

INCOME AND POVERTY IN 2016¹

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In September 2016, real disposable income and real wage were 97.2% and 102.8%, respectively, compared to the same period last year. The real size of pension benefits in August 2016 reached 96.2% compared to the same period last year. In two years, real disposable income decreased by 8.7% while retail sales of food and non-food products fell even more – by 13.9%.

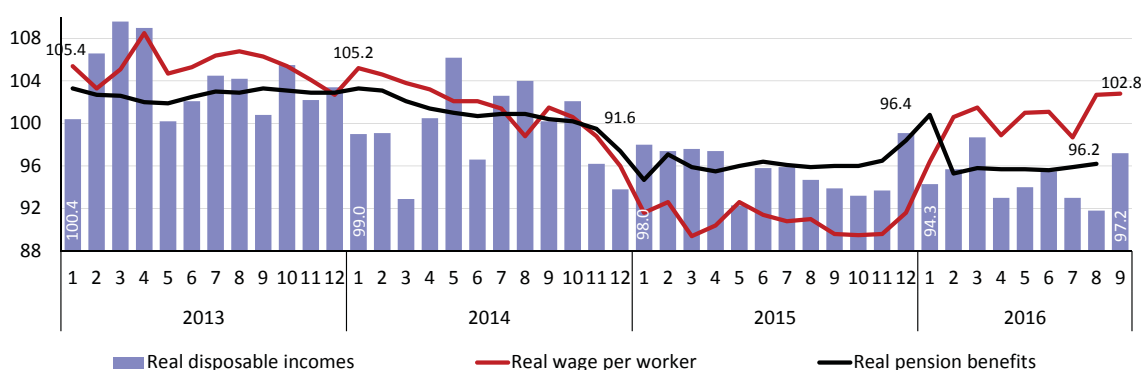
Poverty rate in Q2 2016 was 13.5%, which is slightly below the level of the Q2 2015 – 14.0%. Growth in consumer prices in January–September 2016 (4.1%) was the lowest for the entire period since 1991.

In September 2016, real disposable income went down by 2.8% compared to the same period of 2015, while real wage increased by 2.8%. Real pension benefits dropped in August 2016 by 3.8% compared to the same period of 2015 (Fig. 1).

There has been no such significant drop in real income in Q3 as in Q3 2016 (6.1% compared to the same period last year) since 1999. Even in times of crisis in 2009, the drop in real disposable income was slightly less significant than in the current year: then, real income in Q3 decreased by 3.3% compared to the same period of the preceding year.

The current situation is characterized by prolonged recession: revenues have been going down for two years in a row. Overall, from September 2014 to September 2016, real disposable income decreased by 8.7%

The volume of retail sales is an alternative indicator of population's welfare and purchasing power of income. From September 2014 on September 2016, the volume of retail sales of food products at constant prices decreased by 13.6%, the volume of retail sales of non-food products decreased by 14.2%. The total volume of food and non-food products sold to the population during



Sources: Rosstat, Information on Social and Economic Situation in Russia, January–September 2016; Rosstat, Short-Term Economic Indicators of the Russian Federation in August 2016.

Fig. 1. Dynamics of real disposable income, real wage and real pension benefits in 2013–2016, % of the level of the same period of the previous year

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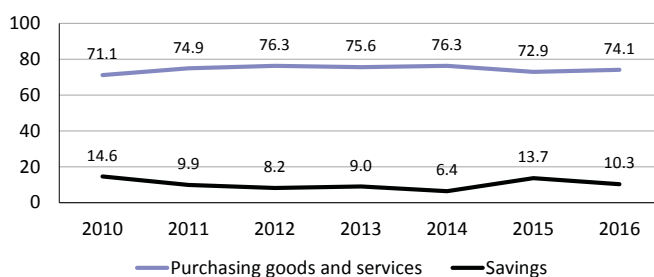
one month (September) decreased by 13.9% over the past two years. As we can see, the decline in retail trade is more significant than that in the incomes of the population.

Traditionally, people spend the main part of their income on purchasing goods and services. A year ago, in January–August 2015, the share of money spent on goods and services dropped, while the share of income going to savings increased. Now, a partial shift in the opposite direction is observed in income use structure. Comparing the first eight months of 2016 with the same period of the previous year, we see that the share of money spent on goods and services increased from 72.9 to 74.5% of the income, while the share of savings decreased from 13.7 to 10.3% (Fig. 2). At the same time, the proportion of income spent on goods and services remains below the level observed in the same period of 2011–2014, while the share of savings remains above that level.

Poverty rate, i.e. the proportion of population with income below the subsistence level, was 13.5% in Q2 2016 and 14.6% in H1 2016. As compared to Q2 2015 and H1 2015, the share of poor population went down, but at the same time, poverty rate remained above the level of the corresponding periods of 2012–2014 (Fig. 3). The reduction of poverty was caused by the lowering of subsistence level in Q2 2016 compared to the same period of 2015, which in turn was associated with a significant decrease in prices of potatoes (by 30.1% compared to the average price in Q2 2015), cabbage (by 28.5%), onions (by 26.4%), beets (by 18.1%) and carrots (by 22.2%) which are considered when calculating the subsistence minimum.

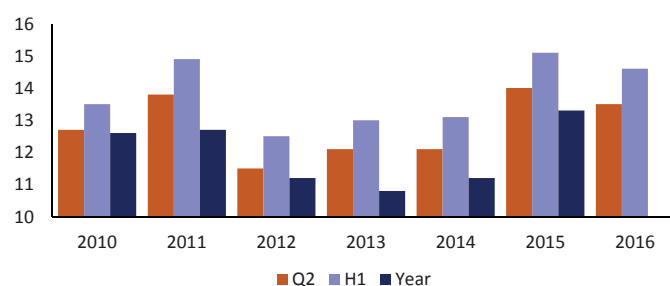
According to Rosstat, in September 2016, consumer prices rose by 6.4% compared to September 2015. Prices of non-food products rose most – by 7.5%, prices of food products increased by 5.9% in annual terms, prices of services rose by 5.6% (Fig. 4).

Growth in consumer prices in January–September 2016 (4.1%) was the lowest not only in the 2000s, but also in the corresponding months during the entire period since 1991. Food inflation in the first 9 months of the current year (2.4%) was close to the lowest one in the 2000s, which was in January–September 2011 (2.1%). In the current year, the growth of prices for services was record low for the entire period of observations (4.9%). In the group of non-food products, the inflation rate in Q3 of the current year was 5.2%, being slightly higher than similar indicators of 2010–2013, but much lower than the ones of last year: the prices of non-food products in January–September 2015 increased by 11.2%.



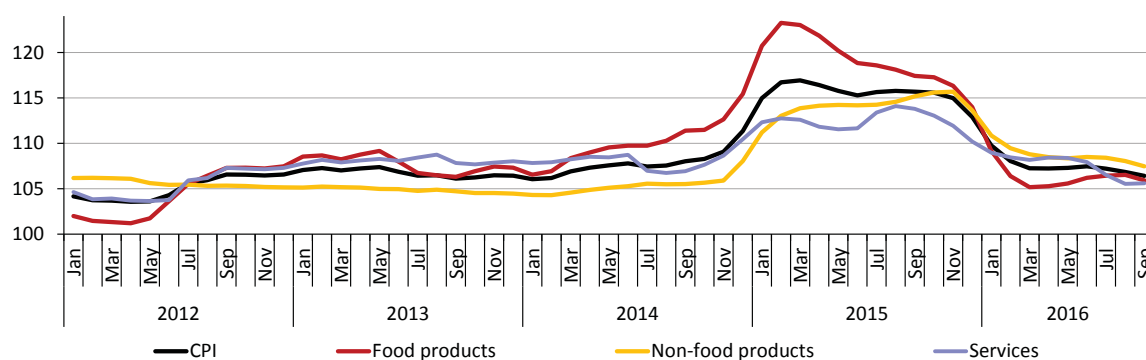
Source: Rosstat, Social and Economic Situation in Russia, January – August 2016.

Fig. 2. The share of income used for purchasing goods and services and going to savings in January–August 2010–2016, % of income



Source: Rosstat. On the relation among money incomes of the population, the subsistence level, and the number of the poor in the Russian Federation in Q2 2016.

Fig. 3. Poverty rate, 2010–2016, %



Source: Rosstat. Consumer price indices in the Russian Federation in 1991–2016. URL: http://www.gks.ru/free_doc/new_site/prices/potr/tab-potr1.htm (accessed 11.10.2016).

Fig. 4. Consumer price index (CPI), food price index, price indices for non-food products and services, % of the level of the same month of the previous year

According to the forecast of the Russian Central Bank, only moderate food inflation is expected in the second half of 2016, but at the end of the year, potato prices may rise¹. This will create the prerequisites for the growth of the subsistence level, which in the conditions of falling real incomes will increase the risks of poverty rate growth. ●

1 The Central Bank of the Russian Federation. What Trends Say, July 2016.