



## Barents Monitoring

### Arkhangelsk Oblast first half 2010

The Social-Economic Development of Arkhangelsk Oblast in January-June 2010<sup>1</sup>

---



Photo by Trude Pettersen/BarentsObserver.com

#### TRENDS

##### Positive signals in regional economy

Like other subjects in Northwest Russia, Arkhangelsk Oblast could not avoid a strong drop in Gross Regional Product during the crisis time. After years of impressive growth the GRP in the end of 2009 fell by almost 12 percent. Spring 2010 became the first period since 2008 with substantial growth in GRD. The impressive eight percent GRP growth in the first part of 2010 and the positive dynamics in the main industries definitely signal that the regional economy is gradually restoring the pre-crisis volumes.

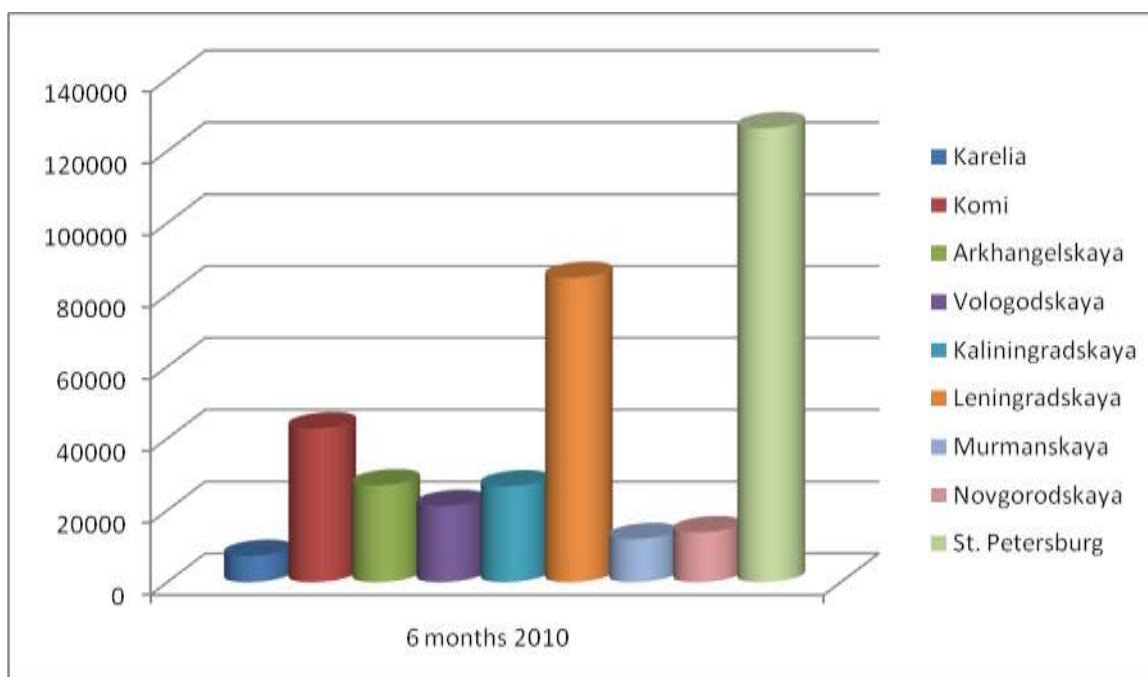
---

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

### Investments. Low level but better mood.

Despite of some general improvement in the economic situation, the level of investments in the main capital still remains on a low level compared to the prosperous previous years. However, the second quarter of the year showed impressive growth of more than 77 percent in April-June compared to the first quarter. The total amount of investments is still lower than in pre-crisis years. In the first half of the year the investment volume in the region amounted to 85,1% of the level of the same period in 2009. This is however significantly better than in most of the other subjects in Barents Russia. For example, in Murmansk Oblast the investment level reached only 57,9% of the level in the same period last year; in the Komi Republic – 70% of the 2009 level and only the Republic of Karelia beats last year's investments indexes with a three percent growth. It is however appropriate to mention that the high level of investments in Karelia was reached mostly thanks to huge state federal financial allocations. The share of state budget financing in this region's general structure of investment sources is two-three times higher than in Murmansk or Arkhangelsk and several times higher than in Komi and the Nenets Autonomous Okrug. In the investment structure of Arkhangelsk Oblast prevail own companies' resources while the share of attracted funds and credits is extremely low. This is quite a contrast from the neighboring regions. For example, in Murmansk, Karelia and Komi the share of attracted funds and credits in the structure of investments exceeds 60% while the share of the companies' own resources amounts to only approximately 1/3 of the total amount. This makes investments in Arkhangelsk Oblast 3,5 times bigger than in Karelia and 2,2 times bigger than in Murmansk Oblast. Among the other subjects in Northwest Russia, the volume of investments is bigger only in Komi, Leningrad Oblast and St. Petersburg. However, it must be noted that more than a half of the total amount of capital investments in Arkhangelsk Oblast is made in the Nenets AO.

### Volume of investments in the main capital in the North-West Federal Okrug (million rubles)

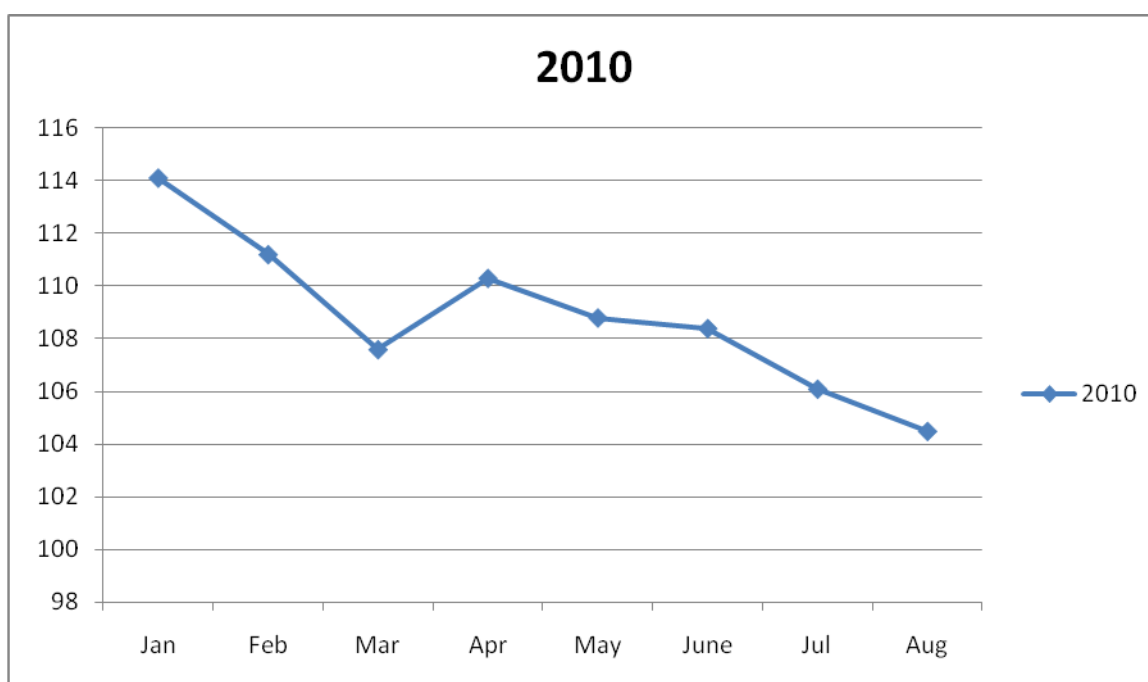


### Industry. Changing trends.

The beginning of the year saw a major growth in the industrial production index. However, by the middle of the year positive tendencies were changed by negative trends and from July the industrial production indexes have slightly dropped. Important features in this period were positive trends in the manufacturing industries while the mining sector was developing approximately on the levels of the last year or even lower.

In the first half of the year the growth was observed practically in all main sectors of the regional economy. Especially important were the positive tendencies in the industries which constitute the backbone of the economy of Arkhangelsk oblast, such as pulp and paper industry, timber manufacturing, transport and construction. Timber production is for example developing positively with volumes often higher than pre-crisis levels. Compared with last year, the number of unprofitable enterprises dropped by 10 percent in the industrial manufacturing sector and by eight percent in the mining industry. The similar tendencies were observed in the transport sector, construction industry and agriculture. The last mentioned sector was not affected by the crisis and demonstrates positive development dynamics for almost the last two years. In the first and the second quarters of 2010 the volume of agricultural production increased by 7,9 and 5,9 percent correspondingly compared to the same periods of the last year.

Industrial production index (percent compared to the last year period).

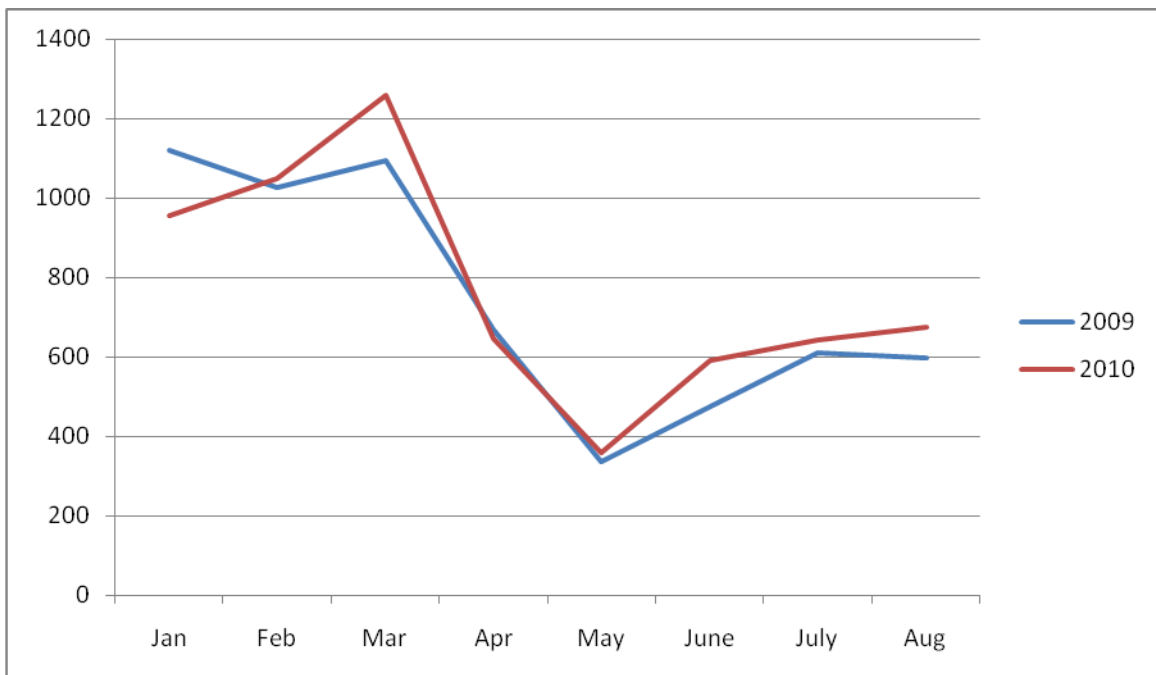


### Timber sector.

Timber industry which accounts for a key part of the gross regional product demonstrates positive dynamics and gradually approaches the levels of pre-crisis years. The traditional drop in production registered annually in spring time is caused by the bad road situation and does not much impact the whole picture. Starting from February, the average monthly amounts of non-

manufactured wood stocking exceed the levels of 2008 and 2009. The production of paper and pulp is developing on levels approximately 10 percent higher than in 2009.

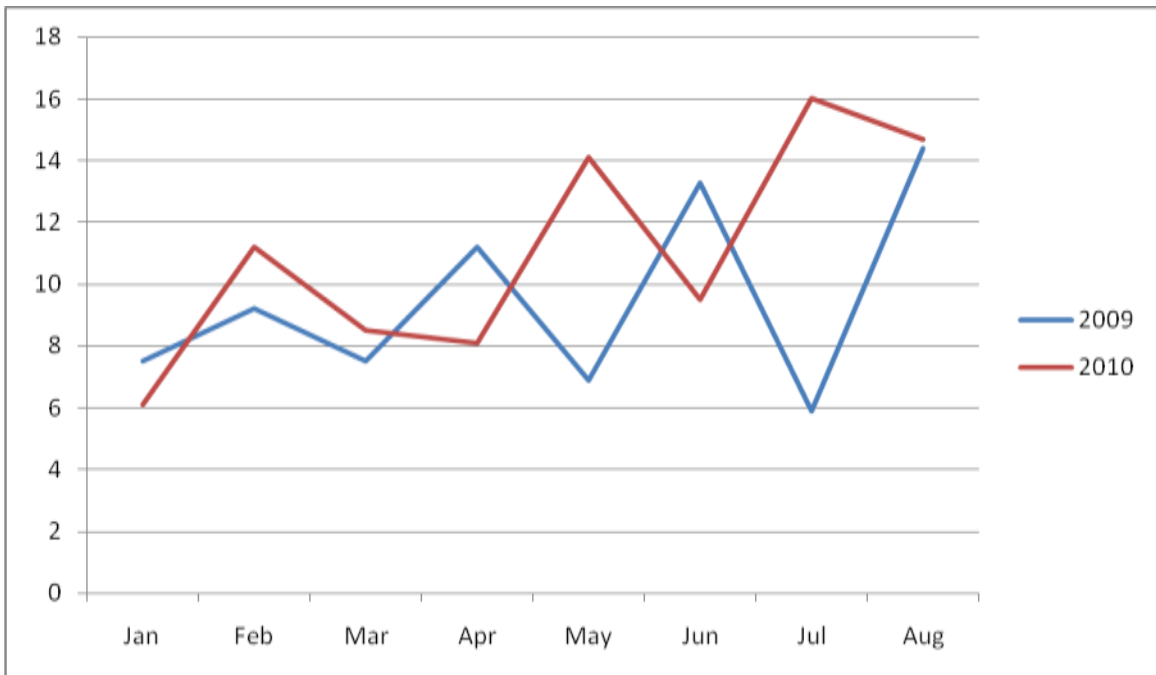
#### Timber Production (thousand cubic meters)



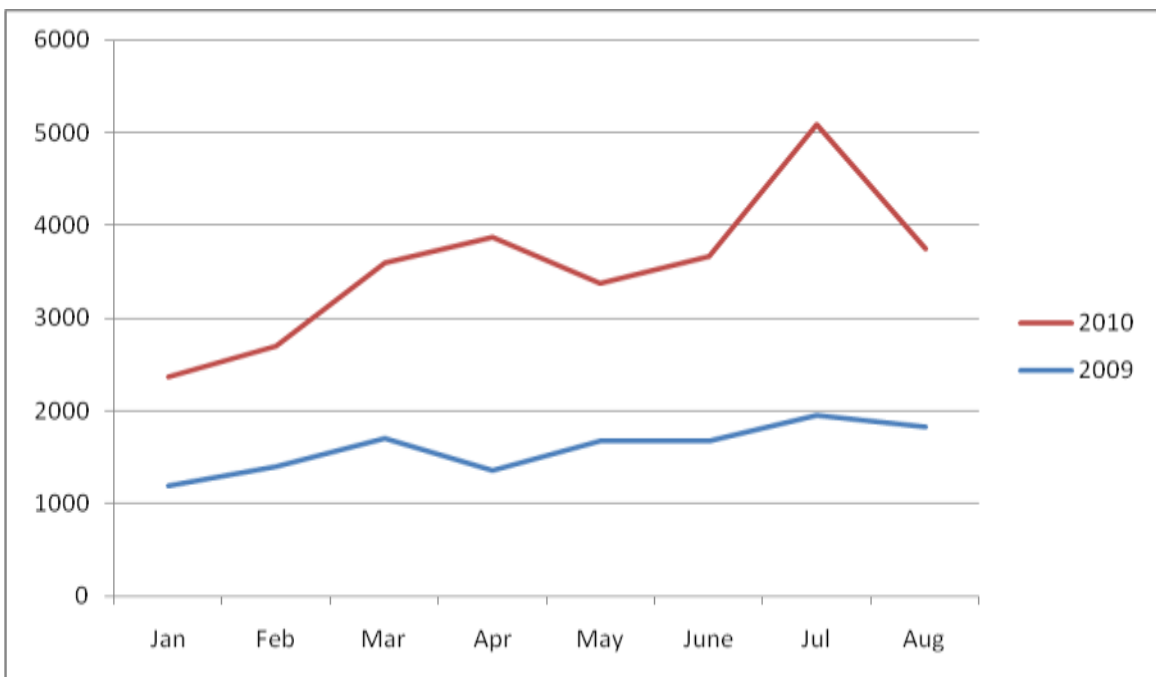
#### Construction.

The construction industry in 2010 looks much better than in 2009 when the drop in operations reached 50%. The upward tendencies within construction have been observed almost every month in 2010. For example, in the second quarter of the year construction works grew by 1/3 compared to the corresponding 2009 period. The housing construction experienced a slight drop in spring but by summertime exceeded the level of 2009. In the summer months, the results for several years were registered in the sector.

#### Housing construction (thousand sq. meters)



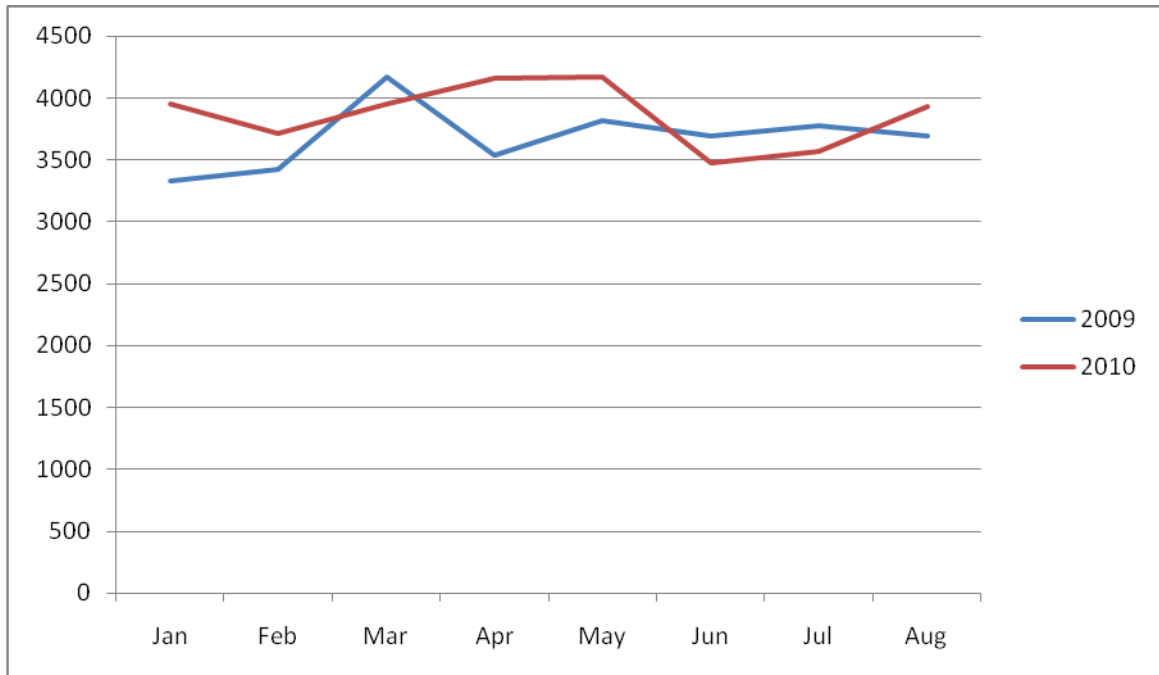
Volume of construction (thousand sq. meters)



Transport.

The growth in industrial production positively influenced the development of the transport sector. In 2009 the cargo transport turnover dropped by almost 11%, but the first half of 2010 clearly demonstrated a growth tendency. The growth trend was biggest in railroad cargo transportation. In the second quarter of the year the railroad cargo transportation grew by over 20% compared to the beginning of the year.

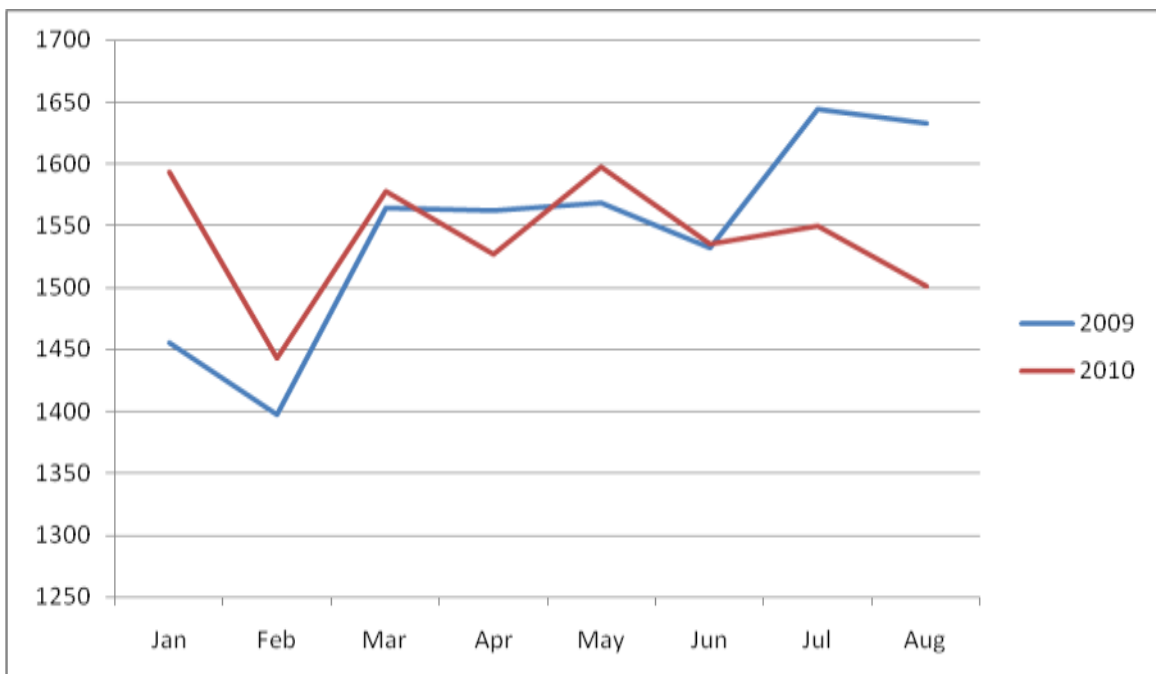
### Cargo turnover (mln. Ton/km)



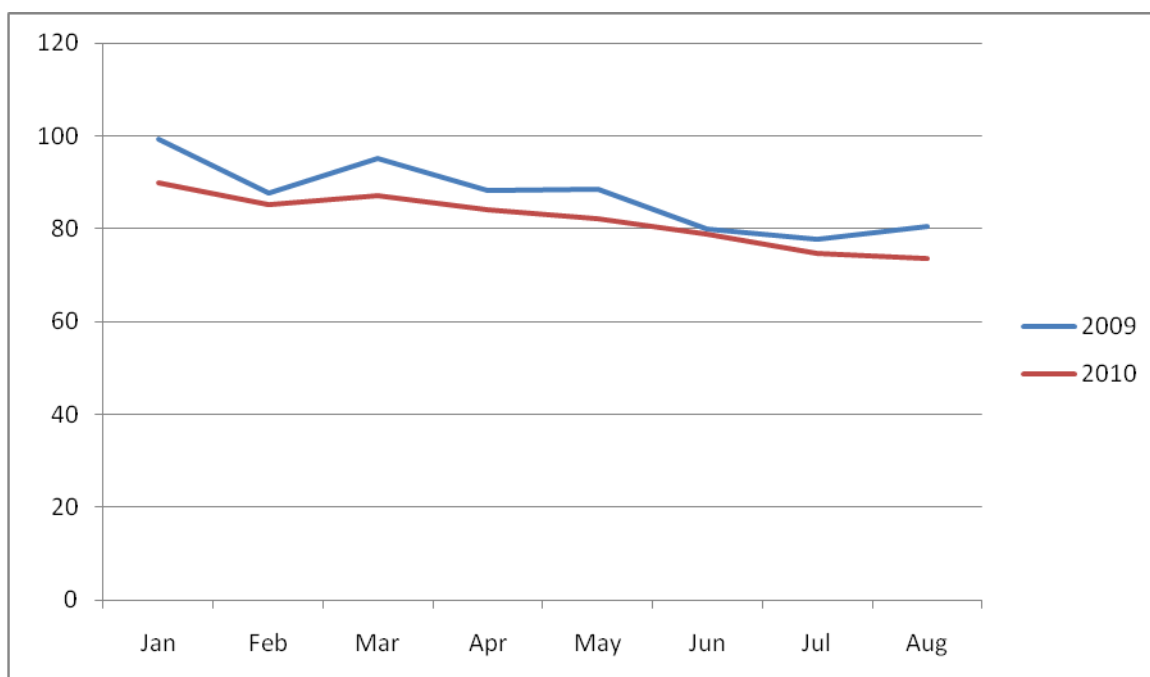
### Slight fall in the mining industries.

The mining industries experienced a slight drop in production. By the end of the period the decline was registered also in oil and natural gas production.

### Oil production



## Natural gas production

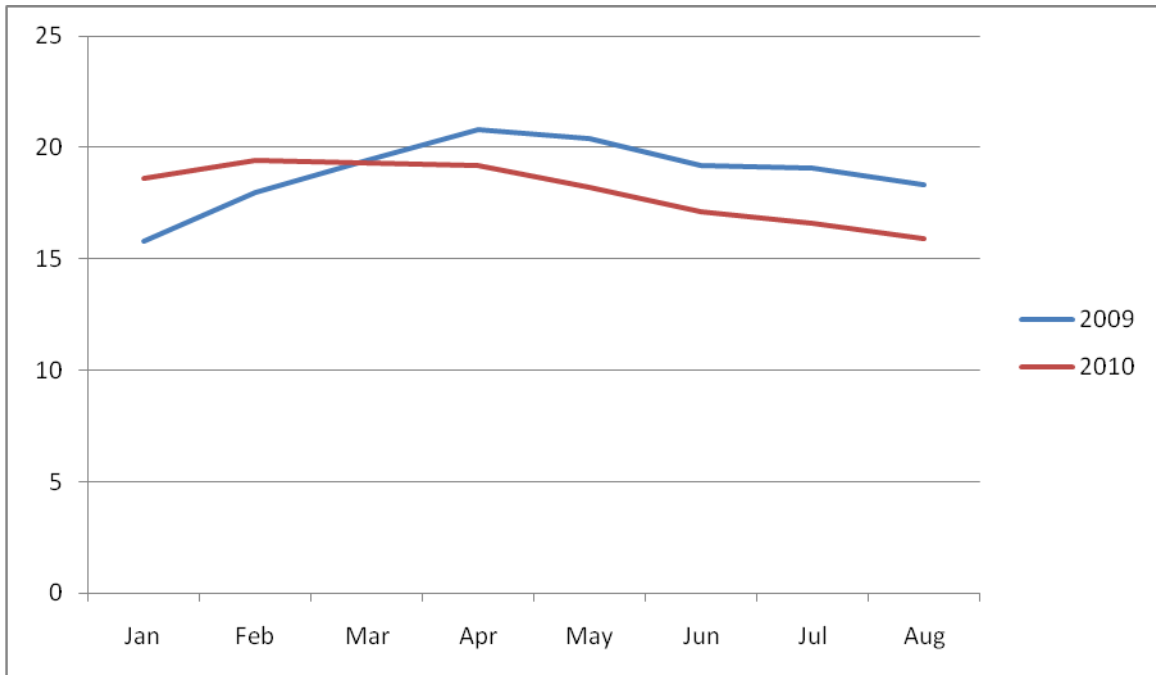


### Labor market.

The revitalization of the industrial production positively influenced the situation on the labor market. This is demonstrated by a declining number of unemployed and a permanent increase in the number of announced vacancies. In 2009 the number of people employed in the regional economy reached an absolute low for the last ten years and totaled 629,8 thousand.

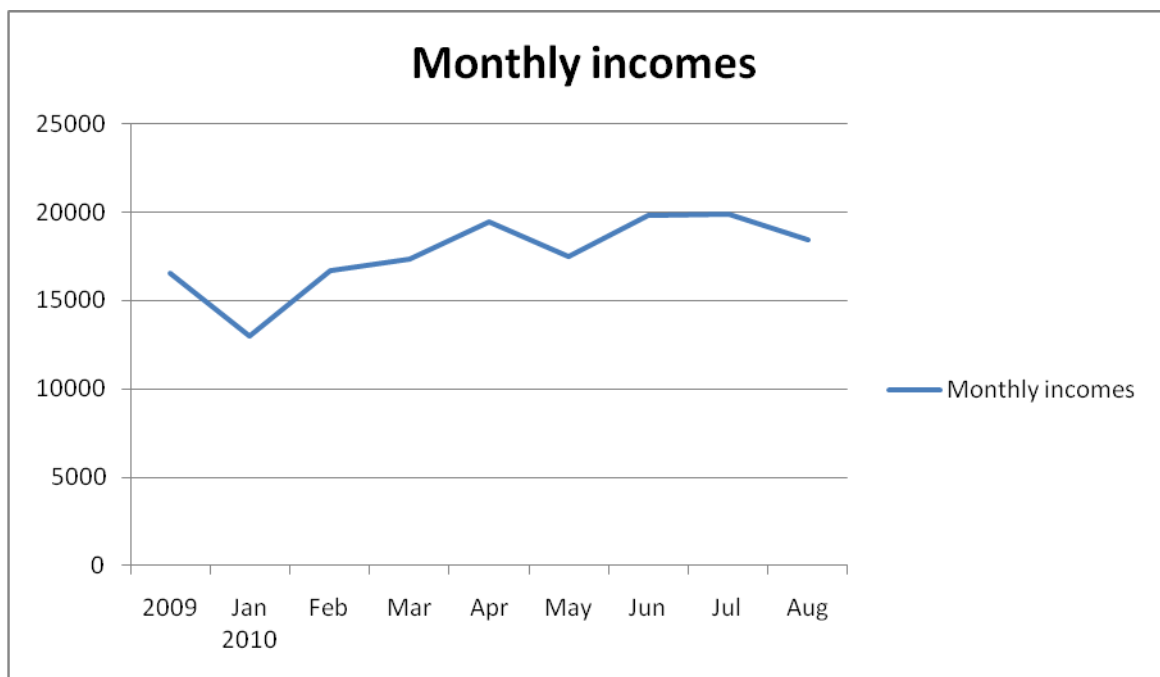
Only over the last five years the number of people employed in the economy has shrunk by almost 30 thousand and the number of the registered unemployed grown by more than 10 thousand. An especially fast growth in unemployment was registered in 2008. In the course of that year it grew by 23%, or by 9000 people. In 2009, the unemployment in the region continued to grow but with the same speed, by less than 2 percent. In 2008-2009 the unemployment level was seven percent of the economically active population. Also in the beginning of 2010 the number of unemployed increased, but some positive changes were registered in spring, and by the end of summer it was clear that these positive tendencies are part of a general trend. In the middle of the year the number of announced vacancies sharply increased. Its number has even exceeded the level of pre-crisis years.

### Number of unemployed (thousand people)



The average incomes of the population continued to grow. The monthly incomes in the first half of the year grew 10% more than in the same period last year. The dynamics of the incomes growth is slightly worse than in 2009, but still higher than the official level of inflation. The Government has reported that inflation in the country in the first six months of the year amounted to six percent and should not exceed 7-8 percent by the end of the 2010. The prices on the consumer market from January to August increased by 5,9 percent.

### Level of incomes of the population (rubles)



## Average monthly salary

