




World Bank Revises Its Growth Projections for Russia for 2015 and 2016

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The World Bank has updated its economic outlook for Russia for 2015 and 2016 to reflect a further stabilization of global oil prices. The new most likely scenario is more optimistic and assumes an average oil price of US\$58.0 per barrel for 2015 and of US\$63.6 per barrel for 2016. On this basis, real GDP is projected to contract by 2.7 percent in 2015, before increasing by 0.7 percent in 2016, and reaching 2.5 percent in 2017. This is an improvement to the Banks April outlook when real GDP was projected to contract by 3.8 percent in 2015 and modestly decline by 0.3 percent in 2016. "The revised forecast is largely driven by the adjustment in oil prices over the previous two months that is supporting the ruble exchange rate and a slightly faster retreat of inflation," said Birgit Hansl, World Bank Lead Economist for the Russian Federation. "That would allow the Central Bank of Russia to pursue monetary easing at a more rapid pace for the rest of 2015, as a result bringing down borrowing costs and increasing lending to firms and households. Both investment and consumption growth would contract slightly less than previously expected." Consumption is projected to decline in 2015 and 2016, following a negligible expansion in 2014. Investment activity would recover slowly in 2016 and more prominently in 2017, contingent on a removal of lingering structural problems and improvement in business and consumer sentiments, as sanctions are expected to phase out by the end of 2016. "Fiscal policy is expected to follow a consolidation path over the next two years with some improvement in the fiscal balance as oil revenues stabilize. However, we are optimistic that significant structural reforms will be part of the 2016-2017 budget proposal, which would allow for a steady recovery in 2016 and growth of about 2.5 percent in 2017," said Birgit Hansl. "Significant downside risks to our projection remain, as the global oil market continues to search for its new equilibrium and the commitment to structural reforms needs to be supported by a concrete set of strong policy actions." Media Contacts
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