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Russia’s Economic Doomsayers Were Wrong. So Were the Optimists.

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People walk in front of the Spasskaya tower at Red Square in central Moscow. **Alexander Nemenov / AFP**

A review of the predictions made by experts from 2022 to 2026 shows, first, that nobody produced an accurate forecast. And second, that the mistakes of loyalist analysts were no greater than those of their colleagues who do not depend on the Putin regime.

By many indications, Russia’s period of stagnation that has existed almost since the middle of 2024 is now coming to an end. Understandably, experts are trying to predict what will come next.

It seems plausible to suppose that those who, over the years of the war, more accurately predicted the zigzags of the Russian economy will manage better this time too. So let us familiarize ourselves with how they fared up to now.

Within weeks of the full-scale invasion of Ukraine, economic experts split into two main camps: the "Collapse Party" and the "Stagnation Party."

There is a third group, the "Triumph Party," which is too small to be worth discussing. Among those constantly present in the public sphere, the most with his permanent forecast that Russia stands on the threshold of "colossal economic growth" — usually 10-15% a year. There's no point entertaining his ridiculous predictions, so we should focus on the debate between collapse and stagnation.

After Russia's invasion of Ukraine, the West cut it off from SWIFT, seized any reserves it could get hold of, fairly quickly curtailed purchases of gas and oil and, to the extent it could, blocked supplies to Russia of numerous intermediate products and goods on which its national economy depended.

The Russian economy should have collapsed if it clung to its pre-war assumptions. If it adapted rapidly to the new circumstances, it could instead get away with stagnation.

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In March 2022, most economists were in the Collapse Party. Knowledgeable people did not spare the public a catalogue of the economic horrors to come.

Sergei Guriev warned that the war would cause the largest economic decline since the early 1990s and that the Kremlin wouldn't direct any women to the task of softening the shock, using it to fund the military instead.

Oleg Itskhoki warned that despite Russia's huge size, large population and army, it had a weak economy that was greatly exposed to the outside world. Isolation would be "catastrophic for everyone." Konstantin Sonin even warned that Russians could expect key industries like food production to be nationalized.

Most international economic organizations believed Russia would collapse. The Organization for Economic Co-operation and Development, the European Bank for Reconstruction and Development and Goldman Sachs predicted a 10% fall in Russian GDP in 2022. Goldman Sachs predicted the same amount. Barclays predicted 12.4%. The Institute of International Finance predicted 15%. The most cautious of all was Bloomberg Economics under Alexander Isakov, who predicted a 9% contraction.

Those predictions seem generous compared to some of the most dire. Yevgeny Kogan warned of a 15-18% fall in GDP, while Oleg Derepaska suggested the crisis could be three times worse than in 1998.

Russia's two leading state analytical services presented the public with their expectations in March 2022. They too painted them in gloomy colours, though didn't go so far as to predict a collapse.

The Central Bank, after surveying 35 loyalist experts and averaging their forecasts, reported that inflation in the first year of the war was expected to be 20% (in reality, it hit 12%), while GDP was expected to fall by 8% (in reality, it fell by only 1.4%). The government-adjacent

Centre for Macroeconomic Analysis and Short-Term Forecasting (CMASF) believed that the economy would decline by 6.6%. For the following year, 2023, both agencies predicted that the decline would slow and Russia would gradually stagnate.

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Two experts stood out quite noticeably from this consensus.

First, Dmitry Nekrasov pointed out that many Ukrainians and opposition-minded Russians were in a bubble with a distorted view of the real conditions of the Russian economy. Second, Andrei Klepach suggested that after an initial panic, the ruble would strengthen against the dollar as Russian energy exports continued, adapting to the new reality. The danger, he thought, was that household incomes could fall by 4-7% if the government didn't enact support measures against surging inflation.

Perhaps Nekrasov is insufficiently academic for a professional economist and Klepach is too much of a regime loyalist for one to sympathize with when he was fired after his recent warnings of a social and economic crisis were leaked. But thanks to their impartiality and knowledge of their subject, their approach to what was happening in the Russian economy proved the most promising.

By the end of 2022, most analysts no longer doubted that Russia's economy wouldn't collapse any time soon. The "stagnation party" was gaining members. The evolution of Vladislav Inozemtsev's assessments is characteristic of this. His initial assumptions that the Russian economy was heading toward "dying by winter" were replaced at the beginning of 2023 with expectations of slow decline.

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Since I myself engage in economic commentary, I will also say something about my own evolution.

In March 2022, of all the forecasts, I considered the CMASF report predicting a gradual decline to be the most convincing prediction.

I assumed then that this scenario was achievable only if military operations were suspended and at least some sanctions were relaxed. But in reality, neither of those things happened and the Russian economy adjusted to the new reality even earlier than CMASF expected.

By autumn 2022, it appeared that Putin's economic advisors had quite some talent at helping the economy cope. There was a surprise for us analysts: Putinomics flourished in 2023-24, with early signs emerging in mid-2022.

Over just those two years, GDP grew by a full 9%, while monetary incomes adjusted for inflation rose by as much as 15%. Could anyone who wasn't a pro-Kremlin sycophant have predicted this?

Even while this uptick was taking place, experts continued their pessimistic assessments. In four scenarios, CMASF even predicted a decline of between 2% and 6% for 2023. The Central Bank, which was less close to the authorities, was kinder and placed GDP fluctuations in a range from -1% to +1%.

Nekrasov believed there would be neither noticeable growth nor decline in 2023. Klepach expected "recovery growth" to begin only in the second half of the year. But his subordinates at the VEB Institute had already announced in March 2023 the "resumption of economic growth" and apparently became the first professionals to do so.

Overall, nobody properly predicted this strange two-year flourishing. Nor could anyone explain its scale, either. It began and persisted just as unexpectedly as it ended. Much remained unclear. Explaining all these fluctuations solely through jumps in Elvira Nabiullina's interest rate somehow seems far too simple.

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We should now turn our attention to the most pressing current issue. How close are we now to a crisis and how will unfold?

Whether we like it or not, among analysts it is simply impossible to find anyone who, during this war, flawlessly foresaw every successive turn in the Russian economy. There are only those who have demonstrated conscientiousness and competence.

The recent arguments about Russia's decline made by one such expert, Klepach, look all the more weighty because his previous forecasts were more complimentary than most others, despite the tendency of assessments from within Russia to be overly rosy.

The trend among both former camps is toward greater pessimism. That consensus, like all consensuses, is not necessarily correct. Nor does it necessarily reflect the latest shifts in Russia. Pressure on the analysts who remain there is growing rapidly, so much so that they are silent about that pressure itself. So I simply hope that, since we now know much more about Russia than we did at the beginning of 2022, we will make fewer serious mistakes this time. All anyone can really promise is that there will be no fewer surprises.

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