RUSSIA

Russia’s economic freedom score is 56.1, making its economy the 113th freest in the 2022 Index. Russia is ranked 43rd among 45 countries in the Europe region, and its overall score is below the regional and world averages.

Over the past five years, the Russian economy gained strength in 2017 and 2018, slowed in 2019, and turned negative in 2020. Growth resumed with the recovery of global oil prices in 2021. A five-year trend of slowly expanding economic freedom has faltered. With score increases in labor freedom and monetary freedom outpaced by decreases in rule of law and business freedom, Russia has recorded a 1.0-point overall loss of economic freedom since 2017 and has fallen back into the ranks of “Mostly Unfree” countries. Fiscal health is very strong, but investment freedom and financial freedom are at the levels of least developed countries.

IMPACT OF COVID-19: As of December 1, 2021, 271,091 deaths had been attributed to the pandemic in Russia, and the government’s response to the crisis ranked 116th among the countries included in this Index in terms of its stringency. The economy contracted by 3.1 percent in 2020.

BACKGROUND: Russia is the world’s largest nation in terms of area. 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, including its illegal annexation of Crimea, Russia’s bid to join the Organisation for Economic Co-operation and Development has been postponed indefinitely.

ECONOMIC FREEDOM SCORE

HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +5.0

REGIONAL AVERAGE (EUROPE) 69.5

WORLD AVERAGE 60.0

RECENT FREEDOM TREND

QUICK FACTS

POPULATION: 144.1 million
GDP (PPP): $4.1 trillion
-3.1% growth in 2020
5-year compound annual growth 0.8%
$27,903 per capita

UNEMPLOYMENT: 5.7%
INFLATION (CPI): 3.4%
FDI INFLOW: $9.7 billion
PUBLIC DEBT: 19.3% of GDP

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2022 Index of Economic Freedom
By law, citizens have the right to own, inherit, lease, mortgage, and sell real property. The Russian constitution recognizes property rights. The state owns most of the land, but most structures are privately owned. Russia’s judicial system is heavily biased in favor of the state. Corruption and impunity are pervasive, especially in public procurement, media, national defense, and public utilities.

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 11.0 percent of total domestic income. Government spending has amounted to 35.3 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.3 percent of GDP. Public debt is equivalent to 19.3 percent of GDP.

Businesses enjoy a good deal of business freedom unless they get involved in a dispute with the government. Labor mobility across regions is limited. Wages and employment conditions vary widely. Labor standards that are on the books are frequently not upheld. In 2019 (the most recent year for which data are available), the World Bank reported that subsidies accounted for about 69 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. Investment growth has been elusive because of the deficient investment framework. The financial sector is dominated by state-controlled banks.