

Russian Federation

This annex refers to the release of the monitoring note of 21 May 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		a+
Reserve currency adjustment		0
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Weak
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Neutral
	Debt sustainability	Neutral
	Debt profile and market access	Weak
20%	Current account resilience	Weak
	External debt structure	Neutral
	Resilience to short-term shocks	Strong
20%	Banking sector performance	Neutral
	Banking sector oversight	Weak
	Financial imbalances	Weak
20%	Environmental risks	Weak
	Social risks	Weak
	Institutional and political risks	Weak
QS adjustment (notches)		-3
Additional considerations (notches)		-1
Final rating		BBB STA

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s)	8.7	10.7	11.3	11.5	10.0	10.8	11.5
Real GDP, % change	0.2	1.8	2.8	2.0	-3.0	3.0	2.7
Unemployment rate, %	5.3	5.1	4.8	4.6	5.9	5.4	4.9
CPI, % change	7.0	3.7	2.9	4.5	3.4	4.5	4.0
Policy rate, %, EOP	10.00	7.75	7.75	6.25	4.25	5.5	5.25
Fiscal balance, % of GDP	-3.7	-1.5	3.4	2.3	-4.8	-2.5	-1.5
General government debt, % of GDP, EOP	14.8	14.3	13.6	13.8	19.3	20	20
Current account balance, % of GDP	1.9	2.0	7.0	3.8	2.2	2.5	2.0

Yearly averages except where stated otherwise.

Source: Macrobond, IMF, Central Bank of the Russian Federation, Federal State Statistics Service, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

5y USD CDS spread (bps) as of 20 May 2021

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¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scopeeratings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Russia	May 2021	Assessment	Rationale
Peers*	Poland, Slovakia, Slovenia, Latvia, Bulgaria, Belgium, France		
Domestic economic risk	Growth potential	Weak	Low growth potential due to a weak investment environment and low levels of competition and innovation
	Monetary policy framework	Neutral	Credible central bank, commitment to inflation targeting, but weak domestic financial system limits effectiveness of monetary policy
	Macro-economic stability & sustainability	Weak	Over-reliance on the oil and gas sector
Public finance risk	Fiscal policy framework	Neutral	Prudent fiscal policy framework following the introduction of the fiscal rule
	Debt sustainability	Neutral	Resilient debt trajectory supported by low debt levels and sizeable fiscal assets
	Debt profile & market access	Weak	Moderate real interest rates but limited investor base with a less developed domestic capital market
External economic risk	Current account resilience	Weak	Reliance on commodities exposes Russia to shocks
	External debt structure	Neutral	Low external debt but declining FDI
	Resilience to short-term shocks	Strong	Robust external-creditor position, high foreign exchange reserves
Financial stability risk	Banking sector performance	Neutral	Comfortable liquidity and profitability levels. Banks' asset quality to weaken with higher NPLs.
	Banking sector oversight	Weak	Systemic risks, albeit at reduced levels in view of ongoing consolidation process
	Financial imbalances	Weak	State's dominant role in the banking sector represents contingent liability risk for the sovereign
ESG risk	Environmental risks	Weak	Elevated vulnerability to transition risks
	Social risks	Weak	Adverse demographics with a shrinking labour force, rising inequality
	Institutional and political risks	Weak	Persistent geopolitical risk, weak governance indicators

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.

Additional consideration: 1-notch negative adjustment to capture elevated geopolitical risks, including sanction risks, and material transition risks.