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Vladimir Osakovskiy +7 495 662 6168

EEMEA Economist

Merrill Lynch (Russia)

vladimir.osakovskiy@baml.com

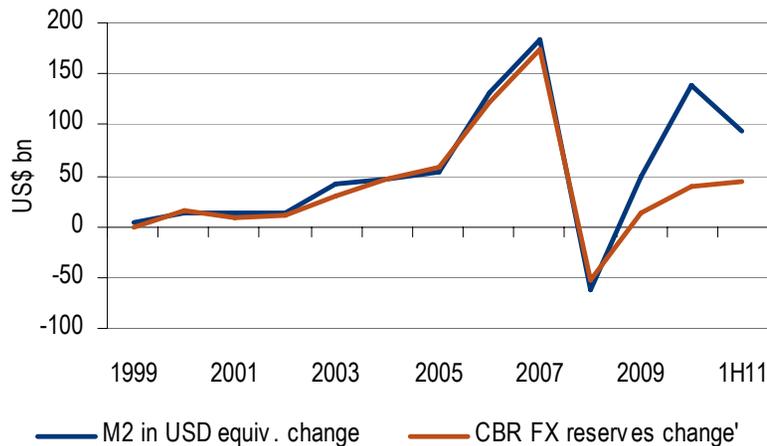
Money market outlook in the post-crisis Russia

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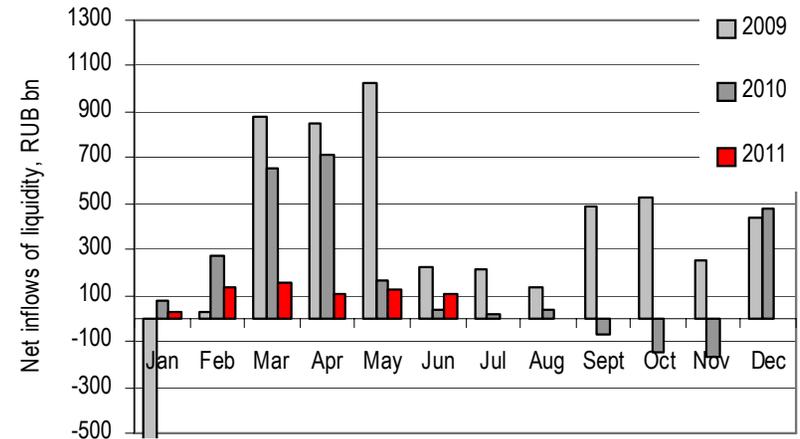
Shift of monetary policy focus brings stabilization of liquidity flows

Floating RUB brings flexibility to the monetary policy



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

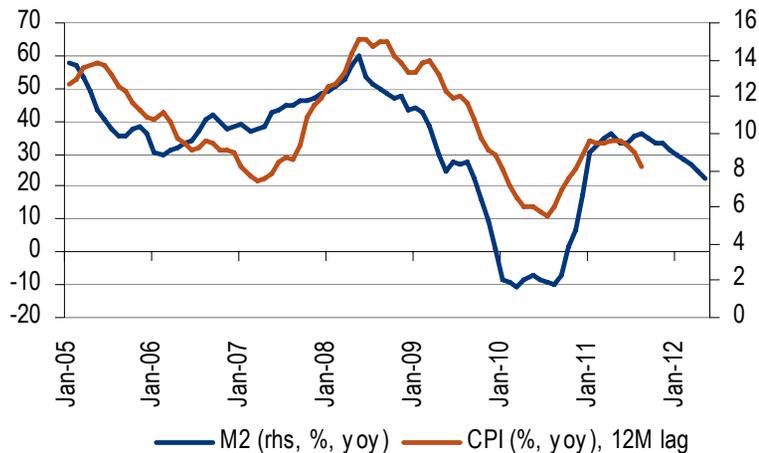
Flexible monetary policy allows for stabilization of liquidity flows



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

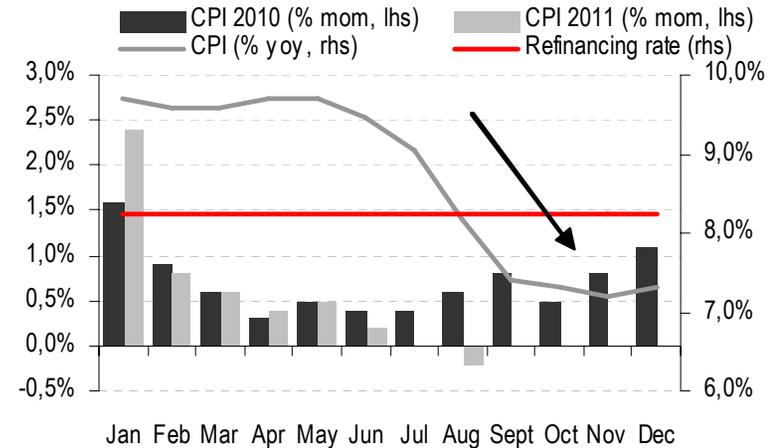
Disinflation is a sustainable trend until early 2012 at least

Money supply growth slowdown supports general disinflation trend



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

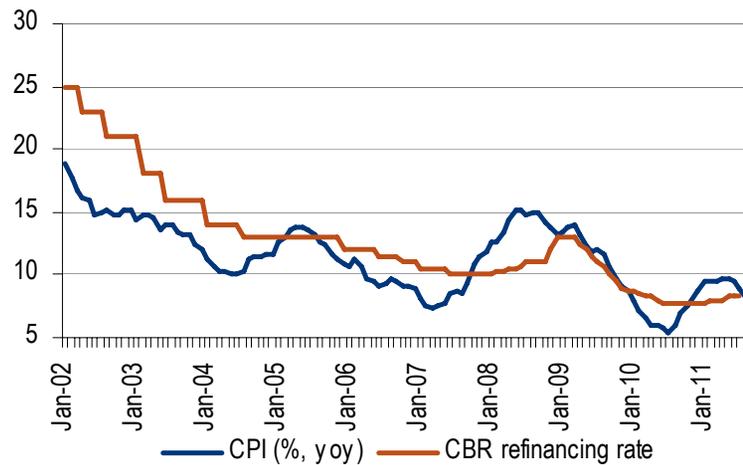
Strong base to push inflation yet lower until early 2012



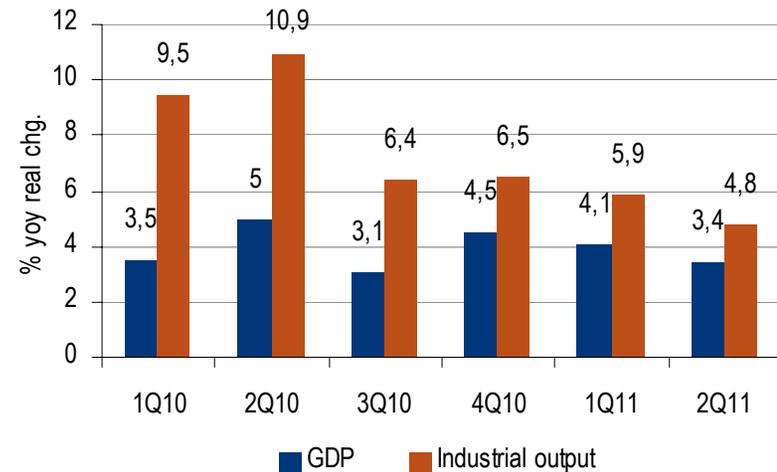
Source: Federal Statistical Service, BofA Merrill Lynch Global Research

Slowing inflation and weak economy makes a good case for monetary weakening

CBR readily cuts rates with inflation below refinancing rate



Disappointing growth makes a good case for a rate cut by itself



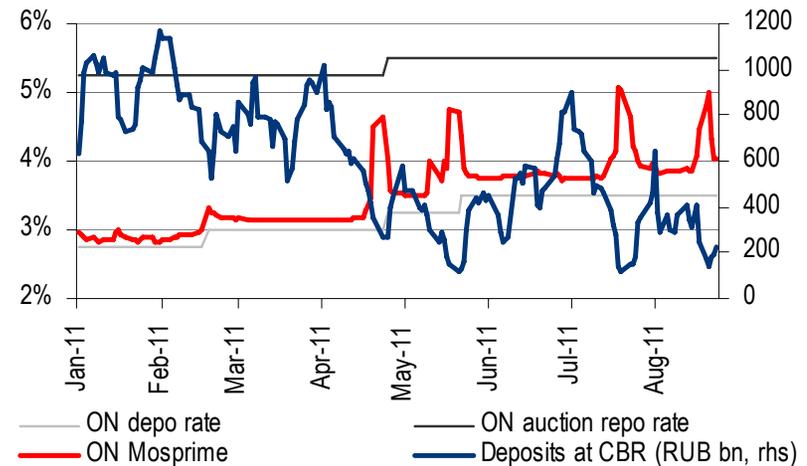
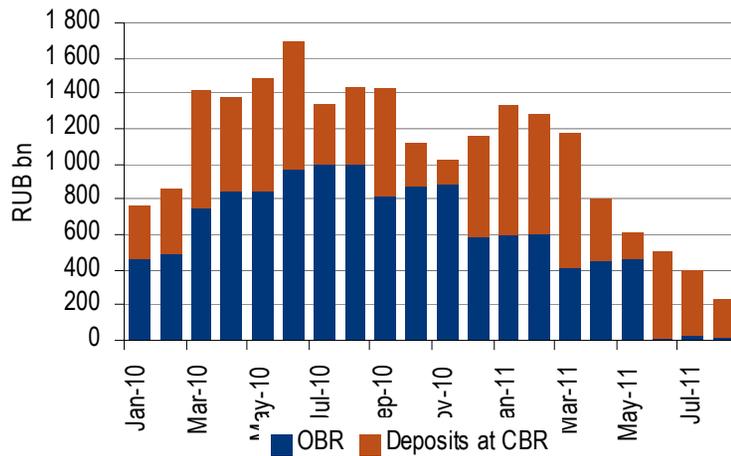
Net inflow of liquidity is a sum of Reserve fund use and net FX interventions by the CBR. Source: CBR, BofA Merrill Lynch Global Research, Bloomberg

Source: CBR, Finance Ministry, BofA Merrill Lynch Global Research

Growing economy starts to lift interest rates

Liquidity is drying out, as demand from real economy expands

This should lift MM rates from the CBR depo rate to repo by 2011 eop

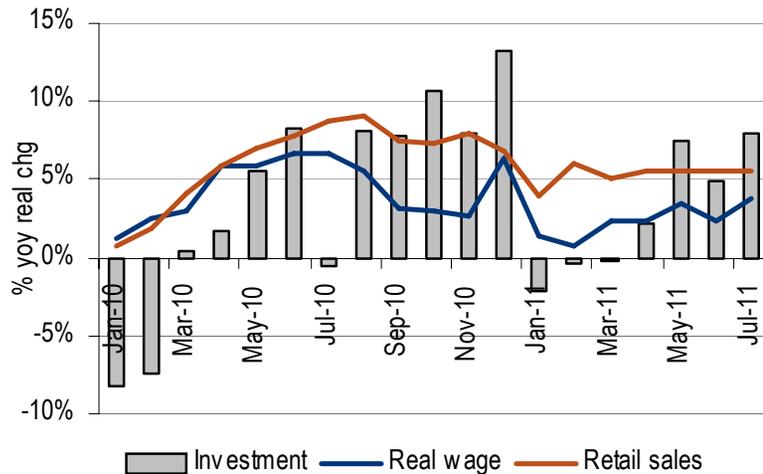


Source: Finance Ministry, BofA Merrill Lynch Global Research

Source: Federal Statistical Service, Finance Ministry, BofA Merrill Lynch Global Research

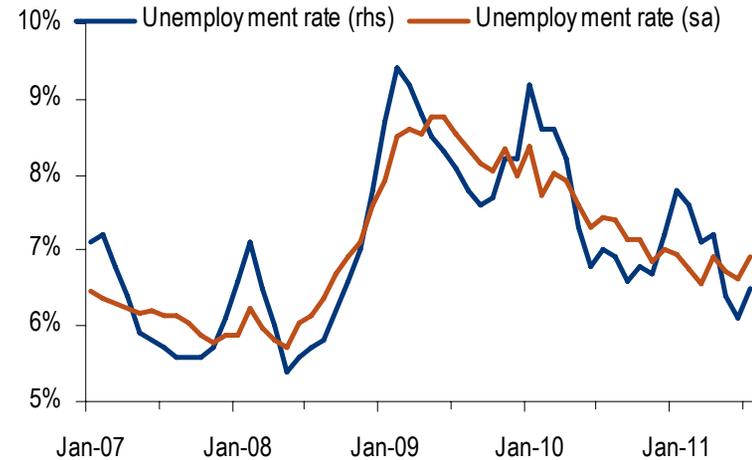
Recent data show that recovery is gaining pace

1Q11 slump is well behind us as economy continues to recover



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

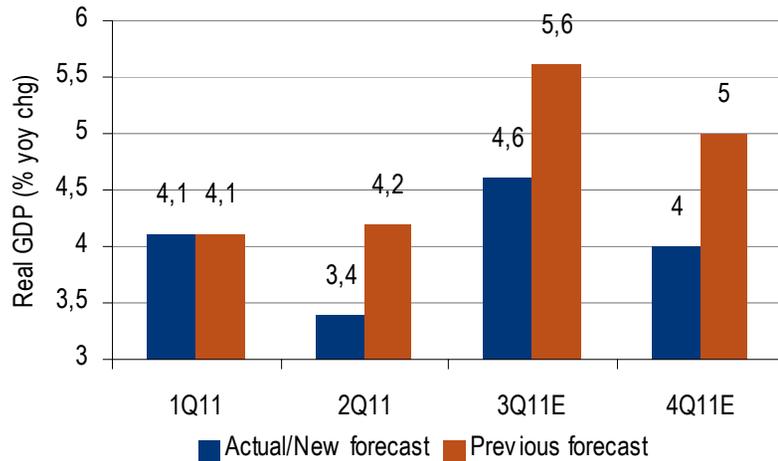
Tightening labour market should further support consumer demand



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

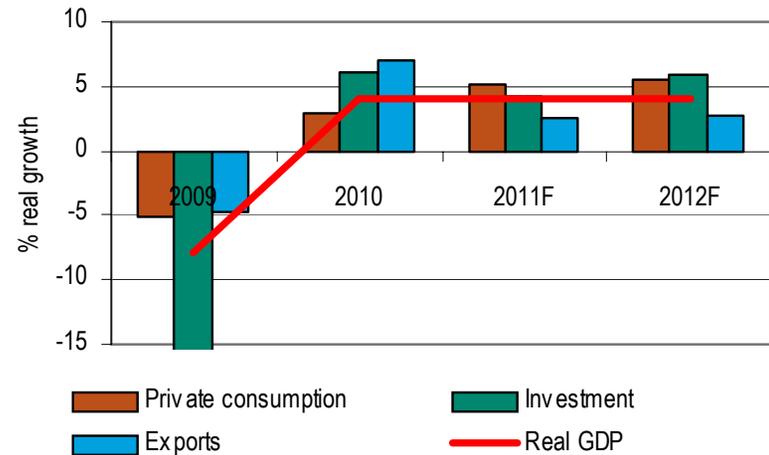
Positive growth to persist, although might disappoint

Weak 2Q11 trigger forecast revision



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

Domestic demand to drive growth in the future



Source: Federal Statistical Service, BofA Merrill Lynch Global Research

Forecast summary

	2008	2009	2010	2011E	2012E
Summary Data					
Nominal GDP (US\$ bn)	1 658,5	1 225,5	1 479,7	1 815,1	1 970,3
Unemployment rate (%)	6,4	8,3	7,5	6,7	6,2
Population (millions)	141,3	140,7	141,9	142,0	142,1
Economic Activity					
Real GDP growth (% yoy)	5,6	-7,9	4,0	4,0	4,0
Real investment growth (% yoy)	10,4	-15,7	6,0	4,2	5,8
Real consumption growth (% yoy)	8,6	-5,1	2,5	4,2	5,1
External Sector					
Current account balance (% of GDP)	6,2	3,8	4,7	4,7	4,0
Current account balance (US\$ bn)	103,4	49,5	70,6	85,5	78,8
Trade balance (US\$ bn)	179,7	111,6	151,7	174,1	179,3
Public Sector					
Central gov. budget balance (% of GDP)	4,1	-6,0	-4,0	-0,7	-1,0
Prices					
CPI inflation (% yoy, eop)	13,3	8,8	8,8	7,3	6,4
CPI inflation (% yoy, avg)	14,1	11,7	6,9	8,7	6,2
Nominal wages (% yoy)	27,4	9,1	10,7	12,5	10,3
RUB/basket, eop	36,0	36,0	35,2	34,9	35,5
RUB/basket, avg	30,1	37,3	34,8	34,0	35,2
RUB/USD, eop	29,4	30,2	30,5	29,0	29,0
RUB/USD, avg	25,0	31,9	30,4	28,6	29,0
Monetary Sector					
Central bank policy rate (% , eop)	13,00	8,75	7,75	7,75	7,00
1-month interbank rate (% , eop)	20,20	6,32	3,50	5,00	4,50
Long-term yield (% , eop)	7,00	10,80	7,50	8,25	7,75

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