

Kudrin Against Spending Reserves Domestically

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Finance Minister Alexei Kudrin told lawmakers at the State Duma on Wednesday that he opposes investing sovereign reserve holdings in assets on the Russian market.

"Investing the Reserve Fund on the domestic market would be a strategic mistake," Kudrin said. If the government had bought domestic assets prior to the 2008-09 financial crisis, that would have stoked a bubble, leaving the authorities to dump the securities during the economic slowdown, he said.

Russia's non-oil deficit, or the shortfall excluding revenue from oil and gas sales, remains a "source of concern" and is a better measure of the country's budget stability. The non-oil deficit reached 12.6 percent of gross domestic product last year, 4 to 5 percentage points above an acceptable level and compared with an overall gap of 4 percent, Kudrin told the lawmakers.

Russia's inflation rate may slow below 7 percent in 2011, Kudrin said.

An Economic Development Ministry official said last week that Russia is on track to reach post-Soviet record low inflation this year, and it may even come below the 6.5 percent to 7 percent official forecast.

"Our estimate is more or less 6.5 percent, maybe below," deputy economy minister Andrei Klepach said, adding that consumer prices are likely to decline slightly or stay the same in September, but then should rise somewhat.

(Bloomberg, Reuters)

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