
Press Release

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A See-Saw Effect Likely to Dominate China's LV Market in the Near Term

The recent performance of China's LV market has failed to support the optimism which was fuelled by higher-than-expected growth achieved in 2013. LV sales growth in March was lower than January-February in both the PV and the LCV sector, leading to LV sales growth as a whole in Q1 2014 sliding below 10%. With around 0.56 million LCVs being moved in March, LCV sales saw a decrease of 3% on the previous year, dragging the YoY Q1 growth as a whole down to 0.7%, from 3.4% in January-February. Even with a stronger sales momentum than LCVs, PV sales reached only 1.47 million units in the month. The YoY growth of 11% was still below the 13% achieved in January-February.

Furthermore, the SAAR has indicated that China's LV market has failed to gather further sales momentum from a strong Q4 in 2013. After the selling rate peaked at 23.3 million units in November and December 2013, it proceeded to drop to 23.1 million units on average in Q1 2014, running consistently throughout each month of the quarter.

Facing a currently flat selling rate and lower-than-expected sales growth, the future trend can be perceived more clearly if we look into the factors that drove the higher-than-expected growth in 2013. With a YoY LV sales growth of 12% and 16% registered in H1 and H2 of 2013 respectively, it could be judged that the higher-than-expected market performance actually took place in H2 2013, when China's economic growth picked up as a result of faster investment growth, and panic buying over growing concerns that more tier-2 cities would join the list to impose vehicle purchasing quotas. So, how have these two key factors been progressing?

Economically, the overall situation has recently been heading downwards. China's GDP growth decelerated to 7.4% YoY in Q1 2014, from 7.7% in Q4 2013. Manufacturing remained sluggish, retail sales were lackluster, and goods exports declined in Q1. In addition, property prices are falling in many smaller cities. Given the weak Q1 GDP data, the government is widely expected to step up its stimulus measures. As the country's investment-driven growth model is considered to be reaching its limit, however, while more stimulus measures would lead to an improved near-term economic outlook, they would also lead to a delayed and deepened mid-term risk. The automotive market would also see a similar effect to stimulus measures.

A similar pattern of impact to China's automotive market can also be seen from purchasing restrictions in China's major cities. With the city of Beijing tightening its policy on restrictions and with Tianjin announcing its own yearly quota of new car plates, panic buying intensified throughout Q4 2013. In March 2014, Hangzhou city, the capital of the eastern Zhejiang province, followed by imposing its own car purchasing restrictions, with the immediate impact being very well perceived. On the same night that Hangzhou announced its restriction policy, sales of 70,000 vehicles, equaling 25% of sales seen in 2013 as a whole, were booked at dealers in the city. As for the overall market, although the selling rate of wholesales continued to plateau in March, CADA's index proved that dealer-level inventory had reduced throughout the month. Moving forward, driven by worsening air conditions and the income from selling car plates, more cities are

expected to introduce such restrictions. If these restrictions come at a fast pace, more buying action is likely to be pulled forward, with a more painful payback effect following in the market at a later time.

In short, more stimulus measures for China's economy and more car purchasing restrictions in China's tier-2 cities could push up vehicle sales in the short run, but the higher that vehicle sales are pushed up, the deeper the slowdown will be in the market in the longer run. This is what we call the "see-saw effect".

Market Top Lines						
	MAR	Δ	YTD	Δ	2014f	Δ
Sales	2,277,487	8%	6,222,570	9%		
PV	1,583,045	12%	4,514,454	12%	18,842,800	12%
LCV	555,111	-3%	1,407,421	1%	5,295,305	4%
M&H CV	139,331	5%	300,695	10%		
Production	2,201,749	6%	5,890,267	9%		
PV	1,506,848	8%	4,150,993	11%	17,620,068	11%
LCV	553,729	0%	1,412,297	3%	5,294,733	4%
M&H CV	141,172	8%	326,977	12%		

Best Selling Models						
	MAR	Δ	Share	YTD	Δ	Share
PV						
Volkswagen Lavida	43,386	13%	2.7%	150,801	24%	3.3%
Volkswagen Santana	24,409	83%	1.5%	79,840	137%	1.8%
Volkswagen Passat NMS	26,387	29%	1.7%	74,930	13%	1.7%
LCV						
Wuling Hongguang	63,827	28%	11.5%	210,109	62%	14.9%
Wuling Rongguang/Xingwang	37,032	-2%	6.7%	107,647	6%	7.6%
Wuling Sunshine	37,820	-19%	6.8%	93,690	-25%	6.7%

Top Brands (Sales)							
	#	Brand	MAR	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Volkswagen	252,179	17%	789,187	24%	17.5%
	2	Hyundai	96,040	13%	287,085	8%	6.4%
	3	Buick	78,947	12%	238,491	14%	5.3%
	4	Toyota	87,035	4%	222,816	16%	4.9%
	5	Ford	73,355	30%	199,244	52%	4.4%
	6	Nissan	74,699	32%	189,972	23%	4.2%
	7	Chevrolet	59,490	-1%	178,912	-3%	4.0%
	8	Kia	55,367	14%	163,815	11%	3.6%
	9	Honda	59,277	-1%	161,285	18%	3.6%
	10	Changan	52,842	58%	144,967	39%	3.2%
	11	Audi	48,748	26%	133,997	25%	3.0%
	12	Dongfeng	37,490	37%	112,985	37%	2.5%
	13	BMW	40,612	34%	112,191	22%	2.5%
	14	BYD	39,029	-25%	103,121	-28%	2.3%
	15	Chery	34,763	-23%	95,278	-27%	2.1%
	16	Peugeot	31,278	24%	85,828	17%	1.9%
	17	Citroen	30,268	25%	83,179	18%	1.8%
	18	Haval	30,582	33%	81,387	36%	1.8%
	19	Great Wall	25,778	-24%	74,133	-19%	1.6%
	20	Suzuki	26,420	20%	69,619	-6%	1.5%
		Passenger Vehicle Total	1,583,045	12%	4,514,454	12%	74.0%
Commercial Vehicle	1	Wuling	160,620	8%	463,307	16%	32.9%
	2	Changan	71,132	-10%	185,773	-6%	13.2%
	3	Foton	60,883	-9%	135,956	-5%	9.7%
	4	Dongfeng	44,439	-28%	92,774	-35%	6.6%
	5	Jinbei	26,979	1%	88,077	38%	6.3%
	6	JAC	29,406	0%	69,997	6%	5.0%
	7	JMC	18,793	10%	44,048	23%	3.1%
	8	Great Wall	11,682	-7%	32,241	3%	2.3%
	9	Beijing	15,287	5%	29,207	-13%	2.1%
	10	FAW	13,664	-9%	27,829	-14%	2.0%
		Commercial Vehicle Total	555,111	-3%	1,407,421	1%	26.0%

Top Manufacturers (Production)							
	#	Manufacturer	MAR	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Shanghai VW	148,239	10%	497,694	25%	12.0%
	2	FAW VW	157,412	15%	409,171	12%	9.9%
	3	Shanghai General Motor	142,098	5%	405,482	5%	9.8%
	4	Beijing Hyundai	92,400	0%	272,520	3%	6.6%
	5	Changan Ford	66,156	26%	180,290	42%	4.3%
	6	Dongfeng Peugeot Citroen	64,782	26%	160,796	19%	3.9%
	7	Great Wall Motor	57,184	-3%	154,995	2%	3.7%
	8	Dongfeng Yueda Kia	54,874	20%	153,440	13%	3.7%
	9	Dongfeng Nissan	55,532	-8%	136,822	2%	3.3%
	10	FAW Toyota	47,273	-12%	121,251	8%	2.9%
	11	Chang'an Automobile Gri	44,654	57%	120,940	62%	2.9%
	12	BYD	39,148	-25%	102,553	-28%	2.5%
	13	GAC Honda	41,457	14%	100,608	28%	2.4%
	14	Geely Group	32,489	-33%	91,958	-34%	2.2%
	15	Dongfeng Honda	29,839	10%	88,885	33%	2.1%
	16	Chery	33,723	-23%	86,078	-29%	2.1%
	17	GAC Toyota	34,373	30%	85,987	37%	2.1%
	18	Zhengzhou Nissan	33,840	37%	83,175	48%	2.0%
	19	Brilliance BMW	25,199	24%	70,892	37%	1.7%
	20	FAW Car	25,263	35%	67,111	43%	1.6%
		Passenger Vehicle Total	1,506,848	8%	4,150,993	11%	73.1%
Commercial Vehicle	1	SAIC-GM-Wuling	169,250	15%	456,571	17%	32.3%
	2	Chang'an Automobile Gri	69,927	-7%	180,404	-8%	12.8%
	3	Beiqi Foton	59,758	7%	136,988	2%	9.7%
	4	Brilliance Jinbei	27,268	6%	84,803	34%	6.0%
	5	Jianghuai Automotive	28,553	4%	74,246	6%	5.3%
	6	DFAC	26,601	-16%	60,343	-12%	4.3%
	7	Jiangling Motors	24,260	6%	57,412	12%	4.1%
	8	Dongfeng Yu'an	12,899	-54%	37,052	-41%	2.6%
	9	Great Wall Motor	12,019	-5%	33,997	7%	2.4%
	10	Nanjing Iveco	14,398	-14%	32,757	-21%	2.3%
		Commercial Vehicle Total	553,729	0%	1,412,297	3%	26.9%



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