

CAPITAL INVESTMENTS IN H1 2013

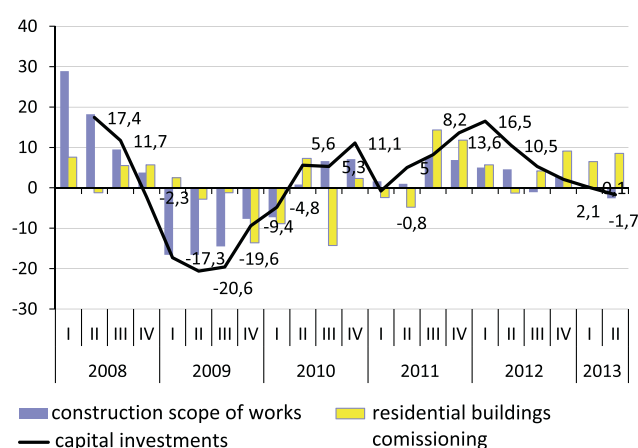
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Capital investments stood at 99.3% in real terms in January–July 2013 against the previous year. The structure of sources of investment financing kept showing an uptrend in the share of equity funds and federal budget funds. In H1 2013, general level of investment activity was adversely affected by a decline of 7.9% in investments in the mineral extraction sector, 9.1% in the production and distribution of electric power, gas and water, and 15.9% in the transport industry against H1 2012. In contrast, capital investments in the manufacturing industry increased insignificantly but were used ineffectively, thereby keeping the production output growth rate slowing down. Annual growth rate in capital investments is expected to grow by 2.5% in 2013 against 6.6% in 2012, as estimated by the Ministry of Economic Development of the Russian Federation.

Capital investments stood at 98.6% in real terms year-on-year in Q1 2013. Stabilization of capital investments in Q1 2013 at the 2012 level gave way to a 1.7% fall in Q2 2013, having hit lowest level in annual terms (by 3.3%) on June 2013. Capital investments during January over July 2013 stood at 99.3% and 102.5% year-on-year in July. During January over July 2013, the volume of performed works in the construction industry stood at 99.7% (106.1% in July 2013), commissioning of residential buildings at 106.2% year-on-year (99.4% in July 2013).

Decline in capital investments in 2013 was easily predictable because of an extremely low investment activity late in 2012 and lack of the required potential in the construction industry. It was very well evident in housing construction sector, when during June over July 2013 the trend hit a turning point and rates of commissioning of residential buildings began to slow down in annual terms.

Dynamics of capital investments is differentiated by large and medium-sized enterprises. By the end



Source: Rosstat.

Fig. 1. Capital investment dynamics in 2008 thru 2013, as percentage of a respective quarter in the preceding year

of Q1 2013 the volume of capital investments (net of small-sized business entities which can't be recognized through direct statistical methods) amounted

Table 1

CAPITAL INVESTMENTS STRUCTURE BY TYPE OF FIXED ASSETS IN Q1 2009–2013 (EXCLUSIVE OF SMALL-SIZED ENTREPRENEURSHIPS AND INFORMAL ACTIVITY PARAMETERS), AS PERCENTAGE OF TOTAL

	Billions of rubles					As percentage of total				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Capital investments	2188.7	2108.1	2650.9	3135.0	3356.1	100	100	100	100	100
including:										
housing	131.7	122.8	121.8	133.7	166.7	6.0	5.8	4.6	4.3	5.0
buildings (other than residential buildings) and facilities	1190.2	1108.2	1419.0	1601.9	1644.9	54.4	52.6	53.5	51.1	49.9
machinery, equipment and means of transportation	671.2	692.1	872.2	1146.9	1241.8	30.7	32.8	32.9	36.6	37.0
of which: purchase of imported machinery, equipment, means of transportation	156.3	138.8	182.2	204.8	231.4	7.1	6.6	6.9	6.5	6.9
others	195.6	185.5	237.9	252.5	320.7	8.9	8.8	9.0	8.0	9.0

Source: Rosstat.

to Rb 3356.1bn, with large and medium-sized enterprises accounting for 70.5% of total volume of capital investments. Capital investments contracted by 5.8% in the segment of large and medium-sized enterprises in response to a 1.4% decline in total volume of capital investments in H1 2013.

The share of investments in housing construction as well as production of machinery, equipment and means of transportation increased significantly whereas the share of investments in construction of non-residential buildings and facilities contracted in the structure of capital investments in Q1 2013. The share of investments in purchase of domestic machinery and equipment has gradually been increasing in total volume of capital investments over the past four years. In Q1 2013, however, the share of investments in imported machinery, equipment, means of transportation increased up to 18.6% (against 17.9% in Q1 2012) in total volume of investments in produc-

tion of machinery, equipment, means of transportation. Outstripping growth in investment imports over capital investments dynamics has been following the recent-period trend and indicative of underdeveloped domestic production of capital goods.

Outstripping growth in volume of investments in residential buildings against total dynamics of capital investments and construction of non-residential buildings was noted in Q1 2013.

Positive dynamics of commissioning of total residential floor space was noted from H2 2011 and determined by certain improvements in financing in this type of activity. In Q1 2013, organizations of all types of ownership commissioned 22.6 million sq. meters of floor space, having increased 7.6% against the same period of the previous year. Private developers constructed residential buildings with 11.6 million sq. meters of total floor space, or 51.5% of total residential space which was commissioned in Q1 2013.

Table 2

CAPITAL INVESTMENTS STRUCTURE BY SOURCE OF FINANCING IN Q1 2009–2013, AS PERCENTAGE OF TOTAL (EXCLUSIVE OF SMALL-SIZED ENTREPRENEURSHIPS AND INFORMAL ACTIVITY PARAMETERS)

	billions of rubles					As percentage of total				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Capital investments	2188.7	2108.1	2650.9	3135.0	3356.1	100	100	100	100	100
including by source of financing:										
equity	878.5	947.4	1222.4	1544.0	1678.0	40.1	44.9	46.1	49.3	50.0
fundraising	369.3	342.8	476.6	608.7	н/д	16.9	16.3	18.0	19.4	–
including:										
bank loans	1310.2	1160.7	1428.5	1591.0	1678.1	59.9	55.1	53.9	50.7	50.0
of which										
foreign bank loans	263.2	193.0	224.4	262.8	340.5	12.0	9.2	8.5	8.4	10.2
loans from Russian banks	80.9	60.0	46.5	49.3	40.1	3.7	2.8	1.8	1.6	1.2
other organizations' borrowings	179.3	139.3	129.6	165.4	234.8	8.2	6.6	4.9	5.3	7.0
budget funds	364.7	327.3	382.7	412.9	459.8	16.7	15.5	14.4	13.2	13.7
of which:										
federal budget	142.5	159.6	174.2	199.5	242.8	6.5	7.6	6.6	6.4	7.2
budgets of constituent territories of the Russian Federation	200.5	148.9	185.7	187.0	188.3	9.2	7.1	7.0	6.0	5.6
money of extrabudgetary foundations	4.7	8.8	6.1	6.9	13.4	0.2	0.4	0.2	0.2	0.4
others	50.6	46.0	45.8	64.0	82.1	2.3	2.2	1.7	2.0	2.4
of which:										
funds of senior organizations	20.8	23.1	29.1	42.9	65.2	1.0	1.1	1.1	1.4	1.9
money generated from corporate bonds issue	447.7	446.3	639.9	679	547.5	20.5	21.2	24.1	21.7	16.3
money generated from stock issue	371.3	355.6	547.6	583.6	415.5	17.0	16.9	20.7	18.6	12.4
money obtained for participatory construction projects (organizations and individuals)	0.2	0.9	0.01	0.0	1.8	0.01	0.04	0.00	0.0	0.1
including households' money	10.4	34.8	27.7	38.7	31.5	0.5	1.7	1.0	1.2	0.9
Of total capital investments – foreign investments	124.6	111.3	95.2	100.1	89.5	5.7	5.3	3.6	3.2	2.7

Source: Rosstat.

In analyzing dynamics of absolute volumes of investments in housing construction in the period of 2010 thru 2013, one should take a closer look at structural features of financing which relate to higher volumes and share of individual investments against increasing reduction of corporate investments in co-funded construction of residential buildings. In Q1 2013, investments in co-funded construction of residential buildings increased by Rb 18.1bn, including individual investments (by Rb 22.3bn against H1 2012). More intensive investment activity among individuals was supported by higher levels of lending. A total of Rb 535.1bn of mortgage loans was issued by the end of Q1 2013, having increased 1.21 times year-on-year.

Post-recessional recovery of financing of investments was determined by strengthened focus on the use of internal resources. In Q1 2013, the share of investments through corporate internal resources was 50.0%, having exceeded by almost 10 p.p. the value of Q1 2009. Enterprises are normally very reserved in fundraising when they face decline in financial performance results and cost-effectiveness in production. In

July 2013, corporate loans increased by 15.7%, while deposits by 26.8%. In Q1 2013, bank loans accounted for 10.2% of structure of sources of financing of investments, having increased 1.8% year-on-year. Changes in the structure of bank loans have recently been governed by bigger volumes and share of loans issued by Russian banks which replace loans from foreign banks. Russian banks' loans increased Rb 86.9bn whereas foreign banks' loans contracted by Rb 9.2bn against H1 2012.

In addition, volume of foreign capital investments contracted, and their share in total volume of investments in the Russian economy decreased down to 2.7% in Q1 2013 against 3.2% in 2012. Regardless of that, in general, direct foreign investments increased by 58.9% year-on-year in Q1 2013, their usage for capital investments declined by 15.3%.

The share of budget resources increased in the structure of funds borrowed to finance investments. Budget funds accounted for Rb 459.8bn of total capital investment financing (13.7% of total volume of investments in the economy) in Q1 2013. Growth in

Table 3

CAPITAL INVESTMENTS BY TYPE OF ACTIVITY (EXCLUSIVE OF SMALL-SIZED ENTREPRENEURSHIPS AND VOLUME OF INVESTMENTS WHICH CAN'T BE SEEN THROUGH DIRECT STATISTIC METHODS) IN Q1 2009 THRU 2013

	Structure as percentage of total					Growth rate as percentage year-on-year				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Total	100	100	100	100	100	95	89.8	112.3	109.6	94.2
agricultural sector, hunting and forestry	3.5	3.4	3.3	3.4	3.4	74.8	96.3	117.3	106.9	100.8
fishing, fish farming	0.1	0.1	0.1	0.1	0.1	85.8	117.2	105.2	240.0	95.2
industrial sector	45.7	48.3	47.8	51.1	51.3	95.3	98.3	109.4	118.1	94.8
mineral production	19.0	20.4	20.9	22.3	22.7	90.7	98.5	116.9	117.8	92.1
manufacturing industry	17.8	16.3	16.6	17.8	18.2	97.8	84.9	110.5	121.5	100.4
electric power, gas, and water production and distribution	8.9	11.6	10.3	11.0	10.4	100.6	123.5	95.9	113.4	90.9
construction industry	3.6	2.9	2.4	2.3	2.3	97.5	98.4	93.9	97.4	101.5
retail and wholesale trade	2.1	2.2	2.1	1.9	2.8	96.2	89.3	102.9	99.0	130.9
hotels and restaurants	0.4	0.5	0.4	0.3	0.8	89.9	111.7	97.1	81.1	123.5
transports and communication	25.5	25.5	27.5	25.3	21.2	105.4	92.0	121.4	99.6	84.1
railway transport	4.1	6.7	5.1	4.2	4.1	61.4	121.4	90.0	86.8	100.8
pipeline transportation	10.6	9.4	11.8	10.0	6.7	147.4	87.3	143.3	92.0	68.1
communications	3.0	3.2	3.5	3.4	3.4	75	104.0	135.3	112.2	92.8
financial business	1.5	1.2	1.3	1.6	1.6	135.3	78.6	121.3	141.0	110.8
real estate transactions.	10.6	8.9	7.9	6.9	6.9	76	74.0	99.1	102.7	103.1
state administration, and provision of military security; social insurance	1.5	1.3	1.0	1.4	1.4	106.7	77.2	99.9	99.6	83.0
education	1.5	1.5	1.7	1.5	1.4	80.9	94.4	135.8	99.0	101.6
healthcare and provision of social services	1.8	2.0	1.6	1.7	1.7	93.2	107.9	97.8	122.5	103.1
provision of other public utility, social and personal services	2.2	2.2	2.9	1.9	3.2		98.4	146.9	121.5	119.1

Source: Rosstat.

the volume of financing of investments with federal budget funds compensated in part moderate involvement of budgets of constituent territories of the Russian Federation in this process.

The Federal Targeted Investment Program (FTIP) in 2013 provides for allocation of Rb 869.5bn federal budget funds, Rb 41.9bn less than in 2012. Furthermore, in July 2013 the Federal Targeted Investment Program was amended and updated to eventually increase the total volume of budget funds allocated for the implementation of FTIP in 2013, which totaled Rb 894.0bn as of 01.08.2013, including Rb 785.2bn of budget investments.

In accordance with the amendments, Rb 666.2bn were allocated to implement the FTIP, of which Rb 637.0bn were allocated for construction of 2886 fixed assets under construction. 1032 fixed assets are scheduled for commissioning in 2013. During January over July 2013, 26 fixed assets were commissioned, of which 14 were commissioned at full capacity, 12 fixed assets were commissioned below full capacity. During January over July 2013, Rb 301.7bn were allocated from the federal budget to finance in

consideration for the annual limit, and Rb 161.9bn were actually used from all sources of financing. Traditionally, the reason for untimely start of the implementation of actions as part of the FTIP was delayed removal of finance restrictions imposed on the budget controller.

Changes in the structure of capital investments by type of economic activity during Q1 2013 were determined by decline in construction and investment activity in the industrial production and transport industries, both accounting for almost 70% of investments in the economy.

Capital investments in Q1 2013 increased insignificantly in the manufacturing sector (100.4% against H1 2012) against decline in investments in mineral resources extraction (92.1%). Capital investments in production of means of transportation (132.2%), machinery and equipment (111.2%), ready-made metal products (116.6%), chemical production (119.4%), rubber and plastic goods (113.3%), coke and oil products (105.7%) increased at outstripping rates against the average in the manufacturing industry in Q1 2013. ●