

# Citibank Favors Sales In Russia

By [The Moscow Times](#)

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Investors should buy European stocks with sales in Russia as the oil-producing nation's economic growth will outperform the debt-stricken euro region's, according to Citigroup.

"The point is that Russia has growth while Europe is facing stagnation," Kingsmill Bond, chief strategist at Citigroup in Moscow, said in a phone interview today. "A lot of the growth that European companies will generate will be from their Russian operations."

Citigroup recommends stocks including Danone, the French yogurt maker, Carlsberg, the Copenhagen-based largest brewer in Russia, and Sweden's Oriflame Cosmetics, analysts said in an e-mailed research note today titled "Russia — Potential Savior of Europe."

Russia's economy may grow as much as 4 percent this year, more than previously estimated, as investment and retail sales outpace forecasts, Economy Minister Andrei Belousov said on June 21. The nation has the highest level of estimated economic growth and the lowest levels of household, government and corporate debt compared with major European countries, according to Citigroup's report.

"Europe is burdened by very significant levels of debt, while Russia has much lower debt levels and is not burdened by de-leveraging," Bond said.

Russia had a 0.8 percent budget surplus last year and the nation's unemployment rate fell to the lowest level in at least 13 years last month. The economy grew 4.8 percent in the first quarter, the fastest pace since the three months ended September 2011. Retail sales grew 6.8 percent from a year earlier in May as consumers have been bolstered by slower inflation.

Russia-based companies' share performances are closely correlated with the oil price and are prone to a "weak" legal environment, according to the report.

European executives ensure "better corporate governance," while Russian operations give access to rapid economic growth, Bond said.

"You're likely to tap better corporate governance, if the stocks can be controlled by the market rather than an individual, it's likely that more interest will be paid to minority shareholders," Bond said.

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