

THE REAL SECTOR OF THE ECONOMY IN JANUARY 2014: FACTORS AND TRENDS

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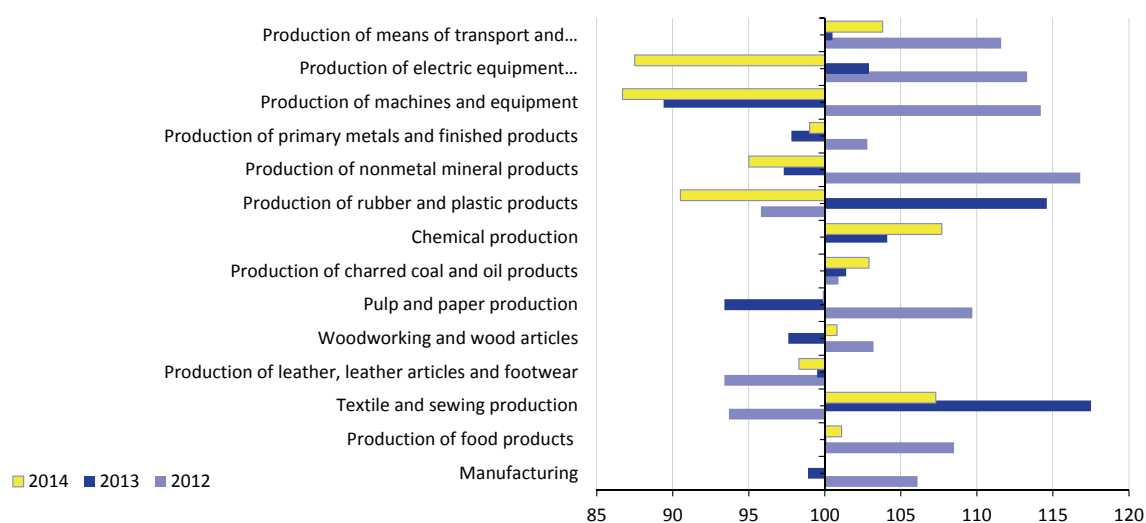
In January 2014, the macroeconomic situation is under the effect of the same factors which determined the economic dynamics in 2013. In January 2014, a drop of 7.0% and 5.5% in investments in capital assets and the volume of building work, respectively, against January 2013 had a substantial impact on the domestic market. Also, slowdown of growth rates of consumer demand on the commodity market (to 102.4% against 104.4% a year earlier) and the market of paid services (to 101.6% against 105.6%) was observed.

The Rosstat carried out adjustment of industrial production indices on the basis of the 2010 base year which resulted in specification of the results of 2013: the industrial production index, the index of production of primary products and manufacturing index amounted to 100.4%, 101.0% and 100.5%, respectively, against 2012.

In January 2014, the macroeconomic situation was determined by factors which were formed in the second half of 2013. In January, a drop in investments in capital assets (7.0%) and the volume of building work (5.5%) against January 2013 had a substantial effect on the domestic market. The situation somewhat stabilized thanks to prevalence of weak growth in the consumer market and stabilization of the situation in the manufacturing sector. In January 2014, the index of retail trade turnover and the index of paid services to households amounted to 102.4% (104.4% a year earlier) and 101.6% (106.6%), respectively, against January 2013. From the 2nd quarter of 2013, the growth rates of households' real income started to decrease, while those of consumer lending, from the 3rd quarter of 2013; due to the above situation the share of expenditures on purchasing of goods and payment of services in the pattern of households' monetary expenses

with growth in expenses on mandatory payments and contributions, savings and cash on hands started to decrease gradually. In January 2014, the growth rate of a turnover of the food market amounted to 100.9% year on year and roughly corresponded to the respective index of the previous year, while the growth rate of a turnover of the nonfood market slowed down to 103.4% against 107.3% a year earlier. Weakening of demand in January 2014 was justified by prevalence of high inflation rates – 106.1% against January 2013 with a decrease of 1.5% year on year in households' actual income.

In January 2014, the continued recession in the real sector had a negative effect on the general economic situation. As compared to January 2014, the index of industrial production amounted to 99.8%, including 100.9% in production of primary products, 100.8% in



Source: The Rosstat.

Fig. 1. Production indices by the main types of manufacturing in the 2012–2014 period, %, January on January of the previous year

Table 1

INDUSTRIAL PRODUCTION INDICES IN THE 2010–2013 PERIOD, % ON THE PREVIOUS YEAR

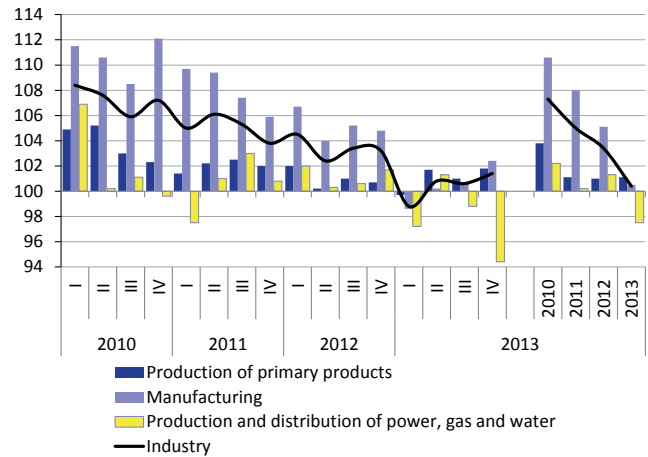
	Industry	Production of primary products	Manufacturing	Production and distribution of power, gas and water
2010	107.3 (-0.9)	103.8 (+0.2)	110.6 (-1.2)	102.2(-1.9)
2011	105 (+0.3)	101.1(-0.8)	108.0 (+1.5)	100.2 (+0.1)
2012	103.4 (+0.8)	101.0 (-0.1)	105.1 (+1.0)	101.3 (+0.1)
2013	100.4 (+0.1)	101.1(-0.1)	100.5 (+0.4)	97.5 (-0.7)

Note. In brackets, deviations from the earlier published data are stated.

Source: The information on the social and economic situation. January 2014. The Rosstat.

manufacturing and 96.1% in production and distribution of power, gas and water.

In manufacturing, growth rates by the type of activities vary considerably. Unstable dynamics of individual types of activities is determined by internal factors of competitiveness of those activities with prevalence of the trend of advanced growth in the import as compared to domestic production. With the existing trend of reduction of investment demand in January 2014, higher slowdown was registered with production of machines and equipment, building materials and related production of engineering materials in the iron and steel industry. In the same period, in the segment of production of intermediate goods output growth was registered over a larger portion of the list of the main types of chemical produce as compared to January 2013. In January 2014, the index of production of charred coal and oil products amounted to 102.9% as compared to the respective period of 2013. In analyzing the dynamics of manufacturing, it is worth noting the specifics of functioning of industries aimed at the domestic consumer market. In January 2014, the index of textile and sewing production amounted to 107.3% on January 2013, while the index of production of leather, leather articles and footwear, to 98.3%. Unstable dynamics of production of the above activities is long-lasting which factor is evidence of existence of



Source: The Rosstat.

Fig. 2. Indices of industrial production in the 2010–2013 period, % on the respective quarter of the previous year

unresolved problems due to a shortage and low quality of domestic primary products, as well as a lack of modern manufacturing of a new generation of products required on the market.

From January 1, 2014, in calculation of production indices the Federal Statistics Service carried out a switchover to the new 2010 base year. From 2010 to 2013, the year 2008 was used as a base year. In accordance with the international requirements and the existing practice

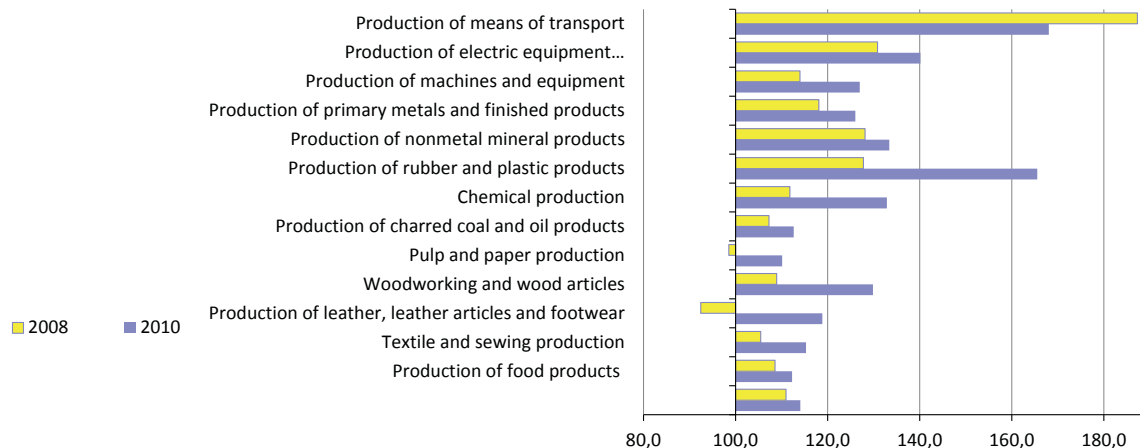


Fig. 3. Indices of industrial production in 2013, % on 2010

of national statistics services, in switching-over to a new base year a mandatory retrospective adjustment of production indices in the 2010-2013 period was carried out on the basis of such updated data on production of goods and services as was formed in compliance with the Regulations of Development and Publication of the Data on the Products of the Primary Sector and Manufacturing Industry and Production and Distribution of Power, Gas and Water approved by the Rosstat and the Ministry of Economic Development of the Russian Federation in June 2009 and with taking into account the outputs of complete observation over activities of small and mid-sized business entities in 2010.

In January 2013, the Rosstat published the updated data on the dynamics of industrial development in the 2010–2013 period which factor pointed to the need to adjust the earlier made conclusions on the nature and the rate of coping with the consequences of the crisis. In accordance with the updated data, in the 2011–2013

period there was an increase in growth rate indices as regards manufacturing with a slowdown in production of primary products. In 2013, the output growth rates in manufacturing were adjusted to 100.5%, while the index of production and distribution of power, gas and water was reduced to 97.5% on the previous year.

On the basis of the updated quarterly and monthly dynamics, in 2013 a major drop in industrial production took place in the 1st quarter, while from the 2nd quarter there was a revival of economic activities generated by recovery growth in manufacturing. In the 4th quarter of 2013, output growth in manufacturing was twice as little as compared to the respective index of the previous year and amounted to 2.4%. However, taking into account a slump in manufacturing in the 1st quarter and weak unstable growth in April–September 2013 one should not overestimate the effect of the last quarter of 2013 on the nature of the dynamics of industry in 2014. ●