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Ministry Says Car Sales to Fall 4%

By The Moscow Times

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Russia's car market is expected to decline by up to 4 percent this year, the deputy trade and industry minister said, as the country's $2 trillion economy falters.

The forecast is slightly less pessimistic than that given by the Association of European Businesses (AEB), which tracks the Russian car market and recently released data showing that car sales have fallen for four straight months.

The AEB last month cut its full-year forecast to 2.8 million vehicles — a fall of nearly 5 percent on last year — but said it expected government plans to subsidize credit-backed vehicle purchases to boost sales for the remainder of the year.

"We will see a fall of 2, maybe 4, percent [in overall 2013 sales]," Deputy Trade and Industry Minister Alexei Rakhmanov said late Monday, adding that the state program of interest subsidies on car loans should support the market.

Western carmakers including General Motors, Ford , Renault and Fiat have invested heavily in

Russia, betting that Europe's second-biggest car market will grow with the country's rising middle class.

The market, however, has stalled as the economy slows, with consumers less willing to make large purchases. Russia's economy expanded by 1.6 percent in the first quarter — it's slowest growth since 2009.

A report last week from Boston Consulting Group made light of the current economic weakness, saying that the Russian car market is on track to overtake Germany as Europe's biggest by 2020 as car ownership increases, supporting a large local industry.

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