

## THE REAL SECTOR IN JANUARY–SEPTEMBER 2013: FACTORS AND TRENDS

O.Izryadnova

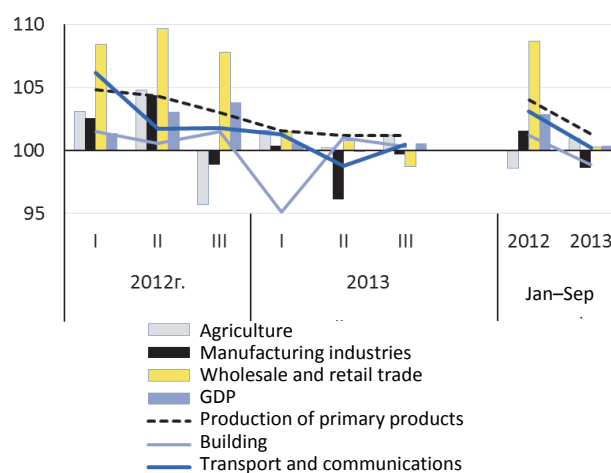
*On the basis of the results of January–September 2013, the index of the physical volume of GDP amounted to 101.3% against the respective period of the previous year. With the existing dynamics of investment and consumer demand, slowdown of growth rates of households' income and decrease in the financial performance of enterprises and entities, on the basis of the results of 2013 the expected growth rates of GDP will amount to 103–104%. From June 201, growth in the rate of unemployment renewed which factor would make the situation more complicated on the labor market early in 2014.*

In 2013, the macroeconomic situation was characterized by gradual slowdown of economic dynamics and worsening of the prospects of development. Stagnation of the Russian economy was justified by a simultaneous negative impact of both external and domestic factors. The domestic market was under the impact of reduction in the volumes of domestic production of goods and services for domestic consumption, as well as slowdown of growth rates of import deliveries. In January–November 2013, the volume of industrial output fell by 0.1% against the respective period of the previous year. It is to be noted that during the past seven months of 2013 in the manufacturing industry which is aimed mostly at the domestic market negative annual and quarterly growth rates against the respective periods of the previous year were registered. In January–November 2013 and November 2013, a slump in the manufacturing industry amounted to 0.6% and 0.9%, respectively, against the respective periods of 2012.

From the second half of 2013, weak growth in the primary sector which situation was determined to a great extent by seasonal growth in fuel reserves both on the domestic market and markets of traditional exporter-countries of energy resources had a positive effect on the specifics of the dynamics of industrial production.

The situation on the domestic market was complicated by prevalence of a trend of reduction of volumes of building and investment activities and weakening of consumer demand. In January–November 2013, the index of investments in capital assets amounted to 99.2% against 108.2% a year before, while the volume of work in building, to 98.7% against 103.6%.

In November 2013, with slowdown of growth rates both of households' real income to 101.5% year on year (109.1% in November 2012) and real wages and salaries to 104.8% (106.7%) growth rates of the consumer demand were falling increasingly. If in January–November 2012 the retail trade volume and the market of paid services rose by 6.5% and 3.8%, respectively, in the eleven



Source: The Rosstat.

Fig. 1. Indices of GDP in physical terms and the gross value added by the type of economic activities in the 2012-2013 period as % of the respective quarter of the previous year

months of 2013 those indices amounted to 3.9% and 2.2%, respectively. Also, the rate of reduction of consumer activities increased as a result of slowdown of growth rates of consumer lending and growing tensions on the labor market. From June 2013, the rate of unemployment started to grow again. In November 2013, the total number of the unemployed increased by 4.1% year on year and amounted to 5.5% of the total number of the gainfully employed population against the index of 5.2% a year before.

In January–November 2013, transport cargo turnover increased insignificantly (by 0.4% against the respective period of 2012) mainly due to growth in operations of pipeline transport. In November 2013, growth of 6.8% and 18.3% in agricultural output against January–November 2012 and November 2012, respectively, has a positive effect on the general economic dynamics.

In 2013, the economic situation was complicated by a steady decrease in financial performances of enterprises and entities which factor contributed to greater

limitation of funding of the current and investment activities. Slowdown of retained profit growth rates to 4.7% on the basis of the results of the nine months of 2013 against 26.3% a year before was justified by a decrease in enterprises' balanced financial result. In January–September 2013, the balanced financial result in the economy as a whole amounted to 83.3% of the index the year before, including in production of primary products – 96.9%, manufacturing industry – 68.3%, production and distribution of power, gas and water – 74.5% and transport – 83.3%. In January–November 2013, in economy as a whole the profitability of the sold goods amounted to 7.7% and was 2.3 p.p. lower

than the respective index of the previous year. Worsening of financial results against indices of the previous year can be explained by growth in costs. With a sudden slowdown of output volumes and solvent demand, advanced growth in wages as compared to labor efficiency and growth in prices and tariffs on fuel and energy commodities, restrained pricing policy in the manufacturing industry intensified a trend of falling profitability of production. In January–September 2013, in the manufacturing industry the share of loss-making entities was at the level of 29.7% and exceeded by 2.3 p.p. the respective index of the previous year. The most significant drop in the balanced financial result and profitability

Table 1

**PROFITABILITY OF THE SOLD GOODS, PRODUCE AND SERVICES, AS WELL AS ASSETS OF ENTITIES BY THE TYPE OF ECONOMIC ACTIVITIES IN JANUARY–SEPTEMBER 2012-2013, %**

	Profitability			
	Sold goods, produce and services		assets	
	2012	2013	2012	2013
Total	10	7.7	5.4	4.1
including:				
agriculture	15.2	7.1	4.1	1.9
fishery, fish farming	23	19.7	12.2	7.8
Production of primary products	32.6	27.3	12	10
including:				
Production of fuel and energy fossils	30.2	26.3	12	10.4
Manufacturing industries	11.9	9.7	6.5	3.8
including:	11.2	9.9	5.5	4.8
Production of food products				
Textile and sewing industry	7.8	6.1	4.5	2.8
Production of leather, leather articles and footwear	8.9	9.7	2.8	1.8
Woodworking and production of articles	5.5	7	0.9	0.2
Pulp and paper industry;	10.9	8.3	5	2.5
Production of charred coal and oil products	14	10.1	10.4	4.8
Chemical industry	23.9	18.3	12.8	7.6
Production of rubber and plastic articles	8.5	10.1	6.2	5.5
Production of nonmetal mineral products	13.5	10.4	6.1	3.3
Irons and steel industry and production of finished products	12.2	10.7	6.1	3.8
Production of machines and equipment	7.3	7	3.1	2.3
Production of power equipment,	8.3	7.7	4.2	3
Electronic equipment and optical equipment				
Production of transport means and equipment	6.8	5.8	2.4	1.5
Production and distribution of power, gas and water	3.8	4.1	1.5	1.2
Building	3.8	3.5	1.7	1
Wholesale and retail trade	8	6.7	6.9	5.8
Hotels and restaurants	7.4	6.3	3.3	3
Transport and communications	13.8	11.3	4.2	3.5
including:				
Railway transport operations	7.8	3.3	1.9	0.7
Other land carriage operations	-2.9	-6	0.8	0
Pipeline transportation	17.1	15	5.9	4.8
Communications	27.7	28.3	7.4	7.7

Source: The Rosstat.

was observed with the engineering sector and production of engineering materials due to a reduction of demand on the part of the building industry. On the basis of the results of January–September 2013, the producer price index in the manufacturing industry amounted to 103.1% (104.2% a year before) with growth of 11.9% (24.4% a year before) and 9.8% (7.2%) in prices in production of primary products and production and distribution of power, gas and water, respectively.

In production of fuel and energy primary products, a drop in profitability was intensified due to

displacement of production into regions with more complex and high-cost conditions of production of fossil fuel.

Low efficiency of utilization of production factors will remain a major factor behind low competitiveness of the Russian economy. Taking into account the dynamics of investments into capital assets, demographic factors, efficiency of labor and capital assets utilization and power consumption, potential annual growth rates of the Russian economy is at the level of 1.5–2.0% in the short-term prospect. ●