



Press-release

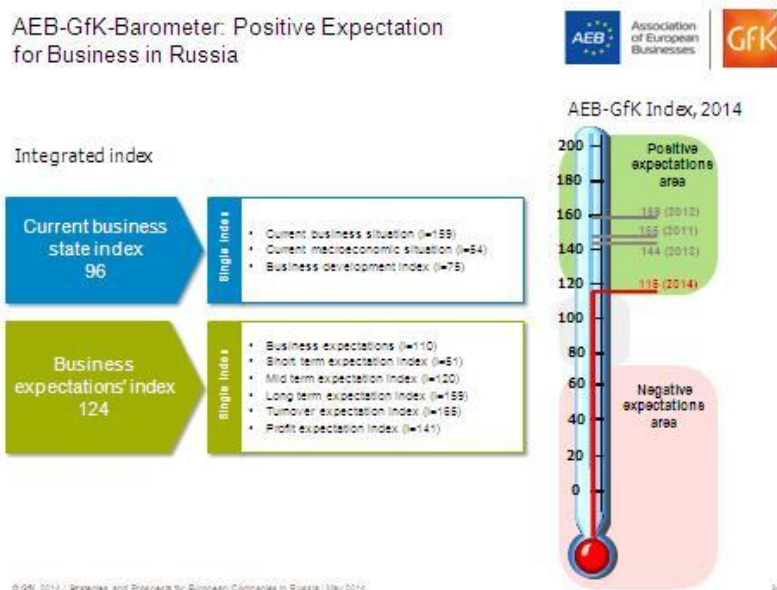
20 May 2014

European Companies in Russia: Level of Optimism Decreases

Due to the slowdown of the economic growth in Russia and the escalation of the Ukrainian crisis, the European companies that run business in Russia cut their investments and feel less optimistic. The integrated AEB-GfK Index dropped by 29 points compared to 2013 and amounts to 115 points out of 200 possible (in 2013 – 144 points, in 2012 – 159 points). The Index has almost moved to the bottom line of the positive expectations area.

In the current political and economic situation the top-managers of the companies that run their business in Russia feel less optimism regarding both the macroeconomic development of the country and the growth of their own business. These are the results of the current wave of the survey “Strategies and Prospects for European Companies in Russia”, which is conducted annually by the Association of European Businesses (AEB) in cooperation with GfK Rus.

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Summing up the results of 2013, the top managers of the companies that participated in the survey, report a decline in their performance. Only 69 % of respondents in 2014 claimed that the turnover of their companies grew over the past year. In 2013, 78 % had indicated the revenue growth.

In 2014, compared to the previous year, the share of those who said that the economy and business in the first three months of the year developed worse than they had expected, significantly increased. As a result, in 2014 a significant reduction in investment can be expected. Representatives of the

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AEB member companies are quite pessimistic about the development of foreign investments in Russia within the next 2-3 years. The percentage of those who believe that the investments in Russia will grow steadily has been declining from year to year (2012 - 70%, 2013 - 59 %, 2014 - 31%). In 2014, the percentage of those, who believe that the investments of the foreign companies in Russia would decline, (2013 - 12%, 2014 - 40%) increased sharply.

Because of the negative start of the year, the respondents also became less optimistic about the expected turnover and profit of their companies. 72 % of respondents expect turnover growth; however their share has significantly decreased compared to 2013 year (2013 - 89%). The situation is similar in terms of the profit. Fewer companies expect profit growth over the next three years (2013 - 72 %, 2014 - 52%).

Nevertheless, there is an important positive aspect in the answers of the respondents. Despite a rather substantial decline in number of indicators and worsening expectations for the growth of Russian economy in the short (1-2 years) and medium (3-5 years) term, in the long term (6-10 years) the participants of the survey expect steady growth. While in 2013 58 % of survey participants expected the growth of the Russian economy in the long term, in 2014 already 69% of respondents believe that in 6-10 years the Russian economy will grow.

Almost a half of the companies' top managers (45%), who participated in the survey, noted that the crisis in Ukraine has had a negative impact on their activities in Russia.

From year to year more and more companies note that the entry into the WTO has not influenced their business. Prior to the entry into the WTO in 2012, most companies positively evaluated the potential effect for the Russian economy (75% of respondents believed that the Russian economy will benefit from the WTO entry with 59 % of companies assuming that Russia's WTO entry will have a positive impact directly on the activities their own companies). After Russia had joined the WTO, the AEB member companies claimed that their companies did not feel any changes (in 2013 - 66%, in 2014 - 71%).

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About the survey

The survey “Strategies and Prospects for European Companies in Russia” is conducted by the Association of European Businesses (AEB) for the seventh time and for the fourth time in cooperation with GfK Rus. The current wave of the survey was conducted in March-April 2014. 98 top-managers of the AEB member companies took part in face-to-face and online interviews.

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