



# China Light Vehicle Sales Update

## H1 2016: An Overview

June's Passenger Vehicle (PV) sales increased by 19.5% year-on-year (YoY), the biggest growth seen year-to-date (YTD), with 1.81 mn vehicles sold. In contrast, the Light Commercial Vehicle (LCV) sector suffered the sharpest fall YTD as sales plunged by 17.2% to 0.25 mn units, driven by the dismal state of the Mini Bus segment. For the Light Vehicle (LV) market as a whole, sales improved by 13.4% YoY in June, with a total of 2.07 mn units sold. In short, for the first half of 2016, PV sales increased by 10.6% YoY to 11.19 mn units, LCV sales decreased by 12.5% to 1.70 mn units, and the LV market as a whole rose by 6.9% to 12.89 mn units.

The LV SAAR for the month of June paints a picture of stability, with the rate at 26.6 mn units, virtually unchanged from May, suggesting that the market is on a firm footing.

CADA's dealer-level inventory index stood at 1.55 months at the end of June, 12% up on May and 8% lower in YoY terms. The fact that June is usually a slow month in the PV market might account for the level being slightly above the warning line of 1.5 months, but stock levels appear to be reasonably balanced nonetheless. Indeed, the index suggests that the market is healthy, which augurs well for sales in the second half of the year.

A retrospective look at H1 2016, with closer analysis of the PV market in terms of the different vehicle bodytypes, highlights that the SUV segment sustained its upward trajectory, registering the fastest rate of growth at 36.2%, ahead of the MPV segment, which grew by 19.5%. The Car segment, meanwhile, declined by 3.9% in the first half of the year.

Delving deeper into the SUV sector reveals that local Chinese brands performed exceptionally well in the opening six months of 2016, with overall growth of 50%. Soaring sales were particularly evident in the Compact and Sub-Compact SUV sub-segments, which benefited from rising demand in China's lower-tier cities. Non-Premium brands were also at the forefront of the SUV segment, thus bolstering their market positions, with growth amounting to 28% in total. Looking further ahead, the SUV sector is forecast to continue to flourish for the next two years at least.

The Car segment, however, has been directly impacted by this boom, with its market share being continuously eroded by the rising popularity of SUVs. The stark contraction in the Non-Premium Midsize Car segment was due, in part, to the success of Non-Premium Compact SUVs. In a similar way, Sub-Compact SUVs stole market share from Sub-Compact Cars.

In contrast, the Non-Premium Compact Car segment saw growth, against a backdrop of overall decline. Newly designed models positioned toward the lower end of the spectrum drew the attention of consumers to foreign automakers, which enjoy a stronger brand image and a reputation for superior reliability versus their local counterparts. Hybrids were another bright spot in the segment. With their affordable price tags, these models proved to be popular with buyers. The hybrid versions of the Toyota Corolla and Toyota Levin, for example, yielded combined sales of around 33k units in H1 2016.

Turning our attention back to China's local brands, it is clear that they are increasingly relying on their SUV portfolios, with around 50% of total sales being accounted for by SUV models in first half of 2016, compared to just 22% for the whole of 2013. There is no doubt that the SUV segment has generated both volumes and profits for Chinese automakers. One such brand, Trumpchi, saw a profit in excess of CNY1 billion in 2015, driven by the phenomenal success of its GS4 SUV. In fact, in the January-May period, the brand's net profit contribution to its parent group GAC was higher than those of the group's two joint-venture companies, GAC Honda and GAC Toyota.



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The risks associated with this disproportionate reliance on SUVs are stacking up, however. Not only are China's automakers progressively losing ground in the Car segment, they are also up against ever greater competition in the all-important SUV segment from both local and foreign rivals.

The bigger picture for the automotive market as a whole indicates that the rebound from Q4 2015 was carried over into the opening half of 2016. With the added stimulus of the purchase tax cut, the market fared relatively well, with the structure little changed from last year. In other words, momentum continued to be driven by demand in China's lower-tier cities and by the inexorable appetite for SUVs

Market Top Lines						
	Jun	Δ	YTD	Δ	2016f	Δ
<b>Sales</b>	<b>2,156,592</b>	<b>13%</b>	<b>13,413,394</b>	<b>7%</b>		
PV	1,813,240	19%	11,196,538	11%	23,006,585	8%
LCV	252,603	-17%	1,695,351	-12%	3,243,707	-11%
M&H CV	90,749	16%	521,505	15%		
<b>Production</b>	<b>2,050,131</b>	<b>10%</b>	<b>12,910,230</b>	<b>6%</b>		
PV	1,719,544	13%	10,696,436	10%	21,922,538	9%
LCV	243,603	-12%	1,690,545	-13%	3,243,715	-10%
M&H CV	86,984	29%	523,249	15%		

Best Selling Models						
	Jun	Δ	Share	YTD	Δ	Share
<b>PV</b>						
Wuling Hongguang	41,956	16%	2.3%	294,313	-6%	2.6%
Volkswagen Lavida	43,585	62%	2.4%	287,164	23%	2.6%
Haval H6	33,041	57%	1.8%	211,422	27%	1.9%
<b>LCV</b>						
Foton Light Truck	19,593	4%	7.8%	126,856	-6%	7.5%
Wuling Mini Truck	15,791	-42%	6.3%	115,546	6%	6.8%
Wuling Hongguang V	15,802	-1%	6.3%	98,993	-17%	5.8%

Top Brands (Sales)							
	#	Brand	Jun	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Volkswagen	224,142	19%	1,474,097	6%	13.2%
	2	Buick	97,461	14%	570,384	27%	5.1%
	3	Changan	82,417	22%	563,905	8%	5.0%
	4	Toyota	91,868	-9%	547,781	8%	4.9%
	5	Hyundai	97,783	61%	527,151	2%	4.7%
	6	Honda	96,381	14%	523,885	26%	4.7%
	7	Ford	61,900	-21%	435,127	-2%	3.9%
	8	Nissan	88,728	21%	430,934	13%	3.8%
	9	Haval	57,547	39%	378,718	22%	3.4%
	10	Baojun	37,438	44%	331,061	81%	3.0%
	11	Beijing	58,383	96%	320,471	50%	2.9%
	12	Dongfeng	44,904	70%	316,956	17%	2.8%
	13	Wuling	43,594	17%	303,896	-8%	2.7%
	14	Audi	47,771	19%	299,109	9%	2.7%
	15	Kia	46,686	19%	298,471	-5%	2.7%
	16	Geely	42,080	24%	273,678	7%	2.4%
	17	BMW	38,398	6%	229,717	4%	2.1%
	18	Mercedes-Benz	37,878	14%	223,937	33%	2.0%
	19	BYD	39,016	9%	214,626	-6%	1.9%
	20	Chevrolet	38,046	-21%	214,311	-32%	1.9%
<b>Passenger Vehicle Total</b>			<b>1,813,240</b>	<b>19%</b>	<b>11,196,538</b>	<b>11%</b>	<b>87.8%</b>
Commercial Vehicle	1	Wuling	49,023	-42%	377,472	-20%	22.3%
	2	Foton	31,662	2%	197,655	-10%	11.7%
	3	Changan	17,689	-33%	163,861	-19%	9.7%
	4	Dongfeng	18,802	2%	118,737	-2%	7.0%
	5	JAC	13,491	-9%	106,221	3%	6.3%
	6	Jinbei	16,514	-42%	104,121	-35%	6.1%
	7	JMC	14,290	8%	85,308	-10%	5.0%
	8	Lifan	10,616	-14%	62,708	0%	3.7%
	9	Great Wall	6,864	11%	52,450	-1%	3.1%
	10	Ford	5,972	9%	34,368	8%	2.0%
<b>Commercial Vehicle Total</b>			<b>252,603</b>	<b>-17%</b>	<b>1,695,351</b>	<b>-12%</b>	<b>12.2%</b>

Top Manufacturers (Production)							
	#	Manufacturer	Jun	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	SAIC Volkswagen	148,653	11%	947,894	-4%	8.9%
	2	FAW Volkswagen	160,192	11%	922,388	6%	8.6%
	3	SAIC GM	126,425	-3%	843,121	4%	7.9%
	4	SAIC GM Wuling	85,706	21%	651,506	21%	6.1%
	5	Changan Automobile Grc	82,028	37%	539,910	14%	5.0%
	6	Beijing Hyundai	99,700	38%	529,701	2%	5.0%
	7	Dongfeng Nissan	98,445	8%	500,584	12%	4.7%
	8	Changan Ford	52,155	-36%	450,190	-1%	4.2%
	9	Great Wall Motor	66,958	47%	412,745	12%	3.9%
	10	FAW Toyota	50,719	-8%	314,616	17%	2.9%
	11	Dongfeng Peugeot Citroe	42,639	-8%	291,572	-14%	2.7%
	12	Dongfeng Yueda Kia	43,040	3%	281,753	-9%	2.6%
	13	Geely Group	45,524	16%	280,923	6%	2.6%
	14	GAC Honda	46,323	-12%	274,267	12%	2.6%
	15	Dongfeng Honda	45,190	24%	248,304	54%	2.3%
	16	Chery	34,420	27%	221,179	3%	2.1%
	17	BYD	38,626	9%	215,690	-7%	2.0%
	18	GAC Toyota	36,158	-2%	202,672	8%	1.9%
	19	Jianghuai Automotive	22,026	-4%	185,194	15%	1.7%
	20	BAIC Yinxiang	27,998	-14%	176,361	-6%	1.6%
<b>Passenger Vehicle Total</b>			<b>1,719,544</b>	<b>13%</b>	<b>10,696,436</b>	<b>10%</b>	<b>87.6%</b>
Commercial Vehicle	1	SAIC GM Wuling	44,325	-36%	390,943	-20%	23.1%
	2	Beiqi Foton	30,311	9%	198,938	-11%	11.8%
	3	Changan Automobile Grc	22,754	-3%	146,119	-21%	8.6%
	4	Jiangling Motors	17,715	-9%	114,201	-8%	6.8%
	5	Jianghuai Automotive	12,602	14%	105,168	-2%	6.2%
	6	Brilliance Auto	17,789	-43%	103,508	-35%	6.1%
	7	Dongfeng Automobile	13,254	6%	97,189	4%	5.7%
	8	Lifan Group	11,269	-14%	63,137	-3%	3.7%
	9	Great Wall Motor	7,290	15%	52,766	-3%	3.1%
	10	Nanjing Iveco	6,811	9%	38,730	-5%	2.3%
<b>Commercial Vehicle Total</b>			<b>243,603</b>	<b>-12%</b>	<b>1,690,545</b>	<b>-13%</b>	<b>12.4%</b>

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## LMC Automotive

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