

Growth Will Slow on Weaker Global Demand

By [The Moscow Times](#)

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Russia's economic recovery will lose momentum as global demand slumps, Renaissance Capital said in a report Friday.

The investment bank cut its 2010 growth forecast to 3.4 percent from 3.5 percent. Gross domestic product may rise an annual 2.9 percent in the third quarter and 2.7 percent in the last three months of the year, RenCap said in the report. The bank previously forecast fourth quarter growth of 3.2 percent.

"The Russian economic recovery will slow further in the remainder of 2010," RenCap's analysts, including Roland Nash, said in the report. "The worse-than-expected global economic recovery appears to be affecting the domestic recovery."

Growing household spending and higher commodities prices helped lift the world's biggest energy supplier from a record 7.9 percent contraction in 2009. The recovery has since

stuttered as July industrial output expanded at the slowest pace in eight months, fixed capital investment stagnated and the unemployment rate rose to 7 percent.

Lower metals prices and weaker industrial output may slow the economic expansion in the fourth quarter, RenCap said. The impact of this summer's heat wave and the worst drought in at least 50 years is "the greatest unknown over the next six months," it said.

The government estimates GDP growth of 4 percent this year after 5.2 percent expansion in the second quarter.

The ruble may weaken even if oil prices remain high because concerns about the strength of the global recovery will spur risk aversion and lead to capital flight, Sberbank said in a note.

The level of "global risk" may restrain capital flows and cap the ruble's appreciation even with "historically high" prices for oil, Sberbank economists led by Nadezhda Ivanova said in a note late Thursday.

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