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IMF Halves Russia Forecast

By The Moscow Times

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The International Monetary Fund halved its forecast for Russia's 2015 gross domestic product to 0.5 percent on Wednesday, saying that international tensions had created downside risks to its estimates.

"Geopolitical uncertainties are having a big direct impact on the Russian economy," Antonio Spilimbergo, the IMF's mission head to Russia, told journalists.

Russia is embroiled in conflict with Ukraine. Consequently, western countries have imposed a series of sanctions against Moscow, which has retaliated with counter-sanctions of its own. Both are taking a toll on its economy.

The IMF also urged Russia's Central Bank to tighten its monetary policy to anchor inflation expectations. It expects inflation this year to come above 8 percent.

"The monetary policy is very important to keep inflation on target and it is important to anchor inflation expectations," Spilimbergo said.

The Central Bank has an inflation target for next year of 4.5 percent, plus/minus 1.5 percentage point.

Spilimbergo urged the Central Bank to raise rates and keep them positive in real terms, above inflation.

"Our recommendation is for a tighter monetary policy stance and at the same time defend the credibility of the Central Bank," he said.

At last month's rate-decision meeting, the Central Bank kept rates unchanged, leaving its key rate, the one-week minimum auction repo rate, at 8 percent.

Spilimbergo also said the IMF supports the Central Bank's stance against restrictions on cross-border capital movement.

"The position of the Central Bank of Russia is against capital controls," he said. "We agree with this assessment. In the present time, they would be not helpful and we do not recommend them."

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