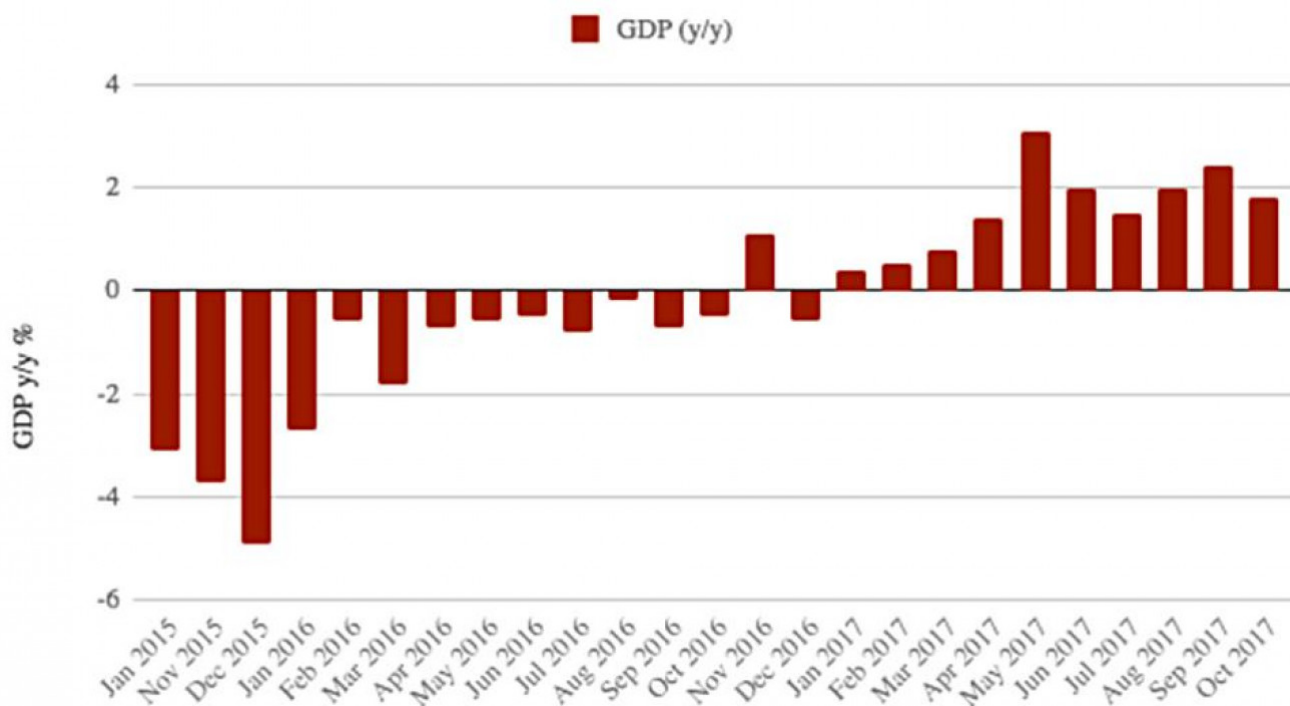


GDP Growth in Russia Slows

November 14, 2017

Russia GDP y/y



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Russia's GDP growth disappointed as the July-September numbers came in well below the government expectation at 1.2 percent, making the annual GDP growth only 1.8 percent.

The government had been expecting 2.2 percent growth.

Previously, a 2.5 percent GDP growth registered from April to June gave officials, including Prime Minister Dmitry Medvedev, some cause to celebrate. Medvedev said earlier this year that the GDP growth is set to surpass 2 percent.

Economic Development Minister Maxim Oreshkin was even more optimistic, saying that the Russian economy will not only reach 2 percent growth this year but will surpass it at 2.2 percent.

The Central Bank of Russia (CBR) was more conservative, putting projected GDP growth in the range of between 1.8 and 2.2 percent, while Reuters' projected growth at 1.9 percent.

Now analysts say that only a growth of 3 percent in the October to December period would

help to achieve the 2 percent figure, which at this point seems highly unlikely. Even Medvedev came out after the results were released to talk up Russia, saying 3 percent growth was possible but not this year.

Meanwhile, the 2.5% percent growth from April to June, which provided state officials with so much optimism, was, to a large extent, caused by short-term factors, such as anomalously cold weather throughout May and June, restocking of inventories - which supported production - and the strengthening of the ruble, which boosted imports and consumption but whose effects are already wearing off.

Still, Russia's GDP growth has been achieved against the backdrop of rather shaky industrial output.

In October, Russia's Purchasing Managers' Index (PMI) for the manufacturing industry showed some growth, while both output and new orders for Russian manufacturing producers eased and overall performance was the weakest since June, according to the IHS Markit report.

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