

## Socio-economic development of Russia in terms of the BRICS countries' development

### Социально-экономическое развитие России в контексте развития стран БРИКС

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#### Abstract

The welfare of the population is largely dependent on the socio-economic development of the country. It is believed that the stronger the state's economy, the higher the standard of living of the population. In the framework of this article, the socio-economic development of Russia in terms of the standard of living of the population is considered. It is concluded that over the past 5 years, despite an increase in the level of wages and per capita income, the standard of living of the population of Russia has decreased. The welfare of the citizens of Russia and the citizens of the BRICS countries is compared herein. It is concluded that the dynamically growing economies of India and China contribute to the improvement of the living standards of the population, while the problems in the economies of Russia, Brazil, and South Africa negatively affect the incomes of the population of these countries. The paper suggests incitement of the domestic demand as a factor in the development of the economy and thereby the standard of living.

**Key Words:** poverty, socio-economic development, standard of living.

#### Аннотация

Благосостояние населения во много зависит от социально-экономического развития страны. Считается, что чем мощнее экономика государства, тем выше уровень жизни населения. В рамках данной статьи рассмотрено социально-экономическое развитие России в контексте уровня жизни населения. Сделан вывод, что за последние 5 лет несмотря на рост уровня заработной платы и среднедушевого дохода, уровень жизни населения России падает. В статье сравнивается положение граждан России и государств, входящих в союз БРИКС. Сделан вывод о том, что динамично растущие экономики Индии и Китая способствуют повышению уровня жизни населения, а проблемы в экономике России, Бразилии и ЮАР негативно сказываются на доходах населения данных стран. В работе предложено, стимулирование внутреннего спроса населения как фактора развития экономики и тем самым уровня жизни.

**Ключевые слова:** бедность, социально-экономическое развитие, уровень жизни.

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## Introduction

The socio-economic well-being of Russia, as well as the development trends of the national economy that have emerged over the years of market transformations, directly indicate the direct dependence of the country's competitiveness on the validity of strategic and tactical decisions that are made at all levels of the national socio-economic system (Sharafutdinov et al., 2019). The transition of the Russian economy to the socio-economic development model determined the increase in the role of the human factor in the subject-object relations of a market economy, the importance of the formation of the middle class, moreover, it set forth the problem of welfare of the population, which, in turn, is determined by the volume of actual incomes of the population, the average monthly accrued wages of workers, inflation and unemployment, consumer prices, etc. (Gnezdova, 2019).

A creative person becomes the main link in modern society, while his or her knowledge, skills, high qualification, professionalism and the ability to adapt quickly to the ever-changing society of knowledge and technology are the main source of socio-economic development (Medvedev, 2016; Rudoi et al, 2019). Thus, in modern realities, in order to ensure a high level of well-being and socio-economic development, it is necessary to improve the state economic and social policy, which includes increasing the efficiency of the implementation of the mechanism for state regulation of incomes and expenses of the population (Glinskiy et al., 2018).

The purpose of the study is to analyze and assess the level of socio-economic development of Russia over the past few years based on a study of the standard of living of the population. For comparison, data from the BRICS countries is also analyzed to identify the degree of effectiveness of the actions of the authorities in Russia.

## Methodology

The methodological basis of the study is the principles of dialectical logic, systemic, abstract-logical, cause-and-effect analysis, which reveal the essence of the socio-economic processes taking place in the Russian economy. When compiling the tables and plotting the diagrams, the mathematical range of tools was used, the methods of induction and deduction, detailing and comparisons were applied. As the

information base of the study, the authors used the statistical data on the socio-economic development of Russia, presented by the Federal State Statistics Service (Living Standards of the Russian Population, 2019). Moreover, data from the World Bank was used (World Development Indicators, 2019).

The study was carried out in the following stages:

- 1) a study of the living standards of the population of Russia for the period from 2014 to 2018. The following indicators were used:
  - the average monthly nominal accrued wages of employees;
  - the growth in actual average monthly accrued wages of employees in % compared with the previous year;
  - the average amount of pensions granted;
  - average per capita cash income of the population;
  - the cost of living on average per capita;
  - unemployment rate;
  - the population with cash incomes below the subsistence level (poverty level);
  - the purchasing power of per capita cash incomes of the Russian population per month;
  - Gini coefficient.
- 2) the comparison of the socio-economic development of Russia with the BRICS countries for the period from 2014 to 2018. The following indicators were used:
  - GDP (current US\$);
  - Net trade in goods and services (BoP, current US\$);
  - Unemployment, total (% of the total labor force);
  - GDP per person employed (constant 2011 PPP \$);
  - Life expectancy at birth, total (years).

Based on the comparison and analysis of these data, conclusions were drawn herein.

## Results and discussion

The improvement of the population welfare is defined as the primary objective of any advanced state and society. However, it is worth noting that in domestic practice under modern realities, the unfavorable trend in socio-economic

development in Russia is observed: the population is differentiated by income, a high percentage of the population with the incomes below the poverty level, high unemployment rate, a decrease in actual incomes of the population, accompanied by the emerging growth trend in prices for food products, housing

services, and utilities, the reduction in the savings ability of the population, etc.

Consider the main indicators characterizing the standard of living of the population (Table 1) in order to identify the real picture of socio-economic development.

**Table 1.** The main indicators, characterizing the standard of living of the population in Russia

	2014	2015	2016	2017	2018	2018 by 2014, %
The average monthly nominal accrued wages of employees, rubles/month	32 495	34 030	36 709	39 167	43 724	134,6 %
The growth of real average monthly accrued wages of employees in % compared with the previous year	101,2	91,0	100,8	102,9	108,5	1,04
The average amount of the pensions granted, rubles/month	10 030	10 889	12 081	12 426	13 323	132,8 %
Average per capita cash income, rubles/month	27 412	30 254	30 865	31 745	33 010	120,4 %
The average living wage per capita, rubles/month	8050	9701	9828	10088	10287	127,8 %
Unemployment rate, %	5,2	5,6	5,5	5,2	4,8	-0,4
Amount of population with cash incomes below the subsistence level (poverty level), %	16,3	19,6	19,4	19	18,4	2,1

Source: Federal State Statistics Service of the Russian Federation (<https://www.gks.ru/>)

The average monthly nominal accrued wages of employees in the period from 2014 to 2018 in Russia increased by 11,229 rubles per month from 32,495 rubles up to 43,724 rubles or 34.6%, which is a positive factor. However, the growth rate of the actual average monthly accrued wages of employees grew only by 4% over the indicated period. The nominal growth of pensions is also significant, the growth in the indicated period amounted to 32.8% or 3,293 rubles. In general, the growth of the average per capita cash income of the population (wages, pensions, benefits, social transfers, etc.) from 2014 to 2018 amounted to 20.4% or 5,598 rubles. Nevertheless, as mentioned above, a significant nominal growth in the population's cash income

indicators has not led to an increase in the welfare of the population. It can be concluded that the standard of living has fallen, as evidenced by an increase in poverty by 2.1% from 16.3 to 18.4%. It can be stated that almost a fifth of Russia's population is below the poverty line. However, the positive dynamics in the reduction of the unemployment rate from 5.2% to 4.8% over the specified period should be mentioned.

A more detailed study of the dynamics of the decline in the wellbeing of the population of Russia can be made by examining the purchasing power of the population (Table 2) using food products as an example.

**Table 2.** Purchasing power of average per capita cash income of the Russian population per month, kg

	2014	2015	2016	2017	2018	2018 by 2014, %
Beef	107,5	98,1	98,8	99,9	101,9	94,8
Pork	111,5	109,3	118,4	122,7	126,4	113,4
Mutton	92,0	89,7	89,3	92,7	90,7	98,6
Chicken, chilled and frozen	228,6	222,2	232,9	241,9	247,9	108,4
Fish, frozen	236,4	192,5	182,8	185,4	186,5	78,9
Drinking milk, liter	563,0	561,1	541,1	514,4	528,2	93,8
Chicken eggs, pieces	5644	5265	5261	5824	5882	104,2

Sunflower oil	375,3	316,0	279,3	308,0	331,1	88,2
Margarine	331,3	279,0	254,6	256,4	261,4	78,9
Butter	81,0	78,1	73,2	61,7	61,4	75,8
Granulated sugar	741,9	567,6	578,0	731,3	818,9	110,4
Edible salt	2081,1	2098,7	1993,9	2482,8	2539,2	122,0
Black pekoe tea (including pouched)	40,5	33,4	30,5	30,5	31,8	78,5
Potatoes	1000,1	1105,0	1421,0	1178,8	1225,3	122,5
White cabbage, fresh	1217,2	1035,0	1302,3	1334,9	1346,2	110,6
Bulb onion	1022,5	961,4	1237,6	1132,1	1302,2	127,4
Carrot	895,0	736,7	952,6	989,9	896,3	100,1
Apples	403,7	334,1	331,6	345,3	339,7	84,1
Wheat bread and bakery products	603,8	597,6	579,4	572,9	574,0	95,1
Rye and rye-wheat bread	773,3	746,7	711,2	701,5	711,1	92,0
Wheat flour	995,0	935,2	927,7	969,3	1028,0	103,3
Vermicelli	515,3	491,7	467,1	474,2	503,3	97,7
Rice	586,7	458,3	468,3	503,9	525,6	89,6
Grain	858,8	726,7	698,6	779,0	848,4	98,8

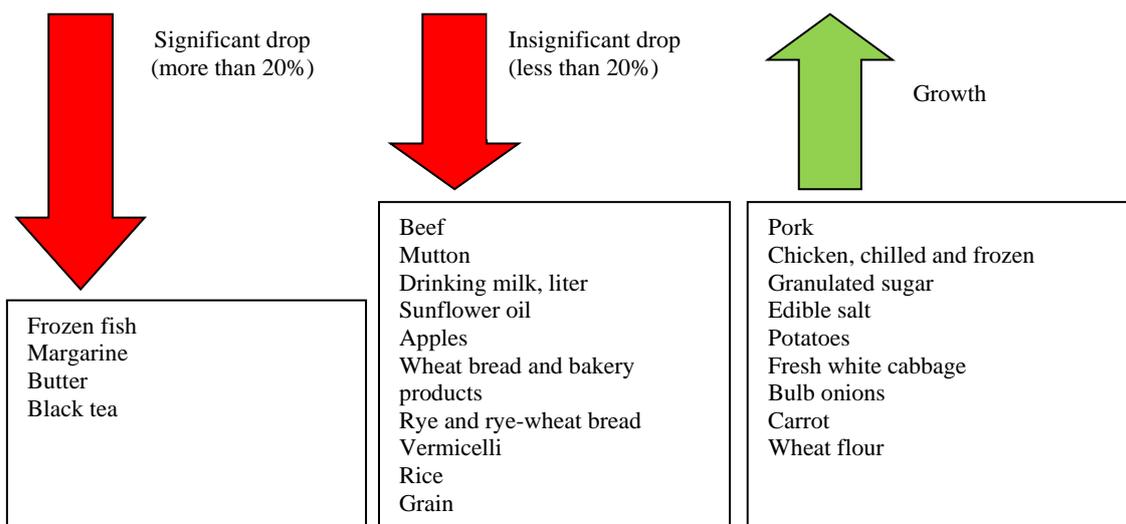
Source: Federal State Statistics Service of the Russian Federation (<https://www.gks.ru/>)

According to Table 2, in general, the purchasing power of per capita cash incomes of the Russian population per month for the period from 2014 to 2018 fell over a wide range of food products. For example, in 2018, the population on average was able to buy 101.9 kg of beef on their income, which is 5.6 kg less than in 2014 (or 5.2%). This can be seen more clearly in Figure 1.

A decrease in purchasing power by 20 percent or more is observed for such products as frozen fish,

margarine, butter, and black tea. A decrease in purchasing power by less than 20 percent is observed for such products as beef, mutton, drinking milk, sunflower oil, apples, bread, vermicelli, rice, and grain.

An increase in purchasing power is observed for such products as pork, chilled and frozen chicken, granulated sugar, edible salt, potatoes, fresh white cabbage, bulb onion, carrot, and wheat flour.

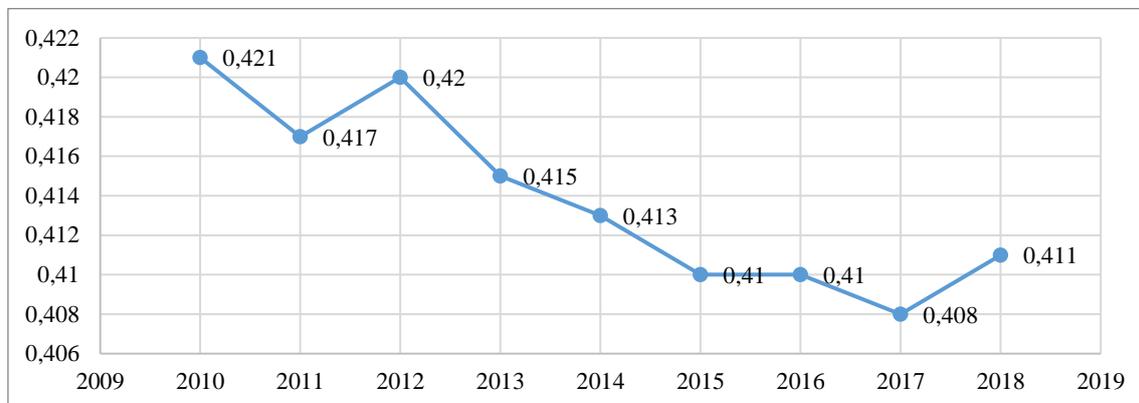


Source: Federal State Statistics Service of the Russian Federation (<https://www.gks.ru/>)

**Figure 1.** Changes in the purchasing power of per capita cash incomes of the population of Russia by categories of food products per month

One of the key problems that exist in the Russian economy is the problem of social inequality of the population, formed in the 1990s. It is possible to trace the magnitude and dynamics of inequality by applying the Gini coefficient, which shows the

degree of concentration of income among various population groups. According to the Federal State Statistics Service, in 2018 there was a slight decrease in the Gini coefficient by 0.02 from 0.413 in 2014 to 0.411 in 2018 (Figure 2).



Source: Federal State Statistics Service of the Russian Federation (<https://www.gks.ru/>)

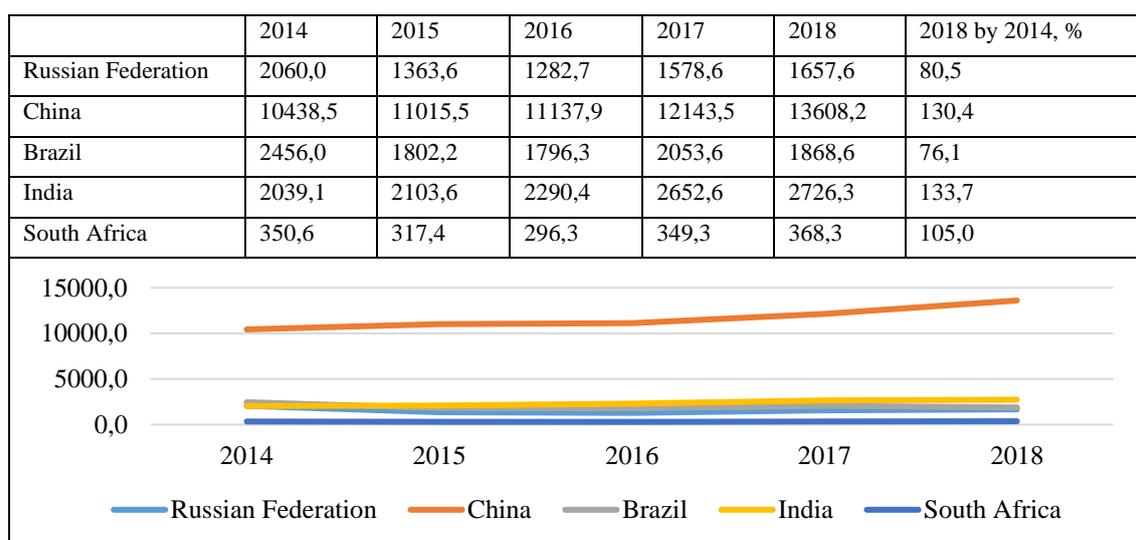
**Figure 2.** Gini coefficient in Russia from 2010 to 2018

To draw a conclusion on the trends in the socio-economic development of Russia, they should be considered in comparison with the BRICS countries first. BRICS is the acronym for the association of five major emerging national economies: Brazil, Russia, India, China and South Africa. The BRICS members are all developing or new industrial countries, which are distinguished by their large economies and have significant regional, and in some cases global influence.

One of the most important and leading aspects in the economy of any state is socio-economic

indicators. Economic indicators characterize the status of the economy, as well as its various objects and processes taking place within it. It is due to the analysis of socio-economic indicators that one can identify how effectively the state is developing and whether it is moving in the right direction. Next, let us identify the differences in the development trends of socio-economic indicators of Russia and the BRICS countries.

Let us first consider the dynamics of changes in the GDP of the BRICS countries for the period from 2014 to 2018 (Figure 3).



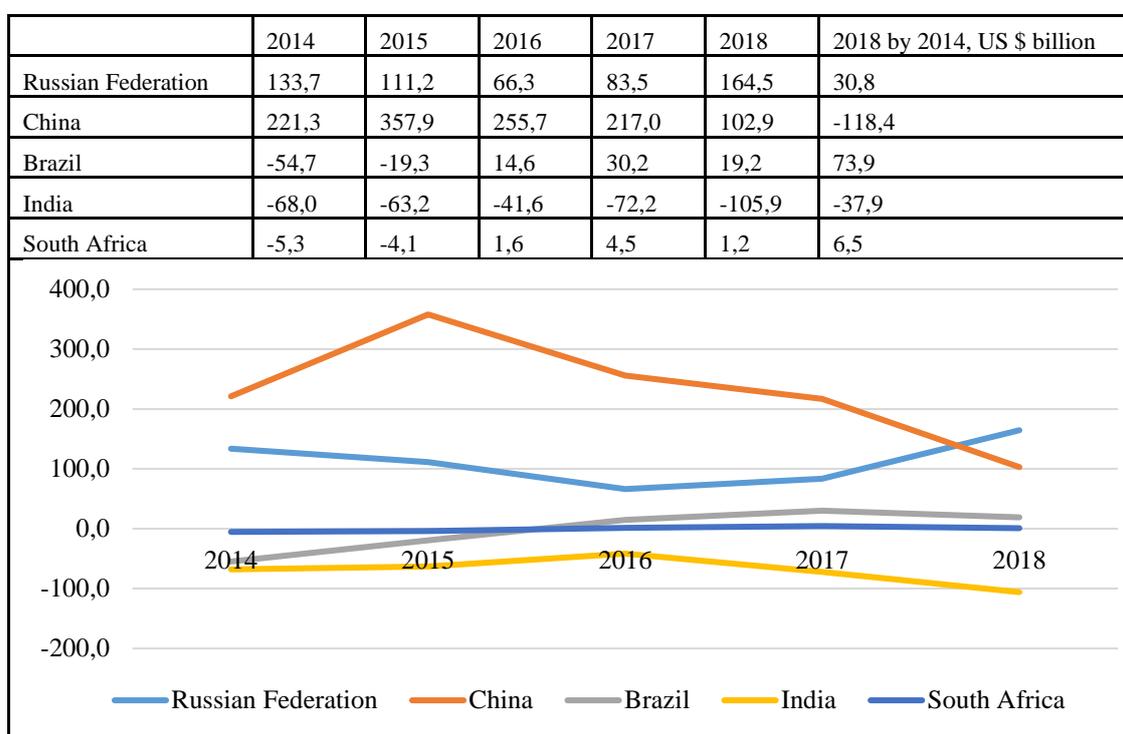
Source: World Development Indicators (<https://databank.worldbank.org/>)

**Figure 3.** The dynamics of GDP growth in the BRICS countries for 2014-2018, bln USD

In terms of the nominal value of gross domestic product in USD, China ranks 2nd in the world, while Russia is only 13th (G20 Countries: GDP in Dollars, 2019). This difference is due to more reasonable and modern regulation of the industrial structure, acceleration of China's innovative development through the implementation of a strategy of independent mastering of knowledge, moreover, a decisive role in the acceleration of China's economic growth was played by domestic demand. The contribution of end consumption to China's GDP growth was 66.4% (Abramov, 2017). The table shows that China's GDP is significantly higher than that of Russia. Year by year, China's GDP indicators grew, while Russia's GDP first fell in the period from 2014 to 2018, then it began to

grow. However, it should be noted that this is primarily due to the 2-fold drop in the ruble exchange rate for 2014-2015, as well as the imposition of sanctions against Russia (Lukin and Yakunin, 2018). Brazil shows the dynamics of GDP similar to Russia, the drop of Brazilian GDP amounted to 23.9%. India's GDP, on the contrary, is growing steadily even faster than China's GDP (33.7% in India versus 30.4% in China). South Africa's GDP has grown slightly by 5% over five years.

No less important for assessing the economy of the state is such a concept as an indicator of the trade balance. This indicator reveals the dynamics of international trade (Figure 4).



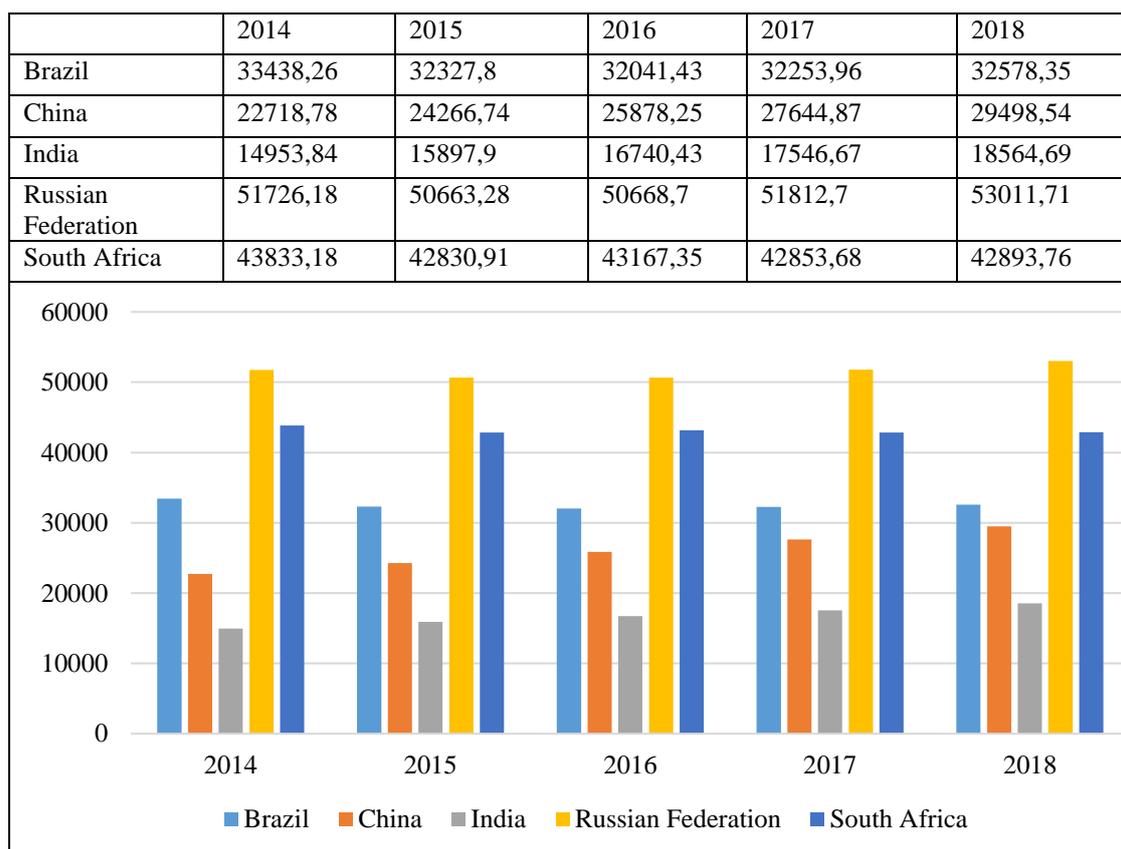
Source: World Development Indicators (<https://databank.worldbank.org/>)

**Figure 4.** Trade balance of the BRICS countries, billion USD

The data show a decrease in the trade balance of such countries as China and India due to the reorientation of the economies to domestic consumers. Moreover, while China's balance remains positive, in India this indicator has always been in the negative zone. In such countries as Russia, Brazil, and South Africa, the trade balance tends to increase, which indicates the intensification of international trade in these countries (Idrisov et al, 2016). It should be noted that in 2018 the size of the positive trade balance of Russia became higher than that of China in absolute terms.

The analysis of the GDP per person employed (constant 2011 PPP \$) is of interest. Here, despite the economic power of such countries as China and India, Russia is a leader (Figure 5).

However, the dynamics of changes in the GDP per person employed (constant 2011 PPP \$) indicator makes against Russia. In the period from 2014 to 2018, this indicator in Russia increased only by 2.5%, while in China it increased by 29.8%, in India – by 24.1%. In Brazil, this indicator for 5 years decreased by 2.6%, in South Africa – by 2.1%.



Source: World Development Indicators (<https://databank.worldbank.org/>)

**Figure 5.** GDP per person employed (constant 2011 PPP \$)

One of the important social indicators is the unemployment rate. This indicator is characterized by the share of unemployed in the

total labor force and is measured as a percentage. The dynamics of the unemployment rate in Russia and the BRICS countries over the past 5 years are shown in Table 3.

**Table 3.** Unemployment, total (% of the total labor force)

	2014	2015	2016	2017	2018
Russian Federation	5,2	5,6	5,6	5,2	4,8
China	4,1	..	..	3,9	..
Brazil	..	..	11,6	12,8	12,3
India	..	..	..	..	5,3
South Africa	24,9	25,2	26,6	27,1	26,9

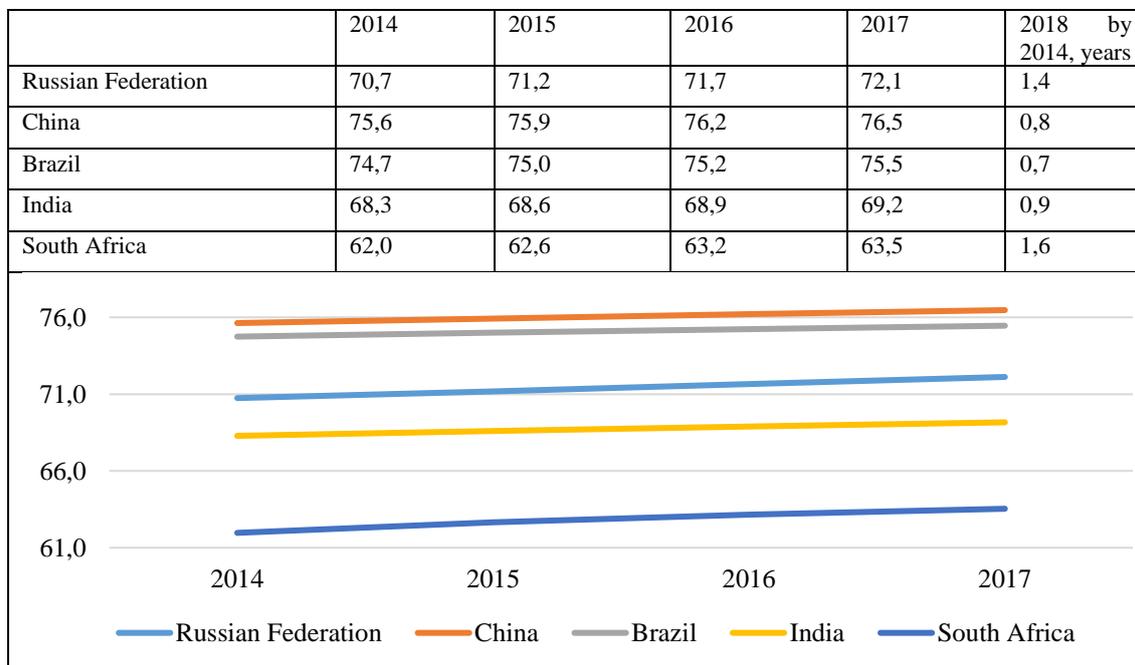
Source: World Development Indicators (<https://databank.worldbank.org/>)

The minimum unemployment rate for the analyzed period in Russia was registered in 2018 and it amounted to 4.8%. The unemployment rate reached its maximum value of 5.6% in 2015-2016. Comparing the statistics of the unemployment rate in Russia and China, it can be concluded that the unemployment rate in China is less than that in Russia. In the period from 2014 to 2018 in China, the unemployment rate

varied from 3.9-4.1%. The average monthly salary in China was 5,995 yuan (59,000 rubles), which is a “decent” salary, while in Russia the average salary for 2017 was 36,746 rubles (Smirnova and Lyashkova, 2019). The high unemployment rate in Brazil in 2018 (12.3%) and the critical one in South Africa (26.9%) should be noted.

The last indicator that should be considered is the indicator of average life expectancy. Life expectancy is a statistically calculated forecast that shows how many years on average people born in a certain year will live. It is the

calculation of the average life length that is the most correct method for assessing the state of the population. The higher this indicator, the better the social and environmental situation in the country (Figure 6).



Source: World Development Indicators (<https://databank.worldbank.org/>)

**Figure 6.** Life expectancy at birth, total (years).

There is no doubt that one can observe a positive dynamics of this indicator in all BRICS countries, because the average life expectancy is increasing year by year. The indicator in the PRC is higher (despite the number and density of the population of a given country); this is explained not only by competent state policy but also by such factors as a favorable climate and environment, favorable economic and geographical location (Golenkova, 2016). As for Russia, the forecast is currently optimistic, stability has been determined in the economy, and medical statistics show a decrease in mortality. China shows the lowest life expectancy of the BRICS countries.

Present the information obtained in a clear manner, specifying the main findings, without any interpretation.

### Conclusions

As a result of the study of the level of socio-economic development and welfare of Russia, the following conclusions can be drawn.

At the moment, there has been a tendency to a decrease in real average monthly wages, which, in turn, has led to a decrease in real disposable cash incomes of the population by several times. Despite the growth of nominal wages in the regions, there is no increase in wages, but rather a steady tendency toward a decrease in actual incomes. As the study showed, the bulk of the population's cash income comes from the purchase of goods, payment for services and payment of mandatory payments and contributions, while the savings ability of the population decreased by several times, and there is no increase in the funds held on hand, but, on the contrary, according to the data, they decreased (Pham, Talavera and Zhang, 2018). Despite the decline in the price level of some consumer goods, in general, there was a significant increase in prices for goods in the food and non-food segment. Thus, a significant increase in gas prices led to an increase in prices for bread and bakery products, milk and dairy products, housing and utility services, passenger transport services, etc. It is worth noting that one of the key problems in Russia is the problem of

social inequality of the population. Despite the fact that the fund ratio and the income concentration index (Gini coefficient) characterizing the level and magnitude of poverty in Russia are much lower than in the BRICS countries, these indicators are quite high compared to the developed countries, where the gap between the richest and the poorest is not so significant. Thus, it can be said that today in the domestic economy and social sphere there are a number of unresolved problems that impede the socio-economic development of the country and improvement of the living standards of the population.

After analyzing and comparing the socio-economic indicators of Russia and the BRICS countries over 5 years, one can conclude that the study of socio-economic indicators is a reliable way to determine the development trend of the economic and social spheres within countries. Accordingly, the study of the indicators reflected the main aspects in the development of 5 strong economies of the world.

As for Russia and China, both countries almost simultaneously began the transition from a command to a market type of economy and maintained a high degree of state involvement in economic processes. However, the situation in the People's Republic of China is significantly better due to the economic indicators such as the level of GDP and commodity circulation. The reasons for such low economic performance in Russia are the lack of competitiveness of some industries and the "raw material dependence". At the same time, economic growth in China is ensured by cheap labor, while the average labor productivity in the Chinese economy is three times lower than in the Russian economy. As for social indicators, for example, such as the unemployment rate, the difference between the values is not so great, which suggests that the development of this sphere of life in China and Russia is at a similar level, although not at a favorable level. All the indicators and phenomena considered and analyzed in the work are interrelated and are part of a comprehensive study that is used to build a holistic picture of the state of not only the economy but also other important areas.

Comparing Russia and India, it is worth noting that Russia is superior to India in many indicators of living standards, but the rapid growth of the Indian economy in the next decade can change the current picture. A similar situation can be repeated as with China, which over the past 30

years has shown rapid growth, becoming the 2nd economy of the world.

Comparing Russia with Brazil and South Africa, it is worth noting the difficulties of improving the socio-economic indicators of these countries. Over the past 5 years, Brazil and South Africa, as well as Russia, have been in a fever of a permanent economic crisis, although neither Brazil nor South Africa is affected by the economic crisis.

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