Inside China’s Auto Market

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INTRODUCTION

- The “China Slowdown” shocked the world this year. Vehicle sales also grew much slower than expected.
- Yet, China auto industry remains the most important growth market in the world.
  - Low vehicle ownership density
  - Room for growth in smaller cities
- But, pace of auto sales will be slower than before.
  - Slower growth in Chinese economy
  - Restrictions on auto purchases and uses
China was the biggest growth engine for the world during the past decade.
However, the Chinese economy is slowing.

Sources: China National Bureau of Statistics
Its traditional growth model faces significant challenges
Impact of China slowdown is far-reaching

China’s share in world commodity consumption

- Aluminum: 54%
- Nickel: 50%
- Copper: 48%
- Zinc: 46%
- Tin: 46%
- Steel: 45%
- Lead: 40%
- Cotton: 31%
- Rice: 30%
- Soybean oil: 30%
- Soybean meal: 28%
- Gold: 23%
- Corn: 22%
- Wheat: 17%
- Oil: 12%
- Sorghum: 11%
- Sugar: 10%
- Palm oil: 10%
- Natural gas: 6%
- Barley: 5%

Sources: World Bureau of Metal Statistics (first six months of 2015 for refined metals, slab zinc); World Gold Council (2014 for gold); BP Statistical Review of World Energy 2015 (2014 for oil, natural gas); Metalytics via Morgan Stanley (2015 estimate for finished steel); U.S. Department of Agriculture (2013-14 season for others)
Commodity prices have collapsed, one major reason why commodity-exporting countries have fallen into recessions.

China’s surprising devaluation of the yuan in August panicked the global financial market.

![Currency depreciation chart]

### Sources:
- The Wall Street Journal, Financial Times, and Haver Analytics
- Calculations: General Motors Company

### Note:
- Data is from August 10th to September 7th, 2015
- Source: Wall Street Journal, Dow Jones, Financial Times
But China is transitioning from an investment/exports-driven economy to a consumption-driven one.

Sources: China National Bureau of Statistics
Vehicle sales took off after China joined WTO. Total vehicle sales reached 24 million units in 2014. GM volume exceeded 3.5 million units in 2014.

Sources: GM Global Sales Reporting
China has become the largest vehicle market in the world

Source: GM Global Sales Reporting
Top 10 GM vehicles sold in China in 2014

<table>
<thead>
<tr>
<th>Brand</th>
<th>Vehicle</th>
<th>Volume</th>
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<tr>
<td>WULING</td>
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</table>

Source: GM China Sales Reporting
Sales were slowing much more sharply than expected in 2015 till recent months.

Source: GM Global Sales Reporting
Vehicle prices in China are falling faster this year

Sources: Cheshi.com.cn
SUV Growth vs Total Market Growth

Source: GM Global Sales Reporting
Growth has shifted from the large coastal cities to smaller inner cities

Growth by Tier

- Tier 1
- Tier 2
- Tier 3
- Tier 4

Source: Polk
GM’s Baojun 560 has become the second best selling SUV just several months after its debut, selling over 22,000 units in September

SHANGHAI, April 2015 – SAIC-GM-Wuling (SGMW) today introduced its first SUV, the Baojun 560, at Auto Shanghai 2015. The latest Baojun model was developed by SGMW. The fashionable exterior of the Baojun 560 is based on the “trendy, grand and strong” design philosophy. A U-shaped mesh grille complements its V-shaped air intake with a honeycomb grid design for a dynamic effect. A sleek beltline and strong back-end design give it the identity of a true SUV. With a length of 4,620 mm, width of 1,820 mm and height of 1,750 mm, the Baojun 560 has a spacious interior – true to SGMW’s desire to offer a “home on wheels” for families. In addition, its 2,750-mm wheelbase is much longer than the wheelbase of most other models in its segment. The rear seats can be folded in a 60/40 split configuration to accommodate larger items.

Source: General Motors
A more upscale SUV, Buick Envision, is also selling very well with more than 10,000 units sold in September

SHANGHAI, March 2015 – Shanghai GM will launch the Buick Envision 20T, the newest member of its Envision mainstream SUV lineup, across China in April.

The Envision 20T is powered by a 1.5T Spark Ignition Direct Injection (SIDI) engine that is matched with an intelligent seven-speed DCG transmission. Like its sibling, the Envision 28T, it is available with front-wheel drive and intelligent all-wheel drive.

The 1.5T SIDI turbocharged engine is the most powerful among GM’s latest-generation Ecotec small-displacement engines. It features mid-mounted direct injection, an integrated exhaust manifold and QuietTuning technology. The start/stop function, which comes standard, helps save fuel and reduce emissions. The engine generates maximum power of 124 kW and peak torque of 250 Nm.

Source: General Motors
Fast backward to the year 1999 when GM’s flagship vehicle was the luxurious Buick Regal, with government officials and wealthy businessmen being core customers. GM has witnessed the development of the Chinese economy and China’s vehicle market. General Motors and Shanghai Automotive Industry Corporation (SAIC) established a joint venture in 1997 called Shanghai General Motors Company Limited and began assembling the Buick Regal in Shanghai, China in 1999. The Regal has sold well in the Chinese market as a large, relatively luxurious model, despite its high price.
What’s next? Comparing to other more developed markets, China still has good potential.

In terms of vehicle density, developed markets are trending at levels that reflect market saturation.

Developing Markets Have Upside Potential

Sources: National Statistics Agencies, United Nations, Haver Analytics, Polk; Calculations: General Motors Company
China remains a very attractive market

Will account for 40% of the projected growth in global vehicle sales over the next decade

GM plans to spend over $12 billion in the next five years to expand capacity and to offer new products

We are not alone. Competitors have set equally ambitious targets
EVERYTHING STARTS AND ENDS WITH GREAT PRODUCTS