

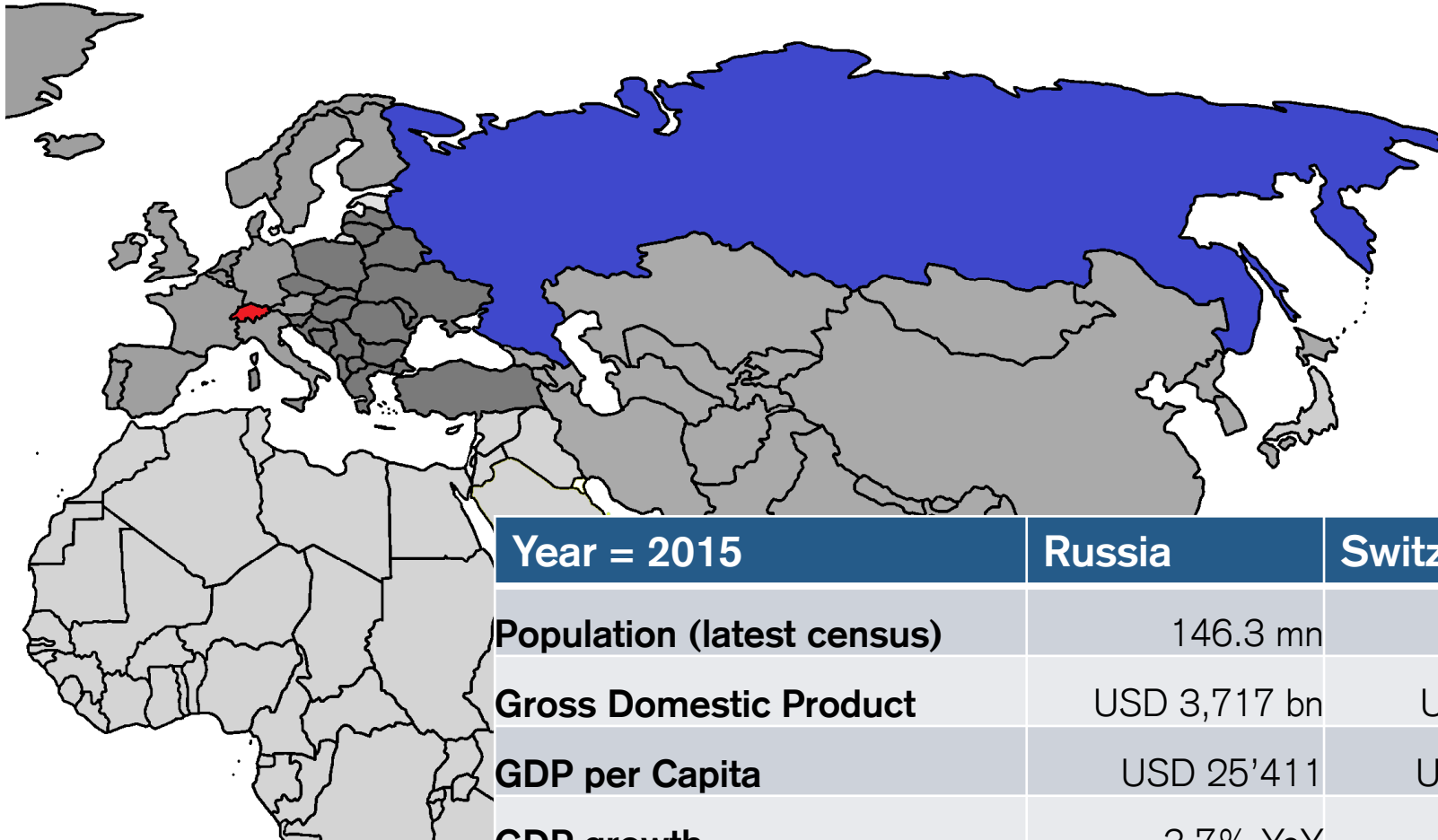
May 09 2016

Esteban Lanter, Quantitative Economist

Economic Outlook: Russia

Weathering the storm

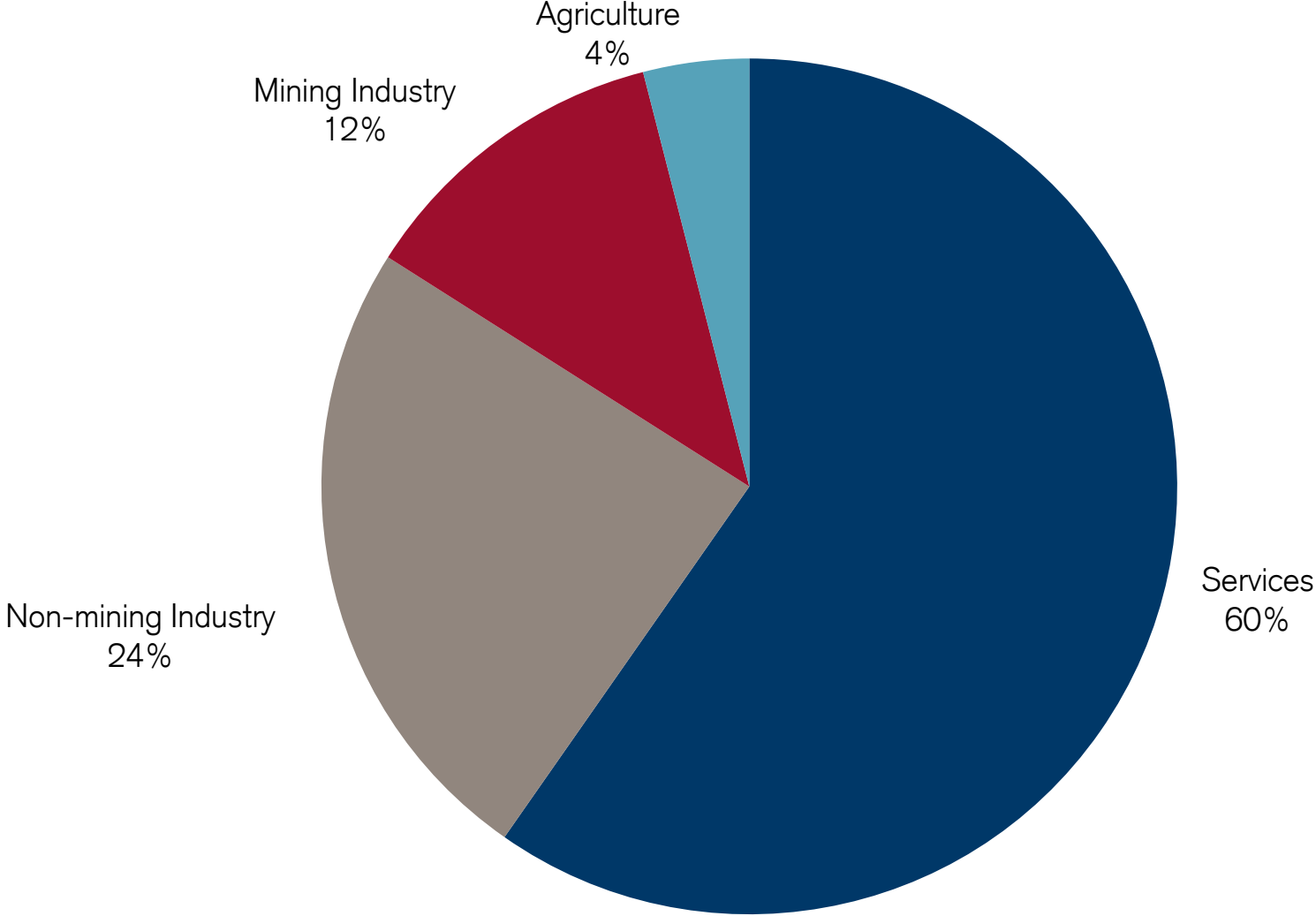
Russia vs. Switzerland



Year = 2015	Russia	Switzerland
Population (latest census)	146.3 mn	8.24 mn
Gross Domestic Product	USD 3,717 bn	USD 482 bn
GDP per Capita	USD 25'411	USD 58'511
GDP growth	-3.7% YoY	0.9% YoY
Inflation	12.9% YoY	-1.3% YoY

Source: Datastream, IMF;, Credit Suisse / IDC

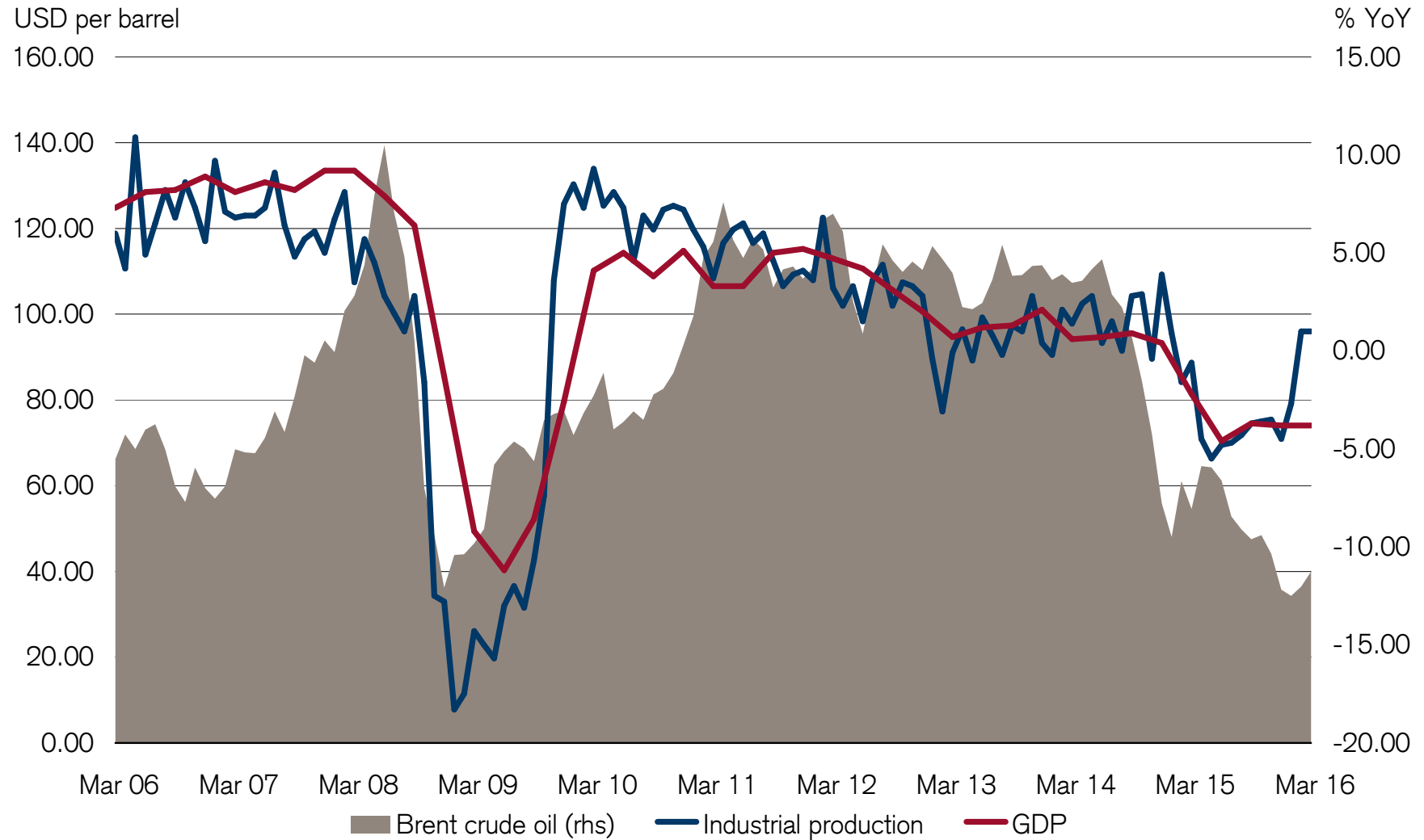
An economy driven by Retail, Manufacturing & Mining



Last data point: 15.03.2016

Source: CIA World Book, Credit Suisse / IDC

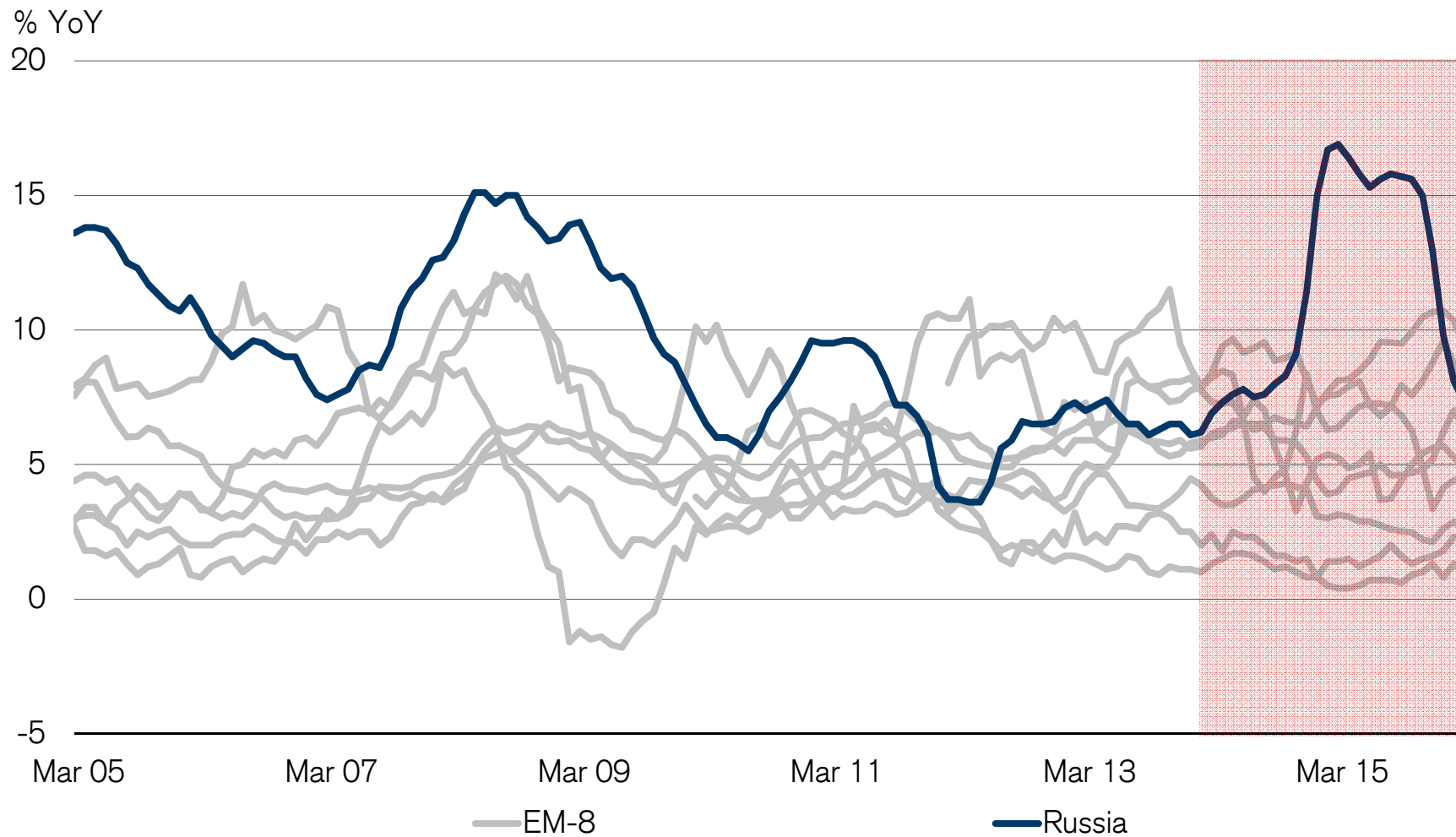
Oil prices declines hit Russia hard over 2014/2015...



Last data point: 13.04.2016

Source: Datastream, Credit Suisse / IDC

... causing very high inflation rates



Last data point: 30.04.2016

Source: Datastream, Credit Suisse / IDC

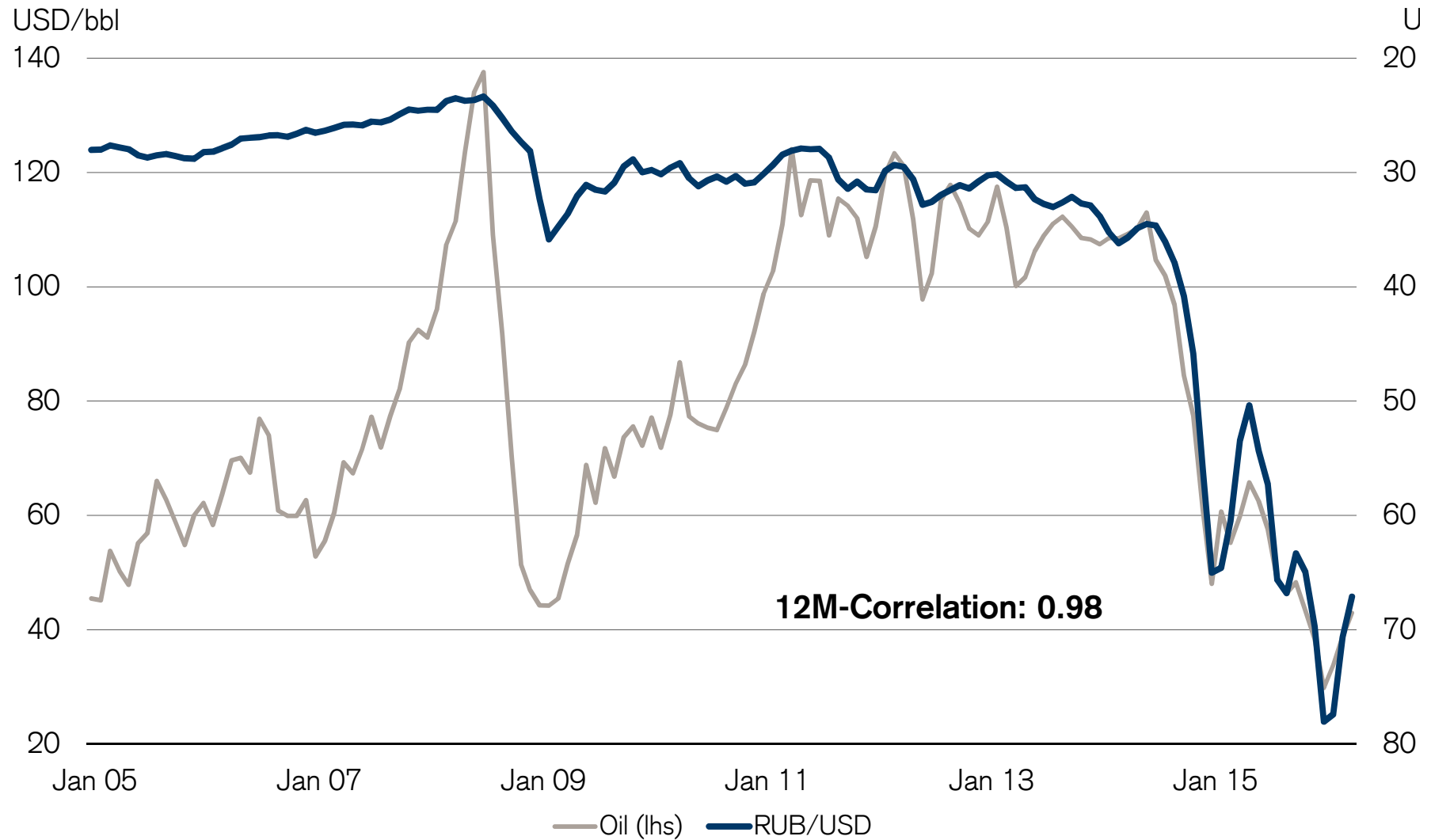
The industrial sector is recovering again



Last data point: 31.03.2016

Source: Datastream, Credit Suisse / IDC

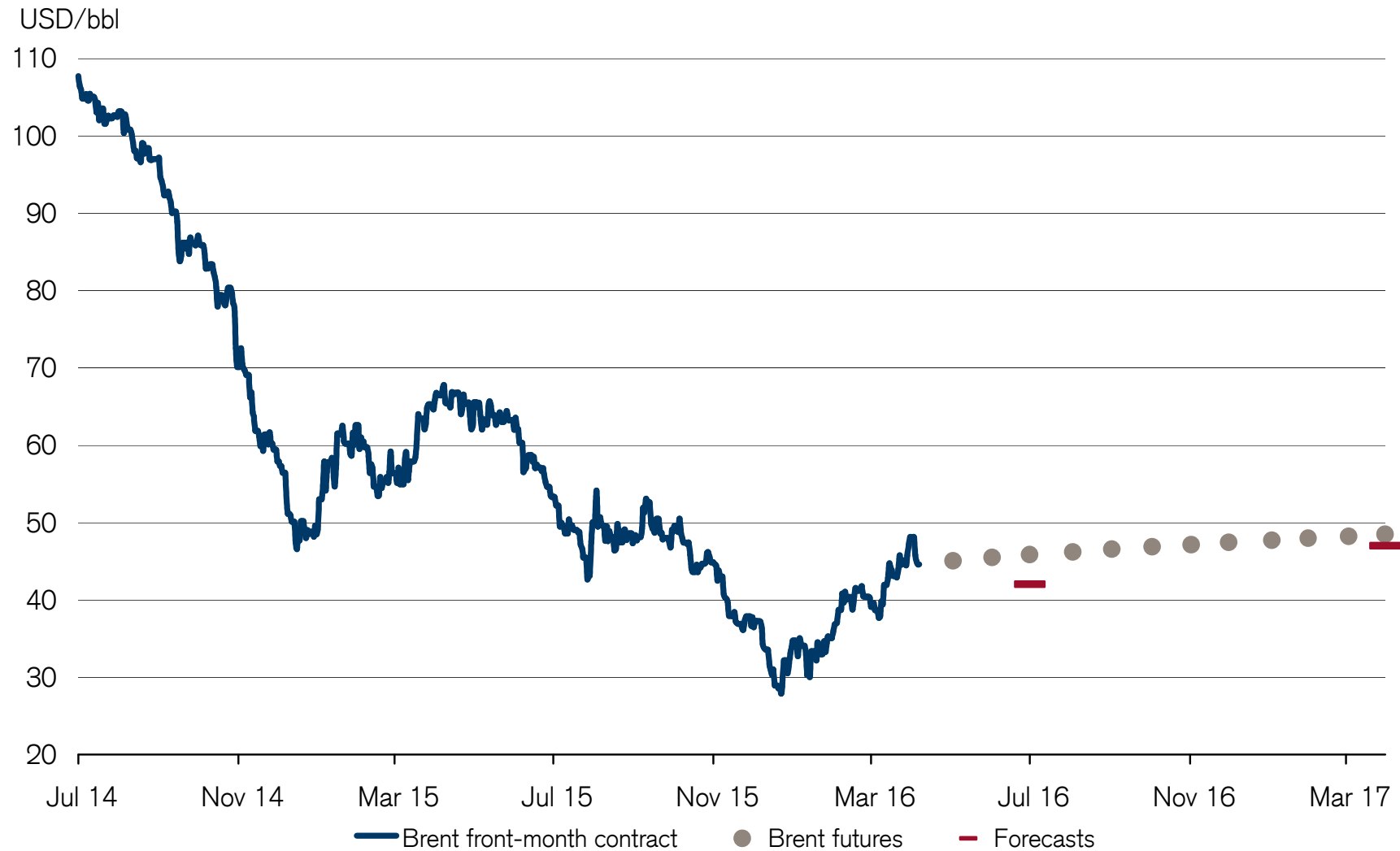
Currency risk is oil price risk



Last data point: 22.04.2016

Source: Datastream Credit Suisse / IDC

No impulse expected from the oil price in the short-run



Last data point: 06.05.2016

Source: Datastream, Credit Suisse / IDC

Russian Ruble (RUB) vs. USD, forwards and forecasts

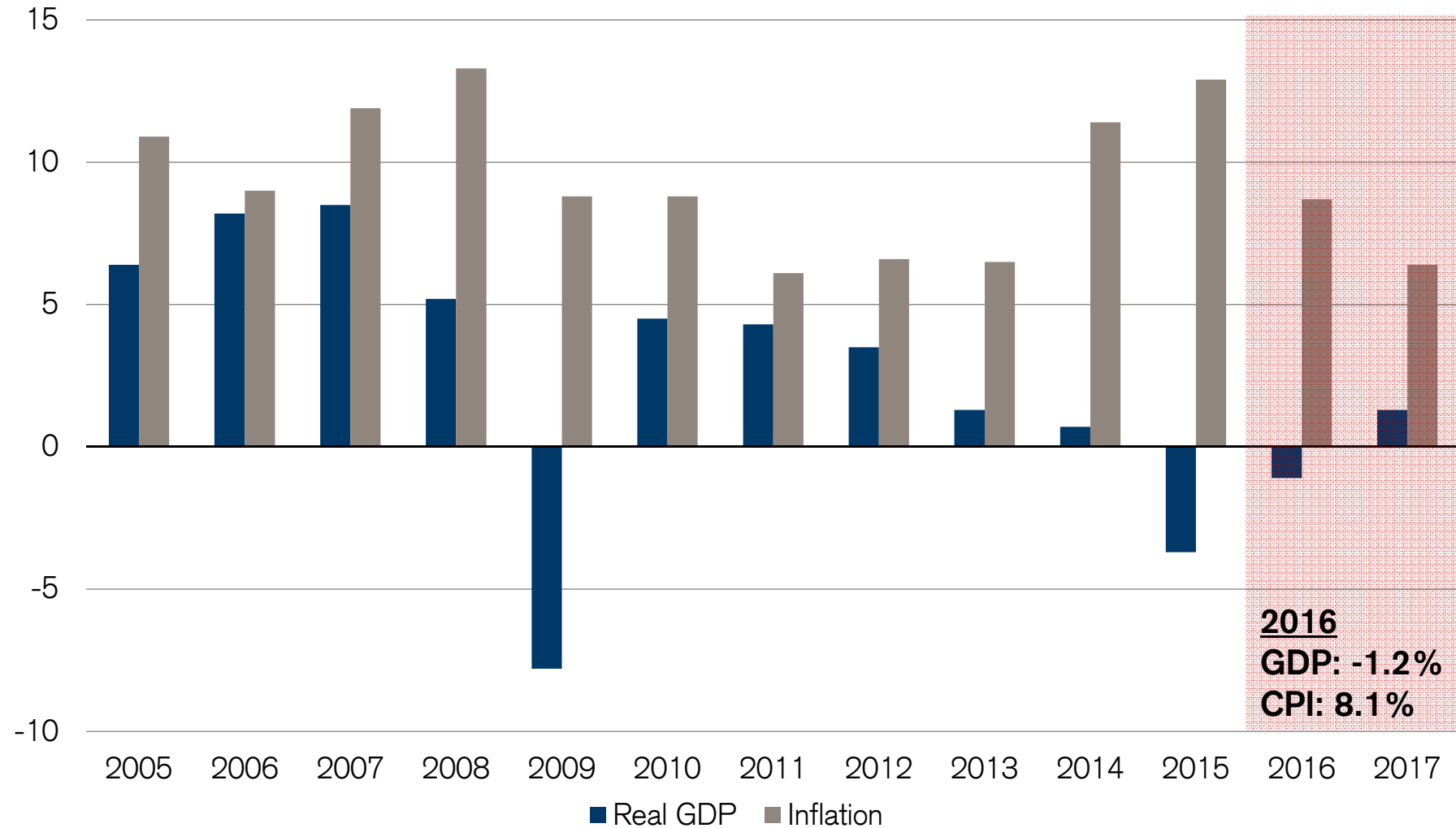


Last data point: 06.05.2016

Source: Datastream, Credit Suisse / IDC

GDP and inflation are expected to recover...

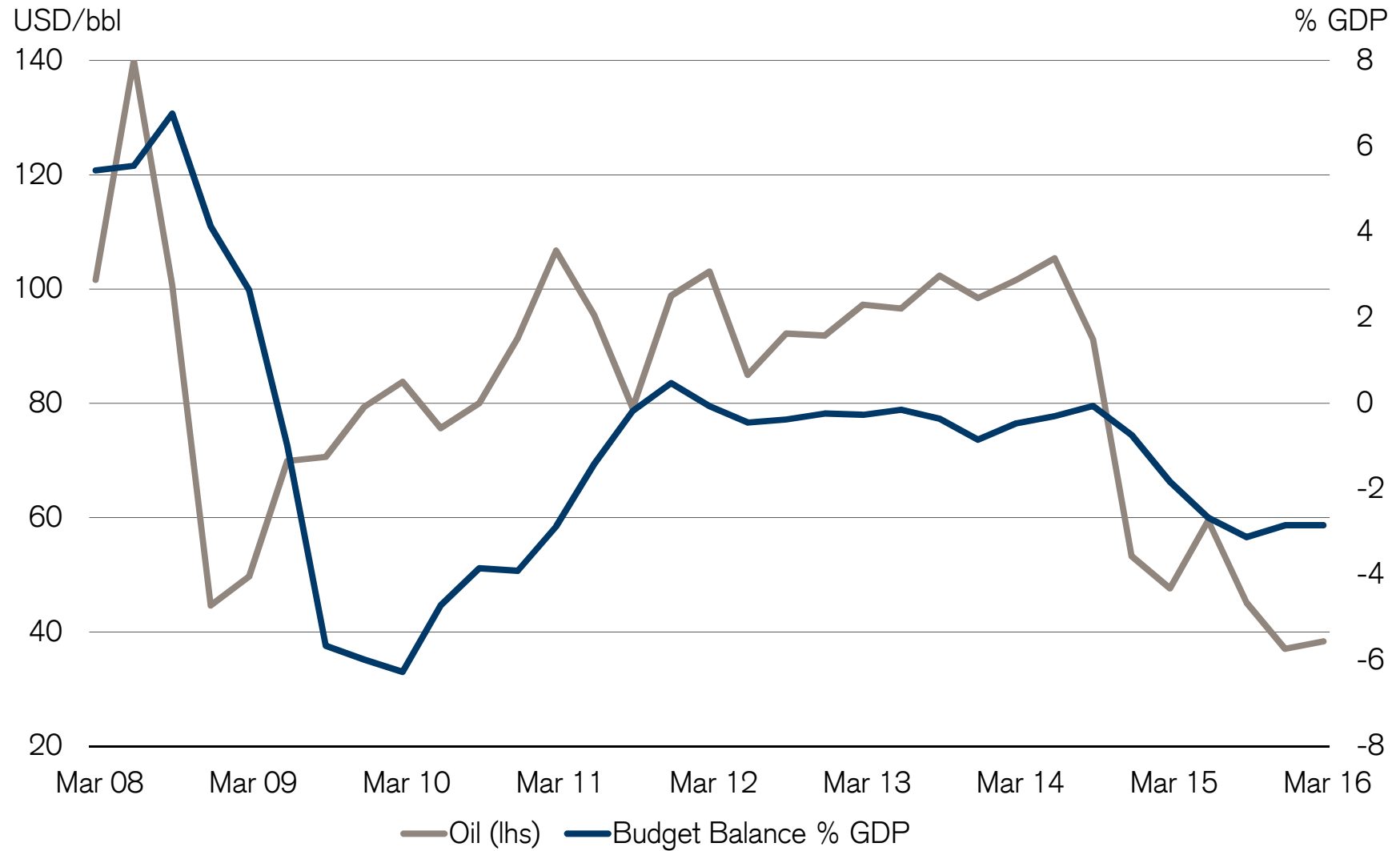
Annual % change



Last data point: 31.12.2015

Source: IMF, Credit Suisse / IDC

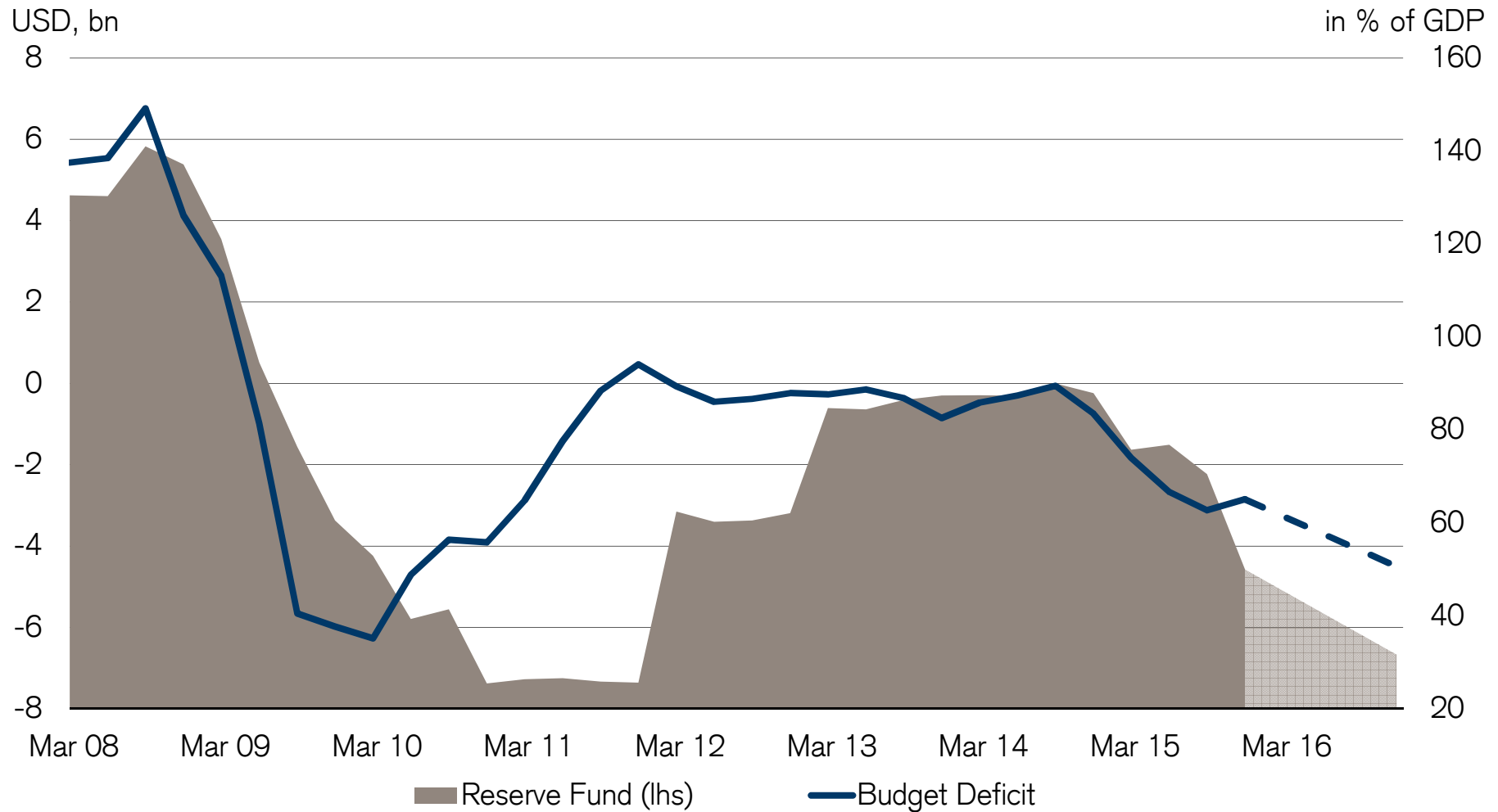
... but fiscal risks remain an issue



Last data point: 31.03.2016

Source: Bloomberg, Credit Suisse / IDC

The reserve fund capital buffer continues to deplete

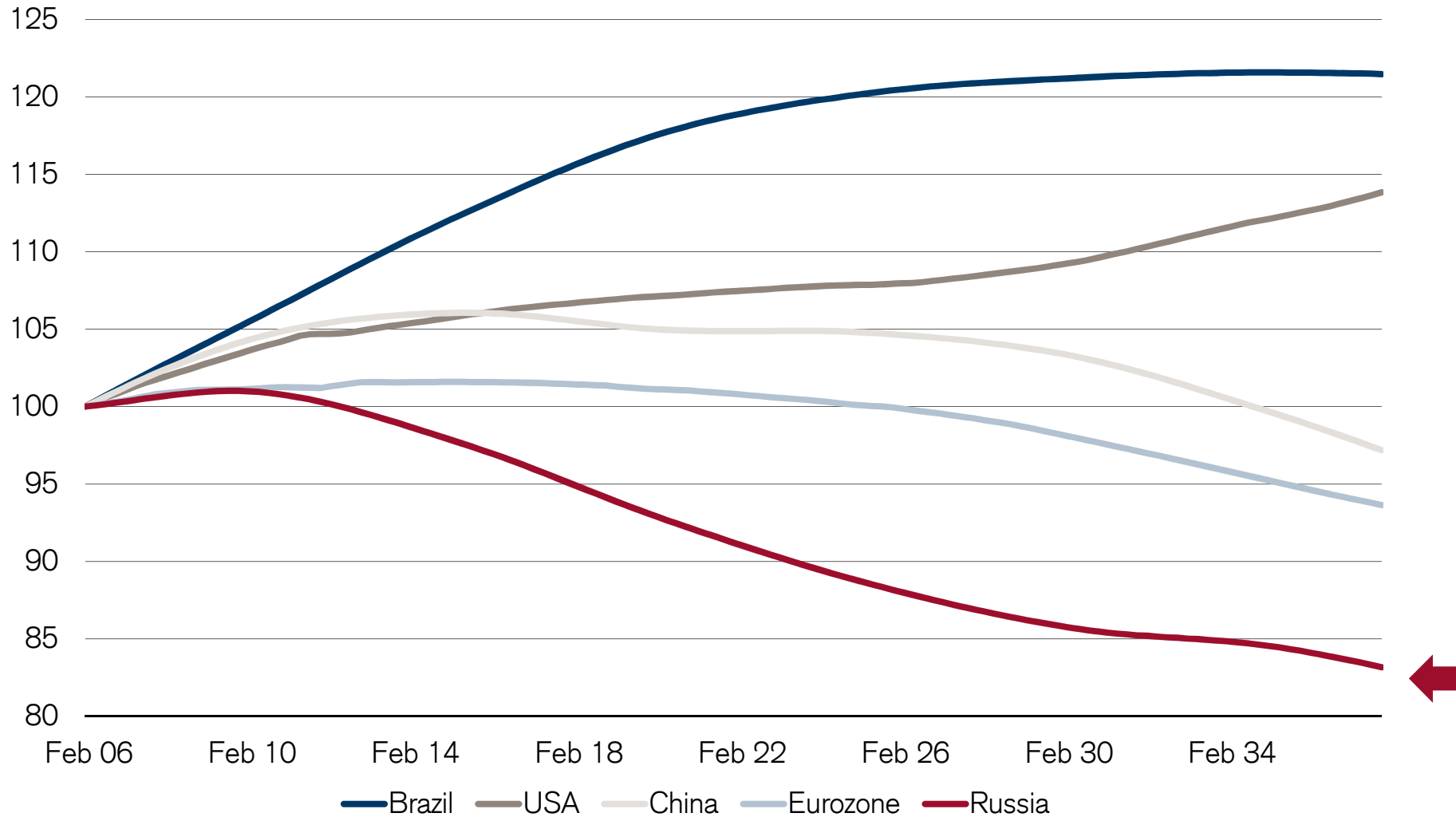


Last data point: 31.03.2016

Source: Bloomberg, Credit Suisse / IDC

Demographics pose risks to longer term growth potential

Population of working age (Q1 2006 = 100)



Last data point: 31.03.2016

Source: Bloomberg, Credit Suisse / IDC

Summary

- **Recession likely to bottom out in 2016 as the industrial sector adapts**
 - GDP 2015: -3.7%
 - GDP 2016: -1.2%
 - GDP 2017: 1.2%

- **Short & mid-term risks**
 - Oil price uncertainty / Currency Risks
 - Reserve fund depletion / Fiscal tightening

- **Long-term risks**
 - Demographics
 - Business conditions
 - Structural lack of innovation

- **The «super-cycle» of the 2000s is over and Russia's growth potential has lowered**

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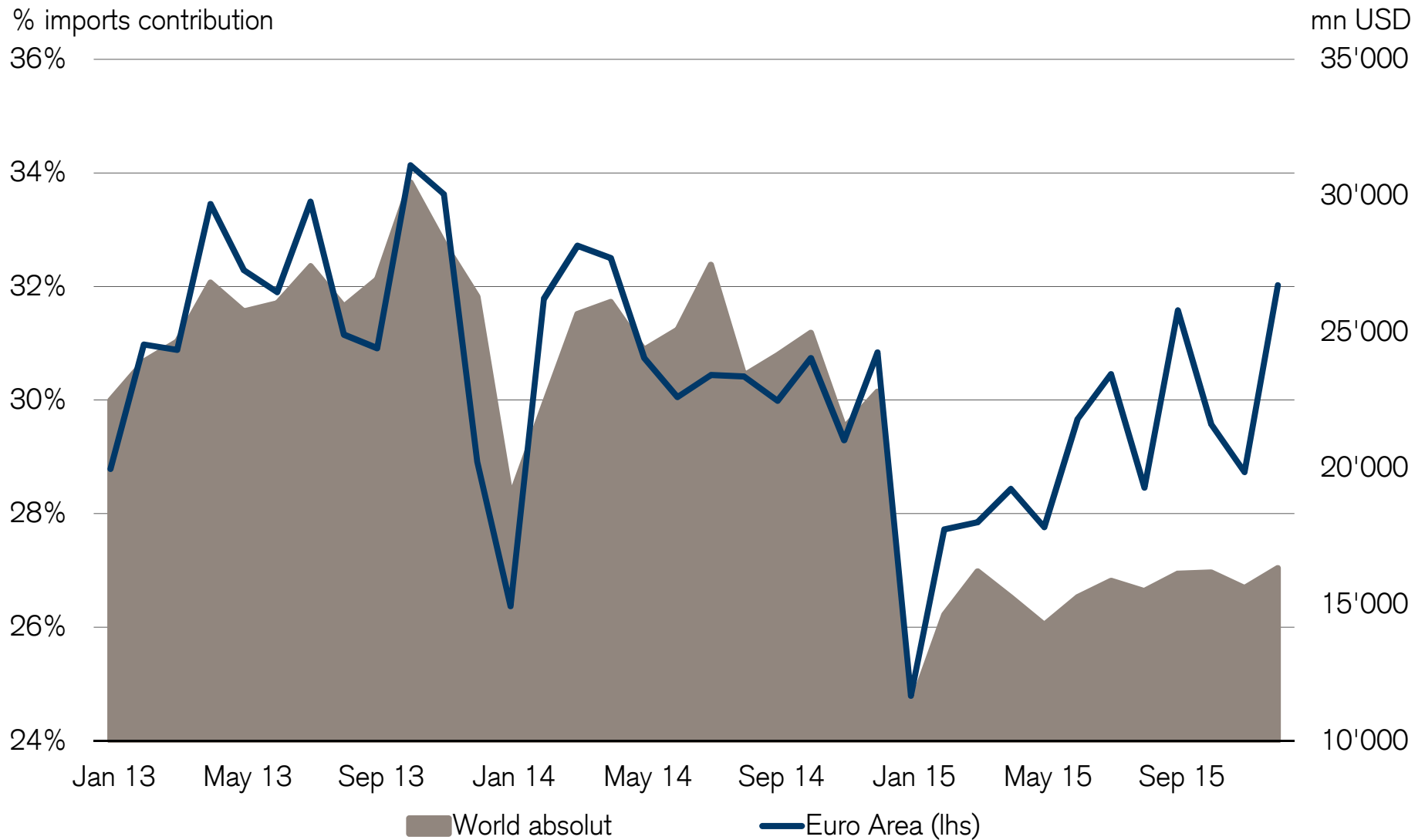


INVESTMENT SOLUTIONS & PRODUCTS

May 09 2016

Backup

The economic effect of sanctions is disappearing



Last data point: 31.03.2016

Source: Bloomberg, Credit Suisse / IDC