

May 2017

Newsletter #5

SWEDISH CHAMBER OF COMMERCE FOR RUSSIA & CIS





Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

CONTENTS

MEMBER INFO	3	<i>Turkmenistan</i>	7
ECONOMY & POLITICS	6	GDP grows 6.2% in Q1	7
<i>Russia</i>	6	BUSINESS & FINANCE	8
Number of poor people grows	6	<i>Russia</i>	8
March inflation, lowest in 26 years	6	German farming equipments in Krasnodar	8
IMF projects 2017 inflation to hit 4.5%	6	Americans build housing in Moscow	8
EY on corruption in Russia	6	Auchan to invest RUB 20bln more	8
Federal budget in deficit	6	IKEA upgrades Russian shopping centers	8
IMF improves growth forecast	6	Hochland to manufacture in Belgorod	8
Real disposable income in decline	6	Czechs to assemble trailers in Voronezh	8
GDP grows by 0.4% in 1Q	6	Zara to produce clothes in Russia	8
<i>Ukraine</i>	6	German Globus to enter Kaluga	8
World Bank predicts growing GDP	6	Chinese buy stake in Polyus	8
Fiscal deficit grows in 2017?	6	Chinese to produce food near Moscow	8
Accelerating inflation, YTD 2017	6	Pizza Hut opens 25-30 restaurants	8
New law halves tax on dividends	6	Oil and gas developments in Yakutia	8
<i>Belarus</i>	7	Fortum build wind farms	8
Belarus GDP grows by 0.3%	7	IKEA launches online shops	9
Belarus increases export	7	Qatar investor builds hotel in Crimea	9
<i>Armenia</i>	7	Mitsubishi to start pipe production	9
IMF raises prediction for GDP growth	7	Japanese to exploit Eastern Siberia	9
Inflation declines in Jan-Mar	7	<i>Belarus</i>	9
<i>Azerbaijan</i>	7	Chinese to produce vehicles in Minsk	9
ADB says GDP growth to hit 1.2%	7	<i>Tajikistan</i>	9
<i>Kazakhstan</i>	7	Chinese to mine gold in Tajikistan	9
GDP to grow 2.4% in 2017	7		
GDP growth in 1Q hits 3%	7		
Fitch rates Kazakhstan at BBB	7		



MEMBER INFO

Dear Members,

MANY THANKS!

Previous Friday, May 5, we hold our AGM and a very well attended seminar in connection to that. I am touched and grateful for all nice assistance and support we received during these venues.

First of all my and the Chamber's gratitude goes to our member and host – **EY** – for their very kind hospitality and service provided by many of their colleagues. Many thanks!

As often in connection with AGM's there were some changes in our organization: Our administrator, **Olga Hultén**, is now leaving her duties to take up other challenges outside the Chamber. Many thanks & best wishes! At the same time we welcome her successor, Kristine Gasparyan. Also our loyal and very supportive trainee, **Nadja Abbas**, is soon heading for new challenges in the wide world – many thanks for all good work and welcome back to the Chamber in the future in some other capacity! Our very long serving council members **Gunnar Forsgren and Jan Carlborg (CEO)** are now leaving after decades of very appreciated work. Our immense gratitude can't be expressed enough – **MANY THANKS!**

Many thanks also to all our **speakers** at the AGM seminar – in many cases travel a long way from Moscow, Kiev and Tbilisi. I heard many positive comments from the audience during the following lunch mingle. Thanks also to the seminar surprise, the adventurer **Mats Goldberg**, who with short notice stepped in and made a short presentation. We all wish you good luck in the Game2: Winter.

But, what would all this be worth, if we didn't have **you – the loyal members**, showing trust in our council and taking interest in the activities of the Chamber, including attending our seminars. And of course paying the small annual fee, so we can continue this work! Many thanks to all of you! I have an idea or challenge to you: If each one of you can recruit one new member company I think we can easily double the number of members! I think that effort and challenge is much smaller than the one ahead of Mats Goldberg, who soon will try to survive during 9 months in the Siberian taiga.

Heinz Sjögren, resigning Chairman, becoming the CEO

Annual General Meeting & Seminar

We were happy to welcome over 100 participants and distinguished guest-speakers from different business areas and regions. Heinz Sjögren, welcomed, together with Ragnar Gustavii the audience to the seminar by giving the EY's view on Russia & CIS. Martin Hagström Ambassador, took over by providing an overview of the current situation, recent developments and discussed the revolution of dignity in Ukraine. Erik Skoglund, continued by presenting the results from the 2017 Fraud Survey, which partly concluded that young and elder population is more likely to engage in corruption. Per Magnusson, from Magnusson Law presented the various business tendencies in Russia, Ukraine and Belarus. Henning



Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

Stenhammar, continued with a presentation about Avitos's latest developments and disclosed that 42% of the sold cars in Russia in 2016 were sold through Avito. Otar Antia gave an overview of the investment opportunities in Georgia and provided the audience with a breadth of information regarding the various investment areas. Lars Ingelstam, concluded the official seminar programme, by presenting the study report about the Swedish-Russian civil cooperation, which he wrote a book about.



New member of the Council – Ana Stanojevic



Ana Stanojevic is since 2015 Global Sales Strategy Manager (Wellness) at Oriflame Cosmetics. After graduating from Stockholm University with Master in Science in Business Administration & Economics degree, Ana started her career at Morgan Stanley in Barcelona. Wanting greater freedom and opportunity to influence Ana quickly joined a start-up in the Fintech industry. After several years working in finance and media monitoring Ana was headhunted to Oriflame Cosmetics Moscow & Kiev office as a Regional Sales Manager for Caucasus, Moldova and Mongolia. Her multilingual and social skills were a great asset when working with diverse teams to achieve corporate goals. Ana is fluent in Russian, Serbian, English, and Swedish and has developed more than 60 campaigns both online and offline, as well as initiated several mutually benefitting collaborations between Swedish

companies during her expat years. Today Ana is back at the Stockholm head office to working with one of Oriflame's more strategic categories within Health & Nutrition covering 49 markets worldwide.

New Coordinator – Kristine Gasparyan

We are happy to welcome Kristine Gasparyan, who will be working as coordinator, to assist the Chamber and its members in a variety of tasks towards the common goal of promoting trade between Sweden, Russia and other CIS countries.

Kristine is a lawyer with broad work experience from the CIS. Most recently she worked for a Swedish law firm as project coordinator. Besides Swedish and English she he is also fluent in Russian and Armenian. Kristine is replacing the Chamber's highly appreciated administrator, Olga Hultén. We thank Olga for valuable assistance and wish her all success in her new job.





Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

Europe-Russia Relations

The Swedish Institute of International Affairs (UI) invites you to a seminar on the current status and future of Europe-Russia relations.

How has the relationship between Europe and Russia evolved? What are the challenges and opportunities ahead? Following Brexit, how will EU-Russia relations be affected? What role will Great Britain play in Europe, and what will be London's relations with Moscow?

For more information, please follow the [link](#).

Calendar

May 30th – Ministry for Foreign Affairs – Economical situation and business opportunities in Russia and Ukraine.

June 3rd – Embassy of Sweden in Minsk – Sweden Day 2017.

June 7th – The Chamber of Commerce and Industry of the Republic of Moldova – International Investment Forum “Investments and collaboration opportunities”.

June 7th-8th – EU-Azerbaijan Business Forum in Baku.

June 15th – Embassy of Sweden in Kyiv – Swedish-Ukrainian Business Forum, Kyiv.

Ballet – Magnificent history of ballet

If you love ballet you shouldn't miss this show! It offers a fantastic journey through time from Tjaikovskijs and Petipa's classic era in the 1900s until the 2000s modern ballet art. Elmagård Capital presents in cooperation with Young Russian Ballet, an ensemble consisting of the most prominent ballet soloists in Russia and Europe.



For further information, please read [here](#).

Vote for Mats Goldberg



Read about how you can vote for Mats Goldberg [here](#).



ECONOMY & POLITICS

Russia

Number of poor people grows

In Russia 2016, the number of poor people increased by 300,000 individuals reaching 19.8 million. The poverty level in Russia in 2016 was 13.5% (in 2015 - 13.3%). The monthly average cost of living in 4Q 2016 amounted to RUB 9,691 per capita. (Interfax.ru, 05.04)

March inflation, lowest in 26 years

In March 2017, inflation slowed down sharply to a record low of 0.1% for this month. In the period January – March, prices increased by 1%. (Interfax.ru, 06.04)

IMF projects 2017 inflation to hit 4.5%

IMF projects consumer price growth in Russia to reach 4.5% in 2017 and 4.2% in 2018. The decreasing inflation provides the conditions for the central bank to gradually resume monetary policy easing, IMF argues. (Tass.com, 18.04)

EY on corruption in Russia

Ernst & Young has released a global study on the level of business corruption among EMEIA countries (Europe, Middle East, India and Africa). In 2017, Russia hit 16th place in the rating: 66% of the respondents believe that they often face corruption in business. (Vedomosti.ru, 10.04)

Federal budget in deficit

In January-March 2017, Russia's federal budget was executed with a deficit of RUB 274bln, or 1.4% of the GDP. The volume of GDP in the first quarter of the year exceeded RUB 20tln. (Vedomosti.ru, 13.04)

IMF improves growth forecast

IMF upgrades its forecast on Russia's GDP growth to 1.4% (1.1%) in 2017 and 1.4% (1.2%) in 2018. At the same time IMF revised its estimate of the 2016 GDP decline, to hit 0.2% (0.6%). The Fund stresses that the pick-up in the economy reflects firming oil prices and a recovery in domestic demand. (Tass.com, 18.04)

Real disposable income in decline

From January to March 2017, real disposable incomes in Russian declined by 0.2%, y-o-y. In March 2017, revenues decreased by 2.5%, in annual terms. The average monthly salary amounted to RUB 37,640, which is 5.8% higher than a year ago. (Tass.ru, 18.04)

GDP grows by 0.4% in 1Q

In 1Q 2017, Russia's GDP increased by 0.4% in annual terms (calendar factors are excluded). The Ministry of Economic Development forecasts GDP growth at the level of 2% in this year. (Vedomosti.ru, 21.04)

Ukraine

World Bank predicts growing GDP

The World Bank forecasts a moderate 2% growth of Ukraine's GDP in 2017. However, if reforms will accelerate in the next two years, the growth may reach 4%. The National Bank of Ukraine projects a 1.9% economic growth in this year. (ukrainianjournal.com, 04.04)

Fiscal deficit grows in 2017?

The WB projects that Ukraine's fiscal deficit will expand to 3.1% of GDP in 2017 due to an increase in the minimum wage and the large deficit of the Pension Fund. (Interfax.com, 04.04)

Accelerating inflation, YTD 2017

In the month of March, Ukraine's inflation rose to 1.8% against 1% in February and 1.1% in January, according to the State Statistics Service of Ukraine. The annual growth of consumer prices accelerated to 15.1% in March from 14.2% in February, 12.6% in January and 12.4% over 2016. The National Bank of Ukraine expects inflation in FY2017 to hit 9.1%. The World Bank predicts inflation to hit 10% in 2017. (Interfax.com, 07.04)

New law halves tax on dividends

Ukraine's president, Petro Poroshenko, has signed a law that will halve the tax on dividends, from 18% to 9%. (Kyivpost.com, 15.04)



Belarus

Belarus GDP grows by 0.3%

In January-March 2017, Belarus GDP increased by 0.3%, y-o-y, amounting to BYR 22.4bln. The volume of industrial production increased for the quarter by 4.3%, agricultural production - by 1.7%. Retail trade turnover decreased by 1.4% to BYR 8.5bln. (News.tut.by, 17.04)

Belarus increases export

In January-February, Belarus increased exports of goods by 20% (y-o-y) up to USD 3.8bln. Oil exports decreased by 15%; export of potash fertilizers grew by 25%, trucks - by 41%, meat - by 24.8%, ferrous metals - by 51%, tractors - by 11.6%. (News.tut.by, 19.04)

Armenia

IMF raises prediction for GDP growth

IMF has raised its GDP growth forecast for Armenia, based on the country's 1Q growth. The new forecast predicts a GDP growth of 2.9% for 2017 (previously: 2.7%) The IMF forecast is revised upward due to higher than expected level of capital investments financed from external sources. Armenian government's projection of GDP growth for 2017 is 3.2%. (Arka.am, 12.04)

Inflation declines in Jan-Mar

Inflation is projected at 4% ($\pm 1.5\%$), according to IMF's estimates. Consumer prices in Armenia in January-March 2017 decreased by 0.3% when compared to January-March 2016. (Arka.am, 12.04)

Azerbaijan

ADB says GDP growth to hit 1.2%

The Asian Development Bank, ADB, expects Azerbaijan's GDP to grow by 1.2% in 2018, given the onset of production from the Shah Deniz gas field. (Today.az, 06.04)

Kazakhstan

GDP to grow 2.4% in 2017

Economic growth in Kazakhstan is forecasted to increase in 2017 reflecting continued fiscal spending to stimulate consumption and investment, and higher earnings from oil exports, according to the Asian Development Bank (ADB). Kazakhstan's GDP is projected to grow 2.4% in 2017 and 2.2% in 2018 (2016: 1%). Annual inflation in 2017 is projected at 8%. (Akipress.com, 06.04)

GDP growth in 1Q hits 3%

In 1Q 2017, Kazakhstan's GDP growth hit 3%, according to the National Economy Minister, Timur Suleimenov. Manufacturing, construction, transport, agriculture and trade were the key drivers of the economic growth. (Trend.az, 18.04)

Fitch rates Kazakhstan at BBB

The rating agency, Fitch Ratings, has affirmed Kazakhstan's long-term foreign- and local-currency Issuer Default Ratings (IDR) at 'BBB' with Stable Outlook. The rating agency said the Kazakh economy's gradual adjustment to the oil price shock of recent years is continuing, facilitated by exchange rate flexibility, monetary policy reforms, restructuring of the banking sector and fiscal stimulus. (Trend.az, 25.04)

Turkmenistan

GDP grows 6.2% in Q1

In January-March 2017, Turkmenistan's GDP grew by 6.2%. In the same period, industrial output grew 1.8%, construction - 4.4%, transport - 10.8%, trade - 10.4%, agriculture - 3.4%, service - 10.8%. The retail turnover increased by 17.1%. (Akipress.com, 06.04)



BUSINESS & FINANCE

Russia

German farming equipments in Krasnodar

The German farming engineering company, PETKUS Technologie GmbH, plans to establish production in Kuban, Krasnodar Region. The production line will manufacture equipment for processing grain. (Kommersant.ru, 03.04)

Americans build housing in Moscow

The American company Hines will build a residential complex comprising 550,000 sq.m. in the north-west of Moscow. Hines will act as fee-developer of the project, for which it can receive between 10-15% of the proceeds, as well as a bonus for achieving certain financial results. The volume of investment in the project is about RUB 39-43bln. (Riarealty.ru, 04.04)

Auchan to invest RUB 20bln more

The French retailer, Auchan, is going to invest more than RUB 20bln in Russia in 2017. Auchan plans to open 4 hypermarkets and more than 20 supermarkets, all in this year. (Tass.com, 05.04)

IKEA upgrades Russian shopping centers

IKEA is reconstructing five of its Russian shopping centers: Mega Khimki, Mega Teply Stan, Mega Yekaterinburg, food court Mega Kazan and Mega Adygea. (Riarealty.ru, 07.04)

Hochland to manufacture in Belgorod

The German company Hochland will invest EUR 15-20mln to expand production in Russia. The investments concern the production of cream cheese in the Belgorod region. Also, the company considers introducing new products. (Vedomosti.ru, 10.04)

Czechs to assemble trailers in Voronezh

In 2018, the Czech company Agrostroj Pelhřimov intends to put up a plant to assemble agricultural trailers in the Voronezh region. Investments amount to RUB 4.4bln. (Rcmm.ru, 10.04)

Zara to produce clothes in Russia

The Spanish retailer Zara, owned by Inditex Group, will produce clothing in Russia. This year, Zara plans to sell about a million articles produced in Russia. At the same time, the retailer intends to expand the pool of Russian partners and will soon test Russian suppliers. (Vedomosti.ru, 13.04)

German Globus to enter Kaluga

In 3Q 2018, the German food retailer Globus will introduce a new hypermarket in Kaluga. Investments in the project will reach RUB 4.5bln. (Rcmm.ru, 13.04)

Chinese buy stake in Polyus

The Chinese investment company Fosun buys a 20-25% stake in Polyus Gold (the parent company of PJSC Polyus). The purchasing amount equals to USD 2.1bln. (Vedomosti.ru, 13.04)

Chinese to produce food near Moscow

The Chinese food producer, Hunan Super Industrial (HSI), will produce tea, canned fruits and juices at a site near Moscow. The amount of investments will amount to USD 150mln. The Industrial and Commercial Bank of China will take part in the financing of the project. (Kommersant.ru, 18.04)

Pizza Hut opens 25-30 restaurants

In 2017, the American restaurant chain, Pizza Hut, plans to open about 25-30 restaurants in Russia. Moreover, in the next five years, the company plans to open about 500 restaurants totally, mostly in cities with populations exceeding one million inhabitants. Investments per restaurant is estimated at RUB 10-12mln. (Interfax.ru, 19.04)

Oil and gas developments in Yakutia

The Singapore based company, Keppel, is interested in developing the West Anabar underwater area in Yakutia. The investment is tentatively estimated at RUB 357bln. The payback period of the project is 11 years, while revenues are estimated at RUB 3.2trl. (Neftegaz.ru, 19.04)

Fortum build wind farms

Fortum, the Nordic energy company, may introduce to Russia wind parks on a large scale. The company considers a joint fund with Rusnano in order to establish



Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

up to 1.4 GW of wind parks in the country. According to external estimates, investments may amount to USD 3bln. (Kommersant.ru, 19.04)

IKEA launches online shops

IKEA will introduce online stores in Russia: in Moscow and St. Petersburg, as well as in a number of cities in the Siberian and Far Eastern Federal Districts. During 2017, IKEA plans to launch online sales in the regions they already have physical coverage in, as well as in cities and regions with a high level of Internet penetration and potentially great interest in online purchases. (Interfax.ru, 20.04)

Qatar investor builds hotel in Crimea

The Qatar company, Premium Construction, will build a large hotel complex in the Yalta region. The total investment is up to USD 100mln. (Riarealty.ru, 21.04)

Mitsubishi to start pipe production

Japanese Mitsubishi Corporation will set up a steel pipes production line in Russia. Investments amount to USD 90mln. The plant will be launched by mid-2018. (Tass.ru, 27.04)

Japanese to exploit Eastern Siberia

The Japan National Petroleum, Gas and Metals Corporation (JOGMEC) have signed an agreement on the basic terms of joint exploitation in Eastern Siberia, together with the Irkutsk Oil Company. The total amount of investments until 2021 will exceed USD 100mln. (Rns.online, 27.04)

Belarus

Chinese to produce vehicles in Minsk

The Chinese company, Zoomlion, will establish a large production plant near Minsk for equipment for road construction machines. The amount of investments will approximate USD 45mln. (Avtoryk.ru, 17.04)

Tajikistan

Chinese to mine gold in Tajikistan

The Chinese company, Chroso Resources Limited, together with the local company, Pakrut, will jointly develop the Pakrut gold field in Tajikistan. Chroso Resources Limited will finance the construction and development of the field. The amount of investment is not disclosed. (Chinapro.ru, 17.04)



Swedish Chamber of Commerce for Russia & CIS

Promote trade between Sweden, Russia and CIS

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.



Swedish Chamber of Commerce for Russia & CIS Contacts

Secretariat contacts:

Olga Hultén

Tel: (+46)-702 13 15 10

info@swedishrussian.com

www.swedishrussian.com

About Newsletter Content

The Swedish Chamber of Commerce for Russia & CIS newsletter is produced by iBIC Russia Ltd, a business information and PR company.

The newsletter contains information from selected media sources.

iBIC does not take responsibility for incorrect information originated in the source material.

www.ibic.se

info@ibic.se

