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Russian Government to Support Local Car Market

The “First Car, Family Car” program will subsidize leases and loans.

By bne IntelliNews

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Declining consumer confidence and incomes will cause Russian passenger and light commercial vehicle sales to contract in 2019. **bne IntelliNews**

The Russian government will launch a 19 billion ruble ($301 billion) support program for the Russian car market as of July 1, given declining demand and sales, the Vedomosti daily reported.

Market participants believe that declining consumer confidence and incomes will drive Russian passenger and light commercial vehicle (LCV) sales to contract by 3-10 percent in 2019, according to a bne survey. Extensive state support contributed to the recovery of the passenger car and LCV market in 2017-2018, but sales have declined for two consecutive months in April and May 2019.

The automotive market is still digesting a substantial reduction in government subsidies stimulating retail purchases in the past, creating "a rather challenging environment," AEB wrote in a research note after car sales declined by 7 percent in May.

Reportedly, new support mechanisms were requested by the largest carmakers, including AvtoVaz, Renault, GAZ, Sollers, Hyundai, and Kamaz, as well as by dealers associations. The state will use the 19 billion rubles to support car leases and loans, for its “First Car, Family Car” program, as well as for discounted leasing of commercial vehicles.

The Ministry of Industry and Trade estimates that these measures will increase sales by an additional 75,000 vehicles in 2019.

Recent reports also claimed that the Russian car market could be shrinking faster than industry data suggests, with a real decline in car sales of 18 percent in May 2019 if only sales by car dealers are counted.

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