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MNI Russia Consumer Report January 2015

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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Contents

4	Editorial
6	Executive Summary
12	Economic Landscape
18	Indicators
19	MNI Russia Consumer Indicator
26	Personal Finances
28	Business Conditions
31	Durable Buying Conditions
32	Employment Outlook
33	Prices Sentiment
36	Interest Rates Expectations
37	Real Estate Investment
40	Car Purchase
42	Consumer Indicator - Regions
45	Consumer Indicator - Income Groups
46	What the Panel Said
48	Correlation Charts
50	Data Tables
58	Methodology



Rescuing Russia

While the fate for Russia's economy in 2015 may be sealed, there are measures that the government can take to help it recover more rapidly and prevent it from suffering nearly as much in the future.

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A good place to start would be at the heart of Russia's current woes: the collapse in the price of oil. After Brent crude oil peaked at \$115 a barrel in June 2014, the global benchmark for oil has fallen considerably to under \$55 a barrel now. The dramatic decline will have large repercussions for the Russian economy given that oil revenues make up around half of its annual budget revenue.

Russia must diversify away from oil which is too volatile a commodity to depend so heavily upon. For this, Prime Minister Vladimir Putin could look to his Indian peer Narendra Modi who has launched the "Make in India" programme which aims to turn the emerging Asian economy into a global manufacturing hub. While such a feat will undoubtedly take time, recent events highlight just how vital it is for Russia to branch out to alternative industries, so the earlier it begins to do this, the better.

Moreover, the Central Bank of Russia (CBR) must do more to cement its credibility after failing to protect the rouble in 2014. After spending a significant proportion of its reserves defending the currency from speculative attacks, the CBR brought forward a free float of the rouble. This failed to halt the depreciation and so the CBR announced a huge 650 basis point hike in the key benchmark rate to 17% at 1:00am Moscow time on December 16 whilst much of Russia slept, only to cut it by 200 basis points at its next meeting on January 30, possibly amid pressure from the Kremlin.

The recent appointment of Dmitry Tulin at the CBR as First Deputy Governor is encouraging given his experience at the central bank in 1991 where he helped to establish the economies of the 12 nations that emerged from the dissolution of the Soviet Union. Nevertheless, more must be done to grant the CBR the same degree of autonomy that many other central banks around the world enjoy or else it will continue to be influenced by political factors.

Finally, Russia should seek to amend its relationship with the West which has been strained ever since the onset of the Ukraine crisis almost a year ago, prompting tit-for-tat sanctions between the two. Among these, Western capital restrictions have arguably dealt the biggest blow to the Russian economy, as evidenced by the sharp fall in the Availability of Credit indicator in our business survey and resulting deterioration in companies' Financial Position to the worst level on record.

In the meantime, with little sign of any resolution to its standoff with the West in the short-term, Russia should look east toward China. Even though such a partnership will undoubtedly be fruitful in the long-term, it is imperative that Russia seeks to improve its appearance to the West given that it continues to dominate the global economy.

While admittedly there is not a lot Russia can do quickly to alleviate the hardships it is currently suffering, the swift introduction of reforms such as greater autonomy of government institutions, including the CBR, combined with a concerted effort to reduce oil reliance will allow it to recover much more quickly than it would otherwise be able to. The road to reform will be long and most likely painful, but taking any shortcuts will entail even greater suffering.

George Brown

Junior Economist

MNI Indicators



Executive Summary

The MNI Russia Consumer Indicator fell by 15.4% on the month to 67.5 in January from 79.8 in December. Consumer sentiment, which started tumbling even before the Ukraine crisis, is now down 32% on the year.

The MNI Russia Consumer Indicator fell by 15.4% on the month to 67.5 in January from 79.8 in December. Russian consumer sentiment, which started tumbling even before the Ukraine crisis, is now down 32% on the year.

All five components which make up the MNI Russia Consumer Sentiment Indicator hit series lows in January and most other supporting indicators from the survey also fell to the lowest on record.

The drop in overall sentiment was led by a 20.6% fall in expectations for long-term business conditions to a series low of 66.2 due to a potent cocktail of higher interest rates, plummeting oil prices, spiralling prices and the standoff with the West taking a toll. Expectations for business conditions over the coming year, meanwhile, fell less sharply but were lower in absolute terms at 58.6 in January and was also the lowest among all five components of the Consumer Indicator.

80% of respondents reported that their financial situation had worsened in January compared with a year ago, the highest level on record. Falling income was the main reason, while a growing proportion pointed to losses stemming from investments, potentially the result of the depreciating rouble.

The high level of inflation is also eating away a large part of household finances. The Current Prices Satisfaction Indicator fell to 42.3 in January, the lowest level since the survey started in March 2013. Moreover, the sharp increase in Inflation Expectations to a record high suggests that inflation will continue to increase over the course of 2015.

Following the panic buying in December, willingness to purchase big-ticket items fell to a record low in January as weak household finances, the heightened cost of credit and the impact of the weak rouble on the cost of imported goods restrained consumers' purchasing power.

In light of the dramatic rate hike by the Central Bank of Russia in December, consumers sharply raised their expectations for interest rates to a series high of 166.6 in January.

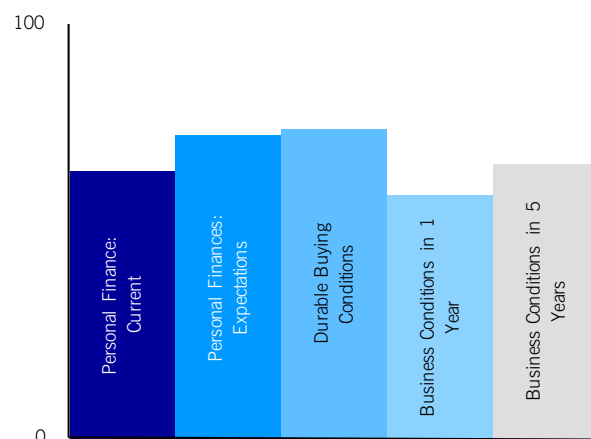
With the ban on Western food imports and record low rouble continuing to push up prices, dissatisfaction with current cost of living was at an all-time high in January while expectations for inflation over the next 12 months also ascended to an all-time high.

Consumers became increasingly pessimistic about their outlook for the job market, with the Employment Outlook Indicator falling to a record low of 69.1 in January, as concerns surrounding the slowdown of the Russian economy mounted. Results from the January edition of our sister survey on Moscow Exchange-listed Russian companies also showed that employment conditions deteriorated to a one-year low, with companies choosing to scale back their workforce in light of the tough economic climate.

Potential car purchase buyers thought that 2015 would be the worst year in the history of the survey as expectations for the price of gasoline reached an all-time high, outweighing the attraction of a government scrappage scheme incentivising the sales of new vehicles.

The Current Indicator, which measures consumers' assessment of current conditions, fell to a series low of 69.7 in January from 80.6 in December, while the Expectations Indicator, which is made up of the three forward-looking components, fell to an all-time low of 66.0 from 79.2 in the previous month.

MNI Russia Consumer Indicator - Components



All Russia - Overview

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI Russia Consumer Indicator	76.6	79.8	67.5	-	series low	74.6	-12.3	-15.4%
Current Indicator	72.5	80.6	69.7	-	series low	74.3	-10.9	-13.5%
Expectations Indicator	79.2	79.2	66.0	-	series low	74.8	-13.2	-16.6%
Personal Finance: Current	67.0	70.8	64.9	-	series low	67.6	-5.9	-8.4%
Personal Finance: Expected	88.2	84.7	73.3	-	series low	82.1	-11.4	-13.4%
Business Condition: 1 Year	62.3	69.6	58.6	-	series low	63.5	-11.0	-15.8%
Business Condition: 5 Years	87.2	83.4	66.2	-	series low	78.9	-17.2	-20.6%
Durable Buying Conditions	78.1	90.4	74.6	-	series low	81.0	-15.8	-17.5%
Current Business Conditions Indicator	85.4	83.2	71.0	-	series low	79.9	-12.2	-14.6%
Real Estate Investment Indicator	103.2	110.1	103.6	-	Nov-14	105.6	-6.5	-5.9%
Car Purchase Indicator	71.3	73.7	67.2	-	series low	70.7	-6.5	-8.8%
Employment Outlook Indicator	86.4	81.8	69.1	-	series low	79.1	-12.7	-15.5%
Inflation Expectations Indicator	145.9	149.1	166.4	series high	-	153.8	17.3	11.6%
Current Prices Satisfaction Indicator	59.2	59.3	42.3	-	series low	53.6	-17.0	-28.7%
Interest Rates Expectations Indicator	121.7	132.9	166.6	series high	-	140.4	33.7	25.4%

All Russia - Summary

	2014												2015
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
MNI Russia Consumer Indicator	99.3	94.1	89.1	88.5	87.2	89.1	91.1	81.7	85.3	80.7	76.6	79.8	67.5
Current Indicator	102.0	98.6	89.4	90.2	87.3	91.1	97.1	81.6	88.2	85.4	72.5	80.6	69.7
Expectations Indicator	97.5	91.2	88.8	87.4	87.1	87.8	87.1	81.8	83.4	77.5	79.2	79.2	66.0
Personal Finance: Current	99.3	87.3	79.5	83.7	79.6	80.3	86.7	77.1	78.8	81.7	67.0	70.8	64.9
Personal Finance: Expected	101.2	96.3	96.3	93.4	95.0	91.5	90.8	86.2	86.2	80.4	88.2	84.7	73.3
Business Condition: 1 Year	95.1	87.8	79.4	77.8	77.7	80.7	81.1	70.5	73.5	71.0	62.3	69.6	58.6
Business Condition: 5 Years	96.4	89.4	90.7	91.1	88.6	91.2	89.5	88.6	90.4	81.2	87.2	83.4	66.2
Durable Buying Conditions	104.7	109.9	99.3	96.8	95.1	101.8	107.5	86.0	97.7	89.1	78.1	90.4	74.6
Current Business Conditions Indicator	100.3	97.5	99.2	95.7	85.5	91.0	93.6	85.5	89.2	84.2	85.4	83.2	71.0
Real Estate Investment Indicator	112.1	111.4	110.0	107.2	108.0	108.2	110.8	109.9	108.8	110.5	103.2	110.1	103.6
House Price Expectations	135.7	139.0	140.1	137.7	139.3	139.5	139.5	144.7	148.2	146.1	142.0	149.5	144.8
House Buying Sentiment	99.7	96.8	87.3	84.5	82.6	83.6	87.2	82.9	77.7	87.7	71.0	83.4	72.2
House Selling Sentiment	99.0	101.6	97.4	100.7	97.8	98.5	94.2	97.8	99.5	102.4	103.5	102.6	106.1
Car Purchase Indicator	83.3	88.3	85.1	82.2	79.3	79.8	78.4	77.7	75.8	78.5	71.3	73.7	67.2
Car Purchase Expectations	104.4	110.5	106.0	103.8	99.1	103.0	104.8	104.2	99.0	107.7	93.6	100.0	87.4
Price of Gasoline Expectations	137.7	133.8	135.8	139.4	140.5	143.4	148.0	148.9	147.3	150.6	151.1	152.6	152.9
Employment Outlook Indicator	87.2	86.5	92.9	90.9	87.8	87.5	87.6	87.4	80.9	81.4	86.4	81.8	69.1
Inflation Expectations Indicator	136.9	140.9	139.2	144.2	144.6	146.3	145.3	145.1	140.9	144.7	145.9	149.1	166.4
Current Prices Satisfaction Indicator	69.4	74.4	76.3	67.5	73.4	65.0	67.9	64.8	63.4	56.1	59.2	59.3	42.3
Interest Rates Expectations Indicator	115.9	122.6	119.2	122.3	126.0	126.8	121.9	123.0	124.2	126.6	121.7	132.9	166.6

All Russia - Records

	2013 - Current			
	Minimum	Maximum	Mean	Median
MNI Russia Consumer Indicator	67.5	99.9	90.8	94.1
Current Indicator	69.7	102.0	91.5	94.3
Expectations Indicator	66.0	100.3	90.3	91.2
Personal Finance: Current	64.9	103.2	87.0	87.3
Personal Finance: Expected	73.3	109.2	95.8	96.3
Business Condition: 1 Year	58.6	101.5	84.7	87.8
Business Condition: 5 Years	66.2	98.0	90.5	90.8
Durable Buying Conditions	74.6	109.9	96.0	96.8
Current Business Conditions Indicator	71.0	100.3	92.0	94.9
Real Estate Investment Indicator	103.2	113.0	108.4	108.2
House Price Expectations	117.9	149.5	134.2	137.7
House Buying Sentiment	71.0	109.8	91.1	92.1
House Selling Sentiment	94.2	106.1	100.0	99.5
Car Purchase Indicator	67.2	88.4	81.6	82.2
Car Purchase expectations	87.4	110.5	102.8	104.1
Price of Gasoline expectations	128.6	152.9	139.7	136.2
Employment Outlook Indicator	69.1	100.5	91.2	90.9
Inflation Expectations Indicator	130.7	166.4	141.5	139.7
Current Prices Satisfaction Indicator	42.3	86.0	71.2	73.4
Interest Rates Expectations Indicator	111.1	166.6	122.3	121.9

Sentiment among Russian consumers plunged to the lowest level in the survey's history.

The MNI Russia Consumer Indicator fell by 15.4% on the month to 67.5 in January from 79.8 in December.



Economic Landscape

At its meeting on January 30, the Central Bank of Russia cut the key interest rate by 200 basis points to 15%, having raised it by 650 basis points in December to support the currency.

At its meeting on January 30, the Central Bank of Russia (CBR) cut the key interest rate by 200 basis points to 15%, having raised it by 650 basis points in December to support the currency. While pressure on the currency has subsided since the December maelstrom, we had expected to see rates held for a little longer. The timing of the move has caused some speculation that the CBR bowed to political pressure to cut rates. While this cannot be ruled out, we would see it more in terms of policy normalisation following the exaggerated move in December.

Russian companies face higher refinancing costs following the decision by Standard & Poor's to cut the country's credit rating to junk, the first time in a decade that it has been below investment-grade. The rating agency stated that it had lowered Russia's score to 'BB+' with a negative outlook as it believes the flexibility of its monetary policy has become much more limited and its economic growth prospects have weakened.

To add to Russia's woes, foreign ministers of the European Union have agreed to a six-month extension to the economic sanctions it has imposed and are due to consider further restrictive measures on February 9. Options on the table include a widening of the pool of Russian companies restricted from European capital markets and a ban on the export of technology to the

Russian gas industry following a similar ban against the oil sector.

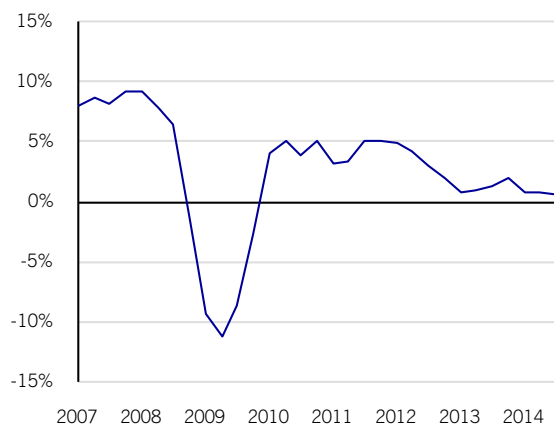
Overall latest economic data has been mixed, but the economy's prospects remain bleak. Industrial production expanded much more than anticipated in December after it was boosted by a strong bounce back in the manufacturing sector. In spite of real wages declining sharply and a rise in unemployment in December, retail sales were strong due to panic buying among households, Inflation, meanwhile, continued to accelerate in January to a six-year high due to the weakness in the rouble and ban on Western food imports.

Economic growth contracts

The latest GDP figures from the Economic Development Ministry revealed that the economy contracted 0.5% in November. The fall reflects a sustained decline in the price of oil and the continuing currency crisis, which points to a contraction in Q4 GDP.

Third quarter GDP data released by the Federal Statistics Service showed that the economy grew by 0.7%, down from 0.8% in the three months to June. The slowdown in growth was, however, much more muted than many had anticipated given the imposition of Western sanctions and the food ban on the economy.

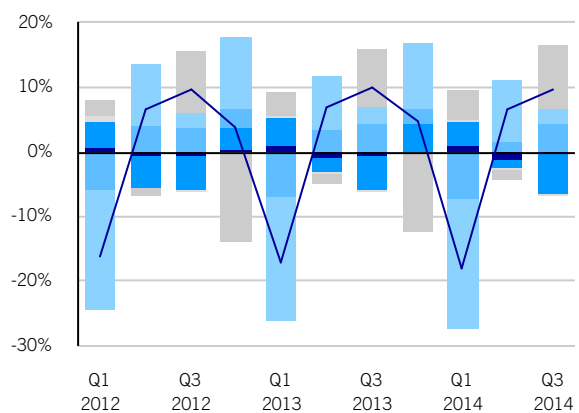
Economic Growth



— GDP Y/Y %

Source: Federal State Statistics Service of Russia

Contribution to Economic Growth



■ Discrepancies ■ GFCF — GDP Growth Q/Q %
 ■ Net Exports ■ GFCE
 ■ PFCE ■ Inventories

Source: Federal State Statistics Service of Russia

A more granular look at GDP over the quarter reveals that the resilience of the economy can be attributed to a good harvest and robust industrial production on the back of import substitution and the commencement of a gas pipeline project to China. Nevertheless, since the end of Q3, Russia has been hit by a significant weakening in the rouble and a slide in oil prices which will likely take their toll on the economy. Given the already noticeable effect in November's result, we anticipate a contraction in the final quarter of 2014 before slipping into recession in 2015.

Recently, the economy ministry has estimated that the economy would shrink by 4.5% should the price of oil remain at or around \$45 a barrel. Scenarios based on prices of \$60 a barrel and \$80 a barrel yield suggest contractions of 3% and 0.8% respectively.

Industrial production expands in December

While several other economic indicators have trended downwards, industrial production has remained resilient due to some import substitution in the wake of the depreciation in the rouble and the ban on Western food imports.

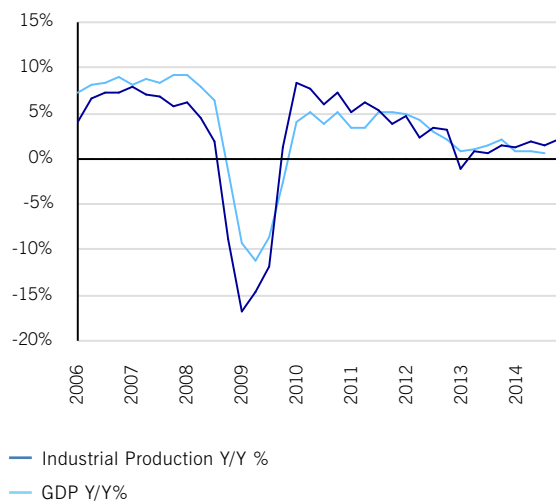
Industrial production expanded by 3.9% on the year in December following a contraction of 0.4% in November. On a monthly basis, industrial production rose by 8.1% in December after shrinking by 0.2% in November.

The improvement was led by manufacturing output, which expanded by 4.1% on the year in December after contracting 3% in the month before. The Russian ban on Western food imports has provided a boost to domestic food manufacturers, which is expected to have lifted food product manufacturing in December when more detailed data is released.

Utilities output, however, slowed to 3.4% on the year in December after expanding by 7% on the year in November. Mining and quarrying output picked up slightly, increasing 3% on the year in December from 2.5% in the previous month.

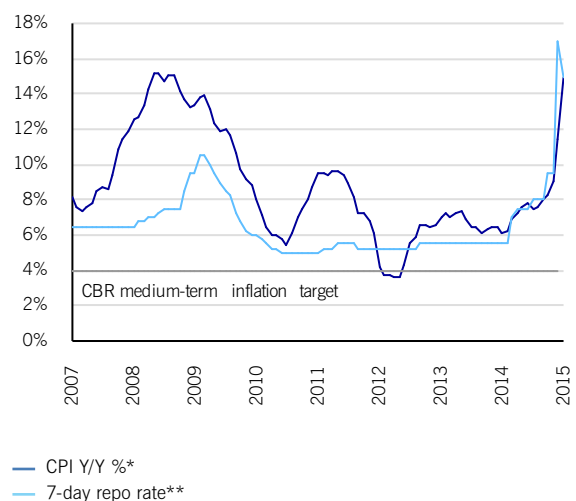
Over the course of 2014, industrial production grew 1.7% on 2013 compared with growth of 0.4% in the same period a year ago. Ordinarily, this would suggest a similar acceleration in economic growth as industry comprises almost 40% of the Russian economy. Nevertheless, while the depreciation in the rouble and the ban on Western food imports may be helping to support industrial production, they are crippling other parts of the Russian economy. Therefore, the relationship between industrial production and economic growth that has been previously observed has diverged in 2014, with the latter slowing rather than picking up.

Industrial Production



Source: Federal State Statistics Service of Russia

Inflation and Interest Rate



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

Inflation rises in January

Consumer prices continued to accelerate in January while producer prices slowed slightly in December.

Consumer price inflation accelerated to 15% on the year in January from 11.4% in December, the highest since September 2008. Food price inflation rose 20.7% on the year in January after rising by 15.4% in December. Even after stripping out the prices of food and fuel, core inflation has also surged as the significant weakening in the rouble has caused the price of many imported goods to rise. In January it accelerated to 14.7% on the year from 11.2% in the previous month, the highest since March 2009.

Under the central bank's most recent baseline scenario, inflation is forecast to remain above 10% throughout 2015 and is not anticipated to fall to the medium-term target of 4% until the end of 2017.

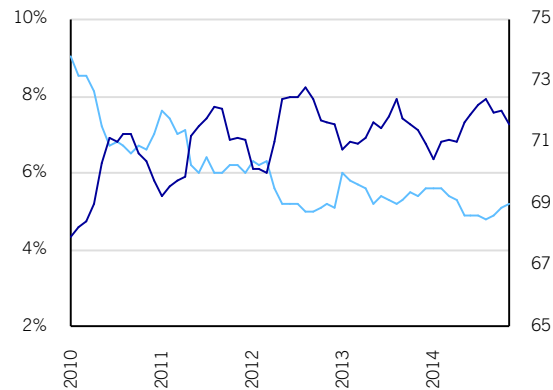
Wholesale price inflation, meanwhile, slowed to 5.9% on the year in December from 6.1% in November. Prices have been kept in check by the weak demand backdrop and lower energy prices, with wholesale gasoline prices falling by 16.3% on the month in December after declining by 1.6% in November. While January data is not due to be released until February 18, the significant rise in the MNI Input Prices indicator in January's business survey suggests that wholesale prices would have risen much more dramatically in the first month of 2015.

Monetary policy remains tight in spite of rate cut

At its meeting on January 30, the Central Bank of Russia (CBR) cut the key interest rate by 200 basis points to 15%, having raised it by 650 basis points in December to support the currency. While pressure on the currency has subsided since the December maelstrom, we had expected to see rates held at a higher level for a little longer. The timing of the move has caused some speculation that the CBR bowed to political pressure to cut rates, and although this cannot be ruled out we would see it more in terms of policy normalisation following the exaggerated move in December.

In a press release announcing the rationale behind the rate cut, the CBR said that it felt the current impact on inflation from the rouble would be transitory and pointed

Labour Market



— Unemployment Rate
— Employed Persons, Period End ('000s) (RHS)

Source: Federal State Statistics Service of Russia

to cooling economic growth which would limit the increase in inflation.

The CBR is due to meet next on March 13 and is expected to hold rates steady. If oil prices and the rouble stabilise or strengthen then there is a possibility that monetary policy could be eased again.

Household finances deteriorate

Amid the tough economic background, unemployment has started to rise and wage growth has been subdued which will adversely impact the spending power of Russian households in future.

Western sanctions and the fall in the price of oil has hurt the finances of many Russian companies, causing some to collapse and others to start scaling back their workforce given the uncertain future. This led to unemployment rising to an eight-month high of 5.3% in December from 5.2% in November. The employment situation in Russia has on the whole remained resilient in the face of the slowdown, a reflection of the country's overstaffing and low levels of productivity, although the recent trend in rising unemployment is expected to continue throughout 2015 in line with the expected downturn in the economy.

Rising unemployment has reduced the bargaining power of the Russian workforce and many have accepted wage cuts as companies seek to scale back. Real wages fell

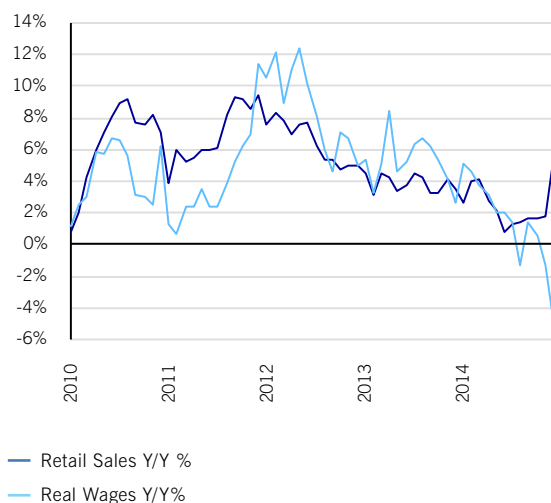
4.7% on the year in December after declining by 1.2% in November, the largest decline since September 2009. Evidence from our consumer survey shows that Russian households spend a significant proportion of their income on daily expenses; leaving them with very little, if any, to save or invest for a rainy day. With wages likely to continue declining amid rising unemployment, households could be ill-equipped to deal with the challenging conditions they are likely to have to endure in 2015.

Consumer spending remains strong as panic grows

While wage growth has struggled to keep pace with the rapid acceleration in inflation, consumer spending has remained resilient in recent months.

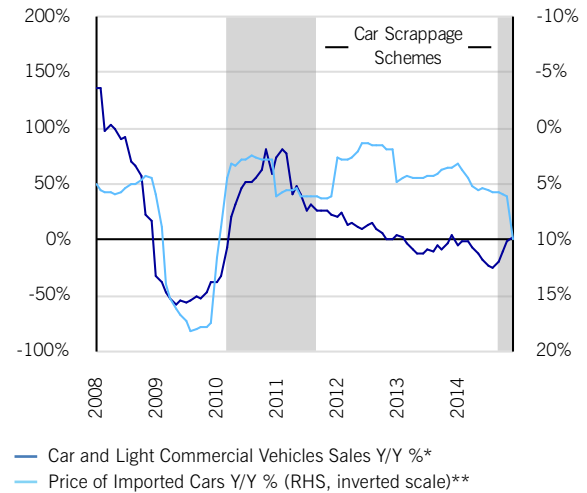
Retail sales grew by 5.3% in December from a year earlier, following growth of 1.8% in November. On the surface, these figures seem very positive but digging a little deeper it is apparent that there are other economic factors at play. The rouble has weakened significantly as the outlook for the economy becomes bleaker, this has caused widespread concern among Russian consumers and has prompted them to place their roubles into "investments". Reports have highlighted that consumers were keen to purchase white goods or other household items rather than see the value of their savings erode. Indeed, while food sales contracted the most in five years, sales of non-food products rose to a one-year

Retail Sales and Real Wages



Source: Federal State Statistics Service of Russia

Car Sales



Source: *Association of European Businesses, ** Federal State Statistics Service

high. This is also supported by our December consumer survey where consumers' willingness to purchase large household items rose sharply.

Automobile sales have also experienced a boost, rising by 2.4% in December from a year earlier after contracting by 1.1% in the previous month, reversing 11 consecutive months of decline. Some of this growth, however, could be attributed to a government car scrappage and trade-in scheme which was launched in September 2014 in an attempt to kick-start the automobile market. Under the programme, consumers who trade in a car which is at least six years old are eligible for a discount of at least 40,000 roubles off a new vehicle. While the government measures have not reversed the downward trend in car sales, it has certainly helped to mitigate it. While sales in December were not particularly strong, they were in sharp contrast with the 25.8% fall seen in August, one month before the introduction of the scrappage scheme.

It is unlikely that consumer spending will retain its current momentum throughout 2015 as purchasing conditions in the Russian economy look set to deteriorate further. Inflation is forecast to accelerate in the first quarter of 2015 before tapering off slightly but remaining uncomfortably high. Moreover, consumer finances are likely to become much more illiquid after hedging savings denominated in roubles by purchase of big-ticket items.

Consumer price inflation accelerated to 15% on the year in January...

...from 11.4% in December, the highest since September 2008.



Indicators

Sentiment among Russian consumers plunged to the lowest level in the survey's history as consumers recoiled from the higher level of interest rates and the continuing rise in inflation.

MNI Russia Consumer Indicator Plummets to All-Time Low



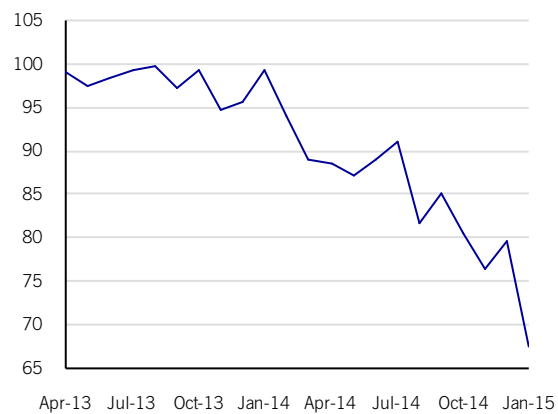
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The MNI Russia Consumer Indicator fell by 15.4% on the month to 67.5 in January from 79.8 in December. Consumer sentiment, which started tumbling even before the Ukraine crisis, is now down 32% on the year.

All five components which make up the MNI Russia Consumer Sentiment Indicator hit series lows in January and most other supporting indicators from the survey also fell to the lowest on record. The drop in overall sentiment was led by a 20.6% fall in expectations for long-term business conditions due to a potent cocktail of higher interest rates, plummeting oil prices, spiralling prices and the standoff with the West taking a toll. Expectations for business conditions over the coming year, meanwhile, fell less sharply but were lower in absolute terms, in fact the lowest among all five components of the Consumer Indicator.

This was our first consumer survey since the Central Bank of Russia’s (CBR) decision to raise the key interest rate by 650 basis points to 17% on December 16 due to the plunge in the rouble. Over the course of 2014, the key interest rate was raised by a total of 1150 basis points and, this has had a drastic effect on consumers’ purchasing power as reflected by the double-digit falls in the willingness to buy large household items and sentiment surrounding car purchases. While the CBR cut the interest rate by 200

MNI Russia Consumer Indicator



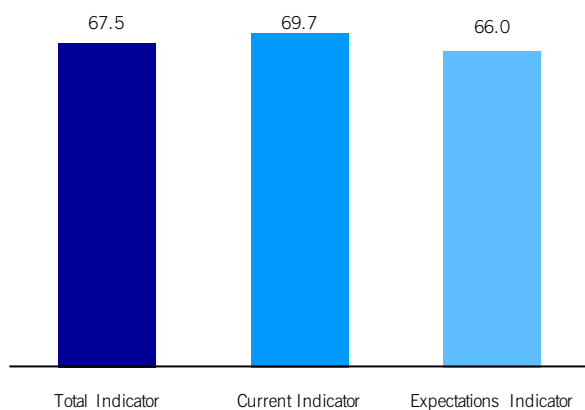
Current and Expectations Indicators



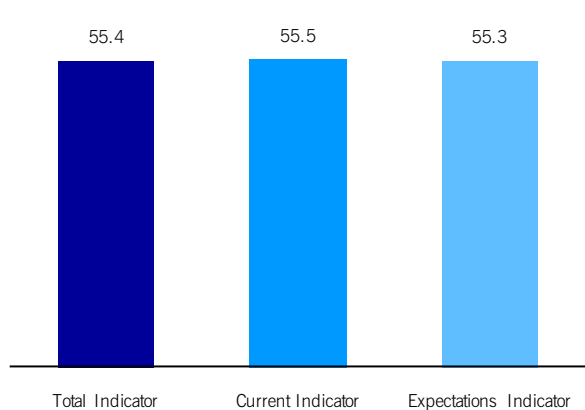
MNI Russia Consumer Indicator

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
MNI Russia Consumer Indicator	99.3	81.7	85.3	80.7	76.6	79.8	67.5
Current	102.0	81.6	88.2	85.4	72.5	80.6	69.7
Expectations	97.5	81.8	83.4	77.5	79.2	79.2	66.0

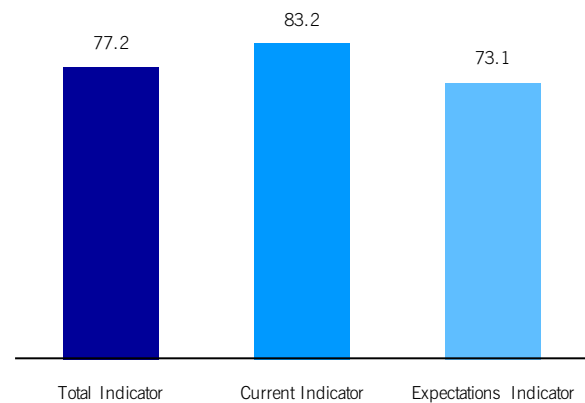
All Russia



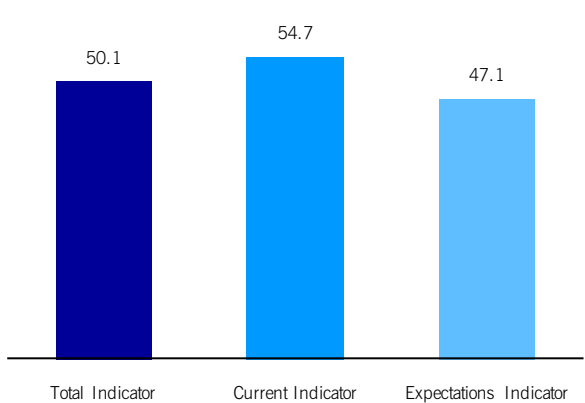
West Siberian



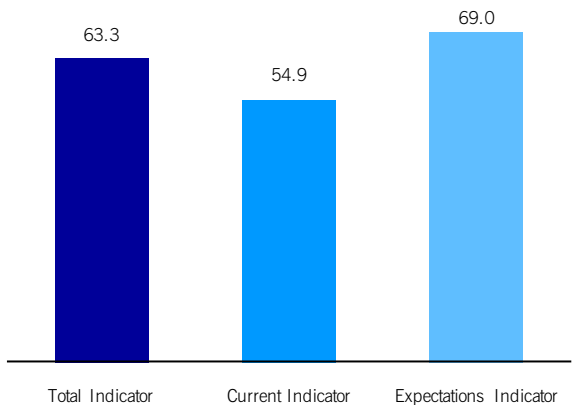
Central Russia



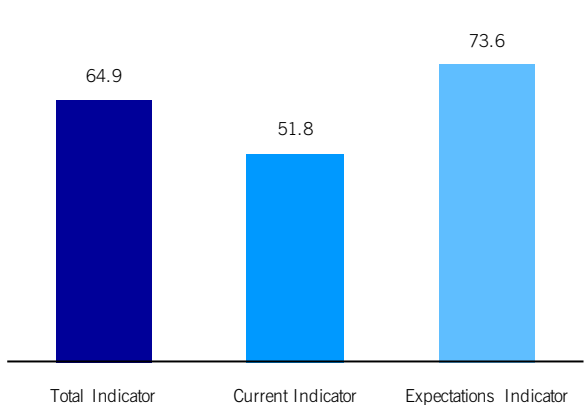
Volga



Urals



North Caucasus





basis points to 15% on January 30, the cost of credit is still prohibitively high and will continue to weigh on consumer spending throughout 2015. Indeed, this view is shared by our panel whose expectations for interest rates in the coming 12 months were the highest on record.

Spending has also been affected by dire household finances; 80% of our panel reported that their financial situation had worsened in January compared with a year ago, the highest level on record. While respondents' falling incomes were mainly to blame, the high level of inflation is also eating away a large part of household finances, with dissatisfaction with the current level of prices at the highest level since the survey started in March 2013. Moreover, the sharp increase in inflation expectations to a record high suggests that inflation will continue to increase over the course of 2015.

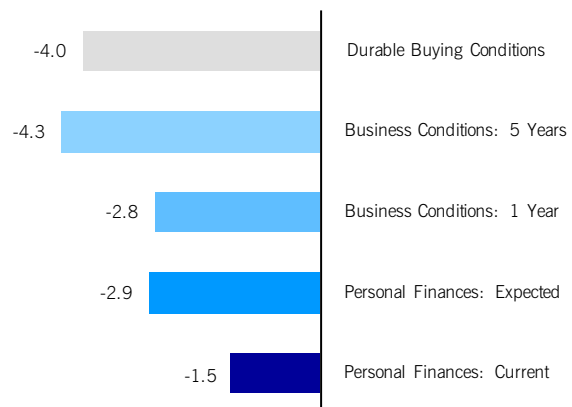
The Current Indicator, which measures consumers' assessment of current conditions, fell to a series low of 69.7 in January from 80.6 in December, while the Expectations Indicator, which is made up of the three forward-looking components, fell to an all-time low of 66.0 from 79.2 in the previous month.

Latest official data revealed that the Russian economy shrank by 0.5% in November, the first contraction since October 2009. Growth is expected to have been negative in the final quarter of 2014 as well, hit by the lower oil prices and western economic sanctions. This view is supported by the MNI Russia Consumer Indicator, which averaged 79.0 in the three months to December, the lowest level in the survey's history. The further deterioration in the headline indicator to a new record low in January, meanwhile, suggests that the downturn in the Russian economy is gathering pace and sets the tone for the remainder of 2015.

Regions

Consumer sentiment fell to a series low in all major regions in Russia in January.

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



Among the five regions surveyed, confidence was lowest in the Volga region where the Consumer Indicator fell to a record low of 50.1 in January from 78.5 in the previous month. With a sharp deterioration in satisfaction with current prices, consumers were far less willing to make a big-ticket purchase in January.

In contrast, sentiment was highest in the Central region in spite of the Consumer Indicator falling to a series low of 77.2 in January from 84.3 in December. Four of the five components that make up the headline indicator declined to a series low and the decline in sentiment was led by the deterioration in consumers' short-term outlook for business conditions.

Age

Consumer sentiment deteriorated to a record low across all three age groups in January.

Consumer confidence among the youngest age group deteriorated the most out of the three groups in January. The Consumer Indicator for the 18-34 year



old age range declined by 16.7% to an all-time low of 67.3 in January from 80.8 in December. All five components of the headline indicator declined to series lows, led by a deterioration in consumers' long-term expectations for the business environment. There were double digit falls in expectations about future Personal Finances, Business Conditions in a Year's time and consumers' willingness to purchase big-ticket items.

Sentiment among the 35-54 year old age range fell by 15.2% to a record low of 67.5 from 79.6 in December. Consumers were much more pessimistic in their expectations for business conditions in five years, closely followed by a reduced appetite to purchase large household goods.

The Consumer Indicator for 55-65 year olds declined by 10% to 68.6 in January from 76.3 in December. While consumers' expectations for the business environment in five years rose this month, they had a much poorer outlook for short-term business conditions which led the worsening in overall sentiment for this age group. Consumers were also less confident about both their current and expected household finances.

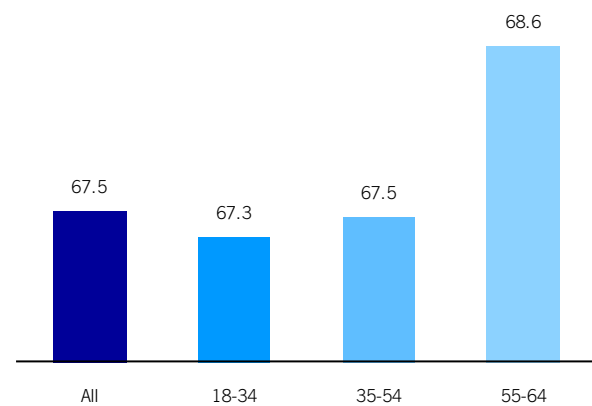
Income

Consumer confidence deteriorated to a record low among both high and low-income households in January.

Consumer confidence for households with an average annual income under RUB 480,000 fell to a series low 62.9 in January from 77.1 in December. All five components declined on the month, of which four hit a series low, led by a worsening in the long-term outlook for business conditions while consumers were most pessimistic about short-term business conditions.

For households with an average annual income above RUB 480,000, consumer confidence fell to a fresh

Consumer Indicator: Age Groups



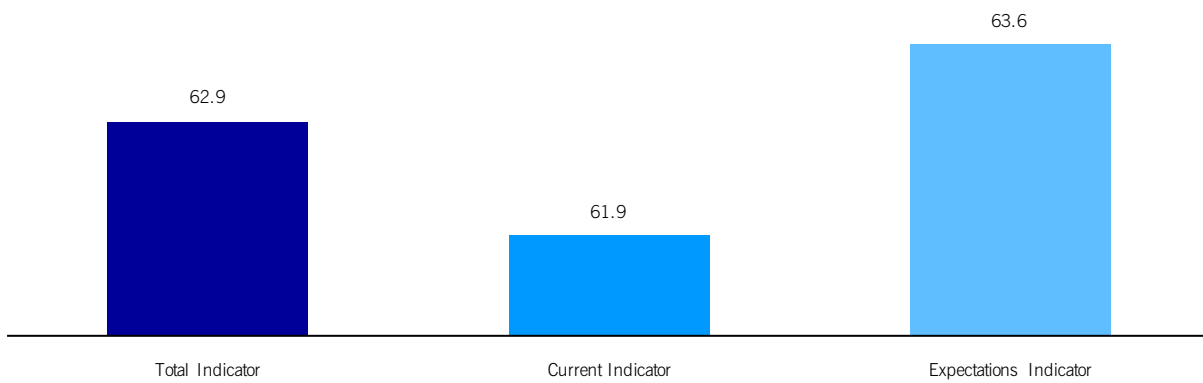
series low of 74.0 in January from the previous all-time low of 83.4 in December. Willingness to purchase large household items fell by double-digits to a two-month low to below the 100 mark, while the remaining four components all declined to series lows.

Compared with the previous year, confidence was 36.9% down among lower income households, while for higher income households it was 25.1% lower. On average, confidence remains greater for higher income households. Our survey has shown that lower income households have been hit harder by the current political and economic tensions.

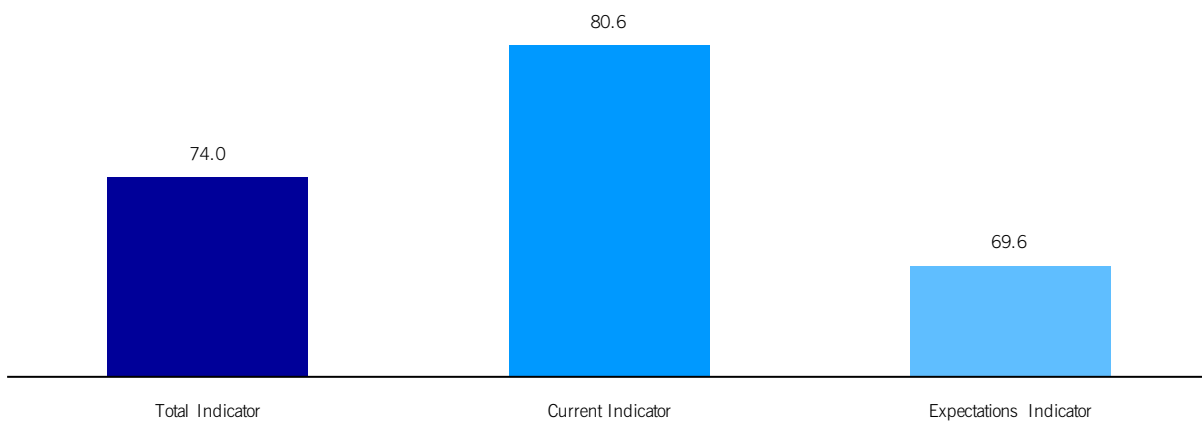
MNI Russia Consumer Indicator Income Groups



< RUB 480,000 Per Annum



> RUB 480,000 Per Annum



MNI Russia Consumer Indicator

Main Cities



The Consumer Indicator declined further into contraction in all ten major cities surveyed and hit a series low in eight of them.

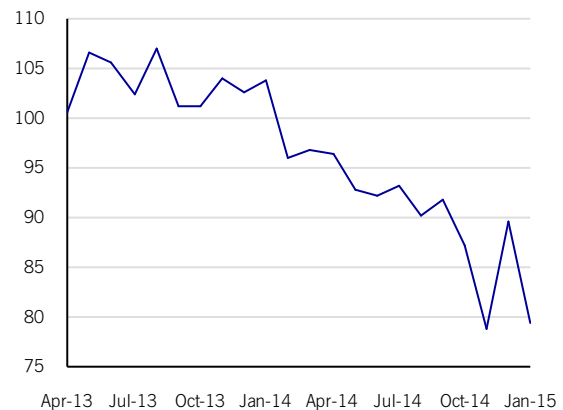
In the capital, Moscow, consumer sentiment fell to 79.4 in January from 89.6 in the previous month, the lowest since November 2014. The Durable Buying Conditions Indicator fell to the two-month low, it was the only component to not decline to a series low in January. There were sharper falls in consumers' expectations about future business conditions, with short-term expectations for business conditions leading the fall in overall consumer sentiment.

In Saint Petersburg, the second largest city in Russia, consumer sentiment fell to an all-time low of 77.9 in January from 90.9 in December. All five components of the headline indicator fell to record lows, led by a decline in current household finances.

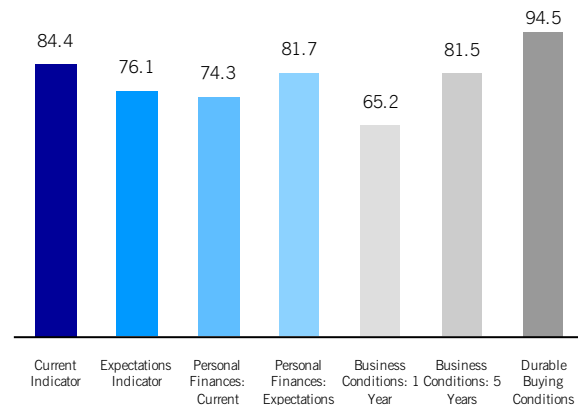
Consumer confidence in Novosibirsk, the third largest city by population in Russia, fell to a series low of 65.2 in January from 74.2 in December. Consumers' expectations surrounding the business environment in five year's time deteriorated the most, while the Durable Buying Conditions Indicator was the only one to rise on the month, although remained below 100.

Out of all ten major cities surveyed, consumer sentiment worsened the most in Yekaterinburg, the fourth-largest city by population in Russia, where the Consumer Indicator fell to a record low of 63.4 from 79.6 in December. All components posted double-digit falls to series lows this month, with the decline in the sentiment jointly led by Current Personal Finances, Business Conditions in One Year and Durable Buying Conditions.

Consumer Indicator - Moscow

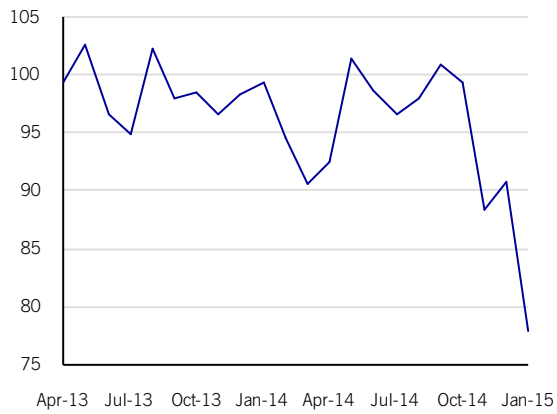


Consumer Indicator Components - Moscow

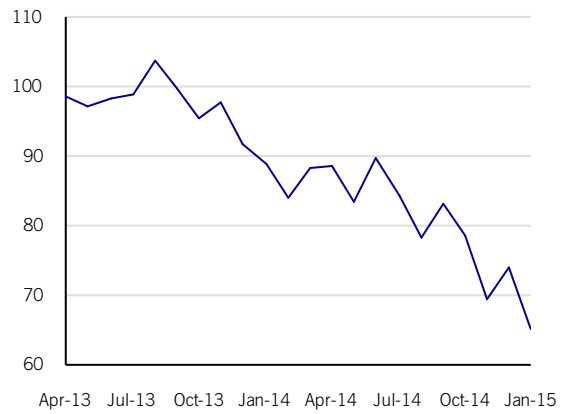




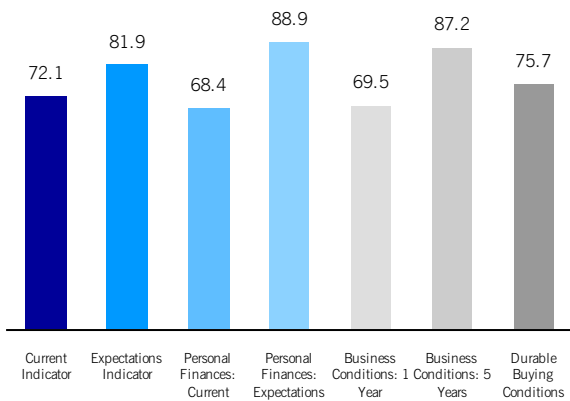
Consumer Indicator - Saint Petersburg



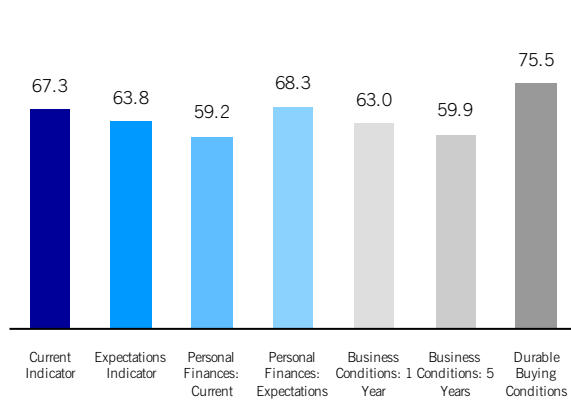
Consumer Indicator - Novosibirsk



Consumer Indicator Components - Saint Petersburg



Consumer Indicator Components - Novosibirsk



Personal Finances Worsen Significantly



With the job market deteriorating and inflation accelerating, household finances deteriorated to the worst level in the survey's history and consumers were more pessimistic than ever about their expectations for the future.

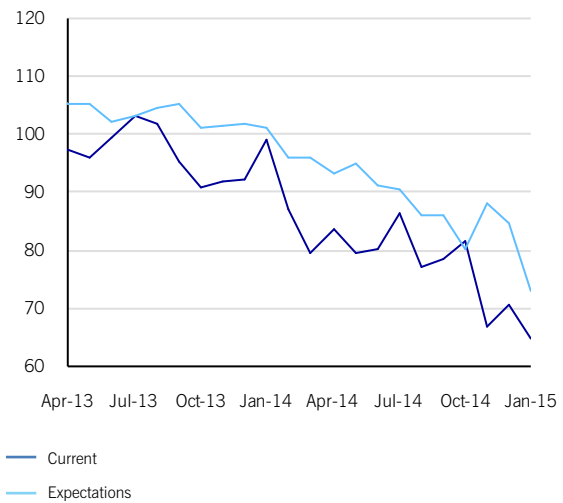
The Current Personal Finances Indicator, which measures whether households are better or worse off than a year ago, fell to a record low of 64.9 in January from 70.8 in December. Consumers' personal finances have significantly weakened over the past year and in January they were 34.7% below the level seen a year ago.

More than 80% of respondents reported that their Current Personal Finances worsened in January, the majority of whom cited a fall in their income as the main reason behind the deterioration of their financial situation. Official statistics showed that real wages fell by 4.7% on the year in December after shrinking by 1.2% in November, the largest decline since September 2009.

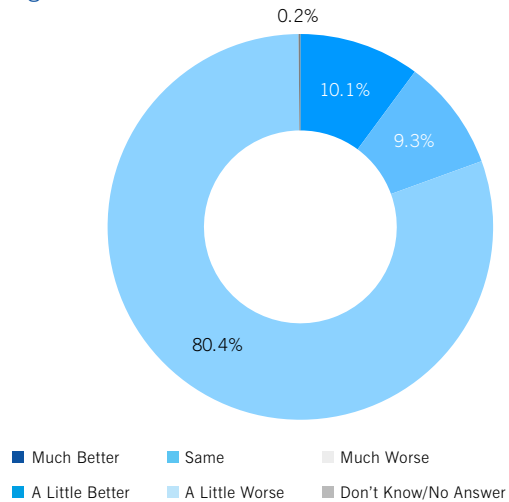
Over the course of 2014, high inflation and a weak rouble has hit disposable income and savings, a trend which appears likely to continue in 2015. In January, almost all respondents spent 70-100% of their monthly household income on daily expenses, the highest in the history of the survey, while almost 30% of our panel reported that they were not saving any of their monthly income.

Expected Personal Finances, which measures households' finances in a year's time, fell to 73.3 in January from 84.7 in December, significantly below the series average of 95.8.

Personal Finances



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



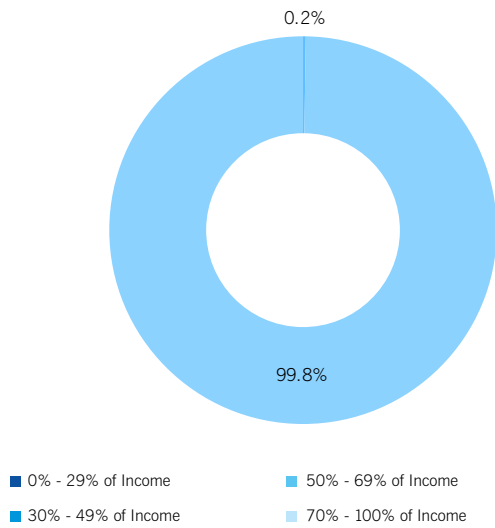
Personal Finances

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Current	99.3	77.1	78.8	81.7	67.0	70.8	64.9
Expectations	101.2	86.2	86.2	80.4	88.2	84.7	73.3

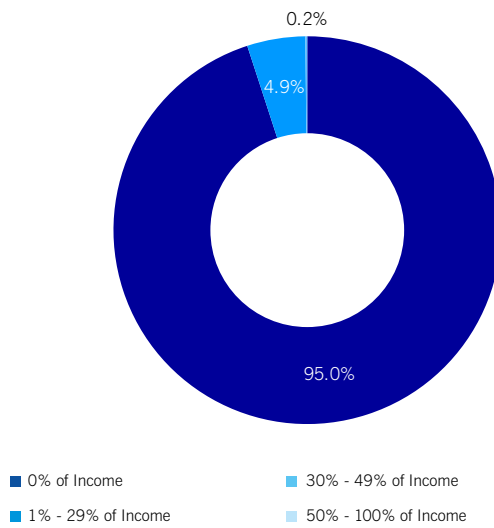
How Households Spend their Money



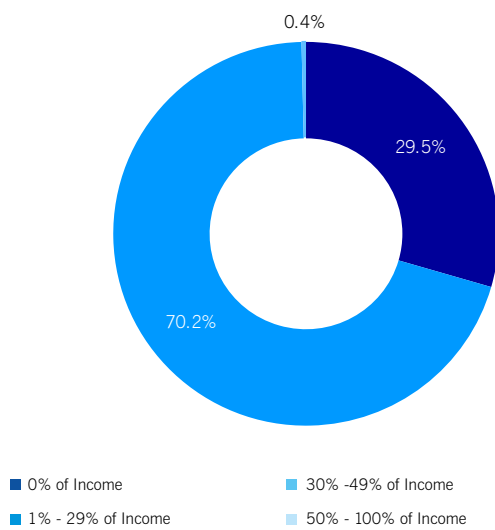
Daily Expenses
(% of Households)



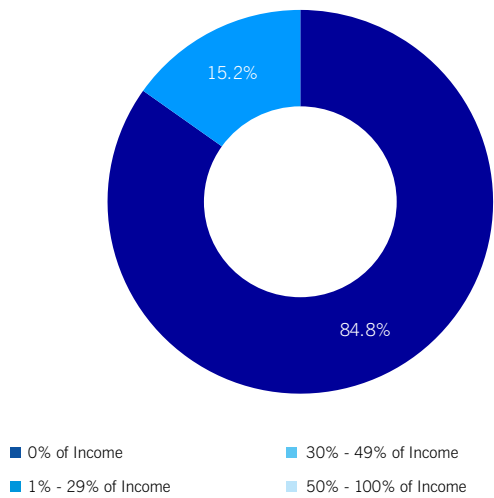
Monthly Household Income Used for Large Loan Repayment
(% of Households)



Monthly Household Income Used for Savings
(% of Households)



Monthly Household Income Used for Investments
(% of Households)



Business Conditions

Worsen as Uncertainty Grows



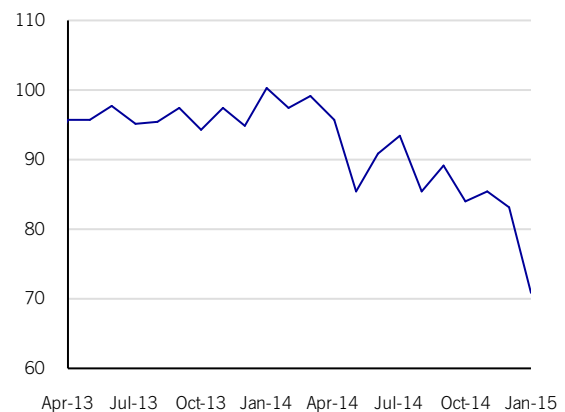
With little sign of economic sanctions being lifted in the short-term combined with the persistent weakness of the rouble, respondents reported that current business conditions were in the worst state since the survey began in March 2013.

The Current Business Conditions Indicator, which measures respondents' views on the state of business compared with a year earlier, fell to a record low of 71.0 in January from a previous low of 83.2 in December. More than half of respondents thought that business conditions were poor, while 37.6% of our panel thought that conditions were only fair.

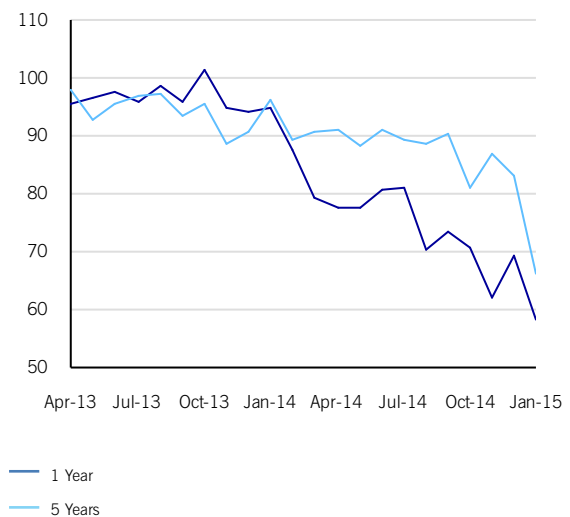
Following the annexation of Crimea and the conflict in Eastern Ukraine, Western nations implemented economic sanctions against Russia's finance, energy and weapons industries. In retaliation, Russia introduced a ban on certain food imports from the West. Relations between Russia and the West are very strained, making the likelihood of a reversal in policy by either party very slim in the medium-term, while an escalation in the conflict in Ukraine has prompted Western nations to consider additional sanctions.

Expectations about Business Conditions in One Year fell to an all-time low of 58.6 in January from 69.6 in December. Short-term expectations for business conditions which started trending down since last January now stand 38.4% below the level seen a year earlier.

Current Business Conditions Indicator



Expected Business Conditions



Business Conditions

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Current	100.3	85.5	89.2	84.2	85.4	83.2	71.0
In 1 Year	95.1	70.5	73.5	71.0	62.3	69.6	58.6
In 5 Years	96.4	88.6	90.4	81.2	87.2	83.4	66.2

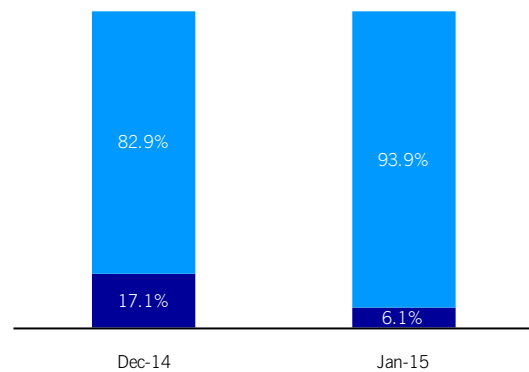
Business Conditions in 1 Year



Consumers were also increasingly pessimistic about long-term business conditions, likely because the majority of consumers anticipate that the current downturn will have lasting repercussions on Russia's business environment. The Expectations for Business Conditions in Five Years Indicator fell to a series low of 66.2 in January from 83.4 in December.

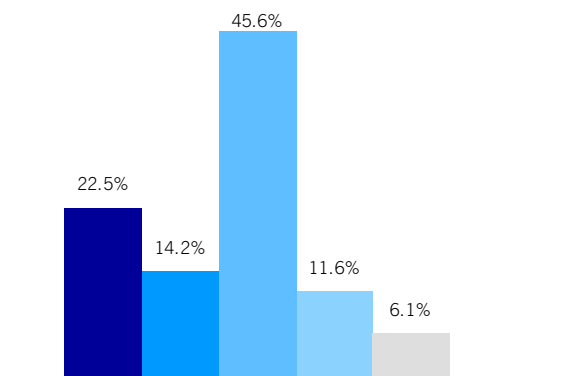
Respondents from all ten major cities surveyed were more pessimistic than ever before about longer term business conditions, with residents of Samara being the least hopeful about future business conditions.

All Russia



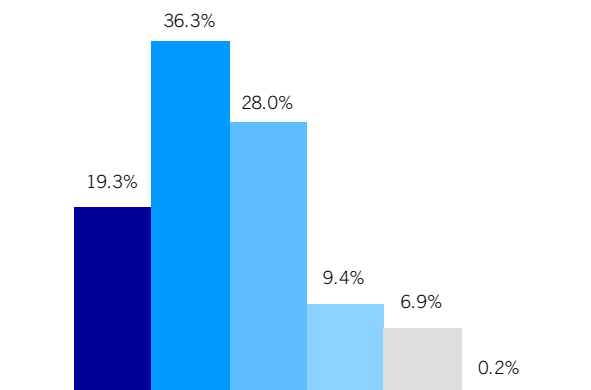
■ Better
■ Worse

All Russia, Reasons for Better



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

All Russia, Reasons for Worse

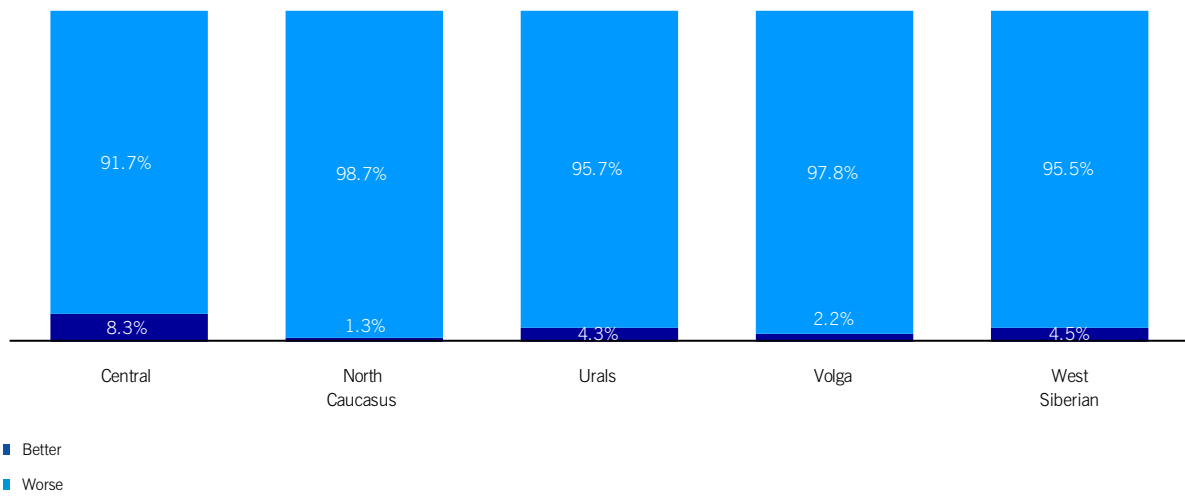


■ Government/Policy
■ Econ. Development
■ Income/Employment
■ Resource/Environment
■ Social Stability/ Security
■ Events

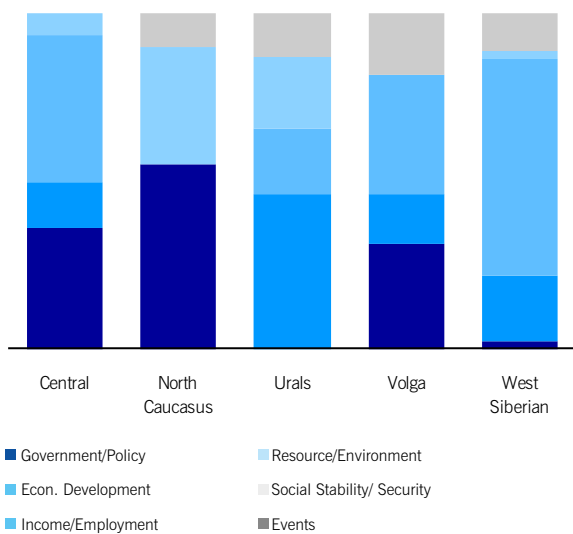


Business Conditions in 1 Year Regions

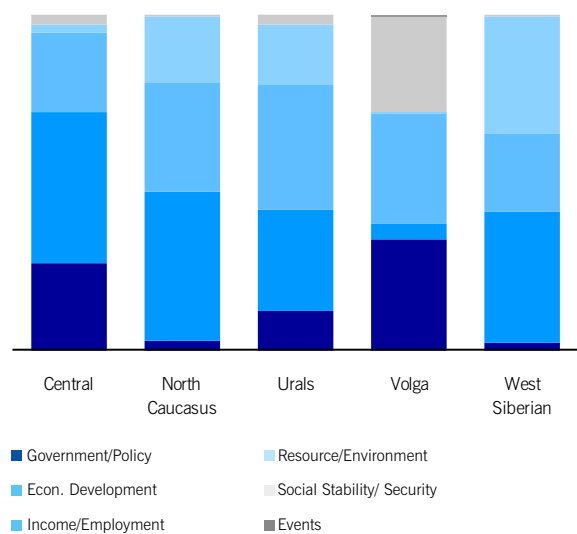
Business Expectations: Worse or Better?
(% of Respondents)



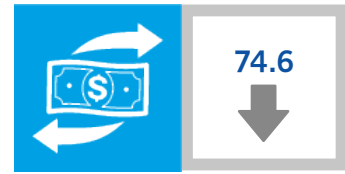
Reasons for Better
(% of Respondents)



Reasons for Worse
(% of Respondents)



Durable Buying Conditions Decline to a Record Low



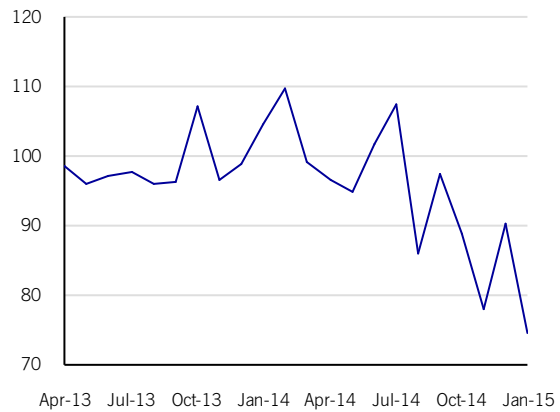
Following the panic buying in December, willingness to purchase big-ticket items fell to a record low in January as weak household finances, the heightened cost of credit and the impact of the weak rouble on the cost of imported goods restrained consumers' purchasing power.

At its latest policy meeting on January 30, the Central Bank of Russia chose to cut the benchmark interest rate by 200 basis points to 15%, bringing the total rise since the onset of the Ukraine Crisis in February 2014 to 950 basis points. Even with the latest rate cut, the dramatic policy tightening by the CBR has considerably raised the cost of credit for consumers which will likely continue to weigh on consumers' appetite for big-ticket items throughout 2015.

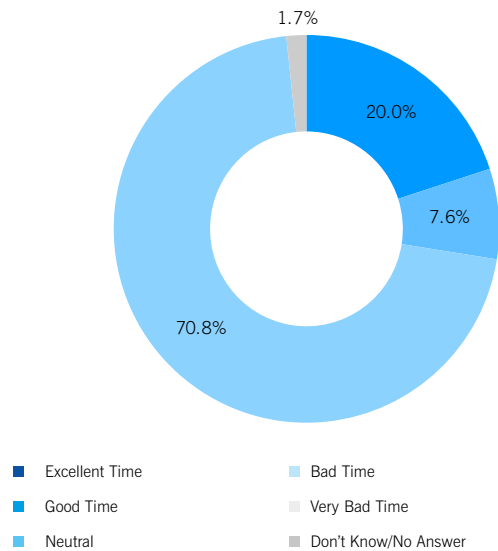
Willingness to purchase a large household item rose significantly in December as consumers looked to place their roubles into "investments" as the Russian currency crisis moved up a gear. In January, however, the Durable Buying Conditions Indicator deteriorated to a record low of 74.6 from 90.4 in December.

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 remained below the 100 level in January for the sixth consecutive month and was around 28.8% below the level seen a year ago.

Durable Buying Conditions



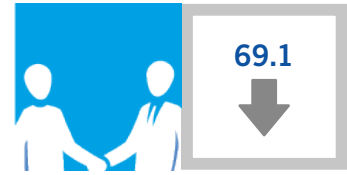
Is It a Good or Bad Time to Buy Large Household Goods? (% of Households)



Durable Buying Conditions

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Durable Buying Conditions	104.7	86.0	97.7	89.1	78.1	90.4	74.6

Employment Outlook Plummets to All-Time Low



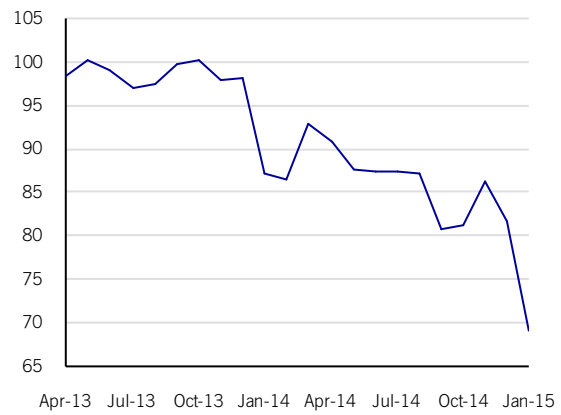
Consumers became increasingly pessimistic about their outlook for the job market, as concerns surrounding the slowdown of the Russian economy mounted.

The Employment Outlook Indicator, which gauges opinion on the outlook for the employment market over the next 12 months, fell to 69.1 in January from 81.8 in December. More than half of respondents thought that the employment market would worsen over the next 12 months, while around a third thought that it would remain the same.

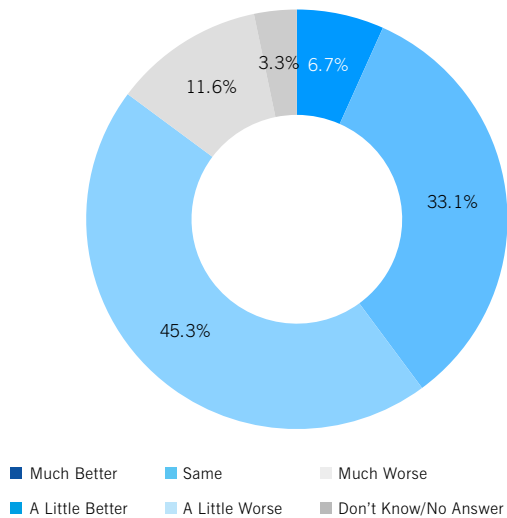
Views on the labour market have deteriorated significantly over the past year, particularly since the onset of the Ukraine crisis, with expectations for the job market in January 24.2% below the series average.

Official statistics showed that the unemployment rate rose to an eight-month high of 5.3% in December from 5.2% in November. Results from the January edition of our sister survey on Moscow Exchange-listed Russian companies showed that employment conditions deteriorated to a one-year low, with companies choosing to scale back their workforce in light of the tough economic climate.

Employment Outlook Indicator



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



Employment Outlook

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Employment Outlook	87.2	87.4	80.9	81.4	86.4	81.8	69.1

Prices Sentiment

Inflation Expectations Reach All-Time High



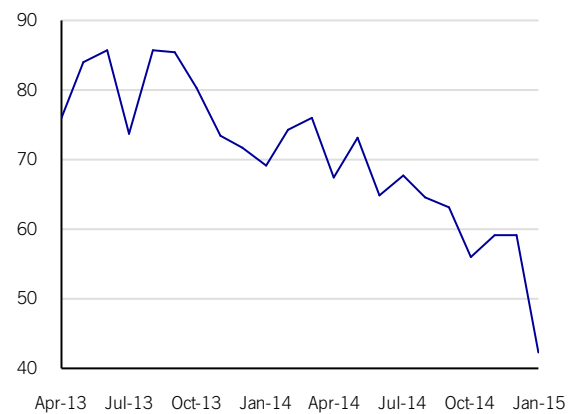
With the ban on Western food imports and record low rouble continuing to push up prices, dissatisfaction with the current cost of living was at an all-time high in January while expectations for inflation over the next 12 months also ascended to an all-time high.

The Current Prices Satisfaction Indicator fell sharply to 42.3 in January from 59.3 in December, the lowest level in the survey's history. 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 January it was 40.6% below the series average, with 79.2% of respondents dissatisfied with the current level of prices.

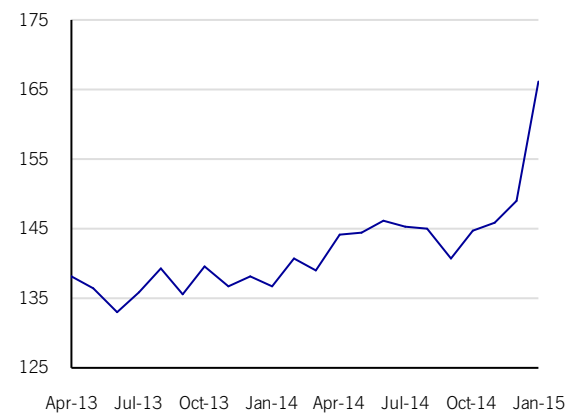
Official data showed that consumer price inflation accelerated to 15% on the year in January from 11.4% in December, the highest since September 2008. A ban on food imports from Western nations, in retaliation to sanctions placed upon Russia, caused food price inflation to reach 20.7% on the year in January which makes up more than a third of the basket.

The inflation expectations of our panel, which closely match the trend in consumer price inflation, rose considerably this month suggesting the trend in accelerating inflation is unlikely to subside in the near-term. The indicator measuring consumers' expectations for inflation in 12 months' time rose to a record high of 166.4 in January from 149.1 previously. Inflation expectations have trended upwards since the start of the survey in March 2013 and in January they were substantially above the series average of 141.5.

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



Prices Sentiment

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Satisfaction with Current Prices	69.4	64.8	63.4	56.1	59.2	59.3	42.3
Inflation Expectations	136.9	145.1	140.9	144.7	145.9	149.1	166.4

Prices Sentiment Regions



Since the onset of the Ukraine crisis in February 2014, the Central Bank of Russia has raised the official interest rate by a total of 950 basis points to 15% in a bid to control inflation and stabilise the rouble. Under the central bank's most recent baseline scenario, inflation is forecast to remain above 10% throughout 2015 and is not anticipated to fall to the medium-term target of 4% until the end of 2017.

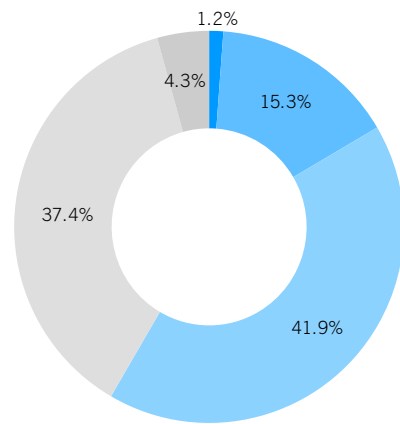
Since October 2013, most respondents had thought prices would rise between 11-24% over the next year, but this has changed in recent months with most consumers now expecting higher price increases. In January, more than a third of respondents believed that prices would rise by 25% or more over the next year.

Regions

Satisfaction with Current Prices fell in all five regions this month and hit all-time lows in the Central, North Caucasus and West Siberian regions. Price sentiment was lowest in West Siberian where more than 90% of our panel were discontent with prices and not one single respondent was satisfied.

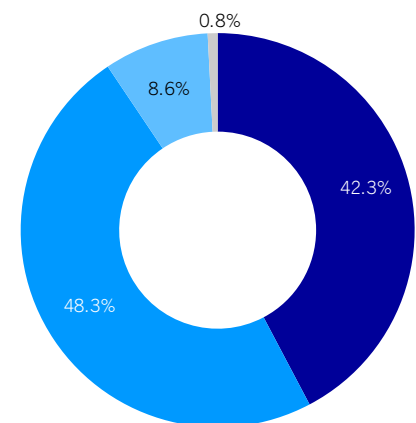
Expectations for inflation hit record highs for all regions apart from in Volga. There was a sharp rise in inflation expectations among consumers in the West Siberian region, pushing the indicator to the highest level of all five regions. Almost 95% of respondents in the West Siberian region expected prices to rise over the next 12 months, more than a third of whom expected that prices would rise by 25% or more.

Satisfaction with Current Prices
(% of Households)



- Very Satisfied
- So So
- Not Satisfied At All
- Quite Satisfied
- Not Very Satisfied
- Don't Know/No Answer

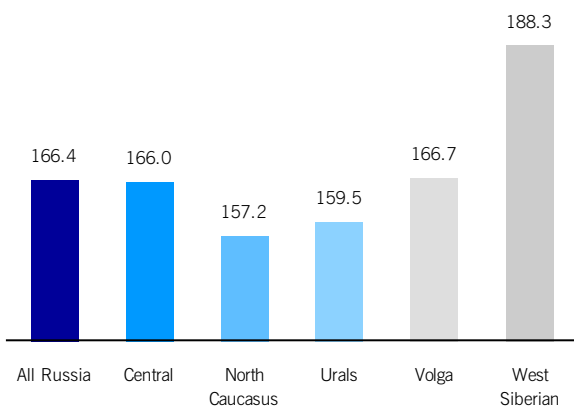
Inflation Expectations in 12 Months
(% of Households)



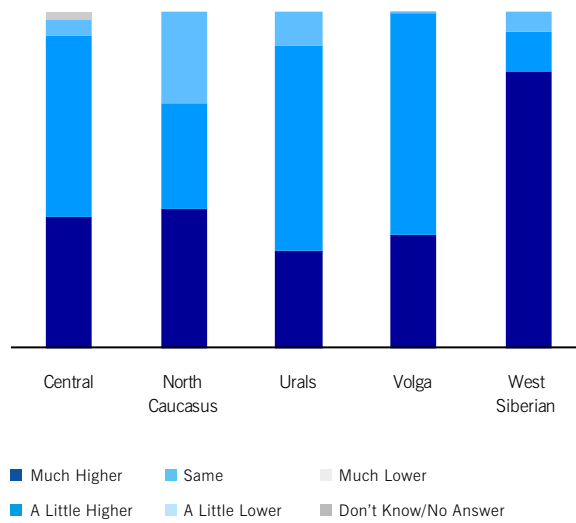
- Much Higher
- Same
- Much Lower
- A Little Higher
- A Little Lower
- Don't Know/No Answer



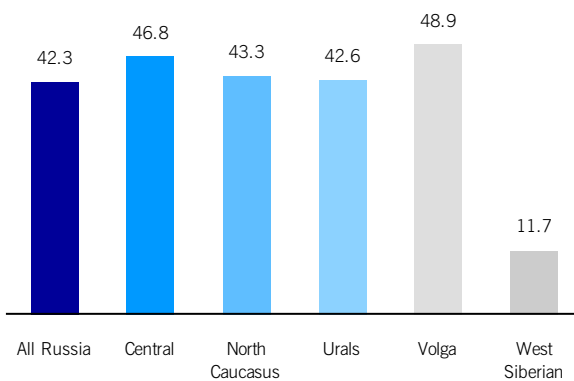
Inflation Expectations Indicator



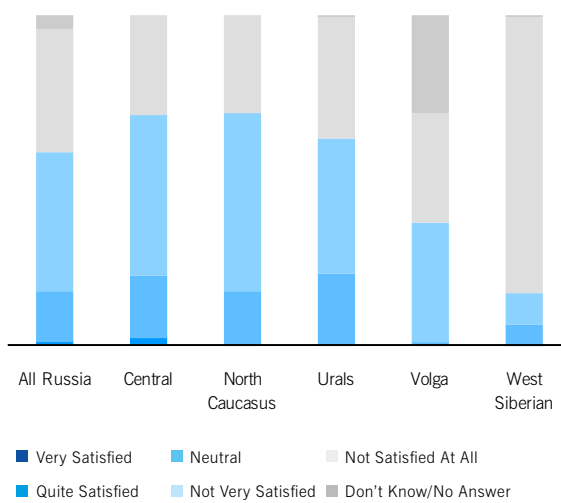
Expected Change in Prices in 1 Year (% of Households)



Current Prices Satisfaction Indicator



Satisfaction with Current Prices (% of Households)



Interest Rate Expectations

December Rate Hike Raises Expectations



In light of the dramatic rate hike by the Central Bank of Russia in December, consumers sharply raised their expectations for interest rates to the highest in the survey's history.

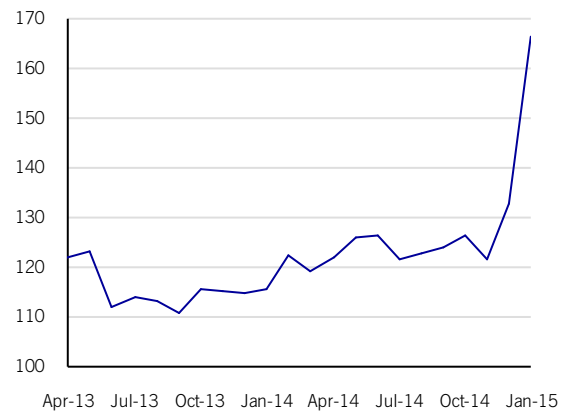
The Interest Rate Expectations Indicator rose to a series high of 166.6 in January from the previous high of 132.9 in December and was 43.8% higher than the level recorded a year earlier. The indicator has remained above 100 since the survey started in March 2013, indicating that more households expected interest rates to rise than fall in the coming year.

Since the onset of the Ukraine crisis in February 2014, the Central Bank of Russia has raised the benchmark interest rate by a total of 950 basis points. Most recently, the CBR cut the key interest rate by 200 basis points to 15% at its meeting on January 30, which was after our survey period had closed. Previously, the CBR surprised markets with a hike of 650 basis points in the very early hours of the morning on December 16.

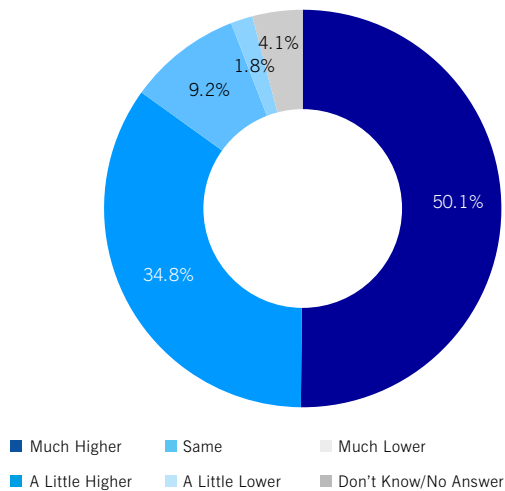
The CBR is due to meet next on March 13 where it is widely expected to retain the current level of interest rates. Even so, given the mounting political pressure on the CBR, which some have speculated was the reason behind the policy reversal at the January meeting, there is a possibility that the CBR will cut the current interest rate further.

In January, around 85% of our panel expected interest rates on home and car loans in a year's time to be higher, considerably above the 50% who did in December, while less than the 10% of respondents expected interest rates to remain the same.

Interest Rate Expectations Indicator



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



Interest Rate Expectations

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Interest Rate Expectations	115.9	123.0	124.2	126.6	121.7	132.9	166.6

Real Estate Investment House Buying Sentiment Worsens



Confidence surrounding the real estate market moderated in January following a boost in December. Even though the majority of our panel expected house prices to rise in the next six months, more respondents considered it to be a bad time to buy a house.

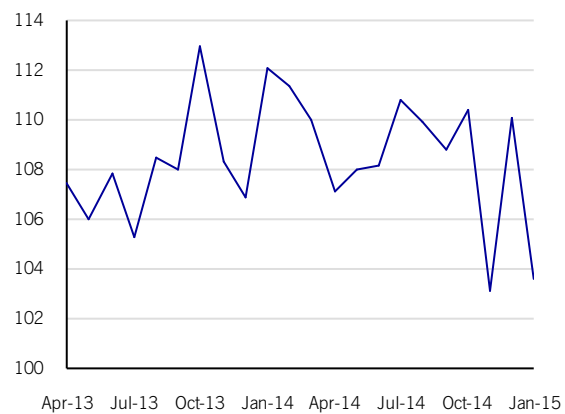
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment) declined to 103.6 in January from 110.1 in December.

The House Price Expectations component, which measures the outlook for prices over the coming six months, declined to 144.8 in January from a series high of 149.5 in December, although remained above the outturn of 135.7 a year earlier.

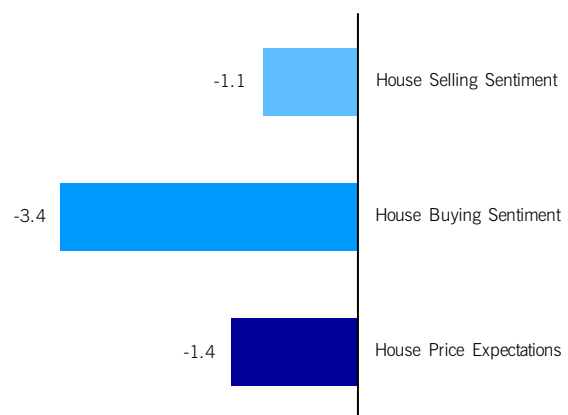
House Buying Sentiment declined to 72.2 in January from 83.4 in December. 25.2% of those who considered it a bad time to purchase a house cited insufficient income and purchasing power, while 24.7% reported that it was due to higher house prices.

More respondents than ever before believed it would be a good time to sell a house in the next six months. 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 has a negative impact on the overall House Price Indicator. House Selling Sentiment rose to an all-time high of 106.1 in January from 102.6 in December. This could be due to expectations that interest rates will continue to rise to prohibitively high levels, raising the cost of mortgages and therefore making houses more difficult to sell in the future.

Real Estate Investment Indicator



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



Real Estate Investment Sentiment

	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Real Estate Investment Sentiment	112.1	109.9	108.8	110.5	103.2	110.1	103.6
Price Expectations	135.7	144.7	148.2	146.1	142.0	149.5	144.8
House Buying	99.7	82.9	77.7	87.7	71.0	83.4	72.2
House Selling	99.0	97.8	99.5	102.4	103.5	102.6	106.1

Real Estate Investment Components and Balances

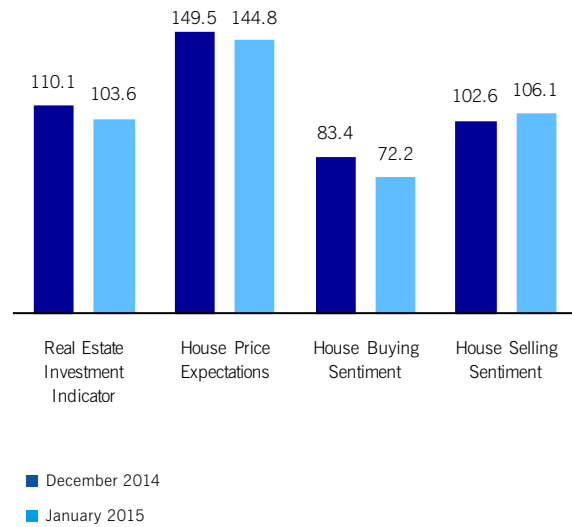


Regions

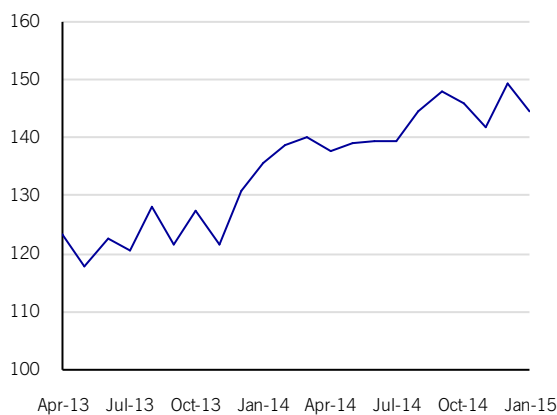
The Real Estate Investment Indicator worsened across all five regions in January. Even though sentiment fell to a record low in the Central Region, it was still above the 100 breakeven mark owing to expectations that house prices will rise over the next six months in the region.

Sentiment was lowest in the North Caucasus region after a sharp rise in the proportion of house buying pessimists causing overall real estate sentiment to fall below the 100 level.

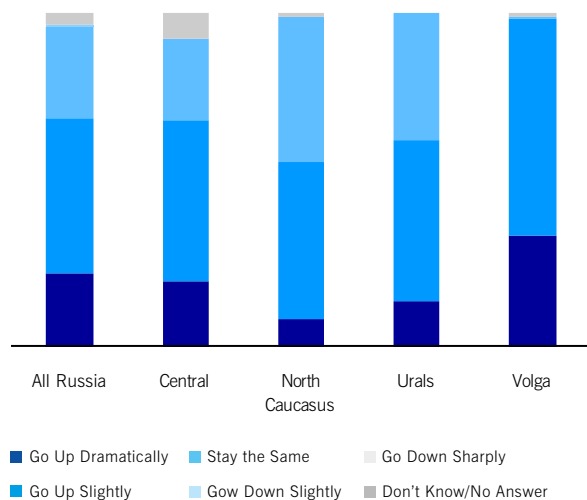
Real Estate Investment Indicator - Components



Real Estate Prices: Expected Changes in the Next 6 Months

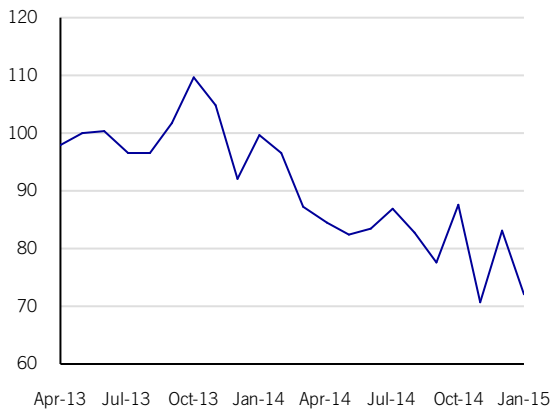


Expected Changes in Real Estate Prices in the Next 6 months (% of Households)

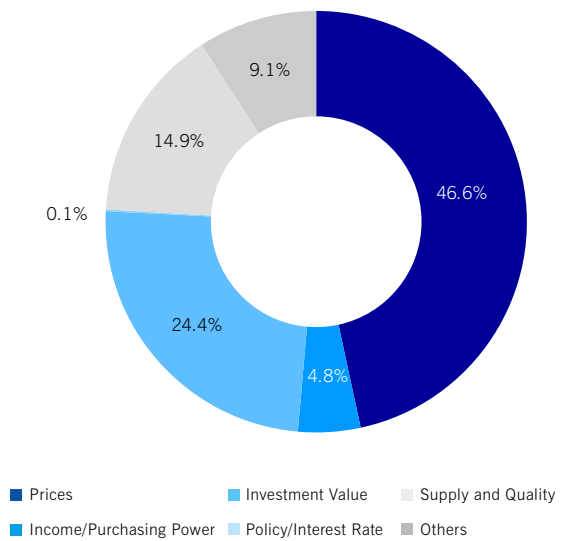




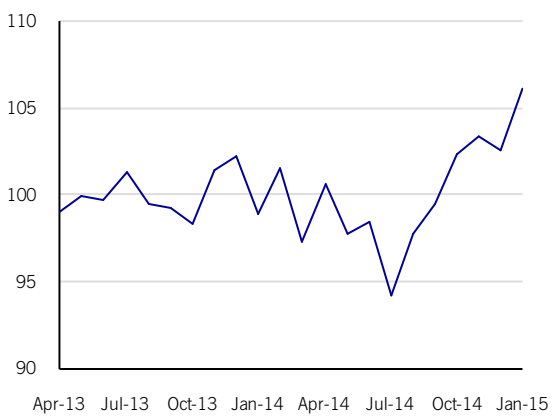
House Buying Sentiment



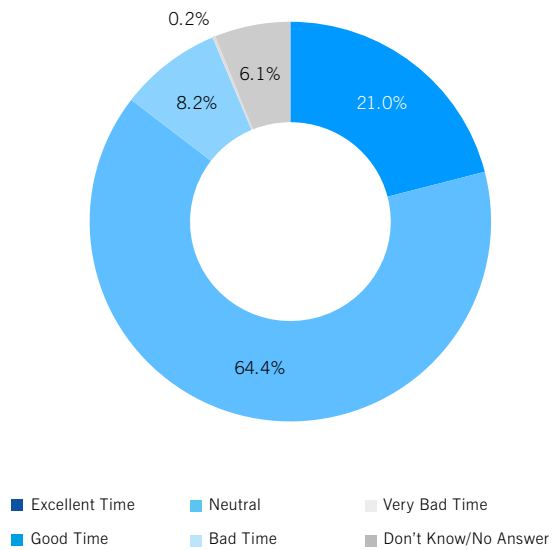
Reasons for Buying Houses (% of Households)



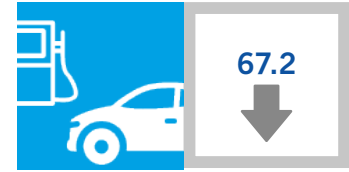
House Selling Sentiment



Timing for Selling Houses (% of Households)



Car Purchase Plummets to Series Low



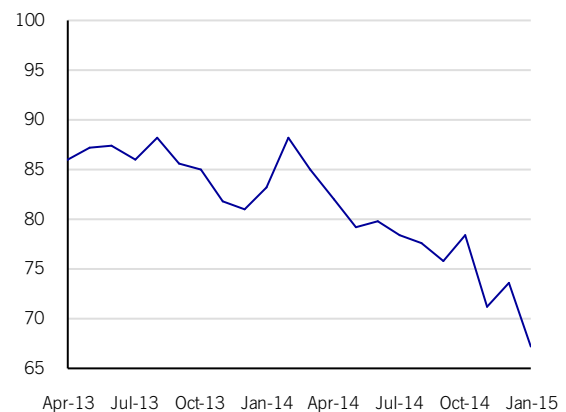
Potential car purchasers thought that 2015 would be the worst year in the history of the survey as expectations for the price of gasoline reached an all-time high, outweighing the attraction of a government scrappage scheme incentivising the sales of new vehicles.

The Car Purchase Indicator, which is made up of two components (Car Purchase Expectations and Expectations for the Price of Gasoline), deteriorated to a record low of 67.2 in January from 73.7 in December.

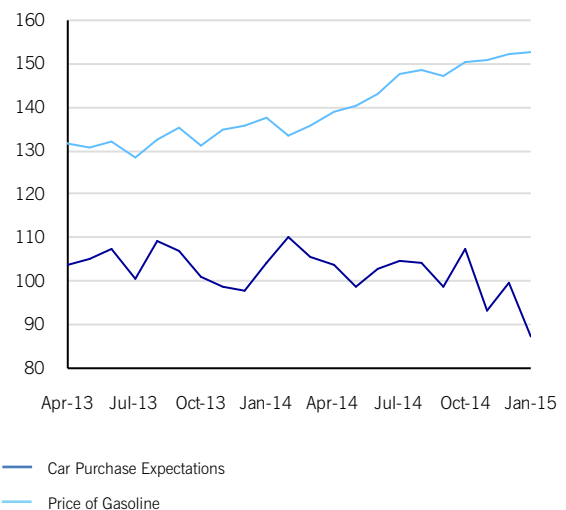
While respondents were divided about their opinion on purchasing a car in January, the number of pessimists far outweighed the number of optimists in January, causing the indicator to fall back into contraction. The Car Purchase Expectations component, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, slid by 12.6% in January to 87.4 after recovering to 100.0 in the previous month. 58% of respondents thought it would be a bad time to purchase a car in the next 12 months, the majority of whom were deterred from making a purchase by the high cost of use and upkeep of a car.

Some of the improvement in December could be attributed to the introduction of the government's car scrappage and trade-in scheme which was introduced at the beginning of September. Under this scheme, cars that are at least six years old can be demolished or traded in return for payment towards the purchase of a new car. Furthermore, the volatility of the rouble may also have been an influence, prompting

Car Purchase Indicator



Car Purchase Indicator - Components

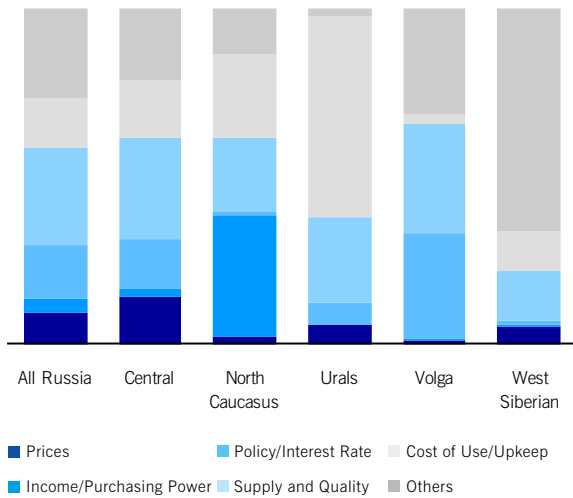


Car Purchase Sentiment

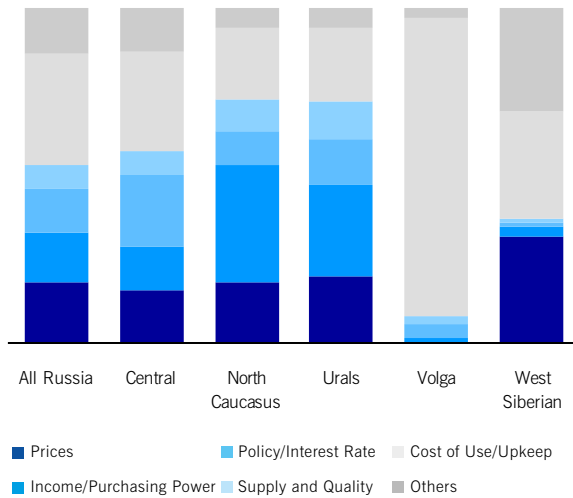
	Jan-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Car Purchase Sentiment	83.3	77.7	75.8	78.5	71.3	73.7	67.2
Car Purchase Expectations	104.4	104.2	99.0	107.7	93.6	100.0	87.4
Price of Gasoline	137.7	148.9	147.3	150.6	151.1	152.6	152.9



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



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



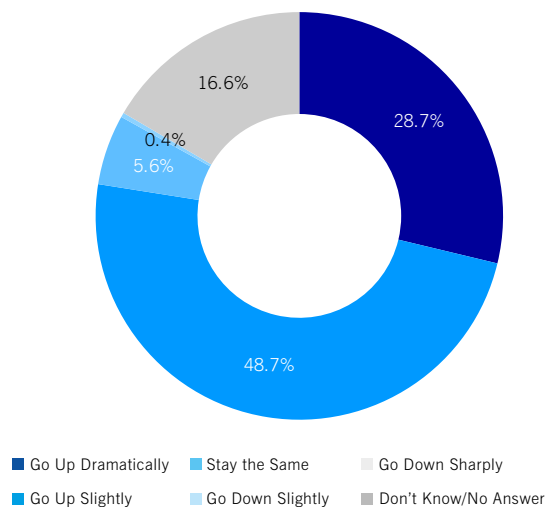
consumers to transfer their wealth into more stable assets such as automobiles.

Official data showed car sales rose 2.4% in December from a year earlier after contracting by 1.1% in the previous month. The improvement was likely the result of consumers bringing forward car purchases in anticipation of higher prices in 2015 as the slide in the rouble had yet to be priced in at the time.

While the slide in global oil prices has reduced gasoline prices in many countries, the extension of excise taxes on Russian gasoline production in 2015 means that consumers are likely to face higher fuel costs in the months ahead.

As a consequence, a greater proportion of Russian consumers expected gasoline prices to rise in the next 12 months. Expectations for the Price of Gasoline rose to a new series high of 152.9 in January from a previous high of 152.6 in December.

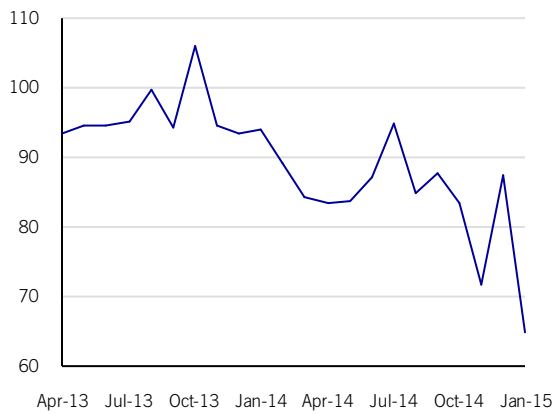
Expected Change in the Price of Gasoline
(% of Households)



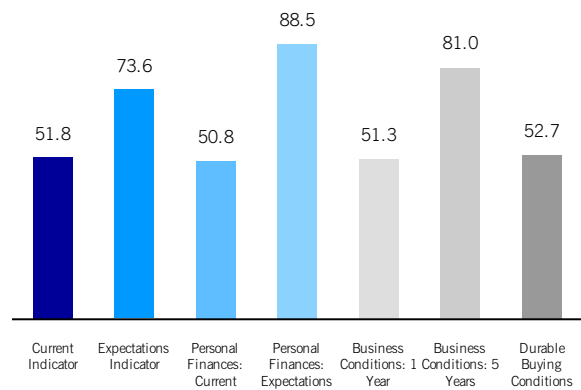
MNI Russia Consumer Indicator Regions



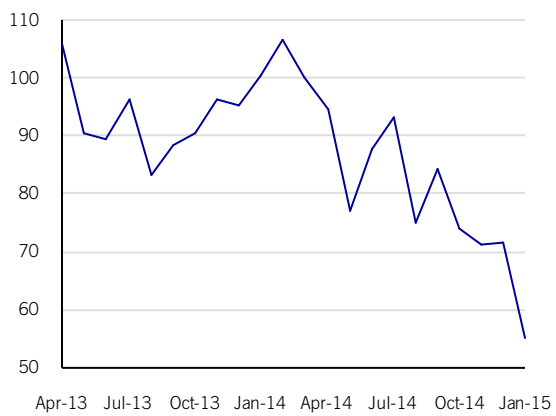
Consumer Indicator: North Caucasus



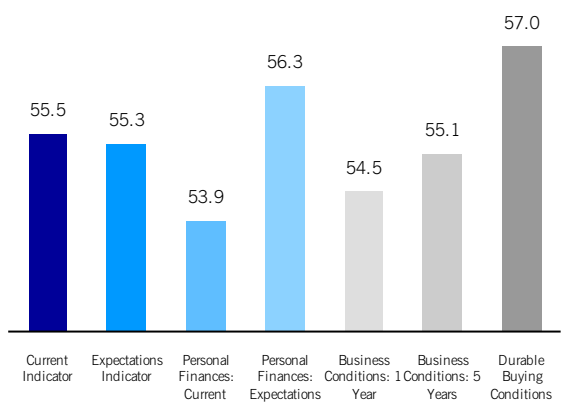
Consumer Indicator Components: North Caucasus



Consumer Indicator: West Siberian

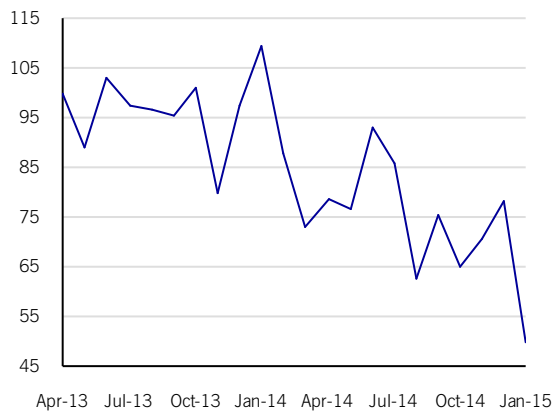


Consumer Indicator Components: West Siberian

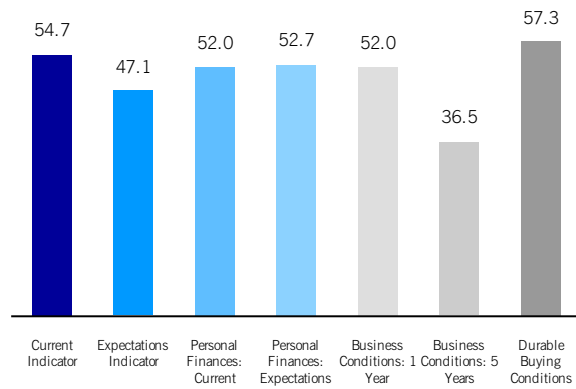




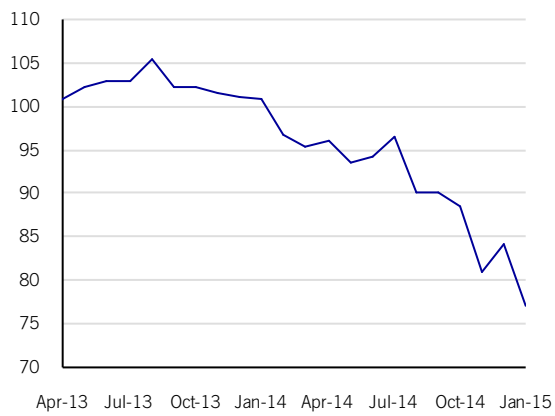
Consumer Indicator: Volga



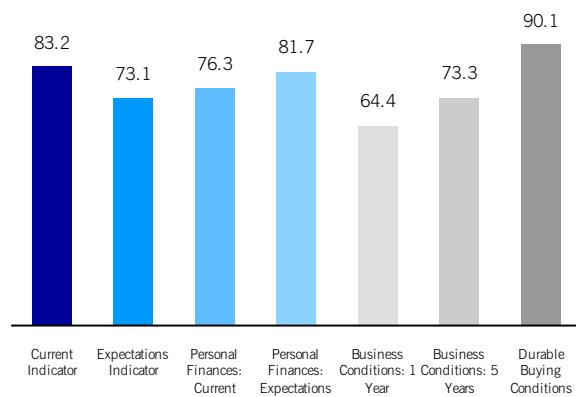
Consumer Indicator Components: Volga



Consumer Indicator: Central

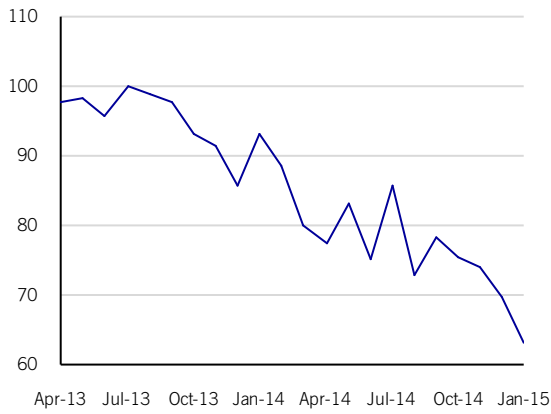


Consumer Indicator Components: Central

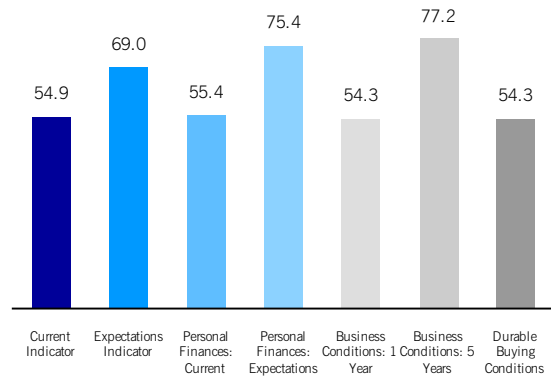




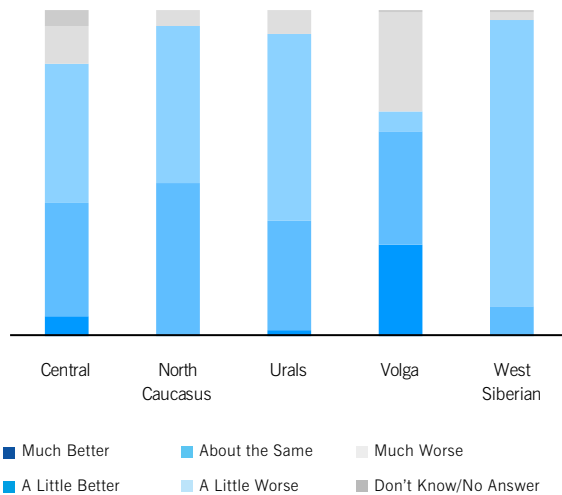
Consumer Indicator: Urals



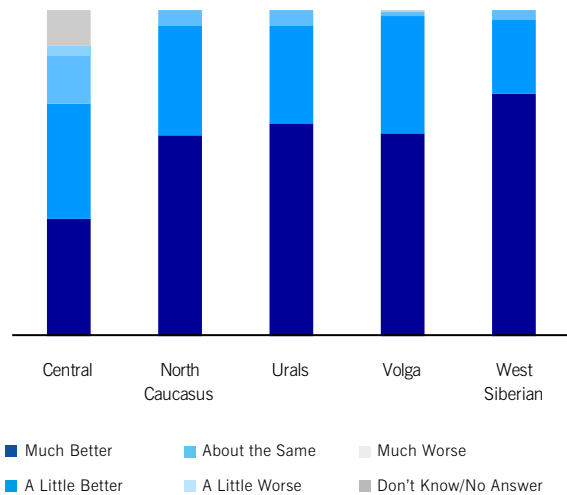
Consumer Indicator Components: Urals



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



Interest Rates Expectations Indicator (% of Households)

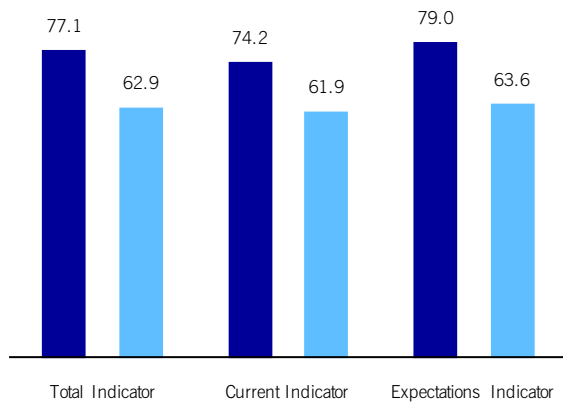




MNI Russia Consumer Indicator

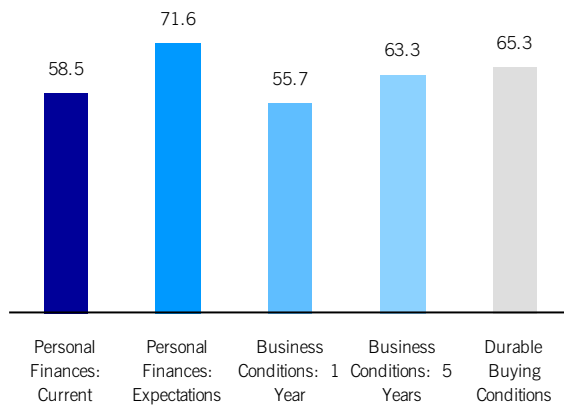
Income Groups

< RUB 480,000 Per Annum

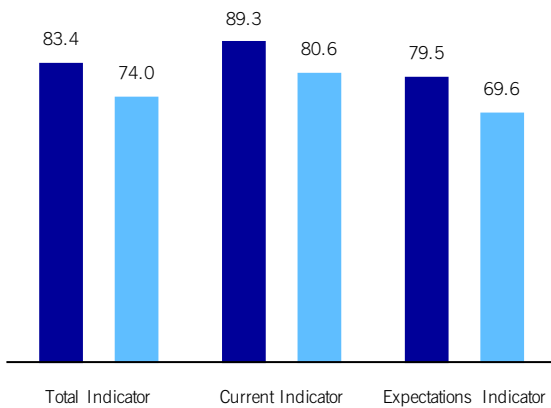


■ December 2014
■ January 2015

< RUB 480,000 - Components

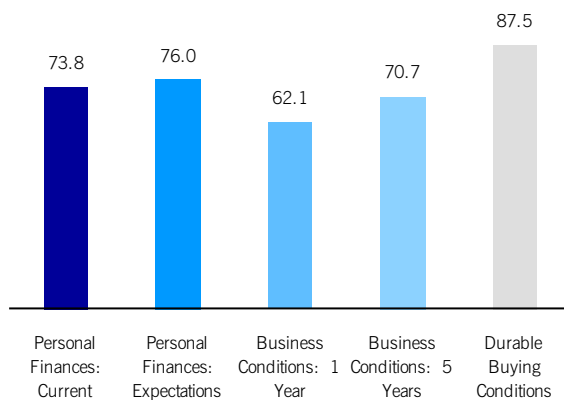


> RUB 480,000 Per Annum



■ December 2014
■ January 2015

> RUB 480,000 - Components





What the Panel Said

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

“House prices will be higher in the next six months.”
31-year-old male from Moscow

“My employer is firing personnel, I don’t know if I have a job tomorrow.” **56-year-old male from Vladimir**

“The real estate market is unstable at the moment, better to rent for a while before considering a purchase.” **36-year-old male from Balashikha**

“The price of food is rising faster than any other thing.”
53-year-old female from Podolsk

“Credit is available, just at very high rates.” **33-year-old female from Podolsk**

“A foreign client of ours has not extended their contract due to the Ukrainian crisis.” **34-year-old male from Odintsovo**

“Gasoline prices have risen, making it uneconomical to run a car.” **41-year-old male from Voronezh**

“The sanctions against Russia resulted in a worsening of international relations, causing the inflow of finances from Western investors to fall.” **62-year-old male from Angarsk**

“Social instability may increase, that is dangerous.”
24-year-old female from Kaliningrad

“Car dealers rooms are empty, everything was bought in a panic in December.” **51-year-old male from Rostov-on-Don**

“The city is dying in front of my eyes, everything is slowly falling apart.” **32-year-old female from Samara**

“Salaries have fallen and are being delayed intentionally by companies.” **58-year-old female from Chelyabinsk**

“The situation with my business is not good, I am afraid that I will lose it.” **54-year-old male from Nizhny Novgorod**

“The cost of credit has risen substantially after the central bank raised rates.” **34-year-old male from Krasnogorsk**

“The devaluation in the rouble has caused imported goods to become more expensive.” **26-year-old male from Domodedovo**

“Inflation is beating all the records. Prices of everything, including everyday goods, have increased dramatically.” **33-year-old female from Moscow**

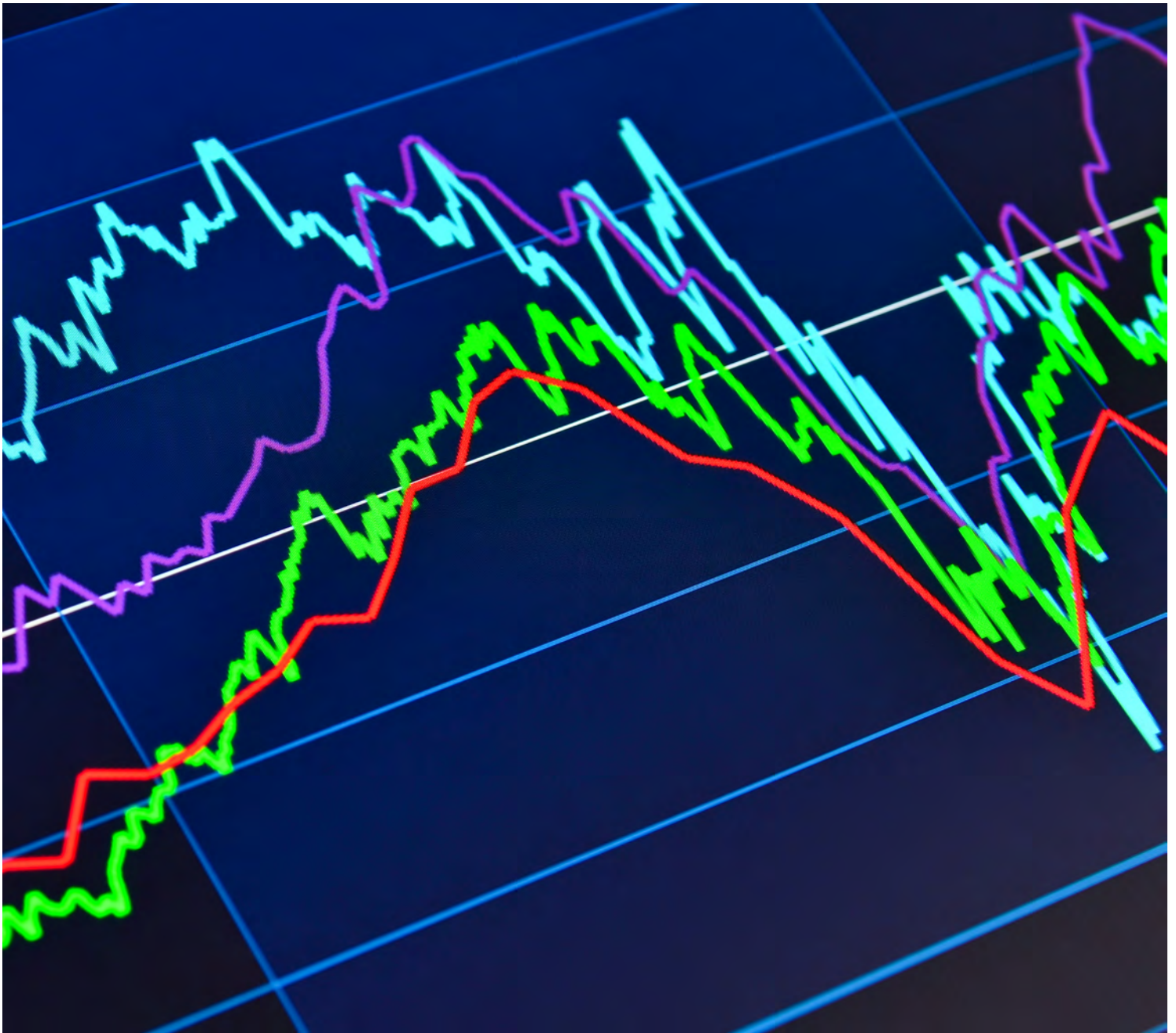
“There are many bad quality cars, especially those manufactured in Russia.” **41-year-old female from Kaliningrad**

“The cost of a mortgage has seriously grown.”
62-year-old male from Angarsk

“The cost of durable goods has risen due to the depreciation in the rouble.” **25-year-old male from Domodedovo**

“The pressure of sanctions on Russia from the West is rising and is likely to get worse.” **19-year-old female from Vologda**

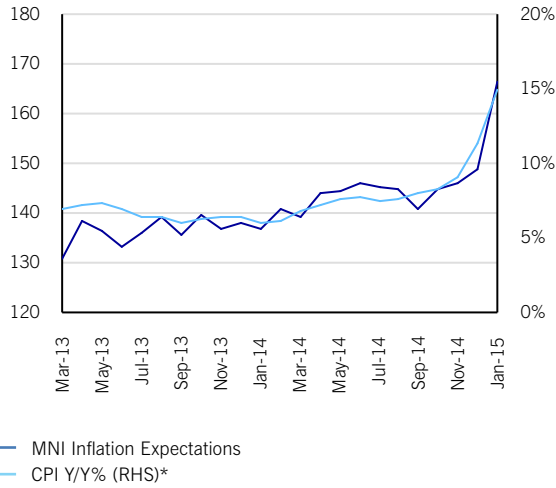
“Inflation has risen substantially and shows no sign of slowing.” **26-year-old female from Domodedovo**



Correlation Charts

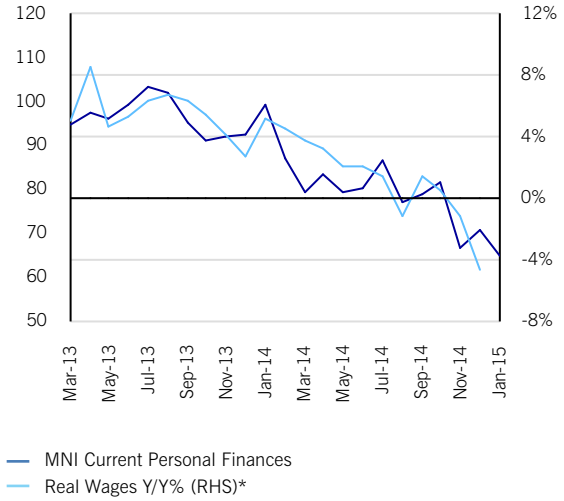
Our indicators closely track official Russian economic data.

Inflation



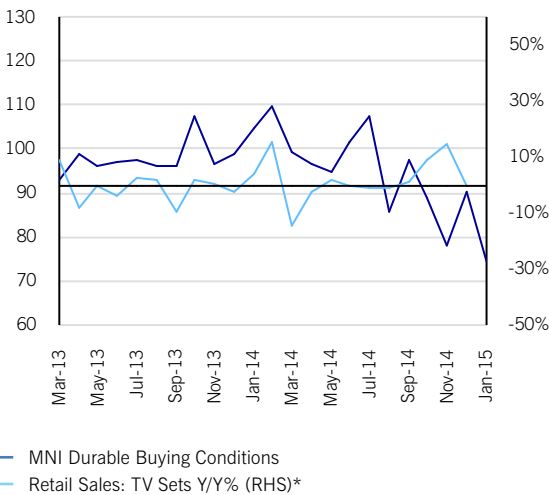
Source: *Federal State Statistics Service of Russia

Personal Finances



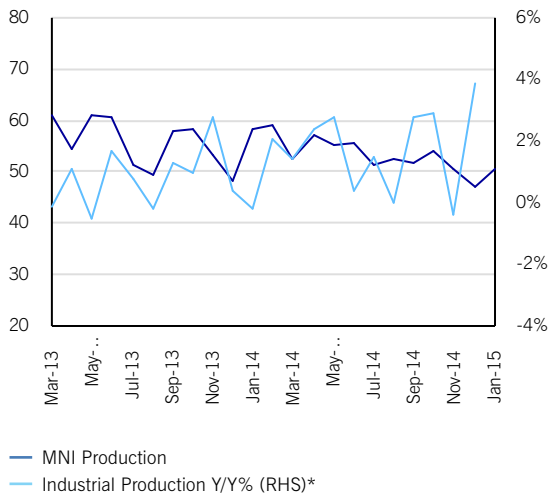
Source: *Federal State Statistics Service of Russia

Durable Buying Conditions



Source: *Federal State Statistics Service of Russia

Production



Source: *Federal State Statistics Service of Russia



Data Tables

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

Russia - Central Overview

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Russia - Central Consumer Indicator	81.2	84.3	77.2	-	series low	80.9	-7.1	-8.5%
Current Indicator	81.5	88.2	83.2	-	Nov-14	84.3	-5.0	-5.7%
Expectations Indicator	81.0	81.7	73.1	-	series low	78.6	-8.6	-10.5%
Personal Finance: Current	78.5	82.7	76.3	-	series low	79.2	-6.4	-7.7%
Personal Finance: Expected	90.0	86.4	81.7	-	series low	86.0	-4.7	-5.5%
Business Condition: 1 Year	68.9	75.4	64.4	-	series low	69.6	-11.0	-14.6%
Business Condition: 5 Years	84.1	83.4	73.3	-	series low	80.3	-10.1	-12.1%
Durable Buying Conditions	84.4	93.8	90.1	-	Nov-14	89.4	-3.7	-3.9%
Current Business Conditions Indicator	81.8	79.2	72.2	-	series low	77.7	-7.0	-8.9%
Real Estate Investment Indicator	108.3	111.8	106.9	-	series low	109.0	-4.9	-4.4%
Car Purchase Indicator	69.1	74.2	64.4	-	series low	69.2	-9.8	-13.2%
Employment Outlook Indicator	88.8	85.7	70.4	-	series low	81.6	-15.3	-17.8%
Inflation Expectations Indicator	155.9	154.3	166.0	series high	-	158.7	11.7	7.6%
Current Prices Satisfaction Indicator	62.3	60.8	46.8	-	series low	56.6	-14.0	-23.1%
Interest Rates Expectations Indicator	123.3	125.0	152.3	series high	-	133.5	27.3	21.8%

Russia - Urals Overview

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Russia - Urals Consumer Indicator	74.0	69.9	63.3	-	series low	69.1	-6.6	-9.5%
Current Indicator	60.4	76.8	54.9	-	series low	64.0	-21.9	-28.6%
Expectations Indicator	83.1	65.4	69.0	Nov-14	-	72.5	3.6	5.5%
Personal Finance: Current	58.2	61.3	55.4	-	series low	58.3	-5.9	-9.6%
Personal Finance: Expected	95.2	71.1	75.4	Nov-14	-	80.6	4.3	6.0%
Business Condition: 1 Year	57.6	55.3	54.3	-	series low	55.7	-1.0	-1.7%
Business Condition: 5 Years	96.4	69.7	77.2	Nov-14	-	81.1	7.5	10.7%
Durable Buying Conditions	62.6	92.3	54.3	-	series low	69.7	-38.0	-41.1%
Current Business Conditions Indicator	95.0	72.3	61.9	-	series low	76.4	-10.4	-14.4%
Real Estate Investment Indicator	98.2	113.3	98.3	-	Nov-14	103.3	-15.0	-13.2%
Car Purchase Indicator	71.8	74.2	61.0	-	series low	69.0	-13.2	-17.7%
Employment Outlook Indicator	96.1	83.8	64.9	-	series low	81.6	-18.9	-22.6%
Inflation Expectations Indicator	125.0	157.9	159.5	series high	-	147.5	1.6	1.0%
Current Prices Satisfaction Indicator	63.1	46.6	42.6	-	Jun-14	50.8	-4.0	-8.5%
Interest Rates Expectations Indicator	103.4	141.0	180.1	series high	-	141.5	39.1	27.7%

Russia - Volga Overview

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Russia - Volga Consumer Indicator	70.9	78.5	50.1	-	series low	66.5	-28.4	-36.2%
Current Indicator	74.8	87.1	54.7	-	series low	72.2	-32.4	-37.2%
Expectations Indicator	68.2	72.8	47.1	-	series low	62.7	-25.7	-35.4%
Personal Finance: Current	54.5	52.4	52.0	-	series low	53.0	-0.4	-0.8%
Personal Finance: Expected	64.0	70.7	52.7	-	Oct-14	62.5	-18.0	-25.4%
Business Condition: 1 Year	54.2	71.4	52.0	-	Oct-14	59.2	-19.4	-27.1%
Business Condition: 5 Years	86.4	76.4	36.5	-	series low	66.4	-39.9	-52.3%
Durable Buying Conditions	95.1	121.7	57.3	-	series low	91.4	-64.4	-52.9%
Current Business Conditions Indicator	55.9	77.8	82.2	Jul-14	-	72.0	4.4	5.6%
Real Estate Investment Indicator	98.4	117.0	102.5	-	Nov-14	106.0	-14.5	-12.4%
Car Purchase Indicator	60.3	79.7	61.1	-	Nov-14	67.0	-18.6	-23.3%
Employment Outlook Indicator	65.5	54.4	80.4	Jul-14	-	66.8	26.0	47.7%
Inflation Expectations Indicator	165.5	177.7	166.7	-	Nov-14	170.0	-11.0	-6.2%
Current Prices Satisfaction Indicator	50.6	107.8	48.9	-	Oct-14	69.1	-58.9	-54.6%
Interest Rates Expectations Indicator	161.6	177.7	180.1	series high	-	173.1	2.4	1.4%

Russia - North Caucasus Overview

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Russia - North Caucasus Consumer Indicator	71.8	87.4	64.9	-	series low	74.7	-22.5	-25.8%
Current Indicator	53.1	79.4	51.8	-	series low	61.4	-27.6	-34.8%
Expectations Indicator	84.2	92.8	73.6	-	series low	83.5	-19.2	-20.7%
Personal Finance: Current	51.6	79.0	50.8	-	series low	60.5	-28.2	-35.7%
Personal Finance: Expected	99.7	99.1	88.5	-	series low	95.8	-10.6	-10.7%
Business Condition: 1 Year	51.2	78.3	51.3	-	Nov-14	60.3	-27.0	-34.4%
Business Condition: 5 Years	101.6	101.0	81.0	-	series low	94.5	-20.0	-19.8%
Durable Buying Conditions	54.6	79.7	52.7	-	series low	62.3	-27.0	-33.9%
Current Business Conditions Indicator	97.1	96.4	71.4	-	series low	88.3	-25.0	-25.9%
Real Estate Investment Indicator	95.2	104.3	95.2	-	Nov-14	98.2	-9.1	-8.7%
Car Purchase Indicator	64.1	70.7	61.5	-	series low	65.4	-9.2	-13.0%
Employment Outlook Indicator	101.2	100.7	71.2	-	series low	91.0	-29.5	-29.3%
Inflation Expectations Indicator	124.0	118.6	157.2	series high	-	133.3	38.6	32.5%
Current Prices Satisfaction Indicator	54.9	50.2	43.3	-	series low	49.5	-6.9	-13.9%
Interest Rates Expectations Indicator	107.1	115.4	178.2	series high	-	133.6	62.8	54.5%

Russia - West Siberian Overview

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Russia - West Siberian Consumer Indicator	71.5	71.6	55.4	-	series low	66.2	-16.2	-22.7%
Current Indicator	54.9	54.9	55.5	Oct-14	-	55.1	0.6	1.2%
Expectations Indicator	82.5	82.8	55.3	-	series low	73.5	-27.5	-33.2%
Personal Finance: Current	54.0	53.6	53.9	Nov-14	-	53.8	0.3	0.6%
Personal Finance: Expected	97.0	96.9	56.3	-	series low	83.4	-40.6	-41.8%
Business Condition: 1 Year	53.8	53.8	54.5	Oct-14	-	54.0	0.7	1.3%
Business Condition: 5 Years	96.6	97.8	55.1	-	series low	83.2	-42.7	-43.7%
Durable Buying Conditions	55.9	56.1	57.0	Oct-14	-	56.3	0.9	1.7%
Current Business Conditions Indicator	97.9	97.0	57.1	-	series low	84.0	-39.9	-41.2%
Real Estate Investment Indicator	98.5	99.3	99.2	-	Nov-14	99.0	-0.1	-0.1%
Car Purchase Indicator	78.1	67.4	74.8	Nov-14	-	73.4	7.4	11.0%
Employment Outlook Indicator	82.3	82.7	53.6	-	series low	72.9	-29.1	-35.2%
Inflation Expectations Indicator	125.8	125.4	188.3	series high	-	146.5	62.9	50.1%
Current Prices Satisfaction Indicator	45.1	14.5	11.7	-	series low	23.8	-2.8	-19.4%
Interest Rates Expectations Indicator	104.2	105.3	185.9	series high	-	131.8	80.6	76.6%

All Russia - Overview by Age

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Age 18-34								
MNI Russia Consumer Indicator	77.7	80.8	67.3	-	series low	75.3	-13.5	-16.7%
Current Indicator	73.3	80.4	69.3	-	series low	74.3	-11.1	-13.8%
Expectations Indicator	80.6	81.1	66.0	-	series low	75.9	-15.1	-18.6%
Personal Finance: Current	70.3	72.5	66.3	-	series low	69.7	-6.2	-8.5%
Personal Finance: Expected	90.8	90.0	76.9	-	series low	85.9	-13.1	-14.6%
Business Condition: 1 Year	63.5	69.3	56.7	-	series low	63.2	-12.6	-18.3%
Business Condition: 5 Years	87.4	83.9	64.5	-	series low	78.6	-19.4	-23.2%
Durable Buying Conditions	76.3	88.3	72.4	-	series low	79.0	-15.9	-18.1%
Age 35-54								
MNI Russia Consumer Indicator	76.2	79.6	67.5	-	series low	74.4	-12.1	-15.2%
Current Indicator	70.2	83.6	70.8	-	Nov-14	74.9	-12.8	-15.4%
Expectations Indicator	80.1	76.8	65.3	-	series low	74.1	-11.5	-15.1%
Personal Finance: Current	65.0	70.2	63.6	-	series low	66.3	-6.6	-9.4%
Personal Finance: Expected	88.4	75.5	66.7	-	series low	76.9	-8.8	-11.7%
Business Condition: 1 Year	62.5	66.6	61.1	-	series low	63.4	-5.5	-8.3%
Business Condition: 5 Years	89.6	88.4	68.1	-	series low	82.0	-20.3	-23.0%
Durable Buying Conditions	75.5	97.0	77.9	-	Nov-14	83.5	-19.1	-19.7%
Age 55-64								
MNI Russia Consumer Indicator	73.8	76.3	68.6	-	series low	72.9	-7.7	-10.0%
Current Indicator	76.5	72.2	68.3	-	series low	72.3	-3.9	-5.3%
Expectations Indicator	72.0	79.0	68.8	-	series low	73.3	-10.2	-12.9%
Personal Finance: Current	61.2	66.0	61.7	-	Nov-14	63.0	-4.3	-6.5%
Personal Finance: Expected	79.0	91.3	77.0	-	Aug-14	82.4	-14.3	-15.7%
Business Condition: 1 Year	57.4	79.7	60.4	-	Nov-14	65.8	-19.3	-24.2%
Business Condition: 5 Years	79.7	66.0	69.0	Nov-14	-	71.6	3.0	4.6%
Durable Buying Conditions	91.8	78.3	74.9	-	Aug-14	81.7	-3.4	-4.3%

All Russia - Overview by Income

	Nov-14	Dec-14	Jan-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
< RUB 480,000 Per Annum								
MNI Russia Consumer Indicator	72.5	77.1	62.9	-	series low	70.8	-14.2	-18.4%
Current Indicator	66.1	74.2	61.9	-	series low	67.4	-12.3	-16.6%
Expectations Indicator	76.8	79.0	63.6	-	series low	73.1	-15.4	-19.5%
Personal Finance: Current	58.3	68.8	58.5	-	Nov-14	61.9	-10.3	-15.0%
Personal Finance: Expected	86.6	82.8	71.6	-	series low	80.3	-11.2	-13.5%
Business Condition: 1 Year	57.1	66.1	55.7	-	series low	59.6	-10.4	-15.7%
Business Condition: 5 Years	86.8	88.1	63.3	-	series low	79.4	-24.8	-28.2%
Durable Buying Conditions	73.8	79.5	65.3	-	series low	72.9	-14.2	-17.9%
> RUB 480,000 Per Annum								
MNI Russia Consumer Indicator	83.5	83.4	74.0	-	series low	80.3	-9.4	-11.2%
Current Indicator	83.7	89.3	80.6	-	series low	84.5	-8.7	-9.7%
Expectations Indicator	83.4	79.5	69.6	-	series low	77.5	-9.9	-12.4%
Personal Finance: Current	82.0	76.7	73.8	-	series low	77.5	-2.9	-3.7%
Personal Finance: Expected	91.2	82.1	76.0	-	series low	83.1	-6.1	-7.4%
Business Condition: 1 Year	71.8	71.3	62.1	-	series low	68.4	-9.2	-12.9%
Business Condition: 5 Years	87.4	85.0	70.7	-	series low	81.0	-14.3	-16.9%
Durable Buying Conditions	85.4	101.9	87.5	-	Nov-14	91.6	-14.4	-14.1%

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 has been in place since March 2013.

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.

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