



R&R Weekly Column
By Brunello Rosa



After Falsified Presidential Elections, Putin Is Turning Russia Into A “War Economy”

On 15-17 March, presidential elections were held in Russia. As we have discussed on numerous occasions, the Russian elections were one of the [three key elections taking place in 2024 in Emerging Markets](#). As discussed [in previous columns](#), elections need to be closely watched even in electoral autocracies such as Russia, because they may reveal important insights regarding the state of the autocracy itself.

For example, [in our column of 19 February](#) we said that the following four elements deserved close scrutiny: (a) *the turnout*: [on this occasion it was 77.5%](#), almost 10% higher than in 2018. This is a very high percentage by any standard, and certainly it was “incentivised” by the Kremlin; (b) *the number of contenders*: after the killing of the real opponent Aleksey Navalny, and the disqualification of the anti-war candidate Boris Nadezhdin, the only other candidate was Nikolay Kharitonov, from the Communist party, who gathered a meagre 4.4% of votes.

Also, (c) *the actual result*: Vladimir Putin collected an astonishing 88.5% of votes, which again is very elevated by any standards. [The use of the electronic vote](#) for the first time in a presidential election must also have contributed to the result, as it adds a layer of opacity; finally, (d) *the regularity of the electoral process*: This is where we know for sure that this election was rigged: there were widespread and clearly visible reports of all sorts of irregularities, from armed guards entering voting booths with electors inside, to packs of pre-voted ballots clearly visible at the bottom of the transparent ballot boxes.

What have we learnt from all these elements? First, Putin’s regime is solid, and aims at remaining in place for at least six more years, if not twelve (if Putin runs again in 2030, something he can do after the change to the Constitution he made). At the same time, Putin is also scared that the situation may get unexpectedly out of hand: the killing of Navalny and the disqualification of Nadezhdin showed that the regime did not want to take any chance regarding the re-election of Putin, which had to be a plebiscite.

At the end of the day, Putin achieved what he wanted: being re-elected as supreme leader of Russia for at least six more years, and claiming that this occurred thanks to popular support. What is he going to do with such a corroborated power?

In his latest speeches, Putin and his accolades have made it clear that Russia is preparing for a long war, not just with Ukraine, but with the wider EU community. For example, Defence Minister Sergei Shoigu has outlined the efforts recently made to increase Russia’s conventional military capabilities, [with the aim of forming two armies, 14 divisions and 16 brigades by the end of 2024](#). So, the next phase of Putin’s presidency will be transforming the country into a “war economy,” which is also the only way to prop up economic activity when economic sanctions are biting. [The terrorist attack by ISIS-K that hit Moscow last Friday](#) will reinforce Putin’s intention to increase “militarise” the country.

The combined effect of Russia’s transformation into a war economy and the possibility of Trump winning the US presidential race, and therefore de-facto ditching NATO’s nuclear umbrella over Europe, is pushing European countries to further push for a common defence, and to dedicate more resources to military expenditures. As Spanish newspaper El Pais said: [Europe gets ready for war](#).

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Looking Ahead

The Week Ahead: US QoQ GDP To Decelerate; UK QoQ And YoY GDP To Shrink; Headline Inflation To Fall In France And Rise In Italy

In the US, according to the final estimate, in Q4, the GDP growth rate is seen decelerating to 3.2% q-o-q (*p*: 4.9%). In February, the core PCE price index is expected to remain unchanged at 2.8%.

In the EZ, in March, economic sentiment is expected to edge up to 96.1 (*p*: 95.4). In the largest EZ economies, in March, the headline inflation rate is expected to: *i*) decrease to 2.7% y-o-y (*p*: 3.0%) in France; and *ii*) rise to 1.4% y-o-y (*p*: 0.8%) in Italy.

In the UK, according to the final estimate, in Q4, the GDP growth rate is expected to contract by -0.3% q-o-q (*p*: -0.1%) and -0.2% y-o-y (*p*: 0.2%).

The Quarter Ahead: China Blocks Use Of Intel And AMD Chips; Gaza Crisis Escalation; Moscow Suffers Terrorist Attack

China blocked the use of Intel and AMD chips in government computers. China phased out US microprocessors from Intel and AMD in government PCs and servers, replacing foreign technology with domestic solutions. This mirrors US actions amid tensions, including sanctions on Chinese firms and restrictions on chip exports to China.

Israel-Gaza. Israel has notified the UN that it will no longer authorize UNRWA food convoys to north Gaza, according to the agency's head. This area is where 70% of the population faces the most severe food scarcity. The Palestinian Red Crescent reports that smoke bombs were fired at the hospital in an attempt to compel staff, wounded individuals, and displaced persons to leave.

Moscow under attack. Gunmen attacked a crowded concert venue on the outskirts of Moscow, resulting in the death of at least 144 people and leaving over 140 injured. The ISIL (ISIS) armed group claimed responsibility for the attack on Friday. According to President Putin, all four gunmen have been arrested.

Last Week's Review

Real Economy: Headline And Core Inflation Fell In EZ And UK; Composite PMIs Fell In US And UK, While Rose In EZ

In the US, In March, S&P Global Manufacturing PMI rose to 52.5 (*c*: 51.7; *p*: 52.2), while services PMI decreased to 51.7 (*c*: 52.0; *p*: 52.3). Composite PMI edged down to 52.2 (*p*: 52.5).

In the EZ, in February, the headline and core inflation rate eased off to 2.6% y-o-y (*p*: 2.8%) and 3.1% y-o-y (*p*: 3.3%) as expected. In March, consumer confidence rose to -14.9 (*c*: -15; *p*: -15.5). In March, HCOB Manufacturing PMI edged down to 45.7 (*c*: 47; *p*: 46.5). Services PMI increased to 51.1 (*c*: 50.5; *p*: 50.2). Composite PMI edged up to 49.9 (*c*: 49.7; *p*: 49.2).

In the UK, in February, headline and core inflation rates edged down to 3.4% y-o-y (*c*: 3.5%; *p*: 4.0%) and 4.5% y-o-y (*c*: 4.6%; *p*: 5.1%). In March, S&P Global Manufacturing PMI increased to 49.9 (*c*: 47.5; *p*: 47.5), while Services PMI fell to 53.4 (*c*: 53.8; *p*: 53.8). Composite PMI edged down slightly to 52.9 (*c*: 53.1; *p*: 53.0). In February, retail sales shrank by -0.4% y-o-y (*c*: -0.7%; *p*: 0.5%).

CBs stayed on hold. In the US, the Fed maintained its Fed funds range at 5.25% - 5.50%. In the UK, the BoE held its Bank Rate (BR) at 5.25%. In Japan, the BoJ raised its short-term interest rates to 0% - 0.1% from -0.1% and ended Yield Curve Control.

Financial Markets: Stock Prices Increased; Bond Yields Decreased; Dollar Index Increased, While Oil And Gold Prices Decreased

Market Drivers: In the US and EZ stocks rose on dovish signals from central banks. In the EZ, government bond yields dropped due to a weak German purchasing managers' survey. UST yields dropped, as investors speculated about the timing of Fed interest rate cuts.

Global Equities: Increased w-o-w (MSCI ACWI, +1.8%, to 781.32). The US S&P 500 index edged up (+2.3% w-o-w, to 5,234.18). In the EZ, share prices rose (Eurostoxx 50, +0.9% w-o-w, to 5,030.45). In EMs, equity prices decreased (MSCI EMs, +0.4%, to 1,039.32). Volatility fell to 14.55 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 17.6).

Fixed Income: w-o-w, the 10-year US Treasury yields fell (-11 bps to 4.20%). The 2-year US Treasury yields decreased (-15 bps to 4.56%). The German 10-year bund yields decreased (-12 bps to 2.32%).

FX: w-o-w, the US Dollar Index increased (DXY, +1.0%, to 104.43; EUR/USD -0.7%, to 1.08). In EMs, currencies edged down (MSCI EM Currency Index, -0.5% w-o-w, to 1,724.17).

Commodities: w-o-w, oil prices decreased (Brent, -0.6% to 84.83 USD/b). Gold prices decreased w-o-w (+0.2% to 2,166.5 USD/Oz).



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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year



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