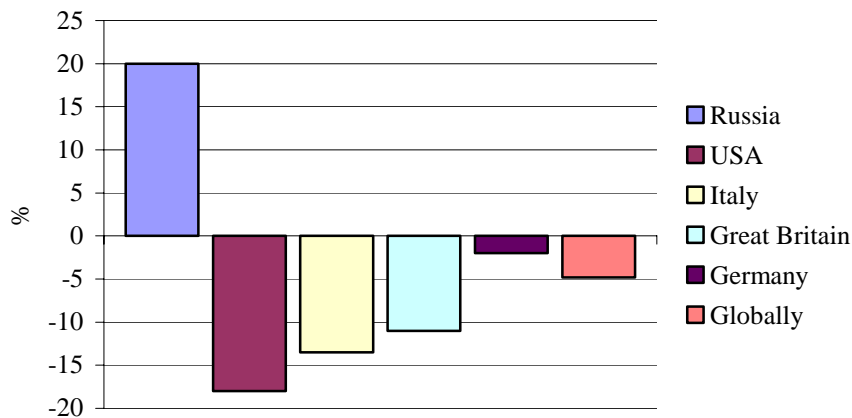


RUSSIA IS EUROPE'S SECOND-BIGGEST CAR MARKET

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, January 15, 2009

Russian car market remains buoyant amid the global financial crisis. In 2008, car sales totaled 2.84 million units - a 20% rise on the last year. Germany retained its position as the largest market (requiring almost 3.1 million units), but the Russian market boasts the highest growth rates in Europe. Meanwhile, Europe's mature markets saw car sales plunging last year.

Diagram 1. Car sales in the world's largest car markets



Chrysler, whose sales dropped by a one-third, is the main cause of the US car market slump. Another giant, GM's sales fell 23%. Ford appears the most 'successful' of the Big Three US automakers - its sales dropped only 21%. Both domestic and foreign carmakers - except for Subaru - are faced with their US sales decline. Under the circumstances of the crisis, Subaru's 0.3% sales growth is a great success!

On the whole, American carmakers' losses in the US exceeded losses of their foreign counterparts. The same tendency is observed in Russia where foreign cars grabbed more than 30% of the market while AutoVAZ's sales dropped 5-6%. German carmakers report a 0.7% growth in their domestic sales while foreign concerns lost almost 4% of the German market.

Russia's car market growth in 2008 was largely caused by its robust pre-crisis development, while prospects for 2009 are not that bright, and the domestic car market might face a steep downturn. There are many financial and operational conditions for that.