RCIS RUSSIA-CIS Business Group

DT - Global Business Consulting

The Key Drivers of the Russian Market

Almost everything you need to know!

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Introduction

- This report is NOT a naïve white-wash job of the Russian market and that will become clear; but many good things are going on and we start with those!
- The Russian market has the potential to be one of the better performing ones in Europe and globally over the next 5 years
- The easy glory days of the past though have gone, and probably for ever
- The country and economy as well as the business market face serious fundamental challenges and some business sectors have had a brutal 3-4 years of business
- Some sectors (see below) still face a tough environment
- BUT all that said, the perspective is for many companies to report:
  - Top-line organic sales growth of 5-13% in roubles
  - But with a newly stable currency, this means the same rate in $ and euros
  - Profitability is less than it was but still one of the good markets
  - The consumer is much more demanding but appreciates quality; there is room for both brands and affordable innovation in this market

This doesn't sound so bad!

The good news and the less good news

A list of the good things going on (1)

- Executives see Russia as the priority market in the CEEMEA region (discussed below)
- Executives expect decent sales growth this year: 45% forecast double digits and 28% high single digits
- And another 12% look to low single digits and only 8% predict flat-negative sales in 2017
- Because of the strong rouble **many companies are budgeting for significant improvements in FX sales in 2017**
- **In 2015 some 66% of companies reported negative FX sales, this was 20% in 2016 and this year the number sinks to** just 7%.
- The budgeted profit outlook remains good for two-thirds of companies and this matches many anecdotal comments; while for the remaining 33% of companies, profits will stabilise at lower but acceptable levels in 2017
- So for most, not all, the profit outlook is fair or better: companies could raise prices and manage costs
- The ROUBLE is one of the strongest currencies in the world! It has strengthened since February 2016 when it hit a low of 90 to the Euro; by spring 2016, it had hardened close to 60 to the Euro i.e. a 33% appreciation in 15 months

A list of the good things going on (2)

- It has been one of the best performing currencies against the US dollar strengthening from 78 to 57 in the last 15 months (by 27%) and even since the arrival of Trump
- Recently the rouble diverged when the oil price fell thanks to high Russian interest rates. If you are looking for yield, then Russia is the place to be
- Inflation slumped to 4.3% last month but the key rate is still 9.25% (end April) so a yield of 5-6%
- Portfolio investment has also risen due the high yield when other main markets offer -1% to +0.5%. And capital flight has virtually evaporated from levels of $60-80bn in recent years
- Russia also benefits from a current account surplus of about $40bn+ which is also very appealing to speculators
- Inflation: this reached 15% (average) in 2015 but fell to 7% last year and touched 4.3% in March 2017
- Weaker inflation and a strong/stable rouble will mean that consumer demand eventually picks up: this indicator improved to -15 in Q1 of 2017 from -26 in Q2 of 2016
- But the consumer recovery is taking some time and retail sales are still negative in March 2017 but are improving steadily and will prove positive this year
- If the consumer was feeling tired and jaded, then thankfully the mild economic recovery will cradle the consumer and prevent any deterioration

A list of the good things going on (3)

- A key factor is real wages: in 2012-13, they were the best in the world at +12%; in 2015 they were the worst in the world at -10%. But they have been mildly positive in the last 9 months and were +1.5% in March
- The above factors and figures will support the mild/steady economic and consumption recovery
- The receivables situation is in good shape and better than most emerging markets
- The quality of HR remains very high, perhaps not as good as 10-15 years ago but still comparatively strong
- Companies have been able to manage their cost base and in particular they managed salary increases well
- Using Russia as an export base: in past years, companies were not very interested in this model because you chose to do business in Russia for the large booming domestic market. Now managers are looking in Russia for any new revenue streams and are certainly talking about plans for exports. But currently while 34% of all companies do export from Russia, only 13% of these export to western markets (so only 4% of all companies). But the very fact that more companies are exploring this option of exports is a positive factor
- Executives look at Russia as a base for outsourcing and “Russia is becoming” an attractive location for shared services centres

And these positives are attractive—25% of companies want to invest more

- For the last two years, I have surveyed the 400 Group members in the Russia-CIS Business Group and very 2-3 months they are asked: “Will you make new investment next year in Russia in manufacturing, warehousing and logistics?”
- The question is clear and does not relate to marketing and sales or HR
- On every occasion in the last 2 years, some 25-30% of respondents have replied positively that they will make such investments in 2016 or now in 2017
- We do not expect all companies to be building manufacturing plants at $100mn but we do see some small M&A activity going on, more localisation and more companies wanting a distribution network in place to expand their business
- These investors are probably also focussed on gaining more market share
- Respondents from consumer products companies tend to respond more positively (35%+) while pharmaceutical and health companies are at about 20%, but this is because many/most of them have done some localisation already
- Not surprisingly the B2B sector lags slightly at 17% because this sector has needed more time to recover from the crisis in terms of financing and investment trends

Comments which put Russia in a very good perspective

- The CEEMEA President of one major consumer goods company commented on the divergences in his large geographic region as follows:
- Most of my markets face particular challenges or serious problems: Turkey is turning very bad for us; Nigeria is worsening; the Gulf States are weaker and at 0-2% growth; Saudi Arabia is brutal and receivables are bad there; Iran is not going to turn easy quickly; the Maghreb is mixed at best
- The star of my CEEMEA show is still Russia: it accounts for 30-40% of my revenues and 50% of my regional EBITDA. We are making good double digit growth in sales and the rouble is so strong. The consumer has changed of course but this year and most of 2016 has not involved radical price increases.
- Russia is a market which is big and good, if not as good as a few years ago. We are investing heavily in marketing and sales and hiring more people and we will consider more investment in logistics and warehousing, and we may add to our existing manufacturing operations.
- **Russia and the CEE region are what keeps my whole region afloat and they are supporting the Middle East & Africa.**
- *Please also note that these kinds of comments are not exceptional; many CEEMEA executives report similar trends*

If everything is so good, why is the business mood not better?

BUT very few managing directors and senior executives are bouncing up and down with joy! We think the lack of extreme enthusiasm is due to at least 3 factors:

1. Senior managers and their staff are exhausted after managing the challenges of the last 3 years. Many MDs complain: “My team and I are exhausted after the last 3 years” and this raises questions of staff motivation.

2. Most executives rightly think that the economic-business recovery will be moderate and not a big bounce back to “the good old days”.

3. Global/regional headquarters are imposing increased demands on those companies who have done well = “Well done: give us more!” or on those companies which have struggled = “Cut your costs and give us more”

But what's not so good (1)

- Business results will be OK but not as super-good as in the past and HQ tends to remember the glory days!
- There is a danger that some global HQs resort to excessive cost cutting and lose focus on market share or even worse treat the market as a cash cow
- The future GDP recovery will be a soft one and sub-par
- We point out below that there are fundamental problems with the investment and industrial outlook
- The economy is still over-dependent on oil-gas and metallurgy
- The government and Central Bank are following tight fiscal and monetary policies which gains them praise from the IMF but does not help consumer spending or sales to the government
- There is less social spending than after previous crises and the Russian consumer is not pulling the economy out of sub-par growth
- Health spending and expenditure on education is falling in real terms which also drags consumer confidence indicators and diminishes from the "feel good factor"
- There is not enough support to the SME sector and to business entrepreneurship

But what’s not so good (2)

- As we note in our GDP analysis below, there are underling flaws and restraints to investment and industrial output
- Corruption within the economic system improved and diminished a lot from 2002 to 2009 and was not bad until about 2013. But positive trends have evaporated and while there may not be any worsening, there is no perceived improvement
- Institutional corruption and poor policy implementation undermine economic growth and diversification and certainly hold back the SME sector
- Sanctions have damaged the economy and the investment mood and there will be a mini-boom whenever they are diminished or removed but that may be 1-2 years away yet
- The economy has adapted with import substitution, more spending on defence and a shift to eastern markets especially China
- While import substitution has posted some noticeable successes, the gap of quality western inputs has not been filled

And which sectors are still struggling

- Many of the remarks below are positive and upbeat and testify that some companies are turning in decent sales and profit results BUT we never cease to mention that some sectors are relatively worse off and struggling more and/or taking longer to recuperate. These include:
  - Almost any sales to the Russian government (as it cuts budgets and demands lower prices)
  - Sales of medical equipment
  - Some sales of reimbursed pharmaceuticals
  - IT sales to the Russian government
  - IT sales to corporate clients
  - Sales in the automotive sector and sub-supplies (although many agree that this sector has hit bottom and we see the very first signs of some recovery)

Business issues and trends and sales figures

Show your CEO the real Moscow/Russia

- Senior executives know the value of bringing the global CEO and/or Board members or senior international managers to Moscow
- And sadly some US CEOs and even European ones are extremely ignorant of the Russian market and have not visited the country or only rarely
- In the preparation, local Moscow-based managers should try to ensure that the visit is not just a “quickie” with a 24 short stop-over
- The CEO should have enough time to see Moscow and visit any production facilities and meet with customers, clients and distributors
- When the CEO sees the wealth of Moscow, he/she will want to jack up your annual budget, so then take him/her outside the city to the poorer/normal areas so that your budget will come back in balance!
- It is also critically important that the CEO meets and talks extensively with your Russian staff. The local staff are invariably impressive and create a very good impression on visiting managers. Show off your Russian staff!
- Also, do not start the visit with 3-4 hours sitting in a traffic jam from the airport: take the Aeroexpress train, then take the metro from the arrival station and let the CEO see the marvellous metro and you will be at your office in 1.5 hours.

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What are the key business issues on the agenda? (1)

- Executives joke that whenever you make a presentation on Russia to the CEO, slide No 2 should simply read:

Digitisation, innovation and efficient growth

- Because then you have touched the key nerve points!
- Other executives respond that it should read:

Localisation, diversification and efficient growth

- The common denominator is of course “efficient growth” which means that the CEO wants growth while cost are managed (something we referred to above)
- We would argue that “market share” is just as critical or more so in Russia and indeed all global markets
- But “market share” implies that booming growth does not exist and that markets are tight which is not the mood music that most CEOs want to hear!

What are the key business issues on the agenda? (2)

- Localisation is the buzz word in Russia today and we saw above that many companies want to put something on the ground and to source locally
- As one MD noted last year: “If you’re not localised, then your dead”
- And many companies speak warmly of the localisation effects: “We built a plant in Moscow in 2015 or 2016 and now we are growing at 19% and without the factory we would be growing at 3%” is a frequent comment
- But we note below in the pharma section that for many companies, the technical benefits in some sectors are less certain and revolve around legislation
- Diversification is often a key success factor in Russia (and gain globally). Business is tough and the broader your portfolio of products and services, then the better the options are for sales to different consumer segments
- One global industrial conglomerate has noted: “We have grown 15-25% in dollars in recent years and a major factor is that we supply to about 5-6 different parts of the Russian economy”

What are the key business issues on the agenda? (3)

- Localisation has also affected how companies source for the Russian market
- Many executives state: “With local production, we are looking more at local sourcing or from cheaper cost markets and this helps the profitability of the operations hugely”
- One senior manager also notes: “We source locally (when we can) or try out cheaper Asian suppliers rather than US and EU ones when this makes sense. It helps the cost base hugely, BUT it also helps with Russian government relations. Officials are happy to hear we source less from “sanctioning states”
- Executives note that: “3 years ago we sourced 75% from the West and 25% from Russia and the east and now it’s the reverse”
- E-commerce represents about 3-5% of the total Russian market but 18-20% of Moscow market and growing in very high double digits i.e. well over 50%
- In our last Survey 16% of companies are not sure what to do regarding e-commerce, 46% will make a small start while 29% want to expand substantially

What are the key business issues on the agenda? (4)

- Regulatory issues are not “going away” and executives across sectors complain of slow or shifting legislation. This may be a factor of more companies localising to some degree and becoming more entrenched in the system but the trade law and pharma localisation rulings have caused confusion and stress
- Selling brands in Russia is still a winning proposition but “it can take 3-5 times more effort and energy and time to do so than in the past”
- More companies are looking at sub-premium brands and going through the whole array of mid-brand and discount and cheap products
- Most companies agree that mid-price and mid-brand is the toughest sell in Russia (as it is globally)
- But given the pressure on sales, more companies are now investigating the mid-brand ranges
- Consumer product companies especially complain of prevalent price discounting and promotions which erode profitability

What are the key business issues on the agenda? (5)

- Volume or price?
- The debate on this topic continues and has intensified over the last 2-4 years
- Most companies agree that it has been much easier to raise prices through 2015 and the first part of 2016 rather than to build volumes and categories
- Executives realise that the price promotion model without an eventual volume rise, is in the long run destructive and makes everyone compete on price, affecting market share
- Executives argue about “which should come first”: volume or price and which enables you to control the market eventually
- One pharma MD argues that price is “everything” to enable you to get eventual volume control, while a competitor feels this is just the way to a self-destructive slump
- One FMCG MD said: I need to get this right and can do so. It’s about getting a balance right. If I can’t do this, then my grandmother should have my job”.
- And the MD of one drinks company noted: “We will go more sub-premium which means more volume, but at lower prices which means softer profit margins but at levels which are still acceptable”.
- **<u>See also the comments in the consumer product slides</u>**

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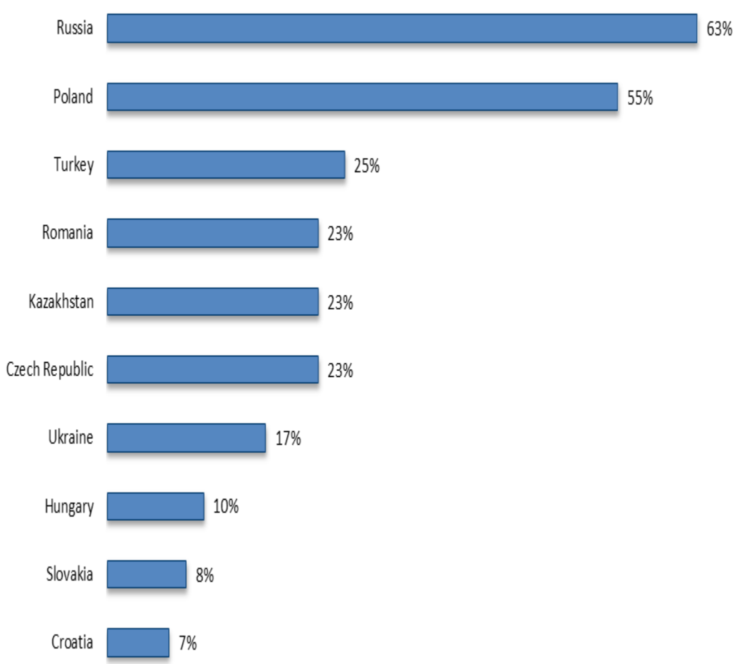
Priority markets for business development for the next three years

Which are your priority markets for the next three years?

Top 10 responses; countries ranked by number of responses



Source: CEEMEA Business Group CEE Benchmarking Survey June 2016

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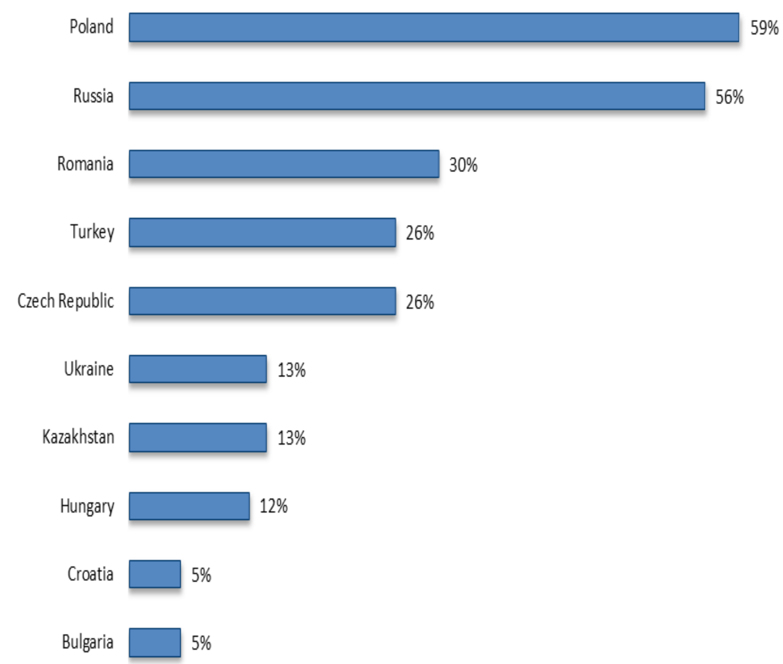
Top 10 responses; countries ranked by number of responses



Source: CEEMEA Business Group CEE Benchmarking Survey December 2016

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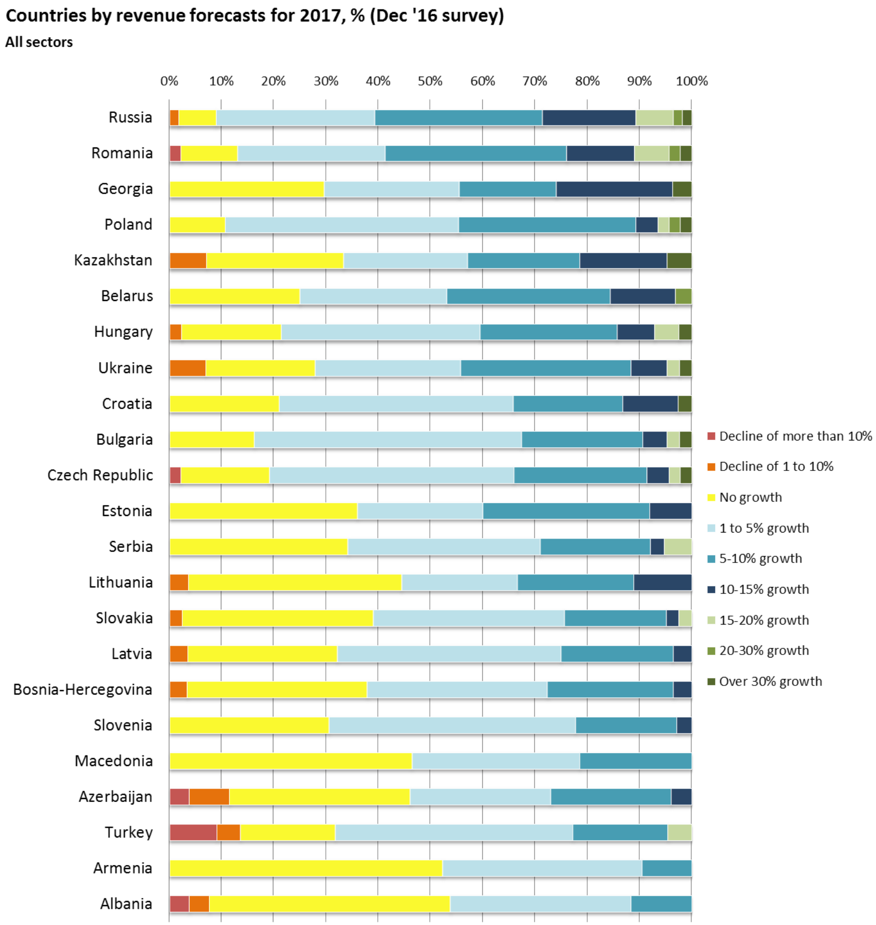
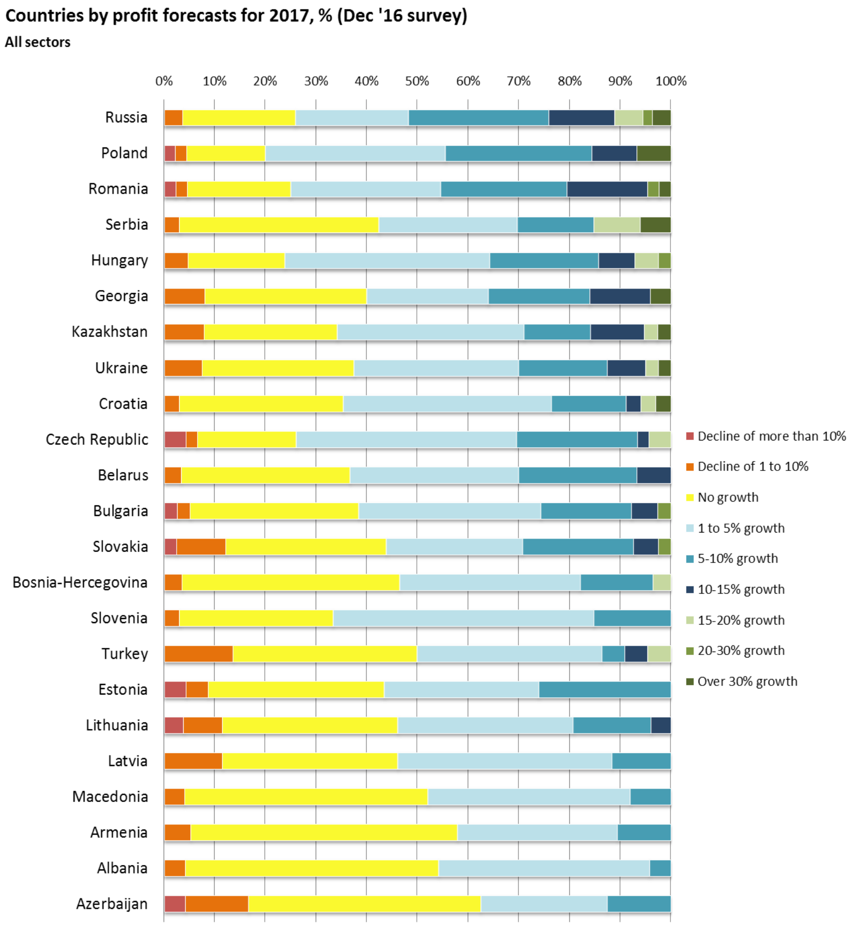
Countries by revenue/profit expectations for 2017

Based on December 2016 survey



Source: CEEMEA Business Group CEE Benchmarking surveys from June and December 2016



Source: CEEMEA Business Group CEE Benchmarking surveys from June and December 2016

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Organic sales growth in Roubles, 2016 and 2017

	All companies		Consumer products		Pharma/health		B2B/industrial	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
20%+	23	15	22	3	8	11	15	30
10%+	27	30	43	42	32	30	25	20
5-10%	20	28	21	32	36	33	35	28
1-5%	9	12	4	16	20	7	19	10
Flat/zero	4	5	4	3	4	4	4	2
Minus 1-10%	8	2	5	1	0	2	2	0
Minus 10%+	1	1	3	0	0	0	2	0

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The economic outlook and numbers

What’s the growth outlook? The new normal

- The GDP growth outlook is luke-warm. The consensus view including from the major Russian ministries is that GDP will rise by 1.5% in 2017 and 2018 and then could creep up to about 1.8% to 2.2% at best
- This is presuming an average oil price in the range of $50-60
- There has been some divergence between the rouble and the oil price BUT if the oil price crashes for any reason to $20-30 per barrel (which is not a central scenario), the Russian economy would be badly hit with deep negative growth
- Many western and Russian commentators argue that the economy needs fundamental reform
- But one wonders how the Russian people would cope with another dose of western/IMF reforms as conducted in the 1990s
- One underlying problem is easy to show: even before Crimea and the oil price slump, investment and industrial, output started to decline in January 2013 and this continued for the next 4 years into 2017
- In previous crises when this happened, the Russian consumer bounced back, rallied the economy and ensured a quick bounce-back recovery after 1998 and 2009
- But this time, due to tight fiscal and monetary policies, the consumer if jaded and tired and not able to act as the motor for the Russian economy
- This is why this time round, the sub-par growth looks like digging in until at least 2022 or to 2025
- This is the real “new normal”

Central Scenario - 2017 economic outlook (oil averages $48-55)

GDP	**1.4%**
Inflation (year-end)	4,3%
Inflation (average)	4,0%
Consumer spending	1.8%
Investment	2.0%
Industrial output	1.7%
Rouble to US dollar average	56-61
Rouble to the Euro average	59-65

Economic scenarios and the rouble for 2017 at different oil prices

Average oil price 2016	GDP	Inflation average	Rouble/US$	Rouble/€
			Average	
$80-85	3.7%	7.5%	43-50	48-52
$70-80	3,0%	6.0%	52-57	50-54
$60-70	2.4%	5.8%	57-60	54-60
$55-60	1.8%	5,0%	60-63	58-62
$50-55	1.3%	4,3%	57-62	60-65
$45-50	0.3%	5.5%	58-63	63-69
$35-45	-1.3%	8.8%	68-75	69-78
$25-35	-2.5%	12.5%	75-82	78-90

Macro-economic indicators 2009-2020

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP	-7,9	4,3	4,3	3,4	1,3	0.6	-3,8	-0,2	1,4	1,8	1,9	2,0
Retail sales	-5,5	6,3	7,2	5,7	3,9	2,5	-9,8	-3,5	2,2	2,6	2,8	2,9
Household spending	-7,6	5,5	6,8	7,9	4,7	1,8	-8,5	-2,6	1,8	2,6	2,6	2,8
Real wages	-2,8	4,4	4,9	8,2	5,2	1,9	-9,5	1,5	2,5	2,7	2,9	3,2
Disposable income	1,0	3,7	2,8	3,7	3,3	2,1	-4,0	-2,0	1,5	2,2	2,4	2,5
Inflation (year-end)	8,8	8,7	6,1	6,6	6,5	11,4	12,9	5,4	4,3	4,3	4,5	5,2
Unemployment rate	7,9	7,6	6,5	5,3	5,5	5,3	5,4	5,8	5,6	5,5	5,4	5,2
Gross fixed investment	-17,9	5,6	9,8	6,0	-0,3	-4,8	-7,6	-2,7	2,0	3,2	3,6	3,7
Industrial output	-10,8	8,3	4,7	2,6	0,3	1,1	-3,4	1,1	1,7	2,3	3,1	3,3
FX reserves ($bn) year-end	447	485	510	528	509	385	370	376	415	425	435	445
Rouble/$ (year-end)	30,3	30,4	32,1	30,4	32,9	58,0	73,0	61,1	61,2	63,5	64,5	66,0
Rouble/Euro (year-end)	43,4	40,0	41,5	40,1	45,1	72,0	78,0	64,0	65,0	67,5	69,0	70,5
Budget balance (% of GDP)	-6,3	-3,5	-0,2	0,0	-0,5	-0,5	-3,5	-3,7	-2,8	-2,6	-2,2	-1,8
Current-account balance (% of GDP)	3,8	4,9	4,9	3,6	1,6	2,7	5,0	2,0	2,8	3,0	2,6	1,9

A review of business sectors

The consumer products sector (1)

- This sector has generally survived well but still faces strong demands for top and bottom line from global HQ
- Many companies are growing rouble sales at 5-15% or less in food and beverages
- Profitability is not bad but promotions are increasing and eating into consumer product (CP) margins
- As a sub-sector within consumer products, those in food & beverages have perhaps trended a bit weaker than FMCG products, personal care and even consumer durables
- Executives say that “We are doing well but … how do we plan a business that gets back to recovery and how do we get out of the crisis mode of thinking and not just by saying it’s not a crisis?
- You cannot operate in survival mode for more than 3 years and you have to create a new mind-set.
- We need better understanding of the customer and more segmentation
- We need to create and understand more value
- We need to understand and position our brands and ask questions about them
- We need to fight off “good enough to have competition” which is moderate quality and priced moderately.

The consumer products sector (2)

- We also need to get out of price wars but watch out: price is becoming king. Low price stores have improved the quality of the buying experience.
- **<u>Whoever is cheap sees their market share rise.</u>**
- Localization in many sectors is critical: “If you don’t have a warehouse, you have to build one”
- Distributors are also getting tired and slightly more strained
- Receivables are good but mildly worse this year
- Small size packaging is important.
- Russian retail have become much tougher in negotiations
- Russian retail has also expanded across the region in recent years
- Western managers complain how tough the retailers are, but also express grudging respect because they “have done a good job”
- Russian retail transformed remarkably at an accelerating pace from traditional to modern over the last 2 years: kiosks and traditional have diminished and we must remember that traditional was more profitable for the suppliers than modern retail

The consumer products sector (3)

- More executives think the Russia consumer is tired
- Until summer 2016, the very strong consensus among MDs in the consumer product sector was that the “Russian consumer is amazingly resilient”
- All accepted that the consumer had changed and wanted much more value
- But the resilience was still a vivid feature of the market
- But from around late summer 2016, many consumer product MDs started to say that the Russian consumer was losing his/her resilience after a very tough 3year period and that this was somehow inevitable
- Thankfully it seems that the mild economic rally and the improvement in real wages is cushioning the worst of this effect
- In spring this year, only 5% of managers thought the consumer had weakened a lot, but 37% pointed to some small deterioration (at manageable levels) and 53% responded that there had been no change with the consumer remining reasonably good. So, some moderation, but not a collapse

The pharmaceuticals and healthcare sector (1)

- Most executives agree that corporate results are very diversified depending on particular sub-sectors:
- Medical equipment sales are challenged and anything sold to government is being cut back or under downward price pressure.
- Reimbursed pharmaceutical sales also face these pressures but top-priority drugs can still perform well and reimbursed pharma is hard but not totally distressed
- Some executives state that reimbursed sales in the regions perform relatively better
- Sales to hospitals and regional/municipal budgets are tight but mixed and some success is recorded here but this is not prevalent.
- Sales to the small private health sector are good or better but these do not compensate for the drops in the sectors mentioned above.
- OTC (retail) pharma was holding the business up for those companies involved in this sector quietly and strongly until about early 2016 when some companies reported the Russian consumer was getting tired even for pharma products and not just FMCG ones.

The pharmaceuticals and healthcare sector (2)

- There have been differing comments about OTC over the last 12 months
- The MD of a major European investor commented: “OTC is the big one for sure, but the OTC sector has changed like other consumer product categories: the consumer is much more careful about how she/he spends; price is very important; our big, premium products do not sell so easily now; we have to look at different consumer segments and more affordable products. This is standard and it arrived in the OTC sector about 15 months ago”
- Conversely while some talk of moderate deceleration, one of the top-10 pharmaceutical investors noted last week in Moscow that “OTC is in fact booming for us”
- The MD of another European firm explained: “We are too dependent on the reimbursed sector in Russia and that has to change. It is simply too risky and we are in the midst of restructuring the portfolio so that up to 50% will be OTC instead of the current 15%”
- Localisation is a particularly complex issue for pharmaceutical companies and executives have struggled with opaque, delayed or confusing legislation relating to what constitutes localisation, what are the practical benefits to those who localise and stemming from these issues, what will be the revenue and profit implications? In other words companies have struggled with understanding what the financial benefit would be of an ill-defined localisation

The pharmaceuticals and healthcare sector (3)

- Companies are also actively assessing the Eurasian Economic Union and whether to register products in Kazakhstan to access the Russian market. Here again, uncertainties have lingered
- These points were summarised by the MD of a US pharmaceutical company: “We are debating at length to what extent we should localise to get into the tenders and are contemplating some manufacturing. But like others, we struggle with the pros and cons and the net benefits. It’s certainly hard to quantify the tangible, profit flows and that’s what headquarters wants to hear and see. Registration issues come in fits and starts and generally it’s been bad news with occasional good flurries. But it’s complicated as well on the ground. I am focussing at the moment on channel partners.”
- The localisation topic stimulated another thought from the MD of a western pharmaceutical company: “There are many changes to the Russian market but I think overall that with increasing localisation, Russia will be one of the “win” markets in the world. Localisation and investments in our sector and overall will mean the market will perform better than expected.

The B2B sector outlook (1)

- The B2B sector struggled the most during the recession of 2014-16 because investment and industrial output was down
- The sector also suffered because the IT and automotive sectors are included in this category and parts of these two industries fell by 30-70% in sales on an annual basis
- Sanctions tended to hurt this sector most and international and domestic financing were badly hit
- But sales and profitability have stabilised and improved for many companies in engineering, chemicals and general manufacturing
- But both the automotive and IT sectors will still need more time to recover to their 2013 levels but some IT firms are now reporting double-digit growth following 2-3 hard years
- In the IT sector, sales to the government are among the most strained
- One piece of good news is that the consensus view for IT sales was upgraded in the closing months of 2016 but the absolute results are still tough although getting close to stabilisation and recovery
- One supplier to the automotive sector stated last week that: “In 2014-15 accumulated we were down -60% and then recovered + 35% in 2016 and are growing at +25% in 2017”
- Some other companies also report an improving auto trend but then others argue that the short-term outlook is still bleak

The B2B sector outlook (2)

- In the B2B sector overall some 50% of companies predict double-digit sales growth this year thanks to rising GDP, growing investment and some rally in exports
- Several firms have already reported 20%+ sales growth in 2016 denominated in $ or Euros and these include companies in chemicals, oil and gas, suppliers to the chemical and pharmaceutical industries., manufacturers of heating systems as well as suppliers to agriculture (the latter is flourishing thanks to import substitution)
- This sector has been impacted very much by localisation and investment as several companies in equipment and engineering stated that “We are growing close to 20% in all currencies thanks to our production plant; without the factory we would be very low single digits”
- Companies have also reported success thanks to diversification of their industrial production while those and others have changed their sourcing strategy to improve costs and relations with the Russian government by purchasing less from western “sanctioning” countries.

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