

THE RUSSIAN INDUSTRY IN OCTOBER 2014

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According to the data of business surveys of the Gaidar Institute¹, the beginning of Q4 is estimated by enterprises as much positive as the end of Q3. Good dynamics of demand and efficient control over stocks of finished products permitted the industry to underpin growth in production in October, as well. The pattern of limitation of output justifies positive estimates of the situation, but already points to pressing resource limitations of which personnel shortages and a lack of working assets are the most large-scale ones.

DEMAND ON INDUSTRIAL PRODUCE

In 2014, dynamics of demand demonstrates an unusual and positive path in the past few years. The initial data shows that after January the rates of change in sales remain in a very narrow band without worsening of the index late in Q4 which situation was typical of the previous post-crisis years. As a result, clearing of a seasonal factor yields good results for the balance of change in demand late in 2014 (Fig. 1). The above factor was rated highly by producers: in August–October satisfaction with demand was at the level which was the best one since the end of 2011.

In 2014, forecasts of enterprises demonstrate a high stability and positive sentiments. Prior to September, included, initial balances of expectations were in the positive area, though earlier, late in Q3, in industry there were already more forecasts of a decrease in sales. It is worth mentioning that only in October 2014 expectations of a decrease in demand started to prevail over expectations of its growth. However, clearing of a seasonal factor showed prevalence of the balance of forecasts in the positive area.

STOCKS OF FINISHED PRODUCTS

For several months running, stocks of finished products caused no concern with enterprises. In October, estimates of their volumes remained in a modest surplus. It is to be noted that the share of the “above the norm” estimates is at the level of the three-year minimum (Fig. 2) which situation points to a high level of control by the industry over its stocks and preservation of the factor of additional output growth if the industry believes in it. It seems that the latter is difficult to achieve in a situation of growing fears of a recession.

SOLVENT DEMAND CHANGES CLEARED OF A SEASONAL FACTOR (BALANCE=%GROWTH-%DECREASE)

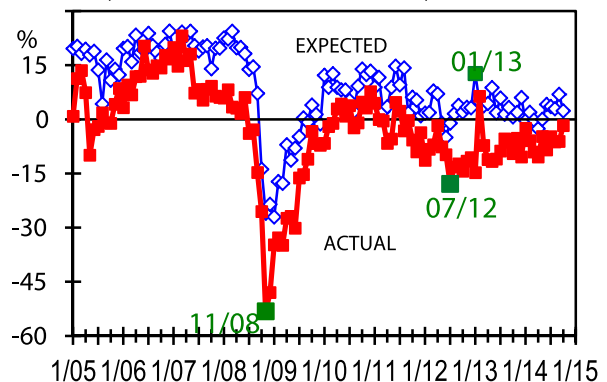


Fig. 1

BALANCE OF ESTIMATES OF STOCKS OF FINISHED PRODUCTS % (BALANCE=%ABOVE THE NORM - %BELOW THE NORM)

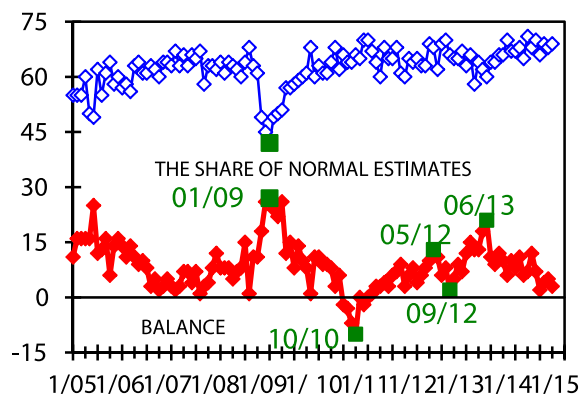


Fig. 2

THE OUTPUT

In H2 2014, the dynamics of industrial production differed for the better from the dynamics of output of the previous years. The initial balance of the index (growth rate) is more stable and at higher levels than in respective periods of 2012–2013. Clearing of a seasonal factor showed stabilization of output growth rates at the level of the two-year maximum (Fig. 3). So, the explicitly better dynamics of demand permits the

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%.

industry to maintain the output which situation can become again quite an unexpected one to officials and analysts after publication of the October portion of the official statistics.

In 2014, enterprises' industrial plans changed for the better. After a traditional surge of optimism in Q1 and a decrease by April, that index stabilized in May–September at the level which was untypical of the 2012–2013 period. It is to be noted that only in October the index demonstrated a drop in optimism which normally used to begin in August.

PRICES OF ENTERPRISES

In the past five months, the pricing policy of the Russian industry remained surprisingly stable, while in the past four months it was surprisingly predictable, as well. From July 2014, growth rates of selling prices of enterprises remained at the level of 6–7 points which situation was highly untypical of the past four years (Fig. 4). The above factor interfered into other specifics of the above period, that is, gradual slowdown of growth in enterprises' prices during the last months of a year. The factor behind such changes is clear. It is novelty in the monetary policy of the Central Bank of Russia in the present geopolitical situation.

For Russian enterprises, it became easier to plan changes in their prices, while realization of pricing forecasts (at least at the level of the aggregated balances) became higher.

ACTUAL DYNAMICS OF EMPLOYMENT AND LAY-OFF PLANS

Late in 2014, dynamics of employment in the Russian industry does not look as pessimistic as in the previous years (Fig. 5). Firstly, the balance of actual changes points to less dramatic job cuts, though a decrease in the number of workers continues. Secondly, in October enterprises' plans did not undergo such a dramatic drop which usually took place in that month of previous years. However, HR policy remains a huge resource-related problem for the Russian industry in the short and mid-term prospect.

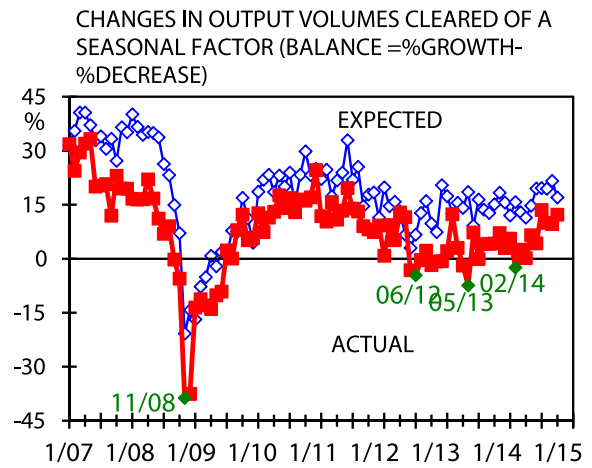


Fig. 3

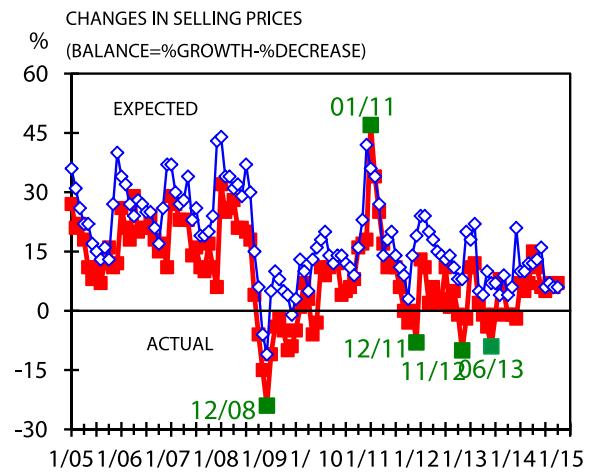


Fig. 4

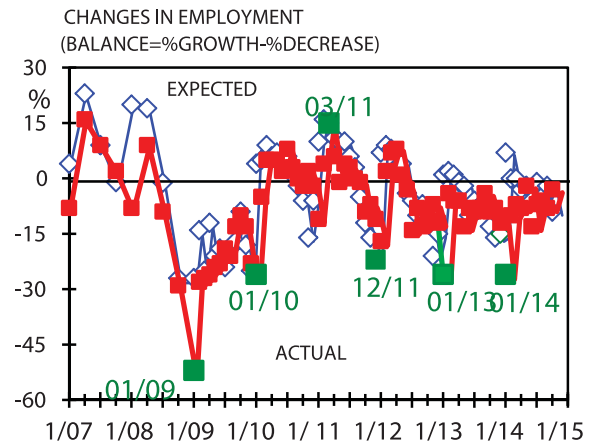


Fig. 5