

Monthly estimate of GDP Index

VEB flash estimate suggests that GDP continued to decline in April 2015: it contracted by 0.6% month-on-month and was down by 4.3% year-on-year.

Month-on-month GDP change: slowdown continued

According to VEB estimate, seasonally adjusted GDP has been declining for four consecutive months. GDP in April contracted by 0.6% after a decline by 0.4% in March, 0.6% in February and 1.6% in January.

The main factors behind this downturn were a decline in manufacturing (-2.0%), mining (-0.5%), and retail trade (-1.5%). By contrast, electricity and agriculture made a positive contribution to GDP growth, expanding by a respective 0.9% and 0.1%.

Year-on-year GDP contraction reached 4.3%

VEB estimate suggests that in April 2015 GDP decreased by 4.3% compared to the corresponding period of the previous year, after a decline of 3.3% in March 2015.

The deepening of the current economic downturn has been mainly attributable to a deterioration in industrial production, transportation, and financial services. Moreover, the contribution of export duties that supported GDP growth in the first quarter has become negative.

VEB GDP Index, January 1999 = 100, seasonally adjusted



VEB GDP Index, year-on-year growth, %



Comment by Andrei Klepach, Chief economist of VEB

The economic decline accelerated in April suggests that the economy has not achieved a turnaround yet. The main factor behind this downturn is a weak consumer confidence. The household saving rate has increased further along with the contraction of real income. The unemployment rate has remained relatively low due to a significant contraction of real wages.

The positive contribution of the fiscal sector observed in the first quarter was almost exhausted in April. Specifically, it was caused by defence spending, which turned negative in April and probably influenced on a slump in the machine-building sector. Moreover, a positive impact related to the spike of petroleum export during the first quarter was also exhausted.

At the same time, the Rosstat data show that the investment activity has performed surprisingly well. A slight decrease in investment does not reflect a rapid drop in the supply of investment goods to the domestic market. A decline in imported machinery rapidly accelerated. The upward trend in the total industrial production was reversed in April due to a decline in machine-building and the production of construction materials. Private capital outflows speeded up to 12 bln.\$ compared to 8 bln.\$ in March. These tendencies increase the risk of hastening decline in investment activity in the coming months.

Quarter GDP change in Q1 2015

The first GDP estimate for the first quarter 2015, published by Rosstat, appeared to be lower compared to VEB GDP Index (-1.9% vs. -1.5%). Therefore, VEB GDP Index has been upgraded to comply with the official Rosstat first quarter data.

The VEB revision resulted in a stronger year-on-year GDP decline in January (from -1% to -1.4%), February (from -0.3% to -0.7%) and March (from -2.9% to -3.3%).

The quarter-on-quarter seasonally adjusted GDP has been revised downwards from -1.4% to -2.1%.

VEB GDP Index

	Growth		Volume, bln. RUB
	Year-on-year, %	Month-on-month, %, SA	
December 2014	-1,4	-1,6	4957
January 2015	-0,7	-0,6	5799
February 2015	-3,3	-0,4	5937
March 2015	-1,9	-2,1	16693
Q1 2015	-4,3	-0,6	6035
April 2015	-1,4	-1,6	4957

Main principles and data sources

Monthly VEB GDP index is a leading indicator for quarterly GDP dynamics. Its estimation is based on the production method using available monthly data. Aggregation of GDP indices is done using average annual prices of the previous year.

Year-on-year change in GDP is estimated using Federal State Statistics Service's monthly data on changes in production of goods and services in major industries. Based on this data, we estimate indices of value added in the main industries.

Estimate of net taxes on products and imports is done using Federal State Statistics Service's data on production of excise goods, Ministry of Energy's preliminary data on the volume of exports of oil and gas, Customs Service's data on imports from non-CIS countries and VEB experts' assessment.

Month-on-month change in GDP adjusted for seasonal and calendar factors is estimated using an indirect method, i.e., the key components of GDP are seasonally adjusted and then are aggregated into the overall index. We additionally do seasonal adjustment using a direct method (by directly adjusting the GDP index).

In case of sizeable differences between the adjustments done using indirect and direct methods, the series are normalized by distributing the difference between the two series across adjusted elements.

Nominal GDP is estimated using assessment of the overall deflator index (year-on-year), which aggregates deflators of the main components of value added and net taxes on products and imports.

The calculations are based on Federal State Statistics Service's monthly data on the change in the value of shipment of own production goods, data on activities and own services in mining, manufacturing, production and supply of electricity, gas and water.

The main components of the deflator of net taxes on products are assessed using the dynamics of consumer prices, changes in the exchange rate, changes in the prices of excise goods and changes in world oil prices. The calculations are performed using an algorithm which is used to determine the value added volume indices of the main GDP components.