



Experience of Italian companies already present in the area

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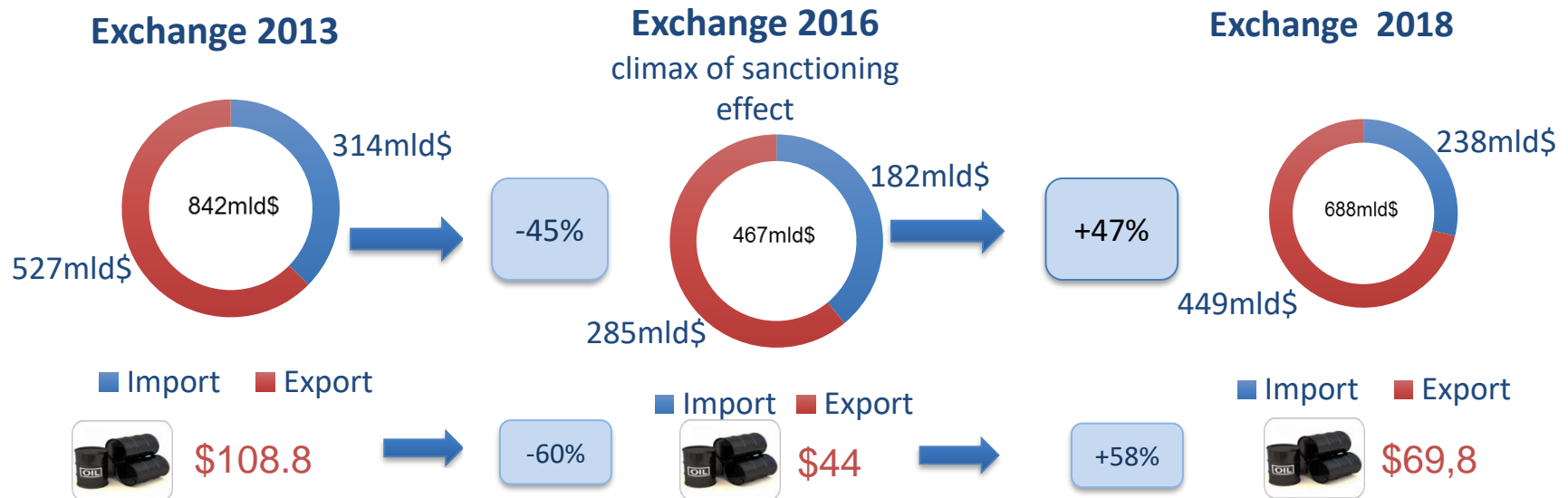
Macroeconomic parameters of Russia

	2015	2016	2017	2018	2019	2020*	2021*
GDP							
Nominal GDP (\$ bn)	1,361.4	1,274.8	1,572.9	1,667.2	1,699.3	1,426.5	1,499.3
Real GDP (% growth)	-1.9	0.2	1.8	2.5	1.3	-5.2	1.3
Expenditure per GDP (% real change)							
Private consumption	-9.4%	-2.6	3.6	3.3	2.5	-11.4	1.7
State consumption	-3.6	1.4	2.5	1.3	2.1	-0.8	0.9
Gross fixed investment	-10	-0.6	5.8	0.9	0.7	-12.0	1.4
Export of goods and services	3.6	3.2	5.0	5.6	-2.3	-12.1	6.8
Import of goods and services	-25.0	-4	17.3	2.9	3.0	-31.9	9.3
Origin of GDP (% real change)							
Agriculture	2.9	3.3	12.9	0.9	0.1	1.5	1.7
Industry	-2.4	-0.1	0.3	2.2	1.0	-2.0	1.4
Services	-2.9	-0.6	1.7	2.7	1.7	-7.3	1.2
Population and income							
Population (mln)	148.0	148.3	148.6	148.8	148.9	149	148.9
GDP per capita (\$)	23,758	23,659	25,374	27,386	28,216	22,222	28,095
Unemployment (%)	5.6	5.5	5.2	4.8	4.6	6.6	5.2
Prices and financial indicators							
RUB- \$ exchange rate	72.88	60.66	57.60	69.47	61.91	77.20	75.40
RUB-EUR exchange rate	79.70	63.81	68.87	79.46	69.34	84.92	86.34
Consumer prices (%)	15.5	7.0	3.7	2.9	4.5	4.2	4.8
Consumer prices (end of period;%)	12.8	5.3	2.5	4.3	3.6	4.5	5.0

Strengths and weaknesses of Russian market

<u>Strengths</u>	<u>Weaknesses</u>
State currency reserves: \$500 bn	Continuous threat of new US and EU sanctions
Gold reserves: \$77 bn	High level of foreign capital outflow: \$18 bn estimate in 2018
National Welfare Fund (NWF): \$58 bn in 2018 (3.8% of GDP)	Strong reliance of the Russian economy on the dollar (a process of de-dollarization of contracts has however begun)
World leader in oil & gas reserves and production	Strong reliance on the energy raw materials
Low public debt: 15% of PIL	Slow transition to a market economy (protectionism)
State liquidity: 16.2%	Setback for national projects , conceived in 2018, for a total expenditure of \$ 390 billion in the years 2019-2024 and financed largely by the federal budget

Exchange between Russia and the world: effects of sanctions and countersanctions, ruble devaluation and national bid decrease

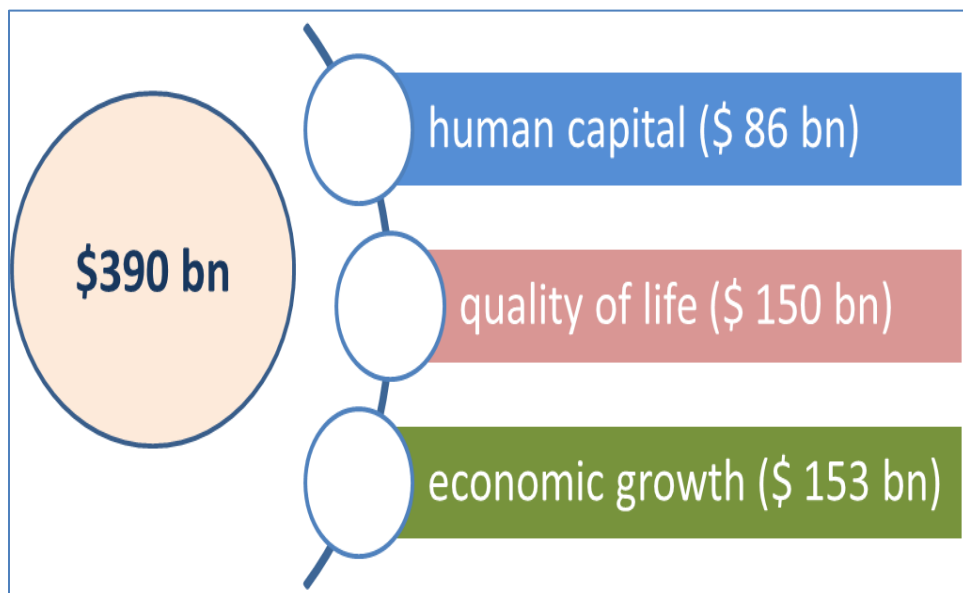


- ✓ Outcomes of USA and UE sanctions introduced from 2014 onwards:
- ✓ Exchange between Russia and the world loses **45% of its value in the first three years (2014-2016)**. The most affected countries are the ones that introduced these sanctions
- ✓ **China increases its turnover with Russia by 20%.**
- ✓ **Halving of the ruble value → for Russia, imports are now twice as pricey**
- ✓ Introduction of a **new Russian industrial policy** based on **import substitution**
- ✓ **Russia's decision to «dedollarize» every foreign trade contract**
- ✓ **New industrial partnerships** with Asian countries (**China, Japan, India**), within the Russian energy sector, too

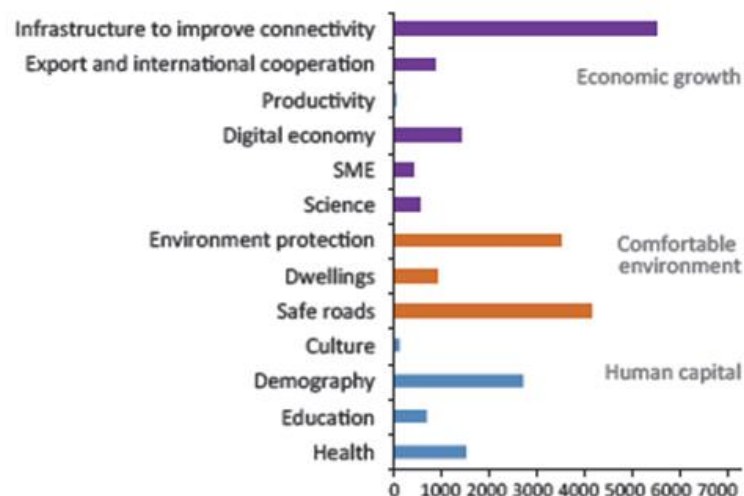
National projects - investments of \$ 390 billion by 2024...but after Covid-19 they've been postponed-2030

New development goals announced by the RF President in May 2018 have led to the creation of **13 national projects**, which total about **\$ 390 billion**, or **about 3% of GDP** annually) for 2019-2024.

The 13 projects are divided into **3 specific areas** and are mostly **financed from the federal budget** (National Welfare Fund)



National projects and financing (billion rubles)



Source: Ministry of Finance.

Following the pandemic crisis, in mid-July 2020 **President Putin** signed a decree that will lead to the reshaping of the National Projects and to extend them until **2030**

Italy and Russia, 60 years of successful collaboration

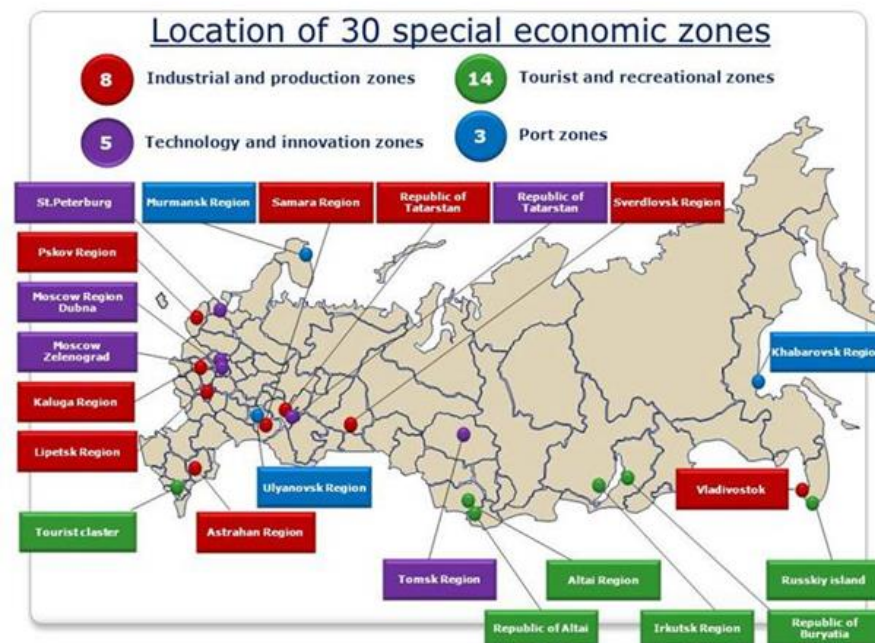
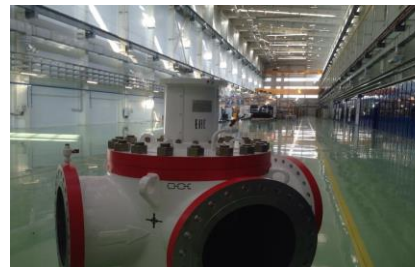
- ✓ First contracts of **oil and gas** supply during the **'50s and '60s** (2019 is the quinquenary)
- ✓ Fiat cars production in Russia in the **'70s** amounted to **15 million vehicles**
- ✓ Industrial projects, such as **Blue Stream** between the **'90s and early 2000**
- ✓ **Halving of exchanges in 5 years** (2018 vs 2013)
- ✓ After a recovery in 2017-'18, during the first **half year 2019** exchange decreases by **4,5%**
- ✓ Now Italy is the **5° supplier for Russia** and the **7° importer**

In 5 years (2018 vs 2013), **Italian export** in Russia decreases by 26% because of sanctions and countersanctions

It is remarkable to remember that for Italy, its export represents around **30% of GDP** (500 mld \$) and it is the **only positive contribution** to the national economic growth

From Made in Italy to **Made** with **Italy** in Russia

- ✓ **Localization model** has to support the **export model**
- ✓ The **localization of production** in Russia allows the **involvement of all state tenders**, some of them otherwise precluded or unfavourable (penalization of 15%)
- ✓ The company that localizes its production in Russia can benefit from access to the **Eurasian market (180mln)** thank to **Eurasian Economic Union (UEE)**
- ✓ **Significant tax relief** for foreign companies that want to localize their production (**SPIC – contract of investment** and **ZES – special economic areas**). But not always ...
- ✓ **JV** is an **optimal tool** for market penetration:
 - Italians contribute with the **know-how** and have the possibility to get **cut rate credits**, compared to the Russian market, in which the cost of money is very high (around 10%)
 - Russians with market
 - Investments and risks sharing



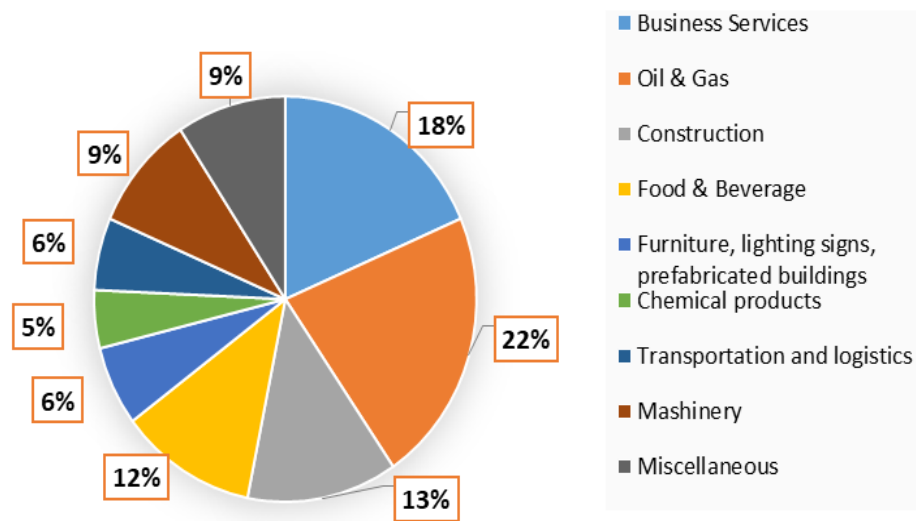
Italian Business in Russia and Eurasian Economic Union (EAEU)

- ✓ Over **90%** of Italian companies in Russia are small and medium enterprises (**SME**)
- ✓ Share of **EAEU market** in the global turnover of Confindustria Russia members varies between **1 and 10%**
- ✓ Italian companies tend to partially localize production in Russia, however they remain strongly **dependent** from high end products and **components imported from EU**, which
- ✓ Most companies expressed **concerns** regarding the **growth** of the local market
- ✓ In several sectors Italian companies believe that **ambiguity of legislation** in Russia is used to provide competitive advantage to local companies vis-a-vis their foreign competitors

Italian companies still perceive **segmentation of markets** in regard of EAEU member states.

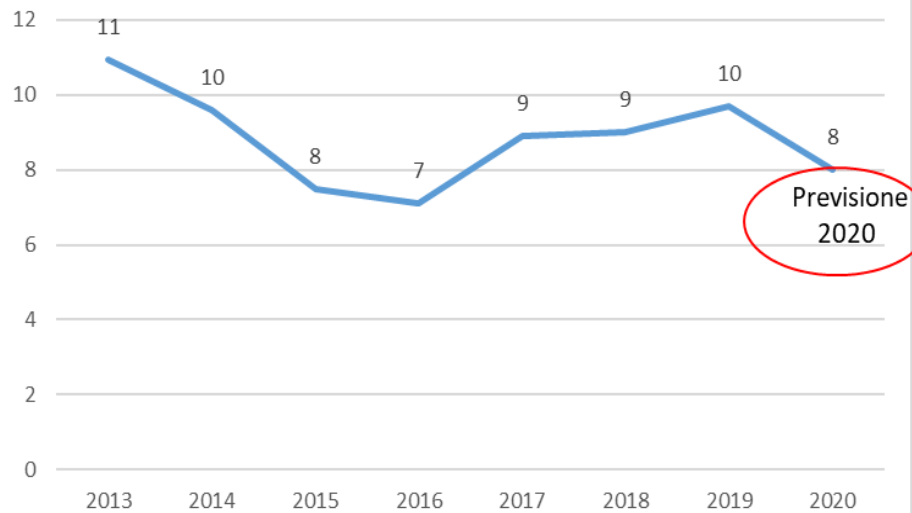
For **Italian SME**, segmentation of markets often makes presence in more than one country of the union **cost-prohibitive**.

Association Members by sector



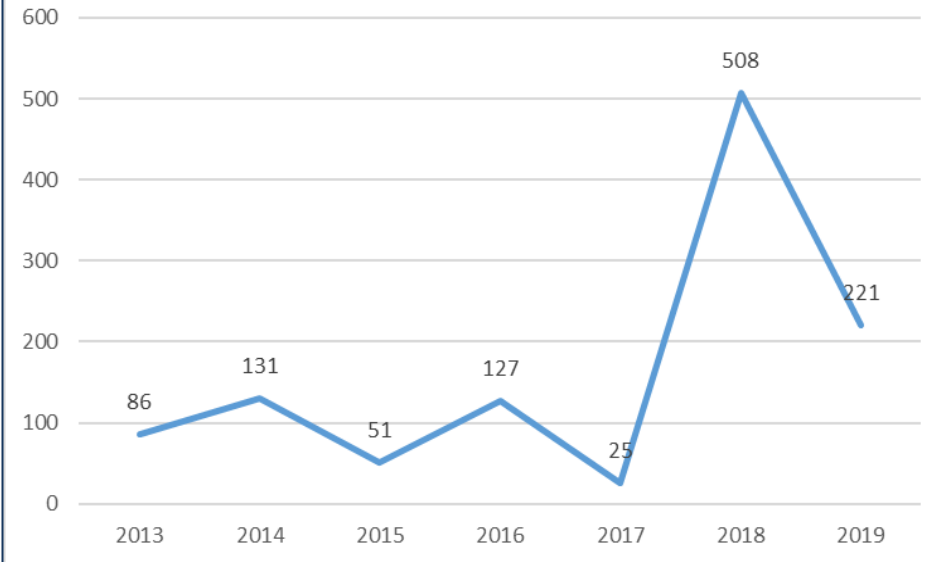
Export and investment - two different parabolic paths

Italian export to Russia, € billion

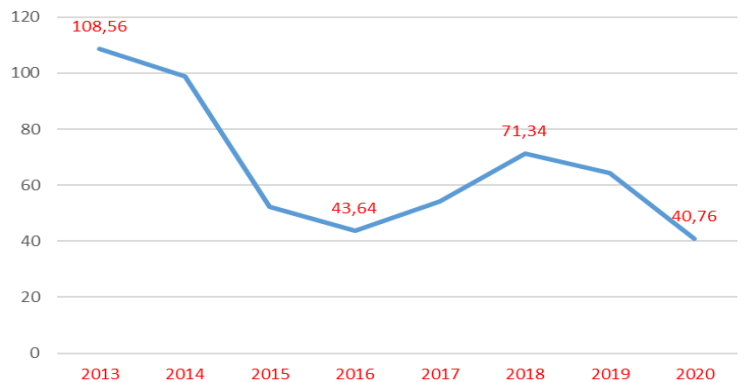


While exports collapsed by over 60% from 2013 to today, Italian investments in Russia in the same period nearly tripled

Italian direct investments in Russia, mln €

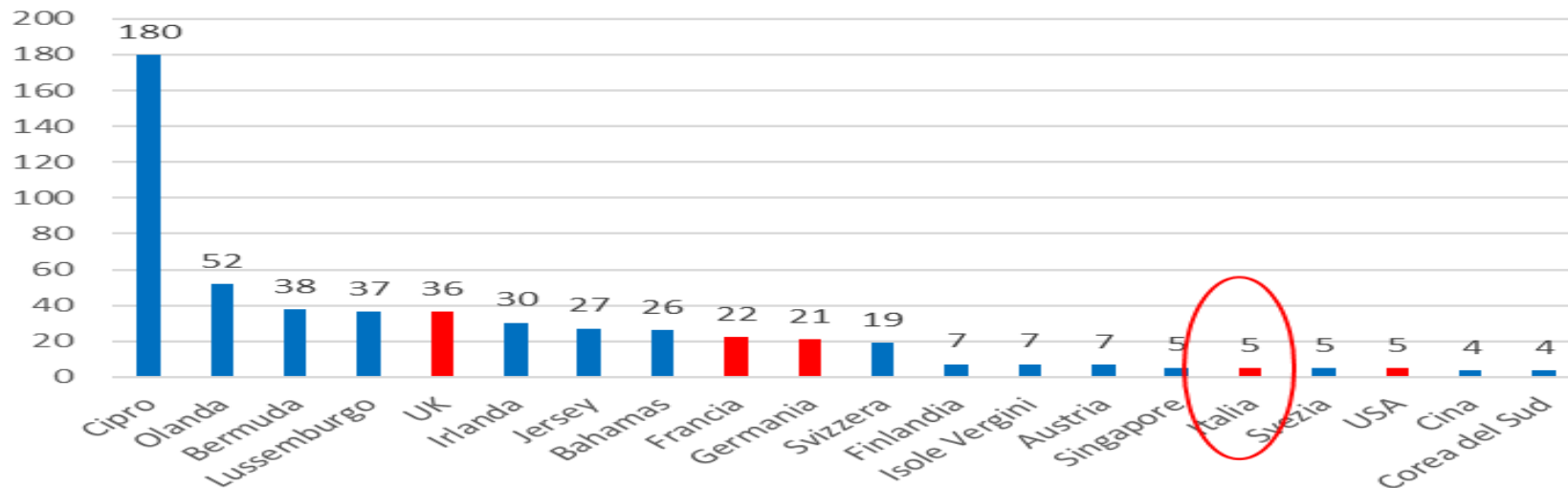


Average price of Brent, \$ / b, 2013 - October 2020



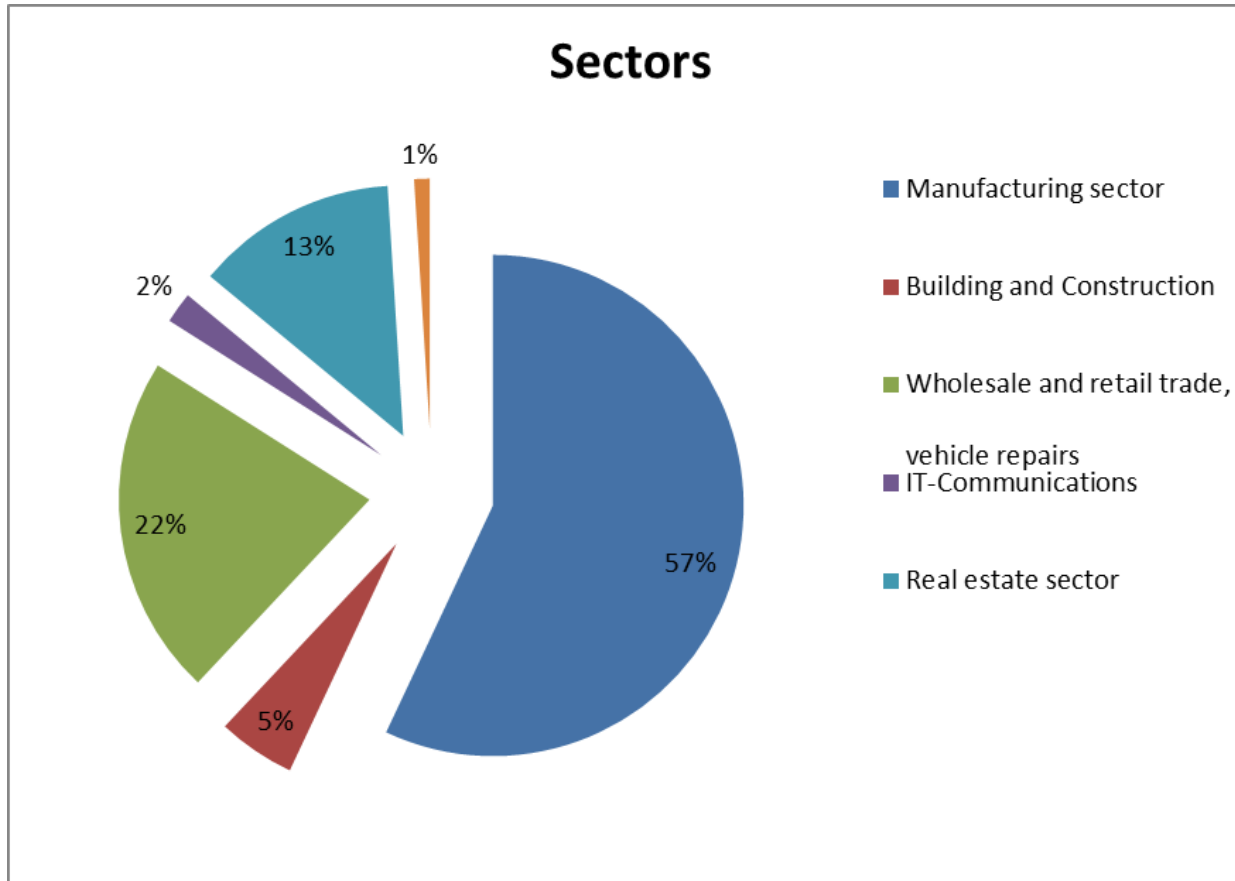
5.2 billion \$ invested by Italy in Russia to date, not even 1% of global ones

Main investing countries in Russia, 1-1-2020, \$ bn



- **585.8 billion \$** - the stock of FDI investments in Russia as of 1-1-2020
- Europe is one of the main investors in Russia (50%)
Major investors are UK, France and Germany
- Italy's share is **0.8%** of foreign investments
(\$ 5.2 billion - Italian stock investments)
- **By number of FDI projects** 2010-2018, Italy ranks 6th, after the USA, Germany, China, France, Japan

Italian Direct Investments in Russia - Sectors



- **Moscow, St. Petersburg and Tatarstan** - the most attractive regions for investments
- **Mechanics and agri-food** - the two main investment sectors

- **Main Italian investments:** Pirelli, Mapei, Barilla, Arneg, Danieli, Marcegaglia, Ferrero, Cremonini Group, Coeclerici, Kerama Marazzi, Enel, Ariston, Candy, Zoppas

Confindustria Russia

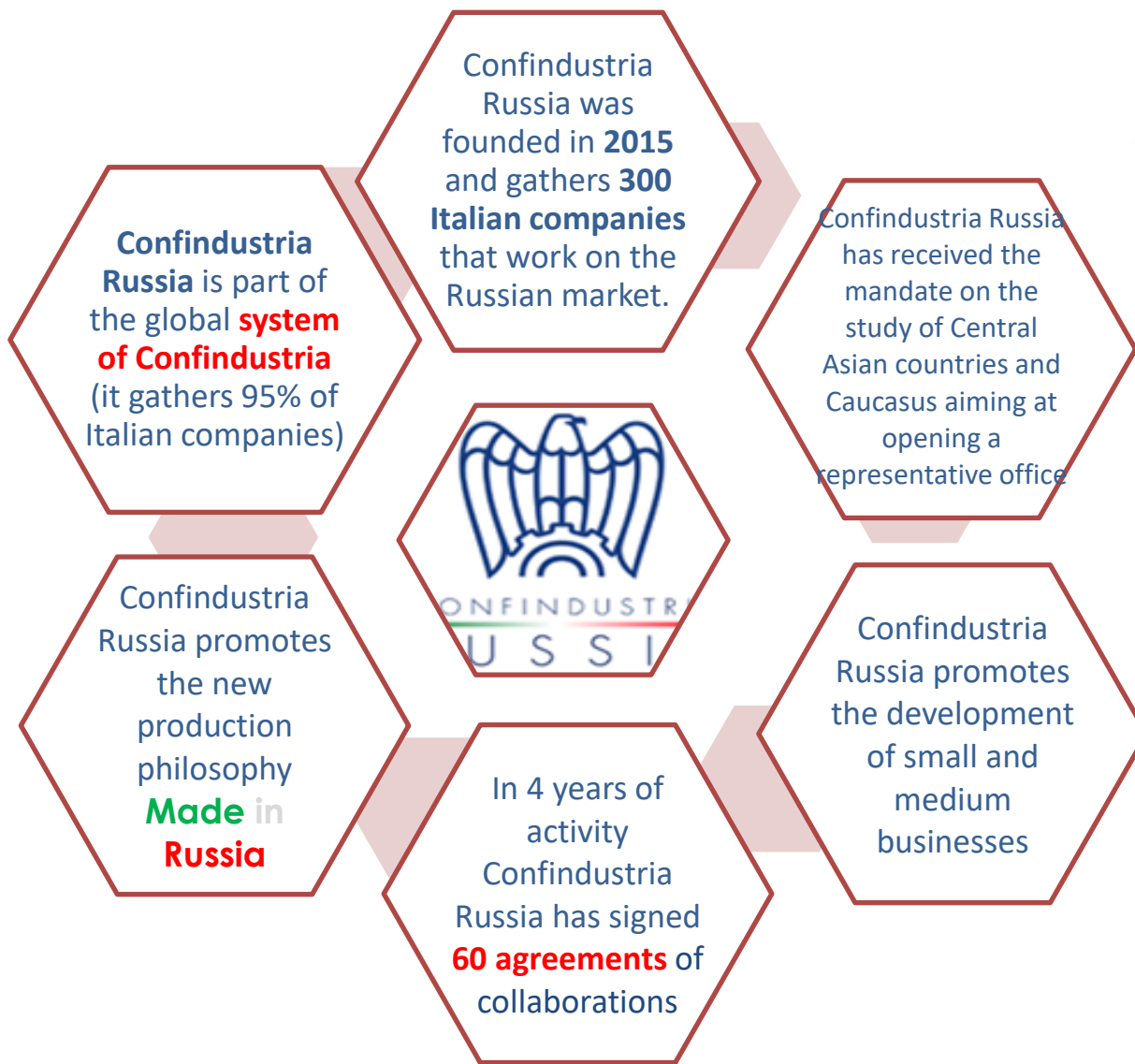


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