

Dutch disease in Russia

Robert Havelka

Abstract

Dutch Disease offers formal explanation to the so-called “Resource curse”. Detection of Dutch Disease is divided into individual symptoms. We study the case of Russia, i.e. country which possesses significant reserves of natural resources. Long-term relationship between oil price and Russian real exchange rate was not established (1st symptom), but we find evidence of growth and fall of overall wage level in Russia as predicted by Dutch Disease (2nd symptom). We have been able to find statistically significant long-term relationship between Russian GDP, oil price and crude oil export volumes (3rd symptom). Oil price is found to have positive impact on the output of manufacturing sector, which implies Russian economy is to even larger extent vulnerable to oil price shocks. Last link is in direct contradiction with predictions of our model, but it is likely the result of Russian manufacturing sector not being entirely “non-oil”, or that some manufacturing sub-sectors are not producing tradable goods.

JEL Classification F30, P28, Q30

Keywords Dutch disease, Russia, exchange rate

Author’s e-mail robberthz.cz@gmail.com

Supervisor’s e-mail roman.horvath@gmail.com