

INVESTMENTS IN CAPITAL ASSETS IN JANUARY–MAY 2014

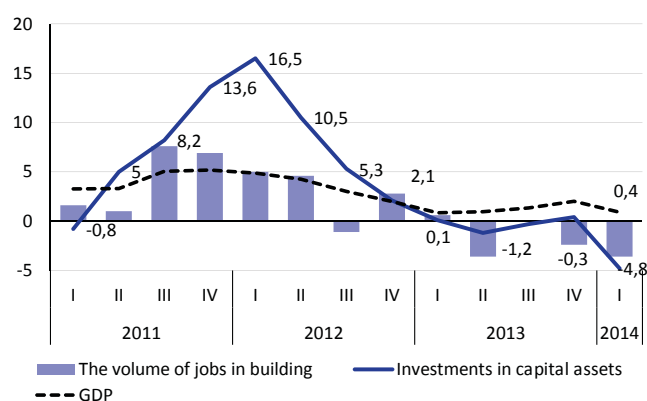
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In January–May 2014, capital investments in real terms amounted to 96.2% on the respective index of the previous year. In the pattern of sources of investment funding, the share of own funds and banks' participation increased with a reduction of investment of federal budget funds. In Q1 2014, in the segment of large and mid-sized enterprises a drop in capital investments stopped and they increased by 1,8% as compared to the respective period of the previous year. In Q1 2014, a positive effect on the dynamics of investments by large enterprises was produced by growth in investments in the primary sector (5.4%), manufacturing (2.6%), oil refining (35.1%) and transport and communications (10.5%).

In the first five months of 2014, a trend of reduction of investment demand prevailed: in May 2014 capital investments amounted to 97.4% on May 2013, while in January–May 2014, to 96.2% against the respective period of 2013.

In 2014, the situation in the investment sector of the economy is determined by a slowdown of business activities as early as H2 2012. Throughout 2013, low investment activities and a lack of the required reserves in the building industry justified a drop in investments in 2014. In Q1 2014, the share of capital investments amounted to 11.5% of GDP and was 1.1 p.p. lower than the level of the respective period of 2013, while the contribution of the building industry to GDP decreased to 4.6% against 5.1%. In Q1 2014 and January–May 2014, capital investments in real terms amounted to 95.2% and 92.6%, respectively against the respective periods of 2013. It is to be noted that in January–May 2013, investment activities were already in the state of stagnation.

The dynamics of capital investments is diversified by the economic agent. In Q1 2014, in the segment of large and mid-sized enterprises a drop of capital in-



Source: the Rosstat.

Fig. 1. Dynamics of capital investments in the 2011–2014 period as % of the respective quarter of the previous year

vestments stopped. If in Q1 2013 investments of large enterprises amounted to 95% as compared to the index of the previous year, in Q1 2014 they increased by 1.8%. However, a 20% decrease in investments by small enterprises in the beginning of the year intensified a drop in capital investments in the economy

Table 1

THE VOLUME AND PATTERN OF CAPITAL INVESTMENTS BY THE TYPE OF CAPITAL ASSETS IN Q1 2011–2014 (WITHOUT SMALL BUSINESS AGENTS AND PARAMETERS OF INFORMAL ACTIVITIES)

	Billion Rb				% of the result			
	2011	2012	2013	2014	2011	2012	2013	2014
Investments in capital assets	956.8	1211.0	1310.2	1429.7	100	100	100	100
including:								
housing	47.6	48.4	63.9	81.7	5.0	4.0	4.9	5.7
buildings (except for residential ones) and constructions	499.2	604.6	609.4	710.6	52.2	49.9	46.5	49.7
machines, equipment and means of transportation	326.1	441.1	506.5	481.7	34.1	36.4	38.6	33.7
Including: purchasing of import machines, equipment and means of transportation	63.6	71.4	89.9	n.a	6.6	5.9	6.9	n.a
other	83.9	116.9	130.4	155.7	8.7	9.7	10.0	10.9

Source: Rosstat.

general. It is to be reminded that in Q1 2013 growth in investments in the segment of small enterprises amounted to 7.1% and contributed to stabilization of the situation in the investment and building complex at the level of the indices of Q1 2012.

In Q1 2014, as in the previous two years in the pattern of capital investments growth in the volumes and the share of investments in building of housing was registered.

The positive dynamics of commissioning of housing was registered from H2 2012 which situation was justified by some improvements in financing. In Q1 2014, entities of all the forms of incorporation built 231,100 apartments with the total floorspace of 13.6m sq. meters which is 31% more than in the respective period of the previous year. Individual developers built 6.4m sq. meters of housing or 46.7% of the total floorspace of housing commissioned in Q1 2014.

In the pattern of sources of funding of investments in building of housing in the 2011–2014 period, the volume and the share of households' funds rose in the equity construction of housing with a reduction of the share of legal entities' funds. In Q1 2014, the funds received for equity construction of housing increased by Rb 10.6bn, including households' funds (by Rb 9.7bn) as compared to Q1 2013. Growth in households' investment activities was underpinned by expansion

of lending. On the basis of the results of Q1 2014, Rb 333.0bn worth of mortgage loans was extended, that is, a 48% increase on the index of 2013.

In Q1 2014, the structural specifics was growth in quantitative parameters of investments in building of non-residential facilities and premises with a reduction of investment expenditures on machinery and means of transportation. The share of investments in building of industrial and social projects rose by 3.2 p.p. as compared to the respective period of 2013. The total building volume of non-residential facilities commissioned in Q1 2014 amounted to 28.0m sq. meters and increased by 27% as compared to Q1 2013, including industrial projects (126%), educational buildings (45%) and healthcare buildings (69%). According to the statistical data of commissioning of social and cultural projects, indices of Q1 2014 are still lower than those of the previous year.

In Q1 2014, the share of machinery and equipment in capital investments decreased by 4.9 p.p. as compared to the respective period of 2013 which situation is probably related to insufficient volume of reserves for installation and incomplete construction. The situation with provision of machinery and equipment for fulfillment of building and installation jobs is made complicated due to a drop in the output of domestic equipment. On the basis of the results of Q1 2014,

Table 2

INVESTMENTS IN CAPITAL ASSETS (WITHOUT SMALL BUSINESS AGENTS AND THE VOLUME OF INVESTMENTS WHICH IS NOT DISCERNIBLE TO DIRECT STATISTICAL METHODS) BY THE TYPE OF ECONOMIC ACTIVITIES IN Q1 OF THE 2011–2014 PERIOD

	% of the respective period of the previous year				% of the result			
	2011	2012	2013	2014	2011	2012	2013	2014
Total	101.9	116.8	95.0	101.8	100	100	100	200
Agriculture, hunting and forestry	107.8	116.7	102.5	98.8	3.0	3.2	3.3	3.1
Fishing and fish-farming	194.4	161.4	46.4	82.5	0.1	0.1	0.1	0.1
Industry	102.0	129.0	94.8	103.3	49.6	53.8	53.8	53.2
Mining	107.5	132.2	88.6	105.4	22.1	25.0	24.1	24.6
Manufacturing	104.7	128.9	108.0	102.6	17.9	18.5	20.2	19.6
Utilities (electricity, water and gas)	87.2	121.9	86.1	99.7	9.6	10.3	9.5	9.0
Building	96.7	134.5	106.5	153.2	2.3	2.6	2.6	4.2
Wholesale and retail trade	129.7	91.8	119.1	129.4	2.7	2.2	3.0	3.5
Hotels and restaurants	94.7	40.3	135.4	64.1	0.5	0.2	0.7	0.4
Transport and communications	113.0	106.2	80.9	110.5	26.3	24.0	19.5	19.8
Railway transport	87.8	82.1	94.0	90.0	5.3	3.7	3.3	2.8
Pipeline transportation	125.8	107.3	60.8	113.7	11.1	10.4	6.6	6.1
Communications	107.9	129.0	104.1	87.3	3.0	3.2	3.2	2.8
Financial sector	129.6	140.6	99.8	108.5	1.3	1.4	1.6	1.3
Real-estate operations	87.5	97.9	115.4	108.5	7.4	6.3	9.2	9.6
State governance	85.7	121.3	80.0	121.6	0.8	0.8	0.7	0.9
Education	124.3	88.7	116.1	89.7	1.5	1.2	1.2	1.0
Healthcare and social services	115.8	125.7	102.9	66.4	1.6	1.6	1.6	1.0

Source: Rosstat.

the output of machinery and equipment amounted to 85.5% of the respective index of the previous year. So far, that situation is overcome by the prevailing trend of growth in the share of import of investment goods in the total volume of the Russian import to 24.5% in January–March 2014 against 23.5% a year earlier.

On the basis of Q1 2014, the volume of investments in capital assets (without small business agents and volumes of investments which are not discernible to direct statistical methods) amounted to Rb 1,429.7bn. In the pattern of capital investments by the type of economic activities in the 2013–2014 period, substantial changes took place.

In Q1 2014, investment growth recovered in mining, growth rates of capital investments decreased in manufacturing and investment demand in utilities (electricity, water and gas) kept falling. As a result, on the basis of the results of Q1 2014 growth in investments in industry as a whole amounted to 3.3% as compared to the index of Q1 2013, however, that situation did not permit to eliminate the negative effect of a drop in investments in industry in Q1 2013. In manufacturing, active growth in capital investments was ob-

served in production of petroleum (135.1% in Q1 2014 against Q1 2013), transport equipment manufacturing (128.8%) and the textile sewing industry (200.0%).

A negative contribution to the dynamics of investments in manufacturing was made by such industries as the woodworking industry and production of wood products (72.82% in Q1 2014 against Q1 2013), the chemical industry (84.7%), the pulp and paper industry (51.9%), production of rubber and plastic goods (59.0%) and production of building materials (77.8%).

Early in 2014, expansion of investment demand in the transport industry was related to growth in the volume of jobs related to development of pipeline transportation.

In funding of investments, utilization of own funds increased. In Q1 2014, the share of investments made by means of entities' own funds amounted to 54.3% and exceeded by 1.3 p.p. the index of Q1 2013. In Q1 2014, growth in the share of investments financed out of entities' profit was related to a 0.3 p.p. growth in profitability in the economy in general to 8.7% as compared to the respective period of 2013.

Table 3

**THE VOLUME AND PATTERN OF INVESTMENTS IN CAPITAL ASSETS IN Q1 OF THE 2011–2014 PERIOD
(WITHOUT SMALL BUSINESS AGENTS AND PARAMETERS OF INFORMAL ACTIVITIES)**

	Billion Rb				% of the result			
	2011	2012	2013	2014	2011	2012	2013	2014
Investments in capital assets	956.8	1211.0	1310.2	1429.7	100	100	100	100
Including by the source of funding: own funds	464.8	613.3	693.9	776.5	48.6	50.6	53.0	54.3
Attracted funds	474.7	571.8	583.8	653.2	49.6	47.2	44.6	45.7
including: bank loans	66.5	97.6	130.3	140.5	7.0	8.1	9.9	9.8
including foreign banks' loans	17.4	23.2	15.9	18.2	1.8	1.9	1.2	1.3
Russian banks' loans	49.1	74.4	114.4	122.3	5.2	9.2	8.7	8.5
Other entities' borrowed funds	47.0	64.4	94	87.5	4.9	5.3	7.2	6.1
Budget funds	127.6	133.4	148.4	137.5	13.3	11.0	11.3	9.6
including: federal budget funds	51.9	57.0	70.4	58.6	5.4	4.7	5.4	4.1
Funds of budgets of constituent enti- ties of the Russian Federation	69.0	67.8	67.6	67.2	7.2	5.6	5.2	4.7
Extra-budgetary funds	3.4	2.9	6.1	2.7	0.3	9.2	0.5	0.2
other	230.2	273.5	204.9	232.5	24.1	22.6	15.6	16.3
including: funds of superior bodies	200.7	237.4	135.8	168.5	21.0	19.6	10.4	11.8
Funds received from corporate bond issues	n.a.	n.a.	0.4	4.0	-	-	0.03	0.3
Funds from equity issuing	10	13.6	15.4	41.5	1.0	1.1	1.2	2.9
Funds received for equity construction of housing (entities and households)	17.3	25.9	32.5	43.1	1.8	2.1	2.5	3.0
Including households' funds	10.6	16.6	25.4	35.1	1.1	1.4	1.9	2.5
Of the total volume of investments in capital assets – investments from abroad	36.4	40.3	36.6	9.4	3.8	3.3	2.8	0.7

Source: The Rosstat.

In Q1 2014, the share of bank loans in the pattern of sources of funding amounted to 9.8% and was 0.1 p.p. lower than the index of the respective period of the previous year. In the past three years, changes in the pattern of bank lending have been determined by growth in the volume and share of Russian banks' loans which replace foreign banks' loans. As compared to Q1 2013, Russian banks' loans increased by Rb 7.9bn, while those of foreign banks, by Rb 1.3bn.

In Q1 2014, at the level of participation of banks in financing of investment programs the prevailing trend of capital flight had a negative impact on the situation. According to the preliminary estimates of the Central Bank of Russia, in January–March 2014 the net capital outflow from the private sector amounted to \$50.8bn, including \$18.9bn from the banking sector. In addition to the above, in Q1 2014 the volume of foreign investments in capital assets decreased; their share in the total volume of investments in the Russian economy fell to 0.7% against 2.8% a year before.

In the pattern of the funds attracted for financing capital investments, a change in the role of budget funds was observed. In Q1 2014, budget funds permitted to finance Rb 137.5bn worth of investments in capital assets (9.6% of the total volume of investments in the economy). As compared to Q1 2013, the scale of funding of investments by means of federal budget funds and budget funds of constituent entities of the Russian Federation decreased by Rb 11.8bn and Rb 0.4bn, respectively, with growth of Rb 5.6bn in participation of local budget funds.

In 2014, the Federal Target Investment Program (FTIP) provides for allocation of federal budget funds in the amount of Rb 834.6bn. It is planned to spend the above funds on development of the industrial infrastructure, including transport, pipeline transportation and information and communications infrastructure (Rb 301.2bn), creation of conditions to speed up social development of the country, including health-care, education, culture, housing and demographic situation (Rb 166.4bn) and implementation of measures which facilitate a switchover of the economy to the innovation way of development, establishment of

the national innovation system and development of science and high technologies (Rb 79.7bn).

Budget investments and subsidies on financing of property which are in the ownership of the Russian Federation and budget investments to open-end joint-stock companies amount to Rb 739.1bn. Subsidies to units which are in the regional (municipal) ownership are equal to Rb 95.5bn.

Table 4

THE VOLUMES OF FUNDING OF THE FEDERAL TARGET INVESTMENT PROGRAM IN 2014, BILLION RB

	FTIP	Including	
		Program portion	Non-program portion
Total funding	834.6	523.6	311.0
including			
State property and property of open-end joint-stock companies	739.1	434.7	304.4
regional (municipal) property	95.5	88.9	6.6

Source: Ministry of Economic Development of the Russian Federation

In accordance with the FTIP approved by the Ministry of Economic Development of the Russian Federation for the year 2014 (as updated as May 1, 2014), Rb 541.2bn was allocated, including Rb 525.9bn out of the federal budget on building of 2112 capital development projects, purchasing of real property units and implementation of measures (large investment projects), including 495 projects in respect of which only design and survey jobs were planned. Out of 742 projects which are expected to be commissioned in 2014 three projects were put into operation: two projects to full capacity and one project to a partial capacity.

According to the data of the Rosstat, in January–April 2014 Rb 152.9bn of federal funds was used to finance FTIP projects (without taking into account special jobs included in the state defense order), that is, 29.1% of the envisaged limit set for the year. As of May 1, 2014, 625 projects were financed in full. ●