

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 12(95) July 2019

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Monitoring of Russia's Economic Outlook

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TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

The reduction of the US Federal Reserve interest rate expected in the coming days and the first one in the decade is an important event for the global economy. It is hard to predict to what extent this event may neutralize the emerged downside global economic growth trend (justified by the latest statistical data on the slowdown of the economies of economic growth leaders, such as China and India). But if the low interest rate turns out to be an insufficient stimulus for economic activities in developing countries, it can at least ease their debt problems.

The effect for Russia is largely positive, too. For example, if the dynamics of its real sector do not instill optimism, while analysts are scratching their heads over, say, the Rosstat's reports on substantial industrial growth in June, the expectations of further cuts in the inflation rate and the moderate dynamics of the exchange rate of the national currency prevail entirely. Such a turn in the US Federal Reserve's policy may promote the interest in the Russian rouble provided that the prospects of introduction of sanctions against the sovereign Russian debt – the idea is supported by the US Congress and disliked by the US Treasury – are taken off the table.

Our experts analyzing the RF Central Bank's preliminary estimates of the RF balance of payments in Q2 point to the continued growth in non-residents' investments in federal loan bonds, a factor that justified the positive balance of the financial account. As compared to the relevant period of the previous year, the current account balance fell by 32.4% to amount to \$12.1bn. This can be largely explained by the worsening of the foreign trade balance: though it remained positive, in the specified period it decreased by 12.6% on the same quarter of 2018. Both export revenues and imports have decreased, but the former was falling at a higher rate (6.8% and 2.7%, respectively).

The capital inflow which took place a year ago has been replaced by the capital outflow. At the same time, rapid growth in the international reserves up to \$518.4bn was observed. Such dynamics were underpinned by the effect of the budget rule, under which the RF Ministry of Finance bought over Rb 1 trillion worth of foreign currency in Q2. As regards the exchange rate, the rouble has the potential for further appreciation which can be hindered, however, by new external shocks and the seasonal reduction of the current account balance in Q3.

Assessing the situation on the global oil market, experts of the Gaidar Institute point to the substantial stabilizing effect of the OPEC+ deal. At the same time, they stress that the terms of the agreement actually required from Russia to impose moderate limitations. The obligations made late in 2016 on the reduction of oil production were based on the level of production achieved by the participants and at that time the Russian Federation's one was the maximum. As a result, in 2017 the oil production in the Russian Federation fell by 0.15%, while in 2018 it increased by 1.7%.

The forecasts of prices of oil look quite stable within the range of \$60–68 per barrel in 2019. However, according to our authors the efficiency of the

OPEC+ agreement is getting down because of the restored growth in production of slate oil in the US, as well as an increase in oil production in some countries which are not members of the OPEC.

Proceeding from the data of the surveys of Russian industrial enterprises in H1 2019, researchers of the Gaidar Institute stress that 77.5% of the enterprises regard their main indices as “normal” (it is close to the maximum attained in H2 2017). Particularly, 86% of the enterprises believe that they are fairly provided with skilled workforce, 76% of the enterprise, with machines and equipment and 92% of the enterprises find their financial and economic situation good or satisfactory. As regards satisfaction with current demand, it is assessed as “normal” by 59% of the industrial enterprises and this level has remained unchanged for three half-year periods in succession.

Analyzing migration indices in January-April 2019, experts pay attention to dramatic migration growth in the Russian Federation from 57,000 persons in the same period of the previous year to 98,000 persons. In their opinion, such growth entirely ensured by an increase in the number of arrivals (the number of departures remained virtually unchanged) is abnormal. Experts say this situation can be probably explained by the fact that the number of arrivals was not taken into sufficient account in 2018 when growth happened all of sudden to be the minimum for many years, while the other factor is the amendment of the migration accounting methods this year (it is noteworthy that principal changes in the statistical accounting of the migration to the Russian Federation took place as early as 2011).

Growth in the migration population has resulted in the decrease in the number of regions where the population used to decline on account of migration. So, in the Far Eastern Federal District the migration loss has decreased. However, it is too early to speak about the long-term trend.

As regards foreigners who arrive on a temporary basis in Russia, their number has somewhat increased as compared to the past few years. As of 01 June 2019, it was equal to 10.1m persons (9.6m persons a year before). However, as compared to the pre-crisis 2013–2014, the gap remains. Also, experts note that the process of legalization of labor migrants has started to falter: in the first five months the total number of the executed permit documents increased by the mere 2%, while in the same period of 2017–2018 the index used to grow by 8–10%. 

1. BALANCE OF PAYMENTS IN Q2 2019

P. Trunin, A.Bozhechkova

Russia's positive balance of trade significantly decreased in Q2 on the back of rapid contraction of exports value compared to imports. Net capital inflow was observed in the sector of federal administrative bodies and private enterprises. Banks were building-up foreign assets and were reducing obligations before non-residents. In Q2 2019, the ruble exchange rate somewhat strengthened however risks of its decline remain.

According to preliminary estimates of the balance of payments from the Bank of Russia, Russia's Q2 2019 current account balance was recorded at \$12.1 bn, shedding 32.4% to the previous year's value (\$17.9 bn).

Deterioration of the trade balance was the main cause for such dynamics (Fig. 1). In this period, it reached \$39.7 bn, down 15.2% compared to \$46.8 bn recorded in Q1 2019, and down 12.6% compared to \$45.4 bn posted in Q2 2018. This being said, somewhat decrease of the negative balance of trade in services occurred (it reached -\$7.6 bn down 29% to -\$5.9 bn posted in Q1 2019, but up 1.3% compared to -\$7.7 bn recorded in Q2 2018). Furthermore, somewhat deterioration of the negative investment income balance was registered, which constituted -\$18.1 bn in Q2 down 1.7% compared to -\$17.8 bn posted in Q2 2018.

The current account balance other components value (the remuneration of labor balance, the rent balance, and the secondary income balance) as before remained insignificant compared to the above mentioned components and their dynamic does not significantly affect the current account balance dynamics.

Exports value contracted in Q2 2019 both on the back of decline of physical volume of deliveries and decline of export prices on delivered products.

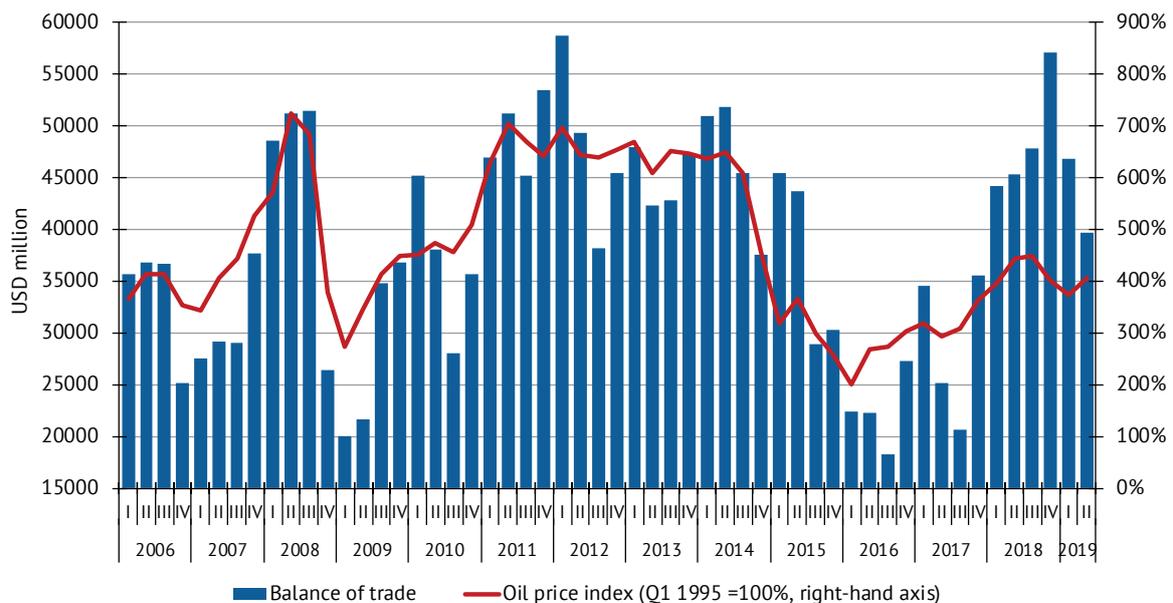


Fig. 1. Russia's balance of trade and oil price index

Sources: Bank of Russia, IMF.

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Table 1

Change of average export prices physical volumes of basic goods of Russian export

	Share in total value of Russian exports, %	Price in April-May 2019, USD/t	Price in April-May 2018, USD/t	Change of average export price, %	Change of physical volume of deliveries, %
Crude oil	28.9	495	488	1.4	-10
Petroleum products	16.4	498	500	-0.3	-8
Natural gas, USD/ thousand M ³	8.9	190	208	-8.6	-16
Ferrous metals	4.6	484	513	-5.7	-20
Hard coal	3.7	81	82	-1.4	1
Liquefied natural gas, USD/M ³	3.0	152	138	10.4	92
Fertilizers	2.0	255	228	11.8	-6
Aluminium	1.6	1740	1616	7.6	60
Timber	1.2	229	232	-1.3	3
Copper	1.0	6229	6728	-7.4	-2
Wheat and meslin	1.0	224	188	19.2	-60
Nickel	0.5	12478	14275	-12.6	10

Exports decrease in Q2 2019 compared to Q2 2018 constituted 6.8% (from \$108.8 bn in Q2 2018 to \$101.4 bn in Q2 2019). Contraction of export revenues was due mainly to a reduction of crude oil exports stemming from problems with oil pipeline 'Druzhba' and decline of export proceeds of Gazprom in the wake of contraction of deliveries and price fall on spot European markets. Nonetheless, exports of Russian liquefied natural gas demonstrate steady growth (from \$1.3 bn in Q2 2018 to \$2.4 bn in Q2 2019). However, its sales so far do not offset the reduction of basic products of Russian export.

As to imports, in Q2 2019 against Q2 2018 it decreased by 2.7% (from \$63.4 bn in Q2 2018 to \$61.7 bn in Q2 2019) which correlates with dynamics of the Ruble exchange rate¹.

Both exports (mainly at the cost of falling number of tourists visiting Russia) and imports of services decreased in Q2 2019 against Q2 2018 (exports – by 0.6% from \$16.7 bn to \$16 bn; imports – by 0.4%, from \$24.3 bn to \$24.2 bn).

In Q2 2019, the financial account surplus came to \$1.9 bn (in Q2 2018 surplus hit \$9.3 bn). Net capital inflow was ensured by mainly public sector and private enterprises transactions with the outside world. For example, amid somewhat easing-off of sanction rhetoric and increased attractiveness of developing markets the non-residents' investments in OFZ posted ongoing growth which commenced in Q1 2019. Increased liabilities of the federal governing bodies against the outside world recorded in Q2 2019 hit \$10.1 bn (-\$6.6 in Q2 2018). As a result, the proportion of non-residents (in value terms) on the Russian OFZ market demonstrated constant growth from 24.4% in early 2019 to 30% in early June on the current year.

Net capital exports by enterprises in Q2 2019 stood at \$12.1 bn (\$8.7 bn in Q2 2018). Growth in foreign liabilities was the key contributor to the dynamics of enterprises' account balance with the rest of the world. For example, non-bank sector's other foreign liabilities (first of all, loans and credits) increased by \$5.9 bn (\$4.5 bn in Q2 2018). Inbound direct foreign investments as in Q2 2018 came to \$2.0 bn and inbound portfolio investments contracted by \$0.3 bn (-\$0.5 bn in Q2 2018). The volume of loans and credits from abroad amounted to

¹ On the influence of the ruble exchange rate dynamics on commerce see Knobel A., Firanchuk A., Lavrisheva A. Russia's Foreign Trade in 2018: Growth of Non-resource-based and Non-oil and Gas Exports // Russian Economic Developments. 2019. Vol. 26. No. 4. P. 11–19.

1. Balance of Payments in Q2 2019

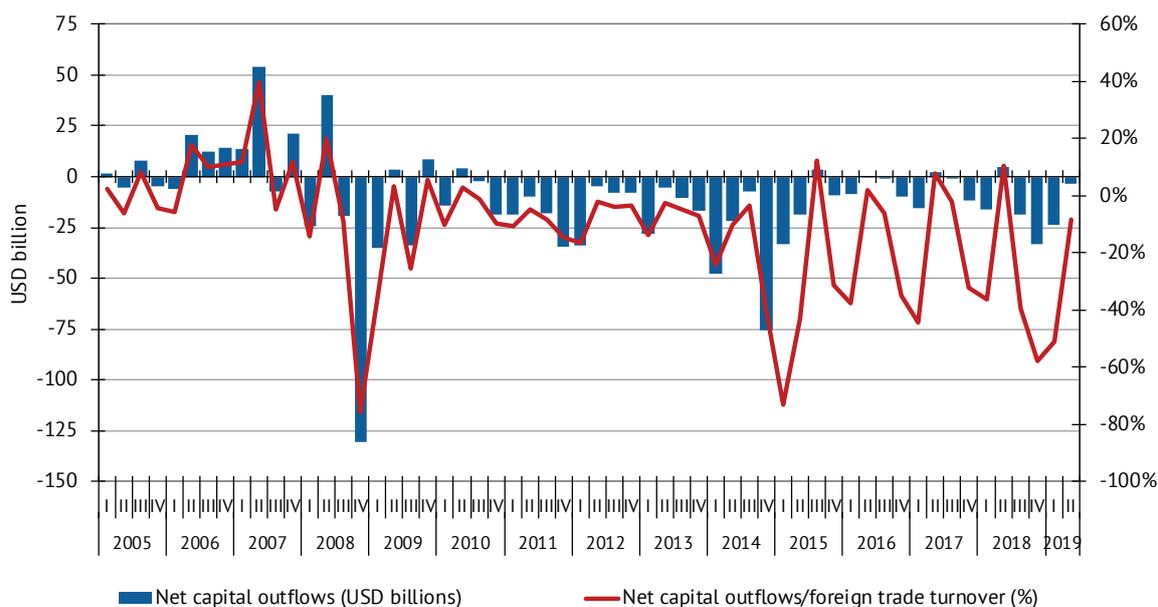


Fig. 2. Net capital outflows in private sector in 2005–2019

Sources: Bank of Russia, calculations of Gaidar Institute experts.

\$1.1 bn (-\$2.0 bn in Q2 2018). This being said, in Q2 2019 enterprises somewhat reduced their foreign assets (-\$0.7 bn against -\$1.7 bn in Q2 2018). Enterprises capital outflows of \$3.1 bn (\$4.6 bn in Q2 2018), and in the form of portfolio investments – \$0.6 bn (-\$0.7 bn in Q2 2018). Other foreign assets went up by \$0.8 bn against \$0.3 recorded in Q2 2018.

The situation in the banking sector was marked by net capital outflows: net capital outflows in the banking sector hit \$15.5 bn (in Q2 2018 this indicator amounted to \$3.9 bn). It was driven by foreign assets growth (\$8.1 bn compared to -\$5.7 bn in Q2 2018) and decrease of foreign liabilities (-\$7.4 bn compared to -\$9.6 bn).

As a result, total net capital outflows at banks and enterprises in Q2 2019 amounted to \$3.4 bn, meanwhile in Q2 2018 inflows of capital were observed to the tune of \$4.8 bn (Fig.2).

Rapid growth of international reserves was triggered by the budget rule in effect. In Q2, they went up by \$16.6 bn (\$11.3 bn in Q2 2018) and amounted to \$518.4 bn. This dynamics was primarily due to Finance Ministry's foreign exchange purchases on the domestic market to the tune around \$1,026.8 bn (\$892.9 bn in Q2 2018).

In April-June 2019, the Ruble/Dollar exchange rate went up by 2.6% to 63.1 rubles per dollar. Ruble's appreciation was driven by rather high oil prices (in April-June 2019 they averaged 68.7 USD/bbl, in Q1 2019 – 63.2 USD/bbl), lack of new sanctions as well as growing demand for developing countries' assets owing to easing by the US FRB of its monetary policy. Has potential for further appreciation. According to our estimates, as per the fundamental factors expected value of the nominal dollar rate does not exceed 61 rubles per dollar¹. Nevertheless, ruble adjustment to long-term level can be broken due to new external shocks as well as to seasonal contraction of the current account balance in Q3. ▀

1 Assessment of the Fundamentally Justified Ruble Exchange Rate// Russia's Economic Development 2015. Vol. 22. No. 2. P. 16-19.

2. WORLD OIL MARKET: PRICES HAVE STABILIZED

Yu.Bobylev

OPEC+ agreements aimed at cutting oil production have become a significant factor affecting world oil prices. Implementation of these agreements led to the rise of global oil prices to \$60-70 per barrel. In early July OPEC+ decided to extend current restrictions on oil production for another nine months. On the back of growing oil production in the US and slowdown of the global economic growth this decision will be a stabilizing factor for the world oil market.

Implementation of the OPEC+ agreements signed in late 2016 amid growth of the global oil demand resulted in the contraction of the oversupply and notable global price rise. In particular, the price of Russian oil on the global market moved up from \$41.9 per barrel to \$53.1 per barrel in 2017 and to \$69.8 per barrel in 2018 or by 66.6% compared to 2016 (Table 1, Fig. 1).

Table 1

Global oil prices in 2014–2019, USD/bbl.

	2014	2015	2016	2017	2018	2019 Q1	2019 Q2
Brent price, Great Britain	98.9	52.4	44.0	54.4	71.1	63.3	68.3
Urals price, Russia	97.7	51.2	41.9	53.1	69.8	63.3	68.1

Sources: OECD/IEA, Rosstat.

The influence of the OPEC+ agreement on the oil production in Russia was rather limited: in 2017 compared to 2016, annual production declined by 0.15%, and in 2018 compared to 2017, went up by 1.7%. It should be noted that originally the level of oil production posted in October 2016 was taken as a benchmark for the reduction of the oil production by OPEC+. During 2016, the oil production in Russia was growing and in October hit maximum (above the average level posted in 2016). Moreover, due to technological and climatic features Russia was cutting production immediately but was doing it over several months. Ultimately, annual production in 2017 against the previous year decreased insignificantly. In 2018, Russia used the opportunity within the framework of the agreement to increase production in the second half which led to increase annual production. For the first 2 years of Russia's participation in OPEC+ agreements (2017–2018) the annual oil production went up by 1.5%.

Overall, OPEC+ agreements became a significant factor af-

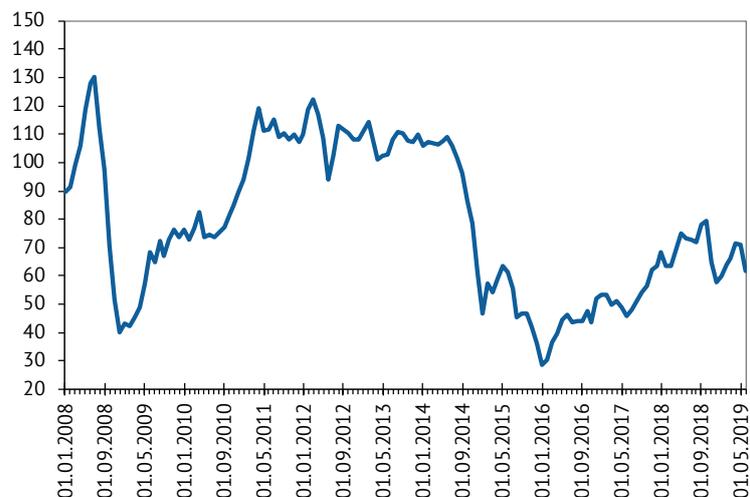


Fig. 1. Urals price in 2008–2019, USD/bbl

Sources: OECD/IEA, Rosstat.

2. World Oil Market: prices have stabilized

fecting global oil prices. Russia's participation as one of the largest world oil producers in such agreements is expedient because it reduces risk of deep price crisis on the oil market and helps maintaining a certain level of world oil prices.

At the same time, it should be noted that the efficiency of OPEC+ agreements is falling due to the renewed growth of the shale oil production in US. Technological development and costs reduction allowed the American oil industry to adapt to a lower price level. As a result, from 2017 the US demonstrates sustainable growth of oil production (Table 2, Fig.2). According to data released by the US Energy Information Administration, in 2017 the US oil production constituted 9.35 mn bbl per day (up 5.5% compared to 2016), and in 2018 – 10.96 mn bbl per day (up 17.2% compared to 2017), and in 2019 continued growing.

Table 2

Oil production in the US and OPEC in 2016–2019, mn bbl/d

	2016	2017	2018	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
USA	8.86	9.35	10.96	10.23	10.54	11.24	11.81	11.82	12.19
OPEC, total	32.68	32.68	31.96	32.10	31.78	32.02	31.93	30.47	30.01
Saudi Arabia	10.42	10.09	10.38	10.10	10.20	10.47	10.74	10.00	9.95
Iraq	4.43	4.44	4.60	4.46	4.50	4.66	4.77	4.75	4.75
Iran	3.57	3.82	3.52	3.83	3.80	3.55	2.90	2.63	2.30
Venezuela	2.18	1.92	1.43	1.60	1.49	1.36	1.27	1.05	0.75

Source: US EIA.

Increased oil production by the largest world producers (USA, Saudi Arabia, and Russia) and certain other factors led to the decrease of oil prices in last months of 2018 (to \$57-58 per bbl). In December 2018, OPEC+ decided to cut oil production from early 2019 by 1.2 mn bbl/d against the level of October 2018. This agreement validity was for six months (January-June 2019). According to the agreement, OPEC countries were to cut production by 800 thousand bbl/d and the other countries non-members of OPEC were to cut production by 400 thousand bbl/d including Russia – by 228 thousand bbl/d (by 2%). Obligations were not extended to Iran, Venezuela, and Libya where production fell significantly, and Iran faced risk of further production decrease in case of toughen sanctions by US against exports of Iranian oil (this really occurred).

In early 2019, the latest OPEC+ agreement was extended over the next nine months (July 2019 – March 2020). In the context of ongoing oil production growth in the US as well as in some other countries and forecast slowdown of the world economy growth and oil demand the implementation of this agreement should stabilize oil prices. Latest forecasts made by leading organizations give oil prices in the range of \$60-68 per barrel. For example, according to the latest (July) forecast made by the US Energy Information Administration, Brent oil price in Q4 2019 will be around \$67 per barrel and will remain at this level until 2020. ▀

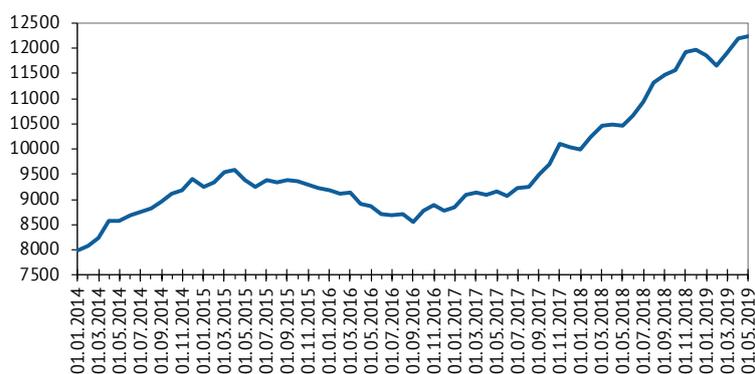


Fig. 2. Oil production in US in 2014–2019, thousand bbl/d

Source: US EIA.

3. INDUSTRY ADAPTABILITY INDEX IN H1 2019

S.Tsukhlo

The surveys of industrial enterprises in H1 2019 have revealed the high extent of provision with the workforce, as well as the satisfaction with raw material stocks, materials and the level of demand.

In summing up the results of 2018, the adaptation index¹ was calculated for the first time by the year (Fig. 1), and it explicitly showed no crisis estimates by industrial enterprises of the situation of 2015. That officially-recognized crisis year turned out to be more comfortable for the Russian industry than the year 2014. However, both 2014 and 2015 saw the continuation of the stagnation started in the Russian industry in 2012. In 2017, the Russian industry began to exit it, but failed to proceed in 2018 (Fig. 2).

For the Russian industry, H1 2019 was as much comfortable as H2 2017. At that time, the adaptation (normality) index based on the six month data attained the absolute maximum of 77.9%, that is, nearly $\frac{4}{5}$ of enterprises regarded the state of their main indices as “normal”. The historic maximum of “normal” answers was registered in the estimates of demand, production capacities, workforce and financial and economic situation of the enterprises. An exception was the share of “normal” estimates of finished goods stocks, which fell from 73% to 70%, but that looked quite logical amid the start of the Russian industry’s exiting from the lengthy stagnation and switchover of enterprises from the policy of minimizing excessive stocks to deliberate formation of small and manageable surpluses. In H1 2019, the normality index was equal to 77.5% (Fig. 3). After the

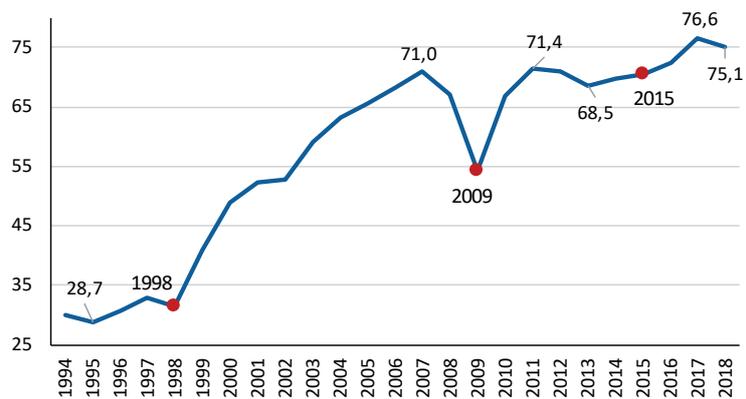


Fig. 1. The adaptability index of the Russian industry, 1994–2018, %

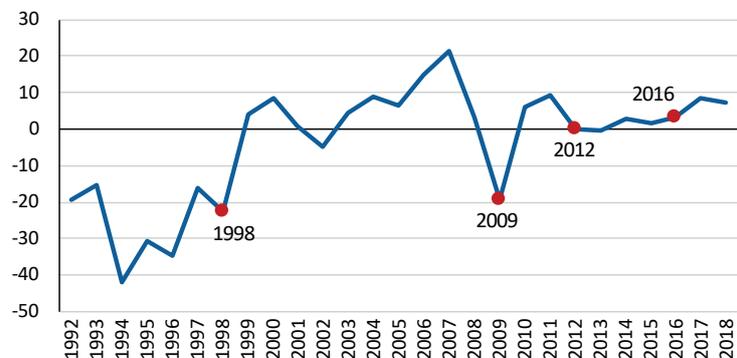


Fig. 2. The IEP's index of industrial optimism, 1992–2018, percentage points

1 In calculating the Index, the “normal” answers to the questions of the IEP’s survey carried out in 1994–2019 were used. The adaptability index includes the estimates of demand, finished goods stocks, raw material stocks, production capacities, workforce and financial and economic situation of enterprises.

3. Industry Adaptability Index in H1 2019

decrease in 2018, its almost maximum value was ensured mainly by the following two initial indices: enterprises' provision with skilled workforce and financial and economic situation.

The estimates of provision of enterprises with workforce received the absolute maximum: 86% of enterprises believed that they were fairly provided with skilled workers in conjunction with expected changes in demand. The previous peak of 83%

was observed in 2017. Consequently, the mere 14% of enterprises experience currently problems with the workforce: 8% of enterprises report labor shortages, while 6% of enterprises, surpluses. Note that only in H1 2008 when the economy was on the rise the labor surplus was at the same minimum level and even lower. At present, the Russian economy is quite in a different condition, which probably made it feasible for enterprises to get rid of the excessive labor overhang. The current balance (estimate difference) is negative. This factor is likely to make the Russian industry employ workers more actively.

In 2019, the situation with equipment of the industry with industrial capacities is different. At present, only 76% of the enterprises are normally (sufficiently) equipped with machinery and production facilities, while 24% of the enterprises experience problems. But these problems are of another nature (sign). It is noteworthy that 18% of the enterprises believe that their production capacities are excessive, while 5% of the enterprises find them insufficient. So, the traditional balance of the surveys is positive and equal to +13 points in H1 2019. The Russian industry has excessive production capacities, and judging by the surveys' results it has always had them as such starting from H2 2008. The only period when it experienced the shortage of capacities fell on 2007 – H1 2008. But starting from July 2008, expectations of the crisis made enterprises adjust their estimates of the existing production capacities.

The estimates of the financial and economic situation repeated the record of the end of 2017 when 92% of the industrial enterprises regarded their financial situation as good and satisfactory. Note that in 2018 the share of such estimates fell to 86%, but later recovered and attained the historic maximum again.

In H1 2019, the stocks of finished goods retained the maximum level of the "normal" estimates. In 2019, the raw material stocks are considered "normal" with 80% of the enterprises. For the 27-year period of our surveys, it is not the highest level. The record-high index was registered in the beginning of 2018 when the industry became aware of the fact that the process of exiting from the stagnation was coming to an end. Owing to the surplus of the previous year and the growing pessimism, the provision with raw material stocks reached the historical maximum in 2018.

In 2019, 59% of the enterprises are satisfied (find it "normal") with the current volumes of demand. This level of satisfaction with sales has prevailed in the Russian industry for three half-year periods in succession. The best result after the 2008–2009 crisis was received in H2 2017 when the industry achieved the maximum results in overcoming the stagnation of 2012–2016. ▀

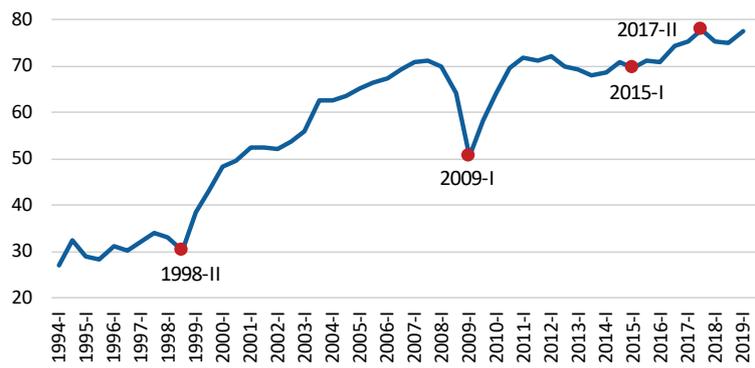


Fig. 3. The adaptability index of the Russian industry, by half-year period, 1994–2019, %

4. MIGRATION GROWTH: ABNORMAL INDEXES

N.Mkrtchyan, Yu.Florinskaya

Russia registered a positive migration balance in January-April 2019, surpassing indices posted in previous ten years. The number of foreign migrant workers in Russia went up slightly, while the share of legal migrant workers decreased.

Long-term migration

In early 2019, Russia saw rapid growth of positive migration balance, from 57.1 thousand persons in January-April 2019, to 98.0 thousand in January-April 2019. Such growth can be explained by the increase in arrivals – 218.6 thousand against 177.3 in the same period of the previous year, while the number who left stayed unchanged.

Dynamic of arrivals in 2019 looks abnormal when compared to the previous years. Comparison of quartile data (Fig. 1) shows that, firstly, number of arrivals in Q1 of the current year was the largest in last decade. Secondly, excluding 2011, when migration statistical methodology was changed, the number of arrivals in Q1 was lower than in the last quarter of the previous year – usually number of arrivals increases towards the end of the year.

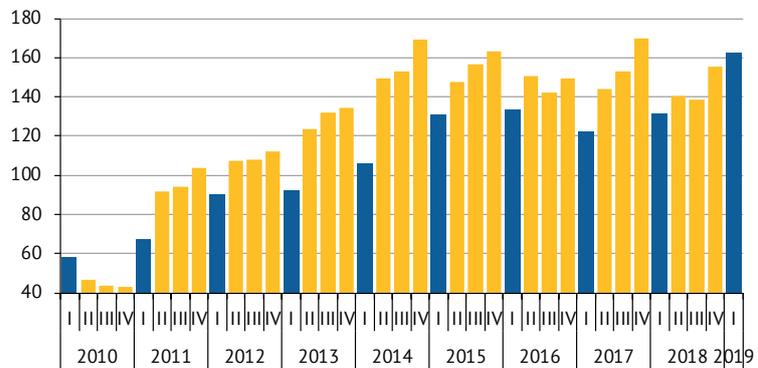


Fig. 1. Foreign migration in Russia in 2010-2019, quartile data, thousand persons

Source: Rosstat.

The reason for rapid growth of arrivals can be explained by the failure to properly account arrivals in 2018 when migration growth (125 thousand persons) turned out to be the lowest in many years. In addition, sharp change in index could happen due to the update of the migration statistical methodology, undertaken in current year.

In January-April 2019, Russia saw positive migration balance increase with majority of countries, including Commonwealth of Independent States – by 57.4% when compared to the same period of 2018, and by 5.2 times when compared to non-CIS states. Out of all migration partners, the highest migration growth to Russia came from Armenia and Ukraine. Migration growth with Belarus and Republic of Moldova decreased (Table 1). Main migration donors to Russia are Kazakhstan, Ukraine, Tajikistan, and Armenia.

Russia's net migration with countries of far abroad at the beginning of 2019 was not only the highest in recent years (Table 1) but also higher than data recorded in 2011, when growth was maximum (9.0 thousand people in January-April and 31.4 thousand for the year as a whole). This being said, indices grow with respect to the majority of countries. Arrivals from China (by 2.35

4. Migration growth: abnormal indexes

times), Serbia (by 2.17 times), and Syria (by 1.93 times) went up most. Migration outflow to far abroad declined by 7%.

Table 1

Positive migration balance in Russia in 2014–2019, data for January–April, thousand people

	2014	2015	2016	2017	2018	2019
Foreign migration - total	67.1	62.2	92.2	64.9	57.1	98.0
Including CIS states	64.0	62.0	88.6	63.7	54.9	86.4
Azerbaijan	4.1	2.5	3.2	1.9	3.0	5.9
Armenia	5.8	6.4	2.4	2.4	4.9	12.8
Belarus	3.2	1.7	0.5	3.3	3.5	2.8
Kazakhstan	12.4	11.4	11.5	10.2	10.4	16.1
Kirgizia	4.8	1.6	5.5	4.1	4.8	7.6
Republic of Moldova	4.4	4.6	4.9	2.1	3.0	2.2
Tajikistan	5.0	-0.4	7.3	8.5	12.1	14.2
Turkmenistan	0.8	0.7	0.4	0.7	1.0	1.7
Uzbekistan	11.6	-13.2	6.2	3.1	4.8	6.9
Ukraine	11.8	46.7	46.7	27.3	7.4	16.1
With other countries	3.1	0.2	3.6	1.2	2.2	11.6

Source: Rosstat.

The scale of domestic migration slightly decreased. Compared to January–April 2018, the number of long-term migrants decreased by 38.3 thousand people, or by 3.2%. Overall, in the latter years indices were stable; from year to year change only happened by few percent without any particular dynamic.

Total net migration in Russia resulted in a sharp decrease of regions where population declined in early 2019 due to migration. The Far Eastern Federal District saw a significant decrease of migration loss—from 8.5 thousand people in January – April 2018 to 2.9 thousand people for four months of the current year. However, trends do not seem stable (such thing happened before). Migrant attraction centers remained the same; two biggest metropolitan agglomerations (Moscow and Saint Petersburg regions) and Krasnodar Territory.

Temporary Migration

In 2019 the number of migrants, temporarily staying in Russia, slightly increased on the back of the previous two years. It even outgrew the index of 2016 by the beginning of summer. However, when compared to the years of pre-crisis 2013–2014 there is still a gap in-between the indices (Table 2). As of 1 of July 2019, 10.13 million of temporary migrants have arrived in the Russian Federation (as of 1 of June 2018 – 9.63 million foreign nationals, as of 1 of June 2017 – 9.96 million foreign nationals).

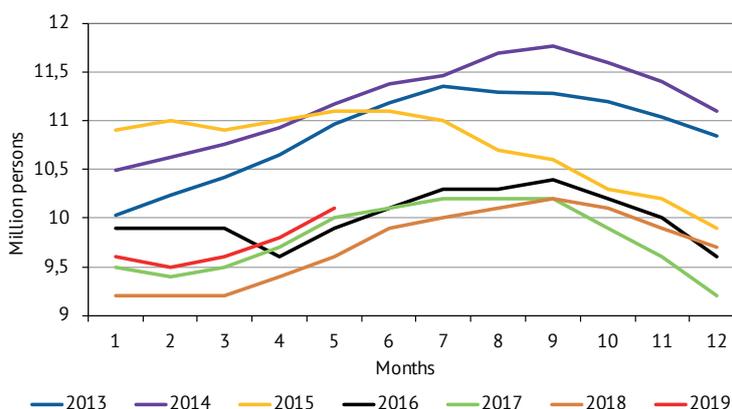


Fig. 2. Foreign nationals in the territory of the Russian Federation as of the end of month, million persons, 2013–2019

Sources: The RF Federal Migration Service, the Main Department on Migration Issues of the RF Ministry of Internal Affairs and the Central Database of Accounting of Foreign Nationals and Stateless Persons (CDAFNPS).

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The overwhelming number of temporary migrants are still CIS nationals – about 85%. Most of them came from the Central Asia, Ukraine, although their volume keeps shrinking (*Table 2*).

Table 2

Arrivals of foreign nationals from CIS to the Russian Federation as of the specified date, persons

	01.06.2015	01.06.2016	01.06.2017	01.06.2018	01.06.2019
Azerbaijan	548870	491851	536660	607736	650495
Armenia	522757	508774	507068	504835	491767
Belarus	551886	711193	676082	617633	655846
Kazakhstan	664099	555435	552900	459257	496096
Kirgizia	505882	565127	622899	638735	716118
Moldova	545963	497412	430750	375568	326178
Tajikistan	999774	981353	1067247	1123954	1303302
Uzbekistan	2148143	1798943	1923388	2017830	2188835
Ukraine	2582053	2385404	2246058	1941449	1763930
CIS, total	9069427	8495492	8563052	8286997	8592567

Sources: the RF Federal Migration Service, the Main Department on Migration Issues of the RF Ministry of Internal Affairs and the Central Database of Accounting of Foreign Nationals and Stateless Persons (CDAFNSP).

After a significant decline seen in 2015–2016, temporary growth of migrants is noted from Azerbaijan, Kirgizia, Tajikistan, and Uzbekistan. The number of migrants from first three countries is already above the pre-crisis levels while Uzbekistan values are lower by 15%. Moldova and Ukraine show decline in numbers of temporary migrants.

By 1 of June of the current year, the number of foreign nationals from EU moved up slightly, although judging by bigger countries dynamic is negative, the only exception is France (*Table 3*). Comparison with to the pre-crisis 2014 indices still shows large-scale decline – on average almost as large as triple, in certain countries almost as large as by 6–10-fold.

Table 3

The number of foreign nationals from the EU and the US in the Russian Federation as of the specified date, persons

	01.06.2015	01.06.2016	01.06.2017	01.06.2018	01.06.2019
EU total	778843	453334	453733	393369	415141
Germany	229336	93815	103321	96033	92997
Spain	42838	12280	14029	13086	12938
Italy	51631	25546	25141	22470	22155
UK	107140	25941	24065	20146	16752
Finland	59142	82809	79025	59112	53880
France	48706	28959	29337	27481	30736
USA	137480	44604	43267	38734	37160

Sources: the Main Department on Migration Issues of the RF Ministry of Internal Affairs and the Central Database of Accounting of Foreign Nationals and Stateless Persons (CDAFNSP).

As of 1 of June 2019, 4.4m migrants arrived in Russia with the «work for hire» purpose (in 2018 there were 4.2m for the same date). 97% of migrants who arrived are from CIS states. Comparing to 2018 the largest growth of migrants

4. Migration growth: abnormal indexes

was from all three Central Asian countries, while migration from Ukraine and Moldova notably declined.

By 1 of June 2019, migrant workers had 1.7m effective work permits and patents (1.85m in the previous year) and about 1.1m persons had the right to work without such documents (nationals from the EAEU member-states). Generally, about 64% of migrant workers could legally work in Russia; compared to the previous year the share of those migrants decreased (about 69% in the previous year). Lack of progress in legalization of migrant worker points to the faults existing in both migration legislation and law enforcing practice in the current economic conditions. This happens during slight growth of labor migrants, which in its turn, shows a demand for them on the Russian Labor market.

Number of renewed work permits in 5 months of 2019 also points to the difficulties in legalizing migrant workers (*Table 4*). If in 2017 and 2018 average number of work permits increased during 5 months by 8–10% compared to the same period of the previous year, in 2019 the increase was only 2%.

Table 4

Issue of work permits for migrants in the Russian Federation, January-May, persons

	2015	2016	2017	2018	2019
Work permits for foreign nationals (FN)*	80856	55616	54458	45915	47045
Including: Work permits for skilled workers (SW)*	7329	5254	6074	7428	6967
Work permits for highly qualified specialists (HQS)	14368	13017	9402	9978	12374
Patents**	856482	661235	732985	805129	823043
Total	937338	716851	787443	851044	870088

Source: the Main Department on Migration Issues of the RF Ministry of Internal Affairs, 1-RD form.
* from 1 January 2015, work permits are issued only to foreign nationals from visa regime countries.
** from 1 January 2015, patents are issued to foreign nationals from visa-free regime countries for employment both by individuals and legal entities

Advance tax payments for patents nearly stopped growing. Over 5 months of 2019 migrants paid Rb 23.7bn to regional budgets, against Rb 23.6bn for the same period of the last year. Contraction of budget payments was observed in Moscow: from Rb 7.5bn in 5 months of 2018 against Rb 7.2bn in 2019.

Payments for patents by migrants from Uzbekistan and Tajikistan have been growing each year. This year, they were issued 91% of all patents against 89% in 2018, 86% in 2017, and 82% in 2016. Migrant workers from Ukraine and Moldova combined account for 7% of issued patents.

With each year, the share of volume of patents from migrants from Uzbekistan and Tajikistan keeps growing. This year, they have paid for 91% of all patents, in 2018 – 89%, in 2017 – 86%, in 2016 – 82%. The share of patents paid by migrants from Ukraine and Moldova are overall 7%. 

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