The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

# Government Spending Won't Spur Russian GDP Growth, Analysts Say

By The Moscow Times

July 30, 2013




Increased government spending to combat an economic slowdown will merely have a temporary effect and cannot correct the fundamental flaws threatening the Russian economy, analysts say.

The Economic Development Ministry has recorded zero growth for two months and has advocated government investment in large infrastructure projects to kickstart the economy.

President Vladimir Putin has said that 450 billion rubles ($13.6 billion) would be drawn from the National Prosperity Fund for railway and road projects including the Moscow region's Central Ring Road.

According to Sberbank's Center for Macroeconomic Research, an investment of 450 billion rubles will result in an average GDP growth bump of 0.9 percentage points for a period of one year. Following this period, the growth rate will decrease, resulting in 20-year growth just

0.12 percentage points higher than it would be without the stimulus, Vedomosti reported.

Tripling the amount of stimulus wouldn't dramatically improve results, with one and 20-year GDP accelerations of just 1.9 and 0.14 percentage points.

Last week the government approved a set of stimulus measures proposed by the Economic Development Ministry, authorizing 110 billion rubles from the national budget and a 150 billion ruble investment from the National Prosperity Fund to rail monopoly Russian Railways, which will use the money for the development of the large-scale Trans-Baikal and Trans-Siberian railroad projects.

Original url:
https://www.themoscowtimes.com/2013/07/30/government-spending-wont-spur-russian-gdp-growth-analysts-say-a26295