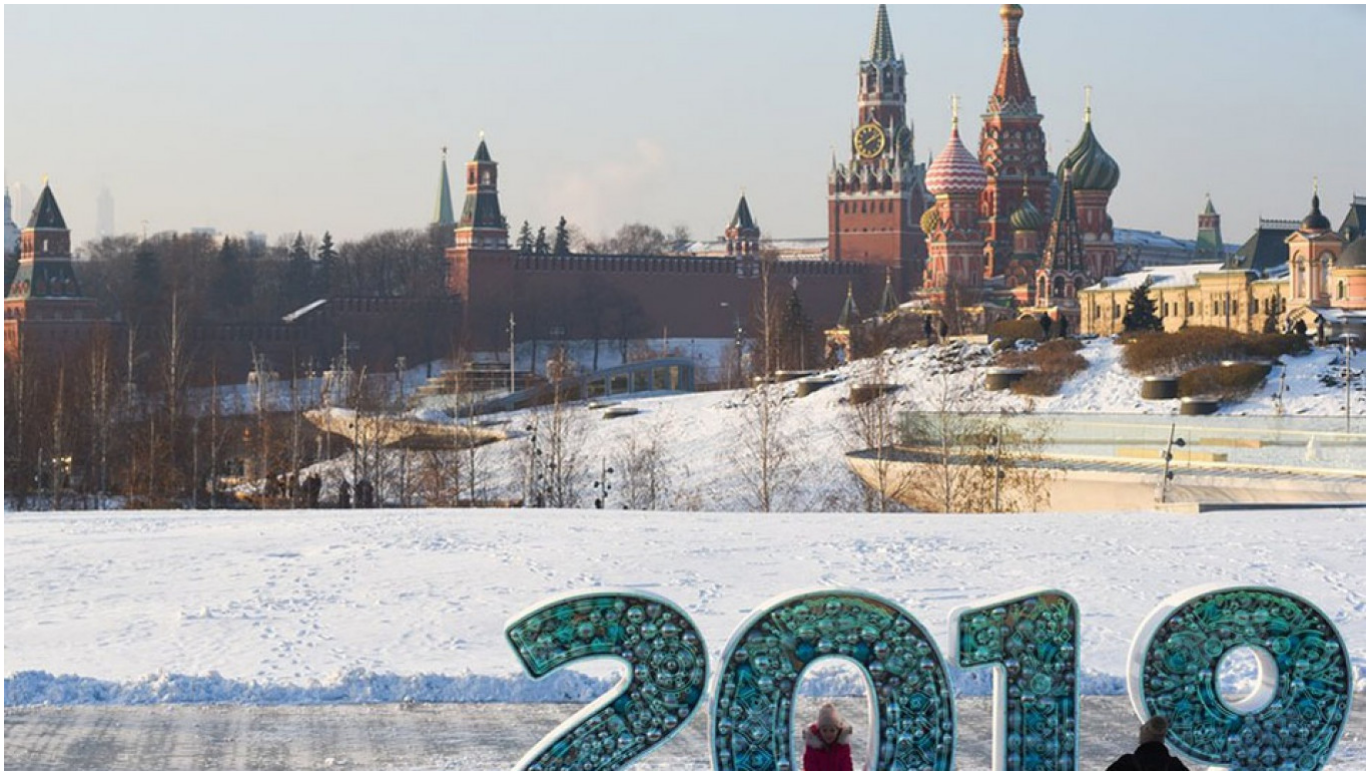
The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

What to Expect From 2019

In 2019, the Russian economy is expected to grow by 1.5 percent, with a slight increase in oil prices.

By Luis Saenz

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Anton Kardashov / Moskva News Agency

The economy

We at BCS forecast the Russian economy to grow by 1.5 percent in 2019, driven primarily by exporters (investments into new pipelines and other commodity projects), state spending (housing renovation and road constructions in the Moscow area as well as the federal program for infrastructure modernization) and some weak growth in consumption (the negative effect from the VAT hike is likely to be offset by a rise in the pension age).

Oil

Our oil price forecast for the new year is an average of $74/bbl Brent — that's a slight increase

on 2018 levels. Inflation in Russia will spike in the first quarter of 2019 following a rise in VAT tax, excises and communal tariffs. The CPI rate could reach 5 percent year on year, or above from the estimated 4 percent at the end of 2018. However, given the weak domestic demand and stringent fiscal and monetary policies, as well as lower tariff indexation in July 2019, inflation could start to come down fairly quickly. In fact, by the end of 2019 we expect the CPI rate to slow to 4.2 percent y/y.

The Ruble

As we expect oil prices to remain stable, the ruble will mostly be driven by geopolitics and the developments of global emerging markets. Next year, we forecast the ruble will trade at close to the current levels of 62-66 rubles to the dollar, coming up to 61.7 to the dollar by the end of 2019.

Related article: Foreign Policy Experts Map Russia's Grand Designs for 2019.

With all this in mind, what are the opportunities to make money in 2019?

In the first half of the new year, we would stay overweight in the broader exporters theme, with a focus on the precious metals names, both Polyus and Polymetal. In oil and gas, we would own LUKoil, Rosneft, and even Gazprom. Novatek, which we like to refer to as the "Ferrari of the Russian market," is a must-own not only in all emerging market portfolios, but also in major oil and gas portfolios. Among the large domestic names, we would single out Sberbank and Yandex.

Luis Saenz is a co-director of equities at BCS Global Markets. The views expressed in opinion pieces do not necessarily reflect the editorial position of The Moscow Times. A version of this article appeared in our special "Russia in 2019" print issue. For more in the series, click here*.*

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