MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

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MAIN TRENDS AND CONCLUSIONS

There was a set of factors that shaped the Russian economic landscape in June 2017, including successful placement of Russian sovereign Eurobonds amid expectations for new U.S. sanctions, the price rise of the minimum food basket as a result of adverse weather conditions, the seizure of the shares of a few well-known companies as part of a corporate conflict, and a mixed movement of crude oil prices (and of the rouble's exchange rate).

Our experts have analyzed the global crude oil market to show that although the oil output cut agreement between some OPEC and non-OPEC countries has led to a growth in oil prices, it has failed to eliminate risks of instability. The real risks that may reduce substantially oil prices are as follows. First, a higher than predicted growth in oil production in the United States and in some other countries. Second, oil production in the OPEC and non-OPEC parties to the oil output cut agreement will start growing as soon as the agreed period of oil production cuts is expired (in April 2018). Third, in case of early termination of the agreement, the parties thereto may boost oil production sooner than spring 2018.

As at the 2016 year-end, Russia reached the highest level (in the post-Soviet the period) of production as well as exports of crude oil. The price rise in the first five months of 2017 enabled Russia to ramp up crude oil exports in value terms in January–April (comprising 63.7% of the total Russian exports) nearly to USD 70bn, or to 144% of the level seen in January–April 2016. Exports of both primary commodities and low-refined products increased substantially in the first four months of 2017, driven primarily by change in export prices rather than in volumes of supplies. However, exports of high-refined products to far-abroad countries saw a small increase.

The experts, stating also that there is high growth in exports, have pointed to a strong correlation between imports in value terms and a strengthening rouble's real exchange rate. As to exports, supplies of energy products, metals and other products correlate with global prices, whereas exports, in terms of volume, are weakly connected with the rouble's nominal exchange rate. In respect to exports of high-refined products, our authors, while referring to the topic of debate about the extent to which the rouble's exchange rate is comfortable for the Russian economy, have concluded that the rouble's devaluation cannot be considered as a hefty tailwind to growth in exports of such products. This effect is in many ways limited by a share of imports required for producing exported goods. And, it is the share of imports required for the production of exported from Russia equipment and means of transport (excluding the so-called confidential product group) that hits the peak of 40% (among all the product groups). According to experts, "this indeed restricts the growth potential of exports of these goods as a result of rouble's depreciation".

Gaidar Institute' regular surveys show that low export demand ranks 2nd among the constraints on the output of Russian industrial enterprises, with 25% of enterprises. Domesti c demand ranks 1st (since late in 2008) among the constraints. In 2017, however, the constraining effect of domestic de-

mand was the weakest on record (in June, the share of enterprises with 'normal' responses dropped to 62%). According to enterprises, the dynamics of sales in H1 2017 saw little changes but stood at a level higher than that seen in 2012–2016. Further, enterprises exhibited mounting upbeat expectations for output plans in June, although surveys show that dispositions can change quickly. It is of interest, however, that enterprises seldom complained about a lack of investment (with 14% of respondents), lack of machinery and equipment (with 9% of respondents), and low labour productivity (with 7% of respondents). The authors have therefore concluded that it is unlikely that the existing production facilities will be upgraded.

However, the overwhelming majority of enterprises said that the Russian rouble's exchange rate was not a constraint on their output. Five percent of enterprises said they were affected by the appreciation of the rouble and of imported equipment. Twenty percent of respondents said they faced the issue of lack of working capital (close to the lowest value in the entire period of monitoring (1993–2017)), 11% of respondents faced the issue of lack of credit availability (the data were gathered in June 2017, which differ drastically from the crisis-related peak of 45% in February 2015 and 65% in 2008–2009), whereas 90% of enterprises said they had adequate resources to serve their outstanding loans (the highest value in the entire period of monitoring since 2009). These data fit well with the evaluation of financial and economic environment which was considered good or acceptable by 91% of respondents. A "lack of qualified personnel" was a more challenging issue, with 23% of respondents, the highest value in the past seven quarters, which, according to the authors, is "well in line with the data on low rate of unemployment and indicates the key resource issue facing the industrial sector".

The extent to which labour migration (at least when it comes to qualified personnel) helps resolve the HR issue is a separate question. According to the experts, 9.96 million foreign nationals (9.90 million in 2016) were staying in the Russian Federation as at 1 June 2017, including, by early summer, 4.2 million official labour migrants who confirmed that "wage employment" was their purpose of visit (an increase of 300,000 persons from the previous year). Ninety six percent of labour migrants arrived from CIS countries. As at 1 June 2017, they held 1.7 million effective employment authorization documents (permits and patents), with another approximately 1 million persons being eligible for employment that does not require such documents (citizens of EEU (Eurasian Economic Union) countries). That is, 64% of total foreign labour migrants had an opportunity to be legally employed (a 3% increase from the previous year).

Internal migration within the Russian Federation remains at a relatively steady level (about 4 million persons a year). Moscow and Moscow Region, St. Petersburg and Leningrad Oblast, Krasnodar Krai remain most popular labour migration destinations.

1. GLOBAL OIL MARKET: MAIN TRENDS

Yu.Bobylev

The oil output cut agreement between some OPEC and non-OPEC countries, including Russia, pushed global crude oil prices to USD 50–55 a barrel in the first few months of 2017. The oil output boost in the United States and in some other countries has become an increasingly greater challenge which can neutralize the effect of the agreement. The global market is volatile, and there are risks that crude oil prices will plunge.

The global oil market has recently been faced with a steady oil supply glut and a drastic fall in crude oil prices. The growth in supply was driven up basically by a rapid increase in the production of shale oil in the United States because of new shale technologies and high crude oil prices that were present over the past few years. Facing this context, OPEC countries refused to cut their oil production quota and in fact switched to a policy of retaining their market share in the global oil market. As a result, the average Urals price in the oil market dropped to USD 51.2 and to USD 41.9 a barrel in 2015 and in 2016, respectively (*Table 1, Fig. 1*).

Table 1

GLOBAL CRUDE OIL PRICES IN 2014–2017, US$/B

	2014	2015	2016	2016 Nov	2016 Dec	2017 Jan	2017 Feb	2017 Mar	2017 April	2017 May
Brent crude price, UK	98.9	52.4	44.0	46.4	54.1	54.9	55.5	52.0	53.1	50.9
Urals crude price, Russia	97.7	51.2	41.9	43.9	52.1	53.2	53.5	49.8	51.1	49.0

Sources: IMF, OECD/IEA.

The production at cost-intensive oil fields, primarily shale oil fields in the United States, was cut driven by low crude oil prices in 2015–2016. After reaching a peak of 9.59 million barrels per day in April 2015, the US shale oil production started declining, to 8.57 million barrels per day in September 2016, which is 10.6% below the pre-crisis oil production peak (*Fig. 2*). A few countries – China, Mexico, Australia – cut their oil production, too. Investment in the development of most cost-intensive unconventional petroleum deposits – shale oil in the United States, oil sands in Canada, deepwater fields worldwide – decreased.

In the meantime, the decline in oil production in cost-intensive regions was actually neutralized by the increase in oil production in OPEC countries seeking to expand their market share and to compensate, at least in part, for falling revenues by boosting oil supplies. Major OPEC producers such as Saudi Arabia,

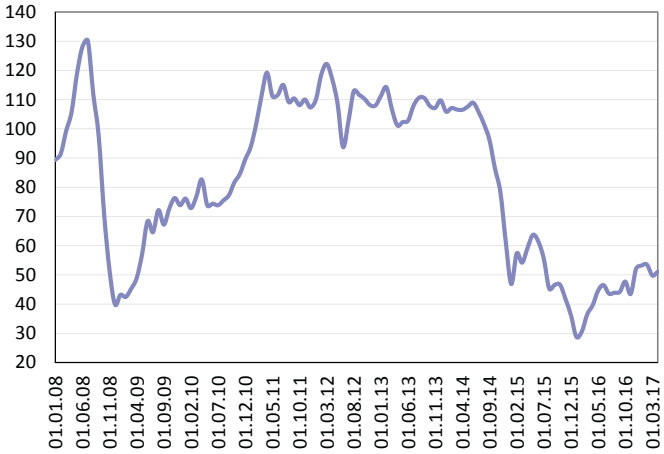

Fig. 1. Urals crude price in 2008–2017, US$/b

Source: OECD/IEA.

Iraq and Iran increased substantially their oil output. Iran took the opportunity to boost its crude oil supplies since the easing of international sanctions. As a result, the increase in the Iranian oil production in 2016 fully offset the decline in US oil production (*Table 2*).

Russia also increased its crude supplies to the global market. In 2016, the Russian oil production reached 547.6 million tonnes, the biggest volume since 1990, and Russian oil exports were close to an all-time high[1].

The fall in oil prices forced oil producers to cut back on their oil production. Some OPEC and non-OPEC producers, including Russia, reached an agreement late in 2016 to cut oil production for a period of six months beginning on 1 January 2017. The OPEC and 11 non-OPEC parties to the agreement agreed to cut oil production by respectively 1.2 million and 558,000 barrels per day, with Russia taking on 300,000 of 558,000 barrels per day.

Global crude oil prices increased substantially as a result the agreement. For instance, the Brent price rose from USD 46 a barrel in November 2016 to USD 51–55 in January–May 2017. The Urals price averaged USD 51.3 a barrel in the first five months of 2017.

Fig. 2. Crude oil production in the United States in 2014–2017, bdp thousands

Source: USEIA.

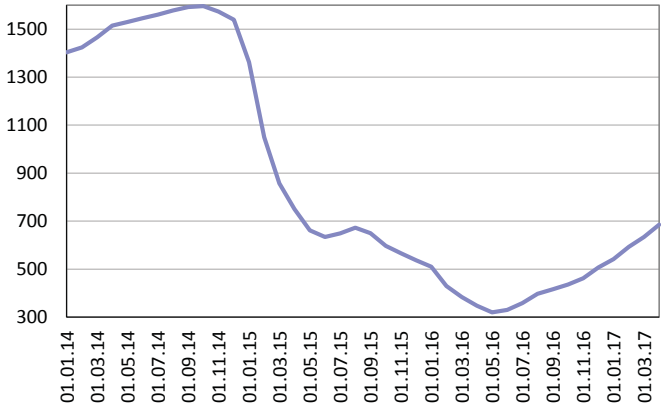

Fig. 3. The number of producing oil rigs in the United States in 2014–2017, pieces

Source: Baker Hughes.

Table 2

CRUDE OIL PRODUCTION IN THE UNITED STATES AND IN OPEC COUNTRIES IN 2015–2017, BDP MILLIONS

	2015	2016	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2 (estimate)
USA	9.42	8.87	9.17	8.85	8.67	8.81	9.00	9.20
OPEC countries, total	31.75	32.53	32.08	32.31	32.60	33.11	31.93	32.10
Saudi Arabia	10.01	10.42	10.20	10.33	10.60	10.55	9.98	
Iraq	4.03	4.43	4.29	4.39	4.43	4.61	4.46	
Iran	2.80	3.57	3.25	3.61	3.67	3.73	3.80	

Source: USEIA.

In an effort to decrease further the oil supply glut, the OPEC and non-OPEC parties to the agreement decided in May 2017 to extend the agreement for another nine months, that is, between July 2017 and March 2018.

1 Bobylev Yu. Oil sector development in 2016 // Russian Economic Development. 2017. No. 2. P. 18–23.

However, the recovering growth in the US shale oil production has recently become a challenge to the agreement. Advances in shale oil technologies and reduced production costs have allowed the US oil industry to adapt to a relatively low crude oil prices. As a result, the number of operating oil rigs has been increasing since mid-2016 and oil production has been on the rise since late 2016 in the United States (*Figs. 2, 3*). Moreover, the growth is expected to continue in both 2017 and 2018. According to the recent forecast of the U.S. Energy Information Administration (EIA), the US oil production will increase 0.46 million barrels per day (up 5.2%) in 2017, adding another 0.68 million barrels per day (up 7.3%) in 2018. Canada and Brazil have increased oil production, too. The increase in oil production in the United States and in other countries can neutralize substantially the effect of oil output cuts by the OPEC and non-OPEC parties to the oil output cut agreement.

The effect of the factors such as the increase in oil output and in the number of operating oil rigs in the United States, the growth in oil production in Nigeria and Libya (OPEC countries which opted not to enter the oil cut agreement), as well as high level of crude oil stocks in OECD countries, have lowered substantially market participants' expectations for the next few months. Stock prices of the August Brent futures contracts dropped to USD 45–46 a barrel in the second half of June, reaching the level seen in the previous year, before the oil output cut agreement was signed.

Some top foreign organizations have recently released their forecasts for 2018, in which the global crude oil price varies within a range of USD 52 and 56 a barrel, with the Energy Information Administration (EIA), the Word Bank, and the International Monetary Fund predicting that crude oil would be traded at USD 55.6, USD 56.0, USD 52.0 a barrel, respectively (*Table 3*).

Table 3

CRUDE OIL PRICE FORECASTS IN THE GLOBAL OIL MARKET, US$/B

Organization	2017	2018
U.S. Energy Information Administration: Brent crude price	52.69	55.61
World Bank: average global crude oil price*	53.00	56.00
International Monetary Fund: average global crude oil price*	51.92	52.00

* Average price of Brent, Dubai and WTI.
Sources: USEIA, WB, IMF.

However, the real risks that global crude oil prices could be much lower than expected are as follows. First, a considerably higher than predicted oil production in the United States, as well as in some other countries. Second, oil production in the OPEC and non-OPEC parties to the oil output cut agreement will start growing as soon as the agreed period of oil production cuts is expired in April 2018. Third, in case of early termination of the agreement, the parties thereto may boost oil production sooner than the scheduled expiration date.

2. THE RUSSIAN EXPORTS IN THE FIRST FOUR MONTHS OF 2017

A.Knobel, A.Firanchyuk

In the first four months of 2017, Russian fuel and non-fuel exports increased. Dynamics of exports of minerals and low-processed goods were driven by changing export prices. Imports grew significantly, too. The data of the past few years do not show any correlation between volumes of exports of highly processed products and the rouble nominal exchange rate: the effect of price modification caused by exchange rate fluctuations is largely compensated by changes in volumes.

Russia's exports increased significantly in January–April 2017 as compared to the relevant period of the previous year (*Fig. 1*). In value terms, exports amounted to $109.27bn (131% and 90.2% from the value seen in January–April 2016 and January–April 2015, respectively). The positive dynamics of overall exports (in value terms) was driven by the recovery of volumes of all the types of exports: fuel exports (FEACN code: 27) were equal to $69.61bn (144% and 88.2% from the value seen in January–April 2016 and January–April 2015, respectively), while exports of other goods, to $39.65bn (113% and 94.0% compared to the values of January–April 2016 and January–April 2015, respectively). In the first four months of 2017, fuel exports accounted for 63.7% of the total exports.

Changes in the value of exports can be broken down into the following two groups: modification of export goods prices and changes in export supply volumes. The data on changes in prices, volumes and value of exports to far abroad countries are presented in *Table 2*. As regards a majority of large export commodity groups of minerals and low- and medium processed products, modification of export prices and exports in value terms was unidirectional for 22 commodity groups out of 25 commodity groups, while as

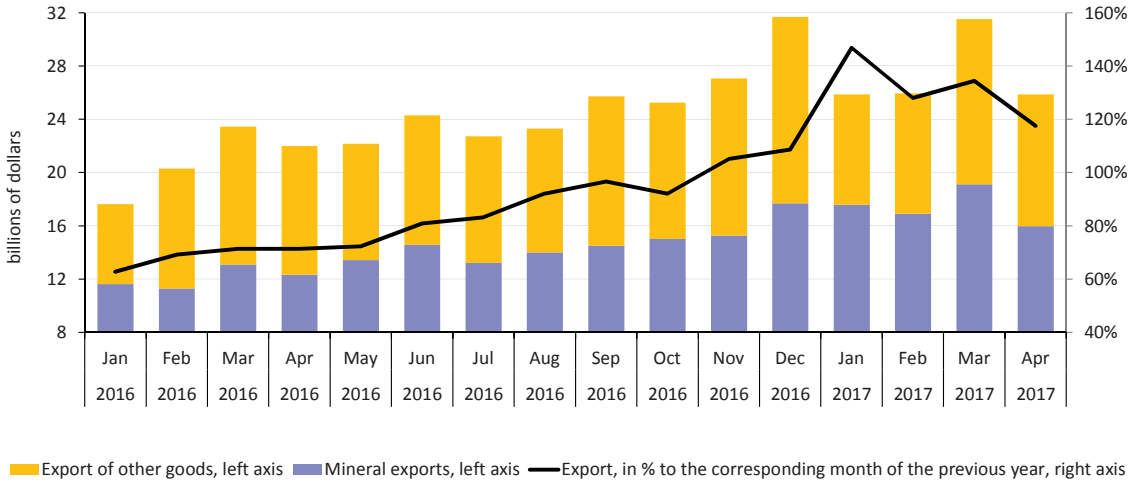

Fig. 1. Dynamics of Russia's exports in 2016–2017

Source: own calculations based on the data of the Federal Customs Service.

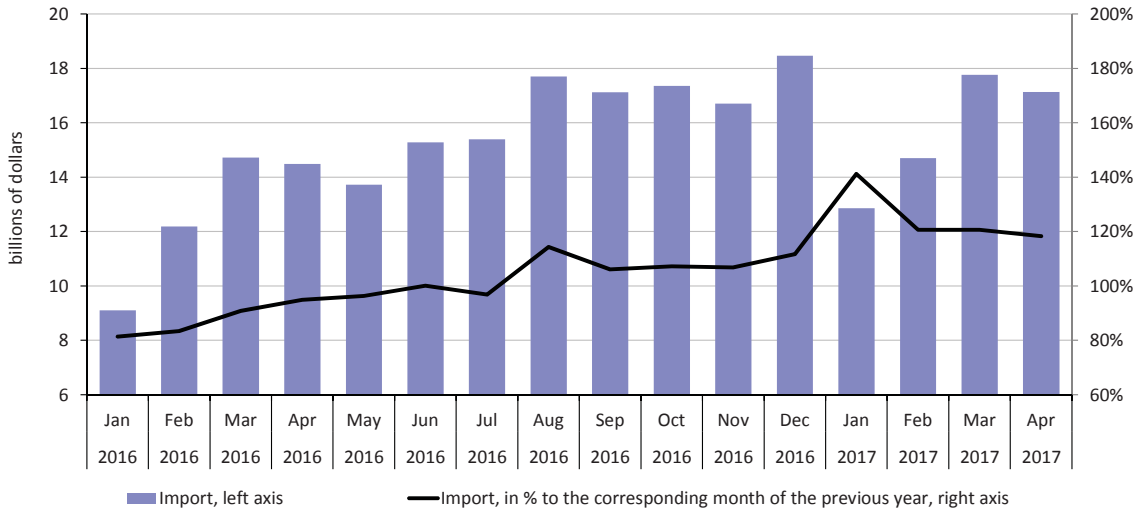

Fig. 2. Dynamics of Russia's imports in 2016–2017
Source: own calculations based on the data of the Federal Customs Service of the Russian Federation.

for highly-processed products (machinery and equipment) such changes were observed only in 50% of cases (4 out of 7). Proceeding from the above, it can be concluded that the main factor behind changes in the volume of overall exports of minerals and low- and medium processed products is the weighted – based on the shares of commodity groups in the overall exports – dynamics of global prices.

In January–April 2017, imports grew significantly, too (*Fig. 2*). In January–April, imports amounted to $62.46bn (124% and 109.0% from the value seen in January–April 2016 and January–April 2015, respectively). The above values point to the fact that there is still strong correlation between the overall imports in value terms and the Rouble real exchange rate which saw growth in the first four month of 2017[1].

The pattern and volumes of Russia's exports to far abroad countries are shown in *Table 1*. Exports (in current dollars) increased virtually across all the consolidated commodity groups singled out by the RF Federal Customs Service[2]. Negative dynamics were seen only in the "electrical machinery" group (-29%), "transport vehicles (except for railway)" group (-32%) and the classified commodity group (-39%). All the above three groups used to grow in the past two years[3], so a decrease can be partially explained by the effect of a high base (January–April 2016). The value of exports of "minerals" appreciated the most both in absolute and relative terms (46% or $20.78bn). Also, substantial growth in exports in value terms was observed with the "metals and metal goods" group (+34%) and the "nuclear reactors and boilers" group (+45%).

1 It is to be noted that for different commodity groups there can be a different elasticity of demand on imports depending on the exchange rate, so the reaction to fluctuations in the rouble nominal exchange rate will be different for various products. See A.Yu. Knobel Assessment of the Demand Function on Imports to Russia // Applied Econometrics. 2011. No. 4 (24). P. 3–26; G.I. Idrisov. Factors of Demand on Foreign Capital Goods in Russia // Economic Policy. 2010. No.3. P. 115–137.

2 The volume of exports of classified commodity group is shown separately in the Table.

3 Except for a 3% decrease in exports of the "electrical machinery" group in January–April 2016.

Table 1

CHANGES IN PRICES AND VOLUMES OF MAIN EXPORT COMMODITY SUPPLIES TO FAR ABROAD COUNTRIES IN JANUARY–APRIL 2017

FEACN code	Name of position	Price		Price change, %	Volume change. %	Value change, %	Share in exports, %
		January–April 2016	January–April 2017				
Food:							
1001	Wheat and meslin, USD/ton	172	180	5	17	22	1.5
Fuel:							
2701	Fossil coal, USD/ton	51	74	45	3	49	3.7
2709	Crude oil, USD/ton	241	375	56	1	58	30.1
2710	Petroleum products, USD/ton	241	386	60	-1	59	20.4
2711110000	Natural condensed gas, USD/cubic meters	149	119	-20	-21	-37	0.8
2711210000	Natural gas, USD/thousand cubic meters	178	185	4	11	15	11.4
Chemical products:							
3102	Mineral nitrogen fertilizers, USD/ton	191	182	-5	-6	-11	0.6
3104	Mineral potassic fertilizers, USD/ton	224	183	-18	-21	-36	0.5
3105	Mixed mineral fertilizers, USD/ton	318	257	-19	7	-14	0.8
2814100000	Liquid ammonia, USD/ton	298	231	-22	38	7	0.1
4002	Synthetical rubber, USD/ton	1200	1785	49	0	49	0.6
Timber and articles thereof:							
4403	Unprocessed timber, USD/cubic meter	69	77	12	-4	7	0.5
4407	Processed timber, USD/ton	207	217	5	12	18	1.1
4412	Plywood, USD/cubic meter	379	425	12	-5	7	0.3
4702–4704	Wood pulp, USD/ton	460	468	2	-5	-3	0.3
4801	Newsprint, USD/ton	386	403	4	3	8	0.1
Metals and metal goods:							
72	Ferrous metals, USD/ton	267	417	56	-6	46	5.0
72 (except 7201–7204)	Ferrous metals (except for cast iron, ferro-alloys, waste products and wrenching iron), USD/ton	276	435	58	2	60	3.8
7201	Cast iron, USD/ton	191	310	62	-17	35	0.4
7202	Ferro-alloys, USD/ton	1539	1745	13	-4	9	0.4
7207	Carbon steel semi-products, USD/ton	235	396	68	-1	67	2.0
7208–7212	Carbon steel flat rolled stock, USD/ton	279	474	70	12	90	1.2
7403	Refined copper, USD/ton	4655	5649	21	2	24	1.1
7502	Unfinished nickel, USD/ton	8405	9616	14	-31	-21	0.5
7601	Unfinished aluminum, USD/ton	1392	1691	22	-3	18	1.9
Machinery, equipment and transport vehicles:							
840130	Heat-producing unexposed units (fuel elements), thousand USD/unit	375	479	28	111	169	0.31
8411123009	Other combustion turbines, with draught of over 44 кN, but max. 132 кN, thousand USD/unit	3406	4179	23	-15	4	0.29
8450111100	Household washing machines. USD/unit	154	146	-5	27	21	0.03
85287240	LCD TV-sets, USD/unit	279	434	56	-81	-70	0.00
860692	Open railway cars, thousand USD/unit*	17.05	23.91	40	128	220	0.03
8703231910 (code since 01/01/2017 8703231940)	Cars with effective engine cylinder capacity of over 1500 cm^3, but max. 1800 см3, thousand USD/ton.	6.53	7.11	9	-4	5	0.02
8704229108	Other trucks with gross weight of 5–20 tons, thousand USD/unit	33.66	37.15	10	-37	-31	0.03

*Compared to the relevant period of the previous year (in US dollars).
Source: own calculations based on the data of the Federal Customs Service of the Russian Federation.

Table 2

THE COMMODITY PATTERN OF RUSSIA'S EXPORTS TO FAR ABROAD COUNTRIES IN JANUARY–APRIL 2017

Name	Growth rates of value of exports in January–April, %*			Volume of exports in January–April 2017 (million USD	Share of a commodity group, %
	2015	2016	2017		
Food and agricultural raw materials (except for textile)	85	110	110	4 345	4.5
Minerals	65	61	146	65 468	68.4
Chemical industry products, natural rubber	94	74	103	5 167	5.4
Rawhides, furs and articles thereof	77	78	115	91	0.1
Wood and paper products	88	97	113	2 960	3.1
Textile, textile articles and footwear	98	101	106	81	0.1
Precious metals and stones and articles thereof	69	102	100	3 078	3.2
Metals and metal goods	98	70	134	9 699	10.1
Machinery, equipment and transport vehicles (without classified commodity group), including:	125	70	103	2 837	3.0
Nuclear reactors, boilers, equipment and mechanical appliances; turbines and combustion engines; household appliances	164	41	145	1 427	1.5
Electrical machines, equipment and parts	109	97	71	460	0.5
Railway transport vehicles and parts; track equipment and railway machinery	51	137	114	62	0.1
Land transport vehicles, except for railway transport and parts	160	149	68	437	0.5
Vessels, boats and self-floating structures	40	82	107	156	0.2
Instruments and optical device	80	119	101	294	0.3
Other goods (without classified commodity group)	79	123	118	225	0.2
Classified commodity group**	140	110	61	1709	1.8
Exports, total	72	68	132	95660	100

*Compared to the relevant period of the previous year (in US dollars).

** The classified commodity group includes mainly aircraft and their parts, weapons and ammunition, tanks and other mobile fighting transport. In the aggregated statistics of the RF Federal Customs Service, this commodity group is included into the "machinery, equipment and transport vehicles" group and the "other goods" group.

Source: calculations based on the data of the Federal Customs Service of the Russian Federation.

Breakdown of export dynamics into value and volume components as regards the main commodity groups

A 46.6% growth in exports of ***fuel*** commodities was spurred by appreciation of export prices. With prices of crude oil and petrochemicals, which account for more than a half of the overall exports, rising by 56% and 60%, respectively, a change in the volume of exports did not exceed 1.5%. Note that if in the first four months of the previous year the unit price of petroleum products was only 0.2% higher than the price of crude oil, in 2017 it was already 3.0% higher. Such appreciation of petroleum products as compared to crude oil indirectly points to the fact that light oil products account for a greater share in the export pattern[1].

Exports of ***food and agricultural raw materials*** to far abroad countries increased by 10% on the back of a 22% growth in export grain supplies (wheat and meslin); the value and volume of exports grew by 5% and 17%, respectively).

1 For more information on modification of the pattern of exports of petrochemicals, see: A. Kaukin, A. Knobel, A. Firanchuyk. The Consequences of Implementation of the Tax Manoeuver: Production of Oil and Oil Products // Economic Development of Russia. 2016. No.12. P. 48–52.

Exports of ***chemical products*** (a 3% growth) did not change much due to incoherent dynamics of export prices. Prices of all the types of mineral fertilizers fell by 5–19%, while those on petrochemicals (synthetic rubber) appreciated by 49%.

A moderate growth of 2–12% in prices on ***wood and paper products*** and the mixed dynamics of volumes spurred growth of 13% in exports in value terms. The export volumes of "processed timber" increased by 12%, while those of "unprocessed timber" fell insignificantly by 4%.

Exports of ***metals*** saw a growth of more than 33.3% driven by appreciation of prices by 14–70% on main metals and metal goods. It is to be noted that volumes of exports to far abroad countries saw mixed changes: they varied from growth of 12% (flat-rolled products) to a fall of 31% (nickel).

It can be concluded that the dynamics of global prices was a strong determinant of exports of minerals and low- and medium processed products. In 14 cases, changes in the volumes of exports were unidirectional with modification of export prices, while in 11 cases they were quite the opposite. In other words, export price changes did not have an unambiguous effect on the volumes of supplies.

The value of exports of ***machinery, equipment and transport vehicles*** (FEACN codes: 84–90) to far abroad countries did not change much (+3%). Note that commodity groups under review (fuel elements, LCD TV-sets, combustion turbines, carriages and cars) saw substantial changes both in export prices (in the range of a decrease of 5% in case of washing machines to a 56% growth in case of LCD TV-sets) and volumes (from growth of 2.3 times as regards carriages to a 5 times drop as regards LCD TV-sets). In five out of seven commodity positions, changes in prices and volumes were oppositely directed, while in case of two types of products appreciation of prices was accompanied by growing volumes. It is to be noted that prices of ferrous metals, which are the main raw material used in manufacturing of carriages, increased by 56%, while export prices on carriages rose by 40%.

Note that the very examination of prices of differentiated goods is often limited because absolutely different products can be found within a single commodity group. For example, a 50% appreciation of prices of LCD TV-sets is probably related to a reduction of the share of less expensive household appliances within this commodity group.

Exports of Highly Processed Products and the Rouble Exchange Rate

Each time after dramatic fluctuations of the rouble nominal exchange rate, there are heated debates on their effect on exports. As stated above, the value of exports of energy producing materials, metals and other low processed products correlates primarily with the level of global prices of these products, while export volumes do not react much to the rouble nominal exchange rate fluctuations.

However, it is often asserted that depreciation of the exchange rate of the national currency has a positive effect on exports of highly processed products. Such a statement is based on the assumption that elasticity of overall exports expressed in the exporter's national currency is more than 1 at the exchange rate of the exporter's currency. In other words, it is believed that in case of a 1% depreciation of the real effective exchange rate of the exporter's currency the value of real exports in the national currency will increase by over 1%. In case of such correlation, there should be growth in the value of

exports expressed in all the main world currencies, for instance, US dollars. Such assumptions are not always proved by experiment: researchers have shown[1] that in case of a number of countries (mainly Eastern Europe) elasticity of the value of exports expressed in the exporter's currency is below 1 at the exchange rate of the exporter's currency (in absolute values). An important factor determining the extent of elasticity of the demand on the basis of the exchange rate is the share of import goods and services in the overall exports – the more import goods and services are utilized in export production, the less is response of the volume of exports (expressed in the exporter's currency) to exchange rate fluctuations of the national currency[2].

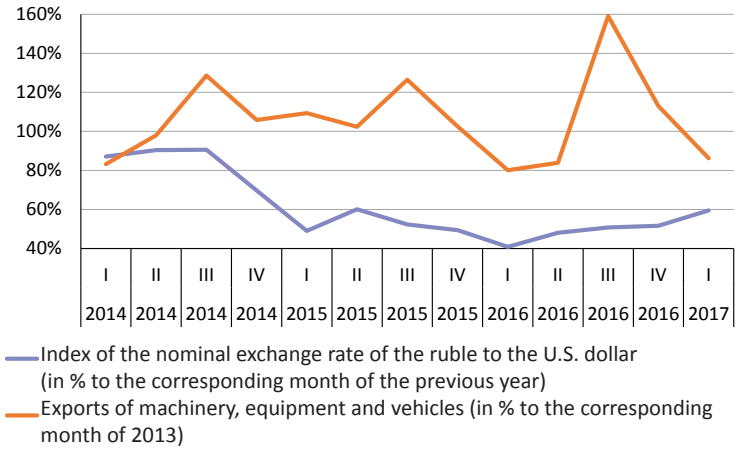

Fig. 3. Dynamics of exports of machinery, equipment and transport vehicles to far abroad countries and the rouble exchange rate in 2014–2017

Source: own calculations based on the data of the Federal Customs Service of the Russian Federation and the Russian Central Bank.

Note that as regards Russian exports of machinery, equipment and transport vehicles (except for the classified commodity group) the share of imports (among all the commodity groups) is equal maximum to 40%[3]. This limits undoubtedly growth potential of exports of these goods due to depreciation of the rouble exchange rate.

Comparison on a quarterly basis of the dynamics of the Rouble/Dollar nominal exchange rate and exports of "machinery, equipment and transport vehicle" to far abroad countries are shown in *Fig. 3* (% change compared with the corresponding quarter of 2013). A weak correlation of these values (-0.023) points to the fact that the rouble nominal exchange rate is not a detriment of the value of exports of highly processed goods to far abroad countries. It is totally different, for example, from correlation of imports with the Rouble/Dollar nominal exchange rate – correlation between the dynamics of these values (% change compared with the corresponding month of the previous year) amounted to 0.91 in 2014–2016[4].

Note that exclusion of CIS states from the review is related to the following two factors. Firstly, the exchange rates of national currencies of Belarus, Kazakhstan and Ukraine, the three major partners within the CIS context, changed as much as the rouble's against major world currencies. Consequently, Russian exporters could not take advantage of the weak rouble on the markets of these countries because those countries' manufacturers found themselves in a similar situation. Secondly, in the period under review

1 Ahmed, S., Appendino, M., &Ruta, M. Depreciations without Exports. Global value chains and the exchange rate elasticity of exports. // World Bank Policy Research Working Paper, 2015, No. 7390.

2 Ibid.

3 The data on shares of imports in other production fields (commodity groups) can be found, for instance, in: A. Knobel, A.Firanchyuk. The Factors Behind Russian Export Recession in January–May 2016 // Economic Development of Russia. 2016. No. 8. P. 15–21.

4 For more information, see: A. Knobel and A. Firanchyuk. Foreign Trade in 2016 // Economic Development of Russia . 2017. No. 3. P. 8–17.

administrative limitations were imposed on exports to Ukraine. Exclusion of the classified commodity group from the review can be explained by the fact that contracts on products from this group are concluded primarily for political, rather than business reasons.

Elasticity of exports (machinery, equipment and transport vehicles to far abroad countries) based on the rouble nominal exchange rate is that changes in value terms and volumes largely compensate each other. Changes in exports in value terms are limited to a great extent by a large share of import components used in production[1].

1 See, for example: G. Idrisov. The Industrial Policy of Russia in the Modern Environment // Gaidar Institute for Economic Policy. 2016. Working papers. No.169P.

3. RUSSIAN INDUSTRIAL SECTOR IN H1 2017

S.Tsukhlo

Gaidar Institute's business surveys show that the Russian industrial sector started recovering in early 2017 from the protracted crisis of 2015–2016. Some indicators increased, including actual and predicted changes in demand, stock (finished products), investment plans.

Demand, stock, output plans

The demand for industrial products in H1 2017 was almost zero, attended by occasional and hence divergent movements leading toward a positive trend, the first of which was recorded during business surveys in February, the second one was reported in June. In general, however, the sales dynamics was found to be better than that in 2012–2016, even though enterprises tend to underestimate the demand for their products.

A similar positive context was observed through demand surveys. The seasonal and calendar adjusted demand continued to grow in early 2017, reaching a multi-year high in February, whereupon upbeat demand forecasts stopped growing, and the balance was secured at a level of +10 points. As a result, enterprises' expectations in H1 2017 were found to be the highest since 2011.

However, our business surveys regarding gains in (current) volumes of demand show that the Russian industrial sector in early 2017 had inflated expectations and hence forecasts for the pace of recovery from the crisis of 2015–2016. In February, when both actual and predicted demand growth rates reached multi-year highs, enterprises' satisfaction with gains in sales fell to 51% because they expected higher volumes of demand. Nevertheless, they were quick in rethinking the inflated expectations, and therefore the satisfaction with demand reached 65% as early as May 2017, the highest value on record since 2007. In June, however, the share of enterprises with 'normal' responses dropped to 62%.

The dynamics of enterprises' responses about the stock (finished products) adds to the picture of the Russian economy recovering from the "lukewarm" crisis of 2015–2016. In the first few months of 2017, the Russian industrial sector continued officiating the crisis-related ritual of maintaining the indicator around zero, whereas the stock was revised in March, and therefore the balance was up to +11, till June. The 25-year observations shows that the specified level of stock glut cannot be attributed to the crisis. The reverse seems to be the case: similar values of the indicator were observed during the periods when enterprises were sure that the demand for their products will soon increase. It is difficult to tell on what volumes of stock their responses rely on, because no official statistics of stock volumes are available in the country. Also, there is a scenario that cannot be ruled out: there was no growth in volumes of stock (finished products) in March–June 2017; instead, enterprises just "revised" the previous, unchanged volumes of stock after rethinking their expectations for the pace of recovery from the crisis of 2015–2016. This scenario is supported by the fact that demand change forecasts stabilized in February–June 2017.

The dynamics of output plans in H1 2017 also reflects that industrial enterprises varied in their expectations for the pace of recovery from the ongoing crisis. Indeed, this indicator saw a sharp increase in upbeat expectations in early 2017 after hitting in H2 2016 nearly the lowest values in the ongoing crisis (less optimistic responses were recorded only in early 2016, when industrial enterprises realized that promises of quick "rebouncing from the bottom" are slippery). However, upbeat output plans were down almost by half in April–May 2017, which seems to be logical amid declining upbeat demand forecasts and spiking stock (finished products) glut. In June, however, the number of enterprises with upbeat output plans increased, reaching the highest level in 2012–2017, which, by the way, was recorded in late 2015, when enterprises' hopes for quick recovery from the crisis were unmet. It is time and the assessment unexpectancy of outturn economic dynamics of Q3 2017 that will show whether the growth in Russian industrial enterprises' upbeat output plans in June (2017) is well-founded or not.

Industrial growth constraints

By convention, Russian industrial enterprises say that insufficient domestic demand for their products is the key constraint on output growth. This factor ranks 1st since late in 2008 among the 17 constraints, according to enterprises' ranking. In 2017, however, the constraining effect of this factor hit a multi-year (2009–2017) low, with 42% of respondents. The peak of the adverse effect of domestic demand on the Russian industrial output fell on Q1 2016 (or rather on January), which is not the onset of the crisis, as should have been expected. Then, as a reminder, the rouble's exchange rate hit the lowest value in 2014–2017, which, no doubt, should have been a pleasant thing for domestic producers. However, enterprises' evaluation of the context of Q1 2016 was quite the opposite.

Export demand ranks 2nd among the constraints facing Russian industrial enterprises. 25% of enterprises said export demand was a headwind for their output. This result is not the best (lowest) one seen in 2015–2017. Only 17% of enterprises said in early 2015 that insufficient export demand is a constraint, whereas the others were driven by the first wave of rejoice at the devaluation of the Russian rouble. Low export demand had the strongest adverse effect on output early in 2016.

"Uncertainty of the current economic environment and of its prospects" is, for now, another important factor that shares the 2nd rank with export demand, whose constraining effect hit a multi-year low in 2017, although not so long ago (early in 2016) a half of the Russian industrial enterprises said they did not understand what was going on in the economy, and they were uncertain about the future. The level of uncertainty has decreased to 25%.

According to enterprises' ranking of constraints, a "lack of qualified personnel" ranks 4th, with 23% of respondents. This result is the highest in the past seven quarters, which is well in line with the data on low rate of unemployment and indicates the key resource issue facing the industrial sector. On the other hand, a "lack of production capacities" – the issue (i.e. deficit) facing the Russian industrial sector, which has generated a fierce debate among analysts – ranks 10th, according to enterprises' ranking of constraints, with only 9% of respondents. This is the lowest ranking in terms of lack of production capacities in the Russian industrial sector after the one

that was recorded prior to the Russian default of 1998, with a decline to 4% of respondents.

A "lack of working capital" ranks 5th for now, according to enterprises' ranking of constraints. However, the share of respondents (20%) is close to the all-time low of 1993–2017. A smaller share of 16% was recorded only once, in Q4 2016. Neither do consumer non-payments have a strong constraining effect on the output of the Russian industrial sector, with only 16% of respondents, which is close to the local low of 2009–2017 and ranks 6th among the 17 constraining factors.

"Competition with imports" ranked 7th, with 14% of enterprises, although this factor was supposed to have an increasingly strong depressive effect on the output of Russian industrial enterprises as the Russian rouble appreciated. Our monitoring shows, however, that since Q4 2015 an adverse effect of competition with imports has been stabilized within a range of 13–15%. Twice as much Russian industrial enterprises complained about this factor prior to the rouble devaluation of December 2014.

The appreciation of the Russian rouble reduced the adverse effect of the factor such as "underappreciated rouble's exchange rate and of the appreciation of imported equipment" to a symbolic 5%, the absolute minimum number of respondents in 2014–2017, and therefore this factor moved down to 15th rank in the ranking of 17 output constraints. Between 10% and 17% of enterprises "complained" that imported equipment was expensive" (9th in the ranking) prior to the rouble devaluation of December 2014. Only 3% of enterprises said that the overappreciated (stronger) rouble's exchange rate was a headwind for output growth (the last in the ranking in Q2 2017). The current (nearly zero) industrial output is well adapted in terms of growth to the established rouble exchange rate.

Industrial sector's pricing and HR policies

Enterprises' pricing policies in H1 2017 reflect both the monetary authorities advance in struggling with inflation and enterprises' efforts to rekindle demand for their products. Although industrial enterprises in January 2017 raised prices more intensively than a year earlier, they failed to reach the price target set in December 2016. It seems that industrial enterprises raised factory-gate prices in response to positive demand dynamics early in the year. However, industrial enterprises had to slow drastically the intensity of growth in actual prices in response to Bank of Russia' consistent struggle with inflation. Enterprises reported in April–May that they had zero growth of factory-gate prices of their products, with price change forecasts in March showing hopes for a more intensive growth of factory-gate prices. Further, the industrial sector in June embarked on absolute price cut (-6 points) while forecasting a change at an average of +9 points for April–June.

In 2017, Russian industrial enterprises' HR policies continued to rip the benefits offered by the crisis of 2015–2016. Enterprises made new recruit plans early in 2017 (similar to what they did during the crisis of 2015–2016), which was not the case in the pre-crisis years of 2013 and 2014, and, most importantly, they did manage to hire more employees following the traditional peak of redundancies in January. Eventually this even resulted in a small oversupply of labour force – the balance of enterprises' responses about labour supply in Q2 2017 reached a positive value, which is quite uncommon for the

entire period of 2010–2017 and for the crisis of 2015–2016. Furthermore, no spike in labour force oversupply was recorded at the very beginning of the recession period. Neither were there redundancies – a logical HR policy amid crisis – at industrial enterprises.

Investment plans

In Q1 2017, the Russian industrial sector exhibited a strong growth in upbeat expectations for investment. Twenty four points were added to the balance of investment plans, eventually hitting a five-year high. Therefore, the 26-month period of upbeat expectations for investment – which began shortly after Russia joined the war of sanctions in August 2014 – is over. The industrial sector was prepared for a new cycle of investment growth. However, the plans stopped clambering higher on upbeat expectations and stabilized in the second quarter following the rethinking of expectations for the pace of recovery from the ongoing crisis. Indeed, there are not much incentives available for Russian enterprises to implement investment plans. Only 14% of enterprises considered a lack of investment as a headwind for output, which comprises nearly the smallest share of enterprises considering this factor as a constraint in 2014–2017. Only 9% of enterprises faced with a lack of machinery and equipment said investment in output expansion is relevant. Only 7% of enterprises said they were facing the issue of low labour productivity. Accordingly, it is also unlikely that the existing production facilities will be upgraded.

Crediting of the industrial sector

Crediting terms for the Russian industrial sector in H1 2017 continued recovering after the crisis-related credit crunch that fell, according to surveys, on February 2015, when 45% of enterprises reported they were facing the issue of credit availability, which, however, was 20 percentage points below the peak value recorded during the crisis of 2008–2009. Only 12% of enterprises faced the issue of credit availability in Q1 2017, 10% in Q2 2017, and 11% in June. Thus the lack of credit availability for the Russian industrial sector in H1 2017 was finally secured at the pre-crisis level.

The average minimum interest rate on bank rouble-denominate loans to industrial enterprises dropped by January 2017 to 14.6% p.a. The indicator stood at 14.1% in March–April, 13.9% in May–June. Thus the interest rate dropped by 7 p.p. after hitting a post-crisis high. The inter-crisis lowest value of the indicator was recorded at 11.8% in 2011.

In Q2 2017, the ability of industrial enterprises to service their outstanding loans reached an absolute record in the entire period (2009–2017) of monitoring. Today, 90% (!) of enterprises have either adequate or more than adequate resources to repay their bank loans. The obtained result fits well with the estimates of financial and economic environment which was considered good or acceptable by 91% of respondents.

4. MIGRATION: TRENDS KEEP PREVAILING

Yu.Florinskaya, N.Mkrtchyan

As compared to the previous year, Q1 2017 saw a decrease in the migration growth in Russia's population and a downturn of Ukraine's role as a major migration donor. The number of internal migrants is still stable with lines of migration remaining unchanged. The number of temporary migrants arriving in Russia keeps steadily falling, however, a more explicit seasonal upsurge of the index in 2017 points to the fact that Russia is still attractive to labor migrants from the CIS, primarily, the Central Asia and Ukraine.

The Long-Term Migration

In the past few years, the extent of the long-term international migration[1] has been quite stable and the beginning of 2017 was not an exception. In Q1 2017, 122,300 international migrants came to Russia (10,800 migrants or 8.1% less than in the relevant period of 2016). On the contrary, the number of people who left Russia for other countries increased by 8,300 persons or 7.3%. In Q1 2017, population growth on the back of migration amounted to 52,100 people, a decrease of 19,100 people or 26.8% as compared to Q1 2016. In 2011–2016, migration growth in Q1 was equal on average to 55,400 people, so the 2017 data do not differ much from those of the past few years. In addition, the quarterly data demonstrate high volatility. Normally, migration growth in Q1 is lower than in subsequent quarters, but in 2010 and 2016 it was on the contrary rather high.

The data on international migrants who arrived and left Russia in 2010 show both quarterly fluctuations of the index (*Fig. 1*) and general stabilization of the index values starting from 2014 (after a growth period starting from 2011 as a result of the statistical reform).

A decrease in migration growth in Russia in Q1 2017 can be primarily explained by the fact that the share of Ukraine, a major migration donor of the past few years fell by 40% as compared to 2015–2016. The number of people who received in Russia the status of a temporary refugee decreased, too; after the dramatic worsening of the situation in Ukraine in 2014–2015 there has been no large-scale influx of displaced persons to Russia. As compared to 2012–2013, the migration from Armenia, Azerbaijan, Uzbekistan and Kirgizia failed to restore to its previous values, the influx of migrants from Kazakhstan was stable, while growth was observed only in migration from Tajikistan (*Table 1*).

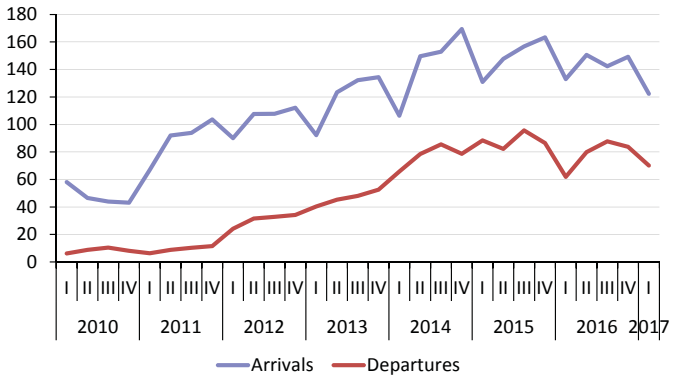

Fig. 1. The international migration to Russia , quarterly data, thousand people

Source: The Rosstat's online information.

1 The Rosstat takes into account both long-term migrants and those registered at the place of residence or stay for the period of nine months or more.

Table 1

MIGRATION GROWTH/DECREASE IN THE INTERNATIONAL MIGRATION, Q1 2012–2017, THOUSAND PEOPLE

	2012	2013	2014	2015	2016	2017
International migration	65.9	54.0	40.6	42.5	71.2	52.1
Migration with CIS countries	60.5	49.1	38.2	42.8	67.9	50.2
Azerbaijan	4.5	3.8	2.9	1.7	2.5	1.7
Armenia	7.1	6.9	3.8	4.4	2.0	2.5
Belarus	3.0	1.2	2.5	0.7	0.5	2.5
Kazakhstan	9.3	9.0	8.6	8.2	8.9	8.0
Kirgizia	8.0	3.9	3.1	1.2	4.4	2.8
Moldova	3.8	4.0	2.8	3.2	3.6	1.9
Tajikistan	5.6	4.5	2.7	-1	5.6	6.3
Turkmenistan	0.8	0.8	0.6	0.6	0.4	0.6
Uzbekistan	10.1	5.8	5.8	-10.8	4.7	2.8
Ukraine	8.4	9.2	5.5	34.5	35.3	21.1
Migration with other countries	4.9	5.4	2.4	-0.3	3.3	1.9

Source: The Rosstat's online information

There is still a positive migration balance with far abroad countries, including Georgia which was attributed to that category in the past few years (1,900 people in Q1).

It is noteworthy that dynamics of indices of migration with individual countries is mixed and the quality of migration registration is rather questionable: judging by the data of receiving states[1], departures from Russia are underestimated.

In any case, the long-term international migration still has an important role to play in Russia's demographic development as it promotes population growth. Among major migration donors, one can single out CIS countries and Ukraine, in particular, which has dominated for the past three years.

In Q1 2017, the migration within Russia fell by 19,600 people or 2.3% compared to the relevant period of the previous year. The rate of the internal migration at the level of 4 million people a year may remain in place for a long period of time considering the fact that in the 2000s, despite sustainable economic growth and the subsequent 2008-2009 crisis, it was not actually affected by the country's social and economic changes.

A decrease in Russia's migration net balance in Q1 2017 affected the migration balances of the country's federal districts and some regions. The population outflow intensified from regions of the Far Eastern Federal District (-4,600 people in 2017 against -3,000 people in 2016), the Siberian Federal District (-5,000 people against -500 people) and the Privolzhsky Federal District (-7,400 people against -2,700 people); migration growth decreased in the Urals Federal District, the Southern Federal District and insignificantly in the Central Federal District.

Among the centers of attraction of migrants, there are still Moscow and the Moscow Region (growth of 33,700 people), St. Petersburg and the

1 A. Potapova. Emigration from Russia: The Current Decade // Demoskop Weekly. 2017. No.719–720 URL: http://demoscope.ru/weekly/2017/0719/tema01.php (review data 12.06.2017.).

Leningrad Region (20,000 people) and the Krasnodar Territory (8,300); other centers of attraction of migrants remain virtually the same: Sevastopol, the Republic of Crimea, the Voronezh Region, the Novosibirsk Region and the Tyumen Region.

Population growth driven by the international migration is distributed evenly across regions, while the internal transregional migration contributes to concentration of the population in a small and constant number of the most attractive regions and repeats the trends of the previous years[1]. In Q1 2016, there were 36 regions with the total positive migration balance (including 16 regions which demonstrated the internal migration growth), while in Q1 2017 their number fell to 32 regions (including 15 regions, respectively).

The Temporary Migration

No turning point of the trend prevailing in the past few years was observed in the beginning of 2017: the total number of foreigners arriving in Russia (for any purposes) is falling, but without any dramatic fluctuations. However, an earlier seasonal upturn of the index, a more statistically significant one compared to the previous years, points to the fact that Russia has retained and even partially restored its attractiveness as a country, which is open to migrants (*Fig. 2*). By 1 June, 9.96m foreigners arrived in the Russian Federation (9.90m a year before). The index growth was largely contributed to by labor migrants (in particular, migration growth was as follows: labor migrants (300,000 persons), tourists (65,000), students (56,000) and those arriving on business (11,000).

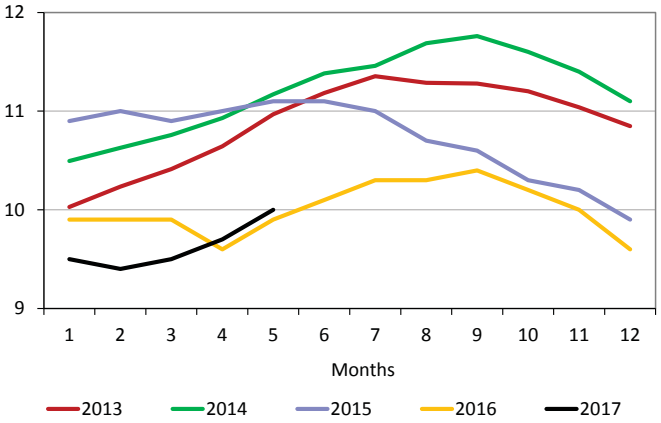

Fig. 2. Foreigners in the territory of the Russian Federation as of the end of a month, million people, 2013–2017

Source: GUVM of the RF Interior Ministry, the Foreign Nationals Registration Central Data Bank.

As before, the overwhelming number of people coming to Russia is CIS nationals (86%). As of 1 June, their number was equal to 8.6m people. Migrants from Central Asia and Ukraine dominate in this group (*Table 2*).

By 2017, the growth potential of the migration from the Eurasian Economic Union was virtually exhausted with Kirgizia being the only exception: the number of migrants from that country is growing and Kirgizia is the fifth largest donor from among the CIS states. As expected, the number of migrants from Ukraine is gradually falling (some migrants receive the Russian citizenship, other return home or reorient to other lines of labor migration). The temporary migration from Uzbekistan and Tajikistan starts growing, but it is still far short of the level observed in 2014.

There are virtually no changes as regards migration from developed western countries: the number of foreigners from those countries still lags behind more than 2.5 times over from the pre-crisis index of 2014 (3–7 times over as regards such countries as Italy, Spain, the US and the UK) (*Table 3*). However, in 2017 the index did not fall down any further and the number of nationals

1 The Population of Russia in 2014: The 22nd Annual Demographic Report / Editor-in-Chief S.V. Zakharov. M.: The Publishing House of the Higher School of Economics, 2016. P.357.

from western countries in Russia stabilized at a low level. Weak growth as regards migration from Germany, Spain and France was ensured solely by tourists.

Table 2

CIS NATIONALS IN THE RUSSIAN FEDERATION AS OF THE SPECIFIED DATE, PERSONS

	02.06.2014	01.06.2015	01.06.2016	01.06.2017
Azerbaijan	603706	548870	491851	536660
Armenia	509223	522757	508774	507068
Belarus	415656	551886	711193	676082
Kazakhstan	567096	664099	555435	552900
Kirgizia	545502	505882	565127	622899
Moldova	584423	545963	497412	430750
Tajikistan	1170825	999774	981353	1067247
Uzbekistan	2580929	2148143	1798943	1923388
Ukraine	1638641	2582053	2385404	2246058
CIS, total	8616001	9069427	8495492	8563052

Source: GUVM of the RF Interior Ministry, the Foreign Nationals Registration Central Data Bank.

Table 3

NATIONALS FROM SOME EU COUNTRIES AND THE US IN THE RUSSIAN FEDERATION AS OF THE SPECIFIED DATE, PERSONS

	04.05.2014	01.06.2015	01.06.2016	01.06.2017
The EU as a whole	1166725	778843	453334	453733
Germany	348266	229336	93815	103321
Spain	76669	42838	12280	14029
Italy	75429	51631	25546	25141
The UK	177840	107140	25941	24065
Finland	105989	59142	82809	79025
France	65701	48706	28959	29337
The US	219667	137480	44604	43267

Source: GUVM of the RF Interior Ministry, the Foreign Nationals Registration Central Data Bank.

By the beginning of summer, there were 4.2m labor migrants in Russia (those who specified at arrival that the purpose of their visit was "work on hire"), that is, 300.000 migrants more than a year before (3.9m as of 1 June 2016). It is to be noted that 96% of those migrants were labor migrants from CIS countries and it was they who ensured the index growth, while the migration flow from the far abroad subsided. The only exception among the CIS countries is Ukraine and Moldova wherefrom fewer migrants arrived.

As of 1 June 2017, 1.7m labor migrants were issued work permit documents (work permits and patents) and another one million of migrants had the right to work without such documents (nationals from member-states of the Eurasian Economic Union). So, nearly 64% of all foreign labor migrants could work legally (the index is just 3% higher than a year before).

Generally, migrants seek more actively to legalize themselves on the Russian labor market in 2017 (*Table 4*) and though the total number of the issued documents is still half the volume of 2014, it has already surpassed the index of 2016. It seems that migrants gradually adapt themselves to the new migration rules introduced in 2015 (in particular, work permits were replaced by patents for migrants from visa-free countries) and new economic realities, while Russian employers on the contrary are not in a hurry to execute their

labor relations with migrants properly: the number of notifications provided by employers on labor contracts concluded with foreign workers decreased as compared to the relevant period of the previous year.

Table 4

WORK PERMIT DOCUMENTS ISSUED TO MIGRANTS IN THE RUSSIAN FEDERATION, JANUARY–MAY OF THE RELEVANT YEAR, PERSONS

		5 months 2014	5 months 2015	5 months 2016	5 months 2017
Work permits for foreign nationals*		562030	80856	55616	54458
Including:	Work permits for skilled workers (SW)*	26739	7329	5254	6074
	Work permits for highly skilled workers (HSW)	12335	14368	13017	9402
Patents**		1025478	856482	661235	732985
Total		1587508	937338	716851	787443

* from 1 January 2015 they are issued to foreign nationals from countries with a visa regime.

** from 1 January 2015 they are issued to foreign nationals from visa-free countries for work provided both by individuals and legal entities.

Source: GUVM of the RF Interior Ministry, 1-RD form.

Within 5 months of 2017, migrants paid Rb 18.8bn (advance tax payments for patents) to regional budgets (Rb 17.1bn in the same period of 2016) and a larger portion of that amount is ensured by migrants from Uzbekistan and Tajikistan (86% against 82% a year before).

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