



Bank of Russia



# ECONOMY

No. 11 (59) • November 2020

Information and analytical commentary

28 December 2020

## Economy: Facts, Assessments and Comments (November 2020)

Business activity in the Russian economy bounced back in November after October's decline. The annual decrease in output slowed down in the majority of key industries, while manufacturing expanded output. Nonetheless, the annual reduction in consumer activity sped up. Since effective restrictions are targeted and households and companies have adjusted to the conditions of the pandemic, economic activity in 2020 Q4 decelerated only moderately. Therefore, GDP will go down by about 4.0% as of the end of 2020, as estimated by the Bank of Russia. Sustainable growth is expected to resume in spring, as the number of infections returns to normal. The Bank of Russia forecasts that GDP will expand by 3.0–4.0% in 2021.

### CORE ECONOMIC INDICATORS

Table 1

(growth, % YoY, unless indicated otherwise)

	2019	January– November 2019	January– November 2020	2019 Q4	2020 Q1	2020 Q2	2020 Q3	September 2020	October 2020	November 2020
<b>Aggregate output and leading indicators</b>										
GDP	1.3	1.0	-3.4	2.1	1.6	-8.0	-3.4	-2.8 <sup>1</sup>	-4.5 <sup>1</sup>	-3.7 <sup>1</sup>
Basic output indicator <sup>2</sup>	2.5	2.5	-2.9	2.1	2.0	-6.8	-3.3	-2.8	-4.1	-2.2
Basic output indicator including wholesale	2.3	2.3	-2.6	2.9	2.6	-7.0	-2.6	-2.1	-3.8	-2.1
<b>Production activity</b>										
Industrial output	3.3	3.4	-3.0	2.8	2.9	-6.5	-4.6	-3.6	-5.5	-2.6
Agricultural output	4.3	4.2	1.5	5.6	3.0	3.1	2.7	1.4	-6.6	-2.1
Construction	0.6	0.6	-0.3	0.9	1.1	-1.7	-0.3	-0.1	-0.1	0.0
Freight turnover	0.7	0.9	-5.4	-0.7	-3.9	-8.3	-5.6	-3.8	-3.8	-2.2
Wholesale turnover	1.6	0.7	-0.6 <sup>3</sup>	8.4	6.2	-8.1	1.4	2.3	-1.9	-1.3 <sup>3</sup>
<b>Investment activity</b>										
Fixed capital investment	1.7	0.9 <sup>4</sup>	-3.7 <sup>4</sup>	2.3	1.2	-7.6	-4.2	-3.3 <sup>4</sup>	-3.8 <sup>4</sup>	-3.0 <sup>4</sup>
Gross fixed capital formation	1.5	0.7 <sup>4</sup>	-7.0 <sup>4</sup>	2.9	1.8	-11.7	-	-	-	-
<b>Consumption, savings, income</b>										
Real household disposable income	1.0	0.9	-4.3	1.8	0.7	-8.4	-4.8	-	-	-
Household final consumption expenditure	2.5	2.5 <sup>4</sup>	-9.1 <sup>4</sup>	2.5	3.3	-22.2	-	-	-	-
Retail turnover	1.9	1.9	-4.1	2.1	4.4	-16.0	-1.6	-2.1	-1.4	-3.1
Commercial services to households	0.5	0.3	-17.7	0.2	-1.9	-36.1	-17.4	-12.0	-13.2	-13.7
<b>Labour market</b>										
Unemployment, SA (% of labour force) <sup>4</sup>	4.6	4.6	5.8	4.5	4.5	6.1	6.4	6.5	6.3	6.1
Nominal wages	9.5	7.3	5.6	8.2	8.8	3.0	5.4	6.0	4.5	-
Real wages	4.8	2.5	2.4	4.6	6.2	-0.1	1.8	2.2	0.5	-

<sup>1</sup> Estimate by the Ministry of Economic Development.

<sup>2</sup> Bank of Russia's assessment. Comprises manufacturing, agriculture, retail, construction, and transport.

<sup>3</sup> Estimate based on up-to-date figures.

<sup>4</sup> Bank of Russia's assessment.

Note: the background shading in the table depends on the dates of figures: the lighter is the colour, the more recent are the figures/estimates.

– January–October

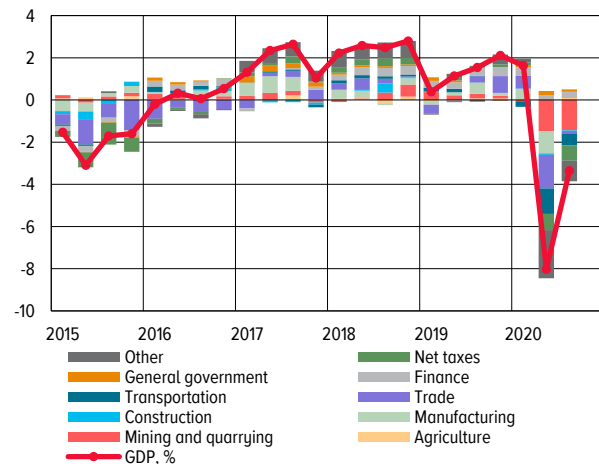
– January–September

Sources: Rosstat, Ministry of Economic Development, Bank of Russia calculations.

## GDP BY EXPENDITURE

Chart 1

Contribution to annual growth, pp



Sources: Rosstat, Bank of Russia calculations.

## Aggregate output

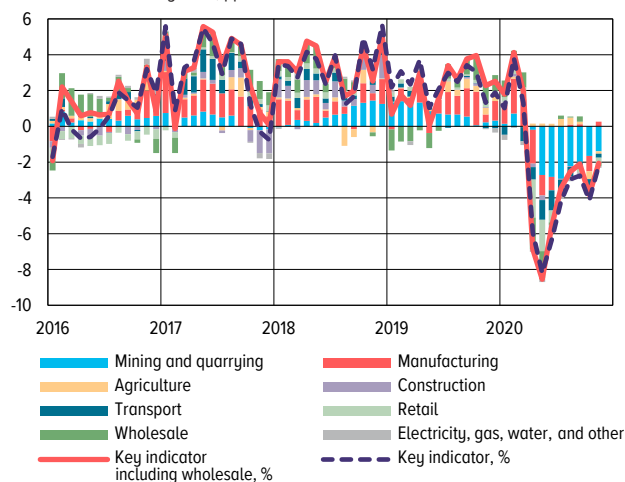
**GDP by output.** According to Rosstat, Russia's GDP contracted by 3.4% in 2020 Q3 (the previous estimate: -3.6%; vs -8.0% in Q2). The annual decline in industries' gross value added was mostly driven by mining and quarrying, transportation amid remaining restrictions on international shipments, and services affected by anti-pandemic measures (Chart 1). Gross value added (GVA) increased in financial services (+8.0%), public administration (+1.8%), and agriculture (+1.7%), which became the positive contributors to GVA annual dynamics.

The **basic output indicator**<sup>1</sup> rose in November against the previous month (seasonally adjusted; hereinafter, SA), suggesting economic recovery in key industries. This upward trend was mostly driven by expanded industrial and agricultural output. According to the Bank of Russia's estimates, the annual decrease in key industries' output slowed down to 2.1%, taking into account recent data on wholesale (vs -3.8% in October; Chart 2).<sup>2</sup> Increased output in manufacturing and a slowdown in agriculture and mining and quarrying were the major contributors to the annual dynamics of the indicator (for details, refer to the sections 'Production activity' and 'Agriculture'). Contrastingly, retail turnover declined faster, in annualised terms, which limited output.

## BASIC OUTPUT INDICATOR

Chart 2

Contribution to annual growth, pp

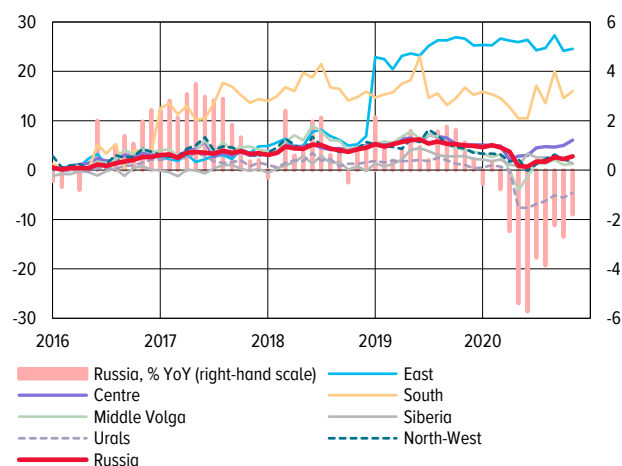


Sources: Rosstat, Bank of Russia calculations.

ELECTRICITY CONSUMPTION, ADJUSTED  
FOR CALENDAR AND TEMPERATURE EFFECTS  
(OVER A MONTH)

Chart 3

Million MWh, % on December 2015, SA



Sources: JSC System Operator of the United Power System, Bank of Russia calculations.

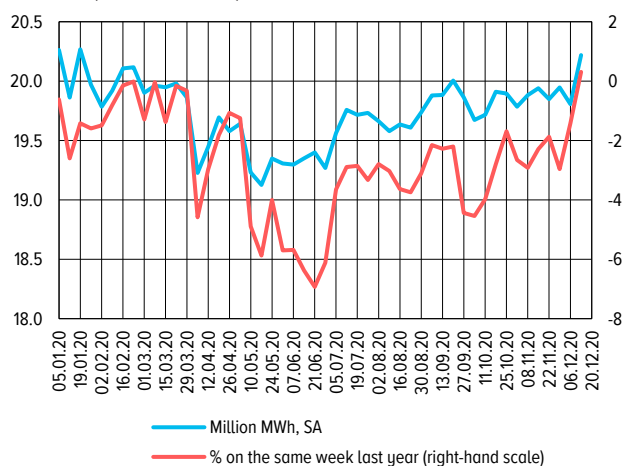
**Electricity consumption.** According to the Bank of Russia's assessment, electricity consumption was up by 0.5% in November (SA), which was partially driven by a gradual rise in oil production (Charts 3 and 4). Electricity consumption expanded in the majority of Russian regions, except the south of Siberia. The year-on-year<sup>3</sup> decrease in power consumption slowed down (-1.8% in November vs -2.7% in October).

<sup>1</sup> Bank of Russia's assessment. This indicator shows changes in production activity by key industry (manufacturing, agriculture, wholesale and retail, construction, and transport). It is calculated both including and excluding wholesale, since data on wholesale are released with time lags.

<sup>2</sup> Excluding wholesale, this indicator equalled -2.2% in November (vs -4.1% in October).

<sup>3</sup> Adjusted for calendar and temperature effects.

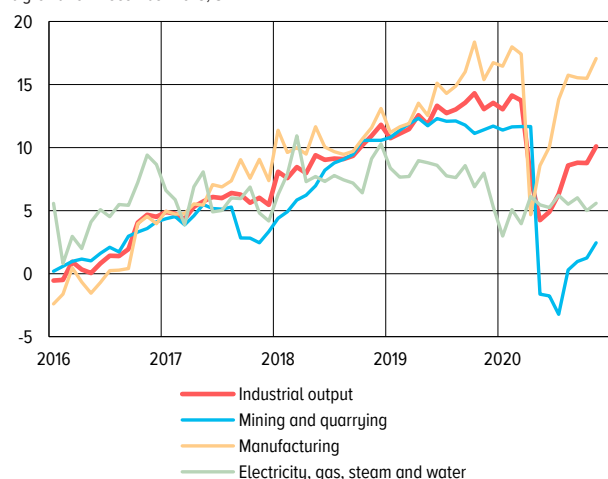
**ELECTRICITY CONSUMPTION, ADJUSTED FOR CALENDAR AND TEMPERATURE EFFECTS IN 2020 (OVER A WEEK)** *Chart 4*



Sources: JSC System Operator of the United Power System, Bank of Russia calculations.

**INDUSTRIAL OUTPUT** *Chart 5*

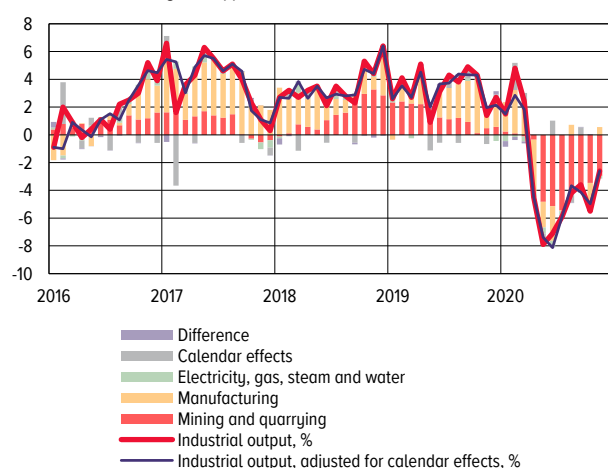
% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

**INDUSTRIAL OUTPUT** *Chart 6*

Contribution to annual growth, pp



Sources: Rosstat, Bank of Russia calculations.

In the first half of December, electricity consumption continued to go up (SA). However, as the epidemic situation remains complicated, the annual decline in power consumption will persist in December and may total 1.9%<sup>3</sup> according to the Bank of Russia's estimate.

## Production activity

**Industrial output.** Industrial output resumed recovery in November (SA), after its stagnation in September–October (Chart 5). Moreover, growth was recorded across all groups of industries.

The annual decrease in industrial output slowed down to 2.6% in November<sup>4</sup> (vs -5.5% in October; adjusted for calendar effects: -5.0%). Conversely, the manufacturing sector expanded output, year-on-year (Chart 6).

**Mining and quarrying.** The growth of output in mining and quarrying sped up to 1.2% in November (SA) (vs 0.3% in October; Chart 7), mostly driven by the production of other minerals, oil and liquefied natural gas (LNG). Oil production expanded in November owing to gas condensate. LNG output also continued to increase. However, the reduction in natural gas output accelerated since European consumers lowered their demand. Coal production started to contract again, after its surge in October due to high coal prices in Europe.

Year-on-year output in mining and quarrying adjusted for calendar effects declined by 7.6% in November (vs -8.9% in October; Chart 8).

**Manufacturing.** Output in manufacturing expanded in November (SA), primarily driven by an increased output of consumer goods (Chart 9).

Year-on-year output in manufacturing adjusted for calendar effects grew by 1.1% (vs -2.7% in October), with the higher output of consumer and investment goods being the major contributor (Chart 10).

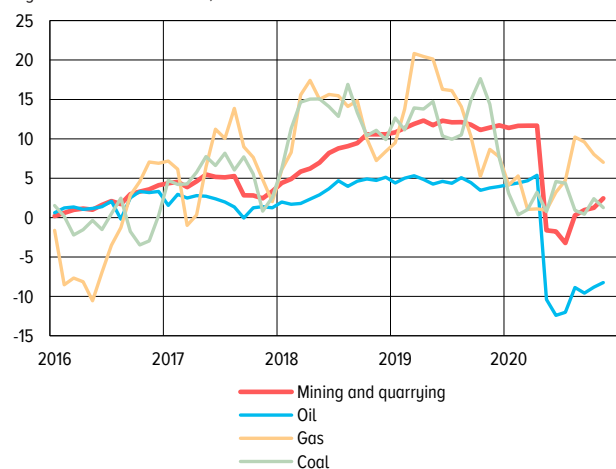
**Intermediate goods.** Intermediate goods output stayed close to its previous month's reading. The output of petroleum products expanded, approaching its September level.

<sup>4</sup> Both adjusted and not adjusted for calendar effects: the number of business days in November 2020 was the same as in November 2019.

## MINING AND QUARRYING

Chart 7

% growth on December 2015, SA

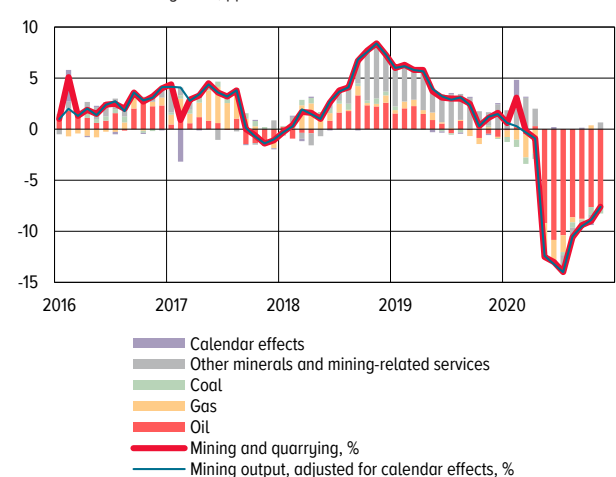


Sources: Rosstat, Bank of Russia calculations.

## MINING AND QUARRYING

Chart 8

Contribution to annual growth, pp

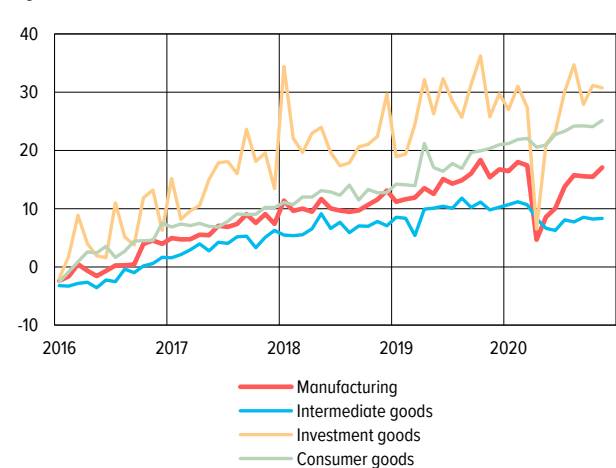


Sources: Rosstat, Bank of Russia calculations.

## MANUFACTURING

Chart 9

% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

The production of chemicals, rubber and plastic products continued to go up. Output in the metallurgical industry shrank, dragged down by pipe and non-ferrous metal production (Annex, Charts 1 and 2).

**Investment goods.** Investment goods output slightly contracted in November, while its components changed diversely. The output of construction materials continued an upward trend, predominantly driven by a surge in the production of metal structures. Contrastingly, the output of a range of engineering products, including railway machinery (namely, electric locomotives), aircraft, and motor vehicles, plummeted in November (Annex, Charts 3 and 4).

**Consumer goods.** Consumer goods output expanded in November (SA), driven by an increase in the non-food segment. The output of pharmaceuticals rose most significantly, primarily owing to medicines prescribed to treat the coronavirus. The output of other consumer goods, including clothing, textiles, durable products (household appliances), also continued to trend upwards. Conversely, food output contracted (Annex, Charts 5 and 6).

**Business surveys.** Russia's composite PMI rose to 47.8 points in November (vs 47.1 p in October; Chart 11), yet remained below 50 points. Moreover, negative sentiment was recorded in both services (48.2 p in November vs 46.9 p in October) and manufacturing (46.3 p in November vs 46.9 p in October). This suggests that business activity in the Russian economy may decline further amid the worsening epidemic situation and tightening restrictions.

According to the monitoring of businesses carried out by the Bank of Russia, the Business Climate Index<sup>5</sup> rose in November, while staying negative (Chart 12). Agroindustrial and trade enterprises were most positive about the current and future situation. Contrastingly, business sentiment in construction, transportation and mining was much worse.

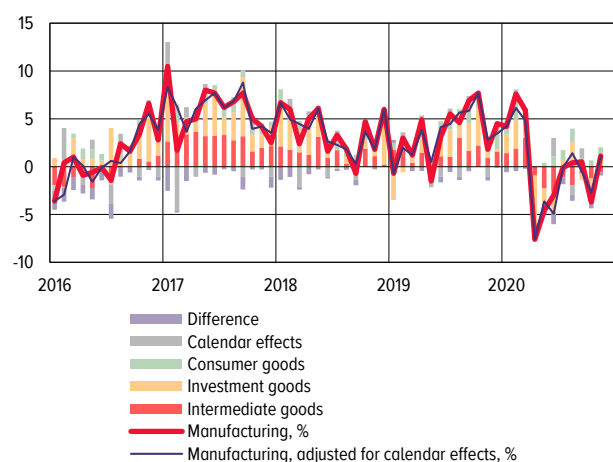
Rosstat's Business Confidence Indices (alternative indicators of economic activity)

<sup>5</sup> The Bank of Russia's Business Climate Index shows actual and expected output and demand trends based on respondent companies' estimates.

## MANUFACTURING

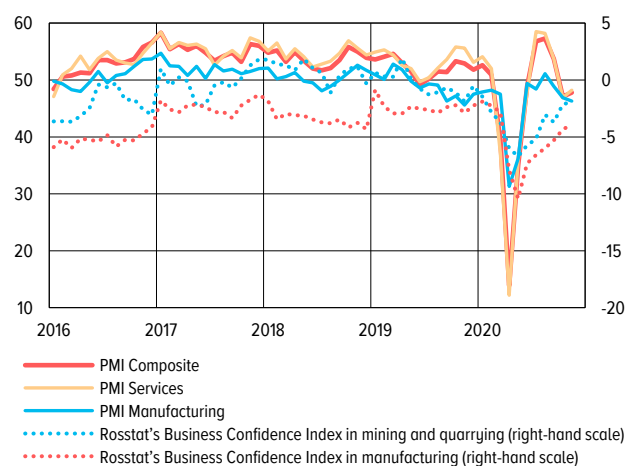
Chart 10

Contribution to annual growth, pp



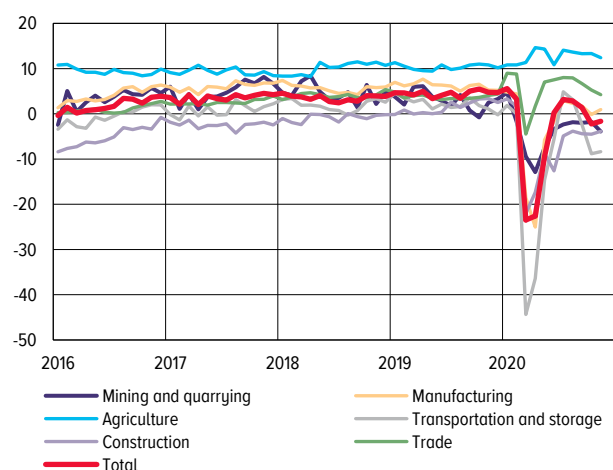
Sources: Rosstat, Bank of Russia calculations.

## BUSINESS SURVEYS: PMI AND ROSSTAT'S BUSINESS CONFIDENCE INDICES (SA) Chart 11



Sources: IHS Markit, Rosstat, Bank of Russia calculations.

## BANK OF RUSSIA'S BUSINESS CLIMATE INDEX (SA) Chart 12



Sources: Bank of Russia's monitoring of businesses, Bank of Russia calculations.

improved further in November, recovering most noticeably in mining and quarrying.

**Agriculture.** The annual decrease in agricultural output persisted (-2.1% in November vs -6.6% in October; Chart 13), predominantly due to a downward trend in crop production. This was explained by the high base of the previous year and a smaller harvest of a range of crops, namely sunflower. Egg output shrank by 2.7% in November, in annualised terms, while all other components in livestock production sped up their growth.

According to Rosstat's initial estimate, the gross yield of cleaned grain in 2020 totalled 133 million tons, which is 9.7% more than last year. This is the second largest harvest after the 2017 record.

**Transport.** In November, the growth of rail freight turnover accelerated to 1.8%, in annualised terms (vs +0.4% in October; Chart 14), driven by an upward trend in the transportation of cement, fertilisers and grain.

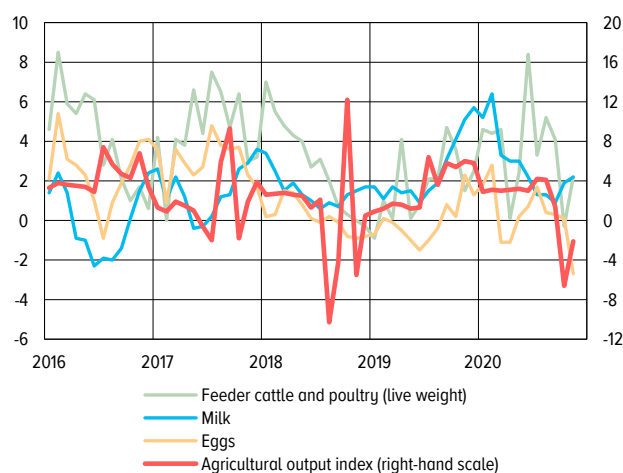
The decline in overall freight turnover slowed down to 2.2% in November, in annualised terms (vs -3.8% in October). The major drag was motor transportation decreasing largely because of negative trends in retail (refer to the section 'Consumer activity'). The annual decline in pipeline transportation slowed down in November, including due to the base effect: the contamination and suspended operation of the Druzhba pipeline in spring 2019 caused the subsequent recovery growth of supplies in autumn.

**Construction.** The rise in housing commissioning accelerated to 2.9% in November (vs +2.0% in October), supported by expanded sales owing to preferential mortgage lending and programmes for resettlement from dilapidated housing. However, dynamics in construction stayed close to zero (0.0% in November vs -0.1% in October; Chart 15). This may be associated with the specifics of statistics: Rosstat's initial data on construction works and final assessments may considerably differ since contractors generally submit inaccurate (most often, understated) statistics, subsequently adjusting this information throughout the calendar year.

## AGRICULTURE

Chart 13

% change on the same month last year

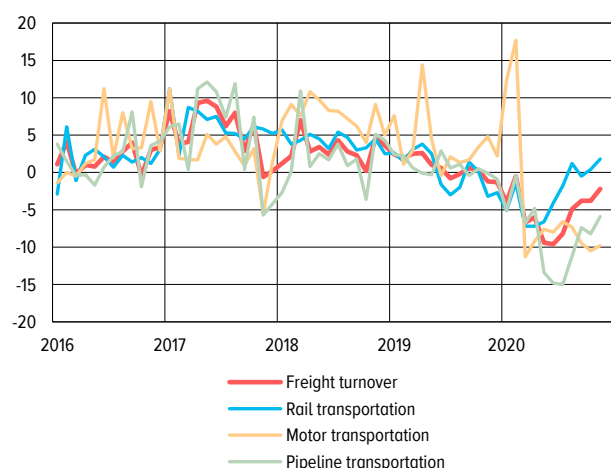


Source: Rosstat.

## FREIGHT TURNOVER

Chart 14

% change on the same month last year

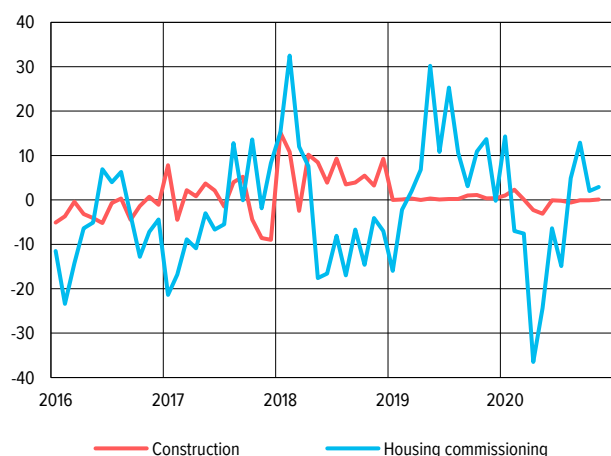


Source: Rosstat.

## CONSTRUCTION

Chart 15

% change on the same month last year



Source: Rosstat.

## Investment activity

According to the Bank of Russia's assessment, fixed capital investment in November stayed close to the previous month's reading (SA). The indirect indicators of investment demand changed in a diverse manner. Engineering imports expanded in November. Investment goods output contracted, after a rise in the previous month. The railway transportation of construction materials continued to shrink.

The annual decline in investment activity slowed down in November (Chart 16). The anti-crisis measures being implemented by the Russian Government and accommodative monetary conditions will continue to support fixed capital investment. However, since this indicator is highly inertial, it is expected to remain negative in 2020 Q4–2021 Q1.

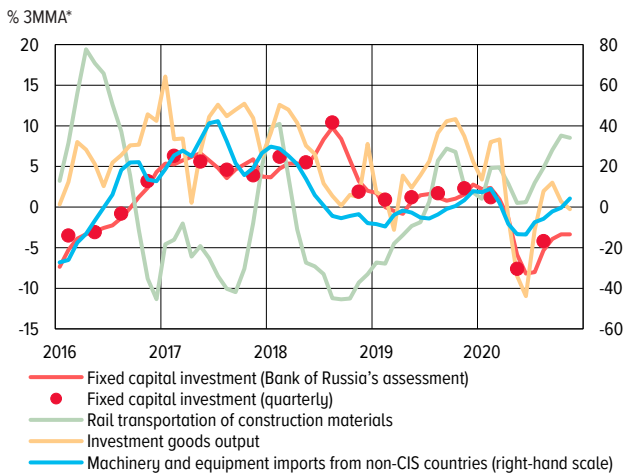
## Labour market

**Employment.** According to Rosstat, labour demand in November measured as the annual rise in the demand for manpower remained close to its maximum level recorded since 2015. Unemployment went down to 6.1% SA (vs 6.3% in October; Chart 17), which was largely associated with the increased demand for staff combating Covid-19 and a shortage of low-skilled workers, namely in construction. The inflow of migrants in 2020 Q3 reduced twice year-on-year. According to hh.ru data, the number of vacant jobs soared in the following professional areas, exceeding average market rates: 2.9 times in public administration and non-profit organisations;<sup>6</sup> by 63% in healthcare; by 45% in low-skilled jobs; and by 34% in construction. Furthermore, the hh.index measured as the ratio of CVs to vacancies was significantly higher than last year (Chart 18). However, the situation in the labour market is improving unevenly. According to IHS Markit, employment in services and manufacturing continued to trend downwards. The employment PMI stayed below 50 points over nine of the eleven months of 2020 (Chart 19).

<sup>6</sup> Non-profit organisations were the major driver.

## INVESTMENT ACTIVITY INDICATORS

Chart 16



## UNEMPLOYMENT AND LABOUR FORCE

Chart 17

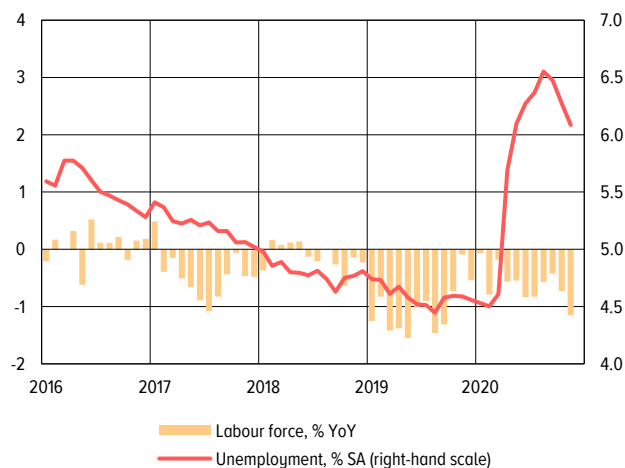
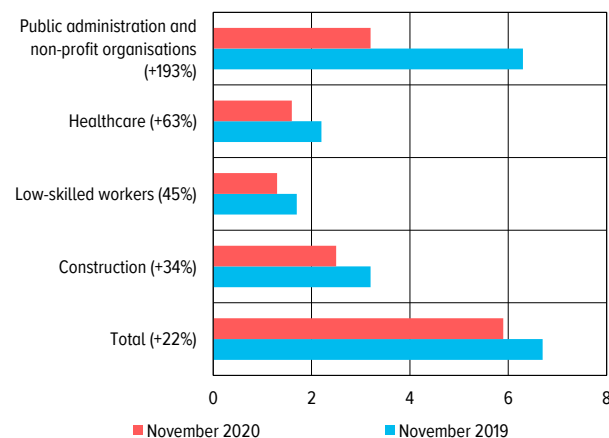
RATIO OF CVS TO VACANCIES  
(HH.INDEX)

Chart 18

Figures in parentheses show annual growth in vacancies



Source: hh.ru.

**Wages.** The annual rise in nominal wages was 4.5% in October 2020 (vs +6.0% in September; +6.0% on average over 12 months; Chart 20), with both the private and public sectors demonstrating a slowdown. Tightening restrictions and declining economic activity due to an increase in coronavirus cases put downward pressure on the growth of wages, especially in the hardest-hit industries (services, trade, and transport) where wages dropped below or stayed close to last year's readings. The negative trend in public administration was associated with decreased wage indexation (3.0% vs 4.3% in October 2019).<sup>7</sup> The shift to remote study was most probably the reason for a slower rise in wages in education. The growth of real wages decelerated to 0.5% (vs +2.2% in September), including due to faster inflation.<sup>8</sup>

## Consumer activity

**Retail and services.** Consumer activity slightly declined in November due to a rise in coronavirus infections and tightening restrictions. This mostly affected services: after the five-month recovery growth, consumption in this sector contracted by 1.3% SA (Chart 21). Despite the November sale period, non-food consumption also shrank by 0.3% (SA). Contrastingly, food sales increased by 0.3% (SA). Overall, retail turnover stayed at the previous month's level.

However, the annual decrease in retail sped up to 3.1% (vs -1.4% in October;<sup>9</sup> Chart 22) due to the high-base effect of November 2019.<sup>10</sup>

**High-frequency indicators.** In the first three weeks of December 2020, high-frequency indicators suggested that the decline in consumer activity slowed down. On the eve of the holidays, the demand for non-food goods and services rose, especially in the segment of air and railway tickets and travel tours.

<sup>7</sup> Wages in public administration are annually indexed to the previous year's inflation. Inflation was 4.3% in 2018 and 3.0% in 2019.

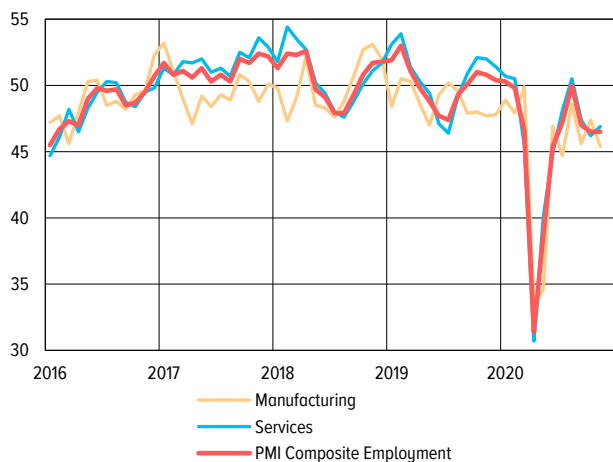
<sup>8</sup> Refer to the information and analytical commentary [Consumer Price Dynamics, No. 11 \(59\), November 2020](#).

<sup>9</sup> Rosstat revised upwards (by nearly 1 pp) the annual growth in retail for July–October 2020.

<sup>10</sup> Refer to the information and analytical commentary [Economy, No. 11 \(47\), November 2019](#).

PMI IN EMPLOYMENT (SA)

Chart 19

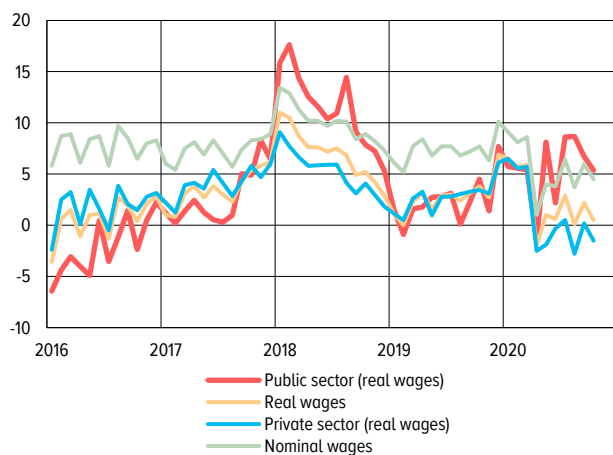


Source: IHS Markit.

WAGES

Chart 20

% change on the same period last year



Sources: Rosstat, Bank of Russia calculations.

An important factor supporting demand is the shift of spending from external markets to the domestic market. Nonetheless, consumer demand in December will generally remain below last year's level due to the effective restrictions and a decrease in households' incomes.

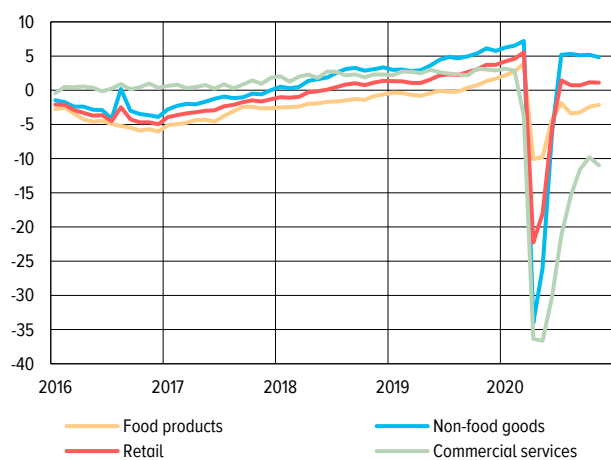
## GDP forecast

The actual worsening of the epidemic situation, the partial reintroduction of related restrictions, and weak external demand hinder the growth of business activity in the Russian economy. However, the extent of this influence is considerably lower than in Q2 since the effective restrictions are targeted and households and companies have already adjusted to the new conditions. According to the Bank of Russia's estimate, GDP may decline by approximately 4.0% in 2020. Sustainable growth is expected to resume in spring 2021, as the number of infections returns to normal. The Bank of Russia forecasts that GDP will expand by 3.0–4.0% in 2021.

RETAIL AND COMMERCIAL SERVICES  
TO HOUSEHOLDS

Chart 21

% growth on December 2015, SA

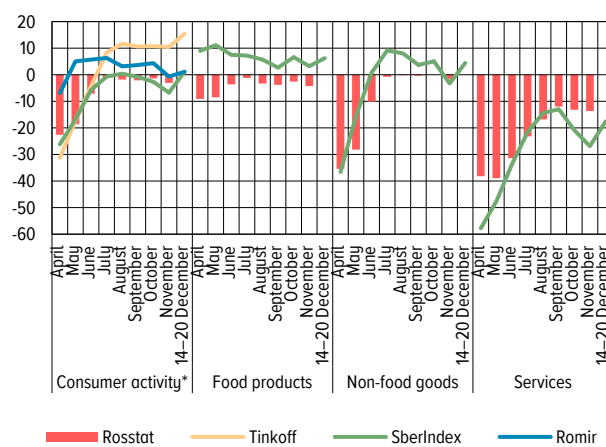


Sources: Rosstat, Bank of Russia calculations.

## CONSUMER DEMAND INDICATORS

Chart 22

% change on the same period last year



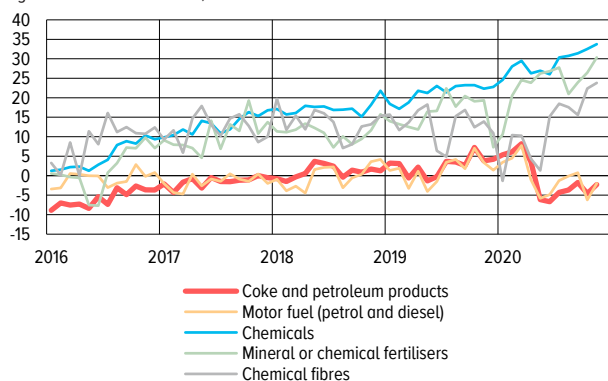
\* Retail turnover volume for Rosstat.

Sources: Rosstat, SberData laboratory, Tinkoff, Romir.

## ANNEX

PETROLEUM PRODUCTS, CHEMICAL SUBSTANCES AND PRODUCTS *Chart 1*

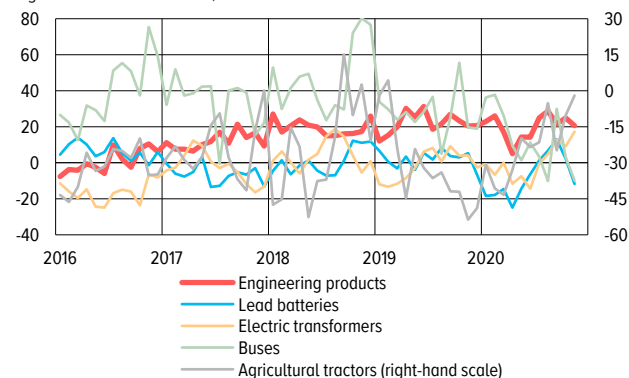
% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

ENGINEERING PRODUCTS *Chart 4*

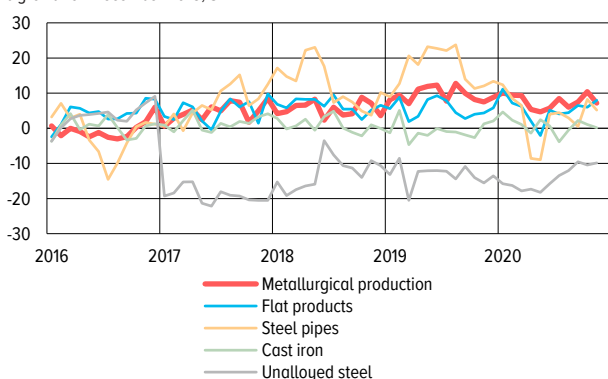
% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

METALLURGICAL PRODUCTION *Chart 2*

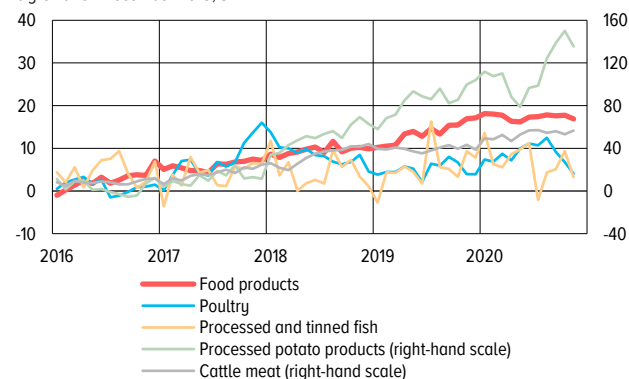
% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

FOOD PRODUCTS *Chart 5*

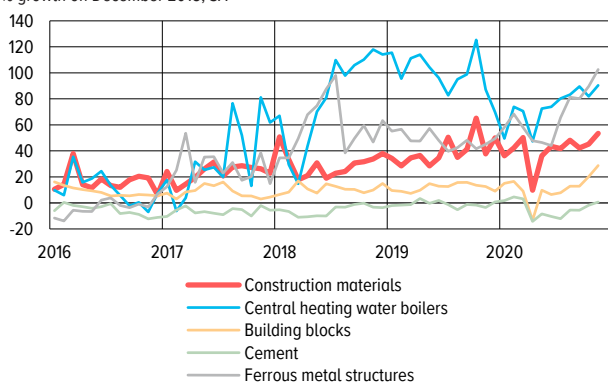
% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

CONSTRUCTION MATERIALS *Chart 3*

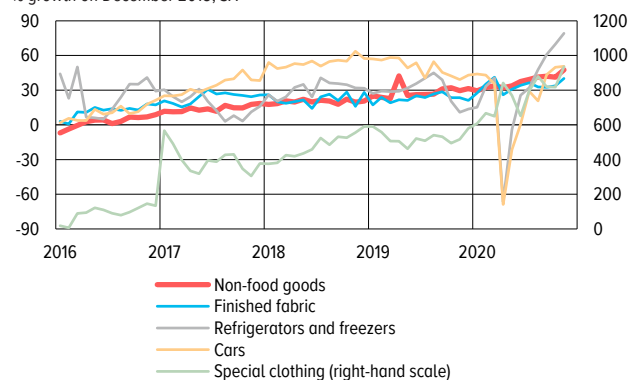
% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

NON-FOOD GOODS *Chart 6*

% growth on December 2015, SA



Sources: Rosstat, Bank of Russia calculations.

Data cut-off date – 23.12.2020.

A soft copy of the [information and analytical commentary](#) is available on the Bank of Russia website.  
Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).  
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