

# Living standards fall and discontent rises in Russia

Vladimir Volkov  
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Both official statistics and recent public opinion polls in Russia show a sharp fall in income levels and living standards.

In 2015, for the first time in many years, Russian citizens spent more money than they earned. The difference between the population's incomes and expenditures amounted to 420 billion rubles (\$5.5 billion), the first deficit in 18 years. Experts with the Center for Macroeconomic Analysis told the newspaper *Kommersant*, "the results of 2015 were really extraordinary for the overwhelming majority of the fifty million Russian households." In an article entitled, "Citizens lose their liquidity," the newspaper described a "shocking restructuring of household economic strategy."

The last time the economy experienced something similar was in 1998, when Russia defaulted on its debt and its currency collapsed to one fourth of its previous level. When account is taken of the fact that over the past two decades much of what remained of the Soviet-era infrastructure and social services has been eradicated, the situation facing the population is now much bleaker.

According to the figures of the state agency Rosstat, the population's real incomes have decreased by 4 percent compared to a year ago, and pensions have fallen by 3.8 percent.

The Russian Ministry of the Economy recently reported that in 2015 the volume of retail trade in the country fell by 10 percent compared to the previous year. It is now lower than it was in 1970. The "depth of decline of foodstuff purchases in 2015 is unprecedented. It did not fall as much even during the crisis of 1998-1999, when the average income fell much more precipitously. This tells us that the present crisis, because of the Russian government's retaliatory

sanctions, has hit particularly the poorest layers of population, those, whose share of food expenditures is the highest," it observed.

The portion of the Russian population with incomes below the "official minimum" has increased to 13 percent. Citizens have stopped consuming and "are passive observers of the process of trade," says the Ministry. They save their money and spend it only for absolute necessities.

An investigation by the Higher School of Economics has shown that 12 percent of the population lives at or below the level of extreme poverty. Only a quarter of Russia's citizens earn more than twice the subsistence minimum.

In a February article, the online publication *Gazeta.ru* pointed to a sharp increase in outstanding debt. During the past year, 40 million people—more than half the economically active population—have borrowed 11 trillion rubles (\$142 million) in new debt. Only 8 million of them are able to pay their interest in a timely manner.

International rating agencies have again cut their economic outlook for Russia. According to a new assessment by Moody's, in 2016 the country's economy will contract by 2.5 percent, instead of an earlier forecast of 0.5-1 percent.

Standard & Poor's has continued to keep the rating of Russian long-term foreign currency obligations at BB+ level. Reaffirming its "negative" outlook for the economy, the agency expects the situation to worsen.

For its part, the Russian government does not anticipate any significant improvement in the next few years. According to an estimate prepared by the Ministry of Finance, the economy will be growing at an annual rate of 1-1.3 percent from now until 2030. Overall, between 2014 and 2030 the Russian economy

will grow by just 13 percent. This is the same increase it experienced during the three year period from 2011-2013.

The ministry also expects real wages to decline during 2015-2016 by 13 percent, and will not recover to the level of 2014 until the year 2025.

The rapid decline in the situation facing the majority of the population is accompanied by a further growth of social inequality. Every member of the governing board of the Rosneft oil corporation averaged a salary in 2015 of 336 million rubles (\$4.3 million). At the same time, the average wage in Russia stood at 33,000 rubles (\$425), or 1/850th of the income of the oligarchs running the state-controlled energy giant.

An ever growing number of the country's inhabitants views the Soviet period positively. According to a recent survey by the Levada Center, when indicating their preferred economic model, 52 percent of respondents chose "state planning." Only 26 percent chose a market economy based on private property, while 22 percent could not make up their minds.

Levada Center Director Lev Gudkov observed, "The guaranteed modest prosperity of the Soviet system has taken on a function of a past 'normal.' The contemporary situation is evaluated in comparison with the popular impressions of that memory."

Another notable feature is a growth of moods of protest, which, while not yet taking on a political character, are attracting wider layers of the population and "gathering strength in the provinces," according to a leading expert of social and economic programs of the Center of Social and Labor rights, Petr Biziukov.

"The two capitals [Moscow and Petersburg]," he notes, "account for just 15 percent of all protest actions. Regional centers [account for] another 40 percent. Oblast centers [account for] 27 percent, and small towns and villages [account for] 13 percent. This means that labor conflict is moving from the center to the periphery. In the past, strikes in the provinces were unusual. People in small towns were afraid to get the reputation of a scandal-monger or lose their jobs. The fact that they have begun to act tells us that they have overcome a certain amount of restraint."

Biziukov went on to note that strikes are no longer just local. "The movement is changing form. In the past, the protests were very isolated. But last year we recorded a number of inter-regional actions. The most

notable such action [was] the protests of long distance haulers. According to our data, 45 regions were affected by it. In May, there were the teachers' strikes in 20 regions. Inter-regional protests are gaining ground. Whereas before, they involved at most 9 regions. Now, the number of simultaneously protesting regions is growing."



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