

Russia's Economy Still Falling After 'Hitting Rock Bottom' - Report

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August 01, 2016



Vedomosti

Russia's economy is continuing to decline “after hitting rock bottom,” a report by Moscow's Higher School of Economics (HSE) revealed Monday.

The Russian economy contracted across almost all sectors in the first half of 2016, with construction, retail, and manufacturing sectors all badly hit.

The increasing competitiveness of Russian exports thanks to the devaluation of the ruble has not been able to compensate for decreasing domestic demand, the report found.

The construction sector contracted by a record 10 percent, falling below levels recorded during the 2009 global crisis.

Turnover in the retail sector also fell by 3.1 percent, down some 15 percent in total compared to pre-sanction levels in 2014.

Industrial production in the last six months also decreased by 0.1 percent.

"The economy has adapted to this 'new normality,' but that is only the first phase," the report said. "The economy has once again begun to fall. Russia's gross domestic product (GDP) is now 5.5 percent below the average level for 2014. In these circumstances, we do not expect sustainable economic growth to start again in the near future," said the report.

Russia's GDP has shrunk by 0.9 percent since the start of the year, and HSE experts believe that it could fall as much as 1.5 percent by the end of 2016.

The report also warned that government reserves could be exhausted by the end of the year due to falling oil prices.

The government used 780 billion rubles (\$11.8 billion) to cover the federal budget defect in the first six months of this year.

"A greater income shortfall threatens to exhaust the reserve fund, forcing the Kremlin to use money from the National Welfare Fund. Given falling oil and gas revenues, we believe that the government will need to use more than the 500 billion rubles (\$7.6 billion) previously announced in its budget," the report said.

Russia's Economic Development Minister Alexei Ulyukayev announced in May that the country had been out of recession for more than six months. Many Russians still continue to feel the ongoing economic crisis in the country, with real wages falling by 9.5 percent in 2015.

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