

## SUMMARY

### Economic Survey "Russian Economic Developments" № 3/2017

#### Execution of the Federal Budget for 2016

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The RF federal budget for 2016 was executed with a deficit of 3.4% of GDP. This figure is significantly higher than the corresponding index for 2015 (2.4% of GDP), but still lower than the projection in the most recent version of the Law on the Federal Budget for 2016 (3.7% of GDP). The plunge of total federal budget revenue did not exceed 0.7 pp of GDP (as compared with 2015) due to the increased non-oil and gas revenue component. The year-end expenditure for 2016 jumped by 0.3 pp of GDP, due in the main to the additional allocation, in November, of Rb 739.7bn to national defense.

*Key words:* federal budget, budget revenues, budget spending, budget balance.

#### Foreign Trade in 2016

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Generally, according to the 2016 results fuel exports dramatically fell, non-fuel exports decreased somewhat, while imports stopped falling. However, H2 2016 (as compared to the similar period of 2015) showed slightly different results. Exports virtually stopped falling, while imports even began to grow.

In 2016, in the geographic pattern of trade turnover the dynamics of the previous years prevailed: the share of the EU countries and Ukraine was diminishing, while that of the Eurasian Economic Union, China and the US was growing.

*Key words:* foreign trade, export, import.

#### Evaluation of the Total Factor Productivity in Russia: Microeconomic Analysis

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After a few economic crises and substantial changes in the trade situation due to a drop in global prices on energy resources, the Russian economy is in search for a new growth model. Growth in economic efficiency is traditionally regarded a domestic source of economic growth and a factor

behind embarkment on a sustainable growth trajectory. At the same time, modern empirical studies show that the utilized methods of evaluating of the total factor productivity (TFP) yield biased estimates and that complicates among other things qualitative research into that indicator's dynamics.

Researchers carried out evaluation of TFP at the micro level with use of a semi-parametric method which permitted to reduce a great deal the bias of outputs received by means of other productivity evaluation methods that were used more often.

*Key words:* total factor productivity, poluparametric approach, microeconomic analysis, industries NACE.

## Effect of Food Sanctions on Prices in Russia in the 2014–2016 Period

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In H2 2014, Russia introduced a food embargo in respect of some countries as a retaliatory measure to economic, technological and financial sanctions imposed by those countries against Russia. Limitation of imports to Russia has led both to growth in prices on foreign goods and domestic goods – analogs of goods under sanctions – and changes in the consumer goods basket in general.

According to our estimates, as a result of the food embargo alone prices on goods under sanctions (that is, goods imported from countries against which the food embargo was not introduced) rose on average by 3.0%, while prices on sanctions-free goods increased by 2.9%. In addition to the above, the value of the monetary compensation required for the pre-sanctions level of well-being be achieved amounts to 2.9% of the value of consumer spending before sanctions, while annual consumer losses per person in absolute monetary terms amount to Rb 4,380.

*Key words:* prices, food embargo, goods under sanctions, sanctions-free goods.

## Russian Industry in February 2017

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February data on Russian industry demonstrates upward dynamics of the majority of actual indexes and preparedness of businesses to come out of a recession. Demand, output, stocks of finished products, and investment plans – all these indexes seem unexpectedly positive for the outsiders.

*Key words:* Russian industry, demand, output, employment, stocks of finished goods, crediting of manufacturing, actual trends and expectations.

## Survey of Current Business

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Indicators of wages and output appeared to be the most optimistic in December 2016: their diffusion indices showed maximum values for the past 3.5 and 2.5 years respectively. At the same time everything is not alright with the purchase of equipment: the corresponding diffusion index reached its minimum in the last 11 months.

As for the three-month expectations, there is observed mainly positive dynamics there. Worth mentioning is the growth of the diffusion index of output (+19 points), of the order book level (+18), of employment (+15) and wages (+10 points), compared with the data obtained last month.

*Key words:* industry, industrial enterprises, price level, wages, employment, output, investment, indebtedness to banks, order-book level, stocks of finished products, capacity utilization rate, risk of

bankruptcy, economic policy, crisis duration.

## Loans in the Agricultural Sector

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On 1 January 2017, new rules of subsidizing loans granted by banks to farmers and agribusiness organizations were introduced. They radically alter the procedure for subsidizing loans. In particular, a single subsidy rate is set, the mechanism of obtaining soft loans by farmers is simplified, small business's share in subsidies is determined. However, some problems remain unresolved, and new ones added.

*Key words:* agricultural sector, lending to the agricultural sector, loan subsidizing, agricultural producers.

## Retail lending in 2016

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At year-end of 2016, upward trend of retail credit exposure on bank loans resumed. Growth was entirely due to residential loans segment in the context of consumer lending shrinking. Shift in the debt structure in favor of cheaper and long-term credits issued for residential purchases secured debt burden stability of households' income in spite of growth of consumer debt value.

*Key words:* Russian banking sector, retail lending, consumer lending, home equity lending.

## Improvement of Strategic Planning of Financial Market of the Russian Federation

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Article proposals for improving the system of strategic planning development of the Russian financial market. Proposals prepared on the basis of an analysis of the effectiveness of previously developed strategic planning documents in the field of financial markets and analysis of foreign experience of strategic planning development of the financial markets.

*Key words:* financial market, strategic planning, strategy, development objectives, target indicators, financial sector, regulation, development function.

## Cluster Development in Russia: Analysis of Financial Instruments

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The article analyses the sources of financing for innovative development projects territorial clusters in Russia. It is proved, that the only viable funding mechanism for cluster development programmes in Russia today, den, is borrowing in the form of bank loans and bonds on domestic and foreign markets.

*Key words:* cluster, direct investments, debt financing, venture capital, financing instruments.

## Governance of Equity Crowdfunding

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As a result of development of the network technologies and horizontal integration of social processes, a new financial instrument – equity crowdfunding – has been formed. This innovative method ensures over-the-counter offerings, which expands the sphere of public financing to small and medium-sized business. However, implementation of this instrument calls for some changes in legislation for the stock market. This paper presents a complex analysis of the main changes in the US legislative base, features EU legal standards, and identifies key elements of the economic-legislative regulatory mechanism. In conclusion, current Russian legislation is analyzed – with evaluation of its adaptiveness to changes in accordance with global practices.

*Key words:* equity crowdfunding, issue of securities, public offering.

## Social Trends and the Economic Situation of the Russian Population

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Amid some revitalization of the macroeconomic situation, a small growth of industrial production in January 2017, and a record low in recent years, the consumer price index retail trade volume continued to decline. The average wage and unemployment according to the results of the 2016 g. stabilized at the level of 2015, and the outflow of workers from large and medium-sized enterprises fell to indicators, 2014. The share of part-time workers. Despite the significant growth of real disposable cash incomes and pensions in January 2017, occurred as a result of a lump-sum payment to pensioners, the proportion of poor people subjectively remains substantial. Beginning 2017 g. reflected weak surge of optimism in the population assessment of the current economic situation. almost doubled the number of those who see it improving, more people believe that the situation has stabilized. But optimists still little, and society is dominated by a sense that the situation in the economy fluctuate.

*Key words:* economic crisis, prices, labour market, income, poverty, social well-being.

## Socio-Demographic indicators: Regional Dimension

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In General, for 2016 r. in most Russian regions, real wages had ceased to fall, but the decline in real incomes of the population continued. Social stability is the most important priority for the authorities of the regions, and therefore the costs of social policy have grown over the past two years. Expenditure on human capital development (education, health) are optimized. The decline in the number of births in Russia is accelerated over the next several years, this trend strengthens from small generations of potential mothers. According to the preliminary results of the past year, the number of births in 2016, has exceeded the number of deaths, but in January, 2017. demographic dynamics has changed to negative. Migrational increase Russia's population in 2016, generally kept at the level of the past years. The number of foreign nationals residing on the territory of Russia, continued to decline. The number of labour migrants in the beginning 2017, declined. The extent of

internal migration, as well as its direction.

*Key words:* regional analysis, social expenditures, fertility, mortality, migration, labour migration.

## Prices and the Standard of Living in 2016

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The main result of 2016 is the record low consumer inflation, especially food inflation. The subsistence minimum, the level of which is calculated based on the cost of the minimum food basket, was increasing significantly slower than inflation. While in the previous years, the cost of living rose most considerably in poor regions, recently this indicator has changed similarly in all regions of the country.

*Key words:* standard of living, poverty rate, headline inflation, minimum subsistence level.

## Comprehension of Economic Changes by Social and Occupational Groups of the Population

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Individual differences in perceptions of the scale and duration of crisis phenomena are largely determined by the socio-professional status of a person and by his or her particular field of activity. The current economic situation is most negatively perceived by those engaged in industry and the construction sector, while members of the security or military services (the so-called siloviki) perceive it much more positively and than other categories of employees. Their assessments of the economy's prospects are noticeably more optimistic than those voiced by the latter.

*Key words:* social well-being of the population, measuring of social well-being of the population, comprehension of economic changes by social and occupational groups.