



The Russian regions

September 18, 2009

Moscow is not everything

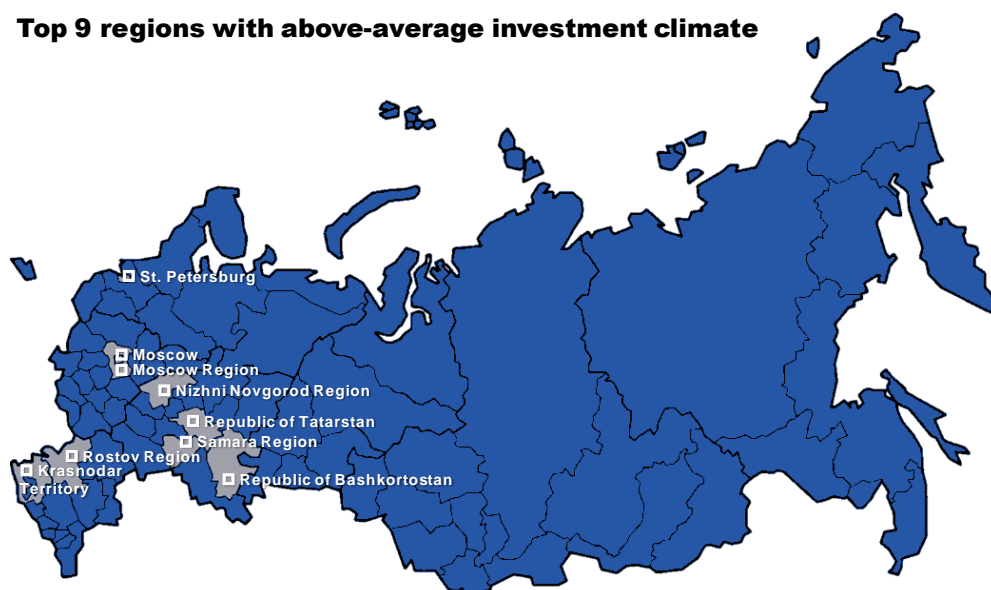
The Russian Federation comprises 83 regions. They vary widely in terms of economic development, economic structure, population size, land area as well as resource endowments. This study aims at providing an overview of the regions, focusing on those with an above-average investment climate.

By means of a rating on the regions' potential and risk, we derive a list of 9 regions with the best investment climate in Russia. These are the city of Moscow and Moscow Region, St. Petersburg, Samara Region, Krasnodar Territory, Nizhni Novgorod Region, Republic of Tatarstan, Rostov Region and Republic of Bashkortostan (see chart below). Taken together, they account for 45% of Russia's GDP and host 7 of the 11 Russian cities with over one million inhabitants. Regional economic structures differ considerably, with some depending mainly on agriculture, others on extractive industries, retail trade or manufacturing.

The global financial crisis has hit Russia and its regions hard. Social unrest has occurred in a number of cities and regions, fuelled by rising unemployment and the slump in commodity prices. The economic downturn has also put pressure on regional budgets and increased the weight of transfers from the federal centre.

The crisis has again highlighted the need for modernisation and diversification of the Russian economy. Taken by FDI activity in recent years, it seems that opportunities abound in several non-energy-related sectors such as retail and banking. Besides unmet demand for many products there are large infrastructure shortages as well. However, conditions for doing business will need to improve in order for (foreign and domestic) investment levels to increase in a more sustainable fashion.

Top 9 regions with above-average investment climate



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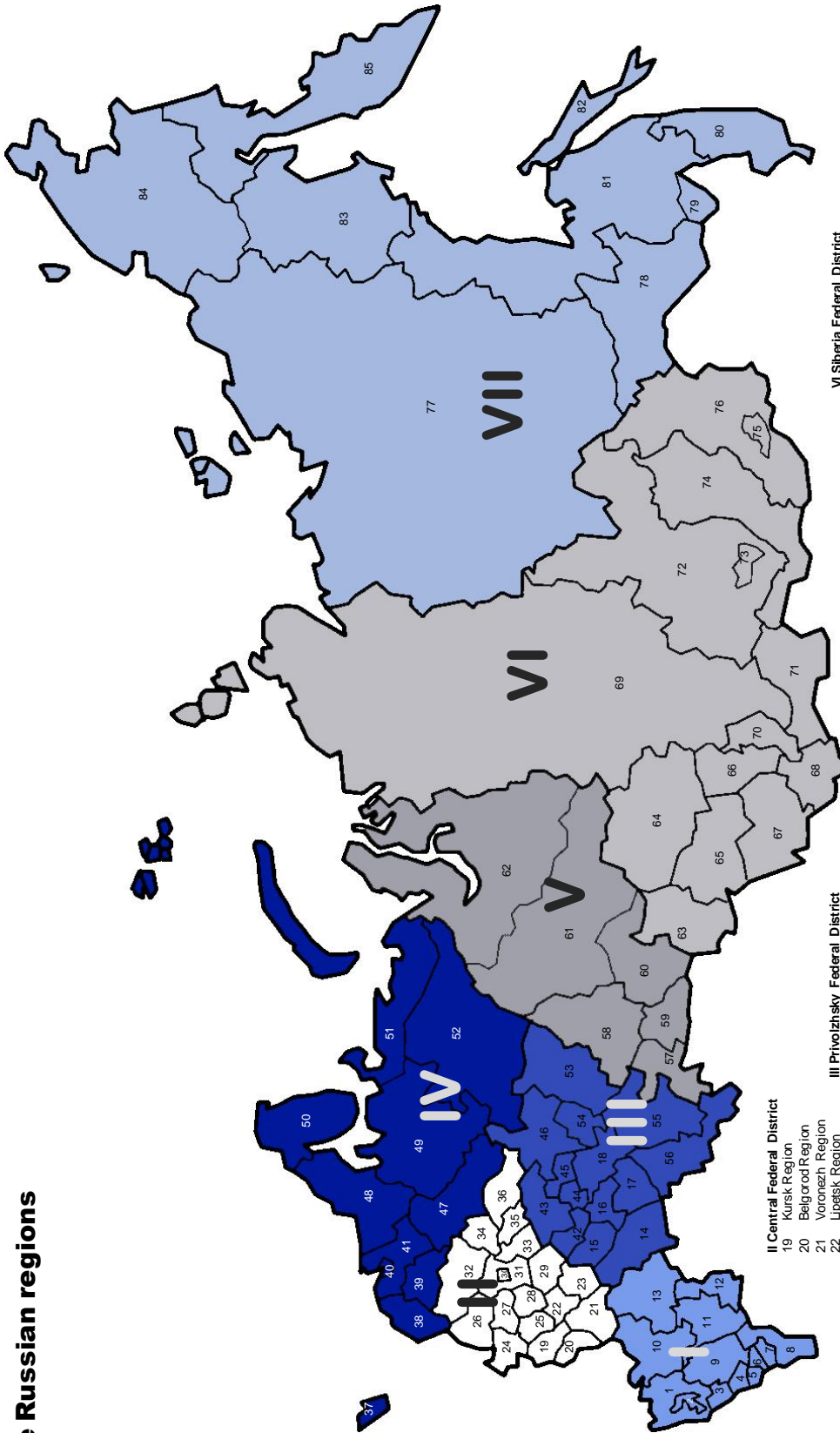
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The Russian regions



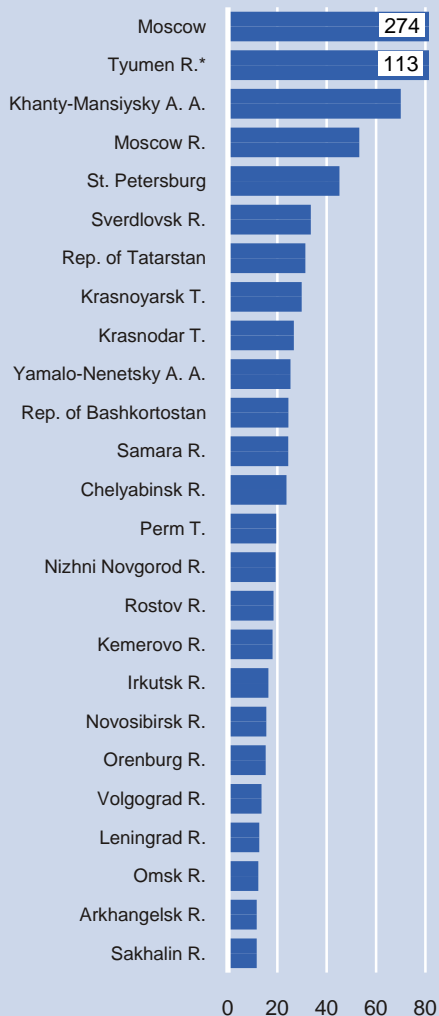
- I South Federal District**
 - 1 Krasnodar Territory¹
 - 2 Republic of Adigei
 - 3 Karachai-Cherkess Republic
 - 4 Kabardino-Balkar Republic
 - 5 Rep. of Northern Ossetia-Alania
 - 6 Republic of Ingushetia
 - 7 Republic of Chechnya
 - 8 Stavropol Territory
 - 9 Rostov Region¹
 - 10 Republic of Kalmykia
 - 11 Astrakhan Region
 - 12 Volgograd Region
 - 13 Kostroma Region
- II Central Federal District**
 - 19 Kursk Region
 - 20 Belgorod Region
 - 21 Voronezh Region
 - 22 Lipetsk Region
 - 23 Tambov Region
 - 24 Bryansk Region
 - 25 Orel Region
 - 26 Smolensk Region
 - 27 Kaluga Region
 - 28 Tula Region
 - 29 Ryazan Region
 - 30 Moscow¹
 - 31 Moscow Region¹
 - 32 Tver Region
 - 33 Vladimir Region
 - 34 Yaroslavl Region
 - 35 Ivanovo Region
 - 36 Kostroma Region
- III Phivolzhsky Federal District**
 - 14 Saratov Region
 - 15 Penza Region
 - 16 Ulyanovsk Region
 - 17 Samara Region¹
 - 18 Republic of Tatarstan¹
 - 19 Republic of Mordovia
 - 20 Nizhni Novgorod Region¹
 - 21 Chuvash Republic
 - 22 Republic of Many-EI
 - 23 Kirov Region
 - 24 Perm Territory
 - 25 Kurgan Region
 - 26 Udmurt Republic
 - 27 Republic of Bashkortostan¹
 - 28 Orenburg Region
- IV North-West Federal District**
 - 37 Kaliningrad Region
 - 38 Pskov Region
 - 39 Novgorod Region
 - 40 St. Petersburg¹
 - 41 Leningrad Region
 - 42 Volgoda Region
 - 43 Republic of Karelia
 - 44 Arkhangelsk Region
 - 45 Murmansk Region
 - 46 Nenets Autonomous Area
 - 47 Republic of Komi
- V Ural Federal District**
 - 57 Chelyabinsk Region
 - 58 Sverdlovsk Region
 - 59 Kurgan Region
 - 60 Tyumen Region
 - 61 Khanty-Mansiyski Autonomous Area³
 - 62 Yamalo-Nenetski Autonomous Area³
- VI Siberia Federal District**
 - 63 Omsk Region
 - 64 Tomsk Region
 - 65 Novosibirsk Region
 - 66 Kemerovo Region
 - 67 Altai Territory
 - 68 Republic of Altai
 - 69 Krasnoyarsk Territory
 - 70 Republic of Khakassia
 - 71 Republic of Tyva
 - 72 Irkutsk Region
 - 73 Ust-Orda Buryat Autonomous Area²
 - 74 Republic of Buryatia
 - 75 Agin-Buryat Autonomous Area¹
 - 76 Chita Region¹
- VII Far East Federal District**
 - 77 Republic of Sakha
 - 78 Amur Region
 - 79 Jewish Autonomous Region
 - 80 Primorski Territory
 - 81 Khabarovsk Territory
 - 82 Sakhalin Region
 - 83 Magadan Region
 - 84 Chukotka Autonomous Area
 - 85 Kamchatka Territory

¹On March 1, 2008, Chita Region and Agin-Buryat Autonomous Area merged to form Zabaykalskiy Territory.
²On January 1, 2008, Ust-Orda Buryat Autonomous Area merged into Irkutsk Region.
³Formally belongs to Tyumen Region.
⁴Top regions with above average investment climate selected by DB Research.

Sources: Wikipedia, based on w:image:BlankMap-RussiaDistricts.png by Monwen, edited by Nightration, DB Research
 English translation of regions according to Bulletin of Banking Statistics by the Bank of Russia.

Russia: Gross regional products

USD m, 2007 (top 25 regions)



*Includes Khanty-Mansiysky A. A. & Yamalo-Nenetsky A. A.

Note: R. = Region, A.A. = Autonomous Area, T. = Territory

Sources: Rosstat,(2008a), DB Research

1

Introduction

The Russian Federation, the world's largest country by surface area, comprises 83 heterogeneous regions. The city of Moscow¹ is without doubt the political, economic and financial centre of Russia. Still, there is more to Russia than Moscow. While Moscow accounted for over 50% of the country's credit institutions and foreign direct investment in 2007, its shares in gross regional product and population were below 25% and 8%, respectively (see chart 1). There are numerous investment opportunities available in Russia's regions outside of Moscow. However, finding attractive investment locations in a country as large and diverse as Russia is a challenge.

This study focuses on 9 regions which have an above-average investment climate. There are two reasons to focus on regions with a particularly good investment climate: first, because the investment climate is obviously a key determinant when a firm decides to allocate capital to a particular region. Investment is still low in Russia as a percentage of GDP, constraining its medium-term growth prospects. Second, a favourable investment climate is conducive to innovation. This is an important factor if Russia wants to reduce its dependence on natural resources. The investment climate rating we use in this study reflects both the investment potential and the investment risk of each particular region. It turns out that Moscow's investment climate ranks highest, followed by that of St. Petersburg and of Moscow Region.

We start by outlining the institutional set-up of Russia's regions, focussing on the relationship between individual regions and the federal centre. While the regions gained some autonomy during the Yeltsin era in the 1990s, the federal centre has strengthened its power since 2000. We also briefly touch upon economic policy options as there have been several initiatives to foster regional economic development. One example has been the establishment of special economic zones providing tax and other business incentives in several regions. We then present our ratings for the regional investment climate. Subsequently, we analyse the selected regions in detail with regard to their population, economic size and structure, FDI and banking sector activities.

Russia: Regional set-up



Source: DB Research

2

Regions' institutional set-up

The Russian Federation consists of 83 federal subjects or regions (субъект).² While the English terms are used interchangeably, these administrative units are of several different types: 46 regions proper (область), 21 republics (республика), 9 territories (край), 4 autonomous areas (автономный округ), 2 federal cities (Moscow and St. Petersburg) and 1 autonomous region (автономная

¹ We refer to Moscow city proper as Moscow in this study.

² There were 89 regions listed in Art. 65 of the Russian Constitution of 1993. See <http://www.constitution.ru/en/10003000-04.htm>. Via mergers, the number of autonomous areas decreased from 10 to 4, the number of regions declined from 49 to 46 and the number of territories increased from 6 to 9. For further information on mergers among regions see Kuznir (2008).

область).³ The geographical boundaries of those regions already existed during Soviet times.⁴

According to the constitution, all the regions are equal subjects of the Russian Federation.⁵ The distribution of power between the federal centre and the regions is defined in the Russian constitution. For instance, defence, customs and foreign policy are exclusively assigned to the central authorities.

Distribution of power between federal centre and regions

Other areas, like ownership and use of land, mineral resources, water, and other natural resources as well as public health and taxation are defined as joint competences of the federal and regional authorities.⁶ In principle, regions are allowed to decide upon revenues and expenditures subject to the national tax law.⁷ The regions' revenues often fall short of their expenditure needs, making many regions dependent on transfers from the federal centre.⁸ Regions are authorised to issue public debt and 49 regions had a credit rating by an international rating agency as of January 2009.⁹ Finally, powers not exclusively assigned to the federal centre or not perceived as joint competence between centre and regions are to be exercised solely by the regions.¹⁰ With regard to the joint competences, there is little guidance in the constitution as to how the power is distributed between the federal centre and the regions.¹¹

Some decentralisation in the 1990s

In the 1990s, regional constitutions were often inconsistent with the federal constitution due to the centre's lack of political and administrative control.¹² This was a consequence of the fact that the formal status and the level of sovereignty of the regions was hardly set in stone after the dissolution of the Soviet Union. In fact, many regions were striving for more independence in the 1990s.¹³ As a result, a decentralisation process took place, accompanied for instance by several power-sharing treaties between the federal centre and individual regions.¹⁴ However, the decentralisation did not deliver the expected benefits such as a more efficient allocation of resources as the federal centre was unable to ensure capital and labour mobility, to eliminate internal trade barriers and to protect property rights.¹⁵ Instead, a high interdependence between regional

³ The English translations are taken from the Bulletin of Banking Statistics of the Russian central bank.

⁴ The republics, for example, were established in 1919 to grant a certain degree of autonomy to larger minority groups. See Söderlund (2006, p. 26). Still, ethnic Russians are often in the majority within the republics. See Territories of the Russian Federation (2002, p. 4).

⁵ See Article 5 of the constitution. However, in reality there are differences. Republics are ranked higher as they are granted a constitution while the other regions are only granted a charter. See Schneider (2001, p. 140). Another exception is the Republic of Tatarstan, which signed a special competence-assignment treaty in June 2007. Under President Yeltsin, there were several such treaties which were, however, abolished during the first term of President Putin. See Schneider (2007, p. 14).

⁶ See OECD (2005, p. 110).

⁷ See Fitch (2008b, p. 3) for an overview.

⁸ See Hanson (2005, p. 314).

⁹ See CBR (2009, p. 34). Fitch (2008b, p. 4) notes that there is a ban for the regions to issue external debt which will be lifted (with some constraints remaining) from January 2011 due to amendments to the budget code in January 2008.

¹⁰ See Articles 71 to 73 of the Russian constitution.

¹¹ See e.g. Territories of the Russian Regions (2002, p. 6).

¹² See Schneider (2007, p. 4).

¹³ See e.g. Territories of the Russian Regions (2002).

¹⁴ See e.g. Territories of the Russian Regions (2002, p. 7) and OECD (2005, p. 92).

¹⁵ See OECD (2005, p. 94).

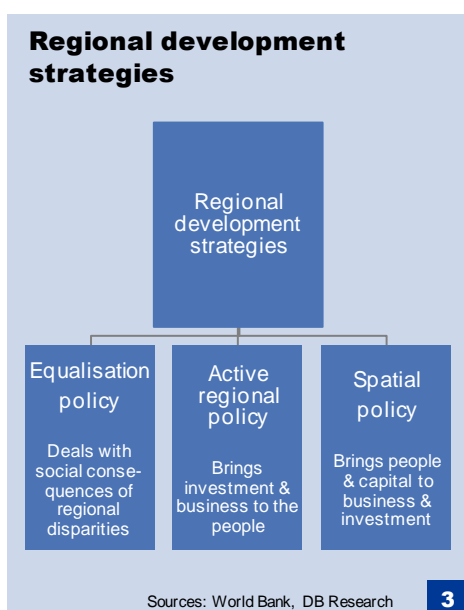
Re-centralisation since 2000

businesses and local governments supported vested interests in the regions while defying control of the federal centre.¹⁶

Against this background, the former President Vladimir Putin limited the role of regional elites and reasserted the power of the federal centre shortly after his inauguration in 2000. Putin took the following actions: first, an intermediate level of bureaucracy between the federal centre and the regions was established to improve control of the regions and coordination with the federal centre. As a result, the 89 Russian regions listed in the 1993 constitution were aggregated into 7 federal districts with a presidential representative, a “general governor”, sent to each.¹⁷ Second, regional governors’ influence at the national level was limited by replacing their seat in the Federation Council (upper house of parliament) with ambassadors of the respective regions.¹⁸ Third, presidents and governors of the regions were no longer to be elected by the people but by the regional parliament with the candidates being proposed by the Russian President.¹⁹ Moreover a new law allowing to dissolve regional parliaments and to depose governors was put in place which, obviously, weakened regional governors’ positions.²⁰ Besides these political changes, there was also a recentralisation of economic power with regard to fiscal control, e.g. by reducing the regions’ autonomy in taxing and spending.²¹

Renewed decentralisation since 2005

Once those reforms were implemented, Putin could count on more allegiant decision-makers in the Russian regions. Against this background, Putin again somewhat widened political competences of the regional governors in 2005 not least because it was difficult to manage all regional issues at the federal level.²² Given the new set-up, allocating more powers to the regional and local levels, i.e. fostering decentralisation, was expected to contribute more positively to regional economic development than previously. A major reform in this context was the reform of Local Self-Governance in Russia. While targeting sub-regional levels of government, this reform has also had an impact on the regions.²³



Regional development strategies

Russia’s 83 regions vary greatly in terms of population and geographical size, market access, resource endowments and level of economic development. An appropriate regional economic policy is essential to avoid too much divergence among the regions. According to the World Bank, an effective strategy for regional development would need to balance three pillars: equalisation policy, active regional policy and spatial policy (see chart 3).²⁴

¹⁶ See OECD (2005, p. 93).

¹⁷ Note that there was one presidential representative in each of the 89 regions previously. Unlike the regions, the federal districts have no budget authority. Their main aim is administration, control and improvement of interaction between the central government and regional governors.

¹⁸ The Federation Council represents the interests of the regions at a central level. See Schneider (2007, p. 5).

¹⁹ The President in turn receives three proposals from the largest party in the regional parliament. This procedure has been in effect since July 2009. Before that, the general-governors of the 7 federal districts proposed a shortlist to the President. See Schneider (2009, p. 5).

²⁰ See Schneider (2007, p. 11).

²¹ See Hanson (2005, p. 309).

²² See Schneider (2006, p. 27).

²³ See e.g. Fitch (2006) for an overview.

²⁴ See World Bank (2005).

Special economic zones were established in 2005

Spatial policy has been difficult to implement

Regional development strategies in Russia used to focus on equalisation policy via a transfer system between the centre and the regions.²⁵ A more active regional policy moved into the spotlight with the establishment of special economic zones (SEZs, see Appendix 1) in 2005.²⁶ The SEZs fall into different categories, with some built around existing growth centres and others of a greenfield type. Whether especially the greenfield SEZ will prove successful is still uncertain given distortions in the allocation of labour and capital as well as potentially high opportunity costs.²⁷ Some of the tourism SEZs may face constraints due to lack of accessibility and underdeveloped infrastructure. To make matters worse, the current economic crisis puts future infrastructure spending at risk. Another factor for the success of active regional policy is the commitment of the regions themselves. In this context, it is positive that the SEZs have been selected in a competitive process among the regions.

Next to equalisation and active regional policy, spatial policy should occupy a prominent role given Russia's large geographical area. But, similar to active regional policy, it has been difficult to implement spatial policy due to the lack of mobility of labour and capital. In order to facilitate migration of people and capital an improvement in housing and infrastructure conditions in the growth centres is essential.²⁸

What are the best regions to invest in?

In what follows, we focus on the regions with the best investment climate.²⁹ The investment climate classification reflects both the investment potential as well as the investment risk in a region. There are 12 investment climate categories which range from "maximum potential with minimum risk" (1 A) to "low potential with extreme risk" (3 D) (see chart 4).

- The *investment risk indicator* focuses on the probability of an investment loss based on factors related to legislation, finance, economics, ecology, administration, crime and the social framework. The regions are ranked relative to the average Russian risk level (Russia=1).
- The *investment potential indicator* focuses on characteristics such as production factor endowment and regional commercial sales opportunities.³⁰ The investment potential is measured via indicators related to the labour market, consumption, production, finance, innovation, infrastructure, institutions, environmental resources and tourism. In contrast to investment risk, regions are in this case not ranked according to an index but on the basis of

Investment climate classification

Maximum potential - minimal risk	1A
High potential - moderate risk	1B
High potential - high risk	1C
Medium potential - minimal risk	2A
Medium potential - moderate risk	2B
Medium potential - high risk	2C
Low potential - minimal risk	3A
Reduced potential - moderate risk	3B1
Reduced potential - high risk	3C1
Minor potential - moderate risk	3B2
Minor potential - high risk	3C2
Low potential - extreme risk	3D

Sources: Expert RA, DB Research

4

²⁵ See World Bank (2005, p. 14)

²⁶ For other initiatives see e.g. World Bank (2006, p. 13). SEZs were already put in place in the 1990s but without much success. The government improved manageability of the SEZs e.g. by creating a special government agency. See Fitch (2008a, p. 7).

²⁷ See World Bank (2005, p. 14). These would be costs incurred e.g. due to the fact that production takes place in a designated region rather than elsewhere.

²⁸ See World Bank (2005, p. 15)

²⁹ The rating is provided by Expert RA, a leading Russian rating agency. Expert RA was founded by the Russian business magazine "The Expert". For further details see <http://eng.expert.ru/expetra/>. The rating is based on approximately 200 different qualitative and quantitative indicators, but there is no detailed information on these. The latest rating is available from http://www.expert.ru/printissues/expert/2008/49/reiting_regionov/

³⁰ See also FAZ Institut (2008, p. 63).



their share in the investment potential of all regions taken together.

To derive a ranking of the best regions in which to invest, we first looked at the investment climate ratings from 1995 to 2007.³¹

As there is considerable variation in both the investment potential and investment risk ratings from year to year, we created a proxy for long-term investment climate by selecting regions with above-average investment potential and at the same time below-average investment risk over the period 1995-2007. We were thus left with 11 regions satisfying this criterion.³²

In addition, we took the latest (2008) investment potential and risk ratings for our selected regions into account. Compared with the period 1995-2007, eight regions maintained or improved their investment climate rating in 2008, and therefore were selected for the “top regions” ranking. The three remaining regions, namely Moscow, Belgorod Region and Saratov Region, had a worse investment climate rating in 2008 than in 1995–2007. Still, we decided to include one of them, Moscow, in our list, since it had a fairly good rating (1B) in 2008. Table 5 shows our final rating.

The top 9 regions with above-average investment potential and below-average investment risk

1995-2007 (2008)

	Investment potential	Investment risk	Investment climate
Moscow	16.1 (17.6)	0.77 (1.02)	1A (1B)
St. Petersburg	5.5 (6.5)	0.82 (0.93)	1B (1B)
Moscow R.	4.1 (4.8)	0.87 (0.91)	1B (1B)
Samara R.	2.2 (2.0)	0.98 (1.07)	2B (2B)
Krasnodar T.	2.1 (2.6)	0.90 (0.73)	2B (2A)
Nizhni Novgorod R.	2.1 (2.0)	0.87 (0.87)	2B (2B)
Rep. of Tatarstan	2.0 (2.1)	0.82 (0.82)	2B (2B)
Rostov R.	1.9 (2.0)	0.93 (0.79)	2B (2A)
Rep. of Bashkortostan	1.9 (1.8)	0.91 (0.91)	2B (2B)

Note: The investment potential score reflects a region's share in the overall investment potential of Russia and ranges from 0% to 100%. The investment risk score reflects a region's relative position in relation to an average Russian risk level of 1. Figures in brackets refer to the latest rating from autumn 2008.

Sources: Expert RA, DB Research

5

Population and area

	Population (m)	Area (sq km in 1000)
Russian Federation	142.2	17,098
Moscow	10.4	1
Moscow R.	6.6	46
Krasnodar T.	5.1	76
St. Petersburg	4.6	1
Rostov R.	4.3	101
Rep. of Bashkortostan	4.1	143
Rep. of Tatarstan	3.8	67
Nizhni Novgorod R.	3.4	77
Samara R.	3.2	54
Share Top 9	31%	3%

Sources: Rosstat, DB Research

6

Regions' population and area

The Russian Federation has a population of 142 million. More than 80% of its inhabitants live in the European part of Russia (Central, North-West, South, Privolzhsky (Volga) and Urals federal districts) and 73% are urban dwellers.³³ Two regions, Moscow and St. Petersburg, together account for 10% of the Russian population (see chart 6) and have a share of 22% of Russia's investment

³¹ See the special analysis included in the 2007 edition of the investment climate rating at http://www.expert.ru/printissues/expert/2007/47/pereraspredelenie_riskov/.

³² Neither the regions accounting for a large fraction of current oil and gas extraction nor the regions with large future potential in this regard satisfy this criterion. While their investment potential is among the top 20 regions, investment risk (e.g. administrative risk, ecological risk and economic risk) is considered as high by Expert RA (see e.g. Expert 2008 rating - link shown in Footnote 29).

³³ See Rosstat (2008a).

Seven of Russia's largest cities are situated in the top 9 regions

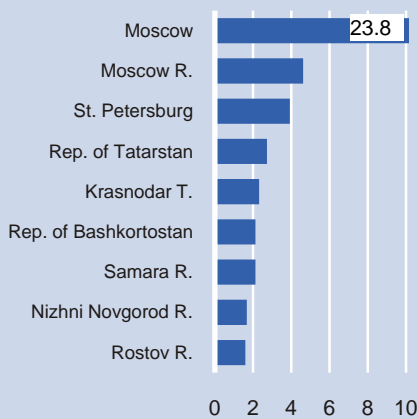
Cities with population > 1m, Jan 2009

City	Region	Population
Moscow	Moscow	10.5
St. Petersburg	St. Petersburg	4.6
Novosibirsk	Novosibirsk R.	1.4
Ekaterinburg	Sverdlovsk R.	1.3
	Nizhni	
Nizhni Novgorod	Novgorod R.	1.1
Samara	Samara R.	1.1
	Rep. of	
Kazan	Tatarstan	1.1
Omsk	Omsk R.	1.1
Chelyabinsk	Chelyabinsk R.	1.1
Rostov on Don	Rostov R.	1.0
	Rep. of	
Ufa	Bashkortostan	1.0

Sources: Rosstat, DB Research **7**

Gross regional products

% share of Russia's GDP, 2007



Sources: Rosstat, DB Research **8**

potential. The other 7 regions make up 22% of the Russian population and 16% of the investment potential.

Seven of the 11 Russian cities with a population of more than 1 m are situated in the top 9 regions (see chart 7). Most of these cities, except Omsk and Novosibirsk, are located in the European part of Russia. The Privolzhsky federal district alone contains four of these cities (Nizhni Novgorod, Samara, Kazan and Ufa).³⁴

Russia's land area is 1.7 times larger than that of the USA and 47 times larger than that of Germany. The top 9 regions account for only 4.1% of the total area of Russia.

Russia's population density is, at 8.4 people per sq. km, among the lowest worldwide.³⁵ For comparison, the United States has a population density of 31 and Germany of 232 people per sq. km. Within the 9 regions, population density varies. There are 9,000 people per sq. km in Moscow, 3,000 in St. Petersburg, 145 in Moscow Region and below 100 in the other 6 regions. A low population density may obstruct economic development as it is, for instance, very costly in per capita terms to provide necessary transport and communication infrastructure.

Regions' economy

The regions' economic size, measured in terms of Russia's gross regional products (GRPs), shows a large variation. The city of Moscow is the unchallenged economic centre of Russia with a GRP of USD 274 bn in 2007, accounting for 24% of Russian GDP (see chart 8).³⁶ Second to Moscow comes resource-rich Tyumen Region (not among the top 9) with USD 114 bn, followed by Moscow Region (USD 53 bn) and St. Petersburg (USD 45 bn). The top 9 regions together accounted for 45% of Russian GRP in 2007.

GRP growth rates have been strong in all of the top 9 regions, ranging between 5.8% and 10.3% in the period 2000-2007 (see chart 9). From 2000 to 2007, Rostov Region had the highest growth rate among the top 9. At first sight, this would point to convergence³⁷ given that Rostov had the lowest GRP per capita among the top 9 in 2000. However, there is no consistent evidence of GRP convergence in the top 9 regions. This observation is in line with studies showing that income convergence appeared to take place only for some regions or during specific periods.³⁸

GRP per capita also exhibits huge disparities. Russia's gross regional product per capita averaged USD 6,300 in 2007, with a large standard deviation of USD 5,000. Russia's wealthiest region by far was the resource-rich but scarcely populated Tyumen Region

³⁴ Cities are important for economic growth due to urban agglomeration effects (e.g. direct availability of input factors as well as a market for the final products). See World Bank (2007, p. 15).

³⁵ Rank 217 out of 238 countries. See http://en.wikipedia.org/wiki/List_of_countries_by_population_density (accessed Aug 25, 2009).

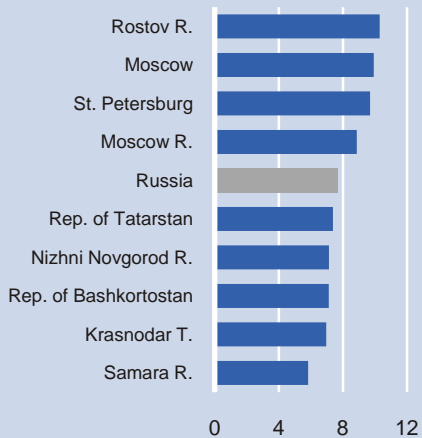
³⁶ More than half of all companies with foreign shareholdings and many of the large domestic enterprises have their head office in Moscow. See FAZ Institut (2006, p. 61).

³⁷ That is, evidence that initially poorer regions (in terms of GRP per capita) caught up with richer ones.

³⁸ See e.g. Kholodilin et al. (2009), Solanko (2008) or Arend (2008). In further research it would be interesting to study the impact of the investment climate rating on a region's growth performance.

GRP growth rates

Average annual GRP growth rate, 2000-2007



Sources: Rosstat, DB Research **9**

GRP per capita

USD, '000, 2007



Sources: Rosstat, DB Research **10**

(3.3 m inhabitants) with a per capita GRP of USD 34,000 in 2007.³⁹ Within the top 9 regions, GRP per capita ranged from USD 26,225 in Moscow to USD 4,300 in Rostov Region (see chart 10).

While GDP or GRP per capita often serve as a first approximation for economic well-being in a country, they are a rather crude measure. A broader measure is, for example, the Human Development Index (HDI) of the United Nations.⁴⁰ Russia is considered a country with a high level of human development.⁴¹ An index comparable to the HDI for Russia's regions is provided by the Independent Institute for Social Policy in Moscow as part of the "Social Atlas" on economic and social issues.⁴² This index is also based on income, education and longevity.⁴³

The highest HDI score among Russia's regions has traditionally been recorded in Moscow, and the lowest score in Tyva Republic.

Despite the fact that this indicator is a more comprehensive measure of well-being, the variation among the regions is driven to a large extent by differences in income per capita (see chart 11) as differences with regard to life expectancy and education are small. GRP is hence a good proxy for well-being in Russia's regions.⁴⁴

Human development index strongly correlated with regions' per capita income

As of 2006

	GRP per capita (USD)	Life expectancy (years)	Literacy rate (%)	HDI value (rank out of 83)
Russia	9,922	65.3	99.0	0.781
Moscow	17,091	70.8	99.8	0.873 (1)
St. Petersburg	10,133	67.3	99.8	0.817 (3)
Rep. of Tatarstan	12,325	67.7	99.0	0.812 (4)
Samara R.	9,795	65.7	99.2	0.787 (10)
Rep. of Bashkortostan	9,664	66.3	98.8	0.786 (11)
Krasnodar T.	6,469	67.5	99.0	0.763 (27)
Nizhni Novgorod R.	7,664	63.8	98.9	0.757 (24)
Rostov R.	5,505	66.7	99.1	0.754 (38)
Moscow R.	7,670	65.6	99.6	0.754 (39)

Sources: Independent Institute for Social Policy, DB Research **11**

In the top 9 regions, seven economic sectors accounted for about 83 percent of gross value added in 2007 (see chart 12).

Manufacturing was of particular importance in the Republic of Bashkortostan and Samara Region, wholesale and retail trade in

³⁹ Note that Tyumen region's GRP per capita includes GRP and population of the autonomous areas Khanty-Mansiysky and Yamalo-Nenetsky.

⁴⁰ The HDI, which has been published since 1990 for a large number of countries, is a composite index comprising income, education and longevity. In the latest report, the HDI ranges from 0.329 in Sierra Leone (rank 179) to 0.968 in Iceland (rank 1).

⁴¹ The sub-indices reveal that Russia scores better than its overall 73rd rank on adult literacy (rank 11) and GDP per capita (rank 55) but far worse on life expectancy at birth (rank 121).

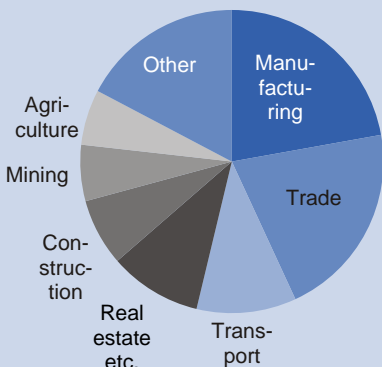
⁴² See Independent Institute for Social Policy (2008) and Stiglbrunner (2008, p. 12). Another indicator of well-being is "The Quality of Life Index" which is also provided as part of the Social Atlas.

⁴³ Income is GRP at purchasing power parity, education is measured via literacy rate (2/3) and the share of students among 7-24 year olds (1/3). Longevity is defined via life expectancy.

⁴⁴ Moscow Region is an exception here as it has the 5th largest GRP per capita but the lowest regional HDI among the top 9.

Economic structure of top 9 regions

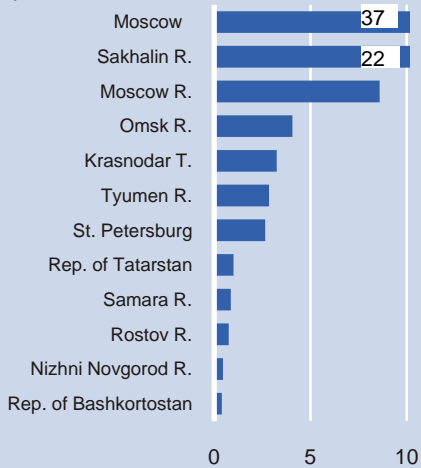
Contribution of sectors in % of gross value added



Sources: Rosstat, DB Research **12**

Moscow and Sakhalin are leading FDI destinations

Average share of Russian FDI over period 2000-2007, in %



Sources: Rosstat, DB Research **13**

Moscow, Moscow Region, St. Petersburg and Rostov Region; transport and communication in Krasnodar T.; real estate, leasing and services in Moscow, St. Petersburg and Nizhni Novgorod; agriculture in Krasnodar Territory and extraction and processing of commodities in the Republic of Tatarstan.

Regarding the share in Russia's output per sector in 2007, the top 9 regions accounted for 45% of manufacturing, 64% of wholesale and retail trade, 44% of transport and communication, 62% of real estate, leasing and services, 39% of construction, 25% of agriculture and 12% of extraction and processing of commodities (see table in Appendix 2). The top 9 regions do not hold a dominant position with respect to fishing and extraction of commodities.⁴⁵ Within Russia, the two main regions for oil and gas extraction are the Khanty-Mansiysk and Yamalo-Nenets Autonomous Areas. Khanty-Mansiysk Autonomous Area accounted for 57% of oil and 4.5% of gas production and Yamalo-Nenets Autonomous Area for 9% of oil and 86% of gas production in 2007.⁴⁶

Regarding the regions' export composition, they replicate the structure of Russia as a whole, namely, they are concentrated in commodities (see table in Appendix 3). Fuel and energy are the main export items for 5 out of the top 9 regions, accounting for 50% to 90% of those regions' exports. In the other four regions, the largest export items are machinery in Moscow Region (25%) and Nizhni Novgorod Region (35%) and food and agriculture in Krasnodar Territory (41%) and Rostov Region (51%). Regarding imports, machinery dominates with 40%-80% of imports in all regions apart from Krasnodar, which mainly imports food and agricultural goods. Moscow is Russia's centre of trade, accounting for 36% of the country's exports and 40% of its imports.⁴⁷

FDI in Russia's regions

Foreign direct investment is associated with positive spillovers regarding technological and management know-how and is therefore regarded as a contributor to economic growth. Ledyeva and Linden (2006a) found evidence of this positive effect in Russia, but only for high income regions. In general, empirical analyses on this subject are constrained by the fact that FDI is heavily concentrated in only a few regions in Russia (see chart 13). Sakhalin Region, where large oil and gas resources are situated, and Moscow alone accounted for 59% of all FDI inflows in 2000-2007.⁴⁸ A further 19% of total inflows went to Moscow Region, Omsk Region, Krasnodar Territory and Tyumen Region. Hence, only six regions accounted for 77% of all FDI inflows.

⁴⁵ The main fishing regions are Murmansk Region, Primorski Territory and Kamchatka Territory together accounting for over 50% of total GRP from fishing.

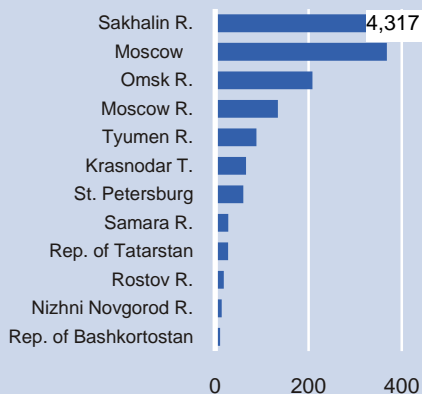
⁴⁶ See Rosstat (2008a). Future potential for oil and gas exploration is large in the Far East Region (Sakhalin 1-5), the Caspian Sea and untouched Timon Pechora deposits. Large gas deposits are also suspected in the Yamal peninsula gas field. See Raiffeisen (2008, p. 88 & 96).

⁴⁷ This is to some extent a statistical phenomenon due to the fact that many large companies are registered in Moscow. Moscow thereby appears as export origin or import destination. For example, Moscow accounts for 50% of Russia's total energy-related exports without possessing energy resources. See Sutyryn and Sherov (2005, p. 7).

⁴⁸ Note that investments targeted for Russia's regions may be registered in Moscow as companies have headquarters there. See Ledyeva & Linden (2006b, p. 3).

Huge disparities in FDI per capita inflows

USD, average 2000-2007



Sources: Rosstat, DB Research **14**

In per capita terms, the regions exhibit large disparities. The average per capita FDI inflow in Russia was around USD 73 p.a. between 2000 and 2007. While Moscow leads the FDI per capita league among the Top 9, the city is dwarfed by the average USD 4,300 per capita inflows which were directed to Sakhalin Region (see chart 14).

The global economic slowdown has reduced FDI inflows to Russia, which were down by 45% yoy in H1 2009, but the potential for further FDI inflows remains large.⁴⁹ The energy sector will continue to attract foreign corporates eager to exploit Russia’s huge wealth of natural resources. Another example for likely continued foreign interest is the retail sector, where growth is expected to be strong once Russia recovers from the crisis as consumption demand for many products is still unbroken. The regions outside Moscow may be of particular interest given their double-digit retail sales growth in recent years.⁵⁰ In the near future, regional FDI inflows may also benefit from investment opportunities in special economic zones as well as in Sochi, where the Olympic Winter Games will take place in 2014.⁵¹

That said, the extent to which Russia’s FDI will unleash its full potential will depend on improvements in the country’s relatively weak institutional environment.⁵²

Banking in the regions

Almost half of all banks are located in Moscow

As of Dec 2008	No of credit institutions
Moscow	543
St. Petersburg	42
Rep. of Tatarstan	26
Rostov R.	23
Samara R.	20
Nizhni Novgorod R.	18
Krasnodar T.	16
Moscow R.	13
Rep. of Bashkortostan	11
Russia	1,108

Sources: CBR, DB Research **15**

Russia’s strong macroeconomic performance up to 2008 led to a significant increase in corporate as well as personal earnings, thereby fuelling demand for banking products. The ratio of private-sector credit to GDP stood at 41% of GDP in 2008, up from 13% in 2000.⁵³

Banking in the Russian regions became a hot topic in recent years. Large Moscow-based banks aimed to increase their market share by expanding in the regions. Regional banks, in turn, also expanded to other regions. Foreign banks increasingly looked towards the Russian regions as local banks’ price-to-book-values were more attractive than in Moscow.⁵⁴ Furthermore, international organisations such as the World Bank and the EBRD have focussed their attention away from the centre towards the regions and regional banks.⁵⁵

But despite increased interest in the regions, Moscow’s position as Russia’s financial centre is undisputed. Moscow accounted for 31% of total loans and 50% of total deposits at the end of December 2008 (see charts 16 and 17).⁵⁶ Out of 1,108 credit institutions in

⁴⁹ According to UNCTAD as shown by UNCTAD’s inward FDI performance and potential index in 2006. See UNCTAD (2008, p. 67). Data for H1 taken from Rosstat.

⁵⁰ Among the main foreign retail chains expanding in the regions were e.g. Obi, Metro Cash and Carry Group, IKEA, Ramstore, Auchan and Real. See Khovratovich (2006).

⁵¹ See e.g. Lebedeva and Lissovlik (2007) for an assessment of the effect of the Olympic Games on the local economy. The official Olympics website is <http://sochi2014.com/>.

⁵² For example, the 2008 “Control of Corruption” indicator of the World Bank’s “Governance Indicators” implies that 84% of countries score better than Russia.

⁵³ Data taken from IMF International Financial Statistics.

⁵⁴ See Mellow (2007, p. 54).

⁵⁵ Evans (2006, p. 242).

⁵⁶ In foreign currency, Moscow’s share of loans (51%) and deposits (63%) was even larger.

Regional shares in loans

As of Dec 2008, %	Loans to legal entities	Loans to individuals
Moscow	37.5	11.6
St. Petersburg	6.9	5.3
Moscow R.	6.1	6.1
Rep. of Tatarstan	2.7	2.5
Krasnodar T.	2.1	2.4
Samara R.	2.1	2.7
Nizhni Novgorod R.	1.8	2.3
Rostov R.	1.8	2.3
Rep. of Bashkortostan	1.3	2.4
Russian Federation	100	100

Note: Total loans to legal entities amounted to USD 415 bn and to individuals to USD 136 bn.

Sources: CBR, DB Research **16**

Regional shares in deposits

As of Dec 2008, %	Deposits of legal entities	Deposits of individuals
Moscow	71.9	37.4
Nizhni Novgorod R.	0.4	17.1
St. Petersburg	6.7	7.1
Moscow R.	1.4	4.9
Krasnodar T.	0.7	2.3
Samara R.	0.9	2.3
Rep. of Tatarstan	1.8	1.9
Rostov R.	0.6	1.6
Rep. of Bashkortostan	1.7	1.4
Russian Federation	100	100

Note: Total deposits of legal entities amounted to USD 121bn and of individuals to USD 201bn

Sources: CBR, DB Research **17**

Profits concentrated in Moscow

Jan-Dec 2008, USD m	Profits
Moscow	11,881
St. Petersburg	408
Rep. of Tatarstan	189
Rostov R.	46
Samara R.	165
Nizhni Novgorod R.	43
Krasnodar T.	94
Moscow R.	118
Rep. of Bashkortostan	-22
Russian Federation	13,927

Note: Profits according to Russian accounting standards taken from Bulletin of Banking Statistics, Regional Supplement No 4 2008, Tab 1.7. Note that these numbers are not comparable to profits reported by banks under international accounting standards.

Sources: CBR, DB Research **18**

Russia, 543 were situated in Moscow (see chart 15). In most regions, apart from Moscow, St. Petersburg and Tatarstan, regional banks only account for a small fraction of total loans.

The other 8 of the top 9 regions (i.e. excluding Moscow) accounted for 25% of loans and 14% of deposits of legal entities as well as for 26% of loans and 39% of deposits of individuals. Except in Krasnodar, where agricultural loans are important, in all regions loans to the manufacturing sector and retail trade dominate. Construction accounts for between 10% and 20% in several of the top 9 regions. Moscow and St. Petersburg stand out with regard to loans in the real estate sector, which amount to over 10% of total loans.

Banking profits are very unevenly distributed across the regions. Moscow accounts for 85% of total profits by Russian credit institutions (see chart 18), much higher than its share in loans.⁵⁷ This may be due to the fact that many loans in the regions outside Moscow are extended by Moscow-based banks. Another reason may be that some large Moscow-based banks have a more diversified asset structure including fee-based revenues e.g. from M&A activities. Taken together, the top 9 regions account for 93% of all banking sector profits. Profits have declined significantly recently, mainly due to rising provisions against the background of deteriorating asset quality related to the economic downturn. Hence, the current economic and financial crisis in Russia clouds the banking sector's outlook and consolidation is expected to gain speed.⁵⁸

The global crisis affects Russia's regions

The crisis has put a brake on consumer and investment demand across all regions. Since the regions are so heterogeneous, there is no "one-size-fits-all" economic policy to address these problems. It is also too early to assess the success of the authorities' efforts to deal with the economic crisis at the regional level.

One of the most visible impacts of the global crisis on Russia's regions is the increase in social tensions due to rising wage arrears and unemployment. This rose to 8.3% in June from 5.3% in September last year. While support for the political elite is in general still strong, the risk of social unrest has increased. As a consequence, the Russian authorities have ordered regional representatives to deal with the risk of growing unemployment and wage arrears.⁵⁹ Municipalities and cities relying on one or a few large companies (monocities) in terms of employment and fiscal revenues are particularly hard hit, as shown e.g. by protests in the small town of Pikalyovo.⁶⁰ Against this background, the government quickly developed a plan to provide help for these monocities. Under this plan, there are about 400 towns and cities eligible for state assistance in 2010.⁶¹

⁵⁷ Profit figures are taken from Bulletin of Banking Statistics, Regional Supplement No 1 2009, Tab 1.7. These figures are not comparable to profits reported by banks under international accounting standards.

⁵⁸ Overall, DB analysts expect for instance a deceleration of private sector loan growth as measured in nominal roubles to 4.4% in 2009 compared to 34.7% in 2008. See Kommers & Rusanova (2009, p. 9).

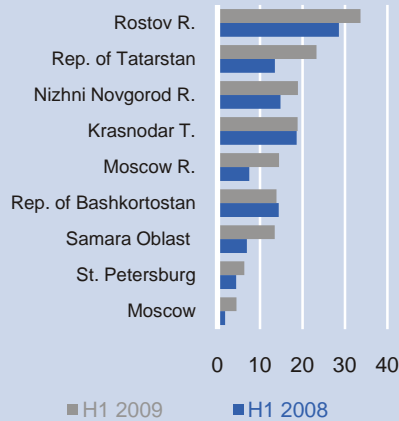
⁵⁹ See The Moscow Times (2009b).

⁶⁰ See e.g. Wall Street Journal, June 4, 2009.

⁶¹ See Bush (2009a).

Crisis raises importance of transfers from federal centre

% share of federal transfers in regional budget revenues



Sources: Russian Ministry of Finance, DB Research

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The economic downturn has also put pressure on regional budgets as tax revenues have dropped. Total regional revenues excluding transfers decreased by 14% in H1 2009 compared to H1 2008 while expenditures increased by 20% over this period.⁶² At the same time, the revised federal budget for 2010, which is planned to be submitted to parliament on October 1, 2009, may include a reduction in federal subsidies to the regions.⁶³ This could strain centre-regional relations, given that the regions' dependence on federal transfers rose in H1 2009 in all but one of the top 9 regions (see chart 19). Another reflection of increased centre-regional tensions is the resignation of five regional governors since the beginning of 2009.⁶⁴ In the coming months, the term in office of 14 regional governors will expire.⁶⁵ Whether the President will propose that the incumbents remain in office will not least depend upon their ability to promote economic and political stability in their region.

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⁶² See Ministry of Finance at http://www1.minfin.ru/ru/budget/regions/analiz_isp_bud/

⁶³ See Bush (2009b).

⁶⁴ See IHS Global Insight (2009a, 2009b). The resignation of the governors of Pskov, Orel and Voronezh Regions and Nenets Autonomous Area was announced by President Medvedev on February 15 while the resignation of the governor of Murmansk was announced on March 21.

⁶⁵ For details see Schneider (2009, p.5).

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Note:

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Appendix 1: Special economic zones

Russia's special economic zones

SEZ	Region
Industrial production	2
Lipetsk	Lipetsk Region
Alabuga	Republic of Tatarstan
Technology-innovative	4
SEZ St. Petersburg	St. Petersburg
Zelenograd	Moscow
Dubna	Moscow Region
SEZ Tomsk	Tomsk
Tourist & recreational	7
Curonian Spit	Kaliningrad Region
Novaya Anapa	Krasnodar Territory
Grand Spa Yutsa	Stavropol Territory
Biryusovaya Katun	Altai Territory
Altai Dolina	Republic of Altai
Baykal	Republic of Buryatia
Vorota Baykala	Irkutsk Region
Port SEZ	3
Airport Emelyanovo	Krasnodar Territory
Airport Ulyanovsk-Vostochny	Ulyanovsk Region
Seaport Sovetskaya Gavan	Khabarovsk Territory
Other	2
Kaliningrad Region	Kaliningrad Region
Magadan (City)	Magadan Region

Sources: <http://eng.www.rosuez.ru>, DB Research

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In 2005, a Federal Agency for Management of Special Economic Zones (SEZs) was established.⁶⁶ SEZs grant diverse tax and customs concessions as well as other means to reduce corporate costs. Profit tax inside an SEZ is 16% instead of 20%, unified social tax is 14% rather than 26% and companies pay neither company property tax nor land tax. In addition, foreign investors do not have to pay import duties or value added tax. The latter is also returned to resident companies active in an SEZ. Compared to investments outside of an SEZ the overall cost reduction is estimated at up to 30 per cent.⁶⁷ SEZs are in principle supposed to last for 20 years.⁶⁸ At present, there are four different categories of SEZ:

- Industrial production
- Technology-innovative
- Tourist and recreational
- Port

Industrial SEZs are suited to mass production in Russia. SEZ “Kazinka” (Lipetsk Region) concentrates on the production of household appliances, furniture and packaging whereas SEZ “Alabuga” (Republic of Tatarstan) specialises in automobiles and parts production as well as in the chemical industry.

The four technological SEZs in Zelenograd (Moscow), Dubna (Moscow Region), St. Petersburg and Tomsk (Tomsk Region) are built around already existing technological centres. Hence they already have a special focus like Dubna in nuclear physics, Zelenograd in microelectronics, St. Petersburg in IT and Tomsk in materials research and nanotechnology.

Tourist-recreational SEZs have arisen in regions with a high investment potential in travel organisation and the construction and modernisation of hotels, recreation and rehabilitation centres. Seven regions were announced in 2006: Kaliningrad Region, Krasnodar Territory, Stavropol Territory, Altai Territory, Altai Republic, Buryat Republic and Irkutsk Region.

In 2007, then-President Putin signed an amendment to the federal SEZ law that enables the creation of Port SEZs, which can be founded at sea and river ports as well as at airports.⁶⁹ Investors benefit from additional concessions on customs.⁷⁰

Apart from the SEZs mentioned above, Kaliningrad and Magadan Regions also have the status of special economic zone.

As of June 2009, there were 185 companies operating in SEZs, with 142 in technological zones, 24 in industrial zones and 18 in tourist zones. The number of companies is planned to rise to 327 by end 2009 and 510 in 2010. Given the current economic crisis, these targets may be missed. There were no companies active in Port SEZ. Of the 185 companies, 25 were foreign owned. Planned investment is about USD 1 bn in 2009 and is supposed to rise to about USD 1.7 bn in 2010.⁷¹

⁶⁶ The official website is: <http://eng.www.rosuez.ru/>

⁶⁷ Ehrlich and Kast (2007, p. 116).

⁶⁸ See http://eng.www.rosuez.ru/oez/stopping_sez/

⁶⁹ See http://eng.www.rosuez.ru/oez/control_docs/

⁷⁰ OMV Telegramm 12/2007, P. 5.

⁷¹ All figures in this paragraph provided upon request by RusSEZ, Federal Agency for Management of Special Economic Zones in Russia.

Appendix 2: Russian regions' economic structure

Regions' economic structure

Regions' share in gross value added by sector, 2007. In addition to the top 9 regions, regions which contribute > 5% to gross value added in at least one sector are shown. Figures are bold if the region's share is > 5% of total value added in Russia.

	Agri- culture	Fishing	Extraction/ production of commo- dities	Manu- factu- ring	Electricity, gas and water	Con- struc- tion	Wholesale and retail trade	Hotel and resta- urant industry	Trans- port and commu- nication	Financial services	Real estate and services	Govern- ment services	Edu- cation	Health and social ser- vices	Other social services
Top 9															
Moscow R.	2.8	0.0	0.1	6.0	4.8	6.2	5.3	6.9	3.9	6.9	4.9	4.7	4.6	5.7	4.4
Moscow	0.0	0.0	0.0	18.9	16.1	12.5	44.1	26.2	20.7	71.5	42.7	13.3	15.0	14.7	44.8
St. Petersburg	0.0	0.0	0.0	4.2	4.2	4.8	4.5	5.9	4.7	3.9	5.0	3.6	5.7	5.4	7.9
Krasnodar T.	6.8	0.8	0.1	1.5	1.7	3.8	2.0	6.3	4.2	0.3	1.6	2.8	2.5	3.3	1.8
Rostov R.	3.6	0.5	0.2	1.7	1.9	2.2	1.6	1.9	1.5	1.2	1.2	2.0	2.1	1.8	1.2
Rep. of Bashkortostan	3.8	0.0	2.5	3.0	2.3	2.3	1.2	2.6	2.1	0.3	1.3	1.7	2.5	2.1	1.6
Rep. of Tatarstan	4.3	0.0	6.4	3.0	2.1	3.4	1.6	2.2	2.0	1.4	1.6	1.6	2.5	1.8	1.6
Nizhni Novgorod R.	1.6	0.0	0.0	2.8	1.6	1.7	1.6	1.7	1.7	1.9	1.6	1.9	1.7	1.6	0.8
Samara R.	2.1	0.0	2.0	3.1	2.0	2.0	1.5	2.5	2.6	0.8	2.0	1.7	2.1	1.6	1.4
Share Top 9	25.1	1.3	11.5	44.2	36.7	38.9	63.5	56.2	43.5	88.1	62.0	33.2	38.7	38.1	65.4
Tijumen Oblast	2.0	0.0	51.8	1.1	5.8	9.9	6.0	6.9	6.7	7.4	6.9	4.1	4.4	5.2	2.9
Other regions															
Khanty-Mansiysky A.A.	0.2	0.0	40.1	0.4	3.2	3.5	1.3	2.4	3.3	6.1	4.6	2.0	2.5	3.2	1.8
Yamalo-Nenetsky A.A.	0.0	0.0	11.7	0.1	1.5	5.0	0.7	1.5	1.5	0.0	1.4	1.2	0.9	1.1	0.6
Krasnoyarsk T.	2.3	0.0	0.9	6.8	2.4	2.3	0.9	1.8	2.3	0.3	1.4	2.7	2.5	2.4	1.2
Kamchatka T.	0.3	15.1	0.1	0.1	0.5	0.2	0.1	0.3	0.1	0.0	0.1	0.8	0.5	0.5	0.2
Primorski T.	1.0	18.0	0.1	0.4	1.2	0.6	1.0	1.0	1.8	0.5	0.7	1.9	1.3	1.3	0.7
Sakhalin R.	0.3	8.8	5.2	0.2	0.4	1.9	0.3	0.6	0.5	0.0	0.6	0.8	0.6	0.9	0.3
Murmansk R.	0.1	18.6	0.6	1.0	0.8	0.2	0.4	0.7	0.7	0.0	0.5	1.2	0.8	1.1	0.6
Russia	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Sources: Rosstat, DB Research

Appendix 3: Russian regions' trade structure

Exports and imports by major items

USD m, 2007

	Food & agriculture		Fuel & energy		Chemical & petro-chemical		Metals & metal works		Machinery	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Krasnodar T.	1,398	1,228	1,246	2	118	237	305	244	183	548
Moscow	1,653	9,996	113,543	300	1,626	13,249	800	3,703	4,553	47,365
Moscow R.	446	1,769	613	31	559	2,679	423	1,008	944	6,221
Nizhni Novgorod R.	38	110	805	3	454	331	227	887	979	1,022
Rep. of Bashkortostan	16	39	5,033	18	854	62	211	43	443	626
Rep. of Tatarstan	67	30	10,216	12	1,556	154	40	105	985	1,153
Rostov R.	1,501	181	305	76	105	278	559	1,625	398	2,042
Samara R.	195	140	3,438	10	1,335	279	773	171	1,070	927
St. Petersburg	493	5,079	13,030	175	360	2,541	1,830	1,366	1,306	8,157
Russia	9,073	27,610	226,005	2,484	20,806	27,503	49,832	15,843	19,658	101,785

% of total regional exports and imports, 2007

	Food & agriculture		Fuel & energy		Chemical & petro-chemical		Metals & metal works		Machinery	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Krasnodar T.	41	46	37	0	3	9	9	9	5	21
Moscow	1	12	89	0	1	16	1	4	4	56
Moscow R.	12	13	16	0	15	20	11	7	25	46
Nizhni Novgorod R.	1	4	29	0	16	13	8	36	35	41
Rep. of Bashkortostan	0	5	76	2	13	7	3	5	7	75
Rep. of Tatarstan	1	2	79	1	12	10	0	7	8	75
Rostov R.	51	4	10	2	4	6	19	35	13	44
Samara R.	3	9	50	1	19	17	11	11	15	57
St. Petersburg	3	25	73	1	2	13	10	7	7	41
Russia	3	14	64	1	6	14	14	8	6	51

% of total Russian exports and imports, 2007

	Food & agriculture		Fuel & energy		Chemical & petro-chemical		Metals & metal works		Machinery	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Krasnodar T.	15.4	4.4	0.6	0.1	0.6	0.9	0.6	1.5	0.9	0.5
Moscow	18.2	36.2	50.2	12.1	7.8	48.2	1.6	23.4	23.2	46.5
Moscow R.	4.9	6.4	0.3	1.3	2.7	9.7	0.8	6.4	4.8	6.1
Nizhni Novgorod R.	0.4	0.4	0.4	0.1	2.2	1.2	0.5	5.6	5.0	1.0
Rep. of Bashkortostan	0.2	0.1	2.2	0.7	4.1	0.2	0.4	0.3	2.3	0.6
Rep. of Tatarstan	0.7	0.1	4.5	0.5	7.5	0.6	0.1	0.7	5.0	1.1
Rostov R.	16.5	0.7	0.1	3.0	0.5	1.0	1.1	10.3	2.0	2.0
Samara R.	2.2	0.5	1.5	0.4	6.4	1.0	1.6	1.1	5.4	0.9
St. Petersburg	5.4	18.4	5.8	7.0	1.7	9.2	3.7	8.6	6.6	8.0
Russia	100	100	100	100	100	100	100	100	100	100

Note: Exports and imports of wood and paper not shown.

Sources: Rosstat, DB Research

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