

China Car Air Conditioner Market Report, 2007-2008

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Auto Air Conditioner Industry Development

China's automobile industry has developed astonishingly rapidly in recent years, its auto output and sales hit 2,069,423 sets and 2,086,343 sets respectively in 2000, and then 3,286,804 sets and 3,271,489 sets in 2002, 4,443,642 sets and 4,390,619 sets in 2003, 5,070,527 sets and 5,071,061 sets in 2004. It reached 7,279,700 sets and 7,216,000 sets in 2006, and 8,882,400 sets and 8,791,500 sets in 2007. Meanwhile, the auto air conditioner industry also had achieved the outstanding achievements. Naturally, China's auto air conditioner industry sees uneven development, and the gap and advantages coexist. After China's WTO Accession, it is confronted with huge market room and development potential. In addition, the intensive competition with foreign brands has also come.

Foreign-fund Companies Snatched Market Shares

The world's auto air conditioner compressor market has always been dominated by several Japanese and American companies. With the most advanced technology, DENSO, from Japan, holds 1/3 market all over the world. Moreover, ZEXEL, Sanden, SEIKO, Panasonic, and Mitsubishi are all the leaders in global air-conditioner compressor industry. American three companies, Delphi, Visteon and Chrysler, all have set up joint venture or sole-funded company in China generally, or even several production bases. Taking DENSO for example, it has set up factories in Yantai, Guangzhou and Kunshan, and then cooperated with Yanzhou Jiexin to establish a joint venture. Delphi has founded joint venture in Shanghai, and Suzhou Factory is under the construction. ZEXEL has set up factories in Hunan province and Northeast China respectively, Visteon in Dalian and Beijing, and Panasonic in Guangzhou. All of the above companies have held the majority of China's auto air conditioner compressor market. In 2007, China's auto air conditioner compressor output reached 9.10 million sets (except passenger car air conditioner), and Sanden topped with the output of 2.54 million sets. Moreover, the foreign companies like Yantai DENSO also had big output and sales.

Market Development Trend

China's auto air conditioner market is generally dominated by the several big companies like Sanden, Aotecar, DENSO, Panasonic, and ZEXEL. Moreover, the segments like passenger vehicle (car, SUV and MPV), truck and carriage all have such competitive layout. Therefore, the competition is quite intensive.

1) Increasingly Intensive Competition in Auto Air Conditioner Market

Up to 2007, China's auto air conditioner compressor was all relied on import, and then domestic making will be the new profit growth source in air conditioner industry. Many Chinese air conditioner manufacturers have all showed the great interest, and the giants like Midea, Haier, and Gree have started R&D and production of relevant component products. Therefore, just like the entry of household electric appliance manufacturers into auto TV and acoustics sectors, the auto air conditioner which acts as the new profit source in future air conditioner market will meet with intensive competition in near future. Moreover, with more and more international auto accessories producers march into China, the competition will be growing fierce, and the profit will be gradually shared.

2) Air-conditioner Supplemental Production Market Will Be Saturation, the Aftermarket Service Industry Still Has A large Room for Development

Air-conditioner matched-production market is next to saturation; meanwhile, requirements of full-vehicle automakers become stricter, for instance, Zhongbao Industry Co., Ltd mainly produces air-conditioner for Citroen Fukang, Foton, Dongfeng etc. In contrast, air-conditioner aftermarket service industry still has a large room, which is demonstrated by sales double growth of automotive maintenance and replacing of automotive air-conditioner market. Maybe, the auto parts producers guarantee high quality of their products due to their targeted OEMs of the famous Occidental and Japanese brands; therefore, they have no expenses on product bands exploration. As a consequence, they won the market with relatively low price.

3) Air-conditioner Market Will Be Further Segmented

In China, air-conditioner has not been prevalent yet in trucks and some special automotives due to few producers. Along with increasing awareness of producers and users on automotive air-conditioner, they will promote theirs requirements to this kind of air-conditioner.

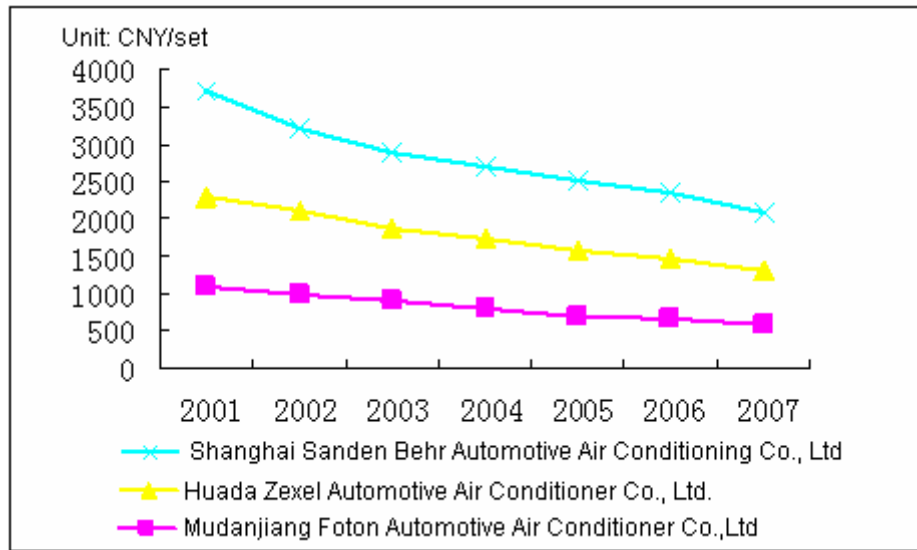
3.2.2 Market Development Trend of Compressor Industry

Concentration of China automotive air-conditioner compressor industry has declined attributing to severer market competition in recent years. Statistically, output concentration of top five and top ten compressor producers hit 71.9% and 92% respectively in 2004, and the rate dropped to 57.2% and 80.7% in 2007.

In recent years, some multinational manufacturers of automotive air-conditioner compressor have sped up their pace into Chinese market; meanwhile, China will gradually become one of the global production bases. For instance, In Aug 2004, Visteon (USA) and Halla (Korea) jointly set up Halla Air-conditioner (Dalian) Co., Ltd; in May 2005, their second automotive air-conditioner compressor company in China engaged in variable displacement compressor production was established in Kunshan by Toyota and DENSO (Japan); In Jul 2005, Valeo Fawer Compressor (Changchun) Co., Ltd was set up by Fawer Automotive Parts Co., Ltd and Valeo Heating System (Japan), it is also the second compressor plant of Valeo in China. In addition, Chongqing Jianshe Motorcycle Co., Ltd also moved to its new plants at the end of 2006, aiming for capacity expansion. Successive putting into production of those companies increased competitive pressure in China automotive air-conditioner compressor market. In consequence, some companies have turned to overseas retail markets.

According to statistics, matching price of China auto air-conditioner compressor was around CNY1, 200/set in 2001, and then fell to CNY800/set in 2005, down 33% or so during the four years. At the end of 2007, China's average matching price of automotive air-conditioner compressor was just CNY700/set, which shows the matching price will further slow down in the future.

*Average Matching Price of China's Three Vehicle Air-condition Compressor Companies,
2001-2007*



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