

Wednesday, March 10 2010

Sedan Sales: January/February 5% Growth Slowest Since April

Our survey of China's sedan dealers shows **sedan sales in January and February grew at the slowest pace since last April**. January and February sedan sales grew about **5% y-o-y, markedly down from their 52% fourth quarter average growth** and the December 70% peak. Dealers attribute the slowdown in part due to the January increase in the purchasing tax on smaller vehicles to 7.5% from the 5% rate it was throughout 2009. In addition, buyers have become reluctant to purchase vehicles for which they cannot receive immediate delivery. People preferred not to buy rather than having to wait till after the Chinese New Year. **Our January survey reported 10% growth y-o-y whilst in February, dealers told us sales were down 5%**. We combined the two to remove the distortions resulting from the New Year.

Dealer to Customer Sedan Sales 2009-10				
% chg	China	East	Central and North	South
Jan/Feb 09	13.8	11.3	17.5	-
Mar-09	5-8	5-8	20	(10)-(5)
Apr-09	5	5	10	(5)
May-09	10	10	15-20	0
Jun-09	15	10	20-25	(5)-0
Jul-09	40	30	50	0
Aug-09	50	40	50-60	15
Sep-09	35	30	40-50	15-20
Oct-09	35	35	40	30
Nov-09	50	50	60	50
Dec-09	70	70	90	65
Jan/Feb 10	5	5	15	(20)

Source: Research-Works

Central and Northern China: +15% y-o-y from +63% 4Q09

Central and northern China's dealers reported sedan sales grew 15% y-o-y in the first two months of the year, compared with +17.5% in the same months last year. Xi'an saw the strongest growth in the region at 25% y-o-y, whilst Wuhan's sedan sales averaged up 18%. Dealers in Beijing put sales up 13% whilst in Chengdu the growth was around 10%. Anhui was the only province outside of the south to see sales decline, by about 5% or so y-o-y.

Eastern China: +5% y-o-y from +52% 4Q09

Sales growth in eastern China slowed to 5% in January/February, sharply down from the strong growth seen in the second half of 2009. Shanghai dealers estimated sales growth at about 11% y-o-y whilst dealers in Qingdao reported growth of +4%. Zhejiang saw no growth in either month. Despite sales seen flat in February, Hangzhou dealers saw 1-2% m-o-m price inflation.

Southern China: Down -20% y-o-y from +48% 4Q09

Southern China's sedan sales turned sharply negative in January and February, declining 20-30% after having returned to growth in the second half of last year. The declines are the sharpest seen since our survey began last January. Declines in Guangzhou and Foshan were identical at about -20% y-o-y.

Though sales were largely slowing or declining, there was no reported inventory build up in January or February. Inventories remained in the normal range of 30-35 days. **Waiting lists for some popular models began to shorten in both months.**

Best Wishes,

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