



Investments and import to Russia. 2nd Survey. 2017

Prepared by GfK for the American Chamber of Commerce in Russia, May 2017

Survey description

2nd survey. 2017

- In 2017 the American Chamber of Commerce conducted a second survey regarding **foreign direct investments and trade** into Russia from the United States.
- **83** U.S. companies from a universe of 216 AmCham members have responded to the 2017 survey. These companies represent businesses of various sizes and different market sectors.
- The first survey was conducted in 2016 and included **59** companies; of them 40 are among the 83 respondents this year.
- The 2017 study uses some of the 2016 results as well as publicly available data and official statistics.

Objectives of research:

- Determine the scale of U.S. companies' trade and investments to Russia from the U.S via a survey and contrast them to the official statistics of the U.S. Department of Commerce.

Interview:

- Multimodal approach combining self-reporting and online interviews.

Questionnaire:

- Prepared by GfK in cooperation with the American Chamber of Commerce in Russia.
- The length of each interview was approximately 15 minutes.

Target Audience:

- Executives of American companies located in Russia.

Executive summary



U.S. companies remain steadfast in their commitment to the Russian market, despite challenging economic conditions and geopolitics:

- **60%** of surveyed companies consider Russia a **TOP 10** market among the global investment portfolio.
- More than half of them have been doing business in Russia for more than **20** years.

The majority of companies remain optimistic about the future of their companies in Russia:

- **80%** plan to launch new projects on Russian market,
- **69%** expect higher results in 2017 comparing to previous year.

Scale and scope of U.S. business in Russia is much greater than appreciated:

- Based on the surveys 2016 and 2017 and publicly available data, the cumulative U.S. corporate Foreign Direct Investment (FDI) in Russia of only 90 large U.S. companies is at **82.44 bln USD**. Our estimates are **nine** times higher than the U.S. Department of Commerce's official estimates of 9.2 bln USD for 2015 .
- **68%** of imports of the companies surveyed in 2017 come from outside of the U.S. (71% in 2016), confirming previous conclusions that the actual volume of trade by U.S.-based companies are at least **triple** the official statistics.

Geopolitics and constrained relations between the two countries affect U.S. companies in Russia:

- **69%** of companies consider the impact of U.S sanctions against Russia on their business as negative.
- **60%** of companies expect no change in business relations between Russia and the U.S. under Trump.

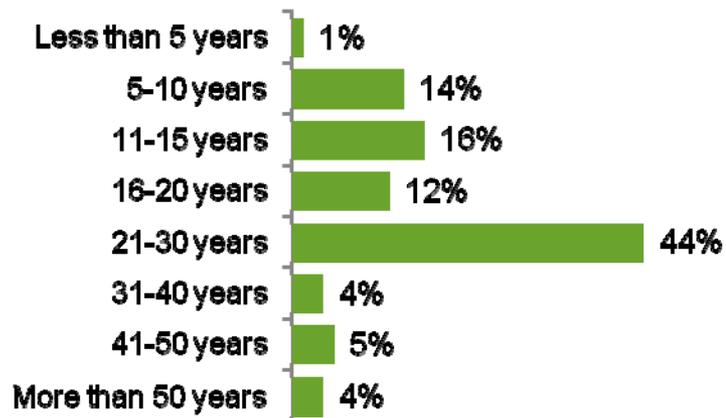
Information about companies



83 companies participated in the survey

59 companies in 2016

Companies by duration of doing business in Russia

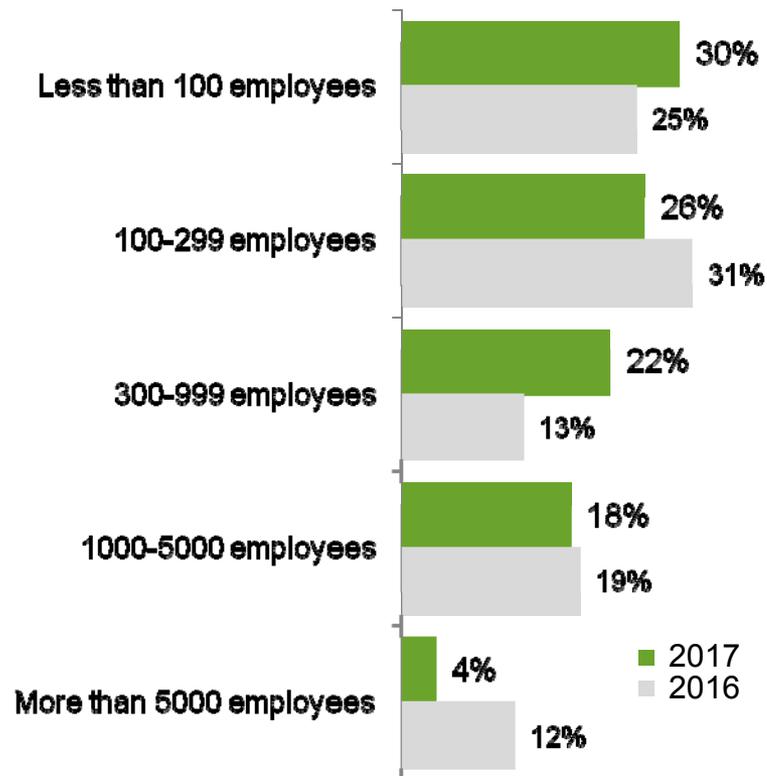


Companies by industry

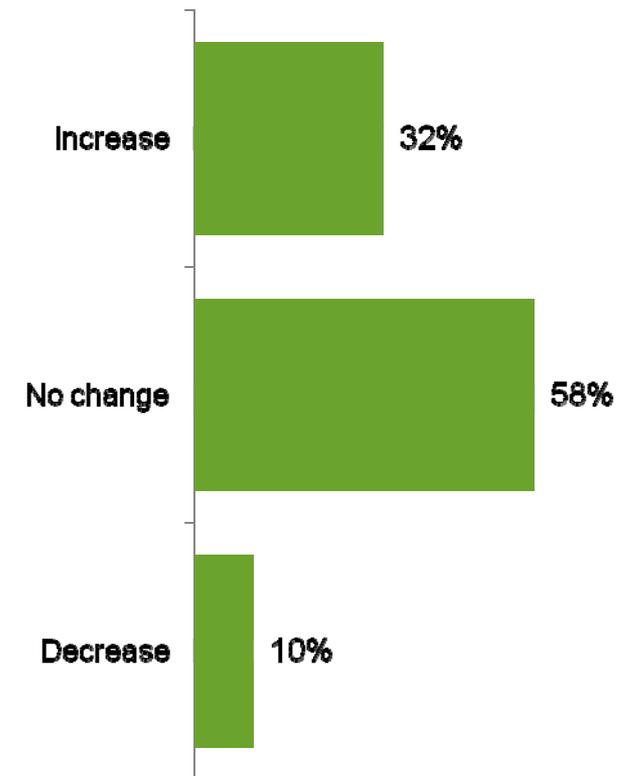
Automotive	2
Aviation	1
Chemicals & Pharmaceuticals	10
Consumer Electronics	2
Energy & Natural Resources	4
Engineering & Construction	6
Financial Services	4
FMCG & Retail	14
Hospitality	4
Industrial Vehicles	1
IT & Telecommunications	9
Manufacturing	12
Media & Entertainment	1
Multi-industry	1
Professional Services	8
Real Estate	1
Transport & Logistics	3

Employees

Number of employees in the company



Changes in number of employees in 2017



S03a. Please indicate how many full-time employees work in your company? 2017 (n=81); 2016 (n=17)

S03c. Does your company plan to increase/decrease the number of full-time employees in 2017? 2017 (n=80)

Role of Russia in global business of the company

60% consider Russia to be in the Top-10

Rank of Russia in the global investment portfolio

2016

Russia is in TOP 3 countries	11%		7%
Russia is in TOP 5	5%		9%
Russia is in TOP 10	44%		53%
Russia is among 11-20 countries	23%		19%
Russia is on 21+	17%		12%

Importance of Russia in terms of strategic development of the company

2016

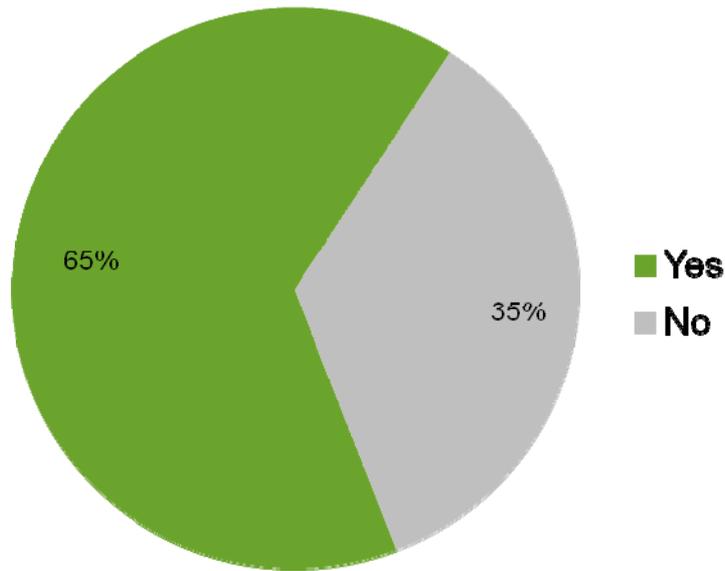
It's a key market	8%		12%
It's a strategic market	78%		79%
It's a secondary market	14%		9%

S04. How would you rank Russia in your company's overall global investment portfolio? 2017 (n=79); 2016 (n=48)

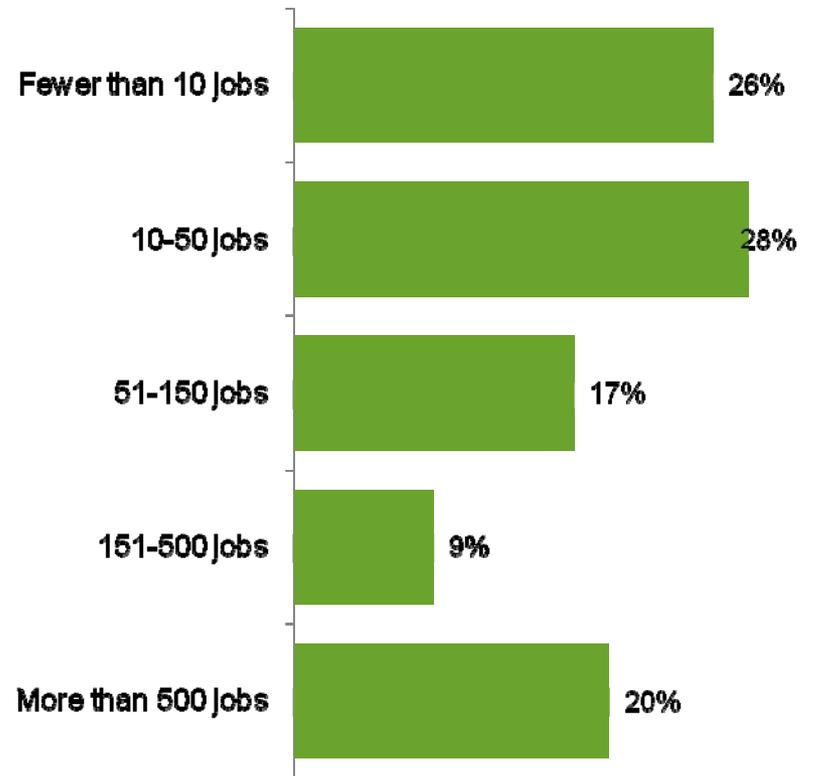
S05. In general, how important is Russia in terms of strategic development for your company? 2017 (n=77); 2016 (n=56)

U.S. based jobs

Do your company's operations in Russia support jobs based in the U.S.?



Number of jobs in the U.S. supported as a result of operations in Russia

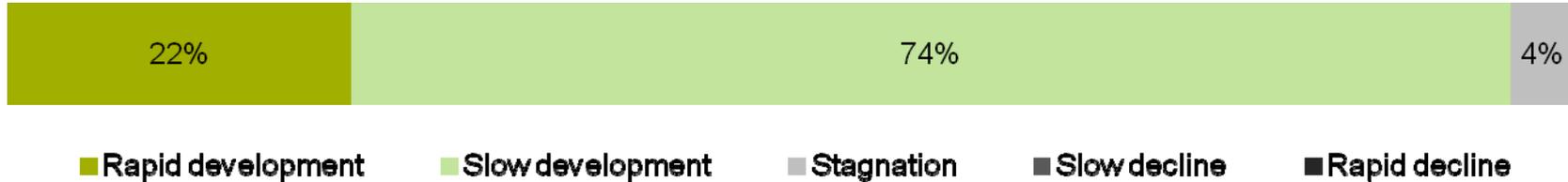


S03d. Do your company's operations in Russia support jobs based in the U.S.? 2017 (n=79)

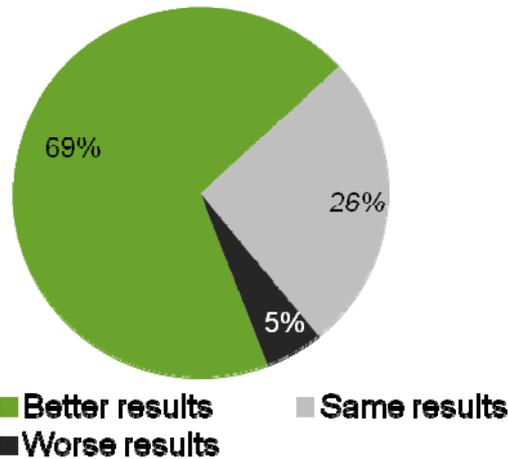
S03b. How many U.S.-based jobs are supported as a result of your company's operations in Russia? (n=46)

Company's development

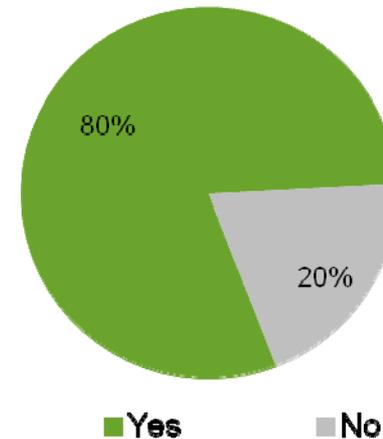
Assessment of company's development over the next 3 years



Expectations of business results in 2017 compared to previous year



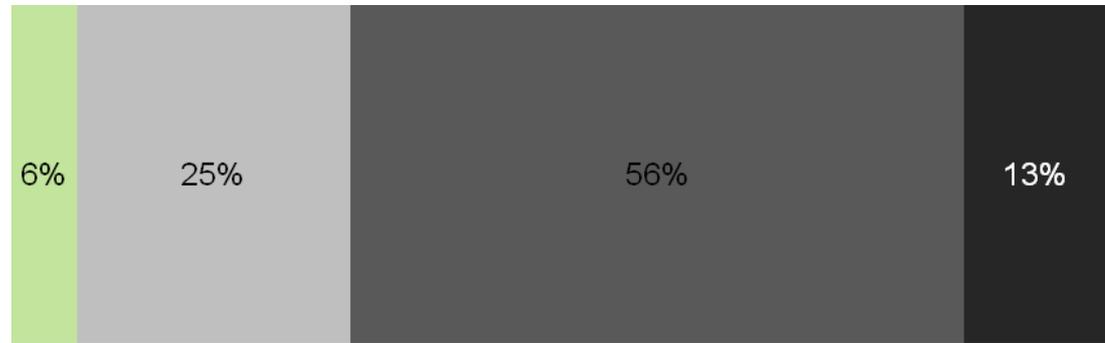
Does the company plan to launch new projects in Russia?



S05a. How do you assess the prospects for your company's development over the next 3 years? 2017 (n=82)
S05b. In your opinion, how will your company's 2017 results in Russia compare with the previous year? 2017 (n=81)
S05c. Does your company plan to launch new projects in Russia in the nearest future? 2017 (n=81)

Influence of U.S. sanctions

How do the U.S. sanctions against Russia impact your business?



Very positively

Rather positively

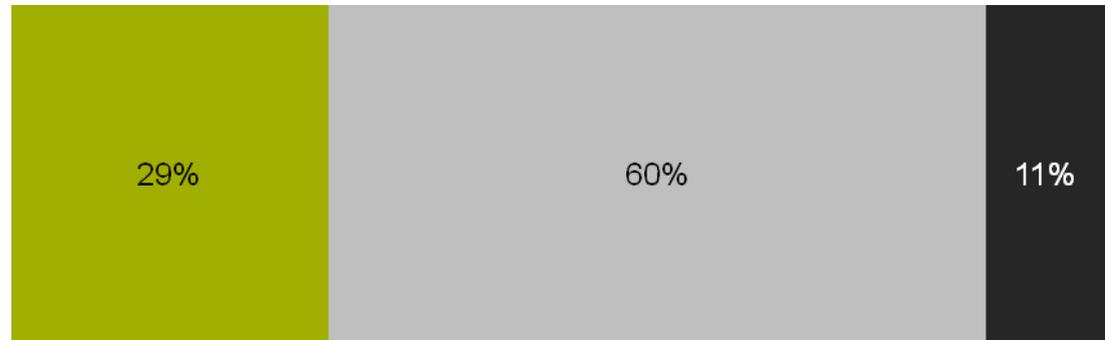
No Influence

Rather negatively

Very negatively

Election of Donald Trump

How will the business relations between the U.S. and Russia change under U.S. president Trump?



■ Get better

■ No change

■ Get worse

Investments in Russia

Investments in Russia

- **82.44 bIn USD** is the volume of total cumulative investments in Russia by participants of the 2017 survey combined with the investments reported in 2016 by the 16 companies that failed to participate in this year's survey and publicly available information on 5 more large companies.
- **57.75 bIn USD*** is the volume of cumulative investments in Russia by participants of the 2017 survey.
- Official statistics from the U.S. Department of Commerce are much lower, at 9.20 bIn USD as of 2015**

Expectations of change in investments 2017 vs. 2016

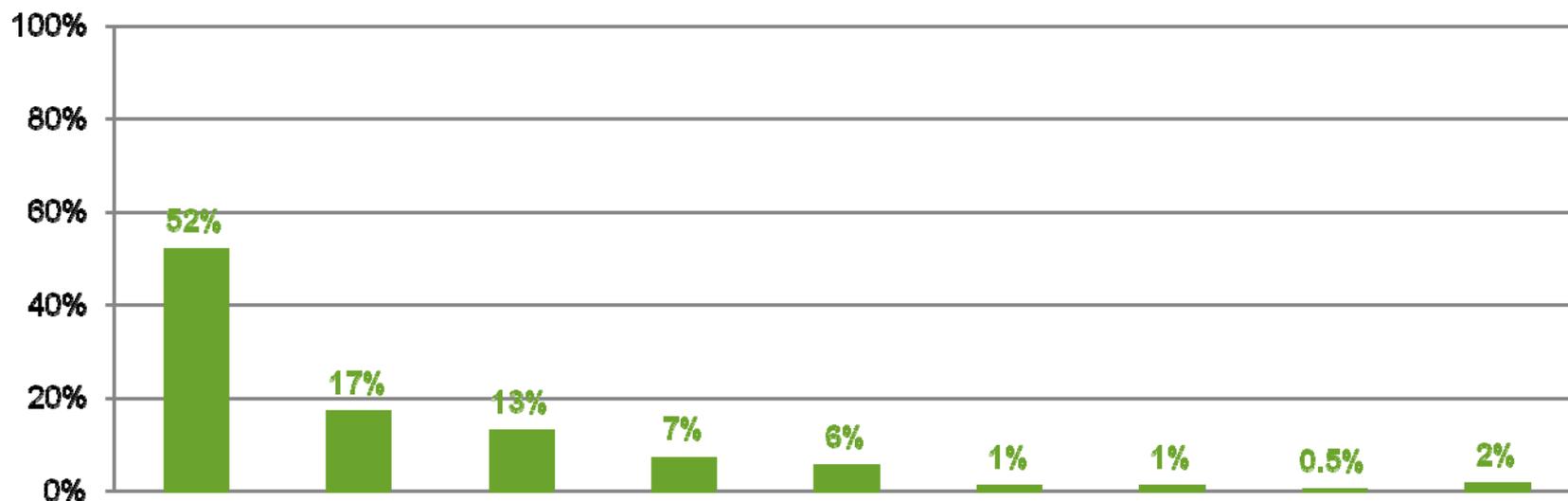


*Calculation is based on answers of companies about the volume of investments for the whole period of operations in the country. This volume was invested by 69 US companies in Russia. Some of the companies provide the exact figures for the calculation and some chose an interval for the investments, all figures are taken into account.

**Select USA: <https://www.selectusa.gov/servlet/servlet.FileDownload?file=015t0000000LKNY>

Investment by industry

48 % of investments come from non-energy and natural resources companies



Industry	Energy & Natural Resources	Manufacturing	IT & Telecommunications	FMCG & Retail	Automotive	Real Estate	Chemicals & Pharmaceuticals	Professional Services	Other
Investments (mln USD)	30 000	9 991	7 593	4 203	3 200	750	693	261	1 002
# of companies	4	11	6	14	2	1	8	6	17

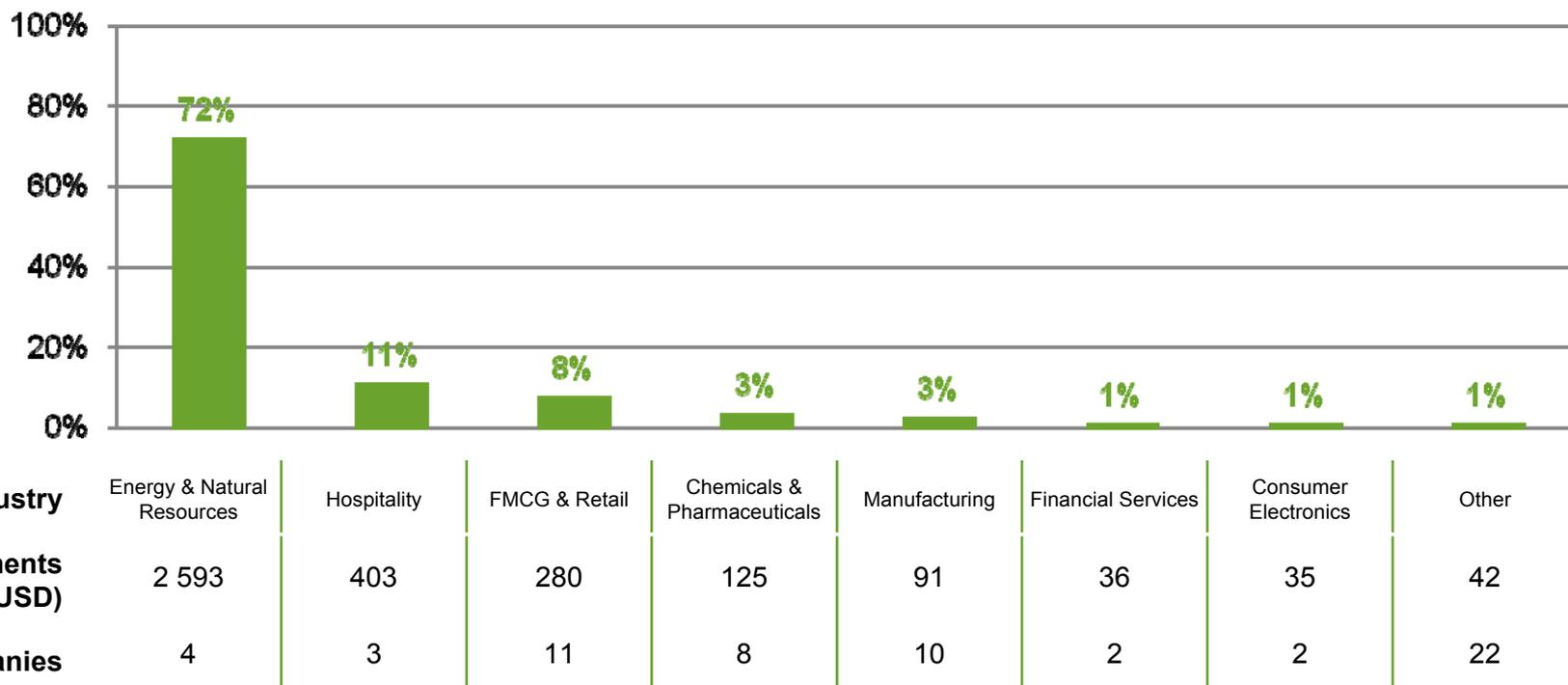
S03. Please indicate your company's market sector?

S06. What is the total dollar volume of investments made by your company in Russia (since your company began operating in Russia)? 2017 (n=69).

Investments in 2016

3.6 bln USD was the total volume of investments in 2016

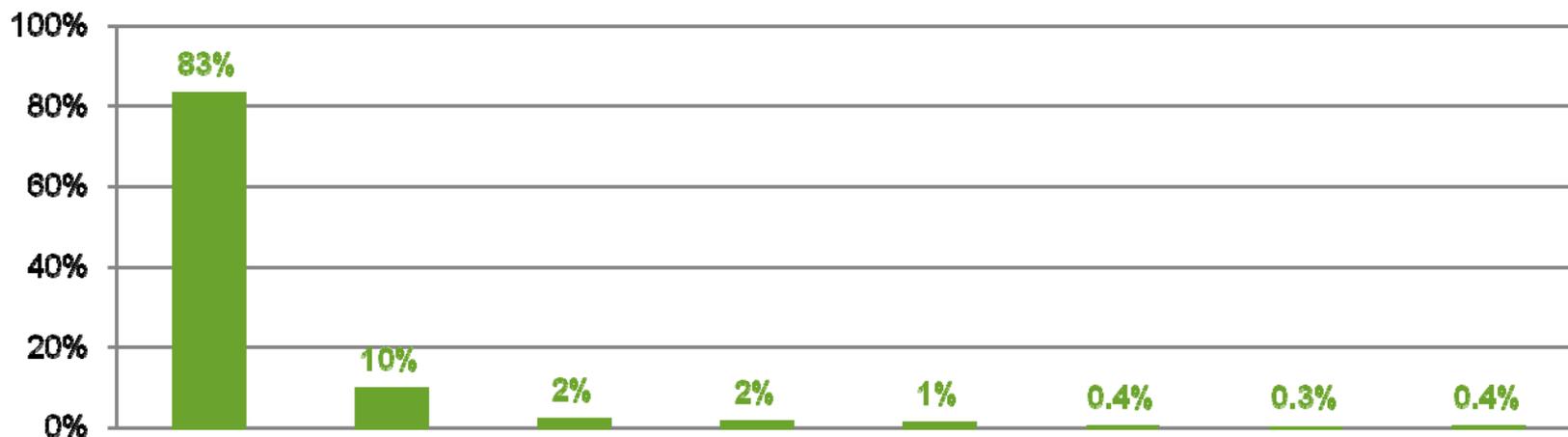
72% of investments came from energy and natural resources companies.



Investments for 2017

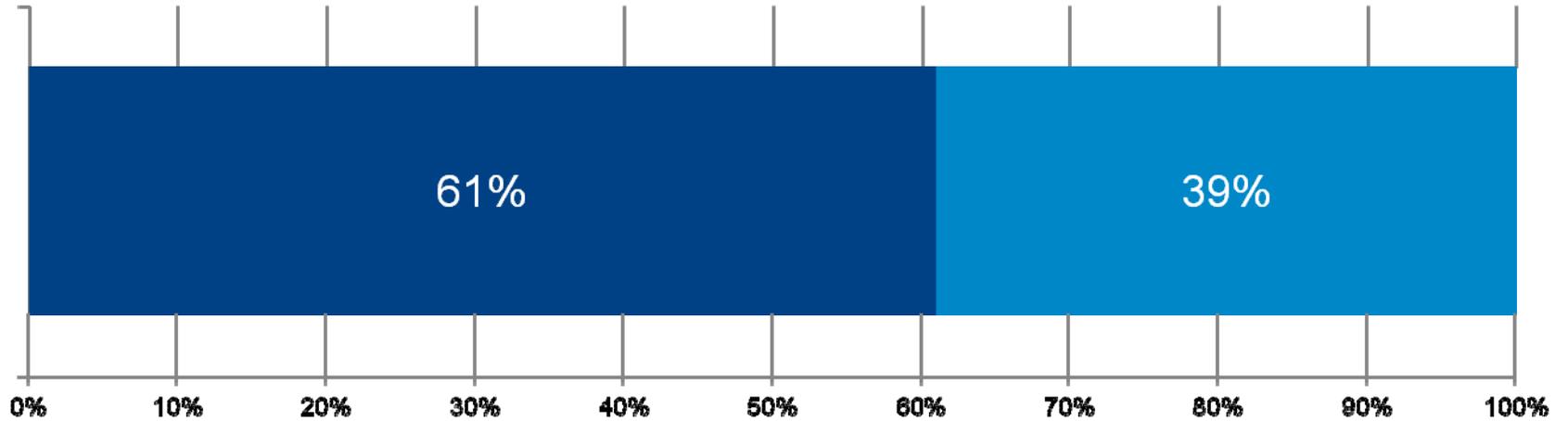
3.1 bln USD is the total volume of investments planned for 2017

83% of investments will come from energy and natural resources companies.



Industry	Energy & Natural Resources	FMCG & Retail	Chemicals & Pharmaceuticals	Manufacturing	Consumer Electronics	Real Estate	Professional Services	Other
Investments (mln USD)	2 613	313	75	56	45	13	10	11
# of companies	4	11	8	9	2	1	5	19

Investments in Russia by origin



USA



Other countries

In 2016 the percentage of investment share between USA and other countries was 74% and 26% respectively

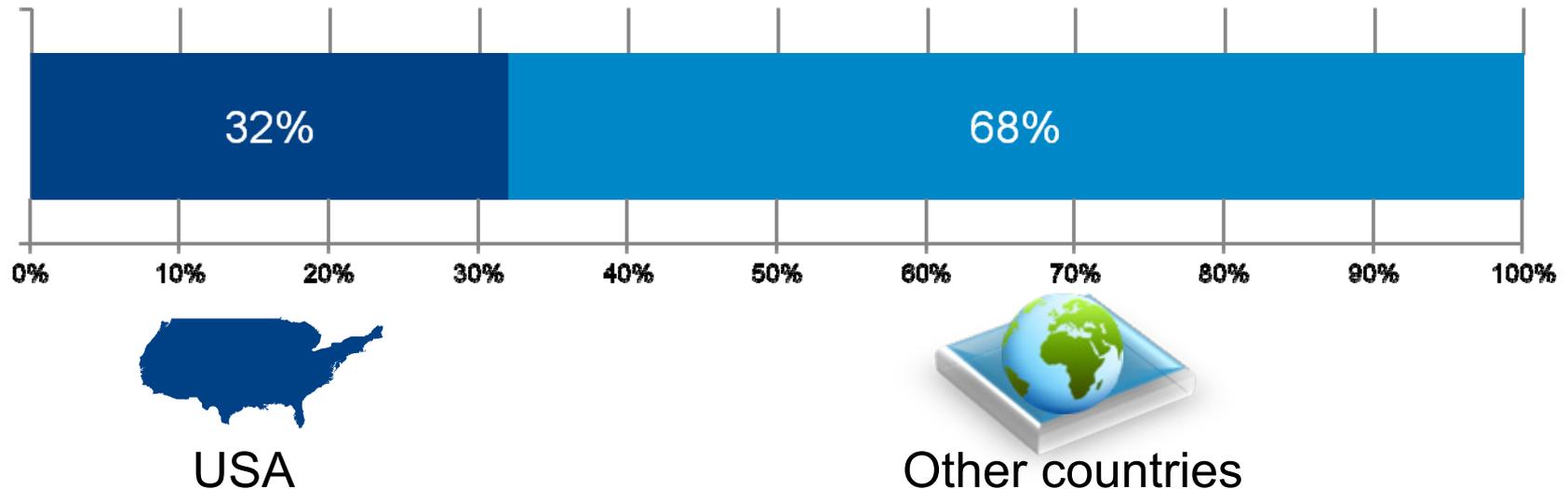
Import to Russia

Imports into Russia

5.8 bln USD is the total imports of surveyed companies to Russia in 2016*.

68% of imports come from outside of the U.S., thus actual total imports by U.S. companies are roughly triple the official figures.

Imports by regions



**Based on responses of companies about the volume of import in 2016.*

This volume was imported by 49 US companies in Russia. 3.2 bln USD is the result of 2016 survey (import in 2015).

In 2016 the percentage of import share between USA and other countries was 29% and 71% respectively

S12. What is the percentage proportion of your company's imports from the U.S. and from other countries? 2017 (n=47)

S14. What was the total volume of your company's imports into Russia in 2016 in dollars? 2017 (n=49)

Prospects of business in Russia

Will the role of Russia change in the nearest future for your company?



- “Yes, as business regulations may become even more restrictive”
- “Russia remains a promising market in the long term, but the next 2-3 years will be troublesome”
- “Russia will remain one of the key markets and growths areas for many of our lines of business”
- “Russia will soon become a developed market and we push to expand our share here”
- “The role of Russia for our company will change as we integrate closer with European operations”
- “Russia’s prominence will rise with further integration among post-Soviet states, most notably via the EAEU”
- “The Russian market remains one of the most promising worldwide for our type of business”
- “Its importance for our growth plans will increase within the next 5 years”
- “Russia’s role in our corporate strategy will certainly increase due to the expected upturn of the economy and our strategy of further localization”
- “The most important ways of increasing Russia’s importance for our company are: (1) structural reforms, (2) a shift away from natural resources to innovations, (3) elimination of excessive regulation and administrative barriers and (4) removal of mutual sanctions and restrictions”

What is your company's development strategy in Russia for the next 3-5 years?



- “We’re opening our tenth plant in Russia”
- “We’ll continue monitoring the market and policy developments while further investing into localization”
- “To provide Russian customers with our latest products at the highest level of technical, consulting and financial support”
- “To increase localization through extending technology transfer and collaboration, establishing a global point of delivery in Russia”
- “Regional expansion”
- “Localization of the supply chain”
- “Developing business through new services and middle market”
- “Releasing new competitive products”
- “Expanding business through investment and acquisitions”
- “Continuing to capitalize on high quality talent and export it to other markets while retaining the capacity to grow and diversify our business in this country”
- “Increasing market share and taking part in the digital transformation of business”



THANK YOU!