

FOREIGN INVESTMENTS IN RUSSIA IN 2012

I.Ilukhina

In 2012, a decline in foreign investors' activities in the Russian Federation was observed. The inflow of foreign investments as a share of GDP decreased by 2.3 p.p. as compared to 2011. Foreign investments concentrated mainly in the industry and the financial sector. In the industry, the leaders were manufacturing industries. As the geographic pattern of foreign investments is concerned, the largest volume of investments into the Russian Federation came from Switzerland, the Netherlands and Cyprus.

On the basis of the results of 2012, a decrease of 18.9% to \$154.6bn in the aggregate foreign investments in the Russian economy as compared to 2011 was observed. The highest rates of decrease as compared to the same period of 2011 were registered in the 4th quarter of 2012 (-29.5%). The inflow of foreign investments as a share of GDP fell from 10.0% in 2011 to 7.7% in 2012.

Despite the decrease, in 2012 the volume foreign investments in the Russian economy was still above the pre-crisis level.

Table 1

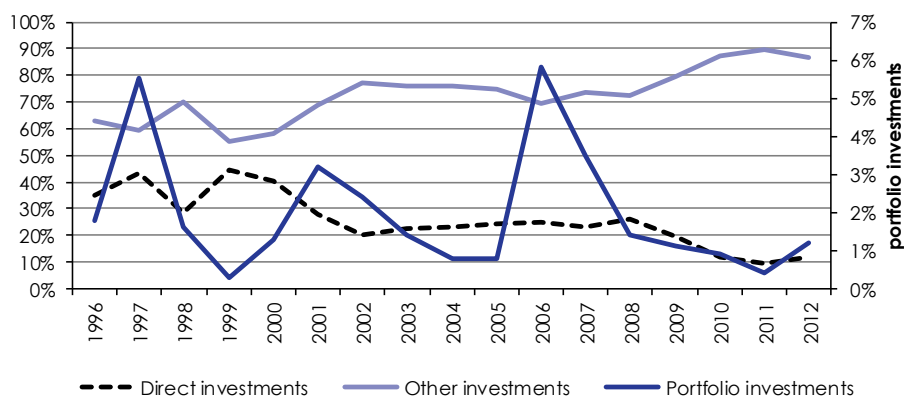
THE PATTERN OF FOREIGN INVESTMENTS IN THE RUSSIAN ECONOMY

	Million USD				as % of the previous year			
	Total	Direct	Portfolio	Other	Total	Direct	Portfolio	Other
2007	120 941	27 797	4 194	88 950	219,5	203,2	131,8	232,6
2008	103 769	27 027	1 415	75 327	85,8	97,2	33,7	84,7
2009	81 927	15 906	882	65 139	79,0	58,9	62,3	86,5
2010	114 746	13 810	1 076	99 860	140,1	86,8	121,9	153,3
2011	190 643	18 415	805	171 423	166,1	133,3	74,9	171,7
2012	154 570	18 666	1 816	134 088	81,1	101,4	в 2,3 раза	78,2

Source: Rosstat.

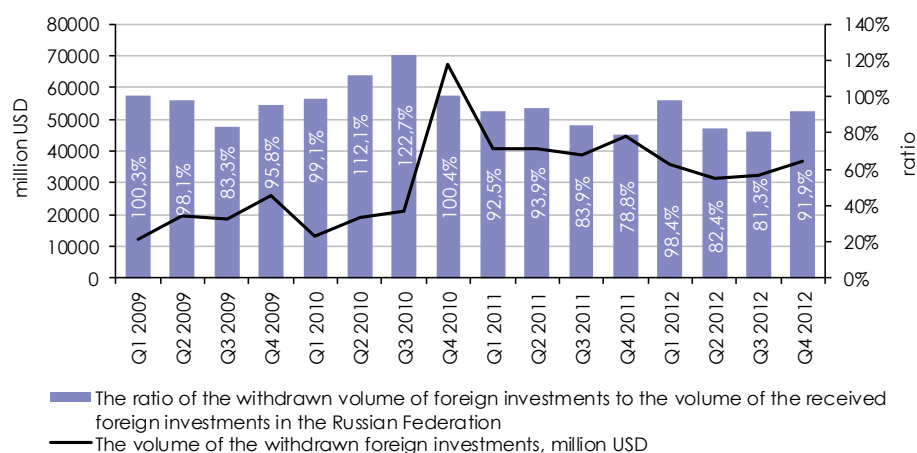
In the pattern of foreign investments in the Russian economy in 2012, the volume of “other investments” turned out to be lower than that of the previous year – a decrease of \$37,3bn on a year-on-year basis. The share of trade credits in the structure of “other investments” rose from 16.2% in 2011 to 20.9% in 2012. As regards terms of borrowing, the share of loans with a maturity period of over six months rose to 39.5% as compared to 28.3% in 2011. The unit weight of loans extended for the period of less than six months dropped to 33.2% (53.4% in 2011).

In 2012, direct investments increased by \$251m. Contributions to the charter capital and loans received from foreign co-owners of companies accounted for the main volume of direct foreign investments. On the basis of the results of 2012, contributions to the charter capital rose by 1.9% to \$9.2bn. Loans received from foreign co-owners of companies increased



Source: Rosstat.

Fig. 1. The pattern of foreign investments in the Russian economy in the 1996–2012 period



Source: Rosstat.

Fig. 2. Withdrawal of foreign capital from the Russian economy in the 2009–2012 period

by 2.3% to \$7.7bn. So, the unit weight of loans received from foreign co-owners of companies in the structure of direct foreign investments in the Russian Federation rose from 40.7% in 2011 to 41.1% in 2012, while the share of contributions to the charter capital remained at the level of the previous year and amounted to 49.5% (49.3% in 2011).

In 2012, in the segment of portfolio investments in the Russian economy growth of 130% as compared to 2011 was registered. It is to be

noted that in the pattern of those investments growth of 170% in investments in shares and interests was registered and, as a result, their unit weight rose from 71.7% in 2011 to 84.4% in 2012.

On the basis of the results of 2012, \$136.6bn worth of income of foreign investors and interest payments for utilization and repayment of loans was taken abroad which figure is 17.3% lower than the index of 2011. Generally, in 2012 88.3% of the volume of the received foreign investments was withdrawn (86.6% in 2011).

In 2012, priority areas to foreign investors were still the industry, financial sector and trade. The above sectors of the Russian economy accounted for 89.3% of the aggregate volume of the received foreign investments in the Russian Federation (90.5% in 2011). Investors' interest in industry, trade and real-estate operations rose with the continued decrease in investments in transport and communications and reduction of investments in the financial sector. Distribution of foreign investments by the main sectors of the Russian economy is shown in *Table 2*.

Table 2

SECTORIAL STRUCTURE OF FOREIGN INVESTMENTS IN THE RUSSIAN ECONOMY IN THE 2010–2012 PERIOD

	Million USD			Change, % of the previous year			% of the total		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Industry	47 558	61 145	69 201	144.2	128.6	113.2	41.4	32.1	44.8%
Transport and communications	6 576	5 943	4 622	47.8	90.4	77.8	5.7	3.1	3.0%
Wholesale and retail trade; repair of motor vehicles, motorcycles, household appliances and personal demand items	13 334	24 456	25 379	58.5	183.4	103.8	11.6	12.8	16.4%
Transactions with real estate, leasehold and rendering of services	7 341	9 237	10 035	92.5	125.8	108.6	6.4	4.8	6.5%
Financial activities	37 913	86 885	43 395	1426.3	229.2	49.9	33.0	45.6	28.1%
Other sectors	2 024	2 977	1 938	111.8	148.1	65.1	1.8	1.6	1.2%

Source: Rosstat.

The analysis of the quarterly dynamics of foreign investments in industry in 2012 as compared to the same period of 2011 pointed to tangible growth in foreign investments during the 1st quarter and the 2nd quarter of 2012 where the volumes exceeded by 27.4% and 35.6%, respectively, the indices of the respective quarters of 2011.

In 2012, foreign investments in trade in the 2nd quarter and the 3rd quarter kept growing having exceeded the respective indices of 2011 by 66.1% and 67.7%. In the 1st quarter and the 4th quarter of 2012, a decrease of 6.7% and 39.6%, respectively, was registered on the similar periods of 2011.

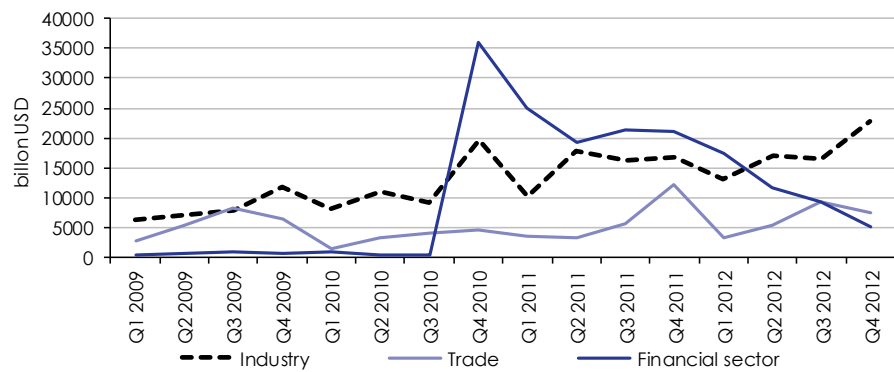
In 2012, investments in the financial sector kept steadily declining. If in the 1st quarter of 2012 the reduction amounted to 30.8% as compared to the 1st quarter of 2011, in the 4th quarter 2012 investments in the financial sector were 4.2 times lower than the index of the 4th quarter of 2011.

In 2012, in the pattern of foreign investments in the industry the leaders of growth were manufacturing industries. As compared to 2011, investments in manufacturing industries rose by 19.8% (in 2011 growth amounted to 23.9%). Foreign investments in production of primary products decreased by 2.6% (in 2011 growth amounted to 34.5%).

Late in 2012, foreign investments in production of primary products and manufacturing industries demonstrated tangible growth as compared to the respective indices of the end of 2011.

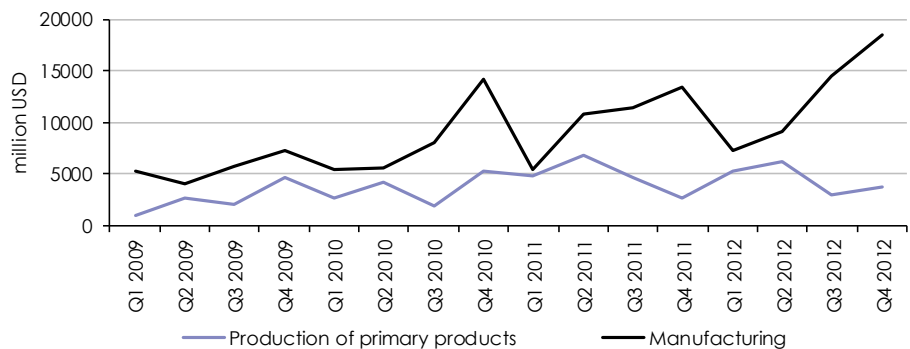
In the manufacturing sector, investments in production of charred coal and oil products increased by 22.4%, while those in the iron and steel industry, by 43.3% amounting to \$19.4bn and \$13.1bn, respectively (in 2011 investments in production of charred coal and oil products rose by 19.4%, while those in the iron and steel industry, by 21.1%). In 2012, foreign investments in the chemical industry and food industry decreased by 31.8% and 6.6% to \$3.0bn and \$2.9bn, respectively (in 2011 growth of 100% and 10.6% in investments in the above industries was registered, respectively).

In the 4th quarter of 2012, investments in the fuel industry and iron and steel industry rose by 80% and 100%, respectively, as compared to the same period of 2011, while investments in the



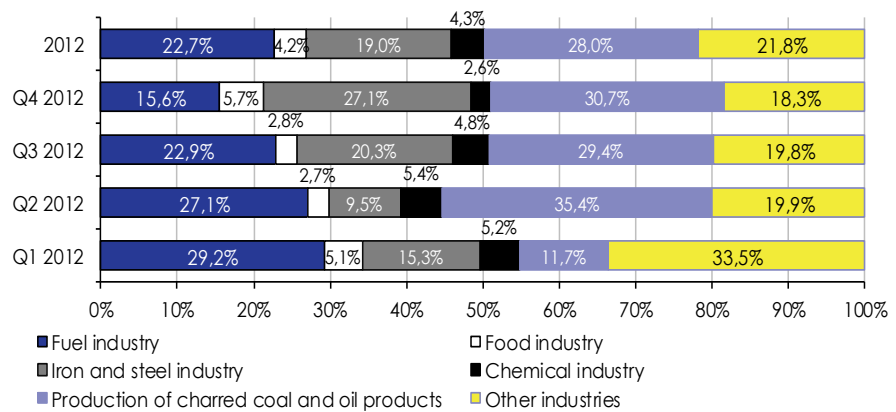
Source: Rosstat.

Fig. 3. Foreign investments in the industry, trade and financial sector in the 2009–2012 period



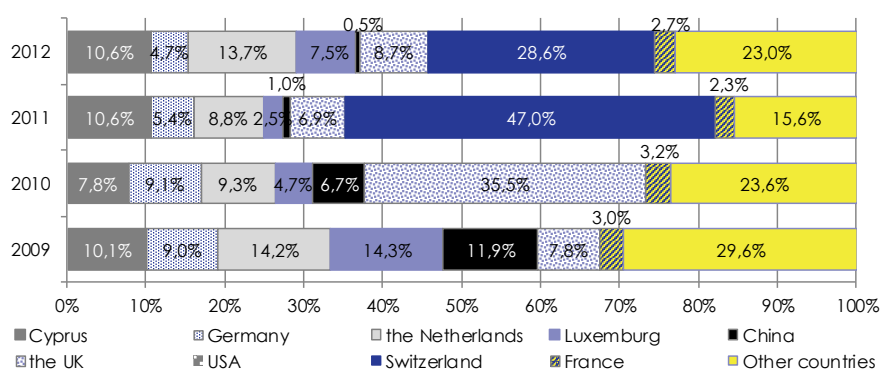
Source: Rosstat.

Fig. 4. Foreign investments in the primary sector and manufacturing in the 2009–2012 period



Source: Rosstat.

Fig. 5. Sectorial pattern of foreign investments in the industry in 2012



Source: Rosstat. The data on the investments from the USA in the 2009–2012 period, China – in 2008 and Switzerland – in the 2008–2010 period – is included in other investments.

Fig. 6. The geographic pattern of foreign investments in the Russian economy in the 2009–2012 period

rates amounted to 1.0% (in 2011 they were estimated at 40.6%). So, the unit weight of other investments in the industry rose from 83.5% in 2011 to 84.3% in 2012, while that of portfolio investments increased from 0.9% to 1.8%; the share of direct investments in the above period decreased from 15.7% to 14.0%.

In the geographic pattern of foreign investments in the Russian Federation in 2012, there was a change in the order of countries in the list of large capital exporter to the Russian Federation. In 2012, the largest investment volumes of over \$44bn and \$21.1bn were received from Switzerland and the Netherlands, respectively. On the basis of the results of 2012, the top three leaders – providers of capital to the Russian Federation – included Cyprus whose investments in the Russian economy amounted to \$16.5bn.

In 2012, the largest growth of 150% in investments from Luxemburg was registered as compared to 2011; investments from the Netherlands and the UK increased by 25.6% and 2.9%, respectively. Investments from China fell by 60.8%, while those from Cyprus, Germany and France decreased by 18.8%, 29.8% and 3.7%, respectively. Differences in the dynamics of investments resulted in a change in the geographic pattern of foreign investments in the Russian economy.

The geographic pattern of foreign investments by sectors which accounted for 97.6% of the aggregate foreign investments made in 2012 is shown in Fig 7.

As of the end of 2012, the accumulated foreign capital – without taking into account monetary authorities, commercial banks and savings banks – including the US dollar equivalent of ruble investments amounted to \$362.4bn which is 4.4% higher than the respective index as of the beginning of the year. From the beginning of the year, direct accumulated investments decreased by 2.3%, while other investments increased by 9.8%.

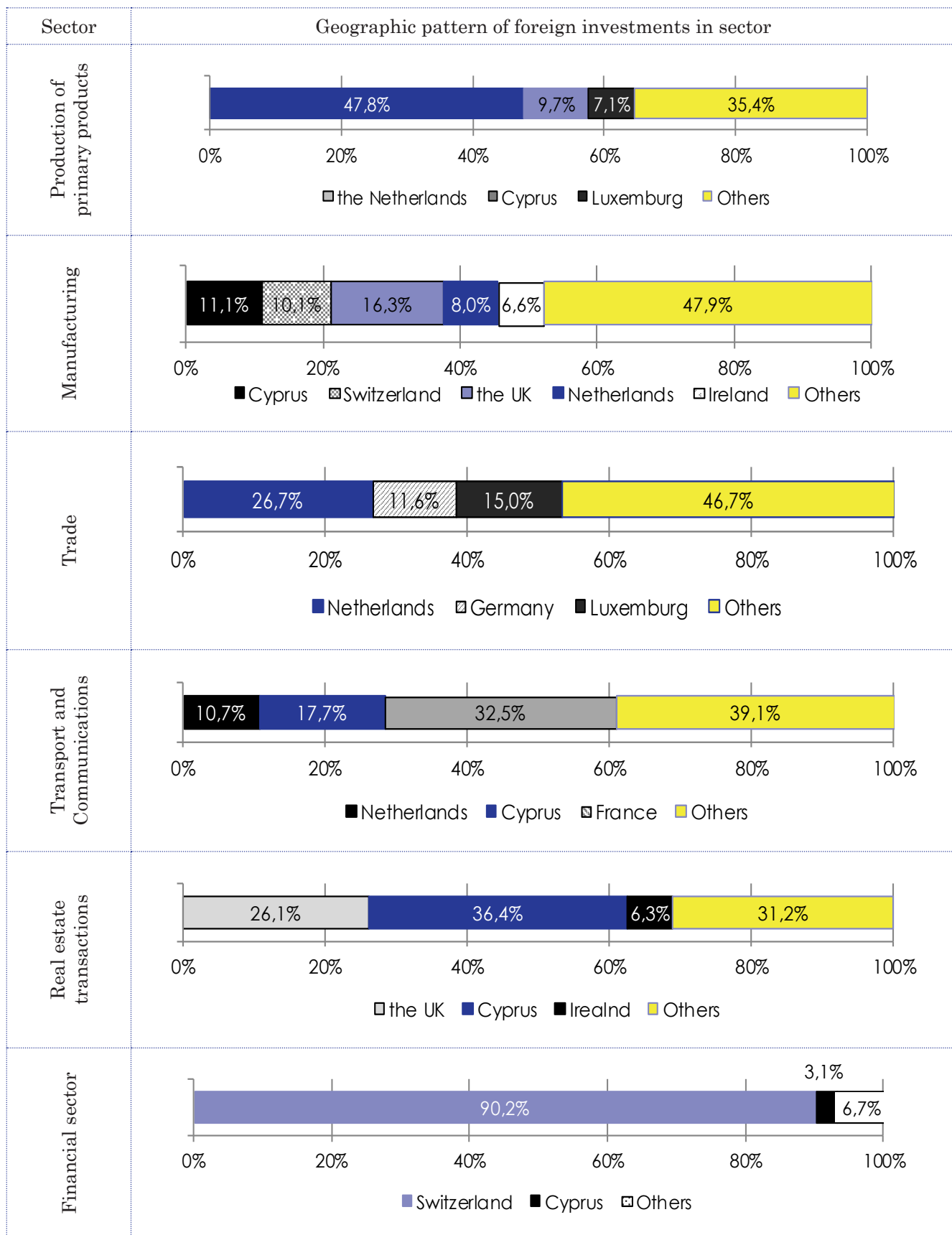
On the basis of the results of 2012, in the total volume of the accumulated foreign investments the leaders were Cyprus, the Netherlands, Luxemburg, China and the UK whose share amounted to 65.0% (63.5% in 2011). At the same time, the share of the top five investor countries in the segment of other investments is estimated at 69.1% (63.2% in 2011) while in the structure of direct investments and portfolio investments, at 58.9% and 59.5%, respectively (66.9% and 22.1% in 2011).

In the pattern of foreign investments accumulated as of the end of 2012, other investments prevail; they accounted for 60.1% (57.1% in 2011). A similar index for direct foreign investments amounted to 37.5% (40.1% in 2011).

According to the World Investment Report 2012 of the UN Conference on Trade and Development (UNCTAD) published in July 2012, in 2011 the Russian Federation was rated the 8th in the world as regards the volume of the attracted direct foreign investments (according to the specified data in 2010 it was rated the 8th, while in the 2008–2009 period, the 6th). According to the data of the Report, in 2011 Russia accounted for 3.5% of the global direct foreign investments (3.3% in 2010, 3.0% in 2009 and 4.2% in 2008) and 6.8% of direct foreign investments in developing countries and countries with a transition economy (6.3% in 2010, 6.3% in 2009 and 9.7% in 2008).

chemical industry decreased by 19.2%. Such differences were reflected in a change in a quarterly sectorial pattern of foreign investments in industry within a year.

In 2012, portfolio and other investments in industry rose by 120% and 14.3%, respectively, as compared to 2011 (in 2011 portfolio investments in the industry increased by 39.9%, while other investments, by 26.4%). Direct investments in the industry did not virtually change; their growth



Source: Rosstat.

Fig. 7. The geographic pattern of foreign investments by sectors of the Russian economy in 2012