

Car assembly has brighter prospects than gas processing in Russia

We are glad to announce the results of two large projects of the Institute for Financial Studies (academic director is Andrey Vavilov). The projects focused on the prospects of gas processing and car making industries in Russia. The research revealed that investments in gas processing industry would not be effective in the near future while funding the automotive industry looked increasingly promising. As part of the study of natural gas utilization alternative technologies, the following variants were considered: liquefied methane (LNG), methanol, helium, carbon black production as well as prospects of producing synthetic petrol products using the gas-to-liquid technology. The research showed that developing such productions in Russia is economically unfeasible due to lack of scientific developments and high costs of major construction works. More difficulties were revealed in the course of talks with equipment producers. The major one is lack of experience in carrying out complex projects in this industry due to absence of large domestic orders.

As part of the automotive industry study, the Institute for Financial Studies suggested a shift to the so-called Industrial Assembly plan under which cars would be assembled and car parts produced domestically. According to the IFS experts estimates, the Industrial Assembly plan will help lower the costs and minimize risks in the course of interaction between the supplier and the end producer. Thus, localization of the production process is the only right strategy for raising competitiveness of the Russian automotive industry.

With localization of the assembly process, the end production and auto part production industries will be upgraded and re-equipped. Also, assembly and management quality will likely grow.

Provided the Industrialized Assembly project is successfully implemented, the automotive industry can be considered one of the Russian economy's 'growth points' in the mid-term perspective.

For more information about the research results see the 'Analytics – Specialized Reviews' section on www.ifs.ru.

Research will be continued as highly important for our country.