



Press Release

J.D. Power and Associates Reports: China's New-Vehicle Market Shows Signs of Slowing after Several Years of Rapid Growth

J.D. Power Revises 2008 China New-Vehicle Sales Forecast Downward to 5.95 Million Units

SHANGHAI: 24 July 2008 — J.D. Power and Associates has reduced its forecast for passenger vehicle demand in China. The downward revision to 5.95 million units for 2008 marks a 4 percent decrease from the 6.2 million units forecasted at the beginning of the year.

The revised forecast is still a 9.7 percent increase from the 5.42 million passenger cars sold in China in 2007, but it marks the first time since 2003 that the growth from the previous year is below 10 percent.

Year-over-year sales of cars, SUVs and minivans increased by only 8 percent in April, 15 percent in May, and 17 percent in June, compared with first-quarter growth of 21 percent.

Several factors are believed to have contributed to the slowing growth:

- The Shanghai Stock Exchange Composite Index has dropped from a peak of about 6,100 in October 2007 to 2,700 in July 2008.
- Inflation is running at 7-8 percent in China, impacting consumers' disposable income.
- Exports appear to be slowing somewhat, due primarily to economic difficulties in the United States and appreciation of the Chinese RMB against the U.S. dollar. This affects the purchasing power of factory owners and workers whose businesses depend on exports.
- A massive earthquake in Sichuan province in early May affected new-vehicle demand in the provincial capital of Chengdu, China's fourth-largest city market.
- The government increased gasoline prices at the pump about 17 percent in June.

For the first six months of the year, wholesale deliveries of vehicles—from car factories to dealerships—were up 17 percent, but car dealers surveyed by J.D. Power and Associates say sales are flat, and that some inventory is building.

“Car dealers in Shanghai, Beijing and Shenzhen reported lackluster demand for new vehicles,” said John Bonnell, director of J.D. Power Asia-Pacific Forecasting. “Ebbing consumer confidence, coupled with higher gas prices, is likely keeping many shoppers out of the showrooms.”

On June 19, the Chinese government—which controls fuel pricing through its state-owned oil companies—opted to increase the price of fuel at the pump about 17 percent nationwide. The increase means Chinese drivers now pay approximately \$3.36 for a gallon of gas, up from \$2.85.

“After the increase in the price of gas, look for Chinese buyers to become more discerning about the vehicles they buy,” said Bonnell. “Much like American consumers, Chinese buyers will look for models that offer adequate size and better mileage. The five best-selling models in China this year are all powered by engines smaller than 1.8 liters.”

China's total year-to-date 2008 passenger car sales through June reached 3 million units—up 18 percent from the 2.6 million units sold during the same period in 2007.

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About J.D. Power and Associates

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