China Auto Sales Slow

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SHANGHAI (AP) — Vehicle sales in China rose a scant 2.5 percent in 2011, the slowest growth in over a decade, as higher prices and traffic controls kept buyers out of showrooms.

The China Association of Automobile Manufacturers reported Thursday that total vehicle sales rose to 18.5 million last year, up from 18 million in 2010, when sales rose 32 percent.

Passenger car sales, which exclude buses and heavy trucks, rose 5.2 percent last year to 14.5 million vehicles, the industry group said.

In contrast, U.S. auto sales jumped 10 percent to 12.8 million vehicles in 2011. China overtook the U.S. as the biggest market by number of new vehicles sold in 2009.

The expiration of tax incentives and subsidies, along with new restrictions on car purchases in Beijing, slowed sales, which had grown at a double-digit pace every year since 1999 — apart from in 2008. Sales that year, at the height of the global crisis, rose 6.7 percent.

Car sales in China soared in 2010 after the government cut sales taxes and offered subsidies to spur demand, but growth slowed once the incentives ended.

"This data was what we expected," said Jia Xinguang, managing director of the China Automobile Dealers Association, attributing the slowdown mainly to the end of preferential policies for car purchases.

China's market is bound to continue to expand, given the relatively low level of vehicle ownership among increasingly affluent families. But while some analysts are forecasting slightly better prospects for 2012, most do not expect a return to the torrid growth of the past.

The development of China's auto industry will be limited not by market demand or economic growth, "but by severe traffic congestion, air pollution and energy shortages," said Jia.

The cooling of the housing market, a key driver of growth for car sales to families that often end up moving to distant suburbs, also is stunting growth, says Zhang Xin, an analyst at Guotai Jun'an Securities, based in Beijing.

CAAM said sales of SUVs climbed 20 percent, to 1.6 million, while sales of sedans rose 6.6 percent to 10.1 million units.

Sales of vans and minivans, which boomed while the subsidies and tax breaks were in effect, have since slumped. Commercial vehicle sales fell 6.3 percent last year from a year earlier, to 4.03 million units.

Domestic automakers have been hit hardest as their profit margins have been shrinking due to rising costs and intense competition on prices.

Though they have been counting on faster growth in China and other emerging economies to help make up for slack growth in their traditional markets, Japanese, U.S. and European car makers have fared better.

Foreign brand vehicles enjoy a reputation for higher quality and brand value compared with most local competitors. Automakers are also beginning to sell China-made vehicles elsewhere, taking advantage of lower costs and proximity to other developing markets.

SAIC-GM-Wuling, a General Motors Co. joint venture, recently announced plans to assemble autos in Egypt from kits made in China, competing in the same markets targeted by Chinese domestic car exporters.

GM and Ford Motor Co. earlier reported strong December sales in China though full-year growth fell.

Sales of GM-branded vehicles by the company and its Chinese partners rose 8.3 percent in 2011 to a new record of 2.5 million vehicles.

Ford's sales for the year climbed 7 percent to 519,390 vehicles.

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