RUSSIA ECONOMIC OUTLOOK

JULY 2020

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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.
The pace of reopening is differentiated:

- Lockdown
- 1st stage of reopening (services, non-food retail, open-air walks and exercises for 1-2 people)
- 2nd stage of reopening (shopping malls and some educational organizations)
- 3rd stage of reopening (all retail and services, café with distancing, all educational organizations, parks)
Russia also hit by a decline in oil prices and financial market volatility

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)

Source: Haver Analytics.
Equities and Eurobonds rebounded

**Moscow Exchange Stock Index**

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

*(Basis points)*

Source: Moscow Exchange.

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)*

**Russia Yandex Self-Isolation Index**
*(for cities with population over 1 million)*

Source: Citymapper.

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.
Despite improved sentiment recovery will be gradual

Russia: PMI

\( (>50 = \text{improvement}) \)

Source: IHS Markit.

Russia: Quarterly Real GDP

\( (\text{time } 0 = 100) \)

Source: IMF staff calculations.
The 2020 downturn is projected to be more severe than previously expected

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

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

Policy goals

Protecting households
- Protecting companies
- Ensuring credit flow

Targeted policy measures

- Minimum wage ↑
- Unemployment benefit ↑
- Child allowance
- Tax deferrals / direct support
- State guarantees
- Wage loans
- Support to systemic enterprises
- Regulatory forbearance
- Refinancing of SME loans
- 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

Impact
Outlook
Policies