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NEW DIRECTION

Opening-up of China's auto industry and a proposed sales tax cut may spell huge changes for the world's largest car market

By DAVID HO and **ALFRED ROMANN** in Hong Kong
For China Daily Asia Weekly

Chinese automakers are showing a newfound resilience by using a slowdown in sales to expand their market share, boost exports and improve their offerings.

Sales of electric and hybrid vehicles in China by domestic automakers are accelerating even as their foreign competitors struggle to keep up. At the same time, the ongoing liberalization and the opening-up of the Chinese market present foreign carmakers with huge opportunities in the world's largest auto market.

On Oct 29, news of a proposed cut to the car purchase tax in China was a shot in the arm for carmakers around the world, after a few months of falling growth. If it comes to pass, the tax cut could bring significant change to the country's automotive market.

Overall production and sales of cars in China declined between July and October of this year. Total vehicles sold in October amounted to 2.334 million units, a 0.9 percent month-on-month decline and 10.1 percent year-on-year decline.

However, the declines do not extend to new energy vehicles (NEVs) — electric and hybrid cars — among which domestic automakers hold a significant share of the market.

In October alone, production of NEVs surged 58.1 percent year-on-year to 146,000 units. Sales jumped 51 percent year-on-year to 138,000 for the month. And most of these sales (111,000 units) were electric vehicles, or EVs.

Until news of the proposed tax cut, stocks of carmakers like Daimler, BMW, General Motors, Volkswagen and BYD had remained weak for weeks.

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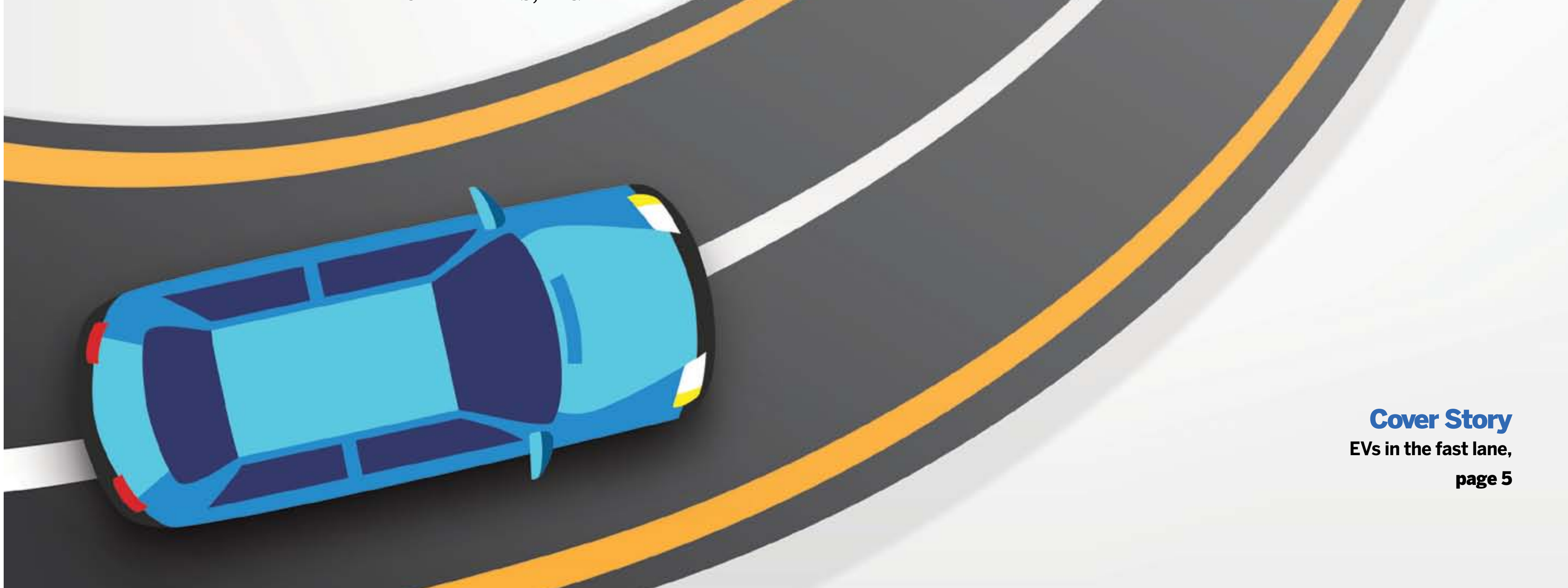

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