



China Light Vehicle Sales Update

A Hazy Market Picture in February

China's Passenger Vehicle (PV) sales (i.e., wholesales) in February 2019 fell by 18.2% year-on-year (YoY) to 1.24 mn units, while the Light Commercial Vehicle (LCV) segment increased by 8.1% YoY to 0.19 mn units. The overall Light Vehicle (LV) market ended the month with a drop of 15.4% YoY, on total sales of 1.44 mn units. In line with the sales downturn, PV production fell by 21% to 1.12 mn units, dragging LV output for the month down by 17.6% YoY, on total build of 1.33 mn units.

The seasonally adjusted annualized rate (SAAR) of LV sales in January was 23.0 mn units, 9% lower than in January and a clear indication that the market is struggling.

The drop in wholesales in February was far steeper than expected, but can be attributed, in part, to the timing of the Chinese New Year holiday, which began earlier this year (5 February) than last year (16 February). Chinese consumers typically purchase new vehicles before the holiday, but as the pre-festival period was shorter this year, fewer vehicles were sold. In addition, a number of OEMs extended staff leave during the festival and cut both production and wholesales to balance dealership inventory levels.

The situation was no rosier on the retail side. As highlighted by February's insurance data, retail demand for domestically made vehicles nosedived by 42.7% to 0.88 mn units, marking the lowest monthly retail result since 2013. This contrasts with a dramatic increase of 26% to 2.6 mn units in January, immediately before the New Year festival. This stark disparity in retail demand between the two months underscores the extent of the pre-holiday buying rush.

To cancel out the distortion caused by the New Year holiday, we have combined the insurance data for both months. In year-to-date (YTD) terms, the figures reveal that retail demand for domestically built PVs fell by 3.5% in January-February. When compared with the 15.5% drop YTD in wholesales, however, the retail picture does not appear quite so gloomy.

If we look more closely at the retail data for January-February, some positive trends emerge, despite the downturn. Notable among them is the slower rate of decline in retail demand in lower-tier cities to -5.4%, from -11.8% in 2018 as a whole. Those areas that suffered noticeable slumps last year are now showing early signs of recovery.

Turning to the wider macroeconomic picture, during two of its key meetings, the NPC and CPPC, the government announced that VAT rates would be cut on 1 April in a bid to stimulate the economy. VAT on manufactured goods will be lowered from the current 16% to 13%, totaling CNY800 billion, equivalent to almost 0.9% of GDP in 2018. Key industry players responded immediately to the policy statement, with Mercedes-Benz taking the lead in announcing MSRP cuts on its products sold in China. Other Premium brands followed suit, with Non-Premium marques like Buick and Volkswagen soon hot on their heels, and more likely to follow in the near future.

Although these MSRP cuts are largely symbolic, as most brands already offer bigger discounts in their promotional campaigns, they do have a stimulatory effect by helping to drive buyers back into showrooms.

From a macroeconomic perspective, there has been a steady stream of positive developments flooding into the automotive industry since the start of 2019. Most notable are government's planned set of new measures to stimulate demand in rural areas, the easing of tensions in the US-China trade conflict, and the recent CNY2 trillion tax and fee cut package.



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These promising advancements underpin our decision to maintain our forecast of around 1% growth in the Chinese PV market this year.

We cannot, however, ignore one key downside risk. Inventories are bloated, once again, as a result of poor retail sales during the holiday-distorted month of February. If retail demand fails to normalize in the coming months, the outlook for the PV market could turn sour.

Market Top Lines						
	Feb	Δ	YTD	Δ	2019f	Δ
Sales	1,528,024	-15%	4,014,595	-15%		
PV	1,244,090	-18%	3,357,055	-18%	24,694,525	1%
LCV	192,901	8%	445,019	2%	3,386,321	1%
M&H CV	91,033	2%	212,521	-5%		
Production	1,413,541	-17%	3,784,516	-14%		
PV	1,120,651	-21%	3,085,945	-17%	23,397,952	1%
LCV	207,509	7%	481,545	7%	3,422,860	5%
M&H CV	85,381	-12%	217,026	-5%		

Best Selling Models						
	Feb	Δ	Share	YTD	Δ	Share
PV						
Volkswagen Lavida	33,900	33%	2.7%	92,437	33%	2.8%
Haval H6	22,641	-15%	1.8%	62,271	-21%	1.9%
Wuling Hongguang	24,065	-43%	1.9%	62,268	-36%	1.9%
LCV						
Wuling Mini Truck	18,858	1%	9.8%	49,435	12%	11.1%
Foton Light Truck	15,156	19%	7.9%	38,141	27%	8.6%
JAC Light Truck	12,716	-13%	6.6%	30,705	-3%	6.9%

Top Brands (Sales)							
	#	Brand	Feb	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Volkswagen	177,890	-3%	458,821	-14%	13.7%
	2	Toyota	69,192	4%	234,894	13%	7.0%
	3	Geely	76,276	-28%	222,081	-13%	6.6%
	4	Honda	75,022	-6%	214,857	-2%	6.4%
	5	Nissan	56,075	-2%	159,905	4%	4.8%
	6	Buick	57,716	-14%	150,823	-16%	4.5%
	7	Changan	59,479	-14%	136,061	-26%	4.1%
	8	Haval	49,316	17%	135,468	12%	4.0%
	9	Mercedes-Benz	46,102	3%	119,780	2%	3.6%
	10	Baojun	42,040	-45%	114,228	-34%	3.4%
	11	BMW	38,739	11%	111,453	13%	3.3%
	12	Audi	33,357	-16%	92,481	-20%	2.8%
	13	Chevrolet	28,482	-24%	89,147	-13%	2.7%
	14	Hyundai	38,718	9%	70,755	-26%	2.1%
	15	BYD	26,409	1%	69,666	1%	2.1%
	16	Roewe	27,453	-20%	68,789	-18%	2.0%
	17	Dongfeng	24,247	-43%	68,513	-38%	2.0%
	18	Wuling	24,065	-43%	62,268	-36%	1.9%
	19	Chery	22,145	-15%	60,131	-1%	1.8%
	20	Trumpchi	20,336	-40%	54,232	-43%	1.6%
Passenger Vehicle Total			1,244,090	-18%	3,357,055	-18%	86.6%
Commercial Vehicle	1	Wuling	32,907	-9%	82,516	-4%	18.5%
	2	Foton	21,005	31%	48,428	23%	10.9%
	3	JAC	17,465	-13%	43,438	-3%	9.8%
	4	Changan	21,105	20%	42,320	-2%	9.5%
	5	Dongfeng	14,298	17%	34,426	-4%	7.7%
	6	Great Wall	10,027	38%	21,491	17%	4.8%
	7	CNHTC	7,620	24%	18,045	18%	4.1%
	8	Jinbei	7,725	-6%	16,986	-7%	3.8%
	9	JMC	7,801	-2%	15,699	-13%	3.5%
	10	Karry	4,961	436%	13,246	505%	3.0%
Commercial Vehicle Total			192,901	8%	445,019	2%	13.4%

Top Manufacturers (Production)							
	#	Manufacturer	Feb	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	FAW Volkswagen	90,833	5%	280,172	8%	9.1%
	2	SAIC GM	84,790	-18%	264,766	-20%	8.6%
	3	SAIC Volkswagen	90,025	-43%	251,990	-30%	8.2%
	4	Geely Group	86,524	-9%	244,024	7%	7.9%
	5	SAIC GM Wuling	62,489	-53%	200,650	-32%	6.5%
	6	Dongfeng Nissan	52,613	-10%	171,223	-2%	5.5%
	7	Great Wall Motor	58,703	14%	158,911	10%	5.1%
	8	Changan Automobile Grc	50,691	-19%	131,015	-20%	4.2%
	9	GAC Honda	36,798	-9%	104,244	-3%	3.4%
	10	Dongfeng Honda	38,453	-6%	104,152	-5%	3.4%
	11	FAW Toyota	40,136	5%	101,611	-1%	3.3%
	12	SAIC Motor	37,223	-19%	95,887	-18%	3.1%
	13	Brilliance BMW	36,724	45%	88,548	33%	2.9%
	14	GAC Toyota	26,425	18%	87,052	39%	2.8%
	15	Beijing Benz	35,700	23%	82,131	12%	2.7%
	16	Chery	31,806	11%	80,522	15%	2.6%
	17	Beijing Hyundai	40,600	35%	74,850	-17%	2.4%
	18	BYD	26,400	3%	66,764	-4%	2.2%
	19	GAC Motor	25,221	-25%	63,995	-23%	2.1%
	20	Dongfeng Yueda Kia	21,500	6%	53,300	3%	1.7%
Passenger Vehicle Total			1,120,651	-21%	3,085,945	-17%	84.4%
Commercial Vehicle	1	SAIC GM Wuling	40,069	9%	102,364	25%	21.3%
	2	Beiqi Foton	31,746	74%	62,293	26%	12.9%
	3	Changan Automobile Grc	19,381	-3%	43,076	3%	8.9%
	4	Jianghuai Automotive	16,840	-6%	42,915	0%	8.9%
	5	Dongfeng Automobile	14,207	-5%	34,220	-5%	7.1%
	6	Jiangling Motors	12,452	-27%	24,461	-27%	5.1%
	7	Great Wall Motor	10,062	35%	22,062	7%	4.6%
	8	CNHTC	7,625	19%	19,627	16%	4.1%
	9	Brilliance-Renault	8,084	4%	16,143	-12%	3.4%
	10	Chery	5,199	245%	13,462	514%	2.8%
Commercial Vehicle Total			207,509	7%	481,545	7%	15.6%

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