

Challenges of Transition: Global Economy and Russia

*Findings and conclusions of the
annual IMF review of the Russian economy*



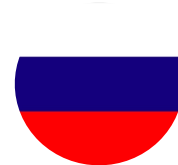
Bikas Joshi

Resident Representative
International Monetary Fund
Moscow, Russia

November 26, 2013

GDP growth projections

(as of October 2013)



World

U.S.

Euro Area

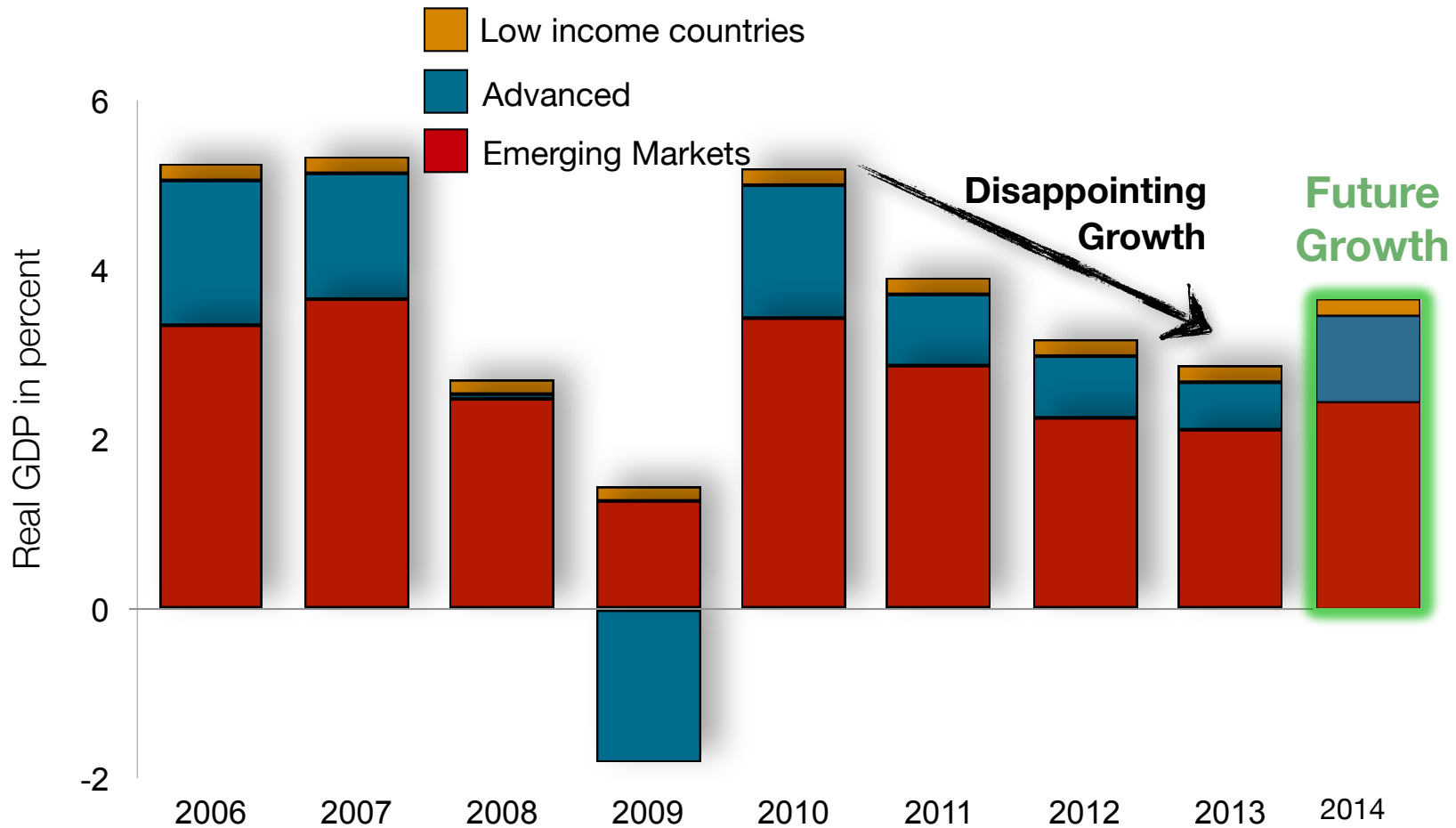
Japan

Russia

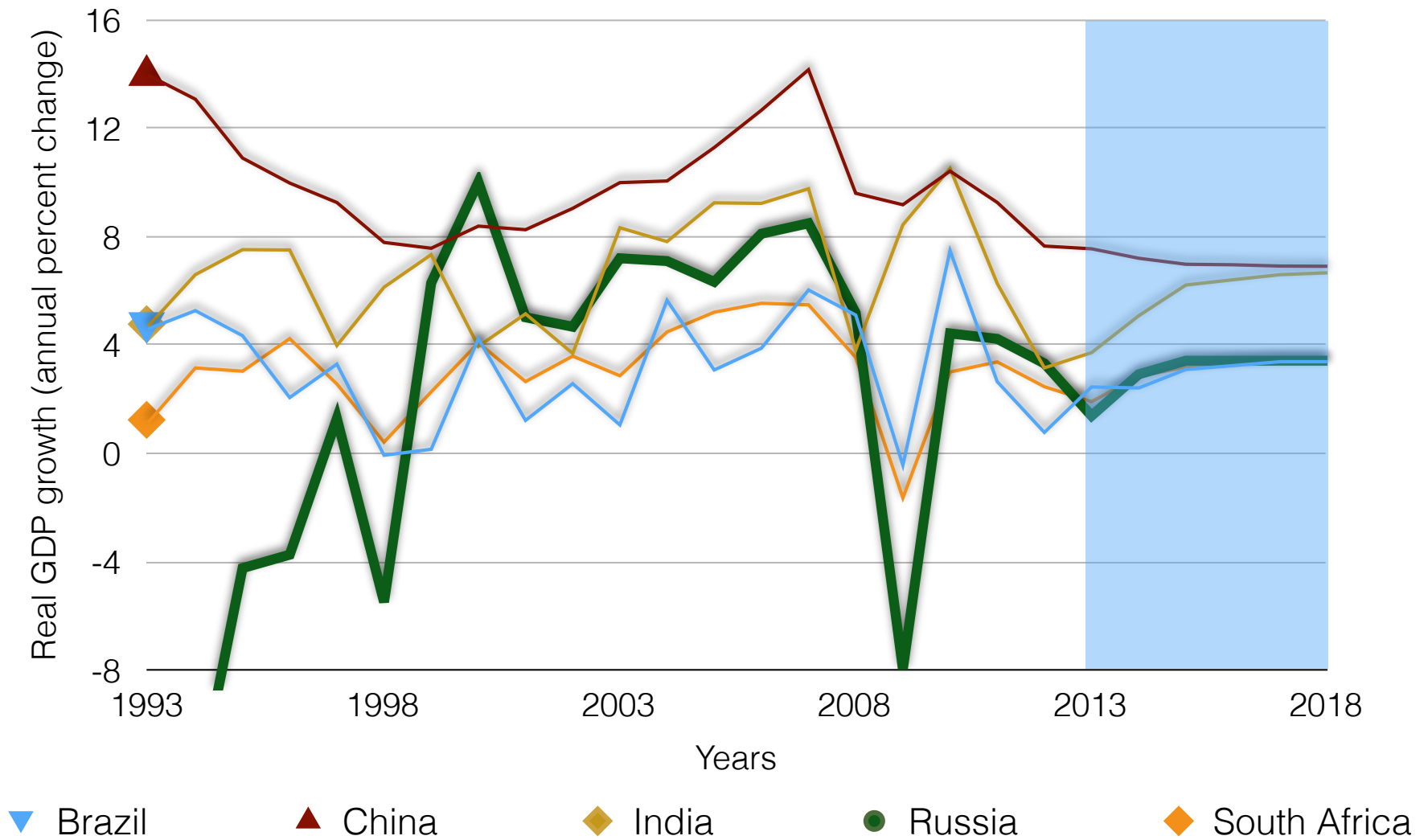
China

2013 (Oct. 2013)	2.9	1.6	-0.4	2.0	1.5	7.6
2013 (Apr. 2013)	3.3	1.9	-0.3	1.6	3.4	8.0
2014 (Oct. 2013)	3.6	2.6	1.0	1.2	3.0	7.3
2014 (Apr. 2013)	4.0	3.0	1.1	1.4	3.8	8.2

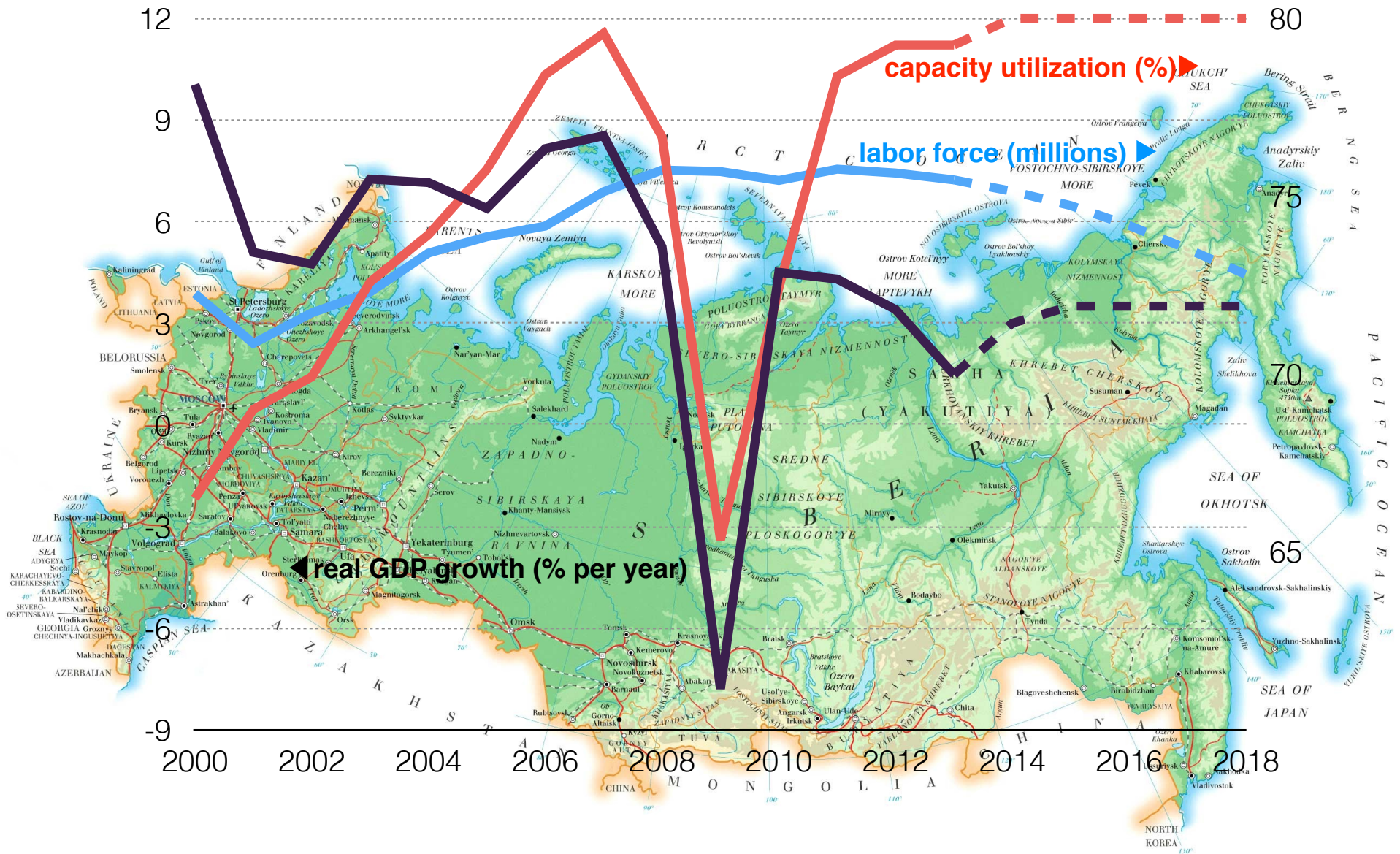
“... entering yet another transition”



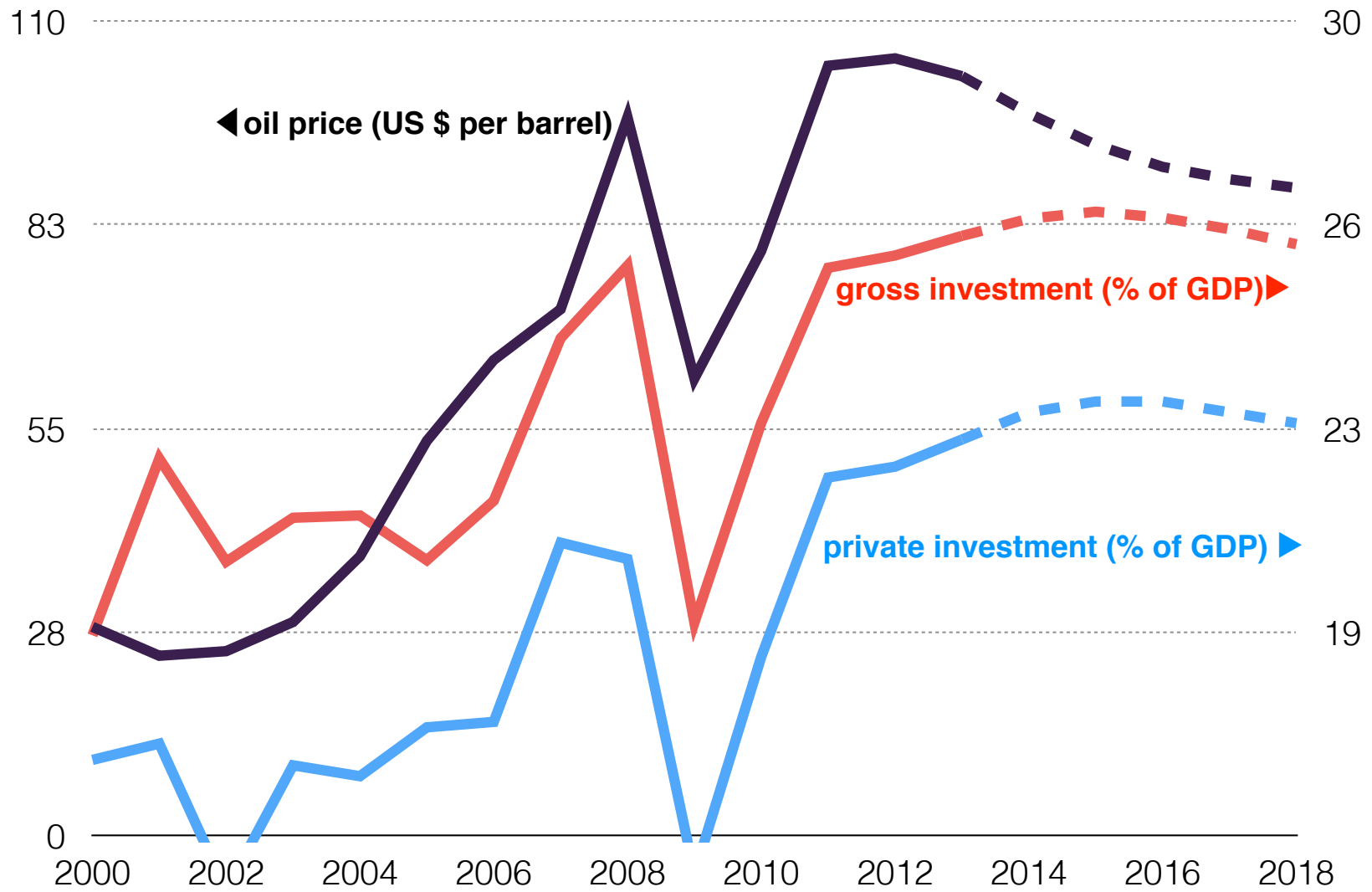
The BRICS engine stalling?



Era of “easy growth” is over

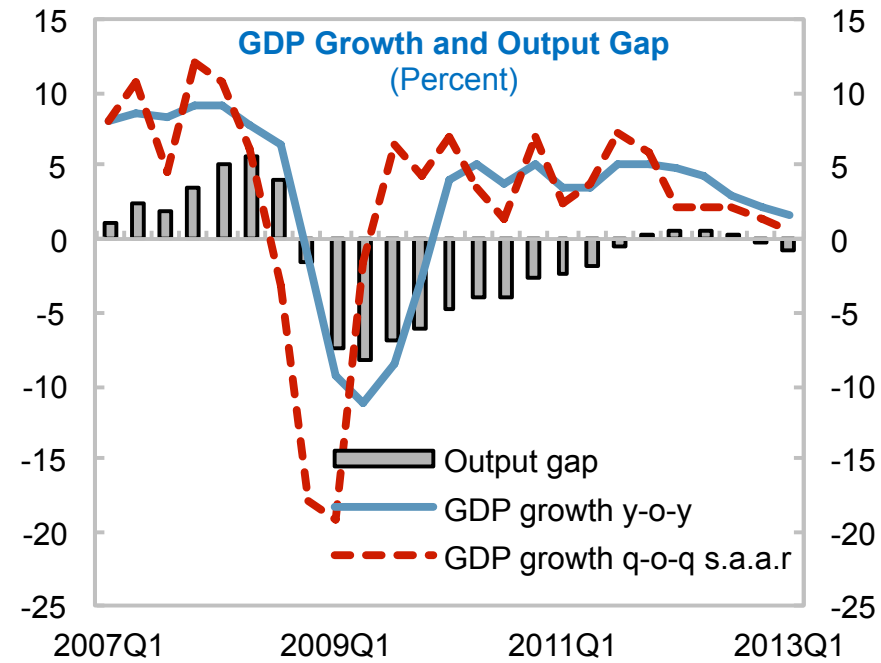


Constraints on growth

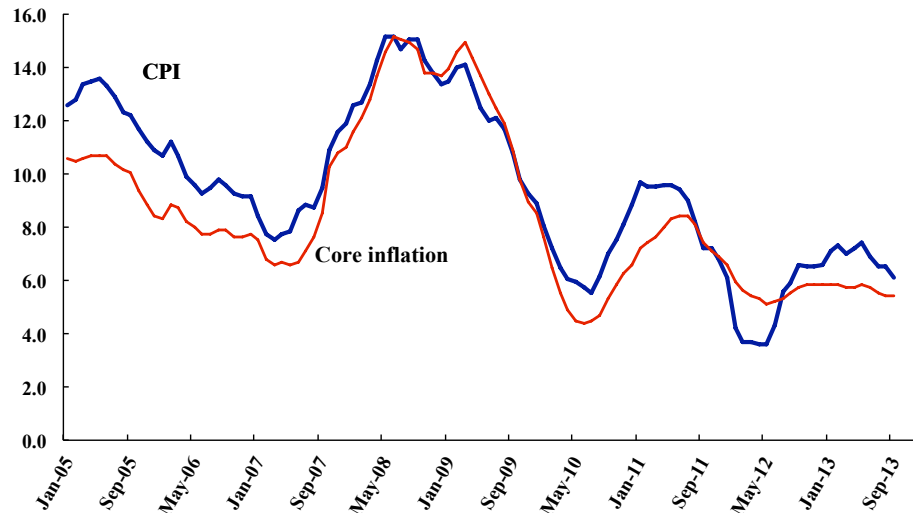


What is to be done?

Output gap
remains very small



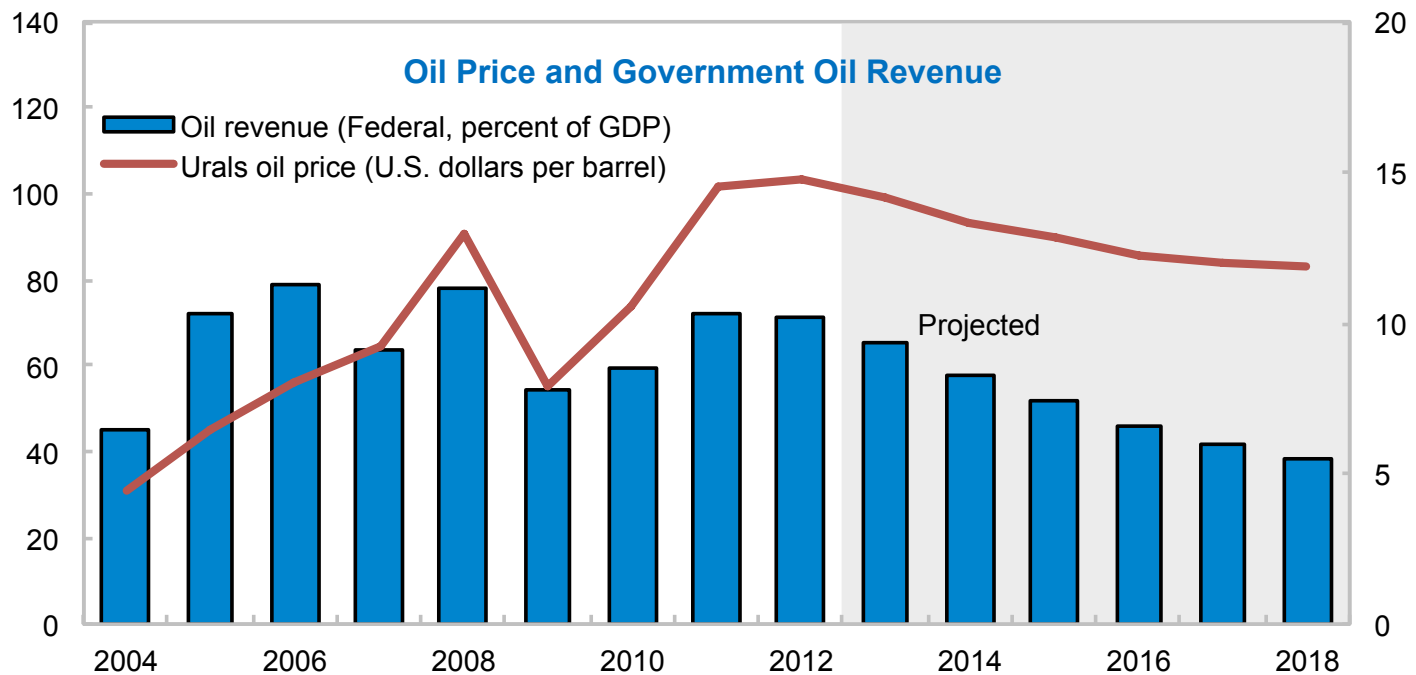
Consumer Price Inflation
(year-on-year growth, in percent)



Inflation remains above
the target range

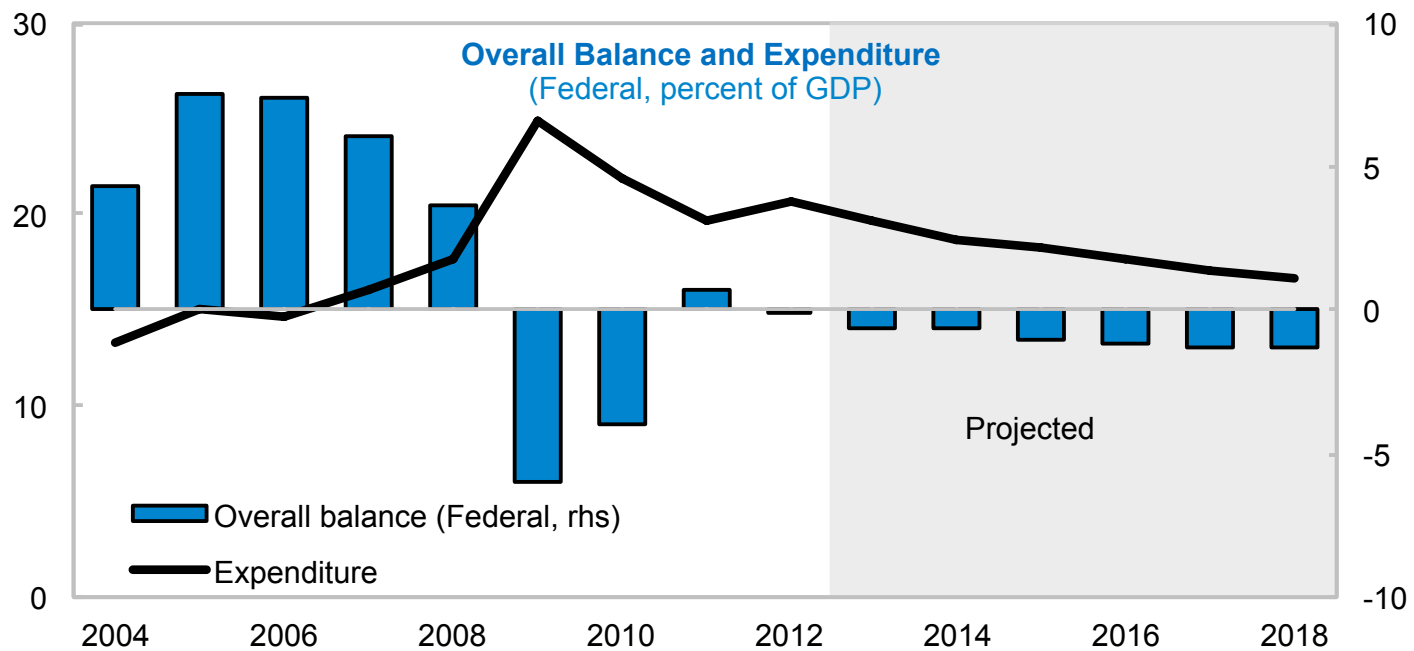
The fiscal picture...

oil prices and revenue expected to decline...



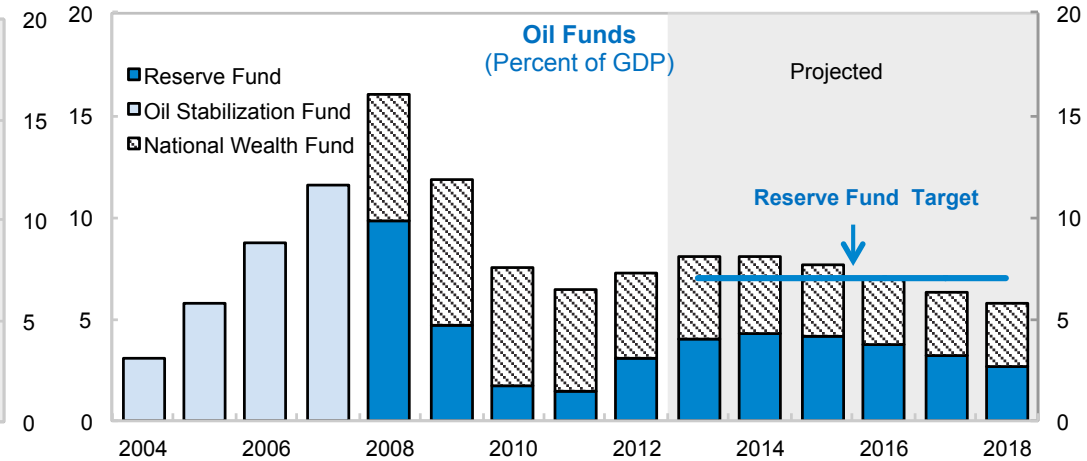
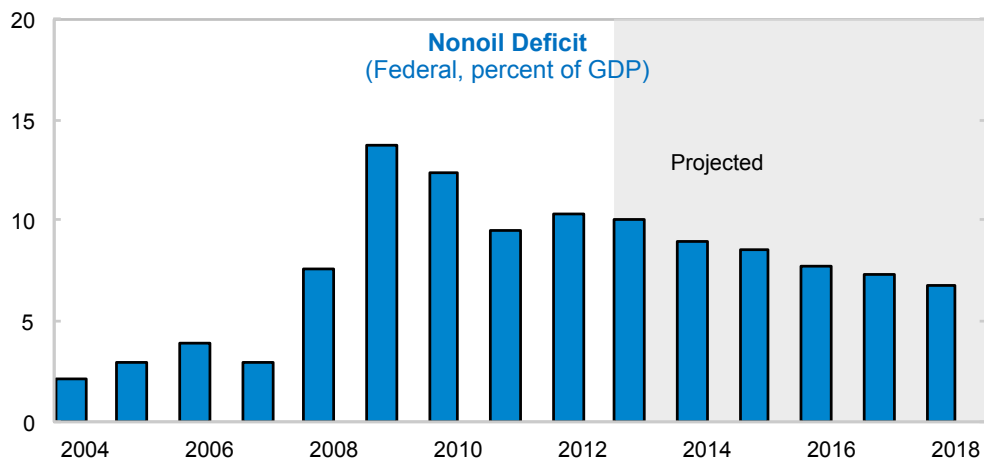
The fiscal picture...

fiscal rule is a good discipline mechanism...



The fiscal picture...

.. but the planned pace of consolidation does not generate enough savings



The monetary and financial picture...

A period of change

reductions in exchange market interventions

widening non-intervention bands

introduction of liquidity management tools

introduction of mega-regulator function

more intensive bank monitoring

The monetary picture...

Institutional change: inflation targeting



publication of monetary policy statements

announcement of formal end-year inflation targets

streamlining of policy tools and use of open market operations

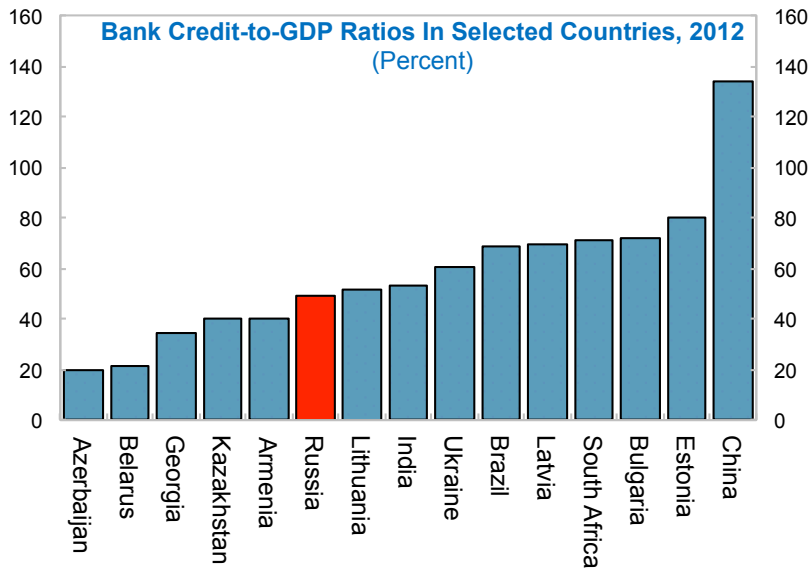
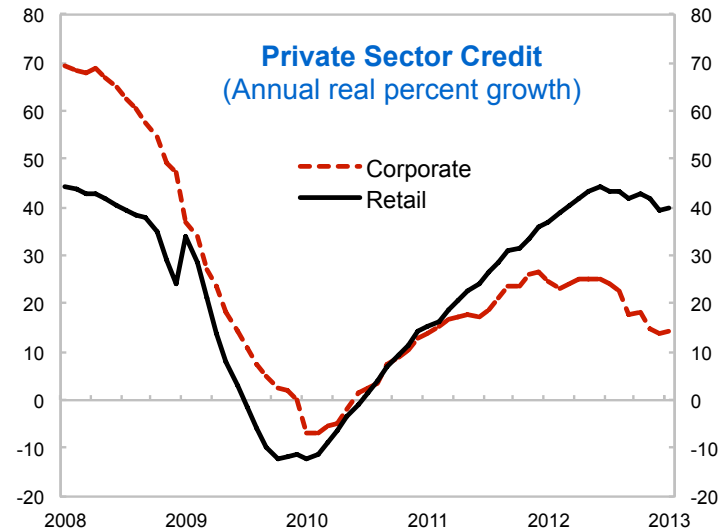
reduction in the number of liquidity instruments and rates

road map for IT

publication of inflation expectation surveys
and inflation forecasts

The financial picture...

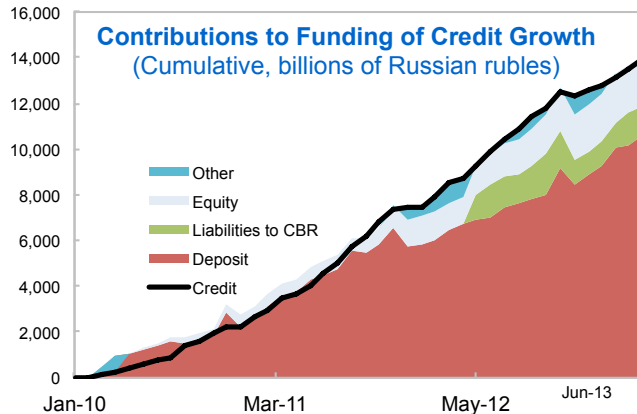
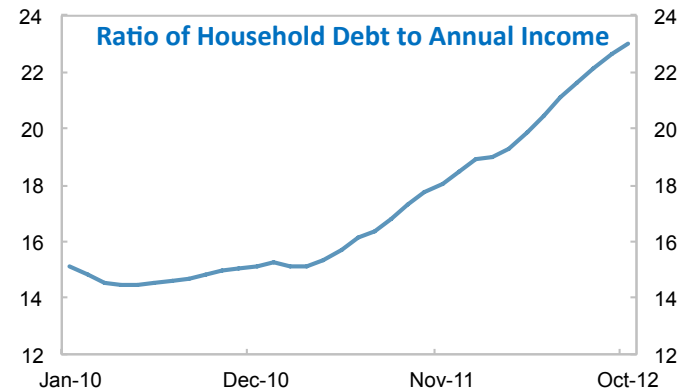
high credit growth
(especially retail)...



... but financial sector
depth and efficiency
remains low

The financial picture...

household
indebtedness is
rising fast...



... with lending
financed by equity
funding and CBR
refinancing

Policy imperatives

Fiscal Policy

Measured consolidation
Increased savings

pensions
privatization

Monetary Policy

Anchor inflation expectations
Improve transmission

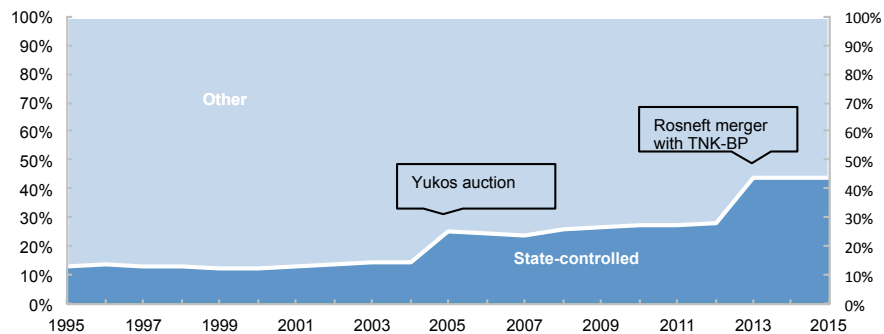
Financial Policy

Monitor vulnerabilities from credit growth
Tackle risks from unsecured lending
Promote competition in the banking sector
Bank consolidation may be necessary

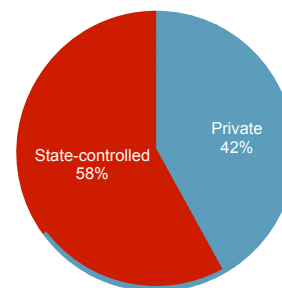
Whither growth?

Reducing state presence

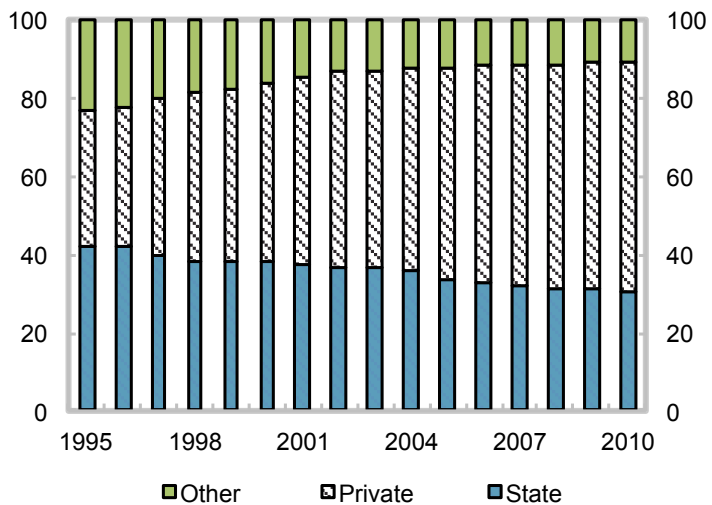
Government ownership in crude oil production



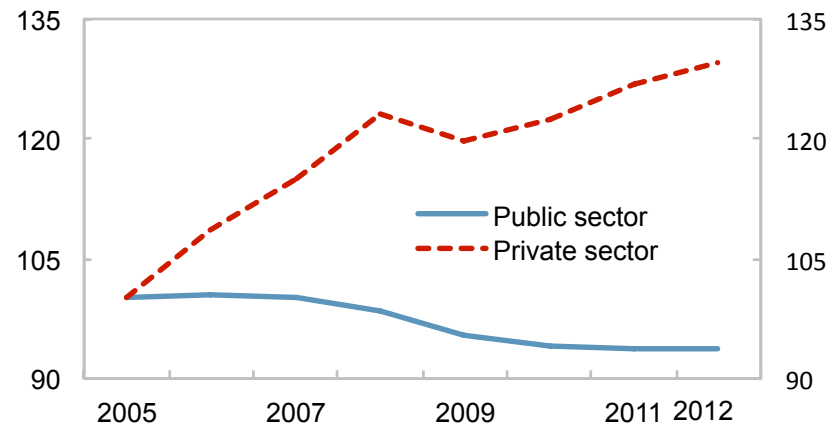
Banking Sector Assets (December 2010)



Labor Force Breakdown (Percent)



Labor Productivity Index (2005=100)



Whither growth?

Improving business climate

leverage comparative advantage

tax regime changes

strengthen property rights

distribution access

continue deregulation/promote diversification

reinvigorate privatization

OECD accession

“A new growth model”

Two roads diverged in the woods, and I—
I took the one less traveled by,
And that has made all the difference

Robert Frost, “The Road Not Taken”

