

Country Insight Snapshot Russian Federation

March 2022





Overall Country Risk Rating: DB6d

Last change: March 2022



Very high risk: Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

Rating Outlook: Deteriorating rapidly

WorldWatch Headline

As both sanctions and eviction from the global financial system are having severe negative impacts on Russia's creditworthiness, we have downgraded our country risk rating further.

Recent Changes

- Sanctions and global financial system eviction lead to a further rating downgrade.
- Comprehensive sanctions are having a negative impact on Russia's credit, market, supply and political environments, all of which are at an all-time low.
- Since the beginning of the year, the value of the rouble has dropped by around 86% to RUB139:USD, its lowest value ever.
- To protect the economy from the impacts of global sanctions and galloping inflation, the central bank has increased the benchmark interest rate to 20% from 9.5%.

Events to Watch

- Russia has been evicted from the SWIFT payment system.
- In the event of prolonged aggression, Russia is fast losing its key global trade partner - the EU, which has already announced severe sanctions on trade with the country.
- Recent press releases from NATO and Western European countries suggest that there are talks to limit or restrict supplies of Russian crude oil and natural gas.
- President Putin has chosen a dangerous path for the nation: comprehensive sanctions could jeopardise the economy with the freezing of Russian assets abroad, its eviction from the global banking and financial system, and a severe payments crisis.

Call to Action

- Be mindful that all major Russian banks, financial institutions, and their subsidiaries have been banned from accessing global markets.
- Be aware of the excessive risks in doing business with Russian entities within and outside Russia: sanctions are likely to be comprehensive and punitive to all entities carrying out transactions with Russian businesses.



Country Insight Headlines

Credit Environment

Score: DB6d



Last change: March 2022 (DB6a→DB6d)

Rating Outlook: Deteriorating rapidly

Risks and Opportunities

- Russia's credit environment is deteriorating rapidly: the country has been evicted from the global financial system and the rouble has dropped by 86% in the global market since the beginning of the year.
- All major Russian banks, financial institutions and their subsidiaries have been barred from accessing global financial markets, and their assets overseas have been frozen by the US and the EU.
- There is near standstill in Russia's global trade - the backbone of the economy.
- We have revised our GDP outlook to an imminent contraction of the economy with the likelihood of high to very high inflation and significant disruption to business activities in the near-to-medium term.
- There is significant default risk on Russian sovereign bonds, worth USD41 billion: a recent decree signed by President Putin announced that foreign creditors will be paid in fast-depreciating roubles.

Trade Terms

Description	
Minimum Terms	CLC
Recommended Terms	CiA
Usual Terms	30-60 days

Source: Dun & Bradstreet

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance.

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available, conditions apply
Eksport Kredit Fonden	Full cover available, conditions apply
ECGD	Cover on case-by-case basis
Euler Hermes AG	Full cover available, conditions apply

Source: Export Credit Agencies

Call to Action

- Be very cautious when dealing with Russian banks, financial institutions and businesses.
- Be aware of a heightened possibility of delayed payments as Russia has been barred from the SWIFT global banking payment system.
- Be aware that Russia could see extensive inflationary pressure and unavailability of food stock because it is heavily dependent on imports of agricultural produce.



Supply Environment

Score: DB6c



Last change: March 2022 (DB6b→DB6c)

Rating Outlook: Deteriorating rapidly

Risks and Opportunities

- Russia's supply environment is deteriorating rapidly: its global trade is at a standstill because of comprehensive trade sanctions and its banking relations with the rest of world have collapsed.
- Russia is an export-dependent country: more than 2,100 US-based firms and 1,200 European firms have at least one direct supplier in Russia.
- The Ukraine crisis is having devastating effects on the supply-chain environment in Russia and other nations in the region.
- With the imposition of comprehensive economic sanctions and a blockade on Russian companies, supply of critical inputs and logistics will be severely affected.
- There is a high risk that NATO members, including EU countries, will restrict their oil and gas imports from Russia - at huge economic cost to the EU.
- A prolonged war, with an unrelenting President Putin, would lead to complete chaos and the failure of Russian trade and the country's economy.

Call to Action

- Note that heightened tension between Russia and the EU is affecting supply-chain security in Russia, Ukraine and rest of Europe.
- Be aware of sectors with just-in-time inventory systems that rely heavily on supplies from overseas and may be affected by bottlenecks in the container supply chain.
- Conduct thorough due diligence and engage good legal counsel before investing in or trading with Russia.



Market Environment

Score: DB6c

Last change: March 2022 (DB6b→DB6c)



Rating Outlook: Deteriorating rapidly

Risks and Opportunities

- The market environment in Russia is bleak, with the isolation of the country from the global economic and financial system.
- There is increasing likelihood of stoppage of FDI and technology transfer/support into Russia's key sectors, resulting in its inability to upgrade/modernise its oil and gas, manufacturing, and other industries.
- Ease of doing business in Russia has receded and investor confidence has been completely shattered as global investors and businesses turn away to escape sanctions imposed by the US and the EU.
- The operating environment is now extremely challenging, with lack of support for Russian institutions, extensive state involvement in the economy, and a lax rule of law.
- The comprehensive economic sanctions are specifically designed to target Russian oligarchs and businesses close to President Putin through freezing of their foreign assets and accounts, and restriction of their movements outside Russia.

Call to Action

- Be mindful that Russia's chosen path of import-substitution could be hastened because of sanctions and could prompt the Russian government to take retaliatory action on the business interests of entities close to the US and EU.
- Be aware that the Russian government could award contracts to firms from non-US, non-EU countries like China, Turkey, Iran and other nations with relaxed investment regimes in order to compensate for losses borne because of sanctions.
- Bear in mind that tariff and non-tariff barriers to cross-border trade are extremely high and will increase.



Political Environment

Score: DB6b

Last change: March 2022 (DB6a→DB6b)



Rating Outlook: Deteriorating rapidly

Risks and Opportunities

- The war in Ukraine has made Russia's political environment highly dangerous.
- To hold on to power, President Putin has imposed further restrictions on civil liberty and press-freedom, and is taking strong punitive action to quell dissidence.
- With near-isolation from the global community, Russia could find it difficult to ensure critical supplies, including agricultural produce: this could have inflationary effects and will likely be felt by the Russian people in general.
- While President Putin's hold on power is intact so far, the political environment is vulnerable to the Russia's prolonged isolation, galloping inflation, the near collapse of its currency in the global market, and other external shocks.

Call to Action

- Be aware that the focus on curbing 'foreign influence' on domestic politics is likely to endure, along with close controls on civil society, the internet and the media.
- Be aware of the extremely volatile and precipitous political environment, which could influence the state's attitude towards foreign entities in and around Russia's sphere of influence in Eastern Europe.



User Guide

User Guide

Please click [here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 20 7149 5000
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 20 7149 5000

Publisher

Dun & Bradstreet
The Point
37 North Wharf Road
London W2 1AF
United Kingdom
Tel: +44 20 7149 5000
Email: countryinsight@dnb.com

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Visit www.dnb.com for details.

For further information on Country Insight Group products and services please visit:

UK: <https://www.dnb.co.uk/products/finance-credit-risk/country-insight-for-global-risk-management.html>

US: <https://www.dnb.com/products/finance-credit-risk/country-insight-for-global-risk-management.html>

Canada: <https://www.dnb.com/ca-en/products/finance-credit-risk/country-insight-for-global-risk-management.html>

Hong Kong: <https://www.dnb.com.hk/Country-Insights/page.htm>

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.