

IMF Urges Russia to Avoid Economy Overheating

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Russia should manage domestic demand to avoid overheating the country's economy and prevent inflation growth in the short-term, the International Monetary Fund's Senior Resident Representative in Russia Odd Per Brekk said on Friday.

"The immediate challenge for the [Russian] government is to manage domestic demand to avoid overheating and to keep underlying inflation on a downward path, and to prepare for any possible spillover from adverse international developments," Brekk told a news conference.

Both the budget and monetary policy of the Russian government should help contain domestic demand, including reduction of the non-oil income deficit by 1.5 percent to 9 percent of the country's gross domestic product level in 2012 and a gradual tightening of monetary policy in the short-term, he added.

Regarding possible negative spillover for the Russian economy amid the eurozone crisis, the IMF considers "Russia is better placed to handle such spillover than in 2008" owing to its flexible exchange rate and positive net foreign asset position of Russian banks, which means they are less vulnerable to exchange rate swings than they were in 2008.