

GENERAL OVERVIEW OF SOCIO-ECONOMIC SITUATION IN ST. PETERSBURG

March - April 2018 № 152



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In compiling this review, the report data of St. Petersburg Statistic Committee for 2007-2018 on the Socio-Economic Situation in St. Petersburg and the Leningrad Oblast was used.

1. CITY MANAGEMENT

APPOINTMENTS, GOVERNMENT COUNCILS

G. Shirokov was appointed to the post of Chairman of the Committee for the Arctic

He began his duties on March 30, 2018. Prior to this appointment, G. Shirokov worked as an adviser to the Governor of St. Petersburg, and previously led the activities of the office of the Federal service for the control of drug trafficking (FSKN) in the Novgorod region. FSKN of Russia was abolished in 2016 with the transfer of functions and powers to the Ministry of Internal Affairs of Russia. The Committee on the Arctic was established in the structure of executive authorities of St. Petersburg in February 2018, the Regulation on the Committee was approved by the resolution of the Government of St. Petersburg of February 28, 2018. No. 163. According to the Regulation, the Committee conducts state policy in the field of development of scientific research, cultural, socio-economic, environmental and other relations of St. Petersburg with the Russian regions of the Arctic, coordinates the activity of St. Petersburg authorities in this area of activity. In the city Government, the activities of the Committee are supervised by the "Arctic" Vice-Governor M. Kucheryavy, appointed to this position in December 2017.

Ye. Kim was appointed the head of the state construction supervision and expertise service of St. Petersburg

In accordance with the order of the Governor of St. Petersburg, the new head of the service began to fulfill his duties from April 3, 2018. Previously, Ye. Kim worked in the same Department as its first deputy head. The previous head of the service L. Kulakov was discharged in February 2018 and appointed the Chairman of the Committee for construction. L. Kulakov headed the state construction supervision and expertise service of St. Petersburg from 2012 to February 2018.

A meeting of the General Council for the development of small business under the Governor of St. Petersburg was held in Smolny

The meeting was held on March 13, 2018 under the chairmanship of Governor G. Poltavchenko. The participants of the meeting summed up the results of the Council's work in the 1st quarter of 2018, considered the issues of improving the legal framework for the regulation of economic activities and the development of the transport sector. At the meeting of the Council it was noted that St. Petersburg held leading positions in Russia in terms of the level of entrepreneurship development. In 2017, the number of subjects of small and average business has increased by 17 thousand units. A Single business center has started to operate in the city. 144.5 mln rubles were allocated

from the city budget to small and medium-sized enterprises in the form of subsidies, 360 guarantees were provided to small and medium-sized enterprises to attract credit resources in commercial banks. The total amount of loans was more than 7.6 bln rubles. An Exports center has been established to facilitate access to foreign markets.

A regular meeting of the Staff to improve the business environment in St. Petersburg

The meeting was held on March 22, 2018 in Smolny under the chairmanship of Governor G. Poltavchenko. The results of work on improving the economic climate in 2017, in the 1st quarter of 2018, the issues of simplifying procedures for doing business and increasing the investment attractiveness of St. Petersburg were considered. In 2017 658,5 bln rubles was invested in the economy of St. Petersburg (in 2016 – 582 bln rubles). 7 target models out of 12 have been fully implemented in the city, as well as all the activities of the "road map" to improve the business environment.

A meeting of the Commission on road safety

The meeting was held on March 29, 2018. The list of zones and points of frequent car accidents, consisting of 85 addresses, was prepared in March 2017. Measures aimed at elimination of reasons causing the increased accident rate has been developed for all of them. Over the past period, activities have been carried out in full at 28 locations. At 36 addresses the problem was solved only partially. Measures for the remaining locations are scheduled to be implemented during 2018. A decision on the need to increase the number of mobile complexes of photo and video fixation has been made. Currently at the disposal of the traffic police are only 21 such complexes.

A regular meeting of the Investment council under the Governor of St. Petersburg

On April 3, 2018, a regular meeting of the Council on investments was held in Smolny under the leadership of Governor G. Poltavchenko. The meeting participants considered prospective investment projects proposed for implementation in St. Petersburg. Among them is the project of creation of a network of creative projects, including 7 thematic pairs of different directions. The total investment in the project will amount to more than 12 bln rubles. The parks are to be built in different districts of the city before 2026. Another project submitted to the Council involves the construction of a new building of the Museum of F. M. Dostoevsky. The building will be adjacent to the existing museum-apartment. The project's investor is the Fund for support and development of the Museum "Petersburg of Dostoevsky". The investment volume will amount to 700 mln rubles. The Council has also considered the project of construction of

the bus station "South", which will be part of the transport interchange hub "Kupchino". The volume of investments will amount to 4.1 bln rubles. The reviewed projects have received the approval of the members of the Council.

St. Petersburg was ranked among the top ten cities in terms of economic efficiency according to the rating **"European cities and regions of the future"** and received a corresponding award. The award ceremony was held at the MIPIM exhibition in Cannes.

The Governor of St. Petersburg has reported on the results of activities in 2017

On April 25, 2018, Governor Poltavchenko has delivered a report to the Legislature on the results of his the Government's activities in 2017. By the end of 2017 the GRP has grown by about 2%, the budget revenues exceeded half a trillion rubles, in terms of the GRP the city for the first time is among the top three leading regions of Russia. The turnover of small businesses increased by 17%, wholesale trade turnover - by 14%. The volume of exports of St. Petersburg enterprises amounted to USD 21.8 bln and almost reached the level of the 2008. The Governor has noted the progress in the construction of the metro. For these needs, about 30 bln rubles have been allocated. Nominal wages have increased by almost 10%, and the real ones – by 5.4%. The level of salary of doctors, teachers and cultural workers exceeded the target value set in May (2012) decrees of the President of Russia in 2018, the life expectancy has reached 75.4 years. The city has managed to reduce mortality. For the sixth consecutive year, there has been a natural increase in population. St. Petersburg has topped the rating of innovative regions of Russia. The passing score of the unified state exam in the city reached 74.7 points and became the highest in Russia. The share of foreign students was 7.9%. Since the beginning of 2018, one-time compensation is provided in the amount of 50 thous. rubles to women who gave birth to the first child aged 20 to 24 years inclusive.

LEGISLATION

Investors have the opportunity to obtain land plots for complex development of the territory

On 13 March 2018, the Law of St. Petersburg No. 84-18 of February 28, 2018 came into force, in accordance with which amendments were made to the Law of St. Petersburg of May 26, 2004 No. 282-43 "On the procedure for the provision of real estate objects owned by St. Petersburg for construction, reconstruction and adaptation for modern use". Based on the changes made, the above-mentioned approach has been extended to the cases of providing land plots on investment terms for the integrated development of the territory.

Regional maternal capital to last until the end of 2021

On March 24, 2018, the law of St. Petersburg No. 113-24 of March 12, 2018 came into force, in accordance with which amendments were made to the Law of St. Petersburg of November 30, 2011 No. 810-151 "On maternal (family) capital in St. Petersburg". According to the amendments, the term of the maternal (family) capital established by the authorities of St. Petersburg in addition to the Federal level analogous measure is extended to December 31, 2021. In St. Petersburg, the size of the regional parent (family) capital is 100 thous. rubles and is offered once. Three categories of Russian citizens living in St. Petersburg have the right to receive it: women who have given birth to or have adopted the third child in the period from January 1, 2012 to December 31, 2021; women who have given birth to or have adopted a fourth child or subsequent children in the period from January 1, 2012 to December 31, 2021 (the capital is provided only in cases where these women have not exercised this right earlier); men who are the only parents (adoptive parents) of the third child or subsequent children. The capital is available in cases where the beneficiaries have not exercised this right before and where the court's decision on adoption has entered into legal force, from January 1, 2012 to December 31, 2021.

The subsistence minimum for the IV quarter of 2017

Based on the resolution of the Government of St. Petersburg dated March 13, 2018 No. 177, the subsistence minimum for various categories of the population of St. Petersburg for the IV quarter of the last year was established. The subsistence minimum amounted to: average per capita – 10 791,6 rubles (in the IV quarter 2017 – 10 526,4 rubles), for able-bodied population – 11 868,7 rubles (11 568,7 rubles), for pensioners – 8 612,2 rubles (8 419,1 rubles), for children – 10 403,2 rubles (10144.6 rubles). The brackets indicate the previous value of the subsistence minimum.

The procedure for subsidies allocation to private educational organizations

In accordance with the decree of the Government of St. Petersburg dated March 22, 2018 № 197, 3 documents defining the procedure for granting subsidies to private educational organizations in 2018 have been approved. The first relates to private-school educational institutions, implementing basic educational program of pre-school education. The second – to private educational organizations engaged in educational activities on the state-accredited basic general education programs. The third - to private educational organizations that implement additional educational programs for children.

In St. Petersburg, the tax on gambling business has been significantly increased

Based on the Law of St. Petersburg of April 16, 2018 № 191-40 "On amendments to the Law of St. Petersburg on the tax rates on gambling in St. Petersburg". According to the provisions of the Law, the following tax rates for gambling business are established:

- for single point of betting totalizator and single point of betting bookmakers – 14 thous. rubles.;

- for one processing center of betting totalizator and one processing center of betting bookmaker – 250 thous. rubles;

- for one processing center of interactive betting totalizator and one processing center of online betting bookmakers – 3 mln rubles.

This law was officially published on April 17, 2018. It comes into force one month after the date of its official publication, but not earlier than the first day of the next tax period for the gambling tax.

Participants of the special investment contract are provided with additional tax benefits

The benefits are granted based on the law of St. Petersburg dated April 16, 2018 № 189-39 "On amendments to the laws of St. Petersburg on taxes and fees". Amendments were made to the laws of St. Petersburg: "On tax benefits" (June 28, 1995 № 81-11) and "On the tax on property organizations" (November 26, 2003 № 684-96). The purpose of providing additional benefits is the transition to targeted measures of tax support for certain areas and projects in the priority sectors of industry and the establishment of the period of application of benefits no more than required for the return on investment. For the participants of the special investment contract, lower rates of corporate income tax to be credited to the city budget are established. In addition, the period of application of benefits on property tax has been increased. The law came into force on April 17, 2018.

The Procedure for granting social payments to large families for the purchase or construction of housing has been approved

The procedure has been approved by the decree of the Government of St. Petersburg dated April 24, 2018 No. 328. The procedure determines that payments are to be provided to citizens who have three or more children and are registered as needing social housing or registered as needing better housing conditions. The right to receive payment from the budget of St. Petersburg is supported by a certificate approved by the Housing Committee. The amount of payment is determined by the Housing Committee on the date of the decision on the provision of social payment and is not subject to recalculation.

The legal framework of St. Petersburg now includes the concept of "special investment contract of St. Petersburg»

The new concept was introduced based on the law of St. Petersburg of April 24, 2018 № 214-43 "On amendments to the Law of St. Petersburg "On the basics of the industrial policy of St. Petersburg". A special investment contract is an agreement concluded on behalf of St. Petersburg by the Executive body of the state power (authorized by the state Government) with a legal entity or individual entrepreneur who assumes obligations in the period stipulated by the contract on his own or with the involvement of other persons to create or modernize and (or) master the production of industrial products. In addition to the introduction of the new concept into the legal practice, the authority of the Government of St. Petersburg has been clarified to determine the procedure for concluding a special investment contract. It is planned to include deputies of the Legislative Assembly of St. Petersburg in the interdepartmental commission to assess the possibility of concluding special investment contracts.

MEETINGS, COOPERATION

II International Labor Forum in St. Petersburg

The Forum was held on March 1-2, 2018 at the ExpoForum convention and exhibition center. The forum was organized by the Government of St. Petersburg, St. Petersburg State University and ExpoForum International with the support of the Ministry of labor and social protection of Russia. The Forum is aimed at discussing the development of human capital, to promote the creation of a comprehensive strategy for the development of human capital in Russia, based on advanced research and the best international practices. The Chairman of the Federation Council of the Federal Assembly of Russia V. Matvienko, Deputy Prime Minister of Russia O. Golodets, Governor of St. Petersburg G. Poltavchenko took part in the opening of the forum. The forum was attended by about 5 thous. specialists and experts from Russia, CIS countries, Britain, USA, Germany, Turkey, Italy, India and many other countries.

The delegation of St. Petersburg visited Budapest (Hungary) on a working visit

St. Petersburg delegation headed by G. Poltavchenko was in Budapest in the period of March 6-7, 2018. The members of the delegation took part in the General Assembly of WorldSkills Europe, where they have presented the official application of St. Petersburg for the right to host the European Championship in vocational skills - EuroSkills in 2022. Following the results of the review of applications, the General Assembly of WorldSkills Europe adopted a unanimous decision on the choice of St. Petersburg as the venue for the European Professional Skills Championship -

EuroSkills 2022. EuroSkills is the largest competitions in the field of professional education of young people under 25 years in Europe. It is held every two years in one of the member countries of the organization WorldSkills Europe.

St. Petersburg has hosted the XIIIth Partneriat of small and medium-sized businesses

The Partneriat was held from 20 to 22 of March, 2018 in the ExpoForum. The participants of the opening ceremony were welcomed by the Governor of St. Petersburg G. Poltavchenko and the Secretary of state of the Union State of Russia and Belarus G. Rapota. The objectives of the event are: to stimulate interregional cooperation, to create comfortable conditions for constructive dialogue, partnership, exchange of information, development of business contacts, and to attract new investors and partners. For 12 years, representatives of most regions of Russia and of more than 30 countries took part in the Partneriat. More than 14 thous. domestic and foreign enterprises presented their products. On the sidelines participants held about 17 thous. negotiation. In 2018, the Partneriat was attended by representatives of more than 40 Russian regions and 12 foreign countries, including Belarus, Kyrgyzstan, Czech Republic, Germany and India.

St. Petersburg strengthens cooperation with Turku (Finland)

On April 4, 2018, Governor Poltavchenko held a meeting with the Mayor of Turku M. Arve. During the visit, M. Arve got acquainted with the work of St. Petersburg pharmaceutical enterprise "Biocad" and the activities of the Situational center of the Government of St. Petersburg. The special interest of the Finnish side was St. Petersburg experience of work on the automation and implementation of the City electronic services.

St. Petersburg strengthens ties with the Republic of Kazakhstan

On April 11, 2018 in Smolny Governor of St. Petersburg G. Poltavchenko met with the Extraordinary and Plenipotentiary Ambassador of the Republic of Kazakhstan in the Russian Federation

I. Tasmagambetov. It was noted that at the end of 2017 Kazakhstan took 2nd place among the CIS countries-trading partners of St. Petersburg. Mutual trade turnover grew by 14%, exceeding \$800 mln. The Program of trade-economic, scientific-technical, cultural and humanitarian cooperation between St. Petersburg and Astana for 2017-2021 was signed. An additional road map on cooperation in the field of health care, medicine and pharmacy between the Ministry of health of the Republic of Kazakhstan and the Government of St. Petersburg for 2017-2020 is being implemented.

General meeting of the Union of industrialists and entrepreneurs of St. Petersburg

The meeting was held on April 19, 2018 at GUP "Vodokanal of St. Petersburg". The Congress was attended by the Governor Poltavchenko, the leaders of the Union of industrialists and entrepreneurs (SPP), the authorities, enterprises-members of SPP. It was noted at the meeting that the indicators of the production sector development in St. Petersburg exceeded the average indicators in Russia. According to the results of 2017, the industrial production index grew by 5.5% (on average in Russia – by 1%), in the first quarter of 2018, the growth was 3%. In 2017 8 new modern production facilities, 9 new production sites and 7 production lines have started to work. The average wage in industry grew by 10.5% and amounted to 57 thous. rubles. Almost \$22 bln of goods have been sold abroad which is 37.4% higher than in 2016.

2. EMPLOYMENT

In February 2018, large and medium sized enterprises employed 1488.5 thous. people (Table 1). Staff employees amounted to 95.2% of all the employed. Compared to the previous month the number of staff grew by 0.4%, the number of by-workers grew by 1.9%, and that of contracted workers grew by 13.2%.

TABLE 1. Changes in total employment at large and medium enterprises of St. Petersburg

	February 2018		January-February 2018 in % to January-February 2017
	'000 people	In % to January 2018	
Filled jobs total, including:	1488,5	100,8	104,8
Registered permanent employees	1416,8	100,4	104,5
External by-workers	35,3	101,9	99,7
Contracted labour	36,4	113,2	123,7

TABLE 2. Employment at enterprises and organizations of St. Petersburg by the type of economic activity in February 2017 (without small enterprises)

<i>Industry</i>	<i>Total employment</i>	
	<i>'000 people</i>	<i>% of the total</i>
Total, including:	1488,5	100,0
Manufacturing	219,0	14,7
Production and distribution of electric power, gas and water	34,2	2,3
Agriculture and forestry	5,0	0,3
Construction	58,5	3,9
Transportation and telecommunications	201,7	13,6
Finance	58,1	3,9
Real estate transactions, leasing and services	33,6	2,3
Wholesale and retail trade, repair of motor vehicles and home appliances	158,5	10,7
Hotels and restaurants	27,6	1,9
Public administration, security and social care	91,6	6,2
Education	216,4	14,5
Healthcare and social services	164,1	11,0
Culture, sports, entertainment	49,4	3,3
Science and technology	116,3	7,8
Administrative services	36,2	2,4
Other services	18,3	1,2

In January – February 2018 the number of employees at these enterprises grew by 4.8% compared to the same period of 2017. The number of staff during the period grew by 4.5% that of by-workers fell by 0.3%, the number of contracted workers grew by 23.7%.

In Q1 2018 the number of economically active population (EAP) amounted to 3056.4 thous. persons, of them 3010.0 thous. employed and 46.4 thous. unemployed. During the reporting period, the employment rate was 66.5% (share of employed people in total population aged 15 to 72 years), the level of economic activity – 67.5%

(share of economically active population of the total population aged 15 to 72 years) (<http://ktzn.gov.spb.ru/analiticheskaya-informaciya/>).

In March 2018, the demand of St. Petersburg enterprises for new workforce amounted to 37.5 thous. people (table 3).

In the end of February 2018, 37394 vacancies have been reported to the Employment service, 60.4% of them – workers' positions (<http://ktzn.gov.spb.ru/analiticheskaya-informaciya/>).

TABLE 3. St. Petersburg enterprises' demand for workforce, January 2016 – March 2018

<i>Month</i>	<i>Demand for workforce reported to the Employment service, thous. people</i>	<i>Number of unemployed people per 1 vacancy</i>		
		<i>persons</i>	<i>In % to the previous month</i>	<i>In % to the same month of the previous year</i>
January 2017	41,5	0,6	100	100
February	40,9	0,7	117	117
March	39,4	0,7	100	100
April	41,0	0,7	100	88
May	45,1	0,5	71	83
June	45,2	0,5	100	100
August	45,2	0,5	100	100
September	44,8	0,5	100	100
October	43,8	0,5	100	100
December	37,9	0,6	100	100
January 2018	35,9	0,7	116,7	116,7
February	37,4	0,7	100	100
March	37,5	0,7	100	100

TABLE 4. Change in the number of officially registered unemployed people in St. Petersburg, 2017, January-March 2018

Month	Number of unemployed people registered at the Employment Service	Those with the status of an unemployed person		
		'000 people	% to previous month	% to the same month of the previous year
January 2017	25,8	11,9	101	88
February	27,9	12,4	104	85
March	28,5	12,1	98	83
April	27,1	11,7	97	81
May	24,4	11,0	94	78
June	22,4	10,1	92	79
August	21,7	9,8	99	83
September	21,9	9,2	94	83
October	23,2	9,8	106	90
November	24,0	10,2	104	92
December	23,6	11,8	116,1	100,7
January 2018	24,8	11,9	100,7	100
February	25,8	12,2	102,6	98,8
March	25,0	11,4	93,5	94,7

In February this year, as in the same period of 2017, among the employees who fell into the top ten professions in demand, the most popular were doctors, engineers, managers, programmers. The deficit of managers and doctors was down, there was a shortage of craftsmen, translators, nurses. In February 2018, compared with the same period of the previous year, there was a shortage of car drivers, welders, cashier supervisors, fitters, bricklayers, concrete workers, designers of reinforced concrete products, installers for the installation of steel and reinforced concrete products, operators of programmed machine tools (<http://ktzn.gov.spb.ru/analiticheskaya-informaciya/>).

The pressure in the labor market (the number of unemployed citizens registered at the Employment Service per one vacancy) at the end of February 2018 was 0,69 persons per vacancy (at the end of February 2017 – 0,68 persons per vacancy).

In March 2018 25.0 thous. persons were registered at the Employment Service of St. Petersburg. It is 3.1% less than in January 2017 (table 4). In March 2018, 45.6% of those registered at the Employment Service were officially considered unemployed.

At the end of February 2018, the total number of those who turned to the State Employment Service of St. Petersburg amounted to 29782 people (at the end of February 2017 – 30007 people).

The number of registered unemployed persons at the end of January 2018 was 12 229, of them females – 50,7%; youth aged 16-29 – 13,4%; disabled persons – 15,2% (at the end of February 2017 the number of the unemployed was 12 374 persons) (<http://ktzn.gov.spb.ru/analiticheskaya-informaciya/>).

In March 2018, the status of unemployed was assigned to 1.9 thous. persons (200 people or 9% less than in March 2017). The number of the job-placements in March 2018 was by 100 people or by 8.1% less than in the same period of 2017, and amounted to 700 people.

According to Rosstat, in Q1 2018, the unemployment rate (according to methodology of the International Labor Organization) amounted to 1.5% of the economically active population (EAP). Over the same period in 2017, it was 1.5%. St. Petersburg had one the lowest levels of unemployment among the subjects of the Russian Federation (in the North-Western Federal district – 4.1%, Moscow - 1.3%, Russia – 5.1 %).

The level of registered unemployment (ratio of registered unemployed to the economically active population on average) at the end of January 2018 amounted to 0,40% of the economically active population (at the end of February 2017, the figure was 0,41%) (www.rspb.ru) (figure 1). This is the lowest figure among the regions of the North-western Federal district.

3. PERSONAL INCOMES AND EXPENDITURES

PRICES

In January-March 2018 consumer prices growth in St. Petersburg was equal to 1.1%. In the same period of 2017, it was 1.9%.

The growth of consumer prices in January-March 2018 in St. Petersburg was 0.3% more than in Russia on average. In March 2018, consumer prices grew by 0.4% (Table 5).

In January-March 2018, tariffs for paid individual services in St. Petersburg grew by 0.4%.

For comparison: their growth in the same period of 2017 was 2.7%.

The rate of growth of tariffs for paid individual services in January-March 2018 was 0.1% higher than Russia's average. Tariffs for paid services in March 2018 grew by 0.4%.

In January-March 2018, prices of foodstuff grew faster than in Russia on average by 0.6% and those of non-foodstuff goods – slower by 0.1%. The growth was correspondingly – 2.0% and 0.5%. In March 2018, prices of foodstuff grew by 0.7% and those of non-food goods - by 0.1%.

In March 2018 prices grew for fruits and vegetables (+4.1%), fish (+0.5%), sausage, milk and dairy products (+0.4%), bread and bakery products, oil and fats (+0.3%), alcohol (+0.2%), confectionary (+0.1%),

Prices fell for cereals and beans, meat and poultry (-0.5%), cheese (-0.4%).

Among non-food items in March 2018 in St. Petersburg, prices grew for tobacco products (+1.5%), construction materials (+0.4%), cleaning and maintenance products (+0.3%), furniture, textiles, clothing and footwear (+0.1%), kitchenware (+0.02%).

PICTURE 1. The level of registered unemployment in St. Petersburg, % of the economically active population

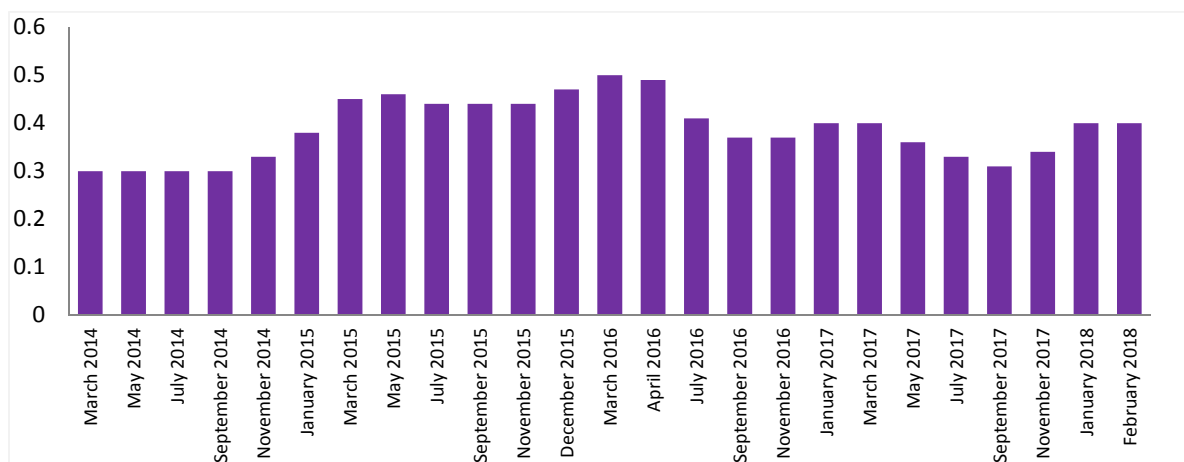


TABLE 5. Consumer price index dynamics in 2017, January-March 2018, % to the previous month

	St. Petersburg				Russian Federation			
	<i>CPI</i>	<i>Including:</i>			<i>CPI</i>	<i>Including:</i>		
		<i>Foodstuff</i>	<i>Non-food goods</i>	<i>Personal services</i>		<i>Foodstuff</i>	<i>Non-food goods</i>	<i>Personal services</i>
January 2017	101,4	101,1	100,6	102,5	100,6	100,9	100,5	100,5
March	100,2	100,4	100,3	100,0	100,1	100,1	100,2	100,0
April	100,5	100,8	100,3	100,3	100,3	100,6	100,2	100,2
May	100,5	100,7	100,2	100,5	100,4	100,6	100,2	100,4
July	100,3	99,1	100,1	102,1	100,1	99,0	100,1	101,6
September	99,9	99,4	100,2	100,1	99,9	99,3	100,3	100,1
October	100,2	100,4	100,5	99,5	100,2	100,4	100,3	99,8
December	100,3	100,5	100,1	100,2	100,4	100,6	100,3	100,3
January 2018	100,5	101,2	100,2	100,02	100,3	100,5	100,3	100,1
February	100,2	100,3	100,2	100,02	100,2	100,4	100,1	100,1
March	100,4	100,7	100,1	100,4	100,3	100,5	100,2	100,1
March 2018 in % to December 2017	101,1	102,0	100,5	100,4	100,8	101,4	100,6	100,3

Prices fell for haberdashery (-0.4%), perfumery and beauty products (-0.01%).

In March 2018 fees for maintenance and repair of housing, operating costs, cold water supply and sewerage, hot water, gas and electricity have not changed.

In March 2018, St. Petersburg prices increased by 11.9% for hotel stays, by 2.4% for veterinary services, by 1.3% for foreign tourism.

In January-March 2018, gasoline price increased by 0.1%, diesel fuel price – by 1.3%. In March 2018, gasoline price increased by 0.03%, diesel fuel price- by 0.04%.

PERSONAL INCOMES AND EXPENDITURES

The real salary in St. Petersburg in February 2018 compared to the same month of 2017 grew by 11.9%, in Russia on average –by 10.5% (table 6).

The average monthly nominal salary in St. Petersburg in February 2018 amounted to 57409 rubles, in Russia on average – 40443 rubles, 29.5% less.

TABLE 6. Real monetary incomes and real salary in St. Petersburg and the Russian Federation in 2017, January-February 2018, %

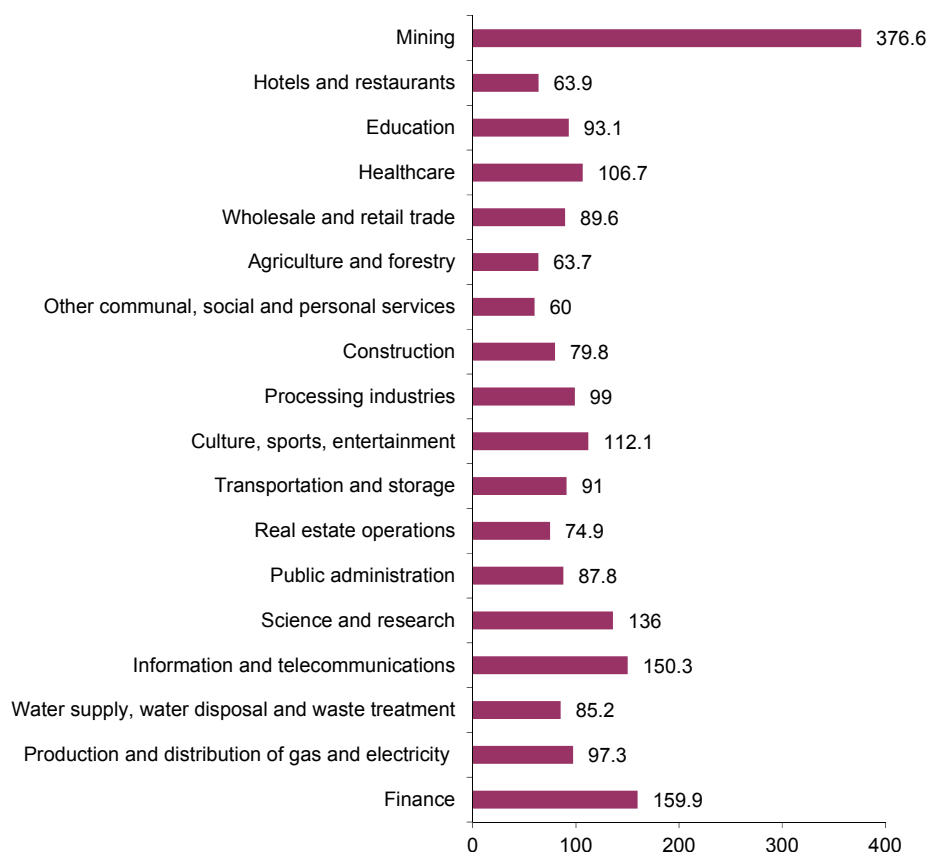
	<i>St. Petersburg</i>				<i>Russian Federation</i>			
	<i>Real salary</i>		<i>Real income</i>		<i>Real salary</i>		<i>Real income</i>	
	<i>To the previous month</i>	<i>To the same month of the previous year</i>	<i>To the previous month</i>	<i>To the same month of the previous year</i>	<i>To the previous month</i>	<i>To the same month of the previous year</i>	<i>To the previous month</i>	<i>To the same month of the previous year</i>
January 2017	72,1	106,4	34,9	97,0	74,0	103,1	52,6	108,0
February	106,3	104,3	150	92,8	101,4	101,0	119,5	96,2
March	106,7	104,2	107,6	98,0	106,8	103,2	101,6	97,7
April	99,6	107,4	106,5	94,7	103,4	103,7	102,1	92,5
May	97,6	103,8	88,7	99,7	100,6	102,8	95,5	99,9
June	109,4	106,7	114,8	99,8	104,1	103,9	110,3	100,0
July	92,9	104,2	94,7	98,6	92,1	103,1	96,3	98,4
August	96,7	105,0	88,2	99,7	98,1	102,4	100,9	99,7
September	102,2	106,0	109,4	99,6	102,8	104,3	100,4	99,6
October	102,2	106,3	96,2	94,2	100,6	105,4	99,4	98,3
November	100,7	106,4	108,1	103,5	101,1	105,8	99,9	99,9
December	132,8	106,0	160	93,4	131,2	106,2	146,8	98,6
January 2018	80,5	117,9	39,3	97,5	76,3	111,0	50,2	93,0
February	99,5	111,9	160	104,4	102,5	110,5	133,7	104,9

TABLE 7. Salary arrears in St. Petersburg in April-December 2017, January-April 2018 (on the 1st of each month), mln. rubles

	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018
Total arrears	81,9	94,8	112,8	116,3	246,7	210,1	168,5	208,8	271,7	189,2	236,9	253,7	192,9
Including arrears due to the lack of budget financing	14,8	20,6	11,7	8,9	4,6	5,1	19,1	12,1	10,4	0,0	0,0	0,0	0,1

TABLE 8. Personal expenditures of St. Petersburg's residents in 2017, January-February 2018 (% of the incomes)

	<i>Expenditures:</i>				<i>Excess of incomes over expenditures (+), expenditures over incomes (-)</i>
	<i>Purchase of goods and services</i>	<i>Required payments</i>	<i>Savings in deposits</i>	<i>Foreign currency purchase</i>	
January 2017	109,1	15,8	0,4	9,3	- 39,4
February	71,9	15,4	9,5	8,8	- 8,9
March	73,8	15,0	9,2	8,6	- 10,7
April	68,5	14,2	12,4	8,3	- 2,3
May	83,7	16,4	2,3	8,4	- 11,3
June	69,5	15,6	14,8	8,1	- 7,6
July	74,7	21,4	3,2	9,1	-9,0
August	81,6	15,4	3,5	11,1	- 12,2
September	81,0	13,2	5,8	9,2	- 9,6
October	84,2	15,7	1,8	9,0	- 11,1
November	76,7	14,9	9,5	7,9	- 8,1
December	57,8	15,9	20,4	6,2	- 2,0
January 2018	115,7	20,6	- 14,6	11,2	- 35,1
February	69,9	14,8	11,9	7,1	- 3,8

PICTURE 2. Inter-industry differentiation of average salary in February 2018 in St. Petersburg, % of the average salary (the average salary = 100%)

Salary arrears on April 1, 2018 amounted to 192.9 mln. rubles. Processing industries were responsible for 59.2% of the total, construction industry – for 15.9%, transportation – for 24.8%, education – for 0.1%.

In January 2018, the share of savings in deposits fell by 14.6% and the share of foreign currency purchase grew to 7.1%. In February, the trend was opposite (table 8).

DIFFERENTIATION OF INCOMES AND SALARIES IN ST. PETERSBURG

In February 2018, the level of inter-industry salary differentiation fell compared to December 2017 (Picture 2). The gap between the highest salary (mining) and the lowest salary (hotels and restaurants) was during this month equal to 7.4 times compared to 13.8 times in December 2017.

The highest salaries in February 2018 were paid in mining (the salary in this sector was 3.8 times higher than the average for St. Petersburg).

In February 2018 the average for the City was significantly exceeded by the salary in the financial sector (by 59.9%), in information and telecommunication sector (by 50.3%), in R&D sector (by 36.0%).

The lowest salary was paid in the provision of other services (60% of the average), at hotels and restaurants (63.9% of the average).



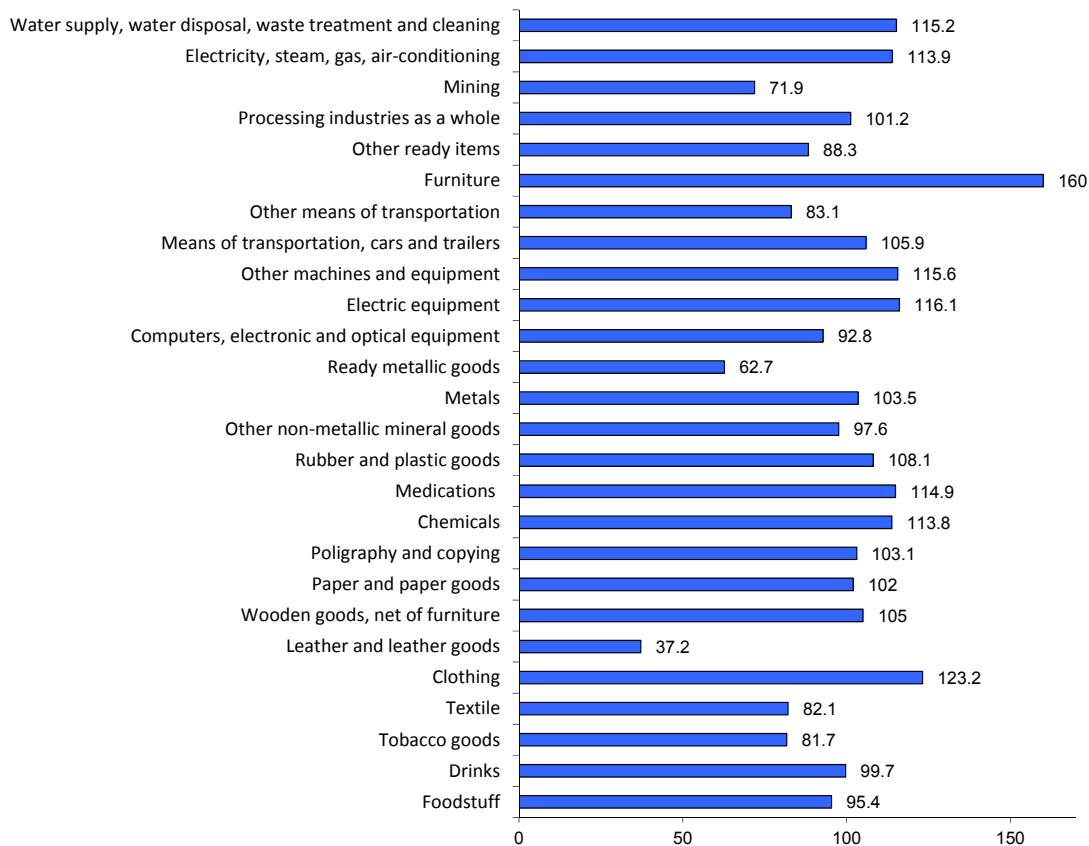
4. INDUSTRY

The index of industrial production in St. Petersburg in January-March 2018 in comparison with January-March 2017 amounted to 102.7% (picture 3).

In 2017, 24 investment projects were implemented in St. Petersburg, including the opening of 8 new production facilities, 9 production sites and 7 production facilities were launched, Governor of Poltavchenko said at the General meeting of the Union of Industrialists and entrepreneurs of St. Petersburg on April 19, 2018/

Last year, industrial enterprises shipped products in the amount of 2.9 trillion rubles, and the profit of enterprises increased by 11%. At the end of 2017, the total volume of investments in fixed capital of industrial enterprises amounted to 118.5 bln rubles. (www.interfax-russia.ru 19.04.2018).

PICTURE 3. Industrial production dynamics in St. Petersburg by industry, January-March 2018 in % to January-March 2017



PAO "Izhorskiye Zavody" (St. Petersburg, member of the group OMZ) has manufactured and shipped a complete kit of parts for the reactor of the Armenian NPP, the press service of the company informs. The parts are designed to seal the main connector of the reactor vessel with the top block cover, as well as to attach the cover to the reactor vessel. The parts will be used for preventive maintenance of the Armenian NPP's unit 2. "Izhorskiye Zavody" is one of the main assets of OMZ, produces equipment for the mining industry and nuclear power plants (www.interfax-russia.ru 23.04.2018).

On April 18, a new plant of the Finnish company Peikko was opened in the Parnas industrial zone. It will produce reinforced concrete beams. The new facility will allow the 100% localization of the key product of the company – the Deltabeam, which allows to significantly accelerate the construction process. Peikko was founded in 1965 and is headquartered in Lahti, its facilities are in 7 countries and sales offices are in 32 countries (abnews.ru 18.04.2018).

The new generation mine defense ship for the Russian Navy "Ivan Antonov" of the project 12700 was launched at the Srednenevsky shipyard (part of the United Shipbuilding Corporation). The ship is designed by the Almaz marine design bureau to search for and to destroy mines in the waters of naval bases at a safe distance. The head ship of this project "Alexander Obukhov" is

already part of the Russian Navy (www.ria.ru 26.04.2018).



5. FINANCE

CITY BUDGET

Information about the implementation of the consolidated budget is presented in table 9.

STATE DEBT

Information about the structure of the state debt as of May 1, 2018, is presented in the tables 10 and 11.

RATING

On April 27, 2018, the international rating agency Fitch Ratings confirmed the long-term credit ratings of St. Petersburg in the foreign and national currency at the level of "BBB-" with a "Positive" outlook. The short-term foreign currency rating is confirmed at "F3".

The ratings reflect the strong creditworthiness of St. Petersburg, which is based on low debt levels, stable operating performance, high fiscal capacity, and is supported by a diversified economy.

Table 9. Consolidated budget execution in 2018 (mln rubles) as of April 1, 2018

	Revenues	Expenditures
<i>January-March</i>	62 052	64 596
<i>January-April</i>	129 400	118 316

Source: St. Petersburg Committee of Finance

Table 10. St. Petersburg's state debt structure on 01.05.2018

	mln rubles	share, %
State domestic debt of St. Petersburg, including:	34 842, 8	100,0
Bonds	30 100,0	86,4
Budget credits	4 742,8	13,6
State external debt of St. Petersburg	0,0	0,0
Total	13 763,6	100,0

Source: St. Petersburg Committee of Finance

Table 11. Debt service expenditures of the budget of St. Petersburg, as of May 1, 2018 (mln rubles)

Item	Plan 2018
Domestic debt service costs	3,658
Total	3,658

Source: St. Petersburg Committee of Finance

6. CITY AFFAIRS

BEAUTIFICATION, RESTORATION, REPAIRS

In April, repair work began on Nevsky prospect. It is planned to replace asphalt pavement of the roadway and the area of tramways at intersections, to partially replace granite side stones and manhole covers. The works are carried out in two stages - from the Palace Bridge to the Uprising square and from the Uprising square to Alexander Nevsky square (the second stage will be implemented after the World Cup). The total costs are 243 mln rubles (Based on materials of IA "REGNUM»).

The Directorate of transport construction carried out the auction for the reconstruction of the Ligovskiy overpass as part of the M11 "Narva" route. One bid was submitted to the tender, and the procurement Commission declared it invalid, while the contractor was CJSC Pylon, as its bid met the customer's requirements. The contract is worth 3.5 bln rubles. The deadline of preparation of working documentation is June 2019, the full reconstruction of the overpass is due by October 2021. The scope of works includes cadastral and construction road works, installation of noise screens, the creation of culverts, and landscaping of the adjacent territory (Based on the materials of "Delovoy Peterburg»).

The restoration of the courtyard and two passages of the Academy of Arts began. The Federal targeted program "Culture of Russia" has allocated over 90 mln rubles for the repair. The work is performed by the holding "Kapital stroyindustriya". The works include the restoration of the yard facades, windows and doors, canopies and stairs, as well as the original fencing on the windows of the first floor (Based on "Fontanka»).

The restoration work in a number of buildings in the historic center of St. Petersburg will be stopped for the period of the World Cup. Among the frozen projects is the reconstruction of the house of Wavelberg on Nevsky Prospekt, 7-9, as well as the house of Holland-Church on Nevsky Prospekt, 20. (Based on materials of IA "REGNUM»).

TRANSPORTATION, ENERGY, WATER SUPPLY

In January-March 2018, transport organizations of St. Petersburg transported 1.88 mln tons of cargo and 143.4 mln passengers, which exceeds the figures for the same period in 2017 (by 60% and 6.6%, respectively). At the same time, the cargo turnover amounted to 577 mln ton-km (24.9% more than in the same period in 2017),

and the passenger turnover – 813 mln pass-km (7% more than in January-March 2017). The number of road accidents decreased slightly compared to the same period in 2017 in January-March 2018. 1 345 road accidents were recorded (2.4% less than in January-March 2017), in which 49 people were killed. At the same time, the number of road accidents involving children under 16 years of age decreased by 7.9% to 105. (According to Petrostat)

The commissioning of the metro stations "Novokrestovskaya" and "Begovaya" built for the World Cup, is expected in the end of May 2018. Initially, it was planned that the stations would be open for passengers by the end of April, but OAO "Metrostroy" did not complete all works on time. (Based on the materials of "Kommersant")

The passenger traffic of Pulkovo airport for the first three months of 2018 amounted to 3.18 mln people, which is 9.6% higher than the result for the same period in 2017. At the same time, international flights accounted for 1.03 mln passengers, which is 22% more than in January-March 2017. Passenger traffic on domestic flights increased by 4%. A significant increase in the number of passengers is expected in June-July 2018 during the World Cup. (According to the operator of Pulkovo airport).

The tender for the reconstruction of the bus depot No. 1 on the Hrustalnaya street, 22, was won by "Sevzapenergostroy". The total cost of the works will amount to 892,7 mln rubles. The bus depot is planned to be adapted for the operation, maintenance and repair of rolling stock operating on alter-native fuel. The work will be undertaken in the period of until 2020. At the same time GUP "Passazhiravtotrans" has carried out the purchase for 912,5 mln rubles of 61 buses with gas engines running on natural gas. The bus supplier is Bakulin Motors Group company (According to the materials of Kommersant»).

7. REAL ESTATE

HOUSING

According to the press service of the City's Committee for construction in January-March 2018 there were put into operation 737,600 square meters of housing - one third less than in the first quarter of last year. The figure for March was 59,2 thous. sq. m. (151 house / 806 apartments), whereas in March, 2017 the figure was 166.1 thous. sq. m.

Most of the housing in March was launched in Vasileostrovsky district - almost half of the total volume. In Pushkin district there were built 48 individual houses / 8.1 thous. square meters, and in Kurortniy district - 36 buildings with a total area of 6.5 thous. square meters.

Smolny has sent to the Ministry of construction an updated plan for the completion of problematic buildings until the end of 2019. This task was set by the Ministry of construction, and the schedule will be updated quarterly. At present, St. Petersburg Committee for construction monitors 39 problem apartment buildings - a total of 12,568 apartments with an area of more than 570,000 sq.m. They were purchased by 1097 citizens (as many shareholders are officially included in the register of victims). This year commissioning of 30 houses is expected (10 158 apartments with an area of more than 474 000 sq m). Seven of them were completed in the first quarter (1,860 apartments, almost 100,000 sq m).

In 2019, eight residential buildings in the residential complexes "Variant" and "Starfish" will need to be completed. However, there are 40 citizens in the register who will not be able to get apartments in these houses – they suffered from "double sales", bankruptcy of developers or the developer did not start construction. Nevertheless, these real estate investors can still count on housing. Smolny will provide some of the developers with a plot for housing on investment terms, one of which will be the transfer of flats to these citizens.

"The problem remains on the special control of the City government. In the past year we made a significant breakthrough in its resolving: introduced 33 problematic apartment buildings with a total living area of more than 540 000 square meters, with 10 of 602 apartments. Another 39 problematic new buildings have approved schedules, and we are constantly interacting with developers", – says Vice-Governor Igor Albin.

REAL ESTATE MARKET

The share of St. Petersburg in total investment in real estate is traditionally high. The

volume of transactions reached 50% against 22% in the first quarter of last year - \$361 mln compared to \$172 mln. This was due to the sale of the K-Rauta network (39% of the total volume in the City), as well as the resale of residential projects (37%). Moscow's share in the transactions has decreased from 61% to 44%.

The total volume of investment transactions in the Russian real estate market in the first quarter of this year decreased by 8% compared to the first quarter of the last year - from \$792 mln to \$728 mln. The main share of investments was in the trade segment – 33% of the total volume. The share of the office segment was 29% (according to JLL).

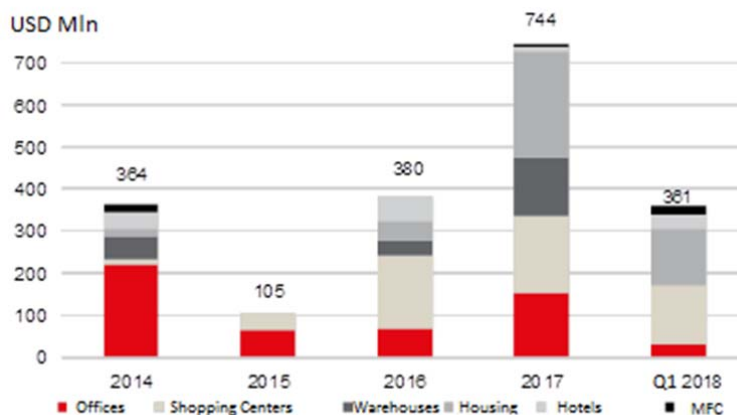
HOUSING CO-INVESTORS

According to the head of the legal Department of the real estate agency "Bon Ton" Dmitry Loginov (an interview "For the house PRO"):

"Two mutually exclusive reforms of shared construction – the abolition of shares with the transition to project financing and the work of the Fund to protect the rights of participants of the shared construction in parallel with the tightening of qualification requirements for developers - are simultaneously in progress in the country. Accordingly, there is a conflict of goals and objectives."

Most buyers buy apartments not for investment purposes. That is, they are determined to get an apartment, not monetary compensation and insist on the completion of the construction of their houses. "As a result, Russia formed a paradoxical practice in which 214-FZ contained an excessive number of ineffective security procedures, and the number of deceived investors only increased" - sums up Loginov.

PICTURE 4. The Dynamics of Investment Transaction in St. Petersburg's Real Estate Market



Source: Restate.ru

Then it was decided to replace the insurance with deductions to the Fund of shareholders, as well as to speed up the bankruptcy procedure for developers to replace them more quickly at the facilities.

However, then the compensation payments can be claimed by shareholders of only those projects, the first contract for which was concluded after October 20, 2017, when the Fund began to work and contributions began to arrive there. After the first month, the work of the Fund in the autumn of last year it became clear that collected 56 mln rubles was not enough to build at least one house. If the current dynamics of sales of apartments in new buildings continues, for 2018, according to the approximate rates, the Fund will accumulate 3 bln rubles. With this money, you can build five houses.

Accordingly, the results of this reform can be felt only after many years. Deputies of "Fair Russia" introduced in the state Duma a bill that proposes to extrapolate the mechanism of payments to deceived investors on all affected participants of shared construction – regardless of whether the developer has deducted funds to the Fund and regardless of the date of registration of the first equity agreement, reports the News agency "Moscow".

However, when the work of the new mechanism began to improve, the President has decided to liquidate shared construction in the country by 2020. Thus, the government returns to the idea of making payments on shared construction contracts with the obligatory use of escrow accounts, which can solve the problem of deceived shareholders.

However, the use of escrow accounts will eliminate deceived investors, which contradicts the previous mechanism of solving problems— the Compensation Fund was created to complete the problem objects with deceived investors (Based on materials of restate.ru).

In St. Petersburg in 2018 on the special control of the Construction Committee are 39 residential buildings with a total living area of more than 570 thous. square meters / more than 12.6 thous. apartments.

The City registry of the deceived shareholders includes 1 097 people. Of the total number

of problematic buildings, to be completed during the year are 30 apartment buildings with a total floor area of more than 474 thous. square meters / 10 thous. apartments (According to the website Nsp.ru).

TERRITORIAL DEVELOPMENT, REGULATION

According to RNS, following the address to the Federal Assembly, President Vladimir Putin has instructed to change the methodology for calculating the cadastral value of immovable property until July 15, 2018 – so that it does not exceed the market value, as well as to clarify the parameters of calculating the tax on property of individuals.

The current method of calculating the cadastral value has led to a situation where the cadastral valuation was above the market. The new law "On state cadastral evaluation" already provides for adjustment of the cadastral value using an index of real estate market, however, the procedure has not yet been developed (according to the website Restate.ru).

8. INVESTMENT PROJECTS

According to Petrostat, the volume of investment in fixed capital by City's organizations in January-December 2017 amounted to 658.5 bln rubles, 94.3% compared to the same period last year.

The largest volume of investments was directed to equipment and machinery, including household equipment and other facilities, as well as to buildings (except residential), facilities and land improvement costs.

As can be seen from table 13, equity accounts for 57.4% of fixed capital investment.

A significant percentage of the borrowed funds are budgetary funds, including from the budgets of the subjects of the Federation - 16.7%, funds of organizations and the population for shared construction 8.1%, bank loans – 5.9%.

Table 12. Investments by type

	Bln rubles	% of the total
Investments into fixed capital, including:	658,5	100
Housing	89,0	13,5
Non-residential premises, structures and land improvement	242,2	36,8
Vehicles, equipment, machinery and inventory	300,6	45,6
Intellectual property	13,8	2,1
Others	12,9	2,0

Table 13. The structure of investments into fixed capital and non-produced non-financial assets (without small enterprises) by the source of financing in January – December 2017

	Amount	% of the total
Total	477 209	100
Including, by the source of financing:		
<i>Internal / own financing</i>	274 115	57,4
<i>External financing, including:</i>	203 094	42,6
<i>Bank loans</i>	28 228	5,9
<i>Other organization's loans</i>	3 458	0,7
<i>Foreign investment</i>	2 500	0,5
<i>Budget financing, including:</i>	103 572	21,7
<i>Federal budget</i>	23 758	5,0
<i>Budgets of federal subjects</i>	79 543	16,7
<i>Local budgets</i>	272	0,1
<i>Extrabudgetary funds</i>	495	0,1
<i>Shared construction financing by organizations and individuals, including:</i>	38 450	8,1
<i>Individuals' financing</i>	27 482	27 482
<i>Others</i>	26 390	5,5

St. Petersburg branch of the State expertise of Russia has approved the project of reconstruction of courtyards of the Mikhailovsky Palace – the main building of the Russian Museum.

The approved project involves the renovation of adjacent premises and the increase of the exhibition space, as well as the arrangement of an open access storage facility and a conference room. The essence of the idea is to break the internal floors into floors and cover them with a dome.

The first stage provides for the creation of conditions for people with disabilities to visit the palace, the reconstruction of the internal courtyard No. 1 with adjacent spaces, as well as wardrobes, Fund of frames, shops and other office facilities, including cash desks in the basement and attic space.

In the second phase, similar activities will be conducted on the site of the yard No. 2. In addition, the reconstruction of restoration and other auxiliary facilities of the museum is planned.

The initial version of the reconstruction was estimated to cost \$30 mln. Of these, \$2.5 mln will be contributed by the World Bank, which confirmed participation in the financing of the project. During the year, it is planned to hold a tender and start work.

The rest of the project is financed by the federal budget within the framework of the Federal target program "Culture of Russia".

St. Petersburg network of salons of optics "Happy look" updates the format of the stores and goes federal

The new format of the store - megaoptic, which opened on Ligovsky prospect, provides in one place a range of services and services for the diagnosis and treatment of the visual organ, as

well as a greater choice of models and brands. Investments in the opening of the store amounted to 77 mln rubles. In the next five years, the retailer will open new format stores in Moscow and other Russian cities. The volume of investments will amount to 600 mln rubles. In the coming two years the company intends to complete the rebranding of all stores in the network, launched in November 2017, the investments in this project will be about 90 mln rubles.

Swedish developer Bonava to beautify the embankment of the Okhta River

According to the company, the length of the waterfront is 300 m, a width of about 20 m. The concept of the promenade was developed by the specialists of the architectural Bureau Arteza and by the developers' own designers. On the waterfront will appear playgrounds, an amphitheater, bike paths, an area for board games, and an area for yoga. The embankment will be made of environmentally friendly materials — various textures of stone and wood. Bushes and trees (willow, birch and pine) will be planted along its entire length. The construction works will be carried out in stages – in parallel with the construction of the residential complex Magnifika Residence, which is adjacent to the territory of the embankment. The main goal of the project is to create an accessible, comfortable and safe environment, rich in social functions.

The volume of investments in Bonava was estimated at 50-100 mln rubles.

The main work on a large-scale infrastructure project began

The Government of St. Petersburg has announced an open competition to choose a partner of St. Petersburg in the investment project of

creation and operation of the high-speed tramline from Peterhof to the Kirovsky Zavod metro station.

The project is planned to be implemented in two stages. Within 4 years from the date of the agreement between the City and investors, a tram network with a length of 6 km from the residential complex "Baltiyskaya Zhemchuzhina" to the metro station "Kirovsky Zavod" is to be built. Then, within three years, the 14.2 km long section will connect the "Baltiyskaya Zhemchuzhina" (Baltic pearl) with Peterhof. The travel time on this route during peak hours will be halved.

The concession agreement will last 30 years. During this time, the partner of the City will operate the tram network, while St. Petersburg will retain the ownership of the new infrastructure. The volume of investments will be 14.4 bln rubles. The financing will be raised based on public-private partnership.

The Russian division of the international group Lindstrom Oy — JSC "Lindstrom" launched in Pushkin a new line of washing clothes for manufacturers of pharmaceutical products

The capacity of this line allows serving about 34 thous. clothing units per month. At the time of the line launch, the company will increase its workload by 30%, and within a year or two, it will grow to 90%. In the future, the production will be expanded.

In the pharmaceutical industry, there are very serious requirements for hygiene, regulated by special standards. The problem is now solved either by purchasing single-use uniform, or by running own laundry on the production site. Investments in the construction of the new service amounted to more than 500 thous. euros.



GENERAL OVERVIEW OF SOCIO-ECONOMIC SITUATION IN ST. PETERSBURG

This analytical overview is a publication of the International Centre for Social and Economic Research "Leontief centre" and is issued 6 times per year in Russian and English since 1992.

Each issue (20-25 pages) contains, in concentrated form, statistics and information (incl. unpublished) describing the situation in the industry, urban infrastructure, the budget sphere, the progress of privatization and investment projects in St. Petersburg, as well as the standard of living and employment.

The review provides a unique opportunity for investors, entrepreneurs, scholars, public figures to regularly and quickly obtain information about the development of the city.

All editions of the overview are posted on the website <http://www.obzor.leontief.ru/>