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# Investments in real sector of the Russian economy

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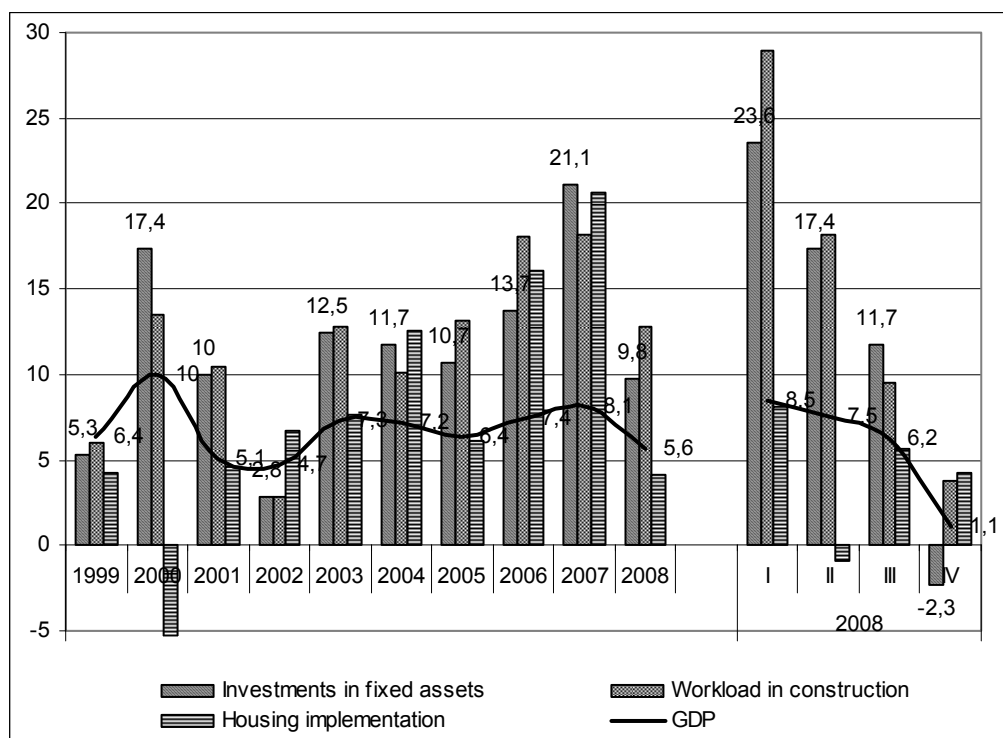
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## 1 Internal Domestic Investments in Fixed Assets

The trend for the investments in fixed assets to grow at higher rates than the GDP has been observed in the Russian economy since 2002. In 2008 this ratio sustained, though, as compared with 2007, the growth rates of both the GDP and the investments in fixed assets have slowed down considerably. In 2008 the growth of the GDP made 5.6% versus 8.1% in 2007, while the investments in fixed assets went up by 9.8% versus 21.1% (Figure 1).

**Figure 1 GDP, Investments in Fixed Assets, Workload in Construction, Housing Implementation growth rates in 1999–2008, as percentage to the previous year**



Source: Federal State Statistics Service

Slow-down of economic growth rates changed the situation in the investments sector. Throughout the whole 2008 there was a gradual slow-down of investments growth rates observed: from 123.6% in the 1st quarter to 117.4% in the 2nd and 11.78% in the 3rd quarter. Over January-September investments in fixed assets went up by 13.1% versus the growth of 21.3% in the corresponding period of 2007. In the environment of the financial crisis in November 2008 the decrease of the investments in fixed assets of 0.9% was observed, while the decrease in December 2008 made 7.5% as compared with the corresponding months of 2007. As a result, in the 4th quarter 2008 for the first

time since 2000 the investments growth rates turned negative and made 97.7% versus the corresponding period of the previous year.

The anticipating growth of construction of the production and infrastructure objects as compared with the sharp slow-down in the rates of housing implementation was characteristic for 2008. Over January-September 2008 the total volume of workload in construction growing by 14.5%, increase in housing implementation made 4.0% versus, correspondingly, 18.1% and 30.9% in the analogous period of the previous year. Slow-down of the growth rates of the workload in construction occurring in the 4th quarter 2008 to 103.8% versus 118.2% in the 4th quarter 2007 was accounted for by the stabilization of the volumes of housing implementation in November 2008 and the volumes of production construction in December 2008 at the level of the corresponding periods of 2007.

In 2008 the proportion of investments in housing construction in the structure of investments in fixed assets remained at the level of the previous year and made 7.5%, the expenditures for buildings and installations increasing by 2.2 per cent up to 52.4%. the trend for the decrease of the proportion of the expenditures for machinery and equipment strengthened: as a result of 2008 this proportion was equal to 33.0%, being 1.8 per cent below the figure of the previous year. It should be noted that the most significant changes in the structure of investments as broken by branches of industry occurred in the 4th quarter 2008 (Table 1).

**Table 1 Structure of investments in Fixed Assets by Kinds of Key Assets in 2006–2008, as percentage to the total**

	2007	2008	including	
			January-September	October-December
Investments in fixed assets, total	100	100	100	100
including by kinds of key assets:				
Housing	7.5	7.5	7.6	7.3
buildings and installations	50.1	52.4	51.3	54.2
machinery, equipment, transport vehicles	34.8	33.0	33.6	32.0
Other	7.6	7.1	7.5	6.5

\* not including the subjects of small business and parameters for informal activity

Source: Federal State Statistics Service

Import supplies of machinery and equipment increased, while the domestic machine-building developed at moderate rates when compared with the dynamics of the investment expenditures and characteristics of fixed assets reproduction. In 2008 the investments for the purchase of import machinery, equipment, transport vehicles (not taking into account the subjects of small business and the parameters for informal

activity) made RUR 414.1 billion, or 20.0% of the total amount of investments in machinery, equipment and transport vehicles versus 17.8% in 2007.

The growth rates of the economy slowing down, the change in the role of the budget funds among the sources of financing of the investments in fixed assets is observed (Table 2). In January-September 2008 RUR 658.2 billion was financed at the expense of budget funds, which made 16.8% of the total volume of investments in fixed assets on the whole throughout the economy, and 10.0% was financed at the expense of the federal budget. In October-December 2008 the total volume of investment decreasing in absolute terms the increase in the volume and share of the federal budget funds in the structure of sources of investments financing was one of the conditions for mitigation of negative aftermaths of the sharp limitations of enterprises' own funds. In the 4th quarter 2008 RUR 295.5 billion of investments in fixed assets was financed at the expense of the federal budget funds as compared with RUR 214.9 billion over the first 9 months of the same year.

**Table 2 Structure of Investments in Fixed Assets as Broken by Financing Sources, as percentage to the total (not taking into account the subjects of small-scale enterprise and the parameters for informal activity)**

	2007	2008	Including	
			January-September	October-December*
Investments in fixed assets, total	100	100	100	100
including by the sources of financing:				
<i>own funds</i>	40.4	40.0	42.8	35.8
of which:				
profit	19.4	18.6	20.1	16.1
<i>borrowed funds</i>	59.6	60.0	57.2	64.7
of which:				
banks credits	10.4	11.1	11.0	11.0
including by foreign banks	1.7	2.4	1.7	3.7
borrowed funds from other organizations	7.1	6.5	6.8	6.1
budget funds:	21.5	21.0	16.8	28.1
federal budget	8.3	8.1	5.5	12.6
budgets of the subjects of the Russian Federation and local budgets	11.7	10.4	10.0	13.7
other	20.1	21.1	22.3	19.1
of which funds received for the share participation in construction	3.7	3.3	3.5	2.9
of which means of the population	1.5	1.5	1.7	1.0
Foreign investments in the total amount of the investments in fixed assets	4.3	4.6	5.2	3.7

Preliminary data

Source: Federal State Statistics Service

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In 2008 the Federal Targeted Investment Program envisaged financing of 2801 construction sights, objects and measures, 1349 of which were envisaged for putting into commission in the same year. By January 1st, 2009 1075 were fully financed and 583 objects had the technical readiness from 51.0% to 99.9%.

As a result of 2008 371 objects was put into commission, 301 of which – at full capacity and 70 – at partial capacity.

Throughout 2008 some changes were made to the List of construction sights and objects, as a result the total volume of budget allocation envisaged for financing FTIP in 2008 made RUR 533.1 billion versus RUR 517.7 billion of the federal budget that was envisaged initially. In 2008 the volume of budget allocation envisaged for construction of capital construction objects of the state property of the Russian Federation increased by RUR 85.2 billion or 19.0% as compared with 2007. Nearly all the amount of the increase in the budget allotments mentioned was for the program part of FTIP<sup>2</sup>.

It should be noted that in 2008 the investments at the expense of the federal budget were directed only to the objects of capital construction of the state property of the Russian Federation, as well as to the open joint-stock companies. The objects of the property of the subjects of the Russian Federation and of the municipal property were not included in the List of construction sights and objects for 2008.

For the objects within the framework of federal targeted programs FTIP envisages RUR 289.5 billion, and for the non-program part objects – RUR 130.7 billion. The volume of funds envisaged for financing of special works included in the state defense order was equal to RUR 112.9 billion.

In 2008 FTIP financing not taking into account construction sights and objects included in the state defense order was equal to RUR 286.4 billion or 73.1% of the yearly limit. This figure is higher than the one of the previous year (70.1%), which is mainly due to the fact that the List of construction sights and objects was adopted one and a half month earlier than in 2007.

According to the account of the Federal State Statistics Service on the FTIP construction sights and objects, not taking into account construction sights and objects

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<sup>2</sup> Data for financing and use of the federal budget funds for FTIP realization in 2008 are given taken into account the redistribution of budget allotments from 2008 to 2009 at the total sum of approximately RUR 39.6 billion or 9.4% of the total volume of FTIP in 2008.

included in the state defense order, financing of the yearly limit of public investments was equal to RUR 286.4 billion, including RUR 49.7 billion at the expense of the budgets of the subjects of the Russian Federation and other sources of financing. In 2008 the state customers used RUR 285.9 billion of the state investments or 63.7% of the yearly limit of funds, envisaged for construction works. On average throughout Russia 85.1% of the total amount of financed funds at the expense of all sources of financing was used.

The year limit of state investments within the framework of the industrial (87.1%) and special (75.7%) complexes was financed to substantially higher extent than the average, whereas within social complex the financing was considerably below the average (57.1%) (Table 3). The level of funds use by different complexes differs considerably. It should be noted that the level of funds use in special complex is substantially below the average, which is connected with the financing of a number of new objects included in the List of construction sights and objects in the fourth quarter 2008.

**Table 3 Objects Envisaged by Targeted Investment Program for 2008**

	As units				As RUR billion			
	Number of objects		Put into commission in January-July 2008		Limit of state investments		Financed from the federal budget	Investments used at the expense of all sources of financing*
	total	including with the date of commissioning in 2008	to full capacity	Partially	total	including from the federal budget		
<b>Total</b>	<b>2801</b>	<b>1349</b>	<b>301</b>	<b>70</b>	<b>448.9</b>	<b>391.5</b>	<b>286.4</b>	<b>285.9</b>
including: transportation complex	418	129	31	5	152.9	149.2	131.4	123.7
agriculture complex	462	296	40	35	13.3	11.0	8.1	8.7
special complex	210	65	10	2	92.7	66.0	50.0	38.4
social complex	1611	811	209	27	179.9	156.9	89.5	107.0
other objects	100	48	11	1	10.1	8.4	7.4	8.0

\*Not including investments allocated from the federal budget to purchase equipment and conduct design and survey works for construction sights and objects included in the Federal Targeted Investment Program for 2008 and being on the balance of the state customers (builders) that manage these investments

As to the territorial aspect, in 2008 the limit of funds for financing FTIP construction sights and objects was used at a considerably higher extent than the average in Southern, North-Western, Privolzhski and Siberian federal okrugs. The use of investments in Central, Ural and Far Eastern Federal Okrugs is substantially below the average (Table 4).

**Table 4 Limit of State Investments and Their Actual Use At the Expense of All Sources of Financing by Federal Okrugs**

Federal okrug	Limit of state investments allocated from the federal budget for 2008	Actually used at the expense of all sources of financing	
	as RUR billion	as RUR billion	as percentage of the yearly limit
Russian Federation – total	391.5	285.9	63.7
Central	151.6	76.8	47.3
North-Western	82.5	83.4	76.1
Southern	52.9	51.8	84.0
Privolzhski	20.6	17.5	81.4
Ural	20.1	11.6	53.7
Siberia	23.1	18.2	75.3
Far Eastern	40.7	26.5	55.5

The shift from the financing of the investments in fixed assets at the expense of the enterprises and organizations' own funds to the expansion of the participation of the borrowed funds was a fundamentally new feature in the economic growth of the recent five years. As a result of 2007 59.6% of the total amount of investments in fixed assets was accounted for the borrowed funds. As a result of 2008 the share of the borrowed funds in the structure of sources of investments financing made 60%, which corresponds well with the figure of the previous year.

The development of this process was accounted for by the increase in the activity of the banking sector, growth of the investments in housing building by the population and the intensive inflow of the foreign capital. Until recently low real value of credit resources contributed in increase in number of the borrowing organizations. Among the factors influencing the dynamics of the credits and other borrowed funds one can highlight the growth of the organized forms of population's savings. As a result of 2008 the share of funds directed to the share participation in the construction made 3.3% of the total amount of the investments in fixed assets, of which the means of the population were 1.5%.

Financial crisis defined the specific features of the investors' behavior at the market of housing construction. Whereas in January-September the share of funds received for the share participation in the construction made 3.5%, of which the funds of population accounted for 1.7%, in the fourth quarter these figures were equal to 2.9% and 1.0%, correspondingly.

In 2008 the share of banks in the structure of investment resources made 11.0% against 10.4% in 2007 and 9.3% in 2006, however the trend for the increase of the



insurance and investments companies', industrial and trading enterprises in the financing of the investment activity did not sustain.

Attention should be paid to the peculiar features of foreign banks' participation in the financing of investment activity. Increase in the share of foreign investments and the growth of foreign banks' participation in financing of the investments in fixed assets in the Russian economy has been observed since 2000. In January-September 2008 the share of foreign investments in the total volume of investments was 5.2%, and the share of credits issued by foreign banks increased up to 1.7% versus 1.1% in the corresponding period of the previous year. In the fourth quarter the volumes of direct foreign investments decreasing in absolute terms by 4.0% as compared with the corresponding period of the previous year, the share of foreign investments being 3.7% of the total volume of investments in the Russian economy.

In contrast to the preceding years in 2008 the net outflow of the capital and foreign investments is observed. According to the preliminary estimation of the Central Bank of the Russian Federation, in the 4th quarter 2008 net outflow of the of the private capital made USD 130.5 billion (Table 5).

**Table 5 Net Import/Export of Private Capital, According to Data of Balance-of-Payments, as USD billion**

	Net import/export of private capital, total	including:	
		Net export/import of capital by banks	Net export/import of capital by non-financial enterprises and households
1999	-20.8	-4.3	-16.5
2000	-24.8	-2.1	-22.8
2001	-15.0	-1.3	-16.2
2002	-8.1	2.5	-10.6
2003	-1.9	10.3	-12.2
2004	-8.9	3.5	-12.4
2005	0.1	5.9	-5.8
2006	41.8	27.5	14.3
2007	83.1	45.8	37.3
I quarter	13.9	0.1	13.9
II quarter	54.5	36.9	17.6
III quarter	-7.0	-3.5	-3.5
IV quarter	21.7	12.3	9.3
2008	-129.9	-57.5	-72.5
I quarter	-23.1	-9.9	-13.2
II quarter	41.1	22.1	19.0
III quarter	-17.4	-13.4	-4.0
IV quarter (estimation)	-130.5	-56.2	-74.3

Source: Central Bank of the Russian Federation

Throughout 2008 quite considerable changes took place in the structure of investments in fixed assets by kinds of economic activities (Table 6). As a result of 2008 the growth rates of investments in the industry remained in the positive field, the increase in investments in fossil fuels extraction being 4.6%, in processing industries – 7.8%, in electricity, gas and water production and distribution – 11.3%. It should be noted at the same time that the increase in the concentration of the investments resources in industry up to 44.1% of the total volume of investments in the economy occurring in January-September 2008 was replaced by the reduction of the investment activity scale in extractive and processing industries, as well as in electricity, gas and water production and distribution in the fourth quarter 2008. As a result, the share of investments in industry in the total volume of investments in the fixed assets in the economy was equal to 38.4% over the period of October-December 2008.

**Table 6 Structure of Investments in Fixed Assets by Kinds of Economic Activity (Not taking into account the subject of small-scale business and the parameters of informal activity)**

	2007	2008	including	
			January-September	October-December*
<b>Total</b>	100	100	100	100
including by kinds of economic activities:				
agriculture, hunting and forestry	4.5	3.9	4.2	3.4
industry	40.7	42.0	44.1	38.4
minerals extraction	16.8	16.6	18.3	13.7
of which fossil fuels extraction	15.3	15.1	16.7	12.6
processing industries	15.6	16.5	17.5	14.8
electricity, gas and water production and distribution	8.3	8.9	8.3	9.9
Construction	2.7	2.4	2.7	2.0
Wholesale and retail trade; motor vehicles and motorcycles services; repair of household appliances and items of private use	3.6	2.7	2.7	2.7
Transportation	18.9	21.9	20.4	24.2
Communication	4.7	4.1	4.1	4.1
Financial activity	1.4	1.2	1.2	1.2
Operations with real estate, rent and services rendering	12.8	11.7	11.9	11.3
Education	2.4	2.2	1.8	2.8
Public administration and military defense security; compulsory social security	2.1	2.0	1.6	2.7
Health care and social services rendering	2.8	2.6	2.0	3.5
Rendering of other utilities, social and personal services	2.8	2.9	2.8	3.4

\*preliminary data

Source: Federal State Statistics Service

As compared with 2007, there was reduction of investments observed in construction (by 8.3%), in trade (by 4.4%), in communication (by 4.9%). The investments in the transportation maintained quite high dynamics at the expense of railway transportation, making 112.4% on 2007.

Low figures of investments activity in the fourth quarter of 2008, increase in the volumes of the unfinished construction, high interest rates and limited availability of credits account for the unfavorable environment for the economy development in 2009.

## 2 Foreign Investments

In 2008 the total of USD 103.8 bln of foreign investments was received by the Russian economy, which is 14.2% below the corresponding figure of 2007 (Table 7).

**Table 7 Structure of Foreign Investments in the Russian Economy**

	As USD million				As percentage to the previous year			
	Total	Direct	Portfo lio	Other	Total	Direct	Portfolio	Other
2004	40 509	9 420	333	30 756	136.4	138.9	83.0	136.6
2005	53 651	13 072	453	40 126	132.4	138.8	136.3	130.5
2006	55 109	13 678	3 182	38 249	102.7	104.6	700.0	95.3
2007	120 941	27 797	4 194	88 950	219.5	203.2	131.8	232.6
2008	103 769	27 027	1 415	75 327	85.8	97.2	33.7	84.7
January- September	75 759	19 201	1 296	55 295	86.2	97.7	83.7	82.8
October- December	27 976	7 826	119	20 031	84.8	96.0	4.5	90.2

Note. Direct investments are investments in real assets, purchase of the controlling stock or holding of stock that gives the right to participate in management; portfolio investments are investments in securities with the sole purpose of getting profit; other investments are investments made on repayable basis (credits of international financial organizations, trade credits etc.)

Source: Federal State Statistics Service.

According to the report on investments by UN Conference on Trade and Development published in October 2008, in 2007 Russia held the ninth place in the world by the volume of direct investments attracted (in 2006 – 10th, in 2005 – 15th). The same as in the previous year Russia is the second among the developing countries, the first place being held by China (in 2005 – 3rd place)<sup>3</sup>.

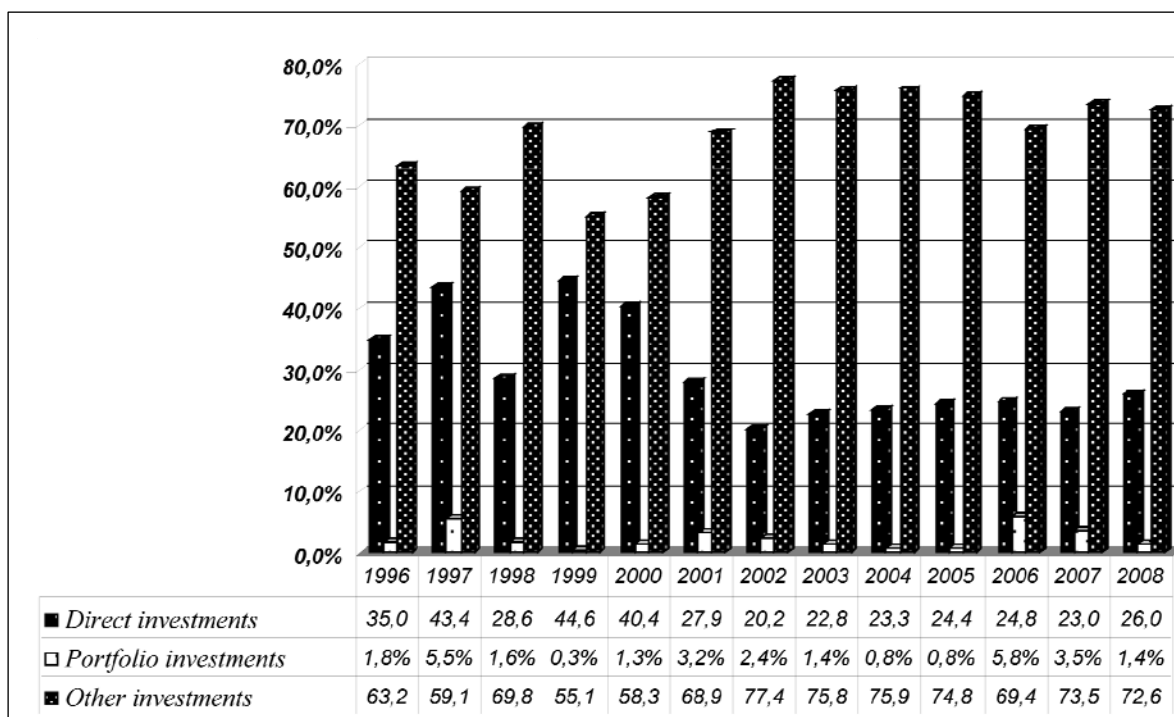
In December international Rating Agency S&P lowered Russia's sovereign rating from BBB+ to BBB, the forecast for the rating being negative. In the opinion of the agency, "the lowering of ratings reflects the risks connected with the sharp decrease in foreign currency reserves and other investment flows that result in the increase of the costs and difficulties arising in saturation of the country with the external financing". Moody's agency did not follow the example of S&P lowering the Russia's rating, instead it confirmed the positive forecast for the Russian federation concerning its debt liabilities and deposits (in June 2008 Moody's agency increased the Russia's rating from Baa2 to Baa1, the forecast being positive).

As a result of 2008 the volume of the direct investments in the Russian economy has lowered by 2.8% as compared with 2007. The decrease was due to the component of credits received from the foreign co-owners of organizations that reduced by 16.3%

<sup>3</sup> In accordance with the data presented in the report «World Investment Report», UNCTAD 2007, 2008.

over the period under consideration. In contrast, the payments to the authorized capital stock went up by 7.4% up to USD 15.9 billion. Thus, the proportion of credits received from the foreign co-owners of the companies in the structure of direct foreign investments in the Russian federation reduced from 42.0% in 2007 to 36.2% in 2007, whereas the share of the payments to the authorized capital stock went up from 53.2% to 58.8%.

**Figure 2 Structure of Foreign Investments in the Russian Economy in 1996–2008, as percentage**



Source: Federal State Statistics Service

In the total structure of the foreign investments received by the Russian economy in 2008 it was in the segment of portfolio investments where the most considerable decrease (of 66.3%) was observed, the majority of which are accounted for by the investments in shares and stocks (95.5% of the total portfolio investments in 2007, 79.6% in 2008).

In 2008 the amount of other investments lowered by 15.3% as compared with 2007. The proportion of trade credits in the structure of foreign investments went up from 12.7% in 2007 to 21.5% in 2008. As to the periods of funds attraction, the volume of credits for the period over 6 months decreased by 27.1%.

Thus, as compared with the previous year, in 2008 the structure of foreign investments in the Russian economy was subject to some changes (Figure 2).

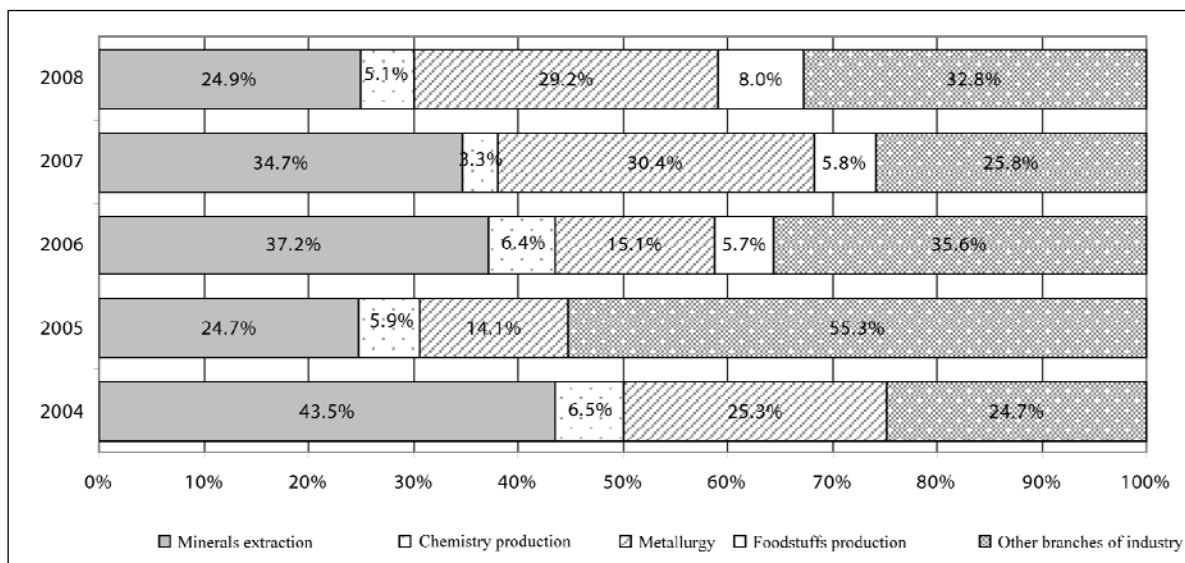
The same as in the previous year, the highest concentration of investments in trade and industry sustained. It should be noted that as a result of 2008 the foreign investments in industry did not change considerably as compared with 2007, and the investments in trade reduced by half. A considerable reduction in the investments in trade resulted in the decrease in its proportion in the structure of foreign investments as broken by branches of industry when compared with the previous year. The distribution of foreign investments by main branches of Russian economy is represented in Table 8.

**Table 8 Structure of Foreign Investments in the Russian Economy as Broken by Branches in 2006-2008**

	As USD million			Change as percentage on the previous year			As percentage to the total		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Industry	24 607	50 163	49 704	101.2	203.9	99.1	44.7	41.5	47.9
Transport and communication	5 297	6 703	4 861	137.9	126.5	72.5	9.6	5.5	4.7
Wholesale and retail trade; motor-vehicle and motorcycles servicing; repair of household appliances and private items	13 089	47 310	23 905	64.0	361.4	50.5	23.8	39.1	23.0
Operations with real estate; rent and services rendering	5 998	8 414	15 378	230.1	140.3	182.8	10.9	7.0	14.8
Financial activity	4 698	4 450	4 977	259.1	94.7	111.8	8.5	3.7	4.8
Other branches	1 420	3 901	4 944	231.8	274.7	126.7	2.5	3.2	4.8

Source: Federal State Statistics Service

The decrease in the investments in minerals extraction of 28.7% was observed in the structure of foreign investments in industry as a result of 2008 (in 2007 there was a growth of 1.9 times). Foreign investments in processing industries went up by 6.2% (in 2007 the growth of investments in processing industries made 2.1 times). As to processing industry, the investments in foodstuffs production increased by 36.7%, in chemistry industry – by 53.8%, reaching the figure of USD 4.0 billion and USD 2.5 billion, correspondingly. Foreign investments in metallurgy decreased by 4.88% in 2008 as compared with the preceding year and made USD 14.5 billion.

**Figure 3 Structure of Foreign Investments in the Russian Economy, 2004–2008**

Source: Federal State Statistics Service. There are no data available for investments in foodstuffs production in 2004-2005

In 2008 direct and portfolio investments in the industry decreased by 27.3% and 64.5%, correspondingly, as compared with 2007. Other investments in industry, in contrast, went up by 22.8% versus the previous year. Thus, the proportion of direct and portfolio investments in the industry decreased from 36.3% and 8.5% in 2007 to 26.6% and 2.3% in 2008, the share of other investments increasing from 57.3% to 71.1% over the same period.

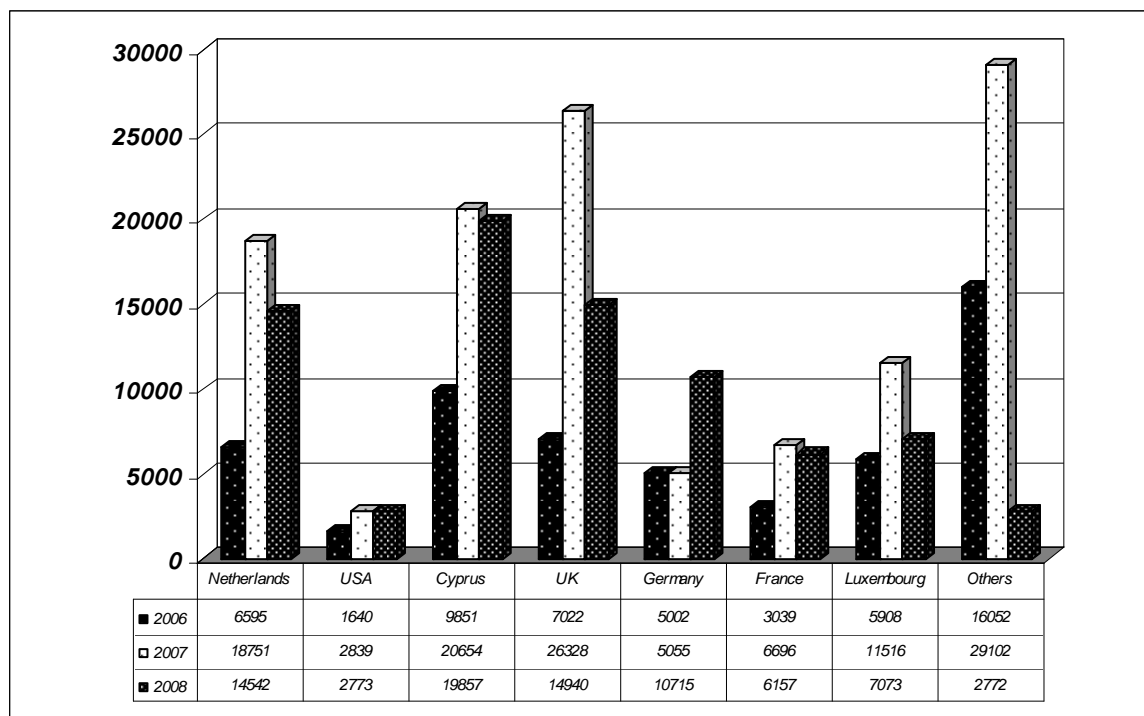
The changes were also observed in the structure of foreign investments by kinds of economic activities in the industry (Figure 3). In the sphere of minerals extraction the direct investments reduced by 2.8 times, which resulted in the contraction of their proportion in the total investments in this sphere to 40.2% (80.1% in 2007). The share of other investments in extractive industries, whose growth is estimated to be 2.1 times as a result of 2008 (up to USD 7.3 billion), increased up to 59.0% (19.8% in 2007).

The same as in the previous year, in 2008 the biggest part of foreign investments in the processing industry was accounted for by other investments, which went up by 10.5% versus 2007, reaching the figure of 81.9% in the resulting figure for the investments in processing industry. Over the same period the direct foreign investments in processing industries went up by 44.3%. The proportion of the direct investments in the processing industry went up to 17.5% (12.8% in 2007).

Cyprus, the UK, the Netherlands, Germany and Luxemburg retained their leading positions when the geographic structure of the foreign investments received by the

Russian economy in 2008 is considered. As a result of 2008 the biggest amount of the investments (USD 19.9 billion, 19.1% of the total volume of foreign investments received by the Russian economy over the period mentioned) was directed from the Cyprus, USD 14.9 billion (14.4%) was received from the UK and USD 14.5 billion (14.0%) – from the Netherlands (Figure 4).

**Figure 4 Geographic Structure of Foreign Investments in the Russian Economy in 2006–2008, as USD million**



Source: Federal State Statistics Service

In 2008 it was the investments from Germany that grew at fastest rates, increasing by 2.1 times versus 2007. At the same time investments from Cyprus decreased by 3.9%, from France – by 8.0%, from the USA – by 2.3%. The investments that decreased most considerably were from Ireland – by 43.9%, from the UK – by 43.3%, from Luxembourg – by 38.6% and from the Netherlands – by 22.4%.

The differences in the investments' dynamics resulted in the changes in the geographic structure of the foreign investments in the Russian economy.

The same as in the previous year the Cyprus investors were mainly interested in operations with real estate, trade, financial activity and construction, investing in these spheres 30.9%, 21.5%, 8.4% and 6.0%, correspondingly, of the total investments from Cyprus into the Russian Federation. As a result of 2007 these spheres accounted for 19.0%, 45.5%, 7.1% and 4.7%, correspondingly, of investments from Cyprus.



The entrepreneurs of the UK continued to invest in trade, though in 2008 this sphere received 2.9 times less investment than in 2007. As a result of 2008 the trade accounted for 39.1% of the total investments of the UK in the Russian Federation (64.2% in 2007). The share of processing industries in the structure of UK investments increased from 27.7% in 2007 to 31.7% in 2008.

As to the structure of investments in the Russian Federation from the Netherlands, there the decrease of the proportion of the fossil fuels extraction from 67.1% in 2007 to 33.1% in 2008 occurred. Russian power industry accounted for 14.7% of investments directed from the Netherlands in the Russian Federation in 2008.

As on the end of 2008 the accumulated foreign capital not taking into account the institutions of monetary and credit regulation, commercial and savings banks, including ruble investments recalculated in US dollars made USD 264.6 billion, which is 19.9% above the corresponding figure of the beginning of the year.

It is the Cyprus, the Netherlands, Luxembourg, the UK and Germany that still hold the leading positions in the total volume of accumulated foreign investments, their share being 70.3% (72.0% in 2007). At the same time the share of the first five leading countries in the segment of direct and other investments reduced to 73.4% and 57.6% (77.0% and 67.85 in 2007), and in the structure of portfolio investments it went up to 75.3% (65.1% in 2007) (Table 9).

**Table 9 Accumulated Foreign Investments as Broken by Main Investing Countries**

	Accumulated by 01.01.2009, USD million				Change calculated on 01.01.2008, percentage			
	Total	Direct	Portfolio	Other	Total	Direct	Portfolio	Other
USA	8 769	3 193	662	4 914	102.2	87.8	54.8	131.5
Germany	17 425	7 275	26	10 124	147.8	161.9	26.5	140.7
France	9 542	1 927	1	7 614	161.2	124.0	3.2	175.7
UK	30 811	4 647	2 339	23 825	105.4	135.2	101.1	101.5
Cyprus	56 902	40 732	1 728	1 442	114.7	115.0	101.6	11.6
Netherlands	46 346	35 931	41	10 374	118.6	101.9	78.8	275.8
Luxembourg	34 402	1 217	273	32 912	118.0	165.6	124.7	116.7
Other countries	60 402	27 470	557	45 375	127.8	148.3	50.3	164.3
<b>Total</b>	<b>264 599</b>	<b>122 392</b>	<b>5 627</b>	<b>136 580</b>	<b>119.9</b>	<b>118.8</b>	<b>83.6</b>	<b>123.3</b>

Source: Federal State Statistics Service

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It is other investments that prevail in the structure of foreign investments accumulated by the end of 2008, their share being 51.6%. The corresponding figure for direct foreign investments was 46.3%.

In the environment of reduction in the amount of foreign investments in the Russian economy the volume of withdrawn capital in the form of profit of foreign investors transferred abroad as well as in the form of payments of interest for the use of credits and credits repayments went up by 16.4% in 2008 as compared with 2007, making USD 67.95 billion (65.5% of the foreign investments received in 2008). In 2007 48.3% of the received foreign investments was withdrawn.

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