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Ulyukayev Says Economy at Risk of Recession

By The Moscow Times

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The Russian economy is at risk of falling into recession, Economy Minister Alexei Ulyukayev said Monday, but he ruled out revising down official forecasts following the release of weak second quarter growth figures.

Speaking to reporters, Ulyukayev distanced himself from earlier comments in a newspaper interview in which he said Russia was neither in a recession, nor was it at risk of one.

"There is such a risk [of recession starting]. The goal of economic policy is to take these risks into account and find a timely answer," the former Central Banker said.

Some economists estimate that, in quarter-on-quarter terms, the Russian economy has now shrunk for two consecutive three-month periods — the typical definition of a recession.

Second quarter gross domestic product grew by just 1.2 percent compared to a year earlier,

data showed Friday, falling short of consensus expectations among economists of a 1.9 percent gain.

The economy's loss of momentum — economic growth has slowed for six consecutive quarters — has overshadowed Vladimir Putin's third term as president that began in May 2012.

A worsening climate for exports and subdued consumer and investor demand at home have weighed on the economy. Many analysts also point to deeper-rooted problems such as a difficult business environment and an over-reliance on commodities.

The Central Bank left its key interest rates unchanged on Friday but warned of risks to growth, sending a signal that it will start to ease policy once inflation pressures abate to give the economy a shot in the arm.

Ulyukayev's verbal gymnastics reflect a reluctance among officials to use the word "recession," which for many of Russia's 140 million people would raise associations with the deep slump of 2009 when the economy shrank by 8 percent.

He told Monday's Kommersant daily that his department, whose forecasts form the basis for the government's fiscal planning, would review its medium- and long-term projections to make a "more conservative estimate" of growth prospects.

The Economy Ministry in April cut its forecast for economic growth this year to 2.4 percent from 3.6 percent previously. The $2 trillion Russian economy grew by 3.4 percent last year.

In his comments later on Monday, Ulyukaev said he saw no grounds to revise this year's growth forecast. It was not clear when he gave his interview to Kommersant.

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