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Ministry Stakes on Investment

By The Moscow Times

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Investment is expected to be the single engine available to drive growth in the flagging Russian economy from 2014 to 2016, the Economic Development Ministry said in a macroeconomic forecast.

To halt the flight of capital and renew its influx by 2013, the ministry's forecast said the business climate in Russia would have to improve while external risk declines, Vedomosti reported.

Given these conditions, the ministry predicts that demand for credit will increase; the Central Bank will lower credit rates and accelerate lending growth from 14 percent to between 16 and 17 percent next year; and companies will invest the capital in increasing the competitiveness of Russian products and replacing imports.

The main risk of this scenario lies in the necessity of investment growth of between 3.9 percent and 6 percent, figures substantially above the 1.3 percent recorded between January and August 2013 and the 2.5 percent growth estimated for the year in total.

However, the ministry said 2013's investment slowdown should be attributed not to systemic problems but to major drops in spending by the government and state-run gas behemoth Gazprom, both of whom completed major construction projects this year.

This effect should now be reversed, raising Russia's GDP growth from 1.4 percent in the first six months to 2.2 percent in the second half of 2013.

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