

THE FORECAST OF MAIN MACROECONOMIC INDICES – 2015–2016¹

S.Drobyshevsky, V.Petrenko, M.Turuntseva, M.Khromov

The economic development indicators in the Russian Federation over the first half-year of 2015 and the initial data on the movement of the main macroeconomic indices in July-August 2015 are such that they have necessitated a downward adjustment of the main macroeconomic indices plotted in the basic scenario. The scenario-based model relies on the forecast of the average annual price of oil. According to our estimations, this index for 2015 will be at the level of \$ 55 per barrel. We have presented three scenarios for 2016; our basic scenario in its core parameters is close to the scenario developed by the RF Ministry of Economic Development and assumes that the average annual price of oil will be at the level of \$ 55 per barrel. The other two scenarios – the pessimistic (price of oil – \$ 40 per barrel) and the optimistic one (\$ 70 per barrel) – represent, in our opinion, the ceiling and the floor of the probable range achievable under realistic scenarios.

The indices of the Russian economy's development over the first half-year of 2015 point to a continuing economic decline. As seen by the preliminary estimates for the first half-year of 2015 released by Rosstat, GDP shrank by 3.4%, industrial production – by 2.7%, and investment in fixed assets – by 5.4% respectively on the first half-year of 2014.

The decline of consumption was even more dramatic: retail turnover dropped by 8% on the same period of 2014. The decline of real income was more moderate: the real disposable household income shrank by 3.1%, but the average wage dropped by 8.5% in real terms. The Consumer Price Index for the first six months of 2015 rose to 108.5% on December 2014, or to 115.3% on June 2014.

The data for July point to the prevalence of negative trends. The August downfall of oil prices, followed by the ruble's significant weakening, made more intense the manifestations of the main problems plaguing the Russian economy.

The downward adjustment of part of the indicators for Q1 (in the main those pertaining to the balance of payments) by comparison with the expectations for the period from early June through the end of Q2 2015 also pushed down the main economic indices for 2015 (on the June forecast).

At the same time, in our scenario for 2015 we are still oriented to the average annual price of Urals crude oil at the level of \$ 55 per barrel. This index is plotted on the basis of the assumption that the average price of oil in Q4 will be at the level of \$ 45–50 per barrel, which appears to be realistic in the absence of new significant shocks in the world oil market. Thus, in particular, we estimate that the emergence, as early as

this year, of Iran as a fully-fledged supplier of oil in the world market is an unlikely event.

We are considering for 2016 three possible economic development scenarios, which differ in the predicted average annual price of oil. As the basic condition, the average price of Urals crude oil is plotted to stay at \$ 55 per barrel – both in 2015 and in 2016. We should like to emphasize: this assumption implies that the foreign trade conditions for the Russian economy are not going to demonstrate any drastic changes over the next two years. According to the pessimistic scenario, the average annual price of Urals crude oil will decline to \$ 40 per barrel in 2016, and according to the optimistic scenario it will rise to \$ 70 per barrel.

The ruble's average nominal exchange rate against the US dollar under the basic scenario is forecasted at the level of 61.2 in 2015 and 62.2 in 2016. The ruble's real effective exchange rate in 2015 is expected to decline by 7.8%, but then to rise in 2016 by 15.6%.

For the period of 2015–2016 we forecast growth of the national economy in nominal terms. However, the decline of GDP in real terms will amount to 3.2% in 2015 and to 1.6% in 2016.

We estimate that in 2015 the decline of investment in fixed assets will amount to 11%. We do not expect a revival of investment growth even under the optimistic scenario of economic development. For 2016, the estimated decline of investment in fixed assets may vary from 3.3% under the pessimistic scenario to 0.6% under the optimistic one. Under the basic scenario, the volume of investment will shrink by 2.4%.

The real money income of households will display a negative dynamics in 2015 – we predict its shrinkage by 53%. This negative trend will also persist in 2016 – we expect an additional drop of this index by another 2.4%. Under the pessimistic scenario, the fall of real income will be more impressive – by 3.7%. Meanwhile,

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even in the optimistic scenario it is not expected that in 2016 the population's income may start to grow in real terms; under this scenario, their estimated movement will amount to -0.1%. One of the factors responsible for the downward movement of the population's income in real terms will be the persistently high rates of inflation. The Consumer Price Index under the basic scenario will be 14% in 2015, and 7.7% in 2016.

The decline of household income will evidently push down the consumer demand for commodities and services. Retail turnover in real terms will shrink by 7.7% in 2015, and by 1.5% in 2016. Nevertheless, we estimate that under the optimistic scenario the consumption index may begin to climb – by 1.0%, which can occur due to stabilization in the lending market and the resumption of growth in consumer lending.

Exports in 2015 will shrink in dollar terms by 27.5% on 2014 – to \$ 408.8bn. The main input in the decline of exports will be made by the declining prices for oil and gas, with the resulting shrinkage of the value of exports of oil, gas and petroleum products: the oil and gas exports will drop by more than one-third on 2014. In 2016, the volume of exports will further shrink to \$ 97.9bn. The volume of imports in 2015 will decline by more than one-third – to \$ 272.3bn, due to the downward movement of the ruble's exchange rate against

major foreign currencies and the shrinkage of demand for imports, including both intermediate and final products. In 2016, in accordance with the basic scenario, the volume of imports will continue its downward movement (to \$ 260.4bn).

For the period of next two years we forecast a high level of interest rates on ruble-denominated loans, whose level will be noticeably higher than the inflation rate. So, for 2015 we forecast the nominal credit rate to be at the average level of 16.1% per annum (0.5% in real terms), and for 2016 – 14.4% per annum (3.8% in real terms). The constraints imposed by the high cost of borrowed funds will create an additional obstacle to the revival of investment activity throughout the economy. At the same time, as the annual inflation rate is expected to decline against the backdrop of the still shrinking GDP, we plot in our basic scenario that the key rate of the RF Central Bank will drop towards late 2015 to 10.0%, and towards late 2016 – to 6.5–7.0%.

The growth rate of money aggregates will be moderate, at a level below the inflation rate, which can be explained by the high cost of lending resources. The growth of money supply (M2) in 2015 will amount to 21.7%, and in 2016 – to 2.3%. The monetary base will increase by 3.1% in 2015 and by 5.5% in 2016.

Table 1

THE MAIN INDICES OF THE IEP MACROECONOMIC FORECAST FOR 2015–2016 (AS OF 21 SEPTEMBER 2015)

Pessimistic forecast (Urals: 2015=55, 2016=40)	2015				2016				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Index
	actual	actual	forecast	forecast	forecast	forecast	forecast	forecast	forecast
GDP									
bn Rb	16 565	17 491	19 423	21 040	17 612	18 430	20 843	20 622	77 508
physical volume index, in %, relative to same period of previous year	97.8	95.4	96.3	97.7	98.2	96.5	99.4	94.0	96.9
deflator	109.6	106.0	107.8	108.1	108.3	109.2	107.9	104.3	107.3
Investment in fixed assets									
physical volume index	91.2	90.9	89.0	87.0	90.6	94.1	97.8	100.2	96.7
Retail turnover									
in %, relative to same period of previous year	93.6	90.6	93.3	91.8	96.7	97.0	98.0	98.0	97.4
Real disposable money income									
in %, relative to same period of previous year	98.7	95.4	91.9	92.7	95.8	94.9	96.6	97.9	96.3
Exports									
bn USD	101.7	106.1	96.2	104.8	92.4	90.5	85.4	82.6	351.0
<i>Including</i>									
Exports of commodities	89.9	92.7	82.3	91.5	81.3	78.4	73.3	71.6	304.6
<i>Oil and gas exports</i>	54.3	55.6	44.8	51.8	46.2	39.8	33.4	29.8	149.3
<i>Other exports</i>	35.6	37.1	37.5	39.7	35.2	38.6	39.9	41.8	155.4
Exports of services	11.8	13.4	13.9	13.3	11.1	12.0	12.1	11.1	46.3
Imports									
bn USD	65.7	71.1	70.1	65.4	55.0	59.5	53.9	63.9	232.2
<i>Including</i>									
Imports of commodities	45.4	48.5	47.3	43.8	37.9	40.5	35.7	44.7	158.7
Imports of services	20.3	22.6	22.8	21.7	17.1	19.0	18.2	19.2	73.5
CPI									
in %, relative to previous period	107.4	101.0	101.9	103.1	104.5	102.3	100.6	101.5	109.2
Average interest rate on ruble-denominated loans over period, % per annum									
in real terms	1.5	0.8	-1.2	0.8	3.5	2.0	3.3	5.2	3.5
in nominal terms	18.6	16.2	14.5	15.0	14.8	14.7	14.7	14.9	14.8
USD-to-ruble exchange rate									
average nominal exchange rate, over period	62.2	52.6	63.1	66.8	66.6	68.5	70.3	73.0	69.6
Ruble's real effective exchange rate									
End of period, in %, relative to end of previous period	-10.8	20.3	-13.0	-1.3	3.8	-0.8	-2.0	-2.2	-1.2
Monetary base									

Pessimistic forecast (Urals: 2015=55, 2016=40)	2015						2016					
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year		
	actual	actual	forecast	forecast	forecast	forecast	forecast	forecast	forecast	forecast		
trillion Rb	9.7	9.7	10.3	11.7	11.7	10.3	10.4	10.8	12.1	12.1		
Money supply (M2)												
As of end of period, trillion Rb	31.6	32.5	34.8	39.1	39.1	36.8	36.3	37.9	39.8	39.8		
growth, in %, relative to previous period	-1.5	2.7	7.2	12.2	21.7	-5.8	-1.5	4.4	4.9	1.7		
Basic forecast (Urals: 2015=55, 2016=55)												
GDP												
bn Rb	16 565	17 491	19 423	21 040	74 519	17 770	19 014	21 786	22 103	80 673		
physical volume index, in %, relative to same period of previous year	97.8	95.4	96.3	97.7	96.8	98.3	97.9	100.7	96.7	98.4		
deflator	109.6	106.0	107.8	108.1	107.8	109.1	111.1	111.4	108.6	110.0		
Investment in fixed assets												
physical volume index	91.2	90.9	89.0	87.0	89.0	90.7	94.6	98.6	101.8	97.6		
Retail turnover												
in %, relative to same period of previous year	93.6	90.6	93.3	91.8	92.3	97.5	97.8	99.3	99.2	98.5		
Real disposable money income												
in %, relative to same period of previous year	98.7	95.4	91.9	92.7	94.7	96.0	95.7	98.2	100.6	97.6		
Exports												
bn USD	101.7	106.1	96.2	104.8	408.8	96.5	99.9	99.7	101.8	397.9		
<i>Including</i>												
Exports of commodities	89.9	92.7	82.3	91.5	356.3	85.1	87.2	86.6	89.3	348.2		
<i>Oil and gas exports</i>	54.3	55.6	44.8	51.8	206.5	50.0	48.7	46.8	47.7	193.2		
<i>Other exports</i>	35.6	37.1	37.5	39.7	149.9	35.1	38.5	39.8	41.6	155.0		
Exports of services	11.8	13.4	13.9	13.3	52.5	11.3	12.7	13.1	12.5	49.7		
Imports												
bn USD	65.7	71.1	70.1	65.4	272.3	55.7	63.7	63.5	77.5	260.4		
<i>Including</i>												
Imports of commodities	45.4	48.5	47.3	43.8	185.0	38.5	44.0	43.9	56.3	182.7		
Imports of services	20.3	22.6	22.8	21.7	87.4	17.2	19.6	19.6	21.2	77.7		
CPI												
in %, relative to previous period	107.4	101.0	101.9	103.1	114.0	104.4	102.1	100.2	100.9	107.7		
Average interest rate on ruble-denominated loans over period, % per annum												
real exchange rate	1.5	0.8	-1.2	0.8	0.5	3.4	2.1	3.7	6.1	3.8		

	2015								2016							
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	
	<i>actual</i>	<i>actual</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>
Basic forecast (Urals: 2015=55, 2016=55)																
nominal exchange rate	18.6	16.2	14.5	15.0	16.1	14.7	14.3	14.2	14.3	14.4	14.7	14.3	14.2	14.3	14.4	14.4
USD-to-ruble exchange rate																
average nominal exchange rate, over period	62.2	52.6	63.1	66.8	61.2	64.7	63.3	61.2	59.8	62.2	64.7	63.3	61.2	59.8	62.2	62.2
Ruble's real effective exchange rate																
End of period, in %, relative to end of previous period	-10.8	20.3	-13.0	-1.3	-7.8	6.4	3.3	2.7	2.4	15.6	6.4	3.3	2.7	2.4	15.6	15.6
Monetary base																
trillion Rb	9.7	9.7	10.3	11.7	11.7	10.3	10.4	10.8	12.1	12.1	10.3	10.4	10.8	12.1	12.1	12.1
Money supply (M2)																
As of end of period, trillion Rb	31.6	32.5	34.8	39.1	39.1	37.0	36.5	38.1	40.0	40.0	37.0	36.5	38.1	40.0	40.0	40.0
growth, in %, relative to previous period	-1.5	2.7	7.2	12.2	21.7	-5.4	-1.3	4.4	4.9	2.3	-5.4	-1.3	4.4	4.9	2.3	2.3
Optimistic forecast (Urals: 2015=55, 2016=70)																
GDP																
bn Rb	16 565	17 491	19 423	21 040	74 519	17 814	19 473	22 159	22 688	82 134	17 814	19 473	22 159	22 688	82 134	82 134
physical volume index, in %, relative to same period of previous year	97.8	95.4	96.3	97.7	96.8	99.6	101.4	101.7	98.5	100.3	99.6	101.4	101.7	98.5	100.3	100.3
deflator	109.6	106.0	107.8	108.1	107.8	107.9	109.8	112.1	109.4	109.9	107.9	109.8	112.1	109.4	109.9	109.9
Investment in fixed assets																
physical volume index	91.2	90.9	89.0	87.0	89.0	90.9	95.0	101.6	104.4	99.4	90.9	95.0	101.6	104.4	99.4	99.4
Retail turnover																
in %, relative to same period of previous year	93.6	90.6	93.3	91.8	92.3	99.8	100.1	101.9	102.2	101.0	99.8	100.1	101.9	102.2	101.0	101.0
Real disposable money income																
in %, relative to same period of previous year	98.7	95.4	91.9	92.7	94.7	96.8	97.4	100.9	104.5	99.9	96.8	97.4	100.9	104.5	99.9	99.9
Exports																
bn USD	101.7	106.1	96.2	104.8	408.8	97.4	107.4	114.6	126.1	445.5	97.4	107.4	114.6	126.1	445.5	445.5
<i>Including</i>																
Exports of commodities	89.9	92.7	82.3	91.5	356.3	85.1	93.1	99.1	110.5	387.8	85.1	93.1	99.1	110.5	387.8	387.8
<i>Oil and gas exports</i>	54.3	55.6	44.8	51.8	206.5	50.0	54.6	60.4	69.8	234.8	50.0	54.6	60.4	69.8	234.8	234.8
<i>Other exports</i>	35.6	37.1	37.5	39.7	149.9	35.1	38.5	38.7	40.7	153.1	35.1	38.5	38.7	40.7	153.1	153.1
Exports of services	11.8	13.4	13.9	13.3	52.5	12.3	14.3	15.4	15.5	57.7	12.3	14.3	15.4	15.5	57.7	57.7
Imports																
bn USD	65.7	71.1	70.1	65.4	272.3	58.3	66.5	72.8	86.5	284.2	58.3	66.5	72.8	86.5	284.2	284.2
<i>Including</i>																

Optimistic forecast (Urals: 2015=55, 2016=70)	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	actual	actual	forecast	forecast	forecast	forecast	forecast	forecast
Imports of commodities	45.4	48.5	47.3	43.8	38.0	46.6	51.8	64.0
Imports of services	20.3	22.6	22.8	21.7	20.3	20.0	21.0	22.5
CPI								
in %, relative to previous period	107.4	101.0	101.9	103.1	104.5	102.1	100.0	100.7
Average interest rate on ruble-denominated loans over period, % per annum								
real exchange rate	1.5	0.8	-1.2	0.8	3.3	1.8	3.3	5.7
nominal exchange rate	18.6	16.2	14.5	15.0	14.7	14.1	13.7	13.6
USD-to-ruble exchange rate								
average nominal exchange rate, over period	62.2	52.6	63.1	66.8	64.7	62.3	57.4	53.8
Ruble's real effective exchange rate								
End of period, in %, relative to end of previous period	-10.8	20.3	-13.0	-1.3	6.4	4.7	6.8	6.0
Monetary base								
trillion Rb	9.7	9.7	10.3	11.7	10.4	10.6	11.0	12.3
Money supply (M2)								
As of end of period, trillion Rb	31.6	32.5	34.8	39.1	37.3	37.3	39.3	41.6
growth, in %, relative to previous period	-1.5	2.7	7.2	12.2	-4.5	0.0	5.2	5.8
								6.3