

Russia's Car Market to Shrink by One-Quarter This Year

By [The Moscow Times](#)

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General view shows a Lexus showroom in Russia's Siberian city of Krasnoyarsk.

Forecasts for a more than 24 percent drop in car sales in Russia this year are "optimistic," automakers said Thursday, suggesting that the ruble slump could mean further price rises or the end of foreign imports.

Russia's car market, which has boomed since the fall of the Soviet Union more than 20 years ago when Russians raced to buy foreign cars, has shrunk as the economy weakened under the weight of Western sanctions over Ukraine and lower oil prices.

Consumers have mostly put off large purchases, although in December hundreds rushed to buy cars and other durable goods to spend their rapidly devaluing rubles before prices rose. The ruble fell more than 40 percent last year.

The Association of European Businesses, a lobby group, said sales could drop more than 24

percent this year after falling 10.3 percent in 2014 because of high inflation and high interest rates on car loans following a central bank rate hike.

Joerg Schreiber, chairman of the AEB Automobile Manufacturers Committee, expected 1.89 million new passenger cars and light commercial vehicles would be sold in Russia in 2015 compared with 2.49 million in 2014.

Some automakers said his forecast was optimistic.

Marcus Osegowitsch, Russian head of German carmaker Volkswagen AG, said his company wanted to keep prices stable but it was facing an environment where "nobody earns money."

"Honestly, in the current environment ... we all lose a lot of money so we have to adjust prices depending on the environment and the competition," he told reporters, adding Volkswagen raised prices by between 6 and 8 percent on Jan. 1.

Philippe Saillard, head of Nissan in Russia, said the AEB forecast was "slightly higher" than the level he expected, while Japan's Suzuki Motor Corp. said the outlook was "very optimistic."

"We would say somewhere between 1.5 and 1.7 million," said Koichi Takakura, the Russian director at Suzuki Motor.

Schreiber said some car models may be forced out of the market, but declined to name which.

Auto makers with a high level of local production are better positioned than importers but they are also being hit hard as many car components come from abroad.

Car imports could eventually dry up because of the ruble, Nissan's Saillard said, although the company did not plan to suspend imports to Russia "at this stage."

AEB's Schreiber said auto makers were still committed to their existing investments in Russia, but "regarding new investment projects one can expect some restraint."

"The ruble devaluation is not necessarily the worst, one could have coped with it," said one foreign car industry executive who asked not to be named.

"The biggest problem is nobody wants to invest in Russia now because political events of 2014 have undermined the faith in stability — no one can say what comes next."

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