

THE RUSSIAN INDUSTRY IN APRIL 2014

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According to enterprises' estimates obtained as a result of business surveys of the Gaidar Institute¹, in April actual changes in demand and output had negative dynamics, while forecasts did not promise any improvement of the situation. It is to be noted that industry had to switch over to more intense growth in prices which situation is unlikely to stimulate demand and increase capacity utilization which failed to recover in April. Enterprises' investment plans remain in the negative zone.

Demand on industrial produce

In the beginning of the 2nd quarter, the dynamics of demand on industrial produce remained a negative one, while the rate of reduction thereof increased. The initial data showed absolute growth in demand only in March, but it was rather weak. So, the April decrease in sales pushed the initial balance downwards to -5 points, while clearing of a seasonal factor, to -12 points which was the worst index since the beginning of 2013 (Fig. 1).

Such dynamics of demand suits fewer enterprises in the Russian industry. In April, the share of unsatisfactory estimates of sales rose to 54%, while the balance of estimates fell to -9 points. Those values have become the worst ones since 2013.

The forecasts of sales do not promise any improvement of the situation in the 2nd quarter of 2014. Enterprises' expectations fell almost to the zero level, though in the previous post-crisis years they remained in April at the level of 10–17 points after a surge in January. With a seasonal factor cleared, the index fell to the post-crisis minimum (-4 points) which was registered only in the mid-2012.

Stocks of finished products

Despite the negative sales dynamics, the industry manages to control successfully its stocks of finished products, at least, at the level of estimates. From July 2013, the balance of estimates has been within a relatively narrow band of a small redundancy which is, however, admissible for the stage of stagnation (Fig. 2). The main portion of enterprises believes that their stocks are "normal"; it is to be noted that in April the share of such estimates amounted to the record-

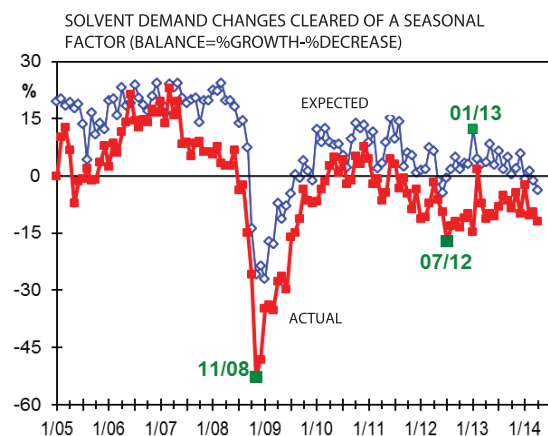


Fig. 1

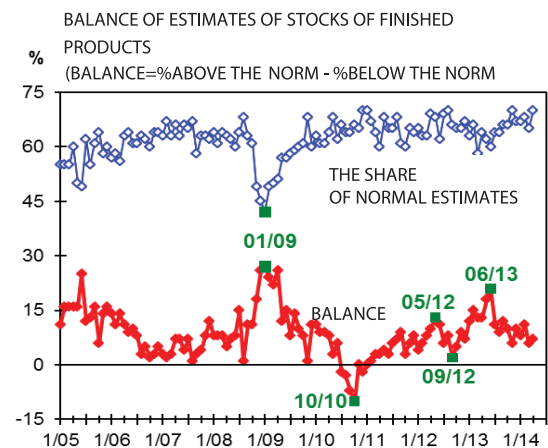


Fig. 2

high maximum (1992–2014). With such estimates (not physical volumes), the latter can hardly be a driver of output growth and a factor behind slowdown of industrial output.

Output

In April, the rate of output growth started to slow-down which is typical of that month. After achieving the year's modest maximum of 22 points, the initial balance (in the previous years it exceeded 30 points) fell to +4

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%.

points and amounted after the seasonal factor cleared to -3 points (Fig. 3). Output growth registered in March may discontinue in the next report of the Rosstat.

Further dynamics of output does not suggest optimism to enterprises, either. In March–April, the initial balance of output plans lost 30 points, while that cleared of a seasonal factor, 6 points and fell to the year and a half minimum. The Ukrainian crises did not affect seriously output volumes of the Russian industry so far. In April, only 4% of enterprises reported about a drop in their output due to that factor.

Prices of enterprises

The pricing policy of enterprises is probably entering a new stage. In the previous post-crisis years, the January surge of growth in selling prices used to subside by March, while in April it was close to the zero level. In 2014, in new macroeconomic conditions created by responsible actions by monetary authorities, as well as compulsory measures of the country’s political leadership, the industry had to change the dynamics of its prices. Firstly, prices growth in January did not subside by March 2014 – its rate remained at the previous level, though in the 4th quarter of 2013 growth in enterprises’ prices was a zero one, that is, within the frameworks of the dynamics which was typical of the past few years and which permitted the authorities to keep revising downward their inflation rate forecasts. Secondly, enterprises’ price forecasts which normally fell in January after a surge in December failed to promote that path further, consolidated at the achieved level, while in March–April grew a little. Thirdly, the most unpleasant thing is that in April the industry reported about a 100% growth in their prices as compared to the results of the 1st quarter of 2014.

The actual dynamics and layoff plans

The number of workers in the Russian industry keeps falling. After a traditional surge of lay-offs in January, that process returned to the normal rate of lay-offs which is typical of the past few years. So, for two years the industry has failed to overcome the negative trend of workers’ exit from the industry (Fig. 4).

Enterprises’ investment plans

For 11 months running, enterprises’ investment plans remain in the negative zone. However, from the beginning of 2014 pessimism of such intentions has been decreasing, but too slowly and unwillingly and without particular hopes for revival of growth in investments. Within four months of 2014, the balance grew only from -14 points to -6 (Fig. 5), that is, plans of reduction of investments still prevail in the Russian industry over those to increase them.

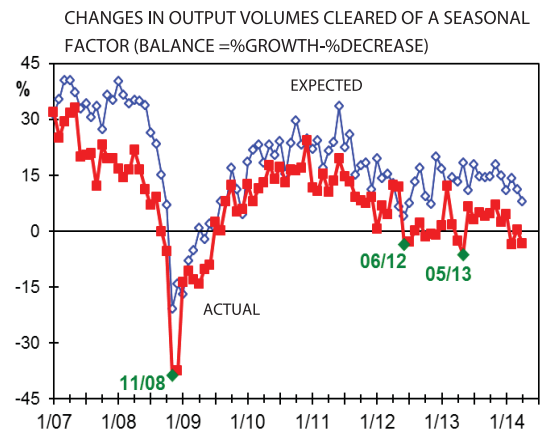


Fig. 3

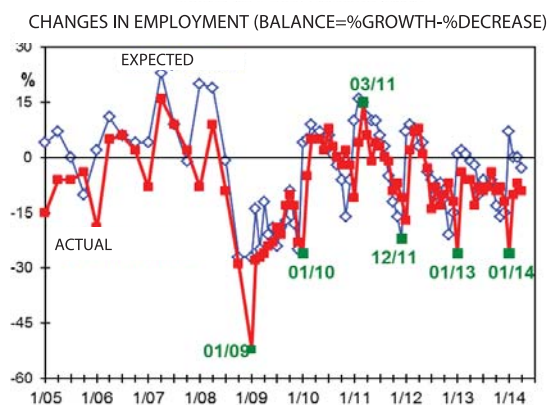


Fig. 4

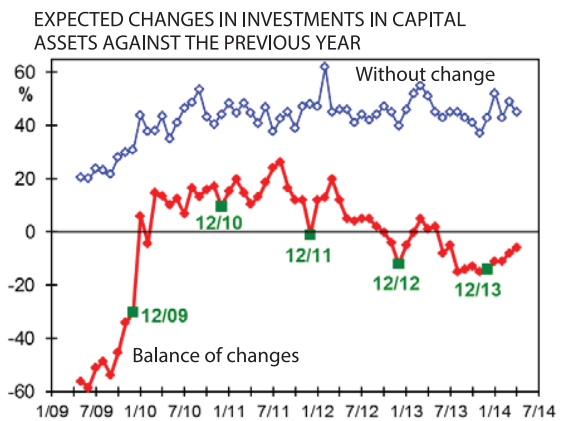


Fig. 5