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Russian Stock Market Faces Uphill Battle to Hit Putin’s Ambitious 2030 Target

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Alexander Avilov / Moskva News Agency

Russia’s stock market has slumped since President Vladimir Putin in May 2024 set a goal of doubling its capitalization to 66% of GDP by 2030 — a target that now looks increasingly out of reach as market value has fallen sharply amid war-related sanctions and weak investor demand.

At the end of last year, the total value of companies listed on Russian exchanges stood at roughly 50 trillion rubles ($650 billion), or about 23% of GDP, according to calculations by ratings agency Expert RA.

That marks a drop of nearly one-third from earlier in 2024, and roughly half the level seen before Moscow’s full-scale invasion of Ukraine in 2022, when market value was estimated at 62.8 trillion rubles ($816 billion), equivalent to 47% of GDP.

To hit the 66% target now would require a near-threefold increase in market capitalization compared with current levels — a steep climb given the obstacles facing Russia’s equity markets.

In principle, capitalization could rise through higher share prices, new equity issues or the listing of additional companies. But none of these avenues is gaining traction under current conditions.

The exodus of foreign investors after the start of the Ukraine war and reciprocal sanctions — including Russia's blocking of assets belonging to foreign holders on so⊠called "C" accounts — has deprived the market of external financing and left it dependent on domestic capital, Expert RA said.

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Before 2022, institutional investors, mostly foreign, accounted for about 60% of trading turnover. Their departure created a "liquidity vacuum" that has been only partially filled by retail investors.

But the influx of household savers has not made up the shortfall, Expert⊠RA said, noting that fragmented demand from individual investors can support deals of 3-5 billion rubles ($39-65⊠million) but is insufficient for the large placements — often above 50 billion rubles ($650⊠million) — previously underwritten by foreign funds.

The agency described the flurry of initial public offerings in 2023-24, with eight and 14 listings respectively, as a "parade of small and mid⊠cap companies."

Benchmark indices reflect that stagnation. The MOEX Russia index has fallen about 12% since the start of 2024 and roughly 20% since Putin's decree in May 2024, data show.

High interest rates have also damped appetite for equities. With state⊠insured deposits yielding 14-15% — and above 20% in the past year — many investors have preferred the relative safety of bank accounts over stocks.

According to the Central Bank, Russians reduced their equity holdings by 26 billion rubles ($338⊠million) last year.

Analysts say the combination of elevated rates, stalled economic growth, weaker corporate profits and a strong ruble, which weighs on earnings of major exporters, has kept the market tightly compressed.

"The undervaluation of the Russian stock market is one of the main factors hindering the achievement of the capitalization doubling goal," analysts at T⊠Investments wrote, adding that even a large number of small listings would have a minimal impact on overall market value.

They said only a handful of heavyweight companies could make a noticeable difference, but even those would likely contribute no more than 5-10% to total capitalization.

At the Gaidar Institute for Economic Policy, experts said the question of how to push market value to two⊠thirds of GDP by 2030 in the face of high key rates and limited domestic demand remains unresolved.

First Deputy Central Bank Governor Vladimir Chistyukhin has acknowledged that achieving the goal organically is implausible.

He said reaching it would require several consecutive years of at least 1 trillion rubles ($13 billion) in new placements — roughly the total volume of IPOs over the past decade — and that was when foreign investors still participated in large deals.

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