

THE RUSSIAN INDUSTRY IN JANUARY 2015

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According to business surveys carried out by the Gaidar Institute¹, the initial data on the state of the Russian industry in the beginning of 2015 which was called a crisis year has little evidence of the crisis. The actual dynamics of demand and output, estimates of stocks of finished products and hiring plans are typical of January and appear even optimistic at the backdrop of the (pre)crisis panic. The latter, however, affected forecasts of demand and investment plans which failed to gain normal optimism, while the industry's pricing policy and the terms of bank lending reacted, on the contrary, very decisively to the authorities' policy.

The demand on industrial produce

In January 2015, dynamics of demand demonstrated a path which is typical of the beginning of the year, that is, the balance of the answers "growth" minus "decrease" fell to the values which are normally registered in the month in which first decade there are national holidays. So, clearing of a seasonal factor showed that the rates of change in the index remained approximately at the same level and even nominally improved as compared to December (Fig. 1). So, the industry has experienced no slump in demand so far.

The above factor was viewed favorably by most enterprises which regard the existing sales volumes as normal in the beginning of 2015 which was called the crisis year. Such a situation (prevalence of "normal" estimates) has existed in the Russian industry since April 2014. In August-September, the share of such estimates amounted to 61% (the three-year maximum).

However, the forecasts of demand under the pressure of the panic on the foreign exchange and financial markets, as well as the authorities' open anti-crisis activities failed to recover to the optimistic levels which are typical at the beginning of a year. The initial balance of expectations amounted only to "the zero", though in January it is normally equal to +15...+25 points. As a result, clearing of a seasonal factor showed that the balance of forecasts fell to -12 points which is the worst value since March 2009. It seems the industry starts to anticipate the promised crisis...

1 Business 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%.

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

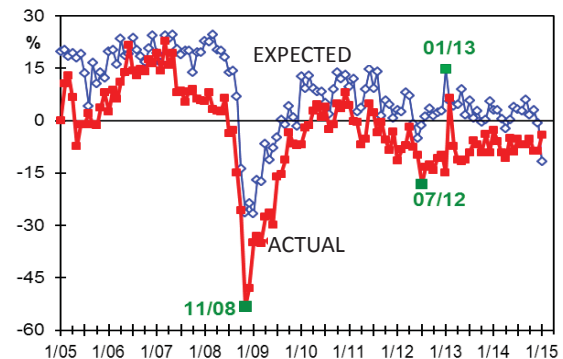


Fig. 1

Stocks of finished products

...and is getting prepared to it. That is the policy of management of stocks of finished products in the past few months (Fig. 2). From H2 2014, balances of estimates of stocks of finished products show their minimum excessiveness (+2...+5 points), while the index value of January became a negative one, that is, in industry the "below the norm" answers started to

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

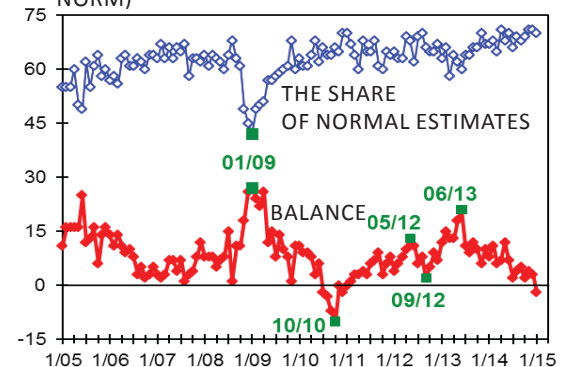


Fig. 2

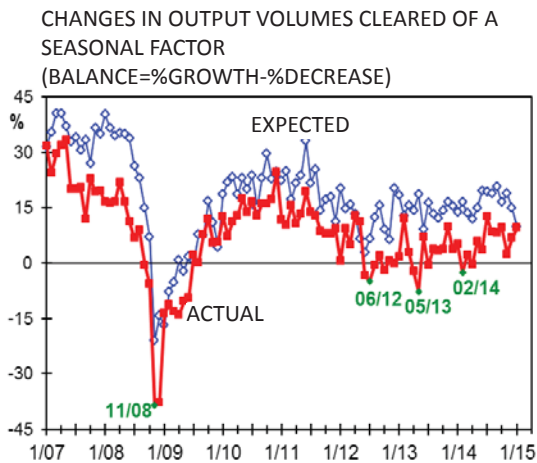


Fig. 3

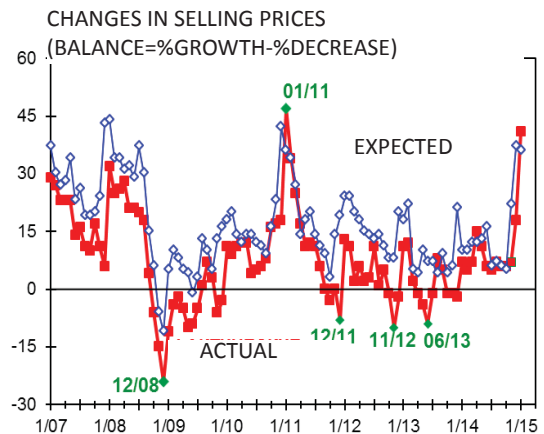


Fig. 4

prevail over the “above the norm” answers. However, the absolute majority of enterprises (over 70% in November 2014 – January 2015) find their stocks of finished products as “normal”. So, a possible deterioration of the dynamics of output will be partially smoothed by a shortage (even in expectation of a crisis) of stocks of finished products with 14% of enterprises. It is to be noted that the above value is the index’s three-year maximum.

The output

Actually, the industry’s output plans point to the fact that enterprises expect worsening of the output dynamics (Fig. 3). On the basis of the initial data, plans of January 2015 rose only to +20 points, while in previous years they amounted to +30...+40 points. Clearing of the seasonal factor showed that the January balance of forecasts deteriorated by 5 points and 11 points against the previous month and the three-year maximum registered in September 2014, respectively.

However, the actual dynamics of output in January will sooner please observers (when they receive the Rosstat’s report). Judging on the data of the surveys, in the beginning of the crisis year the industry may demonstrate growth in output which is similar to that of the past few months of 2014. So, judging on the output data, there is no recessionary slump in industry, either.

Prices of enterprises

In January, enterprises’ selling prices showed a surge which is typical of that month (Fig. 4). However, its value was not quite traditional due to well-known factors: the balance of changes happened to be the maximum one in the past 48 months. It is to be noted that growth in that index in January 2011 (when the authorities raised the rate of insurance contributions) exceeded the current result. However, at that time having achieved the maximum level in December

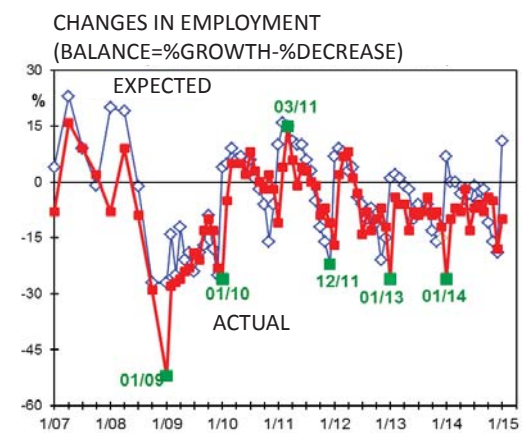


Fig. 5

EXPECTED CHANGES IN INVESTMENTS IN CAPITAL FUNDS AS COMPARED TO THE PREVIOUS YEAR (BALANCE=%GROWTH-%DECREASE)

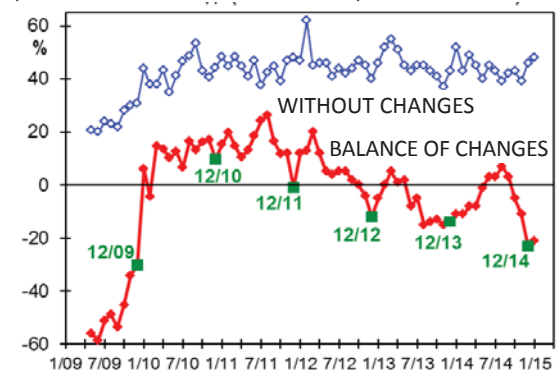


Fig. 6

enterprises’ forecasts started to go down in January. At present, for two months running enterprises’ pricing plans are at the four-year maximum.

Actual dynamics and lay-off plans

After a sudden surge in lay-offs in December 2014, in January 2015 the industry managed to slow down

that process to the normal intra-annual values which situation is untypical of the beginning of the year when surveys normally registered a large-scale outflow of workers from enterprises after the end of the calendar year and payment of annual bonuses (*Fig. 5*). It seems pre-crisis sentiments have “upset” the traditional cycle of lay-offs and hiring in the industry, but only partially because in January hiring plans showed a traditional

surge in enterprises’ intentions to make up for the outflow of workers and entered the positive area again.

Enterprises’ investment plans

In January, investment plans of enterprises did not change and remained at the level of the five-year minimum to which they fell in December (*Fig. 6*). No industrial sector expects growth in investments. ●