

Russian industries performance

Update February 2015

The deterioration continues

Nearly all Russian sectors are increasingly affected by the sharp downturn in Russian economic growth, Rouble devaluation, sanctions, lack of investment and mounting difficulties in the banking system. The cost of external financing for Russian banks, corporations and population has already increased significantly. Due to the high benchmark interest rate of currently 15% (in order to stem inflation and to defend the currency), many Russian businesses and banks are expected to face serious refinancing problems. A sharp increase in defaults of Russian banks' and businesses' cannot be excluded - should the rate remain at such a high level for a longer term. It is expected that the Russian government will financially support the banking system and the largest strategic corporations. However, this financial support could turn out to be limited and selective, with the majority of businesses not receiving any public support.

Despite the overall negative trend, some Russian sectors and businesses are more affected than others, especially those that are exposed to currency risks, that heavily rely on imports and any businesses with high external borrowing.

Food and agriculture

Together with the economic downturn and the Rouble depreciation, Russia's sanctions on imports of food and agricultural products have hit the domestic food sector hard, in particular the fish, meat and dairy subsectors. There has been a negative impact on the whole value chain - from importers and wholesalers to major retail chains and smaller regional traders. Import substitution and any significant increase in local production do not seem very likely due to the lack of investment and reliance on foreign technologies and equipment.

Electronics/ICT and household appliances

Those sectors are immediately affected by decreasing private consumption. In particular, we see major risks for wholesale distributors of consumer electronics and household appliances, which usually have large sales turnover, low margins and solvency and which are dependent on external financing from banks and suppliers.

Heavy industries and construction





















It is expected that the combination of decreasing internal and external demand, deteriorating prices, currency risk and increasing capital costs will create major problems for all market players - even for domestic oil and gas companies.

The main concern is with large, highly indebted businesses in the metals & mining, construction, infrastructure, transportation (especially airlines), machinery production and engineering (including automotive production) sectors.

In 2014 insolvencies increased in sectors like metals and construction, and we expect a further increase in insolvencies in the heavy industries and construction segments in 2015.

Russia industries performance outlook

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Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				
				
Excellent	Good	Fair	Poor	Bleak

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