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Russia Records 3.6% GDP Fall in Third Quarter

Economic slowdown moderated over summer months, official statistics show, but second wave has put the economy back under pressure.

By Ben Aris for bne IntelliNews

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Russia's GDP decline moderated in the third quarter, but since then the second wave has rapidly intensified. **Kirill Zhukov / Moskva News Agency**

Russia's economy declined by 3.6% year on year in the third quarter of 2020, marking a notable improvement after an 8% fall in GDP seen in the second quarter.

Better GDP dynamics in the third quarter will be welcomed, as the risks associated with the second wave of the coronavirus had started to call Russia's Economy Ministry's forecast of a 3.8% contraction for the year into question.

The data came in line with the consensus forecast, but was better than the official expectations, BCS Global Markets said.

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“Following the release of third quarter growth data, the GDP decline in 2020 could now be even smaller than our -3.8% forecast, which is a positive,” the company said. Analysts believe that this reflects the stress-resistant structure of the economy as well as a rather efficient, albeit modest in total funding terms, government response to the crisis.

It noted that monthly macro statistics already show that the main factor which led to the improvement in growth dynamics from the second quarter was the removal of strict quarantine restrictions which had been in place for most of the spring.

Other support factors included a major rise in domestic tourism, after the closure of many foreign destinations due to the pandemic, a rise in housing construction that got a boost from state-subsidized mortgages, and a better grain harvest this year.

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