

# Retail Slowdown Adds to Economic Growth Fears

By [The Moscow Times](#)

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Evidence is mounting that Russia's economy is losing momentum, with both consumption and investment growth falling well short of expectations in February.

The disappointing data increases the likelihood that the Central Bank, which has so far been resisting cuts in interest rates, will soon soften its position.

Retail sales rose 2.5 percent in February, year on year, after a 3.5 percent rise in the previous month, the Federal Statistics Service said Wednesday.

Surveyed analysts had forecast a rise of 3.3 percent.

Household consumption has been the main recent driver of Russia's economy. But, consumption growth has slowed sharply since the first half of last year, when retail sales were rising in the high single digits.

"It's very bad," said Natalia Orlova, chief economist at Alfa Bank. "The main disappointment is the slow growth in retail sales as this has been the driver of the economy."

"The cost of borrowing is too high and ... [this] results in limited household ability to consume," she added.

Growth in capital investment by companies was also lackluster, rising 0.3 percent in February, below analysts' forecasts of a 2.3 percent rise.

Earlier this week, official statistics showed industrial production continued to fall in February.

But, Alexander Morozov, chief Russia economist at HSBC, said the string of poor February data was a statistical quirk that resulted from last year's extra day in February.

"The numbers are very much biased by the negative calendar effect," he said. "We still think we are talking about economic growth stabilizing in the low single digits, rather than any stagnation of the economy."

The State Statistics Service data showed unemployment declined in February to 5.8 percent, slightly below forecast.

Growth in wages was also strong, with a 12.6 percent increase in nominal wages and a 5.0 percent rise in real wages.

"What is good is that unemployment has started seasonally improving and is actually better than expected. It shows that companies do not see lack of demand," Morozov said.

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