

12 Reasons Why Russia Is a Great Investment

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It seems that more bad news is written and spoken about Russia than about any other country. How many times have you heard that if you do business in Russia, you will lose all your money because your business partner will steal it from you? Or that you have a good chance of being killed if you visit Moscow because the Russian mafia will murder you in your hotel room?

In reality, Russia is a key market in any global or European corporate strategy, and here are 12 reasons why:

1. Russia is the largest market in Europe, with 142 million people. Contrary to popular opinion, Russia will not be empty of people in 30 years. The demographic trends have improved in the past decade. If current trends continue in the next 10 years, then by 2022 the average Russian man will be living longer than the average white American male without a university education.

2. Russia is pulling away from continental Europe in terms of growth in gross domestic product. Over the next five years, eurozone GDP growth is expected to be on average 1 percent, and the U.S. is expected to have 2.3 percent growth in GDP. Meanwhile, Russia's economy will expand about 4 percent, provided that oil stays above \$95 per barrel. In terms of GDP slowdown in 2012, Russia has managed better than all the BRICs and Turkey, and per capita GDP is much higher than that of China and India.
3. Russia ranks among the top three profit markets in the world. Russian consumers understand quality and will pay for it. The return on equity in Russia across some sectors in 2012 (chemical, metals, transportation) exceeds that in Europe by roughly 70 percent.
4. Russia is Europe's second-largest automotive market, with 2.7 million euros in car sales in 2011, behind only Germany, with 3.1 million.
5. Russia will be the largest consumer products market in Europe in 2024.
6. It is the largest mobile phone market in Europe today, with a saturation of 230 million phones, compared with 100 million in Germany.
7. Based on the threshold of \$15,000 annual household income as the standard for defining the middle class in emerging countries, in Russia, 55 percent of households are middle class, whereas this figure is only 21 percent in China, 11 percent in India and 30 percent in Brazil. What's more, wealthy households are more predominant in Russia compared with other BRIC countries, with 15 percent having incomes of more than \$50,000. In China, it is a mere 2 percent, while it is barely 1 percent in India and just 5 percent in Brazil.
8. Russia ranks among the lowest in the world for household debt: 8 percent of GDP. The Western average is 90 percent. In addition, Russia's government debt is also low, at 7 percent.
9. Russia holds the third-largest hard currency reserves in the world, at \$510 billion.
10. The unemployment rate, at 5.4 percent, is one of the lowest in Europe.
11. Russian human resources are among the most educated and qualified in the world.
12. Russia is one of the very few markets in the world where companies in the right sector can grow at 20 percent per year for years on end. Russia consistently ranks high in terms of sales growth in Europe. For example, Russia is the largest market for –Danone and the second largest for –PepsiCo.

Let's hope new investors considering the Russian market will look past the headlines and see the tremendous opportunities the country offers.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

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