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INDEPENDENT NEWS FROM RUSSIA

Foreign Direct Investment Into Russia Is Falling

Russia is at the bottom of the Institute of International Finance's list of emerging markets.

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Investors blame unpredictability for the decline. **Jürg Vollmer / Flickr (CC BY-SA 2.0)**

Foreign direct investment (FDI) into Russia accounted for only 0.2 percent of gross domestic product (GDP) from 2015-2018, putting it at the bottom of the list of emerging markets, the RBC news website reported, citing the Institute of International Finance (IIF).

The IIF figures exclude reinvested earnings to focus on "real" GDP.

Reinvestment is not the flow of capital, and in some cases may reflect restrictions on the repatriation of profits from the country of investment to the country of the investor, RBC cited the IIF report as saying.

The figure of 0.2 percent puts Russia below Nigeria with 0.3 percent, Venezuela with 0.5

percent and Ukraine with 2.7 percent. Taking reinvestment into account would have raised the FDI calculation to 1.5 percent of GDP — higher than Saudi Arabia, Nigeria, South Korea, South Africa and Venezuela.

“For Russia, the key issue is sanctions, although other factors are also investor perception that the investment climate is poor and low growth potential,” RBC cited IIF deputy chief economist Elina Rybakova as saying.

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For most of the 2000s, FDI inflows came from investors looking to gain access to the large and growing Russian consumer market. But falling energy prices and the Kremlin’s adoption of more cautious macroeconomic policies slowed consumption-driven growth, Rybakova added.

Speakers at an Association of European Business (AEB) conference in Moscow this week said unpredictability, administrative barriers and political processes were the main reasons for the decline in foreign investment in Russia.