Business outlook for 2018-2019

Level of optimism
(on a scale of -100% to +100%)

Outlook for the industry: +5%
Outlook for the company: +41%

Expectations for key indicators*

Financial performance (in RUB):
- Revenue: +33%
- Capital expenditure: +17%
- Overdue receivables: +2%

Operational performance (in units):
- Manufacturing: +61%
- Distribution: +61%
- Leftover stock: +10%

Industry drivers and barriers

Top 3 drivers:
- Transparent and stable regulatory and economic policies
- Lower administrative barriers
- Lower geopolitical risks

Top 3 barriers:
- Imperfection of government regulation of the industry
- Corruption
- Insufficient domestic demand

Company’s competitiveness drivers

- Higher domestic demand
- Lower production costs
- Higher production and technology capacities

*Net balance: [the share of the companies anticipating an increase in the indicator - the share of companies anticipating a decrease]
Topical issues facing the chemical industry

Currency and financial risks

- 29% of the companies indicates an increase in production costs affected by the ruble exchange rate fluctuations in 2017*
- 50% of companies need to refinance their loans

*due to rising costs of imported goods, work and services

Currency level preferences

(compared to RUB/USD = 58.8, RUB/EUR = 71.1)

- 53% Ruble appreciation
- 12% Exchange rate stabilisation
- 35% Ruble depreciation

Share of imports in procurement

- 35% Raw materials and supplies
  planned changes +3 pp
- 59% Machinery and equipment
  planned changes +2 pp

Impact of China’s manufacturing sector’s development

- 35% Positive
- 47% Neutral
- 18% Negative

Staff cost optimisation

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<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Staff cuts</td>
<td>33%</td>
<td>17%</td>
</tr>
<tr>
<td>Salary cuts</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Shorter working week</td>
<td>8%</td>
<td>0%</td>
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<tr>
<td>Unpaid leaves</td>
<td>33%</td>
<td>17%</td>
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17% of companies lack automation and optimisation specialists and 33% are concerned about their qualification levels
Development priorities

**Top 5 development strategies**

- New product launches
- Expansion into new markets
- Cost reduction in Russia
- Business development through organic growth
- Construction of new manufacturing facilities in Russia

**Attractiveness of markets for export growth**

- EU: +60%
- EEU: +45%
- BRICS: +35%
- North America: +25%
- CIS countries outside the EEU: +25%
- Asia: +15%

**Top 3 funding sources**

- Internal sources
- Government funding
- Borrowing from banks abroad

**Top 3 types of government support**

- Tax incentives and help with fundraising
- Infrastructure investment
- Higher education investments

1.8 out of 3 Efficiency assessment of the government's efforts to support the industry
Innovation and digitalisation

Key Innovation Activities

Research and development (R&D)  
Acquisition of advanced equipment and machinery  
Staff training technology and innovation

A two-fold increase in demand for the acquisition of rights to patents and licenses in 2018-2019 compared to 2017

11% of revenue spent on innovation in 2018-2019

36% of companies see a need for personnel management automation and plan to invest in technological solutions in this area

Advanced technology implementation

Top 4 advanced technologies implemented:

- Advanced ERP systems (CRM, SAP) 55%
- Electronic document flow 47%
- Full business process chain automation 45%
- Shared service center 44%

Top 4 technologies planned for implementation:

- Full automation of selected business processes 45%
- Energy-saving technologies 45%
- Full business process chain automation 37%
- Electronic document flow 35%
Contact us

Yulia Orlova
Partner
Head of Chemical Services Group
Deloitte CIS
yorlova@deloitte.ru

Varvara Karpova
Manager
Chemical Services Group
Deloitte CIS
vakarpova@deloitte.ru

Lora Nakoryakova
Research Centre Leader
Business Development
Deloitte CIS
lnakoryakova@deloitte.ru

Mikhail Gordeev
Head of Research Project
Research Centre
Deloitte CIS
mgordeev@deloitte.ru

deloitte.ru

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