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Russia Ups Subsidies for Crisis-Hit Automakers by 50%

By The Moscow Times

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Russia's domestic auto industry has been hit hard by a downturn in the national economy.

The Russian government has increased subsidies for automakers by 50 percent in an effort to help them survive a sharp downturn brought on by the country's economic crisis, a government statement said Friday.

Automakers will now get 15 billion rubles ($269 million) in support, 5 billion rubles more than the 10 billon ruble ($179 million) grant allocated in March, according to the government.

Russia's domestic auto industry has been hit hard by a downturn in the national economy, which is expected to contract 3 percent this year as a sharp drop in the price of oil and Western sanctions over the Ukraine crisis cut off investment.

Sales of passenger and light commercial cars in Russia in May fell to 125,800 units, a 37.7 percent drop compared to May last year, according to a press release by lobby group

the Association of European Businesses.

The subsidies announced last week will be doled out as part of plans to support and modernize domestic manufacturing under the government's 2.34 trillion ruble ($42 billion) anti-crisis program, announced in January.

The government is also supporting the domestic car industry under a program that subsidizes interests rates on car loans.

The program, launched in April this year, allows Russians to purchase cars costing under 1 million rubles ($18,000) on credit at below-market rates.

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