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Ministry Cuts 2013 Economic Growth Forecast to 1.8%

By The Moscow Times

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The government cut its growth forecasts for 2013 and 2014 for the second time this year after the economy expanded at its slowest pace since slumping in 2009, documents obtained on Monday showed.

The lower forecast reflects weak industrial output, now expected to barely grow this year, and subdued investment as Russia's $2 trillion economy slows further, more than a year into President Vladimir Putin's third term.

The Economic Development Ministry cut its 2013 forecast to 1.8 percent from 2.4 percent as weaker exports and consumption growth also take their toll. It downgraded the 2014 outlook to a range of 2.8 to 3.2 percent from 3.7 percent.

Weaker growth will put pressure on Finance Minister Anton Siluanov's budget, which is due to go before parliament soon and which foresees a modest deficit next year despite

a slowdown in spending growth.

The government has been considering various stimulus measures, unveiling a $13 billion investment plan to build new roads and railways by tapping into a rainy-day fund, hoping to stave off the threat of recession.

Officials and bankers have been pressing for an easier monetary policy to lift economic growth toward the government target of 5 percent, itself below the 7 percent annual clip it grew at during Putin's first two terms from 2000-08.

The Central Bank, now led by Elvira Nabiullina, Putin's former economic adviser, kept interest rates on hold in August. It's said it would start cutting rates when inflation was inside its target corridor of 5 to 6 percent, expected in the second half of 2013.

The ministry kept its inflation forecast for the end of 2013 unchanged at 5 to 6 percent, but raised its 2014 estimate by half a percentage point to 4.5 to 5.5 percent.

The ministry cut its 2013 industrial output forecast to 0.7 percent growth from 2 percent and revised down its estimate for capital investments to 2.5 from 4.6 percent.

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