

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Department of Trade and Finance**



**Bachelor Thesis**

**The impact of financial sanctions on the Russian  
economy**

**Korol Stanislav**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Stanislav Korol, BA

Economics Policy and Administration  
Business Administration

Thesis title

**The impact of financial sanctions on the Russian economy**

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### Objectives of thesis

Evaluating if there is an effect of sanctions on Russian economy and foreign trade with European countries, national currency and political relationships with other countries. That has important value in understanding of situation in economy of the country in 2014 to 2019.

Objective of the thesis is to analyze international trade and politics, changes in currency rate and increasing and decreasing of foreign trade rates during five years, to relate the rates and economical situation of the Russian Federation.

### Methodology

The research consists of two parts. The first one is the theoretical part with analyzing research method and comparative analysis, where are described changes in in foreign trade, including prices and rates from the last years and foreign exchange differences which are a problem with realization of foreign trade.

The second part of the research is the practical part, that consists predictions for the future economical situations in the Russian Federation.

**The proposed extent of the thesis**

35 – 40 pages

**Keywords**

Sanction, Foreign Trade, Economy, Russia, exchange rate

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**Recommended information sources**

“Russia in new socio-economic and political realities: problems and prospects of development” – T. G. TUMAROVA, ISBN: 978-5-7310-3217-9

“The Foreign Policy of Russia” – ROBERT H. DONALDSON, ISBN: 978-1138326798

“The New Russian Foreign Policy” – MICHAEL MANDELBAUM, ISBN: 978-0876092132

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**Expected date of thesis defence**

2018/19 SS – FEM

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Prague on 23. 03. 2020

## **Declaration**

I declare that I have worked on my bachelor thesis titled "The impact of financial sanctions on the Russian economy" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 23.03.2020

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## **Acknowledgement**

I would like to thank doc. Ing. Irena Jindřichovská, CSc. for her advice and support during my work on this thesis.

# **The impact of financial sanctions on the Russian economy**

## **Abstract**

This thesis examines the impact of the Western financial sanctions on foreign trade and the Russian economy. Since 2014, the United States, the EU, and several other Western countries have been pursuing a sanctions policy against Russia, which implies a combination of financial, trade, economic, visa and other restrictions imposed on certain industries and sectors of the national economy against individuals and companies in Russia, as well as their partners and counterparties abroad.

**Keywords:** Sanction, Foreign Trade, Economy, Russia, exchange rate.

# **Dopad finančních sankcí na ruskou ekonomiku**

## **Abstrakt**

Tato práce zkoumá dopad západních finančních sankcí na zahraniční obchod a ruskou ekonomiku. Od roku 2014 Spojené státy, EU a několik dalších západních zemí uplatňují sankční politiku vůči Rusku, což znamená kombinaci finančních, obchodních, ekonomických, vízových a jiných omezení uložených některým odvětvím a odvětvím národního hospodářství vůči jednotlivcům a společnostem v Rusku, stejně jako jejich partneři a protistrany v zahraničí.

**Klíčová slova:** Sankce, zahraniční obchod, ekonomika, Rusko, směnný kurz.

# Table of content

<b>1 Introduction .....</b>	<b>10</b>
<b>2 Objectives and Methodology .....</b>	<b>11</b>
2.1 Objectives.....	11
2.2 Methodology .....	11
<b>3 The impact of financial sanctions. ....</b>	<b>12</b>
3.1 Changes in International Trade. ....	12
3.1.1 Reducing Russia's foreign trade in the face of a slowdown in global economic growth. ....	12
3.1.2 International Trends in Foreign Trade. ....	13
3.1.3 Export Dynamics.....	15
3.1.4 Import Dynamics.....	16
3.2 Changes in GDP. ....	18
3.2.1 Foreign Exchange Market. ....	20
3.3 Affection on Russian corporations and economics .....	22
3.3.1 Implications for the military and space industries. ....	22
3.3.2 Implications for the fuel and energy complex. ....	22
3.3.3 Implications for other Russian companies. ....	23
3.4 Sanction affection on Russian oil prices and their dependence. ....	24
<b>4 Russia nowadays.....</b>	<b>28</b>
4.1 Oil Prices .....	28
4.2 Sanctions in 2020. ....	28
4.3 Exchange Rate.....	29
<b>5 Conclusion.....</b>	<b>31</b>
<b>6 References .....</b>	<b>32</b>



**List of figures:**

<b>Figure 1</b> .....	<b>14</b>
<b>Figure 2</b> .....	<b>15</b>
<b>Figure 3</b> .....	<b>16</b>
<b>Figure 4</b> .....	<b>19</b>
<b>Figure 5</b> .....	<b>20</b>
<b>Figure 6</b> .....	<b>21</b>
<b>Figure 7</b> .....	<b>21</b>
<b>Figure 8</b> .....	<b>26</b>
<b>Figure 3</b> .....	<b>27</b>
<b>Figure 10</b> .....	<b>30</b>

# 1 Introduction

The conflict between Russia and Ukraine, which began in March 2014 and continues to this day, has caused several financial sanctions from Western countries against Russia and countersanctions from Russia as a reaction. This paper examines the impact of the first and current sanctions on the Russian economy and foreign trade between Russia and Western countries, including members of the European Union.

Economic problems, the crisis and the fall in oil prices show us how the sanctions have affected oil and gas companies, arms companies, state banks, financing from abroad and foreign trade with other countries.

The first economic sanctions were submitted in March 2014, and they were related to the situation in Crimea and in parts of Ukraine. All this should have greatly affected the country's economy as a whole. However, new sanctions were introduced that would allow access to Russian oil and gas companies. The foreign financing of public banking was also limited. In response, Russia in August of that year restricted the import of food products into the country from Western countries. To date, the situation has not changed much, and no one knows whether the sanctions will be lifted in the near future, as the EU and the USA expand the list of companies subject to sanctions every year, and Russia continues to limit its food restrictions.

This work helps to answer the question of whether the sanctions were and are effective or the negative consequences could have been caused precisely by the imposition of sanctions against Russia, and whether the effects on the economy and foreign policy are related to the fall in oil prices that occurred around the same time period.

## **2 Objectives and Methodology**

### **2.1 Objectives**

Evaluating if there is an effect of sanctions on Russian economy and foreign trade with European countries, national currency and political relationships with other countries. That has important value in understanding of situation in economy of the country in 2014 to 2019.

Objective of the thesis is to analyse international trade and politics, changes in currency rate and increasing and decreasing of foreign trade rates during five years, to relate the rates and economical situation of the Russian Federation.

### **2.2 Methodology**

The research consists of two parts. The first one is the theoretical part with analysing research method and comparative analysis, where are described changes in in foreign trade, including prices and rates from the last years and foreign exchange differences which are a problem with realization of foreign trade.

The second part of the research is the practical part, that consists predictions for the future economical situations in the Russian Federation.

### **3 The impact of financial sanctions.**

The economy of the Russian Federation was subject to change due to various factors since sanctions affected many industries. In the next chapters, the key factors of the impact of sanctions on the country's economy will be considered.

#### **3.1 Changes in International Trade.**

European companies, especially those exporting to Russia, fear the adverse effects of the sanctions and demand their lifting. Their fears are well-founded since UN Comtrade data show that EU exports to Russia were on average 14% lower in 2014 than in 2013. Of the 28 member countries, 25 were affected by falling exports. A particularly strong decline in exports can be observed by 78% from Malta, 42% from Cyprus and 27% from Belgium. Some large EU countries also suffered large losses in exports, as in France and Italy the decline was about 12%, while in Germany and the UK the decline was 18%. According to Eurostat, in 2015, the decline in exports intensified: exports from EU countries - 28 to the Russian Federation fell from 119.4 billion euros to 73.8 billion euros, that is, almost 40%.

Exports from the UK to the Russian Federation decreased by 51% in the period from 2013 to 2015.

In 2015, German exports to Russia decreased by 30% compared to 2014

In 2016, the drop in EU-28 exports to Russia reached a minimum of 72.4 billion euros. However, in 2017, exports increased to 86.2 billion euros, which is 19% more compared to 2016.

##### **3.1.1 Reducing Russia's foreign trade in the face of a slowdown in global economic growth.**

The growth rate of total world exports remains lower than the gross output of the world. In 2019, the trade confrontation between the United States and China negatively affected the situation in the world economy as a whole and the dynamics of foreign trade. Reaching trade agreements will lead to an increase in trade flows. Experts expect that in subsequent years, the growth rate of world exports will increase, however, it is likely to remain below the dynamics of GDP up to 2024-2025.

In 2019, Russian exports were rapidly declining. Non-commodity exports were constrained by insufficient competitiveness and sanctions, some lowering of energy tariffs in foreign markets caused a reduction in the cost of raw materials exports. At the end of

2019, exports fell by 5.6%. At the same time, the decline in exports to the EU countries amounted to 7.2% (mainly due to a drop in gas export volumes), and APEC countries by 3.3%. This indicates that the geographical structure of Russia's foreign trade continues to shift toward Asia.

Export was the only component of Russian GDP, which declined in the second quarter of this year: its share in GDP decreased by 2.1 percentage points, compared to the same period of the previous year. The share of exports in the same period decreased to 7.7% (-1.7 percentage points in annual terms).

According to the Federal Customs Service (FCS) of Russia, the foreign trade turnover of Russia in 2019 decreased by 3.3% in annual terms and amounted to 545.0 billion US dollars. The export of the Russian Federation in the indicated period decreased by 5.6% in annual terms (to 348.2 billion US dollars).

Russia's imports for 2019 amounted to \$ 201.4 billion and increased by 1.5% compared to the same period of the previous year. Slow growth in imports was due to reduced supplies in the first half of the year. In 2019, imports returned to a positive growth zone.

According to estimates of the Bank of Russia, the decline in exports in 2019 is primarily due to a decrease in the cost of export of energy products in the context of deteriorating external commodity markets and sanctions against Russia.

According to the Federal Customs Service of Russia, in 2019, mineral products accounted for 64.4% of Russia's exports. According to the results of ten months of the current year, the share of crude oil amounted to 29.3%, oil products - 16.0.

The reduction in world prices led to a reduction in the value of Russian energy exports in 2019. So, for example, in the first nine months of last year, the physical volume of oil exports increased by 3.5% in annual terms. In the same period, the value of exports decreased by 4.0% compared to the same period of the previous year.

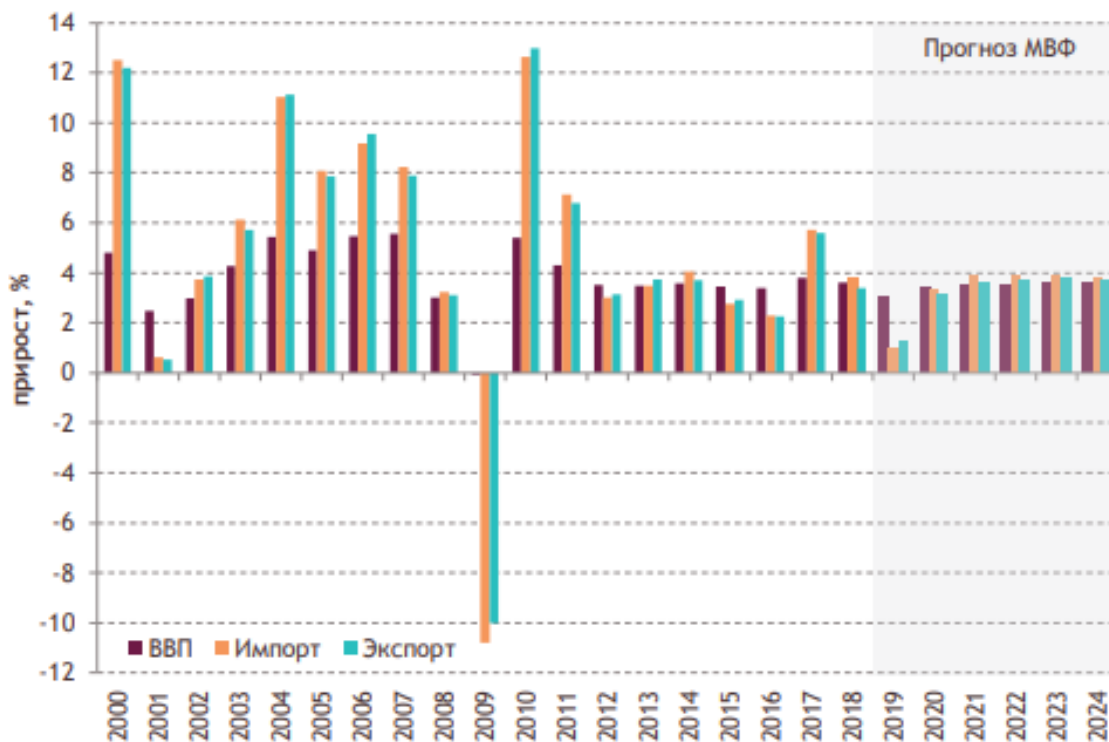
Far-abroad countries traditionally account for almost 90% of the total volume of imported products.

### **3.1.2 International Trends in Foreign Trade.**

After the "great recession" of 2008-2009, the growth rate of world exports for the first time in a long time became lower than the increase in gross output. According to experts of the World Trade Organization (WTO), a slowdown in world trade is a long-term

phenomenon caused by increased protectionism after the crisis, a growing digitalization of the economy, the destruction of value chains and a slowdown in world trade. At the same time, a slowdown in world trade can be considered a return to the prevailing previously long-term trends after hyper globalization in the early 2000s.

According to IMF forecasts, in 2019 the difference between the growth rates of world GDP and exports will be 1.8 percentage points. Nevertheless, since 2021, experts expect a revival of world trade and a reversal of the trend that has developed in recent years: the growth rate of world trade will slightly exceed the growth rate of GDP.



**Figure 1** World GDP Growth, exports, and imports, %, 2000–2024

In the graph presented above, we see that in 2019 there was a decline in foreign trade in key countries of the world, also in 2019 we can note a turning point in the positive dynamics of world trade that began in 2016.

At the beginning of the year, many countries recorded negative growth in exports in annual terms. This was characteristic, in particular, of the USA, Germany, Brazil, China, Japan, and Russia.

According to experts, the decline in exports occurred as a result of restrictive import duties and weakening global demand.

### 3.1.3 Export Dynamics.

In 2019, Russian exports began to decline again.

The decline in Russia's foreign trade in 2014-2016 was due to a recession in the country's economy, a fall in world oil prices, and in addition to the destabilization of international relations. In 2018, Russia managed to significantly increase exports. In 2019, export dynamics again became negative and plummeting.

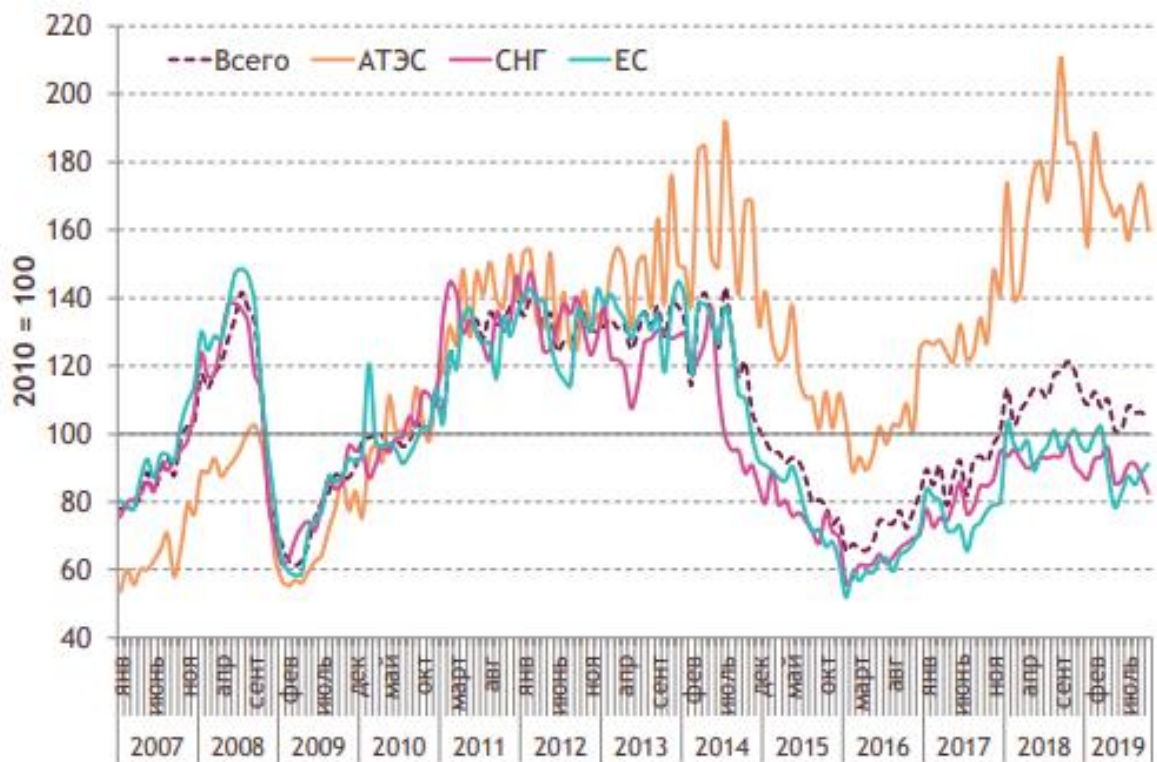


Figure 2 Dynamics of Russian exports

The graph shows that the decline in exports is accelerating by the end of the year: according to the results of the first half of the year, the decline amounted to 2.8% in annual terms, and closer to the end it reached 5.6%. By the end of 2019, exports decreased by 13.4% compared to the same period of the previous year after a decrease of 9.9% in annual terms a month earlier.

According to the Bank of Russia, the decline in exports in 2019 is primarily due to a decrease in the value of exports of energy products in conditions worsening external commodity markets and sanctions against Russia.

### 3.1.4 Import Dynamics.

In mid-2019, imports returned to the positive growth zone

Russia's imports in 2019 amounted to \$ 198.4 billion and increased by 0.8% compared to the same period of the previous year. Slow growth in imports was due to reduced supplies in the first half of the year. In mid-2019, imports returned to the positive growth zone, which was the reason for the strengthening of the national currency.

According to the results of the previous year, non-CIS countries accounted for 88.9% of Russia's total imports, and 11.1% for the CIS countries. In the structure of imports for 2019, there was an increase in the share of countries in the Asia-Pacific region to 41.8%, which is 1.2 percentage points higher than the indicator for the ten months of the previous year. This was due to an increase in deliveries from the states of this region by 3.7% amid a decrease in imports from the EU countries by 3.3% in annual terms, which led to a decrease in the share of the European Union in Russian imports by 1.6 percentage points. in annual terms (up to 36.1%).

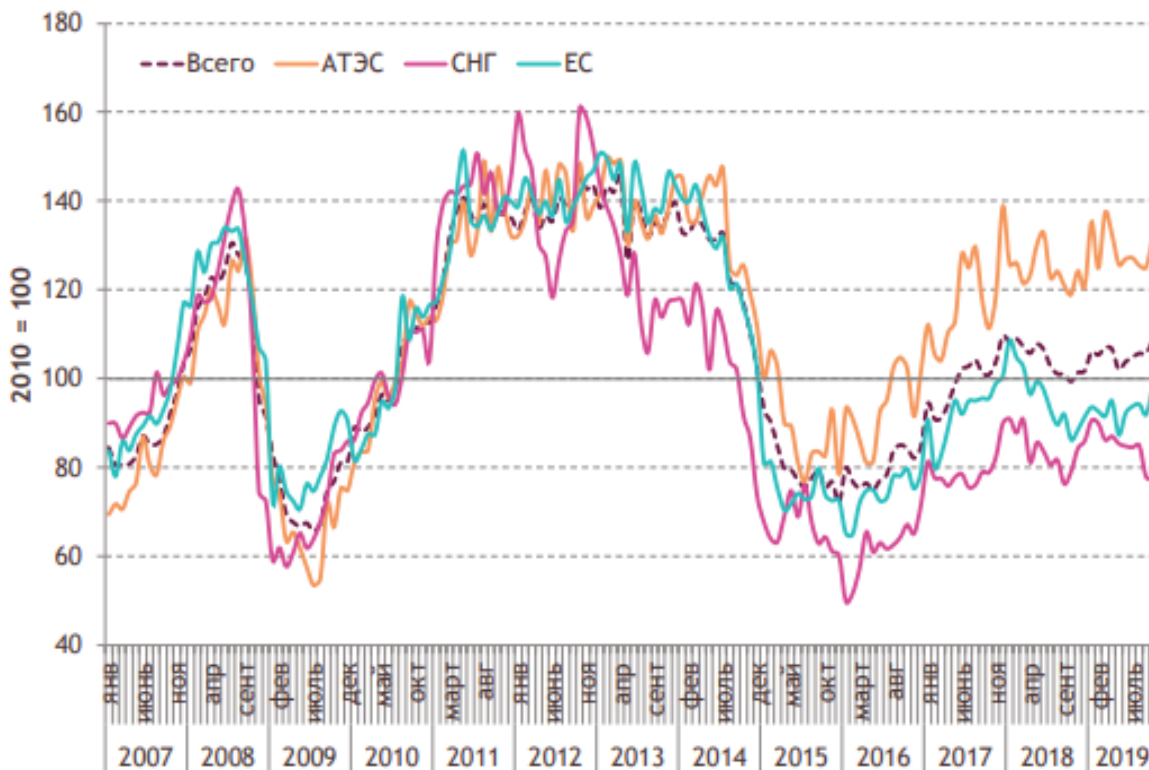


Figure 3 Dynamics of Russian imports.

According to the FCS of Russia, the total volume of mutual trade in goods between the member states of the Eurasian Economic Union (hereinafter - the EAEU) for 2019 amounted to 42.0 billion US dollars 10 (-1.3% in annual terms). In the framework of



mutual trade, during this period, the share of Russia and imports amounted to 33.9%, and in export reached 63.6%.

The main trading partners of Russia remain Armenia, the Republic of Belarus and Kazakhstan. According to the EAEU, in 2019 mineral products account for the largest share in the commodity structure of mutual trade of the EAEU member states (25.9% of the volume of mutual trade), of which 82.0% are supplied to the EAEU market by Russia. The supplies of machinery, equipment, and vehicles, which occupy 19.8% of the volume of mutual trade (of which 58.9% are in Russia and 36.4% in Belarus), food products and agricultural raw materials - 15.4% (from of which 49.7% are in the Republic of Belarus and 38% in the Russian Federation). The share of metals and products from them in the same period amounted to 13.3% of the volume of mutual trade, of which 65.1% was supplied by Russia.

From the EAEU countries, Russia mainly imports food products and agricultural raw materials (24.6%), vehicles (21.5%), metals and metal products (13.2%), mineral products (12.6%), as well as products chemical industry (12.0%). The category "other goods" showed the highest growth (+ 14.1%), this group of goods accounted for 8.8% of the total imports from the EAEU countries.

## **3.2 Changes in GDP.**

In 2014, the growth of the Gross Domestic Product (GDP) was 0.6%, after which in November of the same year the first decline in GDP was recorded by 0.5%, compared with November 2013, which caused a recession in the Russian economy. At the end of the year, the Ministry of Economic Development allowed a 0.8% drop in GDP in 2015, but the Central Bank allowed a 4.8% drop.

In the first half of next year, the decline in GDP was 3.5%. In the first quarter, the decline amounted to more than 2.2%, while in the second quarter of 2015, GDP decreased by 4.7% according to Vnesheconombank. As a result, in 2015, according to Rosstat, the decline in GDP amounted to 3.7%.

At the beginning of 2017, Rosstat revised its GDP estimates for 2015 and, after new calculations, it was decided to change the results of the year from 3.7% to 2.8%. The reason for revising the GDP data was the late data coming to Rosstat. In December 2018, the State Statistics Service for the fifth time revised the value of GDP for 2015 and as a result, the decline was not 2.8%, but 2.5%.

In 2016, GDP growth was expected at 0.7%, provided that the average annual oil price was not less than \$ 50 per barrel, but GDP was also expected to fall by the same 0.7% at an oil price of about \$ 50. The actual decline in Russia's GDP in 2016 amounted to 0.2%. At the end of 2018, the State Statistics Service also revised the value of GDP for 2016, where it was revealed that instead of reducing GDP by 0.2%, in 2016 the growth was 0.3%.

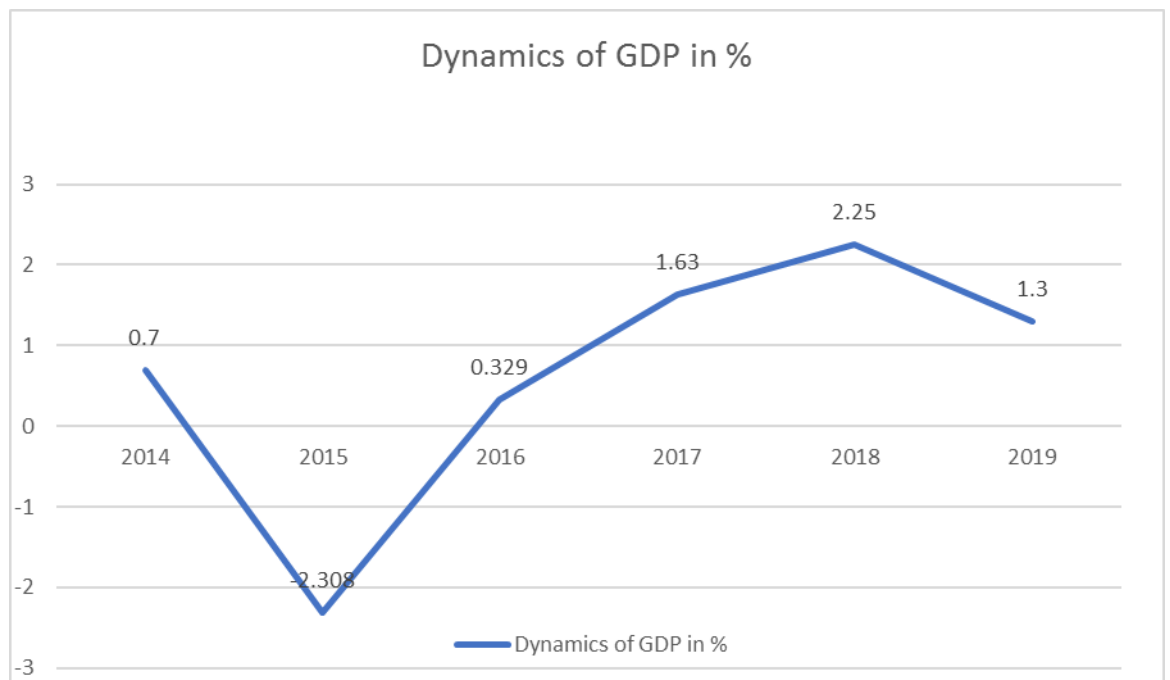
In 2017, GDP growth was predicted to 2%, but only if the economic conditions are favorable for this, that is, oil prices will not be lower than the average of the previous year, and if the reserves are not used. As a result, according to Rosstat estimates in 2017, Russia's GDP grew by 1.5%, but after revising the results in 2018, the State Statistics Service improved the indicator to 1.6%

In 2018, GDP growth was not expected to be large, but at the beginning of 2019, the Ministry of Economic Development of the Russian Federation published an estimate of growth of 2%, which was much larger than expected. In early February, the Federal State Statistics Service provided information that Russia's GDP for 2018 amounted to \$ 1.6 billion, which is 2.25% higher than the previous year. This discrepancy in data was caused

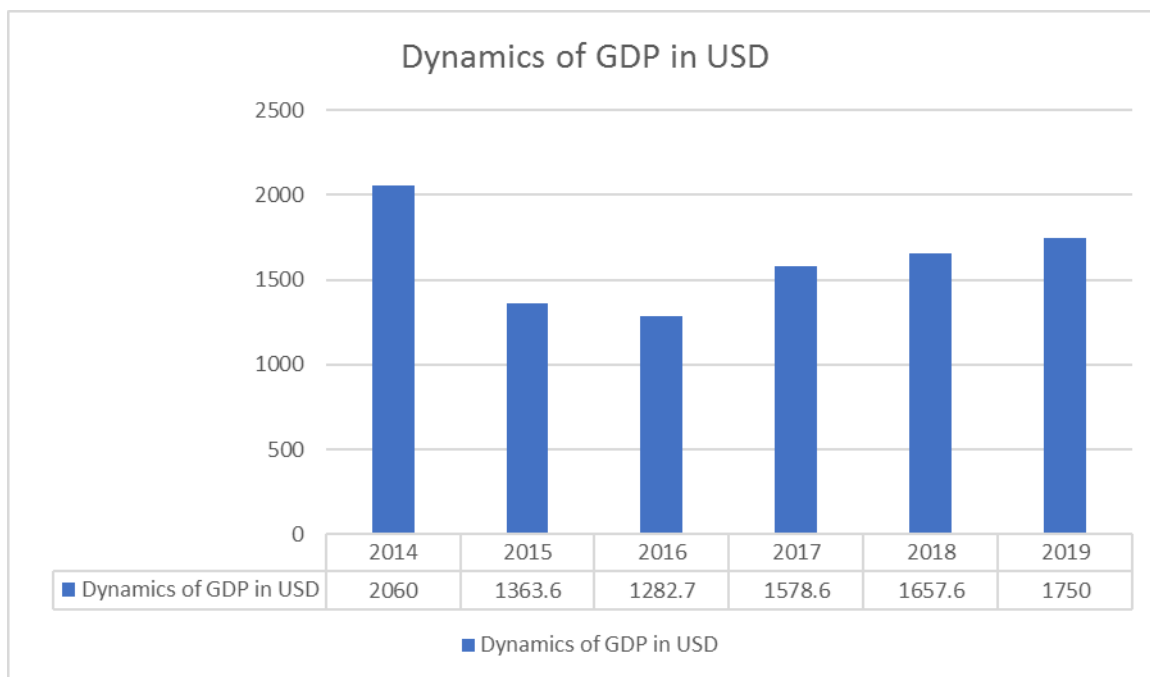
by a large Russian oil and gas project, which was supposed to improve the situation. There has been no such growth in annual GDP since 2012 when the country's economy grew by 3.7%.

In 2019, Russia's GDP growth amounted to about 1.3%. According to growth estimates, Rosstat revealed that for the first quarter, the increase was 0.5%, for the second quarter 0.9% and for the third quarter, the increase was 1.7%

The graphs below show the dynamics of changes in GDP in Russia from 2014 to 2019 in percentages and dollars.



**Figure 4 Dynamics of GDP in %.**



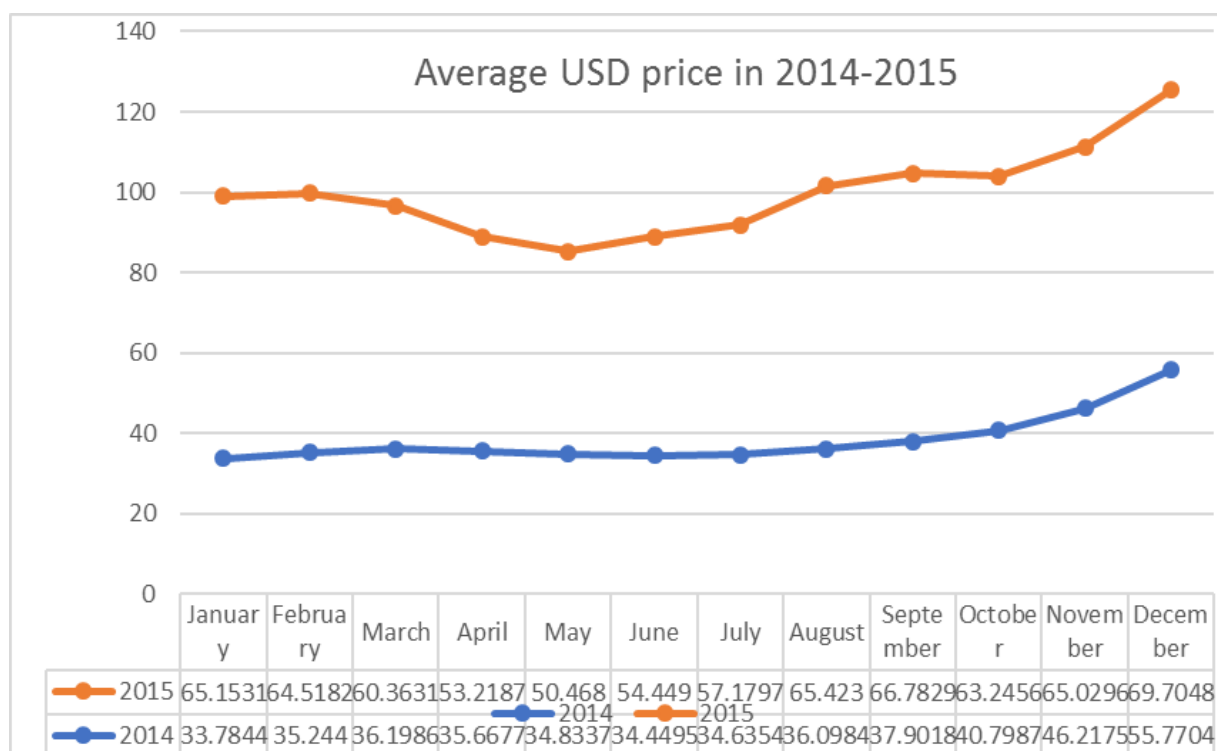
**Figure 5 Dynamics of GDP in USD.**

### 3.2.1 Foreign Exchange Market.

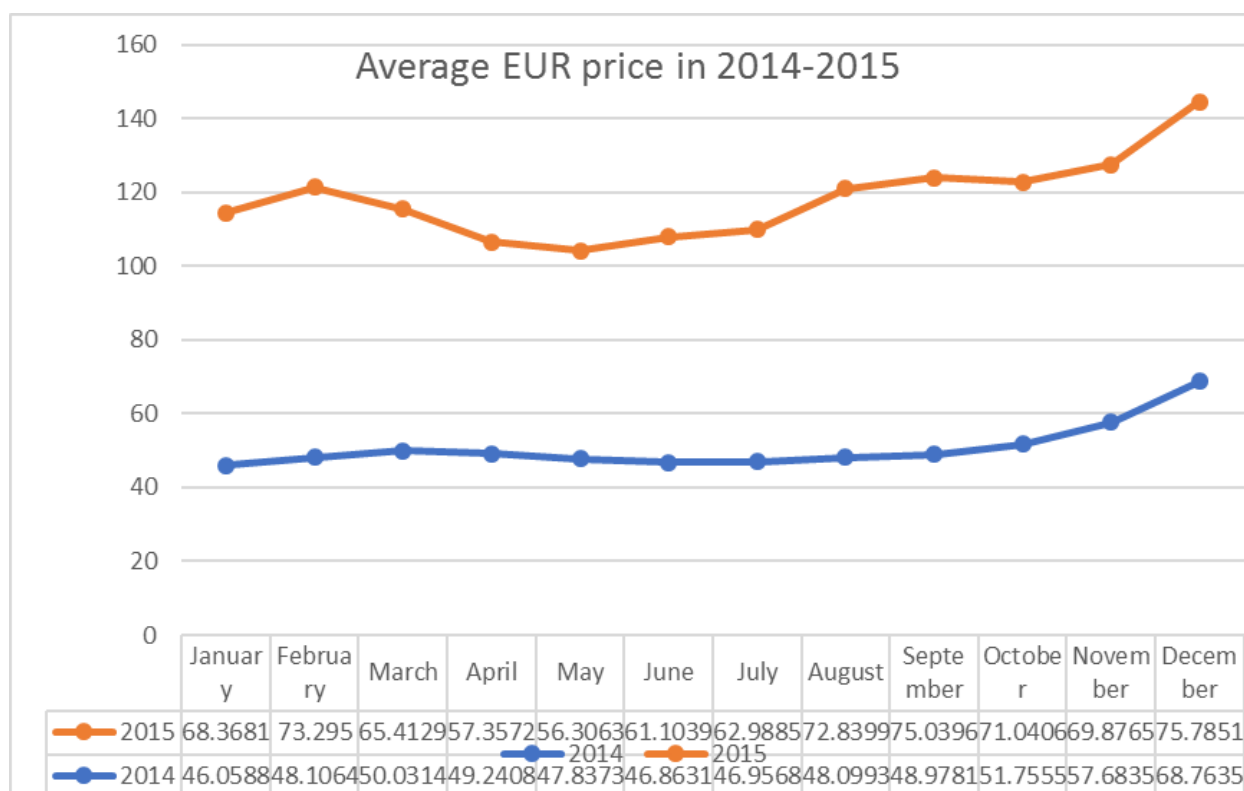
The crisis in the foreign exchange market in 2014-2015 - a 48% drop on the exchange. A sharp weakening of the Russian ruble against foreign currencies, caused by the rapid decline in world oil prices, the export of which largely determines the revenue side of the Russian budget, as well as the introduction of economic sanctions against Russia in connection with the events in Ukraine.

In the fall, the main role in the depreciation of the ruble began to play a reduction in oil prices: from \$ 107 per barrel of Brent crude in August 2014 to \$ 60 in December. A critical market situation developed on December 15, 2014. Against the background of cheaper oil, the main factor contributing to the devaluation of the ruble was the rush demand for foreign currency. The decisions of the CBR on raising the key rate (up to 17% per annum) did not have immediate effect. On December 16, exchange rates on the exchange jumped sharply: the dollar reached 80 rubles (an increase of 48%), the euro - 100 rubles (38%). At the same time, the official exchange rate as of December 17 was raised to 61.15 rubles (an increase of 10.86%), and the euro - to 76.15 rubles (11.08%). The second major drop in that period was recorded on January 12, 2015, on the first day after the end of the New Year holidays. Due to the continued decline in oil prices on the world market, the Central Bank registered on January 13 the dollar exchange rate at 62.73 rubles

(11.53%), the euro - 74.35 rubles (8.74%). The graphs below show the dynamics of average price of USD and EUR in 2014-2015.



**Figure 6 Average USD price in 2014-2015.**



**Figure 7 Average EUR price in 2014-2015.**

### **3.3 Affection on Russian corporations and economics**

#### **3.3.1 Implications for the military and space industries.**

The head of Roscosmos Oleg Ostapenko noted that sanctions, in general, have a positive connotation to the industry, since standardization measures are being implemented more quickly.

The imposition of sanctions also accelerated the process of implementation of import substitution in the space sector. Currently, under the conditions of sanctions, measures are planned for the production of space vehicles, launch vehicles, and others.

According to the Information Satellite Systems company, the production time for Russian satellites has been increased by more than six months. We also had to look for analogs of some components, which followed a restriction on the supply of electronic components from the United States.

According to the head of Roscosmos, the sanctions did not affect cooperation with the ISS, in particular, "the United States, despite the sanctions, does not refuse to use the Russian Soyuz spacecraft to deliver its astronauts aboard the ISS"

It was stated that under the conditions of sanctions, Russia will buy components and machines from other suppliers - China, South Korea, India, and other Asian countries.

Economic difficulties led to budget optimization and the restructuring of the entire space program. In mid-May 2015, due to sanctions and a rise in the exchange rate, the Russian space program went up by about 30%.

However, despite the import substitution program, the western components of equipment in the production of weapons still account for up to 90% of the countries that have imposed sanctions. This significantly complicates the modernization of military production.

#### **3.3.2 Implications for the fuel and energy complex.**

Due to economic sanctions on oil and gas companies, the LUKOIL oil company was forced to cut its investment program. By the end of 2014, the company's net profit fell by more than half.

Another oil company, Rosneft, asked the state to provide financial assistance for 1.5 trillion rubles to maintain liquidity.

Due to the ban on the supply of technology for the extraction of natural resources on the Arctic shelf, the Gazprom gas company was forced to resort to optimizing its pricing policy. Also, due to the impossibility of growth in the local market, the company diversified its sales markets.

The NOVATEK company also requested financial assistance from the authorities, the money for which was allocated from the National Welfare Fund of the Russian Federation. According to experts, the reduction in oil production in Russia as a result of sanctions can reach up to 7 percent per year.

### **3.3.3 Implications for other Russian companies.**

In mid-2014, Dobrolet Airlines, which is a subsidiary of Aeroflot, suspended its operations. The sanctions of the EU countries were related to the fact that the low-cost airline flew to Simferopol, which, according to the EU, facilitated the integration of Crimea into Russia. The main reason for this was the refusal of the Irish airline Aviation Capital to provide aircraft for temporary use for a fee based on an agreement. Aircraft were to become the basis of the fleet of the Russian airline.

At the same time, the German company Lufthansa Technik refused to perform aircraft maintenance, which caused problems with aircraft insurance.

Other influences of the sanctions were from Ukraine, which first of all crumbled in the Moscow metro. In connection with the situation, Russia was forced to change the Ukrainian supplier of tubing to Russian, since the tubing is used in the construction of subway tunnels.

### **3.4 Sanction affection on Russian oil prices and their dependence.**

Now I would like to draw your attention to the dynamics of oil prices in recent years and to check whether the oil price and the economic sanctions against Russia are connected in any way.

Oil prices fell sharply after the introduction of economic sanctions against Russia. The price of Russian oil URALS for a short period of time fell by (%) and lost in the price of () dollars per barrel. But is the URALS oil price drop related to financial sanctions from the West, or can there be other reasons and the conflict between Ukraine and Russia is not the main problem that led to the price drop?

Let's look at the dynamics of Brent crude oil prices. Brent is a major oil brand traded on international oil exchanges. The price per barrel of oil is the main indicator that affects the price of other grades of oil. Prices for all world grades of oil were determined by the prices of the Brent brand, including three grades of Russian imported oil brands - URALS, Siberian light, and REBCO

In the spring of the beginning of the 2010s, the price of the Brent brand reached \$ 125 per barrel of oil, but the increase in the rate of production of which made a strong blow to the price. This growth was primarily associated with factors such as the shale revolution - at the beginning of the XXI century, the United States introduced effective technologies for the extraction of oil and gas from shale deposits in commercial operation. In the 3rd quarter of 2014, US daily oil production increased by 14% compared to the previous level and by 73% compared to 2008. Over the year, the United States produced about 3.5 million barrels of oil, which was about 4.3% of all types of oil production.

Active growth in the production and production of light shale oil was the main reason for the excess of US oil on the international market, but since oil export from the USA was banned in 1973 after the

Active growth in the production and production of light shale oil was the main reason for the excess of US oil on the international market, but since oil export from the USA was banned in 1973 after the Arab oil crisis, which is also known as the "oil embargo," the excess put pressure on domestic prices, why the price of oil began to fall. The price of the Brent brand also fell to \$ 90 per barrel, after which it became known that Iran and Saudi Arabia reduced their oil prices under export contracts. Another factor in the



fall in prices in 2014 was caused by the IEA report, which worsened the forecast for oil demand. Another important factor in the fall in prices was the situation in the organization of exporting countries (OPEC), where countries could not agree on a decrease in oil production. By the end of the year, the price of Brent crude oil fell to \$ 55 per barrel, which indicated a decrease in prices by more than 50%.

By mid-2015, the price of Brent crude oil was about \$ 60 per barrel, but due to the crisis in the Chinese stock market, OPEC's next refusal to reduce oil quotas and the commissioning of new oil production facilities in the USA gave a strong blow to the price and the price per barrel by the end of the year fell by 33.5% to \$ 37.

At the beginning of 2016, the cost of a barrel of oil reached the level of the beginning of the 2000s - \$ 27. At a meeting in Vienna on November 30 of the same year, OPEC members agreed with Russia and other oil-producing countries to reduce oil production by 1.8 million barrels compared to 2016. This meeting and the agreements reached it contributed to the stabilization of the oil market. By the end of the year, the oil price per barrel reached \$ 55 and, according to the results of the year, the growth of oil quotations amounted to over 52%.

By the summer of 2017, the oil price fell again to \$ 44, but due to hurricanes that disrupted the operation of oil rigs in the Gulf of Mexico and a decrease in oil reserves in the United States, prices continued to rise and by the end of the year rose 22% against to the past, and the price of the Brent brand was equal to 66 dollars.

In early 2018 and until May, the price of oil reached \$ 80 per barrel, but in May, due to the trade dispute between the United States and China and an increase in oil reserves in the United States, the price of oil fell to \$ 68. After that, OPEC + refused to further increase oil production, which led to the resumption of price growth. However, in November of that year, Brent entered the bear market when the price drops 20% from a recent peak. This had its reasons, one of which was pessimistic forecasts about the growth in demand for oil and fuel in the coming years due to the imminent slowdown in the global economy.

Another reason for the decline in prices at the end of 2018 was the decrease in OPEC + efficiency due to an increase in oil production in countries that were not members of this organization. The countries could not agree for many reasons, one of which was the incomprehensible situation with Russia, which was not ready to reduce production in volume, which helped to reduce prices to \$ 50 per barrel.

In 2019, prices returned slightly to \$ 60, however, against the background of general pessimistic sentiment in the market and long-term negotiations with China, they fell slightly, but still kept around \$ 60 a barrel all year.

The chart below provides information on the price of oil Brent in the period from 2010 to 2020.



**Figure 8 Dynamics of the price for Brent oil**

Returning to Russian oil export brands, we can see that the dynamics of the price of Russian brands almost directly depended on the price of the Brent oil brand, which is associated with the pricing of many other oil brands.

Below on the chart is the dynamics of growth and fall in prices for Russian oil URALS.



**Figure 9 Dynamics of the price for URALS oil.**

With these graphs, I wanted to show the dependence of the price of Russian oil on the influence of sanctions and the dynamics of the price of Brent crude oil. As can be seen in the graphs, the price does not change due to the impact of sanctions on the economy of the Russian Federation, but because of the combination of reasons that caused the fall in the price of Brent oil.

## **4 Russia nowadays.**

In this part of my work, I would like to draw your attention to the situation in Russia today, as well as discuss possible ways of further development of the country's economy.

### **4.1 Oil Prices**

To that date, the market situation leaves much to be desired. On Friday, March 6, 2020, the next meeting of OPEC organization members was held, where the organization and Russia were unable to agree and eventually ended the deal. Within a few hours, Saudi Arabia began a price war, lowering its price for suppliers in Europe, Asia, and the United States for a minimum price of 20 years.

At the same time, they said they were ready, if necessary, to increase oil production to 12 million barrels per day. The price per barrel on March 9 was \$ 30 and on March 23 the price was lower than \$ 27. This is the biggest drop in the price of Brent crude oil per day over the past 30 years and continues to decline little by little every day.

### **4.2 Sanctions in 2020.**

The Council of Europe extended the sanctions until September 15. These sanctions were introduced in 2014 against companies that by their actions undermined the territorial integrity and independence of Ukraine.

Until mid-summer, sanctions against certain sectors of the economy and the restrictive measures that were introduced after the annexation of Crimea to the Russian Federation continue to apply. Restrictions apply to the financial, energy and defense sectors.

### 4.3 Exchange Rate.

In recent months, the ruble has fallen to the level of early 2016, and this is due to the fall in prices per barrel of oil and the financial crisis, which was caused by a decline in production due to the new virus, which appeared quite recently, but in many countries, there are infected ones, including Russia. At the time of writing, the price of one dollar is 79.58 rubles, and the euro - 85.34 rubles

The graphs below show how the dollar and the euro have risen against the ruble in the past year, and especially in recent months.

#### XE Currency Charts: USD to RUB

24 Mar 2019 00:00 UTC - 23 Mar 2020 21:05 UTC USD/RUB close:79.58046 low:61.02675 high:82.44954



Figure 10 Currency Charts: USD to RUB

## XE Currency Charts: EUR to RUB

24 Mar 2019 00:00 UTC - 23 Mar 2020 21:06 UTC EUR/RUB close:85.34578 low:67.85774 high:89.66468



Figure 11 Currency Charts: EUR to RUB

## **5 Conclusion**

The purpose of this thesis is to show the impact of financial sanctions on the economy of the Russian Federation after the conflict with Ukraine and the annexation of Crimea.

Using the methods of analysis and analytical comparison, the reasons for the deterioration of certain areas of the country's economy and the dependence of these reasons with the sanctions introduced were shown.

Over the past 6 years, sanctions against 412 people and 524 organizations have been introduced.

The price for the dollar has increased by more than 131% since 2014, while the price of the euro has grown by 100%. The price of Brent crude oil (and, consequently, Urals) fell by more than 33%

Despite everything, the situation in the economy is normalizing and further economic growth is possible.

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