

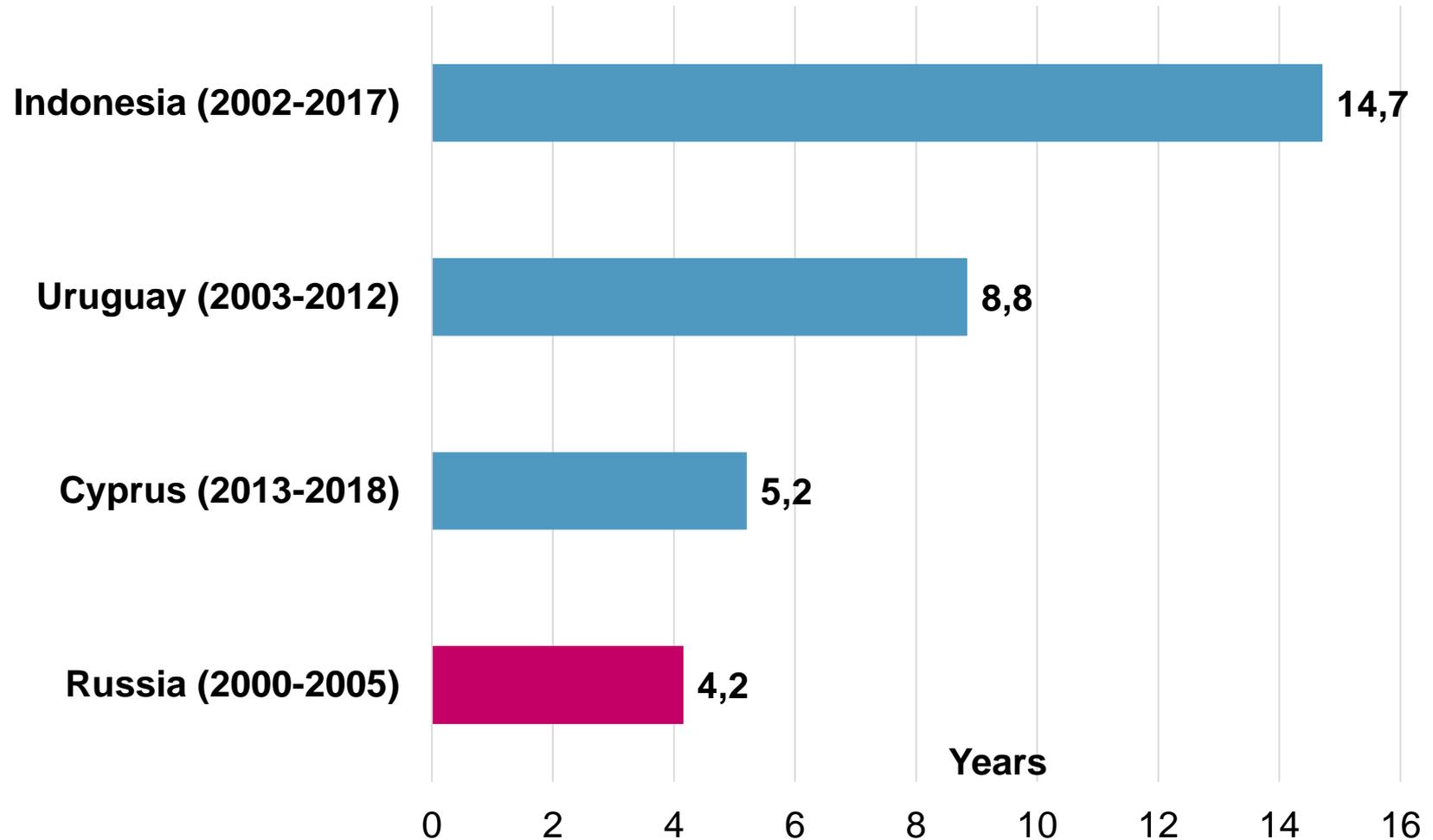
# Is Russia shielded from emerging market volatility and new sanctions?

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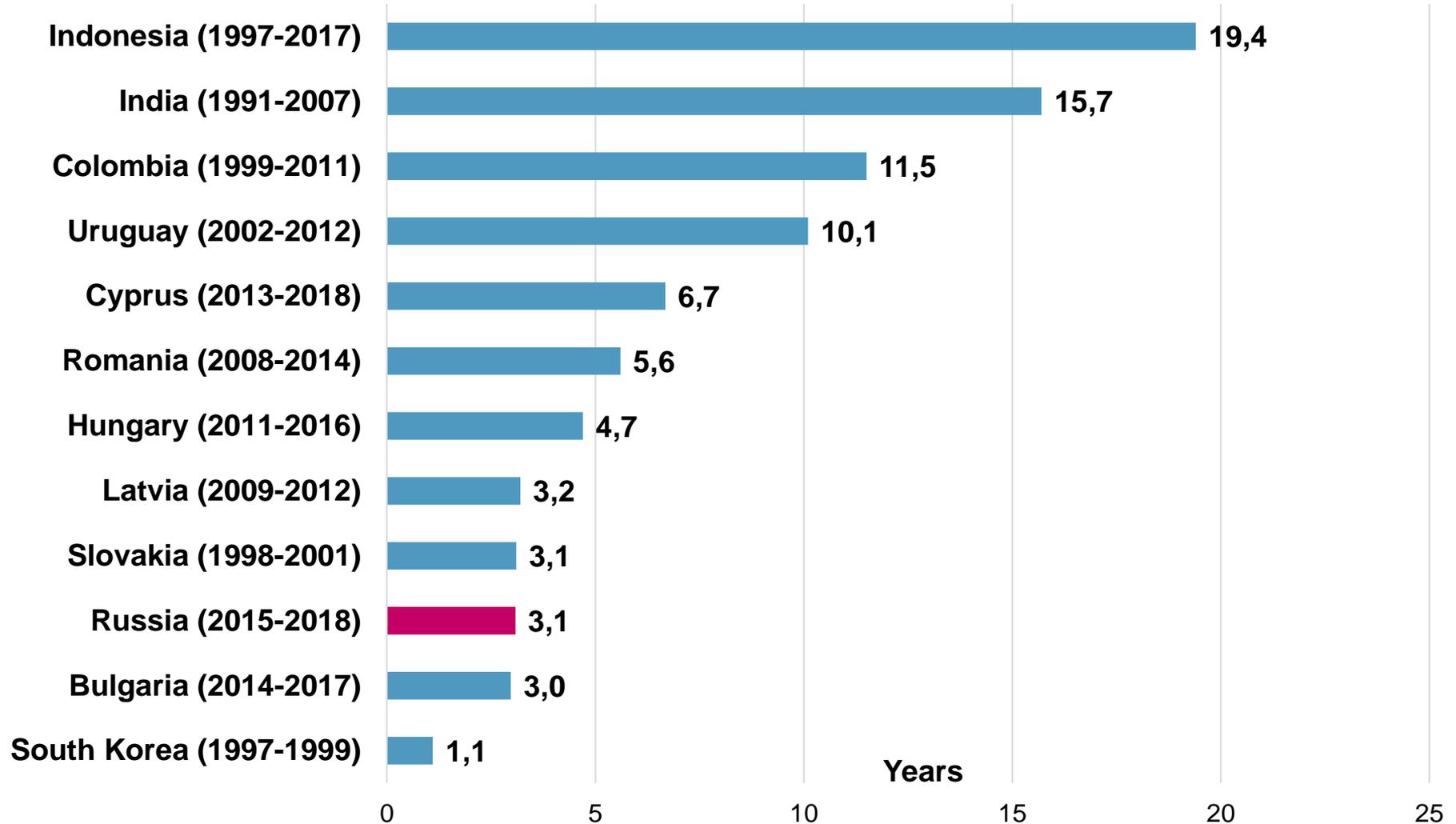
Sovereign Ratings



# From sovereign default to investment grade



# Time to regain investment grade status

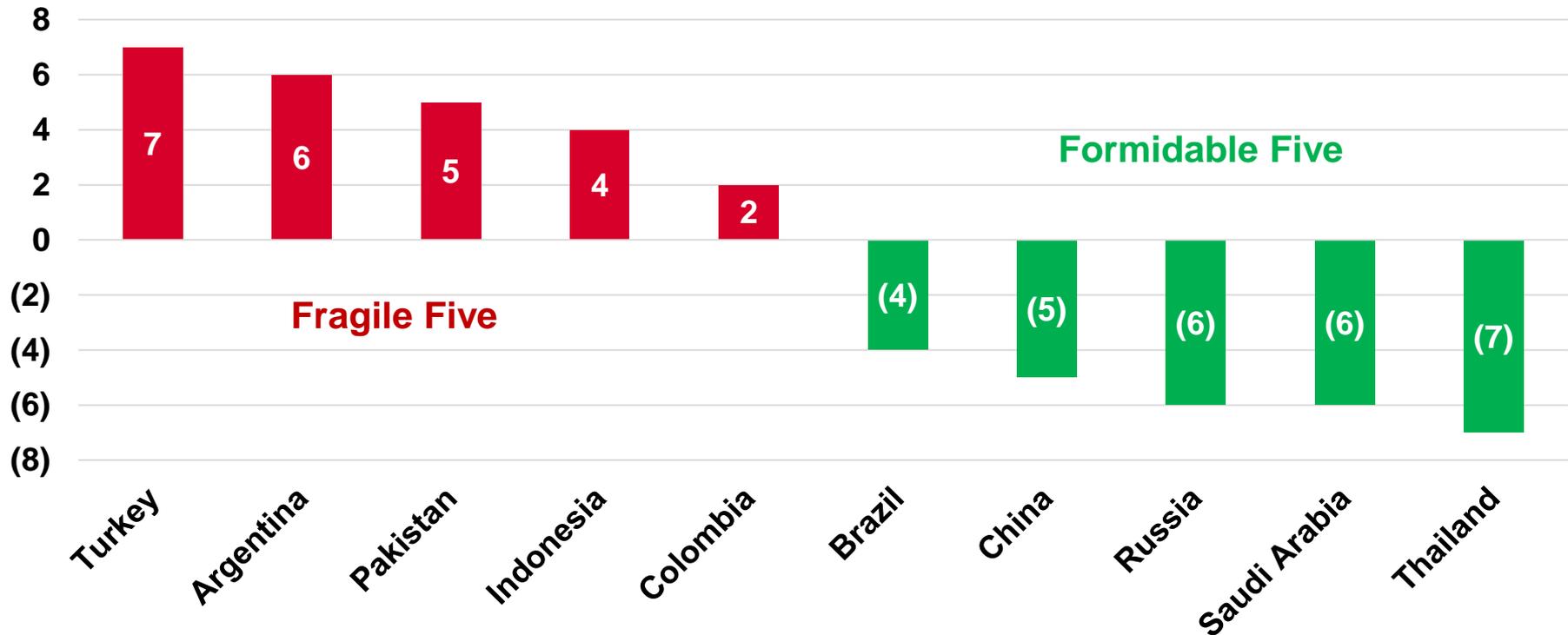


# Ratings raised to BBB-/Stable in Feb. 2018

- Prudent macroeconomic response to the dual external shock
- Fiscal restraint allowed by high spending flexibility
- Solid support to the banking system
- Recovery of bank credit to the private sector

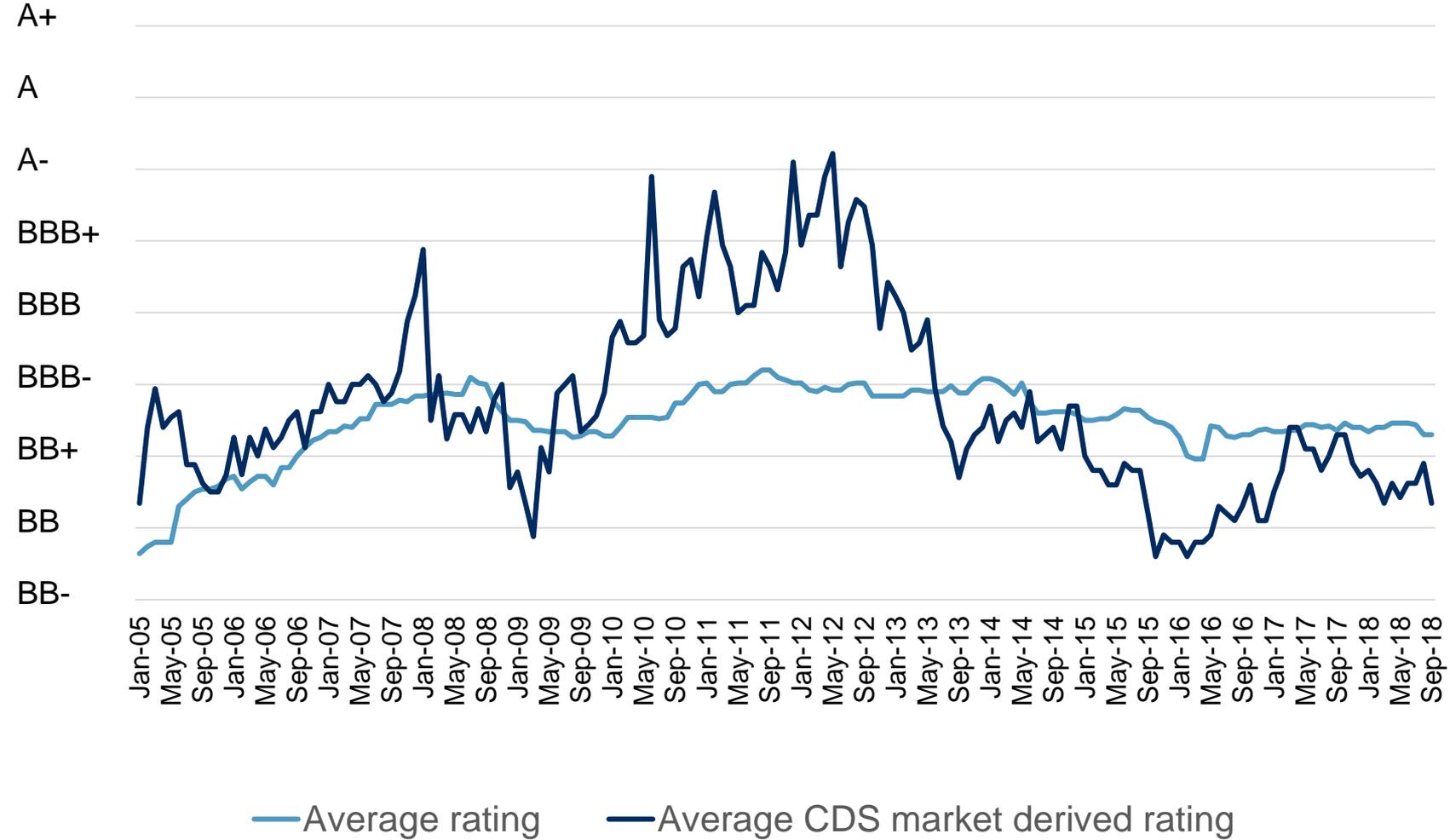
<b>Strengths</b>	<b>Weaknesses</b>
Strong macroeconomic management	Moderate wealth levels
Net external asset position	Low growth potential, not least due to international sections
Low public debt; strong fiscal flows	Weak institutions; uncertain succession scenario
Flexible exchange rate	Exposure to commodity price volatility

# “Fragility” index for largest EM economies



- Current Account Balance (% of GDP)
- Current Account Balance (% of CAR).
- Usable reserves/CAPs (months)
- Gross ext. fin. needs/(CAR + use. res.) (%)
- Narrow net ext. debt/CARs (%)
- Short-term external debt by remaining maturity/CARs
- Government FX Debt (% of total)

# Emerging Market Sovereign Rating History Versus CDS-derived Ratings

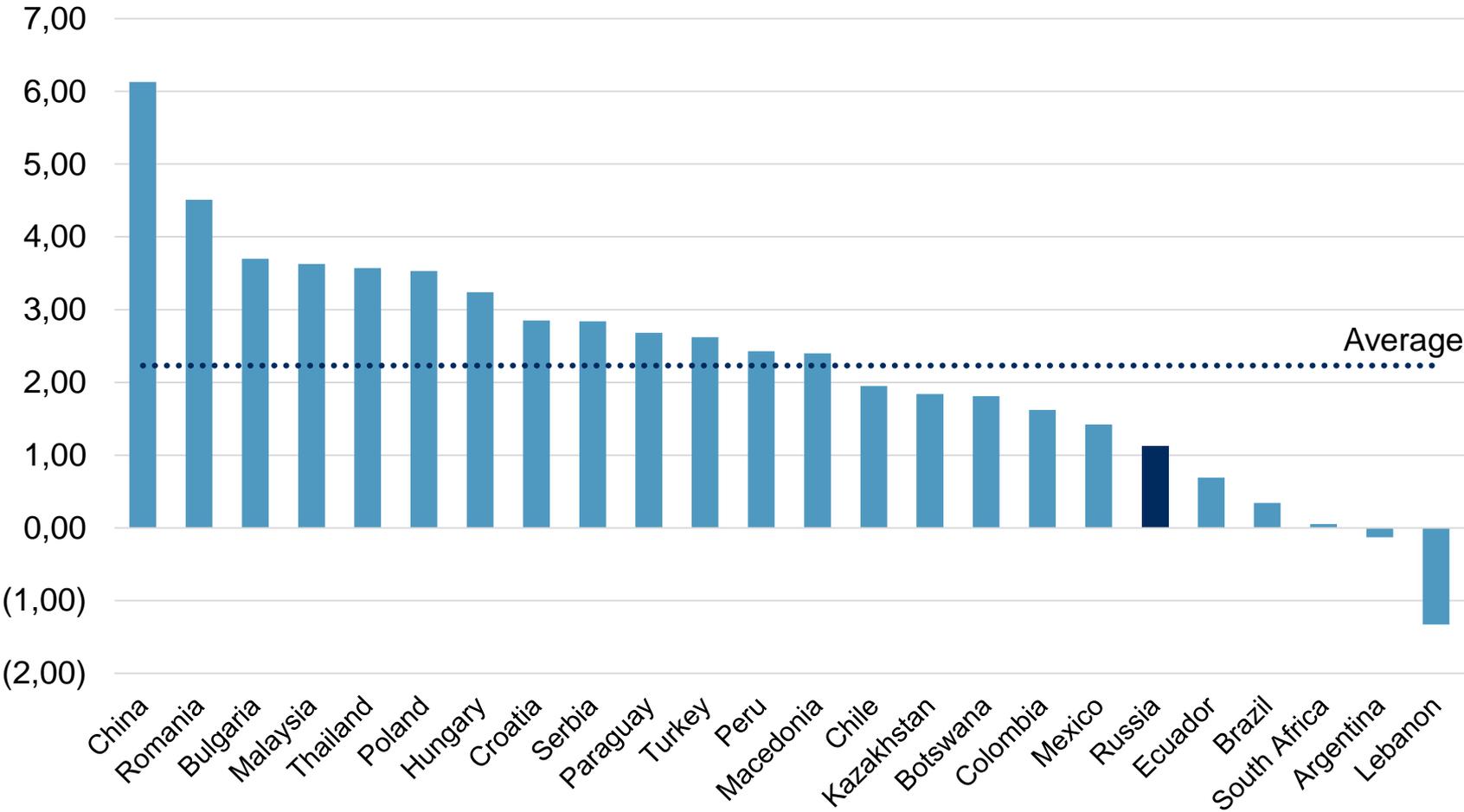


# Rating Comparison Snapshot

Country	Sovereign Foreign-Currency Ratings	Institutional assessment	Economic assessment	External assessment	Fiscal assessment: budget performance	Fiscal assessment: debt	Monetary assessment
China	A+/Stable	3	4	1	3	2	3
Poland	A-/Stable	4	4	2	3	2	2
India	BBB-/Stable	3	4	2	6	6	3
Kazakhstan	BBB-/Stable	5	4	2	1	1	4
Russia	BBB-/Stable	5	5	1	4	1	3
South Africa	BB/Stable	4	5	4	5	5	2
Turkey	B+/Stable	5	4	6	4	4	4

Source: Sovereign Ratings Score Snapshot, October 03, 2018

# Per capita GDP trend growth remains below peers



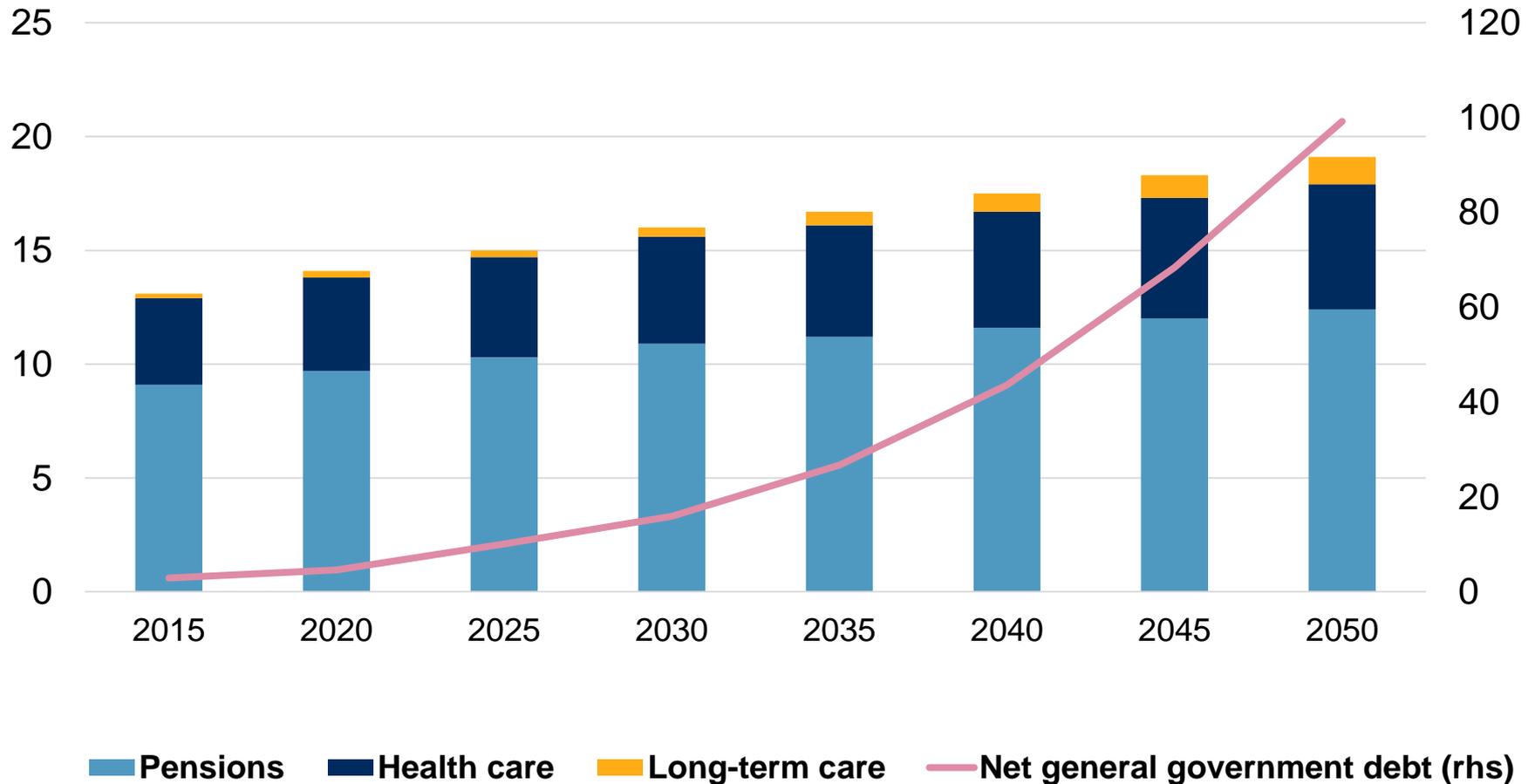
Note: Trend per capita growth = weighted average growth in real per capita GDP in USD over a 10-year period

# Russian Federation: Selected indicators

	2016	2017	2018f	2019f	2020f	2021f
GDP per capita in (\$000s)	8,779	10,736	10,901	10,723	10,959	11,220
Real GDP growth (%)	-0.2	1.6	1.8	1.6	1.8	1.8
Real GDP per capita growth	-0.3	1.3	1.8	1.5	1.8	1.7
Current account balance/GDP (%)	1.9	2.3	6.1	5.0	3.8	3.4
Gross external financing needs/CARs + usable reserves (%)	72.2	69.7	57.4	59.6	61.3	61.9
Narrow net external debt/CAPs (%)	-56.6	-56.0	-68.5	-74.6	-74.9	-75.7
General Government Balance/GDP (%)	-4.5	-1.5	1.7	1.7	0.5	0.3
Net general government debt/GDP (%)	7.1	8.6	6.5	5.4	4.6	4.2
Liquid Government Assets/GDP (%)	8.1	8.1	10.1	11.4	12.1	12.3
CPI growth (%)	7.0	3.7	2.9	4.3	4.0	4.0
Bank credit to private sector/GDP (%)	52.0	50.3	49.6	51.1	52.7	53.5
Brent Oil Price (\$ per barrel)	43.4	50.0	70.0*	65.0	60.0	55.0

Source: Sovereign Risk Indicators, October 11, 2018  
\* for the remainder of the year

# Aging-related fiscal pressures (% of GDP)

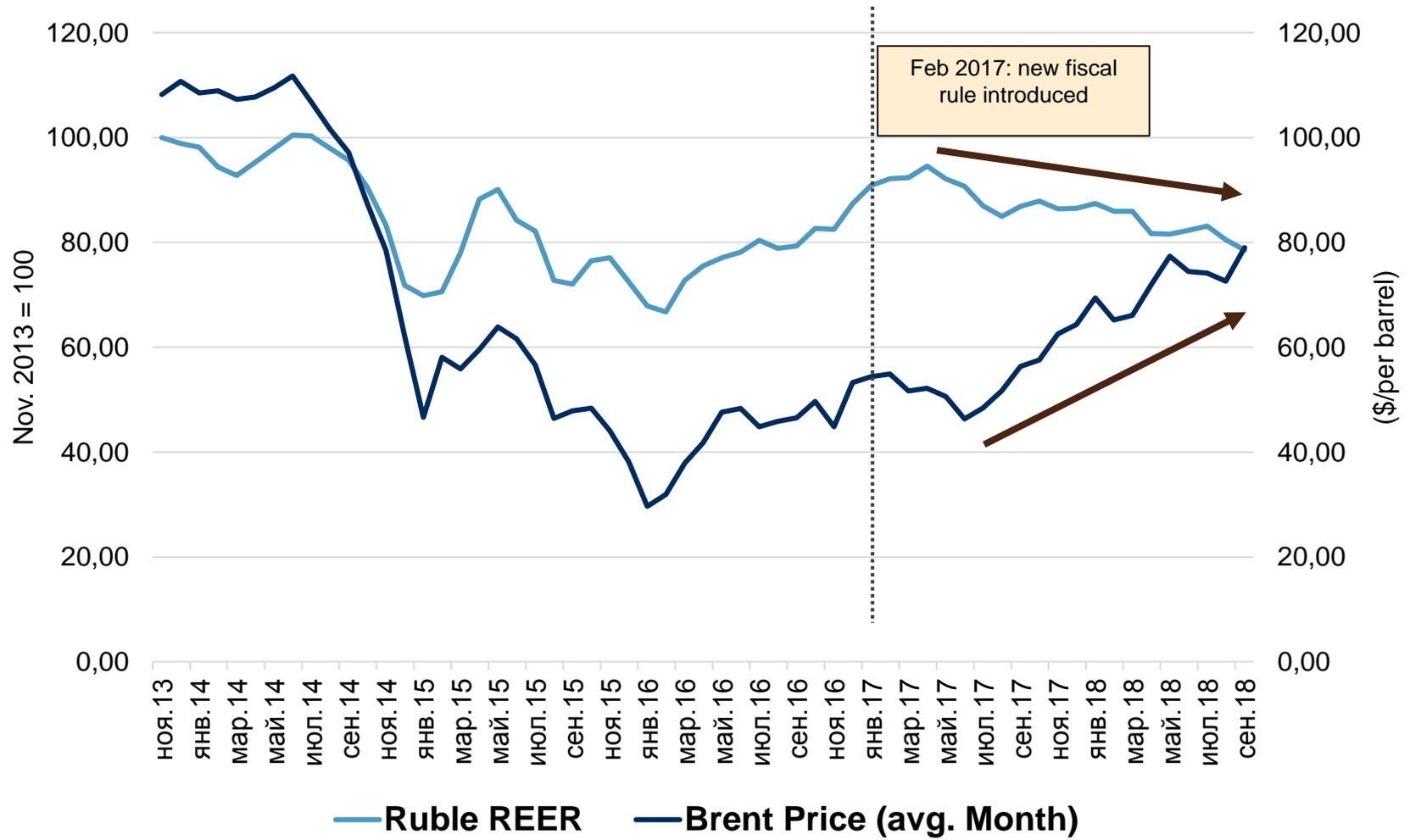


Source: Global Aging 2016: Russia's Aging Population Piles Pressure On Public Finances,

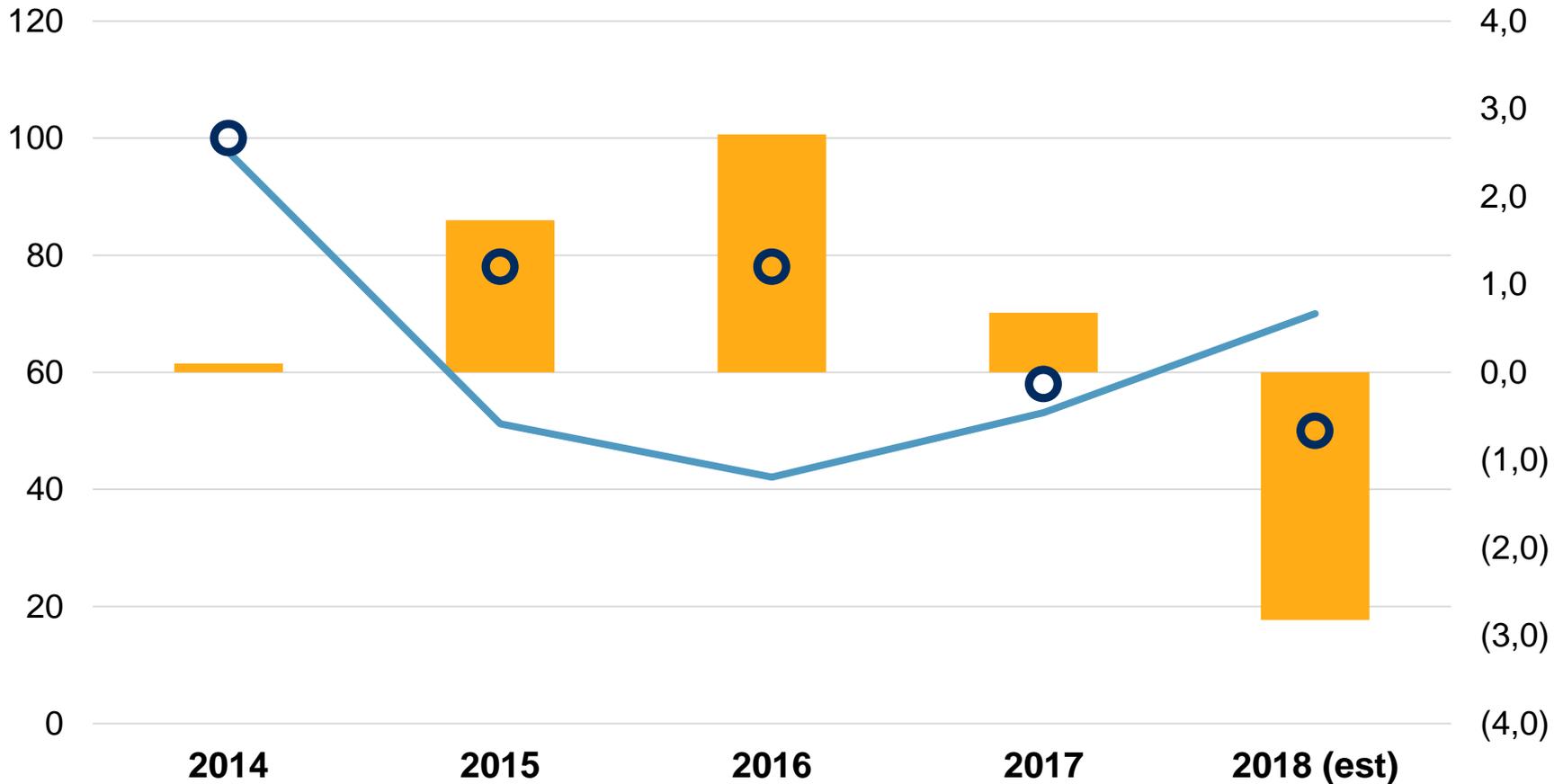
# US sanctions and associated risks

<b>(Draft) Legal Act</b>	<b>Targets</b>	<b>Condi- tionality</b>	<b>Likelihood of introduction</b>	<b>Likely macro Impact</b>
<b>CAATSA (2017)</b>	Financing, offshore energy projects, individuals, sovereign debt, secondary sanctions	No	In effect	Moderate
<b>CBW act (1991)</b>	Trade and transportation restrictions, diplomatic relations	Yes	In effect	Modest
<b>Cyber War Act (2018)</b>	Individuals, trade and technology transfer restrictions	Yes	High	Modest
<b>DESKAA (2018)</b>	Sovereign debt, state-owned banks, individuals	No	Moderate	High
<b>DETER (2018)</b>	State-owned banks, SOEs, including energy companies, sovereign debt; individuals	Yes	Moderate	High

# Oil prices and real effective exchange rate delinking



# Budget breakeven price dropped by a half

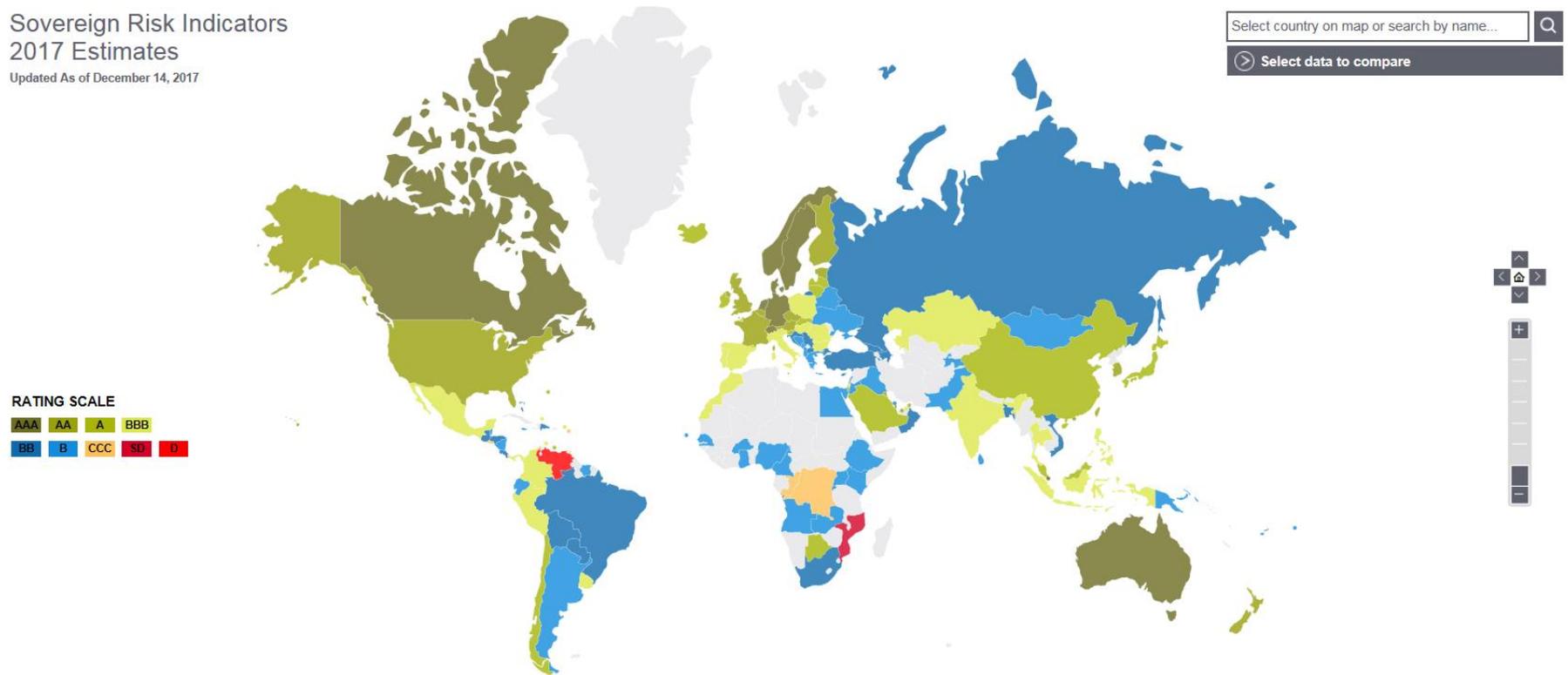


Primary fiscal deficit (% of GDP) (RHS) — Average Urals price (\$) ● Break even oil price (\$)

# Where to find our sovereign data: [spratings.com/sri](https://spratings.com/sri)

## Sovereign Risk Indicators 2017 Estimates

Updated As of December 14, 2017



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# S&P Global Ratings

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