

Sector briefing

Automotive opportunities in Russia

Why Russia?

Russia is the world's fastest-growing automotive market today, and is one of the most rapidly emerging automotive component markets in Europe. The Russian Government will spend 584.1 billion roubles on developing the automotive industry by 2020.

The Russian automotive market, having dipped in 2009, is quickly recovering from the economic downturn. Car output is expected to reach 3.5 mln vehicles by 2014-2015. According to forecasts, the Russian Automotive market may climb to 6th place among the Top-10 world markets, producing 4 mln vehicles annually by 2020.

The Russian Government actively promotes investment in the Russian automotive industry, particularly in the components segment. On 1 March 2011 the Government introduced new amendments to industrial assembly rules for OEMs. New plants assembling at least 300,000 cars per year, together with existing plants manufacturing at least 350,000 cars per year, are eligible for reduced import duties on specific foreign components.

Find general information on Russian market conditions on [UKTI's website](#). The [Doing](#)



[Business Guide for Russia](#) gives an overview of **Russia's** economy, business culture, potential opportunities and an introduction to other relevant issues.

“By 2020 the Russian Automotive market may climb to 6th place among the Top 10 world markets, producing 4 mln vehicles a year”

Opportunities

Growing demand for cars in Russia together with the import substitution effect increased the OEM's industrial assembly volumes by 73% in 2010, and by 40 % in the first quarter of 2011 (compared to the same period in 2010). Currently there are 272 local manufacturers and 46 JVs producing auto components in Russia.

Key Russian Companies include: Rostechologies' AutoVAZ and KAMAZ; GAZ, Marussia Motors.

Key UK companies include JCB, TEREX, Ricardo, Valeo, Johnson Matthew, BorgWarner, GKN PLC, R & D Vehicle Systems Ltd, VTL Ltd.

The development of the Russian automotive industry is one of the top governmental priorities in the run up to 2020. The automotive market in Russia offers opportunities for UK automotive businesses in the following areas:

Auto-component manufactures/JVs

The Russian government actively promotes a localisation policy for heavy industry, including the auto component market. Further to the creation of special economic zones and automotive clusters, the authorities have also introduced a number of legislative initiatives, offering privileges and preferences for OEMs. On 1 March 2011 new amendments to the industrial assembly regulations came into operation. To qualify for industrial assembly benefits, OEMs are required to reach production volumes of 300-350 thousand vehicles per year and a 60% localisation level within 6 years of signing the agreement. The Head of the Automotive and Agricultural Machinery Department of the Ministry of Industry and Trade stated the number of qualified auto component suppliers should reach 200 within 2 years.

Experts forecast that the Russian auto components market will grow up to \$56 billion in 2011-2012. The local automotive supply base remains underdeveloped. JVs between Russian and foreign companies are seen as the way to develop this sector in Russia. The auto components cluster development programme is estimated to be worth £800-1000 billion over 10 years.

Secondary car market – spare parts

Russia still has a low car ownership per capita (40% of EU average) and majority of cars are older than EU average. But peoples' mobility is predicted to grow, leading to a higher demand for vehicles. Those on lower incomes often prefer a second-hand imported car to a new Russian car - 56.3% of total imported cars are less than 10 years old, 30% over 10 years old. The aftermarket is dominated by low quality grey imports from Asia, which are extremely cheap and therefore sell very well. This makes entry for UK (and other reputable) component manufacturers difficult. The Government needs to recognise and tackle the issue officially. Measures to prevent low quality and grey component imports will allow international component manufacturers to compete in this area. Serving OEMs may add to the volumes necessary for them to be able to work in Russia.

Transport

The Moscow and St Petersburg authorities have announced governmental programmes on transport park modernisation. Their key aims are to upgrade current vehicles to Euro-4 and Euro-5 emission standards, to introduce high-speed tram networks, and to introduce EVs or Hybrid public buses to operate in the city centre.

The Ministry of Trade and Industry will allocate budget funds for the next three years for truck and bus park renewal. The Ministry also plans to spend GBP73mIn annually on trucks and GBP154mIn on buses over three years, starting in 2012. There is a similar proposal for agricultural vehicles.

The low Carbon vehicles sector is starting to develop in Russia. Automotive manufacturers are currently researching hybrid concepts for both public and individual transport with the intention of presenting their ideas by 2012 - 2013.

The Russian company Yo-Auto has designed the first hybrid car for mass-production, intending to start serial production in spring of 2012. Yo-Auto has already started a dialogue with Gazprom on fuelling infrastructure development.

Motorsport

On 15 October 2010 the authorities of Krasnodarsky Kray, in Southern Russia signed an agreement with Formula 1 to stage a Grand Prix in Sochi from 2014 to 2020. Sochi is planned to become the centre for Russian auto

sport and is seen as a great start-up for the development of a Russian racing school and infrastructure.

The Russian car company Marussia Motors (MM) purchased shares in Virgin Racing Team in 2010 and became the first Russian F1 Team. Currently MM is the only Russian Company developing high-performance cars, sport prototypes, street and hybrid sport cars. MM has production lines in Russia and plans to open factories in Belgium, UK and in Germany in 2012.

Given the novelty of the sector, Russia is currently very interested in technologies and design expertise for the development of locally branded racing and sports cars.

If you have any questions on the opportunities above, contact the UKTI contact named in this report. Business opportunities aimed specifically at UK companies are added daily to UKTI's website. These leads are sourced by our staff overseas in British Embassies, High Commissions and Consulates, across all sectors and in over 100 markets.

You can be alerted to business opportunities on a regular basis by registering on the UKTI website. [Find out more on UKTI's business opportunities service on the UKTI website.](#)

Major events and activities

UKTI Activities:

Svetlana Bondarko, Lead on Automotive in Russia visits UK, London on 02-09 July 2011

Contact: Svetlana Bondarko, UKTI Russia

Email: Svetlana.Bondarko@fco.gov.uk

Time: 04 July 2011 – London

07 July 2011 – East Midlands

Olga Makarchuk, Lead on Advanced Engineering in Russia, participates in Manufacturing Through Growth 2011 12-14 July

Contact: UKTI Event Support Team

Email: export2011@uktieventsteam.com

Time: 12 July – Manchester

13 July – Birmingham

14 July - London

Inward mission to LCV 2011, Rockingham Motor Speedway in Corby, Northamptonshire.

Contact: Ian Lockhart, UKTI Advanced Engineering Sector Group

Email: Ian.Lockhart@ukti.gsi.gov.uk

Time: 7-8 September 2011

Inward mission to GVC 2012 (tbc),

Contact: Ian Lockhart, UKTI Advanced Engineering Sector Group

Email: Ian.Lockhart@ukti.gsi.gov.uk

Time: March 2012

Advanced Engineering Russian Campaign

Contact: Ian Lockhart, UKTI Advanced Engineering Sector Group

Email: Ian.Lockhart@ukti.gsi.gov.uk

Time: On-going

Advanced Engineering showcase in Russia

Contact: Ian Lockhart, UKTI Advanced

Contact: Svetlana Bondarko, UKTI Russia

Email: Svetlana.Bondarko@fco.gov.uk

Time: February – March 2012

Other events:

International Forum

«**AUTOMOTIVE INDUSTRY AND AUTOCOMPONENTS MARKET IN RUSSIA**»

alongside the Moscow International Motor Show (MIMS) at the Crocus Exhibition Centre

August 24-27, 2011

Moscow, Russia

International Forum “AutoRetail Russia 2011”

by AdamSmith Conferences

Marriott Grand Hotel

October 11 – 13 2011

Moscow, Russia

“St.Petersburg International Motor Show 2011”

Lenexpo Exhibition Centre

October 20-24, 2011

St.Petersburg, Russia

“Auto + Master AUTOTRANSPORT Cars, trucks and passenger. MOTO and specials. SERVICE – 2011”

KOSK “Russia”

December 08 – 11, 2011

Yekaterinburg, Russia

International Conference on investment attraction to the automotive industry «AUTOINVEST 2012»

February 15-18, 2012

St.Petersburg, Russia

The 15th annual Russian Automotive Forum

by AdamSmith Conferences

March 2012

Moscow, Russia

New export events are added daily to the site and [you can register to be alerted to them](#) on a daily, weekly or monthly basis

UKTI’s Tradeshow Access Programme (TAP) provides grant support for eligible Small & Medium Sized Enterprises (SME's) to attend trade shows overseas. Find out more about [UKTI support](#) for attendance at overseas events

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Next steps - How UKTI can help

British companies wishing to develop their business in the Russian market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in Russia, with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Russian market
- Establishment of interest of such contacts in working with you

- Arranging appointments
- Organise seminars or other events for you to meet contacts and promote your company in the Russian market

This work is available via our [Overseas Market Introduction Service \(OMIS\)](#) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find [contact details for your local UKTI office.](#)

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