Bumpy ride as slowdown affects sector

Growth in sales of new energy vehicles provides the one bright spot amid a downturn across the car industry due to weak consumer confidence

By **CAO YINGYING** and **LI FUSHENG**

The automotive market is almost certain to see an annual decline this year, the first in 28 years, and the bleak prospects are unlikely to change in the next two or three years, officials from the country's leading industry association said on Dec 11.

Vehicle sales in November fell 13.86 percent year-on-year to 2.55 million, the fifth consecutive month of decline, according to statistics released by the China Association of Automobile Manufacturers (CAAM).

Total vehicle sales in the first 11 months stood at 25.42 million, a decline of 1.65 percent year-on-year.

Analysts said the decline for the whole year could be deeper, considering a high comparative base last December due to the rush to take advantage of a purchase tax discount.

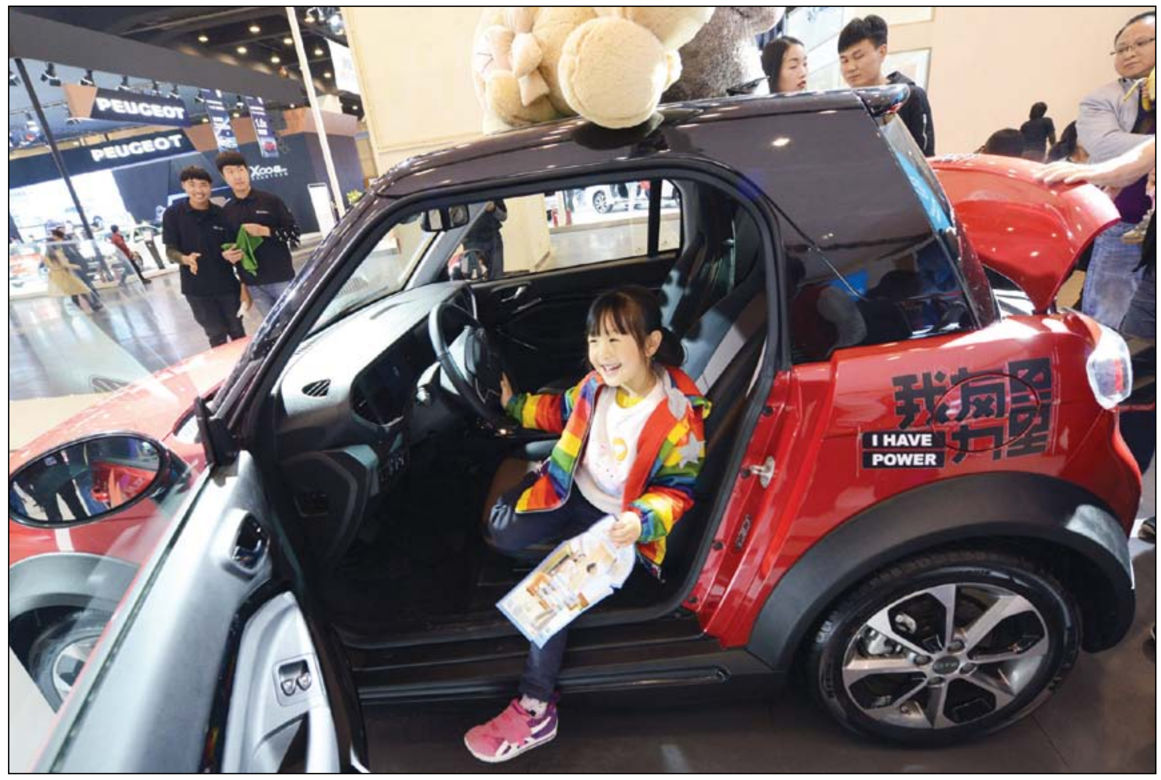
"Don't forget, some 3 million vehicles were sold last December, but this year, sales rarely exceeded 2 million even in (what are traditionally) the best months of September and October," said Lang Xuehong, deputy secretary-general of the China Automobile Dealers Association.

The CAAM said the fall was a combination of factors, including the current economic climate and declining consumer confidence.

Xu Haidong, an official at the organization, said China's auto market has entered a period of adjustment, and is likely to see neither rebounds nor further declines in two or three years.

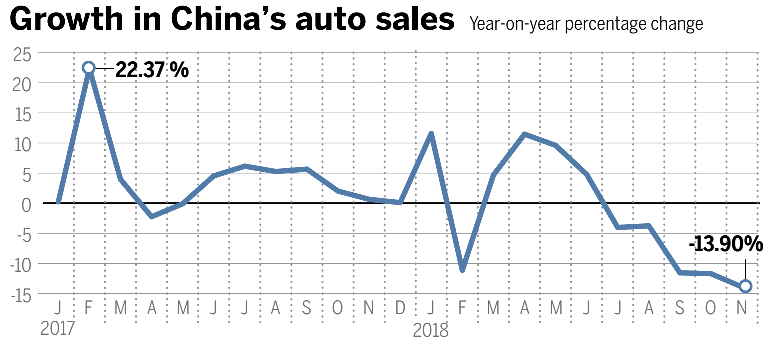
Passenger cars, which account for the absolute majority of total vehicle sales, have seen deeper falls than total vehicle sales. In November, they slumped 16.06 percent year-on-year to 2.17 million. In the first 11 months, their sales reached 21.48 million, a decline of 2.77 percent year-on-year.

The lackluster performance has even affected the most popular brands in the country.



A girl sits in a new energy car during an industry expo in Zhengzhou, capital of Central China's Henan province.
ZHANG TAO / FOR CHINA DAILY

Growth in China's auto sales Year-on-year percentage change



Source: Wind Info
LIU LUNAN / CHINA DAILY

SAIC Motor Corp saw its November sales fall 10.4 percent year-on-year, following an 8.4 percent fall in October and an 8.2 percent decrease in September.

Geely, one of the country's largest private carmakers, has also started to feel the chill. Its sales growth rate in November slipped to 0.3 percent, despite a 28.7 percent year-on-year rise in sales from January to November to 1.4 million.

New energy vehicles are the only comforting part amid the downturn in the broader automobile industry.

That sector, consisting of electric cars and plug-in hybrids, saw sales of 169,300 units in November, up 37.62 percent from the same month last year.

Their sales from January to November reached 1.03 million, exceeding the association's whole year target of 1 million units. They may grow to 1.2 million and will see further growth in 2019, said the CAAM.

Carmakers are even more optimistic about the booming sector. Volkswagen expects sales of new energy vehicles to total 1.4 million in China in 2019, and 7 million in 2025.

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SUVs catch up with global rivals

Study shows younger drivers increasingly buy Chinese brands as these offer better value for money

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Domestic sport utility vehicle (SUV) brands are in hot pursuit of their international rivals, according to a new industry report that suggests indigenous vehicles offer better value for money and are more in line with the needs of younger Chinese drivers.

The latest Chinese Automobiles 2018 Report by London-based brand valuation consultancy Brand Finance reveals that the gap between international SUV brands and those from China is closing, with improved technology raising the price of Chinese models, and a significant increase in competition prompting discounts by joint-venture companies.

Although most Chinese brands are still in the middle to low end of the market, brands including Wey, which is owned by Great Wall, and Lynk & Co, which is owned by Geely, target a slightly higher income segment by using better technology and more differentiated and premium marketing.

Wey sold more than 7 percent of China's mid-to-premium SUVs between January and August. The segment comprises vehicles selling for between 150,000 and 200,000 yuan ($21,700 and $28,900). Lynk & Co sold more than 4 percent of the vehicles in that segment.

The study shows a growing number of Chinese customers, particularly younger drivers, who would in the past have traded up to a more expensive Western model, increasingly consider Chinese brands.

Alex Haigh, auto industry director at Brand Finance, said: "Chinese brands have struggled to extend overseas largely because, at their price point, they have been seen as less safe and less desirable alternatives to Western brands."

Haigh said this will start to change as more Chinese carmakers roll out their specific objectives to expand overseas. "We may therefore start to see their models become as much a staple of not only Chinese but also European and American motorways as Toyotas and Volkswagens are today," he said.

But international brands still score better among customers in terms of comfort, prestige and technology, and it will be some time before Chinese brands are able to position themselves realistically as luxury alternatives.

The research suggests there is clearly no instinctive barrier to demand among Chinese brands because country of origin is among the least important factors that drivers take into account.

With the right combination of models, service, communication, distribution, and a more established market position, it seems likely that demand will grow.

The study indicates that more people consider Wey's model to have a "stylish design" than Land Rover — 41.1 percent compared to 38.1 percent. And it also scored well as a "cool brand" in comparison to Land Rover — 28.2 percent compared to 26.7 percent.

During the 2018 FIFA World Cup in Russia, Wey signed soccer star Cristiano Ronaldo as a brand ambassador. Such marketing moves are likely to lead to further improvements in perception and performance in the near future, Haigh said.

"The key to breaking through into more premium segments is improving brand perceptions to move away from competition on price," he said.

"In the SUV segment, customers are mainly looking for spacious, reliable, and high-tech brands. Whether a product is made overseas or made in China is actually the least important consideration for customers."