The Moscow Times
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INDEPENDENT NEWS FROM RUSSIA

$60 Oil Would See Russia's Economy Shrink 4.5 Percent Next Year – Central Bank

By The Moscow Times

December 15, 2014



The Central Bank said Monday that inflation could peak at 11.5 percent early next year.

Russia's Central Bank said Monday that it was likely the economy would contract in the first quarter of next year and perhaps by around 4.5 percent in 2015 as a whole if oil prices average $60 a barrel.

The bank also said in a monetary policy document that capital outflows in the fourth quarter would rise to levels comparable with those in the first quarter and forecast significant outflows for the next three years.

The outlook for Russia's economy has darkened considerably since the summer, as falling oil prices, Western sanctions over Ukraine and a slowdown in capital investment have pushed the country toward recession.

A major casualty has been the ruble, which is down some 45 percent against the dollar so far this year.

The Central Bank has also had to hike its main lending rate by a cumulative 5 percentage points in response to market turmoil linked to the Ukraine crisis.

The Central Bank said Monday that inflation could peak at 11.5 percent early next year and that reaching its mid-term inflation target of 4 percent by the end of 2017 would require keeping monetary policy tight next year.

The bank predicted capital outflows of around $120 billion next year, $75 billion in 2016 and $55 billion in 2017.

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