

SUV popularity in China casts cloud

April 21 2013, by Boris Cambreleng



Workers build a stand on April 17, 2013 for the Shanghai auto show, as a picture of an SUV looms over them. In China, the most popular cars are far from the most fuel efficient, undercutting an attempt by authorities to reduce auto emissions and fend off growing smog.

Chinese carmaker BYD gave pride of place to its new S7 SUV at the Shanghai auto show while another of its models, a fully-electric vehicle, languished in a corner with only a handful of visitors.

The contrast is indicative of the battle in the [auto sector](#) with gas-

guzzling SUVs blazing past green-energy cars despite state incentives to promote cleaner vehicles in a bid to tackle the country's air pollution crisis.

The most popular cars are far from the most fuel efficient, undercutting an attempt by authorities to reduce [auto emissions](#) and fend off growing smog.

"Certainly in China, you have people who want to have a big car because big is still what matters here," said Klaus Paur, Shanghai-based global director of [automotive research](#) at Ipsos.

SUV sales jumped 43.5 percent in the first three months of the year, outpacing the 17.2 percent growth seen for the entire passenger vehicle segment.

In an effort to promote new-[energy vehicles](#), the Chinese government has offered buyers incentives as high as 60,000 yuan (\$9,700) while Shanghai gives up to another 40,000 yuan, the state-run [China Daily](#) has reported.

But electric and hybrid car sales were a paltry 7,200 units in the first quarter of this year, according to industry estimates.

The trend does not bode well for Beijing's goal of seeing five million alternative-energy vehicles on the road by 2020.

"Just like everywhere else in the world, China did not make any significant breakthrough" in this area, said John Zeng, head of the Asia-Pacific for LMC Automotive.

"Firstly, the infrastructure is not there, and secondly, the consumer mindset is not there."

That four in five car consumers are first-time buyers is another factor which inclines consumers toward the traditional [combustion engine](#), Zeng said.

At a preview of the Shanghai auto show for journalists on Saturday, global carmakers unveiled SUVs and multi-purpose vehicles, among them Citroen of France, Germany's Volkswagen, BMW and Mercedes, and Japan's Honda.

The Chinese preference for traditional cars is not promising for the several electric models from domestic and foreign carmakers which were also on display.

BYD, which once staked its future on electric cars, will launch its model next year but few visitors showed interest in the car on Saturday, an attendant said.

"They are asking how much the government incentives will be," she said.

Previous incentives to promote greener cars have not been as successful as hoped.

Chinese domestic auto giant SAIC Motor launched an electric vehicle, the Roewe E50, in November, but has only sold about 200 units, said Zhu Jun, head of the company's technical centre.

The car was originally priced at 234,900 yuan but after subsidies goes for about 130,000 yuan.

But even those incentives are not enough, said Zhu. "This is already much more expensive than a conventional [car](#) of that size."

"If the infrastructure is not building up so fast and the market demand is

not reaching volume, we'll keep low volume production until it (the market) is really mature."

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