

# IMF Cuts Russian Growth Forecast

By [The Moscow Times](#)

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Russia's economy will grow slower than previously estimated in 2011 and 2012 as the outlook for oil prices has worsened and capital continues to leave the country, according to the International Monetary Fund.

Russia will grow 4.3 percent this year and 4.1 percent in 2012, the Washington-based lender said Tuesday in an e-mailed report. The IMF previously forecast growth of 4.8 percent and 4.5 percent.

"Capital flows — which fueled credit, private demand and growth before the crisis — have yet to return," the IMF said. "Investors remain wary of the political uncertainty in the run-up to presidential elections and the uninviting business climate."

The global recovery is faltering and Europe's sovereign debt crisis is roiling markets, clouding growth prospects for the world's biggest energy exporter. Finance ministers and central bankers are preparing to travel to Washington for the annual meeting of the 187-member IMF to discuss the debt crisis and faltering global recovery.

Prospects for oil, Russia's chief export earner, have deteriorated since the IMF reviewed its economic forecasts in June, the report said.

Russia may see \$30 billion to \$40 billion in net capital outflows this year, Deputy Economy Minister Andrei Klepach said Aug. 27, reversing the ministry's earlier forecast of zero capital flight. Outflows through the first half are estimated at \$31.2 billion, according to preliminary Central Bank data.

The next nationwide parliamentary vote is scheduled for December, three months before presidential elections in March. Neither President Dmitry Medvedev nor Prime Minister Vladimir Putin has ruled out running for president next March.

The country's "financial system remains fragile due to the high share of nonperforming assets and inadequate provisioning," according to the IMF report. "Regulatory gaps need to be addressed, including enhancing the Central Bank's authority to conduct effective supervision."

The Economic Development Ministry has also downgraded its growth forecasts for this year, saying gross domestic product will expand 4.1 percent, compared with a previous estimate of 4.2 percent. GDP grew 4 percent last year after tumbling 7.8 percent in 2009.

Russian consumer prices will rise 8.9 percent this year before slowing to 7.3 percent in 2012, according to IMF forecasts. The Central Bank has said it expects to contain inflation to 7 percent, the slowest since the collapse of the Soviet Union in 1991.

Russian growth will also be a key factor for countries in the Commonwealth of Independent States, a grouping of former Soviet republics, the IMF said.

"Foreign funding has been crucial for growth in investment and consumption," the authors wrote. "Performance in these economies, particularly in Russia, has major repercussions for many others in the region, notably through workers' remittances."

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