



Russian lubricants market: Results and trends

In this article Gazpromneft-Lubricants, one of the leading players in the Russian lubricants market, takes a look at the current state of the industry and the growth expectations for various segments.

Following the results of 2018, Russian lubricants market anticipates a slight growth. Products consumption has increased by 1.2% to 1.56 million tons. These figures demonstrate a better flow than in the previous year (+0.2% in 2017; -3.8% in 2016).

Simultaneously with the gradual recovery of the Russian economy, the industry has extricated itself from the decline of 2015-2016, when the consumption of lubricants decreased by 8.5%. The main growth drivers are both macroeconomic indicators and industrial sectors development alongside with agricultural growth which require a stable and significant lubricants supply.

"GDP growth (forecasted at plus 1.5-1.8%), as well as metallurgy and mechanical engineering upturn by 0.6% became the key factors of rising lubricants consumption in the industrial segment, whose capacity was estimated at 780 thousand tons at the end of 2018", noted Roman Kuzmin, Deputy General Director for Operational Marketing, Gazpromneft-Lubricants.

Mineral extraction increase (forecasted increase – 2.2% at the end of 2018) not only facilitated the industrial development, but also stimulated a further expansion of the lubricants market through a higher cargo turnover. Along with the rise of agriculture (forecasted increase by 1.9%), these factors will ensure the growth of lubricants consumption for commercial vehicles up to 490,000 tons.

Passenger car engine oil has demonstrated the best dynamics in comparison to 2017, and is expected to grow by 2.7%. The new cars market recovery by 15% in the first three quarters of 2018, increasing use of cars, growing taxi fleets and car-sharing services, as well as suppressed demand, will together provide for lubricants consumption in Russia at a level of 290,000 tons by the end of 2018.

"The slowdown in the imports decline and localization development of major foreign players (Shell, Total, Fuchs, etc.) were the key market trends in 2018", said Roman Kuzmin. "Import stability resulted from increasing purchasing power of the population and a growing demand for specialized oils in high-tech industries with a large share of modern equipment. Localizing production in Russia is driven by the necessity to increase price attractiveness of foreign brands, which in previous years experienced a demand decline in the Russian market due to escalating prices".

According to preliminary estimates, the Russian lubricants market is expected to keep growing on average by 1.8% in 2019. The passenger car oil segment will demonstrate an increase at this year's level, whilst commercial and industrial segments anticipate a growth improvement at 1.5-2%.