

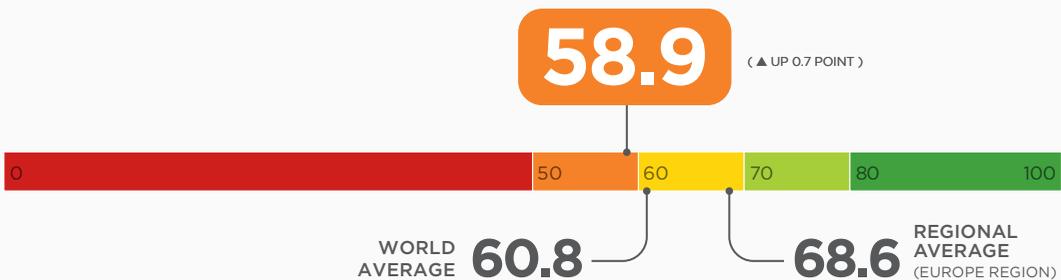
RUSSIA

Russia's economic freedom score is 58.9, making its economy the 98th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with higher scores for **monetary freedom** and **property rights** outpacing declines in **judicial effectiveness** and **trade freedom**. Russia is ranked 41st among 44 countries in the Europe region, and its overall score is below the regional and world averages.

The government's standoff with the West has strengthened statist, nationalist, and protectionist trends, delaying Russia's transition from a centrally planned economy to a more market-based system. Reforms have been subordinated to the imperatives of political stability and government longevity. The private sector has been marginalized by structural and institutional constraints caused by ever-growing government encroachment into the marketplace. Large state-owned institutions and an inefficient public sector dominate the economy. The judiciary is vulnerable to corruption, and weak protection of property rights undermines prospects for optimal long-term economic development.



ECONOMIC FREEDOM SCORE

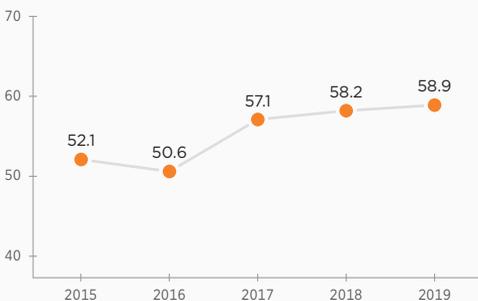


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
+7.8

CONCERNS:
Financial Freedom and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
144.0 million

GDP (PPP):
\$4.0 trillion
1.5% growth in 2017
5-year compound annual growth 0.3%
\$27,834 per capita

UNEMPLOYMENT:
5.2%

INFLATION (CPI):
3.7%

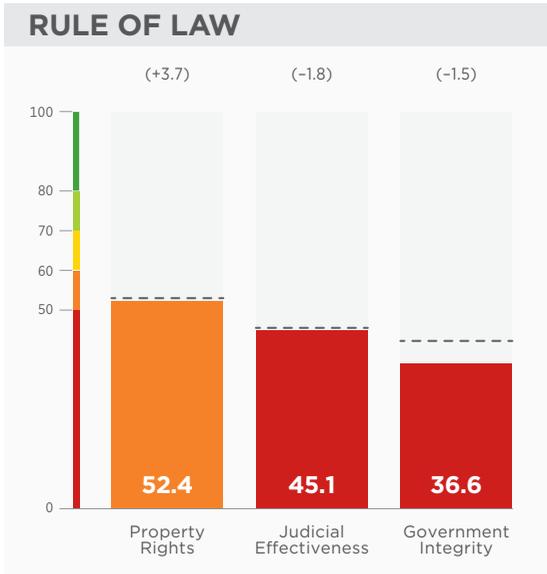
FDI INFLOW:
\$25.3 billion

PUBLIC DEBT:
17.4% of GDP

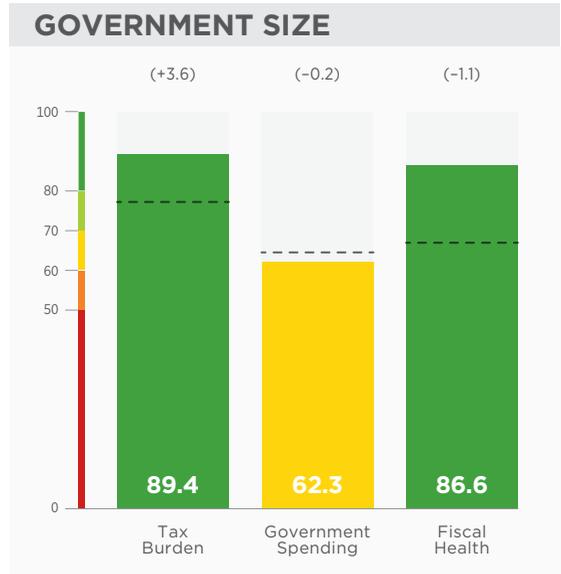
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Vladimir Putin was reelected president in March 2018 amid allegations of electoral fraud. Russia illegally annexed Ukraine's Crimean Peninsula early in 2014 and continues to stir instability by supplying weapons and troops in eastern Ukraine's Donbas region. Ongoing Western economic sanctions have spurred a brain drain and capital flight. Russia's economy depends heavily on exports of oil and gas. Low oil prices, the financial burden of the Crimea annexation, and efforts to rearm the military have strained public finances in recent years, but the higher recent global demand for oil has caused the economy to improve slightly. Russia's bid to join the Organisation for Economic Co-operation and Development has been postponed because of its actions in Ukraine.

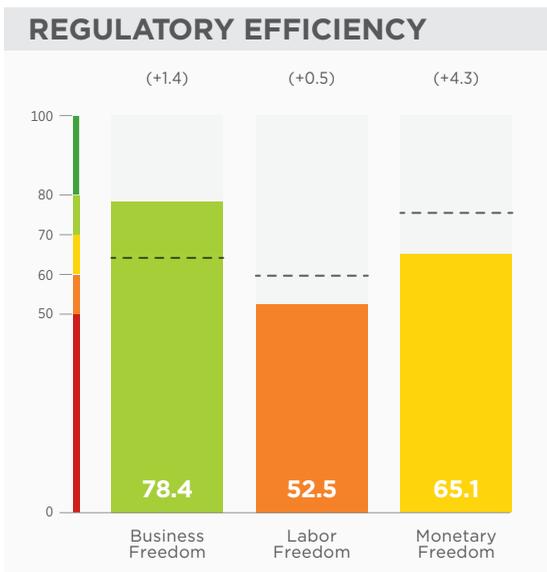
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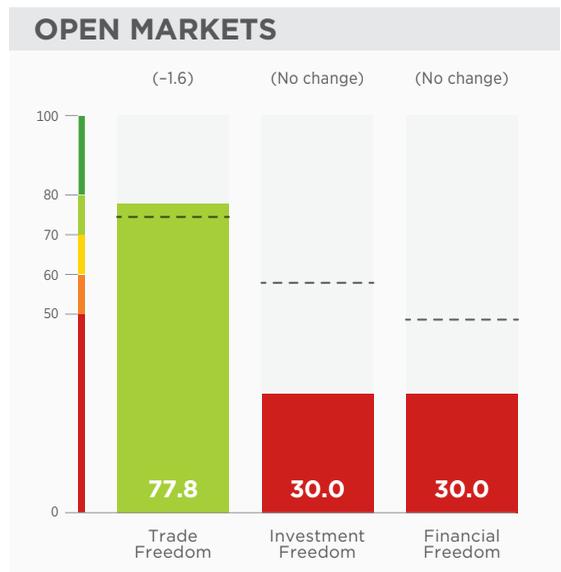
Russia's weak property rights impede economic progress and deter foreign investment. The rule of law is not maintained consistently across the country, and the judiciary faces heavy political pressure from the executive. Corruption is pervasive in the highly centralized and authoritarian government and in Russia's cronyist business world. The media are heavily restricted, and a lack of accountability enables bureaucrats to act with impunity.



The personal income tax rate is a flat 13 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 22.2 percent of total domestic income. Over the past three years, government spending has amounted to 35.4 percent of the country's output (GDP), and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 17.4 percent of GDP.



The private sector remains marginalized by structural and institutional constraints caused by growing government encroachment into the marketplace. The rigid and outmoded labor code continues to limit employment and productivity growth. Most prices were liberalized in the early 1990s (with significant exceptions), but the government has announced new subsidies for domestic drugmakers and heavily subsidized the 2018 World Cup.



The combined value of exports and imports is equal to 46.7 percent of GDP. The average applied tariff rate is 3.6 percent. As of June 30, 2018, according to the WTO, Russia had 225 nontariff measures in force. Foreign investment is screened, and investment in several sectors of the economy is capped. The financial sector is subject to government influence. About 78 percent of adult Russians use formal bank accounts.