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Russia's Central Bank Sees Risk of 5.8 Percent Economic Contraction This Year

By The Moscow Times

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The bank sees the average price of Urals crude oil, Russia's main export blend, rising to $60-65 in 2016 and $70-75 a barrel in 2017, under this base scenario.

The Russian economy could contract by up to 5.8 percent this year in a "risk scenario" based on oil prices averaging around $40-$45 per barrel, a Central Bank monetary policy document published on Friday said.

Russia's economy has slowed sharply in recent months as a collapse in oil prices and Western sanctions over the Ukraine crisis have dragged on growth.

The Central Bank sees gross domestic product contracting by 3.5-4.0 percent in 2015 in its "base case," which assumes oil prices averaging $50-55 per barrel.

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Under these assumptions, it forecasts a 1.0-1.6 percent economic contraction in 2016 followed by a 5.5-6.3 percent rebound in gross domestic product in 2017.

The quarterly monetary policy document, which includes the bank's latest macroeconomic forecasts, also showed the bank foresees its foreign currency reserves shrinking by $50 billion in 2015 but staying constant in 2016 in its most likely scenario.

That assessment is more optimistic than that of many investment banks but reflects the Central Bank's more cautious approach to using its reserves, which are near an eight-year low of $357 billion, since it floated the ruble late last year.

The bank also expects the reserves to recover by $36 billion in 2017.

It saw Russia's current account surplus at $64 billion this year, rising to $90 billion in 2016 and $119 billion in 2017.

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