

Russia Calling! Investment Forum

Vladimir Putin took part in the plenary session of the Russia Calling! forum.

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The 15th VTB Russia Calling! Investment Forum is being held in Moscow on December 4–5, 2024. Its main theme is The Future of Capital and the Capital of the Future.

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President of Russia Vladimir Putin: Good afternoon, ladies and gentlemen, colleagues,

I am delighted to welcome the heads of leading Russian and foreign companies, investors and experts to Moscow. The Russia Calling! forum has once again brought together representatives of business communities from dozens of countries to help them make new contacts, map out promising projects, and of course, discuss the key trends in the global markets and the Russian economy.

I would like to begin with the situation in Russia.

As you are aware, our entrepreneurs, companies and entire industries faced serious challenges in 2022 as a result of actions taken by, let me put it mildly, some countries or more precisely, their leading elites. These countries have shown themselves to be unreliable partners. Many industrial and logistics chains, as well as cooperative ties that took decades to develop, have been endangered or even disrupted.

We often hear people from the political, military, or economic fields say that these countries set the task of inflicting a strategic defeat on Russia, including

in the economy and technology, to drastically weaken our country's manufacturing industry, finance and services, to create an insurmountable shortage of goods on our market, to destabilise the labour market, and to lower the living standards of our citizens. It is obvious that these plans have failed to materialise. Following a challenging period, the Russian economy has not only fully recovered, but is also living through qualitative structural changes, which is vitally important and, perhaps, is the most important outcome of our work in the economy over the past two to three years.

Russia's technological, production and logistics potential is making strides. Ties with promising partners are getting stronger.

Last year, Russia's gross domestic product grew by 3.6 percent, which is a well-known fact, and increased by 4.1 percent in January-October of this year. The growth mainly comes from the manufacturing industries and sectors with high added value. Thus, in a matter of ten months, our manufacturing industry has grown by more than eight percent, 8.1 percent to be precise. The automotive sector and mechanical engineering are growing faster than other sectors. The inflow of specialists to the high-tech sector with high added value and skilled jobs is increasing as well. In September, the number of the IT employees grew by 8.1 percent year-on-year, and by almost four percent – 3.9 percent – in the manufacturing industry.

Fall in unemployment in the regions where it was traditionally high and growing employment rates among young people under 25 is indicative of the structural changes in the labour market. We are aware, though, that youth unemployment is a problem in many countries around the world. We have it, too, or, rather, used to have it. The youth unemployment rate is below nine percent, although at some point, and even recently, it ran as high as 20–25 percent in some regions of the country. Overall, Russia has a record-low unemployment rate of just 2.3 percent. Compared to the majority of the world's leading and developing economies, this figure is minimal.

For example, in many European nations, it stands at seven percent or higher, whereas in our country, I reiterate, it is slightly above two percent. As a comparison, to back up my statement: it is 7.6 percent in Italy, 7.3 percent in France, a little less in Canada – 5.4 percent, 11 percent in Greece, eight percent in Brazil, and 7.6 percent in Sweden.

The economic upswing has a positive effect on the budget system. From January to October this year, the country's consolidated budget surplus, inclusive

of extrabudgetary funds, amounted to approximately 2.5 trillion roubles. Meanwhile, spending – I want to emphasise this, and I believe that people present here understand what I am talking about – amounted to less than 35 percent of GDP, on a par with the 2021 levels. This evidences that both the Government and the Central Bank are pursuing a well-balanced strategy indeed. It means that, given the objectively increased spending on certain budgeted items, we are generally not padding public spending but working instead on enhancing its efficiency and following a responsible approach to budget management.

Our goal is to hold firm to the trajectory of long-term sustainable economic development, ensuring quality investment dynamics in the real economy by upgrading industrial facilities and boosting labour productivity. This is, clearly, the overall strategy of our development.

At the same time, obviously, it is imperative to avoid any misalignment in key macroeconomic indicators and prevent sectoral imbalances, which undeniably includes the necessity of controlling inflation. So far, as you are aware, it remains at a relatively high level, including when compared to the countries I've already mentioned. Our rate stands at 8.8 percent year-on-year. To achieve positive results here, coordinated joint efforts by the Government and the Bank of Russia are required. I would like to stress that this is not just a recommendation or a proposal – this is a guide to action, as I see it. Actually, our colleagues from the Central Bank and the Government understand this perfectly well, and coordination is in place.

It is crucial to correctly and wisely use all economic policy instruments in the fight against inflation, avoid any structural misalignments, including potential risks of increasing income disparity among citizens and reducing the revenue base of Russia's regions.

As I have already mentioned, the primary, fundamental response to the inflation challenge would be, undoubtedly, to increase supply of goods and services on the market so that their volume meets the domestic demand, both from citizens and businesses that are planning to upgrade and expand their production, expand their capacities, invest in construction, in purchasing equipment and implementing development projects.

In this regard, I would like to ask the Government to more clearly set the priorities concerning support measures for industries from the federal budget, and to continue

fine-tuning the legal framework and removing excessive administrative barriers for businesses.

All these mechanisms must primarily work to expand production, open new production facilities, and strengthen Russia's technological sovereignty. Yes, we must remember that we are operating under the objective conditions of inflation containment, adopting tough approaches to our budgetary policy, and we must adjust our credit policy accordingly.

I would like to note that since August, the retail lending portfolio has essentially stopped growing. At the same time, corporate lending continues to grow. I think there is no need to explain to this audience that in general, this is the result we have been aiming for, including when it comes to containing inflation. Corporate loans are still growing, which means that companies are implementing their investment plans, and in retail lending, of course, there has been a certain decline. And it was exactly the goal the financial and economic authorities have been trying to achieve.

I would like to ask my colleagues to closely monitor the dynamics and to work on preventing sharp fluctuations or decrease in the banking system's loan portfolio, and also to ensure such portfolio structure, including loan terms, industries and sectors of the economy that are raising loans, that contributes to solving strategic tasks and achieving national development goals.

It is also important to pay attention to debt-laden companies with public ownership. We have been discussing this with the colleagues lately. The debt burden has significantly increased recently. Of course, we need to take into account the large-scale investment programmes of state corporations, as well as the social functions they perform. I will not go into details here. My Russian colleagues understand perfectly well what I am talking about.

I have already instructed the Government and the Bank of Russia to make a decision on managing loan portfolios of partially government-owned companies, so as to prevent an excessive debt burden and imbalance in the corporate lending market to the detriment of other industries and companies.

Please keep in mind that for many small and medium-sized companies, which are playing an increasingly prominent role in the economy, the availability of borrowed

funds is crucial for investment. We have set a very specific goal – by 2030, we need to see investment in Russia rise 60 percent, in real terms, against the 2020 level.

Despite current challenges, Russian businesses continue to invest in fixed assets. Their investments continue to grow for the third year in a row despite all the problems we are facing or those that outside players have been trying to create for us.

I will cite a few figures. In 2022, investment grew by 6.7 percent; in 2023, the growth was 9.8 percent, and a similar pace was maintained in January-September 2024, up 8.6 percent.

To support businesses' motivation to invest in development, to expand production capacities and create jobs, we will certainly continue to strengthen the capital market and help companies list their shares on stock exchange. By the end of the decade, the Russian stock market capitalisation should approximately double, reaching two-thirds of GDP.

I would like to note that this year alone, Russian companies completed 19 initial and secondary public offerings of their shares and were able to raise 102 billion rubles.

This is a good result indeed, but still insufficient on a national scale. To reiterate, the Russian capital market should be more actively involved in funding development projects and structural changes in our economy.

The Government and the Central Bank need to prepare a package of additional incentives for issuers of shares to make initial stock market listing a more attractive step. Among other things, it is necessary to stimulate the demand for securities, ensure effective protection of investors' rights and companies' information transparency.

In this connection, I would like to remind you that relevant instructions have already been issued in this regard, and we need to step up this work.

Colleagues, there is another matter I would like to point out.

Most of the entities entering stock market are small companies, while many large businesses, industry leaders, are not yet listed. This means that measures to support issuers should both take into account the needs of small businesses, promising

startups, and encourage large businesses to place their shares.

For example, state subsidies or preferential loans for large businesses could be made conditional on their stock listing. This seems quite fair. Of course, we also invite investors from friendly countries to our stock market. As I have said more than once, Russia is part of the global economy, and we welcome reciprocal capital flows.

At the same time, we are making an emphasis on domestic sources of funding, so that our people and retail investors have an opportunity to invest their resources and earn money inside the country. These investments and their profitability would be no less attractive than opening bank deposits. Today, according to experts, over 32 million Russian citizens are interested in buying securities. The total volume of their assets exceeds nine trillion rubles.

In the last few years, important decisions have been made to ensure the influx of long-term money into the market and expand the range of relevant instruments. This year, a programme was launched to support voluntary long-term savings. Relevant contributions are insured and co-financed by the state, and a tax deduction can be obtained for the funds contributed. As of November 22, over 2.1 million depositors joined the long-term savings programme bringing in 145 billion rubles.

Let me remind you, that we have a more ambitious goal set in this respect: in 2026, the total amount of funds raised under the programme has to exceed one percent of GDP, that is constitute at least 2.3 trillion rubles, and to steadily grow onward.

I will add that type 3 individual investment accounts were introduced this year to accumulate citizens' funds. They can be used for long-term investment and to conduct transactions on stock market while receiving tax benefits.

I suggest expanding the functionality of this instrument for the investor to be able to choose an account for dividends on shares registered on their individual investment accounts, that is, to use the income received as they see fit and, importantly, at any time. Of course, a regulatory instrument like this will increase potential investors' interest in this work, in this case, together with the state.

I would also like to note that co-financing of life insurance will be launched on January 1, 2025. In fact, it is a combination of conventional insurance

and investment, where a citizen simultaneously invests funds in assets, in shares, receives return on them, and at the same time insures their life and health. As we agreed, it is necessary to guarantee the return of these funds and provide for the amount of 2.8 million rubles to be guaranteed by the state.

In addition, tax incentives should be offered, primarily tax deductions on the amounts contributed. I would like to ask to draft relevant federal laws and adopt them in the near future.

Let me also add that there is a proposal to create a financial mechanism that would become a family savings instrument, allowing all working family members to receive a tax deduction. Accordingly, the amount of funds eligible for such a deduction should increase to at least one million rubles per year. I ask the Government and the Bank of Russia to determine the parameters for this family support mechanism and implement these decisions.

Colleagues,

The Russian banking system and stock market are developing dynamically on the basis of modern technologies. Approximately three-quarters of our adult population now use cellphones and the internet to transfer funds from their bank accounts and access various financial services. More than 80 percent of payments for goods and services within our economy are conducted via bank transfers.

At the same time, the Bank of Russia is gradually introducing the digital ruble. As part of a pilot programme, replenishing funds and making digital ruble transfers between individuals and legal entities have been tested. This project already involves over 9,000 citizens and 1,200 companies, with numbers continuing to rise. As agreed, from next year, digital ruble settlements will be mandated for use within the federal budget system, and by July 1, 2025, it will be available nationwide.

Here I would like to say a few words about the use of the ruble in international settlements. We continue to develop the necessary infrastructure to facilitate these transactions, making them more efficient for businesses and reducing related costs. Among other measures, we plan to introduce an experimental legal regime that will enable banks to fine-tune methods for remote client identification, while of course ensuring full compliance with anti-money laundering regulations.

Furthermore, we will adopt a flexible approach to tax registration of non-residents, following a model already successfully employed by our banks when opening accounts for such companies. I ask the Government to speed up the drafting of the necessary documents and call on the State Duma to ensure their swift adoption in the coming months.

It is worth noting that the level of digitalisation in Russia's financial services sector exceeds the global average, a testament to the high technological capability of this sphere of our economy. This confirms that Russia's financial sector is forward-looking, capable of setting ambitious goals, and proactive in its approach.

Experts forecast that the introduction of national digital infrastructure in the financial sector will be one of the key long-term drivers of global economic growth. While some jurisdictions, such as the European Union, Australia, and Singapore, are still in the process of developing certain elements of this infrastructure, Russia has already successfully implemented all of its components, which are operating efficiently. This is not only a significant achievement for our developers and specialists, but also a substantial competitive advantage of our economy, providing a powerful lever for its development in the global context.

Russia's leadership in financial technologies positions us well to forge flexible partnerships with foreign counterparts, promote integration projects, and leverage the complementary strengths of our respective economies. I am also referring to the investment platform we are developing with our BRICS partners. This work is in its early stages but all the parties involved agree on its potential benefits and good prospects. It is expected to become an important instrument for supporting our economies and providing financial resources to the countries of the Global South and East.

The rapid development of information technologies, which Russia is currently demonstrating, alongside our advanced solutions in the financial sector, will significantly contribute to the growth of this platform and play a key role in its success, which – I have no doubt – will be achieved. This success is essential for the further development of international business cooperation, the increase of mutual investments, and the creation of new production chains.

In this context, allow me to offer a few words on the investment climate in Russia. As you are aware, the World Bank is no longer operating in our country, therefore, it is

unable to assess the domestic business environment. However, other independent bodies are fully capable of doing so. We undoubtedly possess the necessary intellectual potential.

This year, the Russian Agency for Strategic Initiatives (ASI) evaluated the business climate in our country and compared the results with those of other nations. In its new ranking, the ASI used the same methodology as the World Bank did. Over 800 criteria were taken into account, ranging from the process of starting a business to addressing insolvency issues.

The study has shown that Russia is among the global leaders in terms of investment climate. Moreover, Russia is ahead of all other nations in terms of the strength of its regulatory framework and the quality of public services. In specific areas such as business registration and real estate management, the country confidently ranks second.

Of course, certain areas still require additional efforts. We see and understand this, and we are fully aware of the need for further work. These efforts will be necessary from the Government, regional authorities, and the business community at large, with which the Government maintains constant contact. I am referring to the development of labour relations, the simplification of international trade procedures, rules of international trade, and the integration of engineering infrastructure. Significant progress has already been made in these areas, but there is still work to be done. Additionally, some other issues require our special attention.

I am sure our colleagues will organise comprehensive work and, in cooperation with the business community, will make significant progress in the near future.

Friends,

Russia is uniting the efforts of the state, society, and business to strengthen its economic sovereignty, achieve technological leadership, develop a sustainable, nationally focused banking system, and build a robust financial market. We extend an invitation to foreign partners from all countries who are interested in engaging with us in this endeavour in cooperating with us in this area. Such aspirations will, of course, be supported at all levels of government within the Russian Federation.

Thank you for your attention. I wish you all the best.

To be continued.

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