

Investment and Unemployment Both Down

By [The Moscow Times](#)

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Capital investment fell for a third month in a row in March, data showed on Tuesday, backing the view that the economy's lackluster performance could prevent the Central Bank from raising interest rates this month.

The Central Bank surprised investors last month by leaving rates on hold and hiking only reserve requirements. Since then, weekly inflation has shown some signs of stabilizing, while there have been indications of weakness in the economy ahead of the April 29 Central Bank meeting.

Investment shrank 0.3 percent year on year against analysts' expectations for a 2.3 percent increase, while real wages were down 0.4 percent, recording their first year-on-year fall 16 months.

"The figures are weak," said Alexandra Yevtifyeva, economist at VTB Capital.

"We are leaning more toward the fact that the data are negative from the Central Bank's viewpoint. The probability of an increase in interest rates is falling."

By keeping interest rates low, the Central Bank can stimulate bank lending and thus investment. However, the fall in real wages also shows that inflation is taking its toll on the economy.

One bright spot in the monthly bumper data release — which came a day before Prime Minister Vladimir Putin's annual report to the State Duma — was the bigger-than-expected reduction in the unemployment rate, to a four-month low of 7.1 percent.

The Central Bank has said it still hopes to keep inflation under 7 percent this year — far below analyst forecasts — although it says this will be achievable only in the case of a normal harvest.

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