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Russia's Lenta Says Trading Environment Gets Tougher

By The Moscow Times

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The chief executive of Russian budget hypermarket chain Lenta said on Wednesday the trading environment was getting tougher as high inflation forced consumers to cut back spending.

Jan Dunning said Lenta had seen a "huge trading down," referring to consumers choosing cheaper products and cutting back on nonessential items as inflation rose and incomes fell.

Inflation has been fueled by a drop in the ruble against the dollar in an economy weakened by Western sanctions over Russia's role in Ukraine and tumbling oil prices.

"Things are getting tougher ... because goods have become more expensive," Dunning told reporters on the sidelines of a retail forum.

"We expect an uplift in the third quarter when goods come from the land [agriculture]. The

dollar [-ruble] rate has also stabilized and confidence has improved."

But Dunning said he was less optimistic than during an earlier crisis in 2008 when recovery was not long in coming.

Lenta, backed by U.S. private equity fund TPG and Russian bank VTB, has fared well in the current crisis because of its low-cost and low-price focus.

It reported in April a market-leading 38 percent rise in first-quarter sales and confirmed guidance for 34-38 percent growth in 2015 as a whole.

Dunning declined to comment on whether Lenta was sticking to that guidance. It will next report financial results at the end of July.

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