

## REAL ECONOMY: TRENDS AND FACTORS IN FEBRUARY 2013

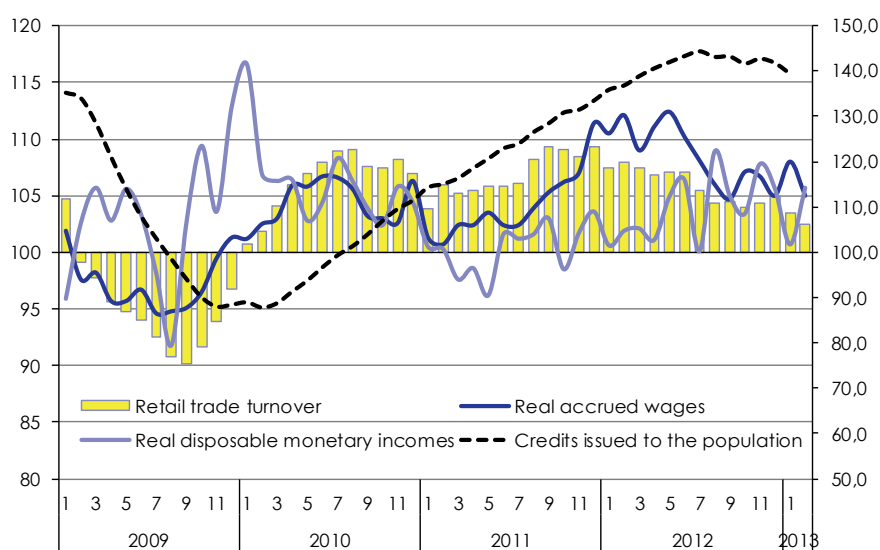
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*At the beginning of 2013 the Russian economy was characterized by the slowdown of the internal and external demand. This year the domestic market was considerably influenced by the drop of production in February 2013 by 2.1% as compared with February 2012. The manufacturing industry index in annual terms made 99.9% versus February 2012 the deepest recession being observed in machine building complex. The total of the unemployed over January-February 2013 remained below the corresponding figure of the previous year, exceeding though the average figure of H2 2012.*

This January-February the macroeconomic situation was defined by the influence of the factors formed in H4 2012 which contributed to the slowdown of economic activity. In February 2013 the situation at the internal market was determined by the simultaneous slowdown of the investment and consumer demand. In February 2013 the index of the investments in fixed assets in annual terms made 100.3% versus 116.3% a year ago. In annual terms in February 2013 the growth of the retail trade turnover made 102.5% versus 107.9% a year ago. The level of the inflation and the real incomes of the population influenced the consumer behavior. In February 2013 as compared with the corresponding period of the previous year the index of consumer prices went up to 107.3% versus 103.7% a year ago. The real wages versus January-February 2012 went up by 5.2% versus 11.2%. Despite the fact that real disposable monetary incomes went up by 2.5% (in annual terms) in February 2013 versus 1.3% a year ago, this was not reflected on the dynamics of the retail trade turnover. It is the slowdown of the credit issuing to the population was a more considerable factor in slackening of the consumer activity which has been observed since August 2012.

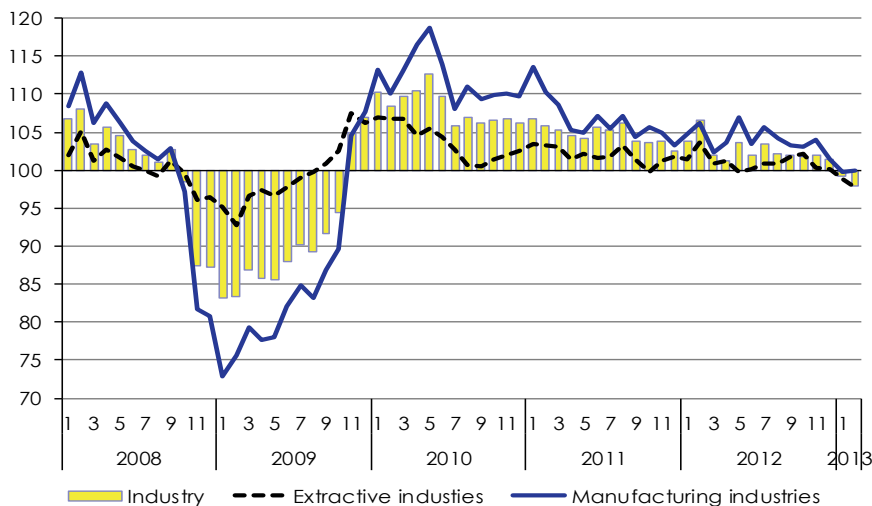
The drop in the industrial production had a considerable impact on the internal market at the beginning of the current year. The slowdown of the industrial growth has been observed since May 2010, when the growth rates were maximal versus the corresponding period of the previous year. In February and January-February 2013 the index of industrial growth made, correspondingly, 97.9% and 98.5% versus the corresponding periods of the previous year. In industry the simultaneous drop of both the processing industry and minerals extraction was observed. In February 2013 the index of processing industry in annual terms made 99.9% versus 106.3% a year ago, in minerals extraction – 97.8% versus 102.5%, in electricity, gas and water production – 90.0% versus 103.2%.

Low investment demand resulted in the decrease in the capital goods production. As compared with the corresponding period of the previous year, in February 2013 the production index in the complex of the machine-building production made 95.7%, in electric, electronic and optic equipment pro-



Source: Federal State Statistics Service.

Fig. 1 Dynamics of Retail Trade Turnover, Real Incomes of the Population and Credits Issued to the Population in 2009-2013, as Percentage to the Corresponding Periods of the Previous Year



Source: Federal State Statistics Service.

Fig. 2. Industrial Production Growth Rates by Types of Economic Activity in 2009–2013, as Percentage to the Corresponding Period of the Previous Year

put of passenger cars made 109.1% versus the corresponding figure of 2012, of trucks – 85.8% and of rolling stock for railway transportation – 77.3%-84.0%.

The contraction of the production in machine building and construction complexes accounted for the contraction of the demand for construction materials. Metallurgy production and production of the finished metal goods reached 98.3% of the level of January-February 2012, construction materials production – 101.0%.

In the segment of the intermediate goods it is the slowdown of the oil products production down to 100.7% on February 2012 as compared with 107.4% a year ago that is notable. This is due to the contraction in the oil production by 2.2% and in oil supplies for processing – by 2.5% on February 2012. The indices for processing depth of the crude oil falling this February as compared with the corresponding period of the previous year, the production of car petrol remained at the level of February 2012.

In January-February 2013 and February 2013 the chemistry industry, production of rubber and plastic goods was characterized by the output growth as compared with the corresponding periods of the previous year. It should be noted that this year in the chemistry industry the positive dynamics is supported by the expansion of the output of the main chemical and agrochemical commodities; in February the pharmaceuticals production made 94% of the corresponding period of 2012.

In January-February 2013 the textile and sewing industry growth rates were observed to accelerate by 6.8%, leather, leather goods and footwear production rates – by 6.6%, household appliances production – by 14.2% as compared with the corresponding period of the previous year. In foodstuffs production the growth rates made 101.8% in January-February versus 106.8% a year ago.

Noting the significance of the internal market expansion as a dominating factor for the economy development, the peculiar features of the dynamics and structure of the import supplies as compared with domestic production should be considered. Starting with H2 2012 the trend for the anticipating growth of import as compared with export has recovered. In January-February 2013 the import has increased by 7.4% the export reducing by 6.9% as compared with the corresponding period of the previous year.

At the beginning of the current year the demand for the workforce continued to grow – the trend that was observed already in 2012. Due to the increase in the number of vacant positions declared to the employment agencies the tension coefficient at the labor market reduced to 88.0 per 100 of the declared vacant positions versus 117.4 a year ago. The number of the unemployed calculated

duction – 92.6%. After a prolonged period of transportation vehicles and equipment production growth the drop in the production rates in this complex as compared with the previous year that was a specific feature of Q4 2012 and the first months of 2013. In February 2013 the production of transportation vehicles made 91.8% versus the figure of February 2012 and 100.2% of January-February 2012. At the same time the transportation vehicles production growth rates were considerably differentiated by separate types of production. In January-February the out-

according to the ILO methodology this February versus the corresponding period of the previous year reduced by 400,000 making 4.3mn (5.8% of the economically active population); 1.1 mn of the unemployed was registered at the employment agencies (1.4% of economically active population versus 1.8% a year ago). It should be noted that the increase in the number of the population employed in the economy, reduction of the general unemployment is occurring against the background of the economic development rates slowing down and wages rising significantly, which testifies that the efficiency of the labor force use is lowering and the production costs are increasing.

The balanced financial results of the organizations in January 2013 made 82.8% of the corresponding figure of the previous year (Rb 630.6 bn), in extractive industries – 124.7%, in manufacturing industries – 66.9%, in trade and transportation – 67%. ●