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AUTOMOTIVE METALS & MINERALS NEWSLETTER | 18

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AUTOMOTIVE

Great Wall Motors enters British market

Great Wall Motors Co, China's biggest maker of sport utility vehicles (SUVs), introduced a compact pickup truck to the UK, becoming the first Chinese automotive brand to enter the British market. The Great Wall Wingle, rebranded the Steed for the British market, also became the cheapest pickup truck in the market. It is being sold in Britain by International Motors, whose Great Wall UK Director, Paul Hegarty, said the Steed's key selling point is value. Offered nationwide through 40 appointed dealers, the vehicle comes in two versions: the Steed S for GBP14,000 and the Steed SE for GBP16,000. Hegarty said the vehicle's value is shown in details such as Bluetooth connectivity, heated seats and a full leather interior. Great Wall exports vehicles wholly manufactured in China. Chinese car maker Geely will make a debut in Britain this year with the Emgrand EC7, to be sold through its British distributor Manganese Bronze Holdings. Great Wall, founded in Baoding, Hebei province, in 1976, has been China's largest exporter of vehicles by volume and revenue since 1998. With a sales network covering more than 100 countries, Great Wall sold 85,000 vehicles abroad last year, up 50% year-on-year. About 120,000 Wingle pickups are sold in China each year, and 700,000 have been sold since it was introduced in 2006. Hegarty said the next step is to introduce a Great Wall SUV to the British market. Great Wall announced the opening of a factory in Bulgaria in partnership with the local company Litex Motors in February. The plant, aimed at supplying Eastern European markets, has a planned annual capacity of 50,000 cars, the China Daily reports.

Ford to invest USD760 million in China factory

Ford will invest USD760 million to build a new plant in Hangzhou, Zhejiang province, as part of a drive to catch up with global rivals. Ford and joint venture partner Changan Ford Mazda Automobile would start construction later this year and the plant would open in 2015, initially producing 250,000 vehicles a year. The new plant will help the company double capacity to reach 1.2 million vehicles by 2015. Ford said the move is part of the company's "largest expansion in 50 years", aimed at boosting global sales by 50% from 2010 to about 8 million vehicles a year by mid-decade. Ford formed its first joint venture in China only just over a decade ago, while VW has been producing cars in China since the 1980s. GM and VW each produced more than 2 million vehicles in China last year. Ford also said it would invest USD600 million to expand capacity at its facility in Chongqing, the largest manufacturing base for the company outside its home in Michigan, U.S. The company said it would bring 15 new vehicles and 20 new powertrains to China by 2015, increasing the company's relatively limited product range available in China. The latest investment brings Ford's total investment in China to USD4.9 billion. Ford has less than 3% of the market.

Carmakers show models tailored for China market

Ford Motor unveiled a three-cylinder mini-SUV, Lamborghini revealed its first sports utility vehicle in decades and Chrysler showed a dragon-theme Jeep, as carmakers introduced models designed for Chinese buyers at the Beijing Auto China 2012. Ford's latest SUV, the scaled-down EcoSport with a one-liter engine, will be manufactured at Ford's main China factory in Chongqing. Lamborghini Chief Executive Stephan Winkelmann said the company saw potential sales of 3,000 vehicles a year for the SUV. A final decision to produce the vehicle had not been made. Nissan, Toyota and other carmakers also used the event to show luxury cars and SUVs aimed at Chinese buyers. Chrysler said it would sell a dragon-themed Jeep, with golden accents and dragon designs on headrests and elsewhere. "To be successful in China, we must tailor our vehicles to the specific tastes of Chinese customers," said Mike Manley, Chrysler's COO for Asia. Japan's Infiniti rolled out a new luxury car with a bigger back seat for Chinese businesspeople. Also on show was a display model of the first car from an electric-vehicle joint venture between Daimler and China's BYD. "The products that we are building today globally have a lot more attention paid to what the customer needs in China," said Kevin Wale, President of General Motors' China unit. GM sells a Cadillac in China with a four-cylinder, two-liter engine to meet demand from local buyers for smaller engines, Wale said. "Nowhere else in the world would it have been done," he said. Carmakers are targeting both ends of the market, with luxury models for newly rich urban Chinese and economy models for low-income earners. Jaguar Land Rover unveiled a Range Rover Evoque Special Edition four-seat coupe – co-designed by Victoria Beckham – with 20-inch gloss black forged-alloy wheels, rose-gold-plated accents and mohair mats.

Brose Group grabs opportunities in Chinese market

German vehicle parts supplier Brose Group said that China's new regulation governing antitrap features for car power windows offers an opportunity for the company to further develop in China, which will be its largest single-country market by 2015. "China already accounted for 18% of our global revenue in 2011. The country will definitely overtake North America to be our second-largest regional market, only behind Europe, and our biggest country market, by 2015," said Thomas Spangler, President Asia and Member of the Executive Board of Brose Group. "Till then, revenue from China will contribute at least 20% of our global business." The Chinese government's new window regulation, which took effect on January 1, is similar to European technical standards requiring anti-trap technology with a maximum closing force of 100 Newtons for window regulators that have automatic "up" functions or remote control-window closing. As the inventor of anti-trap features for power window regulators, Brose supplies almost all international vehicle makers with 30 million electronic components annually, and 7.5 million of those are fitted in cars in China. It has five manufacturing bases in China. In 2011, the company's revenue reached CNY5.4 billion in China, up 21% year-on-year. According to Spangler, Brose targets sales in China this year equivalent to €687 million. Manually cranked windows are becoming less common, as power window regulators have become almost standard for passenger vehicles, at least in mid-sized and larger cars. About 80% of all vehicles in China are equipped with power window regulators and the proportion is increasing. China's new rule requires the window to stop and reverse if more than 100 Newtons of closing force is exerted. Without anti-trap features, forces of up to 400 Newtons are exerted, the China Daily reports.

Beijing Auto Expo breaks records

When the first Beijing International Automotive Exhibition was held 22 years ago, 216 motor vehicles were on display, including motorcycles. This year a record-high 1,125 vehicles from carmakers were showcased. 36 vehicles made by foreign carmakers and 84 cars by domestic manufacturers made their global premieres. The exhibition closed on May 2. The total exhibition area was a record as well — an all-time high of 230,000 square meters. Volkswagen Group booked an entire hall of more than 9,600 sq m to showcase models under its eight brands Volkswagen, Audi, Bentley, Bugatti, Lamborgini, SEAT, Skoda and Porsche. Thirty-one Volkswagen-branded models — including the E-Bugster electric car, Cross Coupe and new Lavida making their global debuts in China — were on display. Ford has promised to bring 15 new models to China before 2015. At the Beijing Auto Show it showed a rich lineup led by the all-new Focus and its three latest SUVs. Absent from the last Beijing Auto Show, Italian carmaker Fiat returned to the stage this year with the global debut of the Viaggio, the first model to be produced at its joint venture with Guangzhou Automobile Group. Anhui-based Chery Automobile Co showed 20 models at the auto show, including three models making their global premieres. The Cowin 5, Riich G2 and new Eastar, which augment Chery's classic product portfolio of the Tiggo, QQ, A3 and G3, represent the carmaker's increasing competitive strength. The company also showcased two new concept vehicles: the SUV TX and the energy concept @ant. BAIC Group, the partner of Daimler and Hyundai, debuted the first mid-sized sedan carrying its wholly owned Beijing marque. Almost all major car makers showed their SUVs at the exhibition. Domestic carmakers Geely and Chang'an launched their first-ever SUVs. In all, about 30 new SUV models are expected to join the marketplace this year to cash in on the booming segment.

Some 88 new-energy vehicles also appeared at the Beijing Auto Show. SAIC Motor displayed the Roewe 550 plug-in hybrid that will be put into volume production this year. The pure-electric Roewe E50 made its first public appearance. Victoria Beckham flew to Beijing to launch a limited edition Range Rover Evoque bearing her name with "ultra-luxurious" floor mats, a four-piece luggage set and tan seats. Seat, the VW-owned brand which faces a collapsed car market in Spain, dispatched its entire board to China during the exhibition, where they fanned out across several cities to attend dealership openings and launch the marque. VW says it is opening dealerships in China at the rate of two a week. BMW is adding at least one dealership a week there and will have 350 by the end of the year, the same number as in the U.S. Last year new car sales in China totaled 18.5 million units, retaining the country's top position for the third consecutive year, but growth slowed to 2.5% from strong double-digit growth in 2009 and 2010. In the first quarter this year, the numbers actually fell as 1.25% fewer passenger vehicles were sold than in the same period last year, according to statistics from the China Association of Automobile Manufacturers (CAAM). The rest of the year is expected to be better. Industry consultancy IHS forecasts that passenger vehicle sales in China will increase about 8% this year and LMC Automotive projects 9% growth.

Volvo to expand offering in China

Volvo Cars will launch 10 models in China over the next five years as it seeks to make up for lost time in the world's largest car market, Chief Executive Stefan Jacoby said. The Swedish carmaker, which is owned by Chinese carmaker Geely, today offers six models in China and will add the new ones after opening two car plants and an engine plant in the country. "In the year 2017 we will offer 10 additional new models in the Chinese market," Jacoby said at the Beijing auto show. Because some of the cars in Volvo's line-up would be retired by then, the number of models offered would be less than 16, he said. The new models would mostly come from the brand's global cars portfolio, but some would be tailored for the Chinese market. Volvo aims to open its first car plant in the second half of 2013 in Chengdu, which will make small and midsize cars. The plant's first model will be an upper-midsize "C/D" segment car. A second plant making larger cars will be opened two years later in Daqing, Jacoby said. The company will also build an engine plant in Zhangjiakou, near Beijing.

Dealers report shrinking profits

Carmakers were warned against over-expanding their capacities and dealerships as the number of dealers reporting shrinking profits or even losses was rising. Sinomach Automobile – the third largest dealer in China – told the Automotive News China conference in Beijing that carmakers were facing an imbalance between supply and demand. "We expect sales of imported cars to grow by about 20% to one million this year," said Sun Yong, the company's Deputy General Manager. "However, some carmakers forecast growth of up to 50% or even 70%." A survey by JD Power and Associates of 1,605 dealers of 38 brands in 59 cities found the number of profitable dealers shrank to 63% last year from 81% in 2010, while 20% saw losses, against 9% previously. Sun expected profits to shrink this year. ADP Dealer Services, which provides management systems to the industry, said the average net profit of car dealers last year was about 5.2% but a "cold winter is coming". James Press of McLarty Automotive Partners said apart from focusing on new sales, which used to make up to 40% of profits, dealers should expand their source of income by looking into options such as after-sales services or used car sales. Tan Peng-wei, Asia President of ADP, said manufacturers should provide more training to sales agents as the industry was still young and most agents focused only on selling new cars.

Luxury car sales still going strong

China's luxury vehicle sales surged 36.7% year-on-year in the first quarter to 130,416 units, according to a study by Morgan Stanley. The growth far beats the overall market's 3.4% decline and the passenger vehicle segment's 1.3% drop. China for the first time became BMW's largest market. BMW's first-quarter sales of 80,014 units showed a 36.8% growth year-on-year, while Audi reported total sales of 90,063 units, an increase of 40.5%. Mercedes-Benz also saw its sales surge 24% in China in the first three months of the year. The company expects China to be its biggest market by 2015. Moreover, "China plays an important role in our 2020 strategy of regaining the top position in the world in all categories before this decade is out," said Joachim Schmidt, Executive Vice President of Sales and Marketing for Mercedes-Benz Cars. Statistics from Morgan Stanley show that luxury vehicles in the first quarter only occupied 4.1% of China's total automobile market. Jia Xinguang, an independent Beijing-based Auto Analyst, said he believes the luxury vehicle sector in China will maintain high-speed growth over the next decade. Dan Akerson, Chairman and CEO of General Motors, announced that the company plans to bring two new Cadillac models to China, the XTS luxury sedan and ELR luxury electric coupe. The XTS will be manufactured and distributed in China by Shanghai GM. It will go on sale at Cadillac dealers nationwide in the fourth quarter of 2012. "China has quickly become the fastest-growing market for Cadillac. Last year, sales rose by 73%," said Akerson. Luxury car sales jumped 22% in the first quarter of this year while passenger car sales dropped 3.4%.

Government pushing for Chinese brands

Foreign carmakers in China say Beijing is putting pressure on them to produce dedicated new brands so their local partners can gain technical know-how, but experts warn the strategy could backfire. The government, keen to boost the local automotive industry, has long required foreign companies aiming to make cars in China to set up joint ventures with domestic manufacturers. In the past year, companies say they have also come under pressure from Beijing to launch brands specifically for the local market, even though there are no explicit rules requiring them to do so. “Many of our competitors that have not launched a dedicated brand have had the brakes put on their plans to develop manufacturing,” said Maxime Picat, Director General of Peugeot-Citroen's joint venture in China. “We are putting together plans to launch our own brand, in line with what the government requires.” Picat said Beijing had been reviewing the 20 years since international auto partnerships were authorized. “There has been very little transfer [of technology],” he added. Experts say there is a danger that by helping their Chinese partners gain access to technology foreign manufacturers could end up creating more competition for themselves at home. General Motors was the first to fulfill the government's desire, launching its Baojun brand a year ago in association with its partner Shanghai Automotive Industry Corporation (SAIC). Volvo also announced it was working on a new brand for the Chinese market, while Nissan launched three electric cars under the new Venucia name. “Foreign brands do not benefit from incentives, even if they are manufactured in China,” Nissan's China Public Relations Manager Shen Li pointed out. Some foreign manufacturers, such as Ford, have so far held back from launching dedicated Chinese brands. Ford has just 2% of China's passenger-car market. Intent to catch up, the second-largest U.S. carmaker is spending USD4.9 billion to build eight factories and launch 15 new models in China by 2015.

Luxury car makers open showrooms in inland cities

Luxury car makers including Porsche, Maserati and Bentley Motors, are opening more and more showrooms in inland cities, from Ordos in Inner Mongolia to Changsha in Hunan province. “Major cities such as Shanghai, Beijing and Guangzhou powered the initial phase of the auto demand boom,” said Ashvin Chotai, Managing Director at industry researcher Intelligence Automotive Asia. “Expansion into the inner provinces and smaller cities is a natural aspect of the evolution of the car market and will be an ongoing process in the medium and long term.” While nationwide premium-car ownership in China lags behind the global 10% average by 2 percentage points, their share in eastern coastal provinces exceeds U.S. and European levels, Sanford Bernstein said. For example, luxury cars accounted for 24% of vehicles in Beijing in the first half of 2011, more than double the 11% U.S. average. Lamborghini, BMW's Rolls Royce and Bentley already say their biggest market is China, where CapGemini and Bank of America estimate there are half a million millionaires with USD2.7 trillion in wealth. Ten of Porsche's 12 best-performing dealerships globally are in China, the company said. Deliveries of cars priced beyond CNY2 million are set to grow 19% this year to 5,278, according to data from industry researcher IHS Automotive. By comparison, the China Association of Automobile Manufacturers (CAAM) predicts the total number of passenger vehicles will increase 9.5% in 2012.

Auto groups report declining profits

Three of China’s top four domestic auto groups reported sharp drops in profit or a loss in the first quarter this year. Dongfeng Motor Corp, the second-largest carmaker in China by 2011 sales, reported a 72% fall in net profit to about CNY53 million in the first quarter compared with a year earlier. Its sales in the first three months decreased 4.4% from the same period last year. FAW Car Co reported a loss of CNY10.9 million in the first quarter as year-on-year sales fell 34%. Chang’an Automobile Group reported a nearly 80% drop in profit to CNY146 million as sales tumbled 17% in the period. Car sales in the first three months declined 3.4% from the same period last year to 4.8 million units. Shanghai-based SAIC Motor Corp was the only company among the top four that gained in both sales and profit. In the first three months, its net profit increased 6.95% to CNY5.6 billion and sales increased more than 8% to 1.14 million vehicles. Analysts said that the carmaker’s strong performance is largely due to its two successful joint ventures with General Motors and Volkswagen. Most other domestic automakers also saw profits slump in the first quarter. Guangzhou Automobile Group, the sixth-largest automaker in China, reported a 37% decrease in first quarter net profit to CNY902 million. First quarter profit for Anhui-based JAC Motor declined by 69% to CNY102 million, while sales fell 23%. Profits at BYD Co tumbled nearly 90% to CNY27 million. Its vehicle sales dropped by 8% year-on-year to about 108,000 units from January to March. Great Wall Motors reported its net profit increased 24.9% to CNY1.09 billion.

Shanghai builds research campus to develop new car models

Shanghai began construction on an automotive research campus, located at Shanghai International Automobile City (Auto City), an industrial park backed by the municipality's government, which aims to attract 150 companies when it is completed in about 20 months. The research campus, with a total investment of CNY1.5 billion, represents China's first major effort to develop distinctive models of its own in the world's largest car market, still dominated by foreign models. “The slowdown in auto sales has reminded Chinese carmakers of the need to strengthen research for their own brands,” said Rong Wenwei, Chief Executive of Auto City. Italian car-design firm Pininfarina is one of the first 17 companies that has agreed to set up research facilities on the campus. China's major state-owned carmakers have stressed the importance of developing the country's indigenous brands for about a decade, but little has been achieved thus far by way of creating China's own Volkswagen or General Motors. International brands dominate the market in China, accounting for 70% of sales nationwide. The development in Anting town in the northwestern suburbs of Shanghai will cover an area of 12 hectares. Its developer plans to attract mostly medium-sized and small enterprises that focus on car design, the weakest link for domestic carmakers, said Rong Wenwei, General Manager of the auto city.

April sales show mixed picture

A total of 1,150,850 cars, sport utility vehicles, multi-purpose vehicles and minivans were sold in April, down 9.3% from March but up 6.3% from a year earlier, the China Passenger Car Association (CPCA) said. “We predict a 7% year-on-year increase for the overall vehicle market and a more than 10% jump for the passenger vehicle segment for the whole year,” said CPCA Secretary General Rao Da. General Motors' joint venture in China sold a record 227,217 vehicles in April – an increase of 11.7% over a year ago. General Motors Co delivered its 1 millionth vehicle for this year in the domestic market. “This is the sixth time and the earliest in our history that we have reached this important milestone in China. It has put us on track to once again set a new sales mark for the year as a whole,” said Kevin Wale, President and Managing Director of the GM China Group. Ford Motor's China sales surged 24% to 54,881 vehicles. Luxury-car maker BMW's sales jumped 31% to 27,197, exceeding its sales growth in the United States and in its home market, Germany. Mercedes-Benz China delivered a combined 15,860 Mercedes-Benz, smart, AMG and Maybach vehicles in April, down 8%. It achieved sales of 70,580 units in the first four months, up 15%. Production of commercial vehicles last month was down 19.4% year on year, to 342,400, while retail sales dropped 15% to 348,400. Statistics from the China Association of Automobile Manufacturers (CAAM) show that total vehicle sales in April, including commercial vehicles, were up 5.2% year-on-year at 1.6 million units. The SUV sector maintained its leadership with 34% growth, while minivan sales dipped 0.3% as government stimulus measures ended. Vehicle sales by domestic makers fell 5.2% year-on-year to 2.14 million units. Their market share of 42.3% fell by 3.2 percentage points. Statistics from CAAM show that in April, vehicle exports set a new monthly record of 87,400 units, up 29.5% year-on-year. Exports in the first four months rose 23.8% to 278,900 units.

Number of large automobile dealers on the rise

The number of domestic automobile dealer groups with revenue of above CNY10 billion rose quickly last year to 21, from 13 in 2010 and 11 in 2009, an indication of further consolidation in the industry, according to the Automobile Dealers Association (ADA). Combined revenue for the so-called “CNY10-billion club” last year exceeded CNY500 billion, a year-on-year surge of 59% over 2010. Their combined sales and net profit grew by 30% and 61% over the previous year. “Enhanced concentration is the most remarkable feature of China’s automobile distribution sector last year,” said Shen Jinjun, Deputy Chairman and Secretary General of the Association. China Grand Auto became the biggest domestic auto dealer with revenue of about CNY64 billion last year. Former No 1 domestic auto dealer Shanghai-listed Pang Da Automobile Trade Co fell to second place with revenue of CNY55 billion, while Sinomach Automobile Co broke the CNY50 billion benchmark for the first time to claim the third spot. The three were the only auto dealer groups in China with revenues above CNY50 billion last year. The fourth to twenty-first ranked distributors had revenues ranging from CNY10 billion to CNY47 billion. The ADA report also showed that domestic auto dealers are expanding to mid-sized and small cities. Outlets in first-tier cities accounted for about 21% of all shops across the country in 2010, but the proportion fell to 15% last year. The top 100 auto dealers had a total of 5,665 outlets in the country last year, up 82% from the number in 2010. Vehicle sales accounted for the vast majority of the revenue — some 88% — for the top 100 dealers last year. Only 7% of their income came through repairs and maintenance, and 4% from auto financing and insurance, the China Daily reports.

Short news

- China's number two carmaker, Dongfeng Motor, plans to boost export sales nearly fivefold to 300,000 vehicles a year by 2016, about 10% of its targeted total production. Dongfeng has set up a new international marketing department and will diversify its range to meet the target. Dongfeng's total production last year was 2.17 million vehicles and it exported 63,800 units.
- Volkswagen will invest about €170 million building a new plant in Urumqi, capable of making 50,000 vehicles a year from 2015. Its two Chinese joint ventures are investing a total of €14 billion by 2016, and the German-based group has said in the past its annual production capacity in China would rise to 3 million cars as early as next year.
- BYD posted a 90% slide in quarterly profit as a slowdown in the world's largest car market and losses in its solar business hit the company. Shenzhen-based BYD reported a CNY27 million net profit for the first three months of 2012, down from CNY266.74 million in the previous year. BYD's car sales fell 4% in the first quarter to 114,000 vehicles, but March sales were up 8% on the year, which outperformed the industry.
- Volvo's Chinese owner, Geely, offered to take a large minority stake in the Japanese maker of Subaru cars – an offer that was not accepted. Two sources said Zhejiang Geely Holding Group offered to buy a stake of about 20% in Japan's Fuji Heavy Industries late last year through an investment banking intermediary. It could have paved the way for a joint venture in China to produce Subarus, which are now imported.
- Shanghai General Motors will recall some of its 2012 Chevrolet Aveo vehicles because of faulty brake fluid sensors, the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIC) said. Shanghai GM will recall 47,415 of the cars due to a defect in the sensors. The defect could fail to alert drivers of low brake fluid levels. Shanghai GM is attempting to contact Aveo owners and will make repairs at no charge, it said.
- Nanjing's city government has launched an investigation into the Ferrari dealership that staged a car-driving display on the ancient city wall. Ferrari's China representative has apologized to Nanjing residents for the incident and a government official who allowed the display to take place has been sacked.
- Two mainland car firms may launch initial public offerings in Hong Kong as early as next month to raise a combined HKD6.24 billion, according to market sources. Shanghai-based Yongda Auto, a dealer for brands including BMW, Audi, Porsche and Toyota, plans to raise between HKD3.1 billion and HKD3.9 billion on the Hong Kong stock market, while Xinchen Group, a subsidiary of Hong Kong-listed Brilliance Auto, seeks to raise between HKD1.56 billion and HKD2.34 billion.
- China produced only 6,000 electric vehicles, and no more than 10 models, in 2011, only 0.03% of the year’s total output, well short of the 500,000 industry capacity it had slated to come on stream by 2015. The 16,000 charging piles built in 2011 were also far lower than the industry’s target of 400,000 units by 2015.
- China Auto Rental, the country's largest car-rental provider, postponed its U.S. share offering due to weak demand. It had expected to raise up to USD137.5 million. Venture capitalists and private-equity fund managers said more Chinese companies were taking a wait-and-see attitude towards U.S. IPOs amid a tighter scrutiny of accounting records and lower buying interest. China Auto would not be able to meet the requirement of three consecutive years of profits imposed by the China Securities Regulatory Commission (CSRC) to launch an IPO in China. China Auto, founded in 2007, lost CNY151 million last year.
- Shi Jianhua, Deputy Secretary General of the China Association of Automobile Manufacturers (CAAM), said the central government may announce plans this year to boost the incentives for the purchase of green vehicles in light of plans to raise production of the vehicles from less than 2,000 units last year to 500,000 in 2015 and 5 million by 2020. The carmakers must cover the incentive at the time the car is sold and then claim it from the government, but some said they encountered problems to

get the refund.

- Premium audio and infotainment group Harman International Industries' business in China has grown from zero five years ago to USD260 million last year, and “we target to have USD350 million revenue for this year,” said Dinesh Paliwal, Chairman, President and CEO of the U.S. company. “We expect our annual sales in China to surge to USD1 billion by 2015, when China will be our largest market in the world,” said Paliwal. “As a company with 75% revenue from the automobile sector, the industry will definitely boost our business, especially with increasing demand for high-end vehicles,” added Paliwal.
- Car plate prices in Shanghai set a record in the April auction, exceeding the CNY60,000 benchmark for the first time. By comparison, a new VW Polo only costs CNY77,900. The average price for a license plate rose to CNY61,626, up CNY3,001 from a month earlier. The lowest price increased CNY2,700 to CNY61,000. The city government increased the quota to 8,500 this month, 500 more than last month. The number of bidders was 22,706, down from 24,897 in March. Shanghai will auction 9,300 car license plates on May 19.
- Nissan's luxury car unit Infiniti will become the first Japanese luxury brand to start production in China in 2014 in Nissan’s flagship venture with Dongfeng Motor Co. Two Infiniti models will be produced domestically as part of a strategy to increase the global sales of Infiniti to 500,000 units by 2016. China has been the second largest market for Infiniti for two years after Nissan started importing the models to the country in 2007. Last year, sales of Infiniti cars rose 60% on an annual basis to 19,075 units in China.
- China imported 284,000 vehicles in the first three months of the year, 21.7% more than in the same period last year. Imports maintained an average year-on-year growth rate of more than 30% over the past decade. In 2011, the total sales of imported automobiles reached 1.04 million. Of those, 1.01 million were passenger vehicles, In 2011, the imported SUV segment surged 35% to 539,000 units, taking a 53.3% share of the import market, passenger cars accounted for 40% and multi-purpose vehicles took 5%. Jeep and Land Rover led SUV imports in the first quarter, with year-on-year growth rates of 567.6% and 127.7%, respectively.
- The three entry-level vehicle segments — minicar, subcompact and compact — account for 55% to 60% of China’s passenger vehicle sales, according to LMC Automotive China. Sales of entry-level vehicles in the first three months of 2012 declined by 5% from the same period last year. Minicars led the decline with a 30% drop in sales compared to the same quarter in 2011.
- China’s First Automobile Works Group Corp is going to revive its legendary brand Hongqi, or Red Flag — which in 1958 was China’s first domestically produced car — by launching its luxury model H7 in October, said FAW Chairman Xu Jianyi. The new model will be Hongqi’s first hybrid sedan with core technologies developed by the company itself. The car will compete with Audi and Mercedes-Benz. Four other vehicle types will be developed for the Hongqi brand, including two sport utility vehicles, a multi-purpose vehicle for business use and a mid-size limousine coach for ceremonies and parades. The company said that it has already invested CNY5.2 billion in research and development (R&D) of the Hongqi brand.
- Dongfeng Motor Corp said a new model with the working name Dongfeng-1 is under development, with the first concept model expected to make a world premier at the 2013 Shanghai auto show. Three variants with engine displacements ranging from 1.8-liter to 2.4-liter are planned on the PSA platform. Dongfeng sold more than 3 million vehicles in 2011. Its own-brand vehicles contributed 1.12 million units, one-third of its full lineup.
- Fuji Heavy Industries said it no longer expects to start building cars in China as part of a five-year growth plan that runs until March 2016, and lowered its global sales target for the final year by 50,000 vehicles. It said it would continue to import cars into China after an unsuccessful bid to obtain Chinese government approval for a joint venture with Chery Automobile Co to build Subaru cars. The company now projects Chinese sales at 100,000 vehicles for the year 2015/2016, from an earlier 180,000 target.
- The Shanghai Commission of Consumers’ Rights and Interests Protection warned locals to watch out for car cushions made of substandard textiles that include discarded fabric and medical waste fibers to avoid health hazards. People will suffer from coughing, asthma, and serious respiratory diseases after inhaling the dust and

bacteria produced by toxic cushions, the Commission warned.

- For every 100 families in downtown Shanghai at the end of last year, 18 owned private sedans, 13 more than five years ago, according to a new survey.

METALS

BOCI Global Commodities becomes LME member

The London Metal Exchange (LME) has approved the international arm of Bank of China (BOCI) as its first Chinese member in its 135 years of existence as China becomes the largest consumer of metals traded at the exchange. BOCI Global Commodities (UK) was approved for category 2 associate broker clearing membership. “China is the world’s largest commodity buyer, but no Chinese bank is doing commodity trading due to their limited capabilities,” said Xu Jinlei, Managing Director of the London subsidiary of the Industrial and Commercial Bank of China (ICBC). Following Bank of China, ICBC is also considering getting involved in the commodity trading business in London, according to Xu. The LME, established in 1877 in London, is the world’s largest market for trading in non-ferrous metals, with an equivalent of 3.5 billion tons of materials traded at the exchange last year. LME contracts are seen as the global benchmarks for the price of aluminum, copper, zinc and tin. LME membership has seven categories. There are 12 members under category 1, according to which traders sit at fixed points around a circle and trade in specific five-minute periods. Under category 2, known as associate broker clearing, members do not have access to the ring trading, but they can access the market by phone or electronically. Members in category 2 include HSBC Bank, Goldman Sachs International, and Standard Chartered Bank, the China Daily reports.

Silver contracts to start trading in Shanghai

The Shanghai Futures Exchange received regulatory approval to start trading in silver contracts. The lot size of the contracts was set at 15 kilograms and the lot prices will be allowed to fluctuate by 5% a day. The margin requirement was set at 7% and prices will be quoted in yuan. The silver contracts are the first of their type to be offered in China. Before, investors had to use Shanghai Gold Exchange Ag (T+D) contracts to conduct certain transactions of the metal. They could also go to commercial banks to buy paper silver, which doesn't have to be delivered physically. New contracts for crude oil, charcoal and glass are also being developed. The introduction of silver futures comes after Chinese investors have shown increasing interest in the metal amid surging inflation and the sluggish performance of the stock and property markets. In March, about CNY134 billion in Ag (T+D) contracts were traded, more than 15 times the amount traded two years ago. The shorter trading times of the silver futures may exacerbate price fluctuations, which can be dangerous to relatively uninformed individual investors, said Yang Yijun, Chief Analyst with Wellxin.com, a precious metal consultancy.

Chinese producers plan copper exports

Copper producers in China, the world’s largest importer of the metal, have announced plans for exports. Copper prices have risen recently after inventories of the metal outside China fell to unusually low levels, prompting a squeeze at the London Metal Exchange. Jiangxi Copper, China’s largest copper producer, told the Financial Times it was planning “large” exports of the metal. The company will “export a certain number of [tons of] copper in the next few weeks,” Frank Chen, senior trader at the company’s international trading division in Shanghai said in late April. In China demand is weak and stocks are mounting, but in the rest of the world stocks are at their tightest for years. The Chinese plan comes in response to a sharp fall in inventories at LME warehouses. Metals traders including Glencore have placed buy orders to take a record amount of the metal out of the exchange’s warehouses to supply their customers. Stocks inside China are at record highs, leading some traders to suggest that China has “cornered” the copper market. The export plan is difficult to implement because companies would need to ship metal from China to South Korea or Singapore to sell it at LME prices, a process that would take weeks since there are no LME-registered warehouses in China. If Chinese companies fulfill their promise to export large volumes of copper, the move could depress LME prices in the next few months, analysts said, especially if it was combined with a fall in imports.

Chinalco Mining to launch IPO, invest in Toromocho

Chinalco Mining, a unit of the world's third-largest aluminum producer, Aluminum Corporation of China (Chinalco), is poised to launch an up to USD1 billion initial public offering (IPO) this month despite challenging market conditions. Chinalco Mining's key asset is the Toromocho copper project in Peru, for which it paid USD860 million four years ago. It has budgeted an investment of USD2.2 billion to bring the mine – 142 kilometers east of Lima – to production by the end of next year. The mine, located at about 4,800 m above sea level, is expected to be capable of producing 900,000 tons of copper concentrate annually, which can be smelted into 250,000 tons of fine copper. In addition to Toromocho, Chinalco has formed a joint venture with Rio Tinto to explore for copper in China. It has 12 million tons of estimated copper reserves, equivalent to 19% of China's domestic copper reserve. The project is expected to have a 35-year mine life. China imports about 60% of its copper needs. The Toromocho project's low copper content of 0.5% meant it was previously not viable, but the use of modern mining trucks with much bigger carrying capacity has changed that.

Short news

- Chongqing Iron and Steel said it swung to a loss of CNY183.6 million in the first quarter as its "net profit dropped 3,021%" year on year due to tough competition and low demand. The company said that despite efforts to reduce costs and improve efficiency, it could continue to be in the red in the second quarter amid sluggish market conditions.
- Vancouver-based St Elias Mines is in a good position to take advantage of China's growing demand for gold and gold-related investments, according to Murry Braucht, St Elias Vice President, and Duncan Bain, Director. The company is looking for Chinese investors. Its main line of business is in discovering gold and selling it to the highest bidders. China more than doubled its investment into gold in the first quarter of 2011, buying up 90.9 metric tons of the metal as it overtook India to become the largest market in the world for coins and bars, according to the World Gold Council.
- Hebei Iron and Steel Group has agreed to invest CAD194 million for a 19.9% stake in Canada's Alderon Iron Ore Corp as it seeks to cut production costs by securing raw material supplies. Hebei Steel will pay another CAD105.7 million for a 25% interest in the Canadian miner's principal asset, the Kami project — a site near Labrador City and Wabush in Newfoundland and Labrador province. The deal will also give Hebei Steel the right to buy 60% of the annual production from Kami after the mine starts operation in 2015.
- The London Metal Exchange wants to expand its warehouse network into China. "We would love to be able to put LME delivery points, LME warehouses into China, which we think would be a big benefit to the Chinese industry and LME," Chief Executive Martin Abbott said. The exchange licenses a network of more than 600 storage sites around the world where users can deposit metals, with Asian locations in Japan, South Korea, Malaysia and Singapore.
- The export orders index for the iron and steel industry in April was 45.8, a drop of 17.4 points from March, according to the purchasing managers' index of the iron and steel industry by the Lange Steel Information Research Center.
- Baosteel will cut production capacity at its base in Shanghai by at least 3 million tons in the next 10 years, while adding capacity in the south and northwest, but the company had yet to get government approval for its 10-million-ton plant in Zhanjiang. The planned project will increase Baosteel's production capacity by about 2% to 53 million tons and help displace Anshan Iron & Steel as the nation's second-biggest steelmaker. The company also plans to invest CNY41.8 billion in its subsidiary Xinjiang Bayi Iron & Steel Co to boost its annual production capacity to 15 million metric tons and its sales revenue to CNY70 billion a year by 2015.

MINERALS

BHP Billiton says demand for seaborne coking coal to increase for at least 15 years

China's demand for seaborne imported coal used in steel smelting may rise 5% annually in the next 15 years as the quality and quantity of domestic supply decline, according to Anglo-Australian global giant BHP Billiton. China's average annual steel output growth is forecast by

BHP to slow to 3.6% in the next 15 years, compared with 11% in the past six years. Growth averaged 7% in the past two years. “China's production growth of pig iron has exceeded that of domestic coking coal [used in steel production], so more imports are needed,” BHP General Manager of Metallurgical Coal Marketing Vicky Binns told the Coaltrans conference. “We believe this import gap will widen in the future. Undoubtedly, some of this gap will be met by Mongolia, but seaborne coal will continue to be an important and sustainable part of the China steel raw material [supply] chain.” Mongolia, whose coking coal export to China grew by more than 30% last year, is an upcoming major supplier, but has been limited by a lack of logistics infrastructure. China's coking coal output grew an average 5% a year in the past six years, behind that of steel production, as small, unsafe mines were closed down, upgraded or consolidated by bigger operators. BHP projected China's steel demand would not peak until at least 2025, when its per capita consumption was expected to reach 700 kg to 750 kg, compared with 450 kg now. CLSA commodities strategist Ian Roper said he agreed with BHP's view that China would need to import more metallurgical coal because of limited domestic supply, but he has a more conservative view on the country's steel demand, because China's economic growth would rely much less on fixed-asset investments in the next decade. He forecast China's steel demand growth to average 5% for the next five years, and to be mostly flat thereafter, the South China Morning Post reports.

BHP Billiton joins spot iron ore trading platform

BHP Billiton joined China’s first spot iron ore trading platform. So far, top foreign miners including Rio Tinto, Vale and Fortescue Metals Group have joined the platform, which will help China gain more power over iron ore pricing and provide more transparency in the physical market. The China Beijing International Mining Exchange launched the online platform together with CISA and the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters in January. The exchange is also publishing a new iron ore price index, an attempt to better reflect supply and demand as well as reduce price volatility. The index will be published once or twice a week with trading prices instead of inquiry prices, said Zhang Changfu, Vice Chairman of CISA, who added that this would make it more reliable. In 2011, domestic iron ore production increased by 283 million tons, or 27.2%, while iron ore imports reached 686 million tons in 2011, up 68%, the China Daily reports. The China iron ore trading platform meanwhile made its debut. Trading volume is expected to reach approximately 100 million tons by the end of this year, accounting for about 14% of China’s annual iron ore imports, said Xu Xu, Chairman of the China Chamber of Commerce ofMetals, Minerals & Chemicals Importers & Exporters. Just a few minutes after its official launch, the platform saw its first transaction with 165,000 tons sold for USD145 a ton, including freight. The platform has more than 150 companies as members so far. The new platform will not allow financial organizations and banks to participate to avoid speculation and will not trade iron ore derivatives either.

China Shenhua profit up 5.9% on higher coal sales

China Shenhua Energy, the listed flagship of the nation's largest coal producer, Shenhua Group, posted a 5.9% year-on-year rise in first-quarter net profit, thanks to higher production and sales. Net profit rose to CNY11.74 billion from CNY11.09 billion a year earlier. Revenues grew 25.3% to CNY59.53 billion on the back of a 16% rise in sales, to CNY108.3 million tons, and a 5.8% increase in the average selling price, to CNY441.2 per ton. The first-quarter profit represents 23.5% of the average estimate for full-year net profit of CNY50 billion, estimated by analysts polled by Thomson Reuters. Benefits from higher selling prices were offset by a 6% rise in production costs to CNY117.6 a ton. China Shenhua has integrated mining, railway, port and power operations. It set targets to raise coal output 2.8% to 289.9 million tons, and grow sales 6% to 410.5 million tons this year. This is a marked slowdown from last year's output growth of 14.8% and sales increase of 23.7%, although China Shenhua's management said the targets were conservative and would probably be overshot. Sanford Bernstein Senior Analyst Michael Parker predicted in a research report that China's coal-demand growth would tumble to CNY195 million tons this year from 416 million tons last year, on the back of slower output growth in the power, steel and cement industries because of slowing economic growth. Meanwhile, rival China Coal Energy, the listed unit of the nation's second-largest coal producer, China National Coal Group, reported a 14.6% year-on-year rise in first-quarter net profit to CNY2.64 billion. Revenues grew 4.8% to CNY21.92 billion on the back of a 13.9% rise in its mines' output, to 28.44 million tons, and a 5.3% increase in average selling price, to CNY501 per ton. Production costs grew 7.1% to CNY239 a ton, the South China Morning Post reports. Shenhua Group Corp and General Electric Co also opened their 50-50 coal gasification joint venture to offer "cleaner coal" technology solutions in China. GE put all its gasification business in China in the venture.

Short news

- Aluminum Corporation of China (Chalco) has agreed to pay HKD2.39 billion for a 29.9% stake in listed Winsway Coking Coal, which distributes coal used for steel smelting from Mongolia to China. The agreement came three weeks after Chalco offered to buy up to 60% of Mongolian coking coal miner SouthGobi Resources for HKD7.2 billion, although the deal has been clouded by the Mongolian government's suspension of SouthGobi's key operating licenses a few days after it was announced.
- Hong Kong-listed CST Mining plans to sell 70% of a Peruvian copper deposit, Mina Justa, for USD505 million to Lima-based Cumbres Andinas, controlled by Peru's Brescia Group. The sale will mark a substantial disposal for CST Mining. The sale is pending shareholders' approval.
- Yanzhou Coal Mining was not in talks to buy Brazilian mining giant Vale's stake in the Integra coal mine in the Australian state New South Wales, a Spokesman said.
- Shougang Fushan Resources Group has come under renewed attack from U.S. short-seller Glaucus Research which accused the coking coal miner of buying mines from related parties at above-market prices, and possibly inflating its profit through connected transactions. Glaucus said former major shareholder Xing Libin, who sold three coking coal mines to Fushan for HKD10.5 billion in 2008, had sold them at a valuation of CNY97 a ton of recoverable reserves, compared with between CNY11 and CNY16 for similar mines. Fushan dismissed the allegation, saying the correct valuation should be CNY42 a ton.
- State-owned copper producer China Nonferrous Mining Corp (CNMC) plans to raise up to HKD2.44 billion in an initial public offering (IPO) in Hong Kong – less than the original target of HKD3.9 billion. Weak market sentiment prompted the company, which runs copper mines in Zambia, to lower its fund-raising goal.

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