The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Foreign Investors Flee Russia in 2018, Pull $1 Bln

December 24, 2018



Yegor Aleyev / TASS

Foreign investors have reportedly withdrawn more than $1 billion from Russian funds in 2018 — the most since 2013 — in a year marked by geopolitical turbulence.

The Russian economy saw $900 million in foreign investments disappear last year in anticipation of new U.S. sanctions. International investors withdrew a record $3.1 billion from Russian funds in 2013, according to Bank of America Merrill Lynch (BAML) estimates.

This year, the total outflow exceeded $1 billion, the Kommersant business daily reported Monday. The outlet described the outflow as one of 2018's "worst indicators among the funds of developing countries."

Related article: 86% of Large Russian Companies Fear New U.S. Sanctions – Report

Citing BAML year-end data, Kommersant reported that foreign investment flowed into Russia only in January, totaling $500 million. “Then the market was swept up in two powerful waves of withdrawal,” the outlet writes.

Capital flight reportedly totaled $700 million this spring. Following a “summer lull,” the outflow once again picked up and has not abated since the fall. The pull-out accelerated as oil prices plummeted this month, totaling $330 million as of the first three weeks of December.

Kommersant writes that a Kremlin hit-list the U.S. Treasury published in January kicked off the investors’ “abnormal behavior” in the Russian funds market. In April, Washington targeted major Russian companies and prominent businessmen for “malign activities.” And in August, U.S. Congress introduced a new “sanctions bill from hell” to restrict new Russian sovereign debt transactions.

Related article: Even the Specter of Sanctions Is Hurting Russia (Op-ed)

“Sanctions against Rusal and a number of other companies in April, as well as the threat of sanctions against state banks, have brought down Russian stocks,” FP Wealth Solutions partner Alexei Debelov was cited by Kommersant was saying.

“The risk of new restrictions scared away potential investors,” he added.

According to Kommersant, foreigners this year invested $50 billion into funds oriented toward emerging markets, including $31 billion into China and $500 million into Brazil.

Russia’s stock market nonetheless performed well relative to emerging markets and to U.S. and EU funds, Kommersant writes.

Original url:
https://www.themoscowtimes.com/2018/12/24/foreign-investors-flee-russia-2018-pull-1-billion-a63938