MACROECONOMIC
Environment in the Russian Federation

The key macroeconomic performance indicators of the Russian Federation are on the rise, the consequences of the 2014–2015 crisis are generally resolved.

Indicator	Period	Value	Change, y-o-y[1], % (unless otherwise stated)	Notes
1. GDP in Russia	2018		+2.3	This indicator showed the maximum increase over the last six years (preliminary estimate, downward revision is possible). Source: Russian Federal Service for State Statistics
2. Industrial production in the Russian Federation	Jan-Oct 2018		+2.8	The main contributors are mining, construction. Source: Russian Federal Service for State Statistics
3. Investments in fixed assets in the Russian Federation	2018	17,595 RUB bln	+4.3	Source: Russian Federal Service for State Statistics (Rosstat)
4. Depreciation of fixed assets in the Russian Federation	2017	47.3%	-0.8 p.p.	The level of 2017 is still very close to the worst level of 49.7% (2014). Source: Russian Federal Service for State Statistics (Rosstat)
5. Electric energy generation[2] in the Russian Federation	2018	1.092 trln kWh	+1.7	The figure reached a record level in the entire Russian and Soviet history (the Soviet high of 1990 was overtopped). Source: System Operator
6. Electrical energy consumption in the Russian Federation	2018	1.076 trln kWh	+1.6	Source: System Operator

Growth in investment demand in Russia noticeably outpaces growth in the global economy

The growth rate of investment in fixed assets in the Russian Federation at the level of + 4.3% (2018, year-on-year) run ahead of both the growth rate of Russia's GDP (2.3% in 2018) and the growth rate of industrial production (2.8% over January - October 2018). The general economic upswing in the country stimulates the demand for engineering equipment, which is an essential component of any investment programme, regardless of the sector of the economy or form of ownership of companies and organisations.

In 2019, investments in the Russian Federation are projected to rise by 2% (according to the Interfax consensus forecast prepared at the beginning of February 2019)[3], in 2020 - by 3.5%, while the Ministry of Economic Development of Russia expects investments will rise by 3.1% in 2019 and will reach 7.6% in 2020.

The Russian economy reached record levels of electricity generation and consumption at last year end, as observed even amid the much wider use of energy-saving technologies in investment programmes (compared to the Soviet period), whereby bearing another evidence of a real economic growth in the country.

High depreciation of fixed assets is still a very urgent issue for Russia.

The depreciation of fixed assets in the Russian Federation at the end of 2017 was estimated at 47.3% (according to Rosstat)[4]. This value is still very close to the worst level of 49.7% recorded in 2014. In addition to the construction of new production facilities, Russian enterprises are forced to heavily invest in the renewal of existing fixed assets, involving advanced engineering and technological solutions.

1. y-o-y - year-on-year.
2. Source:http://www.yuresk.ru/about/press-service/news/industry-news/12487
3. Source:https://www.interfax.ru/business/652970
4. Source:http://www.gks.ru/free_doc/new_site/business/osnfond/STIZN_ved.htm

Actual import substitution

Russia continues to implement import substitution programmes or at least to offset imports with local products. For example, Rosseti and FGC, the largest Russian users of electrical equipment, as of 2018 already succeeded in reducing the import ratio in procurement to below 15%. In addition, Rosseti presses for bringing this figure down to 5% by 2030[1]. In the first instance, this trend offers advantageous conditions for those domestic companies of the electrotechnical market, which managed to begin mass production of their own engineering equipment. Evropeyskaya Elektrotekhnica is one such company.

A significant trend for the domestic market is an increased number of major customers imposing strong requirements on suppliers of engineering products within the framework of import substitution and the availability of their own production facilities for the admission to participation in procurement procedures. In June 2018, the Company was awarded a nomination the Leader of Import Substitution according to 2017 results in the framework of the annual all-Russian award "Leader of Competitive Sales" participated by 450 domestic suppliers from various industries.

THE MARKETS
of Engineering and Process Equipment in Russia: current state and trends

The market of engineering solutions and services in Russia as of 2018 was at a relatively early stage of development and consolidation, unlike with the level reached by Western and Eastern developed economies.

This is true for individual segments of the market - for example, for energy and electricity supply solutions. An eloquent fact: in Russia, there are about 5 thousand organisations engaged in the production and assembly of low-voltage complete devices.

Moreover, engineering is one of the most important sectors and its intensive development can facilitate the transformation of the national economy from the raw material model to the model processing and producing high-tech products/services.

According to the Ministry of Industry and Trade of Russia, the volume of the domestic engineering market was slated to reach RUB 2.8 trln by 2018. From the level of 2013 (RUB 1.5 trln), the market had to grow at an annual rate of 13.3% (CAGR). Simultaneously, the share of EPC(M)-contracts[2] in the home market scheme was supposed to rise to 25-30%.

1. Source:https://www.vedomosti.ru/business/articles/2018/12/26/790458-tsifrovizatsiya-setei
2. “EPC (M)” is adopted to denote the following terms of engineering contracts in international practices: Engineering, Procurement, and Construction (Management).