

# MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

## TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 6(172) October-November 2024

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## Monitoring of Russia's Economic Outlook

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# 1. KEY RATE IN RUSSIAN FEDERATION HITS HISTORIC HIGH, HOWEVER INFLATION FALLS SLOWLY

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*On October 25, the Bank of Russia raised the key rate by 200 bp to 21%, the highest value since 2013, i.e. for the entire period of the use of this indicator. The signal regarding further focus of monetary policy remained tight, indicating a high probability of another hike at the meeting on December 20. According to the results of October, annual inflation slowed down to 8.5%, but the monthly price growth in annual terms remained at the level of September excluding seasonality. Growth of food prices is the main contributor to annual and monthly inflation. In 2025, as demand cools due to tight monetary conditions, inflation will slow down and, according to our forecast, by December it will amount to 5.5% yoy*

On October 25, 2024, the Board of Directors of the Bank of Russia for the third time in a row increased the key rate by 200 bps to 21.0% per annum, which became the highest value since 2013, i.e. for the entire period of the use of this indicator. Most analysts expected that the rate would be raised to 20.0%<sup>1</sup>, however, the regulator's decision turned out to be tougher. The signal of the Central Bank of Russia on the further focus of monetary policy also remained tough, which with high probability will result in a rate hike to 22–23% on December 20 at the next meeting of the Board of Directors of the Bank of Russia.

In the updated forecast of the Central Bank of Russia the average value of the key rate for 2025 has been raised by 350 bp compared to July: the Bank of Russia expects the rate next year in the range of 17–20%.<sup>2</sup> The average inflation forecast for 2025 has been raised by 1.5 p.p. to 6.1–6.8%. Thus, the average real interest rate next year is forecasted to be above 10%. In its press release, the regulator noted that annual inflation in 2024 will be in the range of 8.0–8.5%, whereas the already standard reason for the increased inflationary pressure (excess demand over supply) has been supplemented by budget expenditures growing by Rb 1.5 trillion and the associated expansion of the federal budget deficit in 2024.<sup>3</sup> The Bank of Russia has raised its inflation forecast for the end of next year, which will remain above the target in the range of 4.5–5.0%. This is due to the increased current inflation rate, which the Russian economy will face next year, as well as the proposed by the Russian Government indexation of utility tariffs in 2025 at the rate of 11.9%, growth in the utilization fee, growth of railway tariffs, which exceeds the inflation target.

The CBR did not change the forecast of growth rate of Russian GDP in 2024–2027. However, it slightly changed the dynamics of the GDP component

1 URL: <https://tass.ru/ekonomika/22195165>

2 URL: [https://www.cbr.ru/Content/Document/File/166586/forecast\\_241025.pdf](https://www.cbr.ru/Content/Document/File/166586/forecast_241025.pdf)

3 URL: [https://www.cbr.ru/press/pr/?file=25102024\\_133000Key.htm](https://www.cbr.ru/press/pr/?file=25102024_133000Key.htm)

on expenditures. In particular, the growth rate of household consumption increased by 0.5 p.p. to 4.5–5.5%, which is consistent with the rapid turnover of retail trade (+7.8% yoy for the first 9 months of 2024) and paid public services (+3.5% yoy for the first 9 months of 2024). Growth rate of gross capital formation (GFCF) was reduced by 1.0 p.p. to 6.0–8.0%, due to higher rate and actual investment performance in equity (GFCF increased by 7.2% at Q2 end).

The Bank of Russia has significantly improved its forecast for monetary indicators in 2024: the expected rate of growth of money supply and credit to the economy rose by 4.0 p.p., the demand from the banking system to institutions grew by 6.0 p.p. The reason for the revision was the continued rapid growth of lending, being a major factor in the expansion of the broad monetary supply. The rapid increase in the money supply in the Russian economy remains an important factor in the increased inflationary pressure.

Inflation for the preceding 12 months at the end of October was 8.5% (Fig. 1), which is 0.1 p.p. below September and 0.6 p.p. below the peak in July. The rise in food prices (consistent with their greater weight in the consumer basket) continues to be the largest contributor to annual inflation. However, the contribution of services to annual inflation is increasing and comparable with the contribution of foods (3.1 p.p. for services vs 3.4 p.p. for foods).

In October, consumer prices increased by 0.75% mom. Growth in prices for foods (0.47 p.p.) was the main contributor to October inflation, with fruit and vegetables becoming seasonally more expensive in October, increasing October inflation by 0.07 p.p. Growth in prices for butter makes an increasingly significant contribution to inflation: the share of this component in the consumer basket is only 0.73%, however, the price growth in October by 6.6% resulted in the contribution of butter prices to October inflation totaled to 0.05 p.p. and its share in annual inflation reached 0.2 p.p. by the end of October. Over the previous 12 months butter prices went up by 29.7%, which is explained by the increase in production costs and consumption growth. By the end of October, according to the Russian Ministry of Agriculture, prices in the wholesale segment began to decline.<sup>1</sup> However, data for the first 2 weeks of November indicate that in the retail segment butter continued to grow in price (+2.1% by the end of October).

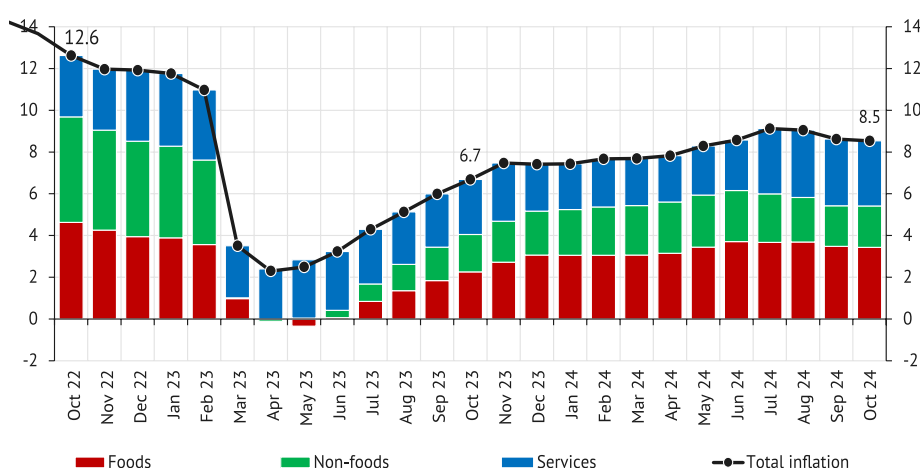


Fig. 1. Contribution of components to annual inflation, p.p.

Source: Rosstat.

<sup>1</sup> URL: <https://www.interfax.ru/business/989445>

# 1. Key rate in Russian Federation hits historic high

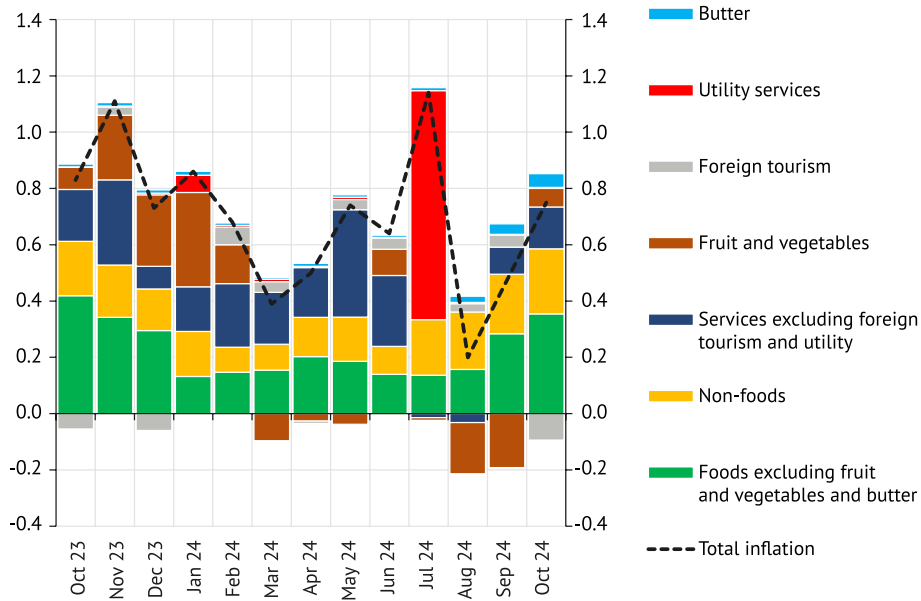


Fig. 2. Contribution of certain components to monthly inflation, p.p.

Source: Rosstat, own calculations.

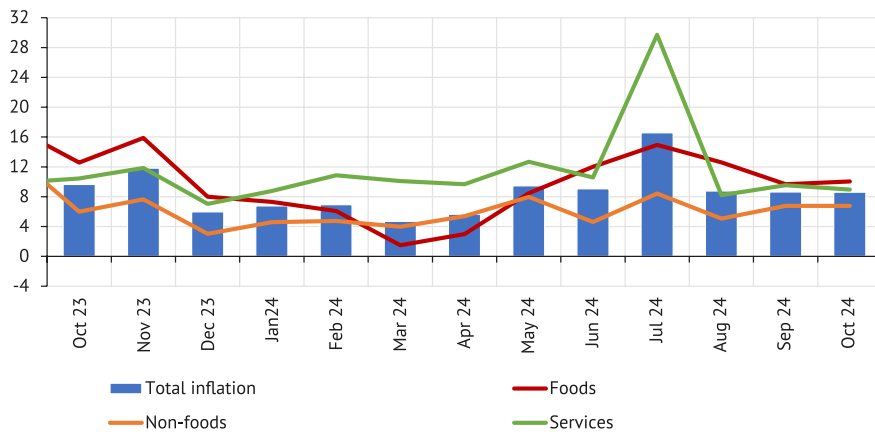


Fig. 3. Dynamics of total inflation and its main components, % saar

Source: Bank of Russia.

For 4 months in a row, the rise in non-food prices has added about 0.2 p.p. to monthly inflation. In October, the contribution of services to inflation amounted to only 0.06 p.p., but it was almost entirely explained by a decline in prices for foreign tourism services (by 11.9%), reducing monthly inflation by 0.09 p.p. (Fig. 2).

Seasonally adjusted (saar) annualized consumer inflation in October amounted to 8.6% saar (Fig. 3), which coincides with the September value and is close to August (8.8% saar). Thus, in the previous 3 months there has been neither acceleration nor deceleration of current inflation: the growth rate of consumer prices remains slightly above 8.5%. In October, components of seasonally smoothed inflation grew at approximately the same rate as in September: growth in food prices increased, prices for services fell, and dynamics of prices for non-foods did not change.

Operational data for the first 11 days of November indicate the persistence of increased price pressure (inflation in the first half of November is close to that

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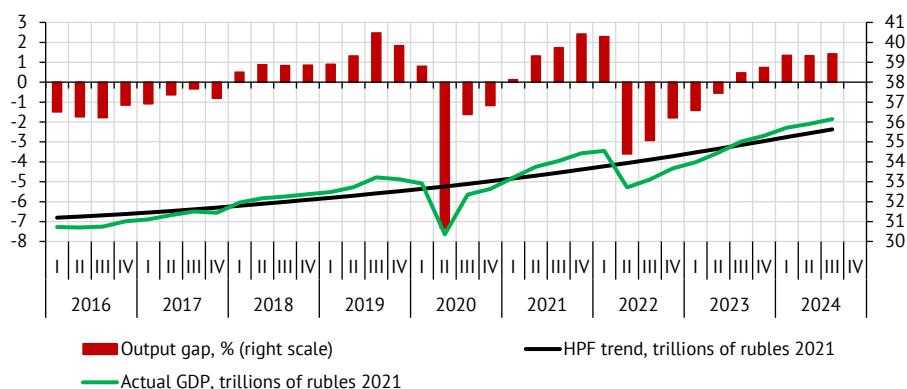


Fig. 4. Assessment of output gap in Russia

Source: Rosstat, own calculations.

observed in the same period last year): according to estimates of the Ministry of Economic Development of the Russian Federation, by November 11, the annual inflation amounted to 8.56 %.<sup>1</sup>

An excess of aggregate demand over aggregate supply, i.e. a positive output gap, remains the key factor of increased inflationary pressure. Real GDP growth in Q3 2024 by 3.1% y/y (excluding seasonality and in terms of annualized GDP growth rate grew by 2.6% in Q3), according to our estimates, resulted in an increase in the output gap by 0.1 p.p. to (1.4%), which was one of the reasons for a consistently high inflationary background in summer and autumn 2024 (Fig. 4).

Actual inflation in September-October was higher than our previous forecast. Taking this into account, by the end of December 2024, we expect inflation to be close to the existing 8.4-8.5%. In 2025, consumer and investment demand will gradually cool down due to tight monetary conditions, which may result in a slowdown of annual inflation to 5.5% yoy by December 2025. ▀

1 URL: [https://economy.gov.ru/material/file/e884055af6b604fb5fd8b9746acca387/o\\_tekushchey\\_cenovoy\\_situacii\\_13\\_noyabrya\\_2024\\_goda.pdf](https://economy.gov.ru/material/file/e884055af6b604fb5fd8b9746acca387/o_tekushchey_cenovoy_situacii_13_noyabrya_2024_goda.pdf)

## 2. BALANCE OF PAYMENTS IN Q3 2024

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*According to the results of Q3 2024, the current account surplus decreased by 1.7 fold compared to Q3 2023 mainly due to the increase in the value volumes of imports and deficit of the balance of primary and secondary incomes. The deficit of the financial account balance in Q3 2024 was triggered by the growth of residents' foreign assets and increase in non-residents' debts on pending settlements. Under these circumstances, with a reduction in net sales of foreign exchange by Russian exporters in Q3 2024, there was the ruble weakening against major foreign currencies.*

According to the Bank of Russia's preliminary assessment of the balance of payments, the current account balance in Q3 2024 amounted to \$9.1 bn, which is around 40% less than the current account balance for Q3 2023 (\$15.5 bn) and less than the current account balance for Q2 2024 (\$17.4 bn), with deteriorating monthly intra-quarter dynamics (in July - \$0.7 bn; in August - \$2.9 bn; in September - \$7.0 bn).

Under the current detail of the balance of payments of the Russian Federation issued by the Bank of Russia, the structure of the current account can be described in terms of three main balances: trade in goods, trade in services, and the balance of primary and secondary income.

*The balance of trade in goods* amounted to \$32 bn, which is insignificantly by 4% less (by \$1.4 bn in absolute value) than the value of Q3 2023 (\$33.4 bn). The growth in the value of imports of goods from \$75.7 bn in Q3 2023 to \$76 bn in Q3 2024 (an increase of 0.4%) played a determining role in this small decrease, while the value of exports fell slightly more significantly from \$109.1 bn in Q3 2023 to \$108 bn in Q3 2024 (a decrease of 1%).

Such export dynamic is due to relatively stable prices for basic Russian export commodities (oil, gas, petroleum products, grain, and coal, ferrous and non-ferrous metals) and stabilization of redirected export flows from the EU and other "unfriendly" economies.

The observed dynamics of goods imports is due to the recovery of physical volumes of supplies because of reorientation to supplies from neutral countries and moderate fluctuations in world prices for imported goods. At the same time, it should be noted that the decrease in the index of the real ruble/US dollar exchange rate in January-September 2024 versus January-September 2023 amounted to 4.4%, which means a relative appreciation of import supplies.<sup>1</sup>

<sup>1</sup> On the impact of exchange rate dynamics on trade, see *Knobel A.Yu.* Estimation of import demand function in Russia // *Applied econometrics*. 2011. No. 4 (24). P. 3-26; *Knobel A., Firanchuk A.* Russia in the global exports in 2017 // *Russia's Economic Development*. 2018. No. 9. P. 17-21.

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*The balance of trade in services* in Q3 2024 amounted to -\$13.4 bn, which in absolute value is 30% higher than the negative value of the balance of trade in services in Q3 2023 (-\$10.3 bn). In contrast to trade in goods, there was an increase in both services exports (mainly transportation) from \$9.7 bn in Q3 2023 to \$10.3 bn in Q3 2024 (up 6%) and an increase in services imports (mainly travel) from \$20.0 bn in Q3 2023 to \$23.6 bn in Q3 2024 (up 18%).

*The balance of primary and secondary incomes* in Q3 2024 stood at -\$9.5 bn, which in absolute terms is 25% higher than the same figure in Q3 2023 (-\$7.6 bn). Meanwhile, in Q3 2024, income receivable (capital income receipts from abroad) remained unchanged and amounted to \$10 bn, but income payable (withdrawal of income and repatriation of profits abroad, including payments to investors from neutral countries) increased by \$1.9 bn (from \$17.6 bn to \$19.5 bn), which drove the deterioration in the balance of primary and secondary income.

In the coming quarters, the current account balance will remain in the range of \$60–70 bn amid stable prices for basic goods of Russian exports, difficulties with repatriation of profits from Russia by foreign investors from unfriendly countries, restrictive measures imposed by the EU and the USA on counterparties of their jurisdictions and jurisdictions of neutral countries (secondary sanctions).

Aggregate data on net external assets and liabilities of all sectors of the economy represent the financial account of the balance of payments of the Russian Federation. In Q3 2024, the balance of the financial account of the balance of payments, excluding reserve assets, amounted to \$15.0 bn, having increased by 5% compared with Q3 2023 (\$14.3 bn). The balance of the financial account excluding reserve assets in Q3 2024 was formed mainly under the impact of growth of foreign assets.

The growth of foreign assets (excluding reserve assets) in Q3 2024 amounted to \$12.5 bn, which is 1.8 times lower than in Q3 2023 (\$22.5 bn). The delays in payments under international settlements on Russian exports triggered the increase in foreign assets.<sup>1</sup>

Liabilities of all sectors of the Russian economy to non-residents in Q3 2024 decreased by \$2.6 bn, while in Q3 2023 they increased by \$8.2 bn. This is mainly due to payments to non-residents on previously declared dividends.<sup>2</sup>

In Q3 2024, Russia's external debt decreased by 2.8% to \$293.4bn. External debt of other sectors decreased to the greatest extent (by 6.5% in Q3 2024 to \$160.9bn) on attracted loans, including within the framework of direct investment relations.<sup>3</sup> External liabilities of the public administration decreased in Q3 2024 by 4.0% to \$31bn. External liabilities of the banking sector, on the contrary, increased by 4.1% in Q3 2024 to \$101.5bn, mainly due to the accumulation of non-residents' funds on accounts in Russian banks.

Reserve assets of the Russian Federation decreased in Q3 2024 by \$3.2 bn (\$2.3 bn in Q3 2023). This is mainly due to the sales of foreign currency within the framework of operations with the National Welfare Fund and "currency swap" operations aimed at smoothing volatility in the foreign exchange market. Nevertheless, the positive revaluation of international reserves in Q3 2024 exceeded their decline on the back of operations presented in the balance of payments: the RF international reserves grew in Q3 by \$40.2 bn to \$633.7 bn (foreign exchange reserves rose by \$15.0 bn to \$434.0 bn, the value of monetary gold increased by \$25.2 bn to \$199.8 bn as a result of positive revaluation).

1 Balance of Payments of the Russian Federation No. 3 (20), Q3 2024.

2 Ibid.


3 URL: [https://www.cbr.ru/statistics/macro\\_itm/svs/ext-debt/](https://www.cbr.ru/statistics/macro_itm/svs/ext-debt/)



## 2. Balance of payments in Q3 2024

It should be noted that in Q3 2024 the volume of operations of the RF monetary authorities on net sale of foreign currency in the domestic foreign exchange market, which support the ruble exchange rate, totaled Rb259.6 bn (Rb284.2 bn in Q2 2024). Of these, the volume of foreign currency purchases within the framework of regular operations under the budget rule (in the amount of additional oil and gas revenues) in Q3 2024 equaled Rb321.3 bn<sup>1</sup> (Rb417.3 bn in Q2 2024), while the volume of adjustments<sup>2</sup> to the volume of operations under the budget rule announced by the Russian Ministry of Finance in the form of foreign currency sales from the National Wealth Fund amounted to about Rb580.9 bn (Rb701.5 bn). It should be reminded that in H2 2024, the Bank of Russia carries out operations with foreign currency, adjusting the volume of operations announced by the Ministry of Finance of Russia by the amount of currency sales to the tune of Rb1.8 trillion (Rb1.4 trillion is the difference between the volume of currency purchases deferred from August 10 to December 31, 2023 within the framework of the budget rule and the volume of expenditures of the National Wealth Fund to finance the budget deficit in 2023 outside the budget rule, Rb0.4 trillion, Rb0.4 trillion is the sale of foreign currency in the volume of net investment of the National Wealth Fund's funds).<sup>3</sup>

In Q3 2024, the ruble weakened by 8.1% to Rb92.7 per USD, having returned to the level of the end of Q1 2024. This was due to the reduction in the current account balance shaped by the growth in the value of imports, as well as a stable deficit in the balance of primary and secondary incomes. In addition, the weakening of the ruble is associated with a drop in net sales of foreign currency by the largest exporters. Thus, net sales of foreign currency by the largest exporters declined from \$42.7 bn in Q2 2024 to \$32 bn in Q3 on the back of a change in the structure of export settlements in favor of ruble-denominated transactions. Recall that in Q2 the ratio of net sales of foreign currency to foreign currency export earnings of the largest exporters reached peak values (109% on average) due to sales of foreign currency accumulated earlier for dividend payments. In Q3, the share of net sales in revenue declined slightly (to 83% in July 2024<sup>4</sup>).

According to our estimates, if Brent crude oil prices remain at \$70–80/bbl, and taking into account the ongoing monetary and fiscal policy, the ruble exchange rate will be in the range of Rb90–100 per USD until the end of 2024. 

1 Russian Ministry of Finance. Information on the formation and use of additional oil and gas revenues of the federal budget in 2018–2024.

2 Regular transactions under the budget rule are adjusted on the balance of the following transactions: the difference between the amount of currency purchases deferred from August 10 through December 31, 2023, under the budget rule and the amount of NBF expenditures to finance the 2023 budget deficit outside the budget rule, and currency sales in the amount of net investment of NBF funds.

3 URL: <https://www.cbr.ru/press/event/?id=18801>

4 Financial markets risk review. No. 8 (89), August 2024.

### 3. DYNAMICS OF BUSINESS CYCLE IN RUSSIA'S ECONOMY: EARLY WARNING SIGNS OF COOLING?

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*In the summer of 2024, one of the main discussion topics in Russia related to Russia's high inflation that is largely due to overheated demand. According to our estimates, based on an unobserved components model using mixed frequency data, the cyclical-linked component of Russian GDP peaked at +3.3% in May 2024, and then started to decline, reaching +2% in June 2024.*

The cyclical component of output in the economy (or output gap) is a time series of the GDP deviations from its potential values. This indicator is widely used by economic and political institutions to understand the current state of the economy: whether the economy is in recession or overheating. For example, central banks use the dynamics of the economic cycle to formulate optimal monetary policy or may use operational information about the current phase of the economic cycle to take counter-cyclical measures aiming to prevent certain fluctuations in the economy, including sharp downturns in business activity or excessive growth in inflation. The economic cycle also affects investor behavior, as different stages of the cycle present various opportunities and risks, resulting in the use of more or less conservative strategies. Economic cycles also have a direct impact on the level of employment in the economy with recessionary phases usually corresponding to higher unemployment rates, which should be taken into account in the development of the government social policies.

However, despite the attractiveness of using the dynamics of the economic cycle in macroeconomic analysis, including decision-making on optimal economic policy measures, its application is associated with a serious problem, as this indicator is unobservable. Actual GDP dynamics contains trend, cyclical and seasonal components. Accordingly, the assessment of the cyclical component requires the use of some instrumental methods of GDP dynamics decomposition or filtering. Moreover, GDP statistics is published with a significant lag, creating additional obstacles for operative monitoring of the current state of the economy.

To obtain an estimate of the cycle dynamics, we built a mixed frequency unobserved components model, which considers the dynamics of several indicators: quarterly GDP, monthly indexes of industrial production, retail trade turnover, physical volumes of construction and real wages.

The use of monthly indicators of economic activity in the model allows, on the one hand, to obtain an estimate of the cyclical component of Russian GDP of monthly frequency, and, on the other hand, to estimate the GDP cycle at a time when GDP statistics have not been published yet. The period to estimate the model embraces January 2001 – June 2024.

### 3. Dynamic of business cycle in Russia's economy

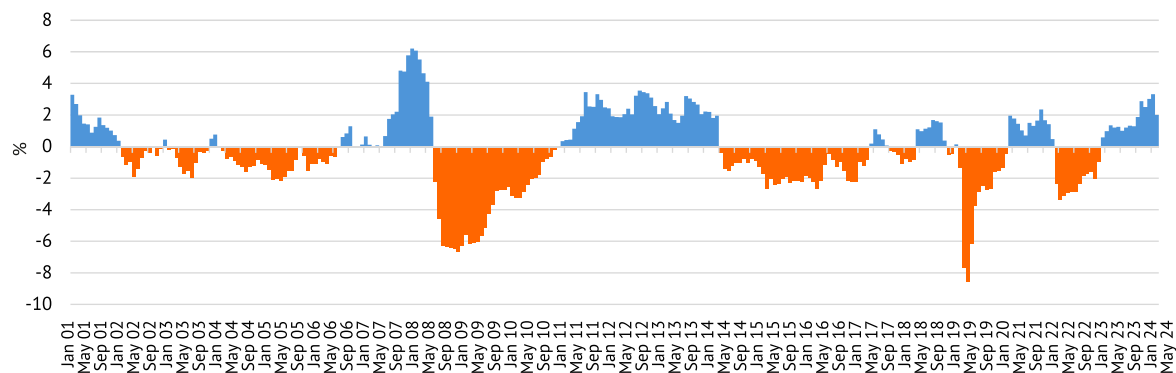


Fig. 1. Dynamics of the Russia's economy economic cycle from January 2001 to 2024

Fig. 1 shows the assessment of the dynamics of the cyclical component of the Russia's economy. The highest overheating of the Russian economy was observed on the eve of the global financial crisis in 2008 and reached 6.2%. However, the depth of the recession during the 2008–2009 crisis was 6.6%. A deeper decline of 8.5% in the short term was observed only during the pandemic in 2020, when severe restrictions were imposed on economic activity to prevent the spread of the COVID-19 epidemic. Yet, this recession was brief compared to other crisis episodes, since GDP recovered rather quickly, as the restrictive epidemiological measures were eased.

During 2021, Russia's GDP exceeded its potential level by 1–2%. Since February 2022, the Russian economy has been under pressure from economic and financial sanctions. Already following the first set of sanctions announced in February 2022, the dynamics of Russia's economy began to slow down and in April-May 2022 reached the lowest point of the considered phase of the cycle at approximately -3.5% of the potential level. Thereafter, the volume of output began to grow gradually and by early 2023 it recovered to -1.5–2% of the potential value. By May 2023, the domestic economy entered positive phase of the cycle at around 1.0% and remained in this state until the end of 2023. Since the beginning of 2024, the positive output gap in the Russian economy began to grow with the cyclical component of GDP reaching a peak of 3.3% in May 2024. The results obtained on the significant positive output gap in 2024 agree with the opinion of both the Bank of Russia and the Ministry of Economic Development of Russia whose representatives have repeatedly expressed the opinion<sup>1</sup> that in H1 2024 there was a significant growth of aggregate demand in the economy, outstripping the possibility of expanding the production of goods and services. In June 2024, the cyclical component started to decline to 2%, which can be interpreted as the first signs of cooling of the economy, but the output gap remains positive. This may indicate both the impact of tight monetary policy pursued by the Bank of Russia and the fact that the economy is clearly returning to its trend trajectory with growth rates lower than the current observed values. However, for more confident conclusions about the causes and risks of economic cooling we need to accumulate additional statistical data. ▀

1 URL: [https://cbr.ru/dkp/mp\\_dec/decision\\_key\\_rate/summary\\_key\\_rate\\_25092024/](https://cbr.ru/dkp/mp_dec/decision_key_rate/summary_key_rate_25092024/); <https://www.cbr.ru/press/event/?id=15826>; <https://www.rbc.ru/economics/14/05/2024/664345719a79471c0b887710>

## 4. INDUSTRIAL PRODUCTION DYNAMIC IN Q3 2024

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*The trend component of the industrial production index showed growth in Q3 2024, which was primarily driven by the manufacturing sector. The extractive sector continues to demonstrate a rather long downward trend due to the extension of the OPEC+ deal on voluntary cut in daily crude oil production. Production and distribution of electricity, gas and water slightly decreased in the period under review.*

In order to analyze correctly the available trends in certain industries, it is necessary to decompose their output into components: calendar, seasonal, non-regular and trend.<sup>1</sup> The interpretation of the latter is of substantial interest. The authors have identified the trend component of the series of production indices for 2003-2024<sup>2</sup> based on actual statistics published by Rosstat.

The results of series processing for the industrial production index as a whole are presented in *Fig. 1*. *Fig. 2* shows the result for the aggregated indices of the extractive and manufacturing sectors, as well as the production and distribution of electricity, gas and water. For the rest of the series the results of decomposition are shown in *Table 1*.

Industrial production in Q3 2024 relative to Q2 2024 (seasonally adjusted) amounted to 101.7%, and 110.1% relative to the same period last year.

The trend component in the extractive sector in Q3 2024 shows a decline: 99.2% as compared to Q2 of the current year and 96% as compared to the same period of the last year. The main factor affecting the dynamics is the extension of the deal on voluntary additional cut in oil output by OPEC+ member countries until the end of 2024.<sup>3</sup> Crude oil production accounts for a significant share in the pre-production sector.

The main positive contribution to the dynamics of industrial production in Q3 2024 was made by the branches of manufacturing industry, in particular, by the machine-building complex thanks to the output growth of certain means of transportation and equipment (railcars, diesel locomotives, etc.), as well as by the growth in production of computers and electronics (navigation devices, radar equipment, etc.).

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1 The trend component is a well-established term used in the literature, but it should be noted that this component is not a "trend" in the strict sense used in econometrics when analyzing time series: in this case, it is precisely the residual from the separation of calendar, seasonal and irregular components. The trend component is incorrect to use for time series forecasting (for most industrial production indices it is non-stationary in levels (and stationary in differences), but it can be used for interpreting short-term dynamics and comparison with past events.

2 The trend component was extracted with the Demetra package using the X12-ARIMA procedure.

3 The government has extended the ban on publishing statistics on oil production volumes until April 1, 2025.

## 4. Industrial production dynamic in Q3 2024

The chemical industry growth was maintained amid the continuation of the development of vacant niches and development of cooperation with friendly countries. Growth is noted in the production of not only large-tonnage raw chemical products (mineral fertilizers, caustic soda, ammonia), but also medium- and low-tonnage chemical products with high added value (dyes and pigments, paint and varnish materials, polymer materials). Maintaining growth will be determined primarily by the change of the key growth factor: the transition from “easy import substitution”<sup>1</sup> to the implementation of projects related to the development of technologies for the production of new materials and chemistry.<sup>2</sup>

The growth in metallurgical output and production of other metal products continues unabated due to the growing demand for intermediate goods and components for the needs of the defense industry.

In other sectors of the economy, except for agriculture and retail trade, in the third quarter of 2024 the growth rates are around zero:

- In construction due to reduced activity of investors who completed major projects in 2024, waiting for the launch of new ones that would ensure capacity utilization for a long period of time, and/or a period of high interest rates and reduction of preferential housing lending programs.<sup>3</sup>
- In freight transportation due to the slowdown of the railway network and difficulties in the organization of the transportation operation: shortage of locomotives and locomotive crews, reduction of section and technical speeds, which lead to shortages of non-trailer rolling stock, reduction of the freight base due to the introduction of new sanctions against Russian companies (EVRAZ, Mechel, Norilsk Nickel).<sup>4</sup>

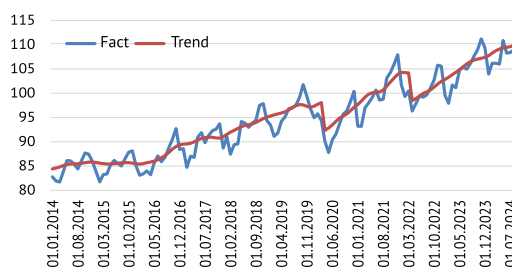


Fig. 1. Dynamics of the industrial production index in 2014–2024 (actual data and trend component), % against average annual value in 2021

Sources: Rosstat, own calculations.

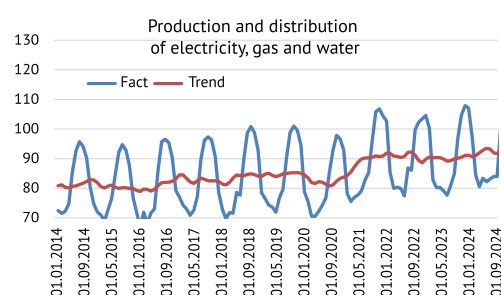
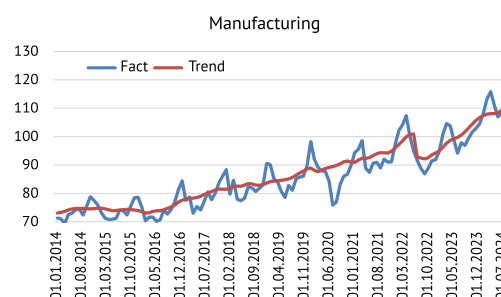
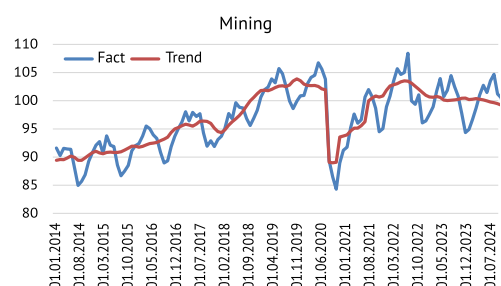


Fig. 2. Dynamics of the production indexes by industries in 2014–2024 (actual data and trend component) in % against average year value 2021

Sources: Rosstat, own calculations

- 1 Taking up the vacated market share on the back of the withdrawal of foreign producers from the Russian domestic market.
- 2 Bateneva T. The National Project “New Materials and Chemistry” is included in the pool of 12 top-priority megaprojects // RG.RU. 06.11.2024. URL: <https://rg.ru/2024/11/06/reakcia-vostanovleniia.html>
- 3 Meshkova S. Quiet the rafters, carpenters // Kommersant. 14.08.2024. URL: <https://www.kommersant.ru/doc/6892259>
- 4 Slobodianik A. Cargo loading on the railway transportation network: results of 9 months 2024. // ROLLINGSTOCK Agency. 03.10.2024. URL: <https://rollingstockworld.ru/ekonomika/pogruzka-gruzov-na-seti-zheleznodorozhnogo-transporta-itogi-9-mesyaczev-2024/>

## Monitoring of Russia's Economic Outlook

- In wholesale trade, most likely due to negative dynamics in the extractive industries, freight transportation and construction.

Strengthening control over compliance with sanction restrictions (within the framework of the 15<sup>th</sup> package of sanctions the European Commission is considering a ban on access to European ports and services for high-risk shipping for 45 Russian oil tankers, reduction in the price ceiling, ban on imports of LNG to the EU, suspension of cooperation in the field of nuclear energy, etc.).<sup>1</sup> In the context of the current situation, the persistence of the main trends of the monetary policy and the shortage of personnel, including those corresponding to the market requirements in terms of professional competencies (the reason for the shortage is that the increase in the number of working-age population is lower than its decline). The shortage of human resources, including those corresponding to the market's requirements in terms of professional competencies (the reason for the shortage is the increase in the working-age population is lower than its attrition rate),<sup>2</sup> create risks of production decline in the industrial sectors of the Russian economy as early as in the beginning of 2025.

Table 1

Change in the index of output as per economic industries, %

Industry	Share in the index of industrial production	September 2024 vs September 2023, %	September 2024 vs September 2023, %	Changes in the last months
Index of industrial production		103.2	102.7	Slow growth
Extraction of minerals	34.54	98.6	98.7	Stagnation
Manufacturing, including:	54.91	106.2	105.5	Growth
Production of foods, including drinks and tobacco	16.34	112.6	109.2	Growth
Textile and dress making production	1.14	109.8	107.9	Growth
Production of leather, leather items, and production of shoes	0.27	91.1	88.7	Sluggish recession
Wood manufacturing and production of wood items	2.02	101.6	103.7	Stagnation
Cellulose-paper production	3.35	79.6	82.6	Recession
Production of coal, petroleum products	17.25	98.8	99.5	Stagnation
Chemical production	7.56	114.0	110.6	Growth
Production of resin and plastic items	2.14	98.4	100.6	Sluggish recession
Production of other non-metallic mineral products	4.02	103.3	105.8	Stagnation
Metallurgical production and production of finished metallic items	17.42	122.9	117.9	Growth
Production of machinery and equipment	6.97	93.4	97.1	Sluggish recession
Production of electric equipment, electronic and optical equipment	6.27	113.7	110.2	Growth
Production of transport vehicles and equipment	6.75	145.1	136.7	Growth
Other productions	2.42	105.0	111.3	Sluggish recession
Electric energy, gas and water	13.51	100.4	98.4	Recession
Wholesale trade		102.7	102.7	Stagnation
Retail trade		106.1	105.7	Growth
Cargo turnover		99.9	99.5	Stagnation
Construction		101.1	100.4	Stagnation
Agriculture		104.5	103.9	Growth
Volumes of paid services to the population		102.4	101.6	Sluggish recession

Sources: Rosstat, own calculations. 

1 The Path Forward on Energy Sanctions. A Toolkit to Step Up Pressure on Russia in 2025 // The International Working Group on Russian Sanctions. Working Group Paper No. 21. 15.11.2024.

2 The sphere with the most severe shortage of personnel in the Russian Federation in Q3 2024 has been named // TACC. 12.10.2024. URL: <https://tass.ru/ekonomika/22106395>



## 5. MECHANISM FOR WRITING OFF REGIONAL DEBTS ON BUDGET LOANS NEEDS IMPROVEMENT

**Alexandra Savina**, Researcher, Department Of Quality Analysis of Economic Effects, Gaidar Institute

*In 2024, the opportunities for Russian regions to reduce the volume of debts on budget loans were expanded both in terms of the regions involved in such a support instrument and in terms of its volume. The government continues to mitigate conditions that allow regions to apply this instrument and to expand the list of industries that can implement investment projects with tax revenues used to reduce the debt. This mechanism promotes the development of infrastructure and investment activity, however, so far, the volume of write-offs has a tangible impact on the debt burden only in some regions of the Russian Federation.*

In October 2024, some regions of the Russian Federation were allowed to write off part of their debts on budget loans<sup>1</sup> in the amount of tax revenues received by the federal budget in 2023 from the implementation of investment projects. The mechanism of writing off the regions' debt on budget loans is one of the measures to ensure financial sustainability of the regions of the Russian Federation, as it is designed primarily to reduce the debt burden on regional budgets.

This mechanism was launched in October 2020, when the Rules for determining new investment projects<sup>2</sup> (hereinafter – NIPs) were introduced. The funds released as a result of reducing the amount of regional debt on budget loans are allocated for the implementation of these projects. It has become one of the tools to stimulate infrastructure development and investment activity in the regions.

The first debt write-off took place in October-November 2023 (in terms of tax revenues for 2022) for 19 regions that “actively developed the infrastructure (transport, energy, communal), necessary to launch new investment projects.”<sup>3</sup>

The amount of such write-offs is governed by the Debt Write-off Rules,<sup>4</sup> it is determined by the amount of tax revenue from the NIP, and therefore varies significantly.

In 2023, the total amount of debt write-offs on budget loans amounted to Rb10.8 bn, while the majority of write-offs were made in two regions: the Republic of Tatarstan: Rb 7.8 bn (72%) and the Moscow region: Rb 2.1 bn (19%). However, such regions as Voronezh and Komi Republic have been able to write off only Rb 20,000 and 18,000 respectively. Nevertheless, even for the Republic of Tatarstan and the Moscow region the amount of write-offs in the total debt

1 Edict of RF Government No.3028 of 28.10.2024.

2 Approved by RF Government Decree No.1704 of 19.10.2021.

3 RF Government approved an Edict to write-off budget loans debt for regions. Government of Russia. URL: <http://government.ru/news/49865/>, date of reference: 07.11.2024.

4 Approved by RF Government Decree No.1740 of 12.10.2021.

on budget credits<sup>1</sup> is only about 7-9% and 1-2% respectively.<sup>2</sup> The write-off of the Perm Krai debt of Rb 535 mln amounted to about 2-4% of the region's total debt, while for three other regions this share did not exceed 1%, and for other 13 regions 0.1%.

In 2024, compared to the previous year, there is an increase in the scope of regions covered by this mechanism. Thus, in 2023, 70 regions confirmed implementation of the system of support for new investment projects, while in 2024 there are already 82 such regions. Also in 2024, there is an increase in the number of regions that were offered a chance to write off part of their debts: 25 regions compared to 19 regions in 2023, while 10 of them were not offered to write off their debts in 2023.

In 2024, debt write-offs totaling RUR 25.9 bn will be performed. First of all, it may be noted that, as in 2023, the Republic of Tatarstan and the Moscow region enjoyed predominant write-offs (Rb 14.2 bn (55%) and Rb 9.5 bn (37% respectively).

Although the write-offs of these two regions are somewhat balanced, they still account for more than 90% of the total debt written off. However, it is also important to note that the range of support in 2024 varies to a lesser extent compared to 2023. Thus, for instance, in 2024 Stavropol Krai will be able to write off the least amount of funds, Rb 275.000, but it is 15 times more than the Komi Republic in 2023. However, even with the overall increase in the amount of write-offs, their shares in the amount of debt remain at the level of 2023: for the Republic of Tatarstan, Moscow region and Perm Krai, Kursk region the share amounted to about 3-4%. For other 21 regions this value remains within the range from 0.1 to 1%.

For four regions (Lipetsk, Nizhny Novgorod, Kemerovo, and Voronezh regions) in 2023 there was a partial debt write-off, but this will not be the case in 2024. As for the Kemerovo region, it can be assumed that such a change is due to the exceeding acceptable indicator of the regional budget deficit (in the last period available for observation, September 2024, the ratio of the deficit to the regional budget revenues amounted to more than 30%, while the established norm is no more than 15%).<sup>3</sup>

The majority of regions that wrote off a part of their debts in 2023-2024 are marked by a persistently high indicator of the ratio between the amount of budget credits and revenues of the consolidated regional budget (*Fig. 1*). Thus, for 13 out of 25 regions (for which debts are written off in 2024) this indicator is higher than the average figure for all regions both as of January 1, 2023, and January 1, 2024. That is, the mechanism in question is indeed applied mainly to those regions where debt load reduction is a pressing issue.

Meanwhile, growth of this indicator as of January 1, 2024 versus January 1, 2023 is obvious for almost all regions, irrespective of the fact that part of the debt on budget credits was or wasn't written off in 2023.

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1 Amount and structure of public debt of RF regions and municipal debt. RF Ministry of Finance. URL: [https://minfin.gov.ru/ru/performance/public\\_debt/subj/subdbt](https://minfin.gov.ru/ru/performance/public_debt/subj/subdbt), date of reference: 06.11.2024.

2 Estimated in relation to total budget credit arrears as of the first day of the month when the write-off was approved and as of January 1, 2022, when tax deductions were made (since the Russian Ministry of Finance provides monthly data).

3 Estimate based on publicly available data on the execution of budgets by RF regions published by the Federal Treasury of Russia. URL: <https://www.roskazna.gov.ru/ispolnenie-byudzhetrov/>, date of reference: 07.11.2024.



## 5. Mechanism for writing off regional debts on budget loans needs improvement

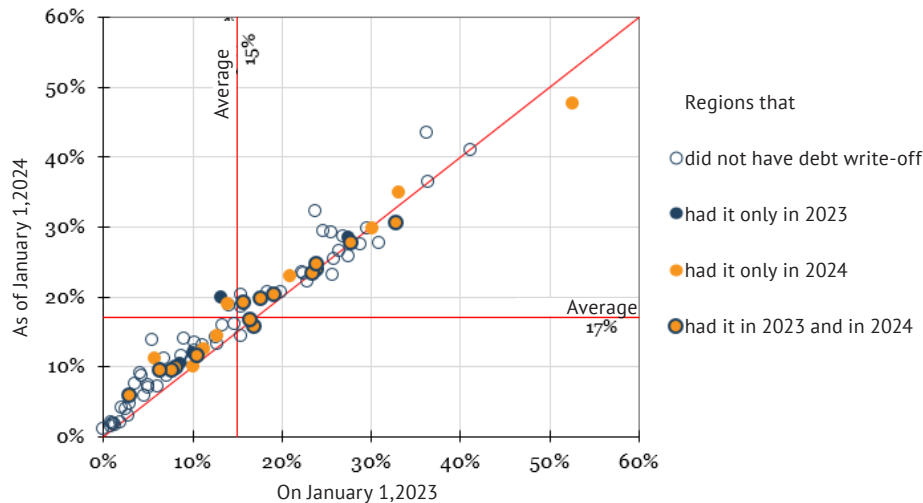


Fig. 1. Volume of regional budget credits compared to revenues of consolidated budget of RF region

Source: own estimates; using data provided by RF Ministry of Finance on the amount and structure of public debt of RF region and open data on sources of domestic financing of budget deficits of RF regions.

Only for two regions that wrote off their debt in 2023, the Krasnodar Krai and the Tomsk region, there was a slight reduction in the indicator under review. At the same time, the same reduction is observed for five regions that did not write off the debt on budget loans.

The mechanism of writing off debts on budget loans was initially extended only to new investment projects implemented in priority sectors, i.e. design, construction or reconstruction of infrastructure facilities in agriculture, tourism, manufacturing, housing and road construction. In 2023, the option to channel the released funds also to other regional projects “for the development and support of economic sectors under external sanctions pressure has been expanded.”<sup>1</sup>

In 2024, the tendency to mitigate conditions for applying this mechanism of support to regions continued. Thus, for instance, in February 2024, it was decided that regions can also use funds of the written-off debt to create and develop the infrastructure of techno-parks in the sphere of high technologies.

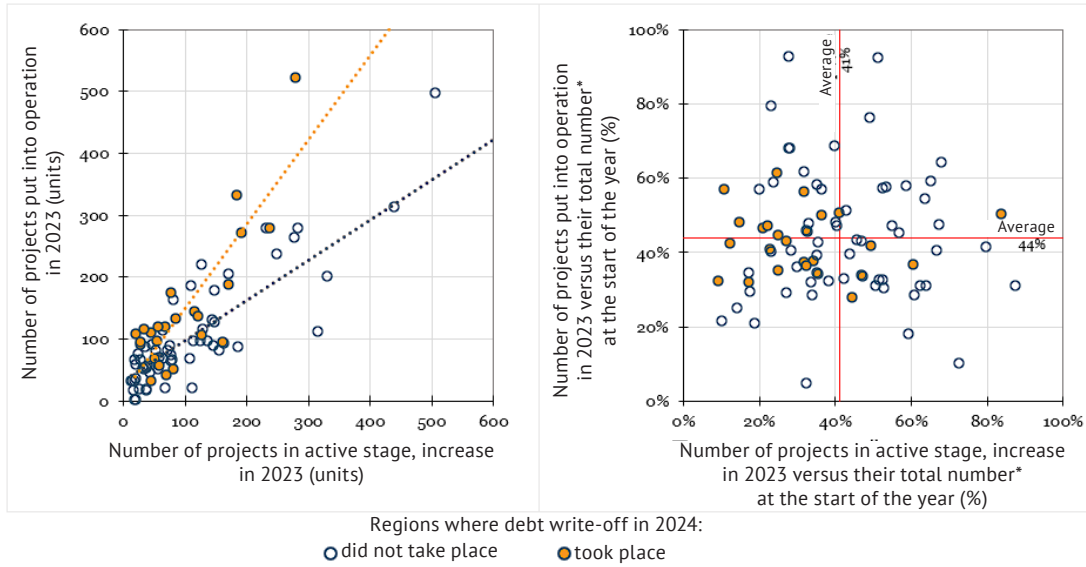
All this together should contribute to an increase in the number of new investment projects being implemented, which in turn will allow regions to write off more debt at the expense of more tax revenues. However, rate of growth of investment projects in 2023–2024 slowed somewhat as their peak occurred in 2022<sup>2</sup>, while implementation of their majority takes several years.

At the same time, the number of projects entering the active stage and projects already in use is consistently increasing. It can be noted (Fig. 2) that those 25 regions, whose debts will be written off in 2024, are marked by a greater number of projects put into operation compared to other regions, while the differences in the indicator of active projects are almost invisible.<sup>3</sup>

1 Government expanded opportunities for regions under restructuring budget credits. Government of Russia. URL: [http://government.ru/dep\\_news/48306/](http://government.ru/dep_news/48306/), date of reference: 08.11.2024.

2 According to digital platform “Investment projects of Russia”: Dynamics of development of investment projects. URL: <https://investprojects.info/regions/chart-stages>, date of reference: 14.11.2024.

3 There is even less difference between these groups of regions in terms of investment project performance when we turn to their relative expression (of the total number).



\* The total number of investment projects refers to the number of projects in the active stage of implementation as of January 1, 2023, i.e. excluding suspended and canceled projects.

Fig. 2. Distribution of Russian regions by indicators of investment project implementation in 2023

Source: own estimates. According to digital platform “Investment projects of Russia: region analysis. URL: <https://investprojects.info/districts>, date of reference: 14.11.2024.

This may indicate that although regions have been given the chance to consider tax revenues even from investment projects that have not completed their “investment phase”<sup>1</sup> (if the project implies phased implementation) when writing off their debt, this turns out to be less feasible in practice than writing off on fully implemented projects.

The distribution of regions by sectoral specifics of their investment projects is also of interest. Thus, in 2023 projects for construction of residential facilities, highways, social facilities, engineering networks, infrastructure and mining and processing projects prevailed across all regions (Fig. 3). However, when considering only those 25 regions that in 2024 (based on the results of 2023) are subject to partial debt write-off on budget credits, some differences are noticeable.

In these regions, for example, the number of investment projects to build commercial facilities accounts for a much larger share of the total number of projects. Commercial facilities include resorts, recreation centers and hotels, shopping and entertainment centers, business centers and multifunctional facilities. There are also fewer projects related to social facilities and with the exception of the Republic of Tatarstan, road construction and reconstruction projects.

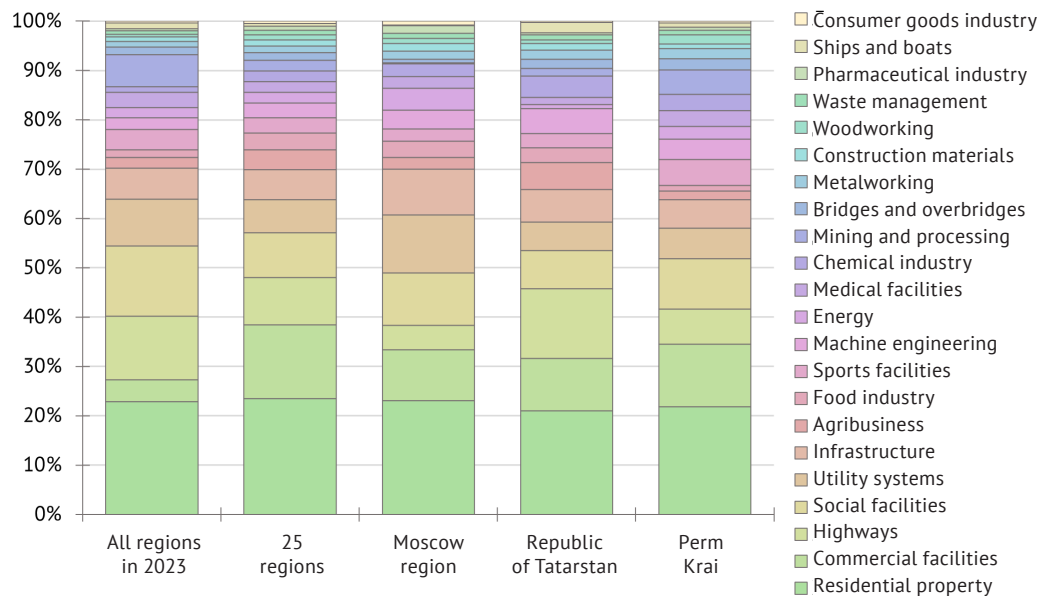
Meanwhile, sectoral specifics of the investment projects prioritized in these regions also differ significantly. For example, in Perm Krai, out of 102 priority projects,<sup>2</sup> only 11 are commercial facilities, 5 are social facilities, and 47 relate to industrial production.

This discrepancy is primarily due to the terms of implementation: mining, processing, chemical and other industrial projects are often associated with

1 The Government expanded options for regions to write off debts on budget loans. Government of Russia. URL: <http://government.ru/news/49221/>, date of reference: 11.11.2024.

2 The Perm Krai investment portal. Register of priority investment projects. URL: <https://investinperm.ru/investoram/realizuemye-proekty/>, date of reference: 18.11.2024.

## 5. Mechanism for writing off regional debts on budget loans needs improvement




**Note.** The total number of projects is reviewed regardless of the stage of implementation. Those regions for which the amount of debt write-offs was determined to be significant are presented separately.

*Fig. 3. Sector specifics of regional investment projects*

Source: own estimates. According to digital platform “Investment projects of Russia”: Sectoral analysis. URL: <https://invest-projects.info/sectors>, date of reference: 18.11.2024) According to digital platform “Investment projects of Russia”: Sectoral analysis. URL: <https://investprojects.info/sectors>, date of reference: 18.11.2024.

longer implementation periods. However, as it was shown earlier, the debt on budget credits is mainly written off under tax revenues from already fully implemented projects.

Thus, in 2024, the terms for partial debt write-offs on budget loans for regions that actively implement new investment projects continue to soften. At the same time, according to a study, although this mechanism contributes to the intensification of infrastructure development and investment activity, the amount of write-offs has a tangible impact on the debt burden only in some regions. 

## 6. RUSSIAN HUMANITARIAN AID IN 2024

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**Alexander Knobel**, Candidate of Economic Sciences, Senior Researcher, Head of the Foreign Department, Gaidar Institute

*In 2024, the Russian Federation continued to provide international development assistance (IDA), including humanitarian aid. The authors analyzed measures related to the provision of humanitarian aid based on data from the Russian Federal Customs Service (FCS), open sources of Russian Federal Executive Authorities (FEA) and their foreign missions, as well as media data. Despite the wide range of identified programs and directions of Russian economic and humanitarian aid, it is not possible to give a full quantitative and cost assessment of such aid. This is due to the incomplete review of programs related to Russian economic assistance, as well as the lack of open official statistical data.*

### General description

Over more than 30-year history of the Russian Emergencies Ministry, Russian humanitarian aid has been provided to almost 80 countries.<sup>1</sup> The key innovation in the last few years was the adoption of the Concept of Humanitarian Policy of the Russian Federation Abroad in September 2022.<sup>2</sup> The Concept defines humanitarian aid as a separate area of humanitarian cooperation between Russia and foreign countries. Nevertheless, the main document regulating Russia's cooperation with developing countries in the field of international development assistance remains the Concept of State Policy of the Russian Federation in the sphere of international development assistance of 2014<sup>3</sup> with amendments of 2023.<sup>4</sup> The Concept of 2014 defines humanitarian aid as one of the directions of Russia's IDA. However, it should be noted that humanitarian aid is not included in the category of economic aid. According to the methodology of the OECD Development Assistance Committee (DAC), humanitarian aid is included in the total volume of official development assistance (ODA), but it has a different economic meaning and is singled out as a separate category of aid.

1 EMERCOM (2024a). Over 76 countries have received assistance from the Russian EMERCOM during 30 years. URL: <https://tass.ru/obschestvo/9232675>

2 Russian Foreign Ministry (2022) Concept of Humanitarian Policy of the Russian Federation Abroad. URL: [https://www.mid.ru/ru/foreign\\_policy/official\\_documents/1829856/?TSPD\\_101\\_R0=08765fb817ab2000079181dd72f66d44da30b07bfae0580e5051ed4b5122e-884663311015bee064b080bea432814300018259d0094fdf538a7dd5da6cd49b6f002ef-f3e247062a4d213e41092c68df89702d9cb3669e10a135780497761d09b7](https://www.mid.ru/ru/foreign_policy/official_documents/1829856/?TSPD_101_R0=08765fb817ab2000079181dd72f66d44da30b07bfae0580e5051ed4b5122e-884663311015bee064b080bea432814300018259d0094fdf538a7dd5da6cd49b6f002ef-f3e247062a4d213e41092c68df89702d9cb3669e10a135780497761d09b7)

3 Russian Foreign Ministry. Concept of the State Policy of the Russian Federation in the sphere of international development assistance. 20.04.2024. URL: [https://www.mid.ru/ru/foreign\\_policy/official\\_documents/1584961/?TSPD\\_101\\_R0=08765fb817ab2000859474497f-bcb50e252417e2fd1def72d4b5ad5d4e614306cda279193f0b68c70878ab81d41430006c15d-cdd20a18d5d3fa2b56f0ecac0af1a8c0585c5b47e1cd56584243a6c2f92598288d70cdc1bb-63f4f41324483de78](https://www.mid.ru/ru/foreign_policy/official_documents/1584961/?TSPD_101_R0=08765fb817ab2000859474497f-bcb50e252417e2fd1def72d4b5ad5d4e614306cda279193f0b68c70878ab81d41430006c15d-cdd20a18d5d3fa2b56f0ecac0af1a8c0585c5b47e1cd56584243a6c2f92598288d70cdc1bb-63f4f41324483de78)

4 Executive Order of the President of the Russian Federation of 13.03.2023. No. 161. URL: <http://www.kremlin.ru/acts/bank/49007>

## 6. Russian humanitarian aid in 2024

The Federal Customs Service of Russia collects statistics on humanitarian aid. Projects in the sphere of humanitarian aid are mostly implemented through the mechanisms of the Ministry of the Russian Federation for Civil Defense, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM). It is also necessary to note the growing role of Rossotrudnichestvo in the humanitarian sphere. In November 2024, EMERCOM and Rossotrudnichestvo signed an agreement on cooperation in the field of personnel training of foreign citizens in Russian educational institutions through the Ministry of Emergency Situations.<sup>1</sup>

Humanitarian aid, unlike economic assistance, in most cases does not have a programmatic nature and is mainly related to assistance in dealing with the impact of natural disasters. In 2024, humanitarian operations were carried out in Afghanistan, Turkey, Syria, Iran, Libya, Iran, Niger and other countries of the Middle East and Africa. The key actor in this area remains the Ministry of Emergency Situations, which is usually responsible for the transfer of humanitarian supplies and essentials.

### Russian aid

The international practice of providing humanitarian aid is based on the use of both multilateral and bilateral channels. It should be noted that Russia is strengthening its position as a humanitarian partner at the multilateral level. In April 2024, Arkhangelsk hosted a meeting of the BRICS working group on disaster risk management.<sup>2</sup> Prospects for cooperation between the Ministry of Emergency Situations and Latin American countries were outlined. In particular, the Russian EMERCOM identified with colleagues from Nicaragua, Bolivia and Venezuela the prospects for cooperation, including training of specialists from Latin America and the Caribbean<sup>3</sup> on the provision of first aid.

The priority of multilateral cooperation in humanitarian assistance was also identified during the BRICS Summit in October 2024. The BRICS leaders identified the need for humanitarian support to countries such as Sudan, Haiti, Afghanistan and the Gaza Strip.<sup>4</sup> In particular, the foreign ministers emphasized the need to provide humanitarian aid to Palestinian civilians throughout the Gaza Strip. In this regard, humanitarian support to the Gaza Strip remained a separate Russian priority in 2024.<sup>5</sup>

In the first three months of 2024, over 480 tons of humanitarian cargo have been transferred to civilians in the Gaza Strip.<sup>6</sup> Moreover, the Russian Government allocated Rb 250 mn to the Ministry of Emergency Situations to

1 TASS (2024a). Rossotrudnichestvo and the Ministry of Emergency Situations signed an agreement on cooperation. URL: <https://tass.ru/obschestvo/22333035>

2 TASS (2024b). Arkhangelsk will host a meeting of the BRICS Group on disaster risks. URL: [https://tass.ru/obschestvo/20052679?utm\\_source=yxnews&utm\\_medium=desktop&utm\\_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D](https://tass.ru/obschestvo/20052679?utm_source=yxnews&utm_medium=desktop&utm_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D)

3 TASS (2024c). Russian EMERCOM outlined prospects for cooperation with Nicaragua, Bolivia and Venezuela. 29.02.2024. URL: [https://tass.ru/obschestvo/20112615?utm\\_source=yxnews&utm\\_medium=desktop&utm\\_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D](https://tass.ru/obschestvo/20112615?utm_source=yxnews&utm_medium=desktop&utm_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D)

4 XVI BRICS Summit (2024). The Kazan Declaration, XVI BRICS Summit. 23.10.2024. URL: [https://cdn.brics-russia2024.ru/upload/docs/Казанская\\_декларация.pdf?1729693488382423](https://cdn.brics-russia2024.ru/upload/docs/Казанская_декларация.pdf?1729693488382423)

5 BRICS (2024). Joint Statement of the BRICS Ministers of Foreign Affairs/International Relations. URL: [https://cdn.brics-russia2024.ru/upload/docs/2024-06-10-Совместное\\_заявление\\_Министров\\_иностраных\\_дел/международных\\_отношений\\_стран%20БРИКС-Нижний\\_Новгород\\_РФ\\_2.pdf?1718110103377559](https://cdn.brics-russia2024.ru/upload/docs/2024-06-10-Совместное_заявление_Министров_иностраных_дел/международных_отношений_стран%20БРИКС-Нижний_Новгород_РФ_2.pdf?1718110103377559)

6 Izvestia (2024). A Russian Emergencies Ministry charter flight will deliver another humanitarian aid to civilians in the Gaza Strip. 27.03.2024. URL: <https://iz.ru/1672426/2024-03-27/bortmchs-rossii-dostavit-ocherednuiu-gumpomoshch-mirnym-zhiteliyam-sektora-gaza>

compensate for the evacuation of citizens from Palestine.<sup>1</sup> On July 3, 2024, the Russian EMERCOM delivered to Egyptian El-Arish more than 30 tons of foodstuffs for the Gaza Strip residents.<sup>2</sup> EMERCOM also uses the infrastructure of neighboring Jordan to deliver humanitarian cargo to the region. In total, the Russian EMERCOM delivered more than 800 tons of aid to the region during the conflict and humanitarian crisis as of October 2024.<sup>3</sup>

Afghanistan has also become a focus of Russian humanitarian cooperation. On June 21, 2024, Russia delivered 21 tons of humanitarian cargo to Afghanistan by a Russian EMERCOM aircraft.<sup>4</sup> On August 20, 2024, about 25 tons of wheat flour were delivered to the south of Afghanistan by a special flight of the Russian EMERCOM with the support of the Volgograd regional public organization for cultural development "House of Friendship".<sup>5</sup>

The African countries were also in the sphere of Russian assistance. In May 2024, Russia transferred humanitarian aid to Niger in the form of foodstuffs and basic necessities.<sup>6</sup> In addition to humanitarian aid, the African countries are also expected to receive assistance to fight infections for Rb1.2 bn by 2026. Ten mobile laboratories will be supplied to the countries of the continent, hundreds of specialists will be trained, and joint research will be conducted.<sup>7</sup>

On November 5 and 7, 2024, EMERCOM delivered a humanitarian cargo to Lebanon in the amount of 19 and 24 tons, respectively, which included food and basic necessities.<sup>8,9</sup>

EMERCOM is developing programs to assist in the training of personnel. For example, on February 6, 2024, The Russian Emergencies Ministry announced the establishment of a center for training firefighters and rescuers in Syria.<sup>10</sup> For this purpose, the Ministry plans to supply Syria with domestically produced machinery, equipment and gear. By the end of 2024, the Russian Ministry of Emergency Situations plans to open a fire and rescue training ground in Serbia, which will make a significant contribution to preventing and responding to emergencies in the Balkan region.<sup>11</sup>

1 Edict of the Government of the Russian Federation of 28.05.2024 No. 1305-p. URL: <http://publication.pravo.gov.ru/document/0001202405290057>

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9 TASS (2024c). A third batch of humanitarian aid has been delivered to Beirut. URL: <https://tass.ru/mezhdunarodnaya-panorama/22336167>

10 Vasilieva Yu. The Russian Emergencies Ministry will create a center to train firefighters and rescuers in Syria. Komsomolskaya Pravda. 06.02.2024. URL: [https://www.kp.ru/online/news/5662205/?utm\\_source=yxnews&utm\\_medium=desktop&utm\\_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D](https://www.kp.ru/online/news/5662205/?utm_source=yxnews&utm_medium=desktop&utm_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D)

11 TASS (2024d). EMERCOM plans to open a fire and rescue ground in Serbia in 2024. URL: [https://tass.ru/obschestvo/19801283?utm\\_source=yxnews&utm\\_medium=desktop&utm\\_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D](https://tass.ru/obschestvo/19801283?utm_source=yxnews&utm_medium=desktop&utm_referrer=https%3A%2F%2Fdzen.ru%2Fnews%2Fsearch%3Ftext%3D)

## 6. Russian humanitarian aid in 2024

### **Development of the humanitarian aid system**

In the absence of official aggregated statistics, it is impossible to provide a quantitative and cost assessment of the assistance provided. There is still a high risk of inefficient use of funds allocated for Russian humanitarian operations in developing countries due to the work of a large number of stakeholders and the emergency nature of the programs. In order to improve the efficiency of humanitarian aid provision by the Russian side it is necessary to:

- Enhance coordination of Russian humanitarian programs with stakeholders working in priority areas of Russian humanitarian aid.
- Expand partnerships and cooperation with Russian businesses interested in cooperating with regions that are recipients of humanitarian aid. It is necessary to increase the transparency of business participation in humanitarian aid operations. At present, information on the activities of business in overcoming emergencies is not systematic.
- Consider the possibility of establishing sustainable institutional practices of humanitarian aid with the involvement of regional organizations (including the Eurasian Development Bank), as well as through the creation of targeted humanitarian funds with the participation of the private sector. 