

Ukraine Crisis Drags Down Consumer Confidence, Affecting Stocks

By [The Moscow Times](#)

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Russian shares were mixed and the ruble firmed on Wednesday but stocks linked to consumer spending performed poorly, reflecting concerns over the outlook for a slowing economy and the impact of the Ukraine crisis.

Data from Russia's statistics service Rosstat pointed to a slight improvement in consumer confidence for May, but analysts said other figures showing a sharp slump in auto sales last month weighed on sentiment.

Consumers have held off making large purchases as the economy slows and amid political tensions with the West over Ukraine. Russia's economy ministry forecasts gross domestic product growth of 0.4 percent this year.

The Rosstat index of Russia's consumer confidence edged up from minus 11 in the first three months of 2014 to minus 6 in the second quarter, analysts said.

"We would for the moment refrain from treating this as a turning point for consumption since the fundamentals remain challenging with sluggish income and retail lending growth," said analysts at VTB in a research note, referring to the consumer confidence figures.

"In contrast to this uptick in sentiment, the recent car sales data for June paints a dark picture for discretionary consumer spending," VTB analysts said.

Russian car sales plunged 17.3 percent year-on-year in June, according to a lobby group for Europe's top carmakers, accelerating their recent slide and leading the group to slash its forecast for sales in the country this year by 12 percent.

Stocks sensitive to consumer spending were weak on Wednesday. Auto maker Sollers fell 1 percent, Russia's largest retailer Magnit slipped 0.7 percent, Dixy fell 0.5 percent, M.Video fell 0.3 percent and Aeroflot fell 0.5 percent.

At 0655 GMT, the dollar-denominated RTS index was up 0.2 percent on the day at 1,397 points, with the ruble-traded MICEX was down 0.4 percent at 1,510 points.

A strong performance on Monday helped bring the MICEX to its highest levels of 2014 while shares firmed further on Tuesday as investors bet that Kiev's military advance in eastern Ukraine marks an end to the acute phase of a security crisis there.

The ruble firmed on Wednesday, trading up 0.5 percent at 34.05 against the dollar and 0.4 percent stronger at 46.37 to the euro.

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