

Economy Shows Signs of Improvement

By [The Moscow Times](#)

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Russia's economy showed small signs of improvement in July, data indicated Monday, with business investment returning to growth and retail sales suggesting greater consumer confidence.

The data may somewhat ease worries that Russia is at risk of sliding into recession after economic growth in the second quarter slowed to 1.2 percent, in real terms from a year earlier, far below potential.

Capital investment, which accounts for about a fifth of gross domestic product and includes money put in tangible goods such as land, machinery or buildings, rose by 2.5 percent in July, the Federal Statistics Service said.

This follows a 3.7 percent decline in June.

Retail sales, a barometer of consumer demand, grew by 4.5 percent last month, while analysts had expected a rise of 3.6 percent.

Declining inflation, which fell to an annual 6.5 percent in July from 6.9 percent in the previous month, buoyed consumer spending.

"The data is encouraging, almost all indicators were much stronger than we expected," said Liza Yermolenko at Capital Economics in London.

"Over the coming months things are probably going to get better, and the second half of the year would be better than the first half."

But the encouraging data follows numbers released last week that showed industrial production declining last month.

The Central Bank left its key lending rates on hold in August despite broad calls to ease monetary policy, which could spur lending to businesses.

Capital Economics expects a rate cut in September, Yermolenko said. "Given that second-quarter data was still weak, it's hard to say what's the most important thing at this moment: the second quarter or strong July data," she added.

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