

Macroeconomic review: global indicators and Russia's GDP. 1. Global indicators overview

USA

- **Daily average COVID-19 cases for the last 7 days, thousand**

yesterday	change for 7 days	change for month
31	-1.1	-36.4

- **Producer prices index** grew by **0.6% (MoM) in April** following 1% (MoM) growth in March.
- **Retail sales remained unchanged in April as compared to the previous month.**
- **Industrial production** grew by **0.7% (MoM)** in April following 2.4% (MoM) growth in March.
- **University of Michigan's consumer confidence index** was **82.8 in May** as compared to 88.3 in April.
- **Initial jobless claims** number was **444 thousand** last week a er 478 thousand a week earlier.

U.S. economy recovery slightly decelerated in April. As shown by IHS Markit's surveys and continuing prices growth, this is related with growing feedstock and transportation costs. Consumer confidence fell in early May because of higher inflation rates in the U.S. Still, disposable personal income in March was almost one-third higher than before the pandemic, while the share of savings in income grew almost 4 times. Therefore, demand from Americans will continue to grow despite growing prices, which creates further inflation risks.

If U.S. inflation continues to grow in May at a fast pace, FRS will, most probably, begin to extensively discuss reduction of stimulus packages despite economic growth in the U.S. somewhat slowing down.

Euro area

- **Daily average COVID-19 cases for the last 7 days, thousand**

	yesterday	change for 7 days	change for month
Germany	9	-8.7	-12.2
Italy	10.8	-2.1	-8.3
France	12.4	-2.8	-18.8

- **GDP** went down **-0.6% (QoQ) in Q1** a er similar drop in March.
- **Inflation** was **1.6% (MoM)** in April over 1.3% (MoM) growth in March.

Inflation increased due to the last year's low base effect. Month-on-month growth of prices slowed down in April from 0.9% to 0.6%. Consequently, there are no concerns that European Central Bank will wind up stimulus packages.

Recovery of Euro area's economy has already started and will, most probably, gain speed in the nearest months. This may support euro and European equities.

United Kingdom

- **Daily average COVID-19 cases for the last 7 days, thousand**

yesterday	change for 7 days	change for month
2.3	0	-0.2

- **CBI Factory Orders** index was **+7 in May** after -8 in April.
- **Inflation** was **1.5% in April** over 0.7% in March.
- **Unemployment rate** was **4.8% (MoM) in March** as compared to growth by 4.9% (MoM) in February.

British manufacturers reported the fastest growth of orders since December 2017. However, supply chain failures may lead to a spike in costs and growth of consumer prices.

Unlike Euro area, inflation growth in April in the United Kingdom was not just due to the last year's low base effect. Month-on-month rise in prices accelerated in April from 0.3% to 0.6%. The Bank of England does not plan to wind up stimulus packages yet, but warns that QE program will be gradually curtailed if the price increase turns out to be prolonged.

2. Russia's GDP

According to preliminary data from Russian Federal State Statistics Service (Rosstat), Russia's GDP dropped by 1% (YoY) in Q1 2021 following 1.8% (YoY) fall in the previous quarter.

GDP growth rate, % (YoY)

Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021

Source: Rosstat

The main contributors to GDP growth are:

- water supply and contamination clean-up (+11.9% (YoY)),
- power, natural gas and steam supply (+9.6% (YoY)),
- wholesale turnover (+4.2% (YoY)), and
- manufacturing (+0.9% (YoY)).

The deepest decline was recorded in:

- passenger traffic (-34% (YoY)),
- minerals extraction (-7.3% (YoY)),
- consumer services (-4.3% (YoY)), and
- retail turnover (-1.6% (YoY)).

Judging by GDP structure, Russia's economy in Q1 remains plagued by the same problems as at the onset of the pandemic:

- 1) low activity in Services and Retail sectors due to restriction measures and increasing coronavirus cases;
- 2) low demand for crude oil;
- 3) low personal income.

Movement of disposable personal income, % (YoY)

Q1 2014 Q2 2014 Q3 2014 Q4 2014 Q1 2015 Q2 2015 Q3 2015 Q4 2015 Q1 2016 Q2 2016 Q3 2016 Q4 2016 Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020 Q2 2020 Q3 2020 Q4 2020 Q1 2021

Source: Rosstat

Services and Retail will be recovering throughout the year 2021 following the decline, but it's far from sure that they will grow beyond pre-pandemic levels. The problem is that disposable personal income declined in Q1 by 3.6% (YoY), which is significantly deeper than for many other economic indicators. This means consumer sector will not have sufficient base for development.

If vaccination proceeds as planned, global demand for fuel may restore by year-end, in which case Russia's oil production stands a good chance to return to pre-pandemic performance in 2022.

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