BUSINESS CONDITIONS SNAPSHOT

- Although it entered the pandemic in a position of relative strength with strong currency reserves and sound fiscal policies, Russia has been hard hit by the coronavirus.

- New infections reached a peak of more than 27,000 a day in November 2020, with more than two million cases and 40,000 deaths.

- Real GDP growth in Russia shrank from 2.3 per cent in 2018 to 1.1 per cent in 2019 and—according to the World Bank—Russia is heading toward a recession, with negative growth in most sectors in 2020.

- Manufacturing has contracted by 10 per cent, with severe negative impacts in metals and transport vehicles production. Mineral-resource extraction decreased by 3.2 per cent. Prices for crude oil—Russia’s largest export—plummeted at the start of the year. The World Bank projects Russia’s GDP could contract by as much as six per cent in 2020, an 11-year low.

- In July 2020 Russia reset its ambitious economic development goal to achieve a top five economy status (on a PPP basis) from 2024 to 2030.

- The COVID-19 pandemic has resulted in reduced fiscal revenues and a weakened rouble. An estimated 10 per cent of Russians had lost their jobs by June, while many more saw their incomes severely reduced.

- The Government launched a US$73 billion economic recovery program in July—small by international standards—to increase government spending and try to bring unemployment (6.4%) back below five per cent, while boosting both economic growth and wages growth above 2.5 per cent. The World Bank expects Russia’s economy will come out of recession in 2021 and 2022.

TRADE AND INVESTMENT OPPORTUNITIES

- Russia was Australia’s 46th largest trading partner in 2019, with the trade balance strongly favouring Australia.

Key facts and figures

- Population: 146.8 million (2018)
- GDP growth: 1.1 per cent (2019)
- GDP per capita: US$29,642
- Two-way trade: A$1.34 billion (2018-19)
- Key products traded: live animals, hides and skins, mechanical equipment, petroleum, fertilisers, wood products, education, personal travel and tourism (2018–19)
- Two-way investment: A$2.3 billion (2018)
There is a modest level of two-way investment. Australian companies are generally positive about their Russian operations and relationships.

- Commercial opportunities with Russia are limited, especially because of sanctions and Russian counter-sanctions. These particularly impact exports of Australian agricultural products.
  - Austrade is focused on areas where there are capability gaps—including agribusiness, mining, education, and urban and transport infrastructure—and where the impact of sanctions is lower.

- Australian investment is mostly in mining equipment, technology and services (METS) where there are opportunities to grow Australian exports of goods and services.
  - There is potential for niche premium consumer products, such as wines, in the wealthy cities of Moscow, St Petersburg, Yekaterinburg and some others.

- The Russian economy is heavily reliant on resources and energy. This is a globally exposed sector, with companies that are significant in size, largely privately held, and seeking to improve operational efficiency.
  - There are opportunities for Australian METS companies, especially those that can supply innovative specialised equipment and technologies, and that can provide industry skills and training.
  - Major opportunities include Russian and Commonwealth of Independent States mining delegations to Australia, and Australian METS missions to Russia/Commonwealth of Independent States.
  - Despite sanctions and counter-sanctions, the agribusiness and food sector holds some continued promise. Russian government agricultural policy is focused on improving self-sufficiency, which offers some potential for Australian agricultural services and technology.

- Russia is a small and declining market for student recruitment (995 enrolments in 2019) due to demographic factors and improved education quality in local universities.
  - There are about 32 Australian education institutions engaged in the market, which demonstrates an appetite for high quality students—especially at graduate and post-graduate levels—and academic and collaboration with research universities.
  - The focus in 2019–20 was on developing institutional linkages and borderless/online education solutions in priority sectors including agribusiness, infrastructure and resources.

- Significant investment is planned to address Russia’s infrastructure shortcomings and to enable exports from Europe and North Asia.
– Austrade’s focus is on identifying opportunities in transport infrastructure (heavy haul rail and multimodal facilities), industry skills training and urban development.

- Australian autonomous sanctions prohibit—or restrict—export or trade of certain goods and services to Russia. Information on the Australian autonomous sanctions to Russia is available at https://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/Pages/russia.aspx

- COVID-19 has limited opportunities for traditional economic and public diplomacy activities.
  – Australia is responding with increased social media promotion targeting Russian audiences.

- Visitor arrival figures from Russia increased 7.6% in 2018–19 but have since been drastically impacted by the pandemic.

TRADE POLICY FOCUS

- Russia is a member of the G20 and a strong supporter of the rules governing international trade.

- Russia is a member of the Eurasian Economic Union (EAEU), an integrated single market for goods and services between Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan.

- The EAEU has free trade agreements with Vietnam, Serbia and Singapore, and is negotiating trade agreements with India, Israel, Iran and Egypt.
  – Russia has banned road and rail transport of goods from Ukraine, unless they are diverted through Belarus.
  – This right was awarded by the World Trade Organization (WTO) in 2019 as a national security exemption from global trade rules.

- While there are no plans to negotiate a free trade agreement between Australia and Russia, Australian businesses can still access the Russian market (in non-sanctioned areas) at WTO tariff rates.
  – As an APEC member, Russia offers Australian business streamlined entry processes for short-term travel under the APEC Business Travel Card scheme. Registration is required – visit apec.org for details.

- Russia can be a rewarding market for Australian companies willing to commit the time and effort to build a sustained presence. However the market is complex, and risks should be considered before entering. See the Business Risks and Sanctions pages of the Austrade website for useful information (https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Russia/Market-profile).
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Insights current as at December 2020.