

## Socio-economic condition of the regions specializing in metallurgy: 2011 results

*In 2010 ISEDT RAS scientists began their research on the problems of budget allocation sufficiency in the Vologda Oblast, which turned out to be the most vulnerable RF subject regarding the global financial crisis impact on the regional economy, where metallurgical production is the key development factor. The study of the tendencies and scope of crisis consequences determined the need to conduct a comparative analysis of the socio-economic condition in the Vologda Oblast and other RF subjects possessing major typological peculiarities of the regions specializing in metallurgy – the Lipetsk Oblast and the Chelyabinsk Oblast. The results of the analysis conducted in 2010 – 2011 were published by ISEDT RAS\*.*

*The problem is being studying by ISEDT RAS this year. The article provides the analysis of the main socio-economic development trends in the regions specializing in metallurgy for 2011. The analysis serves as the basis for assessing the condition of territorial budget systems.*

*Regional economy, ferrous metallurgy, global financial crisis, financial results, industrial production, population's living standard.*



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Metallurgy industry plays a key role in forming the final economic and financial results of the Vologda, Lipetsk and Chelyabinsk Oblasts. Ironworks cover 60% of industrial production on average; they ensure 60 – 80% of profits and 60 – 90% of export resources of the respective territories. The feature of the metallurgical complex is the fact that it serves as the main source of regional budgets, forming 50 – 70% of profit tax revenues.

As it is generally known, the global financial crisis hit firstly the export-resource regions, including the regions that focused on the ferrous metallurgy, as they were most closely dependent on the global economy. The demand for metallurgical products in foreign markets decreased by 4% in 2008 – 2009 as compared with 2007 primarily due to the crisis in the construction, tube-rolling and machine-building sectors that were the main consumers

\* See: Ilyin V.A. The influence of the metallurgical corporation owners' interests on the national and regional development. Economic and social changes: facts, trends, forecast. 2011. No. 3 (15). P. 14 – 38; Povarova A.I. The influence of the metallurgical corporation owners' interests on the financial performance of the head enterprise (the case of OJSC Severstal). Ibid. 2011. No. 5 (17). P. 36 – 51; Ilyin V.A., Povarova A.I., Sychev M.F. The influence of the metallurgical corporation owners' interests on socio-economic development: pre-print. Vologda: ISEDT RAS, 2012.

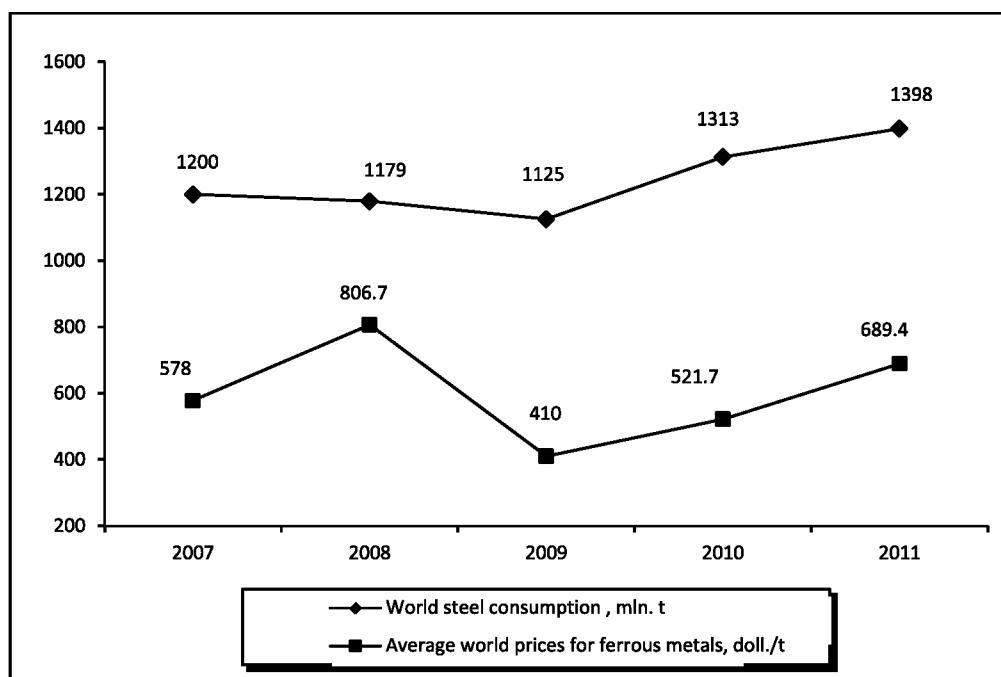
of steel products. Export prices for ferrous metals, which exceeded 800 U.S. dollars per ton in 2008, dropped to 410 U.S. dollars or half as much (*fig. 1*).

The deterioration of the global economic situation was accompanied by the intensive cutback in metallurgical production. According to the results of 2011, the crisis decline in steel output was restored only in the Lipetsk Oblast (*table 1*) due to a significant increase in the production capacity of Novolipetsk Steel (NLMK) in the framework of the programme on enterprise's technical modernization.

The sharp decline in key sectors of production in 2009 (13 – 18%) did not allow the Lipetsk and Chelyabinsk Oblasts to reach the pre-crisis growth rates of industry in general. The level of industrial production was restored in the Vologda Oblast, where the decline in the steel industry was not so sharp (9.8%) and the timber industry output<sup>1</sup> significantly increased (*table 2*).

Investment recession was stronger than industrial decline in most subjects of the Russian Federation, and not only in the regions that specialized in the metallurgical industry.

Figure. 1. Dynamics of the world steel consumption and world prices for ferrous metals in 2007 – 2011



Source: Analytics. World prices. Available at: [www.metaltorg.ru](http://www.metaltorg.ru)

Table 1. Steel production in the RF subjects in 2007 – 2011, mln. t

Subject	2007	2008	2009	2010	2011	2011 to 2007, %
Vologda Oblast	11.9	11.1	9.5	11.1	11.35	95.4
Lipetsk Oblast	9.1	8.5	8.5	9.3	9.76	107.3
Chelyabinsk Oblast	20.0	18.2	15.2	17.7	17.8	89.0
Russian Federation	72.37	68.7	59.36	66.9	68.5	94.7

Sources: Russian Statistics data, ISED T RAS calculations.

<sup>1</sup> According to Russian Statistics data, in 2011 the production index was equal to 116.7% in the pulp and paper industry and 109.5% in woodworking.

Table 2. Production index in the RF subjects in 2007 – 2011, % to previous year

Subject	2007	2008	2009	2010	2011	2011 to 2007, %
<i>Vologda Oblast</i>						
Industrial production	104.9	95.3	90.5	111.1	104.7	100.3
Metallurgy production	105.9	91.5	90.2	113.8	105.2	98.8
<i>Lipetsk Oblast</i>						
Industrial production	103.7	100.1	85.0	110.7	102.9	96.9
Metallurgy production	102.3	95.2	86.7	108.3	104.0	95.1
<i>Chelyabinsk Oblast</i>						
Industrial production	112.5	96.3	80.1	112.2	106.3	92.0
Metallurgy production	107.3	90.2	81.8	117.7	105.2	98.0
<i>Russian Federation</i>						
Industrial production	106.8	100.6	90.7	108.2	104.7	103.4
Metallurgy production	104.5	97.8	85.3	112.4	102.9	96.5

Sources: Russian Statistics data, ISEDT RAS calculations.

Table 3. Actual volume index of fixed capital expenditures in the RF subjects in 2007 – 2011, % to previous year

Subject	2007	2008	2009	2010	2011	2011 to 2007, %
Vologda Oblast	103.8	85.9	71.5	96.9	153.4	91.3
Lipetsk Oblast	129.8	118.4	93.7	116.5	106.9	138.2
Chelyabinsk Oblast	126.9	113.8	79.4	99.2	106.2	95.2
Russian Federation	122.7	109.9	84.3	106.0	108.3	106.4

Sources: Russian Statistics data, ISEDT RAS calculations.

This was caused by narrowing of the investment sector – construction, machine building and building materials production. The most significant reduction in investment, which began in 2008, took place in the Vologda Oblast (*table 3*).

The results of 2011 indicate that the investment crisis in the Vologda and Chelyabinsk Oblasts have not been completed yet. There is a significant increase in investment in the Lipetsk Oblast due to the implementation of large-scale projects<sup>2</sup>.

<sup>2</sup> According to the Lipetsk Oblast's Government data for 2011, 31 participants with investment potential of 60 billion rubles and large-scale projects in the field of machine building, machine tool building and electric-power industry were registered in 8 special regional economic zones. The Lipetsk Oblast has been in the group of leaders with minimal risk investment for seven years (it ranks third among the RF subjects in 2001). The share of investment in the GRP exceeds more than twice the average national index and it accounts for more than 41% (in the Russian Federation – 19%).

One of the factors that caused the strongest decline in fixed capital expenditures in the Vologda Oblast was the decrease in public investment from the Federal budget (*table 4*).

According to the table, the Federal Government assigned the minimum amount of investment resources to the Vologda Oblast that was damaged by the crisis consequences more than other regions; the total investment amount from the Federal budget was cut almost in half for 2008 – 2011. At the same time, the Federal investment to the Lipetsk Oblast was doubled at the peak of crisis. There was also an increase in the investment from the Federal budget to the Chelyabinsk Oblast.

However, a key factor in the investment crisis was a sharp deterioration of the financial performance of business entities due to a lower demand for industrial products and a lack of circulating assets amount necessary for mutual settlement of accounts and payments.

Table 4. Investment from the Federal budget to the RF subjects in 2008 – 2011

Subject	2008		2009		2010		2011		
	bln. rub.	%*	bln. rub.	%*	bln. rub.	%*	bln. rub.	in % to 2008	%*
Vologda Oblast	2.7	0.4	3.1	0.3	2.6	0.3	1.5	57.5	0.1
Lipetsk Oblast	7.1	1.0	12.6	1.4	15.9	1.7	9.8	137.0	0.9
Chelyabinsk Oblast	10.0	1.4	9.0	1.0	10.0	1.1	11.2	112.1	1.1
Russian Federation	701.2	100.0	917.2	100.0	915.1	100.0	1056.1	150.6	100.0

\* The share in the total investment from the Federal budget to the RF subject.  
Sources: Russian Statistics data, ISEDT RAS calculations.

This affected to the utmost the metallurgical regions where enterprises and organizations lost 52 – 62% of pre-crisis profits in 2009. Despite the improvement of profit dynamics, these regions could not compensate for its crisis decline in the subsequent two years. On the contrary, the recession increased in the Vologda and Chelyabinsk Oblasts in 2011. At the end of the year, the profit of the real sector of economy in the Vologda Oblast was 60% lower than the level of 2008. Business entities in the Chelyabinsk Oblast lost the same amounts of profit (*table 5*).

Certainly, both financial performance and production volume of industrial enterprises in these regions are directly dependent on the situation in the metallurgical industry.

The collapse in prices for ferrous metals, which began in the second half of 2008, was so severe that the leading ironworks in the Vologda, Lipetsk and Chelyabinsk Oblasts could not reach pre-crisis sales even in 2011. This revolutionary changed the final financial performance of metallurgical enterprises (*table 6*).

The net profit of Cherepovets Iron and Steel Complex (ChMK) decreased by 41 billion rubles, and it amounted to slightly more than 3% of its volume in 2007. Severstal has a net loss at the end of two subsequent years.

Magnitogorsk Iron and Steel Works (MMK) lost 80.5% of net profit in 2008, that result didn't allow the company to restore the level of 2007, and it had a negative net financial performance by the end of 2011.

Novolipetsk Steel (NLMK) was profitable in 2007 – 2011, but the net profit was two times lower in 2011 as compared with 2008.

The deterioration of ironworks' financial performance was caused by both instable market conditions and high debt load due to the escalation of borrowing in the period from 2008 to 2009. Credit and loan liabilities increased by 6 times at the end of 2011 as compared with 2007, and loan servicing expenditures reduced NLMK and MMK's taxable profits by 3.5 billion rubles and ChMK's profit – by more than 10 billion rubles.

The slump in profit, of course, led to a sharp decline in profit tax revenues and created a direct threat to regional budgets' revenues (*table 7*).

Metallurgical enterprises, which were the main sources of territorial budget's profit taxes before the crisis, became the leaders in the profit tax revenue decline in 2009. So, profit tax accounted for only 5 – 10% of the 2008 level in the Vologda and Lipetsk Oblasts. Metallurgical enterprises of the Chelyabinsk Oblast did not pay profit tax to the regional budget at all; on the contrary, the regional budget returned them overpaid taxes formed during the crisis.

In 2011, the losses of the crisis period were not recouped in the metallurgical industry. Profit taxes in the metallurgical regions were not even equal to a half of their amount in 2008.

Industrial and investment downturn led to a slowdown in economic growth in the RF subjects. At the end of 2011, only the Lipetsk Oblast managed to overcome the crisis fall of

Table 5. Income of profitable organizations of the RF subjects in 2007 – 2011, bln. rub.

Subject	2007, bln. rub.	2008		2009		2010		2011		
		bln. rub.	in % to 2007	bln. rub.	in % to 2008	bln. rub.	in % to 2009	bln. rub.	in % to 2010	in % to 2007
Vologda Oblast	75.8	99.5	131.3	37.7	37.9	43.8	116.2	41.9	95.7	42.1*
Lipetsk Oblast	69.2	104.9	151.6	39.0	37.2	51.5	132.1	57.8	112.2	55.1*
Chelyabinsk Oblast	138.5	68.7	49.6	66.4	96.6	76.8	115.7	53.8	70.0	38.8
Russian Federation	6.4	5.4	84.4	5.8	107.4	7.35	126.7	8.55	116.6	133.6

\* In % to 2008, when the maximum amount of profit for 2007 – 2011 was gained.  
Sources: Russian Statistics data, ISEDT RAS calculations.

Table 6. Key operating and financial performance of metallurgical complexes in 2007 – 2011

Indicators	2007	2008	2009	2010	2011	2011 to 2007, %
<i>Cherepovets Iron and Steel Complex</i>						
Sales, thsd. t	10707	10044	8701	10142	10457	97.7
Net profit, (loss), bln. rub.	42.1	38.6	1.4	(39.6)	(1.9)	
Indebtedness under credits, bln. rub.	26.2	127.2	141.1	147.8	158.5	+6.0 p.
Interest payment, bln. rub.	2.4	4.7	8.8	10.8	10.3	+4.3 p.
<i>Magnitogorsk Iron and Steel Works</i>						
Sales, thsd. t	12205	10911	8764	10245	10645	87.2
Net profit, (loss), bln. rub.	51.7	10.1	27.4	24.4	(1.7)	
Indebtedness under credits, bln. rub.	17.2	24.2	39.3	72.9	107.7	+6.3 p.
Interest payment, bln. rub.	1.2	1.1	1.6	2.3	3.5	+2.9 p.
<i>Novolipetsk Steel</i>						
Sales, thsd. t	9127	8927	9518	9508	8933	97.9
Net profit, (loss), bln. rub.	40.2	71.7	24.0	32.4	34.7	86.3
Indebtedness under credits, bln. rub.	19.4	63.5	62.0	78.6	105.9	+5.5 p.
Interest payment, bln. rub.	0.1	2.0	2.1	3.2	3.7	+37.0 p.

Sources: Annual Reports of OJSC «Severstal», OAO «MMK» и OAO «NLMK» for 2007 – 2011. (According to Russian Accounting Standards).

Table 7. Profit tax of metallurgical production to the RF subjects' consolidated regional budgets in 2008 – 2011

Subject	2008		2009		2010		2011		
	bln. rub.	%*	bln. rub.	%*	bln. rub.	%*	bln. rub.	in % to 2008	%*
Vologda Oblast	11.1	51.0	0.6	12.5	4.4	41.0	4.3	38.7	35.8
Lipetsk Oblast	12.1	72.7	1.3	26.0	4.5	48.0	5.6	46.2	50.7
Chelyabinsk Oblast	13.2	43.3	-4.4	0	3.7	19.5	4.4	33.3	21.0
Russian Federation	125.0	7.1	8.5	0.8	71.6	4.7	77.3	61.8	4.0

\* The share in the total profit tax of the RF subjects' consolidated budgets.  
Sources: Russian Statistics data, ISEDT RAS calculations.

the gross regional product (GRP) by increasing investments in fixed assets. There was an acceleration of GRP dynamics in the Vologda and Chelyabinsk Oblasts in 2011. However, in 2009 the strongest decline in GRP was recorded

in these regions that did not allow them to recover their pre-crisis growth rates – the GRP of the Vologda and Chelyabinsk Oblasts increased by 6% in 2011, and it reduced by 13 – 14% in 2009 (table 8).

In 2011, the minimum level of consumer inflation was fixed in the Russian Federation and its subjects; it was formed under the influence of both monetary factors (slowing the growth rates of money supply, which began at the end of 2010) and non-monetary factors (stable ruble-to-dollar rate, slow GDP growth, high yield of agricultural production).

Considering the dynamics of inflation processes for the period from 2007 to 2011, it is easy to note that in 2011 the main reason for their delay was a significantly lower rate of increase in food prices (*table 9*).

The increase in consumer prices in the Vologda and Lipetsk Oblasts accounted for 5.7 and 4.7%, respectively; these figures were lower than the average index in the Russian Federation. As for the Chelyabinsk Oblast, the increase in prices for both food and nonfood products was significantly higher.

A rise in the cost for housing and communal services is the main basis for the inflationary rise in prices. There was a 1.7-fold increase in the cost for housing and communal services for the 2007 – 2011, when inflation rate grew by 1.4 times.

Table 8. Actual volume index of the gross regional product in the RF subjects for 2007 – 2011, % to the previous year

Subject	2007	2008	2009	2010	2011	2011 to 2007, %
Vologda Oblast	105.1	96.7	87.1	105.7	106.0	94.4
Lipetsk Oblast	108.0	103.6	93.5	104.0	105.6	106.4
Chelyabinsk Oblast	113.4	101.5	85.9	106.0	105.8	97.8
Russian Federation	108.3	105.7	92.4	104.6	104.3	106.6

Sources: data of Russian Statistics; Governments of Vologda and Chelyabinsk Oblasts; Administration of the Lipetsk Oblast.

Table 9. Growth rates of consumer prices in the RF subjects in 2007 – 2011 (December to December of the previous year, %)

Subject	2007	2008	2009	2010	2011	2007 – 2011
<i>Vologda Oblast</i>						
<i>All kinds of goods and services</i>	12.7	14.3	7.2	9.2	5.7	41.4
Food products	16.4	17.6	4.4	12.9	2.6	42.2
Nonfood products	6.1	9.0	8.8	5.4	7.4	34.2
Housing and communal services	16.7	17.1	20.5	7.4	13.6	72.1
<i>Lipetsk Oblast</i>						
<i>All kinds of goods and services</i>	13.6	16.0	8.7	8.1	4.7	42.7
Food products	19.1	17.5	4.8	12.7	2.5	42.2
Nonfood products	8.5	12.2	10.8	4.1	7.3	38.9
Housing and communal services	14.3	21.9	20.2	13.9	7.2	78.9
<i>Chelyabinsk Oblast</i>						
<i>All kinds of goods and services</i>	11.0	12.8	8.6	9.6	8.3	45.4
Food products	16.1	16.1	5.3	11.5	5.3	43.5
Nonfood products	5.7	6.4	10.7	8.4	9.8	40.2
Housing and communal services	15.2	20.3	11.1	19.7	12.9	80.5
<i>Russian Federation</i>						
<i>All kinds of goods and services</i>	11.9	13.3	8.8	8.8	6.1	42.3
Food products	15.6	16.5	6.1	12.9	3.9	45.0
Nonfood products	6.5	8.0	9.7	5.0	6.7	32.5
Housing and communal services	14.0	16.4	19.6	12.95	11.7	75.6

Sources: Russian Statistics data, ISED T RAS calculations.

The rapid recovery of the consumer market was a distinctive feature of the period from 2010 to 2011 (*table 10*). However, retail trade turnover in the metallurgical regions increased insignificantly in 2011 as compared with 2007 – by 2 – 9% vs. 16 – 20%.

Domestic consumer demand is mainly supported by the rapid growth in demand for consumer loans. The nominal volume of loans granted to the population in those regions of the Russian Federation in 2009 – 2011 increased by 3 – 4 times (*table 11*).

The baseline engine of domestic consumer demand in the period of economic growth was the high dynamics of population's income.

The growth of average nominal monthly salary in the metallurgical regions was 23 – 27% annually. This trend was interrupted in 2009

– the growth rates of average wages dropped to 1.3 – 3.7% and they did not returned to the pre-crisis levels in 2010 – 2011 (*table 12*).

It should be noted that, despite the presence of the largest steel enterprises in the Vologda, Lipetsk and Chelyabinsk Oblasts, the average wage rate in these regions is below the average wage rate of Russia. The fact of the matter is that most people in these regions are employed in low-paying jobs. Thus, according to statistics, only 5.5 – 6.5% of working people were employed in the metallurgical production in 2011 where a wage rate was 1.3 – 1.8 times higher than the average wages in the economy. More than 40% of people were employed in rural economy, commerce and public sectors. Meanwhile, the wages in these industries amounted to 60 – 80% of the average wages in the regions' economy.

Table 10. Actual volume index of retail trade turnover in the RF subjects in 2007 – 2011, % to the previous year

Subject	2007	2008	2009	2010	2011	2011 to 2007, %
Vologda Oblast	118.0	108.5	89.4	116.3	106.0	119.6
Lipetsk Oblast	120.0	117.3	100.0	106.9	109.2	136.9
Chelyabinsk Oblast	119.1	120.1	93.0	100.8	101.7	114.5
Russian Federation	116.1	113.5	95.1	106.3	107.2	123.0

Sources: Russian Statistics data, ISEDT RAS calculations.

Table 11. Loans to individuals in in the RF subjects in 2009 – 2011, bln. rub.

Subject	2009	2010	2011	2011 to 2009, times
Vologda Oblast	12.0	23.0	40.2	3.4
Lipetsk Oblast	9.8	25.0	29.5	3.0
Chelyabinsk Oblast	33.7	87.6	136.1	4.0
Russian Federation	2613.6	3649.1	5438.6	2.1

Sources: Russian Statistics data, ISEDT RAS calculations.

Table 12. Average nominal monthly wages in the RF subjects in 2007 – 2011

Subject	2007		2008		2009		2010		2011		
	thsd. rub.	in % to 2006	thsd. rub.	in %to 2007	thsd. rub.	in %to 2008	thsd. rub.	in % to 2009	thsd. rub.	in % to 2010	in % to the RF
Vologda Oblast	12.9	121.1	16.1	124.8	16.6	102.8	18.5	111.9	20.7	111.5	87.9
Lipetsk Oblast	10.9	126.3	13.4	122.6	13.9	103.7	15.4	111.2	17.2	111.5	73.1
Chelyabinsk Oblast	11.9	127.2	14.8	124.6	15.0	101.3	17.4	115.6	20.2	116.5	86.0
Russian Federation	13.6	127.8	17.3	127.2	18.6	107.8	21.0	112.4	23.5	112.3	100.0

Sources: Russian Statistics data, ISEDT RAS calculations.

The decline in the rate of wage growth had a significant impact on the dynamics of real population's incomes. Their growth in the pre-crisis period (more than 12% per year) slowed to 6% in the Lipetsk Oblast in 2009. The growth rates of real population's incomes turned into the negative values (*table 13*).

In 2010, the crisis decline in real incomes was overcome by increasing pensions and benefits, financed from the Federal budget. Another decline in real population's incomes repeated in 2011, as a result of which the Vologda Oblast, where there was a reduction in population's income in 2008, could not restore their pre-crisis level.

The decline in population's incomes in the metallurgical regions, especially in the cities where the head facilities of the largest metallurgical holdings were located, was caused by not only the prolonged decline in production, but also by the fact that the owners

of steel enterprises cut costs by reducing the number of workers during the crisis. The number of employees at Cherepovets Iron and Steel Complex decreased by 9.5 thousand people or by one-third for the period from 2007 to 2011. The total number of employees in Cherepovets reduced by 10.7 thousand people during the same period. It turned out that the people, who were discharged from ChMK, accounted for almost 90% of the total number of dismissed employees in the city. Staff reductions were not so large-scale at Magnitogorsk Iron and Steel Works and Novolipetsk Steel – by 13% on average, and the number of employees, who were dismissed on grounds of redundancy, amounted to 21 and 38% respectively (*table 14*).

In addition, the decrease in population's incomes in the metallurgical regions was affected by the high level of concealed or involuntary unemployment (*table 15*).

Table 13. Real disposable population's income of the RF subjects in 2007 – 2011, % to the previous year

Subject	Average growth rates for 2000 – 2007, %	2008	2009	2010	2011	2011 to 2007, %
Vologda Oblast	112.4	98.7	89.9	108.3	98.9	95.0
Lipetsk Oblast	112.6	109.0	106.0	102.0	100.4	118.3
Chelyabinsk Oblast	112.6	115.0	97.0	102.0	97.2	110.6
Russian Federation	111.9	102.3	102.1	104.1	100.8	108.7

Sources: Russian Statistics data, ISED T RAS calculations.

Таблица 14. Average number of employees in the metallurgical cities for 2007 – 2011, persons

Indicators	2007	2008	2009	2010	2011	Total for 2007 – 2011	
						Pers.	%
<i>Cherepovets</i>							
Total employment	141575	137479	125056	130057	130861	-10714	-7.6
Total employment at ChMK	32184	29507	24296	22905	22683	-9501	-29.5
<i>Magnitogorsk</i>							
Total employment	147013	146776	138150	135326	131509	-15504	-10.5
Total employment at MMK	25015	24123	22334	21612	21813	-3202	-12.8
<i>Lipetsk</i>							
Total employment	n/a	175931	165616	164485	163641	-12290	-7.0
Total employment at NLMK	35107	33227	31666	30566	30439	-4668	-13.3

Sources: data of Russian Statistics, the official websites of the Cherepovets Mayor's Office, Lipetsk Administration, Magnitogorsk Administration, the annual reports of OJSC "Severstal", "MMK" and "NLMK", ISED T RAS calculations.



There were the highest part-time employment rates in 2009. The Chelyabinsk Oblast was characterized by an increased level of concealed unemployment. Part-time employment reduced in the metallurgical regions in 2011 as compared with 2009, but unemployment figures remained high, thus, they proved that labour markets hadn't recovered yet after the crisis. The highest part-time employment rate was lower in the Vologda Oblast than in other two regions due to the high rate of made work and temporary employment (0.9% of the total employment in 2011 vs. 0.1% in the Chelyabinsk Oblast and in the country on the whole).

Low growth rates of real incomes did not allow a significant reduction of economic poverty (table 16). In 2007 – 2011, 10 – 11% of the population in the Lipetsk and Chelyabinsk

Oblasts lived below a subsistence level. The highest number of low-income people was registered in the Vologda Oblast; their number increased by 32 thousand or 17.5% for 2007 – 2011. That was a result of the crisis decline in real incomes (first place in Russia in 2009), high unemployment rate (6.7% vs. 6.3% on average in the Russian Federation in December 2011), as well as moratorium on the indexation and increase of salaries in the public sector at the expense of the regional budget in 2009 – 2010.

The crisis had worse influenced people's employment than their incomes. The demand for labour force reduced, firstly, in the manufacturing industry, and the experience of leading steel plants proved that fact. Increased unemployment rates became apparent in 2008, and that problem became stagnant in 2009 – 2010 (table 17).

Table 15. Part-time employment in the metallurgical regions in 2009 – 2011  
(% to the number of economically active population)

Subject	2009	2010	2011
Vologda Oblast	2.8	1.5	1.4
Lipetsk Oblast	2.9	1.9	2.2
Chelyabinsk Oblast	5.2	3.5	2.5
Russian Federation	2.7	1.5	1.4

Sources: Russian Statistics data, ISEDT RAS calculations.

Table 16. The number of people in the RF subjects living below a subsistence level

Subject	2007		2008		2009		2010		2011		2007 – 2011	
	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*
Vologda Oblast	182.1	14.8	193.1	15.8	224.7	18.4	208.0	17.2	214.0	17.8	+31.9	+17.5
Lipetsk Oblast	125.1	10.7	119.8	10.3	112.3	9.7	117.2	10.0	120.9	10.3	-4.2	-3.4
Chelyabinsk Oblast	410.8	11.7	375.4	10.7	382.4	10.9	361.5	10.4	392.8	11.3	-18.0	-4.4
Russia, bln. pers.	18.7	13.3	18.9	13.4	18.5	13.2	17.9	12.6	18.1	12.8	-0.6	-3.2

\* In % to the total population. Sources: Russian Statistics data, ISEDT RAS calculations.

Table 17. The total number of unemployed population in the RF subjects in 2007 – 2011

Subject	2007		2008		2009		2010		2011	
	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*	thsd. pers.	%*
Vologda Oblast	27,0	4,1	38,6	5,9	53,1	7,9	52,0	7,9	47,0	7,3
Lipetsk Oblast	16,6	2,8	29,9	4,9	34,3	5,6	27,7	4,5	27,8	4,5
Chelyabinsk Oblast	44,3	2,5	82,2	4,4	150,7	8,0	143,9	7,6	127,7	6,7
Russia, bln. pers.	4589	6,1	4792	6,3	6373	8,4	5636	7,5	4870	6,5

\* In % to the economically active population. Sources: Russian Statistics data, ISEDT RAS calculations.

Labour market conditions slightly improved in 2011 due to the large-scale support for employment by the Federal budget. At the same time, regional labour market indicators were differentiated. The Vologda and Chelyabinsk Oblasts were characterized by more rapid unemployment growth during the crisis and slow decrease in the unemployment rate, which indicated the continuing problems of the labour market. The Lipetsk Oblast was characterized by one of the lowest unemployment rates not only among the metallurgical regions but also among other Russian regions. As discussed, the implementation of large-scale investment projects largely contributed to this due to the creation of new jobs<sup>3</sup>.

In conclusion, it is possible to say that the impact of the crisis on the economy in the ferrous-metallurgical regions, which were largely dependent on the world market, was

so deep that in 2011 the dynamics of the main indicators in those regions fell behind the country in whole. The analysis of production and financial performance did not allow us to say about overcoming the crisis in the industrial, especially in the steel, production and increasing investment in fixed assets. Problem areas include the financial condition of basic iron and steel enterprises, high rate of concealed unemployment and stagnation in population's incomes.

It is obvious, that non-diversified economy remains a long-term negative factor of the social and economic development of the Vologda, Lipetsk and Chelyabinsk Oblasts.

The deterioration of the main macro-economic parameters changed the situation in the public sector and affected the level of regions' budget allocation sufficiency. But this is a topic for the next publication.

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<sup>3</sup> According to the Government of the Lipetsk Oblast, in 2011, SEZ "Lipetsk" launched four plants with 1.7 thousand jobs.