

# Economic Growth Slows to 0.8% Due to International Tensions

By [The Moscow Times](#)

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Finance Ministry headquarters in Moscow.

Russia's economy shrank in the first three months of 2014, Economic Development Minister Alexei Ulyukayev said Wednesday, highlighting the impact of tensions over Ukraine as Russian money fled abroad.

Ulyukayev also said Russia should put more of its oil wealth into building infrastructure at home and be wary of investments in euros and dollars.

The European Union and the U.S. have imposed visa bans and asset freezes on some Russian individuals, and are contemplating wider sanctions as international tensions persist over eastern Ukraine.

Ulyukayev told parliament that national output fell 0.5 percent compared with the last quarter of 2013, although it grew by 0.8 percent year-on-year in the first quarter.

He said the downturn reflected "a substantial reduction in capital investment," which fell by 4.8 percent in the first quarter compared with a year earlier.

Consumption was stronger, with retail sales growing by 3.2 percent in the first quarter. However, the minister cautioned that may not be sustained because it reflects one-off public sector pay increases.

Ulyukayev said Russia should spend a bigger share of its \$87 billion National Welfare Fund on domestic infrastructure projects, rather than investing in Western securities, because of geopolitical risks.

"We should be cautious about investing in securities denominated in dollars and euros. It would be better to invest the means of the National Welfare Fund in Russian infrastructure projects," he said.

He also called for spending additional budget revenues gained from a weaker ruble, which he estimated at 900 billion rubles (\$25 billion) this year, arguing that budget rules requiring the government to save such revenues in its Reserve Fund were too stringent.

Such calls put Ulyukayev at loggerheads with the Finance Ministry, which argues for fiscally conservative policies.

Finance Minister Anton Siluanov has publicly rejected calls to revise fiscal rules that limit the amount the country can borrow and spend.

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