

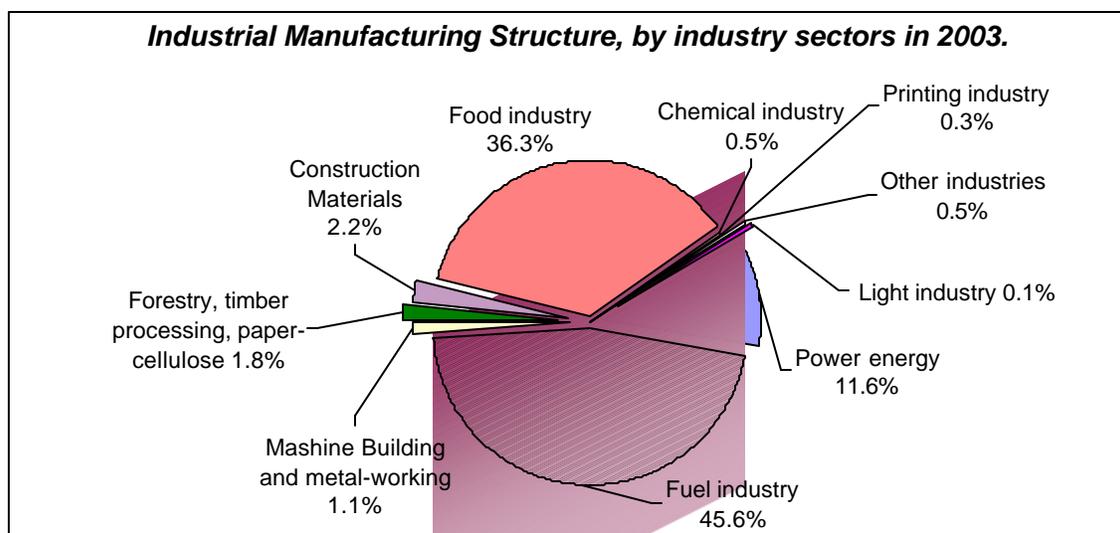
Regional Development Statistics – 2003 for Sakhalin Island

Country: Sakhalin Island, Russia
Post of Origin: Yuzhno-Sakhalinsk, Russia
Date of Report: May 2004
Authors: Elena Sabirova

(By the data from the Regional State Statistics Committee, if not indicated otherwise)

Industry

Index of industrial production made up 103.4% compared to 2002. Breakup by major sub-industries: fuel industry – 98.2%, forestry – 63.6%, fishing – 125.8% to the level of 2002.



Fuel industry.

Sakhalin region produced 20006.4 million cubic meters of gas (39.9 million less than in 2002) and 3207.5 thousand metric tons of oil (44.2 thousand less). The average daily output decreased 1.4% for gas (including gas condensate) and 1.9% for oil. 3.7 thousand metric tons of gasoline, 4.7 thousand metric tons of diesel fuel, 6.6 thousand metric tons of residual fuel oil were produced locally; in total the output for the combustive-lubricating goods made just 40.2% of 2002 level. Coal mines produced 2792 thousand metric tons of coal (226 less than in 2002). Open pit coal mining decreased by 5.4% (136 thousand metric tons) and made up 85.6% of the total coal mining for 2003. Coal mining decreased by 7.2% - 1514 thousand metric tons; brown coal mining decreased by 7.9% and made up 1278 thousand metric tons.

Forestry.

571.9 thousand cubic meters of timber were logged (61.9% to the level of 2002); 455.5 thousand cubic meters of merchantable wood (54.5%), 79.7 thousand cubic meters of lumber (111.8%) was produced.

Construction materials.

Index of industrial production increased compared to 2002 by 95.2%. Manufacturing of precast concrete items increased 2.2 times, of non-metallic construction materials – by 71.6%. Manufacturing of walling decreased by 16.3%.

Construction.

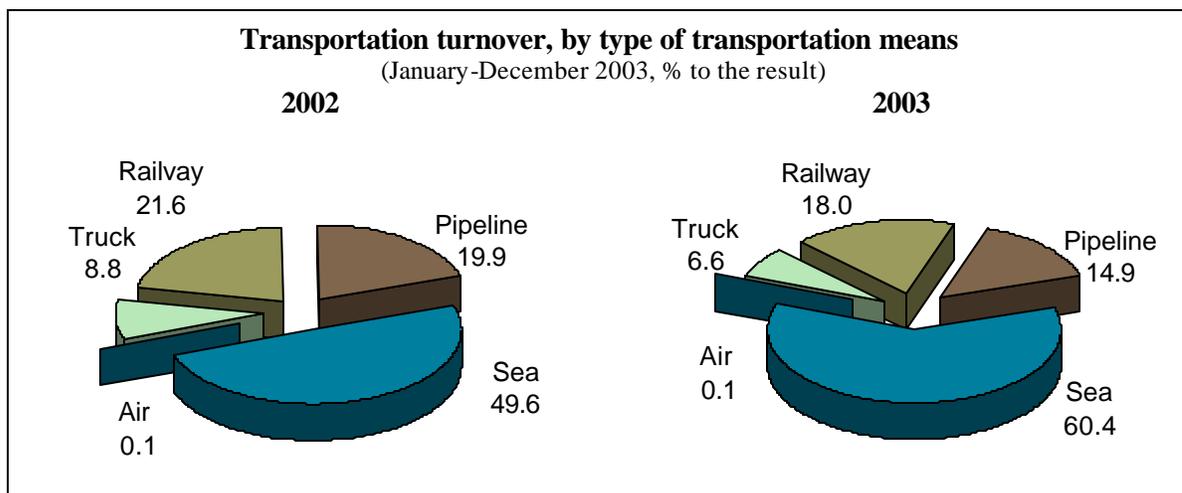
In 2003, 400 apartments were built, total area of 46,799 square meters. The State-owned companies put into operation 58 apartments of the total area of 2,471 square meters (7.4% of the total), municipal companies put into operation 72 apartments, of total area of 3,971 square meters (8.5% of total). The population, using loans and own funds, put into operation 135 apartments – total area of 20,180 square meters (43.1%). Private companies put into operation 12,841 square meters – 127 apartments (27.4%), by foreign companies – 8 apartments (6,336 square meters), 13.6%. In Yuzhno-Sakhalinsk in particular, 143 houses were put into operation (274 apartments), total area of 36,116 square meters. In rural area 9 private houses were constructed – 777 square meters.

Put into operation in January-December of 2003

	<i>Number of buildings</i>	<i>Total volume, thousand cubic meters</i>	<i>Total area, thousand square meters</i>
Put into operation	198	231.8	54.2
<i>Including: Dwelling facilities</i>	194	204.9	46.8
Industrial facilities	4	26.9	7.4

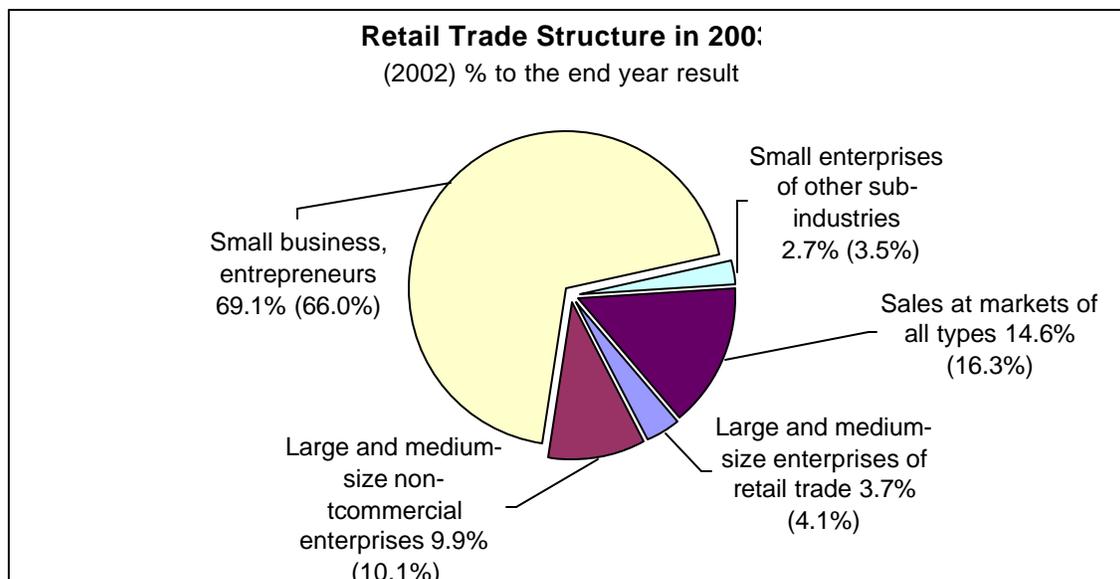
Food-processing.

Manufacturing of soft drinks (124.1% to 2002) and bottled mineral water (111.8% to 2002) increased. The output of meat and dairy decreased by 3.4%; while manufacturing of sausage, meat products and convenience food increased (108.2%, 103.9% and 193.2% correspondingly). Dairy output decreased – milk and related products – 95.7% to the level of 2002, ice-cream – 82.5%, butter – 52.6% and low fat dairy products – 96.9%.

Transportation.

	January-December, 2003	% to January- December of 2002
<i>Cargo transported, thousand metric tons:</i>	<i>11071.5</i>	<i>108.2</i>
<i>Including</i> Railway	2970.4	111.6
Truck	3480.8	90.2
Sea	2990.8	139.6
Air	3.5	174.1
Pipeline	1626.0	104.0

Trade, services, catering



The volume of foodstuffs sales in 2003 made up RUR 10099.3 million (about USD 337 million), of consumer goods – RUR 9133.0 million (USD 104 million). In comparable prices of the previous year, the increase made up 12% and 9.3% correspondingly.

Among the factors that hamper retail trade development, the major ones are unavailability of finance resources – 72%, not sufficient paying capacity of the population – 68%, high transportation costs – 56%.

The structure of retail trade companies turnover (large and medium companies)		December 2003
Retail trade turnover		100
<i>Including</i>	Retail Turnover	77.6
	Wholesale trade turnover	20.8
	Services to the population	0.6
	Other turnover	0.1

Public catering companies sold goods for RUR 916.8 million, which is 24.6% more than in 2002 in comparable prices.

The specific share of funds paid for the services by an average customer in December of 2003 made up 27.7% as opposed to 26.2% in December of 2002. In 2003, paid public services sector by 83.6% was represented by the so-called “organized sector”, i.e. by organizations, both registered or not. The share of paid services provided by individuals (private entrepreneurs) made up 16.4%. About 82% of all services were repairs and services for vehicles (25.6%), repairs and manufacturing of ready-made garments from fabric, fur and leather, knitting, (18.2%), hairdresser services (16.8%), construction repairs and construction of different type (12.4%), household equipment repairs (8.8%)

The turnover of wholesale trade of all sub-industries increased by 32.3% compared to 2002 by goods volume. Wholesale turnover of non-commercial organizations increased 65.1%. Small business share in this niche made up 75.7%. 90.6% of all turnover refer to foodstuffs, about 8.2%

of all are imported goods. Among the factors that hamper wholesale trade development, high transportation cost (67%), lack of financing (60%) and high taxes level (50%) are named.

Foreign Trade.

The turnover made up USD 1216.7 million and increased 23.6% compared to 2002, export increased 8.4% (USD 764 million), import made up USD 452.7 million. Export share in the turnover made up 62.8%, import – 37.2% (in 2002 – 71.7% and 28.4% correspondingly). External surplus (positive trade balance) made up USD 312 million (425.5 million in 2002).

The trade turnover with the USA in specific, made up USD 137477.7 thousand, USD 56247.3 of which were exports and USD 81230.4 thousand – imports. Export surplus made up minus USD 24983.1 thousand.

Commodity Composition of Export and Import in 2003.

	<i>USD, thousand</i>	
	<i>Export</i>	<i>import</i>
Consumer goods and the raw materials for their manufacturing.	234125.4	3548.2
Fuel and Energy products	430580.6	30816.6
Chemicals	1480.8	23584.5
Leather goods, furs and related goods	0.3	181.1
Lumber and pulp & paper goods	25304.4	3463.5
Clothes and footwear	2.3	2949.9
Ferrous and non-ferrous metals and related goods	6645.7	136160.8
Machine-building products	23414.8	177094.4
Other goods	626.2	29681.3
Services	41844.0	45199.6
<i>Total</i>	<i>764024.5</i>	<i>452679.9</i>

Average actual price for fish and seafood in 2003 made up 1.45 USD per kilo and increased 9% compared to 2002. The average prices increased for chilled and frozen fish.

Specific share of the exported oil in the total regional export made up 55.5%. Sakhalin region exported 2066.4 thousand metric tons of crude oil, for the total of USD 424.4 million. The oil was exported to Japan (38.4% of physical volume), Singapore (28.8%), China (14.9%). South Korea (8.7%), Philippines (4.7%) and the USA (4.5%).

Comparing physical volume of exported oil, its export dropped by 6.3%, cost increased by 5.1%. Average actual oil prices made up USD 205.4 per metric ton and increased 12.2% compared to 2002 (USD 183.1 per metric ton).

Import of bunker oil in 2003 made up USD 27.7 million (6.1% of the regional import). Physical volume increased by 12.8%, increase by price made up 29.7%. In the total volume, diesel fuel import made up 76.4%, mazut – 20.8%. The fuel was imported from 8 countries, the major volume from South Korea (34.6%), Japan (22.1%) and the USA (21.5%).

Population, Demographics and workforce.

As on December 01, 2003, permanent population of the region made up 572.2 thousand people and decreased by 6,220 people from the beginning of 2003. The decrease by natural population loss made up 2,641 people, by migration – 3,579 people.

The amount of economically active population made up (by the end of December 2003) 312.5 thousand people (54.0% of total). 285.0 thousand (91.2%) work in economic sector, 27.5 thousand (8.8%) were officially classified as unemployed. The official number of employees of companies and organizations made up 192.5 thousand people as of November 2003.

In 2003, the amount foreign workforce increased insignificantly compared to 2002. Through the mediation of the Migration Service, 4,046 foreign workers were employed at the region (17.4% increase). People were employed from 52 different countries. The following data reflect the employment from the countries that make up more than 95% of the total for 2003.

	<i>employees</i>	<i>In % to the total</i>	<i>Jan-Dec of 2003 to Jan-Dec of 2002, %</i>
Total	4046	100.0	117.4
<i>Including:</i>			
CIS Countries	783	19.4	98.0
<i>Including:</i>			
Azerbaijan	56	1.4	100.0
Kazakhstan	82	2.0	120.6
Moldova	95	2.3	172.7
Uzbekistan	81	2.0	2.3 times
Ukraine	403	10.0	75.2
Former Yugoslavia countries	28	0.7	68.3
Australia	76	1.9	91.6
Great Britain	321	7.9	115.9
Canada	89	2.2	112.7
China	973	24.0	123.6
People's Republic of Korea	492	12.2	117.7
South Korea	110	2.7	73.3
The Netherlands	89	2.2	106.0
Poland	32	0.8	36.4
The USA	421	10.4	127.2
Turkey	357	8.8	178.5 times
Japan	95	2.3	85.6

In 2003, the amount of foreign workforce increased in construction, trade and public catering.

Hotel Business.

In 2003, 46 hotel-type enterprises were active in the region. The total capacity as at the end of 2003 was about 2000 places.

	2001	2002	2003 (estimate)
Total of companies (hotel-type business)	46	45	45
Including - hotels	33	36	36
Private	12	9	9
Capacity, simultaneous (beds)	1747	1583	1913

Construction Industry of Yuzhno-Sakhalinsk Developing (by Yuzhno-Sakhalinsk Newspaper; Press- Service of the City Administration)

The amount of construction and installation work in 2003 made up in money terms RUR 7,6 billion (approximately USD 250 million). The manufacturing of construction materials increased almost 200% compared to the level of 2002. The major construction is still carried out by the individuals and private sector, the amount of dwelling housing (80%), constructed by the State-owned and municipal structure is constantly decreasing. The amount of dwelling housing constructed by the individual builders is comparable to the amount of the new apartment housing built in the city. 207 different construction objects were put into operation in Yuzhno-Sakhalinsk in 2003. The leading local construction companies, according to the Vice-Mayor Vladimir Vereschagin, are SKF Sphera, LTD, Mostootryad 2001, LTD and JSC Transstroy-Sakhalin. The amount of protracted construction sites is rapidly decreasing – only 8 are left out of 78. The newly constructed objects are built with access ramps for disabled (the so-called “non-barrier environment project” is implemented since 2002). Increase of incomes from the use of increasing advertising areas made up 44% compared to 2002. The market of external advertising itself has diversified and increased with new ad structures available in the region, the new advertisement hoardings on the main roads are planned to be equipped with highlighting. In 2002, Yuzhno-Sakhalinsk became a member of an advertising association of the municipal structures.

The problems of the construction industry are the disintegration in the activity of the agencies responsible for the architectural approval, land tenure, immovable property and expert examination. Personnel problem also exists – the specialists are trained only outside of the region.

Construction is the second leading industry in Yuzhno-Sakhalinsk, according to the results of 2003.

Construction trends (by Sovetsky Sakhalin Newspaper)

In construction materials manufacturing, increase was observed in precast concrete, non-metallic construction materials, ready-mixed concrete and mortar production. Output of lumber and sawn goods decreased due to significant timber price increase. Wood items are also being replaced by aluminum and plastic. In 2003 129 dwelling houses were put into operation in Sakhalin region (252 apartments, total area – more than 27 thousand square meters). More than 60% of that was constructed in Yuzhno-Sakhalinsk, although it was noted than during the golden era of Sakhalin dwelling construction, the amount of housing built was 15 times more than currently. In 2004 in total, thanks to the oil projects related construction, the average regional construction volume will increase by 150%.

The major volume of contracts is being awarded to the companies from outside of the region, which is connected with lower production capacity, lack of expertise in international tenders and in quality standards. Only those who were able to unite efforts or to create JV's were able to sign contracts. Deputy Head of the Regional Construction Department Mr. Alexander Ivanovich Prokhorenko named such companies as Sphera, LTD, Grenada, LTD and SU-4, LTD. About 10 other construction companies work on two shelf projects, a group of companies is involved into road repairs and infrastructure upgrade. 13 companies merged into a consortium on non-metallic construction materials (building stone, crushed stone and sand, etc.) sales. The Construction Department also urges the local precast concrete manufacturers to join their efforts.

About 3.5 thousand workers employed by non-regional construction companies came to work on the shelf projects. The total figure for 2 projects shall reach 11 thousand workers.

Foreign Trade (by Sovetsky Sakhalin Newspaper)

Sakhalin region has established foreign economic ties with 63 countries, but the major export countries still remain Japan (52% of all exports), China (18%) and South Korea (13,5%). Major items of export are oil, seafood, timber, coal and peat. The turnover is increasing in volume year by year. In 2003 its structure had changed – import increased (45% increase to the level of 2002), export decreased by 21%. The increase of import is explained by the increasing needs for the oil and gas projects construction – the major importers are foreign oil companies together with Rosneft-Sakhalinmorneftegas. Decrease of export, on the other hand, is being viewed as a negative symptom. The region sold only 75% of the 2002 level of oil, 70% of timber, 69% of seafood and peat. Some amount of goods, but not all, was demanded on internal market, so the general amount of export is considered to be decreasing, indicating possible problems in regional economy. The only industry that evens the balance is oil and gas, in 2006, when the LNG plant in Prigorodnoye starts full scope production, the export figures will increase significantly, but the figures on paper cannot solve the general problems in other industries. In 2002 the export figure made up almost twice of import.

Fisheries (by TIA Ostrova)

In 2003, Sakhalin enterprises manufactured 422.6 thousand metric tons of seafood products (including canned food), which is 21.12% more than in 2002. Frozen seafood and canned products output increased; in total, canned food manufacturing increased by 44%, specific share of fishing industry output in total for Sakhalin region economy increased from 25.71% in 2002 to 30.98% in 2003. 162,330.7 metric tons of seafood were exported, increasing export by 21.88%, compared to 2002. In money terms, export of seafood made up USD 236 million 99.8 thousand. (34.66% increase). The major part of exported seafood goes to Japan – 41%. Investments into fixed capital made up RUR 572,218 thousand (about USD 20 million) – 58.3% increase compared to 2002. Tax proceeds from fishing industry made up more than USD 23 million (116.3% to the level of 2002).

In 2003, catch of seafood made up almost 463.9 thousand metric tons, which is 25.82% more than in 2002.

Major items of fishery are –

Pollock – 222.5 thousand metric tons (compared to 147.1 in 2002);

Salmon – 117.5 (66.4);

Herring – 23.4 (29.2);
Pacific saury – 16.4 (19.3).

Out of all fishing quota available for Sakhalin, the following remain unclaimed – 1) kelp (in Western Sakhalin and South Kuril fishing zones), more than 100 thousand metric tons in total, 2) anchovy (same fishing zones) – more than 44 thousand metric tons. Not fully claimed were also navaga (3.2 thousand metric tons), rasp (1.5 thousand), flounder (4.3 thousand), herring (4.5 thousand), saury (3.5 thousand). Navaga and salmon catch season was quite successful in 2003, as the Regional Fishing Department reports; 117,496 metric tons of salmon was caught. In order to keep salmon farming, farms received quotes for 3903 metric tons of fish. 80% of all salmon catch was sent to the onshore processing plants (94 thousand metric tons), 12144.5 tons (10.3%) – to processing vessels, and 11376.6 tons (9.7%) to the processing vessels of other regions.

Fish farming of pacific salmon plays a key role in support and increase of current salmon population. At the moment, 16 State-owned and 9 private fish farms are involved into farming. Regional Administration is supporting the initiatives of private companies to build salmon fish farms and nurseries. In 2002 only, all farms released more than half a billion young salmon into rivers – $\frac{3}{4}$ of the total for the RFE fishing farms. As the research shows, local natural conditions allow to increase salmon reproduction by construction of fish farms and isolated nurseries, as well as by preserving and widening the existing natural spawn areas. Private companies have funds available for the investment into fish farming, as the Administration reports.

Some positive results were achieved by the industry, the onshore processing was developing, salmon catches reached the historical maximum during the past years, the new coastal fishing objects are developed.