

# Tesla's Chinese rival NIO scraps factory plan after losses

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Chinese electric vehicle start-up NIO has abandoned plans to build a manufacturing plant in Shanghai after net losses doubled to \$1.4 billion

last year.

US-listed NIO has been working with state-owned automaker JAC Motors in eastern Anhui province to make its ES8 model but wanted to add its own factory in Shanghai.

The company, which is backed by Chinese tech giants Baidu, Tencent and JD.com, said in a statement Tuesday that it was dropping the plans after posting losses of 9.6 billion yuan in 2018 while generating revenue of 5.0 billion yuan.

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NIO produced 8,000 ES8 models in the [fourth quarter](#) last year, double from the previous three-month period, with quarterly revenue rising by 133.8 percent.

But the company said it experienced a "greater than anticipated slowdown" in sales in the first two months of this year to around 2,600 units.

The drop was attributed to a reduction in a subsidy for the purchase of electric vehicles, the seasonal slowdown around the Lunar New Year holidays and a sluggish Chinese economy, notably in the auto sector.

NIO signed framework agreements with the Shanghai government in 2017 to build the factory, hoping to complete it by the end of 2020.

The end of the factory plans comes as competition in the electric car sector is heating up, with China's government having announced plans to ban fossil fuel vehicles by a yet-to-be-decided date.

Tesla chief Elon Musk was in China in January for the groundbreaking of a factory in Shanghai.

The new plant will eventually have an annual production capacity of 500,000 vehicles, the California-based company has said, dramatically increasing its output.

But Tesla faced problems of its own as misprinted labels on certain Model 3 vehicles caused a hiccup at Chinese customs.

The company said it had "already reached a resolution" with Chinese customs to resume clearance procedures for the vehicles and that sales in China were not impacted.

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