



World Bank Revises its 2014 and 2015 Growth Projections for Russia

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The World Bank revised its growth projections for Russia from 0.5 percent up to 0.7 percent in 2014 and from 0.3 percent down to zero percent in 2015, as part of its quarterly forecast review. The numbers are an update to the projections released in the Russia Economic Report 32 of September 2014. The main reason for the 2014 revision is stronger than expected net exports, with imports decreasing at a faster rate than anticipated due to the sharp depreciation of the Ruble in recent months. Higher prices for imports reduced demand by households and firms. Some temporary import substitution potential created by the weaker Ruble accelerated manufacturing activities, but is unlikely to be sustained next year given frail domestic demand. "Growth is projected to stall in 2015 at zero percent as the sanctions would continue to negatively impact investments and would lead to a further slide in consumption growth. If geopolitical tensions subside and the overall external environment of Russia improves, in 2016 the positive effects would allow for growth of 0.5 percent," said Birgit Hansl, World Bank Lead Economist for the Russian Federation. The main driver for the lower 2015 growth projection is the assumption of a lower average oil price for 2015 of US\$85 per barrel (compared to US\$99.5 per barrel in the Banks September 2014 estimates), while the negative impact of sanctions and policy uncertainty on investment and consumption activities is expected to take hold more noticeably. Consumption growth is projected to come to a standstill. Investment growth is expected to remain negative due to restricted access to external capital and higher borrowing costs. The Banks revised 2015 forecast assumes that net exports will become the main contributor to growth, replacing consumption growth as the key growth driver of previous years. "We expect that until mid-2016 net exports will support growth most. Only in 2016 do we project the possibility that investment and consumption growth starts its gradual recovery and begins to contribute positively to growth again," said Birgit Hansl. On balance, the revised World Bank outlook remains subject to significant downside risks, which could stem from continued high volatility of the international oil market and international financial markets in line with an uneven and subdued global recovery. Media Contacts
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