Russia – response to dual COVID-19 and oil price shock

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Russia is hit hard by the COVID-19 shock

Daily New COVID-19 Cases per 100,000 Population
(7-day moving average)

Daily Death Cases per 100,000 Population
(7-day moving average)

Source: WHO, staff calculations.
The shock is compounded by a collapse in oil prices

Sources: Haver Analytics, Bank of Russia, EPFR Global.
The ruble depreciates and yields spike

Sources: Bloomberg Financial L.P.; Bank of Russia, and IMF staff calculations.
Inflation has increased temporarily above target

- **Impact**
- **Outlook**
- **Policies**

**Sources**: Bank of Russia, Haver Analytics and IMF staff calculations.

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**Headline Inflation Rates**

- M/m, SAAR
- M/m, SAAR, 3mma
- Y/y
- Inflation target

**Market-Based Long-Term Inflation Expectations**

- 5Y breakeven inflation
- 8Y breakeven inflation

*Breakeven Inflation: YTM Nominal OFZ minus YTM OFZ-CPI Linked

**Sources**: Haver Analytics; Rosstat; and IMF staff calculations.
Q2 2020 was a record contraction

Source: Haver Analytics.
Q2 was a record contraction. But so far Russia has done better than other countries (combine charts).

**Consistency**

Source: Haver Analytics.
A sound fiscal framework and substantial policy space

National Welfare Fund
(Percent of GDP)

General Government Debt
(Percent of GDP)

Sources: Bank of Russia IMF staff calculations.
A forceful policy response cushioned the impact

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\(^{1}\)

\(^{1}\) Includes the cut in social security contributions for SMES, tax credits, reimbursements of taxes and the postponement of social security and tax payments.

Source: Orbis BvD and IMF staff calculations.
Easing of monetary policy prevented a credit crunch

Monetary Policy Measures

• Foreign exchange operations
• Key rate cut
• Liquidity support
• SME loan refinancing

Sources: Bank of Russia and IMF staff calculations.
Regulatory measures supported loan restructuring

Financial Sector Regulatory Measures

- Loan restructuring
- Forbearance on capital requirements and risk weights
- Forbearance on loan provisioning
- Forbearance on asset valuation

Sources: Bank of Russia and IMF staff calculations.
Bank losses appear manageable so far

Sources: Bank of Russia IMF staff calculations.