

Economy Grew 5.2% in Q2

By [The Moscow Times](#)

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Russia's economic expansion accelerated in the second quarter, the State Statistics Service said Wednesday, as commodities prices rose and a recovery in domestic demand gathered speed.

Gross domestic product grew 5.2 percent from a year earlier, compared with 2.9 percent growth in the January-to-March period, the service said. The Economic Development Ministry previously estimated quarterly growth of 5.4 percent.

"Growth accelerated compared with the first quarter on sizable retail-sales increases and investment," said Dmitry Polevoi, chief economist at ING Group. "The figures were worse than the Economic Development Ministry expected, though. It's possible that stable exports and a growth in imports played a role."

Russia's recovery from last year's record 7.9 percent contraction has gained strength from household demand and revenue from exports of raw materials. Though the impact of the country's worst drought in 50 years is unclear, Deputy Economy Minister Andrei Klepach said

July 27 that the ministry may raise its 2010 growth forecast from 4 percent.

“Significant signs of recovering economic activity are the continued dynamic growth of capital investment and retail sales, as well as a further growth of credit volume in the banking sector,” the Central Bank said in a statement. The bank left its main interest rates unchanged for a second month in July.

Retail sales surged the most since November 2008 in June, as the number of unemployed slid for a third consecutive month. Bank lending expanded the most this year in June, with corporate loans rising 2.1 percent and retail lending gaining 1.6 percent, according to the Central Bank.

“Current weather conditions are likely to adversely affect the services sector, and we may see an overall slowdown in economic activity in August,” Anton Nikitin, an analyst at Renaissance Capital, said Aug. 9 in an e-mailed note.

We can expect some “negative surprises in macroeconomic indicators” for July and August as the heat and the drought affect retail sales and agricultural output, ING’s Polevoi said Wednesday. ING left its 2010 economic growth forecast unchanged at 5.1 percent.

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