

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 16(139) October 2021

| | |
|--|----|
| 1. RUSSIAN REGIONS: OVERCOMING THE COVID CRISIS IN 2021 Zubarevich N. | 3 |
| 2. CORPORATE LENDING, JANUARY THROUGH AUGUST 2021 Zubov S. | 8 |
| 3. ADAPTATION OF RUSSIAN INDUSTRY TO THE 2020 CRISIS Tsukhlo S. | 12 |
| 4. MIGRATION MOBILITY OF RUSSIAN YOUTH IS JUSTIFIED BY EDUCATIONAL PRIORITIES Klyachko T., Semionova Y. | 15 |

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

16(139) 2021

Monitoring of Russia's Economic Outlook: trends and challenges of socio-economic development. 2021. No. 16(139). October. 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. 17 p. URL: http://www.iep.ru/files/text/crisis_monitoring/2021_16-139_Oct_eng.pdf

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

1. RUSSIAN REGIONS: OVERCOMING THE COVID CRISIS IN 2021

Natalia Zubarevich, Principal Researcher, Doctor of Sciences (Geography),
Department of Demography, Labor Market and Migration Studies, INSAP, RANEPA

The economic recovery from January to July 2021 was faster in regions dominated by manufacturing. Regions with an abundance of raw materials, especially oil, grew more slowly. The service sector recovered faster in the largest agglomerations and in resort areas of southern regions. Employment in small and medium-sized businesses did not decrease in most regions, but increased in federal cities. Unemployment rates have almost returned to pre-crisis levels, except in a number of territories. Real incomes of the population are recovering slowly, with growth noticeable only in large cities. Budget policy is balanced in most regions.

Positive dynamics of regional development from January to July 2021 (hereafter January-July 2021) are largely due to the effect of the low base of the previous year. Industrial production increased by more than 4% due to manufacturing industries (5.6%). The growth of the extractive industry (1.5%), which accelerated beginning in the summer of 2021, had a visible lag across regions: the extractive industry is in worse condition and improved more slowly than industry in general (Fig. 1). Industrial production increased in all federal districts, with the exception of Siberia. The best indicators were in the Central District (18%), owing to specialization in manufacturing in other districts, the growth rate did not exceed 3–6%.

Among the large industrial regions, those that grew fastest were the same as those experiencing the strongest decline a year earlier (Primorsky Krai, Yakutia, Ulyanovsk region - 23–30%), and regions dominated by manufacturing (Moscow, Kursk, Kaluga, Nizhny Novgorod, and Rostov regions – 11-16%), experienced even higher growth rates, for example, Moscow (25%). Among eighteen regions with a decline in industrial production, oil-producing ones predominate (Nenets and Khanty-Mansi Autonomous Okrugs, Komi Republic, Sakhalin, Astrakhan, and Irkutsk regions and Krasnoyarsk Krai).

Investments in H1 2021 increased by 7% in real terms, the decline of last year (-2%) was overcome in the country as a whole, although not in almost one-third of the regions. The most significant and prolonged decline was in the Sakhalin, Kaliningrad, Novgorod, and Kurgan regions and the Komi Republic. The reduction of investments in Crimea by a third and by more than 40% in the Tyumen region is due to the completion of large infrastructure or industrial projects. In Khanty Mansi AO, investments decreased by a quarter in H1 2021, but this was after they had grown over the same period in 2020.

The rapid growth of housing commissioning continues – by 30% (in square meters) in January-July of 2021. It was stimulated by soft mortgage loans; it was also affected by the low base of 2020 (due to lockdown). Housing construction is increasingly concentrated in the two largest agglomerations of federal cities:

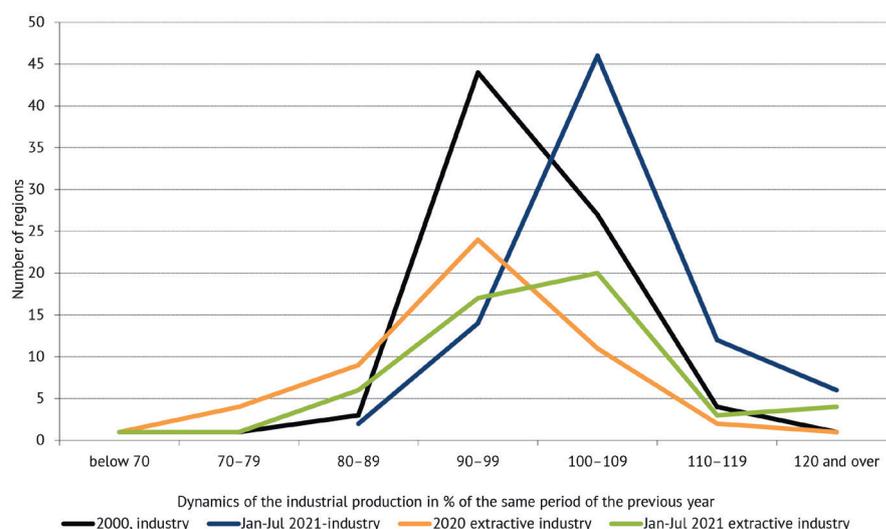


Fig. 1. Distribution of regions according to the dynamics of industrial production (regions with a share of more than 0.05% of the total industrial production of Russia, including output of the extractive industry)

Source: Rosstat.

in St. Petersburg housing commissioning has almost doubled, in the Leningrad region grown by 74%, and in Moscow and in the Moscow region – by one and a half times. Only twelve regions had negative dynamics, mainly with small volumes of housing construction, with the exception of the Krasnodar Krai (-4%), which caused the indicator of the entire Southern Federal District to deteriorate (an increase of only 9%). Housing commissioning in the Siberian and Far Eastern Federal Districts increased slightly more slower than the average in the country (25–27%).

The recovery of retail trade by 9% recorded in January-July of 2021 exceeded the decline of the same period last year (-6%) in the whole country, but not in all regions. According to Rosstat, the decline continued in the Omsk, Tomsk, and Murmansk regions and Nenets Autonomous Okrug, and in 20 more regions, recovery did not compensate for the previous fall. Among services, retail trade recovered more slowly, since its volume had not declined so much in the previous year (Fig. 2). The most significant recovery in retail trade, which exceeded the rate of decline of the previous year by 2–3 times, was observed in Moscow and St. Petersburg due to the significant growth in household incomes, and in the Krasnodar Krai. due to the influx of vacationers.

The turnover of public catering recovered particularly fast (an increase of 31% in January-July 2021), after a sharp decline a year earlier (-25%). More than half of the regions compensated for the past year's decline, in the lead were Moscow, which accounts for a fifth of the total turnover of public catering in the country and where incomes of the population began to recover earlier, and resort area regions – Crimea and Krasnodar Krai. In these regions, growth rates for January-July exceeded the rate of decline of the previous year by 2–2.5 times.

The 19% increase in the volume of paid services in January-July of 2021 did not compensate for a strong decrease (-20%) over the same period the previous year. Less than 40% of regions have overcome their crisis recession. The dynamics are better in the Moscow region, where a considerable part of Muscovites have moved to remote work, and in the regions of the Southern

1. Russian Regions: Overcoming the Covid crisis in 2021

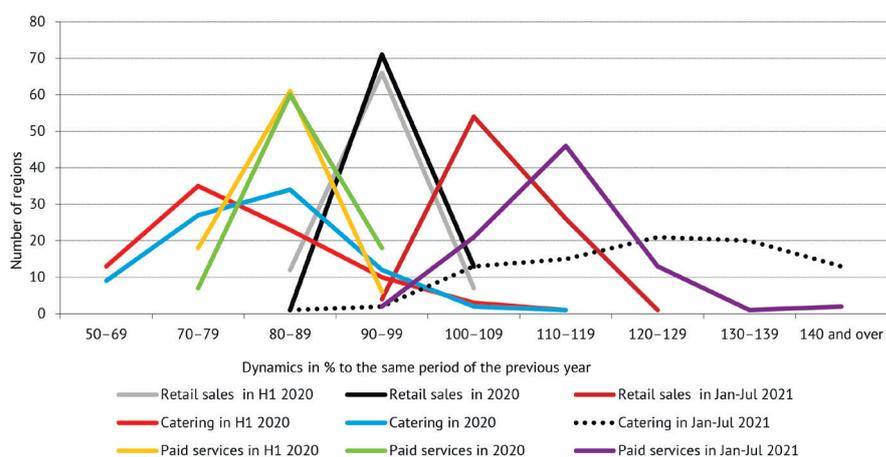


Fig. 2. Distribution of regions by dynamics of retail trade, catering and paid services

Source: according to Rosstat.

Federal District due to the increased influx of vacationers. In Moscow, the decline has not been overcome due to a decrease in passenger traffic in public transport and partial restrictions on the operation of certain types of services in Q1 and in the summer of 2021.

According to Rosstat, the pandemic has not affected employment in small and medium-sized enterprises (SMEs): in Q1 2021, the number of employed even increased by 0.5% compared to Q1 2020. It grew fastest in St. Petersburg (by 5%), in the Moscow region (by 3%) and in Moscow (by 2%), and in total, these three subjects of the Russian Federation account for more than 26% of all employed in SMEs in Russia. At the same time, employment decreased in more than 40% of regions, most of all in Ingushetia and Buryatia (by 20–16%), in the Khabarovsk Krai, Tula region and Yamal Nenets AO – by 6%.

Unemployment rates have declined and almost returned to pre-crisis levels. The unemployment rate according to the ILO methodology decreased in May-July of 2021 to 4.7%. The same regions as before the Covid crisis remain problematic – the republics of the North Caucasus and southern Siberia, Transbaikalia, Khakassia, and the Kurgan region. The registered unemployment rate at the end of July 2021 decreased to 1.4% (at its peak in September 2020 it reached 4.9%). The dynamics were influenced by the reduction in the amount of unemployment benefits for many recipients and the tightening of registration rules. The distribution of regions by this indicator almost returned to the pre-crisis level (Fig. 3). Registered unemployment decreased more slowly in some republics of the North Caucasus and in the east of the country (Yakutia, Transbaikalia) due to a more difficult situation in the labor markets and a less significant reduction in subsidies from the federal budget for the payment of unemployment benefits. Registered unemployment in Moscow (0.5%) has almost returned to the pre-crisis level, and it is twice lower than in St. Petersburg (1%). The capital is ahead of all regions in restoring the labor market.

Trends in real incomes of the population look the most problematic. Until Q1 2021 inclusive, they were mostly negative, so the distribution of regions by this indicator changed insignificantly (Fig. 4). Their growth of 7.7% in Q2 2021 is largely due to the effect of a low base, since the decline in the same quarter of 2020 was significant (almost 8%), and it has not been overcome. According to Rosstat, there was continued decline in household incomes in Q2 2021 in the

Monitoring of Russia's Economic Outlook

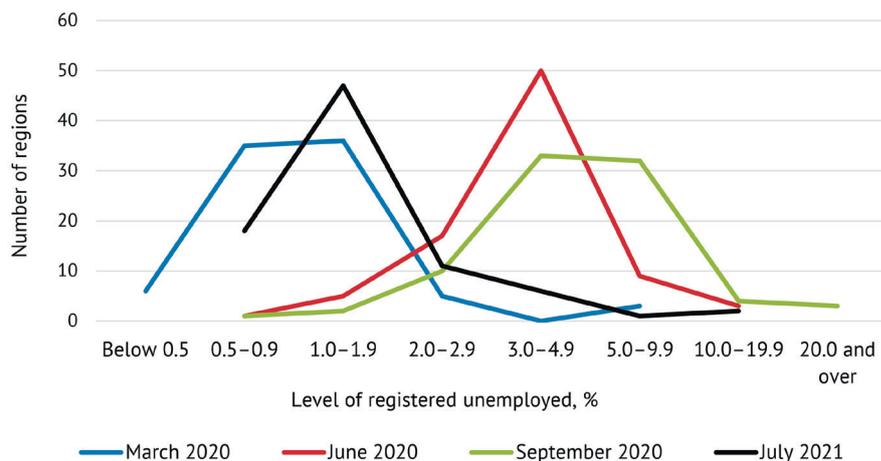


Fig. 3. Distribution of regions by registered unemployment rate

Source: according to Rosstat.

Nenets Autonomous Okrug and no growth in real incomes in 11 more regions. A comparison of the regional rates of decline and recovery in Q2 2020 and 2021 demonstrates that the crisis decline in household incomes has been overcome only in Moscow, St. Petersburg, Sevastopol, the Yamal-Nenets Autonomous Okrug and in a dozen other regions, the dynamics of which are hard to explain.

Revenues of the consolidated budgets of the regions in January-July 2021 increased by 18%, tax and non-tax (own) revenues – by 24%, income tax receipts – by 38%, and personal income tax – by 16%. Positive trends are primarily due to the effect of the low base of the previous year, and another reason was the rapid growth of profits in the ferrous metallurgy and the production of mineral fertilizers due to an increase in demand and in world prices. As a result of income tax receipts in regional budgets where large metallurgical companies are located, they continue to break records; in the Belgorod, Vologda and Lipetsk regions, they increased 3–3.5 times, in the

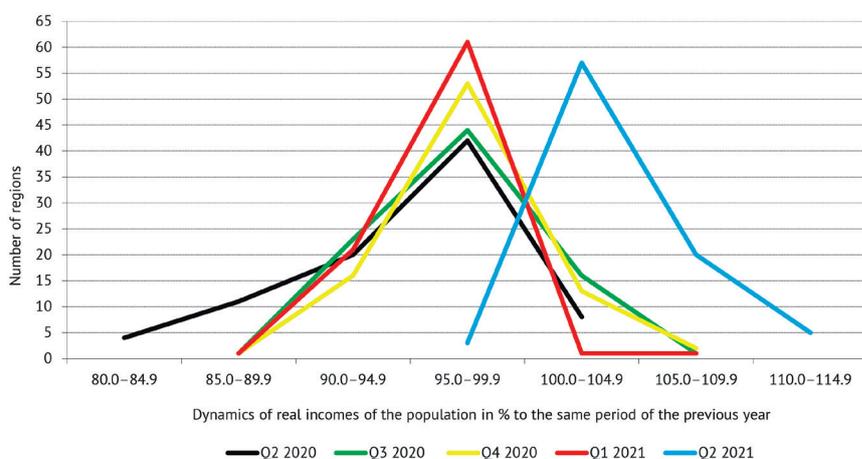


Fig. 4. Distribution of regions according to the dynamics of real incomes of the population

Source: according to Rosstat.

1. Russian Regions: Overcoming the Covid crisis in 2021

Chelyabinsk region – 2.5 times. Income tax receipts doubled in regions of mineral fertilizers production – the Novgorod, Kirov and Perm regions, as well as in the Kemerovo region (coal, metallurgy) and in Tatarstan, where the decline in the receipts of this tax in the previous year was very strong. Budget revenues decreased only in the Khanty-Mansi Autonomous Okrug and the Sakhalin region (by 16 and 10%, respectively) due to a one-third drop in income tax receipts owing to the effect of the high base of last year (due to the peculiarities of taxation, both regions had an increase in this tax in 2020)¹.

Expenditures of the consolidated budgets of the regions in January-July 2021 increased by 7%. Expenses decreased only in Bashkortostan, Tyumen and Sakhalin regions (by 2–6%). The dynamics of spending varies greatly by region. Moscow is pursuing an active countercyclical policy, its budget expenditures on the national economy increased by 24% (including on transport – by 28% and on road infrastructure – by 77%); in other regions, the total increase in expenditures under this item was small – by only 7%.

Housing and utilities costs have increased significantly – in Moscow by 21%, in other regions – by 17%. The dynamics of social spending was also different: spending on education (11%) and social policy grew faster (by 11% excluding Moscow, in the capital they decreased by 2%), budget expenditures on healthcare decreased everywhere (in Moscow – by 27%, in other regions by a total of 14%), which is owing to a decrease in capital expenditures on the deployment of Covid-19 hospitals, beds and the purchase of relevant equipment. Total healthcare expenditures of regional budgets and territorial mandatory medical insurance funds (TFOMS) have not decreased too much – by 17% in Moscow and by 4% in all other regions. Recall that in 2020, regional budget expenditures on healthcare increased by 72%, including in Moscow – by two times.

Due to the growth of revenues exceeding that of expenditures, the budgets of most regions remained balanced, only 14 regions had budget deficits in January-July, the most significant deficits (-4–5%) were in the Ulyanovsk and Leningrad regions, the Komi Republic, Kalmykia, and the city of Sevastopol. ▀

1 In the Khanty-Mansi Autonomous Okrug and the Sakhalin region, income tax receipts in January-July of 2020 grew compared to the same period of 2019.

2. CORPORATE LENDING, JANUARY THROUGH AUGUST 2021

Sergei Zubov, Candidate of Economic Sciences, Associate Professor, Senior Researcher, the Structural Studies Department, IAES, RANEPА

Owing to the Russian banking sector's stability based on excess liquidity and high levels of capital, banks can step up corporate lending operations on the market. Overdue debts remain at a low level, while the debt on loans restructured because of the pandemic keeps growing and represents a potential credit risk.

As of September 1, 2021, corporate borrowers' overall loan debt¹ to Russian banks was equal to Rb49.3 trillion. In January-August 2021, corporate loan portfolio growth amounted to Rb4.6 trillion or 10.2% and surpassed slightly aggregate bank assets growth (9.2%). In the same period of 2020, Russian banks' corporate loan portfolio also increased by Rb4.6 trillion or 11.8% to Rb43.6 trillion. So, corporate lending growth rates slowed down a little as compared with the relevant period of 2020.

In January-August 2021, the ruble corporate loan portfolio grew by 13.4% and was equal to Rb37.6 trillion or 76.1% of the overall corporate debt, while in the previous year, to 8.9% and its share in the overall loan portfolio was almost at the same level as this year (74.3%). January through August 2021, the foreign currency portfolio increased by 2.5%; in 2020 more substantial growth of 25.7% was driven by depreciation of the ruble exchange rate.

The level of overdue debt was decreasing both in terms of absolute volume and relative to the volume of corporate loan portfolio. As of September 1, 2021, overdue debt on loans to enterprises amounted to Rb2.9 trillion, a decrease of Rb255.5 bn or 8.1% since the beginning of the year. At the same time, the overdue debt/overall corporate loan portfolio ratio fell from 7.1% to 5.9%. So, most Russian banks took advantage of the Central Bank of Russia's mitigations to restructure a portion of potentially bad debts and applied effectively various instruments (assignment of debts to debt collectors, enforcement of pledge, utilization of insurance instruments and other) to manage them.

After the cancelation of mitigations related to the formation of loan-loss provisions during the pandemic, banks revised their policy in respect of credit risks: owing to a relative financial stability, they could adjust downwards their reserves. By contrast with retail lending operations where volumes of created loan-loss provisions exceeded the volumes of recovery thereof, corporate lending saw a release of a portion of reserves (*Fig. 1*). A decrease in the level of debt provisions can be regarded as a positive effect which reduces a load on bank capital, facilitates an upturn in loan offer and drives down partially interest rates growth. However, the efficiency of banks' risk management methods still

¹ Loans to non-financial and financial institutions, as well as individual entrepreneurs.

2. Corporate Lending, January through August 2021

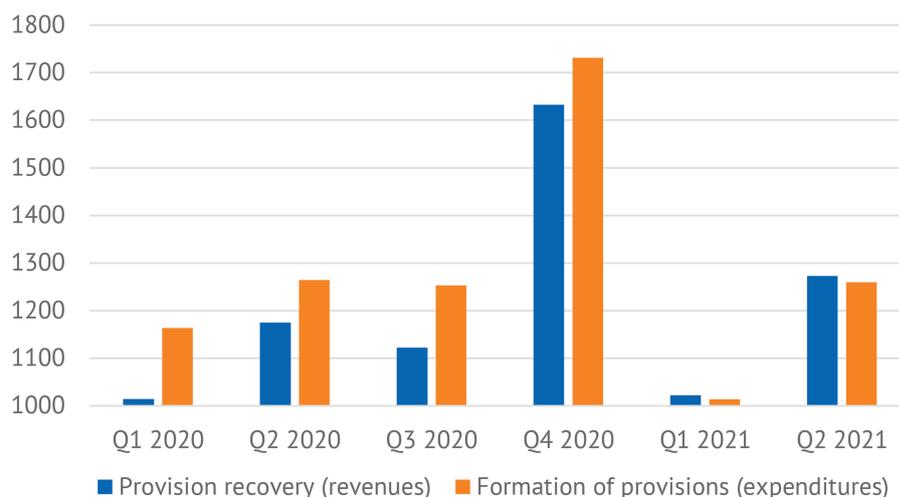


Fig. 1. Dynamics of revenues from provision recovery and expenditures on loan-loss provisions (with adjustments included) in 2020–2021, million rubles

Source: “Statistical Indicators of the Banking Sector of the Russian Federation” (a web version) / The Central Bank of Russia. URL: https://cbr.ru/banking_sector/statistics/; own calculations.

raises questions as it is premature to speak about complete exit from the crisis caused by epidemiological factors.

According to the data of the Central Bank of Russia, in the period from March 20, 2020 till June 30, 2021 restructured loan debt was equal to over Rb6.1 trillion or 16.5% of the overall portfolio of the surveyed banks (except for SME).¹ As of August 25, 2021, restructured debt on loans extended to SME amounted to \$949.2 bn or 15.3% of the overall SME loan debt.² In 2021, restructured loans growth has slowed down and the pandemic-related loan debt restructuring is expected to return soon to a standard banking practice of dealing with defaulted borrowers.

It is impossible to assess unambiguously the risk of transformation of the accumulated restructured debt into bad debt. However, potential credit risks are still quite high and require further efforts on the part of the Central Bank of Russia. According to the Central Bank of Russia³, extractive sectors (the oil and gas industry and metallurgy) – where owing to appreciation of prices of primary products enterprises’ financial solvency has recovered – account for a considerable volume of restructured debts (over 50%). At the same time, loans extended to other industries, in particular the commercial property sector (about 20% of restructured loans) where recovery is not completely over yet, give cause for concern.

The sectoral pattern of corporate loans has undergone changes as compared with 2020. Leaders in terms of borrowings are businesses of the following sectors: “financial services, except for insurance services and pension schemes” (Rb22.1 trillion or 47.6% of the overall amount of loans granted in January-July 2021), “wholesale trade, except for trade in motor vehicles and motor bikes” (Rb5.4 trillion or 11.6%) and “retail trade, except for trade in motor vehicles and motor bikes” (Rb2.5 trillion or 5.3%).

1 URL: https://cbr.ru/Collection/Collection/File/35524/drknb_21_2021.pdf

2 URL: https://cbr.ru/Collection/Collection/File/36606/drknb_22_2021.pdf

3 URL: https://cbr.ru/Collection/Collection/File/35586/analytical_review_bs-2021-2.pdf

Borrowings increased the most in the following sectors: “coal mining” (an increase of 219.2% in January-July 2021 on the relevant period of 2020), “extraction of other mineral resources” (218.1%) and “administrative and economic activities, auxiliary activities related to maintenance and support of entities, as well as activities on provision of other auxiliary services for business” (167.9%).

Despite implementation by the government and the Russian Central Bank of soft loan programs and other support measures for sensitive industries, lots of sectors experienced serious problems in raising bank loans and had to reduce their borrowings. As of August 1, 2021, 38 sectors (46.9% of all types of business activities) saw a decrease in debts on bank loans as compared with August 1, 2020. The most substantial decline was registered in the following industries: “production of tobacco products” (a drop of 57.8%), “other types of activities” (54.4%) and “creative activity and activities in the field of art and entertainment” (51.8%).

The most troubled sectors in terms of the level of overdue debt included the following: “provision of services related to elimination of the consequences of pollution and waste management” (overdue debt is equal to 90.3% of overall debt), “forestry and logging” (73.9%), “auxiliary activities in the financial services sector and insurance” (63.5%).

Despite a pickup in lending volumes, the overall number of legal entities and private entrepreneurs with outstanding debts owed to banks has been declining this year (Fig. 2). As of August 1, 2021 this number was equal to 401,900, a decrease of 20.2% as compared with the beginning of 2021. Such a decline can be substantiated by the fact that most banks took full advantage of the subsidies allocated under the soft loan program by April-May.

The RF Ministry of Economic Development proposed to reduce the average amount of preferential loans under the soft loan program for SME (“RF Government Resolution No.1764”)¹ financed out of the government’s

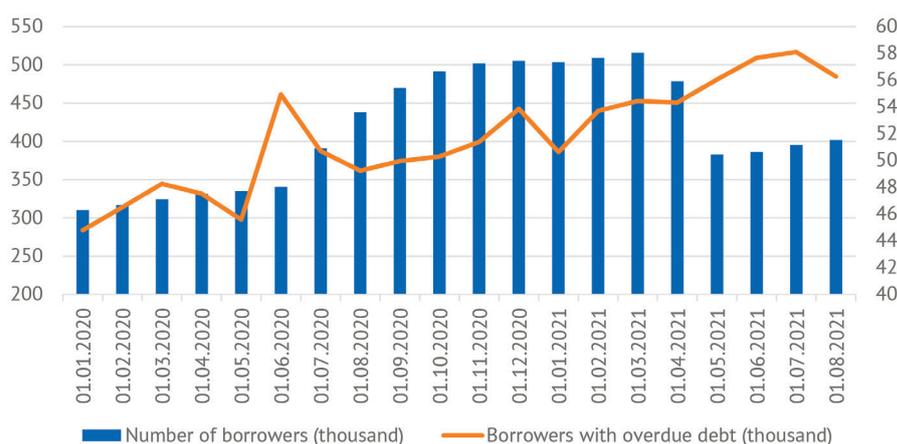


Fig. 2. The number of legal entities – residents and private entrepreneurs – with outstanding debts (including overdue debts) in 2020–2021, thousand units

Source: “The Information on the Number of Borrowers and Extended Loans” (a web version) / the Central Bank of Russia. URL: http://www.cbr.ru/statistics/bank_sector/sors/

1 Implemented within the framework of RF Government Resolution No.1764 of December 30, 2018.

2. Corporate Lending, January through August 2021

reserve fund and focus on the segment of the smallest borrowers in order to ensure as much as possible the coverage of SME with government support.¹ This decision suggests introduction of limitations on loan volumes and reduction in the ceiling of subsidies for indemnification of short-received income to banks which violate these requirements. This program, if implemented, will rekindle business activity, promote the competitive environment in the real sector of the economy and ensure target government support to specific industries. At present, SME can still take advantage of numerous financial and credit support measures which are still in effect, for example: an “umbrella” mechanism for providing loan guarantees from the SME Corporation, soft loan programs for business revival and the Acceleration national project. 

¹ URL: https://www.economy.gov.ru/material/news/minekonomrazvitiya_uelichit_kolichestvo_poluchateley_lgotnyh_kreditov_po_programme_1764_dlya_subektov_msp_html

3. ADAPTATION OF RUSSIAN INDUSTRY TO THE 2020 CRISIS

Sergey Tsukhlo, Candidate of Economic Sciences, Head of Business Surveys Laboratory, Gaidar Institute

In Q3 2021, the Russian industry demonstrated a high level of adaptation to the current economic environment. High estimates of demand by industrial enterprises largely contributed to the growth of Adaptation Index, as well as the availability of stocks of finished products and production capacity. The level of estimates of the financial and economic situation of enterprises remains high.

The term Industry Adaptation Index (normality)¹ introduced into research practice during the crisis of 2015–2016 makes it possible to understand how Russian enterprises estimated their situation during another and, most likely, already completed crisis, as well as at the stage of recovery. When calculating this Index, the answers “normal” were used to the evaluative questions of the market questionnaire for 1994–2021 issued by the Gaidar Institute. The quarterly Adaptation Index includes estimates of demand, stocks of finished products, stocks of raw materials and supplies, production capacities, staffing and financial and economic situation of enterprises.

According to our research, once again, the Russian industry demonstrated a high ability to adapt to new economic conditions during an extraordinary virus crisis 2020. In Q2 2020, the Adaptation (Normality) Index decreased by 2.5 p.p., the symbolic value for such a crisis. At the beginning of the previous crisis, 2015–2016, the index lost 2 p.p. (Fig. 1).

Demand estimates contributed most to the decline in the Adaptation Index in the beginning of the 2020 crisis. According to quarterly average data, the share of “normal” answers decreased by 14 p.p. compared to Q1 2020. According to monthly data (estimates of demand as per scale of “above normal”, “normal”, “below normal” are updated on a monthly basis), the maximum decrease in sales satisfaction fell on April. At that time, the demand was considered normal by only 37% of enterprises compared to 60% in February-March. However, already in May-June, estimates of demand began to recover, and the industry finished the first crisis (and therefore the most difficult) quarter with 47% of “normal” answers.

The second indicator that declined at the beginning of the crisis related to estimates of stocks of raw materials and supplies. However, the drop in the share of normal estimates of these reserves was insignificant (4 p.p.) and lowered this indicator to only 81%, i.e. 4/5 of industrial enterprises possessed normal stocks of raw materials when the crisis unfolded. The reduction in the industry

¹ For further details: Russian economy in 2015. Trends and prospects. (Issue 37) / M.: Publishing House of the Gaidar Institute, 2016 – p.210.

3. Adaptation of Russian industry to the 2020 crisis

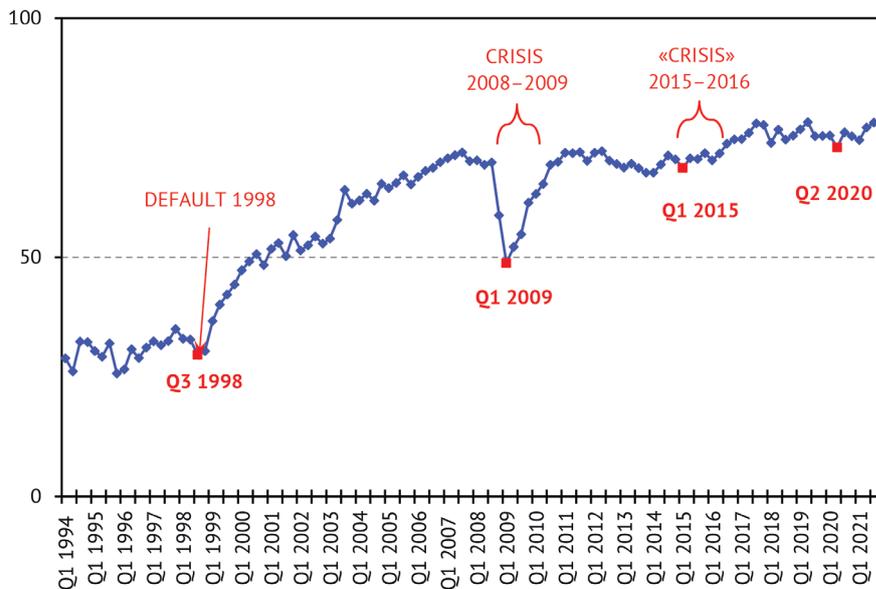


Рис. 1. Industry Adaptation (Normality) Index, 1994–2021, % (share of enterprises estimating their indicators as “normal”)

sufficient supply of employees amounted to 2 p.p. and was explained by the revision of estimates of the available employees in anticipation of a sharp and prolonged decline in production. Thus, the main changes took place in regard to the assessments “more than enough” and “less than enough”: the protracted shortage of employees was replaced by their surplus.

Production capacity was the only indicator that showed an increase in the share of normal estimates at the beginning of the crisis. The share of “sufficient” answers in April 2020 rose to 71 compared to 66% in January. However, the scale of the industry overcapacity decreased from 27% to 24%.

Already in Q3 2020, the Adaptation (Normality) Index returned to pre-crisis values. The largest contribution to the Index growth was made by estimates of demand, which immediately recovered 12 p.p. out of 14 lost a quarter earlier. The normal (“sufficient”) supply of the industry with employees increased by 5 p.p., but the balance became negative again, as the quick exit from the lockdown reminded the enterprises of the chronic shortage of personnel. Adequate supply of enterprises with production capacities increased by another 2 p.p. along with reducing the overhang of excess capacity. The normal provision of industry with stocks of raw and other materials increased, however, insignificantly even with the deterioration of the balance of estimates “above norm” and “below norm” to -6 p.p.

In Q4 2020 and Q1 2021, the Adaptation index demonstrated slight decline by 1.5 p.p. over 2 quarters. The industry was gradually assimilated in the context of new waves of morbidity and the ongoing struggle of the authorities against the disease.

During this period, the major challenges for enterprises were staffing and endowment of raw materials. Adequate supply of workers at the end of 2020 dropped by 10 p.p. and then grew by 5 p.p. Industrial enterprises most likely failed understanding when the pandemic would end and how the authorities were going to fight it in case of new outbreaks of morbidity. Adequate supply of raw materials decreased by 9 p.p. amid lockdowns introduced in different

Monitoring of Russia's Economic Outlook

countries as well as the logistical challenges. A clear recovery in demand and the ability to recover production increased satisfaction with industrial sales to 60% in Q1 2021.

In Q2 2021, the Adaptation Index grew by 3 p.p. due to growth in satisfaction with demand (up to 67% on average for the quarter) and an increase in the share of enterprises with sufficient production capacity to 73%. The adequate supply of raw materials increased to 79%, however, despite a high negative balance, a relatively small part of Russian enterprises that improved their position during the crisis, were starving for raw materials and components. The share of enterprises having surplus stocks of raw materials dropped to historic lows.

In Q3 2021, the adaptation of the Russian industry to current conditions amounted to 78% and repeated the historical highs of 2017 and 2019. The main contribution to the growth of the aggregate indicator was again made by estimates of demand: thus, satisfaction with sales increased to 75%, which became a historical maximum. The adequate provision of enterprises with stocks of finished products increased to the pre-crisis values in view of a rather significant excess of the answers “below norm” over the answers “above norm”. Sufficient provision of the expected changes in demand with production facilities reached the pre-crisis level. Only estimates of the enterprises financial and economic situation made a negative contribution to the dynamics of the Adaptation Index in the concluded quarter of 2021. The share of good and satisfactory estimates decreased by 8 p.p. However, the current level of this indicator is very high, i.e. 88%, while the result of the previous quarter was 96%, being the absolute maximum over the years of monitoring. 

4. MIGRATION MOBILITY OF RUSSIAN YOUTH IS JUSTIFIED BY EDUCATIONAL PRIORITIES

Tatyana Klyachko, Doctor of Economic Sciences, Director of the Center for Economics of Continuous Education (CECE), IAES, RANEPa;

Yelena Semionova, Candidate of Economic Sciences, Leading Researcher, CECE, IAES, RANEPa

Growing demand for vocational training and limited access to quality education in some parts of Russia have brought about inter- and intra-regional youth migration.¹ The youth migration peak takes place at the age of 18 when young people seek to receive higher education. To a lesser extent, education-related migration takes also place at the age of 16 when secondary vocational training begins.

According to the data of the sociological survey of youth education-related migration carried out by the Center for Economics of Continuous Education (CECE) in 2021,² 75.5% of the parents of schoolchildren expect their children to go to study to higher educational establishments after high school. It is primarily urban residents, though 63% of rural households would like their children to receive higher education, too. At the same time, the share of those among rural households who choose secondary vocational education for their children is relatively high (34.6%). By comparison: secondary vocational education is favored only by 19.4% of families of small and mid-sized towns and 21.6% of families of regional capitals.

If families plan secondary vocational training for their children, 65.1% of such families would like their children to study in the same location where they live. If the prospect of receiving secondary vocational education in another place was considered, 6% of families would prefer another region (except Moscow and St. Petersburg), 8.7% of families would tilt towards Moscow and St. Petersburg, while 21.2% and 23.2% of families choose a regional capital and another town in the region, respectively.

Also, the results are supported by the official statistics on youth migration at the age of 16.³ In the 61st region of the Russian Federation, the number of young people leaving for another region is much smaller than that of young people migrating within their own constituent entity. Intra-regional youth migration is the highest one in the Privolzhsky Federal District because it is home to

1 I.S. Kasnitsky, N.V. Mkrtychyan, O.V. Leshukov. Youth Migration in Russia // Ddemoskop Weekly. 2016. Issue No. 703–704;

N.K. Gabdrakhmanov, N.Yu. Nikiforova, O.V. Leshukov. From the Volga to the Yenisei ...: Youth Educational Migration in Russia // National Research University "Higher School of Economics", Institut Obrazovaniya. – Moscow: NRU HSE, 2019.

2 The main data base includes the outputs of the sociological survey carried out by the CECE IAES RANEPa in 2021 in the Pskov Region, the Nizhny Novgorod Region and the Sverdlovsk Region. The overall sample size included 2236 representatives of households. Participants in the survey were households with schoolchildren in grades 9 and 10. D.M. Loginov, Candidate of Economic Sciences, Senior Research Associate of the Institute of Social Analysis and Prediction, RANEPa is the head of the sociological survey.

3 The Federal State Statistics Service. URL: <https://showdata.gks.ru/report/278006/>

the largest number of institutions specializing in secondary vocational training.¹ As regards inter-regional migration, the largest number of the youth at the age of 16 moves to the Central Federal District. At the same time, migration gain of the youth at the age of 16 in Russian regions is not very high: 4–5% of the number of residents of this birth cohort in a relevant constituent entity of the Russian Federation.

If families plan education of their children at a higher educational establishment², more than a half of parents think about their children's departure from home, while 46.8% of families expect their children to receive higher education in areas where they live. If families consider the prospect of their children's moving to another city to study at a higher educational establishment, the priorities are as follows: Moscow and St. Petersburg – 38.4%; the capital of their own region – 30.8%; another town in the region – 18.1% and another region excluding Moscow and St. Petersburg – 20%.

According to the official statistics, in 2020 positive migration gains of the youth at the age of 18 were registered in 25 Russian regions, while other RF constituent entities saw the outflow of the youth. Leaders among regions in terms of attraction of the youth of this age were as follows: St. Petersburg³, Moscow, the Tomsk Region, the Rostov Region and the Voronezh Region.⁴ As expected, the maximum influx of youth at the age of 18 is observed in Moscow and St. Petersburg.

Lack of educational institutions and request for higher quality education are the main factors which influence parents' decision to send their children to study to another city regardless of the fact whether secondary vocational training or higher education is concerned.⁵ Over 42% of households (no matter whether enrollment in a secondary vocational education establishment or higher educational establishment was meant) referred to a lack of relevant educational establishments in the areas where they lived as the main reason for choosing another city. Lots of parents believe that their children can receive better education in another city; it is noteworthy that this factor plays a more important role in case of choosing a higher educational establishment than a secondary vocational training institution (54.7% and 30.5%, respectively).

A lack of educational establishments as the main reason for their children to go to study to another city was referred to by 36.1% of families from rural areas, 47.5% of families from small and mid-sized cities and 16.5% of families from regional capitals. The percentage of those who believed that their children could receive better education in another city was as follows: residents of small and mid-sized cities – 50.3%; residents of regional capitals – 31%, rural

1 As of the beginning of the 2020/2021 academic year, 875 independent secondary vocational training institutions operated in the Privolzhsky Federal District. By comparison, in the same year the number of such institutions in the Central Federal District and the North Caucasian Federal District was equal to 838 and 249 institutions, respectively.

2 Based on the results of the sociological survey carried out by the CECE, IAES RANEPa in 2021.

3 According to the data of the Federal State Statistics Service, in Moscow the number of state and private higher educational establishments was higher than in each federal district (except for the Central Federal District). Three constituent entities of the Russian Federation have got no independent higher educational establishments (the Nenets Autonomous Region, the Yamal-Nenets Autonomous Region and the Chukotka Autonomous Region), but only their branches, except for the Nenets Autonomous Region which has got none.

4 The highest indices were registered in St. Petersburg where the share of migration gain of the youth at the age of 18 relative to the overall number of young people aged 18 in the city was equal to 13.6% in 2019 and the Tomsk Region (11.3%). In Moscow, the share of youth migration gain (relative to the overall number of young people at the age of 18 in the city) is half the size – 7.2%.

5 Based on the results of the sociological survey carried out by the CECE, IAES RANEPa in 2021.

4. Migration Mobility of Russian Youth is Justified by Educational Priorities

residents – 18.7%. The prospect of receiving a more prestigious diploma in another city was favored by 30.5% of families planning their children's higher education in another city and 15.5% of families choosing a secondary vocational training institution. When choosing another city for education purposes, a student's willingness to start living on his/her own is also of importance for 21.7% of families planning higher education for their children and 20.9% of families preferring secondary vocational education.

Though families' financial situation has an effect on their migration mood, it is not quite significant as might be expected: children from high- and mid-income families tilt more often towards migration (54.5% and 57.6%, respectively), while those from low-income families, less often (50.8%). Also, it is noteworthy that factors related to school students' educational outcomes are of more importance to parents. If for excellent school students moving to another city is planned in 66.9% of cases, for mediocre students, only in 40.9% of cases. Further, moving to another city is much more often planned for children if the prospect of receiving higher education is concerned.

So, for children who study well parents tilt in most cases towards a higher educational establishment and this orientation, in its turn, determines mood for education-related migration. According to most parents, the pandemic did not affect their plans regarding the place of training for their children. ▀