Russian Economic Report #27, Spring 2012

Moderating risks, bolstering growth

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World Bank Office, Moscow

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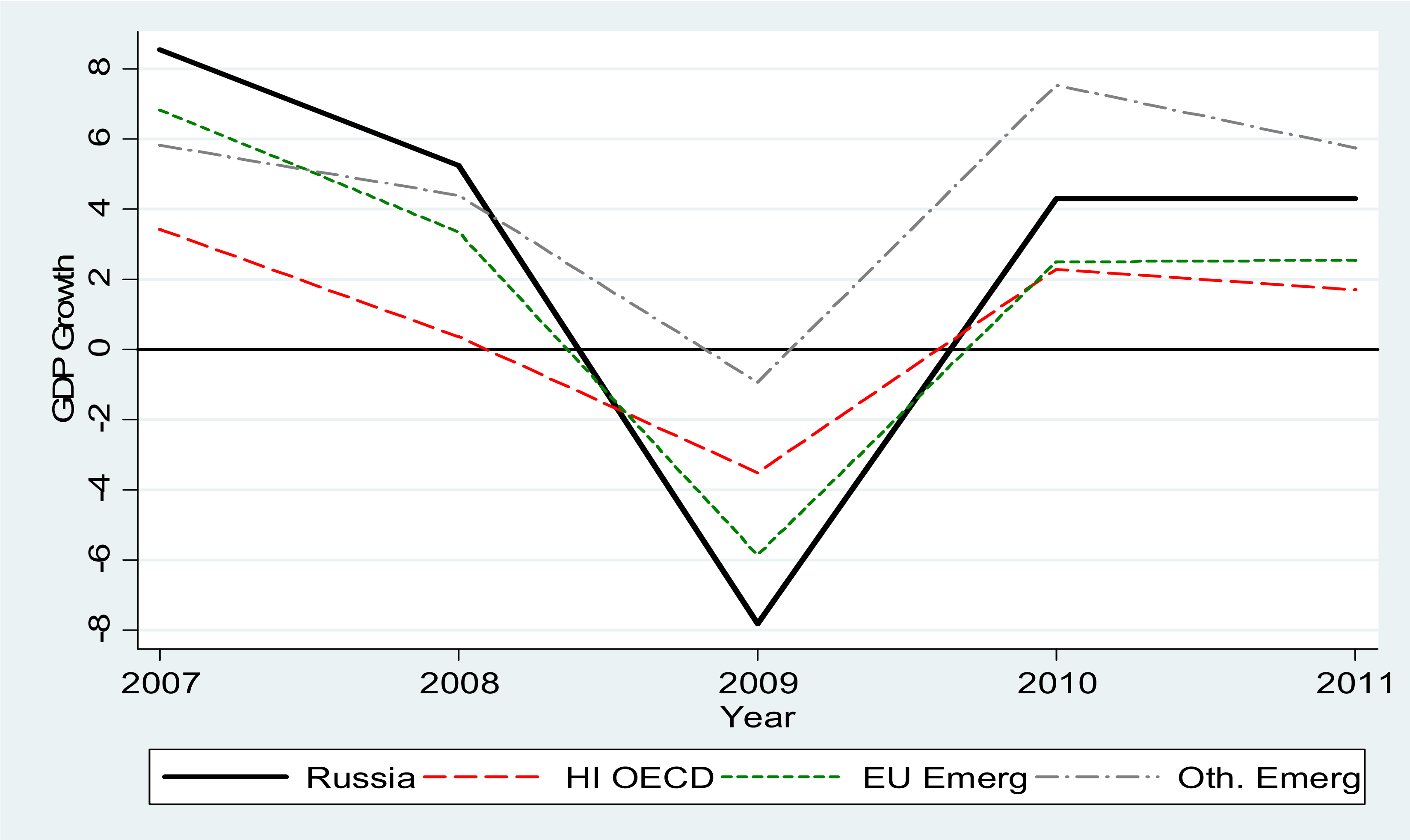
MESSAGES

- The recovery in Russia remained steady during the last year in spite of stalling global growth.
- But the rebound since the 2008 crisis is weak.
- And growth is set to moderate in 2012.
- Economic policies can moderate risks by shoring up macroeconomic stability, and bolster growth by lifting structural barriers ~~for~~ to productivity and diversification.

RECOVERY STEADY

Growth steady in Russia as recovery slows in high income OECD and other emerging economies

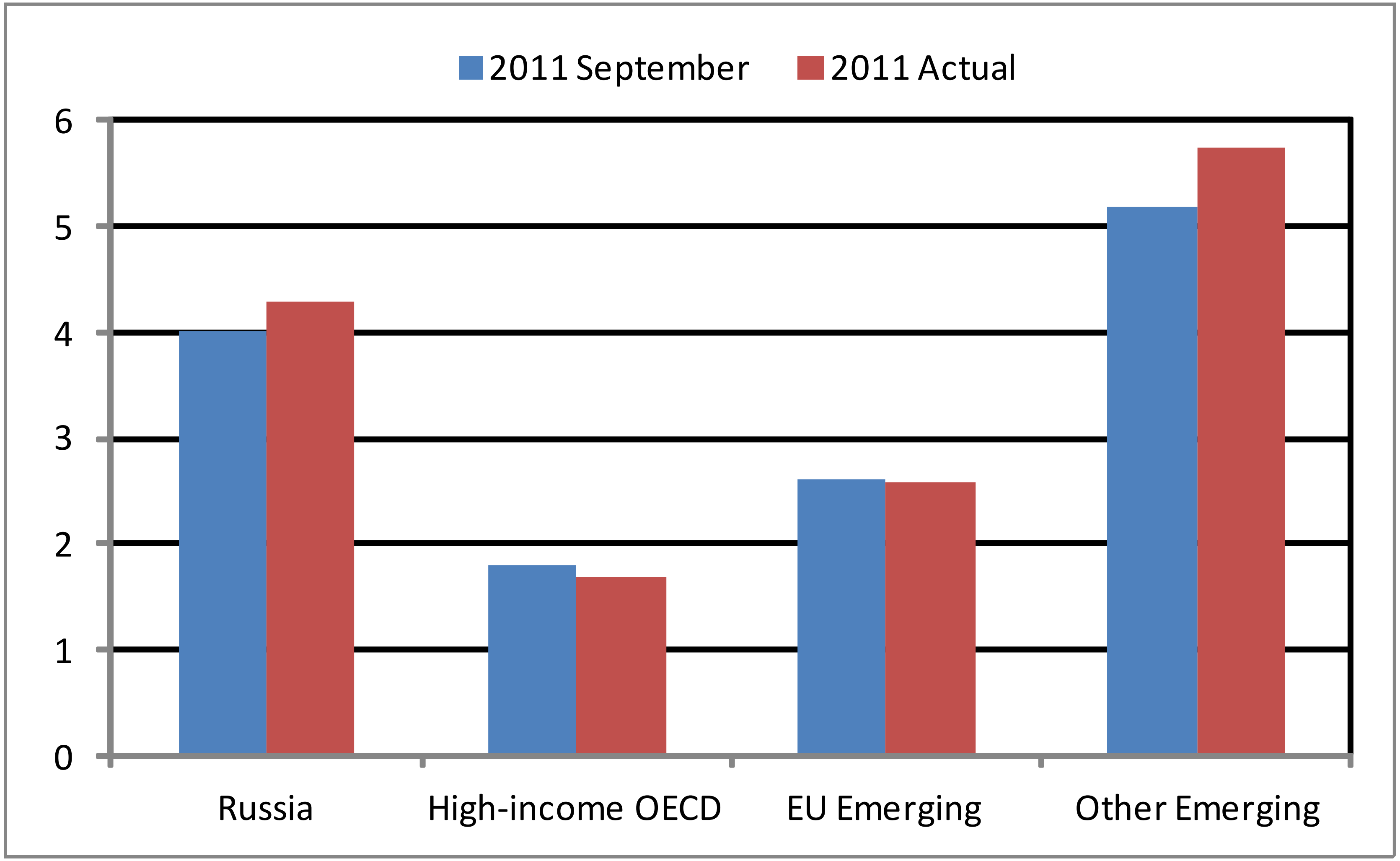
GDP growth, percent



Source: OECD, IMF, World Bank staff calculations

Growth better than expected

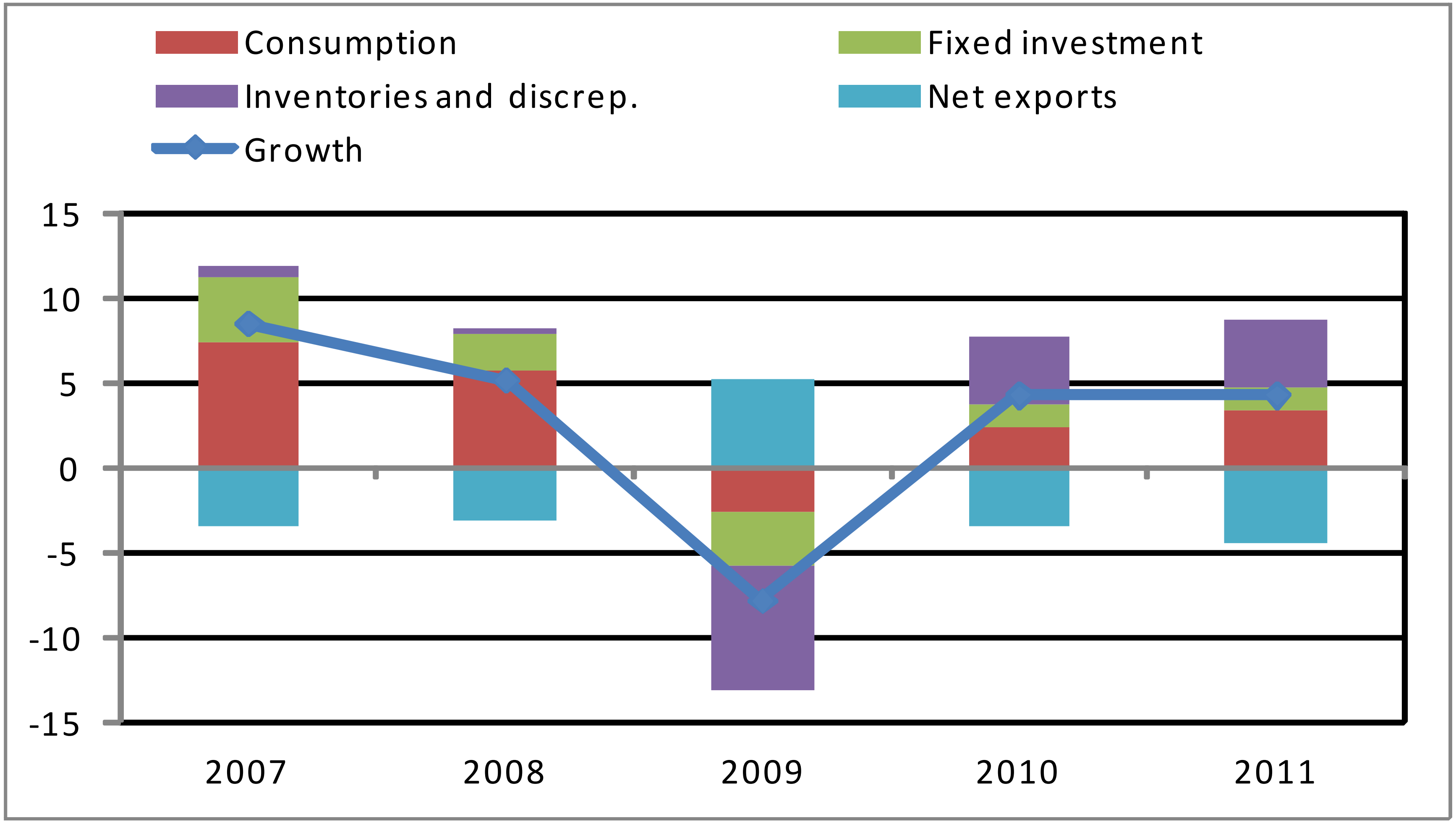
GDP growth, percent



Source: Rosstat, OECD, IMF, World Bank staff calculations

Growth driven by domestic demand

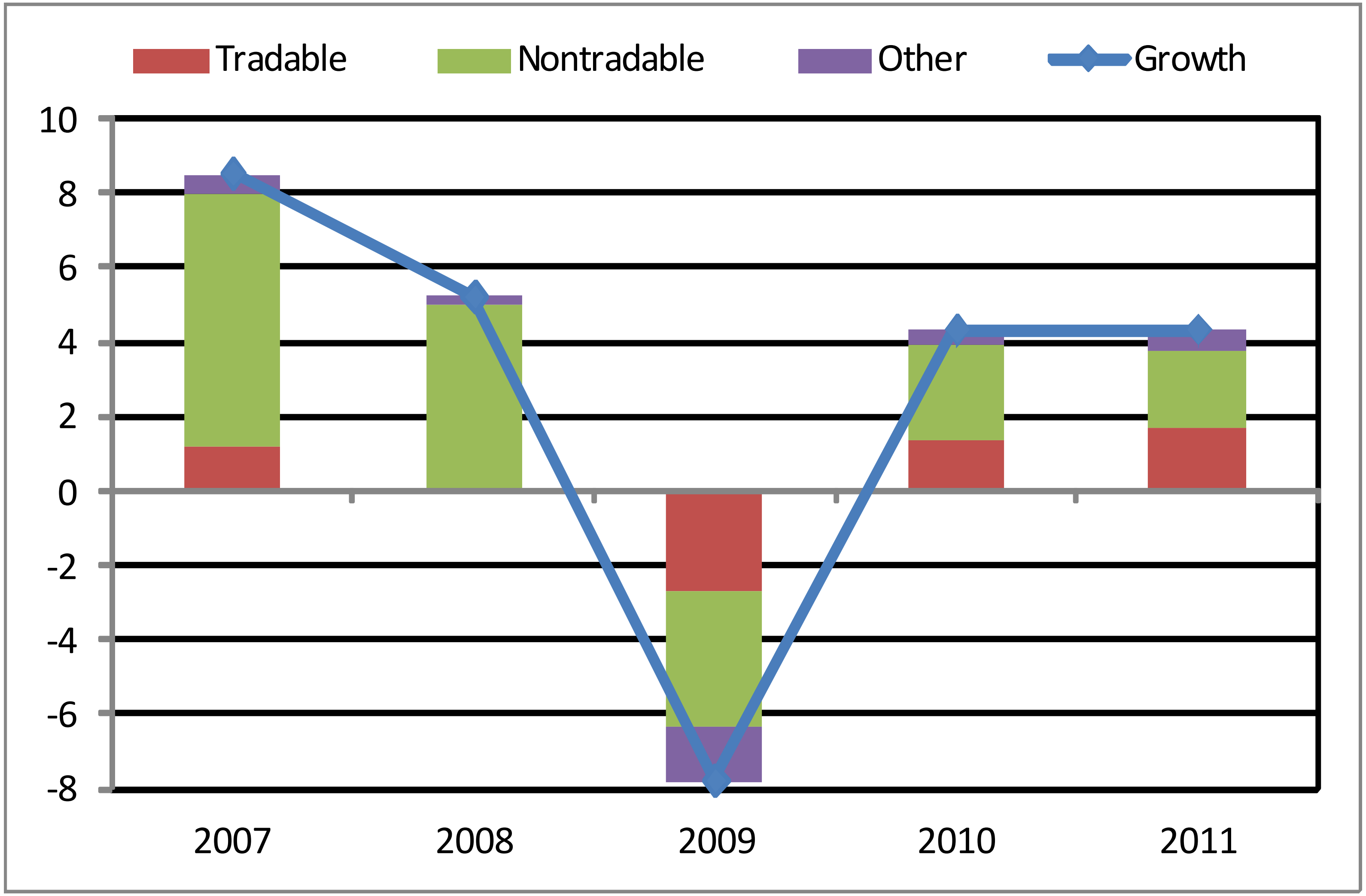
Contributions to growth, percent



Source: Rosstat, World Bank staff calculations

Growth driven by non-tradables and tradables

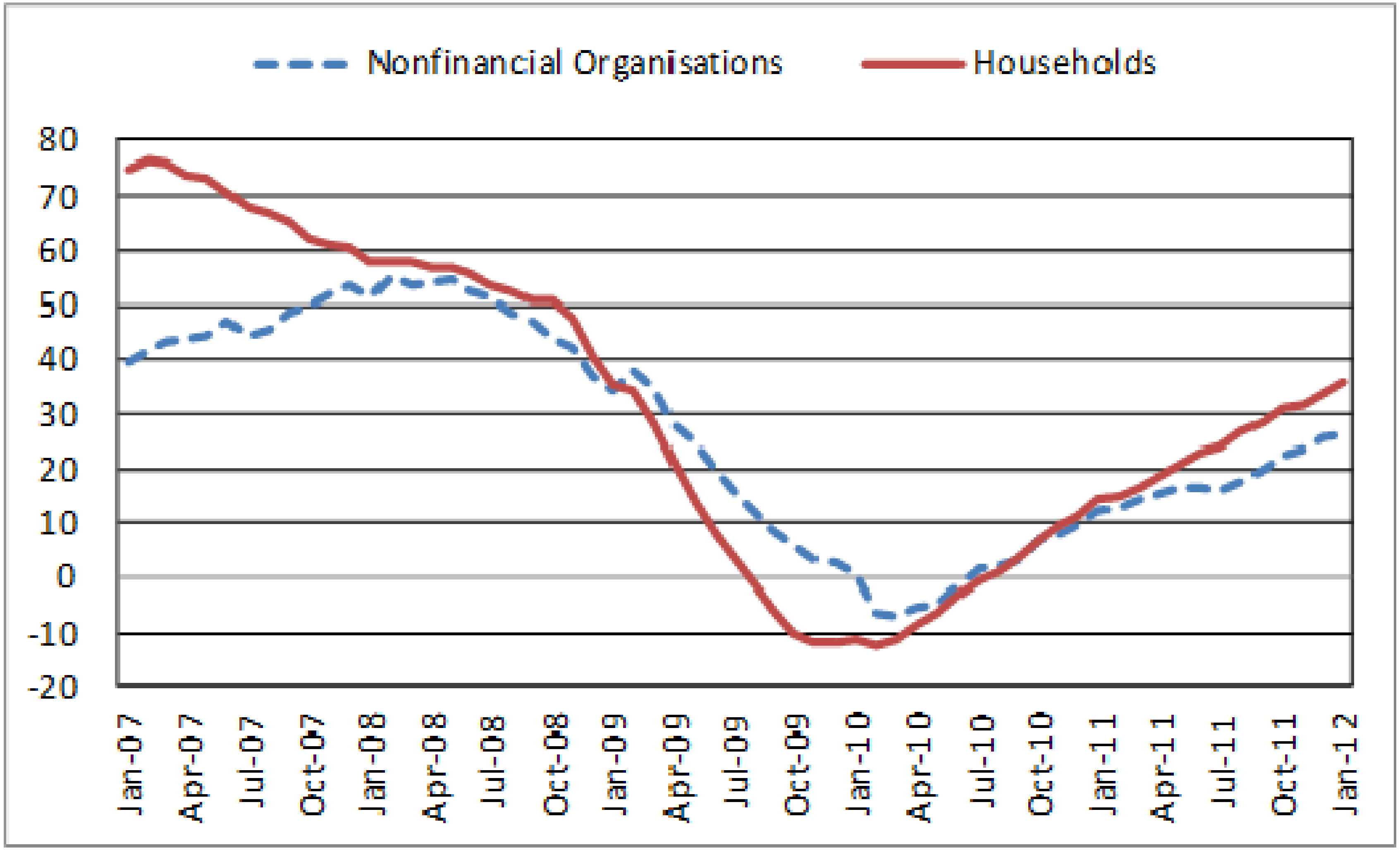
Contributions to growth, percent



Source: Rosstat, World Bank staff calculations

Credit growth picking up

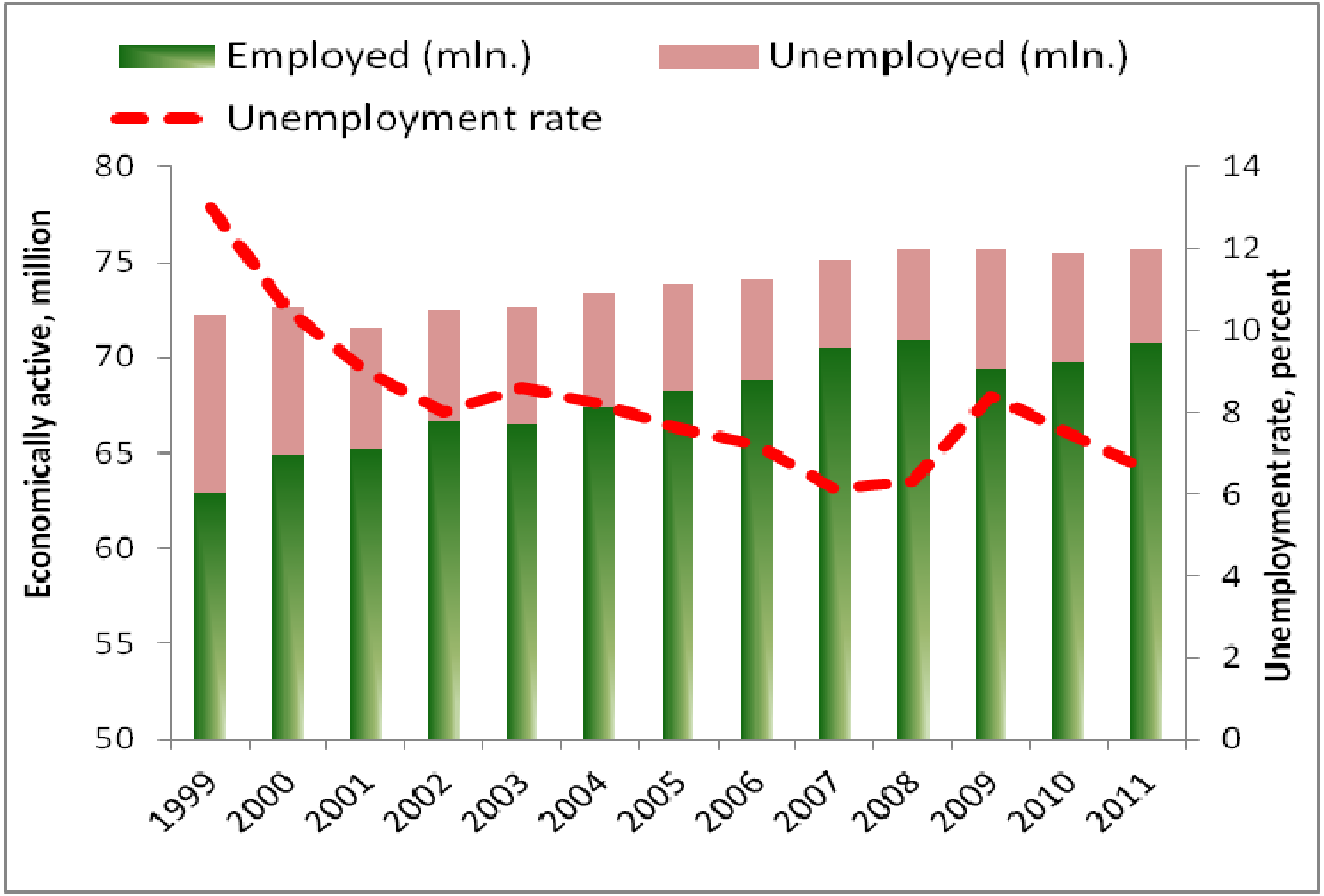
Credit growth, percent, yoy



Source: CBR, World Bank staff calculations

Labor market back to pre-crisis

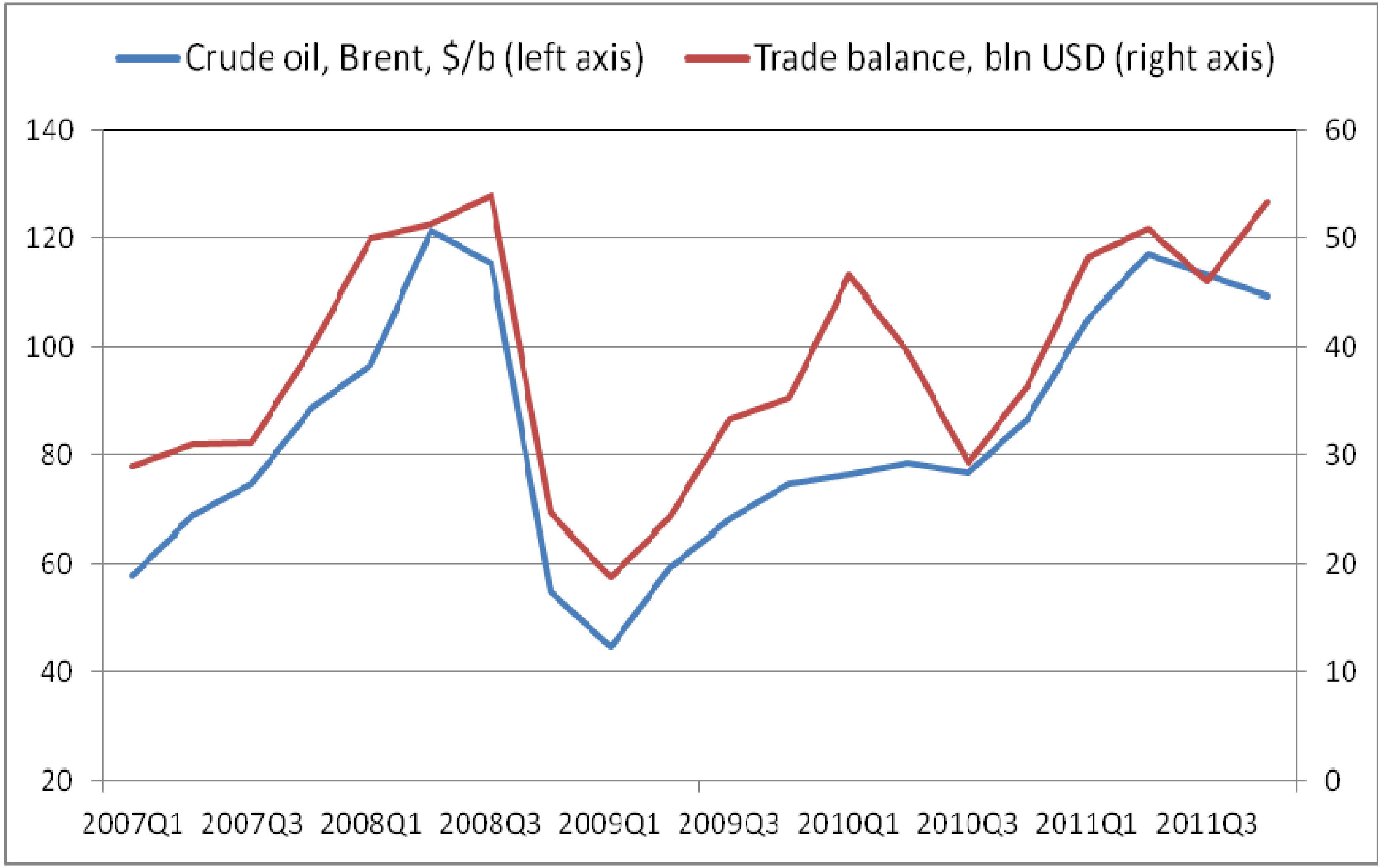
Labor market, million and percent



Source: Rosstat, World Bank staff calculations

Strong trade balance due to high oil prices

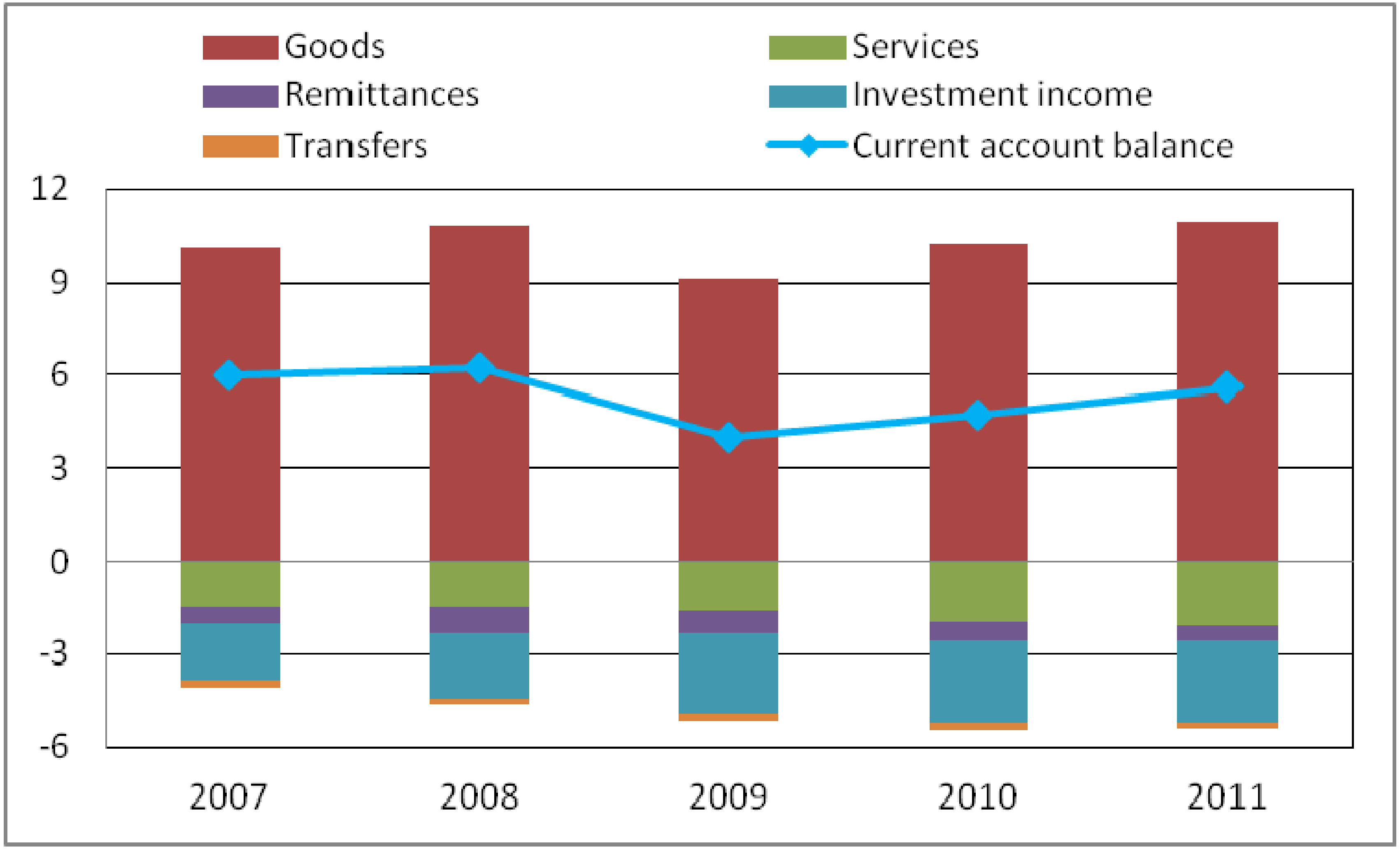
Oil prices and trade balance, US$ per barrel and US$ billion



Source: CBR, World Bank staff calculations

Current account surplus back to pre-crisis level

Composition of current account balance, percent of GDP



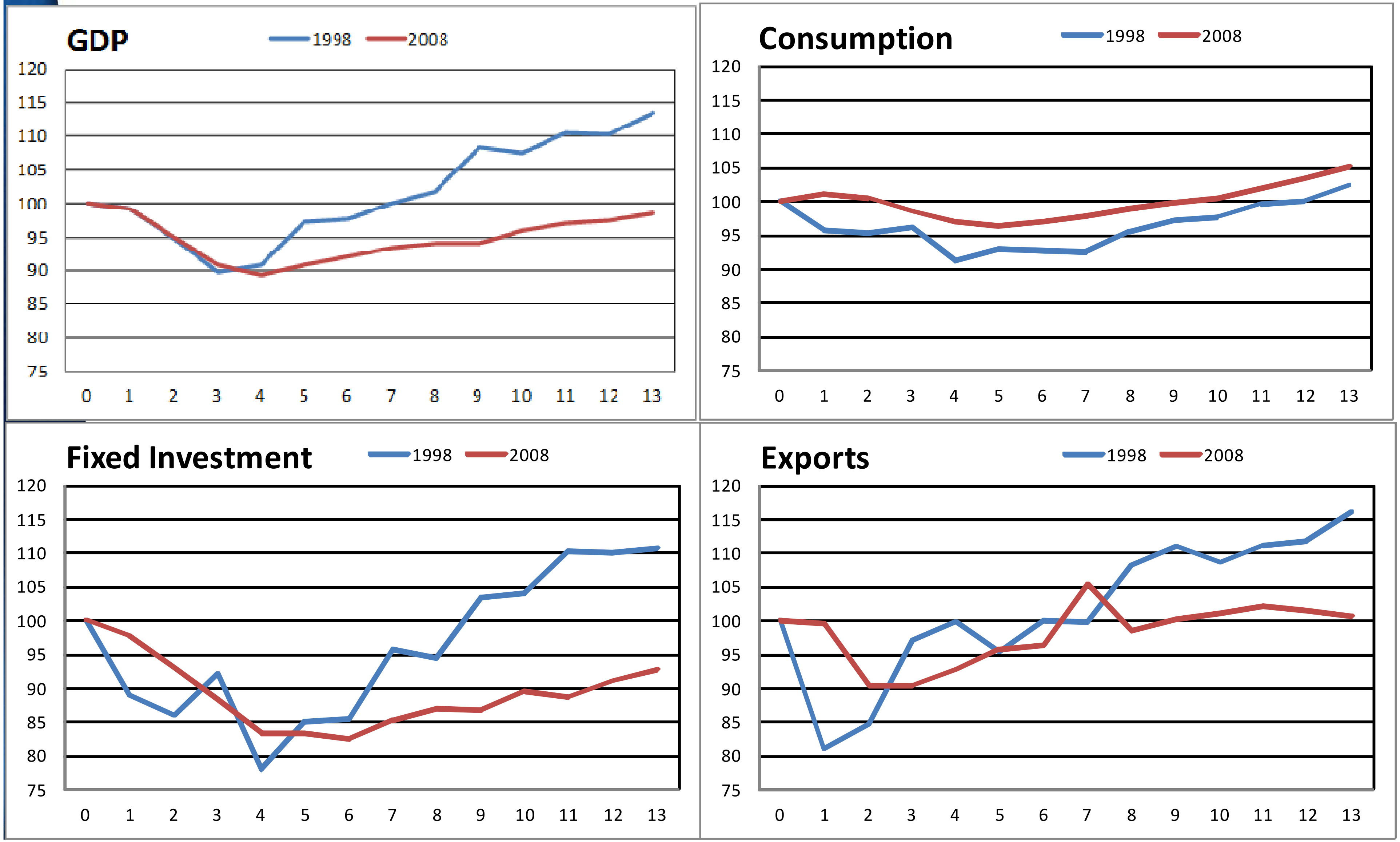
Source: CBR, World Bank staff calculations

POST-2008 REBOUND WEAK

2008 recover trailing 1998 recovery

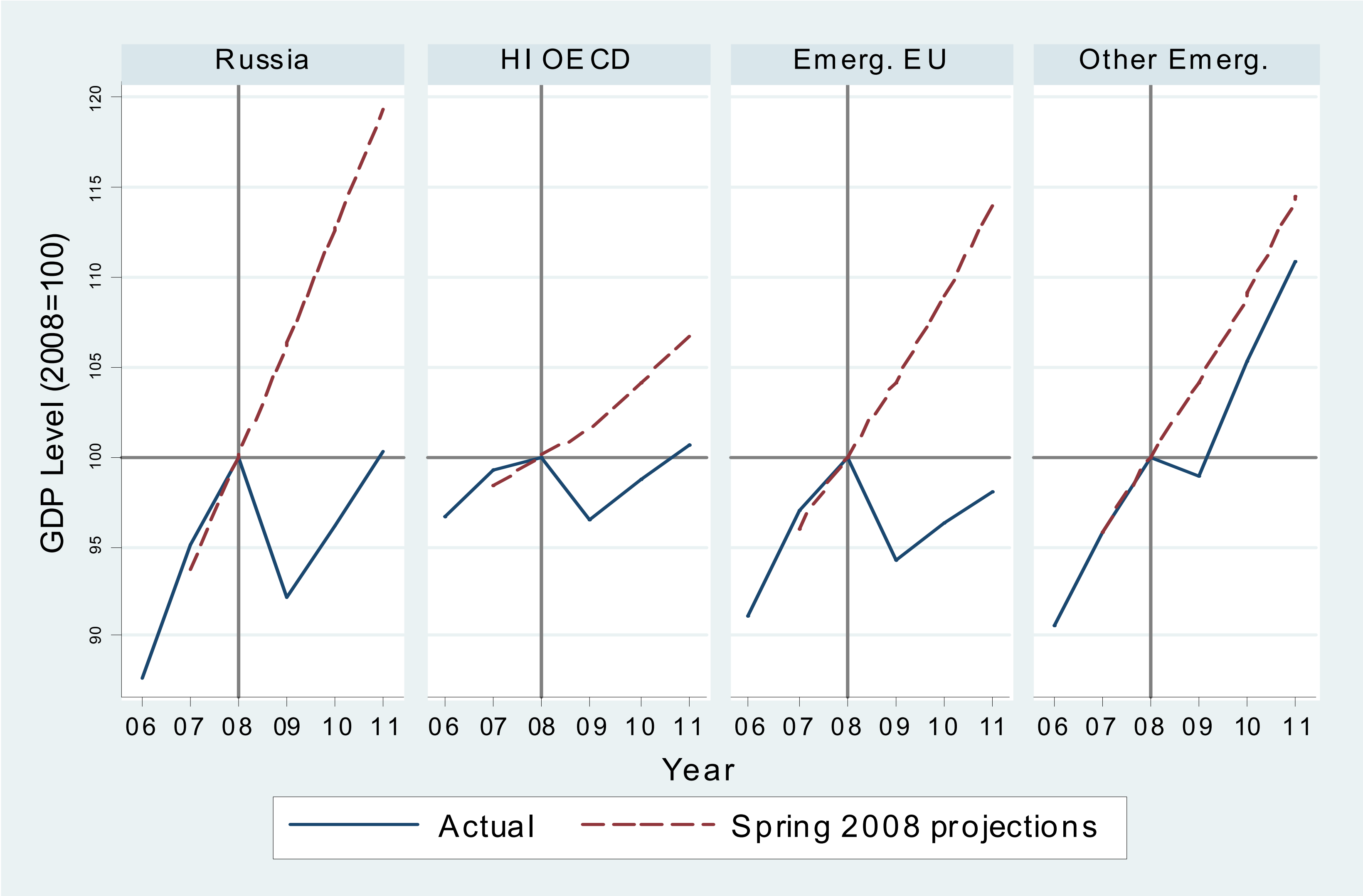
Percent, yoy

Source: Rosstat, World Bank staff calculations



2008 recovery trailing recovery of other countries

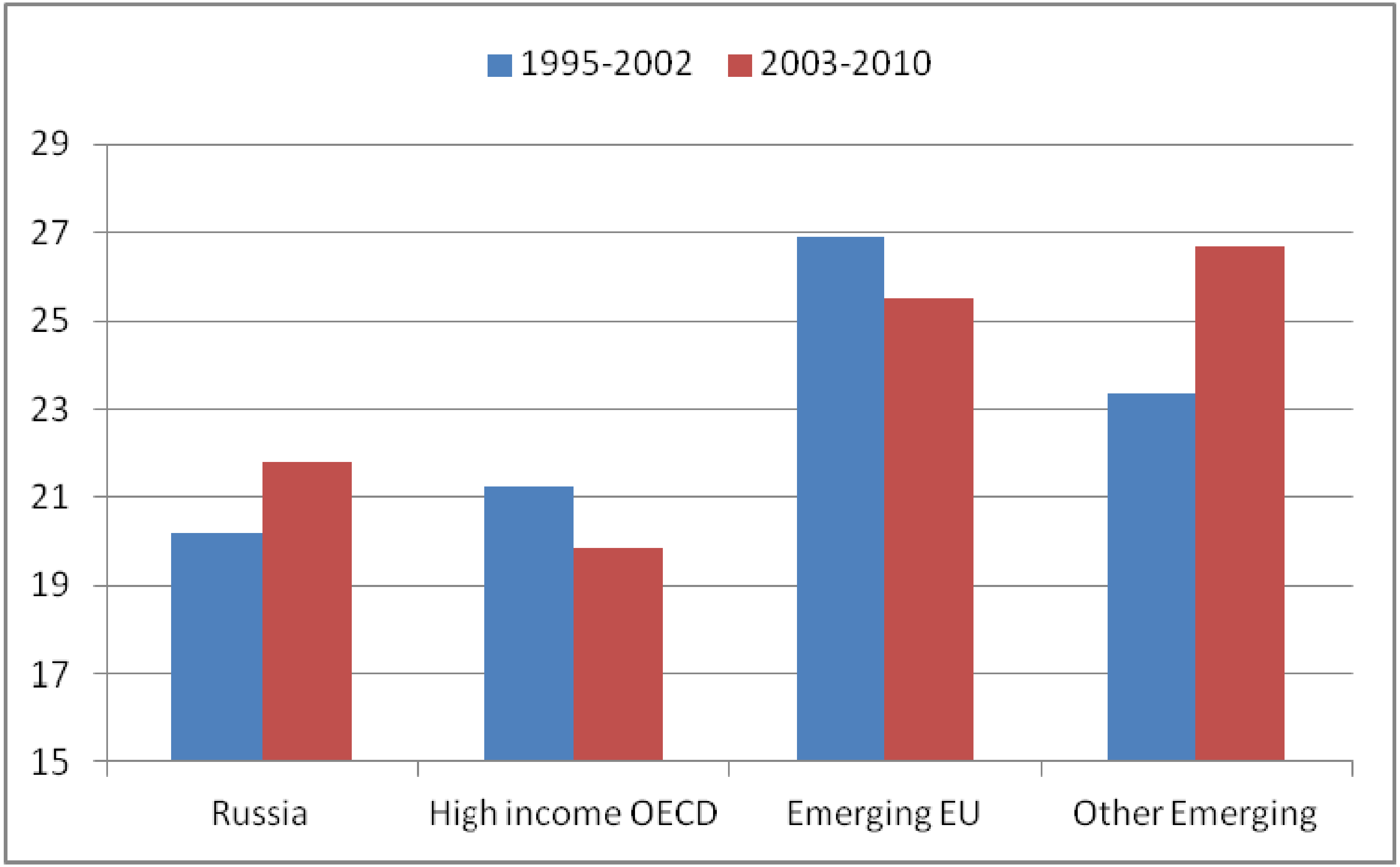
GDP level, 2008=100



Source: IMF, World Bank staff calculations

Investment low

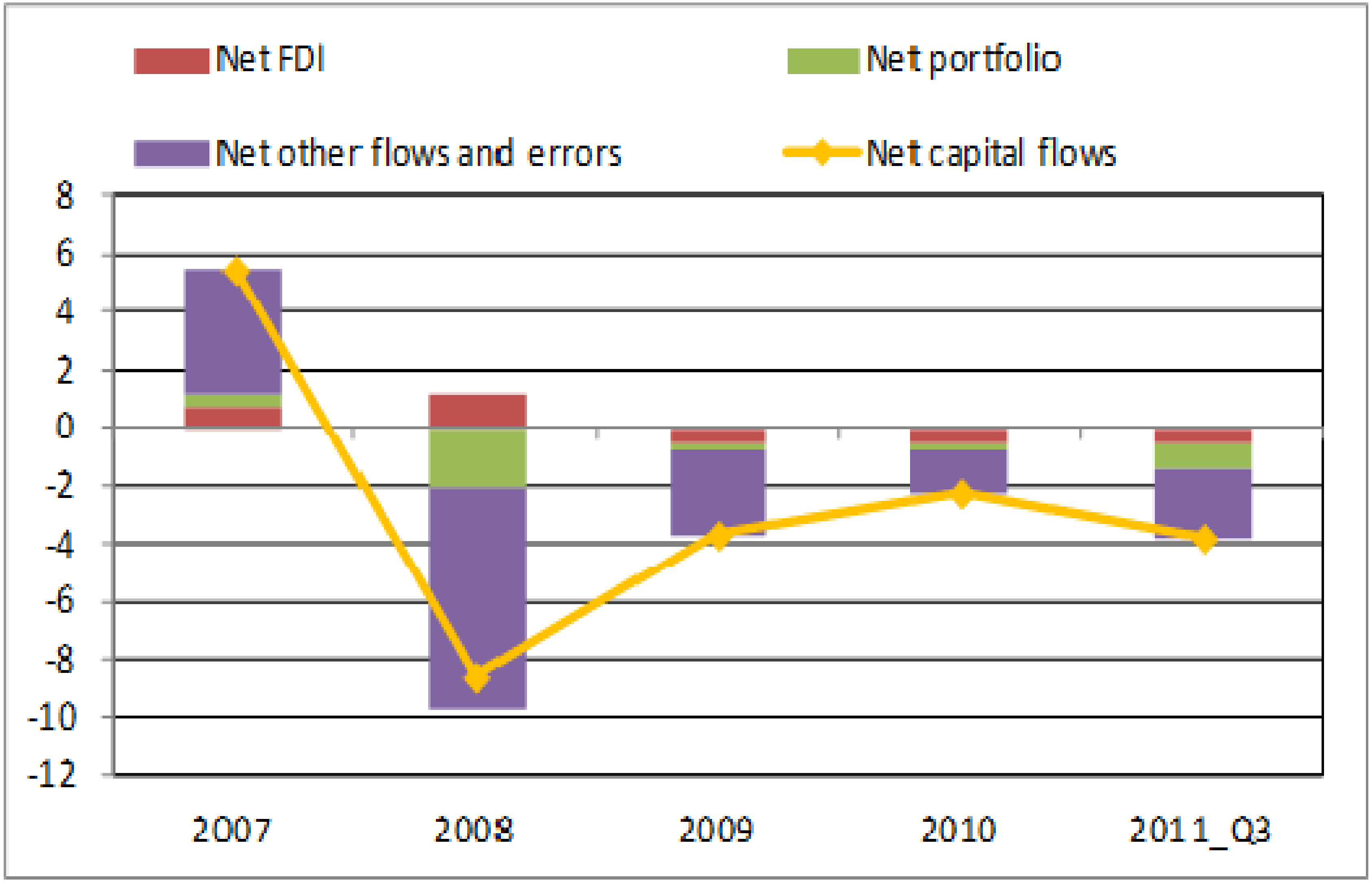
Gross Capital Formation, 1995 to 2010, percent of GDP



Source: World Development Indicators, World Bank staff calculations

FDI low and capital outflows high

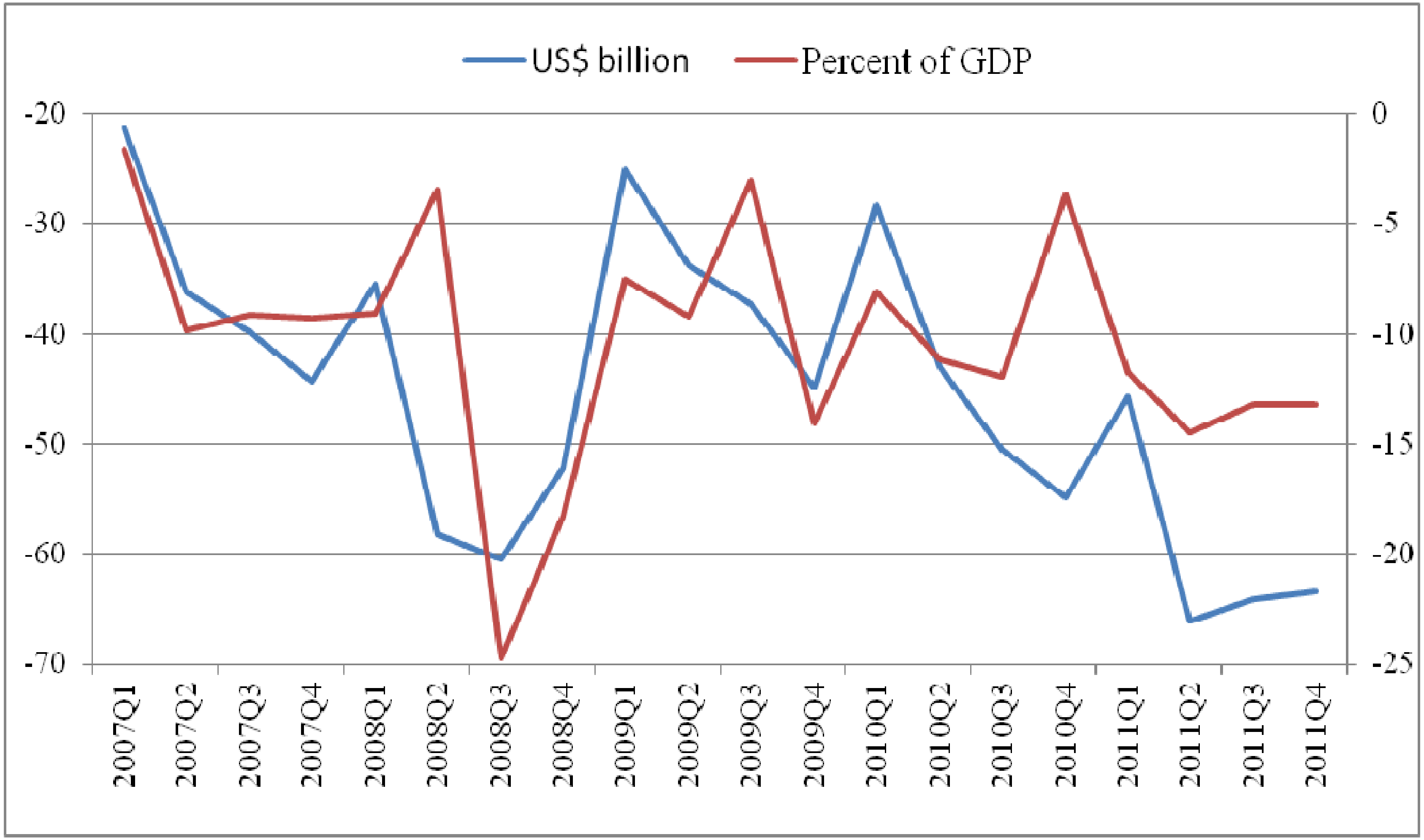
Percent of GDP



Source: Rosstat, World Bank staff calculations

Non-oil current account deficit high

US$ billion and percent of GDP

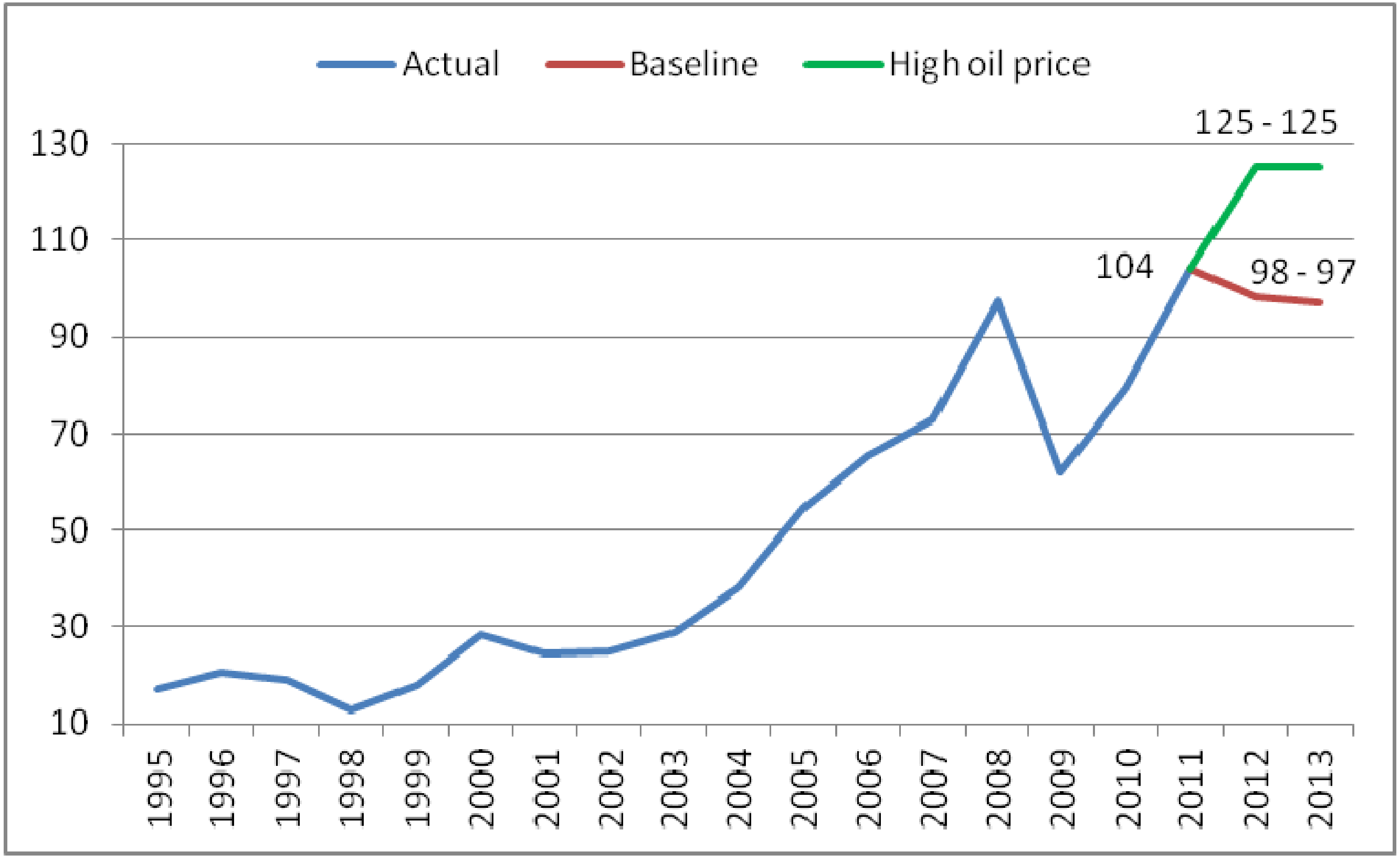


Source: Rosstat, World Bank staff calculations

RECOVERY SLOWING

Two oil price scenarios

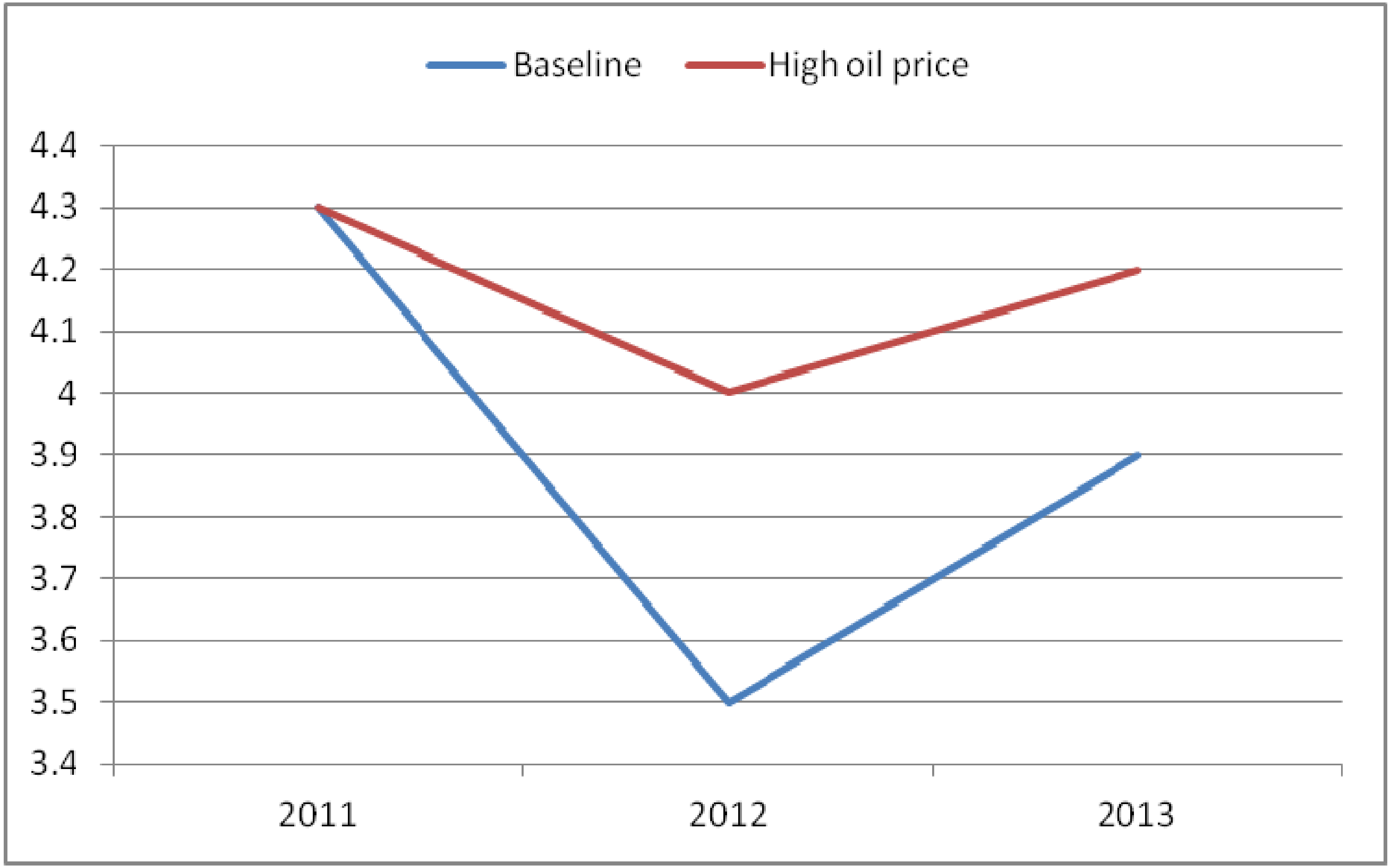
World Bank average oil price, US$ per barrel



Source: World Bank staff calculations

Growth moderating

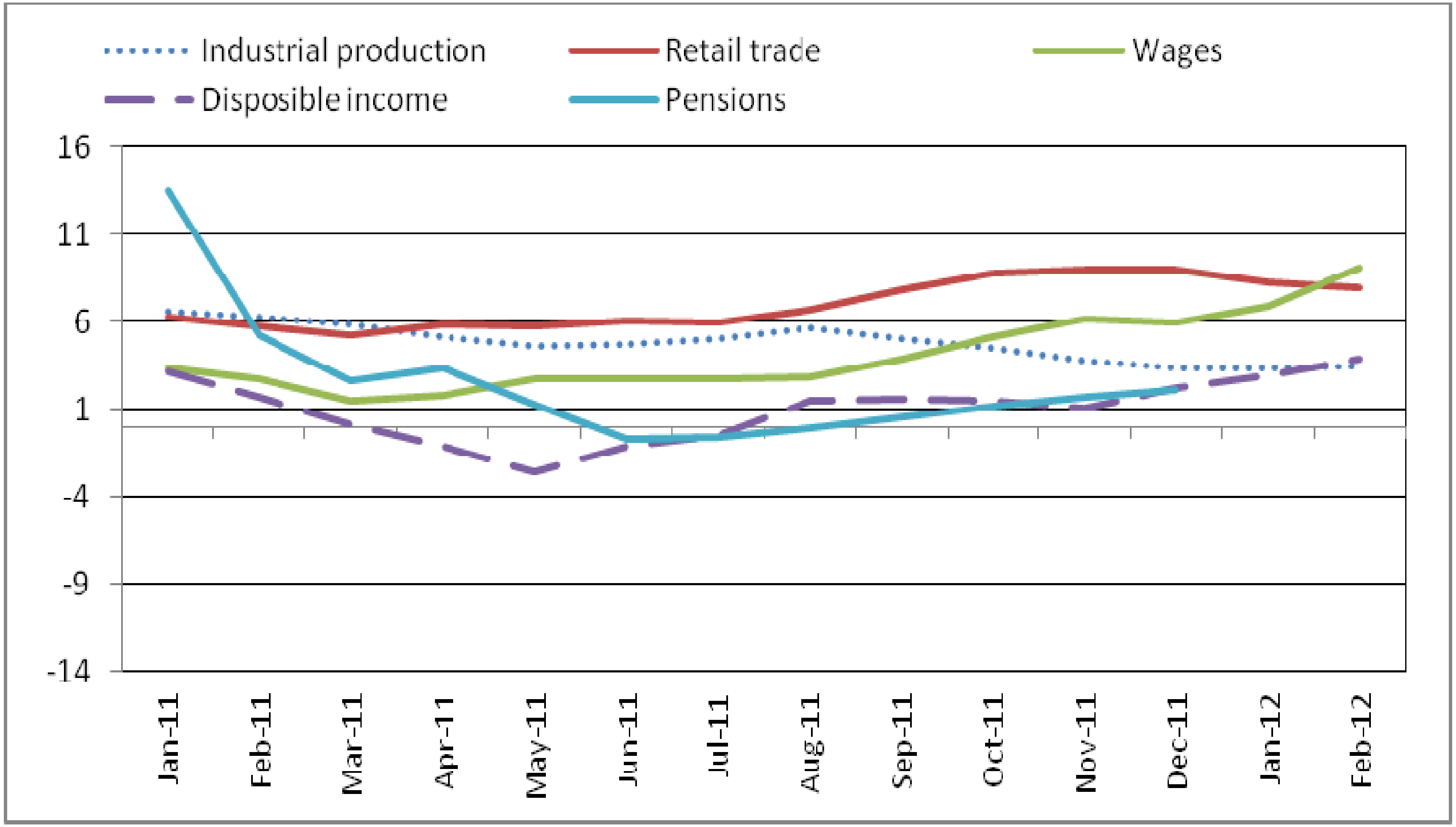
GDP growth, percent



Source: World Bank staff calculations

Industrial production weakening

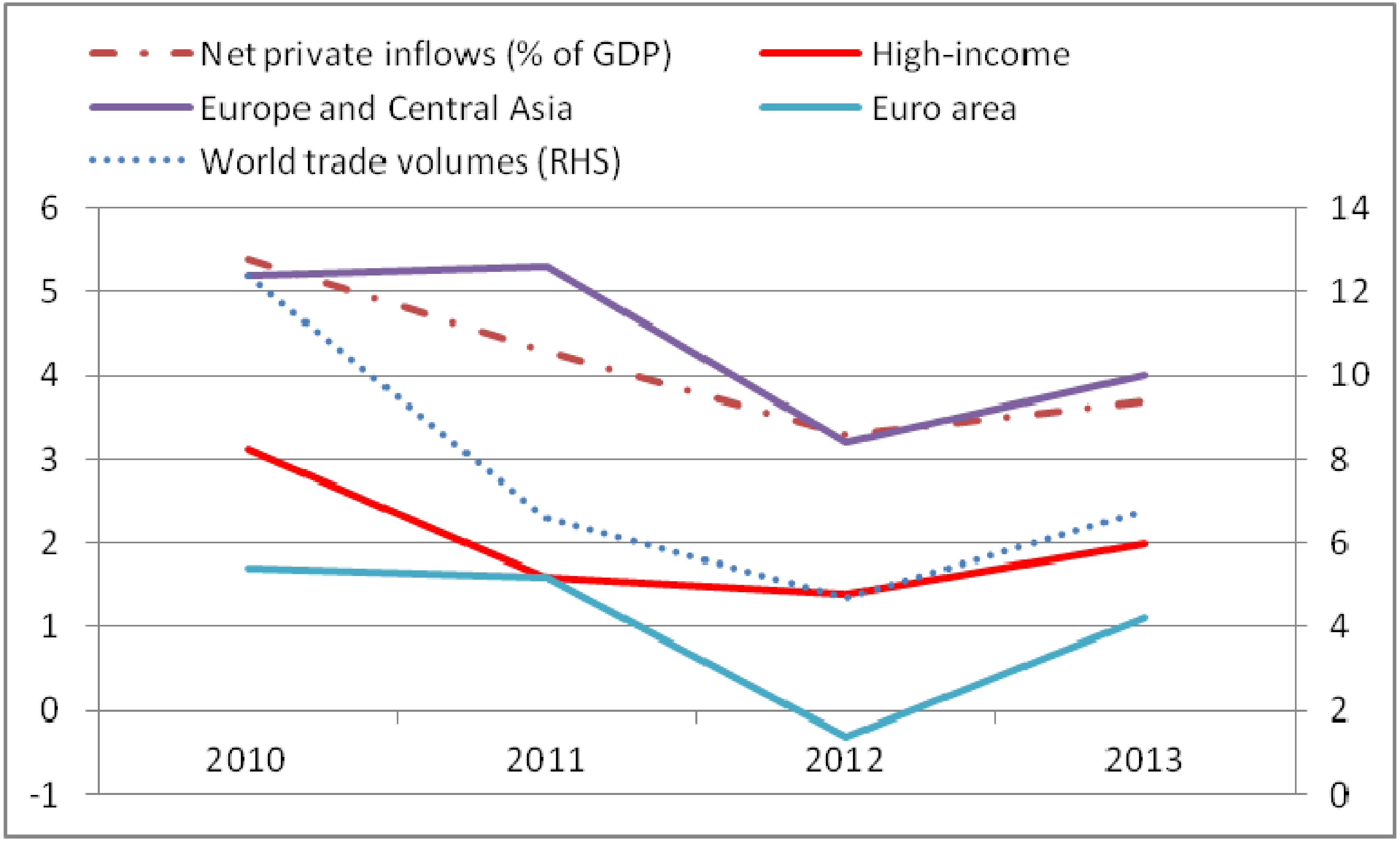
Real growth, percent, 3mma, yoy



Source: Rosstat, World Bank staff calculations

External demand weakening

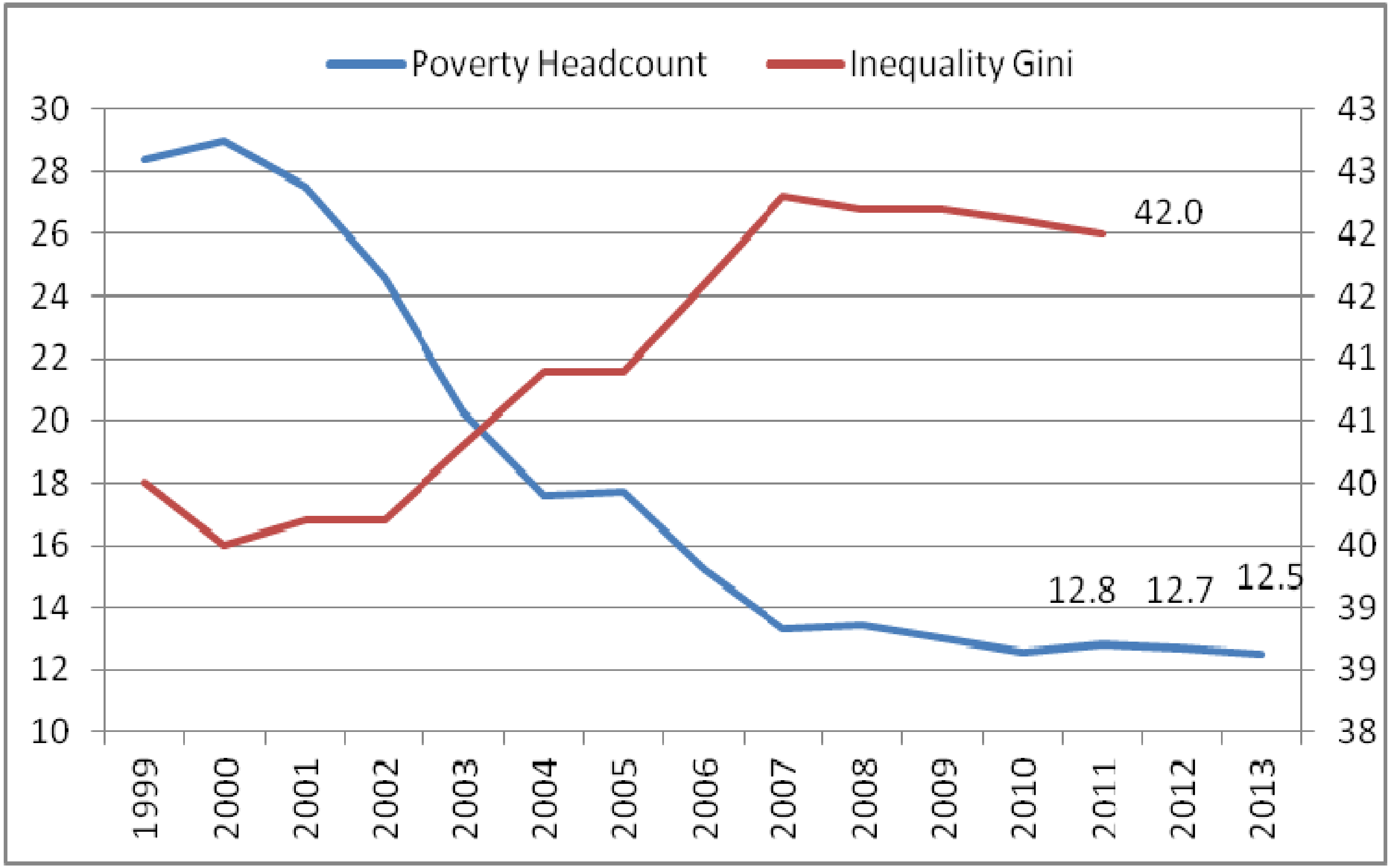
Real growth, percent, 3mma, yoy



Source: Global Economic Prospects, World Bank staff calculations

Poverty stable

Poverty projections

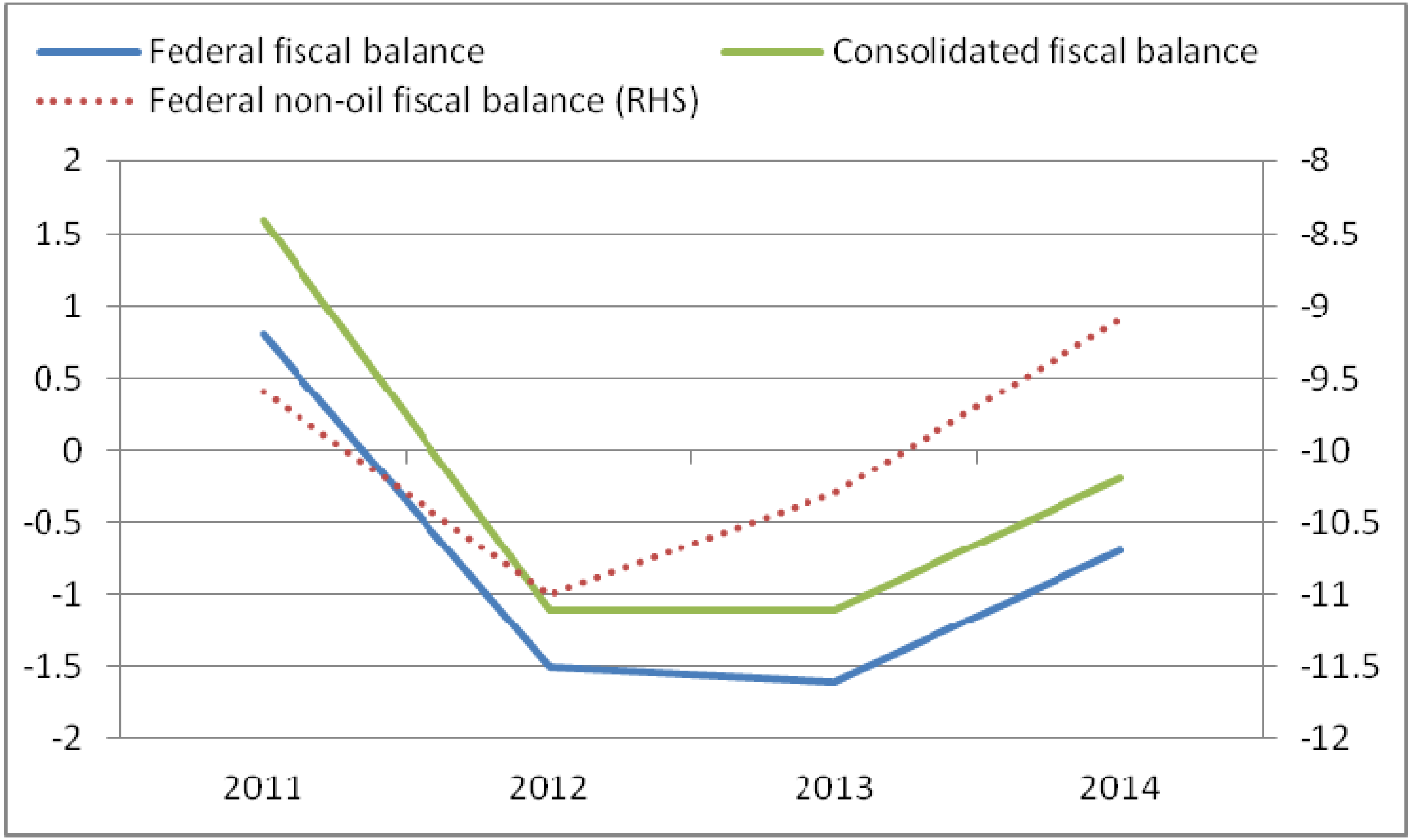


Source: World Bank staff calculations

Moderating risks, bolstering growth

Fiscal policy – lowering non-oil fiscal deficits

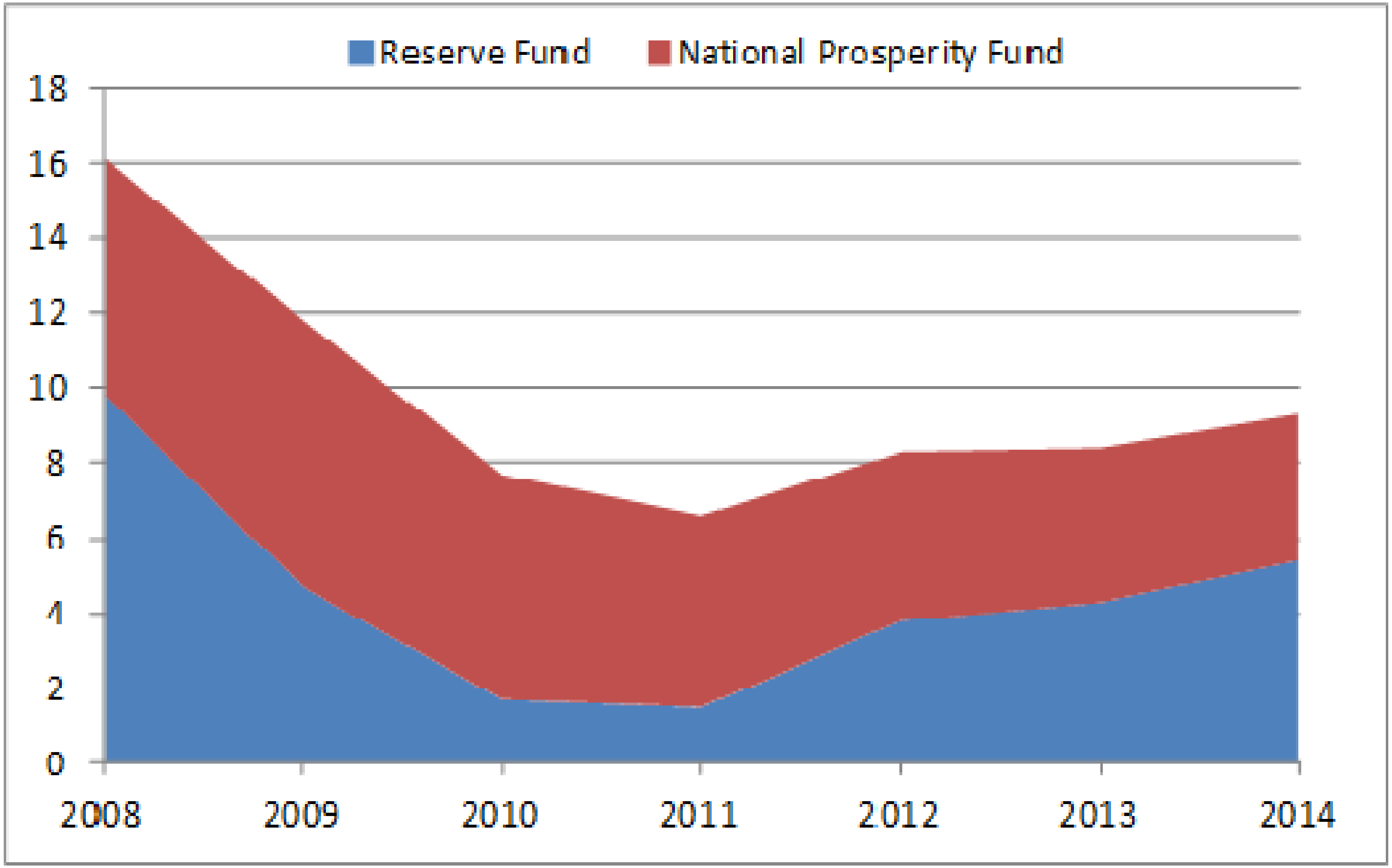
2012 to 2014 budget, medium-term projections, percent of GDP



Source: Ministry of Finance, Economic Expert Group, World Bank staff calculations

Fiscal policy – rebuilding buffers

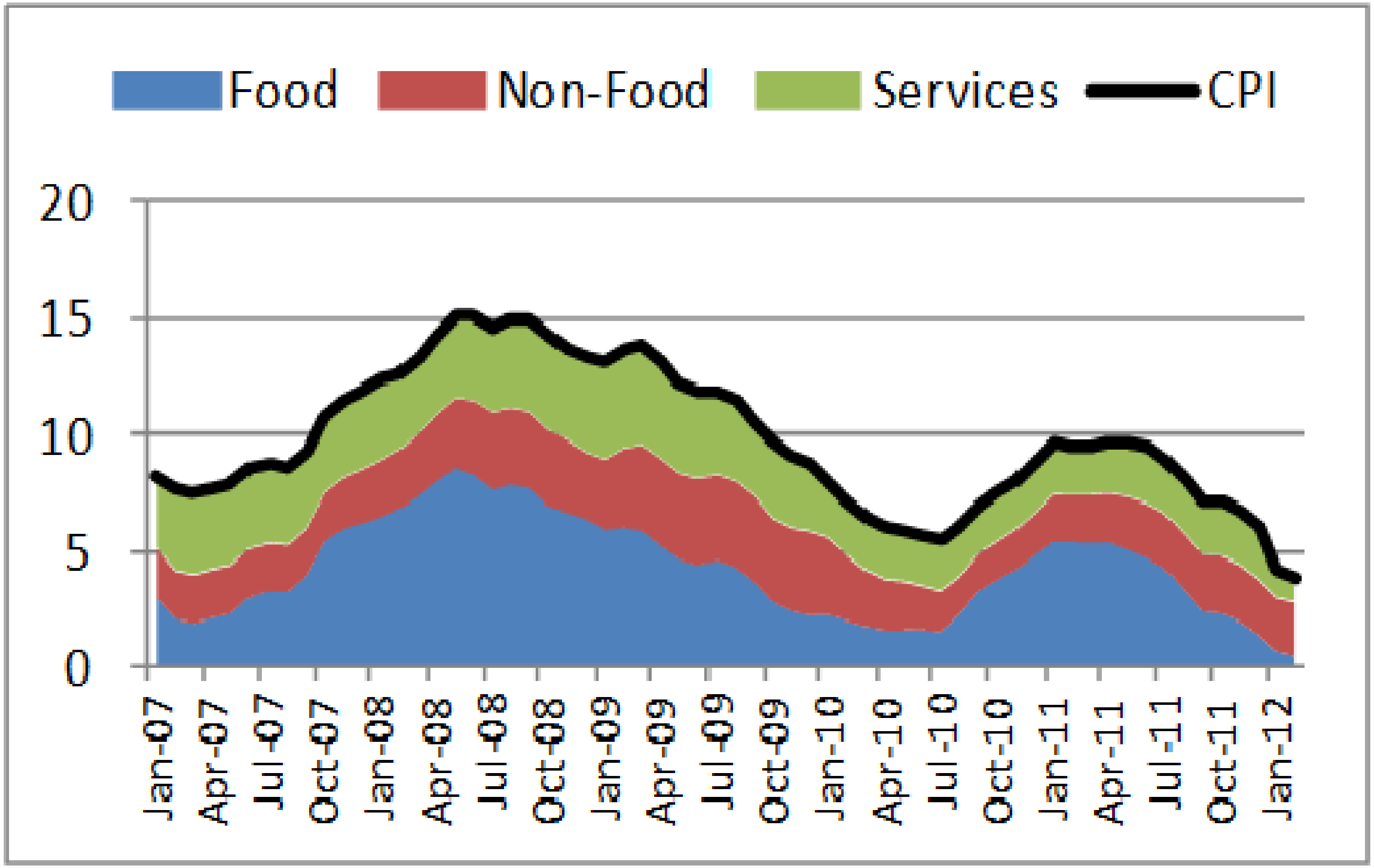
Percent of GDP



Source: Ministry of Finance, World Bank staff calculations

Monetary policy – focusing on low inflation

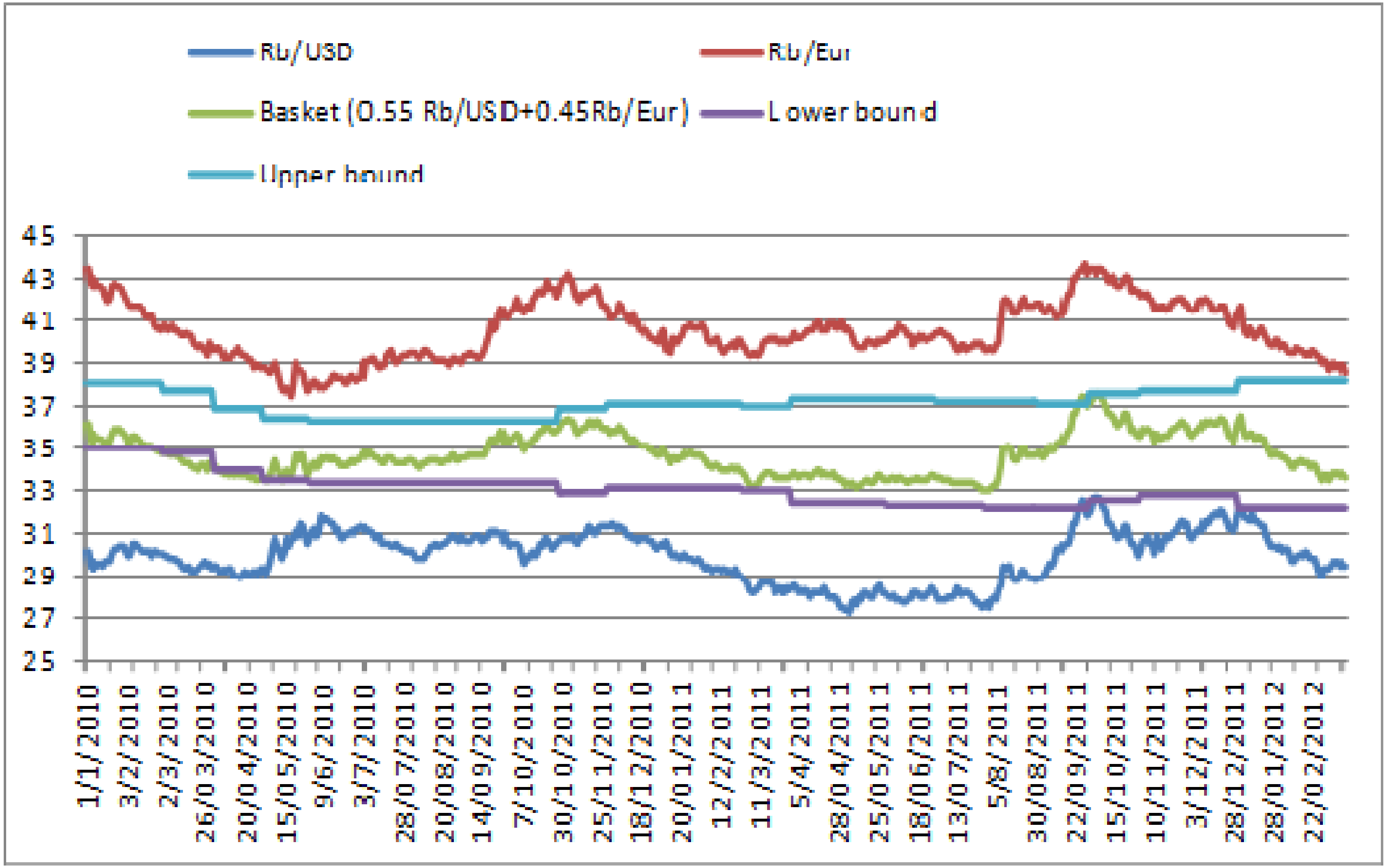
Percent, yoy



Source: CBR, World Bank staff calculations

Monetary policy – allowing greater exchange rate flexibility

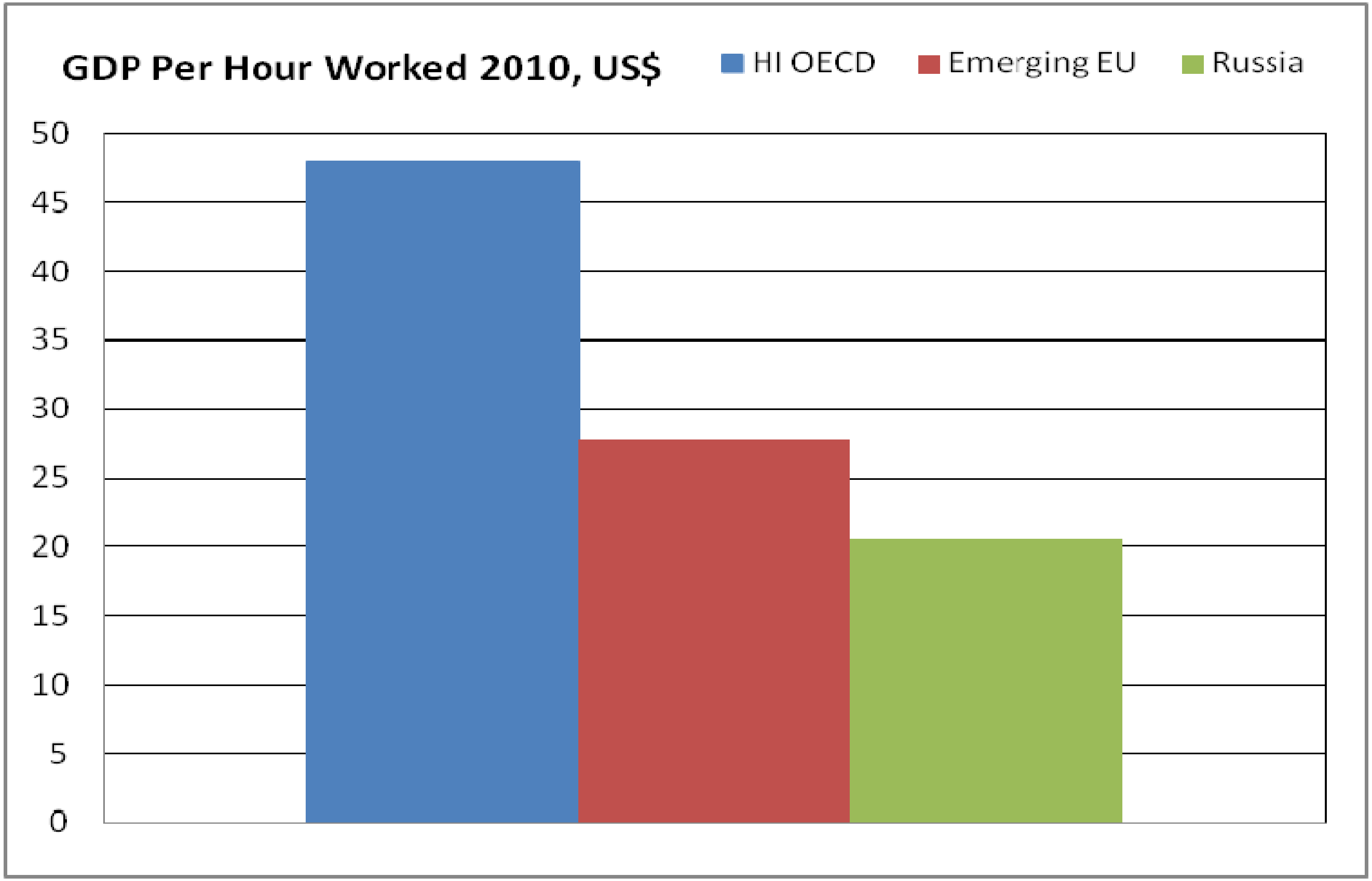
Exchange rates and bilateral band



Source: CBR, World Bank staff calculations

Structural policy – closing the productivity gap

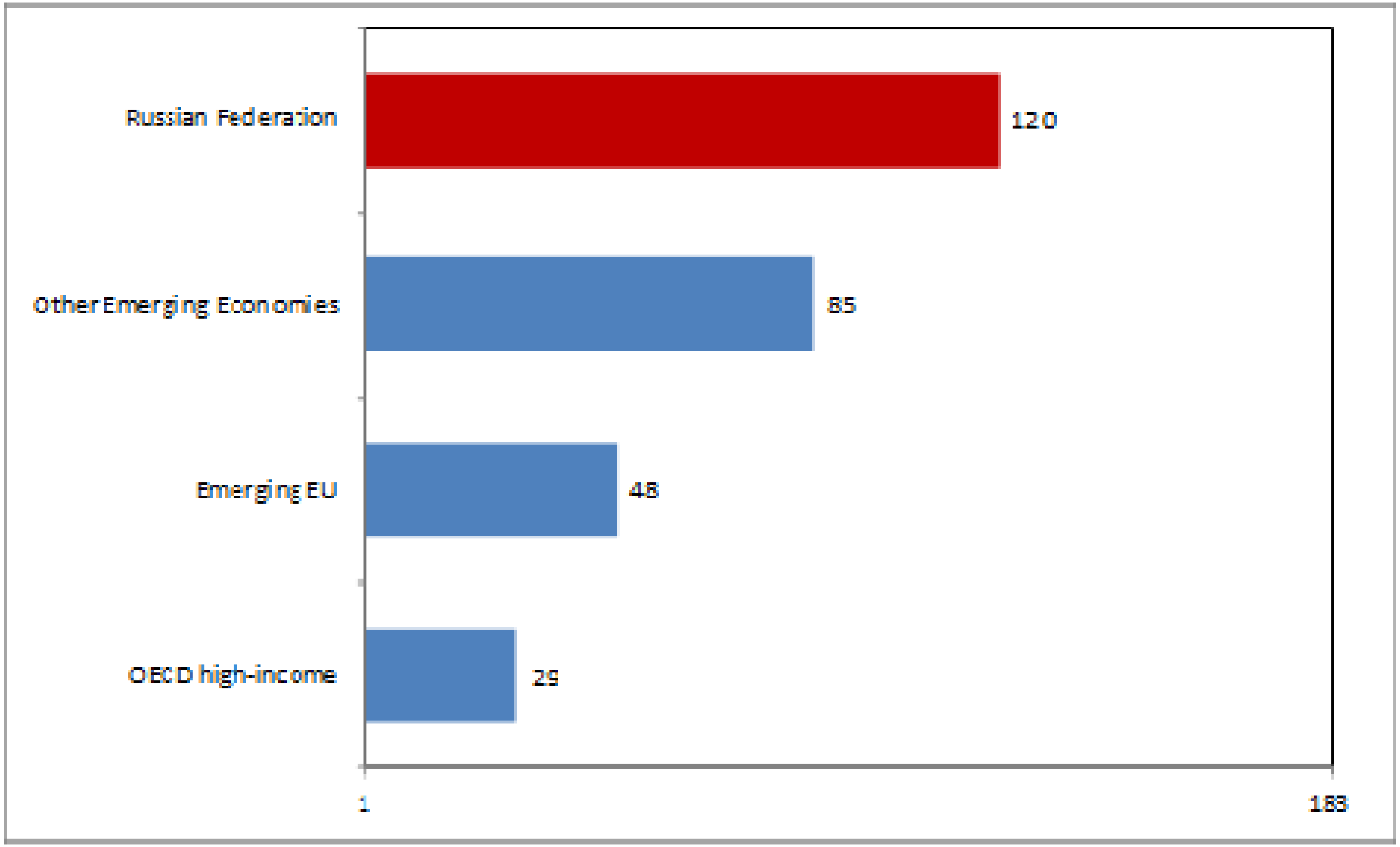
Labor productivity



Source: OECD, World Bank staff calculations

Structural policy – easing doing business

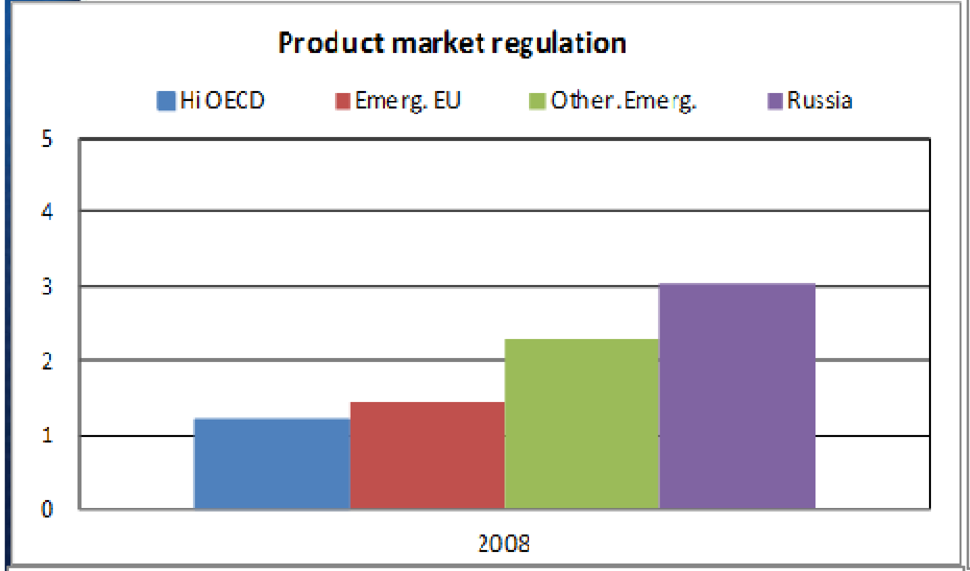
2012 Doing Business rank, 1 (best) to 183 (worst)

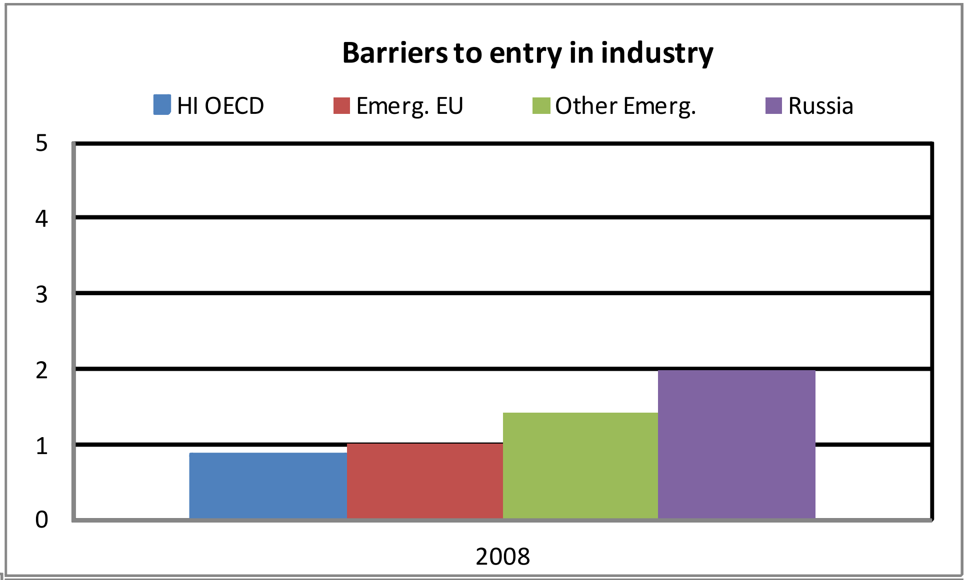


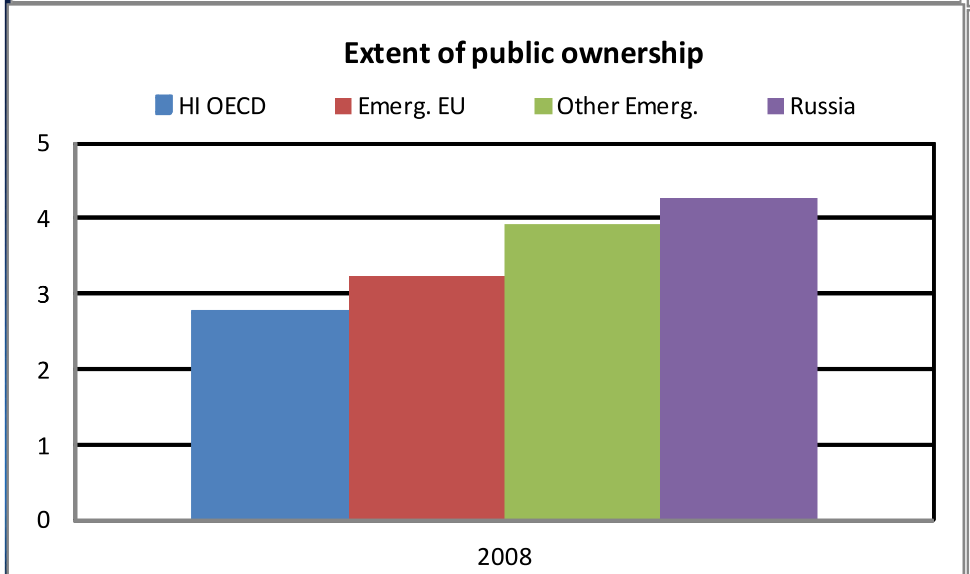
Source: IFC and World Bank, World Bank staff calculations

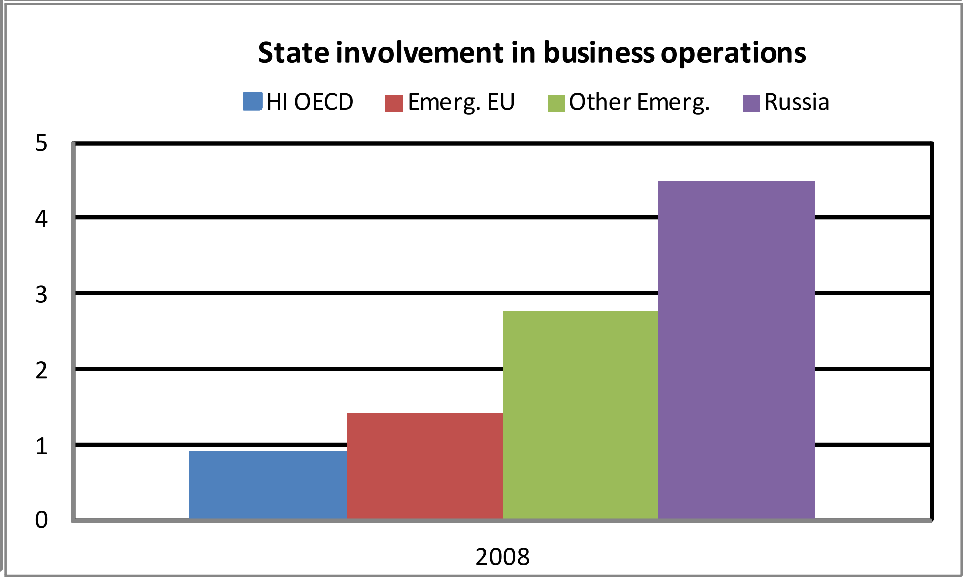
Structural policy – removing barriers for private sector

Structural policy index, 0 (least restrictive) to 6 (most restrictive) Source: OECD 2012









Thank you!

Backup slides

Baseline scenario

	2011	2012 proj.	2013 proj.
GDP growth (%)	4.3	3.5	3.9
Consolidated government balance (% of GDP)	1.6	-1.3	-0.9
Current account (US$ billions)	101	53.8	25
Current account (% of GDP)	5.5	2.7	1.1
Capital account (US$ billions)	-75.3	-48.9	-21.6
Capital account (% of GDP)	-4.1	-2.4	-1.0
Oil price assumption (WB Average, US$ per barrel)	104.0	98.2	97.1

High oil price scenario

	2011	2012 proj.	2013 proj.
GDP growth (%)	4.3	4.0	4.2
Consolidated government balance (% of GDP)	1.6	1.4	2.0
Current account (US$ billions)	101	89.4	47.5
Current account (% of GDP)	5.5	4.1	1.8
Capital account (US$ billions)	-75.3	-39.5	-2.6
Capital account (% of GDP)	-4.1	-1.8	-0.1
Oil price assumption (WB Average, US$ per barrel)	104	125	125