

Putin's promises slide out of view as economy slows



• **President Putin's image as the guarantor of better living standards is under threat** Peter Dejong/Reuters
Ben Hoyle Moscow Correspondent
Published at 12:01AM, June 11 2013

For 13 years most Russians have backed Vladimir Putin because he made them richer than ever before, even if he squeezed their freedoms.

But now, a year into his third term as President, his image as the guarantor of better living standards is under threat from an economy that is sliding rapidly out of his control, raising far more searching questions about his long-term leadership than his surprise divorce announcement last week.

Yesterday Mr Putin confirmed that Russia's economic growth this year will slip to half that initially forecast by the government and that it lags behind the world growth forecast.

For the second time in two months Mr Putin then publicly berated his cabinet over their failure to deliver on his own electoral promises of increased social spending, urging them to do whatever it takes to reverse the economy's slowdown.

He mentioned the falling price of oil, for which he cannot be blamed and avoided frequently-cited reasons for the slowdown such as ingrained corruption, rising state interference and the collapsing belief in the rule of law.

Instead Mr Putin focused on the numbers. He said that Russia's growth this year will slow to 2.4 per cent, well below a forecast that had already been revised down to 3.6 per cent. The government originally estimated a 2013 growth rate of 5 per cent, far short of almost 9 per cent rate that earned Russia membership of the BRIC group earlier in Mr Putin's tenure.

Mr Putin said: "This is lower than the range necessary for sustainable development, for resolving social and other problems ... and second, this is lower than the IMF world growth forecast of 3.3 per cent. The Russian economy must grow faster than the global economy if we want to narrow the gap with economic leaders."

Last month Andrei Klepach, the Deputy Economy Minister, said that Russia's slowing growth rate is a trajectory that "amounts to failure".

Dmitry Medvedev, the Prime Minister, said last month that "we must change the structure of our economy". He added: "In the past 13 to 14 years we just did not have enough time to do it."

Mr Putin, 60, has faced economic difficulties before. In the global crisis of 2008-09, when Mr Medvedev was President and Mr Putin was Prime Minister, Russian GDP contracted by 8 per cent and the government had to inject tens of billions of dollars into its banks to fend off total collapse.

This time Mr Putin has nobody to ultimately blame and fewer remedies at his disposal.

Mr Putin returned to power in May last year with a populist manifesto that many experts think is unaffordable and an introspective, conservative domestic agenda which has done nothing to halt Russia's brain drain. An independent survey last week revealed that 45 per cent of students and 38 per cent of businessmen want to leave.

He has allowed Mr Medvedev, who represented the liberal economist faction in government, to become a national laughing stock. He has committed Russia to staging a series of harrowingly expensive sporting events, notably [the Sochi Winter Olympics](#) next year, for which the official budget is already almost four times the cost of the London Olympics and the 2018 football World Cup.

Gazprom, Russia's biggest company, is a quarter of the size it was five years ago and struggling. Bloomberg ran an article by a senior fellow at the influential Peterson Institute for International Economics under the headline "Gazprom's Demise Could Topple Putin". "Where Gazprom goes," Anders Aslund argued, "so does Russia and the Putin government."

Demand for Russian exports is waning, with the emergence of US shale gas a particular headache for the Kremlin, and the price of oil has dropped.

Inflation has unexpectedly accelerated to 7.4 per cent, leading the central bank to yesterday keep interest rates at 8.25 per cent for the ninth month running.

Maria Lipman, an expert in Russian domestic politics at the Carnegie Moscow Centre, said: “[Mr Putin’s] claim to fame is that living standards have grown to a level where they have never been in Russia’s history. He created these expectations but now he’s finding it harder and harder to satisfy them.”