

Macroeconomic Environment

In 2015, the Russian economy showed a negative GDP growth rate and was generally characterized by unfavorable dynamics of the main macroeconomic indicators.

In the consumer segment, the lack of economic growth and inflation have a negative impact on real disposable income, which in turn leads to a reduction in consumer demand for services. Sequestration of state institutions' budgets and reduction in budgets of corporations and enterprises also reduces the demand and stimulates to search for more cost-efficient and effective solutions.

Indicator	2012	2013	2014	2015
GDP growth, %	3.4	1.3	0.6	-3.1
Inflation, %	6.6	6.5	11.4	12.1
Real disposable income, %	4.6	3.3	-0.7	-1.2
Weighted average US dollar exchange rate (RUB.)	31.1	31.8	38.4	60.0

Sources: Central Bank of Russia, Rosstat (Federal State Statistics Service).

The telecommunications sector is characterized by relative resilience to macroeconomic turbulence. On the one hand, effect on demand from the dynamic segment is minimal due to the inherent nature of retail telecommunications services everyday necessity. On the other hand, a minor share of the costs for telecommunication services in the overall structure of the household expenses. In addition, in the difficult economic conditions, there may be an increase in consumption in a number of retail services segment, as households in an effort to save may abandon the expensive entertainment, such as going to the cinema, preferring home watching of the movies via IPTV service as a less expensive form of entertainment. In the segment of corporate and government customers, there's a tendency of companies' intention to consolidate budgets in exchange for attractive price conditions. Thus, given Rostelecom's significant market share, as well as presence in all segments of the telecommunications market, the Company managed to minimize the negative impact of the crisis on business in 2015.