



China Light Vehicle Sales Update

No Respite in Market Uncertainty

China's Passenger Vehicle (PV) sales (i.e., wholesales) in July fell by 3.9% year-on-year (YoY) to 1.58 mn units, while the Light Commercial Vehicle (LCV) segment contracted by 12.6% YoY to 0.21 mn units. The overall Light Vehicle (LV) market ended the month with a 5.0% YoY decline, on total sales of 1.80 mn units.

Once again, PV production fell more sharply than wholesales in July, with output down by 11.3% to 1.50 mn units. LCV production contracted by 18.1% to 0.21 mn units. Overall LV output for the month was down by 12.2% YoY, on total build of 1.71 mn units. This was compounded, to some extent, by several OEMs extending their summer holiday shutdowns, which reduced the overall LV yield in July.

The seasonally adjusted annualized rate (SAAR) of LV sales in July was 27.3 mn units, virtually unchanged from June. This figure indicates a relatively stable wholesale side of the market in the month of July.

The CADA inventory index, however, increased to 1.75 months by the end of July, 27% higher than in June, but 2% lower than in July 2018. Stock levels moved above the warning line of 1.5 months once again, pointing to weak retail demand in July.

Turning to the insurance data, it becomes clear that retail demand for domestic vehicles decreased by around 16% YoY in July, compared to growth of 40% in June. So, what does this stark contrast tell us about the current state of the market and how can we resolve this apparent incongruity?

In last month's "Market Overview", we highlighted the fact that the boom in retail sales in June was driven by demand for State VI models and not, as one might have expected, the huge discounts offered by automakers hoping to shift State V models in regions where the stricter State VI regulations were about to come into force.

To assume that the spike in demand in June led directly to the slower rate of growth in July would be inaccurate. Even if the slowdown had been a foregone conclusion, if we consider the figures for the two months combined, the market still grew by a credible 11% YoY, which is a long way from signaling a collapse in retail demand. And if the July decline does, in fact, indicate that the market has bottomed out, we can safely expect the situation to improve in the coming months, which is why we have left our full-year 2019 PV forecast unchanged.

That said, the risk to the market remains on the downside, particularly if retail sales fail to record growth in August.

In terms of government policy, the latest efforts to boost the auto market have been tepid at best. On 27 August, the General Office of the State Council published "Guiding Opinions on Accelerating the Development of Consumer Services to Expand Commercial Consumption." The aim is to stimulate commercial consumption by optimizing the consumption environment. Once again, the guidelines mention phasing out restrictions on car purchases in certain regions and supporting the proliferation of NEVs.

But in China's lower-tier cities, where the impact of the recent crash in the auto market is undeniable, can such "opinions" really do much to improve demand? How effective and timely can this policy really be in areas already stricken by the plunge in sales?

With no end in sight to the ongoing escalation in the US-China trade conflict, and rising panic in the market as both sides continue to vacillate, the economy is bound to suffer in the medium and longer term. This, in turn, will hurt consumer confidence and dampen market demand. In light of this continued uncertainty, we decided to cut our projections for the 2020-2026 period.

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Market Top Lines						
	Jul	Δ	YTD	Δ	2019f	Δ
Sales	1,898,283	-4%	14,812,463	-11%		
PV	1,584,617	-4%	12,103,676	-12%	23,048,647	-5%
LCV	211,712	-13%	1,818,215	-6%	3,195,124	-5%
M&H CV	101,954	8%	890,572	-4%		
Production	1,800,271	-12%	13,961,026	-13%		
PV	1,497,541	-11%	11,294,476	-15%	21,747,253	-6%
LCV	211,195	-18%	1,804,084	-4%	3,155,801	-3%
M&H CV	91,535	-9%	862,466	-4%		

Best Selling Models						
	Jul	Δ	Share	YTD	Δ	Share
PV						
Volkswagen Lavida	36,441	9%	2.3%	283,363	-10%	2.3%
Volkswagen New Bora	26,705	48%	1.7%	162,894	-4%	1.3%
Toyota Corolla	26,049	-26%	1.6%	203,864	-30%	1.7%
LCV						
Wuling Mini Truck	27,730	-10%	13.1%	210,781	0%	11.6%
Foton Light Truck	23,822	-4%	11.3%	192,590	10%	10.6%
Changan Light Truck	10,678	-30%	5.0%	109,026	-15%	6.0%

Top Brands (Sales)						
#	Brand	Jul	Δ	YTD	Δ	YTD Share
1	Volkswagen	231,582	-2%	1,662,980	-7%	14%
2	Honda	126,243	22%	884,737	15%	7%
3	Toyota	124,615	0%	855,376	11%	7%
4	Nissan	82,583	10%	632,591	0%	5%
5	Geely	81,681	-24%	673,349	-19%	6%
6	Mercedes-Benz	58,558	8%	418,528	3%	3%
7	Audi	58,153	24%	352,454	-3%	3%
8	Buick	56,298	-21%	495,620	-16%	4%
9	BMW	55,761	6%	401,322	18%	3%
10	Changan	52,948	3%	431,132	-20%	4%
11	Haval	42,888	15%	395,760	9%	3%
12	Baojun	41,923	-26%	291,499	-45%	2%
13	Chevrolet	40,574	-19%	321,055	-15%	3%
14	Roewe	33,521	4%	238,015	-13%	2%
15	Chery	31,384	-8%	221,538	-9%	2%
16	BYD	30,428	-17%	253,608	-2%	2%
17	Hyundai	28,272	-6%	347,696	-15%	3%
18	Trumpchi	26,596	-35%	213,543	-31%	2%
19	Ford	22,313	-15%	125,477	-53%	1%
20	Dongfeng	22,154	-6%	192,509	-31%	2%
PV Total		1,584,617	-4%	12,103,676	-12%	87%
Commercial Vehicle						
1	Wuling	51,841	-4%	367,569	-7%	20%
2	Foton	27,969	-5%	229,861	9%	13%
3	Dongfeng	20,184	-2%	157,518	0%	9%
4	Changan	18,359	-22%	178,642	-18%	10%
5	JAC	13,947	10%	122,819	-4%	7%
6	Jinbei	8,774	-32%	77,250	-3%	4%
7	JMC	8,293	-7%	83,338	-19%	5%
8	Great Wall	8,075	-11%	72,953	-2%	4%
9	Maxus	5,599	-6%	44,945	-18%	2%
10	Ford	4,908	-10%	39,072	-22%	2%
CV Total		211,712	-13%	1,818,215	-6%	13%

Top Manufacturers (Production)						
#	Manufacturer	Jul	Δ	YTD	Δ	YTD Shar
1	Volkswagen	222,787	-14%	1,616,437	-10%	13%
2	Honda	137,077	-2%	879,308	2%	7%
3	Toyota	117,036	-5%	774,655	9%	6%
4	Nissan	91,717	-2%	648,817	0%	5%
5	Geely	77,714	-10%	673,915	-14%	6%
6	Mercedes-Benz	56,576	25%	340,347	16%	3%
7	Changan	56,360	4%	455,065	-9%	4%
8	Buick	48,783	-27%	471,138	-18%	4%
9	Hyundai	44,350	-13%	358,350	-15%	3%
10	BMW	43,575	-7%	288,576	12%	2%
11	Baojun	43,567	-1%	291,774	-48%	2%
12	Haval	42,710	14%	395,113	10%	3%
13	Audi	42,443	-16%	309,416	-13%	3%
14	Chevrolet	38,797	-18%	318,448	-15%	3%
15	Chery	33,333	1%	224,474	-6%	2%
16	BYD	30,830	-13%	248,279	-4%	2%
17	Ford	23,863	66%	119,632	-55%	1%
18	Dongfeng	22,405	1%	179,672	-34%	1%
19	Skoda	21,875	-37%	132,737	-42%	1%
20	Trumpchi	21,797	-51%	202,121	-39%	2%
PV Total		1,497,541	-11%	11,294,476	-15%	86%
Commercial Vehicle						
1	Wuling	45,193	-31%	364,743	-2%	20%
2	Foton	26,628	-13%	229,980	9%	13%
3	Dongfeng	21,694	13%	154,567	-2%	9%
4	Changan	21,561	-12%	176,852	-11%	10%
5	JAC	13,183	1%	119,915	-1%	7%
6	Jinbei	11,654	-10%	83,285	6%	5%
7	JMC	8,255	-21%	80,233	-23%	4%
8	Great Wall	8,021	-7%	74,805	-3%	4%
9	Maxus	5,812	-8%	44,173	-19%	2%
10	Ford	5,187	-23%	39,630	-21%	2%
CV Total		211,195	-18%	1,804,084	-4%	14%

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