

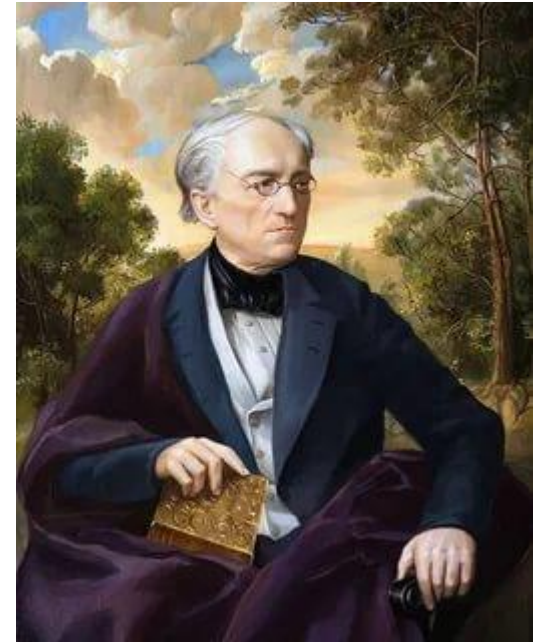
Economy of Russia



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You can't understand Russia with your mind,
You can't measure it with the standard instruments:
This country has a particular status –
In Russia you can only *trust*.

Fyodor Tyutchev



National Currency:	Russian Rouble (RUB)
Exchange Rate on July 23, 2019:	1 RUB = 0.0159 USD, 1 USD = 63.0534 RUB 1 RUB = 0.0142 EUR, 1 EUR = 70.6187 RUB
Type of Economy:	Upper-middle income economy, transition country, emerging financial market, G8 member The largest country in the world; leading producer and exporter of natural gas in the world, and second largest producer and exporter of petroleum in the world; poverty affects 16% of the population
GDP <i>(billions USD) :</i>	1,649.21 (Source: IMF – World Economic Outlook Database, 2019)
GDP <i>(Constant Prices, Annual % Change) :</i>	1.8 (Source: IMF – World Economic Outlook Database, 2019)
GDP per Capita <i>(USD) :</i>	11,461 (Source: IMF – World Economic Outlook Database, 2019)
General Government Gross Debt <i>(in % of GDP) :</i>	15.4 (Source: IMF – World Economic Outlook Database, 2019)
Unemployment Rate <i>(% of the Labour Force) :</i>	5.3 (Source: IMF – World Economic Outlook Database, 2019)
Inflation Rate <i>(%) :</i>	5.1 (Source: IMF – World Economic Outlook Database, 2019)
Employment By Sector <i>(in % of Total Employment) :</i>	Agriculture (6.6), Industry (26.8), Services (66.4) (Source: World Bank, Latest available data.)
Value Added <i>(in % of GDP) :</i>	Agriculture (4.0), Industry (30.0), Services (56.2) (Source: World Bank, Latest available data.)

The economy of Russia is the eleventh largest economy in the world by nominal value. Russia has an abundance of natural gas, oil, coal, and precious metals. It is also rich in agriculture. Russia has undergone significant changes since the collapse of the Soviet Union, moving from a centrally planned economy to a more market-based and globally integrated economy.

Periods of Russian History in XX-XXI C

- Tsar Nikolai II – till 1917
- Revolution and Civil war – 1917- 1920
- Recovery – 1920 – 1928
- Stalin's industrialization – 1930-1941
- WW II – 1939 – 1945; USSR and USA –1941-1945
- Reindustrialization – 1945 – 1990
- Transition crisis – 1990 – 1998
- Slow recovery – 1999 – 2002
- Oil prices up and fast growth – 2002-2008
- Slow growth – 2009 - 2018

Key problems of the Russian history

- Millennium+ with no peace, regular wars...
- Big wars – Borders = Pattern of surrounding
- Revolution and XX C. = series of Catastrophes
- Crush of the SU aggravated all crises... - three transformations: state, ideology, ownership.
 - 1990-s - shock for people and change of elites.
 - People have fixed feelings on external danger.
 - Russian Elite behaves like other Great Elites.
- “Declared Loser” now resists new rules, Cold war.

What exactly has to be transformed during a country transition?

- The most crucial thing is property and control handover and control over economic decision-making.
- Political system, civil society and political parties, rights and values
 - Free commerce authorization, external markets are open for competition (but to what extent?)
 - Financial system setting up (calculations, savings, financial tools)
- Transformation of rights for the mass elements of savings: houses, pensions, shares
 - Jobs, income and society structure

Might the development and transformation issues be resolved?

- Goals of the transformation: democracy and market economy
- Long-term development goal: to achieve middle-developed market economy from middle-developed planned economy
- Was the goal of integrating set down? It appears that it wasn't.
- Strategy and chaos: «the market will make it» – both the woes of the institutes' transformation and development
- The Goal and Resources correspondence
- Resources – Subjects of the two goals achievement
- The factor of the USSR collapse (the 1990 negotiations), 1991 and the factor of economic disruption

Difficulties and losses of the transitional period boost phobias:

- Foreign capital as a threat
- Corruption omnipotence – the excuse of doing nothing
- External criticism – the source of troubles

...and manias:

- Foreign capital as panacea
- Chasing – global competition
- Conspiracy – our own disorder
- The problem of the countries income distribution
- We should have started in 1990 with -2% GDP and not in 1991 with -16% GDP

...and utopias:

- Ideal policy exists
- Governance instead of initiative
- All-purpose instruments
- Sudden leaps for no reason
- Quick solutions for long-term problems
- Little importance of institutional design
- Possibility of the institutions direct transfer
- Anticipation of the very same results with change of an institute context

What did Russia obtained after the collapse?

- Territory – more than 80% and natural resources
 - Population – 51%
 - Industry – approximately 60%
 - Agriculture – about 50%
 - The gross of the army (nuclear)
- Universities and science – more than 90% (“in lay terms”)
 - Embassies and foreign buildings – exchange for debts
- Russia paid all the debts of USSR (with 1994 debt restructuring) and gave to all the 14 countries “zero debts”
 - More mining and extraction (with Kazakhstan)
 - Less manufacturing (Belarus and to the West as a whole)

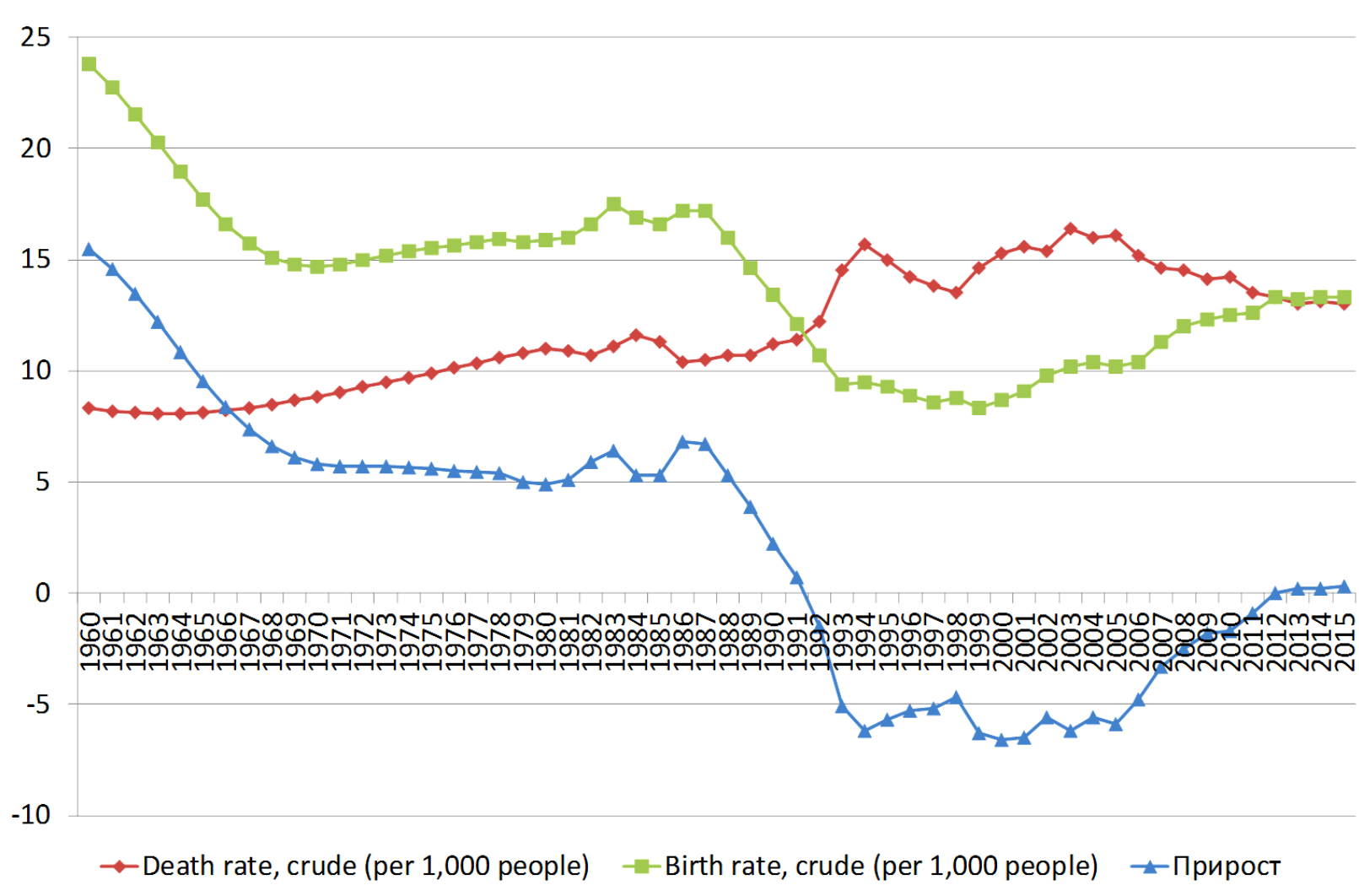
Dynamics of GDP per capita PPP (2011 prices) and population of EAEU countries), 1990-2016

	Population, mln people				GDP per capita PPP (2011 prices)			
	1990	2000	2010	2016	1990	2000	2010	2016
Armenia	3,5	3,1	2,9	2,9	3,7	2,9	6,7	8,2
Belarus	10,2	10,0	9,5	9,5	8,4	7,6	16,2	16,7
Kazakhstan	16,3	14,9	16,3	17,8	13,1	10,0	20,1	23,4
Kyrgyz Rep.	4,4	4,9	5,4	6,1	3,5	2,1	2,8	3,3
Russia*	148,3	146,6	142,8	146,7*	20,6	14,1	23,1	24,0*
For reference								
Azerbaijan								
Georgia	4,8	4,4	3,9	3,7	8,0	3,3	6,7	9,3
Turkey	53,9	63,2	72,3	79,5	11,4	13,9	18,0	23,7
Uzbekistan	20,5	24,7	28,6	31,8	3,1	2,5	4,2	6,0
Ukraine	51,9	49,2	45,9	42,7	10,5	4,8	7,8	7,7

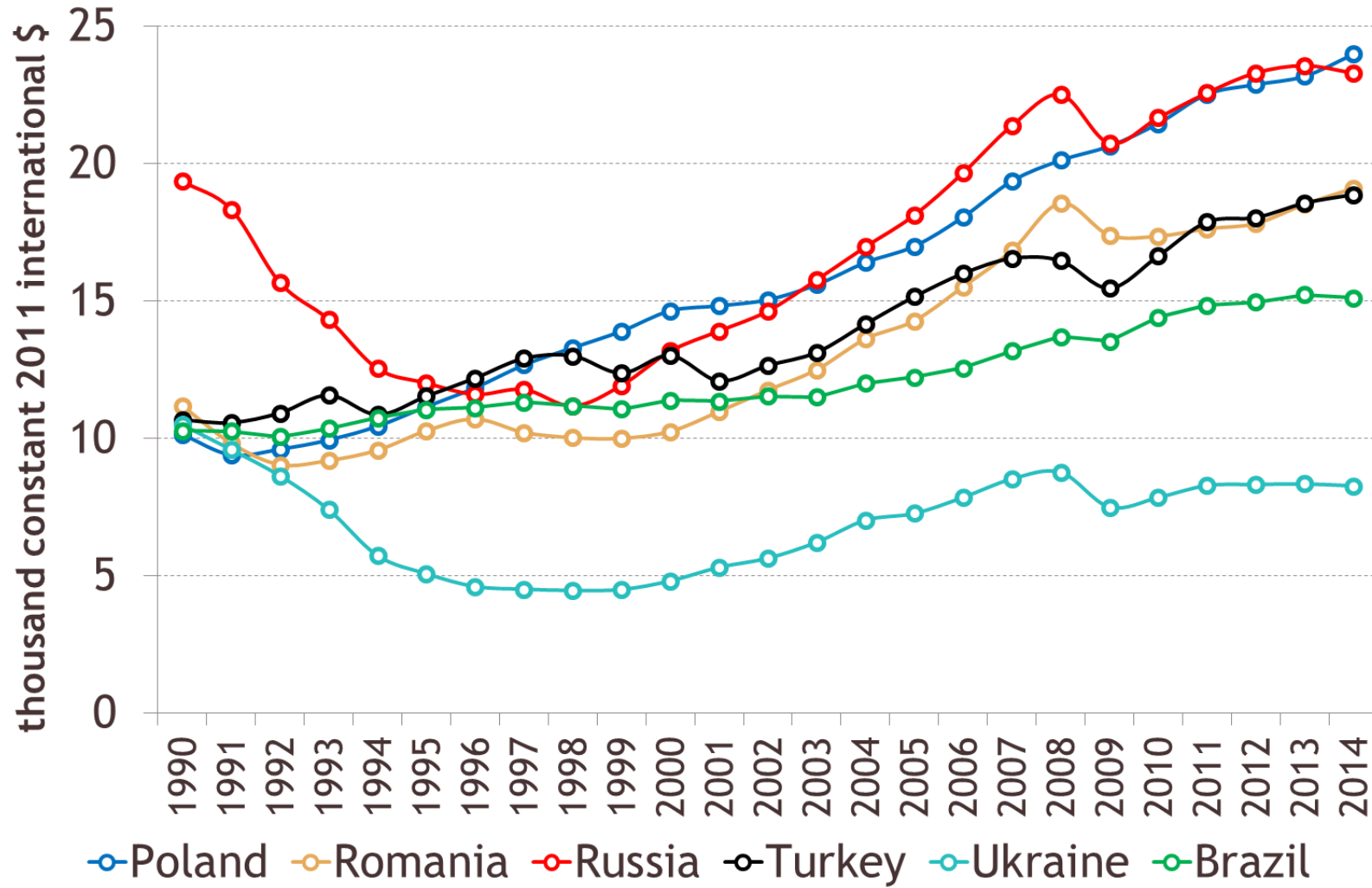
* Including Republic of Crimea and Sevastopol

Source — World Bank

Death, birth and natural increase in Russia, 1960-2015s



GDP PPP per capita, constant US\$



Key topics – crush of 1990-s

- GDP = minus 43%, jump in Suicides and Murders
- Failure of Transition to mainstream: privatization for Oligarchs, high Inequality, concentration of property
- SU's dissolution without agreements – aggravation!
- Soviet ideology had gone very fast – to vacuum...
- Limited numbers of strong industries: Resources, Energy, Agriculture, Nuclear, Defense, Space etc.
 - Oil prices helped to meet immediate needs.
 - People feel much safer after collapse of 1990s.
 - Two million educated emigrated... +Access to Info!
- Education and oil money – reestablishing of hard core.

Russians speaking English and Russian & the Internet access

	Percentage of Households with Access to Internet		Possession of Mobile Telephone (%)		Possession of Personal Computer (%)	
	2010	2015	2010	2015	2010	2015
Brazil	27,1	54,5	91,8	93,4	34,9	53,5
Canada	78,4	85,9	78,1	87,2	82,6	85,5
China	23,7	54,2	86,9	94,6	35,4	49,6
Germany	72,9	85,0	88,9	93,5	80,8	88,3
Italy	59,0	75,4	88,8	92,6	64,8	72,5
Russia	41,3	72,1	93,0	96,6	55,0	72,5
South Africa	10,1	50,6	85,8	96,3	18,3	23,4
Spain	59,1	78,7	94,6	96,7	68,7	75,9

Society after 1/4 Century of Transition

- Current Russian Socio-economic reality is the result partly of Soviet times, mostly from 1990-s transition.
- Privatization and Inequality connected! Transformation failed to support educated social strata, create mass shareholding, stable civil society!
- Recessions and oil-price fluctuations dominate the economic and social situation.
 - Tough Russian History – Tough Russian Mentality – it always here, fatalistic and used to hardship.
 - Pressure from outside puts Russian Elites on defensive and leads to consolidation, the old style. New Cold war was the convenient “gift” from outside. It goes since 2012.

Key topics – Cold war in minds of Elites

- Russians never lost Cold War, better forget it...
- Russian Political Elites want equal footing and recognition of Russian interests in the World.
- Since Russia was considered a Loser, no “interests” for losers – let them weep! Comfortable...till 2014.
- Russian pretense for equality, interests, roles was ignored and Russian Elites made a last ditch stand.
- Failures in Middle East, problems in other places - for R. Elites were recognition of the urgency of defense.
 - Elite insists – Russia behaves exactly as super powers.
 - It was unexpected for West and met with a Cold war...

Russia key indicators, growth for the period,%

	1989–1998	1998–2008	2008–2016
Gross Domestic Product	-44	95	3
Gross Fixed Capital Formation	-79	229	-4
Industrial production	-57	77	4
Mining	-35	57	9
Manufacturing	-64	104	3
Electricity, gas and water utilities	-24	19	-2
Retail sales	4	161	5
Food sales	-4	121	-2
Non-food sales	9	202	12
Sales of organizations (stores)	-17	207	13
Sales in "open" markets	306	32	-44
Market services rendered to population	-75	75	8

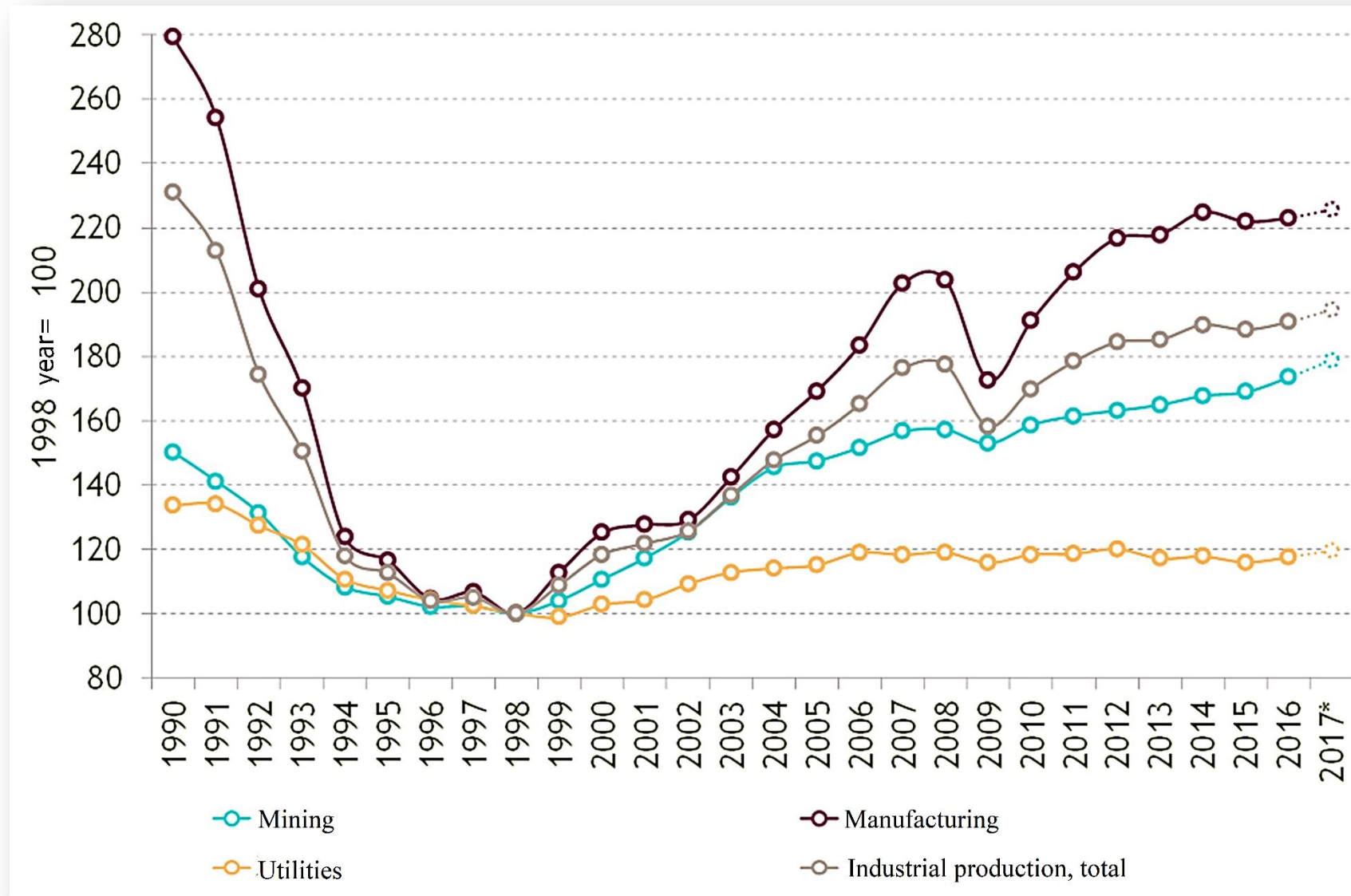
Source: Rosstat

Personal Consumption in Selected Countries, 2016

	Share of personal consumption in GDP, %	Share of different product types in consumption, %			
		Durable	Semi-durable	Non-durable	Services
World	56,7	9,2	7,4	28,9	54,5
Brazil	61,8	10,2	7,6	39,3	43,0
South Africa	61,1	8,2	8,4	39,9	43,4
Russia	49,1	12,1	7,0	49,1	31,8
China	38,6	7,3	9,5	34,7	48,5
India	59,1	3,3	8,3	41,0	47,4
Kazakhstan	53,4	5,9	12,1	53,9	28,1
Belarus	53,1	11,9	8,9	53,0	26,2
Turkey	62,9	18,3	5,7	38,3	37,6
Poland	58,5	10,5	7,5	43,2	38,8
Ukraine	64,8	8,0	6,6	56,8	28,6
Developed countries	59,3	9,5	7,2	23,0	60,3
Canada	56,2	12,9	7,3	23,9	55,9
Japan	54,8	8,2	5,6	27,3	59,0
USA	67,3	8,8	6,7	17,8	66,6
France	53,4	9,1	7,6	30,6	52,6
Germany	50	11,2	9,1	27,3	52,3
Italy	61,2	8,5	8,1	34,0	49,3
UK	61,3	10,1	10,8	21,5	57,7

Source: Euromonitor

Industrial production, 1990—2017*, 1998 = 100



*Half year 2017

Source: Rosstat

gadgets in Russia, 1992-2017

	1992	2000	2008	2013	2014	2015	2016	2017
Passenger car	23,0	43,0	44,0	57,0	61,0	62,8	64,2	65,1
Washer	64,4	75,3	85,2	89,4	90,1	90,8	91,5	92,1
Microwave oven	0,8	8,1	45,0	72,0	75,0	76,4	77,6	78,7
Air conditioning system	0,2	1,1	6,0	17,0	20,0	21,1	22,1	23,0
Color TV	66,4	88,1	97,6	98,6	98,8	98,9	99,0	99,0
Cable TV	9,1	20,2	29,0	36,2	30,5	33,6	33,6	33,3
Satellite TV	0,2	0,8	9,1	34,1	31,9	27,9	28,9	28,9
Mobile phone	0,7	21,1	87,1	95,7	96,4	96,9	97,4	97,8
Smart phone	-	-	7,8	42,0	48,8	55,2	61,3	66,9
PC	0,7	9,1	43,0	69,7	71,0	72,5	74,3	75,8
Laptop	0,0	0,5	1,0	28,0	39,0	44,2	49,2	53,9
Tablet	-	0,1	0,7	14,1	19,2	24,8	30,7	36,8

Source: Euromonitor

Regional structure of the population and GRP (gross regional product) in Russia, 1990, 1997, 2007, 2015/2016

Federal District (FD) / Type	Population				Gross Regional Product		
	1990	1997	2007	2016	1997	2007	2015
Central FD	25,7	25,9	26,7	26,7	27,5	36,5	34,9
Northwest FD	10,3	9,9	9,6	9,5	9,5	9,9	10,4
South FD	9,0	9,6	9,7	11,2*	5,7	5,6	7,1*
North Caucasus FD	5,1	5,7	6,4	6,6	2,1	2,0	2,6
Volga FD	21,5	21,6	21,2	20,2	20,4	15,5	15,3
Ural FD	8,6	8,5	8,5	8,4	15,1	15,1	13,8
Siberia FD	14,3	14,0	13,5	13,2	13,8	10,7	10,4
Far East FD	5,4	4,9	4,5	4,2	6,0	4,6	5,5
TOTAL - Russia	100	100	100	100	100	100	100
Financial and economic centers	14,0	14,2	15,9	17,0	21,2	32,6	30,4
Commodity export-oriented regions	3,3	3,1	3,1	3,1	11,5	11,4	11,2
Developed regions with a diversified economy	16,2	16,2	16,1	15,8	15,8	13,9	13,8
Developed regions based on manufacturing	13,4	13,1	12,7	12,2	13,4	11,5	11,2
Developed regions based on mining	9,3	9,2	9,0	8,7	9,7	7,7	7,3
Industrial-and-agrarian regions	12,9	12,5	11,7	11,1	9,5	7,2	7,8
Agrarian-and-industrial regions	25,0	25,6	25,0	25,2*	16,1	13,3	15,2*
Less developed commodity regions	2,0	1,7	1,5	1,4	1,6	1,0	1,1
Less developed agrarian regions	4,0	4,4	5,0	5,5*	1,2	1,4	2,0*

**Including the Crimea and Sevastopol*

Source: Rosstat

Natural resources, especially oil and gas, dominate Russian exports. Oil and gas exports continue to be the main source of hard currency. Russia is also a leading producer and exporter of minerals and gold. Ninety percent of Russian exports to the United States are minerals or other raw materials.

Russia's defense industry employs 2.5 – 3 million people, accounting for 20% of all manufacturing jobs. Russia is the world's second largest conventional arms exporter after the United States. The most popular types of weaponry bought from Russia are Sukhoi and MiG fighters, air defense systems, helicopters, battle tanks, armored personnel carriers and infantry fighting vehicles. The research organization Centre for Analysis of Strategies and Technologies ranked the air defense system producer Almaz-Antey as the industry's most successful company in 2007, followed by aircraft-maker Sukhoi. Almaz-Antey's revenue that year was \$3.122 billion, and it had a work force of 81,857 people

Space industry of Russia consists of over 100 companies and employs 250,000 people. The largest company of the industry is RKK Energia, the main manned space flight contractor. Leading launch vehicle producers are Khrunichev and TsSKB Progress. Largest satellite developer is Reshetnev Information Satellite Systems, while NPO Lavochkin is the main developer of interplanetary probes

For aspects of food security

- ***Food availability***: The availability of sufficient amount of food of appropriate quality
- ***Food access***: Access by individuals to adequate resources (entitlements) for acquiring appropriate foods for a nutritious diet.
- ***Utilization***: Utilization of food through adequate diet, clean water, sanitation and health care to reach a state of nutritional well-being where all physiological needs are met.
- ***Stability***: To be food secure, a population, household or individual must have access to adequate food at all times.

National food security

Two points of view:



Only domestic products
(self-sufficiency)

Domestic products +
imported products =
the satisfaction of the
requirements of each person
at any time

Two levels of food security

- The food security of the state: the *quantity* of food
- The food security of the population: the *quality* of food and its correspondence to the requirements of people

The level of Russian dependency of the import from banned countries

14,7% of fruits and vegetables

13,3% of fish

7,9 % of chicken

7,4% of beef

13,2% of pork

33% of cheese

Russia's comparative advantages

- 3,3% of world farm lands +
- 9% of world arable lands +
- 20% of world water resources +
- Positive impact of climate change

=

the world's highest potential for agricultural development

Agriculture accounts for about 6% of the total national GDP.

Agriculture provides employment opportunities to more than 16% of the Russian population.

What crops do we produce

- **What are the key crops grown in Russia?**

Wheat, barley, corn, rice, sugar beet, soy beans, sunflower, potatoes and other vegetables.

Grain cultivation occupies more than 50% of cultivable land area

Wheat accounts for more than 70% of the total grain production in the country.

- **What is the average farm size and is there a move to fewer, larger arable farms?**

The average farm size is 150ha and this is generally considered to be the optimum size in central Russia.

- **What are the key challenges facing Russian growers?**

We are experiencing an increase in our average temperature, uneven rainfall and in spring we frequently face hail storms, hot winds and dust storms. This has led to increased risk as it makes planning very difficult

- Russia has the potential to double its grain harvest. The country has 115m hectares of agricultural land, of which 25m hectares are idle.
- By 2012, Russia had become the world's fifth largest wheat exporter and our land availability means there is further room for growth



N.I. Vavilov – great Russian geneticist

Precision agriculture

The farmers investigate carefully all the physical, chemical, geographical etc. qualities of arable land before making a decision, which particular plant will give the richest harvest on this piece of cropland