

Market Review

Macroeconomic Trends in 2023

Russian economy

3.6%

GDR growth in Russia in 2023

7.42%

inflation in Russia in 2023

GDR growth in the Russian Federation in 2023 was 3.6%¹.

The indicator exceeded the 3.5% growth rate projected by the Russian Federation's Ministry of Economic Development (MED). According to the Russian Statistics Agency, GDR growth in 2023 was largely contributed by an increase in gross value added indices in the hotel and catering services, information and communications, financial, insurance and administrative activities, wholesale and retail trade, manufacturing and construction.

According to the results of the macroeconomic survey of the Bank of Russia, Russia's GDR in 2024 may grow by 1.6%². The growth rate of gross fixed capital formation

in 2024–2026 should remain at an average of 2.3%, which will drive an increase in the share of gross fixed capital formation in GDR³.

In 2023, the Bank of Russia's policy was aimed at bringing inflation back to target, and in 2023 its level was 7.42% (against 11.94% a year earlier), which is almost in line with the Bank of Russia's earlier projection (6–7%) and coincides with the MED estimate (7.5%). The acceleration of price growth rates affected a wide range of goods and services. Accordingly, the indicators of the sustainable component of monthly price growth also continued to grow under the influence of an active increase in consumer demand. The current rate of price growth was also still affected by the weakening of the Russian Rouble.

According to forecasts, given the monetary policy in place, annual inflation should return to 4% in 2024 and will remain at 4% thereafter. The tightening of monetary policy undertaken by the Bank of Russia should contain the excessive expansion of domestic demand and limit its pro-inflationary effects⁴.



¹ Russian Statistics Agency. Socio-Economic Situation in Russia, 2023.

² Macroeconomic Survey of the Bank of Russia, https://cbr.ru/statistics/ddkp/mo_br/.

³ Russia Ministry of Economic Development of the Russian Federation, Forecasts of Socio-Economic Development of the Russian Federation for 2024 and the Planning Period of 2025 and 2026.

⁴ Bank of Russia, Consumer Price Movements, September 2023.

Industry-related trends

Global trends in the power engineering sector¹

Decarbonisation, decentralisation and digital transformation (digitalisation) are the three D trends driving the worldwide electric power industry in the era of Energy Transition 4.0.

Up to 2050, fossil fuels will continue to be the primary energy source in use worldwide. However, taking into account the decarbonisation factor, the share of oil, petroleum products and coal in total energy consumption will decrease, while natural gas and primary electricity consumption will grow by 2035. The share of electric power in final energy consumption will continue to grow, reaching 31% by 2035 and 42% by 2050.

Coal-fired electricity generation is expected to increase annually by about 4% on average until 2026². The primary driver of change in the global perspective will be the growing use of renewable energy sources in China, the country that produces over half of the world's coal-fired generation.

As the digital economy grows, a significant volume of digital data is produced, necessitating respective processing and storage power. The expansion of the cryptocurrency industry will be another factor driving the need for computing power.

Both the active growth of distributed generation (including the greater deployment of RES) and the usage of energy storage systems (including hydrogen technologies) reflect the trends towards decentralisation and decarbonisation of the global electric energy system. The long-term trajectory of sustainable growth will not change in spite of the current energy crisis.

The growth of electricity consumption causes an increase in the grid load and the expansion of electricity use in industry, heating and air conditioning, transport, telecommunications, data processing and storage. Therefore, one of the most important elements influencing the growth of energy consumption is the development of electric transportation.

¹ Long-term energy consumption forecast until 2050 (IEA).

² Electricity 2024. Analysis and Forecast to 2026. International Energy Agency, [iea.org](https://www.iea.org).



— Russia has recently launched a number of significant projects pertaining to the advancement of green energy. How does this affect the Company's operations?

— In 2023, the Rosseti Group provided grid connections to eight RES generation facilities with a total capacity of over 336 MW. These include the Kola WPP, which is the world's largest polar wind power plant, and facilities in the Stavropol and Krasnodar Territories and Karachay-Cherkessia. In addition, the Group's grid companies support the development of green energy by purchasing energy to compensate part of losses from RES generation on the retail market at a cost higher than wholesale market prices.

The power grid complex is fully prepared to ensure the supply of RES capacity. However, we believe that the development of such generation should also take into account the interests and opportunities of other market participants. It may be expedient to create large RES facilities, the capacity of which will be transmitted via main transmission grids over long distances to cover the demand in the UES of Russia.

RES may also be effective in organising power supply to remote areas, including as part of autonomous hybrid power plants (AHPP). Such projects already exist in Siberia and the Far East. In addition, Rosseti, together with equipment manufacturers, is actively involved in the development of micro-generation by providing turnkey services for the installation of small-capacity RES generation systems.

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