

## Russia

### Quantitative Factors (Relative Weights in any New Rating, or Change to Existing Rating or Outlook)

		2019		2020		2021		2022		2023	
Weight	Factor	A	A	A	A	F	F	F	F	F	F
8 Mar 22	Date of this review										
2 Mar 22	Date of previous review										
Low	GDP per capita (USD, market exchange rates)	11,518	11,518	10,136	10,136	10,573	10,573	11,761	11,761	12,920	12,920
Low	Real GDP growth (%)	2.0	2.0	-3.0	-3.0	4.4	4.4	2.6	2.6	2.0	2.0
Low	Consumer prices (annual average % change)	4.5	4.5	3.4	3.4	6.6	6.6	6.4	6.4	4.2	4.2
Low	General government balance (% of GDP)	1.9	1.9	-4.0	-4.0	1.0	1.0	1.9	1.9	0.6	0.6
Low	General government debt (% of GDP)	14.7	14.7	20.4	20.4	20.4	20.4	18.6	18.6	18.5	18.5
Low	Current account balance plus net FDI (% of GDP)	4.5	4.5	2.7	2.7	7.5	7.5	6.3	6.3	3.4	3.4
Low	Net external debt (% of GDP)	-36.5	-36.5	-46.9	-46.9	-48.0	-48.0	-47.8	-47.8	-45.7	-45.7

#### Colour key

n/a	IMF development classification:	EM	Improvement relative to previous review	
n/a	CDS Market Implied Rating:	n/a	Deterioration relative to previous review	

### Qualitative Factors (Relative Weights in any New Rating, or change to Existing Rating or Outlook)

Weight	Factor	Change since last review
Low	Fiscal financing flexibility	Negative
Low	Public debt sustainability	Negative
Low	External vulnerability	Negative
Low	Banking system strength	Negative
High	Political risk/uncertainty	Negative
Low	Macroeconomic outlook, policy coherence and credibility	Negative
Low	Business environment and competitiveness	Negative
n/a	Other factors	n/a

### Footnotes

- The risks, limitations and uncertainties associated with the ratings are detailed in the Rating Action Commentary.
- Weights - 'High'/'Medium'/'Low' - reflect the relative importance of each Quantitative and Qualitative Factor in the context of a change in the rating or Outlook.
- Weights for Economic Development (IMF development classification) and Indicator of Default (CDS Market Implied Rating) will always be n/a because these indicators are not referenced in the Fitch Sovereign Rating Criteria.
- Analyst contacts and all other relevant rating factors are referenced in the Rating Action Commentary.

### Fitch Downgrades Russia to 'C'

## Discussion Note

### Issuer: Russia

Date of Rating Committee: 08/03/2022

Rating Committee Chair confirms that the Rating Action Report (RAR) is complete and correct, including:

1. Indicator of default is disclosed, where available (CDS Implied Rating) (n/a)
2. Indicator for economic development is disclosed (EM/DM indicator) (Y)
3. Weightings of quantitative and qualitative factors are disclosed only for changes in existing ratings or Outlooks and for newly assigned ratings (**for EU Regulated Issuers Only**) (Y)

SRM Output: BBB+

QO Adjustment: n/a

Final Rating: C

## Summary of Discussion

The rating committee discussed the following key issues:

- Interpretation of recent official announcements on payments to foreign creditors, particularly the different treatment applied to those from countries that had imposed sanctions on Russia
- Movement of funds across the payment and settlement system for recent coupon payments on OFZs; terms of debt
- Assessment of willingness and ability to repay foreign and local-currency obligations
- Consistency of officially announced approach to payments with distressed debt exchange versus traditional payment default
- Capital controls and the possibility that certain corporates could make foreign-currency debt repayments
- Credit strengths and weaknesses, and rating peer comparisons
- Potential rating actions, drivers, sensitivities and assumptions

The main opinions and conclusions of the committee are recorded in the RAC.

## Definitions

### **Per-Capita Income: GDP per capita (USD, market exchange rates)**

Gross domestic product at current market prices in the local currency and converted into US dollars at annual average market exchange rates. GDP is the sum of consumption (private and government) plus gross fixed capital formation plus the change in inventories plus exports of goods and services minus imports of goods and services. Source: National authorities, international institutions.

### **GDP Growth: Real GDP growth (%)**

Annual percentage change (calendar year on calendar year) of a country's GDP in constant prices (ie, volume terms). Source: National authorities, international institutions, Haver Analytics.

### **Inflation: Consumer prices (annual average % change)**

Annual percentage change in the national consumer price index (CPI). Note: these are period averages, not year-end to year-end. Source: National authorities, international institutions, mainly IMF IFS.

### **Fiscal Balance: General government balance (% of GDP)**

Consolidated balance of central government, provincial, regional and local governments, social security funds and other extra-budgetary funds; data may be presented on a cash or, more generally and preferably, on an accruals basis. Net lending is treated as an expenditure item and is included in the general government balance. Privatisation receipts are treated as a financing item and are excluded from the general government balance.

Note: in some countries data are available only for a fiscal year not coinciding with the calendar year. Where this is so, fiscal data are allocated to that calendar year in which the larger part of the fiscal year falls. For fiscal years running July-June, fiscal data are allocated to the year ending 30 June (ie, 1990/91 = 1991). Also note that for euro area countries, the figures may differ from those produced by Eurostat due to Fitch's treatment of UMTS receipts. Source: National authorities, international institutions.

### **Fiscal Debt: General government debt (% of GDP)**

Year-end debt stock of the general government (as defined above); data comprise domestic and externally contracted debt regardless of maturity, and include monetary authorities' debt issued on behalf of the government. Contingent liabilities, such as guaranteed debt, are excluded, except where these are specified as a line item in the budget. Source: National authorities, international institutions.

### **External Balance: Current account balance plus net FDI (% of GDP)**

Current account balance plus the net annual flow of foreign direct investment (US dollar value of FDI in the economy less resident FDI abroad), expressed as a percentage of GDP. Source: Fitch estimates based on national authorities and IMF.

### **External Debt: Net external debt (% of GDP)**

Calculated by deducting certain classes of gross external assets from a country's gross external debt (GXD). All figures are converted into US dollars at year-end exchange rates and are expressed as a percentage of GDP. A minus sign indicates that the country is a net external creditor (ie, contractual external claims exceed liabilities). For all countries, the definition of gross external assets mirrors the definition of GXD, ie, exclusion of equity FDI and portfolio equity investment.

Fitch has therefore modified the definition of gross external assets for emerging countries, as it previously used "narrow" gross external asset definition, which excluded non-bank private-sector external assets for these countries. Therefore, the claims of the non-bank private sector would be included, on the grounds that these are the product of rational portfolio management and generate an identifiable income stream for the country of origin. Note that for those emerging markets that have entered into Brady debt deals collateralised by US zero-coupon bonds, the US dollar value to date of that collateral is included in official assets. Source: IMF IFS, national authorities, international institutions.

### **Economic Development: IMF development classification**

Countries classified as Advanced Economies in the latest IMF World Economic Outlook are reported as Developed Markets (DM). Emerging Market and Developing Economies are reported as Emerging Markets (EM). Source: IMF World Economic Outlook, Fitch classifications for sovereigns not referenced in the IMF World Economic Outlook.

### **Indicator of Default: CDS Market Implied Rating**

Derived from the Fitch CDS Implied Ratings (CDS-IR) model, which processes the collective marketplace view of issuers' credit condition based on its CDS pricing. Source: CDS-IR Fitch Solutions, CDS IHS Markit.

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