

Changes in the Russian Economy Structure and Productivity: a Role of Inter-branch Competition

Topic: CGE and econometric input-output modeling 3

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This Study covers issues of the developing of Dynamic Input-Output Models with assuming of macroeconomic constraints and inter-branch relations on aggregated markets.

The Russian Economy in 2000-2011 came through the period of considerable decreasing of its relative productivity and increasing shares of raw-materials and service sectors in its output (well-known Dutch Disease Problem).

To provide better understanding how changes in economic conditions affect on the Russian economy structure and productivity We combine CGE and I-O approaches. Including CGE in Dynamic I-O Model allows us to assume market relations in the modeling of the Russian Economy. With this purpose we've estimated branches' outputs elasticities. Real wages, real interest rates and real exchange rates are considered as variables in the Model. To include inter-branch relations on aggregated markets we've built currency and money markets in the Model.

Results of calculations and Theory of inter-branch competition help us to develop a scheme of Dutch Disease and find out why there is no reverse of Dutch Disease in the Russian Economy in case of Oil price decreasing.

Based on the general equilibrium approach we make a forecast of the Russian Economy Development. According the results of this Forecast the Russian Economy would not able to provide high growth rates without succeeding in structural and institutional reforms. For example, even if Urals oil price will grow to 150 USD per barrel in near future, Russia would not have more than 3,8% annual growth rate of GDP according to the Model.