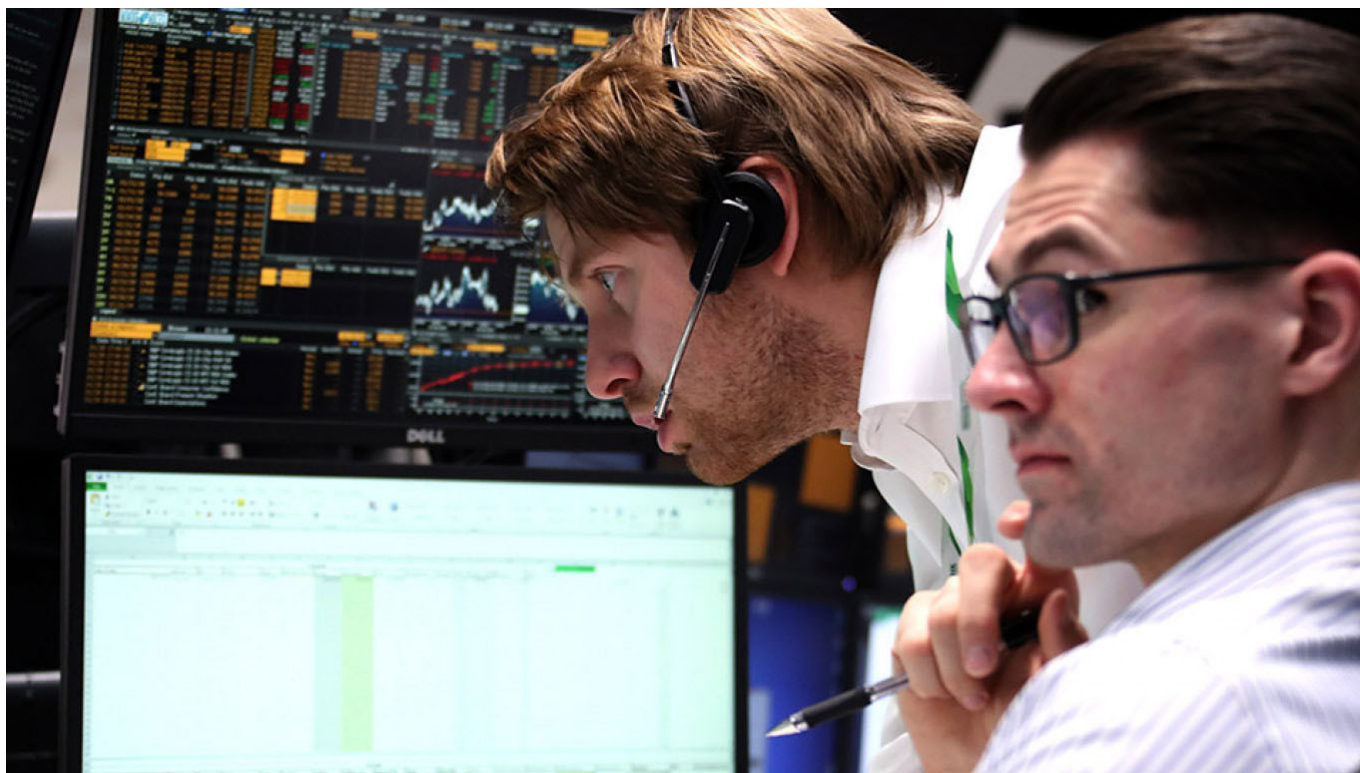


# Fading Sanctions Fears Lead to FDI Rebound

Investment into Russia leapt five-fold in 2019 as investors acclimatized to U.S. sanctions.

January 20, 2020



FDI into Russia recovered last year following a poor 2018. **Anton Novoderezhkin / TASS**

Foreign Direct Investment (FDI) into Russia bounced back last year, as investments flowing into the country jumped nearly fivefold amid fading risk of new sanctions from the U.S.

Russian firms received \$26.9 billion from overseas investors in 2019, according to [data](#) from Russia's Central Bank. That was up from just \$5.9 billion in 2018, when international investors steered clear of Russia for fear of getting stung by U.S. sanctions.

The net inflow — after taking away investments Russians made overseas — came in at \$0.6 billion, the first positive reading since 2016, but left the balance of Russia's overseas investment largely unchanged. In 2018, Russia saw a \$23 billion net outflow of FDI.

Analysts put the rise in investment down to reduced risk of sanctions from the U.S. last year. “The most important sanctions-related events in 2019 were the lifting of sanctions against EN+ and Rusal, and the symbolic sanctioning of Russian public debt, which did not live up to the hawks’ expectations,” RBC’s Economics Editor Ivan Tkachev [wrote](#).

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The rebound in 2019 took inward FDI flows back to around the same level recorded in 2017. Investment could continue to climb this year, some analysts predict, as the government seeks to advance trade and business ties with non-Western countries.

“The Russian government remains keen to attract foreign investment in some non-strategic areas,” Agathe Demarais, Global Forecasting Director at The Economist Intelligence Unit, told The Moscow Times.

Economist Vladimir Miklashevsky expects the government to “lure [more] foreign direct investment in 2020, as the current level has become critically low [and] the absence of newcomers weighs on [the government’s] objectives to modernize the economy, increase productivity and create more jobs in high value-added sectors.”

Nevertheless, uncertainty, in particular surrounding the the U.S. election and how the candidates will position themselves with regard to Russia and sanctions, could act as a brake on a further investment uptick, market watchers say.

In notes to clients, investment banks continue to stress the high-risk nature of investing in Russia. Economists at Deutsche Bank said last week that the current government [reshuffle](#) “creates some room for uncertainty on the policy direction ... and is a reminder for investors of the less transparent nature of political decision making in Russia.” Santander told [clients](#): “many investors see Russia as still under exploited [but] Russia has an investment climate that is complicated to control and generally unstable.”

Original url: <https://www.themoscowtimes.com/2020/01/20/fading-sanctions-fears-fdi-rebound-a68963>