

Retail Sales Fall, Show Soft Spot in Economy

By [The Moscow Times](#)

October 19, 2010

The  **Moscow Times**

Russian unemployment unexpectedly fell in September and investment surged more than forecast, data showed Tuesday, but lower retail sales flagged up risks to the economic recovery. Any signs that the recovery is slowing could reduce the chances of interest rate hikes to battle inflation. The Central Bank has already signaled that it plans to keep policy on hold in coming months.

Retail sales were down 1.9 percent in September, their first month-on-month fall since February.

People cut back on drought-hit items such as cereals, dairy products, meat, bread, fruit and vegetables. Potentially reflecting a less affluent mood, they also bought fewer fridges, televisions, washing machines and building materials.

In year-on-year terms, retail sales growth eased to a five-month low of 4.7 percent as the

worst drought in decades continues to push up prices for food. Rising inflation is also slowly starting to filter through to other sectors.

Consumer confidence pulled back from a two-year peak in the third quarter, and the latest figures bode ill for retailers who had been enjoying a post-recession revival in domestic demand and had finally started to report rises in average spending after months of price cuts.

Russia had been firmly on the recovery path from its first recession in a decade, and gross domestic product is still expected to grow some 4 percent this year after slumping 7.9 percent in 2009.

But the summer's record heat wave — which killed a third of the harvest through drought, saw people flee the capital in droves and prompted factories to halt production — has somewhat put the brakes on the expansion.

Real disposable income increased by just 1.5 percent compared with September 2009, its smallest rise in four months, as wages adjusted for inflation rose less than forecast.

Nonetheless, the monthly bumper data release from the State Statistics Service offered some bright spots.

The jobless rate unexpectedly dropped to 6.6 percent, approaching pre-crisis levels with its lowest reading in nearly two years as the number of unemployed fell by more than 200,000 compared with August.

Unemployment is likely to drop further in October as Russia hires some 700,000 people to carry out a national census.

Capital investment grew by a bigger-than-expected 9.4 percent year on year.

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