

Fish, Trees Most Likely to Bring Profit

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August 28, 2011



About 77 percent of companies involved in forestry or agriculture are making a profit; in fishing it's 74.9 percent. **Vladimir Filonov**

The overall profit of large and mid-sized companies jumped 40 percent in the first half of this year to reach 4.6 trillion rubles (\$158 billion), while the number of loss-making firms increased slightly, the State Statistics Service said Friday.

Profit was made by 39,300 companies, excluding small businesses, banks, insurance firms and state companies, while 20,900 firms jointly lost 582 billion rubles, the service said on its web site.

In the first half of last year, 41,700 companies earned 3.3 trillion rubles, and 21,800 companies posted a loss of 556.5 billion rubles.

The figures indicate that the domestic economy is gradually recovering after the financial crisis, said Alexei Devyatov, chief economist at UralSib Capital.

"Companies are feeling all right," he said by telephone. "The increase is significant and shows that the economy is recovering after the crisis. It's big progress."

Businesses increased their profit largely due to a conservative hiring policy and lowering costs, said Finam analyst Alexander Osin.

Meanwhile, more companies posted losses in the first half of this year than in 2010. The number grew from 34.4 percent in 2010 to 34.7 percent this year, which Devyatov said might be attributed to the increase of payroll tax.

"According to our estimates, companies will have to pay about 900 billion rubles in payroll taxes this year," he said. "This is quite a big tax load."

The payroll tax, which goes to state social funds like the Pension Fund and the Compulsory Medical Insurance Fund, was increased in January to 34 percent of an employee's annual salary in big companies and 26 percent in small firms. Authorities subsequently agreed that the increase was a mistake.

President Dmitry Medvedev said earlier this year that the size of the tax was a large burden for business and that it must be lowered to 30 percent and 20 percent, respectively, starting Jan. 1 next year.

Prime Minister Vladimir Putin said last week that the decision on lowering the tax is ready and would be announced in the near future.

According to the State Statistics Service, the public utilities sector had the biggest number of loss-making firms, or 52.2 percent of the sector's total.

The profit of public utilities companies depends on fixed tariffs, Devyatov said.

"One should also understand that many of these enterprises are extremely inefficient. Old Soviet-era boiler stations have a low capacity and consume a lot of expensive fuel," he said, adding that public utilities tariffs do not compensate such firms' costs.

The biggest number of profitable companies, or 77 percent, was in the agriculture and forestry sectors, the service said. There are also many profitable companies in retail trade (75.5 percent of the total in that sector) and fishing (74.9 percent).

Losers Per Sector

By percent of companies

1. Public utilities	52.2%
2. Transportation and communications	45.6%
3. Natural resources extraction	38.2%
4. Construction	36.4%
5. Real estate, rentals, services	34.9%

Source: State Statistics Service