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Industry characteristics of investment processes in the Northwestern Federal District

The paper determines the relationship between the region's investment activity¹ and the structural features of the economy (in terms of the types of economic activity). The presence of holding structures interests in the region can contribute to the depletion of the region's financial resources. The solution requires the relations between state authorities and business structures to be settled. The information base for research comprises the works of national economists, statistical yearbooks, published by the Federal Statistics Service. Statistical analysis methods are applied to substantiate the results.

Investment resources, profit, financial performance, types of economic activity, depreciation of fixed assets, large-scale production.



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Implementation of the investment process in any type of economy assumes the presence of several conditions, the main of which are the following: resource potential necessary for the functioning of the investment sphere; the existence of economic entities, capable of ensuring the investment process at the scale needed; the mechanism of transforming investment resources into investment activity objects [2].

The characteristic feature of investment process is its dynamism, i.e. constant movement, which consists in the following transformations:

Investment resources → allocating investment resources → income from investing activities (social effect). It is the combination of these transformations that represents the essence of the investment process, distinguishing the stage of investment resources accumulation and allocation (realization of investment and innovation projects and programmes) [3].

In this case, accumulation for economic entities is directly related to their performance, i.e. to a profit. As for allocation, it is associated

¹ The region's investment activity in the given context is understood as the process of increasing volumes and pace of investment in the region's fixed capital [1].

directly with investments (investments in the real assets – fixed capital; financial investments).

As the author's research has shown [4], accumulation and investment processes in Russia have their own specifics. On the one hand, amid growing financial performance of economic entities (the 2000 – 2010 trend), the role of profits in investment processes has been significantly reduced (as well as in the total structure of fixed capital financing, and in the structure of its use); on the other hand, financial component (financial investments) dominates the investment flow. This trend is most pronounced in the regional context. In particular, it applies to the regions of the Northwestern Federal District (NWFD).

The need to identify the causes of the current situation generates interest for conducting a more detailed analysis of profit formation and use (as the main and most available source of extended reproduction) in terms of the types of economic activity (TEA).

Evaluating the profit structure in terms of the types of economic activity, one can see that across the Russian Federation, the main financial result is formed by such activities as mining, manufacturing, trade, transport and communications, real estate transactions, lease and delivery of services, while almost half of the profit is received from trade and manufacturing (*tab. 1*).

Table 1. Share of activities in all-Russian structure, %

Types of economic activity	2004	2005	2006	2007	2008	2009	2010
<i>Profit, billion rubles</i>	2778.6	3673.6	6084.6	6411.6	5354.4	5851.7	7352.8
Mining operations, %	21.31	22.52	20.51	15.40	18.2	16.8	18.6
including fuel and energy production, %	18.18	19.42	18.35	13.12	15.0	15.1	15.3
Manufacturing industries, %	25.05	28.46	25.78	30.05	32.7	27.2	27.2
including metallurgical industry, %	12.3	9.1	9.1	10.9	6.9	4.5	5.3
Transport and communications, %	9.77	9.69	7.26	10.64	11.6	10.4	10.1
Real estate transactions, lease and delivery of services, %	10.87	10.68	17.82	14.59	8.2	9.1	8.2
Trade, %	22.31	15.53	18.00	16.88	17.2	23.4	18.6
Total	89.3	86.9	89.4	87.6	88.0	87.0	82.7
<i>Investments, billion rubles</i>	2 205.7	3611.1	4 730	6716.2	8781.6	7930	9151
Volume index, %	113.7	110.9	116.7	122.7	109.9	84.3	106
Mining operations, %	16.8	13.9	14.6	15.2	14.1	14.0	15.1
including fuel and energy production, %	14	12.4	13.3	12.5	12.2	12.9	13.9
Manufacturing industries, %	17.4	16.4	15.6	15.4	15.7	14.4	14.2
including metallurgical industry, %	3.2	3.4	3.4	2.7	3.0	2.7	2.4
Transport and communications, %	25.0	24.5	23.6	21.9	24.8	26.8	26.7
Real estate transactions, lease and delivery of services, %	12.6	16.8	17	17.3	16.7	15.0	13.3
Trade, %	2.7	3.6	3.7	3.4	3.2	3.3	3.3
Total	74.5	75.2	74.5	73.2	74.4	73.6	72.5
<i>Financial investments, billion rubles</i>	4 867.6	920.9	14395	18779	26402	22745	41275
Mining operations, %	10.2	5.7	6.2	8.2	6.3	12.3	12.9
including fuel and energy production, %	8.15	3.5	4.0	6.0	4.4	11.0	12.1
Manufacturing industries, %	50.9	70.4	69.6	34.7	41.8	29.2	20.2
including metallurgical industry, %	30.5	34.4	30.4	20.4	20.9	6.5	2.8
Transport and communications, %	3.5	3.1	8.5	7.1	11.4	9.1	7.0
Real estate transactions, lease and delivery of services, %	7.5	3.5	3.0	7.6	5.6	5.9	5.5
Trade, %	19.0	11.9	9.6	38.3	31.1	35.3	41.7
Total	91.2	94.6	97.0	93.7	96.2	91.8	87.3
Source: author's estimates based on [7].							

At the same time, the list of the main recipients of investment resources has been narrowed, with transport and communications, real estate transactions, mining operations being among the leaders.

The accumulation of financial investments comes to attention, 4.5 times exceeding the volume of investments by 2010.

In the regions of the Northwestern Federal District the types of economic activity, forming the key financial result, have been reduced mainly to 1 or 2 in various combinations. In the Northern regions the financial result is

mainly formed by the resource based industries: oil and natural gas production, coal mining (extraction of minerals), production of coke and refined petroleum products (manufacturing), oil and gas piping (transport) in the Komi Republic; iron ore mining in the Republic of Karelia; pulp-and-paper production in the Arkhangelsk Oblast; oil and natural gas production in Nenets Autonomous Okrug; cast-iron and steel production (manufacturing) in the Vologda Oblast; metal ore mining (extraction of minerals), nonferrous industry (manufacturing) in the Murmansk Oblast (*tab. 2*).

Table 2. Profit structure by types of economic activity

Type of economic activity	2004	2005	2006	2007	2008	2009	2010
Northwestern Federal District							
Amount of profit, billion rubles	214.2	270.9	444.2	598.5	592.6	562.1	704.7
Mining, %	12.0	14.3	14.2	11.0	9.3	11.9	15.6
<i>Manufacturing, %</i>	<i>56.5</i>	<i>48.8</i>	<i>55.8</i>	<i>56.5</i>	<i>58.2</i>	<i>50.0</i>	<i>50.1</i>
Transport and communications, %	11.4	15.2	11.4	13.0	12.1	12.0	9.4
Real estate transactions, lease and delivery of services, %	4.0	6.6	6.1	5.3	4.8	7.0	6.8
Trade, %	5.0	4.4	4.7	5.9	6.5	8.4	1.7
Republic of Karelia							
Amount of profit, billion rubles	3.7	13.2	9.5	11.6	15.9	3.8	19.0
<i>Mining, %</i>	<i>44.0</i>	<i>75.8</i>	<i>55.7</i>	<i>65.6</i>	<i>84.9</i>	<i>1.3</i>	<i>85.2</i>
Manufacturing, %	16.3	9.9	31.6	16.0	4.4	7.5	3.3
Komi Republic							
Amount of profit, billion rubles	20.1	28.0	30.8	36.3	25.2	51.8	63.6
<i>Mining, %</i>	<i>45.0</i>	<i>39.2</i>	<i>49.8</i>	<i>43.7</i>	<i>13.2</i>	<i>60.0</i>	<i>64.3</i>
<i>Manufacturing, %</i>	<i>16.3</i>	<i>14.8</i>	<i>19.3</i>	<i>31.9</i>	<i>55.2</i>	<i>29.9</i>	<i>23.0</i>
<i>Transport and communications, %</i>	<i>26.4</i>	<i>25.4</i>	<i>20.0</i>	<i>12.7</i>	<i>16.3</i>	<i>4.2</i>	<i>4.6</i>
Arkhangelsk Oblast (without Nenets AO)							
Amount of profit, billion rubles	4.9	11.2	8.9	8.4	5.4	5.2	10.8
<i>Manufacturing, %</i>	<i>53.2</i>	<i>55.1</i>	<i>62.0</i>	<i>45.2</i>	<i>40.1</i>	<i>33.3</i>	<i>62.9</i>
including wood production, etc.	41.3	24.3	49.1	22.0	19.2	5.3	51.4
Transport and communications, %	8.4	5.6	8.6	11.4	12.2	4.7	3.8
Trade, %	12.0	16.5	11.4	14.5	11.2	18.0	10.2
Nenets Autonomous Okrug							
Amount of profit, billion rubles	6.8	6.3	4.6	5.4	3.6	22.5	28.2
<i>Manufacturing, %</i>	<i>97.3</i>	<i>83.2</i>	<i>69.3</i>	<i>66.6</i>	<i>71.4</i>	<i>85.6</i>	<i>86.7</i>
Vologda Oblast							
Amount of profit, billion rubles	62.4	55.3	62.7	76.7	93.7	17.4	17.2
<i>Manufacturing, %</i>	<i>92.4</i>	<i>93.5</i>	<i>86.6</i>	<i>92.2</i>	<i>94.9</i>	<i>89.6</i>	<i>89.7</i>
including fertilizer manufacturing	7.3	5.2	4.9	11.4	30.0	14.4	28.2
cast-iron, steel production	84.5	82.6	81.1	75.5	58.4	66.2	51.7

End of the table 2

Kaliningrad Oblast							
Amount of profit, billion rubles	7.1	13.2	12.7	15.6	13.1	18.6	30.9
<i>Mining, %</i>	47.6	58.5	53.9	35.7	33.3	26.8	26.3
Manufacturing, %	15.6	14.0	17.9	16.2	13.1	19.0	26.0
Real estate transactions, lease and delivery of services, %	5.4	5.2	4.5	23.3	24.6	26.5	22.6
Trade, %	3.5	3.0	8.2	5.8	12.9	5.6	6.5
Leningrad Oblast							
Amount of profit, billion rubles	23.1	45.6	47.8	67.6	74.3	64.6	76.4
<i>Manufacturing, %</i>	83.0	44.3	55.0	51.6	56.5	51.9	60.7
Transport and communications, %	3.4	41.1	28.5	31.2	24.0	24.0	16.3
Murmansk Oblast							
Amount of profit, billion rubles	18.6	17.9	28.9	43.6	39.0	37.7	44.8
<i>Mining, %</i>	26.6	24.7	23.5	18.1	63.6	26.6	39.1
<i>Manufacturing, %</i>	44.6	53.1	63.4	69.6	11.4	57.4	41.0
including nonferrous industry, %	42.3	50.9	60.2	68.0	11.0	54.0	40.2
Novgorod Oblast							
Amount of profit, billion rubles	5.6	9.1	21.6	29.7	8.7	32.8	18.2
<i>Manufacturing, %</i>	80.8	85.3	52.9	72.8	60.9	75.3	65.2
Real estate transactions, lease and delivery of services, %	2.0	1.0	38.1	15.9	1.0	16.5	15.6
Pskov Oblast							
Amount of profit, billion rubles	1.2	1.4	1.6	2.4	2.8	2.2	3.2
<i>Manufacturing, %</i>	42.5	46.3	41.7	55.8	56.3	35.9	50.1
Transport and communications, %	2.3	3.2	6.7	8.0	6.8	12.5	6.6
<i>Trade, %</i>	21.1	18.8	21.8	15.2	14.2	28.9	23.1
Saint-Petersburg							
Amount of profit, billion rubles	60.6	69.7	215.3	301.0	310.9	305.4	392.6
<i>Manufacturing, %</i>	38.4	41.4	55.9	52.8	59.5	54.7	59.3
<i>Transport and communications, %</i>	25.5	16.4	13.0	15.9	14.7	14.4	11.2
Real estate transactions, lease and delivery of services, %	9.9	11.5	5.3	5.8	6.5	7.5	8.2
Trade, %	10.0	10.4	5.1	8.1	8.9	12.6	11.0
Source: author's estimates based on [7].							

The Republic of Komi, the Vologda and Murmansk oblasts are the most productive (by the profit share in gross regional product) among the regions of the North [4]. The profit in the above mentioned regions is received by the enterprises within the holdings: OJSC Apatit (CJSC PhosAgro), Olcon (Severstal), Kovdorsky GOK (EuroChem), Lovozersky GOK (extraction of minerals), Kola MMC (OJSC RAO Norilsk Nickel) in the Murmansk Oblast; Cherepovets Steel Mill (Severstal), OJSC Ammophos (CJSC PhosAgro AG) in the Vologda Oblast, LUKOIL-Komi LLC, LUKOIL-Ukhtaneftepерerabotka (OJSC Lukoil), RN-Severnaya Neft LLC (OJSC

OC Rosneft), Gazprom Pererabotka LLC (Gazprom JSC) in the Komi Republic.

Accordingly, management decisions, including those of investment nature, do not fall within the competence of the companies. Financial resources within a holding are redistributed exclusively by management companies. Therefore, formally having considerable reserves for its development, the largest enterprises of the region, being the structural units of the holdings, depend on superior organizations.

As a result, high financial performance does not always guarantee the increase of investment activity.

Thus, the high share of investments in transport and communications in the investment structure is characteristic for practically all subjects of the Northwestern Federal District, as well as throughout Russia.

The Komi Republic and Murmansk Oblast, being among the most efficient regions, have considerable share of investments in mining. The volume of investments in processing indu-

stries is inclined to fall in the Vologda Oblast (ferrous metallurgy) and the Murmansk Oblast (non-ferrous metallurgy) (*tab. 3*).

The state of fixed assets may indicate the investable resources shortage or sufficiency. Globally accepted degrees of fixed capital consumption show that the threshold of pre-crisis situation is at 45 – 50%, while actual depreciation is observed at 20 – 25% [5, 6].

Table 3. Investments distribution in the regions of the Northwestern Federal District by types of economic activity

Type of economic activity	2004	2005	2006	2007	2008	2009	2010
Northwestern Federal District							
Investments volume, billion rubles	359.6	483.3	651.3	832.5	1 040.7	911.2	895.3
Volume index, %	112	115.3	122.3	113.2	106	84.5	105.8
Mining, %	11.0	10.7	12.6	13.1	14.1	9.8	9.0
Manufacturing, %	22.7	21.5	17.5	16.4	15.5	15.0	14.8
<i>Transport and communications, %</i>	<i>31.1</i>	<i>33.8</i>	<i>38.2</i>	<i>35.5</i>	<i>35.8</i>	<i>33.1</i>	<i>35.2</i>
Real estate transactions, lease and delivery of services, %	11.4	12.5	9.9	10.4	10.7	10.7	8.5
Republic of Karelia							
Investments volume, billion rubles	13.7	15.3	18.1	19.2	26.1	18.7	18.1
Volume index, %	123	100.6	112.7	93	122.6	68.1	114.8
Mining, %	14.7	18.6	16.1	16.4	11.1	12.4	14.3
Manufacturing, %	30.3	19.3	10.6	21.7	18.9	11.9	11.9
<i>Transport and communications, %</i>	<i>27.1</i>	<i>34.5</i>	<i>42.4</i>	<i>18.1</i>	<i>19.1</i>	<i>19.0</i>	<i>36.9</i>
Komi Republic							
Investments volume, billion rubles	34.5	50.4	74.2	63.0	83.7	108.4	103.9
Volume index, %	121.8	131.4	134.9	75.2	113.9	124.7	91.2
Mining, %	33.5	26.8	25.4	38.6	34.9	20.4	20.5
Manufacturing, %	11.1	5.9	5.3	10.8	12.9	14.6	9.7
<i>Transport and communications, %</i>	<i>37.5</i>	<i>50.1</i>	<i>52.2</i>	<i>28.7</i>	<i>31.1</i>	<i>49.8</i>	<i>57.7</i>
Arkhangelsk Oblast (without Nenets AO)							
Investments volume, billion rubles	13.2	21.9	32.8	29.4	47.4	28.4	34.9
Volume index, %	102.8	124.9	167.7	129.2	95.2	49.8	99.7
Manufacturing, %	26.6	16.7	13.8	18.7	11.6	16.5	10.8
<i>Transport and communications, %</i>	<i>29.6</i>	<i>46.2</i>	<i>63.7</i>	<i>39.7</i>	<i>54.0</i>	<i>33.8</i>	<i>34.8</i>
Nenets Autonomous Okrug							
Investments volume, billion rubles	16.4	22.5	50.1	91.2	87.1	34.4	38.9
Volume index, %	83.9	121	2.3 times	156.4	80.1	38.4	101.4
Mining, %	88.9	83.5	76.8	58.6	87.8	85.2	86.8
Vologda Oblast							
Investments volume, billion rubles	43.1	60.6	66.1	79.2	78.4	55.5	55.4
Volume index, %	2.1 times	131.5	100.5	103.8	85.9	71.5	96.9
Manufacturing, %	45.7	39.6	29.0	25.4	30.0	29.1	28.3
<i>Transport and communications, %</i>	<i>39.4</i>	<i>47.2</i>	<i>54.4</i>	<i>50.2</i>	<i>39.9</i>	<i>43.9</i>	<i>40.0</i>

End of the table 3

Kaliningrad Oblast							
Investments volume, billion rubles	19.7	30.0	32.6	46.2	70.8	53.6	39.7
Volume index, %	122.7	130.5	92.4	122.9	134.3	78.8	82.7
<i>Manufacturing, %</i>	<i>11.6</i>	<i>23.2</i>	<i>22.1</i>	<i>33.0</i>	<i>29.5</i>	<i>18.5</i>	<i>15.3</i>
<i>Transport and communications, %</i>	<i>18.4</i>	<i>21.0</i>	<i>23.6</i>	<i>19.1</i>	<i>23.4</i>	<i>26.1</i>	<i>29.3</i>
Real estate transactions, lease and delivery of services, %	3.4	4.3	5.2	7.1	16.8	18.9	10.2
Leningrad Oblast							
Investments volume, billion rubles	68.6	82.9	127.2	126.3	166.1	193.2	231.6
Volume index, %	121	102.4	134.9	86.6	111	107.7	132.4
<i>Manufacturing, %</i>	<i>30.2</i>	<i>32.0</i>	<i>22.0</i>	<i>27.0</i>	<i>22.9</i>	<i>18.4</i>	<i>17.7</i>
<i>Transport and communications, %</i>	<i>42.9</i>	<i>41.2</i>	<i>46.7</i>	<i>40.0</i>	<i>40.7</i>	<i>42.3</i>	<i>56.3</i>
Murmansk Oblast							
Investments volume, billion rubles	14.8	20.0	24.5	26.9	46.8	41.3	32.5
Volume index, %	104.6	120.8	112.4	98.3	153.3	81.6	78.2
<i>Mining, %</i>	<i>23.5</i>	<i>31.2</i>	<i>25.3</i>	<i>30.6</i>	<i>24.3</i>	<i>31.1</i>	<i>47.2</i>
Manufacturing, %	14.0	9.2	6.3	7.3	6.2	4.8	3.1
<i>Transport and communications, %</i>	<i>19.9</i>	<i>22.7</i>	<i>25.7</i>	<i>18.5</i>	<i>35.1</i>	<i>26.5</i>	<i>15.6</i>
Novgorod Oblast							
Investments volume, billion rubles	8.8	14.0	19.0	23.9	33.9	37.0	31.0
Volume index, %	87.5	147.3	126.3	110.2	122.9	97.9	100.5
<i>Manufacturing, %</i>	<i>46.9</i>	<i>40.2</i>	<i>41.3</i>	<i>30.6</i>	<i>32.1</i>	<i>17.9</i>	<i>15.9</i>
<i>Transport and communications, %</i>	<i>31.1</i>	<i>29.2</i>	<i>25.1</i>	<i>32.5</i>	<i>24.3</i>	<i>26.6</i>	<i>44.2</i>
Real estate transactions, lease and delivery of services, %	7.7	10.3	10.7	16.8	12.8	13.4	8.8
Pskov Oblast							
Investments volume, billion rubles	5.9	5.5	7.6	13.7	16.5	12.9	11.2
Volume index, %	93.3	83.4	125.8	155.6	102.6	74	93.7
<i>Manufacturing, %</i>	<i>16.5</i>	<i>21.7</i>	<i>20.7</i>	<i>21.7</i>	<i>21.8</i>	<i>27.3</i>	<i>18.6</i>
<i>Transport and communications, %</i>	<i>18.5</i>	<i>22.8</i>	<i>34.1</i>	<i>29.3</i>	<i>30.0</i>	<i>12.6</i>	<i>34.1</i>
Real estate transactions, lease and delivery of services, %	11.1	8.2	5.6	3.7	4.8	7.5	4.5
Saint Petersburg							
Investments volume, billion rubles	117.8	156.9	193.7	303.4	372.6	324.7	298.1
Volume index, %	93.6	107.1	113.7	141.9	101.5	83.3	106.4
Manufacturing, %	16.2	18.0	20.8	13.4	11.3	12.5	14.8
<i>Transport and communications, %</i>	<i>28.7</i>	<i>24.6</i>	<i>27.7</i>	<i>41.4</i>	<i>44.0</i>	<i>27.4</i>	<i>16.6</i>
<i>Real estate transactions, lease and delivery of services, %</i>	<i>24.5</i>	<i>28.5</i>	<i>23.3</i>	<i>18.7</i>	<i>17.5</i>	<i>20.2</i>	<i>16.7</i>
<i>Source: author's estimates based on [7].</i>							

Among the regions of the Northwestern Federal District, the critical deterioration rate in 'Mining' activity is observed in the Republic of Karelia, the Komi Republic, the Vologda, Leningrad, Murmansk oblasts, despite relatively high share of investment flows (*tab. 4*).

At the same time, in the Republic of Karelia, the Komi Republic and the Murmansk Oblast it is one of the main directions of the regions' specialization, ensuring the growth of gross regional product and population employment.

To reverse the described negative trends, a fundamental change of mining technologies in the long term, and corresponding significant investment expenses, might be required. However, judging from fixed assets condition, the owners (management companies) in other regions do not take interest in that.

Though to a smaller degree, but still the assets are deteriorating in manufacturing. This also concerns the regions, characterized by high financial performance, i.e. the Republic of Komi, the Vologda and Murmansk oblasts (*tab. 5*).

Table 4. Degree of fixed capital consumption in 'Mining' type of economic activity, % [7]

Region	2005	2006	2007	2008	2009	2010
Russian Federation	51.7	51	49.7	45.6	45.9	46.8
Northwestern FD	39.2	35.7	34.5	33.9	34.6	41.6
Republic of Karelia	41.3	41.3	43.3	46.3	50	50.6
Komi Republic	39.8	32.2	31.4	46.1	46.8	56.4
Arkhangelsk Oblast	36.6	28.5	26.9	15	18.2	27.4
including Nenets Autonomous Okrug	38.6	29.1	27	14.7	17.8	27.2
Vologda Oblast	48.2	48.2	49	52.8	55.6	61.5
Kaliningrad Oblast	26.7	28.6	31.2	38.1	42.1	43.8
Leningrad Oblast	48.4	47.5	39.2	33.2	51.9	54.4
Murmansk Oblast	53.8	55.1	56.1	55.5	54.5	56.6
Novgorod Oblast	17.8	20	36.9	15	12.3	9.9
Pskov Oblast	33.1	6.8	19.7	22.9	38.1	30.4
Saint Petersburg	53.7	48.1	34.3	25.6	32.9	41.2

Table 5. Degree of fixed capital consumption in 'Manufacturing' type of economic activity, % [7]

Region	2005	2006	2007	2008	2009	2010
Russian Federation	44.1	43.1	41.7	41	41.1	42.2
Northwestern FD	39.8	37.8	36.2	36.3	38	40.4
Republic of Karelia	26.8	29.2	30.8	32.3	34	37.5
Komi Republic	35.1	37.7	38.8	36.9	40.4	39.6
Arkhangelsk Oblast	58.2	57	44.5	44.5	44.9	46.2
including Nenets Autonomous Okrug	38.8	28.5	19.8	22.9	21.5	25.4
Vologda Oblast	38.5	31.5	30.9	33.9	36.6	40.6
Kaliningrad Oblast	31.9	32.6	33.5	23.5	27.4	35
Leningrad Oblast	34	34.7	35.3	35.7	37.5	41.4
Murmansk Oblast	38.3	41	36.4	29.4	32.4	41.1
Novgorod Oblast	41.4	37	37.4	39.1	41.7	44.4
Pskov Oblast	40.1	38.4	38.3	37.2	33.5	36.5
Saint Petersburg	40.7	38.5	38.4	39.5	40.3	39.2

Thus, investment of regional structural units of holdings appears to be made on leftovers. When allocating the temporarily available financial resources, priority is given to financial investments.

In certain regions (the Vologda, Murmansk oblasts) financial investments, derived from the equity, considerably exceed not only the equity, invested in fixed assets, but also the total volume of investments [4].

Selective financing of investment activities in the Northern territories holds back arrangement of conditions for modernization and diversification of the economy, its reorientation from raw materials to innovation-based development (*tab. 6, 7*).

High share of mining in GRP structure is maintained in oil-producing regions (the Komi Republic, Nenets Autonomous Okrug) throughout the period under review.

Metallurgical complex with a low level of processing continues to dominate in manufacturing of the Murmansk and Vologda oblasts.

Considering the survey results comprehensively, the following conclusions can be made:

On the one hand, the Northern regions have their own advantages, such as the presence of large-scale productions (natural monopolies mainly), ensuring the stability of the regions' economic development. Accordingly, these regions are *formally* able to obtain resources for self-development.

Table 6. The share of 'Mining' economic activity in GRP. % [7]

Region	2004	2005	2006	2007	2008	2009	2010
Russian Federation	11.3	12.8	11.7	10.6	9.9	9.7	10.5
Northwestern FD	7.0	7.6	7.2	6.4	6.9	7.2	7.7
Republic of Karelia	8.7	19.3	12.7	12.3	13.5	4.8	12.0
Komi Republic	28.6	34.3	32.3	26.5	31.9	29.5	33.5
Arkhangelsk Oblast	21.0	20.6	20.7	22.1	20.7	31.5	32.7
including Nenets Autonomous Okrug	74.9	74.3	65.4	59.6	66.3	77.4	78.6
Vologda Oblast	0.0	0	0	0	0	0.1	0.0
Kaliningrad Oblast	9.2	14.7	12.7	12.2	8.4	7.3	5.9
Leningrad Oblast	0.8	0.8	1.1	1.1	1.6	2.8	0.9
Murmansk Oblast	0.0	0	0.1	0.1	0.1	0.1	0.2
Novgorod Oblast	18.7	10.8	9.9	9.9	18.6	11.2	15.1
Pskov Oblast	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Saint Petersburg	0.0	0.1	0.1	0.1	0	0.0	0.0

Table 7. The share of 'Manufacturing' economic activity in GRP, % [7]

Region	2004	2005	2006	2007	2008	2009	2010
Russian Federation	20.4	18.5	18.7	19.7	19	16.7	17.7
Northwestern FD	23.3	24	23.2	22.8	22.1	21.5	21.6
Republic of Karelia	17.3	17.6	15.8	16.2	15.6	14.1	16.4
Komi Republic	8.3	11.7	10	12.9	10.8	9.5	9.7
Arkhangelsk Oblast	19.6	18.9	15	14.6	16.4	12.1	12.6
including Nenets Autonomous Okrug	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Vologda Oblast	45.4	46.6	46.1	46	50	36.6	39.4
Kaliningrad Oblast	22.1	17.3	14.1	17.2	17.8	16.5	16.9
Leningrad Oblast	31.9	29.1	28.5	27.6	26.4	29.7	23.8
Murmansk Oblast	21.8	25.5	25.3	27.9	15.6	16.6	17.4
Novgorod Oblast	33.2	34.6	34	32.6	34.3	32.2	30.0
Pskov Oblast	15.6	18	19.4	20.7	20.1	17.8	18.9
Saint Petersburg	19.2	20.9	22	20.6	19.9	22.4	24.1

But, on the other hand, large-scale productions are mainly resource-based, with their owners being in other regions, so that the resources, in fact, do not belong to the regions. In addition, the trend risks of global prices exist for export-oriented productions. The consequences of the current situation for the region may be the following: the preservation of structural distortions, the barrier to the development of diversified economy, limited competitive environment, the preservation of raw-material orientation, the reduction of possibilities to achieve economic growth stability.

In order to solve the existing problems, the relations between state authorities and

business structures are to be improved. Amendments to the legislation, that are being adopted at the present stage (introducing the concept 'consolidated group of taxpayers' into the Tax Code), do not consider already existing consequences of relations 'region – business-structure' and are oriented at safeguarding the interests of a narrow circle of individuals, i.e. management companies.

At the same time, it is really possible to involve big business in problem-solving with regard to the region, on the territory of which it operates, at least through social responsibility before the region's population (it especially concerns the regions with raw material orientation). The capabilities of regional

authorities in the sphere are limited in the existing institutional environment. While formulating and adopting measures aimed at increasing investment activities, the authorities should focus on the internal reserves of investment resources increase.

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