MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 7(130) April 2021

Monitoring has been written by experts of Gaidar Institute for Economic Policy (Gaidar Institute), Russian Presidential Academy of National Economy and Public Administration (RANEPA).

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GAIDAR
INSTITUTE
FOR ECONOMIC
POLICY

RANEPA
THE RUSSIAN PRESIDENTIAL ACADEMY
OF NATIONAL ECONOMY
AND PUBLIC ADMINISTRATION

7(130) 2021

Monitoring of Russia's Economic Outlook: trends and challenges of socio-economic development. 2021. No. 7(130). March. Edited by: V. Gurevich, S. Drobyshevsky, V. Mau and S. Sinelnikov-Murylev; Gaidar Institute for Economic Policy, Russian Presidential Academy of National Economy and Public Administration. 18 p. URL: http://www.iep.ru/files/text/crisis_monitoring/2021_7-130_Apr_eng.pdf

1. MONITORING OF THE SITUATION WITH THE CORONAVIRUS PANDEMIC AND THE MEASURES TO CONTAIN IT OVER MARCH 1 TO APRIL 9 2021

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In March, as far as the spread of the coronavirus is concerned, the world continued to face a difficult situation. Many countries (especially the EU member states) acknowledged the onset of the third wave of the pandemic, and so extended and even toughened their containment measures, up to the introduction of new lockdowns.

In Russia, the morbidity rate declined in March, reaching a plateau in April, while the containment measures remained relatively mild, with a tendency to their further lifting, in view of the mass vaccination. At the same time, there are the risks of an oncoming third wave.

The current situation with COVID-19 around the world

Morbidity

In March 2021, the positive trends that had been observed around the world a month earlier gave way to an increase in morbidity. Thus, in February, the number of daily new cases did not exceed 450,000, on some days plunging below 300,000 (to the level of September-October 2020). However, in March there were frequently days when more than 600,000 new cases were recorded, up to 711,800 on April 1, which is near the peak values of early January 2021. As of the end of the first ten days of April, the values for R_t (the measure of how fast the virus is growing) in many countries had exceeded 1 (*Fig. 1*).

By April 9, 2021, the total number of COVID-19 cases in the world was about 134.5 mn (for reference: 114.7 mn as of February 28, 2021), and the number of

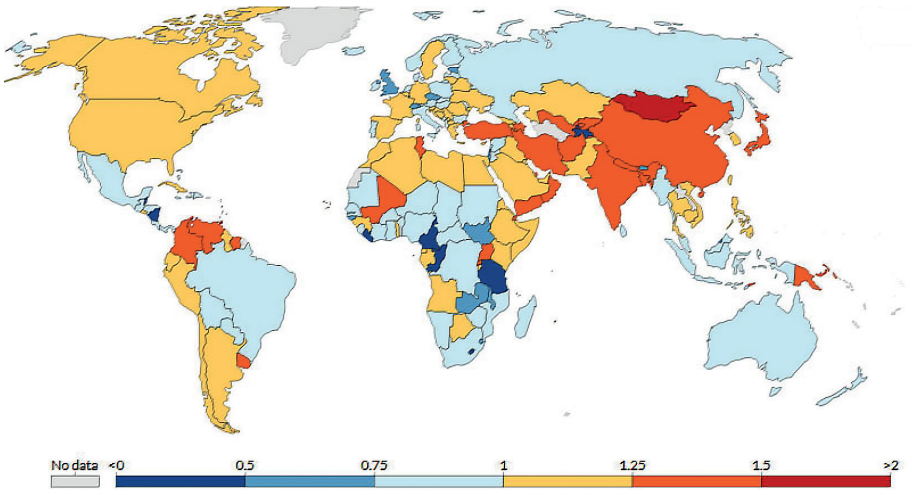


Fig. 1. The R_t estimates around the world, by country

Source: Ourworldindata (as of April 5).

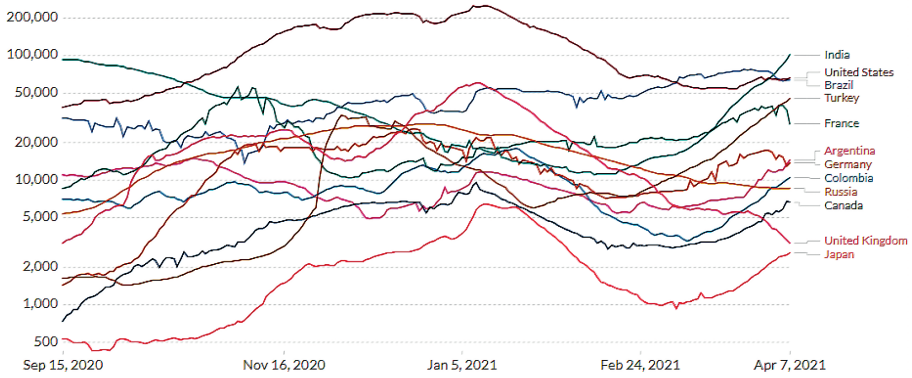


*Fig. 2. The **new case** trajectories, by country (logarithmic scale), moving average per week*

Source: ECDC.

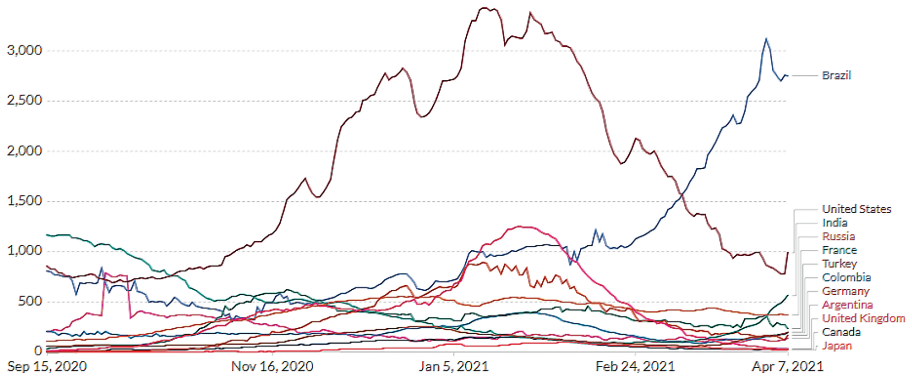


Fig. 3. The rate of 7-day smoothed daily deaths around the world, by country

Source: OurWorldInData.

deaths exceeded 2.9 mn (vs around 2.54 mn as of February 28). Overall, there were around 23.3 mn current coronavirus cases in the world (an increase of 21.9 mn relative to February 28), and about 108.3 mn had recovered.

As of April 9, India, Brazil, the USA, Turkey, Poland, Germany, Argentina, and Iran, taken together, accounted for 61.8% of all new cases of COVID-19. Russia is in 5th place by the total number of cases (around 4,615,000 as of April 9). It is important to note that the spread of new coronavirus variants (including the so-called British and South African strains), which are more viral and deadly, has accelerated.

Mortality trends

Mortality fluctuated quite strongly; thus, for example, on March 21, there were 5,800 deaths; and on April 7, 14,800 deaths, but these were still below the peak values observed in December (when the number of daily deaths sometimes rose above 17,000). The highest daily mortality rates were observed in Brazil (4,190 daily deaths on April 9), the USA (1,008), and Poland (954) (*Fig. 3*). In Russia, the mortality rate based on operational data increased to 2.19%.[1]

1 Due to the specificity of statistical records, operational data only account for those deaths where COVID-19 is identified as the main cause of death. Moreover, in some cases additional medical tests are required to confirm this fact. For more details on the specificities of mortality statistics, see URL https://стопкоронавирус.рф/news/20200911-1920.html

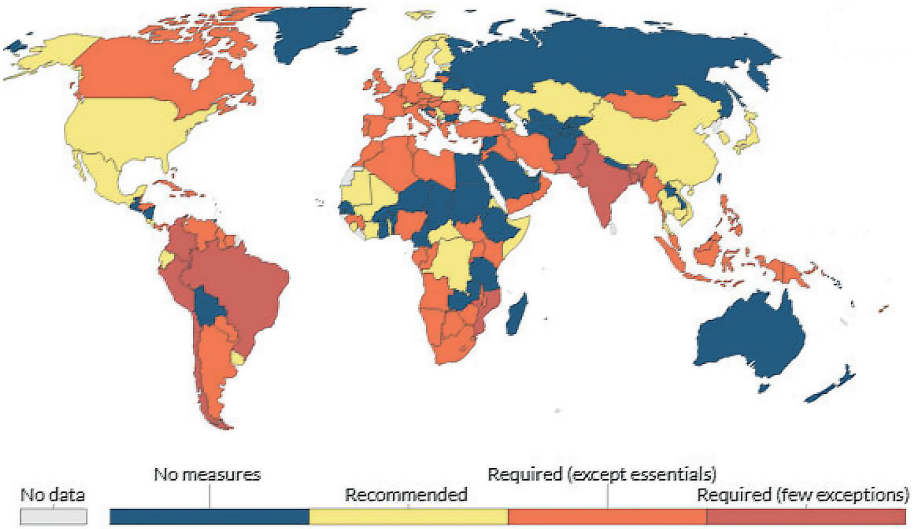


Fig. 4. The stringency of containment measures – stay-at-home requirements

Source: OurWorldInData, as of April 7, 2021.

The measures being introduced

The containment measures vary widely; stringent measures were introduced in the EU and Latin America (*Fig. 4*).

In March, in response to the rising morbidity rates and the announcement of a third wave in a number of countries, the containment measures continued to be tightened, including the introduction of lockdowns. France entered a third national lockdown, with a curfew in place, and from April 4, schools were switched to online learning. In Poland, the containment regime was extended until April 18. Italy remained under partial lockdown (non-essential stores, restaurants, and museums were to stay shut until the end of April), as did Finland (catering businesses, with the exception of take-out services, were shut until April 18). In Austria, from April 7, people were allowed to visit non-food stores only upon presentation of a negative COVID-19 test; in Belgium, only by appointment. In India, state authorities introduced strict containment measures at the local level. In Brazil, the federal government opposed the containment measures imposed by the regional authorities.

At the same time, a number of countries, Russia including, are easing their containment measures. The UK (one of the world leaders in vaccination rollout) announced that some containment measures would be lifted from April 12 (the opening of shops, gyms, hairdresser salons, bars, and outdoor recreation areas).[1] The restrictions are also being eased in Greece and Portugal, including the reopening of small and medium-sized enterprises.[2]

In many countries, and in particular in Russia, mass vaccination goes on (*Fig. 5*). As of April 8, the number of vaccine doses distributed in Russia was 13.35 mn. The total number of stationary mass vaccination points in this country had reached 5,000; that of mobile ones, 1,360.[3] In terms of the rate of vaccination, Russia had managed to close the gap with the leading countries (ranking 9th by the number of administered vaccine doses), but in terms of vaccination

1 URL: https://www.bbc.com/news/live/uk-56637289
2 URL: https://ru.euronews.com/2021/04/05/covid-wrap-evening
3 URL: https://стопкоронавирус.рф/news/20210406-1348.html

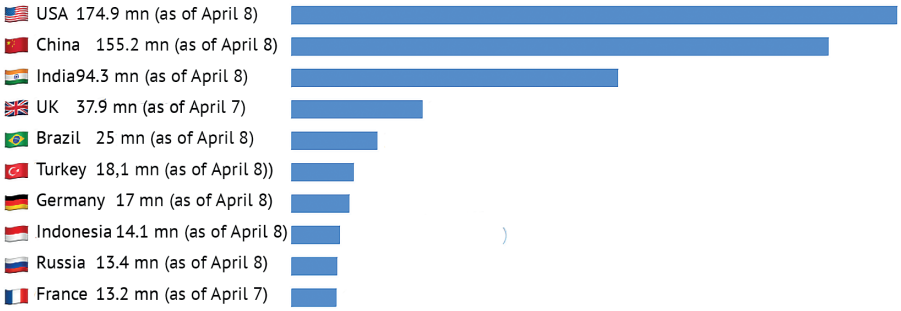


Fig. 5. Vaccination coverage, by country

Source: Yandex, based on data released by OurWorldInData.

coverage, with due regard for the relative share of vaccinated population, this country is in 44th place in the international ranking.

The current situation with COVID-19 in Russia

As of April 9, 2021, 4,623,984 coronavirus cases were registered in Russia (an increase of 8.6% on March 1). Over the past period, the weekly increase dropped by 0.59 p.p. to 1.33%, and the R_t level did not exceed 1 (0.97 on average for the entire period), which points to the absence of a significant acceleration in the morbidity rate.

Over the course of March and through the first ten days of April, the number of active cases continued to decline (273,000, or 5.9% of the total). The recorded rate of decline slowed down (1–3% per week in Moscow[1]), which probably had to do with reaching a morbidity plateau. At the same time, since mid-March, and in particular in the city of Moscow, there was an upward trend in the number of hospitalizations in the age category of 65 years or over. Nationwide, the number of recovered patients discharged from hospital for a long time had exceeded that of newly diagnosed cases (*Fig. 6*).

The majority of Russian regions have entered the phase of a significant improvement in their epidemiological situation,[2] but the risk of a rise in morbidity still persists (*Fig. 7*).

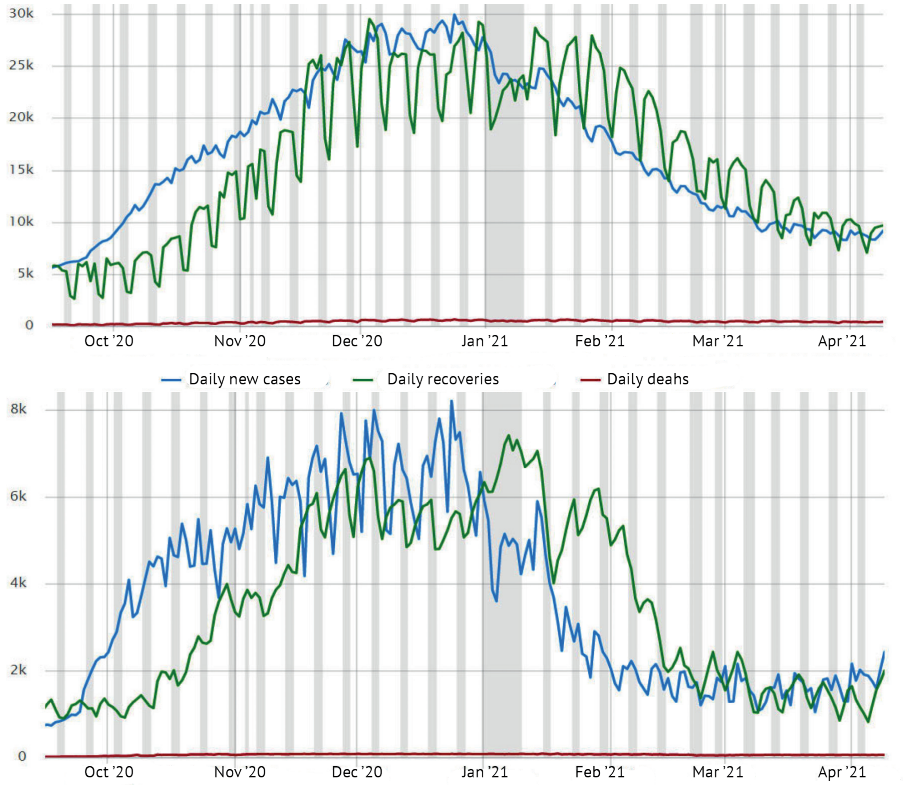
Over the first ten days of April, the hospital bed occupancy rates continued to decline: according to the RF Ministry of Health's data as of April 6, a total of 115,000 beds were available nationwide for the treatment of patients with COVID-19 (vs 156,000 in February), of which 15% were kept in reserve.[3]

Measures to prevent the spread of the coronavirus in Russia

In Russia, the situation with the containment measures imposed in connection with COVID-19 remained practically unchanged. The face mask wearing regime and social distancing were still mandatory; in the majority of regions (except 18 regions, the city of Moscow including),[4] a stay-at-home regime for individuals aged 65+ years and the risk groups was maintained.

In St. Petersburg, the restrictions on the operation of nightclubs and public events were extended until April 30. Moscow also maintained its ban on mass events, while the switchover of employees to a remote work format was

1 URL: https://стопкоронавирус.рф/news/20210406-1746.html
2 URL: https://www.kommersant.ru/doc/4752639
3 URL: https://стопкоронавирус.рф/news/20210406-1348.html
4 URL: https://www.interfax.ru/russia/759713



Note. Holidays and weekends are highlighted in grey.

*Fig. 6. The number of new cases, recoveries and deaths during the second wave **in Russia** (top chart) and **in Moscow** (bottom chart)*

Source: Yandex, as of April 9.

Region	New daily cases	Rt	Total cases	Infections per 100,000 population	Total deaths	Deaths per 100,000 population
Moscow		1,03	1 044 220	8349,4	17 139	137,0
St. Petersburg		0,99	400 989	7492,4	12 551	234,5
Moscow region		0,95	237 471	3164,9	5 542	73,9
Nizhny Novgorod region		0,92	109 783	3393,9	2 926	90,5
Sverdlovsk region		0,95	83 704	1935,2	2 812	65,0
Rostov region		0,99	83 003	1966,7	3 771	89,4
Voronezh region		0,98	76 933	3296,5	2 470	105,8
Krasnoyarsk Krai		1,00	67 878	2359,7	3 259	113,3
Irkutsk region		1,00	63 066	2623,2	2 083	86,6
Arkhangelsk region		0,97	60 421	5438,3	844	76,0

Fig. 7. Top 10 Russian regions, by number of cases

Source: Yandex, as of April 9.

recommendatory. According to Rospotrebnadzor, a possible form of softening the containment measures thanks to the ongoing vaccination campaign could be to ease the face mask wearing regime inside offices.[1]

The opening of borders continued: from April 1, Russia resumed, on a reciprocal basis, air traffic with Germany, Venezuela, Syria, Tajikistan, Uzbekistan,

1 URL: https://news.mail.ru/society/45868219/?frommail=1

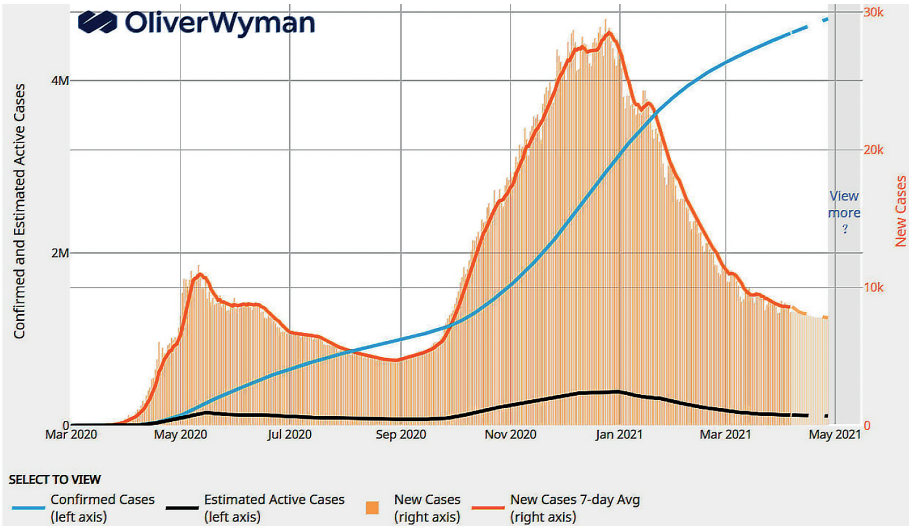


Fig. 8. The growth forecast for the number of confirmed new cases and active cases

Source: Johns Hopkins University, April 6, 2021.

and Sri Lanka. Also, it became possible for Russians to enter the territory of Cyprus without complying with quarantine requirements.

The forecasts for the situation development

Available forecasts indicate that Russia entered a plateau by its number of new cases (Johns Hopkins University,[1] *Fig. 8*), which may be an indirect sign of the mounting risks of a third wave of the pandemic (the city of Moscow's data have already shown an increase, from mid-March, in the number of hospitalizations).

Towards the end of April, according to the updated IHME forecast[2] that takes into account also the spread of new coronavirus strains, Russia's mortality rate is expected to jump by about 25%.

Meanwhile, some problems have arisen in this connection. First, the share of Russians who are not ready (and/or unwilling) to get vaccinated remains rather high (*Fig. 9*).[3]

Secondly, the news about foreign vaccines have also diminished the desire of the population to be vaccinated in principle (for example, the link between the AstraZeneca vaccine and the formation of blood clots has been confirmed).[4] There have been periodic shortages in the supply of vaccines to the Russian regions (in particular, in mid-March there was a shortage of the first component of the two-shot Sputnik-V vaccine).[5]

Thirdly, according to the opinions voiced by international experts,[6] the theoretical herd immunity threshold in the nearest future may be unattainable for the following reasons:

- the lack of vaccine acceptance among the population;
- the emergence of new virus strains, for which the effectiveness of vaccines would be either unknown or significantly lower, which may

1 URL: https://tinyurl.com/yxvf5zla
2 URL: https://tinyurl.com/y47sbc5y
3 URL: https://tinyurl.com/5zprfe9e, visualization at URL: https://t.me/grafstat/467
4 URL: https://tinyurl.com/3b8jstxu
5 URL: https://gogov.ru/articles/covid-v-stats
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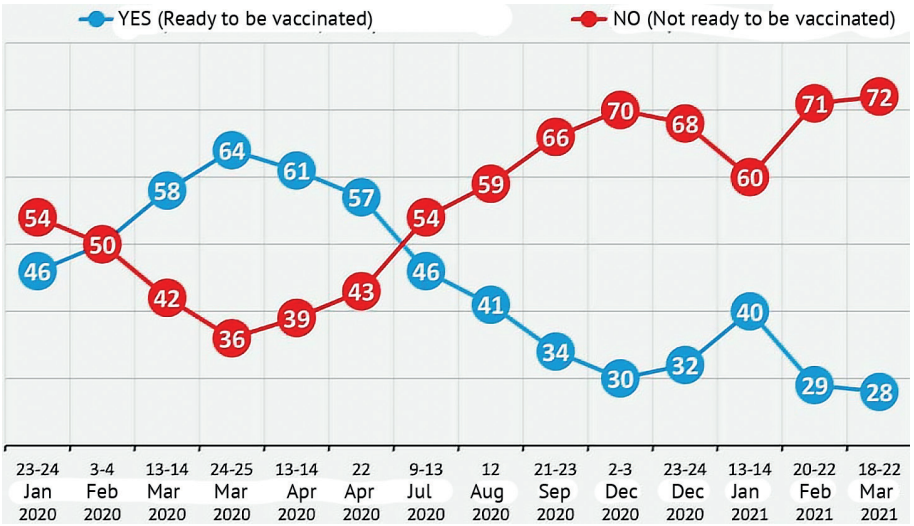

Fig. 9. The movement pattern of vaccine acceptance rate (January 2020 – March 2021)

Source: Superjob, March 29, 2021.

translate into a higher target immunization index (80–90% of the population) to be necessary for achieving herd immunity;

- the delayed vaccination of part of the population (children);
- non-lasting immunity (both after vaccination and after recovery from COVID-19);
- an uneven by-country vaccination pattern (the remaining potentially dangerous clusters with limited opportunities for getting vaccines);
- the increasing population mobility during the vaccination campaigns; people become less careful, forgetting that the vaccine does not guarantee 100% protection against the disease.

However, even in the absence of herd immunity, the vaccination of risk groups significantly reduces the number of hospitalizations and the mortality rate. COVID-19 is not going to disappear anytime soon, but the pace of its spread is expected to slow down.

2. YOUTH UNEMPLOYMENT IN RUSSIA: SCOPE AND ISSUES

Viktor Lyashok, Candidate of Economic Sciences, Senior researcher, Department of Pension Systems and Actuarial Forecasting, INSAP, RANEPA

Young people survived the crisis of 2020 relatively well. The high unemployment rate involving the 15-24 year olds in Russia (15.5% in 2019 compared to 4.6% of unemployment as a whole) is explained by the calculation specifics of this indicator. The average time required to find a job among young people in Russia is significantly lower compared to other age groups, and is close to the developed countries. About half of young unemployed people in Russia are looking for a job less than three months: this indicator is significantly lower compared to the population of other age groups. The share of "discouraged" unemployed (i.e. those who failed to find a job and left the labor market) is comparable to the most prosperous European countries.

A serious deterioration was predicted regarding the situation of young people in the labor market during the pandemic: thus, it was assumed that low demand for new employees in summer and autumn will result in a sharp growth in unemployment among this age group. However, the idea of high youth unemployment in Russia is not entirely correct.

As a rule, estimates of youth unemployment involve consideration of two factors: a high share of this age group among all unemployed and the actual high level of unemployment as a whole. However, other indicators should also be taken into account. The mere fact that every third Russian unemployed individual is under 30 is not an issue, since the pattern of the unemployed can be determined by the demographic structure of the population, i.e. the more young people are involved in the labor force, the higher the proportion of the unemployed will be.

This indicator prevents from assessing the position of young people in the labor market and often contradicts other indicators. For example, according to OECD statistics, the proportion of the 15–24 year olds among the unemployed is 27% in the United States, while the average time length required to find

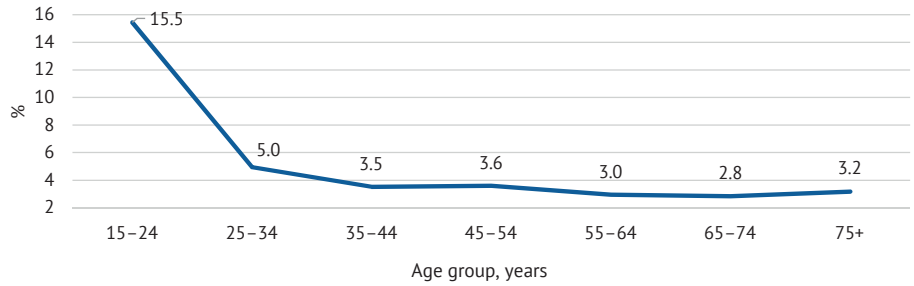

Fig. 1. Unemployment in Russia in 2019, %

Source: Rosstat, labor force sample survey data, 2019

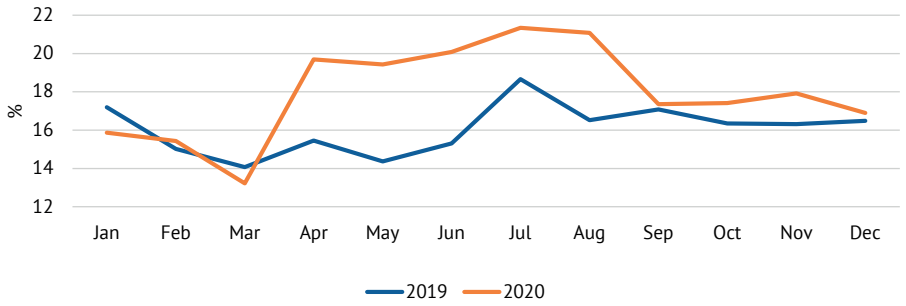

Fig. 2. Unemployment in the age group of 15–24 year olds in 2019–2020, %

Source: Rosstat, labor force sample survey data, 2019

a job for this age group is only about 3 months. At the same time, in the Czech Republic, with a significantly lower proportion of young people among the unemployed (14%), the average time for finding a job is three times higher, that is, 9 months.

The unemployment rate of the population aged under 25 is significantly higher than in other age groups (*Fig. 1*). However, high rates of youth unemployment are common in the labor market in most countries of the world.

The epidemiological crisis has resulted in the youth unemployment growth in 2020 (*Fig. 2*). In the first months of the pandemic, this growth was associated with a reduction in employees in organizations most affected by the crisis in industries (catering, tourism, non-food trade, leisure activities, sports), where the proportion of young people among workers was traditionally high. Companies in most industries limited recruitment of new employees, thereby, having also significantly complicated the situation of those lacking work experience. Nevertheless, by September, the youth situation at the labor market returned to the pre-crisis level. According to Rosstat statistics, the second wave of coronavirus did not entail deterioration at the labor market in Russia; thus, it can be said the youth situation has stabilized by the end of the previous year.

The standard explanation for high unemployment among young people is commonly their lack of work experience, which admittedly complicates and prolongs the search for work. Frequently, the challenges that young people face searching for a job with a decent salary and in the process of the actual employment are shared with older people. The latter also experience similar difficulties, albeit for different reasons. However, the unemployment rate among older people is lower compared to other groups. In other words, this indicator is "wrong" when assessing the labor market situation of the extreme age groups, preventing from valid estimation of the degree of their vulnerability. This state of affairs is explained by the fact that the influx of the unemployed in the age group of the 15–24 years olds significantly exceeds the growth observed in other age cohorts.

There are two scenarios when working people become unemployed. The first scenario assumes a transition from a situation of economic inactivity, i.e. entering the labor market after studies. A distinctive feature of young people is that every year a significant proportion finishes their study and starts looking for work, i.e. moves from the group of economically inactive to the group of the unemployed. In other age groups, this scenario is much less common, since the majority of the population is already working. As a result of this massive influx of job seekers, the share of the unemployed among young people is significantly higher than in other age groups.

The second scenario is the transition from employment to the unemployed through dismissals or layoffs. Young people are much more likely to follow this scenario, since more frequent job changes are typical for people at the beginning of their working career. However, many professions that are widespread among young people are distinguished by a higher turnover rate. Accordingly, young people are more likely to be unemployed than those belonging to other age groups.

Thus, for objective reasons, the unemployment rate among the 15–24 year olds has more prerequisites for growth compared to other age groups.

An equally important indicator that determines the situation at the labor market is the time length required to search for a job. Depending on its value, it is possible to consider whether the labor market is dynamic or stagnant. It is this indicator that looks decisive when assessing the position of young people in the labor market. *Fig.3* shows the time length that was spent by the unemployed in different age groups for job searching.[1] It is clearly visible that young people on average spend much less time looking for work than other age groups. About half of the young unemployed are looking for work for less than three months and this is significantly less compared to the same time spent by other ages. At the same time, the share of those facing stagnant unemployment, i.e. looking for work for 12 months or more, is minimal among the 15–24-year-olds, i.e. 14% compared to 37–43% among the unemployed 45–74-year-olds. Thus, the high unemployment rate among young people is a consequence of a greater dynamics in this demographic segment of the labor market.

The Russian situation is close to the OECD average; Russian youth have a longer time length for job searching compared to the Anglo-Saxon and Scandinavian countries, but less time than in the countries of southern Europe.

Another important indicator is the share of young people who do not work or study, the NEET group (Not in Employment, Education or Training). This category often includes youth representatives experiencing further significant challenges in the labor market; essentially, such individuals represent the most vulnerable share of this age group. In contrast to countries of the European Union, this indicator is not assessed in the Russian statistics. Nevertheless, the study based on Rosstat data evidenced that the share of NEET- young people among the 15–24 year olds is close to Central European level.[2]

The authors of the study conclude that in many respects Russian NEET youth groups are close to those that exist in the most prosperous European countries. For example, in Russia the share of "discouraged" young people is relatively low, i.e. those who failed to find a job and left the labor market. Nevertheless, the studies have shown several important features related to the dynamics of this indicator, recorded since 1995. First, there is a significant increase in the proportion of people with higher education among the Russian representatives of NEET-youth; this significantly distinguishes the situation in Russia from developed countries where high education serves as a guarantor of employment.

Second, an increase in the number of NEET youth in rural areas along with reduction of its share in the urban environment results in strengthening of the territorial inequality.

1 Though this indicator is not completely equivalent to time length required for finding a job, they are closely linked with one another.

2 Anna Zudina, Nina Vishnevskaya. Economically vulnerable youth groups in OECD countries and in Russia // Global economy and international relations. 2018. No. 11; Anna Zudina. "Neither working, nor studying": NEET youth at the labor market in Russia // Mir Rossii. 2019. No. 1 et al.

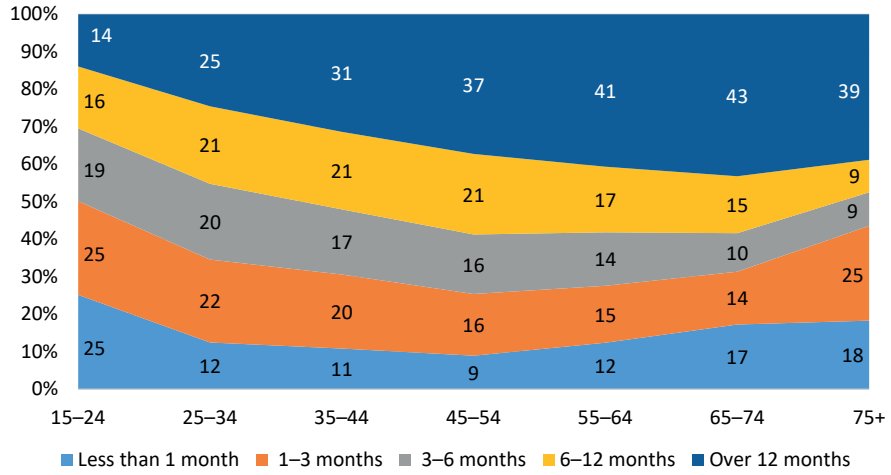

Fig. 3. The unemployed pattern according to time length needed for work searching in 2019, %

Source: Rosstat, labor force sample survey data, 2019.

The analysis presented above focused on the all-Russian situation. In some Russian regions, primarily in the republics of the North Caucasus and regions of southern Siberia, the situation may prove to be much worse. These problems have to be solved within the individual regions, taking into account their specifics.

3. EMPLOYMENT IN RUSSIA IN 2020: A CONTROVERSIAL RECOVERY

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In 2020, unemployment in Russia displayed moderate growth over Q2. In Q3 and Q4, in spite of the economic recovery, its index was quite high. Employment was sustained by several factors, in particular the expectations of employers that the pandemic crisis would soon be over. In addition, available estimates indicate that the measures adopted by the government succeeded in keeping down the unemployment in Q2 2020; however, in Q3 and Q4 2020, their effect began to wane.

According to Rosstat estimates, GDP at constant prices declined by 3.1% in 2020. In face of a shrinking demand for their products, businesses had to cut their workforce. In 2020, the unemployment rate was 5.8% vs 4.6% a year earlier. Rising unemployment is a natural response to output decline, a phenomenon referred to in the academic literature as Okun's law. In this review, we attempt to assess how the actual unemployment rate in Russia relates to the movement pattern of GDP based on the empirical estimates for the domestic economy within the framework of Okun's law; and whether the observed unemployment growth was just a standard response to the recession, or the unemployment rate increased due to certain specific features of the recent crisis.

In its modern specifications, Okun's law states that there exists a negative linear relationship between the unemployment gap and the output gap. The gaps are understood as the deviations of the actual GDP and unemployment levels from their potential (long-term) levels.[1]

The absolute value of the unemployment gap elasticity relative to the output gap determines how strongly firms will react to increasing or shrinking demand. When the modulus of elasticity is high, firms will significantly reduce the number of their employees during crises. Similarly, when the growth rate of aggregate demand moves above the rate of growth of its potential, firms will be more actively recruiting new employees.

High Okun coefficients are typically observed in the economies with high labor mobility, including those with a large number of temporary employment contracts. For example, in Spain this coefficient stands at -0.8, i.e. when output declines 1% relative to the trend rate, the unemployment rate gains 0.8%. Low Okun coefficients point to a low employee turnover and the long-term nature of labor relations in a given country. Thus, for example, in Japan there is a tradition

1 If U_t is unemployment, Y_t is the logarithm of real GDP, and U_t^*, Y_t^*, are their potential levels, respectively, then the deviations of unemployment and output from their long-term levels can be related by means of the following equation (where ε_t are unaccounted-for unemployment shocks described by a first-order autoregressive model): $U_t - U_t^* = \beta(Y_t - Y_t^*) + \varepsilon_t, \beta < 0$.

3. Employment in Russia in 2020: a controversial recovery

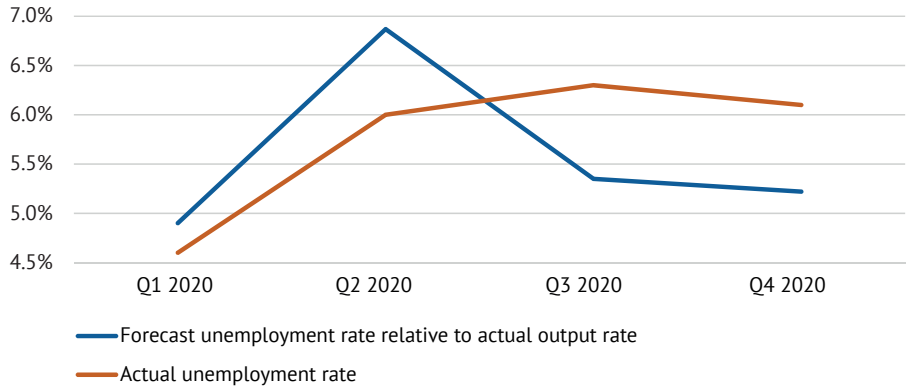

Fig. 1. Comparison of the actual unemployment rate with the forecast rate based on Okun's law

of "lifetime employment", and the Okun coefficient there is quite low, at the level of -0.17.[1]

We estimated the trend and cyclical rates of GDP and unemployment, as well as their relationships, by using the Kalman filter in a single model based on quarterly data.[2] According to our results, the estimated Okun coefficient for the period 1999–2019 was -0.2.[3]

Our comparison of the actual unemployment rate with its forecast value for 2020 based on Okun's law is shown in *Fig. 1*. Our calculations show that in Q2 2020, the actual unemployment rate was 0.8 p.p. below its forecast value calculated according to Okun's law. However, in Q3 and Q4, the actual unemployment rate stood 1 p.p. and 0.9 p.p. above the forecast rate, respectively. Thus, in Q2, actual unemployment growth was quite moderate, while in Q3 and Q4 the unemployment rate turned out to be too high, in spite of the economic recovery.

There are several simple explanations for these movement patterns. At the peak of the pandemic, the RF Government launched a relief package to help small and micro businesses, individual entrepreneurs, self-employed individuals, strategic and system-forming enterprises, which included a moratorium on bankruptcy, a moratorium on audits, credit holidays, interest-free loans to cover the payment of salaries to employees, and reduced social tax rates for the organizations and individual entrepreneurs entered in the register of small and medium-sized enterprises (SMEs). Some of these measures reduced the costs of keeping jobs, and thus also reduced the incentives for layoffs. In some situations, the key condition for receiving support was to maintain a company's payroll not below the specified level. And given the situation, the employment rate declined very moderately: in this context, government measures turned out to be quite effective. However, in Q3 and Q4, their effect began to wane.

In Q2, another factor that was responsible for unemployment growth being not very significant could be the expectations of economic agents that the

1 Ball L., Leigh D., Loungani P. Okun's law: Fit at 50? // Journal of Money, Credit and Banking. 2017. T. 49. No. 7. P. 1413–1441.

2 To calculate the expected unemployment growth in 2020 according to Okun's law, the following experiment was conducted. The model is run up to the end of Q4 2019. Then, while observing the actual growth rate of GDP throughout the four quarters of 2020, the forecast unemployment rate for the same four quarters of 2020 is plotted. That is, the actual unemployment growth rate in 2020 is set against its potential rate calculated relative to the observed output gap.

3 Similar estimates were obtained, e.g., in Kazakova M. Okun's Law: Theoretical Foundations and Estimates for Russia // Russian Economic Development. 2017. V. 24. No. 11. P. 27–36.

sharp drop in output would be short-lived, the containment measures would soon be lifted, and the economic activity would quickly recover to its previous levels. With such expectations, it is impractical to fire employees.

In H2, the higher unemployment indices could be explained by the very uneven distribution of the crisis consequences across different sectors of the economy. The containment measures affected in the main the services sector, as well as small and medium-sized businesses targeting household consumption (although many sectors also benefited from the crisis, for example, online commerce). The protracted period without any income undermined the financial resources of many enterprises, and thus led to their closure. Meanwhile, an operating firm brings down the employment rate to a lesser degree than the one that goes bankrupt, because its share in the total workforce reduction is smoothed by the reduced workload of its working employees, and not by their dismissal.

As for the further movement pattern of unemployment in our forecast, we believe that in the absence of any new negative shocks, the existing unemployment gap will be gradually reduced, and its rate will gradually return to its pre-crisis level. Our model demonstrates that relative to the RF Ministry of Economic Development's baseline scenario for 2021, where the growth rate of GDP in Q1 and Q2 is forecast to be 3.3%, the unemployment rate will stay above 5.5%, and then it will be able to decline to 5% by the end 2021.

4. RUSSIAN INDUSTRY IN MARCH 2021

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The increase in demand evidenced in March allows Russian industrial enterprises to hire personnel and maintain the output growth. Sales forecasts, the output and hiring plans continue to gain optimism, giving the reason to hope that the upward trend will continue in Q 2 2021. However, inflationary expectations are also high in the Russian industry.

In March 2021, the upward trend of demand for industrial products remained. The balance (growth rate) of sales amounted to +5 p.p. The post-crisis recovery of demand goes on. It started only in October 2020 and was interrupted in January, a traditionally challenging month for the Russian economy. Sales forecasts improve for the third month in a row after the December failure, triggered by expectations of a surge in morbidity following the January vacations. The optimism in March is still far from the local maximum of November 2020, however, the steady growth of the indicator encourages to be optimistic.

The recovery of sales growth observed in February-March after the reduction in January has stabilized the indicator of the satisfaction with demand. 61% of enterprises consider it ordinary for the second straight month. The best result after the crisis crash in April 2020 (at that time, the share of the ordinary demand estimates dropped within one month from 60 to 37%) was evidenced in November and amounted to 62%.

During the crisis 2020, the Russian industry reported that it had reached a record low share of excess stocks of finished goods. In December 2020, this indicator dropped to the absolute minimum of all 346 conducted surveys and amounted to 5%. In March 2021, the figure rose to 8%, but still did not exceed the values recorded before the pandemic. The closure of borders, a lockdown, a possible prolonged shutdown of production forced enterprises to change their approaches to assessing stocks of finished products.

The positive balance of actual changes in output that persisted in March, provides more and more grounds for concluding that the pandemic crisis was fast. After the indicator dropped from -2 to -38 p.p. in April 2020, the balance began an unexpected recovery in May, and in July it turned a profit. Thus, it took only 3 months to achieve a positive increase in the output of the Russian industry. In 2008–2009, this term was 8 months. The Russian industry continues to increase production plans. In March, the balance of these expectations added another 2 p.p. and reached not only the best post-crisis values but also resulted in a three-year maximum.

Enterprises maintain a high level of inflationary expectations. In March, the balance of price forecasts (the rate of growth in prices) remained at the level of

February, thus, a ten-year high. A similar value was recorded in January 2015 as well (after the devaluation in December 2014). However, then, after the January surge, the balance immediately began to decline and by March 2015 it had almost halved. Currently, the indicator remains within the local maximum for the third month in a row.

Russian industry switched to recruiting personnel back in September 2020 and continues to contribute to the fight against unemployment in Q 1 2021. The balance of actual changes in the number of employees remains positive for 7 consecutive months. Plans for hiring workers are no longer pessimistic in terms of crisis since June 2020, and in October they turned into a clear positive, while February-March 2021 evidenced a peak of optimism since the crisis of 2008–2009.

If the personnel pessimism shown by enterprises amid a shortage of skilled workers quickly gave way to personnel optimism, the positive investment expectations have not yet replaced the investment pessimism. The balance of investment plans has been negative for 12 months, but in Q 1 2021 it approached zero level.

In March 2021, the average minimum interest rate on loans offered to industry has symbolically increased from 8.6% to 8.7% per annum in rubles. Thus, the increase in the key rate by the Bank of Russia has not yet affected the rate on loans for the Russian industry. This indicator still remains at historic lows.