

Russian Federation

This annex refers to the release of the monitoring note of 11 December 2020

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 local currency 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	Weak
	Banking sector oversight	Weak
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Weak
	Institutional and political risks	Weak
QS adjustment (notches)		-3
Additional considerations (notches)		0
Final rating		BBB STA

Annex II: Selected indicators

Source: Macrobond, IMF, Central Bank of Russia, Scope Ratings GmbH

	2016	2017	2018	2019	2020E	2021F
GDP per capita (USD, '000s)	8.7	10.7	11.3	11.6	10.0	10.8
Real GDP, % change	0.2	1.8	2.5	1.3	-4.1	2.8
CPI, % change	7.0	3.7	2.9	4.5	3.2	3.2
General government balance, % of GDP	-3.7	-1.5	2.9	1.9	-5.3	-2.6
General government debt, % of GDP	14.8	14.3	13.5	13.9	18.9	19.0
Current account balance, % of GDP	1.9	2.0	6.9	3.8	1.2	1.8
Gross external debt, % of GDP	32.3	29.2	27.2	25.6	-	-

Annex III: Economic development and default indicators

IMF Development Classification²

EMDE

5y USD CDS spread (bps) as of 7 December 2020

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

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

Annex IV: Analytical rationale for QS assessments

Russia	December 2020	Assessment	Analytical rationale	
Peers *	China, Italy, France, Slovakia, Latvia, Bulgaria, Poland			
	Domestic economic risk	Growth potential	Weak	Low growth potential with a weak business climate and low levels of competition and innovation.
		Monetary policy framework	Neutral	Credible central bank, effective 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.	
	Debt sustainability	Neutral	Resilient debt trajectory supported by low debt and sizeable fiscal assets.	
	Debt profile & market access	Weak	Moderate real interest rates and 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 gross external debt, high foreign reserves, but declining FDI.	
	Resilience to short-term shocks	Strong	Robust external-creditor position.	
Financial stability risk	Banking sector performance	Weak	Moderate capitalization levels with weakened profitability due to high provisioning needs.	
	Banking sector oversight	Weak	Systemic risks, albeit at reduced levels in view of ongoing consolidation process.	
	Financial imbalances	Weak	Banks' asset quality to weaken with higher NPLs. Dominant state's role in the banking sector and economy.	
ESG risks	Environmental risks	Neutral	Rich in natural resources and low exposure to natural disasters risk but vulnerable to transition risks.	
	Social risks	Weak	Adverse demographics with a shrinking labour force; rising inequality.	
	Institutional and political risks	Weak	Persistent geopolitical risks and threat of possible new international sanctions.	

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