FINANCIAL TIMES

January 12, 2015 8:35 am

Foreign marques surge ahead in China car market

Tom Mitchell in Beijing

Share Author alerts Print Clip Comments

©AFP

Multinational carmakers defied slowing economic growth in China last year, increasing their lead over Chinese rivals in the world's largest automotive market.

Sales of passenger cars, SUVs and minivans increased 9.9 per cent year-on-year to 19.7m units in 2014, the Chinese Association of Automobile Manufacturers said on Monday. That was significantly below the 16 per cent annual growth recorded in 2013, when 10 times more cars were sold in China than in India.

Overall vehicle sales, including buses and trucks, increased 6.9 per cent to 23.5m units. CAAM projected the market would grow 7 per cent this year, to more than 25m vehicles.

Chinese carmakers have blamed a broader slowdown in the world's second-largest economy for their own poor sales performance last year. In October, the government reported its slowest quarterly economic growth figure — of 7.3 per cent — in more than five years.

Sales of Chinese passenger sedans fell more than 17 per cent last year, leaving domestic brands with a market share of just 22 per cent in the segment, compared with a 27 per cent share for German brands.

Dong Yang, CAAM secretary-general, said Chinese drivers did not appreciate the improvements made by domestic brands this year. "They improved their products and reduced their prices," Mr Dong said. "But Chinese people care too much about [the cache of foreign] brands. I think this trend will continue in 2015."

Dealers on the mainland for some of the world's most best-known car companies, such as BMW, have also cited slowing economic growth in their successful negotiations for bigger rebates and more modest sales targets.

But some analysts argue that their complaints are overdone as the overall sales figures mask a large and growing discrepancy between local and foreign brands, with the latter continuing to enjoy double-digit annual sales growth.

"We've got a market that's 24m units in size and is growing at 7 per cent — we should be celebrating not lamenting," said Bill Russo, a Shanghai-based automotive analyst. "The issue is that most of the growth is captured by foreign manufacturers while local players are fighting at the bottom of the pyramid."

"Five per cent growth anywhere else in the world is considered great," he added. "But here we complain about anything less than double-digit growth. In a market this big, that's crazy."

Volkswagen reported at the weekend that its sales in China increased 12.4 per cent to 3.67m units, accounting for almost 40 per cent of its global total.

On Monday, Jaguar Land Rover of the UK said that it had recorded a 28 per cent annual surge in China, its largest market, compared with a 9 per cent increase in overall sales. Owned by India's Tata Motors, JLR opened its first manufacturing facility in China in October as it races to catch up with VW unit Audi, BMW and Daimler's Mercedes-Benz, which together account for about 80 per cent of premium vehicle sales in China.

The Chinese government forces overseas car companies to operate joint ventures if they want to manufacture locally. Most have linked with large state-owned auto groups, which reap a steady flow of dividends from the partnerships but have failed to develop strong brands of their own.

RELATED TOPICS China

Share Author alerts Print Clip Comments

Is the AA changing gear too soon?

Volkswagen emissions scandal

StanChart faces fresh Iran challenge

Printed from: http://www.ft.com/cms/s/0/91d1bd62-9a2e-11e4-8426-00144feabdc0.html