The Moscow Times
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Russian Government to Buy 5,000 New Cars to Boost Sinking Auto Market

By The Moscow Times

March 26, 2015



U.S. automaker General Motors Co. announced last week that it was rolling up its Opel line in Russia. Volkswagen and Nissan have slowed production and cut jobs.

The Russian government will spend 10.7 billion rubles ($190 million) on buying new vehicles for the state to boost the nation's ailing car market amid collapsing sales, according to an order published on the government's website Thursday.

The cash will be used to buy 5,711 new cars — meaning an average outlay of 1.9 million rubles ($33,000) per vehicle — and is effective from March 24, the date it was signed by Prime Minister Dmitry Medvedev. The biggest winners are the Emergency Situations Ministry and the Interior Ministry, both of which will get around 2 billion rubles ($35 million) each.

The purchases are aimed at the "stabilization of the situation in the Russian automobile industry," a statement accompanying the order said. Russia's car market shrank nearly 38 percent in February to around 80,000 cars sales, according to the Association of European

Businesses, a lobby group that monitors the market.

Financial services firm PricewaterhouseCoopers predicted earlier this year that the car market could contract by 35 percent in 2015 as Russia's economy wilts under low oil prices and Western sanctions.

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The government has moved to mitigate the collapse in sales by granting 10 billion rubles to extend a car buyback scheme. Industry and Trade Minister Denis Manturov said in January the program, which buys up old cars to stimulate demand for new autos, would help sell 170,000 vehicles in the first half of 2015, according to the Interfax news agency.

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