



Macroeconomic Trends and Features of Regional Economy Development in the 21st Century

Inna L. Litvinenko^{1*}, Zhibek S. Syzdykova², Sergey N. Novoselov³, Natalya N. Novoselova⁴, Maria A. Gureva⁵, Vitaly A. Tupchienko⁶

¹Moscow State University of Humanities and Economics, Moscow, Russian Federation, ²Lomonosov Moscow State University, Moscow, Russian Federation, ³Moscow State University of Food Production, Moscow, Russian Federation, ⁴Institute of Services, Tourism and Design (Branch) of North Caucasian Federal University, Pyatigorsk, Russian Federation, ⁵Tyumen Industrial University, Tyumen, Russian Federation, ⁶National Research Nuclear University, Moscow Engineering Physics Institute, Moscow, Russian Federation. *Email: innalitinenko@ya.ru

ABSTRACT

At present there is a tendency to the general Russian economic crisis and the disintegration of the economic space and various basic conditions of separate regions, which are focused on the market in the development of regions. Today the regions with a high concentration of stagnating and converting industries and the incomplete investment programs of development, the regions, which are directly dependent from raw material and food supply and also the districts, which have an intense ecological situation, where it is necessary to terminate the functioning of a number of the ecological harmful enterprises and to make measures for the social protection of the population of this region, are under more severe conditions. A number of the regions of the Far East, Siberia, the Urals and the Center are referred to these districts. The fundamentalization of Russia's integral economic space directly depends on a capital market by forming the system of joint stock companies, stock exchanges, commercial banks and funds for commodity and raw material resources. Commercial firms and entrepreneurs have a considerable potential in the questions about supplying the enterprises of various regions with material and technical resources, and the population with food.

Keywords: Macroeconomics, Gross Domestic Product, Happiness Index, Consumer Demand, Capital, Investment Activity, Integration, Import Substitution, Capital Market

JEL Classifications: E01, O11, O20, R11, R13

1. INTRODUCTION

The main purpose for the policy of the country's regions is to preserve the unity and integrity of Russia, to form the impossibility of its disintegration on the sovereign territories. One of the important conditions for this process is to balance the all-Russian and regional interests. To achieve the main task in the regional policy, there appears a need for taking the urgent measures for the process of reforming economy activation, among these measures, there are as follows: To reconstruct the economy of the old industrial regions and large city agglomerations. There is a need for forming measures for defense industry conversion, improving the ecological situation and infrastructure modernization.

In the conditions of forming and developing the market relations, the main tasks of the Russian regional policy are to provide the worthy level of prosperity for the population in each region of the country, a gradual building of living standards, an exception of excessive contrasts in social conditions between the layers of the modern society.

The theoretical foundation of the research was as follows: The works of the domestic authors, research publications and scientists' articles on macroeconomics about the regional economy trends.

Modifying the economic structure of society is not the subject of politics in the conditions of the invariable market economy of

the country. Macroeconomics in the countries, which have market economy, analyzes the main economic institutions as a prescribed parameter. Their organization is a subject of economic theory and economic sections of political science.

The structural modifications for the transition economy are one of the main tasks for the present economic policy. Hence, they should be considered in conjunction with the administrative macroeconomic research (Bogoviz et al., 2016). It causes the most extensive subject of macroeconomics that includes the questions about the structural transformations during the reforms.

Together with macroeconomics and regional economy, which is the subject of the research, macroeconomics is one of the most important components of the theoretical and applied economic research. The meaning of the macroeconomic research especially increases in conditions of the transition economy. The intensity and order of the structural reorganization must be supported by the extensive quantitative research, the numerical estimate of possible consequences of implementing these or those scenarios of the reforms.

The scope of tasks for the macroeconomic analysis extends significantly within the transition period of economy development. It is objective that the state pursues the initiative economic policy that is not limited to only one sphere of tax collection and the state budget redistribution in the modern countries with market economy. The specificity of the transition economy demands an active involvement of the state in solving those problems, which cannot be supplied with the self-regulating mechanisms because of the not faultless market infrastructure by using the administrative techniques.

2. MACROECONOMIC TRENDS IN RUSSIA

The disintegration trends of the modern Russian economy, which have been growing in recent years, set a problem of preserving the domestic Russian market, infrastructure system unity, the general monetary and credit system, unitary tax system, total control over the output export and import of the country before the federal and local machinery of government.

The main macroeconomic indicators for developing the Russian economy can be considered as follows: (1) World economy situation; (2) internal institutional environment; (3) business - climate; (4) The government's budgetary policy; (5) the Russian bank's monetary - credit policy. The author also refers "the Russians' happiness index" to this macroeconomic indicator. In the author's opinion, this non-economic indicator is extremely important for the economic system of the country. It is characterized by increasing people's confidence in the modern authority, in its ability and desire to solve the global problems, to create the positive business climate, expectations of economic growth, citizens' readiness to invest in projects as well as to keep their savings in the national currency.

First of all, it is necessary for the Russians to change their thinking. After holding the Olympic Games and Paralympic Games in

Sochi successfully and the Crimea being part of Russia rapidly, the consciousness of our country's citizens grew considerably and charted a course towards strengthening. A wave of patriotism creates other social and economic environment in Russia and its reputation in many other countries of the world than it had been before. The growth in people's personal and public welfare and their awareness of the relevancy on the world scene and moral superiority was expressed in "the Russians' happiness index" that has reached its peak lately.

In 2015 the economic situation worsened in comparison with the previous 2014. In January-May, 2015 (with reference to January-May, 2014) gross domestic product (GDP) decreased by 3.2%, investments in the fixed capital - by 4.8%, industrial production - by 2.3%, the real monetary income - by 3.0% (Tables 1 and 2).

Table 1: The main macroeconomic indicators of the Russian Federation (as % of the previous year) (The Commonwealth of Independent States, 2015)

Macroeconomic indicators	2012	2013	2014	2015
GDP	103.4	101.3	100.6	96.3
Industrial production	103	100	102	96.6
Agricultural production	95	106	104	103.0
Fixed asset formation	107	100.8	97	91.6
Cargo carriage	103	98	97	97.1
Retail turnover	106	104	103	90.0
Industrial producers' indices of prices	107	103	106	112.4
Consumer price indices	105	107	108	115.5
Exports outside of the commonwealth countries	98	93	86	70.0
Exports outside of other countries	102	102	96	68.8
Imports from the commonwealth countries	90	92	83	59.1
Imports from other countries	104	102	92	63.9

GDP: Gross domestic product

Table 2: The main macroeconomic indicators of the Russian Federation in 2016 (as % of the relevant previous year)

The main macroeconomic indicators of the Russian Federation in 2016	January-March, 2016
GDP	98.8
Industrial production	99.4
Agricultural production	102.8
Fixed asset formation	95.2
Cargo carriage	99.7
Retail turnover	94.6
Industrial producers' indices of prices	103.8
Consumer price indices	108.4
Exports outside of the commonwealth countries	70.4
Exports outside of other countries	67.7
Imports from the commonwealth countries	76.1
Imports from other countries	86.5

GDP: Gross domestic product

The macroeconomic indicators, which are used for making the proposed federal budget for the years of 2016-2018, are significantly different from those indicators, which were taken as a basis for setting the federal budget for 2015 and the planning period of 2016 and 2017, as the changes had not been considered in the second half year of 2014 (including those, which were in the 4th quarter of 2014, i.e., oil price deflation, rouble devaluation and the speed in growing the level of consumer prices) (Ministry of Finance of the Russian Federation, 2016).

The baseline scenario assumes sanctions from the USA and the European Union concerning Russia and countersanctions from Russia throughout all the forecast period. Therefore, the Russian economy will develop in the conditions of a limited access to the world capital market and capital outflow preservation. Despite the geopolitical tension and rather low level of oil prices, there predicted a renewal of the economic growth (at the level of 2.3-2.4% a year) since 2016.

According to the Ministry of Finance of the Russian Federation, the growth in the industry and the real disposable income of the population will be also resumed in the next 2 years; it will promote increasing the investment activity and consumer demand. The norm of domestic savings will increase.

Industrial production in 2016-2018 will grow at rates of 1.5-1.9% after falling in 2015 (A budgetary policy draft for the year of 2016 and for the planning period of 2017 and 2018, 2016). The manufacturing activity, as well as in the previous years, will achieve its real momentum faster than the fuel and energy complex production does. Consumer complex industry, transport facility and equipment production (engineering industry) and chemical production (intermediate demand industry) will grow at the greatest rates.

The level of consumer prices under the influence of the national currency depreciation and food reciprocal sanctions was increasing within the 1st quarter of 2015 and came to 16.9% in annual basis at the end of March. But, beginning with the 2nd quarter of 2015, there was a price deceleration that will happen until the end of the year. By the current assessment of the Ministry of Economic Development of the Russian Federation, the gain of consumer prices came to 11.9% following the results of 2015 and will have decreased by 5.1% by 2018 (A Budgetary Policy Draft for the Year of 2016 and for the Planning Period of 2017 and 2018, 2016).

There observed a decrease in the share of retail trade turnover in GDP in the medium-term forecast, i.e., the consolidation of influencing the general economic dynamics of the domestic consumer demand, which is one of the major factors for the economic growth maintenance.

However, both the real disposable income of the population in 2015 (-7.8%) with the subsequent moderate gain in 2018 at the rate of 2.8% and the real salary in 2015 (-9.8%) with the subsequent essential gain in 2018 (4.2%) promote decreasing the share of retail trade turnover to GDP. The living standards of the population also will begin to be characterized by the gain of

the general unemployment rate in the conditions of the passive decrease in business activity in economy. However, the growth in unemployment will be insignificant (6.0% in 2015 against 5.4% in 2014) and will have decreased by 2018 (5.7%) (A Budgetary Policy Draft for the Year of 2016 and for the Planning Period of 2017 and 2018).

Oil price is a considerable uncertainty for the national economy. It is quite difficult to estimate supply and demand ratio in the oil market. On the one hand, the new technologies of production are formed, a number of countries increases oil production (a rise in oil supply). On the other hand, the investment plans of oil sector companies decrease under the influence of reducing oil prices. It makes a negative influence on reducing oil supply in the medium term.

In the meantime, the Russian industry cannot manage to use rouble devaluation, reciprocal sanctions influence and not to carry out import substitution opportunities and economy diversification in due course. It can happen because of the available infrastructure restrictions and decrease in investments. Implementing this risk will slow down the economic growth about the predicted one.

At present the fundamental prerequisites for restructuring the Russian economy are being created. On the one hand, there is a redistribution of the national income from the population to the corporate sector that forms a financial base for potential investments. On the other hand, the change in exchange rate and the subsequent change in price level somewhat promote correcting some of the collected structural discrepancies, transferring financial and labour resources into other sectors where the return on capital employed grew considerably.

3. REGIONAL ECONOMY TRENDS IN THE COUNTRY

There is no doubt that the huge territory of Russia and a variety of its natural and socio-economic conditions require developing regional studies and decentralizing science. Regional studies in Russia are concentrated around the following main problems: Regularity, principles and factors of production placement, economic division into districts, methods of planning and regulating the territorial development.

The regional development is a multidimensional process, which is considered as a set of social and economic purposes. As a rule, the economic development is considered with the social one in total. The social and economic growth includes several aspects: A rise in production and income; changes in the society's consciousness; changes in traditions and habits; changes in the structures of society (administrative, social and institutional ones) (Galachieva and Sabanchiev, 2010).

At the present stage the economic growth of the country in general and its regions and the population's quality of life improvement are important, that is to say the health of the nation and the

quality of education improvement, an increase in the income of the population of regions and the degree of economic freedom.

Among such tactical purposes for developing a region or a town, there are as follows: The new types of business attraction, small and medium business development, industry and downtown development, services sector development and the population's occupational level increasing.

The traditional indicators, which estimate the level of production and benefit consumption, and growth in this level per capita gross national product (GNP) and GDP, are of special interest in determining the level of the region's economic growth. It is rational for the dynamics of development assessment to use the indicators, estimating the rates of the economic growth in the region: Growth rates of per capita income, labour productivity and rates of the structural transformation of production and society. Influencing the rates of the economic growth is especially an important question for the economic policy both the country in general and the certain region.

The economic growth of the country and regions is followed by modifying the structure of the public production, that is, the postindustrial society takes the place of the industrial one. Most of the population works in the nonmaterial sector and the minority works in the production and agricultural sectors.

At a region level the following criteria and socio-economic indicators, corresponding to them, can be considered:

- GDP and GNP;
- Educational background;
- Life time and health care level;
- The population's average level of income;
- Environmental conditions;
- Small business development;
- The population's cultural life and its growth (Burlachkov, 2013).

Providing the economic growth of the region, the local administration works as intermediaries and assistants, using different approaches to economy promotion. The economic redevelopment must be carried out by attracting the heads of the large enterprises and employers of the region. In this cooperation with enterprises' management team, the regional administration can decide the issues about personnel training, infrastructure development and small and medium business encouragement more effectively.

As Table 3 shows, the management tools for the economic growth of the region are as follows: To create conditions for business (road, communication, offices, market infrastructure), to regulate business activity (local tax, zoning and special conditions), administration and business cooperation (joint projects) (Anisimov et al., 2013).

Volumes of the federal budget's spending on implementing the government programs (GP), the direction "Balanced Regional Development" in 2016-2018 are presented in Table 4.

Table 3: Types of influencing the economic growth of a region

Creation of the general conditions for business	Business activity regulation	Administration and business direct cooperation
Transport Communication	Zoning Land-use recommendation	Joint projects Interactions with nonprofit organizations Chambers of commerce and Industry Training- consultation centers
Hotels	Taxation	
Recreations	Subsidies	
Telecommunications The regional market infrastructure: Banks, audit, insurance and consultations	Benefits Guaranties	

The maximum volumes of the budgeted investments in implementing the GP in this direction for 2016-2018 were designated on the basis of the general approaches to costing the country's federal budget.

If to speak about financing regions, the following is considered in this context: According to the GP "Developing the federal relations and creating conditions for the efficiency in regional and municipal finance management" and decreasing subsidies on the support of measuring budgets are supposed. Also subsidies on a partial compensation of the non-considered expenses for such indicators as: A raise in the level of the budgetary sphere workers' salary (it is caused by the change in the methodology of defining the targets about raising the budgetary sphere worker group's salary). However, considering the need for providing the stability in the consolidated budgets of the subdivisions of the Russian Federation, the level of subsidies on equalizing the fiscal capacity of the subdivisions of the Russian Federation, which makes about 80% of the overall total of the resources' provision of the GP, does not decrease.

Today there are a number of the GP to develop the regional economy in the Russian Federation. According to the GP "The socio-economic growth of the Far East and the Baikal Region" is priority, and the regional programs to raise the mobility of labour resources to the regions, which are included into the list of our country's subdivisions, the attraction of labour resources in these structures are co-financed (Kamchatka, the Primorski and Khabarovsk Regions, the Amur and Magadan Regions, Chukot Autonomous Okrug are referred to these subdivisions of the Russian Federation by the order of the Russian Government, dated April 20, 2015, No. 696-r). The investment project "The Modernization of the Railway Infrastructure (the Baikal-Amur Main Line and the Trans-Siberian Railway)" will be implemented over a period of 3-year (2016-2018), the total amount of finance from the state treasury will make 562,4 billion roubles (Mintzberg et al., 2004).

Table 4: The financial support of the GP to develop regions

GP	Title of the GP	The year of 2015	The year of 2016		The year of 2017		The year of 2018	
		Act 93 - FA	Project	as % of the previous year	Project	as % of the previous year	Project	as % of the previous year
1	2	3	4	5	6	7	8	9
IV	Balanced Regional Development	658.2	680.5	103.4	716.4	105.3	707.7	98.8
34	The socio-economic growth of the Far East and the Baikal Region	25.6	58.6	228.9	43.1	73.7	35.7	82.9
35	“North Caucasian Federal District Development” till 2025	19.5	13.3	68.4	31.8	238.6	31.8	100
36	“Developing the federal relations and creating conditions for the efficiency in regional and municipal finance management”	604.6	603.2	99.8	636	105.4	636	100
37	The socio-economic growth of the Kaliningrad Region till 2020	8.5	5.4	64.1	5.4	100.1	4.1	76.1

GP: Government program

To achieve the set purposes and to cope with the tasks of the GP to develop the regional economy, it is also necessary to take the following measures:

1. To make changes in the law about the territories advancing their social and economic growth in the Russian Federation and the closed administrative and territorial entities, beginning with the territories of the Kaliningrad region (at the moment such territories can be created in the territories of the subdivisions of the Russian Federation, which are part of the Far Eastern Federal District and also in the territories of monotowns, where the difficult socio-economic situation is observed);
2. To assess the efficiency in functioning the special tourist and recreational economic zones, which are situated in the territory of the North Caucasian Federal District and to give an assessment to the efficiency in investing funds from the federal budget, aimed at supporting the experts who came from abroad and the institutes for the development of the special tourist and recreational economic zones (JSC “Special Economic Zones”, JSC “North Caucasus Development Corporation”, JSC “North Caucasus Health Resorts”);
3. To make changes in the existing mode of tax preference provision, allowing to consider the period of applying preferences from the date of registering residents.

The number of the federal regional programs must be strictly limited. They can be organized for program -target territorial and production complexes, for the regions of the North and environment-damaging areas. To run these programs efficiently, the special public authorities must be approved. The local executive authorities of regions must also take part in running programs. The special companies and consortiums, which have the state, private and mixed capital for financing the regional programs are supposed to be opened.

The state regulation of the large-scale regional programs provides forming, supporting the special funds for the regional growth, encouraging the attraction of non-state domestic and foreign investors, tax discounts from natural resource stocks exhaustion, establishing the fixed privileges for the rent when using land plots for enterprise construction and introducing the reduced prices for ecologically clean production and another.

Differentiating competences between the federal and local bodies is especially important when running the regional programs. When forming and developing the market relations in the 21st century, the problem about labour market formation and the interregional regulation of local employment is of great importance. Now there were several types of areas with features of reproduction and population composition. They are as follows:

- Excess working regions (North Caucasus);
- Sector-specific and depressive regions (the Northern Regions);
- Defense-industrial regions (St. Petersburg, the Urals, the industrial hubs of Southern Siberia and the Nizhni Novgorod Region).

The above-mentioned regions need a government support for developing entrepreneurial activities and investment attraction, including foreign ones, and measures for population movement rationalization.

4. CONCLUSION

Organizing the inter-territorial economic relations is an important factor for forming and functioning the market relations. The main models of these connections in the conditions of the market are as follows: Work commodity barter, the mutually beneficial performance of work and services by regions in the terms of

exchange, joint production and non-productive work, tourist exchange development between regions, bringing tax policy to the unitary standard, price policy, and population policy.

The role of the foreign economic relations becomes more important under the formation of the market relations. Interactions with foreign companies can be as follows: To exploit the natural resources jointly, to set up joint ventures, to implement ecological projects on the basis of the modern achievements in the foreign technology jointly, to promote the domestic projects by using foreign equipment, to attract foreign capital, to use foreign experience and the latest technologies for increasing labour productivity in the sphere of industry and the efficiency in agricultural production and construction of farms, to use the experience of the western developed countries for forming and functioning the market infrastructure and to involve foreign experts in consulting and training professional managers.

An adaptation to consumer demand structure, to form product consumption resources, a rise in competitiveness, to expand the sales market of the Russian products and to integrate the Russian economy into the world economy are especially important in the modern conditions of the Russian market economy and, subsequently, its regions.

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