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Fiat Plans Factory In St. Pete

By The Moscow Times

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ST. PETERSBURG — Fiat will sign an agreement to build a major new car plant in St. Petersburg during the first quarter of 2012, a local government official said Wednesday, as it steps up its investment in the fast-growing emerging market.

"The decision has been made for Fiat to build a plant. Fiat has found a serious Russian partner. It will be a modern factory with a large volume of production," said Alexei Chichkanov, chairman of the Committee on Investments and Strategic Projects in St. Petersburg.

He would not comment on the identity of the partner, but two sources familiar with the negotiations said it was state lender Sberbank.

Renault, Ford and General Motors have struck partnership agreements with local players to meet the state requirement of 350,000 vehicles a year, but Fiat opted to go it alone after a provisional deal with Sollers collapsed earlier in 2011.

Sollers later teamed up with Ford.

Russian car sales are expected to grow 12 percent next year, the Association of European Businesses said last month, down from forecast growth of 36 percent in 2011 but maintaining a recovery that should bring the market to the cusp of pre-crisis levels.

Sales halved in 2009 as consumer confidence slumped and access to credit dried up during the financial crisis, but have improved steadily due to an economic recovery and a state-sponsored scrappage scheme.

The Economic Development Ministry said in June that Fiat would invest $1.1 billion and build 120,000 cars a year in Russia after agreeing the terms of its investment, although no official confirmation has yet been made.

A spokesman for Fiat declined to comment on Wednesday. Sberbank could not immediately be reached for comment.

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