

THE RUSSIAN INDUSTRY IN DECEMBER 2014

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According to the business surveys of the Gaidar Institute¹, the first data of December on the Russian industry has no (pre)crisis evidence. Demand demonstrated the dynamics which is typical of the end of the year; sales volumes suit most enterprises and there is no concern about stocks of finished products, pricing policy, terms of lending and investment plans are adequate to actions of the Central bank of the Russian Federation.

The demand on industrial produce

Late in December 2014, the initial data on the dynamics of demand pointed to traditional growth in negative trends. The balance of changes (growth rates) fell to -20 points, having achieved the usual December values of the previous years. But such a trajectory which was typical of the past few years was observed only in Q4 2014. During the first three quarters of the year, sales of Russian industrial produce were more optimistic. So, Russian enterprises do not see so far any crisis or even pre-crisis evidence in the dynamics of sales. Clearing of a seasonal factor does not send any (pre)crisis signals, either. Indices of current rates of changes in demand are lower than the levels of the beginning and middle of the year, but are similar to those of the previous year.

However, in a situation of the growing pre-crisis hysteria the achieved volumes of demand were rated highly by enterprises. In November–December, the share of “normal” answers was above 50% despite technical worsening of rates of change in sales. In August–September, satisfaction with demand exceeded 60%. Such a situation was not registered for nearly three years.

Stocks of finished products

There is no concern about stocks of finished products (Fig. 1) at warehouses of industrial enterprises. Throughout H2 2014, the Russian industry demonstrated a very careful management of its reserves keeping the balance of estimates (“above the norm” – “below the norm”) at the level of minimum redundancy. On the contrary, in November–December the share of “normal” answers reached the historic maximum.

In such a situation, a possible crisis reduction of production will fail to receive further support, while the

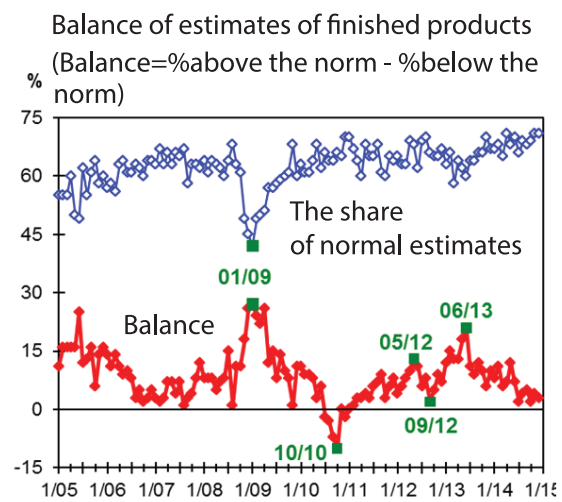


Fig. 1

unexpected positive 2015 scenario is steadily underpinned by industrial output.

The output

The dynamics of output of the Russian industry instills optimism. According to enterprises' estimates, in December the initial rates of change in production improved and now exceed the results of previous years. Clearing of the seasonal factor showed growth of 3 points after a dip of 7 points in November. So, highly optimistic results of previous years will most probably not be achieved in the Rosstat's official reports, while the negative trend of November is likely to be overcome.

Prices of enterprises

In December, as was expected the Russian industry successfully realized pricing forecasts of November. The above plans suggested the most dramatic growth in selling prices from the days of growth in the single social tax (rates of insurance contributions) early in 2011. So, it happened (Fig. 2). Within a month, prices rose by 11 points after staying at the same level for six months. Enterprises have to

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%.

plan further growth in prices: the December forecast rose by another 13 points and already achieved the four-year maximum.

Actual dynamics and lay-off plans

There was an unexpected and negative breakup of the dynamics of employment in the Russian industry. After a relatively low rates of reduction of personnel (to be precise, the exit of workers) during the previous months, in December enterprises reported sudden growth (15 points) in reduction of the number of the employed. It is to be noted that, normally, such a surge is registered by surveys in January when workers change on a large-scale enterprises after annual bonuses have been paid out. Probably, lay-offs in December took place mostly on the initiative of employers who started to carry out anti-crisis measures under the impact of the pessimistic information. Though as early as August 2014 only 17% of enterprises were prepared to use lay-offs of workers as an anti-crisis measure, in December 27% of enterprises reported reduction of their personnel. The above value became the maximum index in February–December 2014. Another counterargument is enterprises' estimates of provision of possible changes in demand with skilled workers. As early as October 2014, the Russian industry experienced a lack of such workers. However, one should wait a little for a measurement of provision of demand with production capacities and workers in January in order to make more precise and relevant conclusions.

Lending to industry

The terms of lending are becoming tougher and tougher. According to enterprises' estimates (in which the panic night raising by the Central Bank of Russia of the key interest rate to 17% is not yet reflected in full), availability of loans in December fell to 50% though in August that index was equal to 67% and was within the limits of the interval it did not leave for over

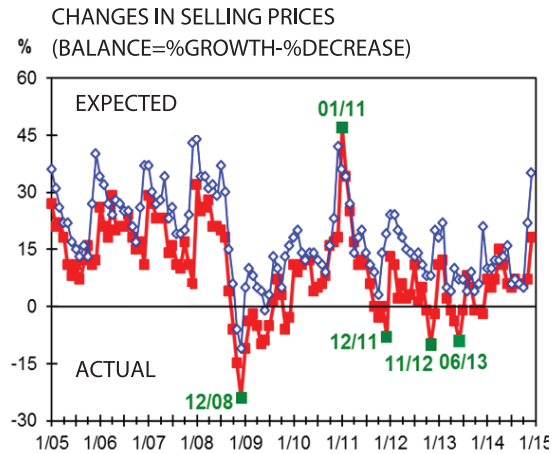


Fig. 2

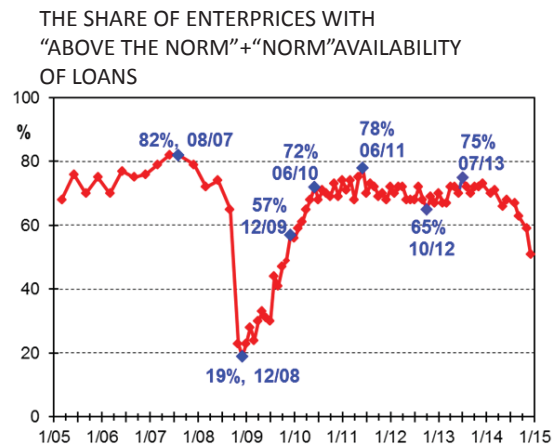


Fig. 3

4 years (Fig. 3). Also, in December the minimum rate at which banks were ready to extend loans to the Russian industry increased. At present, it amounts to 14.4% per annum in rubles and, certainly, does not reflect the latest situation on the money market. The measurement in January will show more accurately the rate of availability of loans to the real sector as a result of the policy carried out by the Central Bank of the Russian Federation.