



Coronavirus and Its Impact on The Russian Economy

The Russian Government and Central Bank announced last week wide economic support measures to minimize the effects of Coronavirus and decrease in oil prices. Russian Government is ready to allocate 300 billion rubles and increase the limit of state guarantees. In additions, assistance is offered for public procurement transactions, credit support for trading companies and import simplification.

Support measures for airline and travel companies:

- the Government will defer tax collection (this measure may be expanded to other business industries);
- travel companies are exempted from paying contributions to the reserve fund of the “Turpomosch” association and contributions to personal liability funds until end of current year;
- the Central Bank allowed banks to work with borrowers in the field of transport and tourism without reducing their credit rating;
- the Government will provide state guarantees for restructuring and prolonging loans.

Support measures for small and medium-sized businesses:

- loans and guarantee support programs will be expanded;
- a delay of three months may be granted for payment on leasing of state and municipal property;
- The Central Bank is working to increase the financial appeal of its refinancing program for loans to SMB’s.
- the Central Bank will consider further measures to assist SMB’s when a better assessment of the financial situation is available;

Trade Support Measures:

- provision of short-term loans;
- zeroing import duties;

- expansion of using customs “green track” for certain types of socially significant goods.

Support measures for other industries:

- the Central Bank has mitigated requirements for banks for lending to pharmaceutical and medical equipment industries;
- the Government will help suppliers on state contracts; fines will not be applied if foreign exchange control measures are not followed for certain transactions;
- the Government will approve an updated list of important companies.

An active discussion about whether the Coronavirus pandemic constitutes force majeure is taking place in Russia. SMB's await positive clarifications in this regard from government authorities. Having said that, the Russian Government proposes to add Coronavirus to the list of force majeure circumstances only under state contracts; In other cases, the Government offers tax holidays, easing monetary policy and other similar measures. On an individual basis, Russian companies are entitled to receive certificates of force majeure circumstances in the performance of specific contracts at the Chamber of Commerce and Industry of Russia. If you are working with Russian companies, please pay special attention to the issue of force majeure, payment obligations and guarantees.

At present, compulsory quarantine has not been introduced in the Russian Federation, but all educational institutions have been transferred to distance learning. Some companies transfer their employees to remote work from home.

People arriving from certain European countries, as well as those who do not have to be in office, are required to work from home in self-isolation. In this regard, remote access practices are actively developing and improving, applications with ability to provide secure high-quality communication with a large number of participants are being studied and implemented.

Business related to home delivery is undergoing a real “boom”. Online applications for delivery of goods are created and improved, corresponding capacities and logistics structures are being structured.

Retail chains are reorienting from purchases of Chinese agricultural products to purchases from other markets.

The sale of pharmaceuticals is now allowed online, in order to reduce the face to face contact in pharmacies.