



by Shervin Shahidi Hamedani



# Chinese Automotive Industry Outlook

## Market Overview

China's automotive industry has been growing rapidly and the country is playing an increasingly important role in the global automotive market. This country is the world's largest vehicle market by both annual sales and production, with domestic manufacturing output expected to reach 35 million vehicles by 2025. Based on data from before over 25 million vehicles were sold in 2020, including 19.99 million passenger vehicles, down 6.5% from 2019 while the number of commercial vehicle sales increased by 20% from 2019 with 5.23 million units. In 2021 the Chinese passenger car market again showed a small improvement compared with the figures in 2020, went up by 5.7% and registered approximately 21.41 million passenger cars and 4.67 million commercial vehicles. Last year, crossovers and SUVs achieved a market share of 46.4% as sales grew by 14.7%. Again, with a production volume of about 21 million passenger cars, China ranked first among countries with the largest production of passenger cars followed by Japan, Germany, the United States and South Korea. Those countries are very well-known as home to valuable car brands worldwide. **On average, every fourth passenger vehicle produced in the world was produced in China.** That figure shows the importance of the car industry in China in the global market.

China's automotive market has attracted many well-established foreign brands to invest in the production in China. However, **most foreign brands were only allowed to manufacture their vehicles in China by establishing joint ventures with domestic automobile manufacturers, to which the government has recently announced plans to release those restrictions gradually.** Because of technical development and lower cost of production, numerous local brands of China's leading manufacturers have also gained progressively more popularity in the automotive market. In 2020, about 96% of vehicles produced in China were sold within the country and those manufactured for exports only contributed about 4% to the overall production volume in China. This number increased, in 2021, to 1.6 million passenger cars, which represented 7.54% of passenger car market share. Interestingly, in that year, Chinese car brands were able to manage the supply issues due to dramatic shortage of microchips globally much better than the import brands. Therefore, they've made great progress, while foreign brands are heading in the opposite direction.





In 2021 the year started tremendously positively for the Chinese market because of awfully low sales levels in Q1 2020. In the first quarter of last year, 6.03 million units were sold, reporting a 61.7% increase in sales, while in Q2 sales continued almost at the same level, reporting a 1.3% decrease in sales with 6.12 million units. In the third quarter sales fell rapidly, losing 14.2% sales with 5.82 million units, and lost 5.5% in the last quarter with 7.69 million sales. In the first quarter of this year sales increased by 7.1% and 6.35 million units were sold.

## Trade Statistics

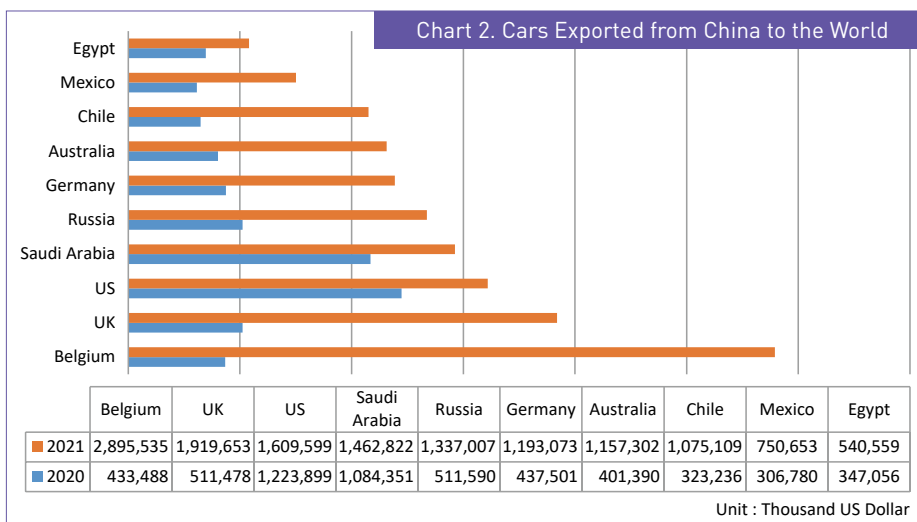
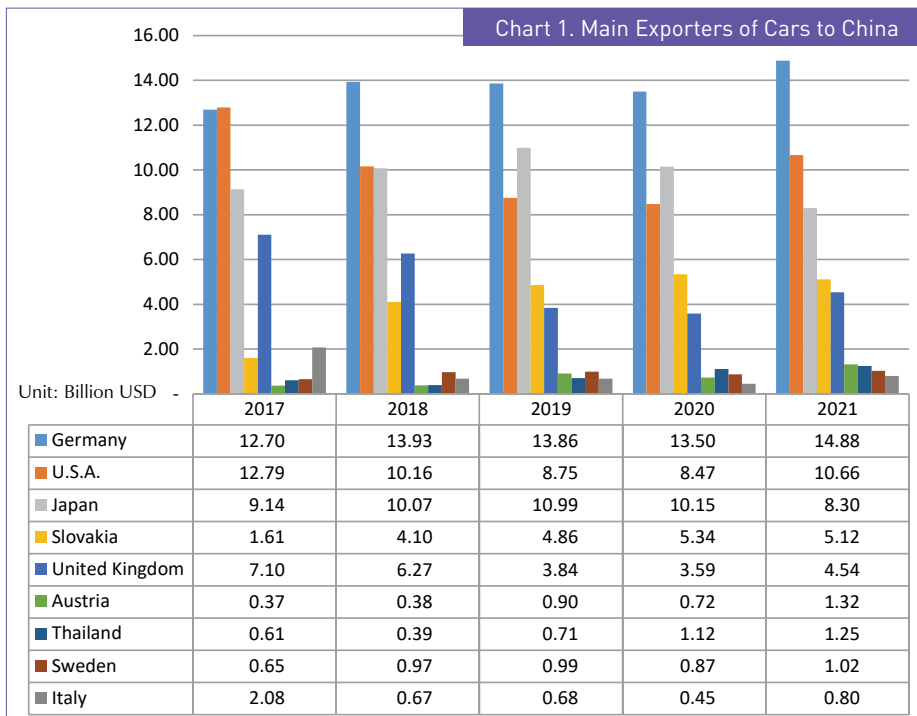
China is one of the largest markets for car imports. On the other hand, as stated earlier, the majority of cars manufactured in China are used within the country and only as small as 4% of the total production volume are exported to other markets. Although the exports of Chinese cars are growing but still China is not considered as one of the major car exporters in the world.

In 2021, China imported a total of about 930,000 passenger cars and commercial vehicles, the same volume as in 2020. In that year, China's auto exports more than doubled from the previous year, reaching 2.1 million units. The local manufacturers exported around 402,000 commercial vehicles and 1.6 million passenger vehicles. This represented a 111 percent increase in exports of passenger cars and a 71 percent increase in exports of commercial vehicles compared to 2020.

By looking at the statistics for motor cars and other motor vehicles mainly designed for the transport of people (including station wagons and racing cars) the figures show the significant growth in 2021 in terms of the imports compared with 2020, however it's still lower than the value of imports in 2017 and 2018. Germany, the U.S. and Japan are main exporters of cars to China. The UK used to be one of the top exporters, but the country has lost a majority of its market share to countries like Slovakia and Thailand. Apparently, in the last few years, some of the car manufacturers have moved their production to these two countries (see Chart 1).

The Chart 1 illustrates the value of imports to China from its major car exporters in last five years. The value of imports is in billion U.S. dollars. As it can be easily derived from the chart, the recent US policies against China have given a better chance to other exporters to increase their market shares in this country. In 2017, the U.S. was the top car exporter to China, but gave its position to Germany to become the key exporter to China market with a significant distance from other exporters.

When it comes to the value of exports from China to the global market, the figures look more interesting as 2021 recorded a big jump compared with previous years. As mentioned, one of the main reasons could be how well China managed the shortage of semiconductors compared with other countries. The growth of exports in 2021 was more than two times compared with 2020. The total car export from China to the global market was about USD22.4 billion in 2021, while Chinese exporters only registered less than USD10 billion in 2020. The chart above explains the car exports from China to the global market in last two years (See Chart 2)



Sources:

- Trading Economics, China Vehicle Sales
- Statista Research, Car Production in China
- ITC, TradeMap, China Cars Imports and Exports

The development of autonomous cars is growing at a fast pace and it's projected to capture almost 40% of total new car sales by 2040. Although Chinese car brands still do not play a crucial role in the global market, the local brands are embracing new technologies rapidly as autonomous vehicles from China would potentially make China the world's largest market for them.

