

# Auto Parts Manufacturing in China

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Tracy Li | July 2023

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## About IBISWorld

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# About This Industry

**Industry Definition** Businesses in the Auto Parts Manufacturing industry in China produce parts, accessories and components for motor vehicles, including motor vehicle bodies, mechanical and electronic components, and parts for electric motors. Manufacturers supply aftermarket motor vehicle assembly and replacement part companies.

**Major Players**

- SAIC Motor
- Wanxiang
- Weichai Holding
- Guangzhou Automobile Industry
- Aviation Industry Corporation of China,

**Main Activities**

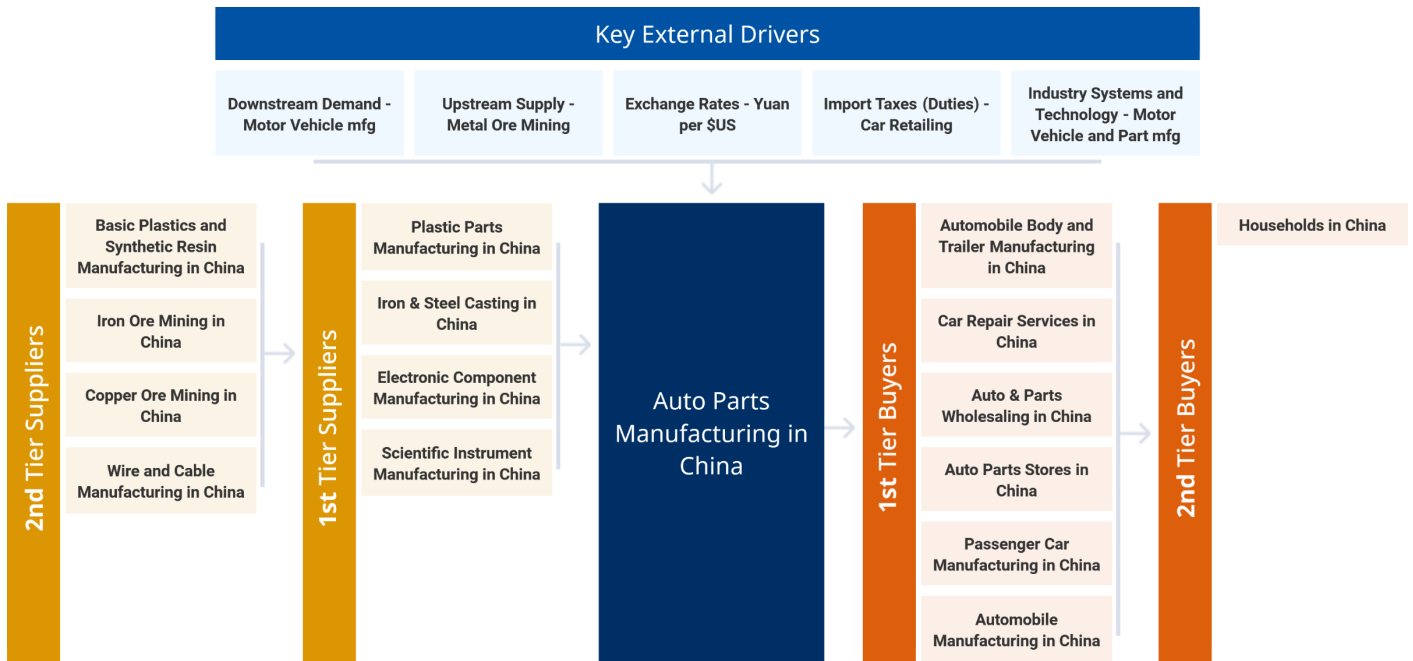
**The primary activities of this industry are:**

- Transmission system and components
- Suspension system and components
- Wheel system and components
- Braking system and components
- Steering system and components
- Electronic parts and accessories
- Other parts and accessories

**The major products and services in this industry are:**

- Transmission system and components
- Electronic parts and accessories
- Suspension system and components
- Wheel system and components
- Braking system and components
- Steering system and components
- Other parts and accessories

## Supply Chain



## SIMILAR INDUSTRIES

Automobile Body and Trailer Manufacturing in China



Auto Parts Stores in China



Car Rentals in China



Passenger Car Manufacturing in China



## RELATED INTERNATIONAL INDUSTRIES

Global Automobile Engine & Parts Manufacturing

Automobile Steering & Suspension Manufacturing in the US

Catalytic Converter Manufacturing in the US

Automotive Electrical Component Manufacturing in Australia

Automobile Electronics Manufacturing in Canada

Global Auto Parts & Accessories Manufacturing

Automobile Brakes Manufacturing in the US

Auto Parts Remanufacturing in the US

Motor Vehicle Parts and Accessories Manufacturing in Australia

Auto Parts Manufacturing in Canada

Automobile Engine & Parts Manufacturing in the US

Automobile Transmission Manufacturing in the US

Motor Vehicle Manufacturing in the UK

Motor Vehicle and Parts Manufacturing in New Zealand

Motor Vehicle Parts & Accessories Manufacturing in Ireland

Automobile Electronics Manufacturing in the US

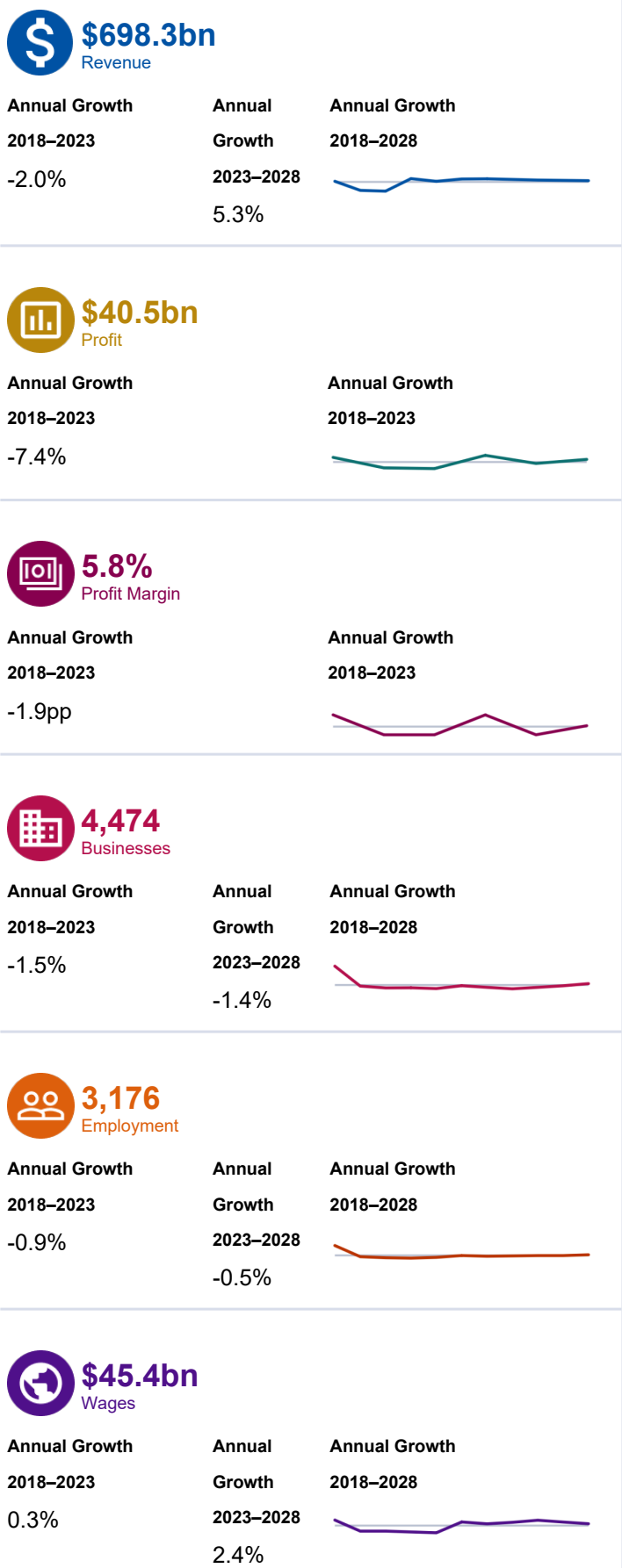
Automobile Interior Manufacturing in the US

Motor Vehicle Parts & Accessories Manufacturing in the UK

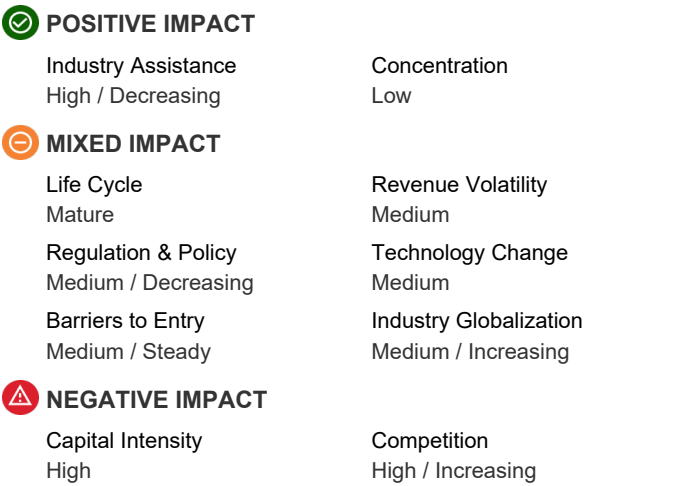
Automobile Engine & Parts Manufacturing in Canada

Industry at a Glance

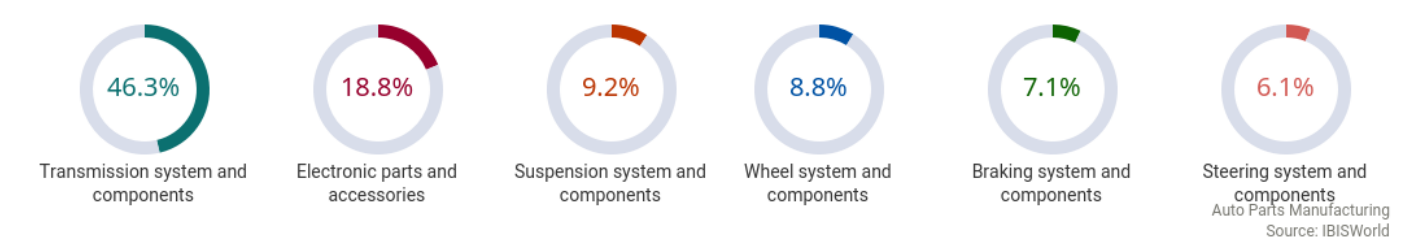
Key Statistics



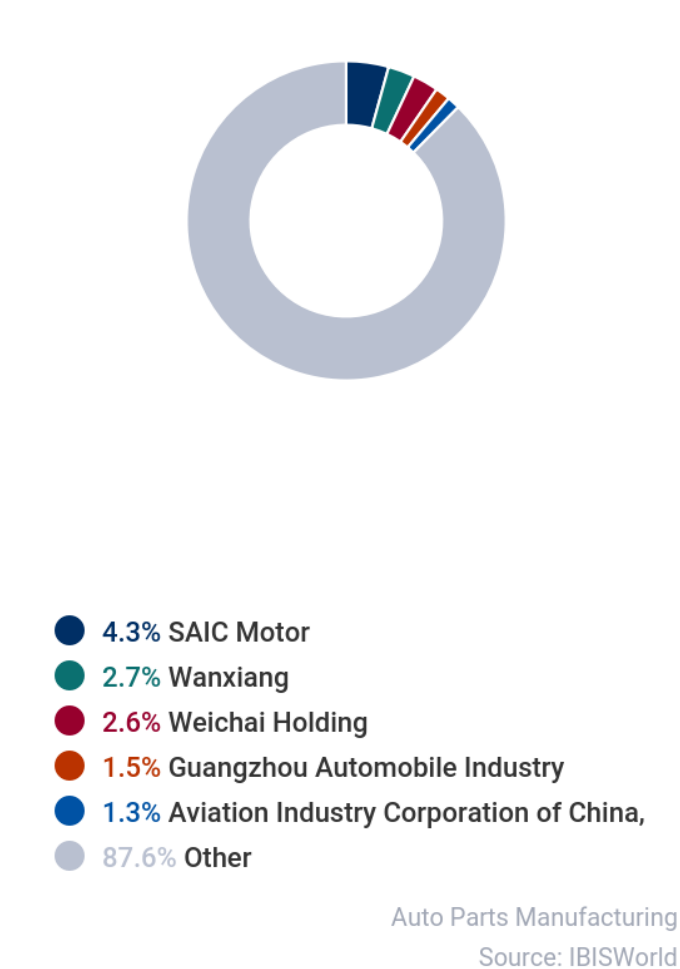
Industry Structure



Products & Services Segmentation



Major Players



SWOT

S	<b>STRENGTHS</b>  Low Product/Service Concentration High Revenue per Employee
W	<b>WEAKNESSES</b>  Low Profit vs. Sector Average High Customer Class Concentration High Capital Requirements
O	<b>OPPORTUNITIES</b>  High Performance Drivers
T	<b>THREATS</b>  Low Revenue Growth (2018-2023) Low Outlier Growth Low Revenue Growth (2023-2028)

**Executive Summary** Sales revenue from the downstream automobile manufacturing industry has declined since 2018, and revenue growth in the Auto Parts Manufacturing industry has been slow. In 2019, the sales volume of automobiles, especially passenger vehicles, declined dramatically. This trend has negatively affected sales revenue in the industry. Overall, revenue for the Auto Parts Manufacturing in China is expected to decrease at an annualized 2.0% to \$698.3 billion over the past five years, including a growth rate of 6.7% in 2023 alone, when profit is anticipated to narrow slightly to 5.8% of revenue.

China has become one of the largest manufacturers of automobile parts and accessories in the world. With improving technology and upgrading product structure of China's local manufacturers, industry exports have increased at a CAGR of 6.2% over the past five years, with share of industry revenue growing 5.0% in 2018 to an estimated 7.5% in 2023. Competing imports are expected to decrease at a CAGR of 5.0% over the five years through 2023. However, China still relies on imports to satisfy demand for high-quality automobile parts, as supply of high-quality and specialized auto parts of domestic manufacturers generally cannot meet the market demand. The production of advanced automotive parts is still limited in China. Products like acoustic systems, automobile special-purpose ICs (integrated chips), high-end sensors, and microprocessors are imported from developed countries.

Industry revenue is forecast to rebound over the next five years, increasing at an annualized 5.3% over the five years through 2028, to total \$903.8 billion. As the technology and the quality of Chinese products improve and pricing remains competitive, demand from overseas market is anticipated to increase steadily. As a result, exports are projected to grow at a CAGR of 6.0% over the five years through 2028, to \$70.0 billion.



# Industry Performance

## Key External Drivers

### Downstream Demand - Motor Vehicle mfg

Automobile parts and accessories manufacturers are closely linked to complete automobile manufacturing processes. Industry manufacturers are increasingly required to provide complete sub-systems for assembly. Fast development of the Automobile Manufacturing industry stimulates the growth of the Auto Parts Manufacturing industry. The sales volume of automobiles is expected to increase 3.0% in 2023.

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### Upstream Supply - Metal Ore Mining

Rising raw material prices like increase production costs and can reduce profit if these costs are not passed on to customers. Increases in the price of steel and iron that are used in the manufacturing process can have a negative impact on the industry, reducing industry profitability finally. Steel price is expected to increase 1.5% in 2023.

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### Exchange Rates - Yuan per \$US

The appreciation of the yuan against the US dollar makes Chinese exports less competitive in foreign markets, and imports cheaper in the domestic market. However, depreciation of the yuan is expected to stimulate exports of Chinese auto parts. The yuan is expected to depreciate 5.7% in 2023 and stimulate China's auto parts exports.

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### Import Taxes (Duties) - Car Retailing

Further reductions in tariffs can lead to greater import penetration, which will have certain negative impact on the development of domestic auto parts manufacturers. However, imports are significant in the aftermarket segment, where substitutes of original equipment prevail, and imports will urge domestic auto parts manufacturers to strive to improve technology research and development. In 2023, the import tariff for auto parts is expected to keep unchanged.

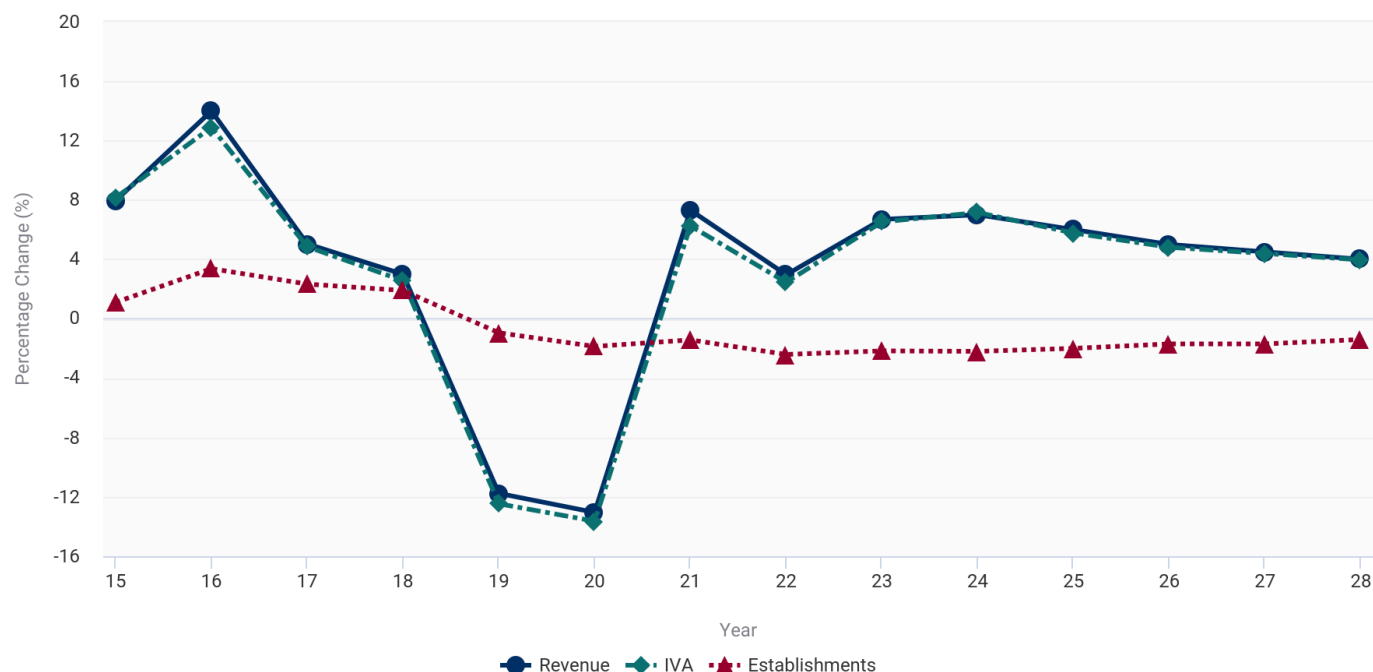
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### Industry Systems and Technology - Motor Vehicle and Part mfg

Technology and systems influence production costs and the types and specifications of products manufactured. Higher technology level will be helpful for auto parts manufacturers to reduce production costs and develop high-quality products. Therefore, auto parts manufacturers of larger scale usually will increase investment in technology research and development. The industry technology level will increase in 2023.

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Industry Performance 2015–2028



Auto Parts Manufacturing  
Source: IBISWorld

## Current Performance

**Revenue for the Auto Parts Manufacturing in China is expected to decrease at an annualized 2.0% to \$698.3 billion over the past five years, including a growth rate of 6.7% in 2023 alone, when profit is anticipated to be 5.8% of revenue.**

### The outbreak of COVID-19 has certain negative impact on the industry

- The COVID-19 outbreak directly caused a reduced production capability at the beginning of 2020. COVID-19 pandemic had also weakened consumers' purchasing power and lowered their future income growth expectation, resulting in sales reduction of automobiles, which further had negative impact on the Auto Parts Manufacturing industry. In 2020, the industry revenue decreased 13.0% to \$592.4 billion.
- With effective controls policy of COVID-19 in China, the production activities and market sales of the industry has recovered soon.

### China is still need to import high-quality auto parts to meet domestic market demand

- Although domestic auto parts manufacturers has been enhancing technology research and development and improving product quality, there still exists some products, like automobile special-purpose ICs (integrated chips), high-end sensors, and microprocessors, needed to be imported from developed countries and regions.
- As the Government in China supports domestic auto parts manufacturers to strengthen technology independent innovation capabilities and domestic auto parts of larger scale has been increasing investment in research and development, domestic supply of high-end auto parts has gradually increased. Therefore, imports as share of domestic demand decreased from 4.3% in 2018 to an estimated 3.8% in 2023.

### The industry has formed six major industrial clusters

- With continuous development of the Automobile Manufacturing in China, the Automobile Manufacturing industry has formed six major industrial clusters. In order to obtain more orders from automobile manufacturers and keep a long-term contracts relationship with customers, auto parts manufacturers usually are established around the production bases of automobile manufacturers.
- The industry has formed six major industrial clusters consist with the Automobile Manufacturing industry, including the Yangtze River Delta, the Pearl River Delta, the Chengdu-Chongqing western industrial cluster, the northeast industrial cluster, the central triangle industrial cluster with Hubei, Hunan and Anhui as the core and the Beijing-Tianjin-Hebei industrial cluster.

### Electrification and intelligence of automobiles has been promoting the auto parts product structure improvement

- The new energy vehicle market has developed fast in recent years, with share of sales volume of new energy vehicles accounting for total automobiles increased from 4.5% in 2018 to 25.6% in 2022. Meanwhile, the Government in China has been supporting the intelligent automobile development.
- Traditional auto parts manufacturers have to accelerate transformation to comply with the development

## Historical Performance Data

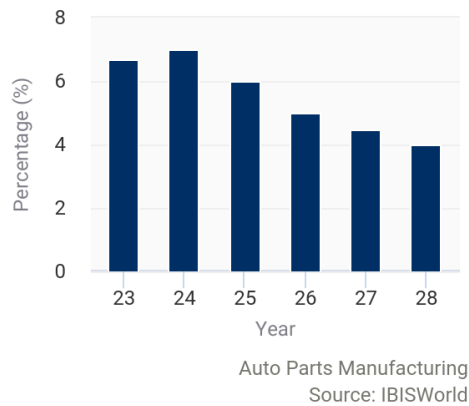
Year	Revenue (\$b)	IVA (\$b)	Establishments (Units)	Enterprises (Units)	Employment	Exports (\$b)	Imports (\$b)	Wages (\$b)	Total Assets (\$b)	Domestic Demand (\$b)
					(Thousands of people)					
2014	580	144	12,503	4,541	2,929	33.4	31.0	32.7	421	578
2015	626	155	12,641	4,578	3,055	32.7	27.0	36.5	465	621
2016	714	175	13,067	4,683	3,159	31.8	29.1	41.3	521	711
2017	750	184	13,372	4,756	3,254	35.8	31.3	43.3	563	745
2018	772	188	13,626	4,821	3,326	38.8	32.8	44.6	598	766
2019	681	165	13,497	4,757	3,299	37.0	27.8	44.6	609	672
2020	592	142	13,245	4,682	3,263	36.1	28.3	44.6	615	585
2021	636	151	13,055	4,609	3,224	47.8	31.8	44.5	630	620
2022	655	155	12,740	4,532	3,192	50.3	25.5	44.3	638	630
2023	698	165	12,464	4,474	3,176	52.4	25.4	45.4	655	671

# Industry Outlook

## Outlook

**Revenue for the Auto Parts Manufacturing in China is forecast to increase at an annualized 5.3% to \$903.8 billion over the five years through 2028, when profit margins are projected to be 6.0% of revenue.**

Industry Outlook  
2023–2028



### Domestic auto parts manufacturers will continue developing international market

- Improvements in technology and quality of Chinese products will likely support export growth. Industry exports are forecast to increase at an annualized 6.0% over the five years through 2028.
- After years of development, the Auto Parts Manufacturing in China has strong production and manufacturing capabilities and certain international market competitiveness. Domestic enterprises will continue to strengthen independent innovation capacity building, and increase product exports.
- In the trend of globalization, domestic auto parts companies will continuously accelerate expansion and integration into the global auto parts procurement system through overseas mergers and acquisitions and equity joint ventures, etc.

### Increasing competition will get more intense and industry merger and acquisition activities will increase

- Economies of scale and increased competition are forecast to drive industry performance over the next five years. Currently, many small companies operate with low efficiency in the industry. Issues of small scale, low concentration and competition inhibit industry development. Domestic manufacturers will have to integrate to complement each other and allocate resources more efficiently. Industry merger and acquisition activities will increase.
- Domestic enterprises of larger scale have begun incorporating some advanced international technology, equipment and management systems into operations, and enhancing independent innovation capabilities. Small enterprises will be merged or exit the industry.

### Lightweight automobile trends will open up new growth space for the industry

- Driven by the national energy conservation and emission reduction policies, and the need to extend the driving mileage of electric vehicles, vehicle lightweight has gradually become one of the important development directions of the Automobile Manufacturing industry.
- Research shows that every 10.0% reduction in the weight of fuel vehicles will reduce fuel consumption by 6.0% to 8.0%. In order to meet increasingly stringent emission standards, automobile manufacturers are also vigorously promoting vehicle lightweight.
- The application trend of lightweight components is obvious. Lightweight products like aluminum automotive components have a large market space and a good market development trend.

### Modular procurement will enable auto parts manufacturers to deeply participate in the automobile manufacturing process

- Modular procurement refers to the procurement of supporting products by automobile manufacturers from auto parts enterprises using modules as a unit. The transformation from single component procurement to module procurement fully utilizes professional advantages of auto parts companies, and shortens development cycle of new automobile products.
- In modular supply, auto parts companies will undertake more new product and technology development work, and actively implement synchronous or advanced development of the entire vehicle. They are

increasingly involved in the development and production process of the entire vehicle, maximizing the level of generalization and standardization of components and enhancing scale effects.

## Performance Outlook Data

Year	Revenue (\$b)	IVA (\$b)	Establishments (Units)	Employment		Exports (\$b)	Imports (\$b)	Wages (\$b)	Total Assets (\$b)	Domestic Demand (\$b)
				Enterprises (Units)	(Thousands of people)					
2023	698	165	12,464	4,474	3,176	52.4	25.4	45.4	655	671
2024	747	177	12,190	4,407	3,154	55.5	25.3	46.3	675	717
2025	792	187	11,946	4,332	3,135	58.8	25.2	47.4	702	758
2026	832	196	11,743	4,267	3,119	62.9	25.1	48.8	737	794
2027	869	205	11,543	4,212	3,103	66.7	24.9	50.0	767	827
2028	904	213	11,381	4,170	3,094	70.0	24.7	51.0	794	859
2029	935	220	11,256	4,132	3,085	72.5	24.5	51.9	817	887

## Industry Life Cycle The life cycle stage of this industry is ⊖ Mature

### LIFE CYCLE REASONS

Industry value added is expected to increase very slowly over the ten years through 2028

There are frequent technology changes and innovations in this industry

Number of enterprises is decreasing

Indicative Industry Life Cycle



### Contribution to GDP

Industry value added is expected to increase at an annualized 1.2% over the ten years through 2028, which represents an underperformance of China's GDP growth of 4.9% over the same period.

### Market Saturation

Mainly due to growing merger and acquisition activities resulted from increasing industry competition, the number of enterprises and establishments will decrease at 1.4% and 1.8% on average over the ten years through 2028.

### Innovation

Technological changes and innovations are frequent in the industry. Electrification and intelligence of automobiles has been promoting the auto parts product structure improvement.

### Consolidation

The Auto Parts Manufacturing industry is highly fragmented. The four largest firms are expected to generate 11.1% of total industry revenue in 2023.

**Technology and Systems**

More and more industry firms have increased investment to technology research and development and accelerate transformation in order to comply with the electrification and intelligence development of automobiles and modular procurement trend of automobile manufacturers.

# Products & Markets

## Supply Chain

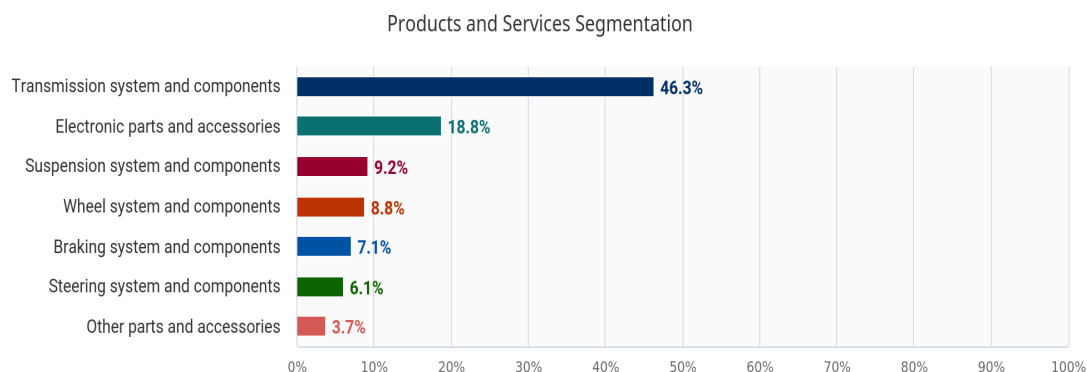
### Key Buying Industries

<b>1st Tier</b>	
Automobile Body and Trailer Manufacturing in China	
Car Repair Services in China	
Auto & Parts Wholesaling in China	
Auto Parts Stores in China	
Passenger Car Manufacturing in China	
Automobile Manufacturing in China	
<b>2nd Tier</b>	
Households in China	

### Key Selling Industries

<b>1st Tier</b>	
Plastic Parts Manufacturing in China	
Iron & Steel Casting in China	
Electronic Component Manufacturing in China	
Scientific Instrument Manufacturing in China	
<b>2nd Tier</b>	
Basic Plastics and Synthetic Resin Manufacturing in China	
Iron Ore Mining in China	
Copper Ore Mining in China	
Wire and Cable Manufacturing in China	

## Products & Services



2023 INDUSTRY REVENUE

**\$698.3bn**

Auto Parts Manufacturing  
Source: IBISWorld

### Transmission system and components are the largest product segment

- The transmission system and components are mainly composed of six parts, including clutch system, automated mechanical transmission system, universal transmission device, main reducer system, differential system and axle shaft system.
- The transmission system and components make up the industry's largest product segment, contributing to an estimated 46.3% of total industry revenue in 2023.
- Energy conservation and environmental protection, portability of operation and integration of vehicle electronic integrated control are important development trends of transmission system and components in the future.

### Intelligent connected vehicle development will drive continuous growth of electronic parts and accessories segment

- Electronic parts and accessories mainly include automotive wiring harness and components, vehicle electronics, auxiliary driving and components, sensors, electronic control units and components. The most important role of electronic parts and accessories is to improve the safety, comfort, economy and entertainment of vehicles.
- Electronic parts and accessories are expected to generate 18.8% of total industry revenue in 2023.
- The transformation of the automobile industry towards electrification, intelligence and networking will drive the continuous growth of the electronic parts and accessories market.

### Suspension system and components market develops, benefiting from single component cost advantage

- Suspension system and components refers to the whole support system composed of springs and shock absorbers between the body and tires. The function of the suspension system and components is to support the body and improve the feeling of driving. Different suspension settings will make the driver have different driving feelings.
- With the cost advantage of single components like shock absorber, spring, swing arm or control arm, subframe and torsion beam, the suspension system and components market develops fast. Suspension system and components are forecast to account for 9.2% of total industry revenue in 2023.

### Wheel system and components are also major segment

- The wheel system is the walking component of a car. When the car is working, the wheels transmit the force emitted by the car to the road surface, and at the same time transmit the reaction force given by the ground back to the car. The car achieves the agreed bearing capacity and completes the standard movement based on the force and torque transmitted by the wheels. The wheel system and components include wheel hub and tire and components.
- The wheel system and components are expected to account for 8.8% of total industry revenue in 2023.

### Braking system and components are the fifth largest segment

- The braking system is a series of specialized devices that can forcibly reduce the driving speed of a car. The main function is to slow down or even stop a moving car, maintain a stable speed for downhill driving, and keep a stopped car stationary. The braking system and components include brake assembly and components, brake friction materials, brake pumps and components, and brake control systems and components.



- The braking system and components are expected to account for 7.1% of total industry revenue in 2023.

**Steering system and components are an important segment**

- The steering system is a series of devices used to change or maintain the direction of a car's movement or reverse. The steering system and components include steering gear assembly and components, steering column and components, and steering booster and components.
- The steering system and components are expected to account for 6.1% of the industry revenue in 2023.

**Other parts and accessories are the smallest segment**

- Other parts and accessories mainly include air intake and exhaust system, ignition system, lubrication system, cooling system and starting system, etc.
- Other parts and accessories are expected to account for 3.7% of the industry revenue in 2023.

**Demand  
Determinants**

**Economic growth levels**

China's economy has been growing rapidly in recent years. This trend has contributed to strong growth in demand and industry revenue.

**The development and expansion of automobile industries**

The Automobile Manufacturing industry in China has been growing strongly over the past five years, creating strong growth opportunities for automotive parts and accessories manufacturers. At the end of 2022, the total number of automobiles in use in China was about 319 million.

**Diversity of downstream industries**

Different vehicles require different types of automobile parts and accessories. This diversity can stimulate demand for a variety of products manufactured by the industry.

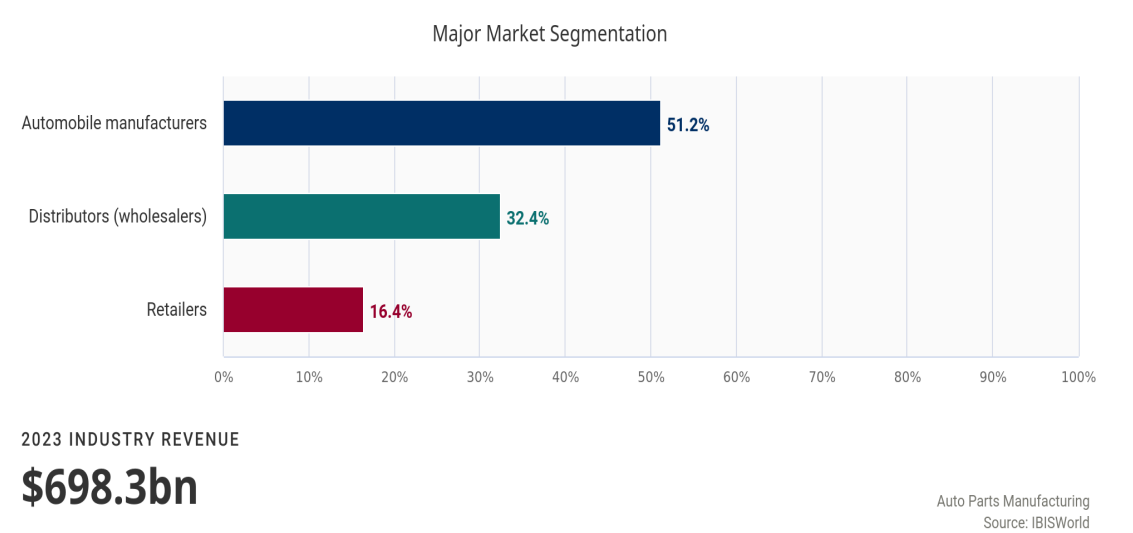
**Quality and technology levels**

The development of new technology and the production of high-quality products stimulate demand for industry products.

**Government regulations**

National and provincial regulations have encouraged industry development. These regulations have focused on providing a better operating and market environment for the industry.

**Major Markets**



**Automobile manufacturers are likely to select auto parts suppliers nearby**

- Automobile manufacturers refer to enterprises manufacture automobiles. Most of industry's products are sold directly to automobile manufacturers for automobile manufacturing and supplying to 4S stores. In 2023, automobile manufacturers are expected to account for 51.2% of total industry revenue.
- Many automobile manufacturers are likely to select auto parts suppliers which are close to their production bases, in order to get auto parts conveniently and reduce purchasing costs. Therefore, auto parts manufacturers are usually distributed around the automobile production bases.

### Distributors/wholesalers are the second-largest market

- Distributors/wholesalers refer to commercial organizations that purchase auto parts from auto parts manufacturing enterprises and resells them to retailers, industrial users or other organizations. In 2023, distributors/wholesalers are expected to make up 32.4% of total industry revenue.
- Some foreign auto parts manufacturers have established first- and second-tier distributors responsible for automobile parts and accessories sales and distribution. As automobile production is concentrated in Shanghai, Changchun, Hubei, Beijing, Tianjin, Guangzhou, Chongqing and Harbin, these cities have developed strong distributor networks for automobile parts and accessories sales.

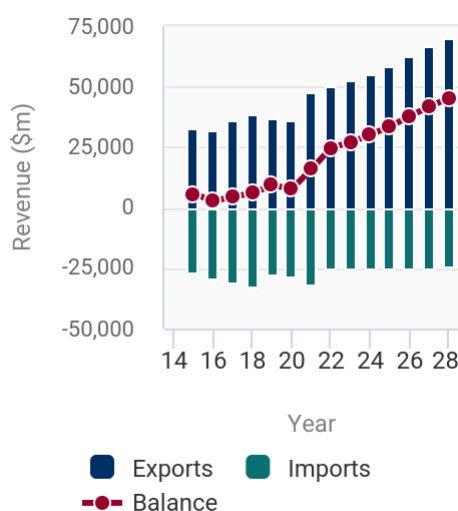
### Development of retailers market benefits from wide product range and lower prices

- Retailers refers to middlemen who sell auto parts directly to end consumers.
- Some cities have established retail markets for automobile parts and accessories, like Beijing West Suburb Automobile Parts and Accessories Market, Shanghai Oriental Automobile Parts and Accessories Market, and Wuhan Wanguo Automobile Parts and Accessories Market. Customers often prefer to buy products from these markets due to the range of product available and lower prices of parts and accessories.
- With fast development of e-commerce, some retailers have selected sell auto parts through online channels. In 2023, retailers are expected to account for 16.4% of total industry revenue.

**International Trade** Exports in this industry are ☹ **Medium** and Increasing

Imports in this industry are ☺ **Low** and Decreasing

### Industry Trade Balance



Auto Parts Manufacturing in  
China

Source: IBISWorld

### Exports

#### Exports have increased over the past five years

- China has become one of the largest manufacturers of automobile parts and accessories in the world.
- Exports have increased at a CAGR of 6.2% over the past five years, with share of industry revenue growing 5.0% in 2018 to an estimated 7.5% in 2023.
- Mainly due to weak global market demand between 2019 and 2020, export growth has fluctuated over the past five years.
- With improving technology and upgrading product structure of China's local manufacturers, industry exports are forecast to increase at a CAGR of 6.0% over the five years through 2028.

#### Industry products are usually exported to countries and regions with developed automobile manufacturing industry

- According to China Customs, the major export markets for the Auto Parts Manufacturing industry in 2022 included the United States (23.4% of total exports by value), Japan (7.1%), Mexico (6.6%) and Germany (5.0%), which all have developed automobile manufacturing industry.

- As the seven largest automobile manufacturer and the fifth largest auto parts manufacturer, Mexico has lower labor cost compared with China and many Chinese auto parts enterprises have set up production bases in Mexico. Therefore, share of Mexico is expected to decrease gradually in the future.

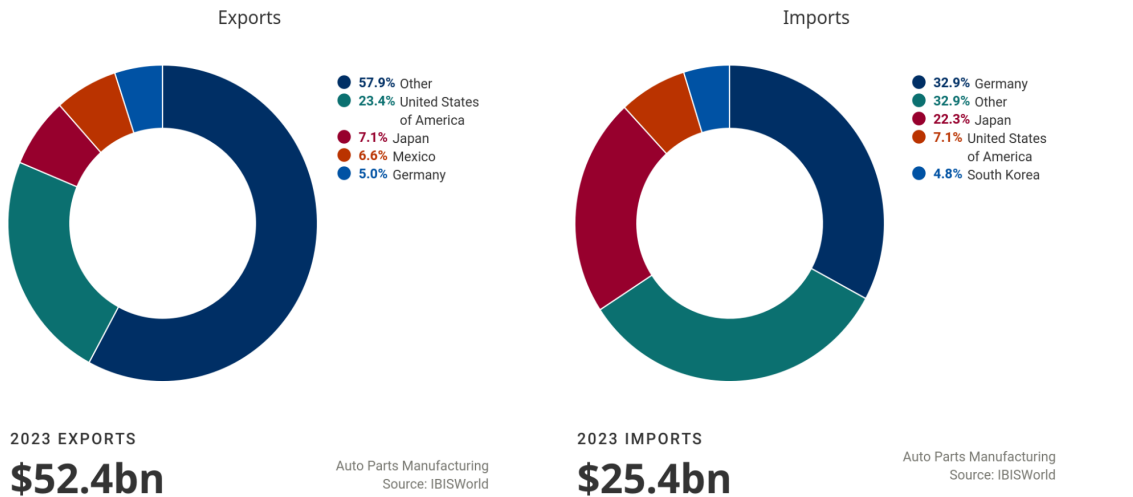
Imports

Imports have decreased as result of increasing supply of high-quality products of domestic manufacturers

- Competing imports are expected to decrease at a CAGR of 5.0% over the five years through 2023. However, China still relies on imports to satisfy demand for high-quality automobile parts, as supply of high-quality and specialized auto parts of domestic manufacturers generally cannot meet the market demand.
- With industry policy supports and enhancing technology independent innovation capabilities, domestic auto parts manufacturers have accelerated the development of high-end products. Therefore, imports as share of domestic demand decreased from 4.3% in 2018 to an estimated 3.8% in 2023.

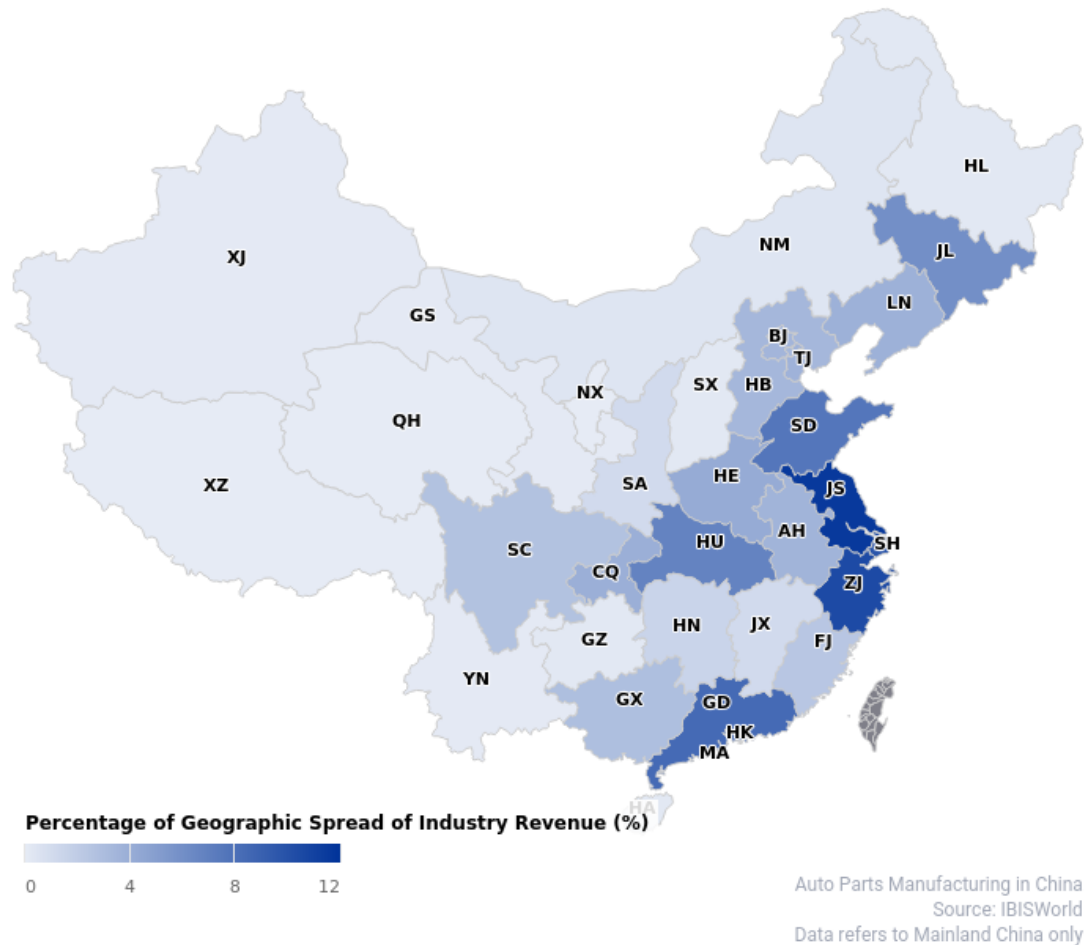
Imports are mainly from the developed auto parts manufacturing countries and regions

- Germany was the largest source of competing imports in 2022, accounting for 32.9% of total import value. Other major sources of imports included Japan (22.3%), the United States (7.1%) and South Korea (4.8%). These countries accounted for 67.1% of total competing imports into China in 2022.
- These countries all have larger auto parts enterprises. For instance, Germany has Robert Bosch GmbH, ZF Friedrichshafen AG and Continental AG, etc., and Japan has Denso Corp., Aisin Seiki Co. and Yazaki Corp., etc.



## Business Locations

## Business Concentration in China

**The Yangtze River Delta is the largest auto parts manufacturing region**

- The Yangtze River Delta includes Shanghai, Jiangsu, Zhejiang and Anhui. With its GDP accounting for 24% of China in 2022, the Yangtze River Delta is one of the economically developed regions in China.
- The Yangtze River Delta has gathered many large automobile manufacturers, like SAIC Motor, Geely Holding and Tesla, etc., which provides greater downstream market demand for auto parts.
- With higher income levels of consumers, larger populations, number of vehicles in use and convenient transportation facilities, auto parts market in this region has large future growth potential.

**Fast development of Guangdong-Hong Kong-Macao Greater Bay Area will promote auto parts industry in Guangdong**

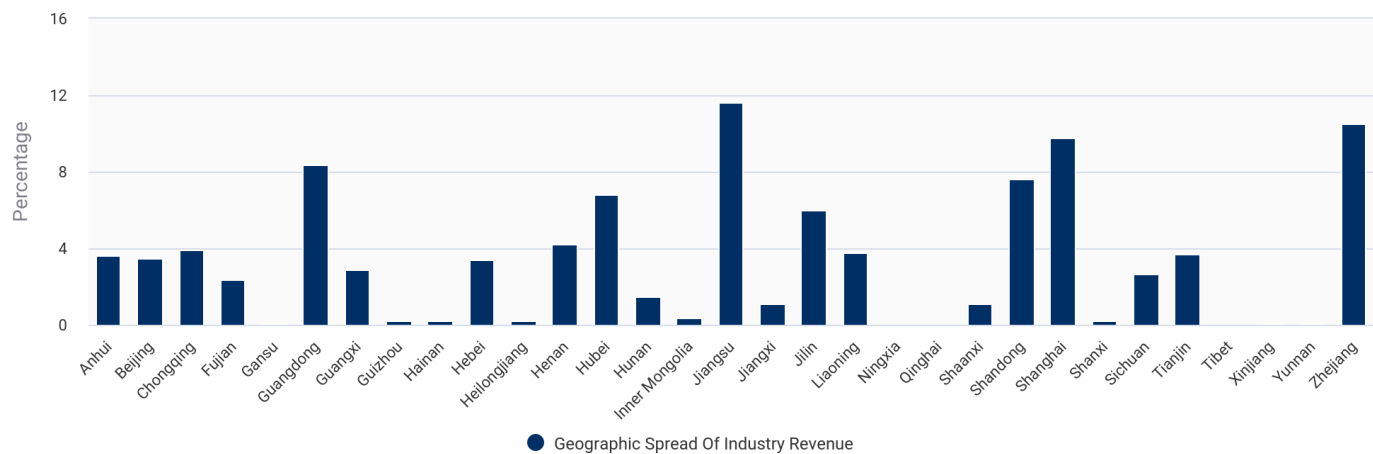
- Guangdong is the most developed province in China, with GDP ranking first for 34 consecutive years. With higher consumers' income levels and larger number of vehicles in use, auto parts market demand is greater in Guangdong.
- Guangdong is one the largest automobile manufacturing bases in China, with sales revenue of its automobile manufacturing industry accounting for over 10% of China and owning many large automobile manufacturers, like GAC Group and BYD. Therefore, downstream market demand for auto parts in Guangdong is stronger.
- With fast development of Guangdong-Hong Kong-Macao Greater Bay Area, auto parts industry in Guangdong has potential future growth.

**The regional development of automobile industry in Hubei is clear**

- The automobile industry is the largest industry in Hubei and has formed Wuhan-Xiangyang-Shiyan-Suizhou automobile belt along the Hanjiang River. Hubei is an important base for light and heavy commercial vehicles, medium- and high-end passenger vehicles, new energy vehicles and key auto parts.
- The regional development of automobile industry in Hubei is clear, with R&D of automobiles and auto parts and manufacturing of passenger vehicles mainly distributing in Wuhan, manufacturing of light

commercial vehicles and medium- and high-end passenger vehicles in Xiangyang, manufacturing of medium and heavy trucks and military vehicles in SHIYAN and manufacturing of special vehicles in Suizhou.

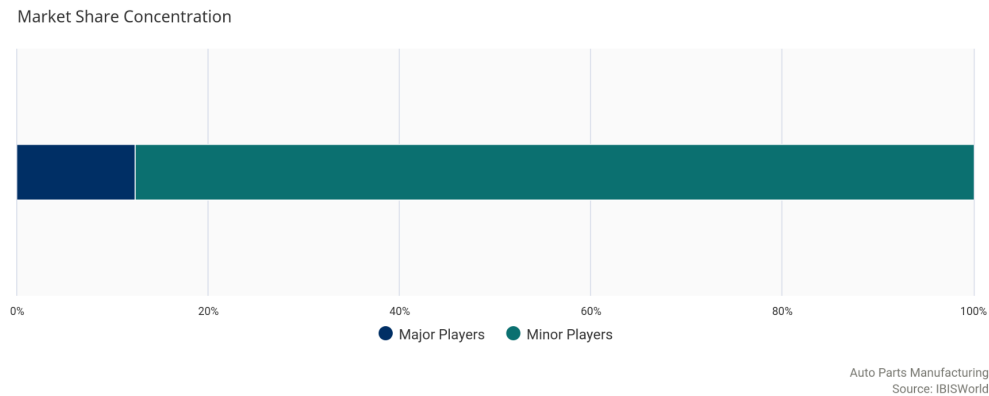
Distribution of Geographic Spread Of Industry Revenue



Auto Parts Manufacturing  
Source: IBISWorld

# Competitive Landscape

## Market Share Concentration



Concentration in this industry is Low

### The Auto Parts Manufacturing industry is highly fragmented

- The four largest firms are expected to generate 11.1% of total industry revenue in 2023. Many small- and medium-size enterprises operate in the industry, and the market is highly fragmented.
- Many industry manufacturers operate on a small scale and are privately owned. The majority of these firms lack substantial capital, technologies and employees, and only produce single products and spare parts.
- Low market share concentration also reflects the diverse nature of the industry's products. Firms tend to focus on particular parts or markets, and the majority of enterprises manufacture single products. Only some larger firms are able to manufacture a wide variety of automobile parts and accessories.

### The industry concentration will increase gradually in the future

- According to Medium and Long Term Development Plan of Automobile Industry released in April 2017, by 2025, several of the top ten auto parts groups in the world are anticipated to be Chinese.
- As industry competition will get much fiercer, industry merge and acquisition activities will increase and small enterprises are expected to be merged or exit the industry.

Key Success Factors

IBISWorld identifies over 200 Key Success Factors for a business. The most important for this industry are:

**Develop a symbiotic relationship with another industry:**  
Secure symbiotic relationships with downstream firms can provide a competitive advantage for industry enterprises and guarantee long-term sales contracts with automobile manufacturers.

**Develop an extensive distribution network:**  
Having extensive sales channels can help manufacturers expand sales areas, better understand market changing trend, and increase market share and revenue growth.

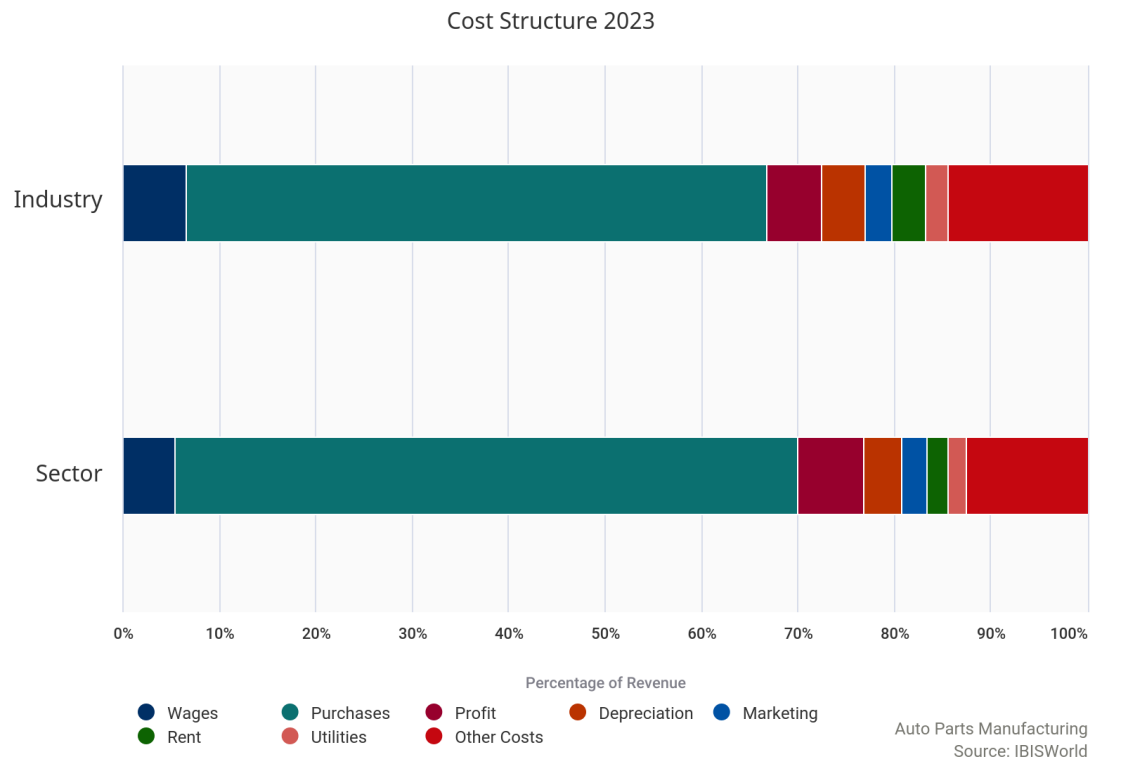
**Undertaking technical research and development:**  
Product innovation and expenditure on research and development can provide a competitive advantage for industry firms like reducing production cost and improving product quality.

**Develop effective quality control:**  
Successful companies in the industry adopt quality assurance techniques and policies to improve their products and processes and guarantee product quality.

**Invest in new technology to enhance operational efficiency and quality:**  
Increasing investment in technological improvements and product development can improve industry firms' products and help firm to launch new products meeting market changing trend.

**Secure export markets:**  
The development of export markets is important for firms in the industry that seek to develop internationally. Developing international market also benefits the improvement of brand influence of manufacturers.

Cost Structure Benchmarks

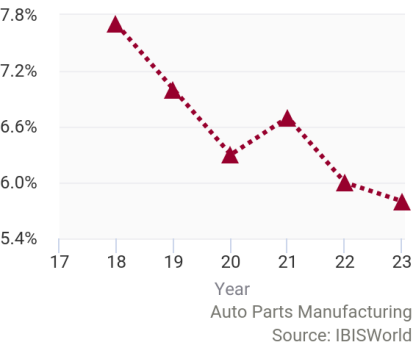


Profit

Industry profitability has decreased over the past five years, but will grow gradually

- Mainly due to increasing raw material and labor costs and market competition, average industry profit is estimated to account for 5.8% of revenue in 2023, down from 7.7% in 2018.
- With enhancing industry technology level and high-end development, industry profitability is expected to grow gradually during the next five years.

Profit as a Share of Revenue 2018-2023

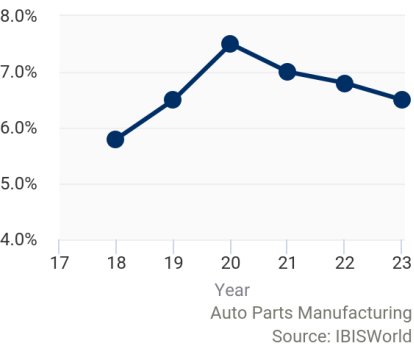


Wages

Wages as share of industry revenue will decrease

- Another major industry cost is labor, which is expected to account for 6.5% of industry revenue in 2023. Although the cost of labor is lower in China than in many other countries, domestic manufacturers do not generally use advanced technology. Consequently, firms rely heavily on labor for production.
- With introduction of advanced production equipment and intelligent manufacturing system, the industry will not need many employees. Therefore, wages as share of industry revenue are forecast to decrease to 5.6% in 2028.

Wages as a Share of Revenue 2018-2023

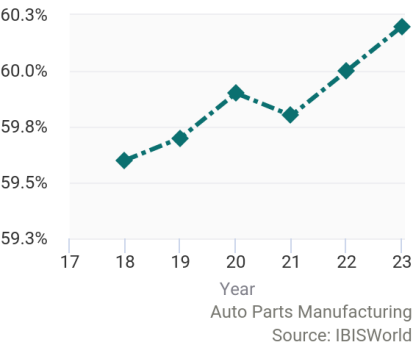


Purchases

Purchases are the largest segment and have increased

- Purchases of raw materials, including iron, steel and machine parts, are the largest cost for industry operators. Purchases are expected to account for 60.2% of industry revenue in 2023.
- Prices had risen strongly, especially for steel, due to increasing global and domestic demand for raw materials from 2015 to 2022. The COVID-19 pandemic has also halted mining operations, which have increased the price of raw materials. Some auto parts manufacturers have had to pass on these cost increases to limit the loss in revenue.

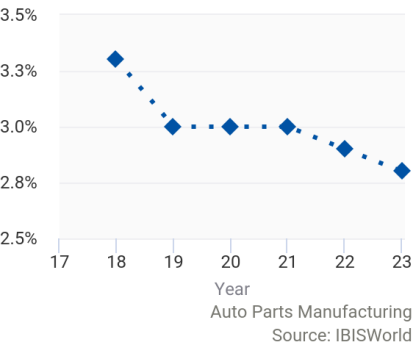
Purchases as a Share of Revenue 2018-2023



Marketing

Manufacturers are expected to spend an estimated 2.8% of revenue on marketing in 2023.

Marketing as a Share of Revenue 2018-2023

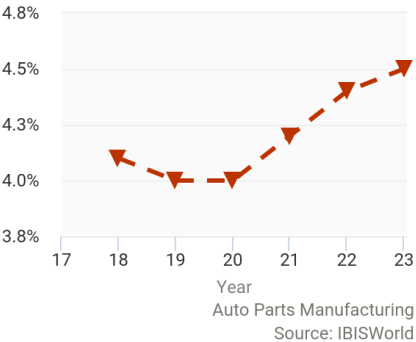




Depreciation

Depreciation is expected to account for 4.5% of industry revenue in 2023.

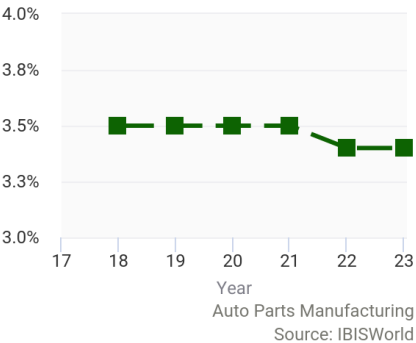
Depreciation as a Share of Revenue 2018-2023



Rent

Rent costs are expected to account for 3.4% of industry revenue in 2023.

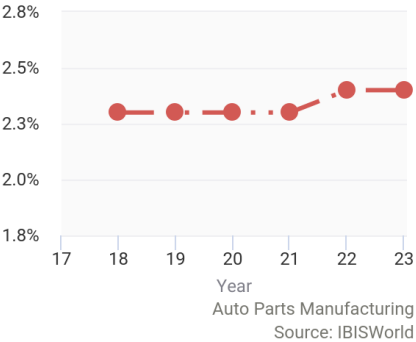
Rent as a Share of Revenue 2018-2023



Utilities

Utilities account for an estimated 2.4% of revenue in 2023.

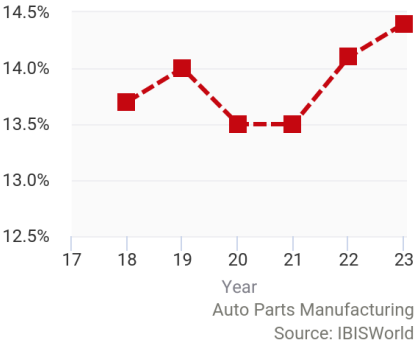
Utilities as a Share of Revenue 2018-2023



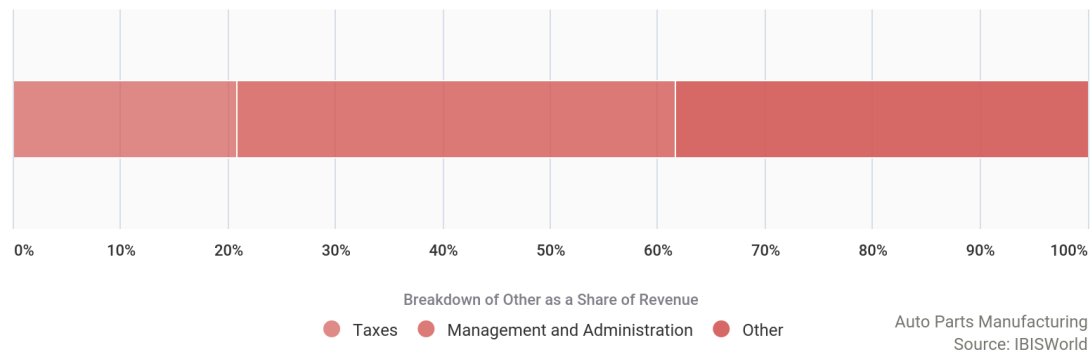
Other Costs

In 2023, other costs account for an estimated 20.8%.

Other Costs as a Share of Revenue 2018-2023



Other Breakdown (% of Total Other in 2023)



**Basis of Competition**

Competition in this industry is △ High and the trend is Increasing

**PRICE**

**Product price represents the main basis of competition.**

To keep pricing competitive, automobile parts and accessories manufacturers have needed to partly absorb increased production costs due to rising steel prices in recent years.

**PRODUCT QUALITY**

**Firms that have the ability to manufacture products according to specifications can have an advantage in the market.**

Customers generally find a balance between quality and price when choosing equipment suppliers. The quality of products is important for exporting firms to attract and retain customers.

**SERVICE**

**The ability to provide after-sales service and repairs can attract customers and encourage customer loyalty.**

**SALES DISTRIBUTION CHANNELS**

**Customers may prefer to purchase products that are supplied through an extensive retail distribution network.**

This can significantly affect manufacturers' costs and competitiveness.

**CUSTOMER RELATIONSHIPS**

**Having strong relationships with customers can help automobile parts and accessories firms ensure that problems are dealt with promptly and effectively.**

Some large manufacturers have successfully retained the same customers for several decades by maintaining strong client relationships.

**TECHNICAL EXPERTISE**

**Staying up-to-date with advances in technology, using state-of-the-art facilities, and retaining skilled and dedicated employees have helped firms in the industry to maintain their competitive advantages over the past five years.**

Barriers to Entry

Barriers to Entry in this industry are  **Medium** and the trend is **Steady**

Legal

Due to the hazardous materials handled by operators and waste that industry firms produce, national and local governments require environmental approvals to operate in the industry. These legal requirements are important barriers for new manufacturers wishing to enter the industry.

Start-Up Costs

The industry requires significant initial investment to build large-scale manufacturing plants with advanced equipment. The high costs associated with constructing facilities are a significant barrier to entry. In addition, the cost of developing large-scale production capacity can be high.

Differentiation







As consumers increasingly pay attention to car models and performance, passenger car manufacturers have incentives to develop new car models. However, it is expensive to advertise and promote new car models.

As some manufacturers have good reputations and well-known brands indicating high quality, customers may prefer to deal with these suppliers. Companies differentiate themselves based on brands, quality and after-sales service, which presents a barrier to entry for firms.

Capital Intensity

The Auto Parts Manufacturing in China is capital intensive, which makes it more difficult for new enterprises to enter the industry.

Barriers to Entry Checklist

Competition	High 
Concentration	Low 
Life Cycle Stage	Mature 
Technology Change	Medium 
Regulation & Policy	Medium 
Industry Assistance	High 

Industry Globalization

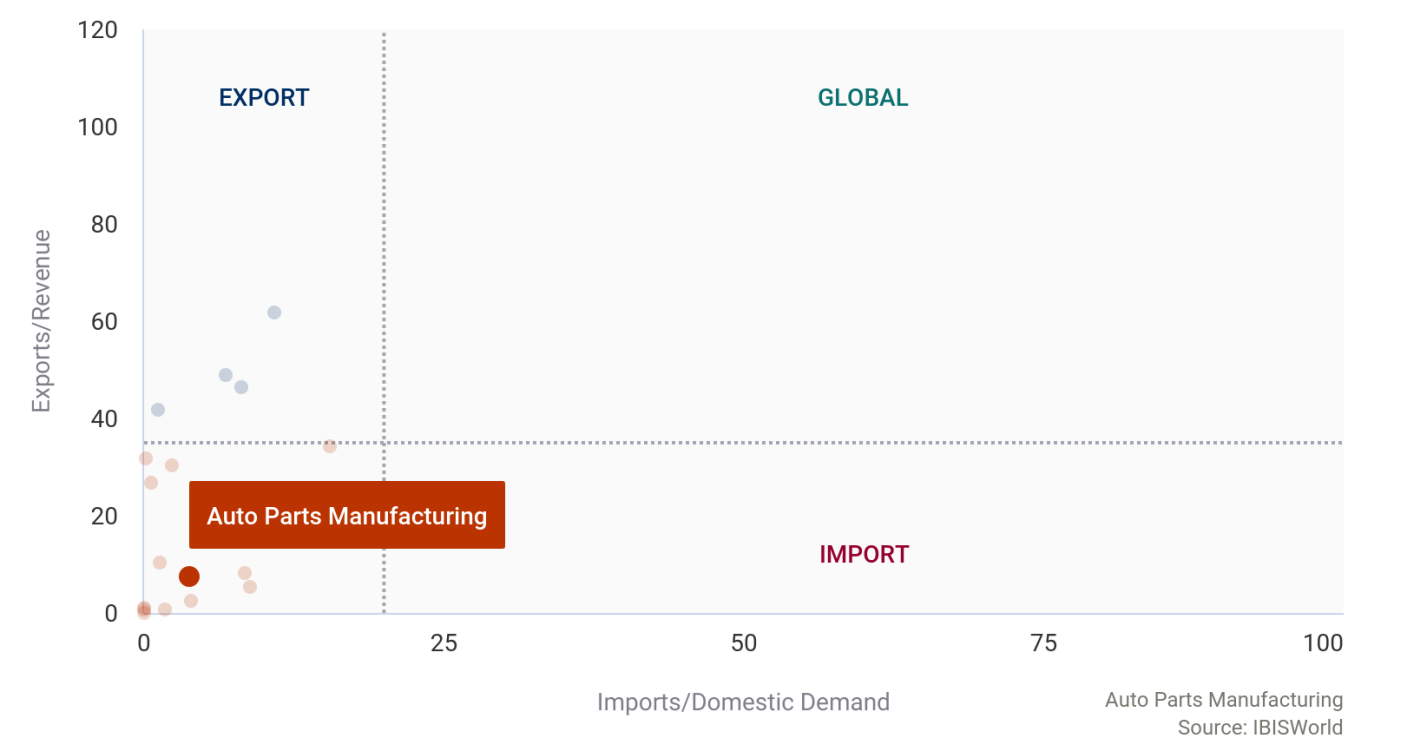
Globalization in this industry is  **Medium** and the trend is Increasing

The Auto Parts Manufacturing industry in China displays moderate globalization, which is anticipated to increase over the next five years.

Many export-oriented domestic companies have emerged in the past decade, which has accelerated industry globalization. China has become a major global manufacturer of automobile parts and accessories.

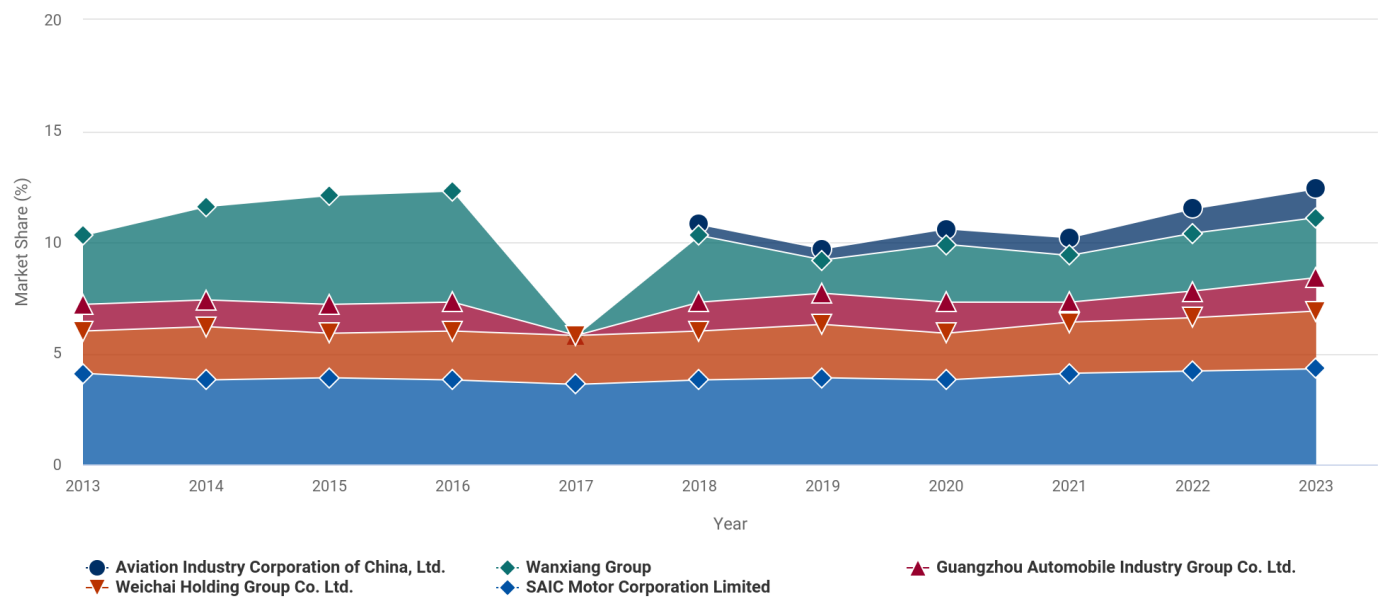
In addition, several foreign automobile parts and accessories manufacturers have entered the Chinese market in recent years by establishing factories, research and development centers and joint ventures with domestic firms. This trend was driven by strong domestic demand for high-quality automobile parts and accessories. In addition, foreign firms are seeking to benefit from opportunities for company expansion and development in China. Foreign enterprises are estimated to account for about 44.5% of industry revenue in 2023. Greater foreign investment in the industry is projected to contribute to globalization increasing in the future.

Trade Globalization 2023



Major Companies

Major Players and Their Market Share 2013–2023



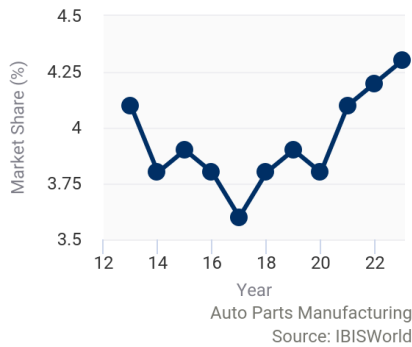
Auto Parts Manufacturing in China  
Source: IBISWorld

Major Players

SAIC Motor Corporation Limited

Market Share: 4.3%

SAIC Motor Corporation Limited



Description

Established in 1955, company was originally Shanghai Manufacturing Company of Components of Internal-Combustion Engine. The company changed its name to SAIC Motor Corporation Limited (SAIC Motor) in 2007 after several reorganization. Currently, SAIC Motor's main businesses include the R&D, production and sales of both passenger and commercial vehicles. SAIC Motor's subordinate companies include SAIC Passenger Vehicle Branch, SAIC Maxus, IM MOTORS, Rising Auto, SAIC Volkswagen, SAIC General Motors, SAIC-GM-Wuling, NAVECO, SAIC-IVECO Hongyan and Sunwin.

SAIC Motor establishes Huayu Automotive Systems Company Limited as the main auto parts manufacturing platform

- As a subsidiary of SAIC Motor, Huayu Automotive Systems Company Limited (HASCO) is mainly engaged in the Auto Parts Manufacturing industry in China. Located in Shanghai city, HASCO was founded in October, 1992.
- The main business of HASCO covers the design, research and development and sales of parts and components and their assemblies of transportation vehicles and construction machinery like automobiles. Its main products include automobile interior and exterior trim parts, metal forming and mold, functional parts, electronic and electrical parts, heat treatment parts and new energy, etc.

HASCO has perfect industrial layout both at home and abroad

- HASCO had built 354 R&D, manufacturing and service bases in China and 102 manufacturing bases (including R&D) in overseas countries and regions like the United States and Germany, etc., as of June, 2022.

- HASCO has established long-term cooperation relationships with domestic main automobile manufacturers, including SAIC-Volkswagen, SAIC-GM, FAW-Volkswagen, Chang'an Ford, Beijing Benz, BMW Brilliance, Beijing Hyundai, Dongfeng Nissan, SAIC Passenger Car, Great Wall Motor, JAC, GAC Group, BAIC Group, Geely, BYD and Tesla Shanghai, etc.
- HASCO has actively promoted the international development and obtained supporting points on key global customers like Volkswagen, General Motors, Audi, BMW, Benz and Tesla, etc.

#### HASCO has been emphasizing technology innovation

- HASCO has introduced the advanced technology of international auto parts enterprises earlier. In addition, through the continuous digestion, absorption and re-innovation of local R&D teams, HASCO has formed a relatively complete independent R&D system and localization synchronous development capability.
- The company has taken the improvement of R&D capability as its core work, and formulated targeted technology development routes for all affiliated enterprises.
- Currently, HASCO has formed independent R&D capabilities with strong international competitiveness in the fields of auto interior trim parts, auto seats, auto lighting, lightweight cast aluminum and fuel tank system, etc.

#### SAIC Motor Corporation Limited - industry segment performance

Year	Revenue (\$b)	Growth (Hours)
2013	17.5	N/C
2014	18.3	4.6
2015	20.0	9.3
2016	22.3	11.5
2017	23.5	5.4
2018	26.6	13.2
2019	23.9	-10.2
2020	20.7	-13.4
2021*	24.7	19.3
2022*	27.4	10.9
2023*	29.7	8.4

Source: Annual Report

Note: \*ACMR-IBISWorld estimates

#### Huayu Automotive Systems Company Limited - financial performance

Year	Revenue (\$m)	Growth (Hours)	NPBT (\$m)	Growth (Hours)	Assets (\$m)	Growth (Hours)
2013	11.3	N/C	1.2	N/C	8.8	N/C
2014	12.0	6.2	1.1	-8.3	10.3	17.0
2015	14.5	20.8	1.2	9.1	12.5	21.4
2016	18.7	29.0	1.5	25.0	16.2	29.6
2017	20.8	11.2	1.6	6.7	18.3	13.0
2018	23.8	14.4	1.7	6.2	20.2	10.4
2019	20.8	-12.6	1.4	-17.6	20.1	-0.5
2020	19.3	-7.2	1.2	-14.3	21.8	8.5
2021*	21.7	12.4	1.4	16.7	23.8	9.2
2022*	22.4	3.2	1.4	0.0	24.5	2.9
2023*	22.9	2.2	1.5	7.1	25.1	2.4

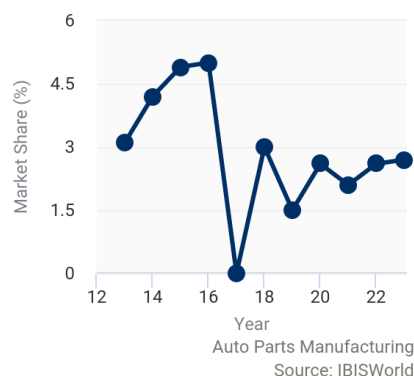
Source: Annual Report

Note: \*ACMR-IBISWorld estimates

#### Wanxiang Group

Market Share: 2.7%

#### Wanxiang Group



### Description

Wanxiang Group was founded in July 1969 and is headquartered in Hangzhou city, Zhejiang province. As of 2022, the group employs over 20,000 workers. The group's main products include universal joints, bearings, and constant-velocity (CV) joints. The main industry scope of Wanxiang Group covers new energy industry, automotive components, Wanxiang Sannong and Sanxiang overseas industry.

### Wanxiang Group has built Wanxiang Qianchao Co., Ltd. as the main auto parts manufacturing platform

- Wanxiang Qianchao Co., Ltd. (Wanxiang Qianchao), a subsidiary of Wanxiang Group, is mainly engaged in the Auto Parts Manufacturing in China. Wanxiang Qianchao Co. Ltd. was established in 1969 in Hangzhou city, Zhejiang province.
- Wanxiang Qianchao specializes in manufacturing, developing and selling universal joints, transmission shafts, constant velocity drive-shafts, hub units, bearings, brakes, automotive electronics, transmission systems, brake systems, suspension systems, fuel tanks and after-treatment systems and other auto components and assemblies.

### Wanxiang Qianchao has strong independent R&D abilities

- Wanxiang Qianchao has a national enterprise technology center with nearly 120 doctors and senior engineers, which has established R&D center, science and technology management center, project management center, quality center and North American R&D center, etc. and could meet the demands of high-end automobile manufacturers.
- As of 2021, Wanxiang Qianchao had obtained 2,562 authorized patents, including 196 invention patents.
- As of June, 2022, Wanxiang Qianchao had led and participated in the formulation of 60 international, national, industrial and Zhejiang manufacturing standards, covering constant velocity drive-shafts, universal joints and bearings, etc.

### Wanxiang Qianchao has been developing its high-end market

- Wanxiang Qianchao has been focusing on high-quality resources to continuously expand to the high-end market, on the basis of ensuring the batch supply and market share of the original customer supporting projects.
- Wanxiang Qianchao focuses on high-end product research and development. In 2021, Wanxiang Qianchao implemented hundreds of 9+N project technology innovation, carried out product technology upgrading with 9+N key customers as the core.
- Following the development trend of intelligent manufacturing, Wanxiang Qianchao accelerates the transformation and upgrading of manufacturing process and further strengthens the intelligent transformation of existing production lines.

Wanxiang Qianchao Co., Ltd. - financial performance						
Year	Revenue (\$m)	Growth (Hours)	NPBT (\$m)	Growth (Hours)	Assets (\$m)	Growth (Hours)
2013	1,506.6	N/C	113.5	N/C	1,584.7	N/C
2014	1,595.1	5.9	144.1	27.0	1,931.7	21.9
2015	1,630.1	2.2	147.2	2.2	2,028.9	5.0
2016	1,624.4	-0.3	151.1	2.6	1,734.6	-14.5
2017	1,650.8	1.6	152.4	0.9	1,706.3	-1.6
2018	1,719.2	4.1	122.7	-19.5	1,823.0	6.8
2019	1,531.7	-10.9	85.8	-30.1	1,741.2	-4.5
2020	1,576.1	2.9	72.9	-15.0	2,243.6	28.9
2021	2,220.2	40.9	117.7	61.5	2,607.6	16.2
2022*	2,488.6	12.1	135.4	15.0	2,701.6	3.6
2023*	2,698.7	8.4	148.8	9.9	2,857.8	5.8

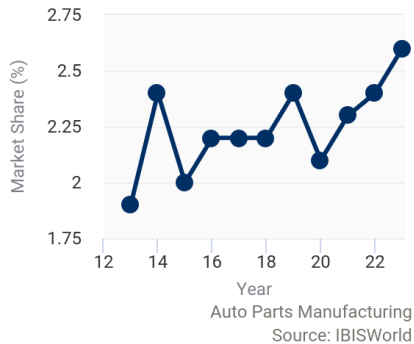
Source: Annual Report

Note: \*ACMR-IBISWorld estimates

Weichai Holding Group Co. Ltd.

Market Share: 2.6%

Weichai Holding Group Co. Ltd.



Description

Founded in 1946 and headquartered in Weifang city, Shandong province, Weichai Holding Group Co., Ltd. (Weichai Group) is mainly engaged in powertrain, vehicle, construction machinery, intelligent logistics, agricultural machinery, marine mobility and other business segments. The subsidiaries of Weichai Group spread all over Europe, North America, Asia, and other regions, and its products are exported to more than 110 countries and regions.

Weichai Group has established Weichai Power Co., Ltd. as the main auto part manufacturing platform

- As a subsidiary of Weichai Group, Weichai Power Co., Ltd. (Weichai Power) was founded in 2002 and located in Weifang city, Shandong province. Weichai Power is mainly engaged in the Auto Parts Manufacturing industry.
- Weichai Power has successfully built the synergetic development pattern among powertrain (engine, transmission, axle and hydraulics), vehicle and machinery, intelligent logistics and other segments.
- Weichai Power owns famous brands like Weichai Power Engine, Fast Gear, Hande Axle, Shacman Heavy Truck, and Linder Hydraulics.

Weichai Power has been focusing on innovation and enhancing technology R&D capabilities

- Weichai Power owns several state-level R&D platforms, like State Key Laboratory of Engine and Powertrain System, and National Industrial Design Center, etc. It has also set up global collaborative R&D platform to make sure that the technology stays at global leading level.
- Weichai Power has been taking independent innovation as the main line, increasing investment in R&D and accelerating the breakthrough of the key core technologies with reliance on the global collaborative R&D platform.
- In the first half of 2022, the R&D expenditure as share of sales revenue was 4.3%, up from 2.9% in the same period of 2021.

Weichai Power has established wide service network in both China and abroad

- Weichai power had established a service network composed by more than 7,000 authorized maintenance service centers throughout China, and more than 500 overseas maintenance service centers.
- Weichai Power implements hierarchical and differentiated management for suppliers in various market segments, establishes a close strategic cooperation relationship with the world's top suppliers, accelerates the layout of domestic and international supply chain systems to meet the needs of different markets and customers.



Weichai Power Co., Ltd. - financial performance						
Year	Revenue (\$b)	Growth (Hours)	NPBT (\$b)	Growth (Hours)	Assets (\$b)	Growth (Hours)
2013	9.5	N/C	0.7	N/C	12.8	N/C
2014	12.9	35.8	1.1	57.1	19.5	52.3
2015	11.7	-9.3	0.5	-54.5	18.3	-6.2
2016	14.0	19.7	0.7	40.0	24.7	35.0
2017	22.4	60.0	1.6	128.6	28.1	13.8
2018	24.1	7.6	2.1	31.2	31.1	10.7
2019	25.2	4.6	2.1	0.0	34.3	10.3
2020	28.6	13.5	1.8	-14.3	39.2	14.3
2021	31.6	10.5	2.2	22.2	42.9	9.4
2022*	33.5	6.0	2.1	-4.5	43.8	2.1
2023*	35.4	5.7	2.2	4.8	44.9	2.5

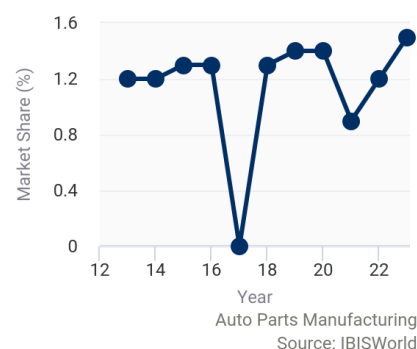
Source: Annual Report

Note: \*ACMR-IBISWorld estimates

### Guangzhou Automobile Industry Group Co. Ltd.

Guangzhou Automobile Industry Group Co. Ltd.

Market Share: 1.5%



### Description

Established in June 2005, Guangzhou Automobile Group Co., Ltd. (GAC Group) was transformed from its predecessor Guangzhou Automobile Group, which was founded in 1997. GAC Group went public on the Hong Kong Exchange in 2010 and listed on the Shanghai Stock Exchanges in 2012. With more than 113,000 employees as of 2022, its main business covers six sectors including auto R&D, vehicles, parts and components, trade services, financial services and mobility services.

### GAC Group has established Guangzhou Automobile Group Component Co., Ltd. as main auto parts platform

- Guangzhou Automobile Group Component Co. Ltd. (GACC), a subsidiary of GAC, is mainly engaged in the Auto Parts Manufacturing industry in China. Located in Guangzhou city, Guangdong province, GACC was founded in August, 2000.
- The main products of GACC include automobile seats, vehicle lights, carpets, mufflers, AC systems, springs, cushions and aluminum wheels.
- GACC supplies products to automobile manufacturers like Guangzhou Honda, Dongfeng Honda, Dongfeng Nissan, and Guangzhou Toyota, etc. In addition, GACC exports some products to the United States, Germany and Southeast Asia.

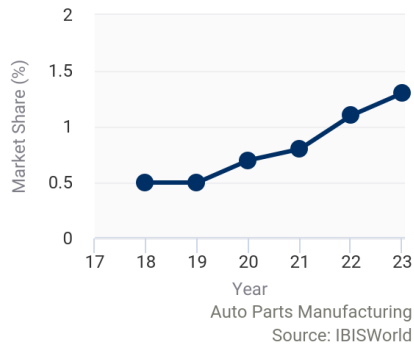
### GACC strengthens independent research and development

- GACC has been strengthening its independent research and development and building its core competitiveness. Its technology center has the research and development and test evaluation capabilities of auto seats, micro-motors, start-stop motors, shifters, electronic control units and other products, providing guarantee for product design and development.
- GACC has carried out joint venture cooperation with well-known domestic and foreign auto parts enterprises like Denso, TS TECH, TOYOTA BOSHOKU, Magna and Woodbridge Group, etc., in order to improve its technology capabilities.

Aviation Industry Corporation of China, Ltd.

Market Share: 1.3%

Aviation Industry Corporation of China, Ltd.



Description

Headquartered in Beijing city, Aviation Industry Corporation of China, Ltd. (AVIC) was founded on 6 November 2008, through the restructuring and consolidation of China Aviation Industry Corporation and China Aviation Industry Corporation. The business units of AVIC cover defense, transport aircraft, helicopters, avionics and systems, general aviation, flight testing, trade and logistics, assets management, finance services, engineering and auto parts, etc. Owning over 100 subsidiaries and 25 listed companies, AVIC has more than 400,000 employees.

AVIC has founded AVIC Automotive Systems Holding Co., Ltd. as main auto parts manufacturing platform

- As a subsidiary of AVIC, AVIC Automotive Systems Holding Co., Ltd. (AVIC Automotive) is mainly engaged in the Auto Parts Manufacturing industry. Located in Beijing city, AVIC Automotive was established in November, 1985.
- As a direct business unit of AVIC, AVIC Automotive, on behalf of the AVIC, carries out overall management of the development of the auto parts business of AVIC, including industrial planning, market development and customer communication, etc., and promotes the intensive operation of the auto parts business of AVIC.

AVIC Automotive has rich product lines and constantly improve product structure

- AVIC Automotive provides 56 categories of assemblies and over 300 types of parts in frame structure, engine, transmission, brake, steering and instrument systems. Rich product lines benefit covering more customer groups.
- AVIC Automotive has been continuously introducing advanced technologies like 5G, artificial intelligence and 3D printing, etc., to improve technology research and development capabilities and make production process intelligent. In addition, AVIC Automotive constantly improve product structure according to market change trend.

## Other Companies      China FAW Group Corporation

Market Share: 1.0%

### Description

China FAW Group Corporation (FAW) was established in 1953 and launched its first Jie Fang car in 1956. The group's headquarters are in Changchun, Jilin province. Changchun FAWAY Automobile Components Co., Ltd. (FAWAY), a subsidiary of FAW, was established in 1993 and located in Changchun city, Jilin province. Mainly engaged in the Auto Parts Manufacturing industry, FAWAY's major core products include automobile interior and exterior trim parts, automobile wheels, light electronics and body structure products.

### CITIC Group

Market Share: 1.0%

### Description

Headquartered in Beijing city, CITIC Group was founded in 1979. As one of subsidiaries of CITIC Group, CITIC Dicastal Co., Ltd. (Dicastal) is mainly engaged in the Auto Parts Manufacturing industry. Located in Qinhuangdao city, Hebei province, Dicastal was founded in May 1988. Dicastal is a large auto parts enterprise group integrating aluminum wheel manufacturing, automobile chassis, powertrain, body parts manufacturing, equipment manufacturing, product surface treatment and mold manufacturing.

### Dongfeng Motor Corporation

Market Share: 1.0%

### Description

Headquartered in Wuhan city, Hubei province, Dongfeng Motor Corporation (DFM) was established in 1969. As one of wholly owned subsidiaries of DFM, Dongfeng Motor Parts and Components Group Co., Ltd. is mainly engaged in the Auto Parts Manufacturing industry. Headquartered in Shiyan city, Hubei province, the group was founded in February 2010. With over 18,000 employees, the group has 16 subsidiaries, distributed in Shiyan, Xiangyang, Wuhan, Suzhou and Shanghai, etc.

### HYCET Technology Co., Ltd.

Market Share: 1.0%

### Description

Located in Baoding city, Hebei province, HYCET Technology Co., Ltd. (HYCET) was founded in June 2018. with R&D center distributing in Shanghai, Baoding in China, Austria, India and other countries and regions, HYCET has four business segments, including engine system, transmission system, E-drive system and EPS system.

### United Automotive Electronic Systems Co., Ltd.

Market Share: 1.0%

### Description

Located in Shanghai city, United Automotive Electronic Systems (UAES) was founded in December 1995. UAES is a joint venture between Robert Bosch GmbH and Zhonglian Automotive Electronic System Co. Ltd.. UAES is mainly engaged in the development, production and sales of gasoline engine management system, transmission control system, advanced internet connection, hybrid power and electric drive control system. In 2021, with about 9,180 employees, UAES got sales revenue of \$4.1 billion.

# Operating Conditions

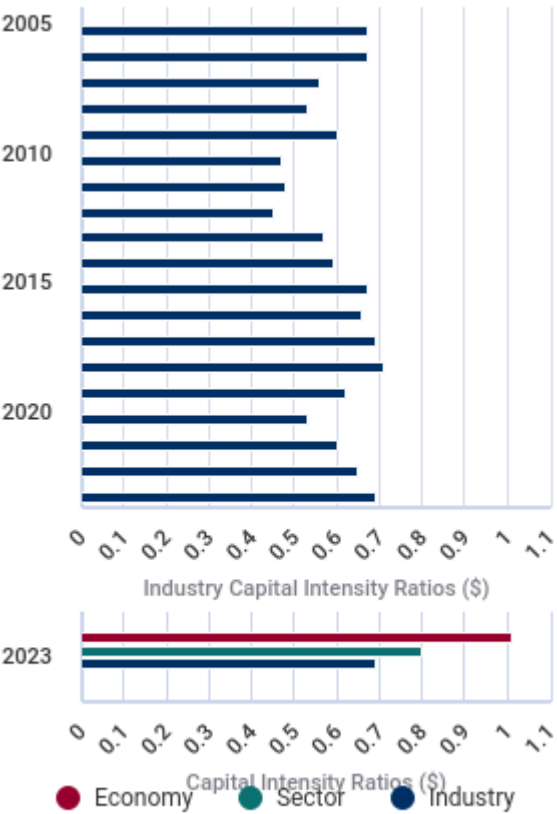
**Capital Intensity**      The level of capital intensity is ▲ **High**

The Auto Parts Manufacturing industry in China exhibits moderate capital intensity. For every dollar spent on wages, an estimated \$0.69 is invested in capital.

Large-scale production requires significant capital investment for installing automated processes, equipment and machinery. Significant investment is also needed to upgrade plant and equipment, and for process and product development. Many manufacturing processes involve repetitive activities that are automated to increase production speed and cost efficiency.

Small-scale manufacturers generally have lower capital investment levels than larger firms. This is due to the high cost of acquiring new equipment, which larger firms are usually more able to afford. In addition, small firms tend to produce more basic products.

Capital Intensity Ratios



Auto Parts Manufacturing  
Source: IBISWorld

## Technology & Systems

### Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
⊖ Medium	Rate of Innovation	Potential	A ranked measure for the number of patent s assigned to an industry. A faster rate of n ew patent additions to the industry increase s the likelihood of a disruptive innovation oc curring.
☑ Very Low	Innovation Concentration	Very Unlikely	A measure for the mix of patent classes ass igned to the industry. A greater concentratio n of patents in one area increases the likelih ood of technological disruption of incumbent operators.
☑ Very Low	Ease of Entry	Very Unlikely	A qualitative measure of barriers to entry. F ewer barriers to entry increases the likeliho od that new entrants can disrupt incumbent s by putting new technologies to use.
⚠ Unknown	Rate of Entry	Unknown	Annualized growth in the number of enterpri ses in the industry, ranked against all other i ndustries. A greater intensity of companies entering an industry increases the pool of p otential disruptors.
⚠ High	Market Concentration	Likely	A ranked measure of the largest core marke t for the industry. Concentrated core market s present a low-end market or new market e ntry point for disruptive technologies to capt ure market share.

The rate of new patent additions to the industry is low. This is combined with a low concentration of innovation. Both factors being low suggests that new technology entry is slow and widespread, which limits the threat of disruptive threats hurting leading industry operators.

The major markets for this industry are highly concentrated, which implies that the market has a focus on key customer segments. This presents an opportunity for strategic entrance into lower-end markets or unserved markets for innovations to take on a disruptive trajectory.

**3D printing**In recent years, 3D printing has gradually become an important driving force to accelerate the transformation and upgrading of traditional manufacturing industries, and its diversified application in the automotive field has become the general trend.

nd. 3D printing can quickly produce complex auto parts. When there is a problem in the auto part test, the R & D personnel can modify the relevant files and reprint them, which overcomes the disadvantages caused by the use of CNC machine tools or traditional hand-made automobile parts. With the application of 3D printing technology, automotive parts developers can greatly shorten the time required for product design and prototype development, and quickly modify the design scheme. Currently, 3D printing is widely used in automotive research and development. It is mainly used in test models and functional prototypes, like the development of automotive plasticine models, auto bodies, window guides and other parts, as well as small batch production of automotive interior and exterior accessories.

The level of technology change is ⊖ **Medium**

**The technology and systems used by companies operating in the Auto Parts Manufacturing industry in China have advanced at a moderate rate**

## over the past five years.

Manufacturers have enhanced their scientific research abilities and technical innovation in recent years. In the 1990s, firms lacked enough funds for research and development, and technology was generally out of date. With the industry's development, manufacturers raised funds for research and development and adopted advanced technologies and systems.

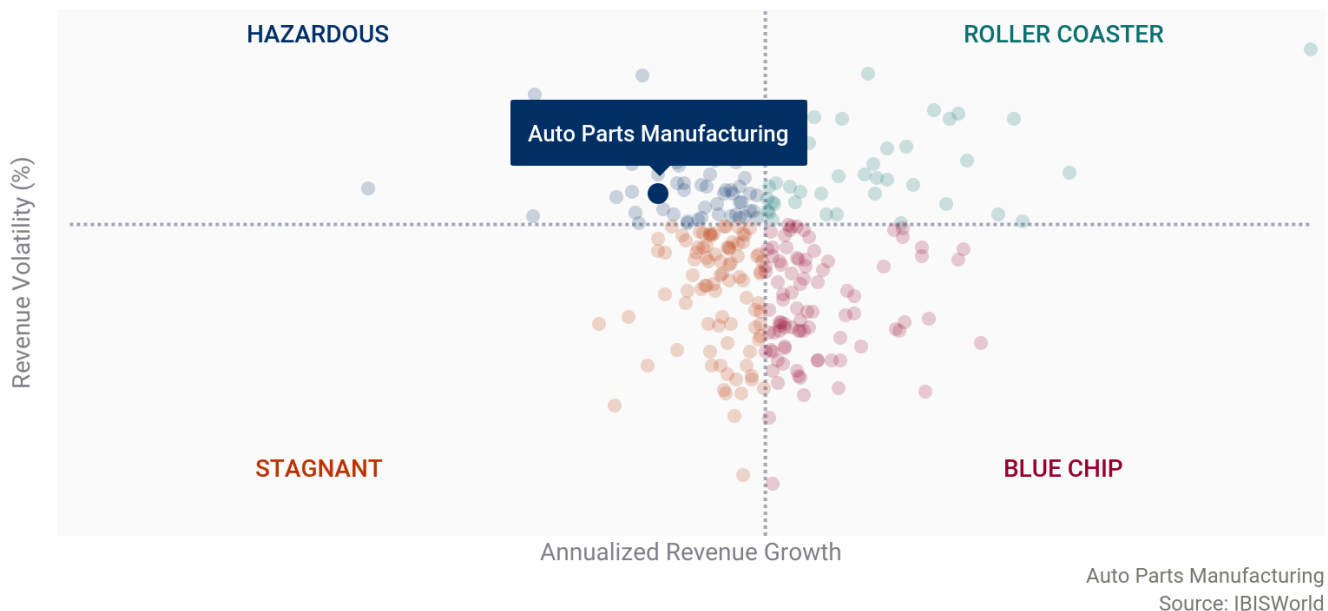
Some manufacturers have adopted computer aided design and manufacture (CAD/CAM) systems. These technologies continue to enhance production efficiency and product quality.

Manufacturing ability also increased through joint ventures and mergers. Some foreign enterprises entered the Chinese market through establishing joint-venture partnerships with local manufacturers. Several firms also merged to improve their manufacturing ability and cost structure. More foreign enterprises have gained positions and market share in the domestic market over the past five years.

At present, in order to adapt to different demand from clients, automotive parts manufacturing technology gradually tends to the flexible production mode of high efficiency and variety. For example, both Guangzhou Toyota and Tianjin Toyota introduced GBL (global body production line). GBL can ensure that the welding fixture of different vehicle types can be switched back and forth when an auto body is transported at the welding station. At the same time, the use of automatic control and automatic identification devices, welding robots, etc., can form different types of continuous mixed production mode of automobiles.

### Revenue Volatility The level of volatility is ⊖ Medium

#### Volatility vs. Growth



#### The development of the Automobile Manufacturing industry directly influence the industry

- China's Automobile Manufacturing industry had grown strongly before 2018, and the number of vehicles in use across China has increased significantly. This trend has driven significant growth in the upstream Auto Parts Manufacturing industry.
- In 2019, the production output and sales volume of automobiles decreased 7.5% and 8.2%, respectively, which directly negatively influenced the Auto Parts Manufacturing industry, resulting in decreasing industry revenue and contribution to industry fluctuation.

#### The outbreak of COVID-19 has increased industry volatility

- The COVID-19 outbreak directly caused a reduced production capability.
- COVID-19 pandemic had also weakened consumers' purchasing power and lowered their future income growth expectation, resulting in sales reduction of automobiles, which further had negative impact on the Auto Parts Manufacturing industry.
- In 2020, the industry revenue decreased 13.0% to \$592.4 billion.

## Regulation & Policy The level of regulation is ⊖ **Medium** and the trend is Decreasing

### Implementation Plan of Strong Chain Project for Guangdong Auto Parts Industry

The Department of Industry and Information Technology of Guangdong Province launched the Implementation Plan of "Strong Chain Project" for Guangdong Auto Parts Industry in September 2022, Deepening efforts to stabilize and strengthen auto parts chains, accelerating the construction of independent, efficient, safe and stable industrial chain supply chain system, and improving the international competitiveness of Guangdong auto parts industry.

### Action Plan for Carbon Dioxide Peaking before 2030

The State Council printed the Action Plan for Carbon Dioxide Peaking before 2030 in October 2021, stimulating the high-quality development of remanufacturing industry of auto parts, engineering machinery, stationery and office equipment, enhancing popularization and application of resource regeneration products and remanufacturing products, and aiming to largely improve energy efficiency and broadly apply the green and low-carbon technologies.

### Interim Measures for the Management of the Remanufacturing Specifications of Auto Parts

The National Development and Reform Commission issued the Interim Measures for the Management of the Remanufacturing Specifications of Auto Parts in April 2021. The interim measures standardize the remanufacturing behavior and market order of auto parts, ensure the quality of remanufactured products, and promote the standardized development of remanufacturing industry.

### National Catalogue of Industries Encouraged by Foreign Investment (2020 version)

The National Development and Reform Commission launched the National Catalogue of Industries Encouraged by Foreign Investment (2020 version) in December 2020, which put forward that foreign investment are encouraged in auto parts manufacturing industry, remanufacturing of mechanical equipment including machine tools, engineering machinery and railway locomotive equipment, remanufacturing of high-end medical devices and key components like medical imaging equipment, and remanufacturing of office equipment like photocopiers.

### The 14th Five-Year Plan for Circular Economy Development

The National Development and Reform Commission printed the 14th Five-Year Plan for Circular Economy Development, improving the remanufacturing level of auto parts, engineering machinery, machine tools, and stationery and office equipment, promoting remanufactured auto parts and stationery and office equipment in after-sales maintenance, insurance, commerce, logistics, leasing and other fields, and further increasing the proportion of remanufacturing products in the after-sales market.

## Industry Assistance The level of industry assistance is ⊕ **High** and the trend is Decreasing

### Public

#### Import tariffs and export rebates

The import tariff for auto parts is 6.0%, which stimulates the development of the Auto Parts Manufacturing in China. In addition, In order to promote auto parts export growth, the Government provides export rebates of 17%.The high export rebates encourages many enterprises to compete in the export market and benefit domestic enterprises to enhance international market competitiveness. The high export rebates encourages many enterprises to compete in the export market.

### Private

The industry does not receive any private assistance.

# Key Statistics

## Industry Data

Year	Revenue (\$b)	IVA (\$b)	Establishments (Units)	Enterprises (Units)	Employment (Thousands of people)	Exports (\$b)	Imports (\$b)	Wages (\$b)	Total Assets (\$b)	Domestic Demand (\$b)
2014	580	144	12,503	4,541	2,929	33.4	31.0	32.7	421	578
2015	626	155	12,641	4,578	3,055	32.7	27.0	36.5	465	621
2016	714	175	13,067	4,683	3,159	31.8	29.1	41.3	521	711
2017	750	184	13,372	4,756	3,254	35.8	31.3	43.3	563	745
2018	772	188	13,626	4,821	3,326	38.8	32.8	44.6	598	766
2019	681	165	13,497	4,757	3,299	37.0	27.8	44.6	609	672
2020	592	142	13,245	4,682	3,263	36.1	28.3	44.6	615	585
2021	636	151	13,055	4,609	3,224	47.8	31.8	44.5	630	620
2022	655	155	12,740	4,532	3,192	50.3	25.5	44.3	638	630
2023	698	165	12,464	4,474	3,176	52.4	25.4	45.4	655	671
2024	747	177	12,190	4,407	3,154	55.5	25.3	46.3	675	717
2025	792	187	11,946	4,332	3,135	58.8	25.2	47.4	702	758
2026	832	196	11,743	4,267	3,119	62.9	25.1	48.8	737	794
2027	869	205	11,543	4,212	3,103	66.7	24.9	50.0	767	827
2028	904	213	11,381	4,170	3,094	70.0	24.7	51.0	794	859

## Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Total Assets (%)	Domestic Demand (%)
2014	10.5	9.79	1.40	1.11	5.21	12.5	10.3	17.2	15.1	10.4
2015	7.95	8.15	1.10	0.81	4.30	-2.10	-12.9	11.6	10.5	7.41
2016	14.0	12.9	3.37	2.29	3.40	-2.75	7.78	13.2	11.9	14.6
2017	5.04	4.85	2.33	1.56	3.01	12.6	7.56	4.84	8.20	4.81
2018	2.99	2.56	1.90	1.37	2.21	8.38	4.79	3.00	6.21	2.80
2019	-11.8	-12.5	-0.95	-1.33	-0.81	-4.64	-15.2	0.00	1.87	-12.3
2020	-13.0	-13.6	-1.87	-1.58	-1.09	-2.43	1.80	0.00	0.97	-13.0
2021	7.31	6.25	-1.43	-1.56	-1.20	32.4	12.4	-0.22	2.32	6.00
2022	2.96	2.45	-2.41	-1.67	-0.99	5.23	-19.8	-0.45	1.32	1.61
2023	6.69	6.52	-2.17	-1.28	-0.50	4.17	-0.39	2.48	2.74	6.61
2024	7.00	7.15	-2.20	-1.50	-0.69	5.92	-0.39	1.98	3.01	6.81
2025	6.00	5.77	-2.00	-1.70	-0.60	5.95	-0.40	2.38	4.00	5.77
2026	5.00	4.81	-1.70	-1.50	-0.51	6.97	-0.40	2.95	5.00	4.67
2027	4.50	4.39	-1.70	-1.29	-0.51	6.04	-0.80	2.46	4.00	4.21
2028	4.00	3.96	-1.40	-1.00	-0.29	4.95	-0.80	2.00	3.50	3.78

## Key Ratios

Year	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per estab. (Units)	Average Wage (\$)
2014	24.7	5,366	5.76	198	5.64	234	11,164
2015	24.8	4,351	5.22	205	5.83	242	11,948
2016	24.5	4,092	4.46	226	5.79	242	13,074
2017	24.5	4,200	4.77	230	5.77	243	13,307
2018	24.4	4,281	5.02	232	5.78	244	13,410
2019	24.2	4,136	5.43	207	6.55	244	13,519
2020	24.0	4,841	6.09	182	7.53	246	13,668
2021	23.8	5,132	7.52	197	7.00	247	13,803
2022	23.7	4,050	7.69	205	6.77	251	13,878
2023	23.6	3,784	7.50	220	6.50	255	14,295
2024	23.7	3,529	7.43	237	6.20	259	14,680
2025	23.6	3,323	7.42	253	5.98	262	15,120
2026	23.6	3,162	7.56	267	5.87	266	15,646
2027	23.6	3,010	7.68	280	5.75	269	16,113
2028	23.5	2,877	7.75	292	5.64	272	16,484

Figures are inflation adjusted to 2023



# Additional Resources

## Additional Resources

China Association of Automobile Manufacturers  
<http://www.caam.org.cn>

China Customs  
<http://www.customs.gov.cn>

National Bureau of Statistics China  
<http://www.stats.gov.cn>

## Industry Jargon

### ALTERNATOR

An electric generator or dynamo producing alternating currents.

### ANTI-LOCK BRAKING SYSTEM (ABS)

Prevents a vehicle's wheels from locking up under heavy braking.

### GLOBAL POSITIONING SYSTEM (GPS)

An electronic system that uses a network of satellites to indicate on a computerized receiver the position of a vehicle, ship, or person.

## Glossary

### BARRIERS TO ENTRY

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

### CAPITAL INTENSITY

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

### CONSTANT PRICES

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

### DOMESTIC DEMAND

Spending on industry goods and services within China, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

### EMPLOYMENT

The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

### ENTERPRISE

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

### ESTABLISHMENT

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

### EXPORTS

Total value of industry goods and services sold by Chinese companies to customers abroad.

### IMPORTS

Total value of industry goods and services brought in from foreign countries to be sold in China.

### INDUSTRY CONCENTRATION

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE**

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)**

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE**

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE**

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT**

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT**

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY**

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES**

The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.



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