

# Sample report on country risk analysis: russia

[Business](#), [Marketing](#)



**ASSIGN  
BUSTER**

Russia is vulnerable to disruptive terms of trade because of its dependency on oil. Because of fluctuating oil prices, sluggish domestic demands, weak external environment and high rate of inflation, Russia's economic growth declined in the year 2012 to 3.4 percent, and it is projected to be constant in 2013. Capital outflows in the Russia are expected to increase while debt ratios are expected to be favorable.

Russia is a large size economy and its Gross Domestic Product (GDP) growth rate is 3.4 percent. The adjusted dollar terms of the GDP, purchasing power and income per capita is \$ 17,518. The inflation rate in Russia, when measured against the changes in the consumer price index was 5.07 percent. The rate of unemployment in Russia was 6 percent in the year 2012 and 6.5 in the year 2011. The government revenue in Russia is 37.44 percent of the GDP and government spending stood at 37.02 percent. The government of Russia runs 0.81 percent surplus of the GDP. The official Russian currency is Russian Rouble, and the current exchange rate is 35.61 Rub per US dollar (Bouchet, Ephraim and Bertrand 21).

Russian economy bounced back immediately after the 2008 global financial crisis, and it has been enjoying a sustained economic growth because of devalued ruble and implementation of key economic reforms, favorable community price and fiscal policy. Sound fiscal policy resulted in the stabilization of the exchange and inflation rates. Foreign exchange reserve has been growing by approximately \$600 billion. The balance of payment of Russia has witnessed surplus in its capital and current accounts. The current exchange rate of Russian Ruble to U.S dollars is 35.61

The Gross Domestic Product (GDP) has been decreasing due to tighter credit,

rising unemployment and global uncertainty. In 2009, the country witnessed a decrease of 7.9 percent in its GDP as compared to GDP performance of 8.1 percent in 2007. In 2010, the GDP growth rate returned to growing ways, and it was projected to grow at 4 percent in the year 2011. The economy of Russia is the fifth largest in the world and the world's leading exporter of natural gas and oil. The largest contributor to the economy and the country's GDP is the service sector. This is followed by the industry sector (Coface 123).

The unemployment rate in Russia has remained at the rate of 5.6 percent and the population of people out of employment remains constant at 4.2 million. The rate of unemployment will continue rising now that the government relaxes its pressure on companies to maintain workers under their payrolls. The main interest rate has been capped by the Russian Central Bank at the rate of 7 percent, and the consumer price inflation has been oscillating between 6.2 percent and 6.1 percent. Consumer price inflation will slow down in tandem with the Russian Central Bank standards. The increase in the rates of inflation has been because of increase the in the prices of tobacco and alcoholic beverages, houses, water, gas and electricity. The in the recent times, the Bank of Russia has been temporarily increasing the rate of interest rates by 1.5 percent because of inflation and the increased risks of financial stability. The benchmark rate of lending in the last five years has increased from 5.5 percent to 7 percent (Harrison 225). The external trade balance in Russia is very good, and it represents approximately 30 percent of the Gross Domestic Product. Liquidity buffer from its international reserves is considered as the largest in the world. Since

the year 200/, Russia has been having a current account surplus and this has been strengthened by an increase in demand for oil that make up 65 percent of the country's exports. The projection in the current account deficit might be due to reduced surplus as the demand for oil rises. The external debt as the percentage of the Gross Domestic Product is captured in the following graph.

(Moody's Analytics 1)

In the recent years, capital outflows from Russia have been very significant; it totaled approximately \$ 80 billion in the year 2012. Capital outflows still remain manageable.

Because of the countries significant metals and energy export, Russia operates a current account surplus. The country also has a massive external asset position and increases in imports have resulted in the decline, in the surplus, though ranging between 3 and 6 percent of the GDP. The foreign exchange reserve of Russia has been on the increase.

(Moody's Analytics 1)

Russia has a vibrant stock market. The stock exchange market is the nerve center of all the transactions where buyers of securities meet sellers of securities at market price. The stock market in Russia is a digital one and traders do not have to trade their securities at the floor of the stock exchange. The major stock market in Russia is the Russian Stock Market (MICEX). The stock market has been averaging 874. 16 index points from the year 2007 to the year 2014. MICEX is the major stock market index that tracks market performance of 30 most liquid and largest Russian companies

from the main economic sectors that are listed in Moscow Stock exchange (MSE).

## **Works Cited**

Bouchet, Michel H, Ephraim Clark, and Bertrand Gros Lambert. Country Risk Assessment: A Guide to Global Investment Strategy. Chichester: John Wiley & Sons, 2003. Internet resource.

Coface. The Handbook of Country Risk, 2006-2007: A Guide to International Business and Trade. London: Global Market Briefings, 2006. Internet resource.

Harrison, Andrew L. Business Environment in a Global Context. , 2013. Print.

Moody's analytics. Russian Federation: Detailed economic analysis, economic indicators, and forecasts for Russian Federation. 2014, Web. 15th April 15, 2014,