

Emerging Markets: Russia & the CIS

Responding to Rising Demand

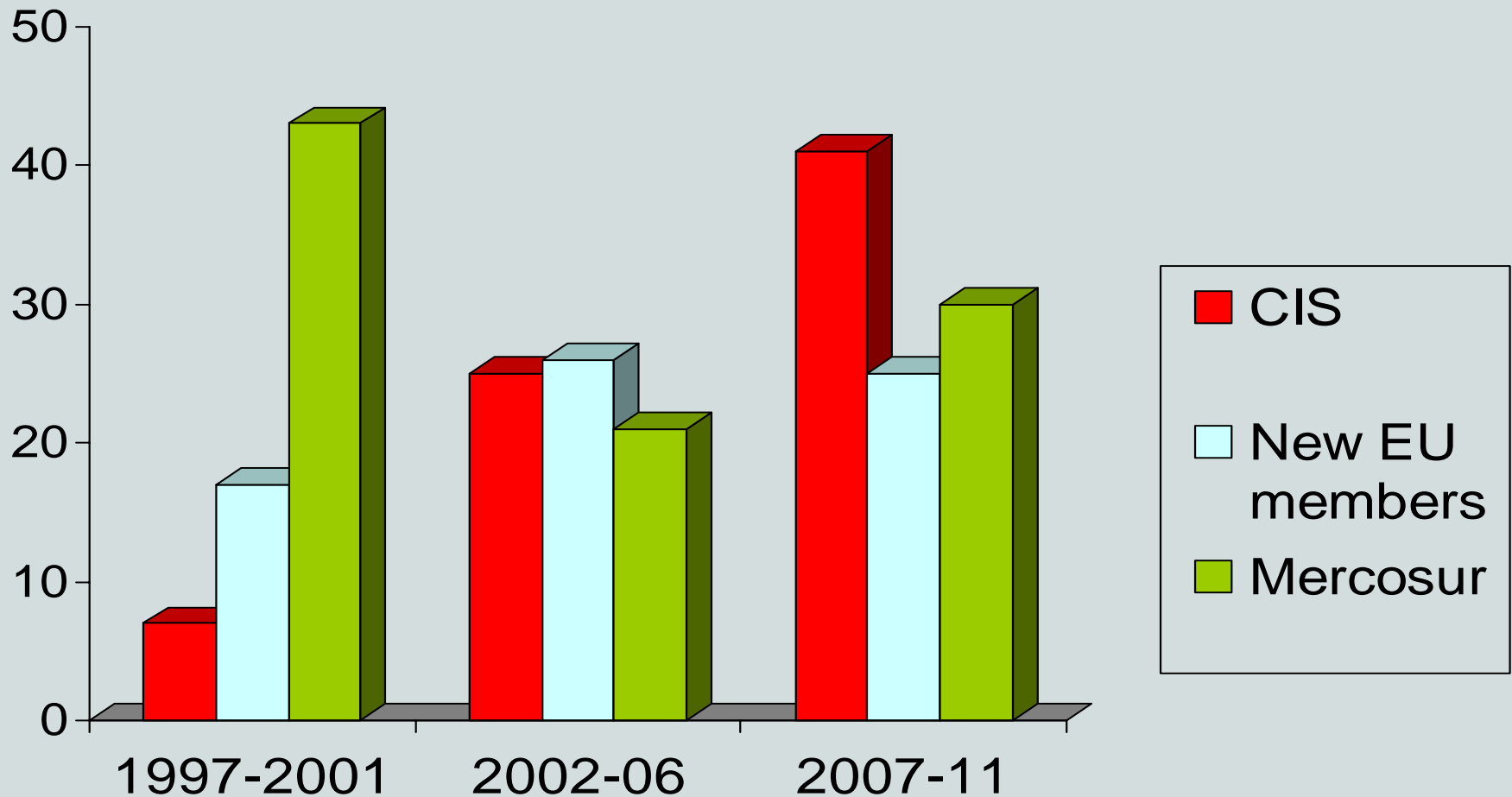
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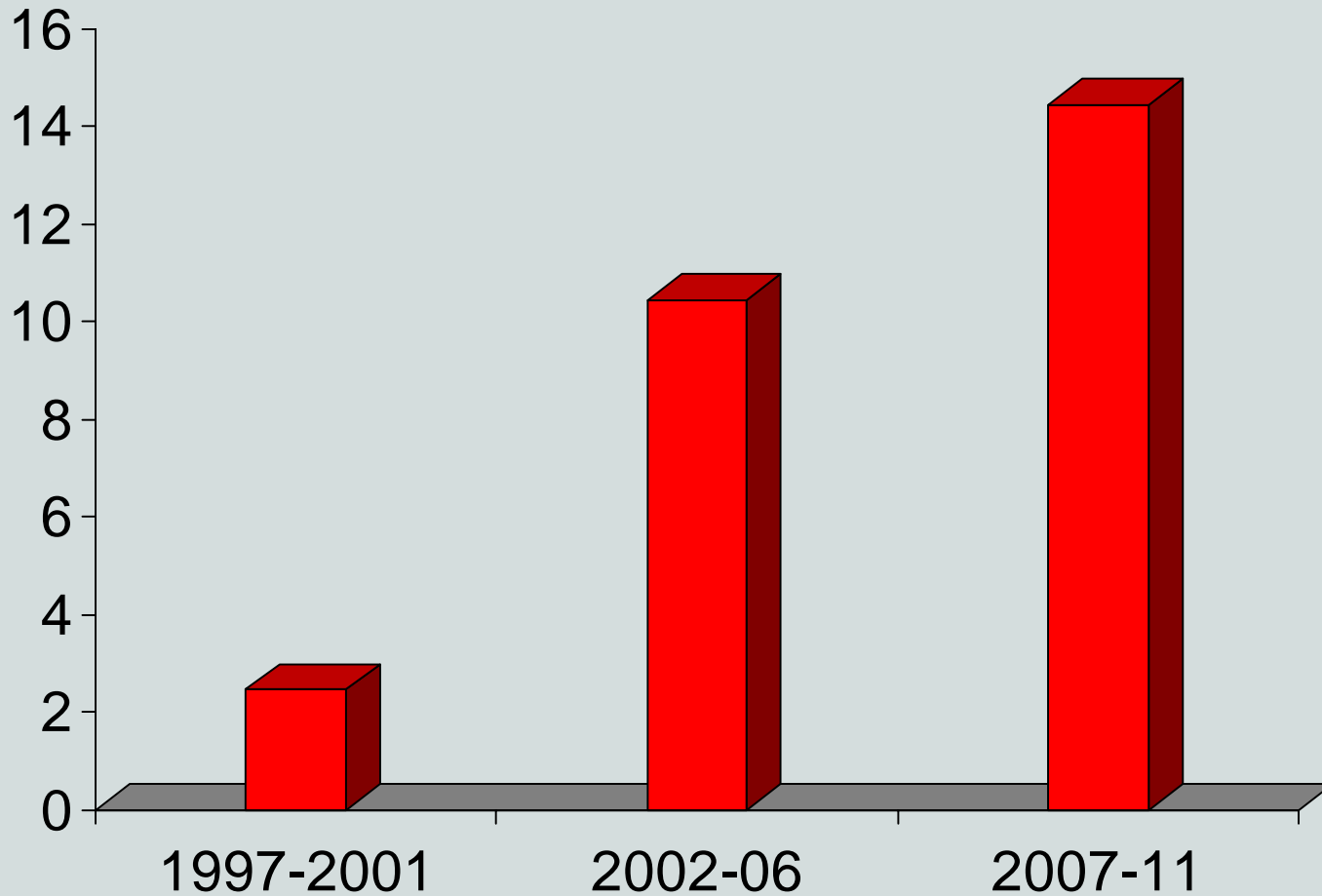
Russia & the CIS: Interest Rising

- As seen by:
 - FDI inflows & outflows
 - Lending flows
 - Growing CIS presence on Western markets

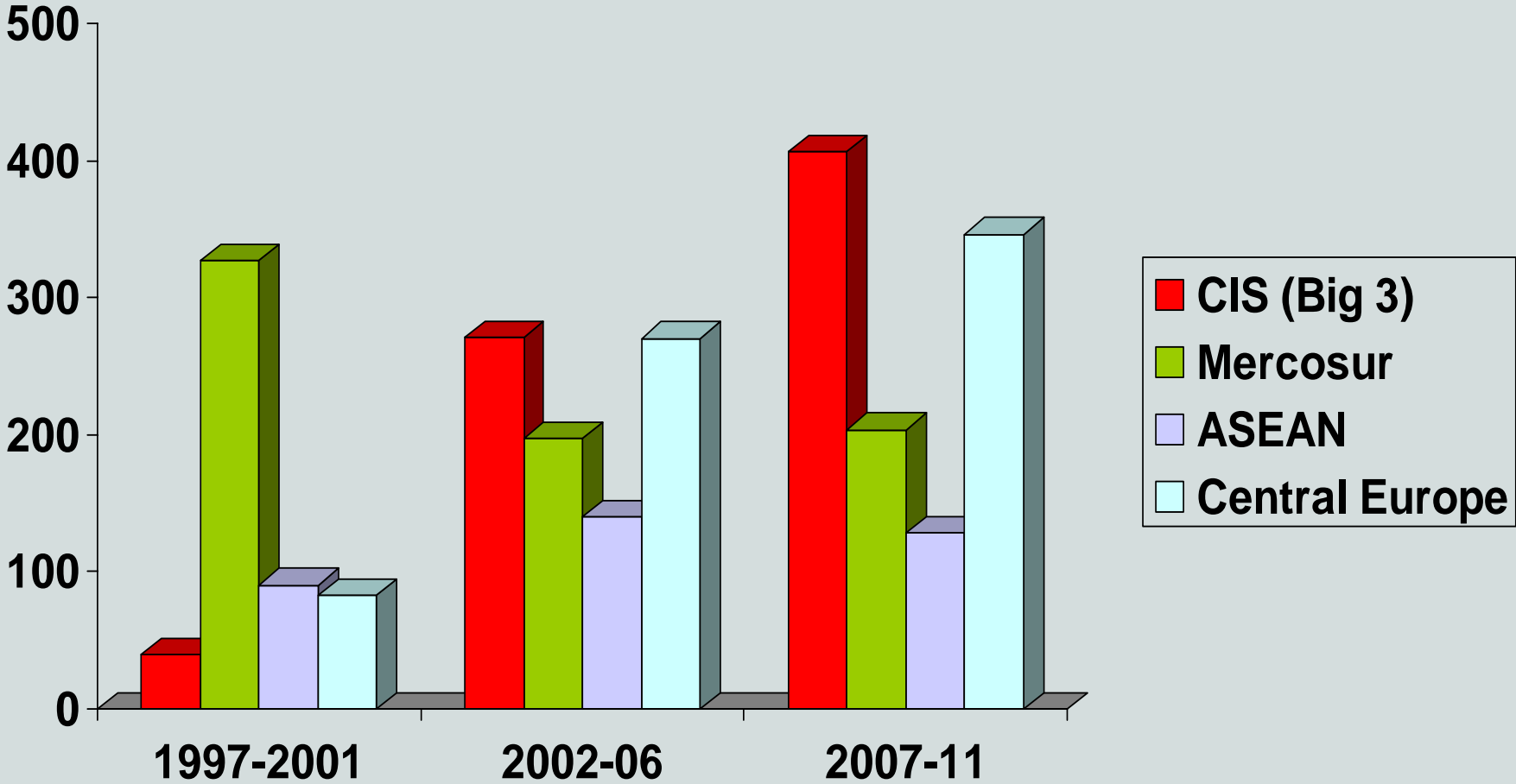
FDI inflows (annual av, US\$ bn)



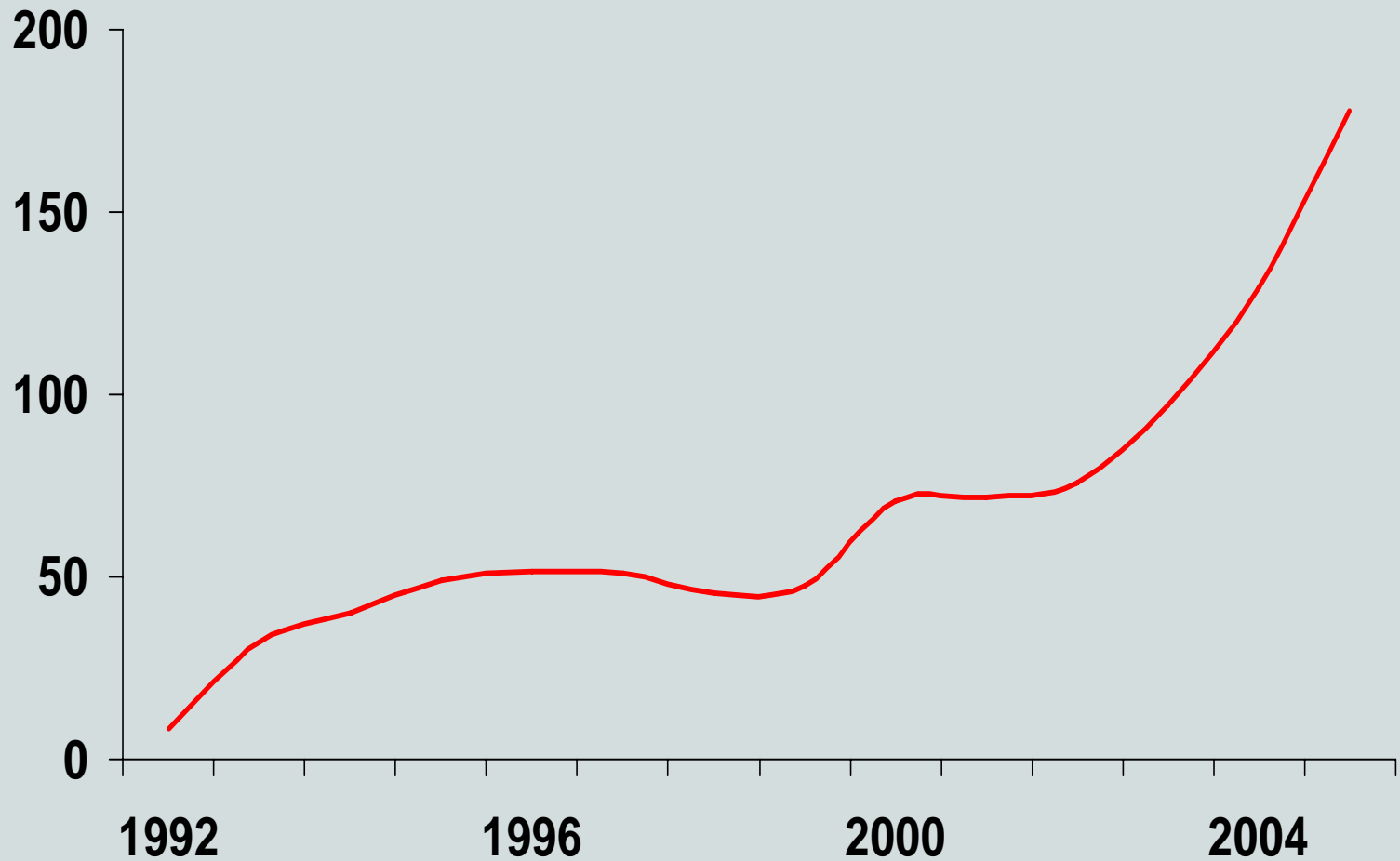
Russian FDI outflows (ann av, US\$ bn)



Total external borrowing (US\$bn)



CIS Exports to the EU (US\$ bn)



Why is interest in the CIS rising?

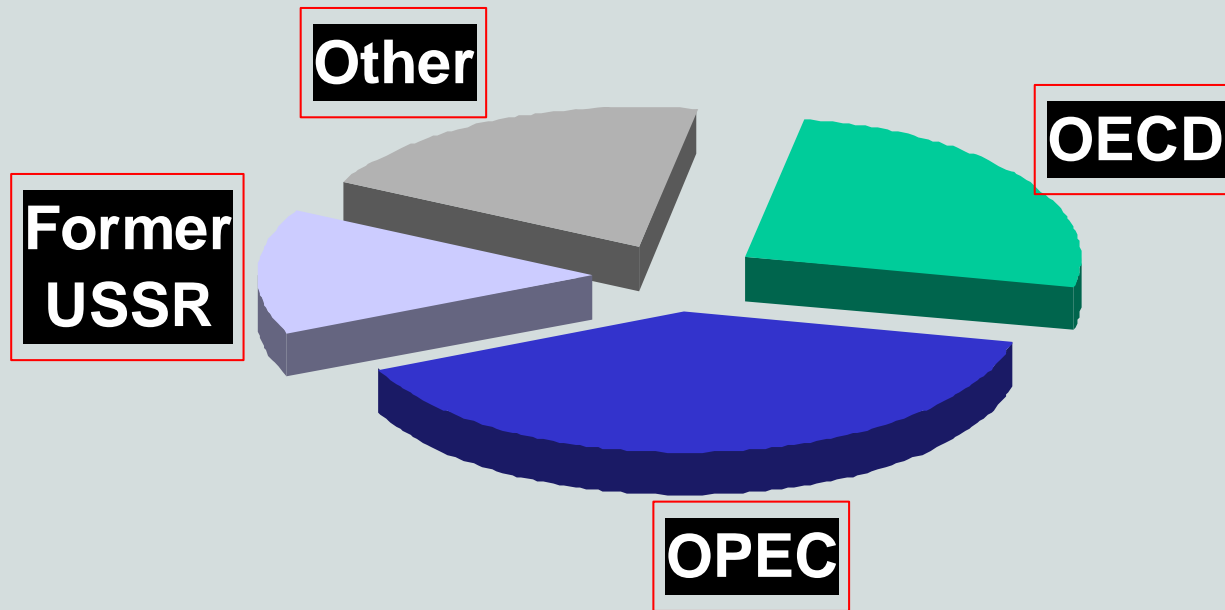
- Natural resource abundance
- Low wage base
- Economic stability
- Rapid economic growth
- Large markets

% of gas supplies coming from Russia, 2005

1	Germany	44%
2	Italy	29%
3	Turkey	65%
4	France	26%
5	Hungary	72%
6	Finland	100%
7	Slovakia	100%
8	Poland	60%
9	Czech Republic	82%
10	Austria	63%

Source: US Department of Energy

World oil supply, 2006



CIS - 12% of total supplies

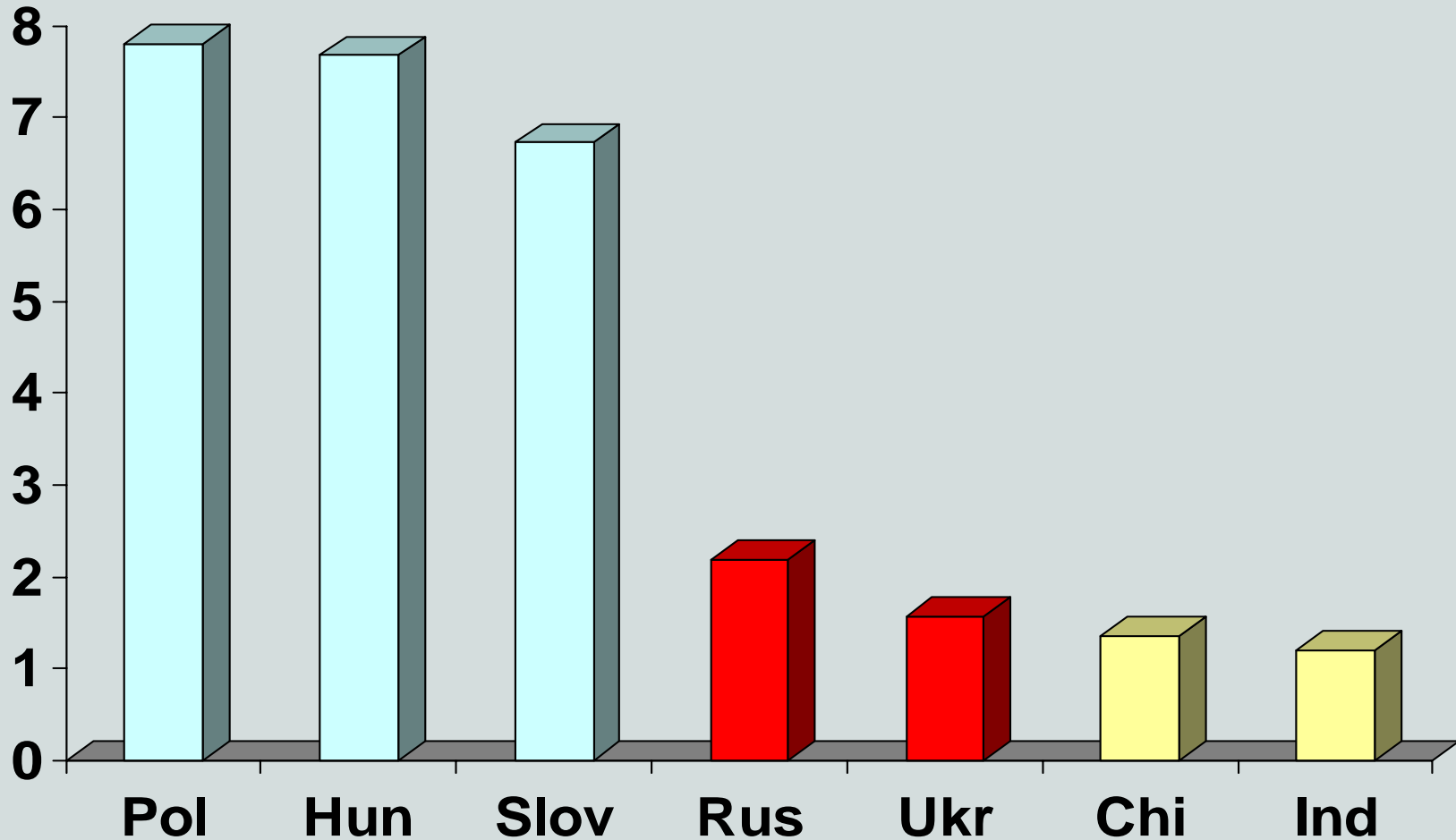
Source: EIA

Oil Reserves (bn barrels)

Saudi Arabia	262.7
Canada	178.9
Iran	133.3
Iraq	112.5
UAE	97.8
Kuwait	96.5
CIS	95.7
Venezuela	75.6
Russia	69.0
Libya	40.0

Source: CIA World Factbook

Hourly Wage Costs, 2006 (US\$)

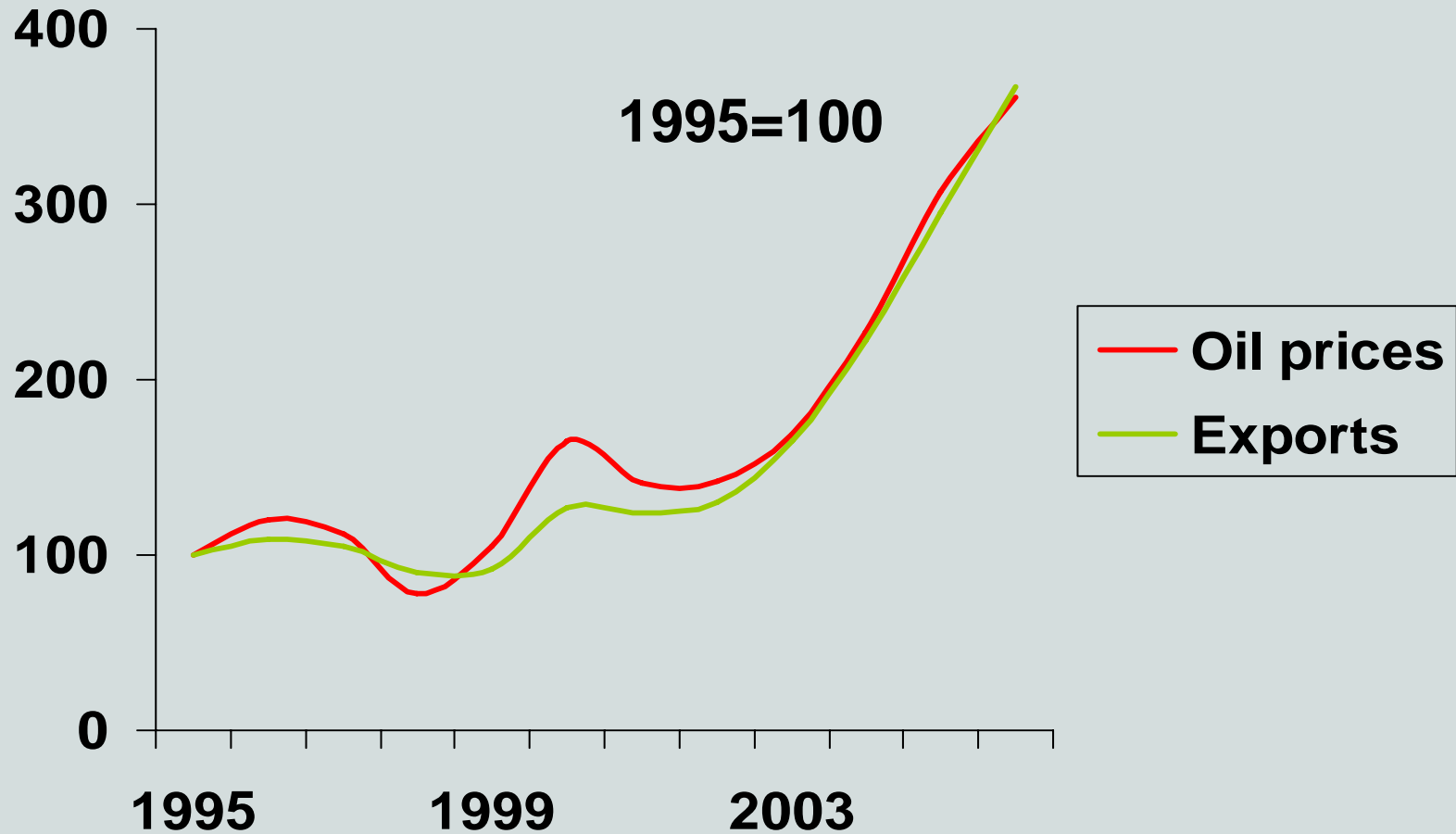


Source: Economist Intelligence Unit

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Oil Prices & Russian Export Earnings

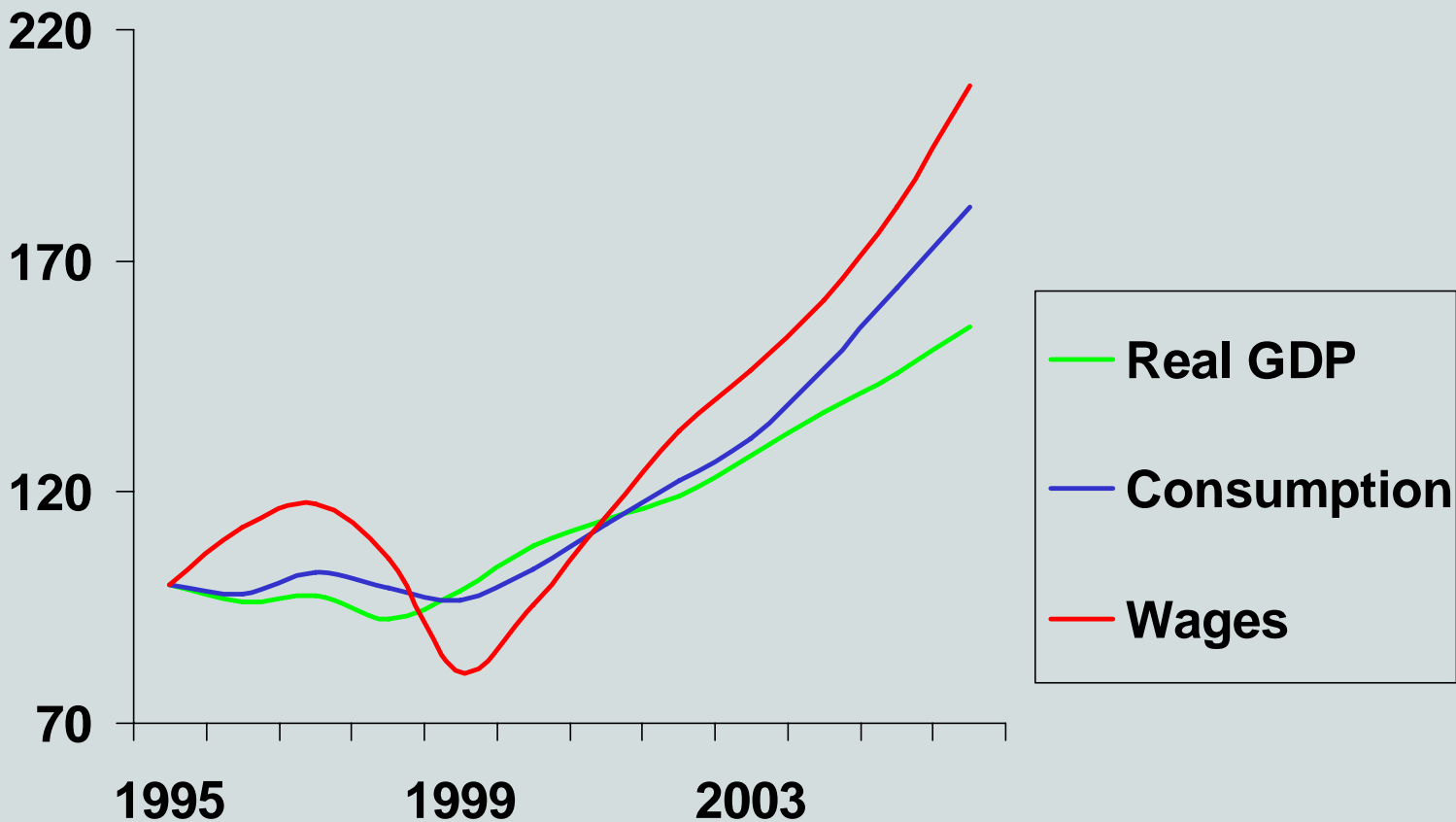


Source: Economist Intelligence Unit

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Russia's Resulting Boom (1995=100)

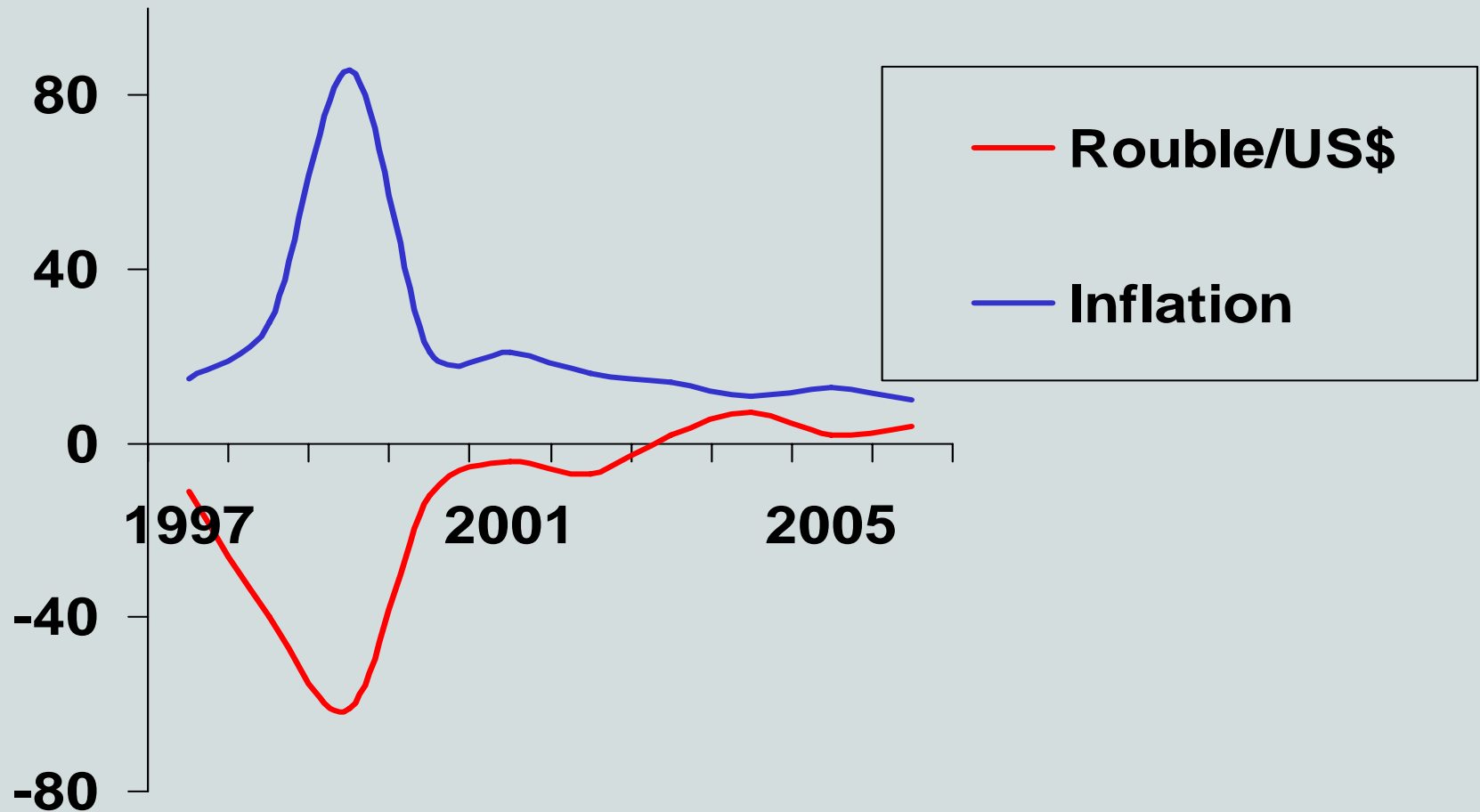


Source: Economist Intelligence Unit

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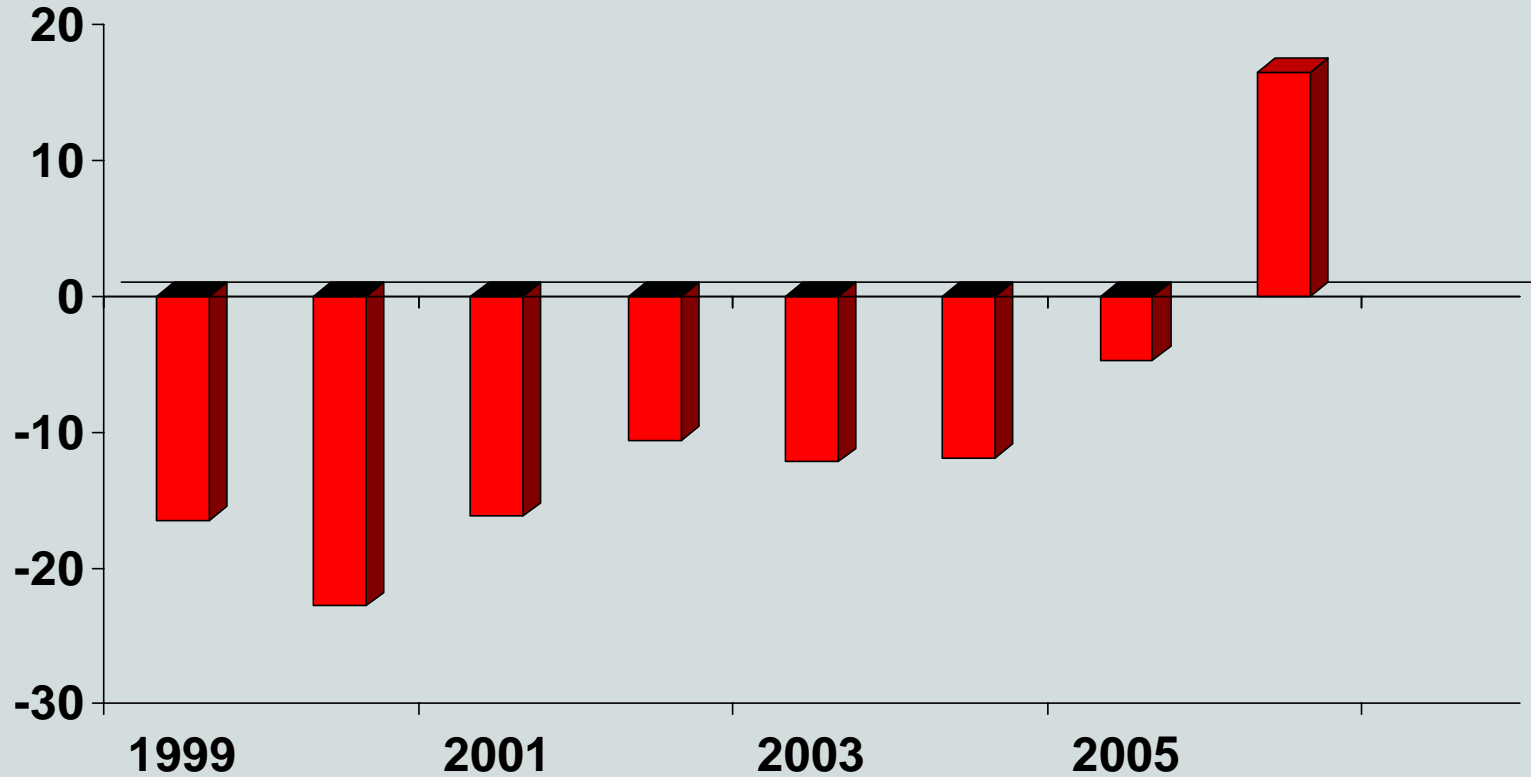
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Inflation & Rouble Rate (% change yoy)



Source: Economist Intelligence Unit

Private Russian Net Capital Outflows (\$ bn)

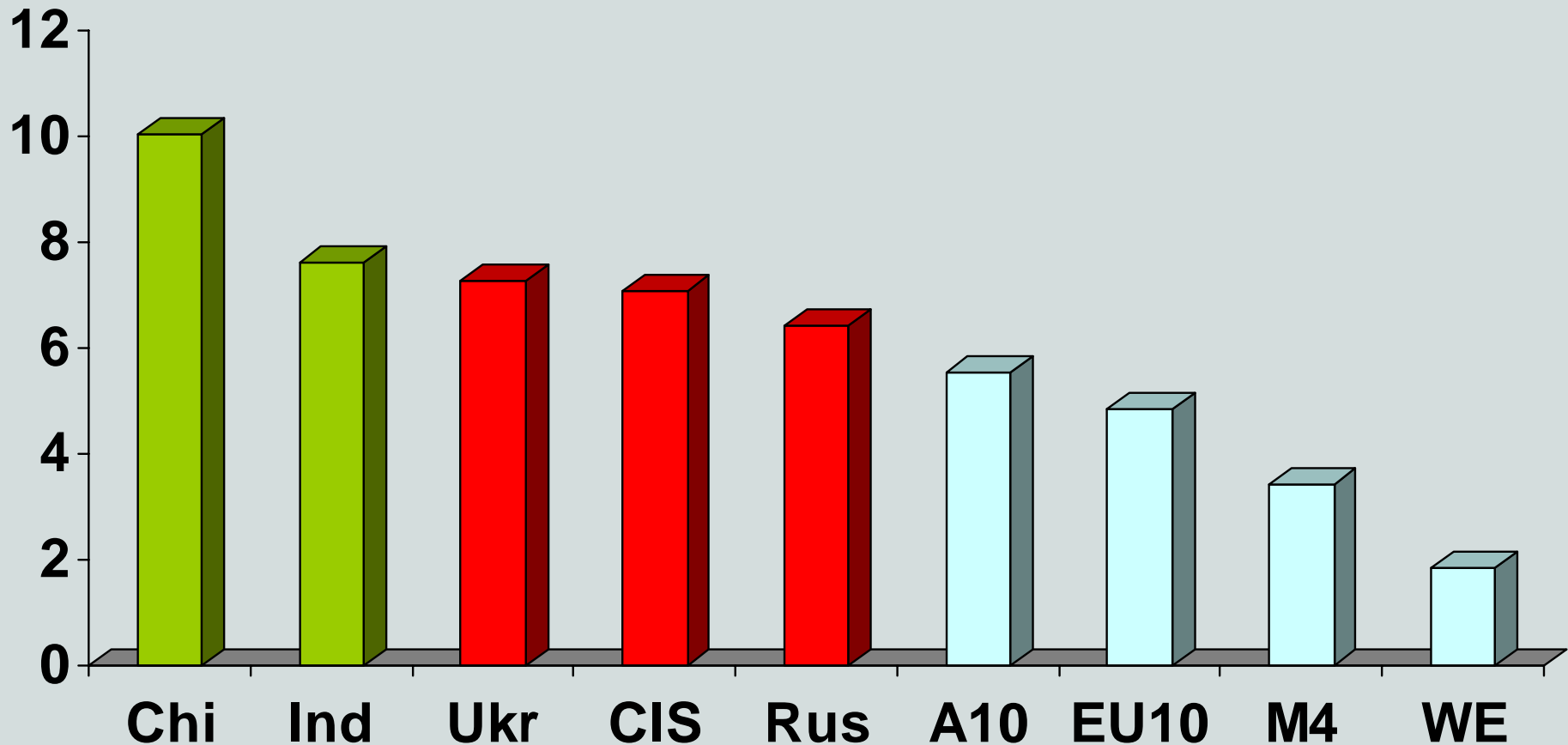


Source: Economist Intelligence Unit

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Av Ann % Real GDP Growth (2002-06)

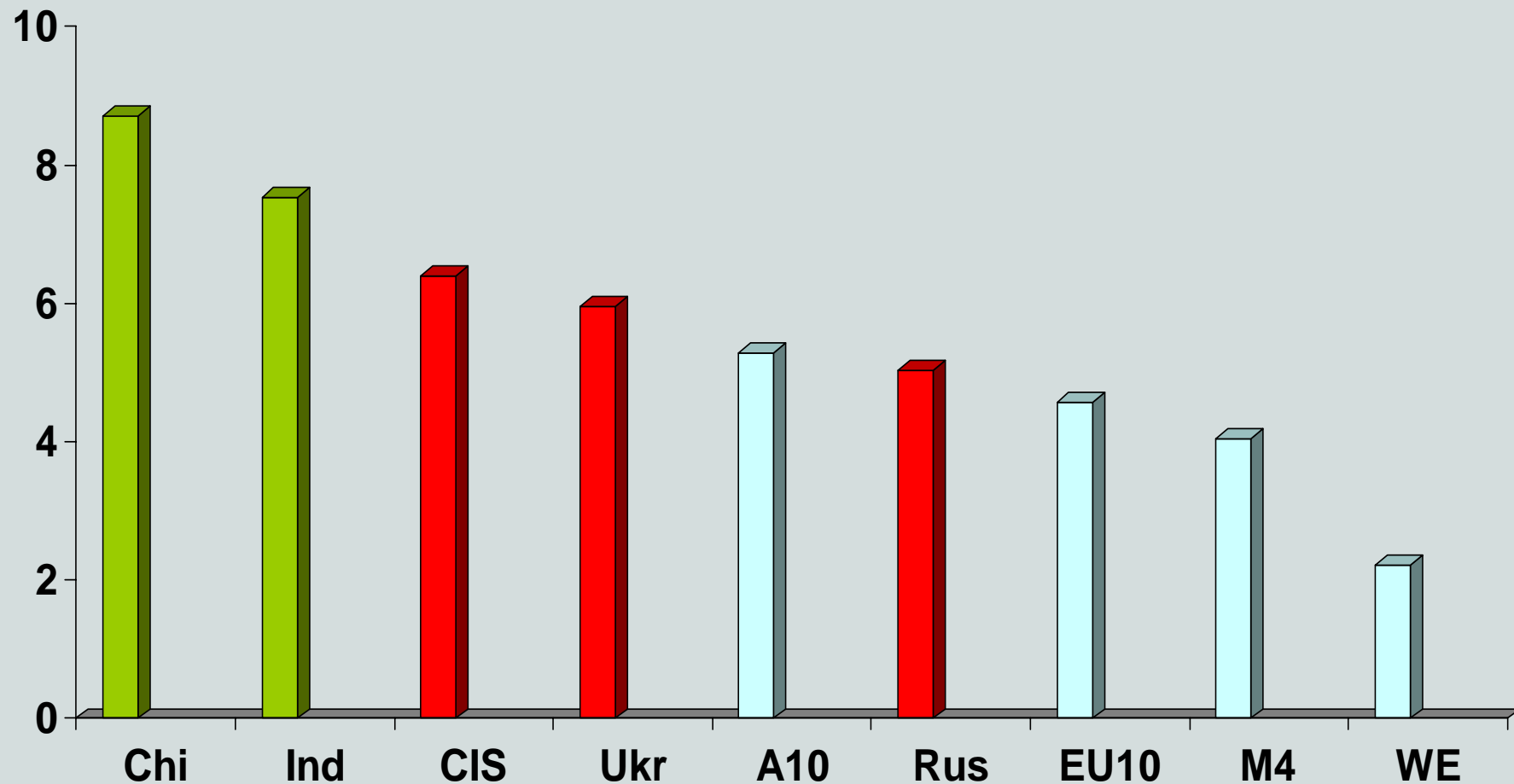


Source: Economist Intelligence Unit

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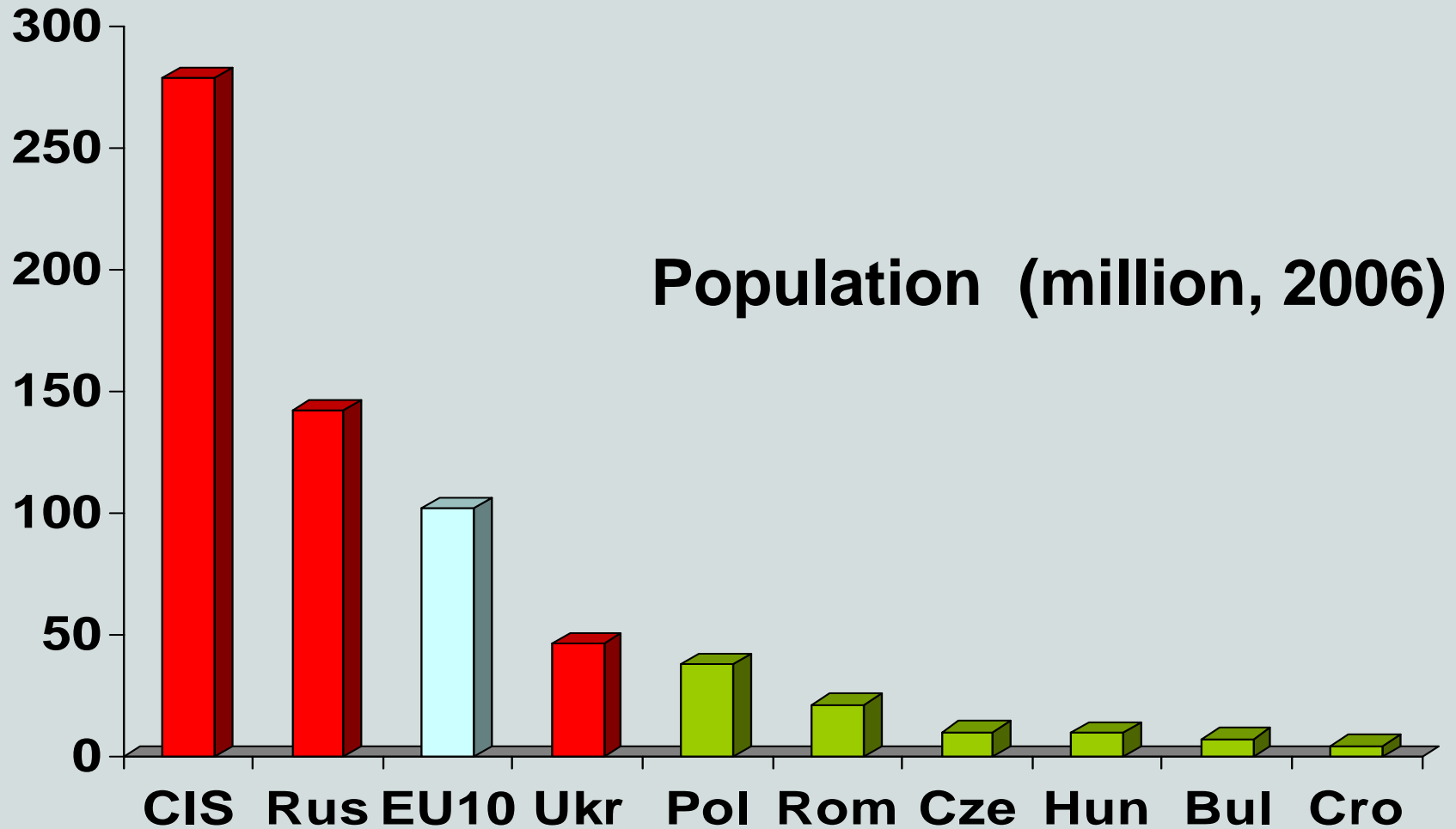
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Av Ann % Real GDP Growth (2007-11)



Source: Economist Intelligence Unit

Large Markets



Source: Economist Intelligence Unit

Economist Intelligence Unit

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But greater CIS exposure brings risks

- Unfavourable demographics
- Bad politics
- Excessive oil concentration
- Dutch disease?
- Poor business environments

Plummeting population (millions)

	2000	2050	% change
Germany	82.2	73.6	-10.5
Italy	57.7	57.7	-12.7
Russia	146.7	109.2	-25.6
Ukraine	49.0	33.6	-31.4
Belarus	10.0	7.74	-22.6

Source: US Bureau of Census

EIU Democracy Rank (out of 165 countries)

“Full Democracies”

Czech Republic 18

“Flawed Democracies”

Ukraine 52

Moldova 62

“Hybrid Regimes”

Russia 102

“Authoritarian Regimes”

Kazakhstan 120

Belarus 128

EIU Business Environment Rankings

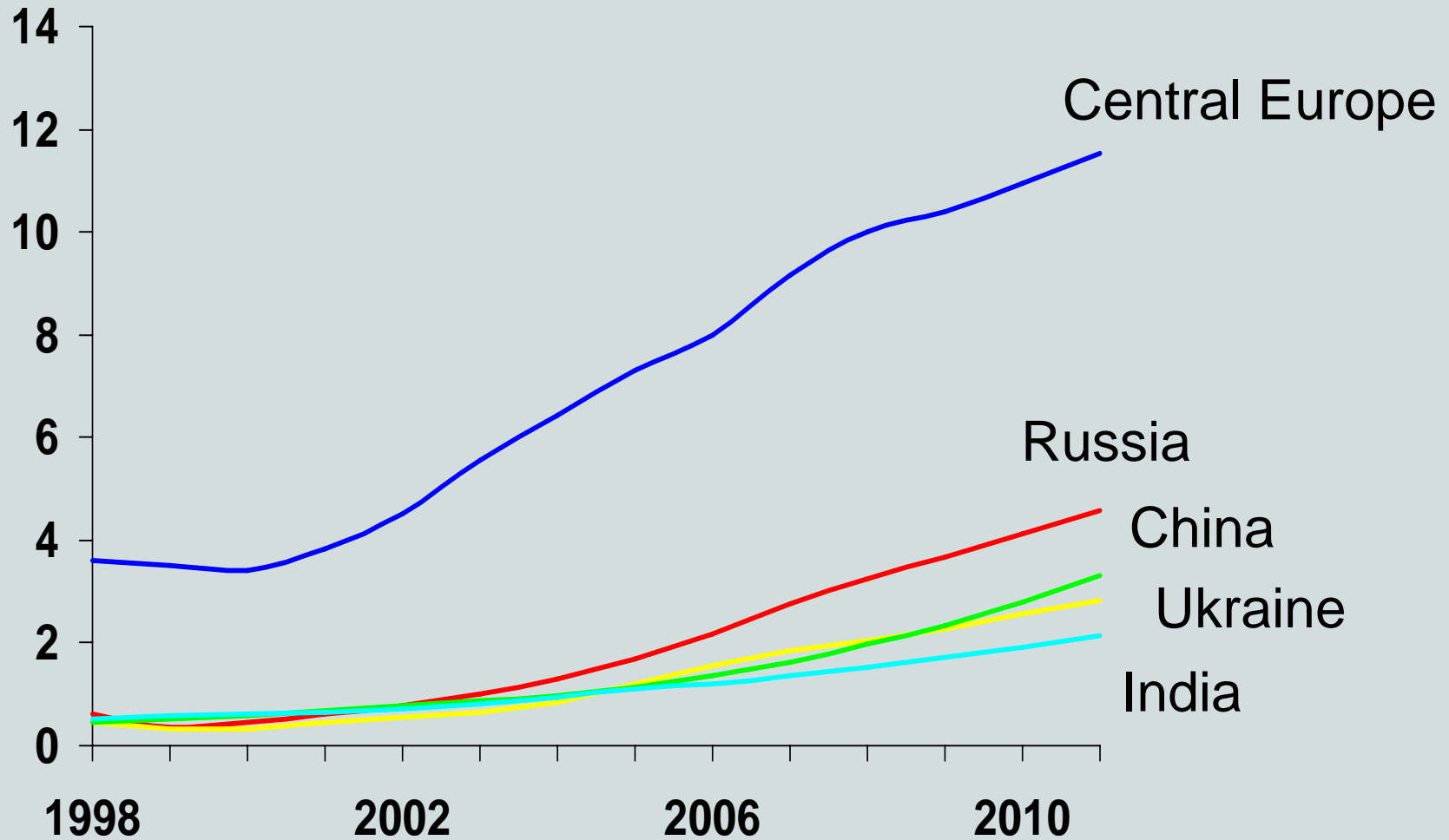
Rank out of 82 countries in 2007-11

- Estonia 21
- Czech Republic 27
- China 56
- Russia 66
- Kazakhstan 72
- Ukraine 75

EIU Country Risk Ratings

- Estonia BBB
- Czech Republic BBB
- China BB
- Russia BB
- Kazakhstan BB
- Ukraine B

Rising Hourly US\$ Wage Costs



Source: Economist Intelligence Unit

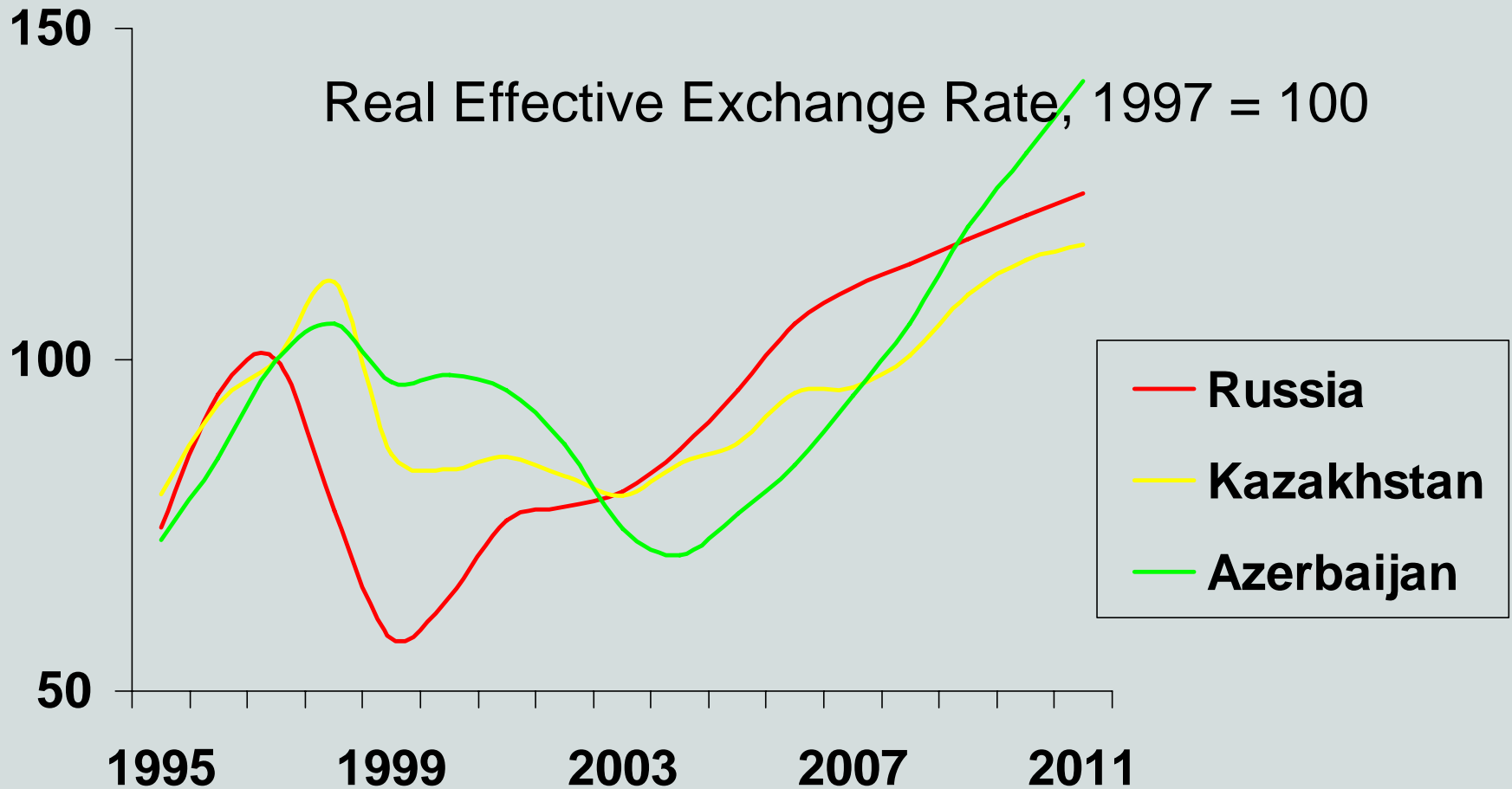
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Energy as % of Total Goods Exports

Russia	65.1%
Kazakhstan	71.9%
Azerbaijan	84.6%
Turkmenistan	83.0%
Belarus	38.8%

Dutch Disease?



Source: Economist Intelligence Unit

CIS Data - Additional Risk?

- Data quality has improved
- But reliability concerns persist
- Sourcing data

**What does this mean for
business intelligence?**

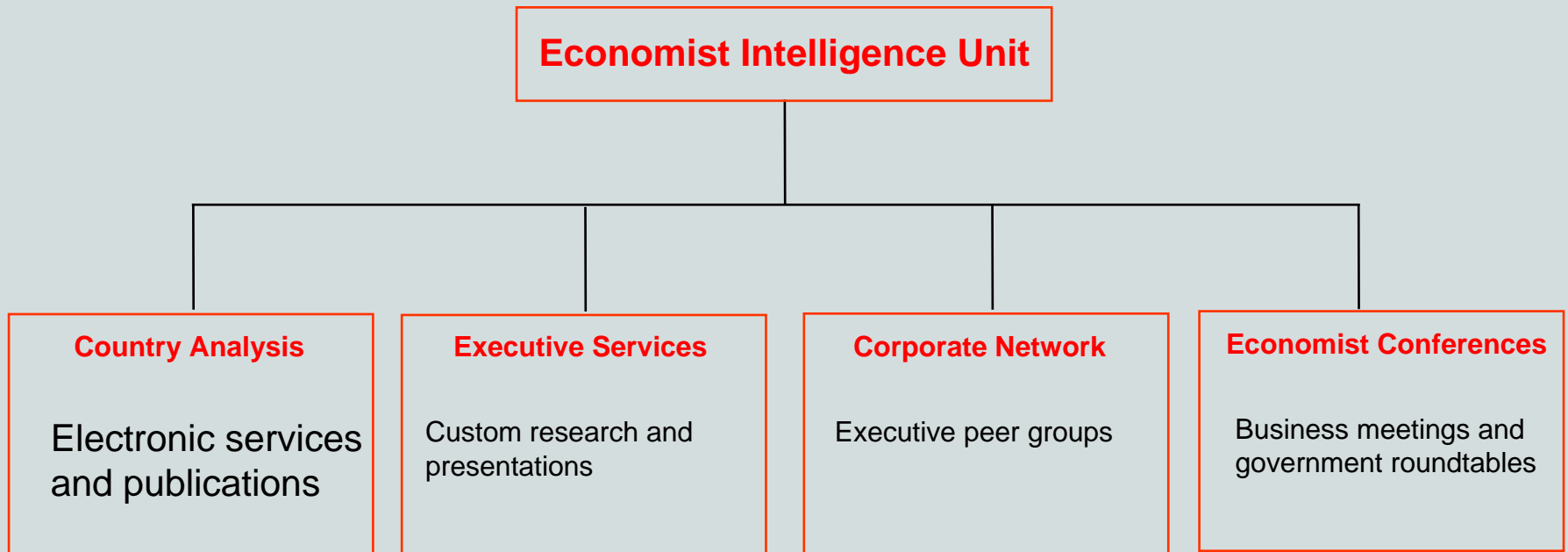
A more demanding market

- What does the EIU see?
 - granularity
 - increased demand for emerging market information
 - demand for industry information
 - demand for risk analysis
 - understanding the customer need
 - need for customisation
 - flexible delivery mechanisms
 - demand for ever higher quality
 - relevance, accuracy and speed

How has the EIU responded?

- Increased our country coverage
 - 201 markets, 150 with numerical forecasts
- Built a strategic industry capability
 - integrated with our macroeconomic view
- Increased focus on risk
 - launched an operational risk service
 - upgrading our financial risk service
- Hugely boosted our custom business
 - market studies, political reviews, industry benchmarking, modelling and forecasting

Flexible delivery mechanisms



Maintain our tradition of quality

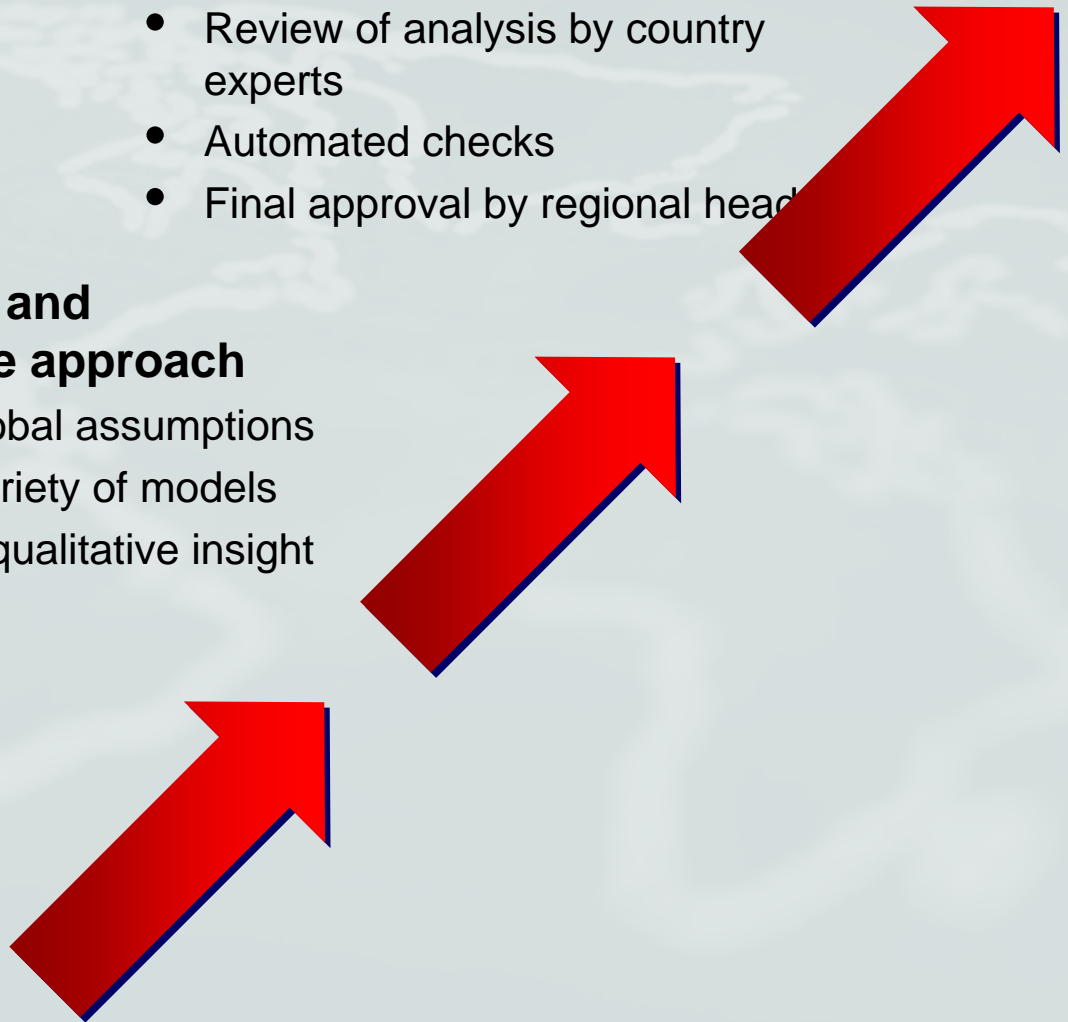
- 130 in-house country analysts
- 600 contributing analysts based in-country
- quantitative and qualitative approach
- reliable sources of local data in 201 countries
- sensitivity to geopolitical dynamics
- independent view
- ongoing assessment of global trends and events
- almost 60 years of experience

Quality centered methodology

- **Ensure quality**
 - Review of analysis by country experts
 - Automated checks
 - Final approval by regional heads

- **Qualitative and quantitative approach**
 - Apply global assumptions
 - Use a variety of models
 - Provide qualitative insight

- **Gather dependable information**
 - Use in-country analysts
 - Select most timely, reliable data
 - Conduct primary research



What does all this mean for you?

- Your reality
 - more demanding internal clients
 - evolving offering from your suppliers
- The challenges (as we see them)
 - match information to the need
 - ever greater understanding of your clients needs
 - ever greater understanding of the strengths and weaknesses of your sources
- The result
 - a significant source of value to your business