



#### CIS economic overview

 The ruble closed 1.3% lower vs. the dollar on Friday at USD/RUB 77.92 and down 0.8% against the yuan at CNY/RUB 11.13.

FX volumes on MOEX decreased by 8% but remained high (RUB 394 bln). Turnover in the dollar fell 11% to RUB 156 bln, in the euro by 17% to RUB 54 bln and in the yuan by 3% to RUB 182 bln.

The ruble continues to moderately depreciate this morning. Its dynamic may be influenced by the results of the presidential election in Turkey, which has become one of Russia's key foreign trade hubs. We expect volatility to remain elevated and the ruble exchange rate to continue fluctuating within a range of USD/RUB 77-80.

- Trading activity in benchmark OFZs was quiet on Friday. Defensive OFZs lacked a unified trend.
- The current account surplus totaled \$6.8 bln in April vs. \$5.4 bln on average in 1Q23. Capital outflows increased by \$1.5 bln compared with the average figure of 1Q23 amid \$2.9 bln expansion of the foreign trade surplus.
- Consumer inflation in Russia totaled 0.08% WoW over the April 25 May 10
  period in a 7-day format vs. 0.09% on average in April. While the indexation
  of prices and tariffs in May led to an uneven dynamic, the contribution of the
  holiday-related component remained restrained.
- Inflation totaled 0.38% MoM in April vs. 0.37% in March. Faster growth in prices for fruits and vegetables was offset by slower growth in service tariffs. The annual growth rate continued to decelerate due to the high-base effect and totaled 2.3% YoY, the lowest level since 2020.
- Inflation in Azerbaijan continued to decelerate in April amid price growth in trade partner countries. CPI in Azerbaijan again decelerated in April, falling by 0.8 pps compared with March's level. We note that inflation remains beyond the CBAR's target corridor (4% +/-2 pps), exceeding its upper bound by 680 bps and the refinancing rate by 380 bps. The deceleration of inflation in April was again seen across all segments food, non-food products and services. Given the deceleration of inflation and weakening of external inflationary pressure, we expect another 25 bps rate hike at the CBAR's meeting in July to 9.25%, should inflationary risks from internal demand remain in place. Afterward, the Azeri Central Bank may take a pause in its tightening cycle in 2H23. A rate hike in June is still on agenda.

#### Key events in CIS

 Uzbekistan: non-banking credit organization indicators (April), banking system indicators (April)

#### Key events globally

- US: Empire State manufacturing index
- EU: industrial production

#### Latest research

- Budget monitor: Deficit again May 12
- Uzbekistan: Expected pause in rate cuts May 4
- Azerbaijan: Central Bank further tightens monetary policy May 3

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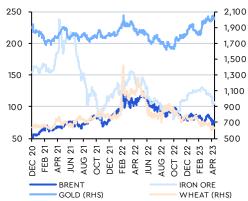
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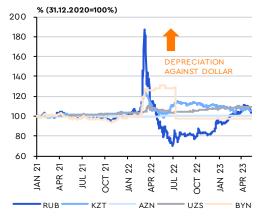
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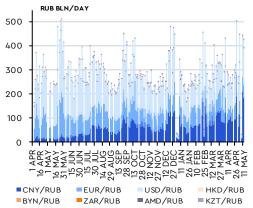
Source: Bloomberg\*, open sources

Select CIS currencies dynamic



Source: Bloomberg\*, open sources

MOEX FX volumes (friendly and unfriendly countries)



Source: Moscow Exchange
\* Bloomberg data until April 1, 2022



### **RUSSIA**

#### Current account surplus expanded in April

NEWS. The current account surplus totaled \$6.8 bln in April vs. \$5.4 bln on average in 1Q23.

**COMMENT.** Capital outflows increased by \$1.5 bln compared with the average figure of 1Q23 amid \$2.9 bln growth in the foreign trade surplus.

The foreign trade surplus expanded due to exports growing faster than imports. Estimates calculated based on respective foreign trade data indicate a \$5.9 bln increase in exports of goods in April amid \$2.8 bln growth of goods imports.

Interestingly, export revenues rose amid contraction of FX sales by the largest exporters on the local market (to \$7.0 bln from \$9.8 bln on average in 1Q23).

**Pavel Biryukov** 

### Weekly inflation decelerated during the second week of May

**NEWS.** Consumer inflation in Russia totaled 0.08% WoW over the April 25 – May 10 period in a 7-day format vs. 0.09% on average in April.

**COMMENT.** Consumer inflation in Russia totaled 0.08% WoW over the April 25 - May 10 period in a 7-day format vs. 0.09% on average in April. It should be noted that the contribution of the holidays connected with growth in non-food and service prices was relatively modest (0.03 pps of the aggregate estimate in this format) and was formed at the beginning of the period. The remaining growth was almost entirely driven by indexation of prices (for locally manufactured automobiles) and tariffs (for passenger transportation):

- Inflation accelerated to 0.17% WoW over the April 25 May 2 period in a 7-day format due to growth in tariffs and services amid the indexation of passenger transportation tariffs, as well as an increase in prices for recreational and healthcare services and nonfood goods. The latter was formed due to rising prices for locally manufactured automobiles and smartphones (marking the third increase YTD).
- Inflation decelerated to zero over the May 3-10 period amid stronger deflation in fruits and vegetables (prices for cucumbers fell by 10.4% WoW vs. -8.0% during the previous period, and for tomatoes by 5.2% vs. -4.4%), a pause in growth of non-food prices (growth in automobile prices came to a halt following the May indexation carried out by local manufacturers) and service tariffs (passenger transportation tariffs remained unchanged following their indexation at the beginning of May).

**Pavel Biryukov** 

#### Inflation in April remained at March's level

NEWS. Inflation totaled 0.38% MoM in April vs. 0.37% in March.

**COMMENT.** The annual growth rate continued to decelerate due to the high-base effect and totaled 2.3% YoY, the lowest level since 2020.

Maintenance of the monthly inflation rate was due to the fact that acceleration in prices for fruits and vegetables (+1.61% MoM vs. +0.06% during the previous period) was offset by slower growth in service tariffs (+0.79% MoM vs. + 0.97%). Judging by the dynamic of prices for fruits and vegetables recorded over the first weeks of May, there are signs that a new spiral of deflation is being formed, which provides grounds for optimism in this direction.

The acceleration of demand appears to have been selective in nature. According to our estimates based on Romir data, real disposable income of the population in April was 2.9% above the level during the same period in 2021 (vs. 2.2% in March). It should be noted that the growth in demand was apparently selective and concentrated in the services sector as well as spending on vegetables. Aside from media sources, this hypothesis is being confirmed by persistently restrained rates of growth in prices for food (net of vegetables) and non-food goods (0.09%/0.15% and 0.15%/0.14%, respectively).

**Pavel Biryukov** 



### **OFZ trading results for May 12**

**NEWS.** Trading activity in benchmark OFZs was quiet on Friday.

**COMMENT.** A quiet mood prevailed in benchmark OFZs on Friday, with yields increasing modestly. Yields grew by 3-6 bps at the short end of the curve, while longer-dated issues outperformed, with their yields increasing by up to 4 bps. The 10Y-3Y spread remained little changed at 220 bps.

Defensive OFZs lacked a unified trend, with yields fluctuating within a range of -5/+6 bps. Prices for floaters fell.

Volumes totaled RUB 7.4 bln during the main session and RUB 4.5 bln in the mode of negotiated deals and negotiated deals with the central counterparty.

**Alexandr Kamyshanskiy** 



#### **AZERBAIJAN**

# Inflation in Azerbaijan continued to decelerate in April amid price growth in trade partner countries

**NEWS.** According to data published by the Statistics Committee of Azerbaijan, inflation in April amounted to 12.8% YoY.

**COMMENT.** CPI in Azerbaijan again decelerated in April, falling by 0.8 pps compared with March's level. We note that inflation remains beyond the CBAR's target corridor (4% +/-2 pps), exceeding its upper bound by 680 bps and the refinancing rate by 380 bps.

We note that a stable exchange rate, which acts as an "anchor" of macroeconomic stability in Azerbaijan, is helping to contain inflationary risks in the economy and remains at a level of USD/AZN 1.7 despite heightened geopolitical risks. In addition, there are signs of a more resilient trend toward stabilization of inflation in key trade partner countries. In particular, inflation in Russia decelerated to 2.4% YoY in April from the previous month's level of 3.5% YoY, price growth in China slowed to 0.1% YoY from 0.7% YoY, while CPI in Turkey decreased to 43.68% YoY from 50.5% YoY seen in March. It should also be noted that the government of Azerbaijan has activated non-monetary measures to combat inflation, including the abolition of import duties on a number of socially important goods, which is helping to contain inflationary pressure.

The deceleration of inflation in April was again seen across all segments – food, non-food products and services.

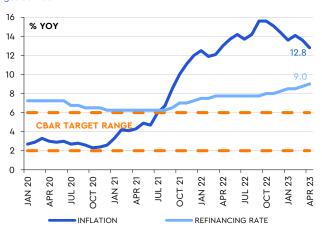
Food inflation in Azerbaijan slowed to 15.1% YoY, down by 1.7 pps compared with March. Deceleration of price growth was seen in buckwheat, eggs, bread and flour as well as sunflower and corn oil. At the same time, prices for meat, citrus fruits, potatoes, dairy products, sugar and confectionaries continued to accelerate.

Inflation in the non-food segment continued to decelerate in April and amounted to 11.3% YoY (-0.3 pps MoM), driven by slower growth in prices for lumber, paper and mobile phones. That said, growth in prices for furniture, household appliances, auto parts and paint materials continued to accelerate.

Growth in the services segment decelerated by 0.1 pps to 10.7% YoY. That said, the downtrend was somewhat mitigated by a steady increase in prices for housing rental, catering services, dental and cosmetic services as well as international air travel.

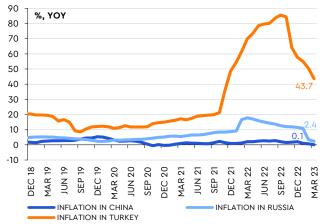
Given the deceleration of inflation and weakening of external inflationary pressure, we expect another 25 bps rate hike at the CBAR's meeting in July to 9.25%, should inflationary risks from internal demand remain in place. Afterward, the Azeri Central Bank may take a pause in its tightening cycle in 2H23. We still believe that the tightening cycle will not resume before 1Q24.

**Chart 1.** Inflation reverted to deceleration but remains above the CBAR's target corridor



Source: CBAR, Statistics Committee of Azerbaijan

Chart 2. Inflation in Azerbaijan's key trade partners is stabilizing



Source: statistics committees of Russia, Turkey and China

**Gulnara Khaidarshina** 



# CIS ECONOMIC EVENTS TO WATCH: MAY

DATE	COUNTRY	INDICATOR	PERIOD	PREVIOUS READING	GPB FORECAS
02.05.2023		Inflation	April	18.1% YoY	15.5% YoY
	Kazakhstan	Visit of the Minister for Foreign Trade, Attractiveness and French Nationals Abroad of France	-	-	-
		Inflation	April	11.6% YoY	10.9% YoY
	Uzbekistan	Visit of the President of Uzbekistan to Germany on invitation of the German side (day one)	-	-	-
	Azerbaijan	EU and Azerbaijan to discuss energy cooperation	-	-	-
03.05.2023		Refinancing rate	-	8.75%	8.75%
	Azerbaijan	FX sales by SOFAZ	April	\$383.9 mln	-
	Uzbekistan	Visit of the President of Uzbekistan to Germany on invitation of the German side (day two)	-	-	-
	Kazakhstan/ Tajikistan	State visit of the President of Tajikistan to Kazakhstan (day one)	-	-	-
04.05.2023	Russia	Weekly inflation	-	-	-
	Uzbekistan	CBRU rate decision	-	14%	14%
	Kazakhstan- Tajikistan	State visit of the President of Tajikistan to Kazakhstan (day two)	-	-	-
0.05.2023	Russia	Federal budget execution	January-April	-RUB 2.4 trln	-RUB 3.3 trlr
11.05.2023	Russia	Current account surplus	January-April	\$18.6 bln	\$26.1 bln
	Belarus	International reserves	April	8.1	-
	Belarus	Foreign trade in goods	March	-	-
	Russia	Weekly inflation	-	-	-
		Inflation	April		
12.05.2023	Belarus	Inflation	April	6.0% YoY	5.5% YoY
		Foreign investments	1Q23	-	-
15.05.2023	Uzbekistan	Non-banking credit organization indicators	April	-	-
		Banking system indicators	April	-	-
16.05.2023	Belarus	GDP	January-April	-2.1% YoY	-1.0% YoY
		Industrial production	January-April	-	-
		Agriculture data	January-April		
17.05.2023	Uzbekistan	Payment system indicators	April	-	-
	Belarus	GDP	January-April	-2.1% YoY	-1.0% YoY
		Monetary income of the population	January-April	-	-
	<b></b>	GDP	1Q23	-2.7	-3.5
	Russia	Weekly inflation	-	-	-
18.05.2023	Belarus	Key social and economic indicators	January-April	-	-
		Wholesale and retail trade	January-April	-	-
		Public catering data	January-April	-	-
19.05.2023	Belarus	Construction data	January-April	-	-
		Fixed investments	January-April	-	-
20.05.2023	Uzbekistan	International reserves	April	\$35.4 bln	-
		Monetary statistics	January-April	-	-
+.05.2023	Russia	Weekly inflation	-	-	-
26.05.2023	V	Sovereign rating from Fitch	-	BBB	BBB
	Kazakhstan	Base rate	-	16.75%	16.75%
31.05.2023	Dalamir	Foreign trade balance	January-April	-	-
	Belarus	Government debt	February	-	-
	Russia	Weekly inflation	_		

 $Source: statistical\ committees\ and\ central\ banks\ of\ the\ CIS\ countries,\ rating\ agencies,\ Bloomberg,\ Gazprombank$ 



# **EXTERNAL ECONOMIC EVENTS TO WATCH: MAY-JUNE**

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
15	16	17	18	19	20	21
<ul> <li>US: Empire State manufacturing index</li> <li>EU: industrial production</li> </ul>	US: retail sales, industrial production China: industrial production, retail sales Germany: ZEW economic sentiment index	Us: housing starts, building permits China: house price index	Us: initial jobless claims, existing home sales	Germany: PPI		
22	23	24	25	26	27	28
China: 1Y/5Y loan prime rates	US: manufacturing/services PMI, new home sales Germany: manufacturing/services PMI EU: manufacturing PMI	US: FOMC minutes     Germany: Ifo     business climate     index	US: 2023 GDP, initial jobless claims, pending home sales	US: personal income/spending, durable goods orders, PCE price index		
29	30	31	1	2	3	4
• US: 3M/6M UST auctions	US: Case-Shiller home price index, consumer confidence EU: consumer confidence	US: JOLTs job openings Germany: CPI China: NBS manufacturing /services PMI	US: initial jobless claims, manufacturing PMI China: Caixin manufacturing PMI EU: CPI	US: non-farm payrolls, unemployment rate		
5	6	7	8	9	10	11
<ul> <li>US: ISM services PMI, factory orders</li> <li>China: Caixin services PMI</li> <li>Germany: trade balance, exports/imports</li> </ul>	Germany: factory orders     EU: retail sales	US: trade balance, exports/imports Germany: industrial production China: trade balance, exports/imports	US: initial jobless claims, wholesale inventories	China: CPI, PPI		

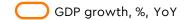
<sup>•</sup> Holidays

<sup>•</sup> Key events



## **KEY CIS INDICATORS MAP**









SEP 22 NOV 22

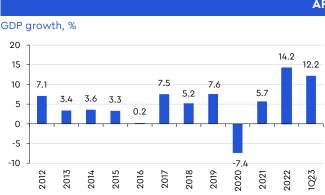
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REFINANCING RATE



## **KEY CIS INDICATORS PERFORMANCE**



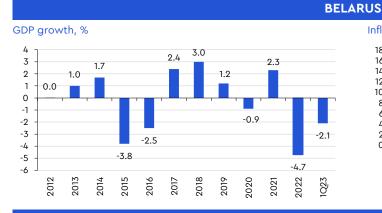


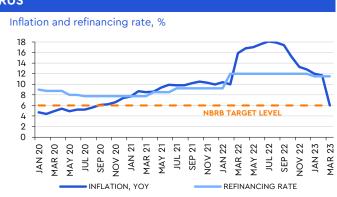


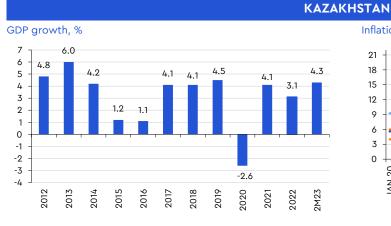
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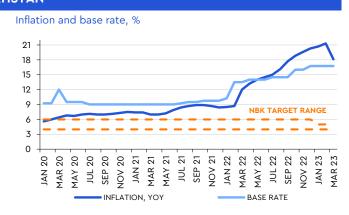
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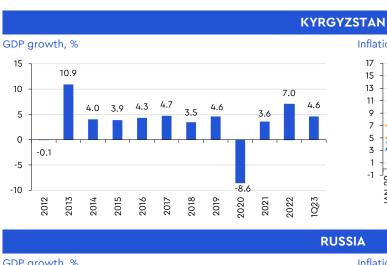






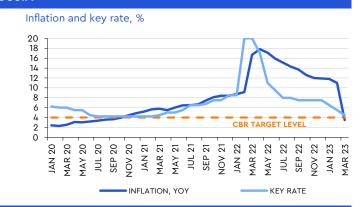




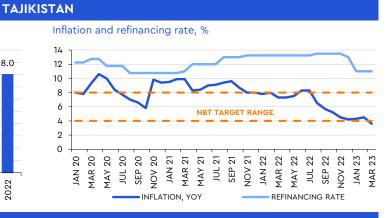


#### Inflation and refinancing rate, % 17 15 13 11 9 7 3 1 -1 NOV 20 ON WORK 21 ON WAR 21 ON WAR 21 ON WAR 21 ON WAR 21 ON WAY 2 JAN 20 JAN 22 MAR 22 MAR 20 MAY 20 SEP 20 MAR 21 JUL 21 SEP 21 NOV 21 MAY 22 JUL 22 SEP 22 NOV 22 20 ЛГ

#### GDP growth, % 5 4.0 4 2.8 3 2.2 1.8 2 0.7 0 -1 -2 -2.0 -3 -2.5 -2.7 2012 2013 2015 2018 2014 2016 2017 2019 2020 2022 2021



#### GDP growth, % 10 9.2 9 8.0 7.4 7.5 8 7.1 7.3 6.9 7 6.0 6 5 4 3 2 2013 2015 2016 2018 2019 2017 2022 2020 2014 2012 2021







Source: statistical committees and central banks of the CIS countries, Gazprombank estimates



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