



Sanctions and the Russian economy

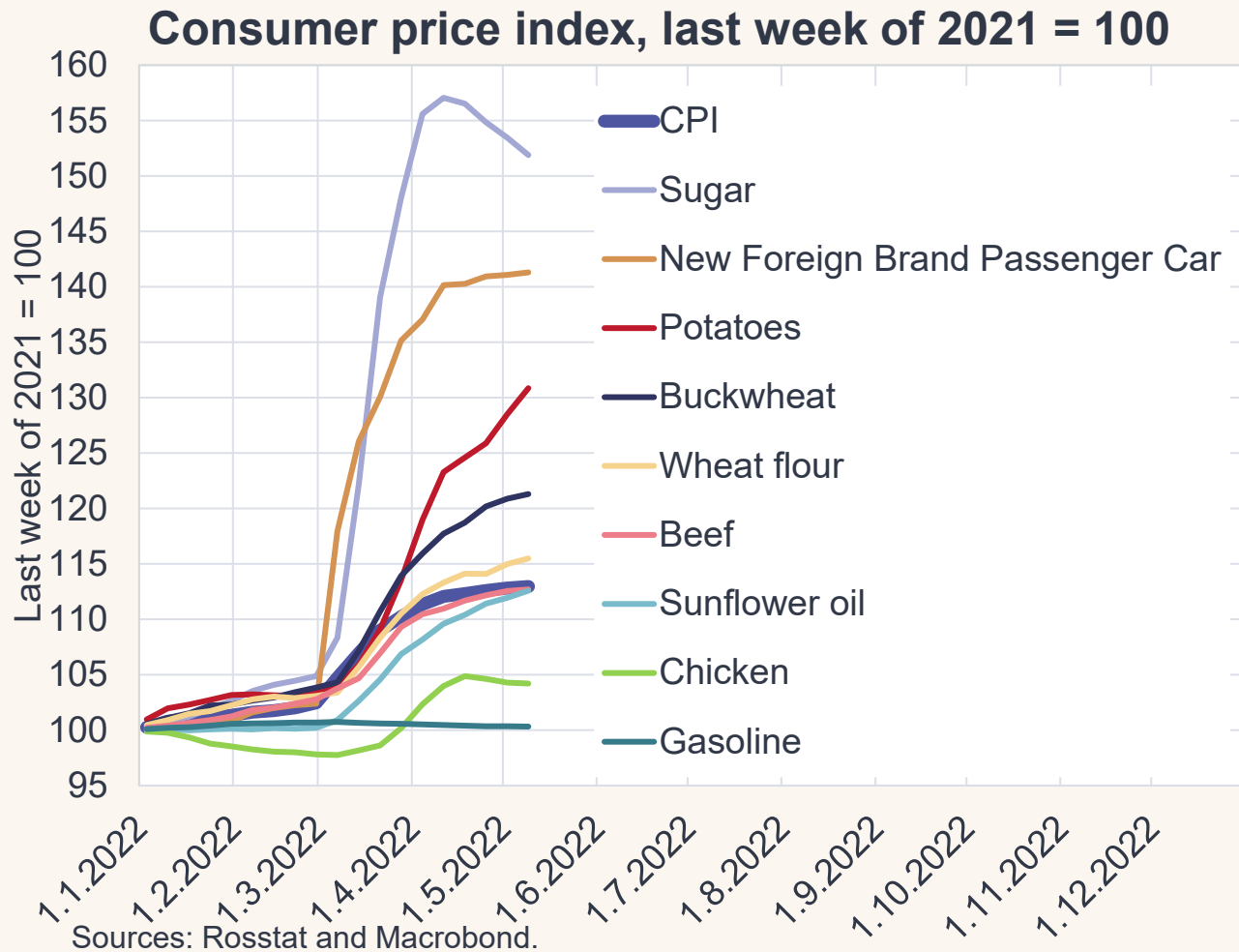
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Russian crisis in three over-lapping acts

1. Initial shock and price level shift in Russia (first 2-3 months)
2. Decoupling of the Russian economy from the rest of the world because of sanctions, companies self-sanctioning and elevated uncertainty (ongoing)
3. Much slower growth potential in the future, more government intervention, less fixed capital investment, less innovation, less competition, slower productivity growth (starting)

Largest economic crisis for Russia since the break-up of the Soviet Union.

Initial shock of war, sanctions and uncertainty is fading



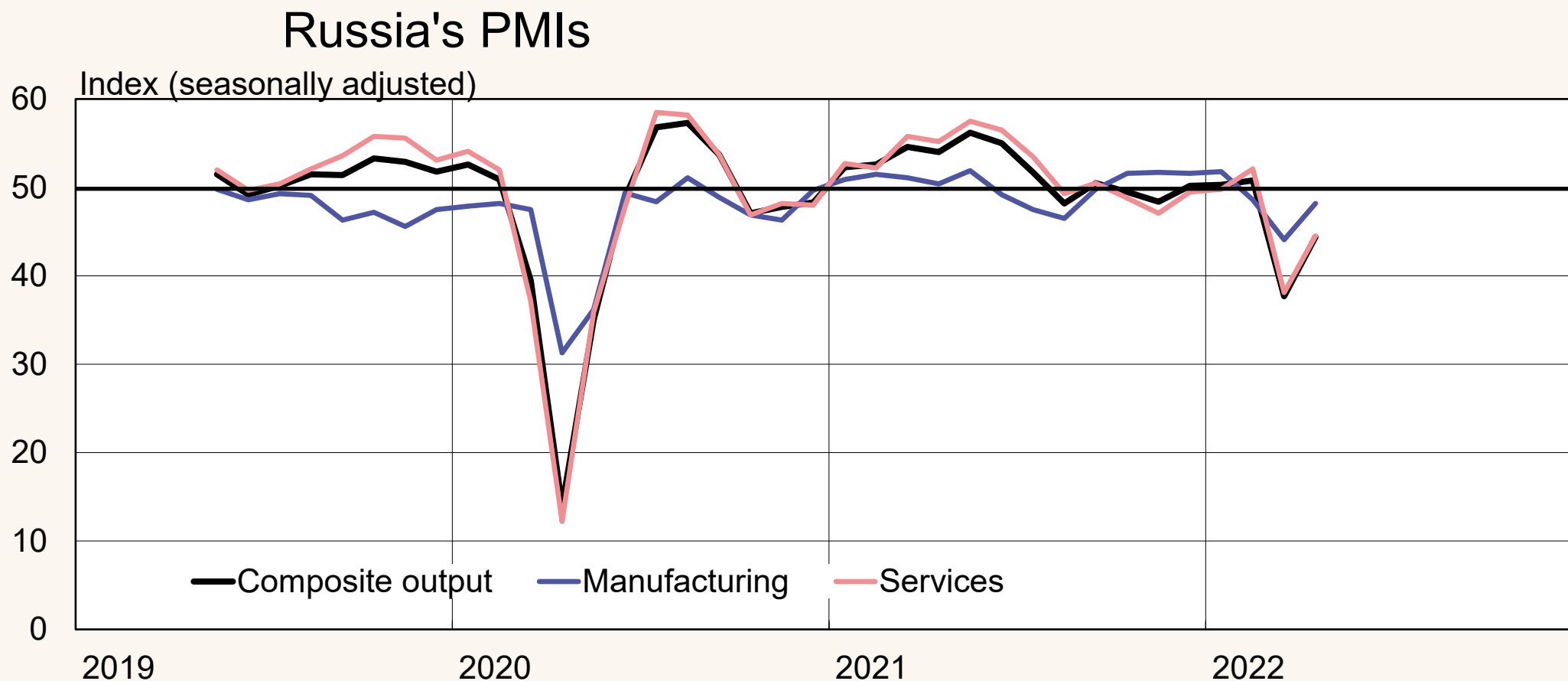
- Rouble collapsed initially by 30%
- Initial deposit outflow from Russian banks was stopped by interest rate hike to 20% (now 14%)
- Many restrictions on capital movements (initially 80% export revenue repatriation requirement etc.) have stabilized the rouble, but it is not a freely convertible currency anymore
- Price level shifted upward

Decoupling of Russia is not limited to countries directly sanctioning it



Sources: National authorities/Macrobond

Production declining in March and April

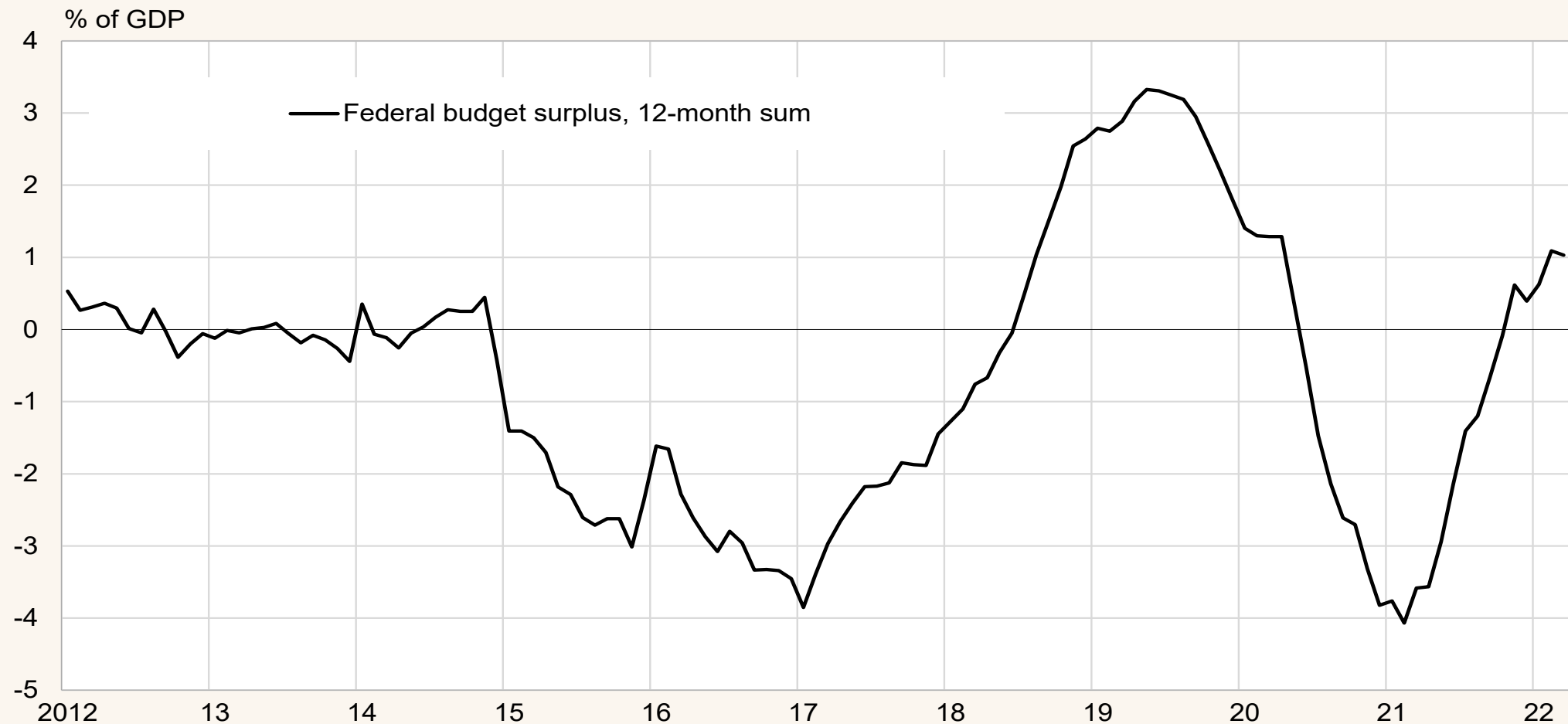


Source: Macrobond/Markit.

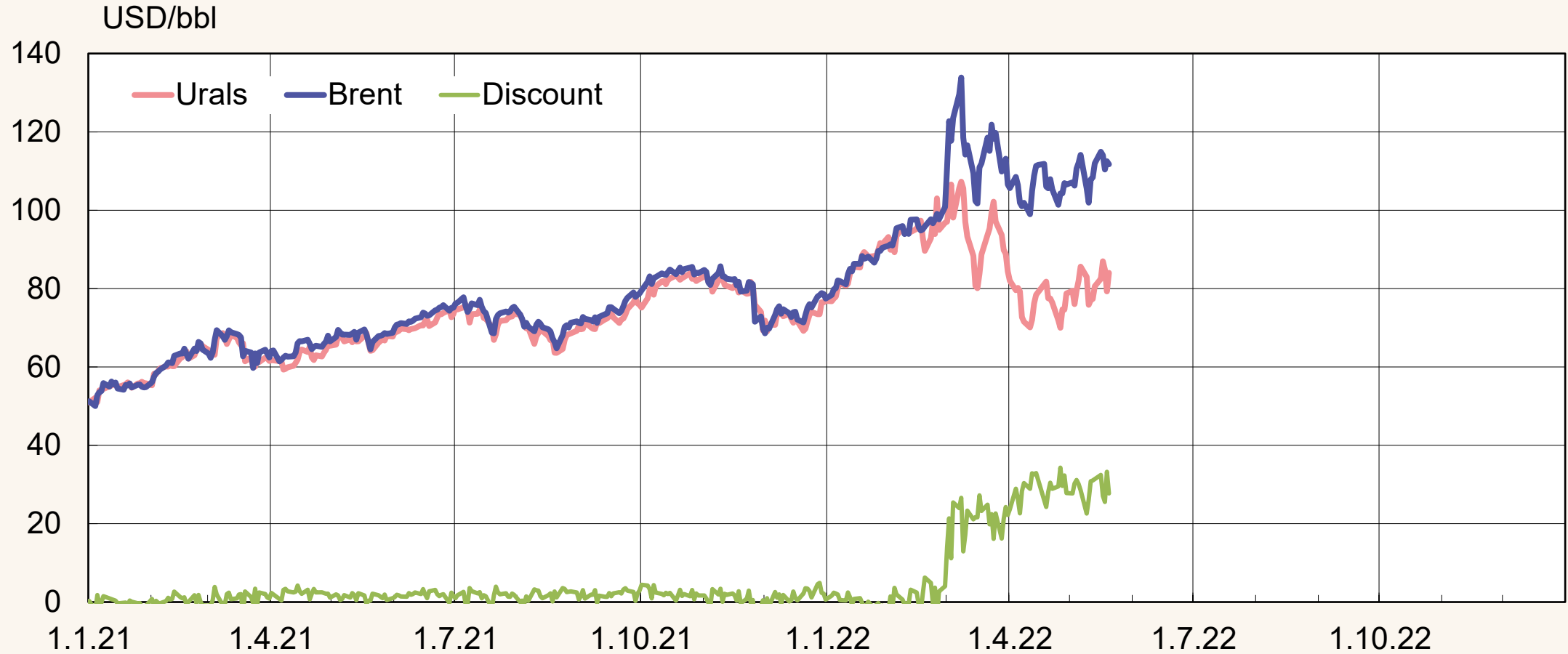
From March – April

- In March volume of air cargo –80 % year-on-year
- In April sales of cars –79 % year-on-year
- AvtoVAZ, Nissan etc. have halted production of cars since early March

Higher energy prices mean higher tax revenues



Revenues from oil tax under threat?



Source: Reuters

Spillovers – share of Russia and Ukraine in cereal imports

