

Macroeconomic review: global indicators and Russia's GDP. 1. Global indicators overview

USA

• Daily average COVID-19 cases for the last 7 days, thousand

| yesterday | change for 7 days | change for month | | | |
|-----------|-------------------|------------------|--|--|--|
| 31 | -1.1 | -36.4 | | | |

- Producer prices index grew by 0.6% (MoM) in April following 1% (MoM) growth in March.
- Retail sales remained unchanged in April as compared to the previous month.
- Industrial production grew by 0.7% (MoM) in April following 2.4% (MoM) growth in March.
- University of Michigan's consumer confidence index was 82.8 in May as compared to 88.3 in April.
- Initial jobless claims number was 444 thousand last week a er 478 thousand a week earlier.

U.S. economy recovery slightly decelerated in April. As shown by IHS Markit's surveys and con nuing prices growth, this is related with growing feedstock and transporta on costs. Consumer confi ence fell in early May because of higher infla on rates in the U.S. S II, disposable personal income in March was almost one-third higher than before the pandemic, while the share of savings in income grew almost 4 mes. Therefore, demand from Americans will con nue to grow despite growing prices, which creates further in a on risks.

If U.S. in a on con nues to grow in May at a fast pace, FRS will, most probably, begin to extensively discuss reduc on of s mulus packages despite economic growth in the U.S. somewhat slowing down.

Euro area

• Daily average COVID-19 cases for the last 7 days, thousand

| | yesterday | change for 7 days | change for month |
|---------|-----------|-------------------|------------------|
| Germany | 9 | -8.7 | -12.2 |
| Italy | 10.8 | -2.1 | -8.3 |
| France | 12.4 | -2.8 | -18.8 |

- GDP went down -0.6% (QoQ) in Q1 a er similar drop in March.
- Inflation was 1.6% (MoM) in April over 1.3% (MoM) growth in March.

Infla on increased due to the last year's low base e ect. Month-on-month growth of prices slowed down in April from 0.9% to 0.6%. Consequently, there are no concerns that European Central Bank will wind up s mulus packages.

Recovery of Euro area's economy has already started and will, most probably, gain speed in the nearest months. This may support euro and European equities.



United Kingdom

• Daily average COVID-19 cases for the last 7 days, thousand

| yesterday | change for 7 days | change for month | | | |
|-----------|-------------------|------------------|--|--|--|
| 2.3 | 0 | -0.2 | | | |

- CBI Factory Orders index was +7 in May a er -8 in April.
- Inflation was 1.5% in April over 0.7% in March.
- Unemployment rate was 4.8% (MoM) in March as compared to growth by 4.9% (MoM) in February.

Bri sh manufacturers reported the fastest growth of orders since December 2017. However, supply chain failures may lead to a spike in costs and growth of consumer prices.

Unlike Euro area, infla on growth in April in the United Kingdom was not just due to the last year's low base e ect. Month-on-month rise in prices accelerated in April from 0.3% to 0.6%. The Bank of England does not plan to wind up s mulus packages yet, but warns that QE program will be gradually curtailed if the price increase turns out to be prolonged.

2. Russia's GDP

According to preliminary data from Russian Federal State Statistics Service (Rosstat), Russia's GDP dropped by 1% (YoY) in Q1 2021 following 1.8% (YoY) fall in the previous quarter.

GDP growth rate, % (YoY)

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
|------|------|------|------|------|-----------------|------|------|------|------|------|------|------|
| 2018 | 2018 | 2018 | 2018 | 2019 | 2019 | 2019 | 2019 | 2020 | 2020 | 2020 | 2020 | 2021 |
| | | | | | Source: Rosstat | | | | | | | |

The main contributors to GDP growth are:

- water supply and contamina on clean-up (+11.9% (YoY)),
- power, natural gas and steam supply (+9.6% (YoY)),
- wholesale turnover (+4.2% (YoY)), and
- manufacturing (+0.9% (YoY)).

The deepest decline was recorded in:

- passenger tra c (-34% (YoY)),
- minerals extrac on (-7.3% (YoY)),
- consumer services (-4.3% (YoY)), and
- retail turnover (-1.6% (YoY)).

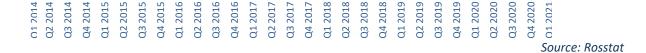
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Judging by GDP structure, Russia's economy in Q1 remains plagued by the same problems as at the onset of the pandemic:

- 1) low ac vity in Services and Retail sectors due to restric on measures and increasing coronavirus cases;
- 2) low demand for crude oil;
- 3) low personal income.

Movement of disposable personal income, % (YoY)



Services and Retail will be recovering throughout the year 2021 following the decline, but it's far from sure that they will grow beyond pre-pandemic levels. The problem is that disposable personal income declined in Q1 by 3.6% (YoY), which is significantly deeper than for many other economic indicators. This means consumer sector will not have succient base for development.

If vaccina on proceeds as planned, global demand for fuel may restore by year-end, in which case Russia's oil produc on stands a good chance to return to pre-pandemic performance in 2022.

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