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World Bank Raises 2015, 2016 Growth Forecasts for Russia

By The Moscow Times

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The World Bank said it expects Russia's economy to grow.

The World Bank said on Monday it expects Russia's economy to contract less sharply than previously thought in 2015, citing a recovery in oil prices in recent months, a stronger ruble and slowing inflation.

The bank, which also raised its forecast for 2016, said it now sees gross domestic product falling by 2.7 percent this year as opposed to by 3.8 percent.

Birgit Hansl, the bank's lead economist for Russia, said the changed conditions would allow the Central Bank to ease monetary policy at a faster rate this year, supporting the economy.

The World Bank's new estimate is broadly in line with the Economic Development Ministry's forecast for a 2.8 percent contraction this year, but more optimistic than economists polled by Reuters last week.

The bank said the outlook for the Russian economy remained uncertain.

"Significant downside risks to our projection remain, as the global oil market continues to search for its new equilibrium and the commitment to structural reforms needs to be supported by a concrete set of strong policy actions," Hansl said in a statement on the World Bank's website.

Economic indicators suggest the downturn is gathering pace, with the Economic Development Ministry saying GDP fell by 4.2 year on year in April, worse than analysts had forecast and than March's 2.7 percent slide.

Economists are slightly more optimistic about Russia's prospects towards the end of the year and for 2016.

The World Bank sees GDP rising by 0.7 percent in 2016 and by 2.5 percent in 2017. Its latest 2016 forecast is also better than its previous projection for a decline of 0.3 percent.

Hansl said, "We are optimistic that significant structural reforms will be part of the 2016-17 budget proposal, which would allow for a steady recovery."

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