

Retail Sales Up During Hot July

By [The Moscow Times](#)

August 18, 2010

The  Moscow Times

Companies slashed investment and put building projects on hold in the face of a record heat wave in July, but retail sales growth accelerated despite toxic smoke in Moscow, data showed Wednesday.

Consumer prices rose 0.2 percent for the second week in a row, as people continued to stock up on cereals and flour in the face of a drought that has killed about a quarter of Russia's grain crop, according to a separate release.

As well as pushing up inflation, analysts expect that the heat wave could cut up to 1 percentage point off economic growth this year as drought hits agriculture, while the heat and smoke from wildfires temporarily discourage companies from producing and consumers from shopping.

Wednesday's data showed that housing completions fell by a quarter year on year in July and by 39 percent month on month, while capital investment fell by more than 10 percent, disappointing analysts' expectations for continued solid growth.

Those numbers followed an unexpectedly weak industrial production figure earlier this week.

Consumers, though, appear to be shrugging off the heat and smoke, possibly enticed by the raft of newly built air-conditioned shopping centers.

Retail sales rose a bigger-than-expected 6.6 percent year on year — their best showing since November 2008 — and were up 3 percent from June.

"There is a slowdown in investment. For now, consumers are not feeling too bad, but they will suffer in the future as inflation rises," said Natalya Orlova, chief economist at Alfa Bank.

She added that government-sponsored programs to rebuild houses damaged by wildfires should stem the sharp slowdown in construction.

The sales increase may also have in part been driven by people stocking up on dry goods in expectation of a surge in prices. Sales of salt and sugar posted double-digit growth from the previous month, while flour, cereals and pasta also rose.

Analysts expect the heat and drought to knock back growth by up to a percentage point this year, but it is not expected to halt Russia's recovery from its worst recession in 15 years, and there was little in the data to contradict that.

Unemployment edged up to 7 percent, but still posted its second-best reading in the past 20 months.

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