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INDEPENDENT NEWS FROM RUSSIA

Russia Plunges 7 Spots in Ranking of Most Competitive Economies

By The Moscow Times

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A view of the Mosow-City international business center in Moscow, Russia.

Russia dropped seven positions in a ranking of the world's most competitive economies released this week as investment remained low amid geopolitical tensions over Ukraine and a burgeoning recession.

This was the first time in five years that Russia had fallen in the World Competitiveness Ranking, which is published yearly by the International Institute for Management Development (IMD), a Switzerland-based business school.

The slide was linked to the armed conflict in Ukraine and resulting market volatility, IMD said in a statement Wednesday. Russia had before climbed steadily in the ranking from 51st place in 2010 to 38th place in 2014, the Vedomosti newspaper reported.

Russia's annexation of the Crimean Peninsula from Ukraine in March last year and ongoing

support for separatists in eastern Ukraine have dealt a blow to investors' faith in the country. They also triggered economic sanctions from the U.S. and EU last year, which have cut off Russian companies' access to international capital markets.

Combined with a steep slide in the price of oil — Russia's chief export — and systemic barriers to economic development, the sanctions have helped tip Russia into a deep recession. The Russian economy contracted by 4.3 percent year-on-year in April, state development bank VEB said in a report released Wednesday.

The IMD ranking rated 61 world economies based on "how well countries manage all their resources and competencies to facilitate long-term value creation," the report said.

The United States managed to stay in first place in the IMD ranking thanks to a strong financial sector, high business efficiency, focus on innovation and good infrastructure, IMD said. Hong Kong and Singapore ranked second and third respectively.

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