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Renault-Nissan Head is Bullish on Russian Car Market

By The Moscow Times

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The head of the Renault-Nissan alliance said Friday that he sees great potential in Russia despite a slowdown in car sales and is unperturbed by the geopolitical situation, seeming to shrug off Moscow's standoff with the West over Ukraine.

Carlos Ghosn, who heads both Nissan Motor Co and Renault as chief executive, was in Moscow to unveil the resurrected Datsun model for the Russian market.

He said that the auto company's supply chain had not been disrupted by the Western sanctions imposed on some Russian individuals over Russia's annexation of Ukraine's Crimea region.

"I do not think the geopolitical situation, which can be bumpy today ... it is not going to last," Ghosn told reporters after unveiling a four-door family sedan model, the Datsun on-Do, which will retail at under 400,000 rubles ($11,300).

"At a certain moment it will be behind you. Our strategy does not take into consideration short-term bumps but has to take into consideration trends and long-term potential, and we have no hesitation about the potential for the Russian market."

Japan's Nissan retired the Datsun brand in 1981 but announced last year that it would relaunch the small car in emerging markets, targeting Indonesia, India, Russia and South Africa. It is partly seeking to lure young first-time buyers away from the used car market.

Russia has a growing middle class with disposable income, low car density and an aging fleet on the road — all factors that should support future sales.

However, car sales have faltered as economic growth has slowed, causing people to put off large purchases. Car sales fell 5 percent in 2013, according to lobby group AEB, which is forecasting another weak year because of the fragile economy.

But Ghosn said he took a longer-term view of things.

"I am bullish on the market, I recognize the fact the market declined last year and will probably decline this year, but when we invest, we engage not for this year but five, 10, 20 years down the road," he said.

Datsun will benefit from the weaker ruble as it has localized production at AvtoVAZ's Tolyatti plant and is using local supplies as much as possible, he said. Nissan and Renault have struck a deal to take control of AvtoVAZ by midyear.

"The weakness of the currency is an advantage for local brands," Ghosn said. "Foreign brands import a lot of cars. So when the ruble weakens, all those with high euro or dollar content are disadvantaged."

The ruble has dropped 5 percent this year as investors price in the risks related to Russia's annexation of Crimea and the economic retaliation from the West. A falling ruble reduces consumers' purchasing power and makes it more expensive for automakers to buy parts from abroad.

Ghosn said that the alliance of auto brands aim to take a 40 percent market share in the Russian market, although he did not give a time frame. Renault, Nissan and AvtoVAZ currently have a combined share of 32 percent, according to figures from the AEB.

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