

# MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

## TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 13(136) July 2021

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# Monitoring of Russia's Economic Outlook

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

**Editorial board:** Sergey Drobyshevsky, Vladimir Mau, and Sergey Sinelnikov-Murylev.

**Editor:** Vladimir Gurevich.



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**RANEPA**  
THE RUSSIAN PRESIDENTIAL ACADEMY  
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AND PUBLIC ADMINISTRATION

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## 1. THE BALANCE OF PAYMENTS IN Q2 2021

**Alexandra Bozhechkova**, Candidate of Economic Sciences, Head of the Monetary Policy Department, Gaidar Institute; Senior Researcher at the Center for Central Banks Issues, IAES RANEPA;

**Alexander Knobel**, Candidate of Economic Sciences, Head of the International Trade Department of the Gaidar Institute; Director of the Center for International Trade Research, RANEPA;

**Pavel Trunin**, Doctor of Economic Sciences, Director of the Center for Macro-Economics and Finance, Gaidar Institute; Director of the Center for Central Banks Issues, IAES RANEPA

*In Q2 2021, the current account balance amounted to \$19.9 bn, vs \$1.6 bn in Q2 of last year. Russia's trade balance demonstrated a significant increase relative to Q2 2020. Net capital outflow from the private sector declined on the same period of last year, while the global economy was recovering, and the Bank of Russia was tightening its monetary policy. The regulator continued its foreign currency purchases within the framework of the fiscal rule, which produced an increase in reserve assets by \$8.3 bn in Q2 2021. International reserves increased to \$591.7 bn. According to the period-end results of Q2 2021, the ruble exchange rate against the US dollar gained 4.4%, rising to Rb72.4.*

According to the balance of payments preliminary estimates released by the Bank of Russia on its official website, the current account for Q2 2021 amounts to \$19.9 bn, which is more than 12 times higher than the corresponding index for Q2 2020 (which stood at \$1.6 bn), but slightly lower than that for Q1 2021 (\$23.2 bn).

*First*, there was an improvement in the balance of trade in goods. In Q2 2021, it amounted to \$34 bn: this represents an increase of 20% relative to \$28.4 bn in Q1 2021, and more than twice exceeds the corresponding index for Q2 2020 (\$16.7 bn).

*Second*, there was improvement in the balance of trade in services. In Q2 2021, it amounted to -\$1.3 bn, which represents a decrease of 43% relative to -\$2.3 bn in Q1 2021, and an improvement of 32% compared to -\$1.9 bn in Q2 2020.

*Third*, there was a deterioration in the balance of investment income. In Q2 2021, it stood at -\$12.3 bn, having shrunk by 7.9% relative to -\$11.4 bn in Q2 2020.

*Finally*, there was an improvement in the negative balance of secondary income account. In Q2 2021, it amounted to -\$0.7 bn, vs -\$1.4 bn in Q2 2020, and -\$1.6bn in Q1 2021.

The other components of the current account (the balance of compensation of employees, the balance of rent), as before, are much smaller than its main components discussed earlier, while their movement patterns have little effects on the current account balance.

Over Q2 2021, the value volume of exports increased significantly relative to Q2 2020, which happened largely due to the rising global prices for Russia's main exports, and also, in part, due to changes in the physical volumes of those exports (Table 1, Fig. 1). The exports of oil, LNG, wheat, vegetable oil, and iron ore declined. Exports of petroleum products, natural gas, ferrous metals, coal, fertilizers, aluminum, and copper increased in terms of their physical volume.

The value volume of exports in Q2 2021 increased by 56% on Q2 2020 (from \$70.5 bn in Q2 2020 to \$110.3 bn in Q2 2021, or by \$39.8 bn), due primarily to the rapid recovery of the world economy. Growth in export proceeds was triggered by rising world prices for oil and petroleum products, natural gas, fertilizers, ferrous metals, timber, copper, and aluminum, alongside an increase in their exports in terms of physical volume (except for exports of oil). At the same time, in spite of the upward movement of their world prices, Russia's exports of wheat, vegetable oil and iron ore shrank significantly in response to the export duties imposed on these commodity groups in order to curb domestic prices.

Table 1

### Changes in the average export prices for and physical volumes of Russia's main exports

|                                     | Share in value volume of Russia's exports, % | Price, April-May 2020, USD/t | Price, April-May 2019, USD/t | Change in average export price, % | Change in physical volume of exports, % |
|-------------------------------------|--|------------------------------|------------------------------|-----------------------------------|---|
| Crude oil                           | 23   | 445                          | 195                          | 128                               | -13                                     |
| Petroleum products                  | 16   | 456                          | 258                          | 77                                | 6                                       |
| Natural gas*                        | 9.1  | 189                          | 104                          | 81                                | 20                                      |
| Ferrous metals                      | 5.8  | 604                          | 382                          | 58                                | 3                                       |
| Anthracite                          | 3.0  | 69                           | 66                           | 4                                 | 12                                      |
| Mineral fertilizers                 | 2.3  | 283                          | 202                          | 40                                | 9                                       |
| Timber                              | 1.4  | 315                          | 228                          | 38                                | 3                                       |
| Copper                              | 1.4  | 8,519                        | 4,937                        | 73                                | 26                                      |
| Aluminum                            | 1.2  | 1,781                        | 1,598                        | 11                                | 45                                      |
| Vegetable oil                       | 1.1  | 1,391                        | 700                          | 99                                | -31                                     |
| Liquefied natural gas**             | 1.0  | 79                           | 141                          | -44                               | -19                                     |
| Fish, fresh and frozen              | 0.6  | 1,498                        | 1612                         | -7                                | -4                                      |
| Wheat and meslin                    | 0.5  | 295                          | 214                          | 38                                | -77                                     |
| Iron ores and iron ore concentrates | 0.5  | 139                          | 67                           | 109                               | -20                                     |

\* price, US dollars per 1,000 m<sup>3</sup>; \*\* price, US dollars per 1 m<sup>3</sup>.

As far as imports are concerned, in Q2 2021 they gained 42% relative to Q2 2020 (jumping from \$53.8 bn in Q2 2020 to \$76.2 bn in Q2 2021), in response to the increasing supplies of investment goods and pharmaceuticals, which can be explained by Russia's GDP growth over H1.<sup>1</sup>

In Q2 2021, both exports and imports of services significantly increased on Q2 2020 (exports, by 33%, from \$10.0 bn to \$13.3 bn; imports, by 22%, from \$11.9 bn to \$14.5 bn); the former resulted in the main from growth in transport and other services, and the latter, from growth of transport services and foreign travels of Russians. As growth of exports was more significant than that of imports, both in relative and absolute terms, the negative balance of trade in services likewise improved significantly.

In Q2 2021, the financial account deficit declined by \$4 bn on the same period of last year, amounting to \$10.5 bn (vs \$14.5 bn in Q2 2020). The net capital inflow in Q2 2021 reflected the shrinkage in foreign financial liabilities, by \$7.6 bn (vs -\$3.0 bn in Q2 2020), and an increase in foreign financial assets, by \$2.9 bn (vs \$11.6 bn in Q2 2020).

1 Knobel A.Yu. Estimation of import demand function in Russia // Applied Econometrics. 2011. No.4 (24). P. 3–26.

## 1. The balance of payments in Q2 2021

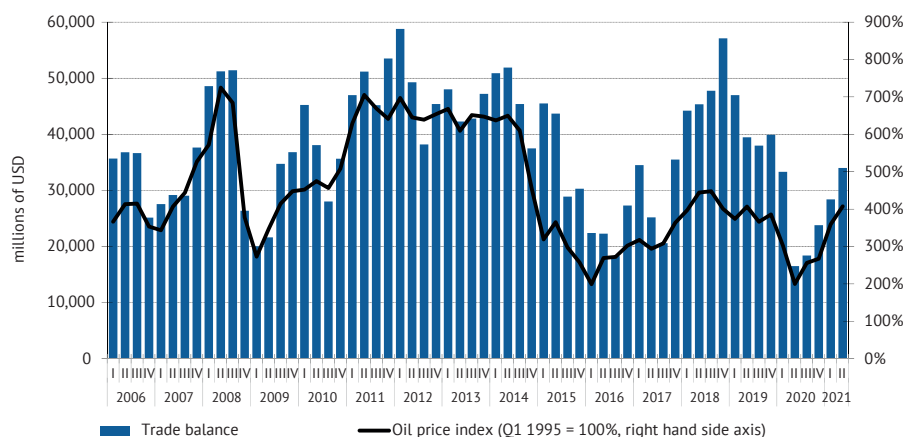


Fig. 1. Trade balance and the movement of oil prices

Source: Bank of Russia; IMF.

The deepest decline in liabilities to non-residents was demonstrated by the other sectors. Thus, over Q2 2021, foreign liabilities of the other sectors shrank by \$4.4 bn (vs an increase, in Q2 2020, by \$ 6.3bn). More particularly, foreign portfolio investment liabilities lost \$3.8 bn (vs -\$7.3 bn in Q2 2020), and the liabilities on loans and borrowings to non-residents, \$2.6 bn (vs -\$2.0 bn in Q2 2020); the volume of foreign direct investment inflow increased by \$0.7 bn (vs \$5.9 bn in Q2 2020); and the other foreign liabilities increased by \$1.3 bn (vs \$9.8 bn in Q2 2020).

Over the course of Q2 2021, the banking sector reduced its foreign liabilities by \$2.5 bn (vs -\$9.2 bn in Q2 2020), while those of government administration bodies shrank by \$0.7 bn (vs an increase of \$1.1 bn in Q2 2020). As of the start of June 2021, the share of non-residents in the OFZ market decreased to 19.5%, while at the start of this year it had amounted to 23.3%. Most likely, the reduction in the volume of government administration bodies' liabilities to foreign countries resulted from the sanctions rhetoric, the domestic political and geopolitical risks, and the expectations of the US Federal Reserve' monetary policy tightening.

An increase in foreign assets over Q2 2021 was observed primarily in the other sectors, their volume amounting to \$8.9 bn (vs \$12.9 bn in Q2 2020). Outgoing direct investments in the other sectors increased to \$4.9 bn (vs \$4.8 bn in Q2 2020). In Q2 2021, outgoing portfolio investments amounted to \$2 bn (vs \$4.9 bn in Q2 2020), while the volume of other assets in Q2 2021 increased by \$3.7 bn (vs -\$5.7 bn in Q2 2020). Most likely, the increasing volume of foreign assets held by the other sectors was associated with the massive worldwide economic activity recovery.

The growth of foreign assets held by the other sectors was offset for the most part by the corresponding shrinkage of those held by the banking sector. In Q2 2021, banks reduced their foreign assets by \$6.8 bn (vs -\$2.0 bn in Q2 2020). This was probably due to their need to accumulate reserves in response to the cancellation, by the Bank of Russia, of some of its regulatory relaxations introduced by way of dealing with the coronavirus crisis.

As a result, net capital outflow from the private sector in Q2 2021 amounted to \$10 bn, which is \$2.6 bn less than in Q2 2020, and \$8.3 bn less than in Q1 2021 (Fig. 2). Meanwhile in Q2 2021, net capital outflow from the other sectors was \$ 14.2 bn (vs \$5.5 bn in Q2 2020).

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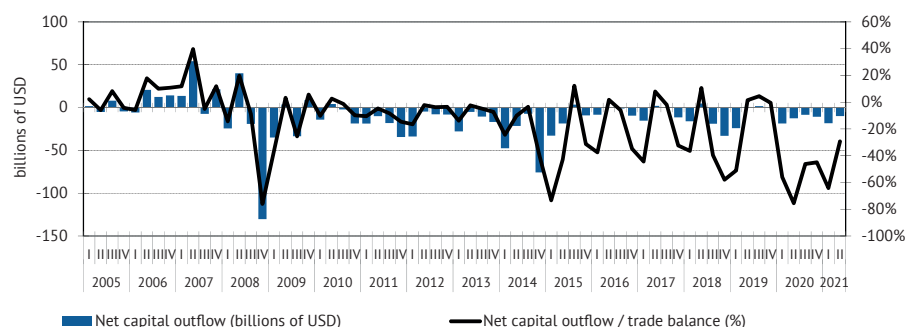


Fig. 2. Net capital outflow from the private sector in 2005–2021

Sources: Bank of Russia; Gaidar Institute calculations.

The banking sector demonstrated a net inflow of \$4.3 bn, vs a net outflow of \$7.2 bn in Q2 2020. Overall, the decrease in net capital outflow from the private sector relative to the same period of last year resulted from the stabilizing situation in the emerging markets (in contrast to the crisis of 2020) and the monetary policy tightening by the Bank of Russia. Besides, the somewhat softer sanctions rhetoric also conduced to the reduction in capital outflow from Russia in Q2 2021 compared with Q1 2021. The stability of the private sector's financial account in Q2 2021 contributed to the ruble strengthening in the forex market.

The excess of the current account surplus over capital outflow in the financial account was offset by growth in the volume of international reserve assets, by \$8.3 bn (-\$12.9 bn in Q2 2020). The accumulation of forex reserves had to do with purchases of foreign currency by the Bank of Russia by way of complying with the fiscal rule, which had started on January 19, 2021 in response to the oil price rising above the cut-off price. The volume of foreign currency purchases by the RF Ministry of Finance in the domestic forex market in Q2 2021 totaled about \$7 bn.

As a result of all these trends, in Q2 2021, the ruble exchange rate against the US dollar gained 4.4%, rising to Rb72.4. The ruble strengthening was facilitated by the significant increase in oil prices, the key rate raise by the RF Central Bank, and the expectations of further monetary policy tightening by the Bank of Russia. According to the period-end results of Q2 2021, the fundamentally justified level of the ruble exchange rate against the US dollar stood at Rb69–70, which means that it was undervalued by 3.4–4.9%.<sup>1</sup> Nevertheless, in H2, some weakening of the ruble is possible, if there should appear signals pointing to the possibility of a faster monetary policy tightening by the US Federal Reserve, with the increased risks of capital outflow from the emerging markets. ▀

<sup>1</sup> For more details, see Bozhechkova A.V., Sinelnikov-Murylev S.G., Trunin P.V. Factors of the Russian ruble exchange rate dynamics in the 200s and 2010s // Voprosy Ekonomiki. 2020. No.8. P. 1–18.

## 2. THE SITUATION IN THE OIL MARKET IN Q2 2021

**Andrey Kaukin**, Candidate of Economic Sciences, Head of the Industrial Organization and Infrastructure Economics Department, Gaidar Institute; Head of the Systemic Analysis of Sectoral Markets and Infrastructure Economics Institute, IAES RANEPA;

**Evgenia Miller**, Senior Researcher, Systemic Analysis of Sectoral Markets Department, Sectoral Markets and Infrastructure Economics Institute, IAES RANEPA

*The revision of the oil output baseline for the UAE made it possible to reach a compromise in the negotiations to extend the OPEC+ agreement. In return, the UAE supported the proposal to extend the current deal until the end of 2022, and to increase the total oil production by OPEC+ countries by 400,000 barrels per day (bpd) during that period. This will allow Russia to return to the pre-crisis oil production level of 10.5 mn barrels per day as early as May 2022, by increasing output by 100,000 bpd from August 2021. However, the threat of negative effects on the oil market of potential worldwide infection outbreaks caused by new coronavirus strains is still there.*

### **OPEC+ agreement in Q2 2021**

As noted earlier,<sup>1</sup> at the 15th OPEC+ meeting,<sup>2</sup> the oil production levels for May through July 2021 were approved for each participating country (see the Annex): by July, their total daily production cut was to amount to 5.8 mn bpd relative to the output baseline.<sup>3</sup> In addition, the terms whereby each country must compensate for any excess production with cuts of equivalent volume below its quota by the end of September were extended (the relevant figures are derived by adding up each country's monthly production that exceeds its quota from the moment of signing the OPEC+ agreement). By April 15, 2021, those OPEC+ countries that had overproduced their quotas were to submit their compensation plans to the OPEC+ Secretariat and start to comply with them. As a result of the 16th and 17th OPEC+ meetings,<sup>4</sup> which took place on April 27 and June 1, the quotas remained at the same level.

At the 18th meeting of the OPEC+ countries in early July,<sup>5</sup> OPEC+ ministers voted for increasing oil production by 2 mn bpd until the end of 2021 (or by 400,000 bpd on a monthly basis from August to December 2021),<sup>6</sup> as well as for extending the agreement until the end of 2022<sup>7</sup> in view of the growing oil shortages and rising oil prices from the beginning of July. The proposal was blocked by the UAE delegation (because the decision could only be approved by

1 Kaukin A.S., Miller E.M.. World's oil market in Q1 2021 // Russian Economic Developments. 2021. V. 28. No.5. P. 9–13.

2 15th OPEC and non-OPEC Ministerial Meeting concludes // OPEC. 01.04.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6400.htm](https://www.opec.org/opec_web/en/press_room/6400.htm)

3 October 2018.

4 OPEC and non-OPEC Ministerial Meeting highlights importance of ongoing rebalancing efforts // OPEC. 27.04.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6429.htm](https://www.opec.org/opec_web/en/press_room/6429.htm); 17th OPEC and non-OPEC Ministerial Meeting concludes// OPEC. 01.06.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6448.htm](https://www.opec.org/opec_web/en/press_room/6448.htm)

5 18th OPEC and non-OPEC Ministerial Meeting called off // OPEC. 05.07.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6483.htm](https://www.opec.org/opec_web/en/press_room/6483.htm)

6 With due regard for the possibility of Iranian oil entering the market (about 1–1.4 mn bpd).

7 At the time of the meeting, the agreement was valid until April 2022.



consensus), which insisted that their output baseline should be increased from 3.168 mn bpd to 3.8 mn bpd, and opposed<sup>1</sup> the agreement extension until the end of 2022. October 2018 was used as a baseline, which does not account for the expansion of the UAE's production capacities in late 2018 (as a result, about a third of these capacities have been kept idle).

In order to avoid a playback of the April 2020 situation<sup>2</sup> when the OPEC+ talks were called off, at the 19th OPEC+ meeting on July 18, 2021<sup>3</sup> a compromise was reached, whereby the output baseline for the UAE was upwardly revised to 3.5 mn bpd starting from May 2022. In return, the UAE supported the proposal to extend the current oil production cut deal until the end of 2022. In addition, from May 2022, the oil output baseline for Russia and Saudi Arabia should be increased to 11.5 mn bpd; and those for Kuwait and Iraq, by 150,000 bpd each (to 2.96 mn bpd and 4.8 mn bpd respectively).

With a monthly increase in oil production from August 2021 by 400,000 bpd, Russia's total oil output will gain 100,000 bpd every month, thus reaching the level of 10.5 mn bpd by May 2022, i.e. the pre-crisis oil production level. This means that over the period 2021–2022, Russia's oil and gas industry will be able to additionally produce 21 mn tons of oil.

### Oil price movement forecasts<sup>4</sup>

The EIA Short-Term Energy Outlook takes into account the uncertainty surrounding the ongoing economic recovery following the coronavirus pandemic. According to that forecast, over the next few months the level of world oil production, for the most part in the OPEC+ member countries, will be moving ahead of worldwide consumption: in H2 2021, oil production growth will still sustain the average price of oil at its current level of \$72 per barrel, but later on, in 2022, the continued upward movement of that index in OPEC+ countries coupled with an accelerated oil production growth in the USA will outpace the global oil consumption growth rate and push down oil prices. Based on these factors, the EIA predicts that the price of Brent crude in 2022 will average \$67 per barrel<sup>5</sup> (Fig. 1). That forecast was made at the time of continuing disagreement over the extension of the agreement between the UAE and the other participants in the OPEC+ deal.

According to the World Bank forecast for 2021, oil prices are going to move to \$56 per barrel, because the gradually increasing demand will be exerting its effect alongside the easing constraints on supply in the OPEC+ countries. The main risks for oil price movement forecasting have to do with the duration of the pandemic and the speed of vaccination.<sup>6</sup> The forecast was developed in the aftermath of the 15th OPEC+ meeting (before the disagreements between the OPEC+ deal participants and the subsequent decisions to increase the output baselines for some countries and to extend the agreement until the end of 2022).

1 In this connection, the UAE was for further easing (over August–December 2021) of the oil production cut deal.

2 Bobylev Yu.N., Kaukin A.S., Miller E.M. Current state and prospects for the world oil market // Russian Economic Developments. 2020. V. 27. No.5. P. 50–57.

3 19th OPEC and non-OPEC Ministerial Meeting concludes // OPEC. 18.07.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6512.htm](https://www.opec.org/opec_web/en/press_room/6512.htm)

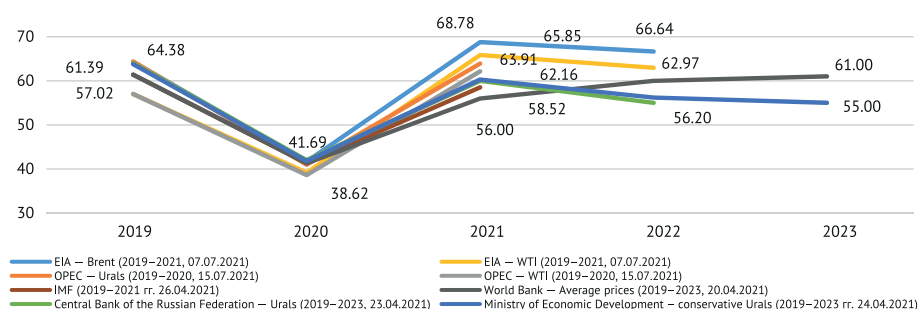
4 The forecasts of these international sources will be updated in the first half of August 2021.

5 Short-term energy outlook / EIA. 07.07.2021. URL: [https://www.eia.gov/outlooks/steo/report/global\\_oil.php](https://www.eia.gov/outlooks/steo/report/global_oil.php)

6 World Bank Commodities Price Forecast / World Bank. 20.04.2021. URL: <https://thedocs.worldbank.org/en/doc/c5de1ea3b3276cf54e7a1dff4e95362b-0350012021/related/CMO-April-2021-forecasts.pdf>



## 2. The Situation in the Oil Market in Q2 2021



**Note.** The date when each forecast was released is shown in brackets.

*Fig. 1. Oil price movement forecasts, USD/bbl*

Source: own compilation.

The Bank of Russia has raised its price forecast for Russia's Urals crude oil grade in 2021 from \$45 to \$60 per barrel. In 2022, the regulator expects the price of oil to be at \$55 per barrel, and in 2023, at \$50 per barrel.<sup>1</sup> The forecast was based on the results of the 15th OPEC+ meeting, and it does not take into account the decisions adopted at subsequent ministerial OPEC+ meetings.

### The Russian oil market in Q2 2021

According to data released by the International Energy Agency (IEA), in March 2021 Russia was producing oil at the rate of 9.3 mn bpd (less gas condensate), which exceeds the oil production deal terms by 114%; in May 2021, the deal was complied with by nearly 100%; in June 2021, oil output was further reduced to 93% of the deal. *Table 1* shows Russia's by-months total oil output data for Q2 2021, alongside data on oil exports, domestic oil supplies for domestic refineries, and transshipment of oil and petroleum products at seaports. It can be seen that the movement patterns of the majority of these indicators became positive compared to the same period of last year (it should be remembered that this may be due to a low base effect, because April and May 2020 coincided with non-working days, which also indirectly affected the oil industry). Overall, given the achievement of a formal agreement to extend the OPEC+ deal, one can speak of a gradual production recovery, in terms of physical volume, across the Russian oil and gas industry.

*Table 1*

The movement of oil production, oil refining, and oil exports indicators of the Russian oil industry

|   | April 2021 |                           | May 2021 |                           | June 2021 |                           |
|---|------------|---------------------------|----------|---------------------------|-----------|---------------------------|
|   | mn tons    | %, relative to March 2020 | mn tons  | %, relative to March 2020 | mn tons   | %, relative to March 2020 |
| Oil production  | 42.80      | -7.80                     | 44.20    | 11.20                     | 42.60     | 11.60                     |
| Oil exports   | 18.40      | -16.30                    | 19.60    | 6.20                      | 18.90     | 3.50                      |
| Primary oil processing at Russian refineries            | 23.30      | 6.30                      | 23.00    | 9.30                      | 23.00     | 9.30                      |
| Transshipment of bulk cargo at Russian ports, of which: | 35.5       | -14.00                    | 35.9     | -9.10                     | 36.5      | -2.10                     |
| crude oil   | 19.1       | -20.70                    | 19.3     | -17.50                    | 20.7      | 0.00                      |
| petroleum products                                      | 13.1       | -3.70                     | 12.7     | 0.80                      | 12.8      | -3.80                     |

Source: RF Ministry of Energy; IPEM.

<sup>1</sup> Medium-term macroeconomic forecast of the Bank of Russia in the follow-up to the Board of Directors' key rate meeting // Bank of Russia. April 23, 2021. URL: [http://www.cbr.ru/analytics/dkp/ddcp/longread\\_4\\_32/page/](http://www.cbr.ru/analytics/dkp/ddcp/longread_4_32/page/)

The 2021 forecast values for production, domestic consumption and exports of Russian oil are presented in *Table 2*.

*Table 2*

### The forecast of production, domestic consumption and exports of Russian oil

|   | Source                | 2020   | 2021   |
|---|-----------------------|--------|--------|
| Oil production, mn tons   | RF Ministry of Energy | 512.76 | –      |
|   | OPEC MOMR             | 520.01 | 521.98 |
|   | EIA STEO              | 516.08 | 524.92 |
| Domestic oil consumption volume (assumed constant = 2020), mn tons                    | RF Ministry of Energy | 274.93 | 274.93 |
| Oil exports (difference between oil production and domestic oil consumption), mn tons | RF Ministry of Energy | 232.37 | –      |
|   | OPEC MOMR             | 232.37 | 247.04 |
|   | EIA STEO              | 232.37 | 249.99 |

Source: RF Ministry of Energy; OPEC MOMR; EIA STEO.

An analysis of the forecasts released by international agencies and the world energy market's current dynamics has shown that as far as Russia is concerned, the decision made at the latest OPEC+ meeting is rather positive because in May 2022, the national oil industry is going to return to its pre-crisis output level of 10.5 mn bpd. This means that over the period 2021–2022, the Russian oil and gas industry will be able to produce additional 21 mn tons of oil. This may be hindered by the risks to which the world oil market is still exposed. These risks are associated with the following factors:

- 1) the threat of reintroduction of tough containment measures limiting population mobility. In European countries, the COVID-19 Delta (Indian) variant has been spreading, and in case of its resistance to the modern vaccines, or a failure to properly control the infection rate, governments may once again resort to strict lockdowns. In this case, oil demand will suffer, which could lead to a significant revision of consumption forecasts and lower fuel prices;
- 2) the lifting of sanctions targeting Iran's oil and gas sector. The uncertainty has to do with the actual timing of an agreement with the USA and the subsequent resumption of Iranian oil production. Potentially, an inflow of additional 1–1.4 mn bpd may be expected in the world oil market. If that inflow is gradual, OPEC+ will be able to smooth out its effect, and thus possibly avoid a noticeable oil price downfall. In the event of a sharp increase in oil supply (within 1-2 months), oil prices are much more likely to decline sharply;
- 3) growth of the US dollar forex rate. As a result of rising inflation in the USA and worldwide, the risks of monetary policy tightening by central banks, including the US Federal Reserve, have increased; this measure may translate into strengthening of the US dollar, and so price of oil recalculated in the national currencies of oil-importing countries will also increase. The market expectations regarding the possible decisions of the monetary authorities have already provoked an increased demand, which pushed up oil prices by 4% in June relative to the previous period. Any further strengthening of the US dollar will continue to put pressure on oil prices;

## 2. The Situation in the Oil Market in Q2 2021

- 4) weak oil demand in the emerging markets resulting from high oil prices. At current oil prices, fuel costs are already becoming onerous for many enterprises in the developing economies, which can slow down the process of economic recovery, and naturally push down both demand and prices;
- 5) the potential inconsistency in the further activity of OPEC+ countries and a subsequent surge in their oil production volumes. The next OPEC+ meeting is scheduled for early September 2021, so at least until the start of that month, this particular risk can be considered to be irrelevant. However, considering the case of the UAE, and also some other cases that had preceded it, one cannot rule out the possibility of this risk coming true in the future.

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## Annex 1

Voluntary daily oil production cuts under the OPEC+ agreement, thousand barrels per day

| Country           | Baseline until April 30, 2021 | March  |        | April  |        | May    |        | June   |        | July   |        | Baseline from May 1, 2022 | Baseline from June 1, 2022 |
|-------------------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------------|----------------------------|
|                   |                               | Δ      | Fact   | Δ      | Fact   | Δ      | Fact   | Δ      | Fact   | Δ      | Fact   |                           |                            |
| Algeria           | 1,057                         | -181   | 876    | -181   | 876    | -170   | 887    | -159   | 898    | -145   | 912    | 1,057                     | 1,057                      |
| Angola            | 1,528                         | -261   | 1,267  | -261   | 1,267  | -245   | 1,283  | -230   | 1,298  | -209   | 1,319  | 1,528                     | 1,528                      |
| Congo             | 325                           | -56    | 269    | -56    | 269    | -52    | 273    | -49    | 276    | -44    | 281    | 325                       | 325                        |
| Equatorial Guinea | 127                           | -22    | 105    | -22    | 105    | -20    | 107    | -19    | 108    | -17    | 110    | 127                       | 127                        |
| Gabon             | 187                           | -32    | 155    | -32    | 155    | -30    | 157    | -28    | 159    | -26    | 161    | 187                       | 187                        |
| Iraq              | 4,653                         | -796   | 3,857  | -796   | 3,857  | -748   | 3,905  | -699   | 3,954  | -637   | 4,016  | 4,653                     | 4,803                      |
| Kuwait            | 2,809                         | -480   | 2,329  | -480   | 2,329  | -451   | 2,358  | -422   | 2,387  | -384   | 2,425  | 2,809                     | 2,959                      |
| Nigeria           | 1,829                         | -313   | 1,516  | -313   | 1,516  | -294   | 1,535  | -275   | 1,554  | -250   | 1,579  | 1,829                     | 1,829                      |
| Saudi Arabia      | 11,000                        | -1,881 | 9,119  | -1,881 | 9,119  | -1,768 | 9,232  | -1,653 | 9,347  | -1,505 | 9,495  | 11,000                    | 11,500                     |
| UAE               | 3,168                         | -542   | 2,626  | -542   | 2,626  | -509   | 2,659  | -476   | 2,692  | -433   | 2,735  | 3,168                     | 3,500                      |
| Azerbaijan        | 718                           | -123   | 595    | -123   | 595    | -115   | 603    | -108   | 610    | -98    | 620    | 718                       | 718                        |
| Bahrain           | 205                           | -35    | 170    | -35    | 170    | -33    | 172    | -31    | 174    | -28    | 177    | 205                       | 205                        |
| Brunei            | 102                           | -17    | 85     | -17    | 85     | -16    | 86     | -15    | 87     | -14    | 88     | 102                       | 102                        |
| Kazakhstan        | 1,709                         | -272   | 1,437  | -272   | 1,457  | -246   | 1,463  | -240   | 1,469  | -234   | 1,475  | 1,709                     | 1,709                      |
| Malaysia          | 595                           | -102   | 493    | -102   | 493    | -96    | 499    | -89    | 506    | -81    | 514    | 595                       | 595                        |
| Mexico            | 1,753                         | 0      | 1,753  | 0      | 1,753  | 0      | 1,753  | 0      | 1,753  | 0      | 1,753  | 1,753                     | 1,753                      |
| Oman              | 883                           | -151   | 732    | -151   | 732    | -142   | 741    | -133   | 750    | -121   | 762    | 883                       | 883                        |
| Russia            | 11,000                        | -1,751 | 9,249  | -1,621 | 9,379  | -1,582 | 9,418  | -1,543 | 9,457  | -1,505 | 9,495  | 11,000                    | 11,500                     |
| Sudan             | 75                            | -13    | 62     | -13    | 62     | -12    | 63     | -11    | 64     | -10    | 65     | 75                        | 75                         |
| South Sudan       | 130                           | -22    | 108    | -22    | 108    | -21    | 109    | -20    | 110    | -18    | 112    | 130                       | 130                        |
| OPEC 10           | 26,683                        | -4,564 | 22,119 | -4,564 | 22,119 | -4,287 | 22,396 | -4,010 | 22,673 | -3,650 | 23,033 | 26,683                    | 27,815                     |
| Non-OPEC          | 17,170                        | -2,486 | 14,684 | -2,336 | 14,834 | -2,263 | 14,907 | -2,190 | 14,980 | -2,109 | 15,061 | 17,170                    | 17,670                     |
| OPEC+             | 43,853                        | -7,050 | 36,803 | -6,900 | 36,953 | -6,550 | 37,303 | -6,200 | 37,653 | -5,759 | 38,094 | 43,853                    | 45,485                     |

Source: Voluntary Production Levels // OPEC. 05.01.2021. URL: [https://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/Voluntary%20Production%20Levels.pdf](https://www.opec.org/opec_web/static_files_project/media/downloads/Voluntary%20Production%20Levels.pdf); 14th OPEC and non-OPEC Ministerial Meeting // OPEC. 04.03.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6375.htm](https://www.opec.org/opec_web/en/press_room/6375.htm); Voluntary Production Levels // OPEC. 01.04.2021 URL: [https://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/15th%20NOMM%20-%20Production%20adjustments%20table.pdf](https://www.opec.org/opec_web/static_files_project/media/downloads/15th%20NOMM%20-%20Production%20adjustments%20table.pdf); Voluntary Production Levels // OPEC. 01.04.2021. URL: [https://www.opec.org/opec\\_web/en/press\\_room/6512.htm](https://www.opec.org/opec_web/en/press_room/6512.htm)

### 3. DISTANT EMPLOYMENT: REMOTE MODE BECOMES THE NORM IN A NUMBER OF PROFESSIONS

**Viktor Lyashok**, Candidate of economic sciences, Senior Researcher, Department of Pension Systems Research and Actuarial Forecasting of Social Sphere, IAES RANEPA

*An online survey conducted in June-July 2021 among Facebook users showed that significant intergenerational differences in attitudes towards remote work emerged over the past year. On average, young people have a much more positive attitude towards it compared to older respondents. Estimates also vary considerably depending on the type of activity of the companies employing the survey participants.<sup>1</sup>*

According to results of the online survey, 48% of the employed were transferred to a remote mode of work in 2020 and/or 2021, which is significantly higher than the statistics of organizations or studies representing the population of Russia. However, about 35% of employees in the sample continue to work remotely, of which 15% work completely remotely, 20% combining with office work. Until March 2020, they worked from home: 8% worked completely remotely, 17% – partially.

Previous polls have shown that among various characteristics of respondents, it is their age that most significantly influences the attitude towards a remote work format. On the whole, young people are much more positive about this working mode than older respondents.

Age differences remained noticeable in the summer of 2021 (*Fig. 1*). Although work out of home is recognized to be the most effective by all age groups, the distributions differ considerably: among 18–34-year-olds 51% of the employed fully or partially agree with this statement, 67% among respondents aged 34–54 and 72% among respondents aged 55 years and older. In general, workers recognize lower productivity when working from home compared to office work.

This conclusion is confirmed by the respondents' estimates regarding the degree of impact of the transition to a "distant" mode on the operations of those organizations that they are employed with (or own respondents' business). Negative estimates prevail over positive ones. However, 28–35% of respondents state that the change of working mode has practically no influence on the companies' operations (*Fig. 2*). Nevertheless, at least 52% of elder respondents estimated transition negatively or almost negatively, while these estimates reached only 28% among aged 18–34.

Despite recognizing low working productivity from home, on the whole, respondents are still positive about the distant format, especially, younger

<sup>1</sup> The survey was conducted among users of the social media Facebook on June 23 – July 2, 2021. The total sample included 2599 respondents. Note that the sample does not represent the population of Russia and is biased towards: a) older ages, b) women, c) higher education, d) urban residents, especially living in Moscow and the Moscow region.

## Monitoring of Russia's Economic Outlook

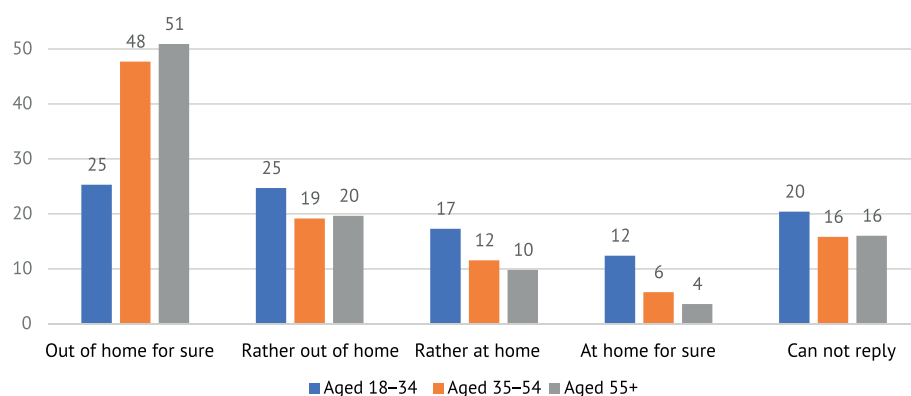


Fig. 1. Distribution of answers to a question "Will your work be more effective on the whole out of home (in the office) or at home?" among respondents representing different age groups, %

Source: online-survey data.

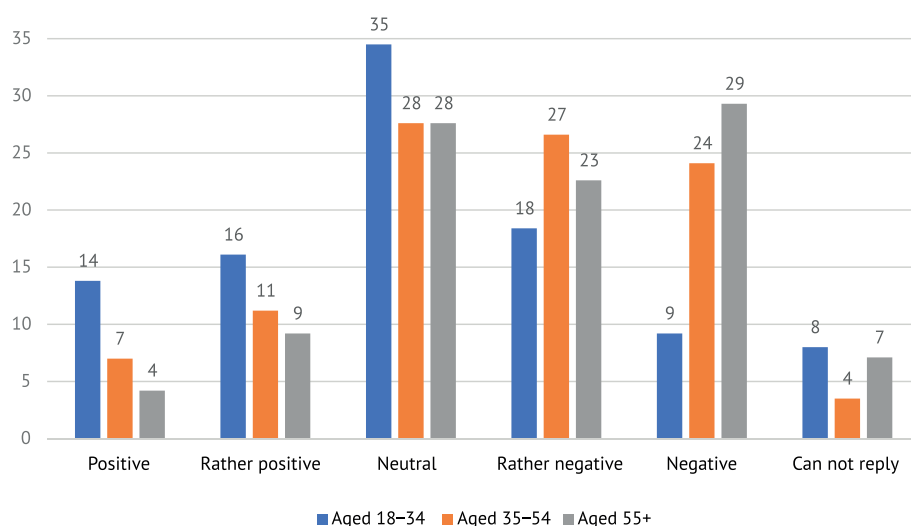


Fig. 2. Distribution of respondents' estimates in different age groups regarding the consequences of transition to a distant working mode from home for organizations (businesses), %

Source: online-survey data.

workers (Fig. 3). Only 19% of employees aged 18–34 estimated the experience of transition to a distant mode as negative or rather negative. This indicator is much higher among elder workers: 31% among aged 35–54, 40% among aged 55+. Compared to a similar survey in January 2021, respondents of all ages noted more frequently a more neutral attitude towards the transition to a distant working mode, which proves the routinization of such practice.

The attitude towards the transition to a distant mode differed among the workers of various industries. The most positive attitude to this procedure was observed among workers in the sphere of information technologies and communication, where 51% of respondents chose the answer positive or rather positive vs 32% replying neutral. Those working in finances and insurance were more reserved in their estimates, while those employed in education and science estimated this transition on the whole as rather negative or negative: totally 40% compared to 27%, who were in favor of positive option of replies.

### 3. Distant Employment: Remote Mode

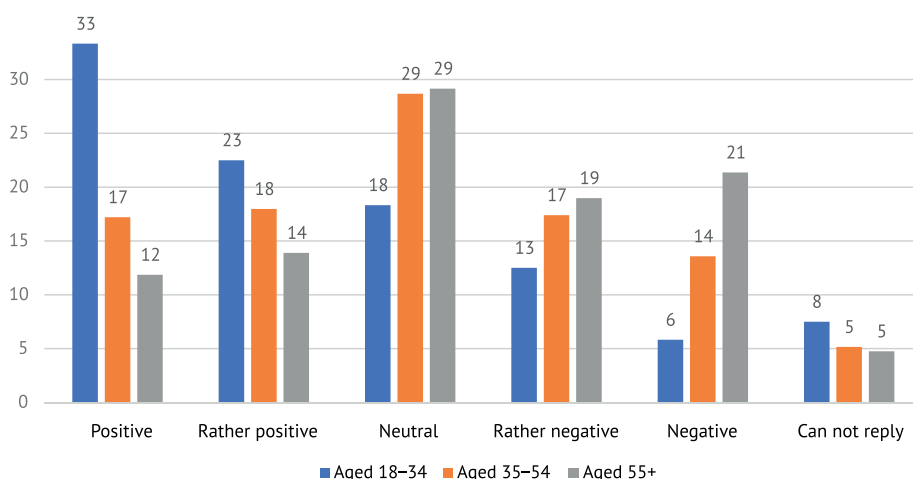


Fig. 3. Respondents' estimates of transition to a distant working mode in different age groups, %

Source: online-survey data.

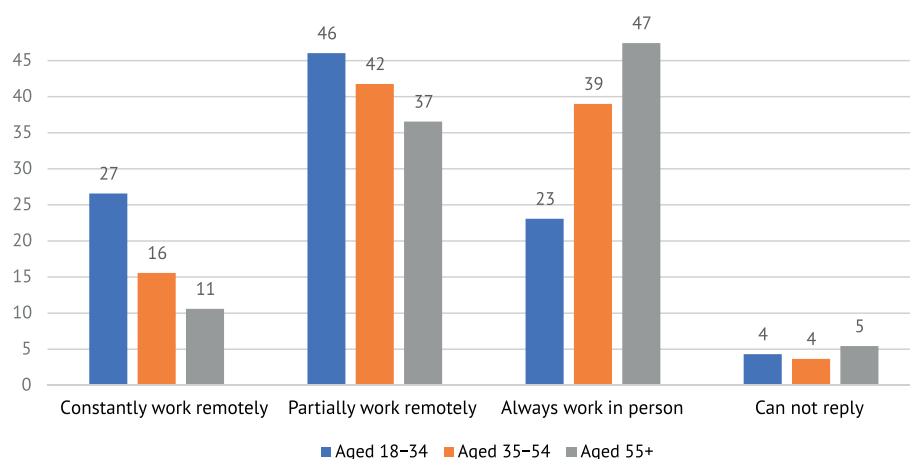


Fig. 4. Preferred working mode according to respondents in different age groups, %

Source: online-survey data.

Compared to a survey held in summer 2020, the respondents' estimates regarding the most preferred working mode have changed. The choice of in-person working mode from the office became considerably more popular, especially among elder workers. At the same time, the share of those wishing to work distantly has also increased, especially among young cohorts, proving the intergeneration differences (Fig. 4).

However, according to the survey, there are no statistically significant differences in the preferred mode of work between men and women. Those possessing higher education prefer part-time work from home to a greater extent compared to others with secondary vocational or secondary general education. Remote work is more attractive for urban citizens, especially major cities. On average, every fifth respondent from Moscow and St. Petersburg noted permanent employment from home as the most preferred working mode, while among residents of other cities and rural areas, only 11-13% of respondents were in favor of this mode.

The perceptions about the future post-covid working mode in the organizations that the respondents work, differ significantly, primarily depending on the



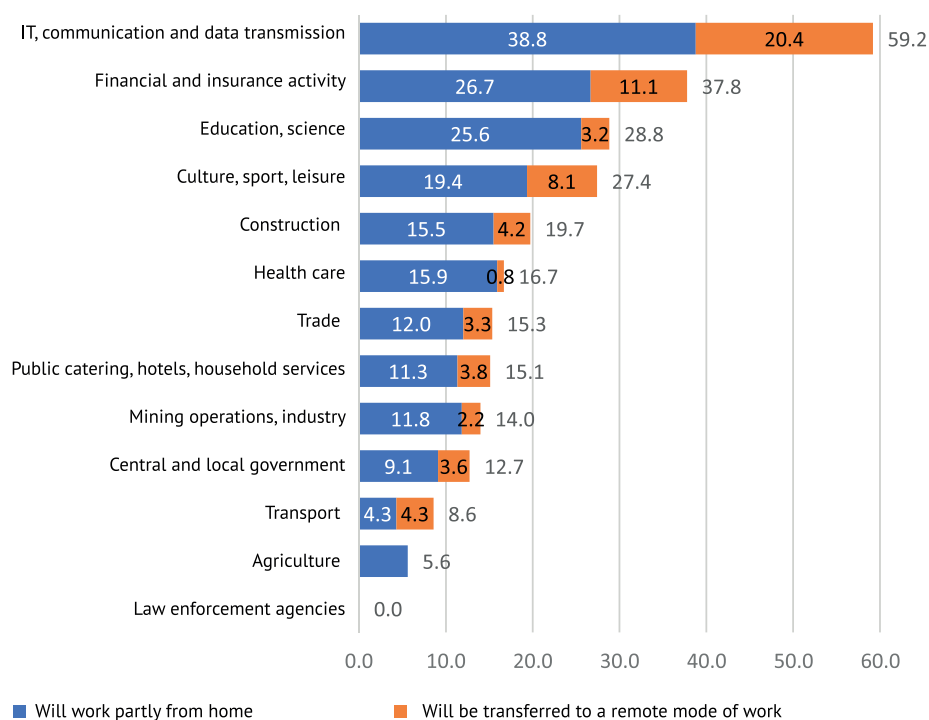


Fig. 5. Share of respondents believing that after the end of pandemic most employees in their company will work partially or completely remotely, %

Source: online survey data.

industry (Fig. 5). Workers in the IT field, telecommunications, data transmission, as well as financial and insurance activities, education and science are most likely to believe that after the pandemic most employees will be transferred to a part-time or completely remote employment format.

Among workers of those industries where it is almost impossible to work remotely, the number of respondents suggesting significant changes in their work mode is relatively small. At the same time, one of the lowest values is observed among the surveyed employees in the field of state and municipal administration, although the experience of developed countries has shown that these professions are also amenable to mass transfer to a remote working mode.

Thus, it can be said that there are spheres that have emerged at the Russian labor market where the attitude towards remote work has changed from negative to neutral or even positive, and it is already perceived as the norm. In mid-2021, the practice of a combined work regime continues, when workers work from home for part of the week. First of all, this relates to the field of information technology and communications, and partly also to financial and insurance activities.

A more negative attitude towards the experience of switching to a remote work format was observed in the field of education and science, as well as culture, sports and leisure. It can be assumed that such a format will not massively take root after the end of the pandemic and the final lifting of various restrictions. ▀

## 4. SPECIAL ASPECTS OF MOTIVATING YOUNG PEOPLE TO LEARN: REDISTRIBUTION OF DEMAND FROM HIGHER TO SECONDARY VOCATIONAL EDUCATION

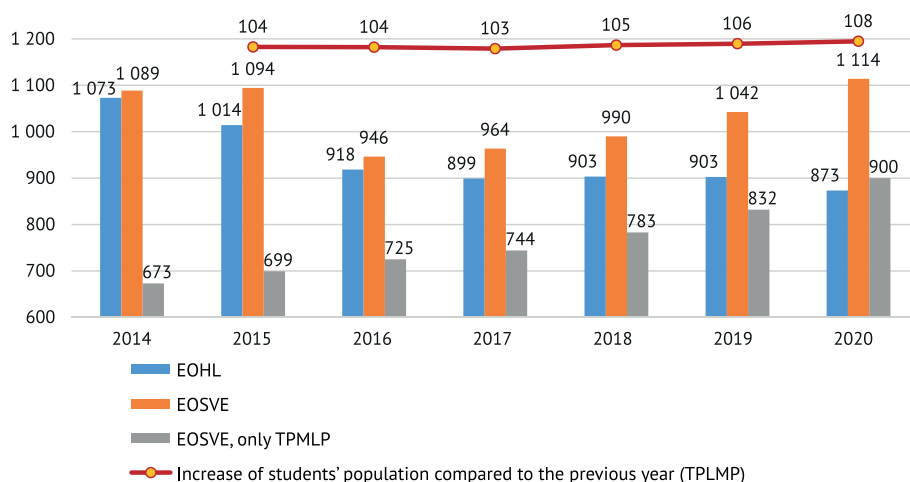
**Elena Lomteva**, Candidate of pedagogic sciences, Leading Researcher, Center of Economy of Continuous Education (CENO), IAES RANEPa;

**Larisa Bedareva**, Senior Researcher, CENO IAES RANEPa

*The main factor influencing the professional personal identity of young people is the financial situation of their Vhouseholds. Worsening financial situation of households forces a large part of 9<sup>th</sup> and 11<sup>th</sup> class graduates to continue their studies in the system of secondary vocational education (SVE) in order to quickly enter the labor market.*

### Analysis of the current situation

In recent years, the interest of young people in secondary vocational education has been growing in Russia. Since 2014, admission to training programs for mid-level specialists has steadily increased and in 2020 exceeded admission to universities (Fig. 1).<sup>1</sup>



**Note.** EOHL – educational organization of higher learning; EOSVE– educational organization of secondary vocational education; TPMLP – training programs for mid-level professionals.

*Fig. 1. Dynamics of student admission according to their level of professional education, thousands of people*

Source: own calculations based on statistical information.

1 Elena V. Lomteva, Larisa Yu. Bedareva. Operations of the secondary vocational education system in the context of a pandemic and growth of socio-economic instability // Professional education in Russia and abroad. 2020. No. 4 (40). P. 89–97; Summary forms SVE-1 "Data on educational organization implementing educational activities according to educational programs of secondary vocational education." Ministry of Education of the Russian Federation. URL: <https://edu.gov.ru/activity/statistics/> (date of reference 06.06.2021).

## Monitoring of Russia's Economic Outlook

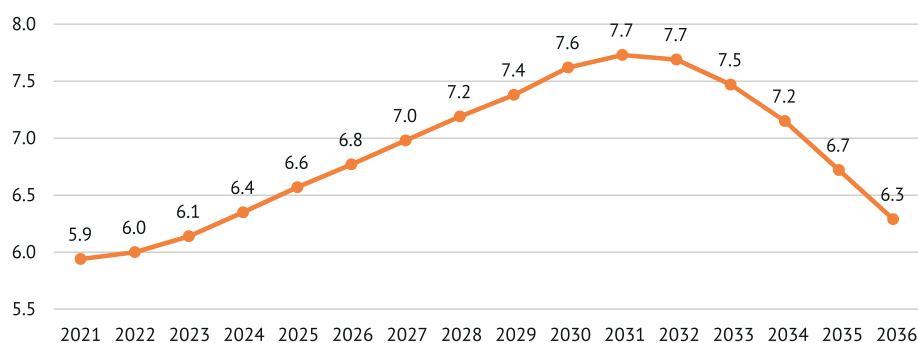


Fig. 2. Forecast numbers related to young people aged 15–18, mln. people

Source: Rosstat data.

The annual increase in the population of applicants joining professional training programs for middle-level in educational organizations of secondary vocational education (hereinafter referred to as EOSVE) averaged 5%, and therefore, with respect to the forecast of the number of young people (Fig. 2), it can be expected in the next few years that the increase in the number of students in these programs will be at least 45 000 per year.

On the one hand, the redistribution of demand from higher to secondary vocational education can be associated with the SVE growing popularity, and on the other hand, with stagnation of households' real incomes, which is confirmed by the results of a sociological study conducted by the Center of Economic Continuing Education IAES RANEPa in three subjects of the Russian Federation belonging to three different rating groups of regions by households' incomes in 2020<sup>1</sup>: Sverdlovsk region (11<sup>th</sup> rating position, group 1), Samara region (31<sup>th</sup> rating position, group 2) and Volgograd region (60<sup>th</sup> rating position, group 3). The sample included working youth with secondary vocational education, aged 22 to 35 (903 respondents in total).

The purpose of the sociological survey was to identify the main factors influencing the choice of young people in their future educational and / or working life. The results of the study are presented in Table 1.

The keynote motivation influencing the choice of the educational path was identified based on results of the sociological survey: the intention to quickly enter labor market, successful employment, opportunity of high earnings. It is critical to note that the motivation and goals to join vocational education organizations for 9th grade graduates from regions marked by low and high socio-economic development differ significantly.

Young people living in regions marked by high socio-economic development, basically choose studying in targeted SVE educational organizations attempting to select a prestigious, in their opinion, profession.

The largest share of young people who have moved to study in another city in their region or in a different region has been observed in Sverdlovsk region (50%); in Samara and Volgograd regions it was much lower (24 and 30% respectively), which can be explained by lack of funds in their households to pay for their child's stay in another place. The goals to enter SVE educational organizations also differ by regions, thus, for instance, if in Sverdlovsk region the main goal to join the SVE education organization was to obtain a profession for

1 RIA rating. Regions' rating by Households' incomes – 2020 // RIA Novosti, 06.07.2020. URL: <https://ria.ru/ria.ru> (date of reference 15.04.2021).

## 4. Special aspects of motivating young people

Table 1

Factors affecting the choice of secondary vocational education organizations by young people depending on the socio-economic situation in their region of residence, %

| Factors   | Sverdlovsk region | Samara region | Volgograd region |
|---|-------------------|---------------|------------------|
| Chose targeted education                        | 48.7              | 49.0          | 36.6             |
| Selected a prestigious profession               | 59.0              | 56.3          | 44.2             |
| Studied for a fee                               | 26.3              | 18.7          | 13.9             |
| Studied in their home city                      | 44.0              | 70.3          | 61.1             |
| Studied in another city of their region         | 50.0              | 24.7          | 30.0             |
| Studied in another region                       | 6.0               | 5.0           | 5.3              |
| Entered SVE educational organizations, so that: |                   |               |                  |
| Start working earlier                           | 7.7               | 32.3          | 32.3             |
| Get a profession for successful employment      | 38.0              | 22.7          | 16.2             |
| Get a well-paid profession                      | 2.3               | 14.7          | 12.2             |
| Reason for choosing a lowly profession          |                   |               |                  |
| Not enough skills                               | 1.0               | 6.0           | 2.6              |
| Not enough funds                                | 4.0               | 19.3          | 20.5             |
| All the same attitude                           | 2.0               | 6.7           | 14.9             |
| Easy to enter and study                         | 7.5               | 12.8          | 29.1             |
| Other circumstances:                            |                   |               |                  |
| Plans to enter EOHL                             | 11.3              | 15.7          | 10.6             |
| Had a side job in addition to SVE               | 9.7               | 33.3          | 46.9             |

Source: own calculations according to results of a CENO IAES RANEPa sociological survey.

further successful employment (38.0%), in Samara region this indicator dropped to 22.7%, and in Volgograd region it was only 16.2%.

In Samara and Volgograd regions, young people are more focused on receiving financial benefits in the near future, while the motivation for choosing training in SVE is to enter the labor market earlier. A high proportion of young people receiving additional incomes while studying in SVE organizations was observed in the same regions (32.3% of students).

The share of those who believe that they chose a targeted profession, preferring SVE to higher education, and finally received a prestigious profession, is significantly higher among those who studied for a fee (Fig. 3).

Young people living in Sverdlovsk and Samara regions, are notable for their targeted choice to continue education in SVE system (48,7 and 49% respectively), while 14,9% of young people living in Volgograd region, believe that the reason for choosing a lowly profession was a "don't care attitude" to selecting professional educational organizations and training programs. The share of students in SVE organizations studying for a fee is higher in Sverdlovsk region (26.3%), as well as the share of students studying in another city of their region (50%) (Fig. 3).

In Volgograd region, a large proportion of young people representing low incomes households (20.5 vs 4% in Sverdlovsk region) was observed, which influenced the need for part-time work during studies (46.9%). Thus, it can be concluded that professional personal identity of young people and the choice of studying in the SVE system are largely determined by households' incomes. First, this is manifested in a situation when a number of young people, purposefully choosing this particular level of education, is growing against relative well-being.

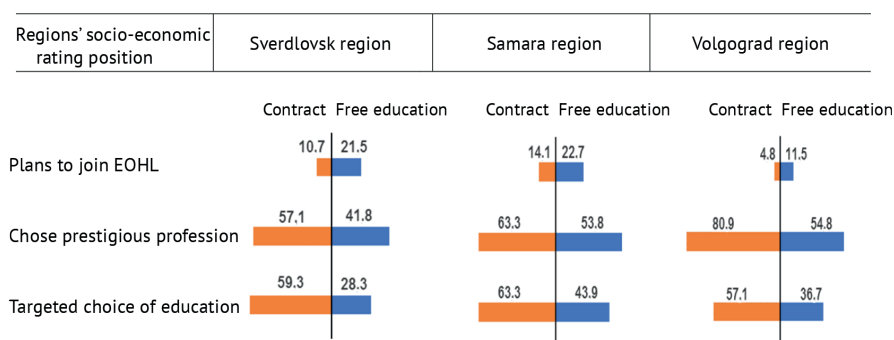


Fig 3. Dependence of basic motivation for choosing SVE for free or for a fee on the households' incomes in the region, %

Source: own calculations according to results of CENO IAES RANEPa sociological survey.

Second, the number of students studying in SVE organizations, not relying on their families' help and likewise most often choosing a profession due to easy admission and studies is increasing.

### Factors for choosing an educational path

The main factor influencing the professional personal identity of young people is the financial situation of their households. Young people lacking sufficient funds to prepare for the Unified State Exam and, accordingly, receive higher scores to continue their studies at a university for free, are restricted in their choice of further educational path.

The household financial situation forces a considerable part of the 9<sup>th</sup> and 11<sup>th</sup> grades graduates to continue their education in the SVE system in order to quickly enter the labor market. Many have to choose studies in SVE organizations in their region, since they do not have the opportunity to move to other subjects of the Russian Federation to master an appealing profession that is missing in the region of residence.

Based on results of the sociological survey, the factors that have the greatest influence on the choice of further education in professional educational organizations were identified: the desire to quickly enter the labor market, successful employment, opportunity of obtaining high wages, intention to obtain a prestigious occupation or profession.

It is highly probable that by 2031 the increase in the number of students in SVE organizations will constitute at least 45 000 per year at the training programs for mid-level specialists.

In this regard, in our opinion, it is necessary to increase the number of places for studies on a contractual basis in the most popular professions and specialties requiring secondary vocational education in regions marked by high households' incomes.

It is advisable to increase funding for vocational training programs for SVE students to provide an opportunity to master a related profession, thereby increasing their chances of finding a job, especially in households' low incomes regions.

Regional education authorities need to assess the resource capacity of SVE organizations (material and technical equipment, pedagogical personnel), taking into account the prospects for increasing the student population. ▀