

# Russian Consumers Determined to Cut Spending

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Retailers will need to take some creative strides this fall if they want to get consumers to part with their disposable income in the near term, as spending patterns show continued thriftiness, according to a report by research company Romir.

With the exception of furniture and real estate purchases, Russians are planning to spend less over the next six months as their self-imposed austerity streak continues, according to the study.

"This is a natural desire to save. Russians, at large, aren't wealthy people and can't get everything at once. They need to optimize their resources," Romir expert Igor Beryozin said. "Only [Roman] Abramovich can get everything and at once, and even he has his boundaries."

Consumers' frugality has been hardened by the recent market instability and reports of another looming crisis, according to financial experts.

Romir's study on consumer attitudes, which was first carried out five years ago, surveyed 1,500 adults from cities and villages across the country in July.

Survey respondents have reported their intention to cut spending across all sectors, and statistics from the first half of 2012 show that some of this spending has already gone down.

Consumers have succeeded in cutting their spending on clothes, recreation and home repairs.

The clothes segment has been left particularly vulnerable, Beryozin said. Almost half of respondents identified clothes among their big purchases in an analogous study published in November of last year, compared to 32 percent of respondents shopping in the first six months of 2012. Only 25 percent of those surveyed plan to spend on clothes in the coming months.

The reported decrease in spending on clothes is partially seasonal since summer clothes cost less, but Beryozin said that there is also a deeper attitude change towards clothing purchases.

"People don't want to keep looking at clothes as a big purchase," he said.

Beryozin expects that this change in attitude will improve the price and quality of products on the market, with prices for clothes becoming more similar to those seen in the West.

Cuts in other segments are also expected. For example, 11 percent of survey respondents planned to spend money on home repairs over the first half of 2012, down to 10 percent for the second half of the year.

Still, retailers shouldn't panic just yet.

Consumers can't always cut their spending in line with their plans, Beryozin said. Summer vacations, car repairs and purchases of mobile devices have seen increased or stable spending despite Russians' attempts to be more frugal.

Spending in these probably sectors increased because it is difficult to plan such expenses in advance, according to the Romir report.

The study also highlighted that consumers have started to spend less on medical services, from 24 percent at the end of 2011 to 18 percent in the first six months of 2012. This change suggests that they have started to use free medical services more often, according to Romir experts.

The survey had a margin of error of 3.3 percent.

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