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Russia's Growth Prospects 'Modest' Amid High Geopolitical Tension, World Bank Says

By Reuters

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Johannes Christo / Reuters

Economic growth in Russia will be modest over the next two years with a possible expansion of Western sanctions and high geopolitical tension making for an unfavorable outlook, the World Bank said on Tuesday.

But Russia's fundamentals, including its international reserves, would help it to absorb "external shocks", it said in a regular report.

The World Bank lifted its economic growth projection for this year to 1.6 percent from 1.5 percent forecast in May. It expects gross domestic product to grow by 1.5 percent in 2019 and by 1.8 percent in 2020.

"In the absence of a sharp escalation of geopolitical tensions, we expect the Russian economy

to continue modest growth supported by relatively high oil prices," it said.

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But circumstances for the general outlook were not favorable.

"Unfavourable factors stem from the potential expansion of sanctions and continued elevated geopolitical tensions, which translate into high uncertainty that dampens domestic demand," the international financial institution said.

Russia's international reserves, low external debt levels and its macroeconomic framework should help "limit exposure to external volatility and absorb external shocks."

The banking sector in Russia, which saw dozens of banks losing licenses in the past few years and some bailouts of major banks by the state, remains relatively weak, the World Bank noted.

That said, the banking system had sufficient liquid foreign currency assets to repay its maturing external debt, the World Bank said.

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