The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

German Investments in Russia Hit 10-Year High

Companies invested over €3Bln in 2018.

By bne IntelliNews

April 16, 2019

ijzerman / Flickr (CC BY-NC-ND 2.0)

Investments by German businesses into Russia reached their highest level for a decade last year, topping €3 billion, according to a statement from the Russian-German Chamber of Commerce (ECP). At the same time, the number of German firms operating in Russia fell from over 6,000 to around 4,500 over the same period.

German businesses have been the most active investors in Russia since the fall of the Soviet Union, catalysed at first by former German chancellor Gerhard Schroeder, who was a big fan of Russia. Schroeder has remained close friends with Russian President Vladimir Putin and now works for Gazprom.

Since Angela Merkel took over as German Chancellor, relations have cooled somewhat —

especially following Russia's annexation of Crimea in 2014 — but even Merkel is well aware of the importance of the Russian market to German business.

Most of Germany's leading retail chains have set up in Russia, but in the last three five years some have started to withdraw, put off by stagnant real income growth and the cooling relations between Berlin and Moscow. The largest exit was the white goods retailer Media Markt's decision to sell out to local rival M.Video.

Related article: Germany Wobbles on Nord Stream Pipeline as Putin Tensions Mount

Russia had also become increasingly attractive to Germany's Mittelstand companies — firms with less than 40 employees and only a few million at best in revenues — that had looked to Russia to expand. But as the environment has become more toxic these firms have also been leaving the market.

"The possibilities of the Russian market are discovered by German small and medium businesses. Companies that are well aware of the Russian market are not in a hurry to be afraid of sanctions and political problems," said chairman of the chamber Mattias Schepp, cited by the Vedomosti news site.

The volume of Russian-German trade in 2018 increased by 8.4 percent to €61.9 billion. The volume of shipments from Germany to Russia compared with 2017 increased by 14.7 percent to about €36 billion and the volume of deliveries from Russia to Germany rose by 0.6 percent to €25.9 billion, according to the chamber.

According to the German regulator, net direct investments of German companies in Russia in 2017 amounted to more than €1.6 billion.

This article first appeared in bne IntelliNews.

Original url:
https://www.themoscowtimes.com/2019/04/16/german-investments-in-russia-hit-10-year-high-a65243