The initial estimates of August by industrial enterprises received by means of business surveys carried out by the Gaidar Institute\(^1\) showed improvement of the situation in industry. Actual changes in demand retained the previous dynamics; as a result, the achieved volumes of sales were rated highly by producers and permitted them to retain output growth. Estimates of stocks of finished products may underpin growth in production forecasted by enterprises. The only disadvantage of August was growth in interest rates offered by banks, however, it did not affect enterprises’ estimate of availability of loans.

**Demand on Industrial Produce**

In August demand on industrial produce retained positive dynamics (Fig. 1). The initial balance (growth rate) improved by 2 points, while that cleared of a seasonal factor, by 1 point. Such modest at first glance changes were rated highly by producers. It is to be noted that 61% of enterprises is satisfied with the volume of sales achieved in present conditions, while the share of “below the norm” answers fell to the three-year minimum.

The industry hopes to escape the predicted recession in the next months. In June-August, forecasts of demand remain at the maximum level for the current year.

**The Stocks of Finished Products**

The actual dynamics of demand and its forecasts had a positive effect on the estimate of stocks of finished products (Fig. 2). In August, the balance improved by other three points, while in the past three months positive changes already amounted to 12 points. As a result, the index reached the 40-month maximum values and may underpin the output of the months to come unless the industry believes in recession which is predicted to it.

**The Output**

The initial August data showed that positive dynamics of industrial output still prevailed. Both the initial results and those cleared of a seasonal factor (Fig. 3) were explicitly in the positive area which situation has a good chance to be registered in the Rosstat’s official reporting. So, the industry – which is quite natural for the current demand and contrary to the general economic situation and experts’ forecasts – retains positive dynamics of its output.

Enterprises’ forecasts point to their willingness to carry on supporting the subsiding growth in GDP at the expense of industrial production. For three months running, balances of industrial plans are at the level of the three-year maximum.

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\(^1\) Surveys of managers of industrial enterprises are carried out by the Gaidar Institute in accordance with the European harmonized methods on a monthly basis from September 1992 and cover the entire territory of the Russian Federation. The size of the panel includes about 1,100 enterprises with workforce exceeding 15% of workers employed in industry. The panel is shifted towards large enterprises by each sub-industry. The return of queries amounts to 65–70%.
Prices of Enterprises

In August, the rate of growth in prices (Fig. 4) – which started to decline in June-July – stopped to slow down and increased by 3 points. However, rather moderate inflationary expectations of July when the balance of forecasts showed the 9-month minimum were able to realize completely in new economic conditions of trade wars. With taking into account the above factor, growth of only 3 points in the general industrial balance of an actual change in prices looks rather moderate, but creates the risk of a price surge in enterprises’ selling prices in the next months.

However, so far Russian industry is not going to take it out on its buyers in a situation where demand seems to revive. In August, the balance of expected changes in prices grew moderately by 4 points.

Actual Dynamics and Lay-Off Plans

In Russian industry, lay-offs keep dominating over the hiring of workers (Fig. 5). For employers, August was not a pleasant exception from that many-month trend: the balance of changes became a negative one again, though not that big one as in the 2012–2013 period. In 2014, the rate of lay-offs started to fall.

Also, similar trends are observed in forecasts (plans) of enterprises as regards hiring of workers. The balance of the expected changes in the number of workers remain a negative one (that is, enterprises expect lay-offs of their personnel), but its absolute value will not be that big as in the previous years (that is, the rate of the expected lay-offs has decreased). As a result, there will be fewer personnel problems in industry, though factors behind them remain the same.

Lending to Industry

In August 2014, a general estimate by industrial enterprises of availability of loans did not undergo principal changes (Fig. 6). The number of the “above the norm” answers and “normal” answers remained within the band in which it stayed for over four years.

However, in August the minimum rate offered by banks grew as compared to June 2014 and February 2014 (the last “peaceful” month) by 0.5 p.p. and nearly 1 p.p., respectively. It seems that the policy of the Russian regulator and sanctions introduced by Russia’s partners in the West start to yield results. However, growth registered by enterprises did not result in a change in estimates of availability of loans which situation can be explained by the fact that that index did not exceed the limit between the “normal” availability and the “below the norm” availability. Another factor may consist in the fact that for the absolute majority of enterprises loan shortages are at the bottom of the list of obstacles to output growth. Such are the results of our monitoring which has been carried out for many years.
Enterprises’ Investment Plans
In August, the Russian industry consolidated in its willingness to build up investments in its own production (Fig. 7). For three months running, the balance of plans is in the positive zone (after staying for 12 months in the negative zone) and already amounted to +7 points. In a situation of positive dynamics of demand, output and estimates of stocks of finished products, such a build-up of investment optimism seems quite natural, however, so far it is not reflected either in the official reporting or official forecasts.