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INDEPENDENT NEWS FROM RUSSIA

# Ruble Crash Sends Car Prices Up 15%

## Russians bring forward big ticket purchases, fearful of inflation.

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Car dealers expect prices to continue rising to catch up with the 30% fall in the value of the Russian ruble. **Sergei Konkov / TASS**

The crash in the value of the Russian ruble has pushed prices for some new cars up by 15% this year and is likely to continue inflating prices until the end of next year, according to market insiders surveyed by the Kommersant newspaper.

Price increases ranged from 3-15% across different brands and models, with imported automobiles, or those with a high component of materials from abroad experiencing the fastest rise.

For instance, dealers said prices for Jeep, BMW, Audi, Volvo and Mercedes models were all up by more than 10% since the start of the year. But even prices for Russian car brands such as Lada have risen by 7% since January. Lada remains the most popular new car brand in the country, accounting for more than one in five purchases.

Russia's largest car dealer Rolf told Kommersant that prices had yet to catch up with the fall

in the ruble as manufacturers were reluctant to hike prices too quickly for fear of spooking nervous customers. This lag is triggering a mini boom in demand as buyers bring forward their purchases to avoid being hit by higher prices down the road.

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The ruble is down 25% against the U.S. dollar since the start of the year and has lost more than 31% against the euro. Lower oil prices as a result of the pandemic combined with geopolitical risks have weighed on the currency this year, resulting in spells of sharp volatility.

Economists have historically seen dynamics in the automobile industry as a bellwether for the wider economy. Big ticket purchases — such as new cars — are a snapshot into a wide range of factors such as consumer confidence, financing conditions, exchange rates and household spending power.

Sales of new cars were 3.4% higher in September 2020 compared to the same month last year, statistics from the Association of European Business' (AEB) Automobile Manufacturers Committee show. That comes despite a noticeable fall in living standards this year and unprecedented uncertainty over wages and jobs.

"September sales were supported by pulling forward demand due to concerns about price increases amid the recent ruble depreciation," VTB Capital analyst Vladimir Bespalov said in a research note.

Thomas Staertzel, chairman of the AEB committee also said Russia's ongoing border closures had stimulated demand, as households were unable to take their traditional summer holidays. Previous estimates suggested that Russians could have kept an extra $33 billion in the country this year that would typically have been spent abroad over the summer.

Despite the revival over the summer, sales of new cars over the entire year are still down 13.9%, the AEB found, and it expects to end the year with a 13.5% decline compared to 2019.

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