

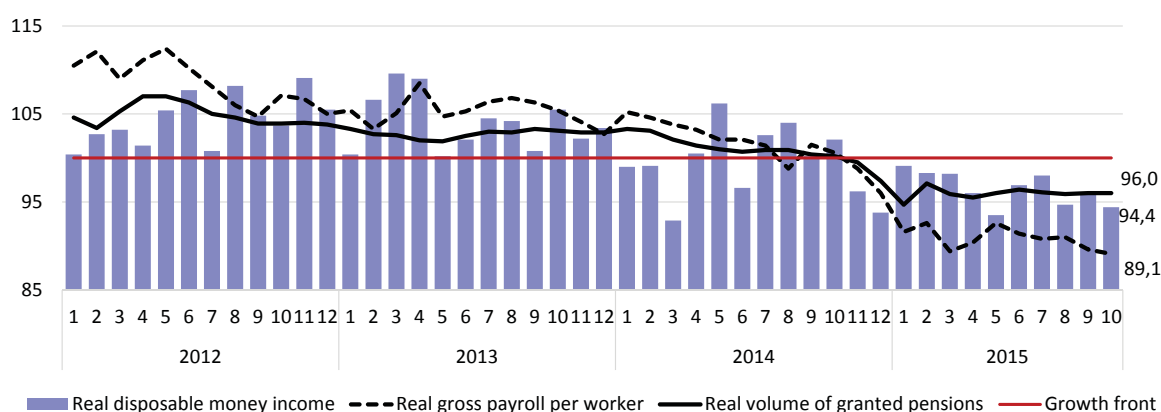
## POPULATION'S INCOME AND CONSUMER CREDITING IS IN THE RED

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*Real disposable income of population, real wages and salaries and pensions have been falling during the year. The territory of real income reduction (73 regions) has noticeably expanded in comparison with 2009 and 2014 (48 and 26 regions, respectively). Nearly half of population highlights deterioration of economic situation in the country. One third of surveyed in the framework of the socio-economic monitoring expect the situation to retain for at least one or two years. Consumer crediting is unlikely to sustain demand at the same level: in 2015, retail loan origination fell sharply<sup>1</sup>.*

In October 2015, money income of population averaged per capita Rb 31,014, monthly average nominal gross payroll per worker came to Rb 33,240 and pension averaged Rb 12,098<sup>2</sup>. Real disposable money income of population (income less mandatory payments adjusted to the consumer price index) fell in January–October 2015 in comparison with the same period 2014 by 3.5% and real wages – by 9.3%. On the whole, reduction of these indices as well as pensions is being observed since November 2014 (*Fig. 1*). In November 2014 compared to November 2013, income fell by 3.8% and wages – by 1.2%. In October 2015 compared to October 2014, income and pensions fell by 5.6% and 10.9%, respectively. Granted pension volume also shrank by 4% and this fact represents *main difference of the current situation from 2009 crisis*. Then, the government managed to avoid reduction of population's income by sharp increase of pensions.

Geographically, these trends are being observed nearly everywhere both regarding population's income and consumption estimated by the volume of

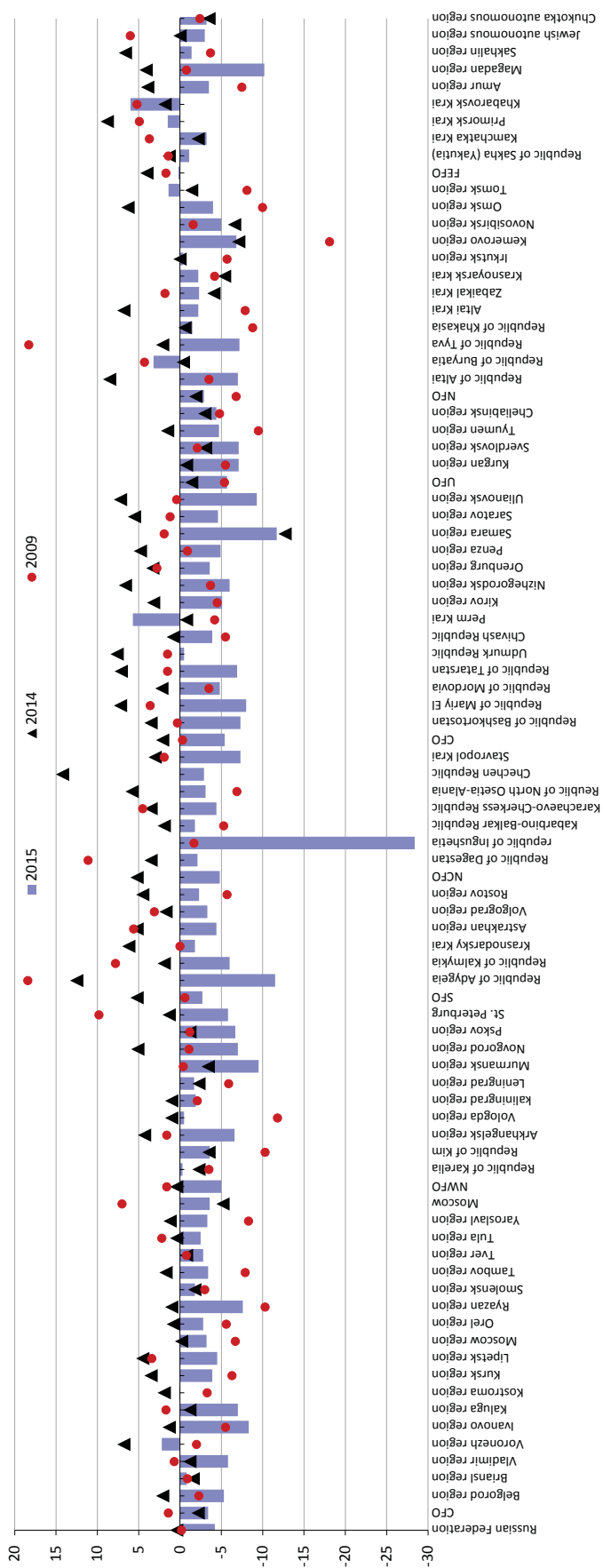


Source: Rosstat, Socio-economic situation in Russia, January–October 2015.

Fig. 1. Dynamic of real disposable money income of the population, wages and pensions in 2012–2015, % to the corresponding period of the previous year

1 This paper was originally published in *Online Monitoring of Russia's Economic Outlook* No.18.

2 Rosstat. Socio-economic situation in Russia, January–October 2015.



Source: Rosstat. Data for monitoring socio-economic situation of the RF subjects, January–October 2015.  
 Fig. 2. Dynamic of real money income of population in January-September 2015, 2014 and 2009, % to the corresponding period of the previous year

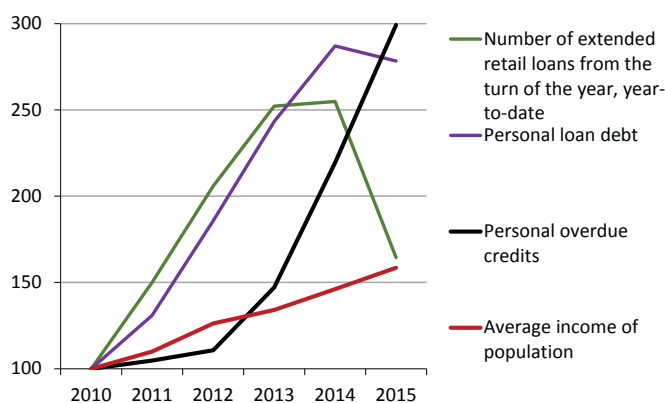
retail trade<sup>1</sup>. In January–September 2015, income decreased compared to the same period of the previous year in 73 regions. For comparison: in January–September 2009, real money income of population shrank in 48 regions, and in January–September 2014 – merely in 26 regions (Fig. 2). In January–September 2015, the most significant reduction of real money income of population is being observed in regions of Volga and North-Western federal districts. Compared to 2009, income reduction in January–September 2015 to a greater extent has revealed itself in regions of North-Western, Volga and Central federal districts with predominance of manufacturing industry as well as in Moscow and St. Petersburg. Meanwhile, for example, in regions of North federal district decrease of income of population in January–September 2015 turned out to be less important than in 2009.

Monitoring of socio-economic general state demonstrates that nearly half of population highlights deterioration of economic situation in the country. Herewith, one third of the surveyed expect that this deterioration will last for a year or two or even longer<sup>2</sup>. By staying in sync with the prices, people began saving. Let us try to answer the question if consumer crediting will manage to sustain consumer demand or on the contrary it will contract it? How acute will be the issue of payments for retail credits for goods and services, which are being consumed but were bought on credit from income to come?

In 2015, retail loan origination fell sharply due to increased credit interest rates, tightening of extension procedures, volatility of currency rates, housing market slump as well as shortage of funds experienced by banks, which extend retail loans. Borrowers pay their debts and do not take new loans. That is why, on the one hand, retail debt before banks is contracting on the whole but, on the other hand, the share of outstanding debt is increasing. If we relate growth of nominal per capita average money income to the growth rate of lending indicator for five-year period then we will discover that income went up 1.6 times against

January–September 2010. At the same time, the volume of extended loans increased by 2.5-fold in 2013–2014, during nine months of the current year has contracted 1.5-fold against last year and currently exceeds 2010 base indicator by 1.6-fold as well as income (Fig. 3). Movement of consumer expectations as well as the state of the banking sector give grounds to suppose the ratio to deteriorate.

The loan debt volume of population during recent four years as of 1 October

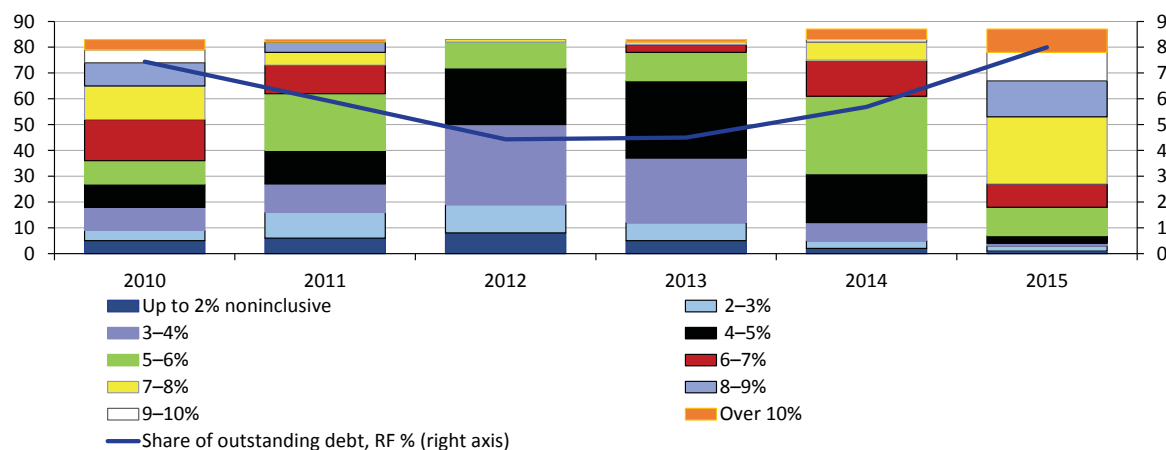


Sources: Rosstat data, authors' calculations.

Fig. 3. Volume of retail loans origination in January–September, volume of debt and outstanding debt of individuals as of 1 October and per capita average income in September 2011–2015, % to the same indicator in 2010

1 2014–2015: economic crisis – social dimension. Moscow, “Delo” Publishing house RANEP, 2016.

2 2014–2015: economic crisis – social dimension. Moscow, “Delo” Publishing house RANEP, 2016.



Sources: CBR data, authors' calculations.

Fig. 4. Share of personal outstanding debt as of 1 October across Russian Federation as a whole and across regions, 2010–2015

has gone up by 2.8-fold, and shrank by 3 p.p. this year against last year. Subsequently, during five years, the volume of outstanding debt has moved up three-fold. With relative measure, the share of outstanding debt in the overall loan debt of population as of September 2015 has reached the same mark where it started its descent five years ago – 7.5%. During the period under review, Q1 2013 was the best quarter with past-due share in personal loan debt amounting to 4.1%. As of 1 October 2015, the share of past-due debt has gone up to 8%. Such surge could be linked not only with dynamic of income of population but with individual insolvency law entering into force, which prompted non-performing loans to appear as past-due ones on banks' statistical reporting.

However, despite similar average indices across the Russian Federation as of 1 October 2010 and 2015, the regional scene became more diverse (Fig. 4). In 20 regions over 9% of the personal loan debt is pastdue including 9 regions with over 10% loans pastdue. Significant share of loans are mortgages (39% of the debt volume) and this type of loans due to their long-term character will play a bigger role against reduction of consumer loans origination. Where that share of mortgages in the total debt is higher, the situation with outstanding debt is better, for example, in Urals federal district. And, on the contrary, North-Caucasus federal district with 11% past-due payments is high;ighted by the lowest share of mortgages. Nighthter of the regions are distinguished by real money income of population. ●