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World Bank Survey Finds Risks Rising

By Howard Amos

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A World Bank survey has warned of the fragility and heightened risks facing the global economy in 2012, and highlighted the vulnerability of emerging markets, including Russia.

The organization on Wednesday downgraded its Russia gross-domestic-product growth forecasts for 2012 to 3.5 percent, from the 4 percent figure it gave in June last year. This was broadly in line with the slashing of its 2012 developing country growth predictions as a whole from 6.2 percent to 5.4 percent.

The World Bank's annual Global Economic Prospects survey warned of the possibility of another severe financial meltdown sparked in the United States and Europe that would be less cushioned by the prophylactic measures of now debt-strapped developed nations. Such a crisis would be "deeply felt" by Russia and other developing countries, it said.

"Fiscal pressures could be particularly intense for oil- and metal-exporting countries," the report continued. "Falling commodity prices could cut into government revenues, causing government balances in oil-exporting countries to deteriorate by more than 4 percent of GDP."

A sharp slowdown in global growth could result in a more than 20 percent drop in energy prices, the survey predicted. According to Finance Ministry data, for every $1 knocked off the oil price, Russia's budget revenue drops $1.7 billion.

The authors of the report also noted that second-half capital inflow to developing countries had plunged from $309 billion in 2010 to $170 billion in 2011. The Central Bank said last week that Russia recorded a $56.4 billion capital outflow in the second half of 2011.

The World Bank predicted that the tempo of Russia's economic growth would begin to pick up again in 2013, achieving 3.9 percent. Prime Minister Vladimir Putin said GDP grew 4.2 percent last year.

"2012 will not be easy, rather, it will be the opposite, even more difficult than 2011," Putin said.

Russian GDP could grow by as much as 5 percent to 6 percent a year, Economic Development Minister Elvira Nabiullina said Wednesday, Interfax reported. "But this can only be secured through a fundamental improvement of the business climate," she added.

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