

FOREIGN INVESTMENTS IN RUSSIA IN Q1 2013

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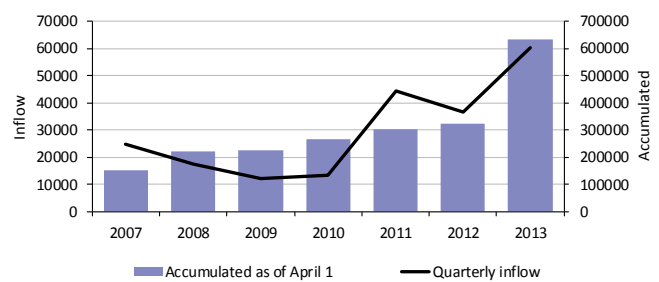
Foreign investment inflow increased 65.4% in Q1 2013. Accumulated foreign investments in Russia's economy increased 0.7% against the beginning of the year. Withdrawn capital saw a 3-fold contraction against January–March 2012, its volume accounting for 40.2% of foreign investment inflow over the period. However, Russian investments in other countries increased to account for 152.7% of the total foreign investments in Russia's economy. Unlike the previous periods, investments in the financial sector lost attractiveness for foreign investors in Q1 2013. The industrial sector was most attractive for foreign investors. Growth in investments in the production industry was supported basically by a substantial growth in investments in coke and oil product industries.

In Q1 2013, foreign investments in the non-financial sector of the Russian economy, net of monetary regulators, commercial and savings banks, including ruble investments converted into US dollars, amounted to \$60,4bn, being 65.4% higher vs. Q1 2012.

In Q1 2013, a capital of \$24,3bn, 32.4% less year on year, was withdrawn as foreign investors' revenues transferred from Russia, as well as payment of interest on and repayment of loans. Therefore, the amount equal to 40.2% of foreign investment inflow was withdrawn in Q1 2013 (98.4% in Q1 2012). In addition, in Q1 2013, Russian investments in other countries increased 91.1% to amount to \$92,3bn or 152.7% of total foreign investments in the Russian economy (the ratio of Russian investments in other countries to foreign investments in the Russian economy was 86.8% in Q1 2012).

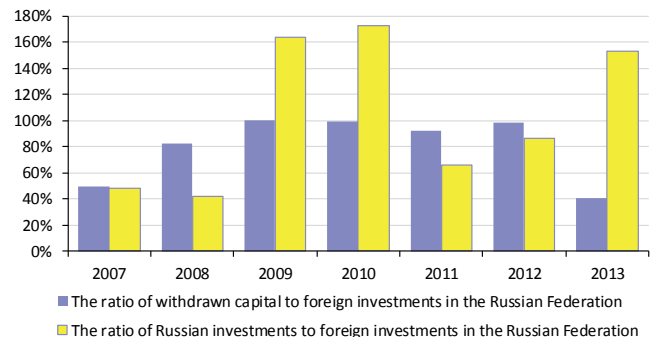
The current year is characterized by mixed trends in foreign investments. In Q1 2013, direct investments showed a growth of 63.2% to \$6,3bn against Q1 2012 (a decrease of 0.7% in Q1 2012). Portfolio investments in January–March 2013 contracted 8.5 times to \$119m (a 8.3-fold increase in Q1 2012). Other investments increased 70.6% up to \$54,0bn (other investments dropped 21.5% in Q1 2012).

The volume of contributions to capital in the direct investment segment declined 38% against Q1 2012 (it remained unchanged in Q1 2012). The share of contributions to capital in the structure of direct foreign investments decreased from 47.9% in Q1 2012 to 18.2% in Q1 2013. Loans from foreign co-owners of organizations increased by 2.8 times (a growth of 2.8% in Q1



Source: Rosstat (Federal State Statistics Service).

Fig. 1. Foreign investments in the Russian economy in Q1 2007 thru 2013, millions of US dollars



Source: Rosstat.

Fig. 2. Capital outflow from the Russian Federation in Q1 2007 thru 2013

2012). Their share in the structure of direct investments increased from 43.8% to 75.0%.

In January thru March 2013, trade credits increased by 19.6% against Q1 2012 (a growth of 18.6% in Q1

Table 1

STRUCTURE OF FOREIGN INVESTMENTS IN THE RUSSIAN FEDERATION IN Q1 2007 THRU 2013

Investments	2007	2008	2009	2010	2011	2012	2013
Direct investments	39.5%	32.4%	26.4%	20.0%	8.8%	10.6%	10.4%
Portfolio investments	0.8%	0.7%	1.0%	2.2%	0.3%	2.8%	0.2%
Other investments	59.6%	66.9%	72.6%	77.8%	90.9%	86.6%	89.4%

Source: Rosstat.

Table 2

SECTORAL STRUCTURE OF FOREIGN INVESTMENTS IN THE RUSSIAN ECONOMY IN Q1 2011 THRU 2013

	Millions of US dollars			As percentage of total			Year-on-year percentage change		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Industrial sector	10,240	13050	44424	23.1	35.7	73.5	127.6	127.4	340.4
Construction industry	96	139	132	0.2	0.4	0.2	42.1	144.8	95.0
Transport and communications	3,632	394	624	8.2	1.1	1.0	240.1	10.8	158.4
Wholesale and retail trade	3,503	3267	8250	7.9	8.9	13.7	249.0	93.3	252.5
Real estate transactions, leasehold and service provision	1,585	2066	1239	3.6	5.7	2.1	171.9	130.3	60.0
Financial sector	25,072	17352	5607	56.5	47.5	9.3	2710.5	69.2	32.3
Other industries	221	266	160	0.5	0.7	0.3	175.4	120.4	60.2

Source: Rosstat.

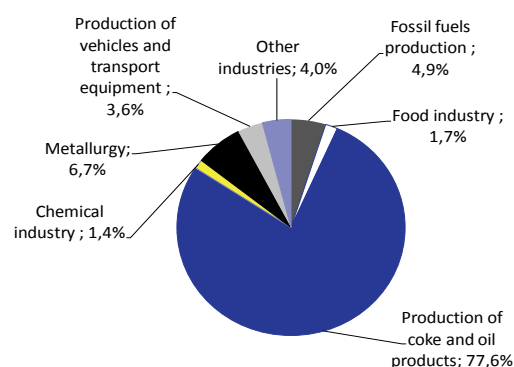
2012), whereas the share of such credits in overall structure of other investments shrank from 18.6% in Q1 2012 to 13.1% in Q1 2013. The volume of other loans, which accounted for 86.6% of total other foreign investments in the Russian economy (54.7% in Q1 2012), doubled (a decline of 33.1% in Q1 2012), of which short-term loans issued for a period of less than 180 days decreased by 3.3 times to \$5,3bn (a decline of 35% in Q1 2012). Long-term loans issued for a period of more than 180 days increased by 7.2 times to \$41,5bn (a decline of 26.7% in Q1 2012).

Portfolio investments contracted in response to a lesser interest in investments in stocks and units which contracted by 15.2 times against January–March 2012 (15.8-fold growth in Q1 2012).

Most of foreign investments were concentrated in the industrial sector. Trade sector was the second-priority target of foreign investors. Financial sector, which saw the lowest inflow of foreign investments, became the third-priority target of foreign investors.

In Q1 2013, foreign investments in the production of fossil fuels amounted to \$2,2bn, being 42.8% lower than in Q1 2012 (a decline of 15.9% in Q1 2012). In general, foreign investments in mining industry contracted by 54.3% to \$2,4bn against Q1 2012 (an increase of 11.5% in Q1 2012).

In January thru March 2013, the volume of foreign investments in the Russian manufacturing sector increased by 5.8 times to \$41,9bn against Q1 2012 (a growth of 30.9% in Q1 2012). Such a substantial growth in foreign investments in the manufacturing sector in Q1 2013 was supported basically through a 22.5-fold growth in investments in the production of coke and oil products up to \$34,5bn (a decline of 11.2% in Q1 2012). In January thru March 2013 investments in metallurgy increased by 49.4% year on year to \$3,0bn (a growth of 85.7% in Q1 2012), in food industry by 17.0% to \$772m (a growth of 57.9% in Q1 2012). In addition, foreign investments in chemical industry kept



Source: Rosstat.

Fig. 3. Sectoral structure of foreign investments in the industrial sector in Q1 2013

declining by 10.7% to \$610m against January–March 2012 (a decline of 4.7% in Q1 2012). Mixed dynamics of foreign investments by sector resulted in substantial changes in the structure of foreign investments in the industrial sector.

The structure of foreign investments in the industrial sector differs from a similar structure of total foreign investments in the Russian economy in a bigger share of other investments and small share of direct investments. In January–March 2013, direct investments in the industrial sector contracted by 3.2% against Q1 2012 (a decline of 24.6% in Q1 2012), whereas other investments in the industrial sector increased 3.4 times (a growth of 35.1% in Q1 2012), thereby reducing a share of direct investments in the structure of foreign investments in the industrial sector. Portfolio investments were almost discontinued.

Direct investments in the industrial sector in Q1 2012 accounted for 33.1% of total direct foreign investments in the Russian economy (55.8% in Q1 2012).

In Q1 2013, France (\$8,3bn), the United States (\$6,9bn), the Netherlands (\$6,8bn), Luxemburg (\$6,2bn), and Great Britain (\$6,0bn) accounted for a

FOREIGN INVESTMENTS IN THE INDUSTRIAL SECTOR IN Q1 2007–2013

	2007	2008	2009	2010	2011	2012	2013
Direct investments	70.3%	46.0%	30.4%	19.1%	27.9%	16.5%	4.7%
Portfolio investments	1.0%	1.2%	0.1%	1.6%	0.5%	7.6%	0.03%
Other investments	28.7%	52.8%	69.5%	79.3%	71.6%	75.8%	95.27%

Source: Rosstat.

major part of foreign investments in the Russian economy. Investments from these countries accounted for 56.6% of total foreign investments in the Russian Federation (the top-5 investors in the Russian economy accounted for 76.5% of total investments in this country in Q1 2012).

France became a leader in the list of major investors in the Russian Federation (in Q1 2012, France was ranked among the top-10 investors in the Russian economy). A major part of French investments in Q1 2013 was concentrated in the production of coke and oil products (91.3% of total French investments in the Russian Federation). France accounted for 22.0% of total foreign investments in this sector in Q1 2013.

In January thru March 2013, U.S. investments in the Russian economy increased by 5.7 times against Q1 2012 (a 3.8-fold growth in Q1 2012). A major part of U.S. investments in 2013 was focused on the production of coke and oil products (\$6,5bn) (93.9% of US investments in the Russian Federation and 18.8% of total foreign investments in this sector). In Q1 2012, U.S. investments were focused on metallurgy, accounting for 74.0% of total US investments in the Russian Federation and 45.2% of total foreign investments in this sector.

Dutch investments in the Russian Federation in January thru March 2013 increased by 1.9 times year on year (a decline of 10.6% in Q1 2012). Dutch investments in the manufacturing industry totaled \$4,7bn (68.4% of total Dutch investments in the Russian economy and 11.1% of total investments foreign investments in this sector), and real estate transactions amounted to \$500m (7.3% and 40.4%). In Q1 2012, a major part of Dutch investments (\$2,6bn or 72.6% of total Dutch investments in the Russian Federation) was concentrated in the mining industry and accounted for 49.4% of total foreign investments in this sector.

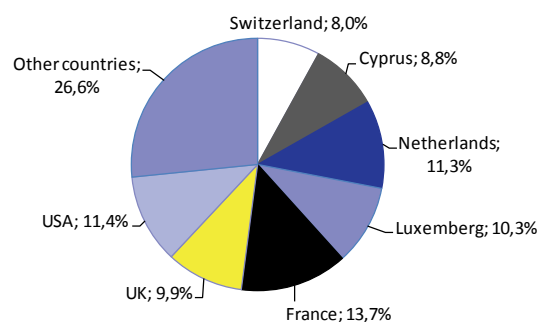


Fig. 4. Geographic structure of foreign investments in the Russian Federation in Q1 2013

UK investments in the Russian Federation tripled against January–March 2012 (a decline of 10.1% in Q1 2012), being focused on the production of coke and oil products (\$5,0bn) (82.8% of total UK investments in the Russian economy and 14.4% of total foreign investments in the sector).

Luxemburg investments in the Russian Federation in 2013 increased by 3.8 times against Q1 2012 (a decline of 28.2% in Q1 2012), being focused on trade: investments in this sector amounted to \$3,6bn (58.6% of total Luxemburg investments in the Russian Federation and 44.1% foreign investments in the sector).

Switzerland showed the lowest level of investments among top-investors in the Russian economy in January thru March 2013, 73.0%, year on year, about \$5,0bn, whereas China showed a biggest 17.5-fold growth up to \$2,2bn.

In general, as of the end of March 2013, accumulated foreign investments in the Russian economy reached \$364,9bn, being 12.9% higher year on year and 0.7% higher against the level registered as of January 1, 2013.