



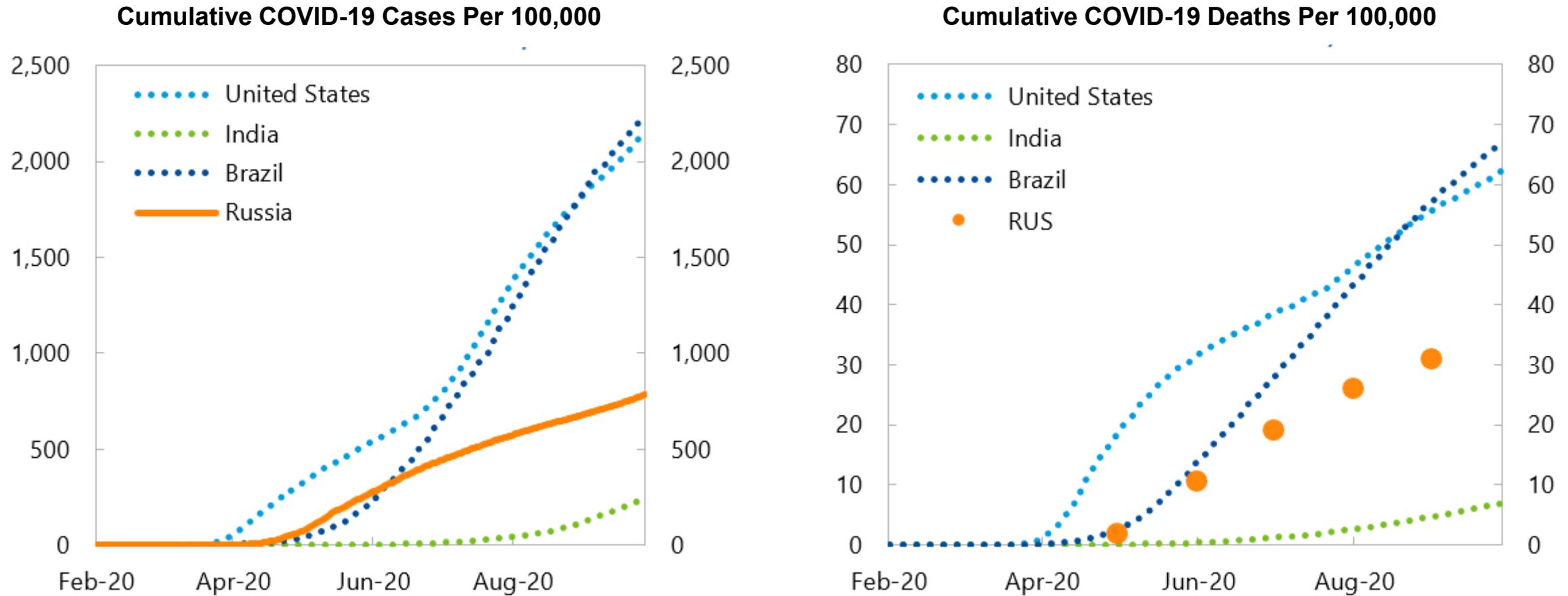
**EUROPEAN
DEPARTMENT**

RUSSIA ECONOMIC OUTLOOK

NOVEMBER 2020

Annette Kyobe
Resident Representative Russian Federation

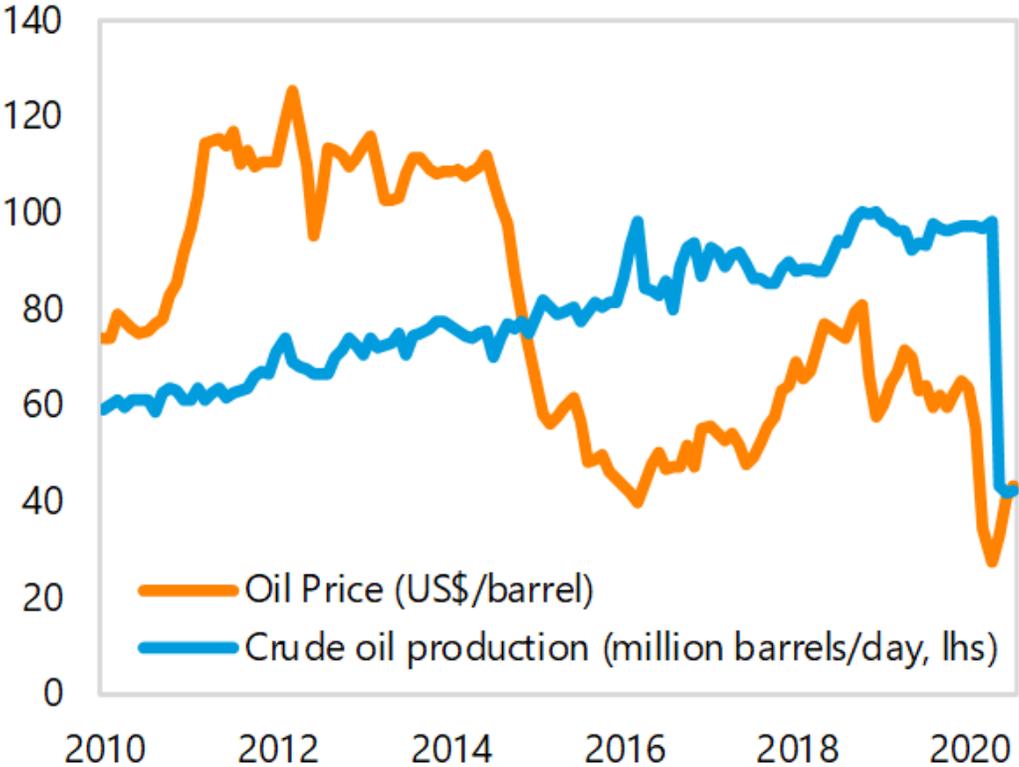
Russia is hit hard by COVID-19 shock



Source: Official COVID internet resource for Russia, University of Oxford, Blavatnik School of Government.

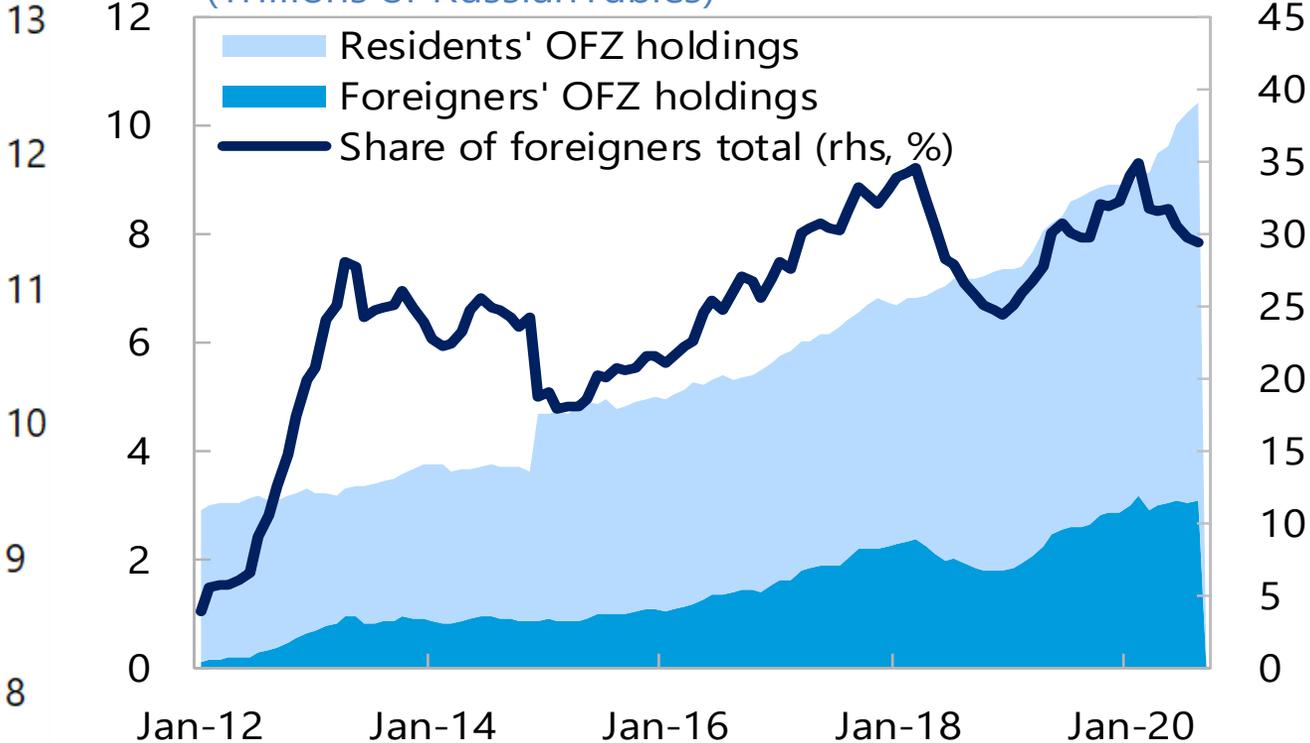
Shock compounded with a collapse in oil and market turbulence

Russia's Oil Production



Government Local Debt Ownership

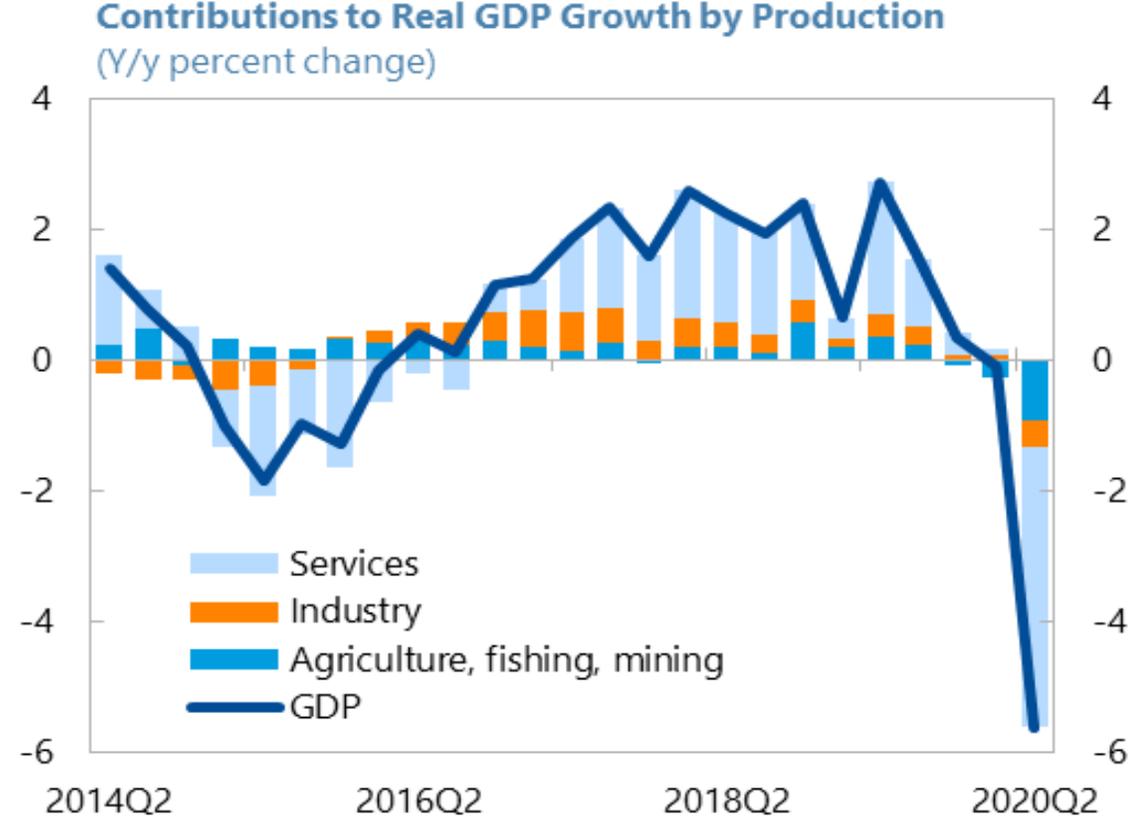
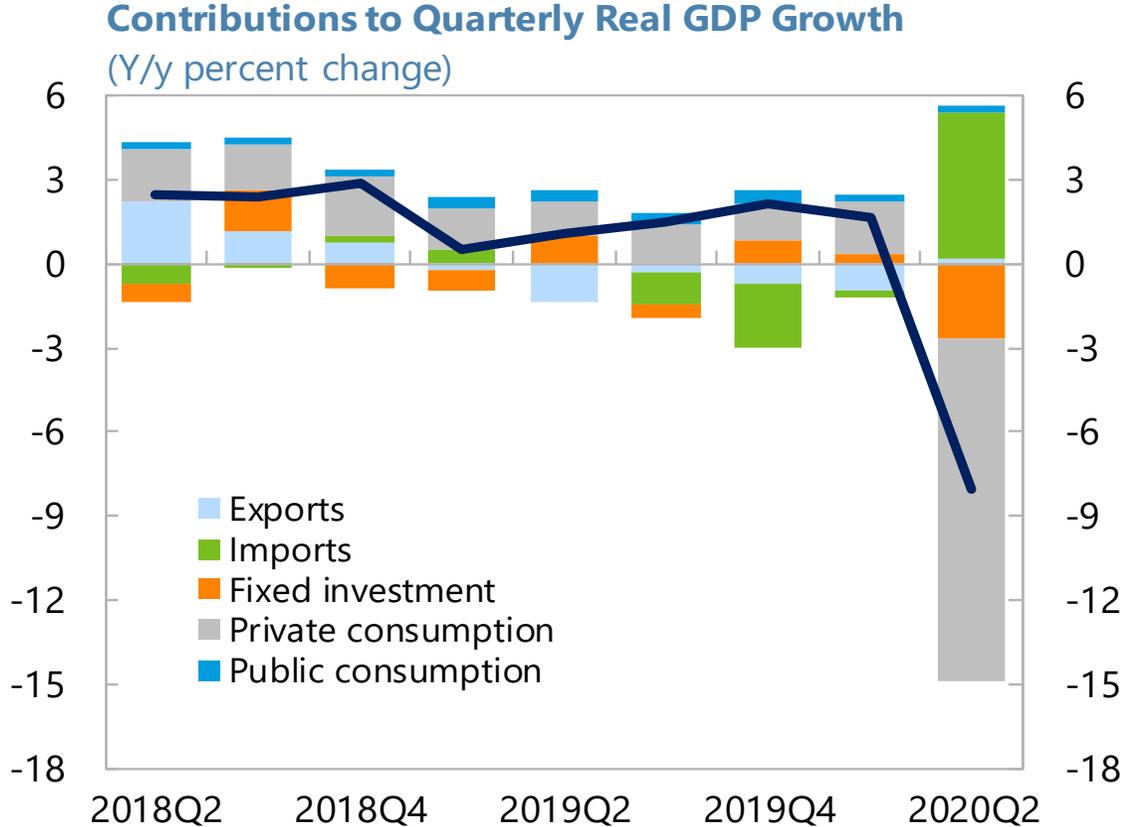
(Trillions of Russian rubles)



Sources: Haver Analytics, Bank of Russia, EPFR Global.



Given these developments Q2 2020 was a record contraction



Source: Haver Analytics.



Unemployment has risen



Source: Haver Analytics.

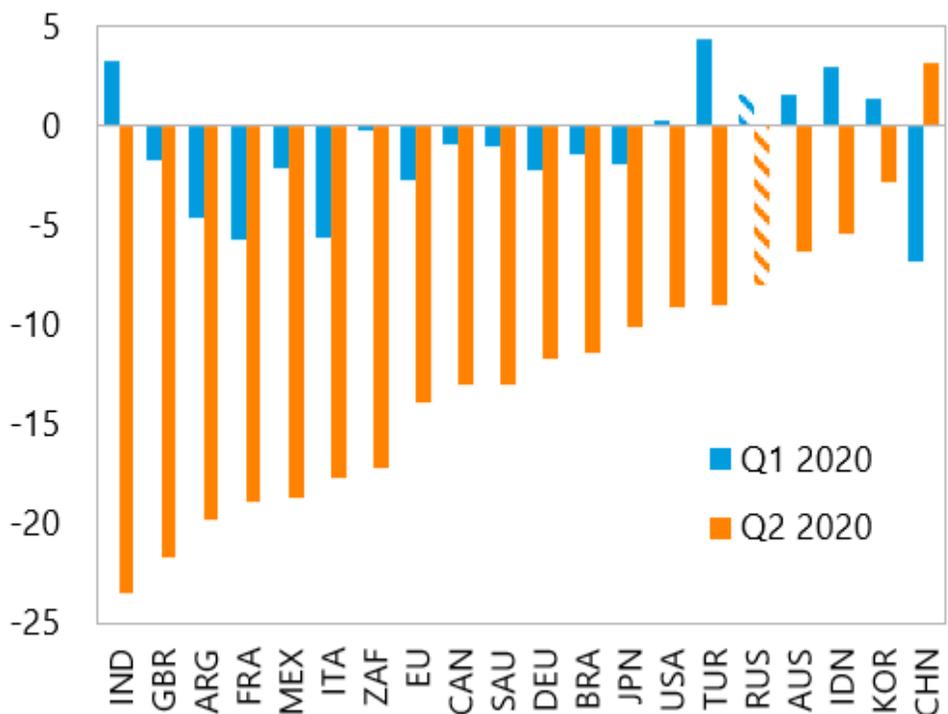
Impact

Outlook

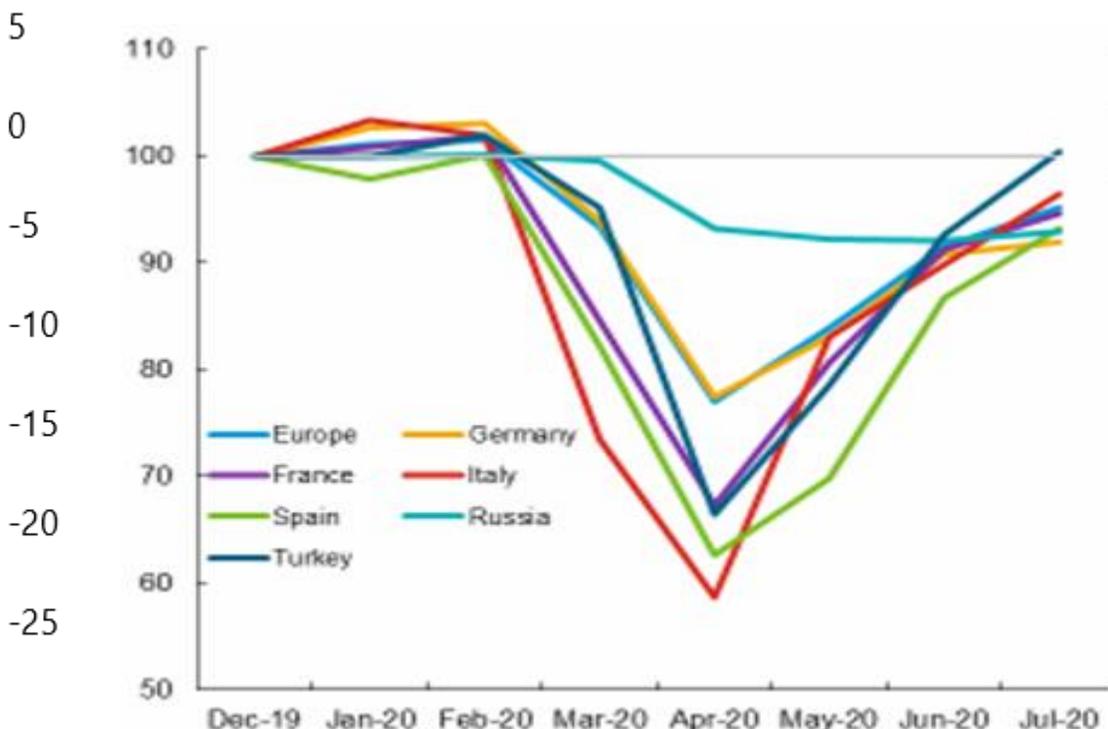
Policies

So far Russia has done better than other countries

Real GDP Growth
(Y/y percent change)



Industrial production
(Y/y percent change)



Source: Haver Analytics.

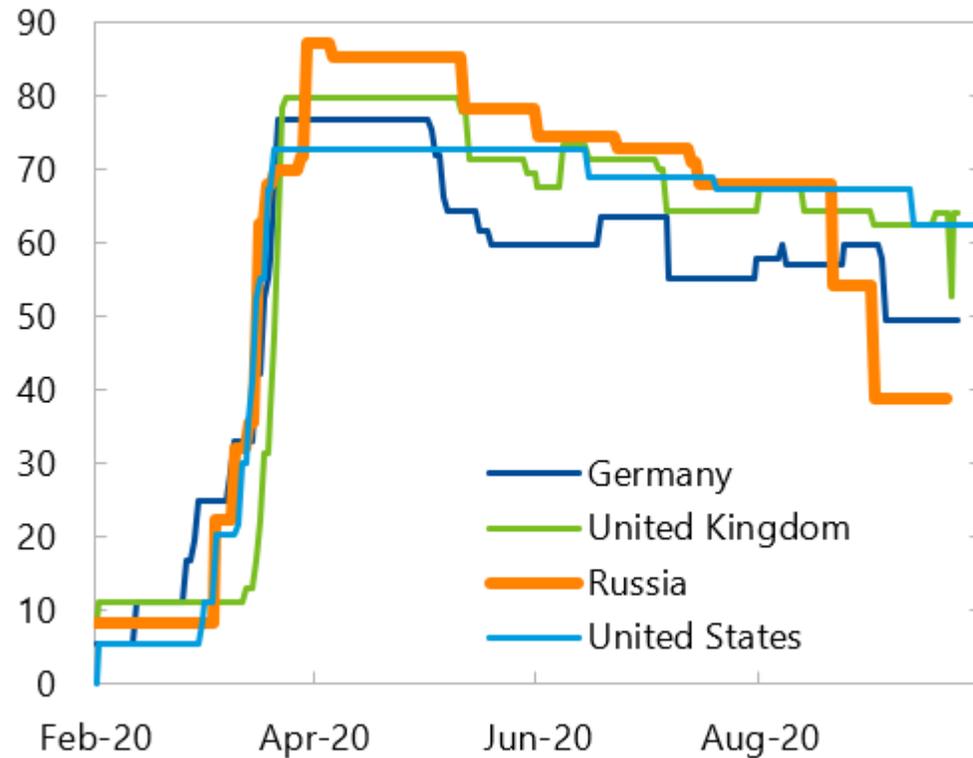
Several factors explain the resilience

- Structure of the economy
- Credibility of the macro economic framework
- Shorter and less stringent lockdown?

The initial lockdown was stringent but was relaxed abruptly

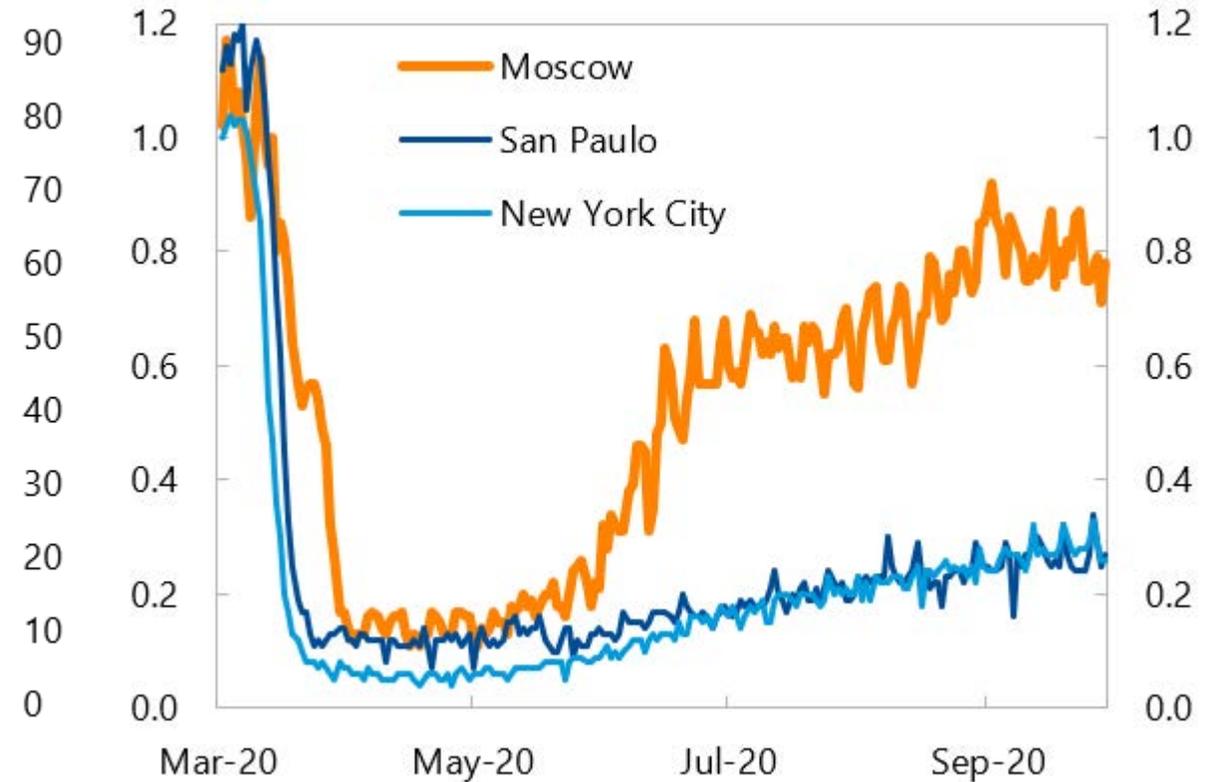
Stringency of the Lockdown

(Oxford Stringency Index; higher score = more stringent)



CMI Street Mobility in G20 Capitals/Biggest Cities

(Percent of city moving more than usual)



Source: Official COVID internet resource for Russia, University of Oxford, Blavatnik School of Government, Citymapper.

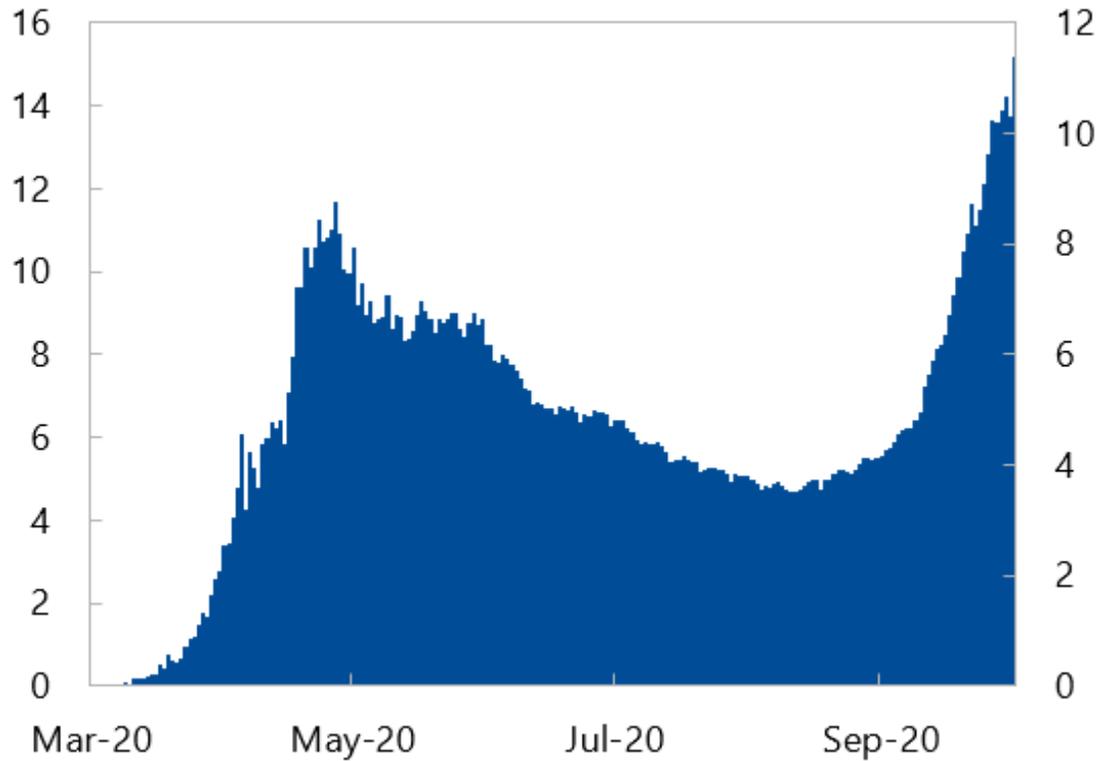
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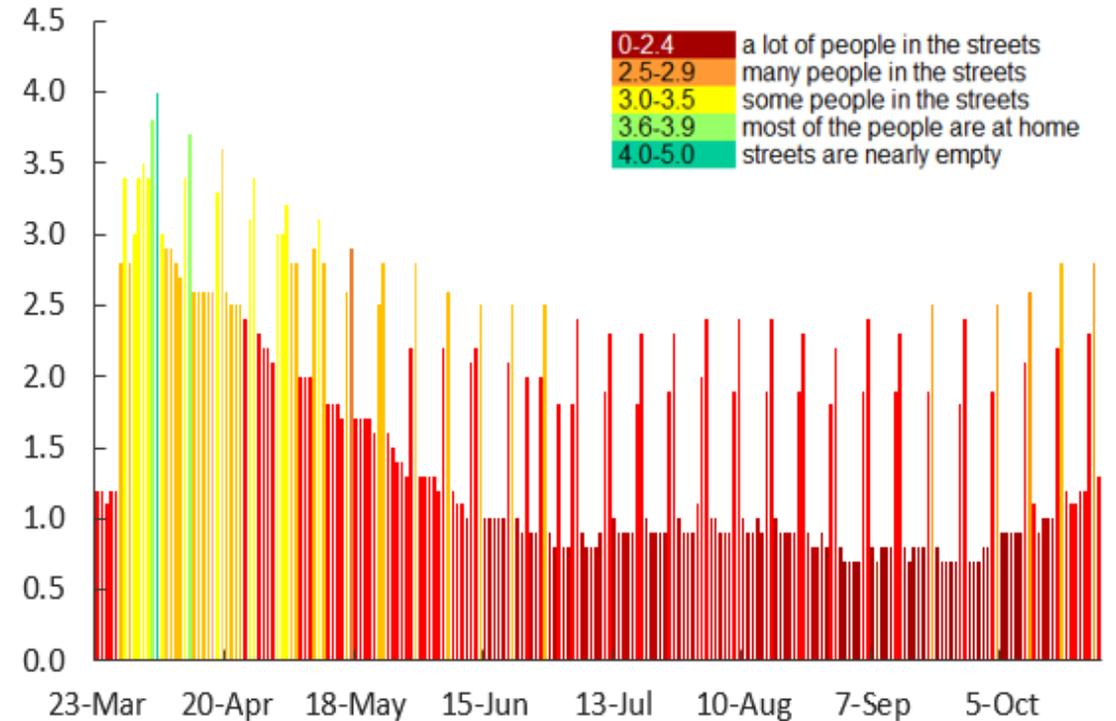
Policies

We're in midst of a second wave and mobility is retreating

Daily COVID cases
(Thousands)



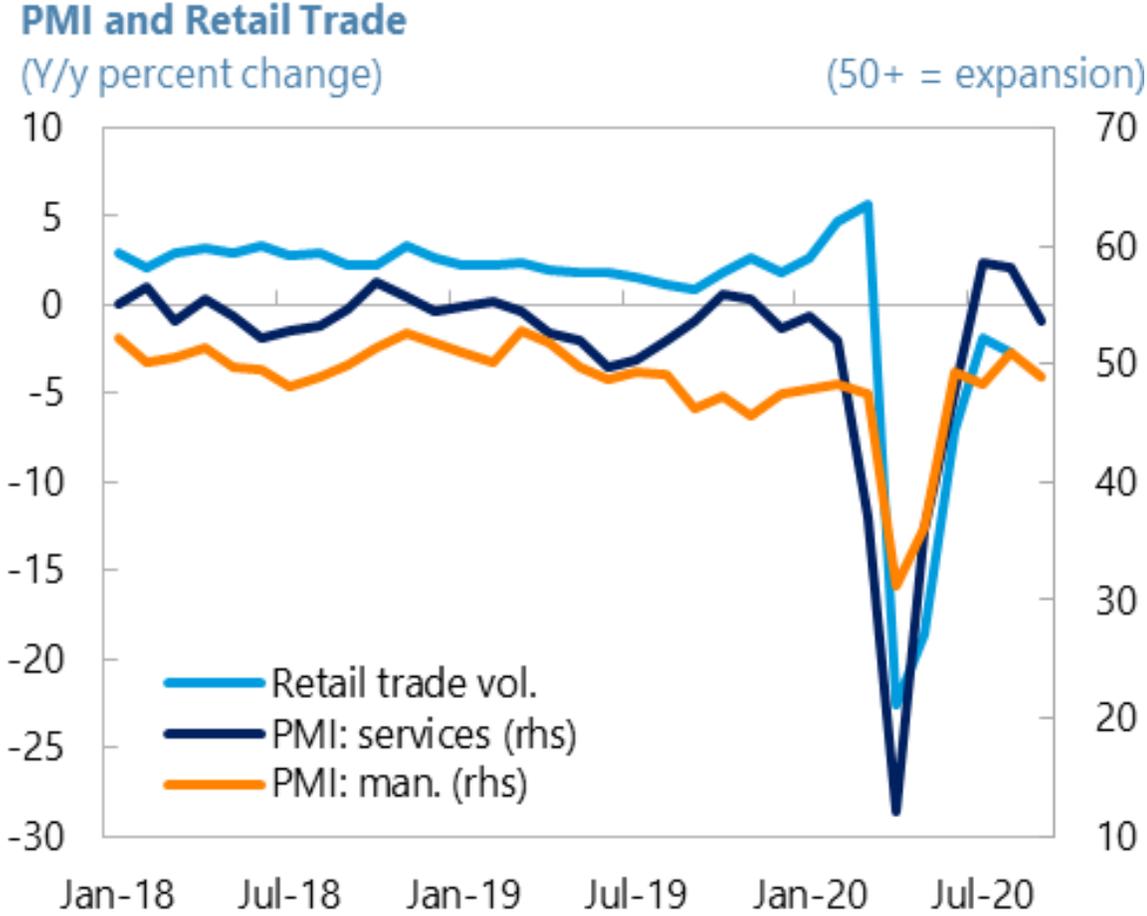
Yandex self-isolation index
(Lower values = more people in the streets)



Sources: Official COVID internet resource for Russia, Yandex.

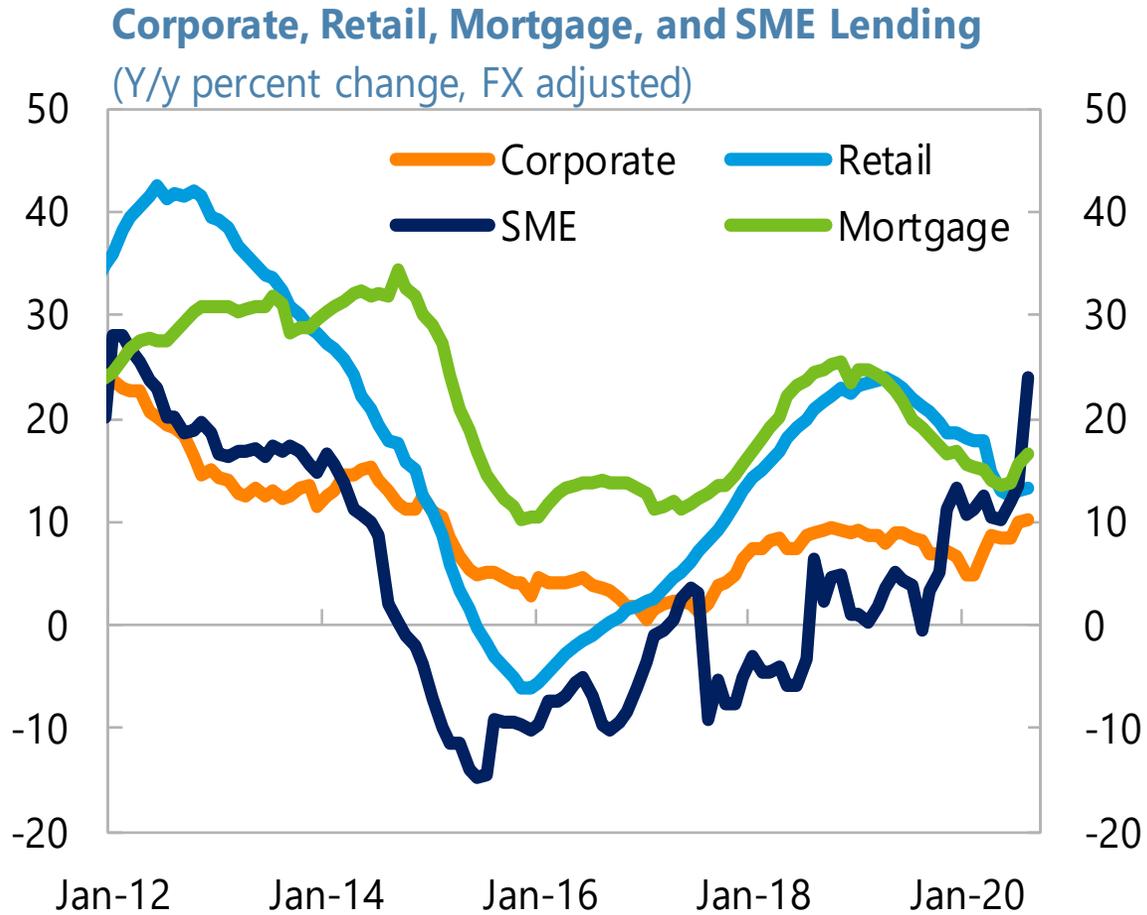


The recovery is slowing



Source: Haver Analytics.

But credit is holding up



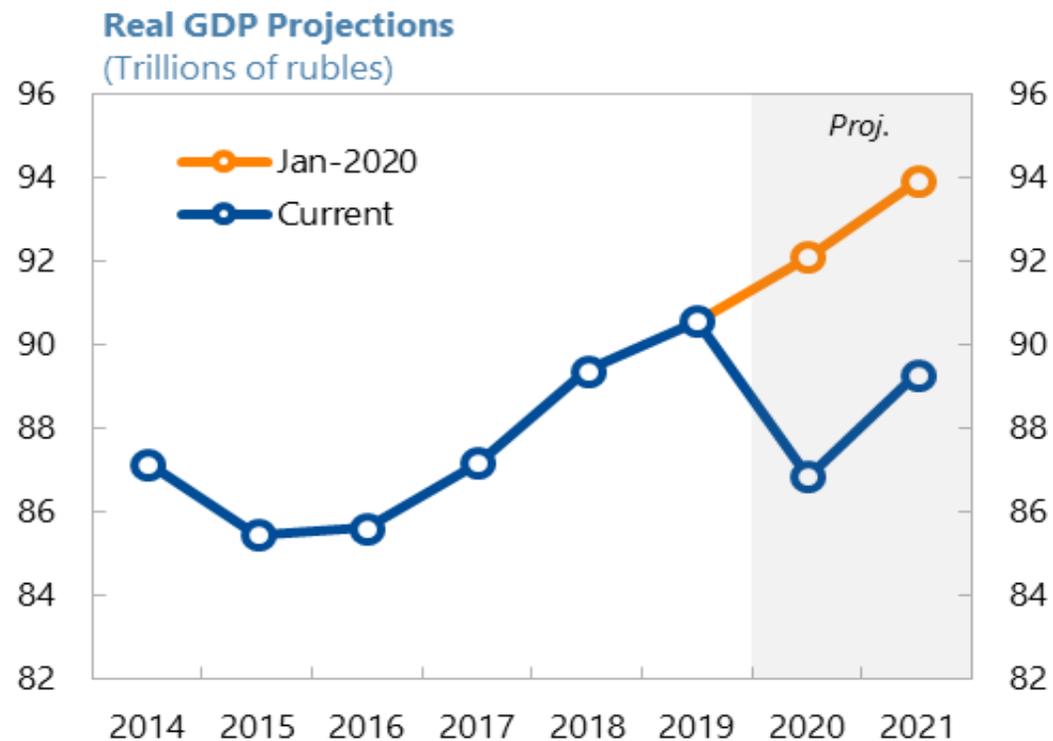
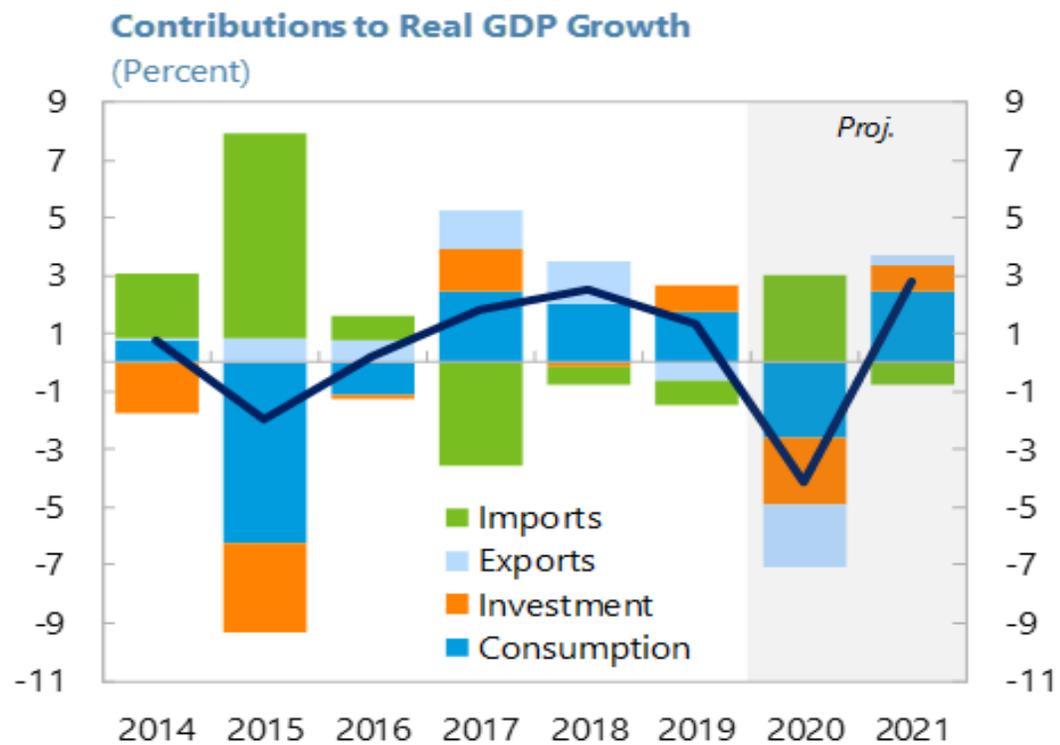
Source: Haver Analytics.

Impact

Outlook

Policies

Expect a sharp contraction in 2020 and a modest recovery in 2021



Source: Haver Analytics, IMF staff calculations.



The 2020 contraction was forecast to be less severe than previously expected (but projections already outdated)



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

	Oct. WEO 2019	June WEO 2020	Oct. WEO 2020	Oct. WEO 2021
Europe	1.6	-8.5	-7.0	4.7
Advanced Europe	1.4	-9.8	-8.1	5.2
Emerging Europe	2.1	-5.8	-4.6	3.9
Russia	1.3	-6.6	-4.1	2.8

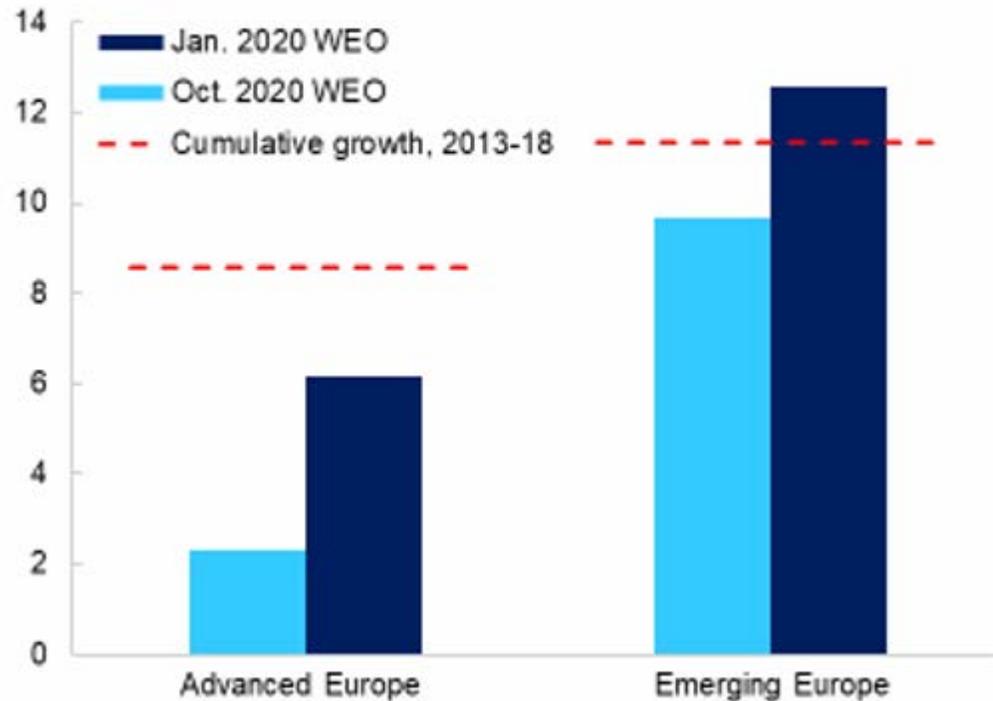
Sources: Haver Analytics; IMF, *World Economic Outlook*; and IMF staff calculations.

Note: Emerging Europe excludes ALB, BIH, BGR, KOS, MKD, and Advanced Europe excludes SMR due to lack of quarterly real GDP data projections.

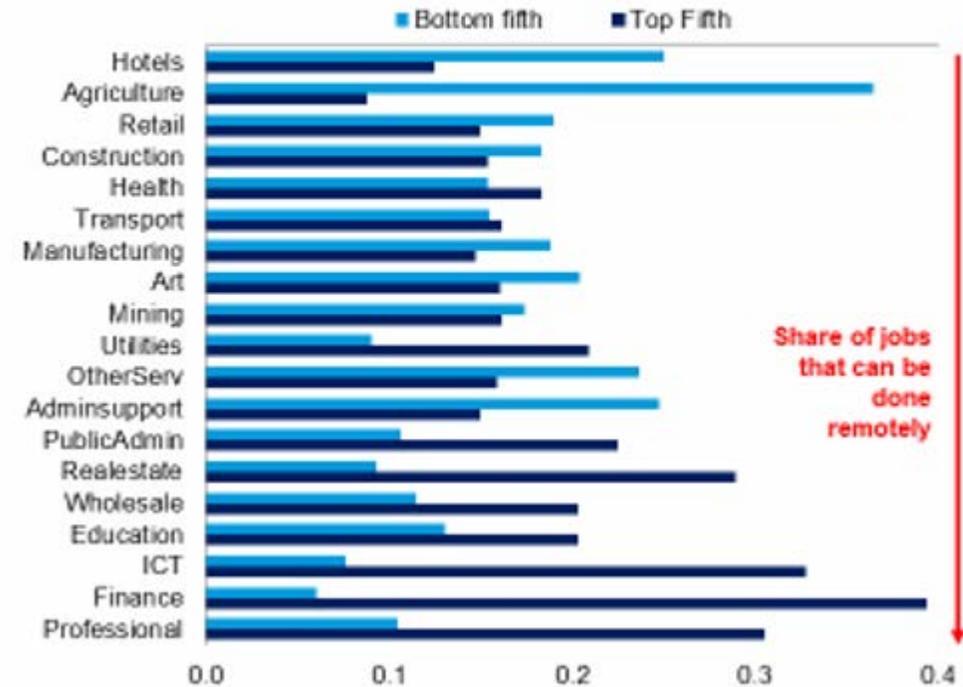


The pandemic could damage potential output in the MT

Real GDP per Capita: Cumulative Growth, 2019–24
(Percent)



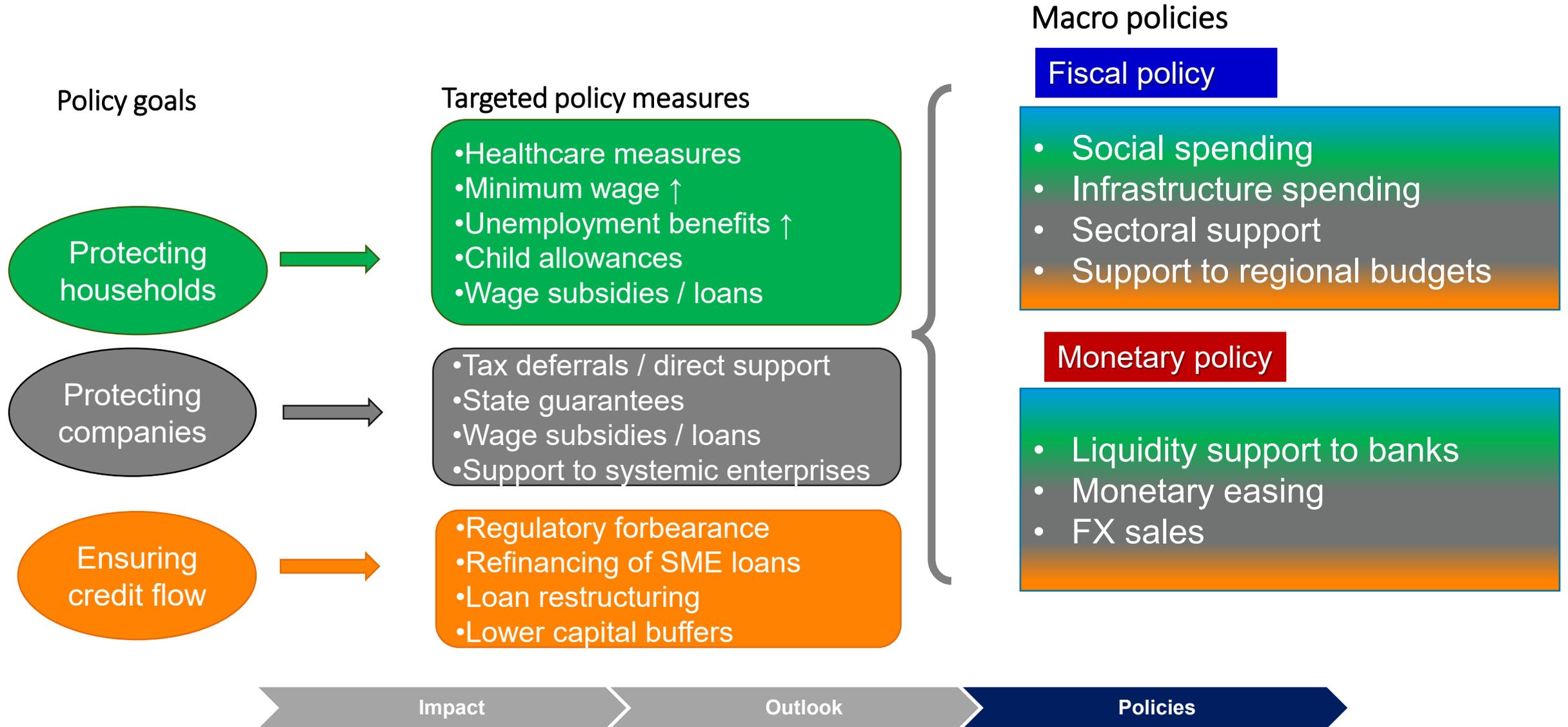
Likelihood of Being in the Top and Bottom Income Quintile by Industry's suitability to Telework



Sources: European Social Survey, 2018; IMF, *World Economic Outlook*; and IMF staff calculations and estimates.

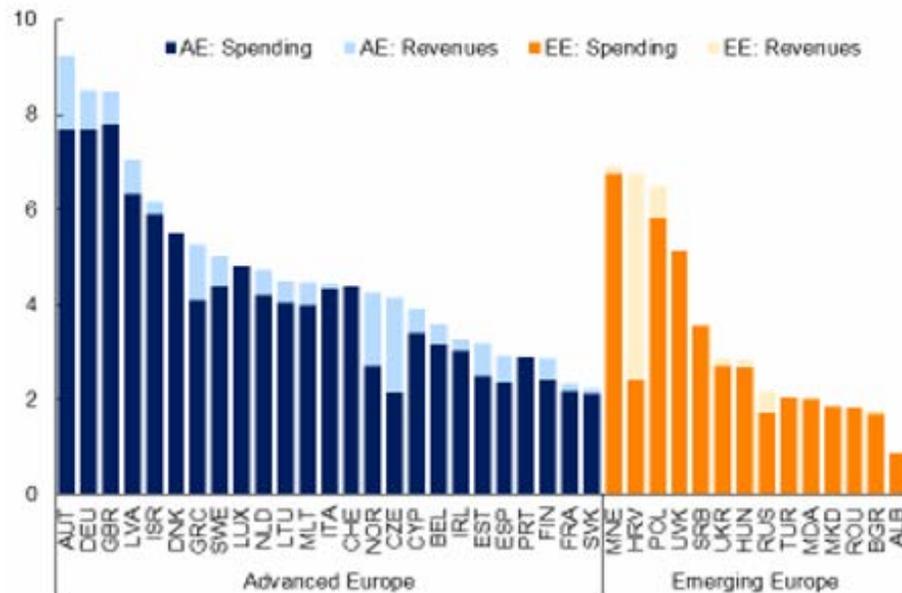


An unprecedented response may limit the damage



Along with other measures fiscal support has been extraordinary

COVID-19 Fiscal Packages
(Percent of GDP)



Russia's fiscal support package
(Percent of GDP)

	% of GDP
Spending measures	3.0
Healthcare	0.3
Non-healthcare	2.7
Income support	0.8
Firm support	0.8
Import substitution promotion	0.5
Other	0.6
Revenue measures^{1/}	0.9
Spending and revenue measures	3.8
Below-the-line measures	0.6
Guarantees for bank loans	0.5

^{1/}Includes the cut in social security contributions for SMEs, tax credits, reimbursements of taxes and the postponement of social security and tax payments.

Sources: IMF staff calculations, Ministry of Finance.



But risks are to the downside amidst massive uncertainty

- 2nd wave of lockdowns
- Softer global demand
- Reversion of risk appetite
- Sanctions

