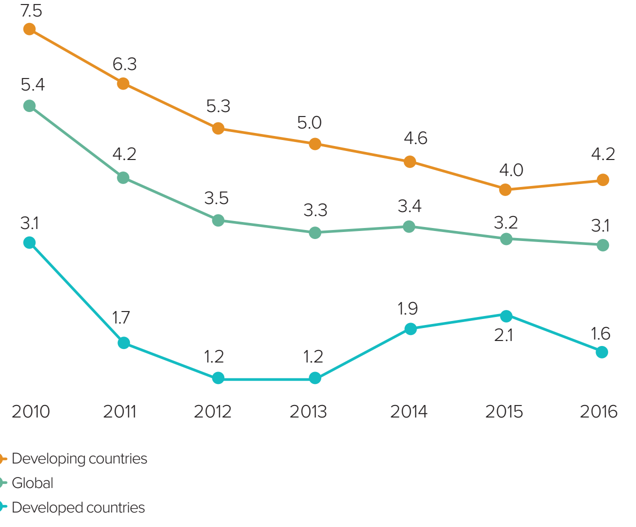
Market review

Macroeconomics

The global commodity and financial markets have stabilized in 2016, which had an immediate positive effect on the Russian economy. Oil prices increased, and by the end of 2016 they were stable above $50 per barrel.

GDP GROWTH FROM 2010-16 (IMF DATA), as a % of the previous year



According to the IMF, the growth rate of the world economy slowed down to 3.1% in 2016 compared to 3.2% in 2015. The growth rate of global trade also declined to 1.2% in 2016 compared to 2.0% in 2015. As a result, the risks of shocks on global markets remain high, but the situation gives grounds for optimism.

Emerging markets are the new engine of global growth

First, the slowdown in economic growth in developing economies has been replaced by its acceleration up to 4.2% in 2016 compared to 4% in 2015. Economic growth has intensified in India, while the Chinese economy has stabilized, and the slump in Brazil came to an end. In the postcrisis period, emerging markets have become the engine of global growth, thus making the acceleration of their growth an important feature of 2016.

Second, the slowdown of growth rates in developed countries to 1.6% in 2016 (compared to 2.1% in 2015) was quite natural. In these countries, the economy almost exhausted its potential and it became more and more difficult to grow quickly. In the US economy, unemployment has fallen to precrisis levels, and the monetary policy continues to normalize. In the Eurozone, growth has intensified as the imbalances accumulated over the precrisis period become less severe, but monetary policy normalization is still ahead.