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Economic Forecast Held Hostage to Putin

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Prime Minister Vladimir Putin leading a presidium meeting Thursday about economic issues.

The Economic Development Ministry expects the country's economy to grow 3.4 percent this year before expanding 4.7 percent in 2015, according to an updated version of the forecast that was approved at the Presidium meeting chaired by Prime Minister Vladimir Putin on Thursday.

But it remained unclear whether the new government to be formed after Putin moves to the Kremlin next month will choose to proceed with developing innovations or continue to rely on the burgeoning energy sector.

"There's no final decision yet," Deputy Economic Development Minister Andrei Klepach told journalists after the Presidium meeting.

"We have two options, two scenarios at the moment. Another round of discussion will be held

and after that the government will come to a decision either way," he said, RIA-Novosti reported.

Discussions might take up to a month, Putin's spokesman Dmitry Peskov said by telephone.

Both scenarios drafted by the Economic Development Ministry provide an outlook on the country's economic growth until 2030 and assume that oil prices will reach $158 a barrel in 2030 compared with $97 a barrel in 2013, according to the government website.

In a conservative scenario, Russia will continue to rely heavily on oil and gas in its economic development.

This model involves "active modernization" of the energy sector, while "retaining a relative lag" in the technology sector, with anticipated average growth of gross domestic product reaching 3.6 percent a year.

This scenario forecasts that the state budget will balance after 2015.

The innovative scenario focuses on developing the technology sector, as well as increasing investment in science, education and health care as a mainstay of the country's economic growth, which is expected to result in more robust economic growth and slowing inflation, while retaining the budget deficit and expanding public debt.

It also involves modernizing transportation infrastructure and the energy complex and "a large-scale change in Russia's export structure," according to the government's statement.

According to the statement, "this option suggests a significant increase in the efficiency parameters of the economy," with labor capacity more than doubling by 2030 from the 2010 level and the joint share of telecommunications, automotive construction and the knowledge-based sectors growing 80 percent.

With an average GDP growth of about 4.4 percent a year, Russia will become the world's fifth-largest economy by 2021, having moved from its current sixth place, the statement said.

Kremlin economic aide Arkady Dvorkovich, spoke in favor of the innovative scenario earlier this month.

"The demand for energy resources can change, but knowledge is power," he told Vedomosti. But the Economic Development Ministry didn't rule out that the majority of votes might be cast for the model based on energy resources, since it's in line with Russia's "dominant interests," Vedomosti reported.

Given the government's focus on modernization and enticing foreign investors, "it's hard to imagine that the conservative scenario will be chosen," as the government sees the innovative model as more justified, said Vyacheslav Smolyaninov, a strategist at UralSib Capital.

But he noted that no matter which of the two scenarios will be chosen, the real development of the global economy might be completely at odds with expectations.

"Where we'll see the economy and oil prices is beyond anyone's decisions," he said.

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