

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 11(134) June 2021

1. THE BANK OF RUSSIA TIGHTENS ITS MONETARY POLICY IN RESPONSE TO ACCELERATED INFLATION Bozhechkova A., Trunin P.	3
2. CONSUMPTION OF GOODS AND SERVICES: SECOND YEAR OF PANDEMIC RESTRICTIONS Burdyak A.	7
3. RETAIL LENDING IN JANUARY-APRIL 2021: GROWTH OF DEBT BURDEN INDICATOR Zubov S.	10
4. THE UNIFIED STATE EXAM (USE) AND THE QUALITY OF SECONDARY SCHOOL EDUCATION: THE CONSEQUENCES OF THE PANDEMIC Klyachko T., Semionova E., Tokareva G.	14

Monitoring of Russia's Economic Outlook

Monitoring has been written by experts of Gaidar Institute for Economic Policy (Gaidar Institute), Russian Presidential Academy of National Economy and Public Administration (RANEPA).

Editorial board: Sergey Drobyshevsky, Vladimir Mau, and Sergey Sinelnikov-Murylev.

Editors: Vladimir Gurevich and Andrei Kolesnikov.



GAIDAR
INSTITUTE
FOR ECONOMIC
POLICY



RANEPA
THE RUSSIAN PRESIDENTIAL ACADEMY
OF NATIONAL ECONOMY
AND PUBLIC ADMINISTRATION

11(134) 2021

Monitoring of Russia's Economic Outlook: trends and challenges of socio-economic development. 2021. No. 11(134). June. Edited by: V. Gurevich, S. Drobyshevsky, A. Kolesnikov, V. Mau and S. Sinelnikov-Murylev; Gaidar Institute for Economic Policy, Russian Presidential Academy of National Economy and Public Administration. 16 p. URL: http://www.iep.ru/files/text/crisis_monitoring/2021_11-134_Jun_eng.pdf

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

1. THE BANK OF RUSSIA TIGHTENS ITS MONETARY POLICY IN RESPONSE TO ACCELERATED INFLATION

Alexandra Bozhechkova, Candidate of Economic Sciences, Head of the Monetary Policy Department, Gaidar Institute; Senior researcher, Center for Central Banks Issues, IAES RANEPa;
Pavel Trunin, Doctor of Economic Sciences, Director of the Center for Macro-Economics and Finance, Gaidar Institute; Director of the Center for Central Banks Issues, IAES RANEPa

At its Board of Directors meeting in June, the Bank of Russia raised the key rate for the third time since the beginning of the year, by 0.5 p.p. to 5.5% per annum. This decision was caused by an accelerated inflation triggered by reviving demand as the containment measures were being lifted, alongside the ongoing super-loose fiscal and monetary policies in the majority of countries, rising prices in world commodity markets, and increasing inflationary expectations. As seen by the results of May 2021, inflation in annual terms reached 6% and, according to our estimates, its year-end index year will be at least 5.3%, which points to a high probability of continuing monetary policy tightening.

On June 11, following the Bank of Russia Board of Directors meeting, it was decided that the key rate should be increased by 0.5 p.p. to 5.5% per annum. This is the third increase in the key rate over the course of the current year, after it had been raised by 0.25 p.p. in March, to 4.5% per annum, and then by another 0.5 p.p. in April, to 5% per annum. This decision had to do with the effects of pro-inflationary factors and the inflation index actually moving above its trajectory plotted in the RF Central Bank's forecast. Inflation rose from 4.9% in December 2020 to 6% in May 2021 (vs 3% in May 2020, and 5.1% in May 2019), thus jumping 2 p.p. above its target set by the RF Central Bank. Inflation acceleration has been observed across the majority of countries around the world, and it has been caused by the rapid recovery of aggregate demand in response to the relaxing containment measures and the ongoing super-loose fiscal and monetary policies in the leading economies coupled with persisting problems with aggregate supply.

The stable nature of inflationary processes has also been confirmed by the dynamics of core inflation (cleared of price fluctuations associated with seasonal and administrative factors). Thus, over the period from January through May 2021, it was continuously on the rise, moving from 4.6% to 6.04% (vs 2.85% in May 2020, and 4.7% in May 2019). In this connection, the regulator's decision to tighten its monetary policy appears to be perfectly justified.

Over May 2021, the CPI gained 0.74%. Food inflation in May amounted to 0.96% (vs 0.2% in May 2020, and 0.4% in May 2019). The largest input in inflation acceleration was made by the rising prices for fruits and vegetables (2.94% in May 2021 vs -0.37% in May 2020, and 2.0% in May 2019). Note that prices for sugar and sunflower oil have remained stable after their significant growth prior to the government decision to freeze them.

Non-food inflation in May increased to 0.74% (vs 0.25% in May 2020, and 0.2% in May 2019). Alongside the rapidly recovering demand, the highest increase over the course of May was demonstrated by prices for construction materials

Monitoring of Russia's Economic Outlook



Fig. 1. Inflation over the previous 12 months, %

Source: Rosstat.

(4.99% in May 2021 vs 0.5% in May 2020, and 0.3% in May 2019). Prices for passenger cars in May 2021 rose by 2.2% (vs 1.2% in May 2020).

Over May, prices for paid services provided to the population gained 0.44% (vs 0.46% in May 2020, and 0.4% in May 2019). Meanwhile, rather rapid growth was demonstrated by prices for hospitality industry services (6.66%) and resort and spa services (2.37%), which can be explained by a seasonal surge in demand and the restrictions on foreign travel.

The key pro-inflationary factor has been the rapid consumer demand recovery which is higher than the existing potential for increasing output. Thus, the average monthly growth rate of retail turnover over February-April 2021 amounted to 2.3%, vs -7.2% in 2020, and 1.6% on average in 2017–2019. According to Sberbank data,¹ over April-May 2021, consumer spending increased by 5.7% in annual terms (vs -16.8% in May 2020). Passenger car sales in May 2021 increased 2.3 times on May 2020 (in May 2020, this index declined by 52% on May 2019; in May 2019 it likewise declined, by 6.7% on May 2018).²

Inflation acceleration in the Russian Federation occurred largely in response to the rising world prices for the majority of commodities traded on exchanges. During the period from January through May 2021, world prices for fertilizers increased by 34.6%; those for metals, by 26.2%; those for mineral raw materials, by 24.4%; and those for energy resources, by 35.1%.³ The food price index jumped from 108.5% in December 2020 to 127.1% in May 2021, hitting its record high since September 2011. Over January-May 2021, world prices for dairy products gained 10.6%; those of grain, 14.8%; those of sugar, 22.5%; and those of vegetable oils, 33.3%.⁴

As global aggregate demand has been recovering, inflation growth has been observed in the developed and developing economies alike. Over the period from January through May 2021, inflation in annual terms increased in the USA

1 URL: <https://sberindex.ru/>

2 Data released by the Association of European Businesses.

3 URL: <https://www.worldbank.org/en/research/commodity-markets>

4 Data released by the Food and Agriculture Organization of the United Nations (FAO). URL: <http://www.fao.org/>

1. The Bank of Russia tightens its monetary policy in response

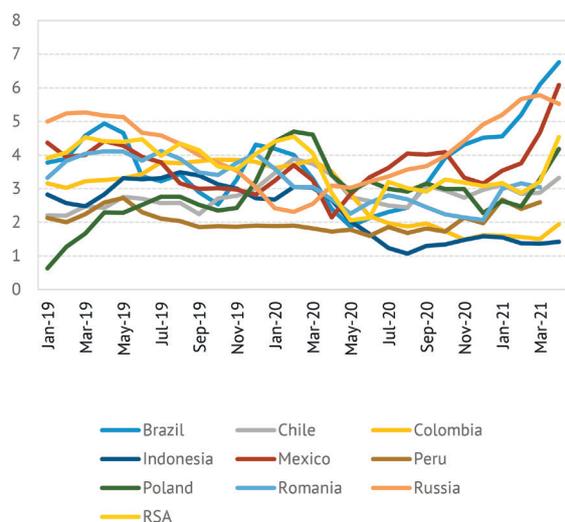


Fig. 2. Inflation over the previous 12 months in some developing countries, %

Source: IMF.

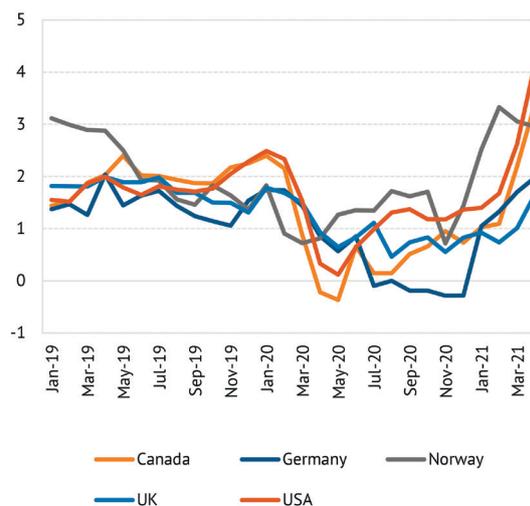


Fig. 3. Inflation over the previous 12 months in some developed countries, %

Source: IMF.

from 1.4% to 5%; in Germany, from 1% to 2.5%; in Canada, from 1% to 3.4%; in Brazil, from 4.6% up to 8.1%; in Mexico, from 3.5% to 5.9%; and in Poland, from 2.6% to 4.8% (Fig. 2–3).

The inflationary expectations of consumers were also demonstrating a rapid growth. In May 2021, they rose to 11.3%. The balance of answers given by the respondent enterprises concerning their price expectations jumped from 18.3 p.p. in January 2021 to 26.7 p.p. in May 2021, thus staying above its record highs of 2019–2020. According to the InFOM survey results,¹ the reason behind their growing price expectations were increasing costs. The relative share of enterprises admitting the presence of that factor in May 2021 increased to its record high of the last 12 years. The raised expectations will continue to exert pro-inflationary pressures throughout 2021.

After the ruble weakening in Q1 2021, by 2.5% to Rb75.7 against the US dollar, by the end of May the ruble gained 0.4% on year-beginning, and 1.1% on April 2021, its exchange rate rising to Rb73.6 rubles against the US dollar, which is close to its fundamentally justified level.² The ruble's forex rate was sustained by the rise in oil prices amid global economic recovery, a slight decline in geopolitical risks, the raise of the key rate by the Bank of Russia, and the increasing attractiveness of Russian assets. Meanwhile, the prevailing fiscal rule in the Russian Federation has prevented the ruble from strengthening significantly in the context of rapidly improving terms of trade. In the absence of any new shocks, the stabilizing situation in the forex market and a certain strengthening of the ruble will help contain inflation throughout 2021.

Thus, the Bank of Russia's decision on the key rate adopted on June 11 coupled with the signal that its further increase is also highly probable will conduce to

1 URL: http://www.cbr.ru/Collection/Collection/File/35369/inFOM_21-05.pdf

2 The estimates were obtained on the basis of a nominal exchange rate model where the relevant factors were oil prices, the differential of interest rates in Russia and abroad, financial markets volatility index Vix, and a dummy variable capturing foreign exchange interventions by the Ministry of Finance (for more details, see Bozhechkova A.V., Sinelnikov-Murylev S.G., Trunin P.V. Factors of the Russian ruble exchange rate dynamics in the 2000s and 2010s // Voprosy Ekonomiki. 2020. No. 8. P. 1–18).

Monitoring of Russia's Economic Outlook

bringing down both inflation and inflationary expectations. According to our estimates, by the end of 2021, inflation in Russia will stand at least at 5.3%; in face of a tightening monetary policy, annual inflation will gradually begin to decline in autumn, and it will return to its target level in mid-2022. 

2. CONSUMPTION OF GOODS AND SERVICES: SECOND YEAR OF PANDEMIC RESTRICTIONS

Alexandra Burdyak, Senior researcher, Standards of Living and Social Protection Research Department, IAES RANEPA

In April 2020, due to the introduction of lockdown, consumer demand significantly dropped. A year later, in April 2021, when the epidemiological situation caused ever less concern, the consumption of goods and services increased, almost recovering to the pre-pandemic level: for example, the retail trade turnover grew by 35%, and its structure looked more like “pre-COVID”. The subjective public perception of the rise in prices has changed over the past year: an increasing proportion of households consider it significant.

Since April 2021, annual indicators of retail trade turnover and the volume of paid services consumed by households have been steadily growing. Thus, the retail trade turnover amounted to 134.7%¹ (April 2021 against April 2020 in comparable prices), including 110.2% on food sales, including drinks and tobacco products, and 167.7% on sales of non-food items. The statistics of consumption of paid services shows that the volume of provided services in April 2021 was 1.5 times higher in comparable prices (152.1%) than in the same month of the previous year.

The structure of retail trade turnover became more similar to the pre-pandemic one: the share of food products, including beverages and tobacco amounted to 47.1% in April 2021, while in April 2020, food products, beverages and tobacco provided 57.3% of retail trade turnover. For comparison: it was 48.5% prior to the pandemic in April 2019.

To illustrate the process of consumer demand recovery, its dynamics was calculated over the past two years. The retail trade turnover in April 2021 reached 105.1% in comparable prices of the April 2019 values. Sales of non-food products amounted to 109%; sales of food, beverages and tobacco products was 101.2%; the volume of paid services reached 94% of the same indicator two years ago in comparable prices (*Fig. 1*). Thus, despite a significant increase in consumer demand relative to April 2020 and its recovery to the level of April 2019, the households' demand for paid services is still lagging behind the values of two years ago.

The consumer inflation in 2020 kept close to the target of the Central Bank of the Russian Federation, i.e. 4% per year, and at the end of the pandemic year amounted to 4.9% per annum. However, in May 2021, prices increased up to 6%² per annum after 5.5% in April 2021 (*Fig. 2*). Prices for food products increased

1 Report “Socio-economic situation in Russia” / Rosstat. URL: <https://rosstat.gov.ru/compendium/document/50801>

2 Indices of consumer prices for goods and services. Rosstat / UISIS. URL: <https://www.fedstat.ru/indicator/31074>

Monitoring of Russia's Economic Outlook

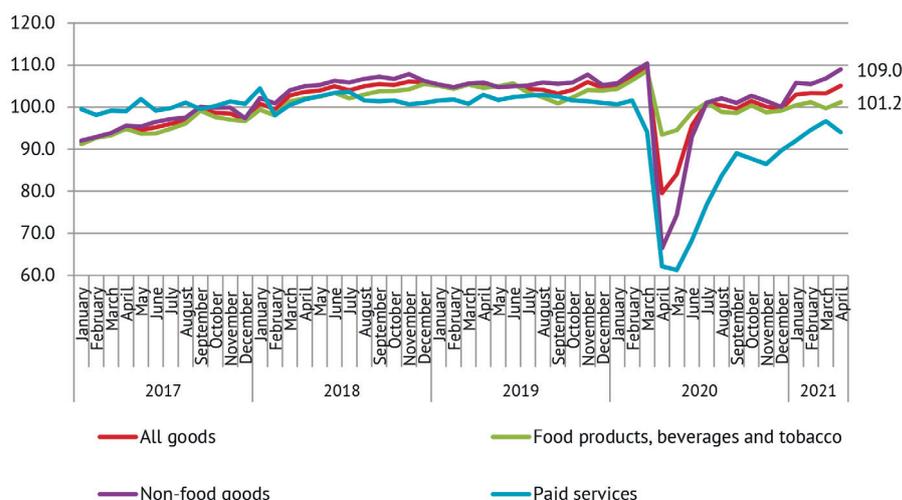


Fig. 1. Two-year dynamics of retail trade turnover and the volume of paid services, % to the same month two years ago

Source: Rosstat data, own calculations.

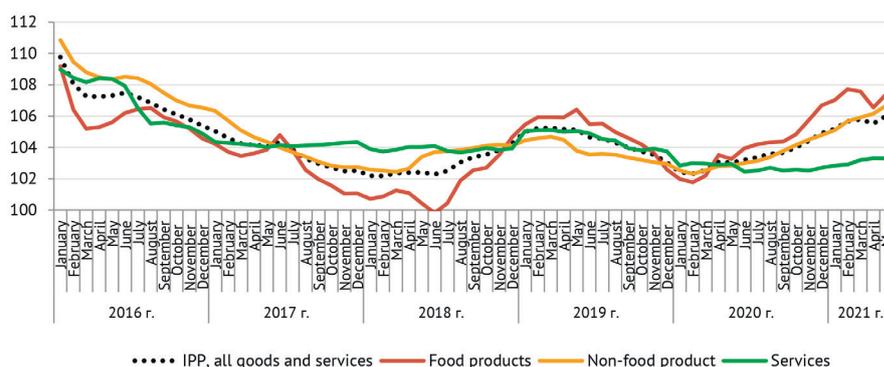


Fig. 2. Composite average consumer price index, price indices for food, non-food products and services, % to the same month of the previous year

Source: Rosstat data.

by 7.4% in May 2021 and for non-food products by 6.7%, for services by 3.3% compared to the same month of the previous year.

Regular weekly polls of households show that early June 2021 a significant number of consumers recorded a noticeable increase in prices over the last month for eggs (51% of respondents, while in April it was slightly higher – 57%), for meat and poultry (46%, stable since March), sugar (44%, stable since March), vegetable oil (43%, at the beginning of the year it was 46–48%), milk (38%), fish (37%), bread (33%), fruits and vegetables (30%), cereals and pasta (30%).

Among non-food products, respondents most often note the rise in prices for medical supplies (37%), gasoline (39%), construction materials (28%), clothing (26%). Interviewed respondents noted that housing and communal services (30%) and medical services (23%) are becoming more expensive. The dynamics of the listed indicators is generally stable, with a slight increase in recent years in medical services, clothing and footwear, as well as construction materials.

In general, the population's perception of pricing growth has changed for the worse: if before the pandemic, 27–29% of respondents noted significant

2. Consumption of goods and services: second year of pandemic restrictions

rise in prices over the past month (October 2019 – March 2020), then, after the first wave in August-October 2020, there were 33–34%, and in March-May 2021, 55–58% of respondents noted a significant increase in prices for food, non-food products and services over the past month.

Households' polls recorded an increase in the median value of the direct estimate of annual inflation from 8.3% in March 2020 to 9.2–9.4% per annum in August-September 2020, and then to 12% per annum in December 2020. In April-May 2021, the direct estimate of annual inflation was 14.5–14.8% per annum, which is significantly higher than the “pre-COVID” values. According to respondents, the expected inflation at the moment is 11.3–11.9% per annum, which is also significantly higher than before the pandemic (7.9% in February-March 2020).

73–77% of respondents confirmed that they have to economize, and this indicator has not changed since February 2019. 39% of respondents interviewed in May 2021 had to cut costs more than before, with no changes happened compared to the beginning of the year. The main areas of cutting costs are: leisure and travelling in Russia or abroad (35% of respondents), clothing, footwear (33%), food (27%), leisure (25%), repairs (25%).

The pandemic forced some households to change their economic behavior: 12% of households reflected in May 2021 that due to the pandemic they have postponed large spending (expensive purchases, repairs, vacation) and have not yet implemented them; at the beginning of the pandemic, 6% of households postponed such expenses, but then have fulfilled their plans; 9% of those surveyed did not change their plans for large spending due to the pandemic. The pandemic had no effect on 71% of those surveyed, the bulk of Russian households, since they did not plan any major expenditures prior to the pandemic.

The daily economic behavior has also changed. During the pandemic, about a quarter of households began: a) to reduce purchases, refuse any buying; b) buy discounted or promo food; c) buy cheaper goods (approximately 25% of respondents noted each of the three options) and still continue to use these strategies to this day. About 40% of those surveyed believe that the pandemic has not affected their economic behavior in any way. 

3. RETAIL LENDING IN JANUARY-APRIL 2021: GROWTH OF DEBT BURDEN INDICATOR

Sergey Zubov, Candidate of Economic Sciences, Assistant Professor, Senior researcher,
Department of Structural Research, IAES RANEPА

The growth rate of lending to individuals increased significantly in 2021 contributing to the expansion of consumer demand. Certain concern is caused by the growth of lending that is largely due to loans to high-debt borrowers. In this regard, the Bank of Russia decided to return macroprudential premiums¹ on unsecured loans to the level preceding the pandemic.

The aggregate debt of individuals to Russian banks reached Rub 21.7 trillion as of May 1, 2021. The growth in the total portfolio in the first four months of 2021 amounted to Rub 1,685.4 billion or 8.4%, which exceeds the growth in total banking assets (5.5%) and corporate loans (6.8%). A year earlier, loans to individuals for the same period increased by Rub 520.0 billion, or 2.9%. Thus, the growth rate of lending to individuals has noticeably increased relative to the beginning of 2020 and even exceeds the same indicator for 2019 (18.5% over 12 months).

Ruble loans account for Rub 21.6 trillion or 96.6%. The demand for foreign currency loans continues to decline and the total debt in foreign currency is only Rub 86.7 billion (including loans to non-resident individuals), or less than 0.4%. In the near future, one should not expect a serious revival of demand for foreign currency loans due to the instability of the ruble exchange rate and relatively high bank rates in dollars and euro.

The increase in overdue debt amounted to 5.1% with the total amount is Rub 980.2 billion. However, its share in the loan portfolio remains practically unchanged: as of 01.05.2021, it is 4.5%, while a year earlier this figure was at 4.6%. On the whole, overdue debt remains low, it is below the level in the corporate loan portfolio (6.5%).

The Bank of Russia conducted a survey of 74 credit institutions on the outcomes of their performance related to restructuring the debt of individuals for the period from March 20, 2020 to April 28, 2021. The credit institutions received 3,535,000 requests from borrowers to amend the terms of the loan agreement. As of April 28, 2021, approximately 99% of applications were reviewed. The number of approved applications reached 2,073,200, or about 59% of those considered. 1,424,000 cases were refused. The volume of outstanding loans on restructured loans amounted to Rub 927.3 billion.²

In April of this year, the volume of bank loans provided to households amounted to Rub 1.8 trillion, being a record value in the entire market history. The increase in debt in April (issued loans minus repaid loans) corresponds to

1 Allowances to risk ratios, according to provisioning for possible loan losses.

2 URL: https://www.cbr.ru/Collection/Collection/File/32275/drknb_18_2021.pdf

3. Retail lending in January-April 2021: growth of debt burden indicator

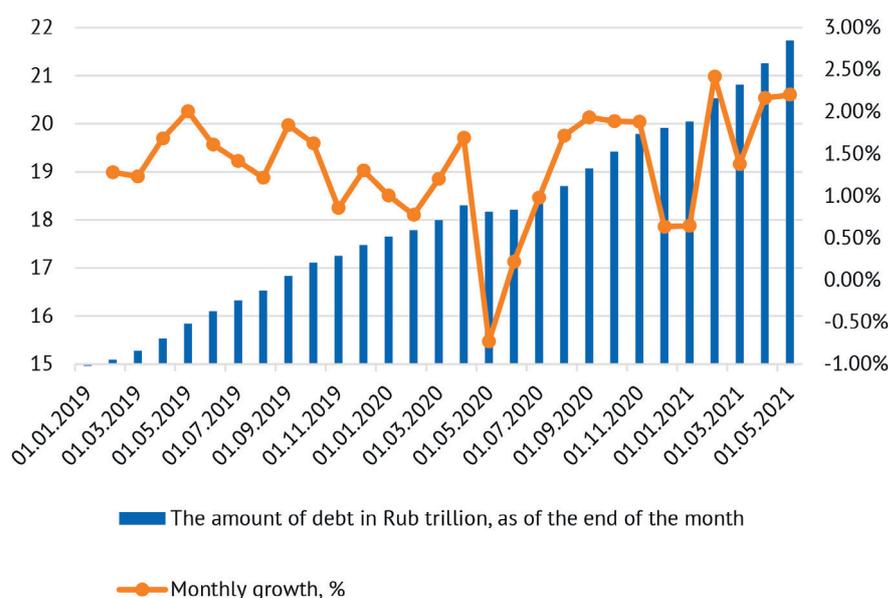


Fig. 1. Individuals' loan debt (Rub trillion) and monthly growth (%) in 2019–2021

Source: "RF banking sector statistical indicators" (Internet version) / Bank of Russia. URL: https://cbr.ru/banking_sector/statistics/.

the value of Rub 467.9 billion. Fig. 1 shows that measures implemented by the Bank of Russia aimed at market cooling (first of all, introduction of the debt burden indicator¹ (DBI) from 01.10.2019) did not have a significant impact on the households' volume of loans and growth of accounts payable.

The resumption of high growth rates in the retail lending market with a decrease in the households' real disposable incomes resulted in a significant increase in the indicator of the individuals' debt burden. As of April of this year, the ratio of payments on loans to households' disposable cash incomes reached 11.9%, being the maximum value in the entire history of observations. Earlier, the maximum value of 11.1% was recorded on October 1, 2020, and the minimum value of this indicator (8.2%) observed on April 1, 2016.

This situation is forcing the Bank of Russia to take measures to cool the market. From July 1, 2021, macroprudential premiums to risk ratios on consumer loans will be increased to the level in effect before the pandemic. The increase in premiums should help to reduce the volume of loans to borrowers having a high level of debt load, as well as stimulate credit institutions to gradually restore the size of the buffer, thereby adapting the banking sector to potential adverse scenarios.

Another deterrent will be the completion of mandate of regulatory concessions on loans to individuals from July 1, 2021. Banks will have to fully establish provisions for possible losses on loans restructured in relation to the pandemic. To mitigate the effect of this measure, the Central Bank of the Russian Federation made a decision to cancel from June 30, 2021 the premiums to the risk ratios on unsecured consumer loans extended before April 1, 2020.

According to the Bank of Russia estimates, this will allow banks to free up the assets in the amount of Rub 124 billion², which should help maintaining

1 Debt burden indicator is the ratio of incomes of the potential borrower and the amount of all loan payments

2 URL: https://cbr.ru/press/pr/?file=29042021_193000PR2021-04-29T19_14_15.htm

the capital adequacy ratios if need be to make additional provisioning for non-performing restructured loans after the regulatory relaxation completed. Meanwhile, the capital stock can be used by banks to cover losses on other active operations, in particular, on loans to SMEs.

The high demand for loans from households is largely due to the rise in prices (in particular, prices for automobiles and certain types of consumer goods), which is confirmed by analysis of various segments of retail lending. Thus, according to the NBCH (National Bureau of Credit Histories),¹ the average size of car loans exceeded Rub 1 million in Q1 2021, and growth over the year amounted to 45.8%. In this respect, a record number of car loans (105,800) was issued in April with the record of July of the precious year (101,500) exceeded. In the consumer lending sector, the average purchase amount increased to Rub 317,700, and the annual growth evidenced 37.7%.

A high proportion of loans to borrowers issued without a confirmed income remains in unsecured consumer lending (15.4%). Lack of technical ability to check the income of clients suspected for shadow income, forces banks to use the minimum value of the average regional income, when issuing loans, and the income declared by the borrower when calculating the debt burden indicator.

It is these loans that are largely issued in a situation where the debt load exceeds 100%. The Bank of Russia is currently working on creating a regulatory framework that allows credit and microfinance organizations (MFOs) to collect information on the transactional activity of borrowers (transactional scoring). When implementing these plans, banks and MFOs will be able to assess the amount of purchases and the categories of salespoints, where they

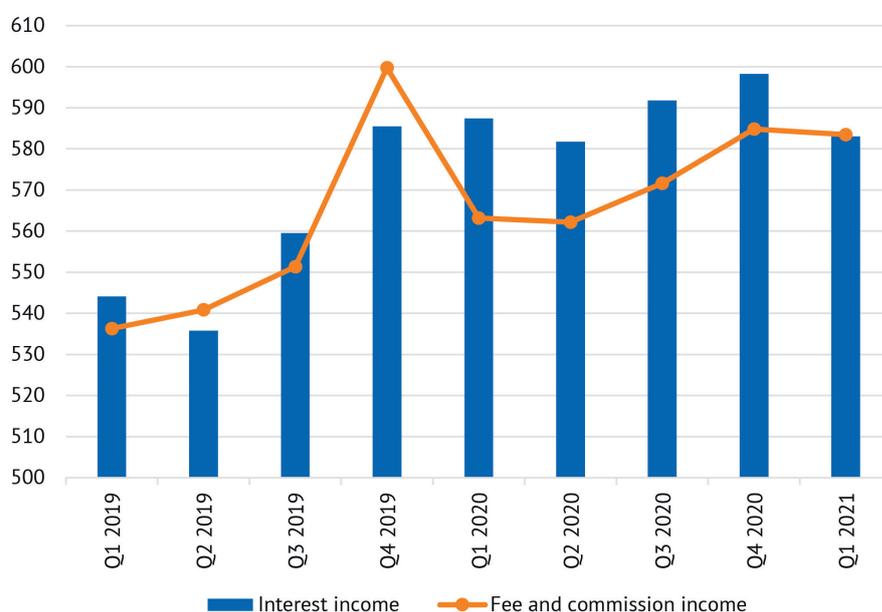


Fig. 2. Bank interest and fee/commission incomes on lending operations to individuals in 2019–2021, billions of Rubles

Source: Report on financial performance (form No. 102) for the period April 1, 2019 to April 1, 2021 / Bank of Russia. URL: http://www.cbr.ru/banking_sector/otchetnost-kreditnykh-organizaciy/

¹ URL: <https://www.nbki.ru/company/news/>

3. Retail lending in January-April 2021: growth of debt burden indicator

have been made, and thus receive additional information about the client's creditworthiness.

Lending to individuals in the current context is the most profitable operation of commercial banks. Therefore, despite the potentially high risks and regulatory measures, credit institutions will strive to maintain high lending volumes.

In recent months, banks have managed to use the situation to their advantage and increase interest and commission income on lending operations with resident individuals, despite a number of unfavorable factors, i.e. a drop in income, unstable financial environment, reduction in interest rates in 2020. Temporary reduction of interest income in Q1 associated with the fall in rates (*Fig. 2*), should be replaced by growth in the next quarters of the current year. ▀

4. THE UNIFIED STATE EXAM (USE) AND THE QUALITY OF SECONDARY SCHOOL EDUCATION: THE CONSEQUENCES OF THE PANDEMIC

Tatiana Klyachko, Doctor of Economic Sciences, Director of the Center for Lifelong Learning Economics (CLLE), IAES RANEPА;

Elena Semionova, Candidate of Economic Sciences, Leading researcher, CLLE, IAES RANEPА;

Galina Tokareva, Researcher, Center for Lifelong Learning Economics, CLLE, IAES RANEPА

The surveys conducted by the RANEPА's Center for Lifelong Learning Economics have shown that parents and secondary school teachers alike believe that the pandemic has not significantly affected the school system's performance in preparing students for their final exams. Nevertheless, children from low-income families and those living in rural areas were found to be the most vulnerable to the effects of containment measures and the switchover to online learning. This circumstance may contribute to the increasing inequality in educational opportunities for young people, including in the field of secondary vocational education.

Despite the fact that the state final certification of secondary school students in the OGE (Basic State Examination) and USE (Unified State Examination) format is already more than a decade old, the discussions as to its feasibility and effectiveness are still underway among the parent community and the professional learning community.

Secondary school teachers varied in their assessments of the effects of the introduction of the OGE and USE on the level of student training and the dynamics of their academic achievements. In recent years, about a quarter of all secondary school teachers noted an annual decline in the academic performance of schoolchildren. Thus, according to the results of a 2020 survey that had been conducted prior to the onset of the coronavirus pandemic,¹ 25.9% of the respondent teachers said that with the introduction of the OGE and USE, the level of student training did not improve - instead, it declined (vs 25.2% in 2019). Most of the teachers participating in the survey (68.6%) were confident that a better knowledge had been achieved by students only in those academic subjects in which they planned to take the exams (vs 70% in 2019). Only 5.6% of the respondent teachers believed that their students achieved a better knowledge in all school subjects (vs 4.8% in 2019).

The issue of preparing students for the exams acquired particular relevance this year when, under the conditions of imposed containment measures, the educational process was being switched over now and then to an online mode, and this could negatively affect the quality of their education. This assumption is confirmed by the results of the 2021 survey:² 51.1% of the respondent teachers noted a slight deterioration, and 34.2%, a significant deterioration of the education quality over the course of the last calendar year.

1 Survey by the CLLE of the IAES RANEPА.

2 The CLLE survey sample is structured as follows: in 2020, the sample consisted of 2,236 representatives of households and 2,126 secondary school teachers in Nizhny Novgorod, Novgorod, and Tula regions; in 2021, it consisted of 2,132 representatives of households and 2,056 secondary school teachers in Pskov, Yaroslavl, and Samara regions.

4. The Unified State Exam (USE) and the quality of secondary school

The negative assessments by the secondary school teachers notwithstanding, in 2021 neither they nor the parents noticed any decline in the performance of secondary schools pertaining to preparing the students for their OGE or USE compared to the results of surveys conducted over the previous years. According to 40.3% of the respondent teachers, most schools were quite capable of making their students successfully pass the OGE with high scores without any supplementary tutoring; at the same time, 28.4% of the respondents noted that this could actually be achieved only by the best schools.

In 2021, 30.2% of the respondent teachers were sure that the majority of schools did prepare their students for getting high USE scores without any supplementary tutoring. At the same time, 31.3% of the teachers were inclined to believe that this level of training could be provided only by 'strong' schools.

Among the parents, 41.1% believed that the school at which their child was studying was indeed able to prepare them for getting a high OGE score without any supplementary tutoring. At the same time, 11.9% of the respondent parents believed that without supplementary tutoring, their school could not ensure such a result, and 47% of the respondents could not give a definite answer to that question.

The problem of preparing for the USE remains an important issue because, in 2021, 66.9% of the respondent parents considered it necessary for their child to receive a higher education. Slightly more than a quarter of the respondent parents (28.3%) believed that the school at which their child was studying was capable of preparing them for getting a high USE score without any supplementary tutoring. And among these, 31.5% were the parents of grade 11 graduates. At the same time, 19.2% of the respondent parents noted that their school could not provide such training without supplementary tutoring. For 52.5% of the respondent parents, that question was difficult to answer.

The opinions of secondary school teachers and parents about the capability of schools to prepare their students for the state final certification surveyed over the course of the last academic year did not reveal any significant changes compared to the previous years, either negative or positive. And over the previous years, the performance of schools in this field had not been estimated to be very high, either. Many parents did not reduce their efforts to just letting their children prepare for the USE at their school, instead organizing for them some additional studies, in particular with private tutors. In 2021, a third of all the respondent parents of schoolchildren (34%) reported that they had hired private tutors both before and during the pandemic; 9.8% of the families noted that their child had begun to study with tutors only while switched to online learning; and 3.2% said that their child had studied with private tutors only prior to the pandemic. The families of children studying in grades 9–11 make up the largest share of the total number of households where private tutoring was organized on a regular basis, and also of the total number of those who hired tutors only at the onset of the pandemic. The survey data point to an increasing inequality, in recent years, in the access of schoolchildren to educational opportunities: more than half of the respondent parents (52.9%) reported that they had never hired tutors. And a majority of these respondents are also those who assessed their financial status to be low (59.3%), as well as those who live in rural areas (60.7%).

It is worth noting how secondary school teachers assess the impact of the pandemic on the education quality of students attending different grades. Almost half of them (48.7%) believe that the pandemic affected the quality of

Monitoring of Russia's Economic Outlook

education of all secondary school students. Meanwhile, 29.3% of the respondent teachers noted that the education quality deteriorated most notably for the students in grades 5–8; 13.4% of teachers believed that these were primary school students; and only 4% of teachers expressed the opinion that the education quality during the year of the pandemic deteriorated for the most part for the students in grades 9, 10, and 11. A separate note should also be made of the opinion of the teachers that the education quality decline affected most strongly those of the students who had already been experiencing some difficulties in mastering the school curriculum. 