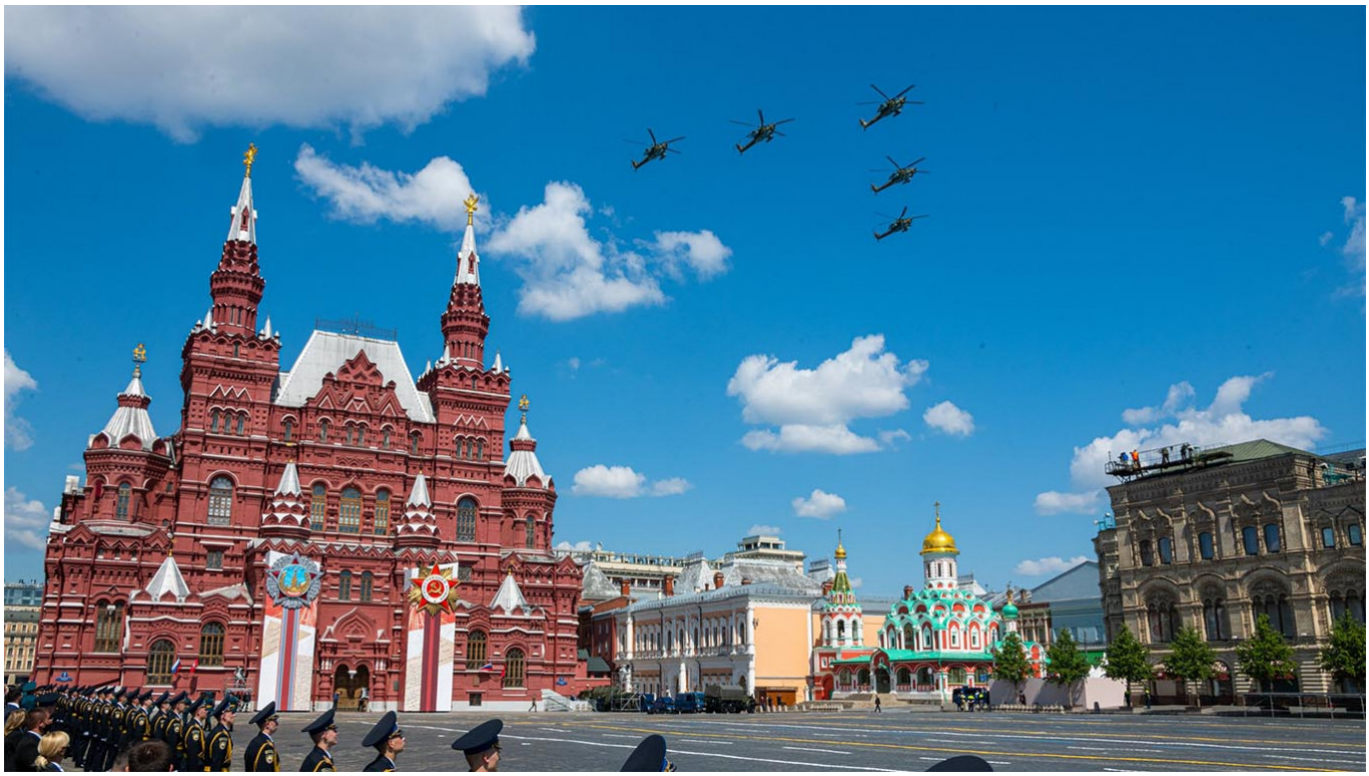
The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Putin's WWII and Referendum Holidays Cost Russian Economy More Than $5Bln

The government added two extra public holidays to stage delayed Victory Day parade and assist constitutional vote.

By Jake Cordell

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Russia has added two special public holidays over the last 10 days. **Maxim Mishin / Moskva News Agency**

Extra public holidays introduced by the Russian government for the delayed Victory Day parade and the constitutional referendum could have cost the Russian economy more than $5 billion, analysts told The Moscow Times.

The additional hit from the Kremlin-backed shutdowns comes as Russia's economy is already set for a sharp recession and two years of lost growth as a result of the coronavirus pandemic.

Russian lawmakers designated June 24 a special public holiday so parades to mark 75 years since the end of World War II could take place in Moscow and across the country. The set piece

event on Red Square was delayed from 9 May — also a public holiday — because of the pandemic. July 1 was also added to Russia's swelling calendar of public holidays to coincide with the last last day of a week-long nationwide vote on constitutional reforms.

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The midweek holidays required swathes of the Russian economy to be ground to a halt, just as Russia had begun to restart following a prolonged shutdown throughout April and May, economists said.

Russia is already one of the "world leaders" when it comes to paid holidays, considering both public holidays and paid vacation time, economist Vladimir Miklashevsky told The Moscow Times. "This has been very costly for Russia's economic growth and the potential growth of citizens' wealth, as GDP output is halved during a one-day holiday," he said.

Miklashevsky estimated that the cost of each of the additional public holidays could have reached 300 billion rubles in lost output — or more than $8.5 billion across the two days. The impact could be twice as much as a normal public holiday, because the coronavirus pandemic means traditional winners such as restaurants, tourism and entertainment businesses, can't fully capitalize on a potential boost in consumer spending, he added.

Other economists agreed that economic losses from the public holidays could exceed $5 billion. Heli Simola, senior economist at the Bank of Finland's Institute for Economies in Transition (BOFIT), gave a rough estimate of losses worth 0.4% of Russia's annual GDP — around $6.8 billion.

Dmitry Dolgin, chief Russia economist at ING Bank estimated that around a third of the Russian economy would have been shut down on each of the public holidays, mainly the manufacturing, construction, financial, science and education sectors.

"The overall negative effect of the two extra holidays should be around 1.5% of monthly GDP in June and July each — or 0.2-0.3% of annual GDP," he told The Moscow Times. In dollar terms, that would be equivalent to between $3.4-$5.1 billion.

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A proposal to reduce the number of public holidays in January 2021 from eight to three to help boost the Russian economy was roundly rejected by the upper house of Russia's parliament, the Federation Council, in June, with senators arguing it would violate Russians' "constitutional right to rest." President Vlaidmir Putin's spokesperson Dmitry Peskov has also pushed back against reducing the long New Year break.

"Russian legislators who traditionally have high and safe incomes continue to lobby for long holidays in 2021," Miklashevsky said. "Yet, for ordinary people whose income depends directly on their daily input, long holidays will mean a further meltdown of their wealth."

Real incomes are expected to fall by more than 3% in 2021, Russia's Economy Ministry has

forecast.

Miklashevsky also said the Russian practice of "bunching" public holidays, which results in week-long holidays for Russians at the beginning of January and May is an extra drag on growth, because it takes longer to wind business operations down and back up again. In pre-coronavirus days the "bunched" non-working days would cost the Russian economy around 200 billion rubles ($2.8 billion) a day, opposed to 100-150 billion rubles for a standalone public holiday.

The potential $8 billion hit from the two extra holidays comes as Russia is set for a protracted and deep recession.

The International Monetary Fund (IMF) expects the Russian economy to contract by 6.6% in 2020 — equivalent to a $100 billion loss of economic output, based on Russia's nominal GDP of around $1.7 trillion.

The IMF also forecast that Russia's economy will recover slower than the global average coming out of the crisis. While global GDP will largely have recovered by the end of next year, Russia's economy will still be 2.5% smaller, the organization said in its most recent economic outlook.

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