

OECD Urges Fiscal Discipline

By [The Moscow Times](#)

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The OECD said predicted budget revenue increases are larger than the growth in expenditures laid out in budget amendments passed this month. **Andrei Makhonin**

PARIS — Russia needs to speed up its fiscal consolidation and consider monetary tightening while oil prices are high and inflation is benign, the Organization for Economic Cooperation and Development said Tuesday.

The OECD raised its forecast for Russia's gross domestic product growth to 4.5 percent for this year from an earlier 4.1 percent. It left its 2013 GDP growth forecast unchanged at 4.1 percent.

"The government should use high oil prices to accelerate fiscal consolidation and restore the fiscal rules suspended during the 2008-09 global crisis," the OECD said in its semiannual outlook report. "Given subdued inflation, the Central Bank can afford to wait for confirmation that the economy is continuing to grow at least in line with potential before beginning to tighten."

The OECD forecasts 2012 inflation at 4.6 percent, while the Central Bank's official target is

between 5 percent and 6 percent.

The Central Bank left its key rates unchanged for a fifth straight month earlier in May and hinted that it may not change them in the coming months.

Oil prices have remained relatively high so far this year, staying close to or above the \$115 per barrel average assumed in this year's budget calculations.

The OECD, which urged Russia again to lower its nonoil budget deficit, now about 10 percent of GDP, warned also that strong revenues could lead to the temptation of reckless spending.

"Budgetary amendments approved in May raise federal government expenditures by only 0.7 percent, whereas official projections of federal government revenue are 7.6 percent higher than originally budgeted," the OECD said. "In the absence of binding rules on the saving of such windfalls, however, a further ratcheting of spending is possible."

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