

MNI Russia Consumer Report August 2014

Insight and data for better decisions

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Insight and data for better decisions

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Specialising in business and consumer focused macro-economic reports, we give our customers the ability to make timely and relevant decisions. We strive to provide up-to-date information on business and consumer confidence on the economy.

MNI Indicators publishes data on a monthly basis. Our indicators are based on a unique and proprietary methodology and are designed to present an advance picture of the economic landscape as perceived by businesses and consumers every month.

Our monthly reports explore attitudes, perspectives and confidence across different countries and regions. They deliver in-depth analysis, highlight changing patterns and how these can affect potential developments in business and consumer activities.

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MNI Russia Consumer Report - August 2014

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Russian Roulette

Annexation of Crimea, a possible invasion of east Ukraine and international sanctions, and yet the Russian MICEX is only down just over 3% since the start of the year. What exactly is keeping the stock market afloat?

Annexation of Crimea, a possible invasion of east Ukraine and international sanctions, and yet the Russian MICEX is only down just over 3% since the start of the year. What exactly is keeping the stock market afloat?

There hasn't been a lot of good news flowing out of Russia this year. Even before the military action in Ukraine, Russian economic growth was weakening. And, after the initial round of sanctions, our business survey showed sentiment taking a hit, while official economic data showed further weakness and mounting inflationary pressures given the depreciation of the rouble. Our August data showed sentiment was hit again with firms seeing their credit lines drying up.

On March 14, the MICEX Index hit a low of 1237.43, a fall of close to 18% since the end of 2013. Just a few months later and it had rallied to a nine-month high. There was another sharp fall after the downing of Malaysia Airlines flight MH17, but again this was followed by a rally which left the index not too far down on the year.

Prior to the annexation of Crimea a number of analysts had espoused the value in the Russian stock market. At a price to earnings ratio of just over five, Russian equities certainly look relatively cheap compared with other emerging markets which have a PE ratio of more than double that, or the US with a PE ratio of 16 or Mexico which is up at 26.

Still, to bite the bullet and invest in Russia now is only for the brave and only if you hold the view that we'll see a sudden outbreak of peace. And even if the situation in Ukraine does resolve, the reputational damage to Russia will need to be repaired, something that will take significant time. The significant rise in

bond yields since the start of the year makes the job of financing the recovery even more difficult. Meanwhile the government has yet to spell out a clear plan of action on how to kick start the economy and put a detailed reform agenda in place.

Philip Uglow
Chief Economist
MNI Indicators



Executive Summary

Russian consumer sentiment plummeted to an all time low in August following the downing of Malaysia Airlines flight MH17, the imposition of Tier 3 sectoral sanctions and the retaliatory Russian food ban.

Russian consumer sentiment plummeted to an all time low in August following the downing of Malaysia Airlines flight MH17, the imposition of Tier 3 sectoral sanctions and the retaliatory Russian food ban.

The MNI Russia Consumer Indicator fell 9.4 points on the month to 81.7 in August from 91.1 in July. Consumer sentiment has fallen sharply over the past year given the significant weakening in economic growth and the onset of the Ukraine crisis, with confidence now standing 18.2% below the level seen a year earlier.

All five components which make up the Consumer Indicator fell between July and August. The sharpest fall was in the Durable Buying Conditions Indicator, which plunged by 21.5 points as consumers did not view it as a good time to make big ticket purchases amid pressure on household finances.

Consumers' dissatisfaction with the current level of prices rose to the highest on record as a weaker rouble and the Russian ban on food imports pushed up prices while their inflation expectations for the future remained elevated.

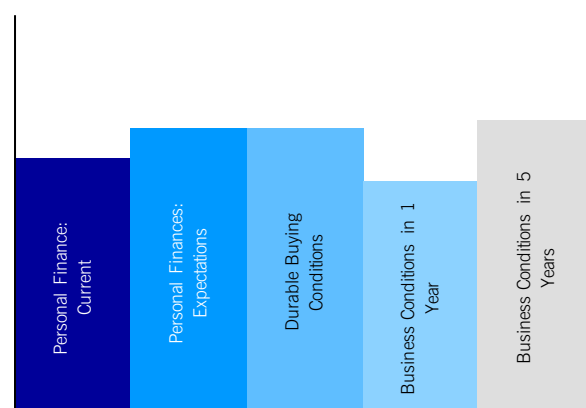
Current Personal Finances fell sharply in August to a series low, with some respondents reporting that they had lost some of their savings following the closure of some Russian banks after their licenses were revoked. Consumers did not expect any improvement in the future with the Expected Personal Finances indicator also hitting a series low in August.

Consumers felt that the business situation was likely to worsen further over the coming year, with Business Conditions in a Year falling to the lowest level on record. Longer-term expectations for business conditions also declined in August, but remained the strongest component of the MNI Russia Consumer Indicator.

In spite of weaker overall consumer sentiment, optimism about the real estate has remained buoyant with respondents' expectations about house prices hitting a new record high in August after remaining flat in the previous month. Consumers' sentiment about purchasing a house has dropped significantly since last year and in August it fell close to the series low witnessed in May.

Consumers believed it would be a good time to purchase a car in the next 12 months in spite of weak employment conditions and economic growth with Car Purchase Expectations remaining above the 100 mark and broadly stable compared with the previous month.

MNI Russia Consumer Indicator - Components



All Russia - Overview

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|---------------------------------------|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| MNI Russia Consumer Indicator | 89.1 | 91.1 | 81.7 | - | series low | 87.3 | -9.4 | -10.3% |
| Current Indicator | 91.1 | 97.1 | 81.6 | - | series low | 89.9 | -15.5 | -16.0% |
| Expectations Indicator | 87.8 | 87.1 | 81.8 | - | series low | 85.6 | -5.3 | -6.2% |
| Personal Finance: Current | 80.3 | 86.7 | 77.1 | - | series low | 81.4 | -9.6 | -11.0% |
| Personal Finance: Expected | 91.5 | 90.8 | 86.2 | - | series low | 89.5 | -4.6 | -5.1% |
| Business Condition: 1 Year | 80.7 | 81.1 | 70.5 | - | series low | 77.4 | -10.6 | -13.1% |
| Business Condition: 5 Years | 91.2 | 89.5 | 88.6 | - | May-14 | 89.8 | -0.9 | -1.0% |
| Durable Buying Conditions | 101.8 | 107.5 | 86.0 | - | series low | 98.4 | -21.5 | -20.0% |
| Current Business Conditions Indicator | 91.0 | 93.6 | 85.5 | - | May-14 | 90.0 | -8.1 | -8.7% |
| Real Estate Investment Indicator | 108.2 | 110.8 | 109.9 | - | Jun-14 | 109.6 | -0.9 | -0.8% |
| Car Purchase Indicator | 79.8 | 78.4 | 77.7 | - | series low | 78.6 | -0.7 | -0.9% |
| Employment Outlook Indicator | 87.5 | 87.6 | 87.4 | - | Feb-14 | 87.5 | -0.2 | -0.2% |
| Inflation Expectations Indicator | 146.3 | 145.3 | 145.1 | - | May-14 | 145.6 | -0.2 | -0.2% |
| Current Prices Satisfaction Indicator | 65.0 | 67.9 | 64.8 | - | series low | 65.9 | -3.1 | -4.6% |
| Interest Rates Expectations Indicator | 126.8 | 121.9 | 123.0 | Jun-14 | - | 123.9 | 1.1 | 0.9% |

All Russia - Summary

| | 2013 | | | | | 2014 | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| MNI Russia Consumer Indicator | 99.9 | 97.4 | 99.4 | 94.8 | 95.7 | 99.3 | 94.1 | 89.1 | 88.5 | 87.2 | 89.1 | 91.1 | 81.7 |
| Current Indicator | 99.2 | 95.8 | 99.2 | 94.3 | 95.7 | 102.0 | 98.6 | 89.4 | 90.2 | 87.3 | 91.1 | 97.1 | 81.6 |
| Expectations Indicator | 100.3 | 98.4 | 99.5 | 95.1 | 95.7 | 97.5 | 91.2 | 88.8 | 87.4 | 87.1 | 87.8 | 87.1 | 81.8 |
| Personal Finance: Current | 102.1 | 95.3 | 91.0 | 92.0 | 92.5 | 99.3 | 87.3 | 79.5 | 83.7 | 79.6 | 80.3 | 86.7 | 77.1 |
| Personal Finance: Expected | 104.9 | 105.4 | 101.2 | 101.7 | 101.9 | 101.2 | 96.3 | 96.3 | 93.4 | 95.0 | 91.5 | 90.8 | 86.2 |
| Business Condition: 1 Year | 98.7 | 96.1 | 101.5 | 94.9 | 94.4 | 95.1 | 87.8 | 79.4 | 77.8 | 77.7 | 80.7 | 81.1 | 70.5 |
| Business Condition: 5 Years | 97.5 | 93.7 | 95.8 | 88.7 | 90.8 | 96.4 | 89.4 | 90.7 | 91.1 | 88.6 | 91.2 | 89.5 | 88.6 |
| Durable Buying Conditions | 96.2 | 96.3 | 107.4 | 96.6 | 98.9 | 104.7 | 109.9 | 99.3 | 96.8 | 95.1 | 101.8 | 107.5 | 86.0 |
| Current Business Conditions Indicator | 95.6 | 97.6 | 94.5 | 97.4 | 94.9 | 100.3 | 97.5 | 99.2 | 95.7 | 85.5 | 91.0 | 93.6 | 85.5 |
| Real Estate Investment Indicator | 108.5 | 108.0 | 113.0 | 108.4 | 106.9 | 112.1 | 111.4 | 110.0 | 107.2 | 108.0 | 108.2 | 110.8 | 109.9 |
| House Price Expectations | 128.4 | 121.6 | 127.7 | 121.6 | 130.9 | 135.7 | 139.0 | 140.1 | 137.7 | 139.3 | 139.5 | 139.5 | 144.7 |
| House Buying Sentiment | 96.7 | 101.8 | 109.8 | 105.0 | 92.1 | 99.7 | 96.8 | 87.3 | 84.5 | 82.6 | 83.6 | 87.2 | 82.9 |
| House Selling Sentiment | 99.5 | 99.3 | 98.4 | 101.5 | 102.3 | 99.0 | 101.6 | 97.4 | 100.7 | 97.8 | 98.5 | 94.2 | 97.8 |
| Car Purchase Indicator | 88.4 | 85.7 | 85.1 | 81.9 | 81.0 | 83.3 | 88.3 | 85.1 | 82.2 | 79.3 | 79.8 | 78.4 | 77.7 |
| Car Purchase Expectations | 109.4 | 107.1 | 101.4 | 98.9 | 98.2 | 104.4 | 110.5 | 106.0 | 103.8 | 99.1 | 103.0 | 104.8 | 104.2 |
| Price of Gasoline Expectations | 132.7 | 135.6 | 131.3 | 135.2 | 136.2 | 137.7 | 133.8 | 135.8 | 139.4 | 140.5 | 143.4 | 148.0 | 148.9 |
| Employment Outlook Indicator | 97.5 | 99.9 | 100.4 | 98.1 | 98.2 | 87.2 | 86.5 | 92.9 | 90.9 | 87.8 | 87.5 | 87.6 | 87.4 |
| Inflation Expectations Indicator | 139.4 | 135.7 | 139.7 | 136.8 | 138.2 | 136.9 | 140.9 | 139.2 | 144.2 | 144.6 | 146.3 | 145.3 | 145.1 |
| Current Prices Satisfaction Indicator | 85.9 | 85.6 | 80.5 | 73.5 | 71.8 | 69.4 | 74.4 | 76.3 | 67.5 | 73.4 | 65.0 | 67.9 | 64.8 |
| Interest Rates Expectations Indicator | 113.2 | 111.1 | 115.6 | 115.5 | 114.9 | 115.9 | 122.6 | 119.2 | 122.3 | 126.0 | 126.8 | 121.9 | 123.0 |

All Russia - Records

| | 2013- Current | | | |
|--|---------------|---------|-------|--------|
| | Minimum | Maximum | Mean | Median |
| MNI Russia Consumer Indicator | 81.7 | 99.4 | 92.3 | 92.6 |
| Current Indicator | 81.6 | 102.0 | 93.5 | 95.0 |
| Expectations Indicator | 81.8 | 99.5 | 91.4 | 90.0 |
| Personal Finance: Current | 77.1 | 99.3 | 87.0 | 87.0 |
| Personal Finance: Expected | 86.2 | 105.4 | 96.7 | 96.3 |
| Business Condition: 1 Year | 70.5 | 101.5 | 86.4 | 84.5 |
| Business Condition: 5 Years | 88.6 | 96.4 | 91.2 | 90.7 |
| Durable Buying Conditions | 86.0 | 109.9 | 100.0 | 99.1 |
| Current Business Conditions Indicator | 85.5 | 100.3 | 94.4 | 95.3 |
| Real Estate Investment Indicator | 106.9 | 113.0 | 109.5 | 109.2 |
| House Price Expectations | 121.6 | 144.7 | 134.8 | 138.4 |
| House Buying Sentiment | 82.6 | 109.8 | 92.8 | 89.7 |
| House Selling Sentiment | 94.2 | 102.3 | 99.0 | 98.8 |
| Car Purchase Indicator | 77.7 | 88.3 | 82.3 | 82.0 |
| Car Purchase expectations | 98.2 | 110.5 | 103.4 | 104.0 |
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| Employment Outlook Indicator | 86.5 | 100.4 | 92.0 | 89.3 |
| Inflation Expectations Indicator | 135.7 | 146.3 | 141.1 | 140.3 |
| Current Prices Satisfaction Indicator | 64.8 | 85.6 | 72.5 | 72.6 |
| Interest Rates Expectations Indicator | 111.1 | 126.8 | 119.6 | 120.6 |

Russian consumer sentiment plummeted to an all time low in August.

The MNI Russia Consumer Indicator fell by 10.3% on the month to 81.7 in August from 91.1 in July.



Economic Landscape

Heightened tensions in Ukraine have prompted the EU to possibly impose additional sanctions against Russia despite the recent signing of a ceasefire.

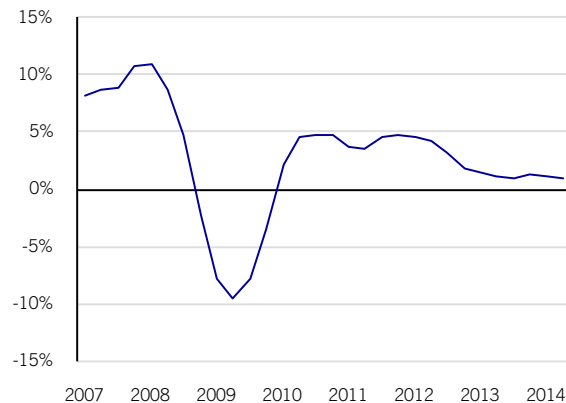
Heightened tensions in Ukraine have prompted the EU to impose additional sanctions against Russia despite the recent signing of a ceasefire. The economic sanctions are expected to be extended to include the oil companies Gazpromneft, Transneft and Rosneft who will be forbidden from raising funds of longer than 30 days' maturity. Meanwhile, the Ukrainian government and pro-Russian separatist rebels have signed a ceasefire which is intended to bring an end to almost five months of fighting. Despite pockets of sporadic fighting, the truce seems to be holding although both the EU and US have promised to press ahead with enacting additional sanctions while Russia has vowed to "react" to any further sanctions implemented against it.

The Russian Central Bank recently widened its trading corridor for the rouble and reduced the intervention threshold, confirming that it still intends to make the currency freely-floating by the end of the year as it moves to a full inflation targeting regime. Nevertheless, First Deputy Governor Ksenia Yudayeva has said that the central bank is ready to act to offset the impact of fresh Western economic sanctions although has not yet elaborated on what these measures could include. We can perhaps infer that the central bank will intervene in the forex market to prop up the rouble, which recently hit a record low against the dollar.

Economic growth slows

The latest update from the Economy Ministry suggests GDP contracted 0.2% in July compared with a year earlier, a poor start to Q3. Moreover, it revised its June estimate to a fall of 0.1% compared with the originally estimated 0.6% increase. Consequently, there could be a downward revision to overall Q2 GDP which was initially estimated at 0.8%, only slightly below the 0.9% outturn seen in Q1. While the Russian economy may have so far escaped slipping into a technical recession (two quarters of negative economic growth), it's far too early to conclude that it is out of the woods yet.

Economic Growth



— GDP Growth y/y %

Source: Federal State Statistics Service of Russia

Russian ministers had predicted GDP growth of 2.5% this year before the turmoil in Ukraine. This has, though, been dramatically reduced to just 0.5%, following paltry growth of 1.3% in 2013. Despite recently estimating that the economy has contracted for two consecutive months, it has retained the same forecast for 2014 although it has halved its economic growth forecast for 2015 to 1% from 2% previously.

Central Bank governor Elvira Nabiullina has revised the growth rate for 2014 down to 0.4%, a little below the government's forecast, although expects a slight acceleration in the second half of the year.

Industrial production grows in July

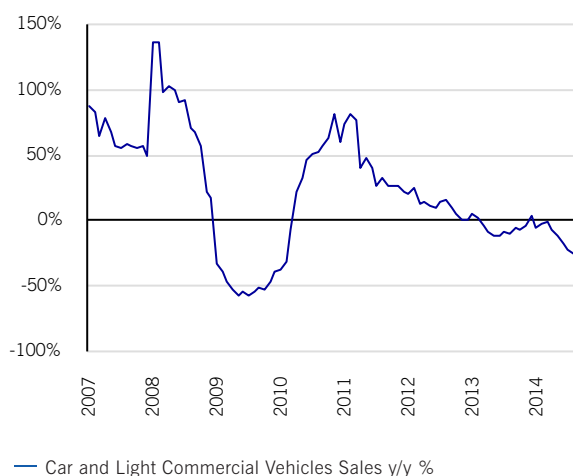
Industrial production accelerated to 1.6% on the year in July from 0.4% in June, due to a rebound in manufacturing output growth. Manufacturing output was up 2.4% on the year in July compared with muted growth of 0.3% in the previous month. Mining and quarrying output, slowed to 0.2% on the year in

July compared with a growth of 0.8% in the previous month. Utilities output reversed eight consecutive months of contraction, growing by 0.8% on the year following a decline of 0.8% in the previous month.

In the first six months of 2014, industrial production grew 1.5% on the year having contracted by 0.2% in the same period a year ago. The economy ministry expects industrial output to increase by about 1% this year after it failed to grow in 2013.

The AEB forecast a 12% decline in car sales during 2014 following a drop of 5.5% in the previous year. It welcomed the recently announced government car scrappage and trade-in scheme, hoping that this might help reverse the market slide for automobiles, although stressed that the success of the initiative will be dependent on its quick implementation. Under this scheme, old cars would be demolished or traded in with payment to buy a new one and car owners would get a discount for buying a new one from producers.

Car Sales



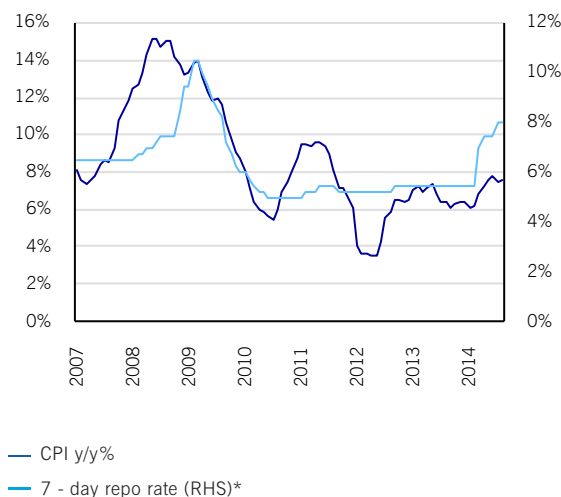
Source: Federal State Statistics Service of Russia

Car sales plummet in August

In August, 172,015 cars were sold in Russia, 25.8% below the level in the same month a year earlier, according to the Association of European Businesses (AEB). The combination of a weaker rouble and increased cost of credit, a result of the central bank raising the key interest rate three times since the start of the year, has had a significant dampening effect on consumer spending on cars.

The eight months to August saw a decline of 12.1% in car sales compared with the same period a year earlier.

Inflation and Interest Rate



Source: Federal State Statistics Service of Russia, *Central Bank of Russia

Inflation rises slightly in August

Consumer price inflation accelerated to 7.6% in August from 7.5% in July. Despite a ban on food imports from Western nations, in retaliation to sanctions placed upon Russia, the cost of food products remained unchanged from the previous month at 9.8%. This was due to a seasonal drop in fruit and vegetable prices which fell 10.7% on the month while the price for meat rose by just 2.5% and the price for fish rose by 1.4%. Although after stripping out the prices of food and fuel, core inflation accelerated to 8.0% from 7.8% in the previous month, the highest since October 2011.

Russia imports a large amount of consumer goods and food items, and the depreciation of the currency has pushed up prices in recent months, forcing the central bank to keep monetary policy tight.

Hike in the key policy rate

On July 25, the Russian central bank raised its benchmark interest rate by 50 basis points to 8% from 7.5% previously, the third increase since the start of the year.

The bank's central case is that consumer price inflation will ease to 6-6.5% by the end of the year, as the impact of the rouble decline wanes and lower administered price hikes, a good harvest and weak aggregate demand all bear down on inflation. Against this though, negative shocks from increased geopolitical tensions and the global monetary policy impact (a hike in rates by the US Federal Reserve for example) on the rouble, as well as changes to tax and tariffs policy, could push inflation up.

The central bank made clear that should the high rate of inflation persist, it will tighten monetary policy further in order to meet their inflation target.

Depreciation in the rouble

The rouble fell to a record low of 37.5 against the dollar on September 1 amid NATO reports that the Russian military was directly engaged in the conflict in Ukraine. Some of this decline, though, has been recovered following a ceasefire between the Ukrainian government and the pro-Russian separatists.

Foreign exchange reserves in Russia decreased to \$468.8 billion in July from \$478.3 billion in June, despite a boost in gold reserves for the fourth consecutive month to the highest in over two decades. The decline might be due to a Russian tax deadline in June, which boosted demand for the rouble from some companies, which provided a temporary rebound in the currency.

The Russian Central Bank recently widened its trading corridor for the rouble and reduced the intervention threshold as it moves towards making the currency free-floating by the end of the year in order to adopt a full inflation targeting regime next year.

Trade surplus narrows in July

Russia's trade surplus sharply contracted to \$11.3 billion in July, from \$14 billion a month earlier, and was below \$13.5 billion recorded a year earlier, even before the EU's Tier 3 sectoral sanctions took effect.

Exports eased to \$40.1 billion in July, below June's reading of \$40.7 billion, and were 8.4% below the same month a year earlier. Imports rose marginally to \$28.8 billion, following the reversal of five consecutive months of decline in June, and were down by 4.8% on the year.

Russia has retaliated to the latest round of Western sanctions by introducing bans on certain agricultural imports from the West, and plans to meet any shortfall in the food supply by ramping up domestic production and by increasing imports from alternative trading partners.



Indicators

Russian consumer sentiment plummeted to an all time low with all five of the components which make up the Consumer Indicator falling between July and August.

MNI Russia Consumer Indicator Plunges to Series Low



Russian consumer sentiment plummeted to an all time low in August following the downing of Malaysia Airlines flight MH17, the imposition of Tier 3 sectoral sanctions and the retaliatory Russian food ban, which all hurt confidence.

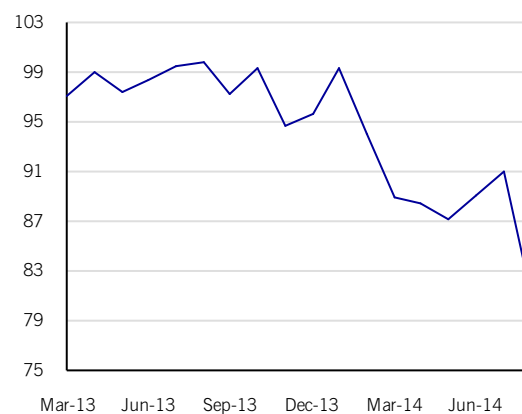
The MNI Russia Consumer Indicator fell by 10.3% on the month to 81.7 in August from 91.1 in July. Consumer sentiment has been dented severely since the onset of the Ukraine crisis with confidence now standing 18.2% below the level seen a year earlier.

All five of the components which make up the Consumer Indicator fell between July and August, with Business Conditions in Five Years the only series that did not hit a series low. Durable Buying Conditions declined by 20%, having the largest downward impact on sentiment, not helped by the increased cost of credit that resulted from the surprise rate hike by the central bank and the fear that sanctions will push up prices.

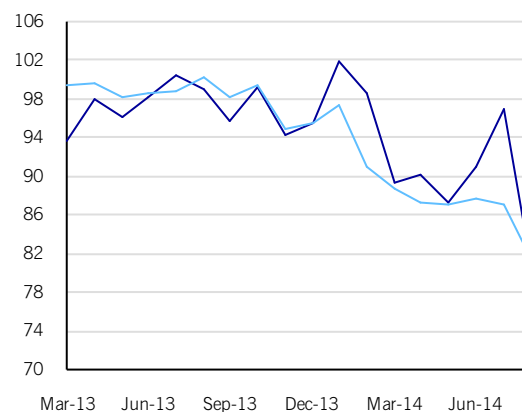
A reading below 100 indicates increasing negativity among consumers, while values above show increasing positivity. Consumer sentiment has remained below the 100 breakeven level since the series started in March 2013 and Q2 2014 marked the weakest sentiment on record, given the significant weakening in economic growth and ramifications of Russia's military action in Crimea.

Current Personal Finances fell sharply in August to a series low, with some respondents reporting that they had lost some of their savings following the closure of some Russian banks after their licenses were revoked.

MNI Russia Consumer Indicator



Current and Expectations Indicators

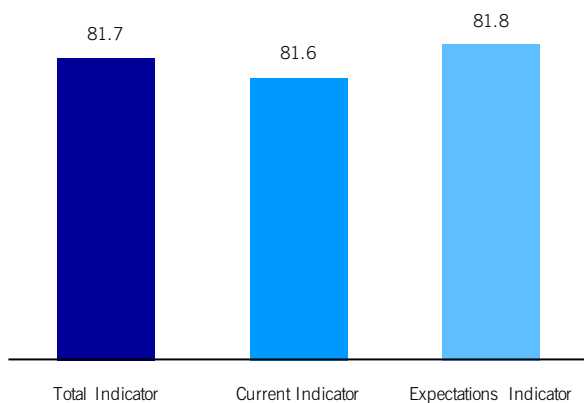


— Current
— Expectations

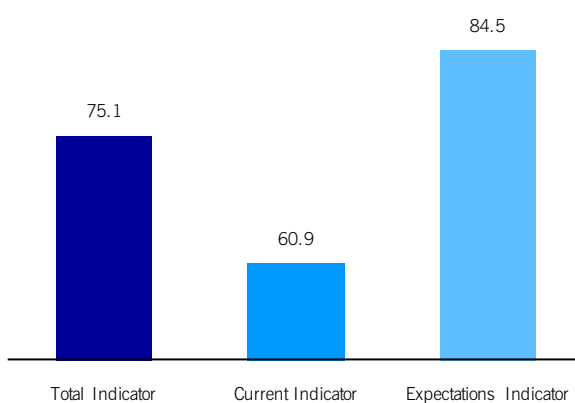
MNI Russia Consumer Indicator

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|
| MNI Russia Consumer Indicator | 99.9 | 89.1 | 88.5 | 87.2 | 89.1 | 91.1 | 81.7 |
| Current | 99.2 | 89.4 | 90.2 | 87.3 | 91.1 | 97.1 | 81.6 |
| Expectations | 100.3 | 88.8 | 87.4 | 87.1 | 87.8 | 87.1 | 81.8 |

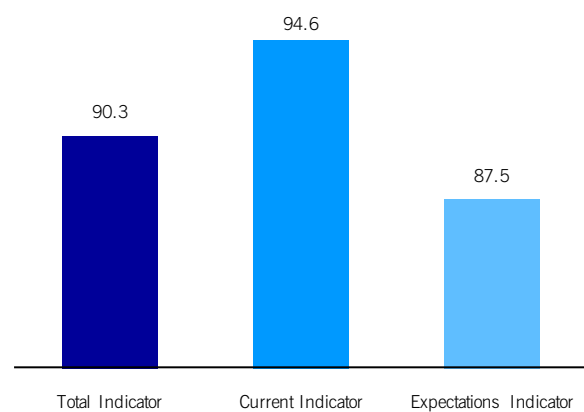
All Russia



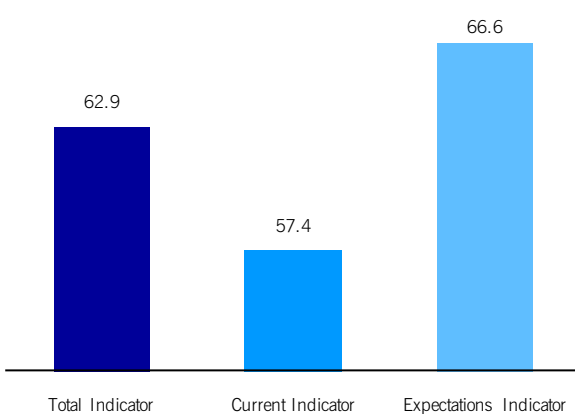
West Siberian



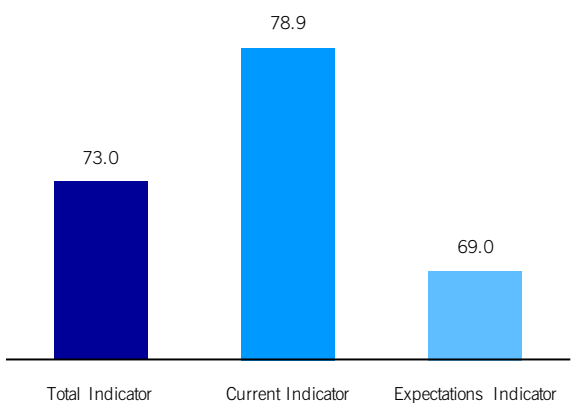
Central Russia



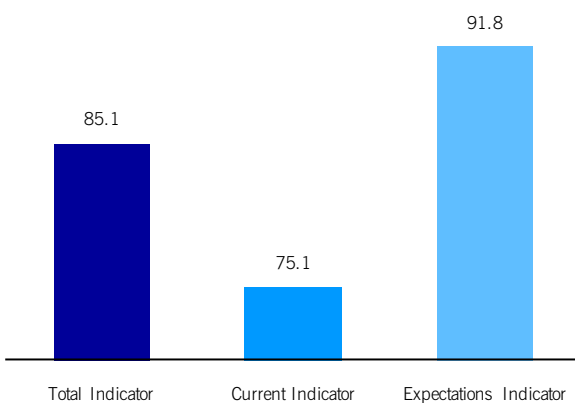
Volga



Urals



North Caucasus





Consumers did not expect any improvement in the future with the Expected Personal Finances indicator also hitting a series low in August.

Sanctions from both the EU and US have targeted Russia's finance, energy and weapons industries. In retaliation, Russia introduced bans on certain agricultural imports from the West, which is likely to push up prices, at least in the short-term until imports from alternative trading partners are put in place.

Consumers felt that the business situation was likely to worsen further over the coming year, with Business Conditions in a Year falling to the lowest level on record. Longer-term expectations for business conditions also declined in August, but remained the strongest component of the MNI Russia Consumer Indicator.

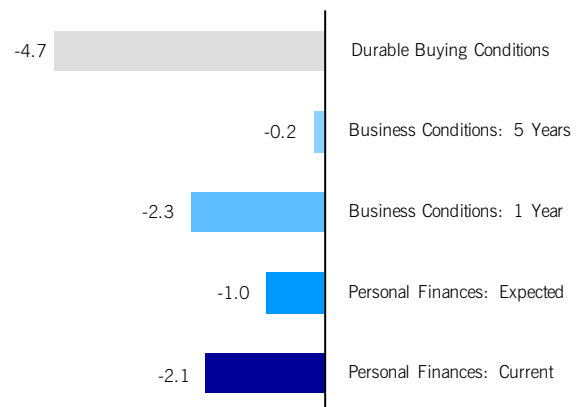
The Current Indicator, which measures consumers' assessment of current conditions, fell to a record low of 81.6 in August from 97.1 in July, while the Expectations Indicator, which is made up of the three forward looking components, also fell to a series low of 81.8 in August compared with 87.1 previously.

Regions

Consumer sentiment declined to an all time low in all major regions except North Caucasus where it fell 10.4% on the month to 85.1, only 1.7 points above April's series low. The sharpest decline in sentiment was in the Volga region where the indicator fell almost 27% to 62.9, the lowest level observed across all regions since the start of the survey.

Among the top five regions, respondents from Central Russia had the strongest consumer sentiment in August despite all but one of its indicators hitting a record low. In contrast, respondents from the Volga region were the least optimistic and had the largest decline on the month.

Consumer Indicator: Contribution to Monthly Change (% pt.)





Age

Consumer sentiment fell to a series low among all three age groups.

Consumer confidence in the youngest group plummeted to the lowest level since the start of the survey. Out of the three age groups, the Consumer Indicator for the 18-34 year age range had the sharpest fall of 11.3% to 83.0 from 93.6 in July.

Consumer sentiment among 35-54 year olds fell to a series low of 82.4 in August compared with 91.1 in July with all five components of the Consumer Indicator falling on the month. There was a sharp decline in the proportion of respondents who believed it was a good time to purchase big tickets items, contributing greatest to the fall in overall sentiment.

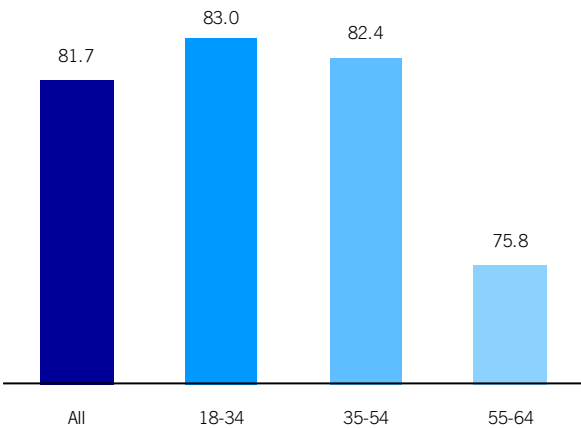
For the oldest age range, 55-65 year olds, consumer confidence fell to the lowest since the start of the survey to 75.8 in August and was the weakest among all the age groups. Consumers were only optimistic about long term business conditions, with the Expected Business Conditions in Five Years indicator rising just above the 100 mark. Consistent with the other age groups, respondents were less willing to purchase a large household good, with the Durable Buying Conditions Indicator falling by 22.8% on the month to a series low of 74.9.

Income

Consumer confidence fell to a series low in both low and high income households in August.

Consumer confidence for households with an average annual income under RUB 480,000 slumped to the lowest since the survey began to 79.5 in August compared with 84.7 in July. Despite being less optimistic about the current climate, they were more optimistic about future business conditions.

Consumer Indicator: Age Groups



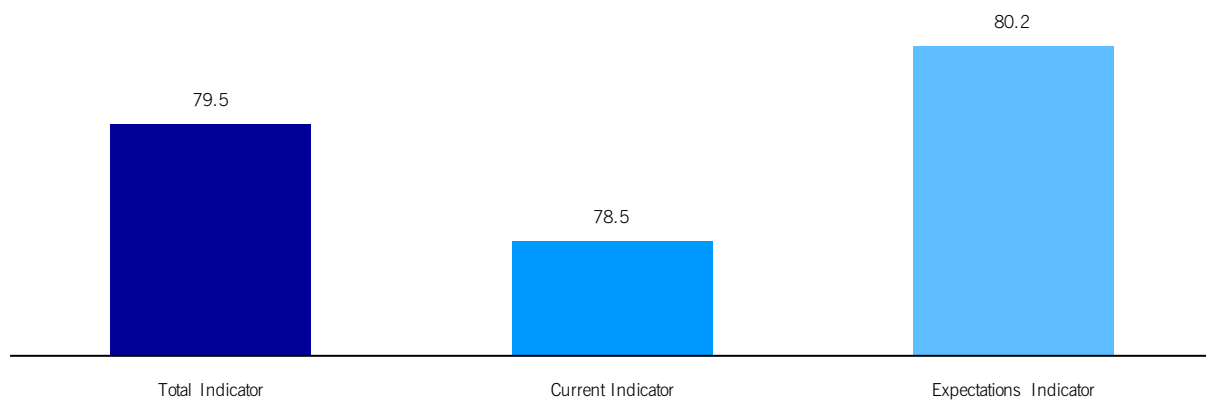
For households with an average annual income of over RUB 480,000, consumer confidence declined in August to a record low of 84.6 from 100.5 in July. All components hit a series low except Personal Current Finances, although even this experienced a double-digit percentage fall on the month.

Compared with the previous year, confidence was 18.5% lower among lower income households, while for higher income households it was 16.5% lower. On average, the level of confidence remains greater for higher income households. Our surveys have shown that lower income households have been hit the most by the current political and economic tension, while wealthier ones have not been impacted as much.

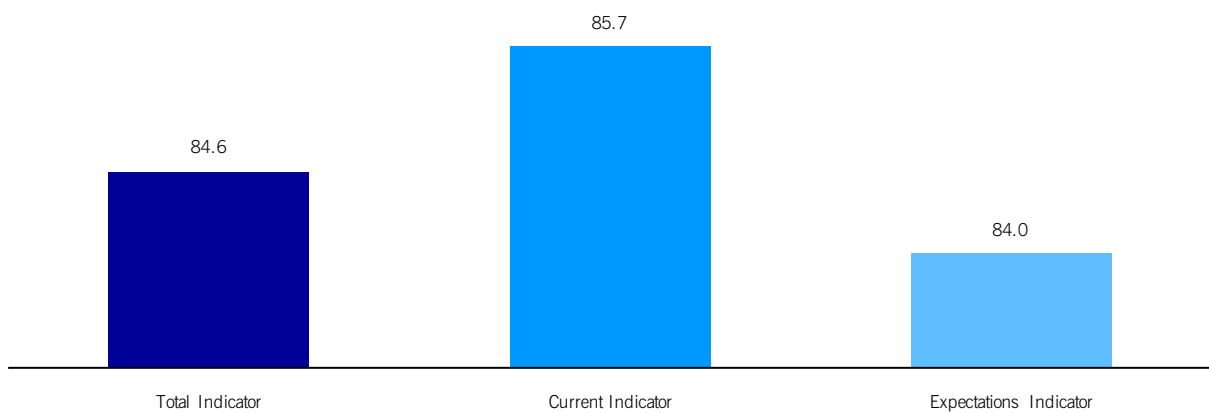
MNI Russia Consumer Indicator Income Groups



< RUB 480,000 Per Annum



> RUB 480,000 Per Annum



MNI Russia Consumer Indicator

Main Cities



The Consumer Indicator fell in seven out of the 10 major cities surveyed and was below the 100 breakeven level which separates expansion from contraction in all of them.

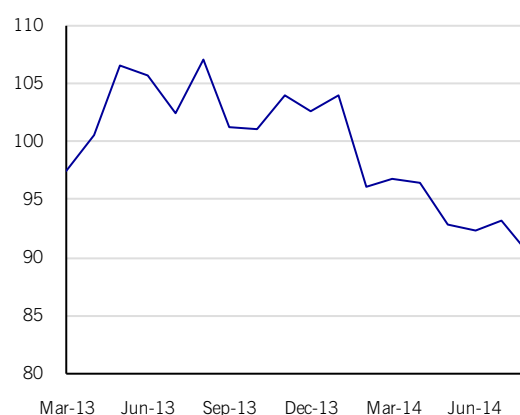
In the capital, Moscow, consumer sentiment fell to a record low of 90.3 from 93.2 in the previous month. The escalation in economic and political tensions meant that consumers were less optimistic about current business conditions, although their expectations for Business Conditions in Five Years improved.

In Saint Petersburg, the second largest city in Russia, consumer sentiment rose to 98.0 in August from 96.7 in July. Consumers were more optimistic about purchasing big ticket items despite a decline in their personal finances, the only component to fall on the month. The improvement in sentiment was led by Business Conditions, following two consecutive months of decline.

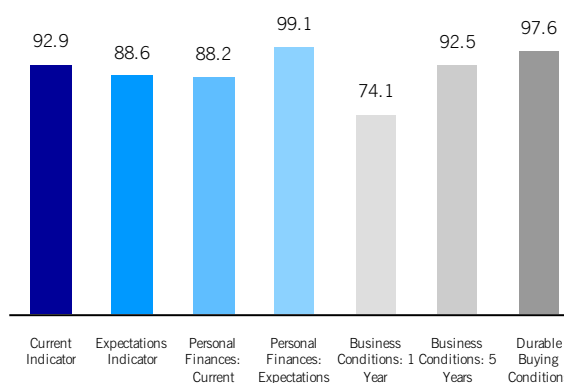
Consumer confidence in Novosibirsk, the third largest city by population in Russia, slumped to a series low of 78.4 in August from 84.4 in July. The only component to see a rise on the month was expected Personal Finances, although consumers' optimism about purchasing household durables fell to a series low and led the decline in consumer sentiment.

The only city to not have a fall in any of its components was Omsk with the consumer indicator rising to 98.5 from 96.4 in July. The rise in sentiment was led by both current Personal Finances and Business Conditions in One Year which increased to the same level in August from the exact same level in the previous month.

Consumer Indicator - Moscow

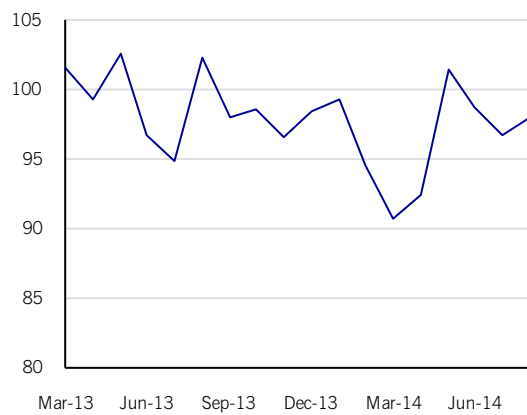


Consumer Indicator Components - Moscow

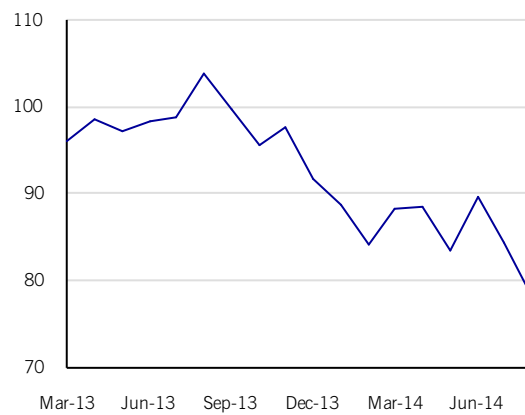




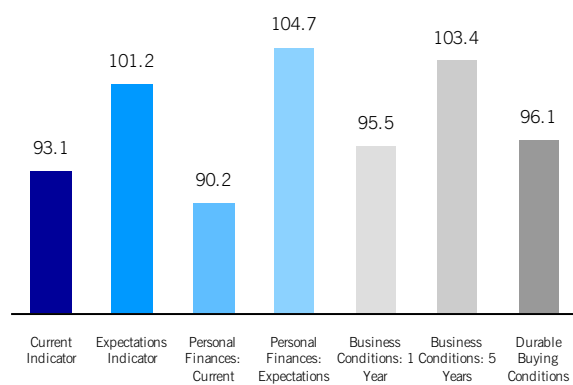
Consumer Indicator - Saint Petersburg



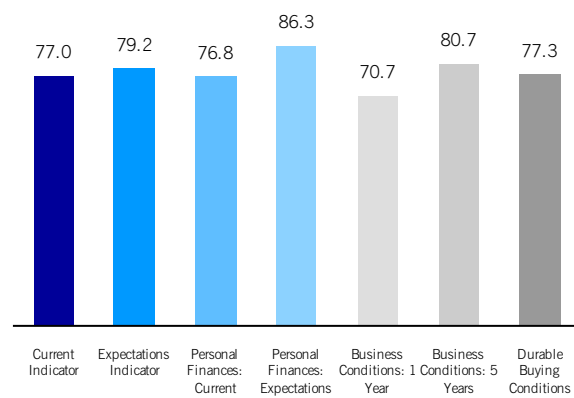
Consumer Indicator - Novosibirsk



Consumer Indicator Components - Saint Petersburg



Consumer Indicator Components - Novosibirsk



Personal Finances

Series low



Amid stronger sanctions, weak economic growth and pessimism about the jobs market, Current Personal Finances fell sharply to a new series low and respondents did not anticipate any improvement in the next 12 months either.

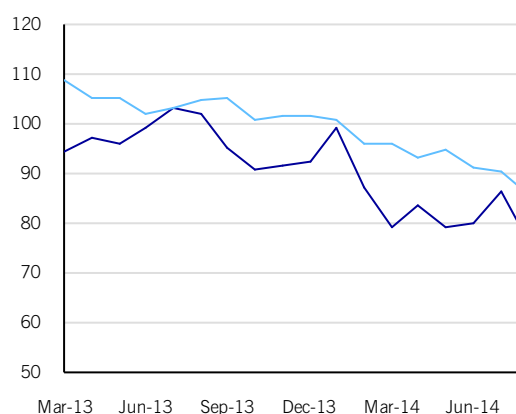
The Current Personal Finances Indicator, which measures whether a household is better or worse off than a year ago, plunged 9.6 points to a series low of 77.1 in August from 86.7 in July. Consumers' personal finances have weakened over the past year and in August they were 24.5% below the level seen in August 2013.

Current Personal Finances fell sharply in August to a series low with some respondents reporting that they had lost some of their savings following the closure of some Russian banks whose licenses were revoked after they were deemed to either have unsatisfactory financial reserves or were suspected of being involved in money laundering.

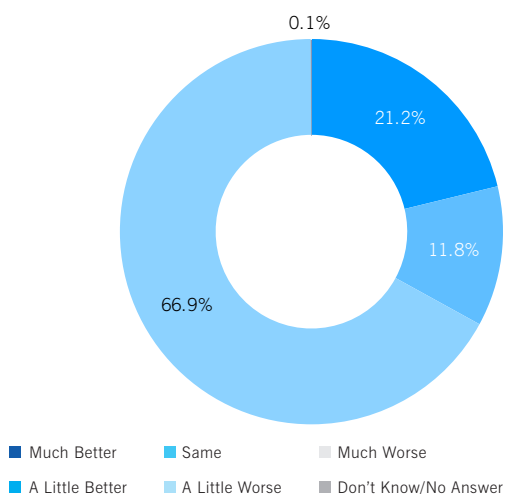
Out of those who reported that their financial conditions worsened, a growing proportion cited poor investment returns. This is likely to be the result of the sharp fall in the MICEX that was sparked by the downing of Malaysia Airlines Flight MH17 and the subsequent Tier 3 sectoral sanctions implemented against Russia.

Expected Personal Finances, which measures whether households think their finances will be better in a year's time, fell to a record low level of 86.2 in August from 90.8 in July.

Personal Finances



Current Financial Situation Compared with 1 Year Ago (% of Households)



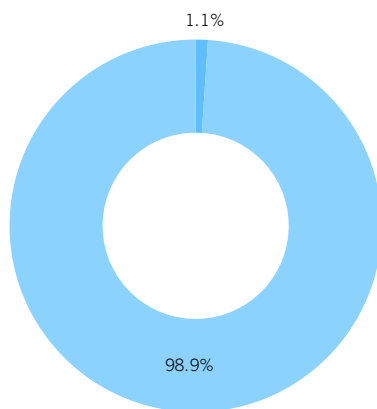
Personal Finances

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|--------------|--------|--------|--------|--------|--------|--------|--------|
| Current | 102.1 | 79.5 | 83.7 | 79.6 | 80.3 | 86.7 | 77.1 |
| Expectations | 104.9 | 96.3 | 93.4 | 95.0 | 91.5 | 90.8 | 86.2 |

How Households Spend their Money

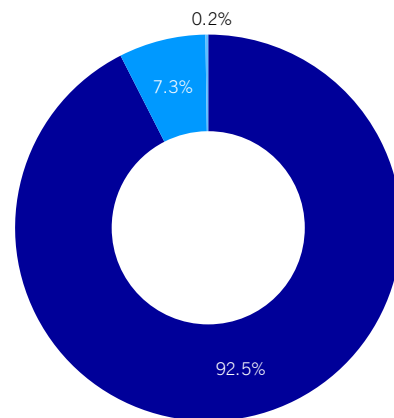


Daily Expenses
(% of Households)



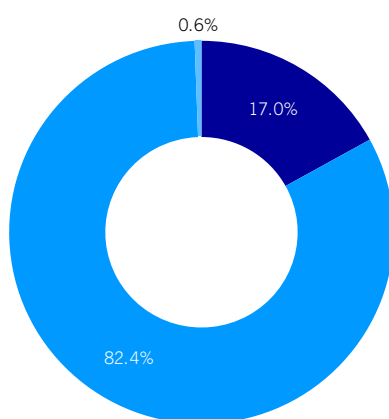
■ 0% - 29% of Income ■ 50% - 69% of Income
■ 30% - 49% of Income ■ 70% - 100% of Income

Monthly Household Income Used for Large Loan Repayment (% of Households)



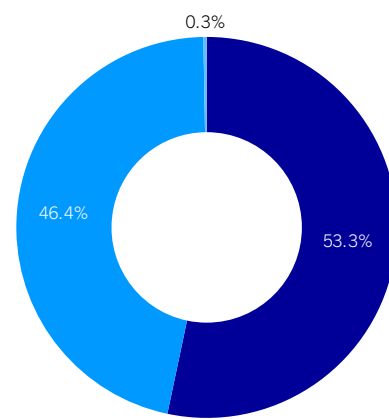
■ 0% of Income ■ 30% - 49% of Income
■ 1% - 29% of Income ■ 50% - 100% of Income

Monthly Household Income Used for Savings
(% of Households)



■ 0% of Income ■ 30% - 49% of Income
■ 1% - 29% of Income ■ 50% - 100% of Income

Monthly Household Income Used for Investments
(% of Households)



■ 0% of Income ■ 30% - 49% of Income
■ 1% - 29% of Income ■ 50% - 100% of Income

Business Conditions

Sanctions Hit Business Confidence

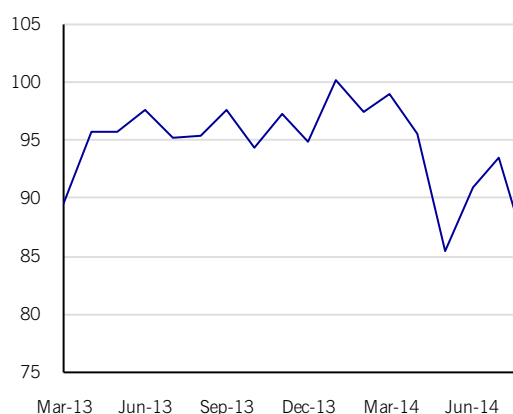


Following the imposition of sectoral sanctions by Western nations and the subsequent Russian ban on food imports, sentiment for business conditions over the next 12 months plummeted to a series low as respondents were more worried than ever before about the outlook for business.

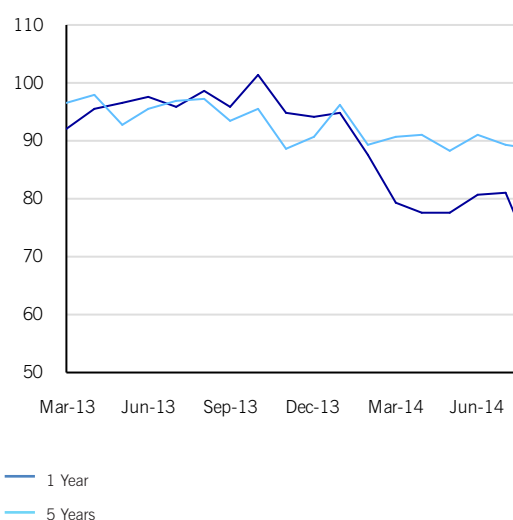
The Current Business Conditions Indicator, which measures respondents' views on the state of business compared with a year earlier, fell to 85.5 in August from 93.6 in July and was 10.5% below the level seen a year ago. The proportion of respondents who thought that conditions were "poor" or "very poor" rose to 32.5%, the highest since the survey began, while 57.6% of them thought that conditions were "only fair".

At the beginning of our survey period the EU imposed Tier 3 sectoral sanctions on Russia, placing an embargo on the trade of arms and energy-related equipment and technology. Restrictions on Russian access to capital markets were also extended to include the major state-owned banks VTB Bank, Bank of Moscow and Russian Agricultural Bank.

Current Business Conditions Indicator



Expected Business Conditions



Business Conditions

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|------------|--------|--------|--------|--------|--------|--------|--------|
| Current | 95.6 | 99.2 | 95.7 | 85.5 | 91.0 | 93.6 | 85.5 |
| In 1 Year | 98.7 | 79.4 | 77.8 | 77.7 | 80.7 | 81.1 | 70.5 |
| In 5 Years | 97.5 | 90.7 | 91.1 | 88.6 | 91.2 | 89.5 | 88.6 |

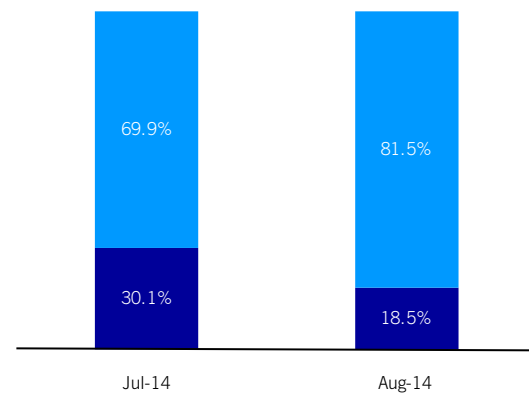
Business Conditions in 1 Year



The indicator for Business Conditions in One Year fell to a series low of 70.5 compared with 81.1 in July and was 28.6% below the outturn in the same month a year ago.

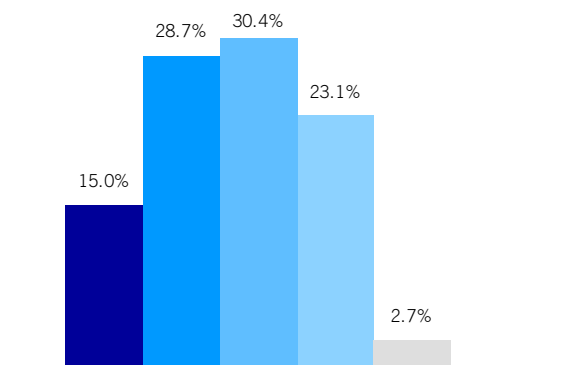
Longer term Business Conditions also deteriorated, albeit marginally as respondents saw through the current crisis. Expectations about Business Conditions in Five Years fell to 88.6 in August from 89.5 in July, and it was the only component of the Consumer Indicator to not hit a series low. Among the major cities surveyed, Nizhny Novgorod was the least optimistic city about longer term business conditions and respondents from Novosibirsk had the sharpest fall on the month.

All Russia



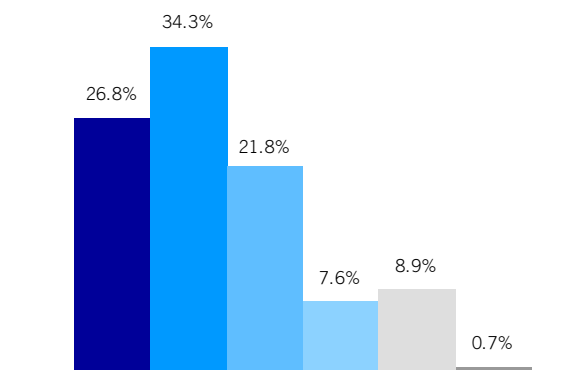
■ Better
■ Worse

All Russia, Reasons for Better



■ Government/Policy
■ Econ. Development
■ Income/Employment
■ Resource/Environment
■ Social Stability/ Security
■ Events

All Russia, Reasons for Worse

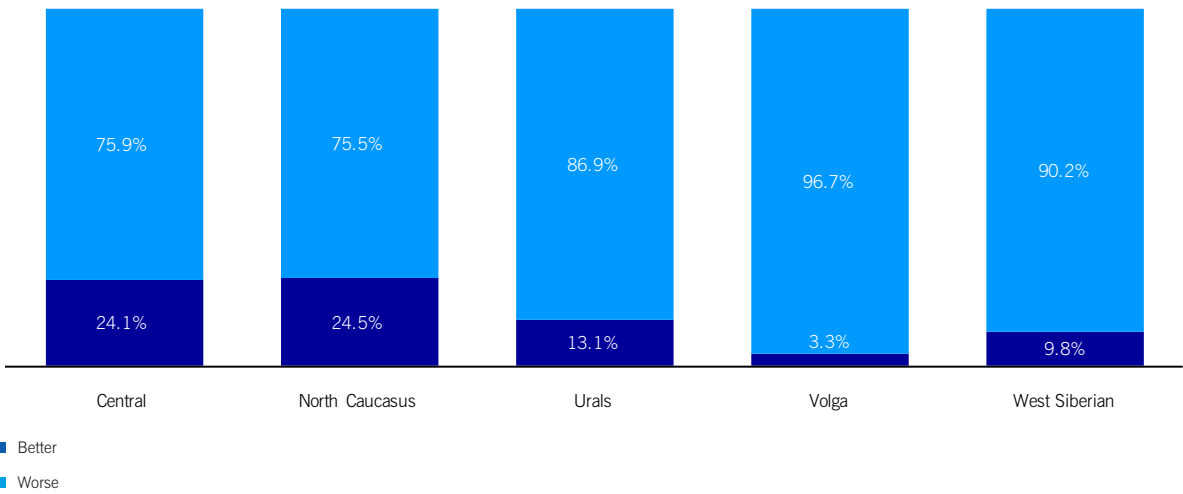


■ Government/Policy
■ Econ. Development
■ Income/Employment
■ Resource/Environment
■ Social Stability/ Security
■ Events

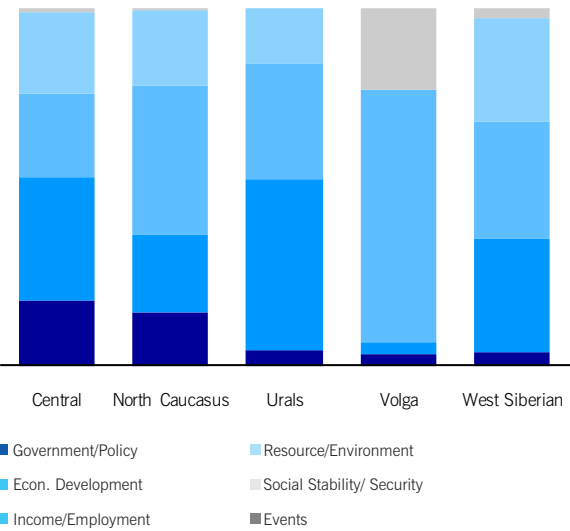
Business Conditions in 1 Year Regions



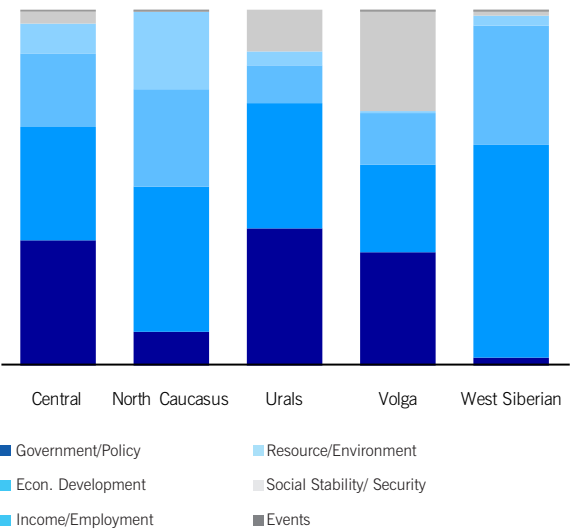
Business Expectations: Worse or Better?
(% of Respondents)



Reasons for Better
(% of Respondents)



Reasons for Worse
(% of Respondents)



Durable Buying Conditions Series Low



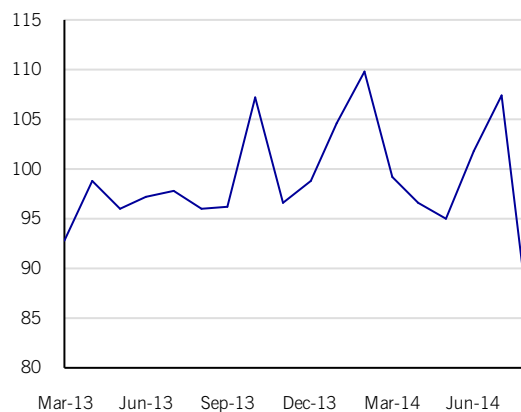
Durable buying conditions slumped to a series low in August following a surprise rate hike by the central bank which further increased the cost of credit, which was already very high, and the increased cost of imported goods due to a weakened rouble.

The Durable Buying Conditions Indicator plummeted by 20% to 86.0 in August from 107.5 in July, the lowest since the survey began and the largest drop out of all of the components that make up the MNI Russia Consumer Indicator.

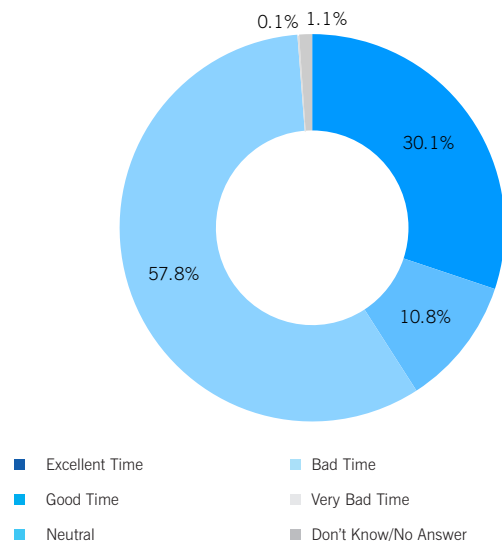
Respondents are asked whether they believe it is a good or bad time to purchase a large consumer durable, and a result below 100 means that a higher percentage of respondents view it as a bad time. The indicator fell below the 100 level for the first time in three months in August and was about 11% below the level seen a year ago.

Out of the ten largest cities surveyed, only consumers from Kazan and Samara thought it would be a good time to purchase big ticket items, with sentiment in both cities above the 100 mark. Respondents from Chelyabinsk were the least optimistic about buying a large household item in August and also had the sharpest fall on the month.

Durable Buying Conditions



Is It a Good or Bad Time to Buy Large Household Goods? (% of Households)



Durable Buying Conditions

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| Durable Buying Conditions | 96.2 | 99.3 | 96.8 | 95.1 | 101.8 | 107.5 | 86.0 |

Employment Outlook Remains Broadly Stable



The outlook for the employment market deteriorated slightly in August as consumers' concerns over further sanctions and the state of the economy mounted.

The Employment Outlook Indicator, which measures opinion on the outlook for the employment market over the next 12 months stood at 87.4 in August compared with 87.6 in July. The labour market has deteriorated significantly in 2014, with the Employment Outlook Indicator hitting a series low in the three months to August. Respondents were concerned about their jobs as the West stepped up sanctions.

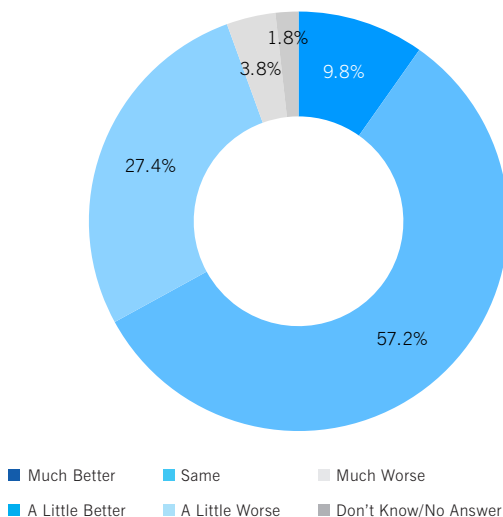
Respondents from the Volga region were the least optimistic about the employment outlook, with sentiment declining 10.4% on the month. In contrast, there was a sharp decline in those who thought employment conditions would be worse in the Urals region, pushing the Employment Outlook to the highest since March.

Official statistics showed that the unemployment rate stood at 4.9% in July, unchanged for the third consecutive month. Results from the August edition of our sister survey on Russian Businesses showed that companies' hiring has remained resilient in the face of the slowdown, a reflection of Russia's overstaffing and low levels of productivity.

Employment Outlook Indicator



Employment Outlook for the Next 12 Months
(% of Households)



Employment Outlook

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|
| Employment Outlook | 97.5 | 92.9 | 90.9 | 87.8 | 87.5 | 87.6 | 87.4 |

Prices Sentiment

Discontent Hits Record Level



A weaker rouble and the Russian ban on food imports has pushed up prices, making consumers less satisfied than ever before about the current level of prices.

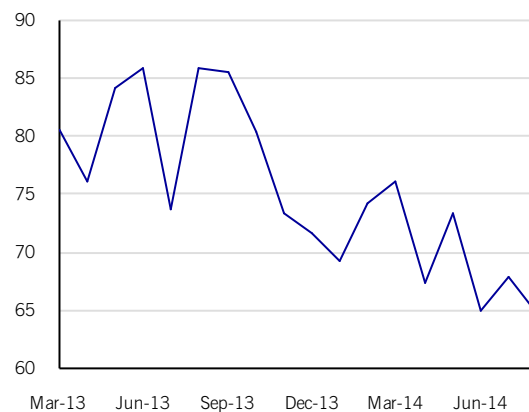
The Current Prices Satisfaction Indicator fell to 64.8 in August from 67.9 in July, the lowest since the survey began. A figure below 100 indicates wider dissatisfaction with the current level of prices. The further below 100, the greater the dissatisfaction. The indicator has remained below 100 since the survey started and in August it was 24.6% below the same month a year earlier.

Official data showed that consumer price inflation accelerated to 7.6% in August from 7.5% in July. Despite a ban on food imports from Western nations, in retaliation to sanctions placed upon Russia, the cost of food products remained unchanged from the previous month at 9.8% due to a seasonal drop in fruit and vegetable prices which fell 10.7% on the month.

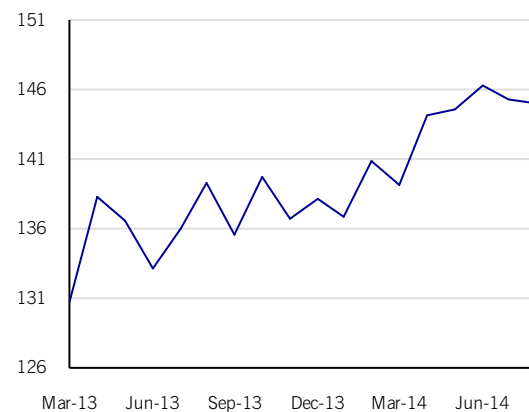
Satisfaction with current prices has trended downwards since last year in line with the decline in the rouble. Almost 57% of respondents reported they were dissatisfied with the current level of prices, the highest on record.

Consumers' inflation expectations have been at an elevated level since the start of the survey in March 2013 and they hit a record high in June. In August, expectations for inflation in 12 months' time remained broadly stable at 145.1 compared with 145.3 previously.

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



Prices Sentiment

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Satisfaction with Current Prices | 85.9 | 76.3 | 67.5 | 73.4 | 65.0 | 67.9 | 64.8 |
| Inflation Expectations | 139.4 | 139.2 | 144.2 | 144.6 | 146.3 | 145.3 | 145.1 |

Prices Sentiment Regions



The Russian central bank has raised the official interest rate by 250 basis points to 8% since the start of 2014 in a bid to control both inflation and stabilise the currency. While Governor Elvira Nabiullina has said that the current monetary policy stance will achieve the bank's medium-term inflation goals, the central bank has made it clear that it will tighten policy further should inflation remain too high.

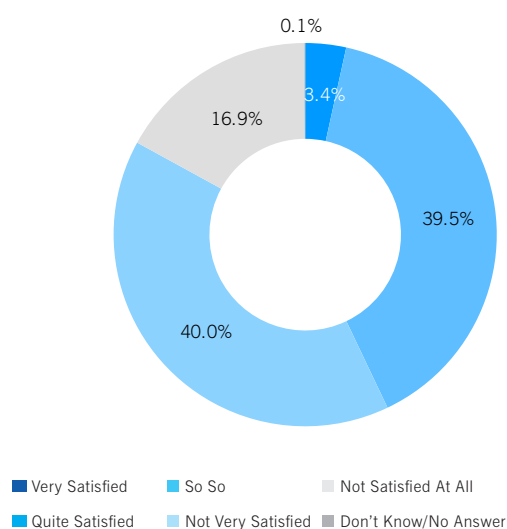
Since October, most respondents had thought prices would rise between 11-24% over the next year, but this has changed in recent months. The majority of respondents believed that prices would rise more than 25% over the next year, a trend seen since February, and hit a series high in August.

Regions

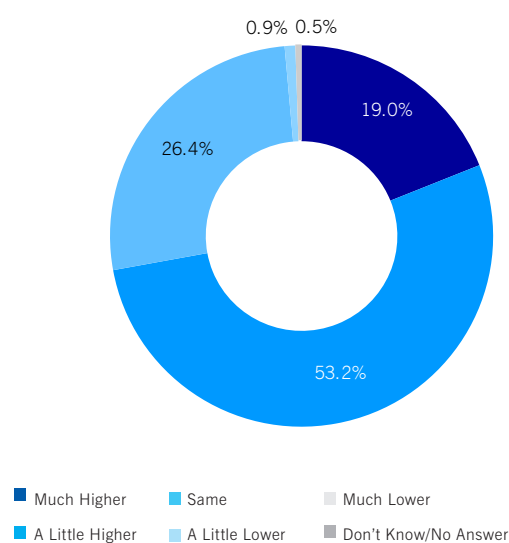
Satisfaction with Current Prices declined in North Caucasus and Volga. In spite of sentiment improving in three of the five regions, the 37.9% decline on the month in Volga was so large that overall price sentiment hit a series' low, with the proportion of residents reporting that they were not satisfied at all in this region hitting an all-time high.

Generally, consumers had higher inflationary expectations with almost all consumers from the Volga region expecting prices to rise over the next 12 months. In contrast, respondents from Central, Western Siberian and Urals regions did not expect much change from the previous month.

Satisfaction with Current Prices
(% of Households)

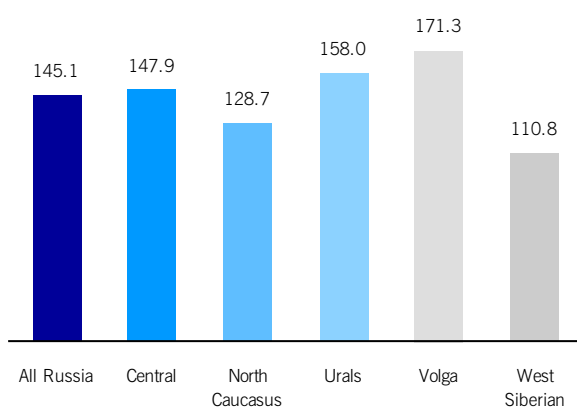


Inflation Expectations in 12 Months
(% of Households)

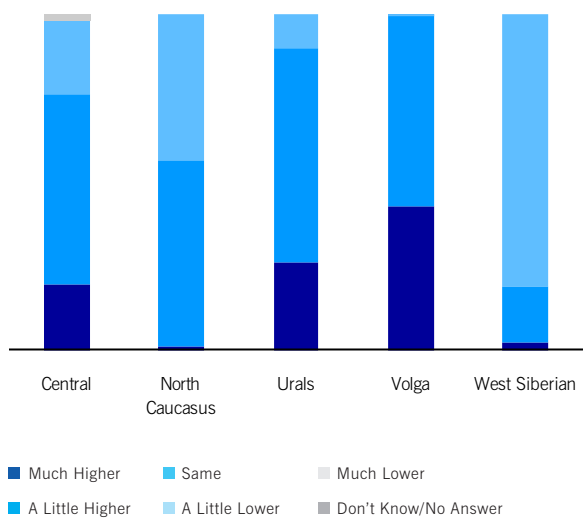




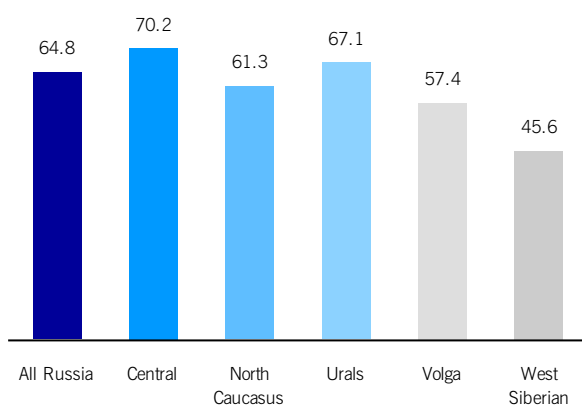
Inflation Expectations Indicator



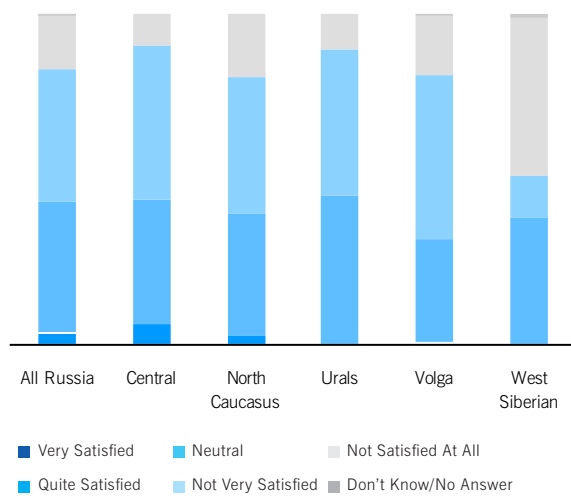
Expected Change in Prices in 1 Year (% of Households)



Current Prices Satisfaction Indicator



Satisfaction with Current Prices (% of Households)



Interest Rate Expectations Broadly Stable



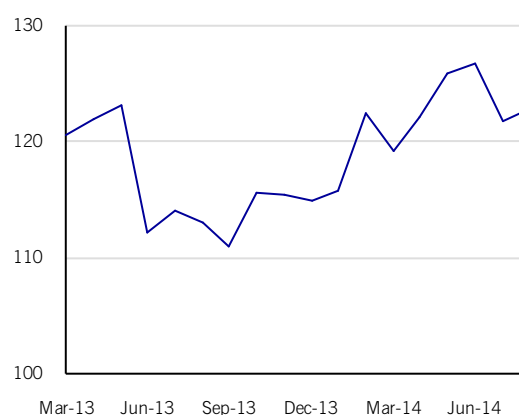
Consumers' expectations about interest rates on car and home loans have trended upwards since September and in August they remained broadly stable after easing in the previous month.

The Interest Rate Expectations Indicator rose to 123.0 in August from 121.9 in July and was 8.6% above the level recorded in the same month a year earlier. The indicator has remained above 100 since the survey started in March 2013, indicating that more households expected interest rates to rise than fall in the coming year.

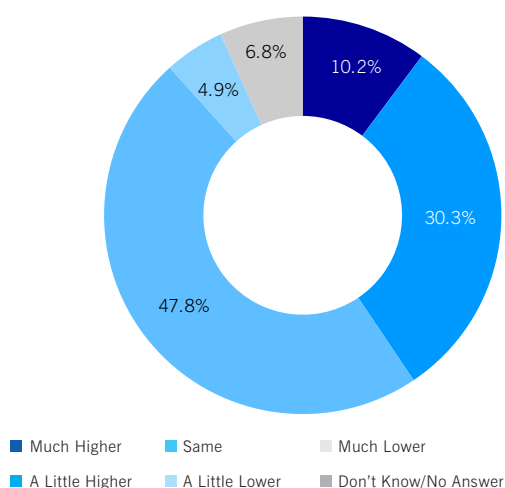
This survey was conducted after the Central Bank raised its key policy rate by 50 basis points to 8% on July 25 from 7.5% previously, the third increase since the start of the year. The central bank made clear that should the high rate of inflation persist, it will tighten monetary policy further in order to meet the inflation target.

The proportion of survey participants expecting that interest rates on home and car loans would be higher in a year's time remained broadly stable at 40% in August, while the percentage of respondents expecting lower interest rates fell to 4.9% from 5.2% previously.

Interest Rate Expectations Indicator



Expected Change in Interest Rate in 1 year
(% of Households)



Interest Rate Expectations

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|
| Interest Rate Expectations | 113.2 | 119.2 | 122.3 | 126.0 | 126.8 | 121.9 | 123.0 |

Real Estate Investment

House Price Expectations Hit Record High



In spite of weaker overall consumer sentiment, optimism about the real estate market has remained buoyant with respondents expecting house prices to increase.

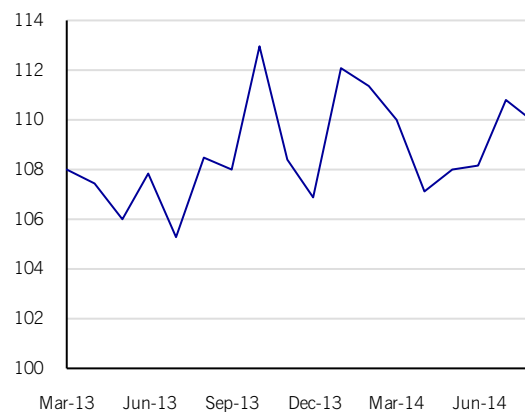
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment) stood at 109.9 in August compared with 110.8 in July.

Consumers' expectations about house prices hit a new record high in August after remaining flat in the previous month. The House Price Expectations component, which measures the outlook for prices over the coming six months, rose to 144.7 in August from 139.5 in July, 12.7% above the outturn of 128.4 in the same month a year earlier.

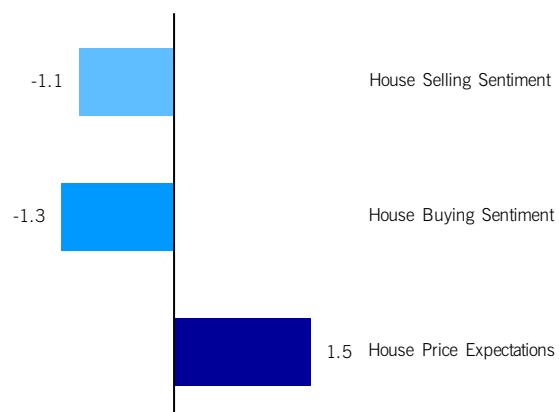
Consumers' sentiment about purchasing a house has dropped significantly since last year and in August it fell close to the series low witnessed in May. Sanctions against Russia, economic stagnation and an increase in interest rates have negatively affected house buying sentiment. House Buying Sentiment, a measure of whether it is a good time to buy a house in the next six months, fell to 82.9 in August from 87.2 in July.

With expectations that house prices would be higher in the next six months, respondents did not believe it was a good time to sell a house. This was shown in House Selling Sentiment, a measure of whether it is a good time to sell a house in the next six months, which remained below 100 but rose to 97.8 from a

Real Estate Investment Indicator



Real Estate Investment Indicator: Contribution to Monthly Change (% pt.)



Real Estate Investment Sentiment

| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Real Estate Investment Sentiment | 108.5 | 110.0 | 107.2 | 108.0 | 108.2 | 110.8 | 109.9 |
| Price Expectations | 128.4 | 140.1 | 137.7 | 139.3 | 139.5 | 139.5 | 144.7 |
| House Buying | 96.7 | 87.3 | 84.5 | 82.6 | 83.6 | 87.2 | 82.9 |
| House Selling | 99.5 | 97.4 | 100.7 | 97.8 | 98.5 | 94.2 | 97.8 |

Real Estate Investment Components and Balances



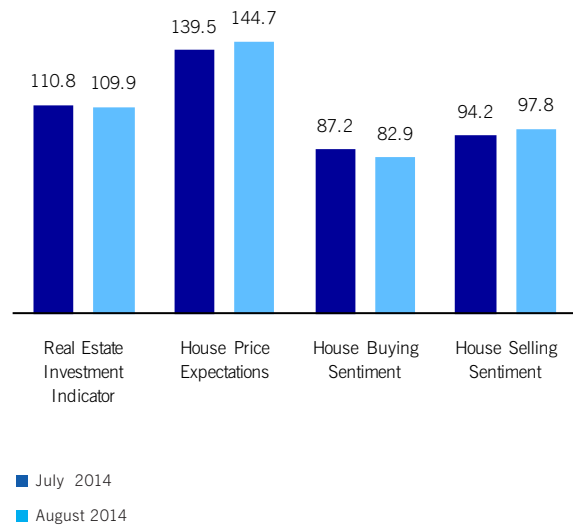
series low of 94.2 in July. This component has a negative impact on overall housing sentiment.

Regions

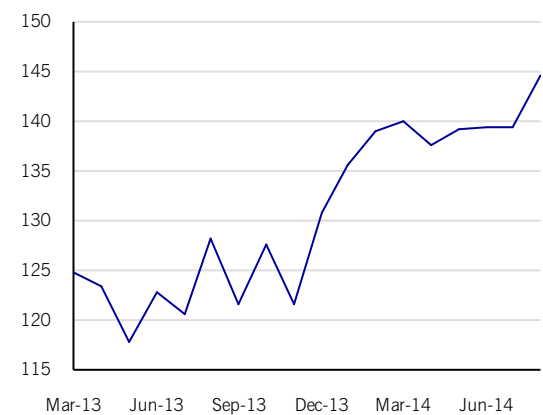
The Real Estate Investment Indicator declined in all regions apart from the Volga region, where respondents expected a jump in House Price Expectations.

In West Siberian, respondents were less optimistic about housing compared with the previous month. The Real Estate Investment sentiment fell to the lowest since June and was close to the 100 mark. Most respondents did not believe it was a good time to purchase a house and the House Price Expectations Indicator rose to a six month high.

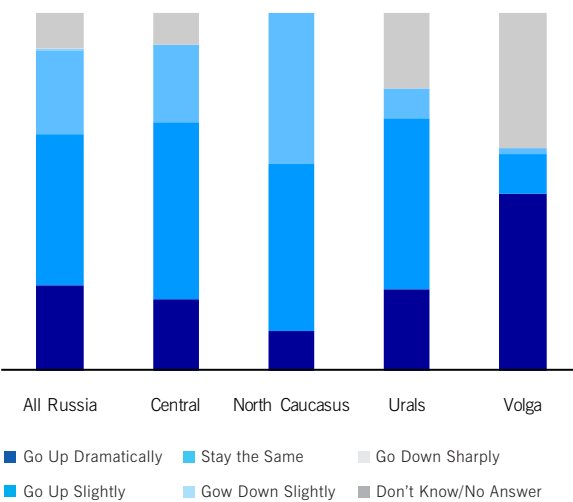
Real Estate Investment Indicator - Components



Real Estate Prices: Expected Changes

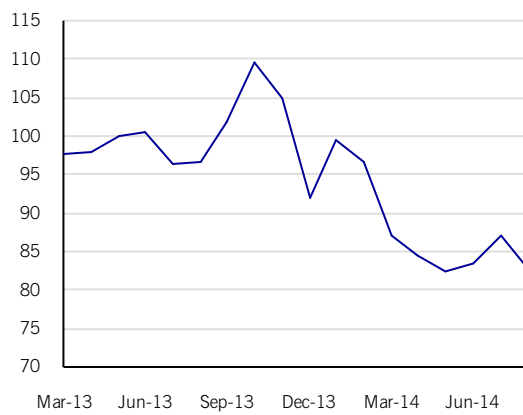


Expected Changes in Real Estate Prices in the Next 6 months (% of Households)

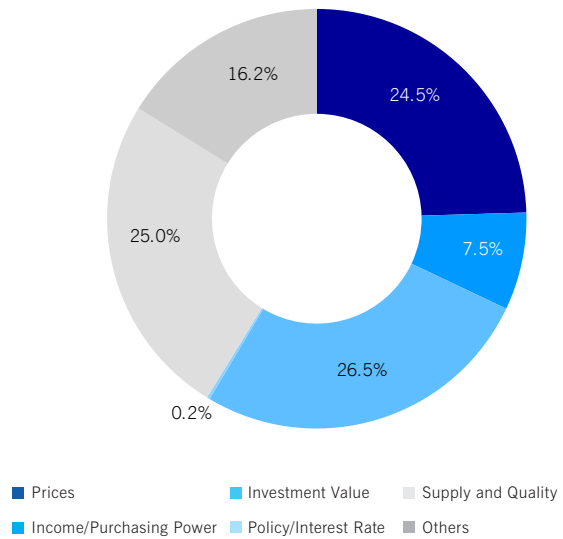




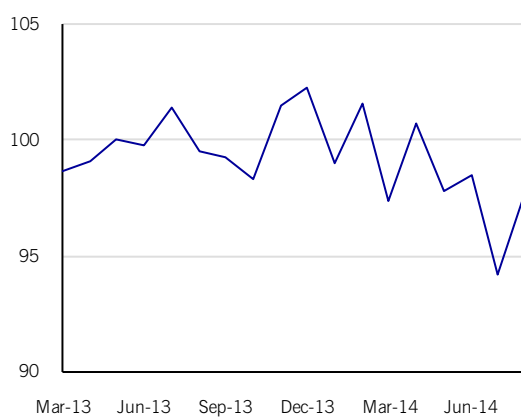
House Buying Sentiment



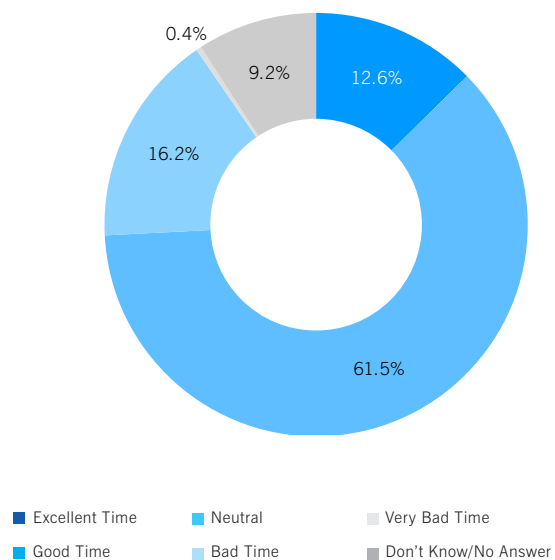
Reasons for Buying Houses (% of Households)



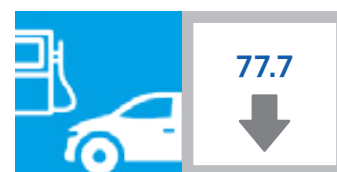
House Selling Sentiment



Timing for Selling Houses (% of Households)



Car Purchase Hit Series Low



Consumers believed it would be a good time to purchase a car in the next 12 months in spite of weak employment conditions and economic growth.

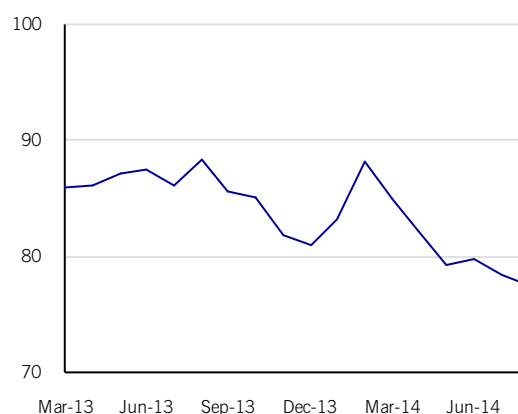
The Car Purchase Expectations, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, remained above the 100 mark and broadly stable compared with the previous month. Around half of respondents thought it would be a good time to buy a car with the component standing at 104.2 in August compared with 104.8 in July.

Consumers' confidence about purchasing a car has fallen in each month since February apart from a small rise in the previous two months and in August it was 4.7% below the level seen a year ago. This likely reflects the impact of higher interest rates as compared with the previous year, making a car purchase an even more expensive affair. There was a substantial rise in consumers who reported poor supply and unfavourable policy holding them back from purchasing a car.

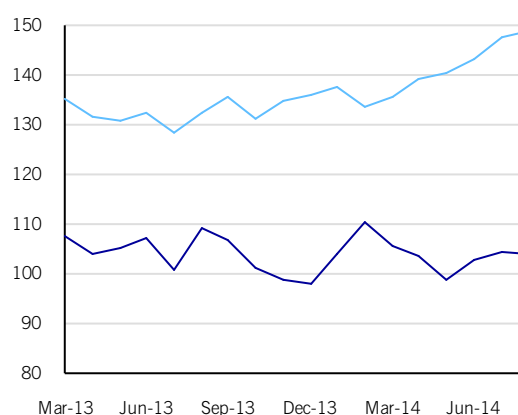
Of those who thought it was a bad time to purchase a car, there was a significant increase in those who cited cost of use or upkeep and the supply as the main reasons. More than three-quarters of consumers thought that the price of gasoline would rise in the next 12 months.

According to the Association of European Businesses, car sales plummeted for the seventh consecutive month by 23% in July from the same month a year ago. As Western nations stepped up sanctions, the

Car Purchase Indicator



Car Purchase Indicator - Components



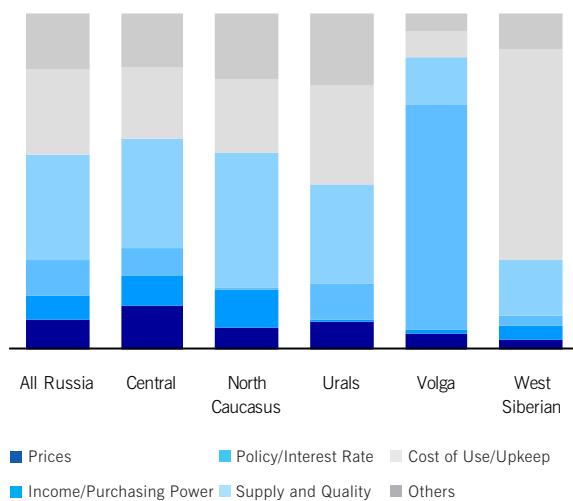
— Car Purchase Expectations
— Price of Gasoline

Car Purchase Sentiment

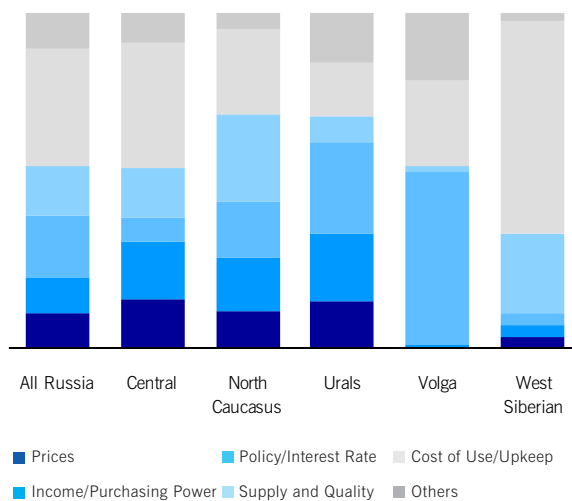
| | Aug-13 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| Car Purchase Sentiment | 88.4 | 85.1 | 82.2 | 79.3 | 79.8 | 78.4 | 77.7 |
| Car Purchase Expectations | 109.4 | 106.0 | 103.8 | 99.1 | 103.0 | 104.8 | 104.2 |
| Price of Gasoline | 132.7 | 135.8 | 139.4 | 140.5 | 143.4 | 148.0 | 148.9 |



Reasons for a Good Time to Buy a Car
(% of Households)



Reasons for a Bad Time to Buy a Car
(% of Households)

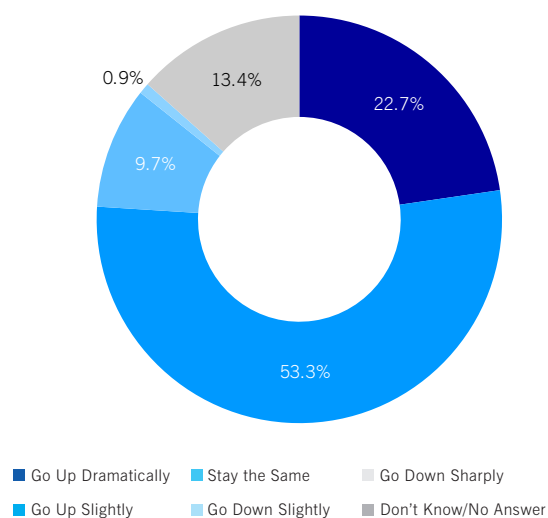


Russian Ministry of Industry and Trade has suggested implementing a large-scale “cash for clunkers” program to run from September through the end of the year to reinvigorate the automobile market. Under this scheme, old cars would be demolished or traded in with payment to buy a new one and car owners would get a discount for buying a new one from producers.

Expectations for the Price of Gasoline increased further to 148.9 in August from 148.0 in July, the highest reading since the start of the survey.

The Car Purchase Expectations and Expectations for the Price of Gasoline compose the Car Purchase Indicator. In spite of a broadly stable Car Purchase Expectation, Car Purchase Sentiment hit a new record low of 77.7 in August from 78.4 in the previous month due to high gas price expectations. In general, higher inflation and a weaker rouble have negatively impacted consumer spending on cars.

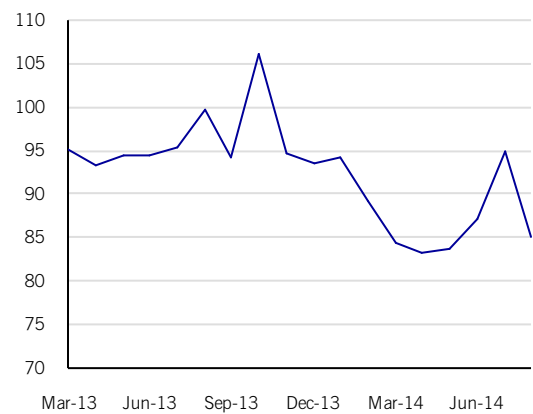
Expected Change in the Price of Gasoline
(% of Households)



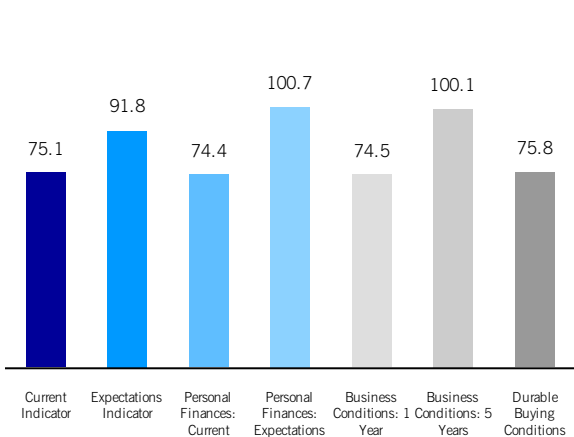
MNI Russia Consumer Indicator Regions



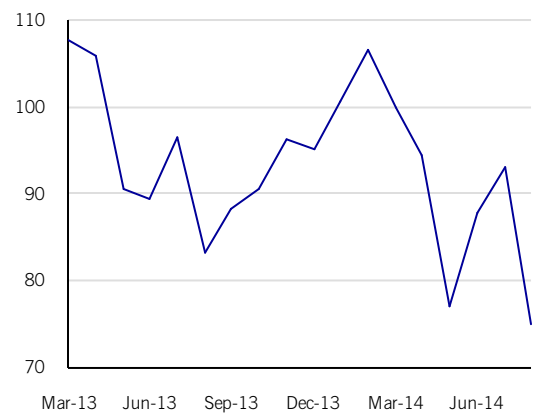
Consumer Indicator: North Caucasus



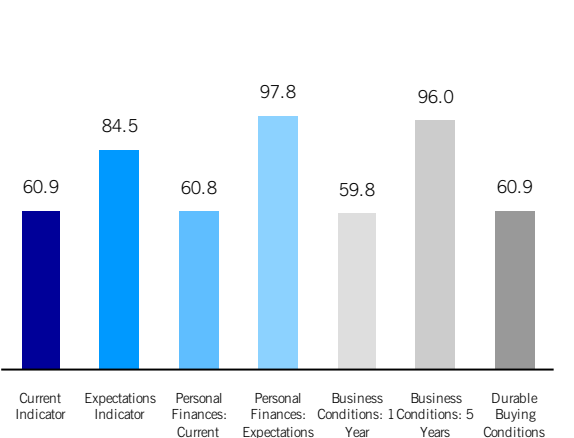
Consumer Indicator Components: North Caucasus



Consumer Indicator: West Siberian

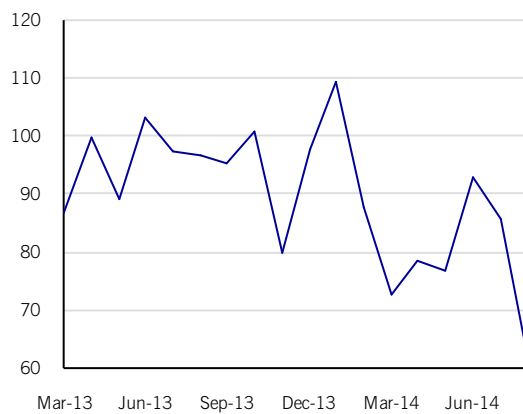


Consumer Indicator Components: West Siberian

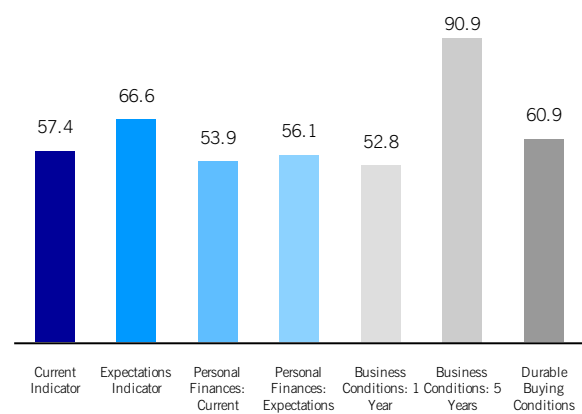




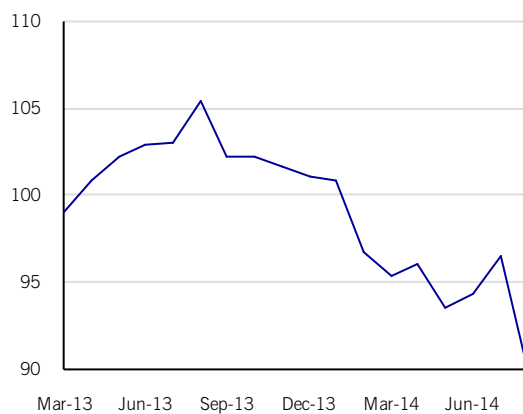
Consumer Indicator: Volga



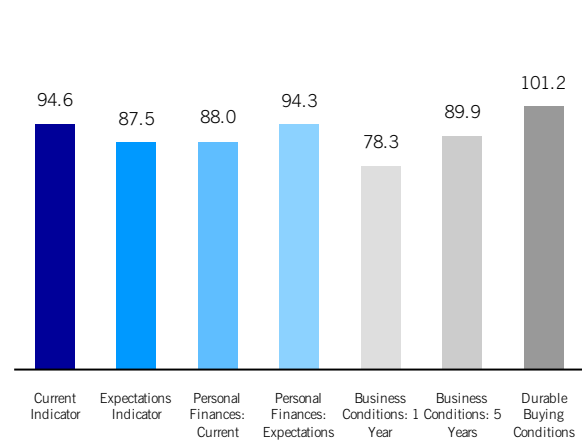
Consumer Indicator Components: Volga



Consumer Indicator: Central

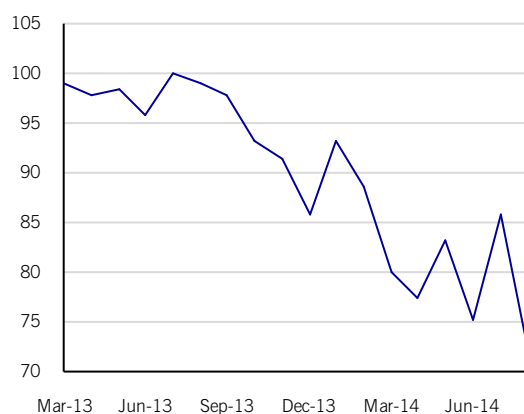


Consumer Indicator Components: Central

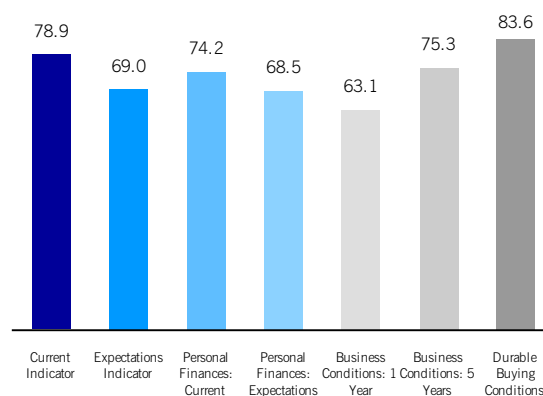




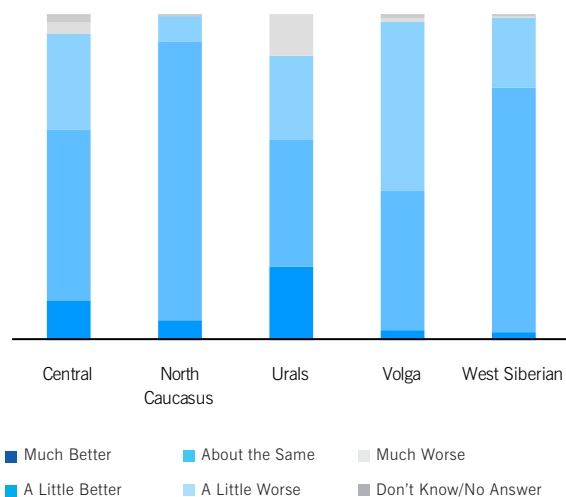
Consumer Indicator: Urals



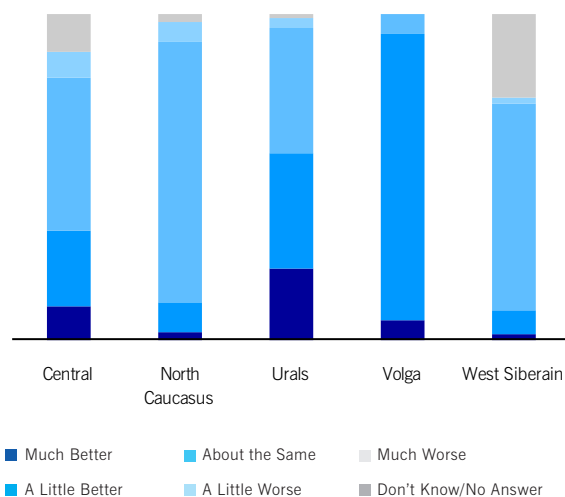
Consumer Indicator Components: Urals



Employment Indicator Outlook for the Next 12 Months (% of Households)



Interest Rates Expectations Indicator (% of Households)

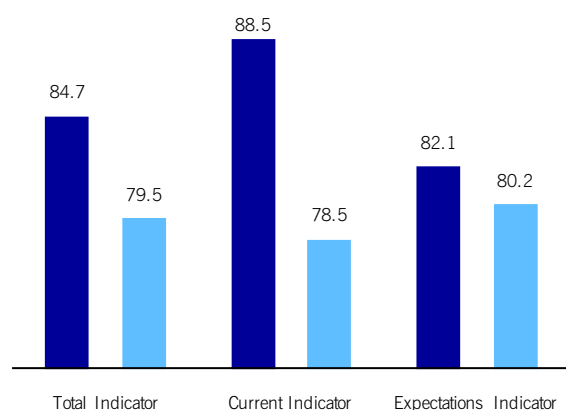


MNI Russia Consumer Indicator

Income Groups

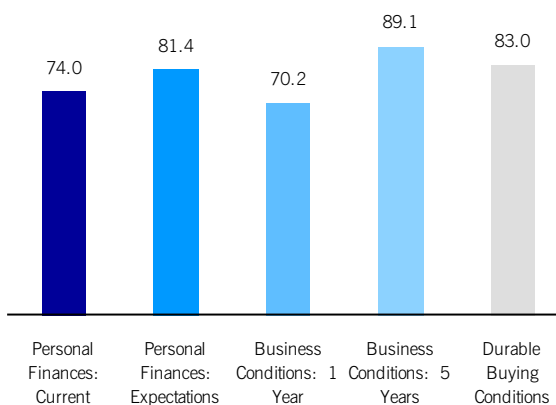


< RUB 480,000 Per Annum

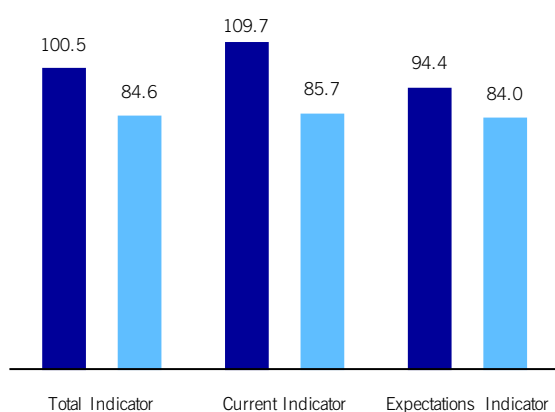


■ July 2014
■ August 2014

< RUB 480,000 - Components

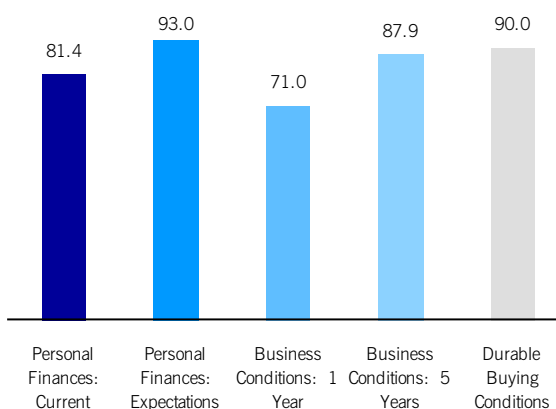


> RUB 480,000 Per Annum



■ July 2014
■ August 2014

> RUB 480,000 - Components





What the Panel Said

A selection of comments from the panel of consumers surveyed over the past month.

"The cost of car insurance has gone up."

"It is lucrative to sell houses these days as demand is high."

"Car prices are stable now, but don't know how long will they last."

"Petrol prices are high."

"Prices are unreasonably high, it is impossible to buy real estate."

"There are offers for every taste and wallet."

"The quality of housing is poor."

"Interest rates are really high to purchase a house."

"Being a customer bank which was stripped of its license, my family lost some of their savings which were not insured."

"The business climate has changed for the worse."

"We don't have enough money to buy new household goods while the existing ones are still working."

"Finding a job is almost impossible now."

"The ban on food imports caused the price of fruits and vegetables to go up."



Data Tables

A closer look at the data from the August consumer survey.

Russia - Central Overview

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|--|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| Russia - Central Consumer Indicator | 94.4 | 96.5 | 90.3 | - | series low | 93.7 | -6.2 | -6.4% |
| Current Indicator | 99.1 | 102.4 | 94.6 | - | series low | 98.7 | -7.8 | -7.6% |
| Expectations Indicator | 91.3 | 92.6 | 87.5 | - | series low | 90.5 | -5.1 | -5.6% |
| Personal Finance: Current | 90.3 | 95.2 | 88.0 | - | series low | 91.2 | -7.2 | -7.5% |
| Personal Finance: Expected | 97.0 | 100.7 | 94.3 | - | series low | 97.3 | -6.4 | -6.4% |
| Business Condition: 1 Year | 83.3 | 85.9 | 78.3 | - | series low | 82.5 | -7.6 | -8.9% |
| Business Condition: 5 Years | 93.6 | 91.3 | 89.9 | - | series low | 91.6 | -1.4 | -1.5% |
| Durable Buying Conditions | 107.8 | 109.6 | 101.2 | - | Mar-13 | 106.2 | -8.4 | -7.6% |
| Current Business Conditions Indicator | 93.4 | 91.1 | 91.5 | Jun-14 | - | 92.0 | 0.4 | 0.5% |
| Real Estate Investment Indicator | 111.9 | 115.3 | 112.9 | - | Jun-14 | 113.4 | -2.4 | -2.1% |
| Car Purchase Indicator | 83.9 | 77.1 | 77.3 | Jun-14 | - | 79.4 | 0.2 | 0.2% |
| Employment Outlook Indicator | 90.7 | 90.3 | 87.7 | - | Feb-14 | 89.6 | -2.6 | -2.9% |
| Inflation Expectations Indicator | 149.7 | 147.5 | 147.9 | Jun-14 | - | 148.4 | 0.4 | 0.3% |
| Current Prices Satisfaction Indicator | 66.8 | 68.7 | 70.2 | Mar-14 | - | 68.6 | 1.5 | 2.2% |
| Interest Rates Expectations Indicator | 112.8 | 115.7 | 118.4 | series high | - | 115.6 | 2.7 | 2.3% |

Russia - Urals Overview

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|--|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| Russia - Urals Consumer Indicator | 75.3 | 85.9 | 73.0 | - | series low | 78.1 | -12.9 | -15.1% |
| Current Indicator | 83.1 | 106.4 | 78.9 | - | May-14 | 89.5 | -27.5 | -25.8% |
| Expectations Indicator | 70.1 | 72.3 | 69.0 | - | series low | 70.5 | -3.3 | -4.6% |
| Personal Finance: Current | 80.9 | 98.9 | 74.2 | - | May-14 | 84.7 | -24.7 | -25.0% |
| Personal Finance: Expected | 68.1 | 72.3 | 68.5 | - | Jun-14 | 69.6 | -3.8 | -5.2% |
| Business Condition: 1 Year | 55.2 | 74.0 | 63.1 | - | Jun-14 | 64.1 | -10.9 | -14.7% |
| Business Condition: 5 Years | 86.9 | 70.6 | 75.3 | Jun-14 | - | 77.6 | 4.7 | 6.7% |
| Durable Buying Conditions | 85.3 | 113.8 | 83.6 | - | Jan-14 | 94.2 | -30.2 | -26.5% |
| Current Business Conditions Indicator | 84.5 | 92.7 | 67.8 | - | series low | 81.7 | -24.9 | -26.9% |
| Real Estate Investment Indicator | 110.1 | 114.6 | 109.2 | - | Apr-14 | 111.3 | -5.4 | -4.7% |
| Car Purchase Indicator | 75.0 | 89.4 | 83.3 | - | Jun-14 | 82.6 | -6.1 | -6.9% |
| Employment Outlook Indicator | 69.3 | 76.5 | 85.8 | Mar-14 | - | 77.2 | 9.3 | 12.1% |
| Inflation Expectations Indicator | 157.7 | 158.2 | 158.0 | - | Jun-14 | 158.0 | -0.2 | -0.1% |
| Current Prices Satisfaction Indicator | 42.0 | 61.9 | 67.1 | Mar-14 | - | 57.0 | 5.2 | 8.4% |
| Interest Rates Expectations Indicator | 149.9 | 140.0 | 138.1 | - | May-14 | 142.7 | -1.9 | -1.3% |

Russia - Volga Overview

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|--|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| Russia - Volga Consumer Indicator | 93.2 | 86.0 | 62.9 | - | series low | 80.7 | -23.1 | -26.9% |
| Current Indicator | 96.1 | 96.9 | 57.4 | - | series low | 83.5 | -39.5 | -40.8% |
| Expectations Indicator | 91.2 | 78.8 | 66.6 | - | May-14 | 78.9 | -12.2 | -15.5% |
| Personal Finance: Current | 53.9 | 53.7 | 53.9 | Jun-14 | - | 53.8 | 0.2 | 0.4% |
| Personal Finance: Expected | 81.2 | 73.4 | 56.1 | - | Apr-14 | 70.2 | -17.3 | -23.6% |
| Business Condition: 1 Year | 113.2 | 67.1 | 52.8 | - | series low | 77.7 | -14.3 | -21.3% |
| Business Condition: 5 Years | 79.4 | 95.8 | 90.9 | - | Jun-14 | 88.7 | -4.9 | -5.1% |
| Durable Buying Conditions | 138.3 | 140.1 | 60.9 | - | series low | 113.1 | -79.2 | -56.6% |
| Current Business Conditions Indicator | 84.7 | 108.7 | 62.3 | - | May-14 | 85.2 | -46.4 | -42.7% |
| Real Estate Investment Indicator | 106.7 | 103.6 | 115.5 | Mar-14 | - | 108.6 | 11.9 | 11.4% |
| Car Purchase Indicator | 84.6 | 57.9 | 56.7 | - | series low | 66.4 | -1.2 | -2.2% |
| Employment Outlook Indicator | 73.5 | 83.2 | 74.5 | - | Jun-14 | 77.1 | -8.7 | -10.4% |
| Inflation Expectations Indicator | 153.0 | 173.4 | 171.3 | - | Jun-14 | 165.9 | -2.1 | -1.2% |
| Current Prices Satisfaction Indicator | 46.0 | 92.4 | 57.4 | - | Jun-14 | 65.3 | -35.0 | -37.9% |
| Interest Rates Expectations Indicator | 151.5 | 149.4 | 150.0 | Jun-14 | - | 150.3 | 0.6 | 0.4% |

Russia - North Caucasus Overview

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|---|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| Russia - North Caucasus Consumer Indicator | 87.2 | 95.0 | 85.1 | - | May-14 | 89.1 | -9.9 | -10.4% |
| Current Indicator | 78.7 | 92.6 | 75.1 | - | May-14 | 82.1 | -17.5 | -18.9% |
| Expectations Indicator | 92.8 | 96.6 | 91.8 | - | May-14 | 93.7 | -4.8 | -5.0% |
| Personal Finance: Current | 77.6 | 89.9 | 74.4 | - | May-14 | 80.6 | -15.5 | -17.2% |
| Personal Finance: Expected | 101.1 | 100.6 | 100.7 | Jun-14 | - | 100.8 | 0.1 | 0.0% |
| Business Condition: 1 Year | 78.1 | 89.5 | 74.5 | - | May-14 | 80.7 | -15.0 | -16.8% |
| Business Condition: 5 Years | 99.2 | 99.7 | 100.1 | Feb-14 | - | 99.7 | 0.4 | 0.5% |
| Durable Buying Conditions | 79.8 | 95.3 | 75.8 | - | May-14 | 83.6 | -19.5 | -20.5% |
| Current Business Conditions Indicator | 103.0 | 100.3 | 100.3 | - | Oct-13 | 101.2 | 0.0 | -0.1% |
| Real Estate Investment Indicator | 97.1 | 106.3 | 101.7 | - | Jun-14 | 101.7 | -4.6 | -4.4% |
| Car Purchase Indicator | 67.5 | 78.4 | 80.8 | Oct-13 | - | 75.6 | 2.4 | 3.0% |
| Employment Outlook Indicator | 100.2 | 99.0 | 98.9 | - | series low | 99.4 | -0.1 | -0.1% |
| Inflation Expectations Indicator | 123.9 | 130.4 | 128.7 | - | Jun-14 | 127.7 | -1.7 | -1.3% |
| Current Prices Satisfaction Indicator | 72.4 | 62.1 | 61.3 | - | series low | 65.3 | -0.8 | -1.3% |
| Interest Rates Expectations Indicator | 101.6 | 105.0 | 103.8 | - | Jun-14 | 103.5 | -1.2 | -1.1% |

Russia - West Siberian Overview

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|--|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| Russia - West Siberian Consumer Indicator | 87.8 | 93.3 | 75.1 | - | series low | 85.4 | -18.2 | -19.5% |
| Current Indicator | 77.9 | 91.3 | 60.9 | - | May-14 | 76.7 | -30.4 | -33.3% |
| Expectations Indicator | 94.5 | 94.6 | 84.5 | - | series low | 91.2 | -10.1 | -10.6% |
| Personal Finance: Current | 75.8 | 90.4 | 60.8 | - | May-14 | 75.7 | -29.6 | -32.7% |
| Personal Finance: Expected | 106.9 | 96.9 | 97.8 | Jun-14 | - | 100.5 | 0.9 | 0.9% |
| Business Condition: 1 Year | 77.6 | 90.0 | 59.8 | - | May-14 | 75.8 | -30.2 | -33.6% |
| Business Condition: 5 Years | 98.8 | 96.8 | 96.0 | - | Sep-13 | 97.2 | -0.8 | -0.9% |
| Durable Buying Conditions | 79.9 | 92.3 | 60.9 | - | series low | 77.7 | -31.4 | -34.0% |
| Current Business Conditions Indicator | 98.0 | 97.6 | 98.0 | Jun-14 | - | 97.9 | 0.4 | 0.4% |
| Real Estate Investment Indicator | 96.3 | 109.3 | 100.2 | - | Jun-14 | 101.9 | -9.1 | -8.3% |
| Car Purchase Indicator | 70.3 | 84.7 | 84.9 | Apr-14 | - | 80.0 | 0.2 | 0.2% |
| Employment Outlook Indicator | 99.2 | 89.2 | 90.1 | Jun-14 | - | 92.8 | 0.9 | 1.0% |
| Inflation Expectations Indicator | 147.3 | 110.7 | 110.8 | Jun-14 | - | 122.9 | 0.1 | 0.1% |
| Current Prices Satisfaction Indicator | 92.1 | 44.3 | 45.6 | Jun-14 | - | 60.7 | 1.3 | 3.0% |
| Interest Rates Expectations Indicator | 148.4 | 104.3 | 104.9 | Jun-14 | - | 119.2 | 0.6 | 0.6% |

All Russia - Overview by Age

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|--------------------------------------|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| Age 18-34 | | | | | | | | |
| MNI Russia Consumer Indicator | 88.1 | 93.6 | 83.0 | - | series low | 88.2 | -10.6 | -11.3% |
| Current Indicator | 87.4 | 99.1 | 84.1 | - | series low | 90.2 | -15.0 | -15.1% |
| Expectations Indicator | 88.5 | 90.0 | 82.3 | - | series low | 86.9 | -7.7 | -8.5% |
| Personal Finance: Current | 79.4 | 94.9 | 80.7 | - | Jun-14 | 85.0 | -14.2 | -14.9% |
| Personal Finance: Expected | 95.2 | 93.4 | 89.7 | - | series low | 92.8 | -3.7 | -4.0% |
| Business Condition: 1 Year | 75.4 | 85.8 | 72.8 | - | series low | 78.0 | -13.0 | -15.2% |
| Business Condition: 5 Years | 94.9 | 90.8 | 84.5 | - | series low | 90.1 | -6.3 | -7.0% |
| Durable Buying Conditions | 95.4 | 103.3 | 87.5 | - | series low | 95.4 | -15.8 | -15.3% |
| Age 35-54 | | | | | | | | |
| MNI Russia Consumer Indicator | 90.6 | 91.1 | 82.4 | - | series low | 88.0 | -8.7 | -9.5% |
| Current Indicator | 96.7 | 98.4 | 82.4 | - | series low | 92.5 | -16.0 | -16.3% |
| Expectations Indicator | 86.5 | 86.2 | 82.5 | - | series low | 85.1 | -3.7 | -4.3% |
| Personal Finance: Current | 84.5 | 82.3 | 76.1 | - | May-14 | 81.0 | -6.2 | -7.6% |
| Personal Finance: Expected | 91.3 | 88.6 | 88.0 | - | series low | 89.3 | -0.6 | -0.7% |
| Business Condition: 1 Year | 84.6 | 80.3 | 70.5 | - | series low | 78.5 | -9.8 | -12.2% |
| Business Condition: 5 Years | 83.7 | 89.8 | 88.9 | - | Jun-14 | 87.5 | -0.9 | -1.0% |
| Durable Buying Conditions | 108.8 | 114.5 | 88.6 | - | Mar-13 | 104.0 | -25.9 | -22.6% |
| Age 55-64 | | | | | | | | |
| MNI Russia Consumer Indicator | 88.3 | 82.9 | 75.8 | - | series low | 82.3 | -7.1 | -8.6% |
| Current Indicator | 87.5 | 85.9 | 72.0 | - | series low | 81.8 | -13.9 | -16.2% |
| Expectations Indicator | 88.9 | 80.9 | 78.3 | - | series low | 82.7 | -2.6 | -3.1% |
| Personal Finance: Current | 71.4 | 74.9 | 69.0 | - | series low | 71.8 | -5.9 | -7.8% |
| Personal Finance: Expected | 79.0 | 89.7 | 71.1 | - | series low | 79.9 | -18.6 | -20.7% |
| Business Condition: 1 Year | 87.6 | 68.5 | 63.5 | - | series low | 73.2 | -5.0 | -7.3% |
| Business Condition: 5 Years | 100.0 | 84.4 | 100.4 | Sep-13 | - | 94.9 | 16.0 | 19.0% |
| Durable Buying Conditions | 103.7 | 97.0 | 74.9 | - | series low | 91.9 | -22.1 | -22.8% |

All Russia - Overview by Income

| | Jun-14 | Jul-14 | Aug-14 | Highest Since | Lowest Since | 3-Month Average | Monthly Change | Monthly % Change |
|--------------------------------------|--------|--------|--------|---------------|--------------|-----------------|----------------|------------------|
| < RUB 480,000 Per Annum | | | | | | | | |
| MNI Russia Consumer Indicator | 84.3 | 84.7 | 79.5 | - | series low | 82.8 | -5.2 | -6.1% |
| Current Indicator | 84.8 | 88.5 | 78.5 | - | May-14 | 83.9 | -10.0 | -11.3% |
| Expectations Indicator | 83.9 | 82.1 | 80.2 | - | series low | 82.1 | -1.9 | -2.3% |
| Personal Finance: Current | 74.6 | 78.7 | 74.0 | - | May-14 | 75.8 | -4.7 | -6.0% |
| Personal Finance: Expected | 88.3 | 87.8 | 81.4 | - | series low | 85.8 | -6.4 | -7.3% |
| Business Condition: 1 Year | 76.1 | 70.2 | 70.2 | - | May-14 | 72.2 | 0.0 | 0.0% |
| Business Condition: 5 Years | 87.4 | 88.4 | 89.1 | Apr-14 | - | 88.3 | 0.7 | 0.7% |
| Durable Buying Conditions | 94.9 | 98.2 | 83.0 | - | series low | 92.0 | -15.2 | -15.5% |
| > RUB 480,000 Per Annum | | | | | | | | |
| MNI Russia Consumer Indicator | 97.1 | 100.5 | 84.6 | - | series low | 94.1 | -15.9 | -15.8% |
| Current Indicator | 101.6 | 109.7 | 85.7 | - | series low | 99.0 | -24.0 | -21.9% |
| Expectations Indicator | 94.0 | 94.4 | 84.0 | - | series low | 90.8 | -10.4 | -11.1% |
| Personal Finance: Current | 89.7 | 98.5 | 81.4 | - | Mar-14 | 89.9 | -17.1 | -17.4% |
| Personal Finance: Expected | 95.2 | 94.2 | 93.0 | - | series low | 94.1 | -1.2 | -1.3% |
| Business Condition: 1 Year | 88.6 | 97.7 | 71.0 | - | series low | 85.8 | -26.7 | -27.3% |
| Business Condition: 5 Years | 98.3 | 91.5 | 87.9 | - | series low | 92.6 | -3.6 | -3.9% |
| Durable Buying Conditions | 113.4 | 120.8 | 90.0 | - | series low | 108.1 | -30.8 | -25.5% |

Methodology

The MNI Russia Consumer Sentiment Survey is a wide ranging monthly survey of consumer confidence across Russia.

Data is collected through computer aided telephone interviews (CATI), with each interviewee selected randomly by computer. At least 1,000 interviews are conducted each month.

The survey adopts a similar methodology to the University of Michigan survey of U.S. consumer sentiment.

The MNI Russia Consumer Indicator is derived from five questions, two on current conditions and three on future expectations:

- 1) Current personal financial situation compared to a year ago
- 2) Current willingness to buy major household items
- 3) Personal financial situation one year from now
- 4) Overall business conditions one year from now
- 5) Overall business conditions for the next 5 years

Indicators relating to specific questions in the report are diffusion indices with 100 representing a neutral level, meaning positive and negative answers are equal. Values above 100 indicate increasing positivity while values below show increasing negativity.



Discovering trends in Emerging Markets

MNI's Emerging Markets Indicators explore attitudes, perspectives and confidence in Russia, India and China. Our data and monthly reports present an advance picture of the economic landscape as perceived by businesses and consumers.

Our indicators allow investors, economists, analysts, and companies to identify economic trends and make informed investment and business decisions. Our data moves markets.

www.mni-indicators.com

Insight and data for better decisions

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