



РАНХиГС

РОССИЙСКАЯ АКАДЕМИЯ НАРОДНОГО ХОЗЯЙСТВА
И ГОСУДАРСТВЕННОЙ СЛУЖБЫ
ПРИ ПРЕЗИДЕНТЕ РОССИЙСКОЙ ФЕДЕРАЦИИ

Institute for Social Analysis and Prediction



Monthly Monitoring of Socio- Economic Situation and Perceptions of the Population

2015 – September 2018

OCTOBER 2018

Analytical material prepared by a pool of experts of the Institute for Social Analysis and Prediction of the Russian Presidential Academy of National Economy and Public Administration.

Team of contributors:

Editor-in-Chief – Tatiana Maleva, Director of INSAP

Publishing editor – Yulia Chumakova, Executive Director of INSAP

Authors:

Elena Avraamova, Head of laboratory, INSAP

Aleksandra Burdyak, senior researcher, INSAP

Elena Grishina, Head of laboratory, INSAP

Marina Eliseeva, researcher, INSAP

Dmitry Loginov, senior researcher, INSAP

Victor Lyashok, senior researcher, INSAP

Tatiana Maleva, Director of INSAP

Alexandra Polyakova, leading researcher, INSAP

Monthly monitoring of socio-economic situation and perceptions of the population: 2015 – September 2018 / Russian Presidential Academy of National Economy and Public Administration; Edited by Tatiana Maleva. 2018.

The reference to this publication is mandatory if you intend to use this material in whole or in part.

CONTENTS

1 ANALYSIS OF THE CURRENT ECONOMIC SITUATION	9
Macroeconomic indicators of the current economic situation	9
Retail trade and consumer prices	12
Housing and public utilities	16
Labor market dynamics	20
2 THE HOUSEHOLD SECTOR SITUATION: STATISTICAL ANALYSIS AND SOCIOLOGICAL MONITORING.....	23
Incomes, poverty and inequality.....	23
Popular perceptions of the features of economic situation changes in the country	26
Socio-economic risks in the sphere of employment and consumption; adaptive behavior	30
REFERENCES.....	33

MAIN CONCLUSIONS

1. In October 2018, the Federal State Statistics Service (Rosstat) published its second GDP estimate for Q2 2018, according to which the volume of Russia's GDP in current prices over that period amounted to Rb 24,846.6bn. Its physical volume index was 101.9% relative to the same period of 2017, while the GDP deflator for Q2 2018 was 110.6% relative to prices in Q2 2017.

2. As of late August 2018, the RF Ministry of Economic Development estimated the GDP growth rate to be at 1.0% relative to the same period of the previous year, which was 0.8 pp. below its estimate released as of late July. The estimated GDP growth over the first 8 months of 2018 is 1.6% on the same period of 2017.

3. In August 2018, the manufacturing output index for the basic types of economic activity was 101.1% relative to the same period of 2017, and the corresponding index for January-August 2018 was 102.5%.

4. In August 2018, wholesale trade turnover amounted to Rb 6,846.7bn, or 101.6% relative to the same month of 2017; small entrepreneurship subjects accounted for 38.8% of wholesale turnover. In August 2018, retail trade turnover amounted to Rb 2,748.0bn, or 102.8% (in comparable prices) relative to the same period of the previous year.

5. The growth rate of retail lending volume continues to be significantly above that of bank loans issued to the real sector of the economy. Since the start of the year, the amount of outstanding debt against retail bank loans increased by 11.4%, while the corresponding index for loans issued by non-financial institutions gained only 4.6% over the period from 1 January to 1 September 2018. The main source of growth for retail loan portfolio was the housing mortgage lending sector, where the amount of outstanding debt since the start of the year increased by 15.5%, and its relative share in the combined loan portfolio of the banking sector increased from 42.5% to 44.0%.

6. In August 2018, retail trade turnover amounted to Rb 2.75 trillion. It gained 3.6% on the previous month, including 2.5% for the retail trade turnover of food products, beverages and tobacco products, and 4.6% for that of non-food products.

7. Retail turnover over the period of January-August 2018 was Rb 20 trillion. In comparable prices, it amounted to 102.7% relative to the corresponding period of the previous

year, including 102.1% for the retail trade turnover of food products, beverages and tobacco products, and 103.3% for that of non-food products.

8. In September 2018 (relative to September 2017), the Consumer Price Index somewhat increased on August and amounted to 103.4% overall, including 102.5% in the food segment, 104% in the non-food segment, and 103.8% in the services segment.

9. In summer 2018, the tariffs for basic amenities were raised by 3.5% relative to December 2017, which is significantly less than a year earlier (then, the raise amounted to 4.5%). In H1 2018, 4.7% of all utility bills issued to households remained unpaid, compared with 4.8% a year earlier.

10. In 2019, a two-stage raise of utility tariffs is planned – by 1.7% in January, and then by another 2.4% in July. The annual one-time raise of utility tariffs (in summer) has been practiced since 2012, to offset the seasonal leap of consumer inflation.

11. The social welfare programs designed to cover utility costs target 24% of the total population, and 5.7% of households receive utility subsidies. Overall, these two programs covered 14.2% of the total utility costs shouldered by households in H1 2018.

12. In August 2018, the number of persons in the labor force amounted to 76.9 million. The employment rate on the labor market has stayed at a higher level than last year.

13. In August 2018, the unemployment rate (according to the ILO methodology) was 4.6%, which represents a 0.3 pp. drop on August 2017. The average job search was likewise shorter.

14. The number of unemployed persons registered with the Federal Service for Labor and Employment in late August amounted to 679,000, which represents a 12% drop on the same month of the previous year.

15. The data released by government employment agencies, private recruiting agencies, and the results of surveys of industrial companies demonstrate a continually high demand for labor force in the Russian labor market, while its reserves (the number of unemployed) is declining.

16. In August 2018, the wage and salary level of employees, according to preliminary data released by Rosstat, amounted to Rb 41,140, which is 7.0% above the corresponding index for August 2017 in real terms.

17. In August 2018, the growth index of real charged wages and salaries, and that of real allotted pensions, amounted to 7.0% and 0.3% respectively. Meanwhile, real disposable money income shrank by 0.9%; its downward movement was registered for the first time since January 2018.

18. In January-August of 2018, the share of income spent on goods and services in the structure of personal money income utilization amounted to 77.9%, which is higher than the corresponding indices observed over the same period in the last 15 years.

19. Households maintain their habitual level of consumption of goods and services by way of spending their savings and taking loans. In January-August 2018, the share of money income allocated towards savings amounted to 5.1%, thus hitting a record low of the last 15 years.

20. In H1 2018, the poverty index amounted to 13.6%, thus having declined on the period 2015-2017. Poverty decline was caused, among other things, by the slight growth of real income and the federal minimum wage, which was increased twice – in January and in May 2018.

21. In Q3 2018, the self-rated income inequality somewhat increased relative to the corresponding period of 2017 (from 24.6% to 25.7%).

22. The downward trend in the relative share of population believing that the economic situation in this country has stabilized continues to be manifest. The diversity of opinions has become more prominent: the number of those who think that the situation improved has increased, as did the number of those who are certain that it became worse.

23. The risks of a worsening employment situation have become more prominent, and so the number of employed persons in the high risk zone slightly increased.

24. An analysis of adaptation strategies of the population demonstrates slightly increased numbers of those who employ financial and labor strategies, and also those investing in human capital. The highest increase is observed in the group relying on their agricultural household produce as an adaptation strategy.

This monitoring has been conducted since 2015. It is based on the analysis of statistics regularly released by Rosstat, the RF Treasury, and the Central Bank of the Russian Federation. The estimates presented in the sociological section are derived from the special population monitoring survey conducted by the Institute for Social Analysis and Prediction of the RANEPА.

1 ANALYSIS OF THE ECONOMIC SITUATION

Macroeconomic Indicators of the Current Economic Situation

In October 2018, the Federal State Statistics Service published the second estimate of GDP in Q2 2018. According to this estimate, in the above period Russia's GDP volume in current prices amounted to Rb 24,846.6bn.¹ The index of its physical volume amounted to 101.9% on the same period of 2017, while the GDP deflator index in Q2 2018 was equal to 110.6% as compared to the prices of Q2 2017.

Late in August 2018, the Ministry of Economic Development of the Russian Federation estimated GDP growth rates at the level of 1.0%² as compared to the same period of the previous year, a decrease of 0.8 p.p. relative to the estimate as of the end of July. Within 8 months of 2018, GDP cumulative growth amounted to 1.6% on the value of the same period of 2017. Slowdown of growth is mainly justified by reduction of output volumes of agricultural products, including that caused by the effect of a high basis of the previous year if August on August data are compared. Coupled with a reduction of output volumes in the building industry and a somewhat increase in retail trade growth rates, the above-state factors had a delaying effect on GDP dynamics, though GDP growth continued in nominal terms. It is noteworthy that real GDP growth may be zero given the macroeconomic and foreign policy background which is unfavorable for promotion of consumer optimism.

Analyzing the dynamics of GDP utilization components, it is to be stated that in Q2 2018 expenditures on ultimate consumption in constant prices amounted to 106.2% as compared to the same period of the previous year³. Note that households' expenditures on ultimate consumption increased by 51%, while those of the public administration, by 9.1% (Figure 1).

¹ On Production of Gross Domestic Product (GDP) in Q2 2018 / The Rosstat – [Electronic medium]. URL: http://www.gks.ru/bgd/free/b04_03/Isswww.exe/Stg/d01/175.htm

² The Pattern of Business Activities. September 2018 – [Electronic medium]. URL: <http://economy.gov.ru/wps/wcm/connect/28eb8981-0a9c-45f5-9923-3520f64a51c2/180919.pdf?MOD=AJPERES&CACHEID=28eb8981-0a9c-45f5-9923-3520f64a51c2>

³ On Utilization Gross Domestic Product (GDP) in Q2 2018 / The Rosstat – [Electronic medium]. URL: http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d01/193.htm

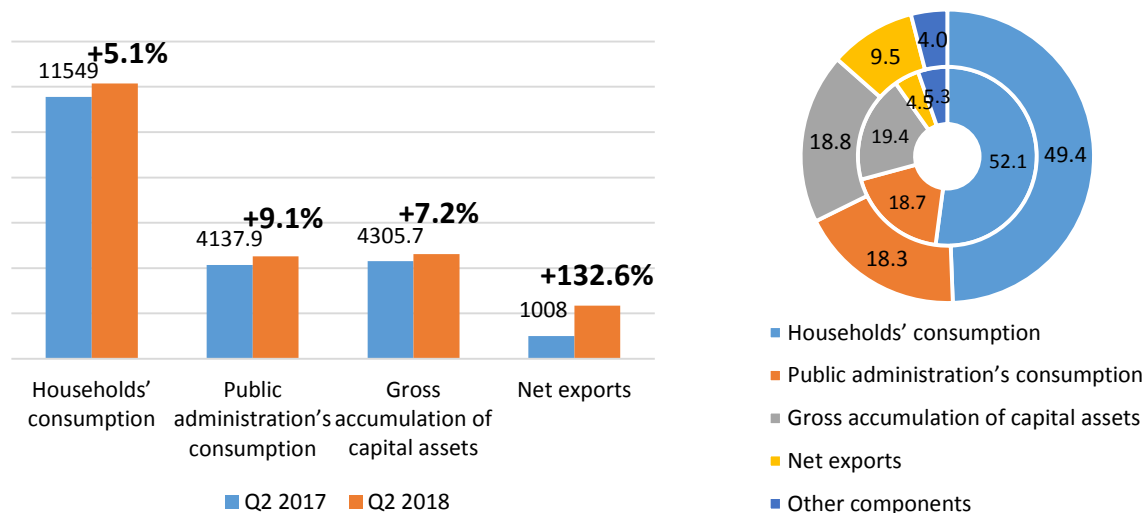


Figure 1 – The pattern of GDP utilization (right-hand axis) and the dynamics of values of individual components of GDP utilization (left-hand axis) in Q2 2017 and Q2 2018

Net exports saw the most substantial growth (132.6% relative to Q2 2017), however, its unit weight in the GDP pattern is not that considerable (the share's growth from 4.5% of GDP to 9.5% of GDP in Q2 2018). Households' consumption accounts for the largest share: 49.4% of GDP (52.1% a year before) in the GDP spending pattern.

In August 2018, as compared to the relevant period of 2017 the index of output of goods and services across the baseline types of economic activities amounted to 101.1%, while in January-August 2018, to 102.5%. In August 2018, as compared to the same period of 2017 the industrial production index was equal to 102.7%, while in January-August 2018, to 103.1%.⁴

According to the data of the Central Bank of the Russian Federation, as of 1 August 2018 the money supply volume (M2 aggregate) was equal to Rb 43,910.9bn; an increase of 11.8% as compared to 1 August 2017 and a decrease of 0.5% as compared to 1 July 2018 with growth of 2.5% and 0.3% in consumer prices, respectively.

According to the data of the Central Bank of the Russian Federation, in July 2018 Russia's foreign trade turnover (in compliance with methods of the balance of payments) amounted in actual prices to \$55.5bn (Rb 3,486.9bn), including \$34.4bn (Rb 2,164.8bn) worth of net exports and \$21.0bn (Rb 1,322.1bn) worth of imports.

⁴ Russia's Socioeconomic Situation: January-August 2018 / The Rosstat. – [Electronic medium]. URL: http://www.gks.ru/free_doc/doc_2018/social/osn-08-2018.pdf

In July 2018, Russia's foreign trade turnover with far abroad countries amounted in current prices to \$48.7bn, an increase of 22.9% as compared to July 2017, while that with CIS states, to \$6.8bn, an increase of 14.5%. The trade balance surplus remained positive and amounted to \$13.4bn.

As seen from the Federal Statistical Service's analysis of business activities (without small businesses taken into account), in September 2018 the business confidence index increased on December 2017 in the mining industry (from -2% to 1%), the manufacturing industry (from -5% to -3%) and the power-, gas- and steam-supply and air-conditioning sector (from 3% to 4%).⁵ The improvement of the economic situation in the next six months is expected by 19% and 25% of the respondents in mining and manufacturing, respectively.

In August 2018, the wholesale trade volume amounted to Rb 6,846.7bn or 101.6% on the relevant month of 2017; note that the small business accounted for 38.8% of the wholesale trade volume. In August 2018, the retail trade volume amounted to Rb 2,748.0bn or 102.8% (in comparable prices) on the level of the relevant period of the previous year, while in January-August 2018, to Rb 2,0002.5bn or 102.7%. According to the data of the Federal State Statistics Service, in Q3 2018 as in Q2 2018 the business confidence index which characterizes the business climate in retail trade retained its positive value and was equal to 3%. The index growth was registered in 37 constituent entities of the Russian Federation, while a decrease, in 39 constituent entities; in 9 constituent entities it remained unchanged.

Growth rates of bank lending to households are still much ahead of the volume of lending to the real sector on the back of growth in consumer incomes, consumer confidence and demand underpinned by a low inflationary pressure. From the beginning of the year, households' debt on loans increased by 11.4%, while the debt on loans to non-financial institutions increased by the mere 4.6% from 01 January 2018 till 01 September 2018. Also, it's noteworthy that in the period under review the overdue debt of legal entities increased by 10.5%, while that of households decreased by 3.4%. The main source of growth in the credit portfolio as regards individuals is home loans on which the debt increased by 15.5% from the beginning of the year, while the share of such loans in the portfolio rose from 42.5% to 44.0%.

⁵ Entities' Business Activities in Russia in September 2018 / The Rosstat. – [Electronic medium]. URL: http://www.gks.ru/bgd/free/B04_03/lssWWW.exe/Stg/d01/188.htm

In August 2018, as compared to the previous month the consumer price index was equal to 100.0%; changes in the official Dollar/Ruble and Euro/Ruble exchange rates were equal to 108.4% and 108.8%, respectively. In April-August 2018, weakening of the ruble exchange rate was largely driven by sanctions; as a result, in August alone the nominal effective ruble exchange rate depreciated by 2.9%, but it did not affect much consumer prices, so far. However, taking into account the dynamics of the exchange rate early this year the average annual exchange rate is expected at the level of Rb 62 per a dollar.

Retail Trade and Consumer Prices

In August 2018, the value of the retail trade turnover amounted to Rb 2.75 trillion. At the same time, there is quite a substantial growth in retail trade turnover as compared to the previous month. Generally, it increased by 3.6%, including a 2.5% growth in the turnover of food products with beverages and tobacco articles taken into account, as well as a 4.6% growth in the turnover of non-food products.

According to the Rosstat's updated information, in July 2018 the index was equal to 103.3% month on month with the turnover of food products, beverages and tobacco articles increasing to 103% and that of non-food products decreasing to 103.6%.

From the beginning of the year, the retail trade volume has amounted to Rb 20 trillion. As compared to the relevant period of the previous year, it increased overall (in comparable prices) by 2.7%; the turnover of food products, including beverages and tobacco products and non-food products increased by 2.1% and 3.3%, respectively.

For comparison, in January-August 2017 the index values were much lower. The overall turnover increased by the mere 0.2%, the turnover of food products, beverages and tobacco articles decreased by 0.4%, while that of non-food products rose by 0.7%. So, there is explicit growth in the retail trade turnover in 2018 and this factor was specified in previous issues of the Monitoring.

Apart from the above, in previous issues of the Monitoring it was stressed that the pattern of the retail trade turnover did not change much with the time, but there was a slight overbalance towards non-food products. However, in August 2018 the share of food products, including beverages and tobacco articles decreased in the turnover pattern and amounted to

46.5% (for comparison in July it was equal to 47.2%). In August and July, the shares of non-food products amounted to 52.8% and 53.5%, respectively. At the same time, a year ago, in August 2017, the correlation between food and non-food products in the pattern of the retail trade turnover was equal to 47.8% and 52.2%, respectively.

Finally, as compared to the relevant period of the previous year the retail trade turnover in comparable prices amounted to 102.8%; virtually no change on the relevant index of the previous year (102.7% as per the updated information). The turnover of food products, beverages and tobacco articles is at the level of 101.3%, a 0.5% decrease on the previous month, while that of non-food products amounted to 104.2%, a 0.6% increase on July. So, it can be stated that starting from Q1 2017 the turnover growth is driven mainly by non-food products (Figure 2).

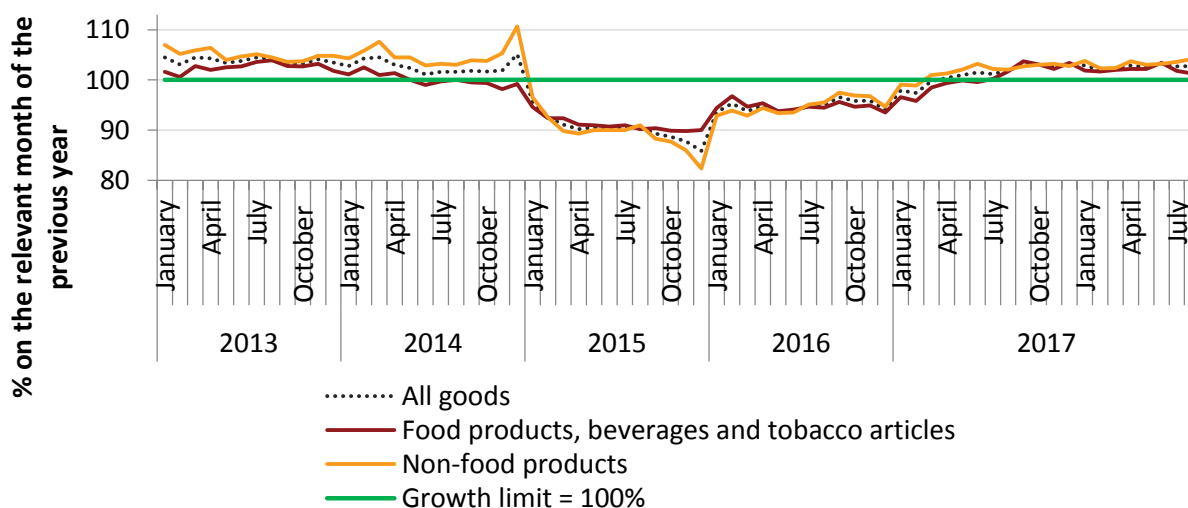


Figure 2 – Monthly dynamics of the retail trade turnover and its components in comparable prices, % change on the relevant month of the previous year⁶

In the past two years, the value of the index in comparable prices increased by 4.8% on the relevant period of the previous year; this factor is evidence of positive turnover growth within six months in terms of the two-year period. Within two years, retail trade growth in food products, including beverages and tobacco articles amounted to 3%. For comparison, the last month index was only at the level of 2%. Finally, within two years turnover growth in non-food

⁶ Source: Reports on Russia's Socioeconomic Situation in 2013-2018, the Rosstat

products in comparable prices amounted to 6.4% in August 2018 and this is another evidence of the fact that turnover growth in this particular category of goods is a dominant one in the retail trade turnover growth.

Within three years, the retail trade turnover as a whole was declining and in August 2018 amounted in comparable prices to 99.5%, including a 97.4% turnover of food products, beverages and tobacco articles, while the turnover of non-food products in terms of three years was growing at quite a high rate for two months running (101.6%). Last month, it was at the level of 100.7%.

In September 2018, the consumer price index (as compared to the relevant period of the previous year) was equal to 103.4%, including 102.5%, 104% and 103.8% as regards food products, non-food products and services, respectively.

Relative to the indicator of the previous month, in September the index rose somewhat (growth of 0.3% as a whole), which factor can be explained primarily by appreciation of prices on food products (0.6%), as well as non-food products (0.2%) and services (0.1%) (Figure 3).

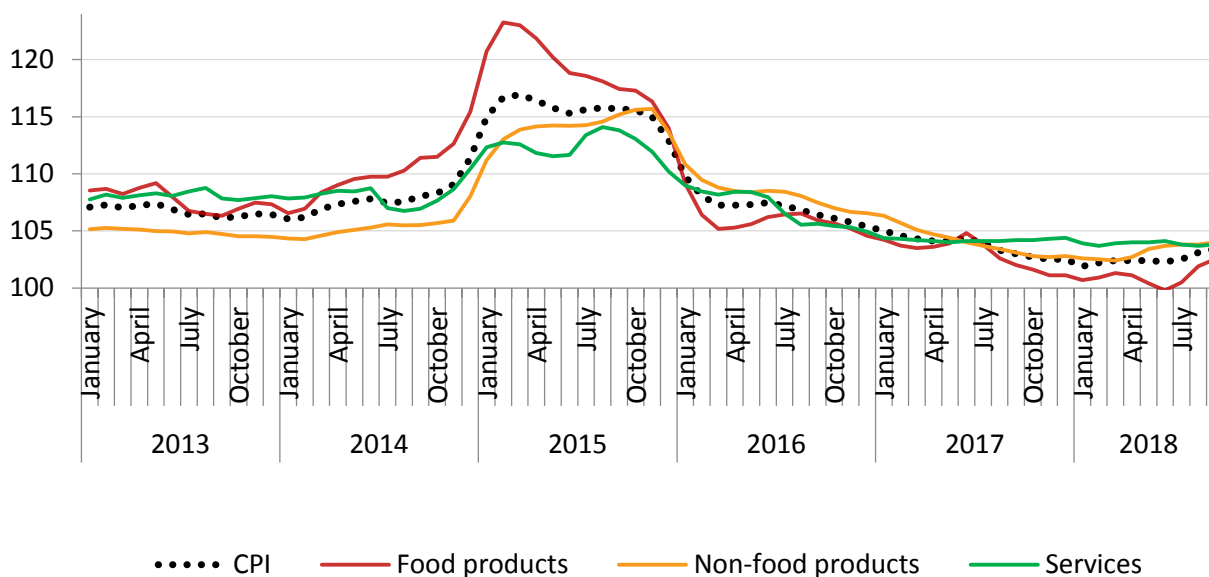


Figure 3 – The overall consumer price index (CPI), price indices on food products, non-food products and services, % change on the relevant month of the previous year⁷

⁷ Source: Consumer price indices across the Russian Federation in 1991 - 2018. The Rosstat.

As compared to August 2018, in September prices appreciated by 0.2% overall, including growth of 0.4% and 0.2% in prices of non-food products and services, respectively. At the same time, prices of food products depreciated by 0.1%.

Note that in September, on the back of depreciation of the month on month prices of fruits and vegetables alone (-6.8%), prices of food products as a whole decreased just somewhat. According to the Rosstat's data, prices depreciated the most on carrots (-27.2%), beet (-26%), potatoes (-19.2%), onion (-15.2%), apples (-12.1%) and grapes (-10.2%). At the same time, prices on a portion of consumer goods appreciated month on month, for example, on oranges (12.1%) and lemons (4.7%); growth in prices of tomatoes and bananas did not exceed 2%.

The most dramatic depreciation of prices year on year (relative to September 2017) was in respect of cereals and beans (-6.6%). A decrease in prices was not that considerable as regards other categories of goods on which prices depreciated. So, prices of granulated sugar, pasta and sunflower oil decreased by 1.6%, 1.2% and 0.7%, respectively.

Prices appreciated on butter, dairy products, bread and bakery products, fruits and vegetables, fish and seafood, meat and poultry (growth of 2.1%-4.8%). At the same time, prices of hen eggs appreciated the most (13.1%) last year.

As regards non-food products, month on month prices appreciated (0.1%) almost on all the categories of goods, including TV-sets and electronics, for the first time in the past few months. Prices appreciated on gasoline, textiles, garments, linen, knitted goods, footwear (in particular, prices rose by 0.6%-1.2% on individual types of seasonal products), household chemicals and detergents, medicines, building materials, household and other appliances and tobacco articles (growth of 0.1%-0.7%).

As compared to September 2017 prices depreciated only on TV-sets and electronics (-1%), while prices of textiles, medicines, garments, linen, household chemicals and detergents, electronics and other household appliances, knitted goods, footwear and building materials appreciated by 1.9%-4.9%. The prices of tobacco articles and gasoline increased by 11%.

As regards services, the month on month prices decreased on spa and recreation services (-4.2%) and passenger transportation (-3.3%). Prices of housing and public utility services as a whole did not virtually change. All other categories of services appreciated from 0.2% (foreign

tourism) to 7.6% (education) including appreciation of education fees at higher education establishments (growth of 14.7%), secondary vocational education establishments (4.2%), as well as various language and vocational training courses (1.3%-1.9%).

As compared to September 2017, there was depreciation of prices on insurance services alone (-2.2%), while education services and foreign tourism services appreciated the most (8.2% and 10.9%, respectively). Appreciation of all other categories of services was in the range of 2.2%-5%.

Housing and Public Utilities

Starting from 2012, tariffs on housing and public utility services (HPU) have appreciated on the annual basis from 1 July; their average indexation is established in the forecast of the country's socioeconomic development and in 2019 it will be limited by the inflation rate benchmark (4%), too. However, on the back of growth in the value added tax rate (VAT) from 18% to 20%, in 2019 the raising of the tariffs will be held in two stages: 1.7% in January and another 2.4% in July. The decision on a two-stage appreciation of tariffs was passed to take into account growing expenditures in the tariffs on HPU services to prevent utility providers' losses.

Prior to 2011, they used to increase HPU tariffs in January and then adjusted them by 2-3 p.p. till the end of the year (Figure 4). To smooth over a January surge in the headline inflation rate, starting from 2012 they increase HPU tariffs in July-August. The summer months are traditionally the period of low growth in prices of food products and this practice permits to ease the burden on households caused by appreciation of the HPU tariffs. In 2019, appreciation of HPU tariffs will take place in January again and due to VAT growth an increase in prices of consumer goods and services will be higher than this year.

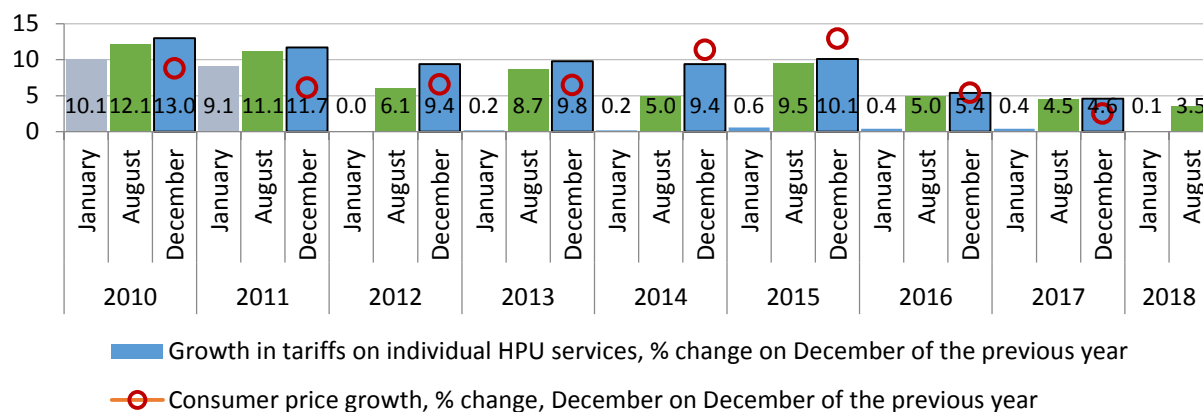


Figure 4 – Growth in tariffs on cold and hot water supply, water disposal and heating in January, August and December and overall growth in consumer prices on December of the previous year, %⁸

Until 2013 included, HPU tariffs used to grow at a higher rate than the overall headline inflation, however, limitation of the maximum permissible tariff growth with inflation benchmarks taken into account helped keep growth in tariffs on cold and hot water supply, water disposal and heating within the range of 9%-10% in 2014-2015, that is, below the overall headline inflation. In 2017, the end-of-year annual inflation rate turned out to be below the predicted values, so all-time low growth in HPU prices (4.6%) happened to be higher than the record-low annual index of consumer prices (2.5%).

In August 2018, the tariffs on cold and hot water supply, water disposal and heating across the Russian Federation as a whole appreciated by 3.5% relative to December of the previous year.⁹ A year ago, growth amounted to 4.5% and 4.6% in August and December, respectively, while in 2016, to 5.0% and 5.4% on December of the previous year, respectively. In August 2018, HPU tariffs grew ahead of the nationwide average rates in the regions of the North-Western Federal District and the North-Caucasian Federal District (Figure 5). HPU tariff growth rates in the Far Eastern Federal District, the Ural Federal District and the Southern Federal District were on the contrary below the nationwide average.

⁸ Source: Calculations based on the Rosstat's data

⁹ The information for carrying out the monitoring of the socioeconomic situation of constituent entities of the Russian Federation in August 2018 / The Rosstat URL: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1246601078438

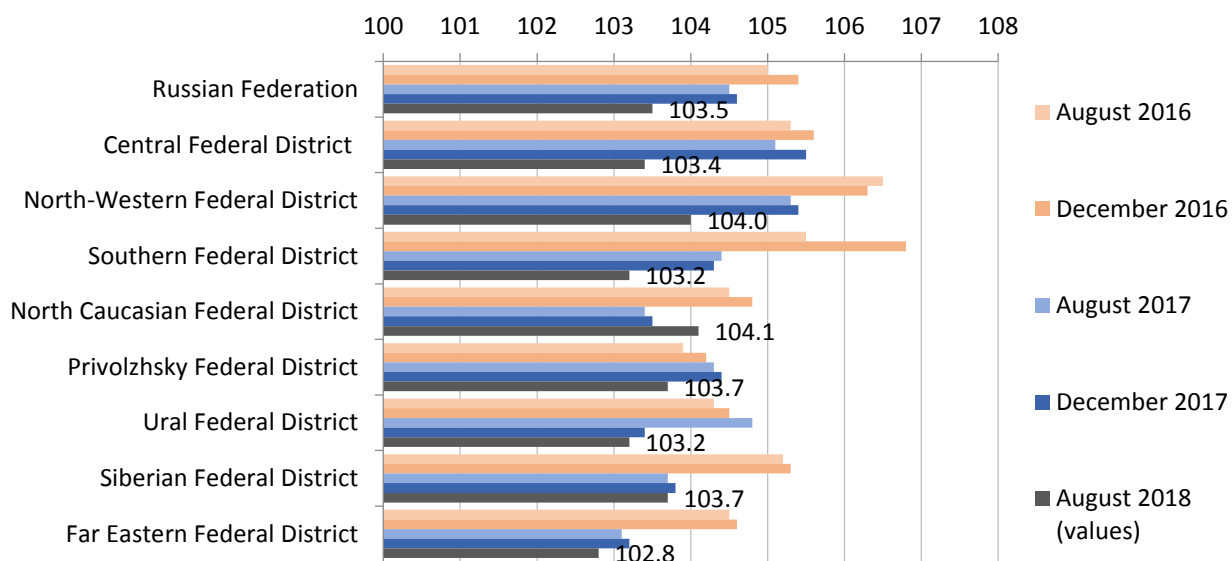


Figure 5 – Growth in tariffs on cold and hot water supply, water disposal and heating in August and December 2016-2018 on December of the previous year, %¹⁰

The burden from growth in payments for housing and public utility services on households' budgets depends both on growth in tariffs on HPU services and changes in consumption volumes. The practice of installing metering devices has become widespread in the HPU sector, so public utility losses which were earlier written off to customers have decreased. According to the official statistics, by the year 2017 the volume of consumption of cold and hot water supply¹¹ fell by 9.8% as compared to the level of 2013 (Figure 6).

¹⁰ Source: Calculations based on the Rosstat's data

¹¹ The Main Indicators of the Progress in the Reforms of Housing and Public Utilities / The Unified Departmental Statistical Information System (UDSIS) <https://fedstat.ru/organizations/?expandId=1292875#fpsr1292875>

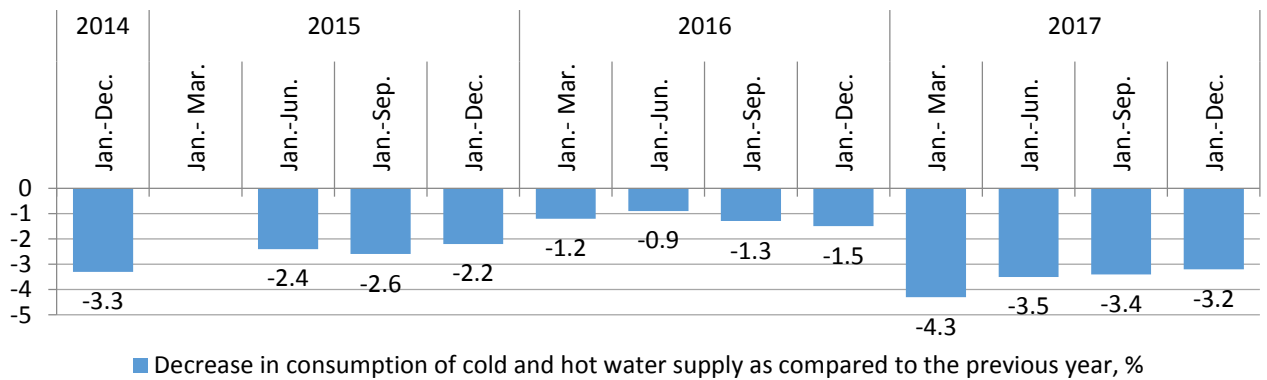


Рисунок Figure 6 – The dynamics of consumption of water supply volumes, % change on the relevant period of the previous year

It is to be noted that despite constant growth in HPU tariffs and stagnation of households' real incomes the share of outstanding accounts in the total volume of HPU bills invoiced is gradually shrinking. In H1 2018, 4.7% of HPU bills were left unpaid compared to 4.8% and 6.1% in the same period of 2017 and 2016, respectively (Figure 7). In 2016-2016, the annual indices of arrears amounted to 5.8% – 6.4%, while in 2017, to 4.3% of the volume of HPU bills invoiced.

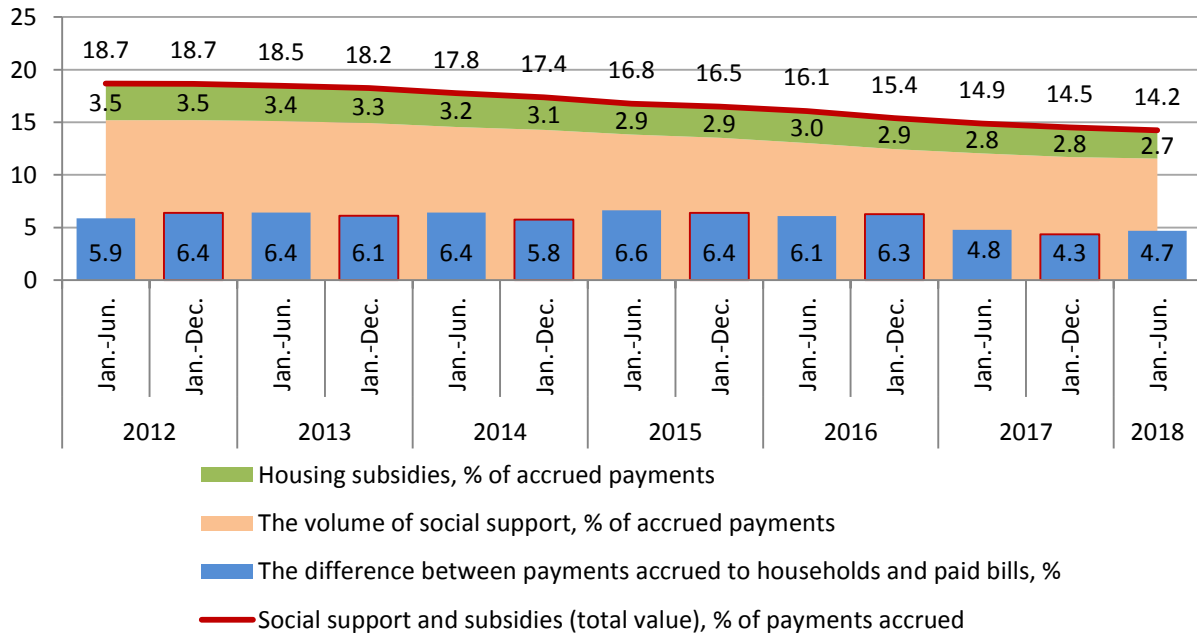


Figure 7 – HPU bills left unpaid by households, volume of social support and housing subsidies, % of payments accrued¹²

¹² Source: Calculations based on the data of the UDSIS

As regards payment for housing and public utility services, the extent of social support programs to households has shrunk in the past few years. In 2012, 6.9% of families used to receive housing subsidies, while later, in 2015-2016, the share gradually decreased to 6.0%. In 2017, 3.2m families were recipients of housing subsidies, that is, 5.7% of all the households. In 2012, social support for payment of housing and public utility services (benefits) was rendered to 26% of people. By 2015-2016, the share of the recipients of those benefits slightly fell to 25% and then in 2017 it decreased to 24%. In 2017, the number of recipients of this social support amounted to 35.1m people.

The volume of social support for payment of housing and public utility services (benefits) gradually went down from 15.2% in 2012 to 11.7% of the volume of payments accrued to households in January-December 2017. This is related both to reduction of the number of recipients and a switch-over to the incentivization of HPU services within the limits of the norms of consumption. In 2012, housing subsidies reimbursed 3.5% of the amount of the HPU bill invoiced, while by 2017 their role decreased to 2.8%. According to the H1 2018 results, the volume of social support amounted to 11.5% of the payments accrued to households and together with 2.7% of the subsidies it is equal to 14.2% of the cost of consumption by households of housing and public utility services within this period.

In 2019, growth in prices of HPU services is expected again in January and on the back of the VAT increase the appreciation of prices of consumer goods and services will be higher than this year. As the excess of the ceiling level of expenditures on housing and public services (as per the federal norms it is 22% of a household's income) constitutes grounds for individuals to apply for target social support in terms of housing subsidies, growth both in the number of benefit recipients and social support volumes is highly likely next year.

Labor Market Dynamics

In August 2018, the number of the workforce amounted to 76.9m people, that is, as many as last year (Figure 8). Note that the number of the employed on the labor market is higher than last year, while the number of the unemployed is accordingly lower. According to the ILO's methods, in August 2018 the level of the rate of unemployment amounted to 4.6%, a decrease of 0.3 p.p. on August 2017. The August index of the rate of unemployment may become the lowest one in the entire 2018 because growth begins after the end of summer when due to the

specifics of seasonal dynamics the indicator’s year minimum is ordinarily observed. However, with a seasonal component excluded the level of the rate of unemployment is steadily falling in Russia and there is no evidence of its slowdown in sight, yet. The average period of search for a new job has decreased; in summer months of 2018 it amounted to 7.0 months, a decrease of 5.9% compared to summer 2017.

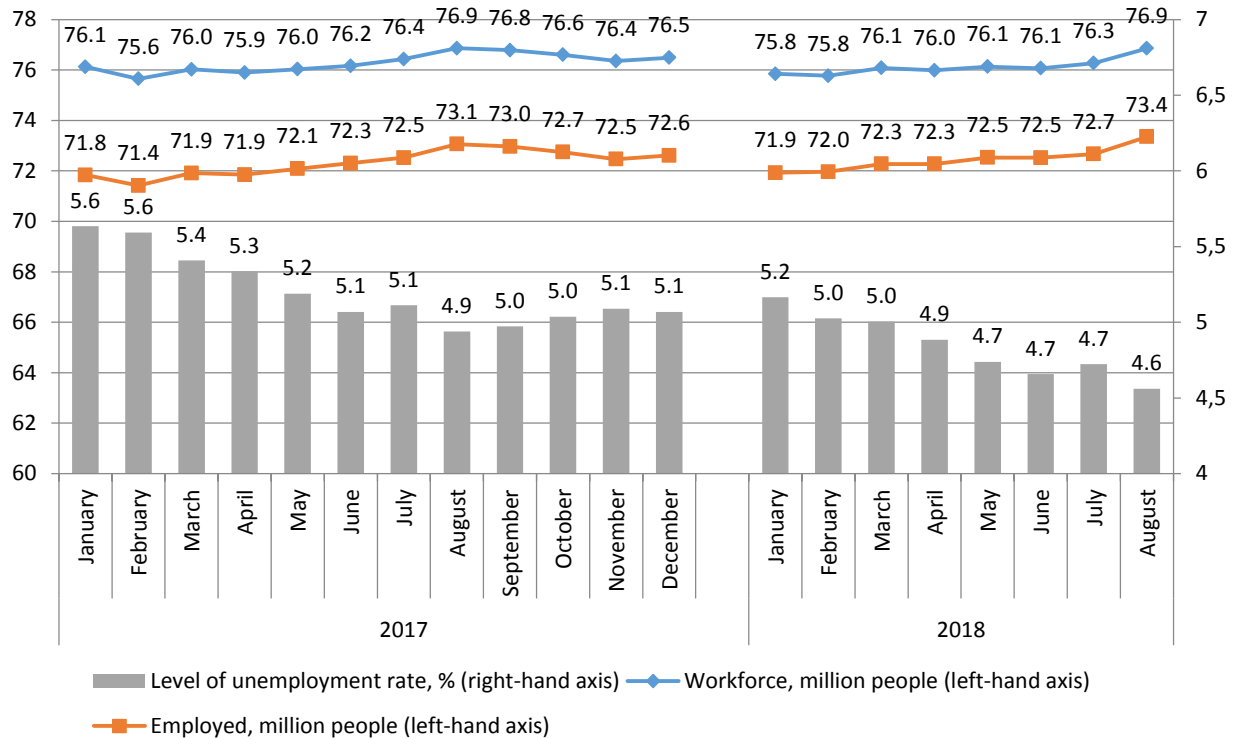


Figure 8 – The number of the workforce, employed and the level of unemployment in 2017 and 2018, %¹³

By the end of August 2018, the number of unemployed registered by employment services amounted to 679,000 people, a decrease of 12% on August 2017. The number of vacant jobs remained at the level of 1.7m; there were 47 officially registered unemployed per 100 vacant jobs, a decrease of 15.7% on August 2017.

The remaining high demand on the Russian labor market amid shrinking workforce reserves (that is, the unemployed) is obvious according to other data sources, too. The HeadHunter, a leading online recruiting company publishes on a monthly basis the value of the “hh.index” showing the correlation of the number of active resumes to job openings placed on

¹³ Source: Russia’s Socioeconomic Situation / The Rosstat. The Series of Reports for 2017-2018.

the web-site of hh.ru.¹⁴ This index fell from 5.6 in June-August 2017 to 4.8 in June-August 2018. On the other hand, the surveys of industrial enterprises carried out by the Russian economic barometer¹⁵ point to the fact that the workload on companies' existing labor resources has increased. In 2018, it has reached the 10-year maximum.

According to the Rosstat's preliminary estimates, in August 2018 wages and salaries amounted to Rb 41,140, an increase of 7.0% in real terms on August 2017 (Figure 9). The Rosstat revised the dynamics of wages in July, too: growth is now estimated at the level of 7.5% (instead of 8.0%).

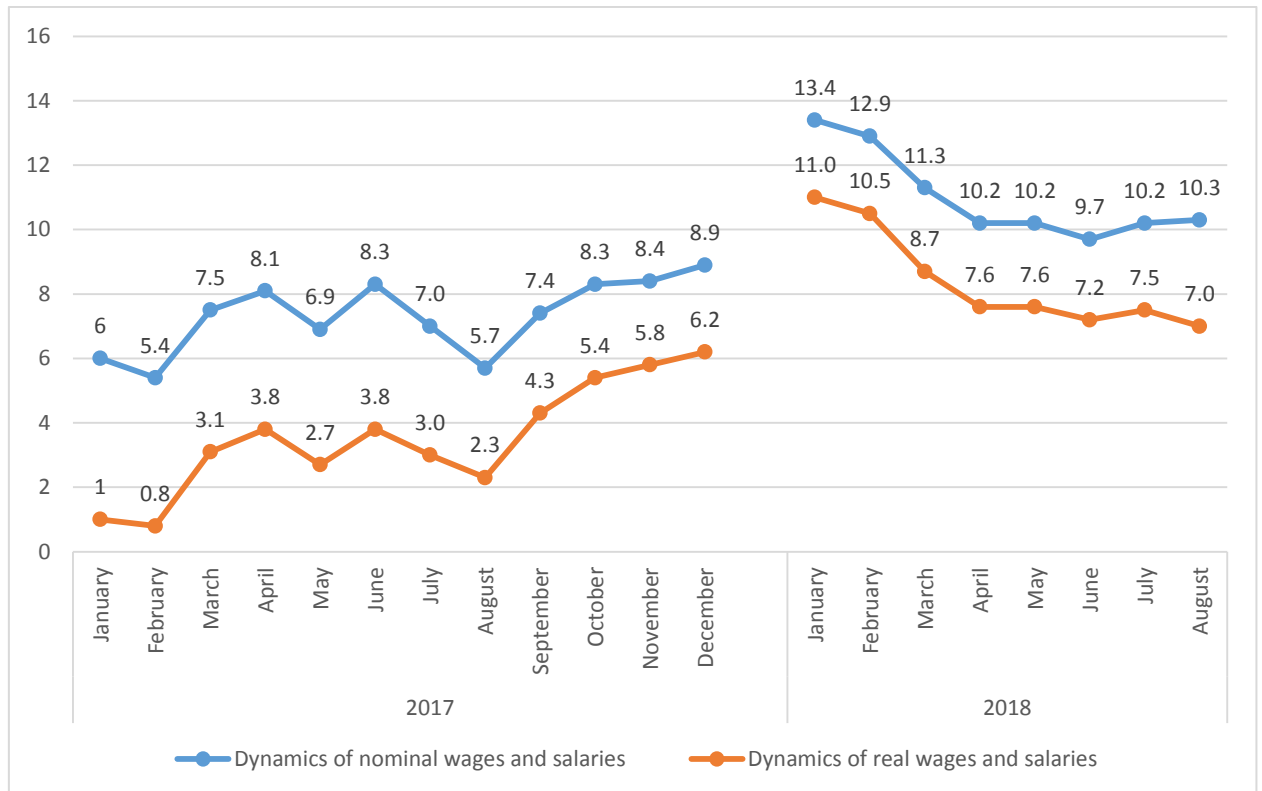


Figure 9 – Growth in nominal and real wages as compared to the relevant index of the previous year, %¹⁶

¹⁴ hh.index shows the shortage of skilled employees through the correlation of the number of active resumes and job openings. A resume is deemed active if it is open to employers and the applicant responded at least once to a job opening, updated his/her resume or modified it. The lower the index, the lower the competition among applicants in the sector.

¹⁵ Source: The Russian Economic Barometer, No.1, 2018

¹⁶ Source: Russia's Socioeconomic Situation / The Rosstat. The Series of Reports for 2017-2018.

2 THE HOUSEHOLD SECTOR SITUATION: STATISTICAL ANALYSIS AND SOCIOLOGICAL MONITORING

Incomes, Poverty and Inequality

In August 2018, cash income of real accrued wages and real allotted pensions increased by 7.0% and 0.3% respectively (Figure 10). Therewith, real disposable cash incomes amounted to 99.1% against the respective period of 2017. Decline in real disposable cash incomes in 2018 was observed for the first time since January 2018 as in January–July there was at least the slight growth of real disposable incomes and it can prove the decrease of real accrued wages in non-observable informal sector of economy.

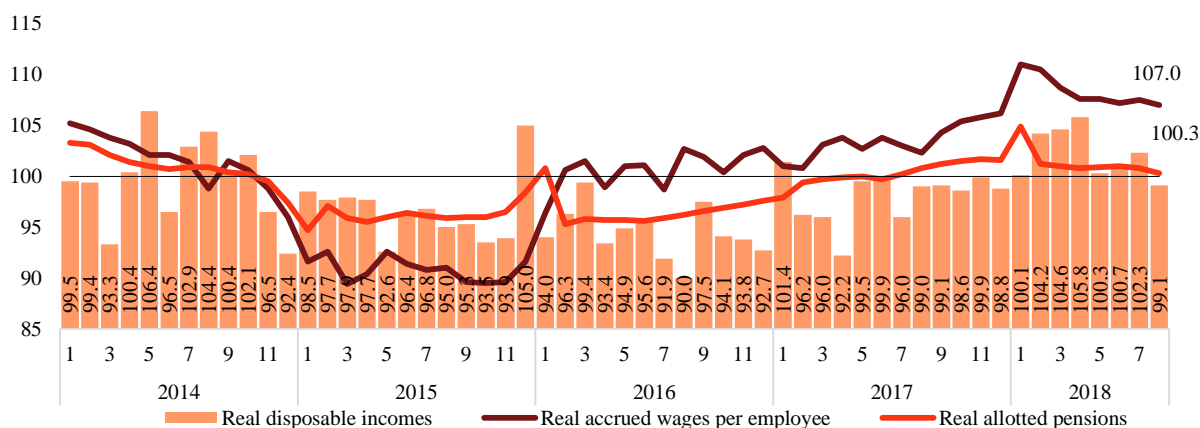


Figure 10 - Dynamic of real disposable cash incomes of households and real allotted pensions in 2014-2018, % against the same period of the previous year¹⁷

Note: real disposable cash incomes of households for January 2017 and January 2018 do not include a lump-sum – cash payment to pensioners granted in January 2017 in the amount of Rb 5.000.

On the whole, household incomes, wages and salaries and pensions in January–August 2018 constituted 102.2%, 108.4% and 101.4% in real terms respectively against the same period of 2017.

The share of cash incomes spent on purchase of goods and services constituted 77.9% in January–August 2018 being higher than figures of the same period in 2013-2017 (Figure 11). In

¹⁷ Report «Short-term economic data -2018» August 2018/Rosstat-[Electronic resource]. URL: http://www.gks.ru/bgd/regl/b18_02/Main.htm

general, share of cash incomes spent for goods and services was the largest in the said period since 2004.

Compared to the same period of the previous year, the share of cash income spent on purchase of goods and services using credit cards abroad increased from 2.5% to 3.1% in January – August 2018.

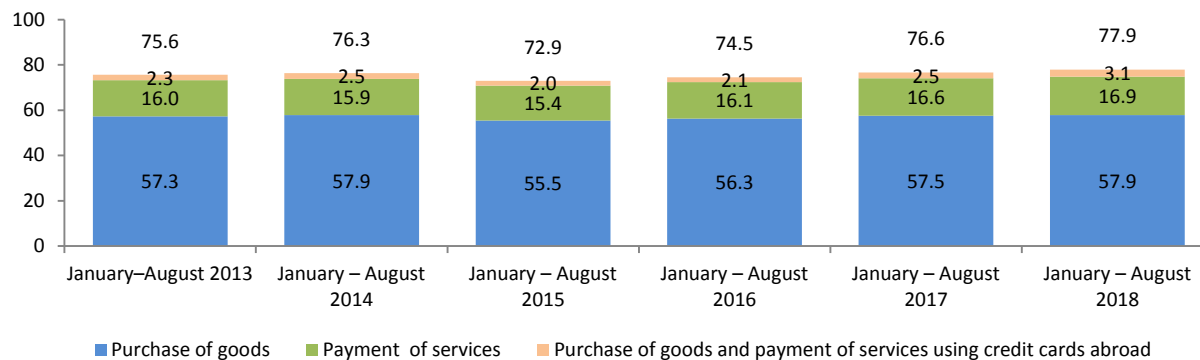


Figure 11 - Share of cash income spent on purchase of goods and services in January - August 2013-2018, %¹⁸

The decline of real disposable income was observed in August 2018 against the backdrop of growth of the retail trade turnover, which increased by 2.8% in comparable prices vs August 2017. This can prove that households used savings and loans to increase their level of consumption.

The share of cash income allocated towards savings in January– August 2018 amounted to 5.1% and was minimum since 2014 (Figure 12). The decline of this share was, inter alia, due to growth of retail loan indebtedness.

¹⁸ Report “Socio–economic situation in Russia – 2018” January-August 2018. /Rosstat. – [Electronic resource]. URL: http://www.gks.ru/bgd/regl/b18_01/Main.htm

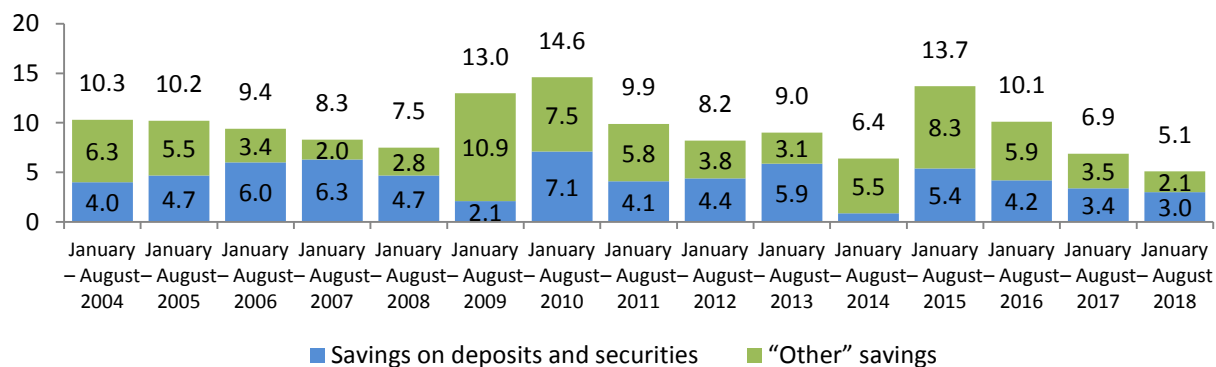


Figure 12 - Share of cash income allocated towards savings in January – August 2004-2018, %¹⁹

According to the data released by the Bank of Russia, retail loans increased by 14.1% in January–August 2018 against 7.0% in the same period in 2017²⁰. Main growth of loans happened due to mortgage loans, i.e. by 12.6% in January – July 2018 as well as due to unsecured consumer loans, i.e. 11.6%.

Level of poverty constituted 13.6% in Q1 2018 and decreased compared to level of 2015-2017 (Figure 13). Growth of real disposable cash incomes observed from early 2018 as well as increase of minimum monthly wage in January and May 2018 contributed to decline of poverty level.

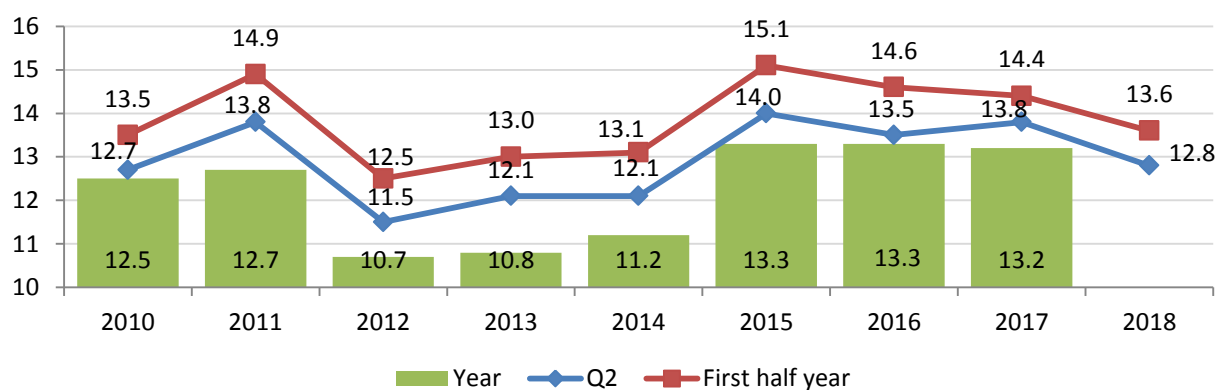


Figure 13 - Share of households possessing cash incomes below subsistence minimum across Russian Federation, %²¹

¹⁹ Report "Socio-economic situation in Russia – 2018" January – August 2018 /Rosstat – [Electronic resource]. URL: http://www.gks.ru/bgd/regl/b18_01/Main.htm

²⁰ Central Bank of Russia, On the dynamics of banking sector development in the Russian Federation in January – May 2018 – [Electronic resource]. URL: www.cbr.ru/analytics/bank_system/din_razv_18_08.pdf

²¹ Rosstat, On the ratio of cash incomes of households and the minimum subsistence level and the number of low-income population across Russian Federation in Q2 2018 – [Electronic resource]. URL: http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d01/182.htm

In Q3 2018, the share of subjectively poor population assessing their financial situation as “bad” or “very bad” increased compared to the same period of 2017 from 24.6% to 25.7% (Figure 14). At the same time, proportion of households assessing their financial situation as “good” or “very good” increased from 8.9% to 9.6%. Thus, stratification of households increased in terms of self-assessment of their financial situation.

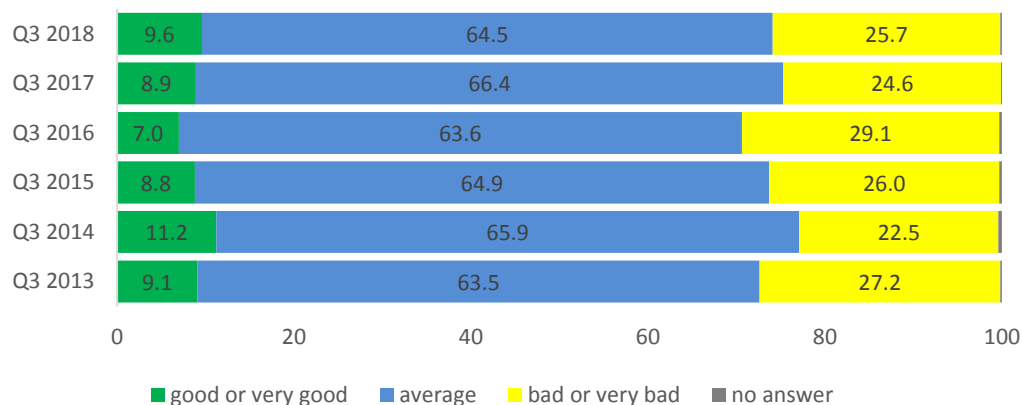


Figure 14 – Self-assessment of current financial situation by households, Q3 2013-2018, %²²

Popular perceptions on the features of economic situation changes in the country ²³

September 2018 data reflect that the tendency towards reduction of the number of those households who think that economic situation stabilized country, went on (Figure 15). The respective share fell by 12% on an annualised basis and reduction against previous assessment in June 2018 amounted to 2.3%. Opinions of those who insist on changes as opposed to advocates of stabilization, are dissenting while a number of those who think that situation improved has increased by 1% compared to previous assessment and the share of those who assume its deterioration increased by 2.4%.

²² Rosstat, Perceptions of the population on current financial situation – [Electronic resource]. URL: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/level/#

²³ According to the Monitoring of popular social sentiments findings conducted by the Institute of Social Analysis and Prediction under RANPEA since 2015. Eight (8) rounds of sociological survey are being held annually according to representative comparable sample for adult population in Russia in a mode of personal questionnaire. The size of a sample is 1600 respondents in each round.

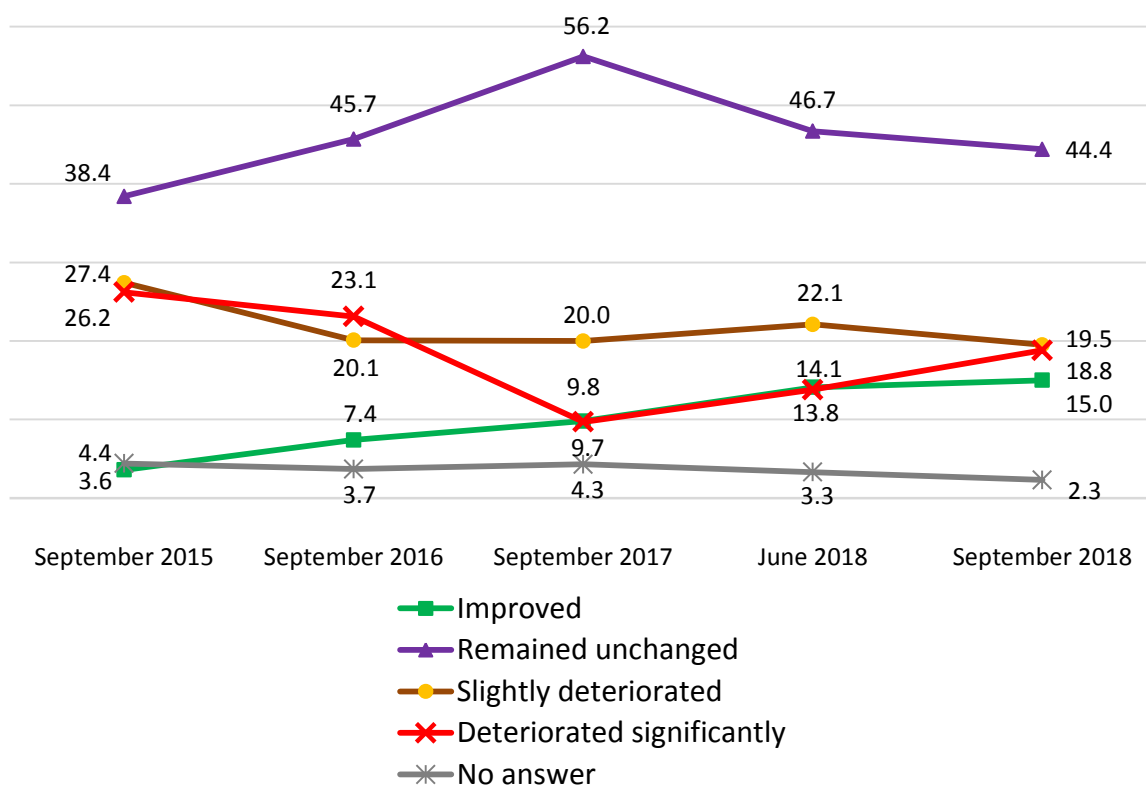


Figure 15 – Distribution of responses to a question: "How the economic situation changed in the country in the last year," %

Respondents under 60 years old provided the most pessimistic assessment of the current economic situation compared to a significantly smaller share of those who were eligible to retire by age or have retired (Table 1).

Table 1 – Distribution of responses to a question: "How the economic situation changed in the country in the last year", by age group, % by line (September 2018)

Age, years old	Features of economic situation changes				
	Improved	Unchanged	Slightly deteriorated	Significantly deteriorated	No answer
Up to 30	12.1	45.8	24.2	14.7	3.3
30 – 39	10.1	42.2	19.4	24.8	3.5
40 – 49	16.9	43.1	17.3	20.8	2.0
50 – 59	12.9	46.4	18.0	22.1	0.6
60 and older	22.0	44.8	15.9	14.2	3.1
<i>Total</i>	<i>15.0</i>	<i>44.4</i>	<i>19.5</i>	<i>18.8</i>	<i>2.3</i>

The higher educational level of respondents is, the more critically they evaluate changes of economic situation. Among individuals lacking professional education, the share of negative assessments constitute 30.3% compared to 38.6% among those having secondary professional education and to 46.7% among higher education holders (Table 2).

Table 2 – Distribution of responses to a question: "How the economic situation changed in the country in the last year", by educated group, % by line (September 2018)

Education	Features of economic situation changes				
	Improved	Unchanged	Slightly deteriorated	Significantly deteriorated	No answer
No professional education	16.5	50.1	16.5	13.8	3.1
Primary/secondary professional	16.2	44.1	18.3	20.3	1.1
Higher or incomplete higher	11.8	38.5	24.3	22.4	3.0
<i>Total</i>	<i>15.0</i>	<i>44.4</i>	<i>19.5</i>	<i>18.8</i>	<i>2.3</i>

Assessment of prospects of the economic situation development compared to the latest assessment has also changed (Figure 16). Number of respondents who assume that economic situation will not change fell while the share of those who count on improvement and suspect deterioration increased at the same time by 4.3% and 2.9%, respectively.

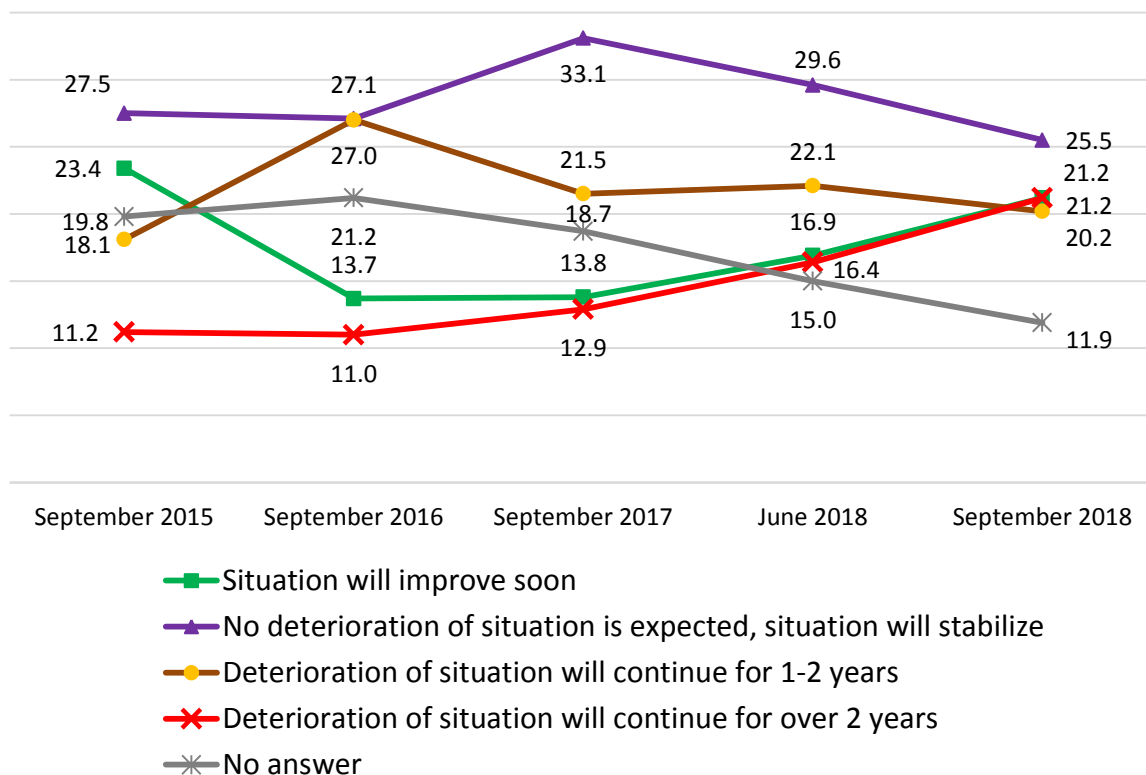


Figure 16 – Evaluation of economic development prospects, %

Overall evaluation of the economic situation and prospects of its development is related to respondents' consideration of their individual and family economic situation (Figure 17). The share of respondents thinking that changes in economy will not affect them, decreased by 0.5% while those who have not experienced difficulties yet but do not exclude them in future, decreased by 3.9%.

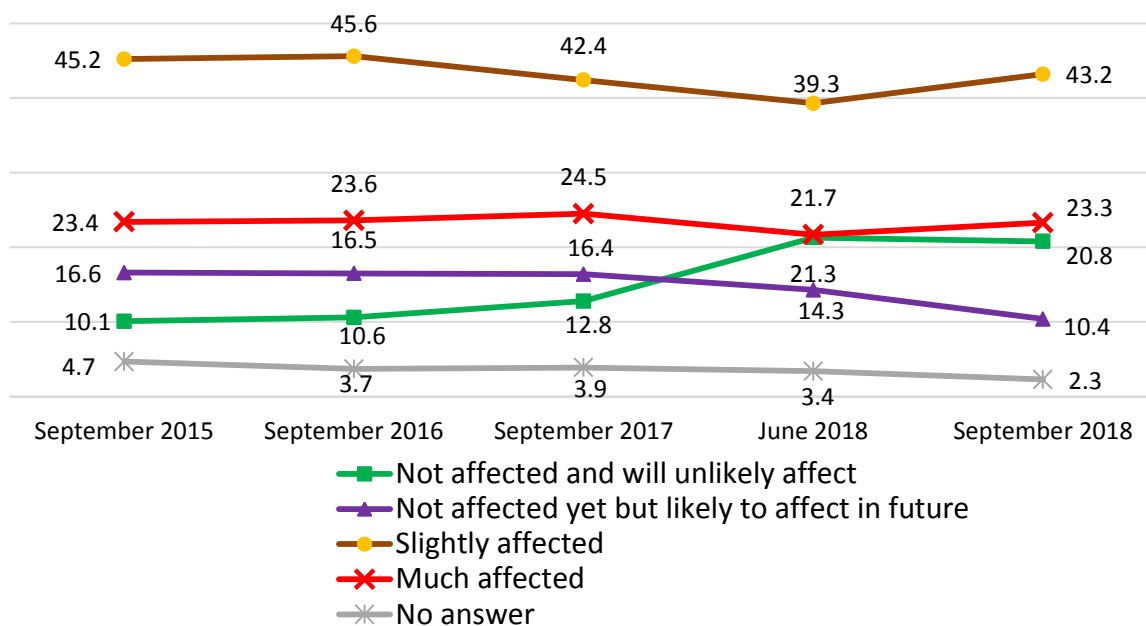


Figure 17 – Evaluation of the impact of crisis on the economic situation of households, %

Socio-economic risks in the sphere of employment and consumption; adaptive behavior

Risks of deterioration in the sphere of employment increased compared to previous assessment (Table 3). Thus, risks of job loss, switch to part-time week, unpaid leave increased by 7%, 3% and 1.6% respectively. In the meantime, risk of cutting wages decreased.

Table 3 – Share of respondents subjected to real or potential risks in the sphere of employment according to subjective assessment, % of those employed

Employment risks	Number of respondents				
	September 2015	September 2016	September 2017	June 2018	September 2018
Job loss	35.7	36.8	34.1	35.4	42.3
Wage cut	45.6	48.4	40.9	42.2	39.3
Switch to part-time week	28.5	34.6	24.0	25.6	28.7
Unpaid leave	23.4	31.8	24.6	23.8	25.4
Wage delays	— *	40.2	34.0	33.0	32.9
Switch to informal payment of wages	26.0	28.9	26.3	25.4	25.1

*Question not asked

As a result, number of employed persons in the high risk zone increased by 1.6% against previous assessment but has not changed compared to September 2017 (Figure 18).

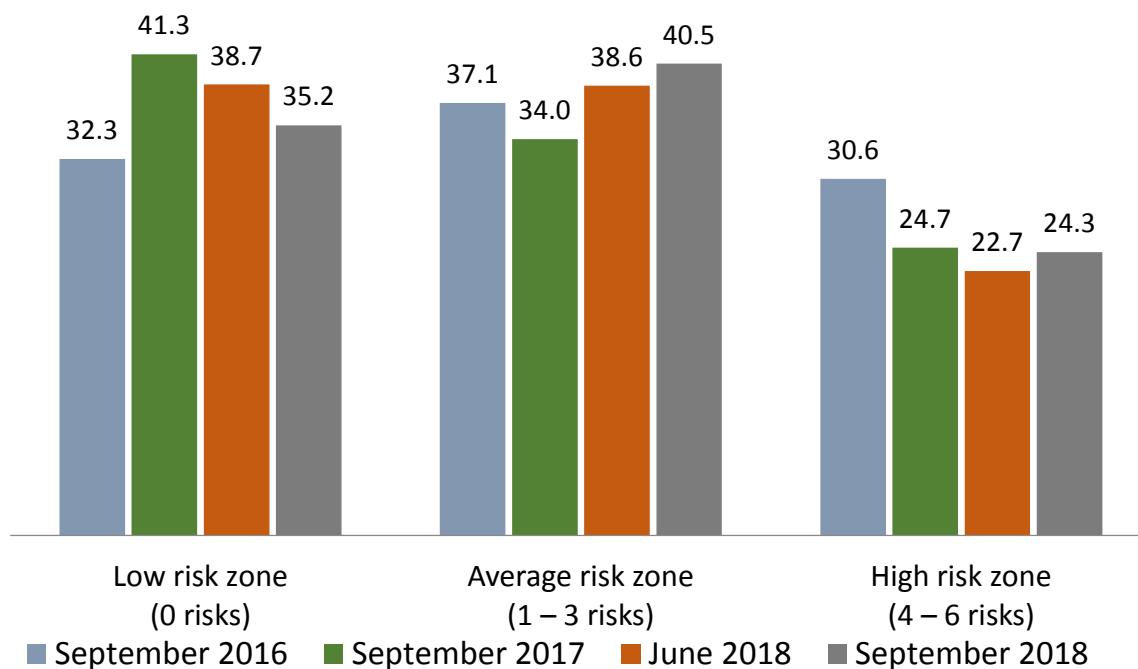


Figure 18 - Concentration of employment risks, % of those employed

Analysis of households' adaptive behavior proves that the share of those who implement financial and employment strategies has slightly increased. A group of households using their own private farming for adaptive strategy and investing in human capital demonstrated the highest growth (Table 4).

Table 4 - Adaptive behavior, %, several answers accepted

Types of adaptive behavior	Number of respondents			
	September 2016	September 2017	June 2018	September 2018
Stepping up of financial strategies (buying currency/ securities/formation of savings)	19.9	24.9	23.4	24.8
Stepping up of employment strategies (finding job/regular or one-time extra earnings)	17.9	24.8	22.2	24.9
Stepping up the use of private plots of land	33.9	33.8	31.2	34.0
Investment in human capital (education/healthcare)	18.4	28.4	31.7	37.9

Summing up, one can note that changes of the economic consciousness are not so visible compared to changes of political awareness estimated by major sociological agencies. Nevertheless, they do take place and demonstrate that an upward trend of households focused on stabilization of economic situation, which existed for a long time, slowed down. However, the largest group of households continue to focus on stabilization. Others divided into optimists assuming that economy has a potential of fast improvement, and pessimists not expecting expedient progress, while the latter prevail.

REFERENCES

1. Sergey Aukutsionek, Alexandra Batiaeva, Andrey Egorov, Alexander Matveev, Natalia Dyomina. REB indexes: survey of industrial enterprises // Russian Economic Barometer - 2018. - №1(69). - C.15-47.
2. Business activity in Russia in September 2018/Rosstat – [Electronic resource]. URL: http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d01/188.htm
3. Report “Short-term economic indicators – 2018” August 2018 /Rosstat – [Electronic resource]. URL: http://www.gks.ru/bgd/regl/b18_02/Main.htm
4. Presentation “Socio-economic situation in Russia – 2018” January - August 2018 /Rosstat – [Electronic resource]. URL: http://www.gks.ru/bgd/regl/b18_01/Main.htm
5. The consumer price indexes in the Russian Federation in 1991 - 2018. Rosstat / [Electronic resource]. URL: http://www.gks.ru/free_doc/new_site/prices/potr/tab-potr1.htm
6. Information for monitoring of the socio-economic situation in subjects of the Russian Federation in August 2018/Rosstat URL: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1246601078438
7. Business activity. September 2018. – [Electronic resource]. URL: <http://economy.gov.ru/wps/wcm/connect/28eb8981-0a9c-45f5-9923-3520f64a51c2/180919.pdf?MOD=AJPERES&CACHEID=28eb8981-0a9c-45f5-9923-3520f64a51c2>
8. Popular perceptions on current financial situation. Standard of living/Rosstat [Electronic resource]. URL: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/level/#
9. On dynamics of the Russian Federation banking sector development in January-August 2018 /Central Bank of Russia – [Electronic resource]. URL: www.cbr.ru/analytics/bank_system/din_razv_18_08.pdf
10. On use of Gross Domestic Product (GDP) in Q2 2018 /Rosstat. – [Electronic resource]. URL: http://www.gks.ru/bgd/free/b04_03/Isswww.exe/Stg/d01/175.htm

11. On proportion of cash incomes of households having minimum subsistence vs number of low-income households across Russian Federation in Q2 2018 / Rosstat – [Electronic resource]. URL: http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d01/182.htm
12. On use of Gross Domestic Product (GDP) in Q2 2018 /Rosstat – [Electronic resource]. URL: http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d01/193.htm
13. Main indexes of communal services reform / FSSS – [Electronic resource]. URL: <https://fedstat.ru/organizations/?expandId=1292875#fpsr1292875>