

## Revised State Forecast Finds \$16Bln

By [Yevgenia Pismennaya](#)

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The ruble will weaken, oil prices will go up, personal incomes will grow slowly and GDP will freeze — but more than 500 billion rubles (\$16 billion) will be added to state revenues, according to an updated forecast from the Economic Development Ministry.

Analysts said the state budget will be the winner, and citizens will lose out.

The Economic Development Ministry has adjusted the forecast of socio-economic development for 2011-13. The most significant tweaks are to GDP growth, real income, the price of Urals oil and exchange rates.

Officials say oil will average \$77.50 per barrel for this year — \$2.50 more than forecasted this fall. In 2011, it will rise to \$81 per barrel, which is \$6 higher than the previous forecast. Price per barrel will be higher than originally forecasted for 2012 and 2013.

The ruble's real effective exchange rate will fall by 2 percent to 8.7 percent this year and 3.1 percent to 2.6 percent next year, the ministry estimates.

But the population will not benefit from high oil prices and a weaker ruble. Consumer demand is falling, and growth of income is also slowing, said Deputy Minister of Economic Development Andrei Klepach. In 2010, real disposable income grew just 3.8 percent, down from a forecast of 4.4 percent. Real wages increased in 2010 by 4.2 percent, falling 0.7 percent short of predictions. Retail turnover has grown 4.5 percent instead of 5.2 percent.

The adjustment of key indicators could benefit the federal budget to the tune of 500 billion rubles in 2011 alone, said Natalya Akindinova, director of the Higher School of Economics' Center for Development.

The Finance Ministry estimates that tweaks in expected oil prices and the ruble rate could increase budget revenues by 523.5 billion rubles.

But Finance Minister Alexei Kudrin told Vedomosti that revising the oil price could be premature. "The price of oil cannot be projected accurately, especially for more than a year in conditions of unsustainable growth, fueled by quantitative easing and the Fed's big budget deficits," he said.

Recalling that pre-crisis forecasts were based on conservative estimates, Kudrin said: "Now, it's always forecast higher. This price has only occurred for two to three years in history, and that was in a period of overheating."

But officials defended their estimates. "We give a conservative estimate of oil prices, but the likelihood is that the price will be higher," Klepach told Interfax. "It's more likely to be higher than that prices will fall."

The Economic Development Ministry said its projections were intended for information only and it would not push for a revision of the budget for the next three years.

According to one Finance Ministry official, the forecast adjustments were ready as early as three weeks ago but couldn't be introduced to the government before President Dmitry Medvedev signed the law on the federal budget on Monday.

"But calls to increase spending will snowball. If they are met, then the macro-parameters will be even worse because of the surge in inflation if nothing else," the official said.

Yulia Tseplyayeva, an analyst with BNP Paribas, believes that spending increases of 300 billion to 350 billion rubles in 2011, an election year, are inevitable.

#### Key Figures for the 2010-13 Forecast

	2010		2011		2012		2013	
	Old	New	Old	New	Old	New	Old	New
Urals oil price, \$/barrel	75	77.5	75	81	78	83	79	84
Year-end inflation, %	7-8	8.3-8.5	6-7	6-7	5-6	5-6	4.5-5.5	4.5-5.5
Average annual euro rate, \$/euro	1.3	1.33	1.24	1.3	1.25	1.3	1.3	1.3
Average annual dollar rate, ruble/\$	30.4	30.4	30.5	31.3	30.7	31.3	31.0	31.6
GDP growth rate, %	4	3.8	4.2	4.2	3.9	3.9	4.5	4.5
Industrial production growth, %	7.6	8.3	3.9	4.1	3.8	3.8	4.9	4.7
Fixed capital investment growth, %	2.5	5.9	10	9	3.5	4	7.4	7.4

Real population income growth, %	4.4	3.8	3.6	3.3	3.6	3.6	4.2	4.2
Real wage growth, %	4.9	4.2	3.5	3.2	4	4	4.7	4.7
Retail turnover growth, %	5.2	4.5	5	4.8	5.6	5.6	6	6
Export, \$ Bln	378.2	394.7	389.2	414.3	411.8	434.8	432	455.4
Import, \$ Bln	241	248.6	277.5	286.2	303.1	315.3	334	352.3

*Source: Economic Development Ministry*

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