

Blog: SPIEF 2013, Day 2

June 21, 2013



It's day two of the 17th St. Petersburg International Economic Forum, the annual conference dedicated to economic and business issues that draws several thousand political and business leaders, leading scientists, and public figures from around the world.

President Vladimir Putin will open a plenary session at 3 p.m. that will also include an address by German Chancellor Angela Merkel.

Participants at today's other sessions will be discussing direct investment trends for domestic and foreign investors in Russia, the idea of open Government and how the business community can capitalize on the move toward transparency, and how the property sector in Russia can be made more attractive to investors.

We will be posting all the latest news from the forum on this blog. Refresh to see the latest updates.

6:43 p.m., Wrapping Up for Day 2:

That's it for today's live blog from the forum. Thanks for reading.

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6:26 p.m., Russian Post Still Mulls Creation of Postal Bank:

The new management of the Russian Post is still considering creating a postal bank, first deputy chairman of Vneshekonombank Anatoly Tikhonov said.

"The issue of creating the Postal Bank has not been removed from the agenda yet. The new management is considering the options ... The idea remains," Tikhonov said.

The financial partner will be chosen from Russky Standart Bank and Nomos-Bank, Interfax reported.

But the situation could be complicated by KPMG's assessment of Russian Post which estimates its value at 80-100 billion rubles (\$2.5-3.1 billion) in 2010, which "profoundly changed the partner banks' understanding of their involvement in the project," according to then-head of Vneshekonombank, Vladimir Dmitriyev.

Later, then-head of Russian Post Alexandr Kiselev announced the state company's intention to retain control of finances despite the creation of the Postal Bank.

In April 2013 Kiselev was dismissed over delays of international mail in Moscow airports.

He was replaced by former head of Tele2 Russia Dmitry Strashnov.

4:47 p.m., Highlights From Putin's Keynote Address:

- On pension savings guarantees: Putin said that in the near future a system of pension savings guarantees based on the Deposit Insurance Agency will be created. Creating a reliable system of guarantees, we can remove the restrictions that stop investment of pension funds in long-term projects. He added that it is necessary to determine the share of pension funds that will be used for investments in sustainable infrastructure projects.
- On bank credit: A range of measures are needed to enhance the availability of bank credit for small and medium businesses, Putin said. The measures include improving refinancing mechanisms in the banking system, promoting competition in the banking sector, and increasing state guarantees for businesses.
- On combining the Supreme Court and the Supreme Arbitration Court: This idea was proposed by the president with the aim of providing a single approach to resolving disputes between citizens and state organizations, and between the government and local authorities. Putin himself will draft the amendment to the constitution and will introduce it to parliament in autumn.
- On State Duma Laws combating money laundering: The president said that laws bringing Russia into line with the OECD's requirements as well as those of the Financial Action Task Force (FATF) will soon be signed by the State Duma. He said that the move will make major changes to the laws aimed at combating money laundering. Lenders will have to identify their clients and disclose information about their beneficiaries. Banking services will be terminated if violations arise, while access to individual's bank accounts could also be made available to investigators under the provisions of the new laws, Putin said.

- Putin has asked the State Duma to pass a law before the summer recess that would secure an amnesty for entrepreneur's who were found guilty of committing crimes in the sphere of business. The amnesty would benefit first-time offenders who have agreed to reimburse or compensate for damage or loss to the victims. The decision about the economic amnesty isn't just about restoring justice, he said, it is also a humane act.

President Vladimir Putin addressing the plenary session at SPIEF 2013. (Photo from Twitter/vacant_username)



4:28, p.m. Putin Looks for Investment in Infrastructure, not "Lofty Words":

Putin welcomed investment in three major infrastructure projects in the country, saying that projects are more useful than "lofty words." The first project he spoke about is the construction of a high-speed Moscow-Kazan railroad, followed by the plan to build a Central Ring Road in the Moscow region. The third project is aimed at increasing the capacity of the Trans-Siberian Railroad with a view to linking Europe and Asia and implementing projects in the Asian-Pacific.

3:54 p.m., Putin Giving Keynote Address:

President Vladimir Putin started his speech at the plenary session by saying that the primary goal for international economic institutions is to create conditions for long-term economic growth. He said that they don't have a "magic wand" to make that happen, but that discipline is needed to solve the world's burning issues, specifically: macroeconomic stability, reducing inflation, and responsible budgetary management.

2:52 p.m., Market Conditions for \$7Bln Eurobond Placement to Be Better This Year:

Russia expects better market conditions for the placement of its long-planned \$7 billion Eurobonds than when it raised its foreign debt last year, Finance Minister Anton Siluanov said on Friday.

"I think that the [market] situation will calm down soon and conditions for our borrowing will be better than last year," Siluanov told journalists.

Last year, Russia raised \$7 billion in Eurobonds, in several parts, with a \$3-billion 30-year Eurobond sold at 250 basis points over U.S. Treasuries, \$2 billion 10-year paper at plus 240 basis points and \$2 billion 5-year Eurobond at 230 basis points over Treasuries, Reuters reported.

Siluanov said that the finance ministry may issue this year's Eurobond also in several parts and with the same maturity as those in 2012.

2:44 p.m., Government's Attempts to Turn Economy Around Doomed to Failure:

Russia's economy needs to grow faster but government attempts to stimulate demand will not succeed in the long run, the IMF's first managing director, David Lipton, said Friday.

"Russia needs faster growth but it's not going to get much faster growth by stimulating demand because there isn't that much slack in the economy," Lipton said at the forum.

Lipton weighed into a policy debate in Russia about how to revive flagging growth and stagnant investment, after Finance Minister Anton Siluanov said this week that a weaker ruble exchange rate would boost exports and fiscal revenues, Reuters reported.

Calling for better conditions for business to invest, Lipton warned that stimulus might lift growth in the short run but risked causing exchange rate pressures and pushing up inflation in the longer term.

2:37 p.m., PhosAgro Signs Deal for Construction of New Ammonia Plant in the Vologda Region:

Russian fertilizer company PhosAgro has signed a contract to build a new ammonia plant in northwest Russia at a cost of \$785 million that will boost the firm's ammonia output by 70 percent, it said on Friday.

The world's No.2 producer of phosphate fertilizers said the contract involved an international consortium including Japan's Mitsubishi Heavy Industries and coal trader Sojitz, Reuter reported.

PhosAgro, which is majority owned by billionaire Andrei Guriev, said the plant would be financed from its own cash flows and with third-party funding, without giving details.

The new ammonia plant, which will be the firm's third at its facility in Russia's Vologda region, will have a capacity of 760,000 tons per year once it is commissioned in the first half of 2017, PhosAgro said in a statement.

2:18 p.m., Russian Economy Isn't Overheating, Belousov Says:

Economic Development Minister Andrei Belousov said he disagrees with the opinion shared by the International Monetary Fund and Finance Minister Anton Siluanov that the Russian economy is "overheating."

The minister said that the Russian economy is running at 60 percent capacity, "lower than in the EU and the U.S.," Interfax reported.

In fact, poll results show that 60-70 percent of enterprises have limited output levels, which Belousov attributes to low demand.

He said that unemployment levels in heavy and light industry are 10 percent lower in the first quarter of 2013 compared to 2007, but that these losses are not so keenly felt because of Russia's shadow economy. About 20 million people work in the shadow economy at present, he added.

1:37 p.m., Shuvalov Upbeat About Affordable Housing Loans:

First Deputy Prime Minister Igor Shuvalov is positive about the prospect of making home loans affordable for the population.

"We cannot say that it will cost nothing, that it will be free, but to put crediting into a certain framework and make it very secure and affordable is an achievable task," Shuvalov said Friday during a roundtable discussion at the forum.

He said the authorities could use funds accumulated in "pension funds and the National Welfare Fund" to back up the initiative.

Shuvalov added that after President Vladimir Putin makes certain decisions on the project the work will begin with the government helping with infrastructure and keeping banks from approving excessively risky loans.

"But we would like, of course, to see it not as a non-repayable aid, and have the money that we will provide paid back to us, even if only in the long run," Shuvalov said.

He noted that the money will be provided in the form of loans or through special financing mechanisms to local municipalities and government bodies.

12:59 p.m., Gref Tells Investors Not to Panic as Ruble Slides:

Sberbank chairman German Gref has appealed to inexperienced investors not to panic and avoid transferring their funds from one currency to another in order not to lose their savings.

"There is no reason to suspect that the Central Bank will lower the exchange rate and that it will drop sharply. The most important thing is to stop panicking," Interfax quoted Gref as saying.

The head of Russia's largest bank noted that inexperienced investors often make the mistake of switching between currencies at the most unfavorable moment, causing the loss of their savings.

"In moments like this one should not panic and take drastic actions," Gref said.

He stressed that the Central Bank has enough currency reserves to control the exchange rate and is capable of preventing the ruble's devaluation.

His comments at the forum came during a rough week for the ruble, which has been losing ground against the dollar and the euro for three consecutive trading sessions, spurring talks of the impending devaluation of the Russian currency.

German Gref, Sberbank chairman, at SPIEF. (Photo from Twitter/_mars)



12:40 p.m., Russia on Right Track to “Open Data”:

Russia has already achieved significant results in the sphere of “Open Data,” a concept aimed at increasing the transparency of state entities' activities, the Open Government Minister Mikhail Abyzov said at a roundtable discussion.

“Our task for this year is to make a significant leap forward,” he said, adding that the first step toward open data had already been taken, but that they now need to answer the question: “What's next?”

He said that the achievements over the last 9 months include changes in the law to recognize idea of open data and the creation of a council for providing access to data.

Twenty-seven agencies and a number of cities and regions, especially Moscow, have already set up pages with sets of information in computer-readable format. By 15 July, more than 500 information databases will be opened and the council is constantly working to create a platform of the supply and demand of the most sought-after data sets, Interfax reported, citing Abyzov.

However, Russia still occupies last place out of the Group of Eight countries in terms of the level of state data availability, according to the Open Knowledge Foundation's ratings system.

But Russia has the opportunity to use the experience of other countries to make quick progress, Communications and Mass Media Minister Nikolai Nikiforov said.

Nikiforov said that his ministry is eager to create a central portal for open data that will stop agencies from hiding information.

Nikiforov and Abyzov – 2nd and 4th from the left – participating in a discussion at the forum. (Photo from Twitter/thinkRUSSIA)



11:48 a.m., Insurance Premium Concessions for Small Businesses Not on the Cards:

The extension of concessions on insurance premiums for small businesses is not being considered, Finance Minister Anton Siluanov told journalists at the sidelines of the forum.

He also said that the government is discussing transferring responsibility for the administration of insurance premiums to the Federal Tax Service, saying that it will be able to cope better than the Pension Fund, and can provide the necessary accounting allocation of these fees to citizens.

The minister added that if the decision to transfer the functions is agreed, it will take more than half a year to complete, Interfax reported.

11:00 a.m., Private Investment Fund and General Electric Ink Memorandum on Joint Venture:

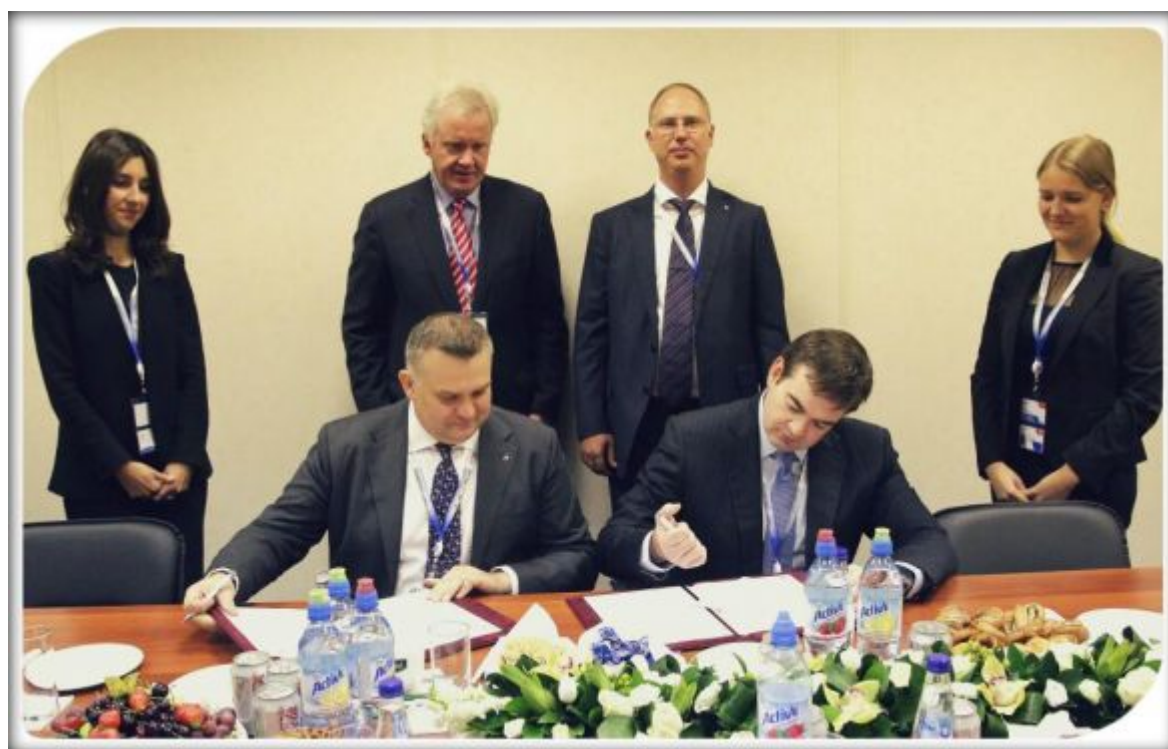
The Russian Private Investment Fund and U.S. multinational General Electric have agreed to go into a joint venture aimed at building heating equipment for industries in different regions of Russia.

At the moment, the joint venture is considering a number of projects for the construction and operation of heating and power systems with low power – up to 25 megawatts – to meet the growing energy needs of developing industries in the regions.

The aim is to install energy and heating systems that can work without being connected to the mains electricity supply and will not be affected by power outages.

A memorandum on the joint venture was inked today at the forum.

Representatives of the Private Investment Fund and General Electric signing the memorandum. (Photo from Twitter/rdif_press)



10:21 a.m., Oil Prices Won't Be Affected by U.S. Economic Stimulation Plans:

The announcement by Ben Bernanke, chairman of the U.S. Federal Reserve, about plans to reduce stimulation of the U.S. economy won't significantly affect oil prices, Deputy Economic Development Minister Andrei Klepach said.

Oil prices will only be affected if the U.S. economy slows down significantly, a scenario that he thinks is unlikely, Klepach said at the forum.

The ministry estimated the average oil price for 2013 at \$105 per barrel, Interfax reported.

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