

Sales Leap at Russian Budget Food Chain Lenta as Poorer Russians Hunt Savings

By [The Moscow Times](#)

April 23, 2015



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Russian budget hypermarket chain Lenta said Thursday its revenues rose 37.7 percent year-on-year in the first quarter of 2015 to 54.5 billion rubles (\$1.07 billion) as Russia's economic crisis pushed thrifty Russians toward cheaper stores.

Budget food retailers are enjoying boom sales as inflation, which hit a 13-year high of 16.9 percent in March, erodes real incomes amid a sharp economic slowdown.

But Lenta CEO Jan Dunning cautioned that even lower-priced supermarkets could soon be hit by reduced consumer spending, telling news agency Reuters that the St. Petersburg-based chain would have to fight for a strong second quarter in expectation of a downturn in non-

food buying.

"It's mainly tough for consumers, they are very price sensitive ... we see that non-food, which in the second quarter is normally strong, is having difficulties," Dunning was quoted as saying.

Nearly half of Russians polled by consumer behavior research firm Nielsen for a report published last week said they had slashed spending on food and other basic consumer items by almost one-quarter over the last three months.

Lenta's like-for-like sales, a measure used to exclude the effect of store expansions on revenues, rose 15 percent in the first quarter, the company said. Lenta opened four new supermarkets in the first three months of this year, part of plans to build at least 25 new hypermarkets and 10 to 15 supermarkets in 2015 after an oversubscribed share sale raised \$225 million earlier this year.

Lenta's growth comes as Russia's economy barrels toward an expected 5 percent contraction this year due to Western sanctions over Ukraine and falls in the price of oil, Russia's main export.

Food price increases have outpaced overall inflation and rose 24.7 percent in March compared to the same month in 2014, according to state statistics agency Rosstat. Growth in food prices has been driven by a ban on imports of many foods from countries that have sanctioned Moscow and the weakness of the ruble, which has fallen by about one-third to the U.S. dollar sharply over the past year.

Other food retailers focusing on cheap prices are also ringing up high sales as Russians seek to economize.

Grocery chain Magnit, Russia's biggest food retailer, raised its forecast revenue growth for 2015 to 28-32 percent, Reuters reported Thursday. Investment bank Credit Suisse estimated this week that Magnit and its nearest competitor, retail group X5, would see year-on-year revenue up 33.1 percent and 26.3 percent respectively in the first quarter.

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