April 2019

China Light Vehicle Sales Update

Auto Industry at the Heart of New Government Policy

China's Passenger Vehicle (PV) sales (i.e., wholesales) in March fell by 7.2% year-on-year (YoY) to 2.06 mn units, while the Light Commercial Vehicle (LCV) segment grew by 3.8% YoY to 0.38 mn units. The overall Light Vehicle (LV) market ended the month with a 5.7% YoY contraction, on total sales of 2.44 mn units. However, the rate of decline was less steep when compared to the first two months of the year. In line with the sales downturn, PV production fell by 5.6% to 2.05 mn units. In contrast, LCV production increased by 14.1% to 0.35 mn. Overall LV output for the month was down by 3.1% YoY, on total build of 2.40 mn units.

The seasonally adjusted annualized rate (SAAR) of LV sales in March hit a four-month high of 26.6 mn units, an increase of almost 20% from February. This is a positive indication that the market is stabilizing and moving toward a recovery.

Since the onset of 2019, new government incentive policies for the automotive industry have been a hot topic. As early as January, the National Development and Reform Commission (NDRC) released a new directive entitled "Implementation Plan to Optimize Supply, Promote Steady Consumption Growth and Form a Strong Domestic Market in 2019," which cited measures to stimulate vehicle purchases in rural areas of China. Since then, there have been several instances of top government officials hinting at new stimulatory incentives for 2019.

In mid-April, a rumor began to circulate in the industry that the NDRC had drafted a revised proposal entitled "Promoting the Renewal and Consumption of Automobiles, Home Appliances and Consumer Electronics Products and Boosting the Development of the Circular Economy (2019-2020)." This new policy allegedly outlines the government's incentive plans for the auto industry in greater detail than the version released in January. The measures ostensibly include abolishing restrictions on car purchases in those cities where they are in place; encouraging reconditioning of old and used vehicles; furthering NEV usage in urban areas; advancing vehicle consumption in rural regions; and broadening the adoption of Pickup Trucks in inner cities.

Three key elements of the policy are worthy of further attention.

Firstly, issuing new regulations to restrict vehicle purchases would be strictly forbidden. The maximum number of license plates on offer in cities where such restrictions apply would rise by 50% this year and by 100% in 2020, compared to the 2018 limit.

The current purchasing restrictions on families without cars would be lifted and no quantitative constraints would be imposed on the conditions governing applications to recondition used cars. This could potentially boost license plate registrations in cities where limits apply by an incremental 350k in 2019 and 700k in 2020.

Secondly, the policy proposes that by the end of 2020, farmers who opt to replace 3-wheelers or other outdated vehicles with a Truck of less than 3.5T or a PV with an engine of 1.6L or less would be exempt from the standard Vehicle and Vessel Usage Tax and pay only 50% of the purchase duty on the new vehicle. Some industry insiders suggest that this directive would drive up new vehicle sales by an additional 300-600k units.

Thirdly, the government would explore and formulate ways to foster the reconditioning of old and used vehicles by offering incentives for PVs with a lifespan of less than ten years to make them more energy efficient and less polluting, or for owners to scrap them in favor of an NEV. Another example is to encourage the elimination of vehicles with outdated emissions standards. This particular aspect of the policy would benefit NEV sales this year and next.

The policy covers various other topics such as car sharing, vehicle financing and infrastructure construction for NEVs.

While it is still only speculative at this stage – and some of its contents are fairly radical and potentially difficult to implement – there are strong indications that this latest draft policy will come to fruition. If so, it would provide a much-needed a shot in the arm for the lackluster PV market. In the interim, however, we continue to project a modest increase in PV sales of 1.3% this year.

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Market Top Lines

	Mar	Δ	YTD	Δ	2019f	Δ
Sales	**2,614,747**	**-5%**	**6,630,123**	**-11%**		
PV	2,062,359	-7%	5,419,414	-14%	24,698,455	1%
LCV	375,815	4%	820,834	3%	3,384,923	1%
M&H CV	176,573	3%	389,875	-1%		
Production	**2,561,643**	**-3%**	**6,346,935**	**-10%**		
PV	2,048,838	-6%	5,134,783	-13%	23,432,786	1%
LCV	349,634	14%	831,179	10%	3,395,275	4%
M&H CV	163,171	2%	380,973	-2%		

Best Selling Models

	Mar	Δ	Share	YTD	Δ	Share
PV						
Volkswagen Lavida	49,039	26%	2.4%	141,476	30%	2.6%
Wuling Hongguang	41,108	-22%	2.0%	103,376	-31%	1.9%
Haval H6	27,395	-19%	1.3%	89,666	-20%	1.7%
LCV						
Wuling Mini Truck	42,252	5%	11.2%	91,687	9%	11.2%
Foton Light Truck	38,656	9%	10.3%	76,797	17%	9.4%
Changan Light Truck	24,006	-26%	6.4%	50,014	-12%	6.1%

Top Brands *(Sales)*

	#	Brand	Mar	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	Volkswagen	266,739	-4%	725,560	-11%	13.4%
	2	Honda	145,716	38%	360,573	11%	6.7%
	3	Toyota	121,842	8%	356,736	12%	6.6%
	4	Geely	115,578	3%	337,659	-8%	6.2%
	5	Nissan	111,293	8%	271,198	5%	5.0%
	6	Buick	82,590	-9%	233,413	-14%	4.3%
	7	Changan	88,667	-20%	224,728	-24%	4.1%
	8	Haval	70,570	18%	206,038	14%	3.8%
	9	Mercedes-Benz	65,944	12%	185,724	5%	3.4%
	10	BMW	59,482	24%	170,935	16%	3.2%
	11	Hyundai	97,328	45%	168,083	3%	3.1%
	12	Baojun	50,183	-49%	164,411	-39%	3.0%
	13	Audi	54,121	-6%	146,602	-15%	2.7%
	14	Chevrolet	48,724	-14%	137,871	-13%	2.5%
	15	BYD	45,972	9%	115,638	4%	2.1%
	16	Wuling	41,108	-22%	103,376	-31%	1.9%
	17	Roewe	32,843	-21%	101,632	-19%	1.9%
	18	Dongfeng	31,646	-43%	100,159	-40%	1.8%
	19	Chery	32,957	-14%	93,088	-6%	1.7%
	20	Beijing	60,612	34%	92,117	-29%	1.7%
		Passenger Vehicle Total	**2,062,359**	**-7%**	**5,419,414**	**-14%**	**84.6%**
Commercial Vehicle	1	Wuling	78,709	13%	161,225	4%	19.6%
	2	Foton	46,112	9%	94,540	16%	11.5%
	3	Changan	39,189	-28%	81,509	-16%	9.9%
	4	Dongfeng	34,654	22%	69,080	8%	8.4%
	5	JAC	21,355	-1%	64,793	-2%	7.9%
	6	Great Wall	15,005	12%	36,496	15%	4.4%
	7	JMC	20,608	-10%	36,307	-11%	4.4%
	8	Jinbei	14,987	41%	31,973	11%	3.9%
	9	CNHTC	12,945	13%	30,990	16%	3.8%
	10	FAW	11,943	46%	24,041	45%	2.9%
		Commercial Vehicle Total	**375,815**	**4%**	**820,834**	**3%**	**15.4%**

Top Manufacturers *(Production)*

	#	Manufacturer	Mar	Δ	YTD	Δ	YTD Share
Passenger Vehicle	1	FAW Volkswagen	169,206	3%	449,378	6%	8.8%
	2	SAIC GM	160,058	-3%	424,824	-14%	8.3%
	3	SAIC Volkswagen	170,674	2%	422,664	-20%	8.2%
	4	Geely Group	129,840	-1%	373,864	4%	7.3%
	5	SAIC GM Wuling	102,670	-34%	303,320	-33%	5.9%
	6	Dongfeng Nissan	120,285	3%	291,508	0%	5.7%
	7	Great Wall Motor	89,386	17%	248,297	13%	4.8%
	8	Changan Automobile Grc	88,945	-5%	219,960	-14%	4.3%
	9	Beijing Hyundai	113,150	79%	188,000	23%	3.7%
	10	GAC Honda	76,206	13%	180,450	3%	3.5%
	11	Dongfeng Honda	67,465	-7%	171,617	-6%	3.3%
	12	FAW Toyota	65,011	-2%	166,622	-1%	3.2%
	13	SAIC Motor	57,905	-14%	153,792	-17%	3.0%
	14	GAC Toyota	52,562	24%	139,614	33%	2.7%
	15	Brilliance BMW	49,966	21%	138,514	29%	2.7%
	16	Beijing Benz	54,969	27%	137,100	17%	2.7%
	17	Chery	48,337	8%	128,859	12%	2.5%
	18	BYD	47,333	10%	114,097	1%	2.2%
	19	GAC Motor	41,440	-30%	105,435	-26%	2.1%
	20	Dongfeng Yueda Kia	32,000	3%	85,300	3%	1.7%
		Passenger Vehicle Total	**2,048,838**	**-6%**	**5,134,783**	**-13%**	**85.4%**
Commercial Vehicle	1	SAIC GM Wuling	58,168	3%	160,532	16%	19.3%
	2	Beiqi Foton	57,179	47%	119,472	35%	14.4%
	3	Changan Automobile Grc	33,843	-3%	76,919	0%	9.3%
	4	Jianghuai Automotive	19,885	1%	62,800	1%	7.6%
	5	Dongfeng Automobile	23,919	9%	58,139	0%	7.0%
	6	Jiangling Motors	29,611	3%	54,072	-13%	6.5%
	7	Great Wall Motor	15,061	12%	37,123	9%	4.5%
	8	CNHTC	13,078	10%	32,705	14%	3.9%
	9	Brilliance-Renault	13,176	31%	29,319	3%	3.5%
	10	FAW GM	9,951	70%	22,802	41%	2.7%
		Commercial Vehicle Total	**349,634**	**14%**	**831,179**	**10%**	**14.6%**

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LMC Automotive

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