

Kaliningrad and its region

Slide package for a foreign investor



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1. General information

a) Geographical location

Federal district:

North-Western

Size:

75th out of 85* regions in Russia in terms of area, (15 100 km²),
about half the size of Belgium

Time zone:

Moscow -1, GMT +2

Border with:

Lithuania and Poland

Distances from Kaliningrad to some European capitals:

Vilnius (350 km), Riga (390 km),
Warsaw (400 km), Berlin (600 km),
Stockholm (650 km), Helsinki (660 km),
Copenhagen (680 km), Oslo (850 km)

*international community does not recognize Crimea and Sevastopol



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1. General information

b) Basic facts

Inhabitants: 1 002 187 (beginning of 2019)

Largest towns:

Kaliningrad 482 443

Gurjevsk 68 579

Chernjahovsk 46 351

Sovietsk 39 150

Share of urban population:

78%

Main industries:

Food industry (fishing), fuel industry,
machine building and metal industry

Natural resources:

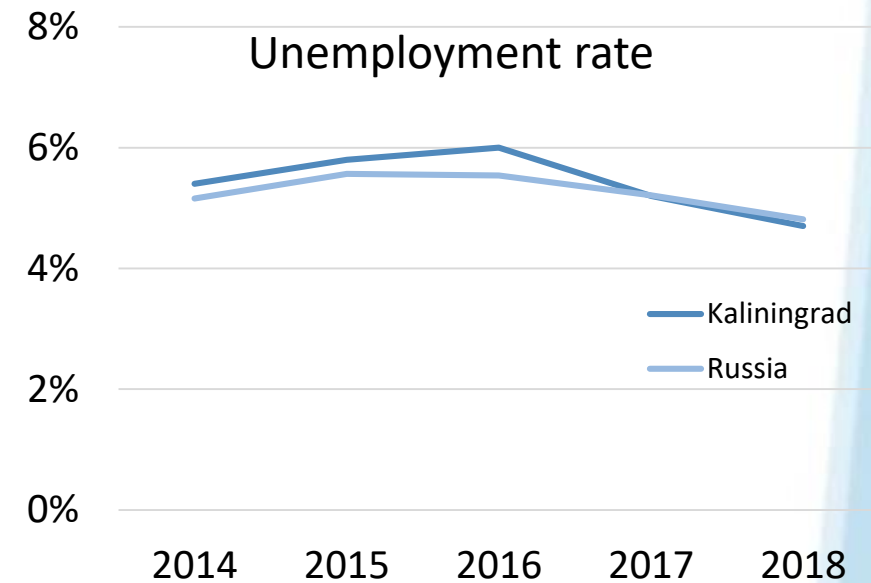
Amber, some oil, brown coal, peat, rock salt, mineral water services



1. General information

c) Population and labor force

	2014	2015	2016	2017	2018
Population (thousands)	963	969	976	986	995
Population change from previous year (%)	0.9	0.6	0.8	1.0	0.8
Unemployment (thousands)	29	31	32	27	25
Level of unemployment (ILO definition, %)	5.4	5.8	6.0	5.2	4.7
Development of labor force (economically active population), (thousands)	529	530	524	519	525
Number of pensioners (thousands)	220.0	226.1	230.9	234.1	-



- The unemployment rate has been quite stable over past years, a bit over Russian average
- Population has been growing faster in absolute terms than number of pensioners
- Economically active population is decreasing, because of movement and low birthrate in 1990s



2. Regional economy

a) The Kaliningrad region in the Russian economy

Basic facts (of the Russian total in 2018)	
Area	0.09%
Population	0.7%
Economy	
GDP	0.6%*
Economically active population	0.7%
Manufacturing industries	0.9%*
Retail trade	0.5%
External economic relations	
Exports	0.4%
Imports	3.5%
Foreign direct investment	0.1%

*In 2017



- Everything except imports are quite close to Russian average in terms per capita
- High import can be explained with geographical location of the region and the region's special economic zone (SEZ)
- Products are also reprocessed and exported to other Federal subjects



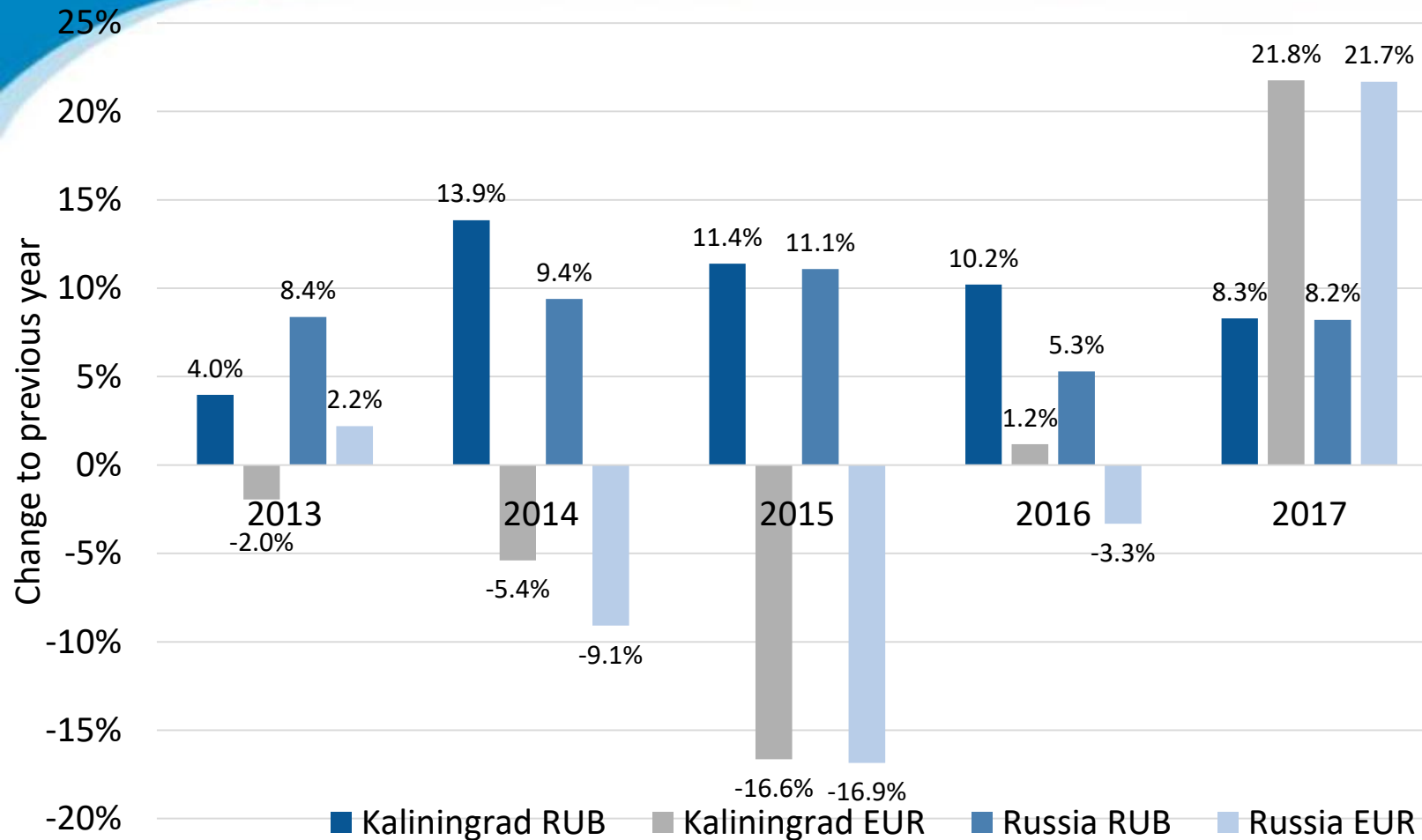
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2. Regional economy

b) Regional GDP development



GDP of Kaliningrad and Russia, bn €

Year	Kaliningrad	Russia	Average Exchange rate EUR-RUB
2013	6.5	1 277.8	42.34
2014	6.2	1 161.7	50.95
2015	5.1	965.9	68.07
2016	5.2	933.9	74.14
2017	6.3	1 136.3	65.94

- Because of Ruble's devaluation the GDP development in RUB and EUR is radically different
- The one in EUR describes the development of real GDP and purchasing power more adequately



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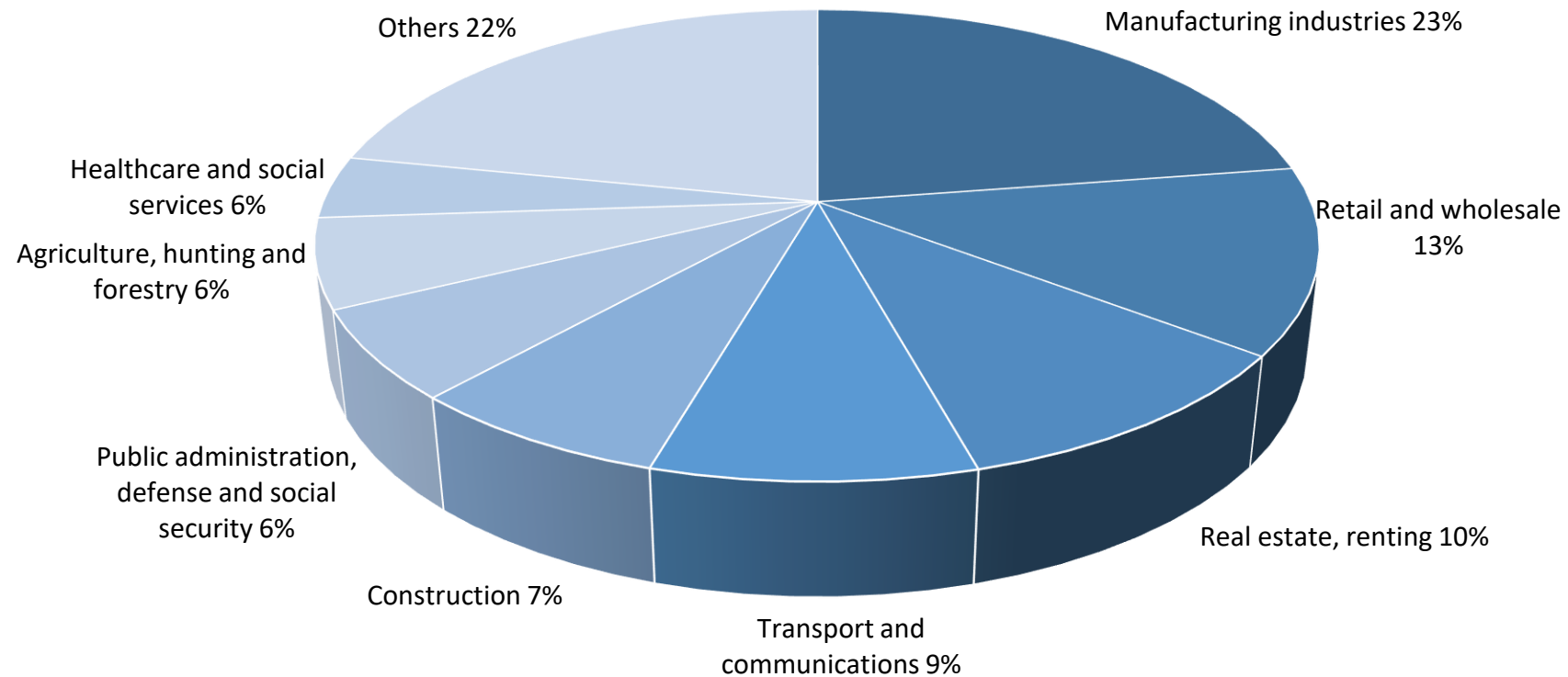


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- The location of Russian Baltic Fleet Army base in Kaliningrad brings incomes to the region

2. Regional economy

c) Structure of regional GDP in 2017



- The special economic zone (SEZ) has increased industrial production in the Kaliningrad region



2. Regional economy

d) Investment potential ranking (out of 85 Russian regions)

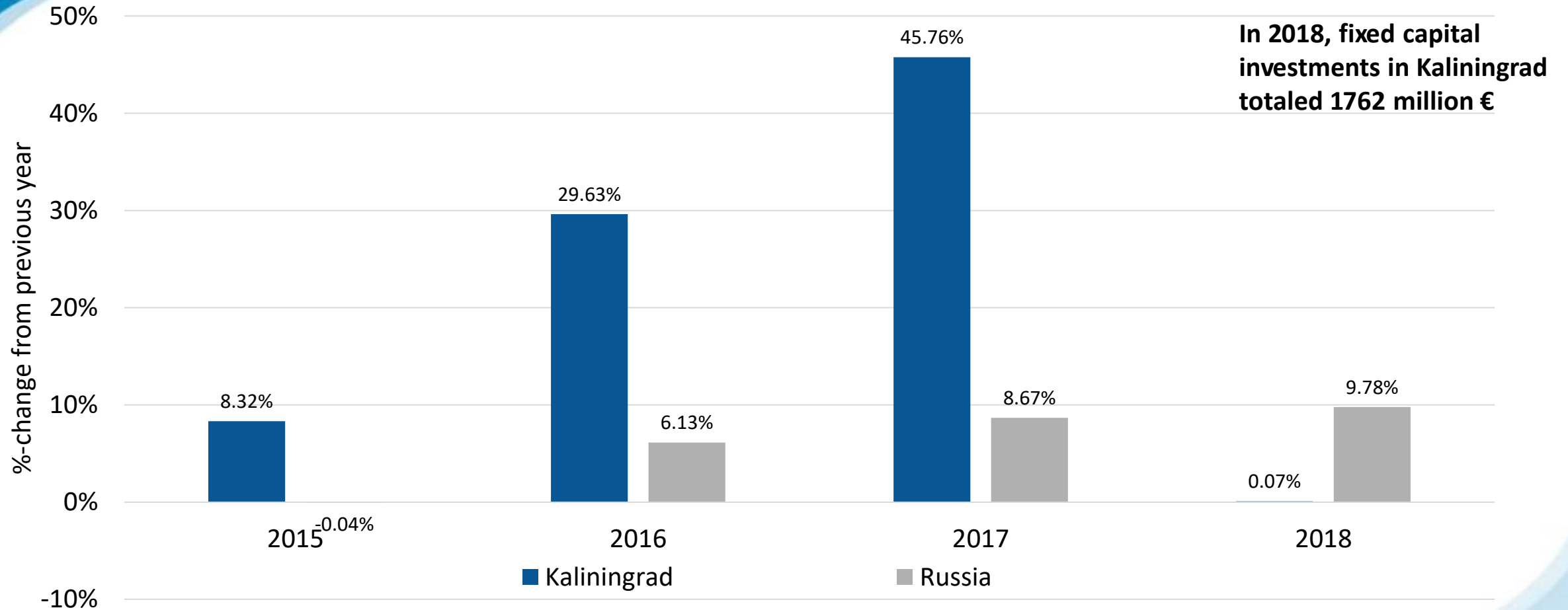
	2017	2018
Ranking of investment potential	33	31
Labor potential	47	48
Consumption potential	55	54
Production potential	38	37
Financial potential	54	54
Institutional potential	23	16
Innovation potential	59	57
Infrastructure potential	2	3
Natural resource potential	29	29
Tourism potential	34	37
Ranking of investment risk	37	34

- Wages are small in Kaliningrad, which makes consumption and financial potential quite low
- The best universities of Russia are located in St. Petersburg and Moscow, which affects innovation potential of other regions, including Kaliningrad region
- In 2018 FIFA World Cup was partly held in Kaliningrad and therefore investments to infrastructure have been substantial



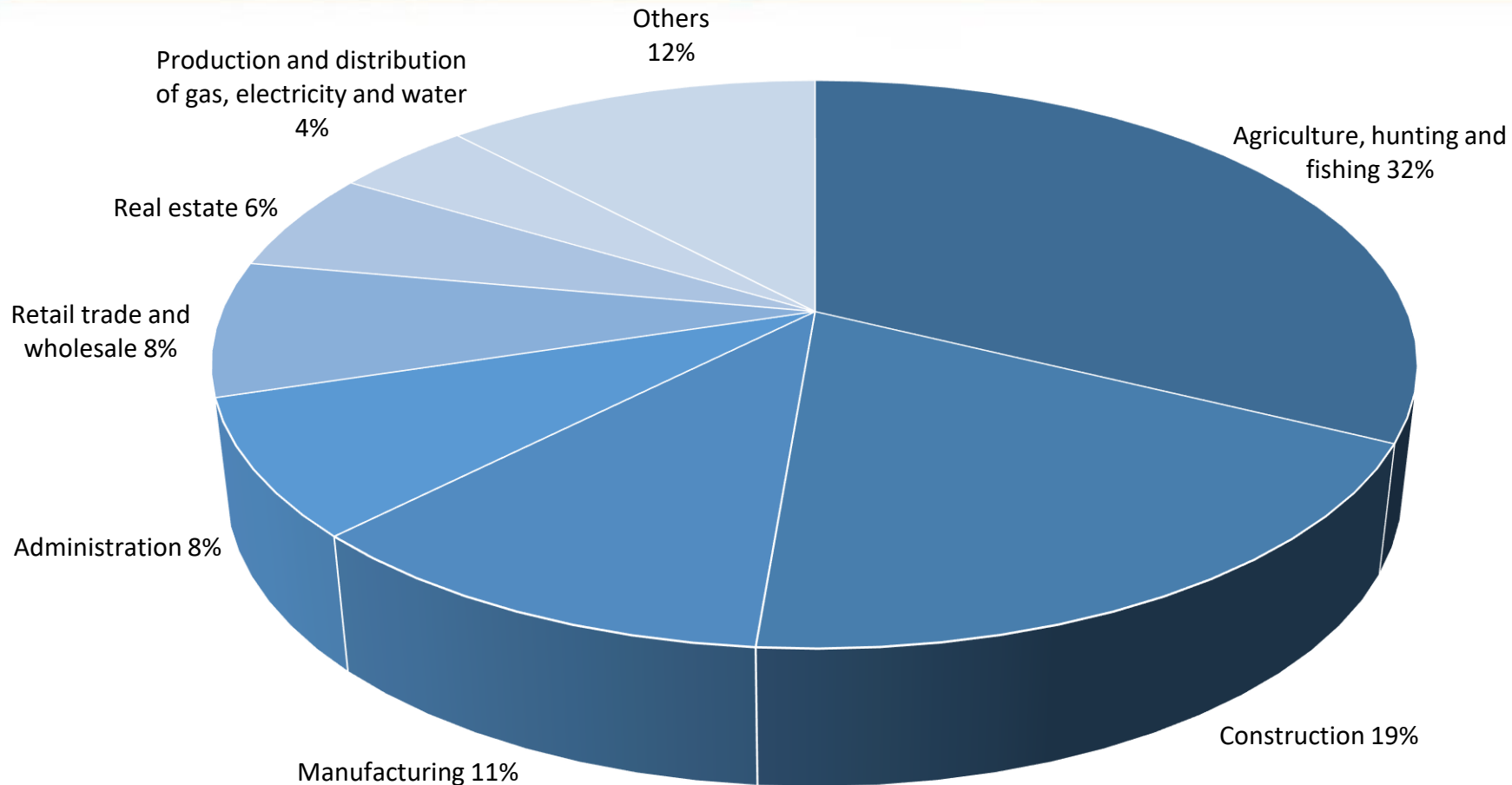
2. Regional economy

e) Development of investment in fixed capital



2. Regional economy

f) Investments into fixed capital by sectors in 2017



2. Regional economy

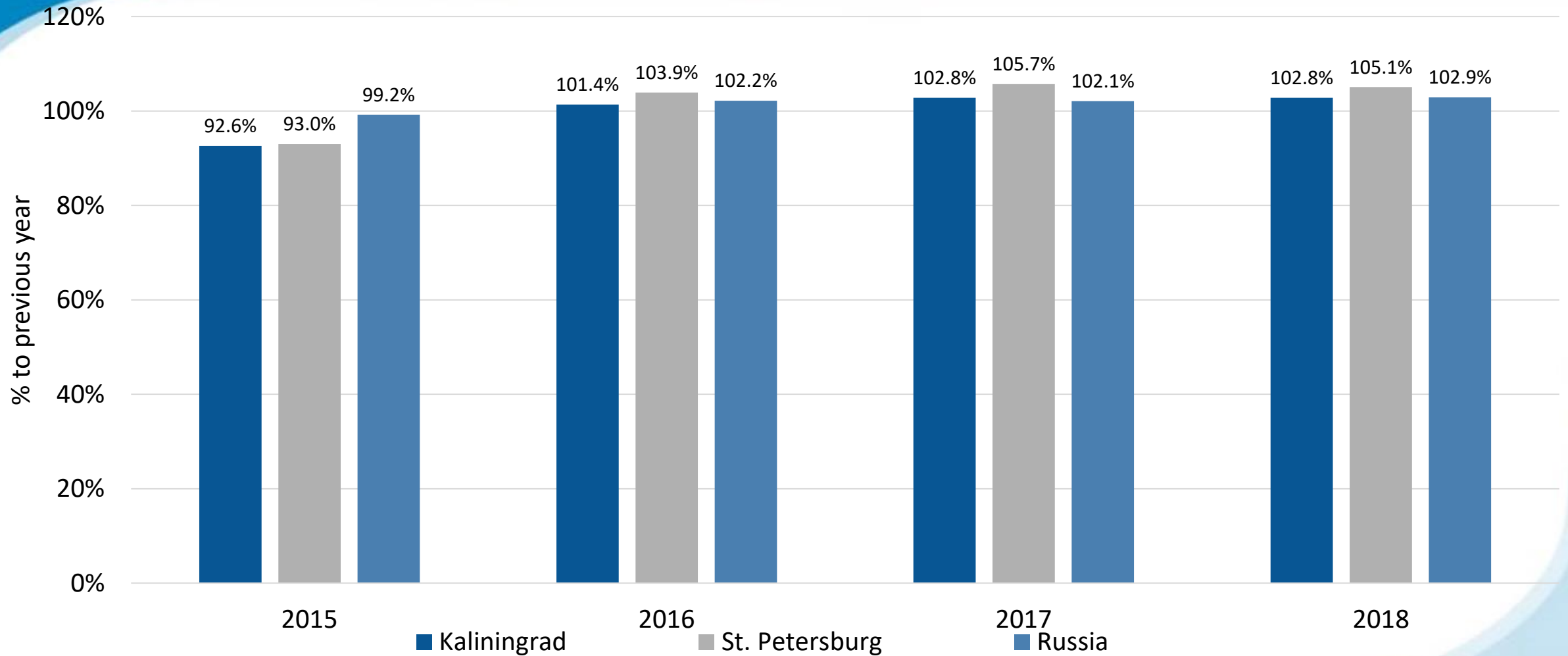
g) Transport infrastructure

- Highway density 521 km/1000 sq. km (2017)
 - The density of the road network is nearly 10 times higher than on average in Russia
- Main airport about 10 km north of Kaliningrad (Khrabrovo)
 - Direct flights to Moscow, St. Petersburg, Warsaw, Berlin, Copenhagen and Riga
- Major sea ports in Kaliningrad, Baltiysk and Pionersky
 - Russia's only ice free ports in the Baltic Sea
 - Total port capacity including inland river ports 33,4 million tons
 - 40 km long Kaliningrad sea canal
- Railway density 44.2 km/1 000 sq. km (2017)
 - Direct connections to Lithuania and Poland, and further on to various countries
- Some construction projects
 - Construction of deep-water port complex, cross-border stations and 700 km of modern roads, modernization of railroad between Kaliningrad and Baltiysk



2. Regional economy

h) Development of industrial production



2. Regional economy

i) Development of industrial production 2017-2018

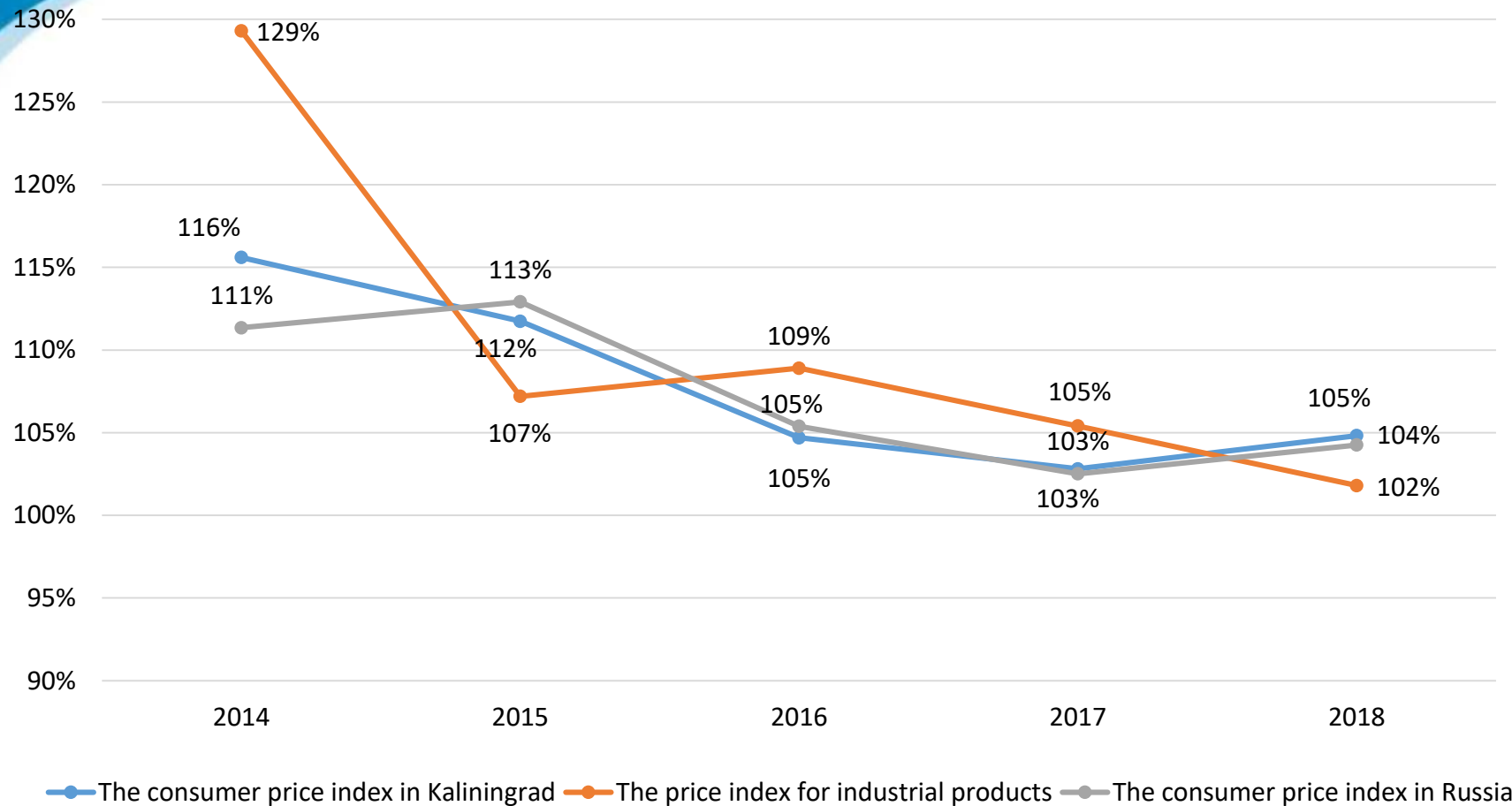
Changes in industrial production by sector, %-change to previous year

	2017	2018
Computers, electrical and optical equipment	61.4	9.8
Electricity, gas and steam	6.2	2.9
Water	0.3	-6.0
Food production	0.1	2.4
Production of beverages	9.7	-2.6
Mining	-8.3	-6.6
Pulp and paper, publishing and printing	28.3	3.5
Timber and wood products	-9.3	-22.5
Transport vehicles	40.3	28.1
Transport equipment	-42.8	-5.6



2. Regional economy

j) Development of prices (% , end of the year, 2007=100%)

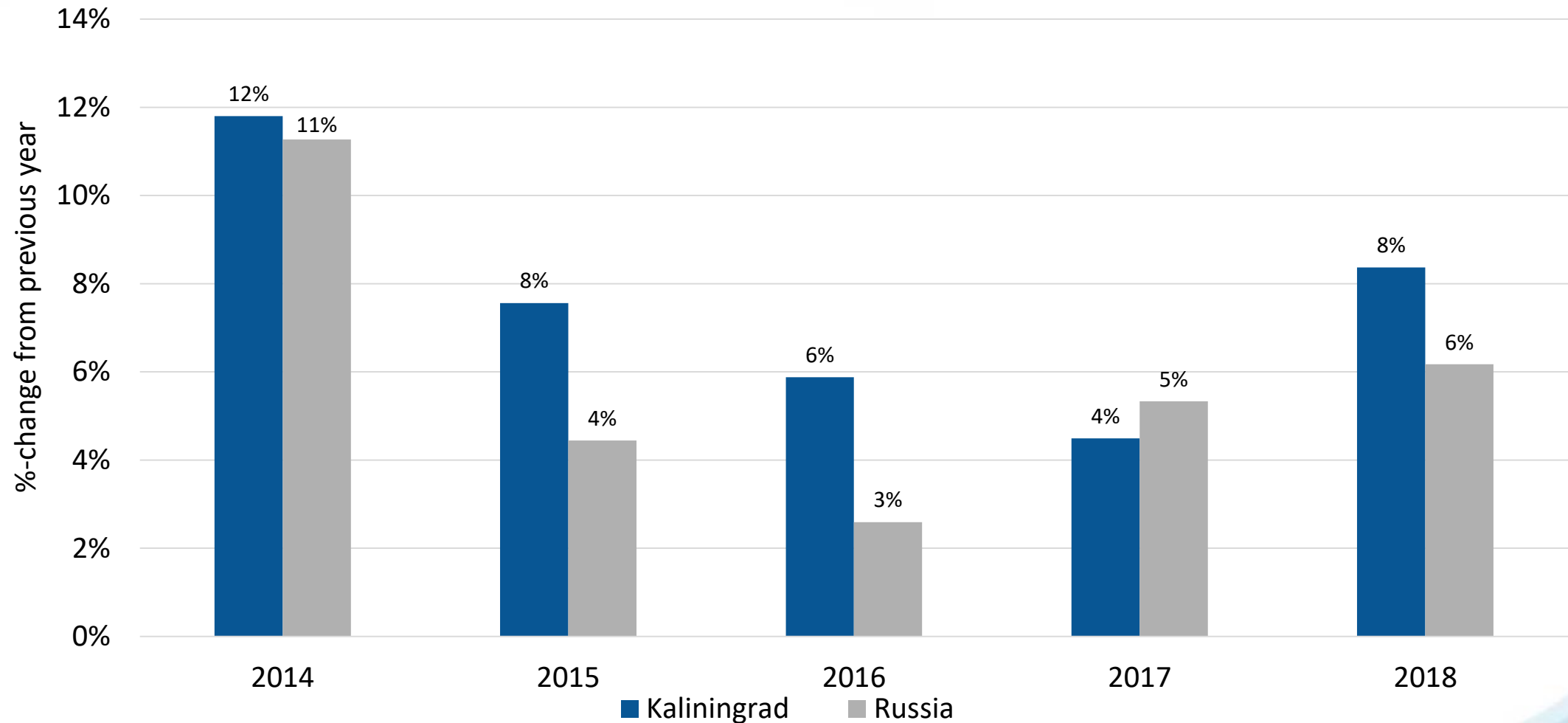


- Sanctions in 2014 hit Kaliningrad harder than many other Russian regions, because of its high dependency on imports



2. Regional economy

k) Development of retail trade



2. Regional economy

1) Main enterprises of the Kaliningrad Oblast

Name	Area	Website
Lukoil Kaliningradmorneft	Oil	http://kmn.lukoil.ru/ru/Contacts
Kaliningrad Amber Factory	Amber	http://www.ambercombine.ru/
Arvi NPK	Fertilizers	http://arvifertis.lt/en/
Factory JBI-2	Construction materials	http://www.zhbi2.ru
Sovietskiy Pulp & Paper Mill	Pulp and paper production	http://www.sovpaper.ru/
Lesobalt	Woodworking	http://www.lesobalt.ru/
Moloko	Dairy industry	http://www.aomoloko.com/
CTS	Digital television systems	http://www.dtv.s.ru/
Sodruzhestvo	Agricultural products	http://www.sodrugestvo.ru



2. Regional economy

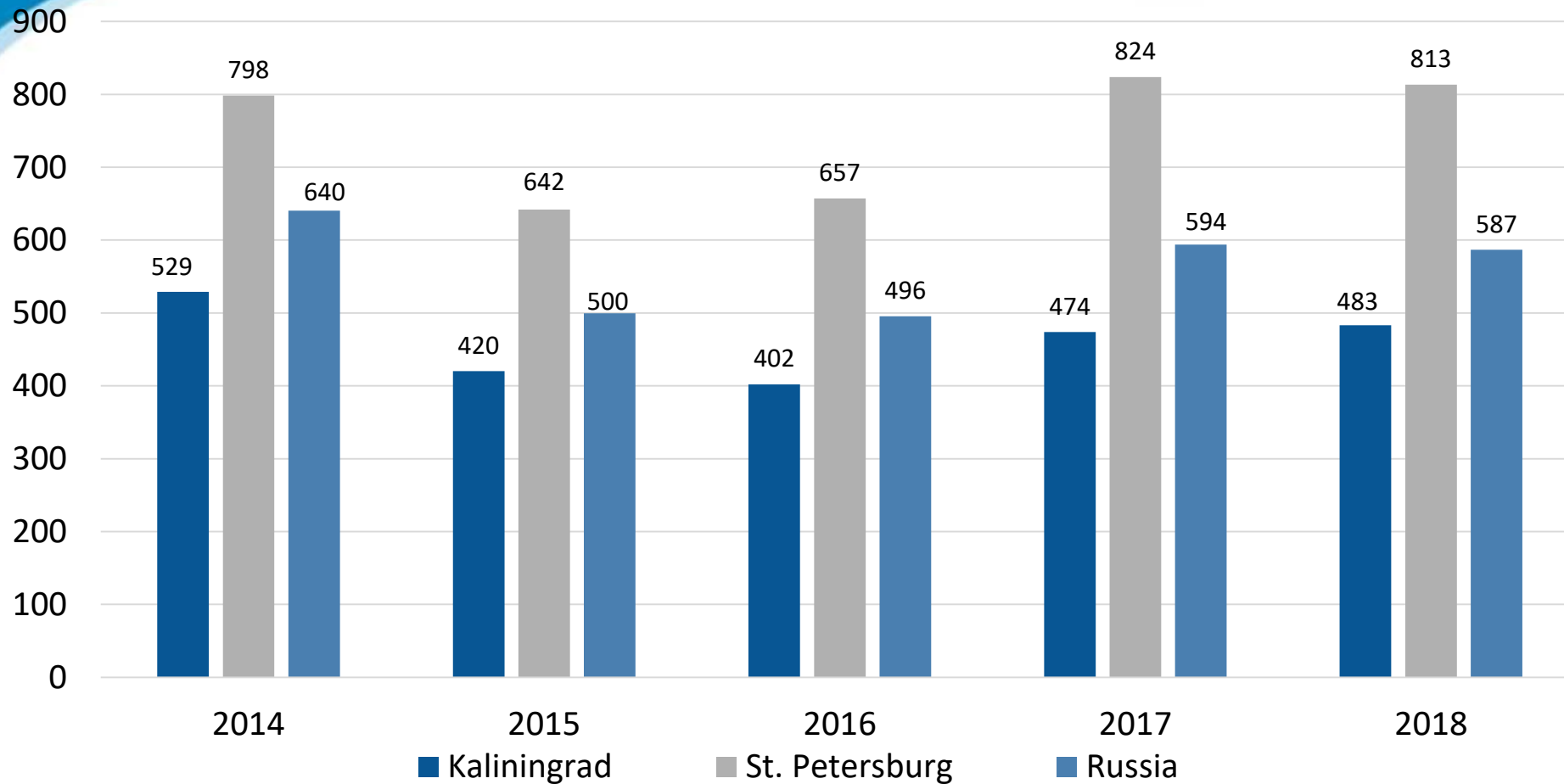
m) Distribution of enterprises and organizations by ownership

	2013	2014	2015	2016	2017
State- and municipal-owned	2 223	2 191	2 135	2 049	1 978
Other public organizations	1 554	1 546	1 527	1 534	1 550
Private	45 506	45 855	47 504	48 308	46 321
Public–private ownership	292	247	222	178	193
Foreign	1 601	1 727	1 744	1 795	1 782
Jointly-owned by Russian and foreign	1 519	1 463	1 417	1 397	1 204
Total	52 695	52 029	54 549	55 261	53 028



3. Prosperity and consumption

a) Development of average wages, €/month

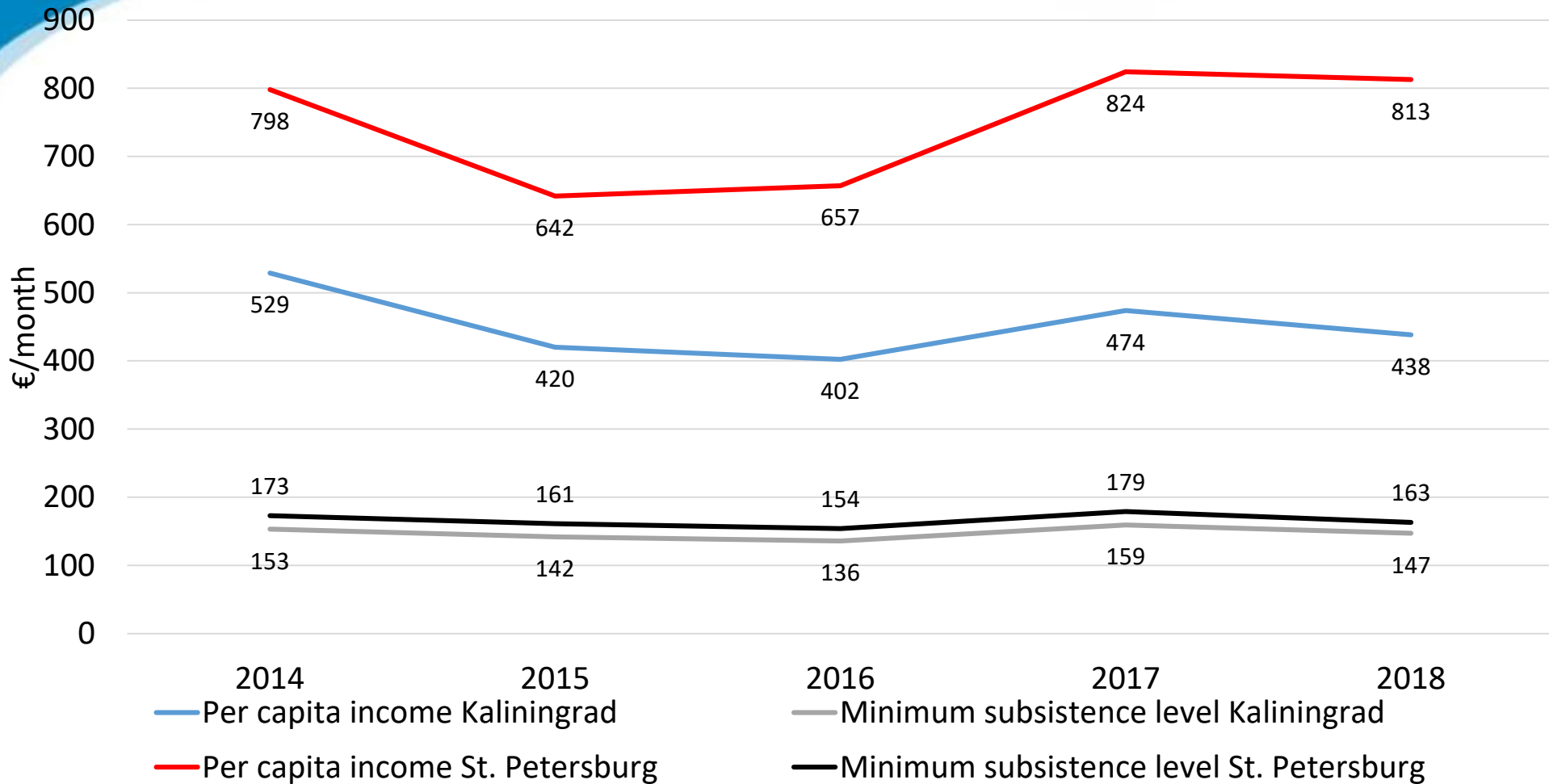


- Wages are quite average outside Moscow and St. Petersburg, where wages are significantly higher than in the rest of Russia
- In 2018 the average monthly wage outside these regions was about 540 €



3. Prosperity and consumption

b) Main socio-economic indicators of living standards

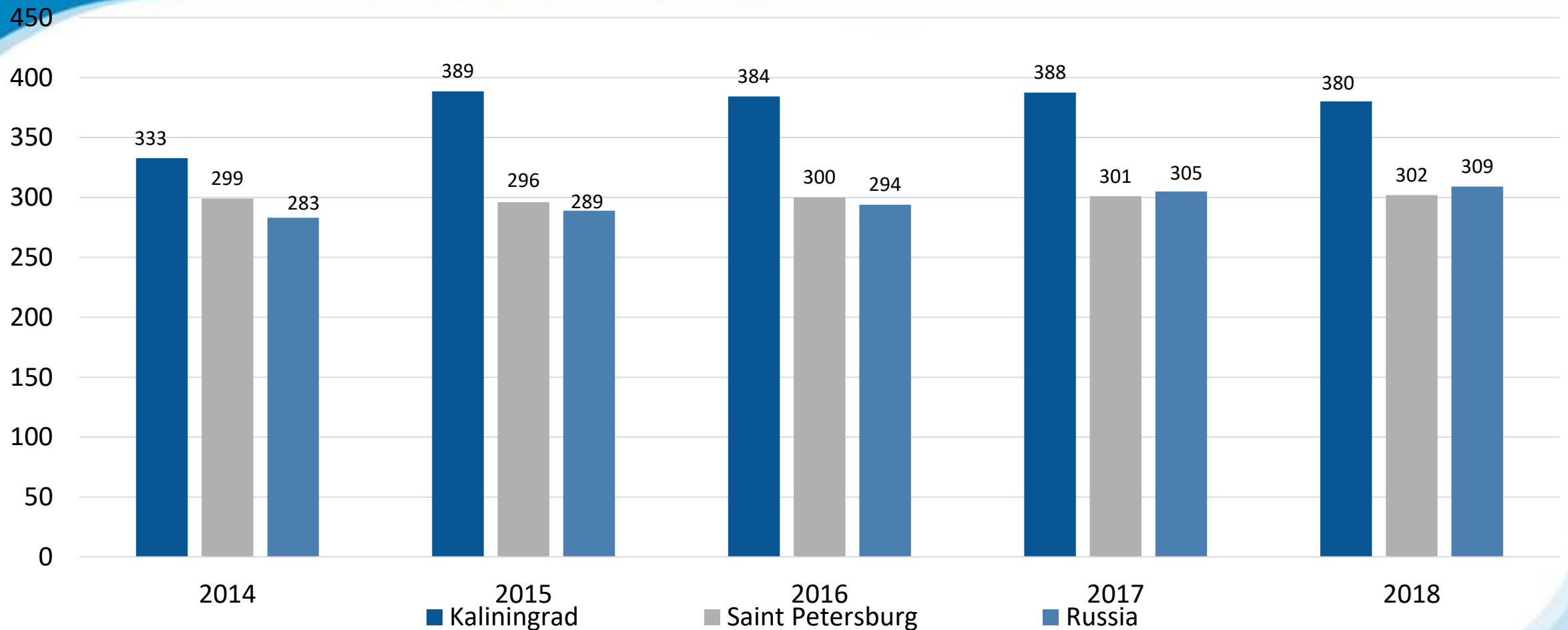


- Minimum subsistence level is decided by Government of Russian Federation, and it varies between regions
- As indicated earlier living standards in Moscow and St. Petersburg differ substantially from the rest of Russia



3. Prosperity and consumption

c) Number of passenger cars per 1000 persons

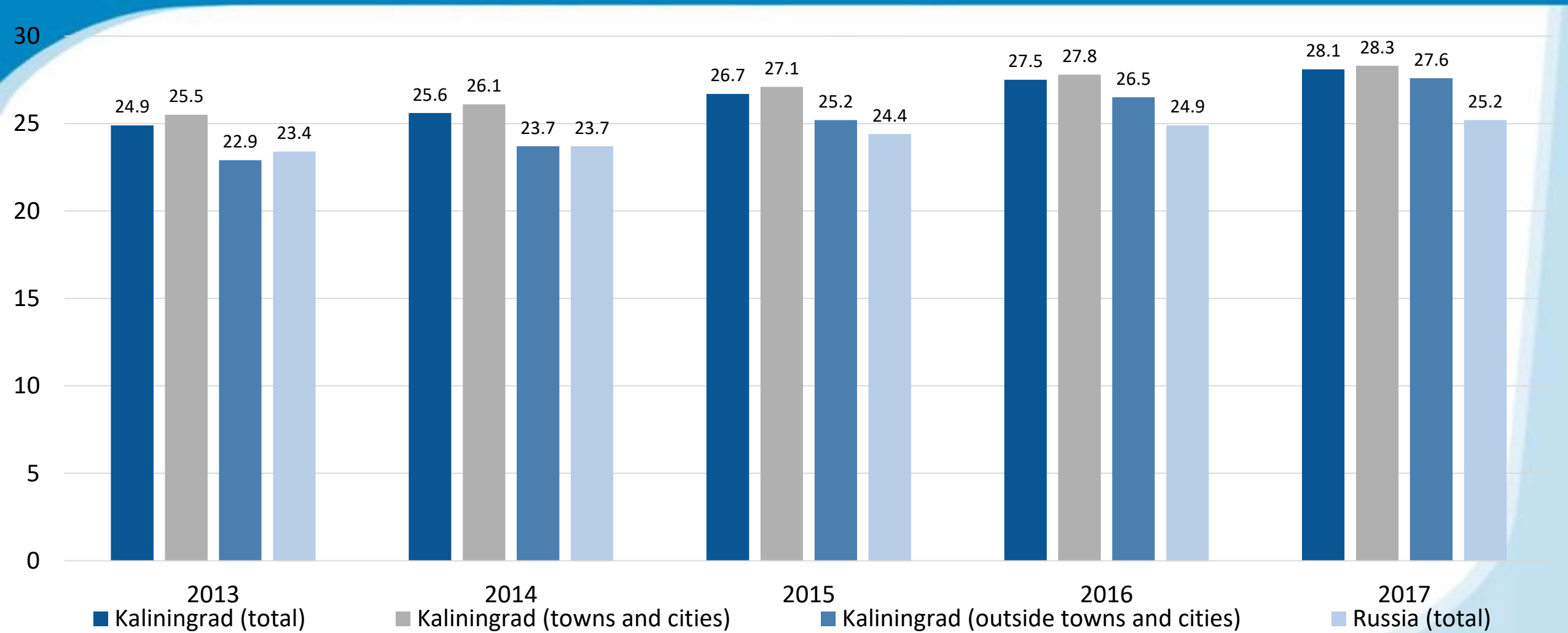


- The statistics do not take into account the age of the car pool



3. Prosperity and consumption

d) Living area (square meters per person)



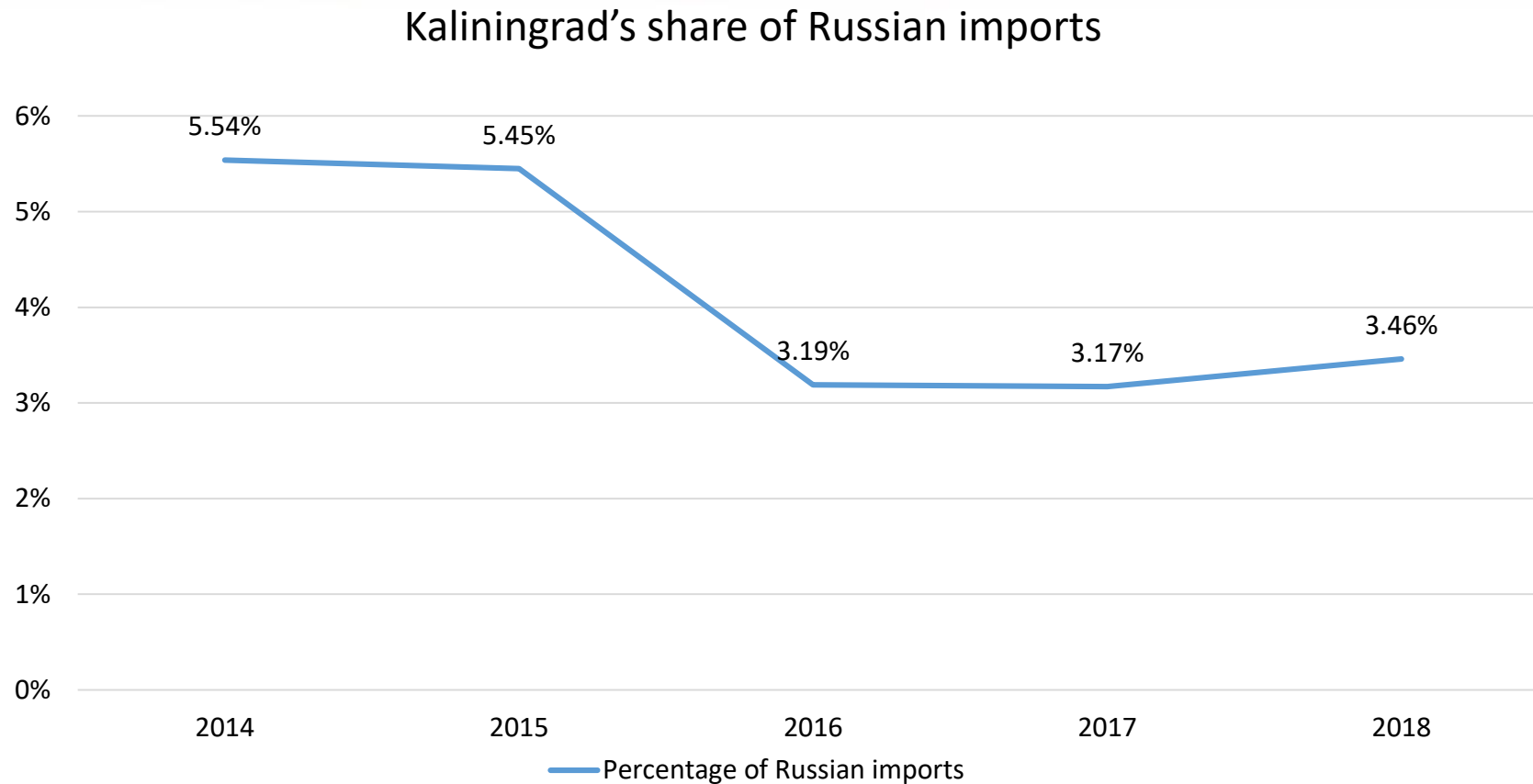
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4. External economic relations

a) Imports

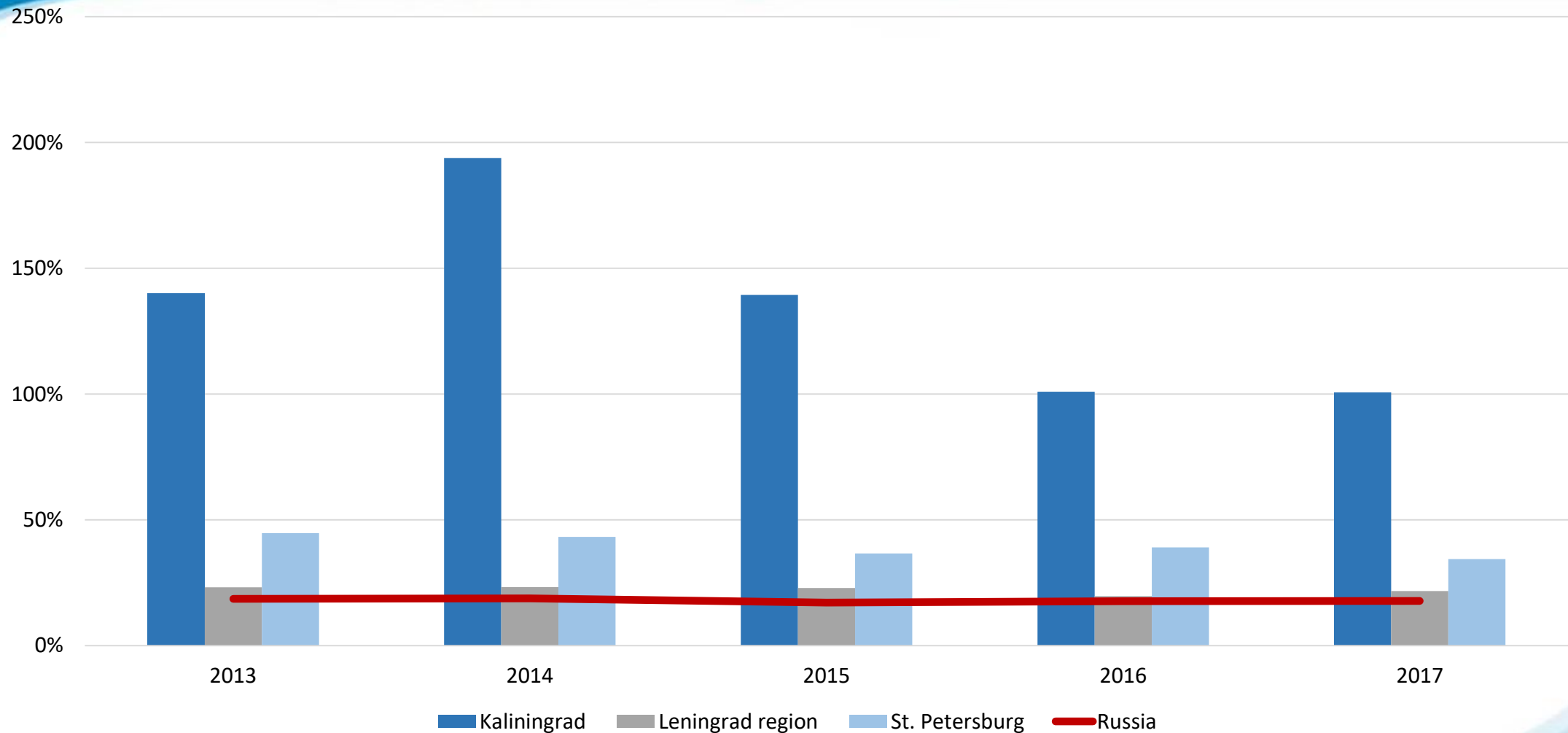


- Taking into account that Kaliningrad's population share in 2018 was only 0.7% of the Russian total, the share of import is relatively high



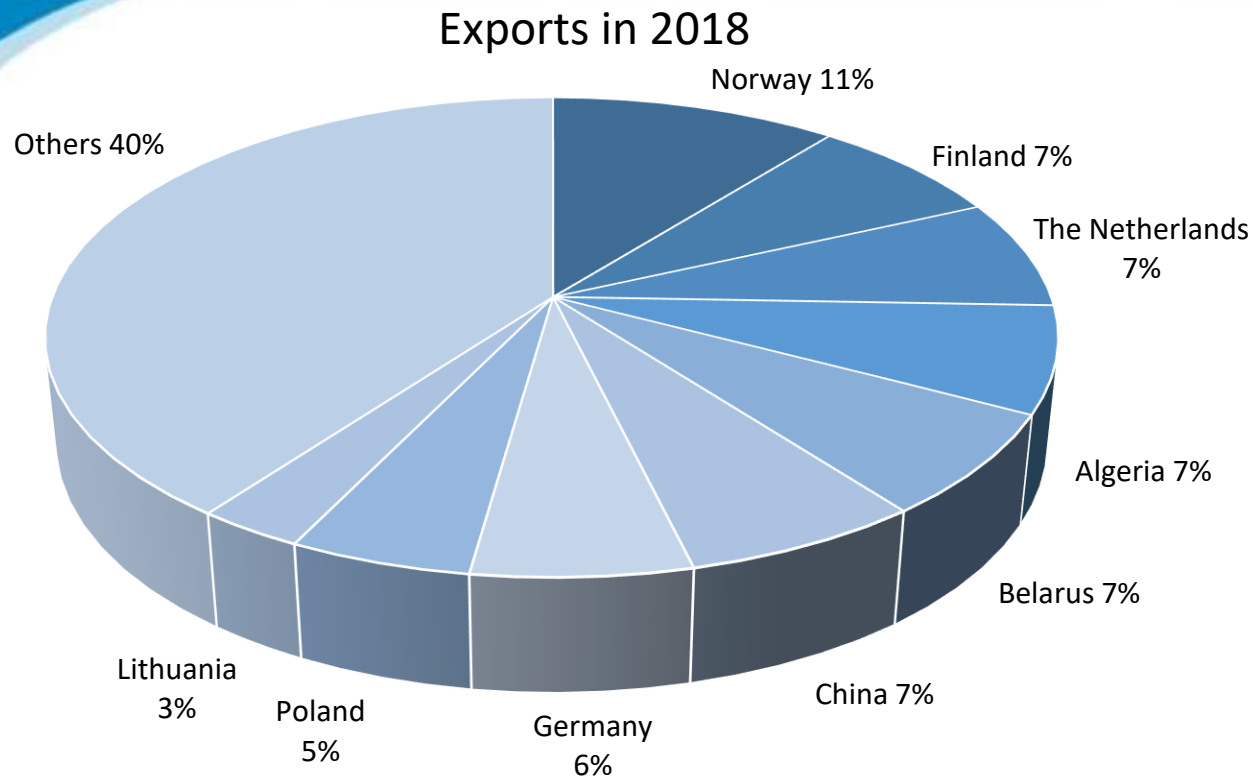
4. External economic relations

b) Imports as a percentage of GDP



4. External economic relations

c) Exports (million USD)



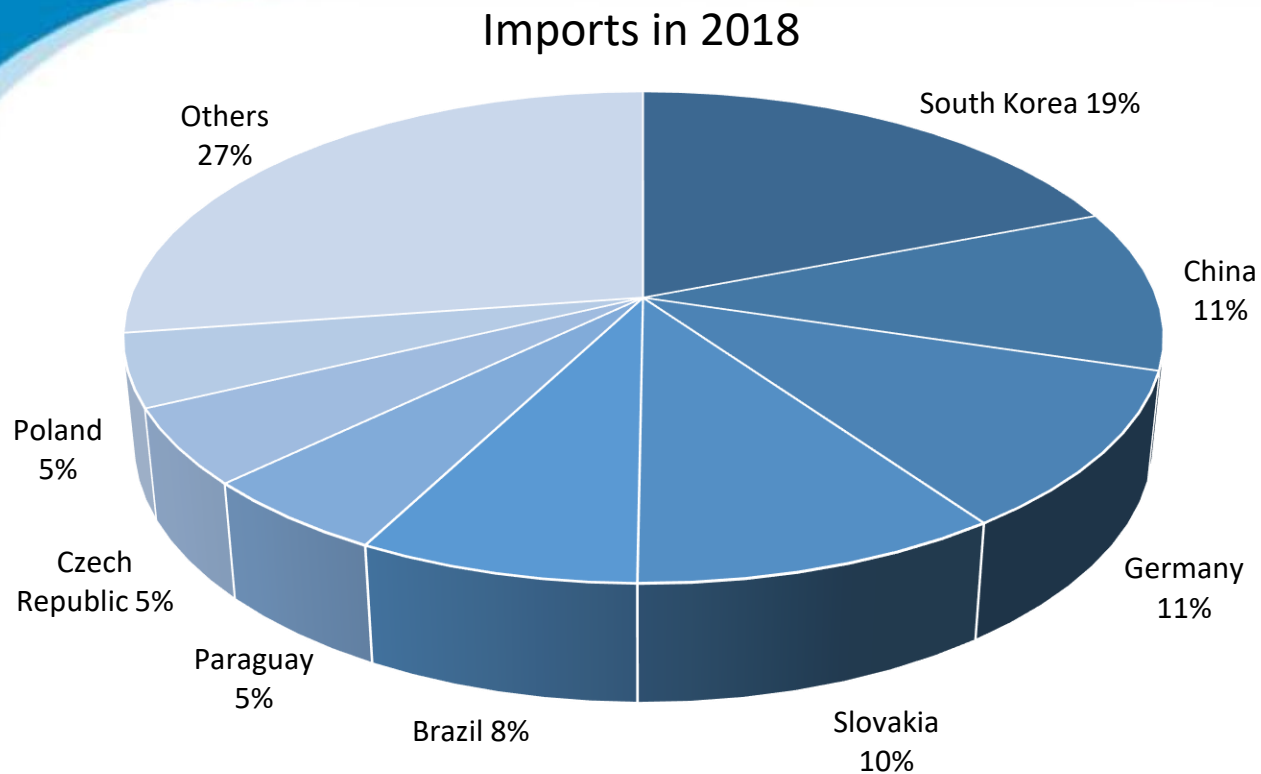
- Countries located geographically close dominate the list
- Exports of petrochemicals has rapidly increased to Netherlands and Finland

	2014	2015	2016	2017	2018
Norway	165.0	130.0	134.0	177.0	213.0
Netherlands	43.7	56.9	46.1	44.8	211.0
Belarus	95.8	10.9	11.7	23.5	146.0
China	1.1	25.1	51.5	116.0	128.0
Finland	49.2	46.7	29.0	25.4	125.0
Algeria	129.0	138.0	125.0	188.0	121.0
Germany	2 190.0	146	74.3	60.5	110.0
Poland	130.0	117.0	70.0	51.9	101.0
Lithuania	94.7	92.7	72.4	49.0	64.1
Denmark	54.5	43.8	45.1	47.0	57.3
Sweden	43.5	20.5	23.1	32.8	45.9
Spain	36.2	25.3	30.5	26.2	29.9
Belgium	30.3	40.6	20.8	13.7	21.4
Other countries	637.0	1 846.5	466.5	414.2	948.7
Total	3 700.0	2 740.0	1 200.0	1 270.0	2 000.0



4. External economic relations

d) Imports (million USD)



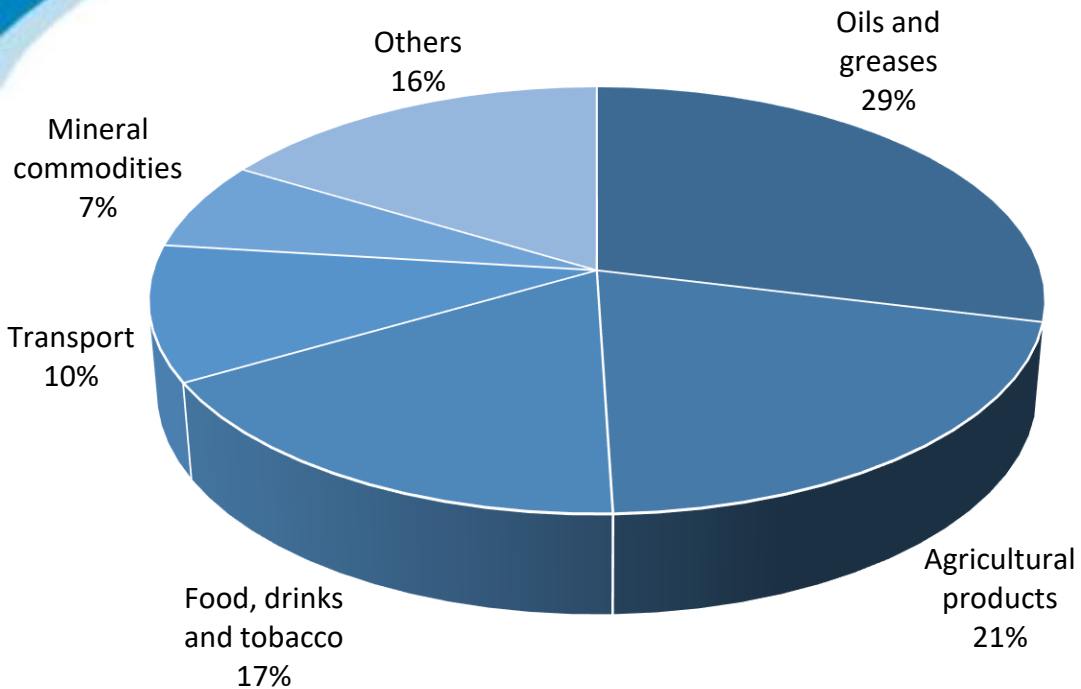
	2014	2015	2016	2017	2018
South Korea	1630.0	505.0	621.0	1270.0	1610.0
China	3040.0	2140.0	708.0	741.0	859.0
Germany	1640.0	566.0	546.0	655.0	855.0
Slovakia	1090.0	582.0	443.0	687.0	803.0
Brazil	680.0	501.0	595.0	728.0	642.0
Czech Republic	147.0	51.3	88.7	245.0	426.0
Paraguay	570.0	492.0	448.0	374.0	416.0
Poland	730.0	434.0	349.0	393.0	387.0
USA	767.0	519.0	386.0	371.0	350.0
Belarus	119.0	67.3	67.7	85.6	256.0
Netherlands	166.0	92.9	90.6	115.0	127.0
Lithuania	357.0	140.0	112.0	119.0	114.0
Italy	262.0	106.0	78.7	97.6	87.1
Other countries	4 702.0	1773.5	1 206.3	1 328.8	2 172.9
Total	15 900.0	7 970.0	5 740.0	7 210.0	6 800.0



4. External economic relations

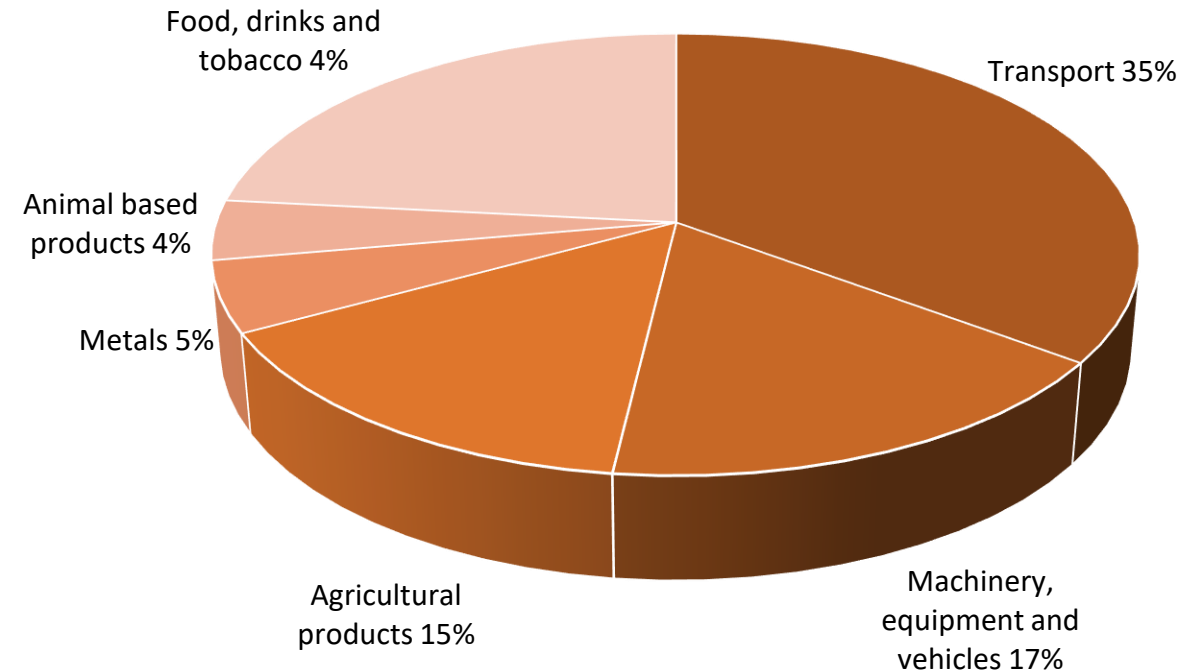
e) Foreign trade structure in 2018

Export structure



- Includes mostly products with a low level of value added

Import structure

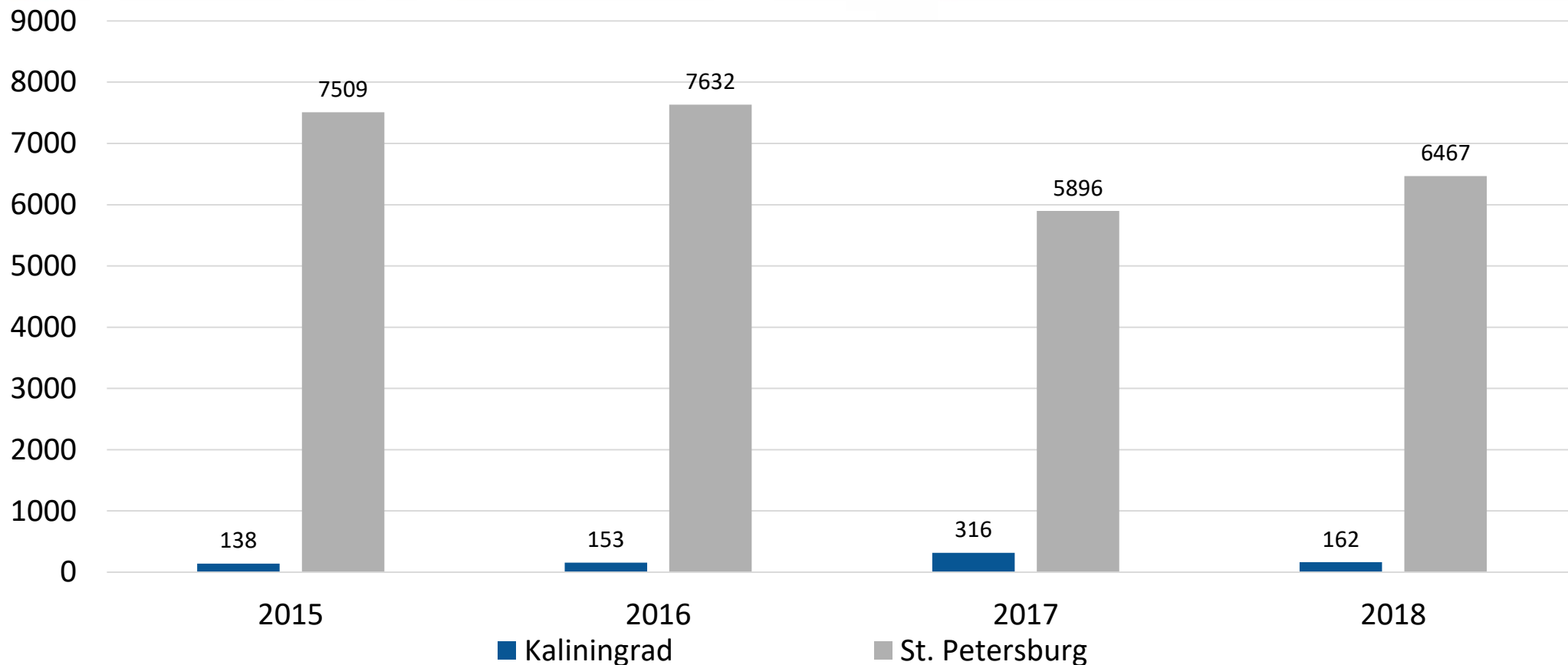


- Includes mostly products with a high level of value added



4. External economic relations

f) Development of FDI inflow, million USD

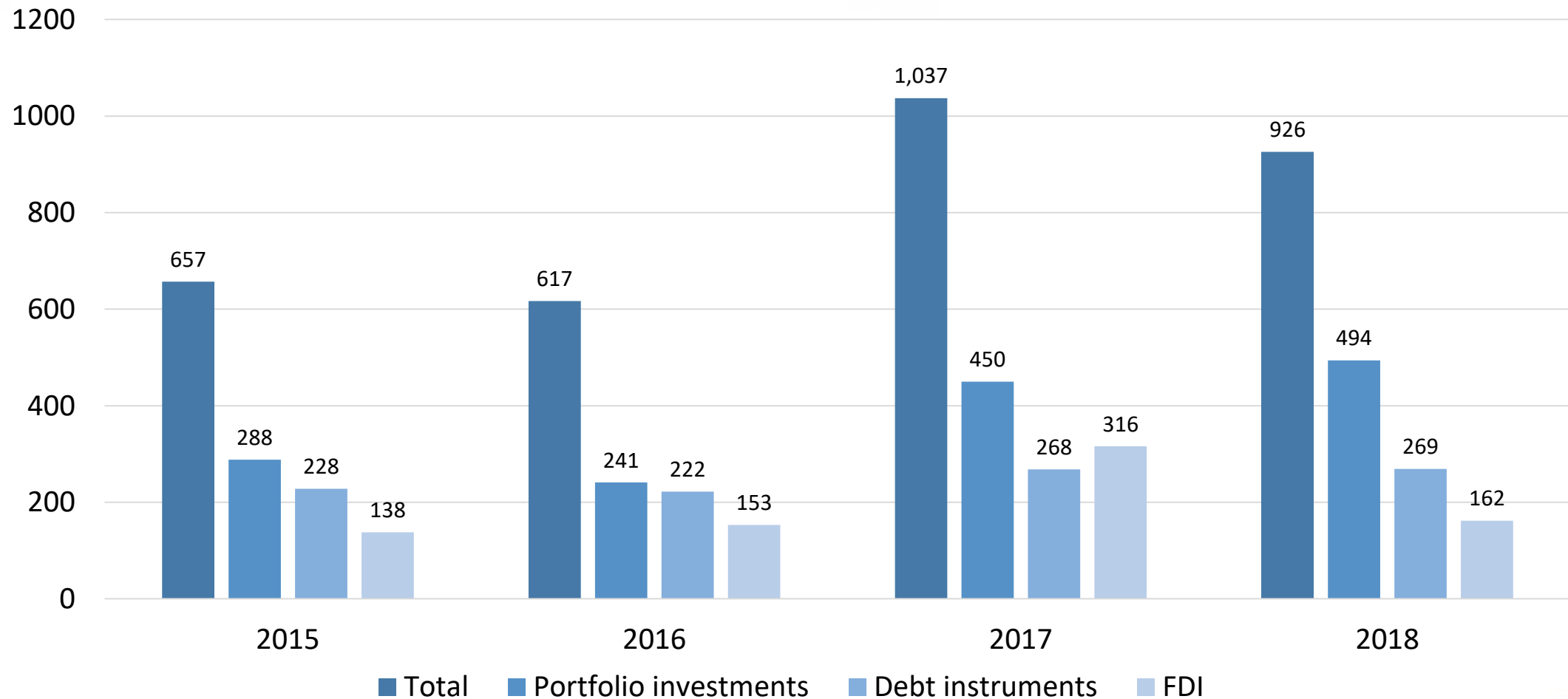


- In 2018, over half of the FDI inflow went to Moscow and St. Petersburg



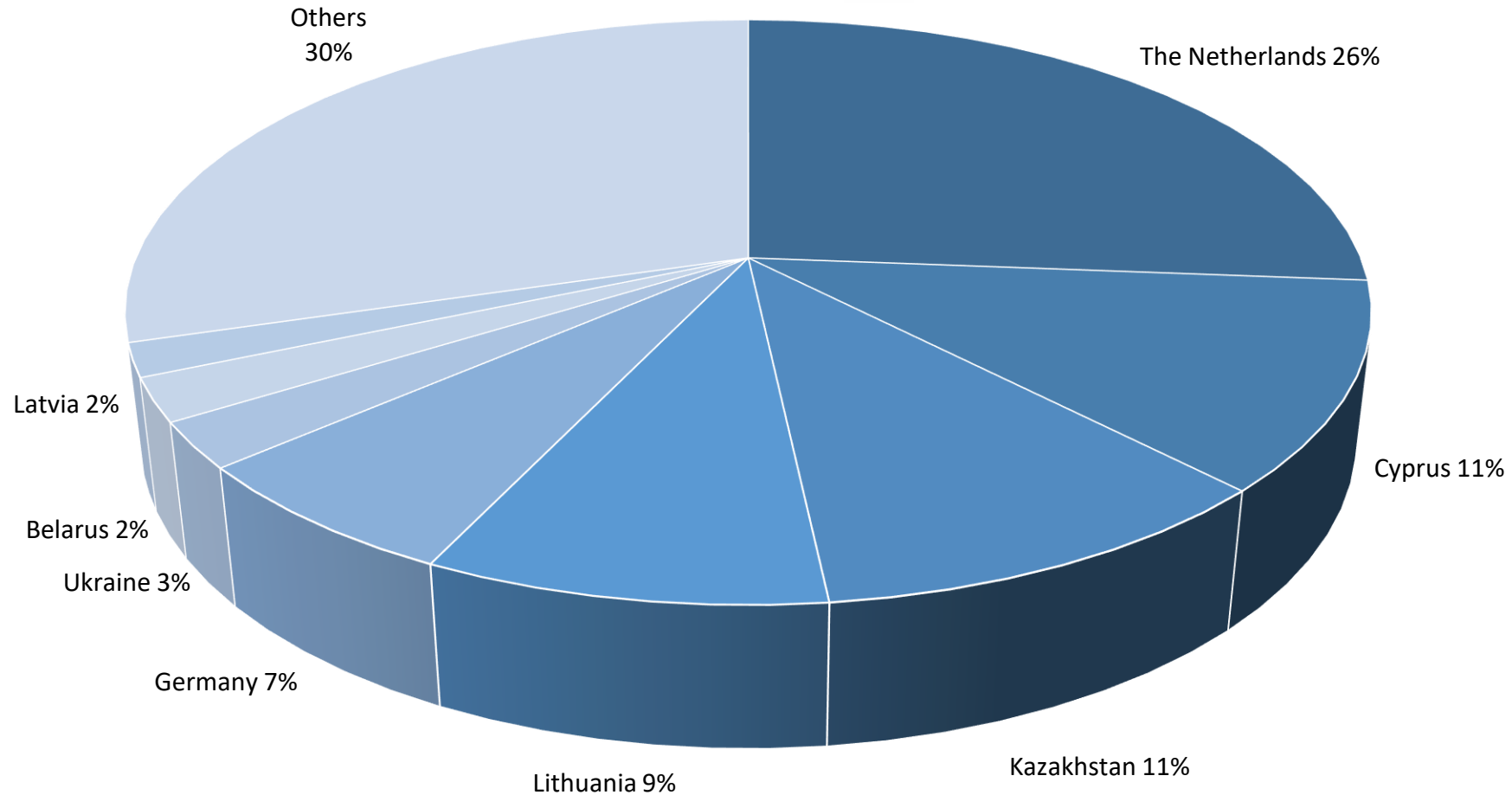
4. External economic relations

g) Foreign investments into Kaliningrad, million USD



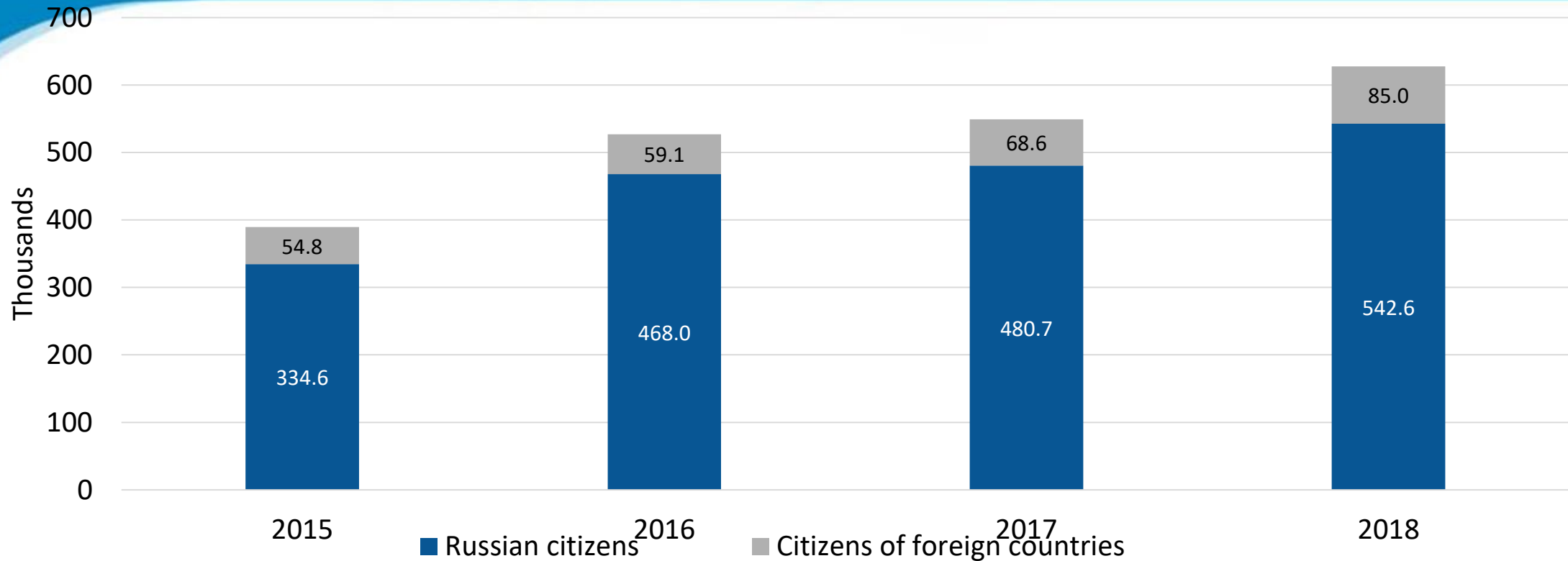
4. External economic relations

h) Foreign investment to Kaliningrad by country of origin in 2018



4. External economic relations

i) Visitors in hotels and other accommodation services



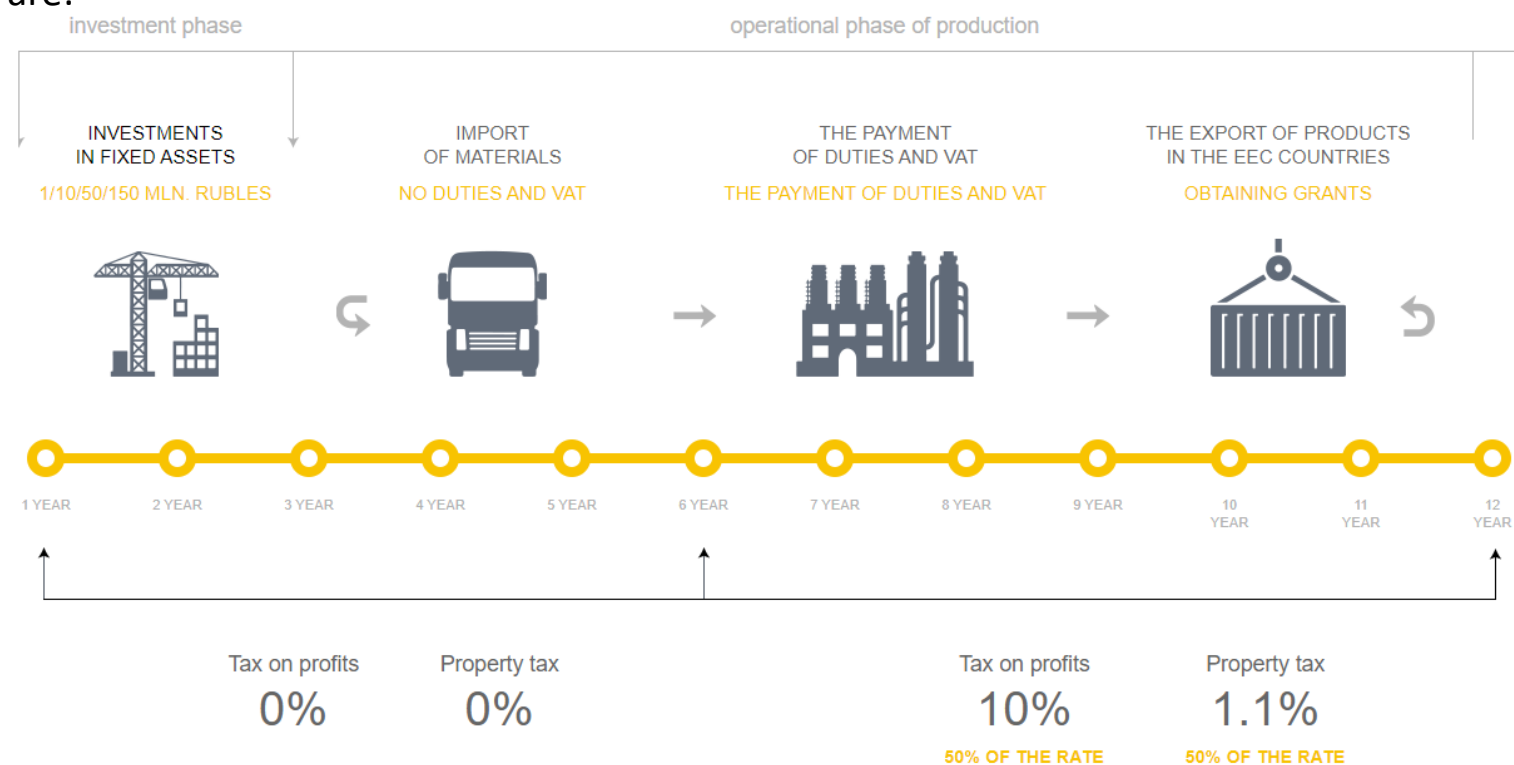
- The growth in 2018 is partly caused by FIFA World Cup



5. Special economic zone in Kaliningrad

a) Overview of Kaliningrad special economic zone

- New firms conducting a capital investment at least 150 million RUB (1-150 million, depending on the field) in the region's production over 3 years may use the tax benefits
- Tax benefits offered for an investor:
 - No duties and VAT for the first 6 years
 - Grants and subsidies of products exported in EEC
 - Corporate income tax and property tax are:
 - 0 % for the first 6 years following investment
 - 50 % reduction from tax for the years 7-12 after the investment
- The law will be in force until the end of 2045
- Other privileges
 - Applies to the whole region
 - Simplified procedure for visas
 - Labor market supporting grants
 - Immutability of the rent for the land to residents



5. Special economic zone in Kaliningrad

b) Main residents in new SEZ

1. **ZAO Sodrushestvo-Soya** (Construction projects, storage and terminal services)
2. **OOO DSV-Transport** (Logistics)
3. **OOO Pyatij Element** (Food)
4. **OOO Miratog Zapad** (Agribusiness)
5. **OOO Za Rodinu-Baltika** (Fish products)
6. **OAD Baltkran** (Industrial cranes)
7. **OOO Baltkeramika** (Construction materials)
8. **AO Eköpet** (Plastics)
9. **OOO GS GROUP** (Technology)

More than 200 residents with the declared total investments exceeding RUB 123.1 billion (1.7* billion €) are registered in the SEZ.

*2018 average exchange rate



6. Rankings

a) The ratings of Kaliningrad among the Russian regions



2018
Kaliningrad is one
of the most
economically
developed cities in
Russia

<https://ria.ru/20180301/1515547051.html>



2017
Kaliningrad is in
top 10 in quality of
life rating

<https://riarating.ru/infografika/20180214/630082471.html>



2013
Kaliningrad is the
best Russian city
for doing business

<http://www.forbes.ru/rating/30-luchshih-gorodov-dlya-biznesa-2013/2013?full=1&table=1>

7. Additional information

a) Some useful links

Baltic Rim Economies:

<https://sites.utu.fi/bre/earlier-bre-reviews/>

Electronic Publications of the Pan-European Institute:

<https://www.utu.fi/en/university/turku-school-of-economics/pei/publications-and-reports>

Russian SME Resource Centre: <https://rcsme.ru/en>

The Lithuania, Poland and Kaliningrad Region of Russian Federation Neighborhood Program: https://ec.europa.eu/regional_policy/en/atlas/programmes/2000-2006/european/interreg-iii-neighbourhood-programme-lithuania-poland-kaliningrad



7. Additional information

b) Some banks

Kaliningradsky (Alfa-Bank filial)

<https://alfabank.com/>

VTB 24

<https://www.vtb.ru>

Sberbank

<https://www.sberbank.ru/en/individualclients>

Raiffeisen bank

<https://www.raiffeisen.ru/en/>



7. Additional information

c) Business supporting services

The Baltic Business Club

<http://www.eng.bdk.ru/>

Foreign Investors Association in the Kaliningrad Region

<https://www.fias-kaliningrad.ru/>

The Ministry of Economy of the Kaliningrad oblast

<http://economy.gov39.ru/>

Invest in Kaliningrad

<https://investinkaliningrad.ru>

Kaliningrad Regional Economic Development Agency

<http://en.kaliningrad-rda.org/>



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7. Additional information

d) Some authorities

The Regional Government of Kaliningrad

<https://gov39.ru/>

The Kaliningrad Oblast Duma Russia

<https://duma39.ru/en/>

Kaliningrad City Hall

<https://www.klgd.ru/>



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7. Additional information

e) Consulates and European Commission's Delegation

Germany:

<https://germania.diplo.de/ru-de/vertretungen/gk-kali>

Latvia:

<https://www.mfa.gov.lv/en/moscow/embassy/kaliningrad>

Lithuania:

<http://consulate-kaliningrad.mfa.lt/>

Poland:

<https://kaliningrad.msz.gov.pl/pl/>



7. Additional information

f) Some hotels in Kaliningrad



Radisson Blu Hotel
Pobedy Square, 10
<https://www.radisson-hotels.com/en-us/hotels/radisson-kaliningrad>



Hotel Oberteich Lux
Gogolya st., 17
<https://oberteich.ru/en/>



Triumph Palace
Kaliningrad
Bolshvitsky lane, 3,
<https://www.marton-palace.com/home>



Hotel Berlin
Kievskaya Str., 17b,
<http://www.hotel-berlin.su/>

