

Press-release
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European business expects investments in Russia to grow in the next 2-3 years

With Russia's economic situation showing signs of easing, European companies doing business in Russia have more reasons to be positive about their prospects in the Russian market.

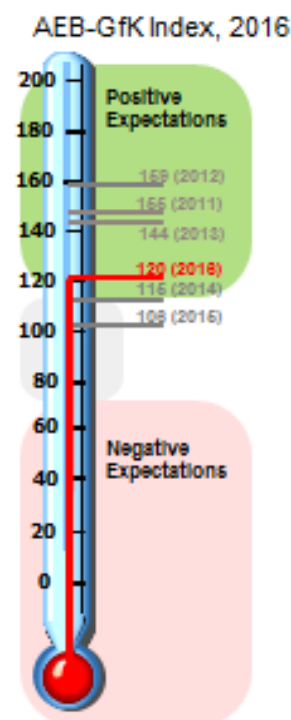
In 2016 the integrated AEB-GfK Index grew by 14 points from 2015 and now stands at 120 points out of 200 possible, which is a shift to positive expectations. In 2015 the index stood at 106 points, in 2014 at 115.

2015 was not an easy year for European companies in Russia: Only 43% of European companies reported that turnover grew in Russia in 2015, which was a decrease in comparison to the previous survey; in 2014 turnover growth was reported by 55% of European business in Russia.

At the same time, notwithstanding the rather negative evaluation regarding the majority of Russia's macro-economic indicators, the economic downturn has shown signs of slowing down, and according to the AEB survey, European business was able to obtain its forecasted results in Q1 2016 in Russia.

In 2016 European companies seem to have adapted to the new economic conditions in Russia and are now able to act within wider planning horizons. And while regarding 2016, European business on the whole demonstrated only cautious optimism, for the next 2-3 years, we see that one in three (35%) of the companies who participated in the AEB survey expects a further drop in investment in Russia.

Due to the improvement of short and middle-term expectations, top managers of European companies reported more optimism regarding their company performance in 2016 in Russia. 70% expect turnover to grow this year; this indicator is much higher than in 2015 (55%), and marks a return to the level of Q1 2014 (72%). In 2016, 52% companies expect profits to grow in Russia in the next three years (40% in 2015, and 52% in 2014).



What is hindering the growth of investment in Russia?

Notwithstanding the cautious optimism, the economic climate in Russia remains difficult. According to the respondents of the AEB survey, the key negative factors that are impacting the country's economic development are as follows: low oil prices (87%), U.S. and E.U. sanctions against Russia (87%), and Russian counter-sanctions (67%), rouble devaluation (60%).

The majority of European companies in the survey reported that very modest progress has been made in the development of the business environment and business culture in Russia. Experience with the legal, customs and taxation authorities was estimated mainly in negative terms. Institutional constraints and legal limitations were named as the main hindrance to developing business in Russia by 55% of the companies. Most of the respondents of the AEB survey do not expect an improvement in the situation with red-tape and corruption or in the taxation regime in the next two years (67%, 64% and 56% of companies correspondingly).

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On the whole the results of the AEB and GfK survey demonstrate that European business is rather optimistic about the middle (3-5 year) and long term (6-10 year) prospects for the Russian economy. Companies consider that Russia is an important market due to its significant potential, large size and positive development (93%, 91% and 86% correspondingly mention these reasons for entering the Russian market).

The AEB survey also studied the opinion of European business regarding the impact of Russia's membership in the World Trade Organization (WTO) on their business. While before Russia entered the WTO in 2012 the majority of companies forecasted that WTO membership would have a positive effect on the Russian economy (75%) and for their business (59%), most AEB members reported that they have not felt a positive effect on their business from Russia's membership in the WTO.

"In spite of current difficulties, the level of interest of European companies in the Russian market is not falling. Compared to last year businessmen have become more optimistic about expected company turnover and profits", said Frank Schauff, AEB CEO.

"The European business has again seen the prospects for growth in Russia. By adapting to the new economic conditions, European companies have begun to plan to increase business activity", said Alexander Demidov, Managing Director, GfK Rus.

About the AEB survey

The survey "Strategies and Prospects for European Companies in Russia" was conducted by the Association of European Businesses (AEB) for the 9th time (and for the 6th time in cooperation with GfK Rus). The current survey was conducted in April 2016. Eighty-nine top-managers from AEB member companies took part in face-to-face and online interviews.

The survey is aimed at gauging the confidence level of European companies doing business in Russia, as well as studying their intentions regarding business growth and their perception of the local investment climate.

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Association of European Businesses (AEB)

Founded in 1995, the Association of European Businesses (AEB) is an independent non-profit organisation of more than 550 European and Russian companies. The AEB members are multinational corporations and small and medium-sized businesses. They all share a commitment to strengthening economic ties between the EU and Russia, as well as the desire to improve the investment climate of the Russian Federation.

The AEB includes 65 committees, subcommittees and working groups that are engaged in lobbying on a wide range of issues in various business areas including energy, transport and customs, air travel, legislation, taxation, banking, real estate, the production of crop protection products and many others. These committees work closely with the European and Russian authorities, and provide comments and suggested changes to the draft laws of the Russian Federation.

For more information please visit www.aebrus.ru

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