

# Market Snapshot of Russia's Automotive Engine and Transmission Oil Market



The current macroeconomic situation in Russia has a significant influence on the national lubricants market. By the end of 2016, the market shrank by 1.8%, reaching 1.58 million tons, as compared to a 4.7% drop in 2015. However, since the beginning of 2016, most industries, including automotive, posted growth in manufacturing, paving the way for an expected 1.6% increase in industrial oil consumption.

Last year, the automotive engine oil market grew by 1.1%, reaching 539,600 tons. By the end of 2016, synthetic oil accounted for 53% of demand in this market. Passenger cars were the biggest contributors, primarily due to the possibility to extend oil drain intervals, which helped reduce spending on lubricants. However, the share of semi-synthetic engine oil remains significant as passenger and heavy commercial vehicles keep using it driven by its reasonable price and quality ratio.

According to an RPI forecast, the automotive engine oil market is bound to grow by 14.8%, reaching 620,000 tons between 2017 and 2025. Considering long-term growth rates of surveyed vehicle segments, passenger cars will post the highest growth increasing by an average 2.9% per year, while LCV, HCV and bus segments will demonstrate 1% annual growth rate.

Over the long-term, the transmission oil market is expected to grow by 21.8% in 2017-2025. Besides the projected overall growth of Russia's car fleet, the main driver in this segment is the growing demand for ATF fluids. It stems from the need to replace old, domestically-produced cars, which mostly have manual gearboxes, and the Russian consumers' rising demand for cars with automatic gearboxes. As a result, between 2017 and 2025, the average growth of demand for ATF fluids is expected to reach 4.8% per year, whereas demand for transmission oil used in drivetrains is expected to grow on average by 1.4% annually, while MTF fluids demand is expected to decrease on average by 0.1% annually.

Since 2014, competition in the Russian market has changed significantly. In 2014-2016, a large number of foreign producers of engine and transmission oils such as Mobil, Castrol and Total, with no production facilities in the Russian Federation, saw their market shares shrink substantially in both passenger cars and commercial vehicle segments, the change mostly driven by a spiraling ruble. As a result, Russian companies satisfied the biggest share of demand, while the process of industry consolidation has been picking up pace gradually. For example,

by the end of 2016, four largest Russian companies controlled 65% of the country's packaged lubricants market. In the midterm, RPI forecasts further industry consolidation by Russian engine oil producers, resulting from a price advantage over foreign producers, as well as increasing marketing activities.

One of the key trends in the automotive engine and transmission oil markets is the redistribution of sales channels' shares. For instance, the service station share grew from 27% in 2014 to 31% in 2016, and by 2025 it is projected to go over 40%. The independent service station sector is expected to grow at the fastest rate, while the share of the garage service sector will continue to shrink. Main reasons for such growth are the population's rising incomes, and the decreasing numbers of motorists willing to refill oil independently and risk using unauthorised service stations.

Detailed information is presented in RPI Market Report *"Russia's Automotive Engine Oil Market: Market Snapshot, Forecast through 2025, Analysis of Key Market Players and Sales Channels"*.

<http://rpi-consult.ru/reports/masla-i-smazki/rynok-motornykh-masel-dlya-avtotransporta/>

## About RPI

RPI is a leading advisory, business development and communications company specialising in the energy industry of Russia, the Caspian region, Eastern and Central Europe. Founded in 1992, RPI has extensive and diverse experience in serving governments, investors, contractors and financial institutions in support of their oil, gas and power projects in the region.

For more than 10 years RPI has been hosting a major event in the lubricants industry in Russia and CIS, "Moscow week of lubricants international conference." Having acquired extensive experience within the industry, possessing a detailed analytical database, enjoying access to industry experts and business representatives RPI stands to provide the most objective market view and accurate forecasting model.

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