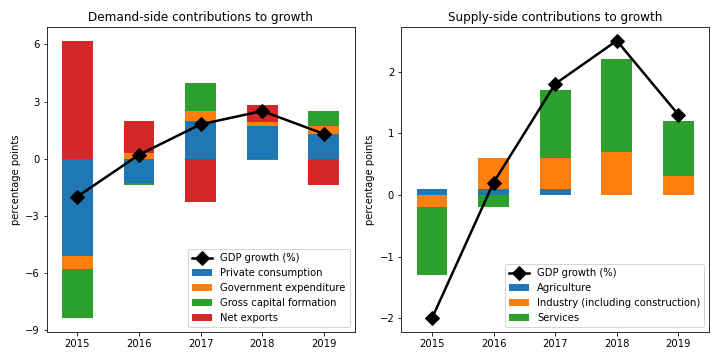
Russian Federation: Recent Economic Developments and Outlook

# GDP growth in 2019 slowed down

GDP growth slowed down from 2.5% in 2018 to 1.3% in 2019. On the demand side, private consumption, accounting for 50.4% of GDP, contributed the most with 1.3 percentage points (pp). Gross capital formation gave 0.8pp. Government expenditure shared 0.4pp. On the other hand, net exports cut 1.4pp from growth. On the supply side, services, accounting for 54.0% of GDP, contributed the most with 0.9pp. Industry (including construction) gave 0.3pp. Meanwhile, agriculture had trivial contribution to growth this period.



## Gross capital formation achieved largest gain on the demand side

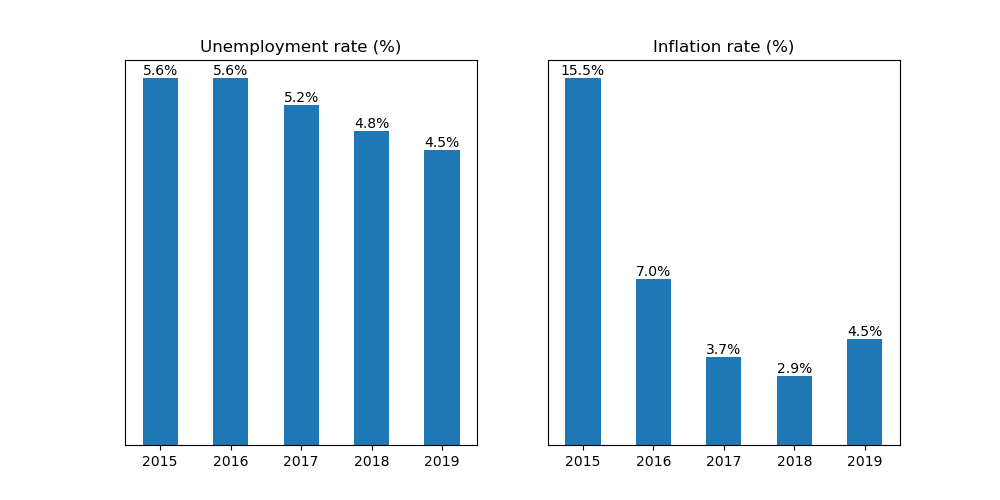
Gross capital formation jumped by the biggest margin at 3.8% annual growth. Private consumption grew by 2.5%. Government expenditure expanded by 2.2%. On the other hand, net exports declined by 22.3%.

## On the supply side, growth in services accelerated the fastest

Services picked up by the largest edge at 1.6% annual growth. Industry (including construction) grew by 1.0%. Agriculture expanded by 0.6%.

## Unemployment improved; inflation increased

Unemployment rate improved from 4.8% in 2018 to 4.5% in 2019. Consequently, inflation increased from 2.9% to 4.5%. At the end of the year, the central bank set the policy rate at 6.25%.



## Current account balance posted a surplus

Current account balance (CAB) recorded a surplus at 3.8% of GDP in 2019. Net trade in goods and services reached USD 129.0 billion. In 2018, CAB posted a surplus at 6.9% of GDP.

China is the country's top export destination accounting for 13.4% of total exports in 2019. Other major exports partners include Netherlands (10.5%), Germany (6.6%), Belarus (5.1%), and Turkey (5.0%). Top export commodities are mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes, accounting for 52.0% of total exports.

For imports, top imports origin in 2019 is China (21.9% of total imports), followed by Germany (10.2%), Belarus (5.5%), USA (5.4%), and Italy (4.4%). Major import commodities are nuclear reactors, boilers, machinery and mechanical appliances; parts thereof, accounting for 17.5% of total imports.

# Output contracted in Q2 2020

Output plunged by 8.1% in Q2 of 2020. Growth in overall economic activity declined from 1.7% in the previous quarter. Private consumption growth fell from 3.4% to -22.2%. Gross capital formation growth worsened from 2.6% to -6.2%. Net exports growth increased from -35.0% to 227.5%.

## Retail sales contracted

Retail sales contracted by 2.5% year-on-year in October of 2020. Growth in the retail sector increased from a contraction of 3.1% in September, reflecting increased trade activity.

## Consumer confidence down

Meanwhile, consumer confidence index was in the negative territory at -22.0 points in Q3 of 2020. Confidence improved from -30.0 points in the previous quarter. Expectations of consumers about the general economic situation in the next 12 months turned pessimistic at -15.0 points from -20.0 points over the same period, reflecting improved consumer sentiments.

## Industrial output shrank

Industrial production shrank by 5.6% year-on-year in October, adecrease from -5.1% growth in the previous month. Looking at the details, growth in manufacturing worsened to -3.5% from -0.7%, while mining and quarrying output growth increased to -8.8% from -9.5%. Meanwhile, growth in water supply, sewerage, waste management & remediation improved to 1.9% from -0.9%, while electricity, gas, steam and air conditioning supply output growth worsened to -3.2% from -2.6%

## Inflation jumped

Overall inflation jumped to 4.0% year-on-year in October from 3.7% in the previous month. Prices for food products rose to 4.8% from 4.3%, while housing, rent, water, electricity, gas & other fuels rose to 3.4% from 3.3%. Transportation improved to -0.1% from 0.5%, while communication improved to 4.3% from 5.2%. Meanwhile, prices for health/medical care rose to 4.2% from 4.1%, recreation worsened to 2.3% from 2.0%, and education declined to 1.9% from 2.1%

Russian Federation's central bank kept the official policy rate to 4.25% in October from 4.25% in September.

# Outlook tilted downwards this year

On November 6, 2020, Consensus Economics panelists project Russian Federation's economic growth ending in 2020 at -4.0%. In 2021 and 2022, the panelists foresee growth at 2.9% and 2.2%, respectively.