

China's Car Market & Automotive Fastener Market in the First 3 Quarters of 2018

2018前3季中國汽車和汽車扣件市場分析

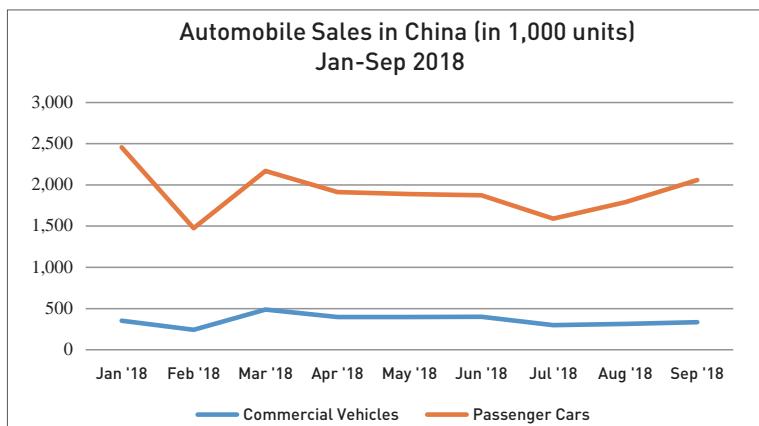
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China is home to the world's largest market for automobile sales. In 2013, for instance, about 22 million vehicles were sold in this country, which accounted for more than twenty five percent of the global vehicle sales. China, as the second-largest economy in the world, has seen notable GDP growth and economic development over the past years. This growth has led to the construction of a new middle class in China who has driven vehicle demand.

In 2016 the car market in China recorded 30% of the total global sales. In 2015, China's passenger cars production volume reached 21 million units and China was ranked the first among countries with the largest production of passenger cars followed by Japan, Germany, the United States and South Korea, which are home to the most valuable car brands worldwide.

In terms of automotive fasteners market, China has developed and is known as the largest manufacturer and exporter of industrial fasteners in the region supported by existence of several SMEs in this market. Those players have invested recently in production as well as research and development of plastic and specialty fasteners to support application-specific demand and to sustain in the highly competitive automotive market.

Despite of all those significant development in last decade, the growth of Chinese domestic car market declined in 2018. In September 2018, the sales fell the most in almost seven years. A slowing economy, higher gasoline prices, and serious pollution issues have all been named as major reasons for a softer car market in 2018.



After twenty years of growth in the car industry in China, this country is entering a mature phase and the year 2018 should be named as a transition year for China's car industry despite of drastic slowdown in sales growth.

According to China Association of Automobile Manufacturers (CAAM) the production and sales of vehicles had slight YTD increases in the first quarters of 2018; however the car sales volume decreased quarterly in the same year. In the first quarter of 2018, 7.2 million sales were recorded while in the second quarter the sales reduced to 6.5 million units of cars. The lowest number of sales was registered in the third quarter of 2018 with 6.3 million units.

For the first three quarters of 2018, the total vehicle sales were 20.5 million units, which consist of 17.3 million units of passenger cars and 3.2 million units of commercial vehicles. The sales growth of passenger cars was only 0.6% while commercial vehicles recorded 6.3% sales growth in the first nine months of 2018. The left graph shows the vehicles sales breakdown in China's auto market within the first three quarters in 2018.

Sedans, within the passenger car segment, had the highest number of sales, 8.4 million units, which is 49% of total sales followed by SUVs which registered 42% of the total sales in this segment with 7.2 million units of sales. SUVs are known as one of the best performing categories in China's automotive market in recent years.

The highest sales growth, 81.1%, registered by new energy vehicles (NEVs) with 721,000 sales units supported by the new government policies and incentives. Other than new energy vehicle, the highest sales growth belonged to the light truck category. This category registered 7.6% sales growth with 2.9 million units of sales. Regardless of the impressive performance



of light trucks and new energy vehicles, the consecutive monthly decreases in total vehicle sales were still recorded during the third quarter of 2018.

The car market in China is moving towards a drastic change. The future evolution in the vehicle market is driven by addressing the two major challenges which are air pollution and traffic congestion. The electric and hybrid cars get more attention in this market. Chinese government has introduced plenty of incentives for the production and usage of low emission and green cars.

In regards to the fastener market, over the recent years, the industrial fastener industry in China has been growing rapidly as automotive market in China has been facing the rapid growth. The growth in the industrial fastener market is driven by increase in local manufacturers, government investment in the urbanization, changing automotive industry trends of light weighting and green vehicles. In the first three quarters of 2018, China dominated the industry in the region by registering more than 40% of the regional fastener revenue. This is supported mainly by the massive production volumes of vehicles in this market followed by other industries such as electronic goods, home appliances and construction.

China's fastener market is predicted to advance at the highest rate, mainly driven by the Chinese manufacturers who provide fasteners at low prices and new investments by the European companies in this country. Among the countries in Asia, China is predicted to rise at the highest rate driven by high investments by the native companies and government regulatory framework. However, in

the automotive sector, metal fasteners are faced with a challenge in terms of market expansion, as the demand growth of lightweight vehicles has increased the production and sales of alternatives such as plastic fasteners, adhesives, and sealants. On the other hand, recently the market has experienced a significant demand growth for high-grade fasteners including titanium and brass, which offer outstanding performance under vibration and high impact. The production of specialized and light fasteners increased in 2018 and it is expected to grow drastically in near future.

With no doubt, China's car market is growing fast to position itself as a major auto exporter and to shake up the global auto market. Chinese automakers are aggressively pushing to export their productions in the international markets as their domestic market is getting saturated. China produces different types of vehicles, ranging from luxury brands for the developed markets to low-cost vehicles for the developing countries. Additionally, there will be an increase in exports of vehicles from China produced by top global auto manufacturers.

As mentioned, China today manufactures more electric vehicles than ever, and they have put lots of efforts to become a world leader in self-driving vehicles by producing smart and connected cars.

Finally, Chinese government was very protective about the domestic auto industry as high tariffs on imported vehicles imposed and limited foreign ownership of domestic manufacturing. As it now seeks to expand internationally, the government is easing the tariffs as well as ownership requirements. □

Sources:

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