

Auto stimulus retained for 2010

China will extend stimulus measures in the automobile industry for one more year, with small adjustments, to further support the world's biggest and fastest-growing auto market.

The government announced the decision yesterday after an executive meeting of the State Council chaired by Premier Wen Jiabao.

The stimulus package, which was due to expire at the end of this month, includes a 50 percent cut in the 10 percent purchase tax for cars with an engine capacity of, or less than, 1.6 liters and subsidies for trade-in cars. It will now be extended to Dec 31, 2010.

However, the purchase tax for smaller cars will be lifted from the current 5 percent to 7.5 percent of the total vehicle price.

Furthermore, the government also decided to raise the subsidy for trade-in cars from between 3,000 and 6,000 yuan to between 5,000 yuan and 18,000 yuan per vehicle.

The stimulus package launched by the government in January helped China's automobile sales to exceed an expected 13 million units this year, making the country surpass the US as the world's biggest auto market.

"It's unusual that demand for automobiles in a country increases more than 4.5 million units within 12 months, and sales break the monthly record for seven months in a year," said Rao Da, secretary-general of China Passenger Car Association.

Statistics from the China Association of Automobile Manufacturers (CAAM) show that the smaller cars, with engine capacity of, or less than, 1.6 liters, contributed 85 percent of the sales increase in the domestic auto market. Most of the best-selling cars in China are smaller cars.

The association estimated that the stimulus measures boosted the sales of smaller cars by 2.6 million units this year.

Because of the favorable policy, sales of the battery and electric car pioneer BYD in the first 11 months surged 150.2 percent to 388,246 units. About two-thirds of the car sales were of the F3 model, a compact sedan that topped China's best-selling car list for seven months, with monthly sales surpassing 30,000 units, nearly double the figure for last year.

According to CAAM, China's auto production and sales almost doubled from figures a year ago to reach 1.39 million and 1.34 million units respectively in November.

Overall auto sales topped 12.23 million units in the first 11 months, up 42.39 percent from the same period last year.

Source: China Daily