

INVESTMENT ATTRACTIVENESS AND REAL SECTOR OF ECONOMY OF RUSSIAN REGIONS

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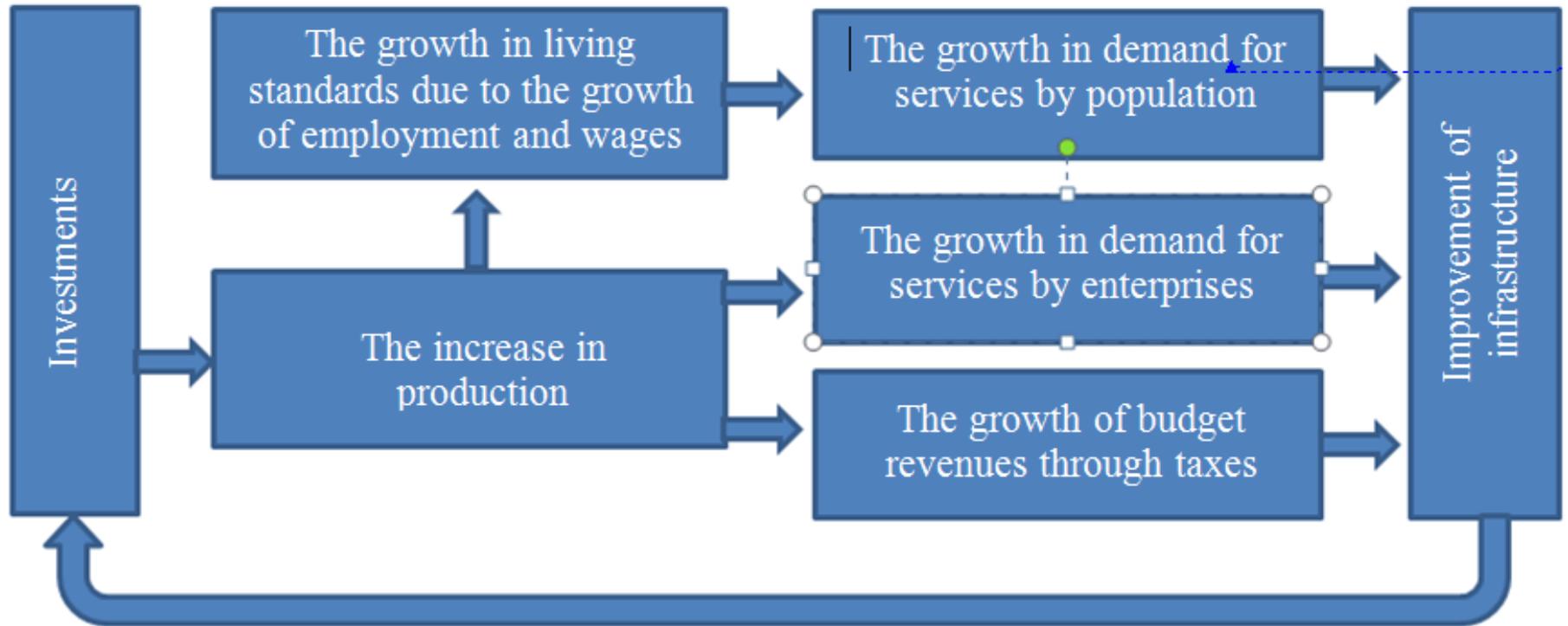
Literature

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The tested hypothesis

1. The assumption that the regions had a favorable investment climate at the beginning of the years 2000 will show in the coming years a higher value of the integral index of the real sector activity
2. The hypothesis that the regions had a high value of the integral index of the real sector activity at the years 2000 will show in the 2011 year will have a favorable investment climate.
3. The assumption that the regions with positive dynamics of the investment attractiveness should be among the leaders as for the performance of the real sector enterprises activity.

Interaction of investments in the region and the growth of the real sector



Methodology

$$M_{ij} = \sum_{k=1}^m \frac{P_{ijk}}{\sum_{j=1}^n P_{ijk} / n} * g_k$$

where:

M_{ij} - integral level of enterprises state for *i*-th activity of *j*-th region;

P_{ijk} - particular index for *i*-th activity of *j*-th region;

n – number of regions

g_k - weighing factor of significance for *k*-th particular index set by expert

way.

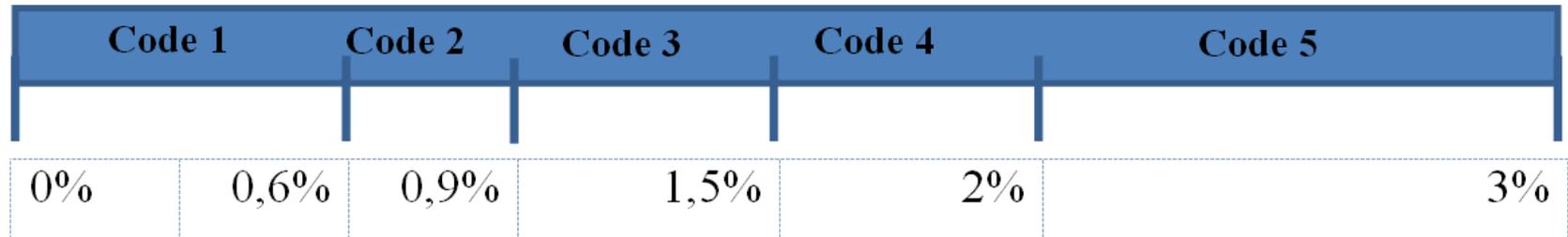
Real sector of the region economy consists of:

- Agriculture, hunting and forestry, fishing and fish farming;
- Mining;
- Manufacturing;
- Production and distribution of electricity, gas and water;
- Construction;
- Transport and communications.

The regions are divided into 6 groups

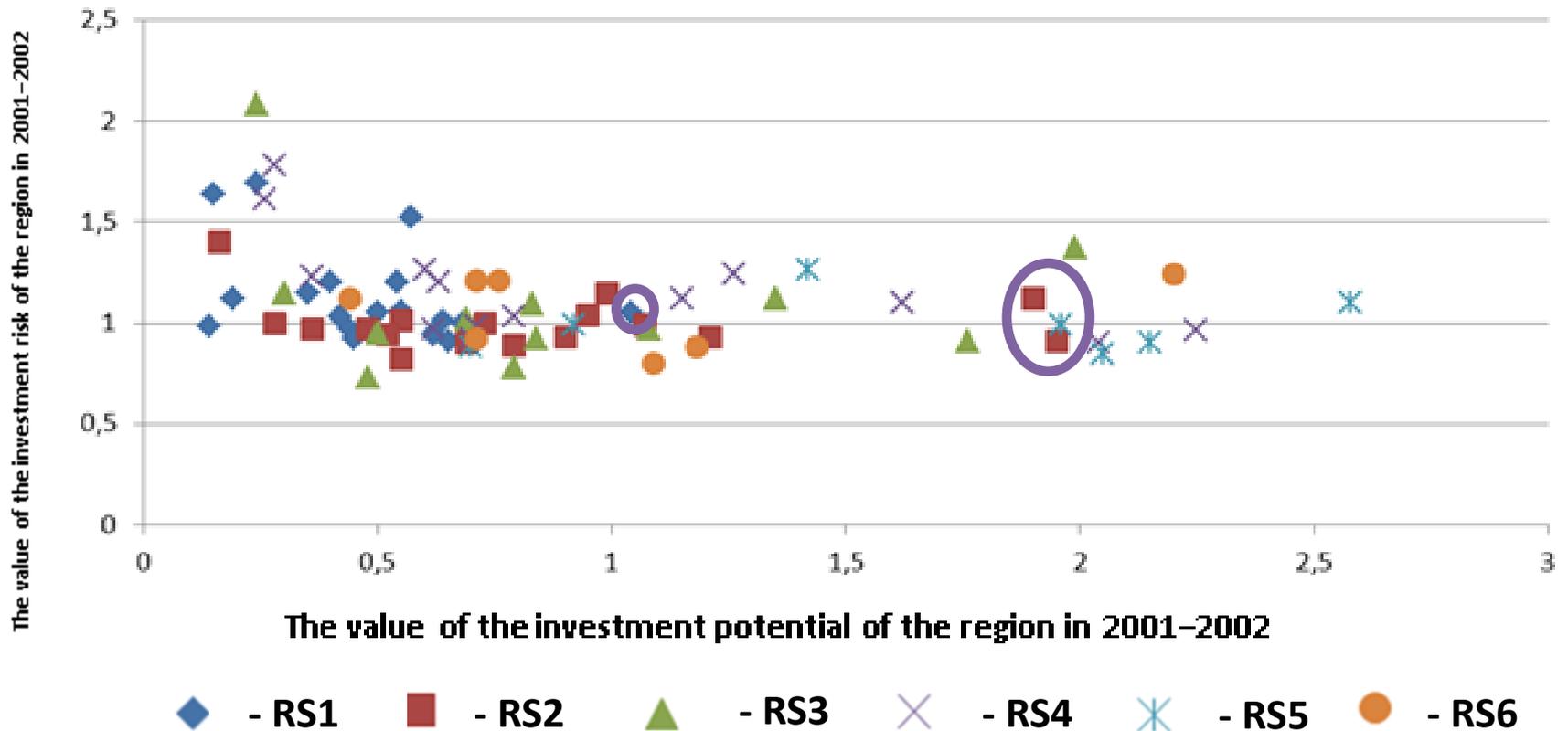
- **Group RS1** and **Group RS2.** The value of the integral index of the region real sector performance for the entire affected period is no more than 0.7 or from 0.8 to 1.0 accordingly.
- **Group RS3** and **Group RS4.** The region, which had different values of the integral index of the region real sector performance in different years, but in 2011 it was less than 1 or it was not less than 1 accordingly.
- **Group RS5** and **Group RS6.** The value of the integral index of the region real sector performance for all years is from 1.0 to 1.6 or is not less than 1.7 accordingly.

Evaluation of investment attractiveness of the regions

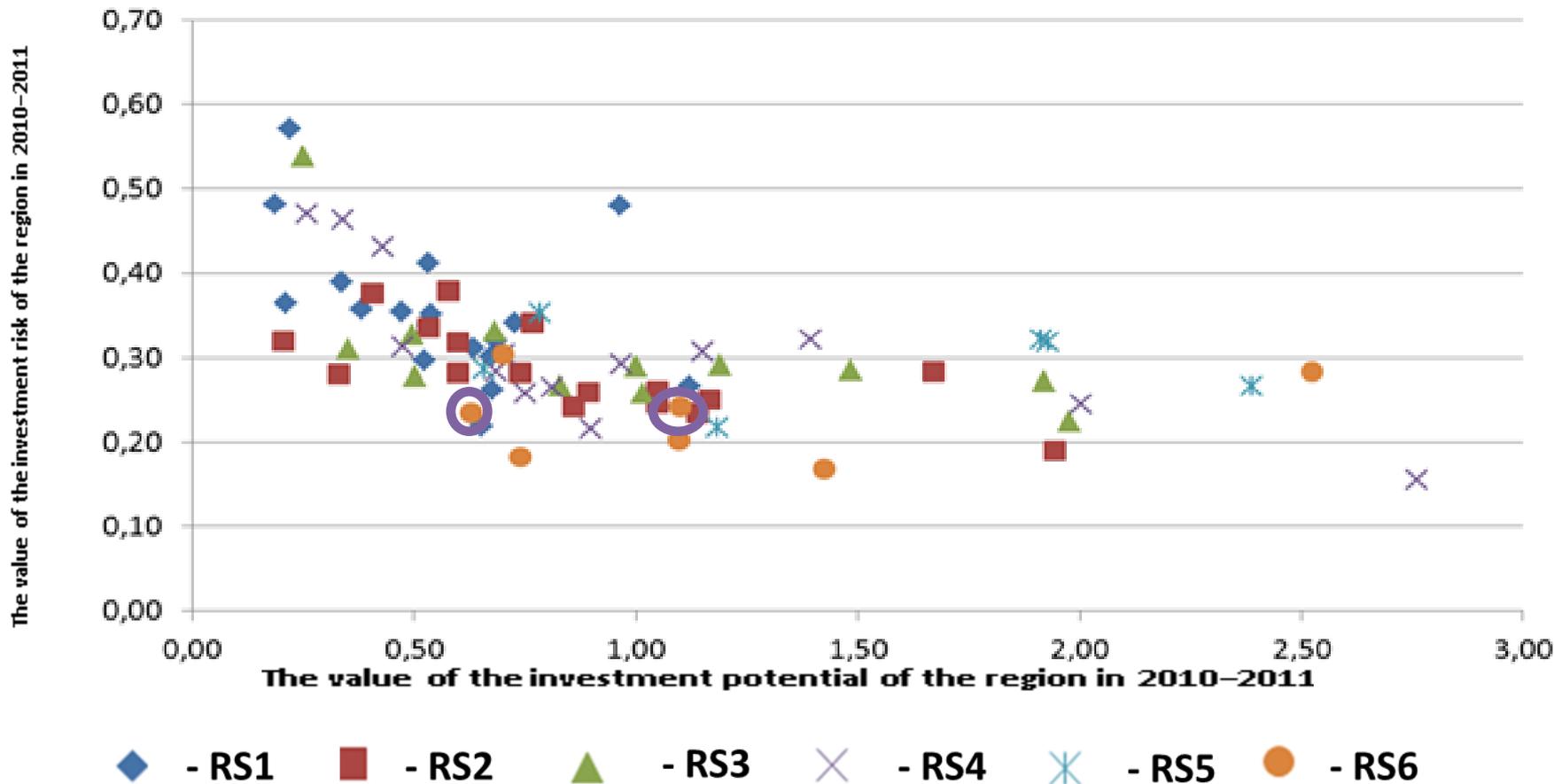


Group	Dynamics	Features
IA1	Intensely negative	The code in both periods is equal to one, decreased by two units or changed from two to one
IA2	Moderately negative	The code in both periods is equal to two or decreased by one unit
IA3	No dynamics	The code in both periods is equal to three
IA4	Moderately positive	The code in both periods is equal to four or increased by one unit
IA5	Intensely positive	The code in both periods is equal to five or increased by two units

Distribution of regions with different values of the dynamic activity of the real sector by the scale of the investment attractiveness of the region for the years of 2001–2002



Distribution of regions with different values of the dynamic activity of the real sector by the scale of the investment attractiveness of the region for the years of 2010 – 2011



Distribution of regions with different dynamics of the real sector performance by groups with different dynamics of the region investment potential

Groups of region by the dynamics of the real sector performance in 2005–2011	Total	Groups of region by the dynamics of their investment potentials in 2001–2011				
		IA 1	IA 2	IA 3	IA 4	IA 5
RS 1	100%	66,7%	22,2%	5,6%	0,0%	5,6%
RS 2	100%	41,2%	23,5%	23,5%	11,8%	0,0%
RS 3	100%	33,4%	16,7%	16,7%	33,4%	0,0%
RS 4	100%	28,6%	42,9%	14,3%	0,0%	14,3%
RS 5	100%	0,0%	25,0%	12,5%	12,5%	50,0%
RS 6	100%	11,1%	22,2%	22,2%	11,1%	33,3%

Conclusions

- Most regions that had unfavorable investment climate at the beginning of the years 2000 showed low integral indices of the real sector performance in subsequent years.
- Some regions does not show such dependence.
- The availability of favorable investment climate is less important for the development of extractive industries and large enterprises that are monopolists.

Thank you for your attention!