

EDITORIAL – As China’s Stock Market suffers, demand for light-vehicles also sees a slowdown

31-Aug-2015 12:00 GMT

S&P Global

Supply Chain and Technology, Automotive

Coverage of the 'Black Monday' event on China's stock market seemed to suggest the start of the crisis, but does the automotive sector reflect that?

After soaring 150% over the course of a year, the benchmark Shanghai Stock Exchange (SSE) Composite Index fell by more than 30% last week in an event dubbed 'Black Monday'. The day's trading saw billions wiped off the Shanghai Composite and other markets around the globe, with stocks rallying towards the end of the week.



The volatility in the stock market begs the question of how much of an impact this will have on the industrial sector and consumer demand in the region, especially with OEMs and suppliers banking on strong returns from China for at least the next few years. Although the downturn will have some negative impact on consumer spending and growth in the second half of 2015, it is unlikely to cause any lasting disruptions to non-financial sectors. China's stock market's links to the real economy are low by most statistical measures – and much lower than they were in 2008, with the majority of enterprise investment financed by bank loans.

However, though the Stock Market may not have that large of an impact in other developed nations, there are signs that the Chinese economy in general is starting its inevitable slowdown. David Yang, Principal Analyst, Asia-Pacific, IHS Country Risk said that, “One likely economic concern was the relatively fragile state of the economy. According to IHS projections, China's economic growth is expected to slow to 6.5% in 2015 and 6.3% in 2016, the lowest level since 1990. Measures of Chinese industrial activity (freight traffic, copper imports, and the production of electricity, steel, aluminium, ethylene, automobiles, and appliances) showed little if any growth over the first half of 2015.”

Auto sales in China declined 7.1% y/y in July, with YTD sales flat according to China Association of Automobile Manufacturers (CAAM) data. Smaller domestic automakers in China continue to close the sales gap with their bigger peers, but it's the increasing unsold inventories that will be a concern for those involved in production. The association said vehicle production stood at 1.52m units last month, down 11.8% y/y. The decline in July's production brought down the year-to-date (YTD) output growth to 0.8% y/y to 13.61 million units. In July, IHS Automotive downgraded the mainland China production outlook for 2015 to 23.7 million units, from 24.0 million units in the June forecast, owing to seasonal adjustment and working-day correction. Major OEMs are expected to extend the coming summer breaks as a means of reducing inventories.

This slowdown is also affecting suppliers. Earlier in August, Faurecia and Valeo reported higher sales in China in the first half of the year. But though sales may be up, sales growth has taken the hit; Faurecia's sales growth, however, declined during the first half considering the company recorded 20% increase in sales during the same period in 2014. Valeo's sales in China increased by 10% y/y to EUR849 million (USD934 million), down from 28% growth reported a year earlier.

Despite the concerns though, many suppliers are still bullish on China. The last two months has seen plant openings in China from Continental, Cooper-Standard, IAC, Leoni, Johnson Controls-Yanfeng Automotive, and Nexteer. Lear's president of Asia Pacific seat and electronics, Jay Kunkel, in an *Automotive News* interview that took place before 'Black Monday', said that the company will stick to its plans for expansion in China, despite recent sales declines and a devaluation of the yuan. “We've had no draw-down on our investment plans at all. We're still looking at significant sales growth. Our numbers will beat the industry numbers,” Kunkel said. He also said that the recent

downturn in the country's stock market hurt only a fraction of the country's car-buying customer base. Kunkel did say, however, that many automakers have overcapacity in China and have to work with the country's moderating economic growth, while international makes are trying to adjust to radical swings in customer taste that have come to typify China, citing a current rapid rise of domestic Chinese automakers offering hot-selling compact SUVs. Lear plans to open a new electronics plant and a new seating plant in China through the end of 2016, and reported a 2% gain on sales in Asia with its second quarter results.

CONTACTS

The Americas

+1 877 863 1306

Europe, Middle East & Africa

+44 20 7176 1234

Asia-Pacific

+852 2533 3565

www.spglobal.com/mobility

Copyright © 2025 S&P Global Inc. All rights reserved.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Inc its affiliates (each and together “S&P Global”) and/or its third party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global to update the foregoing or any other element of the Property. S&P Global may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, www.spglobal.com/ratings (free of charge) and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.