

Russia Infrastructure SWOT

4 Feb 2025

This commentary is published by BMI – A Fitch Solutions Company, and is not a comment on Fitch Ratings' Credit Ratings. Any comments or data included in the report are solely derived from BMI and independent sources. Fitch Ratings analysts do not share data or information with BMI.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong demand to improve transport infrastructure networks across the country. • Russia's massive oil and gas industry requires significant amounts of auxiliary infrastructure to support the extraction and transport of hydrocarbons. • The sector is not saturated, with continuing demand for infrastructure development across the country resulting from a multi-decade period of underinvestment. • The country had a degree of success in utilising public-private partnerships prior to the implementation of sanctions, providing Russia with a proven model to rely on if sanctions are lifted. 	<ul style="list-style-type: none"> • Domestic state-owned players dominate the market, with little penetration from foreign companies. • Over half of infrastructure funding in Russia comes directly from the government, much of which depends on oil and gas prices. • Weak economic growth potential, rampant corruption and a tense relationship with the West are key factors weighing on Russia's attractiveness to investors. • A huge regional imbalance in economic development exists between Moscow and the rest of the country, reflected in the amount of new construction. Provincial towns with small populations suffer from stagnation and depopulation, creating a surplus of poor-quality building stock. • A high level of corruption is one of many factors weighing on the business and operating environment.
Opportunities	Threats

- Industrial construction - particularly auxiliary infrastructure that supports the oil and gas sector - will benefit from higher oil and gas prices.
- The proposed development of Eurasian transport corridors across Russia holds considerable potential for stimulating growth in transport infrastructure and enhancing regional connectivity.
- The deterioration of Soviet-era infrastructure, especially outside major cities, paves the way for increased investment in the construction market.
- Opportunities for closer cooperation between Russia and Mainland China - particularly via involvement in Belt and Road Initiative projects - will stimulate activity in construction.
- EU and US sanctions over the war in Ukraine continue to restrict economic activity in Russia. Russia is isolated from international trade due to sanctions and the unwillingness of markets and corporations to do business with it.
- Broad sanctions placed on Russian entities following Russia's invasion of Ukraine dramatically hinder the market's attractiveness for investment.
- The deteriorating outlook for the Russian consumer will weigh on additional housing demand and development.

This report from BMI Country Risk & Industry Research is a product of Fitch Solutions Group Ltd, UK Company registration number 08789939 ('FSG'). FSG is an affiliate of Fitch Ratings Inc. ('Fitch Ratings'). FSG is solely responsible for the content of this report, without any input from Fitch Ratings. Copyright © 2025 Fitch Solutions Group Limited. © Fitch Solutions Group Limited All rights reserved.