

Living Standards To be Main Victim of Coronavirus Economic Shock

Real incomes forecast to fall faster than the wider economy, heaping strain on Russian households.

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Businesses have already started laying off workers, cutting hours and wages. **Sergei Kiselyov / Moskva News Agency**

Russian living standards will this year see their biggest drop since the financial crisis, a new economic forecast has [warned](#).

Real cash incomes could crash by as much as 5% in 2020, analysis by the Analytical Credit Ratings Agency and Alfa Bank has found. That would be a steeper fall than any Russia has registered in the last decade, topping the previous record of 4.5% seen in 2016 as Russia battled falling oil prices and fallout from Western sanctions.

The fall would come after a prolonged period of hardship for Russian households, whose cash incomes are still 7.5% down on where they were before the Russian annexation of Crimea in

2014. Before the coronavirus pandemic, the Russian government, under new prime minister Mikhail Mishustin, was [planning](#) a spending drive to boost living standards after years of stagnation.

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Household budgets will come under particular pressure in the second quarter of the year, said Anton Pokatovich, chief analyst at BCS Premier. He predicts a 9% fall in cash incomes — a measurement which strips out obligatory household payments and social benefits — over the three-month period as a result of Russia's April national holiday and lockdowns across major cities, including Moscow and St. Petersburg.

The fall could be compounded by the large role of shadow employment and wages in Russia's economy, Timur Nigmatullin, investment manager at Otkritie Brokerage told The Moscow Times.

“Many people work for businesses without employment contracts and receive their salary in cash in an envelope. I think they'll all be fired now as the businesses go dormant.”

The World Bank [estimated](#) between 10 and 15 million Russians are employed without a contract. A larger portion receive so-called “grey” salaries, where a portion is paid in cash under-the-table, on top of an official salary.

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