



# RUSSIA ECONOMIC OUTLOOK

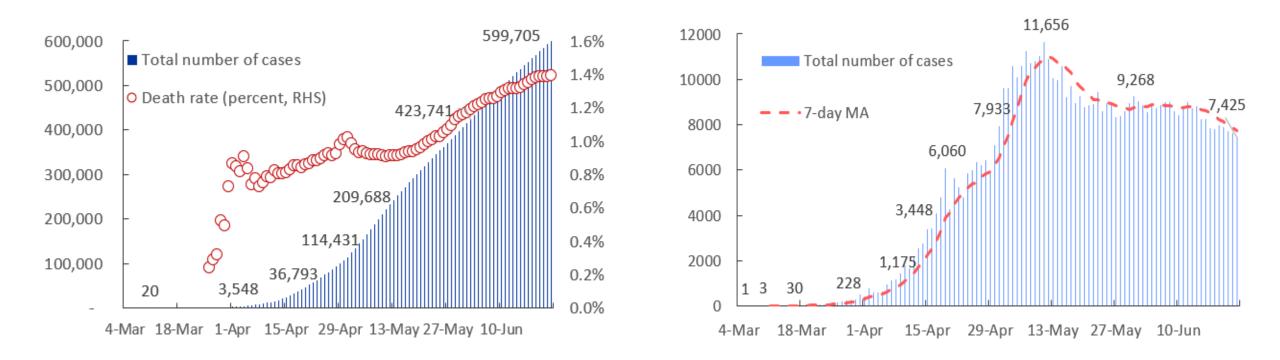
**JUNE 2020** 

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



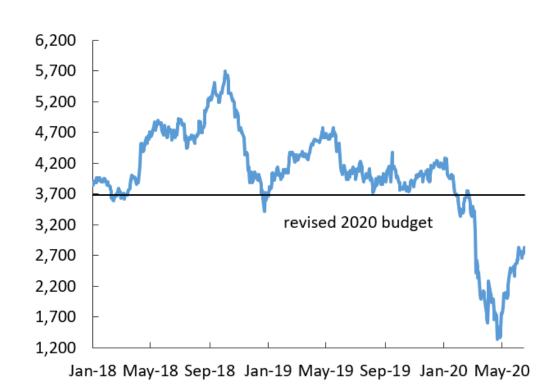
## The pace of reopening is differentiated



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

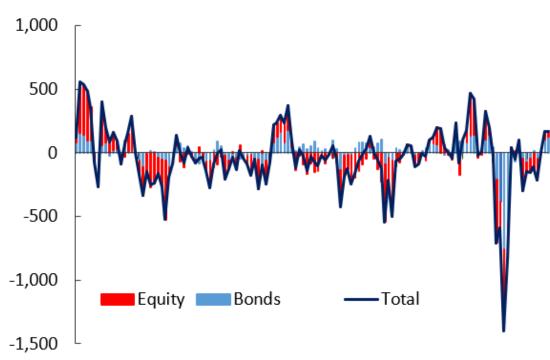
#### **Urals price**

(Rubles per barrel)



#### **Non-Resident Portfolio Flows**

(Millions of U.S. dollars)



Jan-18 May-18 Sep-18 Jan-19 May-19 Sep-19 Jan-20 May-20

**Policies** 

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

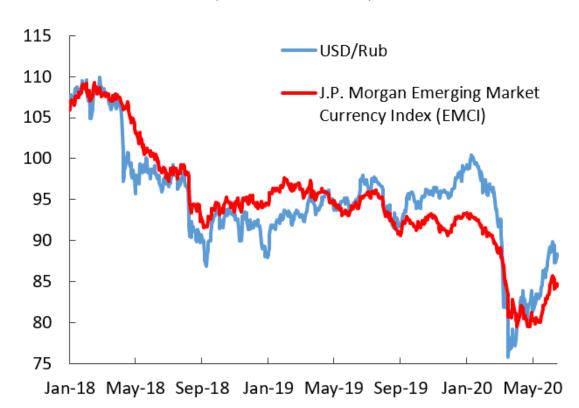
# The credibility of the macro economic framework and sound economic fundamentals helped stabilize the economy

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

### Russia fared better than other EMs

#### **Ruble vs. EM Exchange Rate Index**

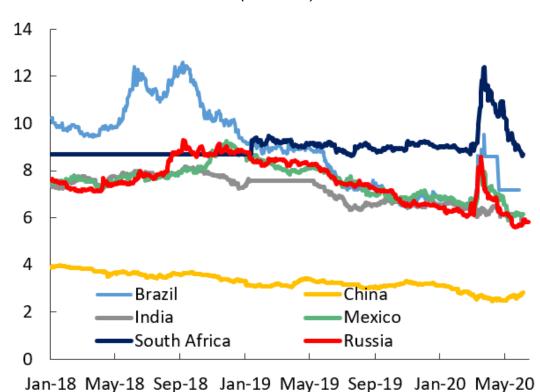
(Jan 2, 2017 = 100)



#### Source: Haver Analytics.

#### **10-year Government Bond Yields**

(Percent)



Policies

Source: Haver Analytics.

## **Equities and Eurobonds rebounded**

#### **Moscow Exchange Stock Index**



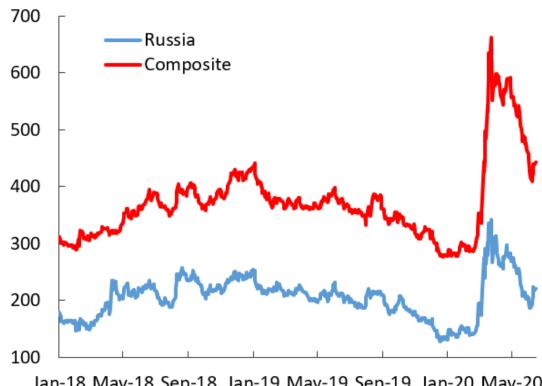
Jan-18 May-18 Sep-18 Jan-19 May-19 Sep-19 Jan-20 May-20

**Impact** 

Source: Moscow Exchange.

#### **EMBI+ Spread to U.S. Government Debt**

(Basis points)



Jan-18 May-18 Sep-18 Jan-19 May-19 Sep-19 Jan-20 May-20

Source: JP Morgan.

Outlook

Policies

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

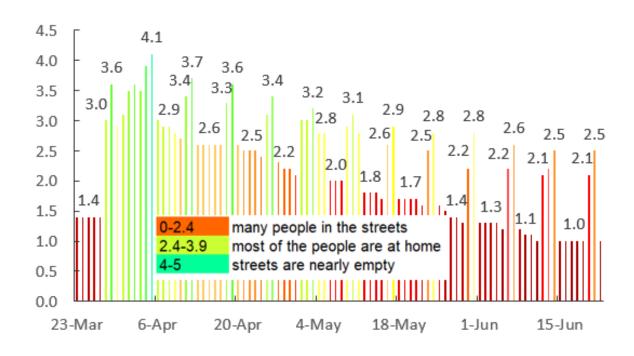
#### **Citymapper Mobility Index**

(trips planned vs. typical period)

#### 0.7 o 1 month ago 0.6 0 01 week ago 0.5 0 06/22/2020 0 0.4 ô 0 0 0 0.3 0.2 0.1 Washington Berlin Madrid Stockholm Milan Rome Moscow London St. Petersburg New York City Seoul Barcelona

#### **Russia Yandex Self-Isolation Index**

(for cities with population over 1 million)



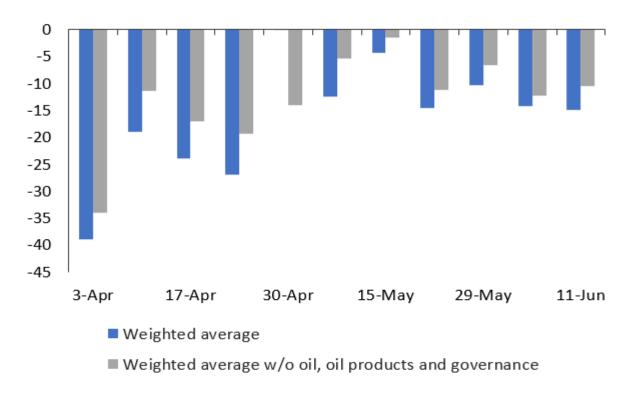
Source: Yandex.

Source: Citymapper.

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

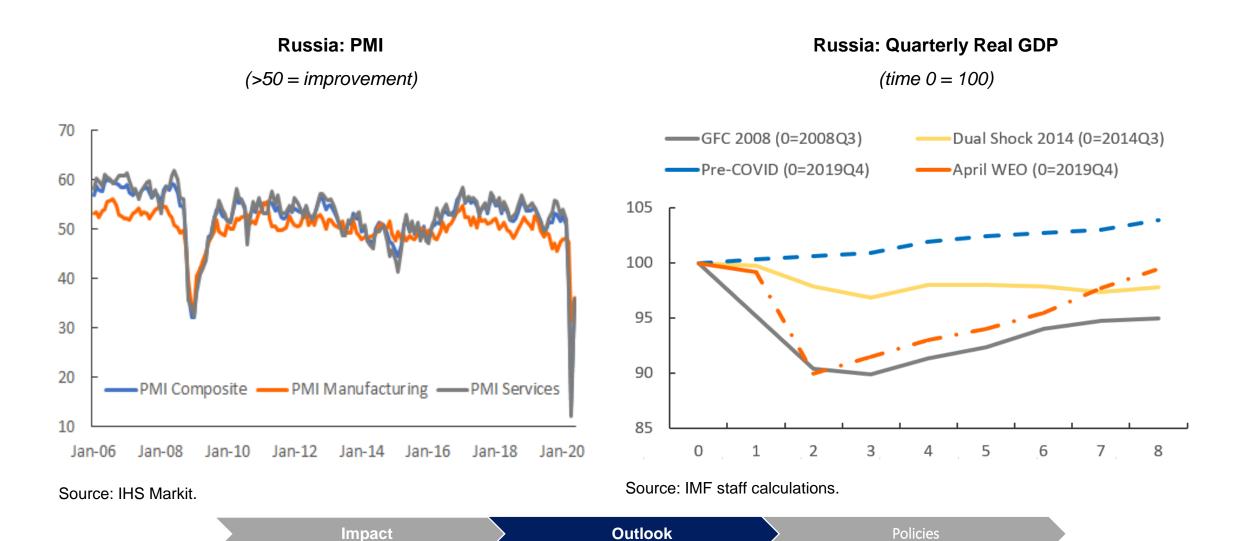
#### **Economic Activity: Incoming Payment Flows**

(Deviation from normal level, percent)



Sources: Bank of Russia and IMF staff calculations.

## Despite improved sentiment recovery will be gradual



# 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
<b>.</b>	1.6		0.5	4.5
Europe	1.6	-6.6	-8.5	4.5
Advanced Europe	1.4	-7.3	-9.8	4.7
Euro area	1.2	-7.5	-10.2	4.7
Emerging Europe	2.1	-5.2	-5.8	4.2
Emerging Europe ex. Russia & Turkey	3.8	-5.0	-5.2	4.4
Russia	1.3	-5.5	-6.6	3.5
Turkey	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

### Targeted policy measures Policy goals Minimum wage ↑ **Protecting** Unemployment benefit ↑ households Child allowance •Tax deferrals / direct support Protecting State guarantees companies •Wage loans Support to systemic enterprises Regulatory forbearance Ensuring •Refinancing of SME loans credit flow Loan restructuring programs Lower capital buffers

### Macro policies

### Fiscal policy

- Social spending
- Infrastructure spending
- Sectoral support
- Support to regional budgets

## Monetary policy

- Liquidity support to banks
- Monetary easing
- FX sales