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INDEPENDENT NEWS FROM RUSSIA

Russia's Unemployment Rate Jumps 30%

Living standards are expected to be the main victim of the coronavirus recession.

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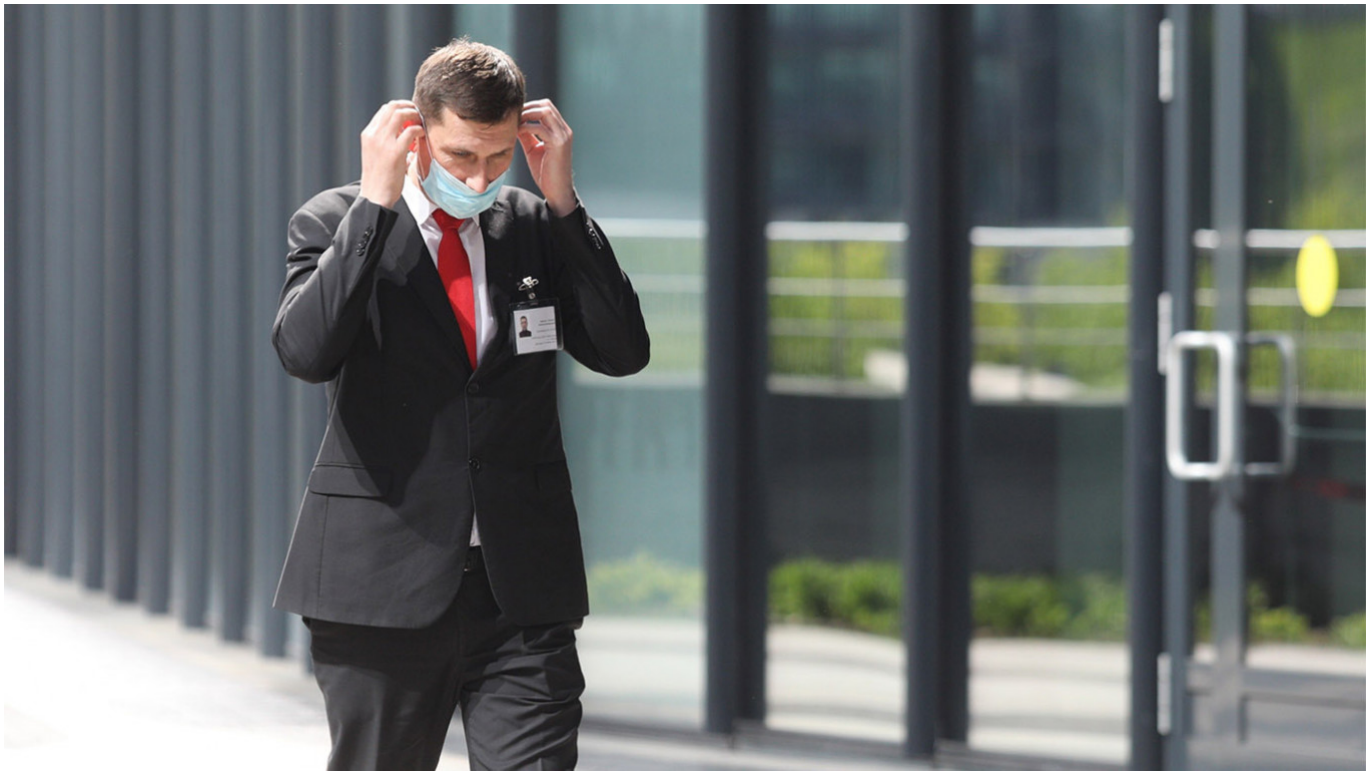

The real number of those out of work could be four times higher than official figures. **Kirill Zykov / Moskva News Agency**

Russia's official level of unemployment has risen by 30% since the start of the coronavirus pandemic, deputy prime minister Tatiana Golikova said Wednesday.

The jump takes the number of those registered out of work to 1.7 million — although economists say the real numbers could be three to four times higher.

The Russian government has made preserving jobs its top economic priority in its response to the coronavirus, but support for companies has been limited.

Related article: Russia's Economic Woes Continue to Mount During Coronavirus Outbreak

Businesses in the most-affected sectors are able to access interest-free loans to cover part of every employee's salary, which are then written off if employment is maintained at 90% of pre-crisis levels. However, the scheme is only available to firms the Kremlin designates as operating in a severely affected industry, and the maximum loan amount is capped at the equivalent of one minimum wage payment — 12,130 rubles ($169) — per employee per month.

Some economists believe that with the peak of financial volatility seemingly having passed, the Russian government may feel more inclined to boost its economic response.

"The size of the fiscal response remains smaller than in most major countries, but is gathering pace. The recent recovery in the oil price to $30 a barrel also supports this, allowing for a more material fiscal response without risking the depletion of Russia's national welfare fund (NWF) reserves," economists at Deutsche Bank wrote in a recent research report.

Russia had $165 billion in its NWF at the beginning of April — equal to 11.3% of GDP. When oil prices are below $42 a barrel, funds are transferred from the NWF to the government's daily budget to make up for the loss in tax revenues from oil exports. Ministers have been reluctant to dip into the NWF to support a more substantial economic response to the crisis for fear it would drain the reserves too quickly.

Various economic reports have shown that living standards are set to be the main victim of the economic crisis without more significant intervention from the Kremlin.

In a reversal of what happened during the 2008-9 global financial crisis, Moscow's Higher School of Economics (HSE) showed disposable incomes would fall at 1.5 times the rate of overall economic output in 2020 — a 12% drop in spending power compared to an 8% fall in GDP under its pessimistic scenario.

On an aggregate level, the crisis is expected to wipe out 20% of Russians' disposable income in the second quarter of 2020, compared with the same period last year, the report added, with government support cushioning the fall by only 2.2 percentage points.

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