Murmansk region slide package for a foreign investor

Eini Laaksonen
July 2009
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.
1. General information
   a) Geographical facts

Area:
144 936 km²

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
(Murmansk Government)

Distance from the city of Murmansk to Moscow is 1488 km and to Saint Petersburg 1018 km

Distance from the city of Murmansk to some European capitals:
Berlin 2099 km, Helsinki 1050 km,
London 2607 km, Madrid 3842 km
(www.geobytes.com)
1. General information
b) Basic facts

- Murmansk: 314,800
- Apatity: 62,200
- Severomorsk: 53,500
- Monchegorsk: 48,700
(Murmansk Government)

Share of urban population: 91.3% (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)
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 is 2568 km, and the length of railways in the Murmansk region is 870 km.

- The largest amount of cargo, over 60% of total volume, is still transported by rail. In 2007 it reached 27.9 million tonnes, which is 12.7% more than in year 2000.

- Sea transport has increased rapidly, reaching 7.7 million tonnes in 2007, which is 34.3% more than in year 2000.

- Also road transport is increasing. During 2001-2005 the number of vehicles in the area increased from 154 to 177 thousand units. 232 million people are transported by road yearly. However, cargo transport by road has decreased, in 2000-2007 from 12 to 8.5 million tonnes.

Source: Murmansk Government
2. Regional economy

a) GRP (billion EUR, current prices)

Because of the decline in sectors such as extractive and manufacturing industries, power generation and construction, the development rate of GRP is likely to drop in 2009, reaching 97.8% of the previous year's GRP.

Source: MurmanskStat, Murmansk Regional Government

Exchange rate according to the Central Bank of the Russian Federation 23.6.2009, EUR 1 = RUR 43,3216
2. Regional economy

b) The development of Murmansk GRP and Russia GDP

### GDP annual change (constant prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>Murmansk</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>2002</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>2004</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>2005</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>2006</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>2007</td>
<td>8%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Russian Federal State Statistics Service

The share of Murmansk in Russia's GDP was 0.68% in 2007.
2. Regional economy

c) Structure of GRP by economic activity in 2007

- Manufacturing: 28%
- Wholesale and retail trade, repair services: 12%
- Transport and communications: 10%
- Fishing: 8%
- Mining: 10%
- Government, military and social security: 7%
- Real estate, renting and services: 7%
- Health and social services: 5%
- Transport and communications: 4%
- Production and distribution of electricity, gas and water: 9%
- Others: 7%

Source: MurmanskStat
2. Economic development

d) Investment potential ranking

<table>
<thead>
<tr>
<th>Ranking of investment potential</th>
<th>2006-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour potential</td>
<td>52</td>
</tr>
<tr>
<td>Consumption potential</td>
<td>49</td>
</tr>
<tr>
<td>Production potential</td>
<td>41</td>
</tr>
<tr>
<td>Financial potential</td>
<td>38</td>
</tr>
<tr>
<td>Institutional potential</td>
<td>39</td>
</tr>
<tr>
<td>Innovation potential</td>
<td>18</td>
</tr>
<tr>
<td>Infrastructure potential</td>
<td>36</td>
</tr>
<tr>
<td>Natural resource potential</td>
<td>13</td>
</tr>
<tr>
<td>Tourism potential</td>
<td>65</td>
</tr>
<tr>
<td>Ranking of investment risk</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: RA Expert 2008
2. Economic development

e) The 10 biggest enterprises in Murmansk Region

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAO Olkon (OAO Olkon)</td>
<td>Production of iron ore concentrate</td>
</tr>
<tr>
<td>OAO Kovdorskiy gorino-obogatitelnyy kombinat (OAO Kovdorskij gorno obogatitelnyj kombinat)</td>
<td>Processing of mineral raw materials</td>
</tr>
<tr>
<td>OAO Apatit (OAO Apatit)</td>
<td>Production of apatite concentrate</td>
</tr>
<tr>
<td>OAO Kovdorsljudia (OAO Kovdorsseljudia)</td>
<td>Manufacturing of mica products</td>
</tr>
<tr>
<td>ООО Ловозерский ГОК (OOO Lovozerskiy GOK)</td>
<td>Extraction and processing of ores</td>
</tr>
<tr>
<td>OAO Kolskaja GMK (OAO Kolskaja GMK)</td>
<td>Production of nickel and copper products</td>
</tr>
<tr>
<td>Филиал ОАО СУАЛ, КАЗ-СУАЛ (Filial OAO SUAL, KAZ-SUAL)</td>
<td>Processing of aluminum</td>
</tr>
<tr>
<td>Филиал концерна Росэнергоатом, Кольская АЭС (Filial koncerna Rosehnoatomen, Kolskaja AEHs)</td>
<td>Nuclear power plant</td>
</tr>
<tr>
<td>Филиал Кольский, ОАО ТГК-1 (Filial Kolskij, OAO TGK-1)</td>
<td>Hydroelectronic plant</td>
</tr>
<tr>
<td>OAO Murmanskiy torgovy port (OAO Murmanskiy torgovyy port)</td>
<td>Sea port</td>
</tr>
</tbody>
</table>

Source: Murmansk Government
2. Regional economy

f) Transport volumes (thousand tonnes)

Source: MurmanskStat
2. Regional economy

  g) Transport volumes

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total, thousand tonnes transported</strong></td>
<td>48 184</td>
<td>54 076</td>
<td>41 816</td>
<td>45 230</td>
<td>37 269</td>
</tr>
<tr>
<td>Rail transport</td>
<td>26 283</td>
<td>27 009</td>
<td>27 209</td>
<td>27 786</td>
<td>25 337</td>
</tr>
<tr>
<td>Road transport</td>
<td>14 702</td>
<td>20 884</td>
<td>7 999</td>
<td>9 766</td>
<td>4 521</td>
</tr>
<tr>
<td>Sea transport</td>
<td>7 199</td>
<td>6 182</td>
<td>6 608</td>
<td>7 677</td>
<td>7 411</td>
</tr>
<tr>
<td>Air transport</td>
<td>411</td>
<td>301</td>
<td>444</td>
<td>356</td>
<td>423</td>
</tr>
</tbody>
</table>

Source: MurmanskStat, Murmansk Government
2. Regional economy

h) Population

Source: Russian Federal State Statistics Service
2. Regional economy

i) Population and unemployment

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically active population (1 000)</td>
<td>507,1</td>
<td>514,6</td>
<td>519,5</td>
</tr>
<tr>
<td>Of which unemployed (1 000)</td>
<td>55,6</td>
<td>34,6</td>
<td>36,2</td>
</tr>
</tbody>
</table>

Unemployment

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>11,0 %</td>
</tr>
<tr>
<td>2005</td>
<td>8,8 %</td>
</tr>
<tr>
<td>2006</td>
<td>6,7 %</td>
</tr>
<tr>
<td>2007</td>
<td>6,5 %</td>
</tr>
<tr>
<td>2008</td>
<td>7,0 %</td>
</tr>
</tbody>
</table>

Source: MurmanskStat
2. Regional economy

j) Change of industrial output

Source: Murmansk Government
2. Regional economy

k) Change of industrial output by sectors in 2008

- Wood processing: 3.4%
- Machinery and equipment: 3.3%
- Steel and other metal products: 1.9%
- Food and beverages: 1.4%
- Electricity, gas and water: 0.4%
- Pulp and paper, publishing and printing: -0.4%
- Chemicals: -2.4%
- Non-metallic mineral products: -4.4%
- Textiles and clothings: -6.2%
- Mining: -7.5%

Source: MumanskStat
In 2008 the investments totaled EUR 202.3 billion.

Exchange rate according to the Central Bank of the Russian Federation 23.6.2009, EUR 1 = RUR 43,3216
2. Regional economy
m) Sources of investments in fixed capital

Source: MurmanskStat
2. Regional economy

n) Main sectors receiving investments in fixed capital

- Manufacturing: 7%
- Wholesale and retail trade: 5%
- Health and social services: 5%
- Government and military security: 6%
- Manufacturing: 7%
- Electricity, gas and water: 12%
- Transport and communications: 18%
- Mining: 31%
- Others: 16%

Source: MurmanskStat
## 2. Regional economy

o) Examples of planned investment projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Volume (bln EUR)</th>
<th>Initiator</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the Shtokman field, including a production plant for</td>
<td>31,4</td>
<td>ОАО Газпром (ОАО Gazprom)</td>
<td>2008–2021</td>
</tr>
<tr>
<td>liquefied natural gas and a transport complex for its shipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Port complex for transshipment of oil and oil products on the western</td>
<td>1,2</td>
<td>ЗАО Синтез Петролеум (ZAO Sintez Petroleum)</td>
<td>2009–2021</td>
</tr>
<tr>
<td>shore of the Kola Bay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>«Мурманская ТЭЦ-2», a new thermal power plant</td>
<td>1,1</td>
<td>ОАО Мурманская ТЭЦ-2 (ОАО Murmanskaja TEhC-2)</td>
<td>2012–2014</td>
</tr>
<tr>
<td>Refinery on the west coast of the Kola</td>
<td>0,7</td>
<td>ЗАО Синтез Петролеум (ZAO Sintez Petroleum)</td>
<td>2009–2015</td>
</tr>
<tr>
<td>Bay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Container terminal at the Murmansk</td>
<td>0,6</td>
<td>ФГУ Ространсмодернизация (FGU Rostransmodernizacija)</td>
<td>2009–2013</td>
</tr>
<tr>
<td>Sea Commercial Port</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Murmansk Government

Exchange rate according to the European Central Bank
23.6.2009,
EUR 1 = USD 1,3978
3. Prosperity and consumption
a) Nominal average monthly salaries

Exchange rate according to the Central Bank of the Russian Federation 23.6.2009, EUR 1 = RUR 43,3216

* No data for Russia yet at the moment of publication

Source: MurmanskStat, Russian Federal State Statistics Service
3. Prosperity and consumption

b) Inflation

Source: MurmanskStat

Consumer price index (annual change)

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>11%</td>
</tr>
<tr>
<td>2005</td>
<td>11%</td>
</tr>
<tr>
<td>2006</td>
<td>9%</td>
</tr>
<tr>
<td>2007</td>
<td>13%</td>
</tr>
<tr>
<td>2008</td>
<td>14%</td>
</tr>
</tbody>
</table>
3. Prosperity and consumption
c) Retail trade (billion EUR)

Exchange rate according to the Central Bank of the Russian Federation 23.6.2009, EUR 1 = RUR 43,3216

Source: MurmanskStat
4. External economic relations
a) Development of foreign trade of goods (million EUR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>895,2</td>
<td>110,7</td>
</tr>
<tr>
<td>2005</td>
<td>1123,1</td>
<td>151,6</td>
</tr>
<tr>
<td>2006</td>
<td>1841,5</td>
<td>119,5</td>
</tr>
<tr>
<td>2007</td>
<td>1901,8</td>
<td>211,2</td>
</tr>
<tr>
<td>2008</td>
<td>2014,0</td>
<td>269,4</td>
</tr>
</tbody>
</table>

Source: MurmanskStat

Exchange rate according to the European Central Bank
23.6.2009,
EUR 1 = USD 1,3978
4. External economic relations

b) Foreign trade structure in 2007

**Exports**
- Metals 38%
- Machinery, equipment and vehicles 1%
- Foodstuffs 1%
- Mineral, crude oil and petroleum products 60%

**Imports**
- Machinery, equipment and vehicles 82%
- Mineral products 3%
- Foodstuffs 3%
- Chemical industry products 9%
- Others 3%

Source: Murmansk Customs
4. External economic relations
c) Major export and import partners in 2008

**Exports**
- Netherlands: 49%
- USA: 15%
- United Kingdom: 6%
- Finland: 4%
- China: 5%
- Norway: 6%
- Belgium: 3%
- Others: 12%

**Imports**
- South Korea: 26%
- Germany: 23%
- United States: 18%
- Others: 18%
- Sweden: 8%
- Singapore: 7%
- Finland: 6%
- China: 4%
- Norway: 4%
- USA: 4%

Source: Murmansk Customs
4. External economic relations

d) FDI inflow (million EUR)

Exchange rate according to the European Central Bank
23.6.2009,
EUR 1 = USD 1,3978

Source: MurmanskStat
4. External economic relations

e) FDI by countries in 2008

- Norway: 20%
- Cyprus: 14%
- Portugal: 6%
- Canada: 6%
- Virgin Islands: 4%
- Others: 5%
- Belgium: 45%

Source: MurmanskStat
4. External economic relations

f) FDI by sectors in 2008

- Retail trade and repair services: 53%
- Real estate and renting: 19%
- Manufacturing: 10%
- Fishing: 8%
- Transport and communications: 4%
- Others: 6%

Source: MurmanskStat
4. External economic relations

4. External economic relations

G) Tourism in Murmansk region

Murmansk offers for example:

- Sport fishing, kayak boating, 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
- Excursions to the most famous mineral deposits, for example to the Amethyst deposits of the Terskiy Coast

Number of tourists (thousand people)

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign</th>
<th>Russian</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002*</td>
<td>7,3</td>
<td>3,8</td>
</tr>
<tr>
<td>2003</td>
<td>9,4</td>
<td>5</td>
</tr>
<tr>
<td>2004</td>
<td>11,9</td>
<td>7,8</td>
</tr>
<tr>
<td>2005</td>
<td>12,6</td>
<td>13,6</td>
</tr>
<tr>
<td>2006</td>
<td>13,1</td>
<td>13,2</td>
</tr>
<tr>
<td>2007</td>
<td>20,3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Murmansk Government

Source: Tourist Infoportal of Murmansk Region
5. Additional information

a) Business service and authorities

**BUSINESS SUPPORTING SERVICE AND AUTHORITIES**

**Finpro**
http://www.finpro.fi/fi-FI/Business/

**The Government of the Murmansk Region**
http://www.gov-murman.ru/

**Ministry of Economic Development of the Murmansk region**
http://mineconomy.gov-murman.ru/
http://economics.gov-murman.ru/

**OTHER SOURCES**

**Federal State Statistics Service of Murmansk Region**
http://murmanskstat.gks.ru/

**Russian Federal State Statistics Service**
http://www.gks.ru/wps/portal/english

**Murmansk Customs Office**
http://www.murmansk-customs.ru/

”Kolskaya encyclopedia”
http://kolaenc.gov-murman.ru/

**Tourist Infoportal of Murmansk Region**

Information subject to changes
5. Additional information

b) Murmansk Office of the Consulate General

Murmansk Office of the Consulate General of Finland

Visiting Address:
Ulitsa Karla Marx 25A
183025 Murmansk
RUSSIA

Postal address:
P.O. Box 141
99801 IVALO
FINLAND

Exchange: + 7 815 244 5382
Fax: +7 815 244 8341
E-mail: sanomat.msk@formin.fi

Information subject to changes
5. Additional information

c) Embassy and European Commission’s Delegation

Embassy of Finland, Moscow

Address:
- Posolstvo Finljandii
- Kropotkinskij pereulok 15-17
- 119034 Moskva G-34
- RUSSIA

Delegation of the European Commission to Russia
http://www.delrus.ec.europa.eu/

Address:
- 119017, Moscow
- Kadashevskaya nab., 14/1
- RUSSIA

Information subject to changes
5. Additional information

d) Examples of hotels in Murmansk

**Park Inn Poliarnie Zori**

Address:
- Park Inn Poliarnie Zori, Murmansk
- Knipovicha 17
- Murmansk
- Russia, 183039

Tel. + 7 815 228 9500, 228 9505
Fax: + 7 815 228 9504
E-mail: info.murmansk@rezidorparkinn.com

**Meridian Murmansk**

Address:
- Meridian Murmansk
- 5/23 Vorovskogo Street
- Murmansk
- Russia, 183038

Tel. + 7 815 228 8800, 228 8683

Information subject to changes