

Macroeconomic review: global indicators and Russia's socio-economic development indicators

1. Global indicators dashboard

USA

Daily average COVID-19 cases for the last 7 days, thousands

<i>yesterday</i>	<i>change for week</i>	<i>change for month</i>
142.5	-29.5	-68.3

- **U.S. GDP rose by 4% (QoQ) in Q4 and dropped by 3.5% (YoY) in 2020**
- FRS did not change its policy at its meeting last week
- **Personal spending** continues to go down: **-0.2% (MoM) in December** with **-0.7% (MoM)** in November.
- **Business activity in the manufacturing sector** has been growing for eight months in a row: ISM Manufacturing index was 58.7 in January with 60.5 in December.
- **Consumer confidence** continues to lower: University of Michigan's index was **79 in January** as compared to 80.7 in December.

Short-term indicators

- **Redbook index** dropped in week ending January 31: -1.6% (MoM) over -2% (MoM) a week earlier.
- **Number of unemployment benefit applications in week ending January 24:** 847 thousand over 914 thousand a week earlier.

Euro area

Daily average COVID-19 cases for the last 7 days, thousand

	<i>yesterday</i>	<i>change for week</i>	<i>change for month</i>
Germany	10.8	-2.4	-7.8
Italy	12	-0.2	-2.7
France	20.7	+0.5	+7.5

- Euro area GDP fell by 0.7% (QoQ) in Q4 and by 6.8% (YoY) in 2020
- Euro area unemployment rate was 8.3% in December which was similar to November's figure
- Loans to private sector continued moderate growth at +3.1% (YoY) in January.

USA

U.S. GDP hit the record low since 1946 within the year 2020. Slow growth in Q4 was not enough for GDP to restore completely during the year. This is due to growing coronavirus cases over the last several months.

Euro area

Same as in the U.S., Euro area's economy slowed down its recovery in Q4 2020 because of the second coronavirus wave and associated restrictions. Euro area's economy hit the record low since records began in 1995. Even in 2009 (after the global financial crisis) GDP drop was 4.3%.

Prospects for growth of U.S. and EU economies are very uncertain and dependent on vaccination rates and the spread of coronavirus. U.S. showed a rather stable decline in incidence rates during the last month and, since, both economies are likely to begin to grow by mid-2021.

2. Russia's labor market: main trends

Unemployment rate in December 2020 was 5.9% as compared to **6.1%** in November. It reached its peak in August 2020 (**6.4%**). Jobless number increased by **960 thousand** over the year 2020.

Unemployment level, %

Source: Russian Federal State Statistics Service

Unemployment level lowered due to decreasing number of officially registered unemployed persons. The number of unemployed persons registered by Unemployment Benefit Office reduced within December by **360 thousand (-11% (MoM))**, while the number of non-registered unemployed persons **increased by 177 thousand (+12% (MoM))**.

Number of unemployed persons, thousand

Non-registered Registered

Source: Russian Federal State Statistics Service

Disposable personal income fell by 3.5% (YoY) in Q4 as compared to 4.8% (YoY) drop in Q3. The greatest decline in disposable personal income was in Q2 2020 (-8.4% (YoY)), and since then it has been restoring. Decline in disposable personal income slowed down in the 3rd Quarter partly due to support from government: the share of welfare benefits in personal income in Q3 2020 equaled 22.9% over 18.5% in the preceding year.

Movements of disposable personal income, % (YoY)

Source: Russian Federal State Statistics Service

Data from Russian Federal State Statistics Service shows recovery trend in both labor market and personal income. However, there are some points to it:

1. Unemployment rate still remains 1.3 percentage points above pre-pandemic level, and it will not return to the last year's around 4.6% level any time soon.
2. Unemployment rate lowers not just due to economic recovery but also because many people have their official unemployment status expiring (6 months).
3. Coronavirus only accelerated downward movement of disposable personal income. Total decline since 2014 is 10.6%.
4. Decline in disposable personal income could be even deeper but for pandemic aid from government, though not too generous with money. There are currently no plans to repeat the payments, so there is no reason to expect a sharp rise in disposable income in 2021.
5. The method used by Russian Federal State Statistics Service in determination of unemployment rate and disposable income is questionable.

Without a doubt, Russia's labor market remains weak, and personal income is still in stagnation. This is truly unfortunate since income supports domestic demand which is fundamental for economic growth.

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