



NATIONAL RESEARCH  
UNIVERSITY

# Russian economic development and business outlook

Tamara Lipkind

Center for business tendency studies

- Economic development
  - Business tendency surveys: standpoint of entrepreneurs
  - Doing Business: research of the World Bank
  - Statistics
  - What lies behind the figures
- Outlook
  - Short-term forecast: entrepreneurs' expectations
  - Medium-term forecast

## Business tendency surveys: standpoint of entrepreneurs

Regular **collection and compilation of economic agents' opinions** allows obtaining information on business and investment climate, economic trends, business confidence and sentiment

The results of BTS:

- **compensate for incompleteness** of quantitative statistics
- user-friendly and easily interpretable
- correlated with quantitative statistics (for example, GDP time series)
- **available before** official statistics

**Questions** concerns recent or expected changes of main indicators – demand, output, prices, employment, profit, factors limiting production. They call for an answer: increased, remain unchanged or decreased.

**Results** are presented in the form of statistical balances (difference between positive and negative answers) and composite indicators

Composite BTS indicators provide early warning of changes in economic activity:

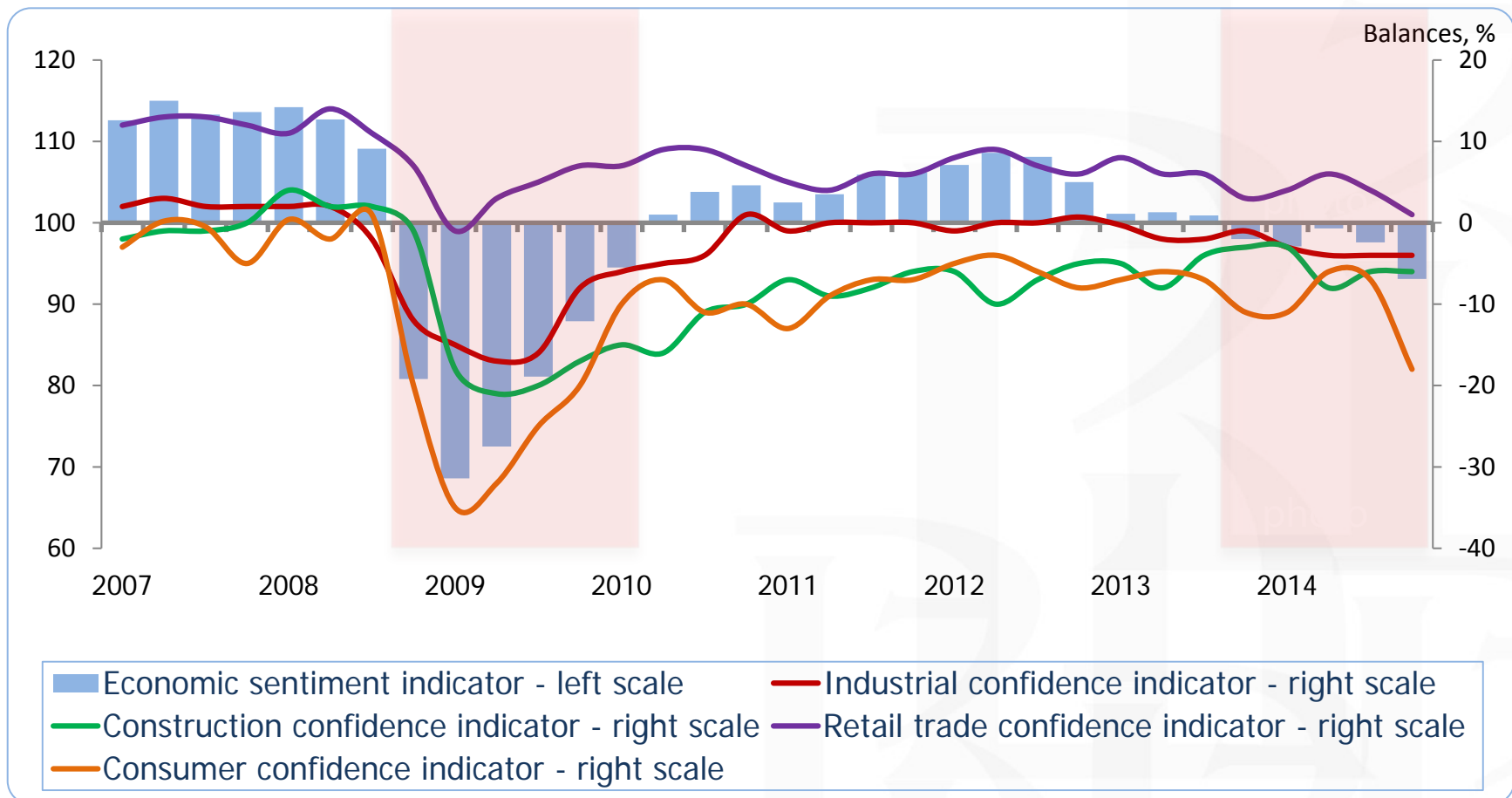
- **Business Confidence Indicators** – for various sectors (industry, construction, trade, services)
- **Economic Sentiment Indicator** – for the overall economy

## Business tendency surveys in Russia

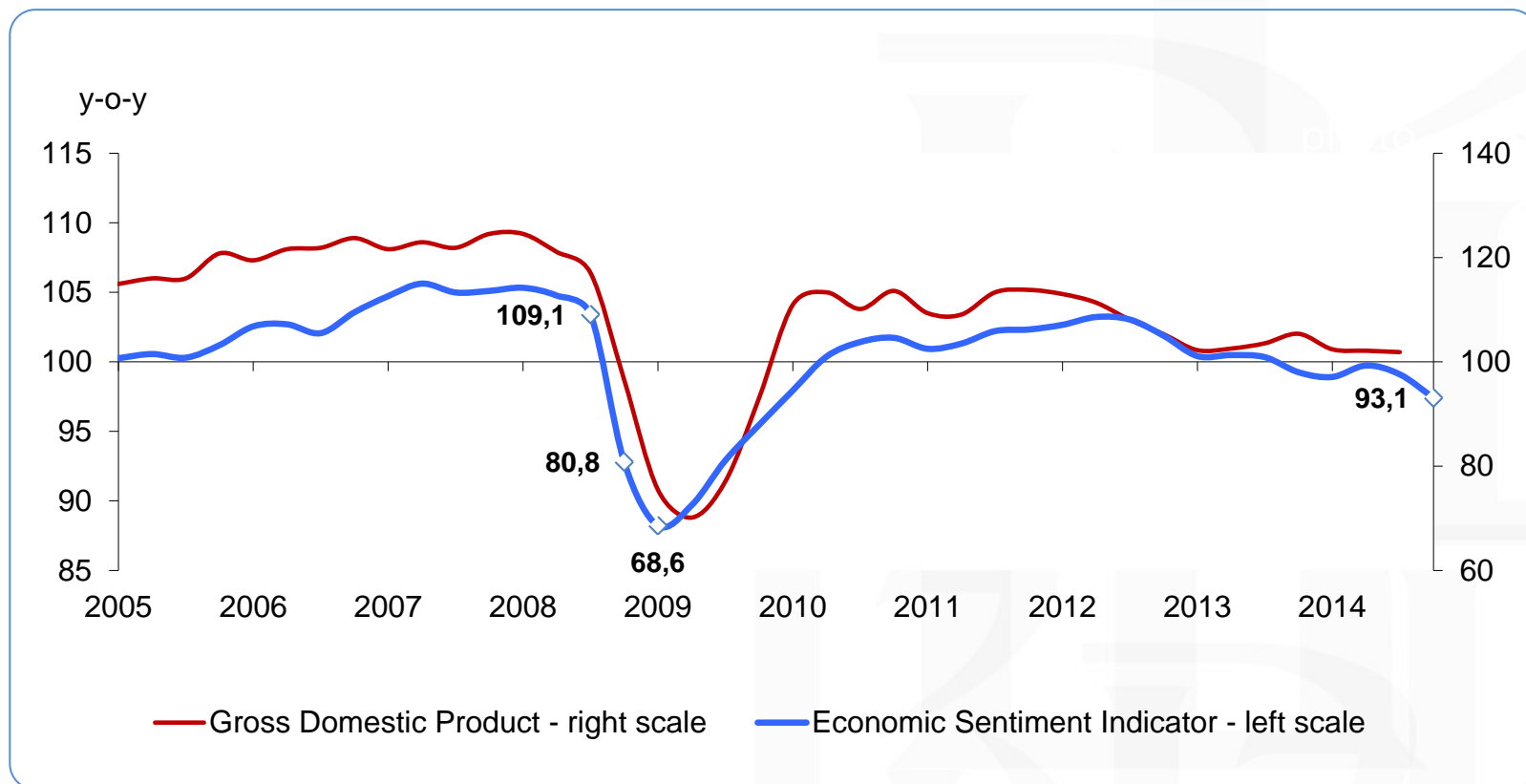
Sectors	Reporting units	Frequency
Industry	4 000	Monthly
Construction	6 600	Quarterly
Retail trade	4 000	Quarterly
Wholesale trade	3 000	Quarterly
Services	5 700	Quarterly
Consumers	5 000	Quarterly
Investment	10 000	Yearly

The BTS extend the competence of decision-makers at all levels of authority and meet the information needs of expert and business communities

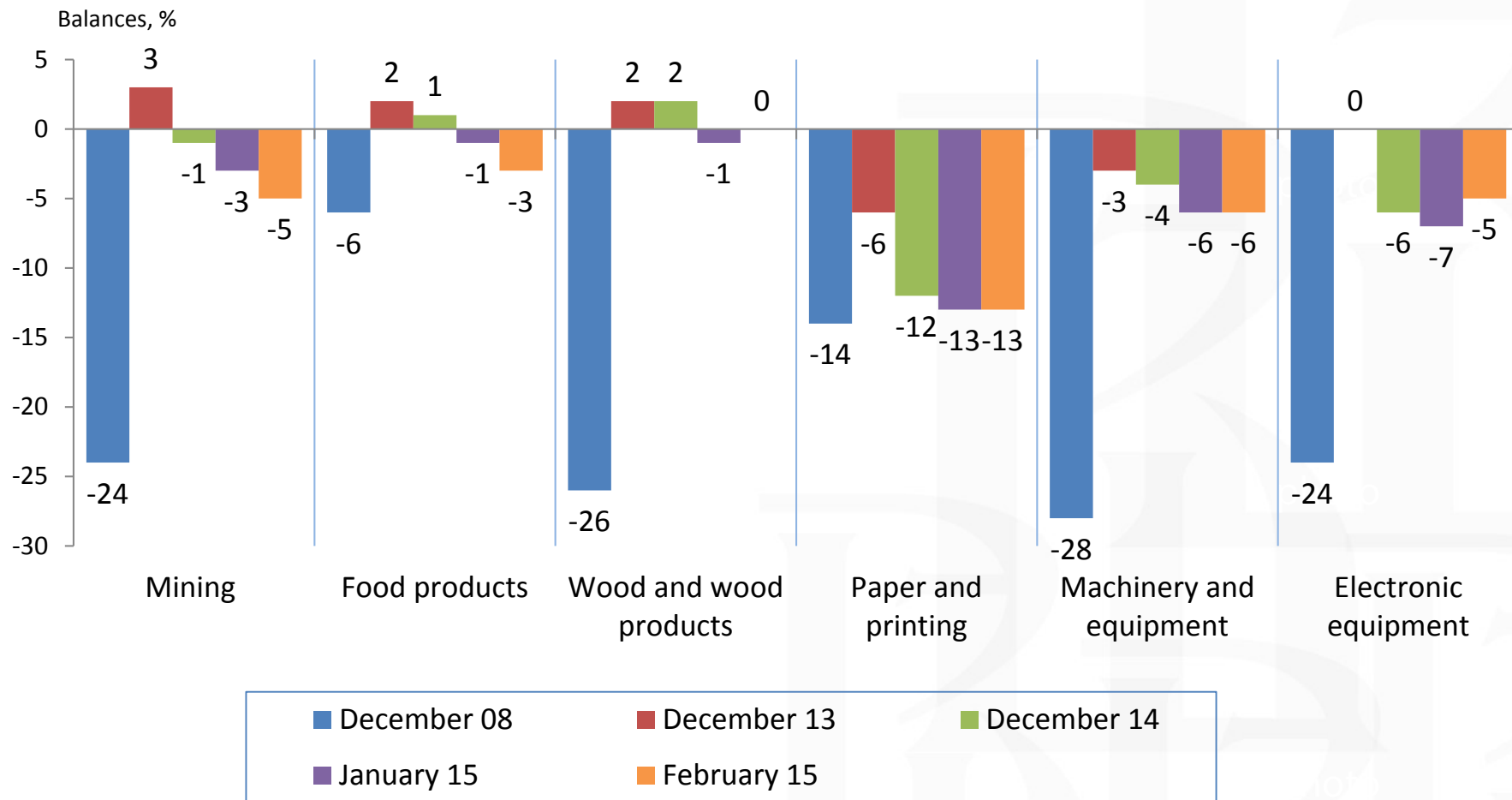
## Economic development: Indicators of confidence and economic sentiment



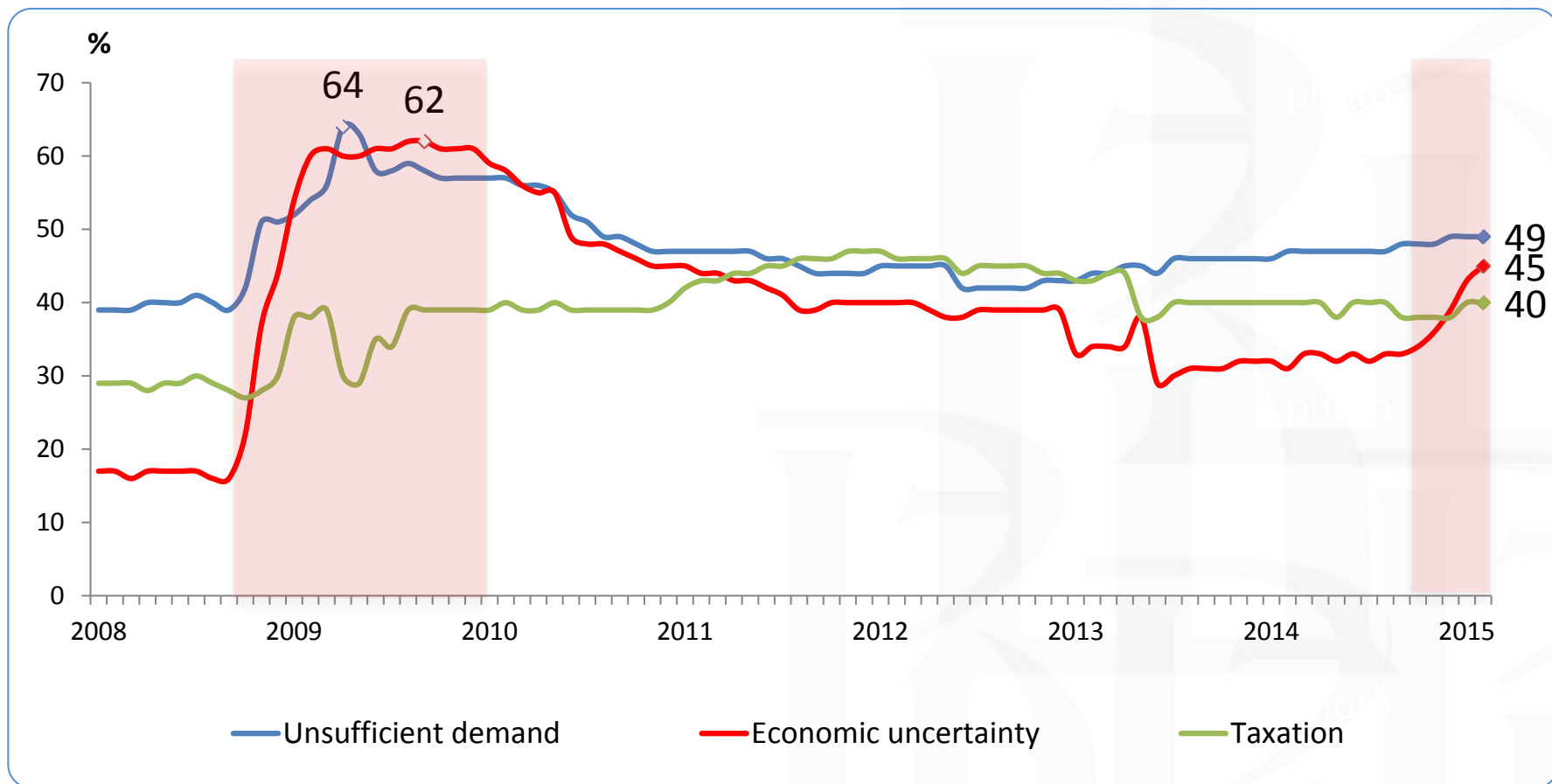
## Economic development: Economic Sentiment Indicator and GDP growth



## Economic development: Industrial confidence indicators

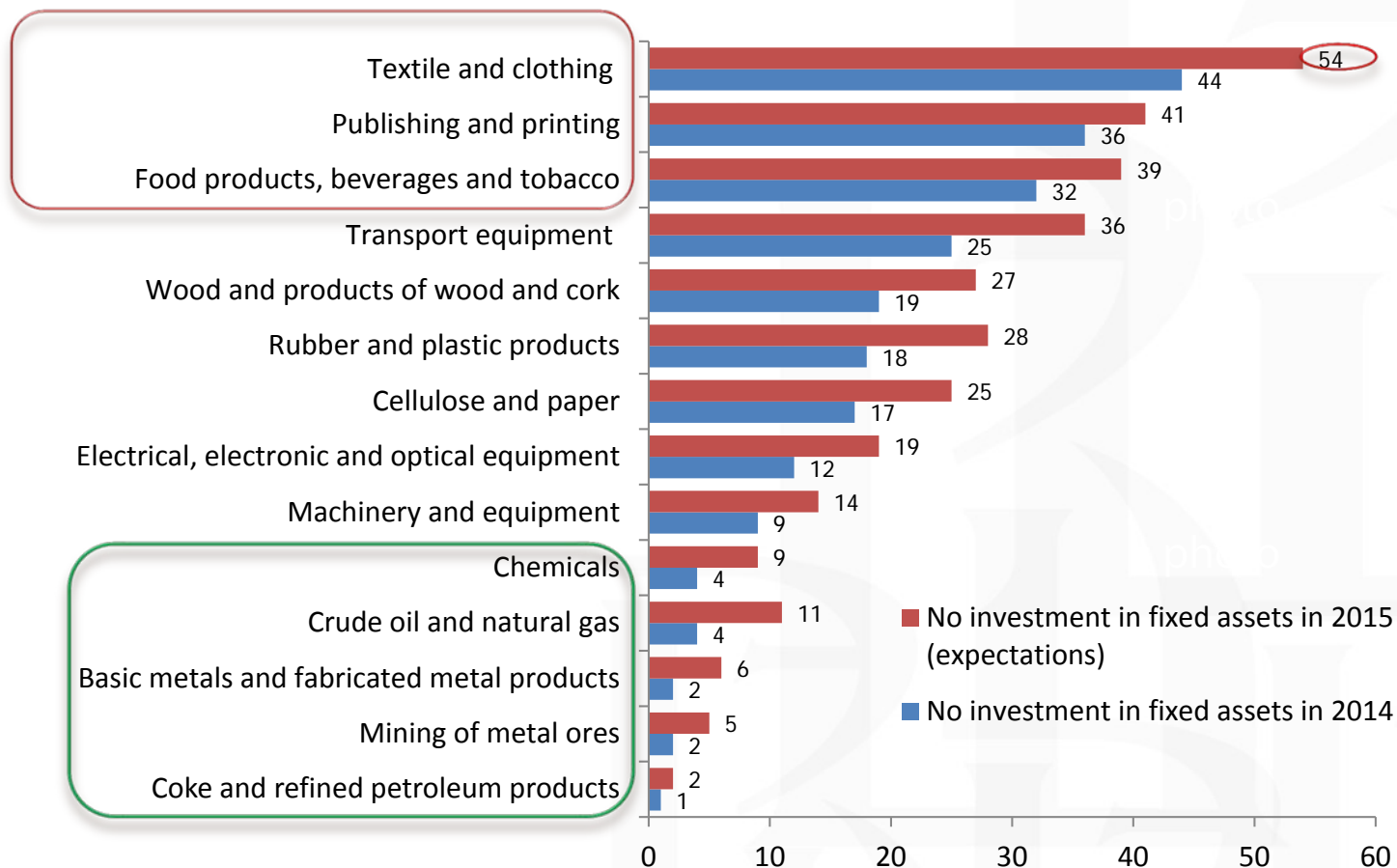


## Economic development: Limiting factors (Industry)





## Economic development: Investment in fixed assets



*The share of total observed organizations of given kind of economic activity, %*

	Russia			Finland		
	Rank	Procedures (number)	Time (days)	Rank	Procedures (number)	Time (days)
Ease of doing business	62			9		
Starting a business	34	4	11	27	3	14
Dealing with construction permits	156	20	238	33	15	64
Getting electricity	143	6	179	33	5	42
Registering property	12	3	19	38	3	32
Getting credit	61			36		
Protecting minority investors	100			76		

## Economic development: Doing Business - 2014

	Russia	Finland
Paying taxes, rank	49	21
Payments, number for year	7	8
Time, hours per year	168	93
Total tax rate, % of profit	48.9	40.0
Trading across board, rank	155	14
Documents to export, number	9	4
Time to export, days	21	9
Cost to export , US\$ per container	2400	615
Documents to import, number	10	5
Time to import, days	19	7
Cost to import , US\$ per container	2600	625
Min. wage for a full-time worker, US\$/month	275	2288
Severance pay for redundancy dismissal, weeks of salary	8.7	0

### Year-on-year percentage

	2013	2014	Jan. 2015
GDP	101,3	100,6	
Industrial Production Index	100,4	101,7	100,9
Retail trade turnover	103,9	102,5	95,6
Services to households	102,1	101,3	100,9
Export	98,9	94,9	
Import	101,6	90,2	
Investments in fixed assets	99,8	97,5	
Consumer price index	106,5	114,1	103,9
CPI for food products	107,3	115,7	105,7
Producer price index (industrial products)	103,4	105,9	101,3
Real disposable income of population	104	99,2	99,2

## Economic development: Main facts

**Business activity:  
slowdown**

**GDP growth:  
virtually stopped**

**Investment, trade,  
services:  
slowdown**

**Exports and  
imports:  
sharp decline**

**Real disposable  
income of  
population:  
decline**

**Capital flight:  
increased by 2.5  
times to \$150 billion**

**Ruble:  
depreciated almost  
twice**

**Central Bank  
interest rate:  
increased from 5.5%  
to 14%**

**Industrial  
production:  
raised**

**Unemployment:  
did not increase**

**Starting a business  
and registering  
property:  
became easier**

**Taxation level:  
did not increase**

## Economic development: What lies behind the figures

### Internal problems (long-term crisis)

Resource-based economy  
Poor public institutions = bad conditions  
for business  
Primacy of politics, not economics

### External shocks (short-term crisis)

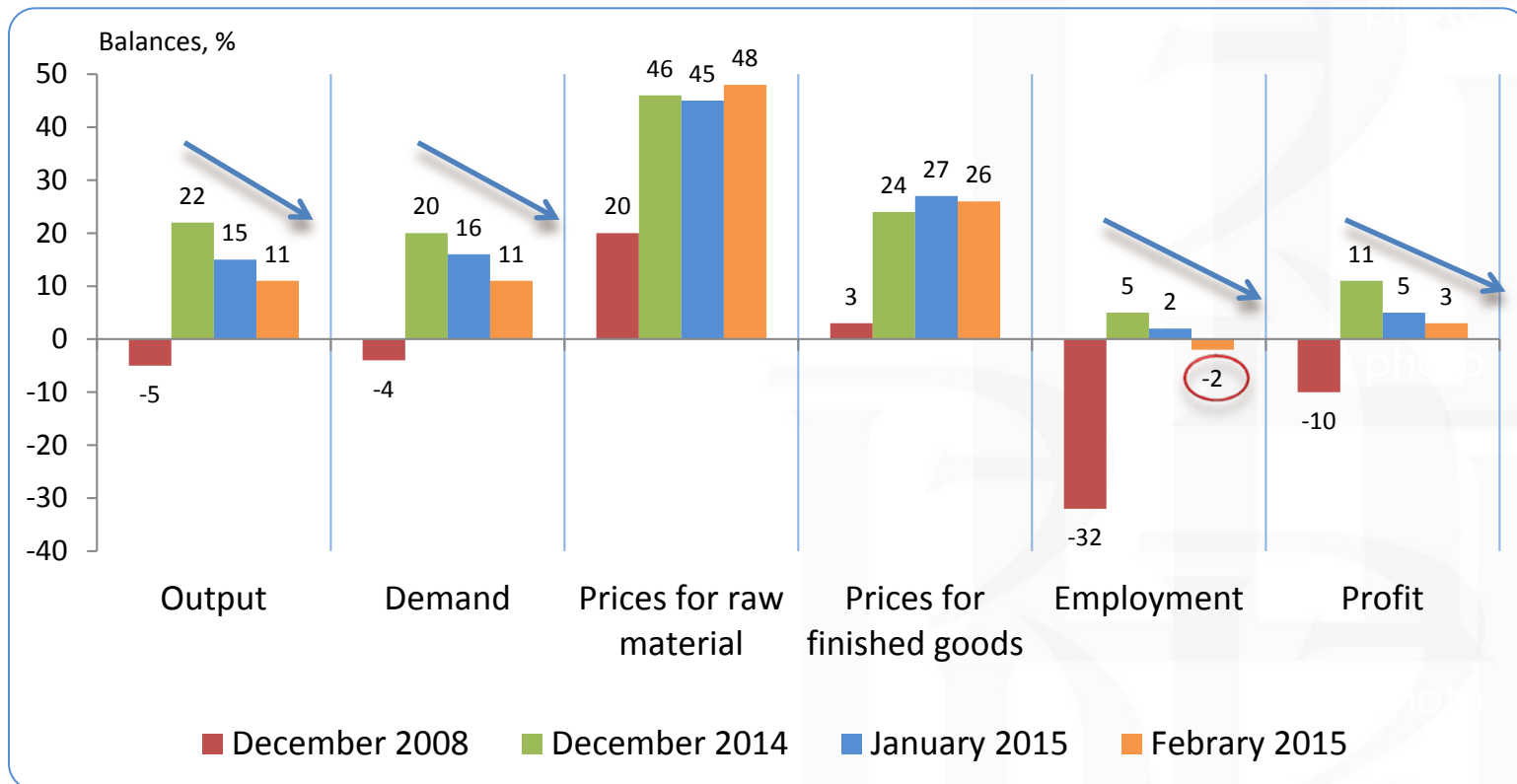
Oil prices falling  
Sanctions = closing of world capital  
markets

Economic uncertainty  
Capital flight  
Contraction of consumer demand  
Sharp decline in investment demand  
Worsening business climate

**Economy stagnation**

## Short-term forecast: Entrepreneurs' expectations

### Expectations of industrial companies top managers for the next 3-4 months



## Outlook: Should we trust the medium-term forecasts?

The average for the year will be **about 35**.  
**No jump** of exchange rate (II-2014)

Ruble exchange  
rate

**About 61** rubles per 1 USD now:  
ruble **depreciated almost twice**  
relative to the middle of 2014

Oil price will **not fall below \$90** per barrel  
(IX-2014)

Oil price

About **\$55** per barrel now; price  
**dropped almost twice**

We can easy go to **2.5-3% GDP growth** in 2014.  
There is potential for growth (III-2014)

GDP growth

**0.6%** in 2014; is expected to fall  
by 3-5% in 2015

There is **no reason for excessive rise** in prices.  
We expect that the jump in prices will not  
happened (VIII-2014) (*target for 2014 = 6.5%*)

Food inflation

**15.7%** food inflation in 2014; a  
sharp rise in prices for many  
products



## The latest forecast of the Central Bank of Russian Federation:

- **Inflation** should be reduced (to 9% by the next March).
- High interest rates and possible reduction in wages will put pressure on consumer demand
- **GDP** in 2015 will fall by 3.5-4%
- The data for January and leading indicators for February suggest that the **economic situation continues to deteriorate**, and this trend may continue **till the beginning of 2016**

## Outlook: Requisites and risks for overcoming crisis

### Long-term crisis

Predictable economic politics → growth of business confidence

Diversification and re-industrialization of economy

Investment climate improving

Reducing the tax burden on business and the Central Bank interest rate

Reducing government regulation and corruption

Financing infrastructural projects

### Short-term crisis

Predictable political decisions →  
lifting sanctions, oil prices  
stabilization

### Risks

Deviation from market methods: the manual control mode

No reforms: business as usual

- All information and analytic materials are available on the official website of the Higher School of Economics (in Russian):  
<http://www.hse.ru/monitoring/buscl/dk>.
- Database and metadata on leading indicators for economic activities are available on the official website of Rosstat (in Russian):  
[http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/leading\\_indicators](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/leading_indicators)
- The main data and metadata are available on the OECD website:  
[http://stats.oecd.org/viewhtml.aspx?datasetcode=MEI\\_BTS\\_COS&lang=en](http://stats.oecd.org/viewhtml.aspx?datasetcode=MEI_BTS_COS&lang=en)  
Database “Business Tendency and Consumer Opinion Surveys” (in English)



NATIONAL RESEARCH  
UNIVERSITY

# Thank you for your attention!

20, Myasnitskaya str., Moscow, Russia, 101000

Tel.: +7 (495) 628-8829, Fax: +7 (495) 628-7931

[www.hse.ru](http://www.hse.ru)