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# Growth or Stagnation?

## Post-Election Economic Policy Scenarios for Russia

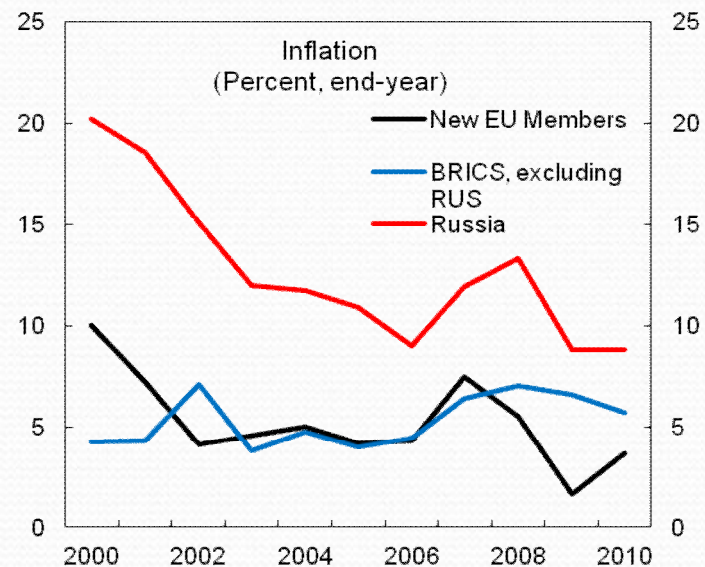
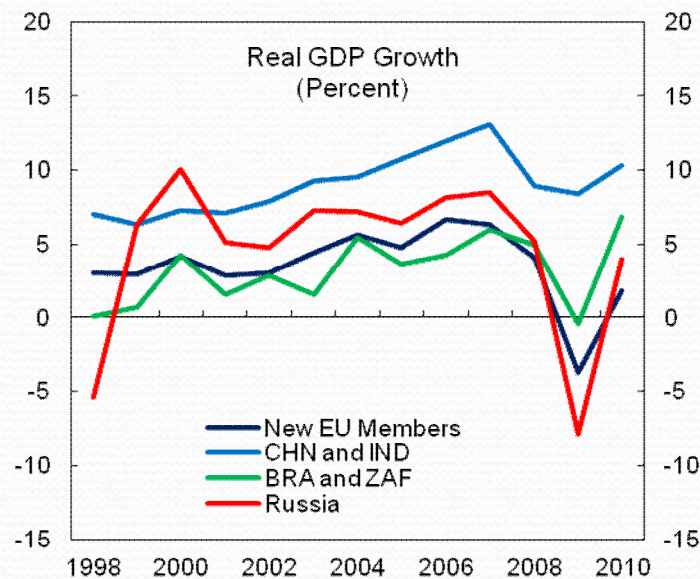
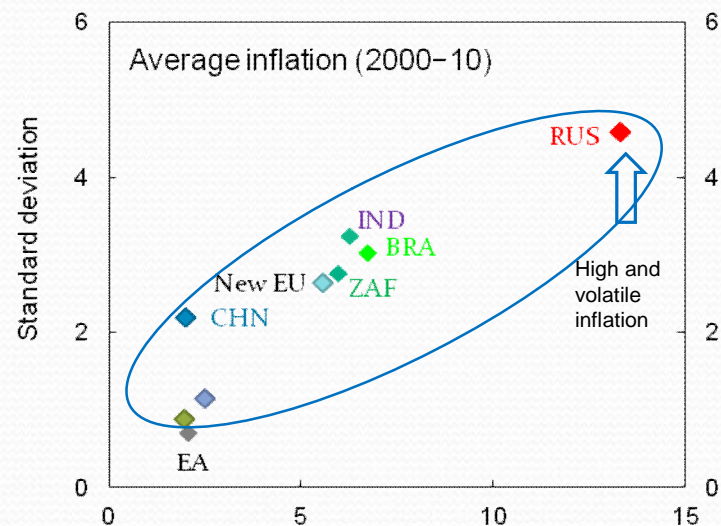
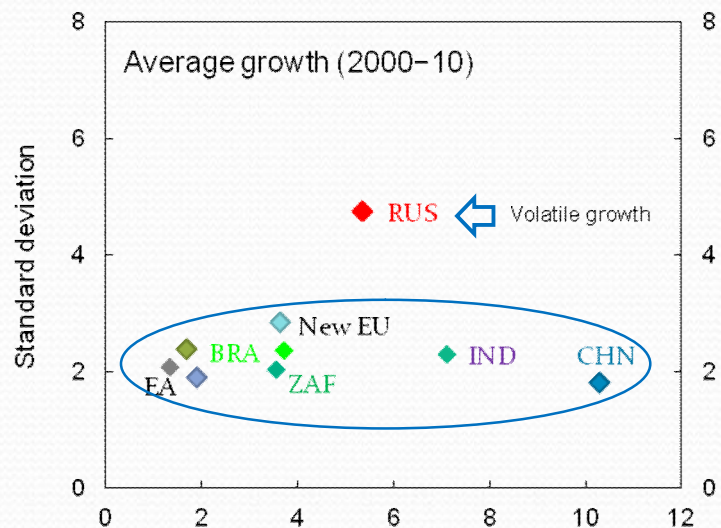
Odd Per Brekk  
Senior Resident Representative  
September 21, 2011

# Overview

- Natural resource dependence and economic performance
- Implications for economic policy frameworks
- Medium-term outlook – the role of economic reforms



# Stability in Russia than in peers...





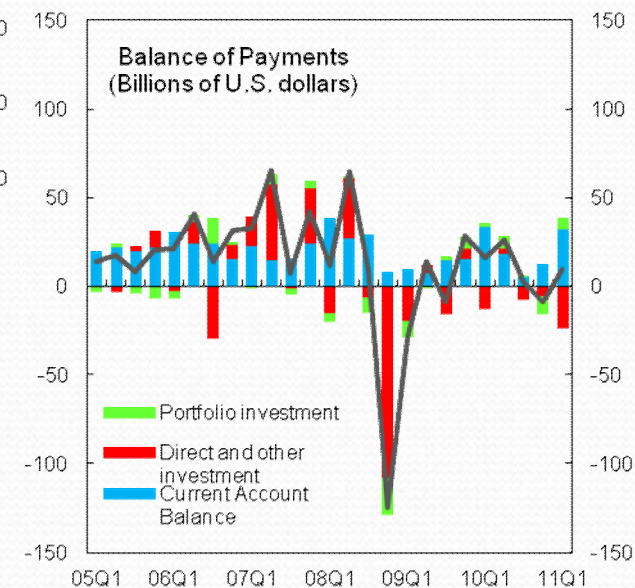
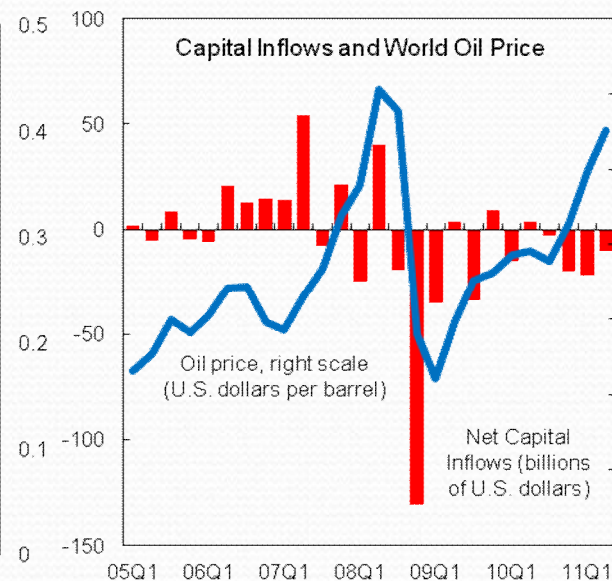
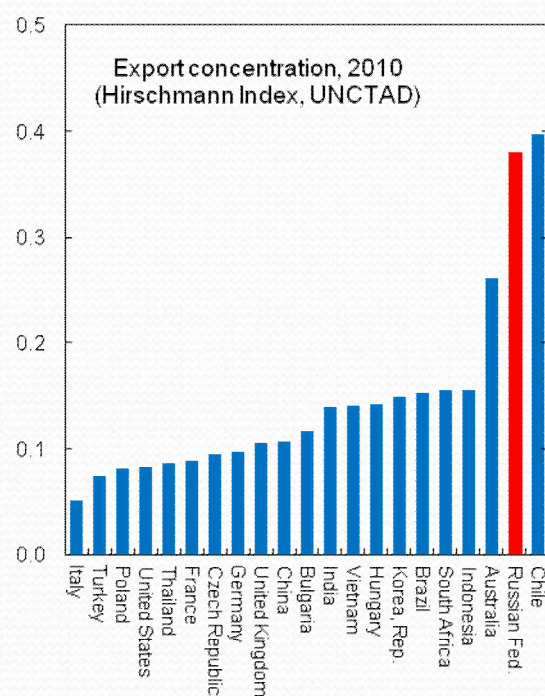


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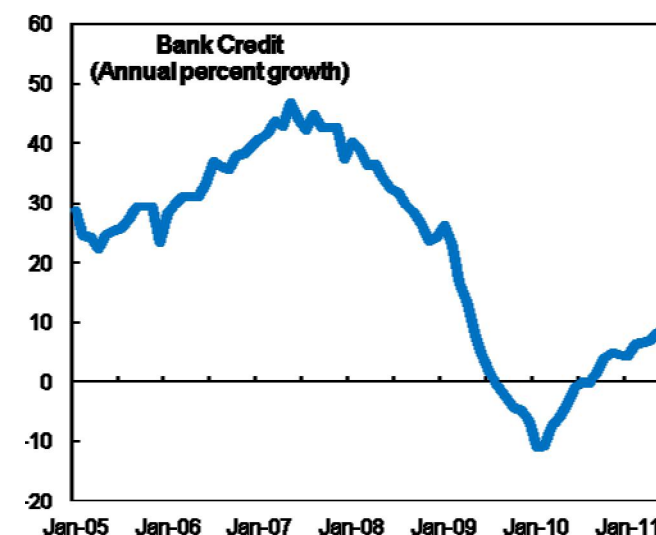
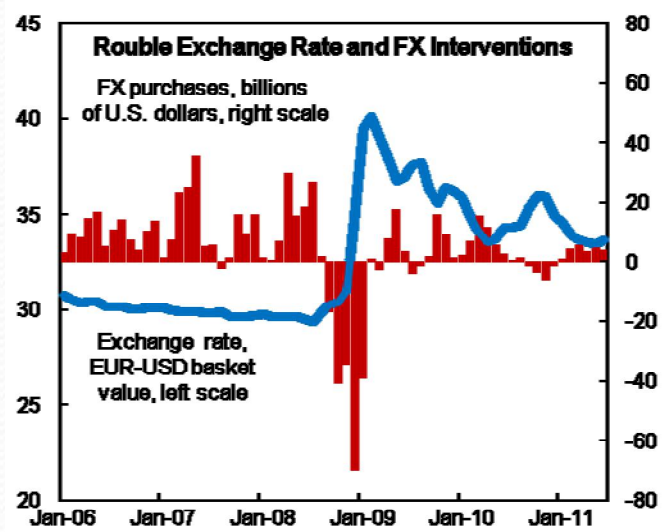
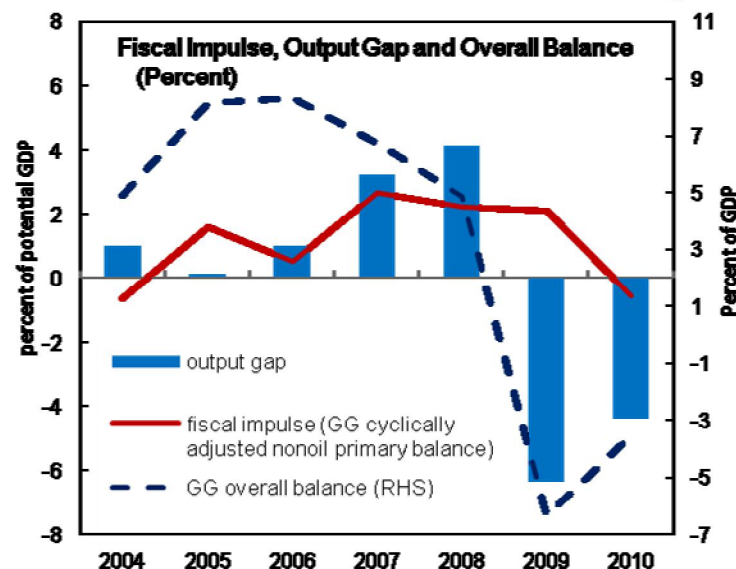
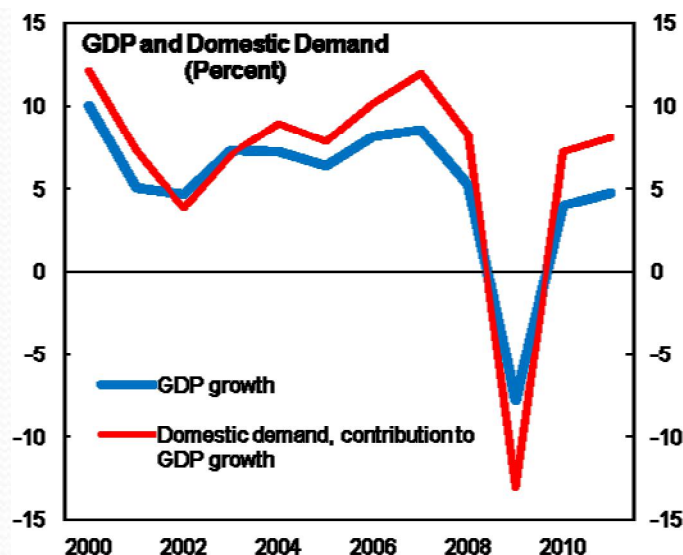
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...caused by an economic structure  
vulnerable to external shocks...



# Russia's procyclical macro policies have also contributed to the instability

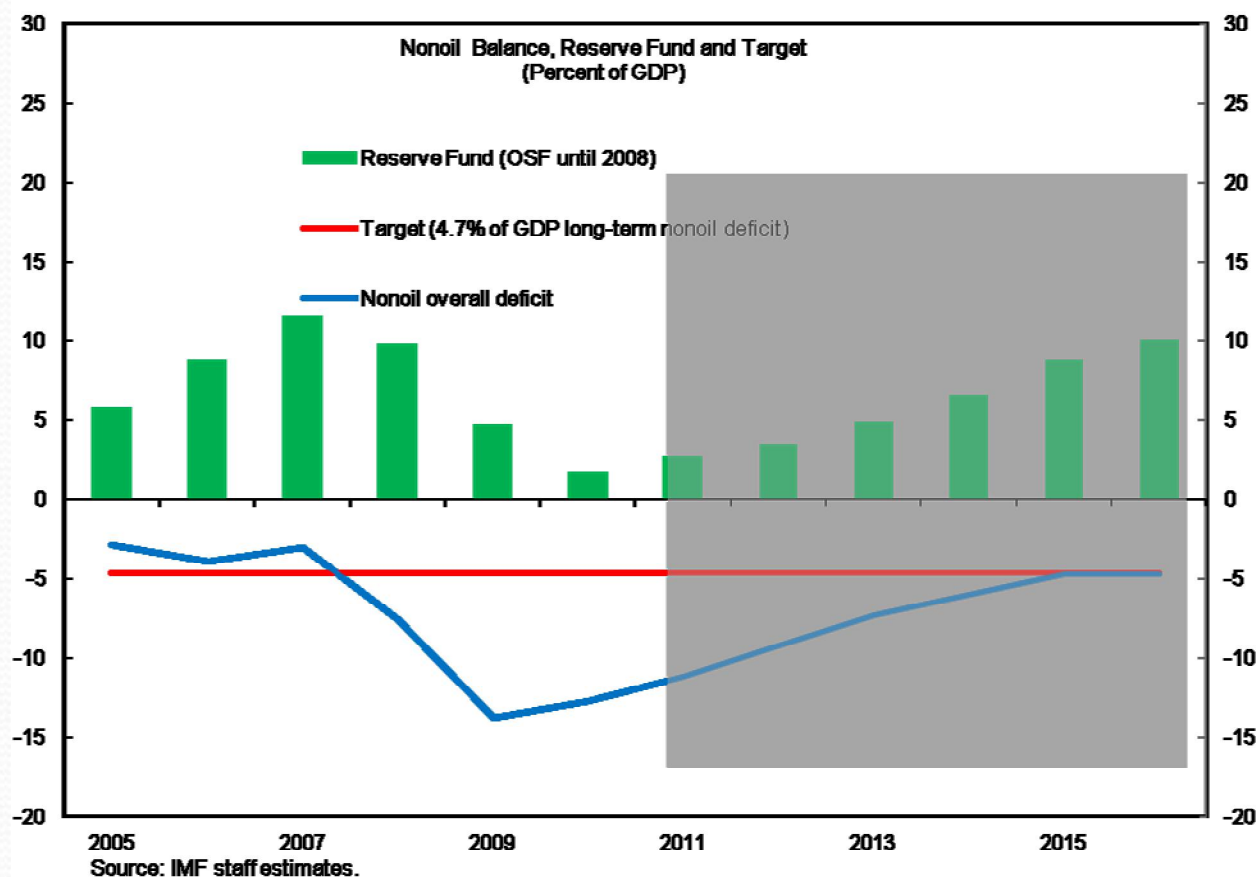




# Economic Policy Goals and Challenges

- Goals: Diversify economy, lift growth, reduce vulnerabilities
- Key challenge: Strengthen policy frameworks
  - Anchor government budget policy
  - Anchor monetary policy and inflation expectations
  - Promote financial sector stability and development
  - Improve the investment environment

# Policy Challenges: Fiscal Policy



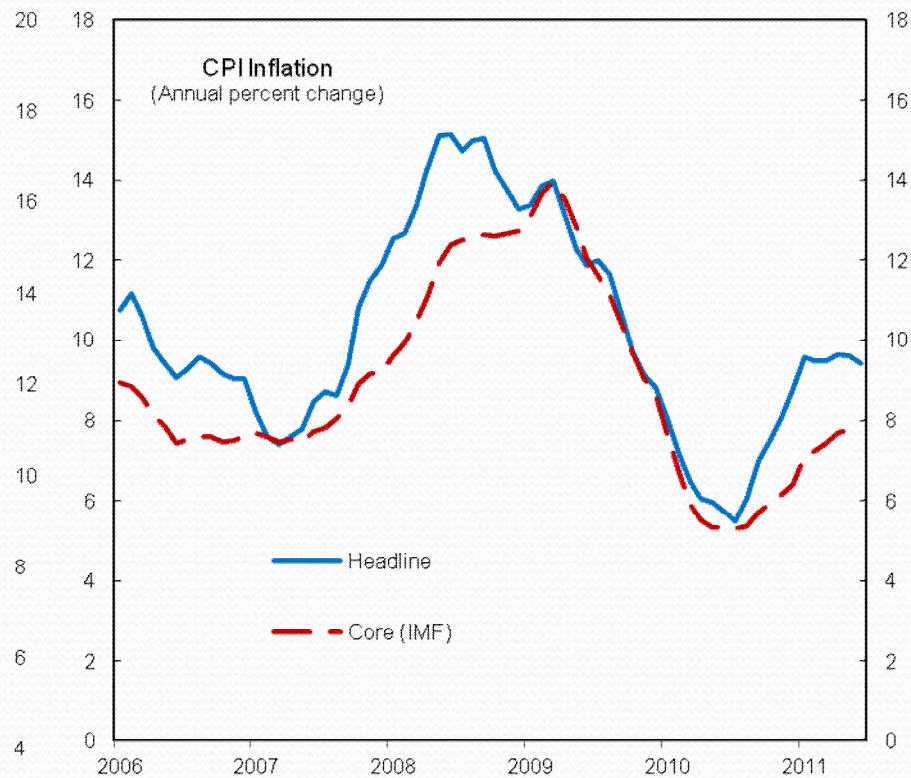
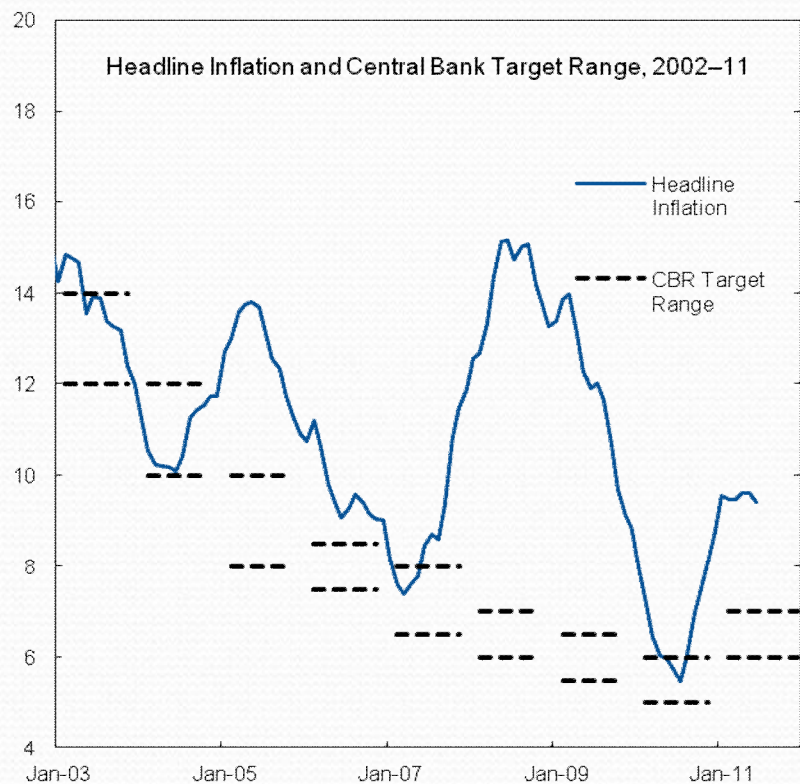


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# Challenges: Monetary Policy

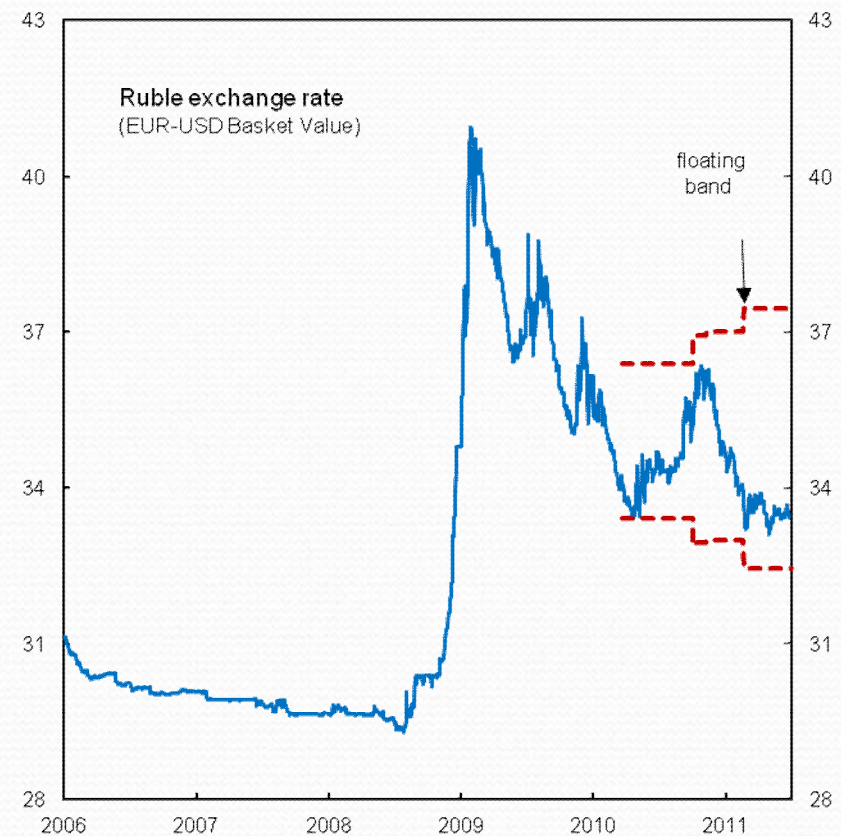






# Formal Inflation Targeting – Underpinnings

- Priority of inflation over other goals
  - Flexible exchange rate
  - Absence of “fiscal dominance”
  - Sound financial institutions
- Central bank operational independence and communication
- Control over policy instrument and transmission
- Forecasting ability



Reference: Freedman and Ötler-Robe (IMF, 2010)

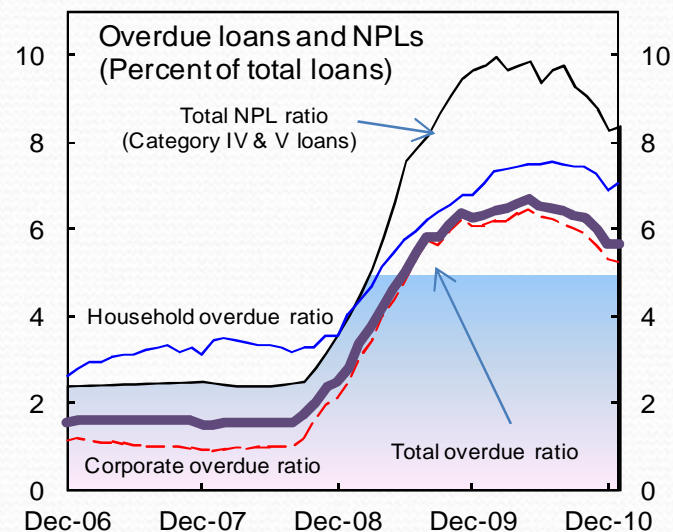
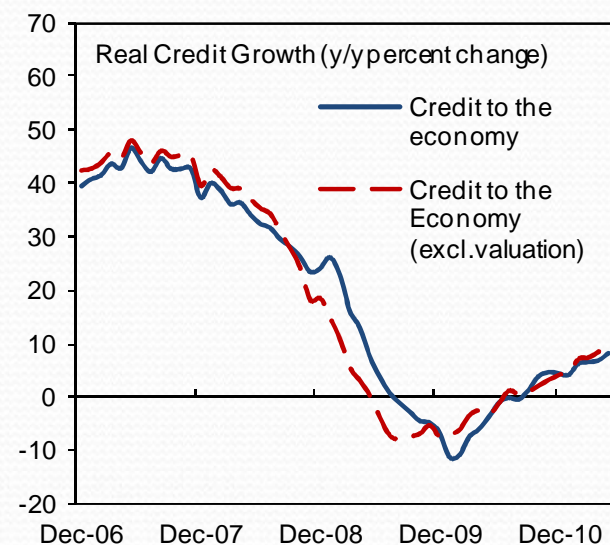
# Policy Challenges: Financial Sector

## Situation

- “ NPLs still high
- “ Credit resuming slowly
- “ Risks
  - Loan quality
  - Provisions

## Recommendations (IMF FSAP)

- “ Expand Bank of Russia's powers
  - To conduct consolidated supervision
  - To apply “supervisory judgment”



Source: Central Bank of Russia.



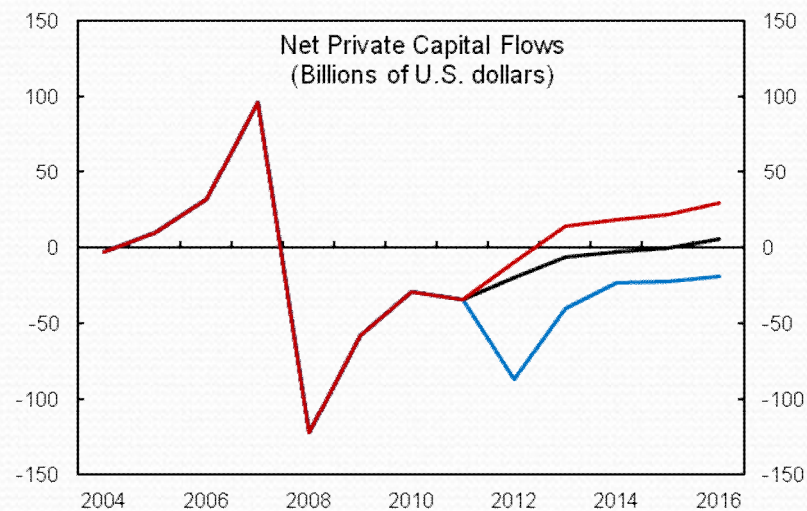
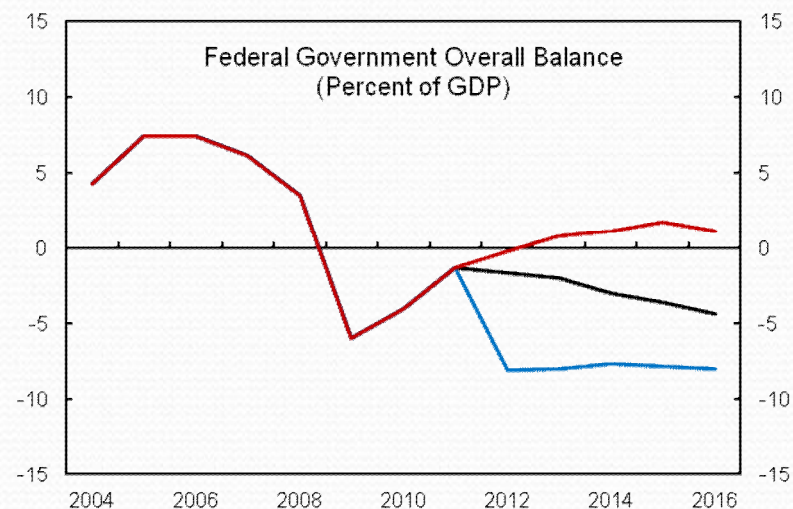
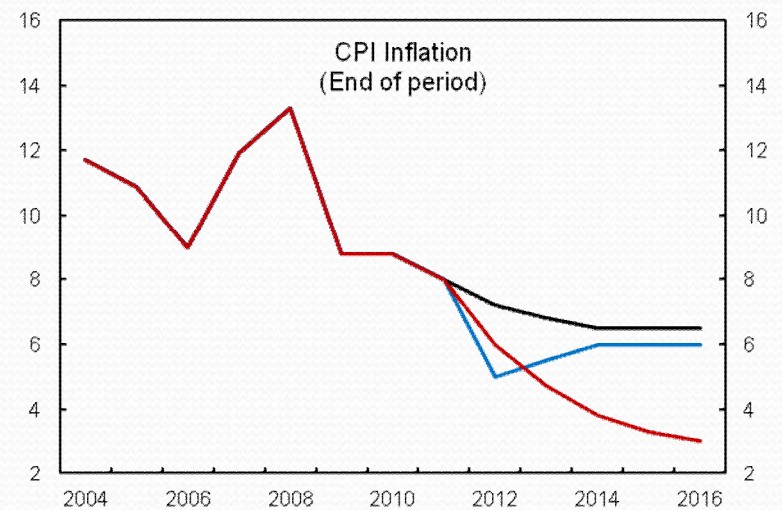
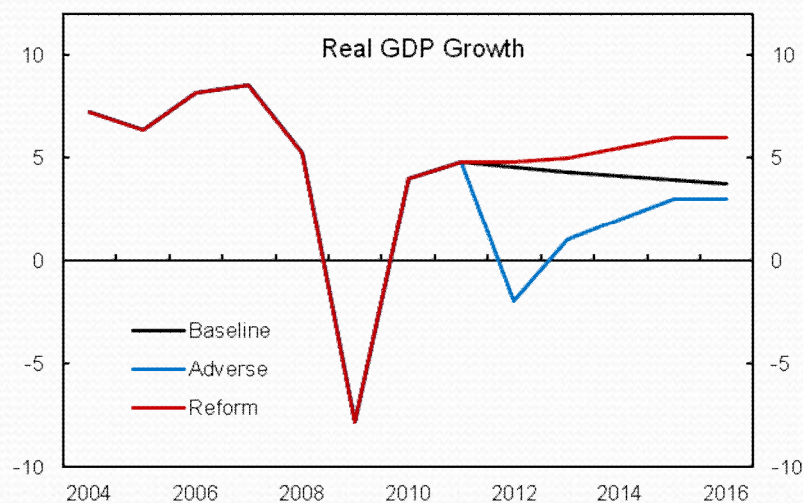


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## Economic Policies Matter Factors Under Three Scenarios, 2004–16







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