

Weak Retail Sales Show Slowdown Deepening

By [The Moscow Times](#)

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Slower retail sales growth in October has added to concerns the economy is feeling the global economic chill, as previously free-spending domestic consumers grow more cautious.

State Statistics Service data on Tuesday showed year-on-year growth in retail sales fell last month to 3.8 percent from 4.4 percent in September, significantly below the 4.3 percent forecast in a Reuters poll last month.

That disappointed economists, despite a surprise rebound in investment reported for the same month.

"My overall take on the numbers is that they came less than expected, showing that the annual growth of the economy keeps decelerating," HSBC's chief Russia economist Alexander Morozov said.

Growth in household consumption has declined sharply since the first half of the year, when retail sales grew by an impressive 7.3 percent compared with a year earlier.

The rapid rise in consumption had enabled Russia to shrug off the impact of a slowing international economy and post relatively strong economic growth of 4.5 percent in the first half of 2012. But growth in gross domestic product fell to 2.9 percent in the third quarter as the consumption boom lost steam.

"Consumer demand, which has been the key driver of demand over the past few years, continues to lose momentum," wrote Liza Ermolenko, an analyst at London consultancy Capital Economics.

"The recent pick-up in inflation, on the back of accelerating food inflation and utility tariffs hikes, appears to be the main reason for the weakness of consumer spending."

Consumer price inflation reached a post-Soviet low of 3.6 percent in April and May, but had risen to 6.5 percent in October following a poor harvest.

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