

## Russian GDP: 2Q20 drop not as deep as expected

Russian GDP dropped 8.5% YoY in 2Q20, better than consensus, presumably thanks to the small role of services as well as resilient industrial output and exports. Meanwhile, recovery in 2H20 might be challenged by uncertainties on local demand. Our above-consensus expectations of just a 2.5% GDP drop in 2020 still faces downside risks



Source: iStock

# -8.5

2Q20 GDP, % YoY

after +1.6% YoY in 1Q20

Better than expected

The 2Q20 GDP underperformed our -7.5% year-on-year forecast, but we are not surprised that the figure turned out better than consensus (-9.6%) that was in line with the preliminary estimates by the government and the Central Bank of Russia. Our expectations

were based on the assumption that the sectors most hit by the Covid-19 lockdown were related to services in the largest cities, while the broader economy showed a more defensive performance. Indeed, the [recovery in consumption](#) in May-June has been robust, the CPI trend has so far shown [little signs](#) of demand-driven disinflation, the drop in construction and [industrial output](#) has been more shallow, and the recent trade balance data points at [higher than expected exports](#) despite Russia's strict OPEC+ compliance.

Meanwhile, the 8% YoY drop in household income in 2Q20 despite the massive increase in the state social support is a factor that might potentially constrain the confidence (and stockbuilding) in the corporate sector. In addition, the likely redistribution of the fiscal priorities from some long-term investment projects towards social spending might be an additional pressure factor for the recovery in the state-driven industries in 2H20.

As a result, while we continue to see the 2020 consensus forecast of a 5-6% YoY GDP drop as a bit pessimistic as a base case, our -2.5% forecast is facing some downside risks as well.

## Author

### Dmitry Dolgin

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).