

January Industrial Growth Up

By [The Moscow Times](#)

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Russia's industrial output rose more quickly than expected in January, data showed, in a positive sign that its economy is still showing respectable growth despite strains in the global economy.

But analysts still anticipate a slowdown in the coming months as weaker international growth takes a toll on exports.

Figures released by the State Statistics Service on Wednesday showed that industrial output rose 3.8 percent compared with a year earlier.

The figure represented an improvement on industrial output growth of 2.5 percent recorded in December.

"I would take this as a positive sign," said Ivan Tchakarov, chief economist at Renaissance Capital. "Yes, we are seeing a moderate slowdown in the economy, but this is what is to be expected given what is going on in the rest of the world."

He said the boost in industrial output had been helped by Russia's record low inflation of 4.2 percent in January, which has lifted consumers' real incomes and spending.

The latest industrial output data tie in with recent data on gross domestic product, which grew 4.9 percent in the fourth quarter and by a better-than-expected 4.3 percent in 2011 as a whole.

But Russia's recent growth performance looks less impressive in the context of high oil prices — currently \$119 a barrel — which may not be sustained if global growth slows.

Short-term growth has been boosted by Russia's forthcoming presidential election in March, which has led to utility price freezes and higher government spending as Prime Minister Vladimir Putin courts voters.

In a research note, Dmitry Polevoi, an economist at ING Bank, said consumer-oriented sectors and construction contributed to the output boost, with a 4.8 percent increase in manufacturing a key reason for the higher-than-expected growth.

"At the same time, we don't expect this IP data improvement sets the pace for significantly better IP growth in the coming months, since overall uncertainty remains and there are still downside risks to growth from the expected global growth deceleration."

While domestic-oriented manufacturing remained resilient, Russia saw only a modest 1.4 percent rise in the natural resource sectors that underpin its commodity exports, a slowdown on the 1.8 percent growth in December.

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