

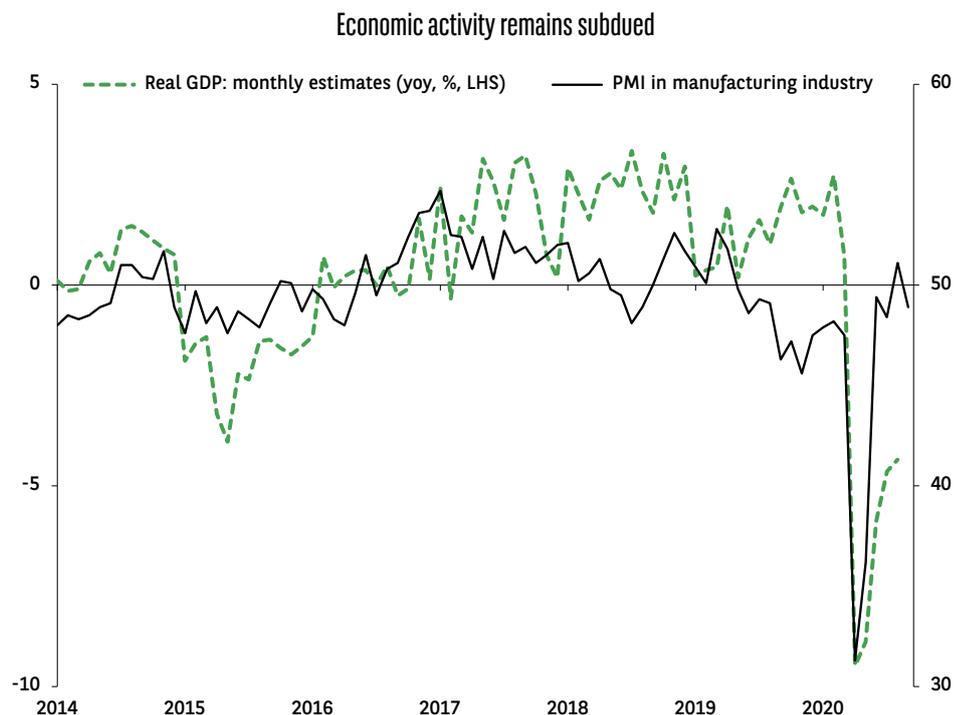
CHART OF THE WEEK



07 October 2020

RUSSIA: WEAK RECOVERY

Johanna MELKA



Source: CEIC

After contracting 8% year-on-year (y/y) in Q2 2020, Russian economic growth is struggling to recover. In August, monthly GDP was still down 4.3% y/y. Household confidence and the business climate are both morose, and activity has barely rebounded.

Adjusted for seasonal variations, industrial output was still 7% lower in August than the year-end 2019 level, even though oil production was increased as of 1 August as part of OPEC agreements. According to survey data, we should not expect to see a significant rebound in September either (PMI in manufacturing dropped below the 50 threshold separating expansion from contraction). Corporate investment continues to slump, as illustrated by the contraction in capital goods imports, and is still 5% below the 2019 average. Retail sales were also down 2.7% y/y. The unemployment rate hit a high of 6.6% and inflationary pressures have accelerated (+3.6%), while the ruble has depreciated in the midst of a tense geopolitical environment, which is preventing the central bank from easing monetary policy.

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