflation would might be 5.5%-6.5% in the Central Bank's baseline scenario, where oil trades at \$50 a barrel, Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, said at the Forum.

BANKING: Privatizations back on the table?

Borrowing in the global markets will remain closed to Russia so the banking system has to be recapitalized, Ulyukayev said, adding the Russian authorities need to return to the issue of privatizing state banks.

"We need to return to the issue of privatizing our biggest banks, Sberbank and VTB," he said at the **Gaidar Forum**.

This privatization could help increase the banking system's capitalization while the global capital markets are off-limits, he said.

"These are very good quality assets, with world appeal. Their partial privatization, and a partial placement in favor of the capital of these companies will make it possible to radically change the situation from the point of view of the capitalization of the Russian banking sector and enable it to digest those huge resources that might be localized via the implementation of a new savings model for households," he said.

Sanctions are not a hindrance to the Sberbank of Russia and VTB privatizations, but so far no fundamental decision on the privatization of those banks has been made, he said.

"At first we must make the conceptual decision [on privatization]. We have legislative constraints, there are other constraints," Ulyukayev said.

"All the rest is a technicality. We have a hundred options for resolving this issue. There is also domestic demand for these shares," he said, commenting on the sanctions topic and a possible shortfall in interest on the part of foreign investors.

"Sanctions, naturally, are an obstacle, but there are technical possibilities even under the sanctions regime to conduct privatization deals," he said.

Medvedev meanwhile said he backed the Central Bank's policy of cleaning the banking sector up.

"The banking sector is working steadily, the Central Bank is pursuing a consistent policy to clean it up. This is a painful process, especially for the clients of the banks being closed, but otherwise the long-term sustainability of the banking system cannot be ensured," Medvedev said.

The privatization of Sberbank and VTB should be carried out more or less at the same time, Deputy Finance Minister Alexei Moiseyev believes.

"The biggest state banks, Sberbank and VTB, should be privatized more or less simultaneously. So as not to create a distorted competitive environment, they should be privatized simultaneously," Moiseyev told reporters at the **Gaidar Forum**, adding that the Finance Ministry does not object to the privatization of state banks.

However, he remarked that, "frankly speaking, I don't really understand what foreign investors might be interested in banks subject to sanctions."

The Finance Ministry has studied the impact of sanctions in the event of a new share issue by the banks.

"To be honest, I don't understand at all how an issue of even one new share can be

carried out in the public space by any organization subject to sanctions. Such an issue on the market will lead to all holders of the banks' current shares being subjected to investigation in terms of violation of sanctions," Moiseyev said.

Elsewhere in the sector, the situation surrounding Vnesheconombank (VEB) shows how significant off-balance budgetary liabilities can be, Central Bank First Deputy Governor Ksenia Yudayeva said.

"When estimating how large the potential is for the development of the debt market in Russia, one should pay attention to several risk factors. First is the various types of off-balance budget liabilities, overt and covert. The story with VEB shows that they can be very significant. For this same reason it is not enough to balance only the federal budget and not take the regions' accumulated debts into account. Also one should not dismiss such a factor as the aging of the population and the need to finance rising costs on pension provisions in the next five to ten years," Yudayeva said.

The second risk factor is the high uncertainty on global commodities markets, most of all the oil market, she said. This is another argument in favor of the use of conservative scenarios.

In addition, there is uncertainty regarding the length of the period of low oil prices.

DEBT: Burden shouldn't exceed 25%-30% of GDP

The Russian Central Bank is seeing potential for an increase of the state debt burden, however feels that the maximum debt burden should not exceed 25%-30% of GDP.

"Does Russia have to potential for an increase in debt? Theoretically there is, but our country is a country with one of the lowest levels of state debt. In connection with this, the development of the state debt market might be facilitated by the development of the financial system in general. In any case I would proceed from conservative estimates of the highest possible debt burden on the Russian economy, which does not threaten macroeconomic stability. We are saying no more than 25% to a maximum of 30% of GDP," Yudayeva said.

She said that examples from Russian history show that the real interest rates that the Russian budget must pay in the case an increase in state debt to 35%-40% of GDP become extremely high and lead to a rapid unravelling of the debt spiral. "I also connect to ousting of corporate and private borrowers by the state to negative consequences of the growth of state debt," she said.

Yudayeva also said that the size of the largest possible debt burden is higher the countries where one sees persistently low inflation and persistently low inflationary expectations.

The risks associated with the debt burden of Russian companies are under control, Yudayeva said.

"Problems with foreign currency and ruble liquidity, and with other risks to financial

stability, are not arising. Risks associated with the debt burden of companies are under control," she said.

The Central Bank "is monitoring the situation with financial stability and regularly and responsively adjusts its macroeconomic forecasts and its policy," Yudayeva said.

"The Central Bank is ready to use all available resources to stabilize the situation as needed," she said.

The situation with Russia's financial stability remains relatively steady, even given the global volatility in recent times, she said.

Russia's budget deficit in the current situation should be financed more with borrowing than from reserves, she said.

"An important question is how to finance the deficit: using reserves or using debt. Strictly speaking, both the one and the other will lead to an increase in net debt, that is, debt from deduction of reserves, meaning, accumulation of a debt burden. For that reason, this is to a significant degree an imaginary choice. Nonetheless, since the risks of the raw materials markets are great, in our view, the priority in the current situation should be given to debt financing and maintenance of reserves in case more difficult scenarios materialize, when access to debt financing will be even more difficult," she said.

Moreover, the presence of a certain safety margin in reserves is insurance from the standpoint of the market and somewhat simplifies access to debt financing.

"We have lost": Sberbank of Russia`s CEO calls Russia "downshifter state"

15 января 2016
Unian

Era of hydrocarbons is over, and Russia has found itself among the losers, "the downshifter states," said German Gref, Head of Sberbank of Russia speaking at the **Gaidar Forum**. He called to change all state systems, including the system of education.

Gref spoke of the crisis in the oil market, which, as he believes, was caused by the "radical shifts in consumption." "The era of hydrocarbons is over. Just like the Stone Age was over not because there were no stones left, the Oil Age is now over as well," Gref said.

"The future has come sooner than we expected. We are already living in this future today," the head of Sberbank said, adding in English: "Welcome to the future!"

As RBC reported, Gref believes that the future price of oil does not really matter: "We will really lag behind if we don't change the concept of our popular approach."

"We lost the competition, ending up among of countries that are losing, "the downshifter

states." The winners are the states and individuals, who were able to adapt and invest in it in due time. Those who weren't, are going to lose big time," he said. According to Gref, Russia is facing "a huge income gap" with "the winner states."

In order to adapt to new conditions, Russia must "change all the national systems, particularly education - from kindergartens to universities," Gref believes. The CEO of Sberbank of Russia said in the world of new technology, "big problems" arise from "the people at the medium level," those who fail to engage in either qualified or low-skilled labor.

In an early January's interview with The Financial Times Gref called the falling oil prices, Western sanctions and lack of structural reforms the main problems of the Russian economy.

In April 2015 Gref said that the primary reform Russia needs is that of an "absolutely inefficient system of governance." "Russia is not ready to any reform ... As soon as we carry out this reform, then we can implement all the rest," said Gref.



PRESS REVIEW; Russian press on the Banking & Finance sector for January 14

15 января 2016

Interfax: Russia & CIS Banking & Finance Weekly

*** The Russian government is looking for ways to revise the 2016 budget in light of the drop in oil prices and is preparing various stress scenarios, which was a major topic of the **Gaidar Forum** on January 13. The Finance Ministry is proposing to rewrite the budget based on an oil price of \$40. But the key problems for the budget - the economic crisis and stimulating growth - are not being tackled yet, analysts said (Vedomosti, p. 4).



CENTRAL BANK; CBR sees no need yet to revise risk scenario, although this becoming more likely

15 января 2016

Interfax: Russia & CIS Banking & Finance Weekly

MOSCOW. Jan 13 (Interfax) - The Central Bank of Russia does not yet see any need to revise its risk scenario, where oil trades at \$35 a barrel, although the risk of this scenario playing out has increased since the December meeting of the Central Bank's board of directors.

"There's no need to revise the risk scenario yet," Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, told reporters on the sidelines of the **Gaidar**

Forum in Moscow.

But there is a stronger likelihood of the risk scenario coming true than there was in December, when the regulator decided to keep its key lending rate on hold at 11% pa.

"Generally speaking, in the framework of the baseline scenario, we have said oil prices will stay low throughout December and January. So there are no major deviations from the baseline scenario, however the likelihood has of course increased," Dmitriyev said.

The Central Bank's 2017 inflation target is still 4% in all its macroeconomic development scenarios.

Asked how far oil might fall, Dmitriyev said: "We have no such estimates. We recognize that oil might in the risk scenario be lower than \$35 a barrel, but we have no concrete estimate. There is no such need for the purposes of the scenario," he said.

Monetary tightening is possible in the risk scenario, he said, but this does not necessarily mean the key rate will be raised.

"It is important to understand that tightening does not necessarily mean the rate will be hiked. In some conditions leaving the rate unchanged can represent tightening, as we have seen generally in the interpretation of market participants in the second half...in various conditions a differing rate can be interpreted in various ways," he said.

"The ruble is behaving quite steadfastly for such changes in the oil market," Dmitriyev said in addition.

Central Bank First Deputy Governor Ksenia Yudayeva told journalists that "now the baseline and risk scenarios are appropriate." At the end of the month the Central Bank will analyze the dynamics of the market, inflation and economic activity figures in December, it will adjust the forecast for domestic targets and make a decision on this basis about the rate.

"We now are observing a period of global volatility, the Russian market is much more stable than many other markets, than the oil market. And in this sense I would say that it is important now for the Central Bank that the situation with financial stability is calm enough. In the medium term we are seeing that inflation will fall under any scenario. Now, of course, risks have risen somewhat, we will study them when making decisions. Inflation will fall, despite the weakening of the exchange rate that we have been seeing lately... We are very attentively following how our forecasts are being realized," Yudayeva said.

She said that the baseline scenario with oil prices at \$50 per barrel in any case will be revised, in March the Central Bank will publish a new baseline forecast.

"Now inflationary risks have risen, but for now a large degree of control allows us to ensure the achievement of the inflation targets by the end of 2017," she said.



OFFICIAL COMMENTS; Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue

15 января 2016

Interfax: Russia & CIS Banking & Finance Weekly

MOSCOW. Jan 13 (Interfax) - Russia needs to grow at a 5% pace to be able to create a genuinely social state, former finance minister Alexei Kudrin said, warning that unless changes are made, the country risked falling into a "vicious cycle" of rising spending amid declining revenue.

"I believe that for the time being 'a social state today' is more of a declaration and sometimes a populist slogan. In our situation, Russia needs to build a somewhat different [economy]. We need 5% growth a year. That will provide the increases in real incomes each year and increases in resources which we can allocate step by step to social support," Kudrin said at the **Gaidar Forum** on January 13.

The pension age must be raised and "other questions of restructuring liabilities" must be resolved. Otherwise, within just four years, support for the pension system will have to increase to 1% of GDP a year, which will inevitably hurt business.

"I can say right off: this will put a burden on business, because, frankly speaking, I no longer know where spending can be cut. Education, healthcare: we are already cutting what we could, but this is human capital, competitiveness, the future. We have fallen into a closed, vicious cycle," Kudrin said.

The only way the break that cycle is to grow the economy, he said.

"Without economic growth, we will not resolve the problems. They will grow and get worse," Kudrin said.

Reserve Fund, NWF

Given that the difference between the Reserve Fund and National Welfare Fund (NWF) is only notional and given the emergence of problems with the pension system, which is what the NWF was created for in the first place, maintaining the two funds as separate entities is no longer worthwhile, Kudrin said.

"Pension system problems have already arrived today. They [the funds] are managed virtually identically with the exception of a small portion directed at the domestic market. It would probably be possible to transfer them in some fashion to some development institutions and merge the Reserve Fund and NWF, because, given the challenges that we face in the coming two-three years, they need to be managed as a single instrument, to understand the resource, and this notional separation already has no significance," he said.

Kudrin pointed out that the Reserve Fund and NWF had originally been formed by splitting up the Stabilization Fund. The Reserve Fund was to maintain a certain volume of reserves and was to be "managed in a special way, very conservative investment, and was to be insurance for a rainy day." The NWF was to cover financing shortfalls associated with demographic issues. "We planned to figure out the shortfalls in advance and plan out NWF spending. It was to be managed somewhat differently, put in riskier securities," Kudrin said.

VEB management

Kudrin said he believes Russian state development bank VEB, having received financial support from the government, should solve its problems with toxic assets itself and this process should be overseen by a new management team.

The authorities are now discussing various options for providing state support to VEB in order to help the bank handle its debts. Various figures for such support have been mentioned, going as high as 1.5 trillion rubles. The main source of VEB's problems is loans for so-called "special projects" that the bank extended by decision of the supervisory board and that are now not generating any income. Proposed measures include recapitalizing the bank through OFZ federal bonds and handing the toxic assets to the state.

Kudrin believes this would be the wrong thing to do. "There is no need to buy out assets or remove bad debts from it. Let VEB itself handle and work with bad debts," he said in an interview with Interfax.

"But this should be done by a new team. In other words, I'm in favor of replacing VEB's management. It will be harder for the old team to do this because of their involvement in these projects, in bad loans. Let's put it this way, there's a conflict of interest in this regard. An absolutely new team should do this," Kudrin said.

"There's a price to the issue of recapitalization. I believe that this issue needs to be resolved with new management. This should be a responsible, authoritative person, with whom the Finance Ministry should prepare a recovery program. Then we'll find out how much this program really costs - 500 billion, 700 [billion] or a trillion rubles," Kudrin said.

He believes that VEB's supervisory board, which currently consists of high-ranking officials led by Prime Minister Dmitry Medvedev, should also be replaced.

"I would completely change the supervisory board. Perhaps I'd even leave the prime minister as head of the supervisory board. This issue is not as critical, although I'm opposed to prime ministers heading supervisory boards of commercial entities in general and, by the way, was opposed to this model when the supervisory board was formed. But I would significantly limit the number of ministers there. In other words, I would see VEB as a kind of typical state company," Kudrin said.

The government could subsequently recover some of the money spent on supporting VEB by selling a stake in the bank to investors, he believes.

"At the initial stage, 25% plus one share. When the state has spent money on righting the situation and when the bank is already on its feet and starts to again build up its capabilities, I would sell the stake on this growth, thus partially compensating state costs. Partially - fully, this is impossible," Kudrin said.

Pensions

Kudrin is skeptical that the government will be able to find money to finance a supplementary pension indexation in the second half of 2016.

"Given that we expect oil at \$35, a budget shortfall of a trillion [rubles] or more, I don't completely get how to carry out an indexation. If the price of oil settles at \$35, I don't see that ability," Kudrin said.

An indexation at the actual inflation level would cost double the amount that is being spent on the entire federal portion of Russia's healthcare system and as much as all spending on higher education.

"If the indexation for 2016 was 12%, the actual inflation rate, it would require 660 billion rubles a year in additional spending and additional transfers. How much is 660 billion rubles for the country? Our entire higher education costs 600 billion rubles. The federal portion of healthcare costs 300 billion rubles. That is the scale of these issues," he said.

Kudrin said he thinks that an increase in the pension age in Russia is unavoidable, this will allow for balancing the pension system and will benefit the oldest people.

"I see that we need to raise the pension age. At last it has become clear that the pension age will rise not for someone but for the sake of the pensioners themselves, that the pensioners will benefit from it, and we, of course, should concentrate resources for the payment of pensions," Kudrin said

"If today we do nothing, then in the next five to seven years, according the Finance Ministry, we will have to raise support of the pension system by one percent using the budget, and this means an increase of taxes," he said.

The economist said that the "trends are such that if the pension age is not raised and liabilities are not restructured, then in four years it will be necessary to raise support [for the pension system] by 1% of GDP using the budget."

"This lies heavily on business, because reducing spending no longer does anything," Kudrin said.

Kudrin said that while finance minister in 2008, he already proposed gradually raising the pension age in Russia.

"I now will reveal a secret: at that time I went to the president and said that we should look ahead. Let's start raising the pension age. We explained to him that this does not need to be carried out over one year. Two or three years are needed to prepare and

then over the course of three to six months the transfer [to the new system will take place]," Kudrin said.

The former minister warned that in the future, when the number of taxpayers and pensioners are equal, there will not be enough money left in the country to support the pension system in a balanced manner.

Kudrin also spoke in favor of keeping the cumulative part of the pension, because the state, when a person goes on pension, guarantees only about 40% of the person's past salary.

"The rest is voluntary pension coverage, in which the entire population participates," Kudrin said, lamenting the fact that in Russia currently no effective institutes for the formation of pension savings have been created.

"In our system people don't think about pensions, they have not learned about this. And in 30 years they will ask: why should we go on pension receiving 40% of our salary," Kudrin said.

He also said that one should not rule out the indexation of pension for working pensioners. "I have a very restrained attitude towards this problem, more towards controversial [issues]. It turns out that these pensioners, who are ready to work, their pension will be decreased. This will not stimulate them to continue to work, this will but people in the shadows," Kudrin said. He said that such a tendency negatively reflects on the economy due to the deficit of labor resources. "In addition, in this there is an element of unfairness," Kudrin said. The former minister said raising the pension age would allow for not making such a decision.

Rating agencies

Elsewhere, Russian national rating agencies are needed, but hard-selling their services will not help them earn authority, Kudrin said.

Under a law on the activities of credit rating agencies that was passed in Russia in the summer of 2015, agencies do not have the right to withdraw credit ratings assigned on the national scale to Russian companies and banks if foreign nations impose sanctions against these legal entities. For international rating agencies, the parent companies of which are based in the United States and Western Europe and operate under the national legislation of western countries, this eliminates the possibility of assigning ratings in Russia according to the national scale as soon as the new law goes into effect in full.

The push to change regulation of rating agencies was a response to the actions of the big three rating agencies in 2014. The Russian authorities viewed their downgrading of ratings amid the deterioration of Russia's relations with western countries as politically biased. The authorities believe the new Analytical Credit Rating Agency (ACRA), founded by major Russian banks and companies, should become an alternative to the big three international agencies.

Kudrin believes the ratings of international agencies can be trusted. "Of course, global rating agencies are fairly professional and I trust their assessments. They have also made big mistakes, systemic mistakes, particularly in the period ahead of the global crisis of 2007-2009. Nonetheless, today these problems are known, the appropriate changes to regulation have been made, we avoided some risks and, until the formation of new 'unnoticeable' risks, I completely trust the work of the agencies," he said.

"When agencies talk about country risks, they're usually not politicized. They have downgraded the ratings of the United States, and an investigation was opened against them there. They have also downgraded the ratings of European countries, they're also downgrading ours, we're also unhappy. In this sense, they hit everyone and one shouldn't say that they are politicized or acting in the interests of some groups of nations. Assessing risks is their bread, they earn a living on this, they have to warn in time. I repeat, yes, sometimes they're late. But as soon as the market has real reason to believe that these ratings are politicized, they will lose a significant part of their business and, maybe, collapse," Kudrin said.

Russian ratings have a place, but imposing them is pointless, he believes. "I don't rule out that Russian ratings are also needed, but one can't acquire authority by imposing them. The new agency can become authoritative in many years if it acts objectively and independently. A 'credit history' has to be built in order to stand alongside the major global agencies, or regional ones. Only the first steps are being taken in this direction now, and the first results will come in three or four years. So we'll get through this crisis without the substantial influence of the new agency in any case," Kudrin said.

Russia should not renounce foreign agencies at all, he believes. "The further we go toward the global division of labor, toward integration, the more we will use the services of international institutions, including rating institutions. One shouldn't forget that all of our companies are in international cooperation," Kudrin said.



FINANCIAL & BUSINESS SERVICES; Gref: govt not discussing Sberbank privatization in detail at present

15 января 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 15 (Interfax) - The Russian government is not for now discussing the privatization of Sberbank of Russia in detail, Sberbank President and CEO German Gref told journalists on the sidelines of the **Gaidar Forum**.

"I would only welcome the idea of privatizing Sberbank, like the idea of privatizing any other bank and most of what is owned by the state. The government is working on it and we'll be hoping some sort of decisions will be reached, but there have not yet been any detailed discussions with us," Gref said.

Документ DAFIR00020160115ec1f0003o

HEADLINE NEWS; Digest of headline news

15 января 2016

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Russland; Auf der Ölspur in die Pleite

15 января 2016

ZEIT online

Der Ölpreisverfall übertrifft die schlimmsten Befürchtungen der russischen Regierung. Nun soll gespart werden. Selbst ein Minister warnt vor dem Staatsbankrott.

Vor einer Wechselstube in Moskau © Maxim Shipenkov/EPA/dpa

Die Stimmung auf dem **Gaidar-Forum** war schon immer wenig optimistisch. Jahr für Jahr diskutiert die Wirtschaftselite des Landes bei dieser Konferenz im Januar die drängendsten ökonomischen Probleme. Und seit Jahren kritisieren die Experten die Wirtschaftspolitik, den Umgang mit Investoren und der Haushaltsplanung. Doch so mies wie in den vergangenen Tagen war die Atmosphäre schon lange nicht mehr.

Selbst Skeptiker waren schockiert, als gleich zur Eröffnung Finanzminister Anton Siluanow davon sprach, dass Russlands Staatshaushalt schnellstmöglich an die Krisensituation angepasst werden müsse. "Ansonsten wird sich die Krise von 1998 wiederholen", sagte der Minister. Als Folge der letzten Staatspleite vor 18 Jahren verlor der Rubel etwa 80 Prozent seines Wertes und die Russen fast ihre gesamten Ersparnisse. Regierungschef Dmitri Medwedew versuchte kurze Zeit darauf zu beschwichtigen. "Wir beobachten derzeit in unserer Wirtschaft nichts, was mit der Krise von damals vergleichbar wäre", sagte er. Dennoch müsse man sich bei der Haushaltsplanung auf die schlimmsten Szenarien einstellen.

Dass sich nun höchste Regierungsmitglieder so drastisch ausdrücken, überrascht zunächst. Waren sie es doch, die unentwegt versicherten, der Zenit der Krise sei überschritten. Und in der Tat gab es zwischenzeitlich Anlass für Optimismus. Im September verzeichnete das Statistikamt zum ersten Mal im Jahr ein kleines Plus im Wirtschaftswachstum von 0,3 Prozent - wenn auch nur im Vergleich zum Vormonat. Der

Rubel machte in den Herbstmonaten etwa 15 Prozent zum Euro wieder gut. Doch von dieser zaghaften Erholung ist nichts mehr übrig. Schon die zweite Dezemberhälfte zeigte, wie anfällig Russlands Wirtschaft bleibt, als der Ölpreis erneut absackte. Nun, nach den ersten Handelstagen der Börsen im Januar, zeigt sich der Ernst der Lage.

Zu optimistische Ölpreis-Szenarien

Russlands Problem Nummer eins ist die Abhängigkeit von Energieexporten. Nicht nur der Haushalt hängt zu großen Teilen an den Rohstoffeinnahmen, sondern auch das Wirtschaftswachstum. Das bisherige Grundscenario der Regierung sah vor, dass das Bruttoinlandsprodukt bei einem Öl-Kurs um die 50 Dollar pro Fass um knapp 0,6 Prozent zulegen werde, mit einem Haushaltsdefizit von drei Prozent. Doch mittlerweile dümpelt das Öl der Marke Brent, an dem sich auch russische Exportpreise orientieren, knapp oberhalb der 30-Dollar-Marke. Wenn Russlands Regierungschef nun sagt, man müsse sich auf die schlimmsten Szenarien einstellen, liegt ein Teil des Problems auch darin, dass die bisherigen Negativ-Prognosen weit unterboten worden sind.

In ihrem aktuellen Schock-Szenario kalkuliert die russische Zentralbank zum Beispiel bei einem Ölpreis von 35 Dollar mit einem BIP-Minus von zwei bis drei Prozent im laufenden Jahr. Die staatliche Sberbank hat derweil bereits Stresstests für den Fall eines weiteren Preisverfalls auf 25 Dollar pro Fass angekündigt. Auch die Regierung arbeite derzeit an neuen Plänen, denen ähnliche Preisniveaus zugrunde liegen, berichtete die Wirtschaftszeitung Vedomosti kürzlich. Kaum ein Experte zweifelt jedoch daran, dass das Land gerade im Eiltempo auf ein zweites Rezessionsjahr hinsteuert.

Den Ministerien bleibt nichts weiter, als die Ausgaben zu kürzen. Um zehn Prozent sollen diese laut Finanzminister Siluanow nun sinken, quer durch die Ressorts. Einen derartigen Einschnitt hat es in der Putin-Ära noch nicht gegeben. Außerdem kursieren Gerüchte über eine Rückkehr von Ex-Finanzminister Alexei Kudrin in die Regierung. Er gilt als Verfechter von strenger Haushaltsdisziplin und als Gegner hoher Sozialausgaben.

Für die ohnehin schwache Konjunktur wären Sparmaßnahmen, zu denen es zur Zeit wohl kaum Alternativen gibt, mit Sicherheit ein weiterer Schlag. Erst kürzlich räumte Präsident Wladimir Putin ein, hohe Rohstoffeinnahmen hätten in den vergangenen Jahren die Entwicklung im Land gebremst. Weil Reformen versäumt wurden, habe die Regierung derzeit genug damit zu tun, das System funktionsfähig zu halten.

Die Zentralbank hat auch eine Anhebung des Leitzinses nicht ausgeschlossen, sollte der Ölpreis weiterhin niedrig bleiben. Damit zielen die Währungshüter auf die Inflation, die mit dem Rubelverfall wieder an Fahrt gewinnen könnte. Gleichzeitig monieren Russlands Unternehmen seit Monaten, dass die rigide Geldpolitik der Zentralbank Kredite für Investitionen zu teuer werden lässt. Diese wiederum wären aus Sicht der Unternehmensverbände dringend notwendig, um die Wirtschaft anzukurbeln.

Die Hoffnung auf großangelegte Konjunkturprogramme und Reformen dürfte derzeit also unerfüllt bleiben. Stattdessen heißt es: sparen und auf eine Besserung der Rohstoffmärkte warten. Was Kritiker als eine Strategie des Aussitzens bezeichnen, könnte am Ende helfen, einen Wirtschaftskollaps wie Mitte der 1980er Jahre zu

vermeiden. Der kaum gebremste Rubelverfall hat außerdem dazu geführt, dass die Handelsbilanz dank rapide gesunkener Importe noch immer ausgeglichen ist. Die Währungsreserven verharren seit einem Jahr bei 370 Milliarden Dollar.

Die Rechnung zahlt am Ende wohl die russische Bevölkerung. Laut einer Untersuchung der staatlichen Sberbank greifen bei Einkäufen mittlerweile 70 Prozent der Russen auf günstige Alternativen zurück. Die Zahl der Russen jenseits der Armutsgrenze ist seit 2013 von fast 11 auf 14 Prozent gestiegen.



Petrolio: capo Sberbank, era è finita, la Russia ha perso

15 января 2016

ATS - Agenzia Telegrafica Svizzera

Итальянский

L'era del petrolio è finita e la Russia non è riuscita ad adattarsi ai cambiamenti economico-tecnologici finendo nel gruppo dei paesi "perdenti, 'downshifter'" - quelli che devono ridimensionare le proprie ambizioni - e che resteranno "pesantemente indietro" rispetto ai rivali più avanzati. È la spietata analisi di German Graf, capo della Sberbank, principale banca del Paese, ed ex ministro dello Sviluppo Economico, citato da Ria Novosti.

"Dobbiamo ammettere con onestà che abbiamo perso la sfida con i nostri competitor", ha detto Gref al **Gaidar Forum** di Mosca sottolineando poi come esista un serio rischio di "sottomissione tecnologica" del Paese. "Ci siamo ritrovati nel gruppo dei paesi che stanno perdendo, le nazioni 'downshifter'".

Secondo Gref, nell'epoca post-petrolio la differenza tra i vincitori e i vinti sarà "superiore" a quella registrata durante la "rivoluzione industriale". "Il nostro export peggiore, che dobbiamo interrompere, è l'esportazione dei nostri cervelli", ha ammonito. Analisi che non è piaciuta al vicepresidente della Duma, Nicolai Levicev, che ha invitato Gref a "dare le dimissioni".



Daily Headline News for January 15, 2016

15 января 2016

Interfax: Russia & CIS Business and Financial Newswire

Digest of headline news as of 7:00 p.m. Moscow time on January 15:

...*** GREF: GOVERNMENT NOT DISCUSSING SBERBANK PRIVATIZATION IN
DETAIL AT PRESENT

The Russian government is not for now discussing the privatization of Sberbank of Russia in detail, Sberbank President and CEO German Gref told journalists on the sidelines of the **Gaidar Forum**....



Russia plans to repeat last year's oil production record in 2016 minister

91 слов
Mehr News Agency

Russian oil producers plan to repeat the last-year production record in 2016, Energy Minister Alexander Novak said on Thursday on the sidelines of 2016 **Gaidar Forum**.

"Our companies say now that production volume in 2016 will be kept at last-year level," the minister said.

Russian oil companies produced record-breaking 534 mln tonnes of oil in 2015, up 1.4% year-on-year, according to data of the Central Dispatching Department of Fuel and Energy Complex.



Petrolio: capo Sberbank, era è finita, la Russia ha perso (2).

15 января 2016
ANSA - Political and Economic News Service
Итальянский

(ANSA) - MOSCA, 15 GEN - "Dobbiamo ammettere con onestà che abbiamo perso le sfida con i nostri competitor", ha detto Gref al **Gaidar Forum** di Mosca. Che poi sottolineato come esista un serio rischio di "sottomissione tecnologica" del Paese. "Ci siamo ritrovati nel gruppo dei paesi che stanno perdendo, le nazioni 'downshifter'".

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IT system of Russian top bank uncompetitive, CEO says

15 января 2016

RosBusinessConsulting

Sberbank's CEO Herman Gref called the bank's IT infrastructure uncompetitive, promising to change the entire platform.

In September 2015, Sberbank centralized its IT systems. "Having made massive investments, we were very proud of our IT system centralization program and progress over the last years. This project to centralize the IT infrastructure was the biggest and the quickest in the world. However, once we built our super data center and completed everything, we realized that we were absolutely uncompetitive," Gref said delivering his address at the **Gaidar Forum**.

"Personally for me this was a terrible conclusion. It was a shock. We've progressed by leaps and bounds, but still we're behind," CEO noted, adding that Sberbank was losing not to other Russian banks, but IT companies that "were snatching the best piece of the pie."

"Last year we made 40,000 changes to our system. Compared to other banks, we're doing great. However, when compared to Amazon and Google, we're far behind. Amazon makes 10,000 changes to its system a day. The key task for Sberbank this year is to increase speed. We're lagging behind," Gref explained. According to him, the period of time between the product development and its implementation should take hours, like in IT companies, not months.

Gref went on to say that Sberbank will soon overhaul its platform. "All processes should be revised. We need a revamp and we're not absolutely prepared for this. We need a flexible platform, which will be not as big as the current one. Currently, changing some part of our platform requires two to three months of testing. It's still unclear what other problems may arise later. This is a catastrophe," he said.

Sberbank's IT spending reached around RUB 65bn (approx. USD 849m) in 2014, its first deputy chairman told RBC earlier. This is bigger than Yandex's spending.

"Sberbank is the biggest IT company in the country. Our market share is 10% and we employ 22,000 IT specialists out of a total of 450,000," Gref said.



Russian Telecom Ministry plans launch of two more mobile communication operators in Crimea - minister Nikiforov

15 января 2016

ITAR-TASS World Service

Russian Telecom Ministry plans launch of two more mobile communication operators in Crimea - minister Nikiforov

MOSCOW, January 15. /TASS/. Russian Telecom Ministry plans launch of two more mobile communication operators in Crimea, minister Nikolai Nikiforov said on Friday at 2016 **Gaidar Forum**.

"We plan launch of two more operators, one for Sevastopol and one for Crimea. This will take place early this year," the minister said in an interview with Rossiya 24 TV Channel.

*** RUSSIA PREPARING TO SELL 25% STAKE IN RUSSIAN HELICOPTERS - MANTUROV

The state is preparing to sell a 25% stake in Russian Helicopters (MOEX: VERR).

"Twenty-five percent," Industry and Trade Minister Denis Manturov told journalists on Thursday on the sidelines of the **Gaidar Forum**, when asked what stake Russia was prepared to offer investors.

"As for Russian Helicopters, then I think the most beneficial for the state and for the company itself would be the option [of selling company shares] via a strategic investor," Manturov said.

interfax

Gref: government not discussing Sberbank privatization in detail at present

15 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 15 (Interfax) - The Russian government is not for now discussing the privatization of Sberbank of Russia (MOEX: SBER) in detail, Sberbank President and CEO German Gref told journalists on the sidelines of the **Gaidar Forum**.



Manturov: counterfeit goods main problem in Russian retail, not lack of assortment

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MOSCOW. Jan 15 (Interfax) - The main problem in the Russian retail sector is counterfeit goods, not the product assortment or the competitive environment, despite the difficult economic situation, Industry and Trade Minister Denis Manturov said.

"We do not see any problems in retail trade in terms of assortment or, all the more so, competition: competition is plain to see. As for the assortment - this question has already been asked regarding Turkey and other countries - we have no limitations. Growth of domestic production will gradually advance," Manturov told journalists on the sidelines of the **Gaidar Forum** on Thursday.

"We are gradually resolving the problem connected with contraband, counterfeit goods. This is the main problem, not the assortment," he said.



Moscow hosts a regular **Gaidar Forum organized by RANEPА. The key topic is how to avoid a default scenario**

WPS: Banking and Stock Exchange

A possible reoccurrence of the 1998 default in Russia became all of a sudden the key topic of the forum opened on January 13. Dmitry Medvedev started his speech at the forum with the evidence that the current economic situation differs from that in 1998. "Today we are learning to live in a cheaper oil environment," he said ("the Asia flu" in 1998 was accompanied by the fall in global oil prices right up to 2000). Finance Minister Anton Siluanov and many other participants of the forum spoke about the need of preventing the 1998 scenario when the burdens of the crisis were mostly shifted "onto the people" through the jump of inflation.

First Deputy Prime Minister Igor Shuvalov is the only government official who stayed clear of this topic. He for the first time officially confirmed 10-percent cutting in budget appropriations in 2016, announced "an ambitious big privatization program" and, quoting the opinion of Vladimir Mau, Head of RANEPА, said that the government did not make "a single big mistake" in 2015. Igor Shuvalov also said that, according to the government's estimates, the situation in January 2016 "is much more stable" than in January 2015: as it became known to Kommersant, the government is quite impressed by the relative stability of the ruble exchange rate amid so strong oil volatility.

In general, the addresses of government officials to the forum suggested that the overall situation is somewhat better than it could be expected with the price of the Urals oil below USD 30 per barrel. In particular, the budget deficit in 2015 was 2.6% of GDP versus 2.9-3% expected, said the Finance Minister. According to the estimates by the Ministry of Finance and the Ministry for Economic Development, inflation as of January will be about 10% year on year even if "the exchange rate carry-over effect" is taken into account. However, there is moderately bad news, too.

Anton Siluanov announced that cost cutting will allow to save only RUR 500 billion. The amount saved was expected to be at least RUR 700 billion, whereas the average annual oil price of USD 40 per barrel demands cutting expenditures by RUR 1.1 trillion for the purpose of keeping the budget deficit at 3% of GDP.

A rapid increase of the internal debt with an ever-growing yield was the main reasons for the 1998 default. Risks of a rapid increase of the public debt for the purpose of deficit financing seem to be the main threat of 2016. Public debt issues were discussed at a special session within the **Gaidar Forum**, the session attended by Ksenia Yudaeva, the Bank of Russia First Deputy Governor, Maxim Oreshin, Deputy Finance Minister, and Alexei Kudrin, Head of the Committee of Civic Initiatives (one of the topics of discussion on the sidelines of the forum was his possible reappointment to the government, but Kudrin considers it unlikely and denies any proposals on that score).

The debate at this session looked unusual. In the absence of direct supporters of settling the budget deficit problem by government borrowing, soft arguments for moderate public debt growth were introduced by those who consider this solution generally less preferable than structural reforms. In particular, Ksenia Yudaeva believes that the public debt ceiling "posing no threat to macroeconomic stability" is 25-30% of GDP, though she urged to take note of the scale of "off-balance" commitments of the budget, for example, funds allocated for the support of regions and VEB's recapitalization. Maxim Oreshkin said that Russia has fewer purely technical opportunities for increasing its public debt than it is commonly believed. Alexei Kudrin admitted that net government borrowing (currently scheduled at RUR 300 billion) may be doubled in 2016 in a hard situation. Yet, as he said, the growth rate of public debt since 2012 (from 10% to about 15% of GDP) has been high as it is.

Supporters of non-cutting budget expenditures, the issue of over RUR 1.5 trillion worth of OFZ in 2016 and reoccurrence of the 1998 default did not identify themselves at the **Gaidar Forum**, but it does not mean that they do not exist.

Dmitry Butrin "The Phantom of Gaidar Had a Fight with the Phantom of Default", Kommersant, No.3, January 14, 2016



The Bank of Russia does not hope for normalization of the access of Russian financial institutions and companies to external financing within next 3 years. Such opinion announced director of the Bank of Russia monetary policy department Igor Dmitriev while speaking to RBC channel at the **Gaidar forum - 2016**

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"In our basic scenario we consider that those markets will be closed and access will be complicated," Igor Dmitriev mentioned.

According to him, as for lending amount and the rate, there will be only a few successful borrowings on the financial market of the Asia-Pacific region and among traditional creditors. "There will be some point events rather than improvement of the situation, returning to the starting positions," director of the department is sure.

In 2014 after escalation of the conflict in Ukraine, the USA and EU restricted access to the debt market for some Russian companies and financial institutions.

"The Bank of Russia: External Financing Limited for 3 More Years", TASS, January 13, 2016



Sberbank made a request to remove it from anti-Turkey sanctions, Alexei Likhachev, First Deputy Economic Development Minister, said on the sidelines of the **Gaidar Forum**

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"A number of large companies, including Sberbank, made such requests. We are preparing proposals to the government so that such measures [to support these companies] should be taken," Interfax quoted Alexei Likhachev as saying. It may refer to three categories: goods, services and labor force, he added.

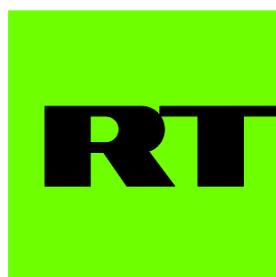
The anti-Turkey sanctions do not impose restrictions on the business of Russian legal entities in Turkey; their main function is to put a cap on the activities of Turkish companies within Russia, says Alexei Panich, a partner of Herbert Smith Freehills.

There are no specific restrictions on Sberbank's operations with its Turkish subsidiary

DenizBank, but surely there are some things that put restrictions on Sberbank's operations with its subsidiary, says a person close to Sberbank. Without working with Sberbank, DenizBank will hardly be able to perform effectively, he notes. DenizBank is the only asset related with Turkey for which Sberbank could have asked to remove it from anti-Turkey sanctions.

It is necessary for Sberbank to join this list so that it could make operations with DenizBank without looking back at sanctions, one of banking analysts agrees: DenizBank accounts for 4% of all Sberbank assets. He believes that certain restrictions exist at the moment, despite the fact that Denizbank Moscow, a Russian subsidiary of DenizBank, joined the list of companies which are allowed to hire Turkish nationals.

Anna Eremina "Sberbank Assessed Sanctions Risks", Vedomosti, No.4, January 14, 2016, p.15



Ex-World Bank VP: Regardless of Washington's beliefs, China is vital for world's economy to survive

15 Jan, 2016

The global economy is slowing down, having barely recovered from the 2008 crisis. The oil price is falling deeper and deeper, leaving many nations in desperate straits, trying to figure out their budgets. Just a few days ago, the American stock market went through a plunge as damaging as any in the last several years. What is the reason for such a slowdown? Many are pointing fingers at China, saying that the giant has stopped growing - but is that truly so? What about all these emerging markets - will they push the global economy forward? We ask a former chief economist and a Vice President of the World Bank. Dr. Justin Yifu Lin is on Sophie&Co today.

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Sophie Shevardnadze: Former chief economist and a senior Vice-President of the World Bank, Dr. Justin Yifu Lin, it's really great to have you with us today, sir.

Justin Yifu Lin: It's my honor to be interviewed by your channel.

SS: Thank you. Thanks for being with us. So, China's miraculous economic growth over the last 30 years is now slowing. Is the fairy tale over?

YL: Well, certainly, it slowed down somewhat. About 10% to now about 7% growth, and

I'd like to mention - this adjustment, certainly, is significant. However, China is still the rapidest growing country in the world and China is still the driver of the growth of the world. China continues to contribute about 30% of the global growth.

SS: So, but nevertheless, the Chinese economy is stalling right now a little bit, slowing down. Can there be a global recovery without Chinese economy driving it anymore? Or do you think it could drag other countries down?

YL: We have to understand what's the reason for the slowing down in China. I think that slowing down in China is caused mainly by external factors, because China is an export-oriented country; but high-income countries have not fully recovered from a 2008 crisis as a result. Their total income increase is very sluggish, and the demand did not increase much, so that slows down the export growth in China and this is not only unique to China but also to any other export-oriented economy in the world, and, secondly, in 2008, every country adopted some kind of intervention to support investments as a measure to stabilize the economy. Those kind of investment projects have been complete up to 5-6 years, but the global economy has not recovered yet, so as a result, the investment growth also dropped.

SS: Just to follow up your first point about the slowdown of exports: how can there be an extensive growth in China if the West stops to buy Chinese goods?

YL: Certainly, China will continue to export, but the growth of it is slowing down. It's one thing. Secondly, the external market may not be recovering quickly, so China needs to rely more on domestic source of growth. I'm confident China still has plenty of opportunities for growth from domestic demand by investment, by consumption. So, I'm confident, China will be able to maintain around 7% growth in the coming years.

SS: Actually, the head of the IMF, Christine Lagarde, she seems to think like you, she says that the worrying news from China isn't something that needs to be taken too seriously. She's saying that Chinese economy's just rebalancing and sort of transitioning. So I want to ask you, what is Chinese economy transitioning too, and how long till it rebalances?

YL: I think it's a continuous process. It has not ended. Every country needs to adapt to the new challenges; currently, the new challenge is the slowing down of the demand in high-income countries. So, China needs to rely more on the domestic economic growth source. But, in the future, I'm sure, there will be other challenges, so you need to be ready.

SS: So you're sort of looking inwards at this point, instead of outwards?

YL: It's not necessarily inwards, because currently we are in the integrated world. If China maintains, say, 7% growth, we will have a major in the world, because China will contribute about 30% of the global growth - and that's huge. And Chinese market, you know, we also started increasing margin for the other countries' export to go to China. So, we are in an integrated world, although, as I mentioned, we need to rely more on the domestic demand to drive the growth. But domestic demand also comes from the external sources. For example, when you make an investment you need to get

equipment from other country and, if we grow at 7%, we also need to import the raw materials, natural resources, from the resource-abundant countries like Russia, and with our income growing, we may import more high-end consumer goods from high-income countries.

SS: Do you have, like, a time-span in your mind? How long it will take for China to actually rebalance itself?

YL: China is already rebalancing...

SS: Let me rephrase my question. I'm not saying that Chinese economy is going down and everything's bad - I'm just saying it is stalling and slowing down and a lot of people are talking about it, so, you more than anyone knows how long till it actually adjusts to what it was before.

YL: That depends on how long people are going to listen to me. The reason why so many people are pessimistic about China is because they think that slowing down in Chinese economy is due to internal structure problems; and internal structure problems are very hard to handle, and so they expect the growth rate in China to continue to drop. But, actually, as I already said, the slowing down in Chinese economy is mainly due to external issues, it's not due to the internal structure problems. Certainly, China has many structural problems, but those problems has been there always, and it's not a new fact. At the same time we can see other countries, even in the same period of time - they also slow down in their growth rate, and, in effect their deterioration is even sharper than in China. So, from this studies you can see the main causes of the slowing up in China. It's not the internal structural problems.

SS: So you don't think that now that the boom is over there could be a social discontent inside the country that your government eventually will have to deal with?

YL: You know, currently, the unemployment rate in the country is about 4.5% and we have social safety net to support the poor and household income continues to grow at around 9-10%. Consumption increases every year at along 10%. So, under the current situation the prediction that China, because of the slowing down, will have big social-political problems - I don't think they really understand it.

SS: Can't argue with this. There are also huge environmental concerns in China, and you know that. How long or how fast till Chinese economy is less dependent on fossil fuels? I mean, China is the second largest consumer of oil in the world and it's striving towards green energy - do you think that will actually drive the oil prices further down?

YL: Answering the first one, I'd like to recollect your statement. The oil price drop and slowing down is not due to the lack of the money in China. Actually, China continues to increase its input of oil from the world, and the reason why the oil price dropped down is because supply increased too much. That's why we should not point fingers on the reason of the slowing down on the oil price. Secondly, certainly, pollution is a big issue in China. Currently, China is still in a stage of manufacturing development. Manufacturing sectors is still the most important sector in China, so... To fully understand the situation, and pollution is a big issue we have to deal with. The

government is strengthening the environmental protection, the government can try to use more green energy, but at this stage, as long as we are still in the manufacturing stage, environmental stress is going to be much higher. How long will be this stage? That very much depends on how fast we grow. If we will grow very fast, we will become high-income country and our economic structure will step into service-oriented economy by that stage...

SS: Yeah, but these are general terms. Do you have any timespan in mind? One year, two years, three years? I'm sure you can make prognosis...

YL: Well. I think, if you look at other countries' experiences...

SS: China's very unique, you can't really compare it with other countries' experiences.

YL: You cannot skip that stage. I think we will be there for some time there. For me, certainly, I hope it will be handled as fast as possible, but I also need to be realistic. You know, we do a lot, because we can compare the pollution situation, let's say in China and India. Both countries are large countries and actually the pollution in China is much less than the pollution in India - so we are, in a sense, the same stage. So, I think the best way to, you know, address this issue is to understand the causes of the problem and to find a way out of the problem. I think that the way out of the problem, one, is to continue to have a growth so we can reach the service-stage in our economy, then we won't have so many emission and we don't have to rely so much on energy. Secondly, we can change our composition of the energy away from coal to, let's say, gas, and at the same time strengthening our environmental protection.

SS: Doctor Lin, on a different note, I'm sure you remember last year President Obama saying that Washington will not allow China to write the rules of the global economy - I'm sure you remember that, right? It was a huge statement that went all over the place. If you don't remember it, I'm saying it right now. I just want to know your take - can the U.S. really do that, or it's just the bravado to get voters?

YL: I think that they are free economy, free country, they can say anything they like.

SS: What do you think, can the U.S. really not allow China to write the rules of the global economy?

YL: No, we contribute to the global economy, we have been the driver of the global growth and I think the most important thing for the world, including for the high-income countries - growth. So, China is acting positively for the global economy all the time.

SS: So it was just the get votes before the elections, right?

YL: Pretty like it.

SS: But, U.S. is doing something else - it's aiming actually at the new TPP deal to counter China's economic influence in the region. Why is it America's ultimate goal to isolate China?

YL: Well, you know, sometimes people have kind of geopolitical considerations, but it's pretty strange. China now is largest trading country in the world. Among these members of TPP... you know, China is the number one trading partner of those countries. So, to have a trade pact without China - that seems to be pretty strange.

SS: So you're saying that it's nonsense, that the U.S. cannot isolate China with the TPP?

YL: Well, it has some psychological effects, but in reality, I think that the impact may be not as large, as expected.

SS: Do you think China could eventually join the TPP?

YL: Certainly. China is a very pragmatical country.

SS: Okay. What should China be doing right now to counter the U.S. influence? Does it have an answer to TPP as things stay right now?

YL: Pacific Ocean is not large enough to accommodate two large countries, to accommodate all countries in the world. So, we do have an another completeraties in our economy with the U.S. economy, with Russian economy, and I do believe that if we will work together, everyone will win.

SS: I've heard you say on couple of occasions that current international order favors first interests of the U.S. and that China should step up its play more and, maybe, have a more important role in global decision making. Now, is Chinese-led AIB a step into direction?

YL: I think that it affects it. The current global architecture has been set after the WWII. At that time, U.S. was the dominating economy in the world because in the post-war period, U.S. alone contributed to one and half of global GDP, and if you look into the documents of the Bretton Woods negotiations, we know that a lot of rules were set up by the high-income countries, and especially, by the U.S. and for the interests of the U.S. At that time, the interests of the U.S. were compatible with the interests of the world, because U.S. was, on one hand, the largest country in the world, and the U.S. was the only in the rising stage. So, stability and the growth of the U.S. contribute to the stability and growth in the world. But the global situation has changed a lot. Now, the emerging markets contribute to the global growth, much more than the high-income countries. So, certainly, we need to make this stage reflecting the new situation, so there's a talk about the reform in the Bretton Woods institution, including the World Bank...

SS: We'll talk about the reforms in the World Bank, but I just want to hear you tell me more about this new Chinese-led Asian Infrastructure Investment Bank. Is that a step in that direction to actually be a more active decision-maker on a global scene? Because, you know, Americans are urging their allies not to join that bank. Does it see it as a threat?

YL: Yeah, but it's better to join, because AIB, it's not only benefitting China. AIB is

benefiting the world because the goal of the AIIB is providing funds...

SS: What was the point of its creating?

YL: Because we need to have infrastructure improvement...

SS: But come on, China's already the largest donor of the infrastructure improvement in the region, you need to make up a bank that can counter a World Bank in order to do that?

YL: Let's look into Asian situation. I got into the Asian development studies, from the year 2010 to 2020 Asia alone needs to have \$8 trln of infrastructure investment, \$8 trln of infrastructure investment. Each year it requires \$800 billion of infrastructure investment. World Bank and Asian Development Bank cannot contribute more than 10% of that.

SS: So you think your bank is overlapping with the....

YL: No, they are complementary to each other.

SS: Really, you can work together well and effectively?

YL: Certainly, because the need is so large! World Bank and Asian Development Bank can contribute to less than 20% of the total needs, and that's how you still have 80% to be filled. In this regard, the high-income country like the U.S., if they are really concerned of the well being of the poor countries, they should welcome to have more resources to be put into infrastructure, and that's the reason why Britain, Germany, France and other high-income countries, they also joined, because it's good for everyone.

SS: But you didn't answer my question - you didn't tell me why the U.S. is urging its allies not to join that bank, although they are joining...

YL: I can tell you only about China. Certainly, to have an improvement of the infrastructure in Asia, in world - that would be good for all countries, because we know that the bottleneck of growth in most countries today is infrastructure shortage, infrastructural bottleneck. If you have more countries improve infrastructure, that's good for the recipient countries and certainly that's also good for China, because if that growth can be enhanced, then China will have larger markets, so it's a win-win, and opportunity there. If U.S. doesn't want to do it, it cannot prohibit China or other countries to do it. So not only we have AIIB, we also have a new bank, the so called BRICS bank, you know: China, Russia, India, Brazil and South Africa - they also formed a new bank in order to provide funding.

SS: Talking about the BRICS new bank, why do you think there's such desire for a lending pool outside the U.S.? Maybe it's still because the IMF and the World Bank aren't quite doing their job as well as they could in the developing countries?

YL: I think that, certainly, that's for certain reasons. IMF and the World Bank - that's

one possibility for them to expand their capital base. But if they expend their capital base, they should increase the voice and their voting power, but high-income countries are not willing to do that, and so they cannot also increase their capital base. After the WWII, it was reasonable to have a Bretton Woods system, but now the reality is changing and either we change the Bretton Woods system or we need to allow the new institution to emerge.

SS: I want to talk, lastly, about another huge project that you guys are overlooking - Beijing is investing tens of billions of dollars in the Silk Road. It's actually to build up infrastructure for land trade route that links China to Europe. So, I mean, the way it looks for us is that China has been building railroads for free....

YL: We're not doing it for free, it's an investment.

SS: It's an investment? Because, as of now, it is still cheaper to transport goods by sea than by the land. How long till Silk Road actually starts bringing money in that sense?

YL: If the proposal has been implemented, then we'll build a high-speed train from China to Moscow and then to the Western Europe.

SS: Also, are you going to include Russia in that route?

YL: Certainly! And that will transform the global map, because that will make the connectivity of China, of Russia, of Central Asia, of Europe together, and it will make one integrated market, and that will provide the momentum of growth in the all countries involved and also in the world. So, it's good for Russia, it's good for the Central Asia, it's good for Europe.

SS: Here's my last question to you. I mean, obviously, it's a huge investment, so China's going to do everything to protect its investment, as far as the Silk Road goes. Could there be any political issue, say, a loss of large investment, where China will have to involve itself abroad more? For instance, I don't know, interfering in the situation in Afghanistan.

YL: China likes to be a responsible stakeholder in the world, so China certainly will get involved more in the global issues. China is not an inward-oriented country as China was before 1979, and now China moves towards the globalization, openness of its economy, and certainly if China wants to rise its weight in the global economy, China needs to play more active role in the global issues. But Chinese philosophy is somewhat different. We always respect country's' sovereignty. We always think that the best solution for every country issue comes from, is their own country, their own population, their own government. So China does not intend to intervene in other countries' domestic issues.

SS: Dr. Lin, it's been such a pleasure talking to you. Thank you very much for this interview and all the best of luck.

<https://www.rt.com/shows/sophieco/329035-china-global-economy-crisis/>



The government advocated privatization of Sberbank and VTB amid sanctions. But issuing new shares of these state banks in the market is impossible for the moment, no investors in them seen, say experts

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WPS: Banking and Stock Exchange

Economic Development Minister Alexei Ulyukaev believes that the sanctions banning foreign investors to buy new shares of Russian state companies will be no obstacle to privatization. The most important thing is that "we should make a concept decision", and "all the rest is paperwork", he said.

"We have 100 opportunities to settle this issue. There is an internal demand for these assets," Alexei Ulyukaev said at the **Gaidar Forum** whilst commenting on the topic of sanctions and a possible lack of interest from external investors. The minister admitted that the sanctions "are a barrier", but "there are technical capabilities to carry out privatization transactions even under the sanctions regime."

While oil earnings are falling, the government hopes for growth of proceeds of privatization. The Ministry of Finance intends to gain RUR 1 trillion from privatization during two years, Finance Minister Anton Siluanov said on January 13. For comparison: the government received RUR 5-5.3 billion from privatization in 2015, proceeds of privatization estimated at about RUR 33.2 billion in 2016, according to Rosimuschestvo.

The Ministry of Finance has no objection to privatization of state banks, but it does not understand how to realize these transactions, said Deputy Finance Minister Alexei Moiseev. "Frankly speaking, I don't quite understand what foreign investors may [now] be interested in sanctions-covered banks," he admitted.

Alexander Danilov, an analyst at Fitch, agrees to it, "It's not clear to whom [the government] intends to sell shares in case of privatization, given that both banks are covered by Western sanctions, which actually means a limited range of those interested."

Apart from sanctions, investors' behavior is adversely affected by the economic and banking challenges, he notes, "It will be difficult to receive a good price for these assets." One more question is what portion of shares may be sold.

"It is unlikely that a large shareholding will be offered at once, but a small one will make no difference to the budget," Alexander Danilov says arriving at a conclusion that a clear ROI analysis of these proposals "is not seen for the moment", but "it may be so that we simply don't know all details."

The state banks were not ready to discuss details on January 14. After Alexei

Ulyukaev's statement, Herbert Moos, Deputy Chairman of VTB, admitted that VTB's privatization amid sanctions "will be quite a challenge, but if the government offers this challenge, they are our shareholder... We will work towards this."

A member of the management board of one of the state banks does not share Alexei Ulyukaev's hopes.

"Today privatization of state banks is impossible. This is rather mere talks in the government." Making forecasts is "senseless", says a state banker.

"The banking system is in a terrible condition. It's very hard with ratios and the transition to Basel III. Borrowers, too, are in trouble. What privatization can be carried out in this situation?" he wonders adding that "this all seems to be for the sake of a witty remark."

It will be impossible to raise new capital through privatization. In case of sanctions-covered companies, the issue of new shares is a big problem. The Ministry of Finance looked into consequences of sanctions in case of additional issues of bank shares, and no solution was found, Alexei Moiseev said on January 13. "Frankly speaking, I don't understand how at least one additional share may be issued by any company under sanctions," the deputy minister admitted. The result of the proposal will be that "all holders of existing bank shares will be under investigation as regards a violation of sanctions."

The transaction may only be in the form of selling a certain stake outside the market where it is expressly banned to sell into the market, but it is difficult to arrange for this, said the deputy minister. "There will certainly be a problem of interpretation," said Herbert Moos. "An investor in Europe will have to apply to the EC for certain clarification. An investor in America will have to apply to the OFAC. I share Alexei Moiseev's apprehension." The Bank of Russia sold 7.6% of Sberbank's shares for USD 5.2 billion in September 2012. "Strategically, we advocate step by step privatization," said the regulator's press service.

On January 13, Sberbank's shares on the Moscow Exchange fell 0.2%, VTB down by nearly 2%. The MICEX Index dropped by 0.3%.

The government is looking into "a more ambitious privatization plan" in 2016, First Deputy Prime Minister Igor Shuvalov said on the sidelines of the **Gaidar Forum**. The government plans to privatize Sovcomflot, Rosneft's privatization "is not removed from the agenda", Alexei Moiseev explained.

Anna Eremina, Natalia Biyanova "Sale in Word", Vedomosti, No.4, January 14, 2016, p.14; RIA Novosti, "State Banks Get Back to Privatization", Kommersant, No.3, January 14, 2016, p.8



The Russian government is seeking ways how to remake the budget with the falling oil price, preparing various stress scenarios. Yet, the major problem of the budget - the crisis in the economy - is not being settled for the moment, say experts

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This year's **Gaidar Forum** did not see a hot discussion concerning Russia's development strategy between the age-old opponents - the Ministry of Finance and the Ministry for Economic Development. Both ministers, Anton Siluanov and Alexei Ulyukaev, spoke how to survive 2016 and what stress scenarios should be prepared in case of very low oil prices.

The oil price may rebound, but "our current attitude towards the existing forecast is rather critical, and the forecast should probably be toughened," Alexei Ulyukaev acknowledged adding that the key risk is that oil prices may keep low "for years or decades". The ministry's stress scenario provides for the oil price of USD 25 per barrel and the USD exchange rate of RUR 80, he said.

The likelihood increased that the Bank of Russia's risk scenario with the oil price of USD 35 per barrel could be realized, but the regulator does not plan to review this scenario for the moment, said Igor Dmitriev, Head of the Bank of Russia's Monetary Policy Department.

The Ministry of Finance proposes re-estimating the budget based on the oil price of USD 40 per barrel, related amendments to be prepared closer to the end of Q1 2016, said Anton Siluanov.

Today the 2016 federal budget is based on the average annual oil price of USD 50 per barrel, which is close to the last year's situation (the average annual oil price in 2015 was USD 51.4 per barrel). Prices for the Russian Urals oil are at the 12 years' record low of USD 26.9 (as of 20.30 Moscow time). Urals is quoted at a large discount to Brent (USD 30.3 per barrel).

The government is planning 10-percent cutting in 2016 for the budget which is already expected to run a deficit of 3% of GDP with a severe reduction in social adjustments and a refusal of wage indexation. The limits will be cut inclusive of the closed part, said a federal official. Another official estimates that 10-percent cutting will save about RUR 700 billion. This amount will be enough to keep the budget deficit below the currently scheduled level of 3% of GDP even with the oil price of USD 40 per barrel, says the official familiar with the course of the budget discussion in the government.

While companies and the private sector have mainly adapted to the new environment, the budget, state companies and the state-run sector are yet to do so, said Anton

Siluanov. The budget is currently being balanced at the price of USD 82 per barrel. The National Wealth Fund may even be used to cover the deficit, but this is not a matter of 2016, said Siluanov.

Today social issues are coming to the forefront, said Alexei Kudrin, Chairman of the Committee of Civic Initiatives, former finance minister. A rising number of the poor and demography (a decrease in the number of working population with an increase in the number of retired persons) are the key structural issues of the Russian economy, he warned. The data from Rosstat shows that the number of the people with income below the poverty level was 14.1% of the population in January-September period of 2015 versus 12.6% in the same period of 2014. 2.3 million persons found themselves below the poverty line during three quarters of 2015.

Real personal income fell by 3.5% in January-November period of 2015 year on year, including wages and salaries by 9%, pensions by 4%.

The actual task before the government is to find sources of income for the budget, says Natalia Orlova at Alfa-Bank. Economic growth is needed to accomplish this. If this growth is not fueled at the moment, all other manipulations with the budget are a tactics, not a strategy, she notes. It is possible to cut expenditures and carry them forward, but it does not settle the fundamental problem of the lack of earnings and growing liabilities. Economic growth of at least 5% is needed, says Alexei Kudrin. To that end, investment should be promoted, but absent trust in the government, companies will not invest their savings in business expansion, says Natalia Orlova.

There are no grounds for economic growth when there is no understanding where the country is moving and what goals and priorities are pursued by the government, agrees Dmitry Polevoy at ING.

Alexandra Prokopenko, Olga Kuvshinova, Elizaveta Bazanova "Government Prepares for Stress", Vedomosti, No.4, January 14, 2016, p.4; Pyotr Netroba "Back to 1998", RBC, No.4, January 14, 2016, pp.1, 4; Sergey Fish "Head of the Ministry of Finance on the Way to New Cost Cutting", Izvestia, No.4, January 14, 2016, p.1



THE COUNTRY THAT HAS NEVER OCCURRED

Arnold Khachaturov
Novaya Gazeta, N3, 15.01.2016, p. 4
15 января 2016

The country that has never occurred

The **Gaidar Forum**: for the first time the RF authorities acknowledged the availability of a very profound economic crisis and noted the failure of the Strategy-2020 program.



Medvedev to hold meeting on 2016 budget adjustment and other economic issues

15 января 2016

ITAR-TASS World Service

ECONOMY: GOVT-BUDGET-MEETING

Medvedev to hold meeting on 2016 budget adjustment and other economic issues

MOSCOW, January 15. /TASS/. Russian Prime Minister Dmitry Medvedev will hold a meeting on Friday to discuss the 2016 federal budget fulfilment, the government's press service reported.

The meeting participants will also consider programmes of support of the transport engineering, automobile industry and light industry sectors in 2016.

The meeting will be attended by First Deputy Prime Minister Igor Shuvalov, Deputy Prime Ministers Olga Golodets, Arkady Dvorkovich, Dmitry Kozak, Dmitry Rogozin, presidential aide Andrei Belousov, Finance Minister Anton Siluanov, Industry and Trade Minister Denis Manturov, Central Bank head Elvira Nabiullina.

Previously, speaking at the **Gaidar Forum** in Moscow, Medvedev did not exclude that the budget adjustment would be required if world oil prices continue to decline. In addition, he said it was necessary to "prepare for the worst case scenario, as it is done in other countries." According to him, the main issue for the government now - "is the selection of the most effective forms of the budget optimization."

He also said that basic principle of Russia's policy should remain the same: "we must live within our means", including by means of cutting the budget spending, reducing the government personnel costs, privatization of part of state assets.

Finance Minister Anton Siluanov said at the forum that the ministries and departments should submit to the Finance Ministry by mid-January their proposals on 10% cuts in their expenditures in 2016. Thus, he said, more than 500 billion roubles of the Russian budget funds can be saved. The Ministry of Finance plans to adjust the current year's budget by the end of the first quarter. It is necessary not only optimize the expenditures, but also increase the revenue part of the budget, Siluanov said.

The 2016 federal budget approved in December is based on the deficit of 3% of GDP (with an average annual oil price of \$50 a barrel). However, Economic Development Minister Alexei Ulyukayev said recently that the government considers increasing the budget deficit to 7-7.5% of Russia's GDP in 2016 under a stress scenario. This scenario is based on an average oil price of \$25 a barrel.

Finance Minister Anton Siluanov also said that the budget adjustments may envisage oil price of \$40 a barrel.

The current budget for 2016 is drawn up with the revenue of 13.738 trillion roubles (17.5% of GDP) and expenditures of 16.099 trillion roubles (20.5% of GDP). The budget deficit will amount to 2.36 trillion roubles, or 3% of GDP.

The budget is calculated on the basis of the inflation rate not exceeding 6.4% (December 2016 to December 2015). The GDP volume is projected in the amount of 78 trillion and 673 billion roubles. The specified value of the Reserve Fund is planned in the amount of 5 trillion and 507 billion roubles.



Gov't stumbles upon unaccounted \$13bn

15 января 2016
RosBusinessConsulting

It turns out the Russian government has a RUB 1 trillion (approx. USD 13bn) stash of cash that the ministries didn't spend last year. It's highly likely that they will not get their hands on this money in 2016.

The Defense Ministry and several other agencies that have classified budget expenses didn't spend RUB 850bn (approx. USD 11bn) last year. President Vladimir Putin seemed deeply dissatisfied with this finding at a meeting with the members of the government on January 13, two officials aware of the results of the meeting told RBC. Various ways of cutting back on budget spending in 2016 were discussed during the closed-door part of the meeting. The press service of the Defense Ministry didn't respond to RBC's request for comment.

The account balances of budget recipients as of last year may be used in two ways: to plug the budget deficit or to cover current expenses. Transferring funds to this year instead of lowering current expenses is one of the debate points brought up by the industry-specific ministries and the Finance Ministry.

Some factors impeding classified spending were obvious, a source told RBC. For example, the Russian Federal Space Agency encountered problems with redirecting orders that it used to place with Ukraine. A representative of the agency declined to provide a comment.

The topic of the ineffective use of funds in 2015 arose together with the discussion of the upcoming 10% spending cut. Anton Siluanov confirmed yesterday at the **Gaidar Forum** that his ministry was waiting for relevant proposals from other ministries and agencies.

When the budget for 2016 was discussed, security agencies, in particular the Defense Ministry, insisted on the need to increase spending. Current classified spending is projected at RUB 996bn (approx. USD 13bn), up 13.2% on 2015. The Defense Ministry

saw its spending raised by RUB 211.5bn (approx. USD 2.8bn). These decisions were made at the expense of state investments, social commitments, and pension indexation.

The government's decision on what to do with the money that was not spent last year will determine the extent of real spending cuts. The proposal on a 10% reduction of budget spending irritated President Vladimir Putin on January 13, a government official told RBC. The president told off the government for requesting spending revisions too often. This time he asked the ministers to come up with ideas to diminish spending and recommendations on structural measures to survive the most negative forecast.

The Finance Ministry expects to receive proposals by January 15. As RBC found out, ministries and agencies were reluctant to slash their own spending. The Natural Resources and Environment Ministry had prepared a proposition, its representative told RBC. In addition to common recommendations, the ministry plans to cut spending for projects whose documentation was not submitted on time. A spokesperson for the Agriculture Ministry said that relevant proposals were still being drafted and would be sent to the Finance Ministry on January 15. The social ministries and agencies are also still working on their propositions. "We act on the premise that spending should not affect socially important commitments of the state, especially in healthcare and education," said the press secretary of Deputy Prime Minister Olga Golodets.

A source in the Energy Ministry told RBC that the 10% target would be achieved by layoffs and salary cuts. The ministry doesn't have expenses under federal special-purpose programs, so this option is off the table.

Another issue raised at the meeting with President Vladimir Putin on Wednesday was whether or not key budget parameters approved by the president when preparing the budget for 2016 could be changed. The major parameter stipulated in the budget law and highlighted by the president in his address to the Federal Assembly in December is budget deficit which should not exceed 3% of GDP. The government got the idea that the president decided to be flexible on that issue, a source told RBC.



Russia sees no reason to renew contract to supply electricity to Ukraine - minister

15 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 15 (Interfax) - Russia does not see any reason to continue electricity supplies to Ukraine as a contract has not been signed for supplies of electricity from Ukraine to Crimea, Russian Energy Minister Alexander Novak told reporters on the sidelines of the **Gaidar Forum**.

"Today, considering the fact that the contract for Crimea has not been extended, there are consequently no grounds for extending the contract to Ukraine," Novak said when asked about the conditions on which negotiations with Ukraine on this matter might be

resumed.

He recalled that two electricity contracts were signed with Ukraine at the end of 2014: for supplies from Russia to Ukraine and supplies from Ukraine's power grid to Crimea.

"They were linked. This was mutually beneficial in terms of setting prices, the volume of sales and so on," Novak said.

Russia declined to renew the contract for Crimea as it disagreed with Ukraine's proposed wording about the status of the region. According to a survey by VTsIOM, the overwhelming majority of residents of the Black Sea peninsula were opposed to signing a contract with Kyiv on these terms.

Ukrainian Energy and Coal Minister Volodymyr Demchyshyn has said that Ukraine does not need electricity supplies from Russia. "We currently have sufficient capacity," he said after a government meeting on Wednesday. He asserted that electricity is not being supplied from Russia because Ukraine has not requested it, not because Russia has refused to supply it.

Can Russia and the EU restore their friendship?

Russia Beyond the Headlines, 12:24, 15 января 2016, 632 слов, (Английский)

Russian and EU participants criticized the policies of their respective capitals at the recent Gaidar Forum in Moscow. Both sides accused each other of being unreceptive to the interests of their counterparts and acrimony prevailed despite



CEO of RUSNANO Corporation Chubais attends a session of the **Gaidar Forum 2016 in Moscow**

15 января 2016
Reuters Pictures

Anatoly Chubais, CEO of the RUSNANO Corporation, attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 15, 2016. REUTERS/Maxim Shemetov



TASS late and overnight roundup 20:00-08:00

15 января 2016
TASS

TASS-OVERNIGHT-ROUNDUP

TASS late and overnight roundup 20:00-08:00

January 15. /TASS/.

...MOSCOW - Russian oil producers plan to repeat the last-year production record in 2016, Energy Minister Alexander Novak said on Thursday on the sidelines of 2016 **Gaidar Forum**....



Director of Kurchatov Institute Kovalchuk attends session of **Gaidar Forum 2016 in Moscow**

MAXIM SHEMETOV

15 января 2016

Reuters Pictures

Director of the Kurchatov Institute Mikhail Kovalchuk attends a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 15, 2016. REUTERS/Maxim Shemetov



Russian Communications Minister Nikolai Nikiforov attends a session of the **Gaidar Forum 2016 "Russia and the World: Looking to the Future" in Moscow**

REUTERS

15 января 2016

Russian Communications Minister Nikolai Nikiforov attends a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 15, 2016. REUTERS/Maxim Shemetov

Energy
Energy

15 января 2016
Turan Information Agency (Azerbaijan)

CASPIAN BASIN NEWS

You do not need oil at the price of \$120: western economists about crisis in Russia

Baku/15.01.16/Turan: Slump of oil prices could give a chance to the Russian economy to start diversification, said the western experts that participated at the **Gaidar Forum**. Russia needs structural reforms, but the Russian government only speaks about them, instead of taking real steps, said economists.

Timothy Colton, Professor of Harvard University, said: "Aleksei Kudrin and German Greff have said that Russia could have avoided the situation it is facing now. This is not true. The factors, which Russia can do nothing about, now affect the Russian economy. For instance, collapse of the oil prices. In the early 2000s GDP growth was very high. Oil was traded at the price between \$20.00 and \$30.00. Then there was stagnation and the moment was lost. Now we simply reproduce the previous model. You do not need oil at the price of \$120 to have economic growth. The crisis will stimulate the reforms. However, the current government has never done them before."

The government has been talking about the reforms, but does not really do anything. Several governors have been jailed for corruption, but there have been no fundamental changes since Vladimir Putin has come to power 15 years ago. The government must guarantee more freedoms, because transition to the information economy is impossible without that. I understand that these are basic things, but in the end everything is coming back to them.—0—



Anatoly Chubais, chief executive of Rusnano Corporation, speaks during a session of the **Gaidar Forum 2016 "Russia and the World: Looking to the Future" in Moscow**

REUTERS
15 января 2016
Reuters Pictures

Anatoly Chubais, chief executive of Rusnano Corporation, speaks during a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 15, 2016. REUTERS/Maxim Shemetov



Sberbank CEO Gref attends session of **Gaidar Forum 2016 in Moscow**

REUTERS
15 января 2016

Sberbank Chief Executive German Gref attends a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 15, 2016.
REUTERS/Maxim Shemetov



Iran Interested in Free Trade Zone With Eurasian Economic Union

15 января 2016
FARS News Agency

TEHRAN (FNA)- Iran is interested in a free trade zone with the Eurasian Economic Union (EEU), Iranian ambassador to Russia Mehdi Sanaei said on Thursday.

The Eurasian Economic Union is a bloc created to streamline the flow of goods, capital and labor between its member nations, namely Russia, Kyrgyzstan, Armenia, Belarus, and Kazakhstan. The union came into being on January 1, 2015.

"Iran is interested in the introduction of a free trade regime with the EEU and considers that the establishment of closer ties with the union may become the basis for the development of economic cooperation of Iran with the association's member countries," Sanaei told the **Gaidar Forum** in Moscow, Sputnik reported.

The Eurasian Economic Commission chairman of the board said in December that the union considered Iran an interesting partner to create the free trade zone. Later that month, Russia's First Deputy Prime Minister Igor Shuvalov announced talks on the zone creation could be completed in the nearest future.

The ambassador added that Iran was particularly interested in economic projects of the Shanghai Cooperation Organization (SCO) member states, the EEU and the Chinese Silk Road.



RPT - PREVIEW: Putin to Meet With Greek President in Moscow to Discuss Relations Development

15 января 2016
Sputnik News Service

MOSCOW, January 15 (Sputnik) – Russian President Vladimir Putin will meet with his Greek counterpart Prokopis Pavlopoulos on Friday to discuss the current state and the potential development of the bilateral relations between Moscow and Athens amid the ongoing cross-cultural year in the two countries.

Pavlopoulos arrived in Moscow with his first ever official visit to Russia on Thursday.

The Greek president participated in the **Gaidar Forum**, addressing it with a speech titled "Russia and the World: Looking to the Future" on Thursday.

The **Gaidar Forum** provides a platform for leading scientists, experts and politicians, as well as representatives of global financial and business elites. The event aims to maintain dialogue on key issues, elaborate proposals on national economic development and to secure Russia's position in the world.

According to the Kremlin, Pavlopoulos will meet with Putin on Friday for the first time.

The two leaders, among other issues, are expected to discuss the state of the Greek economy, as well as new schemes of investment cooperation, the refugee crisis, stimulating trade and increasing tourist flows.

According to the Greek government spokeswoman Olga Gerovasili, the ongoing cross-cultural year between Russia and Greece will provide an excellent opportunity to strengthen relations between the two countries in many fields.

The government spokeswoman has stated that the people of Greece and Russia have always been connected by friendly relations of cooperation and indissoluble spiritual ties, which were further strengthened in 2015.

Pavlopoulos is also expected to meet with Russian Prime Minister Dmitry Medvedev, as well as with representatives of the Russian business community, according to Greek state media.

Pavlopoulos is scheduled to stay in Moscow through Saturday, January 16, Greek media outlets have reported.



Russia political and economic calendar: January 15

15 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. January 15 (Interfax) - The political and economic calendar in Russia for January 15 is as follows:

*** **Gaidar Forum**-2016 to take place on Jan 13-15.

9:30 a.m.

Russian Presidential Academy of National Economy and Public Administration.

<http://www.gaidarforum.ru/en/>



Iran Expects EU to Lift Sanctions Right After Nuclear Deal Implementation

15 января 2016

FARS News Agency

TEHRAN (FNA)- Tehran expects the European Union to remove anti-Iran sanctions immediately after the nuclear deal implementation day, Iranian ambassador to Russia Mehdi Sanaei said on Thursday.

On Wednesday, Iranian Deputy Foreign Minister Abbas Araqchi said the full

implementation of the nuclear deal with six world powers would take place no later than the weekend.

"We are at the stage of lifting the sanctions from Iran, it is expected that just in the next few days, tomorrow or early next week, it will be officially announced of the implementation of the agreement, which was signed by Iran and the 'six.' At the end of this week or at the beginning of the next, EU may declare the realization of the sanctions lifting," Sanaei told the **Gaidar Forum** in Moscow.

In July, Iran and the six world powers, namely Russia, China, the United States, France the United Kingdom and Germany, signed a historic deal on Tehran's nuclear program. The deal guarantees the peaceful nature of Iran's nuclear activities in exchange for removal of sanctions.



Opinions of EU member countries' parliaments was ignored when deciding on sanctions against Russia - Duma speaker

14 января 2016
ITAR-TASS World Service

POLITICS: DUMA-FORUM-EU-SANCTIONS

Opinions of EU member countries' parliaments was ignored when deciding on sanctions against Russia - Duma speaker

MOSCOW, January 14. /TASS/. Deputies of many EU countries are outraged at the fact that the opinions of national parliaments were ignored in the issues of imposing and extending economic sanctions against Russia, State Duma Speaker Sergey Naryshkin said at the **Gaidar Forum** on Thursday.

When the EU authorities were discussing "such important issues that affect interests of hundreds of thousands of residents of EU member countries - imposing and extending the so-called economic sanctions (against Russia) - no one was interested in the opinions of national parliaments on that matter," Naryshkin said. "I talked to colleagues - MPs (of EU countries), and they, of course, are outraged, they say that is the way it is and they regret that they have lost part of their national sovereignty," the Duma speaker added.

He noted that "historically, the first and foremost task of parliaments in different countries and at different times was imposing taxes, approving budget and controlling government spending." "That is precisely why parliaments were created. In fact, the role of the parliament now, in resolving economic and other state problems, proceeds from the nature of parliamentary democracy," Naryshkin stressed.

"Attempts to push the supreme legislative body to the background, belittle its role in

comparison with other bodies of power will never lead to anything good," Naryshkin continued. "That is what the practice of the European Union demonstrates when some very important powers of national parliaments were handed to EU structures," the Duma speaker concluded.

The political decision to extend sanctions against Russia was made on 18 December 2015 by the ambassadors of 28 EU member countries at the session of the Committee of Permanent Representatives in the European Union (COREPER). On December 22 the decision to extend economic sanctions against Russia entered into force. Restrictive economic measures will remain in force until 31 July 2016. --0 --sap

Macroeconomy and analytics; Kudrin: increase of pension age in Russia unavoidable

14 января 2016

Interfax: Russia & CIS Health and Pharmaceutical Weekly

Head of the Civil Initiatives Committee and former Finance Minister Alexei Kudrin thinks that an increase in the pension age in Russia is unavoidable, this will allow for balancing the pension system and will benefit the oldest people.

"I see that we need to raise the pension age. At last it has become clear that the pension age will rise not for someone but for the sake of the pensioners themselves, that the pensioners will benefit from it, and we, of course, should concentrate resources for the payment of pensions," Kudrin said at the **Gaidar Forum** on Wednesday.

"If today we do nothing, then in the next five to seven years, according the Finance Ministry, we will have to raise support of the pension system by one percent using the budget, and this means an increase of taxes," he said.

The economist said that the "trends are such that if the pension age is not raised and liabilities are not restructured, then in four years it will be necessary to raise support [for the pension system] by 1% of GDP using the budget."

"This lies heavily on business, because reducing spending no longer does anything," Kudrin said.

Kudrin said that while finance minister in 2008, he already proposed gradually raising the pension age in Russia.

"I now will reveal a secret: at that time I went to the president and said that we should look ahead. Let's start raising the pension age. We explained to him that this does not need to be carried out over one year. Two or three years are needed to prepare and then over the course of three to six months the transfer [to the new system will take place]," Kudrin said.

The former minister warned that in the future, when the number of taxpayers and pensioners are equal, there will not be enough money left in the country to support the

pension system in a balanced manner.

Kudrin also spoke in favor of keeping the cumulative part of the pension, because the state, when a person goes on pension, guarantees only about 40% of the person's past salary.

"The rest is voluntary pension coverage, in which the entire population participates," Kudrin said, lamenting the fact that in Russia currently no effective institutes for the formation of pension savings have been created.

"In our system people don't think about pensions, they have not learned about this. And in 30 years they will ask: why should we go on pension receiving 40% of our salary," Kudrin said.

He also said that one should not rule out the indexation of pension for working pensioners. "I have a very restrained attitude towards this problem, more towards controversial [issues]. It turns out that these pensioners, who are ready to work, their pension will be decreased. This will not stimulate them to continue to work, this will but people in the shadows," Kudrin said. He said that such a tendency negatively reflects on the economy due to the deficit of labor resources. "In addition, in this there is an element of unfairness," Kudrin said. The former minister said raising the pension age would allow for not making such a decision.

Macroeconomy and analytics; Russian budget deficit at 2.6% of GDP in 2015 - minister

14 января 2016

Interfax: Russia & CIS Health and Pharmaceutical Weekly

Russia had a federal budget deficit of about 2.6% of GDP in 2015, less than the planned 3% of GDP, but the budget has still not been adapted to new oil prices and is balanced at a price of \$82 per barrel, Finance Minister Anton Siluanov said.

"The budget deficit was around 2.6% of GDP last year, lower than we initially planned. This was a level of 3%, if you recall. But we can't say there has been some final adaptation of the budget [to new realities]," Siluanov said at the **Gaidar Forum**.

He said the private sector has "more or less" adapted to an oil price of \$40 per barrel and is continuing to adapt further as oil prices fall lower. But the budget "balances at a price of \$82 per barrel," Siluanov said.

"We still face a whole range of decisions on changing fiscal policy," Siluanov said.

A large deficit is also dangerous in that the cost of the borrowing from which it is financed "is still fairly high for Russia." "The interest spending we will incur for this deficit will squeeze other important spending allocations for this period and will restrict fiscal maneuvering," he said.

Macroeconomy and analytics; Shuvalov: situation in Russian economy significantly more stable than in Jan 2015

14 января 2016

Interfax: Russia & CIS Health and Pharmaceutical Weekly

The Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year, First Deputy Prime Minister Igor Shuvalov said.

"The situation is extremely difficult, but I think we endured the entire burden in 2015," Shuvalov said at the **Gaidar Forum**.

"Recalling the economic situation in January 2015 and public sentiment, this was an entirely different situation. Now it is significantly more stable," he said.

"Despite all the ruble volatility and even at such oil prices, if one looks at any reasonable opinion poll, people have begun to reckon their salaries in dollars less. People are thinking in rubles. This is a result that we didn't even expect would occur in one year," he said.

Macroeconomy and analytics; Medvedev sees Russia's economic situation as difficult, but manageable

14 января 2016

Interfax: Russia & CIS Health and Pharmaceutical Weekly

Prime Minister Dmitry Medvedev said that the situation in the Russian economy is difficult, but manageable.

"The situation in the economy is not easy, but manageable," Medvedev said on Wednesday at the **Gaidar Forum** in Moscow.

"We have managed to ease the impact of external shocks to some degree, including with the help of the anti-crisis plan, in which we have concentrated resources to support the most vulnerable areas both in the economy and the social sphere," Medvedev said.

He said that the measures adopted by the government should now facilitate the achievement of one of the most important goals - to overcome the decline of living standards.

Medvedev said that the main way to reach this goal is to attain stable growth of the economy.

"The task in the current conditions is difficult, but we never have had easy tasks, it is enough to remember, with some initial data we began 2015: we had lines at currency exchanges, panic on markets, the gloomiest forecasts on the growth of unemployment

and more promises to rip our economy into pieces. This did not happen," Medvedev said.

Reports: Russian minister calls for privatization of Sberbank, VTB

Beata Fojcik
14 января 2016
SNL European Financials Daily

Russian Economic Development Minister Alexei Ulyukayev said that Russia should consider privatizing its two largest lenders, PAO VTB Bank and PAO Sberbank of Russia, news agency Prime reported Jan. 13.

The official said at the annual **Gaidar Forum** in Moscow that the move would improve the capitalization of the Russian banking system.

Deputy Finance Minister Alexei Moiseev believes VTB and Sberbank should be privatized at the same time to create a competitive environment, news agency TASS reported the same day. Moiseev also noted that the privatization of the banks currently seems problematic because of Western sanctions and the overall economic situation.

Ulyukayev believes, however, that there are "technical possibilities" to launch privatization deals even under the sanctions and that Russia has "a hundred of opportunities" to carry out privatization, especially of those assets for which there is a domestic demand, TASS noted.

VTB management board deputy head Herbert Moos said that the potential privatization of the bank would not be easy due to the sanctions, but if the government decides to launch the process, the bank will be able to implement it, news agency Prime said.

The Russian state received around 5.3 billion Russian rubles in privatization revenues in 2015, with projected proceeds amounting to 33.2 billion rubles in 2016, TASS noted, citing data by the Federal Property Management Agency.

As of Jan. 12, US\$1 was equivalent to 76.55 Russian rubles.

Russia bites the budget bullet as "new normal" hurts

Business New Europe, 00:00, 15 января 2016, 1203 слов, (Английский)

2015 was the year Russia declared it can handle what its leaders call the "new normal" - low oil prices and revenues, sanctions, isolation from the West, and shoddy import substitutions.

油价暴跌令俄财政恶化 官员建议出售银行..

中国财经信息网 (简体), 11:06, 14 января 2016, 1006 слов, (Китайский (упрощенный))

面对油价暴跌，俄罗斯财政状况进一步紧张，俄官员称，如果政府不能大胆削减开支，储备基金恐在2016年用尽。还有俄官员建议出售官方资产来解决危机。

📄 油价暴跌 俄罗斯竟沦落到出售银行股份救财政!

中国财经信息网 (简体), 11:06, 14 января 2016, 1008 слов, (Китайский (упрощенный))
面对油价暴跌，俄罗斯财政状况进一步紧张，俄官员称，如果政府不能大胆削减开支，储备基金恐在2016年用尽。还有俄官员建议出售官方资产来解决危机。

📄 油价暴跌令俄财政状况恶化 官员建议出售银行股份

金融界 (简体), 11:06, 14 января 2016, 1063 слов, (Китайский (упрощенный))
面对油价暴跌，俄罗斯财政状况进一步紧张，俄官员称，如果政府不能大胆削减开支，储备基金恐在2016年用尽。还有俄官员建议出售官方资产来解决危机。

📄 Mitten im Wahljahr muss der Kreml die Russen vor eine bittere Entscheidung stellen: "Müssen uns auf das Schlimmste vorbereiten"

The Huffington Post, 20:41, 14 января 2016, 483 слов, (Немецкий)
Die Elite Russlands kommt diese Woche auf dem Gaidar-Forum in Moskau zusammen. Und dort gibt es nur ein Gesprächsthema: der niedrige Ölpreis. Der macht Russland schwer zu schaffen, denn die Einnahmen des Staates stammen zu einem großen Teil



FINANCIAL & BUSINESS SERVICES; Central Bank sees no need yet to revise risk scenario, although this becoming more likely

14 января 2016
Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 13 (Interfax) - The Central Bank of Russia does not yet see any need to revise its risk scenario, where oil trades at \$35 a barrel, although the risk of this scenario playing out has increased since the December meeting of the Central Bank's board of directors.

"There's no need to revise the risk scenario yet," Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, told reporters on the sidelines of the **Gaidar Forum** in Moscow.

But there is a stronger likelihood of the risk scenario coming true than there was in December, when the regulator decided to keep its key lending rate on hold at 11% pa.

"Generally speaking, in the framework of the baseline scenario, we have said oil prices will stay low throughout December and January. So there are no major deviations from the baseline scenario, however the likelihood has of course increased," Dmitriyev said.

The Central Bank's 2017 inflation target is still 4% in all its macroeconomic development scenarios.

Asked how far oil might fall, Dmitriyev said: "We have no such estimates. We recognize that oil might in the risk scenario be lower than \$35 a barrel, but we have no concrete estimate. There is no such need for the purposes of the scenario," he said.

Monetary tightening is possible in the risk scenario, he said, but this does not necessarily mean the key rate will be raised.

"It is important to understand that tightening does not necessarily mean the rate will be hiked. In some conditions leaving the rate unchanged can represent tightening, as we have seen generally in the interpretation of market participants in the second half...in various conditions a differing rate can be interpreted in various ways," he said.

"The ruble is behaving quite steadfastly for such changes in the oil market," Dmitriyev said in addition.

In her turn, Central Bank First Deputy Governor Ksenia Yudayeva told journalists that "now the baseline and risk scenarios are appropriate." At the end of the month the Central Bank will analyze the dynamics of the market, inflation and economic activity figures in December, it will adjust the forecast for domestic targets and make a decision on this basis about the rate.

"We now are observing a period of global volatility, the Russian market is much more stable than many other markets, than the oil market. And in this sense I would say that it is important now for the Central Bank that the situation with financial stability is calm enough. In the medium term we are seeing that inflation will fall under any scenario. Now, of course, risks have risen somewhat, we will study them when making decisions. Inflation will fall, despite the weakening of the exchange rate that we have been seeing lately... We are very attentively following how our forecasts are being realized," Yudayeva said.

She said that the baseline scenario with oil prices at \$50 per barrel in any case will be revised, in March the Central Bank will publish a new baseline forecast.

"Now inflationary risks have risen, but for now a large degree of control allows us to ensure the achievement of the inflation targets by the end of 2017," she said.



COMPANIES & MARKETS; Federal Freight Co lost 8 bln rubles in 2015 - Lisin

14 января 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 14 (Interfax) - Federal Freight Company will have a net loss of about 8 billion rubles in 2015, Freight One owner Vladimir Lisin said, commencing on the

situation at Freight One and comparing it with the situation at competitors.

"In 2014 Federal Freight Company, which is comparable to the private company Freight One, had a loss of 3.3 billion rubles. This year, plans are for about negative 8 billion rubles, as far as we know from our estimates. The comparable Freight One will have a profit of 200 million rubles," Lisin said at the **Gaidar Forum**, organized by RANEP and the Gaidar Institute for Economic Policy.

Freight One is the biggest rail freight company on the Russian market, with operations throughout the CIS as well as a joint venture with Finland's railways. The company is part of UCL Rail, the rail division of Lisin's Universal Cargo Logistics Holding (UCL Holding). The group has about 170,000 rail cars, mainly gondolas, and also includes stevedoring companies in northwestern and southern Russia and major Russian shipping companies.

Federal Freight Company is Russia's second biggest freight rail car owner. Formed during the reorganization of Russia's rail transport system, it currently has a fleet of over 130,000 rail cars, including gondolas, boxcars, flat cars and tankers. The company, which is wholly owned by Russian Railways (RZD), has representations in Ukraine and Kazakhstan.

The logo for Interfax, featuring the word "interfax" in a bold, lowercase, sans-serif font. The letter 'f' is stylized with a long, sweeping tail that extends to the right.

COMPANIES & MARKETS; Russia preparing to sell 25% stake in Russian Helicopters - Manturov

14 января 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 14 (Interfax) - The state is preparing to sell a 25% stake in Russian Helicopters.

"Twenty-five percent," Industry and Trade Minister Denis Manturov told journalists on Thursday on the sidelines of the **Gaidar Forum**, when asked what stake Russia was prepared to offer investors.

"As for Russian Helicopters, then I think the most beneficial for the state and for the company itself would be the option [of selling company shares] via a strategic investor," Manturov said.

"Everything depends on the market situation, but we hope that [sale of the stake] will take place this year," Manturov said. He did not provide an estimate of how much the deal is expected to be worth.

The logo for Interfax, featuring the word "interfax" in a bold, lowercase, sans-serif font. The letter 'f' is stylized with a long, sweeping tail that extends to the right.

HEADLINE NEWS; Digest of headline news

14 января 2016

Interfax: Russia & CIS Business and Financial Daily

...*** The state is preparing to sell a 25% stake in Russian Helicopters.

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Russia might be forced to close some oil production

14 января 2016

Investing.com

Low oil prices for longer forced the Russian government to cut its budget and might even lead to a cut in oil production, government officials said on Wednesday.

Speaking on Wednesday at the **Gaidar forum** in Moscow, the country's Finance minister, Anton Siluanov, said the Russian Federation's budget would only be balanced with the price of oil at \$82 per barrel, let alone the approximately \$30 per barrel at which it was trading.

On the assumption for this year's budget of oil at \$50 per barrel the public deficit had been expected to reach 3% of gross domestic product, following a shortfall of 2.6% in 2015.

In parallel, prime minister Dmitry Medvedev said the budget would have to be revised should oil prices fall further.

The first step in that direction had already been taken, Siluanov added.

A month ago the Kremlin ordered spending cuts, although public sector pay and pensions would be spared from the axe.

The tough situation facing the country was underlined by remarks from the deputy finance minister, Maxim Oreshkin, who reportedly said Russia might be forced to close some of its production.

Climatic conditions in Russia's northern regions, where many producers are located, and

the conditions at some oil fields makes it technically difficult to lower and raise production quickly.

"We're preparing a stress test scenario in order to be ready for any unexpected situation... We're even preparing calculations based on the level of up to \$25 per barrel," Economic Development Minister Aleksey Ulyukayev said in an interview aired by the Rossiya-24 TV news channel, TASS reported.

"For commodity-based economies such as Russia ... the period of low commodity prices will be very long. I find it difficult to judge whether it's the era of global commodity cycle or simply a new pattern. But I'm convinced that this is [going to be] a very long period of time," Ulyukayev added.



Russian oil producers plan to repeat last-year production record in 2016 - Russian Energy Minister

14 января 2016
ITAR-TASS World Service

ECONOMY: OIL-PRODUCTION-RUSSIA-1

Russian oil producers plan to repeat last-year production record in 2016 - Russian Energy Minister

MOSCOW, January 14. /TASS/. Russian oil producers plan to repeat the last-year production record in 2016, Energy Minister Alexander Novak said on Thursday on the sidelines of 2016 **Gaidar Forum**.

"Our companies say now that production volume in 2016 will be kept at last-year level," the minister said.

Russian oil companies produced record-breaking 534 mln tonnes of oil in 2015, up 1.4% year-on-year, according to data of the Central Dispatching Department of Fuel and Energy Complex.



Russian Energy Ministry forecasts average annual oil price of \$30-50/bbl in 2016 - Minister Novak

14 января 2016
ITAR-TASS World Service

ENERGY: OIL-PRICE-OUTLOOK-1

Russian Energy Ministry forecasts average annual oil price of \$30-50/bbl in 2016 - Minister Novak

MOSCOW, January 14. /TASS/. Russian Energy Ministry forecasts the average annual oil price of \$30-50/bbl in 2016, Energy Minister Alexander Novak said on Thursday on the sidelines of 2016 **Gaidar Forum**.

"The range may be from \$30 to 50," the minister said.

Oil price and demand will continue declining and oil prices will be below \$30 per barrel, Russia's Finance Minister Anton Siluanov said earlier. This will be related to huge oil stocks and new market players entering the market, such as Iran with 1-1.5 barrels daily, he added.



Ministry of Energy to meet oil producers in January, oil price forecast in budget is still \$50/bbl - Russia's Energy Minister

14 января 2016
ITAR-TASS World Service

ECONOMY: OIL-PRODUCERS-MEETING-1

Ministry of Energy to meet oil producers in January, oil price forecast in budget is still \$50/bbl - Russia's Energy Minister

/Update/

MOSCOW, January 14. /TASS/. Russian Ministry of Energy plans to meet oil producers in January 2016 and does not plan recommendations to provide for lower oil prices in corporate budgets [\$50 a barrel now is forecasted - TASS], Minister Alexander Novak said on Thursday on the sidelines of 2016 **Gaidar Forum**.

"The next meeting is scheduled in January. Considering further decline of oil prices early this year, companies will review the situation. If this is a long-term trend, they will reconsider investment programs in some way. However, we do not have information about data reviews so far," the minister said.

The Energy Ministry nevertheless recommended that oil companies addressed the stress scenario with oil price within \$25-30/barrel range in their budgets.

Rosneft addressed \$45/bbl price in the budget, Chief Executive of the company Igor Sechin said earlier. Lukoil provides for \$50/bbl price but the company calculated the stress scenario of \$50 per barrel, Lukoil's President Vagit Alekperov said before.



Russia not in talks with EU on lifting sanctions, conditions of their lifting - Russian Foreign Ministry

14 января 2016

Interfax: Russia & CIS Diplomatic Panorama

MOSCOW. Jan 13 (Interfax) - The Russian Foreign Ministry has rejected a statement that Russia has been conducting dialogue with the European Union on lifting sanctions through different working groups under the Minsk agreements.

"This dialogue is not being conducted. We are not discussing any conditions for the lifting of sanctions. The European Union has imposed these sanctions itself, and it is the EU's business to think over how to lift them, taking into account the damage which is caused to the EU states by these sanctions," a source in the Russian Foreign Ministry told Interfax, commenting on EU Ambassador to Russia Vygaudas Usackas' statement.

Usackas told reporters on the sidelines on the **Gaidar Forum** Russia and the World: Looking to the Future that Moscow and the EU have been conducting dialogue on the issue of lifting sanctions, and that they might be lifted after the Minsk agreements are implemented.

"Dialogue on lifting sanctions is being conducted. It is being conducted through different working groups under the Minsk agreements. When the sides which have signed the Minsk agreements fully implement them, then a decision will be taken," he said.



Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow

14 января 2016

Interfax: Russia & CIS Diplomatic Panorama

MOSCOW. Jan 13 (Interfax) - The European Union has always called for the coordination of actions in Syria, but a solution to the Syrian conflict should be political, head of the European Union delegation to Russia Vygaudas Usackas said.

"The European Union has always called for us to coordinate our actions," Usackas told reporters on the sidelines of the **Gaidar Forum** Russia and the World: Looking to the Future, which is being held in Moscow on Wednesday.

He replied thus to a question as to how the cooperation between the military structures

of Russia, the United States and the EU states can be established in Syria.

In addition, Usackas said that "the response to the conflict in Syria should be political."

"Therefore, we support all the steps which are being taken by the UN envoy to create this platform and begin political talks between different groupings in Syria," he said.

📄 《國際經濟》俄羅斯財長：油價短期將再跌

中時電子報 (繁體), 03:17, 14 января 2016, 234 слов, (Китайский (традиционный))

俄國經濟正遭遇十年來最嚴峻挑戰，俄羅斯財長西盧安諾夫出席蓋達爾論壇(Gaidar Forum)時表示，由於石油未減產，近期將很有可能看到油價進一步下跌。



PRESS-REVIEW; Russian press on the energy sector on January 14

14 января 2016

Interfax: Russia & CIS Energy Daily

*** The Russian government is looking for ways to revise the 2016 budget in light of the drop in oil prices and is preparing various stress scenarios, which was a major topic of the **Gaidar Forum** on Wednesday. The Finance Ministry is proposing to rewrite the budget based on an oil price of \$40. But the key problems for the budget - the economic crisis and stimulating growth - are not being tackled yet, analysts said (Vedomosti, p. 4).



PIPELINES & TRANSPORTATION; EC seeking to ensure Nord Stream II compliance with Third Energy Package

14 января 2016

Interfax: Russia & CIS Energy Daily

MOSCOW. Jan 13 (Interfax) - The European Commission (EC) is gathering information concerning the Nord Stream II project and will require its compliance with the Third Energy Package, said Vygaudas Usackas, head of the EU delegation to Russia.

"At the moment, the EC is gathering information about the new project. Instructions were received from EC President Juncker regarding this issue. We will demand, as we do for other projects, that the Nord Stream-2 should comply with the EU laws, including

the Third Energy Package," he told reporters on the sidelines of the **Gaidar Forum** 2016, entitled "Russia and the world: an outlook into the future."

He added that he was aware about Ukrainian concerns about the Nord Stream II project. "I am aware about these concerns. We are watching commentaries. Our Ukrainian colleagues assess this from the political standpoint. We approach any issue, as far as energy or trade issues are concerned, on the basis of the laws existing in the European Union," he said.

Elsewhere, Gazprom head Alexei Miller told journalists Italy's Saipem, which built Nord Stream I and Blue Stream, is one of the contenders for the construction of the third and fourth lines of Nord Stream.

On Wednesday in Moscow Miller discussed this pipeline project with the head of Austria's OMV, Rainer Seele.

"It was noted that Italy's Saipem is one of the contenders for the receipt of the contract for laying this gas pipeline," Miller told journalists.

Saipem also had a contract for the construction of South Stream and then Turkish Stream. However, Gazprom terminated this contract, pointedly blaming the Italian contractor for the incident. This, however will not prevent the Russian company from the publication in a few weeks' time of a press release with compliments addressed to Saipem.

OMV, along with Gazprom, BASF, E.ON, ENGIE and Shell, is a participant in the Nord Stream 2 AG consortium.



GAS; Turkey second biggest importer of Russian gas for ninth straight year

14 января 2016

Interfax: Russia & CIS Energy Daily

MOSCOW. Jan 13 (Interfax) - Turkey was the second biggest buyer of Russian gas for the ninth straight year, Gazprom CEO Alexei Miller told journalists on Wednesday.

"Turkey had the second biggest demand for Russian gas in 2015 after Germany," Miller said.

Turkey first moved into second place among Russian gas customers in 2007, displacing Italy. It has held onto that position ever since.

Miller provided detailed commentary on Gazprom's export results for 2015 on Monday, noting the individual trend in supplies to Germany, Italy, France, Austria and the UK. He only spoke about Turkey two days later, without specifying volumes.

According to Interfax calculations based on data from European gas pipeline operators, Turkey bought about 27 billion cubic meters (bcm) of gas from Russia in 2015, roughly 1% less than in 2014. Turkish consumption of Russian gas declined from the first to the third quarters, but grew markedly in the fourth quarter, virtually offsetting the decline over the first nine months.

Gazprom exported 159.4 bcm of gas outside the CIS in 2015, 8% more than in 2014.

Speaking at the **Gaidar Forum** in Moscow on Wednesday, Deputy Energy Minister Anatoly Yanovsky expressed confidence that Russian gas exports to Europe would continue to increase: "We have the optimistic view that the volumes of oil and gas supplies to Europe will remain at the same level. It will increase for gas; there might be some decline for oil given the overall decline in consumption."



Duma-Chef: EU-Entscheidungen nehmen nationalen Parlamenten Teil ihrer Souveränität

14 января 2016
Sputnik Deutschland

Die Parlamente mancher europäischer Länder haben einen Teil ihrer nationalen Souveränität eingebüßt, weil die EU zu vielen Fragen, darunter zu Sanktionen, eigenständig Entscheidungen trifft, ohne ihre Position zu berücksichtigen, meint Duma-Chef Sergej Naryschkin.

„Zu diesen Fragen [der Verhängung und Verlängerung der Sanktionen— Anm. d. Red.] hat die Meinung der nationalen Parlamente keinen interessiert. Im Gespräch mit Kollegen, den Parlamentariern mehrerer europäischer Länder, äußern sie diesbezüglich natürlich auch Empörung. Sie stellen fest, dass es so ist, und bedauern, dass sie indiesem Zusammenhang einen Teil der nationalen Souveränität verloren haben“, sagte Naryschkin am Donnerstag beim **Gaidar-Forum**.

„Im Grunde genommen ergibt sich die Rolle der heutigen Parlamente bei der Lösung ökonomischer und anderer Aufgaben gerade aus der Natur der parlamentarischen Demokratie. Die Versuche, das höchste gesetzgebende Organ eines Landes inden Hintergrund zu drängen, seine Rolle im Vergleich zu anderen Zweigen der Staatsmacht herabzumindern, haben nie zu etwas Gutem geführt“, ergänzte der Parlamentarier.

Naryschkin nannte als Beispiel die Praxis der Europäischen Union, einen Teil der wichtigen Vollmachten nationaler Parlamente an EU-Strukturen abzugeben.

Daily Headline News for January 14, 2015

14 января 2016

Interfax: Russia & CIS Business and Financial Newswire

Digest of headline news as of 7:00 p.m. Moscow time on January 14:

***** RUSSIA PREPARING TO SELL 25% STAKE IN RUSSIAN HELICOPTERS - MANTUROV**

The state is preparing to sell a 25% stake in Russian Helicopters (MOEX: VERR).

"Twenty-five percent," Industry and Trade Minister Denis Manturov told journalists on Thursday on the sidelines of the **Gaidar Forum**, when asked what stake Russia was prepared to offer investors.

"As for Russian Helicopters, then I think the most beneficial for the state and for the company itself would be the option [of selling company shares] via a strategic investor," Manturov said.



Manturov may become deputy PM, sources say, but minister claims no prior knowledge

14 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 14 (Interfax) - Industry and Trade Minister Denis Manturov may be offered the post of deputy prime minister, sources familiar with the situation told Interfax.

Reports on Manturov's possible promotion first appeared at the beginning of winter.

Manturov declined to confirm the news. "I am hearing it for the first time," Manturov said on the sidelines of the **Gaidar Forum** on Thursday in response to a journalist's question.



Daily Headline News for January 14, 2015

14 января 2016

Interfax: Russia & CIS General Newswire

Digest of headline news as of 7:00 p.m. Moscow time on January 14:



Anti-crisis measures in support of car demand to remain as planned - Russia's Minister of Industry

14 января 2016
ITAR-TASS World Service

ECONOMY: CARS-INDUSTRY-SUPPORT-1

Anti-crisis measures in support of car demand to remain as planned - Russia's Minister of Industry

/Update/

MOSCOW, January 14. /TASS/. Anti-crisis measures supporting car demand will remain in scope planned at the turn of the last year. Twenty billion rubles (\$261.3 mln) will be allocated to this end for the first six months of 2016, Russia's Minister of Industry Denis Manturov said on Thursday at 2016 **Gaidar Forum**.

Systemic programs of automobile industry support within the framework of state programs will be cut by 10%, Manturov said.

"20 billion rubles (\$261.3 mln) that were allocated [to support car demand - TASS] will remain. Speaking about state programs [systemic measures to support the automobile industry], these will be cut by 10%, except protected items," he added.

The Ministry has undertaken a range of measures aimed to support car sales in conditions of recession and worsened automobile market situation. The Ministry is partly compensating costs of production upgrade, support of jobs, etc., to automakers. At the same time, sales are supported through preferential leasing, car loan benefits, scrap and trade-in programs.



TASS DAYTIME NEWS ROUNDUP 08:00-19:00

14 января 2016
ITAR-TASS World Service
TASS DAYTIME NEWS ROUNDUP 08:00-19:00

...MOSCOW. Deputies of many EU countries are outraged at the fact that the opinions

of national parliaments were ignored in the issues of imposing and extending economic sanctions against Russia, State Duma Speaker Sergey Naryshkin said at the **Gaidar Forum**.



Investment stimulation as key task for Russian economic growth - experts

14 января 2016

ITAR-TASS World Service

ANALYSIS: RUSSIA-ECONOMY-FORUM

Investment stimulation as key task for Russian economic growth - experts

MOSCOW, January 14. /By TASS World Service writer Tamara Zamyatina/. The international economic forum in Moscow diagnosed the Russian economy with "dependence on oil prices" and offered medical treatment measures to cure this disease by encouraging investment into the real sector, experts polled by TASS said on Thursday.

The **Gaidar forum** named after former Russian premier and reformer of the domestic economy in the early 1990s Yegor Gaidar was held in Moscow on January 13-15. The forum annually brings together leading world scientists and politicians, bankers and business people to discuss the vectors of economic development.

Russian Prime Minister Dmitry Medvedev stated at the forum that the domestic economy was living through new oil reality rather than through temporary upheavals. According to Medvedev, along with a sharp fall in the price of oil, such factors as the sanctions pressure and global political instability have become almost the strongest challenges for the Russian economy in the past decade.

"If oil prices continue falling, the budget parameters will need to be adjusted. This has to be understood and it is necessary to prepare for the worst-case scenario as is done in other countries," the Russian premier said.

The ministers of the Russian government's economic bloc discussed budget-saving measures at the forum.

The government intends to cut 2016 budget expenditures by 10%. Finance Minister Anton Siluanov proposed privatizing state companies to yield 1 trillion rubles (\$13 billion) over two years. Economic Development Minister Alexei Ulyukayev noted that the strategy of the saving resource for future investment growth was replacing the consumer model of behavior.

Ex-Finance Minister Alexei Kudrin spoke as the government's main opponent at the forum. He lashed at the government's current social policy, which was "eating up" a considerable part of the budget, which could be spent on investment in the real sector of

the economy.

According to Kudrin, Russia needs economic growth of no less than 5% per year to solve the current problems and fight poverty.

Scientific Head of the Higher School of Economics and ex-Economy Minister Yevgeny Yasin believes that the current discussion at the Gaidar economic forum reflects real problems of the Russian economy.

"The main conclusion from the discussion on the prospects of the Russian economy at the **Gaidar forum** is the need to state the inevitable continuation of the decline, unless the government starts to implement structural reforms," Yasin told TASS.

"Reforms should be started from the transformation of legal regulation in the economic sphere. A market economy cannot be efficient, if business is not confident in the indisputable supremacy of law. Business people won't invest in production without a feeling of the guaranteed freedom of entrepreneurship," the expert said.

His view is shared by Chairman of the VTB Bank Supervisory Board, ex-head of Russia's Central Bank Sergei Dubinin. "Encouraging private investment should be the government's long-term anti-crisis task," Dubinin told TASS.

In the financier's opinion, the main idea mentioned at the **Gaidar forum** is that no matter how paradoxically it may seem but state expenditures shouldn't be curtailed sharply amid the crisis.

"The main task at the time of exiting the crisis is to maintain economic growth. Government members bound by the government's decisions agree, even if cautiously, with ex-Finance Minister Alexei Kudrin that in the current conditions there should be no fears about an increase in government borrowings and government debt for economic stimulation," the expert said.

Dubinin drew attention to Kudrin's proposal to use Russia's Reserve and National Wealth Funds more actively in the anti-crisis conditions and even unite them for more efficient spending to stimulate the economy.

"Such a decision has not been taken so far. It is understandable that the government, which manages these funds, is seeking to have a reserve stock and keep it for years to come. But no economic growth can be expected, if funds are not invested in the economy," the financier said.

"The 5% annual economic growth is a long-term task for Russia. It is impossible to jump from negative to positive indicators at once. The discussion at the **Gaidar forum** demonstrates that the Russian government has the understanding of the need to save and change the budget structure while keeping the basic guarantees of social policy. But there is also the understanding of the invariable imperative to attract additional resources to the budget with all possible measures and support economic growth," Dubinin said.

Events due in Moscow, Russia, CIS and Baltic countries on Friday, January 15, 2016

14 января 2016

Interfax: Russia & CIS Announcements

In Moscow: Meeting

Participants: President V. Putin, Greek President P. Pavlopoulos

Meeting

Participants: Rosturizm chief O. Safonov, deputy head of Iranian Cultural Heritage, Handicrafts and Tourism Organization M. R. Movahed

9.30 a.m. Panel discussion as part of **Gaidar Forum**

Subject: Innovative modernization of Russian economy, food security, role of Russian science, companies and development institutes in global context

Participants: Communications Minister N. Nikiforov, Sberbank CEO G. Gref, Rosnano chief A. Chubais

Venue: Russian Academy of National Economy and Public Administration (82, Vernadskogo prospekt)

<http://www.gaidarforum.ru>



Russia political and economic calendar: January 15 - May 12

14 января 2016

Interfax: Russia & CIS Business and Financial Newswire

Date	Event	Time
15.01.16	Gaidar Forum -2016 to take place on Jan 13-15.	9:30
a.m.	Russian Presidential Academy of National Economy and Public Administration. http://www.gaidarforum.ru/en/	



Min: OPEC to meet with Russia's Energy Ministry closer to March

14 января 2016
Prime Energy Service

MOSCOW, Jan 14 (PRIME) -- Representatives of OPEC and Russia's Energy Ministry will meet closer to March, Deputy Energy Minister Kirill Molodtsov told reporters Thursday on the sidelines of the **Gaidar Forum**.

"Closer to March," he said, answering a corresponding question.

The OPEC countries and other states which produce oil started talks on coordination of production on the back of the oil price weakening to record lows over the last 12 years.

Earlier, Novak said that Russia-OPEC coordination of oil production is unlikely to be effective.



zeitungen

Minsker Gespräche: Neuer Lösungsversuch im Ukraine-Konflikt

14 января 2016
Sputnik Deutschland

In Minsk hat am Mittwoch die in diesem Jahr erste Sitzung der Kontaktgruppe zur Regelung des Konflikts im Donezbecken stattgefunden, schreibt die „Wedomosti“ am Donnerstag.

An dem Treffen nahm zum ersten Mal der neue ständige Vertreter Russlands bei den Verhandlungen und ehemalige Vorsitzende der russischen Staatsduma (Parlamentsunterhaus), Boris Gryslow, teil.

Vor Beginn der Sitzung der Kontaktgruppe hatten die Arbeitsgruppen für politische, wirtschaftliche, humanitäre Fragen und Sicherheit die Realisierung des Sonderstatus einzelner Territorien der Gebiete Donezk und Lugansk, die Dezentralisierung der Macht, die Verfassungsreform in der Ukraine und die Lokalwahlen im Donbass besprochen.

Wenige Stunden vor Beginn des Treffens in Minsk hatte EU-Kommissionsvizepräsidentin Kristalina Georgieva beim **Gaidar-Forum** in Moskau verkündet, dass die EU bereits erste Fortschritte hinsichtlich der Minsker Vereinbarungen sehe. Georgieva gab zu verstehen, dass dies die Revision der Wirtschaftssanktionen zur Folge haben könnte und beendete ihre Rede mit den Worten „Lasst uns zusammen arbeiten!“. Der Leiter der EU-Vertretung in Russland, Vygaudas Ušackas, sagte am Rande des Gaidar-Forts, dass in verschiedenen Arbeitsgruppen tatsächlich ein Dialog zur Aufhebung der Sanktionen geführt werde. Zugleich aber halte die EU weiter an ihrer Position fest, die eine Abschaffung der Sanktionen erst bei völliger Erfüllung aller Verpflichtungen der Unterzeichner ermögliche.

Auch das jüngste Treffen in Minsk lasse kaum darauf hoffen, dass das Abkommen in naher Zukunft gänzlich umgesetzt wird. Die Ukraine beharre weiter auf ihrer Forderung, die Lokalwahlen im Donezbecken nach ukrainischen Gesetzen und unter Teilnahme ukrainischer Parteien und Medien durchzuführen.

Da das Feuer im Konfliktraum auch seit Dezember nie völlig eingestellt worden sei, unterstützten die Verhandlungsteilnehmer jedoch sofort die Initiative Gryslows zur Erklärung eines sogenannten „Regimes der Stille“ sowie Gefangenenaustausch. Bei diesem handele es sich insgesamt um mehr als 50 Personen auf beiden Seiten, vor allem um Verletzte.

Weil die Sitzungen der ukrainischen Rada (Parlamentsunterhaus) noch bis Ende Januar andauern werden, könnte sich die Äußerung Georgievas in Moskau auf die möglichen Verfassungsänderungen bezüglich des Status der selbst ernannten Republiken Donezk und Lugansk beziehen. Diese Frage sollte auch während des Besuchs Gryslows in Kiew besprochen werden, so der Politologe Wadim Karassew. Moskau sei durchaus daran interessiert, dass die nötigen 300 Stimmen in der Obersten Rada für die Verabschiedung der Änderungen zustande kommen. Poroschenko könnte eine solche Mehrheit überzeugen. Laut Karassew hätten sich Gryslow und Poroschenko in Kiew unter anderem aus diesem Grund getroffen.

Laut dem Direktor des Russischen Rats für internationale Angelegenheiten, Andrej Kortunow, könnten die Ernennung Gryslows und ähnliche Signale bedeuten, dass Russland energischer bei der Umsetzung der Minsker Vereinbarungen vorgehen wird. Deshalb könnte sich auch bald die Rhetorik des Westens ändern. Dennoch sei kaum zu erwarten, dass die Russland-Sanktionen vor Ablauf der sechsmonatigen Frist gelockert oder gar aufgehoben würden, so der Experte.

Bloomberg

Russia Doesn't Want to Force Ukraine Into Default, Medvedev Says

Prime Minister Dmitry Medvedev said Russia isn't seeking a Ukrainian default and will decide soon whether to demand early repayment by its neighbor of a \$3 billion bond. Russia has the right to seek payment before the debt matures in December because Ukraine's state borrowing has breached 60 percent of gross domestic product, violating the bond's terms, Medvedev told a conference in Moscow today, reiterating Jan. 10 remarks by Finance Minister Anton Siluanov.

“We don't want a Ukrainian default, worsening the plight of the Ukrainian economy,” Medvedev said at the Gaidar Economic Forum. “Still, debts have to be paid, both government as well as those of companies.”

Russia bought the bond as part of a 2013 rescue package agreed with Ukraine's then-leader Viktor Yanukovich, an ally of President Vladimir Putin who was ousted two months later. The government in Kiev, which is facing the worst recession since 2009 amid a pro-Russian insurgency in its easternmost regions, needs \$15 billion on top of a \$17 billion international bailout to stay afloat, the European Union estimates.

Ukraine's dollar bond due 2017 dropped 4 cents to 59.4 cents on the dollar, its lowest level in a week, data compiled by Bloomberg showed. The hryvnia, which has plunged 47 percent during the past 12 months, strengthened 1.3 percent against the U.S. currency to 15.615.

To alleviate the economic pressure, Ukraine is seeking additional financial aid from its American and European allies.

U.S. Vice President Joe Biden spoke with Ukraine Prime Minister Arseniy Yatsenyuk about "progress in assembling a broad package of international financing that will support Ukraine," the White House said today in e-mailed statement. The U.S. has pledged as much as \$2 billion in loan guarantees to Ukraine as long as its government adheres to demands made by the International Monetary Fund.

International lenders will probably prevent a Ukrainian default by extending maturities on some of the nation's debt, Eurasia Group analysts led by Alex Brideau said yesterday in an e-mailed report.

<http://www.bloomberg.com/news/articles/2015-01-14/russia-doesn-t-want-to-force-ukraine-into-default-medvedev-says>



Russia's former Finance Minister Kudrin attends a session of the **Gaidar Forum**

2016 in Moscow

14 января 2016
Reuters Pictures

Russia's former Finance Minister Alexei Kudrin attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



Russia's former Finance Minister Kudrin attends a session of the **Gaidar Forum** 2016 in Moscow

14 января 2016

Russia's former Finance Minister Alexei Kudrin gestures during a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhi



President of the Republic of Tatarstan Minnikhanov attends session of the Gaidar Forum 2016 in Moscow

SERGEI KARPUKHIN
REUTERS
14 января 2016
Reuters Pictures

President of the Republic of Tatarstan Rustam Minnikhanov gestures during a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



Russian Energy Minister Novak attends a session of the **Gaidar Forum** 2016 in Moscow

SERGEI KARPUKHIN
REUTERS
Reuters Pictures

Russian Energy Minister Alexander Novak attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016.
REUTERS/Sergei Karpukhin



President of the Republic of Tatarstan Minnikhanov attends session of the Gaidar Forum 2016 in Moscow

SERGEI KARPUKHIN
REUTERS

President of the Republic of Tatarstan Rustam Minnikhanov attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



Russian Minister of Transport Sokolov attends session of the **Gaidar Forum 2016 in Moscow**

14 января 2016
Reuters Pictures

Russian Minister of Transport Maxim Sokolov reacts during a session of the **Gaidar Forum 2016** 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin

Russia's former Finance Minister Kudrin attends a session of the **Gaidar Forum 2016 in Moscow**

SERGEI KARPUKHIN
REUTERS
14 января 2016

Russia's former Finance Minister Alexei Kudrin gestures during a session of the **Gaidar Forum 2016** "Russia and the World: Looking to the Future" in Moscow, Russia, January 14, 2016.



Russian Energy Minister Novak attends a session of the **Gaidar Forum** 2016 in Moscow

REUTERS
14 января 2016

Russian Energy Minister Alexander Novak adjusts his glasses during a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



Aeroflot likely to post 2015 losses to both IFRS and RAS

14 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 14 (Interfax) - Aeroflot (MOEX: AFLT) will probably post losses to both International Financial Reporting Standards (IFRS) and Russian Accounting Standards (RAS) for 2015, the airline's board chairman, Kirill Androsov, told reporters on the sidelines of the **Gaidar Forum**.

"The results are not yet known, but for 2015, Aeroflot will probably have losses to RAS and IFRS for numerous reasons, primarily those costs we had to put on our balance sheet by carrying more than 2 million Transaero (MOEX; TAER) passengers," Androsov said.

There will probably be no sources of dividends because of this, he said.



Russia's Freight One sees 2015 net profit at 200 mln rbl

14 января 2016

Prime News

MOSCOW, Jan 14 (PRIME) -- Russian railway operator Freight One of businessman Vladimir Lisin will earn a 200 million ruble net profit for 2015, but has no plans to pay dividends for that year and will pay them only for 2016, Lisin told reporters on the sidelines of the **Gaidar Forum** on Thursday.

"Freight One will receive a 200 million ruble net profit," he said. "There will be no (dividends) for 2015, but we will pay them for 2016. We have everything figured out in advance."

In 2014, the company's net profit plunged 50.8% on the year to 6.197 billion rubles, as calculated under Russian Accounting Standards (RAS).

The company paid 5 billion rubles in dividends for January–September 2014 and 6.18 billion rubles in dividends for January–June 2013.



Budget cuts may not affect agribusiness and Crimea development programs -

Russia's Deputy Minister of Economic Development

14 января 2016
ITAR-TASS World Service
URGENT:

Budget cuts may not affect agribusiness and Crimea development programs - Russia's Deputy Minister of Economic Development

MOSCOW, January 14. /TASS/. Federal budget cuts may not affect agribusiness and Crimea development programs, Russia's Deputy Minister of Economic Development Oleg Fomichev said on Thursday at 2016 **Gaidar Forum**.

"The budget will be slashed in terms of expenditures, most likely across all government programs. A portion may probably remain after discussion. Agriculture and Crimea [financing] may probably remain the same but it means that other state programs will be cut slightly more," Fomichev said.



Russian flag carrier Aeroflot expects losses as of 2015 year-end

14 января 2016
ITAR-TASS World Service

URGENT:

Russian flag carrier Aeroflot expects losses as of 2015 year-end

MOSCOW, January 14. /TASS/. Russian flag carrier Aeroflot expects losses as of 2015 year-end and there are no sources to pay revenues, Chairman of Aeroflot Board of Directors Kirill Androsov said on Thursday at 2016 **Gaidar Forum**.

"Aeroflot is likely to post losses under IFRS at 2015 year-end due to a range of reasons, primarily costs we had to assume in order to carry more than 2 mln passengers of Transaero. Therefore we will most likely have no sources to pay dividends," Androsov said.



Aeroflot to nix dividends over poor results in 2015

14 января 2016
RosBusinessConsulting

Aeroflot is expecting a loss in 2015, said chairman of the airline's board Kirill Androsov at the **Gaidar Forum**. This means that paying dividends is off the table.

"The official results for 2015 have not been released yet, but most likely Aeroflot will report losses under the RAS and IFRS standards due to many reasons, but mostly because of massive spending resulting from the transportation of Transaero's two million passengers. Thus we won't have money to pay dividends," Androsov was reported by TASS as saying.

Aeroflot reported a profit of RUB 1.83bn (approx. USD 23.9m) in 9M 2015 compared to a loss of RUB 3.56bn (approx. USD 46.7m) a year ago.

The airline's top official went on to say that Aeroflot was ready to be privatized, adding, however, that the benefits of this measure were not immediately clear. "Aeroflot is a joint-stock company listed on the Moscow Exchange with daily trading operations and a considerable number of financial institutional investors," Androsov noted, saying that the company didn't have to make additional preparations ahead of privatization.

Aeroflot's privatization prospects in 2016 depend on the expectations. "If the goal is to replenish coffers or increase federal budget proceeds, privatization won't bring in considerable amount given Aeroflot's current valuation. In any case, it is the government that will make the ultimate call," Androsov said. If the goal was to improve competition, a new owner "is unlikely to change anything if Aeroflot stays the way it is right now," according to the official. In his opinion, it's not really obvious who could be a buyer of the government's stake in Aeroflot.

Earlier, Olga Dergunova, director of the Federal Agency for State Property Management, said that the economic crisis was weighing on the valuation of leading Russian companies, rendering the divestment of the state's stakes unreasonable.



Participants attend a session of the **Gaidar Forum** 2016 in Moscow

REUTERS
14 января 2016

(L-R) Chairman of Board of Directors of Aeroflot Kirill Androsov, Russian Trade Minister Denis Manturov, President of Russian Railways Oleg Belozеров, Chairman of Novolipetsk Steel (NLMK) Vladimir Lisin, CEO of Russian Direct Investment Fund Kirill Dmitriev and Deputy Head of the Federal Antimonopoly Service (FAS Russia) Anatoly Golomolzin attend a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



Min: Russian Helicopters net profit triples to 60 bln rbl in 2015

14 января 2016
Prime News
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MOSCOW, Jan 14 (PRIME) -- The net profit of Russian Helicopters almost tripled to about 60 billion rubles in 2015 from 20.7 billion rubles in 2014, according to a statement made by Industry and Trade Minister Denis Manturov at the **Gaidar Forum** on Thursday.

“As for 2015, it (the company) will get about 60 billion rubles of net profit,” Manturov said.

In 2014, the company’s net profit doubled to 20.7 billion rubles, it said earlier.

Founded in 2007, Russian Helicopters is one of the world’s leading producers of civil and military helicopters.



Chairman of Novolipetsk Steel, Lisin attends a session of the **Gaidar Forum** 2016 in Moscow

14 января 2016
Reuters Pictures

Chairman of Novolipetsk Steel (NLMK) Vladimir Lisin attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



Russian Minister of Industry and Trade Manturov attends a session of the **Gaidar Forum** 2016 in Moscow

REUTERS
14 января 2016
Reuters Pictures

Russian Minister of Industry and Trade Denis Manturov speaks during a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin



President of Russian Railways Belozеров speaks during a session of the **Gaidar Forum 2016 in Moscow**

REUTERS
14 января 2016

President of Russian Railways Oleg Belozеров speaks during a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 14, 2016. REUTERS/Sergei Karpukhin

14 января 2016
AK&M

Russia is ready to restore normal economic interaction with the EU, Prime Minister Dmitry Medvedev stated at the **Gaidar Forum**.

"We are ready to restore normal interaction with EU states, too. Europe is our nearest neighbor, an important economic partner. Our turnover is still estimated at hundreds of billions of euros, despite the disappointing sanctions factor," Dmitry Medvedev emphasized.

The Prime minister expressed his confidence that common sense would eventually prevail in the relationship between Russia and the EU.

"Common sense will eventually prevail, sanctions will become history, and the relationship between Russia and the European Union will go back to normal. This, however, requires efforts based on economic logic taking into account the objective interests of both European and Russian businesses," Dmitry Medvedev noted.



Govt mulls selling Russian Helicopters stake to strategic investor

14 января 2016
Prime News

MOSCOW, Jan 14 (PRIME) -- The government is considering selling a stake in Russian Helicopters to a strategic investor or to managers of the company, Industry and Trade Minister Denis Manturov said Thursday at the **Gaidar Forum**.

"We are not abandoning plans to approach the market (hold an initial public offering (IPO) of Russian Helicopters), but most probably, we will use the second sale method – sale to a strategic investor, and finally, there is the third way, maybe in part forgotten or not used at all – a management buyout (MBO)," Manturov said.

CEO of Russian Helicopters Alexander Mikheyev earlier said that the company may start consultations to find an investor in January–March 2016. The company made an attempt to hold an IPO but there were no satisfactory bids.



Olga Golodets calls for additional indexation of pensions in 2016

14 января 2016
AK&M

This year, the social block of the Russian Government will insist on increasing pensions to the full extent, i.e. by a percentage equal to the official inflation rate of 12.9%, Russia's Deputy Prime Minister Olga Golodets said to journalists during the **Gaidar Forum**.

"Far from providing obligatory support to pensioners, the indexation means creating demand for the most essential consumer goods. This is the most effective expenditure item of our budget, and we will insist on it to the full extent," the Vesti FM radio quoted the Deputy Prime Minister.

Earlier, Russia's ex-Minister of Finance Alexey Kudrin stated that another indexation of pensions in 2016 is not realistic under today's oil prices.

A second indexation of pensions in 2016 in excess of the 4% increase on February 1 is provided for by the budget. However, the terms and amount of additional indexation are not determined yet.



Auditors see Russian budget deficit at 2.6% of GDP in 2015

14 января 2016
Prime News

MOSCOW, Jan 14 (PRIME) -- Deficit of Russia's 2015 federal budget stood at 2 trillion rubles, or 2.6% of the Gross Domestic Product (GDP), Audit Chamber's Director Tatyana Golikova said at the **Gaidar Forum** citing preliminary data on Thursday.

"According to recent data, federal budget deficit stood at 2 trillion rubles in 2015, expenses amounted to 15.6 trillion rubles and revenues stood at 13.6 trillion rubles," she said.

The Audit Chamber has uncovered 440 billion rubles worth of violations in execution of the federal budget, she said. The bulk of violations were connected with investment programs, management of state property and state procurement.

Deficit of Russian regions' consolidated budget amounted to 191 billion rubles in 2015, Golikova said.

"Regions had posted quite a big consolidated budget surplus during 2015 until December 1. But there was a deficit of almost 191 billion rubles for the 12 months," Golikova said. "That means that regions had quite big budget expenses in late 2015."

Among 85 Russian regions, 76 posted budget deficits and only 9 regions had budget surplus in 2015, she said.

The chamber has no precise data on regional debts yet, but the situation raises no concern. The Finance Ministry is seeking to replace regional commercial debt with budget lending at beneficial interest rates, and the 2016 federal budget envisages a 310 billion ruble financing for the purpose.

EMERGENCY ADJUSTMENT OF 2016 BUDGET NOT NEEDED

There is no sense to adjust the 2016 budget, which was adopted in December 2015, in January despite extremely low oil prices, the official also said.

“There is no need to make decisions on necessary emergency adjustments of the budget in January, although the oil price fall against the price envisaged in the budget is quite dramatic for us,” she said.

The 2016 budget is based on an average oil price of U.S. \$50 per barrel, but at present quotations stand at about \$30 per barrel. The 2016 budget deficit is estimated at 2.36 trillion rubles, or 3% of the 2016 GDP. The revenues are expected at 13.738 trillion rubles and the expenses – at 16.099 trillion rubles.

The current economic situation is not the same as during the crisis of 1998, when Russia also faced difficulties on the back of low oil prices, but risks for execution of the budget in 2016 exist, according to Golikova.

On Wednesday, Finance Minister Anton Siluanov said that the government will have to reduce budget spending by 10% this year.

On Tuesday, Sergei Ryabukhin, head of the budget committee at the Federation Council, the parliament’s upper house, said that the government may soon submit draft adjustments to the 2016 budget to parliament seeking to reduce state spending and in such case parliament will consider them urgently.

Ministries must submit proposals on cutting budget expenses to the Finance Ministry by mid-January. The proposals on adjustment of the 2016 budget must be developed until the end of March.

Deputy Economic Development Minister Oleg Fomichyov said that budget financing of all state programs will be cut in 2016.

“Out state programs are implemented in very important public spheres, that is why their decrease is, of course, possible, but halting a whole state program is impossible,” he said.

“Most likely all state programs will be decreased. Maybe, financing of agriculture or Crimea will be kept, but it means that other state programs will be reduced more.”



Finance Minister: Russia Must Cut Spending or Suffer Crash

14 января 2016

Bizekon-Russica Izvestia

Russia will need to make swinging cuts to government spending in response to the "new realities" of a prolonged period of low oil prices, Finance Minister Anton Siluanov said Wednesday.

Siluanov, whose ministry relies on the energy industry for about half its income, said the current budget for 2016 would need an average oil price of \$82 to balance. Crude is currently trading at just over \$30 per barrel.

Speaking at the **Gaidar Forum** in Moscow, Siluanov said the budget should be recalculated to assume an average oil price for the year of \$40, the Reuters news agency reported.

"Our task is to adapt our budget to the new realities," Reuters quoted him as saying. "There are still a lot of decisions to be made when it comes to budget policy."

"If we don't do that, we will see a repeat of what happened in 1998-99," he added, according to news agency Interfax, referring to the government default and economic crash that followed.

Russian government departments have already been ordered to submit proposals for 10 percent cuts in non-essential spending totaling more than 500 billion rubles (\$6.5 billion), Siluanov said.

The current budget for 2016, adopted late last year, assumes a \$50 oil price and a deficit of 3 percent of GDP. The Finance Ministry in December warned that \$40 oil would inflate the deficit to around 5 percent and exhaust Russia's \$59-billion-dollar reserve fund by the end of the year.

Speaking at the same forum, Prime Minister Dmitry Medvedev said: "One needs to prepare for the worst scenario".

Russia's economy is already mired in its longest recession since Vladimir Putin came to power in 1999. Output is expected to have contracted by 3.7 percent last year, and the Central Bank warned in December that if the price of oil averaged \$35 in 2016 the economy would shrink a further 2-3 percent this year.



PENSIONERS WILL PAY FOR CHEAP OIL

14 января 2016

WPS: What the Papers Say

Ex-finance minister Alexei Kudrin made a speech at the **Gaidar Forum** in Moscow

Ex-finance minister Alexei Kudrin made a speech at the **Gaidar Forum** in Moscow. Kudrin spoke of the dreams entertained by the financial and economic ministries of the government.



CRISIS'2016: SLOGANS INSTEAD OF MEDICINES

Yelena Yegorova

WPS: What the Papers Say

Crisis'2016

Premier Dmitry Medvedev and Cabinet members attended the **Gaidar Forum** and had a meeting with the president afterwards.



SHADE OF GAIDAR VS SPECTER OF DEFAULT

Dmitry Butrin

WPS: What the Papers Say

Those present at the **Gaidar Forum** consider ways and means of avoiding a default

Those present at the **Gaidar Forum** consider ways and means of avoiding a default. Differences between the status quo and the situation that existed in 1998 are discussed.

interfax

Moscow press review for January 14, 2016

14 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 14 (Interfax) - The following is a digest of Moscow newspapers published on January 14. Interfax does not accept liability for information in these stories.

POLITICS & ECONOMICS

Federal Property Agency head Olga Dergunova is leaving the government as of February 1, possibly due to the agency's perceived support for Russian regions and ministries hindering the privatization of mid-sized state assets, sources said. Perhaps the post needed to be vacated for the as yet unknown organizer of the "big privatization" of 2016 that Prime Minister Dmitry Medvedev spoke about at the **Gaidar Forum** on Wednesday (Kommersant, p. 1).

The Russian government is looking for ways to revise the 2016 budget in light of the drop in oil prices and is preparing various stress scenarios, which was a major topic of the **Gaidar Forum** on Wednesday. The Finance Ministry is proposing to rewrite the budget based on an oil price of \$40. But the key problems for the budget - the economic crisis and stimulating growth - are not being tackled yet, analysts said (Vedomosti, p. 4).



Alexey Ulyukaev: low oil prices may stay low for decades

14 января 2016
AK&M

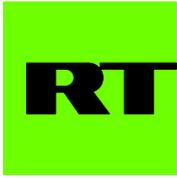
The possibility of low oil price over a long period of time poses the basic risk for the Russian economy, Russia's Minister of Economic Development Alexey Ulyukaev said in his speech at the **Gaidar Forum**.

One should not fear of seeing oil prices drop to \$20 or \$15 per barrel. "That's not the greatest danger. The biggest one is the risk of seeing sustained low prices, I mean, for years or decades," he noted.

"The period of low commodity prices is going to be very long. I cannot say for sure whether we see a low stage of a global raw cycle or simply new normality. But I do believe we face a very long period," Ulyukaev emphasized.

At the same time, Russia's Minister of Finance Anton Siluanov voiced expectations of still lower oil price reduction in the near future.

"Given a slowdown in the global economic growth and ample oil reserves, we can hardly expect any changes towards an increase in prices of this product in the near future. The crude market is being balanced mercilessly. No-one is ready to cut production," he said.



Russia to cut social spending in 2016

Published time: 14 Jan, 2016 12:01

All government social programs will get less funding this year, according to Russia's Deputy Economic Development Minister Oleg Fomichev. However, no programs will be shut down, he added.

"Such programs are a very important part of state activity. Cuts in spending are certainly possible, but complete termination of programs is out of the question," he told RIA Novosti.

The Russian government has decided to optimize the budget for 2016. The ministries have until mid-January to prepare and submit proposals to the Finance Ministry to reduce costs by 10 percent.

Fomichev didn't specify which programs will face cuts. The list of state programs includes healthcare, education, social security, pensions, culture, tourism and sports.

Economic Development Minister Aleksey Ulyukaev says the government will fulfill its social obligations.

"I believe the economic situation will be stable. This means the government will honor its social obligations, including salaries and pensions," Ulyukaev told journalists at the **Gaidar Economic Forum** on Wednesday.

Prime Minister Dmitry Medvedev said on Wednesday that as crude prices fall Russia should prepare for the worst. Medvedev said a decline in people's living standards is the most painful consequence of the economic difficulties in the Russian economy, adding that the government will try to improve the situation, not waiting for external difficulties to stop.

"Life cannot be put off until better times. As for social support, we will take the most active measures to tackle the current situation," he said.

<https://www.rt.com/business/328915-russia-social-spending-2016/>



Dmitry Medvedev recognizes Russia's economic challenges gravest in decade

14 января 2016
AK&M

The Russian economy is facing the gravest challenges in a decade, Prime Minister of Russia Dmitry Medvedev, stated in his speech at the **Gaidar Forum**.

"The past year was indeed tough, probably, the toughest one in a decade. Our economy has not recently faced a combination of such powerful and, more importantly, concurrent challenges as a slump in oil prices, sanction pressure and the beginning transformation of the whole global economic paradigm," Medvedev pointed out.

According to Russia's Prime Minister, traditional stabilization solutions cease to be effective and conventional regulations institutions fail.



Russia's budget gap was ca. 2.6% of GDP in 2015

14 января 2016
AK&M

In 2015, the budget gap in Russia reached about 2.6% of the gross domestic product, Russia's Minister of Finance Anton Siluanov said in his speech at the **Gaidar Forum**.

The budget gap was 2.6% of our gross domestic product in 2015. The actual percentage was below our initial forecast – which was 3%, let me remind you," he said.

Earlier, Russia's Ministry of Finance projected the 2015 budget gap at 2.8-2.9%.



Russia morning headlines: Greek president's visit, government meeting

14 января 2016
BBC Monitoring Former Soviet Union
The following is a selection of stories and comments in the Russian media as of 0800 gmt on 14 January

Main stories

Greek president to visit Moscow: Greek President Prokopis Pavlopoulos visits Moscow today, Russian privately-owned news agency Interfax reports. Pavlopoulos will meet his Russian counterpart Vladimir Putin in order to discuss bilateral relations and relevant world issues. He is also set to attend the ongoing Gaydar international forum "Russia and the World: Looking to the Future".

TV and radio headlines

Rossiya 1: Terrorist attacks in Indonesia and Turkey: Are they linked? ... Three Islamic organizations closed in France ... Flu epidemic in Ukraine ... Snowstorms in Volga region ... Gaydar (**Gaidar Forum**) continues in Moscow



Gaidar Forum; AP Planner; Future News Item; **Gaidar Forum**

AP Planner

Organisation: **Gaidar Forum**

Description: Annual **Gaidar Forum** - 'Russia and the World: Looking to the Future'

Start Date: 2016-01-13

End Date: 2016-01-15

Web Site: <http://www.gaidarforum.ru/en/>

Time Zone: EST

Summary: **Gaidar Forum**

Event Type: Trade Conferences

Venue: Moscow

Country: Russia



Russia political and economic calendar: January 14

14 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. January 14 (Interfax) - The political and economic calendar in Russia for January 14 is as follows:

*** **Gaidar Forum**-2016 to take place on Jan 13-15.

9:30 a.m.

Russian Presidential Academy of National Economy and Public Administration.

<http://www.gaidarforum.ru/en/>



《国际经济》俄罗斯财长：油价短期将再跌

14 января 2016

Китайский (упрощенный)

【时报记者施蒨颖台北报导】俄国经济正遭遇十年来最严峻挑战，俄罗斯财长西卢安诺夫出席盖达尔论坛(**Gaidar Forum**)时表示，由于石油未减产，近期将很有可能看到油价进一步下跌。

俄罗斯财长表示，俄国能够实现预算平衡的油价为每桶82美元，今年预算是根据每桶50美元制定的，而目前油价仅每桶31美元，他透露，2015年俄国财赤率约为2.6%。

俄罗斯财长更指出，在油价下跌严重影响财政收入情况下，俄国将考虑削减10%的财政支出来渡过难关，国防支出除外。

盖达尔论坛(**Gaidar Forum**)于13日开幕，聚焦俄经济前景、投资评级以及油气市场发展等议题。

《國際經濟》俄羅斯財長：油價短期將再跌

14 января 2016

Китайский (традиционный)

【時報記者施蒔穎台北報導】俄國經濟正遭遇十年來最嚴峻挑戰，俄羅斯財長西盧安諾夫出席蓋達爾論壇(**Gaidar Forum**)時表示，由於石油未減產，近期將很有可能看到油價進一步下跌。

俄羅斯財長表示，俄國能夠實現預算平衡的油價為每桶82美元，今年預算是根據每桶50美元制定的，而目前油價僅每桶31美元，他透露，2015年俄國財赤率約為2.6%。

俄羅斯財長更指出，在油價下跌嚴重影響財政收入情況下，俄國將考慮削減10%的財政支出來渡過難關，國防支出除外。

蓋達爾論壇(**Gaidar Forum**)於13日開幕，聚焦俄經濟前景、投資評級以及油氣市場發展等議題。

Russia faces more economic difficulties ahead, but to weather challenges: Russian PM

China Economic Net, 03:16, 14 января 2016, 461 слов, (Английский)

Russian Prime Minister Dmitry Medvedev (back, 1st L) addresses Gaidar Forum in Moscow, Russia, on Jan. 13, 2016. Russia's economy faces new challenges this year due to low oil prices and economic sanctions, but it has all the necessary

《國際經濟》俄羅斯財長：油價短期將再跌

中時電子報理財 (繁體), 03:17, 14 января 2016, 236 слов, (Китайский (традиционный))

俄國經濟正遭遇十年來最嚴峻挑戰，俄羅斯財長西盧安諾夫出席蓋達爾論壇(Gaidar Forum)時表示，由於石油未減產，近期將很有可能看到油價進一步下跌。



Russian TV news: Economy OK, Obama's "empty" speech, Russia's new Syria victory

14 января 2016

BBC Monitoring Former Soviet Union

Main themes on Russian primetime TV news on Channel One, Rossiya 1 and NTV on 13 January

The main message in the 13 January primetime news on Russia's three main TV channels - state-controlled Channel One, official state channel Rossiya 1 and Gazprom-Media's NTV - was "don't worry about the economy". Bulletins also took predictable lines on the USA, Syria and Turkey, with a hint Moscow may have shifted its stance on the Minsk talks on Ukraine.

Putin, ministers reassure on economy

All channels showed President Vladimir Putin instructing the government to get the economy ready for any scenario, come what may.

"This issue is extremely important," Putin said at a government meeting, looking rather edgy, "one has to be ready for any development of the situation, on the raw materials markets, on the stock markets. Monitor this very closely and have a development scenario for the Russian economy for any development option."

Ministers were shown one after another at the Gaydar (**Gaidar**) Forum, an international economic conference in Moscow, making reassuring noises.

Prime Minister Dmitriy Medvedev said if oil prices continued to fall, the budget would have to be adjusted. The situation is "not easy but controllable", he said.

Finance Minister Anton Siluanov said that all social obligations - "wages, benefits and pensions" - would be fulfilled, a view echoed by Economic Development Minister Aleksey Ulyukayev on NTV and Rossiya 1. "I think the situation will be completely stable," Ulyukayev said.

The blame lies abroad, reports suggested. Channel One cited the "unstable situation in global markets and the impact of global processes". And Rossiya 1 correspondent Olga Skabeyeva said the euro and dollar "stopped growing" today against the rouble, her way of expressing a slight correction in the national currency's freefall.

"Experts say the most difficult year is past," another Rossiya 1 correspondent said.

时报资讯-全球,财经,国际财经,速报-国际,

《国际经济》俄罗斯财长：油价短期将再跌

【时报记者施蒔颖台北报导】

14 января 2016

Китайский (упрощенный)

俄国经济正遭遇十年来最严峻挑战，俄罗斯财长西卢安诺夫出席盖达尔论坛(**Gaidar Forum**)时表示，由于石油未减产，近期将很有可能看到油价进一步下跌。

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俄罗斯财长更指出，在油价下跌严重影响财政收入情况下，俄国将考虑削减10%的财政支出来渡过难关，国防支出除外。

盖达尔论坛(**Gaidar Forum**)于13日开幕，聚焦俄经济前景、投资评级以及油气市场发展等议题。

時報資訊-全球,財經,國際財經,速報-國際,

《國際經濟》俄羅斯財長：油價短期將再跌

【時報記者施蒔穎台北報導】

14 января 2016

中時電子報即時新聞 (繁體)

Китайский (традиционный)

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等議題。

Russian leaders warn more cuts needed if nation is to avoid repeat of 1998 economic crash

The Province, 04:30, 14 января 2016, 714 слов, (Английский)

MOSCOW - Russia's leaders are warning the government will need to make more cutbacks if the nation is to avoid a repeat of the 1998 financial crash, the country's biggest post-Soviet economic trauma.

interfax

To restore Russian-EU relations not only desire, but also mutual trust needed - Usackas

13 января 2016

Interfax: Russia & CIS General Newswire

MOSCOW. Jan 13 (Interfax) - To restore the previous level of Russian-EU relations along with reserves and potential, mutual trust and a common vision, which the sides are still lacking, are needed, Head of the European Union Delegation to Russia Vygaudas Usackas said.

"He [Russian Prime Minister Dmitry Medvedev] said at the end of his speech [at the **Gaidar Forum**] that there are some reserves, desire and will. I would add that for the relations between the EU and Russia, along with the reserves, desire and will, we also need a common vision and certainly mutual trust. Unfortunately, we still are lacking a common vision and the trust was severely harmed," Usackas said at the **Gaidar Forum** Russia and the World: Looking to the Future which opened in Moscow on Wednesday.

"I do not have a roadmap now with myself, but I believe that all of us - and politicians and diplomats and business people - those ambitious aims which we had, we should not seek them again, we should create a new reality, which would strengthen all of this, and should continue advancing into the future," he said.

In addition, the head of the EU delegation said that despite all the difficulties Russia and the EU have managed to preserve quite close relations.

"Regardless of sanctions and counter-sanctions we still have very close relations. The EU remains the largest trade partner for Russia. We still have close relations in the energy [sector]," Usackas said.

Russian Prime Minister Dmitry Medvedev said earlier at the **Gaidar Forum** that Russia was ready to restore normal economic relations with the EU states.



GRAIN; AgMin to submit wheat export duty proposals to govt at end-Jan

13 января 2016

Interfax: Russia & CIS Food & Agriculture Weekly

MOSCOW. Jan 13 (Interfax) - Proposals on the wheat export duty will be submitted to the government at the end of January, Deputy Russian Agriculture Minister Sergei Levin told reporters on the sidelines of the **Gaidar Forum** in Moscow.

The export duty on Russian wheat is currently 50% of customs value minus 6,500 rubles, but no less than 10 rubles a tonne.



Unemployment in Russia trending up, help on its way - Golodets (Part 2)

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Unemployment in Russia has a tendency to rise, but companies will receive help from the budget to deal with this, Deputy Prime Minister Olga Golodets told reporters.

The Federal State Statistics Service (Rosstat) has said unemployment in Russia increased to 5.8% in November, from 5.5% in October.

"We see certain trends that suggest we ought to be paying more attention to issues of employment today. Although we have the same number of vacancies as before, we saw at the end of last year that unemployment - not registered, but that which Rosstat estimates - has a tendency to grow. We're now looking very closely at the whole situation, we have an agreement with our partners - with employers and representatives of employees - to give us immediate signals if problems arise at their enterprises. Targeted aid is already in effect being provided to those enterprises experiencing difficulties," Golodets told reporters on the sidelines of the **Gaidar Forum**.

"Last year, we managed to provide very effective help to enterprises like Kamaz (MOEX: KMAZ), which were able to re-focus and adapt to the new conditions with an extensive retraining program for personnel. The program covers around 12 regions at present, but as the situation unfolds, we'll be extending it to the whole of Russia," Golodets said.

"We have money in the Reserve Fund that we can resort to if the need arises. We have money reserved to support the labor market. So far there have been no dramatic

changes, but even minor fluctuations are very important to us," she said.



ANALYSIS: US Uses TPP to Make China Follow Rules of Competition in Asia-Pacific Region

13 января 2016

Sputnik News Service

MOSCOW, January 13 (Sputnik) – Washington wants to impose on Beijing its own rules in the Asia-Pacific region using the Trans-Pacific Partnership (TPP) trade agreement, however, extrusion of the Chinese business from the market is not on its agenda, experts participating in the **Gaidar Forum** told Sputnik Wednesday.

Earlier in the day, US President Barack Obama called on the Congress to pass the TPP accord. The United States has negotiated the free trade agreement to strengthen its position in Asia and limit China's ability to dictate rules in the region, he highlighted, adding that the pact would also open markets, protect workers and the environment.

"The interdependence of the Chinese and the US economy is so strong, serious and deep that it is impossible to cross out or remove China from this interaction and none of the companies in the United States is interested in this," Natalia Stapran, the director of the Russian Research Center of the Asia-Pacific Economic Cooperation at the Russian Presidential Academy of National Economy and Public Administration, stated.

It can be explained by these countries' close interrelation in cooperative production chains, she added.

"Obama does not say that we [the United States] are against China, but says that the rules of the game in the region should be established by the United States," Stapran emphasized.

At the same time, China is not ready to fully reply to the challenges of the TTP, as it has multiple domestic structural economic problems, the expert outlined.

"In principle, the TPP agreement has not been prepared against China, it has been prepared to seriously raise the standards of cooperation in the investment sphere ... The United States relies on its competitiveness, but it does not prevent others from becoming more competitive," Alexander Gabuev, the chair of the Russia in the Asia-Pacific Program at the Carnegie Moscow Center, pointed out.

Obama announced the conclusion of the TPP deal back in October and sent the trade agreement to US Congress for ratification.

The deal includes the United States and 11 Pacific nations that account for some 36 percent of global Gross Domestic Product in 2014.



Sberbank asks Economic Development Ministry about possible withdrawals from Russian measures against Turkey - Likhachyov

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Sberbank (MOEX: SBER) asked the Ministry of Economic Development about possible withdrawals from Russia's measures against Turkey, First Deputy Minister of Economic Development Alexei Likhachyov said on the sidelines of the **Gaidar Forum** in Moscow on Wednesday.

"There are several withdrawals from the measures: there is a list of employers, which are permitted to continue contracting the workforce; there is a list of companies and contracts, which will not come under the effect of the measures; there is a "grandfather clause", that is to say all contracts, which were concluded on services and commodities before [the restrictions] took effect," he said.

Commenting on the issue of requests by the Russian companies, which could be affected by Russia's restrictions against Turkey, the first deputy minister said that the systemic work was under way to scrutinize all the consequences of the measures taken against Russia and by Russia, including with due account of an industry survey, up to a request by concrete companies.

"I can say that several major companies, including Sberbank, have filed such requests. Naturally, we are preparing proposals in the government so that these measures [for the support to such companies] will be taken," Likhachyov said.

Events due in Moscow, Russia, CIS and Baltic countries on Thursday, January 14, 2016

13 января 2016

Interfax: Russia & CIS Announcements

Events due as part of **Gaidar Forum** at Russian Academy of National Economy and Public Administration (82, Vernadskogo prospekt, <http://reg.gaidarforum.ru>):

9 a.m. Panel discussion

Subject: Political risks of 2016, prospects for trade and economic cooperation, investments in Russian industry

Participants: Industry and Trade Minister D. Manturov, Deputies Economic Development Minister A. Tsybulsky, O. Fomichev, Transport Minister M. Sokolov, Federal Antimonopoly Service chief I. Artemyev, Audit Chamber chief T. Golikova, Healthcare Minister V. Skvortsova and others

11 a.m. Briefing

Speaker: Healthcare Minister V. Skvortsova

Phone: +7499-956-9868, +7926-216-9166

5 p.m. Roundtable



Russia seeks spending cuts to ready for low oil price era

13 января 2016

Mist News

(Reuters) - Russia will need to take hard decisions about government spending to prepare for a period of possibly prolonged low oil prices and an era of "new realities," Finance Minister Anton Siluanov said on Wednesday.

Siluanov warned the budget would only balance at an oil price of \$82 per barrel, well in excess of the \$50 per barrel assumption used for this year's calculations, let alone the \$30 per barrel it is currently trading near.

Although he said oil prices could start to recover in the second half of the year, he told the annual **Gaidar Forum** in Moscow that the average oil price set in the 2016 budget should be revised down to \$40 per barrel.

"Our task is to adapt our budget to the new realities," Siluanov said.

"Our budget will be balanced when the price is \$82 per barrel so there are still a lot of decisions to be made when it comes to budget policy."

He said last year's budget deficit was around 2.6 percent of gross domestic product, slightly less than forecast. But that did not mean Russia had adapted to low oil prices, he warned.

This year's budget envisages a deficit of 3 percent of GDP, but that assumes the oil price will average \$50 per barrel - a level that now looks optimistic.

Siluanov said the first steps towards adjusting spending had been taken, after the government ordered ministries to find 10 percent cuts in "non-protected items" of expenditure.

Officials earlier told Reuters that the planned cuts had been approved by the government last month, but would exclude areas such as public sector pay and pensions.

The finance ministry, which typically emphasises the need for fiscal caution, is likely to face resistance to spending cuts from other government departments as it did last year.

Speaking at the same conference, Economy Minister Alexei Ulyukayev also warned that Russia needed to brace for a long period of low commodity prices.

"I am convinced that the period of low commodity prices will be protracted," Ulyukayev said.

"One needs to fear that there will be (an oil price) of \$20 or \$15. By the logic of markets the bigger the fall today the larger the rebound tomorrow, and this isn't the biggest risk.

"The biggest risk is that there will be low prices for a long time: that is for years, for decades."

China's Economic Turmoil Ruins Russia's New Year

The St. Petersburg Times (Russia), 19:32, 13 января 2016, 1089 слов, (Английский)
Kirill Kallinikov / RIA Novosti
The ruble to U.S. dollar exchange rate looms over pedestrians on Jan. 11, 2016 with grey skies overhead.
New fears over China's economy and sharp falls in the price of oil have worsened the outlook for Russia ...



politik

EU-Botschafter: Russland und EU trotz Sanktionen wichtige Partner

13 января 2016

Sputnik Deutschland

Unabhängig von Sanktionen und Gegensanktionen sind Russland und die EU nach wie vor wichtige Partner in Handel, Energetik und anderen Bereichen, wie der EU-Botschafter in Russland, Vygaudas Usackas, am Mittwoch auf dem **Gaidar-Forum** sagte.

Ihm zufolge war der Warenumsatz Russlands mit der EU im Jahr 2015 höher, als der mit den Ländern der Eurasischen Wirtschaftsunion.

Partnerschaftliche Beziehungen werden im Energiesektor unterhalten, ein aktiver Austausch von Studenten und Wissenschaftlern sei vorgesehen, betonte er.

Des Weiteren sagte der Diplomat, die EU und andere westliche Länder hätten Sanktionen gegen Russland im Zusammenhang mit dem Ukraine-Konflikt verhängt. Ihre mögliche Aufhebung werde mit der Erfüllung der Minsker Abkommen in Zusammenhang gebracht.

„Um sich zu verständigen und ein gegenseitiges Vertrauen zu erreichen, müssen wir eine gemeinsame Lösung der Ukraine-Frage finden. Das ist unser gemeinsamer Nachbar. Wir haben die Minsker Vereinbarungen, deren Erfüllung uns helfen wird, die Beziehungen zwischen der EU und Russland zu normalisieren“, so Usackas.

Die Beziehungen zwischen Russland und dem Westen haben sich wegen der dramatischen Vorgänge in der Ukraine verschlechtert. Ende Juli 2014 verhängten die USA und die EU Sanktionen gegen ganze Wirtschaftszweige Russlands, darunter Rüstungsindustrie und Hochtechnologien.

Kurz vor Neujahr hatten die EU und die USA die Verlängerung ihrer Sanktionen gegen Russland verkündet. Die EU-Restriktionen, die bis zum 31. Januar 2016 galten, wurden damit bis zum 31. Juli verlängert.

Russland und EU

WORLD; EC SEEKS TO ENSURE NORD STREAM II COMPLIANCE WITH THIRD ENERGY PACKAGE

14 января 2016
Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax) – The European Commission (EC) is gathering information concerning the Nord Stream II project and will require its compliance with the Third Energy Package, said Vygaudas Usackas, head of the EU delegation to Russia.

"At the moment, the EC is gathering information about the new project. Instructions were received from EC President Juncker regarding this issue. We will demand, as we do for other projects, that the Nord Stream-2 should comply with the EU laws, including the Third Energy Package," he told reporters on the sidelines of the **Gaidar Forum 2016**, entitled "Russia and the world: an outlook into the future."

He added that he was aware about Ukrainian concerns about the Nord Stream II project. "I am aware about these concerns. We are watching commentaries. Our Ukrainian colleagues assess this from the political standpoint. We approach any issue, as far as energy or trade issues are concerned, on the basis of the laws existing in the European Union," he said.

WORLD; RUSSIA NOT IN TALKS WITH EU ON LIFTING SANCTIONS, CONDITIONS OF THEIR LIFTING - RUSSIAN FOREIGN MINISTRY

14 января 2016
Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax) - The Russian Foreign Ministry has rejected a statement that Russia has been conducting dialogue with the European Union on lifting sanctions through different working groups under the Minsk agreements.

"This dialogue is not being conducted. We are not discussing any conditions for the lifting of sanctions. The European Union has imposed these sanctions itself, and it is the EU's business to think over how to lift them, taking into account the damage which is caused to the EU states by these sanctions," a source in the Russian Foreign Ministry told Interfax, commenting on EU Ambassador to Russia Vygaudas Usackas' statement.

Usackas told reporters on the sidelines on the **Gaidar Forum** Russia and the World: Looking to the Future that Moscow and the EU have been conducting dialogue on the issue of lifting sanctions, and that they might be lifted after the Minsk agreements are implemented.

"Dialogue on lifting sanctions is being conducted. It is being conducted through different working groups under the Minsk agreements. When the sides which have signed the Minsk agreements fully implement them, then a decision will be taken," he said.

FINANCE; RUSSIA TO FILE COURT CLAIM FOR \$3 BLN DEBT AGAINST UKRAINE BY END-JAN

14 января 2016

Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax-Ukraine) – Russia will file a court claim against Ukraine, which has defaulted on \$3 billion in Eurobonds, before the end of January, Russian Finance Minister Anton Siluanov told reporters.

"Before the end of January," Siluanov told reporters on the sidelines of the **Gaidar Forum** in Moscow, when asked when the lawsuit might be filed.

The \$3 billion in Eurobonds acquired by Russia late in 2013 with National Welfare Fund (NWF) money were supposed to be redeemed by New Year's Eve. Ukraine declared a moratorium on servicing that debt and Russia said it would defend its interests in court.

The Russian Finance Ministry said that by January 1 Ukraine has not paid \$3.075 billion in principle debt plus interest on the bonds held by Russia during a grace period, which expired on December 31, 2015.

The Finance Ministry contacted The Law Debenture Corporation plc, and initiated legal procedures required for filing a lawsuit against Ukraine. The lawsuit will be filed with a British court, the ministry said.

Finance Minister Anton Siluanov said earlier that Russia did not deem dialogue with Ukraine to be impossible even despite the legal action.

"Russia intends to carefully examine any significant proposal from Ukraine, but it also believes that the court proceedings do not rule out a constructive dialogue in order to reach an acceptable settlement of the debt," the ministry said in its statement of December 31.

ECONOMIC POLICY; ALL RUSSIAN DECISIONS ON UKRAINE COMPLY WITH

WTO STANDARDS – RUSSIA DEPUTY ECONOMY MINISTER

14 января 2016

Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax) – All the decisions Russia made with respect to Ukraine comply with the standards of the World Trade Organization (WTO), First Deputy Economic Minister Alexei Likhachyov told reporters at the **Gaidar Forum** on Wednesday.

"Everything will depend on the level of decision-making," he said when asked if Russia was preparing a new response to Ukraine's own measures.

In this respect, Russia has acted "quite logically," the official said. After Ukraine joined other countries' sanctions, Russia put Ukraine on its counter-sanctions list. In addition, after Ukraine joined the European Union regulations, Russia moved it into the list of its non-preferential trade partners.

"If they somehow continue their negative policy towards Russia, we will have to respond accordingly. If they don't, we won't," the first deputy minister said.

Ukraine's Prime Minister Arseniy Yatseniuk said earlier that Ukraine could broaden its restrictive measures against Russia.

Commenting on a possible complaint by Ukraine to the WTO about Russia's decision to stop transit of Ukrainian goods, Likhachyov said: "At talks on this subject we will act strictly in accordance with the WTO regulations and rules."

He also stressed that today Russia works on the premise that all the decisions it has made with respect to Ukraine were prepared in accordance with the basic agreements with the WTO.

林毅夫：中國經濟崩潰論者不理解本質

中央社新聞網 (繁體), 12:04, 13 января 2016, 405 слов, (Китайский (традиционный))

字級：

(中央社台北13日電)知名經濟學家林毅夫12日表示，中國大陸經濟不會崩盤，未來幾年經濟成長率可保持在6.5%至7%之間。他還說，預言大陸經濟將崩潰的人不理解大陸經濟的本質。

interfax

FINANCIAL & BUSINESS SERVICES; Central Bank sees no need yet to revise risk

scenario, although this becoming more likely

13 января 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 13 (Interfax) - The Central Bank of Russia does not yet see any need to revise its risk scenario, where oil trades at \$35 a barrel, although the risk of this scenario playing out has increased since the December meeting of the Central Bank's board of directors.

"There's no need to revise the risk scenario yet," Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, told reporters on the sidelines of the **Gaidar Forum** in Moscow.

But there is a stronger likelihood of the risk scenario coming true than there was in December, when the regulator decided to keep its key lending rate on hold at 11% pa.

"Generally speaking, in the framework of the baseline scenario, we have said oil prices will stay low throughout December and January. So there are no major deviations from the baseline scenario, however the likelihood has of course increased," Dmitriyev said.

The Central Bank's 2017 inflation target is still 4% in all its macroeconomic development scenarios.

Asked how far oil might fall, Dmitriyev said: "We have no such estimates. We recognize that oil might in the risk scenario be lower than \$35 a barrel, but we have no concrete estimate. There is no such need for the purposes of the scenario," he said.

Monetary tightening is possible in the risk scenario, he said, but this does not necessarily mean the key rate will be raised.

"It is important to understand that tightening does not necessarily mean the rate will be hiked. In some conditions leaving the rate unchanged can represent tightening, as we have seen generally in the interpretation of market participants in the second half...in various conditions a differing rate can be interpreted in various ways," he said.

"The ruble is behaving quite steadfastly for such changes in the oil market," Dmitriyev said in addition.

interfax

COMPANIES & MARKETS; Turkey second biggest importer of Russian gas for 9th straight year - Gazprom CEO

13 января 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 13 (Interfax) - Turkey was the second biggest buyer of Russian gas for the ninth straight year, Gazprom CEO Alexei Miller told journalists on Wednesday.

"Turkey had the second biggest demand for Russian gas in 2015 after Germany," Miller said.

Turkey first moved into second place among Russian gas customers in 2007, displacing Italy. It has held onto that position ever since.

Miller provided detailed commentary on Gazprom's export results for 2015 on Monday, noting the individual trend in supplies to Germany, Italy, France, Austria and the UK. He only spoke about Turkey two days later, without specifying volumes.

According to Interfax calculations based on data from European gas pipeline operators, Turkey bought about 27 billion cubic meters (bcm) of gas from Russia in 2015, roughly 1% less than in 2014. Turkish consumption of Russian gas declined from the first to the third quarters, but grew markedly in the fourth quarter, virtually offsetting the decline over the first nine months.

Gazprom exported 159.4 bcm of gas outside the CIS in 2015, 8% more than in 2014.

Speaking at the **Gaidar Forum** in Moscow on Wednesday, Deputy Energy Minister Anatoly Yanovsky expressed confidence that Russian gas exports to Europe would continue to increase: "We have the optimistic view that the volumes of oil and gas supplies to Europe will remain at the same level. It will increase for gas; there might be some decline for oil given the overall decline in consumption."



POLITICS. ECONOMY; Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue

13 января 2016

Interfax: Russia & CIS Business and Financial Daily

MOSCOW. Jan 13 (Interfax) - Russia needs to grow at a 5% pace to be able to create a genuinely social state, former finance minister Alexei Kudrin said, warning that unless changes are made, the country risked falling into a "vicious cycle" of rising spending amid declining revenue.

"I believe that for the time being 'a social state today' is more of a declaration and sometimes a populist slogan. In our situation, Russia needs to build a somewhat different [economy]. We need 5% growth a year. That will provide the increases in real incomes each year and increases in resources which we can allocate step by step to social support," Kudrin said at the **Gaidar Forum** on Wednesday.

The pension age must be raised and "other questions of restructuring liabilities" must be

resolved. Otherwise, within just four years, support for the pension system will have to increase to 1% of GDP a year, which will inevitably hurt business.

"I can say right off: this will put a burden on business, because, frankly speaking, I no longer know where spending can be cut. Education, healthcare: we are already cutting what we could, but this is human capital, competitiveness, the future. We have fallen into a closed, vicious cycle," Kudrin said.

The only way the break that cycle is to grow the economy, he said.

"Without economic growth, we will not resolve the problems. They will grow and get worse," Kudrin said.

Reserve Fund, NWF

Given that the difference between the Reserve Fund and National Welfare Fund (NWF) is only notional and given the emergence of problems with the pension system, which is what the NWF was created for in the first place, maintaining the two funds as separate entities is no longer worthwhile, Kudrin said.

"Pension system problems have already arrived today. They [the funds] are managed virtually identically with the exception of a small portion directed at the domestic market. It would probably be possible to transfer them in some fashion to some development institutions and merge the Reserve Fund and NWF, because, given the challenges that we face in the coming two-three years, they need to be managed as a single instrument, to understand the resource, and this notional separation already has no significance," he said.

Kudrin pointed out that the Reserve Fund and NWF had originally been formed by splitting up the Stabilization Fund. The Reserve Fund was to maintain a certain volume of reserves and was to be "managed in a special way, very conservative investment, and was to be insurance for a rainy day." The NWF was to cover financing shortfalls associated with demographic issues. "We planned to figure out the shortfalls in advance and plan out NWF spending. It was to be managed somewhat differently, put in riskier securities," Kudrin said.

Pension indexation

Former finance minister Alexei Kudrin is skeptical that the government will be able to find money to finance a supplementary pension indexation in the second half of 2016.

"Given that we expect oil at \$35, a budget shortfall of a trillion [rubles] or more, I don't completely get how to carry out an indexation. If the price of oil settles at \$35, I don't see that ability," Kudrin said.

An indexation at the actual inflation level would cost double the amount that is being spent on the entire federal portion of Russia's healthcare system and as much as all spending on higher education.

"If the indexation for 2016 was 12%, the actual inflation rate, it would require 660 billion rubles a year in additional spending and additional transfers. How much is 660 billion rubles for the country? Our entire higher education costs 600 billion rubles. The federal portion of healthcare costs 300 billion rubles. That is the scale of these issues," he said.

Pension age

Head of the Civil Initiatives Committee and former Finance Minister Alexei Kudrin thinks that an increase in the pension age in Russia is unavoidable, this will allow for balancing the pension system and will benefit the oldest people.

"I see that we need to raise the pension age. At last it has become clear that the pension age will rise not for someone but for the sake of the pensioners themselves, that the pensioners will benefit from it, and we, of course, should concentrate resources for the payment of pensions," Kudrin said

"If today we do nothing, then in the next five to seven years, according the Finance Ministry, we will have to raise support of the pension system by one percent using the budget, and this means an increase of taxes," he said.

The economist said that the "trends are such that if the pension age is not raised and liabilities are not restructured, then in four years it will be necessary to raise support [for the pension system] by 1% of GDP using the budget."

"This lies heavily on business, because reducing spending no longer does anything," Kudrin said.

Kudrin said that while finance minister in 2008, he already proposed gradually raising the pension age in Russia.

"I now will reveal a secret: at that time I went to the president and said that we should look ahead. Let's start raising the pension age. We explained to him that this does not need to be carried out over one year. Two or three years are needed to prepare and then over the course of three to six months the transfer [to the new system will take place]," Kudrin said.

The former minister warned that in the future, when the number of taxpayers and pensioners are equal, there will not be enough money left in the country to support the pension system in a balanced manner.

Kudrin also spoke in favor of keeping the cumulative part of the pension, because the state, when a person goes on pension, guarantees only about 40% of the person's past salary.

"The rest is voluntary pension coverage, in which the entire population participates," Kudrin said, lamenting the fact that in Russia currently no effective institutes for the formation of pension savings have been created.

"In our system people don't think about pensions, they have not learned about this. And

in 30 years they will ask: why should we go on pension receiving 40% of our salary," Kudrin said.

He also said that one should not rule out the indexation of pension for working pensioners. "I have a very restrained attitude towards this problem, more towards controversial [issues]. It turns out that these pensioners, who are ready to work, their pension will be decreased. This will not stimulate them to continue to work, this will but people in the shadows," Kudrin said. He said that such a tendency negatively reflects on the economy due to the deficit of labor resources. "In addition, in this there is an element of unfairness," Kudrin said. The former minister said raising the pension age would allow for not making such a decision.



COVER STORY; Current situation not even close to 1998; economy difficult, but manageable - Medvedev

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MOSCOW. Jan 13 (Interfax) – Russian Prime Minister Dmitry Medvedev told the **Gaidar Forum** in Moscow on Wednesday the despite the current situation, the Russian economy is a long way from being where it was in 1998. He said that although the current situation is not easy, it is manageable, while First Deputy Prime Minister Igor Shuvalov told the Forum that the Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year. Medvedev said he believes that geopolitics is having an increasingly greater impact on economic processes in the world and the cumulative effect of Western sanctions against Russia and Russia's counter-sanctions has been a 1.5 percentage point reduction in GDP.

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year, while Economic Development Minister Alexei Ulyukayev said the price of oil will stabilize in the near future, but at a fairly low level. Ministers at the Forum warned a further slide would likely lead to amendments to the budget.

ECONOMY: Difficult, but manageable

The current situation in the Russian economy is not even close to the situation that existed in 1998, Medvedev said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the

country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.

"The situation in the economy is not easy, but manageable," Medvedev said.

"We have managed to ease the impact of external shocks to some degree, including with the help of the anti-crisis plan, in which we have concentrated resources to support the most vulnerable areas both in the economy and the social sphere," Medvedev said.

Shuvalov told the Forum that the Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year.

"The situation is extremely difficult, but I think we endured the entire burden in 2015," Shuvalov said.

"Recalling the economic situation in January 2015 and public sentiment, this was an entirely different situation. Now it is significantly more stable," he said.

"Despite all the ruble volatility and even at such oil prices, if one looks at any reasonable opinion poll, people have begun to reckon their salaries in dollars less. People are thinking in rubles. This is a result that we didn't even expect would occur in one year," he said.

Medvedev said that the measures adopted by the government should now facilitate the achievement of one of the most important goals - to overcome the decline of living standards.

Medvedev said that the main way to reach this goal is to attain stable growth of the economy.

"The task in the current conditions is difficult, but we never have had easy tasks, it is enough to remember, with some initial data we began 2015: we had lines at currency exchanges, panic on markets, the gloomiest forecasts on the growth of unemployment and more promises to rip our economy into pieces. This did not happen," Medvedev said.

Russia needs to create a new economic growth model because the economic slump may last for several years, he said.

"Right now we are in fact creating a new economic growth model. We have regions that can survive without earnings from export of energy resources. They invested in modernizing productive capacity on time and effectively, found investors, built new factories, grew production of output with the highest value-added level and this is the example toward which we must strive on a nationwide scale," Medvedev said.

"The problem is that halting the GDP decline does not mean an automotive switch to growth. Instead of this, a long period of fluctuation around the zero level may

commence, which cannot be called a trend," he said.

"As global experience shows, an economic depression can last decades and recovery from such an abnormal condition is no easier than recovery from the acute phase of a crisis," Medvedev said.

People's incomes have fallen as a result of the economic difficulties in Russia and the middle class has been hit the hardest, Medvedev said.

"Our own structural problems have become exacerbated against the new global backdrop. The lack of sources for economic growth and export revenues other than the resource sector is clear," Medvedev said.

"The repercussions of the difficulties of [2015] have led to the reduction of production volumes, the decline of business and investment activities, but most importantly and most seriously to a drop in people's incomes. Many have become poorer, the middle class has suffered. And these, perhaps, are the most painful consequences of the economic blows of last year," Medvedev said.

Ulyukayev said one of the main risks for the Russian economy in the near future is that households might switch from a behavioral pattern of consumption to one of saving.

"There's a risk, in my view a very serious, significant thing, of a change in the consumption behaviour of households - a shift from a consumption model to a model of saving," Ulyukayev said.

"Essentially this is already happening," he said. "Households are starting to take a different view of the future, they are also becoming adept to the 'new normal' in a sense," he said.

"On the one hand this is a risk but on the other, it could be a very powerful driver of our development. So it seems to me on the one hand that this fits with the global 'new normal', that is constraints on the principle of consumerism, of dynamic growth in consumer demand. On the other hand, powerful saving activity creates a resource which, if the corresponding institutions and instruments are properly tuned, will create a basis for investment growth," Ulyukayev said.

Meanwhile, unemployment in Russia has a tendency to rise, but companies will receive help from the budget to deal with this, Deputy Prime Minister Olga Golodets told reporters.

The Federal State Statistics Service (Rosstat) has said unemployment in Russia increased to 5.8% in November, from 5.5% in October.

"We see certain trends that suggest we ought to be paying more attention to issues of employment today. Although we have the same number of vacancies as before, we saw at the end of last year that unemployment - not registered, but that which Rosstat estimates - has a tendency to grow. We're now looking very closely at the whole situation, we have an agreement with our partners - with employers and representatives

of employees - to give us immediate signals if problems arise at their enterprises. Targeted aid is already in effect being provided to those enterprises experiencing difficulties," Golodets told reporters on the sidelines of the **Gaidar Forum**.

"Last year, we managed to provide very effective help to enterprises like Kamaz, which were able to re-focus and adapt to the new conditions with an extensive retraining program for personnel. The program covers around 12 regions at present, but as the situation unfolds, we'll be extending it to the whole of Russia," Golodets said.

"We have money in the Reserve Fund that we can resort to if the need arises. We have money reserved to support the labor market. So far there have been no dramatic changes, but even minor fluctuations are very important to us," she said.

SANCTIONS: Geopolitics having a greater effect

Medvedev said he believes that geopolitics is having an increasingly greater impact on economic processes in the world.

"The situation is exacerbated by the fact that conditions in the economy are now strictly dictated by politics and geostrategy. Established rules are ignored or rewritten due to short-term considerations," Medvedev said, citing the International Monetary Fund's decision on Ukraine's debts as an example.

"This is also exhibited in the issue of economic sanctions against our country. They are declared by individual countries, which radically undermines the authority of market institutions such as the WTO," Medvedev said.

However, Russia is ready to restore normal economic relations with the countries of the European Union, Medvedev said.

"We are ready to restore normal interaction with the countries of the European Union. Europe is our closest neighbor, our important economic partner. Our trade turnover is still in the billions of euros, despite the regrettable sanctions factor," Medvedev said.

Medvedev also said there is a need to fully disclose the integration potential of the Eurasian Economic Union, create free trade zones with the leading foreign economic counterparts, and expand cooperation in the Shanghai Cooperation Organization and ASEAN.

"I emphasize that we will build this work on the basis of the universal rules of the WTO and, of course, we will not create closed clubs with our own rules of the game that disregard the interests of other global economy and trade participants," Medvedev said.

"I am sure, which I have said more than once, that, in the end, common sense will prevail, the sanctions will become a thing of the past, and relations between Russia and the European Union will be back to normal. But for this to happen, some steps need to be taken based on economic logic, taking into consideration both the European and Russian businesses' impartial interest," Medvedev said.

In the meantime, the cumulative effect of Western sanctions against Russia and Russia's counter-sanctions is a 1.5 percentage point reduction in GDP, First Deputy Economic Development Minister Alexei Likhachev said at the Forum.

"The spring of 2014 gifted us with a completely different reality. We estimate the losses from the imposition of sanctions and retaliatory measures at 40 billion euro in 2014 and 50 billion euro in 2015 for the EU and at 25 billion euro for Russia in the just completed year, somewhere around 1.5% of GDP," he said.

The negative effect on Russia will diminish, and not only because there are hopes the sanctions will be canceled, but because the economy and enterprises have adapted to the current conditions.

"Naturally, there is little good in having a sanctions policy in place, but life is wiser than we are, than are the politicians and bureaucrats, and suggests certain solutions and abilities for working effectively and growing relations between companies, between economic operators, including against the backdrop of the existing, continuing sanctions regime," he said.

OIL: Stability coming, but at a low level

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.

The price of oil will stabilize in the near future, but at a fairly low level, Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices "But this stabilization will be at a fairly low level," he said.

Ulyukayev held back from commenting on a potential new baseline forecast for the price of oil in 2016 and GDP growth, noting only: "Of course, the chances for [economic] growth diminish given declining oil prices."

The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time, he said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said.

"The period of low oil prices will be very lengthy. It's very hard for me to say whether this

is the low stage of the global commodity cycle, or whether it's the new normality, but I'm convinced [low oil prices] are for the very long term. I don't think it falling to \$20 or \$15 is what we ought to be frightened about, as market logic dictates that the lower something falls today, the higher the probability it will rebound tomorrow. This [oil falling to \$20] is not the main risk. The main risk is that oil prices will be low for long periods, for years, or decades," he said.

So this, Ulyukayev said, meant that "fundamental decisions regarding structural changes in the economy" are needed. When the strategy to 2030 is being developed, the need will be not to "transgress by extrapolating today's decisions, but to approach it from the point of view of strategic targeting," he said.

Ulyukayev pointed to how consensus forecasts for oil prices were changing. "Look at how the consensus forecasts are changing. Analysts always change their forecast depending on what takes place in a current quarter, but this wave of alterations is fading. If we take the consensus for oil right now, then it has fallen steeply for the first quarter. It has fallen for the second quarter also, but it is almost unchanged for 2016 as a whole, and is \$63 a barrel in 2017 and \$70 in 2018. That's the consensus forecast for oil," he said.

"So this sort of extrapolation is not much use, but target-setting is where we define those contours that correspond, on the one hand, to fundamental constraints and on the other, give rise to the challenges that make us mobilize the economy's internal resources, and that is a very useful thing indeed," Ulyukayev said.

The stress scenario assumes the average annual price of oil at \$25 per barrel.

The government is not yet talking about slashing budget spending but of reducing budget allocations, he said.

"So far we're not talking about any spending cuts. We're talking about the reducing allocations by a certain amount on a certain date, by 10%. This means that, depending how the situation unfolds, either this non-allocation will be legalized, that is amendments will be made to the budget to reduce the corresponding spending; or the reverse, that the limit will be restored," Ulyukayev said.

"We have agreed that these issues will be discussed by Shuvalov's commission on the effectiveness of budget spending. Some positions might be reinstated quickly, we have reserve funds for that, and some might need more work. So I'd not yet say this budget spending is being slashed, but frozen, perhaps," he said.

The stress version of the macroeconomic forecast assuming oil at \$25 per barrel insures the budget against surprises, he said.

"We are even doing calculations at the \$25-per-barrel level. In this way, it seems to me, we are indemnifying ourselves against surprises, will be ready from the standpoint of regulatory documents, in order that state organizations and budget recipients, business and companies and the public passed through this difficult period easily and without large losses," he said.

In its calculations, the ministry must take into account various options. For that reason the macro-forecast is being worked up from the standpoint of the baseline version, taking into account the additional information that is now available. The forecast is being refined in order "to be ready for any unexpectedness, including the extremely low price range persisting for the entire year," he said.

Ulyukayev said he agreed with analysts who forecast oil prices to grow in the second quarter of 2016. "My thinking is the likelihood of such a scenario is high. The period of low, perhaps even lower prices, will persist for a time, and then, beginning somewhere in the second quarter, stabilization and a return to, movement toward higher levels, will begin," he said.

Oil market analysts and investment company analysts expect demand for oil to increase by 1.25 million bpd this year.

"That makes it possible to expect a supply and demand balance somewhere, let's say, in the third quarter. Clearly, no one is giving a precise forecast, but there is substantial logic in this," Ulyukayev said.

Analysts expect that as soon as the end of the first quarter oil prices will gradually recover, he said, adding that their consensus forecast for the oil price in 2016 is \$52 per barrel.

Oil prices are likely to go on sliding in the near future, Russian Finance Minister Anton Siluanov said.

"Today there's a very tight balance on the oil market, we're seeing that nobody is cutting oil production. We're likely in the short term to see further decline in prices for this commodity," he said.

"Indicators for this commodity are unlikely to increase in the short term as the global economy declines and oil stocks remain high," he said in addition.

Deputy Finance Minister Maxim Oreshkin believes that Russia will see approximately zero GDP growth in 2016 with an average annual oil price of \$40 per barrel.

"In this scenario, the figure will be about zero," Oreshkin told reporters on Wednesday, declining to provide more specific figures. He said the final results for the fourth quarter of 2015 are not in yet, so the "question of a specific figure in the forecast is not the right question."

"In order to return to economic growth, we need to wait for the stabilization of oil prices and the stabilization of the exchange rate. Our main reason for contracting GDP is the acceleration of inflation, which is a consequence of the weakness of the exchange rate due to the drop in oil prices," Oreshkin said.

"Therefore, in the current situation we can expect negative growth in the first quarter compared to the fourth quarter of 2015. What happens next, we'll see," Oreshkin said.

BUDGET: Adjustments needed if oil falls further

The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Medvedev said.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.

Siluanov said he believes that the forecast average price of oil in 2016 could be revised downward to \$40 per barrel and that this figure could be factored into the budget when it is revised.

"The forecast will now be revised. We believe that the average price of oil could be revised to about \$40 per barrel this year. We believe that it could be significantly lower in the first half of the year, like now, perhaps even lower, but in the second half of the year we believe that a recovery process could easily begin," Siluanov told reporters.

Asked if this figure would be factored into the budget for this year, Siluanov said: "Yes, but we should be ready for any changes, including for \$30 per barrel. In any case, the measures that we are developing will also apply to this."

The Finance Ministry plans to draft and submit to the government proposals on amending the 2016 federal budget by the end of the first quarter, Siluanov told reporters.

"We think we should draft the proposals on amending [the budget] by the end of the first quarter. Ministries will draft their own proposals before the middle of the month and submit them to the Finance Ministry," he said.

At present ministries, "without having signed contracts or social commitments, are using up the most important and necessary spending, and all the non-priority spending will be left for later or will be reduced. "And they'll present us with their proposals [on the return of budget limits] which we will ultimately take into consideration when setting new financing limits and in subsequent budget adjustments," he said.

Russian ministries and government departments will have to submit proposals to the Finance Ministry to optimize ineffective expenditures in order to reduce Russia's budget spending by 10%, Siluanov said.

"We need to adopt sound measures to bring the budget in line with the new realities.

The government has already made such decisions. The first step is that we agreed that ministries and departments, having received allocations for 2016, set allocation priorities and themselves make decisions to select the main, most effective expenditures and cut ineffective ones, and will present proposals to the Finance Ministry to optimize the expenditure side of the budget by about 10% for the main discretionary items. This will provide some resources," Siluanov said.

The Finance Ministry is also working with the administrators of revenues - the Federal Tax Service, Federal Customs Service and the Federal Alcohol Market Regulation Service - to increase collection of revenues.

Another source of revenue that the ministry is counting on is privatization. Siluanov said that the goal is to additionally raise "about 1 trillion rubles in two years" with the sale of state property. "This is quite a realistic figure," he said.

He said it is also possible to use undistributed resources that have not been earmarked for specific expenditures.

"We need to talk about a very economical, tight fiscal policy so as not to slide into a high deficit, into large amounts of debt," Siluanov said.

The 10% spending cuts will save the federal budget more than 500 billion rubles this year, he said.

Siluanov said earlier that the MinFin would submit its own proposals on amending the budget, based on proposals by other ministries and agencies, before the end of the quarter.

The Russian budget needs to be brought into accordance with the current economic situation, otherwise spontaneous fine-tuning may hit the population through high inflation, as was the case during the 1998-1999 crisis, Siluanov said. "Our task now is to bring the budget into accordance with the new realities. If we do not do this, then the same thing will happen as happened in 1998-1999, when the population pays for what we did not do in order to bring the budget into line with the new realities through inflation," he said.

The minister said that in 1998-1999, the budget was automatically adjusted through high inflation growth under new macroeconomic conditions, which fell in comparison to GDP by 10 percentage points. "But this was done spontaneously, through growth of inflation, through the reduction in real terms of all spending. Could we behave like that now? Of course, this is incorrect. This is the worst option for development," Siluanov said.

He said that the authorities already are taking measures to adjust the budget. So the ministry when receiving budget funds should decide for itself how "to prune away inefficient spending" and defend its decision at the Finance Ministry, for undefended articles of the budget this should give a reduction by 10%. Also work is being carried out on increasing budget revenue from the tax and customs services and the federal alcohol market regulation service. In addition, additional revenue may be received from

privatization, about 1 trillion rubles for two years.

The Russian government's priority is to adapt the budget to the new realities. Government-related companies must also adapt their budgets, he said.

"If in current conditions enterprises and the private sector have largely adapted to the new realities, then the budget, state companies and the public sector still have to adapt to new conditions. This task is now before us. If this doesn't take place, we might have negative consequences from the point of view of the economic situation," he said.

Siluanov said budget revenue would continue to decline this year and this year it would be 1.5 trillion rubles below what was approved previously in the three-year budget. In the years to come, the tendency for the resource base to contract will persist, he said.

"In these conditions it is impossible not to adapt spending to the new conditions," Siluanov said.

State companies, which account for a significant portion of the economy, need to take similar action to bring their budgets into line with the new conditions. "Without it will not be possible to say the public sector has generally adapted to the new conditions," Siluanov said.

He said structural reforms would be needed in 2016-2017 to adapt the budget. "If we don't do this, we'll later have to draw up our own strategic plan for a tougher scenario, because we hardly have any time for these changes," he said.

Ulyukayev said it is still too early to revise the 2016 federal budget since the situation on global markets is still too volatile.

"It seems to me that it is too early to revise the budget, because of the high degree of market uncertainty, volatility and because there is no need to harass budget money recipients. They are concluding contracts, implementing projects, building, etc. In my view, a more cautious, balanced policy is needed here," Ulyukayev said.

"Secondly, of course, our reckoning must include various possibilities, because now we are working up both a possible refinement to our baseline version of the forecast that incorporates the additional information on oil quotations that we now have, as well as their forecast dynamics, and preparing a stress test scenario, in order to be ready for any unexpected development. Including oil prices remaining in the extremely low range for the entire year," he said.

The Economic Development Ministry is considering various stress scenarios for this year that envision a dramatic increase in the budget deficit if the unfavorable situation on commodity markets continues. "In the stress test that assumes that extremely low oil prices will continue for the whole year, we are considering a possibility where the budget deficit could increase to 7-7.5% of GDP. Right now we have a figure of 3% of GDP set in the budget law," Ulyukayev said.

Tough Russian budget decisions are inevitable, Shuvalov said.

"We will in fact have to make tough budget decisions. The finance minister and the prime minister spoke about that today. Here will not just have to determine what is effective and what is not," he said.

The government will have to take action in two areas: cutting budget spending and "as regards financing, identify the ineffective items that don't need to be carried out."

"Overall we have an idea about which of the most important state programs are effective spending and which aren't. I cannot say that this is such a comfortable situation for us - it's uncomfortable - but absolutely useful," Shuvalov said. The current situation is useful for invigorating the budget system as well and for switching to a more diversified economy.

"It would seem we always had many opportunities for this, but it only seems that way. Given high earnings from oil and gas, and from our other traditional groups, including metals, there were big expectations for spending. It is very difficult for the State Duma to make other decisions," Shuvalov said.

RUBLE: Still a chance of strengthening

Ulyukayev said he believes that the ruble has just as much of a chance of strengthening as it has of weakening in the current volatile situation.

"I believe that the chances are equal both for strengthening and for weakening," Ulyukayev said, commenting on his expectations for the ruble's exchange rate.

Asked how the economy will do in the next few months, Ulyukayev said the "Russian economy and social system have shown high adaptability and one should not be scared by the volatility on either financial or commodity markets."

"I think that the situation will be quite stable. This means that social and state obligations will be fulfilled, both in the area of wages and in the area of pensions," Ulyukayev said.

"We are counting on inflation gradually decreasing, which is very important for the wallets and consumer baskets of our citizens," the minister added.

Fundamentals currently point to a greater likelihood for some future ruble strengthening than weakening, and may go as far as the forecast indicator for 2016: 63 rubles per dollar. "These preconditions [for ruble strengthening this year] exist. I would point out that in our baseline forecast for 2016, the average exchange rate is 63 rubles/\$1. I believe that we have a chance to return to this trajectory in future," Ulyukayev told journalists.

"In any case we have a free floating exchange rate. The Central bank is pursuing a policy of inflation targeting, so fluctuations in one or the other direction are possible. But the fundamentals indicate that there is more likely to be some strengthening rather than weakening compared with current quotations," he said.

The stress scenario for the Russian economy's growth puts the ruble's exchange rate against the dollar at 80 rubles/\$1 or more, but the baseline scenario gives the Russian currency a good chance of strengthening, Ulyukayev said.

"There's a good chance of the ruble strengthening to some extent. The stress-test analysis give other amounts - 80 or even more, but I think and many analysts think the oil situation will stabilize and that the ruble's rate still has some potential to go down, but in the short term the balance will be in favor of it strengthening," he said.

The depreciation of the ruble that Russia has seen in recent months will have a weaker impact on inflation than usual, since economic agents and households have grown accustomed to the volatility of the exchange rate and the economy is less dependent on imported goods, the head of long-term strategic planning at the Finance Ministry, Vladimir Kolychev told reporters at the Forum.

"Usually, every 10% of depreciation adds 1.3 percentage points to inflation. There are now arguments in favor of the impact being lower. Firstly, because households are no longer so moved by the volatility of the exchange rate, there are no longer the sentiments that existed, for example in December of the year before last - the panic buying of imported goods, attempts to increase stocks of foods and so on. And secondly, there is import substitution - it is after all taking place to some extent. Consequently, the lower the import dependence the lower the exchange rate's influence on retail prices," Kolychev said.

"The impact of depreciation will be less than usual. Usually it is realized within three to six months. Last time, due to the fact that the scale of depreciation was fairly strong, it happened faster, within three months. Now, in principle, the scale is not so great. Economic agents have already gotten used to volatility. I think that the impact will be realized according to the usual trajectory (within six months)," Kolychev said.

"Before we had an estimate of about 5-6% [for inflation in 2016] with oil at \$50 per barrel and an exchange rate of about 63 [rubles] per dollar. Now the exchange rate has changed by 20%. Based on the fact that the carryover effect should be less than 1.3 percentage points, it's possible to approximately estimate," Kolychev said when asked if the Finance Ministry had revised its inflation forecast for this year.

INFLATION: Return to single figures possible

Russian inflation could revert to single figures as early as February but, due to the ruble's devaluation, it could exceed the official 6.5% forecast for the year, Oreshkin told reporters.

"By our estimates, the carry-over effect of the ruble's devaluation on inflation has now fallen to around 0.1% from 0.13%-0.14%," he said. "We're expecting single-figure inflation, less than 10%, in February," he said.

The Finance Ministry's inflation forecast for the year is 5.5%-6.5%, but on the condition oil trades at \$63 a barrel, Oreshkin said. "If oil prices are lower we get a weaker ruble,

that is each percentage point by which the exchange rate weakens adds about 0.1 of a percentage point to inflation," he said, adding that "right now it's hard to say what the inflation forecast will be as this will depend on the level at which oil prices stabilize."

Russia will have about 10% inflation in January in annual terms, he said.

"The data from Rosstat has come out optimistic. We will be located somewhere at about 10% for January. More or less, we will see," Oreshkin told journalists.

Inflation in Russia might be 7% this year in the scenario that oil trades at \$35 a barrel, a Central Bank official said.

Inflation would might be 5.5%-6.5% in the Central Bank's baseline scenario, where oil trades at \$50 a barrel, Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, said at the Forum.

BANKING: Privatizations back on the table?

Borrowing in the global markets will remain closed to Russia so the banking system has to be recapitalized, Ulyukayev said, adding the Russian authorities need to return to the issue of privatizing state banks.

"We need to return to the issue of privatizing our biggest banks, Sberbank and VTB," he said at the **Gaidar Forum**.

This privatization could help increase the banking system's capitalization while the global capital markets are off-limits, he said.

"These are very good quality assets, with world appeal. Their partial privatization, and a partial placement in favor of the capital of these companies will make it possible to radically change the situation from the point of view of the capitalization of the Russian banking sector and enable it to digest those huge resources that might be localized via the implementation of a new savings model for households," he said.

Sanctions are not a hindrance to the Sberbank of Russia and VTB privatizations, but so far no fundamental decision on the privatization of those banks has been made, he said.

"At first we must make the conceptual decision [on privatization]. We have legislative constraints, there are other constraints," Ulyukayev said.

"All the rest is a technicality. We have a hundred options for resolving this issue. There is also domestic demand for these shares," he said, commenting on the sanctions topic and a possible shortfall in interest on the part of foreign investors.

"Sanctions, naturally, are an obstacle, but there are technical possibilities even under the sanctions regime to conduct privatization deals," he said.

Medvedev meanwhile said he backed the Central Bank's policy of cleaning the banking sector up.

"The banking sector is working steadily, the Central Bank is pursuing a consistent policy to clean it up. This is a painful process, especially for the clients of the banks being closed, but otherwise the long-term sustainability of the banking system cannot be ensured," Medvedev said.

The privatization of Sberbank and VTB should be carried out more or less at the same time, Deputy Finance Minister Alexei Moiseyev believes.

"The biggest state banks, Sberbank and VTB, should be privatized more or less simultaneously. So as not to create a distorted competitive environment, they should be privatized simultaneously," Moiseyev told reporters at the **Gaidar Forum**, adding that the Finance Ministry does not object to the privatization of state banks.

However, he remarked that, "frankly speaking, I don't really understand what foreign investors might be interested in banks subject to sanctions."

The Finance Ministry has studied the impact of sanctions in the event of a new share issue by the banks.

"To be honest, I don't understand at all how an issue of even one new share can be carried out in the public space by any organization subject to sanctions. Such an issue on the market will lead to all holders of the banks' current shares being subjected to investigation in terms of violation of sanctions," Moiseyev said.

Elsewhere in the sector, the situation surrounding Vnesheconombank (VEB) shows how significant off-balance budgetary liabilities can be, Central Bank First Deputy Governor Ksenia Yudayeva said.

"When estimating how large the potential is for the development of the debt market in Russia, one should pay attention to several risk factors. First is the various types of off-balance budget liabilities, overt and covert. The story with VEB shows that they can be very significant. For this same reason it is not enough to balance only the federal budget and not take the regions' accumulated debts into account. Also one should not dismiss such a factor as the aging of the population and the need to finance rising costs on pension provisions in the next five to ten years," Yudayeva said.

The second risk factor is the high uncertainty on global commodities markets, most of all the oil market, she said. This is another argument in favor of the use of conservative scenarios.

In addition, there is uncertainty regarding the length of the period of low oil prices.

DEBT: Burden shouldn't exceed 25%-30% of GDP

The Russian Central Bank is seeing potential for an increase of the state debt burden, however feels that the maximum debt burden should not exceed 25%-30% of GDP.

"Does Russia have to potential for an increase in debt? Theoretically there is, but our

country is a country with one of the lowest levels of state debt. In connection with this, the development of the state debt market might be facilitated by the development of the financial system in general. In any case I would proceed from conservative estimates of the highest possible debt burden on the Russian economy, which does not threaten macroeconomic stability. We are saying no more than 25% to a maximum of 30% of GDP," Yudayeva said.

She said that examples from Russian history show that the real interest rates that the Russian budget must pay in the case an increase in state debt to 35%-40% of GDP become extremely high and lead to a rapid unravelling of the debt spiral. "I also connect to ousting of corporate and private borrowers by the state to negative consequences of the growth of state debt," she said.

Yudayeva also said that the size of the largest possible debt burden is higher the countries where one sees persistently low inflation and persistently low inflationary expectations.

The risks associated with the debt burden of Russian companies are under control, Yudayeva said.

"Problems with foreign currency and ruble liquidity, and with other risks to financial stability, are not arising. Risks associated with the debt burden of companies are under control," she said.

The Central Bank "is monitoring the situation with financial stability and regularly and responsively adjusts its macroeconomic forecasts and its policy," Yudayeva said.

"The Central Bank is ready to use all available resources to stabilize the situation as needed," she said.

The situation with Russia's financial stability remains relatively steady, even given the global volatility in recent times, she said.

Russia's budget deficit in the current situation should be financed more with borrowing than from reserves, she said.

"An important question is how to finance the deficit: using reserves or using debt. Strictly speaking, both the one and the other will lead to an increase in net debt, that is, debt from deduction of reserves, meaning, accumulation of a debt burden. For that reason, this is to a significant degree an imaginary choice. Nonetheless, since the risks of the raw materials markets are great, in our view, the priority in the current situation should be given to debt financing and maintenance of reserves in case more difficult scenarios materialize, when access to debt financing will be even more difficult," she said.

Moreover, the presence of a certain safety margin in reserves is insurance from the standpoint of the market and somewhat simplifies access to debt financing.



HEADLINE NEWS; Digest of headline news

13 января 2016

Interfax: Russia & CIS Business and Financial Daily

*** Russia will have about 10% inflation in January in annual terms, Deputy Finance Minister Maxim Oreshkin said.

"The data from Rosstat has come out optimistic. We will be located somewhere at about 10% for January. More or less, we will see," Oreshkin told journalists.

*** Russian inflation could revert to single figures as early as February but, due to the ruble's devaluation, it could exceed the official 6.5% forecast for the year, Deputy Finance Minister Maxim Oreshkin told reporters on the sidelines of the **Gaidar Forum** in Moscow.

"By our estimates, the carry-over effect of the ruble's devaluation on inflation has now fallen to around 0.1% from 0.13%-0.14%," he said. "We're expecting single-figure inflation, less than 10%, in February," he said.

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Inflation would might be 5.5%-6.5% in the Central Bank's baseline scenario, where oil trades at \$50 a barrel, Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, said at the **Gaidar Forum** in Moscow.

*** Fundamentals currently point to a greater likelihood for some future ruble strengthening than weakening, and may go as far as the forecast indicator for 2016: 63 rubles per dollar.

"These preconditions [for ruble strengthening this year] exist. I would point out that in our baseline forecast for 2016, the average exchange rate is 63 rubles/\$1. I believe that we have a chance to return to this trajectory in future," Ulyukayev told journalists in Moscow on Wednesday.

*** Russia had a federal budget deficit of about 2.6% of GDP in 2015, less than the planned 3% of GDP, but the budget has still not been adapted to new oil prices and is balanced at a price of \$82 per barrel, Finance Minister Anton Siluanov said.

"The budget deficit was around 2.6% of GDP last year, lower than we initially planned. This was a level of 3%, if you recall. But we can't say there has been some final adaptation of the budget [to new realities]," Siluanov said at the **Gaidar Forum**.

*** Russia's Economic Development Ministry is considering various stress scenarios for this year that envision a dramatic increase in the budget deficit if the unfavorable

situation on commodity markets continues.

"In the stress test that assumes that extremely low oil prices will continue for the whole year, we are considering a possibility where the budget deficit could increase to 7-7.5% of GDP. Right now we have a figure of 3% of GDP set in the budget law," Economic Development Minister Alexei Ulyukayev said in an interview with TV channel Rossiya 24 on the sidelines of the **Gaidar Forum**.

*** The price of oil will stabilize in the near future, but at a fairly low level, Economic Development Minister Alexei Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices.

"But this stabilization will be at a fairly low level," he said.

*** The Energy Ministry has been instructed to find ways to provide for the delivery of an additional 5 million tonnes of Rosneft oil to China in 2016 under the intergovernmental agreement.

"We will find a way," Deputy Energy Minister Anatoly Yanovsky told journalists.

*** Sanctions are not a hindrance to the Sberbank of Russia and VTB privatizations, but so far no fundamental decision on the privatization of those banks has been made, Economic Development Minister Alexei Ulyukayev said.

"At first we must make the conceptual decision [on privatization]. We have legislative constraints, there are other constraints," Ulyukayev told journalists on the sidelines of the **Gaidar Forum**, commenting on the issue of when the ministry might propose the privatization of the banks and whether the sanctions in effect are an obstacle.

*** Sberbank asked the Ministry of Economic Development about possible withdrawals from Russia's measures against Turkey, First Deputy Minister of Economic Development Alexei Likhachyov said on the sidelines of the **Gaidar Forum** in Moscow on Wednesday.

"There are several withdrawals from the measures: there is a list of employers, which are permitted to continue contracting the workforce; there is a list of companies and contracts, which will not come under the effect of the measures; there is a "grandfather clause", that is to say all contracts, which were concluded on services and commodities before [the restrictions] took effect," he said.

*** Russia will file a court claim against Ukraine, which has defaulted on \$3 billion in Eurobonds, before the end of January, Russian Finance Minister Anton Siluanov told reporters.

"Before the end of January," Siluanov told reporters on the sidelines of the **Gaidar Forum** in Moscow, when asked when the lawsuit might be filed.

The \$3 billion in Eurobonds acquired by Russia late in 2013 with National Welfare Fund (NWF) money were supposed to be redeemed by New Year's Eve. Ukraine declared a moratorium on servicing that debt and Russia said it would defend its interests in court.

*** The Ukrainian Finance Ministry has reached agreement with Sberbank of Russia on the principles for restructuring loans the Russian bank issued to Ukravtodor and Yuzhnoye State Design Office that were guaranteed by the state.

"The parties have agreed to work together to achieve a settlement of the transaction as soon as possible," the Finance Ministry said in a statement on Wednesday.

The Finance Ministry notes that the agreement with Sberbank is in line with Ukraine's IMF-supported EFF Program. "The Ministry is continuing to discuss the restructuring of other outstanding guaranteed loans within the perimeter of the debt operation," it said.

Talking Points for Jan Walliser, Gaidar Forum, Plenary Session Russia and the World: Looking to the Future

Agriculture and Rural Development (World Bank), 08:00, 13 января 2016, 1670 слов, (Английский)

Dear Mr. Prime Minister, dear colleagues on the esteemed panel, dear forum participants.

Thank you for the invitation to address this distinguished audience.

Medvedev: Russia's Economy Must Prepare for Worst-Case Scenario

Daniel Schearf
13 января 2016
Voice of America

Medvedev: Russia's Economy Must Prepare for Worst-Case Scenario

Daniel Schearf

January 13, 2016 11:21 AM

MOSCOW-

Russian Prime Minister Dmitry Medvedev said the Russian economy is looking better than one year ago but must prepare for the worst-case scenario as it continues to suffer from low oil prices and the impact of Western sanctions.

Speaking Wednesday in Moscow at the annual **Gaidar Forum** (<http://www.gaidarforum.ru>) on economics, Medvedev noted 2015 was probably the most difficult year for Russia economically in the past decade. "The piling of the problems of this year resulted in the contraction in the volume of production and reduction in business and entrepreneurial activity," he said.

Russia's economy contracted 3.8 percent last year as oil, its major export, dropped in price by 70 percent to \$30 a barrel. Western sanctions against Russia, because of its 2014 annexation of Crimea and continued military backing for rebels in eastern Ukraine, cut off its banks from international credit. The value of the ruble has dropped from a high of 30 to the dollar to around 75.

While inflation in 2015 stood at 15.5 percent, consumer food prices jumped by 20 percent to 30 percent. The number of Russians below subsistence poverty rose to more than 20 million last year from 18 million a year earlier.

Impact on incomes

Medvedev said the gravest result was the fall in real incomes. "Many people have become poorer," he said. "And, the middle class has suffered. And, this is probably one of the most painful aftereffects of the last years."

Russian officials, however, expect the economy to stop its downward spiral this year and that inflation will drop to single digits in February. The prime minister touted his government's anti-crisis plan for reducing external shocks and said, despite the damage, the economy was not in tatters. "Russia is in [the] top 10 countries with the lowest public debt and greatest foreign exchange reserves. And, that really provides for the resilience of our financial system."

The prime minister acknowledged the federal budget, half of which depends on oil export revenues, would likely have to be cut. "The reserves have managed to balance the budget for this year," he said. "But, if the oil price keeps falling and dropping, we'll have to adjust our fiscal parameters." Medvedev added, "And, let's brace ourselves for the worst scenario, as other countries do."

Cuts in federal spending

Russian officials said they were making plans to cut federal spending by an additional 10 percent after a similar across-the-board cut last year.

Russia's 2016 budget was made in October on the assumption of \$50 a barrel for oil prices but, many analysts say the more likely price is between \$30 and \$40 and could even drop below \$20.

Finance Minister Anton Siluanov said the budget could only balance this year at \$82 a barrel for oil. "We have to take well-thought-out measures on how to bring the budget in accordance with the new realities," he said. "In the current difficult conditions, we must speak of a very thrifty, strict budget policy, in order not to end up with high deficit levels or a high volume of debt."

Low oil prices could last decades

Economy Minister Alexei Ulyukayev told the forum low oil prices could last decades. He said another major risk would be if the public shifted from spending to saving.

Ulyukayev suggested further privatizing parts of Russian state banks to help them recapitalize. "The banking system's capitalization should be boosted," he said. "How can this be done at a time of budget restrictions and low demand for assets? I think we should return to the idea of privatization of... Sberbank and VTB," he said, referring to Russia's two largest banks.

Former finance minister Alexei Kudrin said even if the economy begins growing again, they should consider raising taxes and the retirement age, both politically sensitive issues in Russia, in order to meet social spending plans for the coming years. He said at least 4 percent growth in GDP was needed annually for the next five to seven years. "In the fight against poverty, 60 percent is about economic growth and only 40 percent is about social protection [spending]."

Medvedev said a new model of economic growth was needed and that Russia would have to get used to low oil prices.

林毅夫：中國經濟崩潰論者不理解本質

中央社商情網 (繁體), 12:08, 13 января 2016, 427 слов, (Китайский (традиционный))

(中央社台北2016年1月13日電) 知名經濟學家林毅夫12日表示，中國大陸經濟不會崩盤，未來幾年經濟成長率可保持在6.5%至7%之間。他還說，預言大陸經濟將崩潰的人不理解大陸經濟的本質。



Programme summary of Russian Rossiya 1 TV "Vesti" news 1700 gmt 13 Jan 16

14 января 2016

BBC Monitoring Former Soviet Union

"Vesti" news presented by Andrey Kondrashov and Mariya Sittel

0035 Headlines: Putin on the future of the Russian economy; heavy snow hits several cities of Russia; Syrian army retakes strategic town with help of Russian air power; dozens arrested in connection with Istanbul bombing; Boris Gryzlov represents Russia at contact group in Minsk; Obama says Ukraine, Syria are Russian client states; clampdown on selfie videos on trains.

7. 3020 "How to turn the resource curse into good for the country?" - economists discussed this issue today at the Gaydar (**Gaidar**) Forum, an economic conference in Moscow. Correspondent reports from the event, shows Prime Minister Dmitriy Medvedev saying that if oil prices continue to fall, the budget will have to be adjusted. Siluanov says that social obligations - "wages, benefits and pensions" - would be fulfilled. "Experts say the most difficult year is behind," the correspondent says. Many people are poorer, including the middle class, and the situation is "not easy but

controllable", Medvedev says. Economic Development Minister Aleksey Ulyukayev says: "I think the situation will be completely stable; that means that social and state obligations will be fulfilled, regarding pay and pensions."



Programme summary of Russian NTV "Segodnya" news 1600 gmt 13 Jan 16

14 января 2016

BBC Monitoring Former Soviet Union

"Segodnya" news presented by Liliya Gildeyeva and Vasiliy Maksimenko

5. 1210 The main risks for the Russian economy - from the state to the family budget - were discussed today at the Gaydar (**Gaidar**) Forum, an international economic conference in Moscow. Correspondent reports from the event. He accosts Economic Development Minister Aleksey Ulyukayev in the corridor to ask about the Russian economy in the near future. "I think the situation will be completely stable; that means that social and state obligations will be fulfilled, regarding pay and pensions," he replies. Andrey Makarov, chairman of the State Duma Budget and Taxes Committee, says: "We've got money coming out of our ears"; we just have to learn to use it effectively. Prime Minister Dmitriy Medvedev is shown saying that the state would take measures now to help those hardest hit by the crisis. "Our economy will withstand the lack of the previous powerful influx of oil and gas revenues," Medvedev said. Aleksey Kudrin, a former finance minister, was shown saying briefly that he thought defence spending should be cut



RUSSIA; Medvedev calls to avoid populism in 2016 election campaign

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Russian Prime Minister Dmitry Medvedev has called to avoid populist slogans and promises during the upcoming State Duma election campaign.

"We will have State Duma elections this year. Amid economic difficulties, the temptation is always high to engage in populism and speculation on issues that are sensitive to voters. It's always easy to promise a good future, but promises should be fulfilled," Medvedev said at the **Gaidar Forum** in Moscow on Wednesday.

"Only mature political forces are capable of hearing people, feeling their needs and compare them with the capabilities of the state, only such rational responsible politics have a right to exist," Medvedev said.



RUSSIA; Medvedev sure Russia-EU relations to be normalized

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Russian Prime Minister Dmitry Medvedev says he is sure that common sense will prevail in Russian-EU relations, they will be normalized, and the sanctions will become history.

"I am sure, which I have said more than once, that, in the end, common sense will prevail, the sanctions will become a thing of the past, and relations between Russia and the European Union will be back to normal. But for this to happen, some steps need to be taken based on economic logic, taking into consideration both the European and Russian businesses' impartial interest," Medvedev said at the **Gaidar Forum** 2016 on Wednesday.



RUSSIA; Medvedev: EU remains key economic partner of Russia despite sanctions

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Russia is ready to restore normal economic relations with the countries of the European Union, Russian Prime Minister Dmitry Medvedev said.

"We are ready to restore normal interaction with the countries of the European Union. Europe is our closest neighbor, our important economic partner. Our trade turnover is still in the billions of euros, despite the regrettable sanctions factor," Medvedev said at the **Gaidar Forum**.

Medvedev also said there is a need to fully disclose the integration potential of the Eurasian Economic Union, create free trade zones with the leading foreign economic counterparts, and expand cooperation in the Shanghai Cooperation Organization and ASEAN.

"I emphasize that we will build this work on the basis of the universal rules of the WTO and, of course, we will not create closed clubs with our own rules of the game that disregard the interests of other global economy and trade participants," Medvedev said.



RUSSIA; Unified mechanism for administering tax payments to be finalized - Medvedev

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

The parameters for formation of a unified mechanism of administering tax, customs and other fiscal payments will be improved, Prime Minister Dmitry Medvedev said.

"Introduction of a unified mechanism for administering tax payments, which several ministries are currently engaged in, will substantially simplify the lives of entrepreneurs. The specific parameters of this mechanism must be additionally worked through," Medvedev said at the **Gaidar Forum** on Wednesday.

This topic was voiced in the president's address to the Federal Assembly and subsequently discussed at a meeting chaired by the prime minister.

It involves powers and authority concerning mandatory payments to the budget and through the Federal Tax Service, Customs Service and funds intended for social needs.

The logo for Interfax, featuring the word "interfax" in a stylized, lowercase, sans-serif font. The "i" and "f" are connected, and the "x" has a distinctive shape.

RUSSIA; Medvedev backs Central Bank's clean-up policy

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Russian Prime Minister Dmitry Medvedev said he backed the Central Bank's policy of cleaning the banking sector up.

"The banking sector is working steadily; the Central Bank is pursuing a consistent policy to clean it up. This is a painful process, especially for the clients of the banks being closed, but otherwise the long-term sustainability of the banking system cannot be ensured," Medvedev said at the **Gaidar Forum**.

The logo for Interfax, featuring the word "interfax" in a stylized, lowercase, sans-serif font. The "i" and "f" are connected, and the "x" has a distinctive shape.

RUSSIA; Medvedev urges creation of new economic growth model since slump may last years

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Russia needs to create a new economic growth model because the economic slump may last for several years, Prime Minister Dmitry Medvedev said.

"Right now we are in fact creating a new economic growth model. We have regions that can survive without earnings from export of energy resources. They invested in modernizing productive capacity on time and effectively, found investors, built new factories, grew production of output with the highest value-added level and this is the example toward which we must strive on a nationwide scale," Medvedev said at the **Gaidar Forum** on Wednesday.

"The problem is that halting the GDP decline does not mean an automotive switch to growth. Instead of this, a long period of fluctuation around the zero level may commence, which cannot be called a trend," he said.

"As global experience shows, an economic depression can last decades and recovery from such an abnormal condition is no easier than recovery from the acute phase of a crisis," Medvedev said.

interfax

RUSSIA; PM sees drop in middle class incomes as most painful result of economic troubles

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

People's incomes have fallen as a result of the economic difficulties in Russia and the middle class has been hit the hardest, Prime Minister Dmitry Medvedev said.

"Our own structural problems have become exacerbated against the new global backdrop. The lack of sources for economic growth and export revenues other than the resource sector is clear," Medvedev said on Wednesday at the **Gaidar Forum**.

"The repercussions of the difficulties of [2015] have led to the reduction of production volumes, the decline of business and investment activities, but most importantly and most seriously to a drop in people's incomes. Many have become poorer, the middle class has suffered. And these, perhaps, are the most painful consequences of the economic blows of last year," Medvedev said.

interfax

RUSSIA; Medvedev sees Russia's economy withstanding lack of oil, gas revenues

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Prime Minister Dmitry Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said on Wednesday at the annual **Gaidar Forum** in Moscow.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.



RUSSIA; Budget will have to be adjusted if oil prices slide further - Medvedev

143 слов

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Russian Prime Minister Dmitry Medvedev said at the **Gaidar Forum**.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.



RUSSIA; Economic situation is cardinally different from 1998 crisis - Medvedev

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

The current situation in the Russian economy is not even close to the situation that existed in 1998, Russian Prime Minister Dmitry Medvedev said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said at the **Gaidar Forum** in Moscow on Wednesday.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.



RUSSIA; Medvedev sees Russia's economic situation as difficult, but manageable

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Prime Minister Dmitry Medvedev said that the situation in the Russian economy is difficult, but manageable.

"The situation in the economy is not easy, but manageable," Medvedev said on Wednesday at the **Gaidar Forum** in Moscow.

"We have managed to ease the impact of external shocks to some degree, including with the help of the anti-crisis plan, in which we have concentrated resources to support the most vulnerable areas both in the economy and the social sphere," Medvedev said.

He said that the measures adopted by the government should now facilitate the achievement of one of the most important goals - to overcome the decline of living standards.

Medvedev said that the main way to reach this goal is to attain stable growth of the economy.

"The task in the current conditions is difficult, but we never have had easy tasks, it is enough to remember, with some initial data we began 2015: we had lines at currency exchanges, panic on markets, the gloomiest forecasts on the growth of unemployment and more promises to rip our economy into pieces. This did not happen," Medvedev said.



RUSSIA; Medvedev: Geopolitics having ever greater impact on global economy

13 января 2016

Interfax: Russia & CIS Presidential Bulletin

Russian Prime Minister Dmitry Medvedev believes that geopolitics is having an increasingly greater impact on economic processes in the world.

"The situation is exacerbated by the fact that conditions in the economy are now strictly dictated by politics and geostrategy. Established rules are ignored or rewritten due to short-term considerations," Medvedev said on Wednesday at the annual **Gaidar Forum** in Moscow, citing the International Monetary Fund's decision on Ukraine's debts as an example.

"This is also exhibited in the issue of economic sanctions against our country. They are declared by individual countries, which radically undermines the authority of market institutions such as the WTO," Medvedev said.

interfax

POWER; Russia ready to resume electricity supplies to Ukraine - deputy minister

13 января 2016

Interfax: Russia & CIS Energy Daily

MOSCOW. Jan 13 (Interfax) - Russia can resume supplying electricity to Ukraine if Kyiv requests it, Deputy Energy Minister Anatoly Yanovsky said on the sidelines of the **Gaidar Forum**.

"Russia is ready to resume electricity supplies to Ukraine if asked," he said.

interfax

TOP STORY; Oil price to stabilize in coming months, but at low level - Ulyukayev

13 января 2016

Interfax: Russia & CIS Energy Daily

MOSCOW. Jan 13 (Interfax) - The price of oil will stabilize in the near future, but at a fairly low level, Economic Development Minister Alexei Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices.

"But this stabilization will be at a fairly low level," he said.

Ulyukayev held back from commenting on a potential new baseline forecast for the price of oil in 2016 and GDP growth, noting only: "Of course, the chances for [economic] growth diminish given declining oil prices."

Lengthy low

The main risk to the Russian economy lies not in the possibility that oil prices will fall to

\$20 a barrel but that low oil prices will persist for quite some time, Ulyukayev said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said at the **Gaidar Forum** in Moscow.

"The period of low oil prices will be very lengthy. It's very hard for me to say whether this is the low stage of the global commodity cycle, or whether it's the new normality, but I'm convinced [low oil prices] are for the very long term. I don't think it falling to \$20 or \$15 is what we ought to be frightened about, as market logic dictates that the lower something falls today, the higher the probability it will rebound tomorrow. This [oil falling to \$20] is not the main risk. The main risk is that oil prices will be low for long periods, for years, or decades," he said.

So this, Ulyukayev said, meant that "fundamental decisions regarding structural changes in the economy" are needed. When the strategy to 2030 is being developed, the need will be not to "transgress by extrapolating today's decisions, but to approach it from the point of view of strategic targeting," he said.

Ulyukayev pointed to how consensus forecasts for oil prices were changing. "Look at how the consensus forecasts are changing. Analysts always change their forecast depending on what takes place in a current quarter, but this wave of alterations is fading. If we take the consensus for oil right now, then it has fallen steeply for the first quarter. It has fallen for the second quarter also, but it is almost unchanged for 2016 as a whole, and is \$63 a barrel in 2017 and \$70 in 2018. That's the consensus forecast for oil," he said.

"So this sort of extrapolation is not much use, but target-setting is where we define those contours that correspond, on the one hand, to fundamental constraints and on the other, give rise to the challenges that make us mobilize the economy's internal resources, and that is a very useful thing indeed," Ulyukayev said.

Further fall possible

Oil prices are likely to go on sliding in the near future, Russian Finance Minister Anton Siluanov said.

"Today there's a very tight balance on the oil market, we're seeing that nobody is cutting oil production. We're likely in the short term to see further decline in prices for this commodity," he said.

"Indicators for this commodity are unlikely to increase in the short term as the global economy declines and oil stocks remain high," he said in addition.

He said he believes that the forecast average price of oil in 2016 could be revised downward to \$40 per barrel and that this figure could be factored into the budget when it is revised.

"The forecast will now be revised. We believe that the average price of oil could be revised to about \$40 per barrel this year. We believe that it could be significantly lower

in the first half of the year, like now, perhaps even lower, but in the second half of the year we believe that a recovery process could easily begin," Siluanov told reporters.

Asked if this figure would be factored into the budget for this year, Siluanov said: "Yes, but we should be ready for any changes, including for \$30 per barrel. In any case, the measures that we are developing will also apply to this."

Budget adjustments

The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Russian Prime Minister Dmitry Medvedev said at the **Gaidar Forum**.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.

Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.

The current situation in the Russian economy is not even close to the situation that existed in 1998, he said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.

Oil cos. can cope

The price of oil, which has dropped to \$30 per barrel, should not scare oil companies so

much, analysts polled by Interfax believe, although they note that the oil-dollar link, which even every grandmother is already aware of, is ceasing to be constant.

This is more of a problem for the Russian budget. Deputy Prime Minister Arkady Dvorkovich said recently that the main risks of changes in the oil price are borne by the state and the country's budget, rather than by companies, as the tax system allows companies to implement their programs with both high and low prices.

At current oil prices, Russian companies remain profitable in terms of earnings before interest, tax, depreciation and amortization (EBITDA), although most are generating zero or negative cash flow, BCS analyst Kirill Tachennikov believes.

"At the level of EBITDA, Russian companies are all profitable. There are no problems here, because taxes have also fallen. I'd say that one needs to look at profitability in terms of free cash flow. At the current oil price, I think that almost all companies are generating zero or negative cash flow. But this depends on how much they cut capital expenditures," Tachennikov said.

He believes that, at a price of \$30 per barrel, Lukoil, Bashneft, Gazprom Neft and Tatneft will generate negative cash flow. Rosneft will have about zero cash flow if it keeps capex at the 2015 level and negative cash flow if it increases capex. Surgutneftegas will also have zero cash flow at current prices, while Novatek will have positive cash flow, the bank forecasts.

Artyom Konchin of Otkritie said that a drop in the ruble price of oil is more dire than a drop in the dollar price. "It's not very clear what will happen when we drop to \$25, for example. There the form of the tax already changes and the natural resource extraction tax ceases to be collected, the state share begins to decrease considerably. The price of a ruble barrel is low compared to last year: it averaged 3,200 rubles, but now it's about 2,400. Accordingly, for companies that trade in ruble figures, this will look even worse than it might have with a weaker ruble," he said.

Companies' operating margin will deteriorate with such a drop in oil prices, he expects. "If your taxes are linked to the dollar, and your ruble is too strong, you essentially have pressure on operating margin. Therefore, operating margin will be under pressure, plus it might be necessary to ask for government aid. Such a situation will be fairly frequent particularly for Rosneft," Konchin said.

The drop in oil prices will have a greater impact on foreign companies than on Russian ones, Andrei Polischuk of Raiffeisenbank believes.

"For Russian companies, there's a small plus in the depreciation of the ruble, which partially offsets the drop in oil prices. But it's worth noting that the ruble price of oil has also decreased considerably. I think that our companies are not on the brink of profitability, they are nonetheless higher and not by any means in the red. This applies more to foreign companies," Polischuk said.

Conflict in Syria should be settled in political way, coordination of efforts needed

- EU ambassador to Moscow

13 января 2016

Interfax: Russia & CIS Military Newswire

MOSCOW. Jan 13 (Interfax) - The European Union has always called for the coordination of actions in Syria, but a solution to the Syrian conflict should be political, head of the European Union delegation to Russia Vygaudas Usackas said.

"The European Union has always called for us to coordinate our actions," Usackas told reporters on the sidelines of the **Gaidar Forum** Russia and the World: Looking to the Future, which is being held in Moscow on Wednesday.

He replied thus to a question as to how the cooperation between the military structures of Russia, the United States and the EU states can be established in Syria.

In addition, Usackas said that "the response to the conflict in Syria should be political."

"Therefore, we support all the steps which are being taken by the UN envoy to create this platform and begin political talks between different groupings in Syria," he said.

WORLD; RUSSIAN BUDGET DEFICIT AT 2.6% OF GDP IN 2015 - MINISTER

13 января 2016

Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax) - Russia had a federal budget deficit of about 2.6% of GDP in 2015, less than the planned 3% of GDP, but the budget has still not been adapted to new oil prices and is balanced at a price of \$82 per barrel, Finance Minister Anton Siluanov said.

"The budget deficit was around 2.6% of GDP last year, lower than we initially planned. This was a level of 3%, if you recall. But we can't say there has been some final adaptation of the budget [to new realities]," Siluanov said at the **Gaidar Forum**.

He said the private sector has "more or less" adapted to an oil price of \$40 per barrel and is continuing to adapt further as oil prices fall lower. But the budget "balances at a price of \$82 per barrel," Siluanov said.

"We still face a whole range of decisions on changing fiscal policy," Siluanov said.

WORLD; RUSSIA NEEDS TO RETURN TO ISSUE OF PRIVATIZING SBERBANK, VTB - ULYUKAYEV

13 января 2016

Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax) - The Russian authorities need to return to the issue of

privatizing state banks, Economic Development Minister Alexei Ulyukayev said.

"We need to return to the issue of privatizing our biggest banks, Sberbank and VTB," he said at the **Gaidar Forum**.

WORLD; MINISTER SEES CONSUMERS SWITCHING TO SAVING AS KEY RISK FOR RUSSIA'S ECONOMY

13 января 2016

Interfax: Ukraine Business Daily

MOSCOW. Jan 13 (Interfax) - One of the main risks for the Russian economy in the near future is that households might switch from a behavioral pattern of consumption to one of saving, Economic Development Minister Alexei Ulyukayev said.

"There's a risk, in my view a very serious, significant thing, of a change in the consumption behaviour of households - a shift from a consumption model to a model of saving," Ulyukayev said Wednesday at the **Gaidar Forum** Russia and the World: Looking to the Future in Moscow.



UPDATE 1-Russia warns cuts needed to avoid repeat of '98 crash

13 января 2016

Reuters News

(Adds details, quotes, background)

By Oksana Kobzeva and Alexander Winning

MOSCOW, Jan 13 (Reuters) - Russia could theoretically increase its state debt but must keep risks to macroeconomic stability in mind, a senior central bank official said on Wednesday.

"I would assume a conservative estimate of the maximum debt burden for the Russian economy which would not threaten macroeconomic stability, let's say, of no more than 25-30 percent of GDP," Ksenia Yudayeva, first deputy central bank governor, told the annual **Gaidar Forum**.

Russia currently has a state debt of around 14 percent of GDP and is relying mainly on its domestic bond market to fund a deficit projected at 3 percent of GDP this year

Officials warn the deficit may rise because of unexpectedly low oil prices and the need to help state development bank VEB, which needs an estimated 1.2 trillion roubles (\$15.8 billion).

Yudayeva said that with risks high on the commodity markets, priority should be given to the debt financing of the budget deficit, to preserve reserves for possible worse scenarios.

Alexei Kudrin, a former Russian Finance Minister, told the same forum that Russia cannot afford state debt of more than 25 percent of GDP as long as Western sanctions, imposed in retaliation for Russia's actions in Ukraine, are in effect.

(\$1 = 76.0975 roubles) (Reporting by Oksana Kobzeva and Alexander Winning; Writing by Katya Golubkova; Editing by Jason Bush)



Kudrin suggests merging Reserve Fund, NWF

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Given that the difference between the Reserve Fund and National Welfare Fund (NWF) is only notional and given the emergence of problems with the pension system, which is what the NWF was created for in the first place, maintaining the two funds as separate entities is no longer worthwhile, former finance minister Alexei Kudrin said.

"Pension system problems have already arrived today. They [the funds] are managed virtually identically with the exception of a small portion directed at the domestic market. It would probably be possible to transfer them in some fashion to some development institutions and merge the Reserve Fund and NWF, because, given the challenges that we face in the coming two-three years, they need to be managed as a single instrument, to understand the resource, and this notional separation already has no significance," he said at the **Gaidar Forum**.

Kudrin pointed out that the Reserve Fund and NWF had originally been formed by splitting up the Stabilization Fund. The Reserve Fund was to maintain a certain volume of reserves and was to be "managed in a special way, very conservative investment, and was to be insurance for a rainy day." The NWF was to cover financing shortfalls associated with demographic issues. "We planned to figure out the shortfalls in advance and plan out NWF spending. It was to be managed somewhat differently, put in riskier securities," Kudrin said.



Kudrin calls for breaking 'vicious cycle' of rising spending amid falling revenue

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russia needs to grow at a 5% pace to be able to create a genuinely social state, former finance minister Alexei Kudrin said, warning that unless changes are made, the country risked falling into a "vicious cycle" of rising spending amid declining revenue.

"I believe that for the time being 'a social state today' is more of a declaration and sometimes a populist slogan. In our situation, Russia needs to build a somewhat different [economy]. We need 5% growth a year. That will provide the increases in real incomes each year and increases in resources which we can allocate step by step to social support," Kudrin said at the **Gaidar Forum** on Wednesday.

The pension age must be raised and "other questions of restructuring liabilities" must be resolved. Otherwise, within just four years, support for the pension system will have to increase to 1% of GDP a year, which will inevitably hurt business.

"I can say right off: this will put a burden on business, because, frankly speaking, I no longer know where spending can be cut. Education, healthcare: we are already cutting what we could, but this is human capital, competitiveness, the future. We have fallen into a closed, vicious cycle," Kudrin said.

The only way the break that cycle is to grow the economy, he said.

"Without economic growth, we will not resolve the problems. They will grow and get worse," Kudrin said.



Kudrin: increase of pension age in Russia unavoidable

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Head of the Civil Initiatives Committee and former Finance Minister Alexei Kudrin thinks that an increase in the pension age in Russia is unavoidable, this will allow for balancing the pension system and will benefit the oldest people.

"I see that we need to raise the pension age. At last it has become clear that the pension age will rise not for someone but for the sake of the pensioners themselves, that the pensioners will benefit from it, and we, of course, should concentrate resources for the payment of pensions," Kudrin said at the **Gaidar Forum** on Wednesday.

"If today we do nothing, then in the next five to seven years, according the Finance Ministry, we will have to raise support of the pension system by one percent using the budget, and this means an increase of taxes," he said.

The economist said that the "trends are such that if the pension age is not raised and liabilities are not restructured, then in four years it will be necessary to raise support [for

the pension system] by 1% of GDP using the budget."

"This lies heavily on business, because reducing spending no longer does anything," Kudrin said.

Kudrin said that while finance minister in 2008, he already proposed gradually raising the pension age in Russia.

"I now will reveal a secret: at that time I went to the president and said that we should look ahead. Let's start raising the pension age. We explained to him that this does not need to be carried out over one year. Two or three years are needed to prepare and then over the course of three to six months the transfer [to the new system will take place]," Kudrin said.

The former minister warned that in the future, when the number of taxpayers and pensioners are equal, there will not be enough money left in the country to support the pension system in a balanced manner.

Kudrin also spoke in favor of keeping the cumulative part of the pension, because the state, when a person goes on pension, guarantees only about 40% of the person's past salary.

"The rest is voluntary pension coverage, in which the entire population participates," Kudrin said, lamenting the fact that in Russia currently no effective institutes for the formation of pension savings have been created.

"In our system people don't think about pensions, they have not learned about this. And in 30 years they will ask: why should we go on pension receiving 40% of our salary," Kudrin said.

He also said that one should not rule out the indexation of pension for working pensioners. "I have a very restrained attitude towards this problem, more towards controversial [issues]. It turns out that these pensioners, who are ready to work, their pension will be decreased. This will not stimulate them to continue to work, this will but people in the shadows," Kudrin said. He said that such a tendency negatively reflects on the economy due to the deficit of labor resources. "In addition, in this there is an element of unfairness," Kudrin said. The former minister said raising the pension age would allow for not making such a decision.



Kudrin doubts Russia can find funds for additional pension indexation in H2 2016

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Former finance minister Alexei Kudrin is skeptical that the government will be able to find money to finance a supplementary pension indexation in the second half of 2016.

"Given that we expect oil at \$35, a budget shortfall of a trillion [rubles] or more, I don't completely get how to carry out an indexation. If the price of oil settles at \$35, I don't see that ability," Kudrin said at the **Gaidar Forum** on Wednesday.

An indexation at the actual inflation level would cost double the amount that is being spent on the entire federal portion of Russia's healthcare system and as much as all spending on higher education.

"If the indexation for 2016 was 12%, the actual inflation rate, it would require 660 billion rubles a year in additional spending and additional transfers. How much is 660 billion rubles for the country? Our entire higher education costs 600 billion rubles. The federal portion of healthcare costs 300 billion rubles. That is the scale of these issues," he said.



Daily Headline News for January 13, 2015

13 января 2016

Interfax: Russia & CIS General Newswire

Digest of headline news as of 7:00 p.m. Moscow time on January 13:

BUSINESS & FINANCE

***** RUSSIA TO HAVE ABOUT 10% INFLATION IN JANUARY IN ANNUAL TERMS - ORESHKIN**

Russia will have about 10% inflation in January in annual terms, Deputy Finance Minister Maxim Oreshkin said.

"The data from Rosstat has come out optimistic. We will be located somewhere at about 10% for January. More or less, we will see," Oreshkin told journalists.

***** RUSSIAN INFLATION TO REVERT TO SINGLE FIGURES IN FEB, COULD EXCEED 6.5% FORECAST IN YEAR - MINFIN**

Russian inflation could revert to single figures as early as February but, due to the ruble's devaluation, it could exceed the official 6.5% forecast for the year, Deputy Finance Minister Maxim Oreshkin told reporters on the sidelines of the **Gaidar Forum** in Moscow.

"By our estimates, the carry-over effect of the ruble's devaluation on inflation has now fallen to around 0.1% from 0.13%-0.14%," he said. "We're expecting single-figure inflation, less than 10%, in February," he said.

***** RUSSIAN INFLATION COULD SLOW TO 7% AT \$35 OIL IN 2016 - CENTRAL BANK**

Inflation in Russia might be 7% this year in the scenario that oil trades at \$35 a barrel, a Central Bank official said.

Inflation would might be 5.5%-6.5% in the Central Bank's baseline scenario, where oil trades at \$50 a barrel, Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, said at the **Gaidar Forum** in Moscow.

*** ULYUKAYEV SEES BASIS FOR RUBLE STRENGTHENING, REGAINING TRAJECTORY TO 63 RUBLES/\$1

Fundamentals currently point to a greater likelihood for some future ruble strengthening than weakening, and may go as far as the forecast indicator for 2016: 63 rubles per dollar.

"These preconditions [for ruble strengthening this year] exist. I would point out that in our baseline forecast for 2016, the average exchange rate is 63 rubles/\$1. I believe that we have a chance to return to this trajectory in future," Ulyukayev told journalists in Moscow on Wednesday.

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*** MINISTER: RUSSIA'S 2016 BUDGET DEFICIT AT 7-7.5% OF GDP IN STRESS TEST WITH VERY LOW OIL PRICE

Russia's Economic Development Ministry is considering various stress scenarios for this year that envision a dramatic increase in the budget deficit if the unfavorable situation on commodity markets continues.

"In the stress test that assumes that extremely low oil prices will continue for the whole year, we are considering a possibility where the budget deficit could increase to 7-7.5% of GDP. Right now we have a figure of 3% of GDP set in the budget law," Economic Development Minister Alexei Ulyukayev said in an interview with TV channel Rossiya 24 on the sidelines of the **Gaidar Forum**.

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The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time.

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The price of oil will stabilize in the near future, but at a fairly low level, Economic Development Minister Alexei Ulyukayev said.

"I am firmly convinced that in the near future - in the next few months - stabilization will come to the energy resources market," he said when asked by journalists for his expectations concerning oil prices.

"But this stabilization will be at a fairly low level," he said.

***** ENERGY MINISTRY TO PROVIDE FOR EXTRA 5 MLN TONNES OF ROSNEFT OIL EXPORTS TO CHINA IN 2016**

The Energy Ministry has been instructed to find ways to provide for the delivery of an additional 5 million tonnes of Rosneft oil to China in 2016 under the intergovernmental agreement.

"We will find a way," Deputy Energy Minister Anatoly Yanovsky told journalists.

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- Sanctions are not a hindrance to the Sberbank of Russia and VTB privatizations, but so far no fundamental decision on the privatization of those banks has been made, Economic Development Minister Alexei Ulyukayev said.

"At first we must make the conceptual decision [on privatization]. We have legislative constraints, there are other constraints," Ulyukayev told journalists on the sidelines of the **Gaidar Forum**, commenting on the issue of when the ministry might propose the privatization of the banks and whether the sanctions in effect are an obstacle.

***** SBERBANK ASKS ECONOMIC DEVELOPMENT MINISTRY ABOUT POSSIBLE WITHDRAWALS FROM RUSSIAN MEASURES AGAINST TURKEY - LIKHACHYOV**

Sberbank asked the Ministry of Economic Development about possible withdrawals from Russia's measures against Turkey, First Deputy Minister of Economic Development Alexei Likhachyov said on the sidelines of the **Gaidar Forum** in Moscow on Wednesday.

"There are several withdrawals from the measures: there is a list of employers, which are permitted to continue contracting the workforce; there is a list of companies and contracts, which will not come under the effect of the measures; there is a "grandfather clause", that is to say all contracts, which were concluded on services and commodities before [the restrictions] took effect," he said.

***** RUSSIA TO FILE COURT CLAIM FOR \$3 BLN DEBT AGAINST UKRAINE BY
END-JAN**

Russia will file a court claim against Ukraine, which has defaulted on \$3 billion in Eurobonds, before the end of January, Russian Finance Minister Anton Siluanov told reporters.

"Before the end of January," Siluanov told reporters on the sidelines of the **Gaidar Forum** in Moscow, when asked when the lawsuit might be filed.

The \$3 billion in Eurobonds acquired by Russia late in 2013 with National Welfare Fund (NWF) money were supposed to be redeemed by New Year's Eve. Ukraine declared a moratorium on servicing that debt and Russia said it would defend its interests in court.

***** UKRAINE REACHES AGREEMENT WITH SBERBANK OF RUSSIA ON
RESTRUCTURING SOVEREIGN GUARANTEED LOANS**

The Ukrainian Finance Ministry has reached agreement with Sberbank of Russia on the principles for restructuring loans the Russian bank issued to Ukravtodor and Yuzhnoye State Design Office that were guaranteed by the state.

"The parties have agreed to work together to achieve a settlement of the transaction as soon as possible," the Finance Ministry said in a statement on Wednesday.

The Finance Ministry notes that the agreement with Sberbank is in line with Ukraine's IMF-supported EFF Program. "The Ministry is continuing to discuss the restructuring of other outstanding guaranteed loans within the perimeter of the debt operation," it said.

***** MOSCOW, MINSK HAVE NOT AGREED ON GAS DISCOUNT**

The Russian and Belarusian Deputy Prime Ministers Arkady Dvorkovich and Vladimir Semasko have not agreed on a discount on Russian gas at talks, Russian Deputy Energy Minister Anatoly Yanovsky told journalists.

He said that Belarus proposed not a discount by a certain percentage, but on some absolute figure.



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13 января 2016

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PRIVATIZATIONS; CONCEPTUAL DECISION NEEDED

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Sberbank asked the Ministry of Economic Development about possible withdrawals from Russia's measures against Turkey, First Deputy Minister of Economic Development Alexei Likhachyov said on the sidelines of the **Gaidar Forum** in Moscow on Wednesday.

"There are several withdrawals from the measures: there is a list of employers, which are permitted to continue contracting the workforce; there is a list of companies and contracts, which will not come under the effect of the measures; there is a "grandfather clause", that is to say all contracts, which were concluded on services and commodities before [the restrictions] took effect," he said.

*** RUSSIA TO FILE COURT CLAIM FOR \$3 BLN DEBT AGAINST UKRAINE BY END-JAN

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The Finance Ministry notes that the agreement with Sberbank is in line with Ukraine's IMF-supported EFF Program. "The Ministry is continuing to discuss the restructuring of other outstanding guaranteed loans within the perimeter of the debt operation," it said.

*** MOSCOW, MINSK HAVE NOT AGREED ON GAS DISCOUNT

The Russian and Belarusian Deputy Prime Ministers Arkady Dvorkovich and Vladimir Semasko have not agreed on a discount on Russian gas at talks, Russian Deputy Energy Minister Anatoly Yanovsky told journalists.

He said that Belarus proposed not a discount by a certain percentage, but on some absolute figure.

 **Pekingin professori: Kiina avaa rahahanat talouskasvun varmistamiseksi**

Helsingin Sanomat, 19:59, 13 января 2016, 1380 слов, (Финский)

Maailmantalouden kasvua ei ole odotettavissa, joten Kiina aikoo pitää talouskasvunsa nykyisellä 6,5–7 prosentin kasvu-uralla lietsomalla kotimaista kysyntää. Pekingin yliopiston taloustieteen professori Justin Yifu Lin kertoi Kiinan

interfax

Western sanctions, Russian counter-sanctions lower GDP by 1.5 pp

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The cumulative effect of Western sanctions against Russia and Russia's counter-sanctions is a 1.5 percentage point reduction in GDP, First Deputy Economic Development Minister Alexei Likhachev said at the **Gaidar Forum** on Wednesday.

"The spring of 2014 gifted us with a completely different reality. We estimate the losses from the imposition of sanctions and retaliatory measures at 40 billion euro in 2014 and 50 billion euro in 2015 for the EU and at 25 billion euro for Russia in the just completed year, somewhere around 1.5% of GDP," he said.

The negative effect on Russia will diminish, and not only because there are hopes the sanctions will be canceled, but because the economy and enterprises have adapted to the current conditions.

"Naturally, there is little good in having a sanctions policy in place, but life is wiser than we are, than are the politicians and bureaucrats, and suggests certain solutions and abilities for working effectively and growing relations between companies, between economic operators, including against the backdrop of the existing, continuing sanctions regime," he said.



Russia political and economic calendar: January 14 - May 12

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

Date	Event	Time
14.01.16	Gaidar Forum -2016 to take place on Jan 13-15.	
9:30 a.m.		
	National Economy and Public Administration. http://www.gaidarforum.ru/en/	
15.01.16	Gaidar Forum -2016 to take place on Jan 13-15.	
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Max level of Russian debt burden shouldn't exceed 25%-30% of GDP - Yudayeva

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Russian Central Bank is seeing potential for an increase of the state debt burden, however feels that the maximum debt burden should not exceed 25%-30% of GDP.

"Does Russia have to potential for an increase in debt? Theoretically there is, but our country is a country with one of the lowest levels of state debt. In connection with this, the development of the state debt market might be facilitated by the development of the financial system in general. In any case I would proceed from conservative estimates of the highest possible debt burden on the Russian economy, which does not threaten macroeconomic stability. We are saying no more than 25% to a maximum of 30% of GDP," Central Bank First Deputy Governor Ksenia Yudayeva said at the **Gaidar Forum** on Wednesday.

She said that examples from Russian history show that the real interest rates that the Russian budget must pay in the case an increase in state debt to 35%-40% of GDP become extremely high and lead to a rapid unravelling of the debt spiral. "I also connect to ousting of corporate and private borrowers by the state to negative consequences of the growth of state debt," she said.

Yudayeva also said that the size of the largest possible debt burden is higher the countries where one sees persistently low inflation and persistently low inflationary expectations.



VEB story shows how significant off-balance budget liabilities can be - Yudayeva

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The situation surrounding Vnesheconombank (MOEX: VEBM) (VEB) shows how significant off-balance budgetary liabilities can be, Central Bank First Deputy Governor Ksenia Yudayeva said at the **Gaidar Forum**.

"When estimating how large the potential is for the development of the debt market in Russia, one should pay attention to several risk factors. First is the various types of off-balance budget liabilities, overt and covert. The story with VEB shows that they can be very significant. For this same reason it is not enough to balance only the federal budget and not take the regions' accumulated debts into account. Also one should not dismiss such a factor as the aging of the population and the need to finance rising costs on pension provisions in the next five to ten years," Yudayeva said.

The second risk factor is the high uncertainty on global commodities markets, most of all the oil market, she said. This is another argument in favor of the use of conservative scenarios.

In addition, there is uncertainty regarding the length of the period of low oil prices.



Risks associated with Russian company debt burden 'under control' - Yudayeva

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The risks associated with the debt burden of Russian companies are under control, Central Bank First Deputy Governor Ksenia Yudayeva said at the **Gaidar Forum** on Wednesday.

"Problems with foreign currency and ruble liquidity, and with other risks to financial stability, are not arising. Risks associated with the debt burden of companies are under control," she said.

The Central Bank "is monitoring the situation with financial stability and regularly and

responsively adjusts its macroeconomic forecasts and its policy," Yudayeva said.

"The Central Bank is ready to use all available resources to stabilize the situation as needed," she said.

The situation with Russia's financial stability remains relatively steady, even given the global volatility in recent times, she said.



Deficit should be financed more from borrowing than reserves at present - Yudayeva

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russia's budget deficit in the current situation should be financed more with borrowing than from reserves, Central Bank First Deputy Governor Ksenia Yudayeva said.

"An important question is how to finance the deficit: using reserves or using debt. Strictly speaking, both the one and the other will lead to an increase in net debt, that is, debt from deduction of reserves, meaning, accumulation of a debt burden. For that reason, this is to a significant degree an imaginary choice. Nonetheless, since the risks of the raw materials markets are great, in our view, the priority in the current situation should be given to debt financing and maintenance of reserves in case more difficult scenarios materialize, when access to debt financing will be even more difficult," she said at the **Gaidar Forum** on Wednesday.

Moreover, the presence of a certain safety margin in reserves is insurance from the standpoint of the market and somewhat simplifies access to debt financing.



Central Bank's 4% inflation target in 2017 still can be achieved - First Deputy Chairperson Yudaeva

13 января 2016

ITAR-TASS World Service

ECONOMY: CB-INFLATION-TARGET

Central Bank's 4% inflation target in 2017 still can be achieved - First Deputy Chairperson Yudaeva

/Update/

MOSCOW, January 13. /TASS/. The Bank of Russia is still able to deliver 4% inflation target in 2017 in spite of local spikes of volatility on commodity markets, First Deputy Chairperson of the Central Bank Kseniya Yudaeva said on Wednesday at 2016 **Gaidar Forum**.

"Our forecasts have showed so far that 4% [inflation target - TASS] are achievable in 2017 and our policy makes possible to do so," Yudaeva said. "Inflation risks have grown" for the nearest term, she added.

According to Russian statistical agency Rosstat data, inflation in Russia declined to 12.3% year-on-year as of January 11, 2016.



Bank of Russia does not rule out macroeconomic outlook revision in late January - First Deputy Chairperson Yudaeva

13 января 2016
ITAR-TASS World Service

ECONOMY: CB-OUTLOOK-REVISION-1

Bank of Russia does not rule out macroeconomic outlook revision in late January - First Deputy Chairperson Yudaeva

MOSCOW, January 13. /TASS/. The Bank of Russia does not rule out a macroeconomic outlook revision in late January, First Deputy Chairperson of the Central Bank Kseniya Yudaeva said on Wednesday at 2016 **Gaidar Forum**.

"We will look at the market dynamics and, most importantly, at the inflation dynamics and economic activity in December at the end of month, revise the outlook for internal purposes and make the decision on that basis," Yudaeva said.

The next Board meeting of the Bank of Russia on the key rate will be held on January 29, 2016.



Ulyukayev: still too early to revise 2016 budget

13 января 2016
Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - It is still too early to revise the 2016 federal budget since the situation on global markets is still too volatile, Russian Economic Development Minister Alexei Ulyukayev said.

"It seems to me that it is too early to revise the budget, because of the high degree of market uncertainty, volatility and because there is no need to harass budget money recipients. They are concluding contracts, implementing projects, building, etc. In my view, a more cautious, balanced policy is needed here," Ulyukayev said in an interview with Rossiya 24 television on the sidelines of the **Gaidar Forum**.

"Secondly, of course, our reckoning must include various possibilities, because now we are working up both a possible refinement to our baseline version of the forecast that incorporates the additional information on oil quotations that we now have, as well as their forecast dynamics, and preparing a stress test scenario, in order to be ready for any unexpected development. Including oil prices remaining in the extremely low range for the entire year," he said.

The stress scenario assumes the average annual price of oil at \$25 per barrel.



Daily Headline News for January 13, 2015

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

BUSINESS & FINANCE

*** MEDVEDEV SEES RUSSIA'S ECONOMIC SITUATION AS DIFFICULT, BUT MANAGEABLE

Prime Minister Dmitry Medvedev said that the situation in the Russian economy is difficult, but manageable.

"The situation in the economy is not easy, but manageable," Medvedev said on Wednesday at the **Gaidar Forum** in Moscow.

"We have managed to ease the impact of external shocks to some degree, including with the help of the anti-crisis plan, in which we have concentrated resources to support the most vulnerable areas both in the economy and the social sphere," Medvedev said.

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Prime Minister Dmitry Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said on Wednesday at the annual **Gaidar Forum** in Moscow.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.

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Inflation in Russia might be 7% this year in the scenario that oil trades at \$35 a barrel, a Central Bank official said.

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Russian inflation could revert to single figures as early as February but, due to the ruble's devaluation, it could exceed the official 6.5% forecast for the year, Deputy Finance Minister Maxim Oreshkin told reporters on the sidelines of the **Gaidar Forum** in Moscow.

"By our estimates, the carry-over effect of the ruble's devaluation on inflation has now fallen to around 0.1% from 0.13%-0.14%," he said. "We're expecting single-figure inflation, less than 10%, in February," he said.

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Fundamentals currently point to a greater likelihood for some future ruble strengthening than weakening, and may go as far as the forecast indicator for 2016: 63 rubles per dollar.

"These preconditions [for ruble strengthening this year] exist. I would point out that in our baseline forecast for 2016, the average exchange rate is 63 rubles/\$1. I believe that we have a chance to return to this trajectory in future," Ulyukayev told journalists in Moscow on Wednesday.

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Russia's Economic Development Ministry is considering various stress scenarios for this year that envision a dramatic increase in the budget deficit if the unfavorable situation on commodity markets continues.

"In the stress test that assumes that extremely low oil prices will continue for the whole year, we are considering a possibility where the budget deficit could increase to 7-7.5% of GDP. Right now we have a figure of 3% of GDP set in the budget law," Economic Development Minister Alexei Ulyukayev said in an interview with TV channel Rossiya 24

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Russia had a federal budget deficit of about 2.6% of GDP in 2015, less than the planned 3% of GDP, but the budget has still not been adapted to new oil prices and is balanced at a price of \$82 per barrel, Finance Minister Anton Siluanov said.

"The budget deficit was around 2.6% of GDP last year, lower than we initially planned. This was a level of 3%, if you recall. But we can't say there has been some final adaptation of the budget [to new realities]," Siluanov said at the **Gaidar Forum**.

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Russian Finance Minister Anton Siluanov believes that the forecast average price of oil in 2016 could be revised downward to \$40 per barrel and that this figure could be factored into the budget when it is revised.

"The forecast will now be revised. We believe that the average price of oil could be revised to about \$40 per barrel this year. We believe that it could be significantly lower in the first half of the year, like now, perhaps even lower, but in the second half of the year we believe that a recovery process could easily begin," Siluanov told reporters.

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POLITICS & SOCIETY

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Daily Headline News for January 13, 2015

13 января 2016

Digest of headline news as of 3:30 p.m. Moscow time on January 13:

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Tough budget decisions inevitable - Shuvalov

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Tough Russian budget decisions are inevitable, First Deputy Prime Minister Igor Shuvalov said at the **Gaidar Forum** on Wednesday.

"We will in fact have to make tough budget decisions. The finance minister and the prime minister spoke about that today. Here will not just have to determine what is effective and what is not," he said.

The government will have to take action in two areas: cutting budget spending and "as regards financing, identify the ineffective items that don't need to be carried out."

"Overall we have an idea about which of the most important state programs are effective spending and which aren't. I cannot say that this is such a comfortable situation for us - it's uncomfortable - but absolutely useful," Shuvalov said. The current situation is useful for invigorating the budget system as well and for switching to a more diversified economy.

"It would seem we always had many opportunities for this, but it only seems that way. Given high earnings from oil and gas, and from our other traditional groups, including metals, there were big expectations for spending. It is very difficult for the State Duma to make other decisions," Shuvalov said.



Budget state cos yet to adapt to new realities, unlike private sector - Siluanov (Part 2)

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Russian government's priority is to adapt the budget to the new realities, Finance Minister Anton Siluanov said.

Government-related companies must also adapt their budgets, he said at the **Gaidar Forum**, in Moscow.

"If in current conditions enterprises and the private sector have largely adapted to the new realities, then the budget, state companies and the public sector still have to adapt to new conditions. This task is now before us. If this doesn't take place, we might have negative consequences from the point of view of the economic situation," he said.

Siluanov said budget revenue would continue to decline this year and this year it would be 1.5 trillion rubles below what was approved previously in the three-year budget. In the years to come, the tendency for the resource base to contract will persist, he said.

"In these conditions it is impossible not to adapt spending to the new conditions," Siluanov said.

State companies, which account for a significant portion of the economy, need to take similar action to bring their budgets into line with the new conditions. "Without it will not be possible to say the public sector has generally adapted to the new conditions,"

Siluanov said.

He said structural reforms would be needed in 2016-2017 to adapt the budget. "If we don't do this, we'll later have to draw up our own strategic plan for a tougher scenario, because we hardly have any time for these changes," he said.



Deputy fin min sees Russian annual inflation at about 10% in Jan

13 января 2016

Prime News

MOSCOW, Jan 13 (PRIME) -- Russia's annual inflation will amount to about 10% in January, Deputy Finance Minister Maxim Oreshkin told reporters Wednesday on the sidelines of the **Gaidar Forum**.

"The data (recently provided by the Federal State Statistics Service) is quite optimistic. In principle, there will be about 10% in January, more or less – we will see," he said.

Russia's inflation amounted to 12.9% in 2015, according to the statistics service.

Oreshkin also said that annual inflation could decrease below 9% "by the end of the first quarter."



Dmitry Medvedev: Russian economy is different from 1998 crisis times

13 января 2016

AK&M

The current situation in the Russian economy does not resemble the 1998 crisis, as stated by Russia's Prime Minister Dmitry Medvedev at the **Gaidar Forum** in Moscow.

According to Medvedev, a number of experts often liken today's decline in oil prices to the 1998 crisis when oil dropped in price approximately 2.5 times in two years and Russia's industrial output plummeted by 40%.

"However, we do not observe anything similar to what the Russian economy went through in 1998. The crisis gradually wiped out the habit of basically relying on incomes from hydrocarbons," Dmitry Medvedev said.

Earlier, Russia's Minister of Finance Anton Siluanov stated that the Russian budget needs to be adjusted to the current economic situation.

"If we fail to do that, we will have the same result as in 1998-1999 when the population will pay, through galloping inflation, for our inability to adjust the budget to the new reality," the Minister emphasized.



Shuvalov: situation in Russian economy significantly more stable than in Jan 2015

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Russian economy passed through the most difficult phase in 2015 and the situation now is much more stable than at the beginning of last year, First Deputy Prime Minister Igor Shuvalov said.

"The situation is extremely difficult, but I think we endured the entire burden in 2015," Shuvalov said at the **Gaidar Forum**.

"Recalling the economic situation in January 2015 and public sentiment, this was an entirely different situation. Now it is significantly more stable," he said.

"Despite all the ruble volatility and even at such oil prices, if one looks at any reasonable opinion poll, people have begun to reckon their salaries in dollars less. People are thinking in rubles. This is a result that we didn't even expect would occur in one year," he said.



Russia needs to return to issue of privatizing Sberbank, VTB - Ulyukayev (Part 2)

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Russian authorities need to return to the issue of privatizing state banks, Economic Development Minister Alexei Ulyukayev said.

"We need to return to the issue of privatizing our biggest banks, Sberbank (MOEX: SBER) and VTB (MOEX: VTBR)," he said at the **Gaidar Forum**.

This privatization could help increase the banking system's capitalization while the global capital markets are off-limits, he said.

"These are very good quality assets, with world appeal. Their partial privatization, and a

partial placement in favor of the capital of these companies will make it possible to radically change the situation from the point of view of the capitalization of the Russian banking sector and enable it to digest those huge resources that might be localized via the implementation of a new savings model for households," he said.



Lengthy spell of low oil in prospect, 2016-2018 forecasts so far little-changed - Ulyukayev (Part 2)

13 января 2016

Interfax: Central Asia General Newswire

MOSCOW. Jan 13 (Interfax) - The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time, Economic Development Minister Alexei Ulyukayev said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said at the **Gaidar Forum** in Moscow.

"The period of low oil prices will be very lengthy. It's very hard for me to say whether this is the low stage of the global commodity cycle, or whether it's the new normality, but I'm convinced [low oil prices] are for the very long term. I don't think it falling to \$20 or \$15 is what we ought to be frightened about, as market logic dictates that the lower something falls today, the higher the probability it will rebound tomorrow. This [oil falling to \$20] is not the main risk. The main risk is that oil prices will be low for long periods, for years, or decades," he said.

So this, Ulyukayev said, meant that "fundamental decisions regarding structural changes in the economy" are needed. When the strategy to 2030 is being developed, the need will be not to "transgress by extrapolating today's decisions, but to approach it from the point of view of strategic targeting," he said.

Ulyukayev pointed to how consensus forecasts for oil prices were changing. "Look at how the consensus forecasts are changing. Analysts always change their forecast depending on what takes place in a current quarter, but this wave of alterations is fading. If we take the consensus for oil right now, then it has fallen steeply for the first quarter. It has fallen for the second quarter also, but it is almost unchanged for 2016 as a whole, and is \$63 a barrel in 2017 and \$70 in 2018. That's the consensus forecast for oil," he said.

"So this sort of extrapolation is not much use, but target-setting is where we define those contours that correspond, on the one hand, to fundamental constraints and on the other, give rise to the challenges that make us mobilize the economy's internal resources, and that is a very useful thing indeed," Ulyukayev said.



TASS DAYTIME NEWS ROUNDUP 08:00-19:00

13 января 2016
ITAR-TASS World Service

TASS DAYTIME NEWS ROUNDUP 08:00-19:00

January 13. /TASS/.

MOSCOW. VTB and Sberbank should be privatized simultaneously to prop up competition, Deputy Finance Minister Alexey Moiseev said at the 2016 **Gaidar Forum** in Moscow.

MOSCOW. The issue of privatization of Russia's oil major Rosneft hasn't been taken off from the agenda for 2016, Moiseev said.

MOSCOW. VTB currently does not need additional capital, Member of VTB Supervisory Council Sergey Dubinin told reporters.

MOSCOW. Russia's budget deficit amounted to 2.6% of the GDP in 2015, Finance Minister Anton Siluanov said.

MOSCOW. Ministries and departments need to reduce federal budget spending by 10% in 2016, Siluanov said.

MOSCOW. Russia's state-owned companies should bring their budgets in line with new economic environment as this sector presents a considerable part of the country's economy, Siluanov said.

MOSCOW. The Russian Finance Ministry is in favor of tight fiscal policy and warns against rash increase of public debt, Siluanov said.

MOSCOW. Russia's Economic Development Minister Alexei Ulyukayev says it's necessary to turn back to the issue of privatization of state lenders VTB and Sberbank in the near future.

MOSCOW. The period of low oil prices may last for decades, Ulyukayev said.

MOSCOW. The Russian government considers a budget deficit increase to 7-7.5 percent of GDP this year in its stress scenario, Ulyukayev said.

MOSCOW. Russia embraced the era of restricted economic growth when former economic drivers will no longer exist, Ulyukayev said.

MOSCOW. Ulyukayev said chances are equal of further strengthening and weakening

of the ruble.

MOSCOW. Russia's Economic Development Minister sees background for ruble's strengthening in 2016.

MOSCOW. Shift from consumer to savings behavior pattern of population is a major risk for the economy, Ulyukayev said.

MOSCOW. Anti-Russia sanctions are not the key obstacle for privatization of Russian lenders VTB and Sberbank, Ulyukayev said.

MOSCOW. Inflation in Russia will be below 10% starting from Q2-Q3 of 2016, Ulyukayev said.

MOSCOW. Stress scenario based on \$25 per barrel oil price is being prepared, Ulyukayev said.

MOSCOW. Revision of the budget for 2016 is premature in conditions of uncertainty regarding volatility on the markets, Ulyukayev said.

MOSCOW. Oil prices are expected to grow to \$50-70 a barrel in mid-term, Deputy Chief Executive Officer of Russia's Vnesheconombank Andrei Klepach said in an interview with Rossiya 24 TV Channel.

MOSCOW. No preconditions exist for the key rate to be reduced by the Bank of Russia and its increase is more probable, Klepach said.

MOSCOW. Oil prices may rise to \$40-50 a barrel in the second half of the year but may also fall below \$20/bbl for a short term, Klepach said.

MOSCOW. Russia may face economic growth at the rate of 4-5% in case it creates a model of export of technologies and commodities to China, Klepach said.

MOSCOW. Russian Central Bank's monetary policy remains unchanged amid current environment, head of the regulator's monetary policy department Igor Dmitriev said.

MOSCOW. Russian Central Bank's optimistic scenario implies that oil prices will bounce back to \$75 per barrel, Dmitriev said.

MOSCOW. Inflation in 2016 will amount to 7% at oil price of \$35 per barrel, Dmitriev said.

MOSCOW. Russian Central Bank's risk scenario implies toughening of the country's monetary policy, Dmitriev said.

MOSCOW. Russia's national currency is holding on fast amid the current economic environment, Dmitriev said.

MOSCOW. Capital outflow from Russia may total around 60 bln rubles (\$788 mln) in

2016, similar to 2015, Dmitriev said.

MOSCOW. Russia's Central Bank does not expect a return of access to international capital markets of Russian financial institutions and companies within the nearest 3 years, Dmitriev said.

MOSCOW. No reduction of Russian Railways investment program is planned, Transport Minister Maxim Sokolov told journalists.

MOSCOW. The Russian Transport Ministry will insist on full control in the provision of services to passengers at Egyptian airports, Sokolov said.

MOSCOW. With the average annual oil price of \$40 per barrel, economic growth could be as low as zero, Deputy Finance Minister Maxim Oreshkin told journalists.

MOSCOW. The Russian ruble is more stable now than a year ago, Oreshkin said.

MOSCOW. Russia's inflation in annual terms will be about 10% at end of January, Oreshkin said.

MOSCOW. Low oil prices in coming months may result in shutdown of individual oil production facilities in Russia, Oreshkin said.

MOSCOW. The European Union and the Eurasian Economic Union (EAEU) will create common economic space sooner or later, First Deputy Minister of Economic Development Alexei Likhachev said at 2016 **Gaidar Forum**.

MOSCOW. Russia's losses due to EU sanctions amounted to 25 bln euro in 2015, while losses of the European Union were equal to 90 bln euro in 2014-2015, Likhachev said

MOSCOW. Russia's Central Bank expects Chinese market players to come to the Russian market of rating agencies, director of the regulator's department of financial market development department Elena Chaykovskaya said.

MOSCOW. Russia is ready to resume supplies of electricity to Ukraine in case Moscow receives such a request, Deputy Energy Minister Anatoly Yanovsky said.

MOSCOW. Russia's gas deliveries to the European market may increase while oil exports are likely to decline, Yanovsky said.

MOSCOW. Turkey rose to the second place after Germany by demand for the Russian gas in 2015, Gazprom CEO Alexei Miller said.

MOSCOW. Kiev troops shelled the territory of the embattled Donetsk airport on Wednesday morning, a source in the law enforcement agencies of the self-proclaimed Donetsk People's Republic said.

MOSCOW. The Russian Foreign Ministry hopes that Foreign Minister Sergey Lavrov will hold a telephone conversation with the Japanese side on Wednesday, a diplomatic source said, commenting on a statement by (Japanese Foreign Minister) Fumio Kishida

that the conversation has not taken place due to some "circumstances" of the partners.

BEIJING. China and Russia play an important positive role in global affairs, China's Foreign Ministry spokesperson Hong Lei said, expressing hope that the US will also contribute to peace in the world.

SIMFEROPOL. Crimea's lawmakers asked the Russian Investigative Committee and the Prosecutor-General's Office to launch a probe into genocide against the peninsula's residents on the part of Ukraine.

GENEVA. Russian Deputy Foreign Minister Gennady Gatilov is holding a meeting in Geneva with Chairman of the Kurdish Democratic Unity Party Saleh Muslim, a diplomatic source told TASS.

MOSCOW. Russia's State Duma Speaker Sergey Naryshkin said he plans a new visit to Japan in June to develop interparliamentary relations and participate in a ceremony of opening the Russian culture festival.

MOSCOW. Russia's parliament will announce its decision on Friday on participation in the January session of the Parliamentary Assembly of the Council of Europe (PACE), Russian MP Alexei Pushkov said.

MOSCOW. Pakistan's bid to create a free trade zone with the Eurasian Economic Union (EAEU) is slowed due to a large number of similar bids. That's according to Andrey Slepnev, Trade Minister with the Eurasian Economic Commission (EEC).

MOSCOW. Russian Foreign Minister Sergey Lavrov in a telephone conversation with his South Korean counterpart Yun Byung-se urged Seoul to refrain from any action that might fan tensions in Northeast Asia, the Russian Foreign Ministry said.

MINSK. The meeting of coordinators of the subgroups of the Contact Group on the resolution of the conflict in eastern Ukraine is underway in Minsk, the Belarusian Foreign Ministry said.

MOSCOW. Russia is investigating all the circumstances of the detention of three Russian citizens in Turkey's Antalya, Russia's Foreign Ministry official spokesperson Maria Zakharova said.

MOSCOW. Actions of the organizers of the fourth Nuclear Security Summit (NSS) who suggest developing "instructions" for the UN and other organizations, fundamentally change the concept of the event and are unacceptable, Zakharova said.

MOSCOW. Russia is skeptical of attempts to display power against North Korea that announced a successful hydrogen bomb test earlier this month, Russian MP Alexei Pushkov said.

MOSCOW. US President Barack Obama is indulging in wishful thinking by writing Syria off the sphere of Russia's influence, a senior Russian lawmaker told TASS.



EU and Eurasian Economic Union to create common economic space sooner or later - First Deputy Minister of Economic Development

13 января 2016
ITAR-TASS World Service

URGENT:

EU and Eurasian Economic Union to create common economic space sooner or later -
First Deputy Minister of Economic Development

MOSCOW, January 13. /TASS/. The European Union and the Eurasian Economic Union (EAEU) will create common economic space sooner or later, First Deputy Minister of Economic Development Alexei Likhachev said on Wednesday at 2016 **Gaidar Forum**.

"There is no alternative to such work at all. At some point this comfortable business environment for European, Russian and Eurasian companies will be created. The question is what generation of politicians will implement this idea," the official said.



Ex-finance minister Kudrin suggests consolidating Reserve Fund and National Wealth Fund

13 января 2016
ITAR-TASS World Service

URGENT:

Ex-finance minister Kudrin suggests consolidating Reserve Fund and National Wealth Fund

MOSCOW, January 13. /TASS/. Russia's ex-finance minister Alexei Kudrin suggests consolidating the Reserve Fund and the National Wealth Fund. Kudrin made such a statement on Wednesday at 2016 **Gaidar Forum**.

"We need to merge the Reserve Fund and the National Wealth Fund because they should be managed as a single instrument and understood as a resource against the background of challenges we will actually face in coming 2-3 years," Kudrin said.

Russia Beyond The Headlines

Russian Finance Minister: Oil prices could continue to slide

January 13, 2016

Oil prices are likely to go on sliding in the near future, Russian Finance Minister Anton Siluanov said.

"Today there's a very tight balance on the oil market, we're seeing that nobody is cutting oil production. We're likely in the short term to see further decline in prices for this commodity," he said.

"Indicators for this commodity are unlikely to increase in the short term as the global economy declines and oil stocks remain high," he said in addition.

http://rbth.com/news/2016/01/13/russian-finance-minister-oil-prices-could-continue-to-slide_558885



Russia's inflation in annual terms to be about 10% at end of January - Deputy Finance Minister

13 января 2016

ITAR-TASS World Service

TASS

URGENT:

Russia's inflation in annual terms to be about 10% at end of January - Deputy Finance Minister

MOSCOW, January 13. /TASS/. Russia's inflation in annual terms will be about 10% at end of January, Deputy Finance Minister Maxim Oreshkin said on Wednesday at 2016 **Gaidar Forum**.

"Russian statistics agency released optimistic data. We will be somewhere within ten percent at end of January. We will see whether it is higher or lower," the official said.



Russia's losses due to EU sanctions amounted to 25 bln euro in 2015 - First Deputy Minister of Economic Development

13 января 2016

ITAR-TASS World Service

ECONOMY: EU-SANCTIONS-RUSSIA-1

Russia's losses due to EU sanctions amounted to 25 bln euro in 2015 - First Deputy Minister of Economic Development

/Update/

MOSCOW, January 13. /TASS/. Russia's losses due to EU sanctions amounted to 25 bln euro in 2015, while losses of the European Union were equal to 90 bln euro in 2014-2015, First Deputy Minister of Economic Development Alexei Likhachev said on Wednesday at 2016 **Gaidar Forum**.

"We estimate losses from imposed sanctions and response measures as 40 bln euro in 2014 and 50 bln euro in 2015 for the European Union. We forecast 25 bln euro losses for Russia [due to EU sanctions] in 2015 or somewhat minus 1.5% [from that figure]," the official said.

The adverse effect for Russia will decline, the official added. "The economy is obviously adapting and companies are adapting to such [sanctions] conditions," Likhachev said.



Finanzminister warnt vor Russland-Crash

Benjamin Bidder
13 января 2016
Spiegel Online

<http://www.spiegel.de/wirtschaft/russland-oelpreis-finanzminister-warnt-vor-crash-a-1071872.html>

Russland reagiert auf Ausfälle von Öleinnahmen und verkündet Kürzungen der Staatsausgaben von zehn Prozent. Die Wirtschaft schrumpft, die Armut steigt - aber die Mehrheit der Russen bleibt bemerkenswert gelassen.

Moskaus Wirtschaftselite kommt in diesen Tagen zum jährlichen **Gaidar-Forum** zusammen. "Russland und die Welt: Ein neuer Vektor" lautet der Titel der Tagung in diesem Jahr. Für Russlands Wirtschaft ist bislang nur eine Richtung zu erkennen: es geht - im Sog des Ölpreises - steil nach unten.

Moskaus Tageszeitungen fragen ängstlich, welche Folgen der Absturz für Russland haben wird. "Was, wenn es morgen 20 Dollar sind?", schreibt das Wirtschaftsblatt RBK-Daily auf seiner Titelseite, und - etwas überspitzt - "ob es noch Leben geben wird bei 15 Dollar?" Seit Jahresbeginn ist der Preis pro Barrel um fast 20 Prozent gesunken, seit November sogar um 40 Prozent. Ein Fass der Sorte Brent kostete zwischenzeitlich nur noch 30 Dollar, die russische Sorte Urals sogar nur noch 27,40 Dollar.

Die neuen Turbulenzen am Ölmarkt machen Russland schwer zu schaffen, da sich die Staatseinnahmen zu einem großen Teil aus Rohstoffexporten speisen, vor allem aus Öl und Gas. Für einen ausgeglichenen Haushalt benötigt die Regierung in Moskau Experten zufolge einen Ölpreis von 105 Dollar je Fass. Jeder Dollar weniger bedeutet

für den Staat Mindereinnahmen von rund zwei Milliarden Dollar. Ministerien und Banken rechnen eilig neue Krisenszenarien durch. Der Haushalt sieht bisher noch Ausgaben von umgerechnet 200 Milliarden Euro vor, bei einer Neuverschuldung von drei Prozent des Bruttoinlandsprodukts - aber die Berechnung geht noch von einem Ölpreis von 42 Dollar aus.

Die Preiskrise dürfte Russlands Wirtschaft auch 2016 schrumpfen lassen. Bei einem Ölpreis im Jahresdurchschnitt von 35 Dollar rechnet die Zentralbank mit einem Rückgang der Wirtschaftskraft von bis zu drei Prozent. Die Neuverschuldung könnte auf bis zu fünf Prozent hochschnellen.

Russlands Devisenreserven von 400 Milliarden Dollar schmelzen

Finanzminister Anton Siluanow nutzte den Auftakt des Gaidar-Forums zur Warnung: Das Budget müsse schleunig angepasst werden. "Wenn wir das nicht tun, wird das gleiche passieren wie 1998/99", sagte Siluanow.

Das ist eine Warnung, die jeder Russe versteht: 1998 stürzte Russland in den Staatsbankrott. Der Rubel verlor extrem an Wert, Banken brachen zusammen, Millionen Russen verloren ihre Ersparnisse, die Inflation stieg auf 84 Prozent. Das Land brauchte Jahre, um sich von dem Absturz zu erholen.

Anders als damals ist der russische Staat heute allerdings kaum verschuldet. Russlands Devisenreserven belaufen sich noch immer auf mehr als 400 Milliarden Dollar, auch wenn sie sinken.

Die dramatische Mahnung des Finanzministers ist wohl auch taktischer Natur. Siluanow stehen harte Verhandlungen mit seinen Kabinettskollegen über das nötige Sparprogramm bevor, die Kürzungen sollen sich auf zehn Prozent belaufen.

Für Wladimir Putin könnte 2016 eines der schwierigsten Jahre seiner Präsidentschaft werden. Er hat versprochen, trotz Einnahmeausfällen Steuern und Abgaben nicht zu erhöhen. Tut er es dennoch, könnte die Kreml-Partei "Einiges Russland" die Quittung dafür bekommen. Im September wählen die Russen ein neues Parlament. Ende des vergangenen Jahres protestierten bereits die Fernfahrer gegen die Einführung einer Lkw-Maut und blockierten Schnellstraßen.

Der Präsident hat in der Krise stets Optimismus demonstriert, fast bis zur Realitätsverweigerung. Ende 2014 - der Absturz der Energiemärkte hatte gerade begonnen - beteuerte Putin, langfristig könne der Ölpreis gar nicht unter 80 Dollar fallen, denn das werde "die Weltwirtschaft zerstören". Im November 2015 verkündete Putin, man habe den wirtschaftlichen Wendepunkt erreicht, als nächstes werde es darum gehen, "ein stabiles Wachstumstempo" zu erreichen.

Die Abwertung des Rubel befeuert die Inflation

Jetzt rächt sich, dass Russland nicht früher seine Abhängigkeit von Rohstoffexporten gesenkt hat. Mit Blick auf die Wahlen hat Finanzminister Siluanow zugesagt, alle "sozialen Verpflichtungen" des russischen Staates unangetastet zu lassen. Gemeint

sind die Bezüge von 40 Millionen Rentnern, die Gehälter der Staatsbeamten und alle Sozialausgaben.

Wie schwierig Sparrunden in Russland werden können, hat Siluanow schon im vergangenen Jahr erfahren müssen: Auch damals sollten zehn Prozent der Ausgaben gekürzt werden. Die Einsparungen wurden fast vollständig aufgezehrt durch Rentenzuschläge, mit denen Ruheständler für die steigende Inflation entschädigt werden. Am Ende lagen die Staatsausgaben weniger als ein Prozent unter den Planungen.

Die Inflation wird befeuert durch die Abwertung des Rubel. 2015 lag sie bei elf Prozent, allein Lebensmittel wurden um 20 Prozent teurer. Das lässt immer mehr Menschen in Armut rutschen. Im vergangenen Jahr lebten 22 Millionen Russen unterhalb des Existenzminimums, 2014 waren es noch 18,9 Millionen.

Die Probleme haben allerdings nicht dazu geführt, dass Putins Beliebtheit zurückgeht. Umfragen bezeugen eine bemerkenswerte Gelassenheit der Russen. Gerade einmal acht Prozent glauben, dass es ihnen 2016 schlechter gehen wird als im Jahr zuvor. Fast jeder zweite glaubt sogar, es werde besser.

Menschen im verschneiten Moskau: 22 Millionen Russen leben unter dem Existenzminimum

Vor einer Wechselstube in Moskau: "Was, wenn es morgen 20 Dollar sind?"

AP Associated Press



Deputy speaker of the Duma, Alexander Zhukov, attends the **Gaidar Forum** in...

The Associated Press
13 января 2016

Deputy speaker of the Duma, Alexander Zhukov, attends the **Gaidar Forum** in Moscow, Russia, Wednesday, Jan. 13, 2016. Russia's leaders are warning the government will need to make more cutbacks if the nation is to avoid a repeat of the 1998 financial crash, the country's biggest post-Soviet economic trauma. (AP Photo/Ivan Sekretarev)



Russia Loses 25Bln Euro in 2015 Over EU Sanctions

13 января 2016
Sputnik News Service

[Spring in Moscow](#)

MOSCOW (Sputnik) — Russia's losses from European Union sanctions are estimated at 25 billion euro (some \$27 billion) in 2015, Russian Deputy Economic Development Minister Alexei Likhachev said Wednesday.

"We estimate losses from [EU] sanctions and [Russia's] response measures at \$40 billion in 2014 and \$50 billion in 2015 for the European Union. And at 25 billion euro for Russia last year, minus around 1.5 percent of GDP," Likhachev said at the **Gaidar Forum**.

Preliminary data show that the trade volume between Russia and the European Union fell by 40 percent last year, according to the deputy minister.

RUSSIA BEYOND THE HEADLINES

Medvedev calls 2015 most difficult year in recent past

January 13, 2016 ALEXEI LOSSAN, RBTH

During his speech at the Gaidar Economic Forum in Moscow on January 13 Russian Prime Minister Dmitry Medvedev called the previous year the most difficult in Russia's recent economic history. However, in his words, the country withstood a drastic decrease in oil and gas prices and has already taken the first steps towards exiting from the crisis. In particular, Russian metallurgists have already become the most effective in the world in terms of production costs.

The Russian economy had never faced so many different challenges simultaneously, including the fall in oil prices, anti-Russian sanctions and the change in the global economy's working principles, said Russian Prime Minister Dmitry Medvedev. "In such a situation traditional recipes stop working and the usual regulating instruments fail," he said.

However, in Medvedev's words, the world economy also found itself in a complex situation and problems have caught up not only with resource producers but consumers as well. In particular, the supply on the oil market significantly outweighs the demand, while the political situation in the Middle East no longer influences the level of oil prices as it did before.

The main reasons for challenges

Medvedev says that in the last year many rules in the world economy have changed.

"The established regulations are corrected and rewritten, as was done by the International Monetary Fund (IMF) in relation to Ukraine," Medvedev said. He was referring to the fact that the IMF decided to continue lending money to the Ukrainian economy despite the country's default on its Russian loan. "The economic sanctions against Russia undermine the WTO, while decisions made by one country immediately have an impact on other countries without any time lags," he said. According to the prime minister, in this situation Russia's shortage of economic growth sources have increased.

One of the main consequences of the economic crisis in Russia, according to Medvedev, is the population's income decline.

"In the end it was the middle class that suffered. Over the last 12 years we had been successful in rooting out poverty. Sometimes we worked to the detriment of structural reforms and the super-revenues from oil production were used for pensions and building hospitals," he said. As a result, according to Medvedev, in the previous period the growth of prosperity outstripped modernization and poverty decreased twofold.

The main decisions to be made

The prime minister remarked that even though the situation in the Russian economy is complex, it is still manageable. "The flight from the ruble did not occur. The banking sector is working stably. Credit activity is gradually increasing," he added.

However, in Medvedev's view, if oil prices continue to fall, the government will have to change the parameters of the annual state budget. "The basic principle of our policy must remain the same - we must live within our means." In particular, he mentioned that the fall of the ruble resulting from the decline in oil prices has led to the reduction of Russian companies' expenses.

"Russian metallurgical companies have already become leaders in terms of cost indicators, which are one of the lowest in the world," he continued. "The agricultural sector is also demonstrating stable growth." In Medvedev's words, Russia's economy has shown its resilience, but the main result is that, "the country is withstanding the lack of substantial oil and gas revenues." In such a situation Russia is ready to improve relations with the EU and conclude new trade agreements with other countries and

associations, based on WTO principles. "I am convinced of what I have already said on many occasions, that sanctions will remain in the past, but for this to happen the sides must make compromises," Medvedev concluded.

http://rbth.com/gaidar_forum_in_moscow/2016/01/13/medvedev-calls-2015-most-difficult-year-in-recent-past_559107



Deputy PM praises work of Russian gov't in 2015

13 января 2016
RosBusinessConsulting

The Russian government didn't make any big mistake in 2015, said First Deputy Prime Minister at the **Gaidar Forum**, citing renowned economists and experts.

"I'd like to refer to the opinions of [Vladimir] Mau [dean of the Presidential Academy of National Economy and Public Administration] and many foreign experts. Perhaps we [as a government], like all normal people, make mistakes in real life. But we were told based on our results in 2015 that the government didn't make any big mistake," Shuvalov says.

"We did everything that we promised to do as far as macroeconomic indices and social commitments are concerned," the official went on. Both the Central Bank and the government were open about their plans and course of action back in 2008 and last year, he added.

Although Shuvalov admitted the dire economic situation in the country, he noted that Russia addressed most challenges last year. In any case, the government will have to take tough budget measures by cutting back and optimizing spending. Shuvalov went on to say that the ministers already had an idea about the most effective spending under several significant state programs.

"I can't say that it's a comfortable situation. It's uncomfortable indeed, but absolutely useful. This eventually contributes to a healthier budget system and a more diversified economy," Shuvalov concluded.



Russian Analytical Credit Rating Agency starts contacts on going to rating markets of Eurasian Economic Union - CEO Trofimova

13 января 2016
ITAR-TASS World Service

ECONOMY: ACRA-PLANS-1

Russian Analytical Credit Rating Agency starts contacts on going to rating markets of Eurasian Economic Union - CEO Trofimova

/Update/

MOSCOW, January 13. /TASS/. Russian Analytical Credit Rating Agency (ACRA) started contacts with foreign partners on the possibility of working on markets of the Eurasian Economic Union, Chief Executive Officer of ACRA Ekaterina Trofimova told TASS on Wednesday on the sidelines of 2016 **Gaidar Forum**.

"We are exploring an opportunity of entering rating markets of the Eurasian [Economic] Union. First contacts on this matter are already underway with the largest markets of the Eurasian [Economic] Union. When we will receive accreditation and start signing contracts, then it will be possible to call it the work [of entering foreign markets]," Trofimova said.

It is premature to speak about any timeframe of entering foreign markets now, Trofimova said. The priority of the Agency is to develop and work on the domestic market, she added.

ACRA already started receiving requests for ratings from companies, financial institutions and regional authorities, Trofimova said. No specific negotiations have been held so far, ACRA CEO said.

"We decided in the first instance to complete all process organization and methodology procedures. I hope we will start assigning credit ratings in third quarter of this year at the latest," Trofimova said.

interfax

Russian inflation to revert to single figures in Feb, could exceed 6.5% forecast in year - MinFin

13 января 2016
Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russian inflation could revert to single figures as early as February but, due to the ruble's devaluation, it could exceed the official 6.5% forecast for the year, Deputy Finance Minister Maxim Oreshkin told reporters on the sidelines of the **Gaidar Forum** in Moscow.

"By our estimates, the carry-over effect of the ruble's devaluation on inflation has now fallen to around 0.1% from 0.13%-0.14%," he said. "We're expecting single-figure

inflation, less than 10%, in February," he said.

The Finance Ministry's inflation forecast for the year is 5.5%-6.5%, but on the condition oil trades at \$63 a barrel, Oreshkin said. "If oil prices are lower we get a weaker ruble, that is each percentage point by which the exchange rate weakens adds about 0.1 of a percentage point to inflation," he said, adding that "right now it's hard to say what the inflation forecast will be as this will depend on the level at which oil prices stabilize."

AP Associated Press



Russian Russian Labor Minister Maxim Topilin attends the Gaidar Forum in Moscow,...

13 января 2016

Russian Russian Labor Minister Maxim Topilin attends the **Gaidar Forum** in Moscow, Russia, Wednesday, Jan. 13, 2016



Russian Health Minister Veronika Skvortsova, left front, and Chief of Russia's...
Russian Health Minister Veronika Skvortsova, left front, and Chief of Russia's Nanotechnology Agency Anatoly Chubais, right front, attend the **Gaidar Forum** in Moscow, Russia, Wednesday, Jan. 13, 2016. (AP Photo/Ivan Sekretarev)



林毅夫：中国经济崩溃论者不理解本质

13 января 2016

中央社中文新闻 (简体)

Китайский (упрощенный)

(中央社台北13日电)知名经济学家林毅夫12日表示，中国大陆经济不会崩盘，未来几年经济成长率可保持在6.5%至7%之间。他还说，预言大陆经济将崩溃的人不理解大陆经济的本质。

新华社报导，赴俄罗斯首都莫斯科出席盖达尔论坛 (**Gaidar Forum**) 的林毅夫，当地时间12日在记者会上谈及大陆经济前景，作上述表示。

现任北京大学国家发展研究院教授的林毅夫说，大陆2015年各项经济指标基本达到预

期水准，全年经济成长7%左右。大陆经济约占世界经济规模的14%，对全球经济增长的贡献率达30%以上。

林毅夫表示，当前有许多人担心大陆经济，「有人预言中国经济将会崩溃，我觉得他们还不理解中国经济的本质」。

他指出，大陆拥有足够的投资机会和内部资源，未来几年经济成长率可保持在6.5%至7%之间，大陆仍将是世界经济成长的主要动力之一。

谈到中俄经济关系，林毅夫说，双方经济结构互补性强，合作前景良好。例如大陆耕地面积有限，农村人口老化问题逐渐浮现，不得不增加农产品进口，俄罗斯可成为大陆农产品进口主要来源之一。

2016年盖达尔论坛13日至15日在莫斯科举行。 1050113 ->



林毅夫：中國經濟崩潰論者不理解本質

13 января 2016

中央社中文新聞 (繁體)

Китайский (традиционный)

(中央社台北13日電)知名經濟學家林毅夫12日表示，中國大陸經濟不會崩盤，未來幾年經濟成長率可保持在6.5%至7%之間。他還說，預言大陸經濟將崩潰的人不理解大陸經濟的本質。

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現任北京大學國家發展研究院教授的林毅夫說，大陸2015年各項經濟指標基本達到預期水準，全年經濟成長7%左右。大陸經濟約占世界經濟規模的14%，對全球經濟成長的貢獻率達30%以上。

林毅夫表示，當前有許多人擔心大陸經濟，「有人預言中國經濟將會崩潰，我覺得他們還不理解中國經濟的本質」。

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2016年蓋達爾論壇13日至15日在莫斯科舉行。

AP Associated Press



Russian Health Minister Veronika Skvortsova attends the **Gaidar Forum** in Moscow,...

13 января 2016
AP Photostream

Russian Health Minister Veronika Skvortsova attends the **Gaidar Forum** in Moscow, Russia, Wednesday, Jan. 13, 2016. (AP Photo/Ivan Sekretarev)

 **REUTERS**



Vyugin, Chairman of Board of Directors of MDM Bank, attends a session of the Gaidar Forum 2016 in Moscow

13 января 2016
Reuters Pictures

Oleg Vyugin, Chairman of Board of Directors of MDM Bank, attends a session of the Gaidar Forum 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Russia seeks spending cuts to ready for low oil price era

Darya Korsunskaya
Wednesday, 13 Jan 2016

MOSCOW, Jan 13 (Reuters) - "New realities" including the possibility that oil prices will remain low for a prolonged period will force Russia to take hard decisions about government spending, its finance minister said on Wednesday.

Anton Siluanov warned the country's budget would only balance at an oil price of \$82 per barrel, well in excess of the \$50 per barrel assumption used for this year's calculations, let alone the \$30 per barrel near which oil is currently trading. Some forecasters have predicted crude, Russia's major export and main source of revenues, could fall to \$20 per barrel or lower.

Although he said oil prices could start to recover in the second half of the year, Siluanov told the annual Gaidar Forum in Moscow that the 2016 budget should be revised according to a lower assumed average oil price of \$40 per barrel.

"Our task is to adapt our budget to the new realities," Siluanov said. "Our budget will be balanced when the price is \$82 per barrel so there are still a lot of decisions to be made when it comes to budget policy."

Speaking at the same conference, Prime Minister Dmitry Medvedev also said the country needed to steel itself for tough times. "One needs to prepare for the worst scenario," he said.

Medvedev said the budget would need to be revised if oil prices fell further. But he also said the situation was manageable given Russia's existing cash reserves.

Russia's central bank outlined a "risk scenario" last month under which oil prices would stay at around \$35 for three years.

Siluanov said last year's budget deficit was around 2.6 percent of gross domestic product, slightly lower than forecast, but warned that did not mean Russia had adapted to an era of cheap oil.

This year's budget envisages a deficit of 3 percent of GDP, assuming the oil price averages \$50 per barrel.

Siluanov said the first steps towards adjusting spending had been taken, after the government ordered ministries to find 10 percent cuts in "non-protected items" of expenditure.

Officials earlier told Reuters that the planned cuts had been approved by the government last month, but would exclude areas such as public sector pay and pensions.

The finance ministry, which typically emphasises the need for fiscal caution, is likely to face resistance to spending cuts from other government departments as it did last year.

Economy Minister Alexei Ulyukayev also warned that Russia needed to brace for a long period of low commodity prices.

"I am convinced that the period of low commodity prices will be protracted," he told the forum.

"One needs to fear that there will be (an oil price) of \$20 or \$15. By the logic of markets the bigger the fall today, the larger the rebound tomorrow, and this isn't the biggest risk.

"The biggest risk is that there will be low prices for a long time -- that is for years, for decades," Ulyukayev said.



Pakistan Sends Request to EEU on Creation of Free Trade Area

13 января 2016
Sputnik News Service

[First session of EEU Intergovernmental Council](#)

MOSCOW (Sputnik) — The [EEU](#), comprising Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan, is an international organization that encourages regional economic integration through the free movements of goods, services, and people within the union.

More than 40 countries and international organizations, including China, Indonesia, Cambodia and India have expressed interest in creating a [free trade zone](#) with the bloc.

"Just two days ago we received a request from [Pakistan](#) about free trade, another one," Slepnev said at the [Gaidar Forum](#) in Moscow.

He explained that the five member states of the union had a very large agenda, as they had received many requests from different countries looking to establish trade relations with the EEU.

"Therefore, we have to prioritize," he added.

In August 2015, Pakistani Prime Minister Nawaz Sharif said that the country was interested in signing a free trade agreement with the bloc.

THE WORLD

W E E K L Y

Russia prepares to slash spending as oil prices hit 12-year lows

13 января 2016

With little prospect of oil prices soon rebounding, Russia is preparing to revise its 2016 spending plans and sell stakes in the country's two main banks, top government officials told the annual economic Gaidar Forum in Moscow on Wednesday. The original draft of this year's budget envisaged a deficit of 3% and was based on the assumption that crude oil would average \$50 a barrel this year, well above the \$30 it was trading at on Tuesday. "Our task is to adapt our budget to the new realities," finance minister Anton Siluanov said. "Our budget will be balanced when the price is \$82 per barrel so there are still a lot of decisions to be made when it comes to budget policy."

□ Mr. Siluanov said the first stage of adjustment was already underway, with government departments having until Friday to produce plans to cut spending by 10% on items that are not protected; ring-fenced areas include civil-servant pay and pensions.

□ Economy minister Alexei Ulyukayev said Western sanctions, which have isolated Russia from global capital markets, mean the banking system urgently needs an injection of funds. He said selling shares in VTB Bank and Sberbank would provide some relief.

□ To sell off these stakes would be a major reversal in policy which hints at desperation since the government has previously dismissed the suggestion. It owns a majority stake in VTB, while the central bank has a majority stake in Sberbank but can only sell its shares in the lender if Russian laws are changed.

□ Oil prices have slid almost 75% since June 2014, severely impacting Russian budget revenues, more than half of which come from oil. The continuing commodity rout is one reason why many analysts, who had until late last year predicted a return to slight growth in 2016, are now forecasting a second year of recession for Russia.

The Wall Street Journal has more details on the proposed spending changes.

<http://www.theworldweekly.com/reader/view/newswire/2016-01-13/russia-prepares-to-slash-spending-as-oil-prices-hit-12-year-lows/6303>

GULF NEWS 

Russia announces new budget cuts amid oil slide

13 января 2016

Russia's 2016 budget is based on an oil price of \$50 a barrel and a deficit of 3%, which President Vladimir Putin has ordered must not be exceeded

Moscow: Russia will cut its spending by 10 per cent this year, the finance minister said Wednesday, as prices for Moscow's key export commodity slumped to new lows.

"We have agreed that ministries and (government) agencies ... will present their proposals to the finance ministry for optimising budget expenditure by around ten per cent," Finance Minister Anton Siluanov told an economic conference in Moscow, confirming media reports on Tuesday.

"We have to take well thought-out measures on how to bring the budget in accordance

with the new realities,” he added.

“In the current difficult conditions, we must speak of a very thrifty, strict budget policy, in order not to end up with high deficit levels or a high volume of debt,” he said.

Russia’s 2016 budget is based on an oil price of \$50 a barrel and a deficit of three per cent, which President Vladimir Putin has ordered must not be exceeded.

Crude prices on Tuesday dipped below \$30 a barrel for the first time in over 12 years.

Siluanov said the oil price would have to rise to \$82 to fully balance this year’s budget.

Siluanov cautioned against expecting a “price rise (for oil) in the immediate future,” while economy minister Alexei Ulyukayev predicted that oil prices would remain low for “a very long time.”

While last year’s budget deficit was only 2.6 per cent, this year is expected to be more difficult.

The government has been forced to dip heavily into its reserves and abandon support for the rouble, which has slid in value.

The economy has also been pummelled by Western sanctions imposed due to Moscow’s meddling in Ukraine, as well as Russia’s countermeasures which included an embargo on key food imports.

Budget cuts have already affected the interior ministry, which announced layoffs of about 10 per cent of its workforce.

If the government fails to initiate austerity measures, “the same thing will happen as in 1998-99, with the public paying through inflation for our failures in correlating the budget with the new reality,” warned Siluanov, referring to a previous economic crisis which saw Russia default on its debt.

Annual inflation in 2015 reached 15.5 per cent and food prices grew more than 19 per cent on average, with fruit and vegetables becoming 29.5 per cent more expensive, the state statistics service said this week.

<http://gulfnnews.com/business/economy/russia-announces-new-budget-cuts-amid-oil-slide-1.1653156>



Number of impoverished Russians rising

13 января 2016

RosBusinessConsulting

Speaking at the **Gaidar Forum**, former Finance Minister Alexey Kudrin warned about

the increasing number of poor Russians. According to him, this is the biggest difference of this crisis compared to the economic meltdown in 2008. Eight years ago the number of poor people diminished because of substantial social payments and fiscal incentives aimed at boosting employment.

"Back then real household incomes didn't drop in general, while the number of poor people dwindled," Kudrin highlighted. The situation has changed, however. "We're at a different point now and these problems have aggravated. We say that we'll stick to all social commitments. At the same time, the number of poor people will grow," he said.

The increasing number of poverty-stricken Russians is reflected in the official statistics. According to Rosstat state statistics service, the number of people with income below the poverty line (RUB 9,600 or approx. USD 125a month) reached 20.3m in 9M 2015 against 18m in the year-earlier period.

Data from the All-Russian Public Opinion Research Center show that the number of struggling families (who are badly off for food and clothes) almost doubled in 2015 from 22% in 2014 to 39% in December 2015.

The former finance minister went on to say that existence of a social welfare state in Russia was no more than a mere declaration. In his opinion, implementing that plan would mean increasing tax burden. He referred to the examples of European countries where tax burden amounted to 40% per capita, while in Russia it was 37% taking into consideration oil companies, and 30% without them.

The official pointed out the fact that social spending increased from 9.1% to 14.3% of GDP in 2008-2015, with pension system accounting for 4%. If low oil prices persist, it would be impossible to index pensions twice in 2016, Kudrin said.

"If oil price stays at \$35 a barrel, I don't see how pensions can be indexed this year. If indexation is commensurate with the current inflation of 12%, it would require additional budget spending of RUB 660bn (approx. USD 8.6bn). Where do we get this money? Just for the sake of comparison, spending on education and healthcare is earmarked at RUB 600bn (approx. USD 7.8bn) and RUB 300bn (approx. USD 3.9bn), respectively," Kudring said at the forum.

Pensions of unemployed retired Russians will be increased 4% from February 1, 2016. The government announced earlier the second indexation in H2 2016, saying that its amount would be determined later.



Fradkov, First Deputy Chairman of Russian State Corporation 'Bank for Development and Foreign Economic Affairs', attends a session of the **Gaidar Forum 2016 in Moscow**

REUTERS
13 января 2016
Reuters Pictures

Petr Fradkov, First Deputy Chairman of Russian State Corporation 'Bank for Development and Foreign Economic Affairs' (Vnesheconombank), attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Russia's Losses From EU Sanctions in 2015 Estimated at 25 Bln Euro - Deputy Minister

13 января 2016
Sputnik News Service

MOSCOW, January 13 (Sputnik) - Russia's losses from European Union sanctions are estimated at 25 billion euro (some \$27 billion) in 2015, Russian Deputy Economic Development Minister Alexei Likhachev said Wednesday.

"We estimate losses from [EU] sanctions and [Russia's] response measures at \$40 billion in 2014 and \$50 billion in 2015 for the European Union. And at 25 billion euro for Russia last year, minus around 1.5 percent of GDP," Likhachev said at the **Gaidar Forum**.

Preliminary data show that the trade volume between Russia and the European Union fell by 40 percent last year, according to the deputy minister.

interfax

Ulyukayev: sanctions no obstacle to Sberbank, VTB privatizations; conceptual decision needed

13 января 2016
Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Sanctions are not a hindrance to the Sberbank of Russia (MOEX: SBER) and VTB (MOEX: VTBR) privatizations, but so far no fundamental decision on the privatization of those banks has been made, Economic Development Minister Alexei Ulyukayev said.

"At first we must make the conceptual decision [on privatization]. We have legislative constraints, there are other constraints," Ulyukayev told journalists on the sidelines of the **Gaidar Forum**, commenting on the issue of when the ministry might propose the privatization of the banks and whether the sanctions in effect are an obstacle.

"All the rest is a technicality. We have a hundred options for resolving this issue. There is also domestic demand for these shares," he said, commenting on the sanctions topic and a possible shortfall in interest on the part of foreign investors.

"Sanctions, naturally, are an obstacle, but there are technical possibilities even under the sanctions regime to conduct privatization deals," he said.

interfax

Minister: Russia's 2016 budget deficit at 7-7.5% of GDP in stress test with very low oil price

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russia's Economic Development Ministry is considering various stress scenarios for this year that envision a dramatic increase in the budget deficit if the unfavorable situation on commodity markets continues.

"In the stress test that assumes that extremely low oil prices will continue for the whole year, we are considering a possibility where the budget deficit could increase to 7-7.5% of GDP. Right now we have a figure of 3% of GDP set in the budget law," Economic Development Minister Alexei Ulyukayev said in an interview with TV channel Rossiya 24 on the sidelines of the **Gaidar Forum**.

However, oil prices could recover some of their decline in the course of the year, he believes.

"If one looks at how oil analysts and investment bank analysts assess the situation, they expect that a gradual recovery of oil prices will begin by the end of the first quarter already, and the consensus forecast for 2016 is \$52 per barrel. This is higher than our current forecast, which we ourselves see fairly critically now, believing that perhaps it should be reined in taking into account additional risks," Ulyukayev said.



Economic situation is cardinally different from 1998 crisis - Medvedev

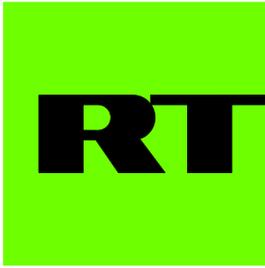
13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The current situation in the Russian economy is not even close to the situation that existed in 1998, Russian Prime Minister Dmitry Medvedev said.

"The situation is not even close to what was happening in the economy in 1998," Medvedev said at the **Gaidar Forum** in Moscow on Wednesday.

"The crisis has gradually cured us from the habit of relying mainly on revenues from hydrocarbons. Maximal freedom from resource revenues is also an issue of the country's geopolitical independence, and therefore we should work on offering to the world market something more interesting and competitive than resources," Medvedev said.



Russia prepares stress test as oil slides below \$30

Russia Today

Published time: 13 Jan, 2016 09:23

While US WTI crude briefly stumbled below \$30 for the first time in 12 years, Russia's Urals blend is already below that mark trading at \$27.14 a barrel. Given the new reality, the Kremlin has ordered stress tests with \$25, \$35 and \$45 oil.

Russia's federal budget for 2016 relies on an average annual oil price of \$50, which almost corresponds to the last year average price - \$51.4 per barrel.

According to business daily Vedomosti, Russia's First Deputy Prime Minister Igor Shuvalov has instructed the ministries to work on different scenarios, both bearish and bullish.

The most recent collapse in energy prices from November means the Russian budget will lose 300 billion rubles (about \$4 billion) in oil revenue in the first two months of 2016, according to the newspaper's ministerial source.

The updated macroeconomic forecast will be presented by Economic Development Minister Aleksey Ulyukaev later this month. In the meantime, the government has decided to cut spending by 10 percent.

According to Ulyukaev, Russia shouldn't fear collapsing crude prices.

"It seems to me that you don't need to be afraid that oil will cost \$20 or \$15. The logic of the markets says the lower something falls today, the more likely there will be a rebound tomorrow. It is not the biggest risk. The biggest risk is that oil prices could stay low for years or decades," he said at the Gaidar Economic Forum on Wednesday.

Also at the forum, Russian Finance Minister Anton Siluanov acknowledged that the budget had not yet adapted to falling oil prices.

He said that if the government fails to change the budget for the new economic situation, "then it will be the same as it was during the Russian crisis of 1998-1999, when the citizens paid with inflation for our failure to bring the budget into line with the new realities."

The current Central Bank shock scenario assumes oil prices of \$35 per barrel as well as projected 2-3 percent GDP contraction and seven percent inflation. But the country's

leading bank Sberbank has already begun to make a \$25 stress test.

"We had a \$30 scenario. But now it's irrelevant. In our business plan, it was the worst-case scenario, which became real at the beginning of the year," Sberbank CEO Herman Gref told the Interfax news agency.

Some analysts say there's a certain way to cut expenses – to cut military costs. "The country in such a position cannot spend four percent of GDP on defense," said economist Vladimir Nazarov.

<https://www.rt.com/business/328728-russia-oil-prices-budget/>



Budget will have to be adjusted if oil prices slide further - Medvedev

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The budget will have to be adjusted and it will be necessary to prepare for the worst-case scenario if oil prices fall any more, Russian Prime Minister Dmitry Medvedev said at the **Gaidar Forum**.

"We've preserved the basis for macroeconomic stability. Accumulating reserves has enabled us to balance the federal budget for this year. But if oil prices fall any further, then the budget's parameters will have to be adjusted," Medvedev said.

"We have to understand this and prepare for the worst-case scenario, as they do in other countries," he said.

"I discussed this with our colleagues in the government at the end of last year. Instructions were given. The main question now is to select the most effective form of optimizing the budget," he said.



Medvedev: Geopolitics having ever greater impact on global economy

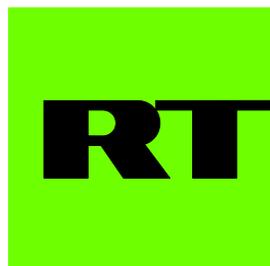
13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russian Prime Minister Dmitry Medvedev believes that geopolitics is having an increasingly greater impact on economic processes in the world.

"The situation is exacerbated by the fact that conditions in the economy are now strictly dictated by politics and geostrategy. Established rules are ignored or rewritten due to short-term considerations," Medvedev said on Wednesday at the annual **Gaidar Forum** in Moscow, citing the International Monetary Fund's decision on Ukraine's debts as an example.

"This is also exhibited in the issue of economic sanctions against our country. They are declared by individual countries, which radically undermines the authority of market institutions such as the WTO," Medvedev said.



Medvedev sure Russia-EU relations to be normalized

13 января 2016

Interfax: Russia & CIS General Newswire

MOSCOW. Jan 13 (Interfax) - Russian Prime Minister Dmitry Medvedev says he is sure that common sense will prevail in Russian-EU relations, they will be normalized, and the sanctions will become history.

"I am sure, which I have said more than once, that, in the end, common sense will prevail, the sanctions will become a thing of the past, and relations between Russia and the European Union will be back to normal. But for this to happen, some steps need to be taken based on economic logic, taking into consideration both the European and Russian businesses' impartial interest," Medvedev said at the **Gaidar Forum** 2016 on Wednesday.

Russia wants rapprochement with Europe

Published time: 13 Jan, 2016 14:09

Moscow wants to re-establish a normal relationship with the European Union, according to Prime Minister Dmitry Medvedev. Europe is still considered by Russia as a major trading partner, despite sanctions, he said.

"Europe is our closest neighbor, an important economic partner. Our turnover with it is still hundreds of billions of euro, despite the regrettable factor of sanctions," said Medvedev, speaking at the **Gaidar Economic Forum** in Moscow on Wednesday.

"I'm sure, and I mentioned it many times, that in the end common sense will prevail, the sanctions will be left in the past with relations between Russia and the EU returning to

normal," he said.

Medvedev also said Russia would continue to develop trade with its Eastern neighbors and other Asian countries.

"Last year, we gradually increased our non-oil exports both in physical and in value terms. To continue that, we should fully use the potential of the Eurasian Economic Union [Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan], to agree on free trade zones with leading trade contractors, to form advanced economic partnerships in the framework of the SCO (Shanghai Cooperation Organisation) and ASEAN countries," he said.

The SCO, a political, economic and military alliance, includes China, Russia, Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan. Other countries holding observer status with the organization include India, Iran, Pakistan, Afghanistan and Belarus.

ASEAN is the Association of Southeast Asian Nations that unites Indonesia, Thailand, Malaysia, Philippines, Singapore, Vietnam and other Asian countries.

The Prime Minister also said that with collapsing crude prices Russia should prepare for the worst. Medvedev said a decline in people's living standards is the most painful consequence of the economic difficulties in the Russian economy, adding that the government will try to improve the situation, not waiting for external difficulties to stop.

"Life cannot be put off until better times. As for social support, we will take the most active measures to tackle the current situation," he said.

<https://www.rt.com/business/328765-medvedev-russia-eu-asia-crisis/>

The logo for Interfax, featuring the word "interfax" in a bold, lowercase, sans-serif font. The letter "f" is stylized with a long, sweeping tail that extends to the right.

Medvedev backs Central Bank's clean-up policy

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russian Prime Minister Dmitry Medvedev said he backed the Central Bank's policy of cleaning the banking sector up.

"The banking sector is working steadily, the Central Bank is pursuing a consistent policy to clean it up. This is a painful process, especially for the clients of the banks being closed, but otherwise the long-term sustainability of the banking system cannot be ensured," Medvedev said at the **Gaidar Forum**.

The logo for Interfax, featuring the word "interfax" in a bold, lowercase, sans-serif font. The letter "f" is stylized with a long, sweeping tail that extends to the right.

No talk yet of slashing budget spending, but of reducing allocations - Ulyukayev

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The government is not yet talking about slashing budget spending but of reducing budget allocations, Economic Development Minister Alexei Ulyukayev said.

"So far we're not talking about any spending cuts. We're talking about the reducing allocations by a certain amount on a certain date, by 10%. This means that, depending how the situation unfolds, either this non-allocation will be legalized, that is amendments will be made to the budget to reduce the corresponding spending; or the reverse, that the limit will be restored," Ulyukayev told reporters on the sidelines of the **Gaidar forum** in Moscow.

"We have agreed that these issues will be discussed by Shuvalov's commission on the effectiveness of budget spending. Some positions might be reinstated quickly, we have reserve funds for that, and some might need more work. So I'd not yet say this budget spending is being slashed, but frozen, perhaps," he said.



Weber, Chairman of the Board of Directors of UBS, attends a session of the Gaidar Forum 2016 'Russia and the World: Looking to the Future' in Moscow

MAXIM SHEMETOV
REUTERS
13 января 2016
Reuters Pictures

Axel Weber, Chairman of the Board of Directors of UBS, attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



CEO of Analytical Credit Rating Agency Trofimova attends the Gaidar Forum 2016 in Moscow

Ekaterina Trofimova, CEO of Analytical Credit Rating Agency (ACRA), attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Aganbegyan, Director General of Otkritie Financial Corporation Bank, attends the Gaidar Forum 2016 in Moscow

MAXIM SHEMETOV
REUTERS
13 января 2016

Ruben Aganbegyan, Director General of Otkritie Financial Corporation Bank, attends a session of the Gaidar Forum 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



The 7th Gaidar Forum

13 января 2016
Russian Government News

The theme of the 2016 **Gaidar Forum** is “Russia and the World: Looking to the Future.”

The **Gaidar Forum** is an annual international academic and practical conference in the field of economic policy. It was first held in 2010 in memory of Yegor Gaidar, an outstanding academic and economist and the architect of Russian reforms of the early 1990s. The forum is usually focused on Russia’s standing and strategic role in the world.

The forum provides the world’s leading researchers and experts with a venue for discussing economic and political issues and aims to maintain expert dialogue on key political and economic issues, to reflect on the basic trends and key events concerning domestic and global economy and politics, and to draft strategic proposals and recommendations on Russia’s economic development.

The forum organizers include the Russian Presidential Academy of National Economy and Public Administration (RANEPA), the Gaidar Institute for Economic Policy (Gaidar Institute) and the Yegor Gaidar Foundation.

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www.government.ru

Source: Government of Russia (TB/TB/TB)



Central Bank sees no need yet to revise risk scenario, although this becoming more likely

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Central Bank of Russia does not yet see any need to revise its risk scenario, where oil trades at \$35 a barrel, although the risk of this scenario playing out has increased since the December meeting of the Central Bank's board of directors.

"There's no need to revise the risk scenario yet," Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, told reporters on the sidelines of the **Gaidar Forum** in Moscow.

But there is a stronger likelihood of the risk scenario coming true than there was in December, when the regulator decided to keep its key lending rate on hold at 11% pa.

"Generally speaking, in the framework of the baseline scenario, we have said oil prices will stay low throughout December and January. So there are no major deviations from the baseline scenario, however the likelihood has of course increased," Dmitriyev said.

The Central Bank's 2017 inflation target is still 4% in all its macroeconomic development scenarios.

Asked how far oil might fall, Dmitriyev said: "We have no such estimates. We recognize that oil might in the risk scenario be lower than \$35 a barrel, but we have no concrete estimate. There is no such need for the purposes of the scenario," he said.

Monetary tightening is possible in the risk scenario, he said, but this does not necessarily mean the key rate will be raised.

"It is important to understand that tightening does not necessarily mean the rate will be hiked. In some conditions leaving the rate unchanged can represent tightening, as we have seen generally in the interpretation of market participants in the second half...in various conditions a differing rate can be interpreted in various ways," he said.

"The ruble is behaving quite steadfastly for such changes in the oil market," Dmitriyev said in addition.



Medvedev sees Russia's economy withstanding lack of oil, gas revenues

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Prime Minister Dmitry Medvedev said that the Russian economy is so far surviving the decline in resource revenues and this is an important result of last year.

"The main result of last year was that our economy is withstanding the lack of the previous substantial inflow of oil and gas revenue," Medvedev said on Wednesday at the annual **Gaidar Forum** in Moscow.

"An important indication of this was the shift, if small, of the federal budget's structure toward predominance of revenues not directly related to the oil and gas sector," Medvedev said.



Medvedev: EU remains key economic partner of Russia despite sanctions

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russia is ready to restore normal economic relations with the countries of the European Union, Russian Prime Minister Dmitry Medvedev said.

"We are ready to restore normal interaction with the countries of the European Union. Europe is our closest neighbor, our important economic partner. Our trade turnover is still in the billions of euros, despite the regrettable sanctions factor," Medvedev said at the **Gaidar Forum**.

Medvedev also said there is a need to fully disclose the integration potential of the Eurasian Economic Union, create free trade zones with the leading foreign economic counterparts, and expand cooperation in the Shanghai Cooperation Organization and ASEAN.

"I emphasize that we will build this work on the basis of the universal rules of the WTO and, of course, we will not create closed clubs with our own rules of the game that disregard the interests of other global economy and trade participants," Medvedev said.



PM sees drop in middle class incomes as most painful result of economic troubles

13 января 2016

MOSCOW. Jan 13 (Interfax) - People's incomes have fallen as a result of the economic difficulties in Russia and the middle class has been hit the hardest, Prime Minister Dmitry Medvedev said.

"Our own structural problems have become exacerbated against the new global backdrop. The lack of sources for economic growth and export revenues other than the resource sector is clear," Medvedev said on Wednesday at the **Gaidar Forum**.

"The repercussions of the difficulties of [2015] have led to the reduction of production volumes, the decline of business and investment activities, but most importantly and most seriously to a drop in people's incomes. Many have become poorer, the middle class has suffered. And these, perhaps, are the most painful consequences of the economic blows of last year," Medvedev said.



Yudaeva, First Deputy Governor of Bank of Russia, attends the **Gaidar Forum 2016 in Moscow**
13 января 2016

Ksenia Yudaeva, First Deputy Governor of Bank of Russia, attends a session of the **Gaidar Forum 2016** 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemeto



VTB and Sberbank should be privatized simultaneously to boost competition - Finance Ministry

13 января 2016
ITAR-TASS World Service

URGENT:

VTB and Sberbank should be privatized simultaneously to boost competition - Finance Ministry

MOSCOW, January 13. /TASS/. VTB and Sberbank should be privatized simultaneously to prop up competition, Deputy Finance Minister Alexey Moiseev said at the 2016 **Gaidar Forum** in Moscow.

"The state banks should be privatized simultaneously to create a competitive environment," Moiseev said, adding the Ministry sees privatization as positive. "The more privatizations we have, the better," he said.



Russia's former Finance Minister Kudrin attends the **Gaidar Forum** 2016 in Moscow

MAXIM SHEMETOV
13 января 2016

Russia's former Finance Minister Alexei Kudrin approaches to shake hands with a participant as he attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Privatization of state banks should be synchronized - dep. minister

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The privatization of Russia's biggest state banks - Sberbank (MOEX: SBER) and VTB (MOEX: VTBR) - should be carried out more or less at the same time, Deputy Finance Minister Alexei Moiseyev believes.

"The biggest state banks, Sberbank and VTB, should be privatized more or less simultaneously. So as not to create a distorted competitive environment, they should be privatized simultaneously," Moiseyev told reporters on the sidelines of the **Gaidar Forum**, adding that the Finance Ministry does not object to the privatization of state banks.

However, he remarked that, "frankly speaking, I don't really understand what foreign investors might be interested in banks subject to sanctions."

The Finance Ministry has studied the impact of sanctions in the event of a new share issue by the banks.

"To be honest, I don't understand at all how an issue of even one new share can be carried out in the public space by any organization subject to sanctions. Such an issue on the market will lead to all holders of the banks' current shares being subjected to investigation in terms of violation of sanctions," Moiseyev said.



Minister sees ruble as likely to strengthen as weaken

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Economic Development Minister Alexei Ulyukayev believes that the ruble has just as much of a chance of strengthening as it has of weakening in the current volatile situation.

"I believe that the chances are equal both for strengthening and for weakening," Ulyukayev said, commenting on his expectations for the ruble's exchange rate while speaking with reporters on the sidelines of the **Gaidar Forum**.

Asked how the economy will do in the next few months, Ulyukayev said the "Russian economy and social system have shown high adaptability and one should not be scared by the volatility on either financial or commodity markets."

"I think that the situation will be quite stable. This means that social and state obligations will be fulfilled, both in the area of wages and in the area of pensions," Ulyukayev said.

"We are counting on inflation gradually decreasing, which is very important for the wallets and consumer baskets of our citizens," the minister added.



Miscellaneous

Kaluga region delegation to take part in Gaidar Forum

13 января 2016

SKRIN Newswire

The 6th **Gaidar Forum**, Russia and World: Future Outlook, is to be held in Moscow on January 13 - 15, 2016. **Gaidar Forum** is a major economics scientific event held annually in Russia. About 5,000 top financiers and businessmen from Russia, EU, the USA, China and other countries of the world as well as prominent politicians and scientists are to attend the forum. For instance, Alexey Ulyukaev, the Minister for Economic Development of the Russian Federation, Mikhail Abyzov, the Minister of the Russian Federation, as well as principals of the Russian Academy of Economy and Civil Service, Higher School of Economics and All-Russian Foreign Trade Academy will act as experts at discussion forums. Alexey Laptev, Deputy Governor of Kaluga Region, is to attend Innovative Business in Russian Regions session. Apart from that, the Russian Academy of Economy and Civil Service in cooperation with the Association of Russian Innovative Regions is to present its rating.

The forum discussions will be focused on the main trends of the social, economic and political development of Russia, its business environment and investment climate, as well as the prospects of its future development and integration in the global economy. Kaluga region, for instance, has developed successful business cooperation with many countries. Currently 160 investment projects are being implemented in the region by companies from 30 countries of the world.

The forum attendees are to discuss Strategy 2030 program. According to official sources, the document "is to determine the main principles for efficient cooperation between the government authorities, business community and civil society to protect national interests, ensure social and economic development, and improve the life quality. The experts will also discuss in detail food security issues, import substitution programs, which do not affect the country's export potential, and the national economy development.

The forum was established in 2010 in commemoration of Egor Gaidar, a prominent Russian economist, who stood behind Russian economic reforms of the early 1990s. The forum has become a major political and economic event in Russia. It is a unique

venue for discussions between economics theorists and entrepreneurs, leading global scientists and politicians, top bankers and businessmen.

Gaidar Forum organizers: the Russian Academy of Economy and Civil Service under the President of the Russian Federation, Egor Gaidar Institute for Economic Policy. / Kaluga regional development Corporation

interfax

AgMin to submit wheat export duty proposals to govt at end-Jan

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Proposals on the wheat export duty will be submitted to the government at the end of January, Deputy Russian Agriculture Minister Sergei Levin told reporters on the sidelines of the **Gaidar Forum** in Moscow.

The export duty on Russian wheat is currently 50% of customs value minus 6,500 rubles, but no less than 10 rubles a tonne.

interfax

Russian budget deficit at 2.6% of GDP in 2015 - minister (Part 2)

13 января 2016

Interfax: Russia & CIS Energy Newswire

MOSCOW. Jan 13 (Interfax) - Russia had a federal budget deficit of about 2.6% of GDP in 2015, less than the planned 3% of GDP, but the budget has still not been adapted to new oil prices and is balanced at a price of \$82 per barrel, Finance Minister Anton Siluanov said.

"The budget deficit was around 2.6% of GDP last year, lower than we initially planned. This was a level of 3%, if you recall. But we can't say there has been some final adaptation of the budget [to new realities]," Siluanov said at the **Gaidar Forum**.

He said the private sector has "more or less" adapted to an oil price of \$40 per barrel and is continuing to adapt further as oil prices fall lower. But the budget "balances at a price of \$82 per barrel," Siluanov said.

"We still face a whole range of decisions on changing fiscal policy," Siluanov said.

A large deficit is also dangerous in that the cost of the borrowing from which it is financed "is still fairly high for Russia." "The interest spending we will incur for this deficit will squeeze other important spending allocations for this period and will restrict fiscal

maneuvering," he said.



Minister sees consumers switching to saving as key risk for Russia's economy (Part 2)

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - One of the main risks for the Russian economy in the near future is that households might switch from a behavioral pattern of consumption to one of saving, Economic Development Minister Alexei Ulyukayev said.

"There's a risk, in my view a very serious, significant thing, of a change in the consumption behaviour of households - a shift from a consumption model to a model of saving," Ulyukayev said Wednesday at the **Gaidar Forum** Russia and the World: Looking to the Future in Moscow.

"Essentially this is already happening," he said. "Households are starting to take a different view of the future, they are also becoming adept to the 'new normal' in a sense," he said.

"On the one hand this is a risk but on the other, it could be a very powerful driver of our development. So it seems to me on the one hand that this fits with the global 'new normal', that is constraints on the principle of consumerism, of dynamic growth in consumer demand. On the other hand, powerful saving activity creates a resource which, if the corresponding institutions and instruments are properly tuned, will create a basis for investment growth," Ulyukayev said.



Medvedev: Anti-Russian Sanctions Undermine Int'l Institutions Like WTO

13 января 2016

Sputnik News Service

[World Trade Organization \(WTO\) headquarter in Geneva \(Switzerland\)](#)

MOSCOW (Sputnik) — Sanctions against Russia undermine the authority of international institutions such as the World Trade Organization (WTO), Russian Prime Minister Dmitry Medvedev said Wednesday.

"They [sanctions] are introduced by individual countries, which radically undermines the authority of market institutions such as the World Trade Organization," Medvedev said at the **Gaidar Forum**.

The Russian prime minister also added that Russia cannot allow itself to be stuck at zero-level economic growth rate.

"Of course, when many macroeconomic indicators have turned negative, even a slight surplus looks like a certain achievement, but this is a dangerous illusion. We cannot allow ourselves to get stuck near the zero mark and succumb to such economic decadence," Medvedev said.



Russia may have to deal with low oil prices for years

13 января 2016
RosBusinessConsulting

Economic Development Minister Alexey Ulyukaev believes that the more the oil price falls, the more likely it is to rebound. A more serious concern is that the oil price may stay at a low level for decades, the minister said.

One-off fall to \$20 a barrel is not a major risk for Russia's economy. However, the oil price staying at the current level for a continued period of time will be a considerable threat, the minister has warned. Ulyukaev is concerned that low prices is the new reality that Russia will have to put up with for many years to come.

"I think that whether or not the oil price slumps to \$20 or to \$15 is not a major cause for concern, because based on market logic the more it falls today, the more likely it is to recover tomorrow. This is not the biggest threat. The substantial risk is that low oil prices will persist for years and even decades," Ulyukaev was cited by Interfax as saying at the **Gaidar Forum** 2016.

The minister pointed out that the current situation on the global oil market can be a reflection of the low stage of the global raw material cycle or the new norm. In any case commodity prices will remain low for a very long period. Therefore, Ulyukaev called for a change in the country's development strategy and decisive measures.

Other risks for the Russian economy involve changing consumption model and declining trade. On the other hand, savings stimulate investment growth and in this case capitalization of the banking system will have to be boosted via the sale of state stakes in Sberbank and VTB, the minister explained.



UPDATE 2-Russia seeks spending cuts to ready for low oil price era

13 января 2016
Reuters News

By Darya Korsunskaya

MOSCOW, Jan 13 (Reuters) - "New realities" including the possibility that oil prices will remain low for a prolonged period will force Russia to take hard decisions about government spending, its finance minister said on Wednesday.

Anton Siluanov warned the country's budget would only balance at an oil price of \$82 per barrel, well in excess of the \$50 per barrel assumption used for this year's calculations, let alone the \$30 per barrel near which oil is currently trading. Some forecasters have predicted crude, Russia's major export and main source of revenues, could fall to \$20 per barrel or lower.

Although he said oil prices could start to recover in the second half of the year, Siluanov told the annual **Gaidar Forum** in Moscow that the 2016 budget should be revised according to a lower assumed average oil price of \$40 per barrel.

"Our task is to adapt our budget to the new realities," Siluanov said. "Our budget will be balanced when the price is \$82 per barrel so there are still a lot of decisions to be made when it comes to budget policy."

Speaking at the same conference, Prime Minister Dmitry Medvedev also said the country needed to steel itself for tough times. "One needs to prepare for the worst scenario," he said.

Medvedev said the budget would need to be revised if oil prices fell further. But he also said the situation was manageable given Russia's existing cash reserves.

Russia's central bank outlined a "risk scenario" last month under which oil prices would stay at around \$35 for three years.

Siluanov said last year's budget deficit was around 2.6 percent of gross domestic product, slightly lower than forecast, but warned that did not mean Russia had adapted to an era of cheap oil.

This year's budget envisages a deficit of 3 percent of GDP, assuming the oil price averages \$50 per barrel.

Siluanov said the first steps towards adjusting spending had been taken, after the government ordered ministries to find 10 percent cuts in "non-protected items" of expenditure.

Officials earlier told Reuters that the planned cuts had been approved by the government last month, but would exclude areas such as public sector pay and pensions.

The finance ministry, which typically emphasises the need for fiscal caution, is likely to

face resistance to spending cuts from other government departments as it did last year.

Economy Minister Alexei Ulyukayev also warned that Russia needed to brace for a long period of low commodity prices.

"I am convinced that the period of low commodity prices will be protracted," he told the forum.

"One needs to fear that there will be (an oil price) of \$20 or \$15. By the logic of markets the bigger the fall today, the larger the rebound tomorrow, and this isn't the biggest risk.

"The biggest risk is that there will be low prices for a long time -- that is for years, for decades," Ulyukayev said. (



Lengthy spell of low oil in prospect, 2016-2018 forecasts so far little-changed - Ulyukayev (Part 2)

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time, Economic Development Minister Alexei Ulyukayev said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said at the **Gaidar Forum** in Moscow.

"The period of low oil prices will be very lengthy. It's very hard for me to say whether this is the low stage of the global commodity cycle, or whether it's the new normality, but I'm convinced [low oil prices] are for the very long term. I don't think it falling to \$20 or \$15 is what we ought to be frightened about, as market logic dictates that the lower something falls today, the higher the probability it will rebound tomorrow. This [oil falling to \$20] is not the main risk. The main risk is that oil prices will be low for long periods, for years, or decades," he said.

So this, Ulyukayev said, meant that "fundamental decisions regarding structural changes in the economy" are needed. When the strategy to 2030 is being developed, the need will be not to "transgress by extrapolating today's decisions, but to approach it from the point of view of strategic targeting," he said.

Ulyukayev pointed to how consensus forecasts for oil prices were changing. "Look at how the consensus forecasts are changing. Analysts always change their forecast depending on what takes place in a current quarter, but this wave of alterations is fading. If we take the consensus for oil right now, then it has fallen steeply for the first quarter. It has fallen for the second quarter also, but it is almost unchanged for 2016 as a whole, and is \$63 a barrel in 2017 and \$70 in 2018. That's the consensus forecast for

oil," he said.

"So this sort of extrapolation is not much use, but target-setting is where we define those contours that correspond, on the one hand, to fundamental constraints and on the other, give rise to the challenges that make us mobilize the economy's internal resources, and that is a very useful thing indeed," Ulyukayev said.



Yesterday in Brief for January 13, 2016

13 января 2016

Interfax: Russia & CIS General Newswire

BUSINESS & FINANCE

*** RUSSIAN BUDGET DEFICIT AT 2.6% OF GDP IN 2015 - MINISTER

Russia had a federal budget deficit of about 2.6% of GDP in 2015, less than the planned 3% of GDP, but the budget has still not been adapted to new oil prices and is balanced at a price of \$82 per barrel, Finance Minister Anton Siluanov said.

"The budget deficit was around 2.6% of GDP last year, lower than we initially planned. This was a level of 3%, if you recall. But we can't say there has been some final adaptation of the budget [to new realities]," Siluanov said at the **Gaidar Forum**.

*** BUDGET STATE COS YET TO ADAPT TO NEW REALITIES, UNLIKE PRIVATE SECTOR - SILUANOV

The Russian government's priority is to adapt the budget to the new realities, Finance Minister Anton Siluanov said.

Government-related companies must also adapt their budgets, he said at the **Gaidar Forum**, in Moscow.

"If in current conditions enterprises and the private sector have largely adapted to the new realities, then the budget, state companies and the public sector still have to adapt to new conditions. This task is now before us. If this doesn't take place, we might have negative consequences from the point of view of the economic situation," he said.

*** MINISTER SEES CONSUMERS SWITCHING TO SAVING AS KEY RISK FOR RUSSIA'S ECONOMY

One of the main risks for the Russian economy in the near future is that households might switch from a behavioral pattern of consumption to one of saving, Economic Development Minister Alexei Ulyukayev said.

"There's a risk, in my view a very serious, significant thing, of a change in the

consumption behaviour of households - a shift from a consumption model to a model of saving," Ulyukayev said Wednesday at the **Gaidar Forum** Russia and the World: Looking to the Future in Moscow.

***** LENGTHY SPELL OF LOW OIL PRICES IN PROSPECT, BUT 2016-2018 FORECASTS SO FAR LITTLE-CHANGED - ULYUKAYEV**

The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time, Economic Development Minister Alexei Ulyukayev said.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said at the **Gaidar Forum** in Moscow.

***** GLOBAL CAPITAL MARKETS TO REMAIN CLOSED TO RUSSIA, BANKS MUST BE RECAPITALIZED - ULYUKAYEV**

Borrowing in the global markets will remain closed to Russia so the banking system has to be recapitalized, Economic Development Minister Alexei Ulyukayev said at the **Gaidar Forum** in Moscow.



Ulyukaev suggested revisiting privatization of Sberbank and VTB

13 января 2016
AK&M

Russia's Minister of Economic Development Alexey Ulyukaev has suggested that the discussion on the possibility of privatizing two state-owned banks Sberbank and VTB be resumed.

"I believe we need to revisit the privatization of our leading state-owned banks, Sberbank and VTB. These are top-quality assets appealing to investors all over the world," the minister stated in his speech at the annual **Gaidar Forum**.

The privatization of such banks will substantially change the situation as regards the capitalization of the Russian bank sector, the minister noted.

Sberbank of Russia (tax number: 7707083893) is the largest bank in Russia, Central and Eastern Europe. The Bank is the principal lender to the Russian economy and the undisputed leader in the market of deposits accounting for 43.3% of the retail deposits, 32.7% of the retail loans and 32.1% of loans to legal entities at the end of 2013.

The bank's authorized capital is RUB 67.76 billion. It consists of 21,586,948 thousand common shares and 1 billion preferred shares with a face value of 3 rubles each. The Bank of Russia owns 50%+1 voting share in Sberbank.

IFRS net profit of Sberbank of Russia for 9 months 2015 dropped by 37.7% to RUB 150.5 billion. Net profit for the third quarter decreased by 8.2% year-on-year to RUB 65.1 billion.

RAS net profit of Sberbank of Russia for 10 months 2015 decreased 1.6 times to RUB 178.3 billion. EBIT dropped by 43% to RUB 211.2 billion. Net interest income of the bank amounted to RUB 604.8 billion decreasing by 15.3% year-on-year. Interest incomes increased by 23.7%, mostly in the wake of the corporate loan portfolio growth and improving yield, as well as a retail loan portfolio expansion.

JSC VTB Bank (tax number: 7702070139) ranks second largest Russian bank after Sberbank in terms of asset size. The government holds a 60.9% equity stake in the bank. In Russia, VTB Group performs banking operations through one parent bank (VTB Bank) and six subsidiary banks (the largest of them being VTB 24, the Bank of Moscow and TransCreditBank). VTB Bank's international network numbers over 30 banks and financial companies in more than 20 countries of the world.

IFRS net loss of VTB Group for H1 2015 was RUB 17.1 billion against a profit of RUB 5 billion the year before. Net profit for Q2 2015 decreased by 73.9% year-on-year to RUB 1.2 billion. Interest incomes increased by 37.5% year-on-year to RUB 533.8 billion. Interest expenses grew by 99.2% to RUB 420.6 billion.



Russian inflation could slow to 7% at \$35 oil in 2016 - Central Bank

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Inflation in Russia might be 7% this year in the scenario that oil trades at \$35 a barrel, a Central Bank official said.

Inflation would might be 5.5%-6.5% in the Central Bank's baseline scenario, where oil trades at \$50 a barrel, Igor Dmitriyev, head of the Central Bank's Monetary Policy Department, said at the **Gaidar Forum** in Moscow.



Russian ministries must submit proposals to cut ineffective spending by 10% in 2016

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Russian ministries and government departments will have to submit proposals to the Finance Ministry to optimize ineffective expenditures in order to reduce Russia's budget spending by 10%, Finance Minister Anton Siluanov said.

"We need to adopt sound measures to bring the budget in line with the new realities. The government has already made such decisions. The first step is that we agreed that ministries and departments, having received allocations for 2016, set allocation priorities and themselves make decisions to select the main, most effective expenditures and cut ineffective ones, and will present proposals to the Finance Ministry to optimize the expenditure side of the budget by about 10% for the main discretionary items. This will provide some resources," Siluanov said at the **Gaidar Forum**.

The Finance Ministry is also working with the administrators of revenues - the Federal Tax Service, Federal Customs Service and the Federal Alcohol Market Regulation Service - to increase collection of revenues.

Another source of revenue that the ministry is counting on is privatization. Siluanov said that the goal is to additionally raise "about 1 trillion rubles in two years" with the sale of state property. "This is quite a realistic figure," he said.

He said it is also possible to use undistributed resources that have not been earmarked for specific expenditures.

"We need to talk about a very economical, tight fiscal policy so as not to slide into a high deficit, into large amounts of debt," Siluanov said.



Oil prices to continue falling, Russia warns

13 января 2016

UNI (United News of India)

Moscow, Jan. 13 -- Russian Finance Minister Anton Siluanov said today that oil prices will continue to fall in the near future, given that the production will not decrease.

"We see that no one reduces the production of oil, and, most likely, we will soon observe further decline in oil prices," Siluanov said addressing the **Gaidar Forum** here.

The Organization of the Petroleum Exporting Countries (OPEC) said yesterday that its Reference Basket of petroleum blends fell in value by 4.88 per cent, reaching the same level as on October 1, 2003, or 27.07 dollar per barrel, mainly due to prolonged global oversupply and the OPEC unwillingness to cut production out of fear of losing market share.

He noted that the Russian budget has not adapted itself to the slumping oil prices, so the government will have to make decisions to change the budget policy.

"I want to say that in current conditions enterprises and the private sector have largely adapted to the new conditions, but the budget, the state companies, the state sector are yet to adapt to those conditions," Siluanov said.

"We are yet to take a whole number of decisions to change the budget policies," he added.

According to the experts, Russian oil companies are ready to withstand falling oil prices which have already dropped to 30 dollar a barrel, but it is still far from hitting rock bottom.

Analysts and traders predict 20 dollar per barrel which is highly possible due to speculation in stocks and the strengthening dollar.

In December 2015, the Russian Energy Ministry asked biggest oil producers to carry out 30 dollar stress tests. Their results have not been made public but statements from company representatives and analysts show that 30 dollars is not critical and companies are ready to withstand even lower prices.

Taking into account the fact that for major Russian oil companies production costs are relatively low, the further drop in oil prices would not prevent them from keeping or even expanding their shares in the market.

Published by HT Syndication with permission from United News of India.



Russia's Prime Minister Medvedev attends the **Gaidar Forum** 2016 in Moscow

MAXIM SHEMETOV
REUTERS

13 января 2016

Russia's Prime Minister Dmitry Medvedev attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. Medvedev said on Wednesday his country needed to be ready for the worst case economic scenario, but said the situation for now was manageable. REUTERS/Maxim Shemetov



Russia's First Deputy Prime Minister Shuvalov attends the **Gaidar Forum 2016 in Moscow**

MAXIM SHEMETOV
Reuters Pictures

Russia's First Deputy Prime Minister Igor Shuvalov attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Russia's Prime Minister Medvedev attends the Gaidar Forum 2016 in Mosco
Russia's Prime Minister Dmitry Medvedev delivers a speech during a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 13, 2016. Medvedev said on Wednesday his country needed to be ready for the worst case economic scenario, but said the situation for now was manageable.
REUTERS/Maxim Shemetov

interfax

Budget state cos yet to adapt to new realities, unlike private sector - Siluanov

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Russian government's priority is to adapt the budget to the new realities, Finance Minister Anton Siluanov said.

Government-related companies must also adapt their budgets, he said at the **Gaidar Forum**, in Moscow.

"If in current conditions enterprises and the private sector have largely adapted to the new realities, then the budget, state companies and the public sector still have to adapt to new conditions. This task is now before us. If this doesn't take place, we might have negative consequences from the point of view of the economic situation," he said.

Siluanov said budget revenue would continue to decline this year and this year it would be 1.5 trillion rubles below what was approved previously in the three-year budget. In the years to come, the tendency for the resource base to contract will persist, he said.

"In these conditions it is impossible not to adapt spending to the new conditions," Siluanov said.



Ministry expects weaker ruble's impact on inflation to be lower than usual

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The depreciation of the ruble that Russia has seen in recent months will have a weaker impact on inflation than usual, since economic agents and households have grown accustomed to the volatility of the exchange rate and the economy is less dependent on imported goods, the head of long-term strategic planning at the Finance Ministry, Vladimir Kolychev told reporters.

"Usually, every 10% of depreciation adds 1.3 percentage points to inflation. There are now arguments in favor of the impact being lower. Firstly, because households are no longer so moved by the volatility of the exchange rate, there are no longer the sentiments that existed, for example in December of the year before last - the panic buying of imported goods, attempts to increase stocks of foods and so on. And secondly, there is import substitution - it is after all taking place to some extent. Consequently, the lower the import dependence the lower the exchange rate's influence on retail prices," Kolychev said on the sidelines of the **Gaidar Forum**.

"The impact of depreciation will be less than usual. Usually it is realized within three to six months. Last time, due to the fact that the scale of depreciation was fairly strong, it happened faster, within three months. Now, in principle, the scale is not so great. Economic agents have already gotten used to volatility. I think that the impact will be realized according to the usual trajectory (within six months)," Kolychev said.

"Before we had an estimate of about 5-6% [for inflation in 2016] with oil at \$50 per barrel and an exchange rate of about 63 [rubles] per dollar. Now the exchange rate has changed by 20%. Based on the fact that the carryover effect should be less than 1.3 percentage points, it's possible to approximately estimate," Kolychev said when asked if the Finance Ministry had revised its inflation forecast for this year.



Less Than Expected: Russian Budget Deficit Stood at 2.6% of GDP in 2015

13 января 2016
Sputnik News Service

Russian Ruble

MOSCOW (Sputnik) - The deficit of the Russian budget at the end of 2015 stood at 2.6 percent of the gross domestic product (GDP), Finance Minister Anton Siluanov said Wednesday.

"The deficit of our budget last year stood at around 2.6 percent of the GDP, this is less than what we had planned - I shall remind that it was a 3-percent level," Siluanov said at the **Gaidar Forum**.

The Russian government has already made a decision to optimize the budget, the departments have to submit their proposals to cut down spending by 10 percent, Siluanov said.

"The first step, we agreed that all governments and departments, having received corresponding assignments for 2016, pick priorities for these assignments and make decisions themselves to select the most effective spending and cutting out ineffective spending."

The departments will then submit their proposals on the optimization of budget expenditures by 10 percent to the Finance Ministry.



Russia's Prime Minister Medvedev attends the **Gaidar Forum** 2016 in Moscow

SPUTNIK
REUTERS
Reuters Pictures

Russia's Prime Minister Dmitry Medvedev delivers a speech during a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. Medvedev said on Wednesday his country needed to be ready for the worst case economic scenario, but said the situation for now was manageable.
REUTERS/Alexander Astafyev/Sputnik/Pool



Russia needs to return to issue of privatizing Sberbank, VTB - Ulyukayev

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - The Russian authorities need to return to the issue of privatizing state banks, Economic Development Minister Alexei Ulyukayev said.

"We need to return to the issue of privatizing our biggest banks, Sberbank (MOEX: SBER) and VTB (MOEX: VTBR)," he said at the **Gaidar Forum**.



Lengthy spell of low oil prices in prospect, but 2016-2018 forecasts so far little-changed - Ulyukayev

13 января 2016

Interfax: Russia & CIS Energy Newswire

MOSCOW. Jan 13 (Interfax) - The main risk to the Russian economy lies not in the possibility that oil prices will fall to \$20 a barrel but that low oil prices will persist for quite some time.

This is the new long-term reality, although consensus forecasts for oil prices in 2016-2018 have not yet altered much, he said at the **Gaidar Forum** in Moscow.



Global capital markets to remain closed to Russia, banks must be recapitalized - Ulyukayev

13 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. Jan 13 (Interfax) - Borrowing in the global markets will remain closed to Russia so the banking system has to be recapitalized, Economic Development Minister Alexei Ulyukayev said at the **Gaidar Forum** in Moscow.



Chairman of JPMorgan Chase International Jacob Frenkel attends a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow

MAXIM SHEMETOV
REUTERS
13 января 2016

Chairman of JPMorgan Chase International Jacob Frenkel attends a session of the **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov

13 января 2016
Reuters News
Reuters will issue this diary daily at around 1000 GMT

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



UPDATE 1-Russia should consider cutting stakes in Sberbank and VTB, says minister

13 января 2016
Reuters News

(Adds details, quotes, background)

MOSCOW, Jan 13 (Reuters) - The Russian state should consider further cutting its stakes in the country's two largest banks, Sberbank and VTB, to help capitalise the banking system, Economy Minister Alexei Ulyukayev said on Wednesday.

The Russian government holds a 60.9 percent stake in VTB, while the central bank controls a 50 percent plus 1 share in Sberbank. The state has been gradually cutting its stakes in both, which together account for over 40 percent of Russia's banking assets.

"The banking system's capitalisation should be boosted," Ulyukayev told the annual **Gaidar Forum** in Moscow. "How can this be done at a time of budget restrictions and low demand for assets? I think we should return to the idea of privatisation of ... Sberbank and VTB," he said.

Such a plan may face problems. Alexei Moiseev, a deputy finance minister, was quoted by the RIA news agency as saying on Wednesday that stakes in both might be hard to sell due to Western sanctions imposed on them over the Ukraine crisis.

The Russian government in late 2014 pledged aid totalling around 1 trillion roubles (\$13 billion) to help the banking sector after the rouble fell sharply on weaker oil prices and Western sanctions, which limited external financing.

Oil prices were trading at around \$31 per barrel on Wednesday, presenting a problem for the government which has based its budget this year on a price of \$50 a barrel.

Sberbank has begun to test the scenario of an oil price of \$25 per barrel, its Chief Executive German Gref said this week. That is at the lower end of various scenarios the Russian government is reported to be looking at.

The government, which wants to raise funds for the budget and to improve management, is already considering cutting its stakes in other major assets, including state oil firm Rosneft and shipping company Sovkomflot.

Ulyukayev, who has said low oil prices could last "for decades," said he saw another "major" risk to the economy if there was a large-scale shift to saving away from spending.

Finance Minister Anton Siluanov told the same forum Russia would need to take hard decisions about government spending to prepare for a period of possibly prolonged low oil prices.



CORRECT&UPDATE: Cbank affirms Russia's 2016 CPI at 7% on \$35 oil price

13 января 2016
Prime News

(Corrects headline, lede, second paragraph to say that in fact central bank still expects 2016 inflation at 7% under stress scenario, not baseline one. Adds more data in last three paragraphs)

MOSCOW, Jan 13 (PRIME) -- Russia's consumer price index (CPI) will stand at 7% in 2016 under a stress scenario envisaging an average annual oil price of U.S. \$35 per barrel; and at 5.5–6.5% under a baseline scenario implying \$50 per barrel, Igor Dmitriyev, head of the central bank's monetary policy department, said Wednesday at the **Gaidar Forum**.

"By the end of 2016 (inflation will stand at) 7% under a stress scenario," Dmitriyev said, confirming previous forecasts.

Earlier, the regulator also projected annual inflation to fall to a target level of 4% in 2017 if oil stands at around \$50 per barrel. In December, it said that a long period of oil prices below \$40 per barrel bears significant risks for the forecasts.

For now, the central bank sees no reason to revise its stress scenario despite the possibility of this scenario becoming real is now higher, he said. "It (the possibility) is rather higher at present against December, but in principle, under the baseline scenario we said that oil prices will remain low within December–January. There is no serious deviation from the baseline scenario as well, but the possibility is sure increased."

The authority may toughen its monetary policy if the risk scenario comes to life, he added. "It is important to understand that toughening of the policy does not always imply an increase of the (key) rate...If the risk scenario (of oil price at \$35 per barrel in 2016) is implemented then the monetary policy could be made stricter," he said.

The bank's board of directors will hold a meeting on the monetary policy on January 29,

but it is unclear now whether some adjustments will be made then, he said.



Minister calls again for privatization of Sberbank, VTB

13 января 2016
RosBusinessConsulting

Economic Development Minister Alexey Ulyukaev has brought up the issue of privatizing Sberbank and VTB again, Tass reports.

"I believe that we should get back to the issue of privatizing our largest banks, Sberbank and VTB. They are high-quality assets that are attractive worldwide," the minister said at the **Gaidar Forum** 2016 today.

A sale of part of the state's shares in the banks will make it possible to fundamentally change the capitalization of the Russian banking sector, he opined.

The stocks of state-controlled banks slightly rose following the minister's statement. VTB gained a little over 0.5% on the Moscow Exchange. However, the growth slowed to 0.37% to RUB 0.074 (approx. USD 0.001) per share by 10.54 a.m. Moscow time. Sberbank's stock went up 1.5% to RUB 93.10 (approx. USD 1.22) as of 10.54 a.m.

Sberbank CEO Herman Gref called in late 2015 for selling the state's entire stake in Sberbank. In an interview with German newspaper Handelsblatt Gref said that the Central Bank of Russia (CBR) that currently controls 50% plus one share stake in Sberbank should keep a 25% interest during a transition period. Privatization of state banks should take several years and Sberbank could become the first one to go private, Gref opined at the time.

At the Davos Forum in 2014 Gref also proposed reducing budget deficit through a sale of the state's shares in banks.

In 2012, the CBR sold 7.58% of Sberbank's shares for \$5.2bn on the London and Moscow exchanges. This deal became the second largest privatization in the banking sector. A year prior to Sberbank's IPO, VTB sold 10% of shares.

VTB CEO Andrey Kostin said in late 2014 that there were no plans to reduce the state ownership of the bank from the current 60.9% to 50% plus one share before 2018.

Finance minister warns of 1998-like crisis

13 января 2016

RosBusinessConsulting

There is a risk that a financial crisis similar to the one in 1998 may happen again if the situation with the budget runs out of control, Finance Minister Anton Siluanov said at the **Gaidar Forum** 2016 today.

He called for well-thought-out measures to bring the budget in line with the new realities. If no budget reforms are implemented, the population may suffer again as was the case in 1998-1999, he warned. Ministries and government agencies should come up with proposals of cutting their spending by 10%, Siluanov said, thus confirming earlier reports about budget cut plans.

As for low oil price, the state sector has not yet adjusted to it, the finance minister said. While the private sector already adjusted to \$40 per barrel, the federal budget will be balanced if oil price reaches \$82, he noted, adding that no recovery of oil prices should be expected soon.



Central bank sees Fitch, Moody's, S&P launching units in Russia

13 января 2016

Prime News

MOSCOW, Jan 13 (PRIME) -- The central bank believes that Fitch, Moody's and Standard & Poor's (S&P) international rating agencies will establish subsidiaries in Russia and continue operations in the country, Yelena Chaikovskaya, director of the financial markets' development department, said at the **Gaidar Forum** on Wednesday.

"We expect that the Big Three will remain in Russia," she said.

In compliance with the Russian legislation, there are two ways of doing business in Russia for foreign rating agencies. The first one is running affiliates, which "will have limited legal capacity here and have no chance to operate as rating agencies to the full and to assign ratings on their own behalf."

"The second way, which we expect, is that the Big Three will none the less operate in Russia, envisages subsidiaries, legal entities, established and operating in compliance with the Russian legislation."

Chinese rating agencies are also likely to enter the Russian market, Chaikovskaya said.

UPDATE2: Minister says Russia should discuss sale of Sberbank, VTB

13 января 2016
Prime News

MOSCOW, Jan 13 (PRIME) -- The Russian government should resume discussions of privatization of largest state-run banks – Sberbank and VTB, which will improve the situation with capital adequacy of the banking system, Economic Development Minister Alexei Ulyukayev said Wednesday at the **Gaidar Forum**.

“I think we should return to the issue of privatization of our largest banks with state participation, Sberbank and VTB. These assets are of high quality and are attractive for the whole world,” he said.

The privatization will drastically improve the situation with capital of the whole banking sector, he added.

Finance Minister Anton Siluanov said the ministry expects to raise about 1 trillion rubles for state coffers in two years from privatization.

“We continue working to attract revenues and new funding sources...We are speaking about an increase of budget sources like privatization ... We may receive about 1 trillion rubles in two years from additional fund raising from sales of state property. It is a realistic figure,” he said.

The federal budget for 2016 encompasses 90 billion rubles of revenue from privatization of state assets.

But Deputy Finance Minister Alexei Moiseyev said that privatization of Sberbank and VTB may face problems as Russian state-owned banks are under Western sanctions, and no foreign investor will buy their shares. “So it may be carried out as a sale of an individual package beyond the market,” he said.

Ulyukayev said that the foreign sanctions may hurt privatization, but there are technical possibilities to carry out such deals even under the sanction regime. There is also internal demand for the assets. “But we have to make a concept decision at first; we must solve legal and other restrictions. The technical side of the deal is not a problem,” he said.



Russia's Prime Minister Medvedev attends the **Gaidar Forum 2016 in Moscow**

REUTERS

Russia's Prime Minister Dmitry Medvedev delivers a speech during a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Russia Cannot Allow Itself to Be Stuck at Zero-Level Economic Growth Rate - Medvedev

13 января 2016
Sputnik News Service

MOSCOW, January 13 (Sputnik) - Russia cannot allow itself to be stuck at zero-level economic growth rate, Russian Prime Minister Dmitry Medvedev said Wednesday.

"Of course, when many macroeconomic indicators have turned negative, even a slight surplus looks like a certain achievement, but this is a dangerous illusion. We cannot allow ourselves to get stuck near the zero mark and succumb to such economic decadence," Medvedev said at the **Gaidar Forum**.

林毅夫：大陸經濟崩潰論者不理解本質

中央日報 (繁體), 12:33, 13 января 2016, 398 слов, (Китайский (традиционный))

知名經濟學家林毅夫12日表示，中國大陸經濟不會崩盤，未來幾年經濟成長率可保持在6.5%至7%之間。他還說，預言大陸經濟將崩潰的人不理解大陸經濟的本質。



Russia Needs to Adapt Budget as Oil Prices Likely to Continue Falling – Finance Minister

13 января 2016
Sputnik News Service

(Updates with new headline, lede, context in para 3, more details in paras 4-6)

MOSCOW, January 13 (Sputnik) - Oil prices are due to continue declining in the near future, given that the production will not decrease, so Russia is due to change its budget policy with regard to new conditions, Russian Finance Minister Anton Siluanov said Wednesday.

"We see that no one reduces the production of oil, and, most likely, we will soon observe further decline in oil prices," Siluanov said at the **Gaidar Forum**, adding that the government was yet to take "a whole number of decisions to change the budget policies."

On Tuesday, the Organization of the Petroleum Exporting Countries (OPEC) stated that its Reference Basket of petroleum blends fell in value by 4.88 percent, reaching the same level as on October 1, 2003, or \$27.07 per barrel, majorly due to prolonged global oversupply and the OPEC unwillingness to cut production out of fear of losing market share.

According to Siluanov, the Russian budget, which is balanced with the oil price standing at \$82 per barrel, has not yet adapted itself to the slumping oil prices.

The Russian government has already made a decision to optimize the budget, Siluanov said. The Finance Ministry is expecting proposals on cutting down spending by 10 percent.

The minister added that the deficit of the Russian budget stood at 2.6 percent of the gross domestic product at the end of 2015. In December 2015, Russian President Vladimir Putin said the deficit for 2015 would amount up to 2.9 percent of the country's GDP.

Precise.

Gaidar Forum; Advance Media Information; Future News Item; **Gaidar Forum**

13 января 2016
Precise Media Planner

Organisation: **Gaidar Forum**

Description: Annual **Gaidar Forum** - 'Russia and the World: Looking to the Future'

Start Date: 2016-01-13

End Date: 2016-01-15

Web Site: <http://www.gaidarforum.ru/en/>

Time Zone: GMT

Summary: **Gaidar Forum**

Event Type: Trade Conferences

Venue: Moscow

Country: Russia



Russian Finance Minister Anton Siluanov attends the **Gaidar Forum** 2016 in Moscow

MAXIM SHEMETOV
REUTERS
13 января 2016

Russian Finance Minister Anton Siluanov attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016.
REUTERS/Maxim Shemetov



Russia's former Finance Minister Kudrin attends the **Gaidar Forum 2016 in Moscow**

13 января 2016

Reuters Pictures

Russia's former Finance Minister Alexei Kudrin attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. REUTERS/Maxim Shemetov



Russian Economy Minister Ulyukayev attends the **Gaidar Forum 2016 in Moscow**

MAXIM SHEMETOV
REUTERS
13 января 2016

Russian Economy Minister Alexei Ulyukayev attends a session of the **Gaidar Forum** 2016 'Russia and the World: Looking to the Future' in Moscow, Russia, January 13, 2016. Russia's authorities should return to the idea of further cutting the state's holdings in the two largest banks, Sberbank and VTB, Ulyukayev told an economic forum on Wednesday. REUTERS/Maxim Shemetov



UPDATE: Russia will spend 30 bln rbl on indexation of payments in '16

13 января 2016
Prime News

(Adds details in last two paragraphs)

MOSCOW, Jan 13 (PRIME) -- Russia will spend 30 billion rubles on indexation of all social payments in 2016, Labor and Social Protection Minister Maxim Topilin said Wednesday at the **Gaidar Forum**.

"This will need about 30 billion (rubles)," he said.

The government will increase social payments by 7% for a second time from February 1 to compensate for 2015 inflation, he said. "We have also agreed that next year indexation will be also done not on the basis of a forecast, but on the basis of real inflation," he said.

"On February 1, 2016 additional indexation of 7% for the previous period, and on February 1, 2017 indexation on the level of real inflation in 2016."



Russian economic minister suggests discussing privatization of major state banks

13 января 2016

10:48

BBC Monitoring Former Soviet Union

Text of report by RIA Novosti (part of the state-owned International News Agency Rossiya Segodnya)

Moscow, 13 January: The head of the Russian Economic Development Ministry, Aleksey Ulyukayev, has suggested renewing discussion of the privatization of the largest Russian state banks, Sberbank and VTB, which would enable the situation regarding the capitalization of the national banking system to be improved.

"I think we should get back to the issue of privatizing our largest banks with state participation, Sberbank and VTB. These are high-quality assets, attractive all over the world," Ulyukayev said, speaking at the Gaydar Forum [also spelled **Gaidar Forum**; an international economic conference held in Russia].

He said this would facilitate changes to the situation regarding the capitalization of the Russian banking sector.

Min: Russia will spend 30 bln rbl on indexation of payments in 2016

13 января 2016
Prime News

MOSCOW, Jan 13 (PRIME) -- Russia will spend 30 billion rubles on indexation of all social payments in 2016, Labor and Social Protection Minister Maxim Topilin said Wednesday at the **Gaidar Forum**.

“This will need about 30 billion (rubles),” he said.

Minister: Russia’s 2015 budget deficit at around 2.6% of GDP

13 января 2016
Prime News

MOSCOW, Jan 13 (PRIME) -- The deficit of Russia’s budget amounted to about 2.6% of the country’s gross domestic product (GDP) in 2015, Finance Minister Anton Siluanov said Wednesday at the **Gaidar Forum**.

“The deficit of our budget amounted to about 2.6% of GDP last year, it is less than 3%, the level that we initially planned,” he said.

“But it would be wrong to speak about some sort of adaptation (of the budget to low oil prices), so our current goal is to bring the budget in accordance with the new reality.”



Russia political and economic calendar: January 13

13 января 2016
Interfax: Russia & CIS Business and Financial Newswire
MOSCOW. January 13 (Interfax) - The political and economic calendar in Russia for January 13 is as follows:

1*** **Gaidar Forum**-2016 to take place on Jan 13-15. 9:30 a.m.

Russian Presidential Academy of National Economy and Public Administration.

<http://www.gaidarforum.ru/en/>

Russia Weighs Spending Cuts as Siluanov Warns Oil May Fall More

The Russian government is preparing to cut its 2016 spending, with policy makers considering a 10 percent reduction in non-priority expenditures to adjust to a "new reality" as oil prices are set to keep declining, Finance Minister Anton Siluanov said. The budget situation is "difficult" and "it is impossible not to adjust" spending to the new terms, Siluanov said at **Gaidar forum** in Moscow on Wednesday. The deficit was 2.6 percent last year and this year's cuts would spare priority areas such as the military and agriculture, he added. The government should revisit the idea of privatizing Sberbank PJSC and VTB Group, the nation's two largest lenders, Economy Minister Alexei Ulyukayev said at the same conference.

The world's biggest energy exporter is struggling to make up for the expected drop in budget revenue as the price of oil has tumbled below \$30 a barrel for the first time in 12 years. The commodities rout compounded the effect of U.S. and European sanctions over Russia's role in the Ukrainian conflict, which restrict its access to global financial markets. The 2016 budget is based on an average oil price of \$50 a barrel.

"Our task now is to bring the budget in line with the new reality and if we don't manage that, there will be a repeat of what happened in 1998-1999 when the population paid through inflation," Siluanov said. The government sees 1 trillion rubles (\$13 billion) of revenue from privatization over the next two years, he added.

The ruble strengthened 1.1 percent to 76.2050 against the dollar by 12:12 p.m. in Moscow, snapping a four-day slide. It declined 55 percent in 2014-15, more than any currency in the world except the Ukrainian hryvnia.

<http://www.bloomberg.com/news/articles/2016-01-13/russia-weighs-spending-cuts-as-siluanov-warns-oil-may-fall-more>

HOUSTON CHRONICLE

In brief: Russian leaders say cutbacks are ahead

Russian Prime Minister Dmitry Medvedev gestures as he addresses the 2016 Gaidar Economic Forum in Moscow, Russia, Wednesday, Jan. 13, 2016. The low oil price is hammering Russian budget revenues and delaying the country's exit from recession. (AP Photo/Ivan Sekretarev)

(subscription needed)

<http://www.houstonchronicle.com/business/article/In-brief-Russian-leaders-say->

cutbacks-are-ahead-6757550.php



Washington and the World Diary

13 января 2016

Reuters Washington Daybook Report

MOSCOW -- **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (through Jan. 15).

Russia must slash spending or face financial crash, warns minister

Business New Europe, 00:00, 13 января 2016, 911 слов, (Английский)

Russia must learn to live within its much restricted finances or face an economic crash like that which wrecked the economy 18 years ago, Finance Minister Anton Siluanov said at the January 13 opening of the Gaidar Forum in Moscow.

林毅夫：中國經濟崩潰論者不理解本質

уам 番薯藤新聞 (繁體), 19:00, 12 января 2016, 423 слов, (Китайский (традиционный))

(中央社台北13日電) 知名經濟學家林毅夫12日表示，中國大陸經濟不會崩盤，未來幾年經濟成長率可保持在6.5%至7%之間。他還說，預言大陸經濟將崩潰的人不理解大陸經濟的本質。

Conflict in Syria should be settled in political way, coordination of efforts needed - EU ambassador to Moscow

Interfax.com, 00:00, 13 января 2016, 171 слов, (Английский)

MOSCOW. Jan 13 (Interfax) - The European Union has always called for the coordination of actions in Syria, but a solution to the Syrian conflict should be political, head of the European Union delegation to Russia Vygaudas Usackas said.



TASS DAYTIME NEWS ROUNDUP 08:00-19:00

12 января 2016

ITAR-TASS World Service

ROUNDUP:

TASS DAYTIME NEWS ROUNDUP 08:00-19:00

January 12. /TASS/.

MOSCOW. Greek President Prokopios Pavlopoulos will deliver a speech at the **Gaidar Forum**, one of the major economic events in Russia, in Moscow on January 14, the press service of the Greek embassy in Russia told TASS.



Greek president to address Gaidar Economic Forum in Moscow

12 января 2016
ITAR-TASS World Service

POLITICS: RUSSIA-GREECE-VISIT

Greek president to address Gaidar Economic Forum in Moscow

MOSCOW, January 12. /TASS/. Greek President Prokopios Pavlopoulos will deliver a speech at the **Gaidar Forum**, one of the major economic events in Russia, in Moscow on January 14, the press service of the Greek embassy in Russia told TASS on Tuesday.

"On Thursday the Greek President will take part in the **Gaidar Forum** and deliver a speech," the press service said. "We can confirm that a meeting between Prokopios Pavlopoulos and Russian President Vladimir Putin is scheduled for January 15."

The Greek President, who took office last March, will meet for the first time with his Russian counterpart on the sidelines of the forum with this year's agenda "Russia and the World: Looking to the Future".

The **Gaidar Forum** was established in 2010 as tribute to Yegor Gaidar, a leading Russian economist and the architect of the Russian reforms of the early 1990s.

The **Gaidar Forum** provides a unique intellectual platform and a meeting point for theorists and practitioners, the world's leading scientists and politicians and influential representatives of global financial and business elites.



Russia political and economic calendar: January 13 - May 12

12 января 2016
Interfax: Russia & CIS Business and Financial Newswire

Date	Event	Time
13.01.16	Gaidar Forum	-2016 to take place on Jan 13-15.

9:30 a.m. Russian Presidential Academy of
National Economy and Public Administration. <http://www.gaidarforum.ru/en/>
13.01.15 Video bridge Moscow-Astana on the theme "Prospects of further integration
to EEU". 12:30 MIA Russia Today

For accreditation: accreditation@rian.ru.

13.01.15 CPI index for Jan 1-11.

13.01.16 Lukoil - board meeting.

14.01.16 **Gaidar Forum**-2016 to take place on Jan 13-15.

9:30 a.m. Russian Presidential Academy of
National Economy and Public Administration. <http://www.gaidarforum.ru/en/>

15.01.16 **Gaidar Forum**-2016 to take place on Jan 13-15.

9:30 a.m. Russian Presidential Academy of
National Economy and Public Administration. <http://www.gaidarforum.ru/en/>

Events due in Moscow, Russia, CIS and Baltic countries on Wednesday, January 13, 2016

12 января 2016

Interfax: Russia & CIS Announcements

Bulletin is released Sunday to Friday. Issue No. 3

In Moscow:

Meeting of government

Participant: President V. Putin

Events due at Russian Academy of National Economy and Public Administration (82, Vernadskogo prospekt, phone: +7495-989-5778 (ext.: 1723), +7909-958-2999, e-mail: vpetrova@ac-forum.ru):

9.30 a.m. Panel discussion as part of **Gaidar Forum**

Subject: Outline of Russia's long-term socio-economic development

Participants: Minister for Liaison with Open Government M. Abyzov, Economic Development Minister A. Ulyukayev, Finance Minister A. Siluanov and others

Noon Panel discussion as part of **Gaidar Forum**

Subject: Russia and world. Look to the future

Participants: Minister for Liaison with Open Government M. Abyzov, European Commission Vice President K. Georgieva, ex-Czech President V. Klaus and others

DIARY - Political and General News Events From Jan 12

12 января 2016
Reuters News

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



Russian, Greek Presidents to Meet January 15 to Discuss Bilateral Relations - Kremlin

12 января 2016
Sputnik News Service

(Updates with background information in paras 4-6)

MOSCOW, January 12 (Sputnik) - Russia's President Vladimir Putin will meet with his Greek counterpart Prokopis Pavlopoulos on January 15 to discuss relations between the two countries, the Kremlin press service said Tuesday.

"On January 15, President of the Russian Federation Vladimir Putin will meet with President Prokopis Pavlopoulos of the Hellenic Republic," the press service said in a statement. Pavlopoulos will be visiting Moscow to take part in the **Gaidar Forum**.

The two leaders are set to discuss the state and prospects of Russian-Greek relations, as well as topical international issues, according to the Kremlin.

Pavlopoulos is scheduled to stay in Moscow through Saturday, January 16, Greek media outlets have reported. The aim of the visit is the further improvement of relations between Greece and Russia, and is also associated with the cross-cultural year between Russia and Greece, according to media reports.

Relations between Russia and the European Union went downhill in 2014, when Brussels joined Washington in accusing Moscow of fueling the Ukrainian crisis, imposing economic sanctions as a punitive measure. The Russian authorities have refuted the allegations, warning that the Western sanctions are counterproductive.

In November 2015, Greek Prime Minister Alexis Tsipras called on the European Union to stop "the vicious circle" of anti-Russia sanctions.

interfax

Russia political and economic calendar: January 12

12 января 2016

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. January 12 (Interfax) - The political and economic calendar in Russia for January 12 is as follows:

*** Press-conference devoted to **Gaidar Forum** 2016.

ITAR TASS (Moscow, 2, Tverskoy boulevard), 12:30.



Russia political and economic calendar: January 12 - March 10

11 января 2016

Interfax: Russia & CIS Business and Financial Newswire

Date	Event	Time
12.01.16	Press-conference devoted to Gaidar Forum 2016.	12:30
	ITAR TASS (Moscow, 2, Tverskoy boulevard)	



DIARY - Political and General News Events From Jan 11

11 января 2016

Reuters News

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>

Gaidar Forum 2016

Gulf News, 23:18, 10 января 2016, 32 слов, (Английский)

CALENDRIER du 11 au 17 janvier 2016

8 января 2016

ForeignAffairs.co.nz

Ms Kristalina Georgieva in Moscow, Russia: takes part in the plenary discussion within the **Gaidar Forum** 2016.



DIARY - Political and General News Events From Jan 8

8 января 2016
Reuters News

Reuters will issue this diary daily at around 1000 GMT

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>

Retail Sales, Obama, BOE, Golden Globes: Week Ahead Jan. 9-16

Bloomberg, 08:00, 7 января 2016, 4938 слов, (Английский)

U.S. retail sales climbed in December for a third month, data in the coming week probably will show, indicating consumer spending is helping give the world's biggest economy a boost.



DIARY - Political and General News Events From Jan 7

7 января 2016
Reuters News

Reuters will issue this diary daily at around 1000 GMT

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Jan 6

6 января 2016
Reuters News

Reuters will issue this diary daily at around 1000 GMT

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Jan 5

5 января 2016
Reuters News

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Jan 4

4 января 2016
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 31

31 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13 **

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 30

30 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 29

29 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 28

28 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



Washington and the World Diary

26 декабря 2015
Reuters Washington Daybook Report

Wednesday, January 13

MOSCOW -- **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (through Jan. 15).



DIARY - Political and General News Events From Dec 24

24 декабря 2015
Reuters News
WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 23

23 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



Alexey Ulyukaev, Mikhail Abyzov to discuss Strategy 2030 at **Gaidar Forum**

23 декабря 2015
AK&M

Experts intend to discuss Russia's social and economic development strategy to 2030 at the **Gaidar Forum** scheduled to take place at RANEPA on January 13-15, 2016. High officials of the Russian Government and heads of Russia's leading economic centers will meet to discuss the key priorities and implementation mechanisms for the national social and economic policy.

The plenary discussion "Strategy 2030: outline of the long-term social and economic development of Russia" scheduled for January 14, 2016 will feature Russia's Minister of Economic Development Alexey Ulyukaev, Minister of Russia Mikhail Abyzov, heads and deans of Russia's leading high schools: Vladimir Mau (rector of RANEPA), Sergei Sinelnikov-Murylev (rector of the Russian Foreign Trade Academy), Yaroslav Kuzminov (rector of NRU Higher School of Economics), Alexander Auzan (dean of the economic faculty, Lomonosov Moscow State University). The discussion will be moderated by EY managing partner in Russia Alexander Ivlev.

The 7th **Gaidar Forum** traditionally unites leading international researchers, politicians and financiers. The Forum has been conducted annually since 2010 in memory of Yegor Gaidar, an outstanding economy researcher, an ideologue of the Russian reforms in early 1990s. The Forum General Partners are PJSC Gazprom and Gazprombank. The Forum financial partner is Otkritie. Strategic partners include Coca-Cola, Johnson & Johnson, Novartis, ACIG Group of Companies, O1 Group, Yegor Gaidar Foundation. Official partners are Microsoft, RVC OJSC. Partners are Unilever, Cotton Way, JSC Russian Railways, MegaFon, X5 Retail Group.

The global information partner of the Forum is BLOOMBERG. General information partners are Russia-24 TV channel, RBC media holding, TASS news agency. The general radio partner is Russian News Service. Strategic information partners are Interfax, Rossiya Segodnya, PRIME. The main information partners are Kommersant FM radio station, Gazeta.Ru, Russia Today. Information partners include the Rossiyskaya Gazeta, Polit.ru, Finmarket news agency, REUTERS, Phoenix TV (China), Xinhua News Agency, Echo of Moscow radio station, the Parlamentskaya Gazeta, The Moscow Times, Lenta.Ru, a number of magazines (Profil, Snob, Strategiya, Mir i Politika, Business Journal, Financial One etc.), AK&M Information Agency, Russia Direct, RBTH, Investing.com.



DIARY - Political and General News Events From Dec 22

22 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



RUSSIAN DAVOS

Tatiana Zyкова
Rossiiskaya Gazeta, No 289, December 22, 2015, p. 3
22 декабря 2015
WPS: What the Papers Say

Russian davos

The VII **Gaidar Forum** will open in Moscow on January 13.



DIARY - Political and General News Events From Dec 21

21 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 18

18 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 18

18 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 17

17 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 16

16 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 15

15 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 14

14 декабря 2015
Reuters News
Reuters will issue this diary daily at around 1000 GMT

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 11

11 декабря 2015

Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 10

10 декабря 2015

Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 9

9 декабря 2015

Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 8

8 декабря 2015
Reuters News

Reuters will issue this diary daily at around 1000 GMT

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 7

7 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).

<http://www.gaidarforum.ru/en/>



DIARY - Political and General News Events From Dec 4

4 декабря 2015
Reuters News

WEDNESDAY, JANUARY 13

MOSCOW - **Gaidar Forum** 2016 "Russia and the World: Looking to the Future" (to Jan. 15).



Sberbank CEO: Russia faces largest banking crisis

17 ноября 2015

Prime News

MOSCOW, Nov 17 (PRIME) -- Russia is now facing the largest banking crisis, German Gref, CEO of the country's top bank Sberbank, said Tuesday at the **Gaidar forum**.

"I can say that in general, when I said those words, my view was significantly more pessimistic than the situation was in fact. But right now we see the largest banking crisis," he said. "In fact, we see zero profit of the banking sector today, excluding Sberbank, and simply huge amounts of reserve creation."

"I would not like to touch the sore spot again, but we see the scale of the central bank's purge of the banking sector of a great number of banks that are actually not banks, and the general situation in the banking sector is bad," Gref said.

But Central Bank First Deputy Chairman Alexei Simanovsky told reporters that he did not see any signs of a banking crisis in the country.