



The Cambridge Security Initiative

RUSSIAN RECESSION HIDING BEHIND DOCTORED FIGURES

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Prime Minister Mikhail Mishustin's team's recommendation to [classify embarrassing economic figures](#) resulting from Russia's response to COVID-19 indicates what the world can expect of this prime minister, despite his stage-managed media image. Moreover, the statistics that he tried to suppress reflect increasingly untrustworthy official figures that nevertheless show Russia on course for a recession this year.

Ultimately fearing that to publish no statistics would be worse, Mishustin's compromise was to push the Federal State Statistics Service (Rosstat), part of the Ministry of Economic Development, to publish figures at night. This gives journalists less time to make sense of figures before reporting on them, if at all. However, the effort to bury bad news that undermines Kremlin narratives of economic success and self-sufficiency in the face of post-Crimea sanctions worries media, and investor, circles.

The official figures Moscow released for April included sharp drops in monthly GDP (-12 per cent) and retail turnover (-23.4 per cent). A significant rise in unemployment (+23 per cent from March 2020) brings the official rate for total unemployment to 5.8 per cent of the workforce. The real economic picture is bleaker yet. Independent estimates put the actual April drops in GDP at [20 per cent](#), compared with March 2020, and in retail sales at [28.5 per cent](#). Real unemployment figures are far higher since shadow labour market estimates range from [10 to 40 per cent](#) of the workforce, depending on definitions.

A key metric for Kremlin narratives, and so Mishustin's, is real disposable income. Rosstat puts last quarter's drop at only [0.2 per cent](#) but others estimate that the annual drop will be between [8 and 12 per cent](#). Add that to an overall drop of [7.5 per cent](#) since sanctions started and Russians today have [nearly 20 per cent less](#) income compared to 2013. In a recent Higher School of Economics survey [nearly half](#) of respondents said they had either had income cut or lost it entirely due to COVID-19.

OUTLOOK

State manipulation of statistics is a tradition in Russia; Mishustin himself has a history of [aggressively suppressing](#) negative coverage. However, Russian authorities seem increasingly [disconnected from reality](#) during the COVID-19 pandemic. Sharp rises in unemployment, plus plummeting incomes and trust in national leaders – Mishustin and President Vladimir Putin both

recently hit a [low of 28 per cent](#), according to the Russian Public Opinion Research Center – equals a volatile mix. This explains why the Kremlin is pushing for the 01 July ballot on Putin’s term extension, mid-pandemic: secure approval now before the public mood sours even more.

Expect Russian leaders to deflect increasingly from their domestic failings this summer by commenting on other countries’ responses to COVID-19, especially the United States and in the European Union, as Russia enters a recession. On current trends, it could last [until early 2022](#).