



## China Light Vehicle Sales Update

### 2018: A Memorable Year for China's PV Market

China's Passenger Vehicle (PV) sales in December 2018 fell by 15.7% year-on-year (YoY) to 2.29 mn units, while the Light Commercial Vehicle (LCV) sector posted growth of 6.6% YoY to 0.35 mn units. This meant that the overall market ended 2018 with a drop of 3.0% YoY, on total sales of 27.74 mn units, marking the first contraction this century. In line with the sales downturn, PV production fell by 21.5% to 2.02 mn units in the month, dragging total LV output for the year as a whole down by 4.3% YoY, on total build of 26.39 mn units.

The seasonally adjusted annualized rate (SAAR) of LV sales in December was 25.8 mn units, a 2.3% increase on November, following seven consecutive months of month-on-month (MoM) decline. This upturn may signal that the market has bottomed out and is now set to rebound.

The CADA dealer inventory index stood at 1.73 months at the end of December, 92% up compared with December 2017, and 10% down on November. Although still above the warning line of 1.5 months, the rate fell to its lowest point since September, which may be an indication that vehicle stocks are finally being released.

China's vehicle insurance data – a reflection of retail sales – show that around 2.46 mn domestically made vehicles were registered in December 2018, 40% more than in November and substantially higher than in recent months. This robust growth can be explained by two key factors. Firstly, rumors had been circulating in the September-November period that the government would reinstate the tax cut incentive, but the matter was officially settled in December. Secondly, uncertainty arose from suggestions that Sate VI emissions norms would be brought forward to 1 January 2019 in certain regions (including Beijing, Tianjin, Hebei and Henan), but the dates have now been fixed by the various regional governments. By removing these two areas of doubt, those buyers who delayed purchases between September and November returned to the market in December.

A further positive comes from the sales figures released by the China Passenger Car Association (CPCA) for the first three weeks of January 2019, which show that the retail side of the market is recovering. Wholesales failed to rebound from the sluggish momentum seen in late 2018, but this was expected as it will take time for the bloated dealership stocks to be unwound. We believe that the PV market will continue to suffer in H1 2019, but begin to improve in H2.

2018 was a historic year for one decisive reason: the unbroken growth trend in PV sales that began after 1990 came to an abrupt end. The shadow cast by this sudden reversal has left industry players worried about the short-term future of the market, particularly when it comes to lost orders. We take a less pessimistic view, however, and do not believe that the market has hit a ceiling. The downturn was simply a correction that was bound to follow the stimulative effect of the tax incentives in effect from October 2015 to end-2017. Having set such a high base, after years of massive expansion, these sharp growth rates are unlikely to ever return. But one important factor remains that will support future growth: China's car density is still substantially lower than in mature markets and, indeed, many developing markets.

Once moderate growth resumes, however, the market will increasingly become a zero-sum game. The top brands and models will tend to dominate sales, while weaker brands will struggle to compete if they fail to adapt to the changing market dynamics. And as the industry continues to gravitate towards electrification and smart technology, more new players join the fight for a slice of the pie.



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2018 was also memorable for two pivotal government policies: 1) the customs duty on imported vehicles was lowered on 1 July from 25% to 15%; and 2) the National Development and Reform Commission announced that foreign equity restrictions on special-purpose vehicles and NEVs would be lifted in 2019, on CVs in 2020, and on PVs in 2022. Both highlight the government's determination to open up China's auto industry. Tesla took full advantage of the policy change and became the first foreign OEM to wholly own a company in China. BMW, meanwhile, successfully upped its stake in its Chinese joint venture with Brilliance Auto from 50% to 75%.

Another milestone was that CAFC and the NEV dual-credit system began to take effect, which compelled OEMs to adjust their strategies and product planning. Above all, 2018 was a year of change. From now on, the market will become increasingly complex, driven by greater competition and uncertainty over the future evolution of the industry.

Last but not least, a new government scheme was announced on 29 January aimed at "optimizing supply to promote consumption growth and support the formation of a strong domestic market in 2019." Although details are still scant, the supportive measures for the auto industry bring further optimism for the year ahead.

Market Top Lines						
	Dec	Δ	YTD	Δ	2018f	Δ
<b>Sales</b>	<b>2,774,207</b>	<b>-13%</b>	<b>29,220,340</b>	<b>-3%</b>		
PV	2,297,733	-16%	24,384,080	-4%	24,384,080	-4%
LCV	354,616	7%	3,360,593	4%	3,360,593	4%
M&H CV	121,858	-4%	1,475,667	-3%		
<b>Production</b>	<b>2,489,206</b>	<b>-18%</b>	<b>27,830,974</b>	<b>-4%</b>		
PV	2,018,720	-22%	23,124,442	-5%	23,124,442	-5%
LCV	335,840	2%	3,268,477	2%	3,268,462	2%
M&H CV	134,646	-11%	1,438,055	-8%		

Best Selling Models						
	Dec	Δ	Share	YTD	Δ	Share
<b>PV</b>						
Wuling Hongguang	59,673	-6%	2.6%	476,537	-11%	2.0%
Volkswagen Lavida	40,320	-10%	1.8%	468,792	3%	1.9%
Haval H6	44,267	-9%	1.9%	398,246	-11%	1.6%
<b>LCV</b>						
Wuling Mini Truck	43,574	101%	12.3%	397,471	56%	11.8%
Foton Light Truck	37,705	5%	10.6%	310,291	9%	9.2%
Changan Light Truck	16,872	18%	4.8%	204,292	61%	6.1%

Top Brands (Sales)							
	#	Brand	Dec	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Volkswagen	270,869	3%	3,167,806	-1%	13.0%
	2	Honda	148,641	13%	1,463,533	3%	6.0%
	3	Geely	87,548	-41%	1,380,424	11%	5.7%
	4	Toyota	101,258	22%	1,370,851	13%	5.6%
	5	Nissan	131,745	6%	1,201,737	6%	4.9%
	6	Buick	91,845	-29%	1,068,655	-13%	4.4%
	7	Baojun	88,943	-37%	879,076	-13%	3.6%
	8	Changan	52,605	-46%	861,605	-19%	3.5%
	9	Hyundai	107,824	-11%	809,979	3%	3.3%
	10	Haval	107,578	21%	766,062	-10%	3.1%
	11	Audi	59,980	64%	681,038	13%	2.8%
	12	Mercedes-Benz	62,956	11%	674,669	11%	2.8%
	13	Chevrolet	58,696	-23%	673,937	12%	2.8%
	14	BMW	59,068	8%	632,486	12%	2.6%
	15	Trumpchi	50,242	15%	535,168	5%	2.2%
	16	BYD	59,997	17%	500,405	24%	2.1%
	17	Wuling	59,673	-6%	476,539	-12%	2.0%
	18	Roewe	47,586	21%	470,757	22%	1.9%
	19	Dongfeng	46,350	-20%	468,369	-28%	1.9%
	20	Beijing	59,738	-35%	466,219	-24%	1.9%
<b>Passenger Vehicle Total</b>			<b>2,297,733</b>	<b>-16%</b>	<b>24,384,080</b>	<b>-4%</b>	<b>86.6%</b>
Commercial Vehicle	1	Wuling	74,778	76%	704,391	19%	21.0%
	2	Foton	41,851	-2%	369,426	-7%	11.0%
	3	Changan	29,691	22%	339,069	7%	10.1%
	4	Dongfeng	28,109	13%	271,121	-2%	8.1%
	5	JAC	12,443	-8%	202,104	4%	6.0%
	6	JMC	22,558	11%	181,903	1%	5.4%
	7	Jinbei	12,392	-44%	139,202	7%	4.1%
	8	Great Wall	13,435	-3%	138,001	15%	4.1%
	9	CNHTC	13,492	25%	117,844	24%	3.5%
	10	Maxus	10,660	118%	95,273	144%	2.8%
<b>Commercial Vehicle Total</b>			<b>354,616</b>	<b>7%</b>	<b>3,360,593</b>	<b>4%</b>	<b>13.4%</b>

Top Manufacturers (Production)							
	#	Manufacturer	Dec	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	SAIC Volkswagen	177,027	-5%	2,097,001	1%	9.1%
	2	FAW Volkswagen	166,627	-10%	2,018,498	2%	8.7%
	3	SAIC GM	161,213	-24%	1,959,902	-2%	8.5%
	4	Geely Group	92,817	-47%	1,479,875	11%	6.4%
	5	Dongfeng Nissan	99,514	-32%	1,320,154	3%	5.7%
	6	SAIC GM Wuling	142,450	-11%	1,304,371	-18%	5.6%
	7	Great Wall Motor	122,287	15%	911,756	-1%	3.9%
	8	Beijing Hyundai	68,199	-33%	794,000	-1%	3.4%
	9	Changan Automobile Grc	36,836	-62%	785,904	-22%	3.4%
	10	GAC Honda	69,607	0%	763,230	5%	3.3%
	11	Dongfeng Honda	69,388	6%	738,458	3%	3.2%
	12	FAW Toyota	64,560	12%	716,373	2%	3.1%
	13	SAIC Motor	56,029	-8%	711,109	32%	3.1%
	14	GAC Toyota	61,395	61%	599,355	36%	2.6%
	15	GAC Motor	41,452	-6%	550,682	7%	2.4%
	16	Chery	64,709	-3%	534,070	-6%	2.3%
	17	BYD	64,970	26%	508,883	25%	2.2%
	18	Brilliance BMW	47,887	38%	491,127	24%	2.1%
	19	Beijing Benz	41,640	27%	485,868	12%	2.1%
	20	Changan Ford	10,816	-86%	402,731	-52%	1.7%
<b>Passenger Vehicle Total</b>			<b>2,018,720</b>	<b>-22%</b>	<b>23,124,442</b>	<b>-5%</b>	<b>85.7%</b>
Commercial Vehicle	1	SAIC GM Wuling	68,252	53%	650,982	11%	19.9%
	2	Beiqi Foton	41,579	5%	367,426	-5%	11.2%
	3	Changan Automobile Grc	28,115	8%	316,879	3%	9.7%
	4	Jiangling Motors	26,307	-15%	289,274	1%	8.9%
	5	Dongfeng Automobile	26,947	22%	231,048	-3%	7.1%
	6	Jianghuai Automotive	11,037	3%	193,664	2%	5.9%
	7	Great Wall Motor	13,514	4%	141,421	16%	4.3%
	8	Brilliance Auto	13,548	-38%	139,807	8%	4.3%
	9	CNHTC	13,660	17%	118,411	22%	3.6%
	10	SAIC Commercial	10,657	81%	94,763	145%	2.9%
<b>Commercial Vehicle Total</b>			<b>335,840</b>	<b>2%</b>	<b>3,268,477</b>	<b>2%</b>	<b>14.3%</b>

1<sup>st</sup> February 2019

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## LMC Automotive

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