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TRENDS AND OUTLOOKS

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The review "Russian economy. Trends and outlooks" has been published by the Gaidar Institute since 1991. This is the 45th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

Reviewer: *Kiselev S.V.*, Doctor of sciences (Economics), Professor, Head of the Agroecomics Department, Faculty of Economics, Lomonosov Moscow State University.

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4.2. Household incomes: consumer demand and savings in 2023¹

The persisting shortage of personnel restrains processes of alignment of labor productivity dynamics with growth of wages, slowing down the process of convergence of labor supply opportunities and the level of consumer demand.

Shortage of employees resulted in acceleration of wage growth in most types of economic activities as one of the most affordable factors for retaining staff. To retain staff and compensate for the shortage of engineers and workers, companies raised salaries, offered attractive social packages, improved working conditions, and introduced training programs.

However, emergency measure aimed to fix the personnel deficit by increasing salaries was hindered by stagnating labor productivity, including due to the lack of qualification skills and competencies. Addressing a systemic problem of balanced functioning of labor market is long-lasting and is determined by duration of training of qualified engineering, managerial and working personnel in the implementation of innovation-technological and organizational-management programs to improve the efficiency of labor use.

In 2023, the average monthly nominal salary of employees amounted to Rb73,709 and increased by 12.8% year-on-year. Large business structures, defense industry enterprises often offered higher salaries and social programs, which allowed them to compete with civilian enterprises and attract specialized personnel from small and medium-sized businesses.

In 2023, staffing vulnerability of the organizations representing basic sectors of the economy increased. The industries of infrastructure and financial services remained the driver of labor demand and wage growth. The highest growth of labor remuneration in nominal terms in 2023 was observed in the following branches of manufacturing production: manufacture of electrical equipment (123.7%), computer equipment (121.9%), vehicles (121.7%), The gap in wages of manufacturing production and machine-building facilities with the all-Russian indicator and other types of detail is narrowing, thereby increasing the economic attractiveness of employment in these types of activities (*Table 3*).

Table 3

Dynamics of nominal accrued wages by types of economic activities and ratio to national average in 2020–2023

	% to previous year				% to Russian average			
	2020	2021	2022	2023	2020	2021	2022	2023
Total	107.3	111.5	114.1	112.8	100	100	100	100
Agriculture, forestry	109.6	113.4	118.6	113.0	68	69	72	72
Mining	106.7	108.5	114.4	110.5	186	181	181	177
Manufacturing industries	106.1	112.7	115.3	117.9	91	92	93	97
Including: Food processing	106.9	113.3	113.8	116.6	73	74	74	77

¹ Author: *Izryadnova O.I.*, Head of Structural Policy Department at the Gaidar Institute; Leading Researcher, IAES RANEPa.

	% to previous year				% to Russian average			
	2020	2021	2022	2023	2020	2021	2022	2023
Textiles	113.7	112.5	114.3	115.8	59	59	59	61
Clothing	99.3	116.2	112.5	124.5	41	42	42	46
Wood processing and wood products	105.0	117.7	111.4	109.8	60	63	62	60
Paper and paper products	110.0	110.9	114.8	110.3	102	101	102	100
Coke and petroleum products	100.5	106.2	112.0	112.1	160	152	150	149
Chemicals	105.5	111.1	118.2	116.3	112	111	115	119
Medicines and materials	115.4	112.0	110.0	112.1	138	139	134	133
Rubber and plastic products	111.3	113.0	114.8	119.3	77	78	79	83
Non-metallic mineral production	107.4	113.4	116.8	116.1	79	81	83	85
Metallurgic production	106.3	111.1	118.5	113.8	111	110	115	116
Finished metal production	106.3	110.0	116.6	123.8	86	85	86	95
Computers, electronic and optical products	105.0	114.0	115.8	121.9	110	113	115	124
Electric equipment	104.7	111.7	115.8	123.2	89	89	90	99
Machinery and equipment	107.6	113.1	118.0	117.6	93	94	97	101
Motor vehicles	102.6	114.4	109.9	120.3	91	93	90	95
Other vehicles and equipment	103.6	111.7	114.3	122.1	104	104	105	113
Furniture	103.3	116.0	114.5	116.7	54	56	56	58
Repair and installation of machinery and equipment	105.0	116.5	114.0	113.0	101	105	105	105
Provision of electric energy, gas and steam	105.5	108.7	113.2	113.6	104	101	100	101
Construction	104.9	116.1	117.1	113.3	87	91	93	94
Wholesale and retail trade	104.3	120.4	114.7	110.0	82	88	88	86
Transportation and storage	103.5	110.3	114.6	113.6	103	102	102	103
Hotels and catering	97.2	121.2	113.1	115.0	53	58	58	59
Information and communication	112.8	113.8	124.5	107.5	167	170	186	177
Finance and insurance	108.7	115.6	112.6	115.3	219	227	224	229
Professional, scientific and technical activity	106.5	109.1	115.5	106.2	156	153	154	145
Public administration and military security	106.9	107.6	108.3	116.3	106	102	97	100
Education	106.7	109.7	111.5	112.1	77	76	74	74
Health care	114.9	102.3	109.3	110.9	96	89	85	83
Culture, sports, recreation and entertainment	103.1	110.1	107.8	112.9	94	93	88	88

Source: Rosstat.

In 2023, growth of wages in real terms by 7.8% had a decisive impact on socio-economic dynamics. Labor income accounted for 65.8% of total household income, exceeded the 2022 indicator by 2.6 p.p. and showed a steady quarterly increase in the contribution to the overall dynamics. Households' monetary income in 2023 increased by 10.7% year-on-year, and in nominal terms the average households' per capita monetary income amounted to Rb50,265.

As inflationary pressures ease in 2023 to 7.4% compared to 11.95% in the previous year, real monetary incomes rose by 4.6%. Real disposable incomes rose

by 5.4%. Growth in social expenditures related to pension benefits resulted in an increase in the real amount of the awarded pensions by 3.3%, however, it did not remove the tension accumulated in the previous year.

As nominal size of assigned pensions grows by 9.3%, their ratio to the subsistence minimum increased to 157.6%, thereby providing an additional contribution to the restoration of positive dynamics of the households' real incomes, but the gap with the average level of accrued wages increased (*Table 4*).

Table 4

**Dynamics of nominal and real incomes of households in 2022–2023,
% to the corresponding period of the previous year**

Period Cash incomes		In nominal terms			In real terms			
		Cash incomes	wages	pensions	Cash incomes	Disposable cash incomes	wages	pensions
2022	Year	113.5	114.1	107.1	99.4	99.0	100.3	94.2
	Q1	114.3	115.0	106.6	102.0	101.4	103.1	96.1
	Q2	115.3	110.6	103.3	98.2	99.3	94.6	95.41
	Q3	110.8	112.2	105.7	96.4	95.8	98.1	84.1
	Q4	113.9	112.7	100.5	101.1	99.9	100.5	104.2
2023	Year	110.9	114.1	109.3	104.6	105.4	107.8	103.3
	Q1	111.2	110.7	104.4	102.0	104.4	101.9	105.4
	Q2	108.2	114.4	100.6	105.0	105.2	111.4	108.6
	Q3	109.4	114.3	100.4	103.7	103.3	108.7	100.8
	Q4	114.9	116.3	100.4	106.8	108.0	108.5	98.8

Source: Rosstat

The income inequality has slightly increased in 2023 considering the differences in the rate of change in the households' income by social groups and status: Gini, the inequality index, showed 0.403 vs 0.395 a year earlier, while R/P 10% ratio was 14.6 times vs 13.8 times in 2022.

However, due to changes in the structure of distribution of households by average per capita income and those employed by average accrued wages, indexation and outrunning growth of the minimum wage, expansion of social targeted support for low-income groups, the number of low-income households below the poverty line has dropped to 13.5 mn and reduced by 0.8 mn compared to 2022.

In Q4 2023, the poverty rate fell to a minimum of 6.8% during the 30-year observation period, with an annual average of 9.3%. The reduction in poverty is due both to active social support and to stimulation of entrepreneurial activity and employment (*Table 5*).

In 2023, the size of households' monetary income was Rb88,334.1 bn and increased by 10.7% compared to 2022. Households' monetary expenditures in 2023 amounted to Rb82,254.9 bn and increased by 9.5% compared to the previous year. Households spent Rb69,507.2 bn on goods and services, which is 11.3% more than in 2022. In 2023, growth of households' savings increased by 31.7% to Rb6,079.2 bn vs Rb4,627.0 bn a year earlier.

Table 5

Income of households below poverty line

		Million people	% of the total number of households
2022	Year	14.3	9.8
	Q1	20.9	14.3
	Q2	17.6	12.1
	Q3	15.3	10.5
	Q4	11.6	7.9
2023	Year	13.5	9.3
	Q1	19.6	13.5
	Q2	15.7	10.8
	Q3	14.8	10.2
	Q4	9.9	6.8

Source: Rosstat

Retail sales increased by 6.4% in 2023, including non-food market by 9.5% and food market by 3.3%, as households' incomes rose and solvent public demand recovered. In 2023, demand in the food market has generally diluted the decline of the previous year and remained extremely sensitive to changes in price environment. The food market has seen an increase in speculative demand, as prices for foods hiked in H2 2023. The recovery of positive dynamics of the non-food market with the accumulated deferred demand of the previous year in the Q2–Q4 2023 demonstrated quarterly acceleration of growth rates amid persisting high inflation expectations, but remained 2.1% lower than in 2021.

The dynamics of demand for paid services and public catering looks positive for the second year and reflects gradual recovery of signs related to the quality of life (Table 6).

Table 6

Dynamics of consumer market and consumer prices in 2022-2023

	2022	Q1	Q2	Q3	Q4	2023	Q1	Q2	Q3	Q4
% to previous year										
Retail turnover	93.5	104.8	90.4	90.2	90.4	106.4	93.1	109.4	111.3	111.1
Foods	98.3	103.3	97.8	96.9	96.1	103.3	96.8	104.8	104.9	105.9
Non-food goods	89.4	106.1	84.1	84.7	85.5	109.5	90.0	114.1	117.6	116.4
Catering	107.6	112.7	102.1	105.3	110.6	112.3	112.2	118.4	109.9	109.4
Paid services	100.1	97.9	102.6	102.7	95.7	102.4	99.9	102.4	102.6	94.3
% to previous period										
Consumer price index	111.9	110.0	101.3	99.1	101.3	107.4	101.7	101.1	101.8	102.7
Foods	110.6	110.5	102.2	96.4	101.6	108.9	102.4	99.9	101.4	105.0
Non-food goods	112.7	112.9	100.0	99.7	100.2	106.0	100.3	100.9	103.2	101.5
Services	113.2	106.0	101.6	102.0	103.1	108.3	102.7	102.8	100.8	101.8

Source: Rosstat.

With the current dynamics of income in 2023, there was a change in the consumer, saving, investment behavior of households and the structure of borrowing. In 2023, household savings increased mainly in cash and deposits.

With the rise in interest rates, the households' banking accounts increased by 22.7% and equaled for almost 51.0% of their monetary incomes.

Amid the restrained behavior of the securities market, growth in the funds of households in escrow accounts amounted to Rb5.2 trillion. This was the maximum for five years of observation.

Low level of housing provision for households, stimulating government programs, as well as the well-established perception of investments in real estate as a tool for saving determined both investment behavior and dynamics of housing construction. Growth of households' saving activity was accompanied by a shift of part of the demand for real estate towards deposit products. Total area of commissioned residential buildings at the expense of households' funds amounted to 58.7 mn sq. m., or 53.1% of the total volume of housing commissioned in 2023 compared to 55.7% in 2022.

Growth in household lending amounted to 123.8%, and the main contribution, as a year earlier, was provided by housing mortgage loans. The share of mortgage loans in 2023 amounted to 8.8% of household income, and in the structure of household financial liabilities, residential mortgage loans accounted for more than half of outstanding loans. Amid market shocks, the 2023 mortgage demonstrated high resilience while implementing innovations in the regulation of the mortgage business aimed at reducing risks for both households and banks.