

SUMMARY

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Reducing Household Spending Is the Main Source of Additional Cash in 2020

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In 2020, Russia saw a significant increase in the proportion of cash in circulation. The main source of this additional amount of cash was the reduction in household spending, which led to the non-return of cash previously put in circulation for transactions for the purchase of goods and services, as well as keeping of unspent income in cash as a precautionary measure in the face of increasing uncertainty.

The article was written on the basis of the RANEPA state assignment research programme.

Key words: expenses of the population, cash on hand, money supply, denomination of banknotes.

JEL-codes: E11, E41, E52.

Foreign Trade in 2020: Overcoming the Downturn

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Though global prices of energy resources did not return completely to the pre-crisis levels, the Russian foreign trade turnover in general recovered from the pandemic-driven downturn. The recovery of trade in services is slower because of travelling restrictions which are still in force.

In 2020, exports of energy and primary commodities fell by 35.2% on the back of a decrease in global prices of energy resources. Non-oil and gas exports increased by 4.1% owing to three-fold growth in sales of gold. Without taking into account exports of gold, non-oil and gas exports decreased by 4.3% with a depreciation of export prices (-4.1%), particularly, of metals, chemical products and timber. Exports of high-tech goods decreased by 14% due to the contraction of export volumes. In 2020, the importation of goods declined by 5.1%. The pandemic brought about a four-fold drop in the travelling services sector's turnover leading to a dramatic decrease in exports (-28%) and imports (-36%) of services.

Key words: foreign trade, export, import, exchange rate, pandemic.

JEL-codes: F10, F14.

US Stimulus Plan Raises Inflation Expectations (Review of Financial Markets from January 16 through March 15, 2021)

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The expansion of the US government economic stimulus package has raised concerns about accelerating inflation and rising asset values not only inside the country, but throughout the world. In the medium term, the Russian economy and financial market may benefit from climbing US budget spending. The expensive relief measures may push up prices for oil and other raw materials and, accordingly, produce an increase in the value of shares issued by Russian companies. However, this effect is expected to be temporary.

Key words: financial markets, share indexes, the USA stimulus plan, Law on the American recovery plan.

JEL-codes: E31, E44, E58, G18.

Russian Industry in January 2021: Recovery of Demand Forecasts

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The dynamics of demand, moderately negative in comparison with the pessimistic forecasts, allowed the industry to avoid a reduction in output in January, to revise the production and sales plans for the better. However, according to regular polls by the Gaidar Institute, these factors also resulted in the intensive increase in prices for the enterprises products compared to the previous month and contrary to forecasts.

In December, the industry expecting a deteriorating epidemiological situation and a drop in demand, was prepared to sacrifice growth of prices to maintain sales. However, this was not required in January, enterprises were able to raise their prices and revise the forecasts for their changes. The personnel policy of industrial enterprises demonstrates great resistance to the impacts of the actual and expected epidemiological situation.

Key words: Russian industry, demand, inventories, stock of input and materials, output, prices, personnel.

JEL-codes: L16, L60.

Survey of Current Business (December 2020 – March 2021)

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December 2020 showed record high values for a number of key indicators. Capacity utilization rate

(86%) and labor utilization rate (96%) reached maximum values for almost 30 years of observation. The order-book level reached 92%; it was higher only twice in 2007. The diffusion indices of wages (+17 percentage points), production and purchases of equipment (+10 pp each), order-book level (+7 pp) were noticeably better than in November. At the same time, 89% of enterprises participating in the survey expect an increase in prices for purchased products in three months. The corresponding diffusion index, which had not been so high for about two years, also rose to 93.

Key words: Russia, industry, industrial enterprises, price level, wages, employment, output, investment, indebtedness to banks, order-book level, stocks of finished products, capacity utilization rate, financial situation, production restrictive factors.

JEL-codes: D22, D24, G31, L23, P23.

Approaches to Meeting the Need for Seasonal Agricultural Workers through Labor Migrants in the Context of Covid-19

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The pandemic has highlighted the important role of migrants in the agriculture and food systems of many countries. Covid-19 measures that restrict the movement of people have led to a shortage of labor in the sector. The article provides information on the shortage of labor in agriculture of foreign countries and Russia in 2020 and measures to address it.

Key words: agricultural migration, seasonal workers, agricultural employment, labor shortages, coronavirus pandemic, support measures, attracting foreigners.

JEL-codes: J43, J61, Q18, E24.

Bank Reserves in 2020: The Structure Remains the Same

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In 2020, the funding of the banking sector remained rather balanced: the funding base structure of credit institutions did not shift notably. Decline in deposit interest rates boost gradual change in behavior of bank customers and accelerate demand for securities, gold, PIF shares and other tools of investment and saving nature.

Key words: Russian banking sector, bank resources, structure of bank resources, crisis.

JEL-codes: D81, E58, G21.

Corporate Lending in 2020: Growth and Stabilization

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In H1 2020, Russian banks notably increased the volume of corporate lending. This was facilitated by an increase in demand for borrowed funds from enterprises due to a drop in revenue; regulatory measures of the Central Bank that stimulate soft lending; a drop in interest rates as a result of monetary policy easing conducted by the Central Bank; and the accumulated liquidity by the banking sector. In H2 2020, as the economic situation was back on track, the pace of lending declined and began to match the level of 2019.

Risks for the banking sector remain due to increased uncertainty about the possible spread of the pandemic, price volatility in the oil market, and the unstable nature of the corporate sector recovery.

Key words: Russian banking sector, corporate lending, Bank of Russia, pandemic.

JEL-codes: D81, E58, G21, G32.

Birth Rate in Russia in 2020: Regional Dynamics

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In the wake of the birth rate stabilization in the country as a whole, the majority of regions demonstrated a trend to reduce the birth rate of the first child and to increase the birth rate of third and subsequent children. The stability of this trend means a simultaneous increase in childlessness and multi-child parenting, which was not previously typical for Russia. It is possible that the effect of delayed childbearing in the pandemic will affect Russia in 2021, however, now it is impossible to determine which birth order it will affect most.

Key words: birth rate, Russian regions, total fertility rate, pandemic.

JEL-codes: J11, J13, J18, R23.

Regions' Budgets in 2020: Support by the Russian Federation and Anti-Crisis Policy

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In 2020, the budget policy of the Russian Federation regarding regions had a strongly pronounced counter-cyclical nature aimed at immediate support of the worst-off subjects. This measure allowed to offset declining tax and non-tax revenues and ensure implementation of regional anti-crisis measures intended to strengthen the public health system, support of the economy and the social sphere.

Proper tax and non-tax regions' revenues contracted by merely 1.8%, which is a good result against the 2009 and 2014–2015 crises and was mainly due to a rebound in tax receipts in H2 2020.

The all-time high public regional debt amounting to Rb2.5 trillion at the end of 2020 does not pose a serious threat for their budget stability owing to a relatively low debt burden.

Key words: regional budgets, revenues of the regional budgets, expenditure of the regional budgets, regional public debt, budget loans, crisis.

JEL-codes: H61, H62, H63, H71.

Current Problems of Investment Attractiveness Development of Russian Municipalities

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The article analyzes the results of a survey of 2120 representatives of municipalities from 807 municipalities from 81 Russian regions. The goal of research: to obtain the views of respondents on the issues and necessary measures for the development of business environment in Russian municipalities. Research methodology: sociological survey, ranking of responses.

In responses of the majority of respondents, the inefficiency of attracting investment in municipalities is related to the issue of their insufficient budget provision, as well as low degree of their fiscal autonomy. The proposed measures are aimed at developing a flexible model of stimulating investment and entrepreneurial activity in Russian municipalities, combining state protectionism with measures to regulate the development of small and medium-sized businesses, and encouraging self-employment.

Key words: investment climate, fiscal federalism, municipal budget, support of small and medium-sized businesses.

JEL-codes: E22, H72.