

## INVESTMENTS IN CAPITAL ASSETS IN JANUARY–FEBRUARY 2015

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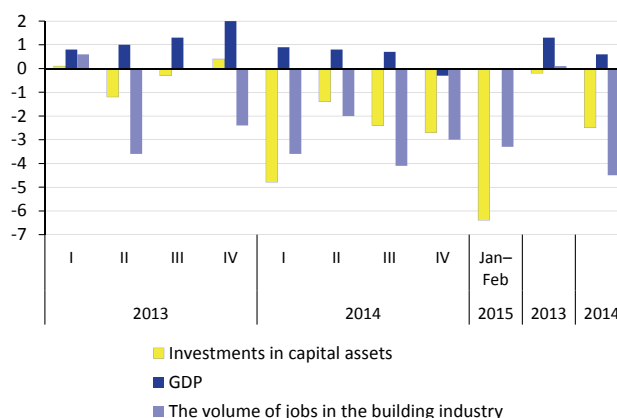
Early in 2015, a further drop in investment activities was registered. In January–February 2015, investments in capital assets and the volumes of jobs in the building industry amounted to 93.6% and 96.7%, respectively, as compared to the relevant indices of the previous year.

In January–February 2015, investments in capital assets and the volume of jobs in the building industry amounted to 93.6% and 96.7%, respectively, as compared to the relevant indices of the previous year. A more dramatic slump in the building industry was quite predictable and was determined by trends which prevailed in the past two years.

On the basis of the results of 2014, investments in capital assets and the volumes of jobs in the building industry amounted to 97.5% and 95.5% of the relevant indices of the previous year, respectively. In 2014, the share of investments in GDP amounted to 19.1% and was 0.9 p.p. of GDP lower than the index of the respective period of 2013.

The dynamics of investments in capital assets is differentiated by large and small enterprises. With a reduction of 2.5% in the total volume of investments in capital assets in 2014, in the segment of large and mid-sized enterprises investments in capital assets fell by 4.7%. So, in conditions of unpredictable development of the situation on the domestic market, the big business takes investment decisions with great caution.

In the 2011–2014 period, the pattern of investments in capital assets by the type of capital funds changed due to growth in the volumes and share of investments in building of housing with a reduction of the unit weight of investments in non-residential buildings and facilities.



Source: The Rosstat.

Fig. 1. Dynamics of investments in capital assets in the 2013–2015 period as % of the respective period of the previous year

In 2014, a change in the ratio of investments in residential and non-residential housing development determined the specifics of development of the building and investment complex; it revealed itself in the absolute reduction of the volumes of investments in machines, equipment and transport vehicles.

The positive dynamics of commissioning of new housing was registered from H2 2011. It is to be noted that in the pattern of investments in housing development by the sources of funding the share of households' funds in shared-equity development increased with a reduction of the share of entities. Changes in

Table 1

**THE PATTERN OF INVESTMENTS IN CAPITAL ASSETS BY THE TYPE OF CAPITAL FUNDS IN THE 2011–2014 PERIOD (WITHOUT SMALL BUSINESS ENTITIES AND PARAMETERS OF INFORMAL ACTIVITIES)**

	Billion Rb				% of the result			
	2011	2012	2013	2014	2011	2012	2013	2014
Investments in capital assets	8445.2	8446.2	9493.4	9852.9	100	100	100	100
Including housing: жилища	396.9	439.2	550.6	642.3	4.7	5.2	6.1	6.5
buildings (except for residential ones) and constructions	4577.3	4417.4	4840.8	4909.6	54.2	52.3	50.2	49.8
Machines, equipment and transport vehicles	2896.7	3006.8	3366.5	3358.5	34.3	35.6	35.1	34.1
Other	574.3	582.8	735.5	942.5	6.8	6.9	7.7	8.6

Source: The Rosstat.

**THE PATTERN OF INVESTMENTS IN CAPITAL ASSETS BY THE SOURCE OF FUNDING IN THE 2011–2014 PERIOD  
(WITHOUT SMALL BUSINESS ENTITIES AND THE VOLUME OF INVESTMENT WHICH WERE NOT OBSERVED  
BY STATISTICAL METHODS)**

	Billion Rb				% of the result			
	2011	2012	2013	2014	2011	2012	2013	2014
Investments in capital assets	8445.2	9595.7	10047.5	9852.9	100	100	100	100
Including by the source of funding								
Own funds	3539.5	4274.6	4548.5	4736.7	41.9	44.5	45.2	48.1
Borrowed funds	4905.7	5321.1	5499	5116.2	58.1	55.5	54.8	54.8
Including								
Bank loans	725.7	806.3	1000.9	918	8.6	8.4	10.0	9.3
Including foreign banks' loans	149.4	113.7	107.4	108.5	1.8	1.2	1.1	1.1
Borrowed funds of other entities	485.8	588.2	625.1	632.6	5.8	6.1	6.2	6.4
Investments from abroad			78.8	83.6			0.8	0.9
Budget funds	1622	1712.9	1909.7	1598.3	19.2	17.9	19.0	16.2
Out of the federal budget	855.1	926.6	1004.8	846.5	10.1	9.7	10.0	8.6
Out of budgets of constituent entities of the Russian Federation	665.7	677	752.1	622.9	7.9	7.1	7.5	6.3
Out of local budgets		109.3	152.8	128.9		1.1	1.5	1.3
Extra-budgetary funds	18.2	33.3	27.9	20.9	0.2	0.4	0.3	0.2
Entities' and households' funds attracted for shared-equity development	172.7	259.5	294.1	325.5	2.0	2.7	2.9	3.3
Including households' funds	111.6	197.1	233.8	264.5	1.3	2.1	2.3	2.7
Other	1881.3	1920.9	1562.5	1537.3	22.3	20.0	15.6	15.6
Funds of overhead institutions	1604.0	1611.3	1192.1	1248.4	19.0	16.8	13.0	12.7
Funds received from corporate bond issuing	0.4	4.2	8.6	7.1	0.01	0.04	0.02	0.1
Funds from equity issues	82.0	95.6	98.3	84.7	1.0	1.0	1.0	0.9

Source: The Rosstat.

the pattern took place due to growth in absolute volumes of households' funds. In 2014, households' funds amounted to 81.2% of the total volume of entities' and households' funds spend on shared-equity development which was 5.3 p.p. higher than the index of 2012 when volumes of commissioning recovered to the 2008 pre-crisis level. Growth in households' investment activities was underpinned by expansion of the scale of lending. On the basis of the results of 2014, the volume of mortgage loans amounted to Rb 1806.9bn which is 1.3 times higher than the index of the previous year.

In the 2010-2014 period, during the entire period in the pattern of financing of investment activities by the source of funding the share of enterprises' own funds was increasing while the share of budget funds and bank loans was falling.

As compared to 2013, the volume of financing of investments in capital assets by means of budget funds fell by Rb 311.4bn with almost equal participation of funds from the federal budget and budgets of other levels. In 2014, the share of government investments amounted to 2.25% of GDP and fell by 0.74 p.p. of GDP as compared to 2013.

With reduction of volumes of government financing in capital assets in 2014, the extent of participation of the banking sector has considerably decreased. In 2014 the share of bank loans in the pattern of sources of funding amounted to 9.3% against 10% a year ago. The absolute reduction of bank loans as compared to 2013 is related to a decrease (Rb 83.5bn) in the volume of lending by Russian banks. In 2014, the Central Bank of the Russian Federation revised seven times upwards the key interest rate from 5.5% to 17.0% which situation resulted in a substantial appreciation of loans and reduction of demand on them.

Foreign investors responded rather dramatically to the political and economic situation in Russia by reducing the extent of their investments. In 2014, the investments from abroad amounted to Rb 83.6bn. In 2014, direct investments in the Russian non-financial sector fell 70% as compared to 2013 and amounted to 62% of the 2009 crisis index. After amounting to the maximum level in 2014, Russian investments abroad fell, but the non-financial sector remained the net exporter of capital.

In Russian practice, the funds of overhead institutions are primarily funds of large holdings, joint-stock companies and financial and industrial groups with

state participation. Weakening of activities of the above institutional investors in the 2013–2014 period had an adverse impact on the general dynamics of investments in capital assets. The share of investments made at the expense of funds of overhead institutions in the pattern of sources of funding fell to 12.7% against 19.0% in 2012.

In 2014, the main source of funding of investments in capital assets was still enterprises' and entities' own funds. It is to be noted that with a general income declining trend and growing risks enterprises were reluctant to invest in production.

In 2014, changes in the pattern of investments in capital assets by the type of economic activities were determined by stabilization of building and investment activities in industry and higher activities in pipeline transport which both aggregately accounted for over a half of investments in the economy. The volume of investments in the pipeline transport amounted to 104.7% as compared to 2013 which situation was determined by continuation of work on the existing investment projects. It is to be noted that the existing pattern of investments in transport intensifies risks of growing disparities of development by the types of transport. In the past four years, investments in railway transport have been falling which situation may in the mid-term prospect result in limitation of the general transit potential, as well as affect development of the system of logistics services.

In 2014, in industry the physical volume of investments in capital assets remained at the level of the



Source: The Central Bank of the Russian Federation.  
Fig. 2. Direct foreign investments to the Russian economy and Russian investments abroad as regards the non-financial sector in the 2004–2014 period, billion

previous year. In 2014, the pattern of investments in capital assets in industry changed under the effect of a surge in investment activities in production of fuel and energy resources which situation compensated the gap of the previous year and permitted to stabilize the situation in that line of business.

Investments in capital assets of production and distribution of electricity, gas and water fell by 7.1% as compared to 2013. The specifics of 2014 consisted in suspension of the positive dynamics of investments in capital assets in manufacturing which situation was observed in the past four years.

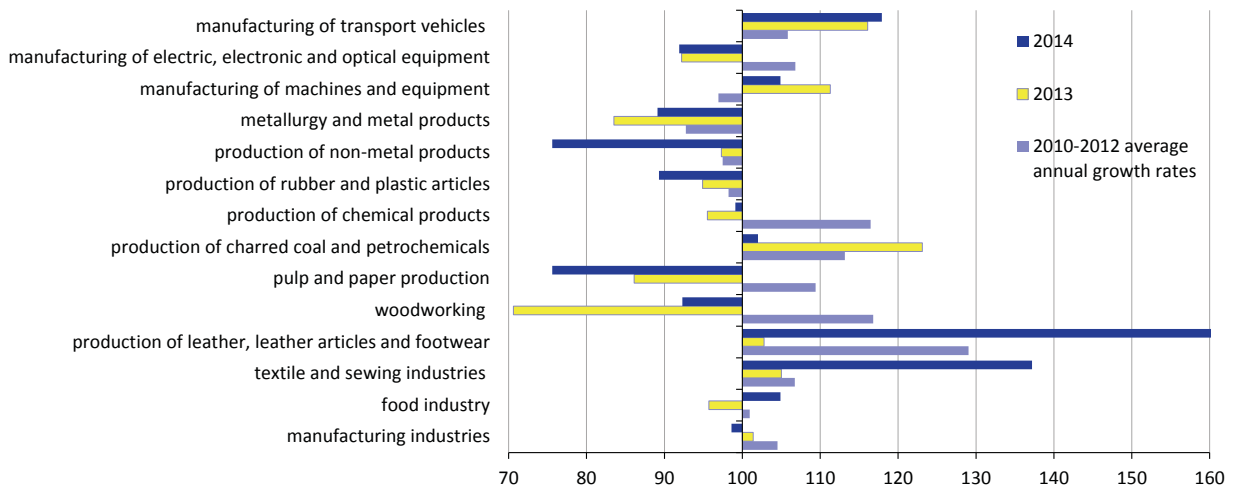
In 2014, as compared to the average level of manufacturing there was advanced growth in invest-

Table 3

**THE DYNAMICS OF INVESTMENTS IN CAPITAL ASSETS (SMALL BUSINESS ENTITIES AND THE VOLUME OF INVESTMENT WHICH WERE NOT OBSERVED BY DIRECT STATISTICAL METHODS) BY THE TYPE OF ACTIVITIES IN THE 2011–2014 PERIOD AS % OF THE PREVIOUS YEAR**

	2011	2012	2013	2014
Total	108.3	106.6	99.8	95.7
Agriculture	114.6	92.8	96.0	93.0
Fishery and fish-farming	137.4	127.4	77.4	83.3
Industry	110.9	107.4	96.8	99.9
Mining	113.8	111.8	93.6	105.9
Manufacturing	105.3	106.7	101.4	98.6
Production and distribution of electricity, gas and water	114.7	101.7	95.8	92.9
Building	90.6	79.9	84.0	81.2
Retail and wholesale trade	90.0	107.1	103.1	110.7
Hotels and restaurants				108.4
Transport and communications	118.3	98.4	88.5	92.1
Financial activities	136.8	111.4	80.8	74.9
Real-estate operation	91.9	100.8	104.4	103.1
Public administration	112.4	98.7	93.7	84.4
Education	122.0	85.2	77.9	97.4
Healthcare and social services	113.0	93.6	98.8	71.9
Other services	103.5	111.8	75.0	72.7

Source: The Rosstat.



Source: The Rosstat.

Fig. 4. Dynamics of investments by the type of business activities in manufacturing in the 2010–2014 period, % of the previous year

ments in capital assets of production of transport vehicles (117.9%) and charred coal and petrochemicals (102.0%); the aggregate share of the above two business activities accounted for over 40% of investments in capital assets of manufacturing. It is to be noted that investment activities in the above two lines of business were accompanied by simultaneous growth in investment activities on the part of related businesses of the engineering complex which produce capital goods. In 2014, growth rates of investments in manufacturing of machines and equipment amounted to 104.9% as compared to the previous year. During the past six years, investments in production of electric, electronic and optical equipment were exposed to substantial fluctuations and though in that line of business investments in capital assets exceeded the 2008 pre-crisis level, a slump of activities in the 2013–2014 period does not permit to make positive forecasts in the short-term prospect.

With the existing trend of the aggregate reduction of the volumes of investments in capital assets – that trend was formed in the past three years – a drop of investments in related industries of the metallurgical complex (89.1% against 2013) and production of engineering structural materials (75.6%) was registered.

In 2014, trends of growth in investment activities of the consumer complex industries prevailed which situation was related to active engagement of commercially viable capacities and active import substitution. As compared to the previous year, growth in investments in the textile industry, the sewing industry and the leather and footwear industry amounted to 4.9%, 37.2% and 69.5%, respectively.

The main factors which restrain entities' investment activities are still insufficient demand on products, high interest rates and uncertain economic situation. In 2015, it is expected that the dynamics of investments in capital assets will have the most adverse effect on growth rates of the economy. ●