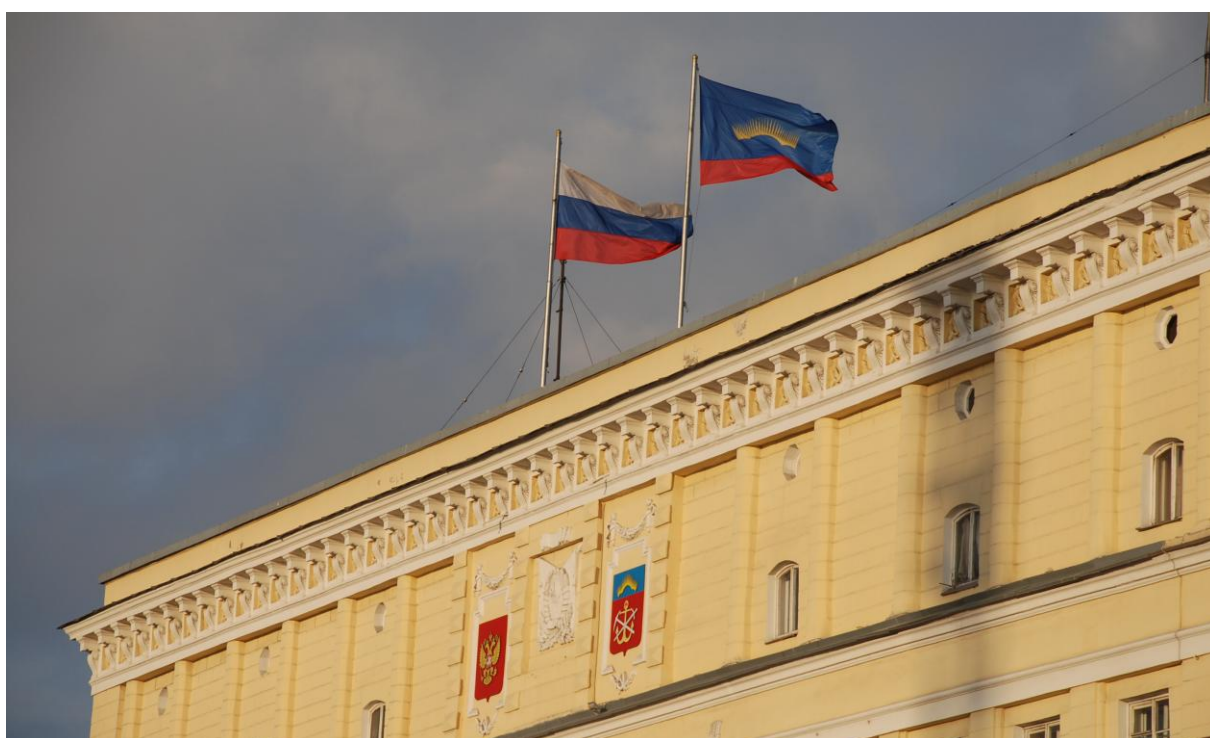


## **Barents Monitoring**

### **Murmansk Oblast third quarter 2009**

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

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#### **TRENDS**

Social and economic indicators for the third quarter of 2009 clearly showed a state of stagnation in the Murmansk regional economy. The considerable drop in practically all parts of the regional economy in the first quarter of the year has been overcome. At the same time, the slightly positive dynamics observed in the second quarter did not continue. The Q3 figures do not change the overall economic situation neither for the better nor for the worse. On the whole, figures for the year 2009 lag considerably behind last year's figures.

There was some recovery of production volumes in the mining industry. However, production figures for other branches were negative.

The negative tendencies connected with the decline in business activity continued to play a key role both for construction output and for production of construction materials, which both experienced negative growth.

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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

Fishery figures over the quarter are lower than a year ago. The newly adopted regulations, which had a positive impact on fisheries in the beginning of the year became ineffective in the third quarter.

The government policy aimed at prevention of job cuts helps to avoid considerable number of dismissals of people working for regional enterprises. As a matter of fact, the number of unemployed over the quarter kept decreasing.

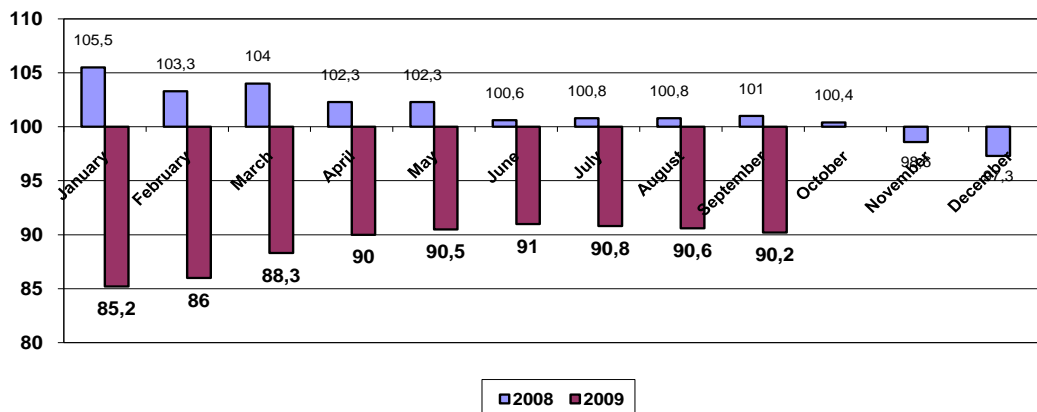
## INDUSTRIAL PRODUCTION

After a considerable drop in the beginning of the year, stabilization and some improvement of indicators outlined in the second quarter is now replaced by the opposite trend. The figures for Q3 show no positive dynamics: the slump in industrial output is continuing.

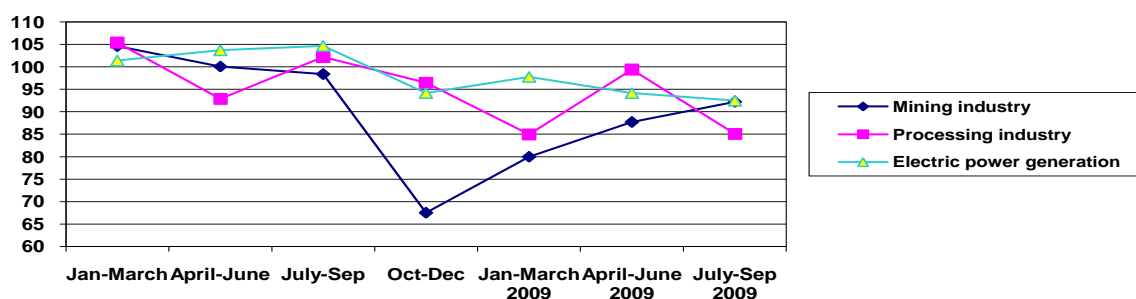
The index number of industrial production by September 2009 made up 90,2% compared with the corresponding period January-September 2008. The slump in industrial output was primarily burdened by the downturn in processing industries, especially in machine engineering, production of goods made of wood and non-metallic mineral products.

The mining industry experienced some recovery as regards physical volumes. Nevertheless, the price drop for basic goods (iron-ore and apatite concentrates, non-ferrous metals), as well as a reduction in processing, lead to an overall slowdown.

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



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



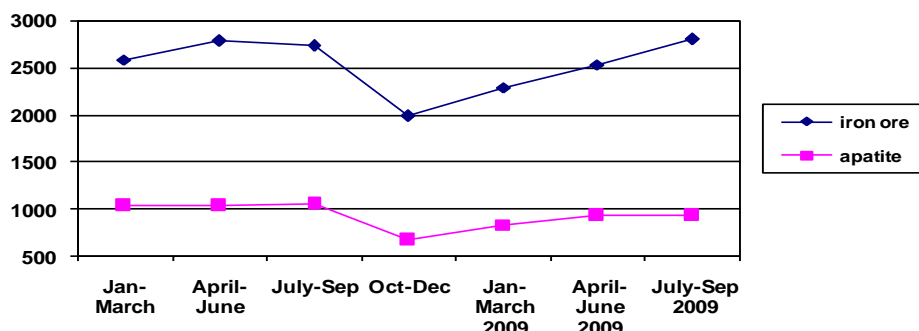
## Mining

Production output in the mining industry in the third quarter was still on the recovery track. The volume of iron-ore, nepheline and baddeleyite concentrates' production exceeded the level seen a year ago.

The total mining output in the period compared with the same quarter last year was 92,2%. On the whole, in the nine first months of 2009 the downturn in the mining industry amounted to 13,3% compared with the same period of 2008. Meanwhile, the product cost fell by 26,7%.

The largest decrease in production was recorded within digging aggregates (non-metallic construction materials).

**Diagram 1.3 Mining industry (thousand tons)**



## Processing industry

The output of the processing industries in the third quarter of 2009 dropped almost 15% year-on-year. Over the nine months of 2009, the figures for the processing industry contracted by 11,8% compared with the same period of 2008.

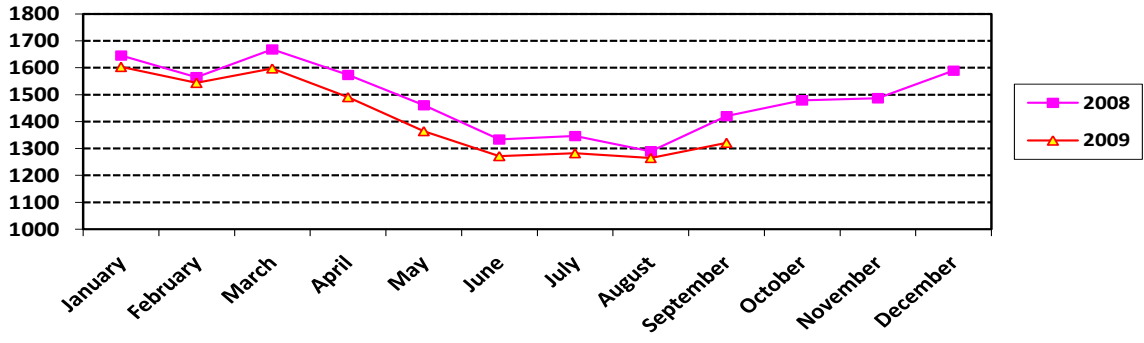
The biggest drop was recorded in branches connected with construction materials' production (down 35-65%) and recycling of secondary raw materials (66%) due to lowering demand on ferrous scrap. In addition, the output of aluminum production is far below the level seen a year ago (67-73% compared with figures for 2008).

Metallurgical production, as well as ready-made metal goods, is most significant in terms of production volumes and makes up 65,7 % of this sector. The volume of metallurgic production over the quarter fell by 9,4%, in January-September 2009 it totaled 94,3% of last year's level.

## Electric power generation

Due to decreased production volumes in all branches of economy, the energy consumption also went down. In the period January-September the consumption fell by almost 7%. The electric power generation dropped less considerably – by 4,3%.

**Diagram 1.4 Electric power generation in 2008-2009.**

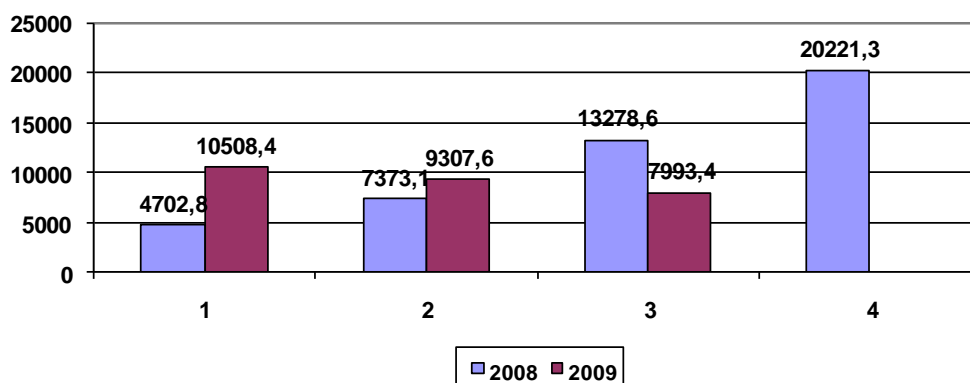


## ECONOMY

### Investments

Investment figures in the second quarter somewhat improved compared with previous months. Nevertheless, this did not change the overall trend in 2009. The volume of investments has been reduced every quarter compared with 2008, when there was a growth in investments. The figures for the third quarter made up about 56% compared with last year's level.

Diagram 2.1 Investments in the main capital (million rubles)

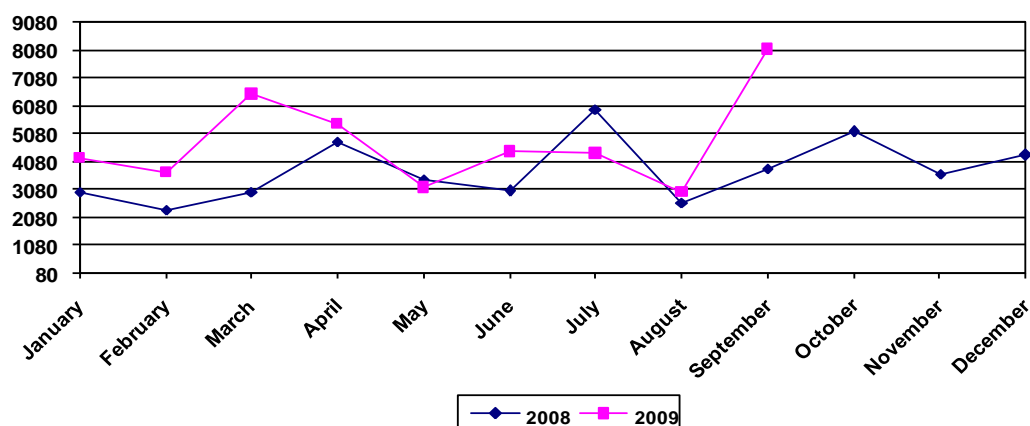


### Transport

The cut-back in production as well as decline in business activity also has a negative impact on the cargo transportation (traffic volume). Over the three quarters of 2009, transport companies transported 27 mln tons of cargo what is by 7,7% less than in 2008.

The largest decrease is still recorded within railroad transportation – where freight turnover fell by 15,8 percent. At the same time, the volume of cargo transported by sea has increased - by 17,6%. Due to this, the overall freight turnover in January-September 2009 was by 34,4% higher than in the same period last year.

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

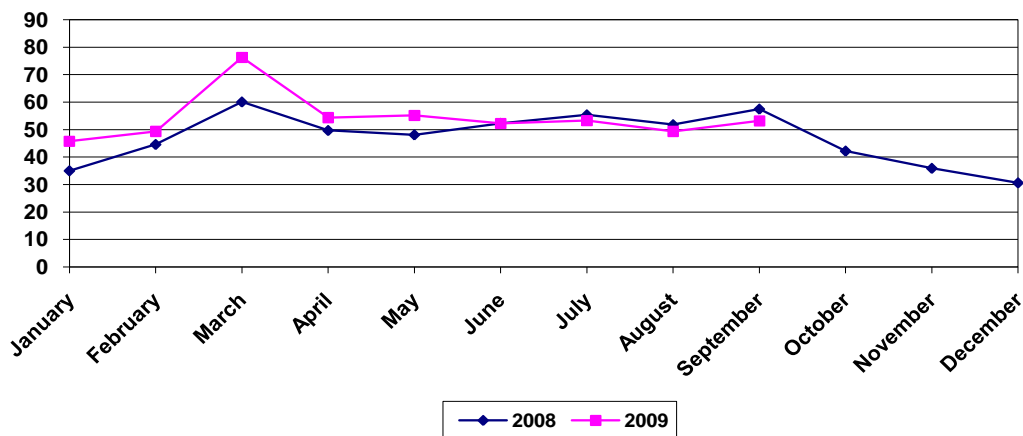


### Fishing industry

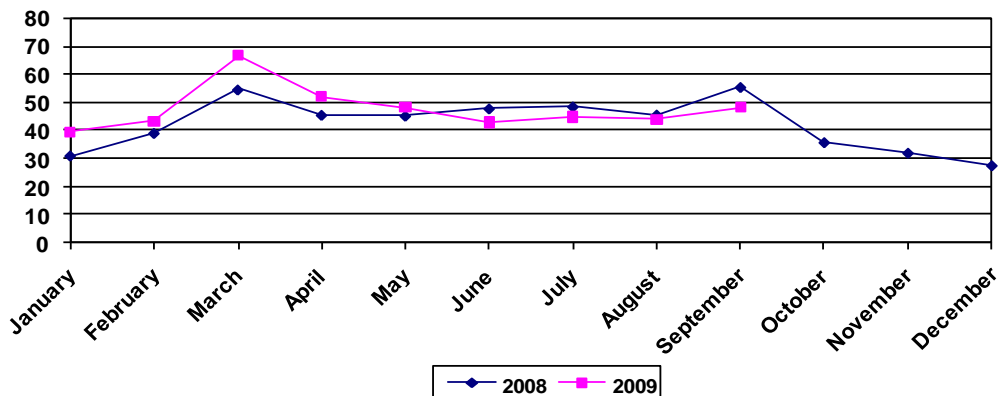
The positive effect of newly introduced fishery regulations (starting from this year fishery companies must deliver fish caught in Russian waters to Russian ports) was considerably reduced in the second quarter, and by the third quarter had no effect. Catch level and fish processing are below the level seen a year ago.

On the whole, figures for the third quarter compared with the same quarter last year decreased by 7,8%.

**Diagram 2.3 Fishery in 2008-2009 (thousand tons).**



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



**Construction industry**

The situation within the construction industry in the third quarter did not dramatically change – the construction volumes lag behind last year’s figures. Figures for the third quarter compared with the previous year made only 62,8%, for January-September - 61,2%.

The largest decrease in construction was registered within the mining and processing industries, energy production, communication lines and road construction. Despite a considerable drop in new housing in the third quarter, the figures for this sector are still far ahead of the figures from last year. A total of 14,5 thousand sq.m. of new housing stock was introduced from early 2009, which is 3,5 times bigger than in the same period last year.

**Diagram 2.4 Construction industry in 2008-2009 (million rub.)**

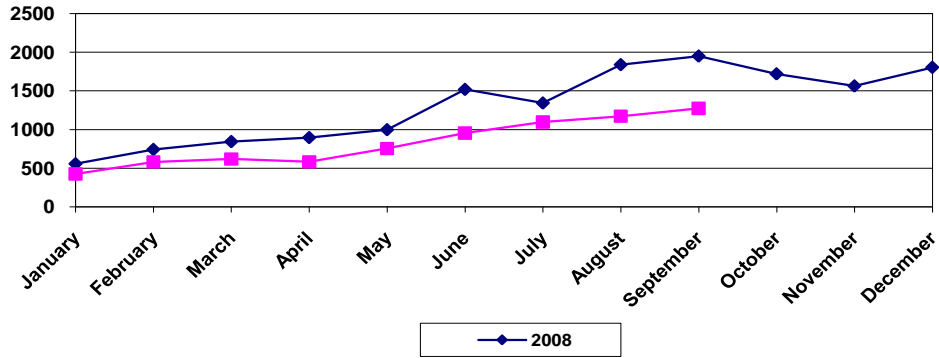
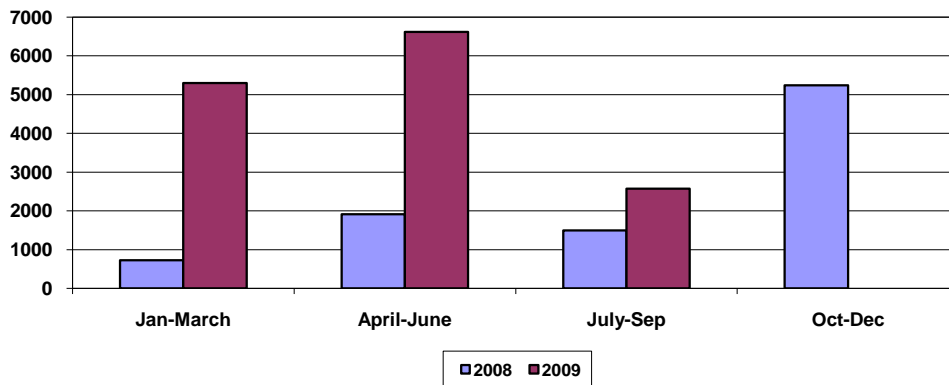


Diagram 2.5 Housing construction in 2008-2009 (sq. m)



### Foreign trade

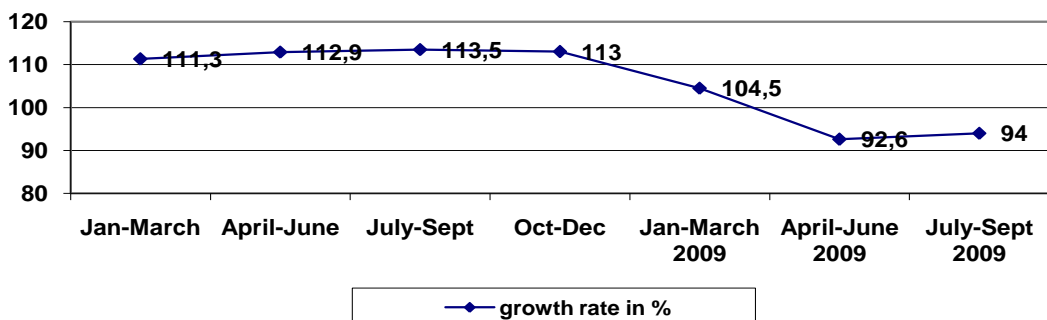
According to preliminary estimates, the volume of foreign trade in Murmansk Oblast keeps decreasing. In the third quarter it dropped by 32% compared with the last year, the drop affected both export and import. Murmansk Oblast remains to be an export-oriented region (raw materials). The export constitutes nearly 85% of the total sales turnover. Prevailing components in the export structure are metals (70% in Q3/2009) and mineral products (26%).

74,2% of the import volume is machinery and equipment, 12,2% – chemical production.

### Consumer market

In the context of a weak business activity, the consumer market in the period experienced a certain slowdown. The volume of retail sales in Q3 /2009 (with inflation rate taken into account) was 6% lower than in Q3/2008.

Diagram 2.6 Consumer market index 2008-2009



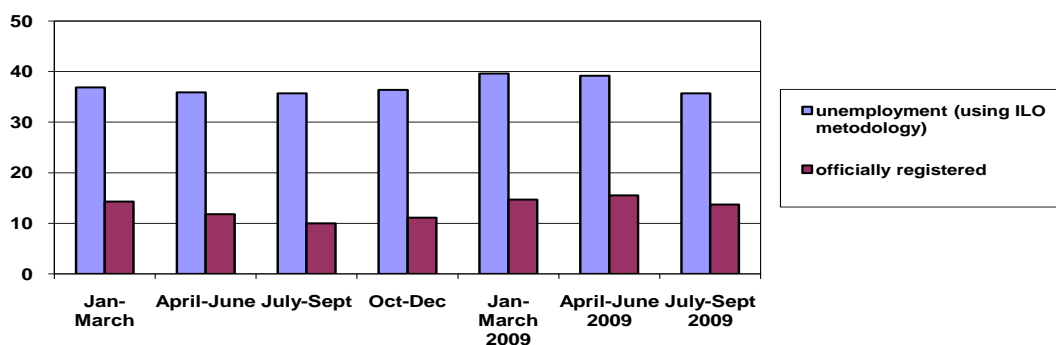
## POPULATION

### Population and labor market

The demographic situation in Murmansk Oblast is stable. In the period of study, the birth rate per 1000 inhabitants rose from 10,7 to 10,8. Natural population decrease fell by 2,5 %, natural decline rate per 1000 inhabitants decreased from 1,4 to 1,3. With low business activity the population migration has shrunk (both in and out). Over the first nine months of the year, the migration decline decreased by 30% compared with the corresponding period in 2008.

The number of unemployed in the third quarter kept decreasing. In September 2009, a total of 13,600 people were officially registered as unemployed, which amounts to 2,6% of the employed population. The level of overall unemployment (using ILO methodology) is estimated as 6,8% against 7% last year.

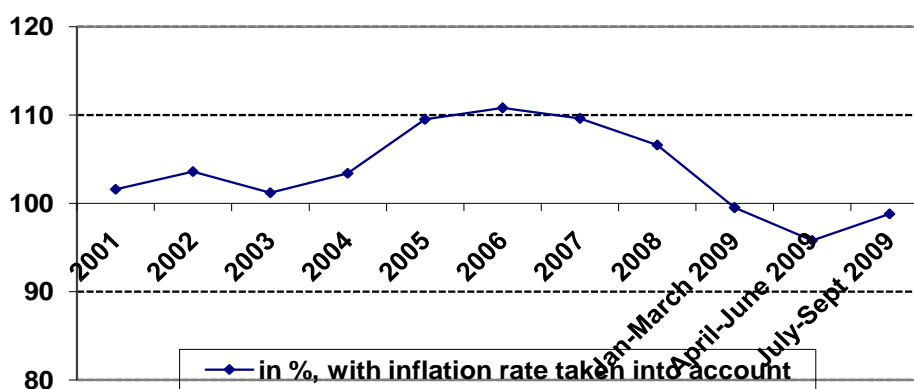
Diagram 3.1 Unemployment situation (thousand people)



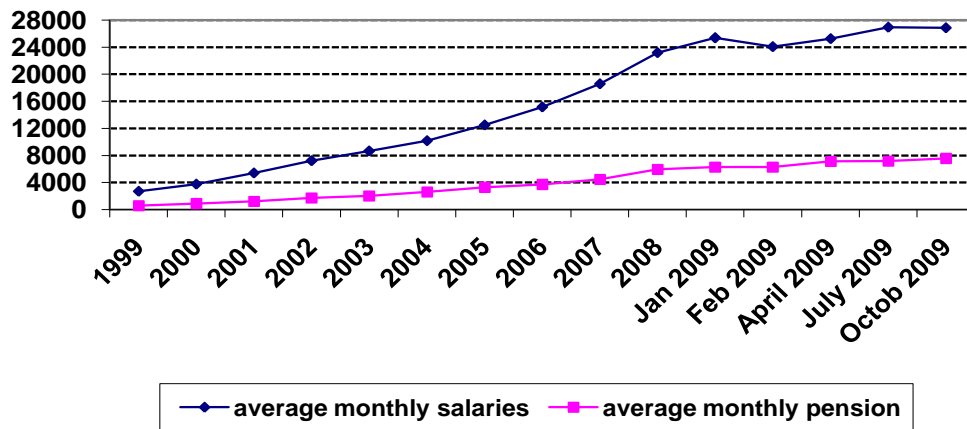
### Standard of living

In 2009, the rise in monthly average salaries considerably slowed down. By September 2009, the average salary amounted to 26.875 RUB. Monthly average per capita (cash) income in the third quarter was by 10,7% bigger than last year. Nevertheless, the true cash incomes remain to be lower than in 2008.

Diagram 3.2 True incomes of population



**Diagram 3.3 An average salary and pension per person in 1999-2009**



**REFERENCES:**

Report is based on the materials of:

- the Federal service of state statistics for Murmansk oblast – [www.murmanskstat.gks.ru](http://www.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)