

Macroeconomic review: global indicators and Russia's industrial production in 2020

1. Global indicators dashboard

USA			
• Daily average COVID-19 cases for the last 7 days, thousand			
	yesterday	change for 7 days	change for month
	55.6	-2.4	-25.6

- **Inflation** rose to **1.7%** in February over 1.4% in January.
- **Unemployment rate** was **6.2%** in February over 6.3% in January
- **University of Michigan's consumer confidence** index grew to **83 in March** as compared to 76.8 in February.
- **Retail sales** dropped by **3% (MoM) in February** as compared to 7.6% (MoM) growth in November.
- **President Joe Biden approved \$1.9 trillion relief package**

Short-term indicators

- **Redbook index** dropped in week ending **March 14: -17.9% (MoM) over -18.1% (MoM) a week earlier.**
- **Number of unemployment benefit applications in week ending March 7: 712 thousand** over 754 thousand a week earlier.

Euro area			
• Daily average COVID-19 cases for the last 7 days, thousand			
	yesterday	change for 7 days	change for month
Germany	11.1	+2.5	+3.9
Italy	22.5	+1.5	+10.5
France	26.2	+4.4	+8

- **Inflation** was up to **0.9% in February**, which was similar to the preceding period's figure
- **Unemployment rate** in January was **8.1%**, similarly to the preceding period
- **ZEW economic sentiment index** grew to **74 in March** over 69.6 in February
- **Industrial production** grew by **0.8% (MoM) in January** as compared to 0.1% (MoM) drop in December.
- **European Central Bank promised to accelerate asset purchase considerably**

USA
Vaccination rate increases, incidence rate declines, and government money is already being received at personal accounts. Prospects for recovery in the market have improved as well. FRS revised upwards its GDP growth forecast for 2021 from 4.2% to 6.5%. The economy is going to recover quickly, but the main risk is that inflation growth may continue longer than currently expected by FRS officials. If this is the case, the regulator will have to increase interest rate earlier, which may lead to significant corrections in the stock market.

Euro area
Coronavirus incidence rate continues to grow in Euro area, so restrictions will remain in place long enough. Macroeconomic indicators show weak consumer confidence and gradual recovery of industrial production since it was not so much impacted by restrictive measures. Euro area economic recovery in 2021 will definitely be less steady than in the U.S.

2. Industrial production in Russia

Industrial production declined by 3.7% (YoY) in February as compared to **1.9% (YoY) drop in January**.

Industrial production, % (YoY)

Source: Russian Federal State Statistics Service

Russian Federal State Statistics Service (Rosstat) made an upward revision of industrial production statistics for January 2021: the year-on-year fall was **1.9% (YoY) instead of 2.5% (YoY)**.

'Poor' February figures are due to high base effect because 2020 was a leap year. In fact, decline in industrial production slowed down.

According to the Ministry of Economic Development and Trade estimate excluding seasonal factor, **industrial production went down 0.8% (YoY) in February**. In particular:

- **Minerals extraction** dropped by **5.6% (YoY)** in February after **7.4% (YoY)** decline in the preceding month.
- **Processing industry** reached in February 2021 **indicators of February 2020** after falling by **0.1% (YoY)** a month earlier.

The highest growth rates in % (YoY) in January-February 2021

pharmaceuticals
furniture
textiles
motor vehicles
rubber and plastic products

The deepest decline in % (YoY) in January-February 2021

oil and natural gas
leather and leather products
coke and petroleum products
finished metal products
services for minerals extraction

Source: Russian Federal State Statistics Service (Rosstat)

IHS Markit experts recorded a month-on-month rise in business activity in January and February 2021. January and February indexes were **50.9** and **51.5**, accordingly.

IHS, Markit and Rosstat manufacturing index movement

IHS Markit Manufacturing index (right axis)
Rosstat Manufacturing index, % (MoM)

Source: IHS Markit, Rosstat

According to study by IHS Markit, recovery of Russia's manufacturing sector is due to high domestic demand. However, unfortunately, this domestic demand is exhausting because of low corporate and personal income. External demand for Russian industrial products decreases due to continuing restrictions in many countries. Moreover, improvement of epidemiological situation worldwide may also lead to a decline in demand for Russian oil&gas industry's products. Russia had a chance to build up exports in 2020 due to failure of global supply chains, but when restrictions are lifted many countries may have to return to more customary suppliers of processing industry products. Prospects of extractive industries are uncertain. It will definitely take oil&gas production at least one year to return to pre-pandemic levels. Therefore, Russia domestic industry's sluggish recovery trend will continue in 2021. According to forecasts by the Ministry of Economic Development and Trade, the sector most probably will not recoup losses sustained in 2020 by the end of the current year.

Global Markets Research Department

Moscow Partners
123056 Moscow
23 Maly Tishinsky lane, building 1
Tel.: +7 495 787-52-56
Fax: +7 495 787-52-57
www.moscowpartners.com

DISCLAIMER OF LIABILITY

This review is provided for informational purposes. It does not constitute, in whole or in any part, an offer to purchase, sell or conduct any transactions or investments in relation to the securities specified in the review. It is not a recommendation for making any investment decisions. The information used in this review is obtained from supposedly reliable sources, however, no verification of this information has been carried out, and Moscow Partners does not give any guarantees of the correctness of the information in this review. Moscow Partners is not obliged to change or update this review in any way, but the company has the right to change and/or update this review, at its sole discretion and without any notice. This review may not be reproduced, published or distributed in whole or in any part, links on it or quotations from it may not be made without a prior written permission of Moscow Partners. Moscow Partners is not responsible for any adverse consequences, including losses (direct or indirect), caused as a result of using the information contained in this review, or as a result of investment decisions made on the basis of this information.