

Russian Economic Report #28, Autumn 2012

Reinvigorating the Economy



WORLD BANK

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The World Bank, Moscow

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MESSAGES

- **The economy performed well early in the year despite external headwinds.**
- **But now the economy is slowing.**
- **Economic policies can reinvigorate the economy by shoring up stability, building buffers against external volatility and lifting growth potential.**

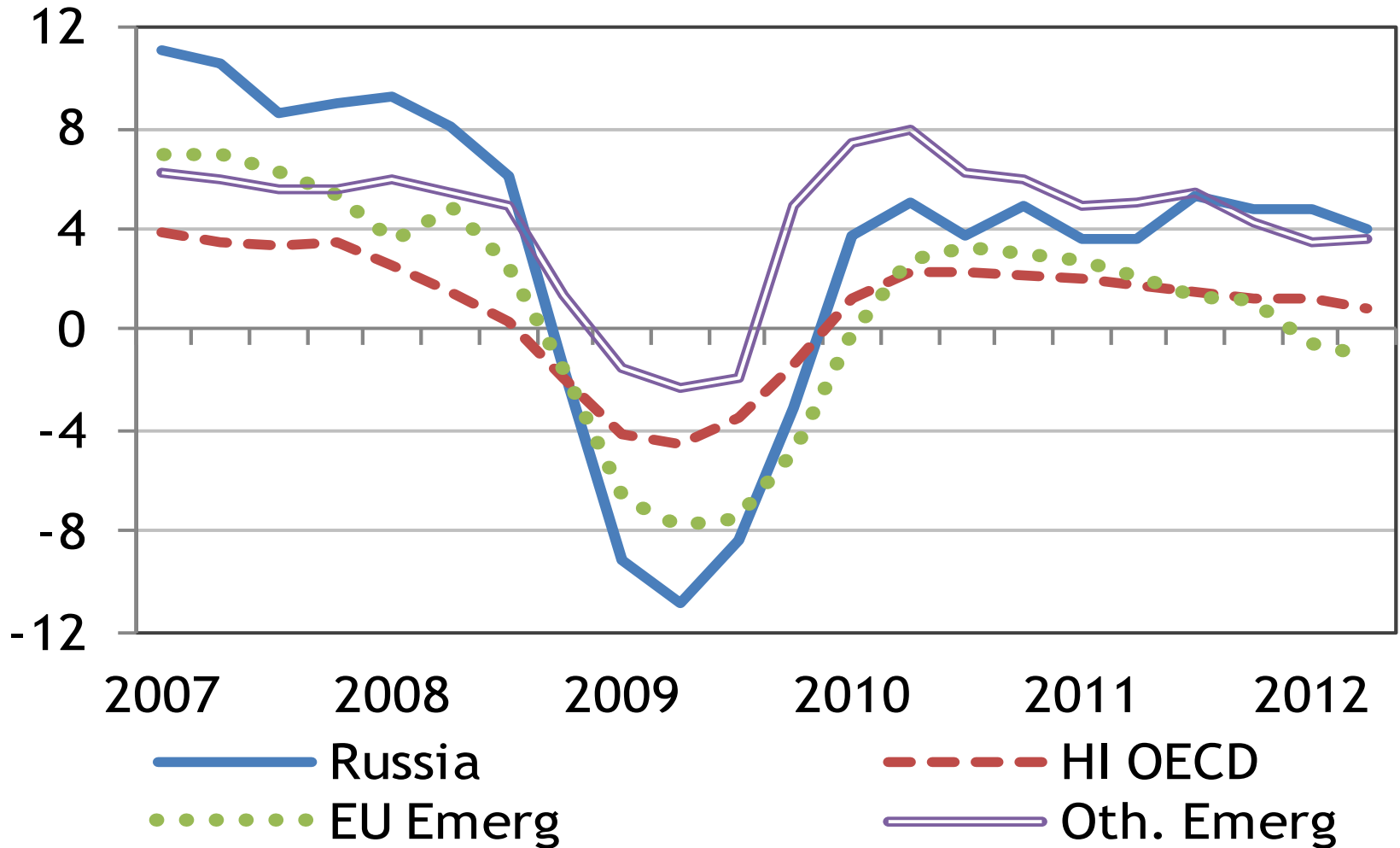


Strong First Half of 2012



Growth steady in Russia as recovery slows elsewhere

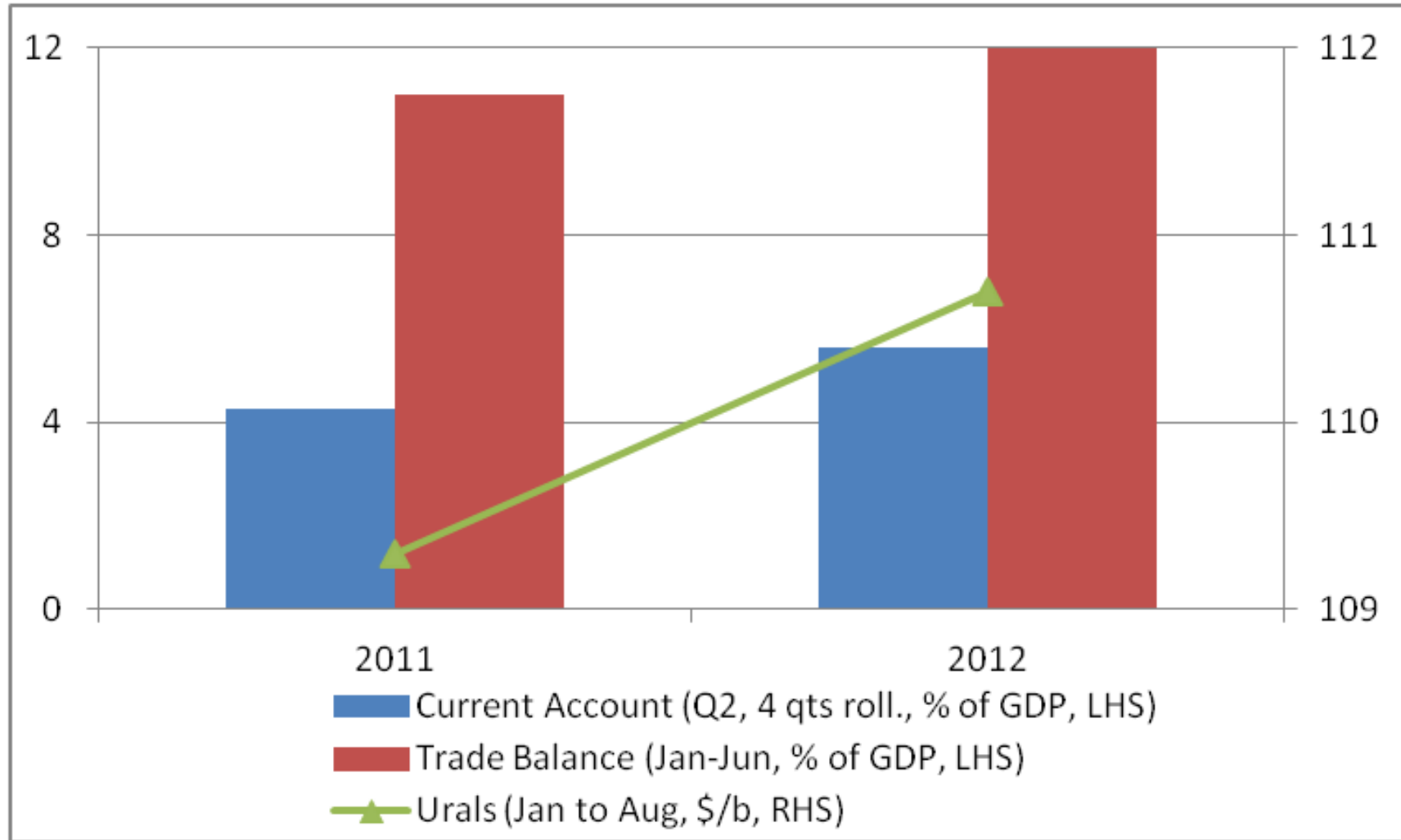
Quarterly GDP growth, percent



Source: OECD, IMF, World Bank staff calculations

External surpluses

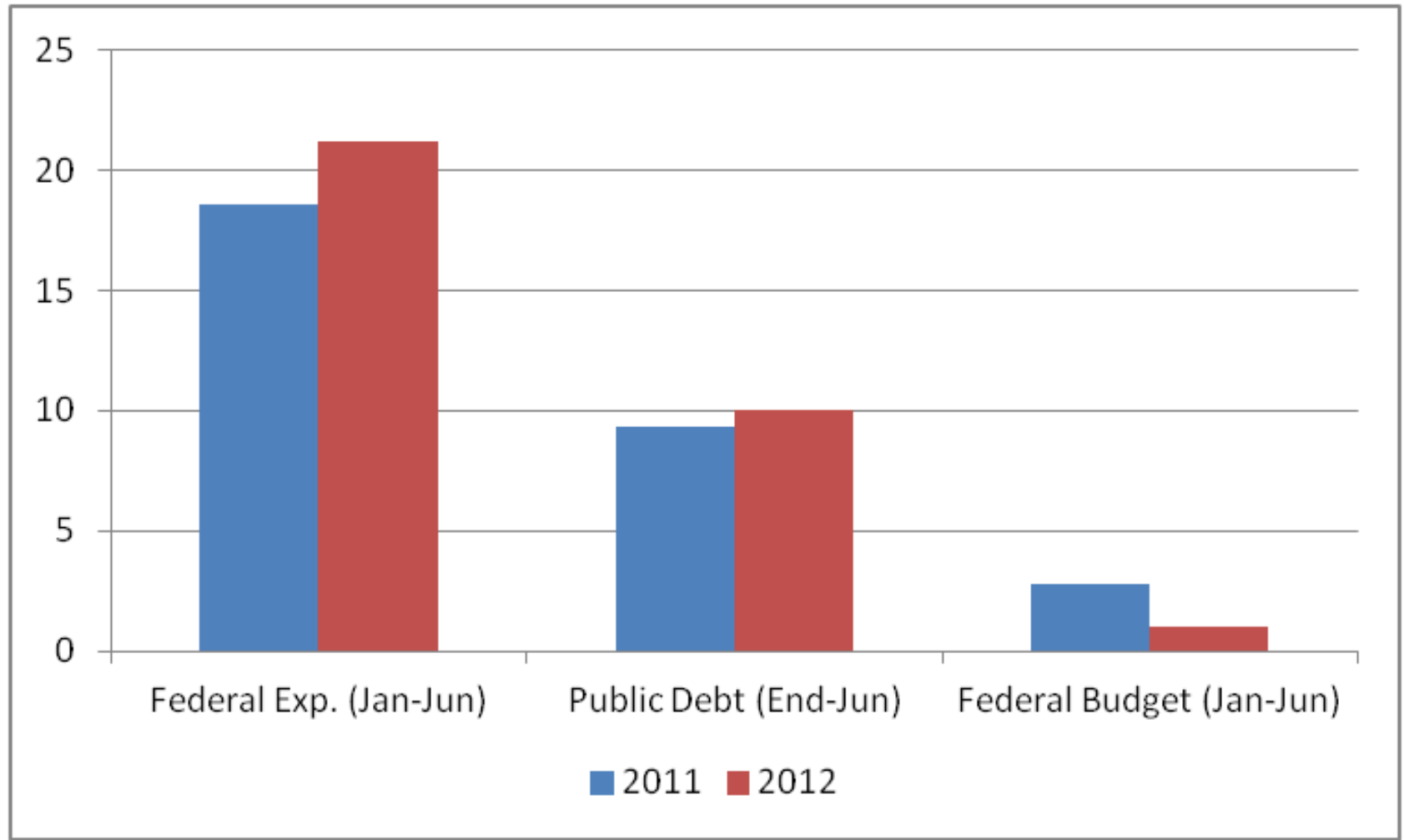
Percent of GDP (LHS) and Dollar per barrel (RHS)



Source: Rosstat, Economic Expert Group, World Bank staff calculations

Fiscal surplus

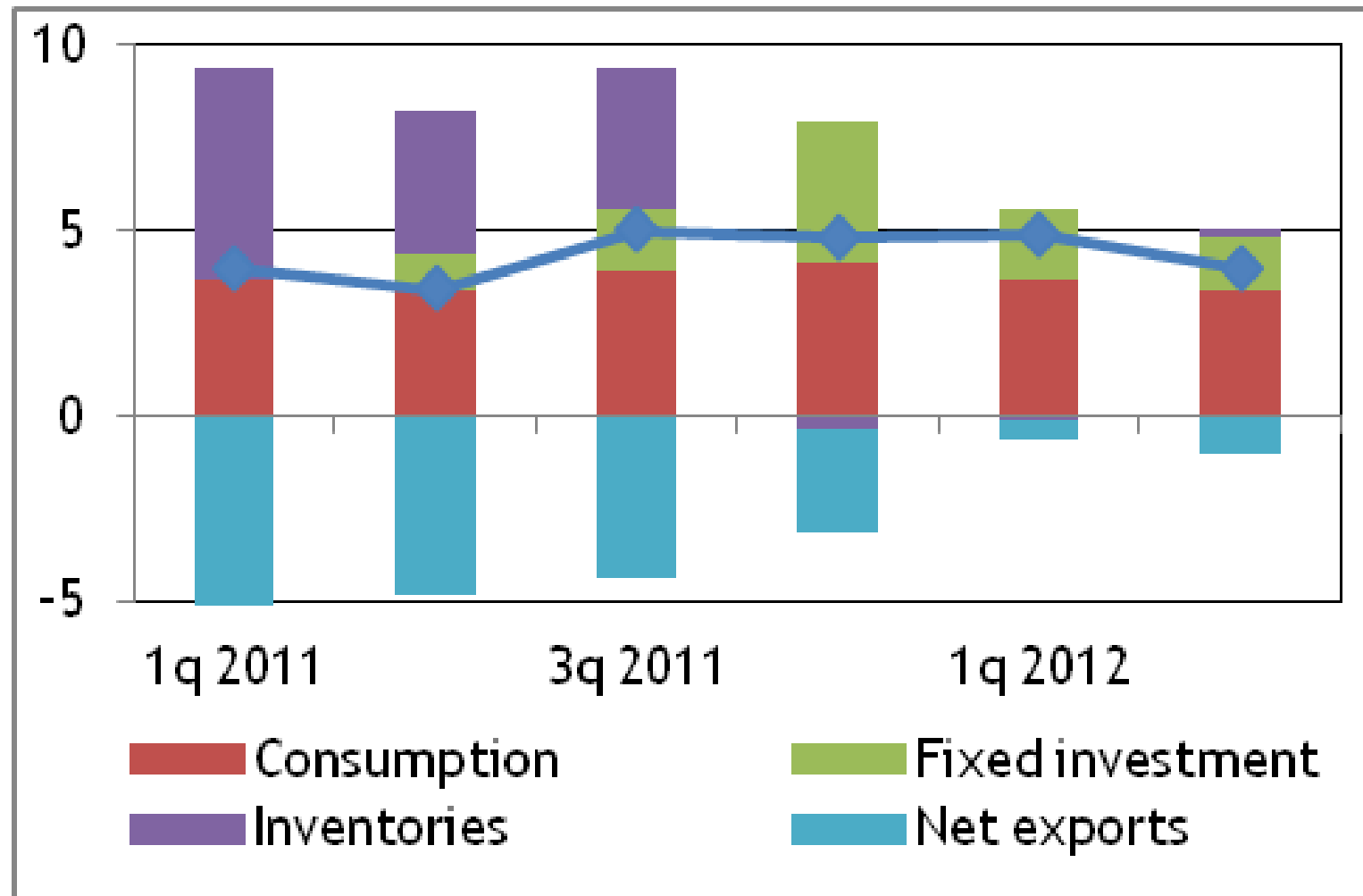
Percent of GDP



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

Strong domestic demand

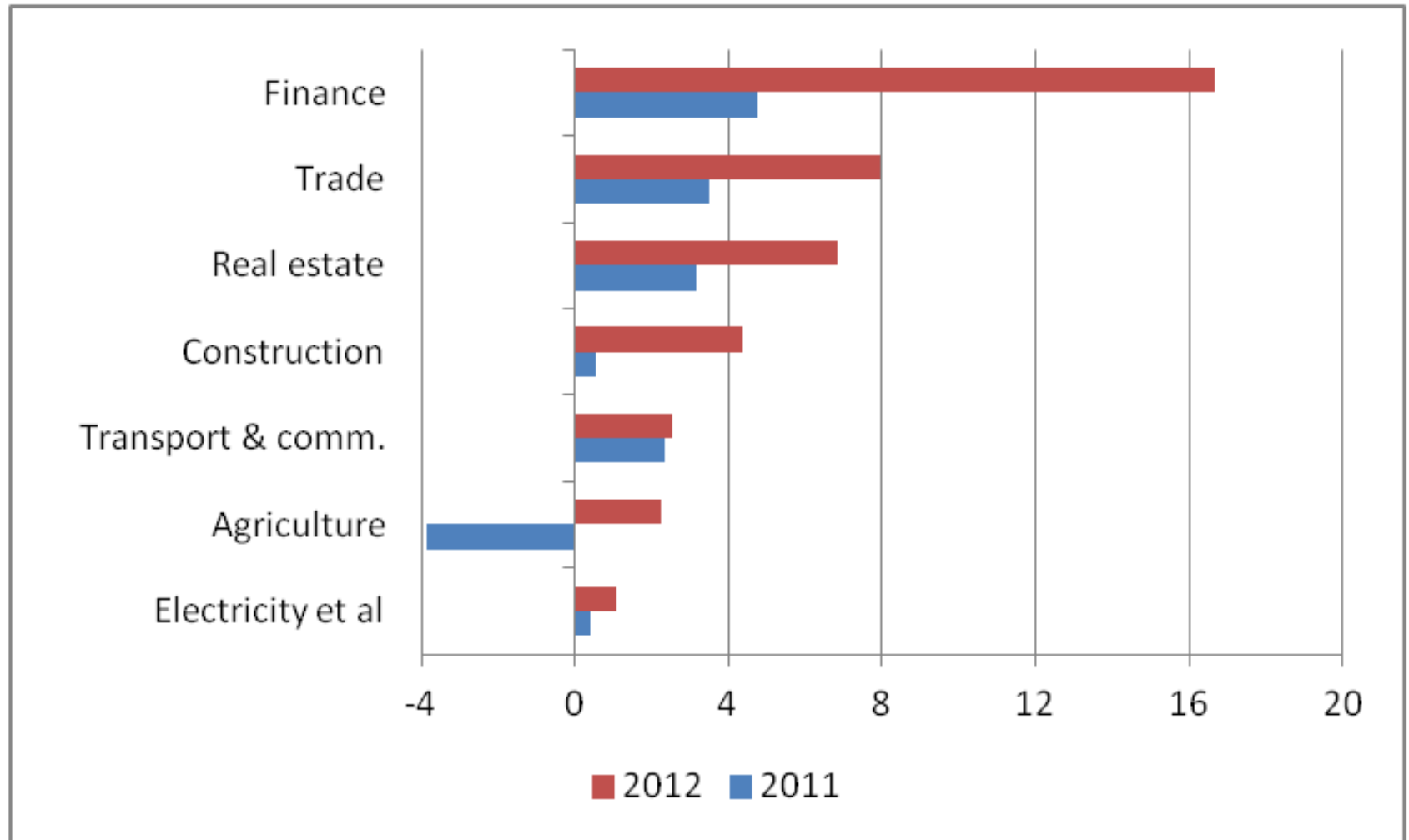
Contributions to growth, percent



Source: Rosstat, World Bank staff calculations

Strong non-tradables and agriculture

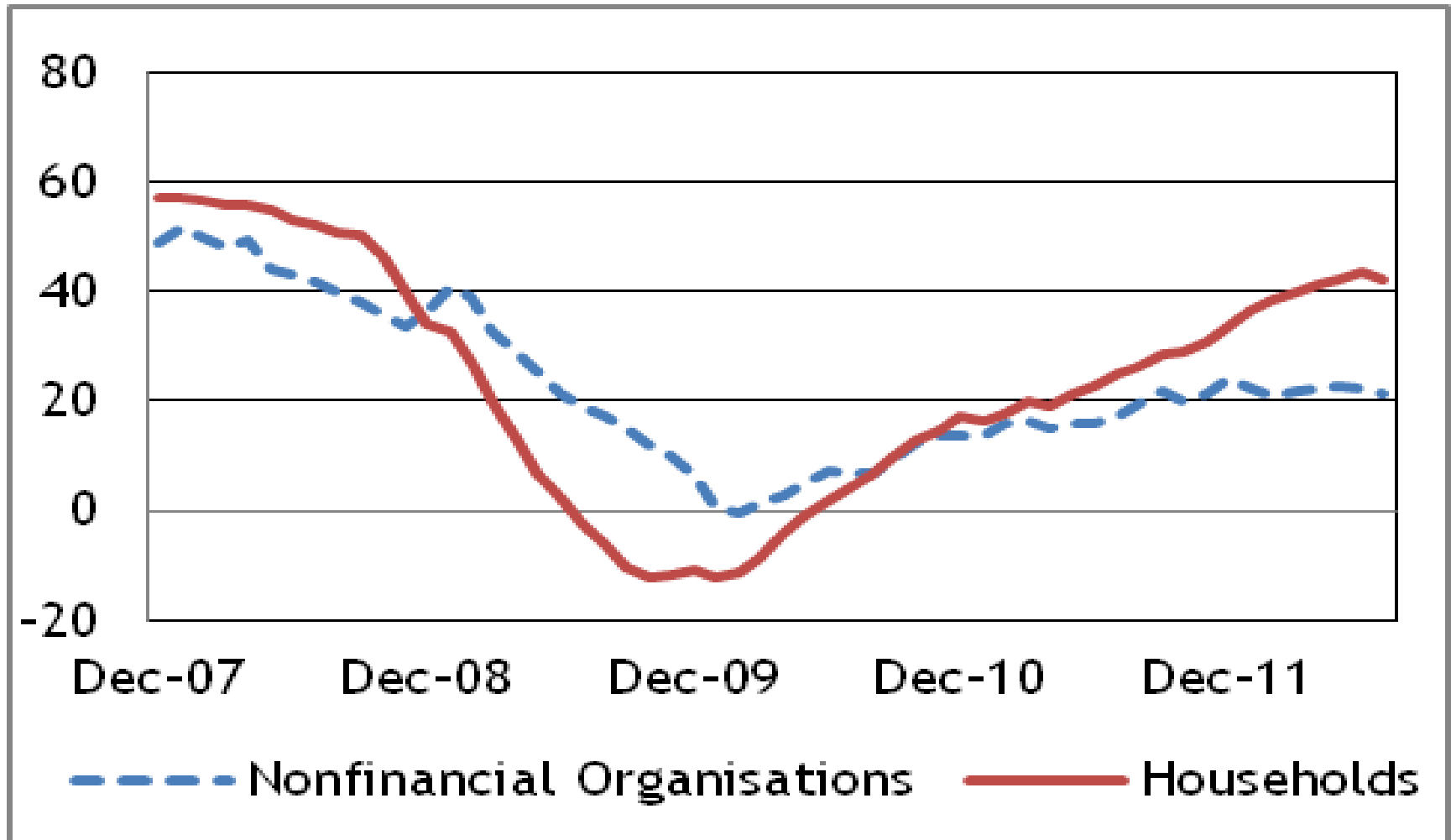
Growth, Jan to Jun, year-on-year, percent



Source: Rosstat, World Bank staff calculations

Fast credit growth

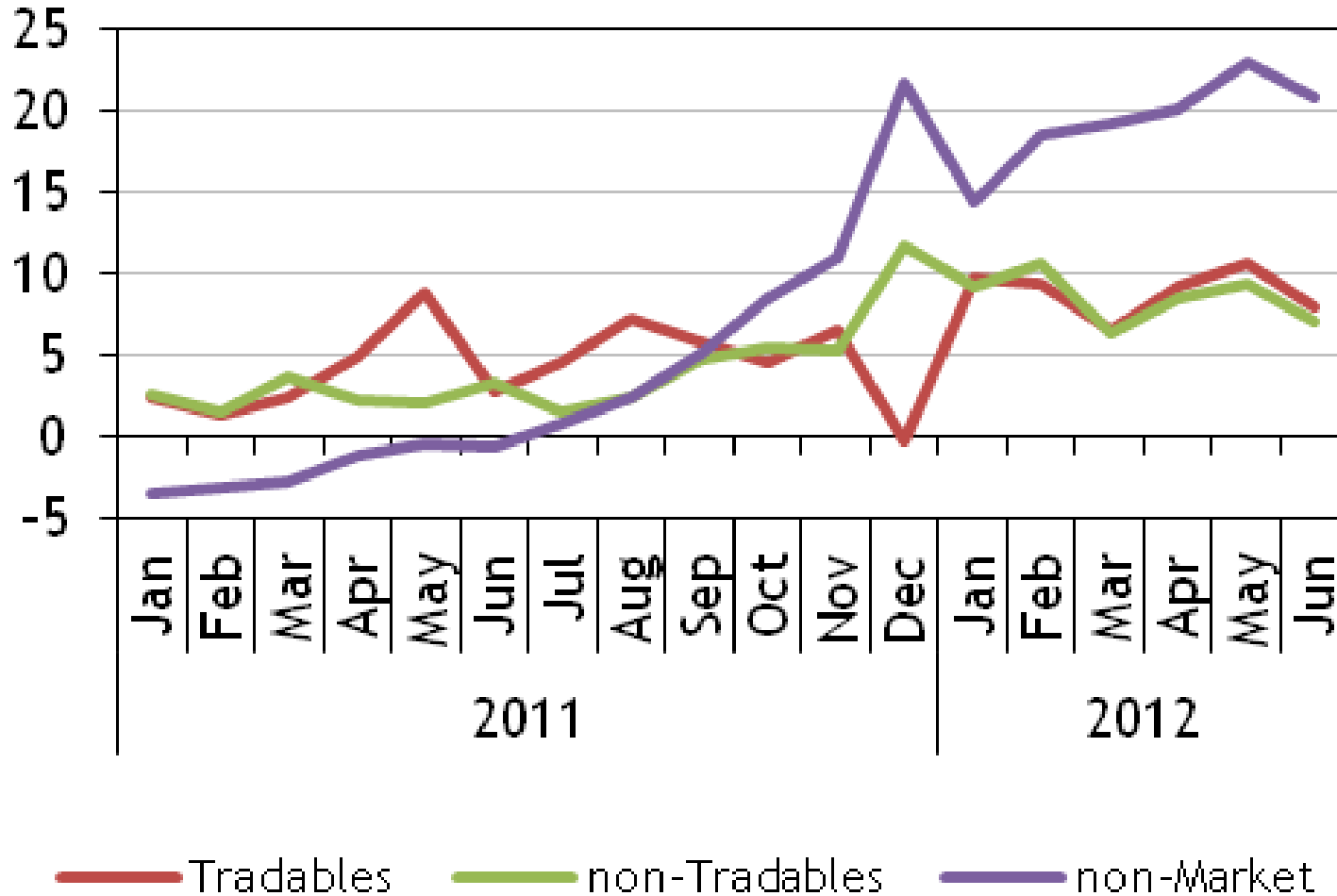
Credit growth, percent, yoy



Source: CBR, World Bank staff calculations

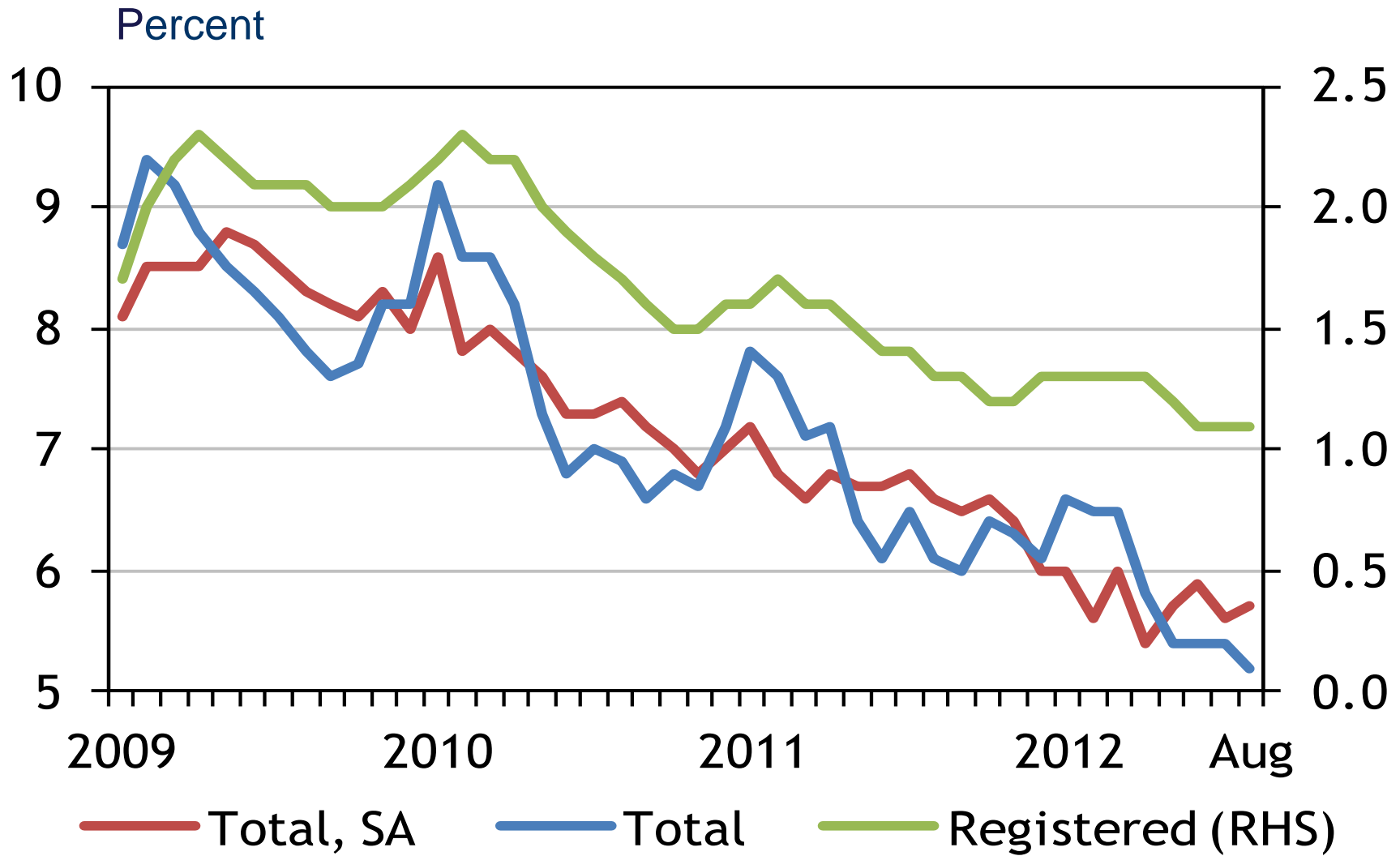
Strong wage growth

Real wage growth, year-on-year, percent



Source: Rosstat, World Bank staff calculations

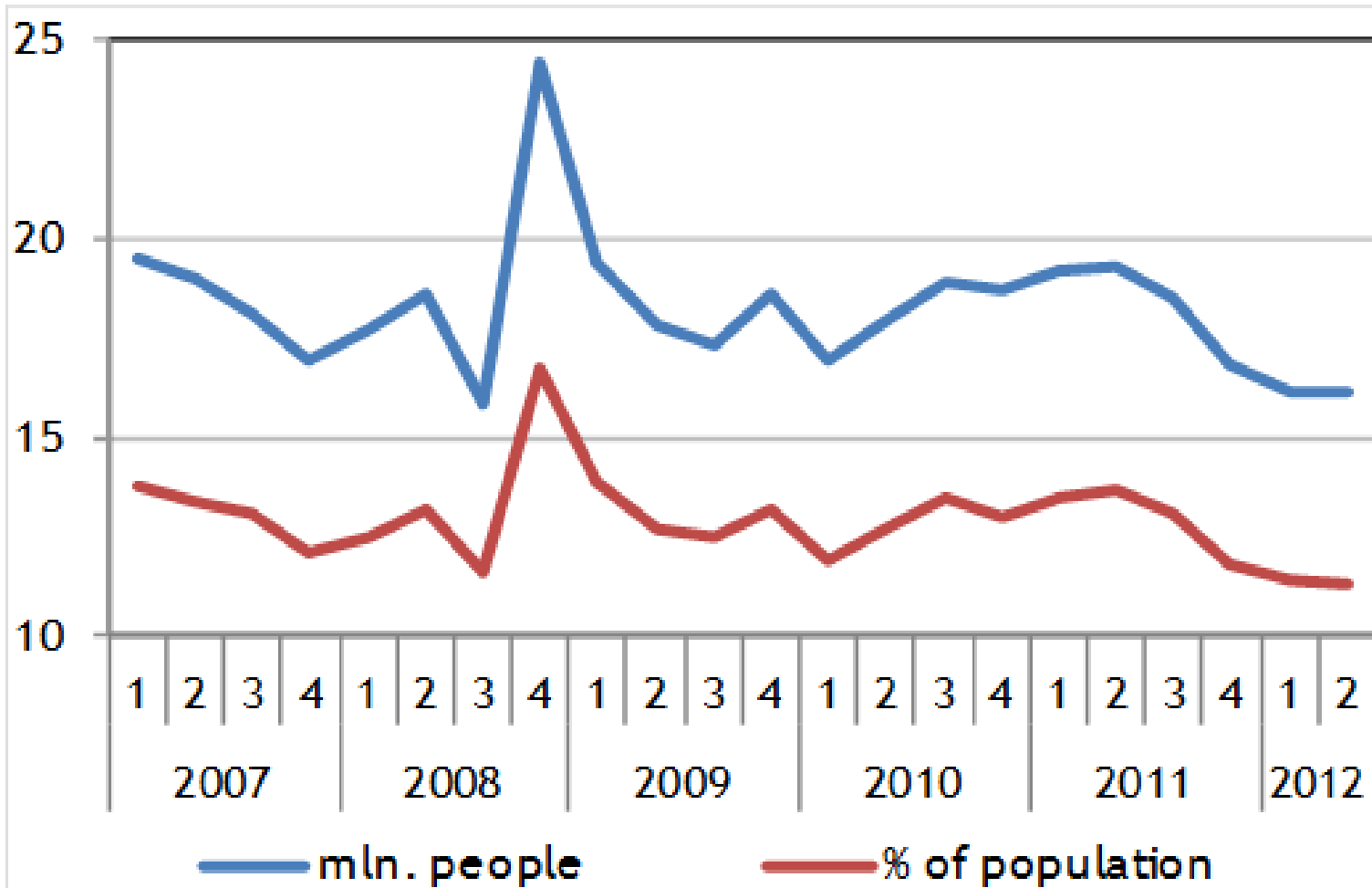
Unemployment rate at record low



Source: Rosstat, World Bank staff calculations

Poverty at record low

Poverty projections



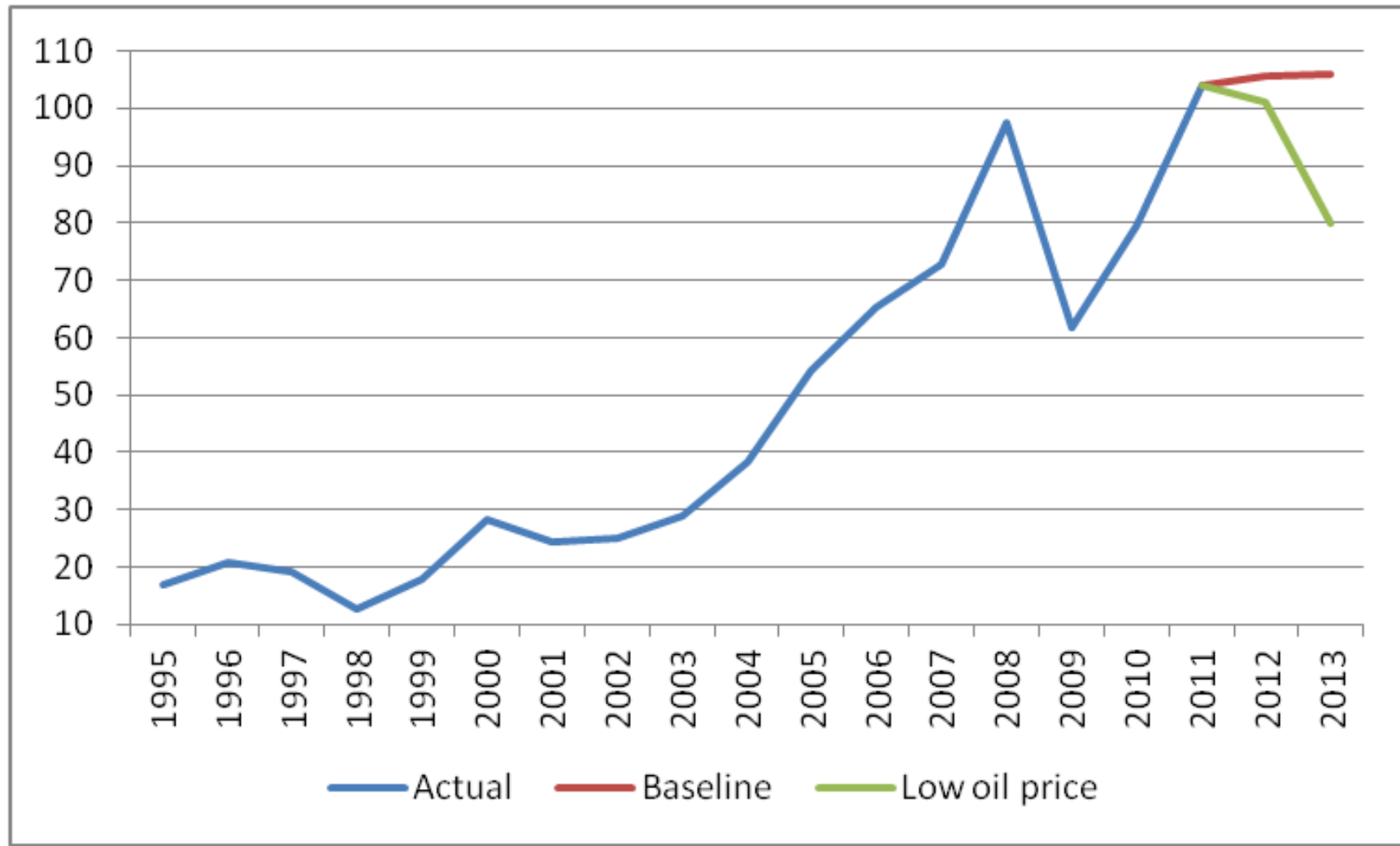
Source: World Bank staff calculations

Weak outlook



Two oil price scenarios

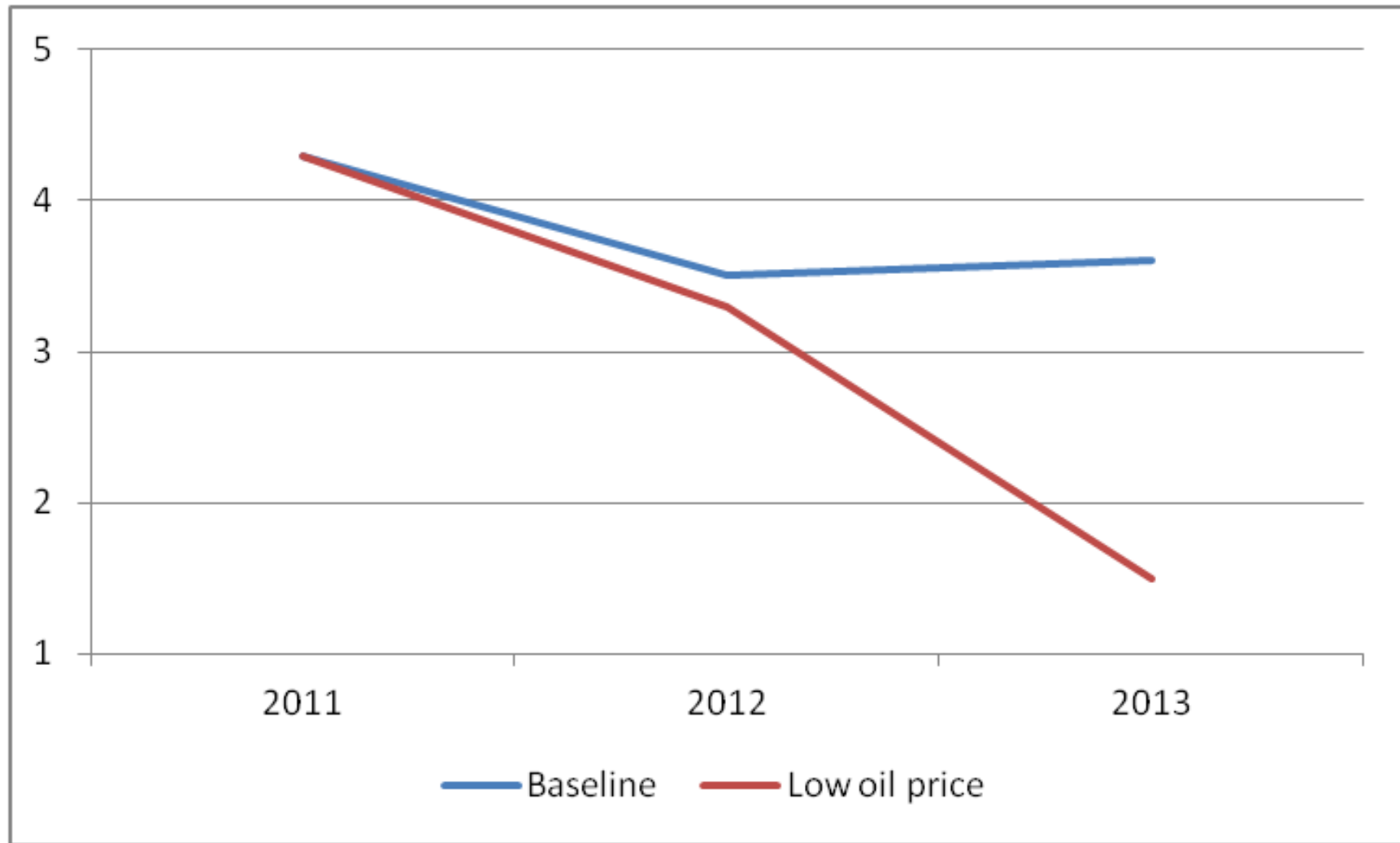
World Bank average oil price, US\$ per barrel



Source: World Bank staff calculations

Growth moderating

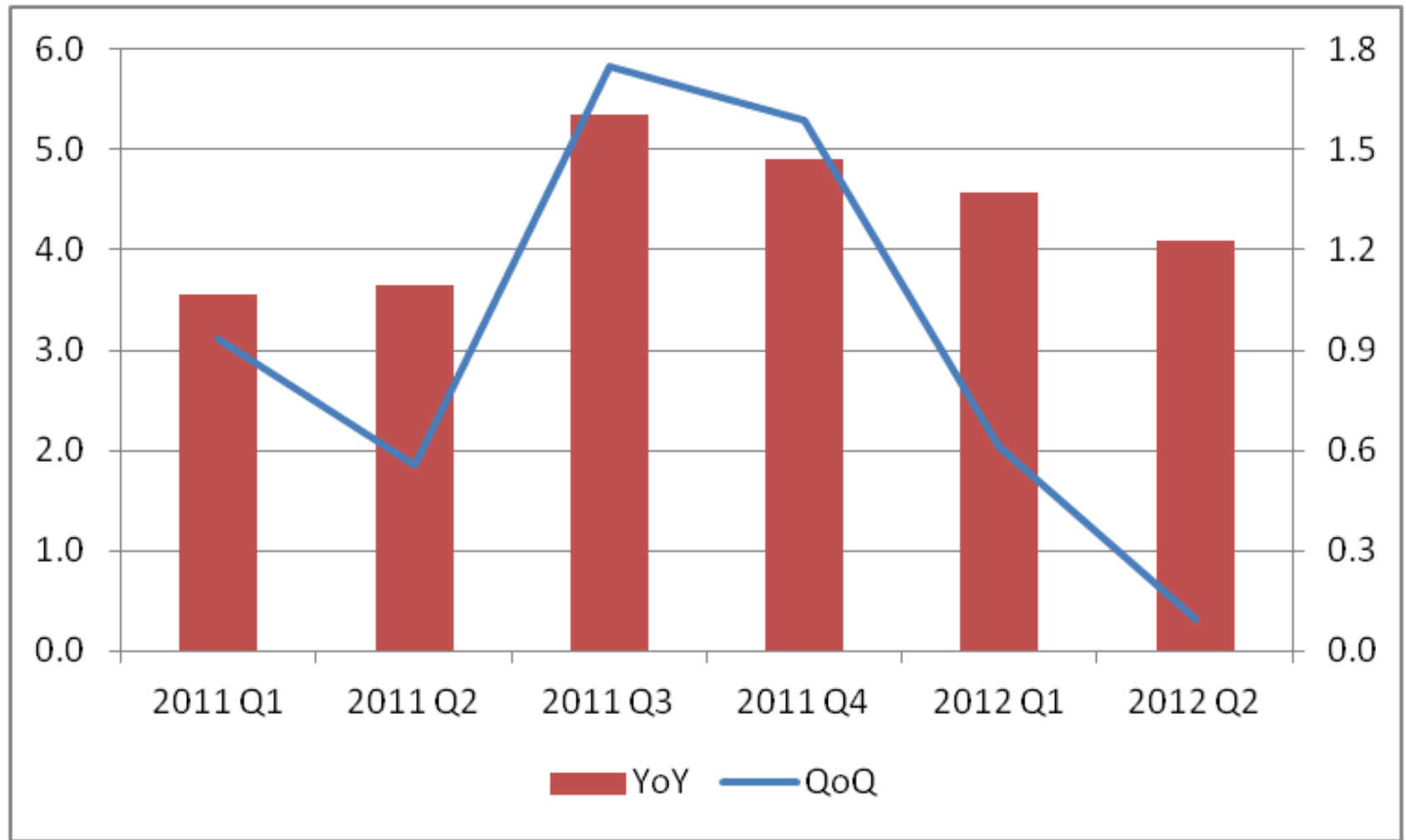
GDP growth, percent



Source: World Bank staff calculations

Economy already slowing

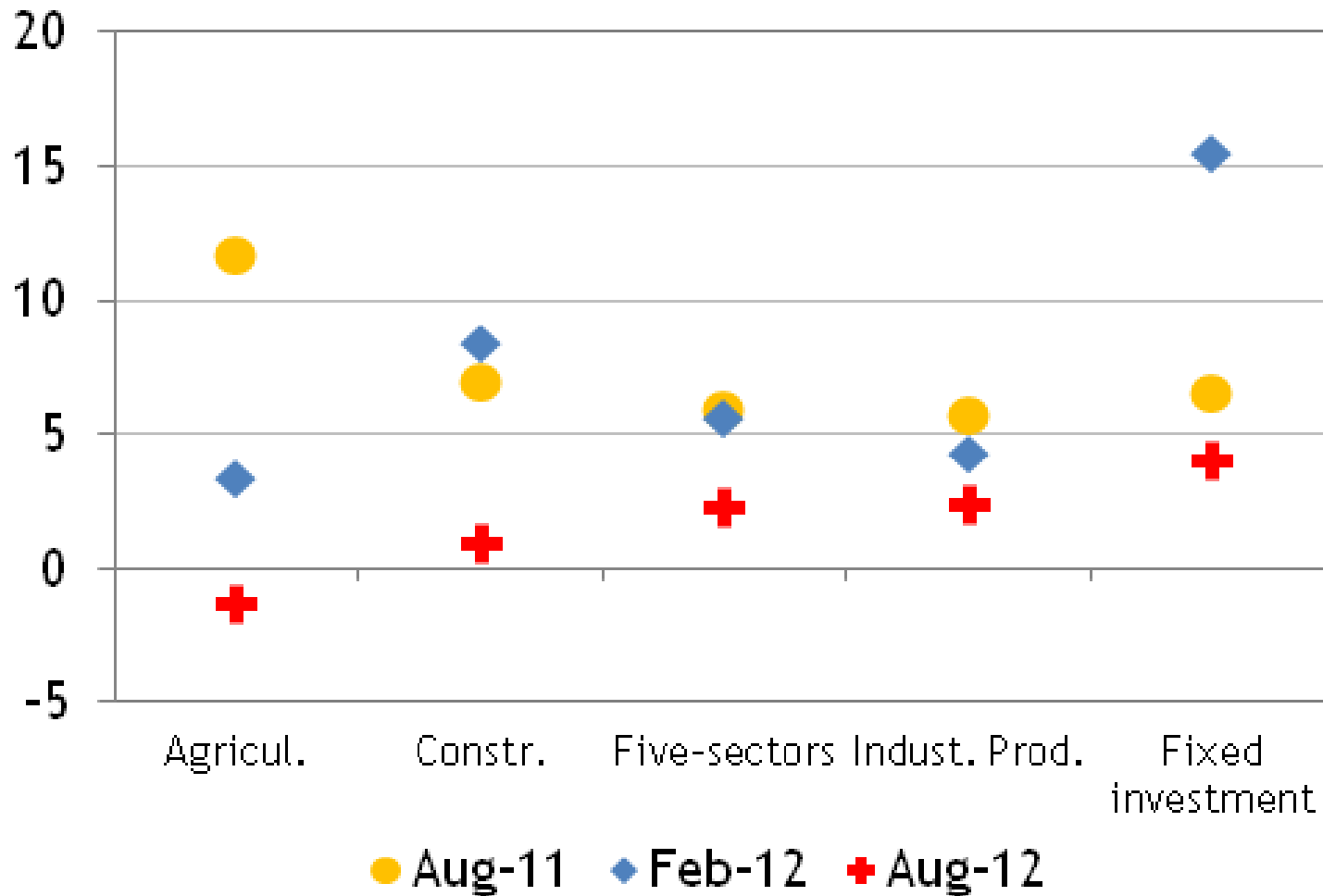
Quarterly GDP growth, percent



Source: World Bank staff calculations

Growth of key indicators weaker

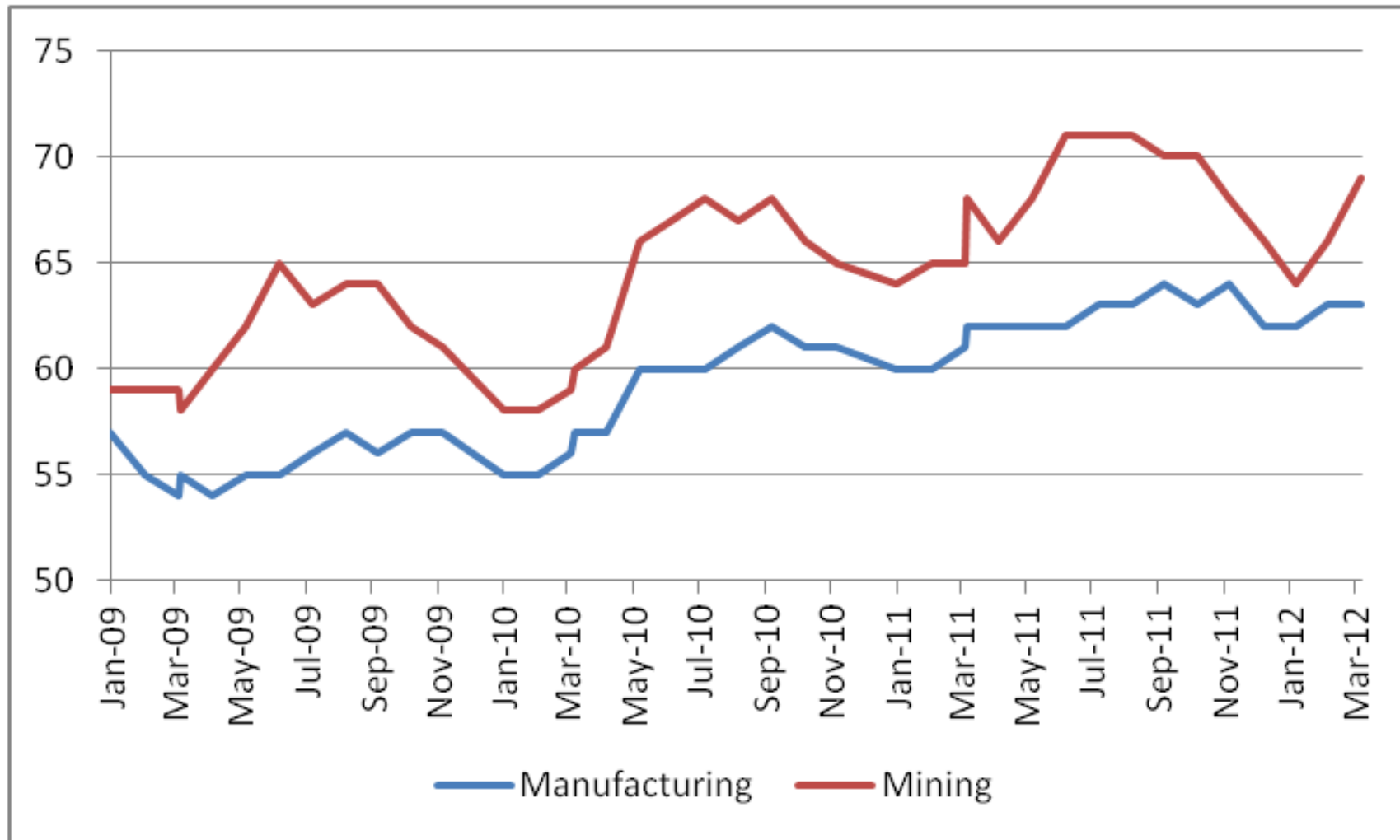
Real growth, year-on-year, 3mma, percent



Source: Rosstat, World Bank staff calculations

Rising capacity utilization

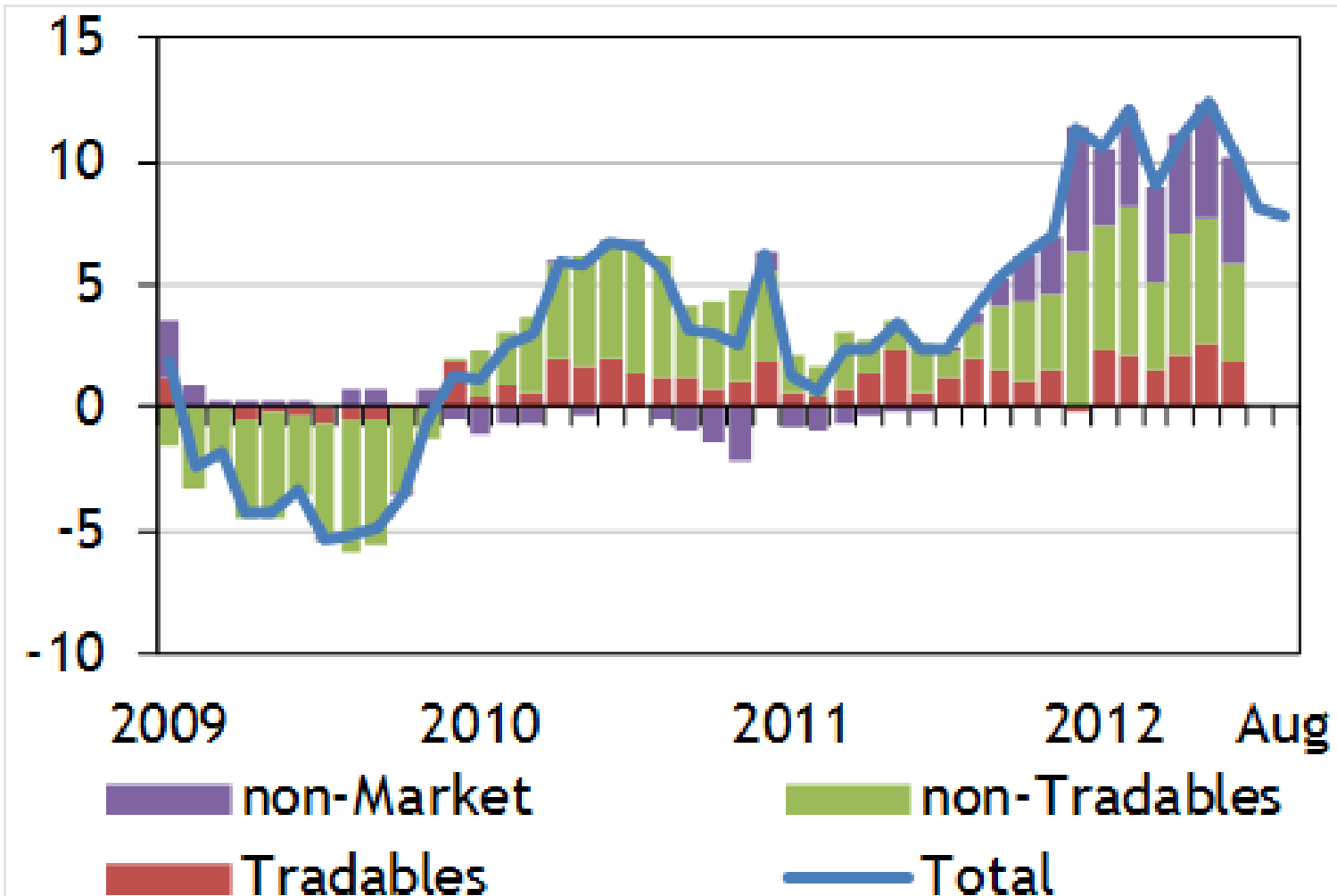
Percent



Source: Rosstat, World Bank staff calculations

Real wage growth moderating

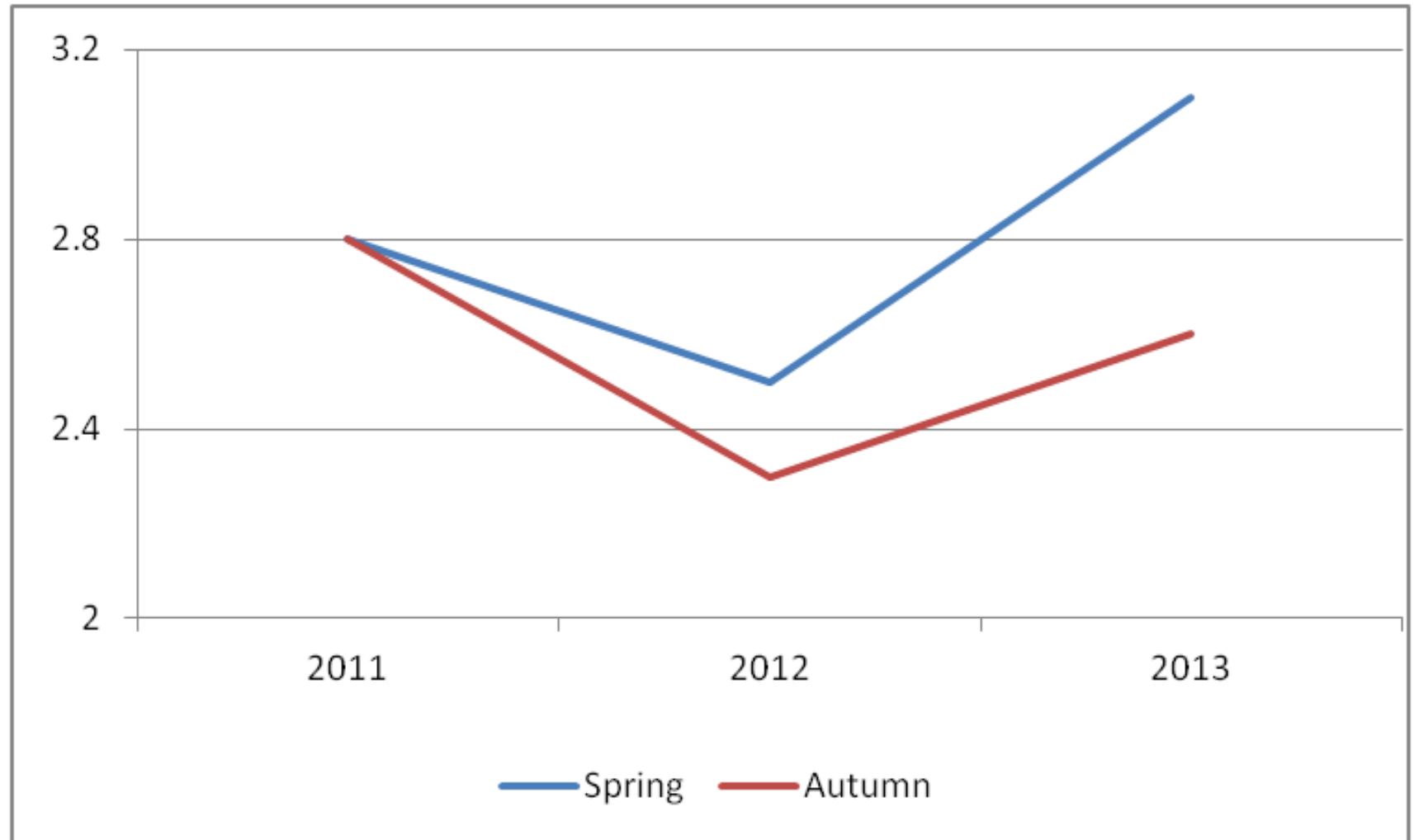
Contribution to real wage growth, % y-o-y



Source: Rosstat, World Bank staff calculations

External demand worse

Real growth of world economy, percent



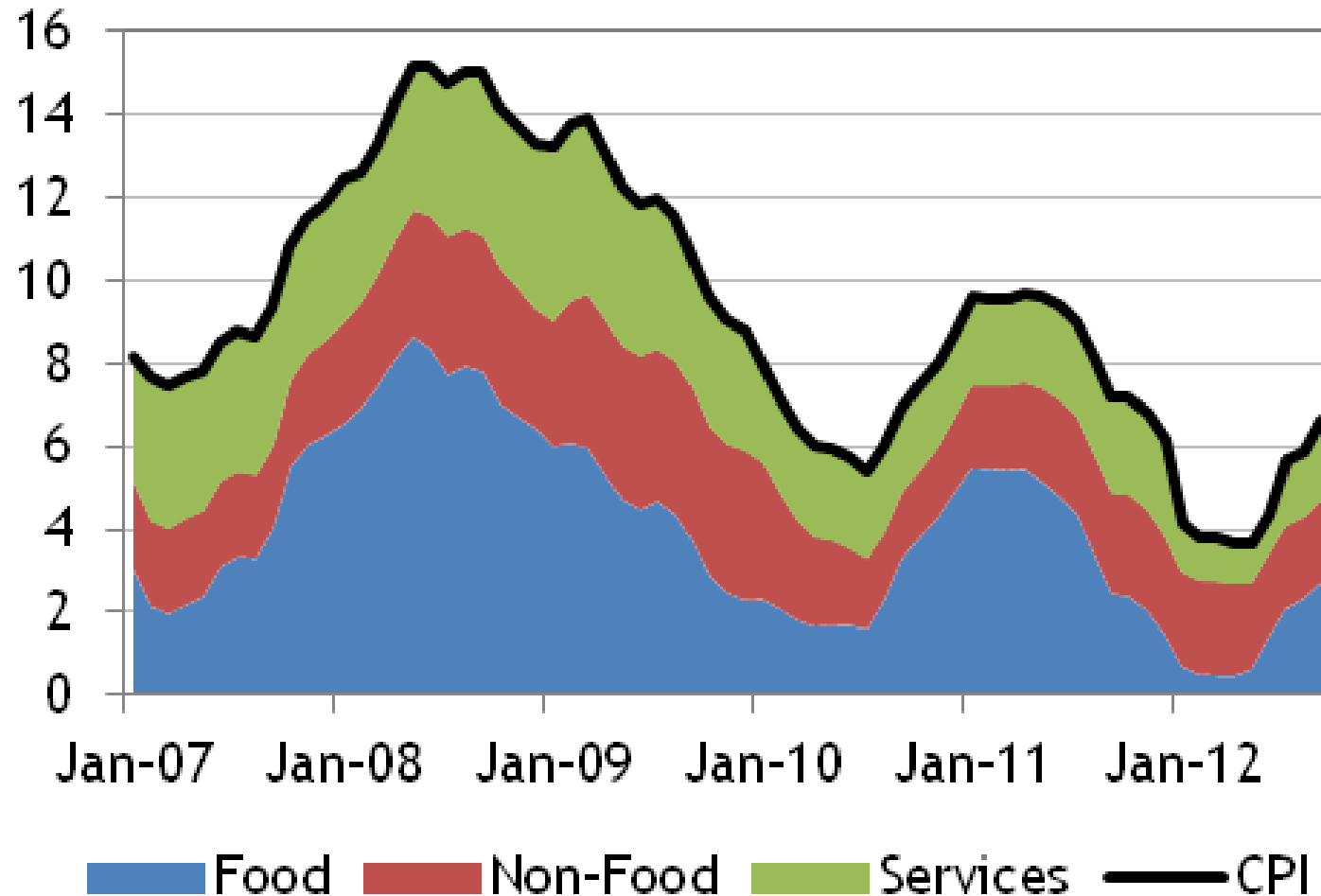
Source: Global Economic Prospects, World Bank staff calculations

Reinvigorating the Economy



Macroeconomic Stability – Keeping inflation in check

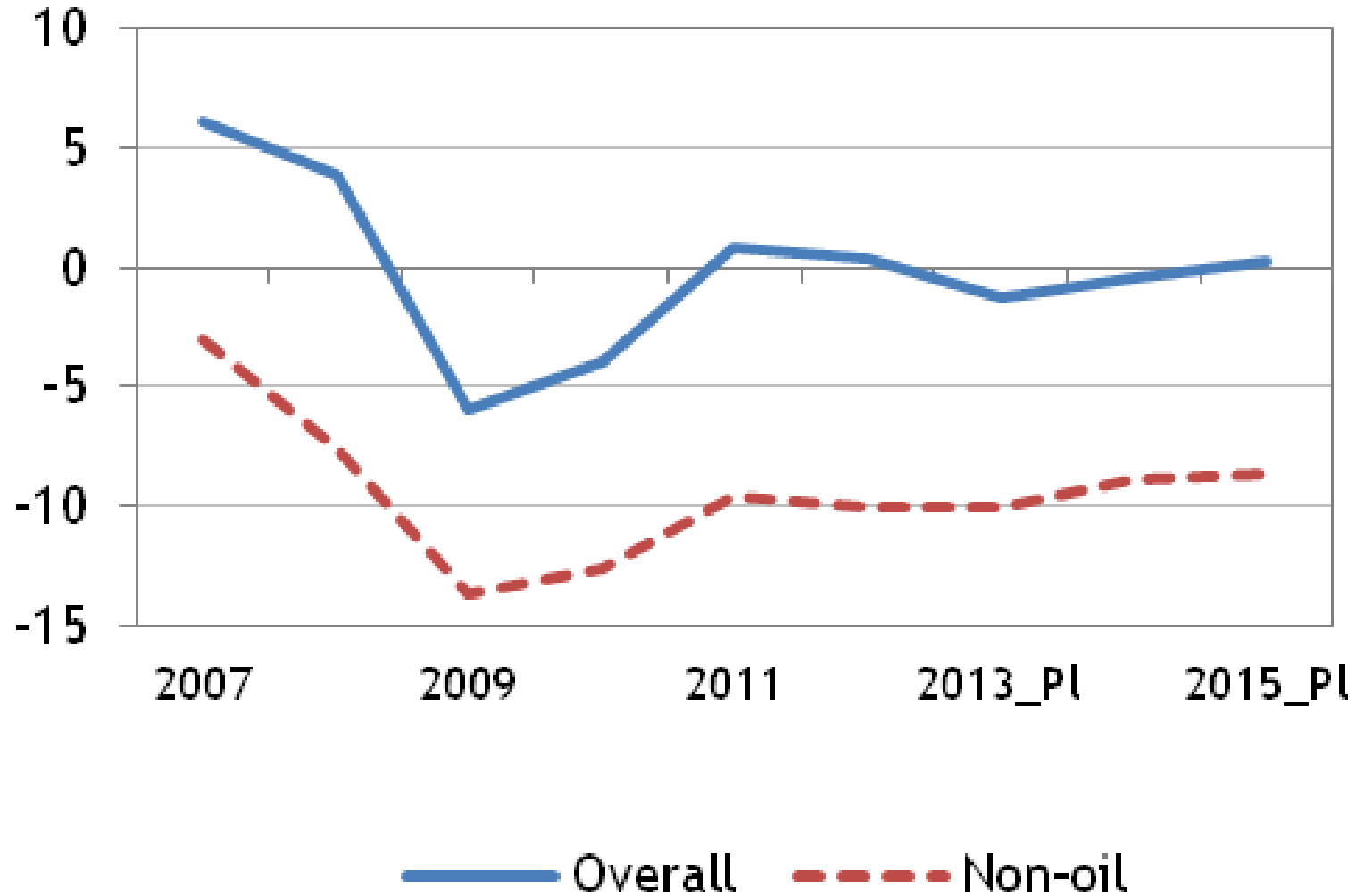
Percent, year-on-year



Source: Rosstat, World Bank staff calculations

Building Buffers – Lowering non-oil fiscal deficit

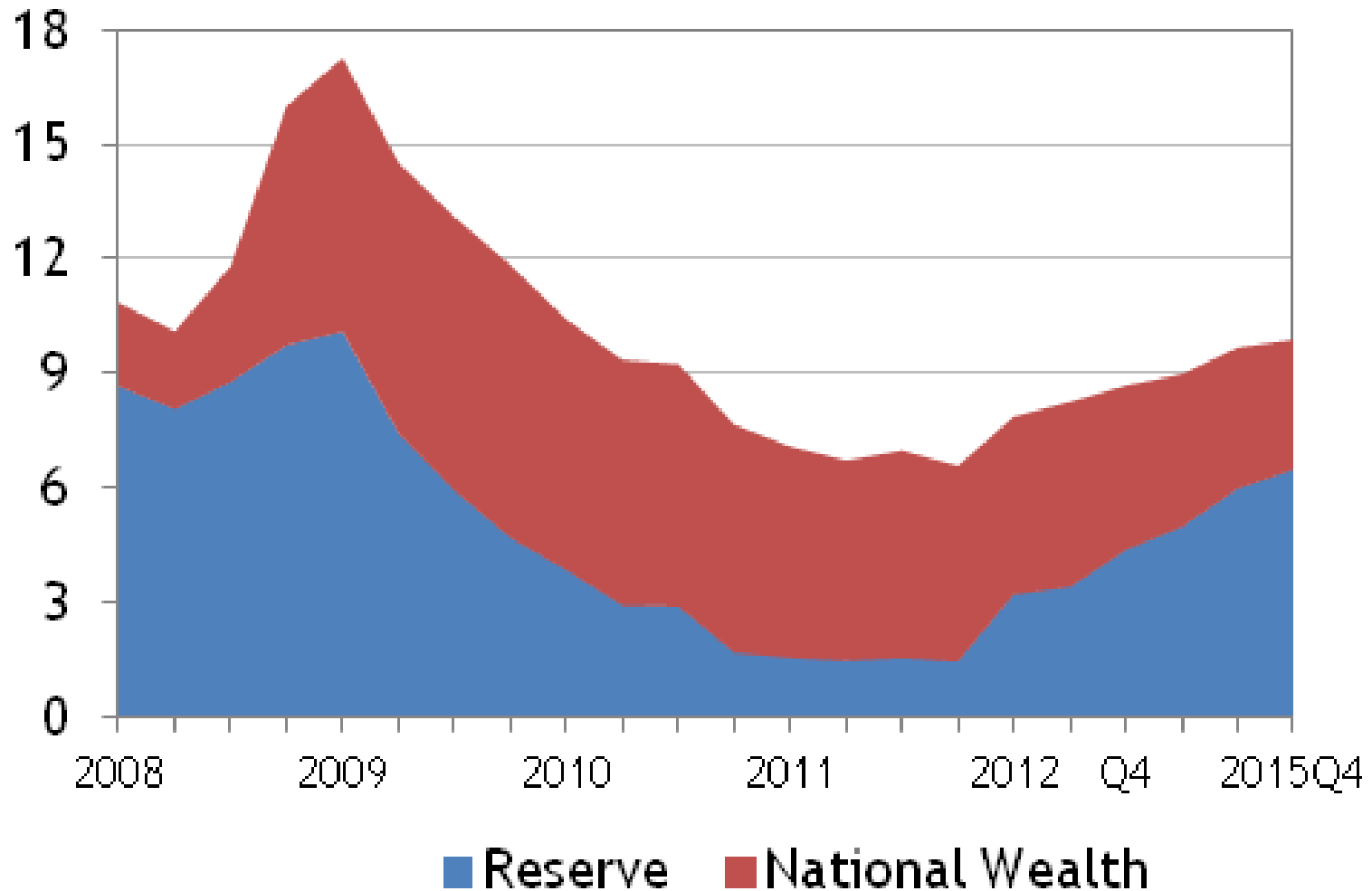
Draft medium-term budget plan, percent of GDP



Source: Ministry of Finance, World Bank staff calculations

Building Buffers – Replenishing oil funds

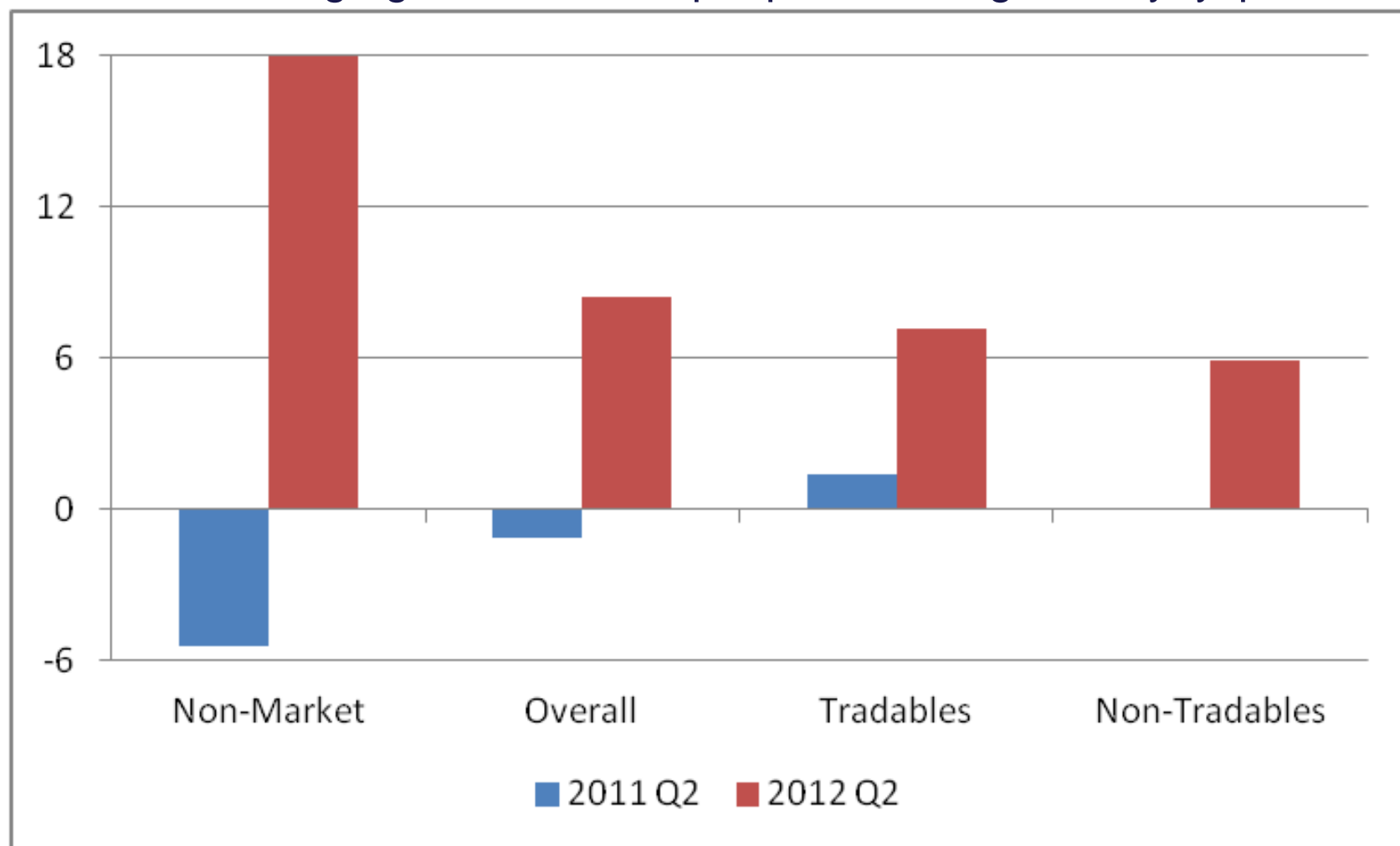
Percent of GDP



Source: Ministry of Finance, World Bank staff calculations

Structural policy – wages grew faster than productivity

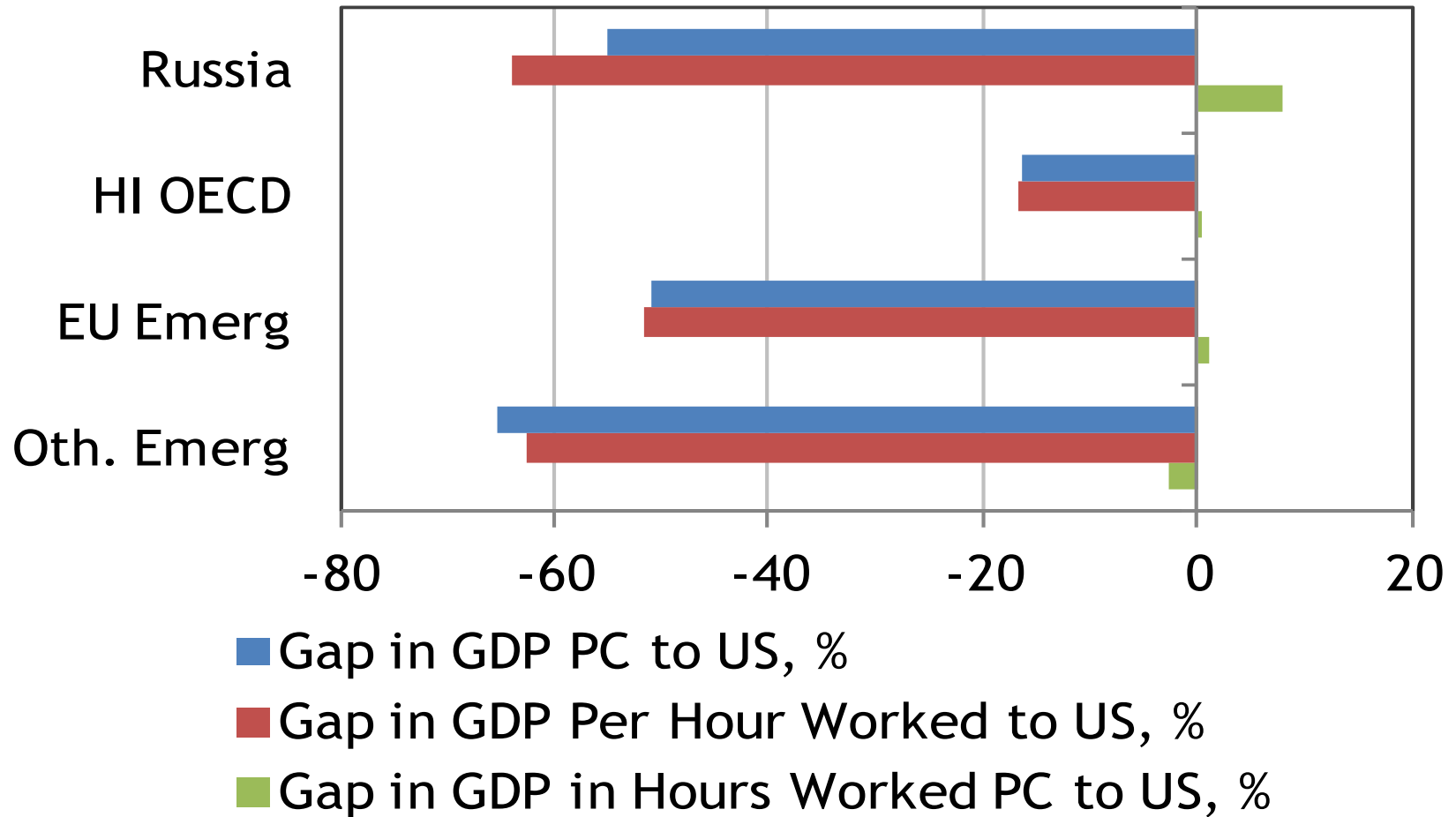
Real excess wage growth over output per worker growth, yoy, percent



Source: Rosstat, World Bank staff calculations

Structural policy – closing the productivity gap

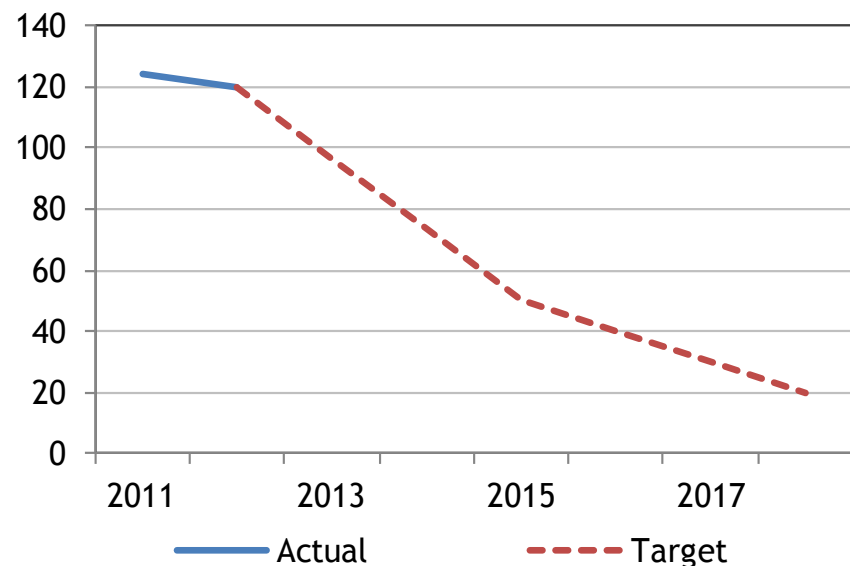
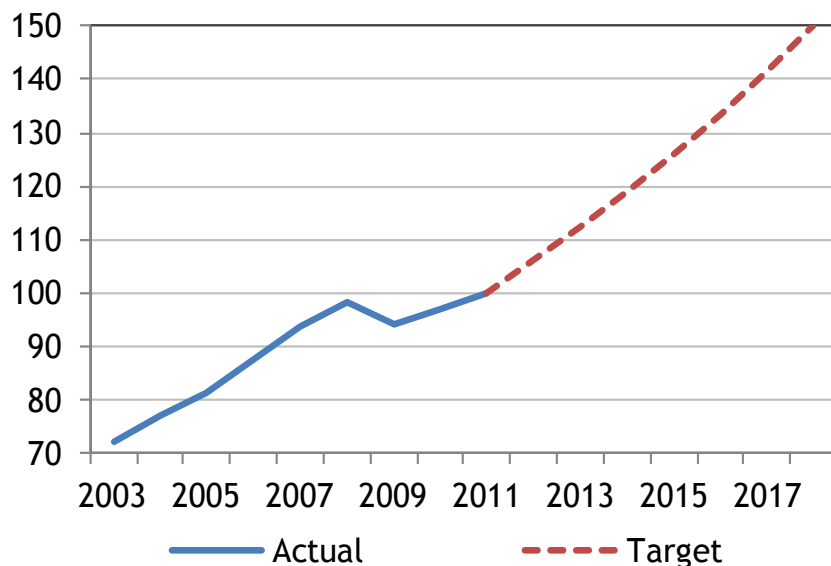
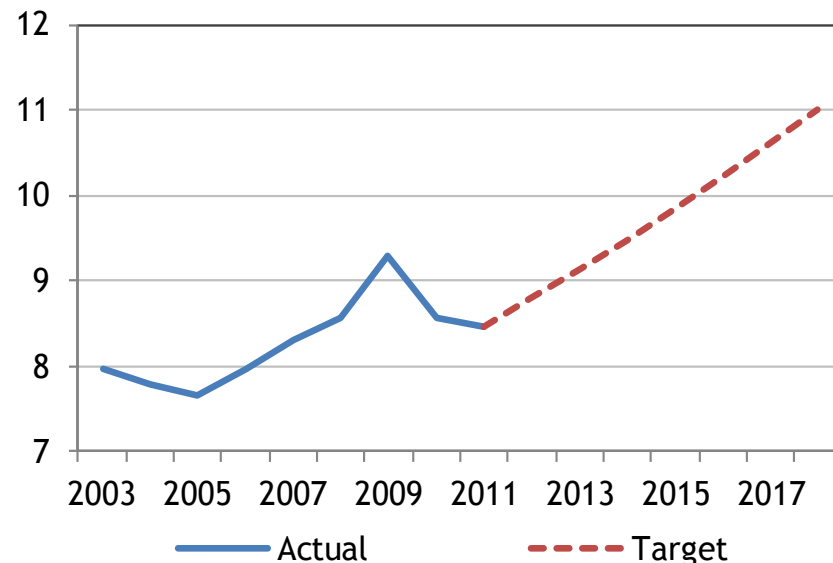
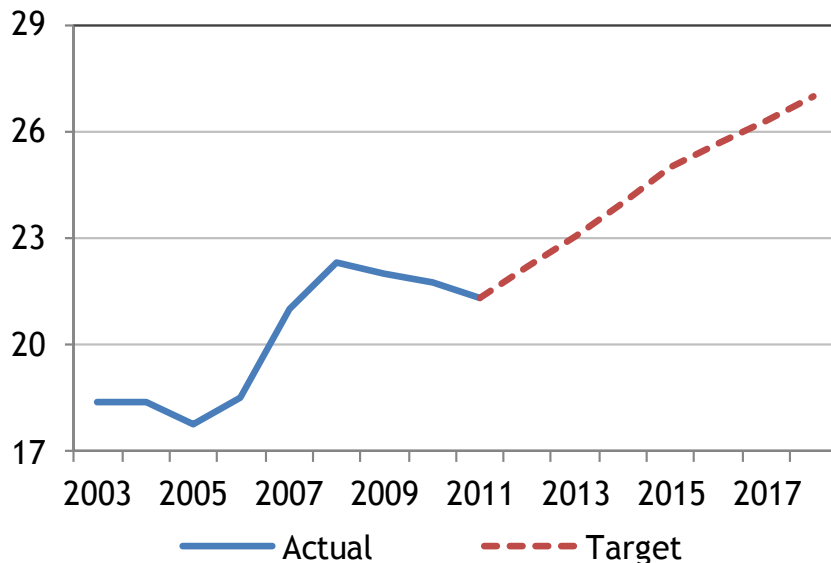
Gap in income, productivity and hours worked to US



Source: OECD, World Bank staff calculations

Structural policy – 2018 policy goals

(a) Fixed investment (% of GDP); (b) High-technology and science-intensive sectors (% of GDP);
(c) Labor productivity (GDP per worker; 2011=100); (d) World Bank Doing Business rank



Thank you!

