Russia is hit hard by COVID-19 shock

Cumulative COVID-19 Cases Per 100,000

Cumulative COVID-19 Deaths Per 100,000

Source: Official COVID internet resource for Russia, University of Oxford, Blavatnik School of Government.
Shock compounded with a collapse in oil and market turbulence

Sources: Haver Analytics, Bank of Russia, EPFR Global.
Given these developments Q2 2020 was a record contraction

Contributions to Quarterly Real GDP Growth (Y/y percent change)

Contributions to Real GDP Growth by Production (Y/y percent change)

Source: Haver Analytics.
Unemployment has risen

Source: Haver Analytics.
So far Russia has done better than other countries

-source: Haver Analytics.

Real GDP Growth
(Y/y percent change)

Industrial production
(Y/y percent change)
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)

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

PMI and Retail Trade
(Y/y percent change) (50+ = expansion)

Source: Haver Analytics.
But credit is holding up

Source: Haver Analytics.
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The 2020 contraction was forecast to be less severe than previously expected (but projections already outdated)

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.
An unprecedented response may limit the damage

Policy goals
- Protecting households
- Protecting companies
- Ensuring credit flow

Targeted policy measures
- Healthcare measures
- Minimum wage ↑
- Unemployment benefits ↑
- Child allowances
- Wage subsidies / loans
- Tax deferrals / direct support
- State guarantees
- Wage subsidies / loans
- Support to systemic enterprises
- Regulatory forbearance
- Refinancing of SME loans
- Loan restructuring
- 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

Impact  Outlook  Policies
Along with other measures fiscal support has been extraordinary

Russia's fiscal support package
(Percent of GDP)

<table>
<thead>
<tr>
<th>Category</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spending measures</strong></td>
<td>3.0</td>
</tr>
<tr>
<td>Healthcare</td>
<td>0.3</td>
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<tr>
<td>Non-healthcare</td>
<td>2.7</td>
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<tr>
<td>Income support</td>
<td>0.8</td>
</tr>
<tr>
<td>Firm support</td>
<td>0.8</td>
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<tr>
<td>Import substitution promotion</td>
<td>0.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Revenue measures</strong></td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Spending and revenue measures</strong></td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Below-the-line measures</strong></td>
<td>0.6</td>
</tr>
<tr>
<td>Guarantees for bank loans</td>
<td>0.5</td>
</tr>
</tbody>
</table>

\(^1\)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