

The long-term forecast of development of the Russian economy 2007-2030

In 2007 a number of works on long-term development of the Russian economy were published. So much interest in this problem has several reasons. First of all, it was requested by the President and the Prime minister. Moreover, during the last eight years the Russian economy has grown steadily. Business and the population have, for the first time in the last fifteen years, confidence in economic and political stability. Besides 2006 was remarkable in that the Russian economy then regained the level of 1990 in the prices of 2000. The problem of regenerative growth was solved, and it was necessary to define a strategy of development for the future.

Our institute has developed its own forecast of development of the Russian economy for the period up to 2030. Unlike other works on the subject, we used an integrated system of long-term forecasting models based on interindustry calculations.

I would like to [give](#) more details on how our calculations were carried out. First of all, you can see the general scheme of macroeconomic interactions in our models. We have tried to reproduce the basic interactions in a market economy. A basis of calculations is interaction of the prices, incomes, outputs, resource restrictions and investments. The basic exogenous variables in our models are variables of economic policy and development of the world economy.

As the long-term forecast assumes resolutions of a lot of problems, we used in our calculations not one model but a whole system of models. At the base of the calculations lay two models. The first was the macroeconomic model QUMMIR (in the G7 environment), and the second was the interindustry model CONTO (created in Excel and G7). On the basis of the macroeconomic scenario developed with these two models we obtained a forecast of the macroeconomic indicators. Thus, the interindustry model has plenty of exogenous variables and relationships found with the macroeconomic QUMMIR model.

Then, depending on the research [task, there can be included in calculations](#) a model of transport and communication infrastructure or a model of energy balance, or both. Use of all models of the national (Federal) level allows calculation of all necessary macroeconomic and industry-level variables.

Russia, of course, has a huge territory. Therefore questions of territorial development are of great importance. In our system of models, there are two level of geographic subdivision.

At the lowest level there are the traditional 89 regions (oblasts). These are then grouped into seven Federal districts. At a first level of calculation, variables for Federal districts are formed; then (at the second level), for separate regions. At the present stage of development, regional macroeconomic variables (including interindustry balances for Federal districts) and variables of energy balances of some regions are available.

Now we shall pass directly to the forecasts. The achievements of the Russian economy during the eight years are impressive: growth of GDP, 68 %; of industrial production , 73 %; and fixed investment, 123 %.

The basic problem of economy of Russia is that in 2006 we only have come near the level reached in 1990. But during these 15 years, the world economy did not stand still. A serious gap opened between Russia and the most developed countries of the world. This gap is one of the main challenges to the Russian economy. Elimination of this gap is one of the major problems facing our country over a long-term future.

Analysis of the structure of growth shows that exports accounted for about 4 of the 7 percentage points of growth of GDP in 2002-2004. But in 2005, the contribution of exports to economic growth considerably decreased. Decrease in the role of exports in economic growth in 2005-2006 has been partly compensated by an increase in the contribution of consumer and investment demand.

With this analysis, we have come to the conclusion that the basic trends defining the dynamics of GDP tend to decrease. First of all, growth in the oil and gas sector of more than 2-3 % a year is impossible. Household consumption is based on high incomes from exports and on expansion of consumer credit. These factors will also slow down. Growth of household income is closely connected with growth of import of the consumer goods. The share of investment in GDP is stably kept at a level of 18 that is normal for the developed countries, but in the Russian conditions is inadequate for economic growth.

On the other hand, all forecasts of last years concerning the Russian economy did not come true. The economy constantly showed higher rates of GDP, industrial production, smaller inflation, than was expected by the government and experts.

In our opinion, the principal cause of these mistakes in forecasting was that during the last 15 years the economy of Russia completely adapted to new market conditions and necessary market institutes were created.

From the dynamics of internal demand it is possible to conclude that Russia not only wishes but also can grow at a rate in 8-10 % a year for a long period. In this connection it is necessary to define a possible range of trajectories of development of the Russian economy. The given problem has been solved with use macroeconomic and interindustry models.

First of all, we should define the highest possible rates of growth. Our calculations show that the major factor influencing prospects of growth is investment. In figure 7 it can be seen that with investment rising to a level of GDP of 25 % by 2030, it is not possible to avoid decreasing rates of growth of GDP. On the following figure (8), it can be seen that with investment rising to 30-35 % of GDP, rates of growth can be maintained at 7-8 % per year for a long time.

Following stage of our calculations became the factorial analysis. It was made on the basis of calculations on macroeconomic model QUMMIR. Total influence from decrease in raw export, change of the prices in the world markets, growth of housing and infrastructural construction, growth of wages in industrial sector, decrease in imports, growth of not raw export and growth of the government consumption can make an increase in 1,6 percentage points to current dynamics of GDP. At current dynamics in 7.4 % it is possible to speak about greatest possible dynamics in 9 %. It is the top border of the forecast.

Calculations under the negative scenario give average rates of growth of GDP in 4,4 %. It is the bottom border of our forecast.

By means of interindustry model CONTO we have received final forecasts under two variants: investment and inertial. We have named our top variant "Investment" because we consider, that investment activity a key to the decision of problems facing to Russia.

On the following picture it is possible to see comparison of hypothetical rates of growth of the Russia in Soviet economy (without crisis of 90-s), investment and inertial variants. It is possible to note, that at realization of the inertial scenario it is impossible to reach even rather modest rates of development of soviet economy. The innovative variant allows surpassing opportunities of scheduled Soviet economy essentially.

Now we shall look at macroeconomic results of the forecast. It is possible to see; in investment variant average rates of GDP come nearer to 8 %. It is result of high investment activity (average rate about 10 %). Growth of investments becomes possible to redistribution of a part of resources from the state and the population to business. The increase in investments leads to the general growth of competitiveness of industry. In these conditions is possible to lower import. Growing competitiveness of industry should become a basis of growth of a share of not raw export. The basic

consumers of industrial goods from Russia in this case can become the former republics USSR, the developing countries, and new members of EU.

The greatest rates of growth are observed in construction and machinery. Structural changes in economy are characterized by growth of a share of machinery and construction, sector of services, reduction of a share of sectors of a fuel industry and metallurgy.

In an inertial variant average rates of growth of GDP make 5,5 %. Rates of growth of import advance rates of growth of GDP. Rather low volumes of investment do not allow reaching a necessary level of competitiveness of economy.

The presented results it only a first step to the complex forecast of development of Russian economy. The basic problems are connected with transition from macroeconomic variables to variables of development in concrete sectors and from technologies in industry to macroeconomic dynamics. In this connection we continue to improve our system of models and we assign special hopes for new edition of our model RIM.

