



## China Light Vehicle Sales Update

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### A Dark Hour for the PV Market

China's Passenger Vehicle (PV) sales in October fell by 12.6% year-on-year (YoY) to 2.11 mn units, while the Light Commercial Vehicle (LCV) sector increased by 4.4% YoY. This led to an overall decline in the Light Vehicle (LV) market of 11% YoY, with total sales of 2.37 mn units. PV production fell by 9.7% in the month, dragging year-to-date (YTD) growth down to negative 0.8%. The total LV output reached 21.65 mn units YTD October, which was a YoY 0.4% drop.

The seasonally adjusted annualized rate (SAAR) of LV sales in September was 26.2 mn units, around 1% down from September, marking the sixth consecutive month-on-month contraction. This latest decline in the SAAR suggests that the market is in an extended downturn.

The CADA dealer inventory index stood at 1.88 months at the end of October, 41% up compared with the same month last year, and 3% up on September. The rate was still above the warning level of 1.5 months and much higher than the levels recorded in any October over the last six years. Such inflated inventories are creating significant pressure on OEMs, and would make it hard for them to push more wholesale vehicles to their distributors in the remainder of this year.

Insurance data, which is a good reflection of retail conditions, showed the same trend as the CADA index. The data indicated that retail sales of domestically produced cars decreased by 15% YoY in October, weaker than wholesales numbers. The gap between wholesales and retail sales has reached almost 2 million units in the January-October period of this year, implying this volume of vehicles has been added to inventory in dealership networks. Looking more closely at data by brand reveals that local brand inventory was higher than that of global brands.

The market fell much more sharply than expected in September and October. In October, there were rumors in the industry that the government would reinstate the purchase duty cut for small engine vehicles. It was reported that CPDA (China Automobile Dealer Association) submitted documents to the finance and commerce ministries proposing that the 10% purchase duty be halved in September. Further reports indicated that the NDRC (National Development and Reform Committee) had submitted a proposal to central government to halve the purchase duty on vehicles with engine displacement below 2.0L. Officials at the NDRC denied the proposal on 15 November.

A consequence of the circulating rumors was the depressing effect on the car market. Many consumers have held back on purchase decisions in anticipation of a clear message from government. This echoes a earlier situation in the third quarter of 2015, before the previous purchase duty cut on small engine vehicles, when there were also rumors affecting the market. Retail sales in Q3 2015 decreased by 7.3% YoY. It is clear that a lot of potential buyers delayed their purchasing until the policy was implemented in October 2015. After this, the market leapt in the final quarter of the year, with sales increasing by 17.9% YoY.

The motivation for proposing an incentive policy is good, at least in terms of temporary industry volume support. However, if a discussed policy is then not implemented, it hurts the market in short term by impacting consumer expectations. This has undermined the market further, in a year during which payback from removal of past tax cuts was still being felt.

The combination of negative effects of inventory build and the expected, but now missing, tax incentive policies has led us to reduce expectations for the market this year. The PV market forecast has now been adjusted from -0.3% to -3% for 2018 and some patience will likely be needed before recovery can take place.

Market Top Lines						
	Oct	Δ	YTD	Δ	2018f	Δ
<b>Sales</b>	<b>2,473,502</b>	<b>-12%</b>	<b>23,796,343</b>	<b>0%</b>		
PV	2,106,144	-13%	19,850,010	-1%	24,633,197	-3%
LCV	264,054	4%	2,710,502	4%	3,345,051	4%
M&H CV	103,304	-23%	1,235,831	-3%		
<b>Production</b>	<b>2,340,942</b>	<b>-10%</b>	<b>22,832,469</b>	<b>-1%</b>		
PV	1,977,797	-10%	19,002,669	-1%	23,565,784	-3%
LCV	265,472	-6%	2,645,463	3%	3,276,741	2%
M&H CV	97,673	-30%	1,184,337	-7%		

Best Selling Models						
	Oct	Δ	Share	YTD	Δ	Share
<b>PV</b>						
Volkswagen Lavida	43,974	106%	2.1%	382,231	5%	1.9%
Wuling Hongguang	45,333	6%	2.2%	365,747	-12%	1.8%
Toyota Corolla	27,775	7%	1.3%	313,285	11%	1.6%
<b>LCV</b>						
Wuling Mini Truck	34,875	101%	13.2%	316,578	48%	11.7%
Foton Light Truck	27,082	4%	10.3%	249,646	12%	9.2%
Changan Light Truck	14,580	77%	5.5%	172,481	68%	6.4%

Top Brands (Sales)							
	#	Brand	Oct	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Volkswagen	269,596	-14%	2,610,022	-1%	13.1%
	2	Geely	113,779	-9%	1,163,536	22%	5.9%
	3	Honda	145,390	18%	1,163,449	1%	5.9%
	4	Toyota	113,857	22%	1,130,714	11%	5.7%
	5	Nissan	108,783	-7%	954,204	7%	4.8%
	6	Buick	98,461	-13%	879,999	-9%	4.4%
	7	Changan	75,528	-25%	740,974	-14%	3.7%
	8	Baojun	58,261	-46%	723,383	-3%	3.6%
	9	Hyundai	70,021	-13%	631,241	11%	3.2%
	10	Audi	62,131	10%	559,806	11%	2.8%
	11	Mercedes-Benz	43,671	-7%	558,168	11%	2.8%
	12	Chevrolet	61,669	-11%	552,364	23%	2.8%
	13	Haval	84,956	4%	552,094	-17%	2.8%
	14	BMW	57,728	29%	509,305	12%	2.6%
	15	Trumpchi	46,168	2%	440,760	5%	2.2%
	16	BYD	46,896	34%	390,763	27%	2.0%
	17	Dongfeng	35,493	-50%	384,091	-27%	1.9%
	18	Roewe	40,758	7%	380,252	24%	1.9%
	19	Beijing	44,121	-21%	367,164	-18%	1.8%
	20	Wuling	45,333	-1%	365,749	-13%	1.8%
<b>Passenger Vehicle Total</b>			<b>2,106,144</b>	<b>-13%</b>	<b>19,850,010</b>	<b>-1%</b>	<b>88.9%</b>
Commercial Vehicle	1	Wuling	57,156	50%	567,479	11%	20.9%
	2	Foton	31,771	-2%	300,346	-6%	11.1%
	3	Changan	22,057	5%	284,041	4%	10.5%
	4	Dongfeng	22,208	-6%	217,735	-3%	8.0%
	5	JAC	15,680	1%	173,660	4%	6.4%
	6	JMC	14,962	-2%	142,732	2%	5.3%
	7	Jinbei	11,462	34%	113,587	33%	4.2%
	8	Great Wall	13,062	39%	110,889	18%	4.1%
	9	CNHTC	9,153	18%	92,390	23%	3.4%
	10	Maxus	7,296	55%	75,887	149%	2.8%
<b>Commercial Vehicle Total</b>			<b>264,054</b>	<b>4%</b>	<b>2,710,502</b>	<b>4%</b>	<b>11.1%</b>

Top Manufacturers (Production)							
	#	Manufacturer	Oct	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	SAIC Volkswagen	181,744	28%	1,722,794	2%	9.1%
	2	FAW Volkswagen	173,761	-2%	1,655,646	4%	8.7%
	3	SAIC GM	183,462	-11%	1,614,371	2%	8.5%
	4	Geely Group	140,661	3%	1,264,609	26%	6.7%
	5	Dongfeng Nissan	129,768	9%	1,089,260	9%	5.7%
	6	SAIC GM Wuling	88,390	-42%	1,066,785	-14%	5.6%
	7	Changan Automobile Grc	73,223	-27%	694,656	-14%	3.7%
	8	Great Wall Motor	95,458	-3%	669,016	-4%	3.5%
	9	Beijing Hyundai	71,000	-17%	652,800	11%	3.4%
	10	GAC Honda	62,191	10%	616,344	5%	3.2%
	11	Dongfeng Honda	56,272	0%	599,123	3%	3.2%
	12	SAIC Motor	50,868	3%	593,231	43%	3.1%
	13	FAW Toyota	55,620	7%	579,288	0%	3.0%
	14	GAC Toyota	55,392	66%	474,100	30%	2.5%
	15	GAC Motor	45,073	1%	462,578	10%	2.4%
	16	Chery	50,654	5%	417,172	-5%	2.2%
	17	Beijing Benz	31,241	-4%	400,545	12%	2.1%
	18	BYD	48,673	35%	394,513	27%	2.1%
	19	Brilliance BMW	40,475	66%	394,446	22%	2.1%
	20	Changan Ford	34,696	-52%	366,578	-46%	1.9%
<b>Passenger Vehicle Total</b>			<b>1,977,797</b>	<b>-10%</b>	<b>19,002,669</b>	<b>-1%</b>	<b>88.2%</b>
Commercial Vehicle	1	SAIC GM Wuling	52,165	-6%	537,866	10%	20.3%
	2	Beiqi Foton	29,868	-9%	300,482	-4%	11.4%
	3	Changan Automobile Grc	23,465	-10%	262,539	5%	9.9%
	4	Jiangling Motors	26,627	-3%	230,436	2%	8.7%
	5	Dongfeng Automobile	18,581	-9%	180,478	-6%	6.8%
	6	Jianghuai Automotive	15,785	-7%	167,507	3%	6.3%
	7	Brilliance Auto	11,640	22%	114,294	34%	4.3%
	8	Great Wall Motor	12,762	36%	113,704	18%	4.3%
	9	CNHTC	9,326	18%	92,964	24%	3.5%
	10	SAIC Commercial	7,012	31%	74,778	144%	2.8%
<b>Commercial Vehicle Total</b>			<b>265,472</b>	<b>-6%</b>	<b>2,645,463</b>	<b>3%</b>	<b>11.8%</b>

30<sup>th</sup> November 2018

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