

Chery begins construction of 60,000-unit annual capacity EV factory

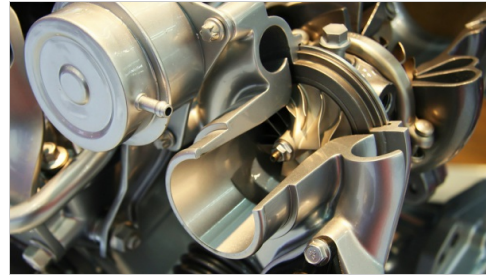
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To launch Arrizo 5 in March

Chinese automaker Chery Automobile has begun construction of a new plant in Wuhu, Anhui province, China. The CNY1.56-billion (USD240-million) facility will be ready to begin production by September this year. The second phase of construction will be completed by end-2017, reports Xinhua news agency.



Chery's new plant in Wuhu will have an annual production capacity of 10,000 units in its first year, with output rising to 60,000 units per annum (upa) once the second phase of construction is completed by end-2017, report local media.

The first model to be produced at the new Wuhu electric vehicle (EV) production base will be a small electric sport utility vehicle (SUV), which will be launched in the second half of 2016.

Chery aims to achieve annual sales of 200,000 new energy vehicles (NEVs) by 2020. In 2015, the automaker sold 14,000 NEVs, marking an increase of 66% year on year (y/y).

Chery aims to strengthen global reach with new models

Chery is also strengthening its line-up of regular models, aiming to increase market share in China as well as overseas, despite a slump in exports.

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The Chery Arrizo 5.
Picture courtesy Chery

Chery's new Arrizo 5 sedan will begin sales in March. The car is targeted at younger consumers and is based on Chery's Concept A car shown at the 2014 Auto Show in Beijing, and the Chery A5 sedan, which was shown at the 2015 Auto Show in Shanghai. The new Arrizo 5 was launched at the Guangzhou Motor Show in November 2015. It features a number of in-car technologies and has an advanced driver assistance system (ADAS) to specifically attract its target consumer group.

The Arrizo 5 will be launched with two engine options, a 1.5-litre engine and a 1.5-litre turbo engine plus CVT. Sales of the Arrizo 5 will begin sales simultaneously in China and Latin America, the company has said in a statement. Sales of the car will then begin in the Middle East and North Africa.

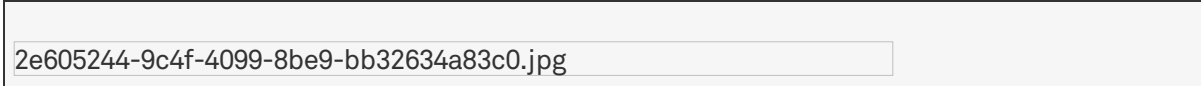
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Chery's target markets globally.

Chery has announced in a statement that in 2016 the automaker will push global sales and will "focus on enhancing its overseas brand image and customer experience, so as to become a competitive global auto brand".

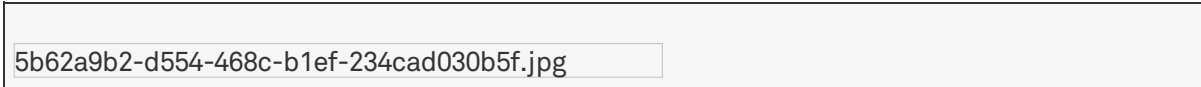
Chery has 1,000 sales and service centres outside of China and claims it has 1.2-million customers outside of China. With the launch of the Arrizo 5, the automaker will strengthen branding and marketing activities in target markets such as South America, Asia, the Middle East, and Eastern Europe, where it will launch media test drive rallies.

Outlook and implications



Chery has been witnessing falling production rates as well as falling global sales rates. In 2010, Chery sold over half-a-million units globally (in the main automotive markets) but witnessed falling sales in 2011, 2012, and 2013. However, Chery's sales increased by 7.54% y/y in 2014 and 1.44% y/y in 2015. In 2015, Chery sold 482,712 units globally, according to IHS Automotive data, and our current forecasts estimate that the automaker will sell around 479,000 units this year. Please note IHS Automotive data and data from the automaker differ. IHS Automotive covers the main automotive markets and uses data based on car registrations and not wholesale deliveries to dealerships.

According to IHS Automotive data, Chery has sold models in 63 different markets globally. However, the automaker's largest single market remains China, which accounted for sales of 412,196 units in 2015, or 85.4% of Chery's global sales. In 2015, Chery sold vehicles in around 25 markets globally, with Iran its second largest market with sales of over 31,000 units.



With the launch of new models, Chery aims to strengthen its sales globally. IHS Automotive data forecast that, by 2020, Chery will gain from its globalisation strategy. In 2020, our data forecast that Chery will sell vehicles in over 60 markets globally. In 2020, Chery's reliance on its domestic market will be reduced, although China will remain the largest single market for the automaker, accounting for around 74% of its global sales. However, the most striking difference is that, by 2020, Chery is forecasted to gain market share in developed markets such as Germany, Italy, and the United Kingdom.

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