

# RUSSIA

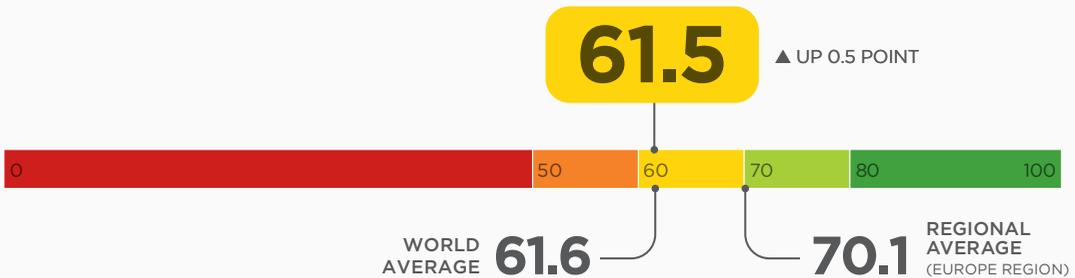
Russia's economic freedom score is 61.5, making its economy the 92nd freest in the 2021 *Index*. Its overall score has increased by 0.5 point, primarily because of an improvement in the **tax burden** score. Russia is ranked 42nd among 45 countries in the Europe region, and its overall score is below the regional and world averages.

Russia's economy is ranked moderately free for the second year in a row after more than a decade in the mostly unfree category. Until the rule of law is strengthened considerably, the investment code is liberalized, and government pursuit of corrupting statist and protectionist economic policies ceases, however, further expansion of economic freedom in Russia will be difficult.

**IMPACT OF COVID-19:** As of December 1, 2020, 40,050 deaths had been attributed to the pandemic in Russia, and the economy was forecast to contract by 4.1 percent for the year.

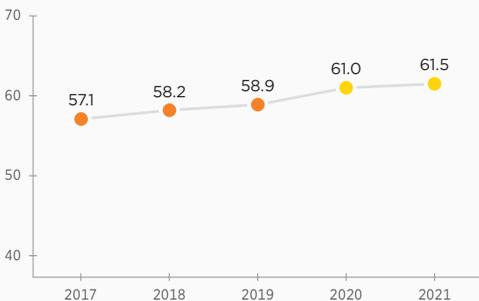


## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +10.4

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
144.4 million

**GDP (PPP):**  
\$4.4 trillion  
1.3% growth in 2019  
5-year compound annual growth 0.8%  
\$29,181 per capita

**UNEMPLOYMENT:**  
4.6%

**INFLATION (CPI):**  
4.5%

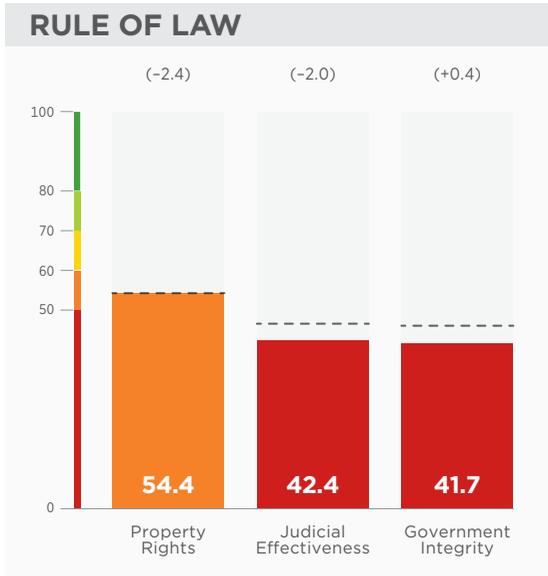
**FDI INFLOW:**  
\$31.7 billion

**PUBLIC DEBT:**  
14.0% of GDP

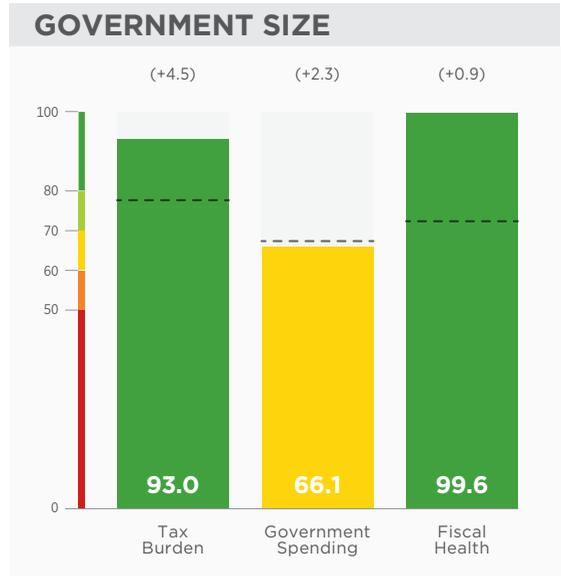
2019 data unless otherwise noted. Data compiled as of September 2020

**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 led to a brain drain and capital flight. Russia's economy depends heavily on exports of oil and gas. In recent years, low oil prices, the financial burden of the Crimea annexation, and efforts to rearm the military have strained public finances. Because of its actions in Ukraine, Russia's bid to join the Organisation for Economic Co-operation and Development has been postponed indefinitely.

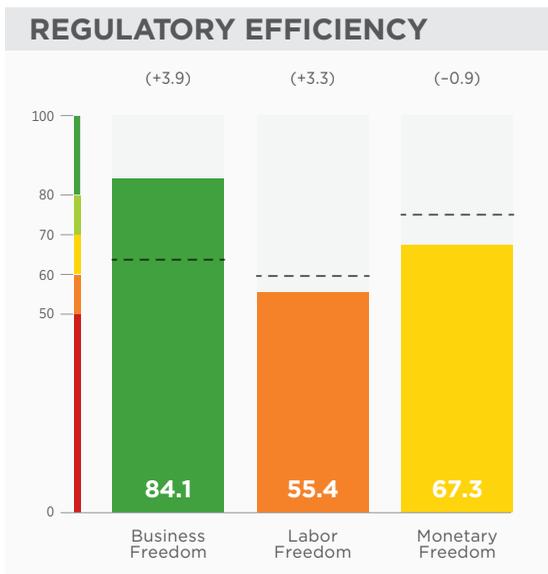
# 12 ECONOMIC FREEDOMS | RUSSIA



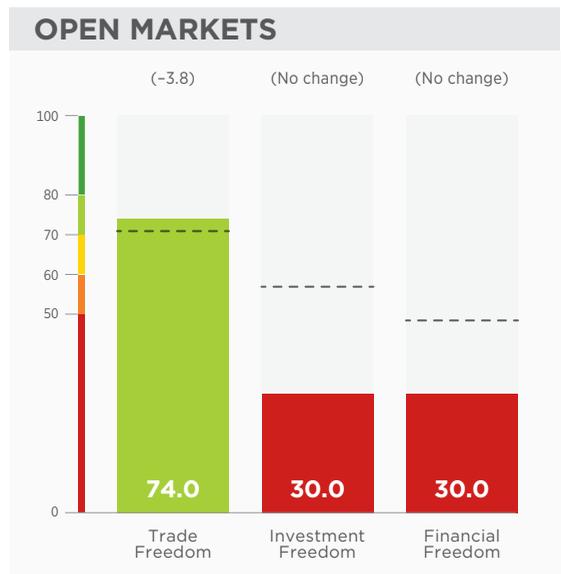
The Russian constitution recognizes property rights. The state owns the majority of land, but most structures are privately owned. The rule of law is not maintained consistently. Courts lack independence, face heavy political pressure, and are biased in favor of conviction. Corruption is pervasive in the highly centralized and authoritarian government and the cronyism-tolerant business world. A lack of accountability enables bureaucrats to act with impunity.



The individual income tax rate is a flat 13 percent, and the top corporate tax rate is 20 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 11.4 percent of total domestic income. Government spending has amounted to 33.6 percent of total output (GDP) over the past three years, and budget surpluses have averaged 1.1 percent of GDP. Public debt is equivalent to 14.0 percent of GDP.



Improvements in the bureaucracy of the utilities in Moscow and St. Petersburg have made obtaining electricity less time-consuming. Starting a business is less costly, and dealing with construction permits now takes less time. The labor market is fragmented with low labor mobility but highly flexible wage rates. According to the World Bank, subsidies and transfers consume nearly 70 percent of the government's budget.



Russia has 11 preferential trade agreements in force. The trade-weighted average tariff rate is 5.5 percent, and 227 nontariff measures are in effect. Private-sector trade and investment activities are undercut by structural and institutional constraints caused by state interference in the marketplace. Foreign investment is screened, and investment in several sectors of the economy is capped. The financial sector is subject to government influence.