

# Russia Upgrades Economic Outlook on Strong Data

**The hit to GDP is expected to be less severe than first thought.**

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The Russian economy has weathered the coronavirus pandemic better than most others in Europe.

**Anton Novoderezhkin / TASS**

The Russian government expects the coronavirus to inflict significantly less damage on the country's economy than it first feared.

The Economy Ministry is now predicting GDP will fall by 3.9% in 2020, up from its previous forecast of a 5% contraction, Kommersant [reported](#) Monday.

Russia's economy has not taken as big a hit from the pandemic as other European economies, recording a contraction of 8.5% in the second quarter of the year, according to [official statistics](#). That compares to a fall of more than 20% in the U.K, and double-digit declines in all of Europe's major economies.

"The more moderate hit to Russia's economy is likely due to a shorter and 'softer' lockdown,

and the lower share of consumer services in Russia's consumption," Evghenia Sleptsova, Oxford Economics' senior emerging markets economist wrote in a recent report tracking Russia's economic recovery.

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Economic activity has bounced back strongly from record lows, and is now at around 95% of pre-coronavirus levels, Oxford Economics estimates.

Interest rate [cuts](#) from the Central Bank and a stabilization in global oil prices have also helped cushion the blow from the pandemic, economists say — a big difference from the crisis Russia faced in 2014-16, when the country chose to hike interest rates in a bid to stem a rapid depreciation in the value of the ruble.

The Economy Ministry also upgraded its outlook on investment, which it predicts will decline by 6.6% this year, compared to previous expectations of a 12% fall.

Despite a string of upgrades from both official and independent forecasters, there is still a high degree of uncertainty over where the Russian economy will head over the next few months. Economists say the recent uptick in activity could be a short-lived post-quarantine spurt which may fizzle out once the longer-term effects of cuts to wages and investment start to be felt throughout the economy. Meanwhile the prospect of a second wave and another partial economic shutdown remain the biggest risks to the recovery.

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