

Car sales and production hit by crisis

Global automotive industry suffers from the financial crisis: almost all largest carmakers in Europe, the US, Japan and Russia forecast lower production and sales for 2008.

In Japan, Toyota sales dropped 23% in October, Honda fell 30%, Nissan – 33%. Chrysler sales in the US are down 35% as compared to October 2007, General Motors' sales plunged 45%.

Czech Skoda stopped production in early October reducing the output target by 13,000 units, a new stoppage in November will reduce production by another 16,000 units.

AutoVAZ's October sales exceeded September sales by 16%, but in October 2007 they were 20% higher.

Carmakers will see further downturn in sales due to lower demand for high priced items that lose their value fast and due to banks turning cautious on lending. Lenders are cutting down on their auto loans that actually gave a boost to car sales.

In the US, car sales are expected to drop 50% - from the forecasted 16 million to 10.6 million units in 2008.

Perhaps, the \$10 billion US government bailout will help GM and Chrysler (exploring a merger) to keep their production lines operational. The automotive industry's big three (GM, Chrysler and Ford) might receive part of a \$25 billion low-interest loan which will be given to upgrade the facilities.

As far as this loan will be allocated for technological modernization of Detroit-based enterprises we can assume that developments of more fuel-efficient vehicles with lower CO₂ emissions will be delayed.

Despite the global tendencies, AutoVAZ's domestic sales might rally. First, the government considers an anti-crisis package setting out to increase import duties on both new and used foreign vehicles. Secondly, the dollar appreciation caused VAZ's competitors to increase prices. Thirdly, the VAZ plant has started the program to cut down prices (price for all varieties of Lada Kalina has been reduced by 15,000 rubles). As a result, VAZ may see a sales growth later this year.

In our opinion, AutoVAZ might keep its production at the current level in early 2009. Cars stockpiling at the producer's and dealers' warehouses may be sold out during the New Year holidays.

By Kirill Lebedev