

FOREIGN INVESTMENTS IN THE RUSSIAN ECONOMY IN H1 2013

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In the first six months, growth in foreign investments in the Russian economy was registered. The highest growth rates were observed with the direct investments segment whose unit weight in the aggregate indices rose to 12.3%. The volume of the withdrawn capital amounted to 63.2% of the volume of foreign investments received in the above period. In the first six months of 2013, investments from Russia abroad kept growing having exceeded by 27.9% the volume of foreign investments received within the above period.

In the first six months of 2013, foreign investments in the Russian economy amounted to \$98.8bn which is 32.1% higher than the index of the respective period of 2012. Tangible growth in foreign investments in the first six months of 2013 was ensured by their growth in the 1st quarter, while in the 2nd quarter the inflow of foreign investments corresponded to the indices of the respective period of 2012.

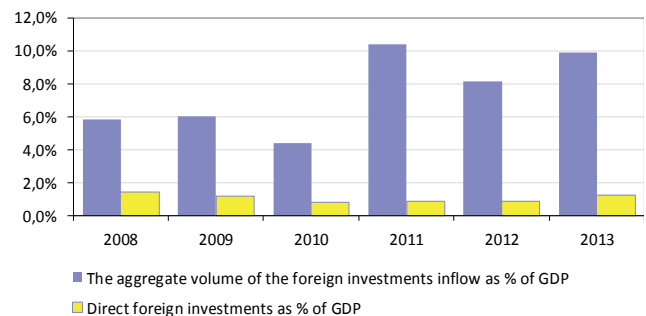
In the first six months of 2013, the level of inflow of foreign investments in shares of GDP grew as compared to the previous similar period.

As of July 1, 2013, the accumulated foreign investments in the Russian economy, including investments from CIS states amounted to \$370.6bn which is 10.7% and 2.3% higher than the indices as of July 1, 2012 and January 1, 2013, respectively.

In the first six months of 2013, \$62.5bn was withdrawn abroad as income of foreign investors and interest payments for utilization of loans and repayment of loans; the above value was 7.4% lower than the index in the first six months of 2012. In the first six months of 2013, the volume of the withdrawn capital amounted to 63.2% of the volume of the received foreign investments (in the first six months of 2012 90.2% of the volume of the received foreign investments was withdrawn). It is to be noted that in the 2nd quarter of 2013 the ratio amounted to 99.5% (in the 2nd quarter of 2012 that index amounted to 82.4%).

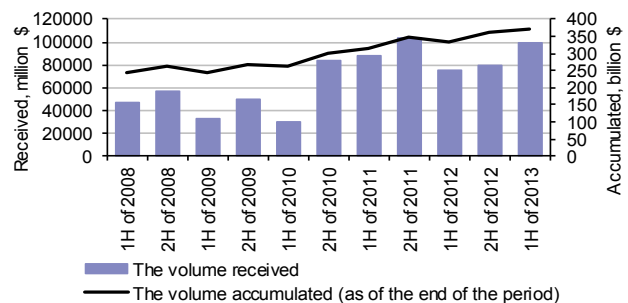
In the pattern of foreign investment in the Russian economy, other investments account for a major portion (Fig. 3).

On the basis of the results of the first six months of 2013, direct foreign investments amounted to \$12.1bn which is 59.8% higher than the level of January–June 2012. Higher growth rates of direct investments as compared to those of other investments and aggregate foreign investments resulted in growth in unit weight of direct investments in the aggregate pattern from 10.2% in the first six months of 2012 to 12.3% in the first six months of 2013. As in 2012, in the 2nd quarter of 2013 a 7.4% decrease in the inflow of



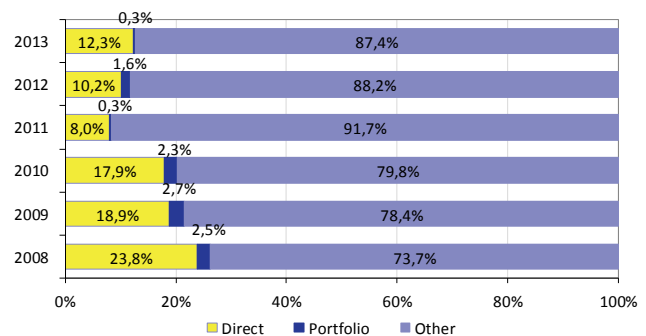
Source: Rosstat.

Fig. 1. The level of inflow of foreign investments in the Russian economy in the first six months of 2008–2013, % of GDP



Source: Rosstat.

Fig. 2. Dynamics of the volume of foreign investments in the Russian economy (without taking into account monetary control and the banking sector)



Source: Rosstat.

Fig. 3. The pattern of foreign investments in the Russian economy in the first six months of 2008–2013

Table 1

SECTORIAL PATTERN OF FOREIGN INVESTMENTS IN THE RUSSIAN ECONOMY IN THE FIRST SIX MONTHS OF 2010–2013

	Million US dollars				% of the result			
	2010	2011	2012	2013	2010	2011	2012	2013
Industry	18 047	28 149	29 959	65 658	59.4	32.1	40.1	66.5
Transport and communications	3 082	4 751	2 634	2 098	10.1	5.4	3.5	2.1
Commerce and public catering	4 620	6 788	8 723	15 146	15.2	7.7	11.6	15.3
Real estate operations, leasehold and rendering of services	2 553	2 956	3 705	3 849	8.4	3.4	5.0	3.9
Finances, lending, insurance and retirement insurance	1 321	44 432	29 004	11 318	4.4	50.7	38.8	11.5
Other sectors	761	622	764	726	2.5	0.7	1.0	0.7

Source: Rosstat.

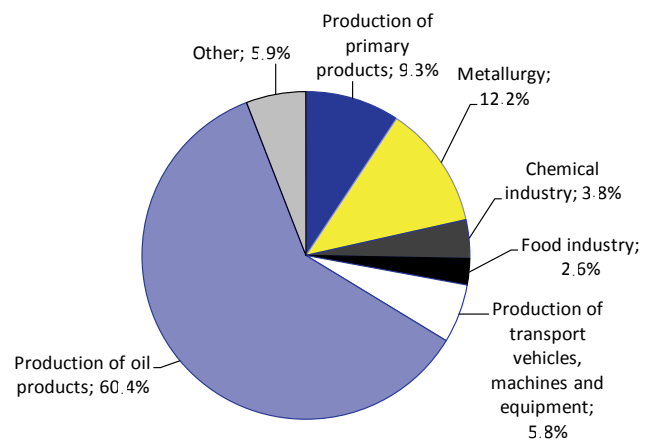
direct foreign investments as compared to the previous quarter was observed (in the 2nd quarter of 2012 a decrease amounted to 3.3%). At the same time, in the 2nd quarter a 56.2% growth was registered as compared to the respective period of the previous year.

In the first six months of 2013, sectorial pattern of investments in the Russian economy is characterized by a significant drop in investments in the financial sector (a 61.0% drop as compared to the first six months of 2012). So, the above sector of the economy moved in the sectorial pattern of foreign investments in the Russian economy from the first position in 2011 and the second position in 2012 to the third position after the industry and commerce (Table 1).

In the first six months of 2013, the volume of foreign investments in industry rose by 120% as compared to the respective period of 2012. Foreign investments in commerce and public catering increased by 73.6%, while those in operations with real estate, by 3.9%. Investments in transport and communications decreased by 20.3%.

In the first six months of 2013, manufacturing industries remained the most attractive ones in industry in general with \$58.6bn invested in them (a 220% growth) or 89.3% of aggregate investments in industry (in the first six months of 2012 – \$18.5bn or 61.8%). In the period under review, investments in production of primary products fell by 41.3% to \$6.1bn, while those in iron and steel industry, by 54.6% to \$8.0bn. Investments in production of charred coal and oil products increased by 430% to \$39.7bn, while those in food industry, by 52.7% to \$1.7bn. So, in 2013 the pattern of foreign investments in industry looks as follows (Fig. 4).

In the first six months of 2013, as compared to the first six months of 2012 the share of direct foreign investments in the pattern of investments in industry fell from 14.6% to 6.9%. In the period under review, the shares of other investments and portfolio invest-



Source: Rosstat.

Fig. 4. The pattern of foreign investments in industry in the first six months of 2013

ments in industry were estimated at 92.8% and 0.3%, respectively (in the first six months of 2012 – 81.8% and 3.6%).

In the first six months of 2013, industry accounted for 37.4%, 56.8% and 70.6% of the aggregate direct investments, portfolio investments and other foreign investments, respectively, in the Russian economy (in the first six months of 2012 – 57.6%, 90.5% and 70.6%) (Table 2).

In the first six months of 2013, 11.2% of foreign investments from direct investors were made in the primary sector (17.6% in the first six months of 2012). Manufacturing industry accounted for 25.8% of the aggregate direct foreign investments in the Russian economy (37.4% in the first six months of 2012), while commerce and real estate operations and rendering of services, for 30.6% (11.3% in the first six months of 2012) and 21.6% (17.9% in the first six months of 2012), respectively.

In the first six months of 2013, the priority areas for portfolio investments were production of power, gas

Table 2

THE PATTERN OF FOREIGN INVESTMENTS IN INDUSTRY IN THE FIRST SIX MONTHS OF 2013

	In million \$			% of the first six months of 2012		
	direct	portfolio	other	direct	portfolio	other
Industry	4 535	185.1	60 938	103.6	17.1	248.7
including:						
Production of primary products	1 354	0.1	4 766	101.2	2.0	52.4
Iron and steel industry	192	3	7 818	369.2	0.3	301.2
Chemical industry	278	1	2 237	190.4	100.0	155.0
Food industry	310	1	1404	61.4	100.0	227.6
Production of charred coal and oil products	12		34470	54.5		460.2
Other industry	2 389	180	10 243	103.2	151.3	313.4

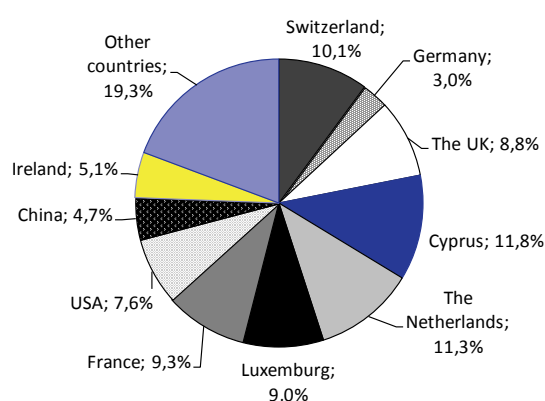
Source: Rosstat

and water in which sector 43.3% of the aggregate volume of portfolio investments in the Russian economy was made (8.7% in the first six months of 2012), while manufacturing industry accounted for 13.5% of portfolio foreign investments (81.4% in the first six months of 2012).

In the first six months of 2013, manufacturing industry accounted for the largest volume of other investments, that is, 64.2% of the aggregate volume of other investments in the Russian economy (22.3% in the first six months of 2012). Commerce and the financial sector accounted for 13.1% (11.9% in the first six months of 2012) and 12.5% (43,2%) of the aggregate volume of other investments, respectively, while production of primary products, for 5.5% (13.8%); transport and communications attracted 1.9% (3,6%) of other foreign investments.

In the geographic pattern of foreign investments attracted in the first six months of 2013, in the list of countries which were major capital exporters to the Russian economy the leader was Cyprus whose investments in the Russian economy rose by 87.9% as compared to the first six months of 2012 and amounted to \$11.6bn or 11.8% of the aggregate volume of foreign investments in the Russian economy; 41.0% of that volume was invested in commerce (*Fig. 5*).

In the first six months of 2013, the Netherlands, the UK and Luxemburg increased its investments by 20.3% to \$11.2bn, 15.4% to \$8.7bn and 370% to \$8.9bn, respectively. On the basis of the results of the first six months of 2013, Germany increased its investments in the Russian economy by 15.8% to \$3.0bn as compared to the respective period of 2012. In the above period, a drop in investments was registered with Switzerland, the leader as regards investments in the Russian Federation in the first six months of 2012 (a drop of 66.7%). On the basis of the results of the first six months of 2013, the first dozen countries – exporters of capital to the Russian



Source: Rosstat.

Fig. 5. The geographic structure of foreign investments in the Russian economy in the first six months of 2013

Federation – included the USA which made \$7.6bn worth of investments in Russia.

In the first six months of 2013, the ten largest investors in the Russian economy accounted for 84.2% of the aggregate volume of the accumulated foreign investments as of July 1 (84.7% in the first six months of 2012), including: 74.3% (78.1% in the first six months of 2012) of the direct accumulated investments and 77.6% (82.2%) and 89.2% (89.4%) of portfolio and other accumulated investments, respectively (*Table 3*).

In the first six months of 2013, investments from Russia abroad grew by 81.8% to \$126.4bn having accounted for 127.9% of the volume of foreign investments in the Russian economy in January–June 2013 (92.9% in the first six months of 2012). The Virgin Islands accounted for the main volume of investments from Russia – \$58.8bn – (46.1% of the aggregate investments from Russia abroad in the first six months of 2013), while Switzerland, Austria, Cyprus and the Netherlands, for 19.1% (\$24.1bn), 7.6% (\$9.6bn), 5.8% (\$7.4bn) and 4.3% (\$5.4bn), respectively.

Table 3

**CHANGES IN THE ACCUMULATED FOREIGN INVESTMENTS BY THE MAIN INVESTOR-COUNTRIES
AS OF JULY 1, 2013**

	% of those as of July 1, 2012				% of those as of July 1, 2013			
	Total	Direct	Portfolio	Other	Total	Direct	Portfolio	Other
Ireland	83.0	55.4	80.0	84.3	83.4	52.2	400.0	85.0
Germany	85.3	100.8	100.0	76.1	87.0	96.5	100.0	80.8
Japan	175.7	112.3	50.0	177.8	130.4	129.9	200.0	130.4
The UK	79.3	98.6	170.0	64.1	79.5	94.9	141.7	66.5
Cyprus	101.8	81.9	125.0	103.9	97.3	64.8	83.3	101.5
The Netherlands	96.6	70.8	100.0	100.3	93.2	69.1	96.3	96.6
Luxemburg	90.8	82.0	61.3	116.2	84.2	77.4	63.7	102.2
China	119.6	102.2	637.5	131.1	108.2	108.0	239.1	108.1
Other countries	130.7	109.0	172.4	131.3	112.2	92.9	83.9	113.0
Total	116.4	108.2	1500.0	116.7	115.4	94.7	375.0	116.5

Source: Rosstat.