



Russia's Economy Amid the Pandemic and the Hydrocarbon Markets' Disturbances

September 2020

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2020: two shocks - coronavirus and falling oil prices



In 2020, Russian and world economies were hit by a double shock: pandemic coronavirus and falling oil prices. According to the VEB.RF Institute, the global economy recession in 2020 is expected at -4.4% with a recovery growth of $+4.8\%$ next year. Should the second wave of the pandemic occur, the global economic downturn may reach $-7-8\%$, and the recovery will drag on for 1.5-2 years.



The lowest point of the Russian economy decline fell on the second quarter 2020. In June, as quarantine measures were partially lifted and the production restarted, the Russian economy began to grow.



Oil prices have begun to recover after the collapse and can reach 50 USD / bbl "Urals". There is a possibility that the market will again go out of balance, and there will be a new fall in prices in subsequent years.



Despite the emergence of new foci of coronavirus in the world, our **baseline forecast does not anticipate a powerful new second wave of disease** and quarantine measures stopping economic activities.

Black Swan pandemic or non-cyclical crisis of the world economy

- Due to the 2020 coronavirus pandemic, **the global economy entered a state of recession**, the duration and extent of which are determined by the severity of quarantine measures and the accumulated structural imbalances (which began to appear already last year).
- After passing the peak of incidence and the abolition of the strict quarantine regime, **some of the quarantine restrictions will remain for a long time, which will cause an increase in business costs**. Recovery of a number of sectors, such as tourism, air travel, etc., will drag on until 2021-2022.
- **Uncertainty of forecasts and the second wave of the pandemic expectations.**

World GDP growth,%	Baseline scenario before shocks	Baseline post-pandemic scenario	OECD Second Wave Scenario (June)
in 2020	3.2	-4.4	-7.6
in 2021	3.4	4.8	2.8

The global economic downturn epicenter is the EU and the US. Different depths of the crisis and uneven recovery from it.

- In 2020, we have witnessed an unprecedented recession in the USA, the Eurozone, Great Britain, Japan and India, slowdown in China. The shrinkage of the economy is greater where the incidence is larger and the quarantine measures' duration is longer.
- In 2021, the economies of China and India will surpass pre-crisis levels. Growth in the US, the Eurozone, the UK and Japan will not offset the 2020 downturn.
- The recovery of the world's leading economies will be supported by the end of the pandemic, as well as by stimulus measures, the implementation of deferred demand, low prices for commodities and energy.
- There are risks of the "Japanese disease" and a zero interest rates' depression.

Forecast of the world's leading economies growth rates,%

Source	Release	USA		Eurozone		Great Britain		Japan		China		India	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
OECD	June	-7.3	4.1	-9.1	6.5	-11.5	9.0	-6.0	2.1	-2.6	6.8	-3.7	7.9
The World Bank	June	-6.1	4.0	-9.1	4.5	-6.1	2.5	-6.1	2.5	1.0	6.9	-3.2	3.1
The European Commission	July			-8.7	6.1	-9.7	6.0						
IMF	June	-8.0	4.5	-10.2	6.0	-10.2	6.3	-5.8	2.4	1.0	8.2	-4.5	6.0
Institute VEB.RF	August	-5.3	3.6	-8.2	6.1	-9.6	6.2	-5.7	2.7	2.2	7.6	-5.8	7.3

Note: the forecast of the VEB.RF Institute is based on the median consensus forecast of international financial organizations, research institutions, and commercial banks

Sources: IMF, World Bank, European Commission, VEB.RF Institute

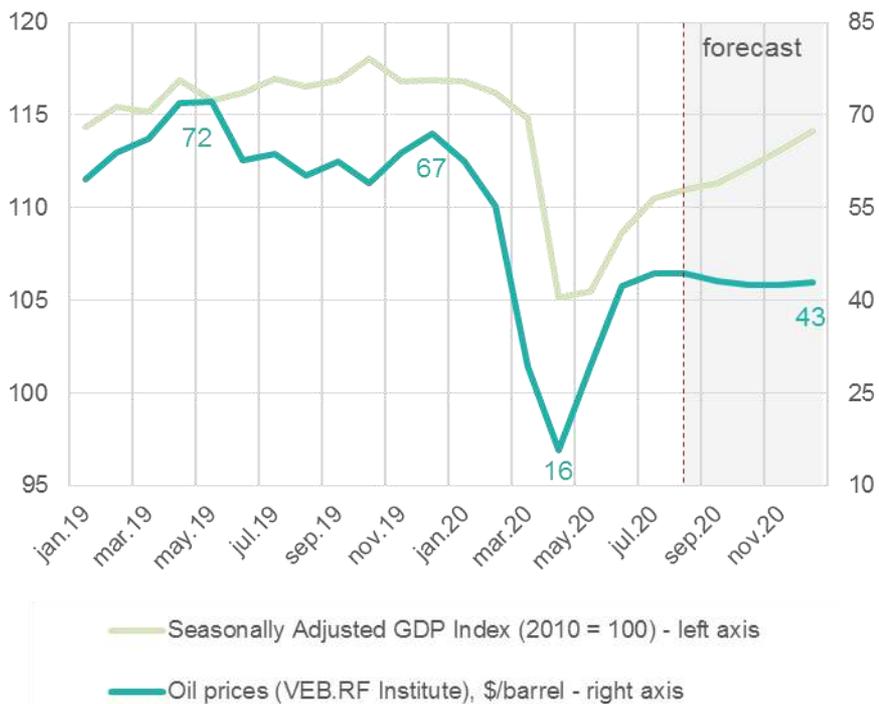
Oil prices: expectation of growth following the recovery of the global economy, still the level will be below the average price over the previous decade

- Forecasts of the VEB.RF Institute and the Ministry of Economic Development imply **the oil price at \$41-42/bbl by the end of 2020**, which is significantly lower than pre-crisis values.
- **For 2022-2024, the oil price forecast by the VEB.RF Institute is more conservative than the consensus forecast: \$46-49/bbl per barrel against \$52-55/bbl.** Slow resumption of oil production in the countries forced to freeze it during the pandemic, as well as in the countries affected by sanctions and wars, will restrain the rise in oil prices.
- The stronger is the rise in oil prices at the end of 2020 and in 2021, the higher is the probability **of a new fall in oil prices in 2022-2023.**

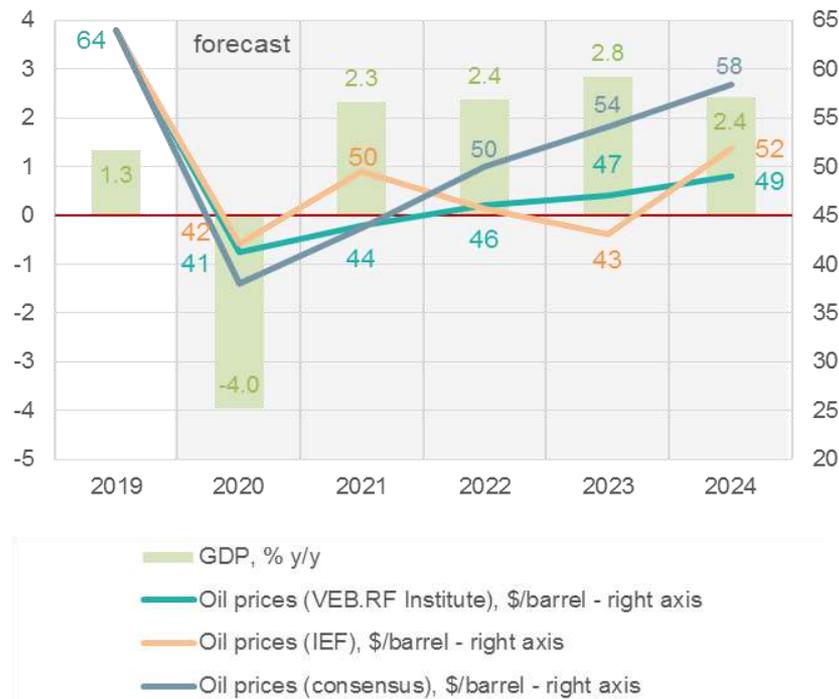
Source (values in \$ / barrel)	2019 report	2020	2021	2022 forecast	2023	2024
Consensus	64	41	46	52	54	55
Median,% increase		-36	12	13	3	2
Minimum,% increase		-41	5	-18	-11	-4
Maximum,% increase		-33	20	33	11	35
VEB.RF Institute (basic)	64	41	44	46	47	49

The falls in oil prices and especially in oil production volumes have become a serious factor for Russian GDP decline. A new oil prices' fall will slow down further GDP growth*.

GDP and oil prices: monthly dynamics



GDP and oil prices: annual dynamics

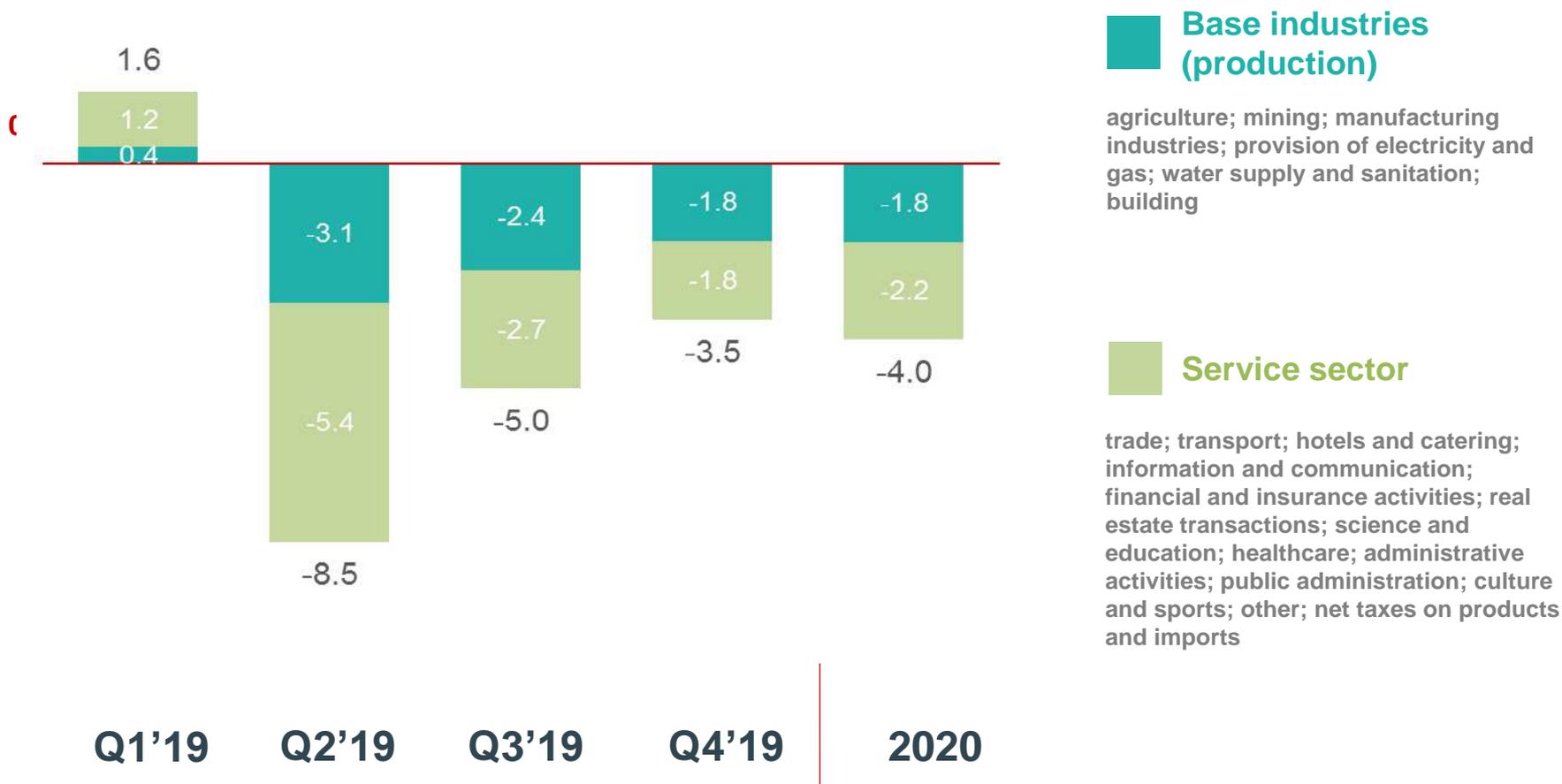


Annual GDP estimates		2020
GDP before shocks,%		1.9
factor of coronavirus and quarantine measures, p.p.		-4.5
oil factor (falling prices and production volumes), p.p.		-1.4
GDP after shocks,%		-4.0

* In the event of a fall in oil prices up to \$33-35/bbl in 2021-2022, the GDP in 2022 could be almost 1% less than in the baseline scenario.

In Russia, the shock of the pandemic and self-isolation measures hit the service sector more than material production. In the second half of the year, the GDP will begin to grow, still will remain below 2019 level.

Contributions to the GDP dynamics, p.p.



The service sector makes the largest contribution to the fall in GDP

	Index, %	1 sq.	2 sq.	3 sq.	4 sq.	2020 year
 GDP		1.6	-8.5	-5.0	-3.5	-4.0
 Manufacturing industry		3.7	-7.9	-2.6	-1.8	-2.3
 Building		0.7	-2.0	-1.0	-1.0	-1.0
 Retail turnover		4.4	-16.6	-2.5	-2.8	-4.4
 Real disposable income		1.2	-8.0	-5.3	-3.8	-4.1
 Real wages		6.2	-0.1	-0.5	-1.8	0.8
 Paid services		-1.9	-37.3	-14.1	-4.1	-14.3

Decline in relative competitiveness

- Loss of advantages in the price of gas and electricity in comparison with developed countries, which is critical taking into consideration low labor productivity and high energy intensity
- Domestic gas prices became higher than equal profitable ones in export supplies



Electricity

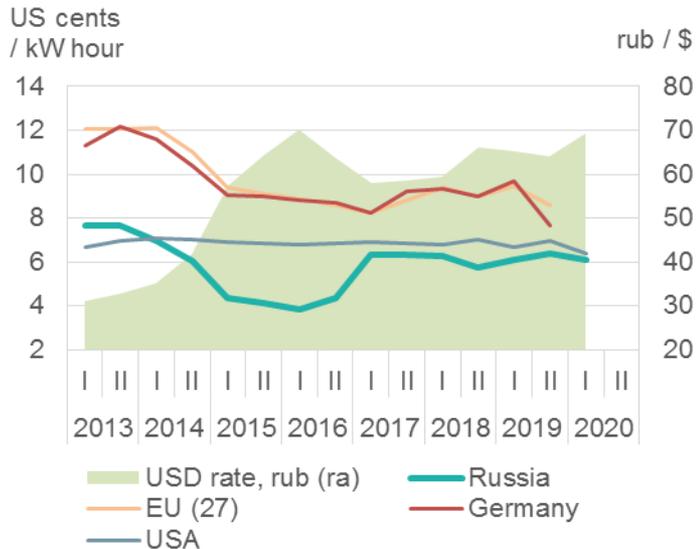


Gas

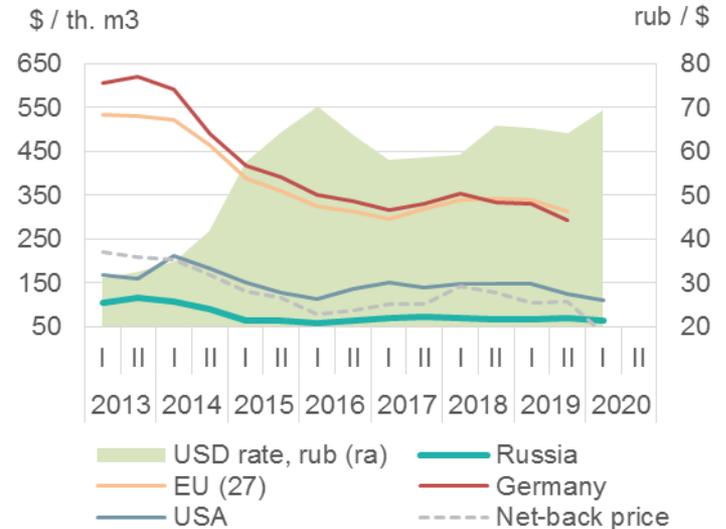
Price ratio in Russia with:	1H2015	2H2019	1H2020
Germany	48%	83%	
USA	63%	92%	95%

Price ratio in Russia with:	1H2015	2H2019	1H2020
Germany	16%	23%	
USA	44%	55%	57%

Price dynamics for ind. consumers



Price dynamics for ind. consumers

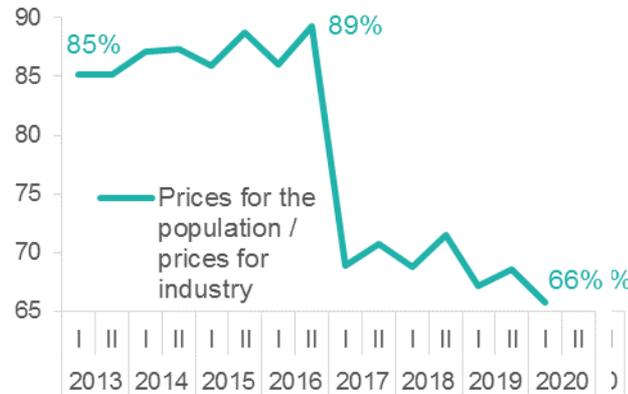


Social burden. Growing imbalance between gas and electricity prices for enterprises and population

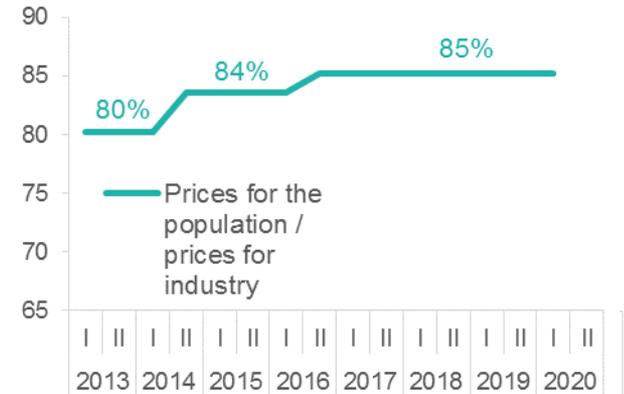
Price ratio for the population and industrial consumers in Russia (%)



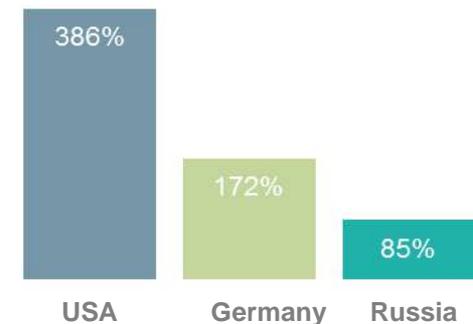
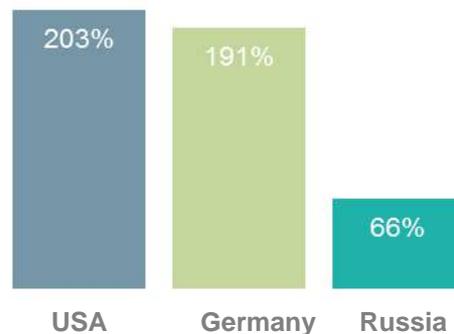
Electricity



Gas



The ratio of prices for the population and industr. consumers in Russia and developed countries (1 half of 2020,%)



1

Russian and world economy on a test strip

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The impact of the anti-crisis measures taken

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Medium-term forecast for the main macro-indicators

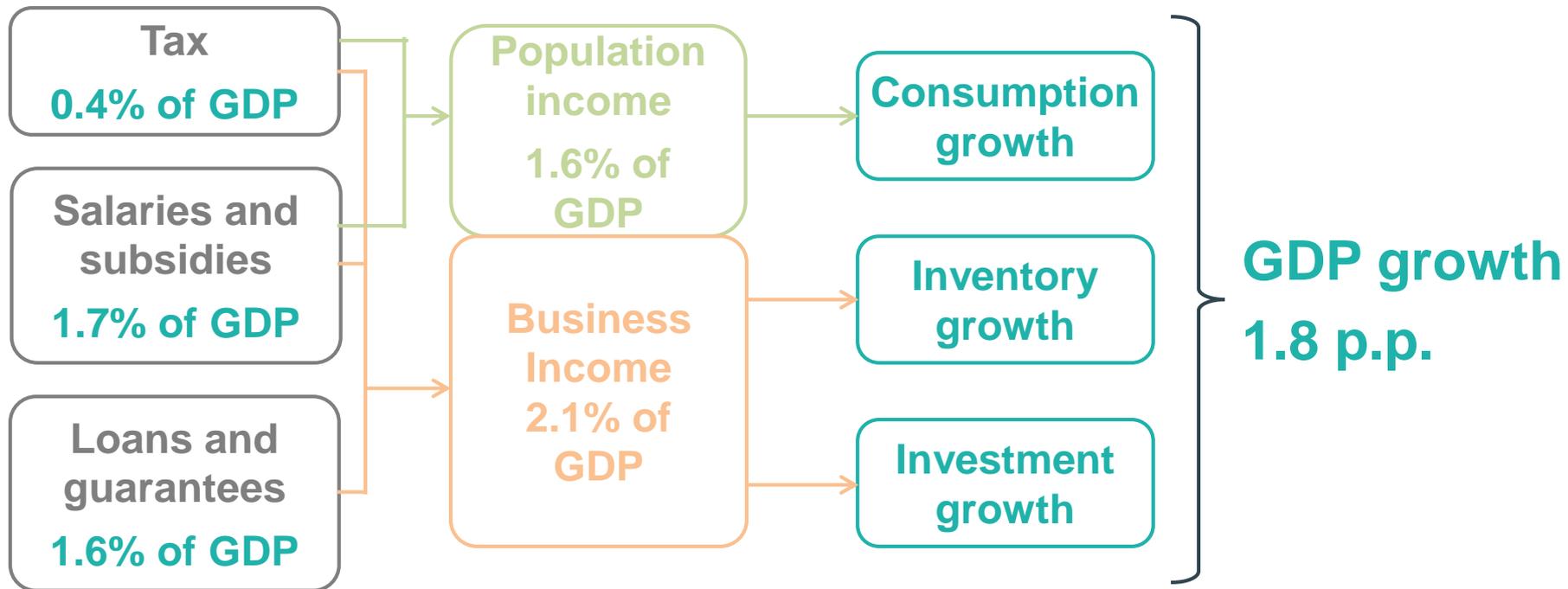
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Public finances' standing

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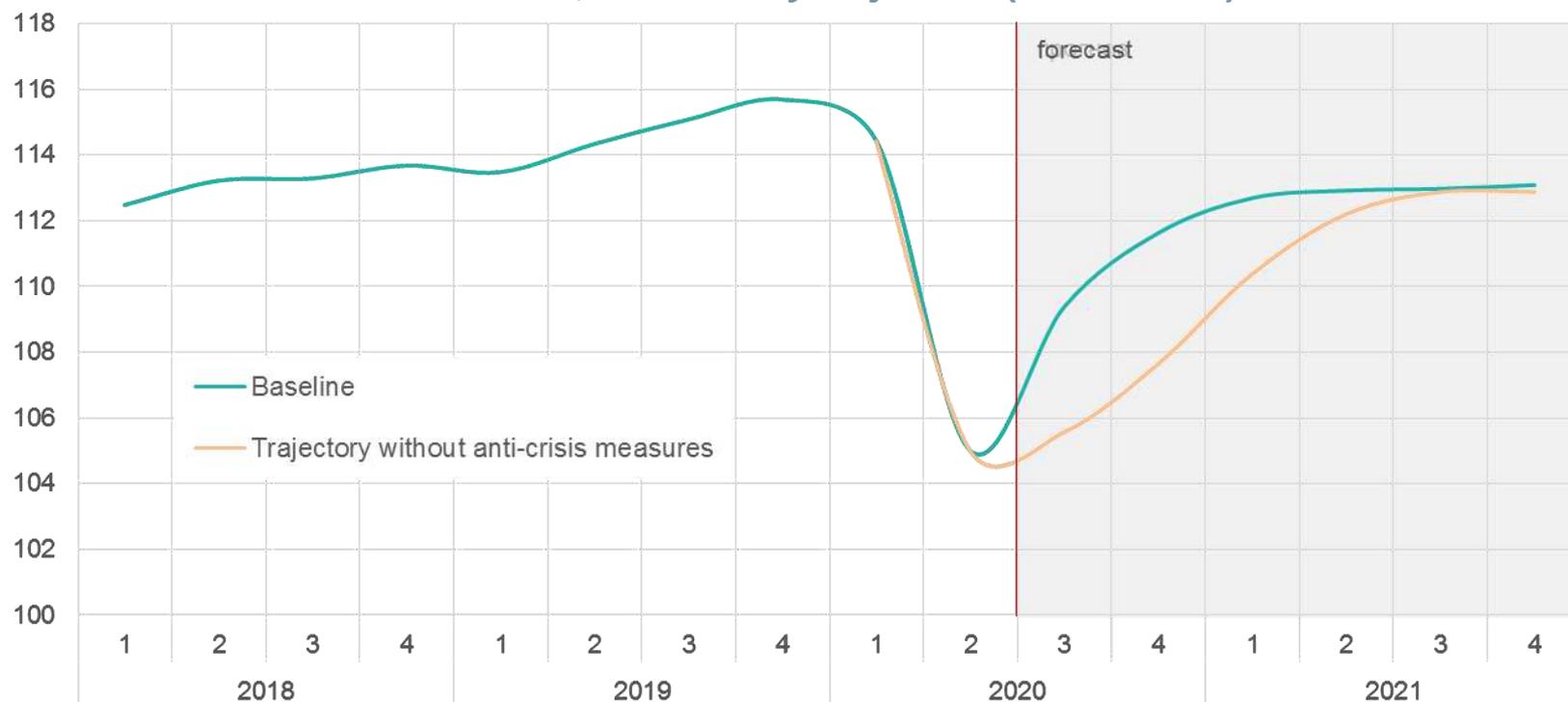
Promising measures for transition to a new quality of economic growth

Channels anti-crisis measures impacts on macroeconomic indicators for 2020



Anti-crisis measures will significantly soften the recession in 2020, still the completion of most of them will prevent the economy from reaching pre-crisis levels in 2021

GDP index, seasonally adjusted (2010 = 100)



GDP,% y/y	2019	2020	2021	∑ 2020-21
Baseline forecast scenario	1.3	-4.0	2.3	-1.7
Trajectory without support measures	1.3	-5.8	3.6	-2.4

Comparative cross-country scale of anti-crisis measures (% of GDP): limited fiscal support in Russia and much weaker credit and guarantee measures



Support measures	Italy	USA	Germany	Great Britain	France	Russia
Total	54.6	45.5	35.4	30.9	19.0	3.4-3.5
Fiscal	4.6	14.3	9.4	3.2	5.0	2.1
Monetary *		11.7		12.7		0.5 **
Warranty	50.0	19.5	26.0	15.0	14.0	0.8-0.9

* Asset purchases carried out by national central banks to combat the coronavirus pandemic

** Limit on concessional lending by the Bank of Russia to banks within the framework of SME support programs

Sources: Reuters, assessment of the VEB.RF Institute

Assessment of the adopted anti-crisis measures macroeffect. Significant contribution to the GDP in 2020, especially by supporting consumption and employment

Measure name	Source of financing	Type of income / directions of use			Total, RUB bn
		The salary	Benefits	Enterprise income	
Support for certain categories of workers	Fed. budget	128			128
Increase in the amount of unemployment benefits and sick leave payments	Fed. budget		67		67
Additional payments for children	Fed. budget		559		559
Tax support measures, including insurance premiums	Tax and insurance deductions	137		268	405
Loan measures to support employment and population, including mortgage lending	Bank loans, guarantees	715		135	850
Other measures to support employment and SMEs	Fed. budget	30		79	109
Credit support measures backbone enterprises	Bank loans, guarantees	150		300	450
Investment loans to Russian Railways and oil companies	Loans, guarantees, bonds			470	470
Support for selected sectors of the economy, incl. Defense industry	Fed. budget			812	812
Regions support	Fed. budget	50	50	100	200
Total (1, 2 and 3 support packages)		1210	675	2164	4049

+1752
population
income

+1664
household
consumption

1.8 p.p.
GDP growth

+845
investments

+544
increase in
inventories

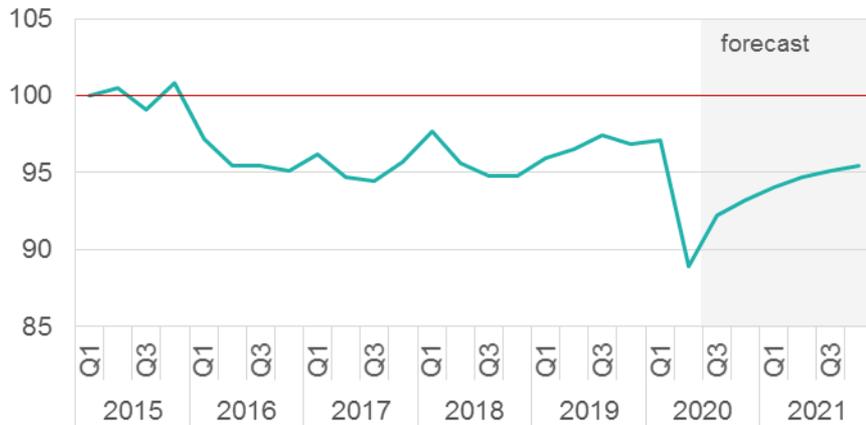
+1027
import

Anti-crisis measures impact on investments in economy

Effects, RUB bn	2020	2021
Subsidizing a preferential mortgage rate over 6.5% per annum	75	
The effect of releasing funds from employment support measures	10	
The effect of releasing funds from reducing insurance and tax payments	6	
The effect of releasing funds from loans to backbone enterprises for working capital	1	
Import substitution support (Industrial Development Fund additional capitalization)	8	13
Defense industry support	16	24
Loans to strategic enterprises	30	
Sectoral support measures, investment orientation:	530	350
production and sales support for SSJ-100	20	125
construction support	30	25
oil production support (creation of a reserve wells' stock)	100	200
redemption of bonds of Russian Railways	370	
support for the automotive industry (leasing, concessional lending)	10	
Total	677 *	387
For reference: investments in fixed assets, RUB billion	19 033	20 390
Contribution of measures to the growth of investments in fixed assets, p.p.	+3.7	+1.9

* Effect of direct investment support measures, excluding the indirect investment effect of all measures to support the economy

Support measures helped to significantly mitigate the affects of the crisis on the labor market



Real disposable income (Q1 2014 = 100)

The decline in real disposable income of the population in Q2'20 is estimated at 8%. Without the implementation of measures to support employment and incomes of the population, the decline in Q2 and Q3 would have been by 7 p.p. more.



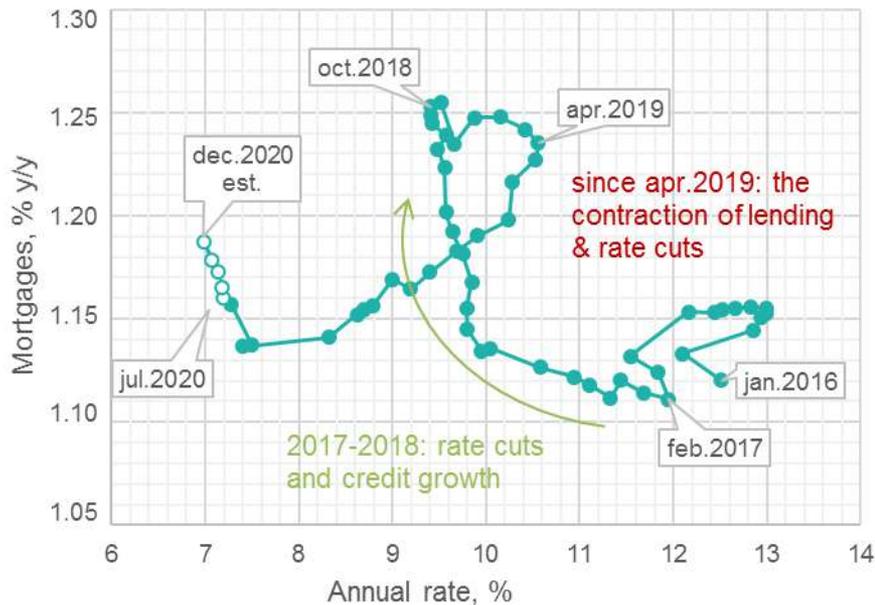
Unemployment rate (%)

The unemployment rate rose to 6% in Q2 2020. Without the implementation of measures to support employment, primarily for enterprises in the most affected sectors, the unemployment rate would have been at least 1 p.p. higher.

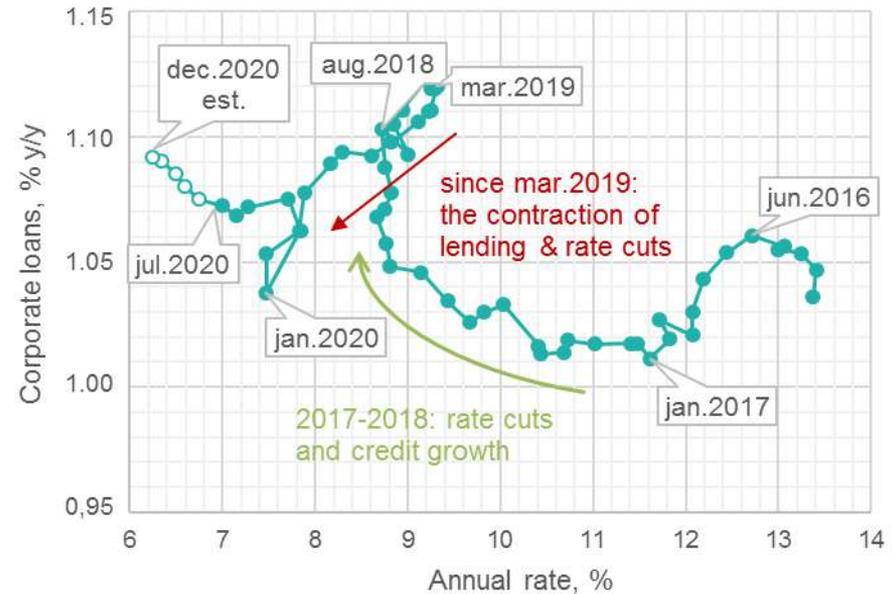
Banking lending and interest rates' loops

- Cutting rates is not enough to resume lending growth
- Further rate cuts, together with the anti-crisis program to support the population and businesses, can support the recovery in bank lending growth.

Mortgage



Corporate loans



Reducing interest rates is not enough to accelerate the growth of lending to businesses and the population

- The deterioration of the financial condition of enterprises and the population will be the main factor in the contraction of bank lending in 2020.
- Corporate lending will return to 2019 levels in 2021 as it emerges from the recession and may even exceed it. In the retail lending segment, the return to pre-crisis rates will depend on the recovery of household income.

Index, % to the previous year	2019	2020		2021
		with measures	no measures *	
 Loans to the population	18.9	5.8	3.3	7.6
 incl. mortgage	16.5	18.7	12.7	12.8
 Loans to enterprises	6.2	7.9	3.8	8.6

* Dynamics of lending without the implementation of government packages of lending support measures

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Key indicators of the baseline conservative forecast scenario

Index, % to the previous year, unless otherwise indicated	2019	2020	2021	2022	2023	2024
	report	forecast				
Oil price, \$/bbl	64	41	44	46	47	49
GDP	1.3	-4.0	2.3	2.4	2.8	2.4
Investments	1.7	-6.0	1.4	5.6	4.8	4.1
Inflation (at the end of the year),%	3.0	3.9	3.8	3.9	3.9	3.7
Retail turnover	1.9	-4.4	3.3	2.5	2.8	2.8
Real disposable income	1.0	-4.1	2.5	3.2	2.2	2.1
Real wages	2.9	0.8	0.9	2.6	1.8	1.7
Unemployment rate to labor force, %	4.7	5.7	5.3	5.0	4.9	4.9
Share of households with incomes below the subsistence minimum, %	12.3	13.8	12.7	11.8	11.4	10.9
Average US dollar annual rate RUB / \$	64.7	71.0	70.1	69.3	69.1	68.7
Export, billion \$	420	314	337	352	375	399
Import, billion \$	255	233	247	266	282	300

Forecasts of Russia's GDP dynamics

- Amid uncertainty, the spread in estimates of GDP change is extremely high: from -4% to -8.0% in 2020 and from 1.6% to 6% in 2021.
- The consensus forecast assumes a decline in the Russian economy of -4.9% in 2020, followed by a partial recovery of 3.1% in 2021.
- None of the forecasts assume a full recovery of the Russian economy in 2021.
- The accumulated growth for 2020-2021 in the forecast by the VEB.RF Institute is generally in line with the consensus forecast.

Source	Release	2020	2021	Σ 2020-21
Bank of Russia	July	-5.0	4.0	-1.2
IMF	June	-6.6	4.1	-2.8
The World Bank	June	-6.0	2.7	-3.5
OECD	June	-8.0	6.0	-2.5
The European Commission	May	-5.0	1.6	-3.5
S&P	June	-4.8	4.5	-0.5
Fitch	August	-5.2	3.6	-1.8
Moody's	August	-5.5	2.2	-3.4
Consensus forecast	August	-4.9	3.1	-2.0
Institute VEB.RF (baseline)	August	-4.0	2.3	-1.7

Industrial production forecast

The main contribution to the fall of 2020 will be made by mechanical engineering, production of petroleum products and mining. Growth drivers in 2021: mechanical engineering, chemistry and woodworking

Index	2019		2020	2021	2020	2021
	share,%	% y/y	% y/y		contribution, p.p.	
Industrial production index	100	2,3	-4.3	2.6	-4.3	2.6
Mining	41.5	2.5	-7.2	1.2	-3.0	0.5
Manufacturing industries	48.2	2.6	-2.3	4.0	-1.1	1.9
food production, including drinks and tobacco	7.4	3.4	2.5	1.9	0.2	0.1
wood processing and production of wood products; pulp and paper production; publishing and printing activities	2.2	1.6	-0.6	4.8	0.0	0.1
production of coke, petroleum products and nuclear materials	8.6	2.2	-3.6	1.1	-0.3	0.1
chemical production; production of rubber and plastic products	5.2	5.1	5.1	5.8	0.3	0.3
manufacture of other non-metallic mineral products	1.8	4.2	-3.0	2.5	-0.1	0.0
metallurgical production and production of finished metal products	11.9	2.4	-2.1	4.4	-0.3	0.5
engineering industries	9.6	1.5	-9.1	7.9	-0.9	0.8
Production and distribution of electricity, gas and water	10.3	-0.8	-3.1	1.0	-0.3	0.1

Mechanical engineering is the epicenter of industrial recession, still there is a chance for rebounding in 2021.

Product groups,% y/y		2019	2020	2021
	Mechanical engineering, total	1.5	-9.1	7.9
	Manufacture of machinery and equipment	-1.4	-7.8	7.0
	Manufacture of electrical equipment, electronic and optical equipment	6.7	-1.9	5.6
	Production of vehicles, including:	-0.7	-14.5	9.8
	cars	-2.5	-29.6	25.6
	trucks	-1.1	-23.1	15.7
	mainline electric locomotives	12.1	-1.5	4.4
	freight wagons	15.5	-22.2	-3.4



In the absence of support measures, the reduction in machine-building production could be higher by 5 p.p., (up to 86%), while the markets of automotive and railway equipment could be reduced by 35-50% from the level of 2019.

Export

A sharp drop in the cost and volume of fuel and energy resources; moderate decline in non-commodity goods; stable exports of food and agricultural products

Product groups	2019		2020		2021	
	billion \$	% y/y	billion \$	% y/y	billion \$	% y/y
World Trade*, % y/y		0.9		-12.5		7.0
 Export everything	420	-2.1	314	-4.7	337	1.3
 Fuel and energy sector	238.9	1.6	140.1	-8.8	151.2	-1.2
 Food and agricultural raw materials	24.8	1.5	25.5	2.0	27.4	4.3
 Chemical products	27.1	0.2	26.0	4.6	30.1	5.0
 Wood and pulp paper products	12.8	-5.3	12.1	6.0	12.8	3.9
 Metals (except for precious ones)	37.6	-12.2	32.9	-6.3	35.8	2.3
 Machinery, equipment and vehicles	27.8	-3.7	25.4	-6.3	26.3	2.0

* 2020-2021 - consensus forecast based on forecasts of the OECD, World Bank, WTO and IMF

In the baseline scenario, national growth rates do not reach global ones

Index, %	Average annual growth for the respective periods				Growth in 2024 to 2013
	2014- 2018	2019- 2021	2022- 2024	2014- 2024	
World economy	3.6	1.0	3.2	2.8	35.3
Russian GDP	0.7	-0.1	2.5	0.9	10.9
Investments	-0.5	-1.0	4.8	0.8	9.0
Real disposable income	-2.2	-0.3	2.5	-0.4	-4.3
Retail turnover	-1.7	0.2	2.7	0.0	-0.1
Paid services to the population	0.1	-1.0	3.0	0.6	6.7

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Despite additional spending, the federal budget deficit is moderate

Index, RUB trillion	2019 report	2020	2021 Forecast	2022
Extended government budget				
Income	39.1	36.5	37.9	40.4
Change in income, incl. from:		-3.9	-4.6	-4.4
granting benefits to SMEs on social contributions		-0.3	-0.5	-0.6
deferral of social contributions for SMEs		-0.1		
compression of the tax base		-3.6	-4.1	-3.9
Expenses	37.0	43.4	42.0	42.7
Surplus / Deficit	2.1	-6.9	-4.1	-2.3
Federal budget				
Total income	20.2	18.3	18.8	20.1
change compared to Federal Law №52-FZ		-2.2	-3.1	-2.7
Oil and gas revenues	7.9	5.4	5.9	6.4
change compared to Federal Law №52-FZ		-2.1	-1.9	-1.5
Non-oil and gas revenues	12.3	12.9	12.8	13.7
change compared to Federal Law №52-FZ		-0.2	-1.2	-1.3
Expenses – Federal Law №52-FZ	18.2	19.7	21.2	22.4
Expenses - forecast *		23.4	21.2	20.7
Additional to Federal Law 52-FZ costs		-3.7	0.0	-1.7
Surplus / Deficit	2.0	-5.1	-2.4	-0.6
Federal government debt, subject to guarantees	13.7	19.6	21.6	23.1
Sovereign Wealth Fund (liquid part), at the end of the year	6.1	8.2	8.1	8.6

* Expenditure in 2020 - includes anti-crisis measures and an additional transfer to extra-budgetary funds due to a decrease in social rates contributions and changes in macroeconomic conditions., in 2022 - in accordance with the fiscal rule

Losses to the budgetary system from falling oil prices and the coronavirus pandemic. Need for additional transfers to regions and extrabudgetary funds

Index, RUB trillion	2019 report	2020	2021 forecast	2022
Extrabudgetary funds				
Own income	7.8	8.0	8.4	8.9
change compared to the Federal Law		-0.5	-0.7	-0.8
Falling income, incl. from:		-0.5	-0.7	-0.8
granting benefits to SMEs on social contributions		-0.3	-0.5	-0.6
write-off and deduction of social contributions for SMEs		-0.1		
Expenses	11.2	12.4	13.0	13.7
Scheduled transfer		-3.7	-3.7	-3.7
Required additional transfer		0.6	0.8	1.1
RF subjects' budgets				
Subjects' own income	11.0	10.0	10.6	11.3
Falling income		-1.5	-1.7	-1.8
Expenses	13.6	14.3	14.8	15.6
Deficit (excluding transfers)	-2.6	-4.2	-4.2	-4.3
Scheduled transfer		2.6	2.6	2.5
Required additional transfer		1.7	1.6	1.8

Prospects for tightening fiscal policy

- In 2020, the volume of additional spending on anti-crisis measures, according to the VEB.RF Institute, will amount to 2.3 trillion rubles. The total budget expenditures will reach over 23 trillion rubles. This is 13% higher than the level of marginal spending under the budget rule, even taking into account the transaction with Sberbank.
- A return in 2021 to the Fiscal Rule (FR) would mean significant tightening of budget policy: cost reduction in nominal terms >4% according to the current budget law and about 17% in real terms compared to 2020. Most likely, budget expenditures in 2021 will decrease to a lesser extent, possibly to 21.2 trillion rubles, still this will also have an inhibitory effect on economic growth.
- Return to the budget rule in 2022-2023 contradicts the challenge of raising the economy, because this will require a significant budgetary constraint

Indicator, RUB trillion	2020	2021	2022	2023	2024
Revenues in accordance with the Federal Law on the budget	20.6	21.9	21.9		
Federal budget revenues (forecast)	17.9	18.7	20.0	21.6	23.2
Expenses in accordance with the Federal Law on the budget (№52-FZ)	19.7	21.2	22.4		
Marginal costs for FR, as estimated by the Institute	19.5	20.3 ¹	20.7	22.1	23.5
Add. implementation costs assessment, national plan and other anti-crisis measures ²	3.7	1.4			
Planned costs (including additional measures for 2020)	23.4	21.2	20.7	22.1	23.5
Deficit	-5.1	-2.4	-0.6	-0.6	-0.3
Necessary cost optimization for reaching the FR limits ³		-1.8	-0.6		

1 - according to the budget rule, excluding the deal with OPEC +

2 - excluding the cost of infrastructure projects, the costs of which are included in the budget

3 - compared with the Law on the Budget (№52-FZ), taking into account conditionally approved expenses

Despite the fact that the state will need more borrowing, business lending will increase even more

Index	2019	2020	2021	2022	2023	2024
Growth,% y/y						
Wide monetary base	4.7	9.0	4.8	5.8	5.8	5.4
Money supply, M2	9.7	7.8	7.6	8.9	9.6	8.6
Population deposits	10.4	6.4	5.5	6.7	5.9	5.4
Loans to the population	19.0	5.8	7.6	8.8	8.2	8.2
Loans to enterprises	5.9	7.9	8.6	7.9	8.5	8.1
Public claims	-4.3	70.7	13.7	9.2	6.9	6.8
% of the GDP						
Wide monetary base	15.6	17.9	17.5	17.4	17.3	17.1
Money supply, M2	46.9	53.3	53.5	54.7	56.1	57.2
Population deposits	28.2	32.4	31.8	31.9	31.6	31.2
Loans to the population	17.4	19.4	19.4	19.8	20.1	20.4
Loans to enterprises	35.8	41.5	41.8	42.4	43.0	43.6
Public claims	5.0	9.1	9.6	9.8	9.9	9.9

- 1** Russian and world economy in a test strip
- 2** The effect of the anti-crisis measures taken
- 3** Medium-term forecast of the main macro-indicators
- 4** Public finances' standing
- 5** Promising measures for the transition to a new quality of economic growth

Medium-term opportunities for economic growth



Additional social measures and new healthcare economics.



Additional measures to support investment and technological development. Additional capitalization of development agencies. Sovereign Wealth Fund investments and Fiscal Rule modification.



New principles in regional policy and inter-budgetary relations. Strengthening the financial basis of regions and macroregions.

Potential additional medium-term measures of social development

Measures	Impact / target	Cost, RUB bn			
		2021	2022	2023	2024
The postponement of the indexation of public sector salaries and allowances for military personnel from the end of the year (October 1) to the beginning (January 1)	Improving the efficiency of the public sector	67	61	99	95
Increased indexing pensions from 2022	Reducing poverty and inequality in society		111	213	350
Transition to the all-Russian standard of remuneration for target categories of workers *	Reducing excess interregional differentiation	23	123	238	333
Maintaining surcharges for medical personnel specializing in infectious diseases and emergency medical care	Improving preparedness for epidemiological emergencies	47	47	48	50
Increasing the number of medical personnel to the standard level corresponding to developed countries **	Rationing the load on doctors, improving the quality of services	30	79	180	358
Extension of the rule on the maximum amount of unemployment benefits in the amount of the minimum wage	Reducing poverty and inequality in society	19	18	18	18
Total		186	439	796	1204

* Using [average Russian level](#) nominal accrued salary as the basis for calculating salary of target categories of workers

** An increase in the number of average medical personnel from a ratio of 2.3 per doctor to 2.5 (in the UK - 2.7, in Germany - 3.0, in Japan - 4.7), junior medical personnel from 0.5 to the minimum allowable value of 1.0 per doctor by 2024.

Comprehensive support for the health sector

- **Raising the salary of medical workers:** the transition to the all-Russian standard of wages, the use of the average Russian level of nominal accrued wages as a basis for calculating the wages of target categories of workers.
- **Retaining additional payments to the doctors and medical personnel specializing in infectious diseases, as well as to ambulance workers for 2020 and beyond.**
- **Increasing the number of medical personnel,** reaching the ratio of medium-grade medical staff per doctor, typical for developed countries, from 2.3 to 2.5 (UK - 2.7, Germany - 3.0, Japan - 4.7), nursing staff - from 0.5 to the minimum allowable value of 1.0 per doctor by 2024.
- **Returning to the cost standards financing** for the ambulance service, as well as for medical institutions specializing in the treatment of infectious diseases (pandemics).
- **Increasing government and business spending on research in medicine, biotechnology, drug development** from 0.04% of the GDP to 0.3-0.4% of the GDP, corresponding to the level of developed countries.
- **Building a management vertical** headed by the Ministry of Healthcare including regional authorities in charge of healthcare, as well as medical institutions, sanitary-epidemiological services and institutions exercising control over basic medical services provision.
- **Raising the level of healthcare spending** from 5.5% of the GDP in 2019 (budget system - 3.3% of GDP) to 6.9-7.2% of the GDP in 2024 (budget system - 4.4-4.7% of the GDP).

Comprehensive measures to revitalize scientific and technological development

Increasing public and private funding for breakthrough promising technological projects. Increasing R&D spending from 1.1 to 1.4% of the GDP by 2024.

- **Creating an effective mechanism for coordinating and consolidating actions of research centers** (academic, state research centers and corporations) in priority areas of science and technology, as well as for synchronizing such tools and institutions as the State Program for the Development of Science and Technology, the national project "Science", Comprehensive Programs for Scientific and Technical Progress, the National Technological Initiative, corporate programs for innovative development, private technological and venture capital investors, Ministry of Defense researches.
- **Implementing a package of priority roadmaps and programs for scientific and technological development** (new materials, artificial intelligence, quantum computing and communications, genetic technologies, telecommunication technologies, additive technologies). The cost is about 600 billion rubles until 2024, including the need for 300 billion of budget funds.
- **Updating innovative development programs of large state corporations** with a focus on achieving real meaningful technological results by 2024. Creating a mechanism to compensate for the private business costs for priority technological developments.
- **Setting-up Technological Development Fund and Venture Fund Network** in promising technological and scientific areas with the aim of scaling innovative technological projects and making-up a "lift for innovations" (absent so far). Additional capitalization of JSC "Rusnano".
- **Increasing government funding of the experimental base** to a level comparable to the one of the developed countries and China.
- **Creating a mechanism for subsidizing orders of state corporations for research and development products of small and medium private venture capital, as well as scientific and technological firms** during the crisis and the growth recovery period (the need is 10-15 billion rubles per year).

Additional infrastructure projects and investments: shifting the planned projects to the left and launching new projects

Indicator, RUB bn	2021	2022	2023	2024
Projects	243	519	847	1414
Railway infrastructure	6	104	285	712
Road infrastructure	237	415	562	702
Sources of financing				
Federal budget funds	192	303	405	717
Extrabudgetary sources	51	216	442	696
% of the GDP	0.2	0.4	0.7	1.0



Railway infrastructure

- construction of high-speed highways, incl. Moscow - Nizhny Novgorod, Saint Petersburg - Moscow, Saint Petersburg - Minsk - Warsaw
- accelerated development of the railway network in the Urals and Western Siberia, as well as in the Central region



Road infrastructure

- accelerating the construction of high-speed transport corridors, incl. "West - East" and "North-West Expressway"
- development of transport communications between centers of economic growth by boosting road construction

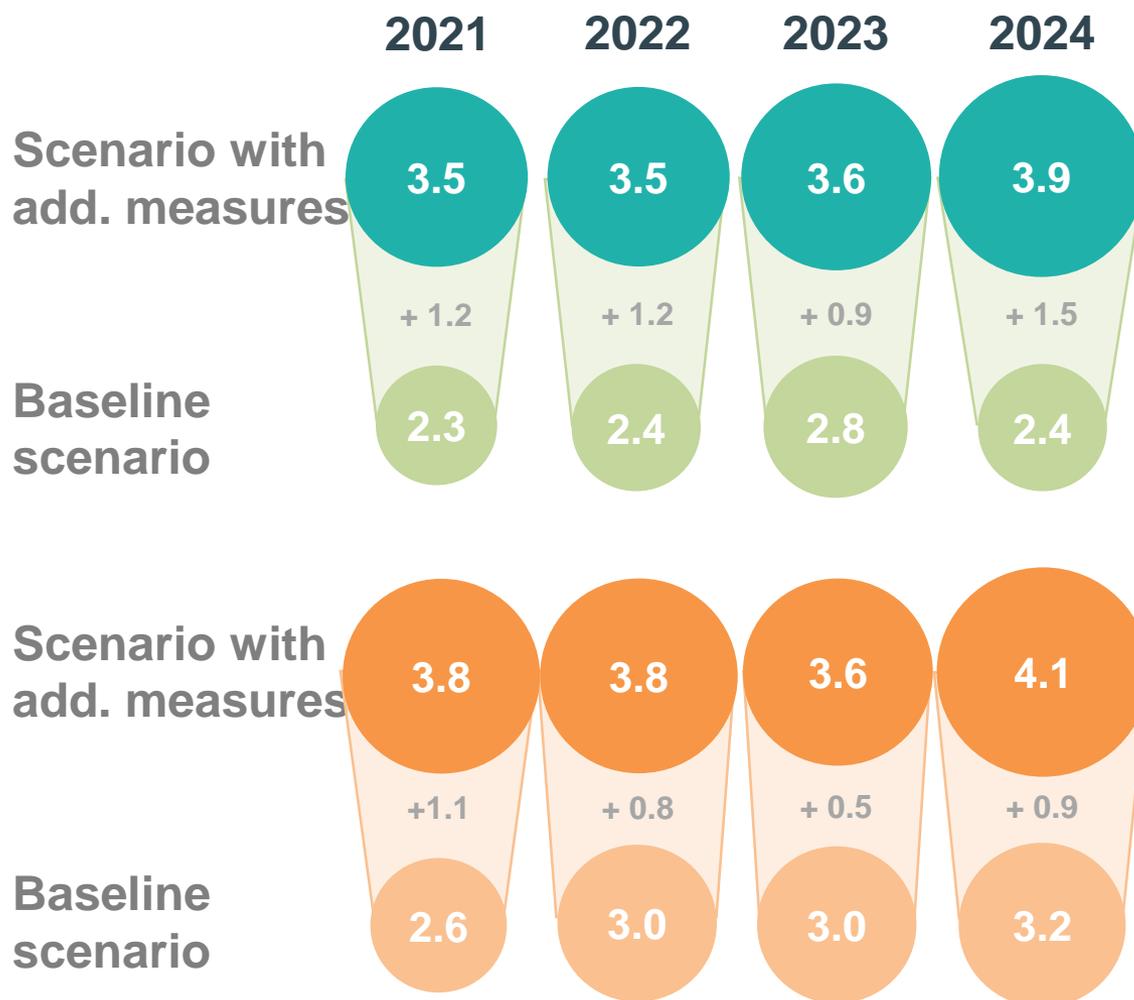
Potential for accelerating economic growth through additional support measures

 GDP,% y/y

4.6 p.p. - growth due to additional measures in 2021-2024

 Industrial production,% y/y

3.4 p.p. - growth due to additional measures in 2021-2024



Additional measures to support the economy can help accelerate industrial production growth

Indicator,% y/y	Scenario	2020	2021	2022	2023	2024
Industrial production index	Baseline	-4.3	2.6	3.0	3.0	3.2
	With add. measures		3.8	3.8	3.6	4.1
Mining	Baseline	-7.2	1,2	2.8	3.2	3.9
	With add. measures		2.0	3.7	3.5	4.1
Manufacturing industries	Baseline	-2.3	4.0	3.5	3.2	3.1
	With add. measures		5.4	4.3	3.9	4.4
food production, including drinks and tobacco	Baseline	2.5	1.9	2.3	2.4	2.3
	With add. measures		2.0	2.5	2.6	2.6
textile and sewing production, production of leather, leather goods, footwear	Baseline	-2.5	2.7	1.5	2.5	2.4
	With add. measures		3.4	2.4	3.5	4.3
wood processing and product manufacturing made of wood; pulp and paper production	Baseline	-0.6	4.8	3.9	4.1	3.9
	With add. measures		5.0	5.1	5.1	5.9
chemical production; rubber and plastics production	Baseline	5.1	5.8	5.6	5.4	5.8
	With add. measures		7.6	7.1	7.4	8.2
manufacture of other non-metallic mineral products	Baseline	-3.0	2.5	4.8	3.9	3.0
	With add. measures		3.1	6.1	5.1	7.8
metallurgical production and production of finished metal products	Baseline	-2.1	4.4	2.7	2.3	2.5
	With add. measures		6.0	3.7	3.1	3.8
engineering industries	Baseline	-9.1	7.9	6.7	5.2	4.4
	With add. measures		10.4	8.1	5.8	6.0

Comparison of the baseline forecast scenario and the scenario with additional measures to support the economy

	Index, % to the previous year, unless otherwise indicated	Scenario	2020	2021	2022	2023	2024
Oil price, \$/bbl		Baseline With add. measures	41	44	46	47	49
GDP		Baseline With add. measures	-4.0	2.3 3.5	2.4 3.5	2.8 3.6	2.4 3.9
Investments		Baseline With add. measures	-6.0	1.4 6.3	5.6 9.4	4.8 6.9	4.1 7.6
Retail turnover		Baseline With add. measures	-4.4	3.3 4.8	2.5 3.8	2.8 4.0	2.8 4.9
Real disposable income		Baseline With add. measures	-4.1	2.5 4.6	3.2 3.4	2.2 4.0	2.1 4.8
Share of households with incomes below the subsistence minimum,%		Baseline With add. measures	13.8	12.7 12.6	11.8 11.7	11.4 11.1	10.9 10.4
USD average annual rate, RUB/\$		Baseline With add. measures	71.0	70.1	69.3	69.1	68.7
Export, billion \$		Baseline With add. measures	314	337 341	352 362	375 384	399 411
Import, billion \$		Base With add. measures	233	247 258	266 285	282 309	300 338

Cost of additional measures for the budget

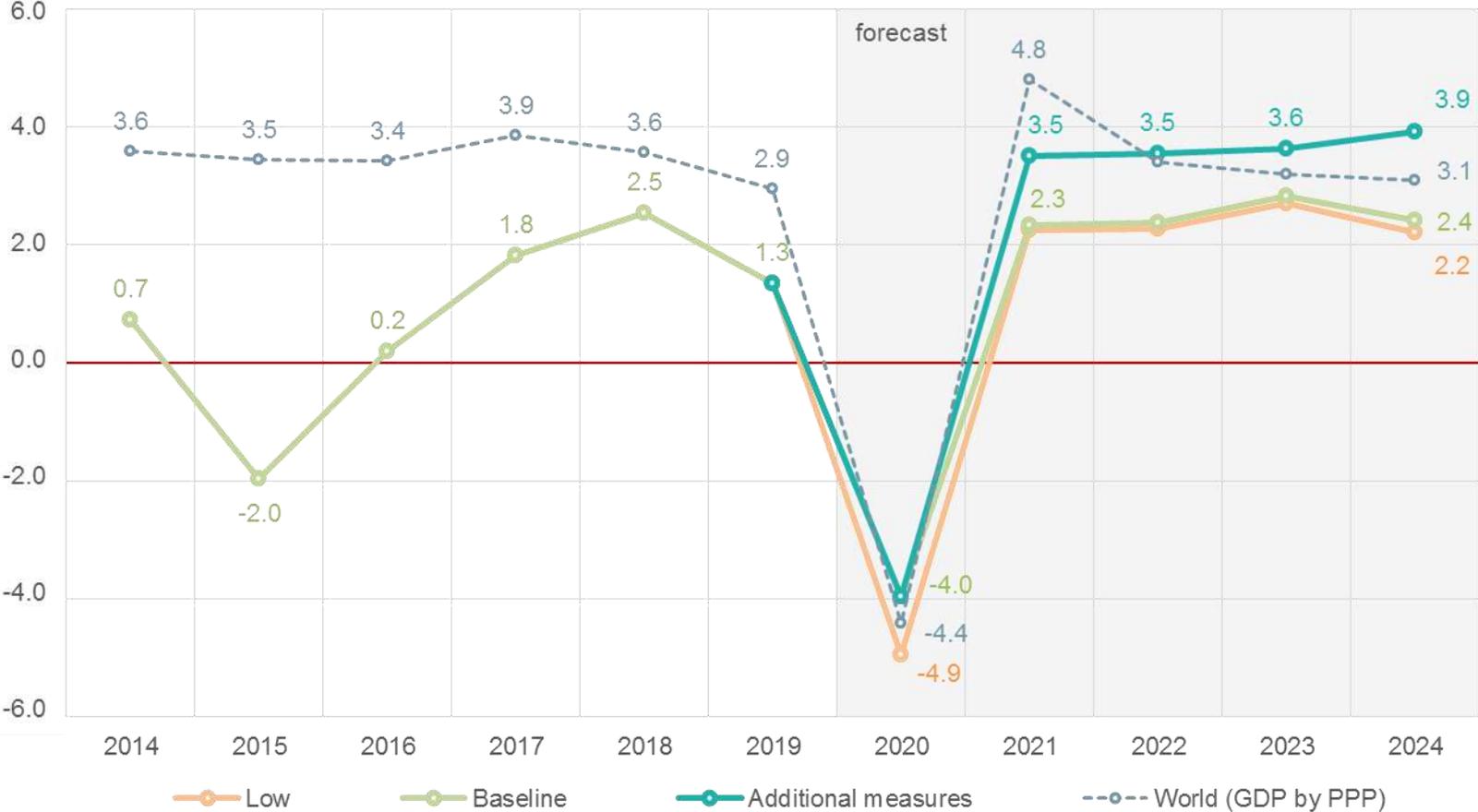
Additional spending in 2021-2022 required to accelerate economic growth will increase the deficit (despite the effect of growth in budget revenues), still can be financed by a moderate increase in public debt. This will require a modification to the Fiscal Rule

Indicator, RUB trillion	2020	2021	2022	2023	2024
Revenues in accordance with the Federal Law on the budget	20.6	21.9	22.8		
Federal budget revenues (forecast)	17.9	18.9	20.4	22.2	24.1
Expenses in accordance with the Federal Law on the budget	19.7	21.2	22.4		
Expenses taking into account the approved add. expenses	22.0	22.4*	22.0*	23.8	25.7
Deficit with additional measures and refusal from fiscal austerity	-4.1	-3.5	-1.6	-1.6	-1.6
Additional costs to the baseline scenario		2.1	1.3	1.8	2.4
incl. social		0.1	0.3	0.6	0.9
infrastructure projects and investments		0.2	0.3	0.4	0.7
refusal to optimize for the budget rule		1.8	0.7	0.8	0.8
Government debt at the end of the year, RUB trillion	17.8	21.3	22.5	23.3	24.0
% of the GDP	17.2	18.9	18.5	17.7	16.7

* The incremental costs are partly funded by deemed approved costs

Economic growth forks

Dynamics of global and Russian GDPs by scenarios (% y/y)



Economic policy forks and development scenarios

- **The anti-crisis stabilization measures adopted by the Government will reduce the fall in GDP in 2020 by 1.8 p.p.** and will add almost 3.3 p.p. of the GDP to the real income of the population. However, the termination of most measures at the end of 2020 and the restrictive effect of the Fiscal Rule will discourage V-like rebound of the economy in 2021 and restrain GDP growth in 2021-2024 at the level not higher than 3%, which will be inferior to the projected dynamics of the world economy.
- Thanks to **additional moderate incentive social and sectoral measures** in 2021-2024 at the rate of 1.8-2.0% of the GDP, the Russian economy will enter the growth trajectory in 3.5-3.9%, which is not inferior to the global rate. The industrial growth rate will increase by 0.5-1.1 p.p. This will require a modification of the Fiscal Rule and additional capitalization of development institutions in the medium term (at least by 300-500bn rubles per year) in combination with an increase in the state guarantees volume.
- **To achieve outstripping global growth rates of 4-5% per year, while maintaining a conservative foreign economic environment,** limited budget support measures are not enough. A large-scale increase in long-term lending to the economy, incl. through development institutions, will be needed. In this regard, funding from pension funds and the Sovereign Wealth Fund (2-3% of the GDP in 2021-2024) may play the key role.