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Russia's GDP decline could hit 12.4% this year, economy ministry document shows

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(Reuters) -Russia expects the economy to contract by 8.8% in 2022 in its base case scenario, or by 12.4% under a more conservative scenario, an economy ministry document showed on Wednesday, **further evidence that sanctions pressure is taking its toll.**



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FILE PHOTO: A general view of the city skyline during sunset as the spread of the coronavirus disease (COVID-19) continues, in Moscow

The conservative forecast is in line with that of former finance minister Alexei Kudrin, who said earlier this month the economy was on track to contract by more than 10% this year **in its biggest decline in gross domestic product since 1994.**

The economy ministry expects Russia's economy to grow 1.3% in 2023, 4.6% in 2024 and 2.8% in 2025, the document showed. In the conservative scenario, the economy is seen contracting 1.1%.

The extent of the damage to the economy this year is unclear due to uncertainty regarding possible new sanctions and trade issues. The government is likely to revise forecasts several times this year.

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Inflation, which has already soared to 17.62% as of April 15, is seen accelerating to as high as 22.6% this year, the document showed, and remaining well above the central bank's 4% target in 2023.

The central bank hiked rates to 20% from 9.5% in late February in an emergency move that Governor Elvira Nabiullina said helped stabilise the rouble and overcome an inflation spike.

The bank's key rate was lowered to 17% on April 8 in another unscheduled move. Analysts polled by Reuters now expect rates to fall further, by 200 basis points to 15%, at the bank's next rate-setting meeting on Friday.

Capital investment is set to slump by 25.4-31.8% after growth of 7.7% in 2021, while real disposable incomes, a highly sensitive metric for Russia, especially with rising prices hitting living standards, could drop 9.7% in 2022, according to the ministry's conservative estimate.

The World Bank has forecast Russia's 2022 GDP output will fall by 11.2% due to Western sanctions imposed on Russia's banks, state-owned enterprises and other institutions.

(Reporting by Reuters; Editing by Alex Richardson and Angus MacSwan)

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