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Newsletter #10

SWEDISH CHAMBER OF COMMERCE FOR RUSSIA & CIS



Happy New Year





Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

CONTENTS

| | | | |
|-----------------------------------------------|---|------------------------------------------------|---|
| MEMBER INFO | 3 | <i>Russia</i> | 7 |
| ECONOMY & POLITICS..... | 5 | Chinese to produce vehicles in Leningrad..... | 7 |
| <i>Russia</i> | 5 | Global hotel operator in the Far East..... | 7 |
| PMI grows third month in row | 5 | Chinese mine for gold in Trans-Baikal..... | 7 |
| Growth in food prices..... | 5 | IKEA's third mall near St. Petersburg | 7 |
| GDP continues to decline | 5 | Germans finance high-speed railway | 7 |
| Budget deficit equals to 2.3% of GDP..... | 5 | Two new towers in Moscow | 7 |
| Minister dismissed due to extortion | 5 | PepsiCo invests in Krasnoyarsk factory | 7 |
| Revenues falls in October..... | 5 | Leroy Merlin invests RUB 22bln in 2016 | 7 |
| Russia approves 3-yr federal budget..... | 5 | Xiaomi establishes in Russia..... | 7 |
| Russia closes down LinkedIn | 5 | Poles builds plant in Nizhny Novgorod | 7 |
| <i>Ukraine</i> | 5 | Fish processing complex in Kamchatka..... | 7 |
| Accelerating inflation in October | 5 | YIT acquires land in St. Petersburg..... | 7 |
| Fitch upgrades Ukraine to "B-" | 5 | Chinese investments in Far East..... | 7 |
| FDI grows in Jan-Sept | 5 | Mercedes-Benz to assembly in Moscow..... | 8 |
| <i>Belarus</i> | 6 | <i>Ukraine</i> | 8 |
| Increasing state debt | 6 | Vendor of BMW, Audi invests in Lviv | 8 |
| Exports to EU fall by a third..... | 6 | New Swiss investment into grain terminal | 8 |
| Declining GDP in January-October | 6 | <i>Belarus</i> | 8 |
| <i>Kazakhstan</i> | 6 | German recycling plant near Minsk | 8 |
| Inflation hits 6.2% since start of 2016 | 6 | <i>Kazakhstan</i> | 8 |
| Foreign investments increase..... | 6 | Korean investments worth USD 640mln..... | 8 |
| <i>Armenia</i> | 6 | First green plant in Kazakhstan | 8 |
| GDP growth reaches 3.1% in 2016? | 6 | <i>Kyrgyzstan</i> | 8 |
| <i>Azerbaijan</i> | 6 | EU institutions finance water upgrade..... | 8 |
| Monthly inflation hits 1.3% | 6 | | |
| <i>Tajikistan</i> | 6 | | |
| YTD inflation stands at 5.2%..... | 6 | | |
| BUSINESS & FINANCE | 7 | | |



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MEMBER INFO

Dear Members,

We are rapidly approaching the holiday season when it is also time for wishes and promises. Among the wishes will be, to take away everything that affects trade and business in a negative way – like economic sanctions, trade barriers, unnecessary bureaucracy, cumbersome visa procedures, protectionism etc. If it will be easier for people to travel and meet, there will be better understanding and knowledge sharing, and from these contacts there will also be more ideas and business! The promise from our Chamber is that we will contribute to this positive development by even more actively arrange events, inform about business opportunities and invite to different networking occasions.



A Merry Christmas & Happy New Year!

Heinz Sjögren, Chairman

New member – LKAB Minerals

LKAB Minerals is an international industrial minerals group. LKAB Minerals is part of the Swedish company LKAB, one of the world's leading producers of highly upgraded iron ore products, providing millions of tonnes annually to a worldwide market. LKAB started operations in 1890. Our offer is focused around our own minerals Magnetite, Mica and Hydromagnesite & Huntite but we also trade, process and market a wide portfolio of other minerals. Magnetites from our own resources offer high iron content and high purity. It is used as an aggregate for high density concrete, as an example for Radiation Shielding, Pipe Coating and other underwater constructions. It is also used in Water Treatment Chemicals production, in Rail Welding applications, Heavy Media Separation and as functional filler in Polymers and Coatings to name a few industrial uses.

Read more about LKAB Minerals:

www.lkabminerals.com



6th Russian-Swedish Economic Forum

November 24 the 6th Russian-Swedish Economic Forum took place in the premises of the Russian Trade Representation in Lidingö. As in the previous years the well-attended, full day conference offered a variety of different speeches and presentations – among them also many interesting company presentations. For full program – please see www.rysslandshandel.se





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Invitation – Historical Legacies and Perspectives for the Future in Central Asia

The Swedish Institute for International Affairs (UI) and the Swedish Ministry for Foreign Affairs, invite you to a seminar focusing on Central Asia. What are the future prospects of states and people in this strategically important region? How have the countries in Central Asia fared since independence?

Registration: <http://www.ui.se/evenemang/25-years-after-the-fall-of-the-ussr-historical-legacies-and-perspectives-for-the-future-in-central-a>

PRESS-STOP: Scholarships for Leaders in Russia, Ukraine & Belarus



The Swedish Institute is announcing that it is possible to apply for scholarships to the management programme SIMP Northern Europe 2017 until December 20, 2016! Do you have good leaders in the age of 25-45 y. in your subsidiaries – or among your business contacts in trade, industry or public sector – in Russia, Ukraine, Belarus, Poland, the three Baltic countries or in Sweden? Inform them about this excellent opportunity.

For more information, please visit:

<https://eng.si.se/areas-of-operation/leadership-programmes-and-cultural-exchange/the-management-programme/northern-europe/>



Nordic Region Trade & Export Finance Conference, November 29, 2016

Tuesday November 29 GTR's *Nordic Region Trade & Export Finance Conference* was held at Radisson Blu Waterfront in Stockholm. The venue gathered more than 400 participants from across the trade finance community, including representatives from several of our member companies.



Stockholm Institute of Transition Economics

December 5-6 the Stockholm Institute of Transition Economics (SITE) at Stockholm School of Economics hosted a high-level conference with a large number of prominent international researchers and scholars. The conference gave a good overall picture, as well as several very deep and narrow studies, of the development in the CEE and CIS region during the past 25 years.



ECONOMY & POLITICS

Russia

PMI grows third month in row

Russia's PMI index is growing for the third consecutive month. By end of October, PMI reached the mark of 52.4 points. The pace of industrial growth in October was the highest for 67 months. (RBC.ru, 01.11)

Growth in food prices

In October, consumer prices in Russia increased by an average of 0.4%. Food prices grew by 0.8% due to increase in prices of vegetables and fruits. In the first ten months of 2016, Russia's inflation reached 4.5%. (RBC.ru, 3.11)

GDP continues to decline

In 3Q 2016, Russia's GDP decreased by 0.4%, y-o-y, according to data from Rosstat. The decline of the economy continued for the seventh consecutive quarter (y-o-y). (RBC.ru, 14.11)

Budget deficit equals to 2.3% of GDP

Russia's budget deficit for January-October 2016 amounted to RUB 1.6trl, or 2.3% of GDP. It is expected that by the end of 2016 the budget deficit will equal 3.7% of the GDP. In January-October, the federal budget revenues amounted to RUB 10.4trl, while expenditures amounted to RUB 12.1trl. (Tass.ru, 15.11)

Minister dismissed due to extortion

President Vladimir Putin has dismissed Alexei Ulyukayev as the Minister of Economic Development of the Russian Federation. The former minister is charged with soliciting a bribe on a large scale. (Tass.ru, 15.11)

Revenues falls in October

In the month of October 2016 the Russians' real income decreased by 5.9%, y-o-y. In the period January-October, the real incomes decreased by 5.3%. The negative trend has continued for two consecutive years. However, in nominal terms the average annualized income in the month of October increased by 0.2%, amounting to RUB 31,000. (RBC.ru, 18.11)

Russia approves 3-yr federal budget

The lower house of the parliament, the State Duma, has approved the budget draft for 2017 to 2019. The budget permits a deficit of 3.2% of GDP in 2017, which will gradually fall to 2.3% in 2018 and 1.2% in 2019. To cover the deficit in 2017, the Finance Ministry wants to take RUB 1.15trl from the Reserve Fund and RUB 668.2bln from the National Wealth Fund. As a result, the Reserve Fund will be empty by the end of 2017, while the wealth fund will still have about USD 64bln. (RT.com, 18.11)

Russia closes down LinkedIn

LinkedIn, the major global professional social network, has is banned in Russia after a Moscow court upheld an earlier decision by Russian state media watchdog Roskomnadzor. LinkedIn stands accused of failing to comply with a 2014 federal law requiring internet companies that process Russian citizens' personal information to store their user data on servers located in Russia. (The Moscow Times, 18.11)

Ukraine

Accelerating inflation in October

In the month of October, Ukraine's consumer prices rose by 2.8%, m-o-m, and compared with year-start - by 9.4%, according to the State Statistics Service. However, both the government and the National Bank forecast slowdown in annual inflation reaching 12%. (Interfax.com, 08.11)

Fitch upgrades Ukraine to "B-"

Fitch Ratings has upgraded Ukraine's Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs), including the country ceiling to "B-" from "CCC", with a stable outlook. (Interfax, 14.11)

FDI grows in Jan-Sept

As of October 1, Foreign Direct Investment (FDI) in Ukraine in the form of shareholder capital totalled USD 45.2bln, reports the State Statistics Service. The top FDI countries where: Cyprus (USD 11.0bln), the Netherlands (USD 5.9bln), Germany (USD 5.5bln), and Russia (USD 4.6bln). (Interfax.com, 16.11)



Belarus

Increasing state debt

At October 1, Belarus' state debt amounted to BYR 36bln, which is 9.6% more than at the beginning of the year. Foreign debt amounted to USD 13.4bln in October, and domestic debt amounted to BYR 10.1bln. (News.tut.by, 31.10)

Exports to EU fall by a third

In the period January-September, the Belarus export of goods amounted to USD 17.2bln, including exports to Russia (USD 7.8bln) and the EU (USD 4.5 bln). In the same period, imports of goods decreased by 11.9% to USD 19.6bln. (News.tut.by, 01.11)

Declining GDP in January-October

In January-October 2016, Belarus' GDP decreased by 2.8%, y-o-y, amounting to BYR 78.1bln. According to the official state forecast, the country's GDP is supposed to grow by 0.3% in FY2016. (Afn.by, 21.11)

Kazakhstan

Inflation hits 6.2% since start of 2016

Kazakhstan's inflation rate hit 6.2% in January-October 2016, according to the Ministry of National Economy. Food prices have increased by 5.7%, non-food items' prices have gone up by 7.6%, and paid services' prices have increased by 5.4% since early 2016. In the month of October, the inflation rate reached 0.6%. (Today.az, 02.11)

Foreign investments increase

In 1H 2016, Kazakhstan's gross inflows of foreign direct investment grew by 26%, y-o-y, amounting to USD 9.3bln, reports the Investment and Development Ministry. As much as 60% of these investments fell on mining and exploration sphere, 15% - on the manufacturing sector, 9% on trade, 5% on the construction, and 12% on other spheres. (Today.az, 14.11)

Armenia

GDP growth reaches 3.1% in 2016?

The World Bank, WB, forecasts that Armenia's GDP growth rate may reach 3.1% at FY2016, supported by rising external demand. However, internal demand

remained weak as remittances continued to decline, slowing growth in retail and construction sectors. According to WB, during 2017-18 poverty will be reduced by modest but positive growth projections for agriculture and manufacturing, combined with an increase in real wages in both public and private sectors. (Arka.am, 23.11)

Azerbaijan

Monthly inflation hits 1.3%

In the month of October, prices for consumer goods and tariffs for services in Azerbaijan increased by 1.3% (m-o-m). In the period January-October 2016, prices for consumer goods and tariffs for services increased by 11.6%, y-o-y. (trend.az, 14.11)

Tajikistan

YTD inflation stands at 5.2%

In the first ten months of this year, inflation in Tajikistan stood at 5.2%, according to the State Agency for Statistics. This year, the highest inflation rate was reported in the month of January, at 1.4%. The government expects the year-end inflation to stand at 7.5%. (News.tj, 16.11)



BUSINESS & FINANCE

Russia

Chinese to produce vehicles in Leningrad

The Chinese company Guangzhou Automobile Group Motor Co. (GAC Motor) plans to start production of light commercial vehicles in the Leningrad region. (Up-pro.ru, 7.11)

Global hotel operator in the Far East

The global hotel operator Accor Hotels considers establishing hotels in the Kamchatka, Primorye and Khabarovsk. (Riarealty.ru, 9.11)

Chinese mine for gold in Trans-Baikal

The China National Gold Group is planning to invest USD 550mln in developing a gold mine in the Trans-Baikal Territory. (Zolotonews.ru, 13.11)

IKEA's third mall near St. Petersburg

IKEA intends to build a new MEGA shopping center together with a new IKEA furniture store in the Leningrad region. In a first phase until 2019, the IKEA store will be open, in the second - the entire shopping center will be completed. (RBC.ru, 14.11)

Germans finance high-speed railway

The consortium, German Initiative (incl. Siemens, Deutsche Bank, Deutsche Bahn, etc.), has offered the Russian Railways to finance the construction of the high-speed railway Moscow–Kazan, in the amount of EUR 3.5bln. In total, EUR 2.7bln will be issued as loans, the rest will be injected as equity capital. (Vedomosti.ru, 15.11)

Two new towers in Moscow

The company Renaissance Development will construct the multifunctional complex, Neva Towers in Moscow. The complex will include two towers, rising 290 and 338 meters above the city. The first tower will be commissioned by 2019. (Mesto.ru, 14.11)

PepsiCo invests in Krasnoyarsk factory

The US based PepsiCo plans to establish a baby food factory in Krasnoyarsk region. The plant will be located next to the existing dairy factory of Wimm-Bill-Dann, in

Timashevsk and will be specialized in baby food products based on milk. (Vedomosti.ru, 15.11)

Leroy Merlin invests RUB 22bln in 2016

By YE-2016, the French retailer Leroy Merlin's Russian investments may exceed RUB 22bln. The Company's strategy includes establishing up to 20 stores per annum. Investment in one store adds up to RUB 1.5bln. YTD 2016, Leroy Merlin has opened 11 new stores and plans to open four more before end of 2016. The company expects Russian revenue growth to reach 5% in 2016. (Vedomosti.ru, 15.11)

Xiaomi establishes in Russia

Chinese smart phone producer Xiaomi intends to establish a Russian office. According to Xiaomi representative, Russia is a key target market outside China. However, they have not yet set a time frame for their entry to the Russian smart phone market. (Tass.ru, 16.11)

Poles builds plant in Nizhny Novgorod

The Polish company Paged plans to produce plywood in the Nizhny Novgorod region. The regional authorities have offered several sites for consideration. According to experts, the volume of investments may exceed RUB 2bln. (Lesonline.ru, 17.11)

Fish processing complex in Kamchatka

The South Korean investment company, Korea Trading & Industries Co., LTD, together with Russian investors will set up a fish processing plant in Petropavlovsk-Kamchatsky. The amount of investment is estimated at RUB 643mln. The project is scheduled for 1Q 2018. (Morvesti.ru, 17.11)

YIT acquires land in St. Petersburg

The Finnish construction company, YIT, will acquire land in St. Petersburg, with an area of 2.4 hectares, in order to construct a residential building including 800 apartments. The amount of the investment is not disclosed. The first phase of the project is scheduled until the first half of 2018. (Vedomosti.ru, 18.11)

Chinese investments in Far East

Chinese investors have scheduled more than 20 investment projects in the Far East, in a total amount of approx. USD 3bln. The projects are in the field of natural



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resource extraction and processing, agriculture, development of port and logistics infrastructure. (Interfax.ru, 21.11)

Mercedes-Benz to assembly in Moscow

According to the Industry and Trade Minister, Denis Manturov, Mercedes-Benz has signed a special investment agreement with the Russian government. The Germans will invest at least EUR 300mln in a new Daimler production site, which will produce Mercedes-Benz cars. Moscow region is selected as the location of the site. (avto25.ru, 9.11)

Ukraine

Vendor of BMW, Audi invests in Lviv

The German company, Bader GmbH, has opened a new car leather seat plant in Ukraine that will supply BMW and Audi automobiles. The plant is Bader's second production site in the Lviv region. (ukrainianjournal.com, 04.11)

New Swiss investment into grain terminal

The Swiss company Risoil S.A. intends to invest more in the construction of a grain terminal at Black Sea Trade Port. The amount of investments will make about USD 70mln. (Informator.news, 20.11)

Belarus

German recycling plant near Minsk

A German company will set up a large recycling plant near Minsk. The investment is estimated at EUR 65mln. Preparation for construction documents will begin in January 2017. (5min.by, 24.11)

Kazakhstan

Korean investments worth USD 640mln

South Korea and Kazakhstan have signed memorandum on establishments, including a cluster of pharmaceutical and medical-biological plants worth USD 350mln in Kazakhstan. In total 23 documents worth USD 640mln were signed during a bilateral business forum held in Seoul. (Trend.az, 11.11)

First green plant in Kazakhstan

A plant for recycling of solid waste and agricultural waste will be built in Kazakhstan. The project will be funded by German investors, under the Kazakh-German JV, ECONEP. The investments will amount to approximately EUR 10mln. (Easttime.ru, 02.11)

Kyrgyzstan

EU institutions finance water upgrade

Several European institutions, e.g. EBRD and EIB, are providing finance of a water upgrade project in the village of Kyzyl-Kiya within the framework to support water and wastewater modernization in Kyrgyzstan. The total financing package amounts to EUR 6mln of both equity capital and loans. (Trend.az, 17.11)



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Swedish Chamber of Commerce for Russia & CIS

The Swedish Chamber of Commerce for Russia & CIS is an information, contact and service organisation. The mission of the Chamber is to promote trade between Sweden - Russia and the CIS, as well as to work as a forum for new ideas and exchanging of experiences.

To order subscription of this newsletter, please contact Swedish Chamber of Commerce for Russia & CIS. See contact information below.



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