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INDEPENDENT NEWS FROM RUSSIA

OECD Slashes Russia Growth Forecast in Stark Coronavirus Warning

Even if the spread slows, the economic effects of coronavirus will last throughout 2020, new report says.

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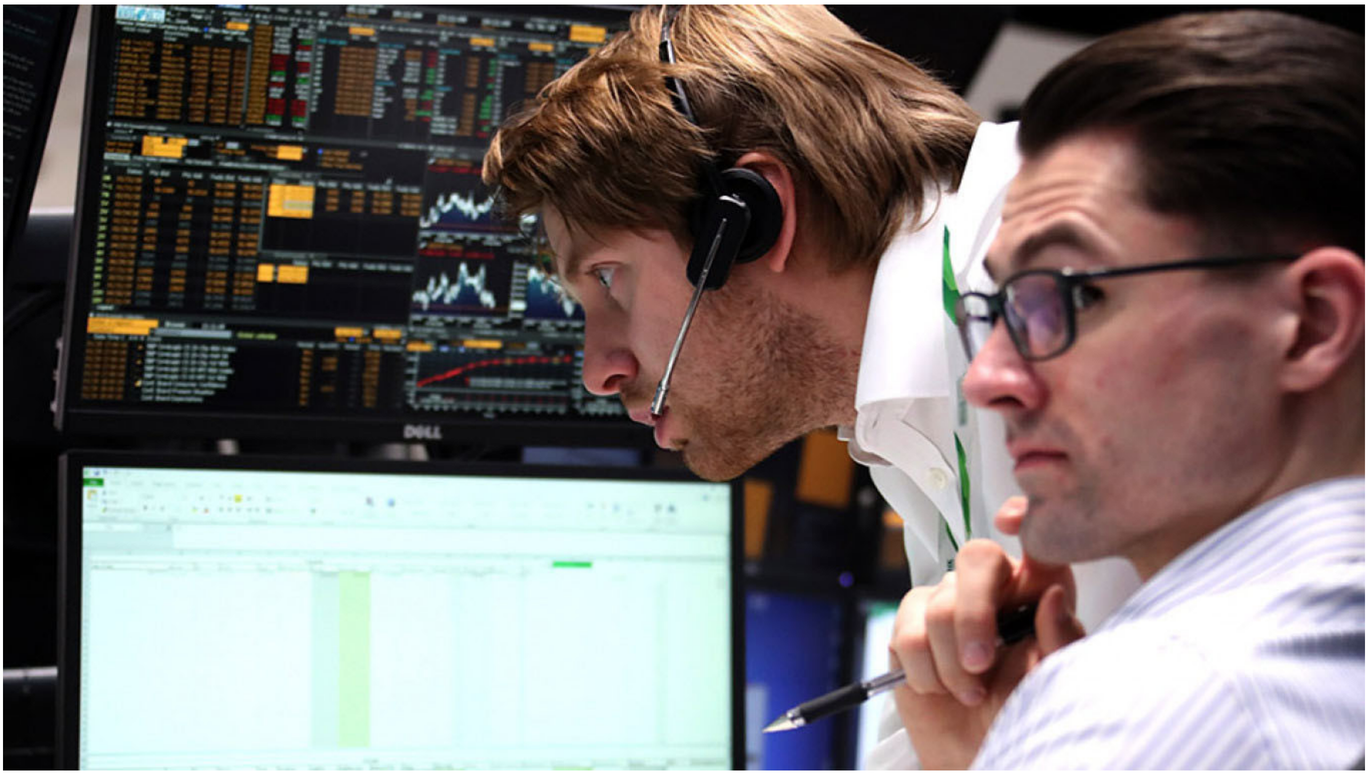

Russia could record its slowest growth rate in five years due to the coronavirus outbreak, the OECD has said. **Anton Novoderezhkin / TASS**

The Organization for Economic Cooperation and Development (OECD) has drastically cut its forecast for the Russian economy in a bleak report warning of the impact of the coronavirus outbreak.

The OECD now expects Russia's annual GDP growth to come in at just 1.2% in 2020 — down from the 1.6% it predicted at the end of last year.

The report, titled "Coronavirus: The World Economy at Risk" published Monday, comes after a historic week in the financial markets, which saw billions of dollars wiped out as stock markets tumbled. In Russia, the RTS index has dropped 21% in recent weeks, pushed lower as oil prices fell to near $50 a barrel. The ruble has also weakened by around 5% against the U.S. dollar.

After opening with strong gains in morning trading, stock markets in Russia and Europe lost momentum as the day progressed, leaving them still well below levels recorded before last week's rout.

Lower oil prices put pressure on the Russian state budget, which relies on oil exports for a significant portion of its income, just as President Vladimir Putin plans to increase spending in a bid to improve Russians' sluggish living standards.

Russia's economic development minister Maxim Reshetnikov also warned Monday that the impact of the coronavirus on the Russian economy will be worse than originally expected.

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The 0.4 percentage point reduction in the 2020 forecast for Russia was slightly better than the world economy as a whole, as the Paris-based economists slashed their prediction for global growth this year from 2.9% to 2.4%. It now predicts China, which has seen the vast majority of coronavirus cases and deaths, will record its lowest annual expansion in three decades at 4.9%.

The OECD said: "The coronavirus (COVID-19) outbreak has already brought considerable human suffering and major economic disruption. Governments need to act swiftly and forcefully to overcome the coronavirus and its economic impact."

Summarizing the economic effects of the disease so far, the report added: "The adverse consequences of these developments for other countries are significant, including the direct disruption to global supply chains, weaker final demand for imported goods and services, and the wider regional declines in international tourism and business travel."

Comparing the impact of the coronavirus with the 2003 SARS outbreak, the OECD said that "the global economy has become substantially more interconnected, and China plays a far greater role in global output, trade, tourism and commodity markets."

"This magnifies the economic spillovers to other countries from an adverse shock in China. Even if the peak of the outbreak proves short lived, with a gradual recovery in output and demand over the next few months, it will still exert a substantial drag on global growth in 2020."

In a Monday research note, VTB Capital's Neil MacKinnon said: "The coronavirus has happened at a time when the global GDP growth cycle was already in a downgrade and when world trade has slumped. Investors are acknowledging that the virus is not just a one-quarter hit to the Chinese and global economies."

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