



## **Barents Monitoring Murmansk Oblast 2009**

The Social-Economic Development of Murmansk Oblast in 2009<sup>1</sup>

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“Alyesha” (BarentsPhoto.com)

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

## Trends in 2009

The state of the regional economy in 2009 was defined by the crisis developments in the economy of the Russian Federation as a whole. The economic indicators showed somewhat improvement throughout the year, yet the negative dynamics prevailed in general.

By the end of 2009 industrial production in Murmansk region dropped 6,4% compared to 2008. This sector plays a key role in the regional economy. Mining enterprises together with energy and processing enterprises accounted for more than 40% of Gross Regional Product (GRP). Thus, industrial production dynamics to a large extent determine the economic situation in the region.

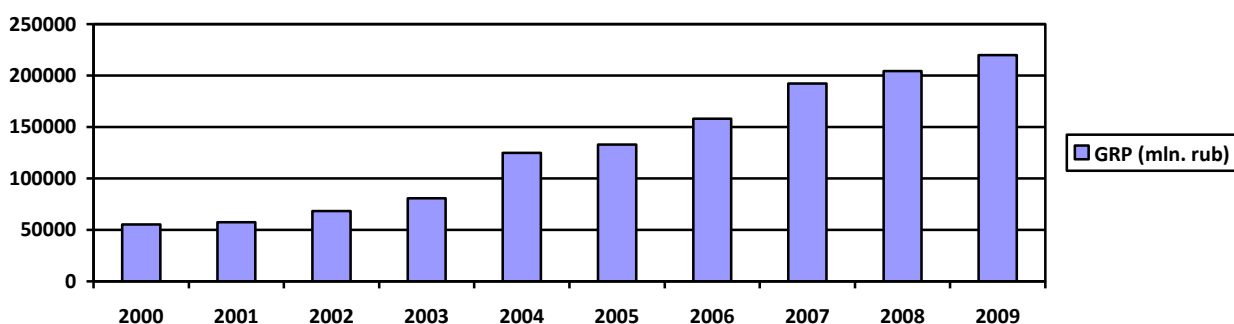
According to reports made by the regional government, the production volumes of the major industrial enterprises in the region had by the end of 2009 almost reached the pre-crisis level. At the same time the main indicators which characterize the situation within all sectors of economy do not show significant improvement.

The agricultural sector (due to significant state support) did somewhat better, so did also the transport sector. Even though the fish catch level for the whole year increased compared to 2008, the monthly catch results from the third quarter again dropped and remained at the same level as in 2008.

The reduction of investments into the fixed capital in 2009 along with growing unemployment by the end of 2009 are the negative signals for the further development of the regional economy.

Decline in economic indicators within mining, processing industries and the consumer sector determined the fall of Gross Regional Product. According to preliminary estimates, the nominal volume of the Gross Regional Product will be 219.9 bln RUB in 2009. The real volume of the GRP is expected to drop by 3,8% from the previous year (2008).

**Diagram 1.1 The gross regional product 2000 – 2009**

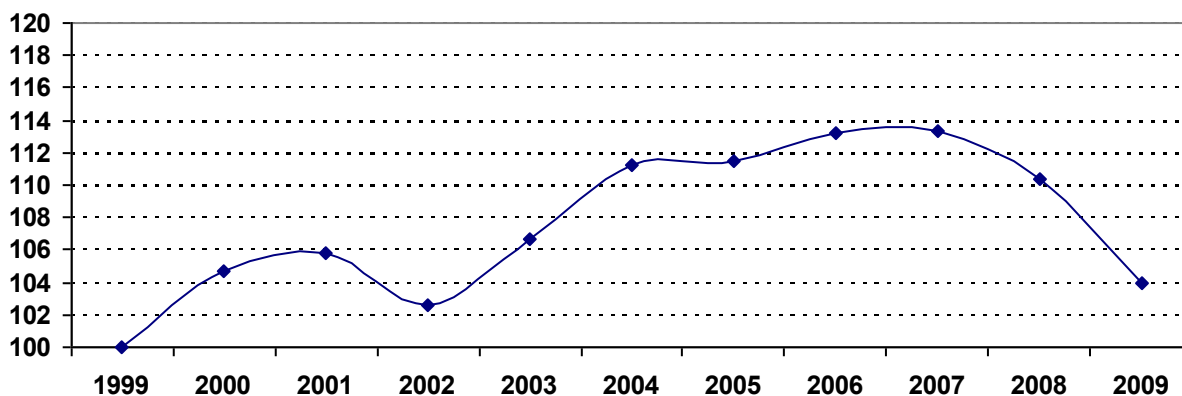


## INDUSTRIAL PRODUCTION

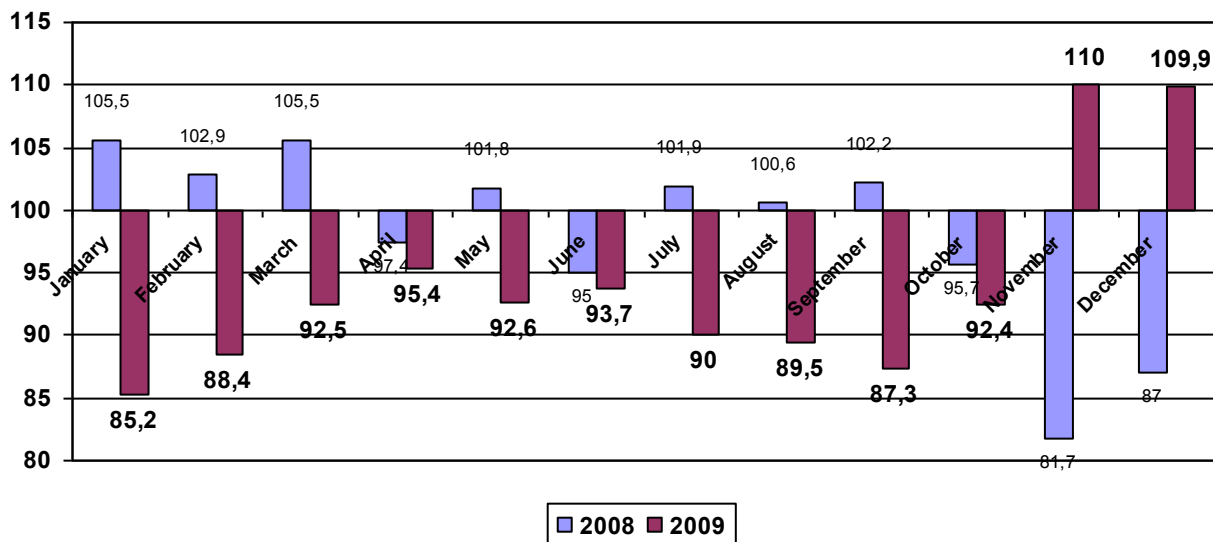
The crisis developments in the economy led both to the decrease in production volumes and to slim financial results. The industrial production index in 2009 was 93,6% compared to 2008.

After a considerable drop in production in the last quarter of 2008, the figures somewhat improved in early 2009. Nevertheless, Q2 revealed stagnation, and the drop in production continued throughout the 3rd quarter. The Q4 showed an improvement of the situation, but that was first of all determined by the poor data from 2008.

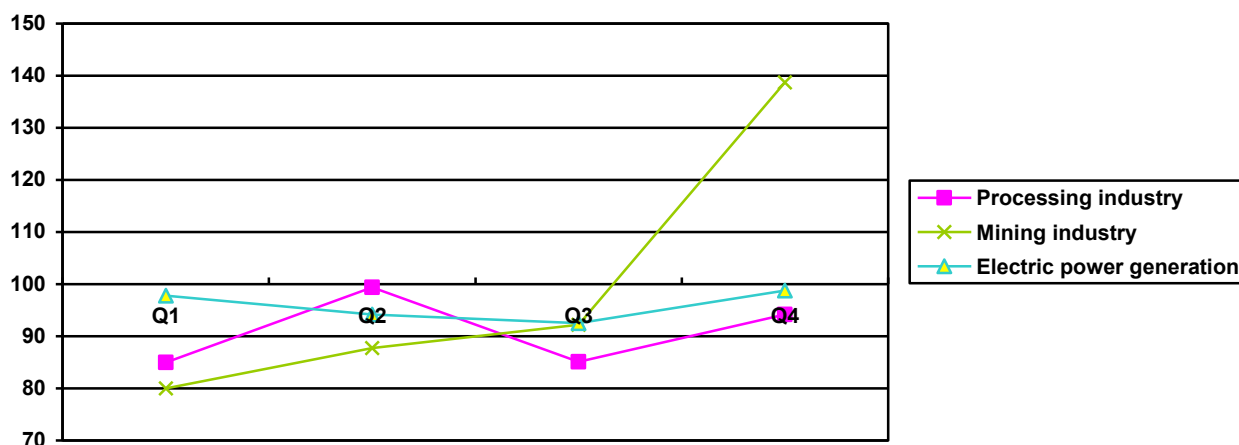
**Diagram 2.2 Accumulation of the industrial production index growth in 1999-2009**



**Diagram 2.3 Industrial production index in 2008-2009**  
(% to the correspondent period of last year)



**Diagram 2.4 Industrial production index in different sectors of economy  
(% compared to 2008)**

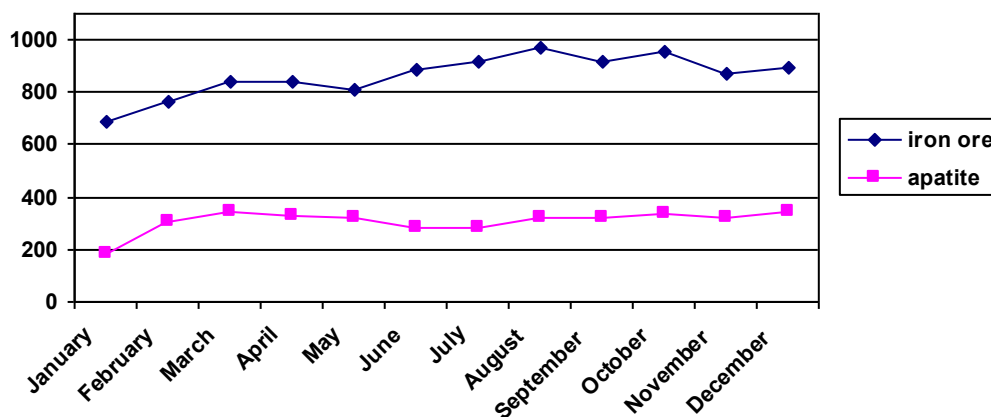


## Mining

A fall in prices for mined products along with little demand and low production led to cost reduction of actual production by 22,6%. On the whole the decrease in the volume of mining operations in 2009 was 3,6%.

Throughout 2009 there was a gradual recovery of production volumes of some of the products, among them iron ore concentrate (10,3 mln tons, 102,4% against 2008). With other mineral resources there was a drop in production volumes. The high figures for Q4 are determined by the enormous fall in production in the end of 2008.

**Diagram 2.5 Mining industry (thousand tons)**



## Processing industry

In 2009 there was a drop in production within the processing industry of 9,6% compared to 2008. The metallurgical production still accounts for the biggest share in the overall production output (62%). Thus it is mainly metallurgical production that shapes the branch dynamics. The metallurgical production output in 2009 was 95% compared to 2008, while the production of ready-made metal products was only 55,2%.

The most significant fall (more than 30%) was recorded in productions connected with construction works and recycling of secondary raw materials.

The cut in state defense orders for ship repair yards in the region also had a negative effect. The fall in production in this branch in 2009 amounted to 10,9%.

### Electric power, gas and water

Electric power generation kept falling down throughout 2009, with somewhat revival recorded only in the last quarter. Over the year the electric power generation declined by 3,8%: heat generation - by 5,1%. Due to a drop in production volumes at energy-consuming industrial enterprises, the consumption of electric power shrank by 4,6%.

Diagram 2.6 Electric power generation in 1999-2009.

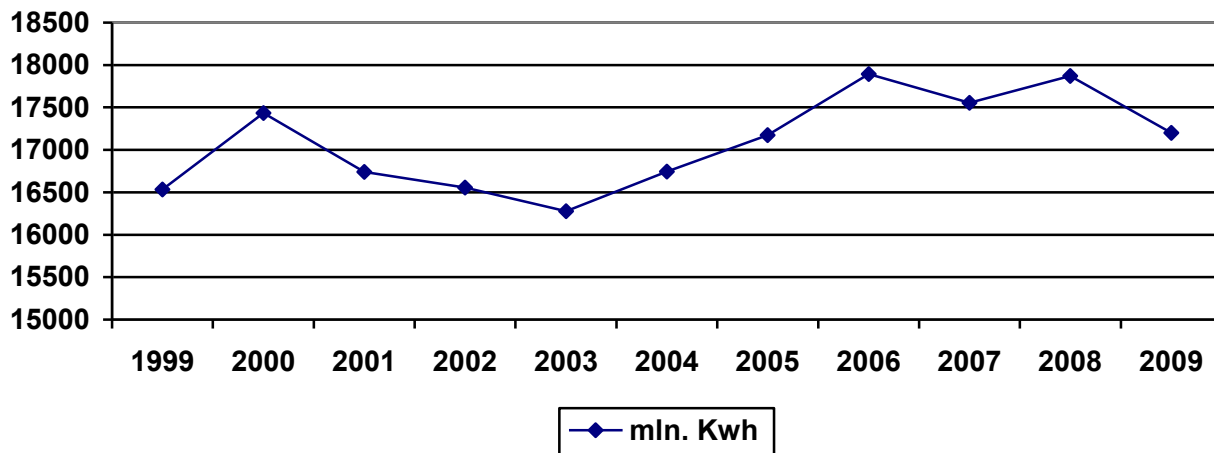
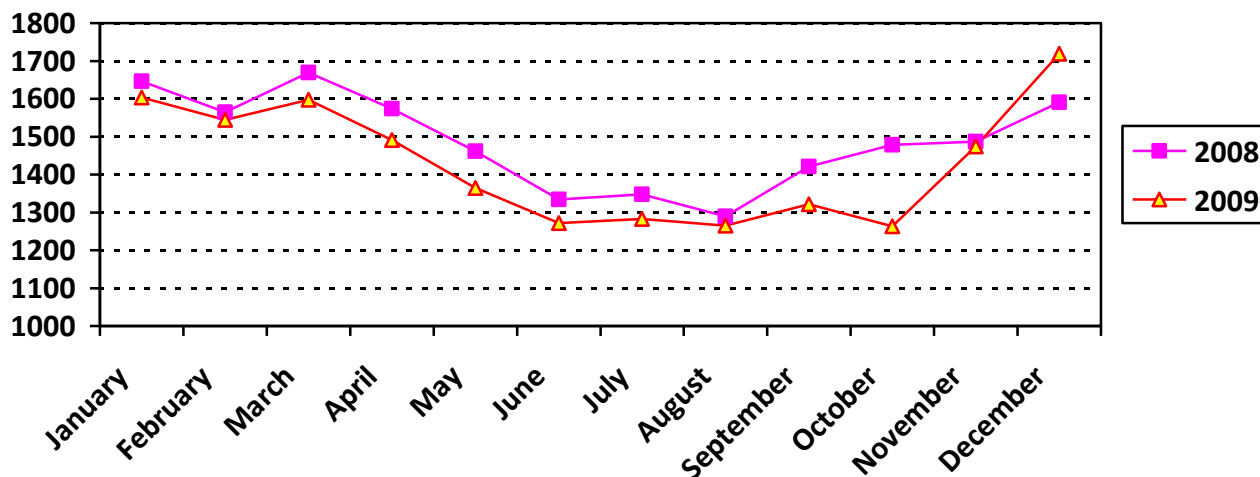


Diagram 2.7 Electric power generation in 2008-2009.

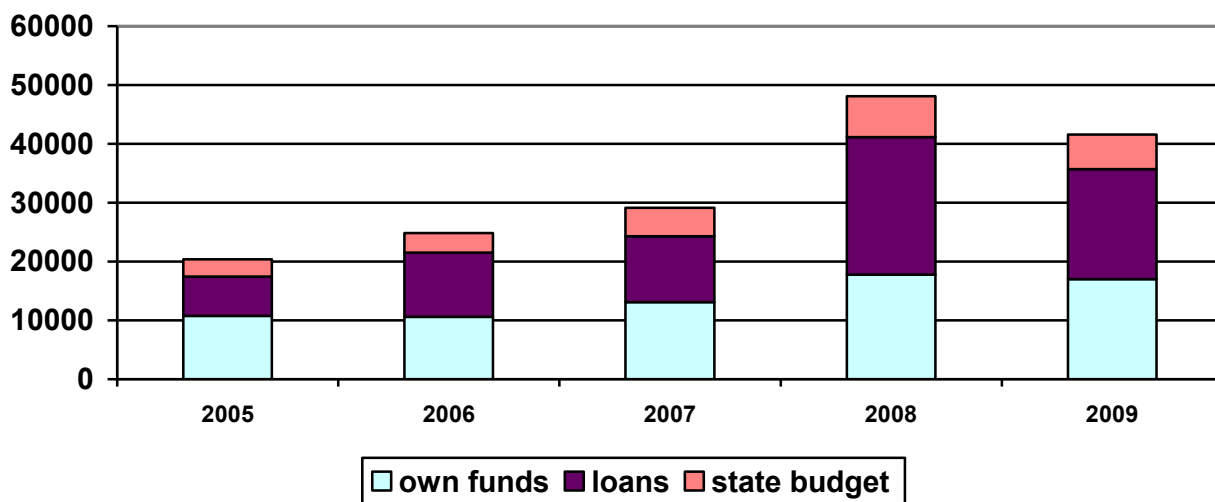


## ECONOMY

### Investments

The problems in the financial sector and difficulties in this connection to attract loan funds, resulted in a cut in regional budget expenditures for investment purposes along with the suspension and postponement of a number of investment projects. This all together led to a considerable decrease in the regional investment activity. According to preliminary estimates, the investment volume in the main capital in 2009 including all sources of funding totaled 41 bln. RUB, which is 83% of the level in 2008.

**Diagram 2.1 Dynamic and structure of investments in the main capital (million rubles)**



### Transport

The crisis also affected the transport sector, which experienced a cut in turnover. Transportation turnover in 2009 totaled 36,9 mln tons of cargo (99,3% compared to the 2008 level). The cut was mainly in railway transport (by 5,3%), while sea transport increased its traffic turnover by 12,5%. Thanks to the growth in sea transportation turnover by 1,4 times, the cargo turnover of all types of transport increased by 24,5%.

**Diagram 3.1 Cargo transportation turnover in 1999-2009**

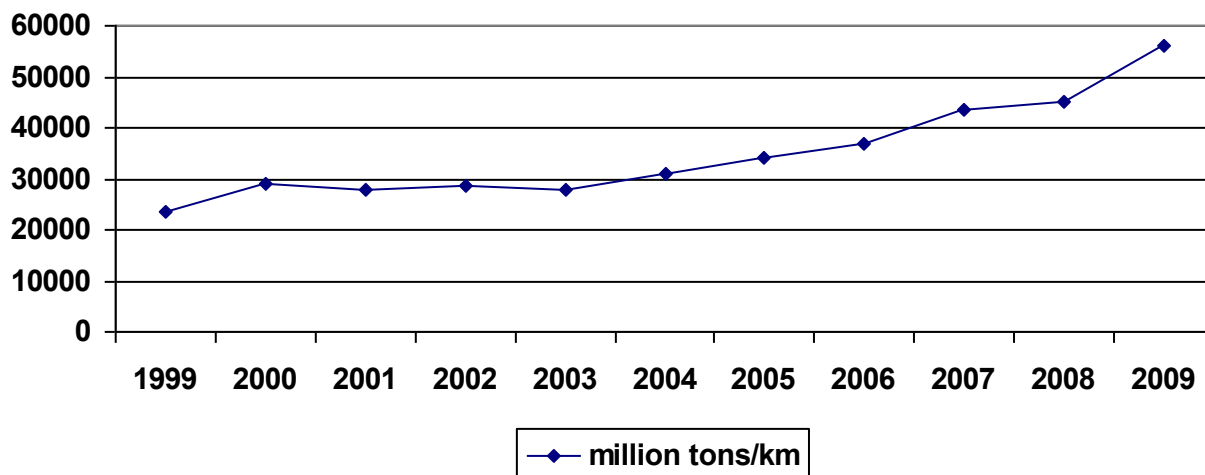
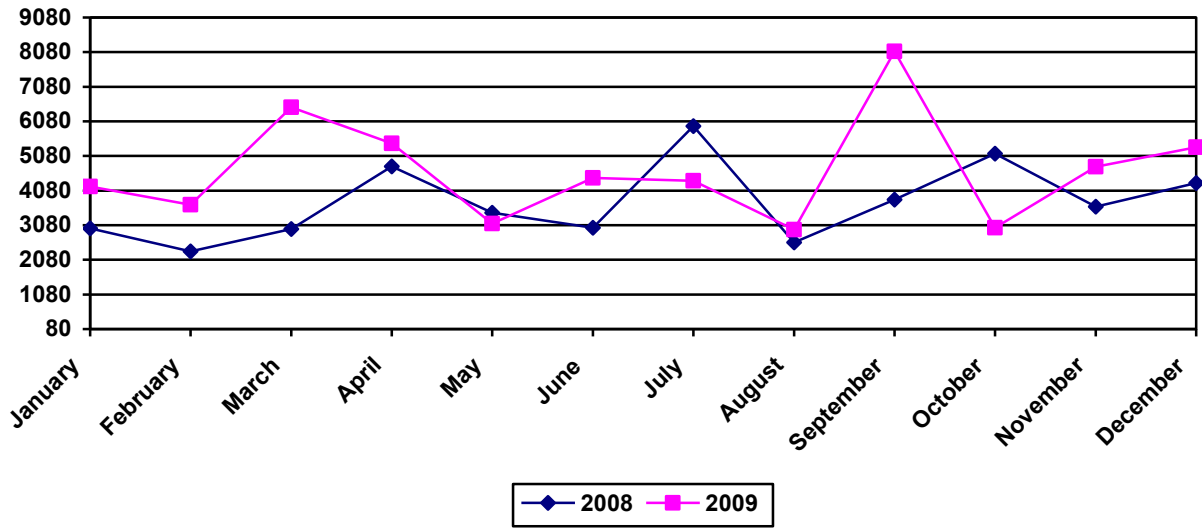


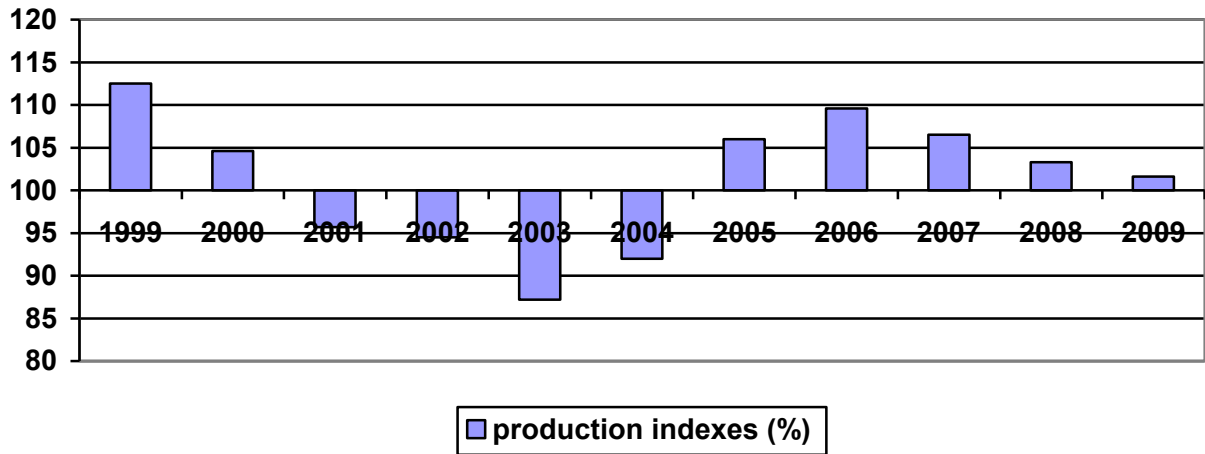
Diagram 3.2 Cargo transportation turnover in 2008 (million tons/km).



### Agricultural sector

The annual increase of state support to agricultural sector helped to preserve a positive trend in 2009. The agricultural production index was 101,6%. Nevertheless, this indicator is lower than it was in 2008. (103,3%).

Diagram 3.3 Agricultural production index in 1999-2009.



### Fishing industry

In 2009 there was a rise in the regional fishing industry. The production index was 105,8%. Fish catch as well as catch of other marine products increased by 8,4%, product release on ship boards expanded, the same with release of frozen fish, fillet and cooled fish.

Nevertheless, regulations adopted in the beginning of 2009, according to which fish caught in Russian territorial waters must be landed in Russian ports, did not meet expectations. The high production figures recorded in Q1 decreased already by mid-2009 and soon reached the level of 2008.

Diagram 3.4 Fishery in 1999-2008

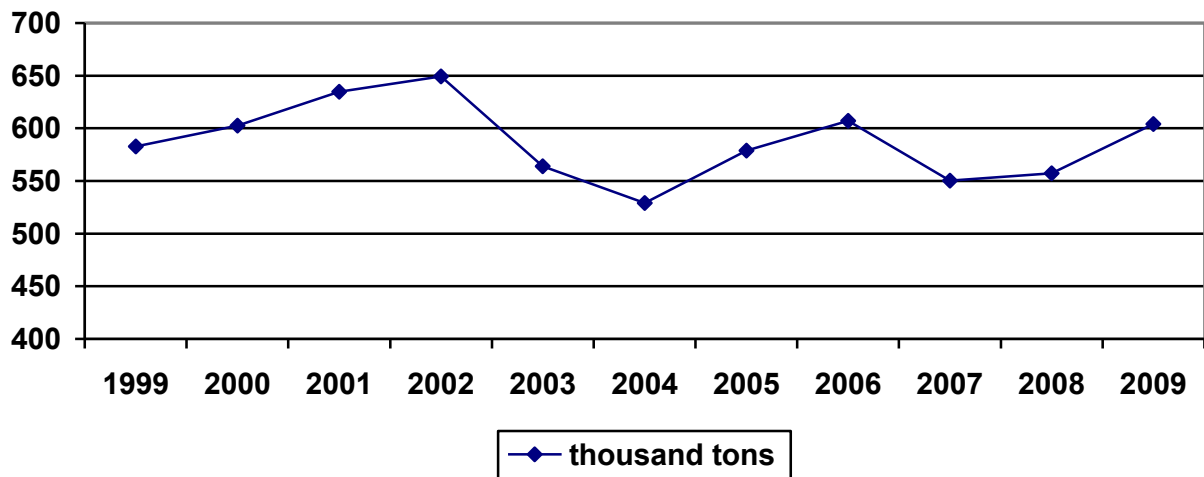
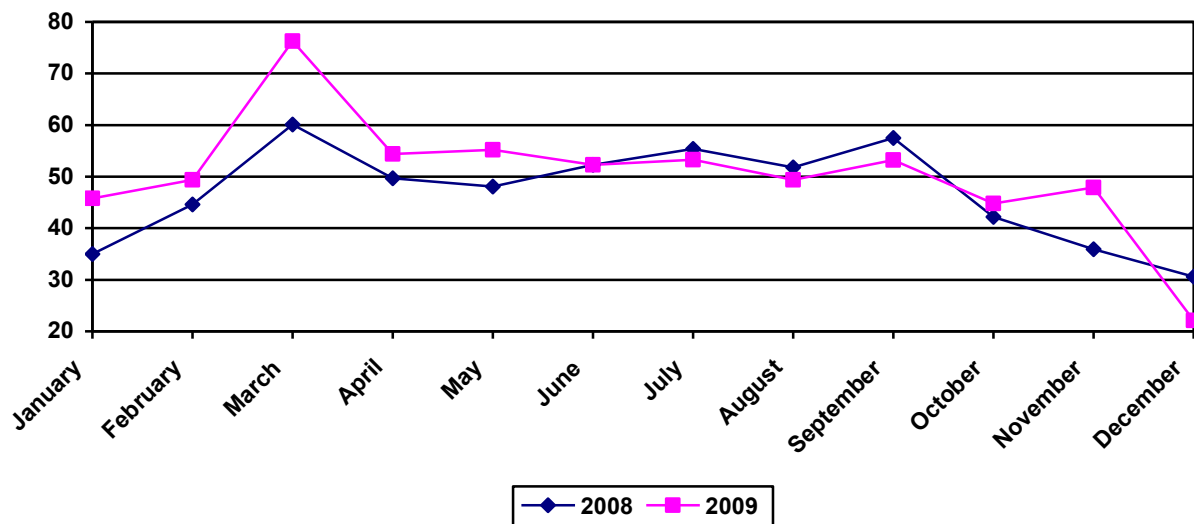


Diagram 3.5 Fishery in 2008-2009 (thousand tons).

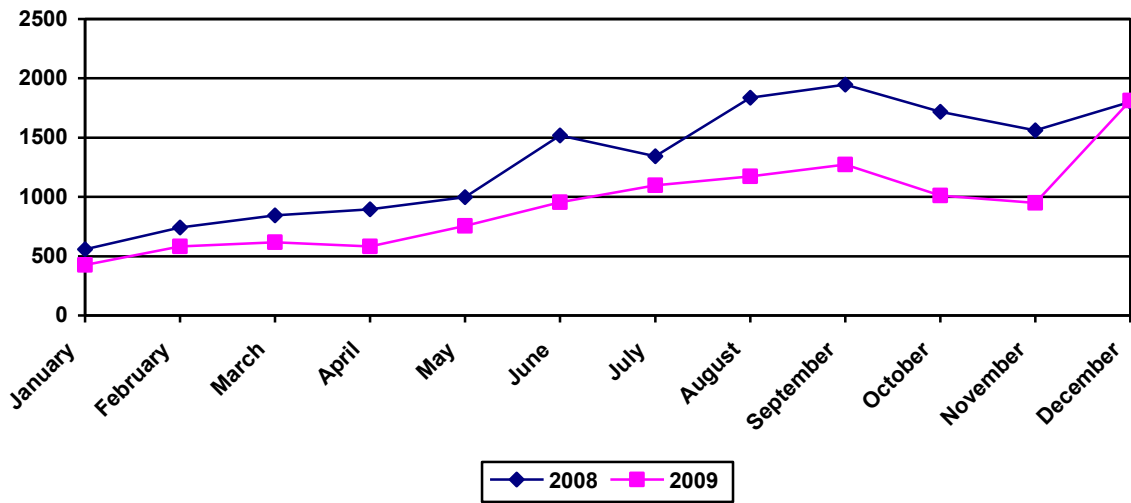


### Construction industry

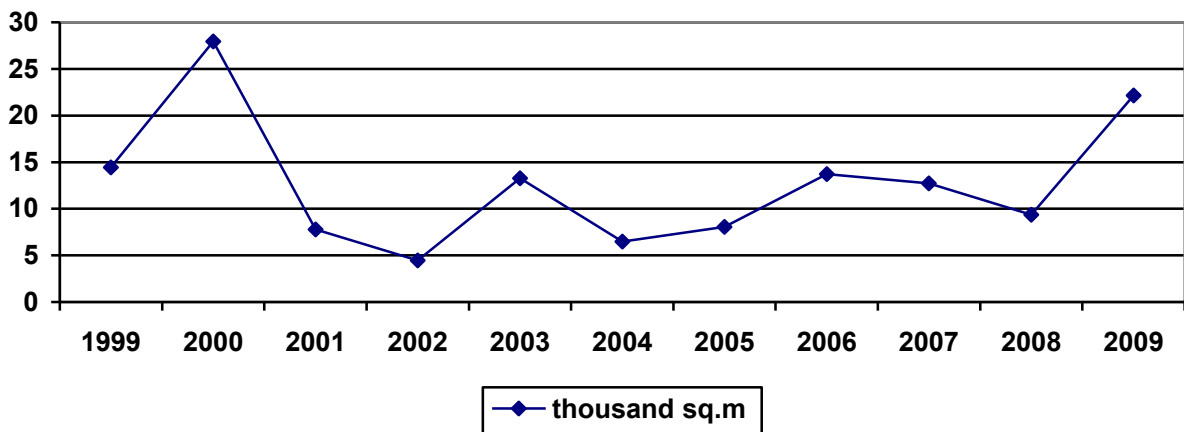
The construction industry was the most exposed to crisis of the regional industries. The volume of construction works in 2009 drastically dropped and was 63,8% of the 2008 level. There was a considerable drop in commercial and industrial stock introduced, but a rise in housing stock.

Starting from the beginning of 2009 a housing stock of 22,1 thousand sq.m. was completed, which is 2,4 times more than in 2008. However, taking into account construction deadlines, these objects were originally planned completed much earlier than 2009.

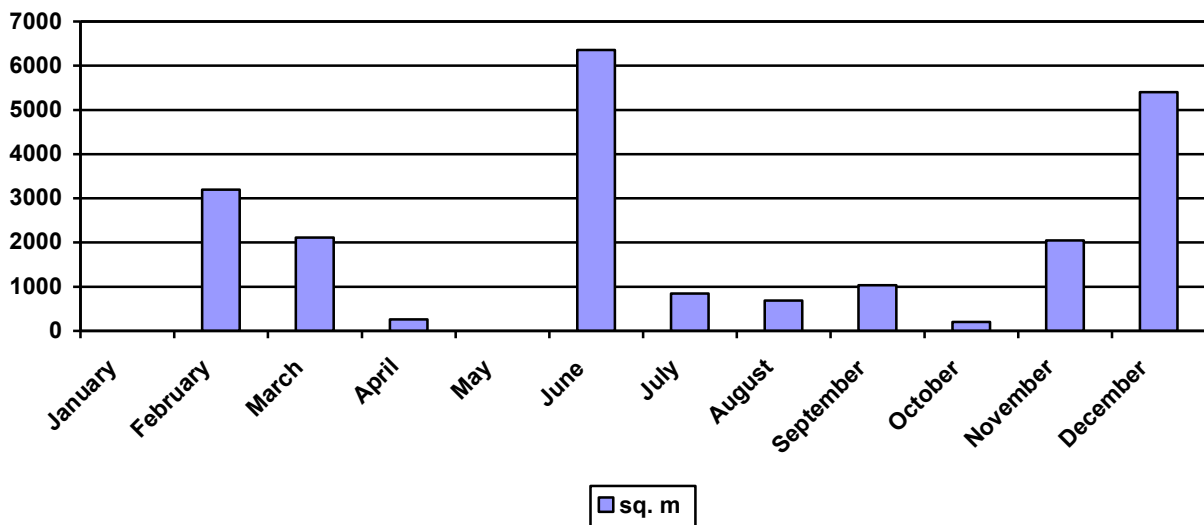
**Diagram 3.6 Construction industry in 2008-2009 (million rub.)**



**Diagram 3.7 Housing construction in 1999-2008**



**Diagram 3.8 Housing construction in 2009**



## Foreign trade and foreign investments

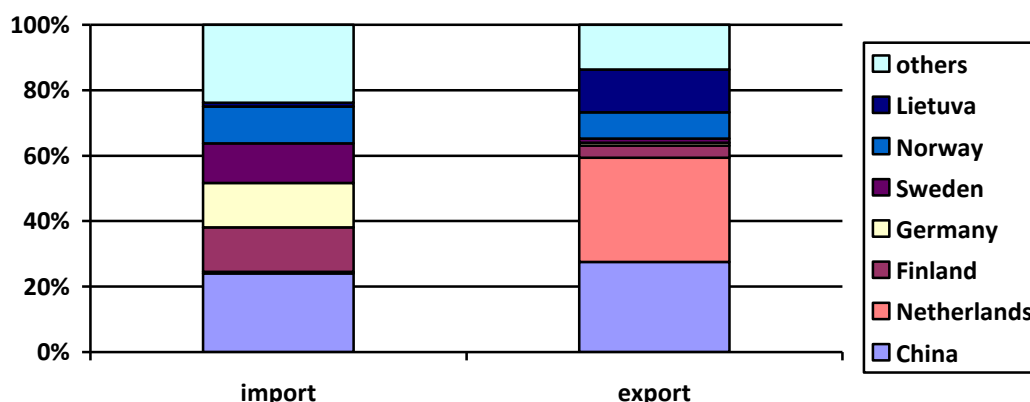
According to preliminary estimates, foreign trade turnover in Murmansk Oblast in 2009 totaled 2000 mln US dollars, which is down 38% compared with 2008. Moreover, the crisis mostly affected the export component which also led to a certain change in the foreign trade turnover structure. The export volume dropped almost fifty percent and amounted to only 58% of the 2008 level, while import decreased less than by 9%. All this led to a growing share of imports in foreign trade from 12% in 2008 to 17% in 2009.

The structure of export and import deliveries remains unchanged. Mineral products (31,15%) and metals (65,7%) constitute 97% of export. The main partners are the Netherlands – 31,8 %, China – 27,55%, Lithuania – 13% and Norway - 8%.

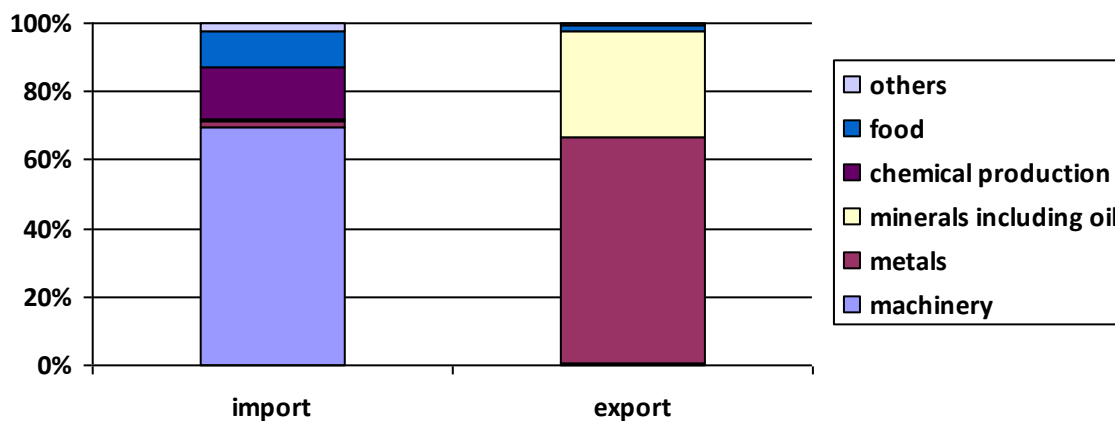
Prevailing components in the import structure are Machinery and equipment (almost 70%), Chemical industry production (15,2%) and Food products (10,5%). The main partners are China – 24%, Finland – 13,6%, Germany – 13,5%, Sweden – 12,1% and Norway – 11,2%.

Despite the crisis developments there were a total of 59,8 mln USD of foreign investments into regional economy in the period January-September 2009, which is 2,5 times more than in 2008. Nevertheless direct investments accounted for only 4%. Investments came Mmainly from Sweden (51,6%) and Cyprus (31,5%).

**Diagram 3.9 The main foreign trade partners of Murmansk oblast**



**Diagram 3.10 Import and export structures**



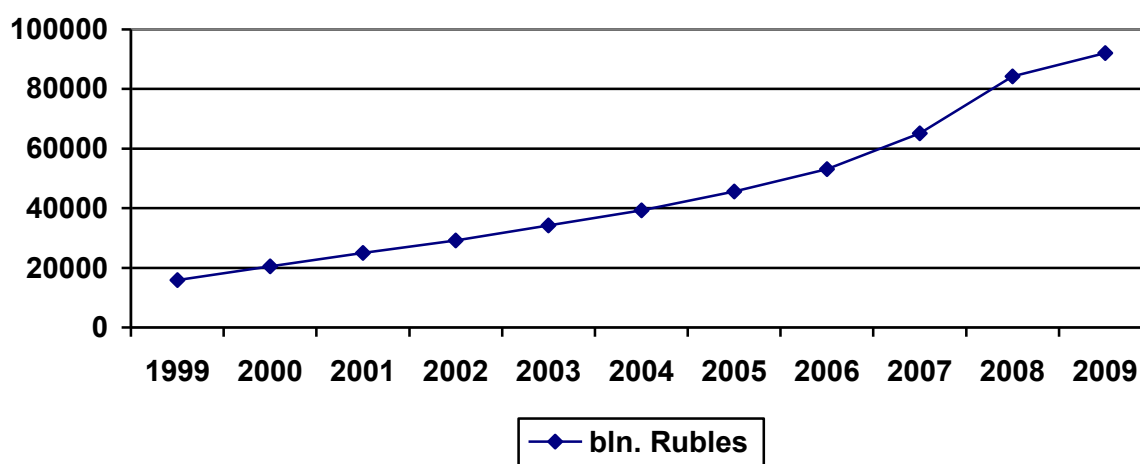
## Consumer market

The economic situation in 2009 also resulted in a lowering of actual money incomes in the population. In addition, reduced credit opportunities resulted in a lowering of retail trade turnover.

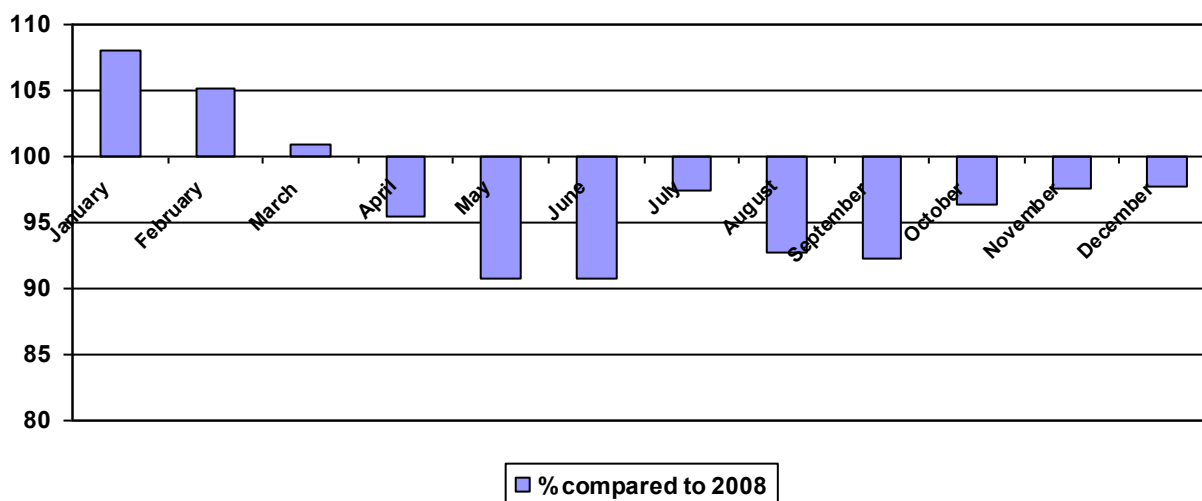
On the whole the volume of the consumer market in actual prices in 2009 totaled 92,1 bln RUB. Market turnover in comparable prices and physical volume of retail trade dropped by about 3% in comparison with 2008.

The paid services market experienced the biggest decrease – by 5,8%.

**Diagram 3.11 Consumer market in 1999-2009 (in actual prices)**



**Diagram 3.11 Consumer market index in 2009**



## POPULATION

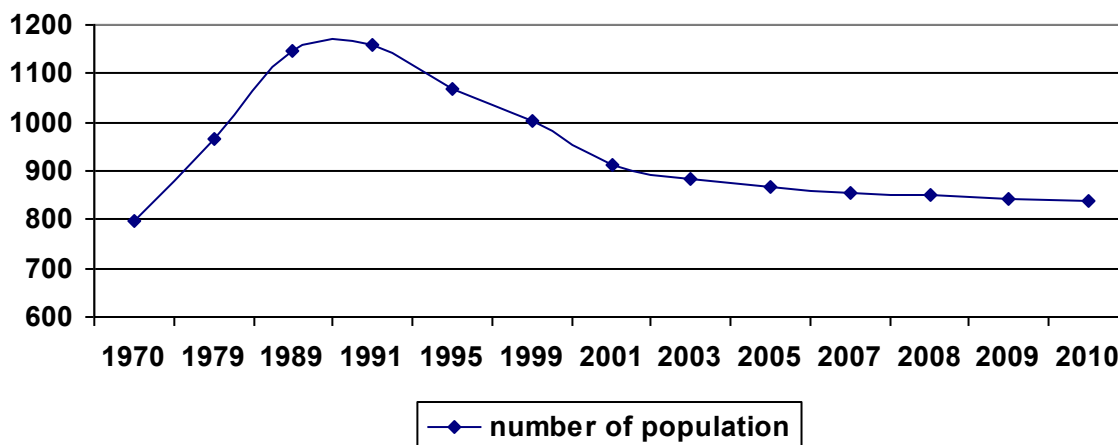
### Population and labor market

The population of Murmansk Oblast keeps decreasing though at a slower pace. In early 2010 the population of Murmansk Oblast was 836,4 thousand people, which is 6100 people or 0,7% less than in 2008. The major reason for the population decrease is migration outflow. General birth and death rates remained the same as last year – 10,7 born and 12 dead as per 1000 persons.

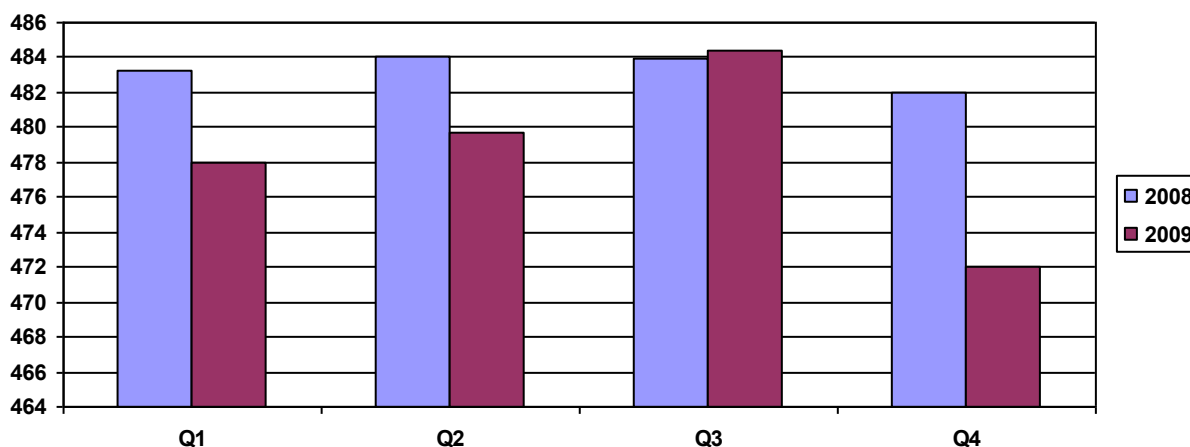
Within the employment sector, the decline in production volumes and dropping consumer demands led to job cuts and growth in unemployment in 2009. The level of general unemployment (using ILO methodology) stabilized in early 2009, but started to grow again in the last quarter and reached 7,6%. The number of officially registered unemployed also increased and totaled 19,2 thousand people, a rise of 44,3 % compared with early 2008.

There are still big differences between regions as regards unemployment level. Tersky (15,5% of unemployed) and Lovozero regions (7,3%) are considered the most vulnerable.

**Diagram 4.1 Population in Murmansk oblast (thousand people)**

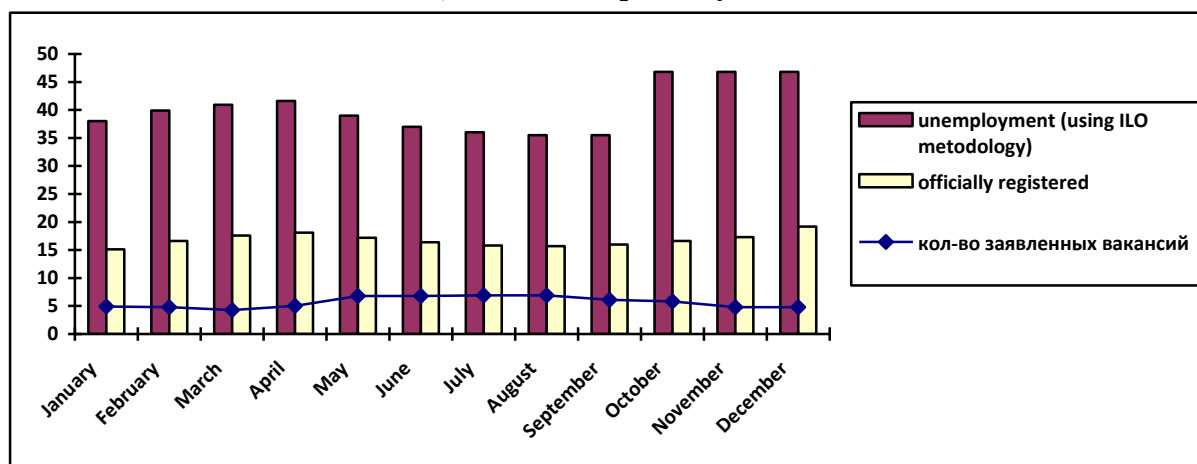


**Diagram 4.2 Number of employed in the economy of Murmansk oblast (thousand people)**



**Diagram 4.3 Unemployment situation (thousand people)**

(Q3 shows mid-quarterly data)



### Standard of living

An average monthly per capita income in 2009 totaled almost 21 thousand RUB, an increase of 12,1%. However, the true cash income decreased by 1,3%. An average monthly salary was 25866 RUB, a rise of 12,2% against 2008, its true cash income decreased by 0,9%. An average pension as of January 1, 2010 was 9628 RUB, an increase of 53% over the year.

Diagram 4.4 An average salary and pension per person in 1999-2009

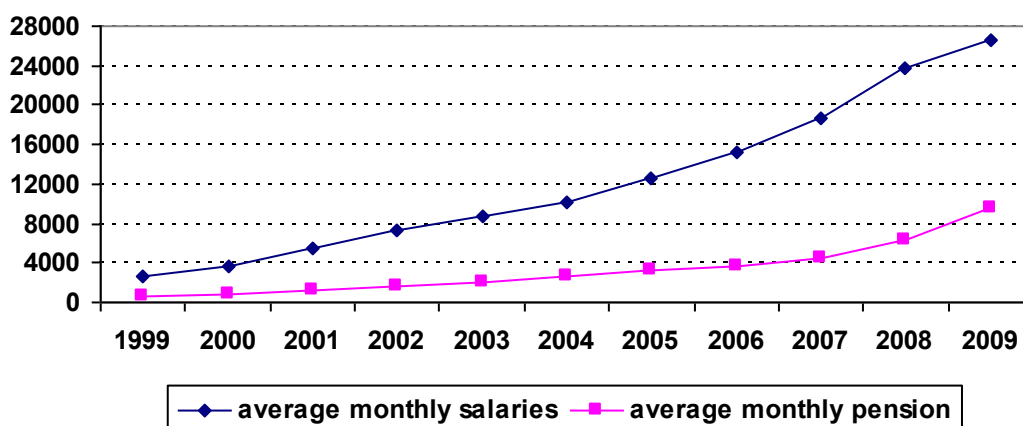
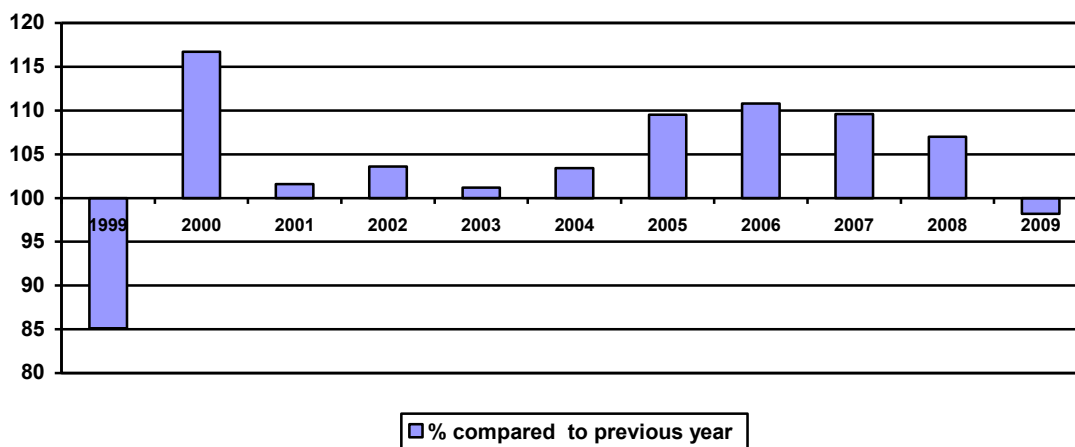


Diagram 4.5 Real income index in 1999-2009



## **Murmansk oblast. General information.**

Territory:	144,9 thousand sq. km. (0,8% of the whole territory of Russia)
Population:	836 400 people
Population density:	5, 77 per sq. km.
Level of urbanization:	91 %
Ethnic structure:	85,25 % Russians 6,37 % Ukrainians 2,28 % Byelorussians 0,89 % Tatars 0,2 % Saami
GRP:	219,9 billion rubles (average estimation)
Main cities:	Murmansk - 311, 2 thousand people Apatity – 61, 6 thousand people Severomorsk – 53, 5 thousand people Monchegorsk – 48, 1 thousand people
Main industries:	mining industry, fishery, energy complex and transport complex

## **REFERENCES:**

Report is based on the materials of:

- the Federal service of state statistics for Murmansk oblast - [murmanskstat.gks.ru](http://murmanskstat.gks.ru)
- the Social-economical and sectoral reports, presentations and press-releases of the Murmansk regional Administration – [www.gov-murman.ru](http://www.gov-murman.ru)
- the customs statistics - [sztu.customs.ru](http://sztu.customs.ru)