
Press Release

1 October 2014

The Straw that Broke the Camel's Back

The year-on-year (YoY) sales growth of locally-made Light Vehicles reached a mere 4.7% in August, falling from the 7.4% growth level seen in July and an average of 9.1% seen in H1 2014. Leading the deceleration was the Light Commercial Vehicle (LCV) sector, with sales in the month falling by 10% on the previous year. YoY growth in the locally-made Passenger Vehicle (PV) market also failed to pick up, with sales increasing by 9.3% on a year ago, a similar rate to the 8.4% reached last month.

We believe the lower growth in August, particularly in the LCV sector, can be partly attributed to the base effect. YoY growth looked gloomier due to a higher sales base in the same period of last year for the calculation, while the seasonally adjusted annual rate (SAAR) of LCV sales has been relatively flat since May, stabilizing at around 4.95 mn units in the month. Although to a lesser extent, a similar pattern was evident in the PV sector, with the SAAR rebounding to 18.7 mn units, which represents an end to the consecutive declines of the previous three months.

Although the August SAAR of China's Light Vehicle market did not look as bleak as the YoY growth rates indicated, the latest development did add to our concerns over the market outlook.

CADA's dealer-level inventory index was reported at 1.56 months in August. This is an improvement on the 1.62 months recorded in July, but still contributed to our concerns as this improvement was minimal at best; in addition to which, the current index, compared to 2013, stood closer to the high inventory level seen in the same period of 2012.

More concerns arose when we found that Passenger Vehicle sales growth so far this year was driven mostly by the tier-2 cities which risk implementing car purchasing restrictions. We have increasing doubts over how long such a high level of growth can be sustained, but also over how soon it may lead to the implementation of car registration quotas in those cities.

The apparent deceleration in economic growth also cast a shadow on the vehicle market outlook. In August, industrial production expanded at its slowest pace since the global financial crisis. Fixed asset investment and retail sales also continued to moderate due to sluggish domestic demand and, in particular, the slowdown in the property sector.

For the LCV sector, as the China-4 emissions standards have been implemented more strictly than previously expected, the rising cost is believed to have curbed part of the replacement demand.

Bearing these factors in mind, we have revised down our forecast for China's LV sales growth in 2014 to 7.1%. PV sales are expected to grow by 10% on last year, while an annual decline of 2% is projected for LCV sales.

Market Top Lines						
	AUG	Δ	YTD	Δ	2014f	Δ
Sales	1,810,173	4%	15,877,715	8%		
PV	1,395,571	8%	11,775,116	12%	18,447,330	10%
LCV	336,914	-10%	3,315,234	-2%	4,983,865	-2%
M&H CV	77,688	-6%	787,365	-2%		
Production	1,716,513	2%	15,247,138	9%		
PV	1,339,982	8%	11,139,862	13%	17,180,476	9%
LCV	303,419	-13%	3,313,597	-1%	4,983,811	-2%
M&H CV	73,112	-12%	793,679	0%		

Best Selling Models						
	AUG	Δ	Share	YTD	Δ	Share
PV						
Volkswagen Lavida	34,763	-12%	2.5%	332,813	14%	2.8%
Volkswagen Santana	24,541	36%	1.8%	211,907	104%	1.8%
Volkswagen Sagitar NCS	25,717	9%	1.8%	207,989	12%	1.8%
LCV						
Wuling Hongguang	56,502	35%	16.8%	483,159	68%	14.6%
Wuling Rongguang	33,481	54%	9.9%	251,557	7%	7.6%
Wuling Sunshine	22,779	-33%	6.8%	240,299	-27%	7.2%

Top Brands (Sales)						
	#	Brand	AUG	Δ	YTD	YTD Share
Passenger Vehicle	1	Volkswagen	222,253	4%	1,953,988	19%
	2	Hyundai	85,353	2%	727,674	7%
	3	Toyota	77,677	14%	625,685	13%
	4	Buick	69,960	3%	587,313	10%
	5	Ford	62,480	12%	544,817	33%
	6	Nissan	59,681	1%	544,395	12%
	7	Chevrolet	56,957	6%	467,171	1%
	8	Honda	54,438	-2%	443,851	7%
	9	Kia	49,055	15%	423,033	12%
	10	Audi	48,383	5%	382,027	18%
	11	Changan	40,587	63%	362,946	45%
	12	BMW	36,636	15%	298,071	17%
	13	BYD	30,306	-14%	261,738	-19%
	14	Dongfeng	30,657	34%	261,250	36%
	15	Chery	36,152	16%	256,529	-5%
	16	Peugeot	30,903	60%	248,406	38%
	17	Geely	27,950	-21%	238,229	-28%
	18	Haval	32,788	27%	235,204	36%
	19	Citroen	25,086	23%	209,229	19%
	20	Skoda	21,105	18%	180,554	21%
		Passenger Vehicle Total	1,395,571	8%	11,775,116	12%
Commercial Vehicle	1	Wuling	134,497	18%	1,111,554	15%
	2	Changan	36,584	-13%	400,797	4%
	3	Foton	23,781	-36%	298,930	-14%
	4	Dongfeng	17,939	-25%	226,004	-22%
	5	Jinbei	22,324	-21%	198,104	-2%
	6	JAC	12,207	-36%	151,186	-12%
	7	JMC	10,498	-8%	113,207	20%
	8	Great Wall	7,744	-18%	81,839	-7%
	9	Beijing	9,955	-12%	77,357	-12%
	10	Lifan	9,069	-7%	71,224	12%
		Commercial Vehicle Total	336,914	-10%	3,315,234	-2%

Top Manufacturers (Production)						
	#	Manufacturer	AUG	Δ	YTD	YTD Share
Passenger Vehicle	1	Shanghai VW	130,003	-16%	1,193,478	13%
	2	FAW VW	159,955	14%	1,175,604	17%
	3	Shanghai General Motor	144,415	17%	1,115,888	11%
	4	Beijing Hyundai	86,000	-2%	716,020	6%
	5	Changan Ford	49,262	-12%	485,051	27%
	6	Dongfeng Peugeot Citroen	57,894	53%	456,655	30%
	7	Dongfeng Yueda Kia	40,027	-4%	400,159	12%
	8	Dongfeng Nissan	45,598	-15%	385,279	-3%
	9	FAW Toyota	57,724	57%	370,648	15%
	10	Great Wall Motor	42,270	-20%	356,746	-12%
	11	GAC Honda	26,512	-24%	329,998	29%
	12	Chang'an Automobile Gr	29,991	60%	315,112	59%
	13	BYD	27,685	-27%	261,452	-20%
	14	Chery	36,125	3%	251,540	-6%
	15	Zhengzhou Nissan	34,112	57%	241,689	40%
	16	Geely Group	25,109	-28%	240,972	-27%
	17	GAC Toyota	28,300	19%	240,911	26%
	18	Dongfeng Honda	25,587	20%	225,335	18%
	19	Brilliance BMW	25,780	56%	196,532	40%
	20	FAW Car	26,438	18%	187,285	26%
		Passenger Vehicle Total	1,339,982	8%	11,139,862	13%
Commercial Vehicle	1	SAIC-GM-Wuling	110,532	7%	1,103,562	15%
	2	Chang'an Automobile	28,166	-2%	407,759	5%
	3	Beiqi Foton	25,166	-30%	297,122	-11%
	4	Brilliance Jinbei	23,505	-22%	197,739	-4%
	5	JAC	9,370	-53%	152,857	-9%
	6	Jiangling Motors	16,398	35%	152,790	11%
	7	DFAC	12,357	-17%	143,803	-7%
	8	Other	9,305	75%	85,817	27%
	9	Dongfeng Yu'an	5,166	-17%	85,544	-28%
	10	Great Wall Motor	7,416	-26%	82,754	-5%
		Commercial Vehicle Total	303,419	-13%	3,313,597	-1%



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