

Starting up

- From what you know, what is the state of the Chinese car market at the moment?
- How important is the Chinese car market to big western car makers, such as GM, VW, Ford and PSA?

Reading

China's car market is shrinking. To find out more, read the article and then answer the questions below.

Reading comprehension

Read the article again and decide whether the following statements about the content are *True*, *False* or there is *Not enough information provided*. Select relevant extracts from the article to support your choice.

- 1 Some foreign car makers have already quit the Chinese market.
- 2 The fall in the car market in China started at the beginning of 2019.
- 3 Ford and Peugeot-owned PSA have been hit the most from the fall in the market.
- 4 Nevertheless, the Ford and PSA plants are still viable.
- 5 Car makers producing lower priced cars (below \$22,000) are suffering less than other producers.
- 6 Analysts believe that most foreign car makers will not quit the Chinese market.
- 7 In spite of the negative trend, Ford is planning to launch new models in China.
- 8 If any foreign manufacturer will quit the market, it is likely to be PSA.
- 9 VW and GM are the most successful foreign car makers in China.
- 10 Sales in China accounted for the majority of both groups pre-tax profits in 2018.

Shrinking Chinese car market sparks fears over foreign groups' future

¹China's *shrinking* car market is hitting foreign manufacturing groups hard, with some companies operating at a fraction of their potential output, *sparkling* fears a number will be forced to *quit* the world's biggest market.

²Ford and Peugeot owner PSA have suffered the most, with their factories running well below full capacity at historic lows because of *plunging* sales after last year's reversal in the Chinese auto market — the first in almost three decades.

³Ford's plants in China operated at 11 per cent of their potential output in the first half of the year. Ford's China sales fell 27 per cent year on year in the first half.

⁴PSA's plant with its joint venture partner Chang'an Auto produced just 102 cars in the first half of the year, meaning capacity use fell below 1 per cent. Its other joint venture with Dongfeng Auto ran at 22 per cent capacity. The group said China sales were down 62 per cent in the first half.

⁵Factories generally need to operate at above 80 per cent capacity to *break even*, *highlighting* the extent of the problems facing Ford and PSA.

⁶"Some car groups will need to consider their position in this market in the not-too-distant future," said Robin Zhu, an analyst at Bernstein, predicting "very weak" earnings for major foreign groups in China due to overcapacity.

⁷For some automakers, especially those selling vehicles priced below Rmb150,000 (\$22,000), China is "*a lost cause*", said Jochen Siebert of consultancy JSC Automotive.

⁸However, Patrick Yuan, another analyst, said overseas groups would try and *tough it out*. "China's car market is the largest single market, which is too big to give up," he said.

⁹China's car market saw passenger vehicle sales fall 4 per cent to 23m last year. Sales this year have continued to decline, dropping 14 per cent in the first half compared with 2018.

¹⁰Ford is trying to *keep its foothold* in the market with plans to launch new models in China to *revive* sales after suffering a loss of \$1.5bn last year.

¹¹But there are still concerns that they could follow Japan's Suzuki, which last year became the first large carmaker to quit the Chinese market in decades.

¹²Even the more successful overseas groups in the Chinese market, such as Volkswagen and General Motors, have been hit.

¹³VW reported a 6 per cent year-on-year sales decline in the first quarter of the year, while sales for GM fell 10 per cent.

¹⁴Capacity use at GM and VW joint ventures has generally been above 80 per cent. The Shanghai GM joint venture is running at 88 per cent capacity.

¹⁵But it was 77 per cent at VW's venture with FAW Group in the first half of this year.

¹⁶The problems in China are particularly worrying for these overseas carmakers because the joint ventures, which they must use to produce vehicles in China, have been *lucrative*.

¹⁷VW and GM's Chinese sales accounted for 38 per cent and 23 per cent of the company's respective pre-tax profits last year.



Vocabulary 1

There are a lot of phrases used in the article to describe a negative trend, e.g. *shrinking car market* (para 1). Try to find at least ten of these phrases. Do not include single verbs such as *suffer*, *decline*, *fall* and *drop*.

Vocabulary 2

Look at the words and phrases in *italics* in the article. If you are unfamiliar with them, try to work out their meaning from the context. Then match them with these definitions.

- 1 causing the start of something
- 2 when something is going down a lot
- 3 to bring back to life
- 4 to neither make nor lose money on business activities
- 5 to leave, exit
- 6 to maintain its position
- 7 emphasising
- 8 to stay in the market in spite of negative results
- 9 very profitable
- 10 getting smaller
- 11 something that cannot be saved

Grammar – prepositions of time

The preposition of time that is used several times in the article is *in*, e.g. *in the first quarter of the year*.

Some other prepositions of time are *on*, *at*, *by* and *for*. Here are the rules for using them.

In for months, seasons, quarters, half years, years, decades, centuries; and for times of the day – morning, afternoon, evening

On for days of the week (Monday, Tuesday...)

At for specific times of day (9am, midday, midnight)

By to indicate a deadline

For to indicate duration

Complete these sentences using the correct preposition of time.

- 1 The car market in China started to shrink ____ 2018.
- 2 Ford will announce its financial results for the first half of 2019 ____ Monday.
- 3 Last year was the first time the car market in China had fallen ____ decades.
- 4 The meeting will be ____ Monday ____ 9am.
- 5 The report needs to be finished ____ Friday.
- 6 Ford's China sales fell 27 per cent ____ the first half of this year.
- 7 I've been here ____ a week already.
- 8 The film will be shown ____ the evening.
- 9 I'll be staying in Tokyo ____ a week.
- 10 The clocks will change ____ midnight.

Discussion

Western car makers have all rushed into the Chinese market because it is so large and, till now, very profitable. So much so, they have come to rely on profits made in China to compensate for falling sales in other parts of the world.

But perhaps they have overcommitted to the Chinese market and now the fallout is beginning, some may not survive.

What do you think?

ANSWER KEY

Reading comprehension

- 1 True. *Suzuki ... last year became the first large carmaker to quit the Chinese market in decades.*
- 2 False. *... last year's reversal in the Chinese auto market — the first in almost three decades.*
- 3 True. *Ford and Peugeot owner PSA have suffered the most.*
- 4 False. *Ford's plants in China operated at 11 per cent of their potential output in the first half of the year ... PSA's plant's ... capacity use fell below 1 per cent. Its other joint venture with Dongfeng Auto ran at 22 per cent capacity. Factories generally need to operate at above 80 per cent capacity to break even.*
- 5 False. *They are in the worst position. For some automakers, especially those selling vehicles priced below Rmb150,000 (\$22,000), China is "a lost cause".*
- 6 True. *... overseas groups would try and tough it out. "China's car market is the largest single market, which is too big to give up".*
- 7 True. *Ford ... plans to launch new models in China to revive sales.*
- 8 There is not enough information provided on this point, even though their performance has been terrible.
- 9 True. *... the more successful overseas groups in the Chinese market, such as Volkswagen and General Motors.*
- 10 False. *VW and GM's Chinese sales accounted for 38 per cent and 23 per cent of the company's respective pre-tax profits last year.*

Vocabulary 1

- *is hitting foreign manufacturing groups hard* (para 1)
- *operating at a fraction of their potential output* (para 1)
- *factories running well below full capacity* (para 2)
- *at historic lows* (para 2)
- *plunging sales* (para 2)
- *last year's reversal in the Chinese auto market* (para 2)
- *operated at 11 per cent of their potential output* (para 3)
- *'very weak' earnings* (para 6)
- *China is 'a lost cause'* (para 7)
- *trying to keep its foothold* (para 10)
- *have been hit* (para 12)
- *The problems in China are particularly worrying* (para 16)

Vocabulary 2

- | | | |
|--------------|---------------------|-----------------|
| 1 sparking | 5 quit | 9 lucrative |
| 2 plunging | 6 keep its foothold | 10 shrinking |
| 3 revive | 7 highlighting | 11 a lost cause |
| 4 break even | 8 tough it out | |

Grammar

- | | | |
|-------------|-------|-------|
| 1 in | 5 by | 9 for |
| 2 on | 6 in | 10 at |
| 3 in | 7 for | |
| 4 on ... at | 8 in | |

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