

Prices Rising Faster Than Wages in Moscow

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While Moscow is getting more expensive to live in, the world's costliest cities are Oslo, Zurich and Geneva, according to the UBS report "Prices and Earnings — 2011" conducted in 73 cities.

A year ago, Copenhagen was in third place. The leaders in terms of salaries are the same as last year's — Zurich, Geneva and Copenhagen, with the latter dropping from first place to third.

The cost of living in Moscow increased. Judging by the level of its prices, the capital rose 14 spots to 42nd place; judging by wages and purchasing power, it retained its former positions: 41st and 27th.

Moscow has always been an exceptionally expensive city, observed Michael Harms from the Russian-German Chamber of Commerce. The resumption of lending following the crisis has encouraged the cost of consumer goods to rise, said Yevgeny Gavrilentov from Troika Dialog. Yet another factor behind the rise in prices is last year's drought, said Valery Mironov

from the Higher School of Economics' Center for Development. Last year, inflation stood at 8.8 percent; from the beginning of 2011 through Aug. 8, it was 5 percent.

The statistics for Moscow differ markedly from other world cities due to intense concentration of capital, monopolism and high levels of corruption, Mironov said. "In any other European city, a jump in food prices comparable to that in Moscow would not occur. Thanks to the market, prices would level off."

The rules of profit on the Russian market justify the rising prices, Harms said. "Foreign business owners are increasing production in Russia, and the business activity is stimulating a rise in prices." According to Central Bank data, foreign direct investment shrunk last year to \$35.7 billion from \$36.5 billion in 2009; in 2008, FDI amounted to \$75 billion.

If Moscow remains the engine of the Russian economy, Mironov is certain that the disparity in prices and incomes will increase. "The level of incomes will continue to lag behind [that of prices] due to the proportion of Muscovites who live on modest earnings and don't engage in business."

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