

Russia

Multiple impacts on Russia's labour market from current recession. Despite a strong pick-up in inflation, the rise of private sector wages in nominal ruble terms has stayed at a record-slow rate this year. Private sector wages in the first half were up only 6–7 % y-o-y. Public sector wages, which are feeling pressure to restrain government spending, were up a mere 3–4 % y-o-y. Wage arrears are up only slightly, however, unlike in the 2009 recession.

Although production in Russia has contracted significantly, the number of people in the workforce shrank only about 0.5 % y-o-y in the first half. The number of unemployed persons increased 10 % y-o-y in the second quarter. Russia's standard ILO unemployment rate has risen slightly, to around 5.5 %. Under a wider definition of unemployment that includes workers outside the labour force but willing to work, the number of these outsiders has also climbed notably and the wider unemployment rate has approached 10 %. The number of part-time and laid-off workers has clearly increased. In the second quarter, these conditions affected over 3 % of the personnel at large and mid-sized firms. Hours worked per employee were down about 1 % y-o-y in the first half of 2015.

Government wants to increase competition but also restrictions on public sector procurements. A recent economy ministry report notes that there is still plenty of room for increasing competition and transparency in the procurement processes of public-sector-owned companies. The report stated that procurements in recent years have concentrated increasingly on small pool of suppliers, with only a small share of procurement awards based on open bidding or auction. Procurement announcements were also often obscure and award processes poorly documented.

Russia's new law on public-sector-owned companies' procurements entered into force in 2012 and was amended last time in the summer. Public-sector-owned companies are now required to register online and announce all procurements exceeding a specified ruble amount on the website. Nearly 80,000 firms have registered, and the total value of announced procurement contracts corresponds to almost a quarter of Russian GDP. A handful of large firms make most of the procurements (e.g. Rosneft, Gazprom and the national railways RZD). The new law aims at increasing transparency, competitiveness and efficiency in procurements.

On the other hand the current objective of import substitution has resulted in several government proposals which could rather have opposite effects. The government is seeking e.g. a greater say in supplier selection in large procurements, limits on the use of imported goods and services, and minimum quotas on the share of innovative products in procurements.

Finnish exports to Russia down sharply in the first half, exports to other countries unchanged. Finnish goods exports to Russia amounted to €1.5 billion in the first half, down by a third from a year earlier. Much of the weak export trend was driven by the contraction in Russian demand and the weak ruble. In the first half, the euro-value of total goods imports to Russia contracted 24 % y-o-y, and the ruble was down 13 % in real terms against the euro. Exports to Russia also suffer from the general competitiveness problems of Finnish exports, but Finland's goods exports to other countries contracted only 0.1 % y-o-y. Russia was Finland's fifth largest export market with a share of less than 6 % of total exports.

Finnish exports to Russia contracted in all major product categories. The biggest contributions for the export contraction were due to machinery and equipment since it is the largest export product category, as well as food exports, which experienced the sharpest drop. Machinery exports recovered a bit in June, up 1 % y-o-y, but month-to-month fluctuations are large. Food exports have had to struggle with the additional burden of Russia's import bans. Food exports to Russia contracted in January-June by over 70 % y-o-y, drawing down Finnish food exports overall (even if food exports to other markets were mostly up). Finnish food exporters seem to have been unable to find other markets for e.g. fish and certain dairy products whereas exports of butter to other markets soared.

The value of transit goods from third countries via Finland to Russia dwindled in January-June to less than €4 billion. Transit shipments this year have fallen below levels seen in the early 2000s.

Export of travel services to Russia appears to have also declined further. Border-crossings between Finland and Russia fell by over a fifth in the first half, and the number of Russian travellers arriving to Finnish inns and hotels was down by nearly 50 % y-o-y.

Finnish goods imports from Russia in the first half shrank 36 % y-o-y to €3 billion. The drop in the value of imports was largely from low oil prices. Russia fell to Finland's third largest import supplier providing 11 % of Finnish goods imports.

Russia's goods imports and Finnish exports to Russia (EUR)



Sources: Central Bank of Russia, Finnish Customs.

China

New car sales in China slowed in recent months.

According to the China Association of Automobile Manufacturers (CAAM), sales of new cars were down on year in the June-July period. Overall, the pace of car sales was unchanged in the first seven months of this year. Car sales in the January-July period amounted to 13.4 million vehicles. A total of 23.5 million new cars were sold last year, an increase of 7 % from 2013. Cities are increasingly limiting the number of new car registrations to rein in pollution and traffic jams.

Sales of domestic makes increased in January-July by 14 % y-o-y. In the same period, sales of Japanese makes were up 5 %, while German makes were down 6 % and US makes down 3 %.

Sales of electric and hybrid cars have risen rapidly. Over 90,000 electrics and hybrids were sold in the first seven months of the year. While this was a relatively small share of car sales overall, it was more than triple the number of such cars sold in January-July 2014. Purchasers of electric vehicles enjoy price incentives, tax breaks, as well as registration preference over other cars in cities.

CAAM figures show that 13.6 million cars were built in China in January-July, which was 100,000 more cars than a year earlier. China also imported 530,000 new cars and exported 400,000 new cars in the first half.

China's state-owned enterprises climb in rankings of world's largest companies.

The 2015 *Fortune Global 500* rankings include 98 Chinese firms (includes companies headquartered in Hong Kong), up from 10 Chinese firms in the year 2000. 128 US-based firms and five Russian firms also made this year's list. The list is based on reported total revenues for the financial year ending March 31 or before. China's state oil company Sinopec rose to the number-two spot this year. All twelve of the biggest Chinese firms are state-controlled, mostly banks or companies in the energy sector. Only 22 of the 98 Chinese firms listed were private.

2014-2015 rankings of world's largest companies by total revenue

2015	2014	Company	Country
1	(1)	Walmart	US
2	(3)	Sinopec Group	China
3	(2)	Royal Dutch Shell	Netherlands
4	(4)	China National Petroleum	China
5	(5)	Exxon Mobil	US
6	(6)	BP	UK
7	(7)	State Grid	China
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18	(25)	ICBC	China
26	(17)	Gazprom	Russia
29	(38)	China Construction Bank	China
36	(47)	Agricultural Bank of China	China
37	(52)	CSCEC	China

Source: *Fortune Global 500*

The skyrocketing rise in share prices in the first half boosted the market capitalisations of Chinese firms, catapult-

ing them into the highest tier of global firm valuations. US firms occupied five of the top spots in the Financial Times *FT Global 500* list as of end-March. The company with the world's highest market capitalisation was Apple (\$725 billion). Petro China (\$330 billion) rose to sixth position on the FT list and ICBC (\$275 billion) to ninth.

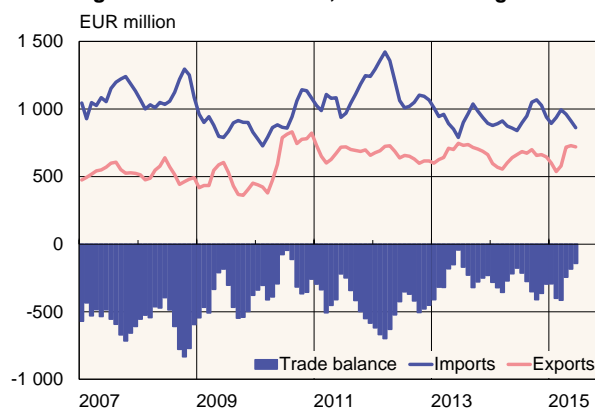
Finnish exports to China up in first half. Foreign trade figures from Finnish Customs show that the value of Finnish goods exports to China in January-June was €1.3 billion. Goods exports rose 7 % from 1H14. The development of Finnish exports to China has been positive compared to last year, as in 1H14 exports fell 12 % y-o-y. In the first half, China's share of Finnish total goods exports remained around 5 % as in earlier years.

Finland's top exports to China were paper pulp, furs, as well as industrial machinery & equipment. Paper pulp has been Finland's top export item to China for several years now. In the first half, pulp accounted for 19 % of Finland's total exports to China and the value of paper pulp amounted to €244 million, an increase of 16 % y-o-y. The share of fur exports (€192 million, up 83 % y-o-y) in total exports rose to 15 % in the first half, up from 8 % last year. Exports of industrial machinery (10 % of total exports) climbed 24 % to €133 million.

Imports from China also grew 6 % y-o-y in the first half. The value of imports from China was €1.9 billion. Imports of phones (14 % of total imports) and other electrical devices (13 % of imports) increased about 6 %. Imports of computers (13 % of imports) and clothing (12 % of imports) fell 5 %. Despite higher export growth than import growth, Finland's trade deficit with China increased in the first half to €557 million, up from €533 million in 1H14.

Based on overnight stays at Finnish inns and hotels reported to Statistics Finland in the first half, the number of Chinese tourists visiting Finland increased sharply from a year earlier. In 1H15, Chinese travellers recorded 70,403 overnight stays, an increase of 38 % from 1H14. The second largest increase was registered for French tourists (up 7 %). Chinese, however, represent only a tiny share of tourists visiting Finland, accounting for about 3 % foreign travellers.

Finnish goods trade with China, 3 month moving sum



Source: *Finnish Customs*