

# Russian Automotive Market

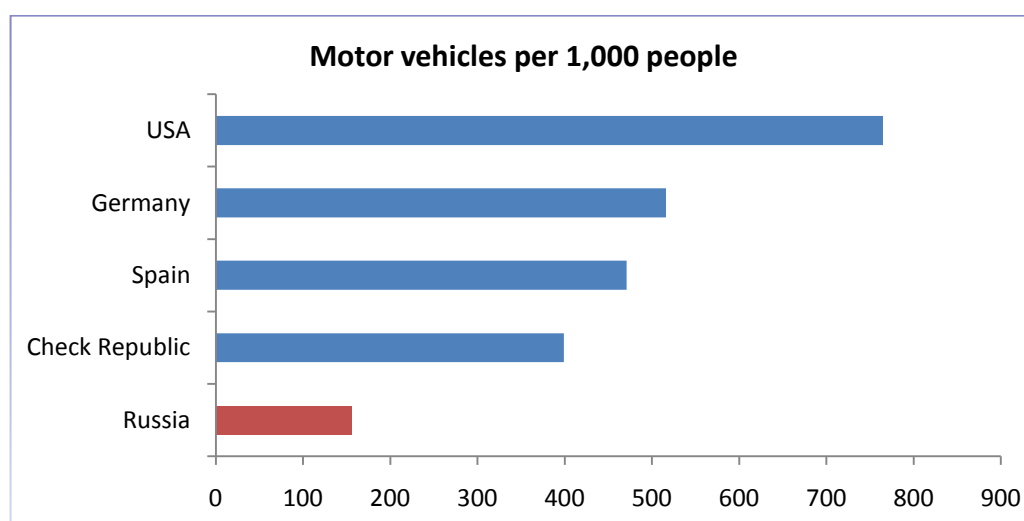


*Fast recovery of Russian automotive market and successful market penetration of the major OEM confirms that Russian automotive market offers good preconditions for successful market penetration for companies involved in this business and especially for automotive component suppliers.*

According to KPMG Global Auto Executive Survey 2010, Companies are nearly unanimous in expecting emerging markets to build most automotive capacity and to provide the most growth in automotive revenues. 35% of companies that took part in this survey intend to increase their investments in Russia.

At 2010 motor cars sales in Russia reached 1,9 mln. Russian ministry of industry trade predicts 15 % market growth at 2011. Autostat has more optimistic forecast: 27 % growth at 2011 and 10÷12 % at 2012. According to basic scenario of PriceWaterhouseCoopers, there will be 20 % increase at 2011. Russian market leader AutoVAZ expects 21 % market development.

Wellbeing of Russian people increases, nevertheless automobilization in Russia countries is still very low: 2,5 times lower than in Czech Republic and even 4,9 times lower than in the USA!



Source: United Nations World Statistics Pocketbook



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Within last 10 years many of world leading car producers have already decided to launch their production in Russia. And most of them have shown ongoing financial results with the exception of crisis time.

Moreover, paradoxically, the sometimes poor quality of Russian roads make the market for replacement components an especially attractive proposition also. Localisation of products and services is also an important factor to consider on the automotive market in Russia as recent changes in the law (December 2010) mean that up to 55% of production must be locally sourced within 6 years for new factories and up to 60% for existing factories. These changes favour Russian manufacturers and provide an additional, although not insurmountable obstacle for foreign companies.

Nevertheless they faced many different problems. The main of them, according to Top Expert, were:

- Poor quality of components and parts
- Unsatisfactory terms of components and parts delivery
- Unstable work of plants
- Force major and personal factor
- Legal problems
- Licensing

As it is seen, two the first problems are associated with quality of suppliers. Foreign components and part suppliers realize it and just within last 5 years we have seen the fair number of suppliers who had established production in Russia.

## **Concrete offer**

*Russian factory of aluminum alloys based in North-West Region is searching for foreign partner for creation of Joined Venture of aluminum autocomponents production.*

