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Morgan Stanley Predicts Russian Recession in Case of New U.S. Sanctions

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U.S. bank Morgan Stanley has predicted that the Russian economy will hit a recession if the U.S. imposes new sanctions against state companies, despite a projected oil price of $90 per barrel by 2020 due to increased demand.

Goldman Sachs and Citi Bank cut Russia's GDP growth forecast this week from 3.3 percent and 2.3 percent respectively to 2 percent. Russia's economy minister said this week that 2018 GDP forecasts will be revised downward from 2.1 percent over slow growth in January-March, the RBC business portal reported Friday.

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Morgan Stanley said it expects the Russian economy to shrink by 0.5 percent (from 2.3 percent to 1.8 percent) this year if the U.S. blacklists state-owned companies, RBC cited the

investment bank as saying in a semi-annual report.

Washington imposed sweeping sanctions on some of Russia's biggest companies and businessmen on April 6, striking at allies of President Vladimir Putin to punish Moscow for its alleged meddling in the 2016 U.S. presidential election and other "malign" activities.

This week, Trump ordered his secretary of state to draft new measures against Russia for violating a Soviet-era arms control treaty, which Moscow denies.

Moody's rating agency said last month that Russia's strong public and external finances would shield its economy from the impact of the latest U.S. sanctions. But it also warned the sanctions would be credit-negative for some Russian debt issuers, especially aluminum maker Rusal.

Reuters contributed reporting to this article.

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