



ARE THE INDUSTRY CYCLES THE GLOBAL TREND IN INVESTMENT ACTIVITY?

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Research novelty and significance

- Since the concept of sector rotation claims universality, we reveal if the industry cycles are the global trend in investment activity
- **The research purpose is to test the hypothesis of an industry cycles' impact on the dynamics of the investment activity in companies obtaining external financing**
- Using the concept of sector rotation, we suggest several industry groups and tested whether the peak of investment activity in each group for Russian companies falls on the expected favourable phase of the business cycle

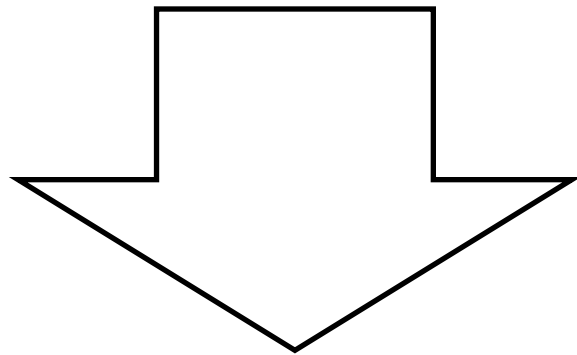


1 Sectoral features of investment activity in the Russian Federation

2 Investment activity of public companies in certain sectors, applying the provisions of the sectoral rotation concept

3 Channels of influence of sectoral cycles on business investment activity

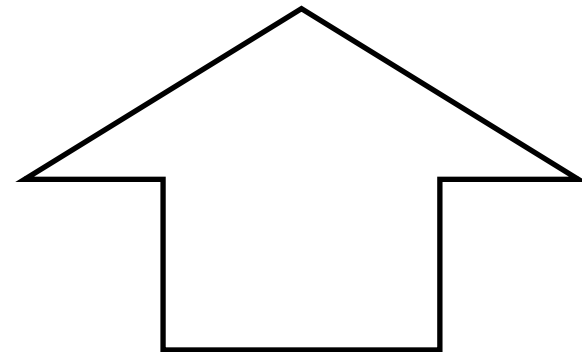
1 Sectoral features of investment activity in Russia



Cumulative
inflation: **59.50%**
(2010-2016)



Nominal investment
growth: **59.96%**
(2010-2016)



1 Sectoral features of investment activity in Russia

4 economic sectors in Russia account for more than 70% of all investments:

- Transport and communications – 23%
- Operations with real estate - 18%
- Mineral resources mining – 15.6%
- Manufacturing – 14%

Most sectors in Russia show the stagnation of investment processes (in particular, socially significant sectors are represented among the outsiders)

2 Investment activity of Russian public companies

Business cycle phases	Investment-attractive industries (the sector rotation concept as the basic implication for the research methodology)
Early expansion	Technology industries: computer software, measuring and control equipment, computer manufacturing, electronic equipment; transport: main types of transport, container transportation
Middle expansion	Production of basic materials: extraction of precious metals, chemical industry, steel industry, mining of other metals; main products: manufactured goods, defense industry, mechanical engineering, equipment for ships and railways, aero-building, electronic equipment; services: services for business, public services

2 Investment activity of Russian public companies

Late expansion	Consumable products: agriculture, beer and liqueur production, candies and carbonated drinks, food products, healthcare, medical equipment, pharmaceuticals, tobacco industry; energy: coal mining industry, petroleum, and natural gas
Early recession	Utilities: gas and electricity, telecommunication services
Late recession	Consumer cyclical industries: clothing manufacturing, automobile and truck manufacturing, business goods, construction, consumer goods, entertainment, printing and publishing houses, recreation, restaurants, hotels and motels, retail, rubber and plastic products, textiles, wholesale; financial services: bank services, insurance companies, real estate management, brokerage services

2 Investment activity of Russian public companies: data

Group number	Industry	Number of companies	Estimated period of the increased investment activity
1	Transport	7	Early expansion
2	Mechanical engineering	18	Middle term expansion
3	Oil and gas industry	18	Late expansion
4	Agro-industrial complex (AIC)	10	
5	Telecommunications	7	Early recession
6	Power engineering	54	
7	Trade	10	Late recession

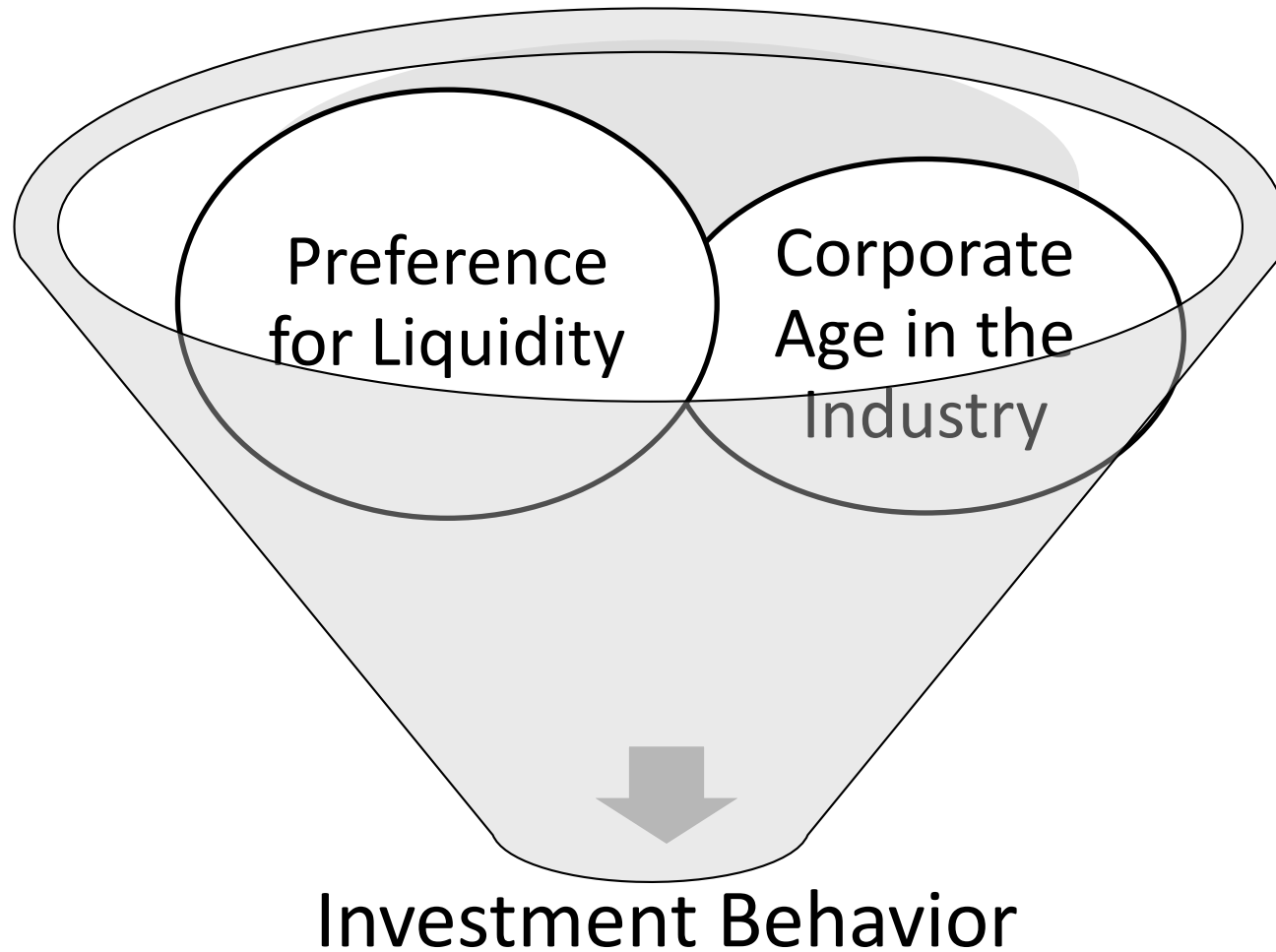
Source : comp. by the authors according to Bloomberg

Capital investment growth rate by groups of companies by specific industries, %, 2009-2018

Group number	1	2	3	4	5	6	7
2009	-62	n/a	24	-45	27	-54	546
2010	1310	n/a	40	-56	-31	60	26
2011	-39	n/a	39	2965	75	116	272
2012	230	477	24	77	228	24	63
2013	-51	-79	-48	-25	-25	-10	64
2014	5	1493	122	-18	6	53	2
2015	-25	75	13	45	15	33	30
2016	-1	-54	7	-21	-15	1	16
2017	35	129	-1	94	-5	8	-3
2018	30	-2	7	-26	7	5	188

Source : comp. by the authors according to Bloomberg

3 Channels of influence of sectoral cycles on business investment activity



Research results and further directions

There is no sufficient evidence to consider the orientation of the investment behaviour of companies on industry cycles as a global trend; the impact of industry cycles on the investment activity of a business has the potential for further research:

- More detailed attention should be paid to the structure of the business cycle
- A separate justification is necessary in relation to the assessment of investment activity
- One should consider the issue of lagging investment activity against the background of the expected inflow of investments, and the lag likely to depend on the industry
- The necessary information about the groups of companies formed according to the concept of sector rotation is limited, the fact that the authors encountered already at the stage of the pilot study



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THANK YOU FOR YOUR ATTENTION!

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