

Russia's socio-economic trends in the 21st century

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1) Population

1a) Population development in 2000-2020

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1b) Population development until 2050

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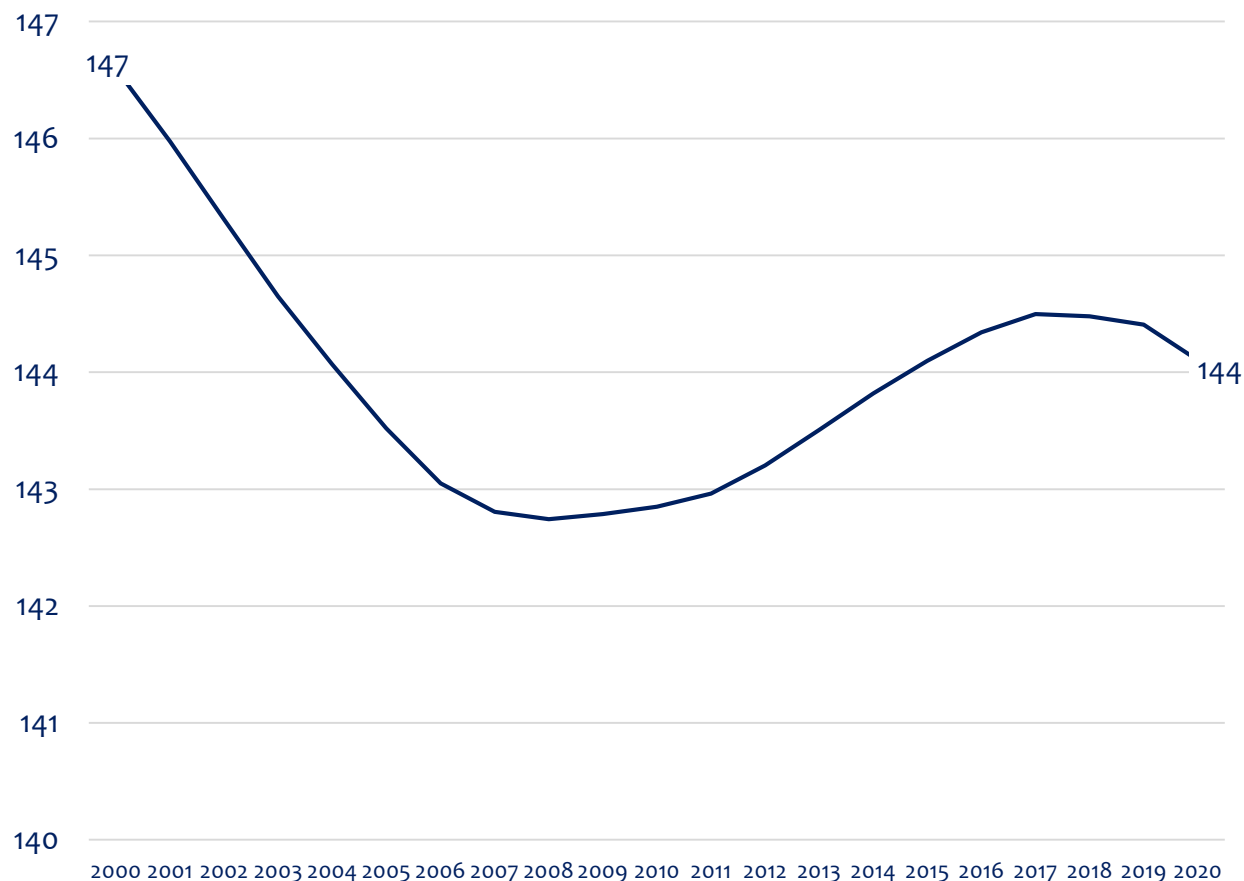
1c) Unemployment development

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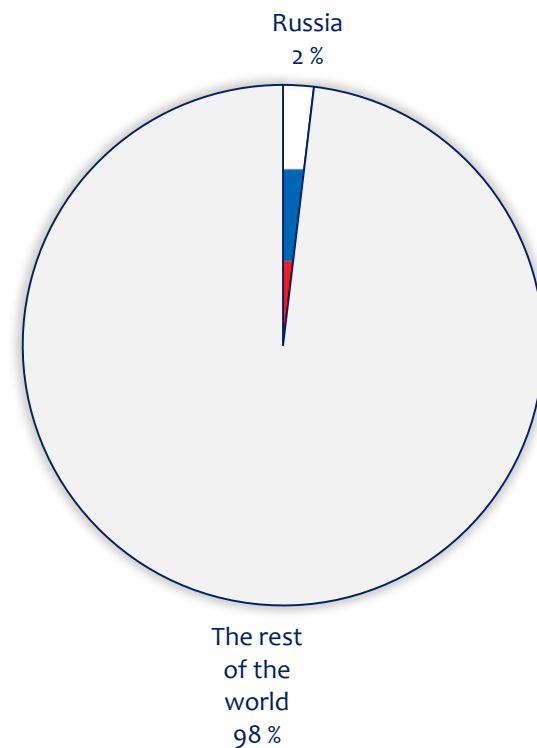


1a) Population development in 2000-2020

Population
(million)



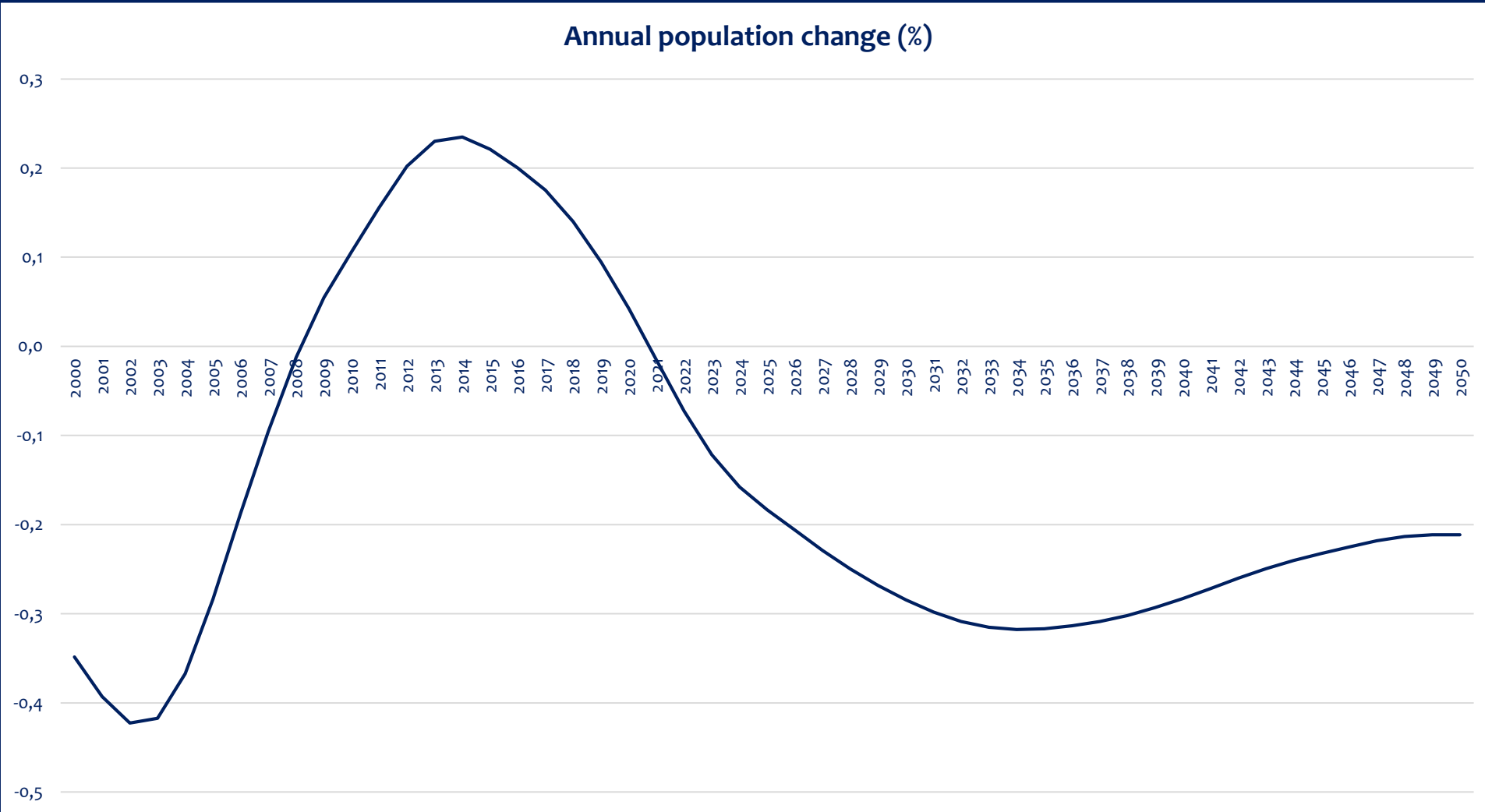
Russia's share in the world
population in 2020 (%)



$\frac{3}{4}$ of the Russians are Europeans, i.e. only $\frac{1}{4}$ of the Russian population lives in the Asian part of the Russian Federation. Russia has approximately a dozen cities with more than 1 million people. The population of Moscow exceeds 10 million.

Sources: World Bank; UNCTAD

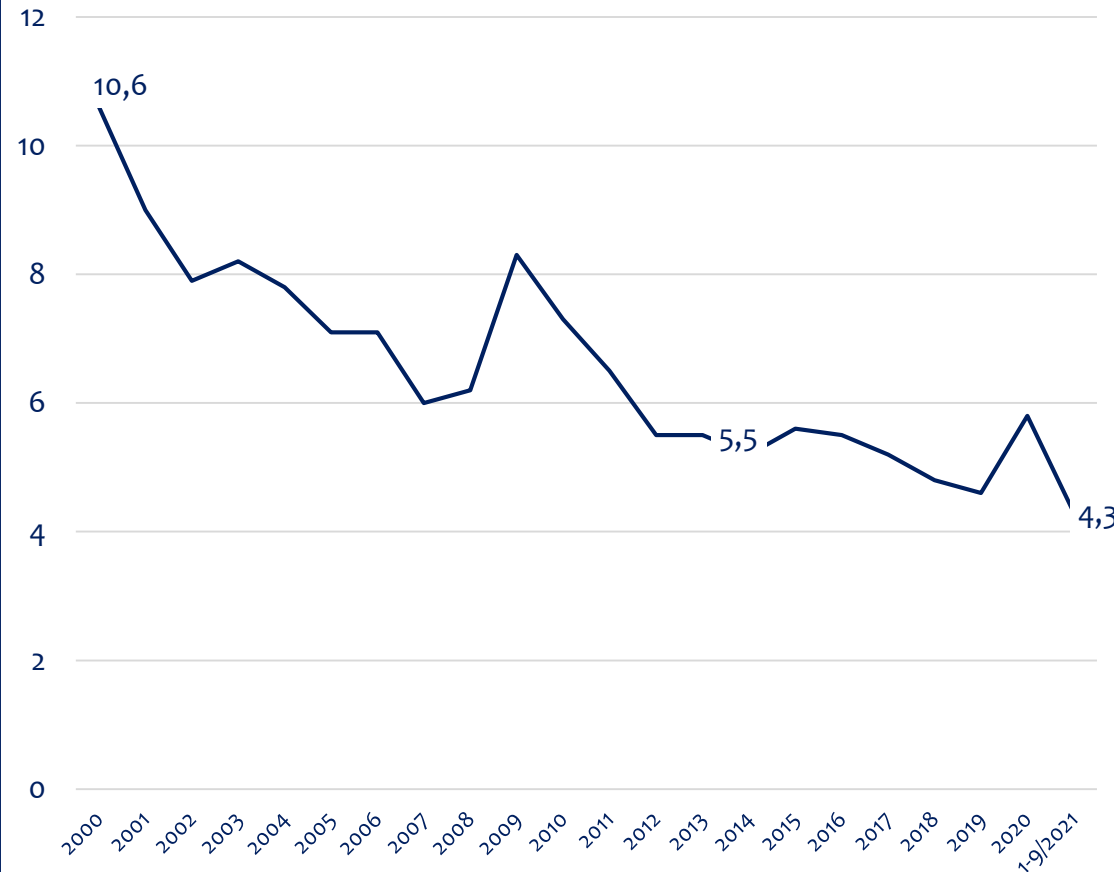
1b) Population development until 2050



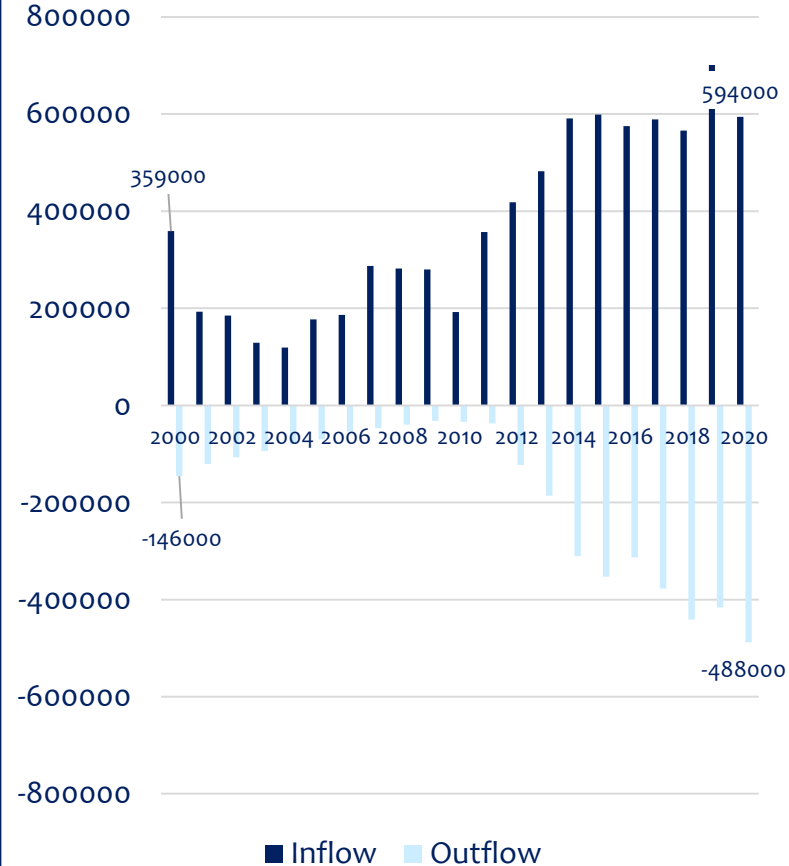
Russia's population increased during 2008-2020, but the population is expected to decline again in the foreseeable future. The UNCTAD forecasts that Russia's population will gradually decrease to 136 million in 2050.

1c) Unemployment development

Unemployment rate (%)



Russia's migration flows



Russia's employment situation has clearly improved in this millennium. Russia would not survive without a large number of immigrant workers from former Soviet republics – from Central Asian republics in particular. In the 2010's, Russia's migrations flows have grown, indicating an increasing brain drain, as the Russians are generally more educated than the immigrants arriving from other ex-Soviet republics to Russia.

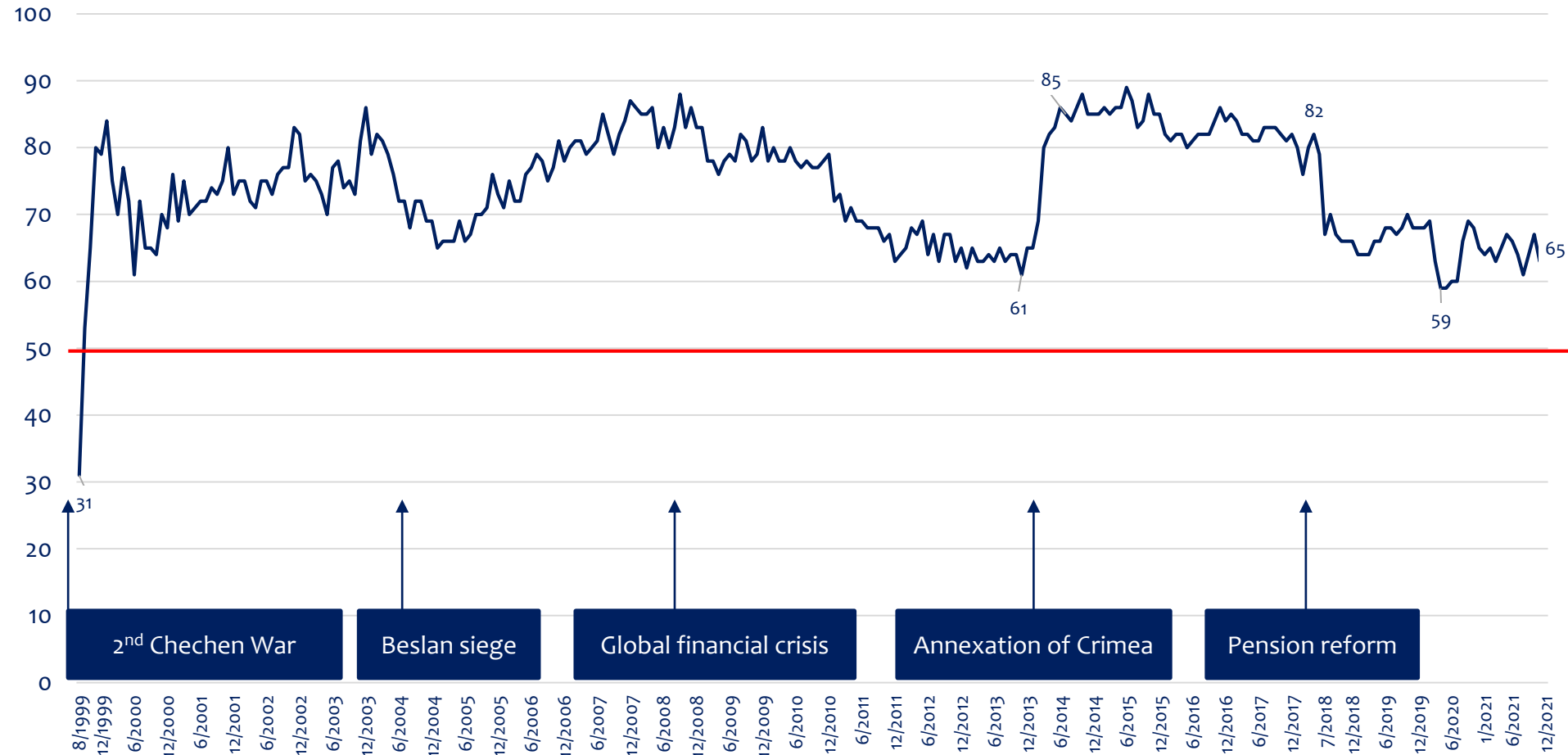
2) Politics, media and corruption

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2a) Development of Putin's approval rate

Vladimir Putin's approval rate (%)



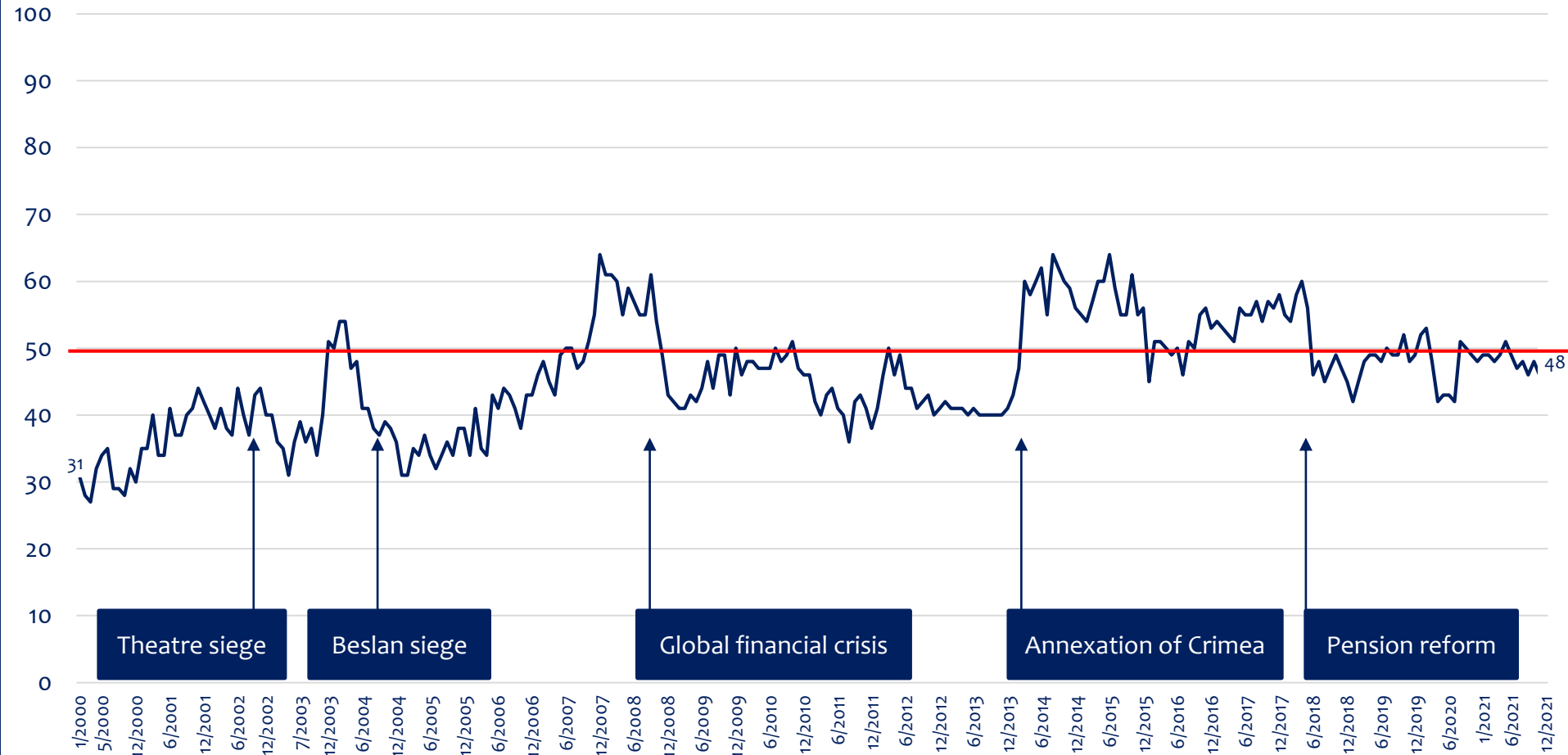
President Vladimir Putin's official approval rate is very high, i.e. 65% at the end of 2021.

It remains to be seen what will be the impact of the current relationship crisis between Russia and the West.

Source: Levada Center

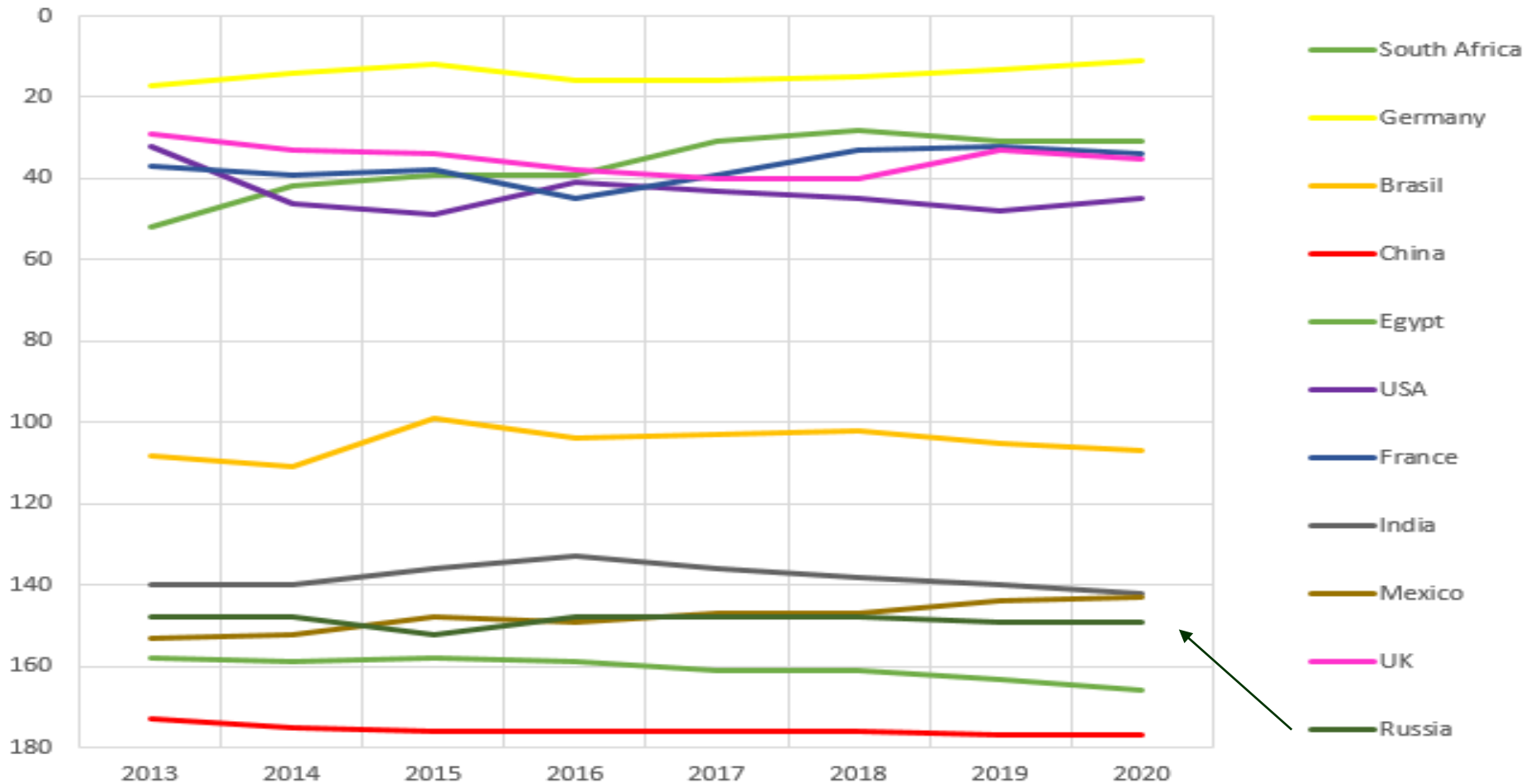
2b) Assessment of the country's development

A share of the Russians considering that the country is moving in the right direction (%)



In general, the Russians seem to consider that Russia has moved in a right direction since the beginning of the millennium. On the other hand, more than a half of the Russians do not think that the country is on a right path.

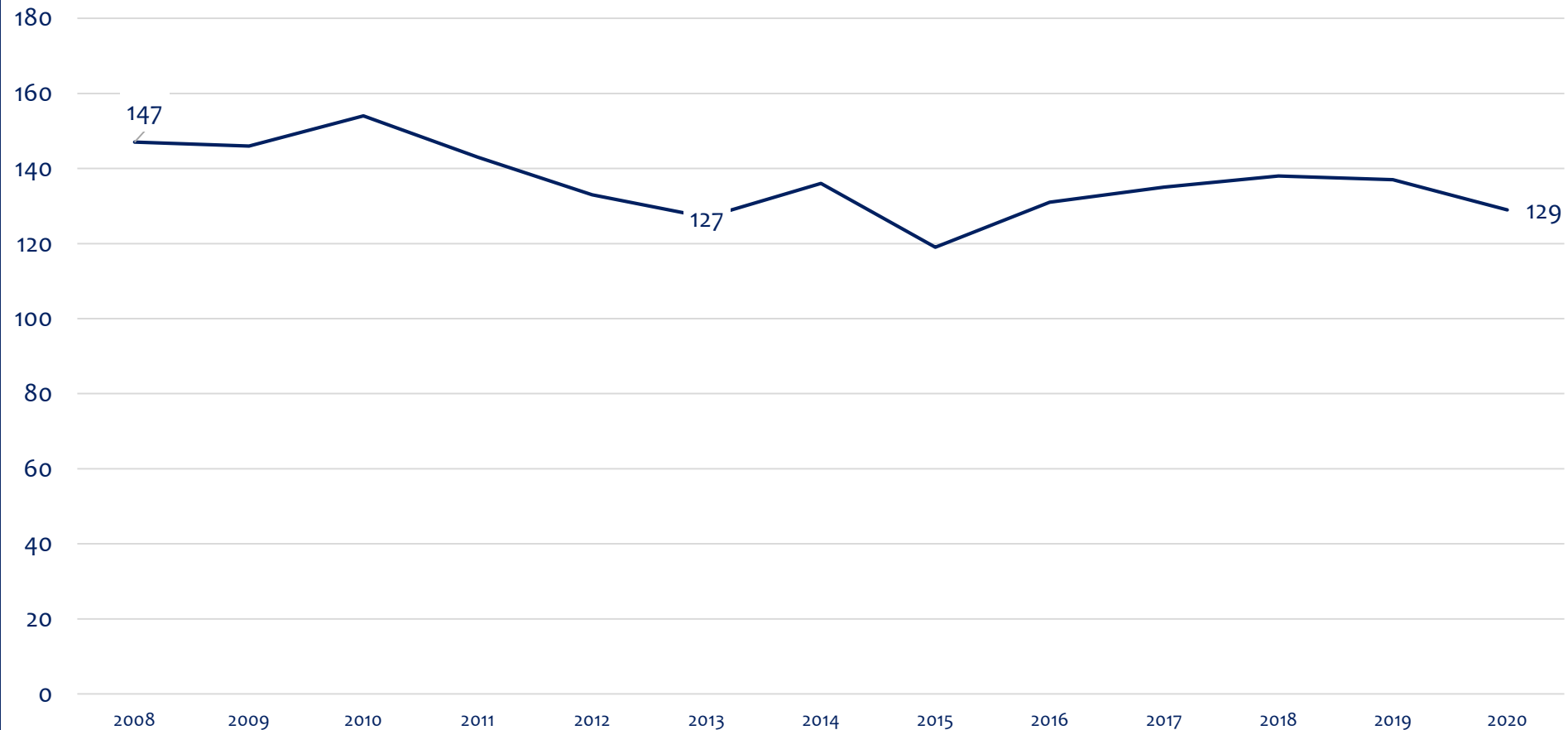
2c) Development of press freedom (higher the rank, lower the press freedom)



In an international comparison of press freedom, Russia ranks worse than India and Mexico, but clearly better than China. One cannot observe any significant progress in press freedom in Russia in 2013-2020. Should Russia wish to tackle corruption, it should put more emphasis on improving press freedom. If press freedom gets even worse in Russia, Russia's changes to return to a democratic path in the future are vague.

2d) Corruption development

Country's position in global corruption rank
(higher the rank – higher the corruption, 180 countries ranked)



Rigid bureaucracy with low salaries of civil servants, inefficient judicial system and weak independent media (weak control) are fuelling corruption in Russia. Transparency International ranks Russia Europe's most corrupt country. A similar corruption level as in Russia was discovered in the following countries: Azerbaijan, Gabon, Malawi and Mali.

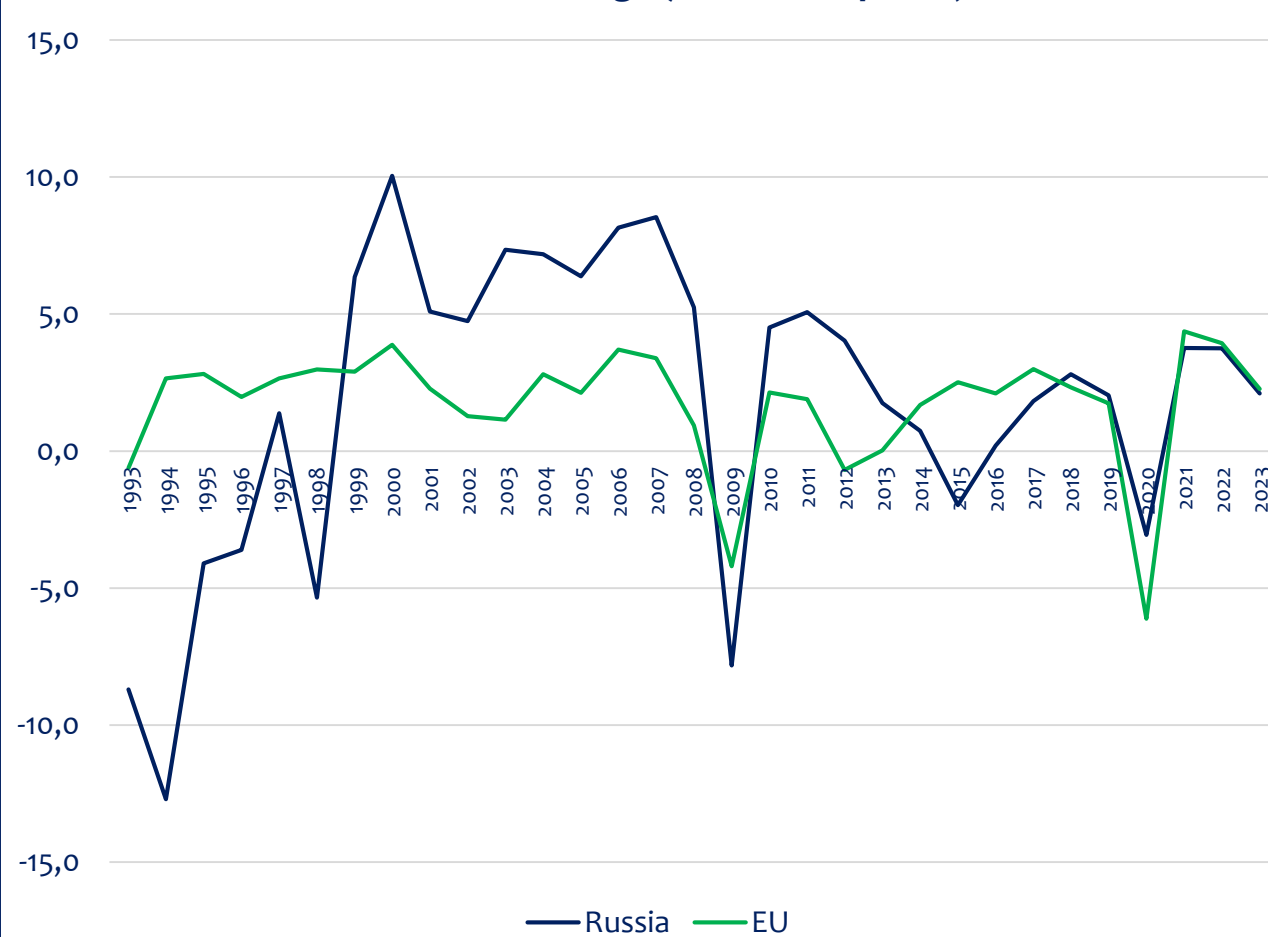
3) Economy

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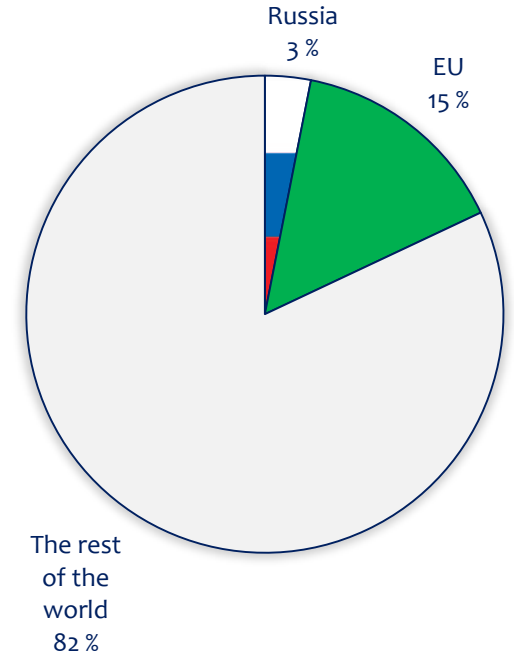


3a) Economic development

Annual GDP change (% , constant prices)



Russia's share in the world economy in 2021 (% , PPP)

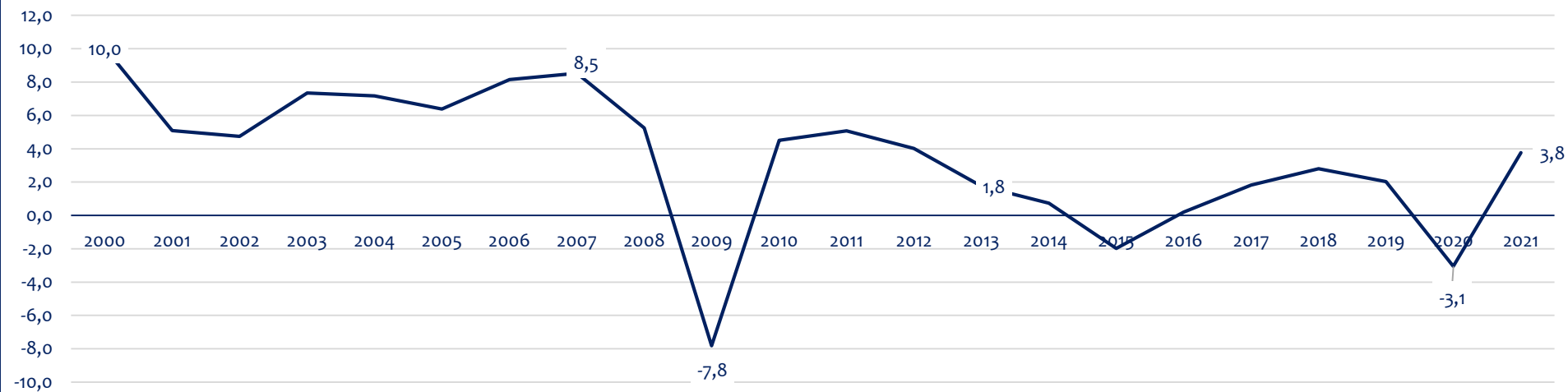


The IMF forecasts the Russian economy to grow some 2-4% annually during 2022-2023. Should Russia attack Ukraine that would obviously make the above IMF forecast invalid / over-optimistic.

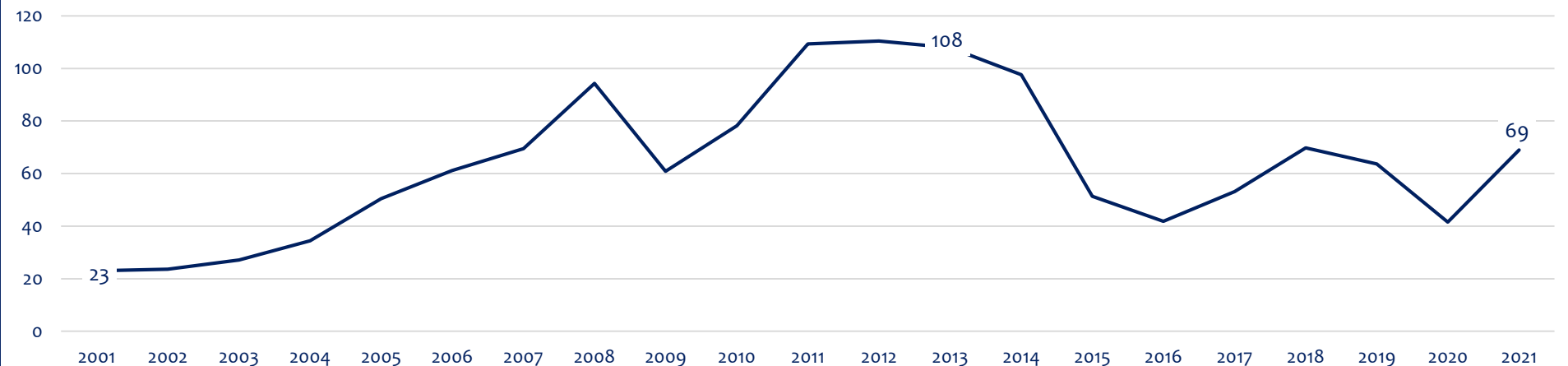
Source: IMF

3b) Economic development and oil price development

Annual GDP change (%)



Annual average price of Urals oil brand (\$ / barrel)

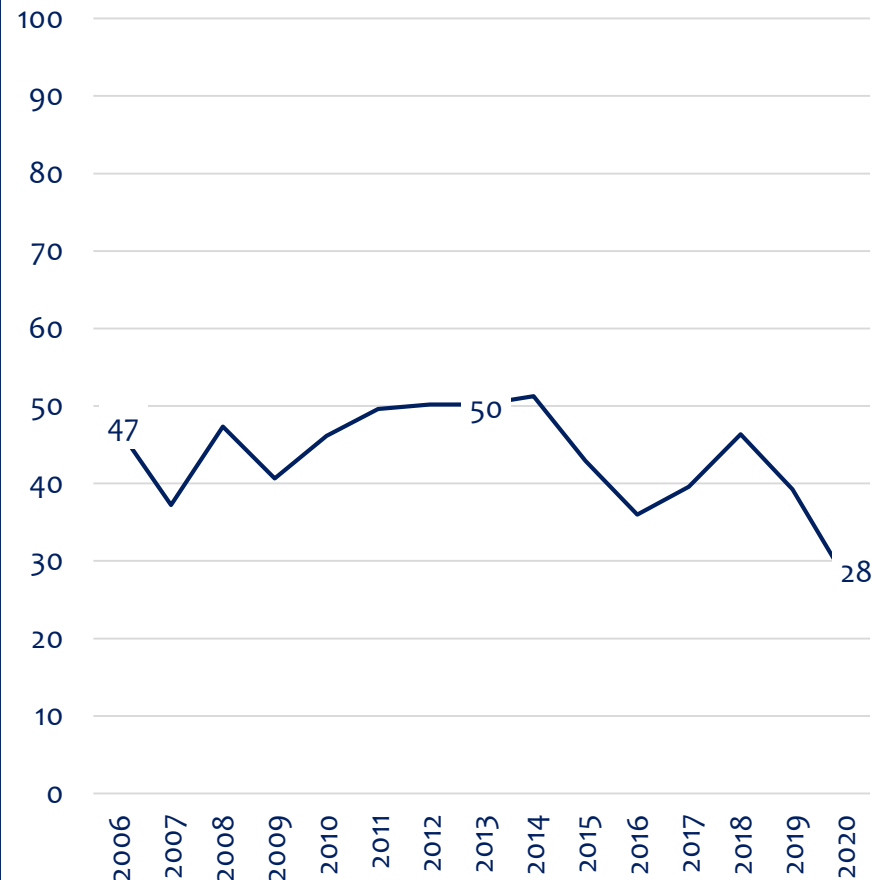


The fast annual GDP growth of 2021 is due to a low comparison point of 2020. The Russian economy develops hand in hand with oil price. In the beginning of February 2022, the Urals oil barrel valued at \$ 90.

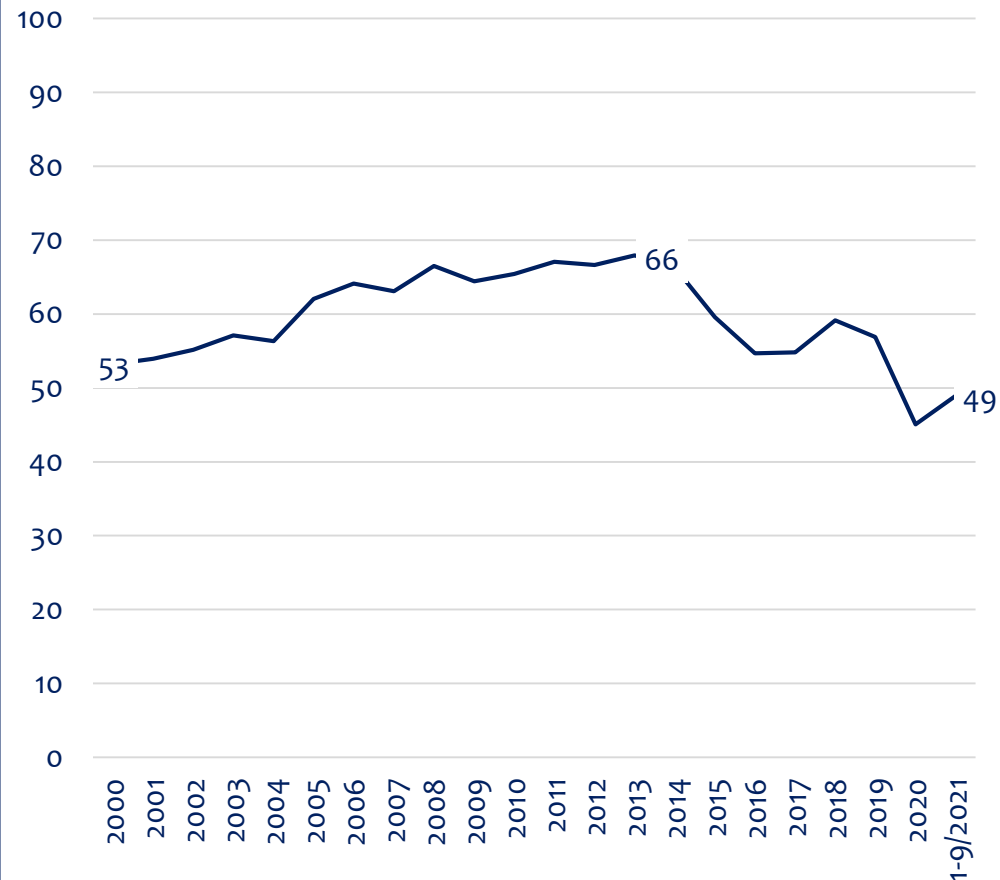
Sources: IMF;
BOFIT; Neste

3c) Oil and gas in Russia's budget and export revenues

Share of oil and natural gas in federal budget revenues (%)



Share of oil and natural gas in export revenues (%)

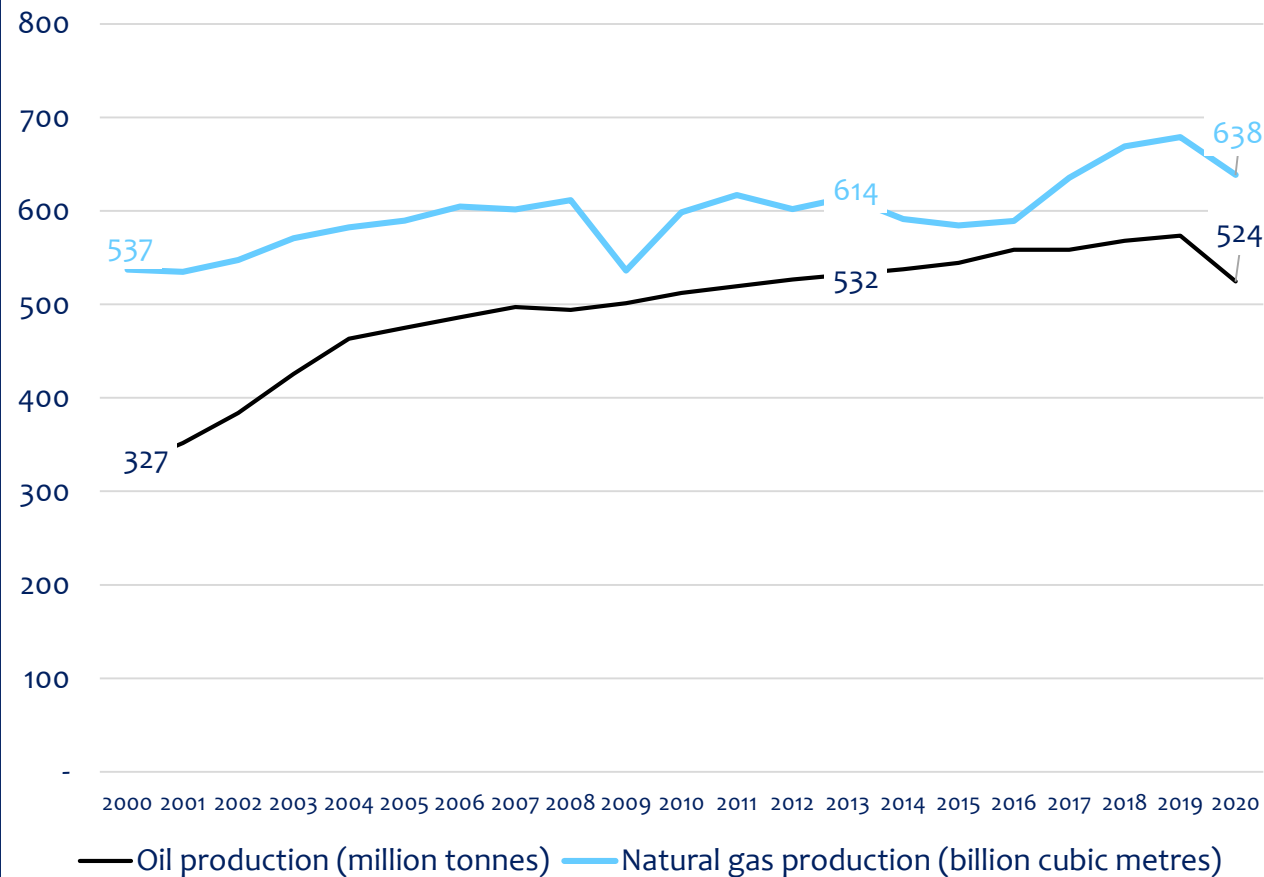


The share of oil and natural gas both in federal budget revenues and export revenues has decreased since the beginning of the Ukraine war. The share of oil and gas in federal budget revenues has declined due to the improvement of tax collection and due to the increase in the VAT revenues.

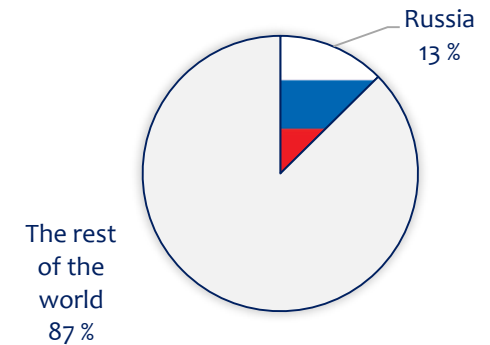
Sources: Ministry of Finance of Russia;
Central Bank of Russia

3d) Development of oil and gas production

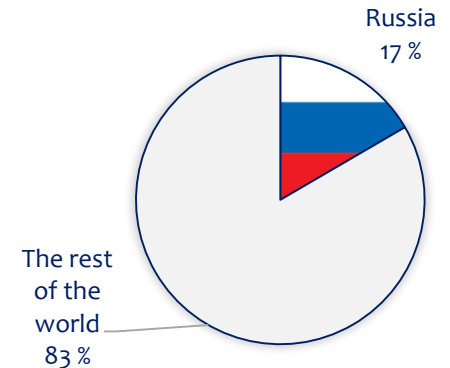
Russia's oil and gas production



Russia's share in global oil production in 2020



Russia's share in global natural gas production in 2020

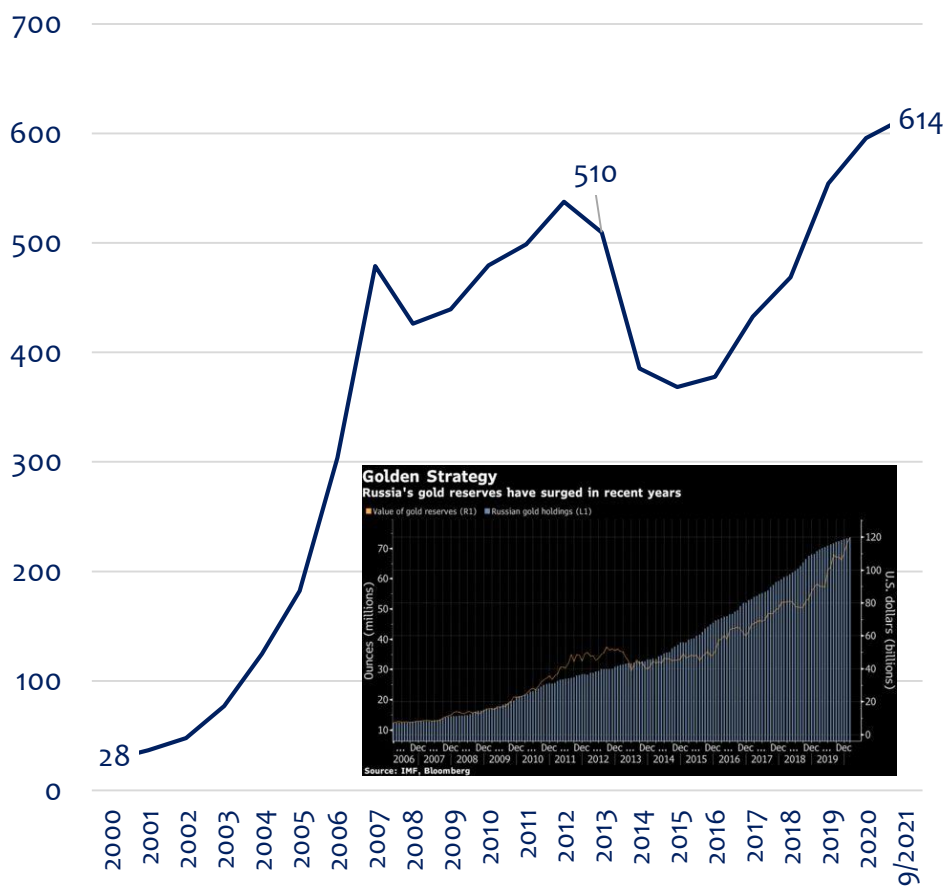


In 2020, Russia used 146 million tonnes of oil, i.e. the country may export nearly 400 million tonnes of oil. The state-owned company Rosneft is the main oil producer in Russia. It produced some 200 million tonnes of crude oil in 2020. In turn, state-owned Gazprom accounted for 2/3 of Russia's gas production in 2020.

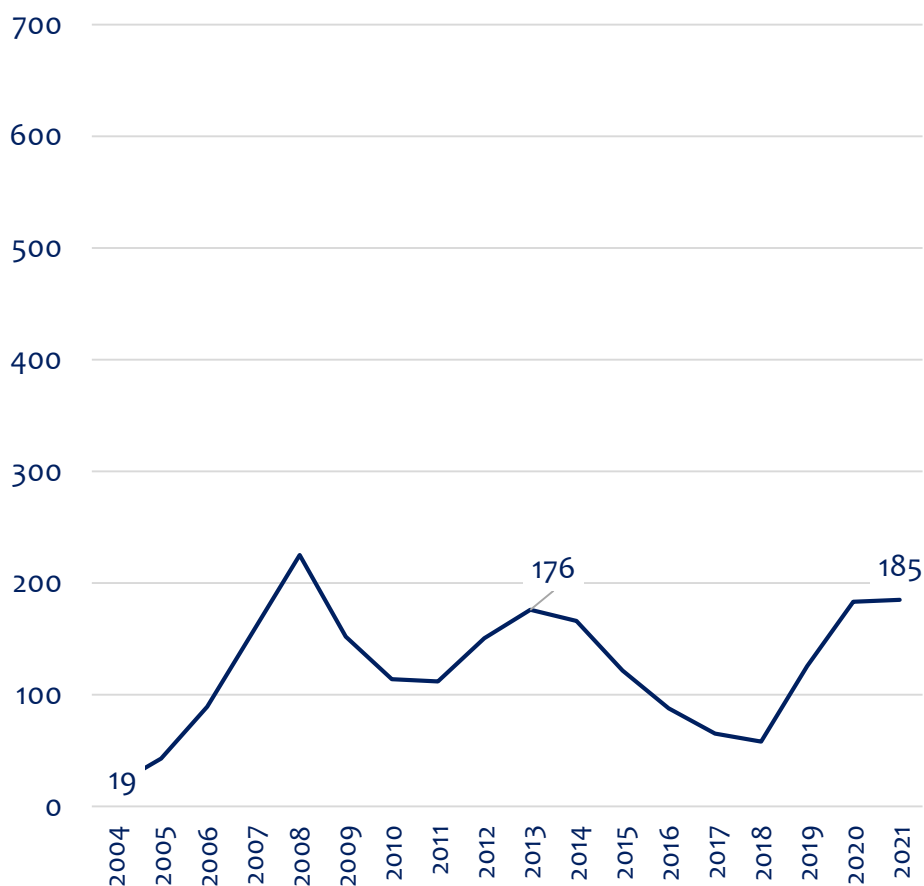
Russia consumed 411 bcm of natural gas in 2020, leaving approximately 230 bcm for exports.

3e) Development of forex reserves and oil funds

Forex reserves, including gold (\$ billion)



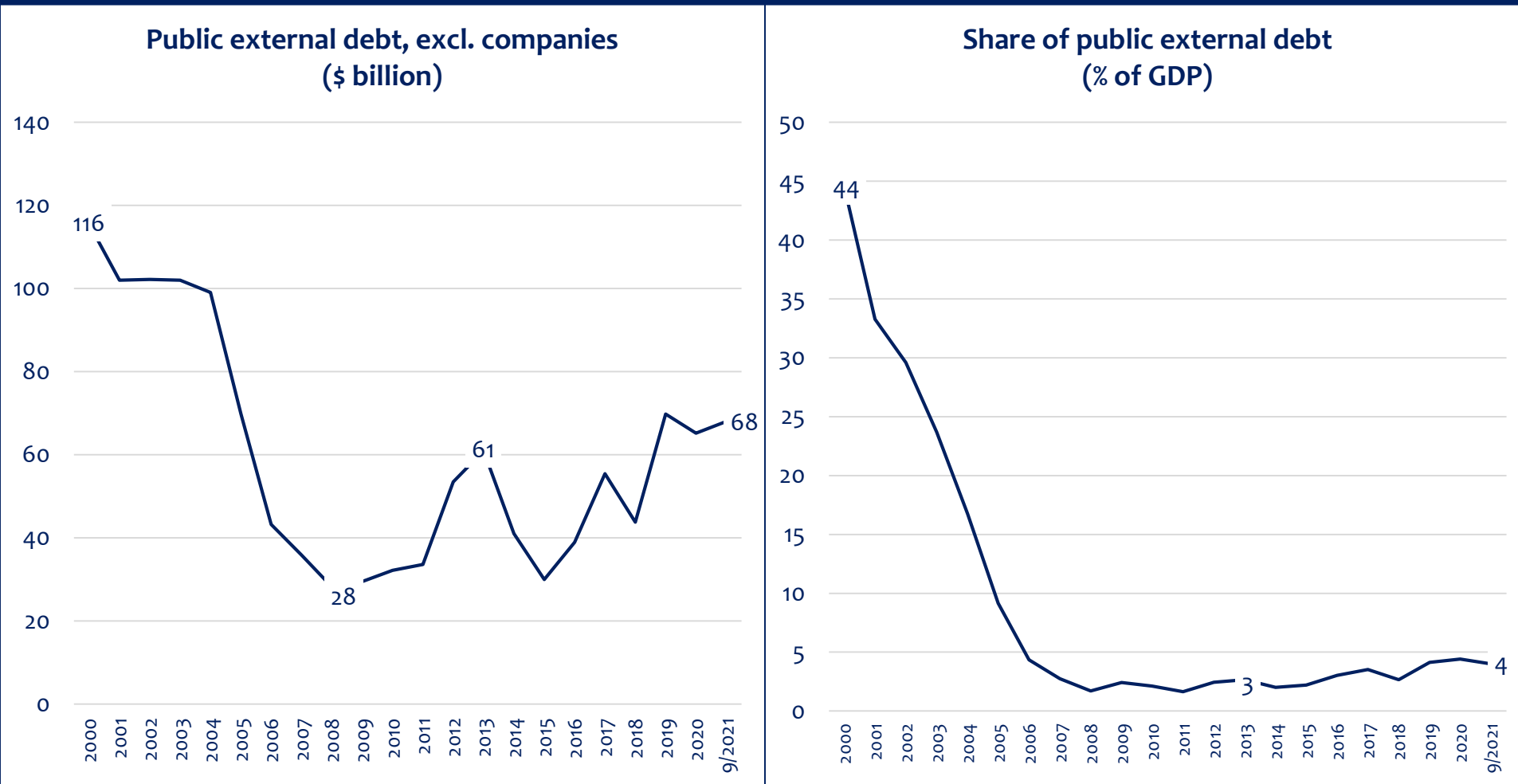
The value of oil funds (\$ billion)



Russia has the world's 4th largest forex reserves after China, Japan and Switzerland. At the end of 2021, its forex reserves valued at over \$ 600 billion. Russia's gold reserve volume has increased by 7 fold since 2006, as if Russia would have been preparing for a larger international crisis for a longer period of time. The value of Russia's oil funds approaches \$ 200 billion. Norway's oil fund is over 5 times larger than that of Russia.

Sources: BOFIT; Bloomberg; Norges Bank

3f) Development of public external debt



Even if Russia's public external debt has increased since the global financial crisis, Russia has extremely low public external debt-GDP ratio (4%). Moreover, Russia has very low public debt-GDP ratio (18%) compared to the EU (100%).

3g) Development of the Russian stock market (Moex index)

Russian stocks tumble

Moex index



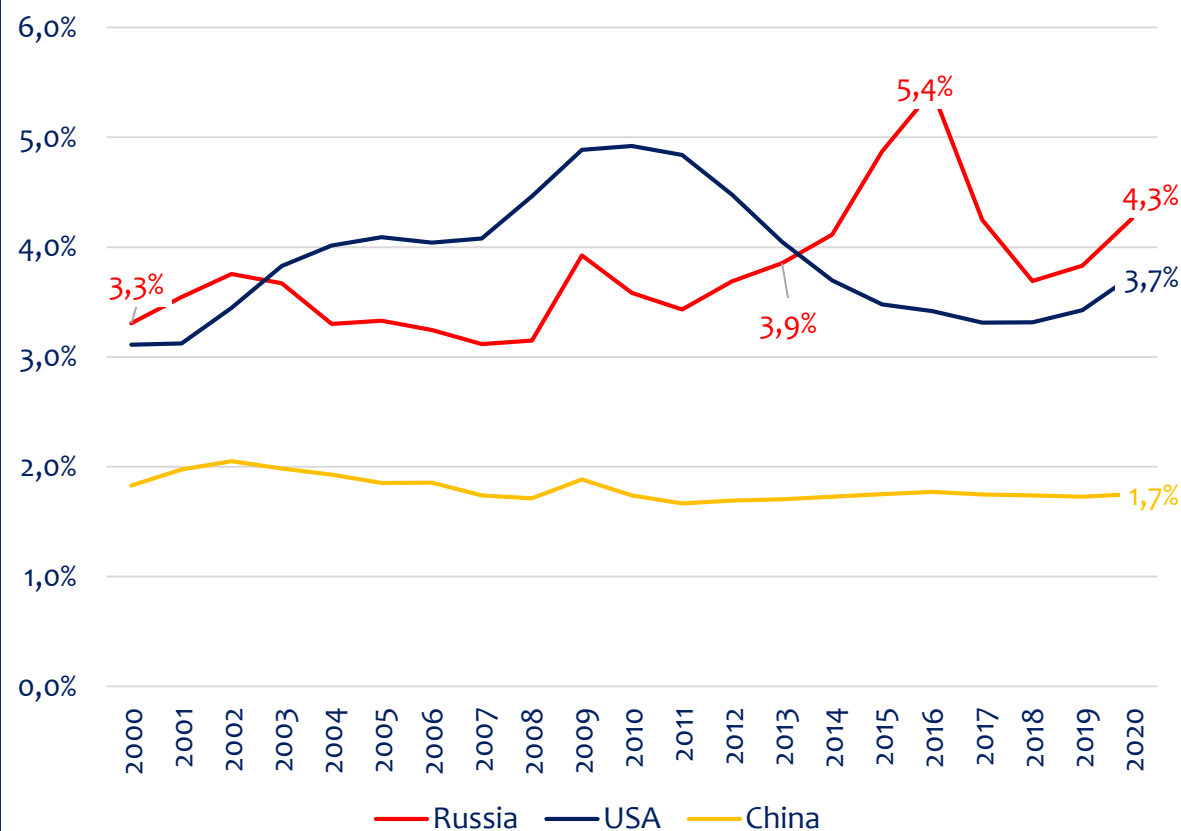
Source: Refinitiv
© FT

The development of the Moex index shows the devastating impact of Russia's war rhetoric on the Russian stock market.
Moex = Moscow stock exchange

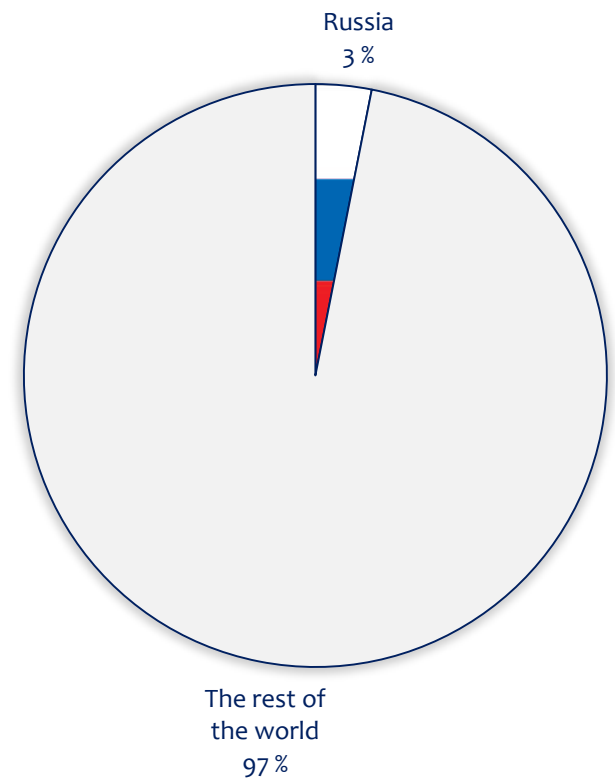
Source:
Financial Times

3h) Development of military expenditure

The military expenditure-GDP ratio (% of GDP)



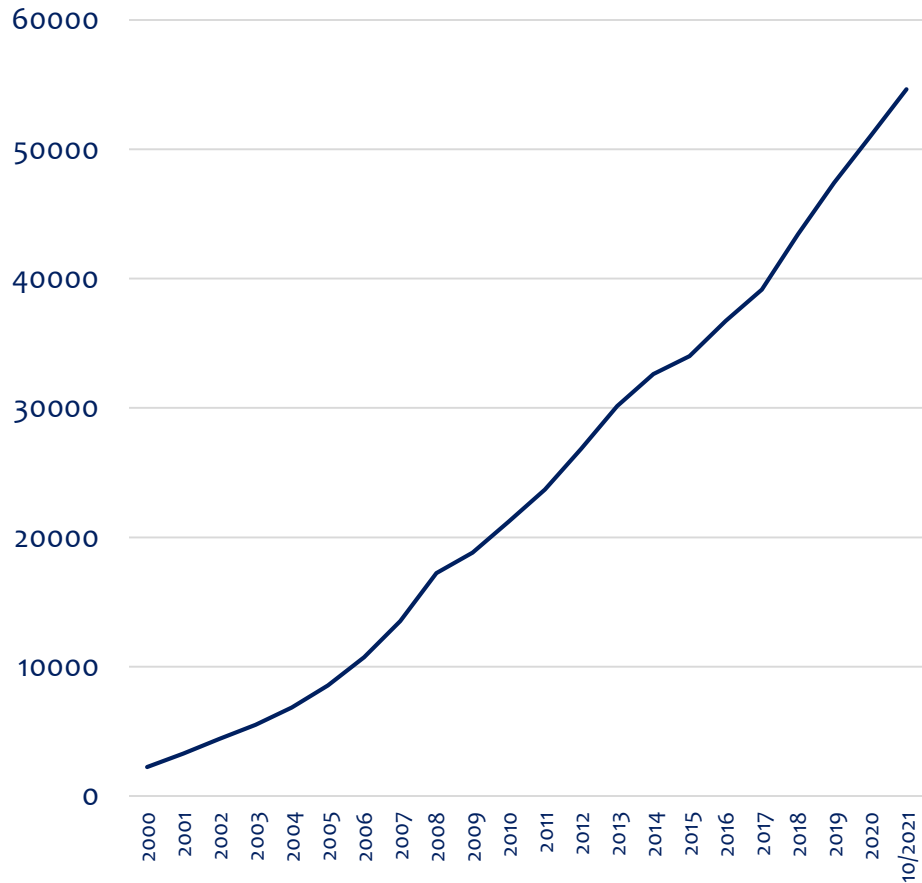
Russia's share in global military expenditure in 2020



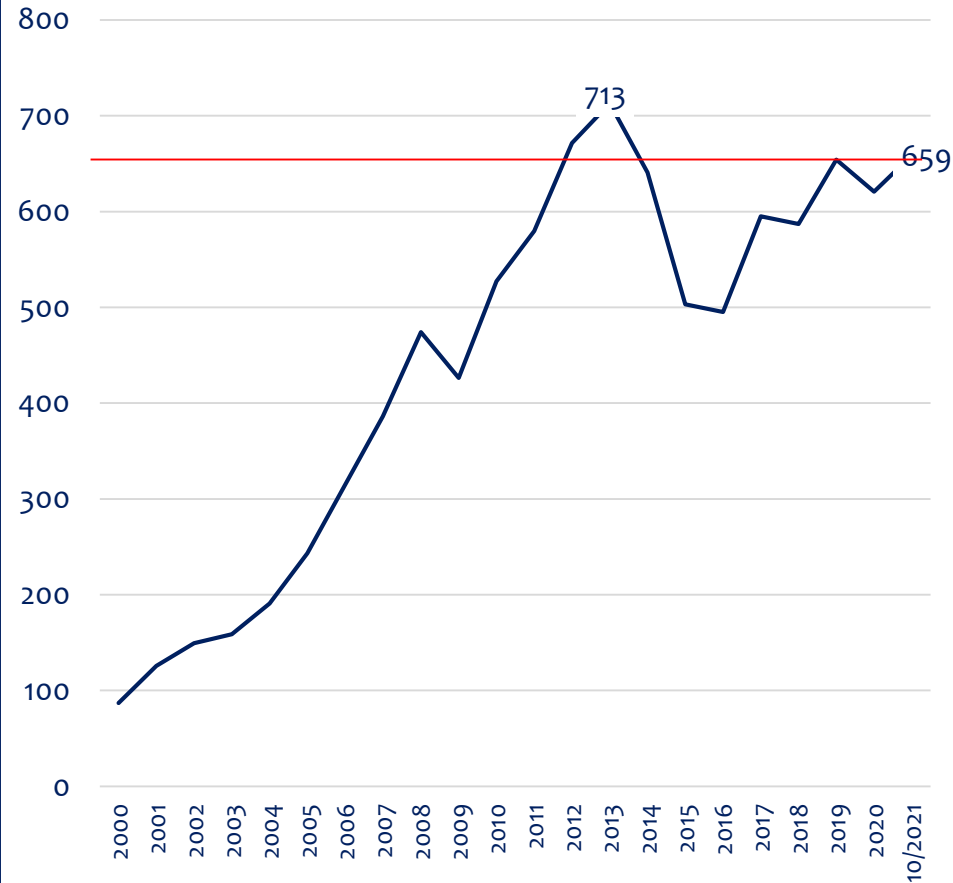
In relative terms, Russia uses more in its army than the USA or China, but in absolute terms, the US spending in military is more than 10 times larger than that of Russia. Despite its financial handicap, Russia has been more successful in developing its hypersonic missiles (Zircon) than the USA.

3i) Wage development

Average monthly wage (Roubles)



Average monthly wage (Euros)



Wages in Russia continue to grow, but on the other hand, Russia's inflation has been pretty high. For example, in 2021, inflation in Russia was 6.5%. As the exchange rate of the Russian Rouble has weakened, the monthly salary of an average Russian was in October 2021 at the level of 2012, i.e. a lost decade for an ordinary Russian in terms of increase in external buying power.

4) External economic relations

4a) Attitude development towards the Western powers

4b) Development of external value of the Russian Rouble

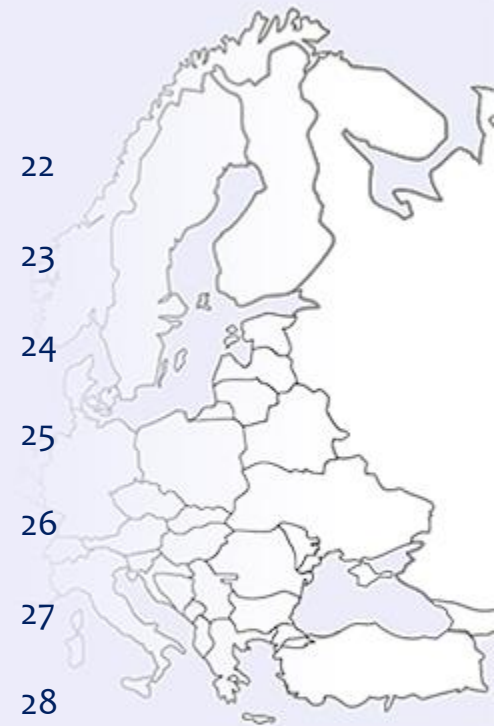
4c) Development of the Russian foreign trade

4d) Development of main partners in the Russian foreign trade

4e) Development of Russia's export volumes of oil and natural gas

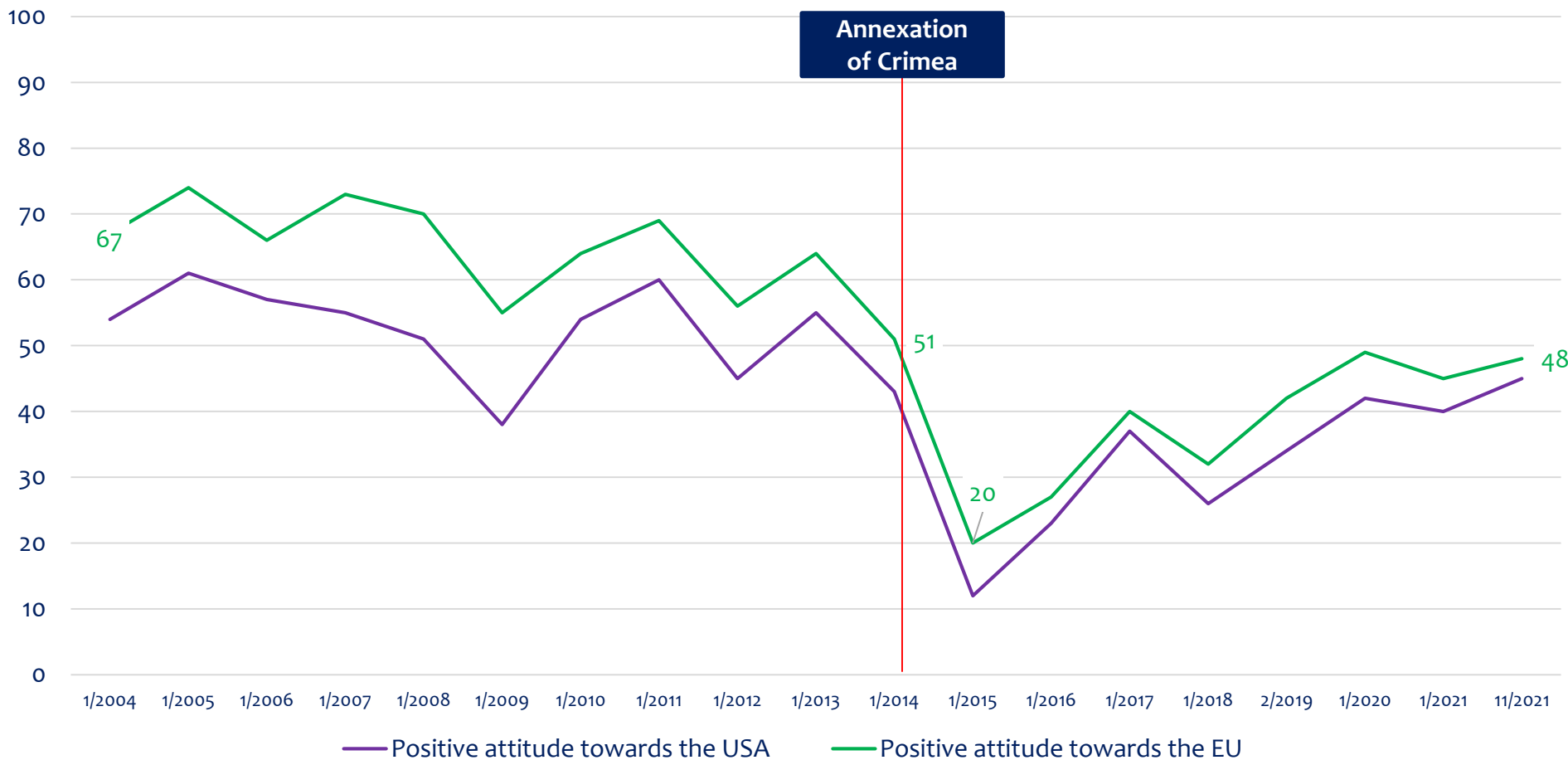
4f) Development of foreign direct investment inflow to Russia

4g) Development of the Russian capital boomerang



4a) Attitude development towards the Western powers

Positive attitude of the Russians towards the USA and the EU (%)



Should the Ukraine war escalate, the positive attitudes of the Russians towards the USA and the EU will drop dramatically. See the situation in the beginning of 2015, i.e. nearly a year after the illegal annexation of Crimea to the Russian Federation.

Source:
Levada Center

4b) Development of external value of the Russian Rouble

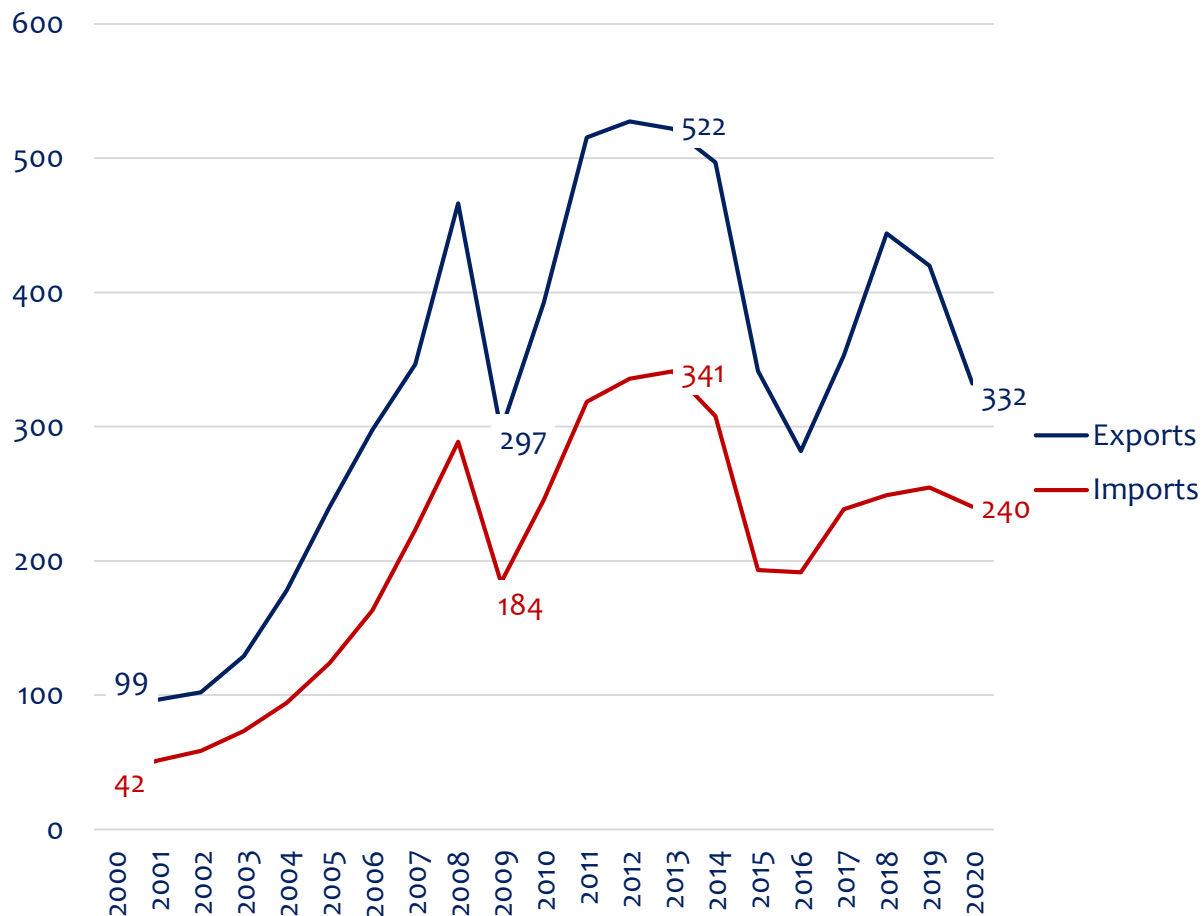


The Russian Rouble values 1/3 of the level before the global financial crisis. The Russia-originating tensions in the Ukrainian border have led to all time low of the Russian Rouble in the past 15 years.

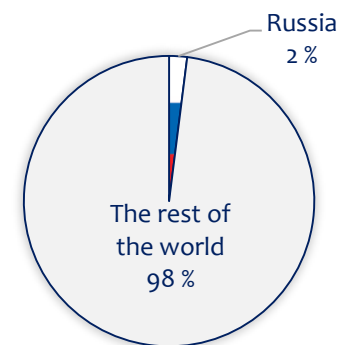
Source: European Central Bank

4c) Development of the Russian foreign trade

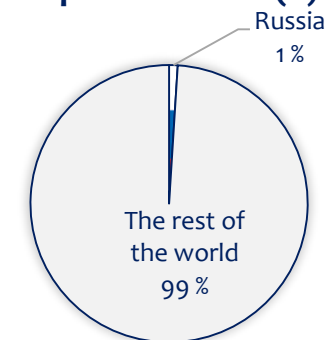
Exports and imports of goods (\$ billion)



Russia's share in the world exports in 2020 (%)



Russia's share in the world imports in 2020 (%)



In January-November 2021, Russia's exports increased by over 40% and its imports by nearly 30% compared to the corresponding time period in 2020. As the year 2020 was exceptional due to the corona pandemic, a more appropriate reference point would be 2019. In 2021, the Russian foreign trade was 16% larger than 2 years earlier.

4d) Development of main partners in Russian foreign trade

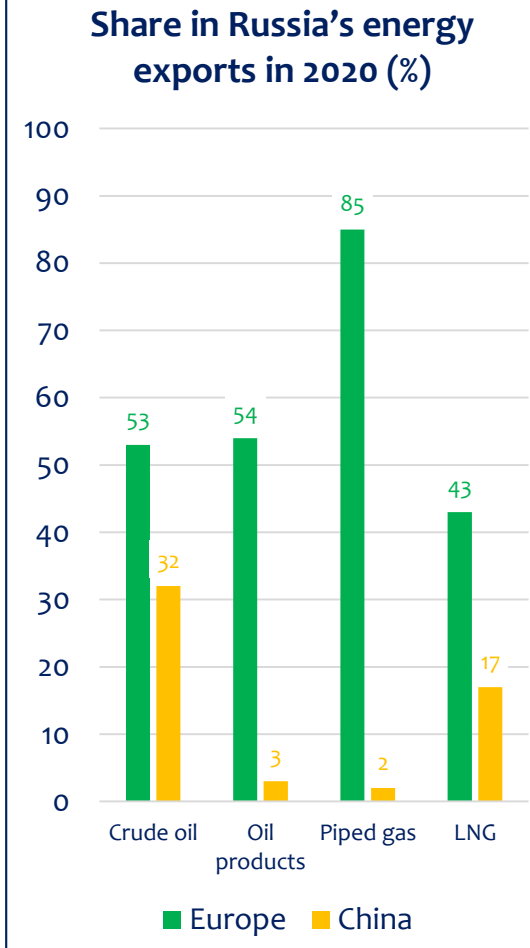
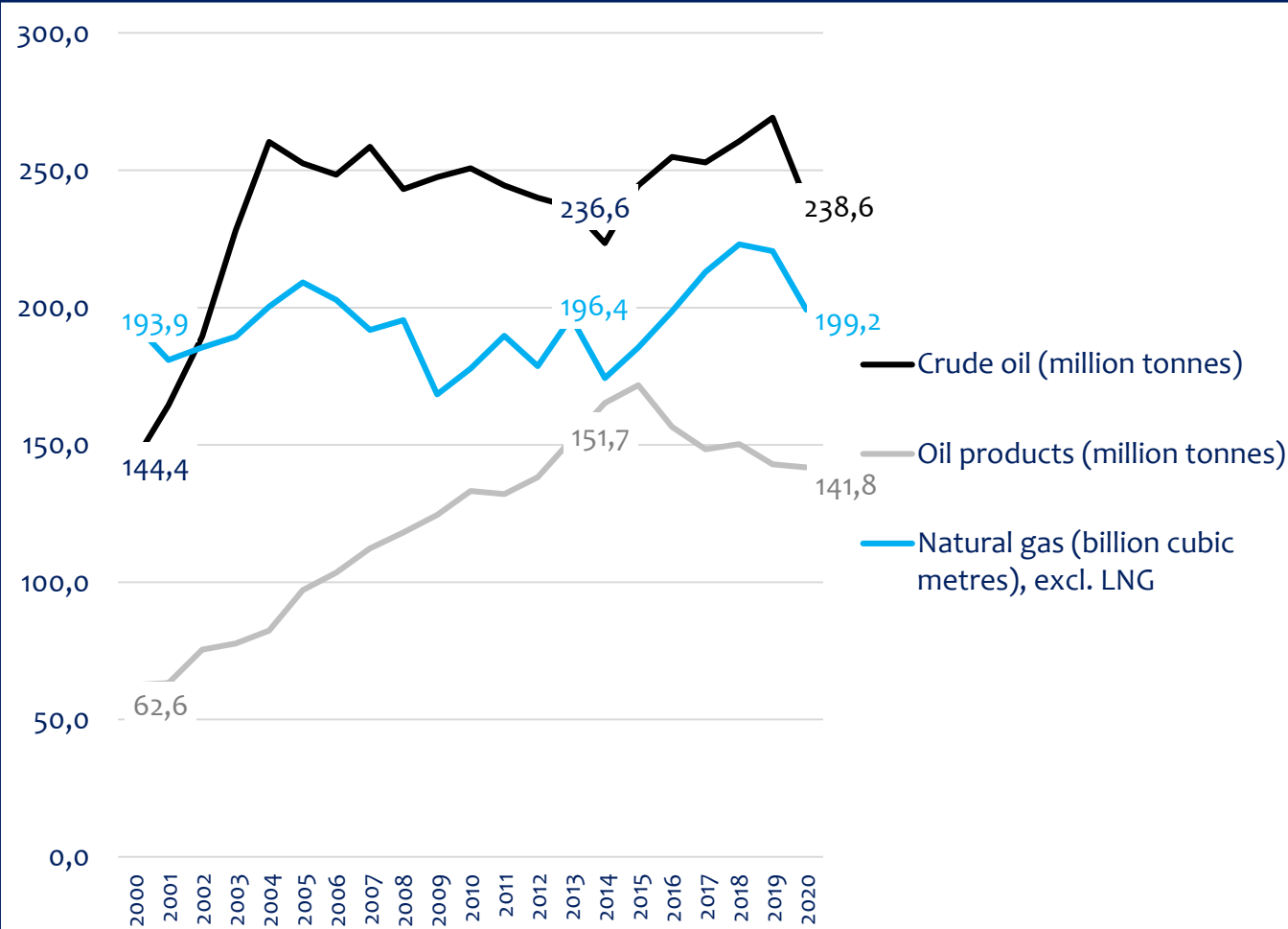


China's share in the Russian foreign trade has rapidly been increasing. Interestingly, China's shares have slightly declined during January-November 2021, whereas the US shares have increased.

However, it is too early to jump to any firm conclusions yet.

Source: Customs Russia

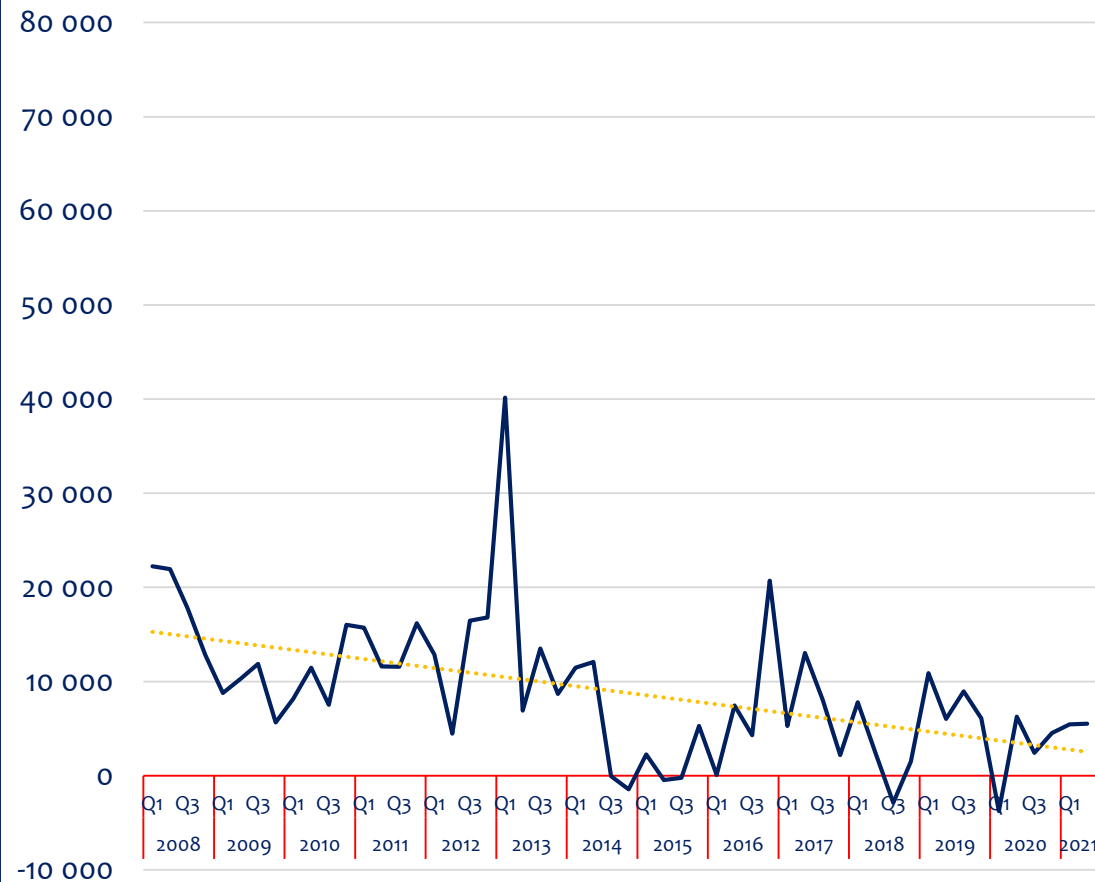
4e) Development of Russia's export volumes of oil and natural gas



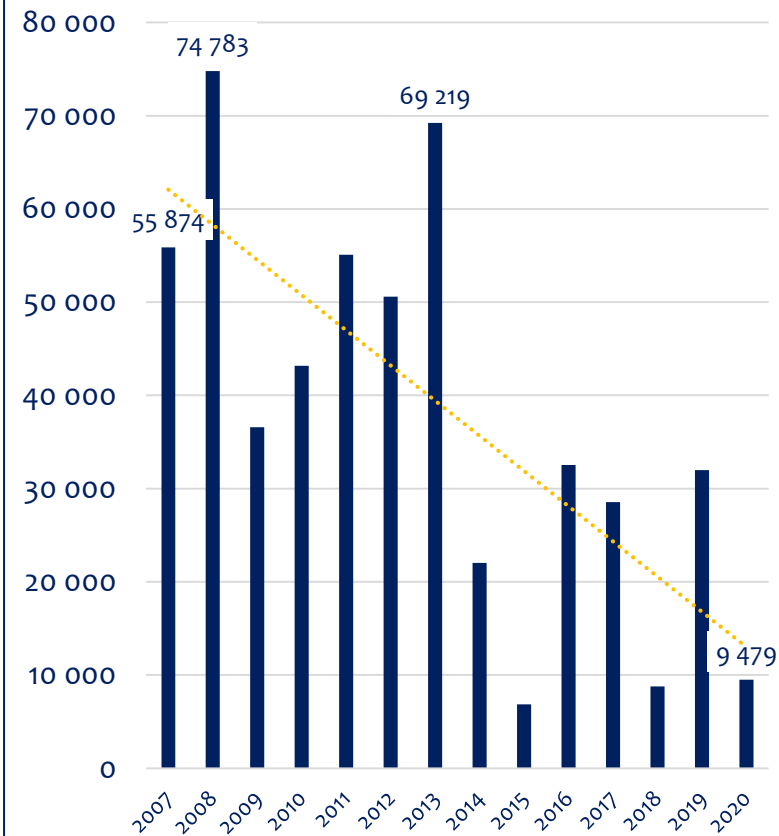
Russia's crude oil exports have increased by nearly 100 million tonnes since the beginning of the century. In turn, Russia's pipe gas exports have remained fairly unchanged during this millennium. On the other hand, Russia's LNG exports started in 2009 and they were already 40 bcm in 2020. For a closer analysis on Russia's LNG exports, see <https://link.springer.com/book/10.1007/978-3-030-80367-4>

4f) Development of foreign direct investment inflow

Quarterly foreign direct investment (FDI) inflow to Russia (\$ million)



Annual FDI inflow to Russia (\$ million)

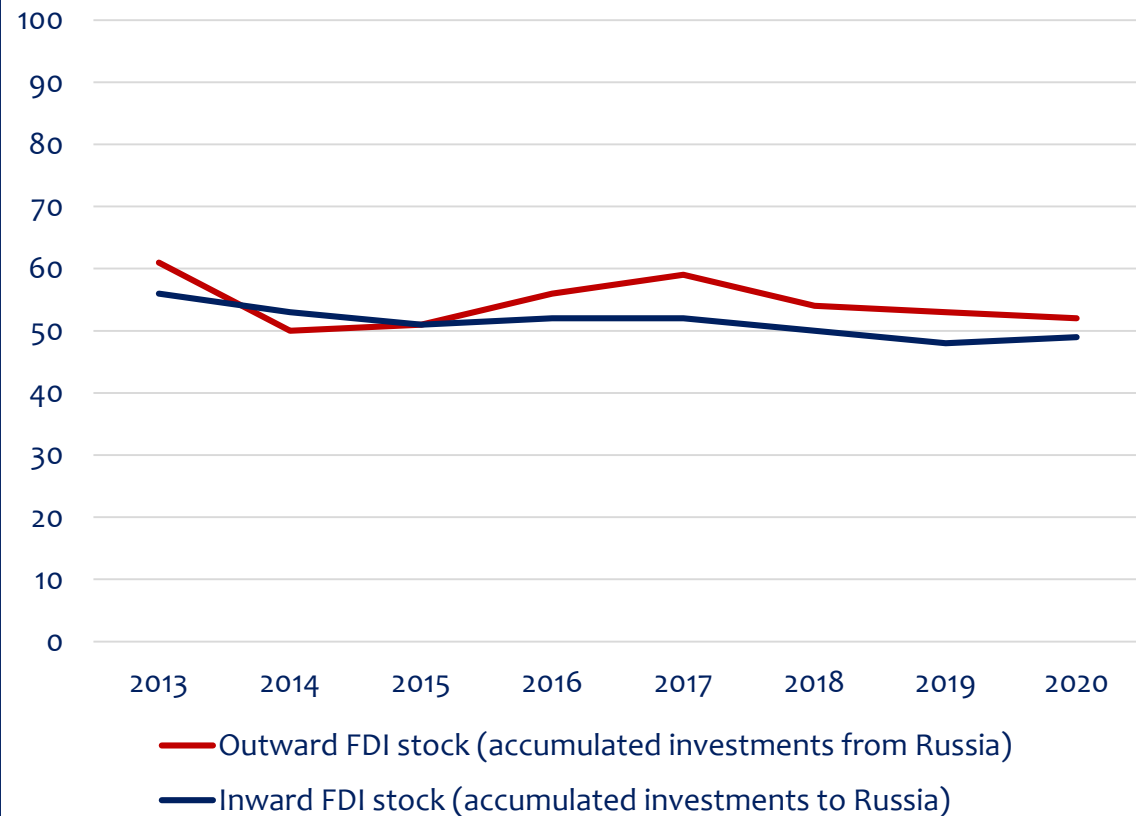


The Russian market has lost its attraction among foreign investors. In 2020, Russia accounted for 1% of the global FDI inflow. In 2008, Russia's share in the global FDI inflow was 5%.

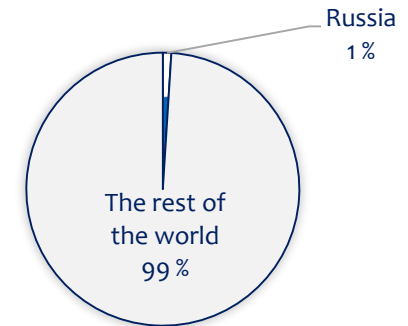
Sources: Central Bank of Russia; UNCTAD

4g) The development of Russian capital boomerang

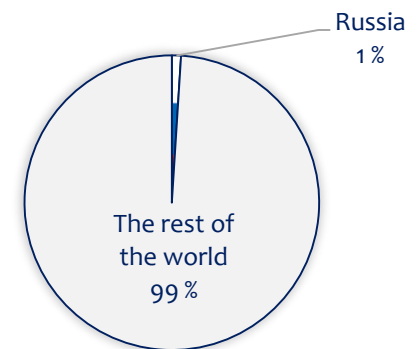
The share of the Bahamas, Bermuda, the British Virgin Islands and Cyprus in the Russian inward and outward FDI stocks (directional principle, % of total FDI stock)



Russia's share in the world's annual FDI inflow in 2020 (%)



Russia's share in the world's annual FDI outflow in 2020 (%)



Although foreigners invest in Russia through tax paradises as well, it seems that the Russians are behind a great share of the FDI in Russia. Obviously, the Russian capitalists try with a foreign identity to reduce the political risks involved in investing in Russia and reduce their tax burden, i.e. non-illegal tax planning.

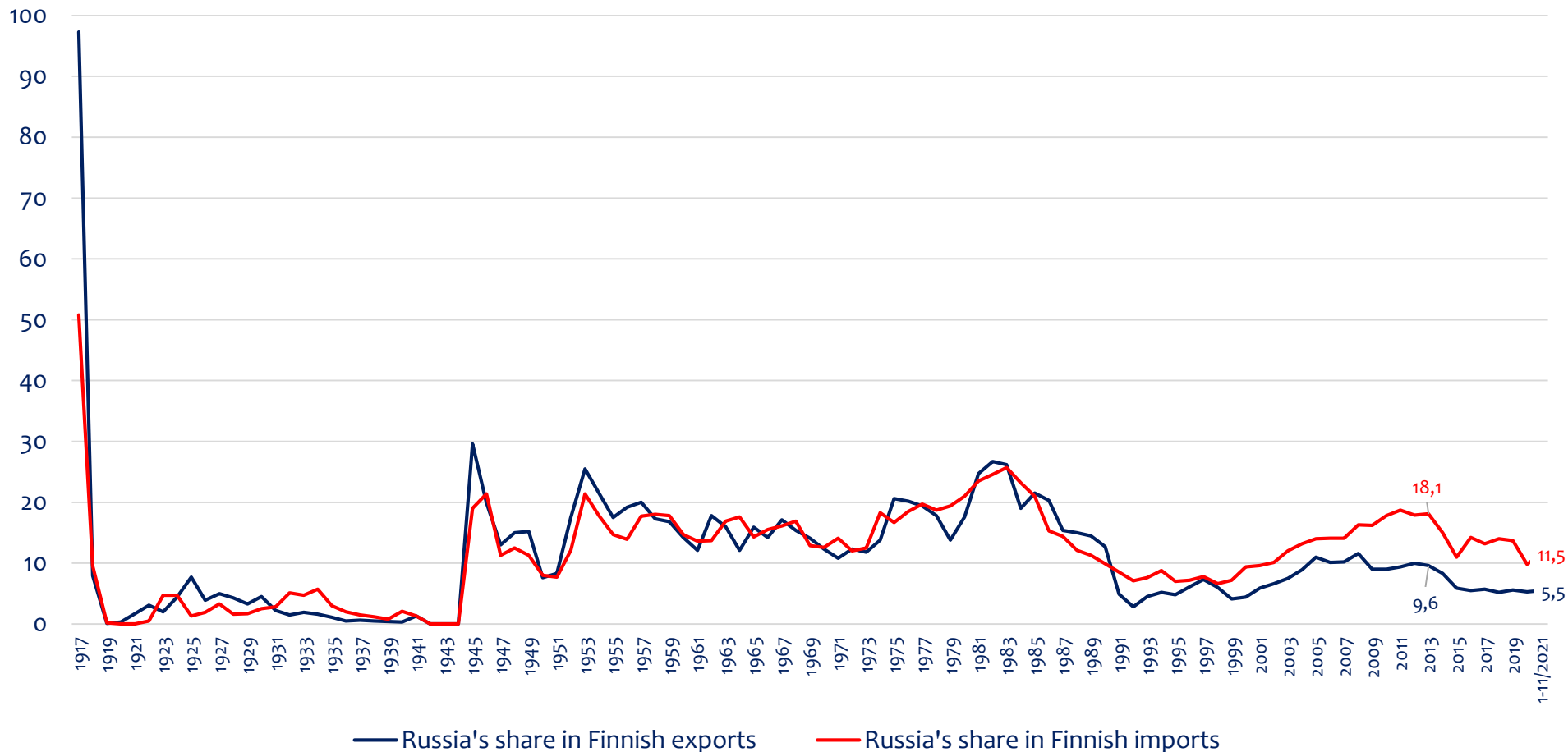
5) Finnish-Russian economic relations

5a) Development of the Finnish foreign trade with the USSR / Russia	30-31
5b) Development of the Finnish exports to Russia	32-34
5c) Development of the Finnish energy imports from Russia	35
5d) Development of the Finnish direct investment to Russia	36



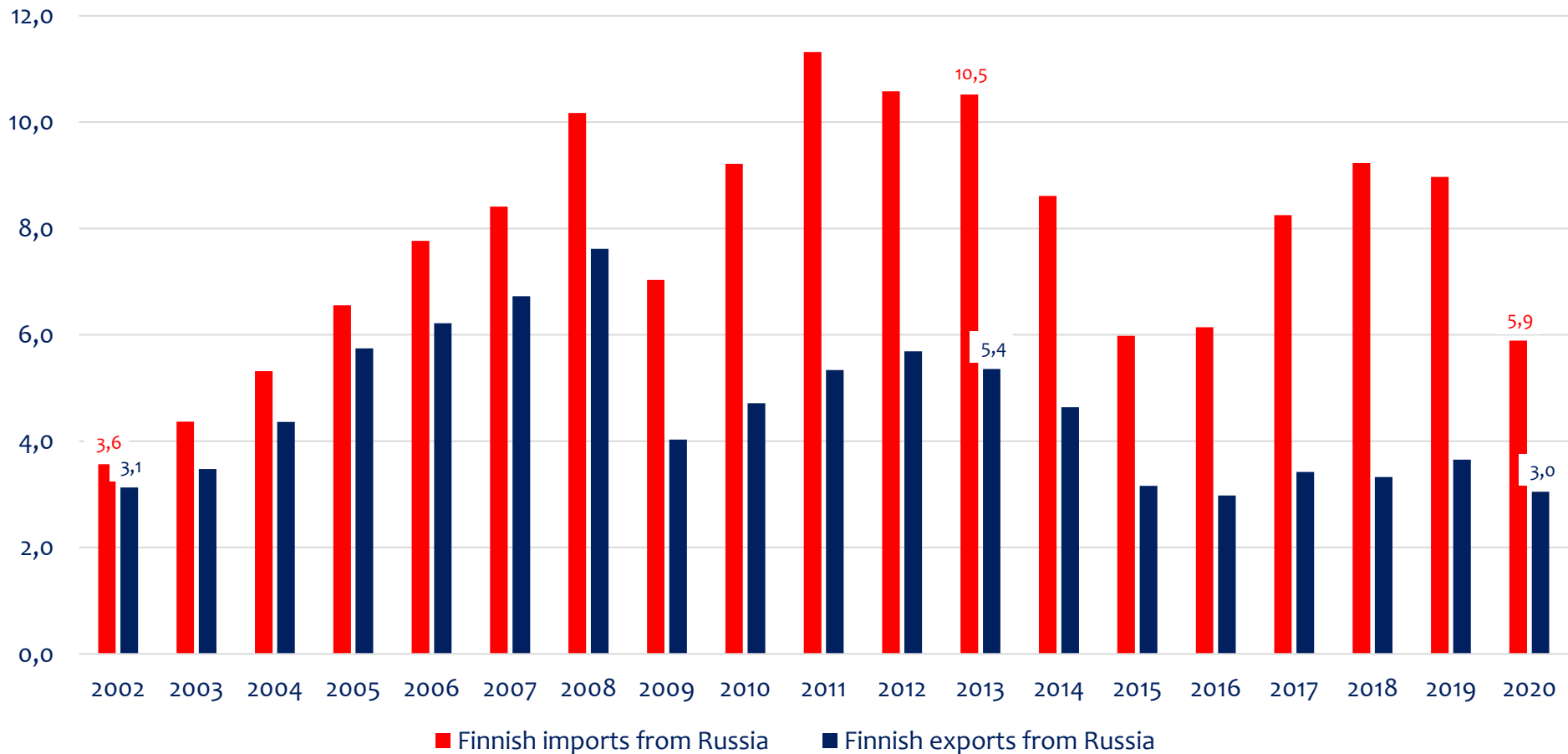
5a) Share of the USSR / Russia in the Finnish foreign trade

Share of the USSR / Russia in the Finnish exports and imports (%)



5a) The development of Finnish foreign trade with Russia

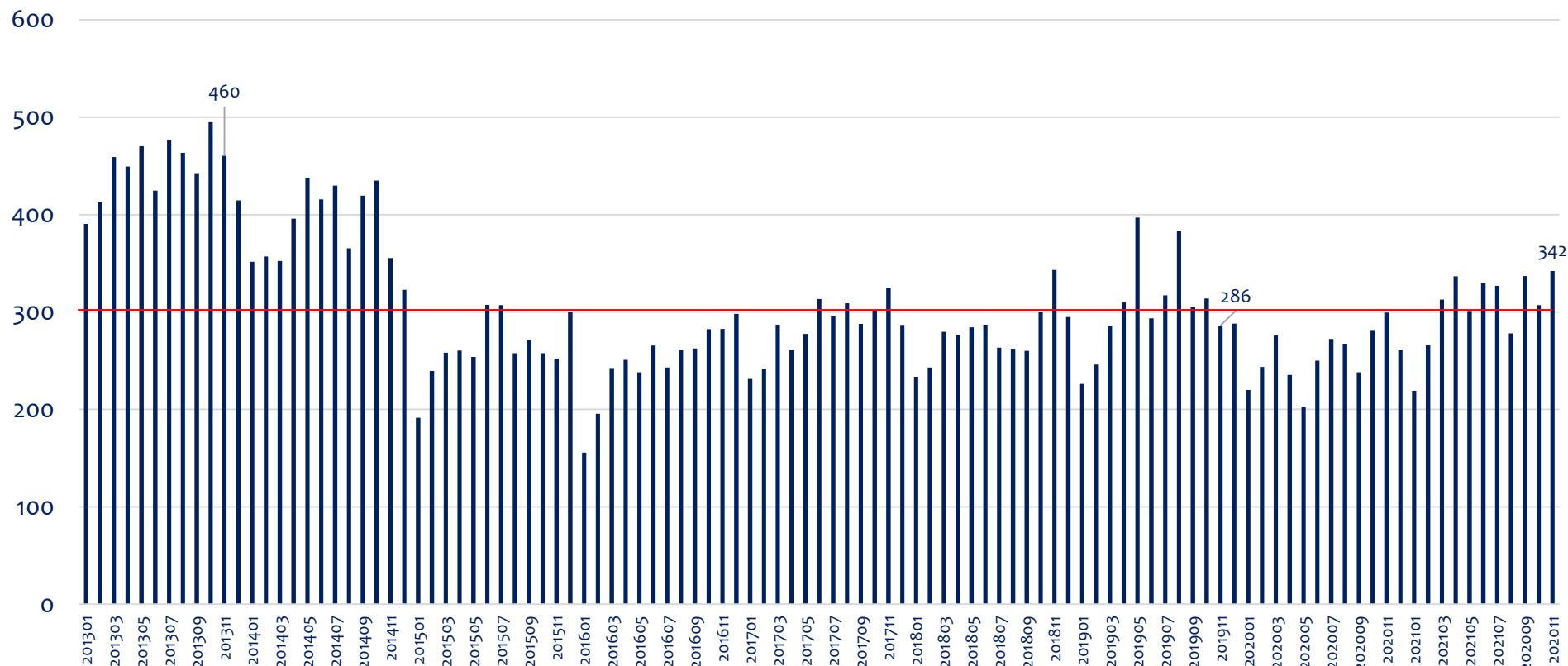
The Finnish foreign trade with Russia (€ billion)



During 2013-2020, the Finnish trade with Russia has declined by € 7 billion. In January-November 2021, the Finnish exports to Russia was at the level of January-November 2019, but 1/3 lower than in January-November 2013. As energy covers the majority of the Finnish imports from Russia (over 50%), the energy prices determine the level of the Finnish imports from Russia.

5b) The development of the Finnish exports to Russia

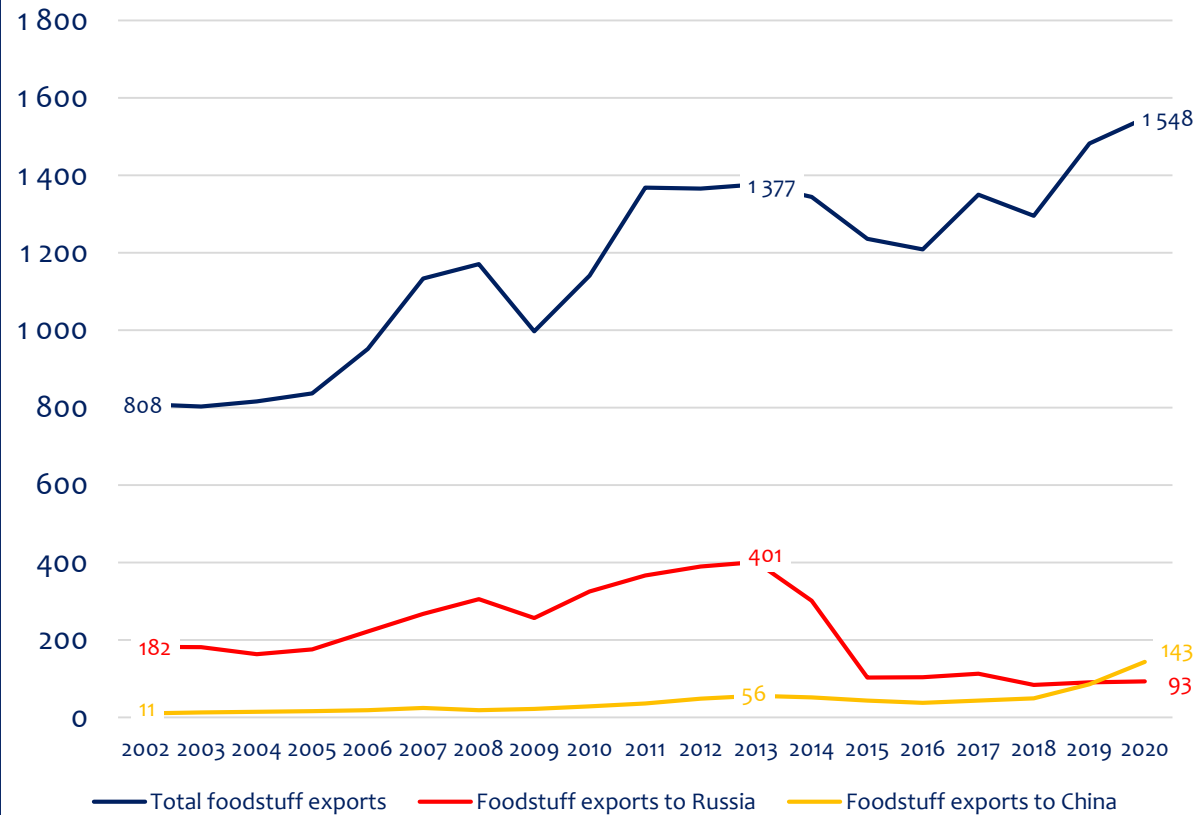
The Finnish monthly exports to Russia (€ million)



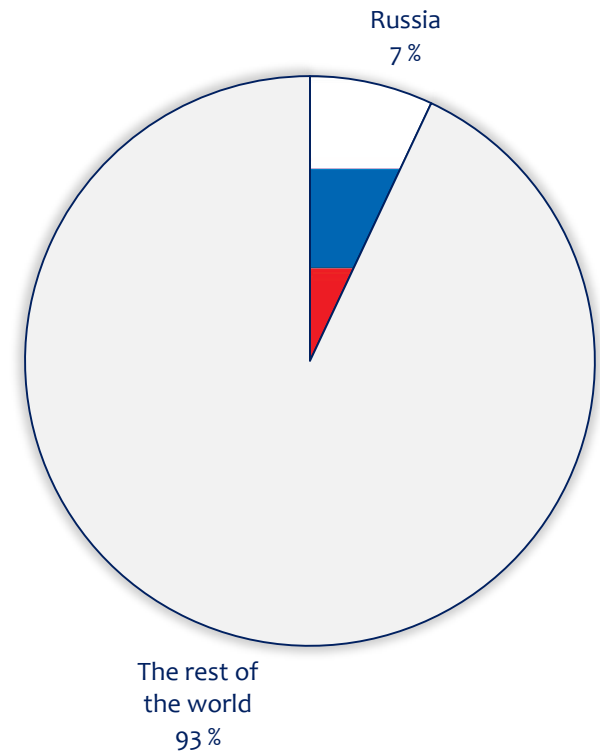
The Finnish exports to Russia grew by over 20% in January-November 2021 compared to the corresponding period a year earlier and by nearly 20%, when November 2021 is compared to November 2019 (before the pandemic). On the other hand, when November 2021 is compared to November 2013 (before the Ukraine war), the Finnish exports to Russia have declined by 25%. This statistical evidence suggests that the Finnish exports to Russia have recovered from the impact of the pandemic but not from the impact of the Ukraine war yet. It remains to be seen what will be the impact of Russia's increased aggression towards Ukraine (since December 2021) on the Finnish exports to Russia in the future.

5b) The development of Finnish foodstuff exports to Russia

The Finnish foodstuff exports (€ million)

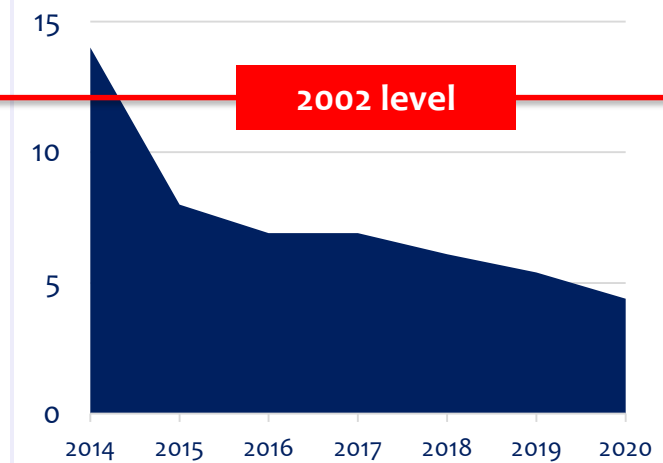
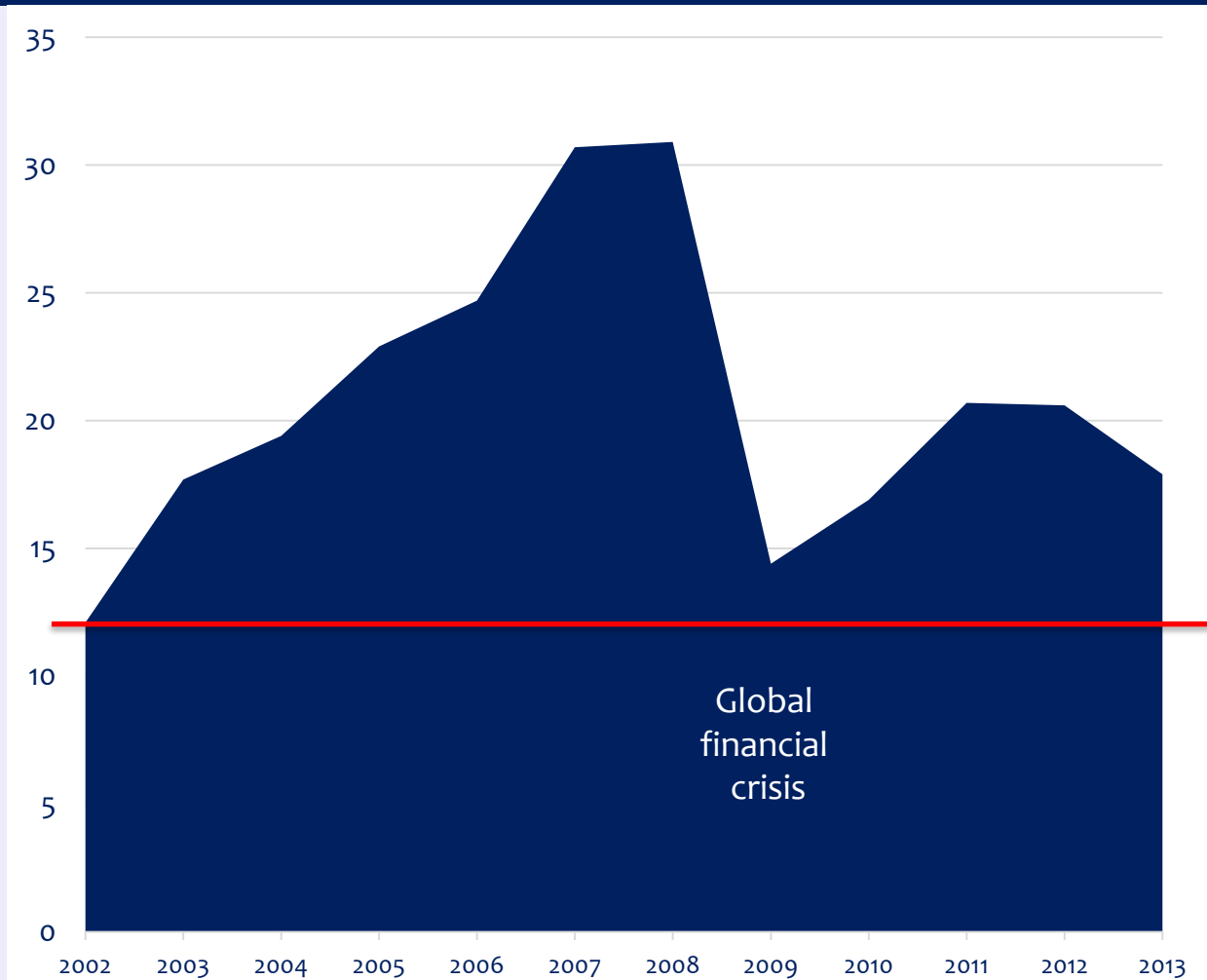


The Finnish foodstuff exports in January-November 2021 (%)



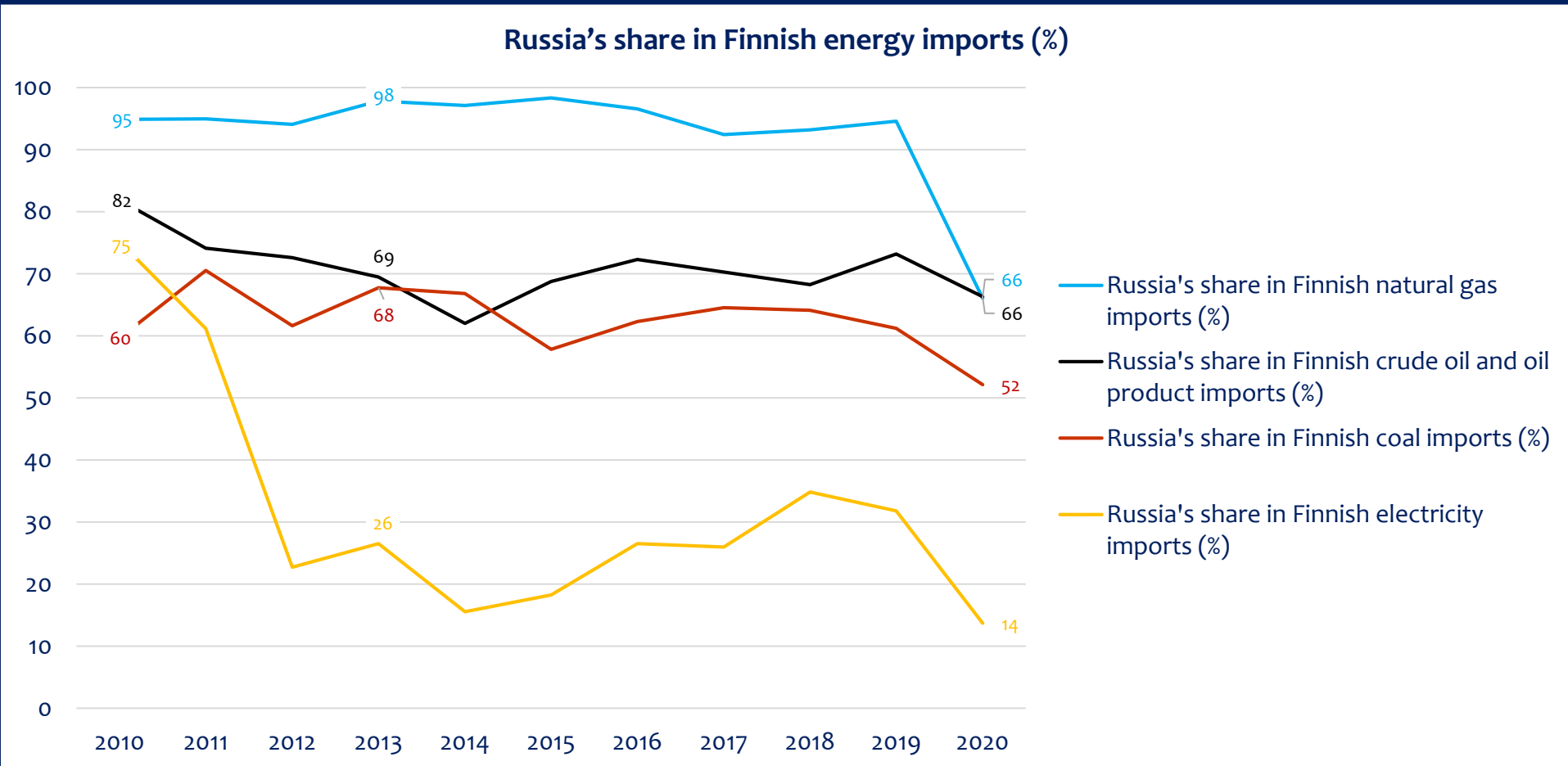
After Russia's anti-sanctions targeted towards the foodstuff exports of the Western countries, the Finnish foodstuff exports to Russia have declined by approximately 75%. On the other hand, the Finnish total foodstuff exports have increased since Russia introduced its anti-sanctions related to foodstuff deliveries from the West in 2014. In January-November 2021, Russia accounted for 7% of the Finnish foodstuff exports. In 2013, Russia's share was nearly 30%.

5b) Road transit via Finland to Russia (€ billion)



The value of the road transit via Finland to Russia has dropped by almost € 30 billion between 2008 and 2020. The deep decline is due to the construction of large ports in the Russian territory of the Gulf of Finland and due to the lower buying power of Russia, i.e. the weaker exchange rate of the Russian Rouble.

5c) Development of the Finnish energy imports from Russia

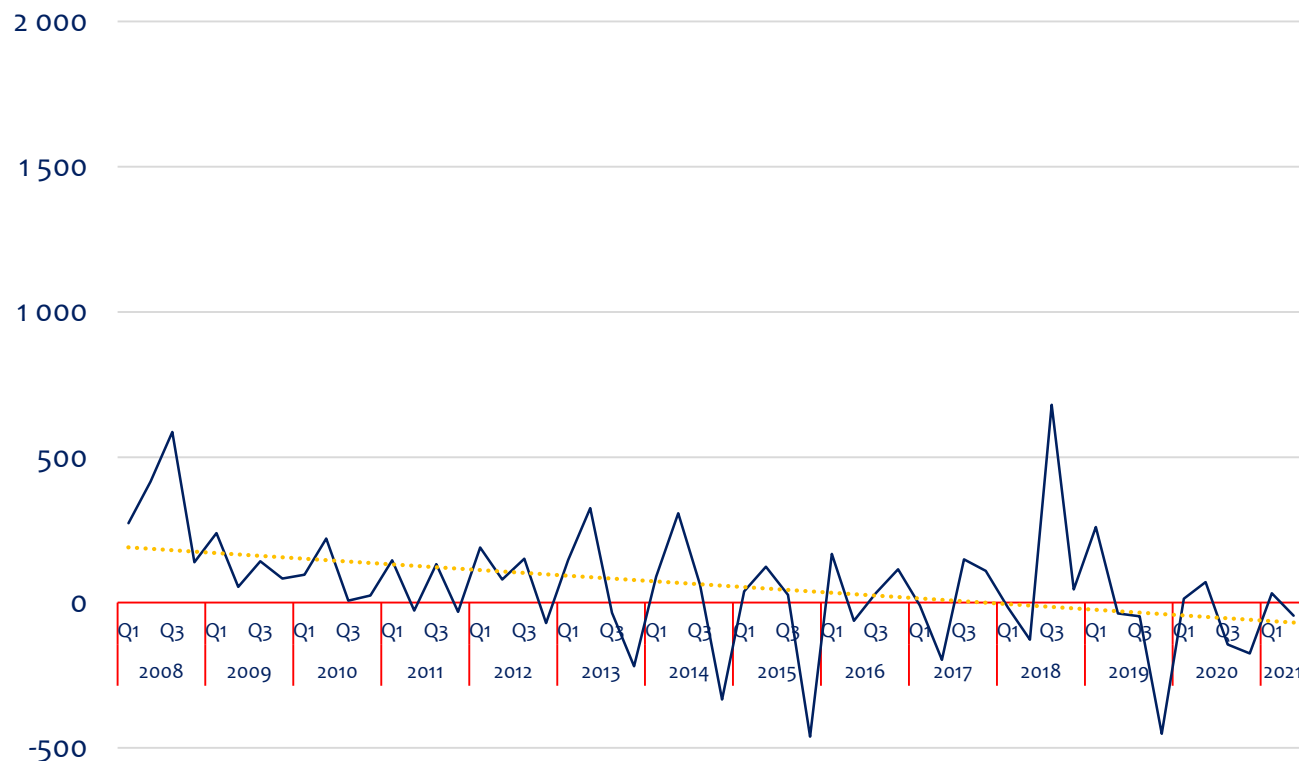


The shares of Russia in the Finnish energy imports have declined since the beginning of the Ukraine war in 2014. In 2020, Russia accounted for 38% of Finnish uranium consumption. In 2020, Russia's shares in Finland's electricity imports and consumption were 14% and 3.5%, respectively. With the opening of the 3rd nuclear power unit (Olkiluoto 3) in Eurajoki in the summer 2022, Finland is practically self-sufficient with electricity. Teboil, Russia's largest corporation in Finland, accounted for 28% of the retail market of petroleum products in Finland in 2019. As a whole, Russia covers 1/3 of Finland's energy consumption.

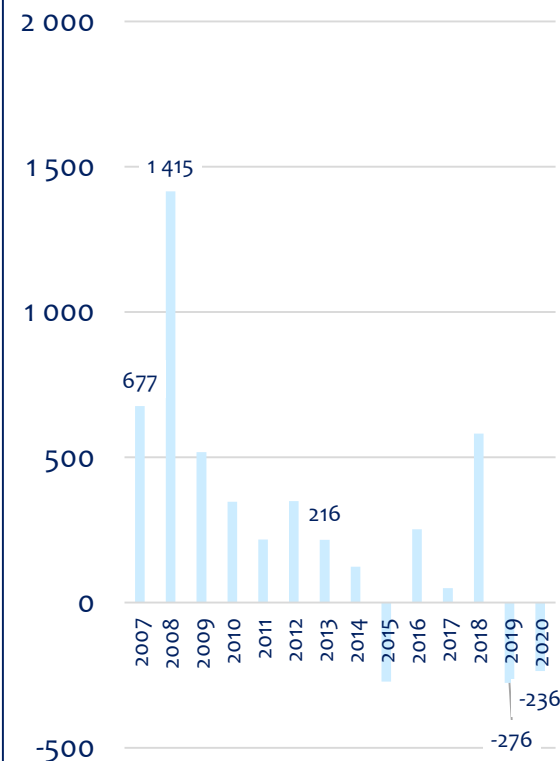
Sources:
Customs
Finland;
TVEL;
Teboil

5d) Development of investments from Finland to Russia

Foreign direct investment flow from Finland to Russia
(\$ million)



Annual FDI flow from Finland to Russia (\$ million)



The Finnish FDI in Russia has begun to decrease since 2019. The FDI inflow from Finland to Russia was \$ 500 million negative in 2019-2020, i.e. the Finnish firms have started retreating from the Russian market. For example, the following Finnish firms have exited partly or completely from the Russian market (Martti Kiuru, Talouselämä): Atria, Elisa, Kesko, Neste, Nordea, OP, Oriola-KD, Posti, Rautaruukki, Sanoma, Stockmann and Vapo. The Finnish business review Talouselämä estimates that the overall exit loss from the Russian market is approximately \$ 2,000 million. At the end of 2020, the Finnish FDI stock in Russia was over \$ 6,000 million. The Finnish energy company, Fortum, covers the majority of the aforementioned stock.

Sources:
Central Bank of Russia;
Talouselämä

6) Future of Russia

6a) Future paths of Russia

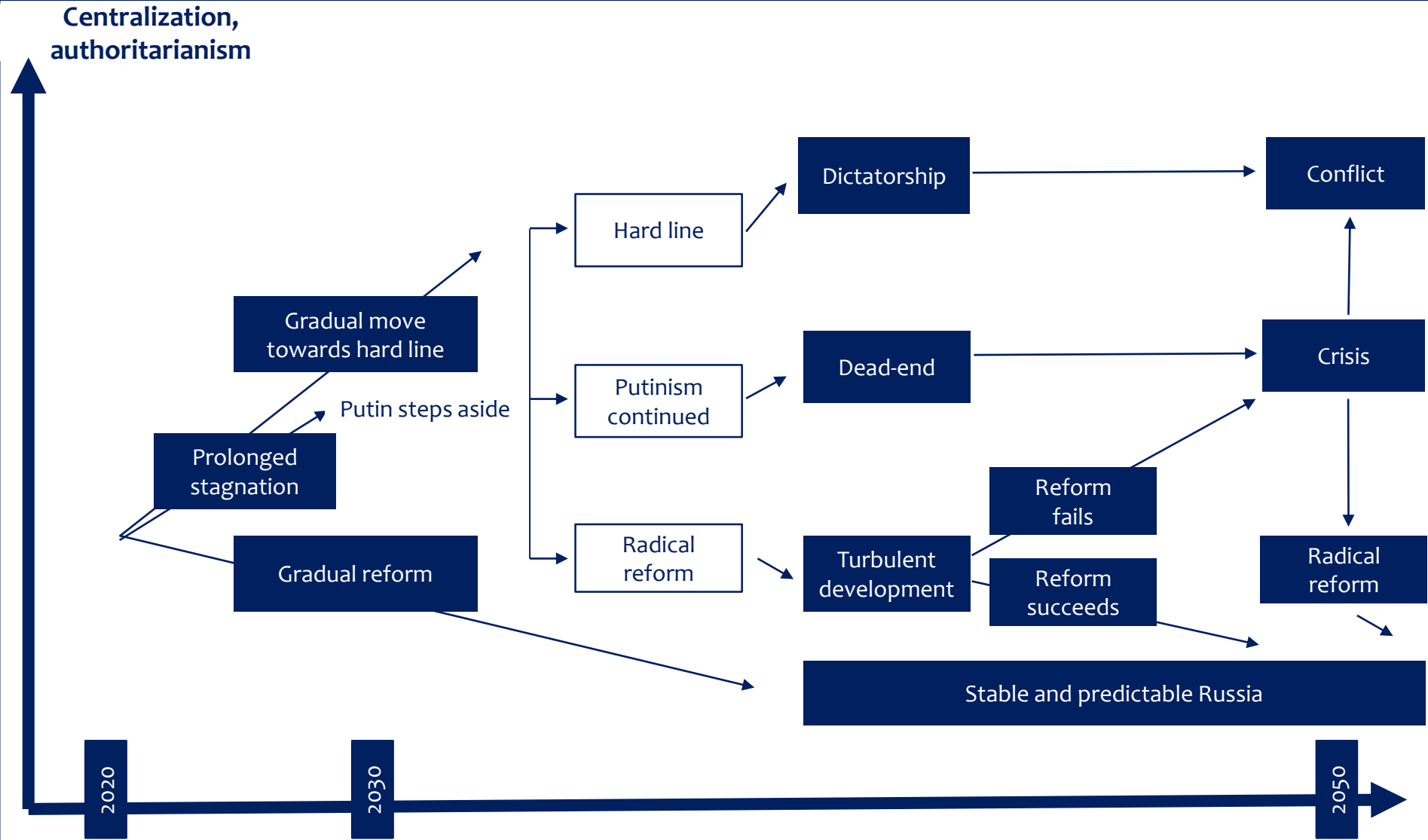
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6b) Future scenarios for the EU-Russia co-operation

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6a) Future paths of Russia



The following 10 trends may strengthen in Russia: *authoritarianism* (a concentration of power at all levels), *conservatism* (an emphasis on Russian values and traditions), *nationalism* (external enemy rhetoric to unite the Russians), *silovikisation* (militarisation of society), *political stagnation* (elections without true choice), *the elitist-bureaucratic state governance* (inequality within the rigid system), *absenteeism* (the alienation of the ordinary people from the society, the younger generation in particular), *state corporation* (economic system based on state-owned companies, oligarchs and petit private entrepreneurship), *industrial stagnation* (natural resource dominance with propagandistic state reform projects), and *hard geopolitics* (aggressive foreign policy). As a result, Russia may become a strange combination of the Soviet system, Russian traditions and crony capitalism. Thus, gradual reform does not look a likely scenario in the beginning of 2022.

6b) Future scenarios for the EU-Russia co-operation until 2050 (created in 2021)

Russia ⇨ EU ⇩	Radical reform (top leadership change required for a reform)	Putinism continued (stagnant geopolitics- oriented policy)	Hard line (conservative hard line siloviki take over)
Reform	Renaissance of Real Partnership	Cold Partnership (reformed co-operation)	Conflict
Disintegration continued	Cold Partnership (reformed co-operation)	Cold Peace (limited co-operation)	Conflict
Fortification	Not likely scenario	Conflict	Brink of War

“Cold Partnership”, “Cold Peace” and “Conflict” are all possible scenarios in the next 30 years. When building future scenarios for the relationship between the EU and Russia, one needs to underline that the EU-Russia relations do not evolve in a vacuum, i.e. one should take into account the impact of the USA, China, their bilateral relations and their relations to the EU and Russia as well. In addition, the developments in Belarus, Ukraine, in the Middle East and North Africa influence heavily the future development of the EU-Russia relations. Moreover, one should not underestimate the impact of some slow external change forces (such as climate change) or some rapid external change forces (such as the corona pandemic) on the future evolution of the EU-Russia relations.

7) Additional information

Behind the curtains of contemporary Russia

<https://www.bookdepository.com/Putins-People-Catherine-Belton/9780007578818>

Approximately 100 expert opinions on today's Russia

https://www.researchgate.net/publication/355827589_BRE_Russia_Special_Issue

Russia's economic relations with global super powers

https://www.researchgate.net/publication/353759479_Russia's_economic_relations_with_the_EU_the_USA_and_China

Future of the EU-Russia energy co-operation

<https://www.bruegel.org/wp-content/uploads/2021/02/PC-04-GrenDeal-2021-1.pdf>

Finnish-Russian economic relations (in Finnish)

https://www.researchgate.net/publication/353759520_Suomen_ja_Venajan_valiset_taloussuhteet



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