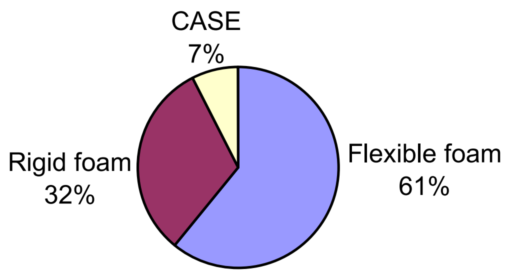
A BRAND-NEW TITLE FROM IAL

POLYURETHANE CHEMICALS AND PRODUCTS IN THE RUSSIAN FEDERATION 2002

IAL Consultants is pleased to announce the publication of the first edition of *Polyurethane Chemicals & Products in the Russian Federation*. This single-volume report provides an overview of polyurethane production across Russia on a region-by-region basis and highlights the growth opportunities in the various polyurethane sectors across Russia.

Total polyurethane production stood at 144,915 tonnes in 2002, with flexible foams – especially the polyether types – being the dominant product. Rigid foam output of 45,900 tonnes and output of CASE products (coatings, adhesives, sealants and elastomers) of 10,670 tonnes constitutes the remainder of the output, as seen from the chart:

Russian Output of PU Products, 2002 (Tonnes)



Source: IAL Consultants

Output of polyurethane products is forecast to grow by an average of 7.6% pa by 2007, bringing output to an estimated 209,415 tonnes. Growth in rigid foam production will be greater than that experienced by flexible foam.

Underinvestment shapes much of the PU industry in Russia. Russian PU manufacturers, typically operating with annual capacities of a few thousand tonnes, are keen to increase their production of polyols and isocyanates, yet at the same time future supplies to the Russian PU industry are perceived to be at the mercy of the multinational manufacturers which dominate the global picture - BASF, Bayer, Dow and Huntsman. While the growth potential is good, top companies such as these have been deterred from making major investments by the low overall volumes associated with the Russian market. Much of the Russian PU industry is located in the Central and Volga Federal Districts, which account for 72% of PU output.

Moscow, in the Central Federal District, offers some of the greatest opportunities for the PU industry owing to higher standards of living and greater affordability of end-use products such as cars, furniture and refrigerators. This region has attracted the attentions of major Western companies, and with the mixed results. Merloni's acquisition of Stinol in 2000 has lent stability to the white goods sector, bringing steady demand for rigid foams, while Ikea and various Italian furniture producers have whetted the Muscovites' appetite for Western furniture, outstripping the capabilities of local manufacturers. Polyurethane furniture finishes represent a huge potential market given the size of the Russian furniture industry, but the lack of domestic raw materials means that cheaper nitrocellulose finishes predominate.

Similarly, demand for thermal insulation should also be great given the Russian climate, but immediate growth is hampered by prohibition of certain polyurethane materials in state construction activity owing to concerns over their flammability. PU insulated panels will however, derive some growth from use in areas where legislation is less stringent as well as from greater demand in the refrigerated transport and cold storage sectors. Greater penetration of fast food chains and rising imports of quality foods from Europe and Asia will be the drivers.

Polyurethane Chemicals & Products in the Russian Federation 2002 has the following contents:

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