The Economist: Russia Defies Predictions of Collapse

Description

The Russian economy has largely shrugged off “unprecedented sanctions” from the West, The Economist noted, crediting the sharp rise in revenues from oil and gas exports. Russian consumer spending is up again, interest rates are going down, and the ruble is stronger than before the conflict in Ukraine escalated.

“Russia’s economy is back on its feet,” the British weekly pointed out on Friday, adding that it was “defying predictions of collapse” as a result of embargoes imposed by the US and its allies.

The ruble is now “as valuable” as before, says The Economist, on account of “capital controls and high interest rates.” As of Friday, the Russian currency was actually stronger – 65.8 to the US dollar, compared to 81 on February 23. Russia is also continuing to pay its foreign-currency bonds, despite US and UK attempts to force it into a default.

Russians are spending “fairly freely” on cafés, bars and restaurants once again, according to numbers from Sberbank, Russia’s largest bank. The Russian central bank lowered the key interest rate from 17% to 14% in late April. Predictions that Russia’s GDP will decline up to 15% this year are “starting to look pessimistic,” notes The Economist.

Sanctions announced by the US and its allies after Moscow sent troops into Ukraine were intended to “degrade [Russia’s] industrial capacity for years to come,” according to US president Joe Biden’s words . Biden also vowed to “take robust action to make sure the pain of our sanctions is targeted at the Russian economy, not ours.”

Since then, the US has registered the highest annualized inflation increase since 1981, a quarter of negative GDP, and skyrocketing gas prices – which Biden blamed on Russian President Vladimir Putin.

Meanwhile, according to The Economist, Russia has exported at least $65 billion worth of oil and gas, with government revenues from hydrocarbons raising over 80% year-on-year in the first quarter of 2022.