

# International Sanctions Hurting Russian Economic Potential

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The Russian economy is growing despite international sanctions on the country. The potential growth that the Russian economy can experience is significantly higher than current economic projections for the nation. Economic growth in the 3rd quarter of 2018 is only 1.4%, despite President Putin's election pledge of targeted economic growth of above the global average of 3.7%<sup>1</sup>.



Russia has collected revenue from its oil sales, and allocated enough capital into its reserves. In an effort to accrue enough funding for the federal budget, Russia is being forced to implement an increase in VAT paid by consumers. In spite of the 15% drop in value of the Russian ruble in the past year, the central bank is planning on raising borrowing rates for the first time since the introduction of western sanctions in 2014. This is an effort by Putin to show to the Russian nation and the world that the Russian economy is doing well amidst sanctions. However, top economists agree that the economy isn't performing to its full potential. If that were the case, the Russian economy would certainly grow at a faster rate as a response to the relatively high oil prices in 2018 compared to 2014.

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<sup>1</sup> Andrianova, Anna. Bloomberg.com. November 12, 2018. Accessed November 26, 2018. <https://www.bloomberg.com/news/articles/2018-11-13/putin-can-t-have-cake-and-eat-it-as-isolation-dents-growth-plan>.