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INDEPENDENT NEWS FROM RUSSIA

Russian Economy Shrank 8.5% in Second Quarter – Official Data

Fall in GDP is less severe than government and Central Bank feared.

By AFP

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The Russian economy has fared better than others which rely more heavily on tourism and services, but a six-week lockdown, cut to oil production and fall in prices has taken its toll. **Igor Ivanko / Moskva News Agency**

Russia's economy contracted by 8.5% year-on-year in the second quarter, the state statistics agency said Tuesday in its first assessment of the impact of the coronavirus and an oil crisis.

GDP fell in "all areas of the economy except agriculture" between April and June, the Rosstat agency said in a statement, with passenger transport down 79% and the services industry down 37.2%

Rosstat's figure for the second quarter was within the central bank's forecast of between 8-10%, while the government had predicted a 9% reduction in economic activity.

The sharp drop came after 1.6% growth in the first quarter.

Russia had seen its economy pick up towards the end of 2019, while economic growth over the year as a whole was a sluggish 1.3%.

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Russia had hoped 2020 would see an economic revival bolstered by massive state projects to modernise infrastructure.

Those hopes were crushed by an oil crisis that began in March. Russia and Saudi Arabia launched a price war, dealing a severe blow to Russia's economy dependent on exports of oil and gas.

The virus pandemic hit Russia shortly afterwards and the country imposed strict lockdown measures from the end of March until early May.

The Russian economy has been less badly hit by the virus than some countries due to its smaller service sector, according to economists.

President Vladimir Putin said in mid-July that Russia's economic activity was "gradually" recovering.

Shortly afterwards Russia dropped an ambitious goal to become one of the world's top five economies by 2024 and pushed a target to halve the numbers living in poverty back by six years to 2030.

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