

Glass sector in **RUSSIA** undergoes painful transformation

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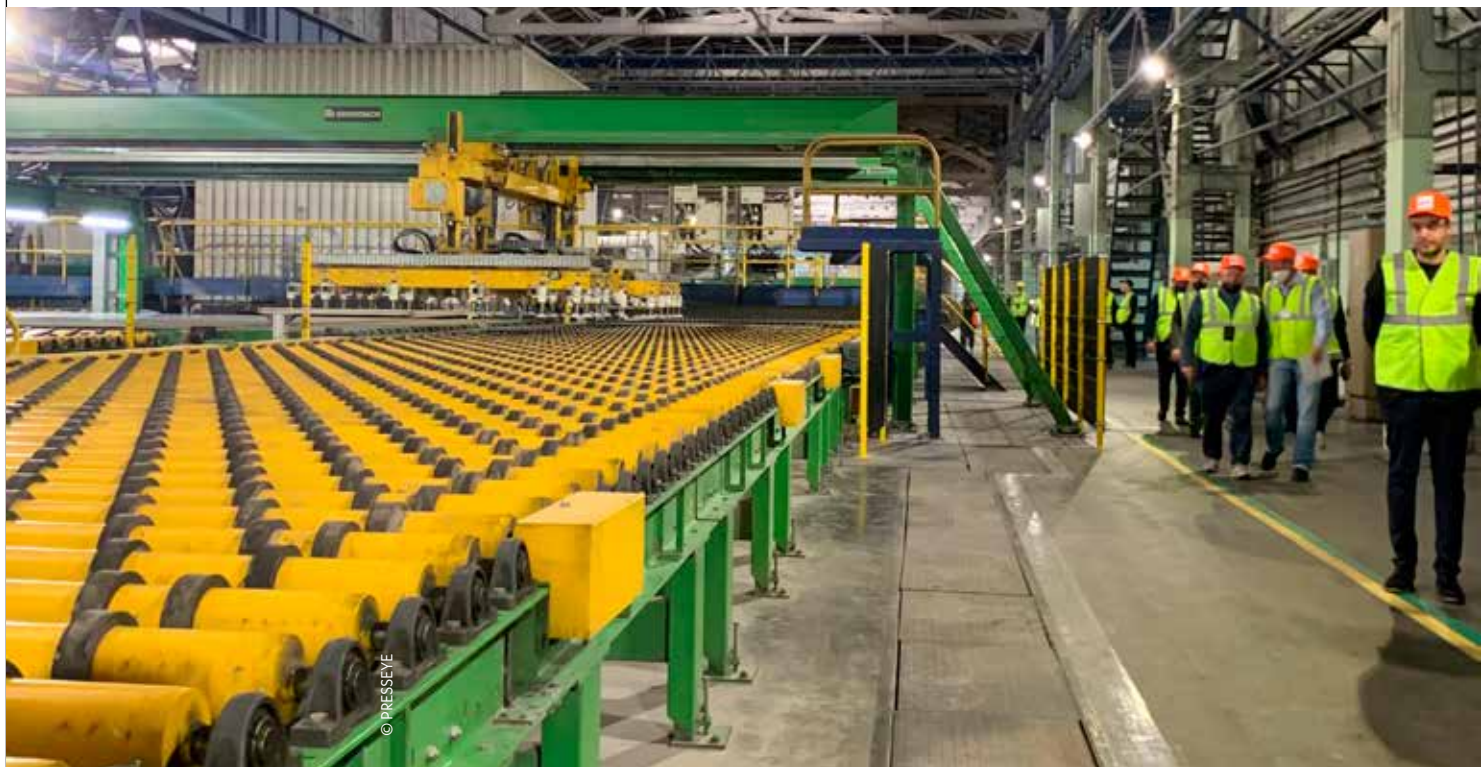
Before 24 February 2022 the Russian glass sector boasted remarkable achievements, experiencing annual growth

rates of 7-8 percent and beyond. Two comprehensive 10-year development programmes, spanning from 2000 to 2010 and from 2011 to 2020, contributed significantly to the sector's success. During this period,

sheet glass output surged from 86 million square metres to an impressive 246 million square metres, while glass container production soared from 5.6 billion pieces to 14.6 billion pieces.

THE UNRAVELING

The eruption of the Russian-Ukrainian military conflict shattered hopes for sustained growth - ushering in a severe crisis. Confirming this downturn, Natalya Popkova,



In RUSSIA the glass industry recently found itself at the epicenter of transformation - grappling with the impacts of tightening sanctions and increased international isolation. Once a beacon of growth, it now finds itself facing unprecedented pressures that have stemmed from the conflict in Ukraine and the ensuing geopolitical fallout.

Deputy Director of the Department of Metallurgy and Materials at the Ministry of Industry and Trade, acknowledged an eight percent year-on-year decline in glass production in the previous year - with indications pointing to further declines in the current year.

EXPORT WOES AND GLOBAL IMPACT

The industry's predicament is exacerbated by a significant drop in exports, traditionally a major revenue source for Russian glass-makers. Global majors, operating within Russia, have largely suspended their operations. Despite rumours



of potential resumptions, most global producers show little inclination to reinstate Russian operations in the short term. The imposition of bans on Russian glass exports to Western markets has further compounded the challenges, with exports plummeting from up to 30 percent of annual output to nearly negligible levels.

STRATEGIES FOR RECOVERY

To counteract these industry woes, head of StekloSouz Viktor Osipov has called for stimulating domestic consumption and reviving science and mechanical engineering. He proposes a focus on the production of double-glazed windows, an area where Russia lags behind global averages, with per capita consumption ranging from 3-5 square metres as compared to 23-25 square metres in the EU.

IMPORT DEPENDENCY AND GOVERNMENT RESPONSE

The industry's high dependence on imported

equipment has hindered planned repairs, with Western sanctions making the supply of equipment challenging. The Russian government, cognizant of the industry's struggles, faces limitations in providing substantial support due to budget constraints. However, initiatives such as tax and customs exemptions, compensations, and subsidies for exports to new markets in Asia are being explored. Natalia Popkova indicates potential compensations to the industry reaching RUB 2 billion (USD 22 million) this year.

MOVING ON

In sum, any conclusion to the current crisis could potentially signal a resilient path forward. This would necessarily involve a delicate balance of stimulating domestic demand, addressing industry challenges and exploring new export markets. The industry's ability to adapt and innovate will determine its success in overcoming such obstacles with a view to emerging stronger in the post-sanctions era.

