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R95 **Russian Economy in 2018. Trends and Outlooks. (Issue 40**) / [V. Mau at al; ed. Editors – Alexei Kudrin, doctor of sciences (economics), Alexander Radygin, doctor of sciences (economics), doctor of sciences Sergey Sinelnikov-Murylev, doctor of sciences (economics)]; Moscow: Gaidar Institute Publishers 2019. – 616 pp. – ISBN 978-5-93255-556-9

The review "Russian Economy. Trends and Outlooks" has been published by the Gaidar Institute since 1991. This is the 40th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the socio-political issues and challenges; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

Reviewer: Lev Yakobson, Doctor of sciences (economics), professor, first pro-rector, NRU-HSE.

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Olga Izryadnova

Fixed investment in Russia in 2018[1]

4.3.1. Investment resources

Macroeconomic situation in 2017–2018 was marked by the outstripping growth rates of fixed investments relative to GDP performance and final consumption of households. In 2018, amid fixed investments increase by 4.3 percent, GDP growth constituted 2.3 percent relative to the corresponding period of the previous year. However, despite the upward trend of fixed investments seen in 2017–2018, the economy has retained the impact from the acute investment crisis of 2014–2016. Vis-a-vis pre-crisis 2012 fixed investments registered in 2018 came to merely 97.3 percent and the construction work volume to 95.7 percent (*Table 11*).

Table 11

Fixed investments, final consumption of households and GDP in 2012–2018, in percent to previous year

	2012	2013	2014	2015	2016	2017	2018
Fixed investments	106.8	100.8	98.5	89.9	99.8	104.8	104.3
Final consumption of households	107.9	105.2	102.0	90.6	98.1	103.2	102.2
Gross domestic product	103.7	101.8	100.7	97.5	100.3	101.6	102.3
Index of physical volume of fixed assets	104.3	104.1	103.7	103.2	103.9	103.8	103.3*

*- preliminary data
Source: Rosstat.

Industrial output recovery growth, gradual getting over the crisis in the construction sector have positively affected financing of the investment activity.

The negative factors were price growth acceleration on the capitalized purchased amid raising by the Bank of Russia of the key rate from 7.25 percent (26.03.2018) to 7.50 percent (17.09.2018), and 7.75 percent (17.12.2018) and increase scale of capital outflow in 2018 to USD 67.5 billion against

USD 25.2 billion a year earlier in the wake of scaling back of direct foreign investments in the Russian economy in 2018 (*Table 12*).

Table 12

Financial conditions for investment activity in 2014–2018

	2014	2015	2016	2017	2018
1	2	3	4	5	6
Key rate (year-end), percent	17.00	11.00	10.00	7.75	7.75
International reserves of the Russian Federation (year-end), USD billion	385.5	368.0	376.3	432.1	468.5
Private sector transactions (net lending (+) /net borrowing (-)), USD billion.	152.1	57.1	18.5	25.2	67.5
Price index, December to December of previous year, including:					
Consumer prices on goods and services	111.4	112.9	105.4	102.5	104.3
Producers' prices on industrial goods	105.9	112.4	107.5	108.4	111.7
Composite price index of capital goods,	107.2	110.3	103.2	103.1	107.8

[1] This section was written by O. Izryadnova, Gaidar Institute, RANEPA.

Cont'd

1	2	3	4	5	6
including:					
Producers of construction products	104.6	104.1	106.6	104.9	106.5
Purchase of machinery and equipment	112.3	120.1	97.8	101.1	108.9
Official Ruble USD exchange rate (year-end), RUB/ USD	56.26	72.88	60.66	57.60	69.47

Sources: Rosstat, Bank of Russia.

In the context of economy income growth seen in 2017–2018, the structure of GDP registered increase of the share of gross national savings against the previous three years. Growth of income and other mixed income in GDP amid current interest rates and inflation as a whole for the period have not significantly affected the investment decision making. The share of fixed investments in GDP in 2018 decreased to 17.0 percent against 17.4 percent in 2017, and 18.5 percent in 2012 (*Table 13*). On the contrary, similar proportions have boosted the formation of saving propensity both of business and individuals. For example, the share of attracted by the credit institutions corporate funds in 2018 amounted to 20.9 percent of GDP and household deposits to 27.5 percent of GDP. Decline of household real income has added to the decrease of household contribution in the formation of potential investment resources. The investment resources structure has changed across institutional investors: in 2017–2018 the role of non-financial corporation went up. Toughening of budget constraints resulted in the reduction of budget investment in fixed capital seen in 2018 to 2.1 percent of GDP, including from the federal budget down to 0.6 percent of GDP *(Table 13).*

Table 13

Main characteristics of principal investment sources in 2014–2018, as percent of GDP

	2014	**2015**	**2016**	**2017**	**2018**
Gross savings	28.6	29.8	28.5	29.2	33.1
Fixed investment	17.6	16.7	17.2	17.4	17.0
Gross income and other mixed revenues	38.9	42.3	41.7	42.1	42.9
Consolidated budget revenues	33.8	32.3	32.8	33.3	35.6
Budget funds for investment,	2.2	2.3	2.2	2.1	2.1
Including federal budget funds	1.2	1.4	1.2	1.1	0.6
Deposits of individuals	23.4	27.8	28.2	28.2	27.5
Corporate deposits	21.5	22.8	19.0	19.4	20.9

Source: Rosstat.

Resource potential of investment activity in 2018 was determined by the positive development of capital stock commissioning in 2016–2017. Coefficient of renewal of fixed assets has gone up amid reduction of degree of depreciation and contraction of proportion of outspent fixed assets for the whole of economy. However, this was not kept up with increased return on assets and significant change in the investment structure in fixed assets by source and by type of activity.

4.3.2. Fixed investment financing by source and by type of ownership

Financing of fixed investment in 2015–2018 was dominated by own funds of enterprises and organizations. In 2018 the share of investment from own funds of organizations hit maximum for the twenty years monitoring period of 54.3 percent of the total fixed investment volume. Growing rate of own funds in financing sources was entailed by increase of financial performance results of enterprises and organizations for the whole of economy by 66.6 percent and rate of return to 12.1 percent against 7.2 percent in 2017.

Increased participation of Russian banks in financing investment projects in 2018 offset absolute contraction of foreign loans and investments in the structure of raised funds (*Table 14*).

Table 14

Structure of fixed investments by sources of financing in 2014–2018, in percent to total (less small businesses and informal activity)

	2014	2015	2016	2017	2018
Fixed investment, total	100	100	100	100	100
Including by sources of financing:					
Own funds	45.7	50.2	51.0	51.3	54.3
Attracted funds	54.3	49.8	49.0	48.7	45.7
Of which:					
Bank loans	10.6	8.1	10.4	11.2	10.8
Russian banks loans	8.0	6.4	7.5	5.8	6.2
Foreign banks loans	2.6	1.7	2.9	5.4	4.6
Borrowed funds from other institutions	6.4	6.7	6.0	5.4	4.0
Foreign investments	0.9	1.1	0.8	0.8	0.6
Budget funds	17.0	18.3	16.4	16.3	15.3
including:					
Federal budget funds	9.0	11.3	9.3	8.5	7.4
RF subjects budget funds	6.5	5.7	6.0	6.7	6.8
Local budget funds	1.5	1.3	1.1	1.1	1.1
Extrabudgetary funds	0.2	0.3	0.2	0.2	0.2
Funds obtained from shared construction (organizations and population)	3.5	3.2	3.0	3.3	3.0
Including funds of population	2.7	2.4	2.3	2.5	2.2
Other	15.7	12.8	12.2	11.5	11.8

Source: Rosstat.

2016–2018 saw a reduction in the share of budget funds allocated for fixed investment. In 2018, budget funds stood for 15.3 percent of the total amount of investment in the economy. Compared to 2017 significant decrease of the federal budget investment was registered compensated by investment from budgets of other levels of government.

The proportion of household funds directed on the housing cost-sharing construction in the overall investment sources has also decreased. However, despite the reduction of income and contraction of the rate of saving, the investment activity of the population was maintained by demand growth on housing and mortgage loans. For example, in 2018 banks issued to individuals RUB 3.0 trillion of housing loans up 49 percent against 2017.

In the investment strategy for 2016–2018 the state role as a subject of the investment process consisted in the active involvement in the process of formation of Russian corporate sector with an accent on creation, optimization and structural evolution of large companies. Recognition of the large business as the major subject of the national economy modernization was entailed by increased contribution of large companies with state participation in the total volume of investment. In 2018, the ratio of investment from other sources of financing dominated by the institutional investors constituted 11.8 percent in the overall volume of investment and increased by 0.3 percentage points in comparison with the previous year.

During 2014–2018 private enterprises and enterprises with joint Russian and foreign ownership managed to raise nominal investment volumes in fixed assets, which partially offset unstable investment activity of state and municipal enterprises. In 2018, Russian private ownership enterprises accounted for 60.9 percent and of foreign and joint Russian and foreign ownership enterprises accounted for 14.4 percent of investment. Analysis of the structure of investment formation in fixed assets by all forms of ownership in 2017–2018 demonstrates retention of positive role of the private sector in the investment process amid stabilization of state and mixed Russian forms of ownership (*Table 15*).

Table 15

Fixed investment by forms of ownership in current prices, in percent to previous year

	2014	2015	2016	2017	2018
Fixed investments, total	103.4	100.0	106.1	108.7	109.8
State	89.4	99.2	109.1	103.2	105.2
federal	94.9	105.0	99.3	103.4	101.8
ownership of subjects of Federation	82.2	90.4	126.2	102.8	110.0
municipal	100.8	88.8	97.6	97.7	100.0
mixed Russian	106.3	84.3	101.3	104.2	107.6
ownership of state corporation	103.9	84.0	103.5	93.3	108.1
private	108.0	100.9	104.3	113.1	115.1
foreign and joint Russian and foreign ownership	100.	112.9	114.7	104.1	97.6

Source: Rosstat.

4.3.3. Fixed investments by type of capital stock

The feature of 2018 was the growth of construction volume by 5.3 percent relative to 2017 (*Fig. 19*). Upsurge of business activity seen in construction and investment complex did not offset the consequences of the four-ear crisis and the construction volume indicator in 2018 constituted 95.6 percent of the 2013 indicator when the first signs of stagnation were determined.

Since 2010, amid general downward trend of financing aimed at construction works and services in general volume of fixed investment steady increase of expenses rate on new technical equipment was registered. In 2017, purchase of fixed capital assets accounted for 28.2 percent of fixed investments, thereby purchases of machines, equipment and means of transport accounted for 82.7 percent of expenses directed on this type of investment activity. Average age of operating machinery and equipment decreased from 13.5 years in 2010 to 11.8 years in 2015 (start of the year). Demand for new equipment in the majority of cases is due to the reduction of economic efficiency from operation of the old types of equipment.

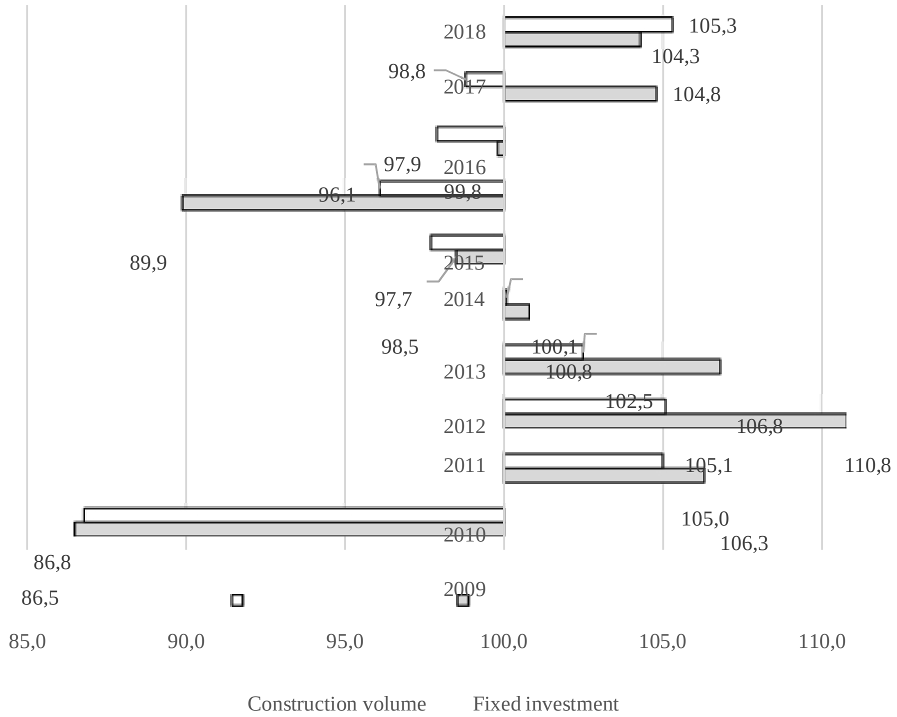


Fig. 19. Dynamics of fixed investment and construction volume in 2013–2018, in percent to previous year

Source: Rosstat.

Positive factor was seen in the increase of investment rate in information technology, computer and telecommunications equipment, which create conditions for further development of digital technologies. In the structure of investments by type of capital stock the share of investment in machinery and equipment in 2018 moved up to 34.6 percent in the context of exceptionally low for twenty years of statistical monitoring indicator of 31.5 percent in 2015–2016 (*Table 16*).

Table 16

Structure of fixed investments by type of capital stock 2013–2018, in percent to total

	2013	2014	2015	2016	2017	2018
Fixed investments, total	100	100	100	100,0	100	100
including:						
residential buildings and facilities	12.5	14.5	15.6	14.7	13.6	12.7
buildings (minus housing) and facilities, spending on land improvement	41.5	40.8	43.7	44.7	43.8	43.3
machinery, equipment, including household equipment and other facilities	38.8	36.3	31.5	31.5	33.7	34.6
intellectual property items					2.8	3.1
other	7.2	8.4	9.2	9.1	6.1	6.3

Source: Rosstat.

At year-end of 2017, simultaneous recovery of the upward production dynamics of domestic and imported capital goods took the pressure of the investment and construction sphere. In 2018, the share of capital goods in the overall imports volume decreased to 25.4 percent against 27.5 percent a year earlier, and the import of such goods constituted 96.6 percent of the previous year indicator. Increment of domestic manufacture of machinery and equipment in 2018 stood at 12.0 percent, which allowed maintaining positive dynamics of construction and investment complex, however was obviously insufficient for growth boost especially in the segment of large enterprises and organizations. In the context of existing dynamics and structure of machine-building complex and retention of sanctions on import of certain types of equipment and machinery imbalance of the technical structure of investments becomes one of the main factors restricting investment activity rates.

Change in the performance of construction activity was followed by structural shifts in the investment use by type of capital goods. 2016–2018 saw contraction of the aggregate share of fixed investment in housing buildings and non-housing facilities. Following the peak of spending on housing construction seen in 2015 subsequent three years registered gradual contraction of investment percentage by this type of capital goods. In 2018, the ratio of investment in construction of buildings and facilities decreased to 12.7 percent of the total volume of investment in the economy against 13.6 percent in 2017, and 15.6 percent in 2015.

Share of investment in the construction of industrial buildings and facilities, structures of social and market infrastructure in 2018 decreased to 43.3 percent against 44.7 percent in 2016, which was maximum for the entire period of observation since 2000.

In 2018, commissioning of housing constituted 95.1 percent and the floor area of non-residential structures totaled 87.8 percent to the 2017 indicator and in the context of three-year trend of contraction of housing commissioning the 2018 indicator came to 88.2 percent of an all-time high of 2015. In 2018, private developers commissioned 32.5 million square meters (43.1 percent of the overall housing volume commissioned in 2018) given 33.0 million square meters (41.6 percent) in 2017, and 35.2 million square meters of the overall housing floor space (41.2 percent) in 2015 (*Fig. 20*).

State program documents determine the development of residential housing construction and the housing services as a guideline for raising quality of life and a driver for modernization of the social sphere and economy.

Commissioning of the overall living space per 1,000 persons moved up from 207 sq. m in 2000 to 513 sq. m in 2018. Average floor space of residential facilities per capita for the whole of economy constitutes 24.9 sq. m. However, improvement of the housing stock is marked by rather low indicators. Water supply is fitted to 91 percent of urban housing stock, sanitation – 89 percent, central heating – 93 percent, and hot water supply – 82 percent. In rural area water supply is not fitted in 41 percent of residential housing, sanitation – 52 percent, and gas supply – 27 percent. The housing and utility complex registers growing depreciation of capital assets and of accident rate, resource waste is high, and energy efficiency is low. In 2017, percentage of heat network requiring replacement constituted 29 percent, water supply and sanitation networks – 42.3 and 43.6 percent, respectively. Centralized water supply system is installed only in 90 percent of households. More than 2/5 of households use additional tools for water treatment. The situation is aggravated by the lack of modern sanitation systems in a quarter of the housing stock, which negatively affects ecological characteristics of safe living.

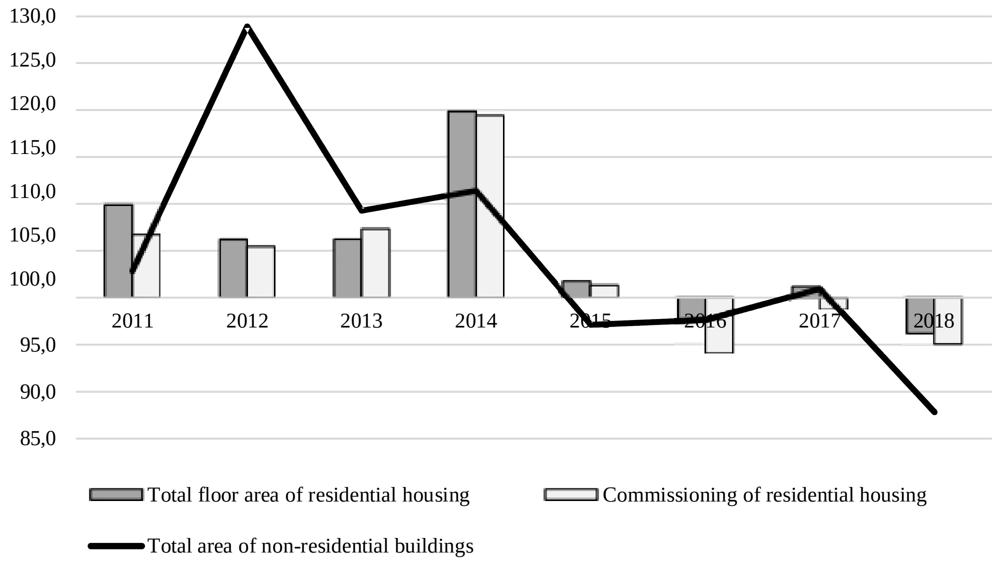


Fig. 20. Dynamics of commissioning buildings and residential housing in 2011–2018, in percent to previous year

Source: Rosstat.

The share of dilapidated and substandard housing in 2017 constituted 2.4 percent of the total housing stock. Despite the upward trend of resettlement from the dilapidated residential housing and capital repairs to blocks of flats current rates remain insufficient for the final resolution of these issues. Paramount in this case is modernization of the housing stock via private and institutional investors in the housing construction and creation of efficient regional systems for capital repairs.

Over a prolonged period of time the Russian economy is characterized by outstripping rates of residential housing commissioning from own funds. Private developers in 2018 commissioned 32.5 million sq. m (43.1 percent of total housing commissioned in 2018) against 33.0 million sq. m (41.6 percent) in 2017 and 35.2 million sq. m (41.2 percent) in 2015.

Mark-up of population participation in housing construction and upsurge of spending of real estate purchase have resulted in structural shifts in financing of construction programs and change of characteristics of commissioned residential housing. In the context of income differentials, the development of the residential housing sector was accompanied by growing social stratification and unequal size of the living space. In 2017, commissioning of single-family houses moved up by 1.3-fold in comparison with 2010. Average apartment size in blocks of flats constituted 69.0 sq. m and in single-family houses – 135.1 sq. m (*Table 17*).

Table 17

Number and average size commissioned apartments

	2011	2012	2013	2014	2015	2016	2017
	Total						
Number of apartments, thousand units	786	838	929	1124	1195	1167	1139
Average size, м2 of total space	79.3	78.4	75.8	74.9	71.4	68.7	69.0
	By population from their own or borrowed funds						
ЧNumber of apartmentsр, thousand units	201	211	228	268	272	251	244
Среднийaverage size, м2 of total space	132.9	134.4	134.4	135.2	129.6	126.7	135.1

Source: Rosstat.

In 2017–2018, according to estimates 13.4 percent of households resolved to improve living conditions via cost-sharing construction and purchase of other residential housing and merely 11 percent intended to improve the living conditions due to house demolition or queuing. Those households intending to purchase other housing nearly every third plans to build a single-family house for permanent residence. Mortgage, proceeds from the sale of current housing and savings remain the main source of funds for housing purchase. 2018 saw recovery of the mortgage market: banks issued 1.47 million mortgages to the tune of RUB 3 billion. Factors recently boosting mortgage development were inflation slowdown, gradual reduction of the interest rates. Non-residential housing market growth with high differentiation of asking price.

Increased accessibility of mortgage loans for individuals, credits for developers, decrease and efficient distribution of credit risks among all market participants and expansion of the resource base of mortgage lending is perceived as one of main instruments for maintaining solvent demand on the real estate market.

4.3.4. Investment activity by type of economic activity

In 2018, fixed investment dynamics for the whole of economy was mostly affected by slowdown of large enterprises business activity which account for ¾ of capital investments. In 2017 increment of large enterprises investments in fixed capital hit 4.2 percent, and in 2018 slowed down to 2.2 percent.

Investments growth in industry seen in 2017–2018 did not compensate the decline of investments in 2014–2015.

The investment activity was marked by outstripping rates of fixed investments in the mining sector. During 2013–2016 in the wake of fixed investments decline for the whole of economy by 11.7 percent growth of fixed investments in the mining sector hit 13.3 percent. Prospecting and exploring, oil-well drilling as well as liquefying and treatment of natural gas on extraction fields were drivers of fixed investments in the sector. 2017–2018 saw adjustment of fixed investments structure due to final stage of implementation of natural gas liquefying projects and registered boost of investments in hydrocarbons and metals extraction which offset contraction of investments during previous three years. Amid a decline of investments growth rates in services development in the mining sector which accounted for 27.3 percent of the total fixed investments in natural resources extraction, 2018 registered stabilization of fixed investments in this type of economic activity as a whole (*Fig. 21*).

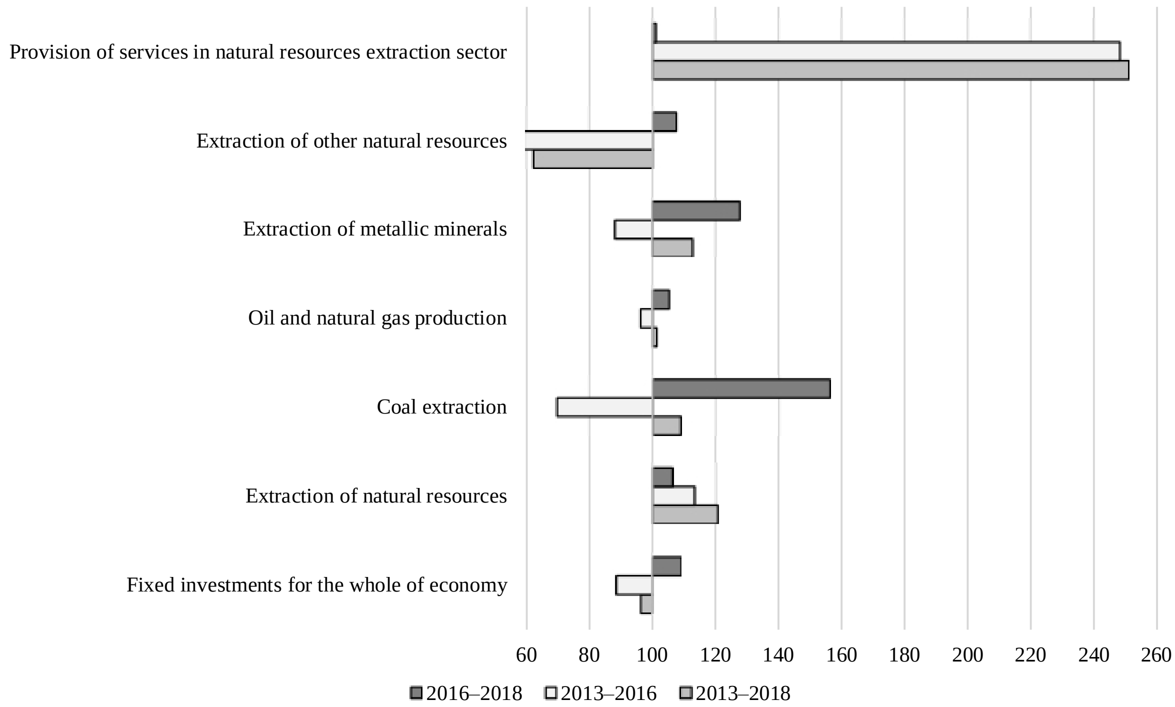


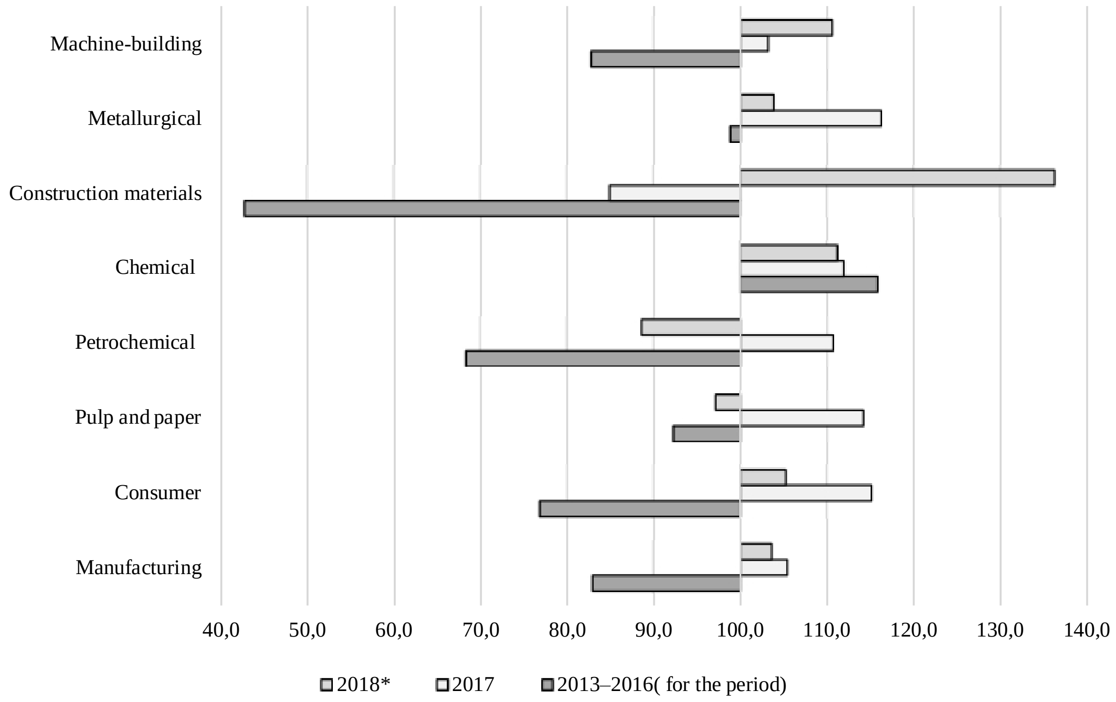
Fig. 21. Fixed investments dynamic in natural resources extraction during 2013–2018, in percent for the period

Source: Rosstat.

Structural changes in the investment activity in industry as a whole during 2014–2018 were determined by an outstripping investment upsurge in extraction of natural resources against manufacturing and generation and distribution of electric power. Despite the fact that fixed investments over last two years demonstrated recovery, these two types of economic activity have not overcome the consequences of acute investment crisis of 2013–2016. On the whole fixed investments in manufacturing sector in 2018 constituted 90.6 percent and in supply of electricity, gas and vapor around 70 percent of the 2014 indicator.

In 2018, fixed investments by large and medium sized enterprises of the processing sector moved up 3.6 percent which smoothed negative dynamic of the previous year. Renewal of positive dynamics of fixed investments in machine-building, metallurgical and chemical complexes, in production of construction and structural materials has reduced the negative effect of the investment crisis. In 2018 fixed investments upsurge in the machine-building complex came to 10.6 percent amid the outstripping growth rates of fixed investments in automobile manufacturing and special-purpose production. Investment activity in manufacture of electrooptic products and electric equipment compared to the previous year.

Amid change of business environment on the domestic market the trend towards expansion of investment activity in the pharmaceutical sector and consumer complex was observed from 2016. *(Fig. 22*).



*by large and medium sized enterprises.

Fig. 22. Fixed investments dynamic in manufacturing industry by industrial complex in 2013–2018, in percent to previous year

Source: Rosstat.

The period of 2016–2018 saw such feature as increased share of agriculture, commerce, hotel business, service provision in tourism and construction in the overall fixed investments by full circle of enterprises. These types of economic activity are determined by high rate of investments in small business in total volume, their contribution to the overall investment volume in the economy by around 1.1 percentage points. However, one should not overestimate the effect of institutional demand of small business taking into account the fact that its growth made adjustments following a sharp decline of business activity seen in 2014–2016 (*Table 18*).

Advanced growth of fixed investments in the development of transport and communication infrastructure, transportation and storage (105.2 percent to 2017), information and communication (118.1 percent) positively affected the recovery of fixed investments growth in 2018.

According to long term development strategy the social sphere becomes one of the priorities of development.

Table 18

Index of physical volume of fixed investments in 2014–2018, in percent to previous year

	By full circle of enterprises				By large and medium sized enterprises	
	2014	2015	2016	2017	2017	2018
Agriculture	92.4	87.9	112.5	109.7	101.3	104.6
Construction	103.8	77.7	103.6	110.1	96.3	120.1
Wholesale and retail trade	102.7	87.3	108.8	96.6	90.3	103.2
Hotels and catering business	110.3	78.0	94.8	89.0	74.4	119.2
Tourist agencies and organizations which provide services in the tourist sphere	77.5	89.7	380.0	81.7	195.9	220.0

Source: Rosstat.

In 2014–2018 investment activity in the social sphere as a whole corresponded budget spending on social and cultural events. The share of social sphere in GDP over last four years steadily remains at 7.2 percent, in fixed investments – 4.0 percent, and in the consolidated budget expenditures – 57.3 percent. In 2016, investments in education constituted merely 70.4 percent, healthcare – 63.2 percent, culture and sports – 57.5 percent compared to the pre-crisis indicator of 2013. Investments growth in the social sphere development seen in 2017–2018 have positively affected the performance (*Table 19*).

Table 19

Commissioning of facilities of social and cultural spheres in 2014–2018

	2014	2015	2016	2017	2018
Hospitals, thousand beds	2.7	4.3	6.1	3.9	2.9
Outpatient policlinics, thousand visits per shift	18.8	23.7	18.1	20.7	23.4
Educational organizations, thousand pupils	55.7	66.3	90.3	108.4	95.6
Pre-school educational organizations, thousand places	128.9	143.3	63.3	40.8	46.7
Higher education organizations, thousand м2 of total educational and laboratorial facilities	84.5	222.0	220.2	109.1	95.6
Vocational organizations, thousand м2 of total educational and laboratorial facilities	16.1	8.9	7.0	32.3	3.8
Club-type cultural institutions, thousand places	17.4	16.0	16.5	21.0	14.0

Source: Rosstat.

The need to increase spending on investment projects in healthcare is determined by a low level of amenities in outpatient clinics. The level of depreciation of capital stock in healthcare comes to 57.0 percent (amid average in the economy of 48.1 percent), and commissioning of new capital stock – 2.2 percent (4.4 percent). In 2017–2018 more than ¼ of hospitals and 1/5 of outpatient facilities required reconstruction and capital repairs.

Resolution of healthcare upgrade issues requires both increase of fixed investments and their structural change. Growth of fixed investments in healthcare system in 2018 came to 14.0 percent against last year. In line with the change in approaches to the provision of medical services commissioning of outpatient facilities went up against the contraction of commissioning of hospitals. Transition to new technologies in healthcare system the demand is increasing on modern medical equipment, technologically advanced means of transport, software and protection of intellectual property. In the healthcare organizations' costs on information and communication technologies nearly

¼ accounted for the purchase of computers and office machines and 15 percent for software.

Investments in education in 2017–2018 accounted for 1.4 percent of the overall volume of fixed investments for the whole of economy. In the current financing structure of the social sphere 2018 saw142.3 thousand new school places in comprehensive and pre-educational institutions down 14.6 thousand against the 2016 indicator. This reduces outreach to children by pre-school educational institutions and retention of the high level of general education students in second and third shifts. One should also keep in mind low material and technical provision of educational institutions with capital stock depreciation hitting 50 percent and the coefficient of renewal stays at 2.5 percent (4.2 percent for the whole of economy).

The development plans envisage by 2012 ensure 100 percent of accessibility of pre-school institutions for children owing to the creation of 100 thousand additional school places in public and private institutions. It is envisaged to create in educational institutions 6,531.3 thousand new school places. Construction of new and renovation of operating schools including by way of building infrastructure facilities will increase by 2025 the number of new school places by 100 thousand of which around 25 thousand for children living in rural areas and urban type settlements. Development and modernization of vocational and higher education institutions envisages increase of training and laboratorial spaces and qualitative improvement in their provision with modern equipment and digital technology. Reaching such ambitious target envisages significant increase of investments in this type of activity. The share of investments in the development of the facilities of cultural, sports and tourist-recreational infrastructure moved up to 2.0 percent in 2018. In the period 2014–2018 the number of facilities of physical fitness and sports went up by 5.6 percent.

Among the conditions for investment activity growth are simplification of procedures for doing business and creation of adequate infrastructure and mechanisms for attraction of investments, title guarantee, creation of small and medium businesses, decrease of institutional barriers.