

Russia: Positive January data eases GDP concerns

January statistics suggest the GDP weakness in 4Q17 might have been just temporary. But it still allows the Russian central bank to continue (a balanced) easing policy



Source: Shutterstock

January economic data confirms growth is underway

January data was widely awaited after the soaring industrial production data we had earlier in the month, dispelling all doubts about the state of the Russian economy. The Rosstat release has mostly confirmed the economy looks quite OK at the beginning of 2018.

Income indicators look solid

Real wage growth was stable at the December 2017 level of 6.2% YoY, after it was revised up from 4.6%. We had an above-consensus 7.8% forecast versus market expectations of 5%, which bodes well for the released figure after taking the revision into account.

The growth is partly due to the required pay adjustment finalised in January 2018 for some types of public employees covered by Putin's 2012 post-election decrees as well as the four-percent-

based indexation of wages for those not included.

It is also interesting that decent wage growth in December 2017 (the only available sectoral data) was observed both in the public and private sector, and in the latter case annual bonuses might be a reason. Disposable incomes growth also turned non-negative to 0% for the first time since January 2017. ING forecast was -0.7% while consensus was -0.5%.

✓ Unemployment rate edged higher, but only marginally

The non-seasonally adjusted unemployment rate rose only modestly from 5.1% to 5.2%. Again, this was below ING forecast of 5.4% and the consensus 5.3%, meaning that the seasonally-adjusted print dipped below 5% from 5.1% in December 2017.

This supports wage growth but also serves as a source of concern for the CBR with respect to inflation risks.

✓ Consumption stays on track

Our proxy for private consumption accelerated further from 2.5% YoY to 2.6% which is the highest pace for the post-crisis period.

This was due to the surprising resistance in retail sales which slowed down only marginally from 3.1% to 2.8%. ING forecast is 1% while consensus was 2.4% despite a high comparison base.

Also, services consumption firmed up from 0.1% to 2.1% in January 2018. It seems that the positive momentum from strong real wages growth supported by expanding retail loans and improving consumer confidence all passed-through to consumption and offset the base effect.

Other activity data was mixed, PPI inflation muted on energy

Construction growth weakened from 1.3% to 0.2%. ING forecast was 3.5% while consensus was 2.3%, which means a loss of momentum in early 2018 which was required to help the investments recovery. Cargo shipments, on the contrary, came better at 0.9% than the expected construction of 1.3%. Overall, this mix of results looks neutral to us.

Also, producer price growth (PPI) surprised on the downside at 1.3%MoM/5%YoY (ING 1.8%/6.8%, consensus 1.3%/6.4%) despite a 1.1%MoM growth in mining sector prices. A 0.1%MoM growth in manufacturing helped, but was mostly a story of falling gasoline prices on the back of accelerating prices (from 0.1% to 0.7%) on core manufacturing goods (excl. oil refinery).

How to read the data?

The positive January data, especially on the consumption and industrial production side, are likely to ease concerns about the GDP outlook.

Moreover, low unemployment, strengthening real wage growth and picking up PPI inflation in core manufacturing goods may keep the Central Bank of Russia (CBR) focussed on inflation risks. For now, they don't look material for the Bank to re-think its "faster policy normalisation" stance after the February 2018 meeting.

It would also be strange to read from one-month figures, and there are questions on

investments growth. But if the consumption trends continue and investments pick up, the CBR may easily focus on 25bp, not 50bp, as the primary step for the policy easing expected in coming months and pauses at some meetings in 2H18 might also be considered.

This is in line with our view of the CBR rate falling to 6.50% by December 2018 vs 7.50% now.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com