IMF warns of higher inflation, slower GDP growth in Russia

MOSCOW, Feb. 20 (Xinhua) -- Inflation in Russia in 2013 and 2014 would exceed government targets and the current growth model had exhausted itself, the International Monetary Fund (IMF) said Wednesday.According to an IMF report titled "Economic Outlook and Policy Challenges for Russia" and obtained by Xinhua, inflation in Russia will exceed the central bank's target of 5.6 percent for 2013 and 4-5 percent for 2014."For both years, we expect an inflation rate of 6 percent if the policy of the central bank does not change," the report said.This was still lower than the IMF's previous forecast of 6.3 percent, Odd Per Brekk, IMF's senior representative in Moscow, said.Brekk added that the Russian Central Bank would only be able to reach its target corridor if it tightened its monetary policy.The report also said the growth model adopted by the Russian government had exhausted its potential and could not ensure the 5-5.5 percent GDP growth it had enjoyed before the global financial crisis.This growth was supported by high oil prices, which had direct and substantial effects both on exports and government revenue, but now Russia faced a shortage of production capacity, Brekk said.In order to maintain an annual grow rate above 6 percent, the government needed to boost investment in production, he said.The IMF forecasts Russia's GDP to grow by 3.75 percent in 2013.