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EBRD Says Ukraine Crisis Pushing Russia Into Recession

By The Moscow Times

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LONDON — Russia's economy looks certain to shrink next year due to the Ukraine crisis, and Eastern Europe is already seeing its weakest growth since the fall of communism 25 years ago, the European Bank for Reconstruction and Development said Tuesday.

In its annual Transition Report, the EBRD said Western sanctions and slumping oil prices meant that Russia would probably suffer a "mild" recession in 2015 after growth of 0.6 percent this year, while Ukraine would see another big contraction.

"The sanctions are having a very real impact on the [Russian] economy," EBRD chief economist Erik Berglof said, referring to Western measures targeting Russia's energy and banking sectors over Moscow's role in the Ukraine crisis.

"We think this [Russia going into recession] is even more likely now. It doesn't help that the oil price has come down, it reinforces the secular slowdown in growth," Berglof told

a news conference at the launch of the report.

The bank cut Russia's "transition" score in the field of trade and foreign exchange to 4 minus from 4. Transition scores cover 16 sectors that the EBRD is trying to improve. The highest measurement is 4 plus.

The Ukraine crisis, along with continued sluggishness in the euro zone, the biggest market for Eastern Europe, are the main reasons for the weak growth in the region, the report said.

"Russia is also an important source of export demand for many countries [in Eastern Europe], and weaker growth in Russia affects those countries through the trade channel, as well as through reductions in inward foreign direct investment."

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