



**EUROPEAN
DEPARTMENT**

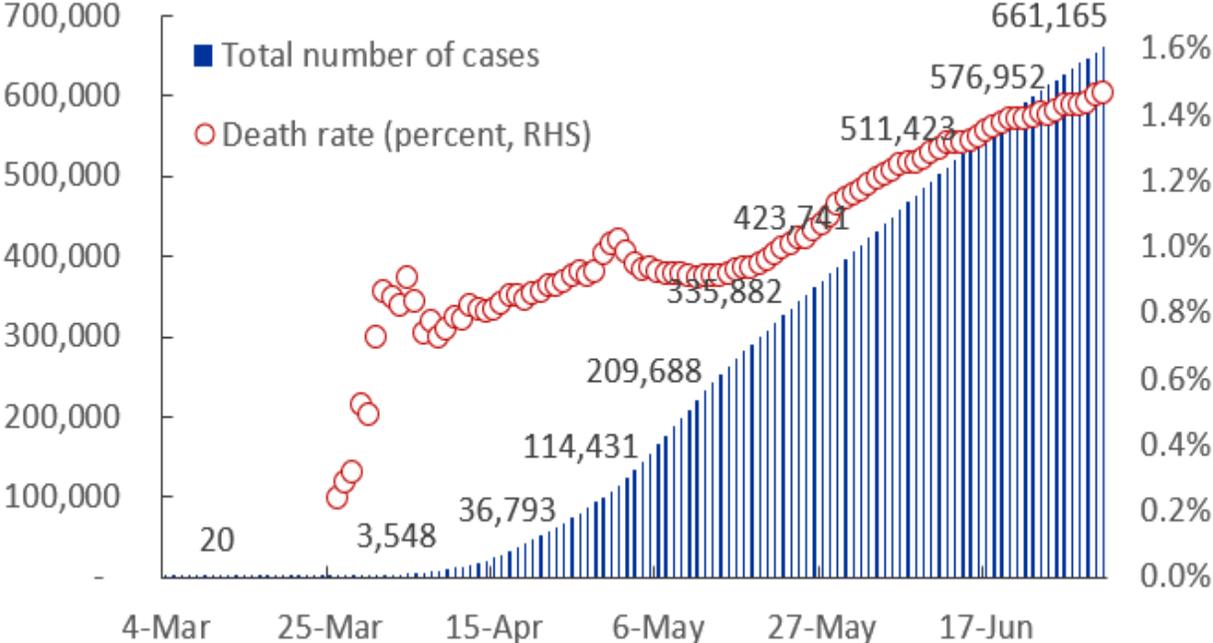
RUSSIA ECONOMIC OUTLOOK

JULY 2020

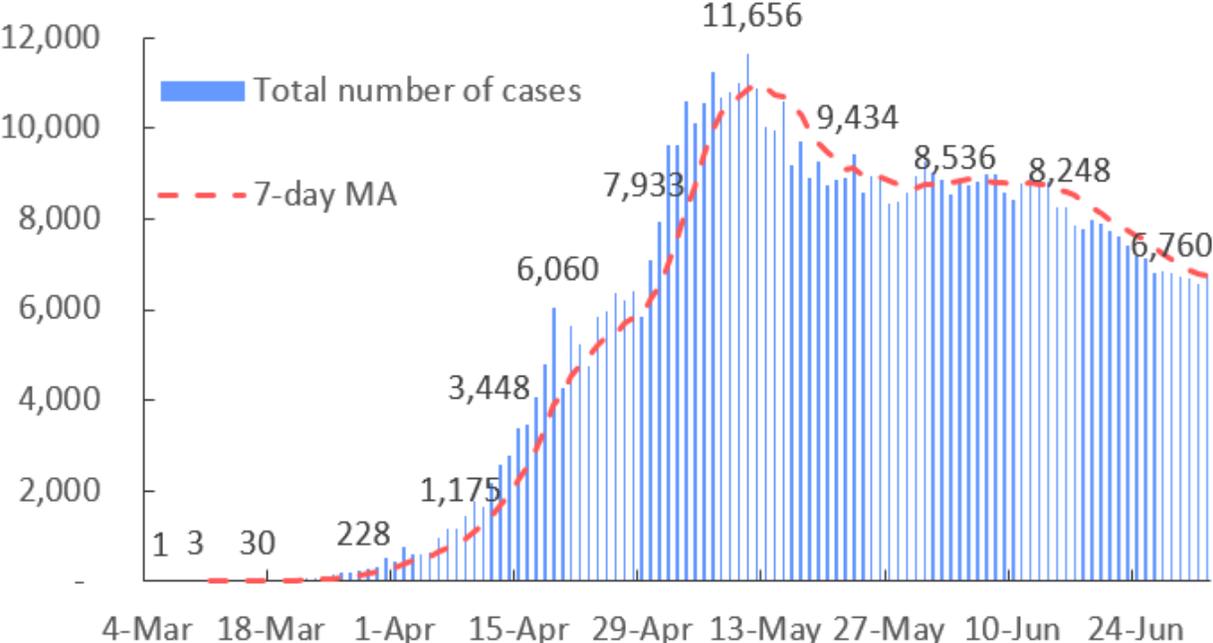
Annette Kyobe
Resident Representative Russian Federation

The first wave of COVID-19 seems to waning

COVID-19 Cases, Stock

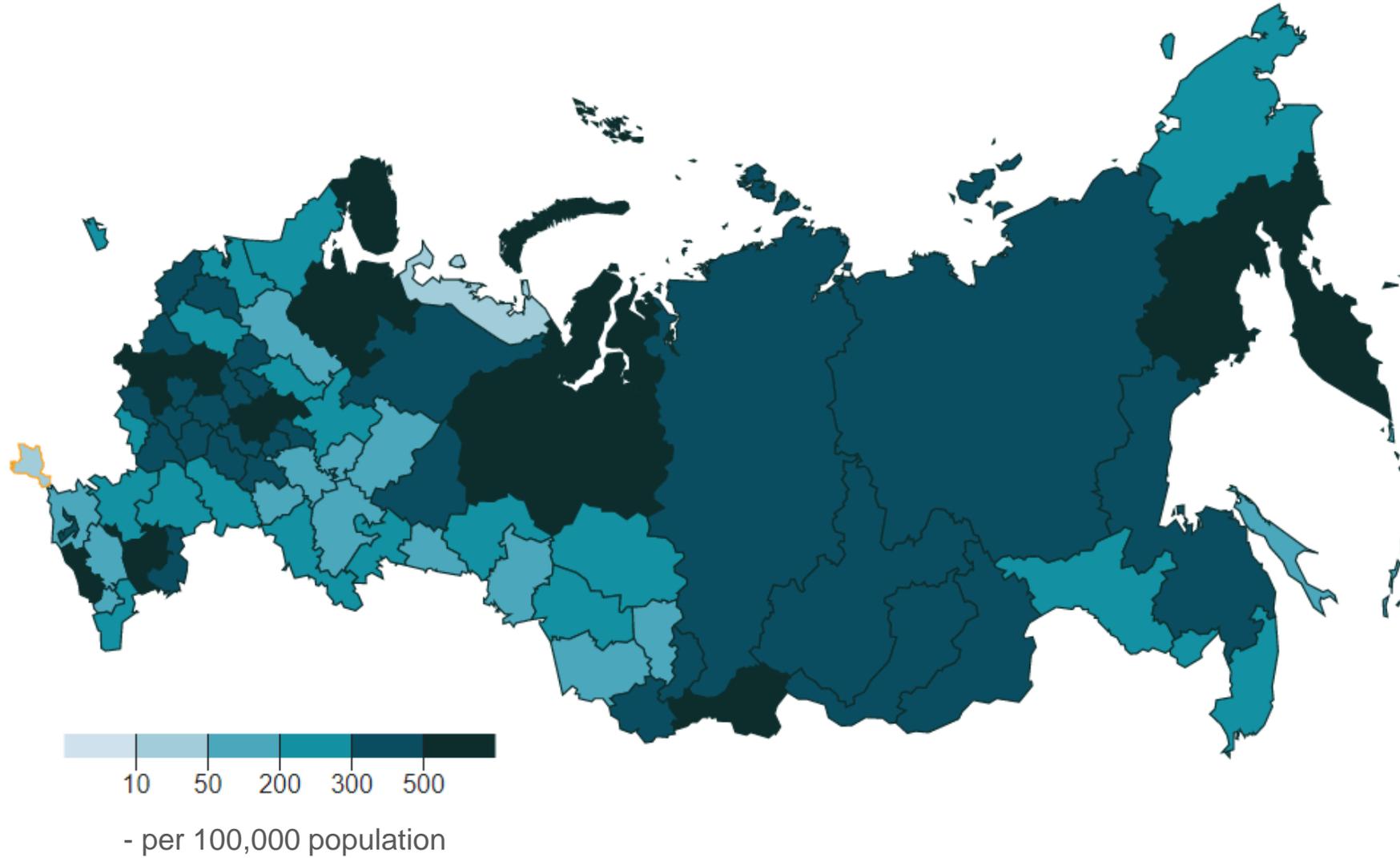


COVID-19 New Cases



Source: Official COVID internet resource for Russia.

The spread of pandemic differs across regions



Source: BBC.

Impact

Outlook

Policies

The pace of reopening is differentiated



Russia also hit by a decline in oil prices and financial market volatility

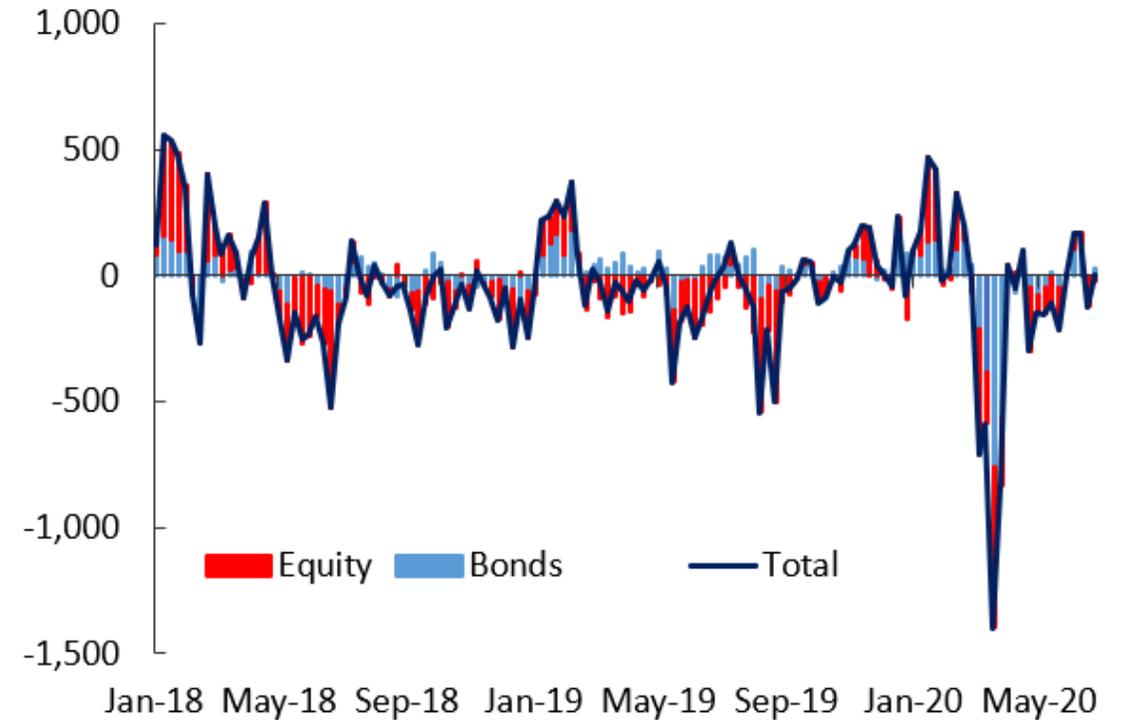
Urals price

(Rubles per barrel)



Non-Resident Portfolio Flows

(Millions of U.S. dollars)



Sources: JHU Coronavirus Resource Center, Haver Analytics, EPFR Global.

Impact

Outlook

Policies

The credibility of the macro economic framework and sound economic fundamentals helped stabilize the economy

- Floating exchange rate
- High international reserves
- Balanced budget
- Fiscal rule and NWF
- Low government debt
- Resilient banking sector

Impact

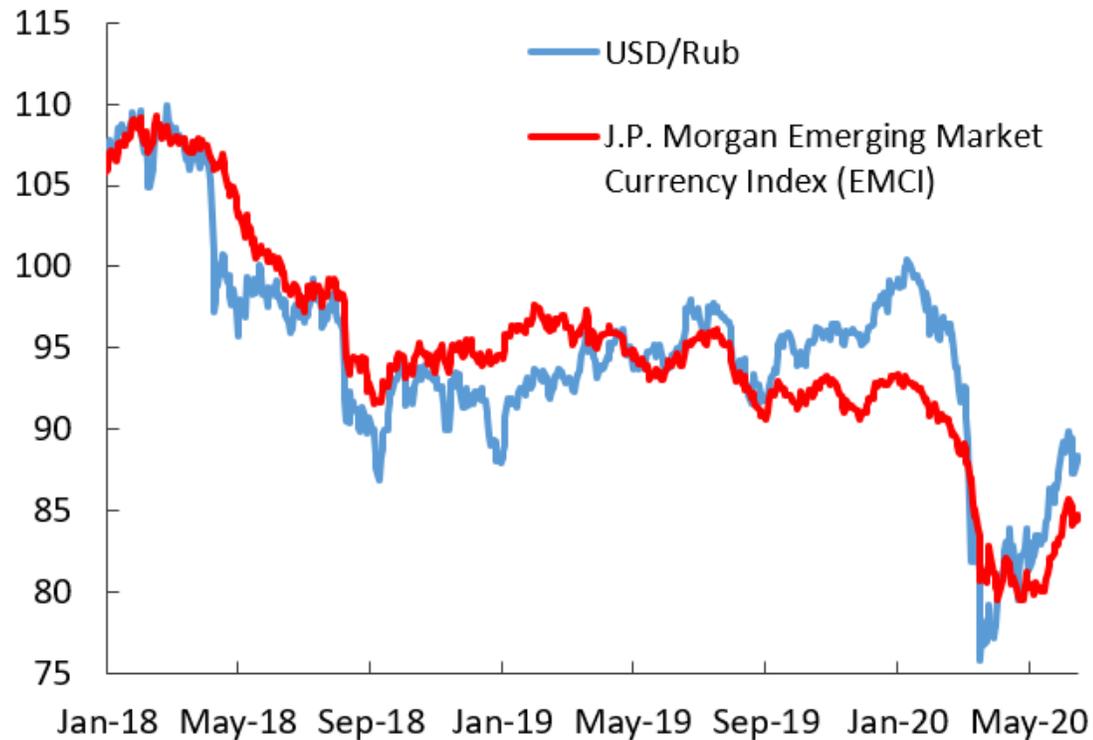
Outlook

Policies

Russia fared better than other EMs

Ruble vs. EM Exchange Rate Index

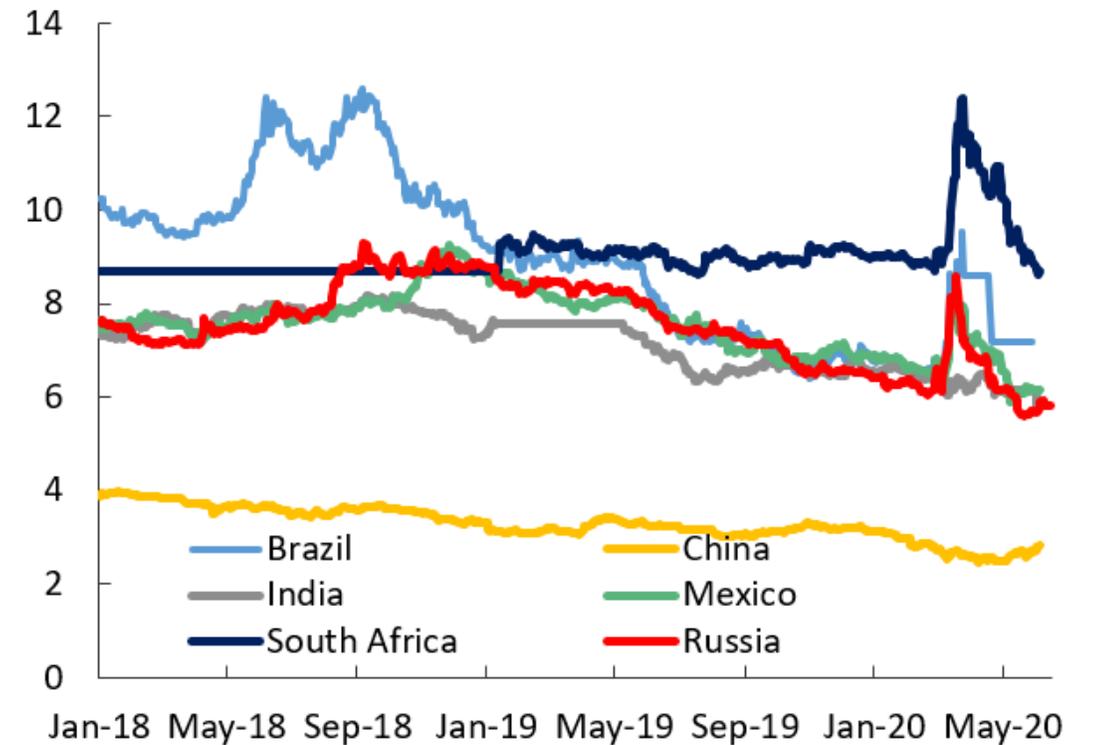
(Jan 2, 2017 = 100)



Source: Haver Analytics.

10-year Government Bond Yields

(Percent)



Source: Haver Analytics.

Impact

Outlook

Policies

Equities and Eurobonds rebounded

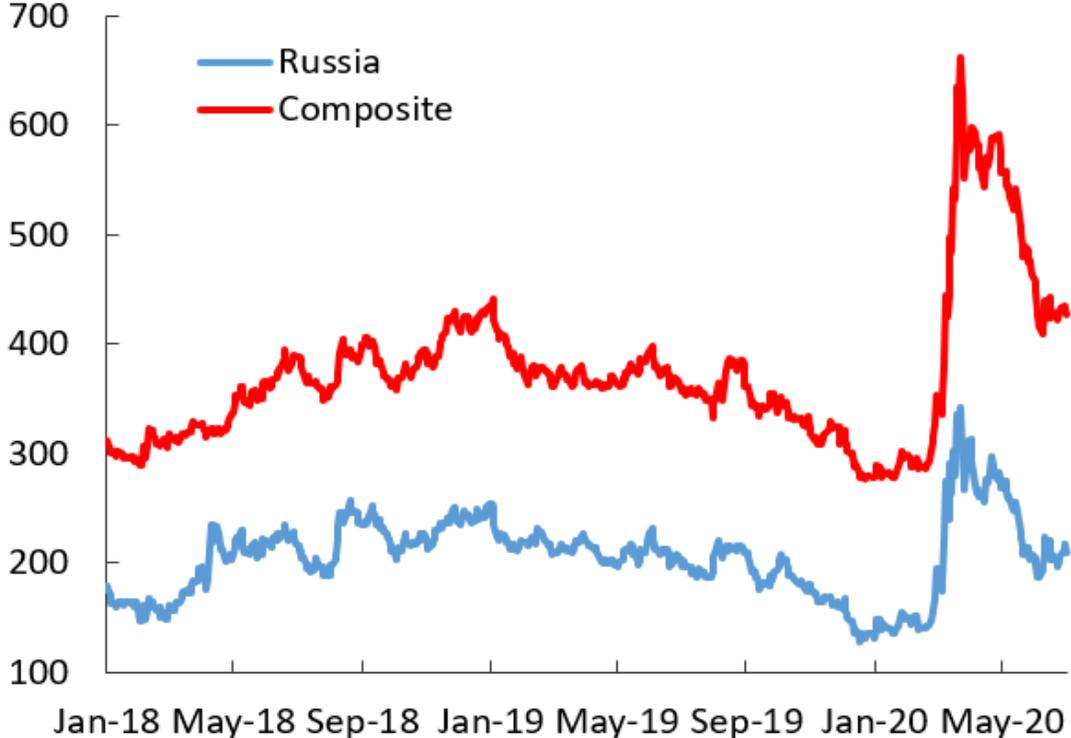
Moscow Exchange Stock Index



Source: Moscow Exchange.

EMBI+ Spread to U.S. Government Debt

(Basis points)



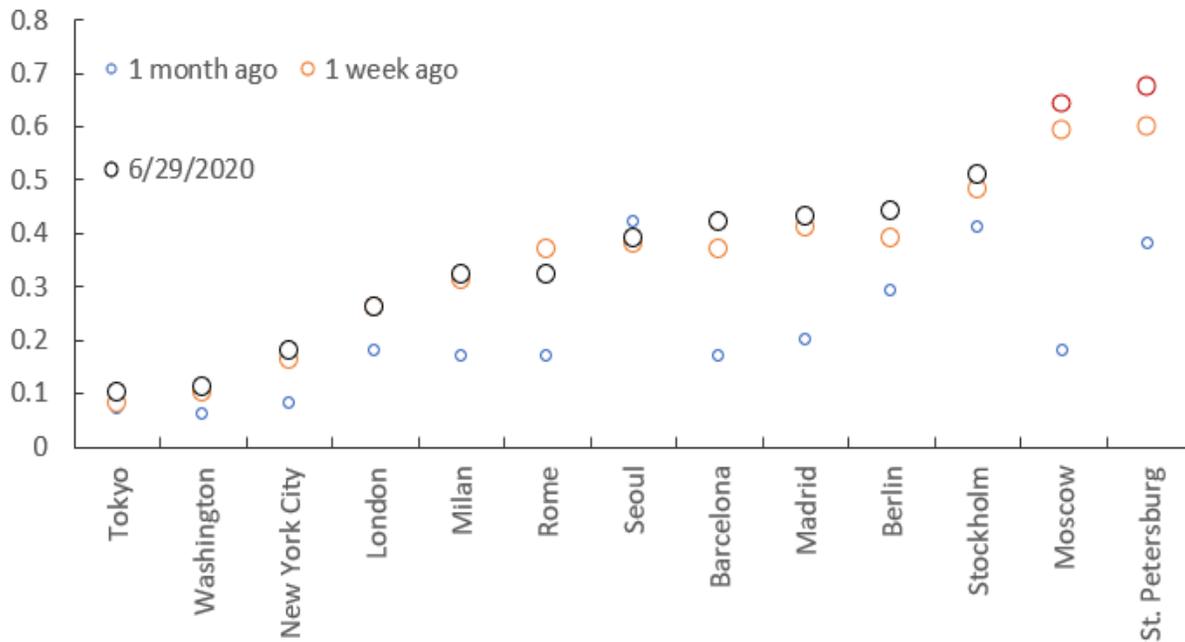
Source: JP Morgan.



Lockdown has eased and mobility indicators are showing a return to some semblance of normal

Citymapper Mobility Index

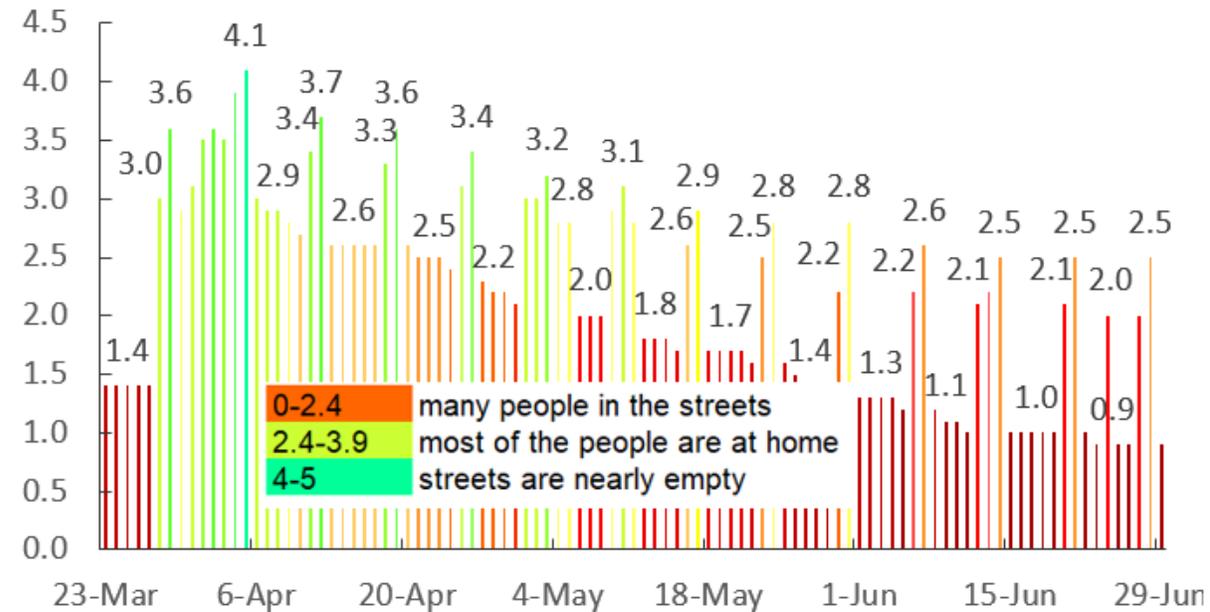
(trips planned vs. typical period)



Source: Citymapper.

Russia Yandex Self-Isolation Index

(for cities with population over 1 million)

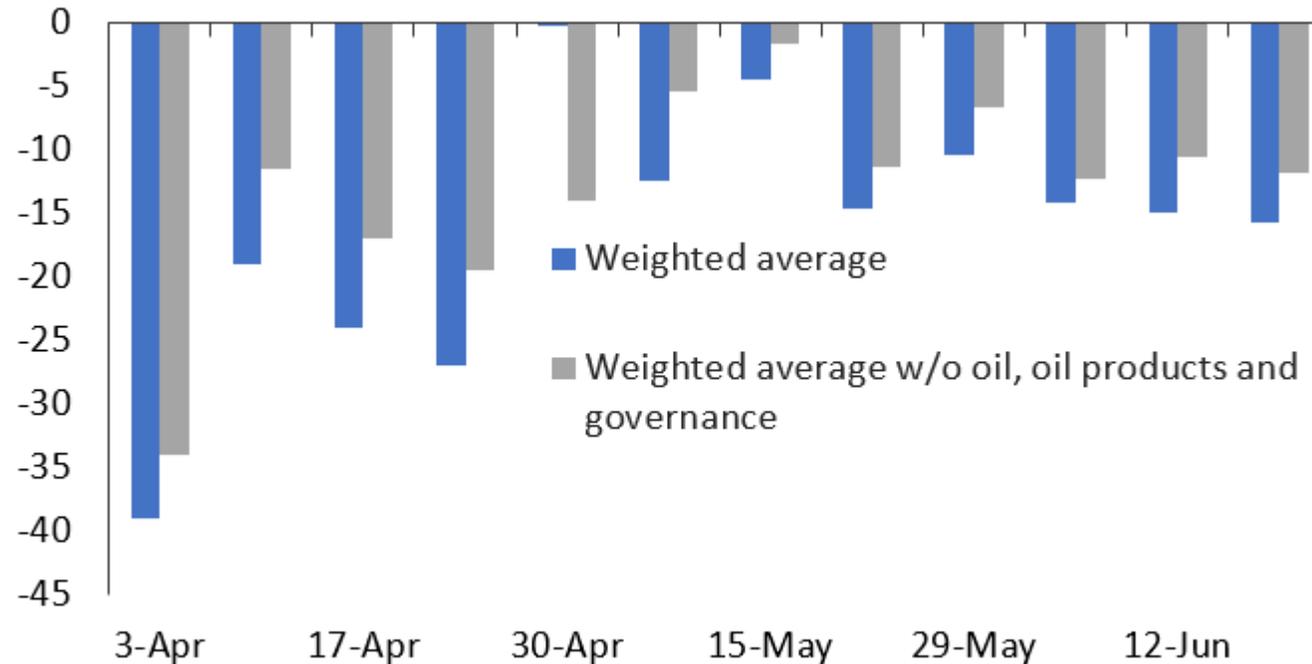


Source: Yandex.

Worst seems behind us—activity reached rock bottom and is recovering

Economic Activity: Incoming Payment Flows

(Deviation from normal level, percent)



Sources: Bank of Russia and IMF staff calculations.

Impact

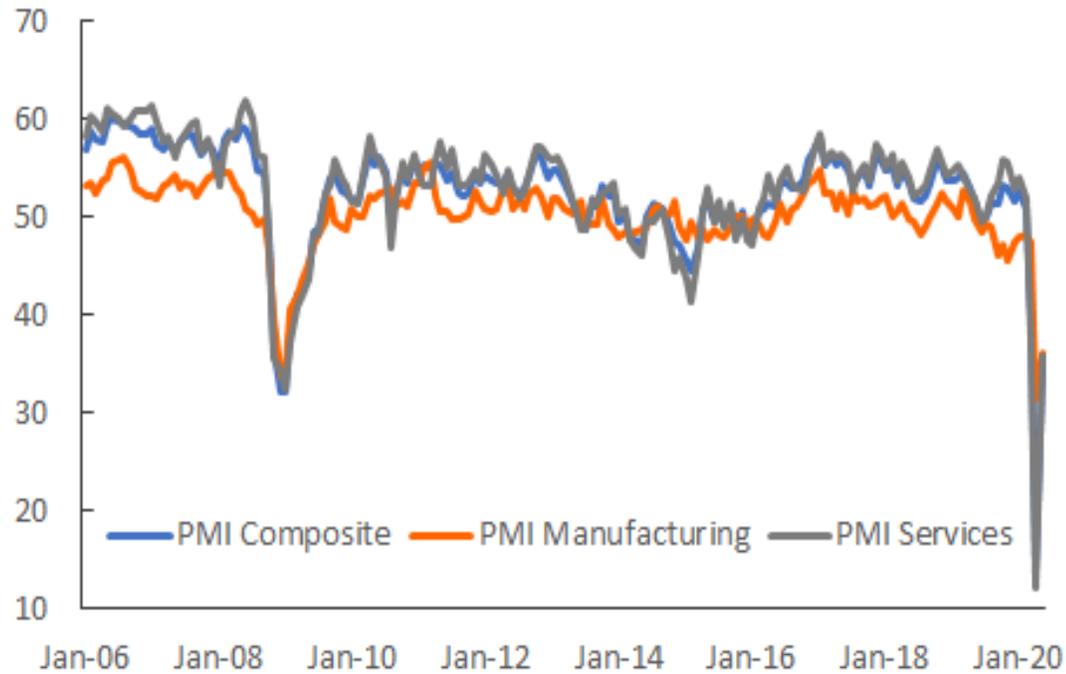
Outlook

Policies

Despite improved sentiment recovery will be gradual

Russia: PMI

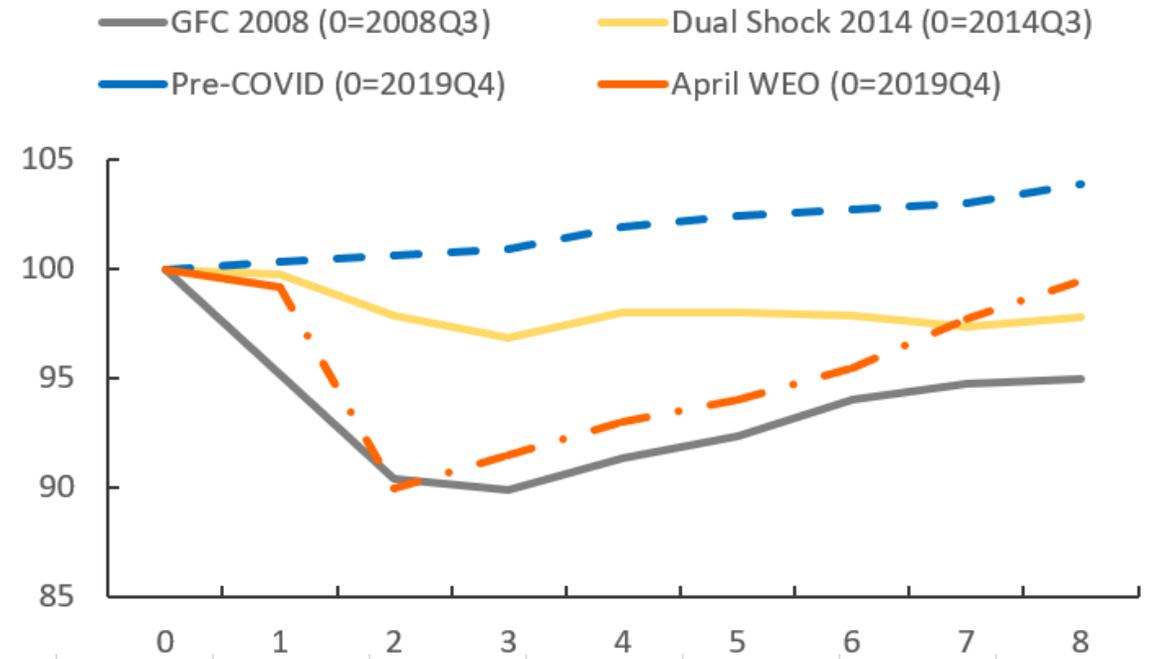
(>50 = improvement)



Source: IHS Markit.

Russia: Quarterly Real GDP

(time 0 = 100)



Source: IMF staff calculations.

Impact

Outlook

Policies

The 2020 downturn is projected to be more severe than previously expected

Real GDP Growth Projections
(Year-over-year percent change)

	2019	2020 Apr	2020 June	2021
Europe	1.6	-6.6	-8.5	4.5
Advanced Europe	1.4	-7.3	-9.8	4.7
<i>Euro area</i>	1.2	-7.5	-10.2	4.7
Emerging Europe	2.1	-5.2	-5.8	4.2
<i>Emerging Europe ex. Russia & Turkey</i>	3.8	-5.0	-5.2	4.4
<i>Russia</i>	1.3	-5.5	-6.6	3.5
<i>Turkey</i>	0.9	-5.0	-5.0	5.0

Sources: Haver Analytics; IMF, *World Economic Outlook*; and IMF staff calculations.



Risks more balanced

- **Upside**—quicker reopening and more policy support
- **Downside**—epidemiology of COVID-19 and sanctions



Policy support has been ramped up

