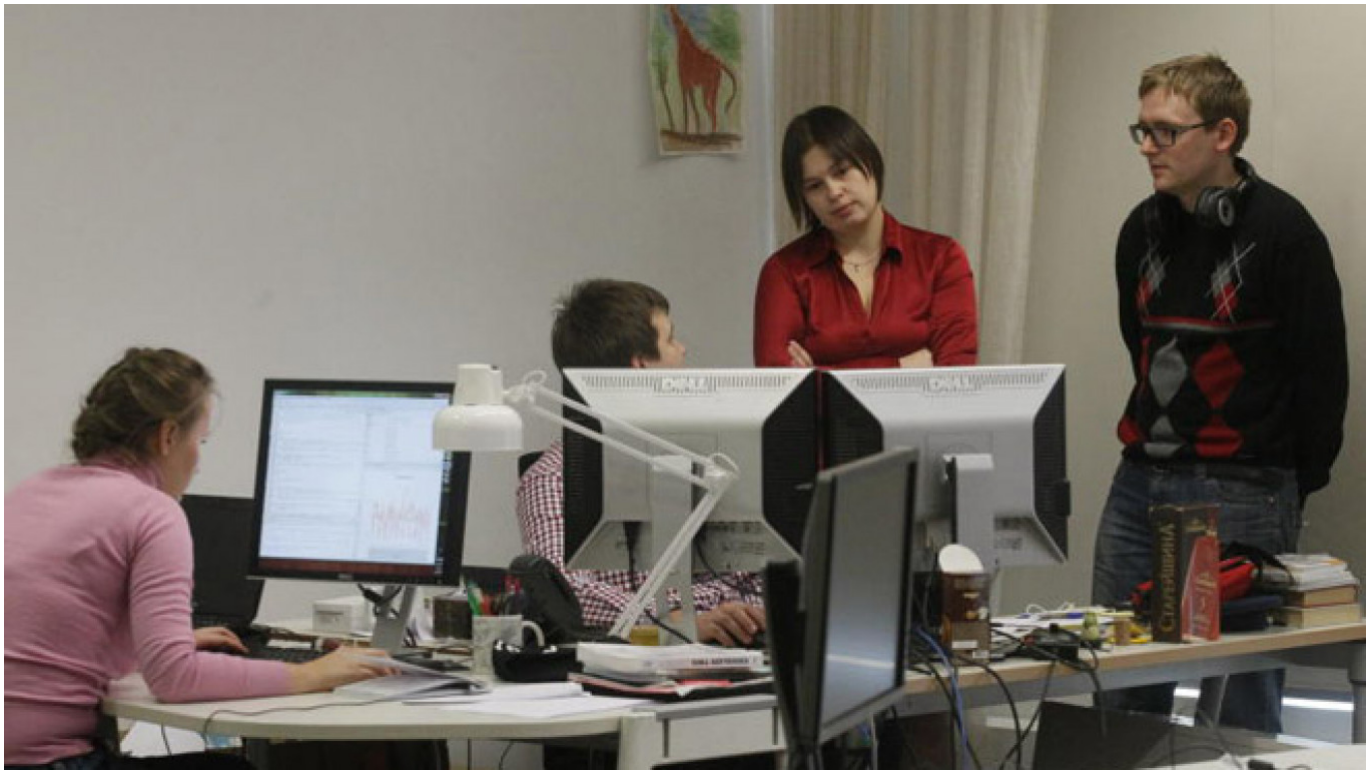
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Russia's Deepening Slump Causes First Drop in Real Wages Since 2009

By The Moscow Times

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Across wide swathes of the private sector things look no brighter. Economic growth has slowed to around 0.5 percent, while business sentiment is at rock bottom.

In their first decline for five years, real wages in Russia fell 1.2 percent in August, hollowing out the spending power of Russian consumers amid an economic slowdown that shows no sign of quitting, business newspaper Vedomosti reported Monday, citing data from Russia's statistics agency, Rosstat.

Real wages, or wages adjusted for inflation, last fell in November 2009, the year when the global financial crisis wiped 9 percent off Russia's gross domestic product.

Rosstat blamed the August fall on the one-two punch of slowing nominal wage growth and rapidly rising inflation. Russia's inflation rate has climbed from 5-6 percent to 8 percent as falling oil prices, Western sanctions on Russia over its role in Ukraine, and Moscow's retaliatory ban on Western food imports all drive up prices.

The quickening pace of inflation means that state employees — who number more than 14 million, or one out of every five Russians in employment, according to Moscow's Higher School of Economics — will see real-terms wage cuts. Next year's budget plans to raise civil servant salaries by on average 5.5 percent.

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The new data will only add to the funk: The fall in real wages will "kill consumption growth," which will likely fall by next month, Igor Polyakov, an analyst at the Center for Macroeconomic Analysis and Short-Term Forecasting, told Vedomosti. Rapidly rising consumption had been a major growth driver, meaning that growth projections for next year — already meager — may see downward revisions, he said.

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