

Chinese Auto Sales Fall For Second Month

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SHANGHAI (AP) — China's auto sales fell in May compared with a year earlier, as buyers wary of traffic quotas and rising fuel prices shunned showrooms, according to industry data released Thursday.

The China Association of Automobile Manufacturers reported that sales of passenger cars, including sedans, multipurpose and sport utility vehicles, slipped to 1.04 million vehicles, compared to 1.14 million in May 2010.

Sales also fell from the month before, when the world's largest auto market contracted for the first time in two years.

It reported that sales of all vehicles, including heavy trucks and buses, dropped 3 percent to 1.38 million vehicles — less than forecast by some analysts but still a far cry from the double-digit growth seen during most of the past decade.

On Wednesday, the government announced a "Cash for Clunkers" incentive scheme to pay 11,000 yuan-18,000 yuan (\$1,700-\$2,800) for old farm vehicles, city buses and heavy trucks headed for the scrap heap.

An earlier program introduced to fight a downturn during the global crisis helped spur sales in 2009, as China overtook the U.S. to become the world's biggest market for new vehicles. The subsidies were meant to encourage mostly rural dwellers to trade in old cars and trucks for fuel efficient new vehicles, and it sparked a boom in sales of small passenger vans favored by farm and business owners.

The end of that program last year, combined with traffic curbs in big cities and rising fuel prices, appears to have taken the gloss off of what has remained one of the few bright spots in the global industry.

All the same, sales remain relatively robust and many analysts view the cooling of the market as a return to a more sustainable pace of growth.

"The decline is what I forecast," said Zhang Xin, an analyst at Guotai Jun'an Securities in Beijing. "Since the market is already at a high level it is impossible for it to keep rising," he said.

Zhang noted that many car buyers had rushed to take advantage of last year's incentives, soaking up much potential demand.

Despite the current lull in growth, many working in the industry remain bullish over the market's outlook.

A recent report by the consultancy AlixPartners found most executives in the China

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car industry were expecting growth to average 12 percent to 15 percent a year through 2016.

"If not the heady heights of 2009, those are still very healthy numbers," Ivo Naumann, head of AlixPartners' Shanghai office, said in the report.

Though car ownership has become relatively common among affluent Chinese city dwellers, it is still a rarity in the rural areas. As incomes rise, demand for cars will, too, the study forecast.

Researcher Fu Ting contributed to this report.

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