

Murmansk region slide package for a foreign investor



Elias Kallio
December 2019



TURUN
YLIOPISTO



pan-european institute

Contents

1.	General information	3
2.	Regional economy	6
3.	Prosperity and consumption	19
4.	External economic relations	22
5.	Additional information	27



The information in this document is compiled and edited from a variety of sources. The Pan-European Institute assumes no responsibility for the completeness or accuracy of the information.



**TURUN
YLIOPISTO**



1. General information

a) Geographical facts

Area:

- 144 936km²

Location:

- On the Kola Peninsula in the northeastern part of Russia, having borders with Norway and Finland in the west and Karelia in the south

Distance from the city of Murmansk to:

- Moscow 1 488 km
- Saint Petersburg 1 018 km

Distance from the city of Murmansk to some European capitals:

- Berlin 2 099 km
- Helsinki 1 050 km
- London 2 607 km
- Madrid 3 842 km



1. General information

b) Basic facts

Largest cities:

Murmansk

Apatity

Severomorsk

Monchegorsk

(MurmanskStat)

Population (2018):

293 919

55 201

52 597

41 482

Share of urban population: 92.3 % (MurmanskStat)

Main industrial output:

Non-ferrous metals, energy, food and beverages, chemicals and petrochemicals

Natural resources:

Iron and copper-nickel ores, mica, apatite and other minerals, large gas-condensate deposits at the Barents Sea shelf, fish resources

(RA Expert)



**TURUN
YLIOPISTO**



1. General information

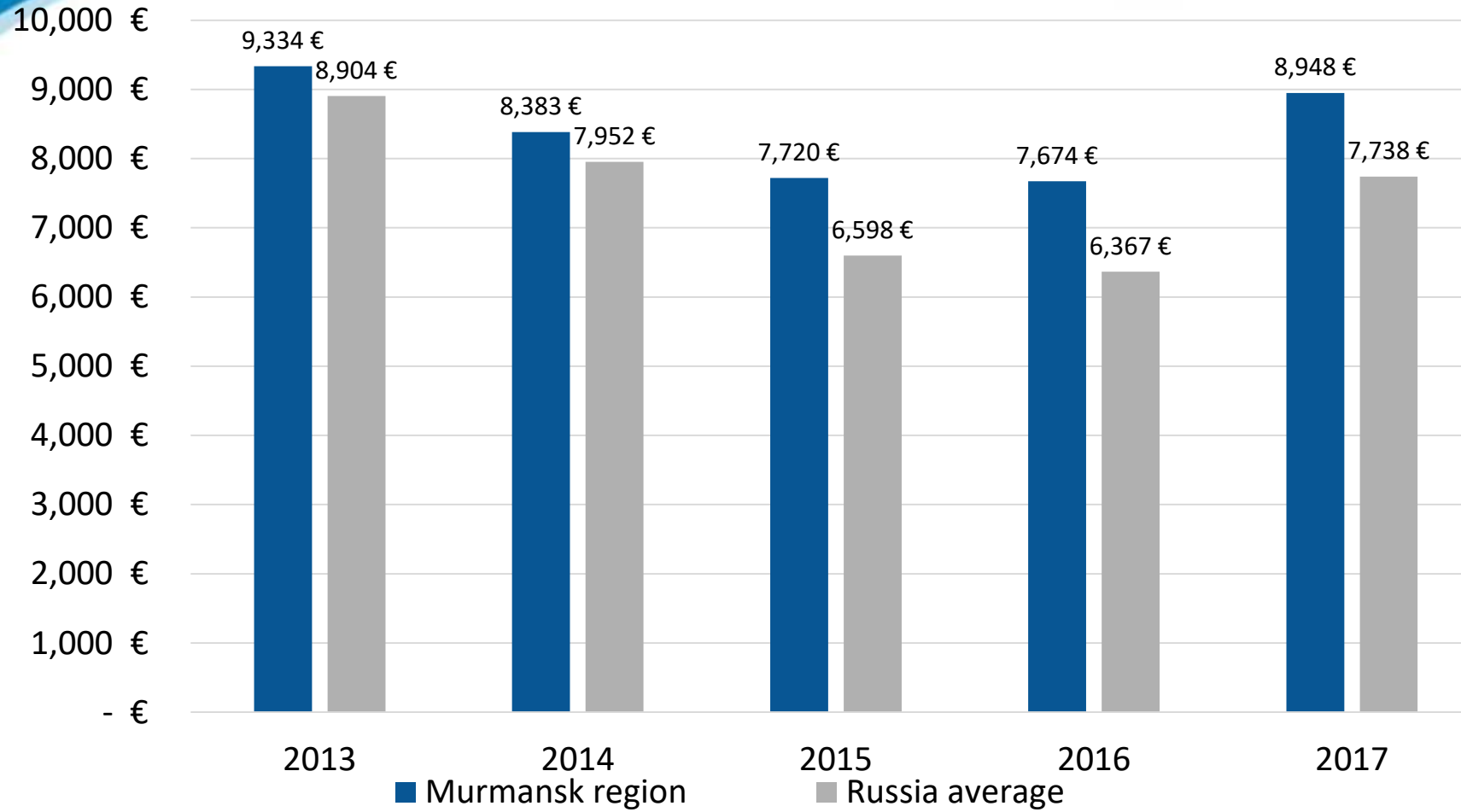
c) Transport infrastructure

- Advantageous geographical location at the crossroads of transit traffic and with direct access to international sea routes.
 - The Northern Sea Route, beginning from Murmansk, is a link between the Russian Far East and the western parts of the country, and it is also the shortest waterway between Europe and the northern parts of Asia Pacific.
- The total length of highways connecting the towns of Murmansk region is 2 568 km, and the length of railways in the Murmansk region is 870 km.
- The largest amount of cargo, over 75% of total volume, is transported by rail. In 2017 it reached 29.1 million tons, which is 10.6 % more than in year 2014.
- Sea transport has been volatile, it increased by 27.4% in 2016 and in 2017 it decreased by 12.1%.
- Road transport is increasing. 52.9 million people are transported by bus yearly (2018). However, cargo transport by road has decreased, in 2014-2018 from 5.4 to 2.8 million tons.



2. Regional economy

a) Regional GDP per capita (EUR), current prices



Average annual exchange rate EUR to RUB

2017	65.94
2016	74.14
2015	68.07
2014	50.95
2013	42.34

- The regional GDP of the Murmansk region has been steadily decreasing after sanctions in 2014.
- Even though there was some improvement in 2017, the regional GDP per capita is still not at the pre-sanction level.
- At the same time population have been decreasing.



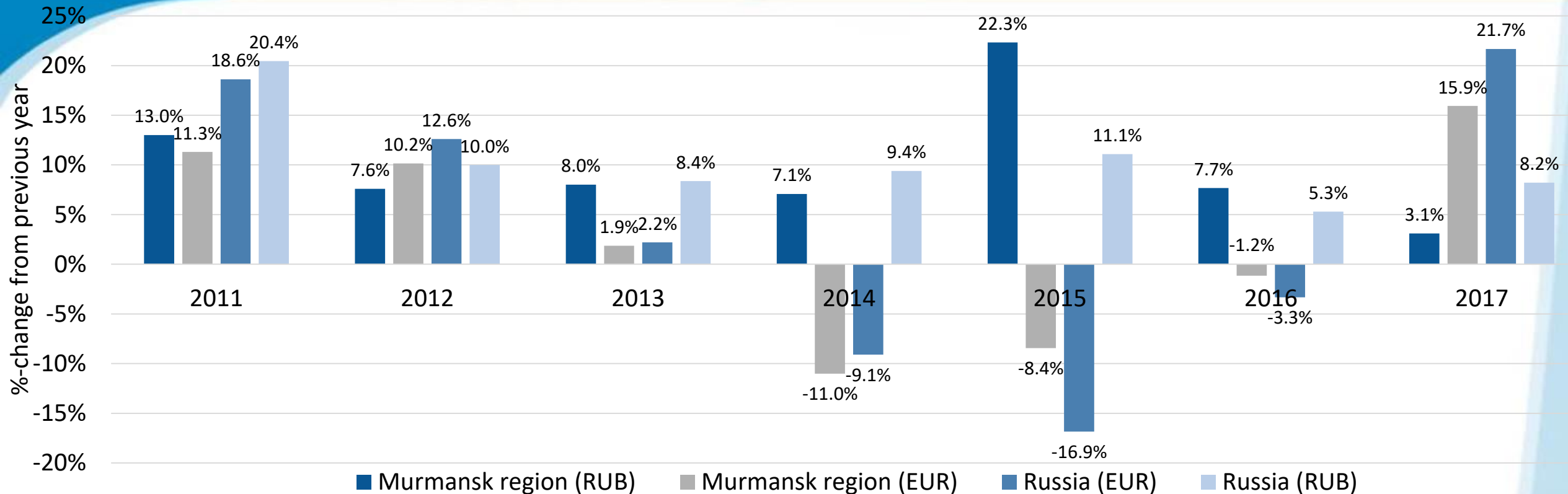
TURUN
YLIOPISTO



pan-european institute

2. Regional economy

b) The development of Murmansk regional GDP and Russia GDP in current prices



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



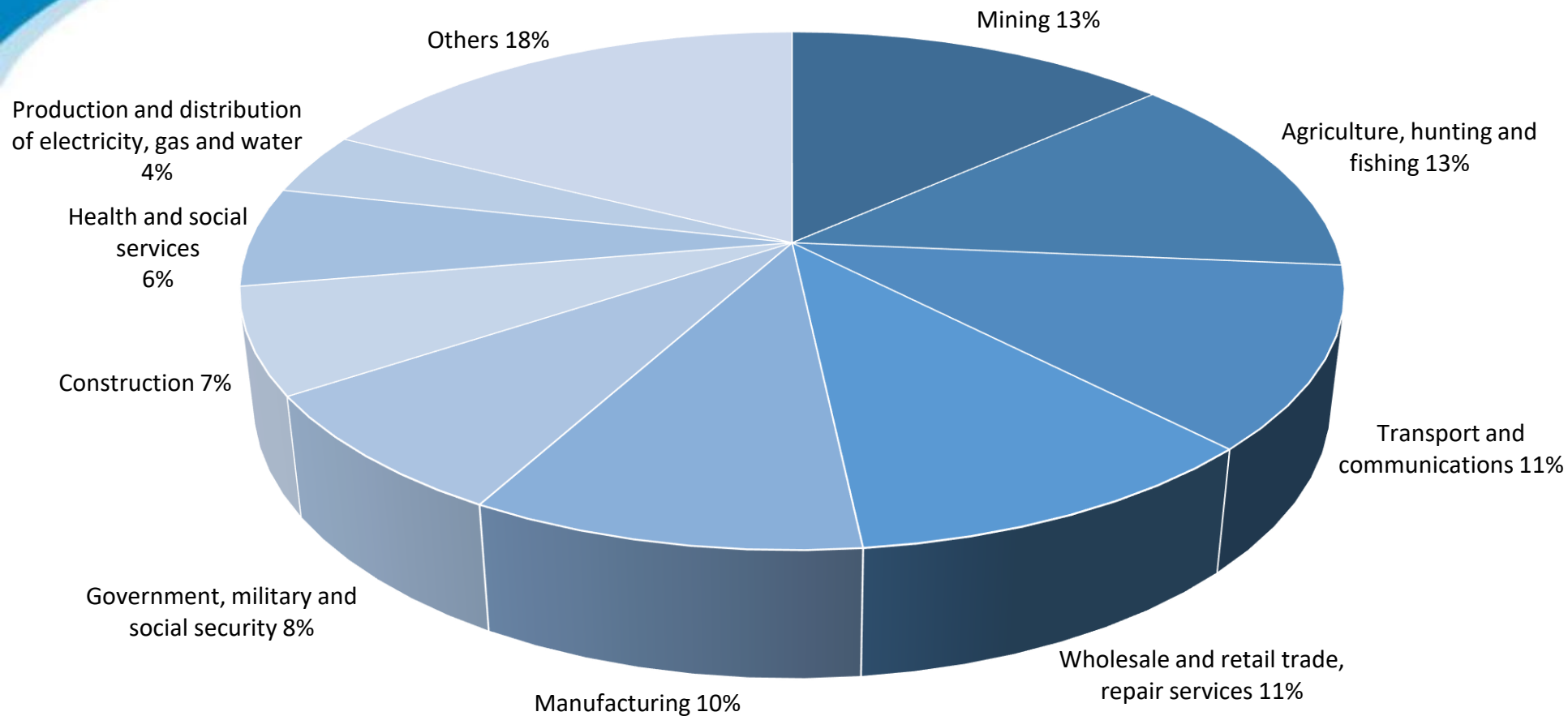
TURUN
YLIOPISTO



The share of Murmansk in Russia's
GDP was 0.6 % in 2017.

2. Regional economy

c) Structure of regional GDP by economic activity in 2017



- Natural resources and the Nordic fleet of the Russian navy generate substantial part of the regional GDP of the Murmansk region.



2. Economic development

d) Investment potential ranking

MURMANSK'S POSITION OUT OF 85* RUSSIAN REGIONS

	2017	2018
Ranking of investment potential	42	42
Labor potential	58	57
Consumption potential	58	57
Production potential	50	50
Financial potential	41	48
Institutional potential	52	52
Innovation potential	62	63
Infrastructure potential	47	47
Natural resource potential	11	11
Tourism potential	59	58
Ranking of investment risk	68	66

- The Murmansk region is rich in terms of natural resources.
- Active exploitation of natural resources leaves an environmental mark and is one of the reasons why tourism is so poorly developed compared to neighboring countries.
- Also the lack of infrastructure necessary for tourism, visa regime and closed areas for foreigners affect the tourism potential.



2. Economic development

e) The 10 largest* enterprises in the Murmansk region

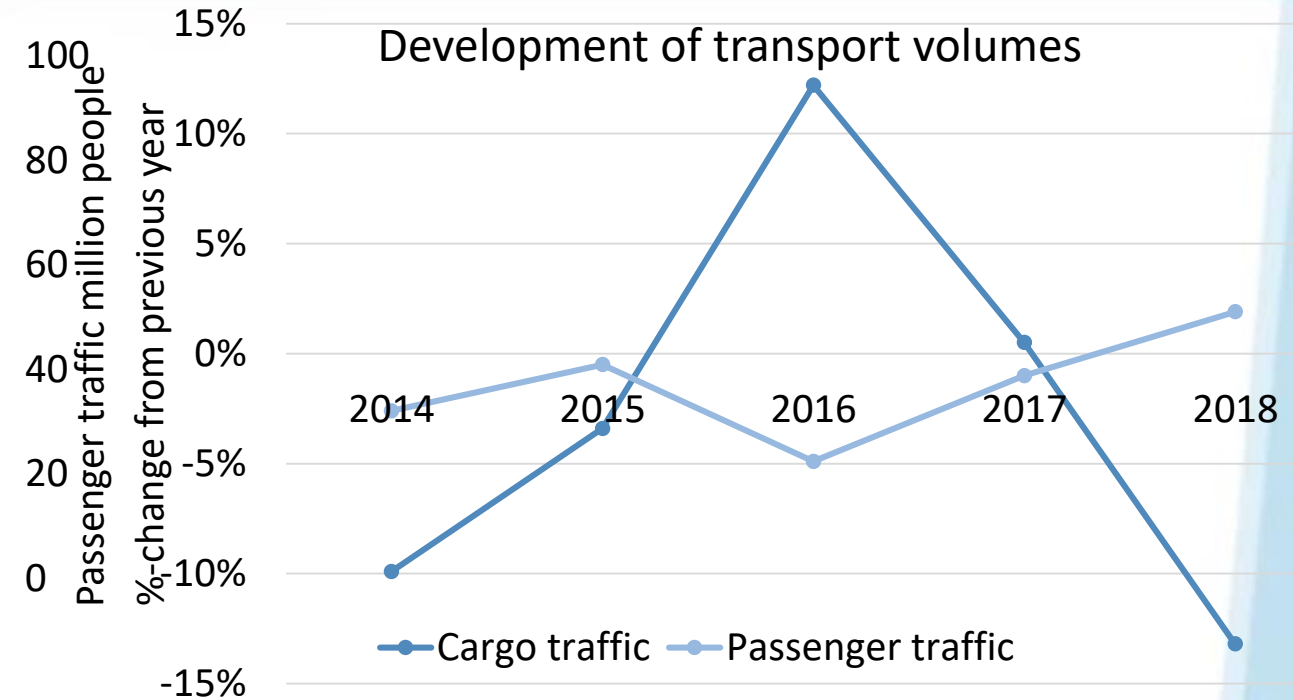
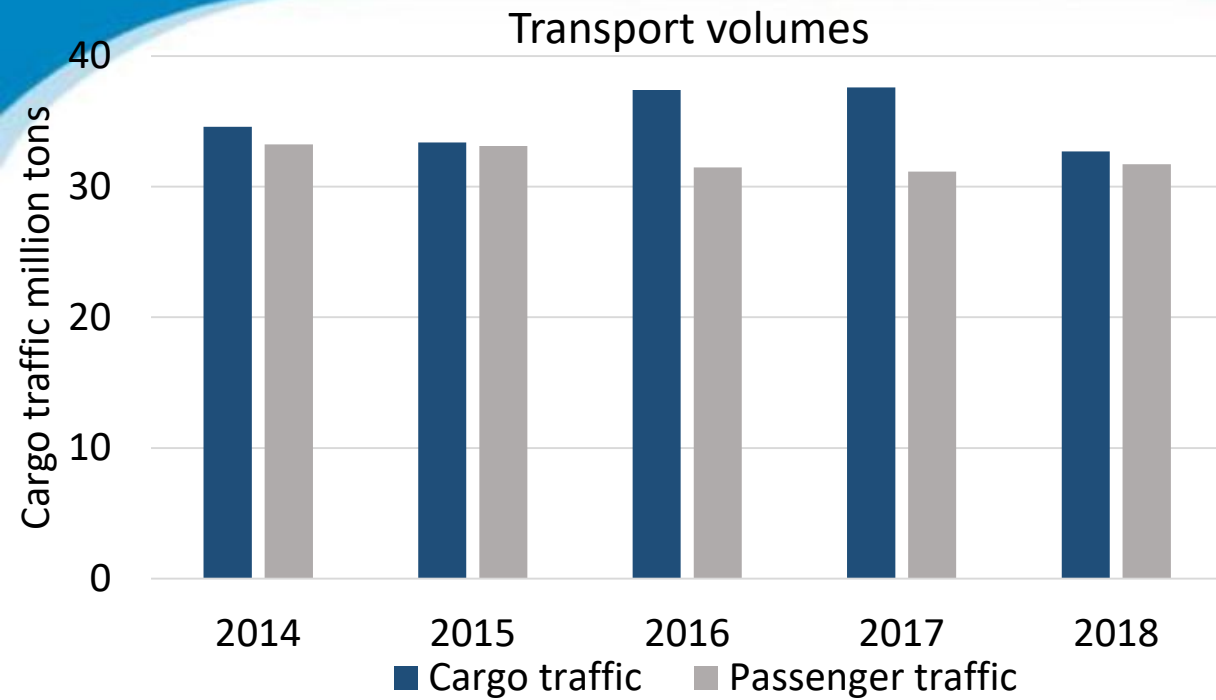
АО «Оленегорский ГОК»	AO "Olenogorskij GOK"	Production of ore concentrate
АО «Ковдорский ГОК»	AO "Kovdorskij GOK"	Processing of minerals
Кировский филиал АО «Апатит»	Kirovskij filial AO "Apatit"	Production of apatite concentrate
ООО «Ловозерский ГОК»	ООО "Lozorevskij GOK"	Extraction and processing of ores
АО «Северо-Западная Фосфорная Компания»	AO "Severno-Zapadnaya Fosfornaya Kompaniya"	Phosphate production
Мурманский регион Октябрьской железной дороги – филиал ОАО «РЖД»	Murmanskiyi region Oktjabrskoj zeleznoj dorogi – filial ОАО "RZD"	Railways
Филиал АО «РУСАЛ Урал» в Кандалакше «ОК РУСАЛ КАЗ»	Filial AO "RUSAL Ural" v Kandalakshe "OK RUSAL KAZ"	Processing of aluminum
Филиал АО «Концерн Росэнергоатом» «Кольская атомная станция»	Filial AO "Konzern Rosenergoatom" "Kolskaya atomnaya stanzija"	Nuclear power plant
Филиал «Кольский» ПАО «ТГК-1»	Filial "Kolskij" PAO "TGK-1"	Hydro electronic plant
АО «Мурманский морской торговый порт»	AO "Murmanskij morskoy trgovyj port"	Sea port

- In case of six out of ten largest companies the business model is based on exploiting natural resources.



2. Regional economy

f) Transport volumes (thousand tons)



	2014	2015	2016	2017	2018
Cargo traffic (million tons)	34.6	33.4	37.4	37.6	32.7
%-change from previous year	-9.9	-3.4	12.2	0.5	-13.2
Passenger traffic (million people)	83.1	82.8	78.7	77.9	79.3
%-change from previous year	-2.6	-0.5	-4.9	-1.0	1.9



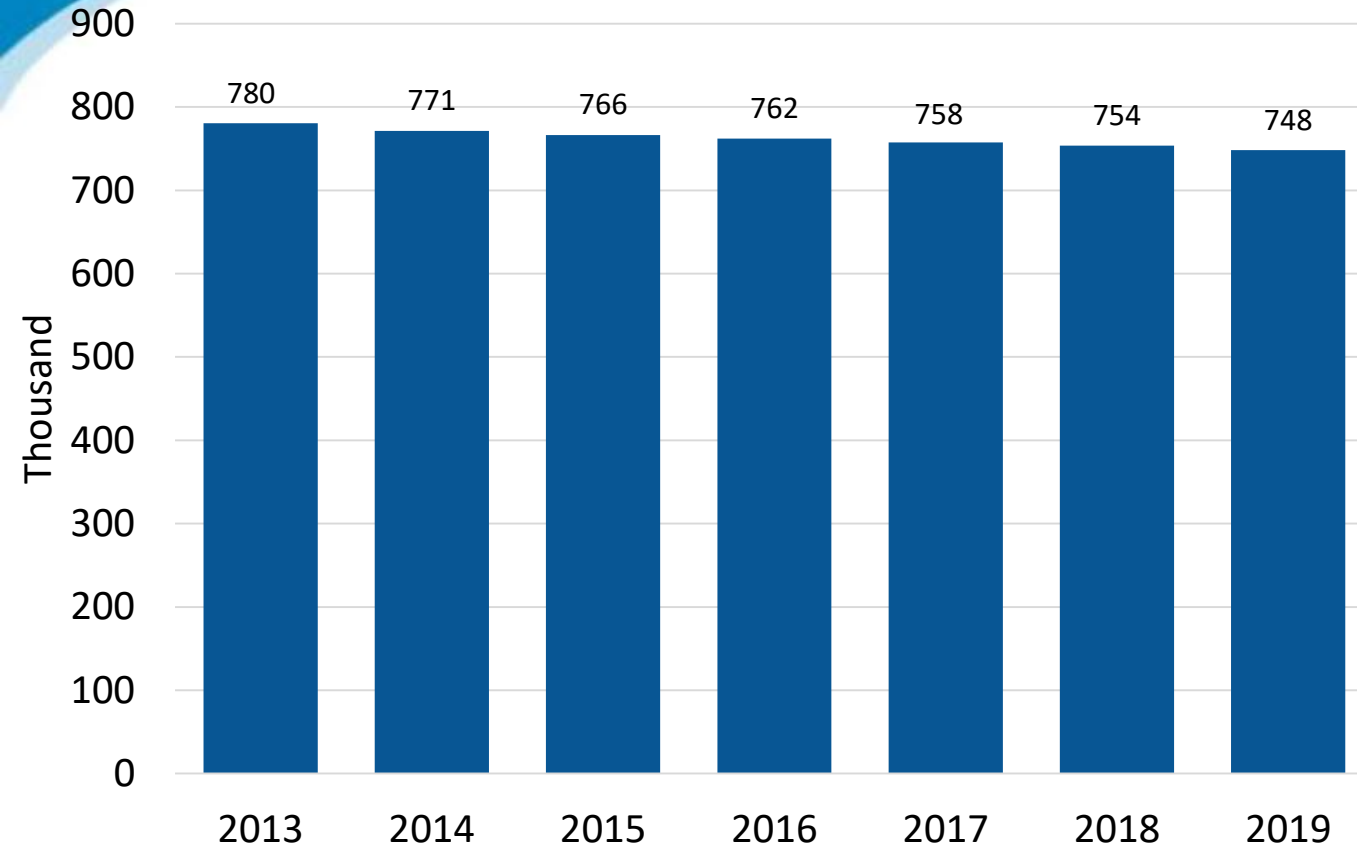
TURUN
YLIOPISTO



2. Regional economy

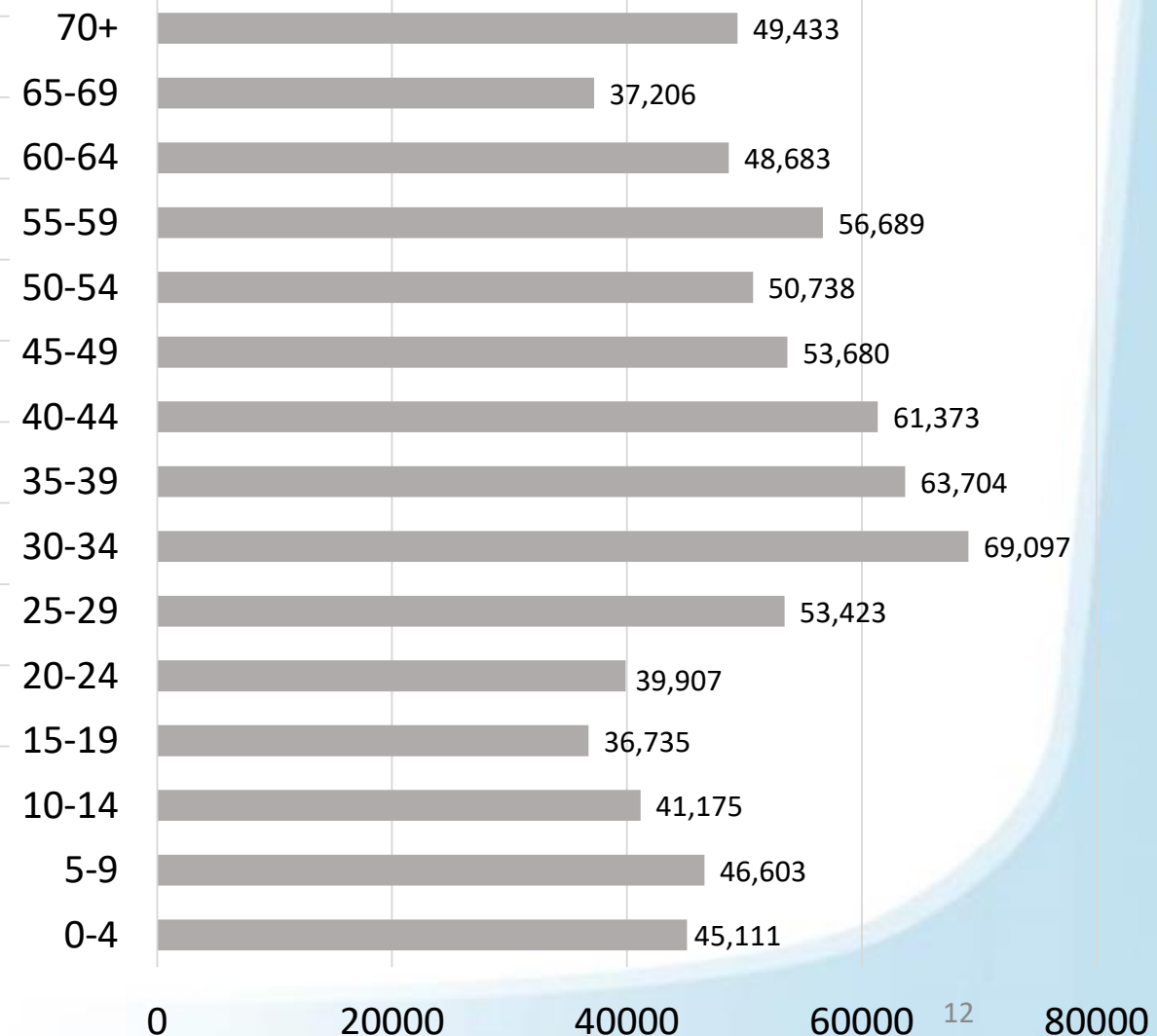
g) Population

Population



- Young population in Murmansk is slowly decreasing.

Age structure in 2018



Source: Murmanskstat



TURUN
YLIOPISTO

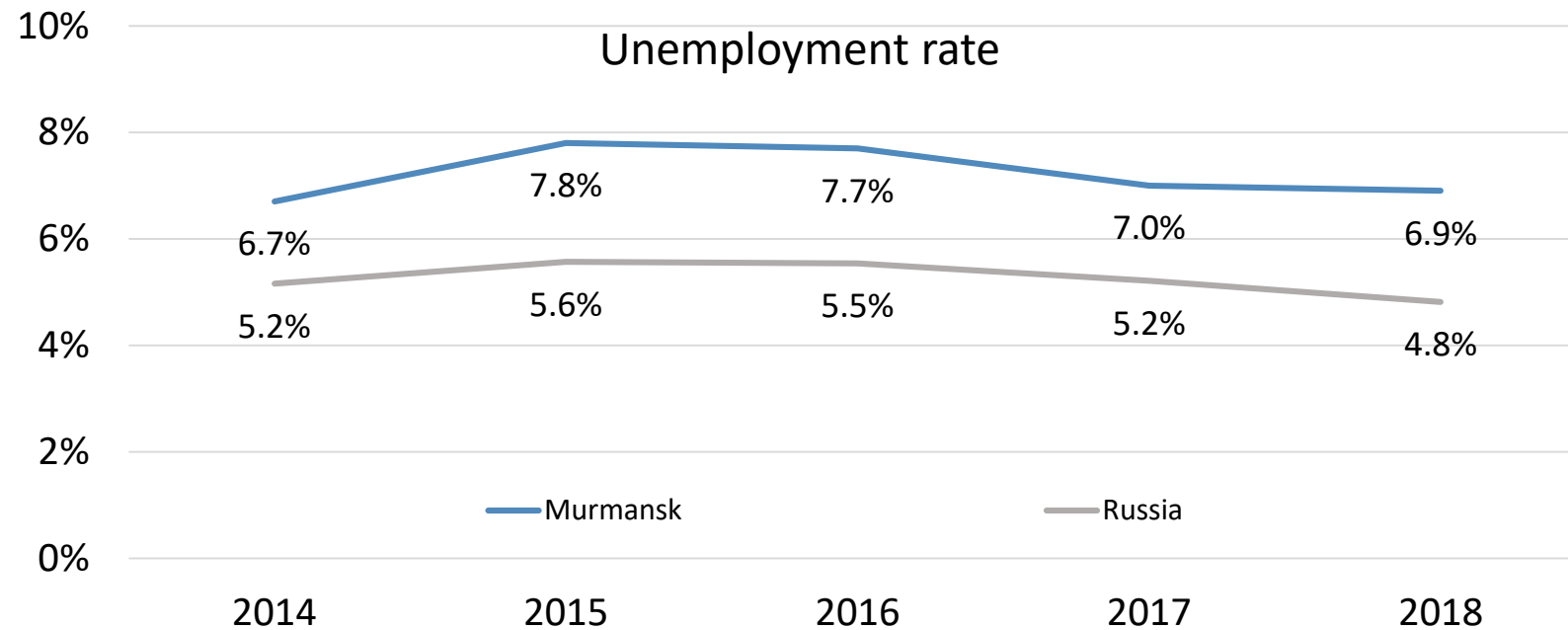


pan-european institute

2. Regional economy

h) Population and unemployment

	2014	2015	2016	2017	2018
Economically active population (thousand)	458.0	455.0	444.8	439.2	422.7
Of which unemployed (thousand)	30.7	35.3	34.3	30.9	29.0

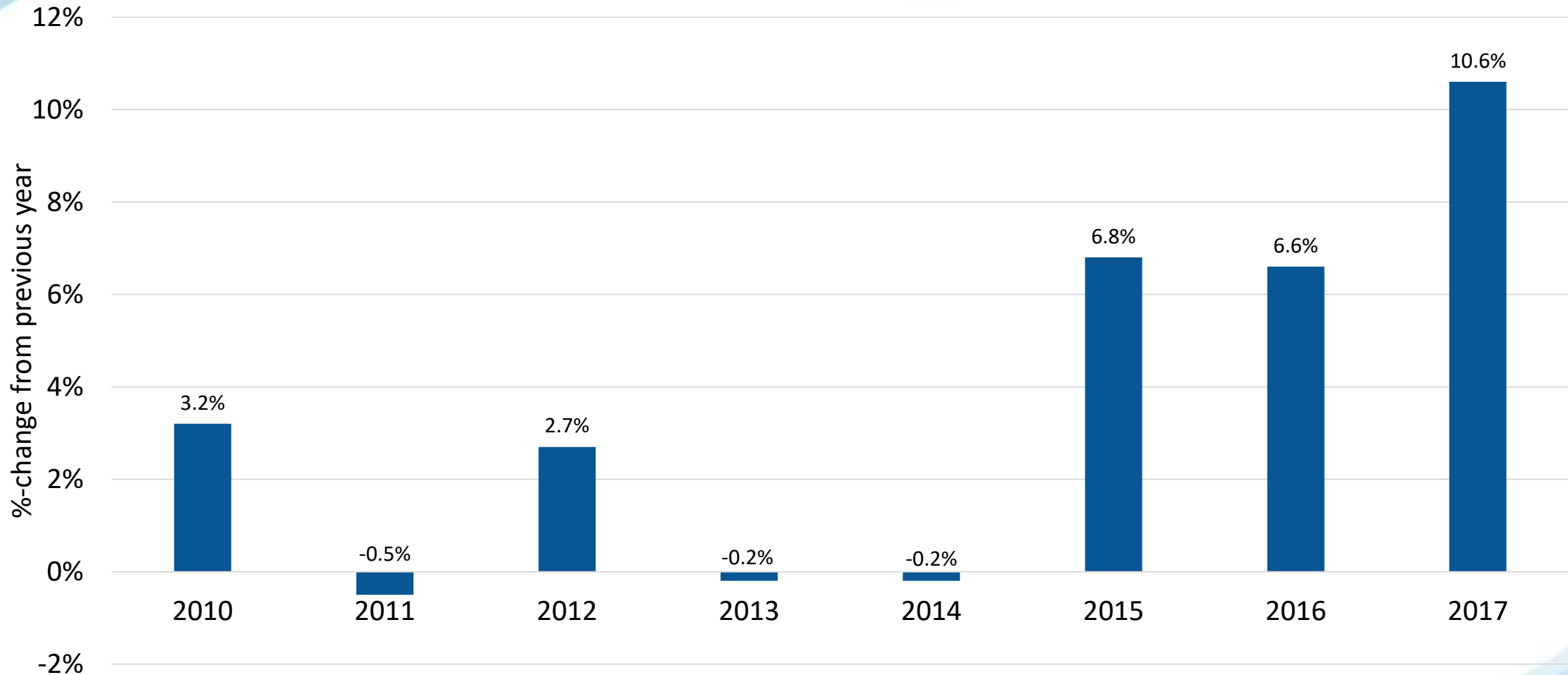


- Unemployment rate in Murmansk is substantially higher than the average in Russia.
- Net migration in Murmansk region was negative in 2018 and it is likely that it will continue like that.



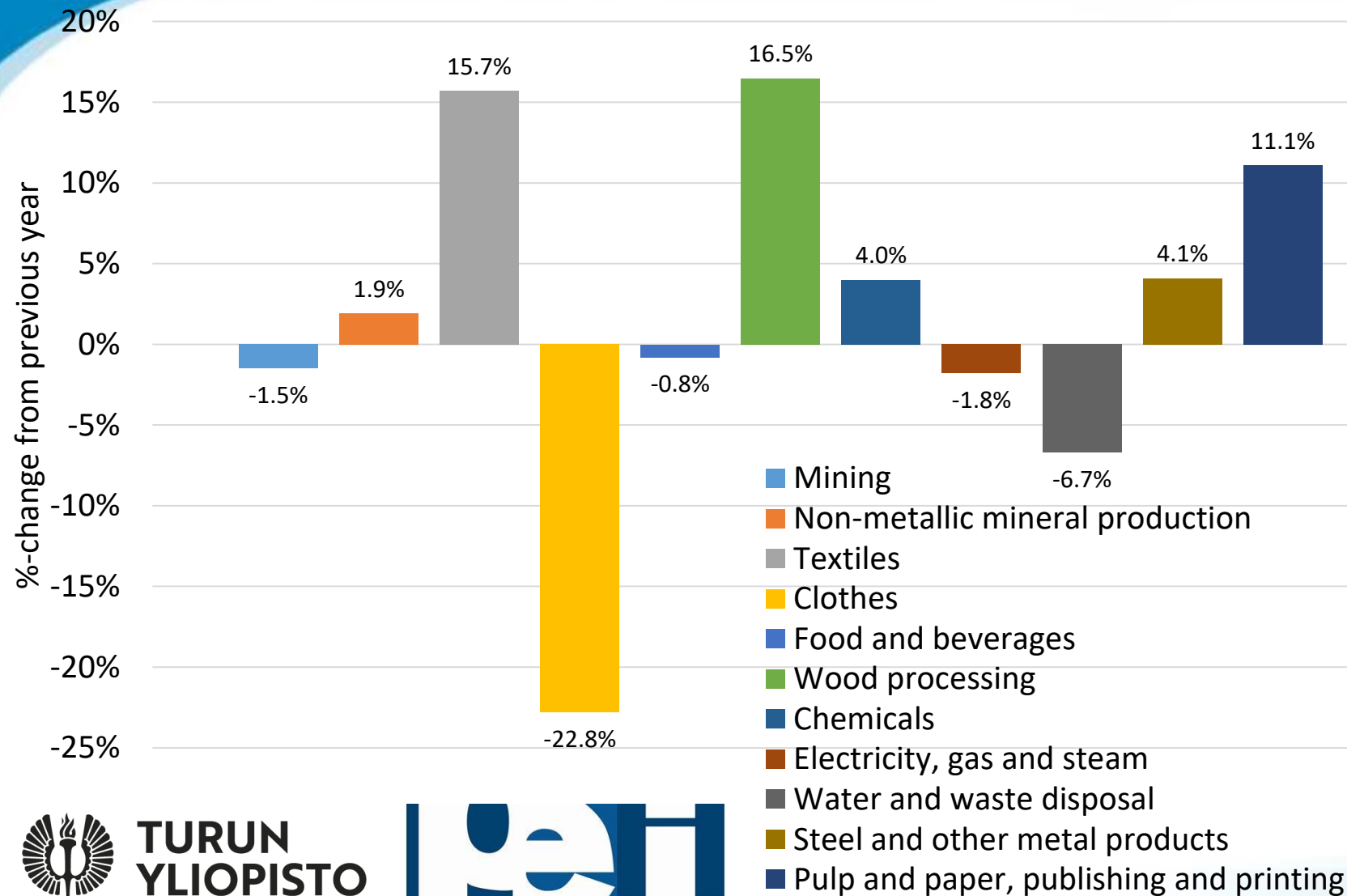
2. Regional economy

i) Change in industrial output



2. Regional economy

j) Change in industrial output by sectors in 2018



Percentage of total regional GDP in 2017	
Mining <ul style="list-style-type: none"> Mining Non-metallic mineral production 	13.4
Manufacturing industries <ul style="list-style-type: none"> Among other sectors <ul style="list-style-type: none"> Textiles Clothes Food and beverages Wood processing Chemicals Steel and other metal products Pulp and paper, publishing and printing 	9.7
Electricity, gas and steam	3.9
Water and waste disposal	1.2

- Mining industry generates almost one seventh of the total regional GDP of the Murmansk region and is the biggest source of income for the region.



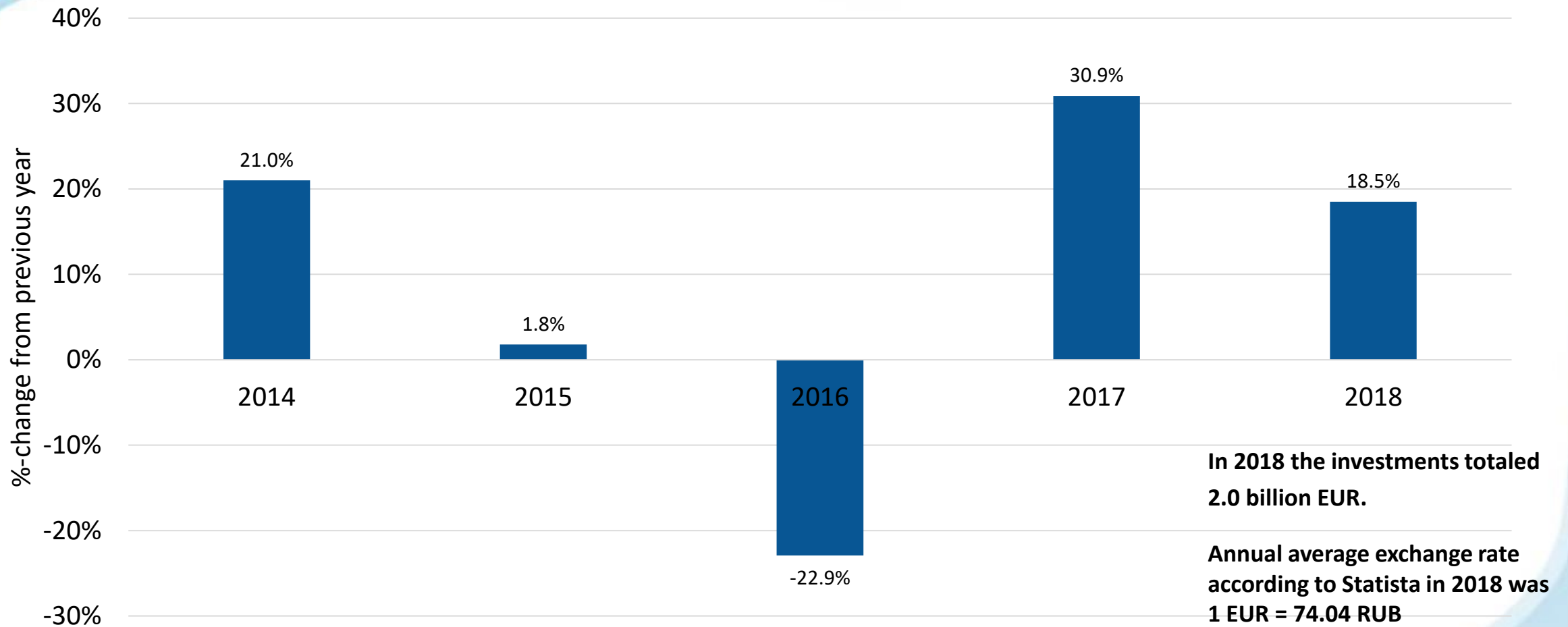
TURUN
YLIOPISTO



pan-european institute

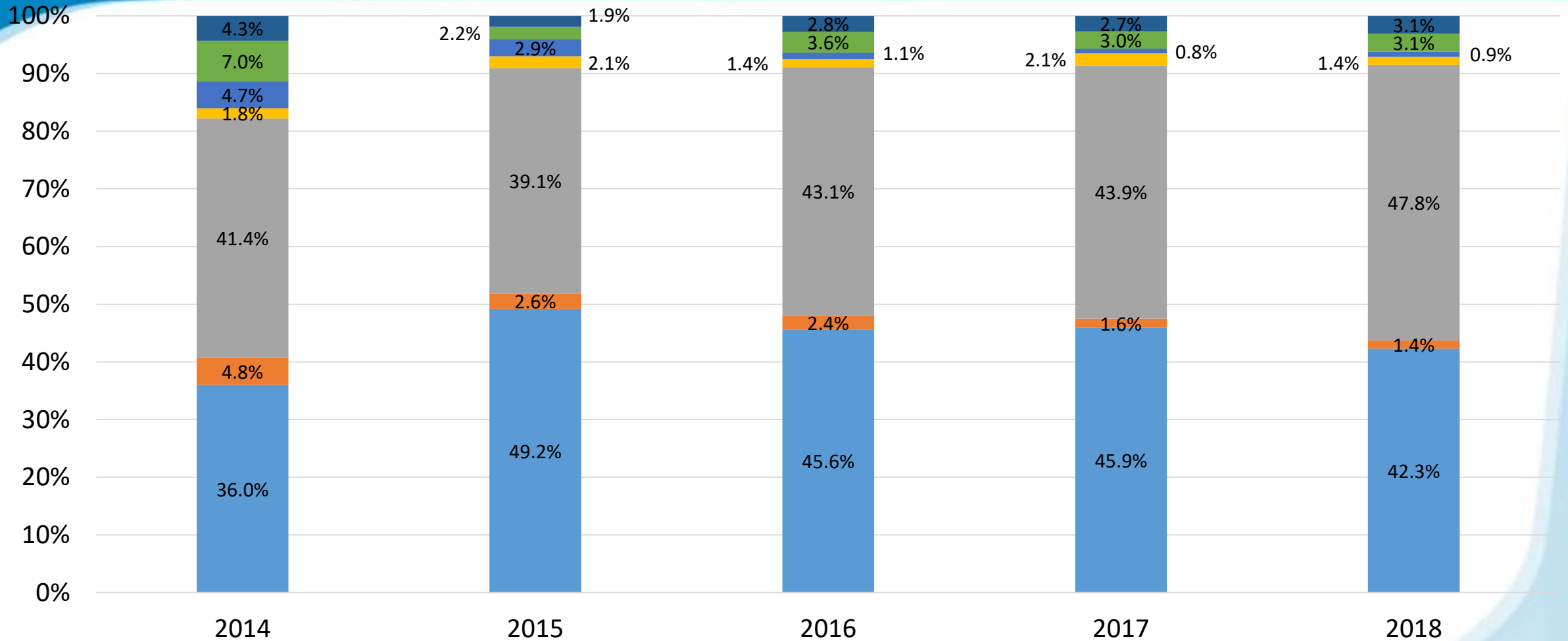
2. Regional economy

k) Investments in fixed capital (annual change)



2. Regional economy

1) Structure of investments in fixed capital



TURUN
YLIOPISTO

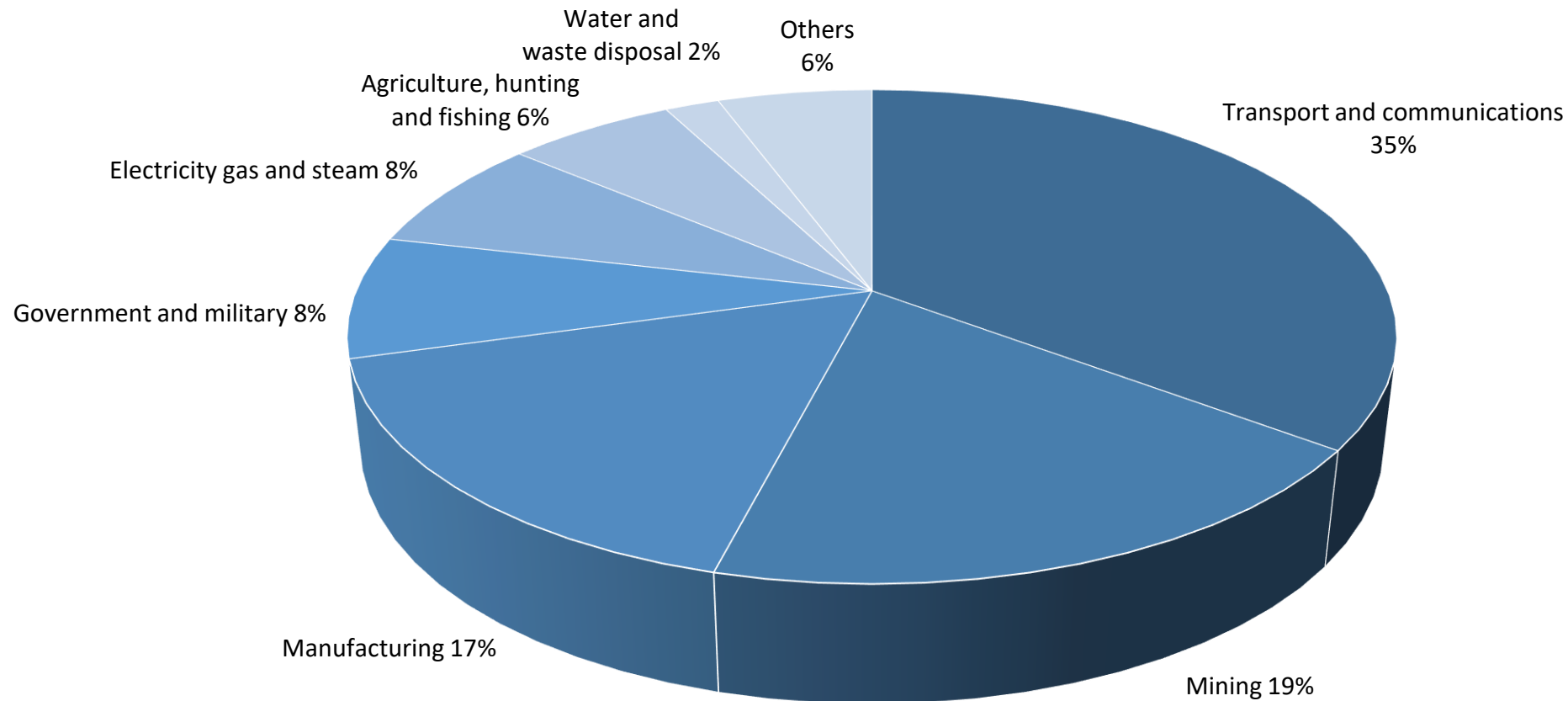


State-owned
Private
Foreign
Others

Municipally-owned
Public-private (domestic)
Joint Russian and foreign

2. Regional economy

m) Main sectors receiving investments in fixed capital 2018

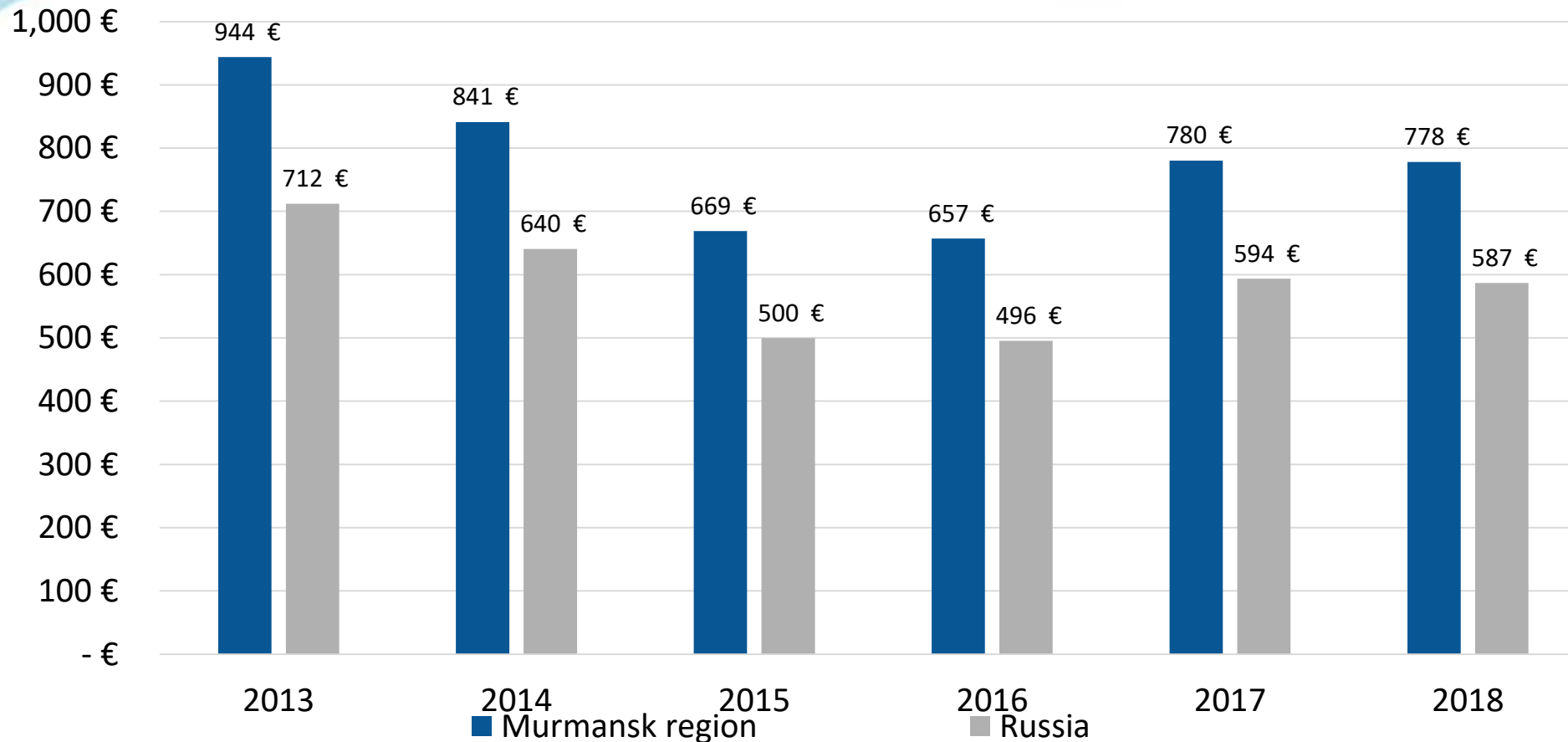


TURUN
YLIOPISTO



3. Prosperity and consumption

a) Nominal average monthly salaries



Average annual exchange rate EUR to RUB

2018	74.04
2017	65.94
2016	74.14
2015	68.07
2014	50.95
2013	42.34

- Salaries have increased, but they are still below the pre-sanction level.



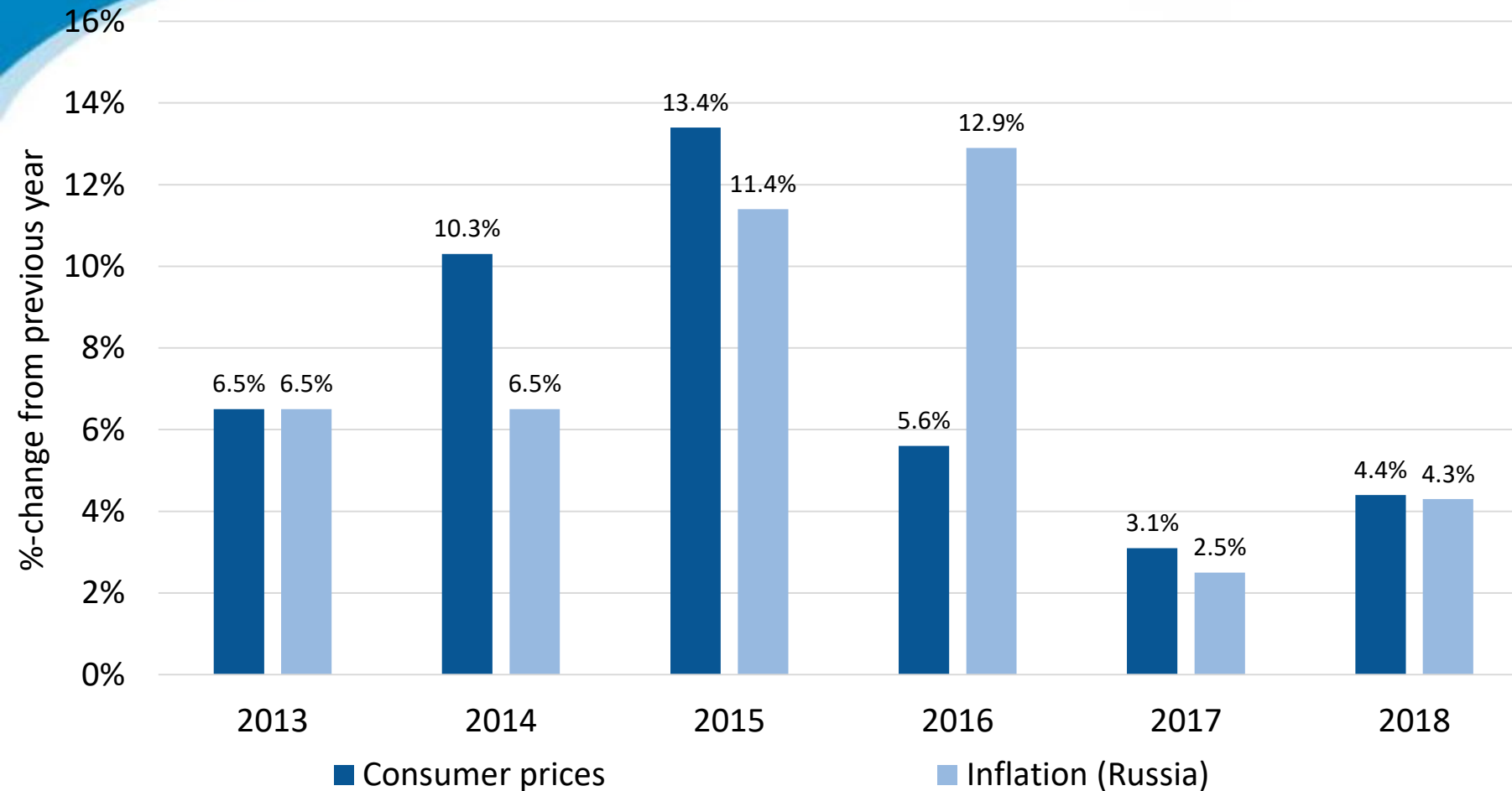
TURUN
YLIOPISTO



pan-european institute

3. Prosperity and consumption

b) Consumer prices development and inflation

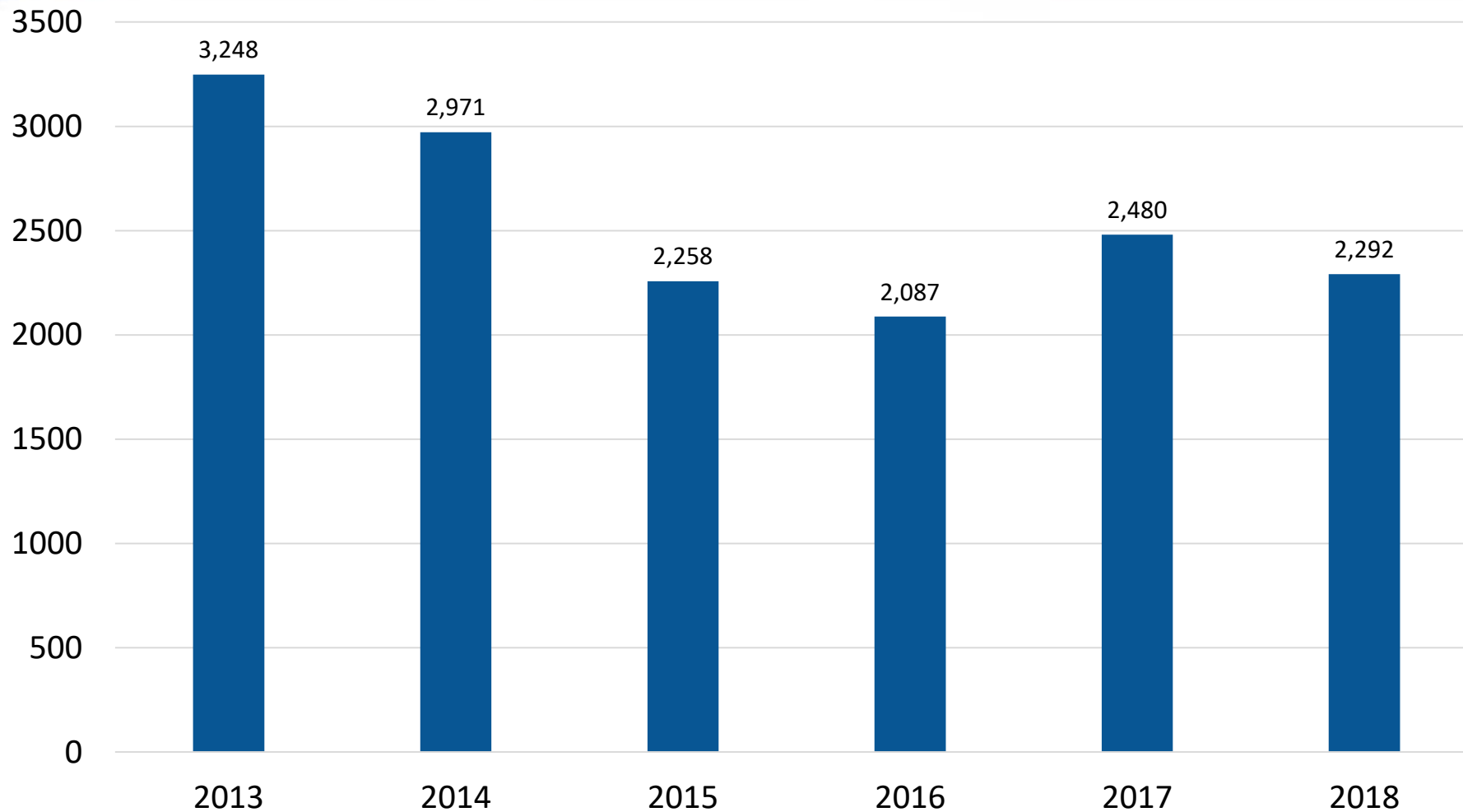


- Compared to wages the prices and inflation have increased rapidly over last few years, making the real wages development even worse than one could see from nominal wages.



3. Prosperity and consumption

c) Retail trade (million EUR)



Average annual exchange rate EUR to RUB

2018	74.04
2017	65.94
2016	74.14
2015	68.07
2014	50.95
2013	42.34



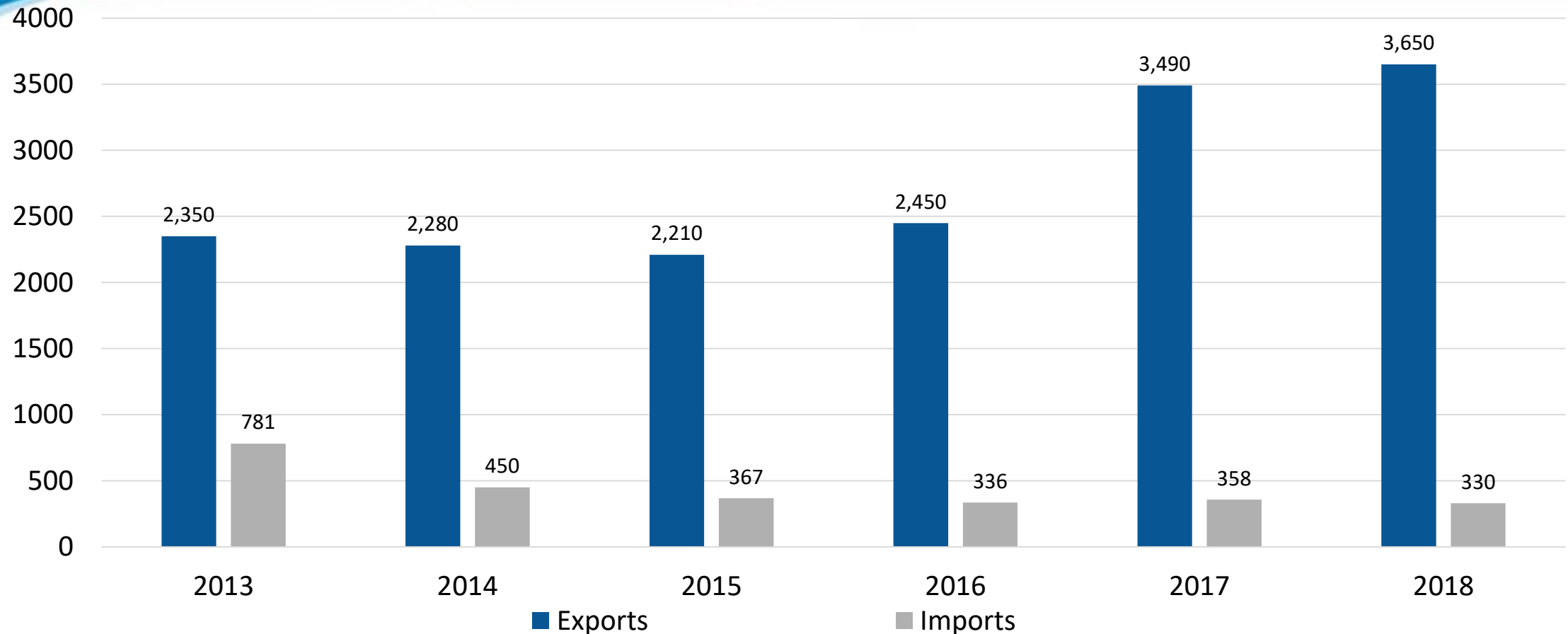
TURUN
YLIOPISTO



pan-european institute

4. External economic relations

a) Development of foreign trade of goods (million USD)

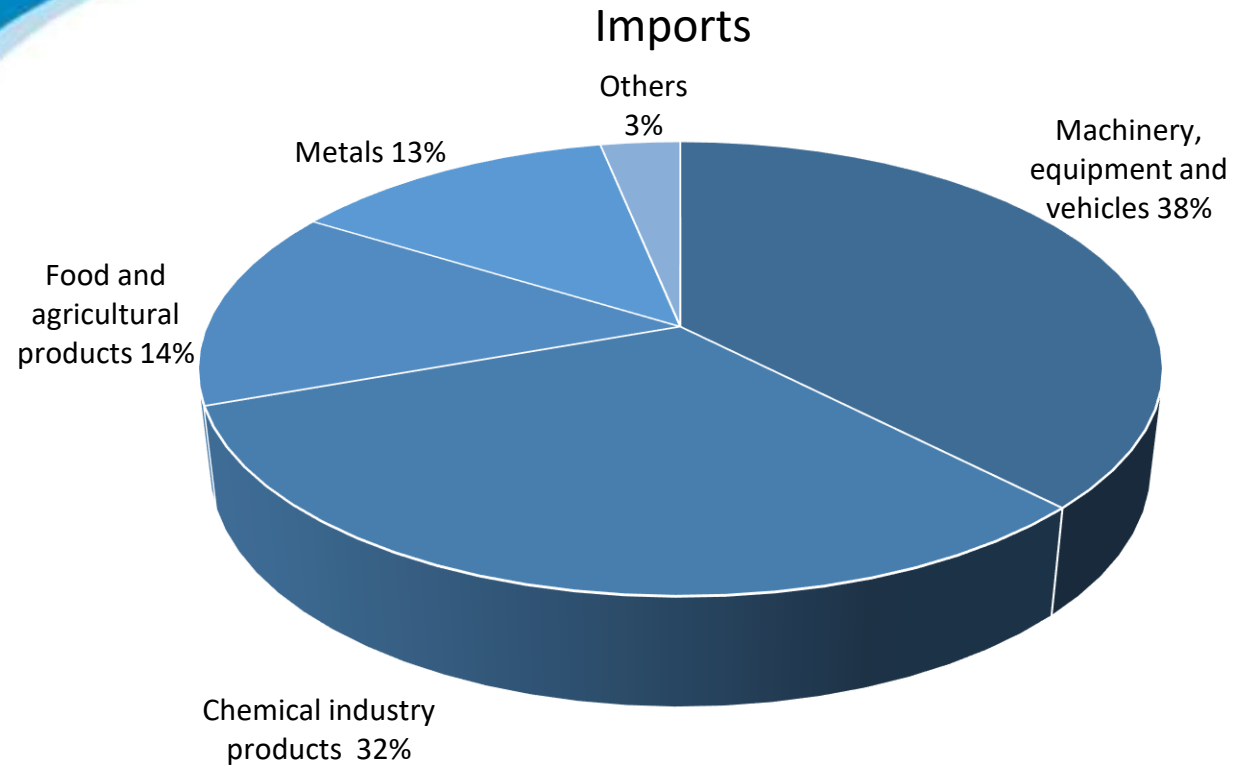


- Substantial part of the exports consist of natural resources.

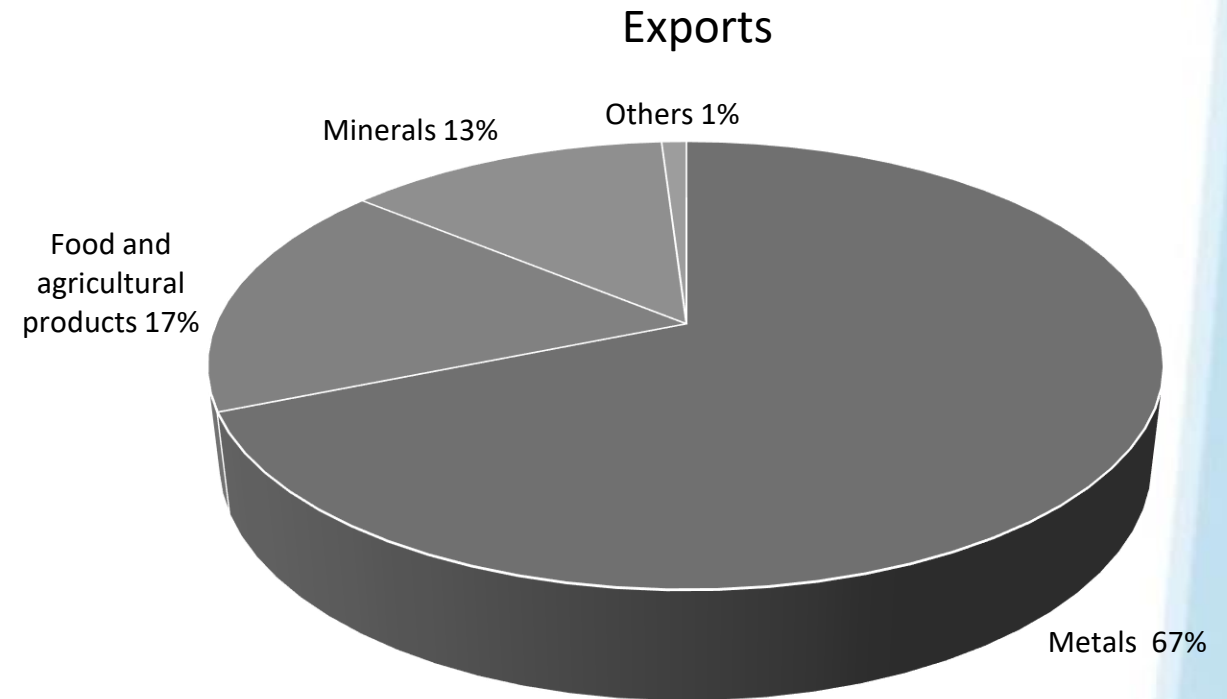


4. External economic relations

b) Foreign trade structure in 2018



- Imports mostly consist of further processed goods.



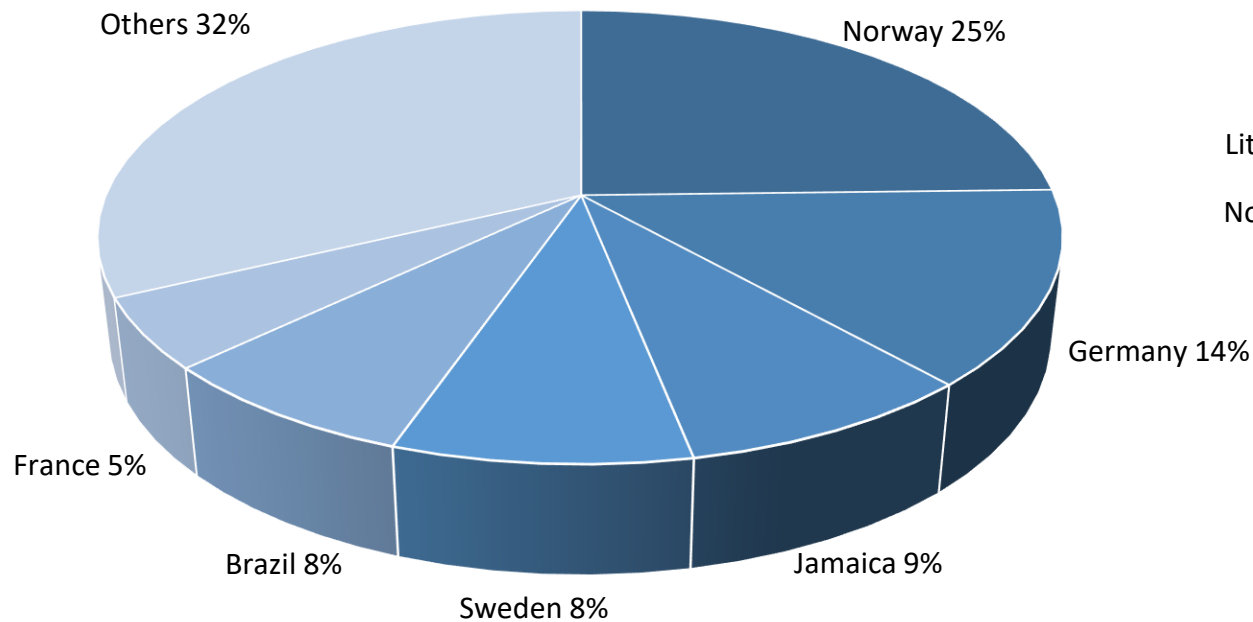
- Exports mostly consist of raw materials without any further processing.



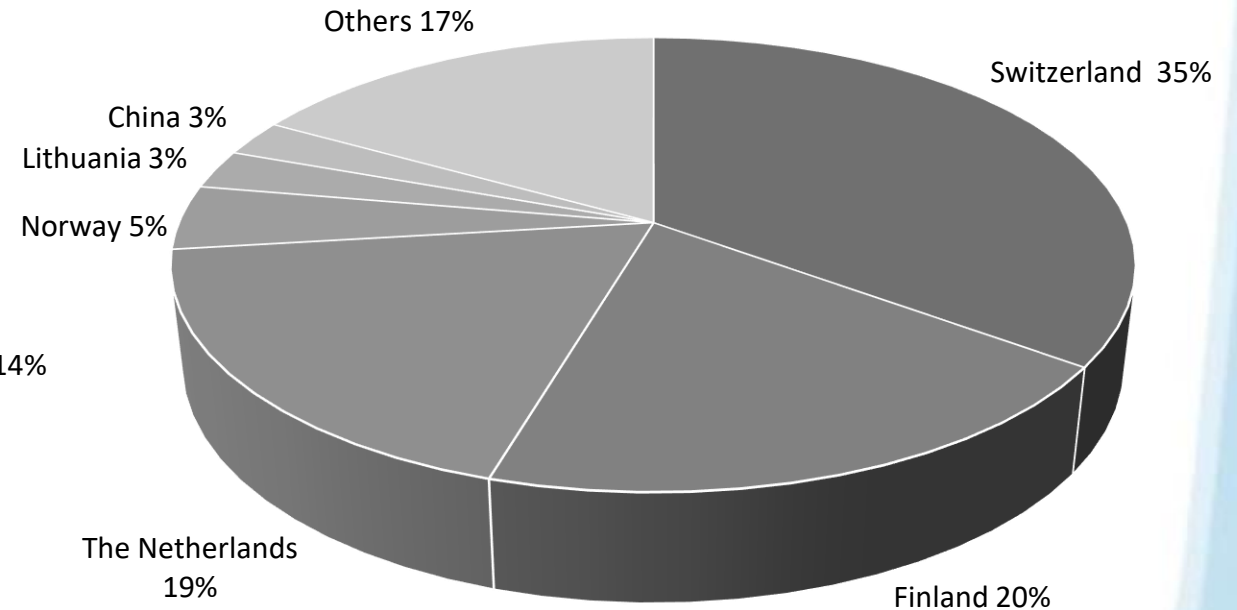
4. External economic relations

c) Major export and import partners in 2018

Imports



Exports



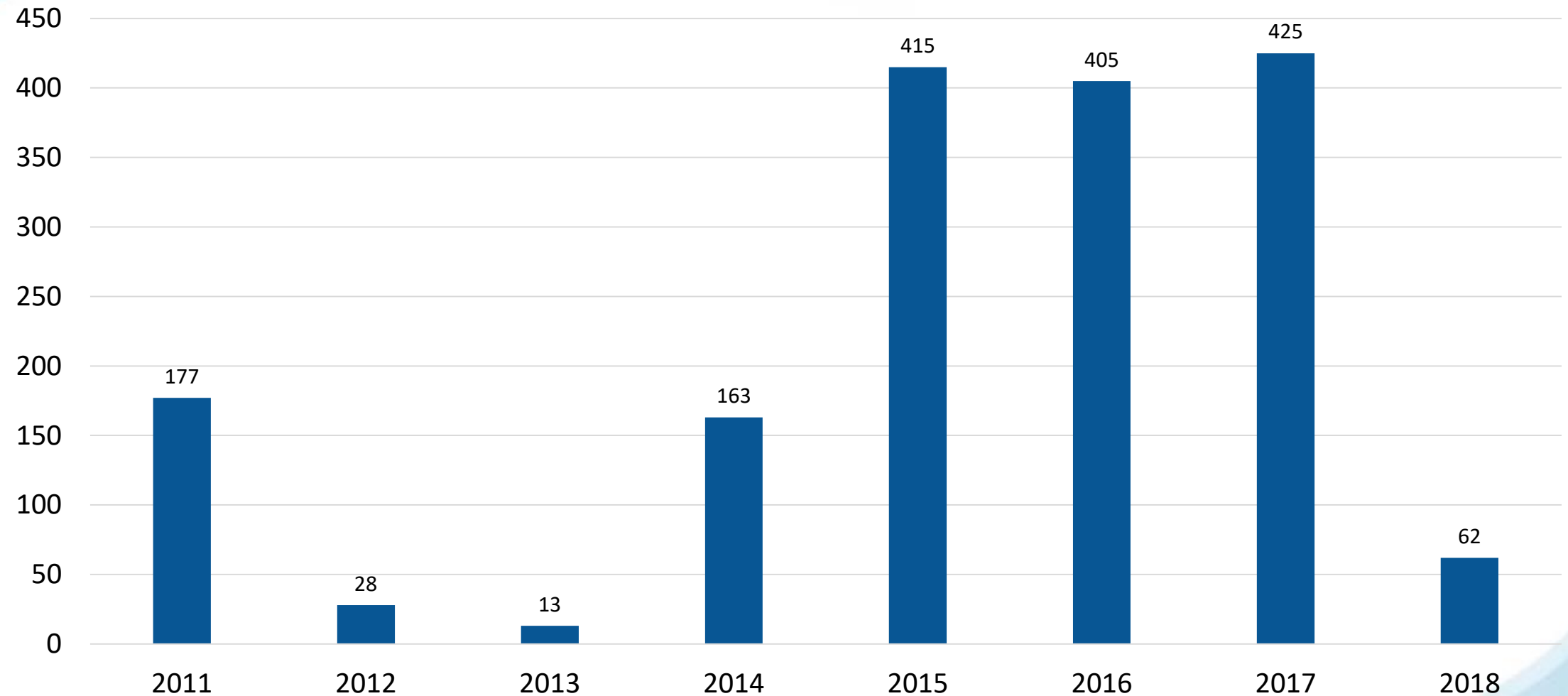
**TURUN
YLIOPISTO**



- Chemical industry products are imported from Jamaica to Murmansk region.

4. External economic relations

d) FDI inflow (million USD)

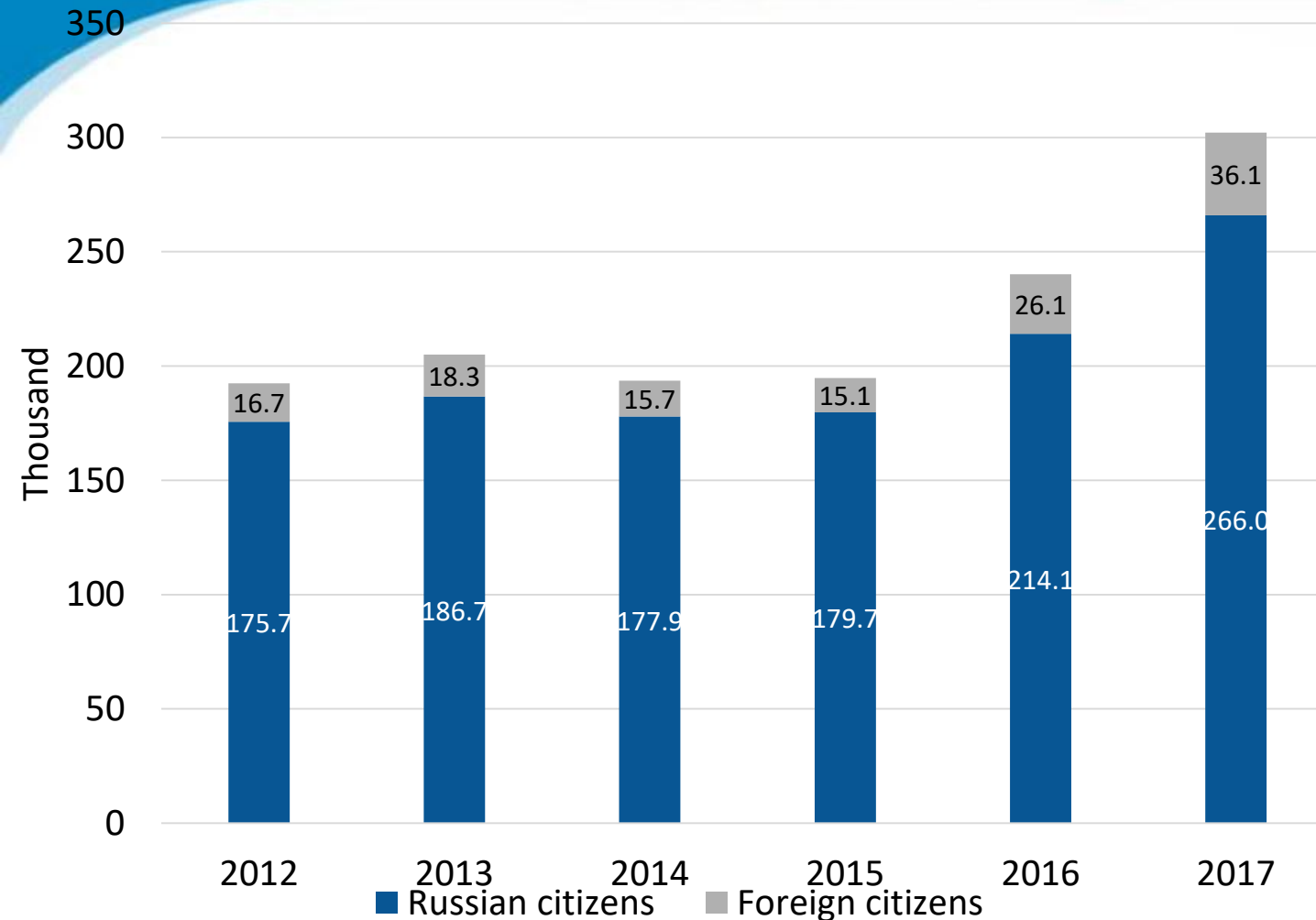


**TURUN
YLIOPISTO**



4. External economic relations

e) Visitors in hotels and other accommodation services (thousand visitors)



Murmansk offers for example:

- Sport fishing, kayaking, hunting, mountaineering, hiking, ski touring and cycling;
- Historical monuments and museums in Kola, Kirovsk, Pechenga, such as the geological museum in Kirovsk;
- Cruises on nuclear-powered icebreakers to the North Pole area and to Franz Josef Land; and
- Excursions to the most famous mineral deposits, for example to the Amethyst deposits of the Terskiy Coast.



TURUN
YLIOPISTO



pan-european institute

5. Additional information

a) Business service and authorities

BUSINESS SUPPORTING SERVICE AND AUTHORITIES

Business Finland

<https://www.businessfinland.fi/en/for-finnish-customers/home/>

The Government of the Murmansk Region

<https://gov-murman.ru/>

Ministry of Economic Development of the Murmansk region

<https://minec.gov-murman.ru/>

OTHER SOURCES

Federal State Statistics Service of Murmansk Region

<https://murmanskstat.gks.ru/>

Russian Federal State Statistics Service

<https://eng.gks.ru/>

Murmansk Customs Office

<http://sztu.customs.ru/>

"Kolskaya encyclopedia"

<http://ke.culture.gov-murman.ru/>

Tourist Info portal of Murmansk Region

<http://www.murmantourism.ru/en/>

Information subject to changes



**TURUN
YLIOPISTO**



5. Additional information

b) Murmansk Office of the Consulate General

Murmansk Office of the Consulate General of Finland

<https://finlandabroad.fi/web/rus/murmansk-paakonsulaatin-toimipiste->

Visiting Address:

ul. Zavodskaya 2
183032 MURMANSK
RUSSIAN FEDERATION

Postal address:

P.O. Box 141
99801 IVALO
FINLAND

Information subject to changes



**TURUN
YLIOPISTO**



5. Additional information

c) Embassy and European Commission's Delegation

Embassy of Finland, Moscow

<https://finlandabroad.fi/web/rus/etusivu>

Address:

Posolstvo Finljandii

Kropotkinskij pereulok 15-17

119034 Moskva G-34

RUSSIA

Delegation of the European Commission to Russia

https://eeas.europa.eu/delegations/russia_en

Address:

119017, Moscow

Kadashevskaya nab., 14/1

RUSSIA



Information subject to changes

**TURUN
YLIOPISTO**



5. Additional information

d) Examples of hotels in Murmansk

Park Inn Poliarnie Zori

<https://www.radissonhotels.com/en-us/hotels/park-inn-murmansk>

Address:

Park Inn Poliarnie Zori, Murmansk

Knipovicha 17

Murmansk

Russia, 183039

Meridian Murmansk

<https://www.meridian-hotel.ru/en>

Address:

Meridian Murmansk

5/23 Vorovskogo Street

Murmansk

Russia, 183038



**TURUN
YLIOPISTO**



pan-european institute

Information subject to changes

Find more hotels at

<http://www.murmantourism.ru/en/rests.php>