



PLASTIC TOYS PRODUCTION

PROJECT

Proposed project – **production of plastic toys.**

Feasibility of establishing a production of plastic toys is determined by the following factors:

- Unsaturated market of plastic toys in Belarus and Russia, and the availability of niches not occupied by local players.
- High growth rate of imports both to Russia (CAGR **+41%** since 2009) and to Belarus (CAGR **+21%** since 2009) and lack of sufficient domestic production to meet market needs.
- **Localization of production close to final consumers** (growth in demand for in Belarus and Russia).
- The main markets are **the market of Customs Union as well as the domestic market of Belarus.**
- Investment costs are estimated at **5-30 mn USD**, payback period – **4-5 years.**

SALES MARKETS

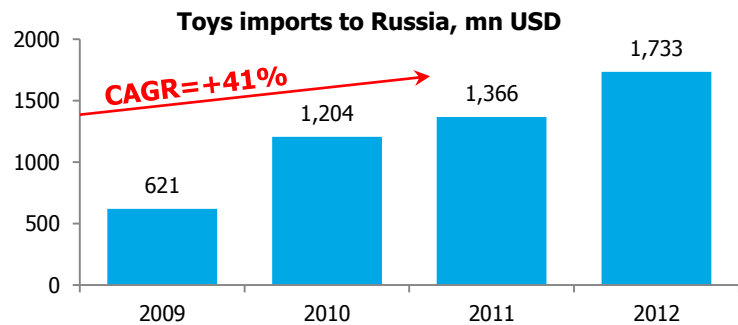
Customs Union market:

- By estimates the capacity of Russian toy market is increasing by 20-25% per year. It is estimated to have reached **2 bn USD** in 2012. The market is not saturated yet.
- Despite the presence of local toy producers in Russia (Nordplast, Stellar, Zvezda, etc.), the share of domestic production is only about **12%**.
- Toy imports to Russia in 2009-2012 was increasing by on average **41% per year** and exceeded **1,7 bn USD** in 2012. The main importer of toys to Russia is China (**77%**).
- The share of Chinese toys is gradually reducing and the share of products produced in Europe is increasing. This shows that consumers are switching from cheap Chinese products to more expensive and of higher quality products from developed countries.

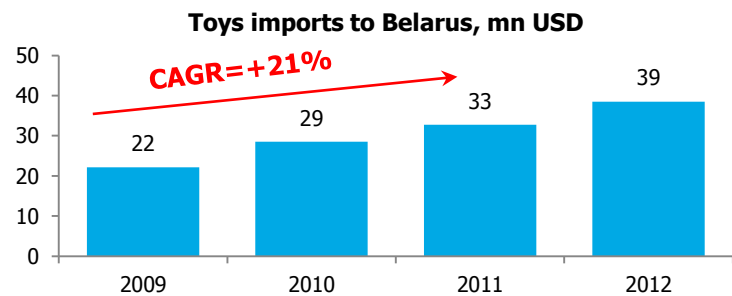
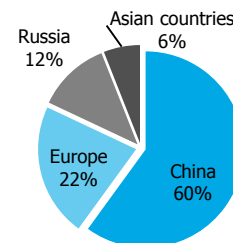
Domestic market:

- Domestic toy market in Belarus grows by **20-25%** per year. In 2012 the market size amounted to about 100 mn USD.
- In Belarus, there are several large toy producers: Polesie (plastic toys), Dream Makers (brand Fancy, stuffed toys).
- However, the share of imported toys in total sales in 2012 amounted to 41%.
- CAGR of toys imports in 2009-2012 exceeds **+21%**. In 2012 Belarus imported about **42 mn USD** of toys. **63%** of toys imports to Belarus comes from China.

The competition on the markets of developed countries is very high. Therefore, the most promising markets are **the Customs Union market and the domestic market of Belarus.**



Structure of Russian toy market by country of origin



Structure of Belarusian toy market by country of origin



MARKET OPPORTUNITIES

Global opportunities:

- The global toy market is continuously growing. In 2012, the global market size amounted to over 84 bn USD. It is forecasted to reach 95 bn USD by 2016 (+13% compared to 2012).
- The main growth will be provided by developing countries. Market growth in developing countries is estimated to amount to on average **7-8%** per year.

Regional opportunities:

- Plastic and stuffed toys account for nearly two-thirds of the Russian market. At the same time plastic toys market is considered as the most promising. It can be divided into two segments: cheap toys of low quality (mostly Chinese) and more expensive and of high quality (mostly manufactured in Europe). Share of cheap Chinese toys is reducing due to increased welfare. Thus, the segment of toys of high quality shows the greatest growth.
- Demand for toys depends on the population structure. Both in Russia and in Belarus population below working age (0-15 years) is constantly increasing, and this trend is expected to continue. Population under 16 years is increasing both in absolute and in relative terms. The share of children under 16 years in total population is expected to increase from **16,5% in 2013 to 18% in 2025** both in Russia and in Belarus.
- Spending on toys per child also demonstrates the prospects of the market. Russia possesses the highest spending on toys per child among the CIS countries. According to forecasts, the spending will grow by **2%** annually.

INVESTMENT OPPORTUNITIES

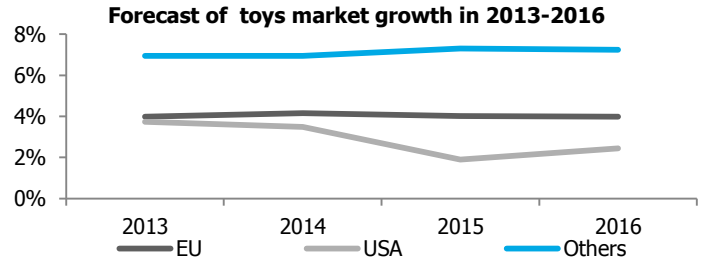
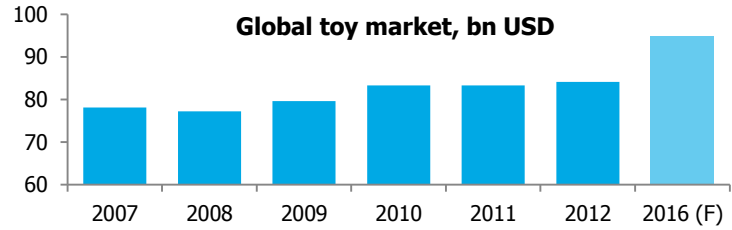
- Investment costs for the creation of facilities for plastic toys production are estimated at **5-30 mn USD**.
- Profitability of plastic toys production amounts to on average **15-20%**.
- Payback period of the project may vary within **4-5 years**.

POTENTIAL INVESTORS

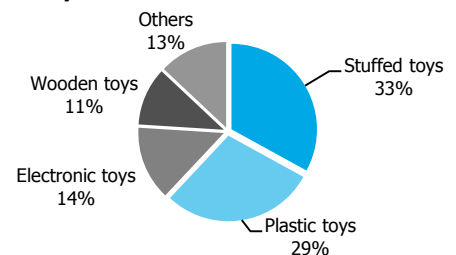
Strategic investors

International companies producing plastic toys and wishing to localize production facilities close to sales markets

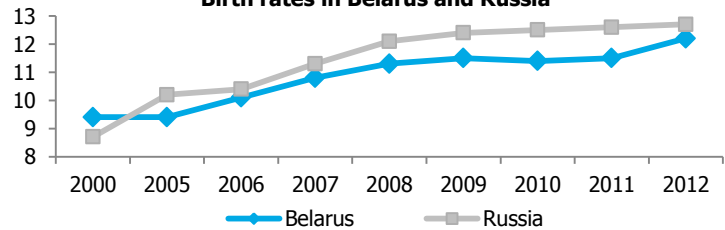
Companies producing goods for children or other types of toys (horizontal integration)



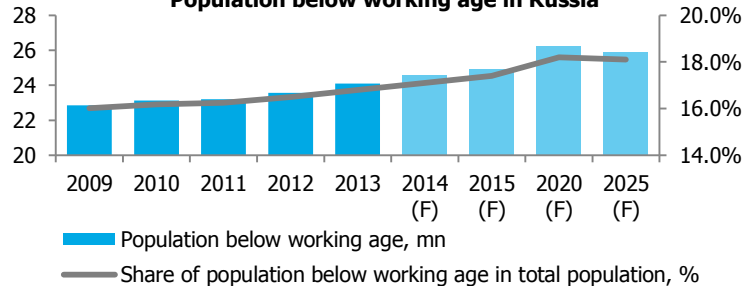
Toys market structure in Russia



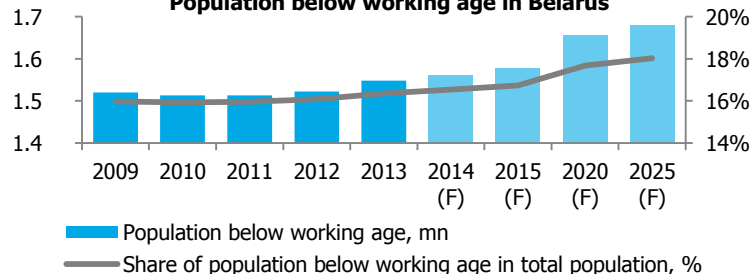
Birth rates in Belarus and Russia



Population below working age in Russia



Population below working age in Belarus



Spending on toys per child in some developing countries, USD

