



## **Novosibirsk Region**

A look at the region's business  
and innovation potential

Deloitte CIS Research Centre

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# Introduction



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Managing Director  
Novosibirsk Office, Deloitte CIS

We are delighted to share with you the results from our research into the business and financial environment of the Novosibirsk Region.

The report prepared by the Deloitte CIS Research Centre focuses on the key economic trends in the region, offering insights into:

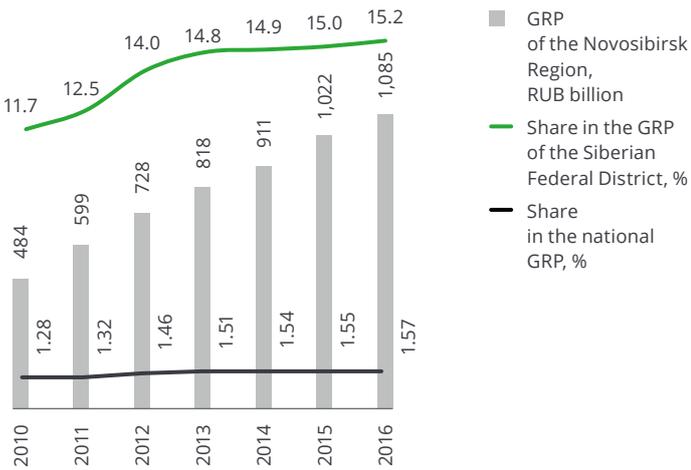
- The macroeconomic environment
- Innovation and investment
- The market potential for youth tourism
- The existing environment for SMEs and large-sized businesses in the region

If you have any questions concerning this report, please contact us at: [cisresearchteam@deloitte.ru](mailto:cisresearchteam@deloitte.ru)

# Key economic figures

## Gross regional product

### GRP dynamics



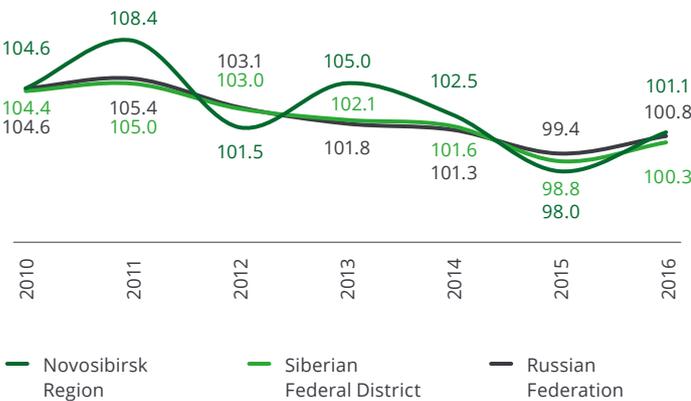
Over 2010–16, the Novosibirsk Region saw its share in the Siberian Federal District's GRP and the national GDP grow by 30 percent and 22 percent, respectively.

In 2016, the GRP of the Novosibirsk Region increased by 6.2 percent to RUB 1,085 trillion.

*"In 2016, the increase in GRP was primarily driven by the support measures for the manufacturing industry and the agroindustry."*

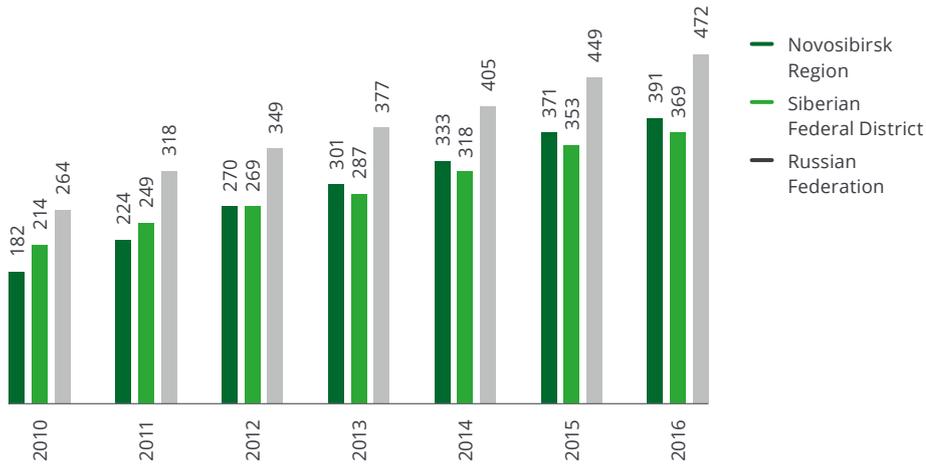
**Vladimir Gorodetsky**  
 Presidential Plenipotentiary Envoy  
 for the Siberian Federal District

### YoY GRP index in unit terms (%)



After a slight decline driven by the overall national trend in 2015, the Novosibirsk Region demonstrated a growth of 1.1 percent in GRP in 2016

**GRP per capita, RUB thousand**



While continuing behind the national level, the Novosibirsk Region's GRP has been outpacing that of the Siberian Federal District by 3–5 percent on average since 2012.

In 2016, the Novosibirsk Region's GRP per capita was RUB 391 thousand.

**GRP forecast for the Novosibirsk Region**

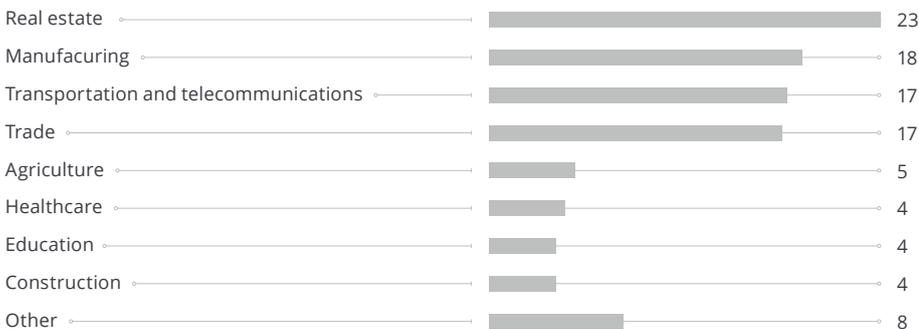
Indicator	2017*	2018	2019	2020
GRP in current prices, RUB thousand	1,113	1,192	1,282	1,390
GRP per capita, RUB thousand	399	426	456	492
GRP index, %	100.0	102.1	102.9	104.1

\*Expected GRP

Source: Novosibirsk Region Government Resolution Socio-economic development of the Novosibirsk Region for 2018 and the planning period from 2019-20 dated 3 October 2017

Based on an optimistic scenario up to 2020, the regional government expects the GRP to grow by 2–3 percent annually.

**GRP by industry, 2016 (%)**

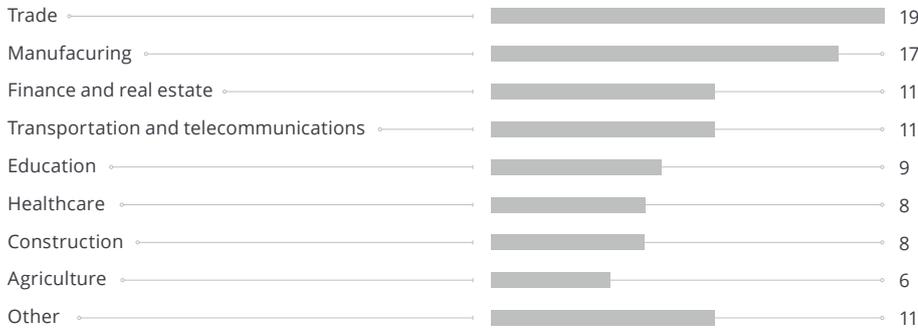


Real estate (23 percent), production (18 percent), transportation and telecommunications (17 percent), and trade (17 percent) account for almost 75 percent of the Novosibirsk Region's GRP.

Source: Russian Federal Statistics Service for the Novosibirsk Region

**Labor market**

**Employment by industry, 2016, %**



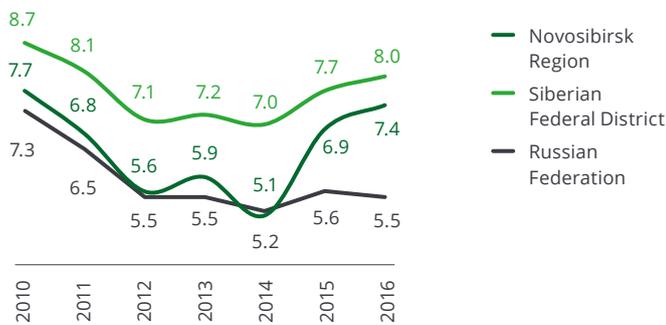
Trade (19 percent) and production (17 percent) are the industry employment leaders in the Novosibirsk Region, employing almost every third person of the working population in the region.

With a GRP of RUB 1.6–1.7 million per person employed, the mining, finance, and real estate industries are significantly outperforming the other industries. The Novosibirsk Region has an average GRP of RUB 806 thousand per employed person.

**Gross added value per person employed, 2016, RUB thousand**

Industry	Value (RUB thousand)
Finance, real estate, leasing and services	1,674
Mining	1,670
Transport and communications	1,247
Manufacturing	825
Wholesale and retail; repair services (cars, motorcycles, domestic appliances, personal items); hotels and restaurants	737
Power, gas and water generation and distribution	714
Agriculture, hunting, forestry, fishing and fish farming	673
Public administration and military defense; social security	572
Healthcare and social services	458
Construction	402
Education	382
Other utility, social and personal services	269

**Annual average unemployment (%)**



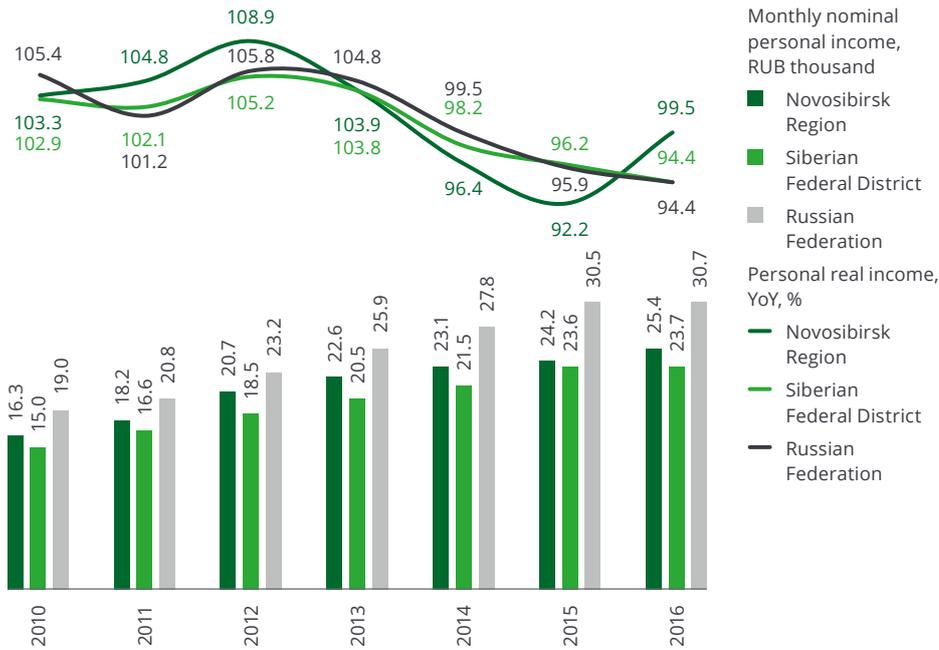
Since 2015, the Novosibirsk Region has seen an emerging growth in unemployment. However, this growth is notably lower than the average unemployment level across the Siberian Federal District.

Source: Russian Federal Statistics Service, including the regional office for the Novosibirsk Region



In 2017, the Novosibirsk Region was ranked 26th among other regions in terms of national living standards

**Household real and nominal income**

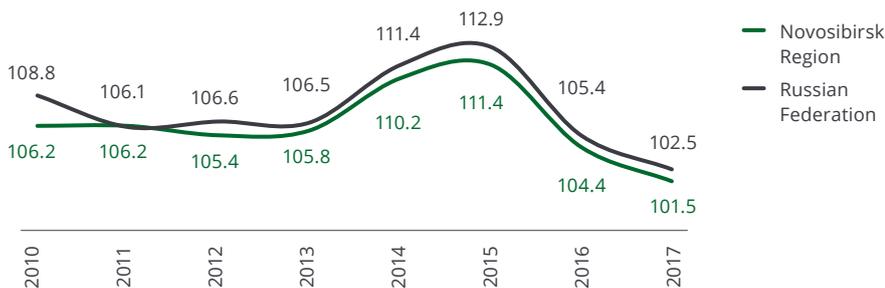


Over 2010–16, the Novosibirsk Region generally continued at 8 percent ahead of the Siberian Federal District in terms of average household income per capita.

In 2016, the Novosibirsk Region had a nominal household income of RUB 25.4 thousand.

Households in the Novosibirsk Region have seen their income decrease since 2013, in line with the overall national income.

**Consumer price index, 2010–17, %**



In 2017, the Novosibirsk Region saw an annual inflation of 1.5 percent, one percent lower than the average inflation across Russia. This is also significantly lower than the year before.

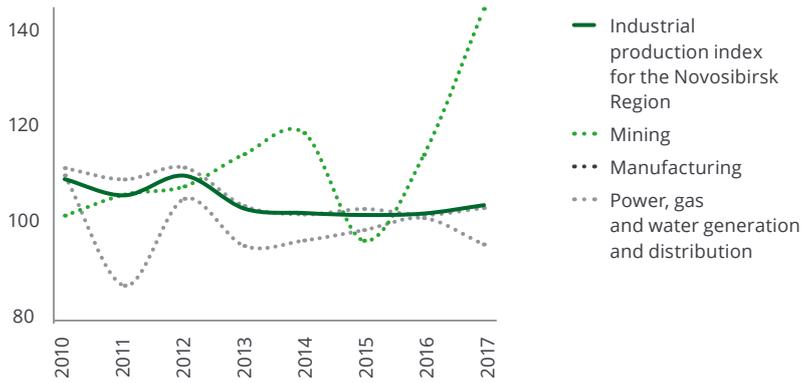
Inflation in the Novosibirsk Region, 2017	
Food products	0.5%
Non-food products	1.0%
Paid services	4.3%

Source: Russian Federal Statistics Service, including the regional office for the Novosibirsk Region; RIA Novosti: 2017 living standards ranking across the Russian regions

**Business**

**Production sphere**

**Industrial production index and its components, %**



In 2017, the Novosibirsk Region saw its production continue to recover, with an industrial production index of 2 pp higher than the national index.

In 2017, the mining industry recorded a rocketing growth with an index of 141.6 percent (this was primarily due to the fact that coal production increased by 68 percent). It came against the backdrop of almost no minerals being produced in 2016. In fact, the region generally has low minerals production output.

**Industrial production (%)**



**Mining (%)**



**Manufacturing (%)**

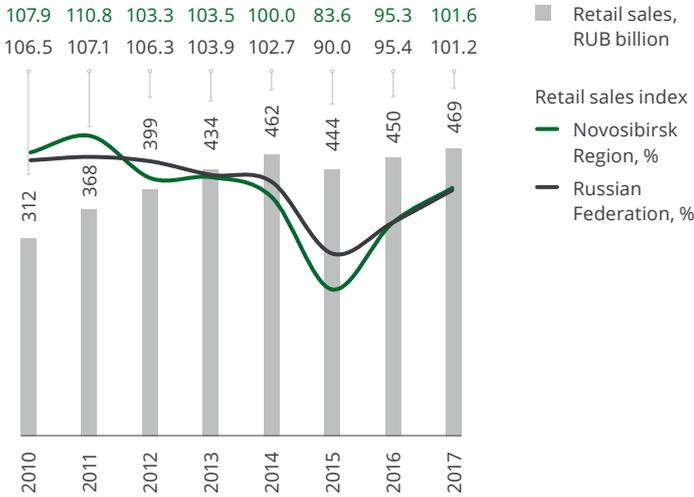


**Power, gas and water generation and distribution (%)**



Source: Russian Federal Statistics Service, including the regional office for the Novosibirsk Region

**Retail sales**



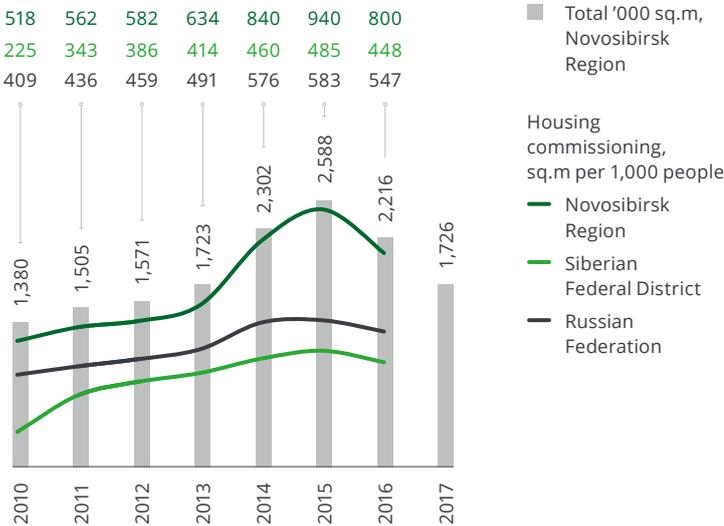
In 2016–17, the retail industry in the Novosibirsk Region rebounded after a slowdown in 2015, reaching RUB 469 billion in sales.

In 2017, the retail index was 101.6 percent in unit terms, a slight increase by 0.4 pp on the national index.

*“It is really important that household real income has taken off, boosting retail sales. This factor is highly critical when it comes to kick-starting overall economic recovery.”*

**Olga Molchanova**  
**Minister for Economic Development in the Novosibirsk Region**

**Dynamics of housing commissioning**



The Novosibirsk Region has seen a persisting downward trend since 2016, which is in line with the national trend.

Based on housing completion rates per 1,000 people, the Novosibirsk Region outperformed the Siberian Federal District and Russia as a whole by an average of 1.5–2 times.

Source: Russian Federal Statistics Service, including the regional office for the Novosibirsk Region

## Foreign trade



The regional government has been actively using geographic advantages, developing and strengthening commercial relationships across the largest foreign markets for the region. China and Kazakhstan are the major trading partners for the Novosibirsk Region.

### Novosibirsk Region: Top 5 export destinations

Country	Overall exports, 2016–17, mln USD	Share in exports
China	571	16%
Kazakhstan	563	16%
Ukraine	483	14%
India	271	8%
Germany	262	7%

### Top 9 national export destinations in 2017

Country	Share in exports
China	11%
The Netherlands	10%
Germany	7%
Belarus	5%
Turkey	5%
Italy	4%
South Korea	3%
Kazakhstan	3%
Poland	3%

### Novosibirsk Region: Top 5 export categories by product

Export category	Overall exports, 2016–17, mln USD	Share in exports
Mineral fuel, oil and petroleum products	1,102	31%
Equipment and mechanical devices	1,088	31%
Electric machines and equipment	277	8%
Inorganic chemistry products	87	2%
Other chemicals	82	2%

In terms of leading export destinations, the Novosibirsk Region is different from Russia as a whole, which is primarily due to higher exports to Kazakhstan (+13 pp) and China (+5 pp).

Mineral fuel and equipment/mechanical devices account for more than half of the total exports from the Novosibirsk Region (62 percent). In 2016–17, total exports in these product categories exceeded USD 2 billion.

**Top 5 importers to the Novosibirsk Region**

Country	Overall imports, 2016–17, mln USD	Share in imports
China	1,332	40%
France	375	11%
Kazakhstan	323	10%
Belarus	187	6%
USA	164	5%

**Top 9 importers to Russia in 2017**

Country	Share in imports
China	21%
Germany	11%
USA	6%
Belarus	5%
Italy	4%
France	4%
Japan	3%
South Korea	3%
Kazakhstan	2%

**Novosibirsk Region: Top 5 import categories by product**

Import category	Overall imports, 2016–17, mln USD	Share in imports
Equipment and mechanical devices	476	14%
Ferrous metals	336	10%
Overland vehicles	239	7%
Electric machines and equipment	239	7%
Plastic materials and related products	174	5%

China accounts for almost half of the imports to the Novosibirsk Region (40 percent), which is almost twice as high as the national imports from this trade partner.

France and Kazakhstan also enjoy notably higher shares in imports (+7 pp and +8 pp, respectively), compared to their overall shares in imports to Russia.

The Novosibirsk Region primarily imports equipment, ferrous metals, and overland vehicles. The top 5 import categories for 2016–17 totaled almost USD 1.5 billion.

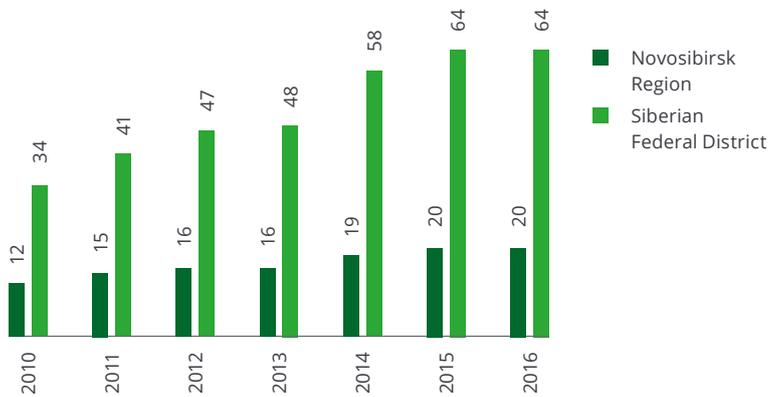
**Innovations**



In the national rating of innovative Russian regions for 2017, the Novosibirsk Region came fifth, entering the “Strong innovators” category. The region’s top achievements are in R&D (fourth place) and innovation activity (third place).

Source: Association of Innovative Regions of Russia

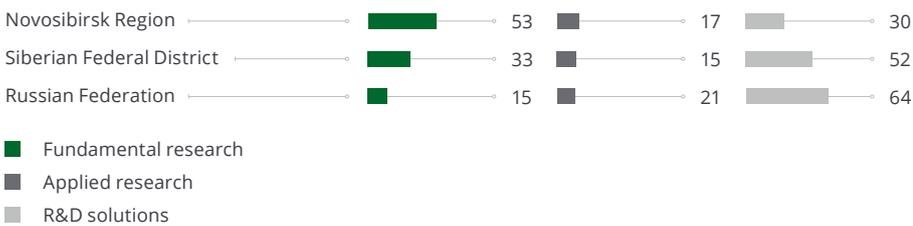
**Regional R&D investment, RUB billion**



In 2016, R&D investment was RUB 20 billion, almost twice as high as in 2010.

The Novosibirsk Region accounts for a third of the R&D investment across the Siberian Federal District, coming first in the region and sixth in the Russian Federation.

**Internal R&D investment in 2016 by activity, %**



Fundamental research represents the largest portion of R&D investment in the Novosibirsk Region, which is 20 pp and 38 pp higher than in the Siberian Federal District and Russia as a whole.



Over 2010–16, investment in R&D solutions in the Novosibirsk Region grew significantly, going from 19 percent to 30 percent

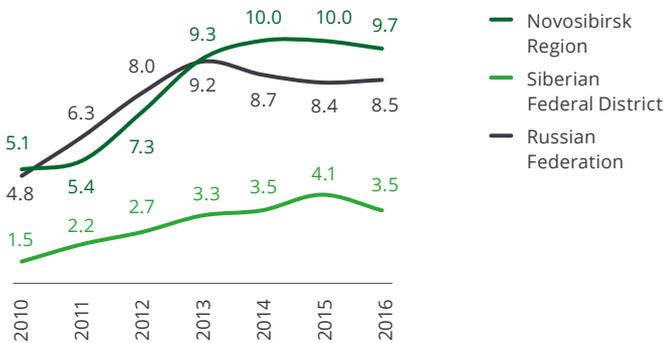
**Share of hi-tech and R&D-intensive industries in GRP (%)**



In 2016, hi-tech and R&D-intensive industries accounted for almost a fourth of the GRP in the Novosibirsk Region (22.6 percent)

Source: Russian Federal Statistics Service

**The share of innovative products in the total amount of goods, work, and services provided (%)**



Over 2010–16, innovative products and services saw a growth in their share in the total products and services in the Novosibirsk Region.

It is noteworthy that being three times higher, this share puts the Novosibirsk Region ahead of the Siberian Federal District.

**Innovation intensity ratio\***



**The share of innovative products in the total goods, work, and services for industrial use in 2016**

Russian Federation	8.4%
Siberian Federal District	3.2%
Novosibirsk Region	11.2%

With an innovation intensity ratio of 74 percent above the average across the Siberian Federal District, the Novosibirsk Region leads the Siberian Federal District.

\*The innovation intensity ratio is the number of national patent applications submitted in Russia per 10,000 people

 The Novosibirsk Region accounts for 27 percent of the patents granted in the Siberian Federal District

**In 2016 the Novosibirsk Region issued:**

**428** patents for inventions

**202** patents for utility models

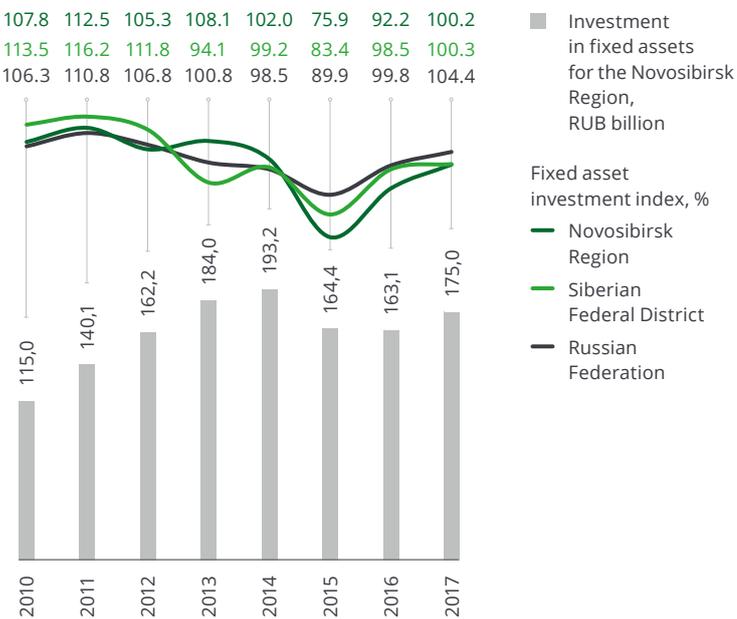
**55** patents for industrial designs

## Investment



In 2017, Expert RA assigned a rating of 2B to the region. In terms of investment potential, the Novosibirsk Region is ranked 16th (medium potential) and 23rd (moderate investment risk).

### Investment in fixed assets



The 2015–2016 downward trend in fixed capital investment seen in the Novosibirsk region and across Russia reversed in 2017.

### Government initiatives for supporting investment projects in the Novosibirsk Region

#### Subsidies

- **1/2 of the CBR's refinance rate** – an interest rate credit subsidy.
- **25 percent of lease payments** – a subsidy for lease payments made by an investor.
- **25 percent of expenditure** – a subsidy for costs incurred as part of investment projects in pre-school education, extra-school education, physical education, culture, and sports.
- **25 percent of expenditure** – a subsidy for costs incurred to acquire new production equipment for an investment project.

#### Tax benefits

- **Zero percent tax rate** on property used for a project, instead of the standard rate of 2.2 percent.
- **13.5 percent** – a reduced corporate tax rate, instead of the standard rate of 18 percent.

#### Government guarantees in the Novosibirsk Region

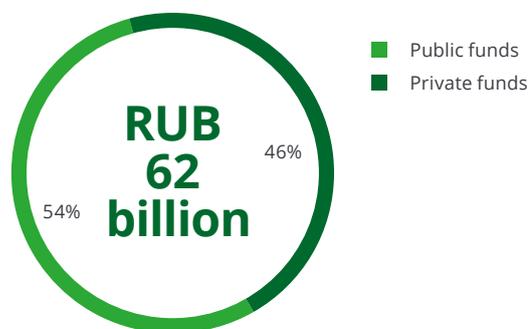
- **100 percent of funds raised for an investment project** are guaranteed by the Novosibirsk Region as a security for obligations incurred by investors as part of their investment projects.

## Largest investment projects in the Novosibirsk Region

Project originator	Project name	Commissioning year	Investment, RUB million	Social impact (new jobs)
<b>Ongoing investment projects</b>				
Ministry of Transport and Road Infrastructure for the Novosibirsk Region	Construction and operation of a river crossing over the Ob River	2021	41,000	n/a
Siberian Anthracite, JSC	Capacity expansion of up to 9.5 million tonnes for CJSC Siberian Anthracite	2020	17,316	1,043
RusAgroMarket-Novosibirsk	Construction of a wholesale and distribution center	n/a	16,703	2,481
Siberian LPK, OOO	Construction of a timber-processing complex with enhanced processing	2018	8,508	3,075
<b>Investment projects in the pipeline</b>				
Barabinsk Refinery, OOO	Construction of an oil refinery with a capacity of 3 million tonnes	n/a	80,365	600
Volver Company, TOO (Kazakhstan)	Sibirskiy, a warehousing complex	2021	10,540	4,000
Transservis, AO	Zapovedniy Les, a forest park	2024	10,055	1,404
Barabinsk AgroPromKompleks, ZAO	Production of import-substituting products with the use of innovative industrial cereal biotechnology	n/a	8,567	n/a

Source: Ministry of Economic Development for the Novosibirsk Region (State Register for Investment Projects in the Novosibirsk Region)

## Public-private partnership



As of February 2018, the Novosibirsk Region had 50 projects of RUB 62 billion\* running based on public-private partnerships (PPP) and municipal-private partnerships (MPP), with 46 percent of investment coming from private investors.

\*Projects with an investment value disclosed as according to the register



The Novosibirsk Region has two companies that along with the other 60 companies, have become part of the National Champions program. The program is run by the Russian Ministry for Economic Development to support hi-tech growth leaders in the private sector.

### SKTB Katalizator, AO

**Business:** Materials and chemicals

**Key clients/partners:** chemical, petrochemical, oil refining companies from Russia, the CIS, China, the United Arab Emirates, Europe and the USA. In 2016, Katalizator earned a revenue of RUB 2,220 million, with an annual growth of 105 percent over 2011–16.

### Eltex, OOO Business

**Business:** Electronics and instrumentation

**Key clients/partners:** Rostelecom, RZhD, the Russian Ministry of Defense. In 2016, Eltex earned a revenue of RUB 3,527 million, with an annual growth rate of 26 percent over 2010–16.

## Technoparks

Technopark	Objective	Investments	Taxes	New jobs
Novosibirsk Akademgorodok Technology Park (Academpark)	Translate scientific outputs into industrial technology	RUB 11.6 billion	n/a	5,540
Biotechnopark Koltsovo	Provide innovative biotech companies with space and infrastructure	RUB 1 billion	RUB 0.6 billion	53
Innovation Medical Technology Center (Medtechnopark)	Shorten the design-to-implementation cycle for innovative medical technology, services, and products	RUB 1.6 billion	n/a	700
Industrial Park "Ekran"	R&D-intensive production, including enhanced cost efficiency for products by residents	RUB 0.5 billion	RUB 0.1 billion	1,500
Industrial Logistics Park of the Novosibirsk Region	Strengthen the investment climate in the region	RUB 3.8 billion	RUB 2.7 billion	1,187 (jobs announced: 3,918)
Novosib Industrial Park	Support regional development by building new metal-working facilities	n/a	n/a	5,000
Medical Industrial Park	Innovative healthcare products and import substitution	RUB 1.2 billion	n/a	500
Industrial Logistic Park "Vostochny"*	Support the development of transport and logistics infrastructure	RUB 0.9 billion	RUB 0.7 billion	574

\*This project is in the construction pipeline.

Source: Ministry of Economic Development for the Novosibirsk Region (State Register for Investment Projects in the Novosibirsk Region); Novosibirsk Akademgorodok Technology Park

## Clusters in the Novosibirsk Region

A cluster ecosystem is actively evolving in the Novosibirsk Region. It already includes three mature clusters plus an emerging medical technology cluster. Below is a diagram with the existing cluster ecosystem.

The ecosystem is primarily regulated by the Cluster Policy Concept approved by the Novosibirsk Regional Government on 16 April 2012, as well as by the Novosibirsk Region Socio-Economic Development Strategy until 2025.

The Novosibirsk Region's cluster policies are aimed at driving economic growth and diversification by building stronger competitiveness among businesses offering equipment, spare parts, professional and production-related services, as well as among R&D and education providers operating in clusters.



Innovation cluster for IT and biopharmaceutical technology



Industrial medical technology cluster for the Novosibirsk Region



Production cluster for agricultural equipment, machinery and tools



Innovation cluster for "Sibirskiy Naukopolis" (Siberian Science City) focusing on IT and biopharmaceutical technology



# Youth tourism as a regional growth driver

## Tourism and recreation infrastructure in the Novosibirsk Region

### Local infrastructure



**259** hotels



**33** sanatoriums  
and resorts



**103** recreation centers



**42** museums



**29** theaters

#### Tourist statistics for 2016:

Total number of tourists: **239,000**

Including foreign tourists: **43,000**

#### Sales from travel and recreation services for 2016:

Travel services: **RUB 3.3 billion**

Spa and sanatory services: **RUB 1.4 billion**

Hotel services: **RUB 1.6 billion**

#### In 2016, the government

collected in taxes and duties:

**RUB 650 million**

As of 1 January 2017, the Novosibirsk Region had a youth population (aged 7–17) of 295,000 persons. Every third child is a regular recreational center visitor.

In 2017, the local government invested RUB 438 million in leisure and recreation for children.

The same level of spending is also expected for 2018.

Health and recreation facilities for children	2012	2013	2014	2015	2016	2017
The number of health and recreation facilities for children: Total	1,022	1,014	995	999	985	963
Out-of-town health and recreation facilities	56	55	52	55	55	51
Health and recreation facilities offering daily accommodation	940	938	923	925	909	895
Other health and recreation providers (work and recreation camps, tent camps, etc.)	26	21	20	19	21	17
Total number of youth visitors in summer ('000 persons):	100.4	101.0	105.0	107.7	108.2	107.9



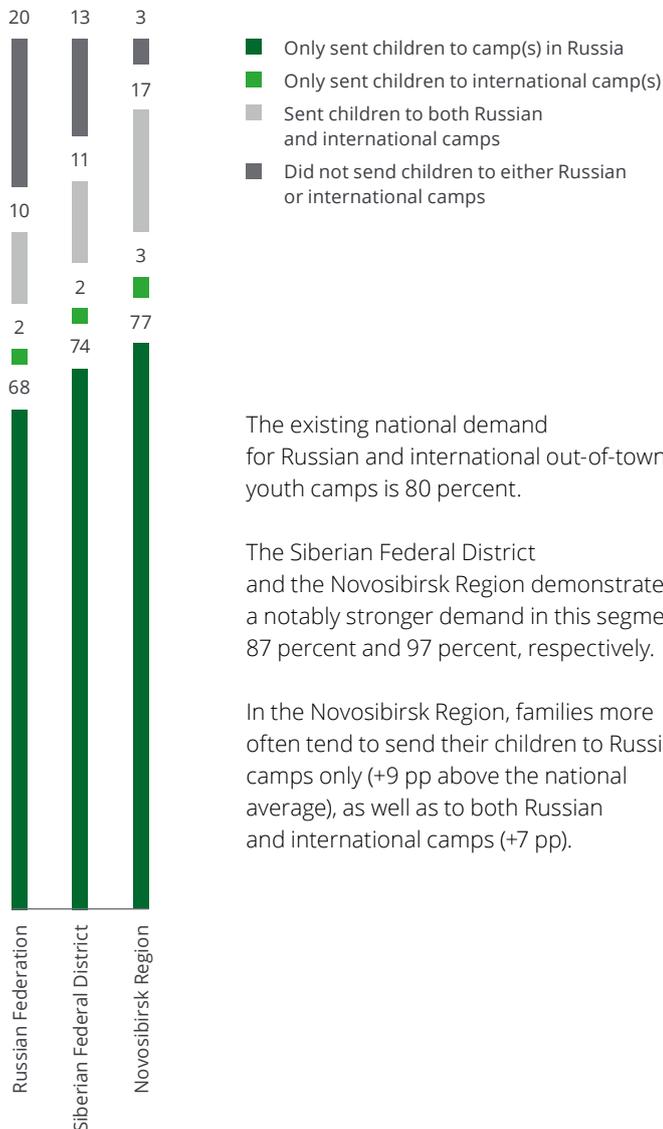
In 2017, the Novosibirsk Region was ranked third according to the number of youth summer recreation programs (53) in the national rating for the regions. This rating was prepared by experts from Rossiya Segodnya, a national news agency, as part of the Social Navigator initiative.

### Current and potential demand for youth out-of-town recreation services

This section offers a closer look at youth out-of-town recreation services, which make up a major portion of the youth tourism market. Below are the findings from the market survey conducted by Deloitte CIS.

#### Current demand for youth camps

Over the last two years, did you send your children aged 7-17 to full-time recreation centers or full-time youth camps? (%)



The existing national demand for Russian and international out-of-town youth camps is 80 percent.

The Siberian Federal District and the Novosibirsk Region demonstrate a notably stronger demand in this segment: 87 percent and 97 percent, respectively.

In the Novosibirsk Region, families more often tend to send their children to Russian camps only (+9 pp above the national average), as well as to both Russian and international camps (+7 pp).

#### Potential demand for youth camps

Do you plan on sending your children aged 7-17 to out-of-town full-time camps within the next two years? (%)



In Russia, the average potential demand for out-of-town camps is 87 percent, suggesting a potential growth in demand for summer camps within the next two years (+7 pp).

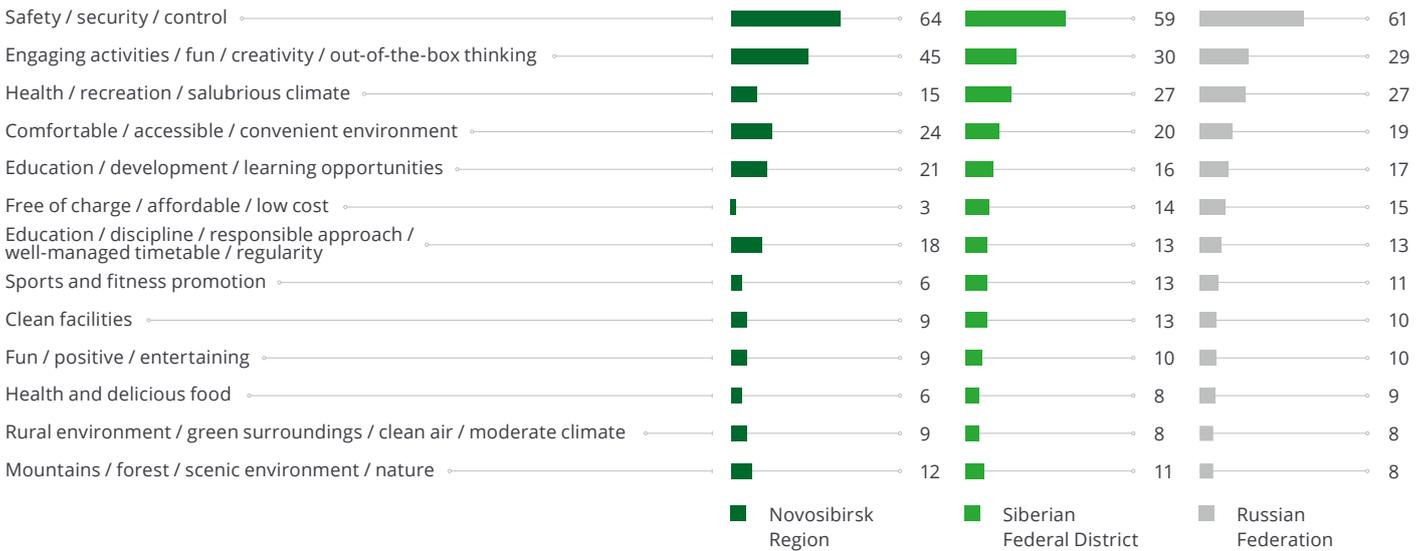
The number of families planning to send their children to Russian or international out-of-town camps has grown by 9 pp. The Novosibirsk Region demonstrates an even higher demand of 31 percent.

The Novosibirsk Region is also close to the top of the national statistics as regards the current and potential demand for youth camps (97 percent).

**Consumer preferences for camps**

**An ideal camp**

*What are your top 3 criteria for a youth camp in Russia? (%)*



As the most popular reply, most parents with children aged 7-17 (61 percent) noted that a camp must be safe and secure. Offering engaging programs (29 percent) and promoting good health (27 percent) came second. This is followed by a comfortable environment (19 percent) and learning/development opportunities (17 percent).

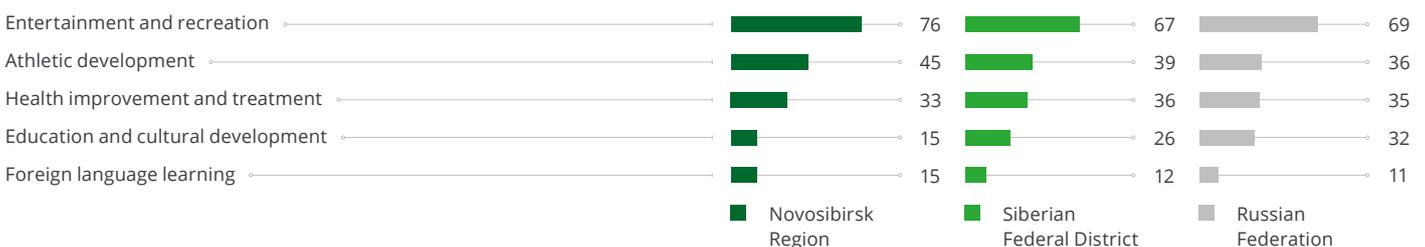
Engaging programs for children are mentioned in particular by those living in the Novosibirsk Region (45 percent; +16 pp above the average). Respondents from this region also pay more attention to a comfortable camp environment (24 percent), as well as educational programs and discipline (18 percent).

Most parents (69 percent) name entertainment and recreation as a top reason. Athletic development (36 percent), treatment/health improvement (35 percent), and cultural development/education (32 percent) come second.

The Novosibirsk Region has a higher share of parents who specify athletic development (+9 pp above the average), entertainment/recreation (+7 pp) and language learning (+4 pp).

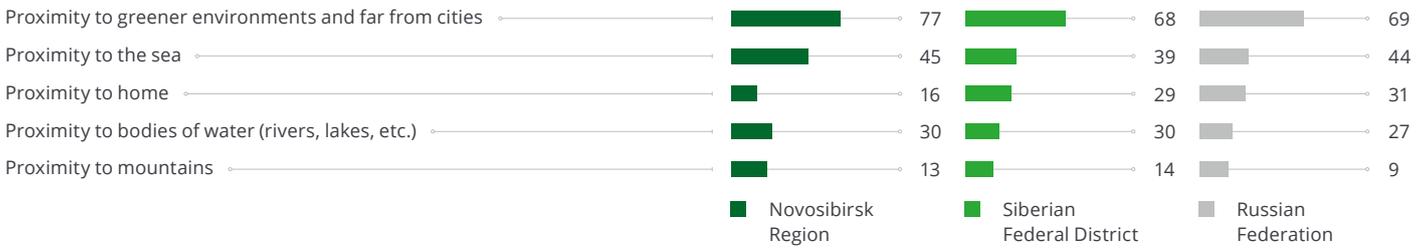
**Reasons for sending children to a camp**

*What are your top reasons for sending children to a camp? (%)*



**Location criteria**

*Which location criteria are the most important to you when selecting a camp in Russia? (%)*



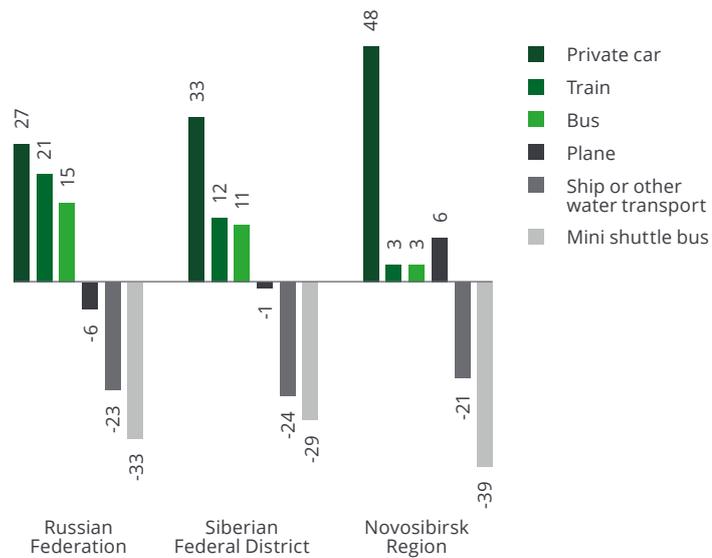
Parents named a greener environment as the most important consideration (69 percent). Proximity to the sea (44 percent) and home (31 percent) came second and third, respectively.

While respondents in the Novosibirsk Region are more likely to mention the importance of a green environment (+8 pp above the average), they place significantly less importance on proximity to their home (16 percent; -15 pp below the average).

**Transfer options to a camp**

*Which means of transfer to a camp is most convenient for you and which is not? (%)*

The chart below shows net balances of replies. A net percentage balance is the difference between a percentage of respondents replying in positive terms and a percentage of respondents replying in negative terms.



Transfer by bus (27 percent), train (21 percent), and private car (15 percent) are named as most acceptable.

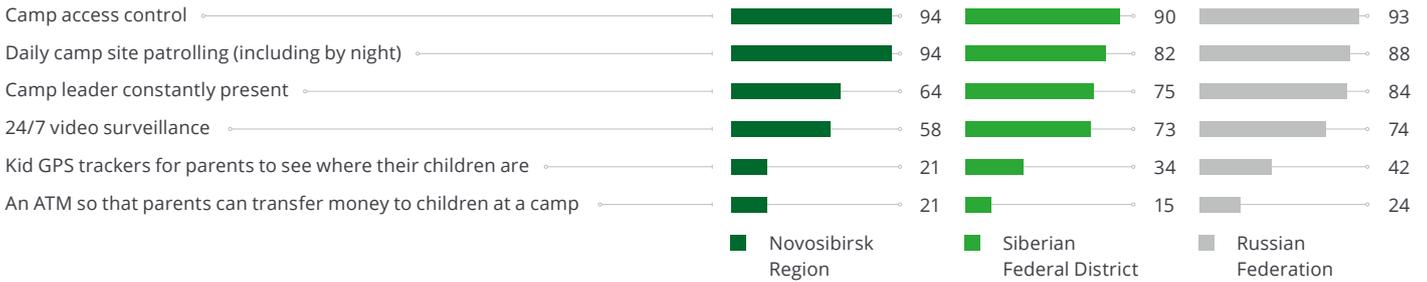
Mini shuttle bus (-33 percent) and water transport (-23 percent) are the least preferred means of transportation.

The Novosibirsk Region has a significantly higher share of parents who name bus transfers as the most convenient form of transportation, with a net balance of +48 percent (+21 pp above the average). At the same time, respondents from this region are notably less enthusiastic about trains and private cars as a means of transfer.

**Camp security**

*Which of the security measures below are necessary at a camp? (%)*

The chart below shows net balances of replies. A net percentage balance is the difference between the percentage of respondents replying in positive terms and the percentage of respondents replying in negative terms.



**Top security considerations**

- Camp access control (93 percent)
- Night camp site patrolling (88 percent)
- Camp leaders constantly present (84 percent)
- 24/7 video surveillance (74 percent)

In the Novosibirsk Region, respondents pay more attention to night camp site patrolling (+6 pp) while a camp leader's constant presence and video surveillance are mentioned less often (-20 pp and -16 pp, respectively).



## Top considerations when selecting a camp

Top considerations by category	Index (from 0 to 1)
<b>General considerations</b>	
Availability of information about the camp, including any general information such as camp conditions, meals, etc.	0.89
Publicly available official state documents, reports, and camp inspection certificates	0.89
Positive reviews	0.83
<b>Transfer to a camp</b>	
Qualified transportation attendants on transfers to/from the camp	0.92
Transport conditions (clean and comfortable compartments, vehicles in good order, etc.)	0.92
Transfer terms and conditions (travel time, the number of stops, etc.)	0.83
<b>Meals</b>	
Comfortable eating area (comfortable seating, clean place, etc.)	0.89
Taste and food quality	0.89
Sufficient meals	0.86
Healthy food	0.84
Meal variety	0.83
<b>Camp program</b>	
Engaging entertainment programs with recreational activities	0.83
Sports programs	0.80
<b>Accommodation and infrastructure</b>	
Clean rooms and camp site, including regular cleaning	0.88
Communications at the camp (Internet, mobile and landlines, etc.)	0.76
<b>Staff and communication</b>	
Constant availability of medical personnel with appropriate professional skills and qualifications	0.92
Professional security guards on constant duty	0.91
Qualified and friendly camp administration	0.87
Administration acting in a qualified and friendly manner when providing information about the camp or booking a place	0.86
Regular communication with your child	0.86
Regular communication with camp counselors	0.82
<b>Booking a place/making payments</b>	
Flexible process for obtaining documents to book a place	0.83
Price	0.81

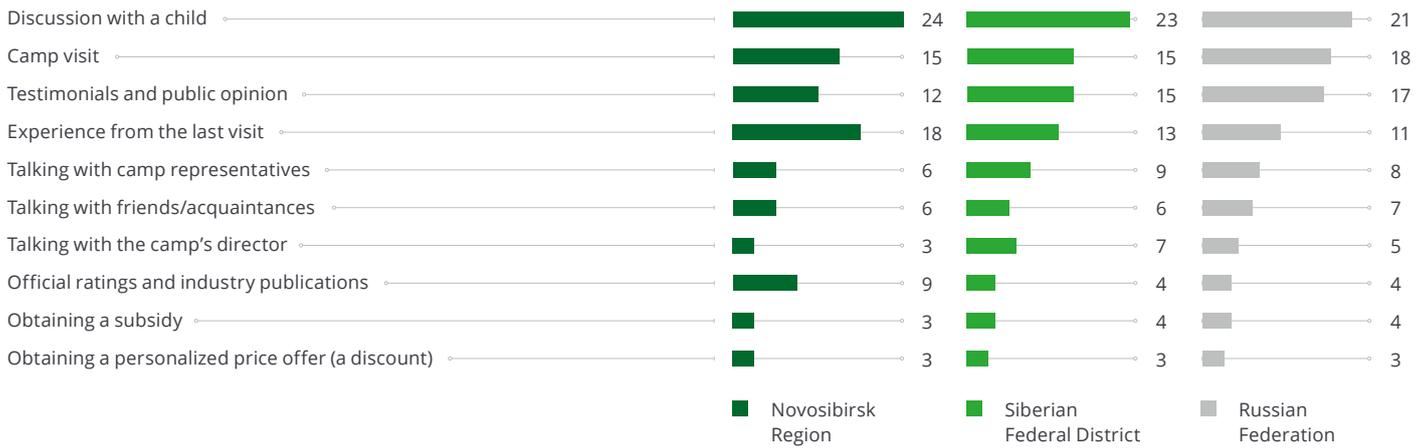
The table presents the top considerations divided into seven categories.

In the Novosibirsk Region, respondents place importance on meals, staff, the availability of regular communications and transfer to the camp.

Transport conditions, qualified transportation attendants and professional security guards on constant duty are notably given more importance (+0.03 – +0.05 p), compared to the national average.

### Top 10 considerations before making a decision

Which of the considerations below would trigger a final decision when selecting a camp? (%)



A discussion with a child at the camp is named as the most important consideration before making a decision on a camp (21 percent), with a camp visit and testimonials/public opinion coming next (18 percent and 17 percent, respectively).

Compared to the national average, respondents from the Novosibirsk Region also pay more attention to a child's experience from the last visit (+7 pp) and official ratings (+5 pp).



# Relations of SMEs with financial market participants

## SMEs in the Novosibirsk Region

SME segment development is key to building an efficient national economy. Intrinsically responsive and flexible, SMEs can act fast to fill market niches and cater to meet the effective demand. SMEs generate jobs and provide opportunities for private initiative. This segment is particularly important in an unstable economic environment as it offers capacities to mitigate negative developments in the labor market, provide social adaptation for a redundant labor force, create new niches, and generate growth opportunities.

The Novosibirsk Region is leading the Siberian Federal District by size and sales in the SME segment.

According to the Russian Federal Statistic Service (Rosstat), the SME segment earned RUB 1,074 billion in sales in 2016, achieving a share of 24 percent in overall SME sales in the Siberian Federal District (RUB 4,413 billion).

As of 10 April 2018, the number of SMEs registered with the Federal Tax Service for the Novosibirsk Region was 149,147 businesses, including sole proprietors and legal entities. This accounts for one fifth (21 percent) of SMEs in the Siberian Federal District

Sales in the SME segment, RUB billion



## Number of registered SME companies

	October 2016	January 2017	April 2017	July 2017	October 2017	January 2018	April 2018
<b>Total</b>	<b>137,295</b>	<b>141,849</b>	<b>146,586</b>	<b>151,281</b>	<b>141,555</b>	<b>146,959</b>	<b>149,147</b>
Micro-sized	130,464	135,072	139,867	144,609	134,582	139,995	142,267
Small-sized	6,414	6,364	6,307	6,262	6,506	6,490	6,409
Medium-sized	417	413	412	410	467	474	471



In early 2018, SMEs in the Novosibirsk Region were most active in wholesale (22 percent), residential and non-residential construction (19 percent), and distribution of timber and construction materials (15 percent).

### Support for SMEs in the Novosibirsk Region

The regional government is running a program for 2017-2022 to develop the SME segment in the Novosibirsk Region.

This program provides:

- Grants for new businesses
- Subsidies for a portion of equipment purchase costs
- Subsidies for a portion of leasing costs
- Subsidies for businesses in the consumer service industry

The SME Development Fund (SDF) is located in the Novosibirsk Region. The SDF's mission is to provide support to SMEs by raising funds. Since its start in May 2009, the SDF has raised RUB 24.3 billion in the form of loans, bank guarantees and leases issued in exchange for guarantees from the fund.

Loans, bank guarantees, and leases are offered at a reduced interest rate:

- Banks issue loans at a market rate reduced by 1 pp, or at a key rate plus 4 percent, or at a rate of MosPrime 6 months plus 4 percent
- Banks agree to obtain guarantees from the SDF with respect to agreements for loans of at least 200 percent of the funds invested.

#### The overall impact from the program in 2017:

**162** small and medium businesses received financial or consulting support;

**40** million rubles of financial support were granted;

**173** hours of consultations for small and medium businesses.

#### In 2017, the SDF issued:

**316** sureties issued;

**2.9** billion rubles of sureties issued;

**6.4** billion rubles attracted in the regional economy.

In 2017, trading companies (54.7 percent) and manufacturing companies (23.5 percent) were the major recipients of funds guaranteed by the SDF.

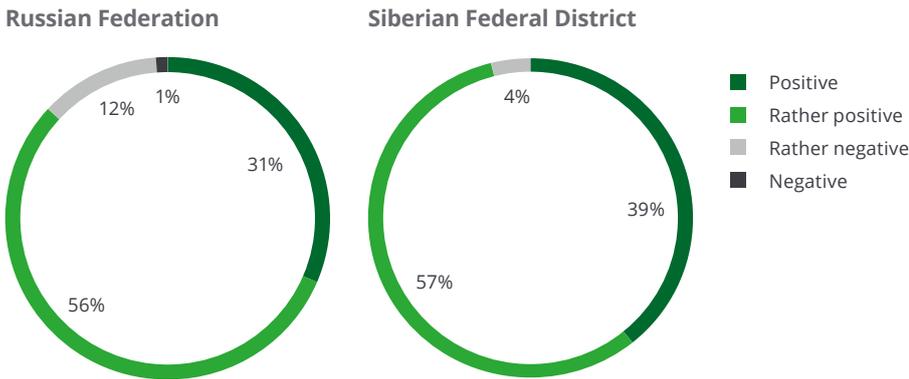
Source: Russian Federal Statistics Service for the Novosibirsk Region, Ministry of Economic Development for the Novosibirsk Region, SME Development Fund, Government of the Novosibirsk Region

**Businesses perception on the financial climate in the region**

In late 2016, Deloitte CIS held an integrated survey to analyze how Russian SMEs interact with the financial market. Below are the survey findings for the Siberian Federal District and the country as a whole.

**Current business position**

*How do you view the current position of your business?*

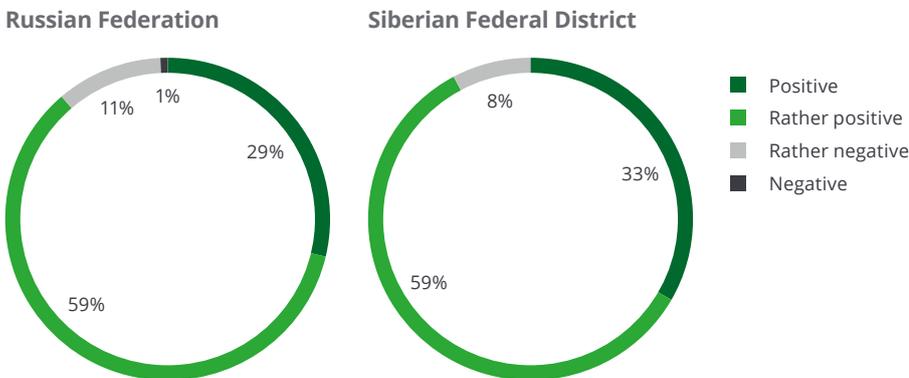


Despite the impact of the financial crisis in late 2014, the entrepreneurial climate in the SME segment could be described as rather favorable, with overall optimism\* remaining at 52 percent for Russia and 66 percent for the Siberian Federal District.

\*A net percentage balance is the weighted difference between the percentage of respondents replying in positive terms and the percentage of respondents replying in negative terms.

**Perceived future prospects**

*What is your view of the growth prospects for your company?*



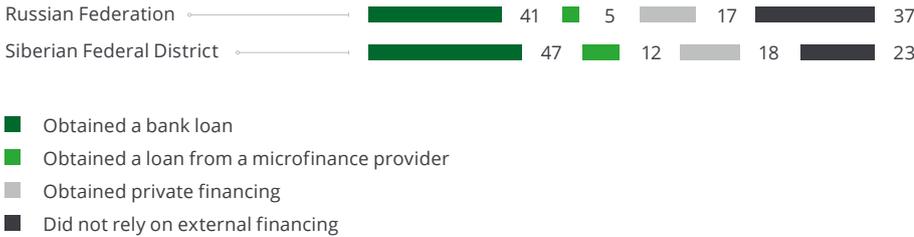
Overall, future business expectations\* are positive (at the level of 54 percent). The Siberian Federal District demonstrates a more optimistic business sentiment, with expectations at 61 percent.

\*A net percentage balance is the weighted difference between the percentage of respondents replying in positive terms and the percentage of respondents replying in negative terms.

Access to external financing for SMEs in Russia

SMEs on the use of external financing

Did your company access external financing sources (i.e. loans, borrowings or private investment) over the last three years?



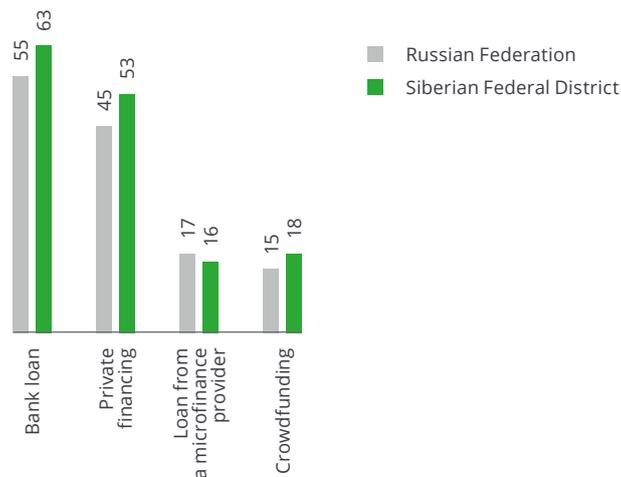
About 63 percent of Russian SMEs reported accessing external financing sources over the last three years. The percentage of SMEs that accessed external financing is 77 percent in the Siberian Federal District, with the percentage of SMEs obtaining loans from banks at +6 pp above the average.

As regards the use of external financing, the SME segment in the Siberian Federal District stands out due to its stronger interest in offers from microfinance providers. The percentage of businesses relying on microfinance is two times higher than the average (12 percent).

 Fifteen percent of SMEs in the Siberian Federal District reported dissatisfaction with the loan amounts approved. This is the highest rate across the country's federal districts. The national average of the number of businesses dissatisfied with approved loan amounts is 10 percent.

Potential demand for external financing

Are you planning to use external financing sources in the near future to support and develop your business? (%)

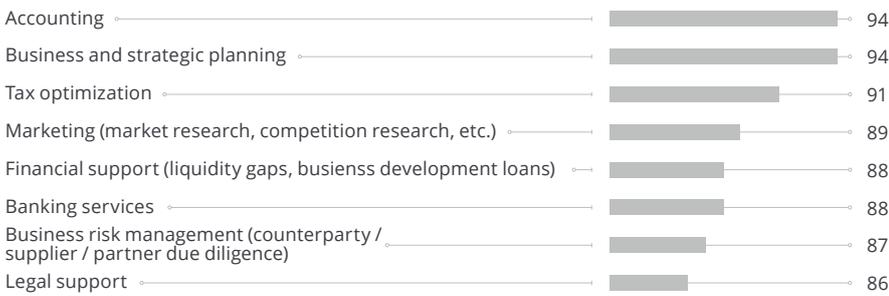


As regards external financing for the near future, SMEs most often tend to consider obtaining loans from banks (55 percent across Russia). At the same time, the Siberian Federal District remains above the national average in terms of potential demand for bank loans (+8 pp) and private financing (+8 pp).

**Infrastructure in the SME segment**

**Top issues facing SMEs in the Siberian Federal District**

*What are the top issues for your business? (%)*



Respondents assigned high values (at least 86 percent) to the issues across the whole spectrum of day-to-day business management, indicating that these issues are highly important to SMEs.

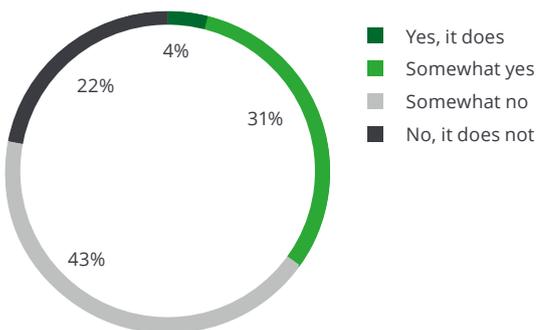
Compared to the national average, SMEs in the Siberian Federal District place higher importance on business and strategic planning (+3 pp).



Unreliable suppliers/counterparties are another important concern for SMEs in the Siberian Federal District, with only 4 percent of respondents reporting that they have never come across unreliable suppliers/counterparties, compared to the national average (10 percent).

**Usage of external advice for the most important issues**

*Does your business need external advice when it comes to the most important issues (e.g. advice from professional services firms offering integrated support to SMEs)? (%)*



Even though SMEs in the Siberian Federal District often tend to solve the most important issues independently (65 percent), every third respondent notes the need for external advice. Accordingly, the SME segment in the Siberian Federal District has a potential demand of 35 percent for professional advice, which is 4 pp higher than the national average.

## Banking sector and SMEs

### Banking services

Does your company use banking services? (%)



- Yes, we rely on several banking services
- Yes, we rely on one banking services
- No, we do not currently use banking services, but we plan to do so in the near future

According to the survey, Russian SMEs are more likely to use services from several banks, with two out of three companies indicating this (69 percent).

The absolute majority of SMEs surveyed (94 percent) in the Siberian Federal District rely on several banks for services, which is 25 pp higher than the national average.

### Satisfaction with the Russian banking infrastructure for the SME segment (ranked from 1 to 5)



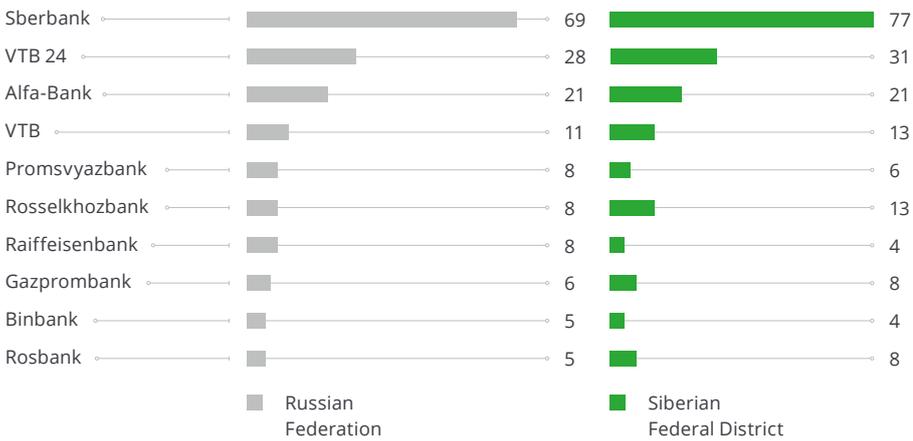
As regards the maturity of the banking infrastructure, the average satisfaction score assigned by SMEs in the Siberian Federal District is 3.1 out of 5, which is slightly higher than the medium level.

The highest infrastructure satisfaction scores were assigned to the adequacy of banking products for SMEs (3.27 out of 5) and the quality of banking products (3.16 out of 5).

## Banking infrastructure for SMEs

### Most popular banking providers for SMEs

What bank do you currently use as your banking provider? (%)



Sberbank of Russia is indisputably the most popular banking provider for SMEs, with two thirds of SMEs (69 percent) indicating Sberbank as their provider.

SMEs in the Siberian Federal District more often tend to use Sberbank for banking services (+8 pp above the national average). The Siberian Federal District is also notably different from the other regions, which is due to the higher popularity of the RosSelkhozBank as regards the local SME segment – +5 pp above the national average.

### Top 5 considerations when selecting a bank in the Siberian Federal District

- 1 Mature track record (an average score of 4.1)
- 2 Reputation (4.1)
- 3 Banking costs (4.1)
- 4 Agile services for SMEs (4.0)
- 5 Positive experience with the bank, including positive experience as a private person (4.0)

### Top 5 information sources on banks in the Siberian Federal District:

- 1 Visit to a bank's office
- 2 Recommendations from a corporate accountant/lawyer
- 3 Recommendations from friends/business associates
- 4 Information on similar SMEs/competitors working with a bank
- 5 Information from business meetings and professional forums

### Key banking service issues facing Russian SMEs

#### Top 10 banking service issues

Which of the issues below are most important for your business? (%)



#### Based on the survey, we have identified the top three issues facing Russian businesses when working with banks:

- Unfavorable loan offers
- Red tape when opening a current account
- Technical issues related to the bank-client system

SMEs in the Siberian Federal District selected these issues as most important: unfavorable loan offers (+12 pp above the average), insufficiently qualified bank staff (+ 11 pp) and insufficiently agile process when opening a current account (+7 pp).



Fifty-seven percent of SMEs surveyed in the Siberian Federal District reported changing their banking provider over the last five years, compared to the national average of 47 percent.

#### Banking service issues

Which banking services tend to be more challenging for your business? (%)



While 71 percent of respondents have indicated issues with banking services, most SMEs note that such issues occur either rarely (47 percent) or occasionally (42 percent).

Compared to the national average, SMEs in the Siberian Federal District were more likely to report issues at the following stages:

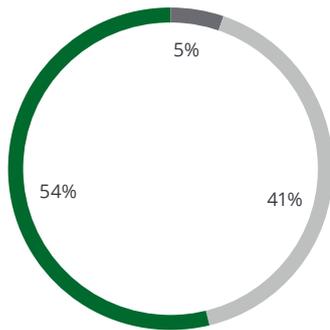
- Settlements and cash services (+12 pp)
- Requesting additional services (+10 pp)
- International payments (+7 pp)

## SMEs on loyalty to their Russian banking providers

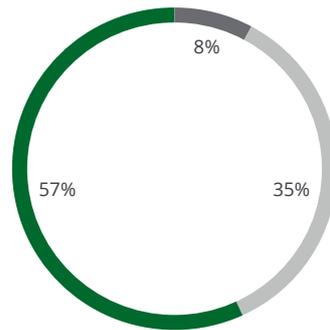
### Loyalty to banking providers

*Would you change your banking provider?*

Russian Federation



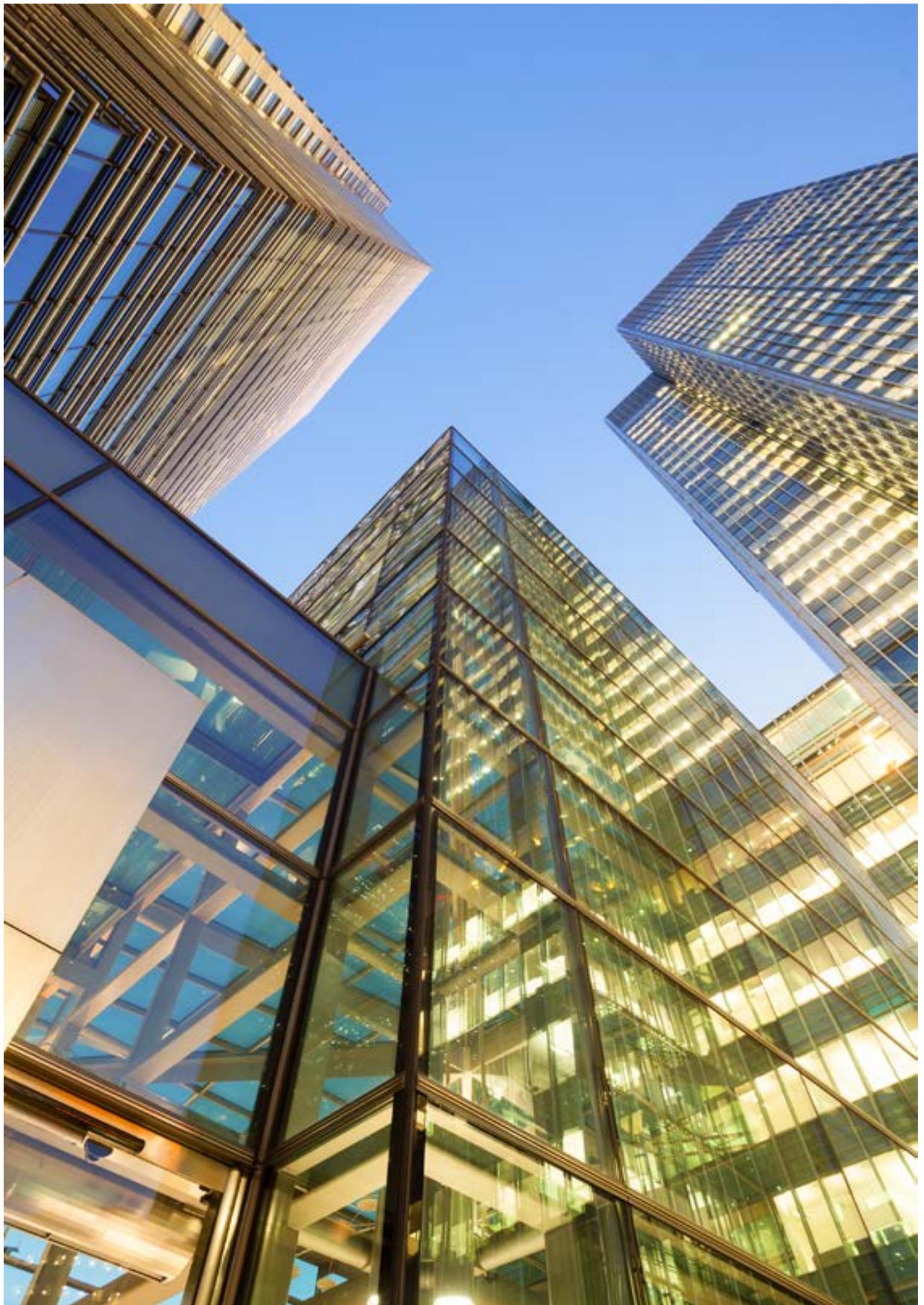
Siberian Federal District



- I would not change banking providers
- Yes, I would change banking providers
- I would most likely change banking providers

As elsewhere in Russia, SMEs in the Siberian Federal District demonstrate strong loyalty to their existing banking providers.

More than half of the respondents (57 percent) would not change their current bank if offered to do so.

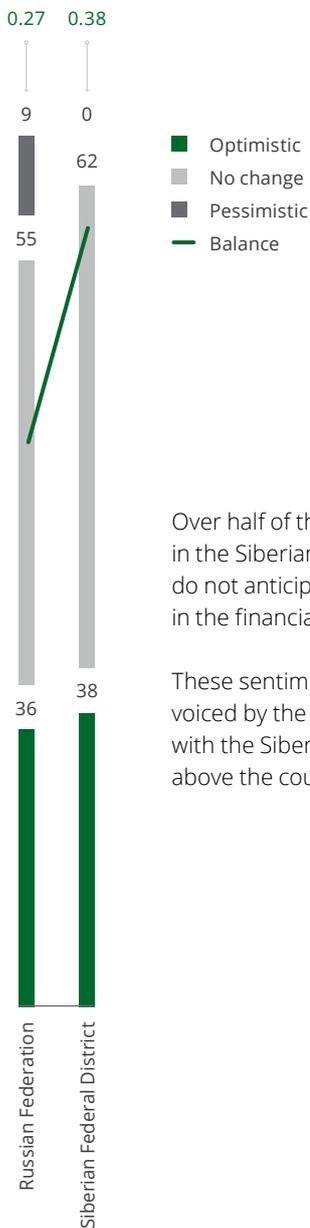


# Deloitte CFO Survey

In March 2018, Deloitte CIS launched the annual CFO survey of major companies in Russia. This is the seventh time we have conducted this survey in Russia as part of our global research efforts. On the following pages we present the findings for the Siberian Federal District and the country as a whole.

## Business optimism

How would you assess your company's financial outlook today compared to the situation six months ago (in September 2017)? (%)



Over half of the respondents in the Siberian Federal District (62 percent) do not anticipate any significant changes in the financial standing of their companies.

These sentiments echo those voiced by the market as a whole, with the Siberian results being slightly above the country's average (by 11 points).

## Changes in key financial metrics

What changes do you anticipate in the key metrics of your company in the next twelve months? (%)

### Revenue



### Operating costs



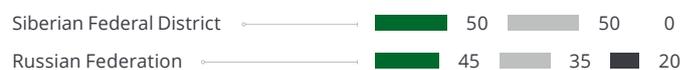
### Operating profit



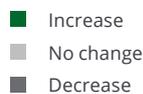
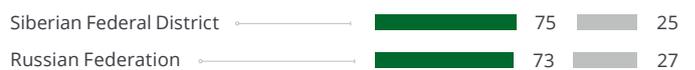
### Cost of capital



### Headcount



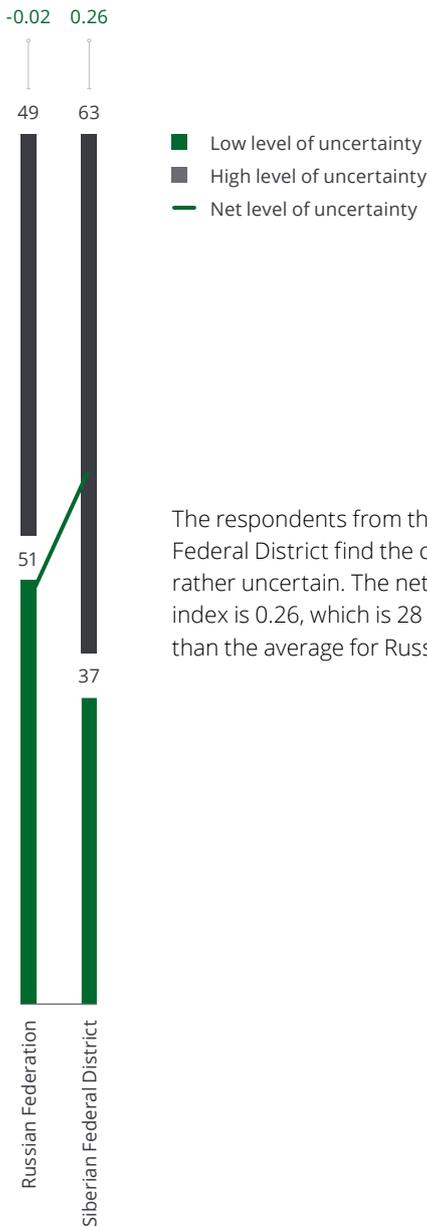
### Average wages



Index: weighted balance of respondents on a scale of -1 to 1 where 1 point stands for 0.01

### Uncertainty in strategic decision making

How would you rate the level of political and economic uncertainty affecting the strategic decision making of your company? (%)



The respondents from the Siberian Federal District find the current situation rather uncertain. The net uncertainty index is 0.26, which is 28 points higher than the average for Russia.

### Risk appetite

Do you think this is a good time to take greater risks on your balance sheet? (%)



The rather high level of uncertainty reported by the Siberian respondents resulted in a subdued risk appetite of -0.74 percentage points (24 points below the country's average).

Index: weighted balance of respondents on a scale of -1 to 1 where 1 point stands for 0.01

Key risk factors in 2018



The key risks cited by the CFOs in the Siberian Federal District include stagnation of the Russian economy and tighter government regulation. Both risks are estimated significantly higher than the national average (by 17 and 46 points respectively).

The Siberian respondents also display greater concerns about higher trade barriers/protectionism, weaker domestic demand and the rising cost of capital (63, 56 and 50 points above the average, respectively).

At the same time, they are less concerned about the risks of implementing innovative products and lower consumer interest in new products (6 and 40 points below the average, respectively).

Favored business strategies in 2018



■ Russian Federation      ■ Siberian Federal District

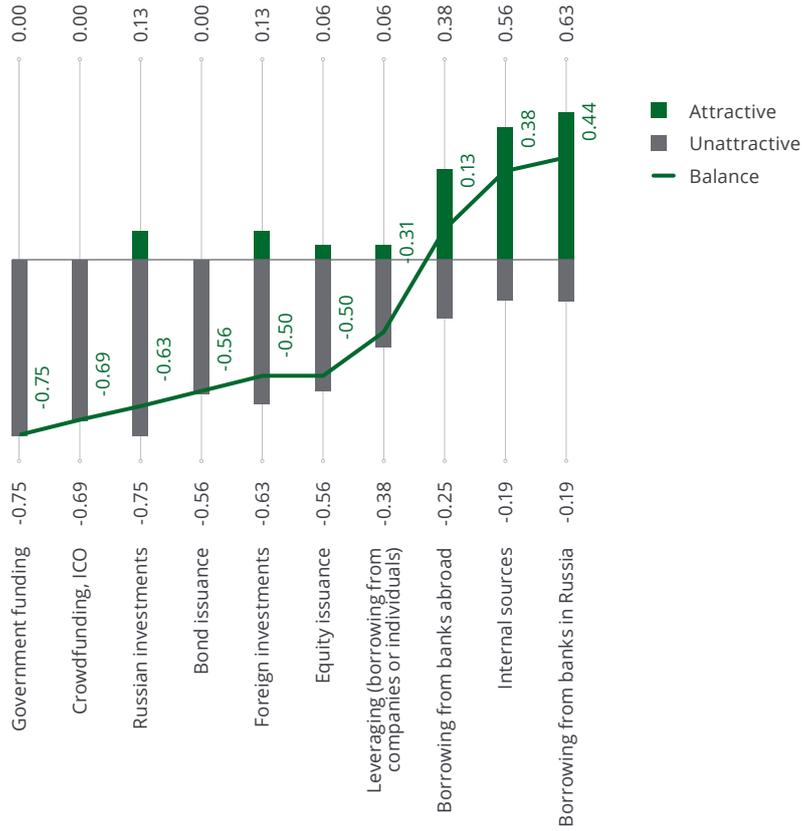
Interestingly, the ranking of business strategies compiled based on the survey of CFOs in the Siberian Federal District generally aligns with that compiled for Russia as a whole.

Experts in the Siberian Federal District gave a somewhat higher rating to investment in personnel (by 29 points) and dividend increase or share buyback (by 32 points). At the same time, they are less likely than average to seek capital from external sources (by 7 points).

## Sources of funding

### Attractive sources of corporate funding

Please rate the attractiveness of the following sources of funding for your organization.



### Favored sources of funding

- Borrowings from banks in Russia
- Internal sources
- Borrowing from banks abroad

On average, respondents from Russia report internal sources and borrowing from banks in Russia as the most attractive sources of funding. The Siberian respondents also cited borrowing from banks abroad, which emphasizes the importance of international cooperation for businesses in the region.

**Innovations and digitalization**

**88%** of the surveyed CFOs participate in the evaluation of new technological solutions and the launch of innovative projects in their companies  
(6 pp above the national average)

**100%** of CFOs in the Siberian Federal District see the need to facilitate the economic efficiency of their business units through the automation of key business processes  
(5 pp above the national average)

**Top 5 innovative solutions**

- 1** Advanced ERP systems (CRM, SAP, etc.)
- 2** Full automation of selected business processes
- 3** Cloud technology
- 4** Big data processing
- 5** Artificial intelligence/ augmented or virtual reality

The use of advanced ERP systems is the most widespread technological solution in the Siberian Federal District.

**Top 3 digitalization drivers**

- 1** Market and competition
- 2** Management strategy
- 3** Access to infrastructure

According to our Siberian respondents, digitalization strategies are mainly driven by market trends and competition, which outpace such drivers as management strategy and access to infrastructure.

**Top 3 investments by function**

- 1** Finance
- 2** Administration, document flow
- 3** Production

In Siberian Federal District, most investments are channeled toward the automation of finance and administrative and production processes.

On average, the respondents from Russia state that their companies tend to invest in marketing technologies rather than production technologies.

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