

Low Demand Limits Russia's 2013 Growth

By [The Moscow Times](#)

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Russian industry's main economic indicators do not suggest it is on its way to recovery in the second half of 2013.

Low demand for industrial goods remains the main challenge for Russian businesses according to a poll conducted by the Gaidar Institute. The poll showed that in July demand was at its lowest in the last twelve months, Vedomosti reported Wednesday.

As a consequence, enterprises are not stimulated to invest and expand their production, which undermines the government's hopes that the Russian economy will get an industrial boost in the second half of 2012.

The author of the Gaidar Institute survey, Sergei Tsukhlo, said the economy will keep stagnating due to the lack of viable institutions that could help small and medium-sized businesses become the driver for further growth.

Apart from institutional underdevelopment, 40 percent of industrialists in the survey cited the lack of predictable political development as a reason why they are reluctant to expand. Sergei Pukhov, who heads the Center for Development Institute at the High School

of Economics, cited recent cases against opposition leader Alexei Navalny as something undermining entrepreneurs' trust that the government will facilitate their development. Navalny was sentenced to a five-year prison term by a provincial court in Kirov on embezzlement and fraud charges that many observers called ordinary market transactions. The director of Center for Market Research at HSE, Georgy Ostapkovich, said that the government may try improving the business environment by increasing investment in high-value sectors like manufacturing or lowering interest rates. Russia's economy has expanded at a slower pace than expected in the second quarter of 2013, growing at an annual rate of 1.9 percent between April and June. President Vladimir Putin has repeatedly cited the figure of 5 percent of annual growth as a prerequisite for Russia to meet the demands of its social sector and modernize its economy.

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