

## RESEARCH TRENDS IN THE CONSTRUCTION INDUSTRY RUSSIAN FEDERATION

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**Abstract:** This article analyzes the current state of the construction industry of the Russian Federation at the federal and local (for example, the Republic of Tatarstan) levels. The features and trends of the construction industry of the Russian Federation (RF) are considered, taking into account the changes in the legislation affecting this industry. The authors analyzed the statistics of housing commissioning, the dynamics of lending and debt of construction organizations, in addition, the analysis of statistics of bankruptcies of companies. The key players in the construction market of the Republic of Tatarstan were studied, and their reliability rating was presented. Based on the results of the analyzed material, certain conclusions were formulated. Based on the findings, it was

determined that in the Russian Federation the construction industry is experiencing some difficulties that require special attention from the state. However, at present the government is already taking certain steps towards improving the current situation. As it was revealed, in the Republic of Tatarstan, the construction industry has had a positive development dynamics over several years. In recent years, there has been an increase in housing commissioning. In addition, the government annually invests in the construction industry. Despite this, in Tatarstan there is a high percentage of bankruptcies of construction companies, the reasons for which are identified in this article.

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## 1. Introduction

The construction industry is rightfully considered one of the largest industries in Russia: in 2017, the volume of industrial production amounted to about 8% of GDP (gross domestic product), if we take into account related activities. Currently, the market consists of more than 200 thousand companies, most of which are representatives of small and medium-sized businesses - 97% [1].

2017 was a turning point for the construction industry in Russia. Firstly, significant changes have occurred in federal law - amendments to Federal Law-214 have come into force, which have significantly affected the primary housing market. Secondly, the Ministry of Construction of the Russian Federation tightened control over the regions, which were obliged to report quarterly on problematic facilities. Thirdly, the reform of self-regulation in construction continued, during which the institution of personal responsibility in

the construction industry was first created in Russia [2].

The base of the construction industry of Tatarstan is one of the largest in the Russian Federation, as it includes more than 550 enterprises [2]. Construction, in its way, serves as the locomotive of the real sectors of the economy of the republic.

## 2. Methods

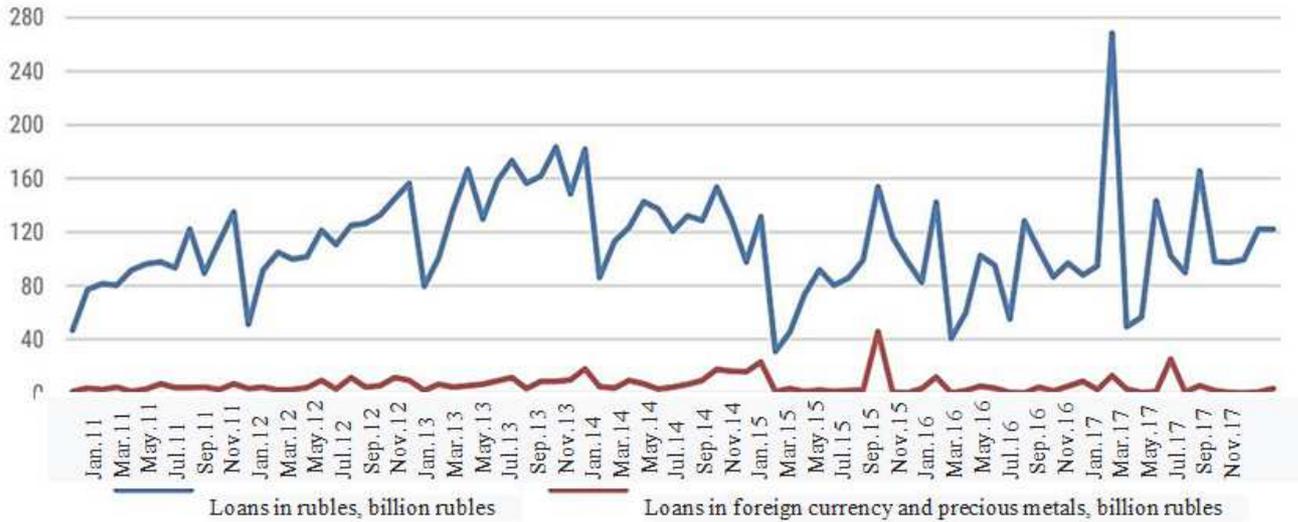
The market review was made based on information from independent industry and news sources, as well as on the basis of official data from the Federal State Statistics Service. Interpretation of indicators was also carried out taking into account data available in open sources. Representative directions and indicators are included in the analytics, providing the most complete overview of the market in question. The analysis was carried out as a whole for the Russian Federation, as well as for the Republic of Tatarstan.

## 3. Results And Discussion

In the Russian Federation, according to Rosstat, the volume of housing commissioning in 2017 fell by 2.1% compared to the previous year.

During this year, 78.6 million square meters of residential real estate were

in addition, we consider it appropriate to analyze the situation with lending to



Source: INFO line, according to the Central Bank of the

commissioned compared to 80.2 million square meters. in a year earlier [3]. In

construction companies.

Figure 1. The volume of loans to construction companies in the Russian Federation for 2011-2017 [four]

Based on the data presented in Figure 1, we can conclude that, according to the results of 2017, the total volume of loans issued to construction companies increased by 15-18%

compared to 2016 and amounted to about 1.4 trillion. rubles [4]. You should also consider the dynamics of the debt of construction organizations to banks (Fig. 2).

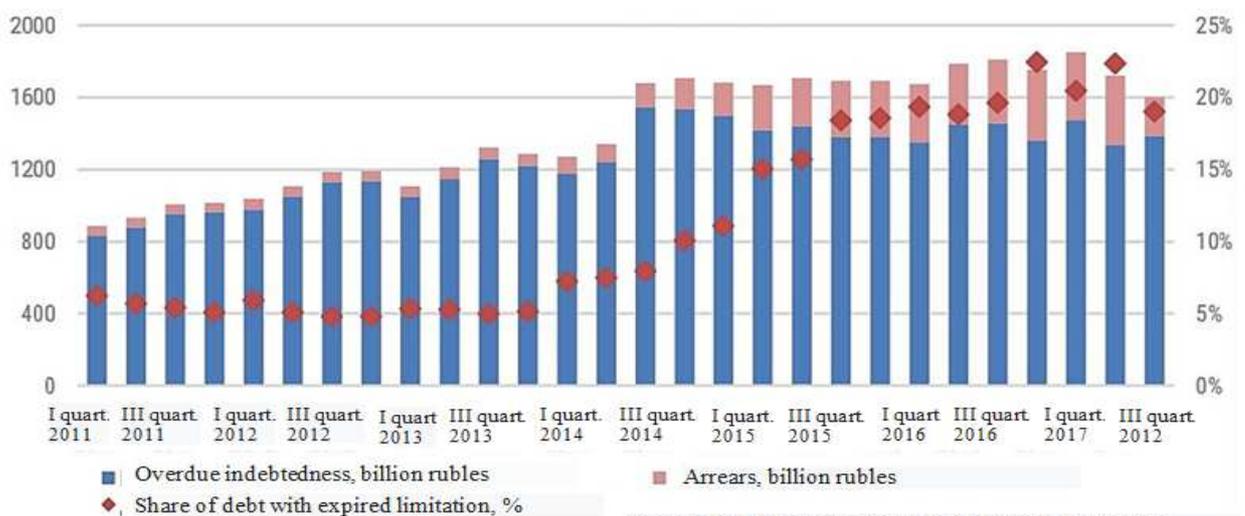
Figure 2. Debt of construction organizations for bank loans  
 in the Russian Federation [4]

According to the data presented in Figure 2, the share of overdue debt in the structure of the loan portfolio of construction companies has increased more than 3 times since the beginning of 2014 (from 5.2% to 15-18%). In the IV quarter of 2017, the situation is improving: the share of overdue debt decreased by 5-7% compared with the level of the III quarter of 2017 [4].

Under these conditions, lending is becoming less accessible for small and medium-sized construction companies: the banking sector has a tougher policy regarding the assessment of possible

risks associated with non-return of funds, as well as bankruptcy of lending organizations. Large construction companies, as a rule, have larger and longer-term projects, which at the initial stage of their implementation increases credit risks, therefore banks prefer to finance such projects at a higher degree of readiness [4].

It is necessary to analyze the statistics of bankruptcies of construction companies. However, in the first place, it will be advisable to consider statistics as a whole for several types of activity (Fig. 3).



Source: INFO line, according to the Central Bank of the

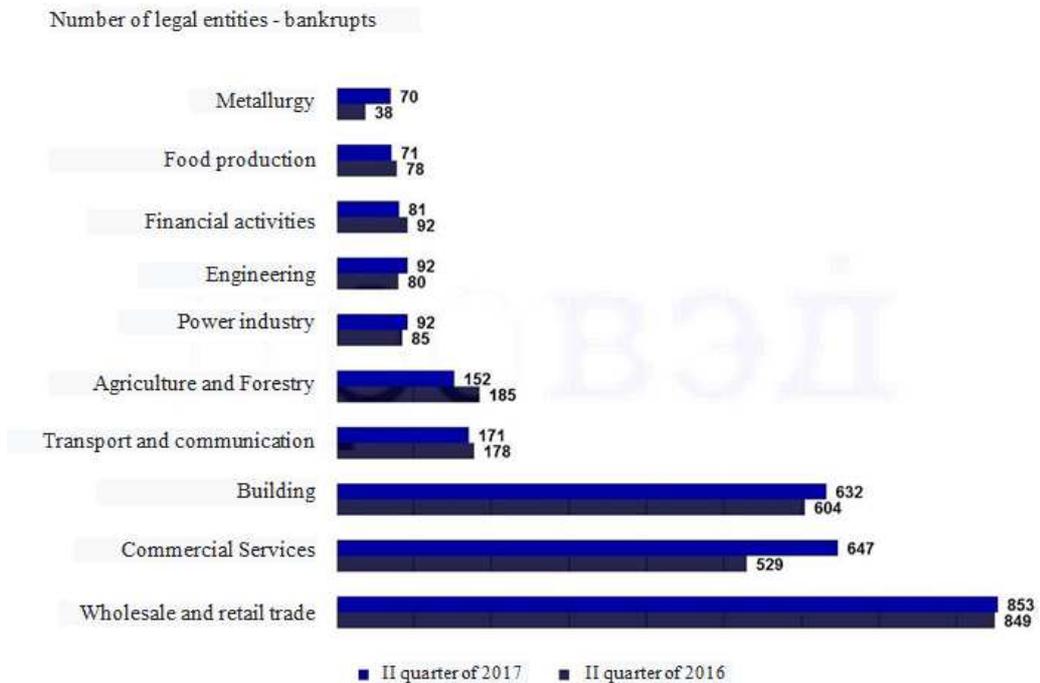


Figure 3. The number of bankruptcies by type of activity [5]

According to the data in Figure 3, we can conclude that the intensity of bankruptcies in the second quarter of 2017 increased in almost all sectors. The most unfavorable situation has developed in the construction and commercial services sectors, where the number of bankruptcies has exceeded the values of the previous three years.

In construction, the number of bankrupt legal entities in the second quarter of 2017 increased by 4.6%

compared to the same period in 2016. At the same time, the industry holds a record low index of entrepreneurial confidence. Companies that are waiting for lower orders and the number of employees turned out to be 16% more than firms with more optimistic expectations [5].

The dynamics of the number of bankruptcies of construction companies is presented in Figure 4.



Figure 4. Dynamics of the number of bankruptcies of construction companies in the Russian Federation [6]

According to the given dynamics, the intensity of bankruptcies at the beginning of 2017 continued its growth, updating the peak value of the previous quarter. Compared to the fourth quarter of 2016, in the first quarter of 2017, the number of bankruptcies almost doubled [6].

In general, for the whole of 2017, the bankruptcy process overtook more than 3.5 thousand construction companies of the Russian Federation. In 2016, there were about 1,500 such companies. This situation is largely caused by massive non-payments for already completed construction work or delays in payment, including from state

customers. Moreover, the regulation of the deadline for the provision of a motivated refusal to sign the act of acceptance of work is not provided for by the Civil Code, which allows the customer to delay the payment of work [7].

As mentioned earlier, we will analyze the trends in the construction market at the regional level using the example of the Republic of Tatarstan. The analysis showed that the results of 2017 in Tatarstan were introduced 2 million 408 thousand square meters. m of housing - 100.3% of the annual target. In 2018, it is planned to introduce 2 million 403 thousand square meters in

the republic. m of housing [8]. The share of the gross product of the construction complex in the total regional product of Tatarstan is 10%. In addition, 7.9% of the republic's workforce is involved in construction, and investments in construction in 2017 amounted to 7 billion rubles [9]. At the end of 2017, the editors of FederalPress compiled a reliability rating for construction companies in Tatarstan. Among the construction companies, centenarians working since the 1990s were highlighted: Suvar Group (today #Suvarstroit), Unistroy and "Gran" construction company (SK Gran). Originally from the 2000s - Kazan Housing Investment Company Group of Companies (ZhIK Group of Companies), Ak Bars Development Group of Companies (Ak Bars Development Group of Companies) and City Stroy Group of Companies (City Stroy Group of Companies) [10].

The mentioned companies consistently occupy high places in the rating of the National Association of Developers. Three of them: "#Suvarstroit", SK ZhIK and Unistroy

were included in the top 100 of the Russian rating of developers in terms of housing commissioned in 2017, and Ak Bars Development c in the top 150. However, there are among them those companies that did not introduce a single square meter in 2017.

In 2018, two new players appeared on the construction market of Tatarstan "TAUGRUPP" and the Udmurt company "Talan". The emergence of new players should have a positive impact on the housing market, as increased competition forces construction companies to improve product quality and offer the most attractive conditions for buyers.

By the volume of current construction in 2018, all participants in the rating are among the top ten developers of the republic. In addition, the Unistroy company and the ZhIK group of companies are included in the top 150 of the Russian rating of the National Association of Developers. The companies included in the rating account for 37.17% of housing under construction in 2018 in the republic.

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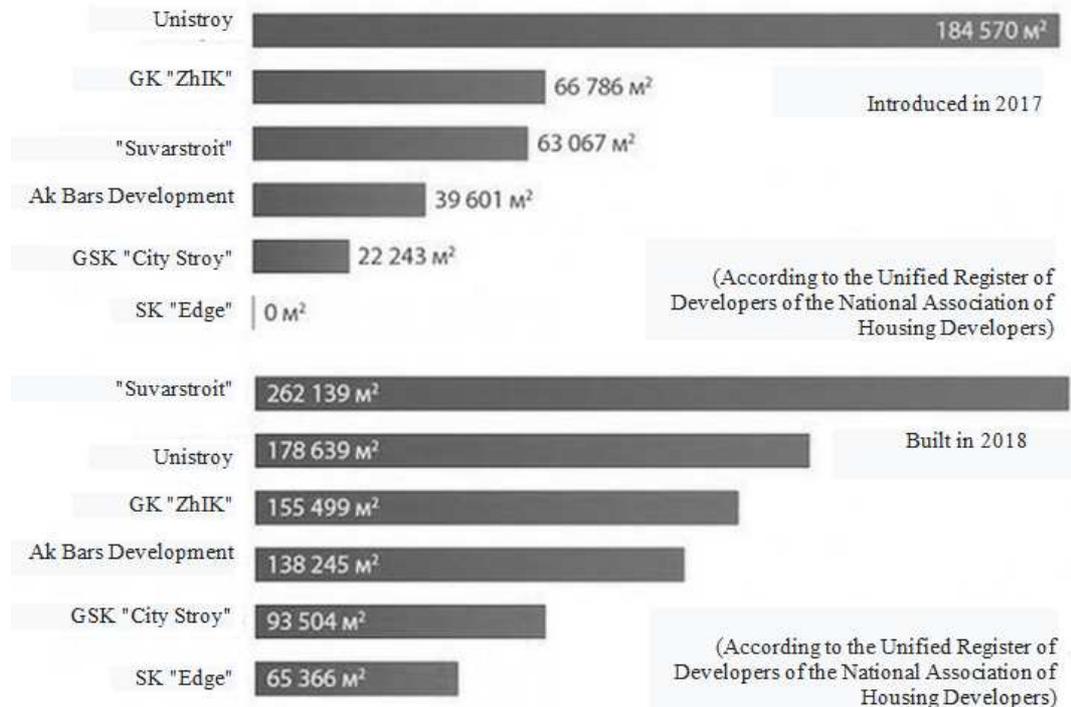


Figure 5. Construction companies of the Republic of Tatarstan, included in the reliability rating based on the results of 2017 [10]

The results of the housing commissioned in 2017 and planned for commissioning in 2018 are presented in Figure 5. Based on the results of the research conducted by the FederalPress editorial office, the following rating of RT construction companies was presented: 1st place - SK ZhIK, 2 - "#Suvarstroit", 3 - "Unistroy", 4 - SK "Ak Bars Development", 5 - SK "City Stroy", 6 - SK "Gran". The first place in the rating of reliability of construction companies in Tatarstan was taken by SK ZhIK, since participation in a state company has always been a sign of

reliability in any industry. At present, the ZhIK Group of Companies is one of the largest enterprises in Kazan, which performs the functions of a customer in the construction and restoration of construction projects in the city and the republic [10].

We also consider it necessary to analyze the statistics of bankruptcies of construction companies in Tatarstan. For nine months of 2017, 10 945 more organizations were liquidated in the republic than newly registered (8 545). Among the sectors where the largest percentage of company closures was

observed, construction - 2,562, wholesale and retail trade, as well as repair of motor vehicles and motorcycles - 8,737, and manufacturing industries - 1,577 were the leaders.

The newly opened construction companies did not compensate for the “loss” from closing, since their number was only 1,428 [11].

#### 4. Summary

To summarize the review of the construction industry of the Russian Federation and the Republic of Tatarstan. In the Russian Federation, housing commissioning in 2017 fell by 2.1%. For this year, 78.6 million square meters were commissioned. m of residential real estate against 80.2 million square meters. m a year earlier. At the end of 2017, the total volume of loans to construction companies increased by 15-18% compared to 2016 and amounted to about 1.4 trillion rubles. In the current circumstances, lending is becoming less affordable for small and medium-sized construction companies. In general, in 2017, the bankruptcy process overtook more than 3.5 thousand construction companies of the country. In 2016, there were about

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1,500 such companies. This situation is largely caused by massive non-payments for already completed construction work or delays in payment, including from state customers.

At the end of 2017, 2 million 408 thousand square meters were commissioned in Tatarstan. m of housing - 100.3% of the annual target. In 2018, it is planned to introduce 2 million 403 thousand square meters in the republic. m of housing. 7.9% of the workforce is involved in construction, and investments in construction in 2017 amounted to 7 billion rubles. For nine months of 2017, 10 945 organizations were liquidated in the republic more than ВНОВЬ 8 545 were registered again.

#### 5. Conclusion

Thus, based on the data analyzed, we can say that the construction industry in the Russian Federation is undergoing its next crisis. This is due to many factors, for example, such as: a decrease in housing commissioning, credit restrictions, a high level of bankruptcy of construction companies, and others. However, the situation in the Republic of Tatarstan is different: the construction industry over

the course of several years has shown positive development dynamics. Despite the relatively high share of bankrupt companies, the construction industry of the Republic continues to gain momentum, to develop, while remaining investment-attractive.

## 6. Acknowledgment

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