Euler Hermes report: German car manufacturers in pole position on the Chinese market

- Almost 95% of cars sold in China are made in the country, mostly under joint ventures between state-owned enterprises and Western manufacturers
- Western companies have a 60% market share in the world's largest automotive market
- German car manufacturers (20%) are the top Western car manufacturers, followed by Japan (15.6%), USA (12.5%) and Korea (8.9%)
- Alongside joint ventures, approximately 80 small Chinese companies have uncertain future prospects and generally low sales revenues

HAMBURG - 2 APRIL 2014 – German car manufacturers are in pole position in China. With a 20% market share, Germany is the leading Western car manufacturing nation in the country. China has been the world's largest automotive market since 2010 – and is also very profitable. Western car manufacturers lead the Chinese market, with a combined market share of approximately 60%, and this is continuing to grow: between 2008 and 2010, the number of new car registrations doubled and the market has been characterized by somewhat slower but steady growth ever since. In 2013, the number of new car registrations increased by 16% to over 17.5 million and Euler Hermes is predicting up to 19 million for 2014 – good prospects for car manufacturers.

"Cars are a major status symbol in China", says Euler Hermes Germany Board member Ulrich Nöthel. "Anyone with a car is taking a great step up the social ladder and the more luxurious the car, the better. Wealthy Chinese are happy to buy expensive models and lots of special features. The market there is still in its beginnings: only around 5% of the 1.3-billion-strong population currently own a car, compared to 60% in Europe. Moreover, China's Premier Li has announced at the beginning of March to fight smog and pollution by removing from China's roads around six million cars that produce an excessive amount of emissions and replacing them by more efficient technology. This shows great long-term prospects for growth in this sector in China. And our current statistic already shows that German car manufacturers are set to benefit here."

Cars and car parts made up over 17% of total exports from Germany in 2013.
"In total, German automotive companies exported goods worth approximately EUR 190 billion to foreign countries over the past year," says Thomas Krings, Head of Risk at Euler Hermes Germany. "China has been one of the strongest growing national economies for years. In general, we predict a moderate default risk for exports to China and rate the country at a good level accordingly. The same applies to the automotive sector – both in Germany and China."

95% of vehicles, including those from Western car manufacturers, are manufactured in China. This is normally carried out in joint ventures with Chinese state-owned enterprises, with both partners usually having a 50% stake in the venture. This form of direct investment by foreign car manufacturers was approved by the Chinese government in 1981. However, the factories in China usually manufacture older foreign models under Chinese brand names, particularly if they have already been superseded by a new generation of cars. This means that Western car manufacturers avoid a conflict of interests or competition with their own prestigious brands – which remain popular with the Chinese people in terms of image.

Alongside the joint ventures, there are more than 80 small state and private companies in China with limited local range and uncertain future prospects – approximately 80% of the manufacturers are recording weak sales. They are too small to be able to keep up with Western car manufacturers in terms of research and development. Only around 15 of these companies have a production capacity of more than 100,000 vehicles a year.

The report is available at:
http://www.eulerhermes.com/mediacenter/Lists/mediacenter-documents/Industry_Report-China_Automobile-Jan14.pdf

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