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Russian Economic Growth Accelerates

Official statistics show Russian GDP growth picking up, but not by enough to meet the government's target.

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The Russian economy expanded at a rate of 1.7% in the third quarter. **Artyom Geodakyan / TASS**

The Russian economy expanded at an annual rate of 1.7% in the third quarter of the year, official GDP statistics released Wednesday showed.

The rate of growth was up from 0.9% recorded by the Russian state statistics agency Rosstat in the second quarter, and around what was expected by economists and analysts.

Both the agricultural and industry sectors recorded strong growth over the quarter at annualized rates of 5.1% and 2.9% respectively, Rosstat said. The expansion also comes against a backdrop of successive rate cuts from the Central Bank and falling inflation.

However, GDP growth in the third quarter of 2019 was lower than in the corresponding period of last year, and market watchers are still predicting the Russian economy will only grow by around 1% over the whole year.

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"For GDP growth [in 2019] to hit the Economy Ministry's target of 1.3%, the economy now needs to grow by 1.9% in the final quarter of the year. That looks like a fantasy," said Loko Invest's Kirill Tremasov, who used to work for both the Economy Ministry and Russia's Central Bank.

The Economy Ministry expected growth to come in at an annualized rate of 1.9% over the quarter, it said in a note published last month.

Forecasts for Russia's growth for the full year hover around the 1% mark, following multiple downward revisions from leading international institutions this year, such as the World Bank and the International Monetary Fund (IMF).

In the final quarter of last year, Russia's GDP recorded a shock 2.7% expansion on an annualized rate. That, combined with corrections to previous estimates pushed GDP growth in 2018 to a six-year high. Nevertheless, the growth was driven by one-off factors, and the recorded number — which came in higher than every serious market prediction — fuelled a debate among Russia's economy watchers over the veracity of politically-sensitive statistics pumped out by Rosstat.

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