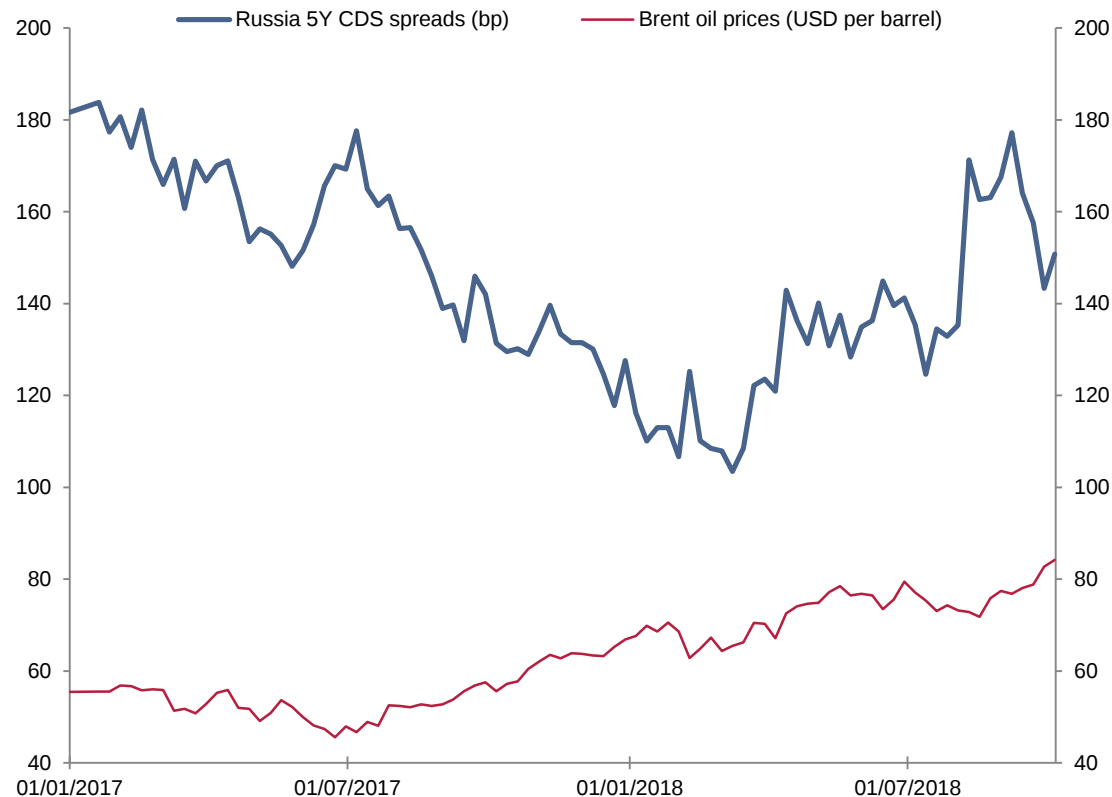


# RUSSIA: HIGHER OIL PRICES VS. NEW US SANCTIONS

Oil prices helped Russia weather US sanctions, but for how long?



Sources : Euler Hermes, Allianz Research

New sanctions imposed on Russia in 2018 have impacted the RUB, which lost -15% against the USD (year-to-date).

Further US sanctions affecting banking, energy and foreign trade-related sectors are expected by the end of 2018. They will have a negative impact on already fragile investment activity. Capital outflows should intensify, especially if the US sanctions Russian sovereign debt.

However, higher oil prices (and increased oil output) will mitigate the impact in the short run. We have revised down our GDP growth forecasts to +1.6% in 2018 and +1.5% in 2019.

But higher oil prices will not be the savior in the long run. If Russia forgets structural change again (as in the 2000s) it will face long-term low growth.