



# Overview of China's Heavy Commercial Vehicle Market

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# Content

## **1. China truck demand and production outlook**

- Short-term china truck demand outlook
- Long-term china truck demand outlook
- China truck production

## **2. China truck market analysis**

- Product upgrading and market trend
- OEM competition

## **3. Conclusion**

# China - short-term heavy truck demand

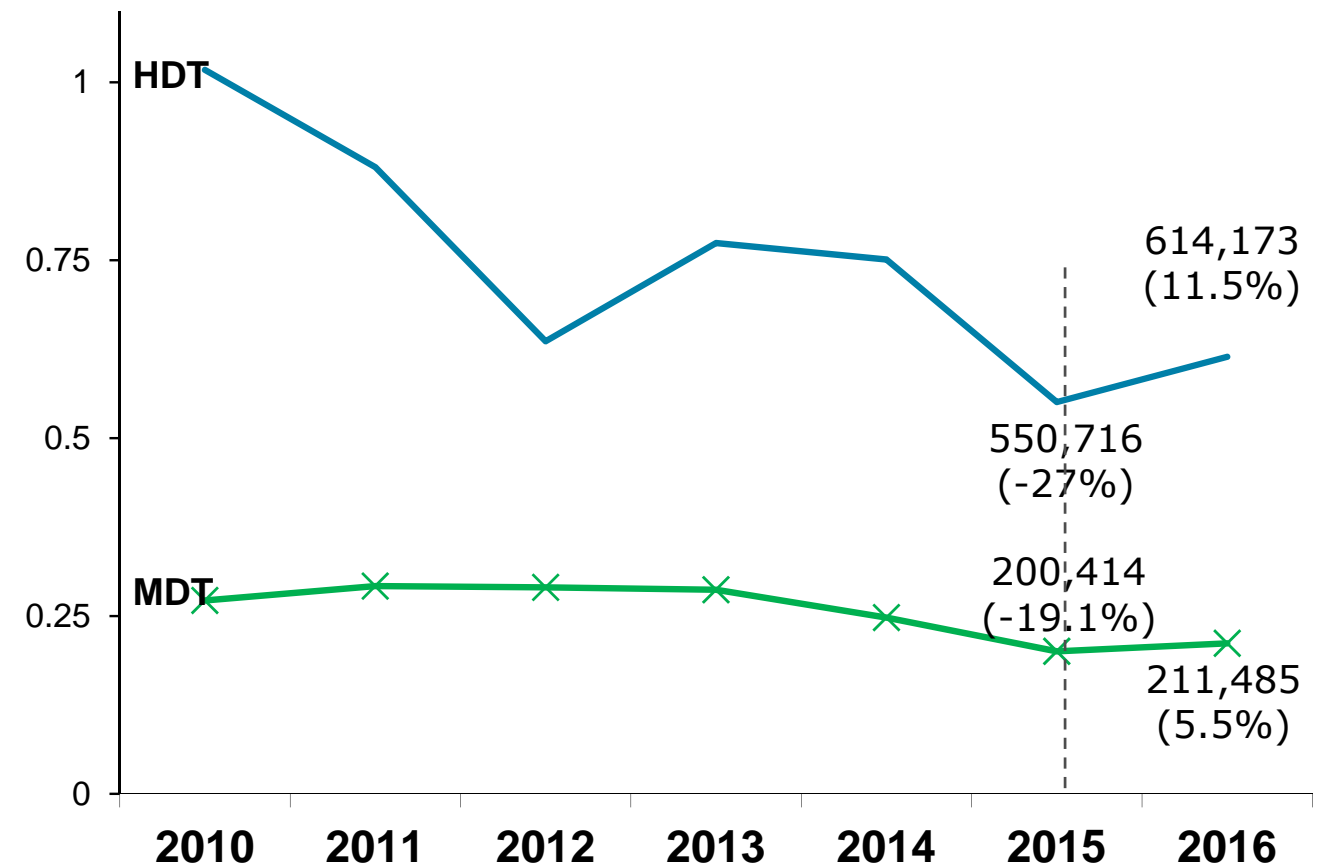
## Negative factor:

- Weak macroeconomic situation

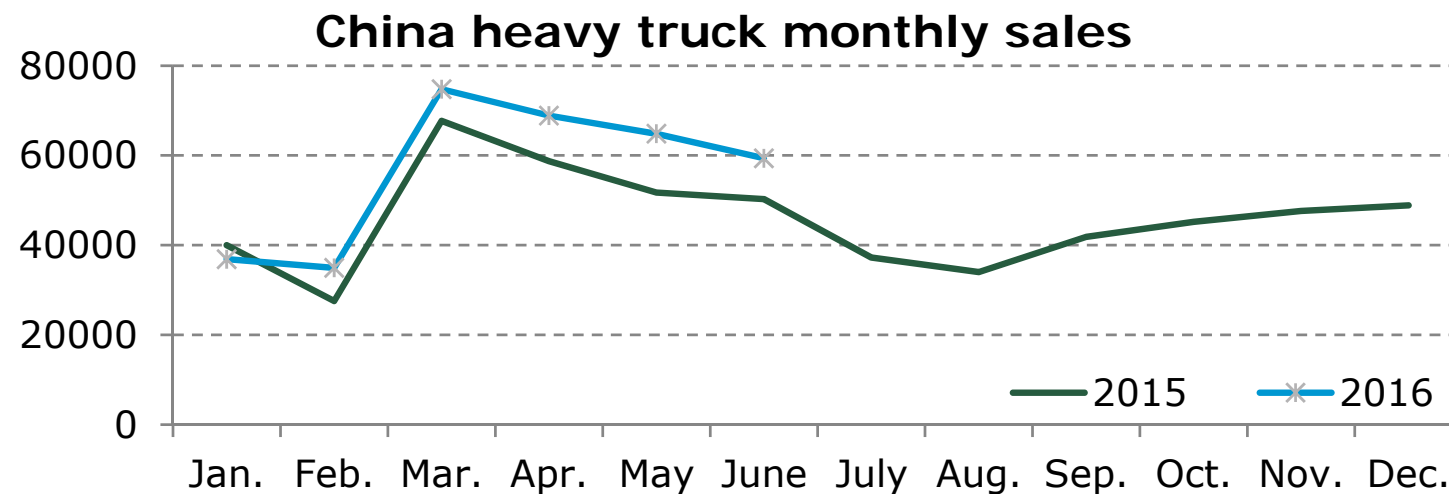
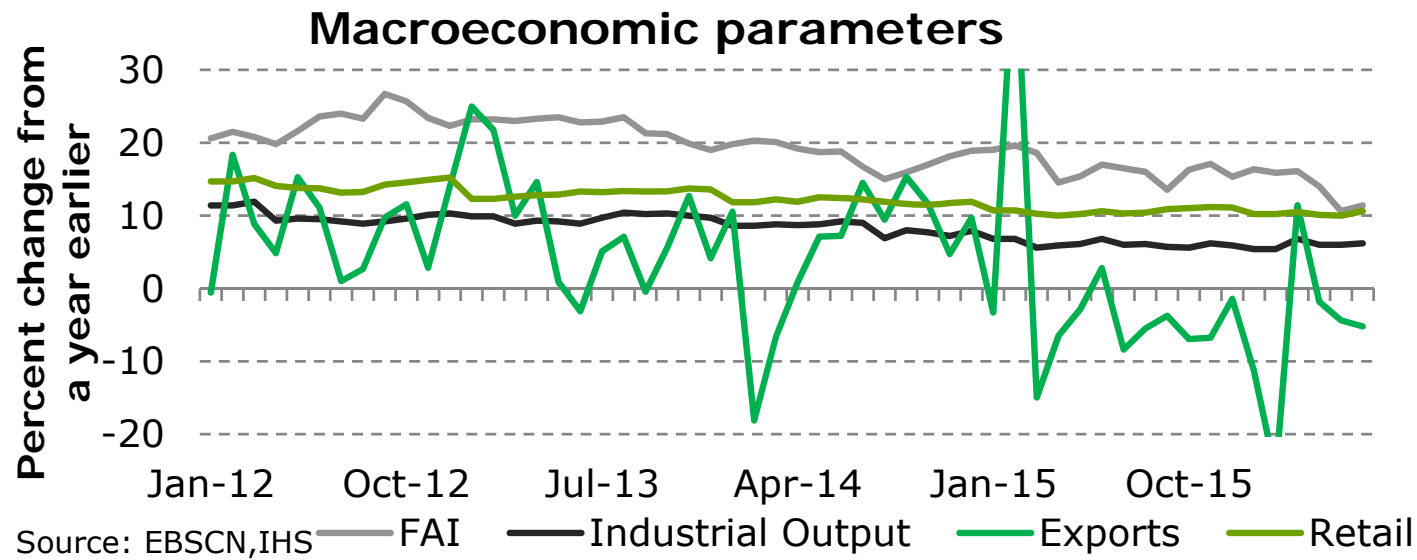
## Positive factor:

- Low base effect in 2015
- Replacement demand

### Current scenario



# China - short-term macroeconomic outlook



- Chinese government sets a GDP growth target of 6.5–7% in 2016.
- Economic growth in Q2 2016 unchanged at 6.7% y/y, the slowest two quarters since Q1 2009.
- The state-led investment was accelerated in Q2, and consumer market was stable. However, private investment and export deteriorated from the Q2.
- Heavy truck sales grew with a positive growth rate of 14.8% in the first 6 months of 2016.

# China - short-term heavy truck demand

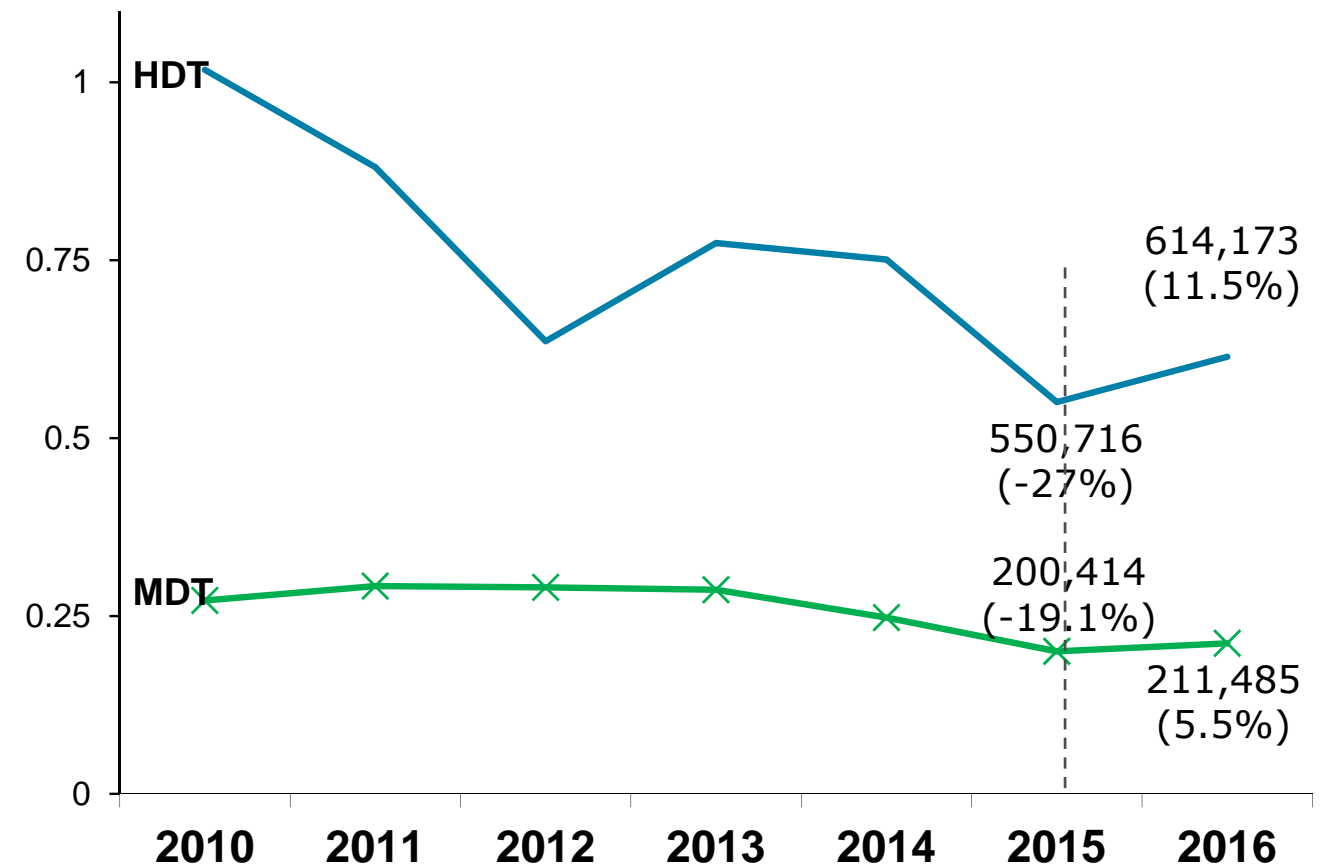
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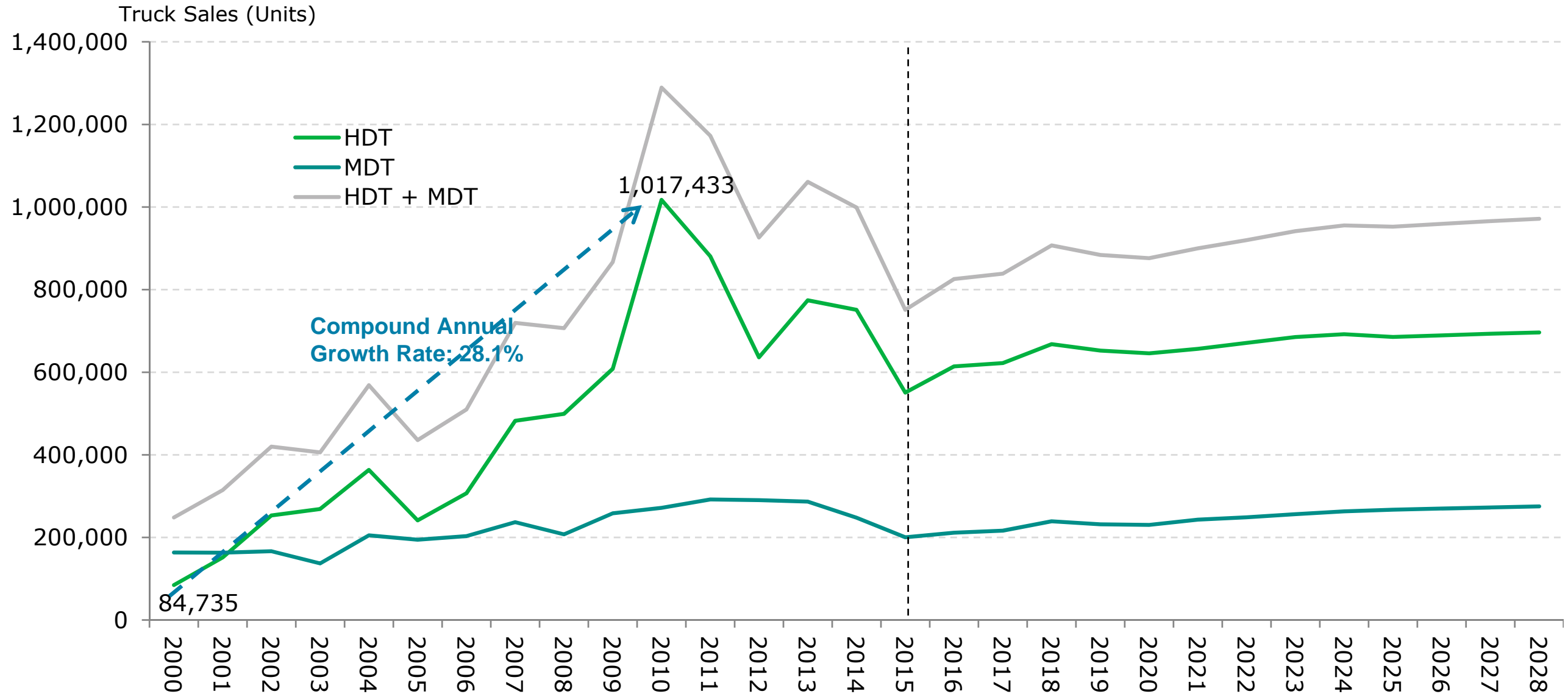
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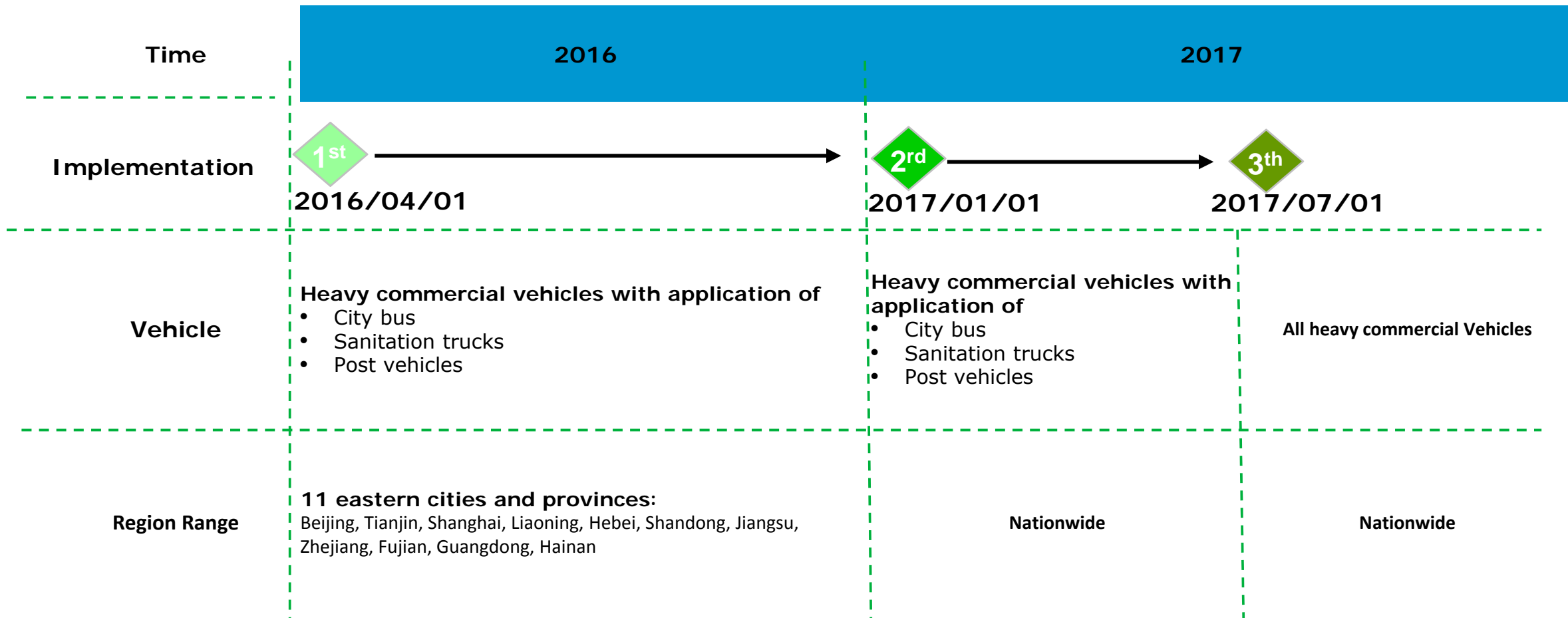
### Current scenario



# China - long-term heavy truck demand becomes stable

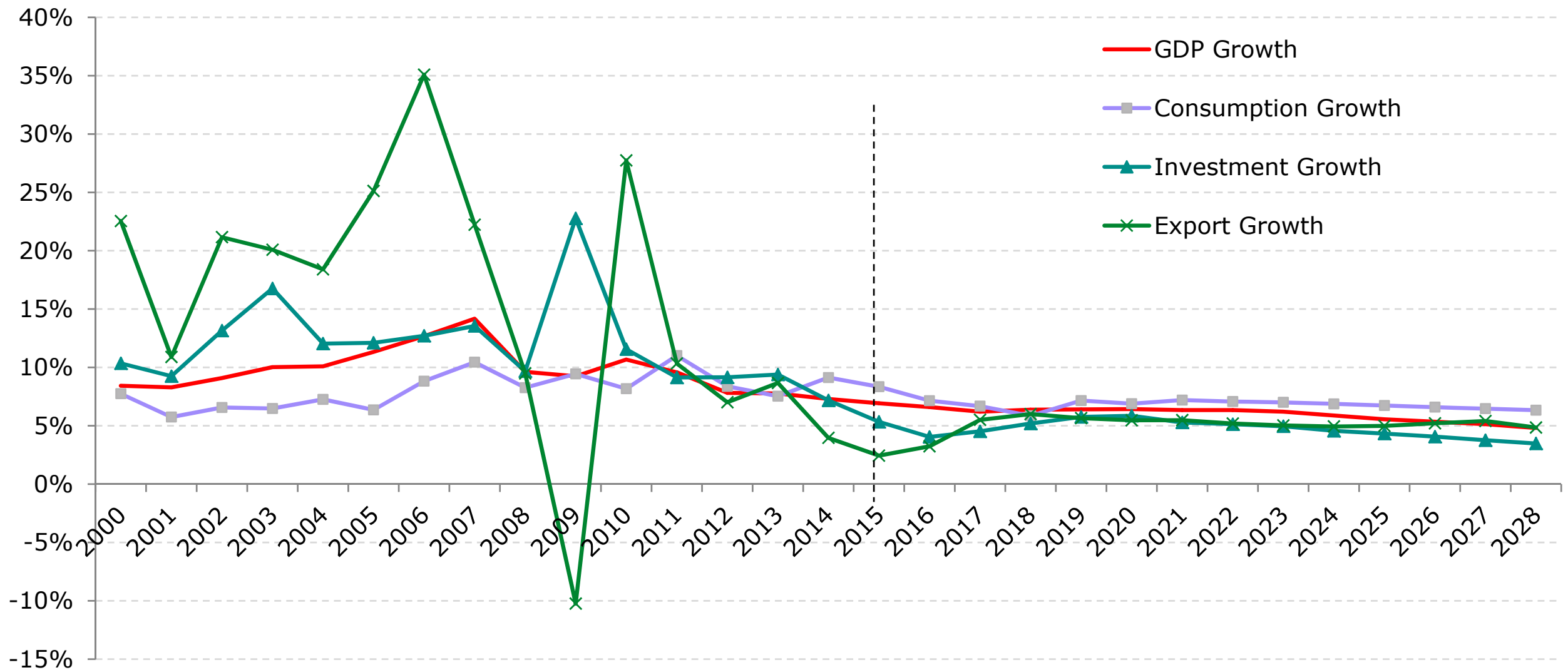


# NS5 implementation timeline (MHCV)



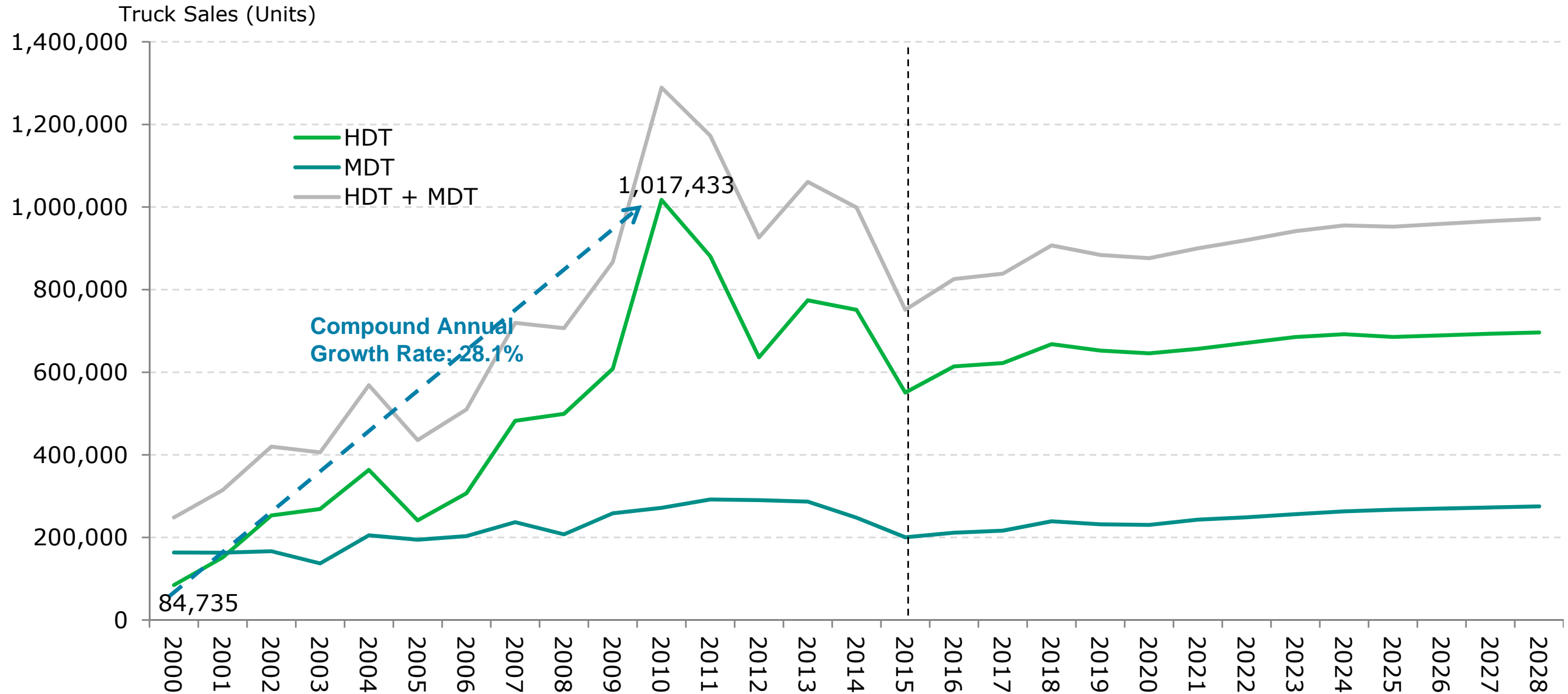
Source: Ministry of Environmental Protection

# Real GDP and its components



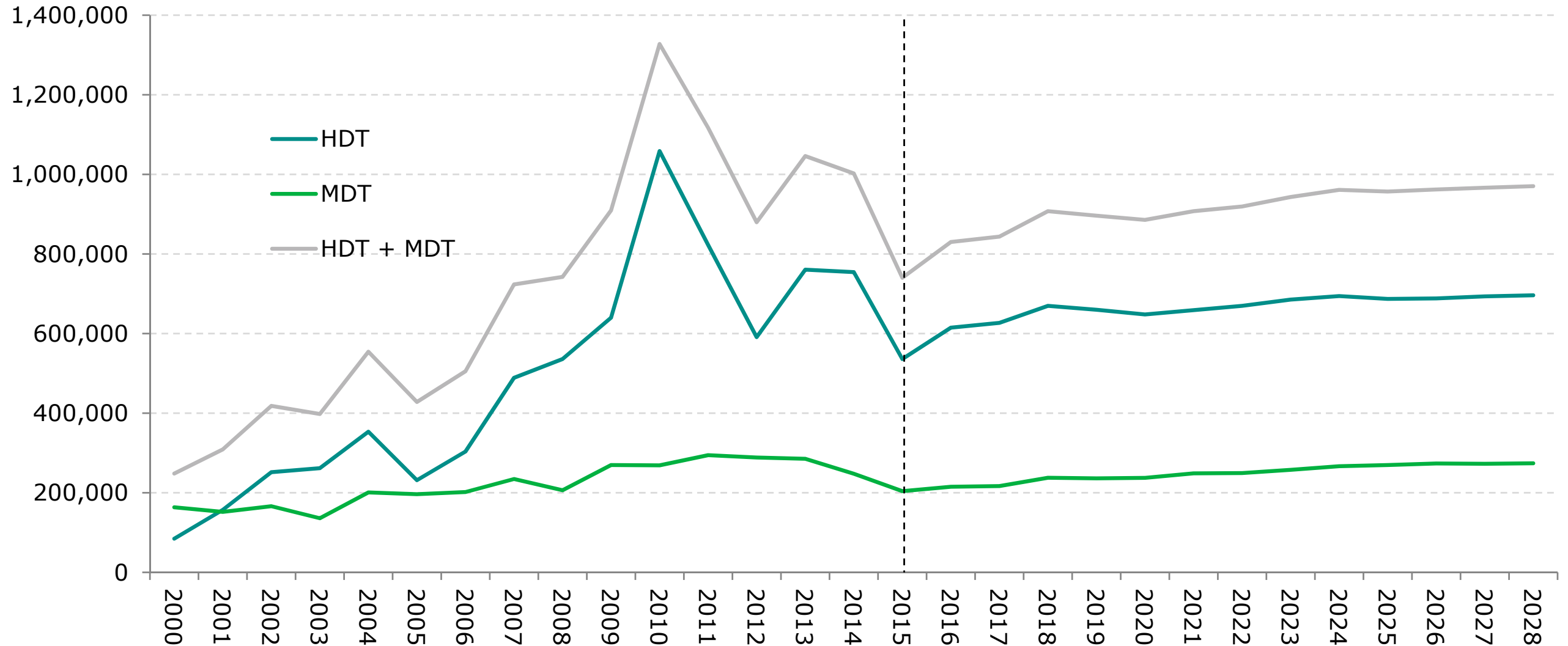


# China - long-term heavy truck demand becomes stable

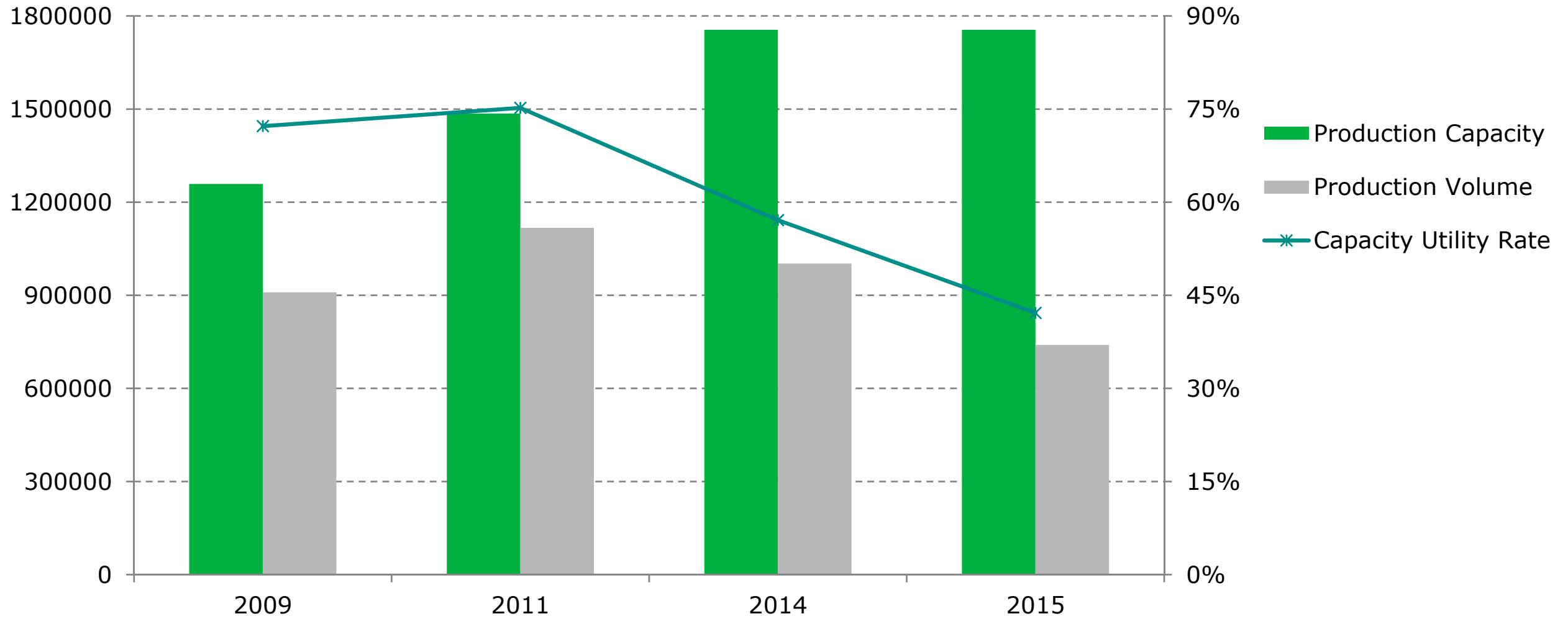


# China – production developments: 2000–28

Truck Production (Units)

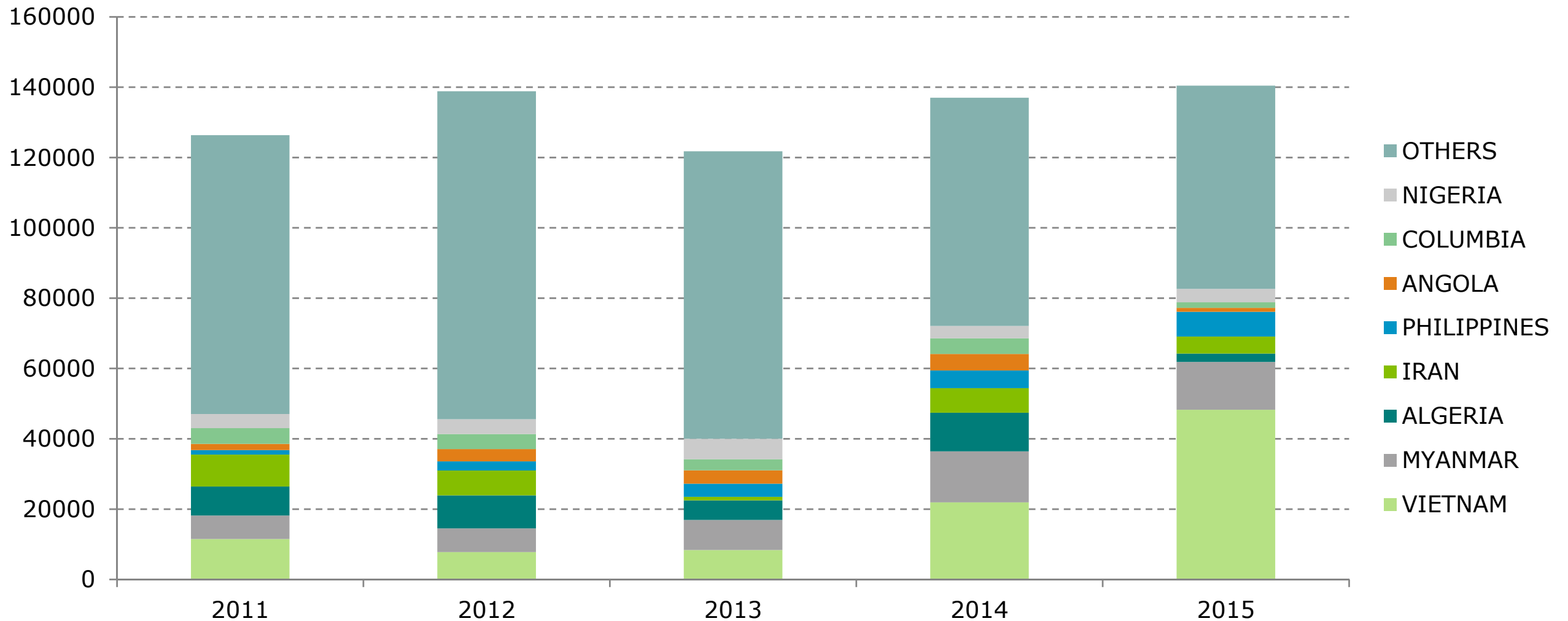


# Overcapacity in China – implications



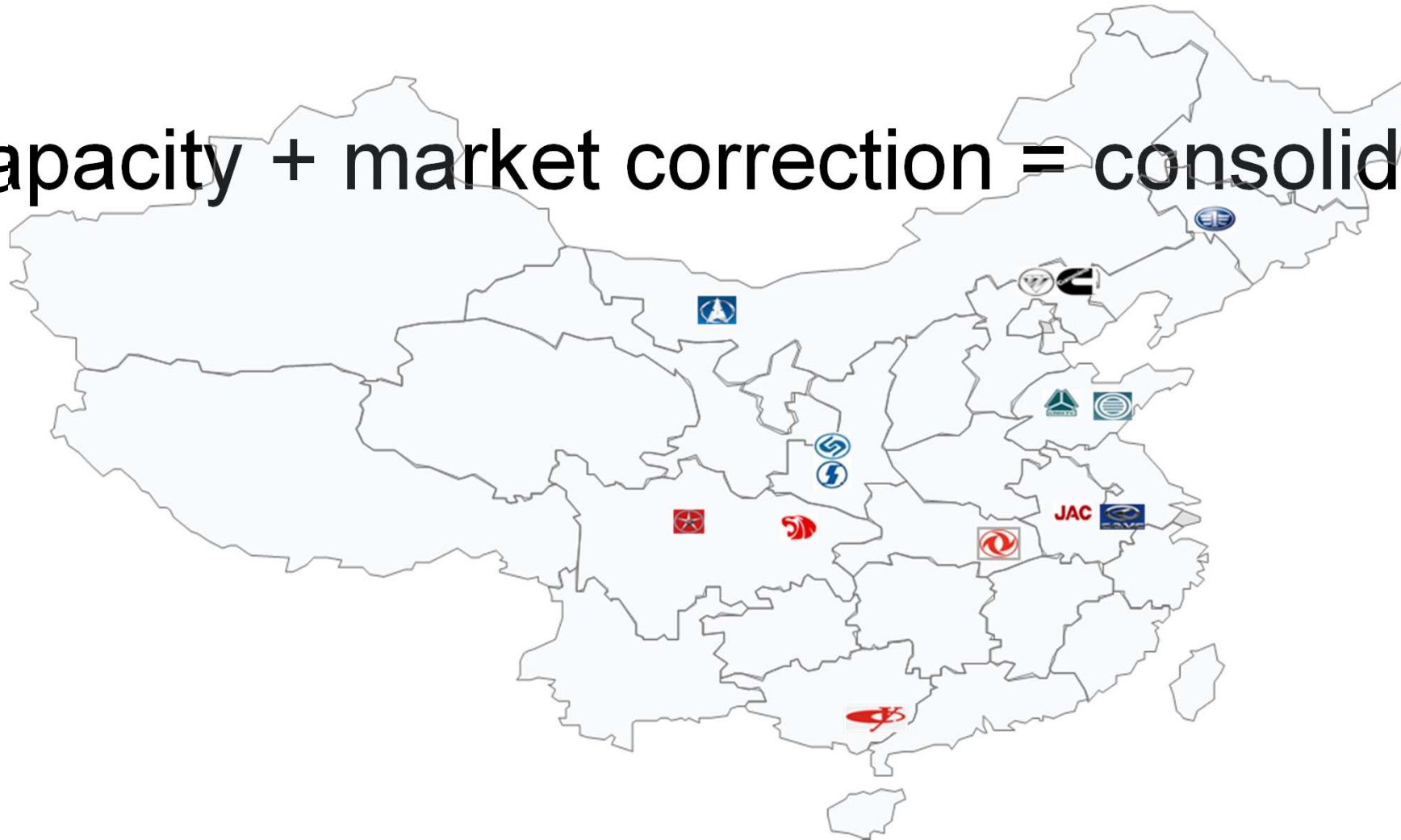
# China export market

## China truck exports (>6t): sales volume and destination



## Chinese truck market: consolidation is required

Overcapacity + market correction = consolidation ?



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## Joint venture status of top-10 China heavy truck OEMs

Rank	OEM	2014 (HDT)		Joint ventures	Partner
		Sales	Market share %		
1	Dongfeng	155,142	20.9	yes	Volvo
2	CNHTC	121,306	16.3	yes	MAN
3	<b>FAW</b>	<b>116,634</b>	<b>15.7</b>	<b>no</b>	
4	FOTON	109,273	14.7	yes	Daimler
5	<b>Shaanxi Auto</b>	<b>104,539</b>	<b>14.1</b>	<b>no</b>	
6	JAC	39,833	5.4	yes	Navistar
7	Hongyan	25000	3.4	yes	Iveco
8	<b>Hauling</b>	<b>18,750</b>	<b>2.5</b>	<b>no</b>	
9	<b>Dayun</b>	<b>16,255</b>	<b>2.2</b>	<b>no</b>	
10	<b>North Benz</b>	<b>11,597</b>	<b>1.6</b>	<b>no</b>	
<b>Total</b>		<b>718,329</b>	<b>96.6</b>		

# Product upgrading in emerging markets under way

Highly-efficient tractor for long-distance transportation

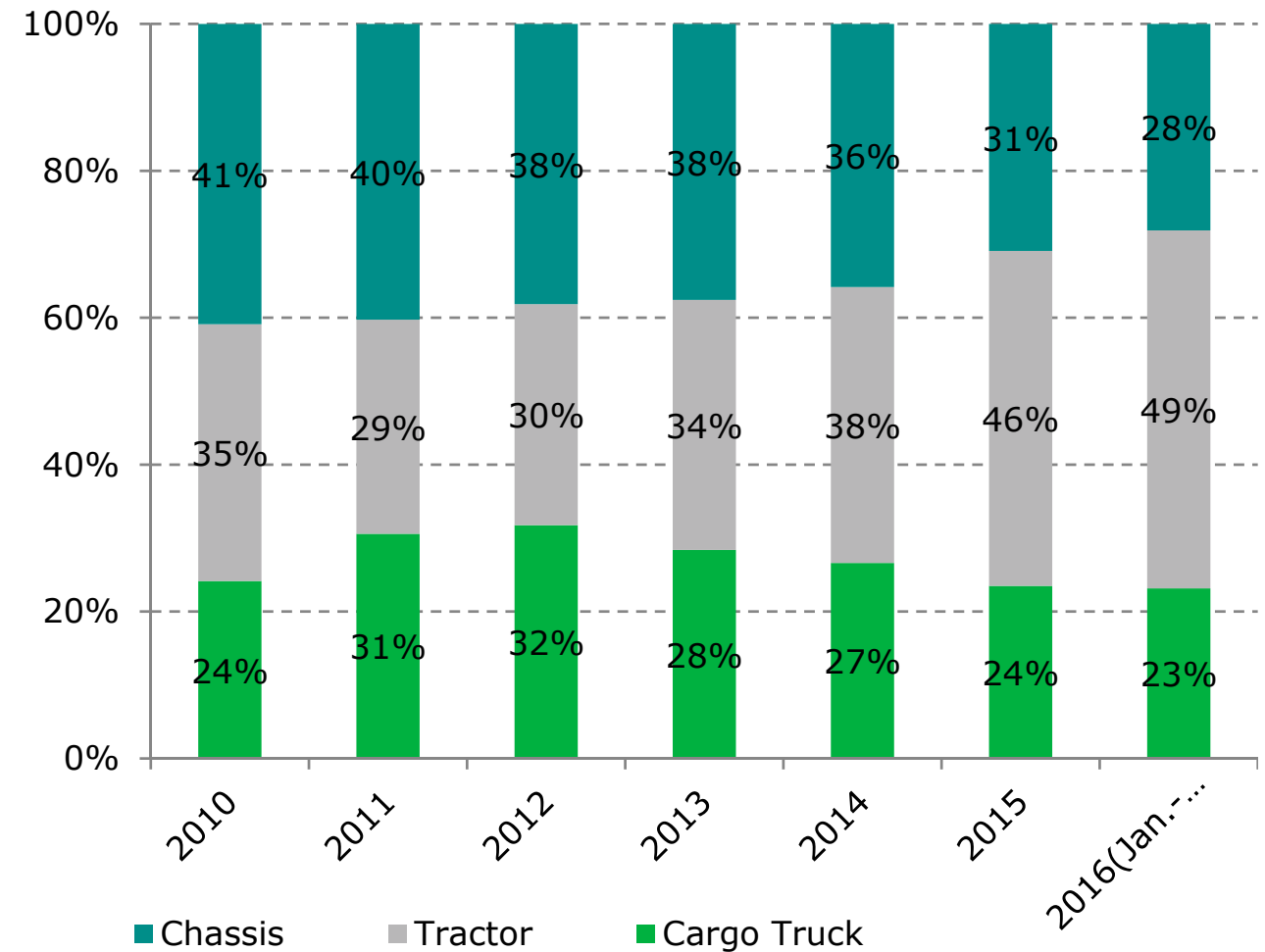
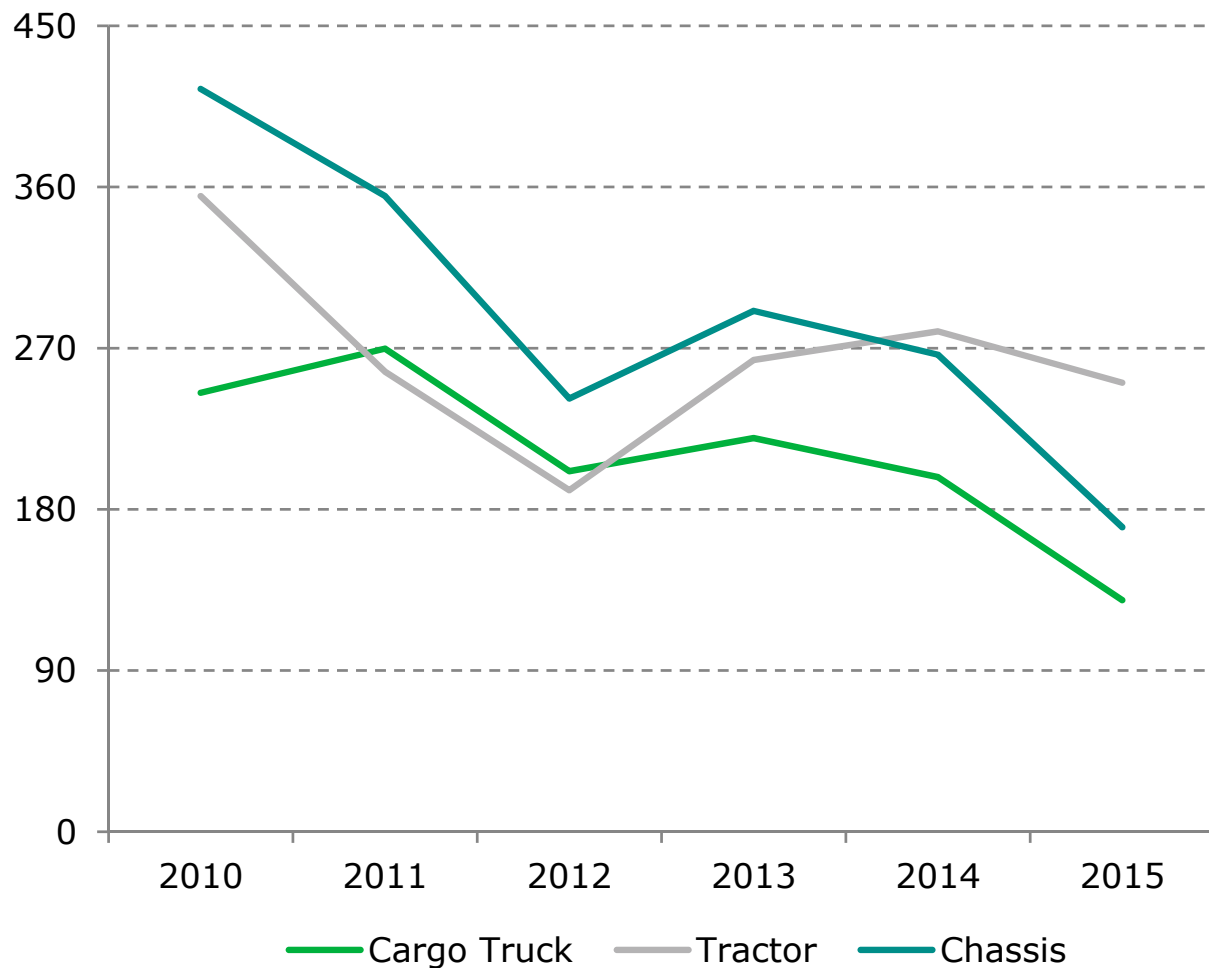


- Engine  
(more powerful and fuel-efficient)
- Cabin  
(more comfortable)
- Fuel tank  
(bigger volume)
- Lightweight
- Internet of vehicles
- Truck product upgrading



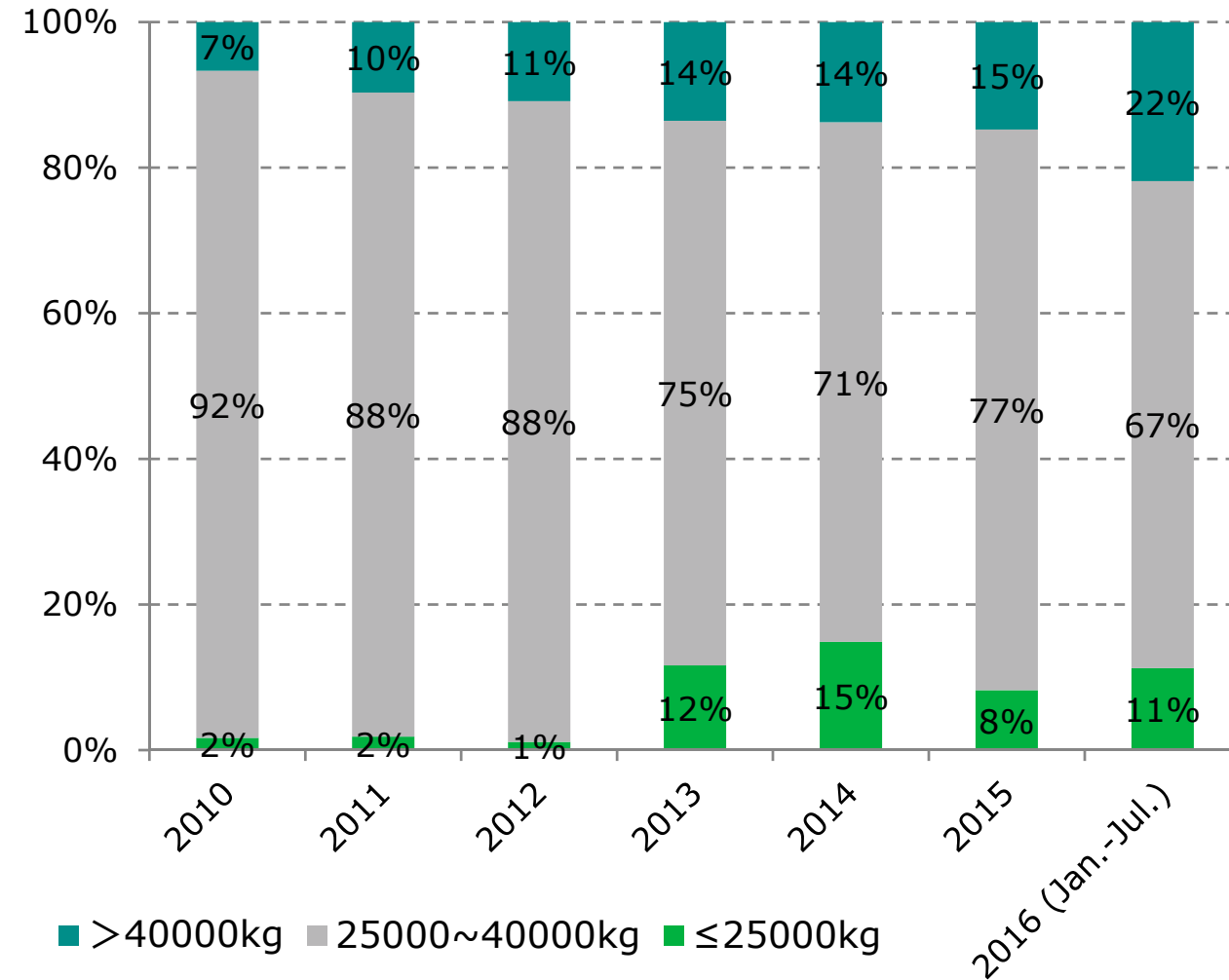
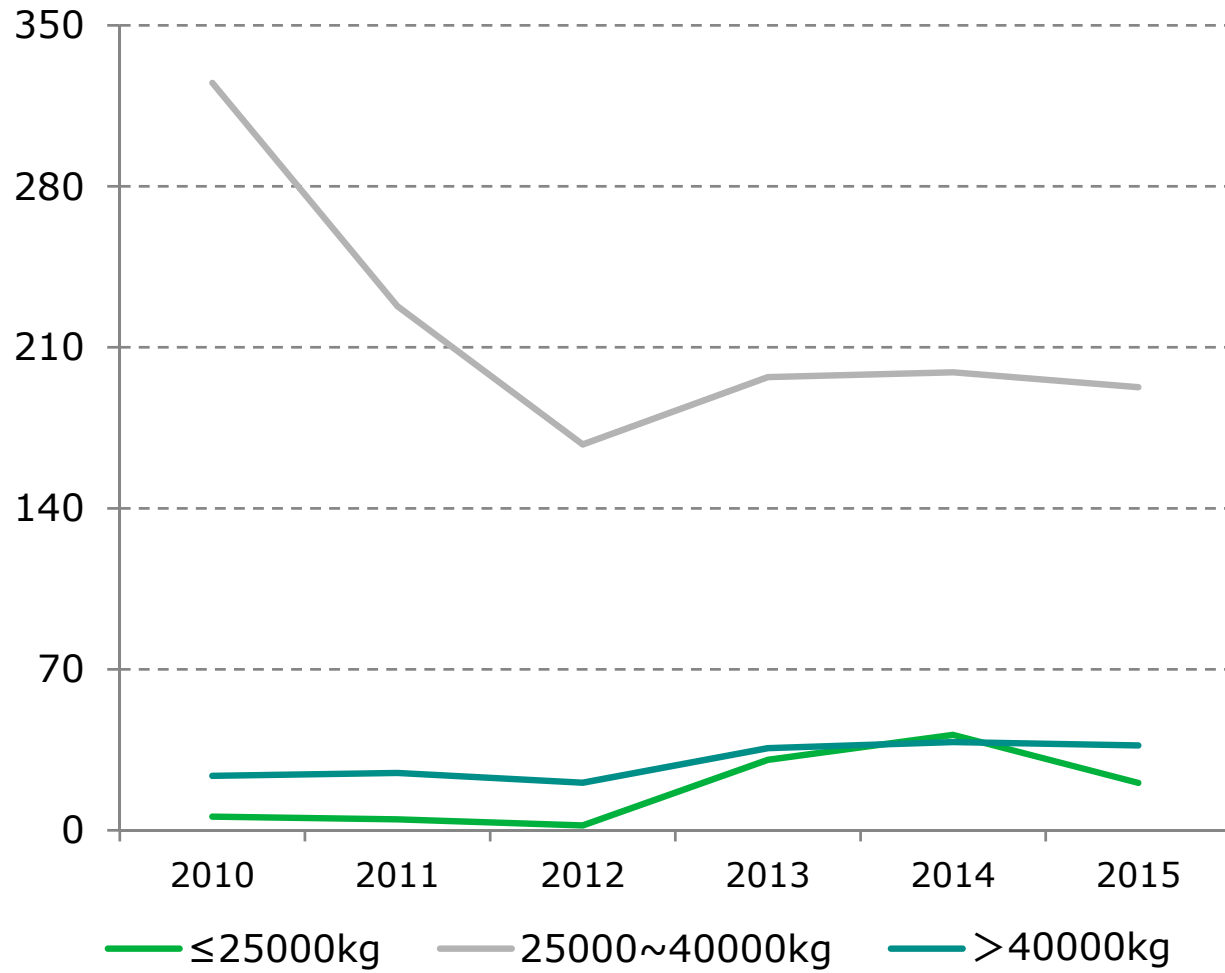
# Structure of heavy truck market

Unit: thousand



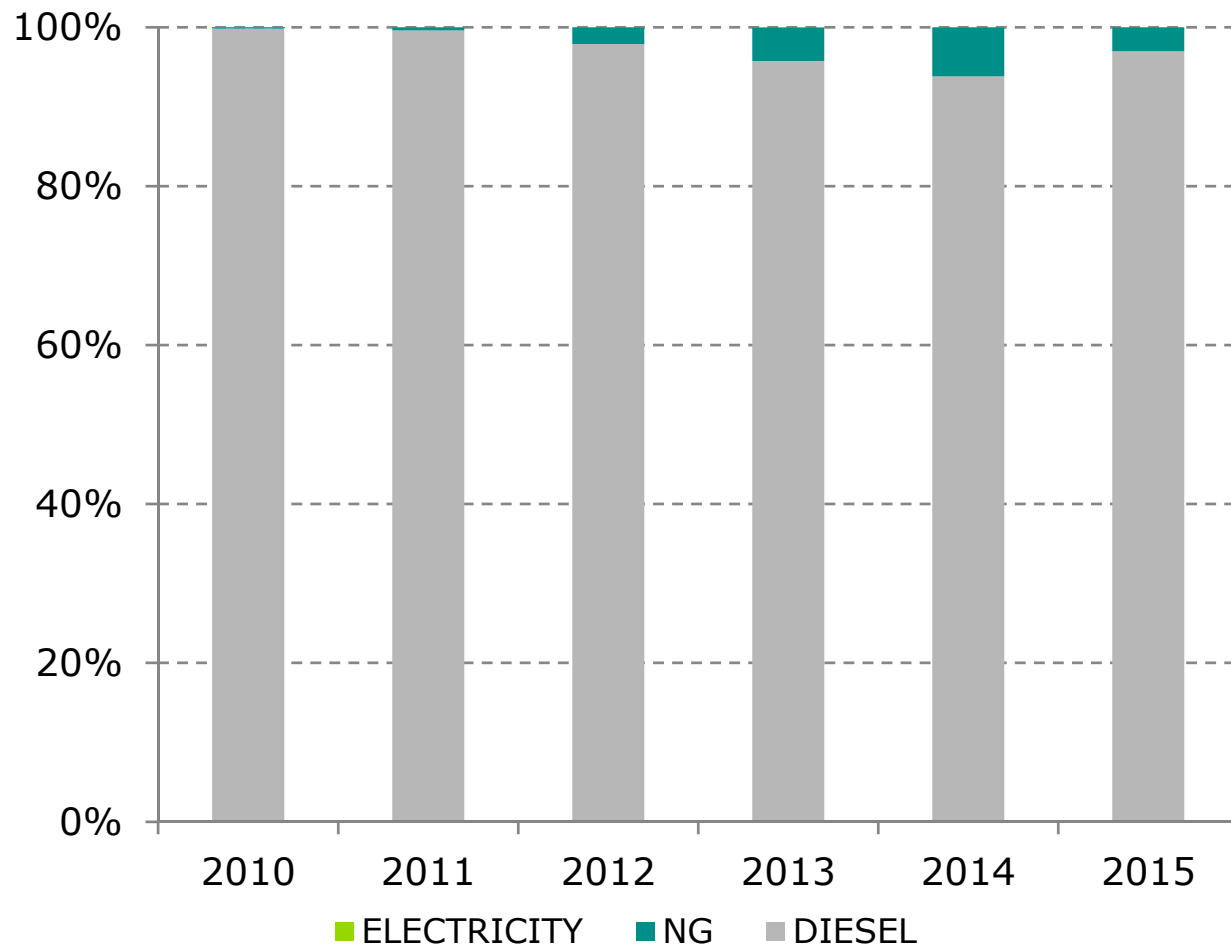
# Structure of tractor segment

Unit: thousand

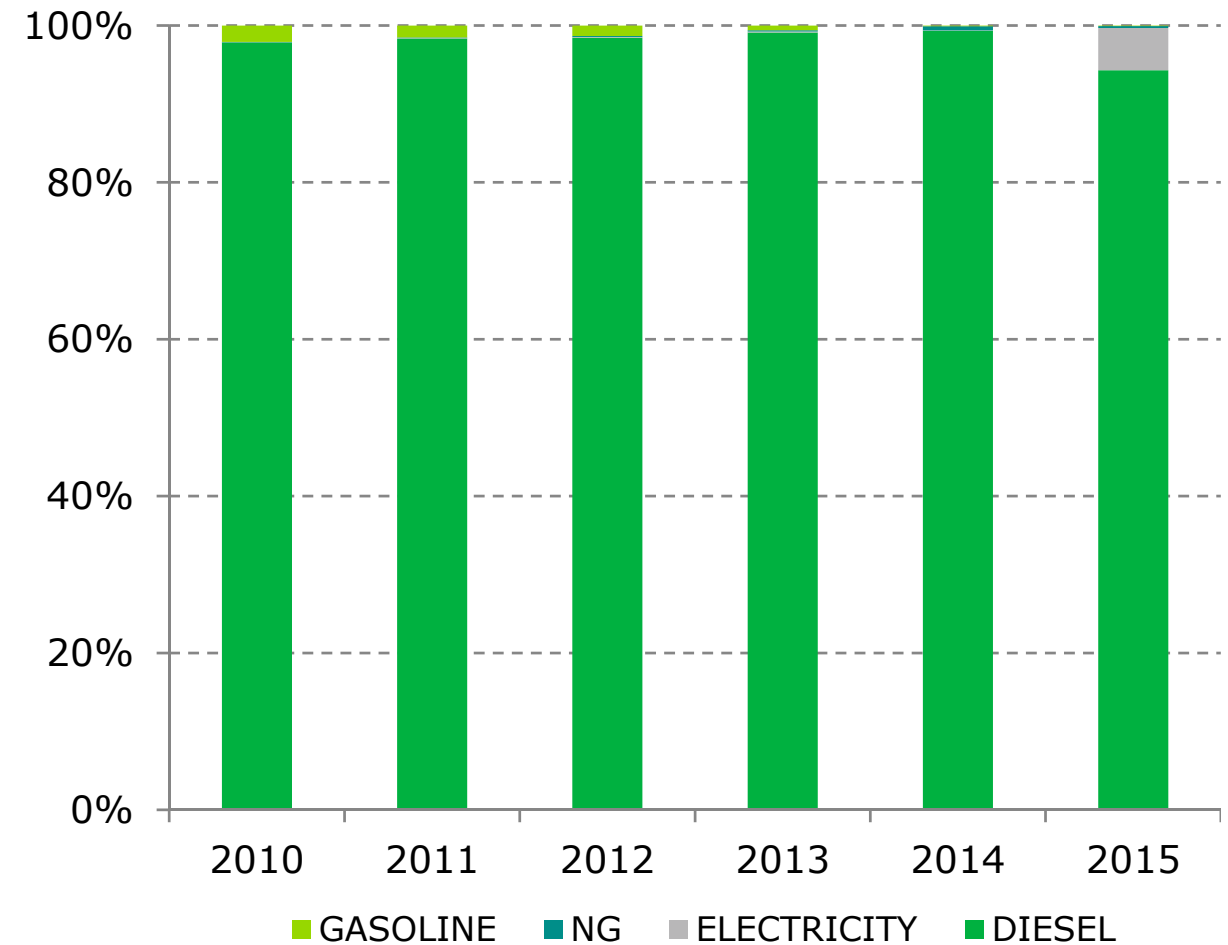


# Fuel trend in truck engines

## Fuel type in HDT segment










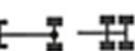

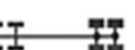

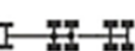

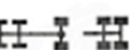

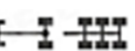

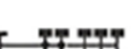



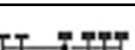


## Fuel type in MDT segment

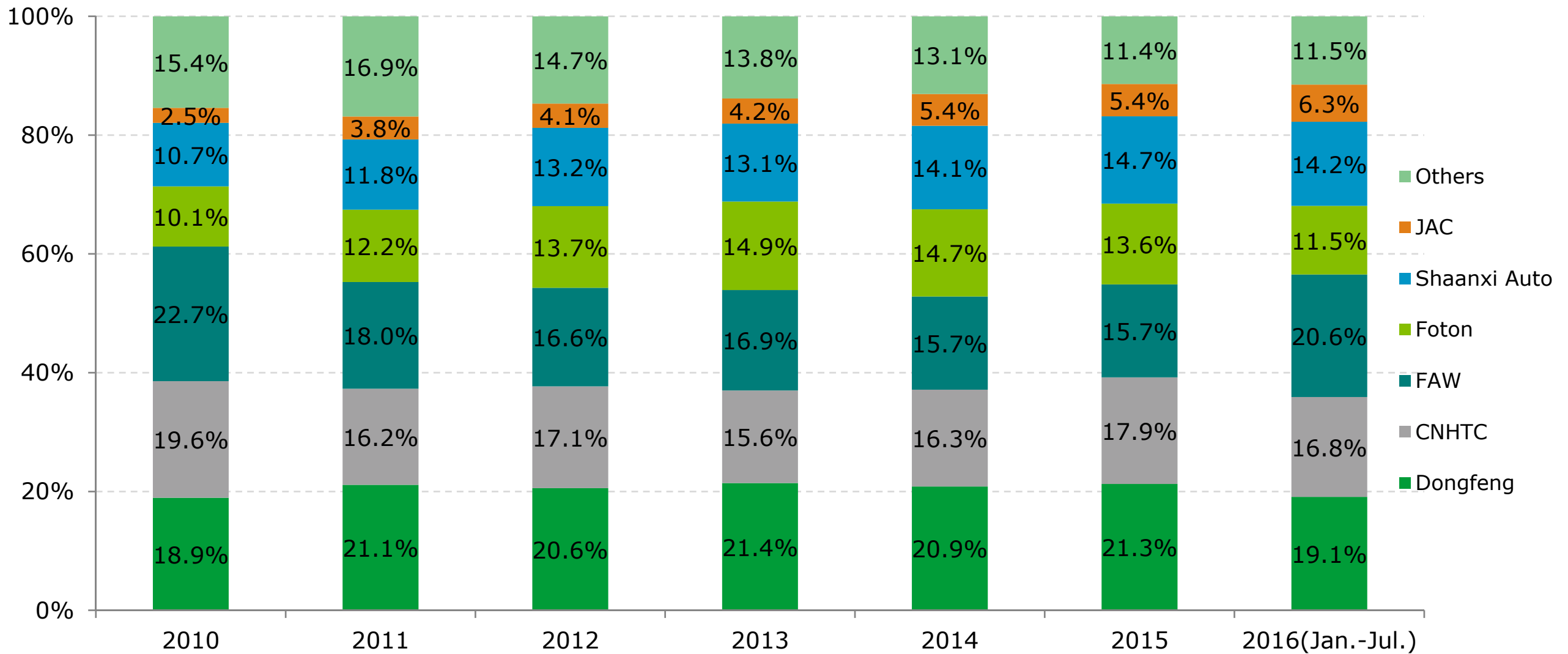


# Overloading control policy

- Implementation of GB1589 on 26 July 2016.
- Its impact on the future vehicle models?

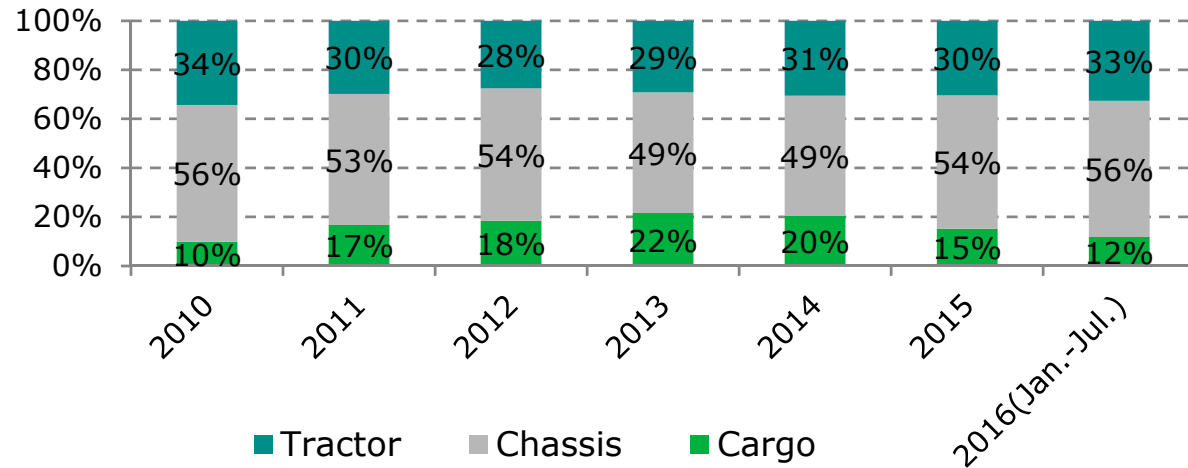
No. of Axels	Vehicle Type	Vehicle	Old Loading Standard	New Loading Standard
2	Rigid	 	20	18
3	Artic	 	30	27
	Rigid	 	30	25
	Rigid	 		
4	Artic	 	40	36
	Rigid	 	40	31
5	Artic	 	50	43
		 	50	43
		 	50	42
6	Artic	 	55	49
		 	55	46
		 	55	46

# HDT market competition landscape

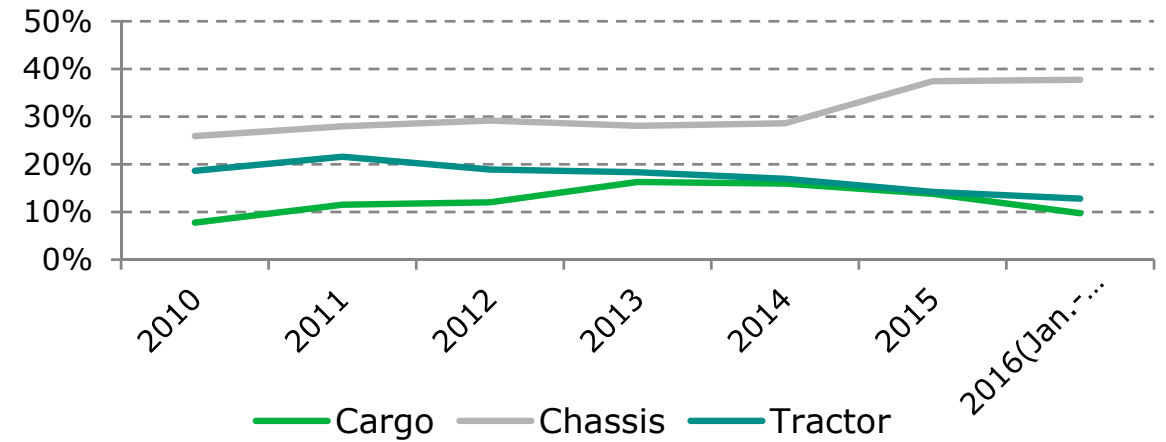


# Dongfeng vs. FAW

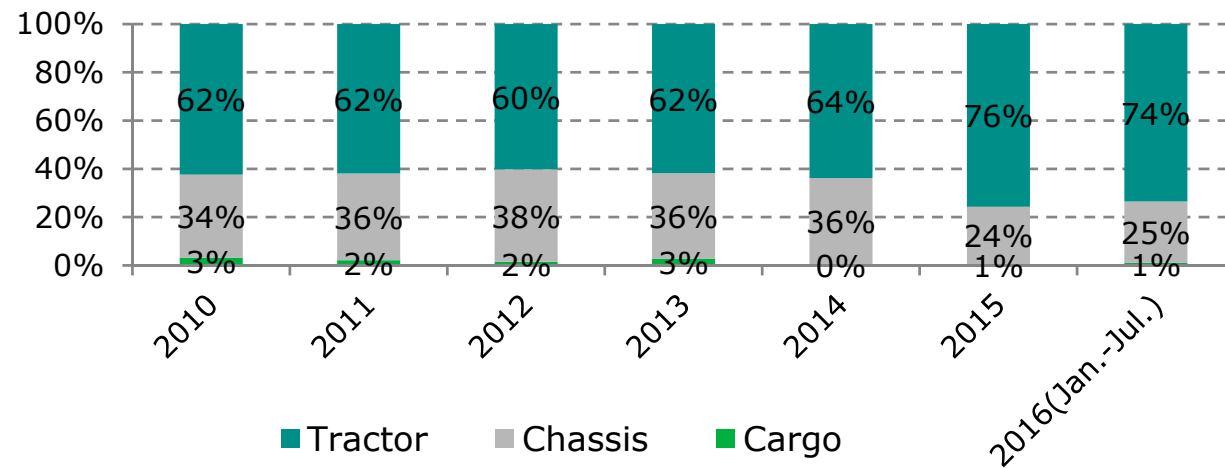
### Vehicle Type of Dongfeng



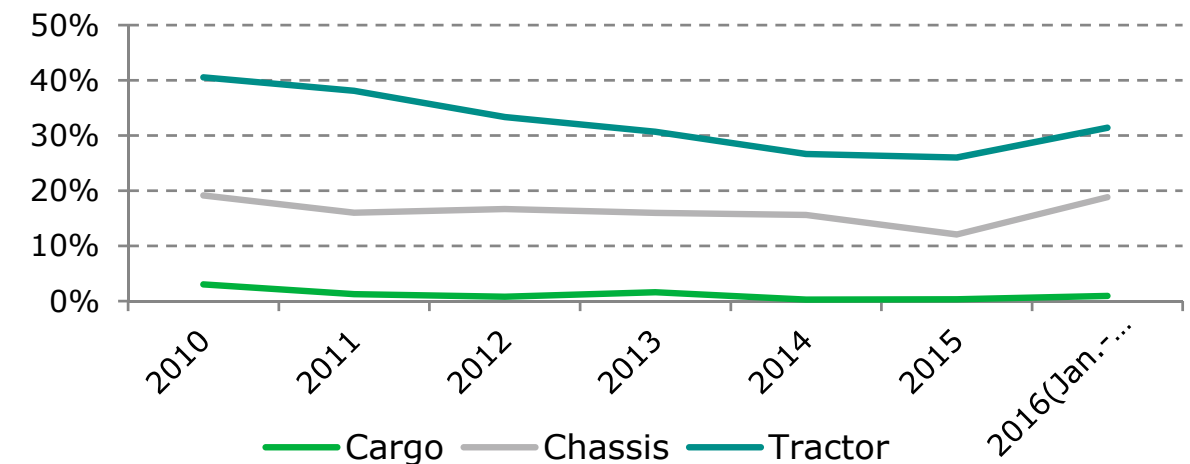
### Market Share of Dongfeng



### Vehicle Type of FAW

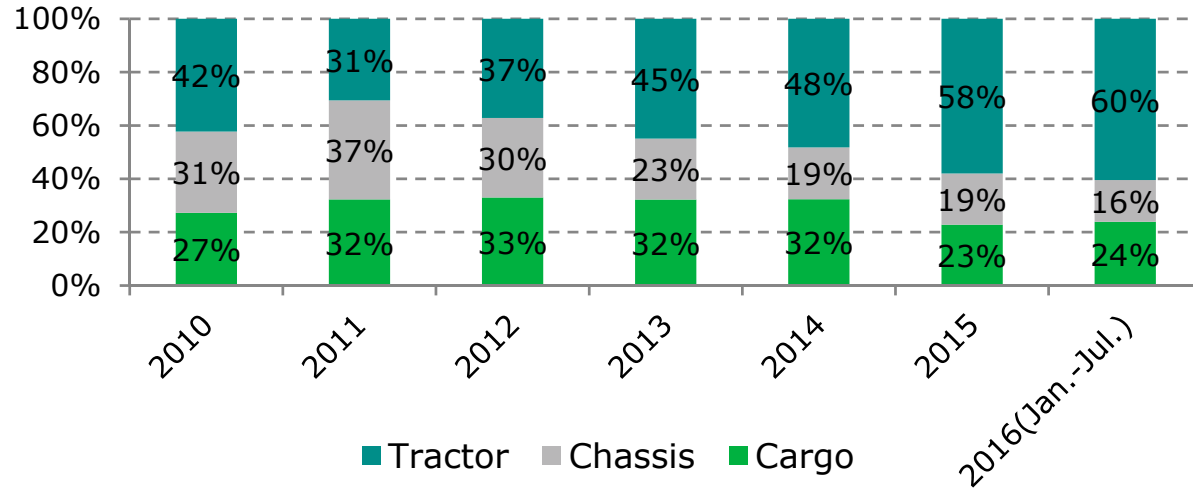


### Market Share of FAW

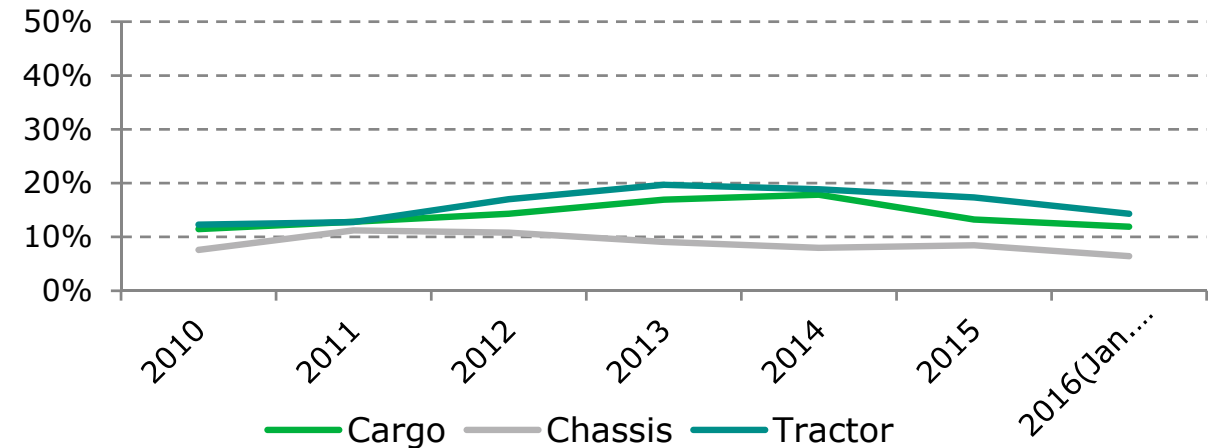


# Foton vs. Shaanqi Auto

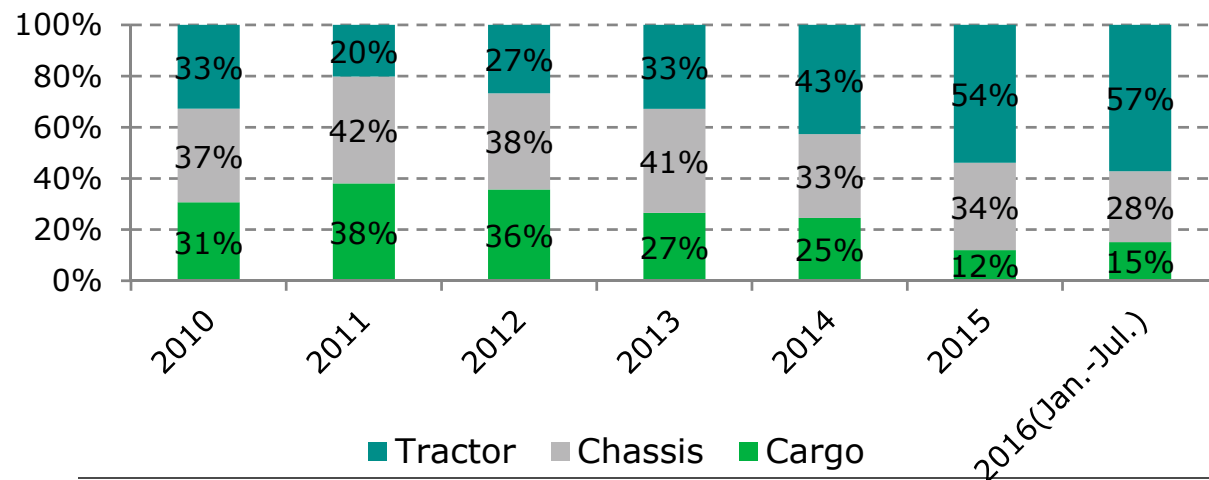
### Vehicle Type of Foton



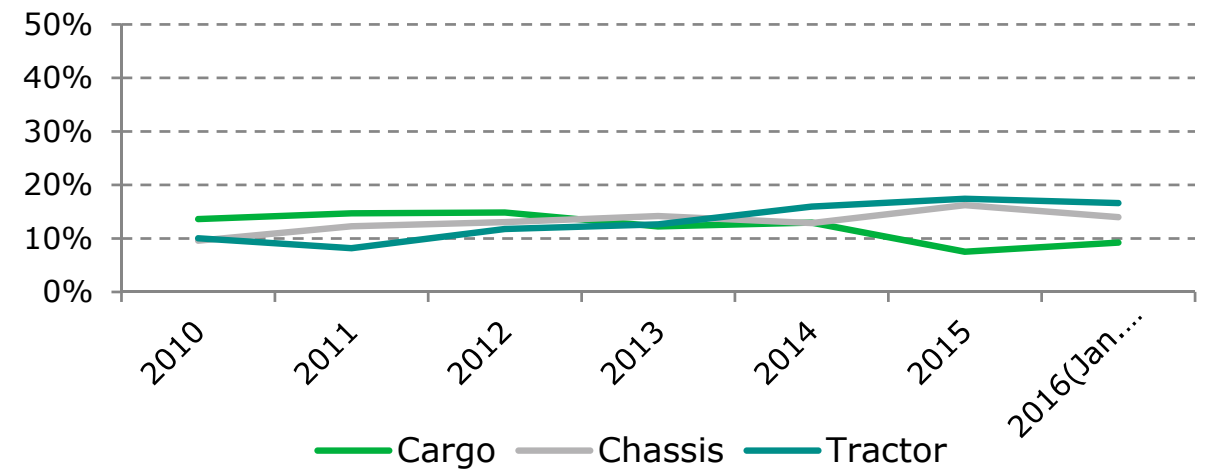
### Market Share of Foton



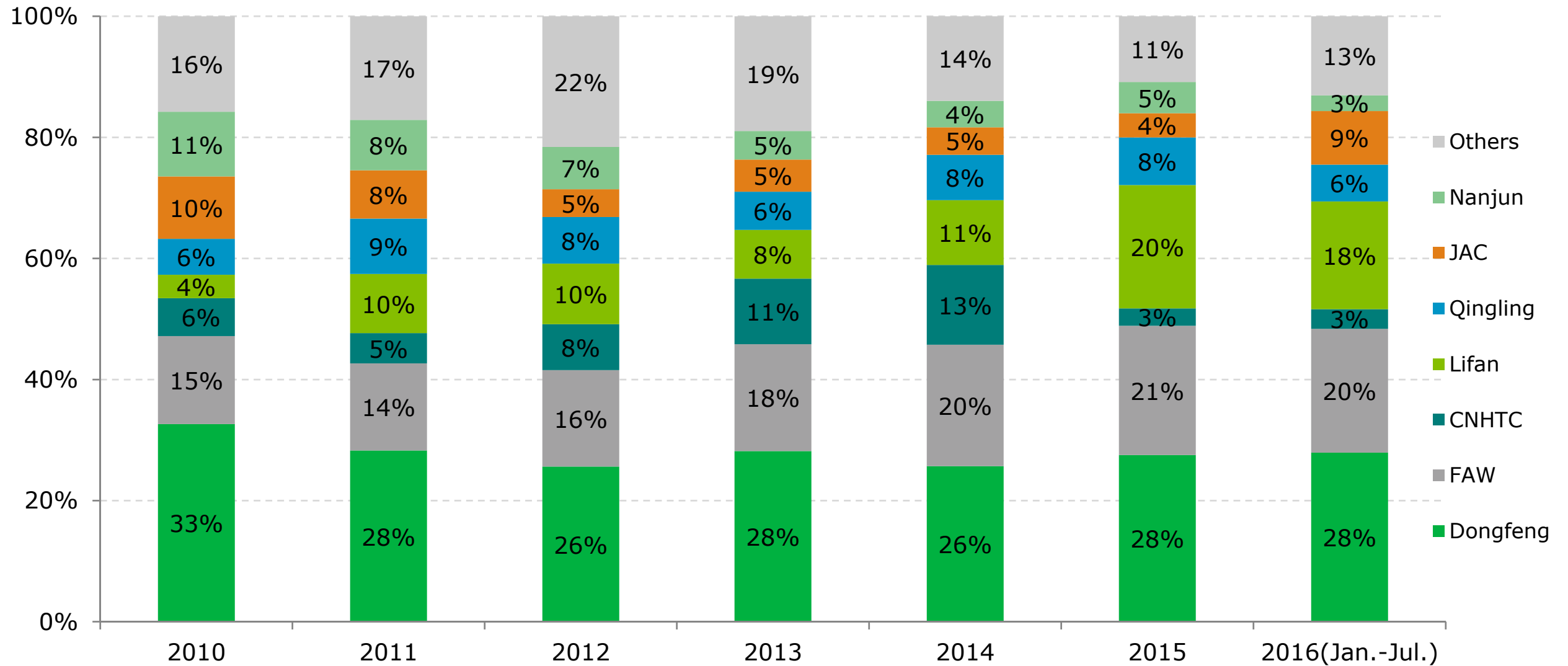
### Vehicle Type of Shaanqi Auto



### Market Share of Shaanqi Auto



# MDT market competition landscape





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## Conclusion

- NS 5 emission standard implementation timeline will be the key factor impacting short-term truck demand.
- China truck demand is entering the micro-growth period, signalled by China's economic reform.
- The key short-term challenge is overcapacity; the key midterm challenge is consolidation.
- OEM competition becomes fiercer as China truck production undergoes the upgrading process.
- The growth driver for future truck demand in China is tractor demand.

# Thank you!

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