sector showed a high level of personnel trained under programs of skilled workers and clerks (23.6%), compared to 18.7% across the whole economy.

The key unrealized reserves for reducing shortage of personnel include challenges of increasing labor productivity by forming effective models of business management aimed at improving staff qualification and labor intensity and automation of workplaces.

4.2. Consumption and households' incomes[1]

Starting conditions of final consumption in 2024 were defined by favorable situation in the social sector due to the trend of the previous year, i.e. growth of real disposable households' incomes by 6.1%, real wages by 8.2%, real size of awarded pensions by 3.3% and household expenditures by 7.5%. Higher government spending on final consumption played a key role in mitigating shocks of the inflationary wave, reducing tensions in the labor market and retaining social resilience of households. In 2024, growth in real disposable cash incomes accelerated to 7.3%, wages to 9.1% and had an incentive effect on increasing consumer and investment activity of the households. Household final consumption expenditures increased by 5.5% in 2024. Undoubtedly, the acceleration of dynamics of public consumption expenditures up to 104.5% vs. previous year had a positive impact on the social sector (*Table 3*).

Table 3

Growth rate and share of final consumption expenditures in gross domestic product

	% to the total, in current prices					% to the previous year, in comparable prices				
	2020	**2021**	**2022**	**2023**	**2024**	**2020**	**2021**	**2022**	**2023**	**2024**
GDP	100	100	100	100	100	97.3	105.9	98.6	104.1	104.1
Including:										
Expenditures for final consumption	71.5	67.7	64.4	68.4	68.8	96.1	107.8	100.1	106.4	105.2
— households	50.8	49.8	47.1	49.6	49.7	94.1	109.8	99.4	107.5	105.5
— public administration	20.1	17.3	16.9	18.3	18.6	101.9	102.9	102.0	103.8	104.5
— non-commercial organizations, providing services to households	0.6	0.6	0.4	0.5	0.5	96.5	106.8	100.7	100.1	104.0

Source: Rosstat.

Changes in competitive environment in the domestic market, emergence of new niches for economic activity of domestic business of various institutional structures

1. Author: *Izryadnova O. I.,* Senior Researcher, Center for Real Sector, Gaidar Institute.

defined the increase in the contribution of household incomes from entrepreneurial activity to growth of monetary household incomes in 2024 up to 6.7% and from property up to 8.7%, while the increase in economic activity and employment, wages of hired workers up to 60.7%. With the outstripping growth of household labor incomes in 2023–2024, there was a relative decline in the contribution of social payments, in particular, real size of awarded pensions in 2024 amounted to 99.2% vs. previous year's level (*Table 4*).

Table 4

Structure of households' cash income in 2019–2024, % of the total

	Cash incomes, total	Including				
		Business revenues	Remuneration of employees	Social payments	Property income	Other cash receipts
2019	100	5.9	57.3	18.8	5.1	12.9
2020	100	5.2	57.2	21.4	5.8	10.4
2021	100	5.7	57.2	20.6	5.7	10.8
2022	100	5.7	57.5	20.0	7.8	9.0
2023	100	6.9	60.7	17.9	7.1	7.4
2024	100	6.7	60.7	16.8	8.7	7.2
Q1	100	5.9	63.9	16.8	8.7	4.7
Q2	100	7.5	61.2	17.0	7.8	6.5
Q3	100	7.2	59.4	16.9	10.0	6.5
Q4	100	6.2	59.0	16.6	8.3	9.9

Source: Rosstat.

Households' financial activity improved along with acceleration of cash income and savings dynamics. Households reacted to changes in the income rate and conditions of monetary regulation from Q2 2023 by restoring the savings model. In 2024, households' savings increased by 21.5%, while the volume of households' cash incomes grew by 17.6% compared to 2023. In the structure of households' expenditures, the share of funds for purchasing goods fell to 76.0% of total income. Households' investment potential has been forming while maintaining the trend towards higher share of deposits in households' incomes. According to results of 2024, the share in deposits of individuals increased to 52.9% of households' cash income and 28.8% of GDP and was driven by attractive interest rates of the banking system against high inflation.

Government measures for mortgage lending programs, including preferential mortgages for housing construction, supported households' investment activity in the credit market. In 2023, mortgage loans were at their peak, reaching 2.5% of GDP and 8.8% of household cash income. Growth of credit burden became a matter of the regulators' special attention. Targeted privileged programs, after the completion of mass subsidized mortgages in H2 2024, supported the demand for mortgage loans and mitigated the impact of a sharp decline in the provision of market mortgages as a result of growth of interest rates to prohibitive levels due to raising a key rate of the Bank of Russia, but could not compensate for cooling of households' investment behavior in the real estate market . In 2024, amid modifications to incentive programs, rising interest rates and tighter regulation, the number of mortgage loans declined by 36% and loan volume was 62.8% of the previous year's level (*Table 5*).

Table 5

Households' investment potential and investment activity in 2020–2024

	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
	% GDP					Trillion rubles				
Deposits of individuals	30.5	25.6	23.6	27.2	28.8	32.8	34.7	36.6	44.9	57.5
Credits issued to individuals	18.6	18.5	17.7	19.6	18.5	20.0	25.1	27.4	33.7	37.0
including mortgage housing credits	4.2	4.2	3.1	4.5	2.4	4.4	5.7	4.8	7.8	4.9
In % to households' cash incomes										
Deposits of individuals	52.3	49.2	43.9	48.2	52.09					
Credits issued to individuals	31.9	35.5	32.9	36.2	33.4					
including mortgage housing credits	6.9	8.0	6.0	8.8	4.4					

Source: CBR, Rosstat.

Enhanced incentives for saving caused changes in the structure and dynamics of households' current consumption expenditures. Quarterly indicators of the structure of household expenditures showed a steady decline in the share of expenditures on current consumption, which amounted to 76.0% at the end of the year (*Table 6*).

Changes in the structure of consumer demand were recorded along with increasing household incomes. Growth in retail trade turnover by 7.2% in 2024 evidenced 8.3% for non-food products and 6.0% for foods. The consumer services sector demonstrated stable positive dynamics with the volume increase in 2024 by 3.3% vs. the previous year. Higher purchasing power of the average per capita cash household incomes had a significant pressure on the level and dynamics of prices. Front-loaded price growth in the consumer market resulted in a 9.5% rise in inflation in 2024, from 7.4% a year earlier, including food inflation of 11.1% vs. 8.2%, non-food inflation by 6.1% vs. 6.0% and services inflation by 11.3% vs. 8.5%.

Household differentiation by incomes has increased. Given the differences in the rate of change in household incomes by social groups and status, the coefficient

Table 6

Structure of household income used for current expenditures and savings, 2019–2024, % to the total

	2019	2020	2021	2022	2023	2024	Q1	Q2	Q3	Q4
Incomes, total	100	100	100	100	100	100	100	100	100	100
Consumer spending, including:	80.9	75.7	80.2	75.4	77.0	76.0	82.9	77.8	78.7	67.7
compulsory payments and contributions	15.2	15.2	15.5	15.1	14.8	15.4	12.7	14.0	16.4	17.7
growth / decline of household savings in deposits, securities, purchasing real estate, change in debt on loans and on accounts of individual entrepreneurs, cash in hands	3.9	9.1	4.3	8.6	8.2	8.6	4.4	8.2	4.9	14.6

Source: Rosstat.

of income concentration increased from 0.405 in 2023 to 0.408 in 2024 and the coefficient of funds, respectively, from 14.8 to 15.1 times.

The average size of awarded pensions was 23.8% of the average accrued wages of employees of organizations in 2024 vs. 26.0% in 2023.

Concurrent growth of labor remuneration and expansion of providing social guarantees and targeted support to low-income households defined conditions for reducing the number of people with cash incomes below the poverty line/living wage from 12.2 mln people in 2023 to 10.5 mln people in 2024 and reducing the share of households having cash incomes below poverty line in the total share of households from 8.3% to 7.2%, respectively. Poverty reduction is associated both with active social support and factors that stimulate economic growth and entrepreneurial activity, high employment of residents and a steady decline in the overall unemployment rate and a wider range of employment opportunities.

4.3. Vocational education[1]

The growing personnel shortages in the Russian economy, although not directly brought about by the activities of the vocational education system, are increasingly associated in the public opinion and some studies with the inefficient structure of training highly skilled workers and specialists at secondary vocational and higher education establishments.

1. Author: *Klyachko T. L.,* Doctor of Economic Sciences, Director of the Center for Economics of Continuous Education, IAES RANEPA.