#### News Release

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**FOR IMMEDIATE RELEASE**

**Russia Responds to 6.4 Percent Decrease in Year-to-Date Sales with Government-backed Stimulus Program to Jumpstart the Market**

***How Can OEMs and Local Assemblers Position Themselves for Sustainable Growth?***

**DETROIT, November 7, 2013 –** After doubling in size from 2009 to 2012 to more than 2.9 million units in new vehicle sales, the Russian automotive market has experienced a 6.4 percent decline year-to-date, prompting Russia’s Ministry of Industry and Trade to initiate government-backed subsidies. Under the program, which began in July, the Central Bank of the Russian Federation will subsidize two-thirds of automotive loan financing rates to banks. Qualification stipulations include a maximum price of 750,000 Rubles (approximately $23,000 USD), a 15 percent down payment, and a maximum loan term of 36 months. Ministry officials estimate the program will provide for an additional 250,000 units in vehicle sales.

In addition to positive results from the government stimulus program, local assemblers will need to consider other potential measures to balance their capacity with expected demand:

* Expansion into neighbouring markets—Commonwealth of Independent States (CIS) such as Kazakhstan, Ukraine and Uzbekistan all offer possibilities. These markets are expected to benefit from potential gains due to the low vehicle densities, aging vehicle parcs, and existing favourable trade agreements with Russia.
* Flexible production—modular architecture design allows for adaptable plants with multiple vehicles to be produced on one line so assemblers can shift product mix as needed.
* Segment focus—vehicle segments such as premium models and SUVs have enjoyed above-average growth and are expected to continue outpacing other segments.

"This is a challenging, complex market with many competitive vehicle offerings” said Richard Hanna, PwC’s global automotive leader. “Local assemblers that can combine these actions will position themselves for sustainable growth and a competitive advantage to withstand the current market headwinds.”

Significant factors contributing to the slowdown include the depreciating Ruble, 3 percent inflation in new car prices, and high interest rates of 15 to 16 percent. Approximately half of vehicle purchases in Russia are financed and, thus, consumers are being squeezed with both higher purchase prices and higher carrying costs.

Though Russia faces short-term obstacles with economic uncertainty, rising purchase costs, and hesitant consumer spending, PwC’s Autofacts is optimistic with respect to mid- and long-term growth potential. The combination of a 12-year old vehicle parc and relatively low car density of 290 cars per 1,000 inhabitants, around half of that in mature Western European markets, positions Russia for market growth. For Russia to achieve their goal of becoming a fully-integrated, global automotive hub they will likely require economic stability, further investment in manufacturing technology, and the continued growth of neighbouring CIS countries as export markets.

For more details about the Russian automotive market, download the November issue of PwC’s Analyst Note at: [www.autofacts.com](http://www.autofacts.com) or download the Autofacts App for iPhone or iPad via iTunes.

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