

FOREIGN INVESTMENTS IN JANUARY–SEPTEMBER 2013

E.Lukhina

In January–September 2013, as compared to the respective period of the previous year foreign investments into Russian economy rose by 15.7% which is justified by growth in direct investments and other investments carried out on a recurrent basis. The shares of the above investments in the aggregate pattern of foreign investments amounted to 14.1% and 85.6%, respectively. The share of portfolio investments is estimated at 0.3%. The industry has become the most attractive area for foreign investors. Within nine months of 2013, the largest volume of investments to the Russian Federation came from Switzerland, that is, 14.5% of all the foreign investments in the Russian economy. The volume of the withdrawn capital fell by 9.2% and amounted to 68.4% of the volume of the received foreign investments.

As of the end of September 2013, the accumulated foreign capital in the Russian Federation without taking into account the monetary authorities and commercial and savings banks, but including ruble investments recalculated into US dollars amounted to \$379.3bn which is 4.7% and 7.3% higher than the index as of January 1, 2013 and the index of October 1, 2012, respectively.

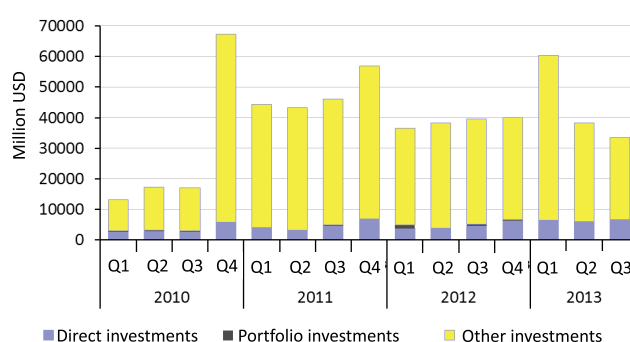
In 2013, the total volume of the received foreign investments into the Russian economy increased thanks to growth both in direct and other investments.

In 2013, the quarterly volume of foreign investments kept steadily decreasing from \$61.4m in the 1st quarter to \$33.6m in the 3rd quarter. In the 3rd quarter of 2013, a 15.3% decrease was registered as compared to the respective period of 2012.

Growth in direct investments by foreign investors into the Russian economy as compared to the respective periods of the previous year was registered during the three quarters of 2013 (in the 3rd quarter of 2013 growth amounted to 38.3%).

A drop in other investments as compared to the respective periods of 2012 was observed for two quarters running (in the 3rd quarter of 2012 a decrease amounted to 22.0%).

In the portfolio investments segment, in the 3rd quarter of 2013 a drop as compared to the respective period of 2012 was registered, too (it amounted to 69.6%).



Source: The Rosstat.

Fig. 1. Quarterly dynamics of foreign investments into the Russian Federation in 2010–2013

Different quarterly dynamics by the lines of foreign investments into the Russian economy demonstrates the following changes in the pattern of foreign investments: on the basis of the results of nine months of 2013 the shares of other investments and portfolio foreign investments fell to 85.6% and 0.3%, respectively (for nine months of 2012 – 87.9% and 1.84%, respectively), while the unit weight of direct investments rose to 14.1% (for nine months of 2012 – 10.7%).

In the 3rd quarter of 2013, concentration of foreign investments in the financial sector, industry and commerce remained with 88.2% of the aggregate volume of foreign investments into the Russian Federation directed into the above areas (96.4% and 88.2% in the 1st quarter and 2nd

Table 1

THE PATTERN OF FOREIGN INVESTMENTS INTO THE RUSSIAN ECONOMY IN JANUARY–SEPTEMBER 2010–2013

	In million USD				As % of the previous year			
	Total	Direct	Portfolio	Other	Total	Direct	Portfolio	Other
2010	47 488	8 196	866	38 426	86.8	82.2	85.0	87.8
2011	133 784	11 736	535	121 513	281.7	143.2	61.8	316.2
2012	114 463	12 277	1 571	100 615	85.6	104.6	293.6	82.8
2013	132 385	18 610	441	113 334	115.7	151.6	28.1	112.6

Source: The Rosstat.

Table 2

SECTORIAL STRUCTURE OF FOREIGN INVESTMENTS INTO THE RUSSIAN ECONOMY IN JANUARY–SEPTEMBER 2011–2013

	In million USD			Change as % of the previous year			As % of the total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Industry	44 291	46 343	83 721	158.1	104.6	180.7	33.1	40.5	63.2
Transport and communications	5 494	3 377	3 190	139	61.5	94.5	4.1	3.0	2.4
Wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal demand articles	12 363	18 074	22 463	142.3	146.2	124.3	9.2	15.8	17.0
Operations with real-estate, leasehold and rendering of services	4 782	7 150	6 337	124.4	149.5	88.6	3.6	6.2	4.8
Financial activities	65 711	38 300	15 579	3725.1	58.3	40.7	49.1	33.5	11.8
Other industries	1 143	1 219	1 095	93.8	106.6	89.8	0.9	1.1	0.8

Source: The Rosstat.

quarter of 2012, respectively). It is to be noted that in the 3rd quarter of 2013 foreign investments in industry rose by 10.2% as compared to the 3rd quarter of 2012, while those in commerce and the financial sector fell by 21.8% and 54.2%, respectively.

On the basis of the results of nine months of 2013, foreign investments into the financial sector fell 59.3% as compared to January–September 2012, while those in industry and commerce rose by 80.7% and 24.3%, respectively. Substantial growth in investments into industry with more moderate growth in investments in other sectors of the economy resulted in changes in the sectorial pattern of foreign investments as compared to the previous year.

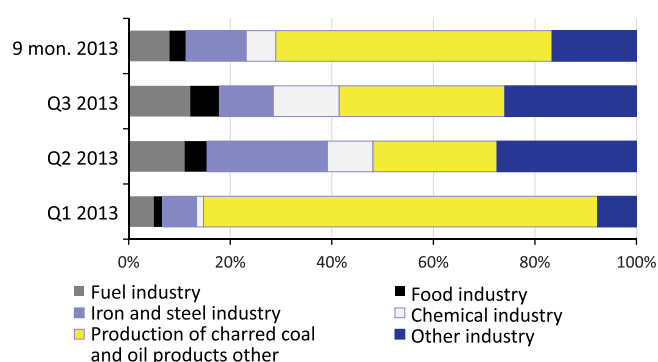
On the basis of the results of 9 months of 2013, in the pattern of foreign investments into industry the leader of growth was the manufacturing industry. As compared to January–September 2012, investments into that industry rose 2.4 times over (in 2012 growth amounted to 11.1%). Within the nine months of 2013, foreign investments into production of primary products were 35.5% less than in January–March 2012 (a 10.5% decrease was registered in 2012). It is to be noted that in the 3rd quarter of 2013 growth of 8.5% in foreign investments into production of primary products was registered as compared to the 3rd quarter of 2012, while in the above period the growth rates of investments into manufacturing industries slowed down to 0.7%.

On the basis of the results of the nine months of 2013, in the manufacturing industry investments into production of charred coal and oil products increased 3.7 times over to \$45.6bn. The above growth was primarily ensured at the expense of investments in the 1st quarter, while in the 3rd quarter of 2013 investments in that industry rose by 22.0% as compared to the 3rd quarter of 2012. In January–September 2013, invest-

ments into the chemical industry amounted to \$4.9bn which is 100% higher than the respective index of 2012 (in the 3rd quarter of 2013 foreign investments into the chemical industry rose 2.9 times over). During the nine months of 2013, as compared to the same period of 2012 foreign investments into the iron and steel industry rose by 43.4% to \$9.9bn (growth in that industry was ensured by investments in the 2nd quarter, while in the 3rd quarter a decrease against the respective period of the previous year amounted to 42.3%). In 2013, a drop in foreign investments into the fuel industry was registered on a quarterly basis; on the basis of the results of nine months investments into that industry amounted to \$6.7bn which is 44.8% lower than in the respective period of 2012.

Differences in the dynamics by sectors were reflected in a change in the quarterly sectorial pattern of foreign investments into industry.

On the basis of the results of the nine months of 2013, the unit weight of direct investments into industry decreased as compared to the previous year from



Source: The Rosstat.

Fig. 2. The pattern of foreign investments into industry by the sector in January–September 2013

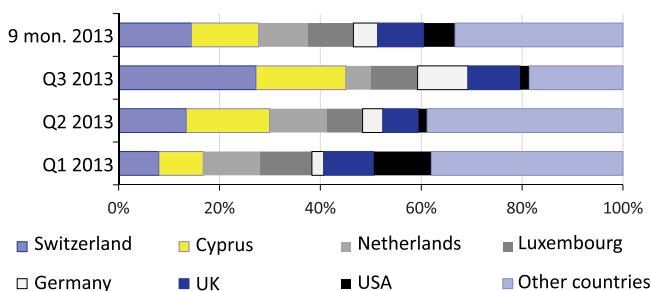
14.4% to 9.7%, while the share of other investments rose within that period from 83.0% to 90.0%.

In January–September 2013, in production of primary products direct investments, portfolio investments and other investments decreased by 1.5%, 54.8% and 41.8%, respectively, which situation resulted in growth in the share of direct investments in the total investments in industry from 15.8% in January–September 2012 to 24.1%. The share of other investments into industry decreased from 83.7% to 75.5%, while that of portfolio investments, from 0.4% to 0.3%.

On the basis of the results of 9 months of 2013, in the manufacturing industry other investments which rose 2.6 times over as compared to January–September 2012 accounted for the main portion of foreign investments, too. Direct investments in the manufacturing industry rose by 38.3%, while portfolio investments decreased 22.4 times over. On the basis of the results of the nine months of 2013, lower growth rates of direct foreign investments in the manufacturing industry and reduction of portfolio investments resulted in a drop in their unit weight in the manufacturing industry from 13.6% to 7.9% and from 3.3% to 0.1%, respectively. On the contrary, the share of other investments in the manufacturing industry rose from 83.2% to 92.0%.

Within the nine months of 2013, in the geographical pattern of foreign investments into the Russian economy the leader was Switzerland which accounted for more than \$19bn; Cyprus with \$17.6bn worth of investments and the Netherlands with \$12.8bn worth of investments into the Russian economy were rated the second and the third, respectively.

On the basis of the results of the nine months of 2013, investments from Switzerland decreased by 50% as compared to the same period of 2012. The financial sector was the most attractive line for investors from Switzerland. The financial sector of the Russian economy accounted for 66.1% of the total investments in the Russian Federation from Switzerland and 81.3% of all the foreign investments in that sector.



Source: The Rosstat

Fig. 3. The pattern of foreign investments into the Russian Federation by the main investor-countries in January–September 2013

In January–September 2013, investments from Cyprus grew by 49.4% as compared to the previous year. In 2013, investors from Cyprus took interest in commerce, real estate operations and production of primary products; they invested in the above sectors 43.8%, 16.7% and 14.2% of their aggregate investments in the Russian Federation, respectively. The unit weight of investments from Cyprus into commerce amounted to 34.3%.

In 2013, investments from the Netherlands decreased by 18.3% as compared to January–September 2012. Within the nine months of 2013, investments from the Netherlands into production of fuel and energy primary products decreased by 86.5%. So, the share of production of primary products in the pattern of investments from the Netherlands decreased from 44.2% in January–September 2012 to 7.3% in 2013. In 2013, investors from the Netherlands took high interest in manufacturing industries in which they directed 55.5% of their investments or 9.7% of investments in that sector of the economy.

On the basis of the results of the nine months of 2013, the highest growth rates of investments into the Russian economy among the main investor-countries were registered with China (the growth rates increased 8.5 times over to \$4.9bn as compared to January–September 2012), France (2.8 times over to \$9.7bn) and Luxemburg (2.2 times over to \$12.1bn).

On the basis of the results of January–September 2013, in the total volume of the accumulated foreign investments the leaders are Cyprus, the Netherlands, Luxemburg, China and the UK whose share amounted to 62.9% (on the basis of the results of the nine months of 2012 the top five investor-countries into the Russian Federation accounted for 65.7%). The share of the top five investor-countries in the segment of direct investments remained virtually unchanged (59.3%); their unit weight in the structure of portfolio investments and other investments amounted to 51.4% and 64.8%, respectively (60.5% and 69.8% in January–September 2012, respectively).

On the basis of the results of the nine months of 2013, the volume of the withdrawn capital in the form of the income of foreign investors transferred to abroad, as well as payments of interests for utilization of loans and repayment of loans decreased by 9.2% as compared to the respective period of 2012 and amounted to \$90.5bn or 68.4% of foreign investments received within the nine months of 2013 (87.1% within the nine months of 2012). It is to be noted that if in the 1st quarter and the 2nd quarter of 2013 40.2% and 99.5% of the volume of foreign investments received in that period was withdrawn, respectively, in the 3rd quarter that index amounted 83.5%.

On the basis of the results of the nine months of 2013, investments from Russia to abroad amounted to 123.3% of the volume of the investments into the Russian economy (95.6% within the nine months of 2012). In the 1st quarter and the 2nd quarter of 2013, correlation between investments from Russia and foreign

investments in the Russian economy was estimated at 152.7% and 88.8%, respectively. In the 3rd quarter of 2013, investments from the Russian Federation to abroad amounted to 109.9% of foreign investments received in that period. ●