

INVESTMENTS IN FIXED ASSETS IN FEBRUARY 2013

O.Izryadnova

At the beginning of 2013 the economic activity continued to slow down – the process that started in 2012. In February 2013 the investments in fixed assets growth rates made only 100.3% in annual terms.

The Federal State Statistics Service published the updated data on the volumes of the investments in 2011-2012 and corrected indices for growth rates in comparable prices for 2001–2012. On the basis of the annual reports and final calculation of the investments volumes not observed by direct methods the growth rates of the physical volumes of the investments in fixed assets versus the previous year is estimated to be 86.5% in 2009 and 110.8% in 2011.

In concordance with the corrected indices the aftermaths of the deep investment crisis of 2009 were overcome in 2011 when the investments in fixed assets exceeded the pre-crisis level of 2008 by 1.9%.

In 2012 the investments in fixed assets growth rates being 106.6% versus the previous year and the GDP growth rates – 103.4%, the proportion of the investments in fixed assets in the GDP practically reached the level of 2007 making 20.2%.

The nature of the recovery from the crisis was considerably influenced by the policy of the institutional economic entities. It was only in 2011 that the growth rates of the investments in fixed assets of large and medium-sized enterprises exceeded the average throughout the economy. In 2012 investments in fixed assets at large and medium-sized enterprises made 96.4% of the pre-crisis level of 2008. In the segment of small enterprises the volume of investments in 2012 significantly exceeded the pre-crisis level.

Table 1

DYNAMICS OF PHYSICAL VOLUMES OF INVESTMENTS IN FIXED ASSETS, AS PERCENTAGE
TO THE PREVIOUS YEAR

	2008	2009	2010	2011	2012
Investments in fixed assets (basing on the full circle of organizations including the correction for investments not observed by direct statistical methods)	109.9	86.6	106.0	110.8	106.6
Large and medium-sized organizations (investments in fixed assets not taking into account the subjects of small business and the volume of investments not observed by direct statistical methods)	105.6	82.5	105.1	110.4	100.7

Source: Federal State Statistics Service.

Slow rates of the internal market and incomes recovery accounted for the intensification of the orientation of the enterprises towards the use of their own funds to finance investment programs. As a result of 2012 the proportion of own funds in the structure of investments in fixed assets went up from 45.4% exceeding by 3.5% the figure of the previous year.

However, it is still the borrowed funds that are the main source of financing of investments in fixed assets in 2012, which proportion accounted for 54.6% of the total volume of the investments in the economy. The changes in the volume and proportion of the borrowed funds in the sources of financing were accompanied by the changes in their structure. In 2012 the proportion of the budget funds in the sources of financing made 17.9% versus 19.2% a year ago. The state demand for the production and services of the Russian enterprises was supported though the fulfillment of the planned investment projects in the sphere of transportation, telecommunication etc. fulfilled through FTP and FTIP. Budget funds used for the investments in fixed assets made 2.52% of

the GDP in 2012 versus 2.80% in 2010 and 3.41% of the GDP in 2009, the funds from the federal budget making, correspondingly, 1.35% versus 1.43% and 1.78%.

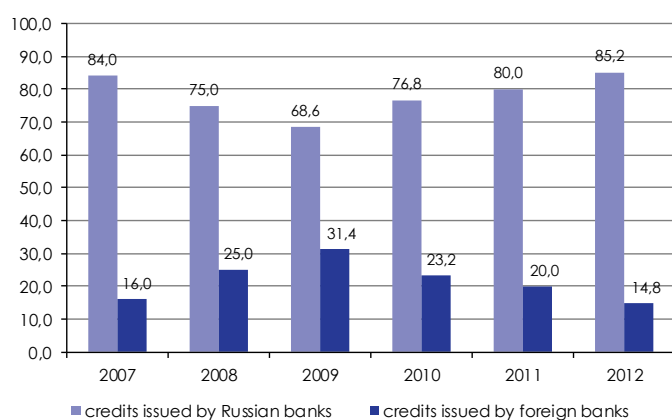
Starting with 2009 the proportion of banking and borrowed capital decreased in the structure of borrowed funds for financing of the investments in fixed assets. It should be noted at the same time that extremely slow recovery of the credit activity recovery of the Russian banks did not compensate the reduction of the volumes of foreign banks credits. In 2012 the proportion of the bank capital in the structure of the borrowed funds was maintained approximately at the level of 2011, the ratio of credits changing towards the increase of the Russian banks' share.

Table 2

STRUCTURE OF INVESTMENTS IN FIXED ASSETS AS BROKEN BY SOURCES OF FINANCING (NOT TAKING INTO ACCOUNT THE SMALL BUSINESS AND THE VOLUME OF INVESTMENTS NOT OBSERVED BY STATISTICS METHODS), AS PERCENTAGE TO THE TOTAL

	2007	2008	2009	2010	2011	2012
Investments in fixed assets – total	100	100	100	100	100	100
including by sources of financing:						
own funds	40.4	39.5	37.1	41.0	41.9	45.4
borrowed funds	59.6	60.5	62.9	59.0	58.1	54.6
of which:						
bank credits	10.4	11.8	10.3	9.0	8.6	7.9
of which foreign banks credits	1.7	3.0	3.2	2.3	1.8	1.2
borrowed funds of other organizations	7.1	6.2	7.4	6.1	5.8	5.4
budget funds	21.5	20.9	21.9	19.5	19.2	17.9
of which:						
out of federal budget	8.3	8.0	11.5	10.0	10.1	9.6
out of the budgets of regions of the Russian Federation	11.7	11.3	9.2	8.2	7.9	7.1
off-budget funds	0.4	0.3	0.3	0.2	0.2	0.2
other	20.1	21.2	23.0	24.1	24.3	23.1
including:						
funds of controlling entities	11.3	13.8	15.9	18.0	19.0	17.8
funds received from share participation in construction (from organizations and population)	3.7	3.5	2.6	1.9	2.0	2.0
including the funds of population	1.5	1.9	1.3	1.1	1.3	1.3
Foreign investments in the total amount of investments in fixed assets	5.4	4.3	4.3	3.8	3.1	2.7

Source: Federal State Statistics Service.



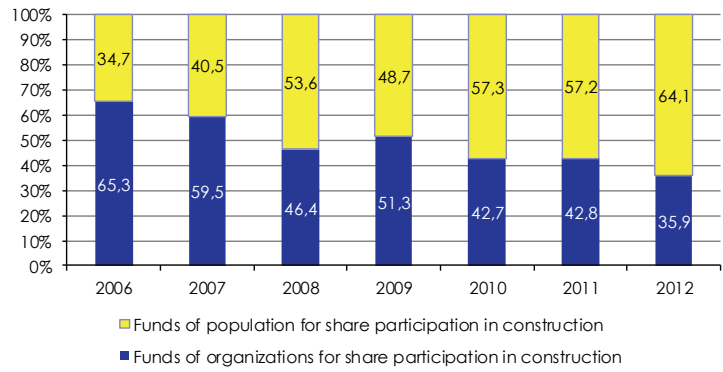
Source: Federal State Statistics Service.

Fig. 1. Structure of Banking Credits Issued for Financing of Investments in Fixed Assets in 2007–2012, as percentage to the total

In 2012 the anticipating growth of the internal investments (106.6%) as compared with the direct foreign investments (101.4%) was maintained. As a result, the proportion of foreign investments in the total volume of investments in fixed assets in 2012 reduced to 2.7% versus 3.1% in 2011. Moderate participation of Russian and foreign bank and private capital in investments financing was accompanied by the withdrawal of the capital from the Russian economy. In 2012 the net outflow of the capital reached \$56.8bn.

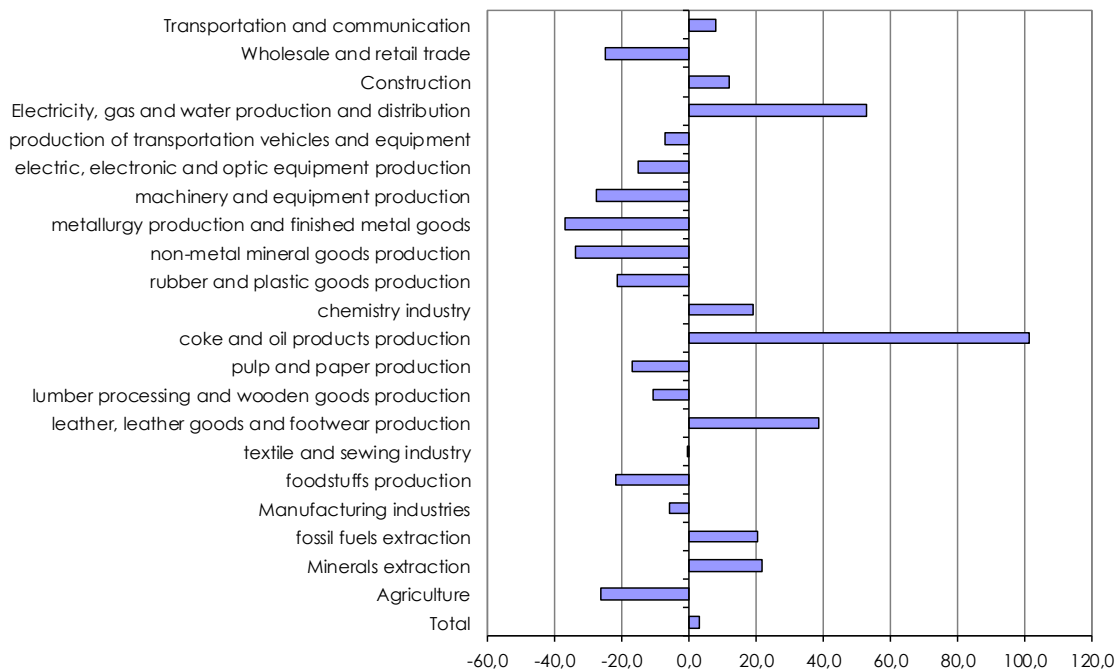
Analyzing the change in the structure of the financing of the investments in fixed assets it is to notice the specific features of housing construction. In 2011 the absolute decrease in the volume of investments di-

rected to housing construction stopped, which determined the increase in the housing implementation by 4.7% in 2012 as compared with the previous year and by 1.7% as compared with the pre-crisis level of 2008. In 2012 as compared with the corresponding period of the previous year the expansion of the funds of population for share participation in construction made Rb 28.7bn. The upsurge of the investment activity of the population was supported by the growth of the demand for credits. The volumes of the housing credits issued in 2012 made Rb 1053.6bn versus Rb 746.0bn in 2011.

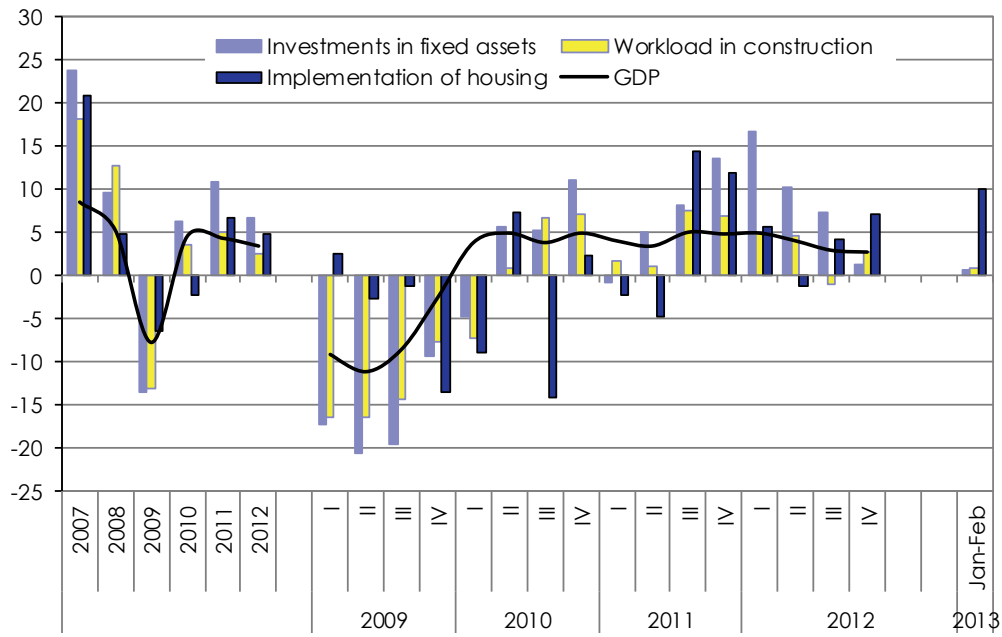


Source: Federal State Statistics Service.
 Fig. 2. Structure of Funds Used for Financing of Share Participation in Construction in 2007–2012, as Percentage to the Total

In 2012 the proportion of the industry accounted for 45.3% of the investments in fixed assets throughout the economy versus 44.5% on average through 2010-2011. In 2012 investments in industry went up by 7.2% as compared with the previous year. At the same time a considerable differentiation of the investments growth rates by types of economic activities was observed. Surmounting the crisis was characterized both by high growth rates of fuel and energy and extractive complexes and the higher dynamics of the investments demand. As compared with 2008 in 2012 investments in fixed assets in extractive industries went up by 21.9%, in electricity, gas and water production and distribution – by 53.2%, in processing industries – made 94.5% of the pre-crisis level. In 2009-2012 it was the coke and oil products production, chemistry industry and leather, leather goods and footwear production that were characterized by the highest growth rates of investments in manufacturing industries. Investment activity in machinery and equipment production, transport vehicles production remained below the pre-crisis level of 2008. Among other types of economic activity the dynamic growth of the investments in pipeline transportation is of notice.



Source: Federal State Statistics Service.
 Fig. 3. Investments in Fixed Assets Indices in 2012, as Percentage to 2008 (not taking into account the subjects of small business and the volume of investments not observed by the direct statistic methods)



Source: Federal State Statistics Service.

Fig. 4. Dynamics of Investments in Fixed Assets and GDP in 2007-2013, as Percentage to the Corresponding Period of the Previous Year

Maintenance of the existing structure of the investments in fixed assets by types of economic activities with high percentage of the fuel and energy complex and adjacent types of transportation seems to have exhausted itself. The acceleration of the investments growth, expansion of the investments proportion in the GDP, the GDP growth rates falling, was accompanied with the increase in capital intensity and was not supported by the growth of labor efficiency.

At the beginning of 2013 the trend towards the slowdown of the investments in fixed assets growth rates appearing in 2012 continued. In January-February 2013 the index of investments in fixed assets made 100.6% versus the corresponding period of the previous year. ●