



Economy in Russia

The **economy of Russia** is an upper-middle income mixed and transition economy with state ownership in strategic areas of the economy. Market reforms in the 1990s privatized much of Russian industry and

Russia's Wealth

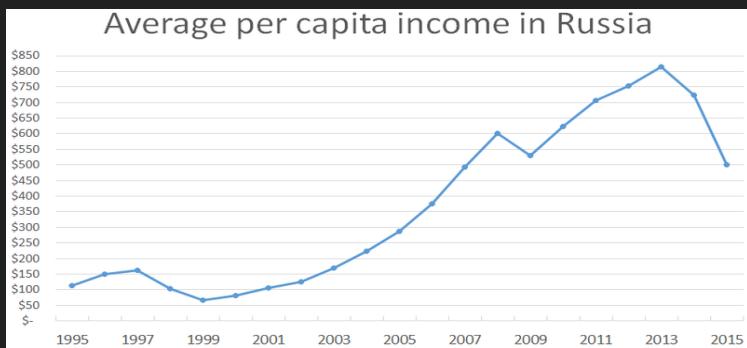
- Russia's vast geography is an important determinant of its economic activity, with some sources estimating that Russia contains over 30 percent of the world's natural resources. The World Bank estimates the total value of Russia's natural resources at \$75 trillion US dollars. Russia relies on energy revenues to drive most of its growth. Russia has an abundance of oil, natural gas and precious metals, which make up a major share of Russia's exports. As of 2012, the oil-and-gas sector accounted for 16% of GDP, 52% of federal budget revenues and over 70% of total exports.
- Russia is considered an "energy superpower". It has the world's largest proven natural gas reserves and is the largest exporter of natural gas. It is also the second-largest exporter of petroleum.



Russia has a large and sophisticated arms industry, capable of designing and manufacturing high-tech military equipment, including a fifth-generation fighter jet, nuclear powered submarines, firearms, and short range/long range ballistic missiles. The value of Russian arms exports totalled \$15.7 billion in 2013—second only to the US. Top military exports from Russia include combat aircraft, air defence systems, ships and submarines.

Russia bounced back from the August 1998 financial crash with surprising speed. Much of the reason for the recovery was the devaluation of the ruble, which made domestic producers more competitive nationally and internationally.

Between 2000 and 2002, there was a significant amount of pro-growth economic reforms including a comprehensive tax reform, which introduced a flat income tax of 13% and a broad effort at deregulation which improved the situation for small and medium-sized enterprises.

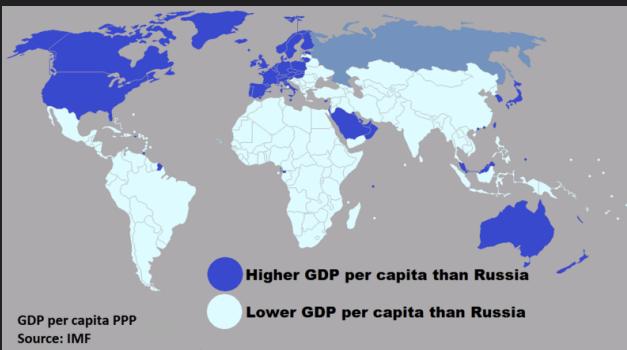


2014-Present

In 2016, the Russian economy was the sixth largest in the world by PPP and twelfth largest at market exchange rates. Between 2000 and 2012 Russia's energy exports fueled a rapid growth in living standards, with real disposable income rising by 160%. In dollar-denominated terms this amounted to a more than sevenfold increase in disposable incomes since 2000. In the same period, unemployment and poverty more than halved and Russians' self-assessed life satisfaction also rose significantly. This growth was a combined result of the 2000s commodities boom, high oil prices, as well as prudent economic and fiscal policies. However, these gains have been distributed unevenly, as the 110 wealthiest individuals were found in a report by Credit Suisse to own 35% of all financial assets held by Russian households. Russia also has the second-largest volume of illicit money outflows, having lost over \$880 billion between 2002 and 2011 in this way. Since 2008 Forbes has repeatedly named Moscow the "billionaire capital of the world".

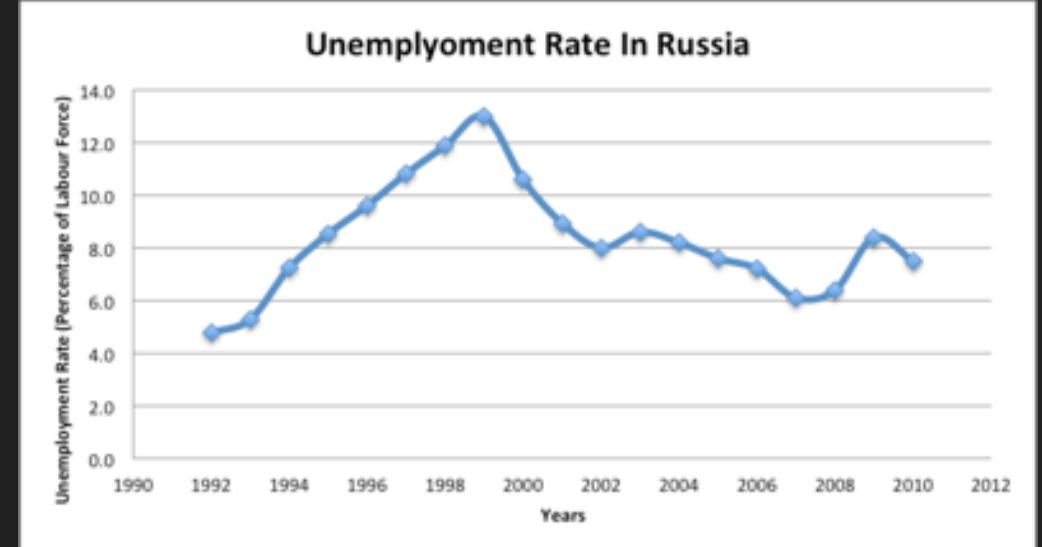
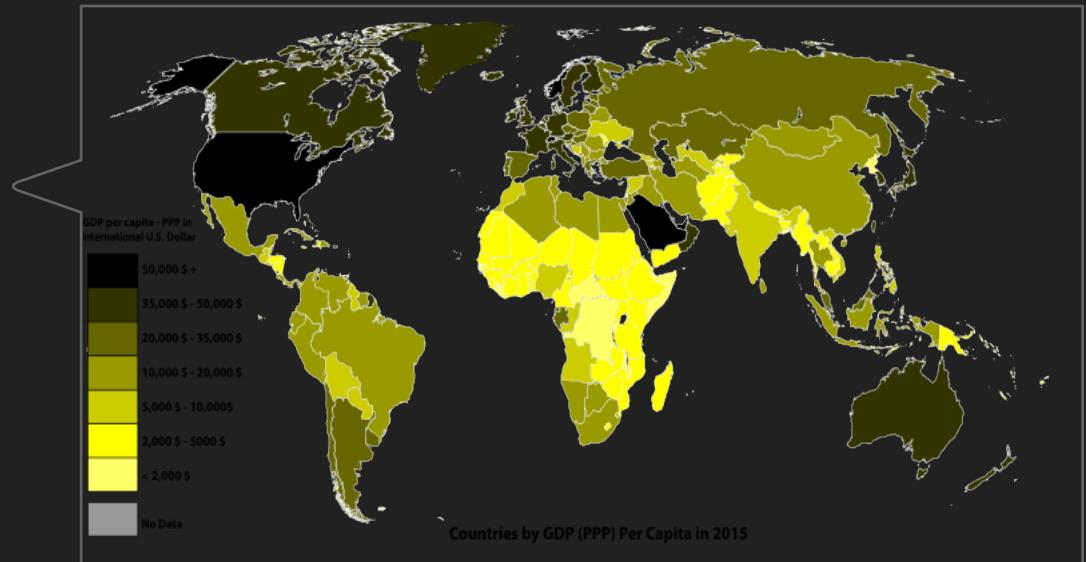
- Following the annexation of Crimea in March 2014 and Russia's involvement in the ongoing conflict in Ukraine, the United States, the EU (and some other European countries), Canada and Japan imposed sanctions on Russia's financial, energy and defense sectors. This led to the decline of the Russian ruble and sparked fears of a Russian financial crisis. Russia responded with sanctions against a number of countries, including a one-year period of total ban on food imports from the European Union and the United States. As of 2018 it is estimated that Western sanctions may have reduced Russian economy by as much as 6%.

According to the Russian economic ministry in July 2014, GDP growth in the first half of 2014 was 1%. The ministry projected growth of 0.5% for 2014. The Russian economy grew by a better than expected 0.6% in 2014. As of the 2nd quarter of 2015 inflation, compared to the second quarter of 2014, was 8%; the economy had contracted by 4.6% as the economy entered recession. To balance the state budget in 2015, oil price would need to be around US\$74 as opposed to US\$104 for 2014. Russia used to have around US\$500 billion in forex reserves, but holds US\$360 billion in summer 2015 and plans to keep accumulating forex reserves for years to come, until they reach again \$500 billion. According to Herman Gref from Sberbank, the contraction of the Russian economy is "not a crisis but rather a new reality" to which it has to adapt, primarily due to the low oil prices. He also presented a number of metrics demonstrating the change - the GDP has fallen by 3.7%, income - by 4.3%, salaries - by 9.3% and inflation reached 12.9%. However, during December 2015 it was reported by the Moscow Times that the number of people living at or below the poverty line, "those with monthly incomes of less than 9,662 rubles (\$140)" increased by more than 2.3 million people. Russia is rated one of the most unequal of the world's major economies. During 2014-2015 a quarter of banks in Russia left the market, the expenses of Russian bank guarantee fund reached 1 trillion roubles plus additional government funds for recapitalisation of banks reached 1.9 trillion roubles. At the end of 2016, the United States imposed further sanctions on the Russian Federation in response to what the US government said was Russian interference in the 2016 United States elections.



Present Economy

The Russian economy risked going into recession from early 2014, mainly due to falling oil prices, sanctions, and the subsequent capital flight. While in 2014 GDP growth remained positive at 0.6%, in 2015 the Russian economy shrunk by 3.7% and was expected to shrink further in 2016. However, the World Bank and the IMF estimated that Russia's economy will begin to recover by 2017. By 2016, the Russian economy rebounded with 0.3% GDP growth and is officially out of the recession. The growth continued in 2017, with an increase of 1.5%. In January 2016, the US company Bloomberg rated Russia's economy as the 12th most innovative in the world, up from 14th in January 2015 and 18th in January 2014. Russia has the world's 15th highest patent application rate, the 8th highest concentration of high-tech public companies, such as internet and aerospace and the third highest graduation rate of scientists and engineers. Former finance minister Alexei Kudrin has said that Russia needs to reduce geopolitical tensions to improve its economic conditions. In May 2016 the average nominal monthly wages fell below \$450 per month, and tax on the income of individuals is payable at the rate of 13% on most incomes. Approximately 19.2 million of Russians lived below the national poverty line in 2016, significantly up from 16.1 million in 2015. A poll completed in 2018 among 1400 managers of non-hydrocarbons Russian businesses demonstrated high level of pessimism, with majority describing the economic situation in the country as "catastrophic". 73% of respondents in large businesses and 77% in medium and small are dealing with a "crisis" while only 4% described it as "good". 50% suffered from increased real tax rates, 60% were hit by increasing public utilities tariffs. In 2019 Russia's Natural Resources and Environment Ministry estimated the value of natural resources to \$844 billion or 60% of the country's GDP.





Currency and Central Bank

- The Russian ruble is the unit of currency of the Russian Federation. It is also accepted as legal tender in the partially recognised states of Abkhazia and South Ossetia and the unrecognised Donetsk People's Republic and Lugansk People's Republic.
- The Russian monetary system is managed by the Bank of Russia. Founded on 13 July 1990 as the State Bank of the RSFSR, Bank of Russia assumed responsibilities of the central bank following the breakup of the Soviet Union in 1991. According to the Constitution, Bank of Russia is an independent entity, with the primary responsibility of protecting the stability of the national currency, the ruble. It is also chief regulator and a lender of last resort for the banking industry in Russia. Bank of Russia is governed by a board of directors, headed by a governor who is appointed by the President of Russia. Large current account surpluses caused rapid real appreciation of the ruble between 2000 and 2008. Bank of Russia attempted to combat this trend by aggressively accumulating foreign currency reserves. This was a major contributing cause to relatively high inflation rates during this period. Central bank policy evolved following the global financial crisis. Instead of targeting a fixed exchange rate vs a basket of dollar and euro, Bank of Russia shifted its focus to inflation targeting. In April 2012 Russian inflation reached record low of 3.6%. The Russian Central Bank has been planning to free float the Russian ruble and has been widening the currency's trading band and expects the ruble to be fully free floating in 2015. [needs update] However, the ruble has fallen significantly since 2013 when the central bank announced the plans. On 3 October 2014, the USD–RUB exchange reached 40.00 Russian rubles to USD, up from 32.19 rubles the same time last year; this represents a decline of 24.26%. The Russian Central bank has stated that Russian banks are able to withstand a devaluation of up to 25%–30% in January 2014 when the ruble has just begun its decline, therefore Central Bank intervention may be needed; however, plans to free-float the currency continued, as of January 2014. The Russian Central Bank spent \$88 billion in order to stem the fall of the ruble in 2014. Due to central bank intervention and stronger oil prices the ruble rebounded sharply at the beginning of 2015. In April 2015, Ksenia Yudaeva, Bank of Russia's First Deputy Governor, stated that she believed the currency had stabilized at the present rate of around 50 rubles to USD.

National wealth fund

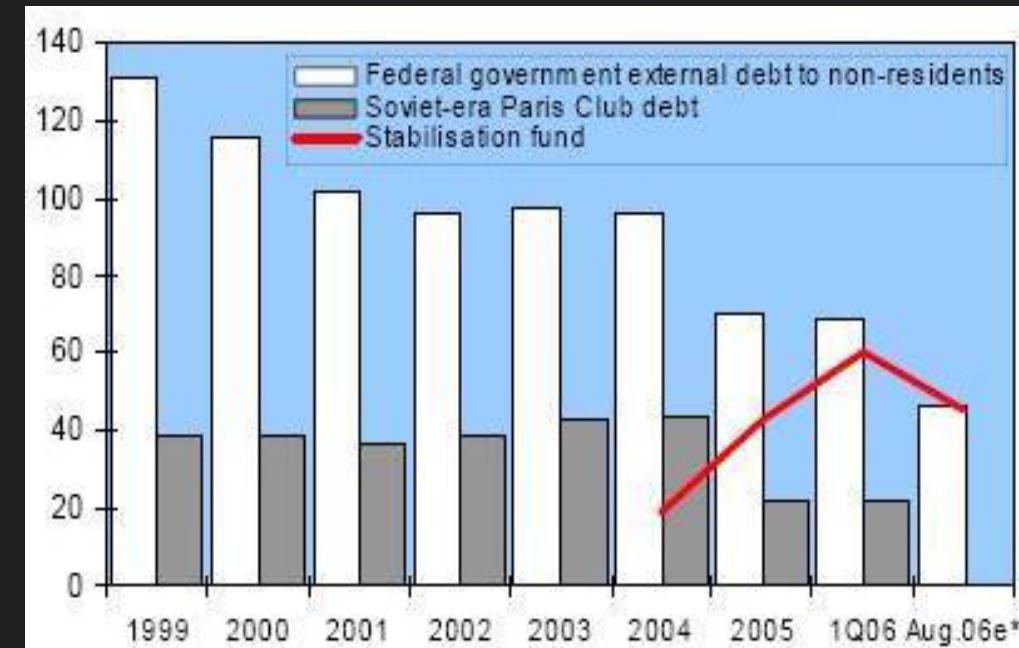
On 1 January 2004, the Government of Russia established the Stabilization fund of the Russian Federation as a part of the federal budget to balance it if oil price falls. On 1 February 2008 the Stabilization fund was divided into two parts. The first part is a reserve fund equal to 10% of GDP (10% of GDP equals to about \$200 billion now), and was to be invested in a similar way as the Stabilization Fund. The second part is the National Prosperity Fund of Russian Federation. Deputy Finance Minister Sergei Storchak estimated it would reach 600–700 billion rubles by 1 February 2008. The National Prosperity Fund is to be invested into more risky instruments, including the shares of foreign companies.

Fiscal policy

Federal budget of Russia
Russia was expected to have a Government Budget deficit of \$21 billion in 2016.[120] The budget deficit narrowed to 0.6% of GDP in 2017 from 2.8% in 2016.

Public debt

Russia has very low debt-to-GDP ratio, it is among the lowest ratios in the world. Most of its external debt is private. In 2016 its debt to GDP ratio was 12%. As a chief successor state to the Soviet Union, Russia took up the responsibility for paying USSR's external debts.



External trade and investment

In 2015, Russia main exports are oil and natural gas (62.8% of total exports), ores and metals (5.9%), chemical products (5.8%), machinery and transport equipment (5.4%) and food (4.7%). Others include: agricultural raw materials (2.2%) and textiles (0.2%).

Russia imports food, ground transports, pharmaceuticals and textile and footwear. Main trading partners are: China (7% of total exports and 10% of imports), Germany (7% of exports and 8% of imports) and Italy. This page includes a chart with historical data for Russia balance of trade.
Exports in Russia decreased to 39038 USD million in January 2013 from 48568 USD million in December 2012. Exports in Russia is reported by the Central Bank of Russia. Historically, from 1994 until 2013, Russia Exports averaged 18668.83 USD million reaching an all-time high of 51338 USD million in December 2011 and a record low of 4087 USD million in January 1994.
Russia is the 16th largest export economy in the world (2016)and is a leading exporter of oil and natural gas. In Russia, services are the biggest sector of the economy and account for 58% of GDP. Within services the most important segments are: wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods (17% of total GDP); public administration, health and education (12%); real estate (9%) and transport storage and communications (7%). Industry contributes 40% to total output. Mining (11% of GDP), manufacturing (13%) and construction (4%) are the most important industry segments.
Agriculture accounts for the remaining 2%. This page includes a chart with historical data for Russia Exports. Imports in Russia decreased to 21296 USD million in January 2013 from 31436 USD million in December 2012. Imports in Russia is reported by the Central Bank of Russia. Historically, from 1994 until 2013, Russia imports averaged 11392.06 USD million reaching an all-time high of 31553 USD million in October 2012 and a record low of 2691 USD million in January 1999.

