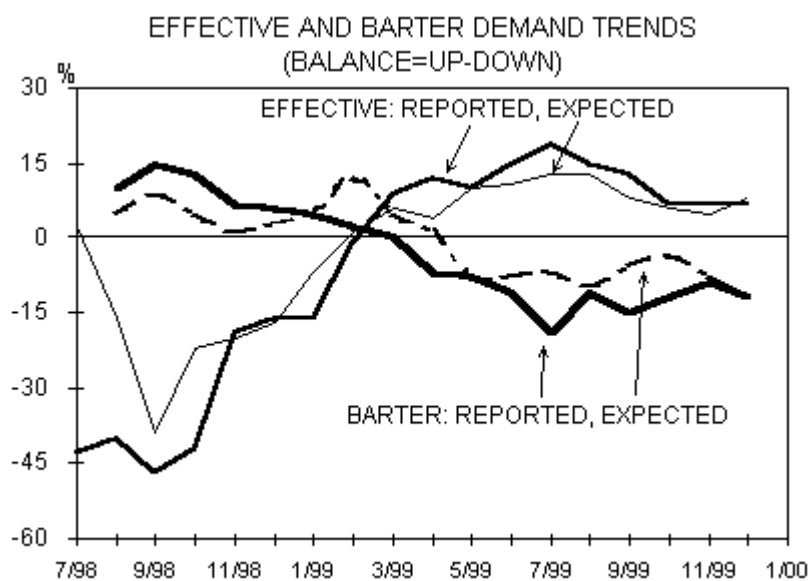
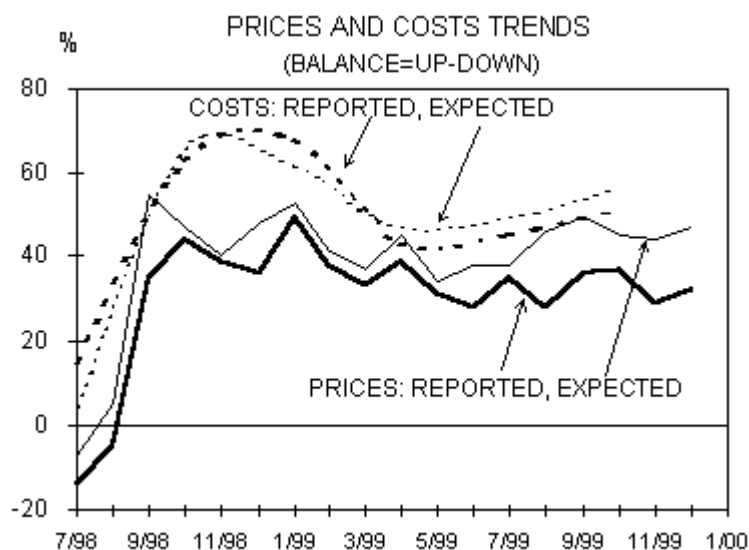
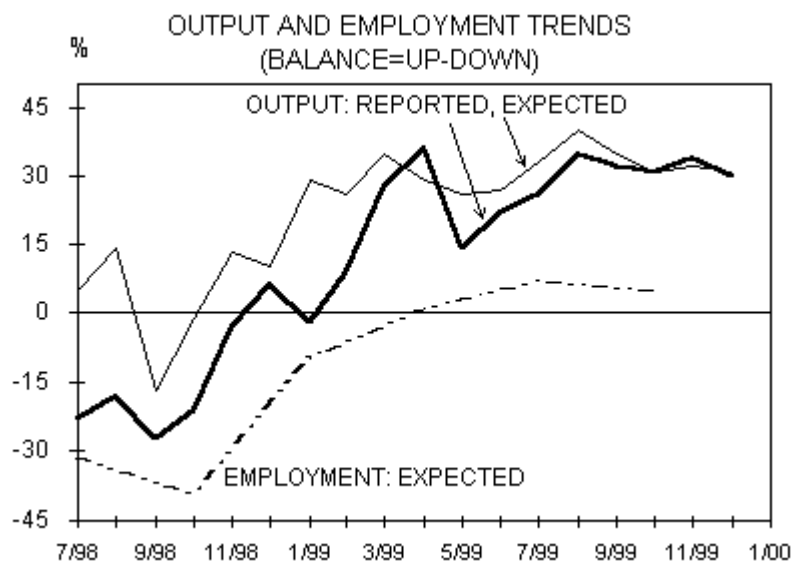
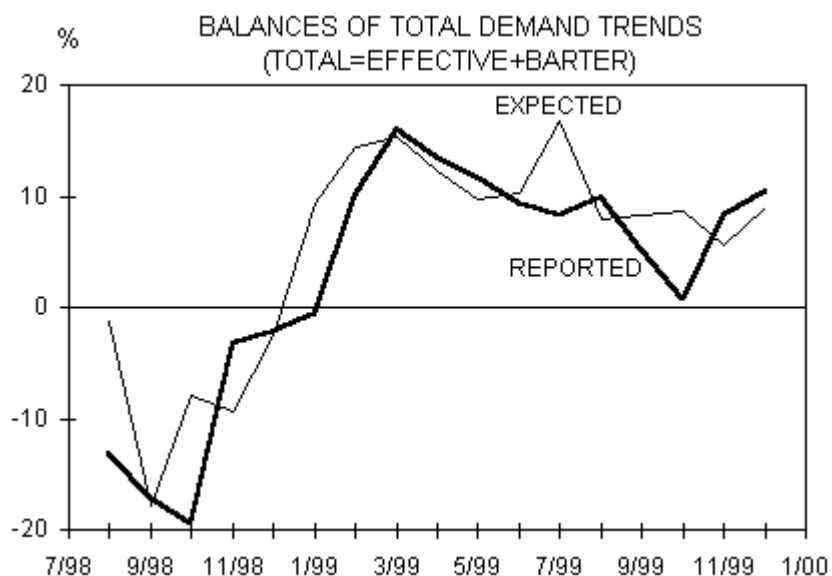


RUSSIAN BUSINESS SURVEYS BULLETIN
INDUSTRY
91 SURVEY - DECEMBER 1999

INSTITUTE FOR THE ECONOMY IN TRANSITION
Director: Yegor Gaidar
5, Gazetny per, Moscow 103918 Russia
Tel: (+7 095) 229-93-91, Fax: 203-88-16
E-mail: tsukhlo@iet.ru

- At the moment growing volume of sales persists across all industries except construction.
- A decrease in barter was registered across all industries.
- The price dynamics did not change in December.
- Estimates of changes in barter transactions have been declining for a third month in a row.





Business Survey Results of 1028 Enterprises.

December 1999

(percentages of total answers)

What has been the trends over the PAST 2-3 months:	Up	Same	Down	N/A	Balance
Volume of output	44	42	14	0	+30
Average prices	36	59	4	1	+32
Order-books level (effective)	22	61	15	2	+7
Order-books level (barter)	7	60	19	14	-12
Do you consider that in volume terms:	Above normal	Normal	Below normal	N/A	Balance
Your present production	3	31	66	0	-66
Your total order book	2	30	67	1	-65
Your export order book	1	26	42	31	-41
Your present stocks of finished goods	16	37	37	10	-21
What are the expected trends for the NEXT 2-3 months:	Up	Same	Down	N/A	Balance
Volume of output	41	47	10	2	+31
Average prices	48	46	2	4	+46
Volume of order book level(effective)	19	63	11	7	+8
Volume of order book level (barter)	6	61	17	16	-11

WOULD your enterprise like to avoid non-monetary transactions? (%)

	Yes	No
ELECTRICAL ENERGY	96	4
FERROUS METALS	91	9
NON-FERROUS METALS	64	36
CHEMICALS and PETRO-CHEMICALS	93	7
ENGINEERING	92	8
WOOD, FURNITURE AND PULP	84	16
BUILDING MATERIALS	92	8
LIGHT INDUSTRY	90	10
FOOD INDUSTRY	86	14

COULD your enterprise avoid non-monetary transactions? (%)

	Yes	No
ELECTRICAL ENERGY	5	95

FERROUS METALS	44	56
NON-FERROUS METALS	48	52
CHEMICALS and PETRO-CHEMICALS	39	61
ENGINEERING	39	61
WOOD, FURNITURE AND PULP	37	63
BUILDING MATERIALS	50	50
LIGHT INDUSTRY	46	54
FOOD INDUSTRY	52	48

Assessment of current situation

Effective demand for industrial products increased at constant rate in IV quarter of 1999. Reports on increases in sales for money prevailed over contrary reports. This situation has persisted since February of 1999. The maximum growth of moneyed demand was registered in June. At the moment growing volume of sales persists across all industries except construction. The amount of barter operations diminished in December more intensively as in November. A decrease in barter was registered across all industries (including construction materials industry).

Cumulative demand consisting of effective and barter demand continued to grow in December. The share of enterprises reporting on growth of at least one type of demand increased from 22 to 24.5 per cent, while the share of enterprises reporting on a decline of at least one component remained practically the same (13.6 and 14 per cent respectively). As a result the difference (balance) diminished by 2 percentage points.

Growth of industrial output decelerated somewhat in December. Absolute decline of output persisted only in construction materials industry.

The lack of finished stocks became less in December; however it remains very noticeable: 37 per cent of enterprises consider their warehouses to be inadequately stocked to meet new orders in reasonable time if present trends of growing demand persist. An analysis of expected change in stocks based on current assessments reveals that the share of adequate reaction to the stocks of finished goods is within a 40 to 50 per cent interval. So, less than half of enterprises planned to increase their stocks in the situation of surplus, to diminish them in the situation of scarcity, and to make no changes in case they were at their normal level. Short-term plans of a majority of enterprises were not aimed at the normalisation of their finished stock volumes for balancing demand and supply (production) on their sales markets. According to calculations, among enterprises have always prevailed those aiming at the creation of scarce supply environment on markets, i.e. favourable to producers. As a result, new customers can not fast get the products they need from the stock of finished goods.

The price dynamics did not change in December. Reports on growing prices prevailed over reports on price decreases. The major (60 per cent) part of enterprises sells their products at constant prices. The most intensive growth was registered in chemical, petro-chemical, food industries, and in power engineering.

Predictions and expectations

Estimates of changes in output remained practically the same across industries in IV quarter. At the level of individual industries some optimistic estimates were registered in non-ferrous metallurgy, chemical and petro-chemical industries, and in engineering. Estimates of an absolute decrease persisted in construction and were first registered in food industry in December.

Estimates of price changes also stabilised at end-year. Enterprises plan either to increase, or maintain prices. A decrease is possible only with 1 to 2 per cent of producers, mostly in light, food, timber, and woodworking industries. The most intensive price growth is expected in engineering, chemical and petro-chemical industries, and in ferrous metallurgy.

On the whole estimates of changes in effective demand increased by 3 per cent in December and remain positive: there are more hopes for sales for money across industries. At the level of individual industries there were registered both expectations of growing and declining sales. Pessimistic estimates prevailed in food industry, construction, and ferrous metallurgy. In other industries there prevailed estimates of growing sales.

Estimates of changes in barter transactions have been declining for a third month in a row. In December only 6 per cent of enterprises expected an increase in such transactions. Such a minimum has been registered for the first time since the beginning of the registration of this indicator in August of 1998. An absolute increase in barter operations is possible only in food industry, in other industries there prevail expectations of their decline.

Sergey Tsukhlo,
Chief, Business Surveys Department

Charts of next Issue: output expectations in subsectors

Reported barter demand trends in subsectors (balance=up-down)

