

January 2017

Newsletter #1

SWEDISH CHAMBER OF COMMERCE FOR RUSSIA & CIS





Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

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MEMBER INFO

Dear Members,

Hopefully you all had a chance to enjoy some relaxing days in connection to the recent holiday celebrations. A new year full of new opportunities is ahead of us. Energy prices and prices for other export commodities from the region have stabilized, and so has the overall economic situation. The GDP in many of the countries is developing positively giving reasons for some optimism and we hope this optimism is also valid for your business!

We have lately seen several news articles about Swedish companies expanding the operations in the region, like H&M planning to open sales outlets in Georgia and Kazakhstan, in addition to continued expansion in Russia, Bonava building more residential buildings in

St Petersburg with 140.000 square meters living area, and statements from the management of AstraZeneca saying to have plans to locate more R&D facilities to Russia. If you have similar news about expansion plans, new projects, some striking deals recently concluded or alike – please let us know so that we can share this information with fellow-members.

2017
Happy new Year

Best wishes for a successful 2017!

Heinz Sjögren, Chairman

Promotion of Swedish-Ukrainian business opportunities

On December 9, 2016, Chamber chairman Heinz Sjögren hold a lecture at the Ministry of Finance of Ukraine at the event organized by the Export Promotion Office of the Ministry and the Ukrainian management organization Develop Your Business – DYB. More than 100 representatives from Ukrainian companies attended – many of which showed a great interest in increasing their business relations with Sweden and Scandinavia. Since the beginning of last year Ukraine and the EU has a



free-trade regime. The bilateral trade today is on very low levels so there is indeed room for improvements.

H&M to open in Georgia during 2017

H&M Hennes & Mauritz AB signed for the first store openings in Georgia and Kazakhstan during 2017.

<http://about.hm.com/en/media/news/general-2016/h-m-to-open-first-stores-in-georgia-.html>



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Roundtable for Swedish companies in Kazakhstan



A Roundtable for Swedish companies was organized by the Embassy of Sweden in Kazakhstan on December 8th in Almaty. This event was initiated by the Ambassador Christian Kamill to facilitate the dialogue between Swedish company representatives, the Embassy, the Honorary Consulate and Business Sweden. Around 20 company representatives operating in various industry fields in Kazakhstan participated in discussions about current trends and business activities in Kazakhstan.

Source: Newsletter #4-2016, Embassy of Sweden, Astana

AstraZeneca

CEO Pascal Soriot announced in an interview with the newspaper *Kommersant* that AstraZeneca plans to invest in several research and development projects in Russia. AstraZeneca further discusses with the Russian government plans to manufacture four different types of drugs locally, into which they might invest over 1 billion rubles, equivalent to SEK 150 million. The company envisions that up to 40 percent of the drugs sold in Russia will be manufactured locally in the future.

<http://www.kommersant.ru/doc/3182069>

Reach out – your own space in Member info!

Dear members, if you want to reach to fellow-members of the chamber and share your company news or content, please contact us and we will try our very best to make sure it will be posted in the upcoming newsletters.

Don't miss this opportunity!

Please note in your calendars:

- **January 11-12** Culture – Daniil Trifonov plays Schumann in Stockholm Concert Hall. Born in Nizhniy Novgorod, Trifonov is one of the brightest names of the next generation of pianists, winner of the most prestigious piano competitions.
<http://daniiltrifonov.com/bio>
- **Thursday February 23:** Ministry of Foreign Affairs gives an update-seminar.
- **Tuesday March 21:** Embassy of Ukraine is planning an exhibition of Ukrainian products.
- **Thursday May 11 – Tentatively** – The Chamber's Annual General Meeting and seminar in connection to the Annual meeting.





ECONOMY & POLITICS

Russia

Minimum wage rise by 4%

Russia's President, Vladimir Putin, has signed a law on minimum wage increase by 4%. Starting from July 2017 the minimum monthly wage will amount to RUB 7,800. (RBC.ru, 04.12)

Foreign investments in commercial real estate on hold

The share of foreign investments in the Russian commercial real estate amounted to 2.6% in 2016, compared to 18.5% in 2015, according to Colliers International. Colliers noted that new investors from the Middle East and Asia have entered the market, while Western players have taken a wait and see attitude. (rns.online, 06.12)

Service sector PMI scores four-month high

In November 2016, the Purchasing Managers Index (PMI) in the Russian service sector rose to 54.7 points (from 52.7 in October), which is the highest score since July 2016, reports IHS Markit. (RBC.ru, 05.12).

On price growth in November

In November 2016, Russia's consumer prices increased by an average of 0.4%, and product prices increased by 0.7%. At the same time, in annual terms, inflation in Russia has slowed from 6.1% to 5.8%. At year-end inflation should not exceed 5.8%, forecasts the Finance Ministry. (RBC.ru, 06.12).

Unemployment decreases in November

In November 2016, the number of unemployed amounted to 4.1mln people, or 5.4% of the economically active population in Russia. Compared to November 2015, the number of unemployed decreased by 7.2%. (Tass.ru, 19.12)

Fitch withdraw Russian ratings

Fitch Ratings have decided to cancel their national corporate credit ratings. The decision was made due to new regulatory framework for credit ratings in Russia.

However, Fitch will continue to assign ratings of Russian issuers for international purpose. (Tass.ru, 23.12)

Improved GDP predictions for 2016

In November, Russia's GDP growth reached 0.1%, with the exception of seasonal factors, according to the Ministry of Economic Development. The Ministry predicts that the full year GDP decline will reach 0.5% instead of the previously forecasted 0.6%. The Ministry has also improved estimates of the industrial production growth in FY-2016 to 1% from 0.4%. (Tass.ru, 26.12)

Budget deficit grows by 43%

In January-November 2016, the Russian Federation's consolidated budget deficit amounted to RUB 1.4tln, which is an increase by 43%, y-o-y, according to the Ministry of Finance. In the same period, the consolidated budget revenues amounted to RUB 241tln, and expenses to RUB 25.5tln. (Tass.ru, 27.12)

80% of income spent on essentials

Russian families are spending between 70-80% of their household income on essentials, according to a report from the Center for Economic and Political Reform. The average family, consisting of two working parents and one child, spends between 53-143% of their income on food, medicine, housing, and transport. The exception is in Moscow, where basic spending amounts to 29-77%. (The Moscow Times, 21.12)

Belarus

Decreasing inflow of FDY

In the period January-September 2016, the Foreign Direct Investments (FDI) in the real sector amounted to USD 899mln, 20% less than previous period of 2015. (NN.by, 16.12)

Belarus' GDP in decline

In January-November 2016, Belarus' GDP decreased compared to the same period last year by 2.7%. In the period, retail trade turnover decreased by 3.9%, y-o-y. Real disposable incomes in January-October 2016 went down 7.3%, y-o-y. (Select.by, 23.12)



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Gross external debt; 79% of GDP

Gross external debt of Belarus on October 1, 2016 amounted to 79% of GDP. In monetary terms, the gross external debt reached USD 38bln. (b-g.by, 23.12)

Ukraine

Underlying inflation slows down

In November 2016, Ukraine's underlying inflation slowed down to 0.5% from 0.9% in October and 2% in September, according to the State Statistics Service. In annual terms underlying inflation in November amounted to 6.2% (y-o-y), which is lower than in October (6.5%) and September (6.3%). In 2015, the underlying inflation in Ukraine reached 34.7%. Underlying inflation does not include short-term irregular changes in prices. (Kyivpost.com, 09.12)

Improved forecast for GDP growth in Q3

In 3Q 2016, Ukraine's GDP increased by 2%, y-o-y, according to the State Statistics Service. Nominal GDP amounted to UAH 664.7bln, and measured in per capita some UAH 15,568. In 3Q 2015, the per capita GDP reached UAH 13,155. (Interfax.com.ua, 19.12)

Armenia

Agreement on double taxation

The Armenian Parliament has ratified agreements on the avoidance of double taxation and prevention of evasion of taxation with respect to taxes on property and income with Sweden and Germany. Armenia has already signed agreements with 43 other states, including all other EU-members except Portugal. (Arka.am, 13.12)

Azerbaijan

Moody's forecasts growth in 2017

The ratings agency Moody's forecasts Azerbaijan's GDP to grow by 1.1% in 2017, and 1.9% in 2018. The growth will be driven by increase in hydrocarbon prices, credit growth resumes, and increased gas production from the second stage of the Shah Deniz gas field. (Trend.az, 16.12)

On foreign direct investments

In the period January-September 2016, the direct foreign investments in Azerbaijan's economy amounted

to USD 5.4bln, which is 5.3% less than the same period of the previous year. 79.2% of foreign direct investments in the reporting period were directed to the oil and gas sector, which is an increase by 67%, y-o-y. (Interfax.az, 16.12)

Kazakhstan

Deposit volume grows in banking sector

The total volume of deposits in Kazakhstan's banking sector has grown by 5% in 3Q of 2016, according to Fitch Ratings. The National Bank of Kazakhstan has absorbed substantial liquidity inflows to the sector through issuance of notes on terms attractive for banks. In the same period, gross loans grew by 2% in the banking sector. (Today.az, 06.12)

Inflation slows down

In the past 11 months of 2016, the inflation rate amounted to 7.5%, according to Daniyar Akishev, the chairman of the Central Bank. The main factor affecting the inflation rate in 2016 was the correction of the national currency exchange rate in 2015 and early 2016, Akishev noted. (Inform.kz, 07.12)

Increased investments into the economy

The volume of investments into Kazakhstan's economy increased by 4.7% over 11 months of 2016, says the Minister of National Economy, Kuandyk Bishimbayev. The Minister also noted the positive dynamics of foreign direct investment (FDI) since the beginning of the year - increasing fivefold y-o-y, in the period January-September. (Inform.kz, 20.12)

Kyrgyzstan

IMF: GDP to grow 2.6% in 2016

Kyrgyzstan's GDP will grow by 2.6% at the end of 2016, according to the IMF. Inflation will remain at about 0.8% in 2016. In 2017-2018, GDP will rise by 5.2%, predicts the IMF. At the same time, the unfavorable external economic environment and weak domestic demand limit the prospects for economic growth. Moreover, the financial sector remains rather vulnerable. (Eng.24.kg, 16.12)



Tajikistan

11-months inflation hits 5.8%

Tajikistan's inflation growth amounted to 5.8% in the first 11 months of 2016, according to the National Bank of Tajikistan. In previous year, the inflation rate hit 5.1%. However, the Asian Development Bank predicts inflation to hit 7% in 2016, and the prediction from the World Bank equals 7.5%. (Akipress.com, 12.12)

Uzbekistan

Acting president wins election

The acting President of Uzbekistan, Shavkat Mirziyayev, has won the presidential elections with an 88.6% victory of the vote. The 59-year-old Mirziyayev, who had been the country's prime minister since 2003, was made acting president six days after Islam Karimov's death was announced, three months earlier. (News.tj, 05.12)

Fitch on real GDP growth, 2016-2017

Uzbekistan's real GDP growth is expected to reach 6% in 2016 and 2017, despite lower commodity prices and lower demand from the country's main export markets, according to Fitch Ratings. The Uzbek economy remains vulnerable to external shocks, as exports are commodity-driven and concentrated on a few countries, and external finances are heavily supported by remittances. On the other side, Uzbekistan has significant foreign exchange reserves which should provide some economic flexibility. (Trend.az, 12.12)



BUSINESS & FINANCE

Russia

Evonik in further investments in Rostov

Germany-based Evonik Industries aims to set up a second amino acid production plant in the Rostov region. The volume of investments will approximate USD 500mln. The financing of the project will be provided by Russian state-owned banks. (Soyanews.info, 01.12)

Great Wall launches car plant in Tula

The Chinese automotive company, Great Wall Motors, will start production of cars in the Tula region in 2018. Investments in the project are expected to amount to USD 500mln. The plant will produce four different car models, up to 150,000 vehicles per year. (Autostat.ru, 02.12)

German Steel Paint establishes in Kaluga

The German Steel Paint will set up a first plant in Russia to produce paints and varnishes. The plant will be located in the Kaluga region. In July 2016, Steel Paint signed a joint cooperation agreement with regional authorities. (Russianreality.ru, 07.12)

Italian meat processing investment in Bashkortostan

The Italian food and beverage company, Inalca S.p.A, intends to establish production in Bashkortostan from 2017 to 2018. The Italians will set up seven high-tech feedlots with 3,000 head of cattle in each. In addition, the company will construct a meat processing complex. The volume of investment is not disclosed. (milkbranch.ru, 09.12)

Blueberry processing in Ulyanovsk

Investors from Iran plan to build a factory in the Ulyanovsk region to grow, harvest and process blueberries, for the purpose to produce wine, dietary supplements and confectionery. The volume of investment will exceed RUB 200mln. (73online.ru, 14.12)

Belgian Orac Decor to produce in Kaluga

The Belgian based company, Orac Décor, plans to launch innovative decorative synthetic moldings and

ornaments production in the Kaluga region. Investment in the project will amount to about RUB 200mln. The production volume will reach 10 million linear meters. (Admoblkaluga.ru, 15.12)

Waste disposal plant in Kaliningrad

A group of investors from Denmark and Thailand intend to build a recycling plant in the Kaliningrad region. The project investment is estimated at nearly RUB 500mln. By 2018 the plant will recycle up to 40 tons of waste per day. The investors assume that regional authorities will subsidy 20% of the capital expenditures. (ya39.ru, 21.12)

Halliburton to acquire oil equipment producer?

The US-based Halliburton is intends to acquire 100% of the Perm-based oil service and engineering group Novomet. The acquired company is particularly a producer of equipments for the oil industry. However, due to sanctions, the transaction may require approvals from the US authorities. (Kommersant.ru, 21.12)

Valio to establish production in Moscow

The Finnish dairy producer Valio plans to establish a new production line in Odintsovo, Moscow region, in 2017-2018. The total amount of investment is not yet determined. (Svkk.ru, 21.12)

Latvian chain of rehabilitation centres

The Latvian asset management company, Integral Management Group (IMG), plans to establish a Russian chain of private rehabilitation centers. The initial investment is estimated at EUR 30mln. According to IMG's estimate, the annual Russian private rehabilitation market value exceeds EUR 125mln. (Vedomosti.ru, 22.12)

New residential building in St. Petersburg

The Finnish construction company YIT will build a five-storey residential building, including 250 apartments in Pushkin, St. Petersburg. The construction is expected to be completed by 2018. The amount of investment is estimated at EUR 17mln. (Karpovka.com, 25.12)

Italian hygiene production in Tula

The Italian hygiene product producer, Poligof, will start producing hygiene products and coating film in the Tula



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region. The project investment will exceed EUR 5mln. (Tass.ru, 27.12)

Armenia

EBRD promotes female entrepreneurship

EBRD is supporting the development of female entrepreneurship in Armenia by extending a local currency loan, equivalent to USD 10mln to Ameriabank for on-lending to women-led SME:s. "Women represent a huge economic force in the Armenian economy and it is imperative that conditions are created to allow them to succeed", says Mark Davis, Head of the EBRD's Yerevan office. (Panorama.am, 15.12)

Georgia

Turks to invest in hydroelectric power

The Turkish company, Anadolu Group, plans to construct a new hydroelectric power plant in Georgia with a capacity of 50.8 MW. The total investment in the project is estimated at USD 90mln. The company has signed a memorandum with the Georgian government on the construction. (Tass.ru, 15.12)

Latvians build Hilton hotel in Tbilisi

The Latvian investment group, Grant Investment, plans to build a 5-star hotel in Tbilisi. Grant investment has signed an agreement with Hilton Hotels & Resorts, which will operate the hotel. The investment amounts to USD 50 million. (Interfax.az, 19.12)

Kazakhstan

EBRD EUR 200mln loans to renewables

The EBRD Board of Directors has approved a financing framework of up to EUR 200mln. This will be used to finance primarily private renewable energy projects within the next five years. Aida Sitdikova, EBRD Director for Energy and Natural Resources in Russia, Caucasus and Central Asia, says: "The Bank is highly committed to its Green Economy Transition approach in general, and to supporting Kazakhstan's national strategy of green economy in particular." (Akipress.com, 19.12)

Kyrgyzstan

Chinese invest in refineries

The Chinese company Land Ocean Energy Service Co. Ltd plans to invest USD 300mln in developing oil fields, as well as reconstructing the refinery, Kyrgyz Petroleum Company. (Zanoza.kg, 22.12)

Turkmenistan

Siemens to sell compressors to gas pipeline project

The German engineering giant has offered a credit facility of around USD 2.5bln on the supply of compressors for Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline. Turkmenistan has agreed, in principle, to buy compressors from Siemens. Negotiations with the company are currently at an advanced stage. (Easttime.ru, 21.12)



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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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