

Pearson Edexcel International Advanced Level

Time 2 hours

Paper
reference

WEC13/01

Economics

International Advanced Level

Unit 3: Business behaviour

Source Booklet

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The Chinese car market

Figure 1 New car sales in China, 2009–2019 (millions)

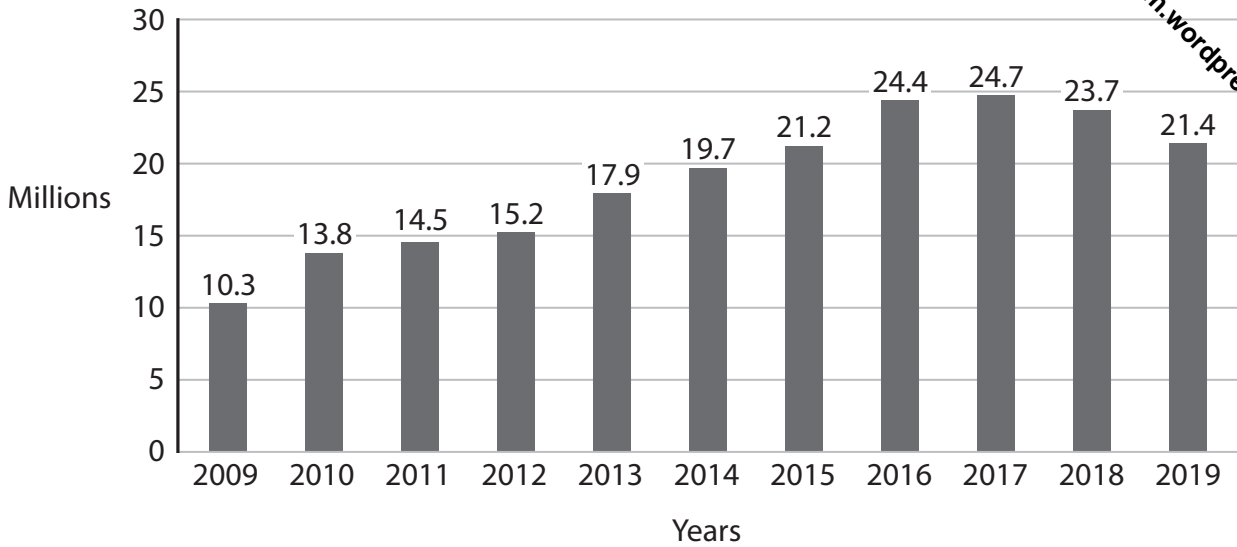
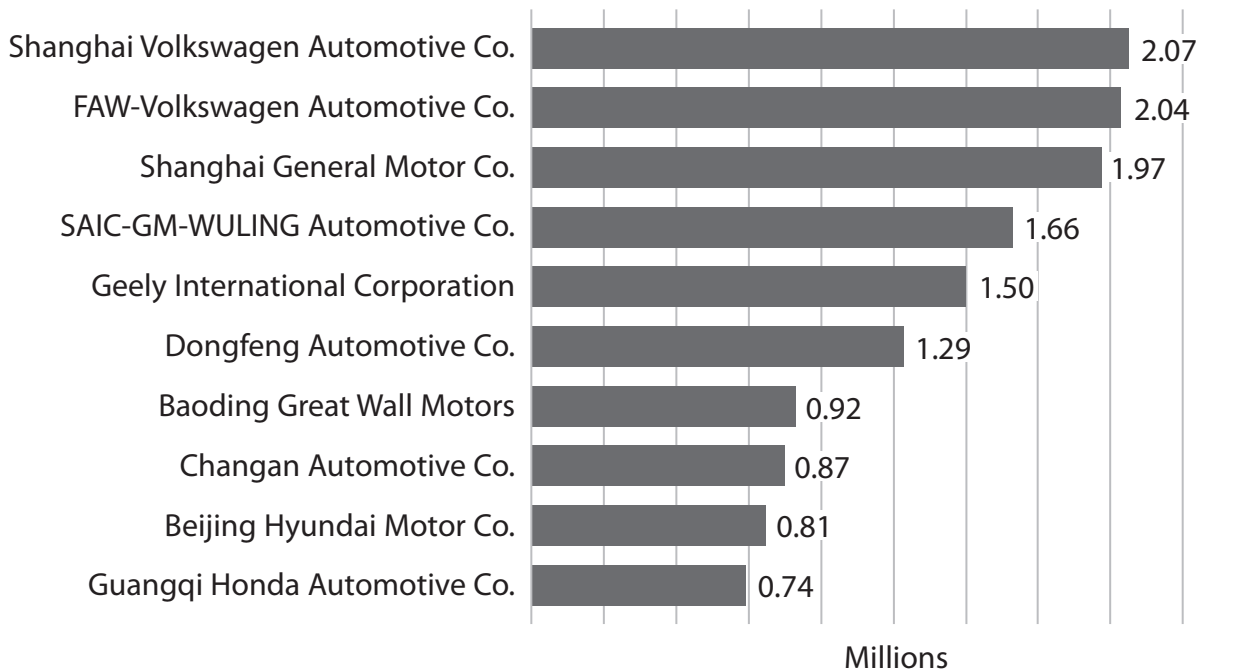


Figure 2 Major car manufacturers' sales in China, 2018 (millions)



Extract A Developments in the Chinese car market

In 2019 more cars were sold in China than in any other country. In that year, the Chinese car market accounted for 30% of total global car sales. Chinese manufacturers produced 42% of the cars sold in China in 2019. In 2018 23.7 million cars were sold in China, compared to only 4.4 million in Japan, 15.6 million in Europe and 17.2 million in the United States.

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In 2018 car sales in China declined by 4%, the first reduction in 20 years. One reason for this was the slowdown in China's rate of economic growth. In 2009 real GDP rose by 9.4%, but in 2018 the rate of growth had fallen to 6.6%.

The decline in sales is also because of the increased availability of substitutes. Chinese car buyers are increasingly looking for low-cost alternatives to buying new cars. Many consumers are switching from car ownership to using car-hailing taxi apps instead. There are now over 100 different car-hailing platforms in China with over 330 million consumers. The price of these services is very low and the app makes them very easy to order. China is becoming the largest car-hailing taxi market in the world.

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Growth in the electric and hybrid car market is promising, as younger consumers demand more environmentally friendly transportation. The Chinese Government is heavily subsidising electric cars, offering up to 90 000 yuan per car, in an attempt to encourage more production. The aims of the subsidies are to reduce air pollution to meet carbon performance targets and to improve the quality of electric cars. The Government is also increasing the number of public charging points available for electric cars. Local governments incentivise consumers to purchase electric cars by offering free licence plates and free parking.

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Extract B Competition in the Chinese car market

A connected-car is one that has its own internet connection. This allows the car to share internet access and data with other devices inside and outside the car. The global connected-car market is expected to grow by 270% by 2022. Market research by Kantar TNS suggested 79% of the Chinese consumers planned to buy a connected-car in the future.

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In 2018 BMW, a leading German luxury car manufacturer, started a joint venture with Alibaba Group, a Chinese multinational firm specialising in technology. Their aim was to develop a range of luxury connected-cars. Drivers are able to shop online, watch movies, listen to music and book appointments in their new BMW. Quality and innovation are very important in the Chinese car market. Consumers are very influenced by reputation and social media when choosing a car to purchase.

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Chinese car manufacturer Geely is the main producer of connected-cars. Geely has a 6.3% market share of the total Chinese car market. The business produces highly connected-cars with ultra-modern design. The company targets its cars at younger consumers. The company is trying to expand internationally and recently bought the majority share in Lotus, a British sports car brand. The takeover should help Geely increase its sales in Europe. However, its main objective is to grow its market share in China.

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Acknowledgements

Figure 1 adapted from <https://wolfstreet.com/wp-content/uploads/2019/07/China-auto-sales-2019-Est-2H.png>

Figure 2 adapted from <https://www.statista.com/statistics/277298/china-leading-passenger-car-manufacturers-by-number-of-cars-sold/>

Extract A adapted from <https://www.ft.com/content/ff5df696-addb-11e9-8030-530adfa879c2>

<https://www.bloomberg.com/news/articles/2019-10-12/historic-slump-in-china-car-market-continues-as-sales-drop-6-6>

Extract B adapted from <https://edition.cnn.com/2019/07/09/business/geely-china-car-sales/index.html>

<https://daxueconsulting.com/automotive-industry-in-china-carmakers-compete-for-first-place/>

<https://www.bloomberg.com/news/articles/2019-09-30/alibaba-s-luxury-venture-with-richemont-goes-online-in-china>