**IMF May Raise Russia 2011 GDP Forecast From 4.5% On Higher Oil**
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MOSCOW (Dow Jones)--The International Monetary Fund is likely to raise its 2011 forecast for Russian inflation as a result of surging consumer prices and may also increase its estimate for economic growth in the country as oil prices continue to rise, the head of the fund's operations in Moscow said Friday.

In an interview with Dow Jones Newswires, the IMF's senior representative for Russia **Odd Per Brekk** also said that Moscow's economic policies and slow progress in improving the country's investment climate may be discouraging investors and leading to capital flight.

However, high oil prices are expected to lead to increased revenue for Russia's budget, the world's leading energy producer, and spur economic growth, Brekk said.

"Our current GDP [gross domestic product] growth projection for 2011 is about 4.5%, and it is possible that it will be revised upwards in light of the higher-than-expected oil prices," Brekk said.

Russia's government expects its economy to grow by 4.2% this year, after 4% growth in 2010.

Brekk called for further monetary tightening from the central bank to stem surging inflation, which has been on the rise since a crippling drought destroyed a third of Russia's grain crop last summer.

"The increase in inflation that Russia has seen since the middle of last year has gone beyond the supply-side shock driven by the drought," Brekk said. "We are currently updating our macro projections for Russia, and it is likely that the 2011 inflation projection will be revised upwards."

The IMF currently forecasts 7.4% inflation for Russia in 2011. The number is not far from government projections of 7%, a limit which both officials and analysts have warned will be difficult to achieve.

Regarding capital outflows, Brekk said "investors seem to be differentiating more clearly between emerging market countries based on their economic policies and may have been discouraged by the slow progress in improving Russia's investment climate."

Despite high oil prices and a strong ruble, Russia saw $13 billion of capital outflows in January, around a third of its total outflows for all of last year.

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