

# State Backstops \$1 Billion of Truck Maker KamAZ's Debt Amid Auto Market Collapse

By [The Moscow Times](#)

August 19, 2014



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Russia will guarantee \$1 billion of truck maker KamAZ's future debt, as part of a broader government initiative to support vehicle manufacturers struggling with falling sales.

Russia, Europe's second-largest car market after Germany, is seeing a sharp decline in car and truck sales as its weak economy is put under further pressure by Western sanctions over the crisis in Ukraine.

Many Russians have also delayed making large purchases because of a weakening ruble.

Shares in KamAZ, in which Germany's Daimler owns 15 percent, jumped more than 9 percent on the government's announcement on Tuesday.

"The situation is indeed quite tough. The car market and in particular the truck market is a very accurate indicator of the state of [economic] affairs," Prime Minister Dmitry Medvedev said during a meeting with KamAZ chief executive Sergei Kogogin, according to a transcript on the government website.

"We will of course think how to stimulate this market," Medvedev said, without elaborating. In the past, Russia has supported the industry by subsidizing car loans. It also rescued its biggest carmaker AvtoVAZ with a more than \$1 billion bailout in 2009.

The government said it had approved state guarantees for up to 35 billion rubles (\$968 million) of debt issuance by KamAZ for up to 15 years. The move is intended to help the truck maker's investment program, including launching new models and upgrading all production lines.

KamAZ, which had net debt of 12 billion rubles at the end of 2013, approved the issuance of 35 billion rubles worth of bonds late last year and a further 27 billion rubles in May 2014. It had said it would like the government to back both programs.

"The [first] half [2014] was relatively satisfactory — the market was falling but we increased our share ... But July-August — there is a high level of watchfulness regarding what's going on. In my opinion, consumers are simply going into standby mode," KamAZ's Kogogin said.

He estimated that the truck market was down 18 to 20 percent, without specifying the period.

VTB Capital analyst Vladimir Besspalov said Russia's heavy truck market fell 25 percent in 2013 and is expected to drop by a further 9 percent this year. However, it may recover next year thanks to large infrastructure projects, he said.

In July, sales of new passenger cars and light commercial vehicles in Russia fell 23 percent, year-on-year, according to the Association of European Businesses, which expects sales to fall 12 percent this year to 2.45 million.

In January, the government said it planned to support the industry with subsidies of up to 271 billion rubles in the three years to 2016, including for research and development, to support jobs and to compensate for some costs related to meeting tighter exhaust emission standards.

Also on Tuesday, KamAZ signed agreements with Austrian crane maker Palfinger on setting up two joint ventures in Russia this year to supply KamAZ and other customers.

**See also:**

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