

IMF Outlines Reforms for Higher Russian Growth

By [The Moscow Times](#)

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The Russian economy need to diversify as it is heavily focused on resource extraction is dependant on high commodity prices. **Maxim Stulov**

Russia needs to further strengthen its macroeconomic policy framework and implement supply-side reforms to reach higher sustainable growth, the International Monetary Fund said in an annual report on the country's economy.

Russia needs to diversify its economy and improve institutions because the economic model based on high commodity prices no longer works, according to the report, which was published on Monday.

The fund expects Russia's economic growth to slow down to 1.5 percent in 2013 from 3.5 percent last year due to weak investment and external demand. In 2014, the economy is expected to grow by 3 percent, the IMF said.

The IMF also said the government's fiscal policy was appropriately neutral this year but was under threat from off-budget spending plans.

To contain inflation and reduce risks in the near future, the authorities should keep their monetary policy on hold, resist additional fiscal stimuli and consider further measures to dampen excessive retail credit growth, the IMF said.

In the midterm, the government should gradually increase fiscal rule, which keeps government expenditures dependent on oil prices, rebuild fiscal buffers and save more oil revenues, the IMF said.

The fund said the Central Bank should complete its transition to a flexible exchange rate and inflation targeting by the end of 2014 as planned, which would help anchor inflation expectations.

Russia should also reduce the regulatory burden to facilitate more private activity in key industries, strengthen the financial sector to improve its ability to channel savings into productive investment projects, increase transparency, and enhance the business climate, the IMF said.

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