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Russia

Russian women earn only 65 kopeks for every ruble earned by men. The latest World Economic Forum (WEF) *Global Gender Gap 2011* survey ranks Russia 43 out of the 135 countries surveyed. As usual, the Nordic countries topped the list as most egalitarian, while the most gender-discriminating countries were found in Africa and the Middle East. China ranked 61.

The WEF arrived at its overall gender gap assessment by compiling results of a country's performance in four gender gap subindexes. Russia's highest ranking (29) was under the "Economic Participation and Opportunity" subindex. The ranking reflected the high degree of participation of Russian women in the workforce, a common situation throughout most of the former Soviet Union. Russian women ranked top in the world (1) in participation of professional and technical workers. Overall, however, women's earned incomes were just 65 % those of men. The earnings gap has, however, diminished in recent years.

The WEF estimated that women in Russia made up 37 % of legislators, senior officials and managers. However, the higher the position, the less likely it was to be held by a woman – not just in Russia, but everywhere. Even at the senior management level, Russian women are usually found in traditional fields that offered a path to advancement. For example, a recent PwC study found women in senior management were most likely to hold the post of chief accountant, head of personnel or chief financial officer.

Another survey by Grant Thornton International found that women constitute 46 % of senior management in Russia and that 15 % of CEOs in Russian firms are women. Both these shares were higher than in the 39 countries covered by the survey, including Finland, Sweden, the US and the UK. Business consultants at McKinsey note, however, that only 8 % of Russian board members are women – far fewer women than are found on corporate boards in most of Western Europe. Interestingly, the EU's proposed "women's quota" for corporate boards could increase the presence of women on boards of Russian corporations. This is because a significant share of Russia's large firms are registered within the EU (e.g. the Netherlands and the UK).

Russia's WEF rankings were also higher than its overall ranking in the subindexes for "Health and Survival" (33) and "Educational Attainment" (41). The gap between the average lifespan of men and women (ranking 1!) reflected the sad fact of the low average life expectancy for Russian men. In terms of educational opportunity, the lot of women was enhanced by the proportionally larger number of Russian women than men who engage in graduate studies.

Russia's lowest ranking came in the "Political Empowerment" subindex (84); less than a fifth of Duma deputies and ministers were women.

Finance ministry places a massive Eurobond issue. The three-tranche $7-billion-bond represents one of the largest sovereign bond issues of an emerging economy since 2000. The issue arrangers are BNP Paribas, Citigroup and Deutsche Bank, as well as the Russian Troika Dialog and VTB Capital. Russia's last major dollar-denominated bond issue ($5.5 billion) on international markets was in 2010. In 2011, Russia issued two ruble-denominated Eurobonds with a total value of 90 billion rubles (€2.3 billion).

Last week's Eurobond breaks down into a 5-year tranche of $2 billion, a 10-year tranche of $2 billion and a 30-year tranche of $3 billion. Yields are 3.325 % (about 230 basis points over US treasuries) on the 5-year bond, 4.591 % (240 basis-point premium) on the 10-year bond, and 5.798 % (250 basis-point premium) on the 30-year bond. The bonds were vastly oversubscribed. Demand was especially strong for the 30-year long bond.

The yields on Russian Eurobonds are currently a bit higher than bonds issued by other BRIC countries, due in part to the Russian economy's over-reliance on its natural resource sector and hence greater sensitivity to trends in the global economy. Russia, however, is considered a solid bond issuer in international capital markets. Its state finances are in relatively good shape and GDP growth is expected to hold around 4 % a year in coming years.

Under the 2012–2014 budget act, the finance ministry can borrow $7 billion from international markets during 2012. Thus, no new international bond issues are expected this year. The Russian government is also limited to international borrowing of $7 billion a year in 2013 and 2014.

The 2012 federal budget will balance if the world price of Urals-grade crude oil averages $117 a barrel this year and provided that none of the many campaign promises of prime minister Vladimir Putin are implemented at additional cost. The average price of Urals crude this year has been around $117 a barrel and currently is just over $120 a barrel. Deputy finance minister Tatyana Nesterenko said that this year's budget could even show a slight surplus.

Russia has no pressing need to borrow from international markets to cover the federal deficit. Instead, the purpose of the bond issue is to maintain Russia's profile on international capital markets and provide guidance to lenders in private Russian bond issues. Finance minister Anton Siluanov said the huge demand for the 30-year bond was an impressive sign of market interest in Russia. The bond also attracted new investor groups that have not earlier invested in Russian bonds. The timing of the bond issue took advantage of prevailing positive sentiment in the markets.

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China

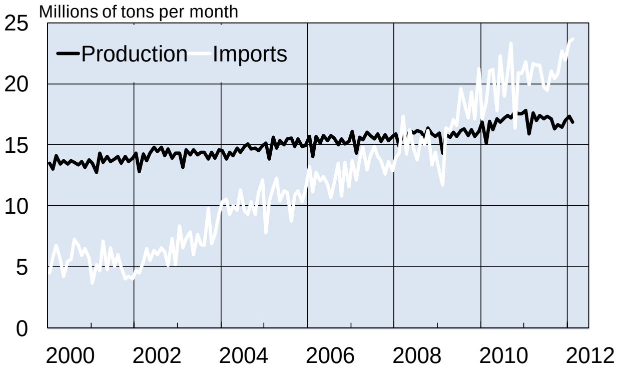
Slow growth in domestic crude oil output forces China to rely increasingly on imports. China's oil imports rose around 5 % last year to about 253 million metric tons, while the country's own crude oil production remained at its 2010 level of 204 million tons. In January and February this year, crude oil output was up just over 1 % from a year earlier, while crude oil imports were up nearly 13 %. China's oil imports have been rising faster than domestic production for years, outstripping domestic production already in 2009. Chinese demand is widely seen as a major factor for high world oil prices.

During 2011, about 20 % of China's oil imports came from Saudi Arabia, 12 % from Angola and 11 % from Iran. In the first two months of this year, the share of imports from Saudi Arabia increased, while the share of imports from Iran declined some four percentage points. Iraq has also become an important oil source, currently accounting for about 7 % of China's oil imports.

Since the inauguration of a new pipeline at the beginning of last year and the later progress in resolving pricing disputes, oil imports from Russia to China have increased sharply. Russia last year supplied about 7 % of China's total oil imports. In the first two months of this year, that share had increased to 10 %.

To secure adequate oil supplies, Chinese firms are actively engaged in oil resource development projects around the globe. At the end of March, China's state oil company Sinopec finalised its acquisition of a 30 % stake in the Brazilian oil driller Petrogal Brasil for a price of about $5 billion (as initially agreed last November). Sinopec is China's largest oil refiner and is involved in dozens of production projects in over 20 countries.

Domestic crude oil output and imports (Mt/month)



Source: CEIC

Chinese banks again enjoyed rising profitability last year. China's largest banks released their 2011 financial statements over the past two weeks. The banking sector remains dominated by the four large state banks: *Industrial and Commercial Bank of China*, *Bank of China*, *China Construction Bank* and *Agricultural Bank of China*. All four big banks managed to again raise their profitability, which jumped between 19–28 %. The combined profits of the four big banks amounted to 623 billion yuan (€69 billion). Growth in profitability at some mid-sized banks, however, was even faster than at the biggest banks.

The lion's share of bank profits came from basic banking activities, i.e. taking deposits and giving loans. The state assures banks of a minimum profit margin by setting a ceiling on deposit rates and a floor on credit rates. Banks last year managed to widen their net interest margins and increase efficiency in their banking operations. Highest profit growth, however, was seen in various fees and commissions collected by banks.

Non-performing loans of big banks fell during the first three quarters of 2011, but then began to climb in the fourth quarter. At the end of the year, the stock of non-performing loans of the big banks represented about 1 % of their total loan stock. The amount of non-performing loans is expected to increase in coming years as borrowers start to default on loans given during the economic stimulus in 2009–2010. The stimulus allowed the green-lighting of many capital investment, construction and infrastructure projects that are expected to prove unprofitable or unnecessary.

Officials want to encourage banks to prepare themselves for the fallout from these failed projects, so they are raising minimum capital requirements for banks from the start of July 2012. In order to raise solidity ratios, big banks are distributing smaller share of their last year profits as dividends. Despite the expected wave of non-performing loans, share prices of banks – indeed the entire financial sector – have held up well in the bearish Shanghai stock exchange.

Shanghai A-share index and financial sector index

Source: CEIC

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