

Costly Oil Slows GDP to 4.1%

By [The Moscow Times](#)

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Economic growth slowed in the first quarter as corporate investment stagnated and the biggest quarterly gain in oil prices for two years failed to offset \$21.3 billion of capital outflows.

Gross domestic product rose 4.1 percent from a year earlier after increasing 4.5 percent in the previous three months. The median estimate in a Bloomberg survey of 15 economists was 4.2 percent. The Economic Development Ministry estimated growth at 4.5 percent, and Prime Minister Vladimir Putin put it at 4.4 percent.

President Dmitry Medvedev seeks to boost growth to 10 percent within five years to match the pace of the fastest-growing developing economies. Capital flight and slowing domestic demand restrained economic output even as commodity prices rose, stoked by unrest in the Middle East, which produces about 35 percent of the world's oil.

"The economy hasn't reached a phase of sustainable recovery," Kirill Rogov, an economist on one of the panels reviewing the government's Strategy 2020 for Putin, said in an interview

before Monday's release. "We are seeing capital outflows despite growing oil prices."

Net outflow of capital totaled \$21.3 billion in the first quarter and \$38.3 billion in 2010, more than the Central Bank's forecast of \$22 billion. That compared with \$56.9 billion a year earlier, Central Bank data show. The country last had a net inflow in 2007, when it reached \$81.7 billion.

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