

RUSSIA

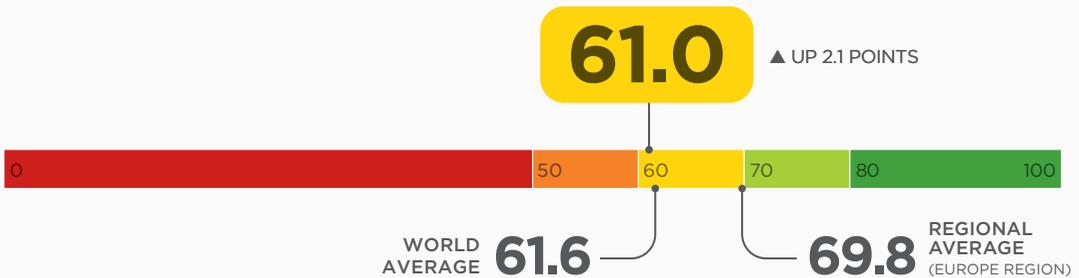
Russia's economic freedom score is 61.0, making its economy the 94th freest in the 2020 *Index*. Its overall score has increased by 2.1 points due primarily to a higher **fiscal health** score. Russia is ranked 43rd among 45 countries in the Europe region, and its overall score is well below the regional average and approximately equal to the world average.

The Russian economy is ranked moderately free for the first time this year after more than a decade in the ranks of the mostly unfree. GDP growth has been weak over the past five years, burdened by structural weaknesses, low levels of investment, and a poor demographic outlook, but improved in 2018.

As long as the government pursues statist, nationalist, and protectionist economic policies and maintains a cautious approach to inward foreign investment, expansion of economic freedom in Russia will be difficult. A subservient judiciary, rampant corruption, and links among bureaucrats and organized criminal groups compromise government integrity.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +9.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
144.0 million

GDP (PPP):
\$4.2 trillion
2.3% growth in 2018
5-year compound annual growth 0.5%
\$29,267 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
2.9%

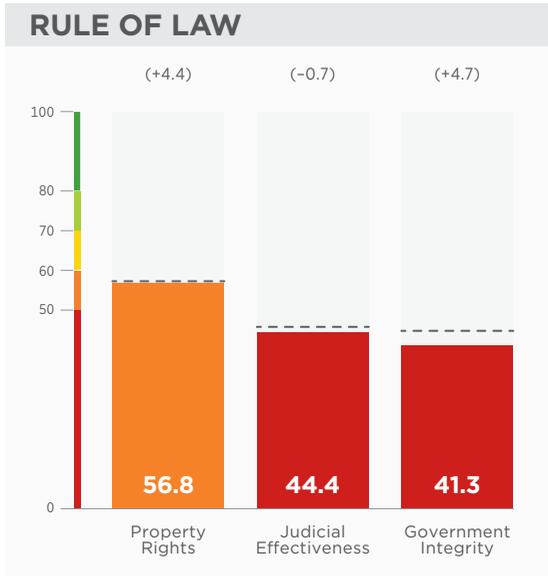
FDI INFLOW:
\$13.3 billion

PUBLIC DEBT:
14.0% of GDP

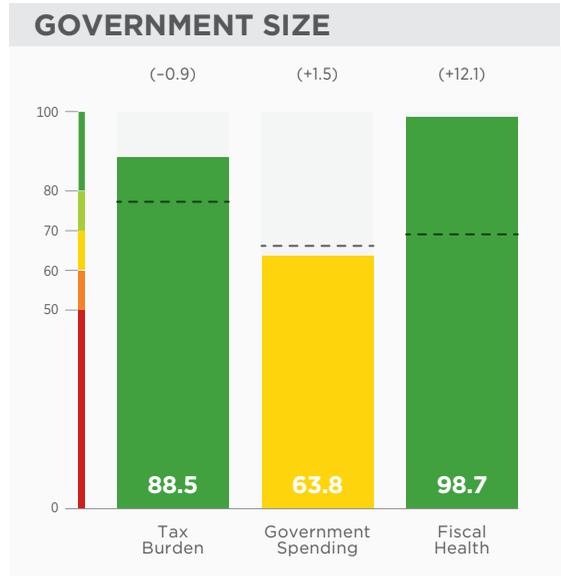
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Vladimir Putin was reelected president in 2018 amid allegations of electoral fraud. Russia illegally annexed Ukraine's Crimean Peninsula early in 2014 and continues to foment 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. Because of its actions in Ukraine, Russia's bid to join the Organisation for Economic Co-operation and Development has been postponed.

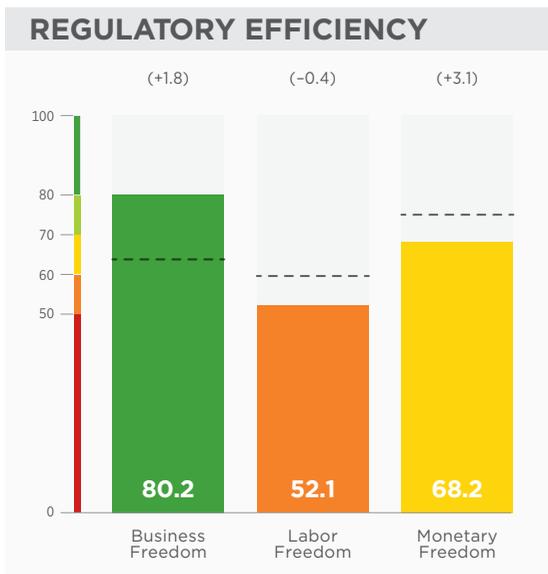
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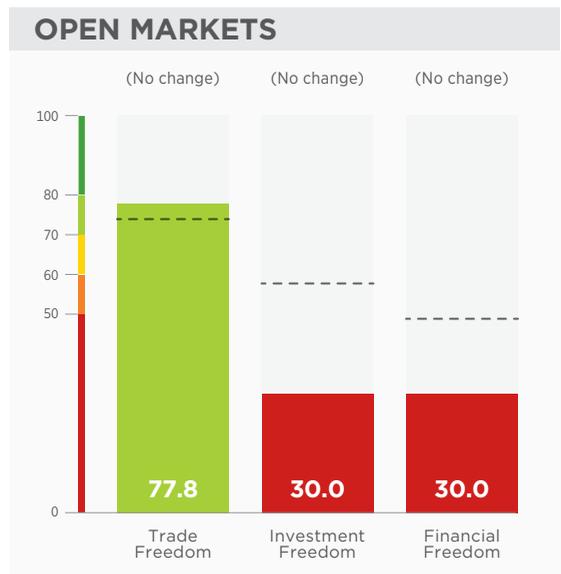
The connection between political power and property is strong in Russia, with some senior officials reportedly using their government positions to amass vast property holdings. The judiciary lacks independence. Corruption is pervasive in the highly centralized authoritarian government. Private businesses are routinely targeted for extortion by both law enforcement and organized criminal groups.



The personal income tax rate is a flat 13 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 24.2 percent of total domestic income. Government spending has amounted to 34.7 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 0.8 percent of GDP. Public debt is equivalent to 14.0 percent of GDP.



The government has streamlined the processes for obtaining a construction permit, getting hooked up to the electricity grid, paying taxes, and trading across borders, but only in Moscow and St. Petersburg. The labor code is outmoded and ineffective, and the labor market is inefficient. State-owned enterprises and the public sector employ 33 percent of workers. Most prices were liberalized in the early 1990s (with significant exceptions), but the government maintains a wide range of subsidy programs.



The total value of exports and imports of goods and services equals 51.5 percent of GDP. The average applied tariff rate is 3.6 percent, and layers of bureaucratic nontariff barriers further distort the flow of goods and services. Except in the energy sector, growth in foreign investment has been elusive because of the deficient investment framework. The financial sector is dominated by banks, and the five largest banks are state-controlled.