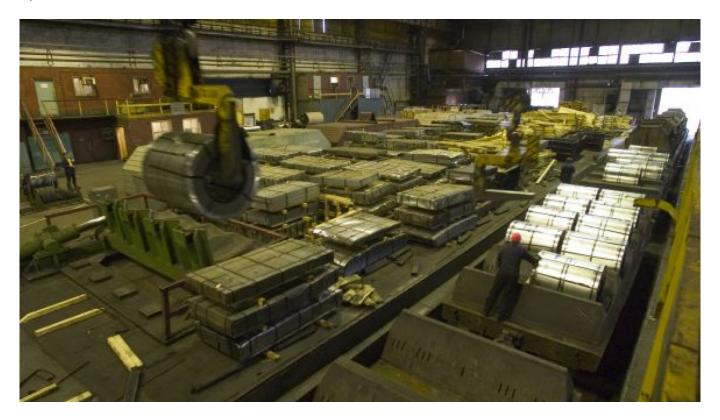


Industrial Output Growth Drops Sharply Amidst Bleak Forecasts

By The Moscow Times

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Severstal steel plant Denis Grishkin

Data from the Federal Statistics Service revealed a sharp drop in the growth of industrial output for March, highlighting the challenges facing the Russian economy as it tries to develop sectors not connected to oil.

Industrial production grew by only 2 percent, much lower than predicted levels of up to 5.5 percent. This also contrasted with data showing first quarter growth of consumer demand and investment.

"There is no shortage of consumer demand in Russia," Dmitry Polevoy, an economist at ING in Moscow told the Dow Jones Newswire. "But this demand appears to be for imports, rather than Russian products."

The Economic Development Ministry revised 2012 economic growth forecasts last month

in light of data showing that even if modernization plans to move the country from its dependence on oil exports are fully realized, the 6 to 7 percent growth rates promised by President-elect Vladimir Putin on the campaign trail are likely unreachable. The growth estimate was revised from 3.7 percent to 3.4 percent.

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