INVESTMENTS IN CAPITAL ASSETS IN JANUARY–NOVEMBER 2013

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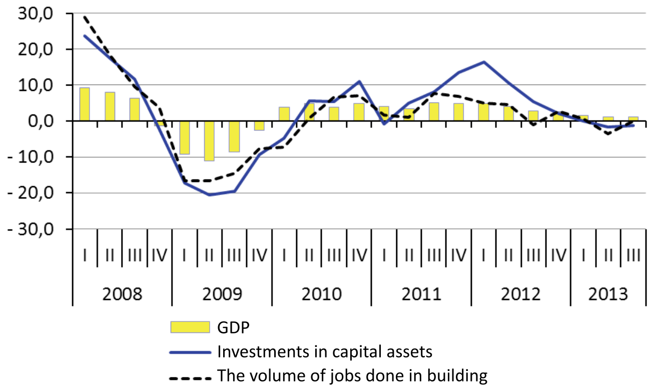
The situation in the investment sphere remains tense despite the fact that in November 2013 growth rates of investments in capital assets entered the positive zone and amounted to 100.2% year on year after a drop in the previous three months. In January-November 2013, investments in capital assets amounted to 99.2% of the level of the respective period of 2012. Despite a low base of December 2012, on the basis of the results of 2013 annual growth rates can hardly exceed those of 2012. Reduction of volumes of building with growing rates of commissioning of housing and reduction of volumes of incomplete building may result in a sharp drop in business activities in the building and investment complex early in 2014.

On the basis of the results of January–November 2013, investments in capital assets amounted to 99.2% of the index of the respective period of the previous year, while on the basis of the results November 2013, to 100.2% of the level of November 2012. In 2013, reduction of investments in capital assets was quite predictable and determined by low business activities late in 2012. Stabilization of investments in capital assets in the 1st quarter of 2013 at the level of the previous year was changed by a drop of 1.7% and 1.2% in the 2nd quarter of 2013 and the 3rd quarter of 2013, respectively. On the basis of January–September 2013, investments in capital assets amounted to 98.6%, while the volume of jobs done in building, to 98.9% of the index of the respective period of 2012. In January–September 2013, the share of investments in GDP was equal to 16.6% and turned out to be 0.5 p.p. lower than the index of the respective period of the previous year.

Dynamics of investments in capital assets is differentiated by large and small enterprises. With a 1.2% decrease in the total volume of investments in capital assets in January–September 2013, in the segment of large and mid-sized enterprises investments in capital assets fell by 6.9%.

In January–September 2013, changes in the pattern of investments in capital assets by the type of economic activities were determined by a sharp drop in building and investment activities in industry and transport whose aggregate share accounted for nearly 70% of investments in the economy. The volume of investments in transport amounted to 81.5% of the index of January–September 2012 which factor is related, on one side, to completion of large investment projects in the pipeline industry and, on the other side, to reduction of investments in the railway transport as a result of a drop in cargo turnover volumes, a 63.9%



Source: The Rosstat.

Fig. 1. Dynamics of investments in capital assets in the 2008–2013 period as % of the respective quarter of the previous year

Table 1

DYNAMICS OF THE PHYSICAL VOLUME OF INVESTMENTS IN CAPITAL ASSETS IN JANUARY–SEPTEMBER 2009–2012 AS % OF THE RESPECTIVE PERIOD OF THE PREVIOUS YEAR

	2009	2010	2011	2012	2013
Investments in capital assets (by a full range of entities, including recalculations in respect of investments which are not observed by means of direct statistical methods)	81.1	103.7	105.0	109.6	98.6
Large and mid-sized entities (investments in capital assets without small business entities and the volume of investments which are not observed by means of direct statistical methods)	86.7	96.2	112.1	108.6	93.1

Source: The Rosstat.

Table 2

INVESTMENTS IN CAPITAL ASSETS (WITHOUT SMALL BUSINESS ENTITIES AND THE VOLUME OF INVESTMENTS WHICH ARE NOT OBSERVED BY DIRECT STATISTICAL METHODS) IN JANUARY–SEPTEMBER 2009–2013

	Growth rates as % of the respective period of the previous year					Pattern as % of the result				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Total	86.7	96.2	112.1	108.6	93.1	100	100	100	100	100
Agriculture	75.4	97.2	120.9	97.1	103.5	3.5	3.3	3.5	3.2	3.4
fishery and fish farming	81.2	97.6	125.7	174.7	93.8	0.05	0.1	0.1	0.1	0.1
Industry	91.8	100.1	111.1	115.2	92.1	46.0	47.2	47.2	49.2	50.7
Production of primary products	88.7	95.7	116.9	115.8	93.1	19.1	18.7	19.5	20.3	21.2
Production of fuel and energy fossils	89.2	96.2	114	115.6	90.8	17.5	17.3	17.6	18.4	19
Manufacturing industries	83.3	95.9	108.3	115.4	103.0	17	16.6	16.2	17.2	18.5
Production and distribution of power, gas and water	105.1	116.3	106	113.2	90.6	9.9	11.9	11.5	11.7	11
Building	72.9	101.5	92.4	80.2	98	2.9	2.6	2.3	1.8	1.9
Wholesale and retail trade	68.9	100.8	100.6	106.6	113.5	2.1	2.4	2.3	2.1	2.7
Hotels and restaurants	104.5	112.4	109.4	64.2	134.7	0.4	0.4	0.4	0.3	0.8
Transport and communications	97.6	97.3	119	102.4	81.5	26.3	25.8	27.5	26.2	21.5
Railway carriage	89.1	116.3	93.3	99.7	84.1	4.4	6.2	5	4.6	3.8
Pipeline transportation	126.8	97.2	131.6	96.3	66.6	10.1	9.3	11.1	9.8	6.5
Communications	64.1	109.3	137.9	105.2	84.2	2.9	3.1	3.5	3.3	2.8
Financial activities	110.8	86.2	133.9	127	89.4	1.6	1.1	1.3	1.6	1.7
Real estate operations	69,7	96.6	99.4	113.1	100.3	9.4	9.2	7.8	7.8	9.1
State management	93.8	78.1	106.3	104.4	91.5	1.8	1.4	1.2	1.4	1.4
Education	82.7	105.7	121.6	96.2	99.9	1.7	1.8	1.8	1.6	1.6
Healthcare and provision	79.9	107.2	97.4	114.7	98.1	1.9	2	1.6	1.7	1.7
Provision of other services	79.6	104.9	125.8	111.1	117.1	2.4	2.7	3.0	3.0	3.4

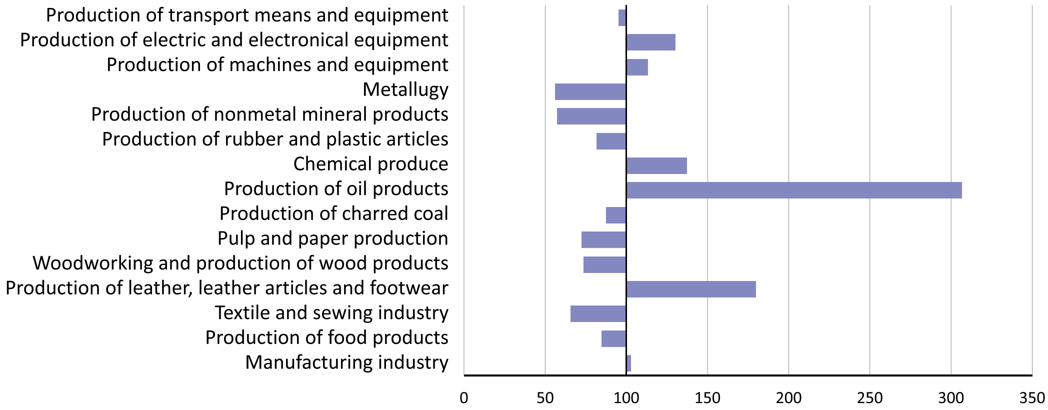
Source: The Rosstat.

decrease in financial results of railway transport entities within the same period and a drop in profitability to 3.3% against 7.8%.

In industry, investments in capital assets amounted to 92.1% of the index of January–September 2012. The specifics of the investment process in January–September 2013 consisted in prevalence of the positive dynamics of investments in capital assets in the manufacturing sector (103.0% against January–September 2012) with a drop in investments in production of primary products (93.1%) and production and distribution of power, gas and water (90.6%). In January–September 2013, as compared to the average level in the manufacturing sector investments in capital assets increased at advanced rates in production of transport means (118.3%), machines and equipment (122.7%), chemical produce (135.1%) and charred coal and oil products (116.2%).

It is to be noted that in most lines of activities in the manufacturing sector inconsistent dynamics and reduction of the extent of investments in capital assets in the past five years were the consequences of both the 2008 acute investment crisis and a lack of adequate measures to bring production in harmony with the market situation.

In January–September 2013, a 2.8% growth in investments in capital assets in the manufacturing sector against January–September 2008 was mainly justified by growth in activities in production of oil products and chemical produce (*Fig. 2*). The above can be explained by implementation by oil companies of plans to modernize oil refineries in order to deepen oil refinery processing due to the forthcoming raising (from the year 2015) of the export duties on residual oil to the level of the export duty on oil. According to agreements concluded in the second half of 2011 and later adjusted agreements between oil companies and the federal authorities on modernization of production capacities, in 2012 only ten simple refinery plants were commissioned instead of the planned 15 plants. With taking into account violations of the established deadlines for overhaul, modernization and building of new oil refineries, the peak of investment activities by oil companies in production of oil products was to take place in 2013. In the 2013–2015 period, investments in capital assets in production of oil products are expected in the volume of Rb 1,253bn, while efficiency in the oil refinery sector will increase by 17% by the year 2015 on the basis of output of motor gasoline and diesel fuel produced out of a ton of oil as compared to 2011.



Source: the Rosstat.

Fig. 2. Growth rates of investments in capital assets in the manufacturing sector in January–September 2013 as % of January–September 2008

Growth in investments in capital assets in the chemical industry was justified by commissioning of the Tobolsk-Polimer polypropene production complex (OAO SIRBUR Holding) in October 2013; investments in the above complex amounted to Rb 62bn. Implementation of the project was carried out both at the expense of the SIBUR Company's own funds and attraction of project financing from the Vneshekonombank and a number of large international commercial banks and banks of development.

In January–September 2013, the pattern of investments in capital assets by the type of capital funds was transformed due to growth in volumes and the share of investments in development of housing, as well as production of machines, equipment and transport means with a decrease in the unit weight of investments in nonresidential buildings and facilities. In the past four years, the share of investments in purchasing of domestic machines and equipment in the total volume of investments in capital assets was gradually growing. However, in January–September 2013 the share of import machines, equipment and transport .means in the total volume of investments in machines, equipment and transport means rose to 17.7% against 17.3% in January–September 2012. Advanced growth in the investment import as compared to the dynamics of investments in capital assets points to insufficient development of domestic production of capital goods.

The specifics of the post-crisis development of the building and investment complex consist in exceedingly reserved renewal of investment volumes in housing development. In January–September 2013, advanced growth in investment volumes in housing development as compared to the general dynamics of investments in capital assets and building of nonresidential premises was observed.

The positive dynamics of commissioning of residential housing was registered from the second half of 2011 and determined by some improvement in the funding situation. In January–September 2013, the entities of all the forms of incorporation commissioned 38.7m sq. m. of housing which is 12.0% more than in the respective period of 2012. However, it is to be noted that in 2013 a substantial gap between the rates

Table 3

THE PATTERN OF INVESTMENTS IN CAPITAL ASSETS BY THE TYPE OF CAPITAL FUNDS IN JANUARY–SEPTEMBER 2009–2012 (WITHOUT SMALL BUSINESS ENTITIES AND PARAMETERS OF INFORMAL ACTIVITIES), % OF THE RESULT

	Billion Rb					% of the result				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Investments in capital assets	3604.4	3712.5	4581.7	5461.4	5703.6	100	100	100	100	100
including: housing	221.5	225.4	222.3	260.2	314.0	6.1	6.1	4.8	4.8	5.5
buildings (except for residential ones) and facilities	1974.8	1991.8	2477.6	2847.1	2905.0	54.8	53.6	54.1	52.1	50.9
machines, equipment and transport means	1119.2	1209.0	1529.0	1954.4	1992.6	31.1	32.6	33.2	35.8	35.0
Including: import ones	257.4	244.6	313.7	338.2	351.1	7.1	6.6	6.8	6.2	6.2
Other	288.9	286.3	361.6	399.7	492	8.0	7.7	7.9	7.3	8.6

Source: The Rosstat.

Table 4

THE PATTERN OF INVESTMENTS IN CAPITAL ASSETS BY THE SOURCE OF FUNDING IN JANUARY–SEPTEMBER 2009–2013 (WITHOUT SMALL BUSINESS ENTITIES AND THE VOLUME OF INVESTMENTS WHICH CANNOT BE OBSERVED BY MEANS OF STATISTICAL METHODS)

	Billion Rb in current prices					% of the result				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Investments in capital assets	3604.4	3712.5	4581.7	5461.4	5703.6	100	100	100	100	100
Own funds	1378.8	1597.7	2075.7	2604.3	2797.1	38.3	43	45.3	47.7	49
Profit left at entities' disposal	559.2	593.7	804.5	1043.5		15.5	16	17.6	19.1	н/д
Attracted funds	2225.6	2114.8	2506	2857.1	2906.5	61.7	57	54.7	52.3	51
Bank loans	398.8	337.7	393.2	444.8	566.7	11.1	9.1	8.6	8.2	9.9
Including loans extended by foreign banks	123	99.5	84.7	80.2	60.5	3.4	2.7	1.8	1.5	1.1
Other entities' borrowed funds	320.2	244.3	252.5	307.9	386.9	8.9	6.6	5.5	5.6	6.8
Budget funds	676.3	644.9	744.3	777.6	877.6	18.7	17.4	16.2	14.2	15.4
out of the federal budget	309.7	316.9	368.7	384.2	462.3	8.6	8.5	8	7	8.1
out of budgets of constituent entities of the Russian Federation	327.7	288.1	338.8	339.9	362	9.1	7.8	7.4	6.2	6.4
out of local budgets	38.9	39.9	36.8	53.5	53.3	1	1.1	0.8	1	0.9
Extra-budgetary funds	6.2	11.8	9.3	14.6	20.7	0.2	0.3	0.2	0.3	0.4
Entities and households' funds attracted for shared housing development	93	73.8	82	115.8	145.6	2.6	2	1.8	2.1	2.6
Including households' funds	37.6	41.7	51.2	76	116.8	1	1.1	1.1	1.4	2
other	731.1	802.3	1024.7	1196.4	909	20.2	21.6	22.4	21.9	15.9
Funds of superior entities	584.3	621.4	824.7	1033.6	685.6	16.2	16.7	18	18.9	12
Funds received from issuing of corporate bonds	2,5	0,8	45,6	0,05	5	0,1	0,02	1	0	0,1
Funds received from issuing of equities	27,3	52,8	48,1	62,8	50,6	0,8	1,4	1	1,1	0,9
Out of the total volume of investments in capital assets – investments abroad	193,8	178,2	167,3	179,8	144,8	5,4	4,8	3,7	3,3	2,5

Source: The Rosstat.

of commissioning and the volumes of building is highly likely to result in a dramatic slump in the building industry early in 2014.

In the 2010–2013 period, changes in volumes of investments in housing development in absolute terms are accompanied by a change in the funding pattern by the source of financing. Both the volume and the share of households' funds in shared housing development increase, while the share of entities' funds decreases. Growth in households' investment activities was supported by expansion of the extent of lending. In January–September 2013, the newly extended mortgage loans amounted to Rb 894.4bn and increased by 25% as compared to the respective period of 2012.

In January–September 2013, despite slowdown of growth rates of enterprises' output, demand and proceeds prevalence of utilization of enterprises' own funds in financing of investment programs remained. On the basis of the results of January–September 2013, the share of enterprises' own funds in the pattern of investments in capital assets rose to 49.0% and exceeded by 1.3 p.p. the index of the respective period of the previous year.

In January–September 2013, Rb 877.6bn worth of investments in capital assets was financed at the expense of budget funds which amount is equal to 15.4% and 30.2% of the total volume of investments in the economy and the volume of the attracted funds, respectively. Growth in the extent of financing of investments at the expense of federal budget funds made up for the reserved participation on the part budgets of constituent entities of the Russian Federation. In 2013, in the federal target investment program (FTIP) Rb 869.5bn worth of federal budget funds was envisaged. In the beginning of the 4th quarter of 2013, in accordance with the established procedure a number of changes were introduced: the volume of budget allocations envisaged for implementation of the FTIP in 2013 amounted to Rb 887.4bn as of November 1, 2013 including the volume of budget investments in the amount of Rb 774.8bn. According to the data of the Rosstat, in January–October 2013 the level of financing of budget allocations envisaged for implementation of the FTIP amounted to Rb 366.9bn or 57.9% of the annual quota. In January–October 2013, utilization of funds at the expense of all the sources of financing amounted to Rb 278.9bn or 41.6% of the envisaged annual volume of funds at the expense of all the sources.

It is to be noted that according to the data of the Rosstat, in the period under review financing of 31.1% of projects under the FTIP program was not started. In 2013, it was envisaged to finance 3,001 projects and constructions and commission 1,040 projects. According to the data of the Rosstat, within 10 months of 2013 73 projects were commissioned, that is, 7% of the total number of projects which are to be commissioned this year. The main factor behind untimely start of implementation of measures still consists in the fact that the main administrators of budget funds lifted late the limitations on funding.

With the general trend of renewal of participation of the banking sector in financing of investment activities, it is difficult to assess unambiguously its effect on the business activities in the building industry. In January–September 2013, the share of bank loans in the pattern of sources of funding amounted to 9.9% and exceeded by 1.7 p.p. the index of the respective period of the previous year. In the past three years, in the pattern of bank lending the volume and share of Russian banks' loans which replace foreign banks' loans are growing. As compared to January–September 2012, loans of Russian banks increased by Rb 141.6bn, while those of foreign banks decreased by Rb 19.7bn.

Within the nine months of 2013, a dramatic drop of 24.6% and 33.7% in funds allocated for investment purposes by foreign banks and superior entities, respectively, was registered as compared to January–September 2012.

In January–September 2013, the volume of foreign investments in capital assets decreased, while their share in the volume of investments in the Russian economy fell to 2.5% against 3.3% a year earlier. A capital flight trend had a negative effect on the extent of participation by foreign banks in funding of investment programs: in January–September 2013 the capital outflow amounted to $48.1bn and exceeded by $1.7bn the index of the respective period of the previous year. Russian companies invest more willingly abroad: in January–September 2013 investments in the Russian economy amounted to $132.4bn while Russian investments abroad, to $162.3bn.

In January–September 2013, the share of investments of superior entities in the pattern of sources of funding fell to 12.0% against 18.9% a year before. As in the Russian practice the funds of superior entities are represented by large holdings, joint-stock companies and financial and industrial groups with state participation, a drop in activities by those institutional investors had a rather negative effect on the dynamics of the Russian economy.

With GDP growth rates expected within the limits of 101.3–101.5%, on the basis of the results of 2013 stabilization of the volumes of investments in capital assets at the level of the previous year is likely. In such a case, a drop in the share of investments in capital assets both in GDP and the value of gross national savings will create difficulties in implementation of investment programs early in 2014 taking into account the fact that the existing practice of financing of investment expenditures by means of budget funds is normally rather inert in the 1st quarter.