

THE RUSSIAN INDUSTRY IN AUGUST 2013

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According to the data of business surveys of the Gaidar Institute¹, in August the Russian industry demonstrated positive changes in the dynamics of the demand and output, as well as growth in ex-factory prices. However, enterprises are not sure that the above trends will continue in the following months and do not still plan to increase investments.

Demand on the Industrial Produce

In August, the actual dynamics of the demand underwent insignificant positive changes as compared to July. The initial balance (growth rates) improved by 6 points, while that cleared of the seasonal factor, by 4 points (Fig. 1). Sales continue to fall (the balance remain a negative one), but not that fast as in the previous months.

As a result, two months of the 3rd quarter of 2013 as regards sales look better than the respective period of 2012. Both the above factor and absence of evident (crisis?) worsening of the situation with the demand permitted the industry to “take breath” – a traditionally distressing August happened to be quite calm for the industry this year. The latter factor ensured a six-point growth in satisfaction with current volumes of the demand and an increase in the balance of its estimates to the 15-month maximum.

However, forecasts of the demand for September and October are highly pessimistic. Within a month, the initial balance lost straight 6 points and for the first time in 2013 ceased to be a positive one (expectations of a decrease in sales became equal to expectations of their growth). With a seasonal factor cleared, the balance got worse by 4 points. It is to be noted that, a year ago August forecasts showed a modest upturn in expectations in industry.

Stocks of Finished Products

Evaluations of stocks of finished products keep demonstrating positive changes. The balance of that index decreased (that is, got better) by 6 points in August after a 10-point drop in July (Fig. 2). So, the June upswing of excessive stocks of finished products was successfully overcome within two months and, at present, the balance of their estimates came closer to values which are rather low for the 2011–2013 period.

¹ Surveys of managers of industrial enterprises are carried out by the Gaidar Institute in accordance with the European harmonized methods on a monthly basis from September 1992 and cover the entire territory of the Russian Federation. The size of the panel includes about 1,100 enterprises with workforce exceeding 15% of workers employed in industry. The panel is shifted towards large enterprises by each sub-industry. The return of queries amounts to 65–70%.

CHANGES IN SOLVENT DEMAND CLEARED OF A SEASONAL FACTOR (BALANCE=%GROWTH-%DECREASE)

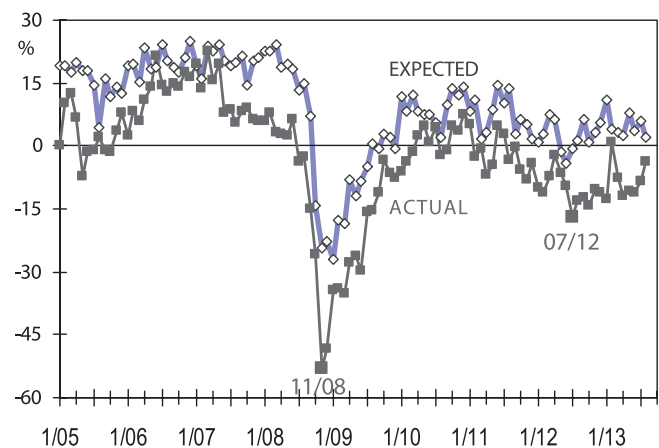


Fig. 1

BALANCE OF ESTIMATES OF STOCKS OF FINISHED PRODUCTS (BALANCE=%ABOVE-%BELOW THE NORM)

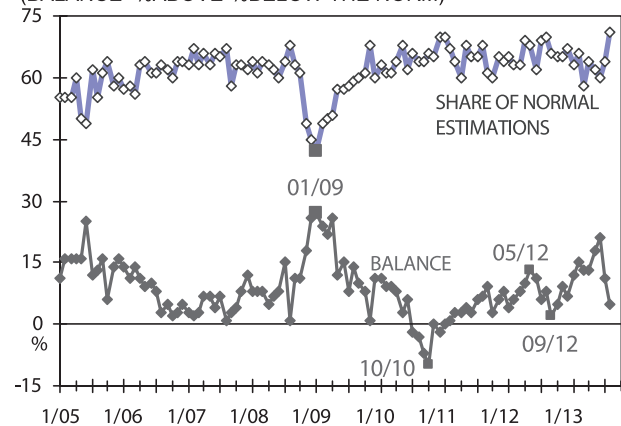


Fig. 2

The industry received an additional reason to boost the output which it is unable to use so far judging by its production plans.

The Output

In August, the industry's production plans lost 6 points and 5 points as regards the initial data and that

cleared of a seasonal factor, respectively (Fig. 3). As result, the balance of forecasts fell to the levels which are worst for 2013, but remains a positive one – in industry there are still more hopes for output growth than expectations of a decrease in output.

In August, the actual dynamics of output showed positive changes. The initial balance (output growth rates) rose by 15 points, while that cleared of a seasonal factor, by 6 points and amounted to the 15-month maximum.

Enterprises’ Prices

Positive changes in the dynamics of the demand and output permitted enterprises to “work off” growth in tariff rates of the second half-year. In August, the balance of actual changes in prices became a positive one (the industry started to raise prices) after the balance had been in the zero and negative zones for four months running (the industry either kept the prices unchanged or reduced them) (Fig. 4). Another factor which prompted a change in the pricing policy was more intense growth in costs. If in the 2nd quarter their growth rates were estimated by enterprises at +5 points, at present they amount to +15, though forecasts did not predict such a change in the index in the current quarter. So, the industry managed to delay for a month a jump in prices of the second half-year. Last year, it took place in July, but later prices started to go down and there was an absolute drop in prices in November.

In the past three months, enterprises’ pricing forecasts did not actually change and remained positive ones (plans of prices-rises dominate over those of price-reductions), however, they are still at the very modest level in the past two years (the planned growth is expected to be the most moderate one from November 2011).

Actual Dynamics of Lay-Off Plans

The Russian industry keeps losing workers. According to business surveys of the Institute for Economic Policy, that process started a year ago and still remains dramatic and painful to enterprises. As a result, at present, 22% of enterprises lacks personnel. Labor shortages restrain output growth with 37% of enterprises. In more cases, only insolvent growth is mentioned as a constraining factor.

Forecasts of changes in the number of personnel do not promise anything good to the industry. In August, the balance of the index fell to the annual minimum (Fig. 5). In other words, the outflow of workers will continue, while the extent of provision of a possible (initial?) industrial growth with personnel decreases.

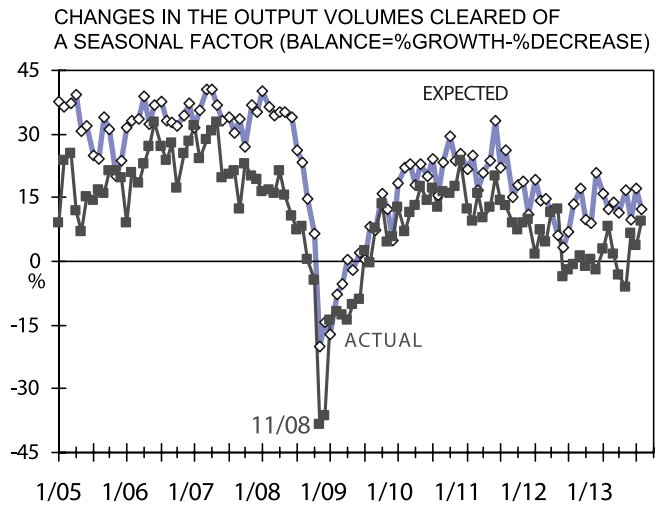


Fig. 3

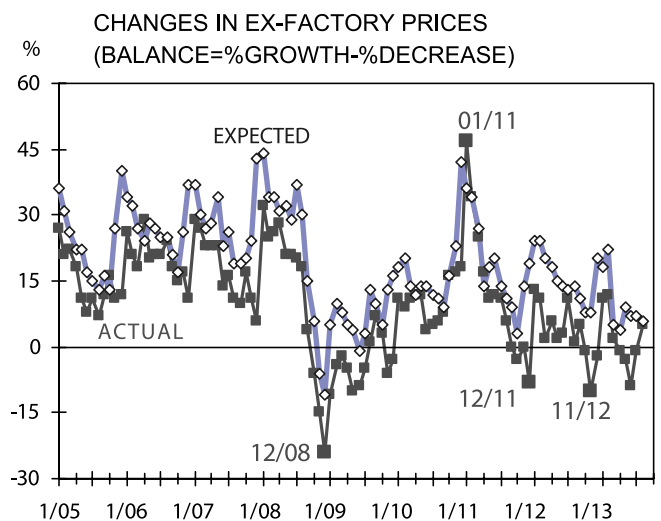


Fig. 4

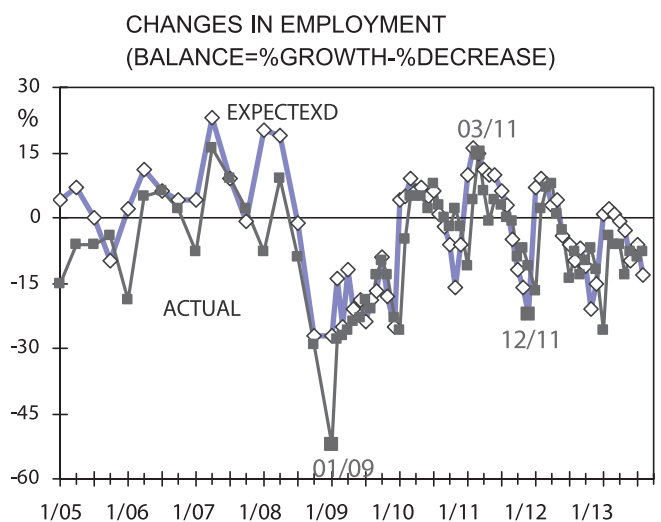


Fig. 5