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R95 *Russian Economy in 2019. Trends and outlooks. (Issue 41) /* ***[V. Mau et al; scientific editing by Kudrin A.L., Doctor of sciences (economics), Radygin A.D., Doctor of sciences (economics), Sinelnikov-Murylev S.G., Doctor of sciences (economics)]; Gaidar Institute. – Moscow: Gaidar Institute Publishers, 2020. – 596 pp.: illust.***

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The review "Russian Economy. Trends and Outlooks" has been published by the Gaidar Institute since 1991. This is the 41th 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: global economic and political challenges and national responses, economic growth and economic crisis; 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.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

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5.1. Incomes of the population and assessment of financial situation[1]

5.1.1. Dynamics of incomes of population and their components

In 2019, the real disposable cash income increased by 0.8 percent relative to the same period of the previous year, the real gross payroll went up by 2.9 percent, and the actual amount of allocated pensions moved up by 1.5 percent (*Fig. 1*).

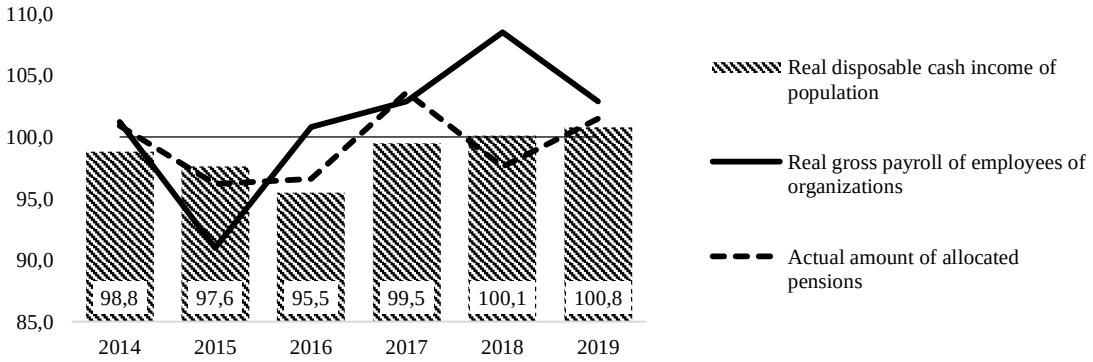


Fig. 1. Dynamics of the real disposable cash income of the population, real gross payroll and salaries and the actual amount of allocated pensions in 2014–2019, in % year-on-year

Source: Rosstat.

Despite a small growth of the real disposable cash income of the population seen in 2018–2019, so far there has been no recovery to the cash income of the population seen in 2013 in the wake of their decrease seen in 2014-2016. The real disposable cash income in 2019 came to barely 92.5 percent of the 2013 level. Also there was no recovery growth of the average amount of allocated pensions: in 2019 they came to 96.2 percent in real terms of the 2013 level. For comparison, the real wage recovered relative to the 2013 level even in 2018, and in 2019 it amounted to 106.6 percent against the 2013 level.

The total amount of cash income of the population increased in real terms in 2019 by 1.5 percent to the 2018 level. At the same time, compensation of employees went up in real terms by 2.7 percent, welfare payments – by 1.0 percent, income from entrepreneurial activity – by 1.5 percent (*Fig. 2*). At the same time, returns to property and the amount of other cash

[1] The sections 5.1–5.6 were written by *Burdyak A.Ya.*, senior researcher, INSAP, RANEPA; *Grishina E.E.*, Candidate of science (Economics), leading researcher, Head of Center "Quality of life and social safety net", INSAP, RANEPA; *Eliseeva M.A.*, researcher, INSAP, RANEPA; *Lyashok V.Yu.*, Candidate of science (Economics), senior researcher, Head of Center "Labor market and labor relations", INSAP, RANEPA; *Maleva T.M.*, Candidate of science (Economics), Director of INSAP, RANEPA; *Mkrtchyan N.V.*, Candidate of science (Geography), leading researcher, INSAP, RANEPA; *Florinskaya Yu.F.*, Candidate of science (Geography) leading researcher, INSAP, RANEPA; *Khasanova R.R.*, Candidate of science (Economics), senior researcher, INSAP, RANEPA.

returns contracted in real terms in 2019 relative to 2018 by 2.9 percent and 1.7 percent, respectively.

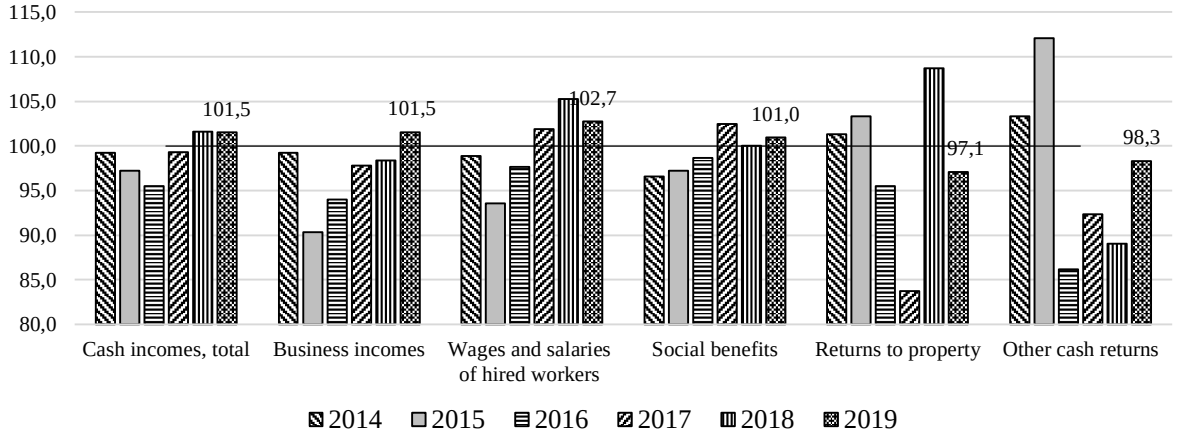


Fig. 2. Dynamics of the total real cash incomes of the population and its components in real terms in 2014-2019, in % year-on-year

Source: own calculations based on Rosstat data

Compensation of employees beside organizations in 2019 decreased by 0.2 percent in real terms relative to 2018, and the wages of employees of organizations in real terms on the contrary went up by 4.1 percent (*Fig. 3*).

Fig. 3. Dynamics of compensation of employees in 2019, in % year-on-year

Source: Rosstat.

This being said, the data released by the Treasury of Russia[1] demonstrate that the growth of PIT in 2019 in real terms relative to 2018 came to 3.6 percent, which is more than the growth of the total volume of income in real terms. This fact can affirm that the growth of the wages

[1] Consolidated budget of the Russian Federation and the budgets of state extra budgetary funds /Treasury of Russia. URL: https://roskazna.ru/ispolnenie-byudzhetov/konsolidirovannyj-byudzhet/191/

of employees of organizations was due to a transfer from the informal part of the payroll fund to the formal one.

The proportion of cash income of the population diverted for purchases of goods and services in 2019 relative to the previous year went up slightly from 80.7 to 81.2 percent (*Fig. 4*).

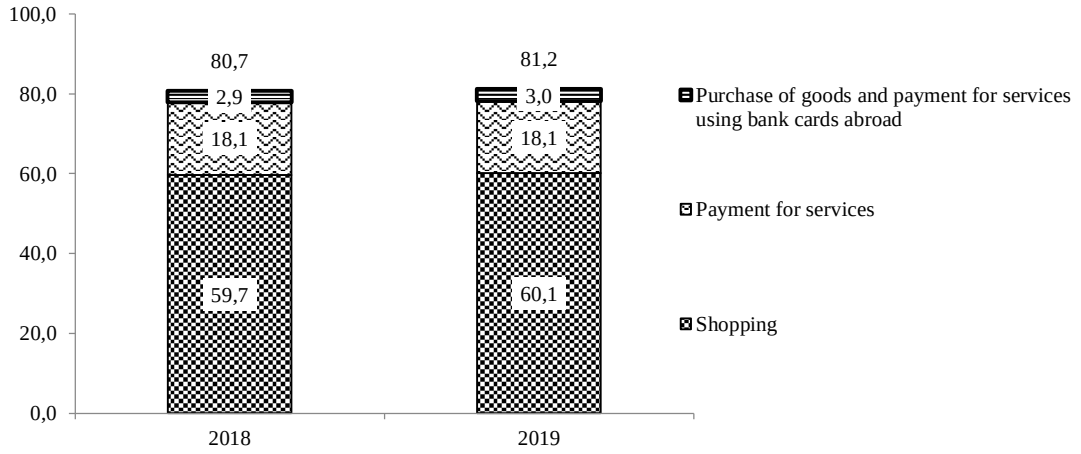


Fig. 4. Proportion of cash income of the population diverted for purchases of goods and services in 2018–2019, %

Source: Rosstat.

2019 saw a reduction of savings increment of the population from 4.2 percent seen in 2018 to 3.4 percent in 2019. At the same time, savings increment in deposits and securities went up and came to 4.3 percent (to compare: in 2018 – 3.1 percent) cash in hand decreased from 2.5 percent seen in 2018 to 0.5 percent in 2019.

5.1.2. Dynamics of subjective and monetary poverty

In 2019 the number of subjectively poor population who perceive their financial situation as "bad" or "very bad" improved insignificantly relative to the previous year and hit 25.8 percent (*Fig. 5*). Having said that the share of individuals who positively asses their financial situation has come to 9.7 percent, which is above the level seen in 2018. Thus, 2019 has demonstrated small differentiation of the population according to subjective perception of their wellbeing.

Data on absolute monetary poverty rate as a whole for 2019 so far are unavailable. However, in January-September 2019, the proportion of the population with cash earnings below the subsistence rates lightly increased relative to the same period of the previous year – 13.1 percent against 13.0 percent (*Fig. 6*). To note, in 2016–2018 the same reduction of the poverty rate occurred in January-September relative the same period of the previous years.

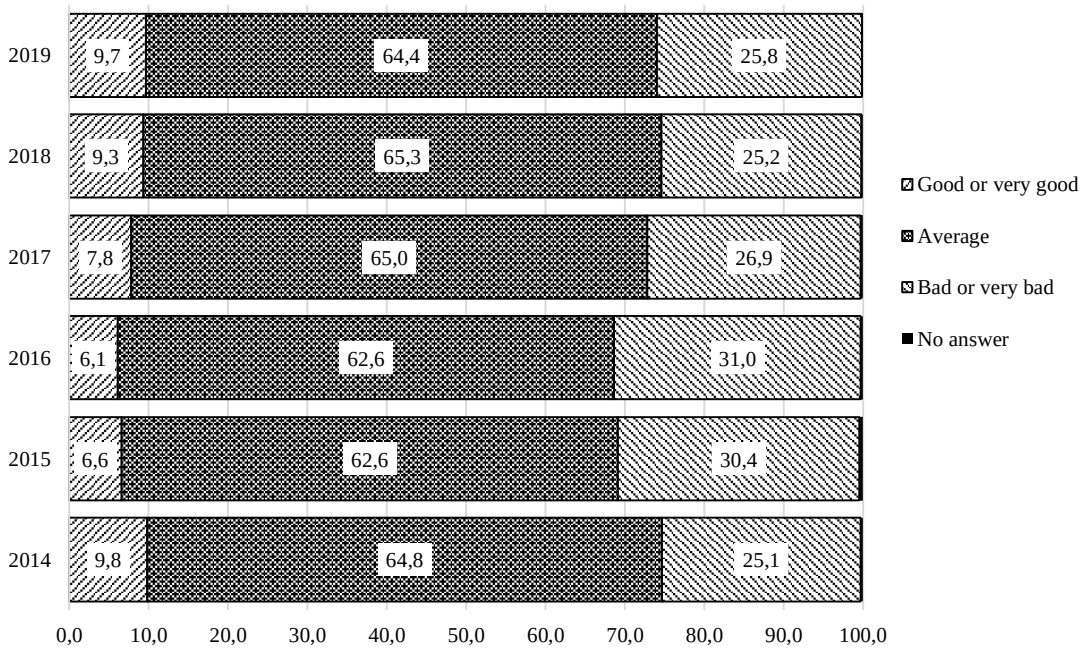


Fig. 5. Perception of the population of the current financial situation in 2014–2019, %

Source: Rosstat.

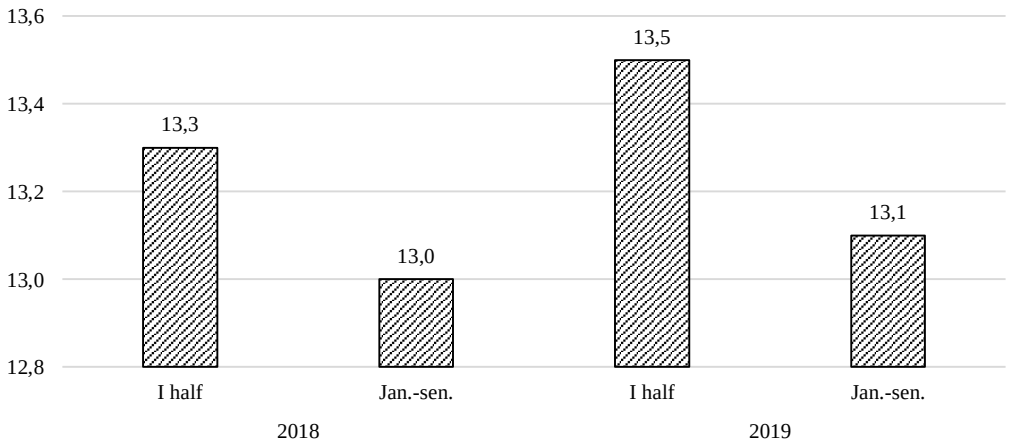


Fig. 6. Proportion of the population with cash incomes below the subsistence rate, %

Source: Rosstat.

In 2019, per capita cash incomes of the population practically stayed flat relative the subsistence rate for entire population as a whole, meanwhile the average monthly wages of employees of organizations increased relative to the subsistence minimum for the able-bodied population from 393 to 402 percent (*Fig. 7*). Per capita cash incomes have contracted by 28 percent of the subsistence minimum relative to 2013, and average amount of allocated pensions down 8 percent.

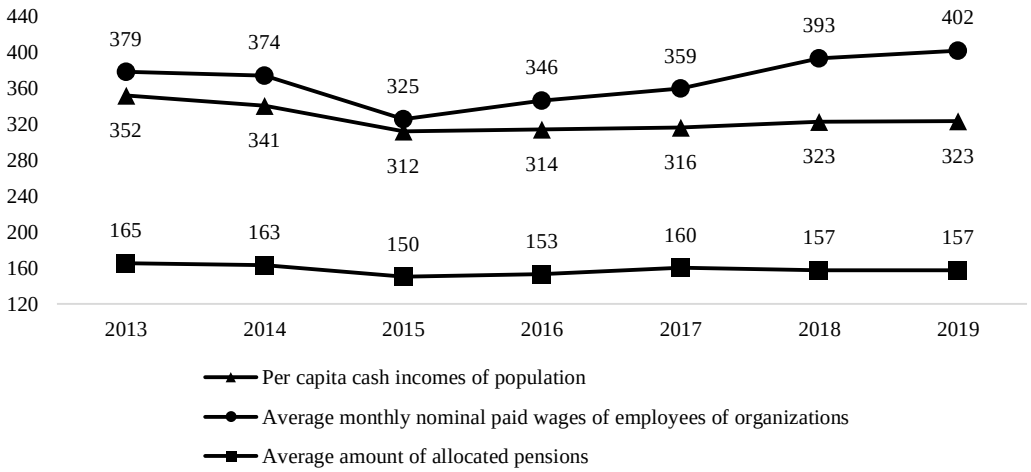


Fig. 7. Correlation of cash incomes of the population, wages and pensions with the subsistence minimum in 2013–2019, %

Source: Rosstat.

5.1.3. Dynamics of the income inequality

Dynamics of R/P 10% and Jinni Coefficient demonstrate that the level of income inequality of the population in 2019 did not change against the 2018 level (*Fig. 8*). On the whole, the level of income inequality has stayed above the 2015–2017 level, however it was below the 2013–2014 level.

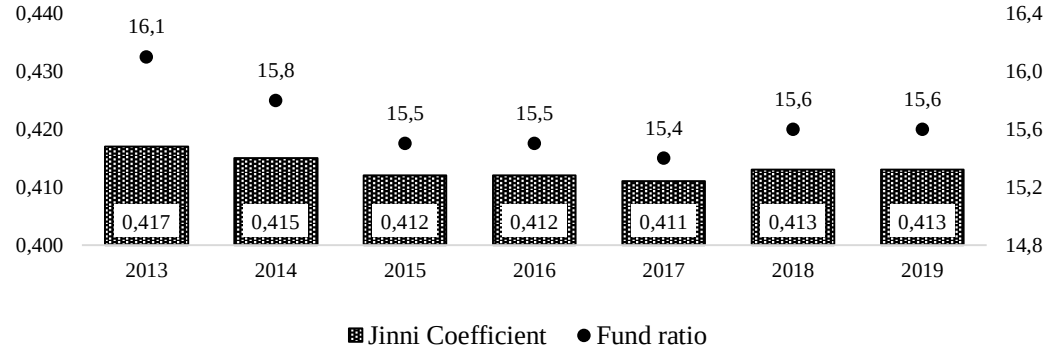


Fig. 8. Jinni Coefficient and R/P 10% in January-September 2018–2019

Source: Rosstat.

5.1.4. Risk factors of decrease of incomes and increase of the poverty rate in 2020

The coronavirus pandemic and reduction of crude oil prices seen in 2020 can create risk for a decrease of incomes and increase of the poverty rate.

For example, amid the putting in place restrictions on attendance of institutions of supplementary education, culture and entertainment, physical fitness and sports within the measures to fight coronavirus pandemic, as well as decrease of visits of catering facilities and putting in place restrictions on tourism and air travel abroad, incomes of certain employees of

mentioned institutions can fall because part of the workers can be sent in administrative holidays, and part–on sick leave. This being said, the share of workers who may face risks of reduction of earned income and profundity of income reduction will depend on the length of the restrictions period.

However, even after the coronavirus pandemic the Russian economy can face significant difficulties amid the decline of the oil prices and reduction of economic growth rates in all countries. This can lead to a contraction of income and bankruptcy of certain organizations and increase risks of income decline and increase of the poverty rate.

5.2. Loans and retail bank deposits

The amount of retail bank deposits during 2019 according to the Bank of Russia data increased by RUB 2.1 trillion (+7.3 percent) and as of January 1, 2020 amounted to RUB 30.7 trillion (*Fig. 9*), deposits denominated in foreign currency and precious metals calculated in rubles amounted to RUB 6.1 trillion. The ruble equivalent of retail currency deposits over the year has contracted by 2 percent (as of January 1, 2019 it stood at RUB 6.2 trillion), whereupon the exchange rate of foreign currencies has decreased over the same period more significantly – USD down 10.9 percent and euro – down 12.7 percent[1]. The share of retail currency deposits hit maximum for the last ten years in 2015 (29.7 percent of all retail deposits), then it fell to 21–22 percent in 2017–2018, and at the year-end results of 2019 amounted to 19.9 percent of the total volume of retail deposits.

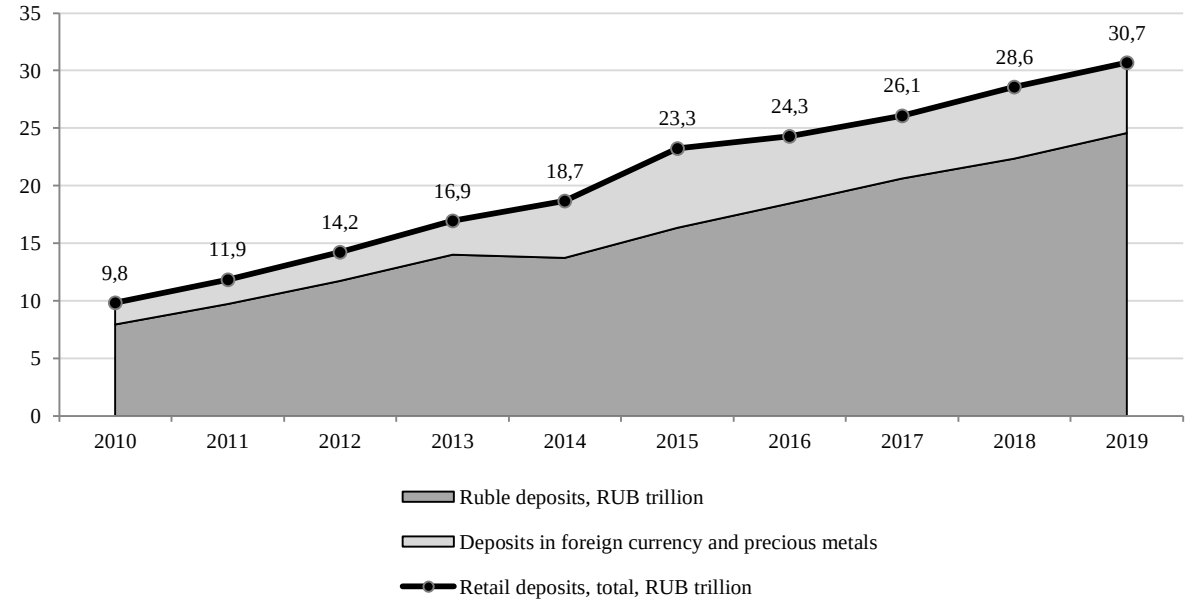
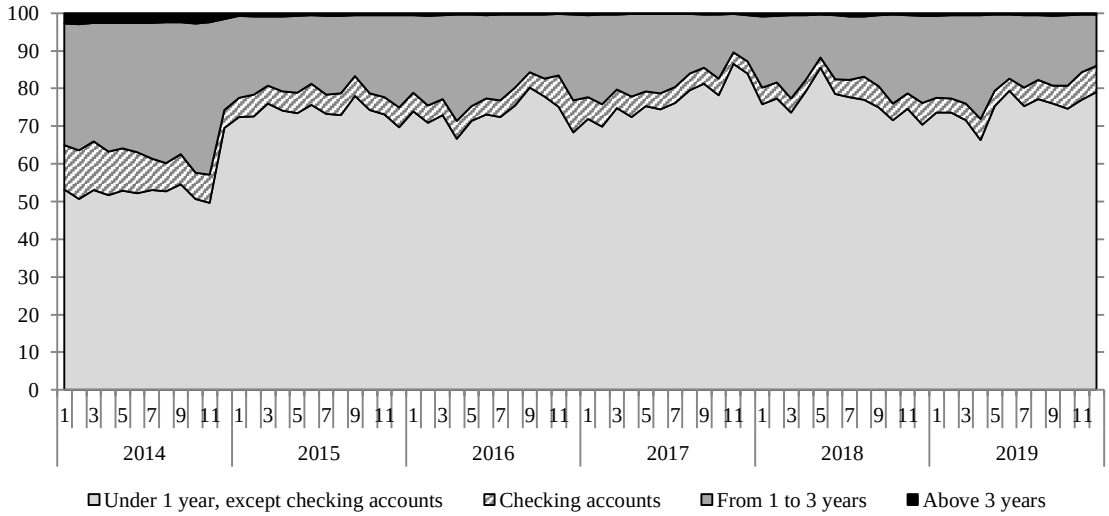


Fig. 9. Amount of retail bank deposits in rubles and foreign currency

Source: Bank of Russia data.

[1] As of January 1, 2019 Bank of Russia set the exchange rate of foreign currencies at: RUB 69.4706/USD and RUB 79.4605/EUR. As of January 1, 2020 the rate amounted to RUB 61.9057/USD and RUB 69,3777/EUR, falling by 10,9 percent and 12.7 percent, respectively.

On the whole, population opens bank fixed-term deposits for under 1 year, and up to 70–80 percent of ruble deposits are open for this fixed-term (*Fig. 10*). In 2014, fixed-term deposits for under 1 year constituted roughly half of retail ruble deposits, around 35 percent of deposits were opened for a fixed-term from one to three years, however in 2015 the term of deposits contracted and the structure has taken the current shape.



Note. Share of deposits on each term attracted in reported month, in total amount of attracted retail deposits in reported month.

Fig. 10. Structure of retail ruble deposits by terms, %

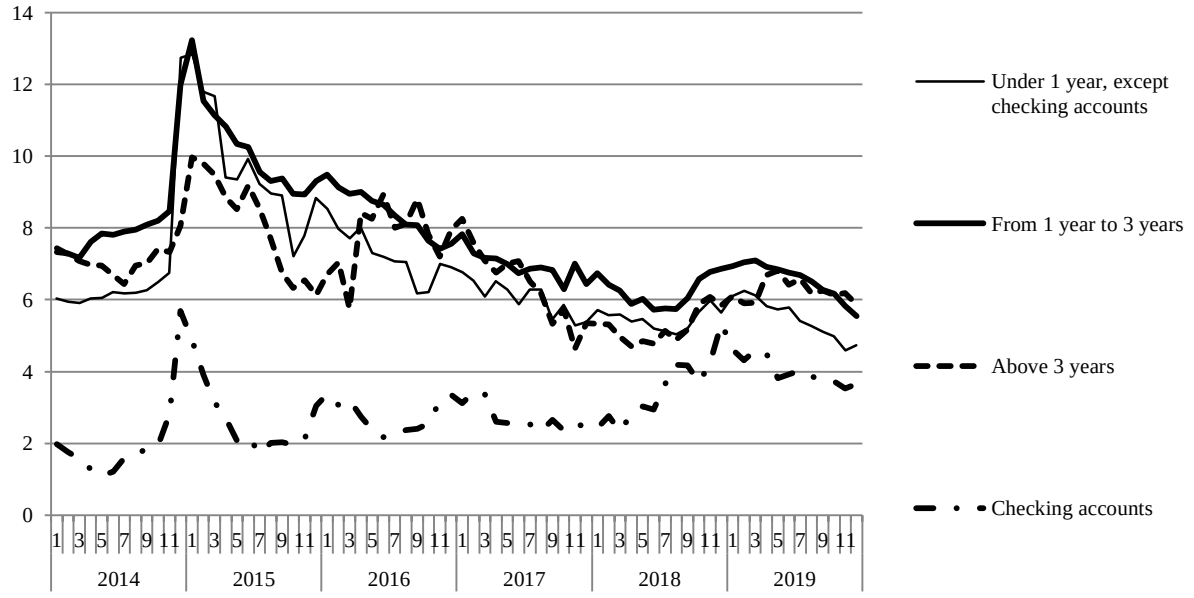
Source: Bank of Russia data.

First of all, this was driven by increased uncertainty and change of the banks' policy: from mid-2014 rates on long-term deposits were cut and they became less attractive for investors (*Fig. 11*). In H2 2016-H1 2017 performance of holdings for 3-year term was comparable with deposits for a fixed-term from 1 to 3 years, but in 2018 rates on "long-term" deposits again became below than on deposits for a shorter term. Over December 2019, 86 percent of the total amount of attracted retail bank ruble deposits were for under 1 year fixed-term, which is close to a record indicator of 89.6 percent of deposits opened for a fixed-term of under 1 year (including checking accounts) recorded in November 2017.

Annual amount of cash income of the population over 2019 in nominal terms went up by 6.0 percent relative to the previous year (calculated on the new Rosstat methodology), the retail bank savings moved up by 7.3 percent (comparison on January 1). As in 2018, savings growth exceeded income growth of the population and at the period-end results for 2019, the volume of bank deposits totaled 49.5 percent of the annual amount of cash incomes (a year earlier – 48.9 percent). Thus, funds of individuals deposited in banks in late 2019 were equal half of the annual income of the Russian population.

Credit exposure of the population before banks has also significantly exceeded the income growth of the population. Household debt on loans as of January 1, 2020 hit record value of RUB 17.56 trillion. During 2019, it rose by RUB 2.7 trillion or by 18.5 percent (increment

during 2018 amounted to 22.4 percent) [1]. In the total amount of all loans provided to the population 4.2 percent[2] account for past-due debt, which is significantly less than it was recorded in 2018 (5.1 percent); in nominal terms the volume of past-due debt compared to the 2018 situation has also decreased. Mortgages amounted to 42.7 percent of the credit portfolio of all loans originated for the population (as of January 1, 2020). The share of past-due debt on mortgages comes to 0.97 percent.



Note. Weighted average interest rates in annual terms are calculated on the back of annual interest rates set in deposit contracts and volumes of attracted in reporting period deposits. Dynamics of the indicator is determined both by the level of interest rates and by the volume of attracted funds.

Fig. 11. Weighted average rates on retail ruble bank deposits by term, % annual

Source: Bank of Russia data.

In contrast with 2018, when mortgage and unsecured consumer lending were growing practically at the same pace (23.1 percent and 22.7 percent, respectively), in 2019 mortgage loans went up by 17.1 percent and growth of unsecured consumer loans constituted 20.8 percent. Consequently, unsecured consumer loans were outstripping all other types of consumer lending in 2019. Auto lending legging behind the general trend in 2018 (up by 14.5 percent), in 2019 caught up with dynamics of other retail loans and moved up by 17.0 percent.

The structure of the retail credit portfolio in presented on *Fig. 12*. Loans for one-year term constituted 78 percent in January 2014, 80 percent – in January 2016, and at December-end 2019 hit 89 percent of all loans originated to the population in rubles. The amount of auto loans during the period under review was in the range of 7–9 percent. As a year before, loans for a sort-term (for one year) account for around 3 percent of the credit portfolio.

[1] In the development of the banking sector of the Russian Federation in January 2020. URL: http://www.cbr.ru/Collection/Collection/File/27385/razv_bs_20_01.pdf

[2] Calculated on data released by the Bank of Russia of January 1, 2020. Information on credits originated to individuals-residents. URL: http://old.cbr.ru/statistics/pdko/sors/

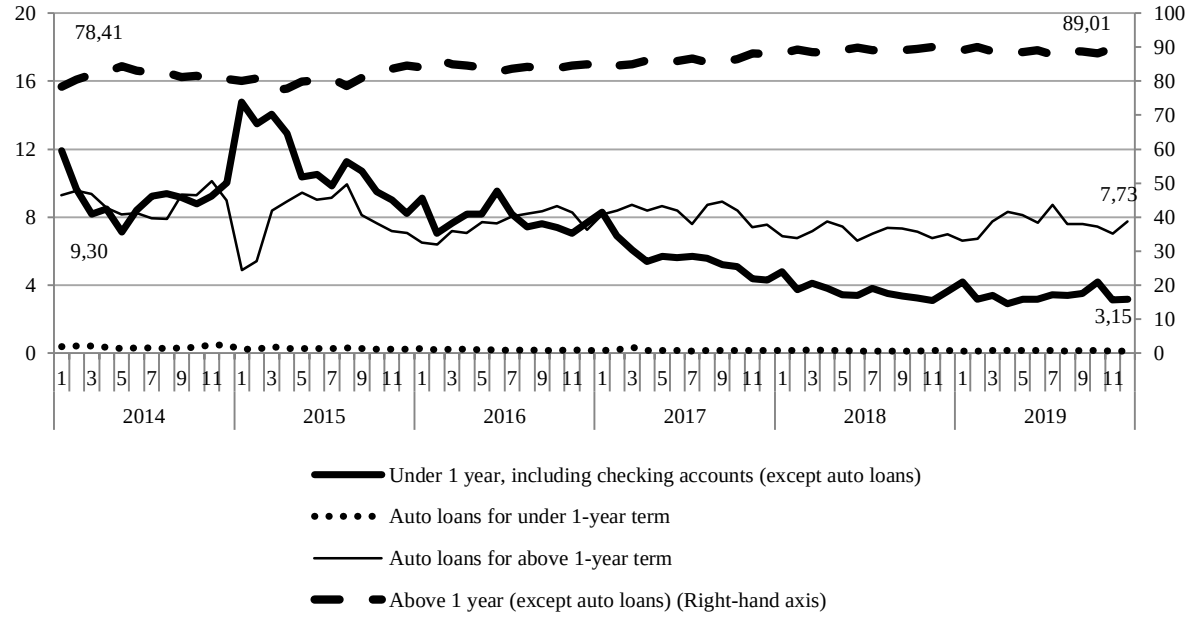


Fig. 12. Turnover structure of ruble loans originated by credit institutions to individuals, by maturity term, %

Source: Bank of Russia data.

This effect has been partly achieved by measured taken by the Bank of Russia which regulates the activity of microfinance organizations and origination to the population of exceptionally expensive "payday" credits as well as increased attention to the issue of household debt load. Banks were proactively combating bad loan debts during Q2 and Q3 which on the whole improved the quality of the credit portfolio. Besides, from October 1, 2019, increased additional changes to risk coefficients on the unsecured consumer loans with high index of debt burden came into force when the ration of payments on all credits to income exceeds 50 percent.

Dynamic of interest rates on credits represents an important feature of recent years. Interest rates were decreasing both on short-term consumer credits and on loans for a term above one year from mid-2015 through 2018 (*Fig. 13*). Prior to 2017 auto credits were more attractive from the point of view of the interest rates against loans for a term above one year, however in 2018–2019 we do not observe the same advantage in weighted average interest rates. In H2 2019, interest rates on consumer loans were gradually falling on the back of a reduction of the key rate of the Bank of Russia.

Reduction of interest rates on credits was one of the key factors of lending growth seen in 2018 when the credits were accessible to wider groups of population on the back of a decrease of credits service cost and amount of amount of monthly contribution. A number of borrowers in previous years refinanced their debts on a more favorable conditions. In H1 2019, mortgage rates slightly increased to 9.9–10.6 percent, but remained below those seen in 2017 and refinancing continued affecting the statistics of origination of new credits. The share of refinancing decreased from 11.5 percent reported in 2018 to 6.9 percent in 2019.

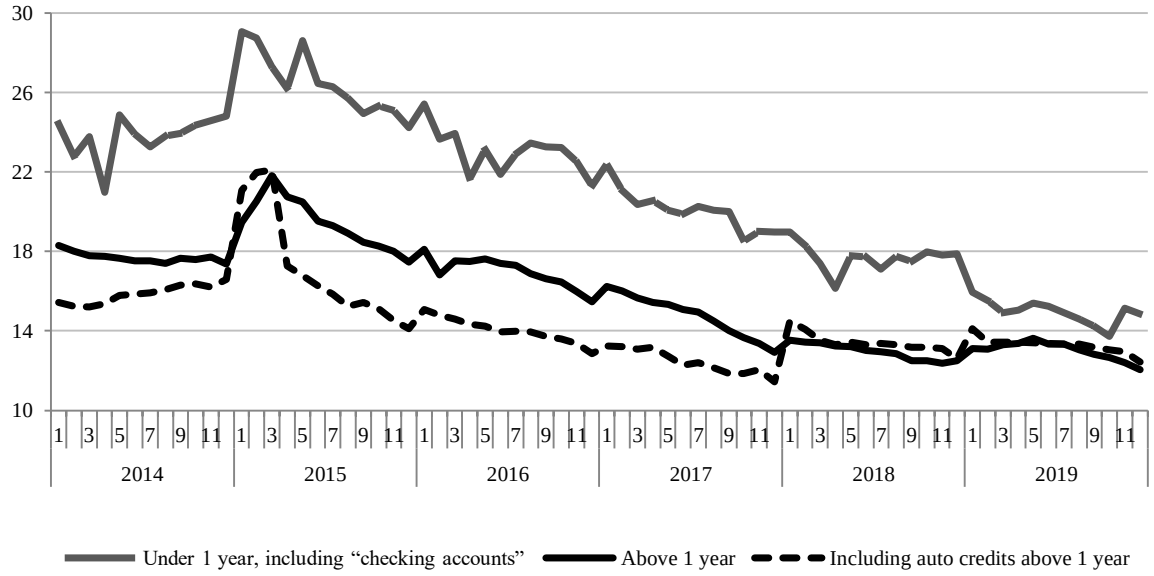


Fig. 13. Weighted average interest rates on ruble retail credits originated by credit institutions, %

Source: Bank of Russia data.

In 2019, 1.3 million mortgage loans totaling to RUB 2.85 trillion were originated. This was down by 13.8 percent than in the previous year in the quantitative terms and by 5.5 percent in monetary terms. Origination of new mortgage loans has practically remained on the level of the previous year amounting to 1.2 million loans to the tune of RUB 2.65 trillion (in 2018– 1.3 million credits to the tune of 2.67 trillion).

Mortgage lending remains the best segment of retail lending in qualitative terms: the debt on mortgage loans with 90 and more days past due constitutes 1.4 percent (on other retail loans – 7 percent).

The share of loans for new construction in 2019 went up from 28.9 to 32.4 percent and on the backs of mortgage loans 17.6 million sq. m of apartment blocks have been constructed. In 2019, the structure of mortgage portfolio practically did not change compared to the previous year: 72 percent are loans for new construction after commissioning, 18 percent are loans against security of co-investment contracts, 7 percent are loans against mortgage-backed securities, and 3 percent are acquired rights.

In 2019, mortgage interest rates averaged 9.9 percent, the targeted value of national project "Housing and urban environment" comes to 8.9 percent. Supply mortgage rates hit 9.0 percent in late 2019 which was the minimum for the entire period of the mortgage market. Growing popularity of the "family mortgage" program significantly contributed to the reduction of rates which amount to 5 percent and below originated by major banks. Without this program, mortgage rates on new construction in December 2019 hit 8.9–9.0 percent (December 2018 – 9.5 percent), rate on mortgage loans on the secondary market decreased to 9.3 percent (December 2018 – 9.7 percent. In Q4 2019, mortgage loans on "family mortgage" program constituted around 20 percent of the overall number of mortgages on new construction.

5.3. Retail sales and consumer prices

The retail turnover in the Russian Federation in December 2019 hit RUB 3.47 trillion[1] and increased at comparable prices by 1.9 percent year-on year. The indicator peaked in November (2.3 percent) similar to 2018. Nevertheless, in December compared to November, increased growth rates of retail sales of food products, beverages and tobacco products (1.8 percent against 1.6 percent), meanwhile sales growth of non-food products, on the contrary, slowed down (2.1 percent against 3 percent) (*Fig. 14*). For comparison, in December 2018, the retail sales growth was faster – year-on-year amounting to 2.7 percent including 2 percent accounted for food sales and 3.4 percent for non-food products.

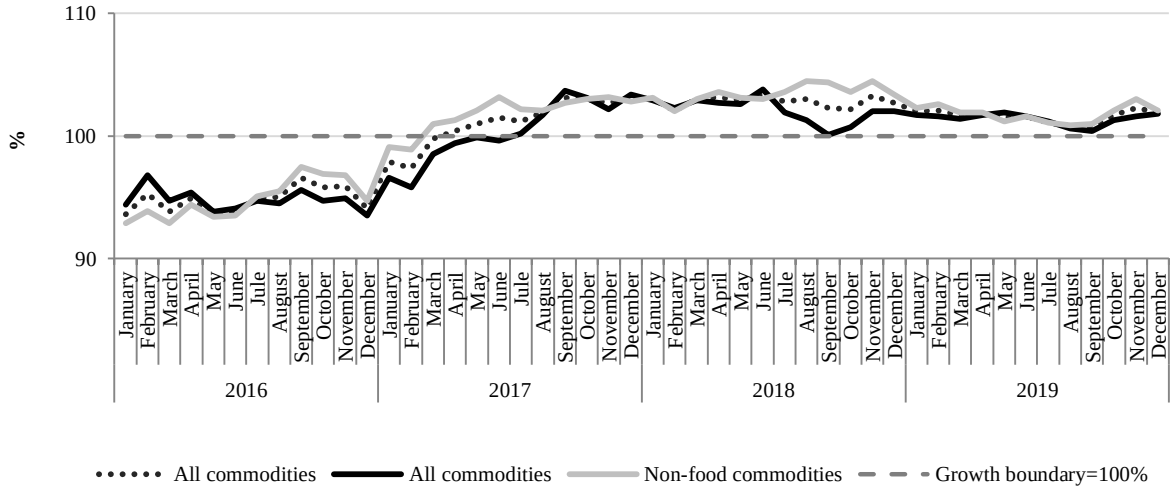


Fig. 14. Monthly dynamics of retail turnover and its components at comparable prices, in % month-on-month

Source: Rosstat.

Over 2019 as a whole, retail sales turnover hit RUB 33.53 trillion. Compared to the same period of 2018, the increment constituted 1.6 percent as a whole (a year earlier it was 2.8 percent) in comparable prices, including sales of food products increased by 1.4 percent including beverages and tobacco products, and non-food products went up by 1.8 percent (in 2018 – up by 2.1 and 3.5 percent, respectively). Thus, increase of the retail sales turnover in 2019 has slowed down both as a whole and across each of its components. Despite a decline of retail sales turnover growth rates, its dynamics year-on-year in comparable prices remains positive both as a whole and separately regarding food products (including beverages and tobacco products) and non-food products.

The structure of retail sales turnover over time changes insignificantly over the entire period of observation (from 2013), in particular, the share of foodstuffs, beverages and tobacco products accounts for a shade under half of total turnover. In 2019, the share of foodstuffs hit 47.9 percent, in 2018, for comparison it came to 47.7 percent. In December 2019, the share of food products was the same as that seen in December 2018 – 48.1 percent.

[1] Socio-economic situation of Russia in January-December of 2019 / Rosstat. URL: https://gks.ru/storage/mediabank/osn-12-2019.pdf

In Q1, 2019, growth of consumer prices was observed, which was due to a reaction of producers to the VAT rate rise. Nevertheless, from March the price growth rate fell and from mid-year the consumer inflation was far below than seen during the same months of 2018 (*Fig. 15*).

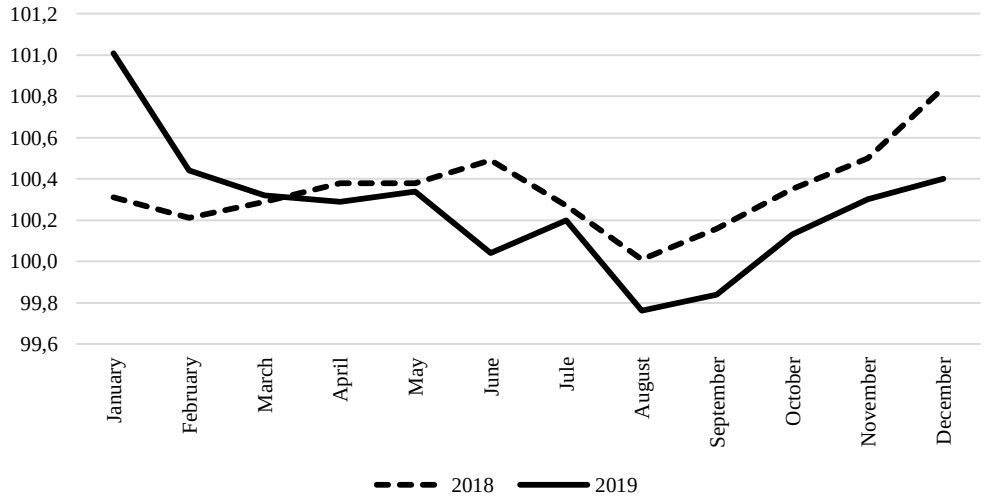


Fig. 15. Consumer price index (CPI), in % month-on month

Source: Rosstat.

Foodstuffs' prices were growing at faster rates solely in January, February and May 2019 than in 2018. Commencing from August, the CPI on foodstuffs in relation to the previous month was significantly less than in the previous year (difference 0.4-1.0 percentage points) (*Fig. 16*).

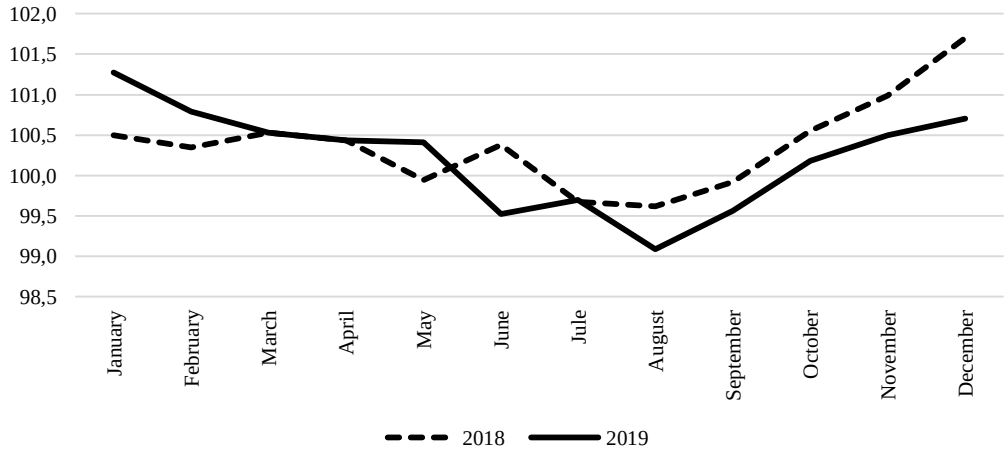


Fig. 16. Consumer price index on food products, in % month-on month

Source: Rosstat

As distinct from 2018 when April to June exhibited a significant price growth, in 2019, prices on non-food products month-on-month commencing from February demonstrated a rather flat dynamic (*Fig. 17*).

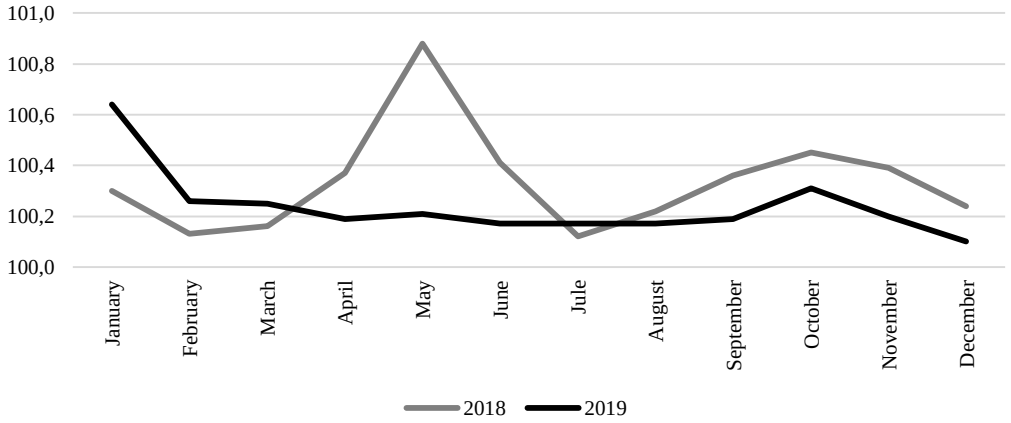


Fig. 17. Consumer price index on non-food products, in % month-on-month

Source: Rosstat.

In 2019, tariffs growth on housing and utility services occurred in two stages at the start of the year and in mid-year in summer. This was a key factor influencing the general price dynamic on services month-on-month. *Fig. 18* exhibits price hikes on services in January and July.

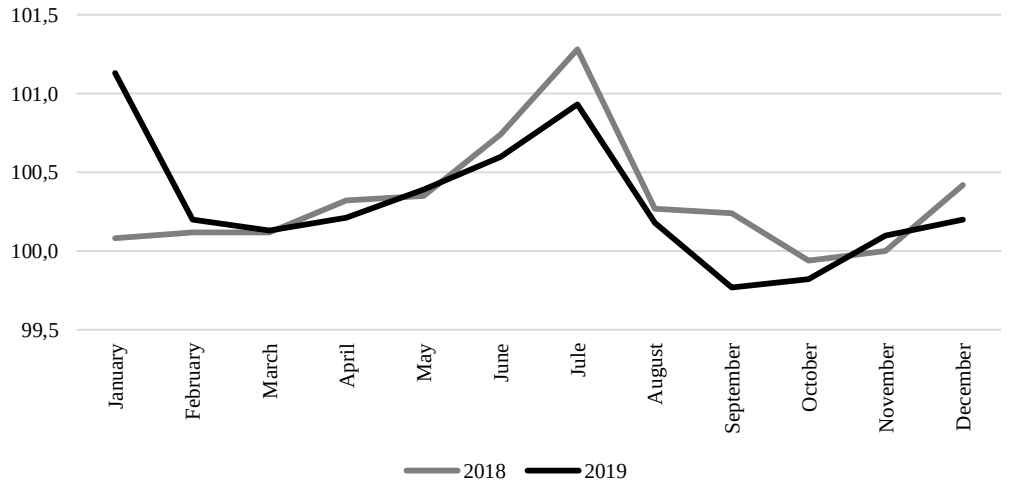


Fig. 18. Consumer price index in services, in % month-on-month

Source: Rosstat.

December 2019 demonstrated gradual slide of consumer inflation year-on-year, which commenced in March: relative to December 2018 consumer prices increased by 3 percent, including by 2.6 percent on foodstuffs, by 3 percent on non-food products, and by 3 percent on services. For comparison, in December 2018 relative to December 2017 the index as a whole amounted to 4.3 percent (*Fig. 19*).

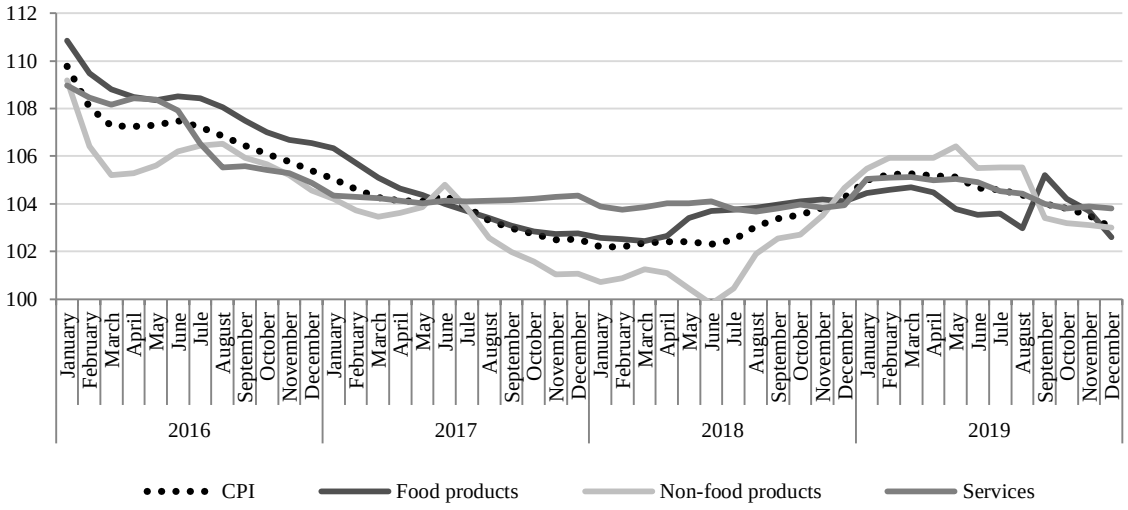


Fig. 19. Composite consumer price index (CPI), indexes of prices on foodstuffs, non-food products and services, in % year-on-year

Source: Rosstat.

Rosstat also releases data on inflation in Russia and certain EU countries. In 2019, price were growing in the Russian Federation at a faster pace than in the majority of European countries. The higher CPI was recorded only in five of European countries – Hungary, Rumania, Slovakia, Czechia, and Bulgaria (103.1–104.1 percent to December 2018). In the meantime, it should be noted that seven European countries (Luxemburg, Austria, Greece, Belgium, Portugal, and Ireland) with Russia posted lower CPI on food products than the CPI index as a whole (*Fig. 20*).

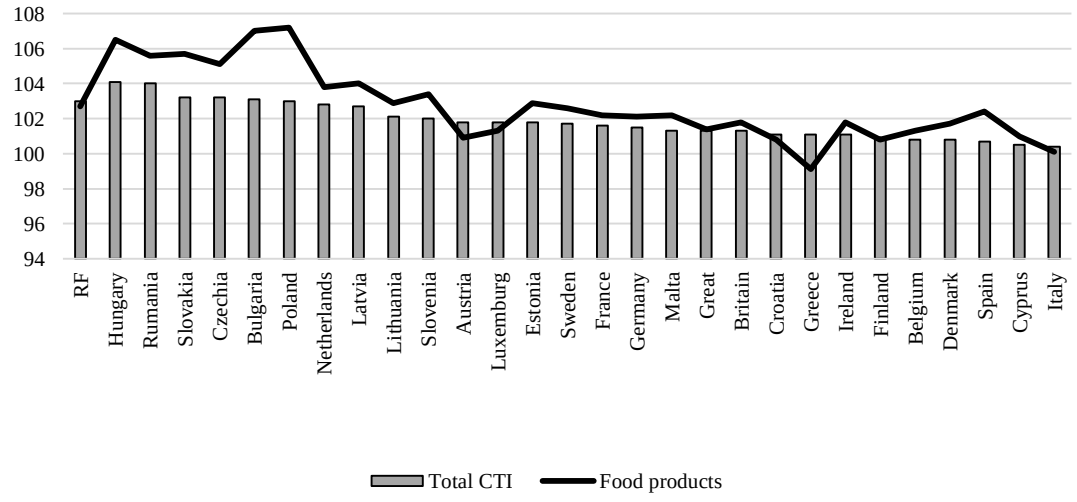


Fig. 20. CPI in Russia and EU countries in December 2019 relative to December 2018, %

Source: Rosstat.

Regarding growth rates of consumer price index on foodstuffs Russia takes twelfth place among all review countries. Noteworthy that in Poland CPI as a whole equal that of Russia (103 percent), however, prices on food products have grown more than in Russia (107.2 percent) than on non-food products of the consumer basket.

5.4. Labor market dynamics

In 2019 as a whole, the work market remained stable. All changes took far back rooted trends. The most serious changes were due to a reduction of the work force number: on average per annum the reduction amounted to 792 thousand persons or 1 percent of the 2018 level. Although, a downward trend has been dominating throughout already a decade, this is the sharpest annual decrease for the given period. Furthermore, if before 2019 decline of the work force supply was due, first of all, to a reduction of the unemployed number, then in 2019 the number of employed fell significantly (*Fig. 21*).

The level of economic activity of the population aged 15 and above declined by 0.6 percentage points due to both changes in the demographic structure of the population (population number aged 20–29 has decreased by 1.3 percent) and a reduction of the level of economic activity of those aged 25–50 by 0.6–0.8 percentage points depending on the age group.

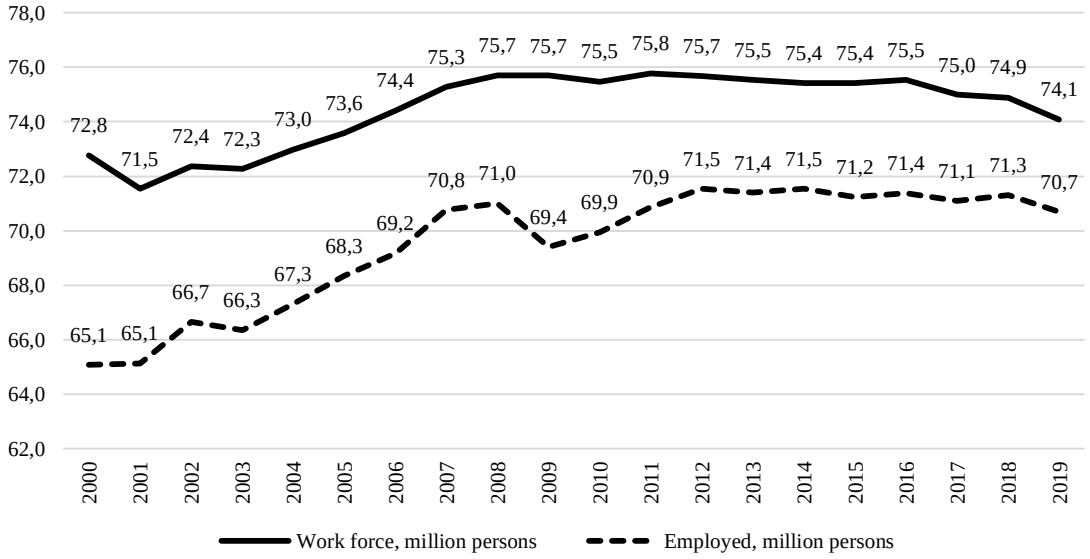


Fig. 21. Number of work force and employed aged 15–72 (minus Crimea), million persons

Source: Rosstat.

In the context of a sluggish economic growth the decrease of the work force has been accompanied both by a reduction of the number of unemployed (according to the WLO methodology) and by the number of employed. In the meantime, the number of supplied workplaces in large and medium-sized organizations has even moved up by 0.8 percent hitting 33.2 million persons. Of that number, the headcount minus external part-time workers accounted for 31.8 million, external part-time workers accounted for 0.5 million, and those working on civil law contracts account for 0.9 million. At the same time, the number of workers in the informal sector of the economy has gone up by 1.5 percent according to the sample survey

data. Thus, employment decline should be observed, first of all, in the sphere of small and medium-sized enterprises.

The unemployment rate hit 4.6 percent in 2019 updating the all-time minimum. Alongside this, the number of jobless registered in employment agencies went up slightly hitting 733 thousand persons, which is evidently due to the increased amount of unemployment benefits by roughly two-fold last year. Possibly, new programs developed by Rostrud contributed somewhat which were aimed at the training of pre-retirement citizens. Nevertheless, such contribution should be considered limited because the proportion of those registered in the employment agencies remains small relative to the total number of jobless – 21.7 percent. Meanwhile, demand for the work force by employees registered in the employment agencies increased slightly in 2019. As a result, the proportion of the non-working population per year per 100 vacancies went up per 1 jobless and hit 54.4 individuals in that group.

Positive changes were observed in the composition of unemployed (according to the WLO methodology): the share of those seeking employment during 12 months and more among all jobless declined during the year from 28.5 to 23.8 percent, and the average period of seeking employment fell by 0.5 months.

Unfortunately, in the context of a decrease of the number of work places, reduction of the official unemployment was taking place not only due to much rapid obtaining employment but also owing to exit from the labor market of pat of unemployed which is attested by the dynamic of the potential work force. In the first place, it consists of non-working not engaged in seeking employment but ready to work individuals.[1] Formally, this group does not pertain to the work force and is not beyond the labor market. Nevertheless, their representatives can be taken as reserve, which is holding back a reduction of the work force. The number of this category moved up last year by 473 thousand persons. At the same time, the number of the so called discouraged workers has increased by 284 thousand persons by over 1.5-fold.

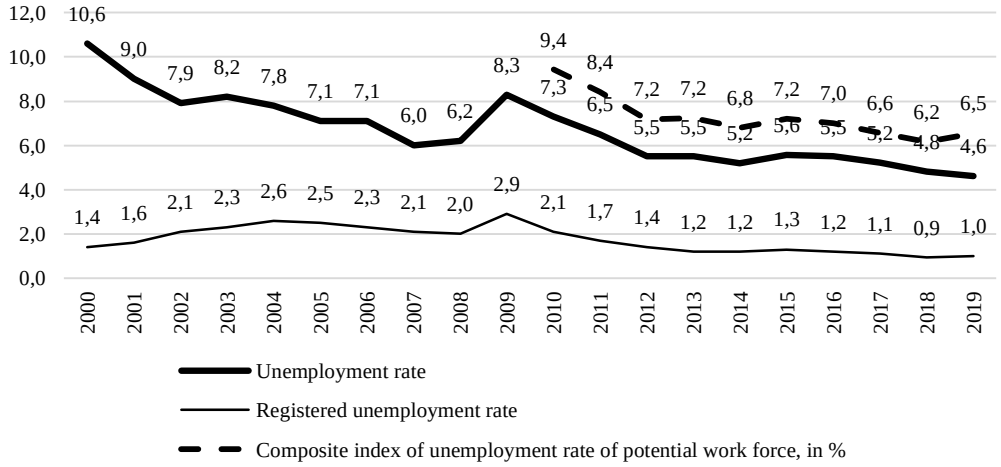


Fig. 22. Dynamics of unemployment, %

Source: Rosstat.

[1] Besides, this category comprises non-working, seeking employment but not available for work in the near future. The share of the latter constitutes roughly 5 percent.

The effect from the retirement age rise was practically unobserved on the labor market in 2019. On the other hand, the number of new pensioners in 2019 was less by 355 thousand persons than that without the measure[1]. The major part of them constituted men of 60 and women of 55. According to the data released by Rosstat, these age groups reported 51.5 percent working men and 66.9 percent working women in 2018. Correspondingly, additional influx to the labor market could not have totaled more than 100–150 thousand persons or 0.1–0.2 percent of the entire work force. The Rosstat data exhibits an increase of the economic activity in the retirement age, especially regarding women (*Fig. 23*). For instance, the rate of working women in the age group of 55–59 has gone up by 1.1 percentage points and in the group of 60–69 by 0.5 percentage points. Working men in the age group of 60–69 demonstrated growth by 0.7 percentage points. It should be pointed out that the main growth of economic activity of men and women of the retirement age was observed in the last quarter of 2019. Although partly this data could have been driven by the rise of the retirement age, the economic activity growth of the elderly population had been observed before 2019. Herewith, the dynamic of the unemployment rate across certain age groups helps to reveal that the retirement age rise has not led to the unemployment growth both neither among elderly population nor among other age groups.

The highest economic activity growth over the year has been observed in the 20–24 age group. Such dynamics can reflect changes taken place in the structure of education, decline of the number entering higher educational establishments and popularity of secondary vocational education that requires a shorter training time than in the higher education. Thus, 2019 was marked by additional influx elderly population to the labor market amid a decline of economic activity of the main able bodied age groups.

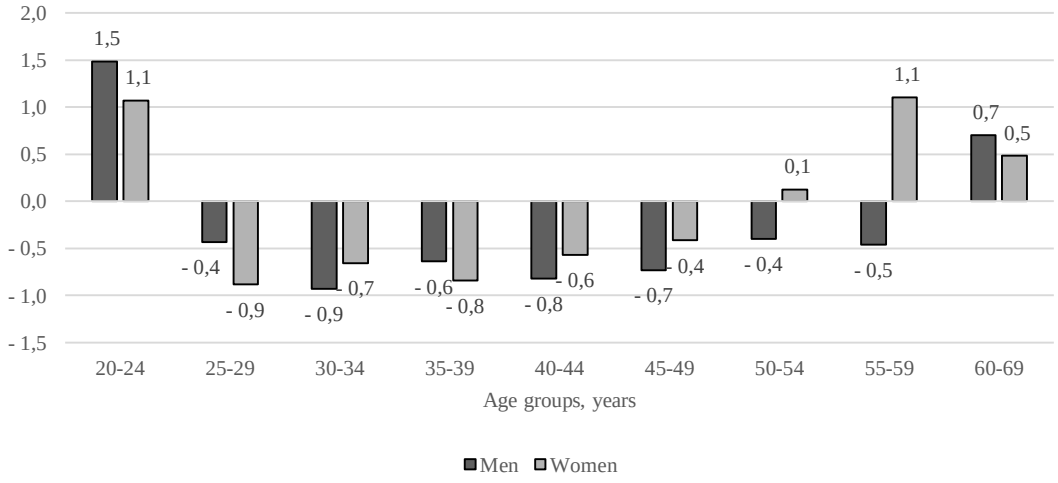


Fig. 23. Changes in the economic activity rate between 2019 and 2018 in various age groups, percentage point

Source: Rosstat, own calculations.

[1] Rossyiskaya Gazeta. The Head if PFR briefed on the falling number of pensioners. URL: https://rg.ru/2020/01/21/glava-pfr-rasskazal-ob-umenshenii-chisla-pensionerov-iz-za-pensionnyj-reformy.html

Following a significant growth posted in 2019, a slowdown of the wages growth rates in real terms was observed (*Fig. 24*). On average in 2019, the monthly average wages of corporate employees according to preliminary data released by Rosstat stood at RUB 47,468, which in real terms is by 2.9 percent above the year before last level. The slowdown of the growth rates is due to several factors. Whereas in 2018 the minimum wage rise and raise of wages for a number of categories of the public sector employees was pushing wages up, in 2019 raising of VAT has produced a contrary effect. Herewith, wages rise in the public sector contrary to 2018 although was above the inflation rate but became the main driver of wages growth in the country. Nevertheless, the real wage growth seen in the last year was twice as high as GDP growth. Even amid a decline on the number of employed, this indicator grew at a faster pace than the productivity rate.

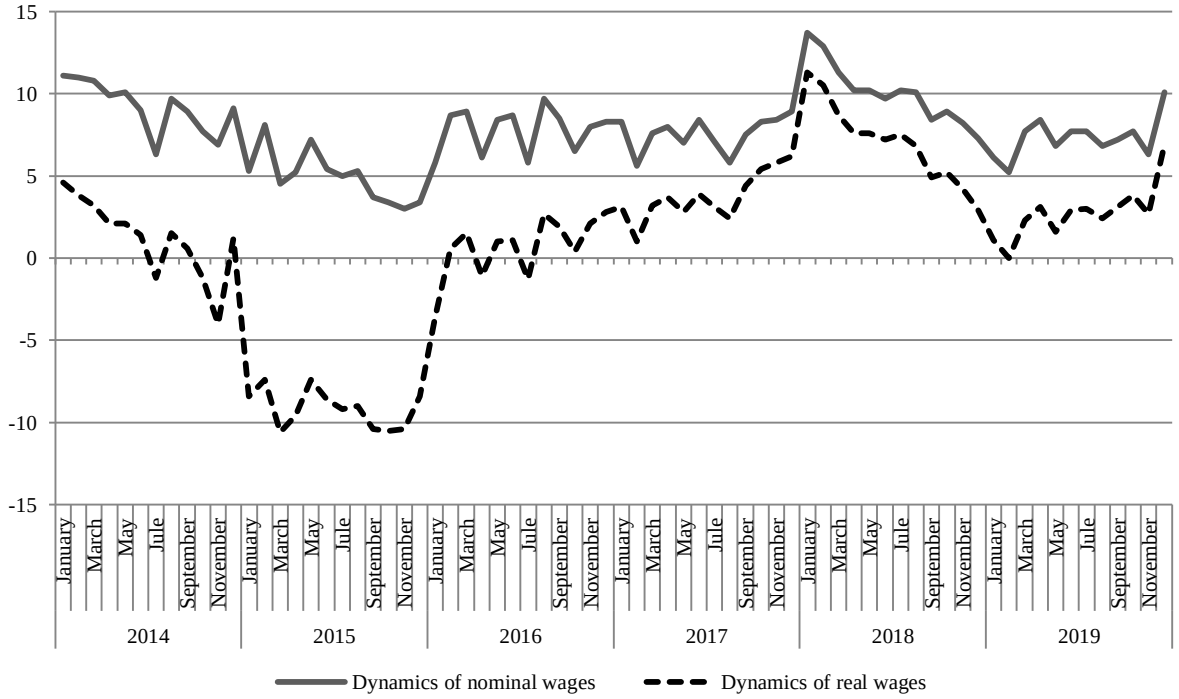


Fig. 24. Growth in nominal and real wages, year-on year, in %

Source: Rosstat.

The highest wage growth was observed in the financial insurance sectors (up by 11.7 percent in nominal terms), paper and paper products manufacturing (up by 11.0 percent), mining (up by 10.7 percent), professional, scientific and technical sectors (up by 9.2 percent). At the same time, wages in oil refining average wages fell by 7.1 percent, in publishing sector down by 0.1 percent. In services sluggish growth was observed in hotel and catering sectors (up by 5.2 percent, sports, recreation and entertainment (up by 2.1 percent). In education and healthcare wages were growing by 0.1–0.2 percentage points mora than on average in the economy.

5.5. Migration processes

5.5.1. Long-term migration

During 2019 positive migration balance in Russia surged year-on-year totaling 285.8 persons. It has exceeded values of recent years and moreover those reported in the year before last when it plummeted to 124.9 thousand persons. Inter alia, low net migration rate posted in 2018 was due to the problems arisen with the transfer of data from the Ministry of Internal Affairs to Rosstat. From 2019 onwards this issue was resolved but it remained unclear whether net migration rate returned to values seen in mid-2010s or it was a regular surge. Migrants count remains unbalanced, registration methodology suffers from a number of serious problems[1].

Q4 2019 saw a surge of arrivals to Russia while the number of leavers remained flat quarter-on-quarter. As a result, positive migration balance in Q4 hit an all-time high and has even surpassed values seen 2011 and 2014 (*Fig. 25*). Before recent months of 2019, one could expect that the dynamics of the long-term migration indexes which were disrupted by migration count in 2018 would be stable in the course of the year. A surge of migration growth posted in Q1 2019 was regarded as a result of a plummet seen in the previous period. A hike in the rate reported at the year-end was not due to the same reason, the growth rate of arrivals is similar to that observed in mid-2014.

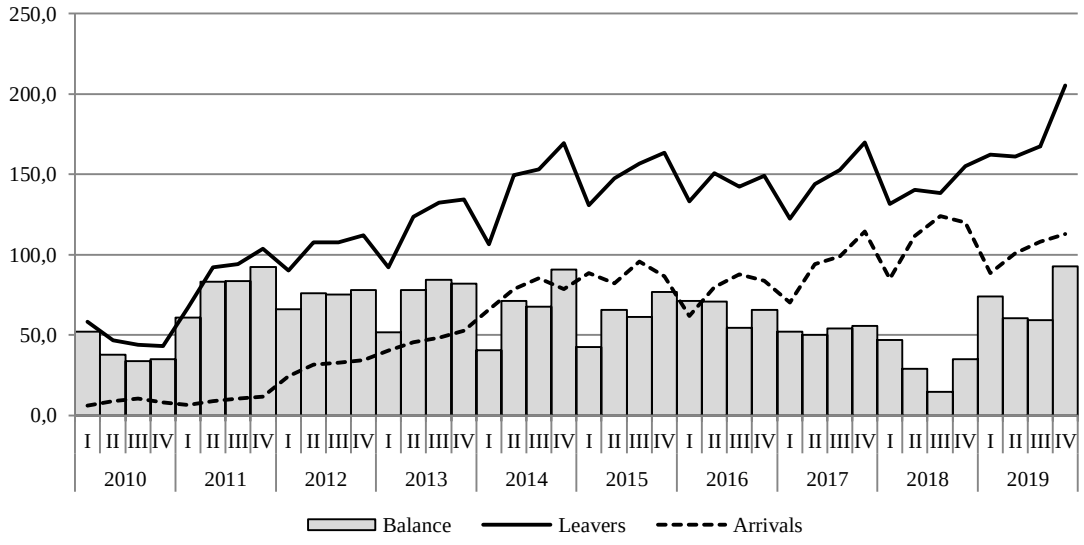


Fig. 25. International long-term migration in Russia, Q-o-Q, thousand persons

Source: Rosstat.

In 2019, even a surge in net migration rate would not have offset the ongoing natural population decline in Russia. At the year-end, migration offset natural population decline by 90.4 percent. Meanwhile, total offset of the natural population decline was reported in H2 2019 (*Fig. 26*). Without the net migration rate, Russia would have seen a more drastic population decline in 2019.

[1] Chudinovskikh O.S. On Revision of the UN Recommendation of 1998 on Migration Statistics in Russian Context // Voprosy statistiki 2019. Vol.26, No.8, pp. 61–76

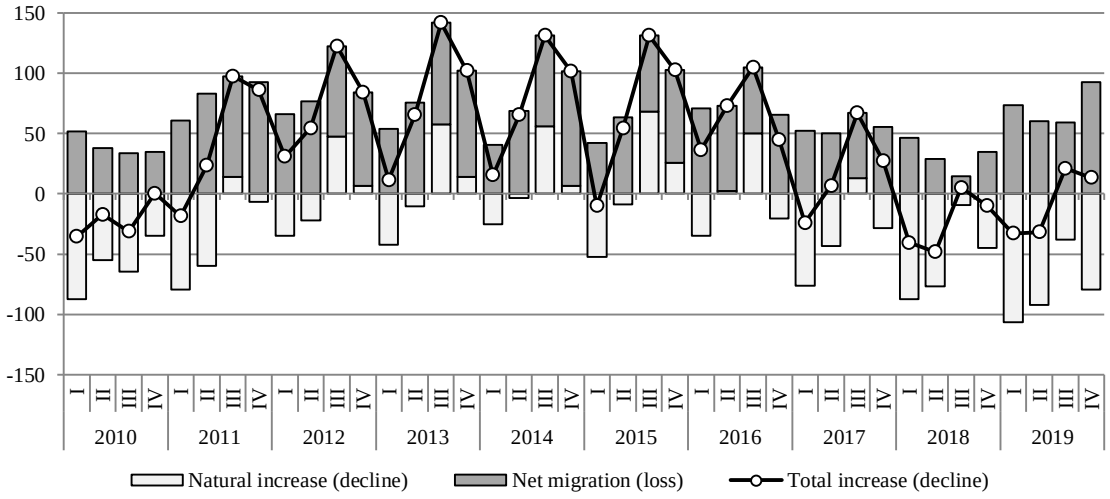


Fig. 26. Components of the change of Russia's population count, 2010–2019, Q-o-Q

Source: Rosstat.

According to various data for 2010s, net migration rate in Russia in 2019 trails only to indexes for 2011–2013. Compared to 2018, net migration rate in Russia went up with all countries except Belorussia and Moldova. The highest migration growth was registered with Ukraine; it has surpassed not only data for the last year but very significantly data for 2013, which has triggered migration surge (*Table 1*). The highest net migration rate with Ukraine occurred at the year-end, only in Q4 it totaled 30.7 thousand persons–slightly less than during the first three quarters of the year.

It is still unclear, whether simplified procedure for Russian naturalization adopted in 2019 has triggered the surge. For a second time in this decade Ukraine has become the main donor country for long-term migration.

Table 1

Positive (negative) migration balance in Russia due to international migration, by countries, 2012–2019, thousand persons

	2012	2013	2014	2015	2016	2017	2018	2019
International migration, total	294.9	295.9	280.3	245.9	261.9	211.9	124.9	285.8
Including with CIS countries	268.4	274.9	270.2	237.8	255.3	203.4	129.1	256.4
including:								
Azerbaijan	18.1	17.2	12.4	10.7	10.4	8.6	8.7	16.8
Armenia	32	32.2	24	20.6	12	14	14.4	35.5
Belarus	10.2	3.7	6.8	4.9	2.1	11.8	7.2	6.3
Kazakhstan	36.7	40.1	40.8	34.8	37.1	32.7	26.5	39.1
Kirgizia	24.1	19.8	15.3	10	11	19.4	8.8	14.9
Moldova	18.6	20.6	17.6	17.4	14.4	9.6	7.7	5.5
Tajikistan	31.4	33.6	19.4	11.4	27.3	34.6	31	47.8
Turkmenia	3.9	3.8	2.6	2.3	2.4	2.9	3	6.2
Uzbekistan	56.3	67.3	37.1	-20.4	19.7	22.2	6.8	19.1
Ukraine	37	36.4	94.4	146.1	118.8	47.7	14.8	65.1
Other countries	26.5	21	10.1	8.2	6.7	8.4	-4.2	29.4

Source: Rosstat.

In 2019, net migration rate with Uzbekistan also went up, however compared to 2013 it is still low. Net migration rate with Armenia, Tajikistan, and Turkmenistan in 2019 was the highest during recent years, net migration rate with Kazakhstan is close to record values.

Russia's immigrant population growth was due to such far abroad countries – China, Vietnam, India, and Syria. Whereas, immigration balance with developed western countries remained flat. It should be noted that the long-term migration from this group of countries has been counted unsatisfactorily, data released by statistics agencies of those countries differ from the Russian data several-fold or even by ten times.

In 2019 compared to the previous year the number of internal long-term migrants contracted by 298.2 thousand persons or by 6.9 percent. Such fluctuations has been repeatedly noted, for example, in 2018 indicator increased by 3.8 percent. On the whole, the scale of migration within the country after two-fold growth in 2011–2012 due to a change of count methodology.

Data across regions for January-November 2019 demonstrate a significant reduction of net migration rate in Moscow and St. Petersburg against the corresponding period of the previous year. At the same time, net migration rate in Moscow and Leningrad regions has not changed. Many Russian regions on the back of a surge of positive migration balance due to international migration has improved net migration rates. If in January-November 2018 Russia boasted of solely 20 regions with total net migration, then in 2019 their number moved up to 39. The sharpest growth of net migration rate was reported in Rostov region, Stavropol krai, Samara and Nizhniy Novgorod regions. However, However, There's no point to come to conclusions on the change of priority migration strands. Possibly, this is due to already mentioned increased growth from Ukraine of by other factors. Partly situation can be revealed by more detailed data but it has not been released yet.

Significantly feel negative migration balance in Far East federal district (-10.3 against -29.8 thousand persons for corresponding period of 2018), even despite the entry into it of two regions with stable migration loss – Zabaikalsky krai and Republic of Buryatia. Migration loss has also contracted from Siberian district. However, it still remains unclear what role in the population balance of the district has been played by internal and international migration including with China and other countries of Asia. The migration balance with these countries is highly unstable and is marked by sharp spikes, growth in one year is replaced with a loss in another one. To what extent has changed the key index – outflow of population from the Far East westbound – will be clear solely following the release od the data on internal and international migration.

5.5.2. Temporary migration

In 2019, the number of temporary arrivals of foreign citizens to Russia notably increased Y-o-Y. During the year the number of arrivals fluctuated in the range of 9.5 million to 11.2 million persons, in certain months, indexes exceeded the 2015 – 2017 data, however the 2013 – 2014 level has not been reached so far. At year – end of 2019, Russia hosted 10.4 million foreign citizens (at late 2018 – 9.7 million), maximum values (11.2 million) were observed in late September-early October (in 2018 recorded 10.2 million at the same time). The highest contribution to the index growth was made by tourists, migrant workers and arrivals for private purposes.

The vast majority of temporary arrivals were citizens of CIS, as of end of 2019 they numbered 8.23 million persons (as of end of 2018 – 8.19 million), which is 79 percent the total number of arrivals. Top three countries remain unchanged so far – Uzbekistan, Ukraine, and Tajikistan (*Table 2*), however Ukraine is already second to Uzbekistan.

Table 2

Arrivals of CIS citizens to the Russian Federation as of date, persons

	05.11.14	05.11.15	01.11.16	01.11.17	01.11.18	01.11.19

Azerbaijan	610327	532321	527615	597938	660314	759095
Armenia	514663	504971	509070	507790	507557	497685
Belarus	498878	634861	744653	699463	656815	690265
Kazakhstan	575400	685841	607044	545852	545592	559033
Kirgizia	552014	526502	581197	619498	654892	737769
Moldova	586122	517692	495463	448728	361397	315484
Tajikistan	1105500	933155	964030	1037729	1155114	1292240
Uzbekistan	2335960	1943384	1671931	1793664	1961814	2083452
Ukraine	2651109	2566377	2590568	2217642	1987752	1795225
Total	*9429973*	*8845104*	*8691571*	*8468304*	*8491247*	*8730248*

Sources: data released by FMS RF and General Administration for Migration Issues MIA RF.

Trends of growth and contraction of stay of CIS citizens does not practically change over recent years. Migration from the EAEU countries was stable except from Kirgizia–the number of citizens of that country in Russia exceeds the 2014 value by one third. Year-on-year migration from Azerbaijan, Tajikistan, and Uzbekistan demonstrates an upward trend. Having said that, regarding first two countries the pre-crisis stay values have been surpassed and the number of citizens from Uzbekistan so far is below the pre-crisis level by 10–12 percent. Simultaneously, the number of temporary arrivals from Moldova and Ukraine demonstrate downward trend.

2019 for the first time recorded a notable growth of arrivals from developed countries (*Table 3*); tourists have contributed most to this growth, although their number is only half of the number seen in the pre-crisis years. Compared to the previous year, the number of arrivals with other purposes increased y-o-y, for example, the number of arrivals with employment purpose increase by one third from 23 thousand to 31 thousand persons (end-year data).

Table 3

Arrivals of foreign citizens from several countries of EU and USA to Russia as of date, persons

	13.11.13	**01.11.15**	**01.11.16**	**01.11.17**	**01.11.18**	**01.11.19**
EU as a whole	1177829	481567	516368	448566	462276	696208
Germany	352335	122131	115425	111792	108591	153018
Spain	77200	15864	15579	14337	16127	31579
Italy	77193	30489	28244	24388	25761	43751
Great Britain	174061	38637	29142	23944	23020	30216
Finland	108312	46513	99065	73715	64819	87517
France	65559	35968	29268	26963	30010	54560
USA	220086	50638	52840	44370	46988	60612

Source: data released by FMS RF and General Administration for Migration Issues MIA RF.

As of late 2019, Russia hosted 3.9 million migrant workers (as of late 2018 – 3.76 million), the CIS citizens account for 3.77 million (97 percent), and citizens from far abroad – 131 thousand persons. The number of migrant workers in Russia demonstrates an upward trend, although y-o-y growth is moderate – 3–5 percent. CIS countries minus Ukraine and Moldova account for the major part of the migrant workers increase. The latter citizens oftener choose European countries for work.

For the third year in a row the share of migrant workers in Russia with authorization documents stays flat: at 2019 year-end 1.73 million had effective papers for employment (work permits and patents) and 1.1 million were eligible for hire without papers (EAEU citizens), i.e. 72 percent of migrant workers could officially get employment in the Russian Federation (this proportion fluctuated around 70 percent in previous years. The lack of significant progress in the sphere of migrant workers' authorization demonstrates inefficiency of legislative and law-enforcement novations in current economic environment.

The index of new authorization documents for migrant workers moved up slightly compared to two previous years and still accounts for a half of the 2014 level (*Table 4*).

Таблица 4

Filing of authorization documents for migrant workers in RF, January-December, persons

		2014	2015	2016	2017	2018	2019
Work permits for foreign citizens (FC)*		1334899	177175	133215	139595	120666	117452
Including:	WP for qualified specialists (QS)*	158644	22099	14775	17333	19360	16877
	PWork permits for highly qualified specialists	34225	41829	25469	21363	25845	31754
Patents**		2379374	1779796	1492203	1658119	1649121	1686418
Total		3714273	1956971	1625418	1797714	1769787	1803870

* – From January 1, 2015 issued for from visa regime countries.

** – From January 1, 2015 issued from visa-free regime countries for hire by physical and legal entities.

Migrant workers continue notably replenish regions' budgets: during 2019 advance payments for patents totaled RUB 60.4 billion (in 2018 – 57.3 billion). To a higher degree than before migrants from Uzbekistan and Tajikistan account for over 90 percent of issued patents (in 2018 – 88 percent, and in 2017 – 86 percent). Each year there are fewer citizens from Ukraine account who obtain patents – 4.7 percent (in 2018 – 6.5 percent, and in 2017 – 7.9 percent).

Analysis of the flow of migrant workers to Russia in 2019 demonstrates that the interest towards the labor market in Russia has not been lost by the majority of our neighbors. Having said that, one should acknowledge that migrant workers from the countries that have alternative strands of migrant employment (Ukraine and Moldova) prefer to choose otherwise than Russia. The inflow of migrant workers in 2020 will be adversely affected by the restrictions put in place amid the spread of the coronavirus pandemic. The amount of the inflow for time-wise will undoubtedly depend on the timeframe of the restrictions put in place but in any case will see a decrease in annual terms. This been said, pandemic induced economic recession will somewhat reduce the demand for the migrant workers.

5.6. Demographic situation

The number of resident population in Russia as of January 1, 2020 (by preliminary data released by Rosstat) totals 146.7 million persons (*Fig. 27*). This index is below that seen for 2019 by 35.6 thousand. Contraction of the total number of Russia's population has been ongoing for a second year in a row. For 2018–2019, the total population loss numbered 135.3 thousand persons. The average population of Russia for 2019 hit 146.8 million persons. That index is below the one seen in 2018 by 0.05 percent or by 67.7 thousand persons.

Contraction of the total population is due to a natural population loss, the net migration stopped offsetting it. In 2019, deaths outnumbered live births by 316.2 thousand persons (*Fig. 28*), this value exceeds the one seen in 2018 by 41.7 percent (by 93 thousand persons). Last time such population loss was observed in 2008 (362 thousand persons). Natural population growth (loss) rate in 2019 stood at -2.2‰ less than seen in 2018 by 37.5 percent (-1.6‰). Natural population decline currently is due both to the ongoing significant birth rate contraction and insignificant reduction in death rates.

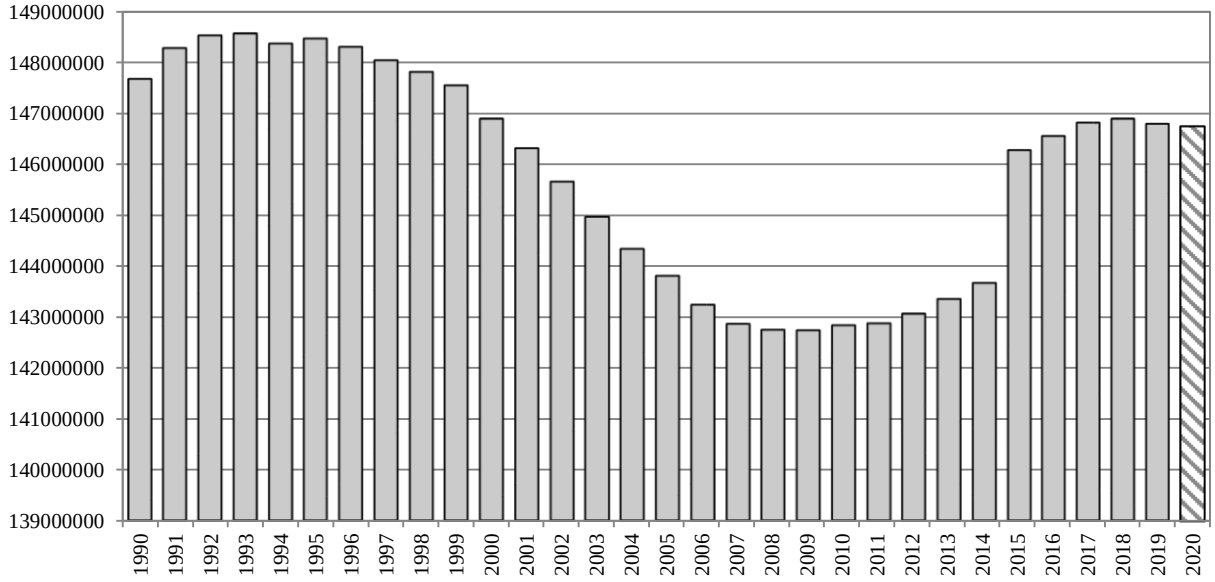


Fig. 27. Number of resident population as of January 1, 1990–2019, persons

Source: data released by Rosstat.

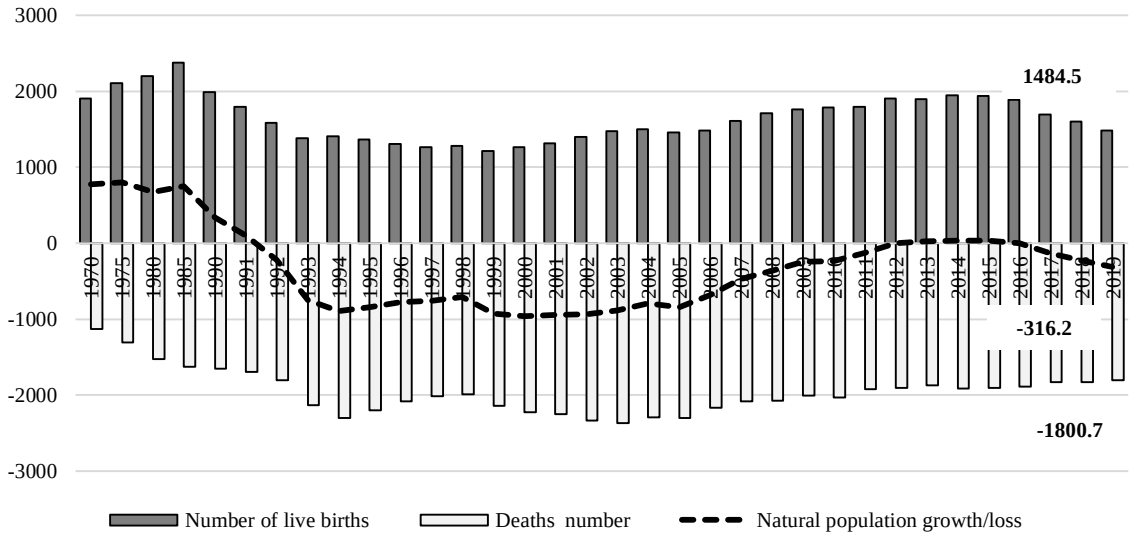


Fig. 28. Number of live births, deaths and natural population growth (loss), 1970-2018, thousand persons

Sources: Unified Interdepartmental Statistical Information System (UISIS), flash data released by Rosstat.

Population decline has been observed in the majority of Russia's regions. However, there are regions with a population increase (*Fig. 29*). Maximum values of natural population loss have still been observed in Pskov (-8.4‰), Tula (-8.3‰), Ivanovo (-7.9‰), Novgorod (-7.7‰), Tver (-7.7‰), Vladimir and Smolensk regions (-7.5‰). The highest natural population increase has been recorded in North Caucasus regions (but even there dynamic is negative – growth

stood at 6.2 percent against 6.9‰ seen in 2018 across North Caucasus Federal District on average), in Republics of Tyva and Sakha, Tyumen region and its autonomous districts.

Fig. 29. Natural population growth (loss), 2019

Source: flash information released by Rosstat.

2019 demonstrates contraction of both births and the crude birth-rate. Number of live births in 2019 hit 1,484.5 thousand persons down by 7.5 percent (down by 120 thousand persons) year-on-year. Live births peaked in July (*Fig. 30*) with 140.7 thousand births. The bottom index was observed in February (113 thousand persons).

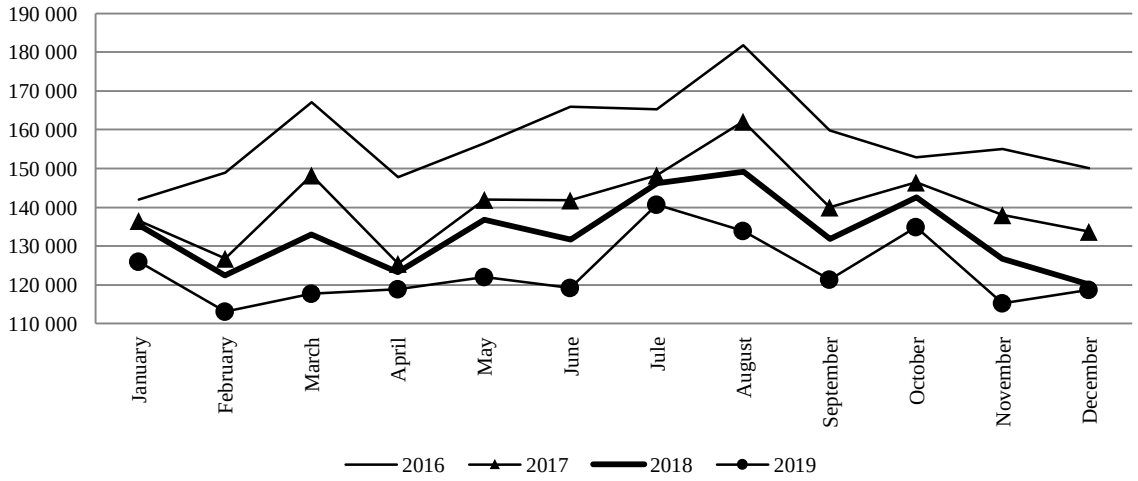


Fig. 30. Number of live births, January-December 2016–2019, persons

Sources: UISIS, flash data released by Rosstat.

In 2019, crude birth-rate stood at 10.1 percent which is down by 7.3 percent against the 2018 index (10.9‰). Rate reduction has been demonstrated by practically all the Russian regions

except Karachaevo-Cherkassia Republic, Moscow and Republic of Ingushetia. The number of live births in those regions went up by 2.7 percent (by 133 live births), by 2.5 percent (per 3.4 thousand births) and 1.9 percent (by 60 live births), respectively.

The total fertility rate (TFR) is being used as the most truthful integral description of the birth rate. This rate demonstrates average number of births per woman in a hypothetical generation for her entire life while retaining existing birth rates in each age group independent of death rate of age composition. In 2019, the total fertility rate in Russia numbered 1.51 child births per woman of reproductive age. This is by 4.4 percent less than the 2018 level (1.58). This index has been falling from 2016. According to UISIS, this indicator's decline has been observed in all regions except Karachaevo-Cherkassia Republic (by 5 percent), Kamchatka krai (by 1 percent), and city of Moscow (by 7 percent). This index demonstrates the highest contraction in Chukotka autonomous district (by 17 percent), Kaluga, Ivanovo, Moscow, Vladimir regions and Republic of Altai (by 9 percent).

The highest total fertility rate during 2019 was exhibited by Republic of Tyva (2.97 live births per woman of reproductive rate), Chechen Republic (2.6), Republic of Altai (2.35), Nenets AD (2.24), Republic of Buryatia (2.04), Chukotka AD (2.02), Sakhalin region (1.95), and Ymal-Nenets AD (1.9) (*Fig. 31*).

Fig. 31. Crude birth-rate, 2019, per woman of reproductive age

Source: UISIS.

The feature of the current situation consists not so much in the overall birth rate decline as in dynamic of its components regarding sequence of births. Reduction of the total fertility rate stems from a decline of number of births across all birth order. At 2019 year-end, total first births rate averaged at 0.65 per woman. This is below the same rate for 2018 by 2 percent (in 2018 – 0.66). The reduction is drastic against the backdrop of 2010–2015 when it fluctuated at relatively high rate of 0.8 births. Such low rate of first births was observed in Russia only once in 1999 at the "bottom" of the birth rate downward trend. Reduction of the first births rate has been observed in the majority of Russian regions. Eight regions demonstrate growth of this rate, in nine regions it has remained at the 2018 level (*Fig. 32*).

Fig. 32. Cumulative first live births rate, 2019, per woman of reproductive age

Source: UISIS.

Aggregate second births rate commenced declining in 2016 and in 2019 stood at 0.53 live births. This index is lower than that seen in 2018 by 9 percent (in 2016 it stood at 0.69, in 2017 – 0.6, and in 2018 – 0.58 live births). Reduction of second births number has been observed in all regions except Kamchatka krai (up by 11 percent against 2018), Moscow (by 4 percent), Sebastopol (by 2 percent), and Republic of Ingushetia (retains 2018 level).

Republic of Tyva (0.84), Nenets AD (0.74), Sakhalin region (0.7), Khanty-Mansi AD (0.66), Jewish AD (0.65), and Republic of Altai (0.64) demonstrate the highest second births rates (*Fig. 33*). The lowest second births rates have been observed in the Republic of Ingushetia (0.37), Leningrad region (0.39), Karachaevo-Cherkassia Republic (0.44), Voronezh, Smolensk, Tula, and Tomsk regions (0.45).

Fig. 33. Cumulative second live births rate, 2019, per woman of reproductive age

Source: UISIS.

Rate of third and subsequent live births in 2019 stood at 0.33 live births. This is lower than that seen in 2018 by 3 percent (in 2018 – 0.34 live births, in 2017 – 0.31 live births). Reduction of cumulative third and subsequent live births has been observed in 26 regions, in 29 regions it stayed at the 2018 level, and the rest of the regions demonstrate rate growth. The highest rates have been noted in Chechen Republic (1.25), Republics of Tyva (1.15), Ingushetia (1), Altai (0.79), Dagestan (0.68), Sakha (0.62), and Nenets AD (0.71). The bottom rate of third and subsequent live births are being demonstrated by Sebastopol (0.2), Belgorod, Smolensk, Voronezh, Leningrad regions, Republic of Mordovia (0.21), St. Petersburg (0.22), Briansk, Penza, and Ivanovo regions (0.23) (*Fig. 34*).

Fig. 34. Cumulative rate of third and subsequent live births, 2019, per woman of reproductive age

Source: UISIS.

Besides a change in the number of women of reproductive age, a change in the age related birth rate profile. Recently, there was a shift in the birth rate towards women of older age. In 2018[1] the highest fertility rate was observed among 20–24, 25–29, and 30–34 age groups. The mean maternal age has been growing, most significantly the shift occurred at the mean age of the mother at first birth, in 2018 it came to 25.9 years (second child – 29.6, and third – 32 years).

2019 demonstrated a contraction both in the death rate and in crude death rate. Absolute mortality rate in 2019 stood at 1,800.7 thousand cases down by 1.5 percent (by 27.2 thousand) against the same period y-o-y. The highest mortality rate was recorded in January (172.4 thousand persons) and the minimum absolute mortality rates were reported in June (137.3 thousand persons) (*Fig. 35*).

The crude mortality rate in 2019 stood at 12.3 per 1,000 of population. This is by 1.6 percent lower than that of 2018 (12.5‰). By flash data released by Rosstat, in 2019 the gap between the minimum and maximum crude mortality rate in Russian regions constituted 14 permille. The highest rate has been demonstrated by Pskov region (16.9‰), and the lowest – Republic of Ingushetia (2.9‰). The crude mortality rate peaks in regions with high proportion of old age population (Pskov, Novgorod, Tver, Tula, Ivanovo, and Vladimir regions). Low rates have been

[1] Detailed information on age composition of birth rate for 2019 will be available solely in August 2020.

commonly demonstrated by regions with younger population composition (Republic of Ingushetia, Chechen Republic, Republic of Dagestan, Yamal-Nenets AD, and Khanty-Mansi AD).

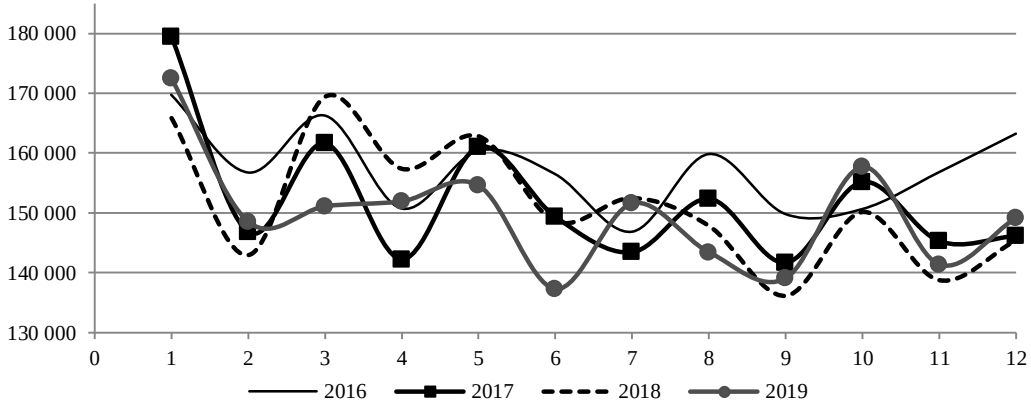


Fig. 35. Mortality rate, January-December of 2016–2019, cases.

Sources: UISIS, flash data released by Rosstat.

Compared to the same period of 2018, in 2019 growth of the crude mortality rate growth was observed in 18 regions (from 0.8 to 5.5 percent), in 6 regions it remained at the 2018 level, and in the remaining regions – declined. The highest growth of the index is observed in Khabarovsk krai (by 5.5 percent), Amur region (by 5.3 percent), Jewish AD (by 5.2 percent), Republic of Buryatia (by 3.7 percent) (*Fig. 36*). A significant decline in the mortality rate is demonstrated by Chukotka AD (by 7.1 percent), Republic of Ingushetia (by 6.2 percent), Chechen Republic (by 8.7 percent), Kabardino-Balkar Republic ((by 9.4 percent), Nenets AD (by 6.6 percent), Tyva (by 5.7 percent), Mariy El (by 4.7 percent), and Tatarstan (by 4.3 percent).

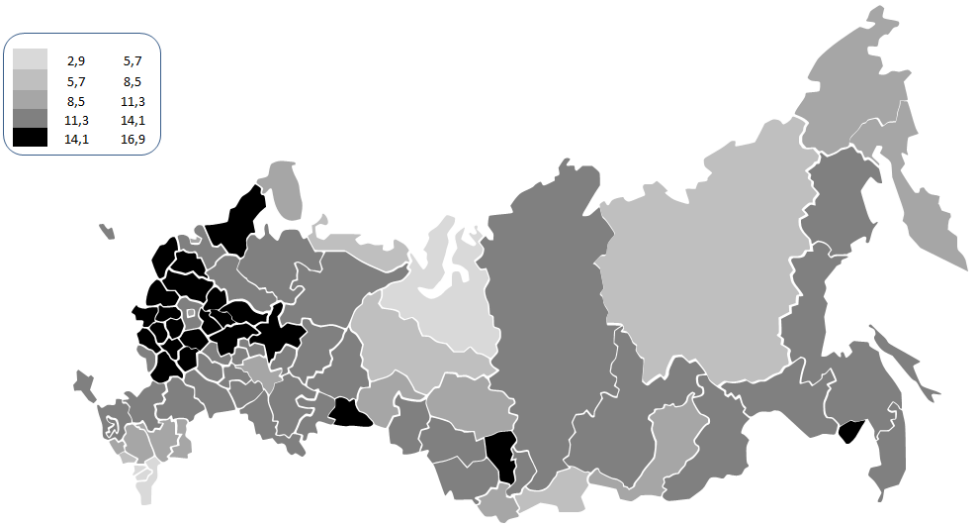


Fig. 36. Crude mortality rate region-wise, 2019, in percent

Source: flash data released by Rosstat.

The crude mortality rate gives a change to swiftly but very approximately to assess mortality trends in the country. As far as the mortality rate to a significant extent depends on age and gender, the crude mortality rate value is also strongly affected by the age composition of the population. More detailed information on mortality rate gender- and age-wise are released based on the findings of annual statistics, and they were unavailable for 2019 at the date of preparation of the review.

The infant mortality rate is the number of deaths of under one year of age per 1,000 live births remains an important mortality index and of a quality of life as well. The infant mortality rate continues falling. During 2019, the index stood at 4.9 cases per 1,000 live births. This was lower by 3.9 percent than that in 2018. The regional divide in the infant mortality rate has increased. Over 2019, it came to 11.3 percent. In 2018, this index stood at 9.5 percent. The regional divide increase between the minimum and maximum indexes triggered an increase in the maximum index (11.1 percent – in 2018 against 12.7 percent – in 2019).

The highest infant mortality rate of children under one tear of age has been observed in Chukotka AD (12.7‰), Republic of Altai (11.2‰), Jewish AD (9.3‰), Kamchatka krai (8.4‰), Republic of Dagestan (7.5‰), and Kostroma region (7.4‰). Republic of Kalmykia (1.4‰), Nenets AD (1.7‰), Lipetsk region (2.9‰), Leningrad region (2.9‰), Belgorod region (3‰), Kirov region (3.1‰), and Chuvash Republic (3.3‰) boast of minimum infant mortality rates.

35 regions recorded growth of the infant mortality rate (compared to the same index in 2018), 4 regions reported the rate at the 2018 level, and in the remaining regions it decreased. The highest growth was recorded in Magadan region (by 79 percent), Sakhalin region (by 53.6 percent), Kamchatka krai (by 47 percent), Tambov region (by 46 percent), and Khanty-Mansi AD (by 41 percent (*Fig. 37*).

Fig. 37. Infant mortality rate, 2019 in % to 2018

Source: flash data released by Rosstat.

One of the key factors of Russia staying behind the developed countries regarding life expectancy at birth is high premature mortality. It is due among other to mortality from

noninfectious diseases (diseases of cardiovascular system, tumors, respiratory system, endocrine system, nutrition disorders and metabolic disorder). In 2019, these diseases caused 68.7 percent of the total number of deaths (in 2018 – 68.3 percent). Among the reasons of mortality by causes of death still dominate cardiovascular diseases (46.7 percent), hereafter in the descending order follow tumors (16.4 percent), other types of diseases (11.5 percent), external causes (7.1 percent), nervous system disorders (5.6 percent), digestive system diseases (5.4 percent), diseases of respiratory system (3.2 percent), endocrine system diseases, nutrition disorders and metabolic diseases (2.4 percent), infectious and parasitic diseases (1.7 percent).

Compared to the same period of 2018, the mortality rates demonstrate reduction from external causes (by 4.9 percent), respiratory system diseases (by 3.7 percent), blood circulation diseases (by 1 percent), from infectious and parasitic diseases (by 3.6 percent), from nervous system diseases (by 10.5 percent). However, not all causes of death demonstrate an upward trend. Causes of death from endocrine system diseases, nutrition disorders and metabolic disorders (by 0.7 percent), digestion system diseases (by 3.4 percent), tumors (by 0.7 percent) were higher in 2018 against 2018.

One of the key integral mortality rates is life expectancy. At present, data on life expectancy for 2019 is not available yet. However, Russia for the first time commenced to define healthy life expectancy in 2019. Healthy life expectancy defines as how long at a certain age a person has healthy life, i.e. without any serious health problems. This indicator has been proactively used by the WHO for monitoring the situation in the healthcare system in different countries and development of practical proposals for an increase or decrease of regional divide. According to Rosstat data, in 2019 life expectancy in Russia stood at 60.3 year. This is lower than that seen in 2018 by 12.6 years. According to previous estimates made by the WHO[1] (2016) healthy life expectancy indicator equaled 63.5 years (*Fig. 38*). Despite the discrepancy in the indicator released by Rosstat (2019) and by WHO (2016), it should be noted that Russia is way below the countries of Western and Eastern Europe both by life expectancy and by healthy life expectancy. At present, the index calculated by Rosstat is the most reliable of all available.

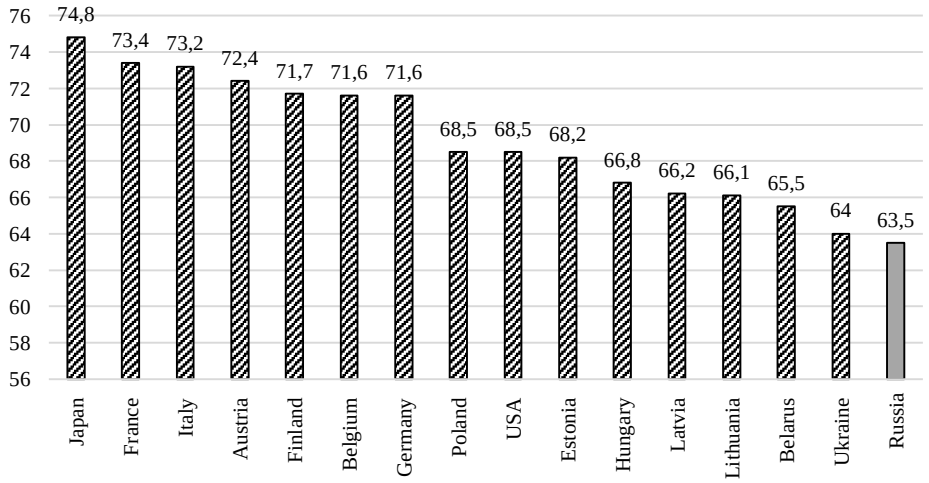


Fig. 38. Healthy life expectancy, 2016 years

Source: WHOO3.

[1]Healthy life expectancy (HALE). URL: http://apps.who.int/gho/data/view.main.HALEXv?lang=en.

The Rosstat data allows to assess the regional divide of healthy life expectancy (*Fig. 39*). The discrepancy between the maximum and the minimum healthy life expectancy rate stood at 18 years in 2019. Republics of Ingushetia (67.2 years), Dagestan (66.2 years), Tatarstan (65.4 years), Chechen Republic (66.1 years), and Moscow (65.1 years) demonstrate the highest healthy life expectancy rates (*Fig. 39).* The minimum healthy life expectancy rate is recorded in Chukotka AD (49 years), Jewish AD (53 years), Orel region, Nenets AD, Briansk region (55.7 years), Sebastopol (55.9 years), Republic of Mari El (56 years), Magadan region (56.1 years), Yamal-Nenets AD (56.5 years), Altai krai (56.8 years), and Pskov region (56.9 years).

Fig. 39. Healthy life expectancy rate, 2019, years

Source: UISIS.

Separately one should note the trend regarding marriages and divorces. According to 2019 data, the number of registered marriages went up by 2.5 percent (22.8 thousand) compared to 2018, and the number of registered divorces contracted by 10.6 percent (-62.8 percent). Crude marriage rate came to 6.3 percent, which is above the 2018 index by 3.3 percent (*Fig. 40*). Divorce rate contracted by 10 percent and in 2019 stood at 3.6 per 1,000 of population. Change in the number of marriages and divorces as in the number of births to a certain extent is also due to demographic wave. To date thin generation born in the 1990s are reaching the proactive marriage and reproductive age, the share of unregistered marriages has been growing too.

Thus, at present Russia's demographic situation is noted by the ongoing natural population loss. The situation is adversely affected by 2-year contraction of the total number of population. Ongoing significant contraction of the number of births has been driven by a small number of women of reproductive age and changes in birth order rate. High mortality rates and their weak decline is another factor of the natural population loss growth. Spread of the new coronavirus pandemic COVID-2019 globally and in Russia creates an emergency situation for the public health system, which can also tell on the morbidity and mortality rates.

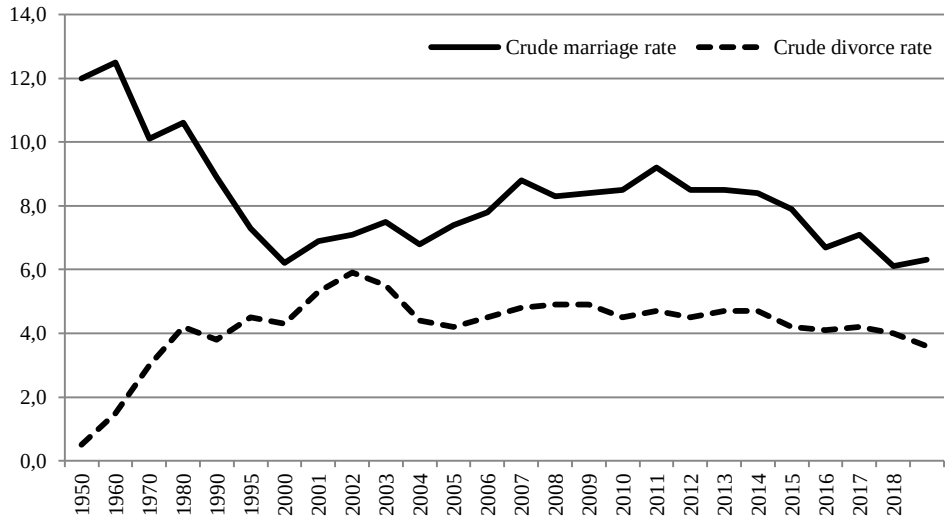


Fig. 40. Crude marriage and divorce rates, 1950–2019, per 1,000 persons

Source: Rosstat.