China Light Vehicle Outlook

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Introduction

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Charles joined IHS in 2006, and is responsible for developing and integrating statistical models and economic scenarios into IHS worldwide global automotive forecasts. Charles also presents IHS forecasts and research to organizations, clients and media, and is often invited as a speaker or panelist at various professional seminars and international industry events.

Prior to joining IHS, Charles was a senior consultant in Ford Motor Company’s North American marketing strategy group. Charles has also worked for two technology start-up companies, and he began his career as a floor trader at the Chicago Board of Trade. Charles also is an expert in market research, data mining and econometric analysis through many years as a consultant to Fortune 500 companies.

Charles earned a bachelor’s degree in economics from Michigan States University, and a master’s degree in economics from the University of Illinois at Chicago. He was also a student in Michigan State University’s economics PhD program.

Charles has won numerous economic forecasting accuracy awards, and serves on Oakland University’s Expert Economist Panel. He is also board member and former President of the Detroit Association for Business Economics, and is also a member of the National Association for Business Economics.
IHS Automotive

Analysts based all over the world and provide global industry coverage and perspective

IHS products utilized for this presentation:

- Automotive forecasting
- Energy forecasting
- Economic forecasting
China Light Vehicle Outlook

Agenda

• Light Vehicle Forecast
• Economic and Market Development
• Threats to the Forecast
“In June 2014 Ford opened 88 new car dealerships in China - in one day.”

With primary focus on less competitive Tier 4 cities!
“Audi China plans to open one dealership per week all the way through to 2017.”

“China NAQS (National Air Quality Standards): In 2013 96% of major Chinese cities subject to NAQS failed to meet their goal.”

“Incoming investment into China for local vehicle manufacturing is estimated to be around 35.7 billion USD in the next 5 years.”

“The average price of a new 4S dealership in China lies between 3 and 5 million USD.”
World Light Vehicle Selling Rates
China providing most of global sales growth

Source: IHS Automotive Analysis, X12 Seasonal Adjustment
Region Light Vehicle Selling Rates

China remains on different path than rest of world

Source: IHS Automotive Analysis, X12 Seasonal Adjustment

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World Light Vehicle Sales Forecast
Outlook optimistic from US/Euro recovery and China market growth

Total Sales 2006-2013: 577 Million Vehicles
Total Sales 2014-2021: 767 Million Vehicles

Source: IHS Automotive Sales Forecasts
Light Vehicle Sales Forecast
Automotive world changing quickly

Change 2001 - 2021:
- Mature Markets down 5%
- China up 1400%
- Others up 200%

Source: IHS Automotive. Mature Markets = US, Canada, Japan, S Korea, Australia, NZ, W Europe
China Light Vehicle Sales Forecast
Market to reach 30 million by end of decade

Source: IHS Automotive
China Light Vehicle Outlook

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Light Vehicle Penetration
Scatterplot Reveals Strong Economic - Vehicle Need Relationship

Development Path – economic success creates millions of new consumers, and they want cars!
World: Human Population

Total Population (millions)

Source: IHS Consumer Markets
World: Economic Development

Real GDP Per Capita (2010 US$)

Source: CY 2000-2014-2021, IHS Consumer Markets
World: Vehicle Penetration Rates

Vehicles in Operation Per 1000 People

Source: CY 2000-2014-2021, IHS Automotive
World: Light Vehicle Sales Forecast

Annual Volume

Source: CY 2000-2021, IHS Automotive
World: Light Vehicle Fleet

Total Car + LCV in Operation (millions)

Source: CY 2000-2021, IHS Automotive

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World: Product Availability

Nameplates In Markets

Source: CY 2000-2014-2021, IHS Automotive
World: Market Concentration

HHI Scores

United States    China    Japan    Germany    France    India    Brazil    Russia

Source: CY 2000-2014-2021, IHS Automotive
China Vehicle Segments
Cars dominate but SUV share expected to increase significantly

Share of Market

- Car
- MPV
- PUP
- SPORT
- SUV
- Van

Average Product Age (years since launch)

- 2011
- 2014
- 2021

Source: IHS Automotive
China Light Vehicle Production Forecast
C and D sized vehicles will continue to dominate market

Forecast by Platform Size

Production Purpose

Source: IHS Automotive
China Dealership Expansion
OEMs expanding distribution dramatically

Source: IHS Automotive
China Automotive Financing
Still primarily a cash market but major OEMs expanding significantly

Source: IHS Automotive
China Premium Vehicle Market
As market matures, higher priced vehicle share and volume continues to grow

[Graph showing share of LV sales and premium sales in millions from 2014 to 2024 for China and the US, with an upward trend for both.]

Source: IHS Automotive
China Light Vehicle Outlook

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Vehicle Penetration Path

Some signals suggest a paradigm shift occurring
Province New Registrations Density
Stage of market development varies greatly

New Passenger Regs Per 1000 People vs GDP Per Capita US$

- **Rising Tigers**
- **Next Wave**
- **Established Markets**
- **Late Bloomers**

Source: IHS Automotive, based on 2013 passenger vehicle registrations data and economic forecasts
Province Passenger Vehicle Registrations

City restrictions and legislation changes impacting sales and development

Source: IHS Automotive, China Province Forecast
Province Passenger Vehicles in Operation
Recent sales success differences will impact future vehicle fleet opportunities

Passenger vehicle fleet now at 100m – will surpass 300m by 2025

Source: IHS Automotive, China Province Forecast, Personal Vehicle Parc (Including minibus)
China’s highly fragmented market suggests fierce competition with price constantly under threat and weak profit margins.

Some provinces less fragmented, possibly more profitable than others. Shanghai has the highest HHI score – top 2 companies hold 52% of market share.

Note: HHI market shares based on 2013 passenger vehicle data – Sales Parent Group