

Q1 GDP Growth Better Than Expected, Still Weak

By [The Moscow Times](#)

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Russia's economy expanded faster than first estimated in the January-March quarter, but still at its slowest quarterly pace since late 2009, fueling the debate over the need for stimulus measures to aid growth.

Gross domestic product (GDP) grew by an annual 1.6 percent in the first quarter, the Federal Statistics Service said Friday. The Economy Ministry's earlier flash estimate had put growth at about 1 percent.

The latest reading may give the Central Bank an additional argument to withstand pressure from a number of politicians and the Economy Ministry to cut interest rates, although most analysts believe a cut will come in June.

"This will fuel the ongoing debate about the need for economic stimulus," Liza Ermolenko, an emerging markets economist at Capital Economics in London, wrote in a note.

"But with the slowdown being driven in part by structural factors, we fear there is little fiscal or monetary policy can do to boost growth without stoking inflation pressures."

Still, she reckoned the Central Bank will cut interest rates by 75 basis points by year-end, starting perhaps as soon as next month.

Russia's annual inflation was at 7.2 percent in April, while the Central Bank has a goal to bring it down to below 6 percent by the end of 2013.

Lower Central Bank rates could lead to cheaper lending to Russian businesses, allowing them to increase investment and output and spur overall economic growth.

In April, the Economy Ministry revised its GDP growth forecast for the year to 2.4 percent from an earlier 3.6 percent .

The better-than-expected reading for the first quarter may add 0.1-0.2 percentage points to overall 2013 GDP growth, Deputy Economy Minister Andrei Klepach was cited as saying by the news agency Interfax.

"But everything will be known in the autumn when reliable data on investment comes."

Analysts polled expect the Russian economy to gather pace in the coming quarters, with 2.4 percent growth seen in the second quarter and 2.9 percent in 2013 as a whole.

The Central Bank held its short-term policy rates, at which most banks secure refinancing, at its monthly meeting on Wednesday, but lowered by a quarter point its secondary lending rates.

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