

Fitch Cuts Its Russia Growth Forecast for 2019 to 1.2%

The cut follows similar action from the World Bank and was prompted by weak first quarter economic performance.

By bne IntelliNews

June 18, 2019



Fitch Ratings believes growth will recover in 2020. DPA/TASS

Fitch Ratings lowered its 2019 forecast for Russia's gross domestic product (GDP) to 1.2 percent from 1.5 percent, following an unexpectedly weak economic performance in the first quarter.

The agency still believes GDP growth will accelerate to 1.9 percent in 2020 and 2021, after the government's 12 National Projects 27 trillion ruble (\$390 billion) spending programme for infrastructure and the social sphere kicks in. That, coupled with slowing inflation and the waning effect of a VAT hike, is expected to drive consumption.

Related article: The Russian Economy Is Stagnating

The Russian economy has been stagnating since the beginning of 2019 and Russian President Vladimir Putin's plan to revitalise it with the National Projects plan is off to a very slow start.

In June the World Bank also cut its 2019 GDP growth outlook for Russia to 1.2 percent from 1.5 percent, the bank's second cut in its growth forecast for Russia for 2019.

The World Bank's outlook for 2020 and 2021 remained unchanged at 1.8 percent, based on the assumption that "investment is expected to accelerate moderately as public spending on infrastructure picks up."

Russia's GDP growth in the first quarter of 2019 disappointed with a mere 0.5 percent growth — well below even the most pessimistic forecasts — following moderate results from first-quarter base sector statistics. That result has analysts hoping for a fiscal spending stimulus later in 2019 to support Putin's plan, as well as more cuts to the Central Bank of Russia's key interest rate.

This article first appeared in <u>bne IntelliNews</u>.

Original url:

https://www.themoscowtimes.com/2019/06/18/fitch-cuts-its-russia-growth-forecast-for-2019-to-12-a6 6038