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Russia's Fixed Investments Decline in Annual Terms for Fourth Month in a Row

By bne IntelliNews

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Russia's fixed investments declined in annual terms for the fourth month in a row in May 2019, the Central Bank of Russia (CBR) said at the end of June.

The monthly fixed investment dynamics of capital investments, taking into account seasonality and calendar, remains volatile. "After growth in the previous month, investments in fixed assets decreased slightly," in May according to the CBR.

Failure to keep to the spending plan on the 25.7 trillion ruble ($390 billion) investments planned for the 12 national projects is believed to be the main reason for the fall in fixed investment.

At the end of May 2019, only 20 percent of the spending planned for more than half of the national projects had been executed, the CBR said.

At the same time, investment activity in industry remained depressed over the first half of this year. According to market surveys by the IEP Yegor Gaidar association, industry investment plans lost all momentum between the beginning of the year and April, falling by between +15 and −2 points. By May fixed investment activity fell to near zero.

An indicator of the low investment activity has been the dynamics of the import of machinery and equipment from foreign countries, which also deteriorated in May, despite the strengthening of the ruble, which makes imports cheaper. In annual terms, the import of machinery fell by 11.1% after rising by 5.2% in April, which is only partially explained by the calendar factor. The central bank emphasizes that the fall in investment imports was observed in all key commodity items.

Construction is another sector where fixed investment has been near zero since the beginning of the year. "The initial data of Rosstat on the volume of construction may differ significantly from the final estimate, which is due to the practice of providing contractors with incorrect and often underestimated statistics with subsequent adjustments," the CBR said.

In the second half of the year, the central bank is expecting a revival of investment activity, as well as the economy as a whole, thanks to the "transition to more intensive implementation of national projects and the growth of public investment."

The national projects are designed to "transform" the Russian economy and should boost growth. Growth in May fell to a mere 0.2 percent and was a disappointing 0.5 percent in the first quarter. The government recently downgraded its growth outlook for this year to 1.2 percent. However, the expectation is that growth will pick up as spending on the national projects gets underway. According to official forecasts, growth will rise to 3.1 percent by 2021, ahead of global growth rates, but other economists believe this is a very ambitious goal.

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