



Barometer of Economic Activities and Business Prospects in Russia

Joint AmCham-KPMG Survey

Methodology

In September 2018, we took a poll of representatives from foreign companies operating in Russia to find out how they see prospects of doing business in this country. The survey was conducted in electronic format.

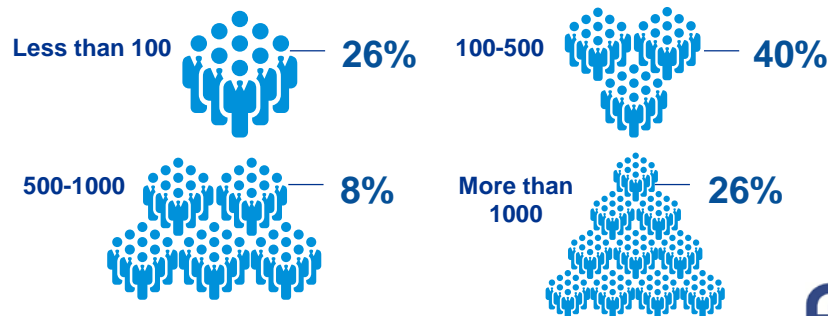
Geographical spread of respondents



Sectoral profile

Energy	21.30%
Banking, insurance, and other financial services	16.40%
IT / Telecommunications	11.50%
Construction	6.60%
Food and beverages	6.60%
Chemical industry	6.60%
Transport and logistics	6.60%
Travel industry	6.60%
Production of industrial commodities and mechanization / automation	3.30%
Professional services, advisory	3.30%
Medicine and pharmaceuticals	1.60%
Consumer goods / everyday use articles	1.60%
Retail	1.60%
Automotive industry	1.60%
Agriculture	1.60%
Newsworthy event	1.60%

Staff number



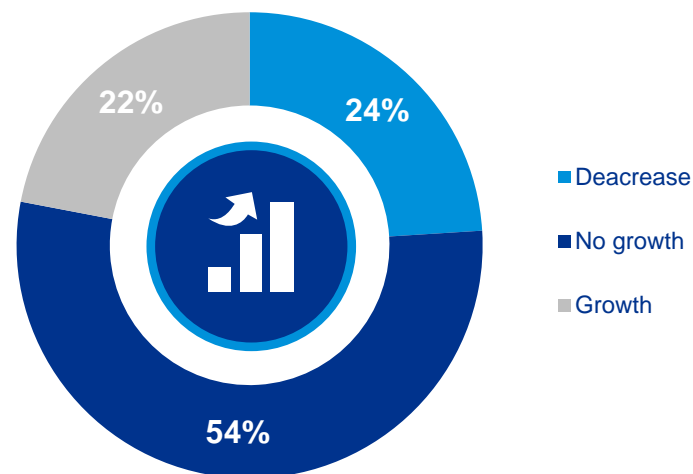
Current situation in Russia's economy will persist, slight growth is possible

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There are no growth or coming-down signals from the market at the moment



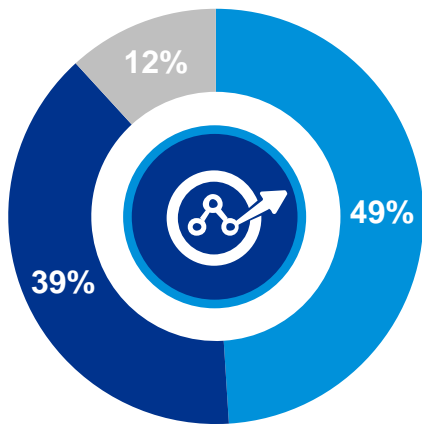
Economic growth expectations



Most respondents expect Russian economic indicators to remain at the current level in the near future. However, a quarter of the respondents believe that there is potential for slight growth.

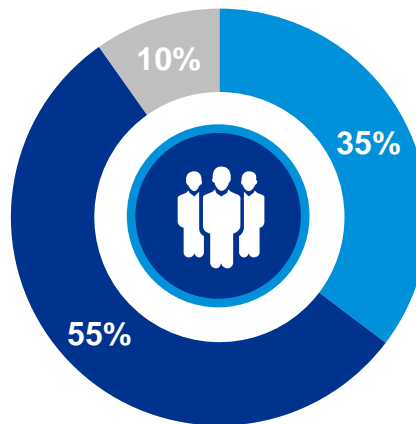
Foreign businesses are not going to leave the Russian market expecting 5 to 10% increase in their revenues in the coming 1 or 3 years

Plans to expand presence



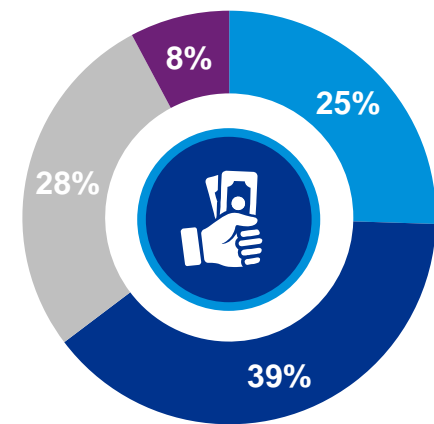
- Plans to expand
- No plans to expand
- Plans to output contraction (0%)
- No data

Staff number plans



- Increase
- At the same level
- Decrease

Revenue forecast



- The revenue is planned at approx. the same level
- Expected growth of 5-10%
- Expected growth of more than 10%
- Expected decrease (by more than 10%)

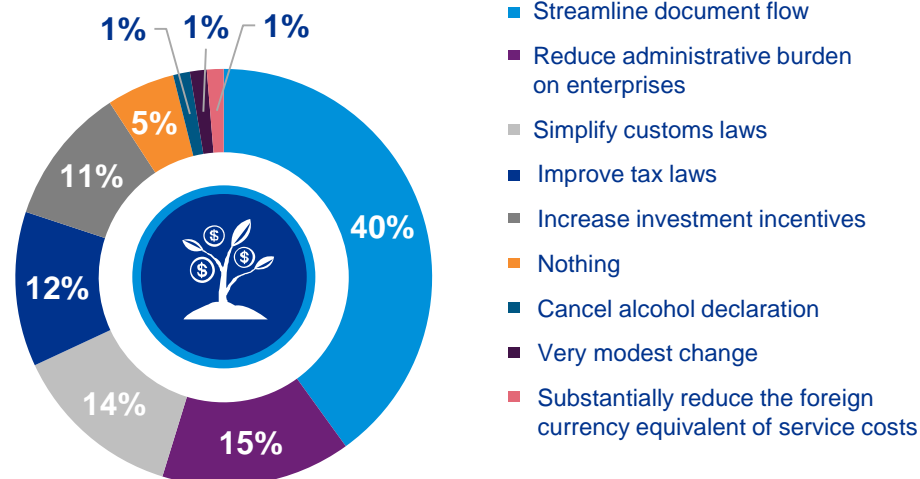
For foreign companies, Russian market remains one of the few markets worldwide where, regardless of the sanctions and geopolitical tension, industries have shown five or more percent growth in the revenue. Generally, respondents feel favorably disposed toward the prospects of their business and intend to continue working in this country, and almost half the respondents voiced their plans to expand their presence in the Russian market.

The size of the sales market is the key factor in the Russia's attractiveness for foreign companies. However, we must go along with improvement of business environment as well

Rating of the Russia's most attractive characteristics

- №1 Sales market size
- №2 Manpower skills
- №3 Economic situation
- №4 Tax burden rate
- №5 Infrastructure
- №6 Geographic location
- №7 Political situation
- №8 State support quality and level
- №9 Administrative infrastructure

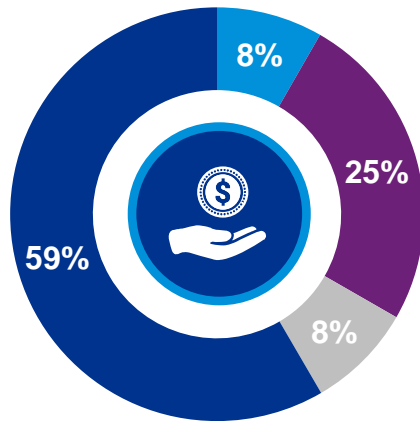
Most important steps to be taken to improve business environment



Russia has the 9th largest population worldwide, and our consumer market is attractive for foreign business. Investors also note quality of this country's workforce and geographic position. Among factors driving improvement of business environment respondents mentioned the streamlined document flow, reduced administrative burden, and simplified customs laws. However, they noted that the progress in this area needs to be enhanced.

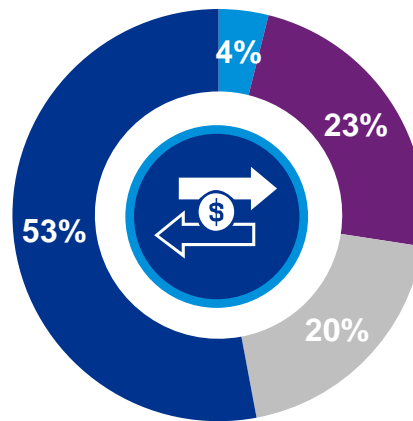
Foreign companies do not use any available support programs and expect the government to revise the approach to their structure

Assessment of subsidy and soft financing programs



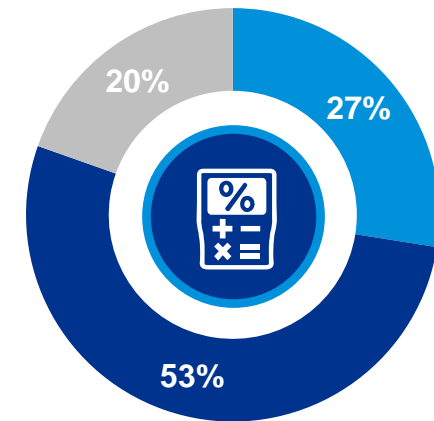
- Sufficient
- Insufficient
- Insufficient, however, this area is being developed
- I don't use any

Assessment of export promotion programs



- Sufficient
- Insufficient
- Insufficient, however, this area is being developed
- I don't use any

Assessment of tax incentive approaches



- Sufficient
- Insufficient
- I don't use any

Results of the survey have shown that most state support measures have not been much-in-demand among foreign businesses operating in Russia. More than half the respondents said that they wished to take advantage of tax concessions. However, most of them believe that the number of these concessions is insufficient and expect the government to develop additional, more effective tax incentives.

With comparable risks, Russia offers a large variety of fundamental characteristics for successful business and is an attractive market to enter regardless of the sanctions

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There are pros and cons. However, in general, it's rather 'Yes'. Cons include the risks of further degradation of relationships with other countries and sanctions. The pro represents the relatively large sales market. Yet, there is no such thing as business without risks.

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Now it's time to enter the market. After some time, it will be too late

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Great opportunities with risks comparable to or less than in other emerging markets

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At a time when foreign companies leave this market, other foreign companies can take their place at their own peril and risk

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Sooner or later, geopolitical risks will settle down. And Russia's economic potential is great



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