MACROECONOMIC EFFECTS OF THE TRANSITION TO INFLATION TARGETING IN THE RUSSIAN ECONOMY

Topic: CGE and econometric input-output modeling III
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In the last years, Russian economy has clearly delineated its Achilles' heel – raw-export model of economic growth almost completely exhausted its potential. But an effective alternative model supposed to come instead has not developed yet. As a result, despite on high oil prices on world markets and accelerating economic growth in developed countries, Russian economy has recently experienced a significant slowdown of growth rates in 2012-2013. The paper discusses the reasons for the slowdown of the Russian economy and the prospects for its further development, taking into account prevailing macroeconomic constraints and priorities of the state policy. One of the key reason, in our opinion, is the strengthening of monetary policy of Russian Central Bank and its re-orientation on inflation suppression instead currency regulation and economic growth support. Now the main goal of Russian Central Bank is to suppress annual inflation rates from 8.4% in 2011 to 4.0% in 2015. It raises a question about appropiate assessment of the macroeconomic effects of this policy.

For this purpose the study concerns with methodological issues of assessment of macroeconomic effects of change in monetary policy targets. Based on Clopper Almon and Leaf Johansen approaches a General Equilibrium Input-Output Model with aggregated monetary and currency markets has developed and estimated for the Russian Economy and used for the assessment of the effects of transition to inflation targeting in the Russian Economy. The model has an input-output coefficients to assume inter-branch links and econometrically estimated sectors’ output elasticities with real interest rate, real wage and real exchange rate of national currency to assume links existing between aggregated markets.

According to the results of calculations the transition to inflation targeting in Russia would considerably and amplifying slow down annual growth rates of the Russian GDP approximately for 1.1% in 2013-2015. It would cause the Russian GDP losses from this policy to grow from 0.9% in 2013 to 4.0% in 2015. Machinery and construction as well as capital investments have the most negative impact from the tightening of credit conditions.

Obtained results substantiate the inconsistency of the existing model of macroeconomic policy in Russia: monetary-oriented suppression of inflation, and structural policies aimed at modernizing and stimulating innovation. So particular attention is paid in the article to the development of effective policy that ensures formation of transition to a new model of economic growth based on economic modernization and innovation.

Bibliography
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2. Leif Johansen, A Multi-Sectoral Study of Economic Growth, 2nd enlarged edition, Amsterdam, North Holland Publishing Company, 1974.

* The study is supported by Russian Fund of Humanities in framework of scientific project ("Influence of Macroeconomic Policy with Monetary and Currency Restrictions on Dynamics and Structure of a Raw-Export Oriented National Economy with Imperfect Markets"), project №14-02-00359.