

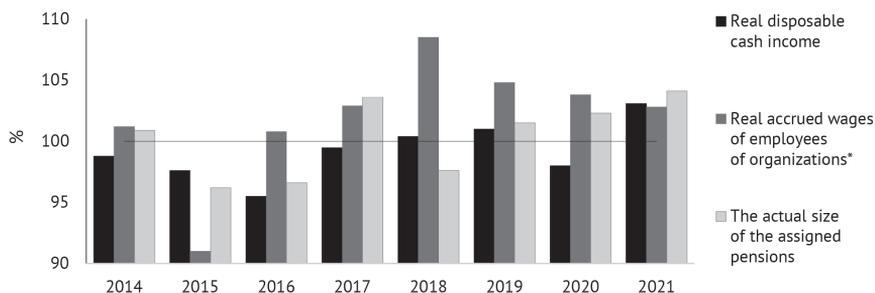
## Section 5. Social sphere

### 5.1. Personal income and the poverty rate<sup>1</sup>

#### 5.1.1. The movement of personal income and its components

In 2021, real disposable personal money income and real allotted pension increased relative to the previous year by 3.1% and 4.1%, respectively (*Fig. 1*).

Over January–November 2021, real charged wages and salaries of employees of organizations amounted to 102.8% of the corresponding index for the same period in 2020.

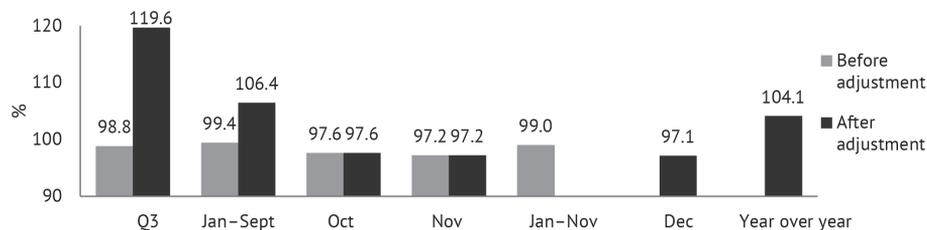


**Note.** Data on real wages and salaries in 2021 are for the period from January through November 2021; data on real allotted pensions in 2021 are adjusted for the one-time payment of Rb10,000 in September 2021 in compliance with Executive Order No. 486 dated August 24, 2021 of the President of the Russian Federation.

*Fig. 1.* The movement patterns of real disposable personal money income, real charged wages and salaries, and real allotted pension over the period 2014–2021, as % relative to the previous year

Source: Rosstat.

<sup>1</sup> This section was written by *Grishina E.E.*, Candidate of Economic Sciences, Leading Researcher, Head of the Living Standards and Social Protection Department, INSAP, RANEPA.

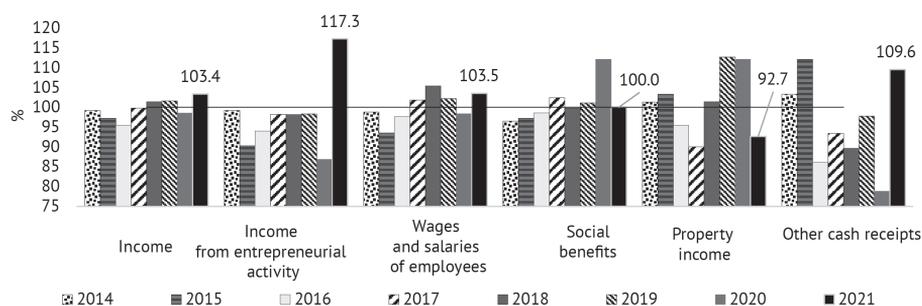


*Fig. 2. The monthly movement pattern of real allotted pension throughout 2021, as % relative to the corresponding period in 2020*

Source: Rosstat.

It should be noted that, according to data released by Rosstat, the amount of real allotted pension over January-November was 99.0% relative to the same period in 2020 (*Fig. 2*). However, after it was adjusted in Q3 by the one-time cash payment to pensioners of Rb10,000 in September 2021 in compliance with Executive Order No. 486 of the President of the Russian Federation dated August 24, 2021, the total index of real allotted pension for Q3 increased from 98,8% to 119,6%, translating into an annual growth of 4.1% in the real amount of allotted pension relative to 2020.

In 2021, the total index of personal money income in real terms gained 3.4% on 2020, and that of wages and salaries of employees, 3.5% (*Fig. 3*). Due in the main to the low base effect, real income from entrepreneurial activity increased significantly (+17.3%), as did the real money income from all the other sources (+9.6%), including, among other things, the incomes resulting from tax avoidance through illegal cash-out. Property income shrank in real terms by 7.3%. At the



*Fig. 3. The movement pattern of total personal money income and its components in real terms, over the period 2014–2021, as % relative to the previous year*

Source: Own calculations based on data released by Rosstat.

same time, social benefits in real terms did not change on the previous year, amounting to 112.1% relative to the 2019 level due to the significant lump-sum cash benefits paid in August - September 2021 to families with children aged 6 to 18 years, pensioners, and law enforcement officers, in a total amount of more than Rb600 bn.

It is important to note that in Rosstat's statistics indicators released in December, the data on the total personal money income and its components for 2020 and 2021 were significantly adjusted (*Table 1*). Thus, for example, the adjusted property income data for January-September 2020 increased by Rb580 bn; the wages and salaries of those employed by entities other than organizations declined by Rb632 bn; and the wages and salaries of employees of organizations jumped by Rb484 bn (meanwhile over January-September 2020, the average monthly charged wages and salaries of employees of organizations in nominal terms did not change, amounting to Rb49,426). As a result, over January-September 2021, the volume of wages and salaries of those employed by entities other than organizations gained 10.4% relative to the same period of 2020, while before the adjustment it lost 0.9%.

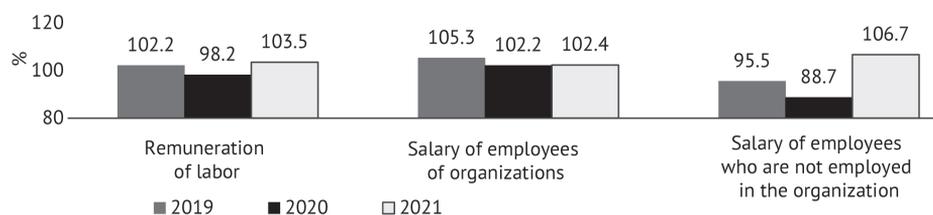
Table 1

**Total personal money income and its components,  
January-September 2020–2021**

	Jan-Sept 2020, Rb bn			Jan-Sept 2021, Rb bn			Jan-Sept 2021 Jan-Sept 2020, %, adjusted by CPI	
	before adjustment	after adjustment	difference	before adjustment	after adjustment	difference	before adjustment	after adjustment
Money income, total	43,948	44,250	+302	48,695	48,992	+297	104.4	104.3
<i>Including:</i>								
- business income	2,240	2,285	+45	2,840	2,893	+53	119.5	119.3
- wages and salaries	26,330	26,182	-148	29,265	28,986	-279	104.7	104.3
- wages and salaries of employees of organizations	18,984	19,468	+484	21,538	21,116	-422	106.9	102.2
- wages and salaries of other employees	7,346	6,714	-632	7,727	7,870	+143	99.1	110.4
- social benefits	9,655	9,743	+88	10 469	10,603	+134	102.2	102.5
- property income	1,804	2,384	+580	1 848	2,268	+420	96.5	89.6
- other cash receipts	3,920	3,656	-264	4,274	4,242	-31	102.7	109.3

Source: Rosstat.

The adjusted annual data demonstrate that in 2021, the wages and salaries of employees of organizations increased in real terms by 2.4% relative to 2020; and the wages and salaries of those employed by entities other than organizations, by 6.7% (*Fig. 4*).



*Fig. 4.* The movement pattern of wages and salaries of employees in real terms over 2019–2021, as % relative to the previous year

Source: Rosstat.

In 2021, growth of real personal money income occurred alongside an increasing relative share of household income spent on goods and services (from 75.6% in 2020 to 80.3% in 2021) and an increasing growth of savings (from 4.4% to 5.8%) (*Table 2*).

*Table 2*

**The structure of household spending in 2013–2021, %**

	Goods and services	Mandatory payments, fees and other expenditures	Personal savings growth (+), decline (-)	Cash-on-hand growth (+), decline (-)
2013	80.8	14.8	3.8	0.6
2014	82.0	15.3	0.3	2.4
2015	77.2	13.7	10.1	-1.0
2016	77.5	13.8	6.6	2.1
2017	79.1	14.1	4.6	2.2
2018	80.8	15.0	1.7	2.5
2019	80.8	15.3	3.4	0.5
2020	75.6	15.3	4.4	4.5
2021	80.3	15.3	5.8	0.9

Source: Rosstat.

**5.1.2. The movement patterns of subjective poverty and monetary poverty, and income inequality**

In 2021, some significant changes were introduced in the statistics principles defining the monetary poverty line. From January 2021 onwards, the subsistence minimum has been calculated for an entire year, and not based on the consumer basket, but as a share (44.2%) of the median personal income for the year before last.<sup>1</sup> However, as early as November 2021, the President of the Russian Federation noted that in accordance with the new methodology applied in determining the subsistence minimum, in 2022 its level was going to gain only 2.5% in nominal terms, which is significantly below the average annual inflation rate for 2021, and

<sup>1</sup> Federal Law No. 134-FZ dated October 24, 1997 "On the subsistence minimum in the Russian Federation", as amended by Federal Law No. 473-FZ dated December 29, 2020.

so he suggested that the subsistence minimum should be raised by 8.6%. As a result, the subsistence minimum for 2022 was set at Rb12,654 instead of Rb11,950 (or 44.2% of the median income for 2020). At the same time, in November 2021, RF Government Decree No. 2049 dated November 26, 2021 introduced the concepts of “poverty line” and “poverty level” and set forth the methodology for calculating the poverty level.

Now, in accordance with RF Government Decree No. 2049, the poverty rate is defined as the proportion of the population whose money incomes are below the poverty line. So, in November 2021, it was decided that from January 2021 onwards, the poverty level would be monitored based on the poverty line, while the subsistence minimum would be applied only in calculating the amount of social benefits.

Since in H1 2021 real personal money income gained only 1.6% on 2020, the monetary poverty level over that period remained practically unchanged relative to 2020 (*Table 3*). However, under the influence of the significant increase, in Q3 2021, of real disposable money income (+8.8% relative to 2020), primarily caused by the lump sum payments to families with children, pensioners and law enforcement officers in August-September 2021, the monetary poverty level declined from 13.3% in January-September 2020 to 12.1% in January-September 2021.

*Table 3*

**The population share with the average per capita money income below the subsistence minimum/poverty line, 2018–2021, %**

		H1	Jan-Sept	Year
Subsistence minimum based on consumer basket defined in accordance with Federal Law No. 134-FZ of October 24, 1997 (as amended on April 1, 2019)	2018	13.3	13.0	12.6
	2019	13.5	13.1	12.3
	2020	13.2	13.3	12.1
Subsistence minimum based on median income defined in accordance with Federal Law No. 134-FZ dated October 24, 1997 (as amended on December 29, 2020)	2021	13.1	–	–
Poverty line based on RF Government Decree No. 2049 dated November 26, 2021	2021	13.2	12.1	–

*Source:* On the personal money income to subsistence minimum ratio and the number of poor people /Rosstat. URL: [https://gks.ru/bgd/free/B09\\_03/Main.htm](https://gks.ru/bgd/free/B09_03/Main.htm)

In 2021, the subjective personal poverty line defined as the population proportion of those who assess the financial situation of their family to be “poor” or “very poor” dropped by 2.8 p.p. relative to the previous year, thus amounting to 24.5%, which is its record low since 2000 (*Fig. 5*).

The personal income inequality level over January-September 2021 increased after having dropped in 2020, thus returning to that of January-September 2019 (*Fig. 6*).

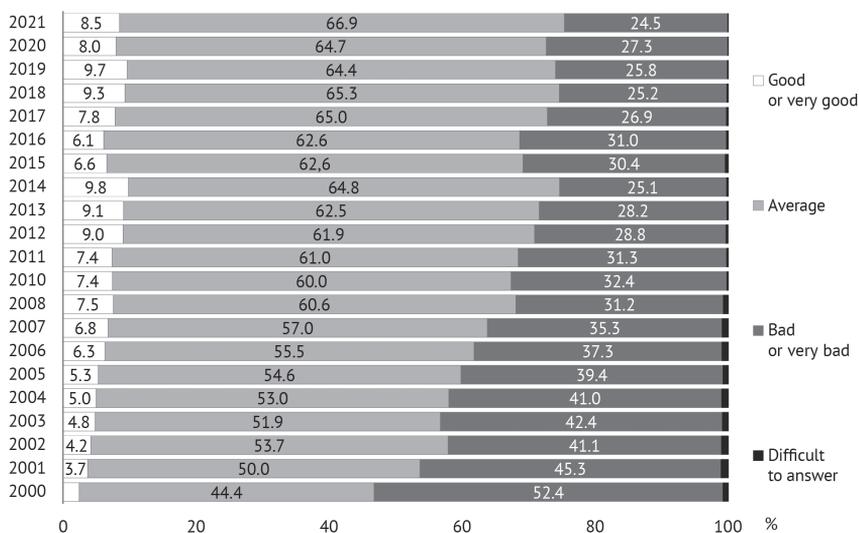


Fig. 5. Public opinion polls on the current financial situation over the period 2000–2021, %

Source: Rosstat.

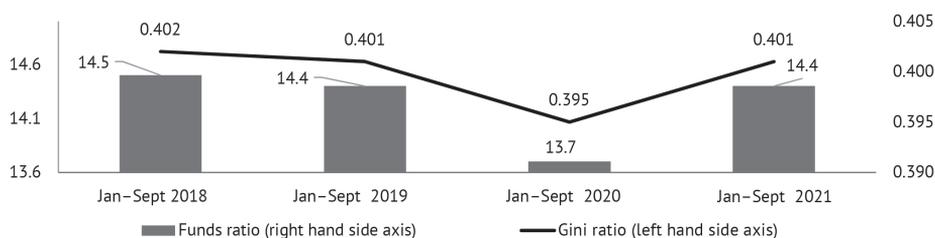


Fig. 6. The Gini and funds ratios, January - September 2018–2021

Source: Report on the socio-economic situation in Russia. Rosstat. URL: <https://rosstat.gov.ru/compendium/document/50801>.

## 5.2. Retail trade, services and consumer prices: recovery to the pre-pandemic levels<sup>1</sup>

The volume of retail trade in 2021 exceeded that of the previous year by 7.3% in comparable prices; the volume of paid services consumed by households increased by 17.6% in annual terms.<sup>2</sup> In 2021, growth in household consumption of goods and services was largely of a recovery nature, after as a result of pandemic-related

1 This section was written by *Burdyak A.Ya.*, Senior Researcher, INSAP, RANEPa.

2 Reports on the socio-economic situation in Russia for 2016–2020. Rosstat. URL: <https://rosstat.gov.ru/compendium/document/50801>

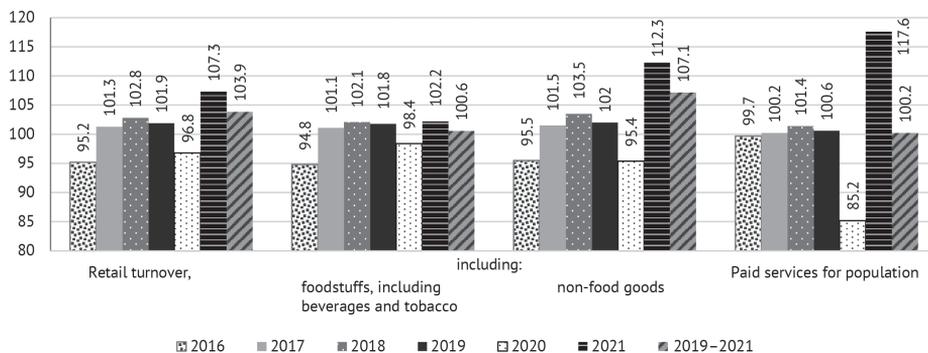


Fig. 7. The annual retail turnover indices and the physical volume of paid services for the population (in comparable prices relative to the previous year and a two-year index for 2019–2021), %

Source: Rosstat.

restrictions their indices had declined in 2020 by 3.2% and 14.8% relative to 2019, respectively (Fig. 7). The two-year movement of the volume of paid services (2019–2021) is near zero (+0.2%). The two-year growth in retail sales of foodstuffs, including beverages and tobacco products, amounted to 0.6%. The sales of non-food goods gained 7.1% relative to 2019. The cumulative retail turnover growth over two years amounted to 3.9% in comparable prices.

Changes in the household consumption level are reflected in the relative share of households that have been demonstrating certain types of large expenditures over the last three months prior to the survey date. The corresponding index is based on the results of regular population surveys conducted by FOM.<sup>1</sup> The “spending on repairs” (the most popular item for Russians) in the autumn of 2020 returned to its pre-pandemic level (20–21% of respondents), and then in the summer of 2021 it remained at that level. Over the summer months of the pre-pandemic year, 11–13% of households spent their money on vacation and travel; in the summer of 2021, this type of spending was reported by 8–9% of respondents. As far as spending on medical services is concerned (12–14% of respondents), there were no significant changes either at the onset of the pandemic or in 2021.

In the paid services sector, tourism and cultural services suffered most during the pandemic, shrinking by more than half in 2020. In 2021, these two types of services demonstrated a significant surge on the previous year - by 54% and 63%,<sup>2</sup> respectively; however, their indices are still demonstrating a decline relative to their pre-pandemic level (by 27% and 24% over the period 2019–2021). Their two-year movement pattern confirms the fact that they have been hit hardest and

1 Consumer behavior of Russians during crises. FOM. ФОМ. URL: <https://covid19.fom.ru/post/potrebitelskoe-povedenie-rossiyan-v-krizisy>

2 Reports on the socio-economic situation in Russia for 2016–2020. Rosstat. URL: <https://rosstat.gov.ru/compendium/document/5080>

have not yet recovered. In 2022, the transportation services sector experienced a growth of 37% on the previous year; however, its movement pattern is negative relative to 2019 (-17%). Hospitality services in 2021 gained 36% relative to 2020, but their index has not yet reached its 2019 level (12%).

In 2021, the volume of courier and postal services increased significantly: by 15% relative to 2020, and by 19% over the period 2019-2021. Growth is likewise observed in the sector of medical and veterinary services: by 26% and 35% over the past year, respectively, and by 14% and 17% relative to 2019. The consumption of personal and household services increased by 26% over the course of last year, and by 8% over two years.

In 2020, the pandemic produced a slight decline in the consumption of housing and amenities services (minus 4–5%). In 2021, there was an increase by those same 4–5%, as a result of which their consumption volume largely returned to its pre-pandemic level (*Table 4*).

*Table 4*

**The volume of paid services consumed by the population in comparable prices**

	2021, % relative to 2020	2020, % relative to 2019	2021, % relative to 2019	Growth over 2 years
<b>Paid services</b>	<b>117.6</b>	<b>82.7</b>	<b>97.3</b>	<b>-2.7</b>
<i>including:</i>				
– personal and household	126.1	85.4	107.7	7.7
– housing	103.9	95.2	98.9	-1.1
– amenities	104.7	96	100.5	0.5
– postal, courier	115	103.6	119.1	19.1
– medical	126.1	90.5	114.1	14.1
– veterinary	135.3	86.6	117.2	17.2
– education system	116	87.4	101.4	1.4
– telecommunications	101.4	95	96.3	-3.7
– legal	103.1	91.8	94.6	-5.4
– transportation	136.7	60.9	83.3	-16.7
– culture	162.6	46.7	75.9	-24.1
– tourism	153.9	47.6	73.3	-26.7
– physical culture and sports	146.7	67.4	98.9	-1.1
– hospitality and accommodation	136.1	64.9	88.3	-11.7
– specialized accommodation facilities	149.8	58.9	88.2	-11.8
– of these, sanatoria and health resort facilities	151.8	59.8	90.8	-9.2
– services provided to elderly and disabled individuals	111.1	96.9	107.7	7.7
– other types of paid services	139.4	79.4	110.7	10.7

*Source:* Rosstat.

In 2021, the structure of consumption demonstrated an increasing share of non-food goods and a shrinking share of paid services, while that of foodstuffs

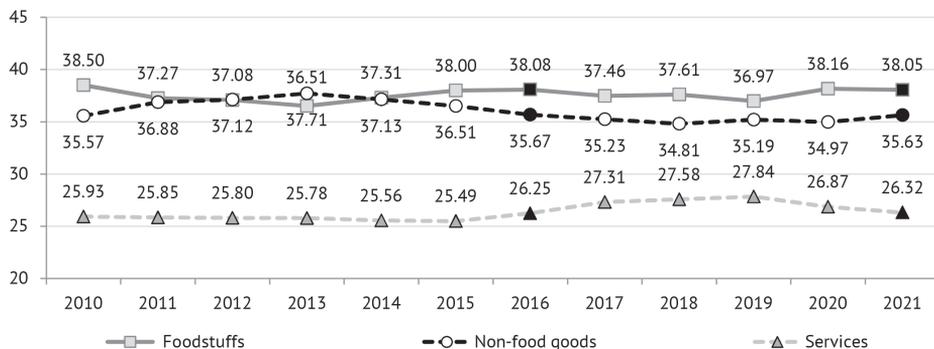


Fig. 8. The structure of consumer spending, %

Source: Rosstat.

remained practically unchanged. The ratios of these three groups of household expenditures in 2021 are close to those observed in 2016 (Fig. 8).

The consumer price inflation in 2021 reached 8.4%. Foodstuffs (+11.8%) were the leaders in terms of price growth; prices for non-food products increased by 8.6% (December 2021 relative to December of the previous year); and prices for services gained 5% (Fig. 9).

In 2021, the rise in prices for the most popular food items (the so-called “borscht set”) was much steeper than that of the average consumer price index for all foodstuffs. Thus, for example, the price of white cabbage jumped 2.4 times on the previous year, so its price gained 141% overall (Fig. 10). Potato prices went up by 57%; prices of table beets, by 44%; those of garlic, by 43%; and those of carrots, by 33% (December 2021 relative to December of the previous year). Prices of some

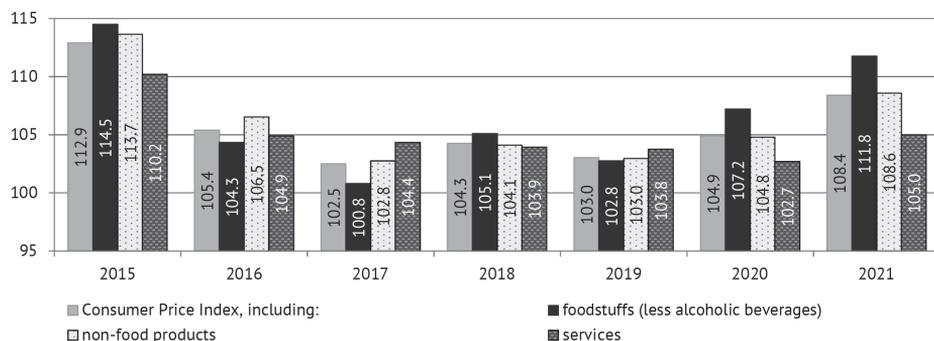
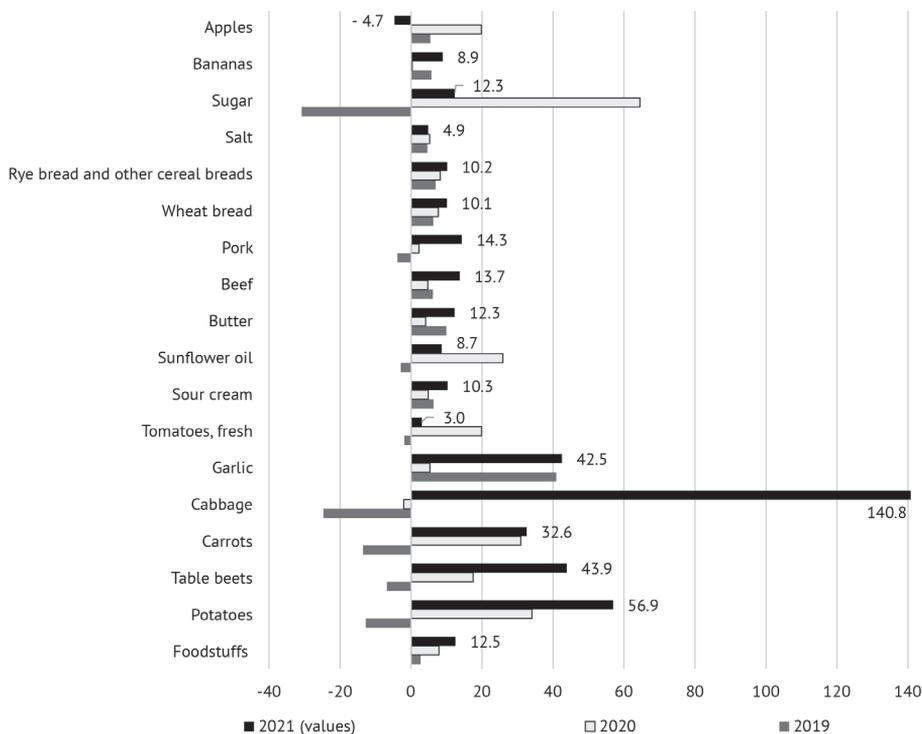


Fig. 9. The Consumer Price Index, December relative to December of the previous year, %

Source: Rosstat, EMISS.



*Fig. 10. Consumer price growth for the items in the “borscht set”, December relative to December of the previous year, %*

Source: Classification of Individual Consumption According to Purpose (COICOP). Rosstat; EMISS.

of the products that displayed moderate increases in 2021 surged significantly upon the previous year. The price of sunflower oil increased by only 9% in 2021 vs. 26% in 2020 (thus moving significantly above the inflation rate). The price of sugar, which surged by 65% in 2020, climbed by another 12% in 2021. The situation with tomato prices was similar: in 2020, it increased significantly (by 20%), and then in 2021 it added another 3%, which was well below the average food inflation rate.

The difference between the personal consumer basket and the average consumption structure that is used as the basis for the movement of official consumer price indices results in a gap between the inflation rate observed by the population and the CPI indices in statistical reports. In December 2021, the population experienced inflation of 17.7%<sup>1</sup> (median value). The average observed inflation rate for 2021 based on the results of surveys amounts to 15.5%.

1 Inflation expectations and consumer sentiment. No. 2 (62). February 2022. Bank of Russia. URL: [https://www.cbr.ru/collection/collection/file/40844/infl\\_exp\\_22-02.pdf](https://www.cbr.ru/collection/collection/file/40844/infl_exp_22-02.pdf)

### 5.3. Labor market dynamics<sup>1</sup>

The COVID-19 pandemic crisis had a significant impact on the Russian economy. After multiple shocks caused by 2020 coronavirus pandemic and the worsening economic situation in the country, the Russian labor market showed a stable positive trend in 2021.

In 2020, the number of people employed decreased by 1,332,000 or by 1.9% compared to 2019. However, gradual employment growth began in October 2020 and continued through all 12 months of 2021, reaching a pre-crisis value of 7,231,700 by December 2021 (Fig. 11).

In 2020, the employment rate decreased by 1.0 p.p. – from 59,4% in 2019 to 58,4% in 2020. A sharp fall happened in April 2020 (by 1.0 p.p. compared to March 2020) and continued until July. This was followed by slow growth, which in summer 2020 was mainly seasonal. Since the start of 2021, employment growth has become steady. Thereby, while the lag from June to December 2020 was 1.3 to 1.5 p.p. behind the 2019 figures, it was reduced to 0.3 to 0.5 p.p. in January to March 2021. From April 2021, the employment rate reached the pre-pandemic values of 2019, continuing at this level until the end of the year with an increase of 0.2 p.p. recorded in December 2021 (Fig. 12).

The sectoral employment in Q3 2021 was almost identical to that in Q3 2019: minor changes were recorded in wholesale and retail trade; hotels and catering with a decline of 0.3%; financial and insurance activities – down 0.2%; mining and manufacturing – down 0.1%. Education (+0.2%), construction, professional, scientific and technical activities, administration and related activities (+0.1%) experienced slight growth.

The following changes took place in the professional employment in the main job:

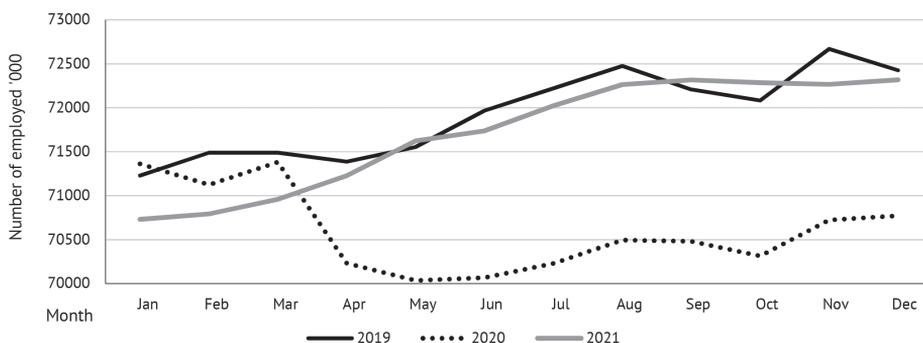
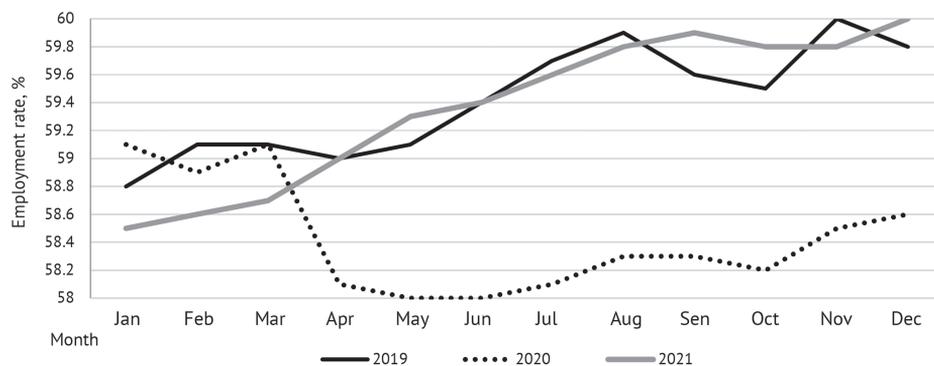


Fig. 11. Number of employed, 2019 – December 2021, '000

Source: OPC data; Rosstat.

<sup>1</sup> Author of the section: *Podverbnykh* U.S. Candidate of economic sciences, Researcher, ISAF RANEPa, Associate Professor, Department of Organizational Behavior and Human Resource Management, School of Business, NRU HSE.



*Fig. 12. Dynamics of employment, 2019 – December 2021, %*

Source: OPC data; Rosstat.

- As for top-ranked professionals, there was an increase in business and administration specialists by 0.42%, law, humanities and culture by 0.37%, science and technology by 0.28%;
- Ordinary skills specialists and technicians: an increase of 0.4% in science and technology;
- Operators of production units and machinery, assembly workers and drivers: an increase by 0.29%.

There was a 0.68% decrease for the year 2021 in the ordinary skills professional staff in economic and administrative activities.

Thus, the coronacrisis resulted in a relatively little change in the occupational and sectoral structure of the labor market. Despite significant changes in the economy, the employed generally continued to do the same jobs as before the crisis.

The overall rate of unemployment at the beginning of 2020 was 4.7%. In the first month of the coronacrisis (April 2020) a significant growth in unemployment up to 5.8% was recorded, which continued until the end of summer, reaching a peak of 6.4% in August. From November 2020 the unemployment rate began to decline gradually and by mid-2021 it had almost reached its pre-pandemic figures, having only slightly exceeded. Thus, in June 2021, the unemployment rate was 4.8% or 0.4 p.p. higher than in June 2019. Since autumn 2021, the general unemployment rate has reached values below the pre-pandemic level of 4.3%, which is 0.3 p.p. below the 2019 figures (*Fig. 13*). By the end of the year, the unemployment rate remained at 4.3% as at December 2021.

As of December 2021, the number of unemployed who have been looking for a job for 12 months or longer has declined by 2.2% compared to December 2019. On average, the share of unemployed who have been looking for work for 12 months or more in 2021 has declined by 1.3% compared to 2019 (*Fig. 14*).

Low rates of registered unemployment are typical for the Russian labor market. From April 2020, this indicator began to grow rapidly (*Fig. 15*). It peaked at 4.9%

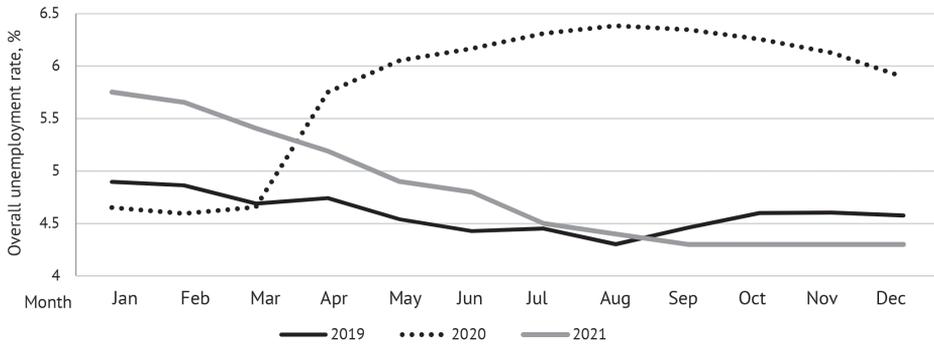


Fig. 13. Overall unemployment by months, 2019–December 2021, %

Source: OPC data; Rosstat.

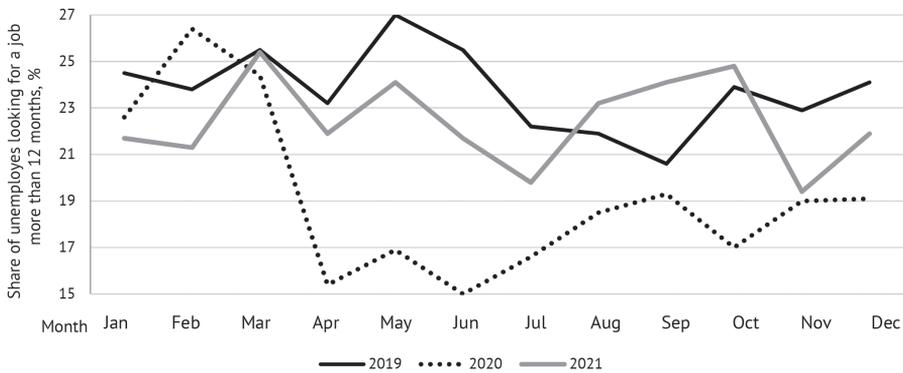


Fig. 14. Share of unemployed looking for a job more than 12 months or longer, 2019–2021, % of the total number of unemployed

Source: OPC data; Rosstat.

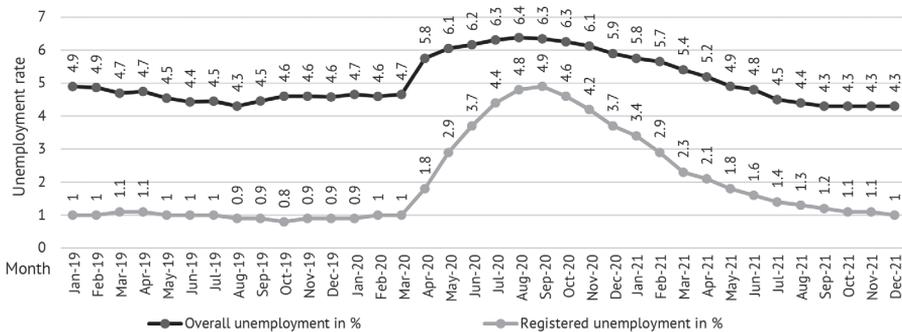
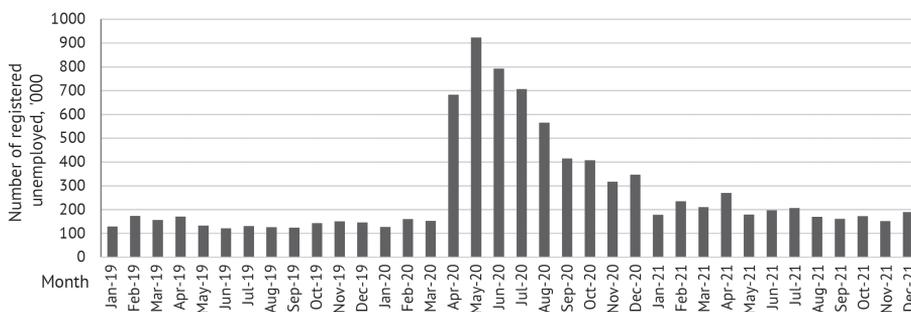


Fig. 15. Overall and registered unemployment rate by months, 2019–2021, %

Source: OPC data; Rosstat and Ministry of labor.

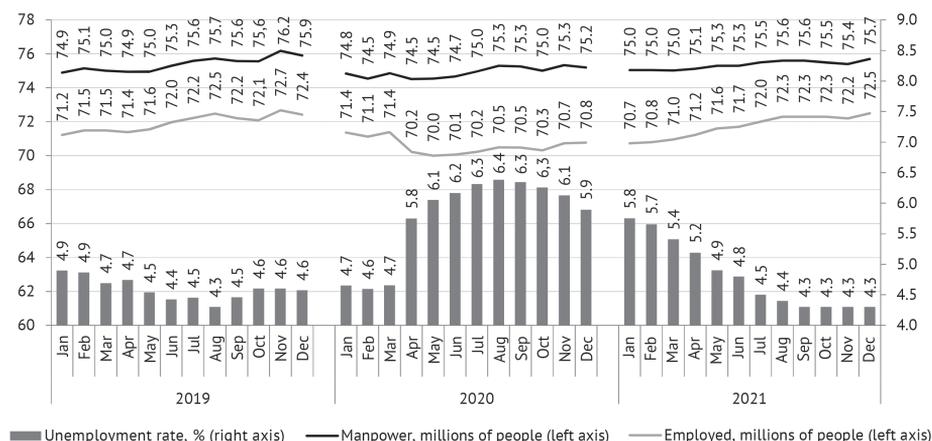
in September 2020 and then began to decline gradually. By September 2021, the registered unemployment rate had fallen to 1.2% (by 3.7 p.p.) and by the end of 2021 it evidenced 1.0%, which corresponds to the pre-pandemic value of 2019.

In 2020, the total number of registered unemployed reached its maximum in August-September (about 3.9 mn people) followed by a gradual decrease and stabilization in the number of registrations (*Fig. 16*). In April-May 2021, the monthly number of individuals receiving unemployment status was 1.5-1.6 times higher than in 2019, however, afterwards it began to decline steadily, and by the end of 2021 the number of registered unemployed was less than 850,000.



*Fig. 16.* Number of monthly registered unemployed by employment offices, 2019–2021, '000

Source: Ministry of labor.



*Fig. 17.* Number of manpower, employed and rate of unemployment by months in 2019–2021

Source: OPC data; Rosstat.

Thus, the Russian labor market has stabilized since August 2021 and reached its pre-pandemic level of 59.8% (August - November), 60% (December) which corresponds to the rate of employment in 2019. The number of people employed in 2021 rose from 70.7 mn in January to 72.5 in December 2021. The unemployment rate in September - October 2021 fell to its lowest level since August 2019 to 4.3%, maintaining this value until the end of 2021 (Fig. 17). One of the factors behind the fall in unemployment is the lifting/mitigation of coronavirus restrictions, which triggered labor demand as well as measures taken to restore employment and support medium and small businesses.

A traditional identity of the Russian labor market is price adjustment to macroeconomic shocks. Unlike developed countries, where stability and even some increase in wages during crises is a standard scenario, the labor market in Russia usually adapts to economic crises mainly through wage cuts of employees.

The labor market faced a severe shortage in 2021. Recruitment activity was higher than in the same period before the coronacrisis. Competition for human resources as well as inflation resulted in growing wages despite difficult economic conditions. In 2021, rate of wage growth returned to pre-crisis levels. On average, wages rose by 2.7% in real terms from January to November 2021 compared to the same period of the previous year (Fig. 18). The average wage for the first 11 months of 2021 was Rb 54,547.

The highest increase in wages in 2021 is recorded in transport and storage of water transport (18.4%), wholesale and retail trade in motor vehicles and motorbikes (17.6%), leather and leather products manufacturing (17.2%), hotels and catering (17.1%). The smallest growth was observed in healthcare (1.6%), tobacco production (2.4%), intercity and international passenger railway transportation (2.5%) and administrative activities (4.9%). Negative wage dynamics in 2021 was recorded in pipeline transport (-1.4%).

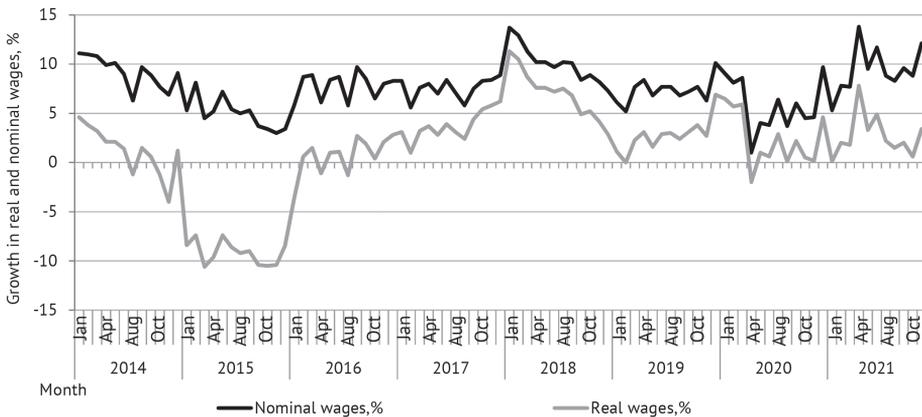
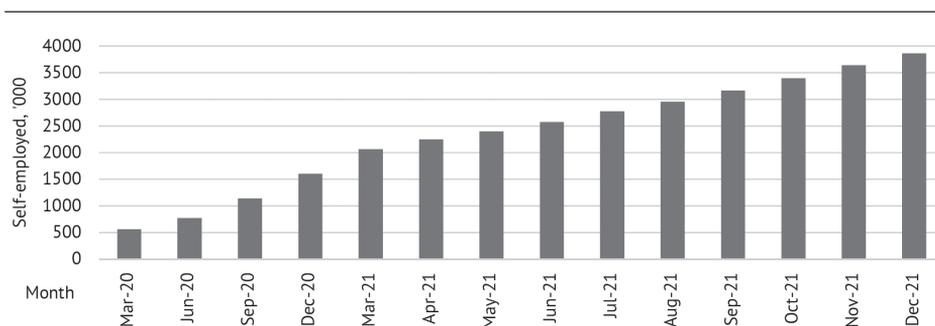


Fig. 18. Growth in nominal and real wages vs relatively corresponding indicator of the previous year by months, 2014 – November 2021, %

Source: OPC data; Rosstat.



*Fig. 19. Number of self-employed by months 2020–2021, '000*

Source: FTS.

When considering a broader spectrum of workers, including also wage earners working for private and entrepreneurial entities and individuals apart from those employed, their real wages rose in 2021 at almost the same rate (2.7% in the first 10 months of 2021). This differs from the 2020, when wages of workers in informal sector were declining against growth for those employed in the corporate sector of the economy.

Since the beginning of 2020, Russia has seen a rapid growth in the number of self-employed from 564,000 (March 2020), which has continued throughout 2021 and reached 3,862,000 in December 2021 (*Fig. 19*).

It is worth noting that the self-employed earn more than Rb 1.4bn every day, and from the beginning of 2019 to the end of 2021, the self-employed registered more than Rb 620bn worth of income.

Based on the data presented, it can be concluded that the coronavirus pandemic in 2020 had a significant impact on labor market, but despite the negative forecasts, the Russian labor market was able to stabilize in 2021 and reach the pre-Covid values for most indicators. The measures taken by the government and the gradual lifting of most quarantine restrictions prevented catastrophic consequences.

## **5.4. Migration<sup>1</sup>**

### **5.4.1. Long-term migration**

After a sharp fall in 2020, Russia's net migration in 2021 was the highest in recent years. According to the estimates based on the Rosstat's operative information on the population, which decreased by 692,900 people in 2021, and on the natural population decline (in 2021 – 1,042.7 thousand people), the migration gain was 349,800 people. At the same time, according to the last published data for January–November 2021 the positive migration balance for

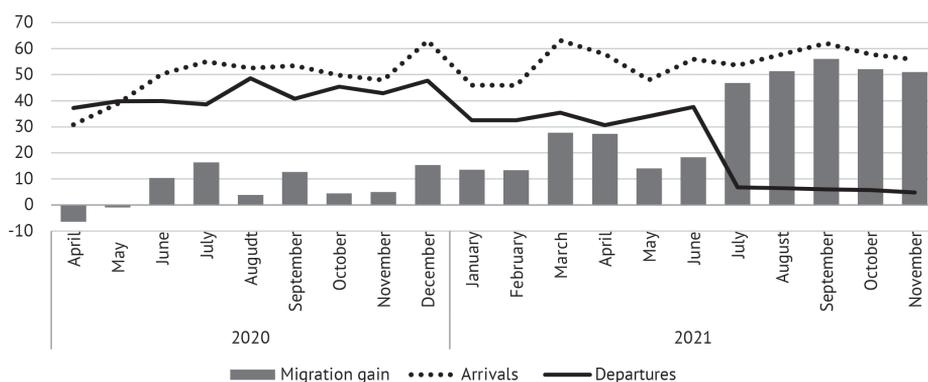
<sup>1</sup> This section was written by: *Mkrtchyan N.V.*, Candidate of Geographic Sciences, Leading Researcher, INSAP RANPEA; *Florinskaya Yu.F.*, Candidate of Geographic Sciences, Leading Researcher, INSAP RANPEA.

11 months already made up 371,400 people, and there is no reason to believe that there was a migration loss in December. Monthly dynamic of the index allows us to assume that the net migration will exceed 400,000 people. The reason for the discrepancy in these data is not clear. But no matter how Rosstat estimates the final results of migration gain for the year, it is obvious that its magnitude was extremely high in 2021.

The fact that positive migration balance will increase compared to 2020 was clear beforehand. However, its magnitude can be explained, as it happened before, by a change in statistical accounting procedures. Since July 2021, Russia stopped counting departures from the country at the end of the term of registration at the place of residence, because the terms of registration were extended until the end of the year. In H2 2021, only those who were de-registered at the place of residence (as it was before 2011) were counted as departures. As a result, in July the number of people leaving the country amounted to 17.8% by the relevant period of 2020, and in July – November 2021 – 13.8%. Arrivals for July-November went up by 11%, but their role in the change of the migration growth was secondary.

Since July 2021, Russia's population growth has been 47-56 thousand people a month (Fig. 20), and between July and November 2021 – a total of 257,200 people.

Migration gain of Russia's population in January-November compared with a number of previous years increased with all countries (Table 5), which is not surprising in a situation when the migrants count system is changing so radically, and the vast majority of departures from the country are not registered. Tajikistan became Russia's main migration donor by a significant margin, followed by Ukraine and Kazakhstan.



**Note.** Data for January and February 2021 – estimate based on two months of data as a whole.

*Fig. 20.* Long-term international migration of the Russian population in April 2020 – November 2021, monthly data

Source: Socio-Economic Situation in Russia. Bulletins for 2020 and 2021.

Table 5

**Migration gain (loss) in Russia in January through November 2017–2021,  
thousand persons**

	2017	2018	2019	2020	2021
<b>International migration, total</b>	<b>200.9</b>	<b>119.1</b>	<b>259.4</b>	<b>91.1</b>	<b>371.4</b>
With CIS countries	193.6	123.0	233.8	100.4	344.2
<i>Including:</i>					
Azerbaijan	7.9	8.1	15.8	9.9	20.6
Armenia	13.4	14.1	33.7	-3.1	39.9
Belorussia	10.8	6.8	5.9	-2.1	13.5
Kazakhstan	30.2	24.3	37.5	5.8	42.4
Kirgizia	16.9	9.1	13.7	0.6	36.0
Moldavia	9.2	7.0	5.2	2.2	14.3
Tajikistan	31.7	28.8	43.5	34.4	83.3
Turkmenistan	3.3	2.7	5.3	0.9	6.4
Uzbekistan	20.3	6.6	18.2	3.7	31.3
Ukraine	50.1	15.5	55.1	48.1	56.4
With far abroad countries	7.3	-3.9	25.6	-9.2	27.3

Source: Socio-Economic Situation in Russia. Bulletins for 2018–2021.

In 2021, there were no significant changes in the internal migration count and for a number of previous years. Nevertheless, starting from 2019, the number of recorded relocations is decreasing (Fig. 21). Between January and November 2021, the number of in-country relocations stood at 3,319,000, a drop of 671,200, or 16.8%, from the corresponding period in 2018. Compared to the 11 months of 2020, the number of relocations moved up by only 3.2%, not making up for the 14% drop in the year of the most severe coronavirus restrictions.

The sharply increased net migration of Russia’s population induced by an improvement in the migration balance of some of its regions. In January–November

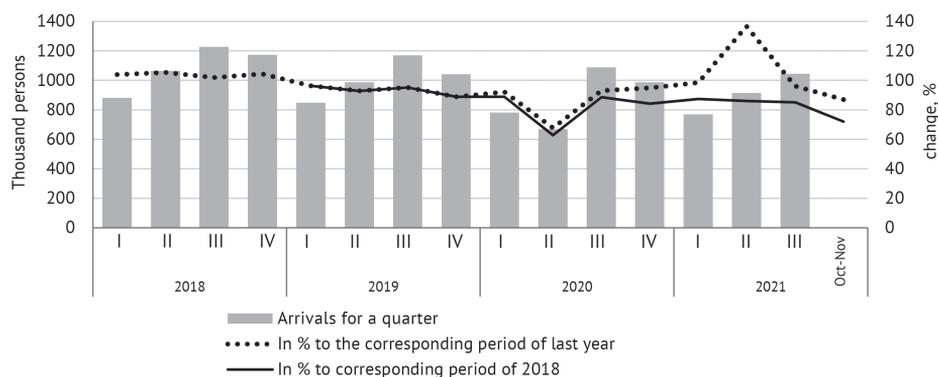


Fig. 21. Internal long-term migration in Russia in 2018–2021, quarterly data

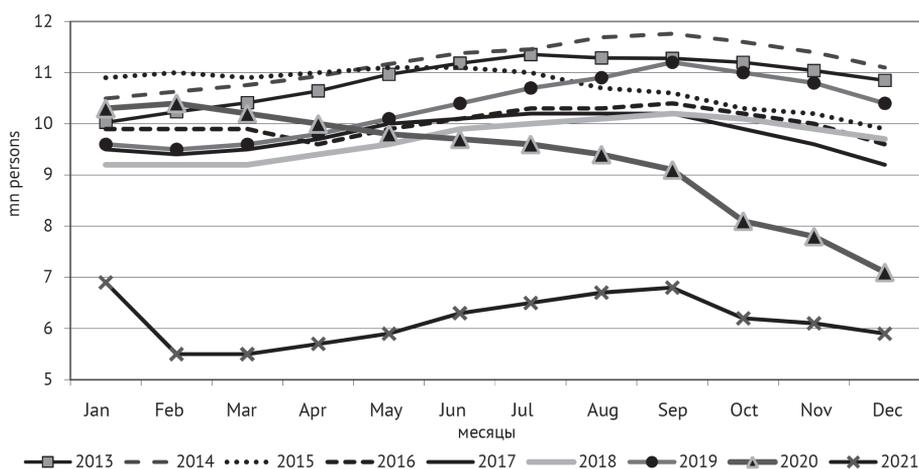
Source: Socio-Economic Situation in Russia. Bulletins for 2018–2021.

2021, the number of regions with a migration loss was 29, compared to 50 in the corresponding period of 2020. Of all the federal districts only the population of the North Caucasus continues to decline as a result of migration. In this case, the migration gain of the population of Moscow continues to remain low (+12,400 people), while the population of St. Petersburg is lower than the average in the 2010s - +21,400 people. Meanwhile, the migration growth of Kaluga, Kaliningrad, Novosibirsk, Tyumen regions, Tatarstan surged.

#### 5.4.2. Temporary migration

Throughout 2021, the number of foreign nationals in Russia remained at its lowest level in a decade (*Fig. 22*). The number of foreigners ranged throughout the year from 5.5 million to 6.9 million, about 40 percent below the pre-pandemic 2019 and one-third lower than in 2020. At the same time, the foreign-born population numbers during 2021 (starting in February) returned to their pre-pandemic levels. The number of foreign nationals (starting in February) returned to its usual pattern: the lowest numbers at the beginning and end of the year, rising in summer and early fall, when additional seasonal labor migrants come to the country. By the end of 2021, there were about 5.93 million foreign nationals in Russia. Compared to the end of 2019, the contingent of tourists decreased the most (by more than 80%), as well as those staying in the country for transit, business and private purposes (by 73, 66 and 58%, respectively); the number of those staying for work and study purposes declined the least (by 21 and 22%, respectively).

Among all those staying in Russia, the absolute majority are citizens of the CIS countries, and their share is higher than in previous years and has reached 89% (79% in 2019, 84% in 2020). At the beginning of winter, there were 5.3 million



*Fig. 22.* Stay of foreign citizens in Russia at the end of the month, 2013–2021

citizens from CIS countries (*Table 6*), at the end of the year – 5.2 million (at the end of 2019 – 8.2 million). The leaders are all three Central Asian countries: Uzbekistan, Tajikistan, and Kyrgyzstan. For the first time, Ukraine was missing in the top three.

*Table 6*

**Stay of foreign citizens from the CIS in Russia  
on the date, persons**

	<b>04.12.14</b>	<b>01.12.15</b>	<b>01.12.17</b>	<b>01.12.19</b>	<b>01.12.20</b>	<b>01.12.21</b>
Azerbaijan	598 646	531 080	601 704	758 377	548 389	253 961
Armenia	499 084	490 156	494 848	483 250	339 985	301 035
Belorussia	506 759	644 598	689 534	690 854	628 134	515 694
Kazakhstan	581 516	671 751	531 865	547 398	365 632	270 887
Kirgizia	554 808	541 855	624 756	746 477	599 294	663 683
Moldavia	586 069	512 637	425 269	310 679	205 747	98 510
Tajikistan	1 052 822	898 849	988 771	1 243 080	1 012 186	1 143 290
Uzbekistan	2 275 290	1 884 110	1 719 492	2 007 895	1 460 120	1 514 596
Ukraine	2 476 199	2 598 303	2 129 446	1 708 652	1 037 016	577 225
<b>SIC, total</b>	<b>9 131 193</b>	<b>8 773 339</b>	<b>8 205 685</b>	<b>8 496 662</b>	<b>6 196 503</b>	<b>5 338 881</b>

Sources: RF FMS; GUV D MVD RF; TSB D U I G.

Compared to 2019, the number of CIS citizens staying in Russia has decreased; compared to 2020, – all, except from three Central Asian countries. Compared to pre-pandemic indexes, the number of Moldovan, Azerbaijani and Ukrainian citizens staying in Russia dropped the most (by 68%, 67% and 66%, respectively); the number of citizens of Tajikistan and Kyrgyzstan fell the least (by 8% and 11%).

The pandemic and accompanying travel restrictions between countries have significantly reduced the presence of citizens of developed Western countries in Russia (*Table 7*). On average, at the beginning of winter 2021, their number decreased by 3.7-fold compared to 2019; there were 7 times fewer citizens of France and Spain, 6 times fewer citizens of Italy, and 4 times fewer citizens of Germany and Great Britain. Most of all, the reduction affected those in Russia with business and commercial purposes (by 84%), with tourist purposes (by 80%). The number of people from developed countries who work for hire has dropped twofold, and the number of those who stay for study purposes has decreased by two-thirds.

At the end of 2021, there were 3.07 million migrant workers in Russia – those who indicated in the migration card the purpose of entry “work for hire” (at the end of 2019 – 3.9 million, by the end of 2020 – 2.97 million). Of this number, 3.0 million are CIS citizens (98%), 73,000 are from non-CIS countries. Compared to the end of 2020, there were 3% more migrant workers and 20% fewer migrants than at the end of 2019. The contingent of migrant workers from Ukraine and Moldova went down most of all (by 75 and 71%). At the same time, the number of migrant workers from the three Central Asian countries was only 12% lower than before the pandemic.

Table 7

**Stay of foreign citizens from some EU countries and the USA in Russia  
as of the date, persons**

	04.12.14	01.12.15	01.12.17	01.12.19	01.12.20	01.12.21
EU as a whole	843 824	484 981	437 189	700 325	551 964	190 157
Germany	242 978	112 053	105 524	150 914	122 565	34 616
Spain	45 860	14 960	14 109	31 239	22 139	4 421
Italy	54 097	29 004	24 092	43 989	34 787	7 373
Great Britain	111 093	29 225	23 616	30 297	31 853	8 175
Finland	76 091	76 220	73 500	87 635	66 983	36 852
France	53 487	34 161	26 071	54 997	47 510	8 363
USA	142 016	47 355	43 875	59 509	63 296	20 400

Sources: RF FMS; GUV D MVD RF; TSB D U I G.

The measures taken to extend the opportunity for foreign nationals<sup>1</sup> who were already in Russia to “come out of the shadows” played an important positive role in their legalization in the labor market. Of all migrant workers staying in Russia at the end of the year, 1.99 million people had valid documents for work (patents or work permits) (at the end of 2020 – 1.21 million); about 856,000 more, from EAEU member-states, had the right to work without such permits. Thus, at the end of 2021, approximately 2.9 million, or 93% (at the end of 2020 – 69%) foreign migrant workers had the potential to be fully legalized on the Russian labor market (if employers so wished). This is the highest figure in all the years since the changes in migration legislation introduced in 2015 came into force. This result clearly demonstrates that even the temporary easing of conditions for migrants to obtain documents contributes to the desire of most of them to legalize in Russia.

As for employers, the number of notifications sent by them to the RF Ministry of Internal Affairs in 2021 on the conclusion of contracts with all categories of migrant workers (with patents, with work permits, from EAEU countries) spiked by 26% compared to the previous year, but decreased by 12% compared to 2019. In the meantime, the number of EAEU citizens in possession of valid documents at the end of 2019 was almost the same as at the end of 2021 (same 2.9 million people).

The same upward trend in the number of legalized migrants is confirmed by statistics on the issuance of new documents for work (*Table 8*). In addition to migrants who were already in Russia and were able to obtain new documents without leaving Russia, newly arrived migrants also began applying for patents and work permits. In 2021, air flights were resumed to all major countries that are donors of labor migration to Russia, and, although airfares continued to be high, the entry of new foreign workers was gradually mounting. During the 12 months of 2021, 1.9 times more patents and work permits (WP) were issued than during

1 Executive Order of the President of Russia No. 364 of 15.06.2021 “On temporary measures to regulate the legal status of foreign nationals and stateless persons in the Russian Federation during the period of overcoming the consequences of the spread of the new coronavirus infection (COVID-19”.

the same period last year. Overall, the number of issued documents was higher than in 2021, only in 2014.

Table 8

**Registration of work permits for migrants in Russia,  
January - December, people**

	2014	2015	2017	2019	2020	2021
WP for foreign citizens (FC)*	1 334 899	177 175	139 595	117 452	58 475	87 331
Including:						
WP for QS*	158 644	22 099	17 333	16 877	7 286	6 557
WP for HQS	34 225	41 829	21 363	31 754	18 937	44 295
Patents**	2 379 374	1779 796	1 658 119	1 686 418	1 101 832	2 156 125
<b>Total</b>	<b>3 714 273</b>	<b>1 956 971</b>	<b>1 797 714</b>	<b>1 803 870</b>	<b>1 160 307</b>	<b>2 243 456</b>

\* Since January 1, 2015 are issued only to FCs from visa entry countries.

\*\* Since January 1, 2015 issued to FCs from visa-free regime countries to work for both individuals and legal entities.

Sources: data from FMS RF and GUV D MVD RF.

Payments by migrant workers to regional budgets have also moved up: in 2021, the amount came up to Rb67.9 bn (in 2020 – Rb47.5 bn, in 2019 – Rb60.4 bn). The main payers have not changed – these are migrants from Uzbekistan and Tajikistan (they got 94% of all patents in 2021); citizens of Ukraine and Moldova accounted for less than 3% of patents issued.

The gradual recovery of labor migration, which was observed in 2021, occurred almost exclusively owing to migrants from Central Asia.

### 5.5. Demographic development<sup>1</sup>

According to the Rosstat provisional data, Russia's population on January 1, 2022 was 145.5 million<sup>2</sup> (Fig. 23). The decline of the population in Russia has been observed since 2018 according to the pre-pandemic Rosstat median projection predicting that population decline will continue until the end of the projection period (2035). However, the spread of coronavirus infection had a significant impact on the population size in 2020–2021. According to provisional data from Rosstat, the Russian population has reduced by 692.900 compared to 2021.

In 2021, natural population decline in Russia reached 1 million people (3 times higher than in 2019). This is the maximum in the last 20 years (Fig. 24). The acceleration of natural decline was due to a significant growth in the number of deaths as a result of the spread of coronavirus infection and a continued decline in the number of births.

1 Author of section: *Khasanova R.R.*, Candidate of economic sciences, Senior researcher, ISAF RANEP A.

2 The All-Russian Population Census (ARP) took place in 2021. Population figures will be updated accounting results of Census.

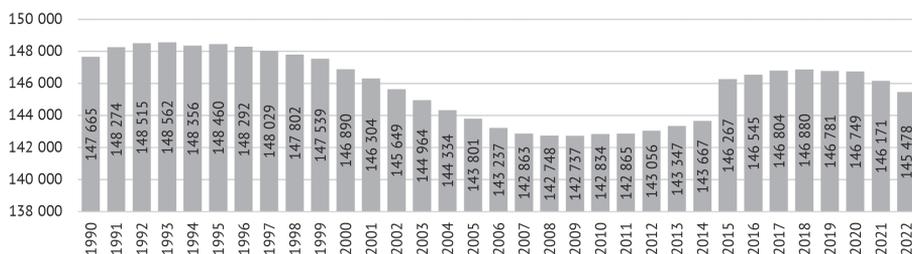


Fig. 23. Russia's resident population, 1990-2022, number of people at the beginning of the year

Source: Rosstat.

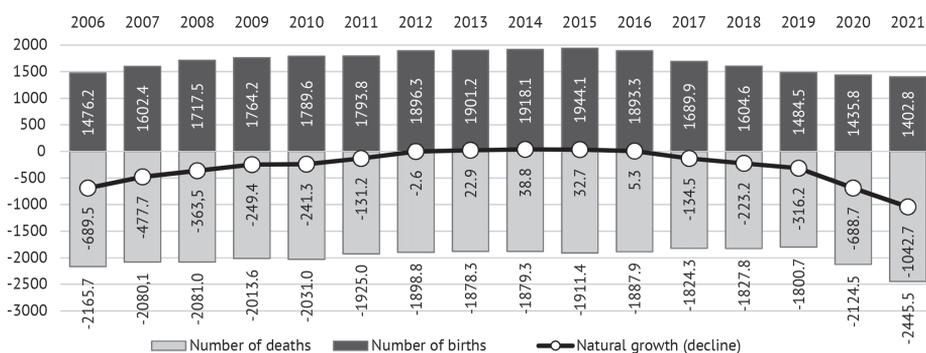


Fig. 24. Natural population growth (decline), 2006-2021, '000 people

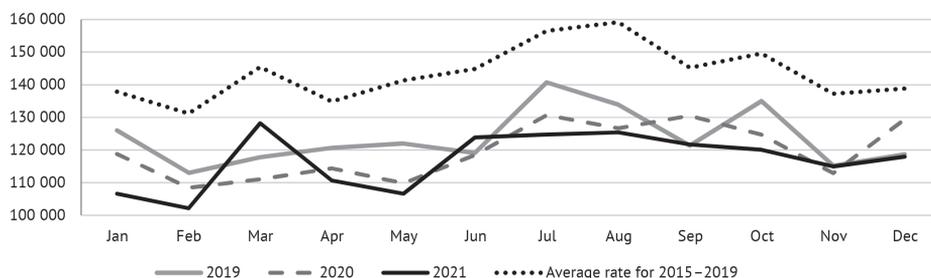
Source: UISIS; Rosstat.

From January to December 2021, 1402.800 children were born in Russia, compared to 1435.800 a year earlier (a decline of 2.3%). The total fertility rate (TFR) was 9.6 ppm (9.8 in 2020). In March, June and November 2021, there was a slight increase in the number of births compared to 2020 (Fig. 25). At the start of the pandemic many experts predicted a significant drop in the number of births in 2021 due to the effect of coronavirus and its socioeconomic impacts.<sup>1</sup> However, this was not the case. The number of births is declining but does not show a significant drop.

At present, data on fertility rates are only available for the year 2020.<sup>2</sup> The total fertility rate in 2020 remained as in 2019, halting the decline that has lasted since 2016, with first births declining, second births remaining the same, and third births increasing. On the whole, the adverse age structure of the population is

1 Expert group meeting on the impact of the COVID-19 pandemic on fertility. URL: <https://www.un.org/development/desa/pd/ru/event/egm-impact-covid-19-fertility>

2 Detailed data on the natural population movement in 2021 will be available in summer 2022.



*Fig. 25. Number of births by month in 2019-2021 and average for 2015-2019, number of people*

Source: UISIS; Rosstat.

the main reason behind the decline in the number of births in Russia. The sparse generation born in the 1990s is at the peak of the reproductive ages. It will determine the birth rate in the next decade and the number of births will be consistently lower compared to the period when it was determined by a large generation of the 1980s. Another reason is the reproductive behavior of young women; in recent years there has been a shift in fertility towards older ages.

A decline in the birth rate in 2021 against 2020 has been observed in most of subjects of the Russian Federation, while eight regions maintain their 2020 levels and only four regions show an increase (Moscow by 6.1%, the Republic of Adygea by 3.1%, Pskov region by 2.5% and Chelyabinsk region by 1%).

The 2020–2021 pandemic of a new coronavirus infection has significantly altered the global demographic landscape. Most of countries have experienced a significant increase in mortality. Between January and December 2021, the global death toll was 2.2445.500 showing an increase of 15% compared to 2020. (2.124.500). The total mortality rate is 16.8 deaths per 1000 people (14.5 ppm in 2020), an increase of 15.9% compared to 2020 and 36.6% vs 2019.

Excess mortality is a key indicator of the direct and indirect impact of COVID-19 spread on population mortality and the effectiveness of countries' efforts to minimize the impacts of COVID-19. The excess mortality rate (population mortality rate for 2021 to the average rate per 1000 people for the same period 2015–2019) was 33%.

The highest absolute mortality rate was observed in November 2021 (257.300), which is 17% higher than in 2020 (*Fig. 26*). However, 28% of all deaths in November are attributed to COVID-19 (major cause).

The mortality rate per 1000 people increased in almost every region except the Chechen Republic and the Tuva Republic, where the rate was 4.8 and 1.1% lower than in the same period in 2020, respectively. Saratov region (+25.6% vs. 2020), Republic of Karelia (+24.8%), Kursk region (+23.7%), Voronezh region (+23.0%), Ryazan region (+22.9%), Novgorod region (+22.5%) and Rostov region (+22.1%) showed the highest increase.

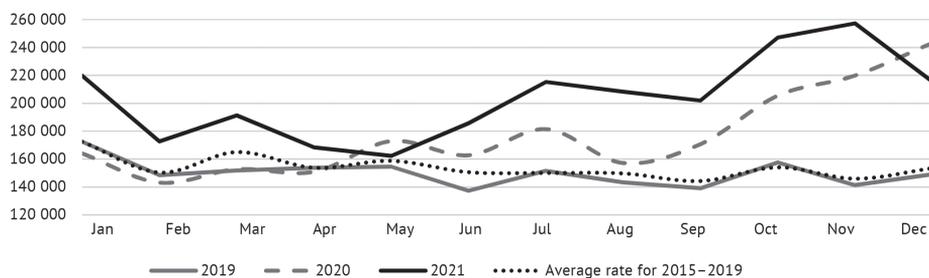


Fig. 26. Number of deaths by month in 2019–2021 and average for 2015–2019, number of people

Source: UISIS; Rosstat.

The infant mortality rate for 2021 was 4.6 per 1000 live births, showing an increase of 2.2% compared to 2020 (Fig. 27). Thus, growth was observed in 44 regions of Russia, while in 10 regions the indicator remained at the level of 2020. The maximum growth was demonstrated by the Komi Republic (5.2%, a twofold increase), Magadan region (5.6%, an 80.6% increase), Jewish Autonomous Region (10.9%, a 78.7% increase), the Republic of Adygea (5.1%, a 70% increase), Kirov region (5.9%, a 55% increase) and Republic of Mordovia (4.4%, a 51.7% increase).

A total of 21.2% of all deaths in 2021 were due to coronavirus infection:<sup>1</sup> COVID-19 accounted for 18% and 2.9% of all deaths were due to COVID-19 but it was not the main cause of disease. During this period, 446.400 died from COVID-19 as the main cause of death, showing a 100% increase in 2021 (321.000) compared to the same period in 2020, while 71.400 deaths resulted from a cause of death related to coronavirus infection but attributed to other major health conditions (Table 9).

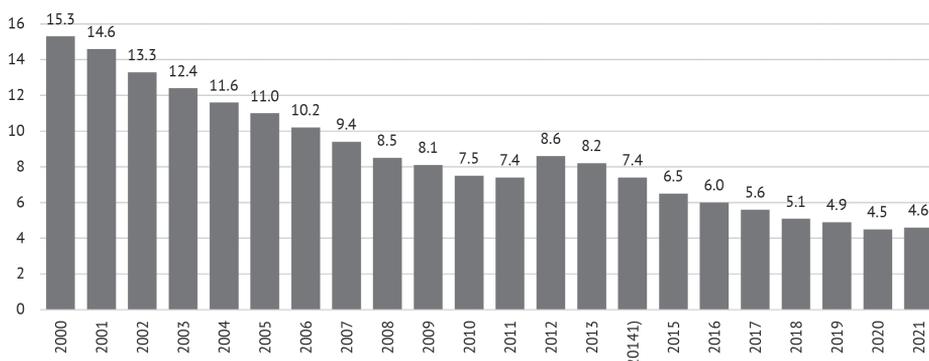


Fig. 27. Number of deaths under 1 year per 1000 live births, 2000–2021

Source: Rosstat.

1 Other classes of death cause have not been published in Rosstat operational statistics since April 2020.

Table 9

**Mortality from COVID-19 as the main cause of death and accompanied by COVID-19 (cause of death attributed to other major health conditions), 2020–2021**

COVID-19 is a major cause of death						
	Total		COVID-19, virus identified		Probably COVID-19 but virus not identified	
	2021	2020	2021	2020	2021	2020
January	27 455	–	22 747	–	4 708	–
February	17 120	–	14 791	–	2 329	–
March	17 795	–	15 411	–	2 384	–
April	15 973	1 748	13 839	1 350	2 134	398
May	15 259	7 603	13 077	5 926	2 182	1 677
June	23 775	7 317	20 447	5 825	3 328	1 492
July	44 955	6 084	39 942	5 063	5 013	1 021
August	44 217	4 018	39 332	3 436	4 885	582
September	40 172	5 438	35 174	4 579	4 998	859
October	69 645	15 103	60 357	13 077	9 288	2 026
November	80 888	25 107	72 425	21 262	8 463	3 845
December	49 122	32 408	44 390	27 012	4 732	5 396
Total	446 376	104 826	391 932	87 530	54 444	17 296
Cause of death is referred to other important conditions						
	Total		COVID-19 is not a major cause of death, but had a significant impact on the development of fatal complications of the disease		COVID-19 is not a major cause of death and had no significant impact on the development of fatal complications of the disease	
	2021	2020	2021	2020	2021	2020
January	10 423	–	2 337	–	8 086	–
February	7 664	–	1 956	–	5 708	–
March	6 247	–	1 434	–	4 813	–
April	4 677	1 077	1 106	435	3 571	642
May	3 737	5 066	987	1 609	2 750	3 457
June	3 663	5 018	897	1 484	2 766	3 534
July	6 089	4 287	1 433	1 237	4 656	3 050
August	5 713	3 655	1 258	1 184	4 455	2 471
September	4 549	4 741	979	1 428	3 570	3 313
October	5 899	9 230	1 135	1 794	4 764	7 436
November	7 250	12 502	1 462	2 288	5 788	10 214
December	5 508	12 923	1 000	2 505	4 508	10 418
Total	71 419	58 499	15 984	13 964	55 435	44 535

Source: Rosstat.

Detailed mortality data for 2021 will be available only by summer of 2022. According to author's provisionally estimates, expected life expectancy at birth for 2021 to be around 70 years, well below the Rosstat projection (74.3 years in 2021 according to the 2020 medium variant).

## 5.6. Fertility and birth order in Russia by regions: a pandemic impact?<sup>1</sup>

Analysis of fertility trends in the Russian Federation by regions and by children of different birth orders (i.e. first child in the family, second child, etc.) in 2021 is necessary because of the expected impact of the COVID-19 pandemic on birth rate in the previous year. Most births in 2021 reflect reproductive decisions made during the first and second waves of the pandemic, i.e. the period of the “first shock” caused by the spread of the new virus and restrictive measures. Studies show that there was a very strong tendency to postpone childbearing during this period resulted in the decline of birth rate in some countries comparable to the decline after the economic crisis in 2009.<sup>2</sup> However, studies available<sup>3</sup> suggest that the impact of the pandemic on the birth rate may vary significantly across different birth orders: in a number of Western European countries, couples having at least one child were more frequently refusing family expansion plans in the first wave of the pandemic compared to childless couples. This explains the need to consider fertility trends in 2021 separately for children of different birth orders. The need to study interregional differences is associated with a sharp disbalance of Russian regions in the severity of the epidemic process, measured in particular by such an indicator as excess mortality.<sup>4</sup>

On the whole, the 2021 fertility trends in Russia contradicted the assumption that the first waves of the pandemic would result in a significant reduction in the reproductive activity. As shown in *Fig. 28*, the countrywide Total Fertility Rate (TFR) in 2021 remained practically at the level of 2020 (as it was already noted in the previous section).

As for fertility rate of different birth orders, the trends that were observed in the preceding 4-5 years, i.e. a gradual decline in the birth rate of the first and the second child and growth in the birth rate of the third and subsequent children, have continued. As a result, the contribution of third and subsequent children to total fertility continued to grow in 2021 (*Fig. 29*; the contribution is defined as the ratio of the TFR calculated for the third and subsequent children only to the Total Fertility Rate calculated for all children).

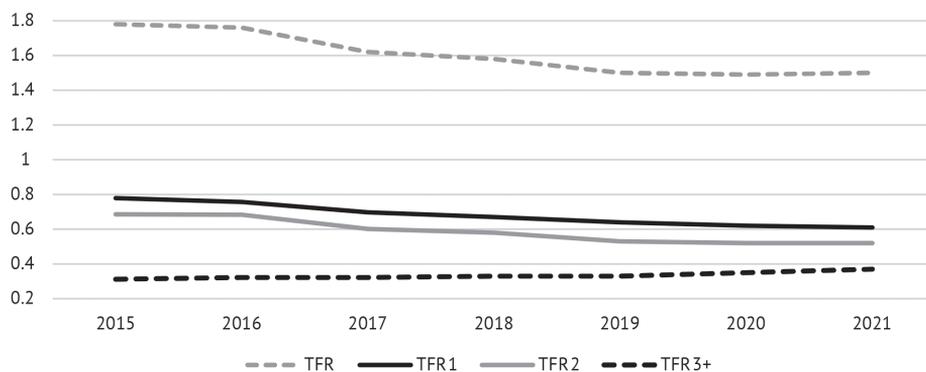
Regional fertility trends in 2021 were also broadly in line with those of previous years. This can be demonstrated by the Spearman rank correlation between the regional fertility rates for 2021 and the average regional TFR for the preceding five years. This correlation coefficient is quite high (0.71) at the 99% of significance value (for certain birth orders it is in the range of 0.6-0.7 at the same significance value).

1 This section was written by: *Kazenin K.I.* Candidate of Philological sciences, Director, Center for Regional Studies and Urbanism, IAES RANEPa, Researcher of the Gaidar Institute.

2 See, e.g. *Sobotka T., Jasilioniene A., Galarza A. A., Zeman K., Nemeth L. & Jdanov D.* Baby bust in the wake of the COVID-19 pandemic? First results from the new STFF data series (Preprint). 2021, March 24. URL: <https://doi.org/10.31235/osf.io/mvy62>

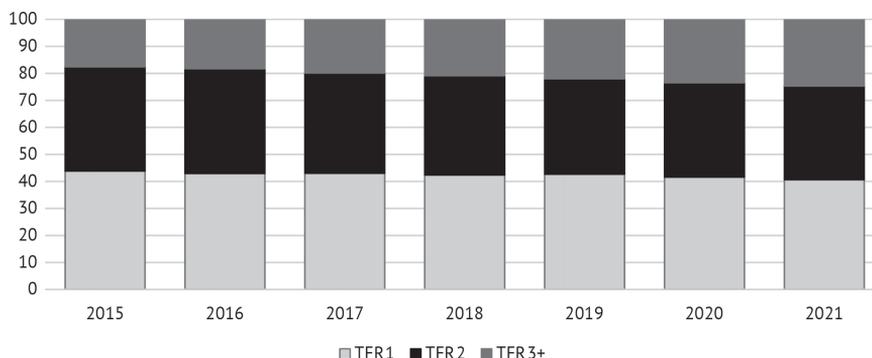
3 *Luppi F., Alpino B. and Rosina A.* The impact of COVID-19 on fertility plans in Italy, Germany, France, Spain and UK. Preprint. 2020. DOI: [10.31235/osf.io/wr9jb](https://doi.org/10.31235/osf.io/wr9jb)

4 *Kobak D.* Excess mortality reveals Covid's true toll in Russia. Significance, 18: 16-19. 2021. URL: <https://doi.org/10.1111/1740-9713.01486>



*Fig. 28. Total fertility rates for all children and by birth orders (children per one woman)*

Source: Rosstat.



*Fig. 29. Contribution of birth orders to Total Fertility Rate, %*

Source: Rosstat estimates

The study of the correlation between regional fertility rates for 2020 and the average values for 2015-2019 is also very similar. This suggests to state that there are no significant “failures” recorded in the fertility dynamics across regions in 2021.

The TFR decreased in 2021 compared to the previous year in 51 regions out of 85 subjects of the Russian Federation. A decline in the first child birth rate in 2021 was observed as in 2020 in more than 3/4 of regions (in 2021 it was recorded in 66 regions and in 73 in 2020). As for the rise in the birth rate of third and subsequent children, it was recorded in 61 regions in 2020 and in 70 regions in 2019. Thus, the contribution of third and subsequent children to the total fertility rate in 2021 increased in most regions: in 76 regions the contribution of third and subsequent children to the TFR increased in 2021 compared to 2020 (an average increase of

1.2 p. p.). Moreover, the positive contribution of third and subsequent children to the total fertility rate has also increased by about 5 p.p. compared to the previous year vs 2020.<sup>1</sup> In other words, the relatively high level of multiple births in 2021 has strengthened its importance as supporting factor of the Total fertility rate continuing its decline in first and second births.

In the context of regions (*Table 10*) the TFR dynamics was varied for all birth orders marked by the most significant decline in the Far East and Volga Federal okrugs. The decline in fertility of first children was observed in every Federal okrug (the largest decline in the Far East and the North Caucasus), while growth in the third and subsequent children was recorded also in every Okrug (maximum in the Volga Federal okrug and minimum in the North Caucasus Federal okrug).

*Table 10*

**Changes in Total Fertility rate (for all children and for children of different birth orders) in 2021 vs 2020 by Federal okrugs, on average, %**

	TFR	TFR1	TFR2	TFR+
CFO	-1.1	-3.8	-0.1	2.8
SFO	0.0	-3.2	0.7	3.8
FEFO	-2.6	-7.2	-2.6	4.7
NWFO	-1.4	-3.7	-1.7	3.4
SFO	-0.2	-0.5	-2.4	3.7
NCFO	-2.1	-5.1	-2.9	1.2
VFO	0.4	-3.0	0.6	6.5
UFO	0.4	-2.8	0.5	5.2

Source: Rosstat estimates.

An assessment of the impact of pandemic on fertility trends in Russian regions in 2021 can be made by examining the dependence between fertility dynamics in a given year and features of the first two pandemic waves across regions.

A preliminary analysis shows that this dependence was not statistically significant. This is evidenced by the results of a regression analysis that examined the dependence of the change in TFR (for all children and for children of certain birth orders) in the regions in 2021 versus 2020 based on various parameters indirectly indicating the extent of the first two pandemic waves in the region. These parameters include:

(1) excess mortality in the region in Q2-4 2020; (2) change in life expectancy in the region in 2020 compared to 2019 according to Rosstat; (3) frequency of pandemic-related search queries in the region in Q2-4 2020 according to Yandex search statistics. The change in fertility in the region did not show any significant association with any of these parameters. This conclusion suggests that fertility in the Russian Federation was not significantly affected by the pandemic in a given

<sup>1</sup> The contribution estimated using the following methodology: Zaman K., E. Beaujon, Z. Brzozowska, and T. Sobotka. Cohort fertility decline in low fertility countries: Decomposition using parity progression ratios, *Demographic Research* 38(25): 2018. C. 651–690.

year along with maintenance of fertility trends in 2021 for children of different birth orders observed earlier.

What might explain this situation, especially in respect of declining fertility in a pandemic in several other countries? To answer this question, factors which might influence the fertility of third and subsequent children are of particular interest, since it has shown, as we have seen, an overall growing “supportive” effect on fertility in 2021. Such factors include, first of all, the subsidy of Rb 450 000 for large families aimed to purchase housing, introduced by the Federal Law of 3 July 2019, as well as a number of state support measures provided to large families as part of mortgage lending.

The continued rise in the birth rate of third and subsequent children even amid pandemic suggests that the outcome expected from these measures has been achieved to some extent. Interestingly, the introduction (Amendment No. 256-FZ) of measures for third and subsequent children in 2020 (primarily maternity capital payments at the birth of the first child), was not able to halt the decline in the birth rate of first children.

The stability of fertility in Russia in 2021 does not mean, however, that the 2022 ongoing pandemic will not have a negative impact on fertility. The fact that fertility reduction from “external shocks” is possible is indicated, in particular, by the results of focus groups conducted by RANEPА in seven Russian regions in May-June 2021. One of the matching points of most focus group participants was the recognition of high risks of parenthood in the unstable socio-economic situation associated with the coronavirus pandemic.

## **5.7. Public health<sup>1</sup>**

In 2021, the Russian public health system continued to operate under extreme overload induced by the spread of the novel coronavirus infection. In many respects, the second year of the pandemic turned out to be harder than the first one. Despite the measures taken to prepare medical institutions and launch of large-scale immunization, Russia failed to achieve a steady decline in losses from COVID-19 and return to pre-pandemic volumes of medical services provision in other public health areas.

The fact that the pandemic turned into a long-term threat has posed new challenges to the public healthcare system. Along with the recovery of regular work of medical institutions, the state faced the need to resume previously postponed sectoral reforms and strategic development programs. After a six-month delay, the program of modernization of primary health care has been launched. New agencies for drug provision – the “Circle of Good” Charity Fund and the Federal Center for Planning and Organization of Drug Provision of Citizens – have started their activities. Work has begun to determine the main parameters of the new industry-specific wage system.

---

1 This section was written by: *Avksentyev N.A.*, Researcher at the Health care economics department, IAES RANEPА; *Sisigina N.N.*, Researcher at the Health care economics department, IAES RANEPА.

### 5.7.1. COVID-19 pandemic

The new coronavirus infection is officially recognized as the main cause of excess mortality. In 2021, COVID-19 became the direct cause of death in Russia in 445,600 cases and had a significant impact on the development of fatal complications of other diseases in 16,000 incidents, which together explains 77.6% of excess mortality. Total excess mortality rose to 595,100. By comparison, the number of excess deaths in 2020 amounted to 274,000, of which COVID-19 acted as the primary or indirect cause of death in 41.8% of cases (Fig. 30). The elderly (60–65+ years) account for 80–85% of the total number of deaths.<sup>1</sup>

The increase in COVID-19 mortality relative to 2020 is due to a number of reasons. Firstly, the impact of the pandemic was felt across the entire country during the entire year, by contrast with its effects the previous year. Secondly, at least some new strains of the virus were marked by higher rates of contagiousness and lethality. Previously developed methods of treatment and prevention were also less effective for the new strains. Thirdly, the protracted nature of the pandemic made strict lockdown measures impossible, which greatly reduced the population's willingness to comply with personal restrictions, thus creating a favorable environment for the spread of the virus.

A spike in the share of new coronavirus infections in the structure of excess mortality from 41.8% to 77.6% can also be explained by changes in formal approaches to recording cause of death. In July 2021, the Russian Ministry of Health issued updated methodological guidelines for coding and initial cause selection in COVID-19 related mortality statistics, directly establishing the priority of the new coronavirus infection over chronic diseases as the main cause of death.<sup>2</sup> This decision brought the Russian COVID-19-related mortality registration policy

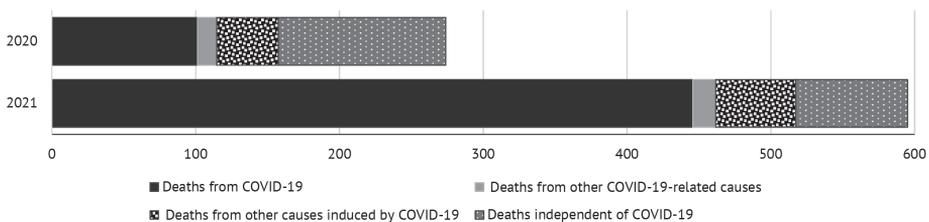


Fig. 30. The share of COVID-19 in excess mortality of the Russian population compared to the average five-year pre-pandemic level, thousand cases

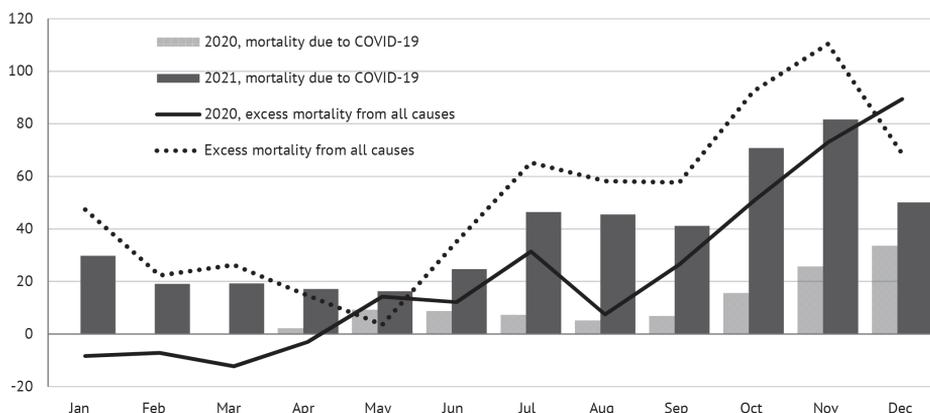
Sources: Rosstat data, own calculations.

- 1 Anna Popova named the share of the elderly among those who died from COVID-19 in Russia // RBC, 28.08.2020. – URL: <https://www.rbc.ru/society/28/08/2020/5f48b3699a79475c8481cdb4>  
The share of the elderly among those who died from coronavirus in Moscow comes to 86% // RT in Russian, 20.10.2021. – URL: <https://russian.rt.com/russia/news/919378-moskva-kovid-mer>  
Over 85% of those who died from coronavirus in the Perm Region since the beginning of the year are residents over 60 years old // Business Class, 11.10.2021. URL: <https://www.business-class.su/news/2021/10/11/bolee-85-umershih-s-nachala-goda-ot-koronavirusa-v-permskom-krae-zhiteli-starshe-60-let>
- 2 Methodological recommendations on coding and selection of the underlying condition in morbidity statistics and the initial cause in mortality statistics related to COVID-19. Version 2 of

closer to foreign practice, but made direct year-on-year comparison of mortality rates more difficult.

Mass immunization in Russia commenced in January 2021, but has been slow for a long time due to insufficient roll out of vaccines and low public interest. As of the end of June, only 11.5% of citizens had received both doses of the vaccine.<sup>1</sup> The resolution of roll out issues and the imposition of mandatory immunization for certain categories of Russian Federation citizens accelerated this process. However the target coverage level (60% of the adult population<sup>2</sup>) remained unachieved. At the end of November, the percentage of the population that was fully vaccinated was estimated at 38%, which was in line with the world average (43%) but remained well below the level of developed countries (67%)<sup>3</sup>. A noticeable decline in COVID-19 mortality and excess mortality in general commenced only in December, however it remains unknown whether this was due to increased collective immunity, the spread of a less dangerous omicron type or the end of the next pandemic wave, and how sustainable the reduction will be (Fig. 31).

Experts explain the excess of the total number of excess deaths of the recorded COVID-19 mortality by errors in recording the cause of death (deaths from COVID-19 attributed to other causes), the long-term consequences of COVID-19 (deaths from chronic diseases whose progression was provoked by COVID-19) and



*Fig. 31.* Mortality rate dynamic in 2020–2021 from COVID-19 and excessive mortality compared to the average five-year pre-pandemic rate, thousand cases

Sources: Rosstat data, own calculations.

02.07.2021 / Public Health Ministry of Russia, 2021. URL: [https://static-0.minzdrav.gov.ru/system/attachments/attach/000/057/366/original/020702021\\_MR\\_COD\\_v2.pdf](https://static-0.minzdrav.gov.ru/system/attachments/attach/000/057/366/original/020702021_MR_COD_v2.pdf)

1 11.5% of Russians were fully vaccinated against COVID // Interfax, 29.06.2021. URL: <https://www.interfax.ru/russia/774408>

2 *Tatiana Golikova* gave the required vaccination rate against coronavirus in Russia // RIA Novosti, 18.01.2021. URL: <https://ria.ru/20210118/vaktsinatsiya-1593520292.html>

3 46 Russia Economic Report. December 2021 // The World bank, 01.12.2021. URL: <https://documents1.worldbank.org/curated/en/099050011302118976/pdf/P17756206d40310aa0a5e109d6fa60bc55a.pdf>

the indirect impact of the pandemic (deaths owing to reduced access to medical care and/or overall quality of life). Abnormally hot weather in Central Russia in the summer could have been another external factor in excess mortality in 2021, but its contribution is less significant (up to 10,000 deaths according to expert estimates).<sup>1</sup>

Restoring access to medical services will play a key role in reducing excess mortality not directly related to COVID-19. According to the data of the Federal Mandatory Health Insurance Fund (FMHIF) for the first nine months of 2021, the mandatory health insurance (MHI) system did not yet return to the 2019 planned medical assistance volumes, while most subjects recorded an increase in emergency hospitalizations.<sup>2</sup> The exception is oncological assistance, the volumes of which continued to grow in 2020-2021 due to the receipt of additional funding as part of a specialized federal project and the refusal to reassign cancer hospitals to care for coronavirus patients.<sup>3</sup> As a result, oncological diseases became one of the few wide-scale causes of death, for which a steady decrease in the number of deaths was recorded both years.<sup>4</sup> The positive experience with the development of cancer services during the pandemic highlights the need for a thorough analysis of the risks and benefits of applying restrictions to routine care.

The decentralization of decision-making on the introduction of restrictions on the provision of medical care was an important step in comparison with the first year of the pandemic. The federal regime of non-working days was established for short periods (3 days in May<sup>5</sup> and November<sup>6</sup>) and did not play a significant role in reducing the availability of medical care. The Russian government refused to adopt an open-ended resolution regulating the specifics of the implementation of the basic MHI program amid the threat of the spread of diseases caused by the novel coronavirus infection.<sup>7</sup> A similar resolution, adopted in 2020, ceased to be effective on January 1, 2021,<sup>8</sup> which allowed the subjects of the Russian

- 1 Sokolov A. The mortality rate in Russia over the past year has become a record since the war // *Vedomosti*, 30.11.2021. – URL: <https://www.vedomosti.ru/society/articles/2021/11/29/898151-umershih-antirekord>
- 2 *Beskaravainaya T.* FFMHI reported a spike in the rate of emergency hospitalizations in a number of regions // *Medvestnik*, 08.12.2021. URL: <https://medvestnik.ru/content/news/FOMS-soobshilo-znaMHI-mom-roste-doli-ekstrennyh-gospitalizacii-v-ryade-regionov.html>
- 3 *Pogontseva E.* FFMHI recorded an increase in the volume of assistance to cancer patients / *Medvestnik*, 27.11.2020. – URL: <https://medvestnik.ru/content/news/FOMS-zafiksiroval-rost-obemov-pomoshi-onkopacientam.html>
- 4 Mortality rate from cancer in Russia has decreased by 3.9% // *TASS*, 27.10.2021. URL: <https://tass.ru/obschestvo/12779731>  
Mikhail Murashko: mortality rate from oncological diseases has dropped in Russia by 1.5% in 2020 // *TACC*, 07.04.2021. URL: <https://tass.ru/obschestvo/11089111>
- 5 Executive Order of the Russian President of 23.04.2021 No. 242 “On the establishment of non-working days on the territory of the Russian Federation in May 2021.”
- 6 Executive Order of the Russian President of 20.10.2021 No. 595 “On the establishment of non-working days in the territory of the Russian Federation in October - November 2021.”
- 7 RF Government Draft Decree “On the specifics of the implementation of the basic program of mandatory health insurance against the backdrop of the threat of the spread of diseases caused by the new coronavirus infection” // Federal portal of draft regulatory legal acts, 10.02.2021. – URL: <https://regulation.gov.ru/projects#>
- 8 RF Government Decree of 03.04.2020 No. 432 “On the specifics of the implementation of the basic program of mandatory health insurance amid the threat of the spread of diseases caused by the new coronavirus infection.”

Federation to independently determine the composition and duration of restrictive measures. Depending on the level of epidemiological danger, regions could restrict only preventive examinations and clinical examinations (for example, the Omsk region<sup>1</sup>), hospitalization of patients without confirmed immunity to the new coronavirus infection (for example, Moscow<sup>2</sup>) or the provision of routine medical care in general, except for assistance for certain particularly dangerous diseases (for example, the Bryansk region<sup>3</sup>).

The absence or relative softness of formal restrictions on the provision of planned medical care did not always mean its actual availability. In most subjects of the Russian Federation, the availability of medical services actually remained below the pre-pandemic level due to complete or partial reassignment of hospitals to coronavirus ones (at the peak of the incidence of COVID-19 in October 2021 – up to 30% of the bed stock<sup>4</sup>), as well as self-restrictions of patients who feared going to outpatient clinics due to the threat of infection. The cumulative scale of the reduction in routine medical care and their long-term consequences remain unknown.

#### 5.7.2. The mandatory health insurance system

The new expenditure commitments of the MHI system arising from the COVID-19 pandemic led to a temporary imbalance of territorial MHI programs. In accordance with the approved features of the implementation of the basic MHI program, the expenses of the territorial MHI funds in 2020–2021 went up due to the inclusion in the program of new types of case – laboratory tests aimed at confirming the diagnosis of the new coronavirus infection (from April 2020), and in-depth medical examination for citizens who had had the new coronavirus infection (from July 2021), as well as growth in for acute respiratory diseases provided in accordance with the population needs.<sup>5</sup> It should be noted that the rates for COVID-19 treatment were set at a relatively high level and significantly exceeded the basic financial standard per case of hospitalization.<sup>6</sup> These

1 Order of the Governor of the Omsk region of 29.10.2021 No. 137-p “On the amendments in the order of the Governor of the Omsk region of March 17, 2020 No. 19-p.”

2 Order of the Moscow Department of Health No. 541 “On planned hospitalization of the adult population in inpatient medical institutions of the state healthcare system of the city of Moscow during the period of increased incidence of the new coronavirus infection COVID-19.”

3 Order of the Bryansk region Department of Health of 25.06.2021 No. 587 “On amendments in the order of the department of health of 24.06.2021 No. 581 “On the organization of preventive medical examinations and medical examinations, planned medical care in medical institutions during the rise in the incidence of the new coronavirus infection in the territory of the Bryansk region.”

4 Mikhail Murashko: a medical worker is the most expensive resource in the healthcare system / Ministry of Health of Russia, 16.12.2021. URL: <https://minzdrav.gov.ru/news/2021/12/16/18016-mikhail-murashko-meditsinskiy-rabotnik-yavlyaetsya-samym-dorogim-resursom-v-sisteme-zdravoohraneniya>

5 RF Government Decree of 03.04.2020 No. 432 “On the implementation features of the basic program of mandatory health insurance amid the threat of the spread of diseases caused by the new coronavirus infection.” The Decree of the Government of the Russian Federation No. 2299 of December 28, 2020 “On the program of state guarantees of free medical care for citizens for 2021 and for the planning period of 2022 and 2023.”

6 Authorities have revealed the average cost of treating a patient with COVID-19// RIA Novosti, 25.08.2021. URL: <https://ria.ru/20210825/koronavirus-1747140068.html>

expenses could not be compensated by redistribution of funds from other areas, because peculiarities of implementation of the basic MHI program simultaneously guaranteed that medical institutions would receive the full amount of planned financial support, regardless of the actual provision of medical services.

The regular source of financing additional expenses related to COVID-19 treatment is not defined by the law. In 2020-2021, these expenditures were covered by transfers from the Reserve Fund of the Government of the Russian Federation to the budgets of the subjects of the Russian Federation, the total amount of which in 2020 reached Rb378.2 billion,<sup>1</sup> and for the first eleven months of 2021 – Rb195.1 billion.<sup>2</sup> According to the explanatory note to the draft program of state guarantees of free medical care provision for Russian citizens, the mixed model of financing “coronavirus” expenses is planned to be maintained in 2022.<sup>3</sup>

Against the background of the increased burden on the budget of the MHI system, federal regulators continued to fight against unplanned expenses for medical care. Regarding the care provided by medical institutions of a subject of the Federation in excess of the allocated planned volumes, the relevant norm was approved by the Ministry of Health of Russia as part of the updated procedure for monitoring the volume, timing, quality and conditions of medical care under MHI to the insured persons, as well as its financial support. As follows from the name of the new document, the control objectives were supplemented by checking the compliance of the cost of rendered medical care with the amount of financial support of the volume of medical care, allocated to a particular medical institution. Submission for payment of medical care in excess of the allocated volume or financial provision officially became a violation of billing and grounds for refusal to pay for medical care (codes 1.6.2 and 1.6.3).<sup>4</sup> Similar changes were made to the Rules of the mandatory health insurance (MHI).<sup>5</sup>

Despite the formal approval of the ban, judicial practice remains inconsistent due to the ongoing conflict between the newly adopted orders and the inadmissibility of denial of medical assistance established by Article 11 323-FZ and Part 5 of Article 15 326-FZ. In particular, in November-December 2021 alone, the Supreme Court of the Russian Federation issued opposite decisions on two similar complaints. In November 2021, the Supreme Court reconsidered its earlier decision to deny exemption from payment for over-the counter care on the

1 Operational report on the execution of the federal budget and budgets of state extra-budgetary funds for January-December 2020 / Accounting Chamber, 24.02.2021. URL: <https://ach.gov.ru/audit/oper-2020>

2 *Beskaravainaya T.* Insurers provided data on regions with a high deficit of funds in the mandatory health insurance system // Medvestnik, 29.11.2021. URL: <https://medvestnik.ru/content/news/Strahovshiki-predstavili-dannye-o-regionah-s-vysokim-deficitom-sredstv-v-sisteme-OMS.html>

3 RF Government Draft Decree “On the program of state guarantees of free medical care to citizens for 2022 and for the planning period of 2023 and 2024” / Federal portal of draft regulatory legal acts, 08.09.2021. URL: <https://regulation.gov.ru/projects#npa=120119>

4 Order of the Health Ministry of Russia of 19.03.2021 No. 231H “On approval of the Procedure for monitoring the volume, timeline, quality and conditions of medical care provision for mandatory health insurance to insured persons, as well as its financial support.”

5 Order of the Health Ministry of Russia of 26.03.2021 No. 254H “On amendments to the rules of mandatory health insurance approved by Order No. 108n of the Ministry of Health of the Russian Federation dated February 28, 2019.”

complaint of the Krasnodar Krai MHI Fund, confirming that the inclusion of such case in the bills for payment was a violation in the way the bills had been drawn up.<sup>1</sup> In December 2021, a similar complaint of the Moscow region MHI territorial fund was denied.<sup>2</sup>

The requirements for compliance with the planned volume allocation cannot be applied to medical institutions operating in the territory of other subjects of the Russian Federation. Payment for care provided outside the insurance territory is proposed to be limited to cases where care was provided by referral from a medical institution of permanent attachment. This position is presented in a letter from the Federal MHI Fund, based on earlier court decisions.<sup>3</sup> The proposed norm has not yet been codified by law. An exception is the provision of oncological care, the new procedure for the provision of which, approved in 2021, directly secures the right of a subject of the Russian Federation not to pay for care provided outside the approved routing system.<sup>4</sup>

Most of the other discussed measures aimed at improving the organization of MHI did not reach the stage of normative registration. Among the announced projects, the most interesting is the development by the Federal MHI Fund of criteria for the distribution of volumes of medical care between medical institutions participating in the implementation of the territorial MHI program.<sup>5</sup> For several years, the professional community has been proposing the transition to the distribution of volumes based on objective criteria in order to create real competition between medical institutions, including private institutions. Public ratings of the quality of work of medical institutions<sup>6</sup> and insurance medical organizations,<sup>7</sup> proposals for the introduction of which have also been voiced by the Federal MHI Fund this year, may become an additional factor in increasing competition in the field of mandatory health insurance.

### 5.7.3. Inventory and logistics support of the public health system

The launch of the primary care modernization program was a mega event in the field of health care logistics. According to the original plan, the program

---

1 Assessment of the Investigative Committee on Economic Disputes of the Supreme Court of the Russian Federation of 11.11.2021 No. 308-ЭС21-5947 relevant to the case No. А32-20379/2020.

2 Ruling of the High Court of Russia of 26.11.2021 No. 305-ЭС21-22045 relevant to the case No. А41-51160/2020.

3 Letter of the Federal MHI Fund of September 8, 2021 No. 00-10-30-2-06/5050 "On the reasons for non-payment of bills by the mandatory health insurance territorial funds at the place of registration of mandatory health insurance policies for specialized medical care provided to insured persons in the planned form by medical institutions of the Moscow region."

4 Order of the Health Ministry of Russia of February 19, 2021 No. 116н "On approval of the Procedure for providing medical care to adults with oncological diseases."

5 The time of arrival of the ambulance and the complaints of patients will be the criteria for the distribution of MHI funds // TASS, 08.07.2021. URL: <https://tass.ru/obschestvo/11851089>

6 Draft order of the Health Ministry of Russia "On approval of the Procedure for informing insured persons about detected violations in the provision of medical care in accordance with the territorial program of mandatory health insurance" / Federal portal of draft regulatory legal acts, 23.03.2021. URL: <https://regulation.gov.ru/projects#npa=114356>

7 The XIV All-Russian scientific and practical conference with international participation "Medicine and quality – 2021" was held in Moscow // Federal Service for Surveillance in Healthcare, 08.12.2021. URL: <https://roszdravnadzor.gov.ru/news/27475>

should have started as early as mid-2020, but at that time the burden on the health care system was too high to implement a new large-scale project. The resulting pause was used to update the plan of program activities by taking into account the newly identified requirements for the organization of primary health care.

The ultimate goal of the program is to ensure that the state network of first-level outpatient clinics and hospitals meets modern requirements for the provision of medical care, including requirements for the condition of buildings and premises, accessibility of medical institutions to the population and their equipment. According to the approved program certificate, Rb550 billion were supposed to be allocated for these purposes over 5 years.<sup>1</sup> At the end of the year, it was decided to raise the program budget due to an increase in the cost of construction materials and services, an increase in inflation rates and an acceleration in the pace of implementation of the program. New funding volumes will be determined in early 2022.<sup>2</sup>

The budget of the first year of the program implementation amounted to Rb100 billion, of which Rb90 billion were allocated from the federal budget and Rb10 billion from the budgets of the subjects of the Russian Federation. As of the beginning of December, Rb50.2 billion had been spent from the federal budget and Rb75 billion had been contracted. The reassessment of the regional programs' steps in the middle of the year, the increase in prices for construction materials and equipment and the problems of conducting tendering procedures were the main reasons for the delay.<sup>3</sup> Nevertheless, most of the planned steps have been completed or are underway. As of the first half of December 2021, the construction of 91 new healthcare facilities (of which 16 facilities have been licensed), complete overhaul of 691 facilities, delivery of 219 modular paramedic and obstetric centers and outpatient clinics, purchase of 21.5 thousand pieces of equipment and 7 thousand automobiles were fully completed.<sup>4</sup>

As of the first year-end results of the program's implementation, its priority was expanded. The Government of the Russian Federation was instructed to include the program in the national project "Healthcare" with the corresponding acceleration of the implementation of the main measures. Furthermore, the primary healthcare modernization program will be the first sectoral strategic development program for which a target indicator of public satisfaction with the quality of medical care will be set.<sup>5</sup>

---

1 Order of the Health Ministry of Russia of December 24, 2020 No. 1365 "On the approval of the departmental target program "Modernization of primary healthcare of the Russian Federation."

2 List of instructions following the meeting of the Council for Strategic Development and National Projects / President of the Russian Federation, 15.01.2022. URL: <http://kremlin.ru/acts/assignments/orders/67600>

3 Galina Karelova held a meeting of the Council on regional healthcare / The Council of Federation of Federal Assembly of the Russian Federation, 16.12.2021. URL: <http://council.gov.ru/events/news/131989/>

4 Meeting of the Council for Strategic Development and National Projects / President of the Russian Federation, 15.12.2021. URL: <http://kremlin.ru/events/councils/67366>

5 List of instructions based on the results of the meeting of the Council for Strategic Development and National Projects / President of the Russian Federation, 15.01.2022. URL: <http://kremlin.ru/acts/assignments/orders/67600>

#### 5.7.4. Staffing

The loss of medical personnel has been the most severe outcome of the pandemic for the public health system. More than 1,500 doctors died directly from COVID-19 in the first year and a half of the pandemic.<sup>1</sup> Many public health workers have left the industry due to an increased risk of COVID-19 infection or professional burnout from working under difficult conditions. Official data on the dynamics of the number of doctors and nurses are not yet available, however, it is known that the current balance of inflow to the industry in 2021 was negative.<sup>2</sup>

In the long run, the problem of staff shortage in public health care is planned to be resolved by expanding targeted training. In 2021, the number of target places in medical universities was again increased. In the specialties “Medical care” and “Pediatrics” their share was brought to 70–75%, and in the scarcest specialties of medical residency – up to 100%.<sup>3</sup> Nevertheless, even in case of successful training the targeted students will replenish the personnel reserve of public health system only after 6–8 years. In the coming years, the priority task of staffing is to retain the medical personnel working in the public sector and return the specialists who previously moved to work in private medical institutions or related industries. For this purpose, it is planned to provide a satisfactory level of income for employees of public health institutions and offer them other measures of social support. A key role in increasing the attractiveness of public health care is assigned to the new sectoral wage system (SWS).

The idea of federal regulation of health care workers’ wages first sounded in 2019 after mass protests by doctors in state hospitals induced by low wages. At that time, the Ministry of Health of Russia proposed that the idea be limited to establishing minimum values for the proportion of salaries in the wage structure and the ratio of wages of certain categories of medical workers to the average for the economy of the region.<sup>4</sup> Later, the requirements for the SWS were expanded. Instead of fixing minimum wage guarantees, it was proposed to establish uniform rules for calculating wages ensuring comparable remuneration for employees performing the same work duties. It was assumed that uniform rules would eliminate the possibility of setting unacceptably low wages and prevent an uncontrolled outflow of medical workers to the wealthier regions.

In October 2021, the main parameters of the sectoral wage system (SWS) were presented for public discussion.<sup>5</sup> The published draft retained the central

1 In Russia, 1,100 doctors died from COVID in H1 2021 // Interfax, 19.10.2021. URL: <https://www.interfax.ru/russia/798128>

2 Tatiana Golikova fears doctors leaving the profession due to burnout during the pandemic // TASS, 27.10.2021. URL: <https://tass.ru/obschestvo/12781091>

3 RF Government Edict of November 23, 2021 No. 3303-p “On admission quotas for targeted training in universities for 2022.”

4 Meeting on the modernization of primary health care / President of the Russian Federation, 20.08.2019. URL: <http://kremlin.ru/events/president/transcripts/61340>

5 RF Government Draft Decree “On approval of the size of the calculated value, groups of posts of medical workers of state and municipal healthcare institutions for the establishment of official wages, regional coefficients and methods of their calculation, labor complexity coefficients, a single list of compensatory payments, a single list of incentive payments, the size and conditions of compensatory and incentive payments for the purposes of the pilot project” // Federal portal of draft regulatory legal acts

idea of the SWS: a single formula for calculating wages based on a consensus calculation value approved at the federal level, according to the minimum wage, labor complexity coefficients (job groups) and regional economic development, and lists of compensation and incentive payments. Meanwhile, a number of previously discussed elements that were deemed too complicated or expensive to implement at this stage of the reform were excluded from the draft.

In particular, the project's sponsors abandoned the idea of equalizing basic salaries between the subjects of the Russian Federation by introducing into the formula for calculating the basic salary a coefficient of regional economic development, calculated on the basis of the median salary in the subject of the Russian Federation. Consequently, the SWS retains the regional salary differentiation and the associated risk of internal migration of specialists, but seeks to reduce its magnitude. In the document presented for discussion, the coefficients of regional economic development are given only for 7 subjects of the Russian Federation – participants of the pilot project, among which they range from 1.00 (Kurgan region) to 1.38 (Belgorod region, Sevastopol).<sup>1</sup>

The reform drafters also refused significantly to increase the overall level of wages in order to avoid the emergence of a new inequality between the salaries of public sector employees in various industries. The minimum wage was chosen as the starting point instead of the two-fold minimum wage proposed by the trade union.<sup>2</sup>

The coordination of the details of the SWS is ongoing. The original schedule for the pilot project to implement the new pay system was to begin in November 2021, later in December 2021 and finally in July 2022. Updated pilot project parameters were to be agreed upon by April 30, 2022.<sup>3</sup> Potential reasons for the delay are the inability to conduct a pilot project given high incidence of COVID-19 and the need for additional funding.<sup>4</sup>

Projects for the introduction of federal social guarantees for medical workers, similar to those established for a number of other professional categories of citizens (in particular, priority provision of places in kindergartens and schools, vouchers for sanatorium treatment), did not receive the approval by the Government of the

---

1 RF Government Draft Decree "On approval of the size of the calculated value, groups of positions of medical workers of state and municipal healthcare institutions for the establishment of official salaries, regional coefficients and methods of their calculation, labor complexity coefficients, a single list of compensatory payments, a single list of incentive payments, the size and conditions of compensatory and incentive payments for the purposes of the pilot project" // Federal portal of draft regulatory legal acts, 09.10.2021. URL: <https://regulation.gov.ru/>

2 *Mainulova A.* Salaries for health // *Kommersant*, 09.10.2021. URL: <https://www.kommersant.ru/doc/5027750>

*Beskaravainaya T.* The Ministry of Labor explained the refusal of a noticeable increase in salaries of medical workers in the pilot regions // *Medvestnik*, 20.10.2021. URL: <https://medvestnik.ru/content/news/Mintrud-obyasnil-otkaz-ot-zametnogo-rosta-zarplat-medrabotnikov-v-pilotnyh-regionah.html>

3 Decree of the Government of the Russian Federation of 30.11.2021 No. 2144 "On amendments to the Decree of the Government of the Russian Federation of June 1, 2021."

4 *Gurianov S.* Delay payment: when doctors will get higher wages // *Izvestia*, 16.12.2021. URL: <https://iz.ru/1265020/sergei-gurianov/prosrochka-platezha-kogda-medikam-povyssi-zarplaty>

Russian Federation.<sup>1</sup> Subjects of the Russian Federation were recommended to develop their own programs of additional support for medical workers.<sup>2</sup>

#### 5.7.5. Drug provision of the population

In 2021, there were several significant changes in the field of drug provision for Russian citizens. Firstly, the Federal budget institution “The Federal Center for Planning and Organization of Drug Provision for Citizens” of the Ministry of Health of the Russian Federation (hereinafter referred to as FKU FTSPiLO) began full operations. Its main task is to organize and conduct procurement of medicines paid from the federal budget within the framework of various state programs of preferential drug provision.<sup>3</sup> In 2021, the institution procured medicines for the 14 Nosologies Program (NP) to the tune of Rb16 billion, drugs for antiretroviral therapy (ART) for people living with HIV for Rb35.6 billion, anti-tuberculosis drugs for Rb3 billion, immune-prophylactic drugs for Rb19.6 billion, drugs (including unregistered in Russia) for the treatment of patients with the new coronavirus infection for Rb8.9 billion, drugs for the patients of the “Circle of Good” fund for Rb27.4 billion.<sup>4</sup>

In theory, the main advantages of centralized procurement are lower prices due to higher market power of a single buyer, reduced administrative costs, and increased transparency of the procurement process. The arguments for decentralized procurement are better awareness of the needs of the end consumer at the regional level, higher flexibility of procurement, possible reduction of the risk of corruption due to the centralized choice of a single (not the most effective) supplier.<sup>5</sup>

The choice of the optimal method of procurement significantly depends on the characteristics of the purchased goods and services. The drug market is marked by a high degree of standardization, in some cases, due to patent protection, there is only one supplier. Therefore, the centralization of the drug procurement process by the FKU of the Federal Drug Control Service has led to positive effects than to the corresponding risks realization. As of the beginning of 2022, there were 12 long-term contracts (two- and three-year) for the purchase of ART, anti-tuberculosis drugs and drugs from the list of the 14 Nosologies Program<sup>6</sup> concluded by the institution.<sup>7</sup> Within the framework of such agreements, it turned

1 Draft law No. 1173861-7 “On amendments to the Federal law ‘On the fundamentals of public health protection in the Russian Federation’” // Legislative support system, 18.10.2021. URL: <https://sozd.duma.gov.ru/bill/1173861-7>

2 Meeting of the Council for Strategic Development and National Projects //President of the Russian Federation, 15.12.2021. URL: <http://www.kremlin.ru/events/president/news/67366>

3 About us / Federal Budget Institution “Federal Center for Planning and Organization of Drug Provision of Citizens.” URL: [https://fcpilo.minzdrav.gov.ru/?page\\_id=6](https://fcpilo.minzdrav.gov.ru/?page_id=6)

4 Information on concluded government contracts for 30.12.2021 / Federal Budget Institution “Federal Center for Planning and Organization of Drug Provision of Citizens.” URL: <https://fcpilo.minzdrav.gov.ru/?p=315>

5 OECD (2000), “Centralised and Decentralised Public Procurement”, SIGMA Papers, No. 29, OECD Publishing, Paris, <https://doi.org/10.1787/5kml60w5dxx1-en>.

6 14 Nosologies Program is a program of preferential provision in outpatient settings for patients suffering from twelve rare and high-cost nosologies. The list of such nosologies is defined by the Federal Law of 21.11.2011 No. 23-FZ “On the foundations of public health protection.”

7 The state of procurement for the Circle of Good Fund as of 23.12.2021 / Federal Budget Institution “Federal Center for Planning and Organization of Drug Provision of Citizens.” URL: <https://>

out to be possible significantly to reduce the price (for example, in the case of natalizumab, a 10% reduction in cost has been achieved). Thus, the transition to procurement by the FKU of the Federal Target Program allowed saving federal budget funds. In addition, the institution publishes a large number of reporting and analytical materials on procurement, which improves the openness of data and expands opportunities for their public analysis. In the future, this potential can be used for centralized procurement of medicines financed by the subjects of the Russian Federation, for example, as part of the orphan program.

Secondly, in 2021, the system of preferential drug provision in Russia was markedly expanded by setting up a Fund to support children with severe, life-threatening and chronic diseases, including rare (orphan) diseases the “Circle of Good”,<sup>1</sup> which removed responsibility for the procurement of medicines for sick children from the regions. The financial support of the Fund’s activities is carried by the federal budget, formed from the application of the personal income tax rate increased by 2 p.p. on the incomes of citizens over Rb5 million per year. As of the end of 2021, the list of nosologies for which drugs are purchased within the framework of the Fund’s activities contained 44 items,<sup>2</sup> the list of medicines – 40 medicines.<sup>3</sup> At the same time, it is important to note that one of the advantages of the Fund is the possibility of purchasing unregistered medicines (the so-called “Procurement List No. 2”, as of the end of 2021 contained 25 items), which expedites patients’ access to new drugs without waiting for the end of a long registration process.

According to the analytical materials of the FKU FTSPILO, Rb27.4 billion worth of medicines were purchased to provide for 1,469 patients, including: 1,039 children with spinal muscular atrophy, 169 children with Duchene muscular dystrophy, 125 children with cystic fibrosis.<sup>4</sup> It is worth noting that the transfer of responsibility for providing for such patients from the regional to the federal level allowed for a significant increase in the availability of the necessary therapy and also opened up opportunities for optimizing budget expenditures due to the centralization of purchases: according to the analytical materials of the FKU FTSPILO, as of July 20, 2021, such savings amounted to about Rb1.5 billion.<sup>5</sup>

---

[fcpilo.minzdrav.gov.ru/wp-content/uploads/2021/12/Состояние-закупок-по-Фонду-Круг-Добра-на-23.12.2021.xlsx](https://fcpilo.minzdrav.gov.ru/wp-content/uploads/2021/12/Состояние-закупок-по-Фонду-Круг-Добра-на-23.12.2021.xlsx)

- 1 Order of the President of the Russian Federation of 05.01.2021 No. 16 “On the creation of a Fund to support children with severe life-threatening and chronic diseases, including rare (orphan) diseases, “Circle of Good.”
- 2 List of diseases / the “Circle of Good.” URL: <https://фондкругдобра.рф/перечни/перечень-заболеваний/>
- 3 List for procurement / the “Circle of Good.” URL: <https://фондкругдобра.рф/перечни/перечень-для-закупок/>
- 4 The state of procurement for the “Circle of Good” fund as of 23.12.2021 / Federal budget institution “Federal Center for Planning and Organization of Drug Provision for Citizens.” URL: <https://fcpilo.minzdrav.gov.ru/wp-content/uploads/2021/12/Состояние-закупок-по-Фонду-Круг-Добра-на-23.12.2021.xlsx>
- 5 Statistics on providing patients for the “Circle of Good” fund as of 20.07.2021 / Federal budget institution “Federal Center for Planning and Organization of Drug Provision for Citizens.” URL: <https://fcpilo.minzdrav.gov.ru/wp-content/uploads/2021/07/Статистика-по-обеспечению-пациентов-по-фонду-Круг-добра-на-20.07.2021.pptx>

Currently, the most significant bottlenecks are the uncertainty of the fate of the Fund's patients reaching the age of 18, as well as the lack of public guarantees of drug provision within the framework of the Fund's activities, guarantees of long-term funding from the federal budget, as well as the lack of a clearly defined role and place of the Fund in the system of preferential drug provision for Russian citizens.

Thirdly, summing up the results of 2021, we can mention the federal program for providing expensive medicinal products – the 14 Nosologies Program. For many years, the program has functioned well: the presence of a federal register of patients, a transparent procedure for including new drugs in the program list, and guarantees of federal funding have significantly increased the availability of necessary medicines. However, the expansion of the program over the past few years due to new nosologies (from the List of 24) and new drugs has led to an imbalance of the program: according to the All-Russian Union of Patients, in 2021 the deficit of financing of the program, taking into account the current need for drugs, amounted to Rb10 billion, according to the expert Council on healthcare of the Federation Council – Rb20 billion.<sup>1</sup> Possible ways out of this situation (in addition to additional financing of the program) may be:

- introduction of the risk-sharing agreements with suppliers of medicines. In such agreements, it is possible to separate both the risks associated with the insufficient effectiveness of medicines (the supplier receives payment for the medicine used by a particular patient only if a certain effect of treatment is achieved) and the risks associated with exceeding the number of recipients (the state guarantees the purchase of a certain number of patients, if there are more of them, the manufacturer supplies an additional volume at its own expense). Currently, we are aware of the proposals of a number of manufacturers to conclude such agreements, but no corresponding contracts have been issued at the federal level yet;
- checking the relevance and compliance of the current list of drugs with the logic of the program – to date, many drugs in the program have significantly fallen in price, and are no longer expensive. Nevertheless, new drugs have become available, characterized by a high price and prescribed for those patients who do not fit the old treatment options. Such drugs are now purchased by the regions – as a result, in some cases, the Federation buys cheap medicines, and the subjects of the Russian Federation purchase expensive ones, which does not correspond to the original idea of creating a Nosologies Program;
- using the possibility of redistributing funds between different programs of preferential drug provision, such as federal programs for supplying expensive medicines and providing necessary medicines, the basic program of mandatory medical insurance, and the program for regional benefits. Often manufacturers are ready to offer a discount when the drug

---

<sup>1</sup> The State Duma will consider the possibility of increasing funding 14 Nosologies Program / Vademecum, 15.04.2021. URL: <https://vademec.ru/news/2021/04/15/v-gosdume-rassmotryat-vozmozhnost-velicheniya-finansirovaniya-14-vzn/>

is included in the Nosologies Program, as a result of which the expenses of the budget system of the Russian Federation can be reduced. However, to do this, it is necessary to finance the program itself, for which it is important to develop a mechanism for “moving” funds between different channels of drug provision.

## 5.8. Education system in 2021<sup>1</sup>

In 2021, in the Russian education system the following main processes were underway:

- Ongoing adaptability of all levels of education to the coronavirus pandemic which contrary to expectations did not end up in 2020;
- Elaboration by the RF Ministry of Education and the RF Ministry of Education and Science of short-term and long-term measures for the RF Government’s Economic Development Strategy (hereinafter, EDS), addressing the challenges which are going to have an impact (or already have an impact) on the evolution of education in the near future;
- Selection of 106 higher educational establishments for the “Priority 2030” program, which pursues its own goals, apart from a set of measures specified in EDS.

### 5.8.1. The coronavirus pandemic and the development of education in Russia

If in 2020 the Russian education system survived a strong external shock related to the outbreak of the coronavirus pandemic and an expeditious shift to remote work, in 2021 the mixed mode of education, when in-person learning and distance learning were alternating, became quite customary and caused no such stress as in 2020. At the same time, adaptability of the education system at its different levels and segments had both similarities and differences.

In 2020, most school teachers, secondary vocational education instructors, lecturers of higher educational establishments (HEE), as well as learners believed that the pandemic would not last for long and, consequently, the adopted measures, including a shift to distance learning would be over soon. Late in 2020 and early in 2021, it became clear that the pandemic would continue for quite a long time and the existing approaches both to instruction and learning had to be adjusted. On one side, new technologies started to be utilized, while on the other side there was more comprehension of the existing resources being at the disposal of educational establishments, teachers and learners. Accordingly, the process of assessing shortages of technical equipment, skilled teachers and managers, as well as financial resources began.

---

<sup>1</sup> This section was written by *Klyachko T.L.*, Doctor of Economic Sciences, Director of the Center for Economics of Continuous Education (CECE), IAES RANEPa.

### 5.8.2. General (school) education

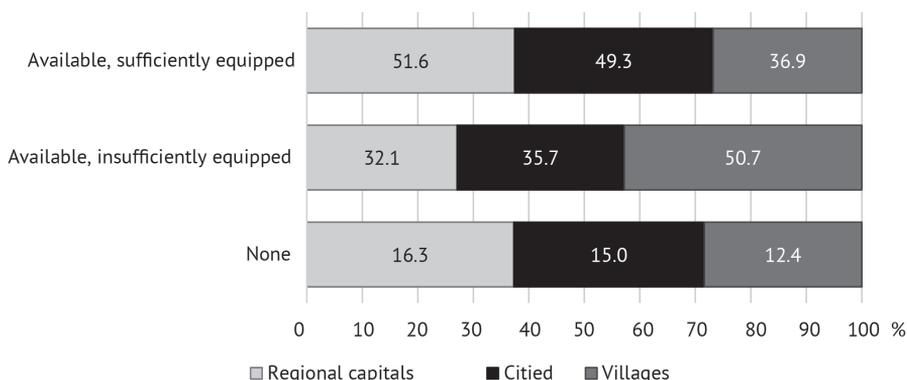
The Center for Economics of Continuous Education, IAES RANEPA carried out a survey in which school teachers and parents of school pupils were asked about those difficulties and shortages which they encountered because of the pandemic and measures taken to ensure adaptability to a new situation.

It was found out that on average nearly 15% of teachers had no working place at home, while 38.8% of them had one, but it was not equipped enough for normal remote work and remote education. Specifically, the situation varies considerably across different types of settlements (*Fig. 32*).

As expected, insufficient equipment of a working place at home was observed with rural teachers. Quite unexpectedly, over 16% and 15% of school teachers of regional capitals and cities (not regional capitals), respectively, had no working place at home. This situation can be substantiated by the fact that 15%-16% of teachers have recently moved to towns or regional capitals from rural areas, rent apartments and therefor do not buy expensive equipment. Rural teachers have at their disposal a working place at home, but experience problems with equipment thereof. Also, it may be assumed that a number of teachers in regional capitals and large towns can use personal computers and the Internet at school and, consequently, do not find it necessary to have a well-equipped working place at home, while rural schools have no such equipment at their disposal and have to rely only on themselves.

Also, it is worth mentioning that academic staff did not take full advantage of distance learning technologies before the pandemic. Most teachers lacked experience in applying them and had to adjust to a new reality in haste (*Fig. 33*).

As we can see, two-thirds of teachers have never encountered the need to give remote classes before the pandemic and this was a substantial problem for



*Fig. 32.* Availability and adequacy of a working place at a teacher's home (across types of settlements), %

Source: General Education Monitoring by CECE IAES RANEPA.

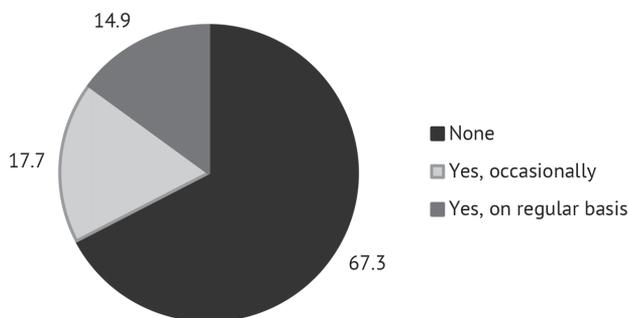
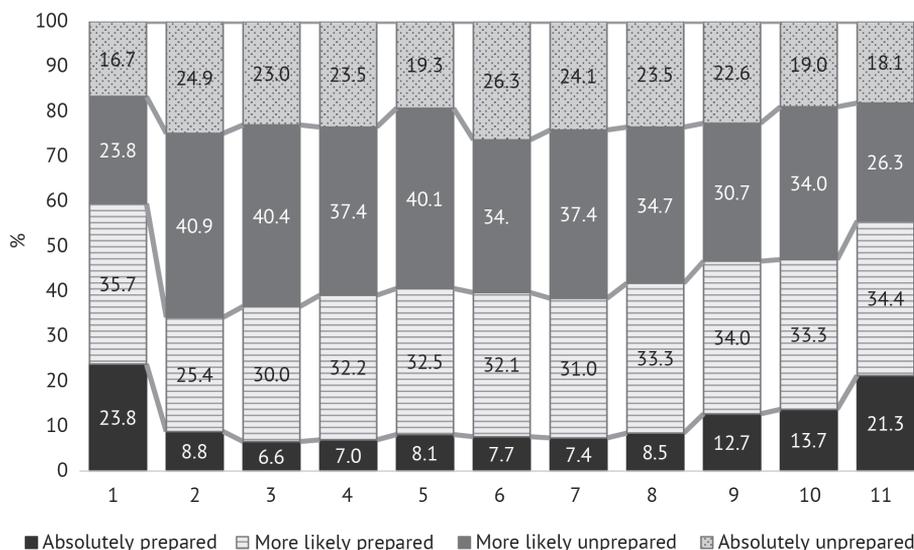


Fig. 33. Breakdown of the responses to the question: “Have you ever had experience in using distance learning technologies?”, %

Source: General Education Monitoring by CECE IAES RANEPА.

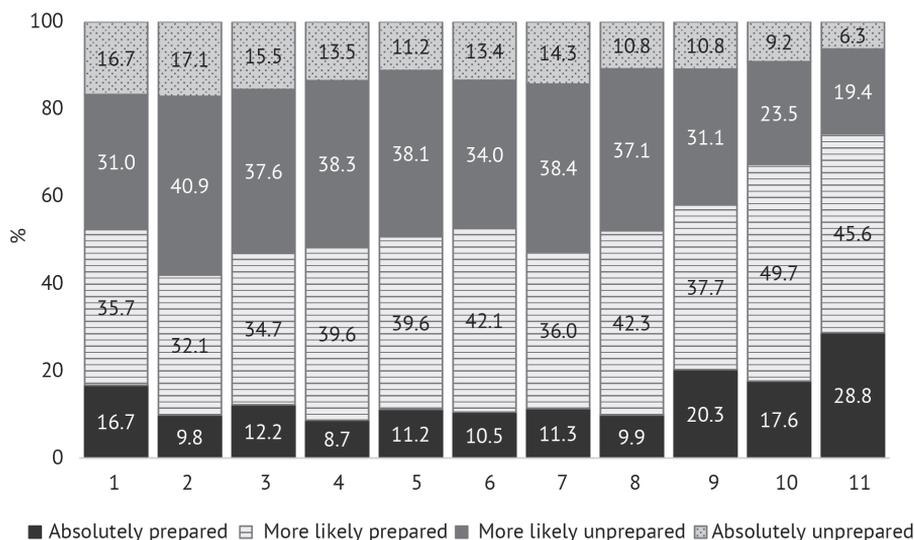
them in a new reality. It was established that in shifting to remote education in 2021, only 30.2% of surveyed teachers experienced serious difficulties, 54.1% of teachers faced small problems, while 15.7% of teachers encountered no problems at all. In other words, nearly 70% of teachers, as they noted, had no big problems when remote education was introduced to full extent. Specifically, in Russia, as in many countries, there was virtually a lack of digital didactics, remote methods of teaching of different subjects and networking between teachers and pupils in distance learning, as well as school pupils' distributed educational activities. It seems we have got teachers' erroneous assessment of the previous year's situation. The shifting to remote education is not conceptualized and adaptation is largely formal: if required, they give remote classes in the general and senior secondary school, but the main emphasis is still made on in-person learning.

In elementary school, where pupils studied remotely only if someone in the class fell ill, teachers could ease off. However, occasional quarantines required from elementary school teachers to get familiar with distance learning techniques. At the same time, education of children at the age of 6–8 without involvement of their parents or other close relatives in distance learning is infeasible despite the fact that modern children are believed to be familiar pretty well with electronic gadgets. However, familiarity with gadgets and web-surfing for cartoons are not those skills which facilitate junior school pupils' studies. Educational platforms, videoconferences and online learning require absolutely different competences and therefore parents (other relatives) have to be involved invariably in distance learning. It means that in case of shifting junior pupils to remote education, their parents are expected to help them and keep a check on time their children spend before a computer monitor. When a school class is switched over to the quarantine if at least one coronavirus case is found in the class, most parents have to give up their work or work remotely. If it happens, in numerous families parents and children have often to 'compete' with each other for an access to a PC or tablet. At the same time, lots of parents believed that they and their children were prepared well enough for a shift to distance learning (Fig. 34, 35).



*Fig. 34. Parents' preparedness to distance learning of their children across school grades*

Source: General Education Monitoring by CECE IAES RANEP.



*Fig. 35. Pupils' preparedness in their parents' opinion to distance learning across school grades*

Source: General Education Monitoring by CECE IAES RANEP.

As elementary school is concerned, it is noteworthy that parents of the 1<sup>st</sup> grade pupils believed that they were better prepared for a shift to distance learning than parents of the 2<sup>nd</sup> and 3<sup>rd</sup> grade pupils. Probably, an easy mode of training of the 1<sup>st</sup> grade pupils created illusions with nearly 60% of the parents that they coped without any problems with the emergency situation. The 2<sup>nd</sup> and 3<sup>rd</sup> grade pupils and their parents encountered more difficulties: only a third of parents and about 40% of children adjusted themselves without any problems to distance learning.

According to parents, starting from the 5<sup>th</sup> grade over 50% of children adapted quite easily to the external shock. Specifically, as parents noted, adaptability of the 7<sup>th</sup> grade pupils was somewhat lower than that of the 5<sup>th</sup> and 6<sup>th</sup> grade pupils. Probably, the 5<sup>th</sup> grade pupils are prepared, in principle, for changes because they leave the elementary school and go to the secondary school where they meet new teachers and acquaint themselves with the new organization of educational process. But this does not explain quite a high adaptability of the 6<sup>th</sup> grade pupils and the decline thereof with the 7<sup>th</sup> grade pupils. High preparedness of the 9<sup>th</sup> grade and 10<sup>th</sup> grade pupils is more likely substantiated by their good computer and Internet skills. At the same time, in the senior secondary school almost a third of the 10<sup>th</sup> grade pupils and a quarter of 11<sup>th</sup> grade pupils were not prepared well enough for distance learning. This can be largely explained by many parents' negative attitude to remote education both in 2020 and 2021. For this reason, distance learning in different subjects of the Russian Federation was introduced in 2021 only in case of a dramatic worsening of the epidemiological situation in a region/city/village. But epidemiological safety requirements introduced in order to curb the spread of the coronavirus infection affected schooling seriously. In particular, in 2021 the number of pupils studying on the second shift increased (Fig. 36).

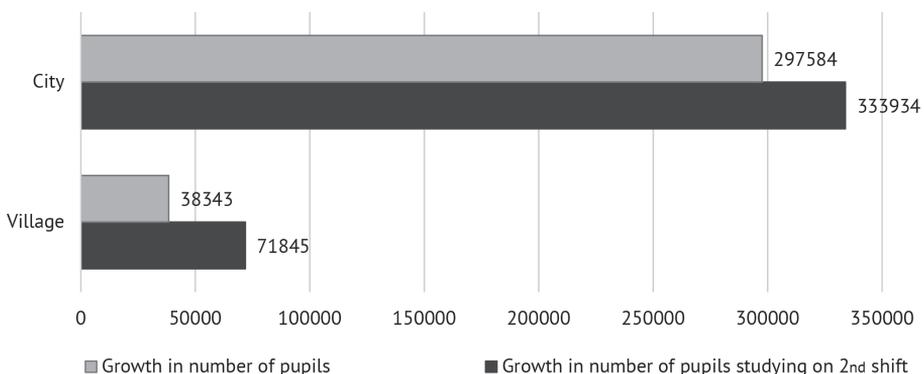
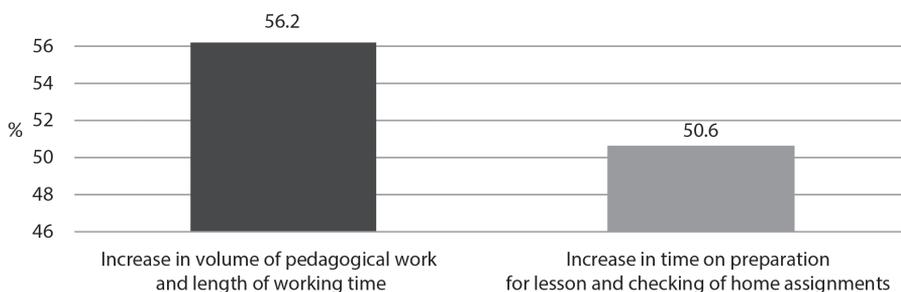


Fig. 36. Growth in the number of school pupils and those studying on the second shift in the 2020/2021 academic year

Source: Calculations based on the data of OO-1 2020.

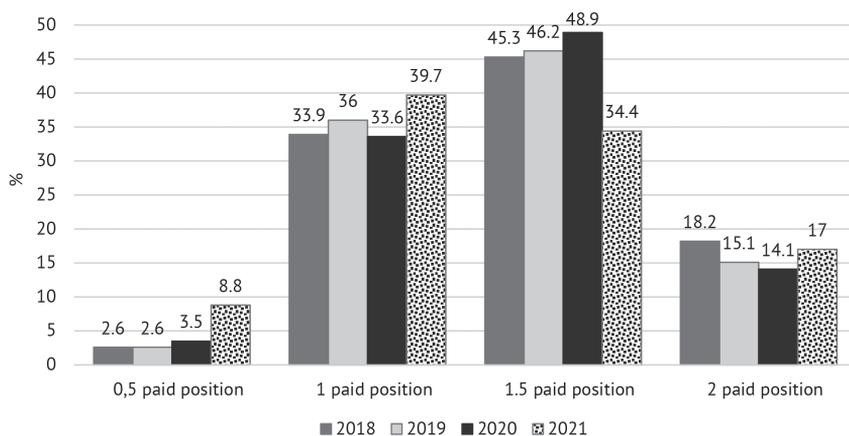
As seen from *Fig. 36*, an increase in the number of pupils studying on the 2<sup>nd</sup> shift during the past year was higher than that in the overall number of pupils. Specifically, there was substantial growth in the number of pupils studying on the 2<sup>nd</sup> shift even in rural schools which are ungraded and few in numbers. By all appearances, this growth was evident primarily in basic schools where children are brought to by bus from several villages. Amid pandemic, this may lead to a rise in cases because of increased fatigability of children. Also, an increase in classes held in several shifts enhances a load on teachers. At the same time, the survey by the CECE IAES RANEPА have established that in 2021, on one side, teachers spoke about an increase in the volume of pedagogic work and length of working time (*Fig. 37*), while, on the other side, their actual workload decreased (*Fig. 38*).



**Note.** In teachers' opinion they were working on two paid positions if their academic workload amounted to 32 hours or more per week.

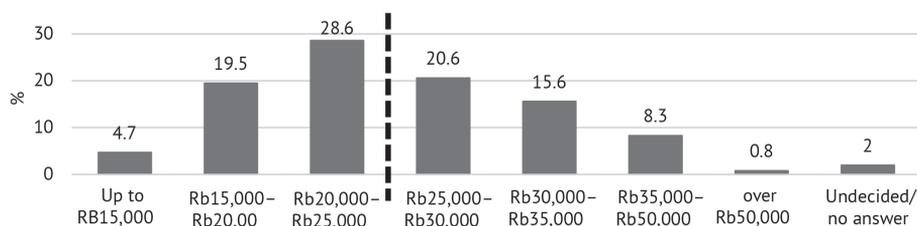
*Fig. 37.* The share of teachers who noted an increase in the volume of pedagogical work, working time and other workload, %

Source: General Education Monitoring by CECE IAES RANEPА.



*Fig. 38.* Distribution of teachers' academic workload in 2018–2021, %

Source: General Education Monitoring by CECE IAES RANEPА.



*Fig. 39.* Distribution of teachers' answers regarding their wage amount in 2021, %

Source: General Education Monitoring by CECE IAES RANEPА.

As seen from *Fig. 38*, the share of teachers who worked on 1.5 paid positions in 2021 decreased by 14.5 p.p. Specifically, the share of those who worked on 0.5 paid position and 2 paid positions increased by 5.5 p.p. and 2.9 p.p., respectively. Probably, the difference between the volume of pedagogical work and academic workload noted by teachers can be explained by the fact that the official workload was decreasing, while the actual one was growing.

It is noteworthy that judging by the survey the wages of nearly 53% of teachers were equal maximum to Rb25,000 in 2021 (*Fig. 39*).

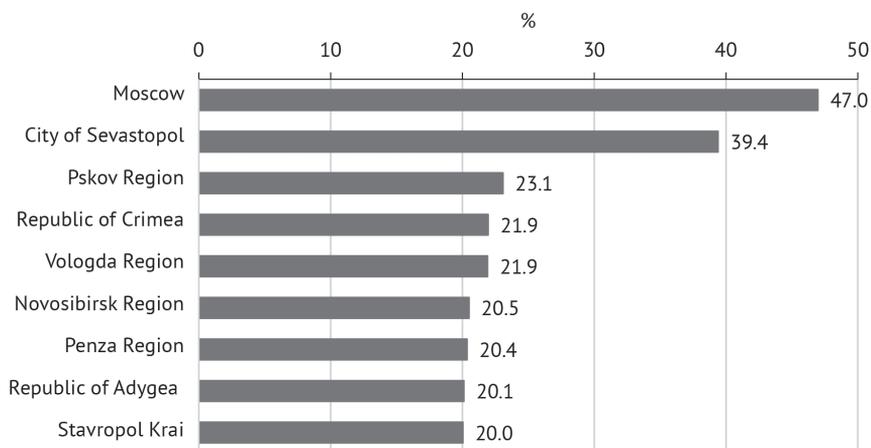
Overall, in 2021 the general education system adapted more or less to a new reality though distance learning remained to a large extent a forced measure and is not expected to play an independent role for quite a long time.

### 5.8.3. Secondary vocational education

The secondary vocational education (SVE) which is considered to be practice-oriented was believed to be hit hard as a result of a shift to distance learning. However, SVE experienced no particular problems. In 2020 and 2021, the flow of the 9<sup>th</sup> grade and 11<sup>th</sup> grade school leavers kept growing (*Fig. 40*). Specifically, the shares of enrollees to private (nongovernment) SVE institutions and self-funded places at public SVE institutions started to grow (*Fig. 41*).

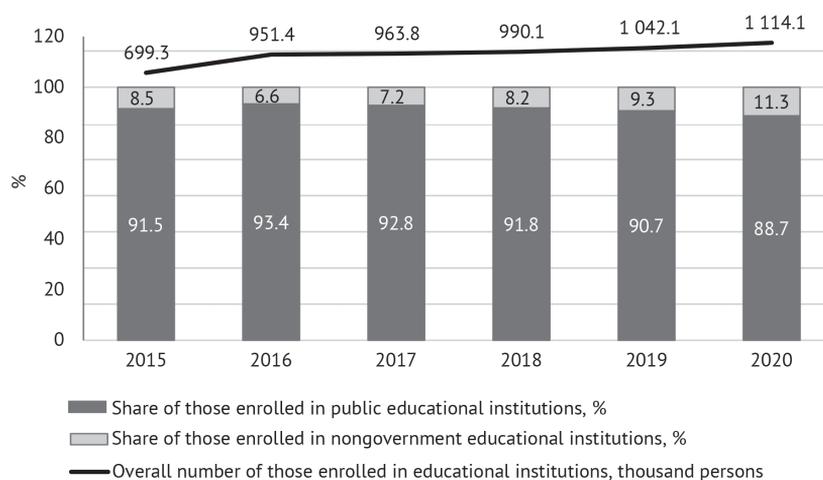
At the same time, the main flow of enrollees to SVE institutions (nearly 84%) are applicants for programs preparing mid-level professions rather than skilled workers and employees. It is to be noted that about 13.9% of them study extramurally and another 2%, full time/extramurally. Further, training programs for mid-level professionals include plenty of theoretical courses. Owing to these two factors, the SVE system managed to pass through the most critical period of the pandemic without any explicit problems, though, certainly, the situation in SVE was rather difficult because digital educational environment in SVE is less evolved by contrast with not only HEE, but also schools. It concerns particularly SVE institutions in rural areas.

As before the pandemic, a pickup in the flow of young people to SVE institutions was mainly driven by families' complicated financial situation, young people's intentions to enter as soon as possible the labor market to make a living



*Fig. 40.* Regions where enrollment to SVE institutions increased over 20% in 2020 on 2018

Source: Calculations based on SVE-1 data (2018–2020).



*Fig. 41.* Distribution of those enrolled in public and private (nongovernment) SVE institutions

Source: Calculations based on SVE-1 data (2015–2020).

and a lack of funds to pay coaches for getting prepared for taking unified state exams (USE) with flying colors in order to enter HEЕ.<sup>1</sup> Specifically, as most SVE

<sup>1</sup> The monitoring of employment of graduates from SVE institutions and HEЕ carried out by CECE IAES RANEPА (2020). In particular, the Monitoring identified the reasons for pupils' enrollment in SVE institutions, as well as the actual financial standing of respondents' families.

students come from low-income families, it is critically important for them to get enrolled on state-funded places. At the same time, as was stated above, there is growth in the share of SVE students on self-funded places at public and private SVE institutions. This can be substantiated by the fact that, on one side, SVE institutions have a shortage of state-funded places (though under the Constitution of the Russian Federation education at SVE institutions is generally accessible and free of charge) which situation leads to an increase in fee-based services in the public sector of the secondary vocational education, while, on the other side, SVE institutions often lack training courses in new lines of profession by contrast with private SVE institutions. In any case, fee for education at SVE institutions is much lower than at HEE, while at private SVE institutions it is 2-3 times lower than at public SVE institutions.<sup>1</sup>

Top-15 regions with the highest shares of pupils enrolled in private SVE institutions include very different subjects of the Russian Federation in terms of their social and economic situation (Fig. 42).

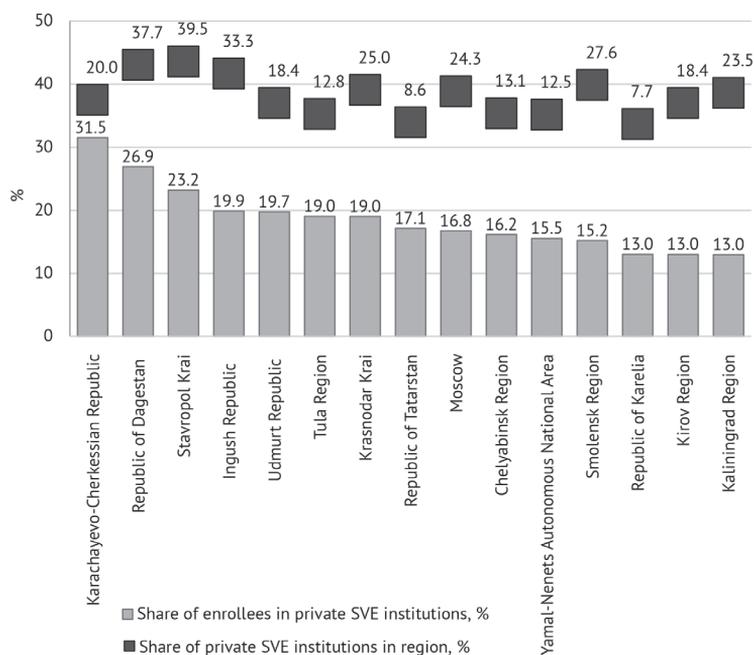


Fig. 42. The share of enrollees in private SVE institutions in some Russian regions and the share of private SVE institutions in these subjects of the Russian Federation, %

Source: Calculations based on SVE-1 data (2018–2020).

<sup>1</sup> In 2020, the average fee for education (more recent data are unavailable) amounted to Rb95,200 and Rb38,600 at public and private SVE institutions, respectively.

As seen from *Fig. 42*, the highest rate of enrollment in private SVE institutions was seen in the North-Caucasian federal okrug, the heavily subsidized Udmurt Republic, as well as the Republic of Tatarstan, Moscow and the Yamal-Nenets Autonomous National Area. In Moscow and the Krasnodar Krai, the share of private SVE institutions amounted to a quarter of their overall number, while in the Stavropol Krai, to about 40%.

It is reasonable to assume that in Moscow growth in the number of enrollees in private SVE institutions can be related with a very high influx of young people in this sector of vocational training (growth of 47% within three years, see *Fig. 40*) in a situation where public SVE institutions fail to meet demand. Further, in private SVE institutions school leavers after completing the 11<sup>th</sup> grade may, by avoiding conscription in the army, get prepared for entering HEE in circumvention of unified state exams. In Moscow, the situation is rather serious: the number of state-funded places in HEE is relatively declining (key figures of enrollment shift more and more to regional higher educational establishments), while the flow of high school straight A applicants and winners of Olympiads from subjects of the Russian Federation to prestigious Moscow-based HEE is growing. Consequently, it is getting more and more difficult for Moscow residents to be admitted to state-funded places, to say nothing of a rather high fee for education at prestigious Moscow HEE. The idea of leaving Moscow to study at a regional HEE (except for St. Petersburg where the situation is almost the same) is regarded a priori by Moscow residents as a failure in competition for getting a prestigious job. For this reason, young people favor private SVE institutions, particularly, because of a lower tuition fee and in a hope to be admitted upon completion of SVE training to state-funded places at prestigious Moscow-based HEE or at least to take an intra-extramural training mode making it feasible for them to work and pay for their education. A reduction in employers' requirements to applicants' level of education (many employers require no longer from applicants to have a higher education diploma) is consolidating this trend. As seen in *Fig. 42*, other regions have different considerations: for example, in the Kaliningrad Region after completing their studies at SVE institutions young people tend to go to the EU where such lines of professions as IT, design and other are in high demand; specifically, young people can major in these professions for a small fee at private SVE institutions at home.

In 2020, a three-month lockdown spurred the flow of young people to SVE institutions because Unified state exams were canceled for those who were not going to enter HEE. This prompted a portion of school leavers to get enrolled in SVE institutions and not to take exams. In 2021, this factor stopped working, but a portion of school leavers thoughtfully refused to take unified state exams and having received a high school diploma entered private SVE institutions.

So, the SVE system is largely following the way of higher educational establishments: on the back of growth in demand for higher education amid state financing shortages and households' low incomes, in the mid-1990s fee-based services at public higher educational establishments picked up and the evolution of the private sector of higher education sped up. At present, increased demand for training programs preparing middle-level professionals leads to a pickup in

fee-based services at public vocational training institutions and rapid evolution of private SVE institutions.

#### 5.8.4. Higher education

Higher educational establishments were those academic institutions which were paid a particular attention to because of an urgent shift to distance learning at the outbreak of the pandemic and evolution thereof in 2021. As stated above, “digital inequality” is applicable to higher educational establishments and not to students.<sup>1</sup> In 2021, this inequality is largely justified by behavior of HEE amid the ongoing pandemic. At the same time, it is necessary to take into account the fact that having more advanced qualifications (at least higher than those of school teachers and SVE instructors) faculty and academic staff (FAS) of higher educational establishments adapted quite quickly to distance learning. The factors which limited their adaptability are well-known: a failure to connect their home personal computers to the high-speed Internet, a lack of other necessary equipment and software programs (apps), unaffordability of fee-based videoconferences unless relevant apps were bought by HEE and a lack of equipment and the high-speed Internet with students. The latter is rarely paid attention to, but effective online classes depend largely on networking with a remote student audience and this is determined by technical specifications of the equipment and software of all participants in distance learning.

At the initial stages of the coronavirus pandemic, the faculty and academic staff had a negative attitude to distance learning. It was largely a reflection of a shock related with a shift to distance learning and therefore adoption thereof was rather complicated in psychological terms. A similar situation was typical of students as well, but with some adjustment to age and better familiarization with gadgets by contrast with academic staff, especially lecturers of pre-pension and pension age. But as faculty and academic staff of higher educational establishments was constantly in touch with modern ICT, its quick adaptability to a new reality was quite expected (and happened), the more so HEE had vast technological capacities at their disposal and a more evolved digital educational environment by contrast with schools and SVE institutions.

In Spring 2021, in cooperation with 12 leading Russian universities, including the Russian Presidential Academy of National Economy and Public Administration (RANEPa), the Tomsk National State Research Institute carried out research by order of the RF Ministry of Education and Science into the effect of distance learning on the quality of students’ education, particularly, their educational outputs. Within the framework of this research, RANEPa sociologists surveyed 24,000 lecturers, while NRU HSE sociologists, 36,000 students from various Russian HEE.

According to the outputs of the survey of lecturers, slightly over a quarter (25.3%) of the respondents has a positive attitude to distance learning at higher educational establishments, while 43.4%, 27.0% and 4.3% of the respondents

---

<sup>1</sup> *T.L. Klyachko, S.G. Sinelnikov-Murylev. The Russian Higher Education and the Impact of the Coronavirus Pandemic // The Universitetskoe Upravlenie: Practice and Analysis. 2020. Vol. 24. Issue No. 4. pp. 9–21.*

were of negative and neutral opinion and undecided, respectively.<sup>1</sup> Specifically, the most negative attitude to distance learning was found with lecturers of natural sciences (chemistry, biology, physics and other), math, engineering, industrial science, art and culture, health and medical sciences, physical culture and sports.<sup>2</sup> This result is largely consistent with that received in 2020: where a large volume of laboratory-based work is required, faculty and academic staff regards distance learning as an impediment to a normal educational process. The opinion of professors of math is clear, too, because traditional theorem proving and solving of math problems at practicals is done by lecturers on a blackboard in classrooms. A shift to distance learning makes these math teaching methods rather complicated, and, in lecturers' opinion, affects students' educational outputs and reduces supervising over their behavior.

A neutral attitude to distance learning was observed at pedagogical, humanitarian (philosophy, philology, linguistics, foreign languages, history and other) and agricultural sciences.<sup>3</sup> In the sector of social, economic and computer sciences, lecturers' attitude to distance learning was quite positive because according to sociologists these disciplines do not require a constant classroom contact.<sup>4</sup>

Based on the results of the survey of lecturers, 70.5% of them said that in the 2020/2021 academic year the share of the remote education mode took almost a half of academic hours. Specifically, half of the respondents said that the optimal share of this mode should be equal maximum to 25%.<sup>5</sup>

As regards the assessment of students' academic performance, lecturers believe that it depended largely on the mode of training (*Table 11*).

*Table 11*

**Dependence of students' academic performance, as assessed by the faculty and academic staff, on the mode of training, % by column**

In 2020/2021 academic year, has students' academic performance generally improved, got worse or remained the same?	Mode of training			Overall
	Mixed form of training	Only remote	Only in-person	
Improved	14.2	17.3	20.7	15.2
Got worse	47.4	43.6	36.4	45.9
Remained unchanged	31.2	30.3	34.2	31.3
Undecided	7.2	8.8	8.7	7.6
Overall	100.0	100.0	100.0	100.0

*Source: M. Vyorskaya, D. Rogozin. The Fourth Wave of a Large-Scale Survey of Faculty and Academic Staff of Higher Educational Establishments of the Russian Federation Regarding the Evolution of Distance Learning Amid the Coronavirus Infection (COVID-19). July 5 – August 14, 2021. Vol. 2: The Survey's Informative Results / Edited by D. Rogozin. Moscow: RANEP, 2021.*

1 *M. Vyorskaya, D. Rogozin. The Fourth Wave of a Large-Scale Survey of Faculty and Academic Staff of Higher Educational Establishments of the Russian Federation Regarding the Evolution of Distance Learning Amid the Coronavirus Infection (COVID-19). July 5 – August 14, 2021. Vol. 2: The Survey's Informative Results / Edited by D. Rogozin. Moscow: RANEP, 2021.*

2 *Ibid.*

3 *Ibid.*

4 *Ibid.*

5 *Ibid.*

Most HEE lecturers (45.9%) believe that students' academic performance got worse in 2021; it is noteworthy that the largest decline was registered with those who studied both in-person and remotely (with a mixed mode of training, students' academic performance deterioration was stated by 47.4% of lecturers). In case of students who studied only remotely, 43.6% of lecturers noted a decline in students' academic performance. Specifically, according to lecturers, academic performance of over a third of students who studied only in-person declined, too. In other words, according to the academic staff, students failed to adapt easily to the modified mode of training and even reacted negatively to the situation even if the traditional mode of education (in-person) remained unchanged, but the prospects about the pandemics' development were uncertain. It appears, however, that the faculty and academic staff may project their own perception of the reality on students: professors start assessing more scrupulously students' progress because they are prone to constant stress, too. Further, the academic staff may probably fear being loyal in assessing students' academic performance owing to comprehension of the pandemic-induced problems which students encountered and therefore they try unwittingly to do something about it, believing, in particular, that students' academic progress has deteriorated.

As seen from the survey, lecturers also believe that students' involvement into educational process declined in 2021 (*Table 12*).

Table 12

**Correlation of the mode of training with involvement of students into educational process, % by column**

In your view, has involvement of students in educational process in current year increased, decreased or remained unchanged?	Mode of training			Overall
	Mixed mode	Only remote	Only in-person	
Increased	10.5	11.3	19.8	11.3
Declined	53.1	53.5	37.3	51.9
Remained unchanged	28.9	26.6	34.1	29.0
Undecided	7.5	8.6	8.9	7.8
Overall	100.0	100.0	100.0	100.0

*Source: M. Vyrskaya, D. Rogozin. The Fourth Wave of a Large-Scale Survey of Faculty and Academic Staff of Higher Educational Establishments of the Russian Federation Regarding the Evolution of Distance Learning Amid the Coronavirus Infection (COVID-19). July 5 – August 14, 2021. Vol. 2: The Survey's Informative Results / Edited by D. Rogozin. Moscow: RANEP, 2021.*

As seen from the survey, according to the academic staff, students' involvement in academic process is higher only in case of in-person classes because only this mode facilitates a better contact between a lecturer and students and makes it feasible to hold longer the latter's attention.<sup>1</sup>

<sup>1</sup> M. Vyrskaya, D. Rogozin. The Fourth Wave of a Large-Scale Survey of Faculty and Academic Staff of Higher Educational Establishments of the Russian Federation Regarding the Evolution of

Most students believe that the advantages of remote education are related with mobility and saving: one can study from anywhere, no need to spend money on traffic fares, it is easier to combine work with other activities, more free time, availability of learning materials in a digital format (nearly 50% of students specified it) and feasibility to do simultaneously other things.<sup>1</sup>

As seen from the survey of students, they prefer the most a mixed mode of learning: if there was a choice, 50% of students would prefer this mode, while one student in five would like to study only remotely.<sup>2</sup> At the same time, about 40% of students preferred an in-person mode in terms of the quality of education, while a third of students found the mixed mode as the most quality one.<sup>3</sup> Specifically, once again 40% of students noted that in distance learning they lacked communication with their groupmates, while 30% of students specified that they need in-person (not remote) interaction with lecturers.<sup>4</sup>

So, in 2021 the higher education system saw an explicit adaptation of the academic staff and students to remote and mixed modes of learning. However, in opinion of the academic staff, as a result of this adaptation students' academic performance and involvement in the academic process declined. At the same time, most lecturers and students believe that after the coronavirus pandemic is over the mixed mode of learning will remain and be evolving because there are groups of students (especially master degree students) and lecturers for whom it is more convenient than a traditional in-person mode.

#### 5.8.5. New strategic initiatives in the education system

In 2021, the RF Government was actively developing plans to achieve national goals formulated in Executive Order No.474 of July 21, 2020 of the President of the Russian Federation. With the implementation of national projects, including the "Education" national project postponed till 2030, various agencies and subjects of the Russian Federation may become less interested in active implementation thereof. In view of this, the RF Government has developed the Economic Development Strategy specifying the projects to be implemented in short-, mid- and long-term.

#### ***Higher education and science***

In 2021, the higher education and science sector saw a considerable reformatting of the "Education" national project from which all activities related with the development of higher education were withdrawn and assigned to

---

Distance Learning Amid the Coronavirus Infection (COVID-19). July 5 – August 14, 2021. Vol. 2: The Survey's Informative Results / Edited by D. Rogozin. Moscow: RANEPa, 2021.

1 Quality of Education in Russian Universities: What did We Learn in the Pandemic: Analytical report / scientific editors: E.A. Sukhanova, I.D. Frumin. Tomsk: Publishing House of the Tomsk State University, 2021.

2 Ibid.

3 Ibid.

4 Ibid.

the modified “Science” project which was called “Science and Universities.” In addition, with completion of the “5-100” project, a more large-scale and diversified program – “Priority 2030” – was initiated. Apart from the objective of further global positioning of Russian universities, the program pursues the goal of HEE’s active engagement in development of economic sectors and regions.

The commission of the RF Ministry of Education and Science selected 106 universities from 49 cities of the Russian Federation for participation in the “Priority 2030” program. All higher educational establishments included in the program will receive a base portion of the grant in the amount of Rb100 mn. It is noteworthy that regional HEE account for over 60% of these 106 HEE-participants; Moscow and St. Petersburg are represented by 28 HEE and 11 HEE, respectively. Until the end of 2022, apart from the base portion of the grant 46 HEE out of 106 HEE will receive a special portion of the grant in the amount of Rb1 bn. The selected HEE will carry out their own strategic projects with the overall number of projects being equal to 409 (approximately 4 projects per 1 HEE). A larger portion of these projects deals with digital transformation, monitoring and control over emission of greenhouse gases. Two trajectories of HEE’s participation in the Program were singled out: “research leadership” and “sectoral (territorial) leadership.”

### ***Professionalitet and SVE transformation***

Due to fast growth in applicants to SVE institutions and a growing lack of resources in this sector, the issue of transformation of the SVE sector has come on the top of agenda. The RF Ministry of Education has come out with a proposal to introduce a new level of education – professionalitet – and reduce considerably the period of training of students within its scope: on average by 50%. According to the RF Ministry of Education, this will facilitate to increase capacities of secondary vocational training institutions to fast-track preparation of young workers and employees for the labor market. Also, on the basis of SVE institutions it is expected to establish with assistance of the business (employers) such production sites where along with instruction students will be able to manufacture products which are in demand on the market and learn how to start their own business or realize their potential as self-employed.

However, it seems infeasible to increase considerably SVE institutions’ capacity with professionalitet introduced. Firstly, the RF Ministry of Culture, Ministry of Healthcare of the Russian Federation and RF Ministry of Transportation which have SVE institutions within their jurisdiction have already declared that they are not going to reduce the period of training for numerous lines of profession because it is either undesirable in terms of syllabus (the stance of the RF Ministry of Culture), or incompatible with the qualification and employment requirements (for example, with the training period reduced, the labor market will see paramedical personnel of girls and boys aged 17 who are unable to be employed until they reach adulthood; similar requirements are set to ship drivers and other). Consequently, training within the scope of professionalitet is likely to be limited by a small range of vocational and services professions (waiters, chambermaids, hairdressers and

other). At the same time, professionalitet leavers will encounter the problem of continuing their vocational training because the general education program at SVE professionalitet institutions will be reduced to 1 year for those who get enrolled after the 9<sup>th</sup> grade. This may lead to a situation where professionalitet leavers return later to SVE intuitions to get a comprehensive secondary vocational education, thus increasing even more the load on the system. We believe that senior secondary school leavers should be the basis for professionalitet.

Under the legislation, professionalitet should be introduced within a framework of an experiment because such innovations may affect various aspects of the educational process, including the substance thereof, so for implementation of the project further experimental verification and regulation are needed.

Vocational training schools, colleges, trainees and pedagogical staff, as well as potential employers will participate in the project. It is noteworthy that about 150,000 SVE trainees have taken part in the experiment since September 1, 2022.

### ***General education: teachers' wages***

Another line of the experiment is the introduction of a new system of labor remuneration of teachers. As shown above, wages of nearly 53% of teachers do not exceed Rb25,000. Based on results for January through September 2021, in many subjects of the Russian Federation teachers' average wages were short of the average ones in relevant regions, that is, below the target value. For example, teachers' wages were equal to 90.0% of average wages in the Novgorod Region, 93.0% in the Republic of Tatarstan and 92.8% in the Krasnoyarsk Krai. Overall, in 48 regions out of 85 regions, this indicator was below the norm. Taking into account the fact that tensions related with a low level of wages have been growing among teachers for a few years, a decision was taken to modify labor remuneration at schools. An experiment with a new system of teachers' labor remuneration will be carried out in 5 regions: the Belgorod Region, the Nizhny Novgorod Region, the Sakhalin Region, the Yaroslavl Region and the Republic of Mordovia. The main idea consists in unifying wages accounting approaches and reducing diversification of wages across regions. It is believed that labor remuneration of teachers will depend on qualification level-based wage rates, compensation payments and incentive payments. The procedure, amounts and conditions for such payments will be established by the RF Government. It is believed that a new transparent system of labor remuneration in general education will eventually be formed. However, teachers' wages are not expected to be increased because there is no growth in budget expenditures on education. Most probably, some redistribution of the levels of wages will take place inside regions and municipalities and teachers will get a better idea of the size of wages.

## 5.9. The housing market in Russian cities and housing construction in 2021<sup>1</sup>

In 2021, the situation on the Russian real estate market was mainly affected by factors that emerged in the initial period of the COVID-19 pandemic (state-subsidized mortgages, increased state support for developers) and trends that commenced to form in previous years (the expansion of the individual housing construction (IHC) segment as an alternative to blocks of flats (BF)).

The growth of real disposable household income by more than 3%, while the government supported the industry and offered preferential mortgages, contributed to high demand for housing, especially in H1 2021. The desire to preserve family capital amid the record inflation rate (8.4%) and rising prices for all types of real estate encouraged Russians to be active on the housing market.

In H2 2021, there was a decline in interest in mortgages. Housing lending commenced to shrink on the back of the gradual increase of the Bank of Russia key rate 8.5% by the end of the year against 4.25% at the beginning of the year. In addition, trends in the primary housing market were shaped by an increase in the cost of building materials and land, labor shortages, as well as the tightening of the program of concessional mortgage lending.

### 5.9.1. Market price indexes

To characterize the price situation, consider the data of experts of the market evidenced from a number of companies, united by the Russian Guild of Realtors (RGR) (Table 13, 14).

Table 13

#### Prices in apartment buildings in Russian cities and their dynamic in 2021

Federal district/city	Secondary market		Primary market		Price difference between markets, %
	Average asking price, thousand Rb/m <sup>2</sup>	Change for the year, %	Average asking price, thousand Rb/m <sup>2</sup>	Change for the year, %	
<b>Central FD</b>					
Moscow	255.0	28.5	333	30.6	30.6% higher in the primary market
Ramenskoe (Moscow region)	135.0	35.0	n/a		
Sergiev Posad (Moscow region)	106.0	35.9	n/a		
Yaroslavl	75.0	26.0	75.0	22.5	Approximately equal

1 This section was written by *Kulakov K.Yu.*, Doctor of Economic Science, Professor of the Moscow State University of Civil Engineering; *Malginov G.N.*, Candidate of Economic Sciences, Head of Ownership and Corporate Governance of the Gaidar Institute, Leading Researcher of the Department of Institutions and Financial Markets Analysis, IAES RANEP; *Sternik S.G.*, Doctor of Economic Sciences, Professor of the Financial University under the Government of the Russian Federation, Senior Researcher, Ownership and Corporate Governance Department of the Gaidar Institute.

Federal district/city	Secondary market		Primary market		Price difference between markets, %
	Average asking price, thousand Rb/m2	Change for the year, %	Average asking price, thousand Rb/m2	Change for the year, %	
Voronezh	70.9	16.6	75.3	21.7	6.2% higher in the primary market
<b>North-Western FD</b>					
Saint Petersburg	197.0	21	196.0	23	0.5% higher in the secondary market
Kaliningrad	102.5	14.5	100.5	17.5	2.0% higher in the secondary market
<b>Sothern FD</b>					
Krasnodar	100.0–120.0	74.6	120.0–140.0	более чем в 2 раза	16.7–20% higher in the primary market
Volgograd	93.0	65.0	до 150.0	до 90	61.3% higher in the primary market
<b>Volga FD</b>					
Nizhniy Novgorod	110.0	22.2	113.0	15.8	2.7% higher in the primary market
Perm	75.9	24.0	84.6	17.0	11.5% higher in the primary market
Samara	70.0	20.0–25.0	70.0	27.0	Approximately equal
Kirov	59.7	22.0	n/a	n/a	
<b>Urals FD</b>					
Ekaterinburg	93.0	16.0	106.0	20.0	14.0% higher in the primary market
Tyumen	93.5	23.0	91.2	16.0	2.5% higher in the secondary market
<b>Siberian FD</b>					
Novosibirsk	91.0	20.0	98.9	14.0	8.7% higher in the primary market
Krasnoyarsk	87.0	23.0	92.5	27.0	6.3 in favor of newly built
<b>Far-Eastern FD</b>					
Vladivostok	150.0	12.0	126.6	5.0	18.5% higher in the secondary market
Khabarovsk	112.0	12.0	106.0	3.0	5.7% higher in the secondary market

Source: Russian Guild of Realtors.

According to the RGR experts, the highest rate of price growth in 2021 was observed in Krasnodar and Volgograd, and in both segments of the market: more than 60-70% in the secondary market and 1,9–2 times higher in the primary market. They were followed by the Moscow region cities specified in *Table 13* with a price hike in the secondary market by 35–36% and Moscow with a price surge in the primary market by more than 30%. Consequently, in 2021, there was a record demand on the secondary market in the capital: 150,565 transactions were recorded against 148,000 a year earlier, which was the largest absolute index for the entire period of statistical observations.<sup>1</sup>

1 Rusregister. URL: <https://rosreestr.gov.ru/press/archive/rosreestr-po-moskve-vtorichka-pobila-vse-rekordy/>; RBC. URL: <https://realty.rbc.ru/news/61b6ec329a79471eebb70dab>

The cities where prices for new construction were higher than on the secondary market turned out to be slightly more than those with the opposite ratio. However, the latter include St. Petersburg, Vladivostok and Khabarovsk, following Moscow in absolute price level (over 100,000 rubles per sq. m).<sup>1</sup> Approximate parity of prices was observed in Samara and Yaroslavl.

The most noticeable advance in prices on the secondary market in comparison with the primary took place in Vladivostok (18.5%), in other cities it did not exceed 5-6%. On the contrary, the greatest excess of prices for new construction against the secondary market was observed in Volgograd (over 60%) and Moscow (over 30%). In Krasnodar, Yekaterinburg and Perm the rise was from 10% to 20%, and in other cities it was less than 10%.

The most significant price growth for apartment blocks was noted in the Southern Federal District (*Table 14*).

*Table 14*

**Prices on apartment block market and their dynamics  
in Russian cities in 2021**

City	Average asking price, Thousand Rb/m <sup>2</sup>	Annual growth, %
Sochi	250.0	100.0
Novorossiysk	150.0	57.9
Sevastopol	142.0	44.2
Ryazan	71.0	On the secondary market – 40. On the primary market – 36
Saratov	65.0	45.0

*Source:* Russian Guild of Realtors.

Moscow was followed by Sochi in the absolute price level, and Novorossiysk and Sevastopol competed with Vladivostok.

### 5.9.2. Construction and commission of new housing

According to Rosstat preliminary data, 92.6 mn sq. m of housing was commissioned in Russia in 2021, which is 12.7% more than in 2020 (*Table 15*). This is a record-breaking figure for the entire post-Soviet period, which allowed not only compensate a slight decline in the first pandemic year, but also surpassed the previous maximum of 2015 by 8.6%. (85.3 mn sq. m). This volume of housing commissioned allowed 4.2 mn families, or nearly 10 mn people, to improve their living conditions. Having said that, the government helped developers with the construction of social, transport and engineering infrastructure, in particular,

<sup>1</sup> This value also exceeded the prices in Nizhny Novgorod (higher prices of new construction) and in the cities near Moscow, where there was no primary market.

they were provided with subsidies under the special program “Stimulus”.<sup>1</sup> In 2021, 5.5 mn sq. m of housing were commissioned under this program.<sup>2</sup>

*Table 15*

**Commissioning of residential buildings in 1999–2021**

Год	Million sq. m of total area	Growth rates, %	
		to the previous year	to 2000
1999	32.0	104.2	105.6
2000	30.3	94.7	100.0
2001	31.7	104.6	104.6
2002	33.8	106.6	111.5
2003	36.4	107.7	120.1
2004	41.0	112.6	135.3
2005	43.6	106.3	143.9
2006	50.6	116.0	167.0
2007	61.2	120.9	202.0
2008	64.1	104.7	211.5
2009	59.9	93.4	197.7
2010	58.4	97.5	192.7
2011	62.3	106.6	205.6
2012	65.7	104.7	216.8
2013	70.5	107.3	232.7
2014	84.2	119.4	277.9
2015	85.3	101.3	281.5
2016	80.2	94.0	264.7
2017	79.2	98.8	261.4
2018	75.7	95.1	248.5
2019	82.0/81.0*	108.3/107.0*	270.6/267.3*
2020	82.2/77.1*	100.2/95.2*	271.3/254.5*
2021	92.6	112.7	305.6

\* Excluding commissioning of houses on garden plots, the volume of which is given according to the initial data of Rosstat (2019 – 1.0 million sq. m., 2020 – 5.1 million sq. m, there is no such data for 2021).

Sources: Rosstat; own calculations.

The positive dynamics of housing construction in the regional context was observed practically everywhere,<sup>3</sup> including in all regions with a total volume of housing commissioned more than 1 mn sq. m (*Table 16*).

1 The federal program “Stimulus” has been in effect in Russia since 2016 and is part of the national project (NP) “Housing and Urban Environment”. The federal budget remains the main source of funding. Local authorities act as customers for construction works in the building of infrastructure facilities, provided that the developer participates in the integrated territory development project (IDP), which is responsible for preparing the project and obtaining a positive conclusion of the state expert examination.

2 URL:<http://government.ru/news/44490/>; URL:<https://www.minstroyrf.gov.ru/press/za-2021-god-v-rossii-vvedeno-92-6-mln-kv-metrov-zhilya/>; URL:[https://tass.ru/nedvizhimost/13724343?utm\\_source=yandex.ru&utm\\_medium=organic&utm\\_campaign=yandex.ru&utm\\_referrer=yandex.ru](https://tass.ru/nedvizhimost/13724343?utm_source=yandex.ru&utm_medium=organic&utm_campaign=yandex.ru&utm_referrer=yandex.ru)

3 The drop in commissioning took place only in 10 regions, including Crimea and Sevastopol.

Table 16

**Housing commissioning in Russian regions in 2021**

Region	Rates of housing commission, in % to 2020
Moscow	156.8
Chechnya	135.5
Samara region*	128.7
Leningrad region*	127.0
Krasnodar krai*	122.6
Sverdlovsk region*	121.7
Stavropol krai	121.0
Bashkortostan*	118.4
Orenburg region	113.9
Tatarstan*	112.4
Chelyabinsk region*	109.8
Kaliningrad region	109.2
Irkutsk region	108.9
Voronezh region	108.1
Nizhniy Novgorod region*	107.7
Dagestan	106.3
Novosibirsk region	103.1
Krasnoyarsk krai	103.0
St. Petersburg	102.8
Saratov region	102.0
Moscow region*	101.9
Rostov region*	101.6
Belgorod region*	101.4
Tyumen region (with autonomous okrugs) *	101.3
Lipetsk region	100.3

\* Regions with housing commissioning over 1 million sq. m.

Source: Rosstat.

As follows from *Table 16*, the increase in housing commissioning was more than 20% in Moscow, Chechnya, Samara, Leningrad and Sverdlovsk regions, Krasnodar and Stavropol krai, and slightly less in Bashkortostan (18.4%). In the Orenburg region and Tatarstan, this index was close to the Russian average (12-14%). Another 15 regions (including Moscow region) demonstrated positive dynamics of housing commissioning, but less than the above value.

Moscow, despite the record growth (almost by 57%), was second by the absolute value of housing commissioning (7.8 mn sq. m) after the Moscow region, which retained its leadership among Russian regions (9.2 mn sq. m) with an increase in housing commissioning of less than 2%. The leading five regions are also Krasnodar krai (about 6.3 mn sq. m), St. Petersburg (about 3.5 mn sq. m) and Leningrad region (about 3.4 mn sq. m).<sup>1</sup> The share of the Moscow region in the

1 Also, more than 3 mn sq. m for the year commissioned in Tatarstan, but in contrast to previous years, the republic is not in the top five regions.

total volume of housing construction in the country stood at 18.4% (10.0% in the Moscow region and 8.4% in Moscow), thus exceeding the level of 2020 (17%).

Overall data on commissioning include figures for both apartment blocks construction by developers and individual housing construction (i.e., built by private individuals themselves on their own land).

The most important distinguishing feature of 2021 was the fact that the share of housing built by the households at their own expense or with the help of borrowed funds exceeded half of the total housing commissioning (53%) for the first time. The share of apartment blocks has been steadily declining since 2016 (*Table 17*).

*Table 17*

**Structure of housing commissioning in 2010–2021**

Year	Total, Million sq. m.	Apartment block construction		Individual housing construction from own and borrowed funds	
		Million sq. m.	Share in total commissioning, %	Million sq. m.	Share in total commissioning, %
2010	58.4	32.9	56.3	25.5	43.7
2011	62.3	35.5	57.0	26.8	43.0
2012	65.7	37.3	56.8	28.4	43.2
2013	70.5	39.8	56.5	30.7	43.5
2014	84.2	48.0	57.0	36.2	43.0
2015	85.3	50.1	58.7	35.2	41.3
2016	80.2	48.4	60.3	31.8	39.7
2017	79.2	46.2	58.3	33.0	41.7
2018	75.7	43.3	57.2	32.4	42.8
2019	82.0	43.5	53.0	38.5	47.0
2020	82.2	42.4	51.6	39.8	48.4
2021	92.6	43.5	47.0	49.1	53.0

Sources: Rosstat; own calculations.

According to Rosstat, the area of individual housing construction projects commissioned in Russia at the end of 2021 amounted to 49.1 mn sq. m, which is 23.4% more against the previous year. The five leading regions by the absolute value of commissioned housing are Moscow region (around 5.8 mn sq. m), Krasnodar krai (around 3.3 mn sq. m), Leningrad region (around 2.3 mn sq. m), Tatarstan (around 2.1 mn sq. m), Bashkortostan (around 1.8 mn sq. m)

In a number of regions this index grew by 1.5–2 times (Karelia, Vologda, Ivanovo, Tula regions, Kalmykia, Krasnodar krai, Astrakhan region, Karachaevo-Cherkassia, North Ossetia, Chuvashia, Altai Republic, Khakassia, Amur region and Jewish Autonomous Oblast). As can be seen from the composition of this group, it is mostly represented by small and sparsely populated regions, almost not overlapping with those where the total housing construction exceeded 1 million square meters, with the exception of Kuban.

Individual housing construction accounted for over 80% of commissioning in Sevastopol, Belgorod region and Chechnya; 70 to 80% in Irkutsk, Nizhny Novgorod

and Lipetsk regions; 60 to 70% in Tatarstan, Leningrad region, Stavropol krai, Orenburg and Moscow regions, Bashkortostan; 50 to 60% in Chelyabinsk, Samara, Perm, Rostov, Voronezh, Krasnodar and Saratov regions.

At the other pole, as expected, are Moscow and St. Petersburg where the contribution of the individual housing construction amounted to 9.3% and 7.2%, respectively. The intermediate position was taken by Dagestan, Sverdlovsk and Kaliningrad regions, Krasnoyarsk krai, Tyumen region (with autonomous okrugs), where the individual housing construction accounted for 40 to 50% of the commissioning amount.

The upward trend of physical volumes and of the share of individual housing construction in the total annual housing commissioning in recent years cannot be considered outside the specifics of this construction segment. The very fact of commissioning a detached house often diverges from the actual completion of construction work and the start of living in it. Often owners for a variety of reasons (for example, to avoid the growth of tax burden) did not hurry with this process, despite the constant extension of the process of “dacha amnesty” for more than 15 years.

Recently, however, new factors have emerged that have contributed to the registration of previously constructed housing:

- since 2019, it has been possible to hand over houses built on garden plots with subsequent registration for permanent residence in them, with this practice expanding in 2020–2021 due to the pandemic. Accordingly, as of August 2019, housing commissioning starts to include homes built on garden plots;<sup>1</sup>
- in 2021, there was a new stimulus for registration of houses built long ago, because the presidential initiative led to the adoption of the law “On amendments to the Federal Law on gas supply in the Russian Federation” of 11.06.2021 No. 184-FZ, which allows to connect gas to the borders of plots (in those settlements that already have gas supply) for free. However, this right can be exercised only by those owners whose house has been commissioned and registered.

The latter circumstance resulted in another wave of statistically observed commissioning of way back built houses, which led to a record increase in the delivery of individual housing for 2021 (over 23%). The real construction boom, however, was not observed, just the owners became much more active in obtaining the title to the previously developed sites.

Of course, there are objective reasons for the growth of individual housing construction in many regions.

On the one hand, the coming-of-age population, when some households (e.g., those of pre-retirement and recently retired people) stop being strongly tied to the urban infrastructure and move out of the city.

---

1 In accordance with the provisions of the Federal Law of 29.07.2017 № 217-FZ “On the conduct by citizens of gardening and horticulture for their own needs and on Amendments to Certain Legislative Acts of the Russian Federation”.

On the other hand, the construction of apartment blocks in a number of small and medium-sized cities has been curtailed or seriously curtailed in recent years. Developers are not active enough due to insufficient solvent demand on the part of the residents of such settlements. That is why the population of small and medium-sized cities has no other options to improve their living conditions but to build their own houses. These long-term trends have been accompanied by a “pandemic effect,” which has increased the number of city dwellers seeking second homes outside of metropolitan areas. Still, the record-breaking numbers are largely due to the inclusion of previously-built homes. At the end of 2021, the volume of housing commissioned by the population exceeded the level envisaged in the certificate of the national project “Housing and Urban Environment” at the time of its completion in 2029.

Against this background, the implementation of the other part of this national project – apartment block construction – looks much less rosy. The volume of commissioned housing in 2021 went up by 3.8% compared to 2020, returning to the pre-pandemic level of 2018–2019, which was inferior to the indexes of the previous 4 years (2014–2017). More than half (56.7%) of housing commissioned (excluding those built by households)<sup>1</sup> was commissioned in 10 regions (with at least 1 mn sq. m. commissioned in each region), and the share of the top five (Moscow and the Moscow region, St Petersburg, Krasnodar krai and the Tyumen region with autonomous districts) was over 42% of the total apartment blocks commissioned.

A more conclusive indicator – the volume of housing under construction – can be used to assess the real construction activity in the housing sector. This indicator is published by DOM.RF on the data from the Unified Information System of Housing Construction (UISZhS)<sup>2</sup> and reflects the activities of developers, i.e. professional real estate developers. Moreover, these statistics are available not only by region, but also by city.

Under the program of integrated development of territories, 661 territories are being worked on, where 144 mn sq. m of real estate will be built in the next few years, including 117 mn sq. m. of residential housing.

According to the Construction Ministry, a comprehensive approach to the renovation of settlements makes it possible to commission residential housing in volumes comparable to the mark (120 mn sq. m.) scheduled for 2029 in accordance with the targets of 2020.<sup>3</sup>

According to the UISZhS, at the end of 2021, there were 21 cities with a volume of housing under construction more than 1 mn sq. m. These territories form 60% of the Russian housing market: Moscow – 15.86 mn sq. m. These territories form 60% of the Russian housing market: Moscow – 15.86 mn sq. m, St. Petersburg – 9.64 mn, Krasnodar – 5.54 mn, Yekaterinburg – 3.23 mn, Ufa – 2.84 mn, Novosibirsk – 2.37 mn, Tyumen – 2.12 mn, Rostov-on-Don – 2.08 mn, Krasnoyarsk – 1.78 mn,

1 There is no such indicator in the official reports of the Federal State Statistics Service. However, it can be calculated as the difference between the total volume of housing commissioned and housing commissioned by the households at the expense of their own and borrowed funds.

2 URL: <https://xn--80az8a.xn--d1aqf.xn--p1ai/>

3 Garant. URL: <https://www.garant.ru/news/1380714/>

Voronezh – 1.47 mn, Lubertsy (Moscow region) – 1.26 mn, Perm – 1.25 mn, Samara – 1.23 mn, Vladivostok – 1.19 mn, Izhevsk – 1.15 mn, Ryazan – 1.14 mn, Kaliningrad – 1.11 mn, Krasnogorsk (Moscow region) – 1.06 mn, Kazan – 1.06 mn, Nizhny Novgorod – 1.05 mn, Murino (Leningrad region) – 1.02 mn sq. m.

Consequently, Moscow, St. Petersburg and Krasnodar are the usual leaders in the absolute volume of current construction. The leading cities that have raised the volume of apartment blocks under construction<sup>1</sup> relative to the end of 2020 are Nizhny Novgorod, Izhevsk, Vladivostok, and the outsiders are Kazan, Krasnoyarsk, and St. Petersburg.

It would seem that the price hike against the backdrop of steadily high demand for apartments should have led to increased investment in new development projects and a growth in market supply. However, so far the mortgage pumping of the market has had little effect on the volume of apartment blocks under construction nationwide. The volume of residential housing under construction - as a more informative indicator for assessing the current state of the market - is not growing noticeably. In 2021, the volume of apartment blocks under construction gained 2.5% to 96.4 mn sq. m., which indicates the absence of any prospects for a breakthrough growth in this segment in the short term.<sup>2</sup> Besides, the above mark was lower than the volume of construction seen in April 2020, that is, at the launch of the program of concessional lending for new construction at an annual interest rate of 6.5% (99.8 mn sq. m).<sup>3</sup>

Among the objective factors limiting the current construction growth most often cite:

- the transition to project-tied financing, the consequence of which was the final loss by the markets of small cities and the already low margins of projects. Banks are not willing to finance construction in risky (in their opinion) areas;
- the increase in the construction costs (a serious rise in the cost of building materials amid a shortage of labor), which leads to the fact that not everywhere increases in costs are offset by rising prices for finished construction;
- lack of a sufficient number of developed land plots, lagging infrastructure development in the cities.

This being said, the new residential housing finance scheme continued to spread. According to the data as of the end of 2021, the share of apartment blocks construction with the use of escrow accounts as a whole hit 76.8%. Chelyabinsk, Ulyanovsk, Chuvashia, Udmurtia, Orenburg, Penza, Nizhny Novgorod regions, Perm, Stavropol and Primorsky krajs, Khanty-Mansi Autonomous Okrug, and Tatarstan were among the leading regions by this parameter (over 90%). In Moscow, its mark

1 Total square meters of premises under.

2 Overview of the market for apartment block construction in the Russian Federation. December 2021. P. 2. URL: <https://дом.рф>.

3 ЕИСЖС. URL: [https://xn--80az8a.xn--d1aqf.xn--p1ai/%D0%B0%D0%BD%D0%B0%D0%BB%D0%B8%D1%82%D0%B8%D0%BA%D0%B0/%D0%B4%D0%BE%D0%BB%D0%B5%D0%B2%D0%BE%D0%B5\\_%D1%81%D1%82%D1%80%D0%BE%D0%B8%D1%82%D0%B5%D0%BB%D1%8C%D1%81%D1%82%D0%B2%D0%BE](https://xn--80az8a.xn--d1aqf.xn--p1ai/%D0%B0%D0%BD%D0%B0%D0%BB%D0%B8%D1%82%D0%B8%D0%BA%D0%B0/%D0%B4%D0%BE%D0%BB%D0%B5%D0%B2%D0%BE%D0%B5_%D1%81%D1%82%D1%80%D0%BE%D0%B8%D1%82%D0%B5%D0%BB%D1%8C%D1%81%D1%82%D0%B2%D0%BE)

was at the national average level (76.1%). Three regions were somewhat behind Moscow in terms of volumes of commissioned housing: Krasnodar krai (72.3%), Moscow region (68.3%), and St. Petersburg (65.9%).<sup>1</sup>

In general, we can talk about a significant slowdown in the pace of apartment blocks construction in recent years. The moderately positive dynamics in 2021 was largely maintained due to growth merely in a few regions.

### 5.9.3. The construction industry and measures of its state support

In order to overcome the COVID-19 induced difficulties, the government implemented programs to help the construction sector.

First of all, it is worth mentioning the extension of the family and preferential mortgage programs with some modifications.

According to many experts, it is this measure that will optimally stabilize the industry. It stokes the real estate demand, making it possible to maintain the supply of real estate at the proper level. Also, the balance between supply and demand should be facilitated by tightening the terms of the preferential mortgage program while softening the terms of the family mortgage program, which meets the current demographic demand.<sup>2</sup>

In addition, as of September 1, 2021 amendments to the RF Urban Development Code came into force, reducing the approval procedures in construction. Excessive and duplicative norms were not included in the new list of national standards and sets of rules. The novations will remove barriers to innovation, cut the time and cost of construction while maintaining a high level of safety.

On the recommendations of the Bank of Russia and the Ministry of Construction, the approval terms under the scheme of project-tied financing were cut from 45 to 30-40 days, under which more than 3/4 of the apartment blocks projects were under contraction at the end of last year.

Among legal novations we should also mention the changes to the Urban Development Code of 01.07.2021 which approved the “Procedure of Design Documentation Submission for State Expert Review together with the State Environmental Expert Review.” All documents are sent electronically through the Glavgosekspertiza AIS portal, from where they are automatically forwarded to the environmental expertise.

They also introduced definitions of “standard design” (instead of the excluded institute of cost-effective design documentation for reuse) and “working documentation”.

In order to stimulate renovation of the residential housing stock the opportunities for financial support to the subjects of the Russian Federation for resettlement of citizens from hazardous housing have been extended. Now the Fund for Assistance to the Reform of the Housing and Utilities Sector provides it to the regions in excess of the limit set for the RF subject for the current year, but not in excess of the calculated limit of funds for the resettlement of emergency housing stock for the forthcoming period until 2024 inclusive.

---

1 URL: <https://дом.рф>. Overview of the market for apartment block construction in the Russian Federation. December 2021. Pp. 9, 10.

2 The issues of concessional lending are analyzed in more detail in the following section.

Due to rising prices for building materials and in accordance with the RF Government Decree No. 1315 dated 09.08.2021, in order to partially offset their costs under the law on public procurement (№ 44-FZ) by agreement of the parties the developers are allowed to raise the contract price, but not more than by 30%.

Within the Address to the Federal Assembly of the Russian Federation dated 21.04.2021 the President of Russia noted the need to develop the construction industry. Thus, a proposal was made that with the help of subsidies from the federal budget the company DOM.RF will be able to originate loans to developers at a minimum rate (3-4% per annum). Pilot projects to test such a model will be residential construction projects in Tula, Tyumen, Kuzbass and the Sakhalin region.

All of the aforementioned programs and mechanisms were put into practice last year with certain degree of success. They allow to somewhat reduce the developers' transaction costs owing to a better structuring of the regulatory framework and simplification of bureaucratic procedures.

However, it should be noted that these measures did not satisfy all participants of the construction market. For example, the companies SGM-Most, Stroytransgaz, Avtoban found themselves in a difficult situation. In a letter to the president, their managers described the state of the industry as "crisis-related". The article published by RBC discloses problems of the construction industry also pertaining to residential construction. Among them are losses, bankruptcy of a number of companies and reduction of the number of employees in the industry.<sup>1</sup>

In response to this letter, the Ministry of Economic Development proposed a number of measures, among which the following appear to be the most significant:

- to establish a minimum level of profitability of public construction contracts of no less than 20% of their costs, because, according to the National Association of Builders, now the estimated profit in construction projects does not exceed 4-7%;
- obligate state contractors to provide advances on construction contracts in the amount of up to 70%. At present, advances provided for in government contracts usually do not exceed 30%.<sup>2</sup>

The gradual digitalization of developers is a new trend in 2021. More and more developers are using BIM technologies to optimize and speed up the design process. For example, thanks to the creation of a digital model of construction, when adjustments are made to one parameter, the rest are automatically recalculated. This technology also contributes to the growth of the share of online sales, the tools of which are constantly being upgraded.

In general, some liberalization of the industry took place in 2021. It received considerable support from the state. It is possible to speak about the positive impact of the implemented programs and norms, as the housing commissioning turned out to be record-breaking. However, one should take into account the specifics of this indicator, due to the long production cycle and the increasing role of the individual housing construction. Further actions of the government in this

---

1 RBC. URL: <https://www.rbc.ru/business/19/07/2021/60f589349a79479a3bb3abb7>

2 RBC. URL: <https://www.rbc.ru/business/29/10/2021/617a766c9a7947717b6b9a59>

sphere will depend on the development of the pandemic situation, the dynamics of real cash incomes of the population, as well as the impact of macroeconomic factors, i.e. the implementation of some initiatives is postponed until the emergence of new challenges in the industry, affecting a broader segment of real estate developers.

Thus, at a press conference in late December last year, the President of Russia instructed to draft “proposals to expand the contribution of large industrial companies in the construction of residential housing and social infrastructure facilities in areas where they operate.”<sup>1</sup> Large companies have taken part in this before in some regions. However, until recently it was of target nature, mostly formal, on a voluntary-compulsory basis. Potentially, such an approach could become more widespread.

#### 5.9.4. Concessional mortgage lending programs

Against the backdrop of record inflation and rising home prices in recent years, mortgage lending terms were very attractive in 2021.

According to the reports of DOM.RF and the Bank of Russia, the total number of mortgage loans originated in 2021 was estimated at 1,908,000 to the tune of Rb5.7 trillion.<sup>2</sup> The growth in volumes compared to 2020 exceeded 28%, while the number of loans went up by merely 7.2%. As a result, mortgage debt for the year surged by more than 26%. At the beginning of 2022, its value amounted to Rb11.7 trillion (taking into account securitized loans and acquisition of the right to demand - Rb12.9 trillion).

Having said that, the level of mortgage interest rates throughout 2021 stimulated the activity of home buyers, especially in the primary market. In this segment, taking into account preferential programs, banks’ loan offers were noticeably lower than the inflation rate. At the end of the year, banks commenced to review the terms of loans on the secondary market, however many borrowers managed to buy an apartment under previously approved contracts at lower interest rates. As a result, the weighted average rate on mortgage loans in 2021 (7.49%) was lower than in 2020 (7.67%) (mainly due to the primary market), although it rose to 7.81% by the end of the year.<sup>3</sup>

In 2021, the basic programs of preferential mortgages, which appeared in recent years,<sup>4</sup> continued, although their terms and conditions have undergone some changes.

Regarding the *Preferential mortgage* program pertaining to the new construction, which was the most popular one in 2020,<sup>5</sup> commencing from the middle of the year there was an uptick in the interest rate (from 6.5% to 7%) with

---

1 URL: <http://www.kremlin.ru/acts/assignments/orders/67556#sel=6:1:Uhh,7:6:Vye>

2 ДОМ.РФ. URL: <https://xn--d1aqf.xn--p1ai/upload/iblock/5a5/5a5d4aef263441a366e4fb5296b93270.pdf>; ЦБ РФ. URL: <https://cbr.ru/statistics/pdco/Mortgage/ML/>

3 Overview of the mortgage lending market in 2021. ДОМ.РФ. February 2022. Pp. 2, 6.

4 Some programs (for example, military mortgages, assistance to mortgage borrowers in a difficult life situation, a number of regional programs) are not considered here.

5 Blog DomClick. URL: <https://blog.domclick.ru/post/ipoteka-s-gospodderzhkoj-2020-kak-oformit-i-budet-li-prodlena>

a multiple reduction of the maximum amount of loan to Rb3 mn (throughout regions) against Rb6 mn previously (for Moscow and outer Moscow, St. Petersburg and Leningrad region - Rb12 mn) according to the RF Government Decree No. 1060 dated 30.06.2021.

The tightening of terms and conditions from July 1, 2021 markedly narrowed the potential scope of the program. According to experts' estimates, only in one third of the country's regions the average value of real estate was lower than Rb3 mn.<sup>1</sup> Changing the terms and conditions of the program expectedly led to a drop in the volume of credit: the average monthly loans in H2 2021 plunged compared to H1 2021 by 45% in quantity and by 64% in volume. Before the modification of terms, the program covered 83% of apartments in new construction offered for sale, however after the tightening of terms and conditions, its coverage in the regions nosedived to 33%, and in Moscow, St. Petersburg, and Moscow and Leningrad regions the use of the soft mortgage program became virtually impossible.<sup>2</sup>

In general, the results of 2021, especially in the second half of the year, demonstrated that the program of preferential mortgages, the most popular at the time of its launch and the first year of its operation, began to experience a sort of decline. The latter was triggered by the increased demand for new buildings and the rise in the cost of construction materials, which led to an increase in the price of new-built property.<sup>3</sup> However, we can say that preferential mortgages helped to stabilize the pandemic induced situation in the real estate market.

By contrast, the **Family Mortgage** program became a kind of driver of the mortgage market in 2021 since its conditions remained practically unchanged. The interest rate (6%) and the maximum loan amount of Rb6 mn remained the same (for Moscow and Moscow region, St. Petersburg and Leningrad region - Rb12 mn). Moreover, it became available to families where the first and subsequent children were born after January 1, 2018, whereas previously the recipient was families with children starting from the second child. According to statistics, there are almost twice as many families with one child as families with two or more children,<sup>4</sup> which confirms the relevance of last year's innovations.

In H2 on average, 2.5-fold as many loans were originated each month under the program as in H1 2021. Under the terms of the Family Mortgage program, about 80% of apartments in new buildings are available to families, which is explained by the higher maximum loan compared to the preferential mortgage program. More than a third of loans under the family mortgage program were issued to refinance earlier loans, which helped reduce the payment burden of families with children.<sup>5</sup>

1 CIAN. URL: <https://www.cian.ru/stati-lgotnaya-no-ne-volgotnaya-chno-stalo-s-ipotekoi-s-1-iyulya-319129/>

2 Overview of the mortgage lending market in 2021. ДОМ.РФ. February 2022. P. 5.

3 Council of Federation. URL: <https://ach.gov.ru/news/vystuplenie-natali-trunovoy-na-pravchase-v-sovete-federatsii-s-uchastiem-ministra-stroitelstva-i-zhi?highlight-search-result=%D0%9B%D0%AC%D0%93%D0%9E%D0%A2%D0%9D&highlight-search-result=%D0%98%D0%9F%D0%9E%D0%A2%D0%95%D0%9A>

4 MOS.RU. URL: <https://www.mos.ru/news/item/97087073/>

5 Overview of the mortgage lending market in 2021. ДОМ.РФ. February 2022. P. 5.

According to Sberbank, the average down payment under the family mortgage program at a reduced rate in December 2021 stood at 27.9% of the property value. Typically, families with children take a mortgage for 20 years, but pay it off in full in 4.5 years on average.<sup>1</sup> Experts from Expert RA, Moody's and the NKR rating agency note that this program may become the most popular with households in the future.<sup>2</sup>

Less popular programs are discussed in more detail below.

The **Rural mortgage** program was put in place in January 2020 as part of the "Comprehensive Development of Rural Areas" program.

The provision of the program is the population of the settlement (territory), which is not included in the urban district, which must not exceed 30,000 people.

The program applies to:

- rural settlements and territories;
- small settlements and inter-rural territories that have joint areas within the boundaries of the municipal district;
- workers' and urban type settlements, which are part of urban districts;
- towns with a small population (up to 30,000 people), tied up with neighboring rural areas by close ties: common use of infrastructure facilities, joint economic factors (including labor and social).<sup>3</sup>

Furthermore, Rural Mortgage does not apply to intercity municipalities of Moscow and St. Petersburg, as well as municipalities and urban districts of the Moscow region.

The loan is secured by a pledge of the credited real estate under the following restrictions<sup>4</sup>:

- the borrower and each of the co-borrowers may be granted no more than 3 home loans in the last annual interval;
- the borrower and each of the co-borrowers may be granted no more than one loan under the state program Rural Mortgage;
- the borrower and the co-borrowers may not use as a down payment the funds of the social payment received under the state program Integrated development of rural areas;
- construction period must not exceed 24 months with the bank's right to increase the preferential interest rate (from 0.1 to 3%) on the loan agreement, if the borrower fails to meet this deadline.

The changes for 2021 were as follows:<sup>5</sup>

1 Lenta. URL: <https://lenta.ru/news/2022/02/01/domclick/>

2 RBC. URL: <https://www.rbc.ru/newspaper/2021/10/05/6157296c9a794794fbcf787a>

3 RF Government Decree dated 30.11.2019 № 1567. URL: <https://base.garant.ru/73186746/>

4 DomClick Sber. URL: <https://help.domclick.ru/%D0%B8%D0%BF%D0%BE%D1%82%D0%B5%D0%BA%D0%B0-%D1%83%D1%81%D0%BB%D0%BE%D0%B2%D0%B8%D1%8F-%D0%B8-%D0%B2%D0%BE%D0%BF%D1%80%D0%BE%D1%81%D1%8B/%D0%BF%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D0%BC%D0%BC%D1%8B-%D0%BA%D1%80%D0%B5%D0%B4%D0%B8%D1%82%D0%BE%D0%B2%D0%B0%D0%BD%D0%B8%D1%8F/%D1%81%D0%B5%D0%BB%D1%8C%D1%81%D0%BA%D0%B0%D1%8F-%D0%B8%D0%BF%D0%BE%D1%82%D0%B5%D0%BA%D0%B0/>

5 RF Government Decree. URL: <http://static.government.ru/media/files/Fh71ilwTV7EdJpVpaEwwZfLxFs1KAAT9.pdf>; DomRF Bank. URL: [https://domrfbank.ru/mortgage/articles/rural\\_mortgage/](https://domrfbank.ru/mortgage/articles/rural_mortgage/);

- citizens were given the right to build on state or municipally-owned land plots, leased under an agreement for 20 years, whereas previously borrowers could count on a preferential mortgage only if they owned a land plot;
- the possibility of using maternity capital for the first installment was officially embedded (before that there was neither a prohibitive nor permissive provision);
- a special category of territories (rural areas of the Leningrad region and the Far Eastern Federal District) with a maximum loan amount of Rb5 mn also joined Yamal-Nenets Autonomous Okrug (under the general rule - Rb3 mn);
- within six months from the date of ownership registration, the borrower will need to register in the selected housing and notify the bank, which otherwise may increase the interest rate;
- the height of houses built under the program is limited to 5 stories in order to prevent the possibility of misuse.

Accordingly, the program necessary for the development of rural areas of the country (including the stimulation of the agro-industrial complex (AIC)) has been adapted to the realities of the Russian real estate market. However, its rationality and targeting raise questions. According to studies, the main customers of rural mortgages were urban residents, not rural residents, such as agricultural workers, whose share is less than 5%.<sup>1</sup> A possible, but far from obvious positive from this is that the relocation of urban residents can bring a modern lifestyle with a higher level of consumption in the backward areas, contributing to their development.

The Accounts Chamber concluded that for rural residents of 14 regions preferential mortgages are practically inaccessible, as the payments on such a loan will leave rural residents with funds equal to the subsistence minimum or even below that. The Accounts Chamber suggests that the Comprehensive Development of Rural Areas program should be radically revised. With all that said, of course, the strength of the Rural Mortgage program is the opportunity to work with the secondary market, access to which not all concessional lending programs provide.

The **Far Eastern Mortgage** program, which is valid from 2019 through the end of 2024 stipulates that the property must be located in a subject of the Russian Federation that is part of the Far Eastern Federal District. It is available only once in a lifetime.

The feature of this program is a low interest rate (2% per annum) with a maximum loan size of Rb6 mn. However, de facto banks do not provide loans at this rate.<sup>2</sup> There is also no possibility of refinancing mortgages taken before December 1, 2019.

---

РБК. URL: <https://realty.rbc.ru/news/5fa3ec849a7947771d9ceacd>; Journal Tinkoff. URL: <https://journal.tinkoff.ru/news/ipoteka-v-sele-izmenilas/>

1 Vedomosti. URL: <https://www.vedomosti.ru/economics/articles/2021/03/24/863043-selskoi-ipoteki>

2 Sovcombank. URL: <https://sovcombank.ru/blog/ipoteka/dalnevostochnaya-ipoteka--ehto-eto-usloviya-stavka>

A specific condition is the need to register in the housing within 9 months after its purchase for a period of 5 years or more. Nevertheless, this makes the program attractive to those wishing to remain in the Far Eastern region. It is designed to help retain the young population there, since its main recipients are citizens no older than 36 years. There is an opportunity to use maternity capital. The program seems necessary for the development of the Far East.

From 2021, young families living in monocities can acquire housing on favorable terms not only in new buildings, but also on the secondary market (ready-made residential premises or residential premises with a plot of land). This change will make it possible to purchase housing on favorable terms in places where there is no new construction.

Among all the subsidized programs, the Far Eastern mortgage program demonstrates the lowest absolute quantitative indexes due to its limited territorial coverage. Moreover, in terms of the growth rate in 2021, it was second only to the family mortgage program, ahead of the preferential mortgage for new construction and rural mortgages.

In general, the picture of preferential lending in the past year is presented in *Table 18*.

*Table 18*

**Concessional mortgage lending in 2020–2021**

Credit category and program	Number of loans				Total amount			
	thousand		share, %		Rb bn		share, %	
	2020*	2021	2020	2021	2020*	2021	2020	2021
Mortgage loans, total	1780.0	1908	100	100	4445	5699	100	100
Concessional mortgage for new building	343.9	335	19.3	17.6	1008.8	1032.0**	22.7	18.1
Family mortgage	85.6	131	4.8	6.9	241.7	449.5**	5.4	7.9
Far Eastern mortgage	13.6	17	0.8	0.9	52.0	68.5	1.2	1.2
Preferential loans (total on 3 programs)	443.1	483	24.9	25.4	1302.5	1550.0	29.3	27.2
Rural mortgage	45.0	51.2	2.5	2.7	87.2	98.0	2.0	1.7
Preferential loans (total on 4 programs including Rural mortgage)	488.1	534.2	27.4	28.0	1389.7	1648	31.3	28.9

\* Indexes for 2020 were recalculated on the basis of data from DOM.RF 2022 overview.

\*\* Calculated on the basis of data on the average monthly origination of the program in H1 and H2 2021.

Source: URL: <https://дом.рф>; Overview of the mortgage lending market in 2021. ДОМ.РФ. February 2022. P. 5; Banks Today. URL: <https://bankstoday.net/last-articles/v-rossii-uzhe-dva-goda-rabotaet-selskaya-ipoteka-usloviya-i-osobnosti-oformleniya-v-2022-godu>; own calculations.

Concessional loans accounted for about 29% of the total amount of mortgage lending (more than 31% in 2020). Among them, the program of loans for new construction at a rate of 6.5–7% dominated (62.6% of the total amount of concessional lending against 72.6% a year earlier). The Family mortgage program accounted for 27.3% against 17.4% a year earlier. The programs Rural mortgage

and Far Eastern mortgage had a complementary character (about 6 and 4%, respectively).

The volume of lending increased for all programs: to the greatest extent – for family mortgages (by 86%), to the least extent – for preferential mortgages (merely by 2.3%). The growth under Far Eastern mortgage and rural mortgage programs amounted to approximately 32% and more than 12%, respectively. In contrast to the volume of lending, the number of loans did not grow in all programs. They decreased by 2.6% in the concessional mortgage program, while the family mortgage program grew by more than 1.5-fold, and the Far Eastern mortgage and rural mortgage programs grew by 1/4 and almost 14%, respectively.

Consequently, the importance of concessional programs in total lending declined somewhat in terms of amounts, but not in terms of the number of loans. The main shift was the increase in the share of the Family mortgage program.

#### 5.9.5. Dynamics of demand and the price situation in the primary market of Moscow

In 2021, a high demand for primary housing was the main trend in the capital. The number of transactions in the market of new construction was increasing from month to month, as more and more buyers, who were planning to buy residential housing, rushed to buy it before the completion of the program of concessional mortgage lending. If in January and February in the primary housing market of the Old Moscow, according to the company “Best-Novostroy”<sup>1</sup>, there were 3,700 and 5,100 transactions, respectively and in June – 6,600 transactions. And sales peak in the first half of the year was in April – 6,900 transactions.

New terms of preferential mortgages reduced the number of transactions related to new construction, but demand remained high. While in July, there were only 3,900 deals in new construction, in November this figure rose to almost 5,500 transactions.

Compared to the national average, in Moscow the number of mortgage transactions in the new construction market has peaked. Prior to the revision of the concessional lending program, their share in the primary market rose to 72%. However, with the introduction of new concessional mortgage terms, the share of transactions on credit fell to 63–64%, dropping to 57% at the end of the year. However, this result is still high for the capital market.

Another trend in the market of new construction was a record increase in prices (*Table 19*).

As follows from CIAN data, the average price per square meter in 2021 gained 19.5%, slightly behind the previous year (21%), but exceeding the value of pre-pandemic 2019 (11%). The highest rate of price growth (more than 2% per month) was observed in Q1, July and November, while their decline occurred only once – in December.

The next trend in the market of new construction in Moscow was the reduction of the average floor area of the exhibited apartment. According to the company

1 URL: <https://best-novostroy.ru/>

Table 19

**Average price dynamic for apartments in new buildings in Moscow in 2021**

Date	Price for 1 sq. m, Rb	Chain growth rates, %	Basic growth rates, %
31.12.2020	222 822.00	100.00	100.00
31.01.2021	227 787.00	102.23	102.23
28.02.2021	237 070.00	104.08	106.39
31.03.2021	243 469.00	102.70	109.27
30.04.2021	246 886.00	101.40	110.80
31.05.2021	248 886.00	100.81	111.70
30.06.2021	251 051.00	100.87	112.67
31.07.2021	257 045.00	102.39	115.36
31.08.2021	257 105.00	100.02	115.39
30.09.2021	261 240.00	101.61	117.24
31.10.2021	265 065.00	101.46	118.96
30.11.2021	272 496.00	102.80	122.29
31.12.2021	266 193.00	97.69	119.46

Source: CIAN. URL: <https://www.cian.ru/analitika-nedvizhimosti-online/?dealType=sale&region=msk&category=newBuildingFlatSale>; расчеты авторов.

“Metrium”<sup>1</sup>, from the beginning of the year the average floor area of a lot in the new buildings of the mass segment has decreased by 10,9% (from 54,9 to 48,9 square meters). The reason for this is simple. Amid rising prices, demand has shifted to more affordable compact apartments. In order to maintain demand at an acceptable level, market players began to increase the share of small size residential housing. This trend is especially noticeable in the mass segment of Old Moscow. This step allowed to keep the supply budget at the acceptable level for buyers.

Furthermore, in 2021, the share of apartments with both “white box”<sup>2</sup> finishing and finishing in mass new buildings in Old Moscow reached an all-time high. By the end of the year, they were already more than 80% on sale. The demand for such options is due to the possibility to move in almost immediately after getting the keys. In addition, the cost of renovation can be built into the final price of the apartment and included in the mortgage.

Finally, another important trend was the high share of investment deals in H1 2021. Against the background of significant growth in real estate prices at quite low bank deposits rates, new buildings were a profitable asset for investment. This trend was also stimulated by preferential mortgages. Under the original terms, which were in effect until July 1, 2021, investments in apartments on the primary market were profitable. While before the onset of rush demand in summer 2020, the share of investment deals in new buildings was on average 15%, in H2 2020 and up to the middle of 2021 it reached 30–35%. Since July, the number of investment purchases has been declining.

1 URL: <https://www.metrium.ru/>

2 “White box” is a pre-finishing in a new building, i.e. an intermediate variant between a concrete box and ready to move in finishing. New buildings in recent years are increasingly being commissioned in this condition.

It should also be noted that in 2021, there was a trend towards ergonomic and functional planning, which was reflected in the apartment plan<sup>1</sup> of modern projects. Euro-format apartments with spacious living-room kitchens that are easily transformed according to the residents' needs comprise more than a half of all planning solutions in new buildings in Moscow.<sup>2</sup> Besides, there is an increased demand for apartments with individual designs: they include variants with private terraces, mezzanine, second entrances, penthouses with wood-burning fireplaces and city villas with patio.

Among other things, the pandemic has strengthened and consolidated the trend for quality amenities in new buildings. If earlier buyers focused on the location of the project, its transport accessibility and social infrastructure, now, in addition to these criteria, buyers are considering projects in terms of quality of landscaping, environmental friendliness of materials, durability of equipment, cost of future operation, use of all kinds of smart technologies both in construction and for the actual operation of residential housing.

---

1 The apartment plan is the shared structure of the space-planning solutions used in the construction of the house. It takes into account how many types of apartments there will be in the complex, what areas and planning. It also takes into account the class of housing, its location and cost.

2 ДОМ.РФ. URL: <https://xn--80az8a.xn--d1aqf.xn--p1ai/%D0%B0%D0%BD%D0%B0%D0%BB%D0%B8%D1%82%D0%B8%D0%BA%D0%B0/%D0%BA%D0%B2%D0%B0%D1%80%D1%82%D0%B8%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D1%84%D0%B8%D1%8F/>

