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Roubini Predicts Slower Growth in Russia

By The Moscow Times

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Russia's economy is facing a slowdown due to a lack of necessary structural reforms, according to a report by Roubini Global Economics, a macroeconomic research firm founded by economist Nouriel Roubini.

According to the firm's estimates, GDP growth will slow to 3.3 percent this year, versus 3.4 percent last year. Growth next year is expected to drop to 3.2 percent.

Despite the government's intention to move to an investment-fueled model of growth, consumption will remain the economy's main driver in 2013-14.

While praising some recent reforms aimed at improving the entrepreneurial climate, Roubini economists said Russia still needed comprehensive institutional reforms and better rule of law to attract investments.

The report says that both liberals and conservatives in the government agree that the commodities-based model of growth has run its course and that Russia has to move to a model based on investments into infrastructure and human potential.

The question is, according to Roubini, how the country's leadership will tackle this challenge. So far, it prefers to concentrate on industrialization, import substitution and strong state centralization.

The report recommends that Russia make its fiscal policy stimulate growth, and says current investments into the military-industrial complex will not foment such progress.