

# Ministry Report Voices Concern Over Oil Price

By [The Moscow Times](#)

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Oil at \$60 a barrel may halt Russia's two-year economic expansion next year, triggering a "substantial" devaluation of the ruble, the Economic Development Ministry said.

Gross domestic product may shrink as much as 1.4 percent next year under a negative scenario that projects a "world recession" cutting the average price of Urals crude by almost half from the current level, according to a report submitted to the government for approval last week.

The U.S. economy is "resembling a patient on a drip" and a default by a European Union member will create "systemic risks," leading to the "next profound crisis," Finance Minister Alexei Kudrin said in St. Petersburg on Saturday.

Under the government's base "moderate-optimistic" forecast, oil will average \$108 this year, \$100 in 2012 and \$97 in 2013, supporting growth of 4.1 percent this year, 3.7 percent in 2012

and 4 percent in 2013, Deputy Economic Development Minister Andrei Klepach said late last month. The ministry previously expected growth of 4.2 percent, 3.5 percent and 4.2 percent.

The price of Urals, the nation's chief export oil blend, has averaged \$109.35 this year and was at \$114.23 on Monday. Urals has gained about 24 percent this year, reaching \$122.88 on April 8. Windfall revenue may allow Russia to run a balanced budget this year and narrow its deficit to below 1.5 percent in 2012, Prime Minister Vladimir Putin said at a budget committee meeting Monday.

Svetlana Glikman, a spokeswoman for Economic Development Minister Elvira Nabiullina, confirmed that the document was submitted to Putin last week and discussed at the meeting.

Medvedev is targeting annual growth of at least 8 percent within five years to keep pace with the other so-called BRIC countries. GDP expanded 4 percent in 2010 after a record 7.8 percent contraction the previous year, when Urals averaged about \$61. Russia posted an average growth rate of almost 7 percent from 1999 to 2008.

The economy expanded 3.4 percent from a year earlier in the second quarter, compared with 4.1 percent in the previous three months, the State Statistics Service said last month.

The country's economic expansion accelerates by about half a percentage point for every \$10 advance in the price of oil, Klepach estimated last year. The country needs oil to average more than \$60 a barrel this year to ensure a sustained recovery from its record slump in 2009, Kudrin said in October.

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