Russia to Overtake West in Defence, Economic Growth, Electronics

Release Date:
Thursday, August 22, 2013 8:49 am EDT

Terms:
Aerospace, Defense & Security    Financial Markets

Dateline City:
MOSCOW

MOSCOW (August 21, 2013) – Russia’s economy is forecast to accelerate faster than those of the US, Japan, the UK and the Eurozone in 2014 and again in 2015. In addition, Russia’s defence spending will surpass those of the UK and Japan in 2013 according to forecasts announced in Moscow by IHS Inc. (NYSE: IHS), the leading global source of information and analytics.

Steen Lomholt-Thomsen, IHS senior vice president, EMEA, said, “Russia is an exceptional opportunity. While leaders globally are concerned and cautious about geopolitical instability and economic volatility, business sentiment is rising in Russia.”

“Russia’s own success story will see it rise faster than the US and Eurozone through to 2015,” he continued. “We see a strong future potential for the Russian economy across defence, energy, chemicals, electronics and other industries - both at home and abroad, exploiting demand in Asia and EMEA. Chemicals and defence are examples of industries with hugely untapped export potential. The chemicals industry could double in a decade if given a $35 billion cash injection” Lomholt-Thomsen said.

1. Economy - IHS today forecasts Russia’s growth will accelerate faster than the USA, Japan, UK and Eurozone in 2014 and will grow faster again in 2015. Russia’s Gross Domestic Product is forecast to grow by 2.6 percent in 2013, by 3.5 percent in 2014 and 3.8 percent in 2015. Russia’s economic growth is weakening in 2013 as investment activity and net exports disappoint, but IHS expects the pace of investment in fixed capital to regain momentum in 2014, partly as a result of public sector and public-private projects getting under way.

2. Defence - IHS today announces Russia will overtake the UK and Japan in the defence spend rankings, spending $68.8 billion in 2013. This will make Russia the world’s third largest spender on defence, behind the US (defence spend of $637.8 billion in 2013) and China (defence spend of $131.7 billion in 2013). Russia will push Japan and its $68.1 billion spend from third place to fourth by the end of 2013. Russia will also push the UK and its $58.6 billion spend from fourth place down to fifth in 2013. Russia will become the biggest spender on defence in Europe, the Middle East and Africa in 2013.

3. Chemicals - IHS today reveals that it believes Russia’s chemical industry has the potential to more than double in size in a decade from 3 percent global share in 2013 to 7 percent by 2023. This could double the number of jobs in the sector and could provide cost effective products to other industries if given an injection of at least $35 billion. Russia is in an ideal position to follow the Middle East and be a petrochemical export powerhouse. The Middle East grew from 3 percent of global capacity in 1990 to 12 percent today. Russia’s share of global gas reserves is 23 percent; materials from oil and gas can represent as much as 75 percent of petrochemical production cost and yet Russia only has petrochemical capacity globally of 3 percent.

4. Electronics & Media - IHS today announces that it forecasts Russia will become Europe’s fastest growing TV advertising market this year, growing 9 percent to $5.16 billion by the end of 2013. IHS data suggests Russia is already Europe’s third largest TV advertising market and will outgrow Germany and the UK to become Europe’s largest by 2016 with revenues of $6.75 billion. Main drivers are low advertising costs, a diversifying TV channel landscape and more reliable audience data.

5. Energy - Russia is already a top global oil and gas producer, but IHS believes it has significant upside potential, with vast untapped oil and gas resources and attractive exploration opportunities in the Arctic region. Russia has substantial shale oil resources, the development of which could help breathe new life into mature oil basins. But the push for shale gas development in Russia likely will move slower, in large part due to the country’s abundant supplies of conventional gas reserves. Russia’s importance in global energy markets will continue to grow in the coming years, as the country becomes a key supplier of oil and gas to the Asian region while remaining a major hydrocarbon exporter to Europe.

6. Autos - The Russian light vehicle market is currently experiencing a difficult period with sales falling by 8.4 percent year on year in 2013 to the end of July. This followed on from a period of accelerated growth between 2010 and 2012, which has exhausted pent-up growth. However, in the medium to longer term, IHS Automotive believes that there remains considerable potential growth potential in Russian light vehicle market with our current forecast predicting a rise of 30 percent between now and the end of the decade to nearly four million units. The Decree 166 Automotive Industry Policy may act as a catalyst to foreign manufactures operating in Russia, increasing manufacturing capacity at a faster rate than necessary.
These forecasts are sourced from IHS, the most comprehensive information and analysis provider worldwide. IHS World Economic Service delivers global economic forecasts and helps customers evaluate business opportunities at the global, regional, and country level. IHS Jane's Defence Budgets is the world’s most comprehensive source of government budgets and exports. IHS Automotive provides comprehensive insight and analysis, covering 97 percent of global vehicle sales and 99 percent of global vehicle production. IHS Energy provides the most comprehensive source of information and analysis on oil and gas exploration and production. IHS Chemical provides the best insight and forecasting of CMAI, SRI Consulting, Harriman Chemsult and Chemical Week.