

AvtoVAZ Lays Off Foreign Specialists

By [The Moscow Times](#)

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An official said that high local content in auto manufacturing adds some stability to the sputtering car market.

Russia's largest car maker AvtoVAZ said Wednesday it was reducing its staff of foreign specialists by 50 percent, in line with a company plan announced in January to cut its overall workforce by 7,500.

The company said the measures are necessary to improve its balance sheet, in light of declining sales.

Meanwhile, auto industry leaders and government officials said the damage to consumer confidence in Russia from a plunge in the value of the ruble could be offset for local carmakers as they become more competitive against foreign imports.

The ruble has dropped 11 percent this year as investors price in the risk that Russia's annexation of Crimea may lead to economic retaliation from the West.

“For any deeply localized and self-sustainable industry it will be a big, big benefit — we will be more competitive on the global markets,” Alexei Rakhmanov, deputy minister of industry and trade, said on the sidelines of a conference in Moscow on Tuesday.

“It is more positive than negative ... There is some dependence on foreign components and imported materials, but we are working on this.”

Rakhmanov forecast that Russian auto sales would drop this year — down 6.5 percent in a worst-case scenario, down 2.8 percent to 2.83 million units in the base-case scenario, or down 0.7 percent in an optimistic scenario.

Car sales have faltered in Russia as economic growth has slowed, causing people to put off large purchases. Car sales fell 5 percent in 2013, according to lobby group AEB.

“The ruble works for us, as we have more local content than anyone else. On the other hand it works against us because consumer confidence is lower,” said Bo Andersson, CEO of AvtoVAZ.

“We are better positioned than the rest but maybe our customers are more impacted by overall concern about the economic slowdown.”

For foreign carmakers, the news is not good. U.S. carmaker Ford Motor Company’s Russian venture, Ford Sollers, was reported by Russian media on Monday to be considering suspending production at a factory from April to June.

“The ongoing weakening of the ruble puts additional pressure on Ford Sollers’ business,” Ford Sollers said in an e-mailed statement. “As always, we are constantly monitoring the overall economic situation and will act according to the changing environment.”

Rakhmanov said any action in terms of sanctions would be reciprocal and that Russian industry could survive, but conceded there is risk to the country.

“We are serious in attracting so many foreign investments to Russia and to spoil it at one moment would be a silly exercise, but it is a two-way road,” he said.

“On the other hand, I like to express the hope that common sense will prevail and the long-standing economic benefits will lead all the decision making,” Rakhmanov added.

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