

COUNTRY PROFILE



Russia

GLOBAL RANK: 57th of 104



Nearly 50 places separate Russia's Economic Competitiveness (34th) and Comparative Liveability (82nd) rankings, leaving the country overall in 57th position. Although Russia scores highly for education and innovation, it performs poorly in indicators of the climate and of family life.

● BACKGROUND

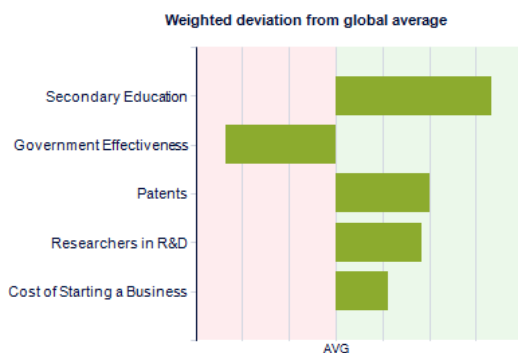
Oil and gas exports are currently fuelling Russia's economic boom and increasing its geopolitical influence. Since 2003, the economy has grown by an average of 7% annually, real disposable income has doubled, and a series of banking and financial sector reforms has improved investor confidence. Income inequality remains pronounced, however, and economic development is hindered by pervasive corruption, a weak rule of law, and increasing political authoritarianism. HIV infection rates are rising, and there are high levels of narcotics and alcohol abuse. Russian security forces continue to battle insurgent movements in Chechnya, and Islamic separatists in neighbouring Ingushetia. A conflict in Georgia has dramatically heightened tensions with the West.

FAST FACTS

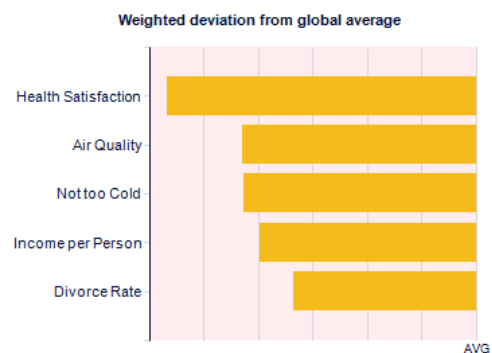
<b>Population:</b>	140.7 million (2008 est.)	<b>FDI (net inflow):</b>	2.76% (2006 est.)
<b>Life Today</b>	5.1 (2007 est.)	<b>Exports</b>	30.86% (2006 est.)
<b>GDP (PPP)</b>	\$2.088 trillion (2007 est.)	<b>Imports</b>	18.39% (2006 est.)
<b>GDP (Growth)</b>	8.1% (2007 est.)	<b>Unemployment:</b>	6.2% (2007 est.)
<b>GDP (per Capita)</b>	\$14,700 (2007 est.)	<b>Life Expectancy</b>	65.94 years (2008 est.)
<b>Political System:</b>	Federation		
<b>Foreign Aid:</b>	0.22% (2004 est.)		

● KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



COMPARATIVE LIVEABILITY



Russia has been enjoying robust economic growth since 1999, and gross domestic product has doubled within a decade (after halving during the decade before this). The expansion is largely due to the country's natural resource wealth and to rising oil and gas prices. The economy is worryingly dependent on commodity exports, which exceed 20% of GDP.

Nevertheless, strong education, innovation and entrepreneurship scores contribute to the economic dynamics. The combined gross enrolment ratio for primary, secondary and tertiary education is just below 90%, and the average worker has almost 5 years of secondary education. This is partly a legacy of communism, and these high levels

Solid economic growth fails to translate into Comparative Liveability, in which Russia ranks a surprisingly low 83rd (although this is consistent with the low average self-reported wellbeing of Russians). One positive aspect is the high level of women's share in national income, but this is not enough to turn around the low equality of opportunity ranking.

Besides the extremely cold climate conditions, health conditions are alarming. 42%<sup>9</sup> of the population is dissatisfied with their health, according to the Gallup World Poll, which may not be surprising given that the average health-adjusted life expectancy is under 60 years. Infant mortality rates are relatively high, HIV

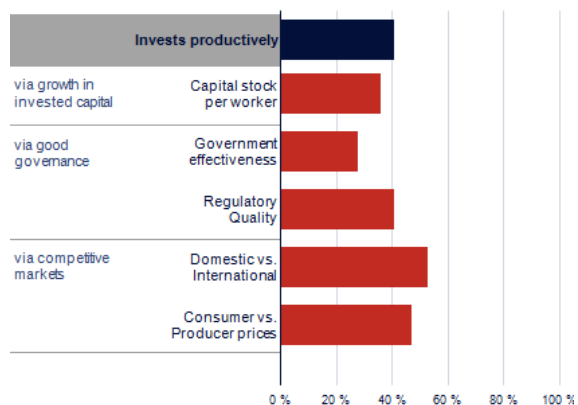
of education sometimes reflect instruction inappropriate for a modern market economy. Nonetheless, Russian scientists are known for their expertise in many fields, and Russia scores very well on a range of human capital and innovation indicators, including researchers in R&D, patents granted, and high-tech exports (which constitute almost 10% of GDP). The low cost of starting a business, an entrepreneurship indicator, should allow these skills to be put to use and opportunities for growth to be taken.

However, Russia's openness and integration into the world economy is harmed by controversial obstacles to foreign investment, including bureaucratic inconsistency and legal restrictions in strategic sectors such as energy. The governance indicators are consistently weak, with both effectiveness and regulatory quality scoring badly overall. Speculation about politically motivated interference in the economy is amplified by international tensions, which also contribute to the perceived deterioration of investment climate.

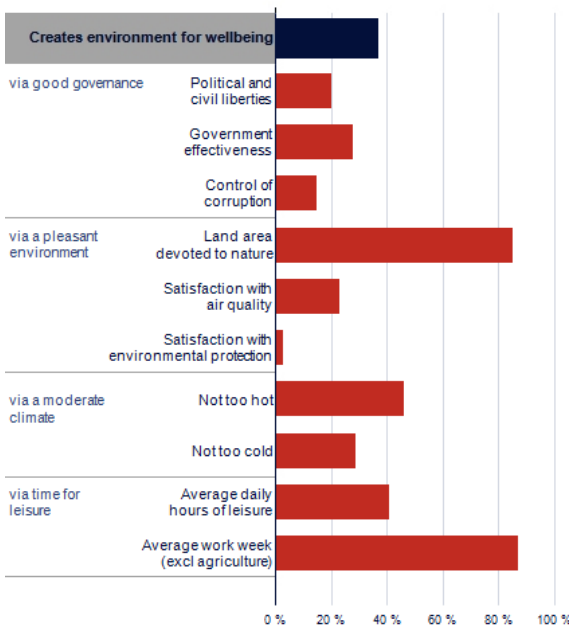
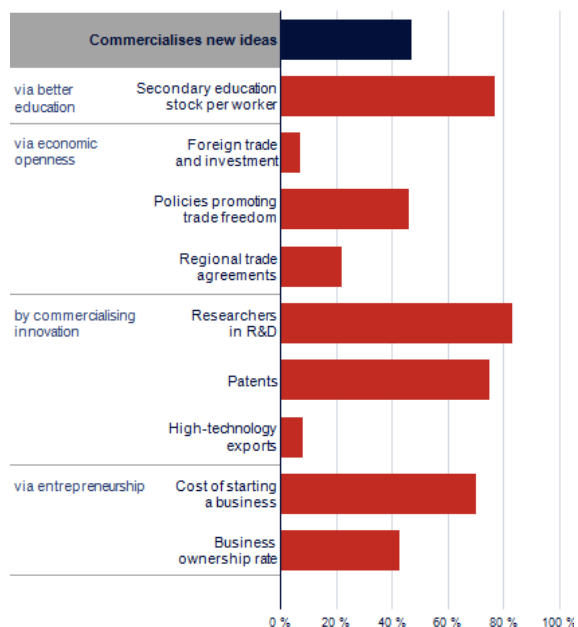
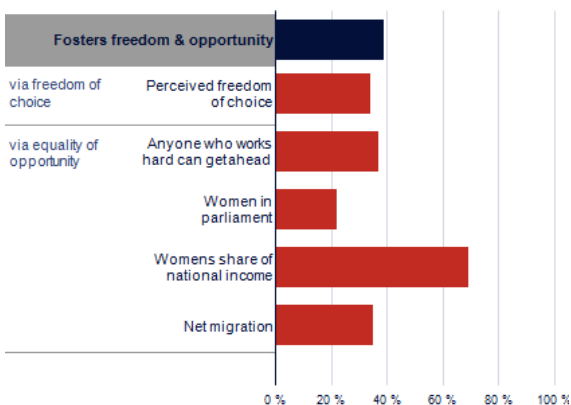
prevalence is among the highest in Eastern Europe and almost 40% of Russians smoke. Partially as a consequence, the population is decreasing, despite a massive influx of migrants, mainly from Eastern and Central Asia.

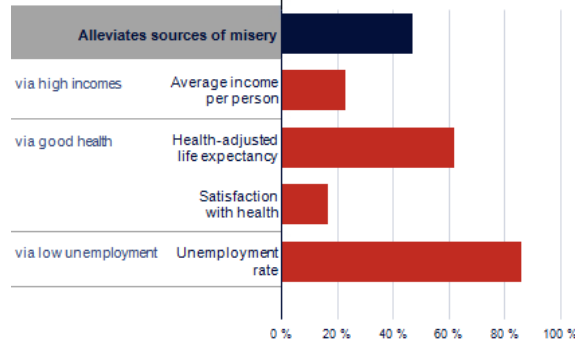
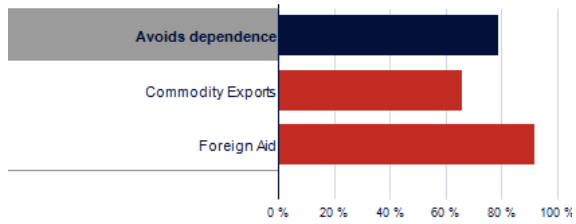
Despite an abundance of nature, including the extraordinary forests of the Russian taiga, environmental preservation efforts are almost entirely absent and air quality is widely perceived to be poor, according to Gallup. High levels of divorce and widowhood result in a poor score for family life, which is compounded by low scores for community involvement. Russia has extremely high levels of corruption and a bad record for the protection of human rights. Added to a lack of government effectiveness, Russia achieves a weak score for political life overall.

## ECONOMIC COMPETITIVENESS: SCORECARD

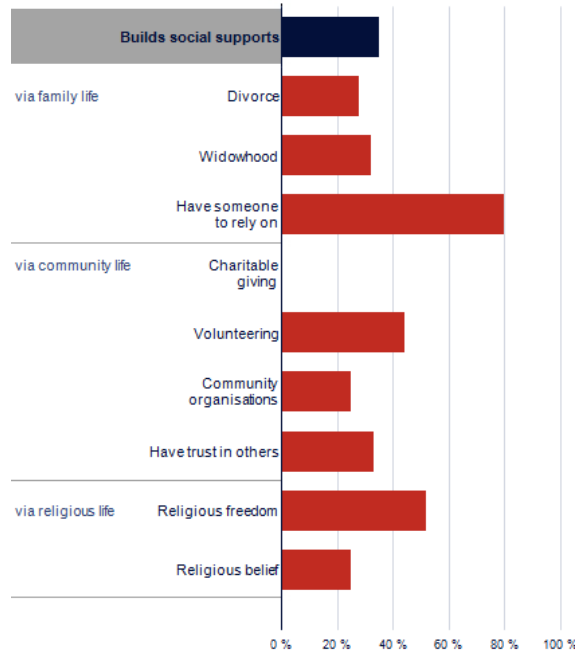


## COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.