

## THE MARKET OF CARS: BEFORE AND AFTER CRISIS

**QUALIFIER JEL codes: D24, D43, E23, E27, L13.**

**Keywords:** *the market of cars, world production, market structures, the analysis costs-benefits, state regulation, the forecast, features of the Russian market.*

### THE SUMMARY

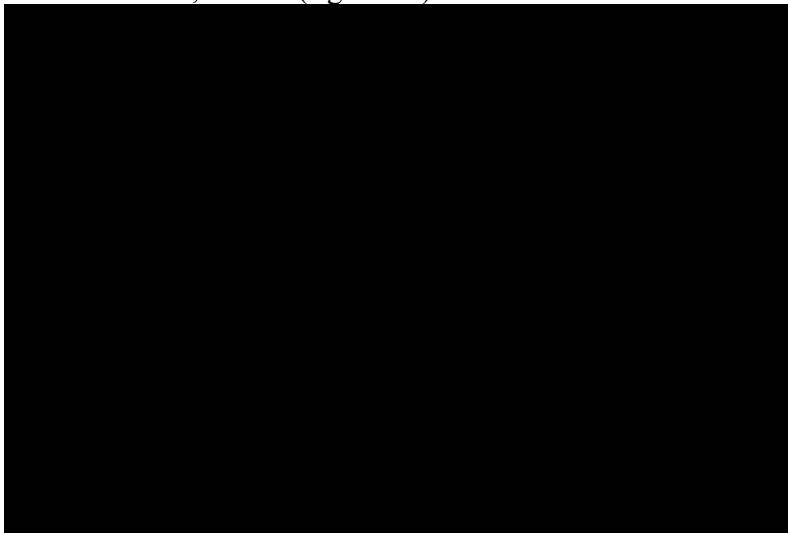
*In article the market of cars before crisis, features of its growth on a boundary of centuries is considered, manufacturers are investigated world production of vehicles on segments and the largest companies. Change of manufacture of cars for last 20 years is shown. Dynamics of structure of the market of cars in Russia in 2001-2008 is analyzed considered, how modern crisis will affect repartition of the world market of cars and the tendency of its development (in countries and price aspects). Authors do the short-term and long-term forecast of development of the Russian market of cars.*

### 1. On the threshold of crisis.

The automobile market has nowadays black times. Recession in the industry in world production has appeared unusually deep. It has captured all countries, but most of all Russia. What reasons of a consequence and expected prospects of its development are problems which are widely discussed in the press. And correctly to answer them it is necessary to analyze tendencies of development which we observed in the XXI-st century beginning. Our first article therefore is devoted the situations which have developed in this market on the threshold of crisis.

#### 1.1. The market of cars: features of growth on a boundary of centuries

World production of cars last years grew fast enough rates. Since 1995 for 2007 it has increased almost in 1,5 times (fig. 1 see).



**Fig. 1. World production of cars 1995 – 2007**

*Made on: ASM-HOLDING*

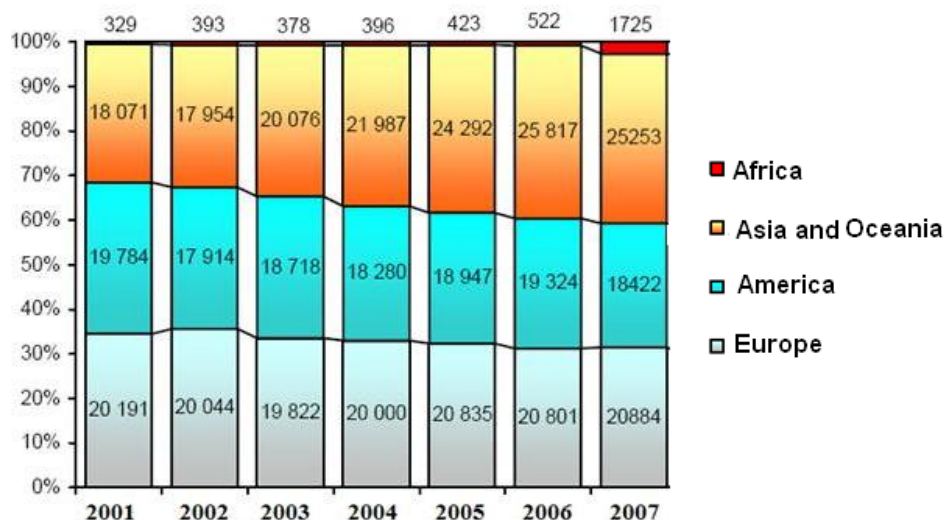
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Market expansion occurred mainly at the expense of increase of a role of the countries BRICK. The traditional markets of assemblage of cars have shown insignificant enough rates of growth during this period. As to China, India, the Eastern Europe and Russia for them high rates of growth were characteristic. China became the second-large automobile market in the world, having overtaken Germany. As a result the share of America and Europe has considerably decreased (according to 34 % to 28 % and with 35 to 32 %). And on the contrary, a share of Asia and Ocenia in world production of automobile techniques has increased from 31 % to 38 % (fig. 2).

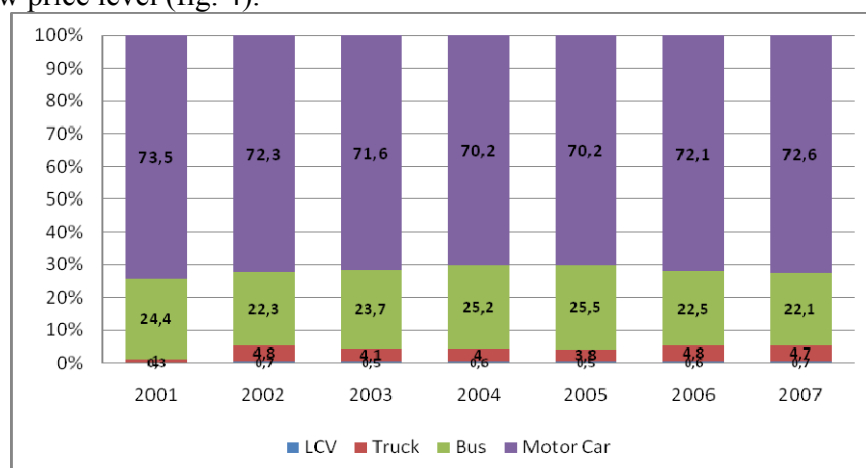
The manufacture parity on segments remains stable throughout all six years preceding crisis. The share of cars against growth of manufacture of automobile commercial transport (LCV) and lorries (fig. 3) has slightly decreased only.



**Fig. 2. World production of automobile techniques on regions, in thousands, 2001-2007**

Source: data OICA and RBC

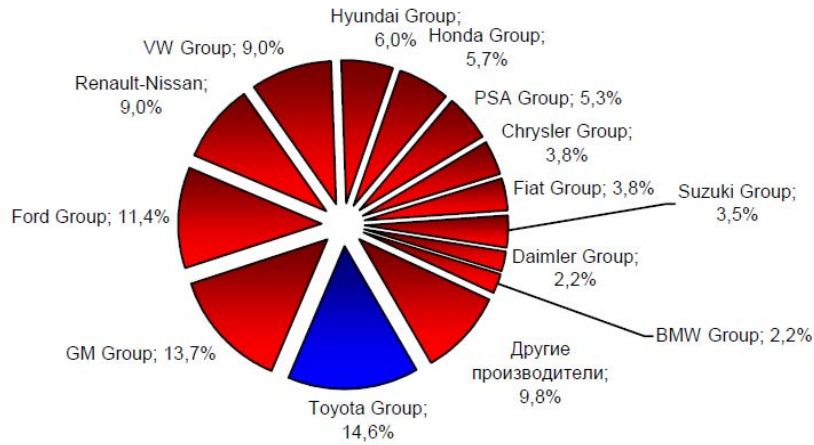
The North America lost a share of the automobile market in the world because of reduced sales volumes of a global three of manufacturers (General Motors, Ford and Chrysler Group). The Japanese motorcar giants continued to increase the potential in the conditions of decreasing demand, using comparative advantages of the country: variability of the lineup, economic models for the consumer and a low price level (fig. 4).



**Fig. 3. World production of vehicles on segments, %, 2001-2007**

Source: data OICA and RBC

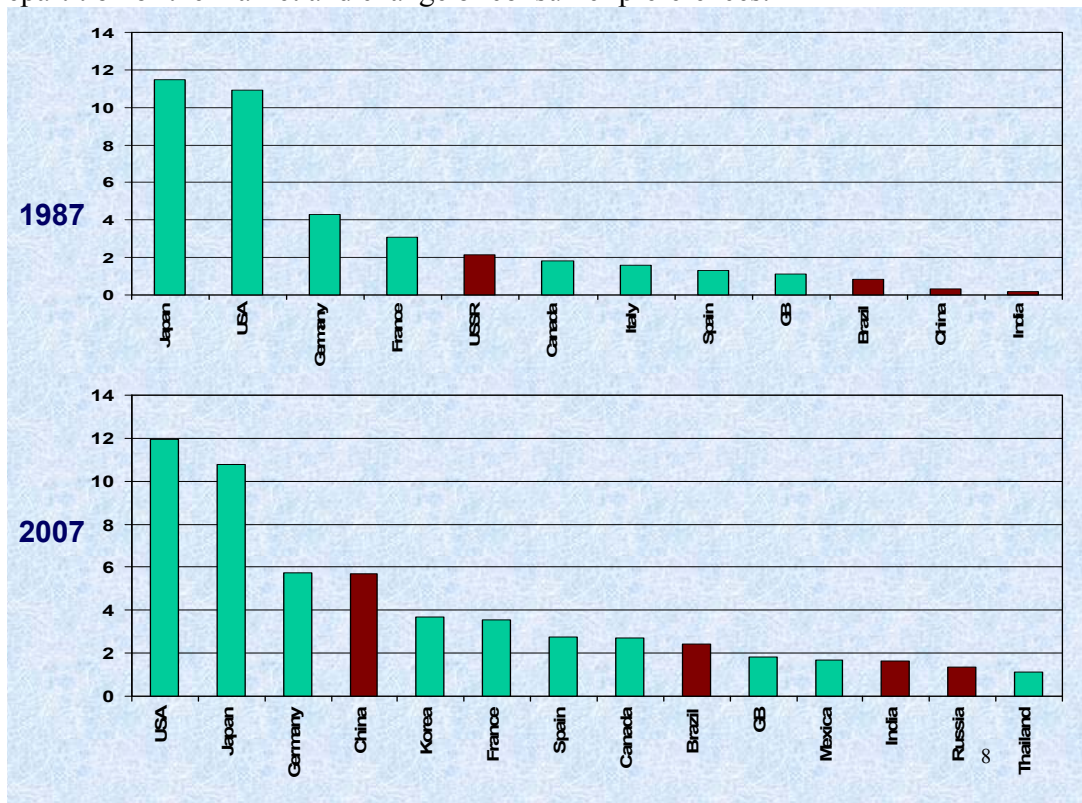
Manufacture of cars acts as the most important segment which defines a situation in automobile branch as a whole. The world production volume in the given area in 2007 has increased by 1,5 % in comparison with 2006, thus the share of cars in universal manufacture of automobile techniques has not changed, remaining at level of 70 %.



**Fig. 4. The largest companies-manufacturers of vehicles, 2007**

Source: data OICA and RBC

However in a segment of cars there were rather serious qualitative changes connected with territorial repartition of the market and change of consumer preferences.



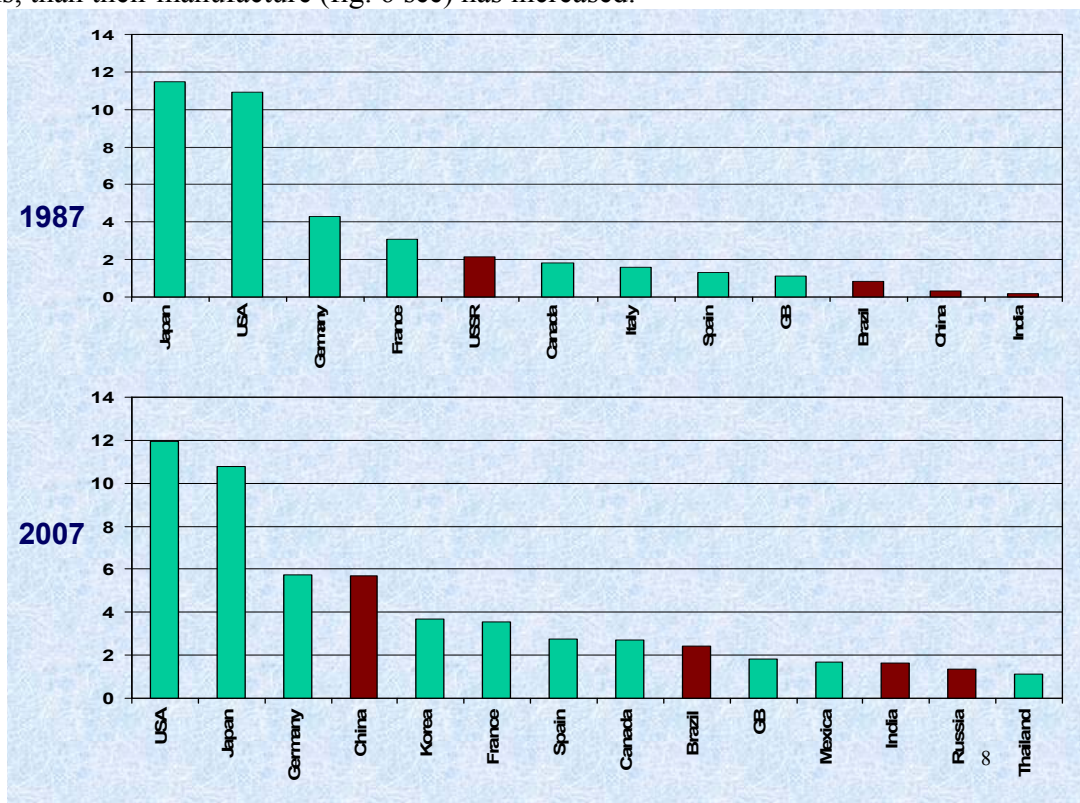
**Fig. 5. Change of the market of cars for last 20 years**

Source: Ernst and Young

So, cars of the Asian manufacture got the increasing popularity not only outside of region, but also in it. In 2007 one of the most fast-growing markets China where manufacture has increased by 40 % continued to remain, and the share in manufacture of cars in Asia-Pacific region has made 39,2%.

The share of South Korea, one more large Asian market grew also. In 2007 it has reached 5,6% in volume of world production and 19,4 % in volume of manufacture of the countries of Asian-Pacific region. For the last years given country increased an export potential, annually increasing it on 15-20 % a year. The main importers of production were the USA and Europe, then India, China and Russia.

If to look at market change for 1987-2007 we will see, that for last 20 years there were some structural changes (fig. 5). If in 1987 on the first place there were United States of America from shares of the market of 12 %, on the second place - Japan (5 %), on the third place - Germany in 2007 instead of Germany on the third place China (fig. 5) has moved. As to the USA their separation from Japan in the market of cars even has a little increased. And even in большей proportions, than their manufacture (fig. 6 see) has increased.



**Fig. 6. Change of manufacture of cars for last 20 years**

Source: Ernst and Young

If 1987 Japan won first place on manufacture of cars in 2007 it has yielded the palm to the USA. In 2007 on the fourth place there was China, and on the fifth - Korea which have pushed aside France and Russia (USSR). If in 2007 in China it has been made more cars, than in France by 2010, according to analysts, India will surpass the Great Britain in this indicator.

The countries with the developed economy in process of increase of their technological and personnel potential, and also in connection with wages growth gradually transfer own capacities to the countries of catching up development which on the technical and economic level follow them.

## 1.2. The Russian market of cars

Throughout a number of years Russia becomes more and more appreciable country in the world market. Motor industry - not an exception. Rates of growth of sales here high enough, especially in comparison with stagnation situation in the Western Europe and America. Level of motorization of the population of the Russian Federation much below European, thus real incomes of the population increase every year. It involves all in our country of global car assembly players. Expansion is included in investment plans of all largest manufacturers of cars. They will be followed also by manufacturers of the completing goods who also consider a question on assemblage localization in Russia.



**Fig. 7. Dynamics of manufacture of automobile techniques to Russia, thousand piece 1990-2007**  
Source: data OICA and RBC

Though the general level of production of automobile techniques of Russia will not reach yet (fig. 7 see) 1990, manufacture of cars became those development a segment which has allowed to come nearer to pre-crisis volumes of manufacture. Dynamics of manufacture of cars in natural expression in Russia was characterized by accurately traced tendency to the lifting, begun in 2002. In 2004 in this segment level of 1990 has been reached.

Now the cars made in territory of the Russian Federation, it is accepted to subdivide on two groups differing as inherently (to value for a national economy as a whole), and on rates of growth:

- Domestic cars;
- The foreign cars collected in territory of the Russian Federation.

Dynamics of manufacture of cars is presented in table 1

**Table 1**

### Dynamics of manufacture of cars on territories of the Russian Federation, thousand piece

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total	986	840	954	969	1022	981	1012	1110	1069	1174
Domestic car	973	830	950	965	1016	970	955	982	912	885
Foreign car	13	10	4	4	6	11	57	128	157	289

Source: Rosstat (<http://www.vedomosti.ru/newsline/index.shtml?2007/12/19/524803>)

**Domestic cars.** Reduction of number of their large factories letting out became the basic tendency for the last years in the field of manufacture of domestic cars. This number has decreased with 7 in 1995 to 3 (Autovaz, GAS, UAZ) in 2006. The reasons of it at each of them were different: bankruptcy (AZLK), refusal of release of domestic cars in favour of foreign cars (KAMAZ, Izh). Such reduction of number of players, and also reduction of release at factories, has naturally affected figure of the general release.

**The foreign cars collected in territory of Russia.** With the car assembly enterprises in territory of the Russian Federation absolutely opposite picture is observed. Their number, on the contrary, has increased from one in 1999 to 8 in 2006 at constant growth of release on each of them. Thus the tendency of increase in quantity of factories will proceed - the intentions in the given area already have declared concerns the Peugeot/Citroen, General Motors, the Chinese motor-car manufacturers; factories of firms Nissan, Toyota and a Volkswagen are already constructed.

Accepted by the Russian government in 2005 of the decision also testify that officials have made the basic rate on attraction of the largest world auto concerns to manufacture creation in Russia and, apparently, in it see the future of the Russian car industry. In the spring of 2005 the Government of the Russian Federation has cancelled or has lowered duties on 61 position of the auto components imported for industrial assemblage, and has abolished custom charges from some kinds of the process equipment for a car industry.

Industrial assemblage has pluses and minuses.

It is necessary to carry to the first, that industrial assemblage:

- Partially replaces import;
- In the long term conducts to the organization of manufacture of auto components;
- Promotes a transfer of technologies.

As adverse consequences, it has that:

- There is a decrease in a share of the market of the Russian motor-car manufacturers;
- There is «a latent import» ready cars.

However will be even worse, if such industrial assemblage not to develop in general. Inactivity too comprises risks. It is necessary to carry the further expansion of import of ready cars and low interest of investors to the Russian car industry to their number.

Usually the agreement on assemblage provides requirements to capacities (not less than 25 thousand a year) and to structure of industrial operations (welding, coloring, assemblage). It promotes increase in investments into the Russian manufacture. However thus reduction of the customs duties by imported auto components is necessary. Only further in process of expansion of industrial assemblage the requirement of stage-by-stage reduction of import of auto components can be formulated.

**Table 2**

**Sales volumes of automobile techniques in home market, in thousand**

Year	2001	2002	2003	2004	2005	2006	2007
Total	1079	1399	1471	1474	1514	1762	2052
EVERYTHING, including							
New domestic cars	849	924	883	883	877	832	753
The foreign cars collected in territory of the Russian Federation	4	6	11	57	128	157	289
The new imported cars	72	94	117	202	295	525	748
The imported foreign cars which were in the use	155	380	500	375	230	315	280

*Source: Autostat*

Home market of Russia was formed of following basic segments: the cars of the Russian manufacture subdivided into the cars of domestic marks and a foreign car of the Russian assemblage, and the foreign cars of foreign manufacture subdivided into new cars and the cars, were in operation.

The market of cars of domestic marks is defined by volumes of their manufacture, behind a deduction concerning their small part going for export. At the same time foreign cars of the Russian assemblage practically in full get on home market.

Sales volumes in natural expression by kinds of vehicles are reflected in tab. 2. We will stop on the analysis of each of the allocated segments more in detail.

**New domestic cars.** Decrease in absolute figure of sales first of all is connected with reduction of quantity of the factories which are letting out domestic cars. Now it is AUTOVAZ, GAS, UAZ, Izh, ZMA and SeAZ. Unfortunately, for the majority of them technological backlog, absence of competent management, low labour productivity, low competitiveness of production, bad quality of assemblage of the Russian cars, a rise in prices for production and auto components, other adverse factors that can shortly become the reason of the full termination of mass production of domestic models of cars is characteristic.

**New foreign cars.** In the given segment it is necessary to carry both the imported foreign cars, and the Russia collected in territory. However the foreign cars made in Russia, though occupy an essential share of the market (14,8 % of the primary market of Russia in 2007), are not allocated in a separate segment. The explanation to it idle time - in overwhelming majority of cases for the Russian consumer of foreign cars a question on a place of its assemblage is not significant, and, as consequence, laws of distribution of demand in foreign cars are identical both for imported, and to the models collected in Russia.

Dynamics of demand for new foreign cars in 2001-2007 is presented to tab. 3.

**Table 3**

**Dynamics of demand for new foreign cars in 2001-2007, in thousands**

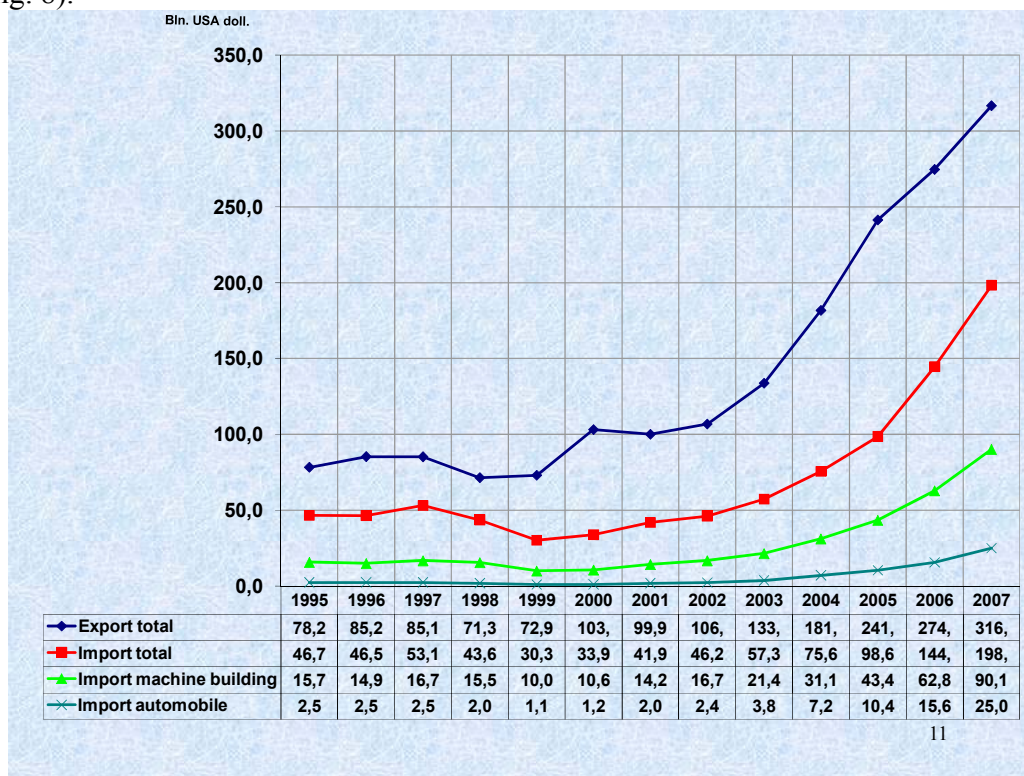
Indicator	2001	2002	2003	2004	2005	2006	2007
Demand for new foreign cars	46,7	79,0	111,8	216,4	407,6	614,3	1020

*Source: ASM-HOLDING*

In 1997 the share of new foreign cars made only 7,5 % of the market of new cars in Russia. Monthly sales volumes systematically grew and to the middle of 1998 have reached level of 8-9 thousand cars in a month. After a default in August, 1998 of sale of new foreign cars in Russia have essentially decreased. Within two years sales volumes of foreign cars were at level below pre-crisis values (3-5 thousand a month). The next two years (2001-2003) did not differ in great volumes - the maximum monthly value of sales did not exceed 10 thousand cars, and only December, 2003 has appeared record - for a month in Russia has been sold 12,4 thousand new foreign cars.

Rapid growth of sales of new foreign cars in Russia has begun since 2004. Practically from the beginning of year many cheapest foreign cars have appeared in deficiency and behind them turns for the first time have started to be built. Growth of the given segment of the market was promoted by development of the assembly enterprises on territories of Russia, and also increase of import duties on second-hand cars. Fast growth has remained and within all 2005. As a result the share of new foreign cars has grown to 31,8 % of the primary market of Russia. Rates of a gain have remained and in 2006. Sales of new foreign cars for a year have grown on 50 %, and the monthly volume by the end of year was practically made even to a sales volume of domestic cars. 2007 once again became record. By the end of year of a foreign car occupied already almost two thirds of market, and the monthly volume of their realization has exceeded a mark in 100 thousand cars. The increase in import of automobile techniques became the major factor of prompt growth of import in

general (and mechanical engineering in particular) which was observed in the XXI-st century beginning (fig. 8).



**Fig. 8. Dynamics of the Russian export and import to 1995-2007**

Source: ASM-HOLDING

**The foreign cars which were in the use.** After crisis of 1998 import of second-hand foreign cars was sharply reduced: people were not ready to spend money for their service and repair. In process of growth of consumer incomes import of second-hand foreign cars of deaws, and raised also their average price. In 2002 in the market of second-hand foreign cars the boom connected with expectation of introduction of prohibitive duties for import of foreign cars which was in the use was observed. As consequence, the market has been oversaturated, that in aggregate with noted increase in import duties at second-hand foreign cars, have led to sharp reduction of the given segment in 2003.

If to look at dynamics of second-hand cars it is visible that there is a replacement of this segment by a segment of new foreign cars (fig. 9). Already now the basic share of second-hand foreign cars belongs to right-hand drive Japanese cars. Standard items of second-hand cars from Europe and America have decreased recently several times. And the stream of cars from Japan (which goes through Far East customs) remained at stable level in volume about 200 thousand cars a year. Further cars are distributed on territory of Russia by a principle - the further from an eastern frontier, the it is less than right-hand drive cars.

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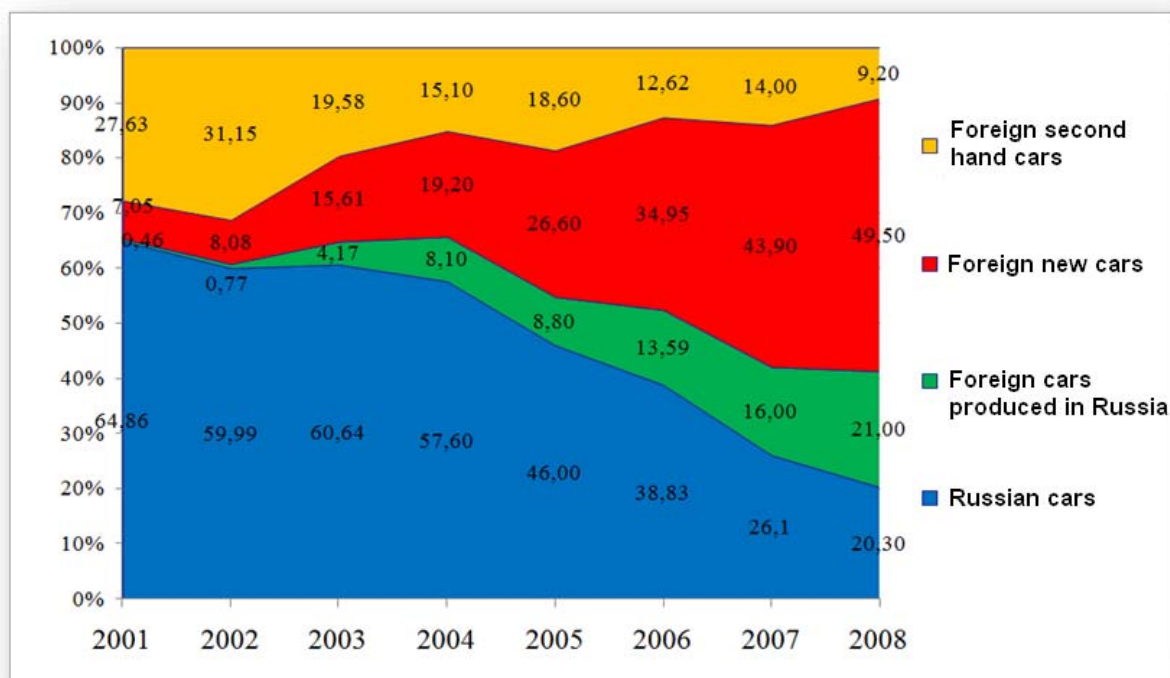


Fig. 9. Dynamics of structure of the market of cars, 2001-2008

Source: ASM-HOLDING

The core the factors influencing sales volumes of the automobile techniques in cost expression, are sales volumes in natural expression, structure of sales on marks of cars and market prices, and the last are defined both demand size, and a rate of inflation, and at measurement of the prices in dollar expression - and a dollar exchange rate.

The prices received by division of volumes of manufacture in cost expression on corresponding volumes in natural expression, are resulted in tab. 4.

Table 4

**The average current prices of sales of automobile techniques in home market, thousand dollars**

	2004	2005	2006	2007
<b>Cars</b>	4,98	5,42	6,10	6,64
<b>The Russian manufacture, in total</b>	<b>3,02</b>	<b>3,26</b>	<b>4,01</b>	<b>5,65</b>
Domestic marks	2,96	3,16	3,65	4,95
Foreign cars of the Russian assemblage	12,42	10,72	9,61	10,41
<b>Foreign cars of foreign manufacture, in total</b>	<b>8,75</b>	<b>8,82</b>	<b>9,92</b>	<b>8,10</b>
The new	16,36	16,50	17,35	11,67
Were in operation	7,00	7,00	6,30	5,52

Source: Autostat

For cars during the period since 2004 2007 the rise in prices caused, first of all their growth on cars of domestic marks as a whole was characteristic, at some reduction of the prices by foreign cars of the Russian assemblage and foreign cars of foreign manufacture.

In summary we will notice, that known restraint of growth of a dollar exchange rate and observable inflationary processes make appreciable impact on dynamics of general rise in price.

The major characteristic of home market is dynamics of its structure on classes of cars. The structure of the market of the cars, presented to tab. 6, shows, that the basic part of their sales (over 50 %) invariably it is necessary on S. Pri's class it last 2 years has essentially increased realisation of cars of class B at simultaneous reduction of a share of cars of classes D and E. Part of cars of class SUV remains stable enough at slow growth. Shares of classes A, F+S and MPV while are insignificant, classes F+S and MPV have the certain tendency to increase, unlike a reduced class And.

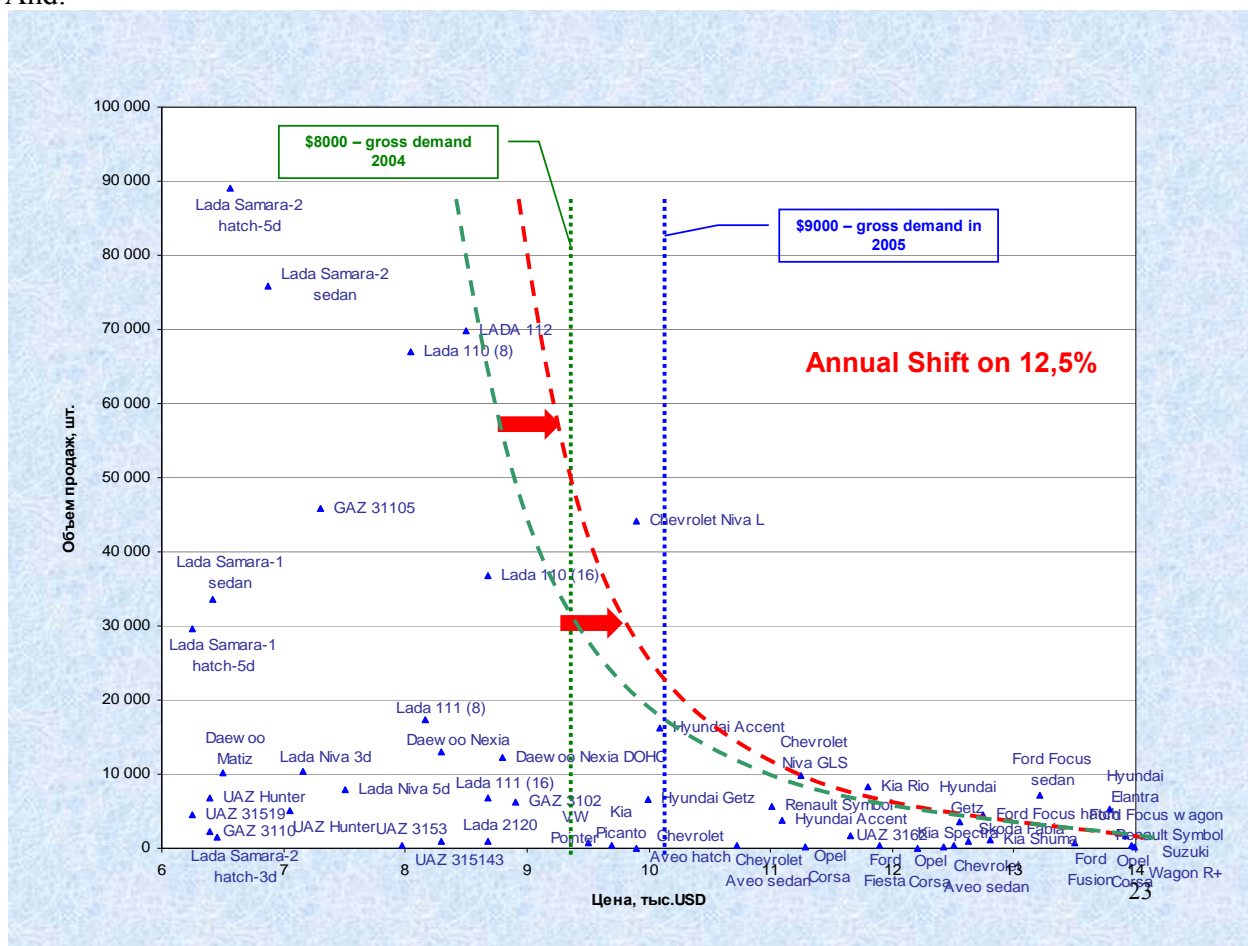


Fig. 10. Positioning of new cars in the Russian market in a price segment of 6-14 thousand dollars  
Source: AUTOVAZ

Table 5  
The average comparable prices of sales of automobile techniques in home market, thousand dollars

	2004	2005	2006	2007
<b>Cars</b>	4,98	4,84	4,96	4,99
<b>The Russian manufacture, in total</b>	3,02	2,91	3,26	4,25
- Domestic marks	2,96	2,82	2,97	3,72
- Foreign cars of the Russian assemblage	12,42	9,57	7,81	7,83
<b>Foreign cars of foreign manufacture, in total</b>	8,75	7,88	8,07	6,09
- The new	16,36	14,73	14,11	8,77
- Were in operation	7,00	6,25	5,12	4,15

Source: Autostat

It leads to that positioning of new cars in the Russian market in a price segment of 6-14 thousand dollars. If in 2004 cost of cars 8000 dollars in 2005 already 9000 dollars (see fig. 10) was border of mass demand. Apparently from drawing, displacement occurred approximately on 12,5 % a year.

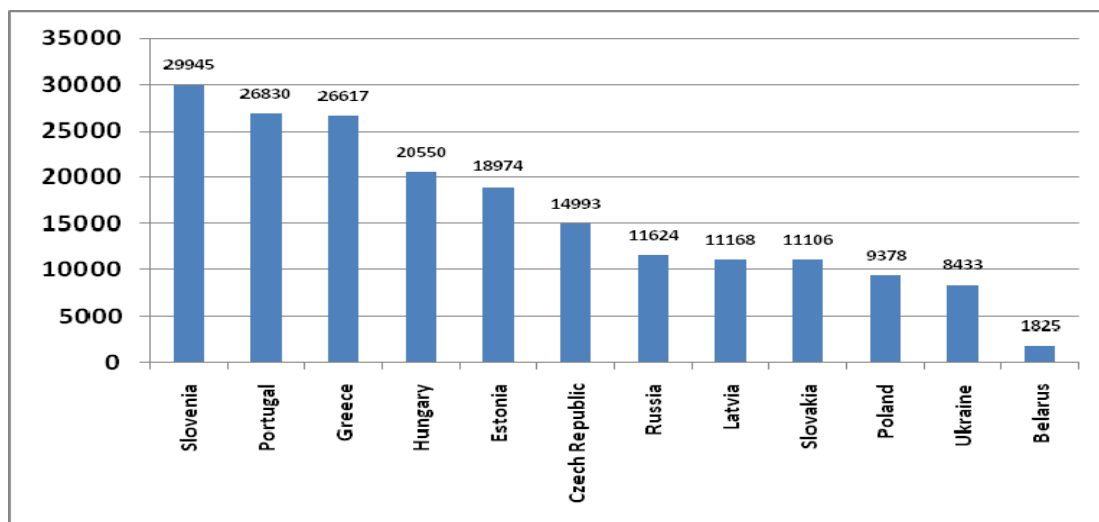
**Table 6**

**Structure of the market of cars on classes, %**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Class A	2,6	4,1	4,6	4,0	4,4	4,7	4,2	4,2	3,0
Class B	1,1	0,2	0,3	1,1	1,3	1,3	2,1	8,5	18,3
Class C	44,9	61,2	58,8	58,2	56,2	59,9	56,5	63,0	51,7
Класс D	15,5	6,8	7,4	12,1	13,9	12,0	14,2	4,5	5,4
Class E	19,7	14,7	15,0	9,6	10,0	8,1	8,9	5,1	4,7
Class F+S	0,7	0,5	0,6	0,6	0,9	0,7	0,7	0,2	0,3
Class SUV	14,5	12,2	12,8	13,9	12,6	12,5	12,3	13,1	14,3
Class MPV	0,8	0,2	0,5	0,6	0,7	0,7	1,0	1,3	2,1

Source: RBC

With growth of incomes of the population purchases of citizens of the Russian Federation more expensive cars increase. However still sales of new foreign cars on 1 million population in Russia considerably lagged behind other emerging markets, and even from less developed countries with transitive economy. If in Slovenia on 1 million population in 2007 bought almost 30 thousand cars a year, and in Portugal and Greece - over 20 thousand - less than 12 thousand. While we advanced in Russia on this indicator only Latvia, Slovenia, Poland, Ukraine and Belarus (fig. 11 see).



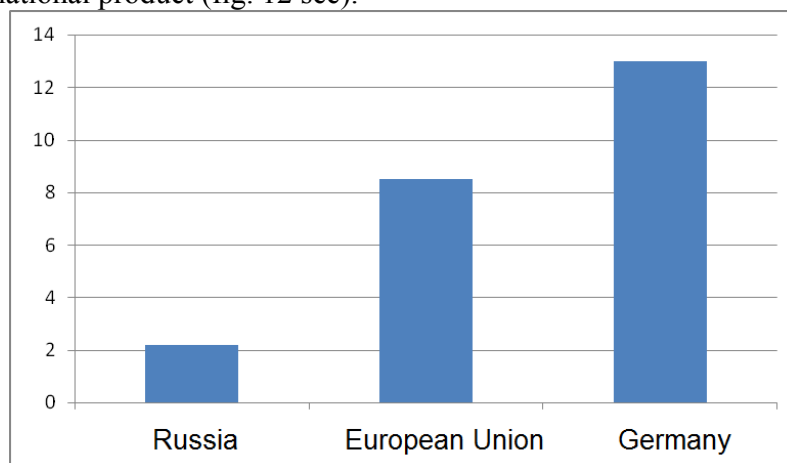
**Fig. 11. Sales of new foreign cars on 1 million population - comparison to other countries**

It is made on: PWC

Orientation to the foreign cars, outlined in the XXI-st century beginning has led to that the motor industry share in the domestic industry on the basic economic indicators decreased. If in 2001 the motor industry share made in total amount of industrial production of 3,9 %, in 2007 only 3,7 %. During this period the motor industry share has decreased and in mechanical engineering as a whole: from 25,6 % to 21 %. Number working in this branch did not grow also. If in 2001 the share of

number working in automobile branch made 5,1 %, in 2007 only 4,8 %. More slowly, than investments into a fixed capital grew in other industries (and in the industry as a whole). If in 2001 they made 3,2 %, in 2007 only 2,0 %. Attracts attention low efficiency of work in branch. Number of the working made 4,8 %, whereas a share in total amount of industrial production of 3,7 %, and in the investment of 2,0 %. Thus, return from working was less than their number. Moreover noted negative tendency was characteristic for all seven years previous crisis (tab. 7). It means, that the unfortunate trend of development of domestic motor industry is not overcome till now.

All it leads to that Russia strongly lags behind till now the advanced countries (for example, Germany) and even all members of the European Union on a dale of production of motor industry in gross national product (fig. 12 see).



*Fig. 12. A share of production of motor industry in gross national product, %.*

### 1.3. Park of cars in Russia

Development of park of vehicles is defined by action of two basic components: number of the got cars and number of the cars which have left operation. In tab. 8 the data reflecting the tendency of park by kinds of vehicles, and also dynamics of sales and leaving are cited.

On official data, annual replenishment of park of cars averaged from 5,5 to 7,0 %. Thus leaving as the statistics testifies, was essential less. However, in our opinion, leaving was appreciable above. Such divergence speaks that before recent time owners of automobile vehicles have not been interested in their removal from the account in case of their full unfitness to the further operation.

**Table 7**

**Motor industry share in the industry on the basic economic indicators, %**

		2001	2002	2003	2004	2005	2006	2007
Number of the working	All industry	5,1	5,0	4,9	4,9	5,0	4,9	4,8
	Mechanical engineering	14,0	13,9	13,8	14,0	14,2	14,0	13,8
Industrial output	All industry	3,9	4,1	3,9	4,0	3,9	3,7	3,7
	Mechanical engineering	25,6	25,1	23,9	23,4	22,2	21,0	21,0
Investments into a fixed capital	All industry	3,2	2,8	1,8	1,8	2,2	2,2	2,0
	Mechanical engineering	33,0	29,4	23,5	24,3	25,9	28,4	н/д

*Source: the Russian statistical year-book, 2007*

The situation has radically changed after a transfer of function on gathering of the transport tax from motor licensing and inspection department to Federal tax service at the Ministry of Finance of the Russian Federation. As a result of 2006 and 2007 became the periods enough intensive leaving of cars which was documentary registration for a long time already the come true fact. It is rather probable, that this process yet has not ended and the accelerated leaving will be observed as early as one-two year.

**Table 8**

**Dynamics of park of vehicles**

Year	2002	2003	2004	2005	2006	2007
<b>Cars, million piece</b>						
Presence on the end of year, all	18,82	19,72	20,35	21,23	22,47	23,38
Gain of the general quantity for a year	1,19	0,9	0,63	0,88	1,24	0,91
Sale	1,34	1,06	1,09	1,43	1,43	1,39
Leaving	0,15	0,16	0,46	0,55	0,19	0,48
Sale to presence on the beginning of year, %	7,6	5,6	5,5	7,0	6,7	6,2
Leaving to presence on the beginning of year, %	0,8	0,8	2,3	2,7	0,9	2,1

*Source: Autostat*

Let's pay also attention, that 2004 and 2005 too were the periods of the most intensive leaving of cars, that, in our opinion, in this case speaks prompting of more strict order taking into account cars in the course of creation of computer registration databases. At the same time it is necessary to tell, that mid-annual leaving at level of 2 % corresponds to average term of operation of cars in 50 years, i.e. obviously contradicts the validity. The conclusion from here arises, that the real park of cars is much less today, than it turns out according to motor licensing and inspection department.

As acknowledgement results of annually spent checkup according to which serviceable 70-73 % of cars while checkup there do not pass 6-7 % of cars admit only, the others, over 20 % can serve it, for the control at all are not represented.

**Table 9**

**Structure of park of vehicles on the enterprises-manufacturers, %**

	2001	2002	2003	2004	2005	2006	2007
<b>Cars</b>							
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
VAZ	48,4	48,9	51,0	51,9	52,7	50,7	50,6
Moskvich	16,9	15,6	15,0	14,2	13,3	11,3	10,1
GAZ	5,5	4,7	3,0	2,9	2,8	3,9	3,7
UAZ	3,2	3,2	3,2	3,3	3,2	3,0	2,9
ZAZ	9,0	8,1	7,8	7,3	6,5	5,7	5,0
The other	4,8	5,0	5,1	4,9	5,4	8,8	9,6
Foreign cars	12,2	14,5	14,9	15,5	16,1	16,6	18,1

*Source: Autostat*

**The structure of park of vehicles on manufacturers and marks** is resulted in tab. 9. Dynamics of this structure is characterized:

- the most powerful (about half of all cars) and slowly accruing share of the cars made on "VAZ";
- steady (and fast enough) reduction of a share of the cars made by joint-stock company "Muscovite" and an Ukrainian language «ZAZ»;

- almost stable share of the cars made by "GAS";
- insignificant and besides a decreasing share of cars «Oises»
- a powerful and quickly increasing share of foreign cars.

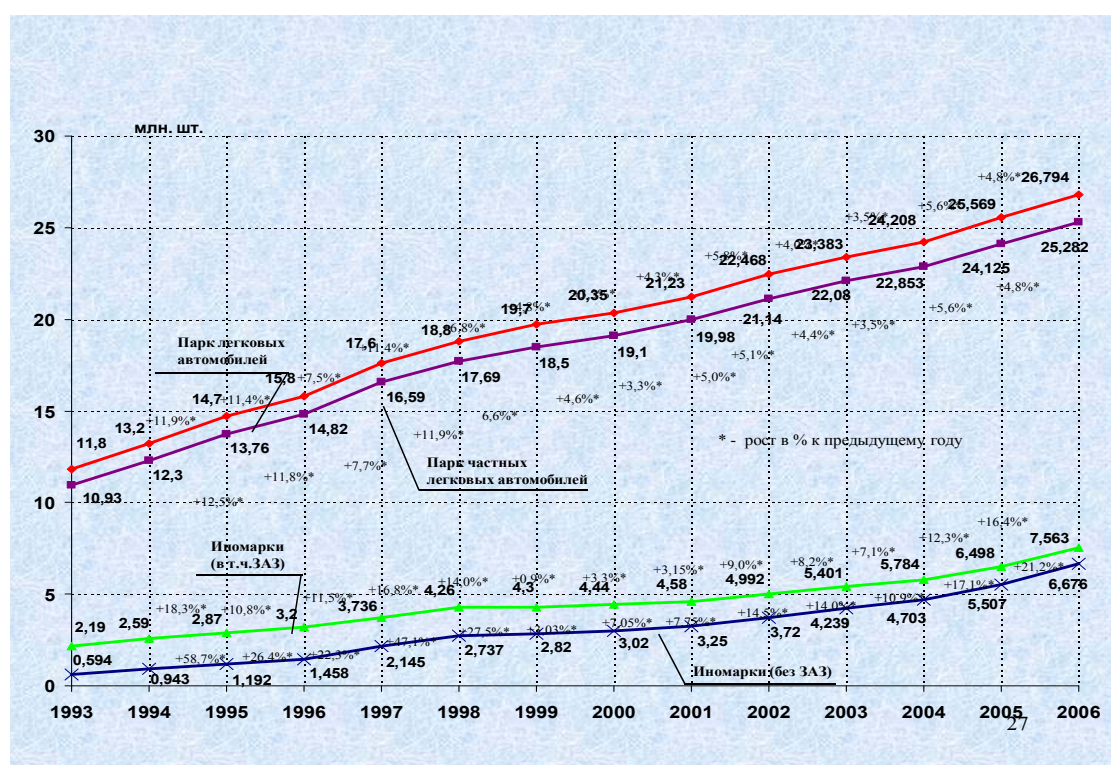
It is necessary to tell, that last fact is the most important as reflects consequences of a gain of the Russian market import cars. The increase in a share of the cars which have been let out by the leading domestic manufacturer - "VAZ" is remarkable, that, it is essential less gain of a share of foreign cars.

**Table 10**

**Structure of park of cars on classes, %**

Class	2004	2005	2006	2007
A	0,9	1,1	1,3	1,4
B	7,3	6,6	6,1	5,4
C	63,7	63,7	64,3	64,7
D	8,0	8,0	8,2	8,4
E	9,0	9,2	8,9	9,0
F	0,2	0,2	0,2	0,3
SUV	10,8	11,0	10,7	10,5
MPV	0,1	0,2	0,2	0,3
Total	100,0	100,0	100,0	100,0

Source: Autostat



**Fig. 13. Change of park of cars in Russia**

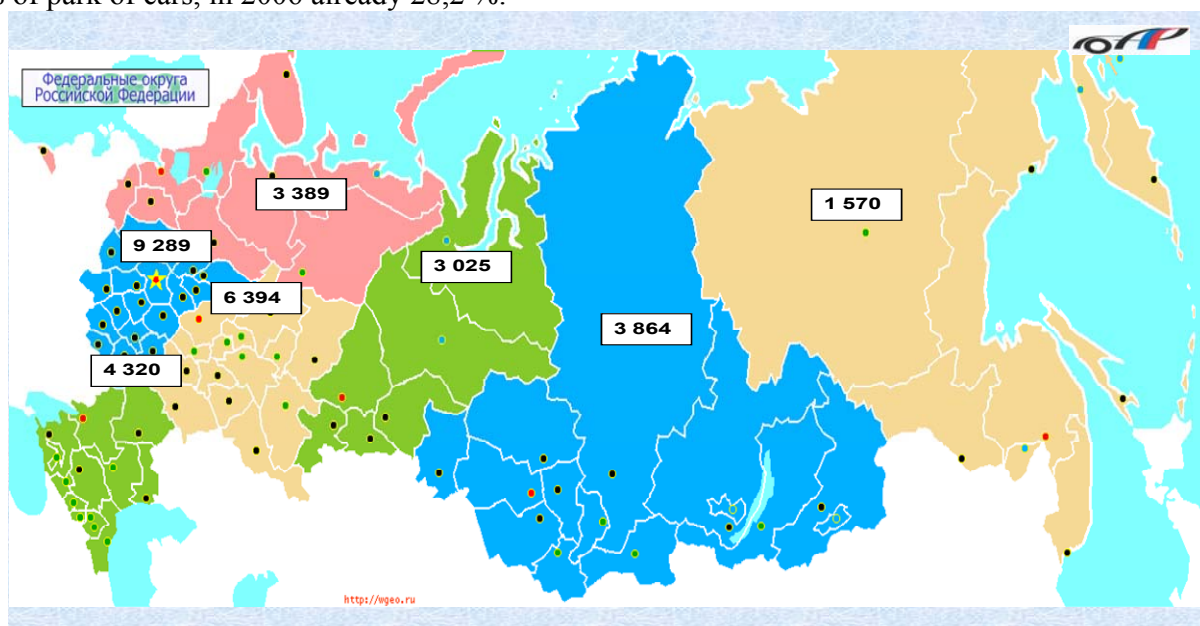
Source: Autostat

**Structure of park of vehicles on classes.** From the point of view of definition of prospects of development of automobile manufacture, special interest represents the analysis of dynamics of park of automobile techniques in a cut of various classes. The structure of park of cars shows (tab.

10), that almost it is necessary two third of all cars on S. Sizeable class smaller shares have classes SUV, D, E, V. Part of other classes is insignificant. The structure on years is enough steady, however on some trends it is necessary to pay attention, in particular, to reduction of a share of a class In and growth of a share of classes With, D, And and MPV.

**Structure of park of vehicles on types of the owner.** The analyzed structure in a cut of kinds of automobile techniques is presented to tab. 11. The cited data show, that the overwhelming majority of cars (over 94 %) is concentrated at the population. Moreover, taking into account the real situation characterized by acquisition of cars by separate physical persons on means of wards by it of the organizations, the specified share should be some more increased.

Change of park of cars in Russia is shown in drawing 13. If in 1993 of a foreign car made 18,6 % of park of cars, in 2006 already 28,2 %.



**Fig. 14. Distribution of park of cars**

The note: on federal districts for 1.01.2007 (thousand piece)

Total of cars - 31851.

In spite of the fact that distribution of park of cars on territory of the Russian Federation seems non-uniform (fig. 14 see), actually it reflects proportions of regions on the population (tab. 12 see). The small exception makes Only central region, in which percent of cars above a population. On the contrary, in Southern and Siberian the situation is opposite. Here percent of cars below a population. However these divergences are not too considerable.

**Table 11**

**Park of motor transportation techniques on types of the owner, %**

	2001	2002	2003	2004	2005	2006	2007
<b>Cars</b>							
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Physical persons	94,1	94,4	94	93,8	94,1	94,1	94,4
Legal bodies	5,9	5,6	6,0	6,2	5,9	5,9	5,6

Source: Autostat

**Age structure of park of vehicles.** The structure characterizing age structure of park by kinds of the automobile techniques, is presented to tab. 13. As follows from the resulted data, eventually park ageing accrues, and by all kinds of vehicles. The share of cars aged is greatest is more senior 10 years on lorries, but, considering their long standard service life, it at all does not speak about their worst technical condition. Exaggeration will not tell, that the most critical situation has developed today with the cars, outlined in the beginning of current decade positive tendencies have been broken by an excessive demand for the second-hand import cars, developed in 2005 and the caused expected increase in rates of the customs duties at foreign cars is more senior 5 years. Though in 2006 the park of cars has fairly replenished with new cars, the share of the oldest cars in 2007 not only was not reduced, and has even more increased. It became a consequence of transition of cars consisting on the account from one age group in another.

#### 1.4. A condition of the market of cars from the point of view of the theory of the branch markets

The market of cars of Russia in habitual concept includes cars all new and were in the use. However such too the general delimitation of the market will not allow to make its detailed analysis. The modern automobile market is strongly non-uniform on the structure and absolutely different tendencies are inherent in its components.

**Table 12.**

#### Number of cars and the population on federal districts ( January, 1<sup>st</sup> 2007, %)

	The Central	The Privolzhsky	The southern	The Siberian	The Northwest	The Ural	Far East	The Russian Federation
Number of cars	29,1	20,0	13,6	12,1	10,7	9,5	5	100
Population	26	21	16	14	10	9	5	100

*It is calculated on: to data Poccmana and fig. 15.*

As an indicator which could scientifically обоснованно allow to break the non-uniform automobile market of Russia on homogeneous market, suitable for the economic analysis (which could become a certain analogue of rupture of a chain of commodity substitutes) us it is offered to consider cost volumes of the markets of new domestic cars and foreign cars in a price segment to 15 thousand US dollars. The choice of this price segment is caused by that all domestic cars get to it. At occurrence of essential distinction of the given sizes for the next price segments it is possible to speak about necessity of consideration of data market independently from each other.

**Table 13**

#### Age structure of park of vehicles, %

	2003	2004	2005	2006	2007
<b>Cars</b>					
In total	100,0	100,0	100,0	100,0	100,0
Less than 5 years	20,0	20,6	21,4	19,5	19,6
From 5 till 10 years	32,7	32,2	32,3	30,9	30,5
More than 10 years	47,4	47,2	46,3	49,6	49,9

*Source: motor licensing and inspection department data*



Having analyzed the modern automobile market of Russia, rupture in a chain of commodity substitutes (essential distinction of cost volumes of the markets) is found on border of the market of domestic cars and the market of foreign cars, including collected on territory of Russia (tab. 14). These market, accordingly, also it is necessary to consider separately from each other. Demand on price segments in each of these market is distributed much in regular more intervals (there is no sharp rupture in a chain of commodity substitutes), that allows to be limited to splitting only on allocated two market. Studying of the automobile market of Russia with splitting into these two market possesses a number of essential advantages:

- these two market possess essentially different tendencies which explanation of the reasons represents special interest for the given research;
- at such division the market of new domestic cars will be branch, and the market of foreign cars will reflect a foreign competition to the domestic branch market while itself in the given context it will not be considered by the branch.

Not going deep into calculations of various indicators (the concentration index, index Herfindal-Hirshman, an entropy index, a dispersion of market shares and logarithms of market shares) which are more claimed at the microeconomic analysis and are beyond the given research, we will be limited to only simple calculation of various combinations mark-model of the car for allocated two market.

**Table 14**

**Demand for cars in a price segment to 15 thousand dollars the USA,  
Million US dollars**

Year	2002	2003	2004	2005	2006	2007
Domestic cars	3842	3630	4320	5125	5431	5602
Foreign cars	378	967	1376	2027	2898	4581

*Source: processed data Autostat*

From results of the given calculation (tab. 15) it is visible, that the market of foreign cars is much less concentrated, than the market of domestic cars with all following consequences. Also the pernicious tendency of the market of domestic cars to even *большой* concentration is characteristic.

According to a paradigm "structure-behavior-result", the exclusive power is in direct dependence on concentration. However this communication is not rectilinear. There is a set of other factors - not strategic factors of market structure as they do not depend on conscious actions of firms, - which define behavior and the exclusive power of the firms operating in the market. The basic not strategic barriers of an input on the market concern:

- Positive return from scale and is minimum effective release. They create objective barriers of an input to potential competitors thanks to advantage of large manufacturers in costs. An indicator characterising barriers of an input, caused as positive return from scale, so-called is minimum effective release serves. Is minimum effective release is such volume of release at which positive return from scale is replaced constant or decreasing, the firm reaches a minimum level of long-term average costs. The indicator of is minimum effective volume of release is usually defined not in units characterising quantity, and concerning to capacity of a market demand or branch volume of release;
- Vertical integration (the firm operating in the given market assumes, that, is also the proprietor or early stages of production (integration of the first type - integration of resources), or late stages (integration of the second type, end-product integration);
- Diversification firm activity (diversification reflects distribution of release of firm between the different target markets. Diversification the firm usually possesses the big sizes, than

not диверсифицированная. Owing to it is minimum effective volume of release in branch that complicates an input of new firms raises, or the given firm possesses advantages in costs, that also strengthens its market power. Diversification activity allows firm to lower the risk of managing connected with the concrete market. Diversification the firm is steadier at the expense of ability to compensate profit on activity in one market possible losses which the company suffers on other. Besides, the fact of presence diversification the companies in branch frightens off potential competitors as they know about its possibilities to conduct competitive struggle further and more rigid methods.

In the automobile market diversification firm activity can mean release by one manufacturer of cars of different classes, the sizes. For presentation of essential distinction of domestic cars and foreign cars and on this indicator we will compare quantity of classes (standard sizes) at which there is unique diversification domestic manufacturer AvtoVaZ (at other manufacturers diversification on cars there are no) and some the foreign manufacturers selling production in Russia. Results of comparison are resulted in tab. 16.

Unique more or less diversification the domestic manufacturer is Autovaz (Lada-auto). At other manufacturers diversification on cars in general is absent.

**Table 15**

**Quantity of various combinations car mark-model in the Russian market**

Concentration of the market	2001	2002	2003	2004	2005	2006	2007
Domestic	6/28	6/30	5/29	5/30	5/29	5/28	4/25
Foreign cars	29/>60	32/>80	32/>100	39/>140	42/>170	51>220	54>400

*Source: own calculations*

Some years have started to develop in the last actively the car assembly enterprises in territory of Russia. Such variant gives to foreign manufacturers essential tax privileges.

- Institutional input barriers on the market and an exit from the market (institutional input barriers on the market and an exit from the market can serve as the essential barriers preventing an input on the market of potential competitors). To institutional to input barriers on the market it is necessary to carry system of licensing of activity of firms, system of the state control over the prices, over profitableness level. The state pricing on the goods or restriction of profitableness of firm can lead to occurrence of the implicit expenses expressed in loss of a part of net profit.

In more details we will stop on differentiation of a product in the market of cars in Russia.

**Table 16**

**Lineup of some manufacturers (on classes)**

	АВТОВАЗ	ГАЗ	УАЗ	Hyundai	Toyota	Ford
Class A				+	+	+
Class B	+			+	+	+
Class C	+			+	+	+
Class D				+	+	+
Class E		+		+	+	
Class F						
Class SUV	+		+	+	+	+
Class MPV				+	+	+

*Source: RBC*

The differentiation of a product creates additional barriers to occurrence in branch as creates attractiveness of concrete mark of a product for a separate category of consumers (so-called

«adherence to mark» - brand loyalty) therefore new firms should overcome stereotypes of behavior of consumers. Especially difficult it is necessary new firms in the conditions of aggressive advertising of companies already operating in the market: is minimum effective volume of release should increase because constant costs grow owing to inclusion in them of additional expenses on advertising. Thus, in the conditions of differentiation of products firms should spend additional resources for creation and maintenance of image of the company.

As the important part of differentiation of a product the reputation of firm serves. It serves one of the major, though and not as the only thing, a signal about conscientiousness of the seller. The reputation can be considered as an input barrier in the branch, giving the chance to firms operating in branch to carry out the exclusive power.

The firm entering on such market, faces to necessity of considerable investments into reputation (reputation). For successful activity the firm should give to the buyer the convincing information that its production is qualitative. With a view of the decision of this problem of firm use the advertising campaigns, rather essential price discounts in an activity initial stage in the market, give to buyers more reliable and long guarantees on sold production. All it causes additional costs for new firm in the concrete market which can be considered as the investment into image of the company.

All markets in economy share on two big groups. The markets of homogeneous products concern the first group. In such markets the goods of different manufacturers are perfect substitutes. Competitiveness of the goods depends mainly on the price of the seller. As examples of the markets with a homogeneous product the markets of the exchange goods - and in particular securities markets (the market of state credit obligations, the market of currency future contracts etc. can serve). The markets of the non-uniform or differentiated products concern other group. Differentiation of a product that above, than less perfect substitutes are served by the goods of different sellers in the market. As a differentiation basis subjective preferences of consumers serve: products are differentiated only because buyers consider various marks of the goods as the different goods. If consumer characteristics of two marks of cars are identical, but consumers consider, that they are various, from the point of view of the economic analysis the market including sellers of these two marks of cars, will be the market of the differentiated product. If, on the contrary, two marks of the TV essentially differ from each other under the characteristics, but consumers consider them as the same goods, that, from the point of view of the economist, the market will be the market of the homogeneous goods.

In process of growth of differentiation of a product scales and values of a price competition decrease; on the contrary, not price methods of a competition - quality of the goods, product updating, advertising campaigns, trade marks - all in degrees define competitiveness of the goods of firm.

The differentiation of a product can be connected with two circumstances: distinction of consumer characteristics of the goods satisfying different tastes and distinction of quality of the goods, satisfying identical tastes. The first type of differentiation of a product carries the name of the horizontal differentiation, the second type - vertical differentiation. Differently, for horizontally differentiated markets the competition on quality (the buyer solves an optimizing problem quality/prices-max, at restriction of the price which it is ready to spend for acquisition of the new car, that is, from cars standing equally, the buyer chooses, in its opinion, the most qualitative), and for vertically differentiated - a competition under the price (if in the first case competitors are cars of one price level here the buyer considers alternatives from the next price segments is characteristic, solving for each of them an optimizing problem quality / price - max, at restriction of the price

which it is ready to spend for acquisition of the new car, and also degree of quality is minimum comprehensible to the buyer). Differently, whether the overpayment of some sum of money for acquisition of more expensive car is justified. Having chosen thus the price segment, the buyer then in it chooses car model under the scheme described above.

Actually in the commodity markets there are both types of differentiation of a product, however prevalence of this or that of them shows various influence on development of a competition and position of firms. A consumer choice in these markets various factors operate: in the conditions of horizontal differentiation the choice is defined by adherence to this or that mark, in the conditions of vertical differentiation - level of the income and solvent demand for the goods. Accordingly, competitiveness of the goods in the markets of horizontal differentiation to the greatest degree depends on conformity to preferences of potential clients, in the markets of vertical differentiation - from level of the price of the goods. Growth of solvent demand in the market of horizontally differentiated product conducts to increase in a variety of tastes and preferences, to an input on the market of new firms and to corresponding decrease in concentration of sellers. On the contrary, decrease in solvent demand leads to reduction of number of trade marks and firms-sellers in the market. The market with vertically differentiated product differently reacts to change of solvent demand: its growth leads to replacement of the bad quality goods high-quality so concentration of sellers and their exclusive power increase.

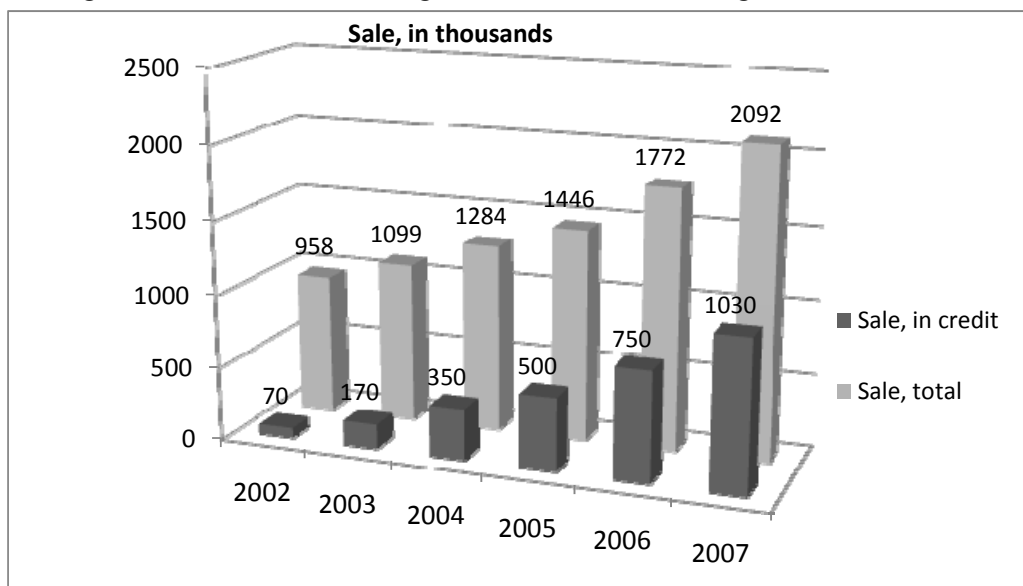
Considering the market of cars at modeling level from the point of view of differentiation/competition, in a cut of two allocated market it is possible to find out their essential contradictions also:

- the market of domestic cars. Characteristic and especially pernicious feature of the given group is absence segment a competition (on quality) among new cars of an identical class (first of all dimensional) from different manufacturers. The buyer is deprived possibility of a choice of the most qualitative car (in its opinion) within the limits of one price niche. segment the competition could consider as a unique example Volga and «the tenth families» VAZ. However, standing approximately it is identical, they hardly are competitors; first, because of their different standard sizes, and secondly, because of absolutely different approaches to the motor industry, propagandized by factories: the potential buyer of VAZ never will turn the look to Volga, and on the contrary. For domestic cars competitors on quality second-hand foreign cars can be only. Thus, the given segment of the market is monopolized enough with all consequences following from here;

- the market of foreign cars. Here other picture is observed absolutely. To the full are present as segment a competition (on quality), and segment (under the price).

The basic problem for a domestic car industry is that the choice in its advantage is caused only by financial restrictions of the buyer, instead of adherence to mark (the competition under the price operates only) as on quality, consumer characteristics domestic cars lose for a long time already to foreign analogues. However and this bargaining chip of domestic cars (price) more and more loses recently the force. In the last some years have considerably changed a number of macroeconomic factors. And, practically all of them have exchanged not in favour of domestic manufacturers. Annual growth of tariffs and inflation leads to constant growth of the cost price of manufacture on traditional domestic technologies. From the beginning of 2000th of the price on the Russian models have grown on 70-75 %. At the expense of frankly protectionist measures approximately on the prices of second-hand foreign cars have as much grown. Thus the prices for new foreign cars actually remained at former level. Annual growth of incomes of the population and constantly growing relative availability of new foreign cars leads to increase in mass interest and,

accordingly, demand for them. Last 2-3 years were put into operation and banking establishments, offering more and more interesting schemes of autocrediting.



**Fig. 15. Autocrediting in Russia**

Source: Bank of Russia

Development of system of autocrediting occurs in three directions: interest rate decrease, decrease in obligatory minimum payment, increase in term of delivery of the credit. Besides quantitative changes procedure of registration of the credit has essentially become simpler. All these conditions have led to increase in a share of the cars sold account, less than 5 % in 2001 to 25-35 % (by different estimations) in 2007 (fig. 15 see). Thus there are essential prospects of development of system of autocrediting. For example, in the USA it is sold account about 80 % of cars, and in Europe this figure makes over 50 %.

Development of system of autocrediting influences as volume of cumulative demand (displacement of a choice in favour of earlier purchase), and on its structure (transformation of a choice of the buyer in favour of more expensive/qualitative car in relation to cheaper, or in favour of the new car in relation to were in the use (credit schemes on acquisition of the new car it is more favourable). In this sense that fact is indicative, that including at the expense of autocrediting development the share of sales of the cars which were in the use has essentially decreased.

Coming back to splitting of the automobile market on domestic and foreign cars, it is necessary to establish the fact of non-uniform distribution of proceeds of credit on these groups - the most part of credits goes on purchase of foreign cars.

The autocrediting market is interesting to banks on following principal causes:

- Credits for car purchase in overwhelming majority are provided, therefore it is characterized by lower sizes of the delayed debts;
- It was expected, that by 2009 the autocrediting market will develop lower, than in 2004 - 2007 rates, however in the nearest several years the product will provide to bank structures stably high volumes of the given out credits;
- Stable growth of the market of autocrediting a growing share of the population, ready to get the car on credit, positive dynamics of autosales.

It is necessary to carry to the factors promoting growth of the market of autocrediting in commercial banks: growth of the market of autosales, presence of a steady stable demand for cars,

growth of loyalty of consumers to bank system, presence of partner programs with motor-car manufacturers and the insurance companies, perfection of adaptability to manufacture of autocredits, change of structure of a motor-vehicle pool aside more expensive cars.

On the contrary, among the factors which are slowing down growth of the market of autocrediting through commercial banks specialist usually name: natural gradual saturation of the market (a limit of saturation of the market of 50-60 % from a sales volume of new cars), crediting of borrowers through affiliated bank structures of motor-car manufacturers, decrease in term of stay of the credit on balance - on the statistic the 5-year-old credit "lives" on balance of bank 16 - 18 months.

In too time perspective tendencies of development of the market of autocrediting were outlined in the XXI-st century beginning. Not going into details we name only basic of them:

- the Exit on the market of autocrediting of affiliated structures of manufacturers
- Decrease in rates of growth of the market owing to its saturation
- Decrease in the total percentage income under autocredits
- Decrease in interest of universal banks to classical autocrediting owing to decrease in the general profitability of a product:
  - *Decrease in interest rates by participants of the market which are supervised by motor-car manufacturers*
  - *To increase in commissions to motor shows*
  - *The increase in risks because a competition will be displaced in area of not price parametres - banks will be compelled to simplify procedure of delivery of autocredits*

However the most mournful for the Russian car industry is not absence of a competition to foreign cars on quality, and the fact of impossibility of the given kind of a competition as that. The matter is that, the obsolete structure of operating domestic productions essentially differs from structure of modern world productions. Various influence of an input of the new seller offering a new combination "price/quality" for position of firms already selling the goods appears different dependence of costs on unit production from quality of the goods. If average costs find out strong dependence on quality of production, the market segmentation caused by distinction of level of the income and solvent demand of potential buyers, essentially limits competition possibilities on quality in a price category. In the goods market which "know-how" is that, that dependence of costs on quality is rather weak, the input of the new seller can lead to almost full replacement of the goods with more poor quality.

In the conditions of market economy the second type of the market is more competitive, and it turns out, that attempts to adjust on existing capacities release of domestic marks of cars which could compete seriously on quality to foreign analogues, are in advance doomed.

Thus, the statistics resulted in the previous sections reflecting a situation in the Russian market of cars, can be qualitatively explained the found basic distinction between domestic cars and foreign cars.

Besides already found numerous differences in structure of the markets of domestic cars and foreign cars, important is to note two different types of behavior of players in the market. For the enterprises which are letting out domestic cars the passive behavior is characteristic. From the point of view of the theory of the branch markets it consists that the enterprise aspires to carry out as much as possible full the problems and to reach the purposes within the limits of external restrictions. In this case the firm can not possess the sufficient market power and, understanding the possibilities to be content with the small. But there are also other examples when, having possibility to change a situation, one or several firms miss the initiative and lose competitive advantages.

The active behavior, characteristic for manufacturers of foreign cars, on the contrary, means aspiration to move apart limiting frameworks for the best achievement. Forms of active behavior: advertising, research and development, диверсификация a product, strategic alliances, merges and absorption etc.

Found above the contradiction in structure of the markets of domestic cars and foreign cars at the given investigation phase can already be qualitative explanations of different dynamics of their development.

### **1.5. The state branch policy**

The effective organization of the branch markets in the real world is impossible without realization of an optimum industrial policy of the state. State activity defines that economic environment in which the modern firm makes of the decision. The state defines rules on which business operations of economic agents are made, affects streams of the goods and resources in economy, supports or interferes with this or that activity of individuals and institutes of economic system.

Sheathe the purpose of the state branch policy the decision of the problems connected with failures of the market, for public welfare increase serves. The basic concepts making basis of a branch policy, are:

- ***economic efficiency.*** The competition in the commodity markets does not exist in itself the purpose, it only serves as way of achievement of economic efficiency and acts as means of creation of the environment favouring to decrease of production costs, to creation of the new products, new kinds of the activity, new methods of manufacture and the organization, development of research and development, technical process and innovations. As necessary level of a competition at what achievement of the specified private purposes is provided serves. Hence, the optimum level of a competition, the state branch policy in whole and antimonopoly in particular varies depending on features of the country, the period of its economic development, a place in the world economy and many other things factors.

- ***optimization of behavior of economic agents.*** Competition development is a process, instead of result. Substitution of independent decisions of economic agents by state regulation is inefficient because of:

1. Evolutions of the markets thanks to the private information which firms have only;
2. The external shocks which influences on economic system are difficult for foreseeing;
3. Impossibility in a state policy to consider all complex of interests of economic agents.

Efforts of the state on creation of competitive branch structure should promote that subjects of economy had most ample opportunities to make independent decisions. With reference to the commodity markets it means creation of the conditions favorable for a competition, - first of all, decrease in barriers of an input in branch by development of a market infrastructure.

Allocate two types of a branch policy: passive and active.

The passive protective branch policy puts a main objective struggle against the monopolies which activity leads to inefficient placing of resources and creates public welfare losses. As an indispensable part of such policy antimonopoly regulation, the control over horizontal both vertical merges and absorption serves.

The active protective branch policy uses the actions having a concrete orientation, but with a view of prevention of those or other decisions of firms. As an example the protectionist foreign trade policy having essential influence on development of branch structures can serve. The countries of the European Union have accepted similar model of a policy in 70-80 under the influence of an

aggravation of a competition from Japan and the new industrial countries in the world commodity market.

The active offensive branch policy is characterized by a combination concrete, along with the general, both the positive purposes, and the directed influence of the state on decisions of economic agents. Such is the branch policy in any reformed economy. Depth and forms of intervention of the state in branch development can be various. Such branch policy makes the most essential impact - both positive, and negative, - on development of economic system as a whole.

The basic problem of the Russian motor industry - low competitiveness of production. Signs of it are: an out-of-date lineup of many manufacturers, an unprofitable parity "price/quality" and smaller profitableness of manufacture in comparison with foreign competitors, and, finally, a considerable share of import production on the Russian car market. Its modernization is necessary for increase of competitiveness of the Russian car industry. Owing to «pressure of import» radical modernisation of branch by forces of Russian manufacturers is improbable. The state participation in this process is necessary.

Following directions of activity of the state in the field of car industry modernization are possible:

- the Accelerated liberalization of the automobile market directed on toughening of a competition to foreign manufacturers in which course in the market there are only competitive manufactures. State actions: simplification of conditions of access of foreign manufacturers on the Russian market, refusal of independent economic policy. The basic risks: curtailment of production in automobile branch and allied industries, loss of workplaces (including on градообразующих the enterprises).
- the Active state regulation of motor industry directed on its modernization. State actions: stimulation of innovations in a car industry, development of manufacture and support of sale of production in the country and abroad. The basic risks: there are additional expenses of the budget, which efficiency is not known in advance (including owing to absence of experience of the private-state partnership at support of branches).

From the point of view of development of the Russian economy of more advantageous strategy of modernization of a car industry through active state regulation is represented. For overcoming of the risks connected with this strategy, careful study of set of the actions directed on modernization of motor industry is necessary.

Current state policy in the field of a car industry it is possible in большей, or smaller degree can characterize as active with that only the note, that all activity of actions of the Government (the core - support of investments) is directed to sector of foreign car assembly manufactures in territory of Russia. National interests in this case are supported first of all by development of personnel potential and development of allied industries (according to investment agreements the high share of localization of expenses is supposed). Besides it for maintenance of national safety under state home nursing was the largest domestic manufacturer of cars of Autovaz (in 2006 it has passed under control Rosoboronexport) is taken. Hence, Autovaz will be not not comprehended probably by destiny of other domestic manufacturers of cars which, not having sustained competitive struggle, have been compelled or to reduce considerably the manufactures (GAS, YA3), or to close them at all (the Muscovite, Izh, Oka).

Considering all circumstances in 2002 the Government of the Russian Federation has approved «the Concept of development of motor industry». It included three stages.

At the first stage (2002-2004) it was planned:

- Introduction of traffic walls for import of second-hand cars;



- Replacement of an existing lineup;
- debts Re-structuring in the budget.

At the second stage (2005 - 2008) it was supposed:

- Creation in branch of a favorable investment climate for scale inflow of the capital;
- Creation of new capacities for business lot release of perspective models of cars;
- Preparation for transition to technical and ecological standards of Euro-2 and Euro-3.

At the third stage (2009-2010) were outlined:

- Integration into world motor industry;
- And maintenance of the European norms of technical and ecological safety of let out motor transport.

However crisis has introduced 2008-2009 essential corrective amendments in realization of the second and third stages.

## 2. Features of modern crisis in the automobile the industries.

The reasons of crisis 2008-2009 in motor industry became re-accumulation of capital, market saturation, an aggravation of competitiveness to the Asian countries, falling of buying power of the population in the conditions of social intensity and unemployment growth.

Table 17

Real gross national product in OECD countries, 1984-2010 (%)

	Average 1984-1994	1995	2000	2005	2006	2007	2008	2009 (forecast)	2010 (forecast)
Canada	2,5	2,8	5,2	3,0	2,9	2,5	0,4	-2,6	0,7
Estonia	..	..	9,7	9,2	10,4	6,3	-3,6	-13,9	-0,7
Finland	1,2	3,9	5,0	3,0	4,9	4,1	0,7	-4,7	0,8
France	2,2	2,3	4,1	1,9	2,4	2,3	0,3	-3,0	0,2
Germany	2,8	2,0	3,5	0,9	3,2	2,6	1,0	-6,1	0,2
Hungary	..	1,5	5,2	4,1	4,1	1,2	0,4	-6,1	-2,2
Iceland	2,0	0,1	4,3	7,4	4,5	5,5	0,3	-7,0	-0,8
Ireland	4,0	9,6	9,2	6,4	5,7	6,0	-2,3	-9,8	-1,5
Italy	2,2	2,9	3,9	0,8	2,1	1,5	-1,0	-5,5	0,4
Japan	3,5	2,0	2,9	1,9	2,0	2,3	-0,7	-6,8	0,7
Mexico	2,5	-6,2	6,6	3,2	5,1	3,3	1,4	-8,0	2,8
Korea	8,5	9,2	8,5	4,0	5,2	5,1	2,2	-2,2	3,5
Spain	2,9	2,8	5,0	3,6	3,9	3,7	1,2	-4,2	-0,9
Sweden	1,4	4,2	4,5	3,3	4,5	2,7	-0,4	-5,5	0,2
Great Britain	2,5	3,0	3,9	2,1	2,8	3,0	0,7	-4,3	0,0
USA	3,0	2,5	3,7	2,9	2,8	2,0	1,1	-2,8	0,9
Euro area	2,5	2,5	4,0	1,8	3,0	2,6	0,5	-4,8	0,0
OECD countries	3,0	2,6	4,1	2,7	3,1	2,7	0,8	-4,1	0,7

Source: OECD Outlook, 2009

On accounts of experts, real gross national product on the average will be reduced in the countries OESR in 2009 to 4,1 % (tab. 17). Most hardly were suffered Estonia (recession on 13,9 %), Ireland (9,8 %), Mexico (8 %), Iceland (7 %), Japan (6,8 %), Hungary and Germany (6,1 %). Though falling of real gross national product in the USA was not so deep as in the Euro area (decrease on 2,8 % and 4,8 % accordingly), production individual industries (and including car

manufacturing) were suffered hardly enough. Deeper character of recession in Europe has been connected with a collapse at Old World stock exchanges. Realization of a soft monetary policy from outside the Federal Reserve System has affected falling demand on the American cars.

As well as always in a crisis period has begun to grow unemployment. In the USA it was reached 9,3 %, and in the Euro area – 10 %, in Spain, Turkey, Ireland and Hungary it has considerably exceeded Europe - average findings (tab. 18).

**Table 18**

**Unemployment in OECD countries, 1995-2010 (%)**

	1995	2000	2005	2006	2007	2008	2009 (forecast)	2010 (forecast)
Canada	9,5	6,8	6,8	6,3	6,0	6,1	8,6	9,8
Finland	16,7	9,8	8,4	7,7	6,9	6,4	8,7	10,8
France	10,1	8,6	8,9	8,8	8,0	7,4	9,7	11,2
Germany	7,9	7,4	10,5	9,8	8,3	7,3	8,7	11,6
Greece	10,4	11,4	9,9	8,9	8,3	7,7	9,5	10,3
Hungary	10,4	6,5	7,3	7,5	7,4	7,9	10,7	11,7
Iceland	4,7	2,3	2,6	2,9	2,3	3,0	8,4	9,9
Ireland	12,3	4,3	4,3	4,4	4,6	6,0	12,2	14,8
Italy	11,3	10,2	7,8	6,8	6,2	6,8	8,4	10,2
Japan	3,1	4,7	4,4	4,1	3,9	4,0	5,2	5,7
Poland	13,3	16,1	17,7	13,8	9,6	7,1	9,0	11,6
Portugal	7,2	4,0	7,7	7,7	8,0	7,6	9,6	11,2
Slovakia	13,1	18,8	16,2	13,3	11,0	9,6	11,8	13,6
Spain	18,7	10,8	9,2	8,5	8,3	11,3	18,1	19,6
Sweden	10,6	6,9	7,7	7,1	6,1	6,2	8,7	11,4
Turkey	7,5	6,3	10,0	9,7	9,6	10,4	15,2	16,4
Great Britain	8,6	5,5	4,8	5,4	5,4	5,7	8,2	9,7
USA	5,6	4,0	5,1	4,6	4,6	5,8	9,3	10,1
Euro area	10,4	8,2	8,8	8,2	7,4	7,5	10,0	12,0
OECD countries	7,2	6,0	6,6	6,0	5,6	5,9	8,5	9,8

Source: OECD Outlook, 2009.

In 2010, under forecasts of experts, the majority of the countries will manage to leave from crisis and to begin economic growth. The longest crisis situation will be saved in Spain and the small countries of Europe. It is supposed that in the USA revival (tab. 17) will already begin. However the unemployment high level in the majority of the countries will be saved, it will lead to that on an unemployment indicator in 2010, the European countries and the USA will exceed findings of 2009 (tab. 18). Especially an unemployment acute problem as soon as possible will put to stand in Spain (where under forecasts, it will reach 18,1 % in 2009 and 19,6 %-2010), Turkey (15,2 % and 16,4 % accordingly), Ireland (12,2 % and 14,8 %) and Slovakia (11,8 % and 13,6 %).

Especially hardly has suffered motor industry of Germany and the USA. In May, 2009 it has been declared bankruptcy Opel. Asset sale of this company to the Russian Savings Bank and the Canadian company Magna has begun. The same destiny has comprehended also the American company Chrysler LLC. It has begun the sale of bigger parts of this company to the Italian concern FIAT.

Table 19

## Production of cars in the world and in a cut in some countries (2007-2008)

	2007			2008			Percentage change (2008/2007)
	Passenger cars	Commercial transport	Total	Passenger cars	Commercial transport	Total	
Argentina	350,735	193,912	544,647	399,577	197,509	597,086	9,6
Australia	283,348	51,269	334,617	285,59	43,966	329,556	-1,5
Austria	199,969	28,097	228,066	125,436	25,441	150,877	-33,8
Belgium	789,674	44,729	834,403	680,131	44,367	724,498	-13,2
Brazil	2,391,354	585,796	2,977,150	2,561,496	658,979	3,220,475	8,2
Canada	1,342,133	1,236,657	2,578,790	1,195,436	882,153	2,077,589	-19,4
<b>China</b>	<b>6,381,116</b>	<b>2,501,340</b>	<b>8,882,456</b>	<b>6,737,745</b>	<b>2,607,356</b>	<b>9,345,101</b>	<b>5,2</b>
Czech Republic	925,06	13,588	938,648	933,312	12,51	945,822	0,9
Egypt	68,934	35,539	104,473	72,485	42,297	114,782	9,9
Finland	24	303	24,303	18	376	18,376	-24,4
France	2,550,869	464,985	3,015,854	2,145,935	423,043	2,568,978	-14,8
Germany	5,709,139	504,321	6,213,460	5,526,882	513,7	6,040,582	-2,8
Hungary	287,982	4,045	292,027	342,359	3,696	346,055	18,5
India	1,713,479	540,25	2,253,729	1,829,677	484,985	2,314,662	2,7
Indonesia	309,208	102,43	411,638	431,423	169,421	600,844	46,0
Iran	882	115,24	997,24	940,87	110,56	1,051,430	5,4
Italy	910,86	373,452	1,284,312	659,221	364,553	1,023,774	-20,3
Japan	9,944,637	1,651,690	11,596,327	9,916,149	1,647,480	11,563,629	-0,3
Malaysia	347,971	93,69	441,661	419,963	110,847	530,81	20,2
Mexico	1,209,097	886,148	2,095,245	1,241,288	949,942	2,191,230	4,6
Nederland	61,912	76,656	138,568	59,223	73,271	132,494	-4,4
Poland	695	97,703	792,703	840	110,908	950,908	20,0
Portugal	134,047	42,195	176,242	132,242	42,913	175,155	-0,6
Romania	234,103	7,609	241,712	231,056	14,252	245,308	1,5
Russia	1,288,652	371,468	1,660,120	1,469,429	320,872	1,790,301	7,8
Serbia	8,236	1,667	9,903	9,818	1,81	11,628	17,4
Slovakia	571,071	0	571,071	575,776	0	575,776	0,8
Slovenia	174,209	24,193	198,402	180,233	17,61	197,843	-0,3
Republic of South Africa	276,018	258,472	534,49	321,124	241,841	562,965	5,3
South Korea	3,723,482	362,826	4,086,308	3,450,478	356,204	3,806,682	-6,8
Spain	2,195,780	693,923	2,889,703	1,943,049	598,595	2,541,644	-12,0
Sweden	316,85	49,17	366,02	252,287	56,747	309,034	-15,6
Taiwan	212,685	70,354	283,039	138,709	44,26	182,969	-35,4
Thailand	315,444	971,902	1,287,346	401,309	992,433	1,393,742	8,3
Turkey	634,883	464,53	1,099,413	621,567	525,543	1,147,110	4,3
Ukraine	380,061	22,53	402,591	400,799	22,328	423,127	5,1
Great Britain	1,534,567	215,686	1,750,253	1,446,619	202,896	1,649,515	-5,8
USA	3,924,268	6,856,461	10,780,729	3,776,358	4,928,881	8,705,239	-19,3
Uzbekistan	170	14,9	184,9	195,038	13	208,038	12,5
Other countries	420,77	282,019	702,789	332,917	170,993	503,91	-15,8
<b>Total</b>	<b>53,201,346</b>	<b>20,064,715</b>	<b>73,266,061</b>	<b>52,637,206</b>	<b>17,889,325</b>	<b>70,526,531</b>	<b>-3,7</b>

Source: OICA

Despite the huge injections which have been carried out by the Government by the Barack Obama the attempts to rescue company General Motors (further - GM) and to prevent its bankruptcy was failed. «Procedure of reorganization of a motorcar giant, - according to experts, - will lead to

reduction of dealers with 6000 to 3600 and assumes reduction of staff on tens thousands workers worldwide, eleven factories GM will be closed, three will be stopped, and one is reorientated to production of small-displacement cars. The government of the USA will grant GM the credit in size \$30,1 billion for the period of passage of procedure of bankruptcy (60–90 days) which will be converted subsequently in the share updated GM».<sup>3</sup>

Event in June 2009 bankruptcy of GM was the fourth on scales in the USA history and the largest among industrial companies. Company reorganization attempts have led to failure of production Pontiac; and Hummer and Saturn are sold the new proprietor. Thus now within the limits of concern there are only three marks (Chevrolet, Cadillac and Buick).

Now we will consider a situation on the world automobile platforms. Analyst PricewaterhouseCoopers concerning the world automobile market Michael Makkenzi writes: «The car heads the list of the goods of not mass demand, and the new car is second-large purchase post acquisition housing accommodation. At the moment customers do not hasten with car purchase, and this tendency will be saved until level of their trust will be increased. Absence of possibility to obtain the credit also rather negatively affects their financial possibilities that naturally at-drives to outflow of consumers from the given market all over the world»<sup>4</sup>. Its words are confirmed with statistical data on production of cars in the world and on the countries (tab. 19).

Apparently from table 19, most of all were suffered because of economic recession the European union countries, namely, Austria (-33,8 %), Finland (-24,4 %), Belgium (-13,2 %), France (-14,8 %), Spain (-12,0 %) and Sweden (-15,6 %). Among the countries Southern and the North America it is necessary to note the states entering into North American free trade zone (NAFTA): the USA (-19,3 %), Canada (-19,4 %). However indicators across Mexico have increased. The gain has constituted 4,6 %. Further we will note, Asian-Pacific region (Japan and South Korea). The Japanese and Korean motorcar giants in a period of crisis reduce production volumes and reduce number of working staff. So, according to Toyota Motor Corp., at the basic factories of the company in 2008 the volume of international sales has constituted 8,328 million cars that on 11,7 % it is less in comparison with 2007 2009 promises to be the most black for all history of auto concern: the sales volume in the world market will decrease to 2,8 million cars.

As to the countries of catching up development, namely BRIC (Brazil, Russia, India, China) the situation is more or less stable, so indicators across Brazil is 8,2 %, Russia – 7,8 %, India – 2,7 % and to China – 5,2 %. We will stay in more details on these countries.

**Brazil.** On a share of Brazil 75 % of production volumes of cars in the South America are necessary. According to statistics, growth in 2008 has constituted 2,7 % in comparison with 2007 However the given figure less than a similar indicator of a previous year on 11,1 (13,8 % - 2007).

**India.** The automobile market basically has fallen because of defect of financing. Almost 75 % of purchases of cars in this country are carried out on credit, and absence of due call for funds, became the primary factor which has negatively affected sales. Sales volumes of cars in November, 2008 were reduced to 27 % in comparison with 2007, and sales of commercial transport have decreased on 33 %.

**China.** The given country in 2008 has surprised economists with achievements in the car industries. According to statistical data of Association of German auto builders (VDMA), last year China has born the palm on production of cars (17,2 % from world volume), having advanced Germany (14,7 %) and the United States of America (14,6 %).

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<sup>3</sup> GM – . банкрот «Коммерсант». 05-06-2009

<sup>4</sup> PricewaterhouseCoopers: 2009 year becomes restless for world motor industry. 20 January 2009.

In our opinion, the exit of China on top of the Olympus of world motor industry is caused by long recession in the countries of continental Europe. At the same time, present successes of Heavenly Empire are based almost on twenty years' operational experience with the leading world automobile concerns transmitting to the colleagues the best practices and knowledge.

**Table 20**

**Number of the registered cars, 1990-second quarter 2009 (2005=100)**

	1990	1995	2000	2005	2006	2007	2008	Q1-2009	Q2-2009
Australia	73,2	80,2	90,9	100	98	104,6	98,0	85,5	86,1
Austria	93,7	90,8	100,4	100	100,2	96,8	95,3	83,1	108,5
Belgium	102,8	76,3	109,6	100	109,3	109	111,4	94,7	93,6
Canada	104,6	79,2	100,4	100	102,1	101,6	105,8	85,4	84,3
Czech Republic	..	..	..	100	103,2	115,0	120,3	108,9	99,8
Denmark	54,4	91	76,4	100	105,4	109,3	101,4	72,2	70,7
Finland	93,8	53,9	90,9	100	98,3	84,7	94,2	67,6	52,4
France	109,7	93,3	103,1	100	96,7	99,8	99,1	97,3	106,3
Germany	91,6	99,8	101,7	100	104,4	94,8	93	111,6	129,5
Greece	43,7	44,2	103,1	100	100,6	105	97,1	66,2	80,7
Iceland	..	30,3	66	100	93,3	87,2	47,4	47,9	32,3
Ireland	50,1	49,7	135	100	104,2	108,6	88,0	8,55	12,5
Italy	105,9	77,4	108,2	100	103,9	111,4	96,6	36,7	30,7
Japan	151,8	132,2	88,6	100	93,2	87,8	83,3	82,0	97,3
South Korea	..	117,6	71,1	100	104,3	112,3	112,8	62,7	71,5
Luxemburg	71,3	47,7	86,3	100	104,7	105,8	107,9	100,4	139,1
Nederland	107,8	95,9	128,4	100	104	108,6	107,4	89,5	96,7
New Zealand	69,3	63,6	75,4	100	86,9	85,8	71,3	82,6	78,2
Norway	45,3	69,6	90	100	101,4	115,9	98,3	51,3	48
Poland	..	..	..	100	101,4	124,5	135,8	71,4	81,5
Portugal	102,1	97,5	124,8	100	94,3	97,7	103,3	139,9	129,6
Slovakia	..	..	..	100	103,4	104,5	122,6	98,7	181,8
Spain	60	51,9	87,5	100	99	97,4	71,1	48,1	50,9
Sweden	75,4	56,1	113,7	100	100,6	108,5	88,6	68,0	70,9
Switzerland	124,2	101,8	120,6	100	102,2	113,8	146,6	130,3	140,6
Turkey	52,8	48,4	85,8	100	97,4	86,8	86,8	84,0	123,4
Great Britain	82	79,2	95,6	100	95,7	97,8	86,4	41,0	..
USA	121,2	112,6	115,4	100	101,4	98,9	87,7	62,1	64,2
Europe Union	96,2	86,5	103,5	100	103,9	104,7	95,5	85,7	95,8
Euro area	95,7	83,5	103,8	100	102,9	101,9	93,8	88,2	97,4
Great 7	110,3	106,2	104,5	100	99,8	97,9	90	73,6	80,6
OESR - Europe	94,8	85,1	102,7	100	100,8	100,9	93	80,8	89,5
Total in OESR	116,6	102,4	103,3	100	100,1	99,3	91,4	74,5	81,9

Source: *Organization of economic cooperation and development*

Thus by 2012 in China the third factory Ford Motor Co will be constructed. According to the experts, the given company intends to enclose 490 million US dollars. Such decision was, is connected, first of all, with a growing demand of the Chinese consumers for products and services of the international class.

Preferences of Europeans in a period of crisis have appeared conservative enough (tab. 21). In the conditions of recession the European consumer has saved preferences to domestic models, an exception has constituted only Ford. Against the general reduction of demand, attracts attention

preservation of sales volumes and even growth of purchases for separate marks of concern Audi. It is curious that among the models using especial popularity among Europeans, there is old model Volkswagen Golf (tab. 22). As to new models the greatest demand has dropped out on new Audi A4 and Ford Fiesta.

**Table 21**

**Top 10 marks of European sales for 11 mounts in 2008.**

Mark	November 2008	November 2007	Increase, %	11 months 2008	11 month 2007	Increase, %
VOLKSWAGEN	110,034	135,680	-18,9%	1,440,300	1,497,185	-3,8%
FORD	80,979	96,776	-16,3%	1,141,593	1,199,512	-4,8%
RENAULT	73,628	95,074	-22,6%	1,024,003	1,098,429	-6,8%
OPEL/VAUXHALL	61,780	98,152	-37,1%	1,056,277	1,231,663	-14,2%
FIAT	59,517	78,108	-23,8%	886,566	899,915	-1,5%
PEUGEOT	53,948	82,468	-28,5%	933,553	1,022,263	-8,7%
CITROEN	55,441	73,190	-24,3%	799,580	877,370	-8,9%
AUDI	50,292	50,853	-1,1%	614,871	613,414	+0,2%
MERCEDES	45,460	58,415	-22,2%	643,483	679,519	-5,3%
BMW	43,357	60,661	-28,5%	629,840	646,357	-2,6%

Source: Orlov K. Crisis kills car sales in Europe // Autonews, 22.12.2008.

As production and consumption are hardly interconnected, we result statistic components on registration of vehicles in the countries organizations of economic complementation and development (tab. 20). From table 4 follows that most of all were suffered those countries which were influenced by the greatest degree subject to the cyclical fluctuations caused by a world financial crisis. Such countries as Italy, Great Britain, Iceland, Ireland and Norway have suffered in more measure. We will notice that registration of motor vehicles in the countries with the developed banking system (for example, Germany, Luxembourg and Switzerland) has grown. It most likely is connected with a competent policy of crediting of the population and granting of optimum conditions for vehicle purchase on credit.

**Table 22**

**Top 10 models of European sales for 11 mounts in 2008.**

Model	November 2008	November 2007	Increase, %	11 month 2008	11 month 2007	Increase, %
Volkswagen Golf	29,583	40,204	-26,4%	425,629	403,619	+5,5%
Ford Fiesta	23,561	24,536	-4,0%	303,875	331,857	-8,4%
Peugeot 207	22,358	33,757	-33,8%	383,090	410,002	-6,6%
Ford Focus	22,255	30,074	-26,0%	344,113	372,263	-7,6%
Renault Clio	20,733	29,919	-30,7%	318,612	356,551	-10,6%
Volkswagen Passat	20,156	24,847	-18,9%	235,729	279,965	-15,8%
Audi A4/S4/RS4	18,293	15,095	+21,2	239,551	205,469	+16,6
Fiat Punto	16,849	24,562	-31,4	262,641	352,599	-25,5

Source: Orlov K. Crisis kills car sales in Europe // Autonews, 22.12.2008.

As to Russia financial and economic crisis here a little bit late also has begun autumn of 2008. However by December, 2008 the aggregate number workers at the motor industry enterprises

was reduced to 8,6 % (in comparison with December 2007) and the average salary has fallen to 12,1 %. In the first quarter 2009 crisis became more acuity: it has been made already on 65,2 % of vehicles (cargo and cars and buses) less, than for the similar period of 2008.

In 2008 production of buses has decreased to level of 2002. Thus if production of foreign models has decreased on 7,4 %, domestic models - on 22,6 %.<sup>5</sup> Crisis in production of lorries and buses proceeds especially painfully. In I quarter 2009 of lorries it has been made on 75,7 % less, than in I quarter 2008, and buses on 69,1 %.

In the conditions of crisis there is an appreciable replacement of domestic marks to foreign cars. Against sharp falling of assemblage of cars of domestic models almost in 2 times assemblage of buses of foreign models has increased. As a result, if in I quarter 2008 the share of foreign models in the general production constituted 2,3 %, in I quarter 2009 already 15,5 %.<sup>6</sup> Models of foreign manufacturers supersede the Russian models. As a result already steadily decreases the share of domestic cars in the Russian market.

### 3. Crisis Consequences. Change of a rating of the automobile companies

Toyota is the leader of a rating of the automobile companies among 500 most successful business structures of the world, constituted following the results of 2008 the journal of Financial Times influential in business interests. Even among all firms of the world the given conglomerate has some stability. The list annually updated by experts of a leading magazine of the Old World, is guided mainly by a company commercial value. Toyota despite very serious problems caused by global recession, has increased a turn-over following the results of 2008 on 8 % having finished it to 262 mln. dollars, and has saved the 22 place in a rating (tab. 23).

**Table 23**

**Automobile companies in top 500 firms in the world.**

Place in a rating		Company (country)	Commercial value (million dollars of the USA)	Turn-over (million dollars of the USA)	The net income (million dollars of the USA)	The general property cost (mln. dollars of the USA)	Number of working staff (thousand)	The price for the share (dollars of the USA)	Share profitability (%)
2009	2008								
22	22	Toyota (Japan)	108,917,1	261,836,8	17,109,8	323,279,8	316,121	31,6	4,4
30	61	Volkswagen (Germany)	96,625,8	149,651,0	6,249,9	220,803,9	357,207	307,1	0,8
86	147	Honda (Japan)	43,005,2	119,546,4	5,976,3	125,648,9	178,96	23,4	3,7
179	73	Daimler (Germany)	24,434,9	126,067,5	1,772,5	173,860,4	274,33	25,3	3,1
263	239	BMW (Germany)	18,322,0	69,951,0	0,426	132,922,3	101,733	28,9	1,4
311	227	Nissan (Japan)	16019,5	107,807,7	4,803,2	118,915,4	159,227	3,5	11,3

Source: FT-500

Volkswagen has considerably improved the position, moved with 61 on 30 place in a rating of the companies, and Honda has also lifted with 147 places on 86. On the contrary, a number of the German companies have given in. So, Daimler has moved with 73 on 179 place, BMW – with 329

<sup>5</sup> Car industry and car market in Russia: resume of 2008 year.

<sup>6</sup> Там же

on 263. However the greatest problems have arisen with the Japanese concern Nissan. Instead of 227 places it began to take 311 line in the table of ranks.

If at heading the list of automobile companies Toyota the net income has exceeded 17 mln. dollars of the USA at corporation Volkswagen which have taken the second place the net income has reached 6,2 mln. dollars of the USA, and at Honda almost 6 mln. dollars of the USA (tab. 23).

Burst in the Western Europe and the USA credit and financial and the economic crisis was reflected and in the Russian automobile market. In November-December, 2008 decrease in volumes of month sales of new foreign cars was observed. Though as a whole in 2008 the sales volume has grown on 26,5 % in comparison with 2007 Total amount of the market of cars has increased by 19,2 %. Considering that in the Western Europe and the USA there was a strong reduction of the automobile market, statistical data of Russia looked optimistically enough. Though in the last months of the expiring year was scheduled the downward adjustment which did not manage to be overcome in 2009.

Market repartition became a crisis consequences as in geographical aspect (at the expense of decrease in a role of the USA and Germany and increase of a role of China), and for the development account of the dealer network in Italy and in the countries of catching up development.

Bargain result on acquisition by Italian Fiat SpA of 20 % of American auto-concern Chrysler Group LLC, - according to representative of Chrysler Michel Kellende, - can become creation of the second-large dealer network in Russia, selling cars Fiat and Chrysler. Fiat has received a share in the American auto concern for free, but he will grant Chrysler access to technologies, capacities, and also will let in the dealer network in Russia and Latin America,

The dealer network and geography of sales Chrysler at the expense of Fiat can of become larger-shih than one in Russia. Only General Motors has a bigger dealer network in Russia. Then follow Mitsubishi and Ford. As a result of this bargain, dealer network Chrysler-Fiat can become the second in territory of our country.

As a result of crisis there was a fall of a role of more expensive marks and the increase of importance of an average and-or low price segment.

The crisis phenomena of the end of 2008-first half of 2009 have led to necessity of development of more effective anti-recessionary policy of the Government of the Russian Federation. Among prime measures usually name:

1. Introduction of an interdiction for subsidizing of interest rates under bank credits for purchase of engineering of foreign production, first of all on purchase of buses and agricultural cars;
2. Increase in state financing of research and development at the expense of realization from-cover competitions on realization of new projects on the motor transportation engineering and agricultural cars.
3. Support of completing factories, granting of discounts (to 10-15 % on their production).
4. Laying down a program substitution of import mechanical engineering production, including motor industry, at the expense of Russian ruble devaluation in relation to bi-currency basket.
5. Maintenance of stimulation of factories which create a competitive complements with application of the Russian materials.
6. Building of factories of assembly production with the Japanese motorcar giants.
7. Restriction of leasing purchases of import agricultural machinery.
8. Workings out of measures in relation to Open Society "AUTOVAZ".



9. Realization of a policy of an abnormal depreciation of permanent assets in the car industries.

#### 4. The Forecast for the future.

##### 4.1. The near future.

Naturally there is a question: whether «factors of growth of a car market in is short-urgent and long-term prospect Will be saved?

The matter is that in the conditions of the economic lifting, many automobile factories in Europe were under construction at the rate on increases in demand at their production. Therefore already before crisis there were redundant capacities in motor industry. Crisis has led to essential reduction of current demand and has made gloomy enough prospects of filling of existing capacities. As it has appeared deep enough there was a threat of closing of some the enterprises, especially in those countries where the labor costs are high enough. Italy, England, Spain and France concerns their number.

The list of automobile factories in Europe which, according to experts, can be closed in 2009-2011 is extensive enough. Among them we usually call:

1. Fiat: Mirafiori, Italy.
2. Fiat: Pomigliano d'Arco, Italy.
3. Fiat: Termini Imerese, Italy.
4. Ford: Southampton, England.
5. GM Europe: Antwerpen, Belgium.
6. GM Europe: Ellesmere Port, England.
7. GM Europe: Bochum, Germany.
8. GM Europe: Zaragoza, Spain.
9. GM/Renault: Luton, England.
10. LDV: Birmingham, England.
11. Mitsubishi: Born, Holland.
12. PSA:Mangolde, Portugal.
13. PSA: Madrid, Spain.
14. Renault: Valladolid, Spain.
15. Renault: Flan, France.
16. Renault: Sandaville , France<sup>7</sup>.

**Table 24**

**The forecast of sales of cars to Russia, thousand unit.**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2012
<b>Sales overall</b>	<b>1415,5</b>	<b>1555,7</b>	<b>1622,4</b>	<b>1610,8</b>	<b>1714,4</b>	<b>2103,0</b>	<b>2414,0</b>	<b>2700,0</b>	<b>3050,0</b>	<b>3450,0</b>
particularly:										
Domestic models	932,60	930,11	969,35	980,00	789,20	783,50	750,00	710,00	690,00	670,00
Foreign models	482,90	625,60	653,10	630,80	925,20	1319,50	1664,00	1990,00	2360,00	2780,00
particularly:										
Produced in Russia	6,50	11,10	57,70	121,80	151,50	270,00	400,00	550,00	650,00	800,00
Imported new	79,10	111,50	195,40	285,00	456,00	743,80	1004,00	1210,00	1510,00	1810,00
Imported upborne	397,30	503,00	400,00	224,00	317,70	305,70	260,00	230,00	200,00	170,00

*Source: accounts of authors*

<sup>7</sup> Source: <http://www.autonews.ru>.

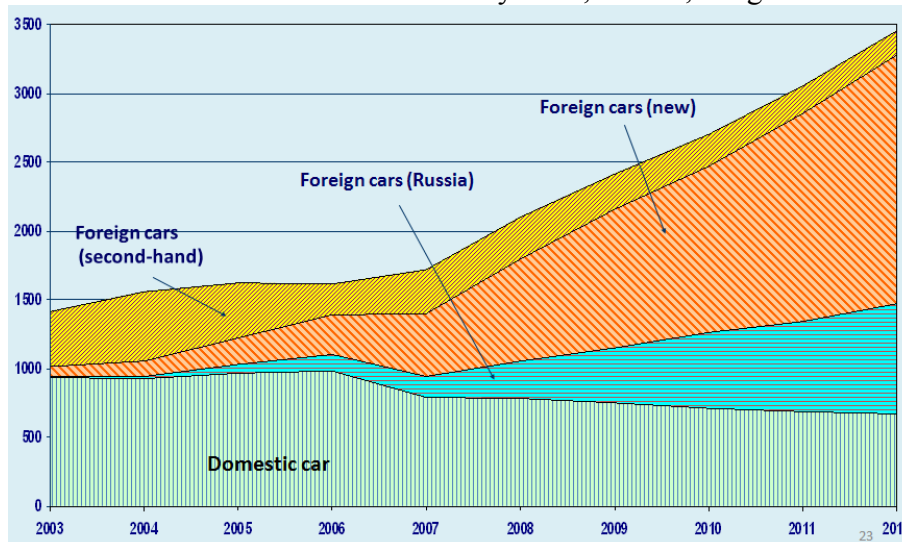
Other situation has developed in Russia. However there are difficulties. The strongest influence on development of the Russian automobile market, on our opinion, will render: development of assembly productions of foreign cars; competitiveness decrease domestic marks; shift of preferences and growth of incomes of the population.

Therefore, significant influence in the short-term period will have:

- Development of a dealer network before saturation;
- Financial service;
- Marketing activity of importers and dealers;
- Heavy prices for the real estate.

Then, in our opinion, there will be an easing of this effect.

Development of assembly productions in Russia becomes the major factor of growth in 2010-2011. To the existing companies (Chevrolet, Hyundai, Ford, Renault, Kia, Chery, SsangYong, Fiat, VW-Skoda, Toyota, Nissan. In small volumes: BMW, Cadillac, Hummer, Geely, Lifan) will be added: Chevrolet-Opel. There will be an increase in capacities Renault, Ford, Toyota. Furthermore in 2011 will start to make motor vehicles in Russia Hyundai, Suzuki, Peugeot-Citroen, Mitsubishi.



**Fig. 16. The forecast of sales of cars to Russia, thousand unit**

Source: drawing is constituted under table 24

#### 4.2. The Long-run forecast.

If tendencies existing before crisis the sales volume of cars in Russia in 2012 will constitute almost 3,5 million (tab. 24) are saved. Foreign models will constitute Of them four fifth and only the one fifth models domestic production. Furthermore more than 2/3 of import models will constitute new import marks (fig. 16 see).

Our forecast considerably differs from the forecast of ASM-HOLDING which evaluates possibilities of the Russian production (foreign and domestic marks) it is much more optimistically, than we (tab. 25). Authors of this forecast believe that the share of the motor industry in domestic mechanical engineering will grow in 1,5-2 times (from 23 % in 2007 to 36-40 % in 2020). A motor industry share in gross national product were withdrew-chit in 2,5 times (about 2 % in 2007 to 4,7-5,0 % in 2010), and the internal turn-over of car market for the same period will increase almost in 3 times (about 53,0 bln. dollars to 150,0 bln. dollars).

Table 25

## Perspective development of motor industry till 2020 (in thousands)

	2007	2012	2020
<b>Car producing, overall, thousand cars.</b>	<b>1660</b>	<b>2960</b>	<b>4940</b>
particularly:			
passenger	1289	2400	4000
cargo	282	440	640
buses	89	120	300
Number of cars on 1000 people	180	240	350
Motor industry in mechanical engineering, %	23	30	36 - 40
Motor industry share in gross national product, %	2,0	3,5	4,7 - 5,0
Internal turn-over of the automobile market, billion doll.	53,0	80,0	150,0
From them:			
Export	1,0	4,0	15,0
Import	25,0	30,0	15,0

Source: ASM-Holding

As to motor industry regional development heads the production centre remains Volga region cluster, including the Nizhniy Novgorod, Samara, Ulyanovsk areas, Udmurtia republic and Tatarstan. On it 2/3 domestic productions of cars will have.

To a breakaway gap from Volga region cluster there will be a development of the Central and Northwest cluster which in the sum will be made by 1/3 that will be made in the Volga region. As to Siberia and the Far East they together taken, will make approximately as much, how many and Central cluster (tab. 26).

Let's make some results. The financial crisis has hardly enough mentioned motor industry as the car is the goods of not mass demand, taking the second place after housing accommodation purchase. It is natural that in the conditions of falling of money incomes of the population and increase of a rate of unemployment, demand for cars was reduced. As the significant part of cars is bought on tick crisis in a financial system in leaders of the countries of the world, could not be reflected in demand for cars.

Table 26

## Regional development of motor industry till 2020 (in thousands)

	2007	2012	2020
<b>Volga region cluster</b> (Udmurtia Republic, Tatarstan Republic, including the special economic area "Alabuga", Nizhniy Novgorod, Samara, Ulyanovsk areas);	1360	2110	3240
<b>Northwest cluster</b> (St.-Petersburg, the Leningrad, Kaliningrad, Novgorod areas);	100	350	500
<b>Central cluster</b> (Moscow, the Moscow, Kaluga, Smolensk and Vladimir areas);	190	350	600
<b>Siberian cluster</b> (the Chelyabinsk, Omsk areas, Altay territory)	10	100	300
<b>Far East district</b>	-	50	300
<b>Total cars</b>	<b>1660</b>	<b>2960</b>	<b>4940</b>

Source: ASM-Holding

The financial crisis has partly extended, the tendencies which have scheduled before crisis, has strengthened them. During a modern financial crisis there was a sharp change of global structure of motor industry. There was a marked increase of the auto-mobile markets of the countries BRIC and easing of the traditional centers of automobile production (first of all the USA and Germany).

If the scheduled tendencies are saved, China already in the foreseeable future will put to make cars for the entire world. On all occasions, a financial crisis is made this future nearer. Now undoubtedly one that all modern financial giants become more and more dependent on the Chinese market of cars.

The Russian market of cars later, than American and European, has tested on itself influence of world recession. Furthermore reduction of demand for cars was in Russia extremely non-uniformly. First of all it has mentioned domestic models, than on foreign cars. The share of cars of foreign assemblage has considerably increased in course of the crisis in the Russian market, having pressed home producers. If having scheduled in tendency course of the crisis will be saved, already in the foreseeable future the four fifth sales of cars in our country will constitute foreign models.