

Barents Monitoring Murmansk Oblast second quarter 2009

The Social-Economic Development of Murmansk Oblast in April-June 2009¹



TRENDS

The economic indicators in Murmansk Oblast in the period kept going down, though at a slower pace than in the previous months. On the whole, Q2 figures were slightly better than Q1. The growth which was apparent in separate economic branches already in the end of Q1 continued into Q2.

After a considerable drop in late 2008-early 2009, processing industry and mining industry in Q2 experienced a gradual recovery in production volumes. Still there was a negative trend when it came to investment volumes, which may have a negative effect in the future.

The general decline in business activity led to slump in construction volume as well as low demand for construction materials. The volume of transported cargo also dropped. Apart from that, there was a slowdown in retail trade and catering sales.

The positive fisheries indicators of Q1 turned into decline in catch level and fish processing in Q2.

¹ This report is written by the Murmansk office of the Norwegian Barents Secretariat. Figures are taken primarily from the Murmansk regional statistics service

The unemployment level was restrained; there were no considerable number of dismissals in the region. As a matter of fact, the number of unemployed people in Q2 started to decrease.

INDUSTRIAL PRODUCTION

The output figures in the first half of 2009 revealed the continuation of a general decline in industry. The index number of industrial production in January-June made up 91% compared to the correspondent period of 2008. For the following industries figures were as follow: mining – 83,9 %, processing industry - 91,2%, electric power, gas and water generation/distribution- 96,2%.

The Q2 figures show better dynamics compared to Q1. The processing industry is practically on the same level as in Q2/2008, mining made up 87.7 percent compared to Q2/2008, though the electric power generation decreased and equaled 94.2 percent.

Diagram 1.1 Industrial production index in 2008-2009 with accumulation from the beginning of the year (% to the correspondent period of last year)

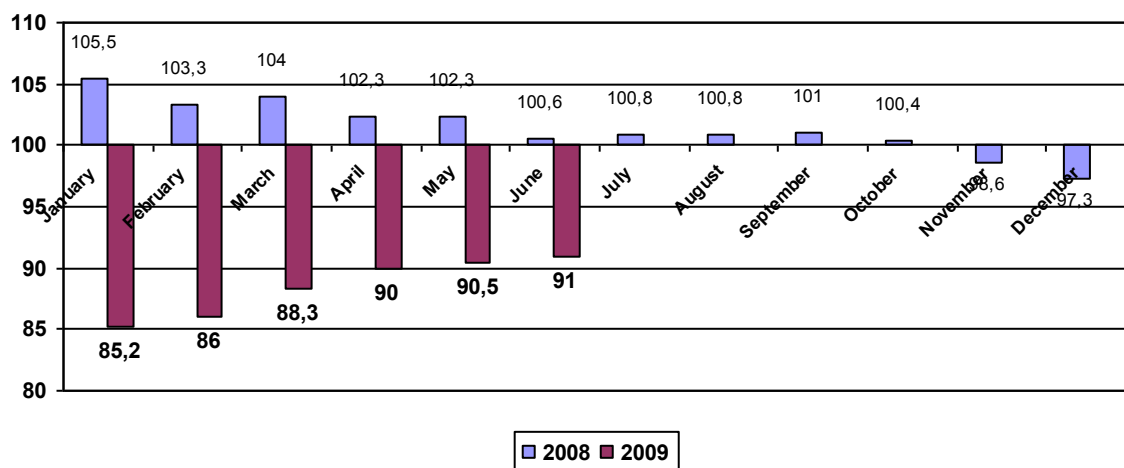
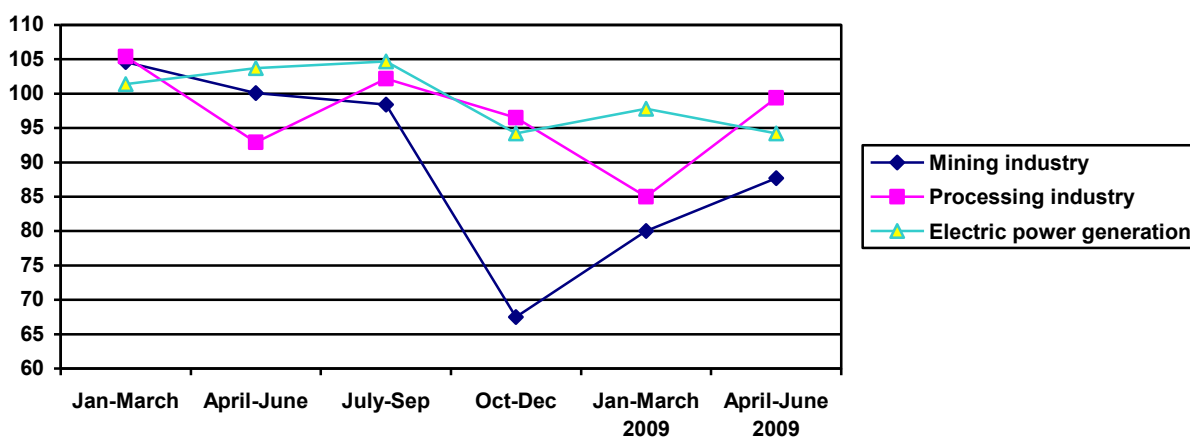


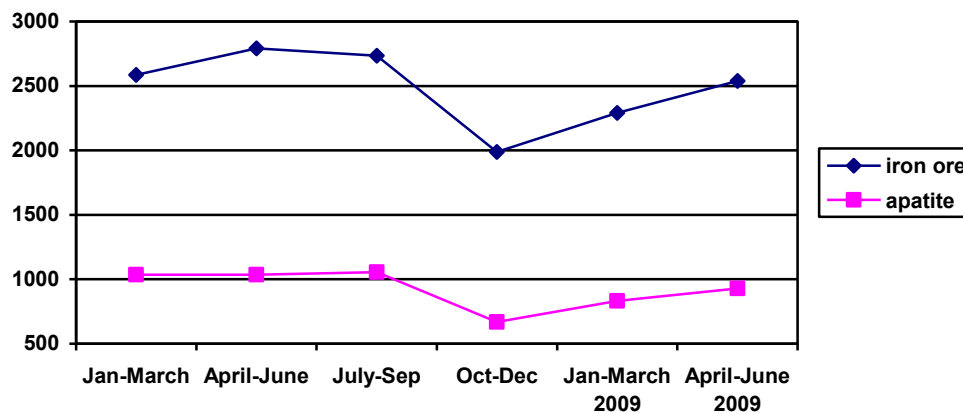
Diagram 1.2 Industrial production indexes in different sectors of economy (in %, quarter to the correspondent quarter of last year)



Mining

The mining industry experienced a recovery of iron-ore and apatite concentrates production, though the production volume is still lower than last year. Starting from 2009, production of iron-ore concentrate made up 89.8 percent compared to the correspondent period of 2008, apatite concentrates – has decreased by 15 percent. Mining of other materials is also far below last year figures.

Diagram 1.3 Mining industry (thousand tons)



Processing industry

The situation within the processing industry in April-June 2009 became somewhat better. The absolute figures of Q2 are almost on the same level as last year. In the first place it was determined by some stabilization of metallurgical production. The metallurgical production made up 64.2 percent of all regional processing industries, thus having a great influence on final figures.

The largest decrease in production took place in branches connected with construction and recycling of secondary raw materials (by 80.3 percent) due to low demand for ferrous scrap metal.

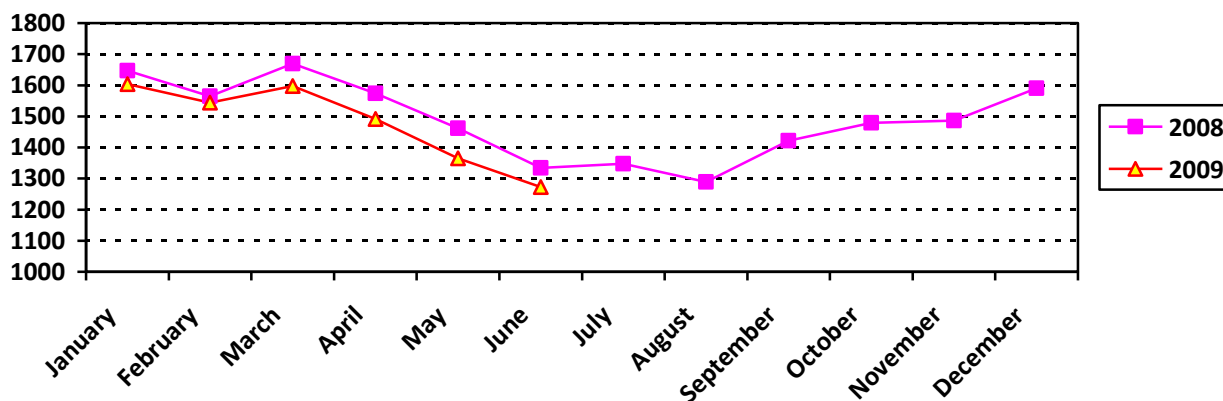
There was a rise in production of transport vehicles and equipment, textiles, timber processing and some others; but their share in processing industry is not significant.

Electric power generation

The electric power consumption was reduced by 6.6 percent since enterprises being major electric power consumers decreased their production volume.

As a result, the electric power generation also dropped. It was reduced more than in Q1/2009 and made 94.2 percent compared to Q2/2008.

Diagram 1.4 Electric power generation in 2008-2009.



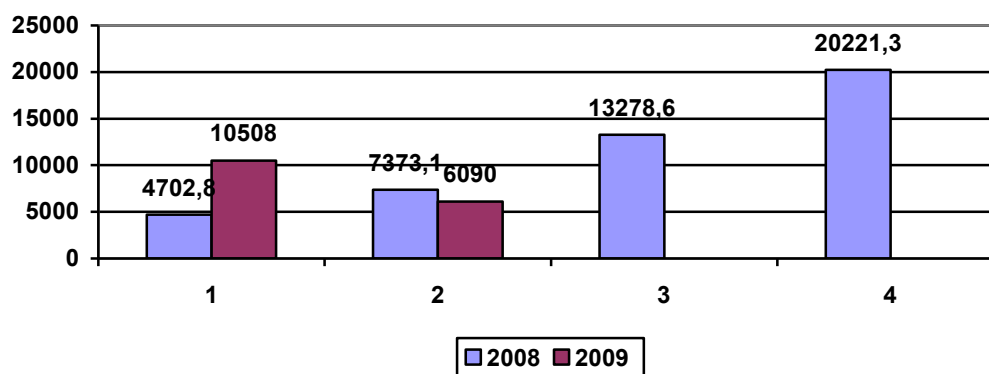
ECONOMY

Investment

The investment volumes in permanent capital assets continued down. Despite increase in the first half of the year (23 percent), Q2 figures show decline in investments both compared to Q1/2009 and Q2/2008.

The major part of investments falls within waterborne transport (ship purchase).

Diagram 2.1 Investments in the main capital (million rubles)



Transport

Due to general decline in business activity the cargo transportation (traffic volume) also dropped.

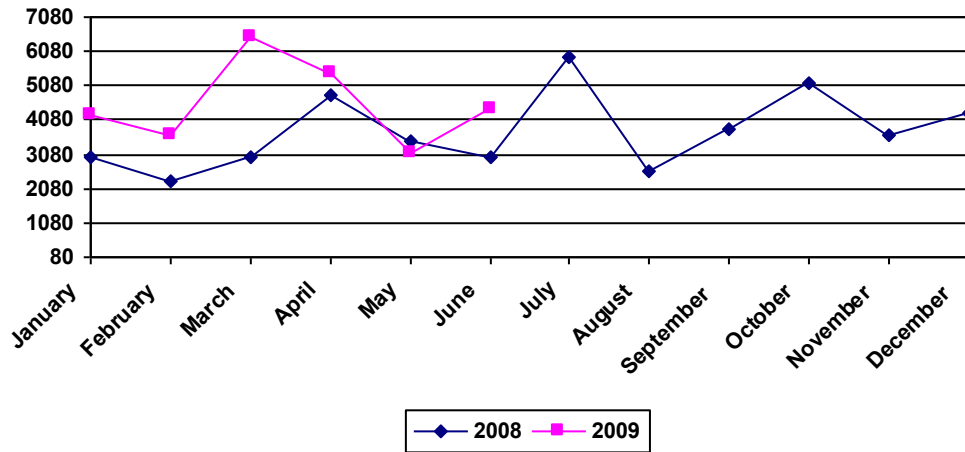
In January-June 2009 transport enterprises transported 16.9 mln tons of cargo which is 13 percent lower than in Q1/2008. The largest decrease was within railroad transportation (21 percent).

Meanwhile the volume of cargo transported by sea increased by 13.1 percent compared to January-June 2008.

Thanks to this, the overall freight turnover in the first half of the year increased 1.4 times.

When comparing quarterly figures one can see a considerable drop in turnover in Q2/2009 in comparison with the beginning of the year (almost by 10 percent).

Diagram 2.2 Cargo transportation turnovers in 2008-2009 (million tons/km)



Fishing industry

The positive dynamics in early 2009 caused by changes in fishery regulations practically stopped in Q2. Even though Q2 figures were 10.6 percent better than in the same period of previous year, June 2009 was less attractive than June 2008 as regards catch levels and fish processing.

Diagram 2.3 Catch level in 2008-2009 (thousand tons).

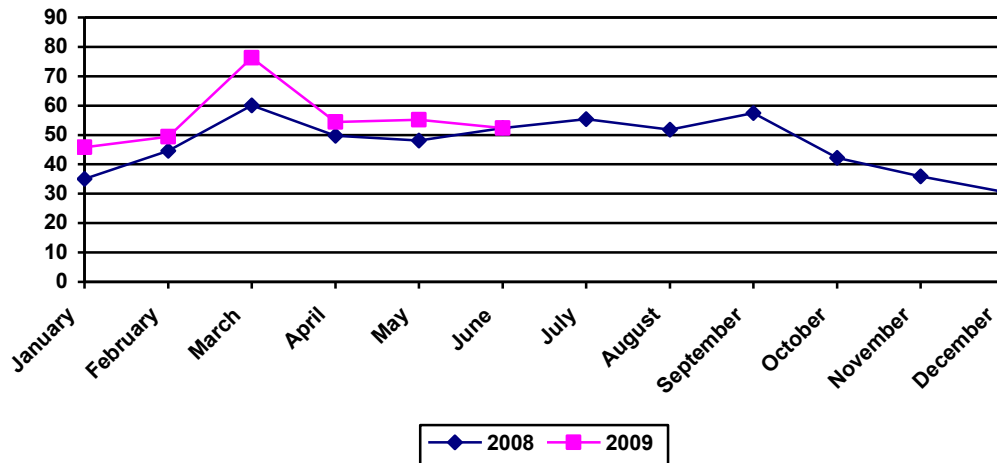
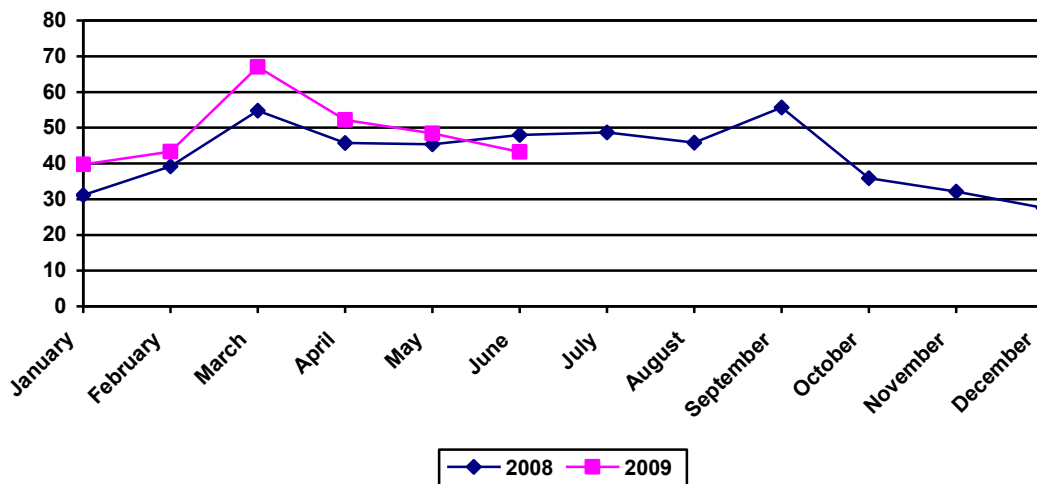


Diagram 2.3 Fish processing in 2008-2009 (thousand tons) .



Construction industry

Construction volumes in Q2/2009 kept decreasing and made up only 56.7 per cent compared to Q2/2008.

In the first half of the year, the construction volume made up 61 percent of the period January-June 2008.

At the same time, the volume of new housing increases. The total area of new housing stock in Q2 amounted to 6.6 thousand sq.m. which is five times bigger than in the period January-June 2008.

Diagram 2.4 Construction industry in 2008 (million rub.)

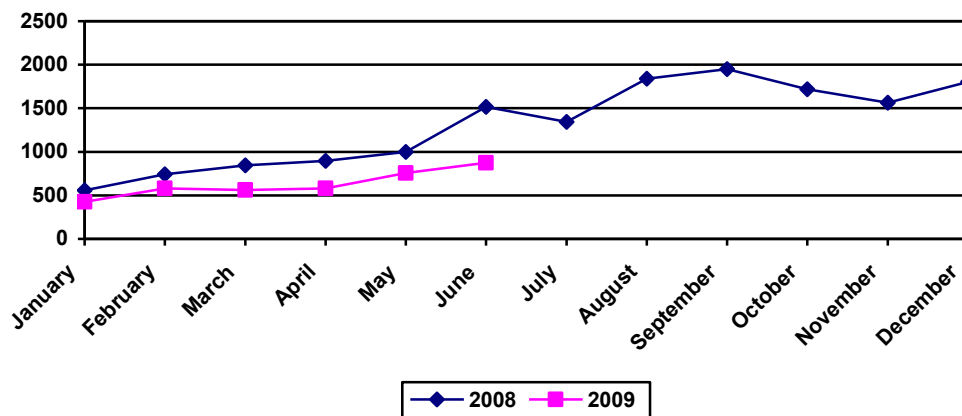
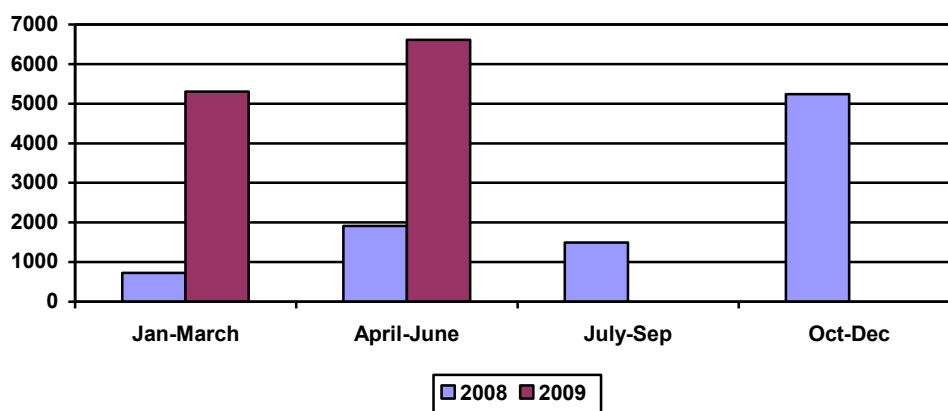


Diagram 2.5 Housing construction in 2008-2009 (sq. m)



Foreign trade

The volume of foreign trade in the first half of the year decreased 23.5 percent compared to 2008. The export decreased 27.5 percent while imports increased by 40 percent.

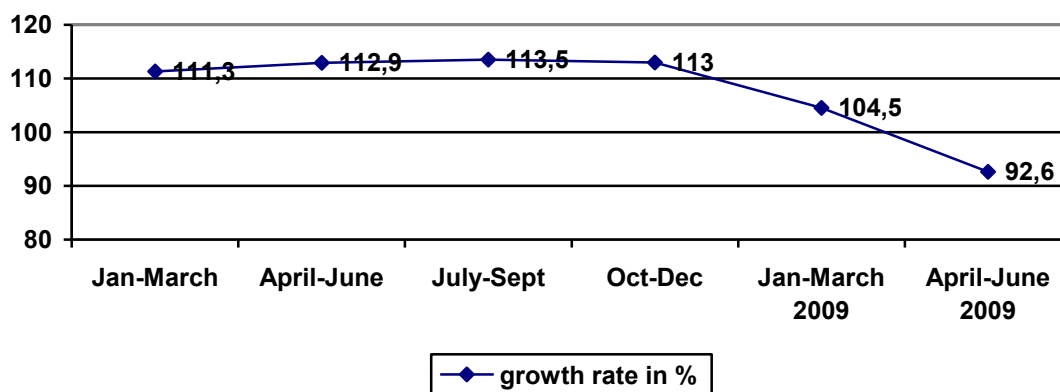
Murmansk Oblast remains an export-oriented region (raw materials). Export constitutes nearly 90 percent of the region's total sales turnover. Thus decline in export volumes caused fall in prices for nickel, oil and oil products. A total of 87.7 percent of import volumes was cars, equipment and transport vehicles.

Sea transport makes up about 90 percent of cargo turnover.

Consumer market

A weak business activity more and more affected retail markets and catering. For the first time since 1999, this sector showed a negative dynamics. The volume of retail sales in Q2 /2009 was 7.5 percent lower than in Q2/2008.

Diagram 2.6 Consumer market index 2008-2009



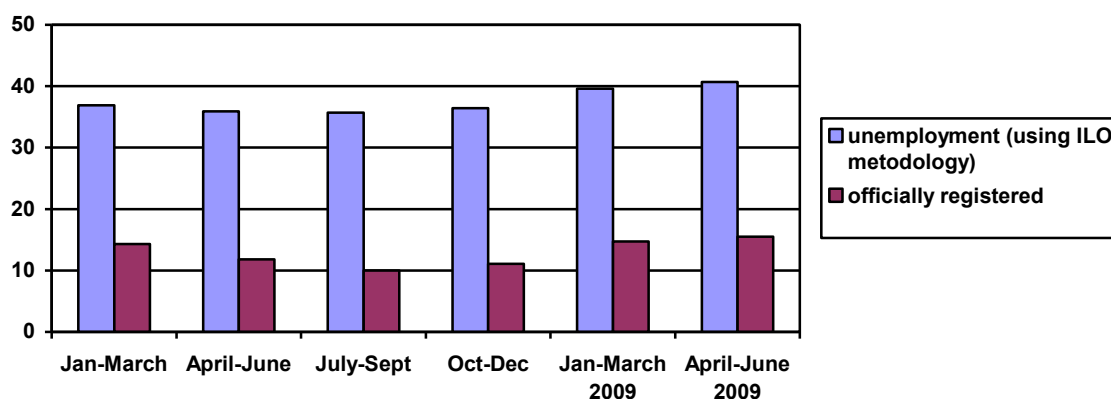
POPULATION

Population and labor market

In spite of the crisis, the demographic situation is slowly improving. A total of 4,5 thousand people were born in the first half of the year, which is 2,1% more than in January-June 2008. Death rates were down 1,6 % and totaled 5,1 thousand people. The natural population decrease was down 23,2 % and amounted to a total of 600 people.

The situation within the labor market has been stabilized. During Q2, the number of unemployed people including officially registered was reduced. The number of unemployed people officially registered as of late June amounted to 14,4 thousand. The level of unemployment (compared to economically active population) in Q2 has dropped from 3,1% to 2,8%.

Diagram 3.1 Unemployment situation (thousand people)



Standard of living

Monthly average per capita (cash) income in Q2 /2009 equaled 21570 RUB, which is by 10% more than last year. Nevertheless, since the beginning of the year the level of true value of cash incomes shrunk and continued to decrease. Since the beginning of the year, the growth of the average per capita (cash) income has stopped and now totals a little more than 25 000 RUB.

Diagram 3.2 True incomes of population

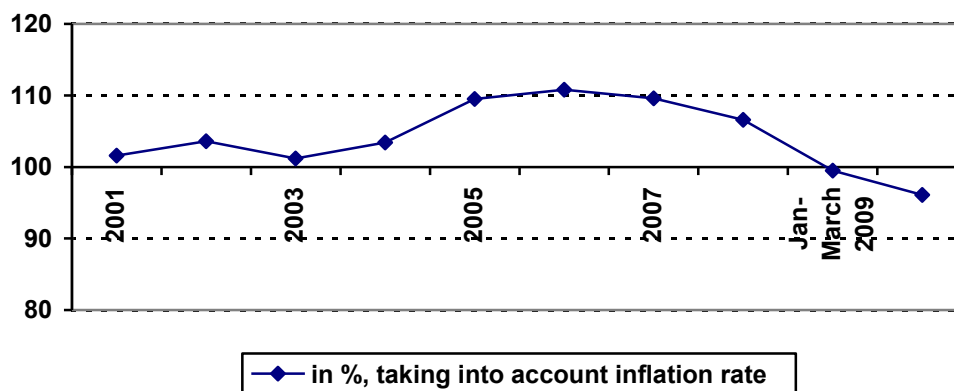
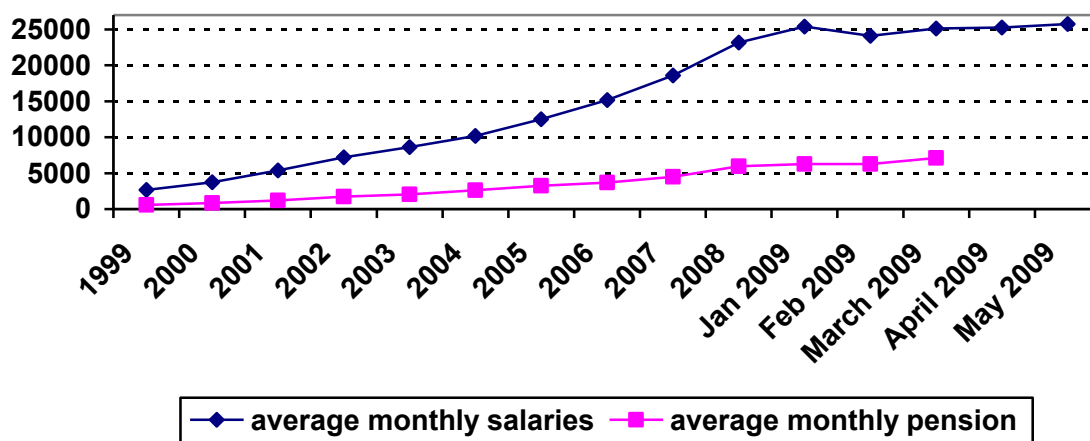


Diagram 3.3 An average salary and pension per person in 1999-2008



REFERENCES:

Report is based on the materials of:

- the Federal service of state statistics for Murmansk oblast - murmanskstat.gks.ru
- the Social-economical and sectoral reports, presentations and press-releases of the Murmansk regional Administration – www.gov-murman.ru
- the Murmansk customs office – www.murmansk-customs.ru