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Economic QuickView

Russia: A resilient economy amid geopolitical challenges

- Russia's economy, anchored by its vast natural resource endowment, has steadily grown its influence on the global stage.
- Russia's economic growth in recent years has shown resilience amid geopolitical challenges, with strengthening economic ties with China.
- Russia's growth outlook remains solid, bolstered by its internal strengths and ongoing structural reforms.

Russia's resource-rich economy holds significant economic potential

Russia's economy, anchored by its vast natural resource endowment, has steadily grown its influence on the global stage despite enduring geopolitical challenges. In 2024, Russia's nominal GDP stands at USD 2.16 trillion, placing it 11th globally. With a population of about 146.1 million and a GDP per capita of USD 14,794.7 in 2024, it is classified as an upper-middle-income country by the World Bank. Spanning about 17.1 million square kilometres, Russia not only dominates as the world's largest country by land area but also occupies a unique position as a bridge between Europe and Asia. This geographic advantage, combined with its abundant natural resources, ensures that Russia wields considerable global influence. Most notably, Russia holds the world's largest natural gas reserves, estimated at 44.2 trillion cubic meters, with an annual production of 685 billion cubic metres in 2024. In addition, it ranks 6th in oil reserves, with 80 billion barrels and a daily production of about 10.3 million barrels in 2024. Beyond hydrocarbons, Russia holds the world's 2nd largest coal deposits and the largest forest area. These assets underpin Russia's strategic geopolitical role in the world.

Russia's economy is predominantly supported by domestic demand and energy production. In 2023, the services sector contributed 56.9% of GDP, buoyed by rapid digital transformation and government policies that promote technological self-reliance. These developments have fostered growth in domestic e-commerce and information technology. Besides, domestic tourism has thrived, benefitting from a decline in outbound travel. Trade reoriented towards Asia has further supported growth in logistics services. The industrial sector, which accounted for 30.6% of GDP in 2023, remains dominated by the oil and gas sectors and is reinforced by a robust defence industry that supplies both domestic needs and export markets. The agriculture sector, though smaller at 3.3% of GDP in 2023, is underpinned by the fertile Black Earth region and food import substitution policies.[1]

Inflation in Russia exhibited notable volatility, with the Central Bank of Russia (CBR) responding actively to maintain economic stability. Following the annexation of Crimea in 2014, economic sanctions and a depreciating ruble, drove inflation to around 15% in 2015. The CBR adopted an inflation-targeting approach in 2015. Inflation moderated steadily to a range of 2-7% during 2017–2021. However, the military conflicts with Ukraine in 2022, coupled with international sanctions, disrupted supply chains and raised import costs, causing inflation to exceed 10% during that year. In response, the CBR aggressively raised its key interest rate from 7.5% in early 2022 to 21% by late 2024 and implemented stringent capital controls and market intervention to stabilise the exchange rate. Although these efforts helped ease inflation in 2023, renewed pressure on the currency and persistent supply constraints have driven inflation to climb again, with the year-on-year rate remaining elevated at 10.3% by March 2025.

Russia's large fiscal reserve provides a buffer against economic shocks. Learning from the 1998 financial crisis, which saw the ruble devaluated, sovereign debt defaults, and a host of fiscal challenges from chronic fiscal deficits to low tax collection and falling oil prices, Russia has built a large fiscal reserve. In addition, the National Wealth Fund (NWF), established in 2008 with surplus oil and gas revenues, has grown into a robust buffer against economic shocks. By the end of 2024, the NWF stood at approximately USD 116.8 billion, representing about 6.2% of GDP, thereby providing a stabilising force during downturns or periods of low oil prices.

Russia has grown its economic weight after the post-Soviet recession

Russia has risen from its post-Soviet recession through economic reforms. During the post-Soviet transition from 1993 to 1999, Russia experienced an average GDP decline of 3.8% annually. Its share of global GDP shrank to just 0.6% by 1999 due to a rapid shift from a planned to a market economy as well as shocks from the 1998 financial crisis. After that, the country gradually reasserted its economic strength. The 2000s marked a remarkable rebound with an average GDP growth rate of 5.5%, propelled by high oil and gas prices, pro-growth reforms such as a 13% flat income tax and deregulation, and stabilising policies like tight fiscal discipline, a shift to a floating exchange rate,

[1] Shares do not sum up to 100% due to unallocated economic activities.

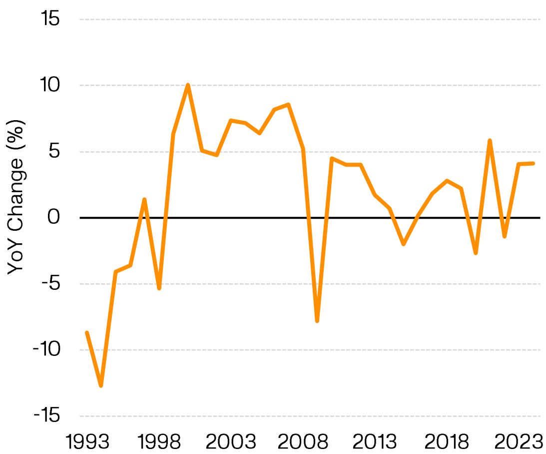
efforts to rebuild foreign reserves and inflation targeting. By 2009, Russia's share of global GDP increased to 2.1%. From 2010 to 2019, economic growth moderated to around 2.0% annually, largely due to Western sanctions over Crimea and declining oil prices, resulting in a slightly lower world GDP share of 1.9% in 2019. From 2020 to 2024, growth maintained a similar trajectory, averaging around 2.0% annually. Fiscal stimulus during the COVID-19 pandemic, robust energy exports, trade reorientation to Asia and high military spending have offset the drags from severe sanctions following military actions in Ukraine in 2022. Overall, Russia's economy has sustained its weight in the global economy. By 2024, Russia's global GDP share stabilised at 2.0%, and its world ranking rose from 24th in 1999 to 11th. Its GDP per capita reached USD 14,794.7 in 2024, more than 10 times the level observed in 1999.

Russia's Key Macroeconomic Indicators

	1993-1999	2000-2009	2010-2019	2020-2024
GDP growth (%, average)	-3.8	5.5	2.0	2.0
GDP (USD billions, end of period)	209.7	1,307.9	1,695.7	2,161.2
GDP per capita (USD, end of period)	1,424.2	9,160.1	11,465.3	147,94.7
Share of world GDP (%, end of period)	0.6	2.1	1.9	2.0
GDP ranking in the world (end of period)	24	12	12	11

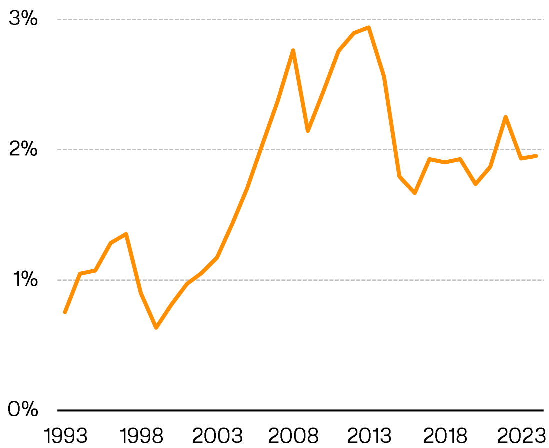
Source: International Monetary Fund, Bloomberg

Russia GDP Growth



Source: International Monetary Fund, Bloomberg

Russia's Share of World GDP



Source: International Monetary Fund

Russia's economy has shown resilience despite the conflicts with Ukraine

Russia's economy has shown remarkable resilience in the face of geopolitical challenges. Despite an unprecedented wave of Western sanctions targeting its financial system, energy sector, military-industrial complex, and key individuals following the Russia-Ukraine conflicts, the Russian economy has shown remarkable resilience. After a 1.4% contraction in 2022, the economy rebounded with growth rates of 4.1 % in both 2023 and 2024. High oil and gas prices—bolstered by the redirection of exports to China, India, and other non-Western markets—have sustained substantial energy revenues, estimated at USD 253.8 billion in 2024 (about 12% of GDP). Moreover, strategic trade pivots to allies and high military spending that has supported domestic defence manufacturing, and adaptations prompted by earlier sanctions (like the build-up of foreign-exchange reserves and a shift toward RMB-based transactions) have helped to keep the economy afloat.

Major Sanctions by US, EU and UK

Category	Sanction Details	Intended Impact
Financial reserves	Froze more than USD 300 billion of Russian central bank reserves	Limit currency defence and war funding
SWIFT exclusion	Disconnected Russian major banks from SWIFT	Disrupt international payments
Oil imports ban	Banned seaborne crude oil and refined products	Reduce energy export revenue
Oil price cap	USD 60/barrel cap on Russian oil	Reduce profits while maintaining supply
Tech export controls	Banned exports of semiconductors, dual-use goods, and high-tech equipment	Weaken military and industrial capacity
Coal ban	Halted coal imports	Reduce energy dependency and revenue
Individual sanctions	Asset freezes and travel bans on Russian oligarchs and officials	Pressure elites and war supporters
Secondary sanctions	Targeted foreign banks/firms aiding evasions	Deter third-country support
Aviation sanctions	Banned aircraft parts exports and closed airspace to Russian planes	Ground aviation sector and logistics

Sources: US Department of Treasury, European Council, UK Foreign, Commonwealth and Development Office

Russia has built close economic links with China

Russia's external trade has pivoted to China in response to Western sanctions. In recent years, the Chinese Mainland has become Russia's premier trading partner, with its share in Russia's total trade rising from 19.3% in 2021 to 35.5% in 2024. Chinese Mainland's exports to Russia include machinery & electrical equipment (37.5% of Chinese exports to Russia in 2024) and transport equipment (22.8%), while Chinese Mainland's imports from Russia are concentrated in mineral products (77.9% of Chinese imports in 2024). Meanwhile, Hong Kong accounted for 0.9% of Russia's total trade in 2024, with its main exports to Russia being electrical machinery (28.3% of Hong Kong's exports to Russia in 2024) and telecommunications equipment (20.9%) and major imports being non-ferrous metals (58.6% of Hong Kong's imports in 2024).

Russia's Top Five Trade Partners in 2024

Ranking	Export Destinations	Share in Exports	Import Suppliers	Share in Imports
1	China	28.1%	China	48.8%
2	India	15.8%	EU	10.4%
3	Turkey	9.6%	Uganda	6.9%
4	Belarus	8.0%	Belarus	5.6%
5	Kazakhstan	3.6%	Kazakhstan	3.2%

Source: Bloomberg

Russia has increasingly utilised the RMB for trade settlements as a means to reduce reliance on the USD. According to the CBR, the share of RMB in Russia's export settlements increased rapidly from 0.4% to 34.5% between 2021 and 2023, and a similar rise for import settlements from 4.3%

to 36.4%. A bilateral local currency swap arrangement, worth RMB 150 billion, established in 2014 between the People's Bank of China and the CBR, has also been instrumental in providing liquidity in RMB for Russian entities.

China and Russia have strengthened their financial and economic cooperation within the BRICS+ mechanism. As the leading architects of the BRICS+ group, both China and Russia have sought to promote alternative financial systems to reduce dependence on the USD. There are also proposals for setting up an independent cross-border settlement and depository infrastructure. Besides, initiatives such as the BRICS Contingent Reserve Arrangement (CRA) with USD 100 billion in capital, along with increased infrastructure investments through the New Development Bank, underscore the strategic nature of this partnership. Through the New Industrial Revolution initiative under the BRICS partnership, cooperation in industrial development and technological innovation has further strengthened economic ties.

Russia's growth outlook remains solid with ambitious goals

Russia's economic outlook remains solid, bolstered by its internal strengths. Russia's robust education system, with a literacy rate exceeding 99% and more than 50% of adults holding tertiary degrees, produces a skilled workforce capable of driving an innovation-driven economy. A strong industrial base that leverages its vast natural resource wealth to generate consistent export revenues. Structural reforms, as outlined in Russia's national development goals through 2030, target multiple areas: surpassing global average GDP growth, boosting non-resource exports by 70%, increasing fixed asset investments by 70%, achieving sustainable population growth, modernising infrastructure, and ranking among the top 10 nations in education quality and research and development output. Furthermore, active participation in the fast-growing BRICS+ group would enhance Russia's economic resilience by expanding trade and investment with other emerging markets.

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