

Russian Fastener Market in 2014

by Techin Huang, Industry Analyst of MIRDC

Russian Economy

Russia is a country with the largest territory in the world and is rich in natural resources like petroleum, gas, iron ore, copper, aluminum, manganese, gold, and wood. Its major industries are large manufacturers of steel, metalworking, petroleum refinement, industrial machinery, automobiles, military and aerospace facilities. After 2001, Russia showed strong economic growth due to higher demand for mining equipment stimulated by increasing resource prices, fast growth in construction, and business investments. Although the financial crisis and price drop of commodities in 2008 caused the economic recession, the economy gradually returned to growth in the second half of 2009 supported by financial measures of the government, increasing petroleum price, and improvement of global trade conditions.

Russian economy relies mostly on the export of natural resources, as a result, when the prices of petroleum, metal, or other resources slump, it will give pressure to the economic growth. Therefore, Russia needs to export in a more diversified way to reduce the dependence on natural resources. Russia has joined WTO since Dec. 2011, which is beneficial to its trade development in the future.

Russian Fastener Market

Benefited by its stable growth in car and compact aviation/aerospace manufacturing, the domestic fastener demand of Russia climbed from USD 1.11 billion in 2006 to USD 1.45 billion in 2011 with a 5.5% CAGR (see **Table 1**). The fastener demand of Russia in 2013 was estimated to be USD 1.6 billion, making Russia the largest market for industrial fasteners in East Europe (especially automotive fasteners demonstrating the highest proportion, followed by others for machines, electronics/electrics).

Limited by the current industrial investment, fastener manufacturers seldom upgrade the old-fashioned manufacturing facilities, so the industrial development is hindered. The production of fasteners is much less than the actual domestic demand, boosting the fastener import of Russia (see **Figure 1**). The value of Russian fastener import in 2013 was USD 0.96 billion and the main countries of origin were China, Germany, Belarus, and Taiwan (see **Table 2**). As for export, its value in 2013 was only USD0.135 billion and the main destinations were Kazakhstan, India, and Belarus.

Table 1. Russian Fastener Demand During 2006-2016

Unit: Million USD

	2006	2011	2013 (F)	2014 (F)	2016 (F)
Industrial Fastener Demand	1,110	1,450	1,590	1,670	1,830

Source: Freedonia Group, compiled by ITIS project of MIRDC

Table 2. Top 10 Countries for Russian Fastener Import & Export in 2013

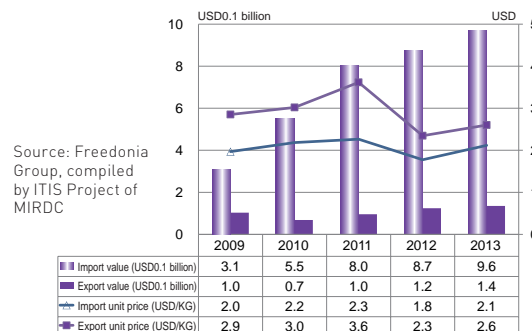
Unit: Million USD;%

Rank	2013					
	Country	Import Value	Market Share	Country	Export Value	Ratio in Export
1	China	354.6	36.9%	Kazakhstan	29.3	21.7%
2	Germany	107.0	11.1%	India	25.7	19.0%
3	Belarus	67.9	7.1%	Belarus	22.8	16.8%
4	Taiwan	60.6	6.3%	Ukraine	6.3	4.6%
5	France	36.5	3.8%	China	5.5	4.1%
6	Italy	35.4	3.7%	Germany	5.0	3.7%
7	Ukraine	32.6	3.4%	Kyrgyzstan	4.3	3.2%
8	Finland	32.0	3.3%	Turkmenistan	4.1	3.0%
9	Japan	29.0	3.0%	Indonesia	3.2	2.3%
10	S. Korea	28.3	2.9%	Iran	2.7	2.0%
	Subtotal	784.0	81.6%	Subtotal	109.0	80.6%
	Total	961.3	100%	Total	135.3	100%

Source: compiled by ITIS Project of MIRDC



Figure 1. Russian Fastener Import & Export During 2009-2013



Source: Freedonia Group, compiled by ITIS Project of MIRDC

Local fastener manufacturers usually heard in Russia are Omax, GAZ Group, Severstal-Metiz, and Logcompany. As Russia in the past was a closed economy, only a few multinational corporations have local operations in Russia. Corporations having facilities for manufacturing fasteners in Russia are FinnvedenBulTen (Sweden), ARaymond (France), and Vossloh (Germany), and some other non-Russian companies also have sales and retail operations in the local market.

As Russia has become a member of WTO and its automotive and related industries are expected to grow fast, plus, Russian government is progressive in promoting its military power and increasing sales of weapons to other countries, the demand for fasteners used in aviation, vessels, and other military facilities will definitely grow and the demand for industrial fasteners in Russia is expected to reach USD1.83 billion by 2016.

Conclusion

Fasteners from Taiwan are mainly shipped to the U.S., Europe, Japan, Canada, and China. Russia was the 10th largest destination of fastener export for Taiwan in 2013, sharing 2% of the total fastener export of Taiwan. Russian fastener industry grows slowly; however, as the other manufacturing industries have been growing really fast in the most recent years, causing fast growth in fastener import, the unit price of imported fasteners is about USD2/KG. Looking at the products Russia imported from China, Taiwan, Belarus, and Ukraine, the average unit prices are all below USD1.6, but they share up to 85% of the total import of Russia, which means fasteners Russia imported are mainly medium to low level standard parts, nearly 60% of which were from China.

Russia is a highly industrialized country, but it still needs to import a large volume of fasteners to satisfy the domestic demand. As prices of low-end products made in China are competitive, if Taiwanese fastener suppliers would like to expand business to Russia, they should utilize the advantageous ability of flexible customization to win business in high-end markets like automobiles, machinery, military, aerospace, and other special applications. □