

# RUSSIAN ECONOMY




# Introduction

- The **economy of Russia** is the [ninth largest](#) economy in the world by nominal value and the [sixth largest](#) by [purchasing power parity](#) (PPP)
- The country has more [higher education](#) graduates than any other country in Europe
- The largest communist country before the break-up of the Soviet Union
- Russia is the world's [leading natural gas exporter](#) and [the second leading oil exporter](#).
- [Oil](#), [natural gas](#), [metals](#), and [timber](#) account for more than 80% of Russian exports abroad

# After the fall of the Soviet Union

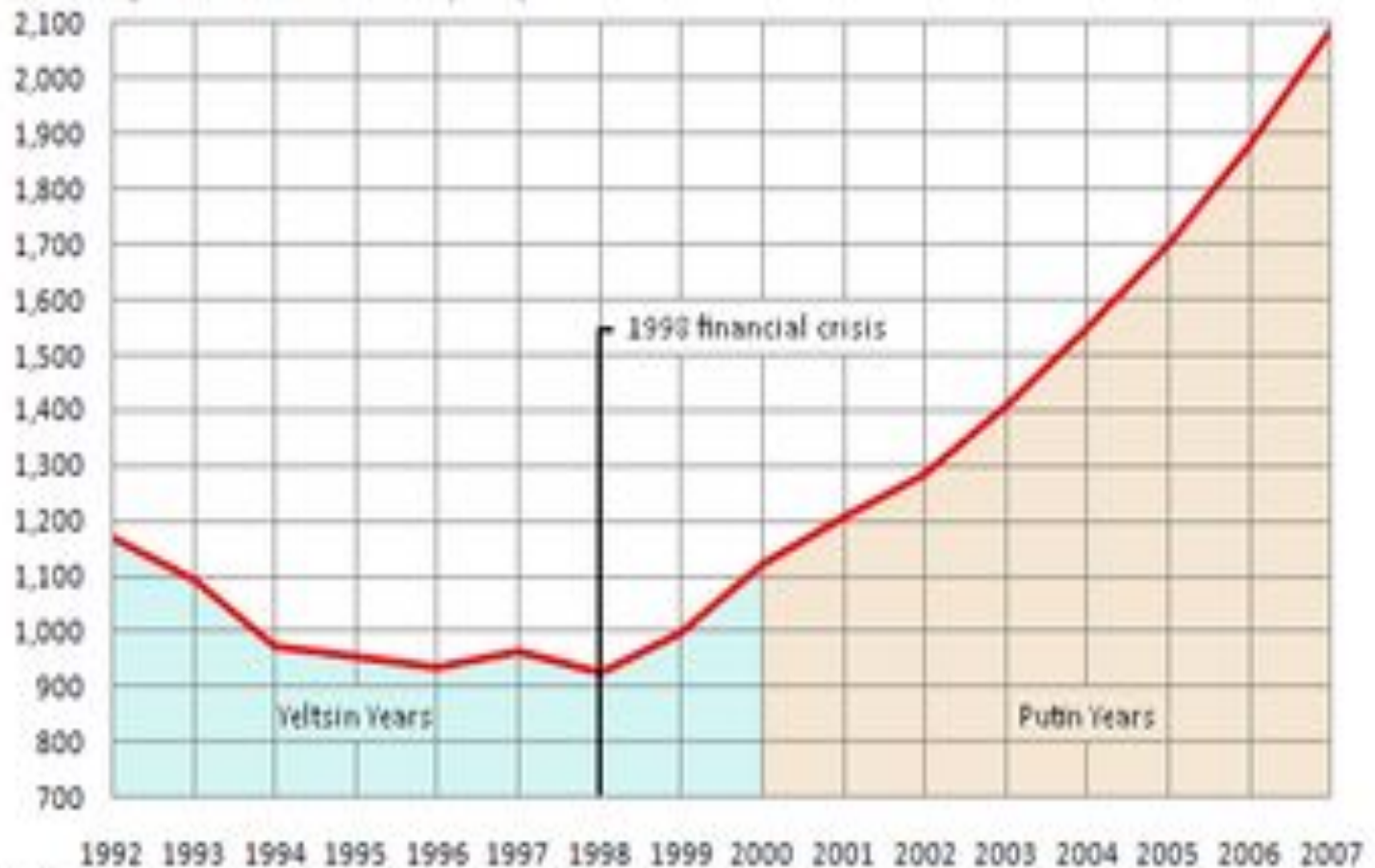
- Russia has tried to develop a [market economy](#)
  - A market economy is economy based on the division of labor in which the prices of goods and services are determined in a free price system set by supply and demand
- In October 1991, Yeltsin announced that Russia would proceed with radical, market-oriented reform along the lines of [«shock therapy»](#)
  - In economics, shock therapy refers to the sudden **release of price and currency controls**, withdrawal of state subsidies, and immediate trade liberalization within a country, usually also including large scale privatization of previously public owned assets
- Hyperinflation
  - A condition in which prices increase rapidly as a currency loses its value.

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- Russian Financial crisis in 1998
  - Corruption in the government officials
  - Government acting as a Mafia
  - The largest state enterprises were controversially privatized by President Boris Yeltsin to insiders for far less than they were worth
  - Many Russians consider these infamous "[oligarchs](#)" to be thieves
    - a form of government in which power effectively rests with a small elite segment of society
  - Through their immense wealth, the oligarchs wielded significant political influence

# Putin Years

## Russian GDP (PPP) Since Fall of Soviet Union

*Billions of International Dollars (2008)*



Source: International Monetary Fund (<http://www.imf.org>)



- [Nominal Gross Domestic Product](#) (GDP) doubled, climbing from 22nd to 11th largest in the world
- The economy made [real gains](#) of an average 7% per year making it the 6th largest economy in the world in [GDP\(PPP\)](#)

| Years | Percentage(%) |
|-------|---------------|
| 2000  | 10            |
| 2001  | 5.7           |
| 2002  | 4.9           |
| 2003  | 7.3           |
| 2004  | 7.2           |
| 2005  | 6.5           |
| 2006  | 7.7           |
| 2007  | 8.1           |
| 2008  | 5.6           |

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- During Putin's eight years in office, industry grew by 75%, investments increased by 125% and agricultural production and construction increased as well.
  - The volume of consumer credit between 2000–2006 increased 45 times
  - During that same time period, the middle class grew from 8 million to 55 million, an increase of 7 times
  - The number of people living below the poverty line decreased from 30% in 2000 to 14% in 2008
  - [Inflation](#) remained a problem however, as the government failed to contain the growth of prices
  - The Russian economy is still commodity-driven despite its growth

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- Payments from the fuel and energy sector in the form of customs duties and taxes accounted for nearly half of the federal budget's revenues
  - The large majority of Russia's exports are made up by raw materials and fertilizers, although exports as a whole accounted for only 8.7% of the GDP in 2007, compared to 20% in 2000
  - The income differentiation ratio shows that the 10% of Russia's rich live increasingly better than the 10% of the poor, amongst whom are mostly pensioners and unskilled workers in depressive regions



# Oil Prices



# Bibliography

- [Main data source: CIA World Fact Book](#)
- [www.imf.org](http://www.imf.org)