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## News conference of Vladimir Putin

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**PRESIDENT OF RUSSIA**

**VLADIMIR PUTIN:** Good afternoon, colleagues.

I am very happy to see you in high spirits. As we did last time, I will begin by briefing you on the work done during the year and then I will try to answer your questions.

First the most important thing: the economic performance. In the first 10 months of this year, the gross domestic product grew by 0.7 percent, and the final figure may be around 0.6 percent. My colleagues and I met yesterday to finalise the figures. The trade surplus grew by \$13.3 billion to reach \$148.4 billion.

Industrial production picked up some speed after last year's lull. In the first 10 months of the year, it went up by 1.7 percent. Unemployment is also low: at times, it dropped to below 5 percent, and now it is around 5 percent, possibly 5.1 percent.

The agroindustrial complex is developing. I believe that by the end of the year growth there will amount to 3.3 percent. As you may know, this year we had a record crop of 104 million tonnes.

Despite the turbulent situation on the financial market, the federal budget this year will show a surplus. In other words, revenue will exceed expenses by 1.2 trillion rubles [over \$20 billion], which is about 1.9 percent of the GDP. The Finance Ministry is still working on the final calculations, but the surplus is definite.

The main achievement of the year in the social sphere is of course the positive demographics.

Natural population growth in the first 10 months of the year was 37,100 people. The death rate is going down in this country, while the birth rate is increasing. This is a very good trend and we must make every effort to maintain it. As promised, we continued adjusting the maternity capital. In 2014 it amounted to 429,408.5 rubles.

We have met and exceeded the targets set for this year for salary rates for ten workforce categories. I am

sure you know what I am talking about. First of all, these are teachers at schools and institutions providing supplementary education, counsellors, university faculty members, medical doctors, paramedics and nurses, and employees of cultural institutions. In 2014, we adjusted pensions to inflation twice: by 6.5 percent on February 1 and by an additional 1.7 percent on April 1.

We gave significant attention this year to enhancing the combat capability and efficiency of the Armed Forces. I will not go into detail here. I would only like to mention the social sphere. In 2014, 11,700 Defence Ministry servicemen received permanent housing and 15,300 received service housing. This is 100 percent of the year's target figures.

These are the numbers I wanted to begin with. Now a few words regarding the current situation. I believe we all know that the main issue of concern to this country's citizens is the state of the economy, the national currency and how all this could influence developments in the social sphere. I will try to briefly describe this situation and say how I expect it to develop. Basically, that is where we could end this news conference. *(Laughter)* However, if you have any further questions I will try to answer them.

The current situation was obviously provoked primarily by external factors. However, we proceed from the view that we have failed to achieve many of the things that were planned and that needed to be done to diversify the economy over the past 20 years. This was not easy, if at all possible, given the foreign economic situation, which was favourable in the sense that businesses were investing into areas that guaranteed maximum and fast profits. This mechanism is not easy to change.

Now, as you may know, the situation has changed under the influence of certain foreign economic factors, primarily the price of energy resources, of oil and consequently of gas as well. I believe the Government and the Central Bank are taking appropriate measures in this situation. We could question the timeliness or the quality of the measures taken by the Government and the Central Bank, but generally, they are acting adequately and moving in the right direction.

I hope that yesterday's and today's drop in the foreign currency exchange rate and growth of our national currency, the ruble, will continue. Is this possible? It is. Could oil prices continue falling and would this influence our national currency and consequently all the other economic indexes, including inflation? Yes, this is possible.

What do we intend to do about this? We intend to use the measures we applied, and rather successfully, back in 2008. In this case, we will need to focus on assistance to those people who really need it and on retaining – this is something I would like to highlight – retaining all our social targets and plans. This primarily concerns pensions and public sector salaries, and so forth.

Clearly, we would have to adjust our plans in case of any unfavourable developments. We would certainly be forced to make some cuts. However, it is equally certain – and I would like to stress this – that there will be what experts call a positive rebound. Further growth and a resolution of this situation are inevitable for at least two reasons. One is that the global economy will continue to grow, the rates may be lower, but the positive trend is sure to continue. The economy will grow, and our economy will come out of this situation.

How long will this take? In a worst-case scenario, I believe it would take a couple of years. I repeat: after that, growth is inevitable, due to a changing foreign economic situation among other things. A growing world economy will require additional energy resources. However, by that time I have no doubt that we will be able to do a great deal to diversify our economy, because life itself will force us to do it. There is no other way we could function.

Therefore, overall, I repeat, we will undoubtedly comply with all our social commitments using the existing reserves. Fortunately, this year they have even grown.

I would like to remind you that Central Bank reserves amount to \$419 billion. The Central Bank does not intend to 'burn' them all senselessly, which is right. The Government reserve, the National Wealth Fund, the Reserve Fund have grown this year by about 2.4-2.5 trillion rubles to a total 8.4 trillion rubles. With these reserves I am certain we can work calmly to resolve our main social issues and to diversify the

**economy**; and I will repeat that inevitably the situation will return to normal.

I would like to end my introductory remarks here. As I have said, we could end the whole news conference here, but if you do have any questions, I am ready to answer them.

**PRESIDENTIAL PRESS-SECRETARY DMIRTY PESKOV:** This year I would like to begin with those who have been working with the President throughout the year – the Kremlin press pool. First I would like to give the floor to the dean of the Kremlin press pool Vyacheslav Terekhov, who has been working with Mr Putin for many years and who travels to all the remote parts of the world and all the cities and towns of this country. Mr Terekhov, please.

**VLADIMIR PUTIN:** This is what they call nepotism.

**VYACHESLAV TEREKHOV, INTERFAX:** But I've got an interesting job.

There is something I would like to clarify, Mr President. Judging by the situation in the country, we are in the midst of a deep currency crisis, one that even Central Bank employees say they could not have foreseen in their worst nightmares.

Do you believe that things will get better in two years, as you mentioned, and we will recover from this financial and economic crisis? Criticism was piled on the Government and the Central Bank for the ruble's Black Monday and Tuesday. Do you agree with this criticism?

Thank you.

**VLADIMIR PUTIN:** I said that given the most unfavourable foreign economic situation this could last (approximately, because no one can say for certain) for about two years. However, it may not last that long and the situation could take a turn for the better sooner. It could improve in the first or second quarter of next year, by the middle of next year, or by its end.

Nobody can tell. There are many uncertain factors. Therefore, you could call it a crisis or something else, you can decide which word to use. However, I believe I made it quite clear that the Central Bank and the Government are generally taking appropriate measures in this situation. I believe some things could have been done sooner, and this is actually what the expert community are criticising them for.

What does the job involve, in my view? And what are the Central Bank and the Government actually doing? First, as you may know, they raised the key interest rate. I hope the rate will remain for the duration of these complicated developments connected with the foreign economic situation, and the economy will adjust one way or another.

What is the basis for my optimism? The idea that the economy is bound to adjust to life and work in conditions of low prices on energy resources. This will become a fact of life.

How soon will the economy adapt if the prices remain at the current level or even go below 60 [USD/barrel], 40, or whatever? For us it could be any figure, the economy would simply have to get structured. How fast will this happen? This is hard to say. But it is inevitable. I would like to highlight this. This will be a fact of life.

What is the Central Bank doing? They have raised the key interest rate. What else do they need to do? And what are they already doing? To stabilise the national currency they need to somewhat limit ruble liquidity and give economic entities access to foreign currency liquidity. This is exactly what the Bank is doing. Their foreign currency interest rate is quite low – 0.5.

Overall, I think it is up to the Central Bank to decide whether to reduce the interest rate or not, they should see and react accordingly. They should not hand out our gold and foreign currency reserves or burn them on the market, but provide lending resources. And they are doing this as well.

The so-called repo is a well-known instrument here. They can be offered for a day, a week, 28 days, almost a month, or for a year. This is money that is returned, but it gives economic entities the opportunity to make use of the foreign currency. Everything is being done right.

They should probably move at least half a pace faster. Of course, I see the criticism levelled at the Central Bank and its Governor. Some of it is justified, some is not. The Government should also bear responsibility. They should work with exporters who have sufficiently high foreign currency revenues.

The Prime Minister met with heads of our major companies and we can see some results. Many of them have to return their loans and think of the condition their companies are in.

Every company, just like every individual, tries to save 'for a rainy day'. Is such behaviour economically justified? In terms of economic logic, it is not. Nevertheless, companies do it, and we now see a certain result, the 'rebound' is happening.

The Government should be taking other measures as well. What do I mean? For instance, combatting inflation is of course the Central Bank's job. However, there are things that we have mentioned already, things I spoke of in public during our meetings with the Government.

For instance, the prices of petrol and food are something they should work on. Moreover, the current situation, whatever anyone says, requires a 'hands on' approach. They have to meet with producers, those who are on the market, with retailers and with the oil companies that have significantly monopolised the market. The Federal Antimonopoly Service should function properly.

These actions have to be joint and reasonable, though without any violation of the individual competence of, say, the Central Bank or the Government. Nevertheless, they should coordinate their actions, and do so in a timely fashion.

Therefore, they can criticise Nabiullina [Central Bank Governor] all they like, but one should bear in mind that overall their policy is right. The Central Bank is not the only one responsible for the economic situation in the country.

*To be continued.*

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