

Development status of the used car export industry

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Abstract: Since the launch of China's used car export program in 2019, the scale of vehicle exports has increased significantly, and the level of export facilitation has continued to improve. The number of export regions and enterprises has steadily increased, and the variety of exported vehicle models has become increasingly abundant. Overseas channels have been expanded more widely, and the used car export program has achieved great success. This paper first analyzes the overall situation of China's used car exports based on data from the Ministry of Commerce, using a comparative method. Then, the characteristics of China's used car development are expounded upon, and finally, the potential for China's used car exports is analyzed. This article provides a reference and inspiration for the development of China's used car export industry.

Keywords: Overseas channels; Comparative method; Development characteristics; Export potential.

1. Introduction

The used car export industry in China has been developing rapidly, with the scale of exports continuously increasing in leaps and bounds. Since 2019, the Ministry of Commerce, in conjunction with the Ministry of Public Security, the General Administration of Customs, and other departments, has supported 30 regions in two batches to carry out the used car export business. With the joint efforts of the government, industry organizations, and enterprises, the scale of China's used car exports has continued to expand. In 2021, China issued a series of favorable policies to promote the circulation of domestic used cars, including the comprehensive cancellation of restrictions on used car migration and the acceleration of the reform of used car trading facilitation. At the same time, the facilitation and support policies for used car exports have been increasingly improved. With sufficient supply of used car sources in China and the expansion of overseas demand, China's used car exports have achieved good results. In 2021, the export volume of used cars exceeded 15,000 units, with export revenues exceeding 220 million US dollars, a year-on-year increase of 960%, achieving a breakthrough in development. In the first half of 2022, the scale of used car exports in China has further increased, with export volumes and revenues exceeding the total for the entire year of 2022. As of June 2022, China's automobile ownership has reached 310 million vehicles, ranking first in the world, with the ownership of new energy vehicles exceeding 10 million for the first time. In recent years, the sales of new energy vehicles in China have continued to rise, with sales exceeding 3 million units in 2021 and breaking through 2 million units in the first half of 2022. In 2021, the used car trading activity in China was active, with 17.5851 million used cars traded nationwide, an increase of 22.62% compared to 2020, and the transaction amount exceeded one trillion yuan for the first time [1-3].

2. The overall situation of China's used car exports.

Since April 2019, the Ministry of Commerce, the Ministry of Public Security, and the General Administration of Customs have successively launched used car export businesses in some areas with mature conditions. After more

than three years of exploration and practice, China's used car export business has developed rapidly and its scale has continued to expand. As of June 2022, China has exported a total of 39,128 used cars, with a total export amount of 635.654 million US dollars. Among them, in 2021, a total of 15,123 used cars were exported, with an export amount of 22,073.8 million US dollars, and the export volume and export amount increased by 249.8% and 960.4% respectively compared to 2020, achieving a leapfrog development in export scale. From January to June 2022, the export volume and number of used cars have already exceeded the full-year 2021, with 16,646 used cars exported and an export amount of 37,923.7 million US dollars. Figure 1 below shows the used car export situation in China from 2019 to June 2022.

From the perspective of export markets, countries along the Belt and Road are still the main markets for China's used car exports. With the continuous development of China's used car export business, the export market is also expanding. Currently, China's used cars are exported to nearly 140 countries and regions, which is a significant increase from the less than 80 countries and regions as of June 2021. Looking at specific countries, in the first half of 2021 and 2022, the United Arab Emirates, Jordan, Uzbekistan, Ukraine, and Nigeria were China's top five used car export markets, with a total export volume of 21,848 vehicles, accounting for 68.8% of the total export volume, and an export value of 482.57 million US dollars, accounting for 80.4% of the total export value. Among the top five exporting countries, the average unit price of used cars exported to Uzbekistan was the highest at \$25,782.2, while Nigeria had the lowest average unit price at \$8,912.6. In 2021, Ukraine's export volume and value were higher than that of Uzbekistan, ranking third, but in the first half of 2022, due to the impact of the Russia-Ukraine conflict, the export volume significantly declined, with only 608 vehicles exported and an export value of 55.394 million US dollars, dropping to fourth in the export ranking by value. In addition, China's export of used cars to Greece significantly increased in the first half of 2022, with a total of 329 vehicles exported and an export value of 8.455 million yuan, ranking fifth in terms of export value. Table 1 shows the top five target markets for China's used car exports by export value in the first half of 2021 and 2022.

From the perspective of product types, China's second-hand car exports are mainly second-hand passenger cars, and

new energy vehicles have become the main force in exports. From 2019 to June 2022, China exported 24,266 second-hand passenger cars, accounting for 76.4% of the total export volume, with an export value of 54,330.2 million US dollars; 7,503 second-hand commercial vehicles were exported, accounting for 23.6% of the total export volume, with an export value of 5,667.2 million US dollars. Among them, 23,305 second-hand new energy vehicles were exported, with

an export value of 52,684.5 million US dollars. In the future, with the growth of China's new energy vehicle ownership and the acceleration of new car exports overseas, second-hand new energy vehicles will continue to be an important component of second-hand car exports. Table 2 shows the export situation of second-hand cars by type from 2021 to the first half of 2022.

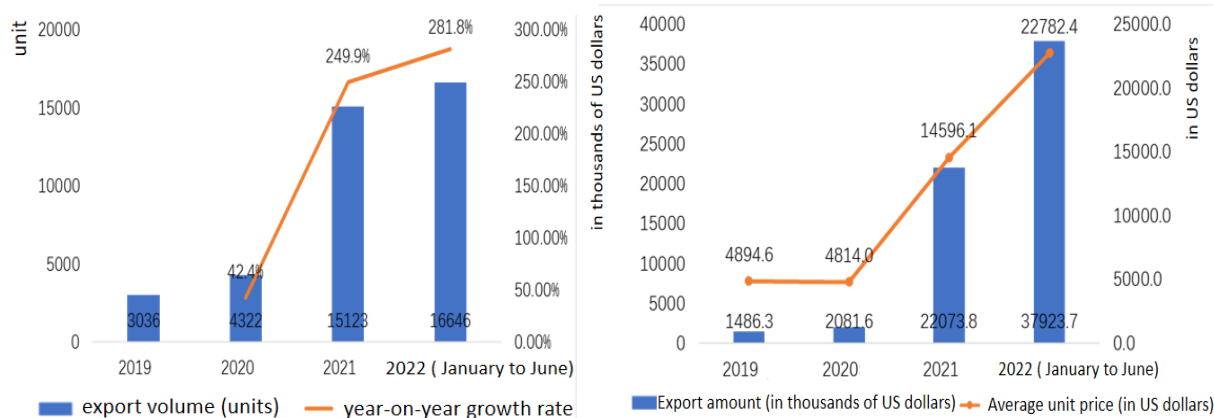


Figure 1. China's Second-hand Car Export Situation from 2019 to June 2022.

Table 1. Top 5 Destinations for China's Used Car Exports by Value in the First Half of 2021-2022

Country	Exports (Units)	Share	Export Value (USD Million)	Share	Average Price (USD)
UAE	9797	30.8%	23650.7	39.4%	24140.8
Jordan	5111	16.1%	11533.4	19.2%	22565.8
Uzbekistan	2851	9.0%	7350.5	12.3%	25782.2
Ukraine	2063	6.5%	3916.8	6.5%	18985.9
Nigeria	2026	6.4%	1805.7	3.0%	8912.6
Total	21848	68.8%	48257.1	80.4%	22087.7

Table 2. Export Situation of Second-hand Cars by Type from 2021 to the First Half of 2022

Vehicle Type	Quantity (Units)	Amount (USD '000)	Average Price (USD)
Passenger Cars	24266	54330.2	22389.4
Commercial Vehicles	7503	5667.2	7553.2
New Energy Vehicles	23305	52684.5	22606.5

Table 3. Shows the top 10 regions in China for second-hand car export revenue in the first half of 2021 and 2022.

Index number	Area	Export volume (units)	Export value (in USD thousands)	Average unit price (US dollar)
1	Zhejiang Province	10709	22587.7	21092.3
2	Shanghai Municipality	3741	7965.4	21292.2
3	Shandong Province	3575	6458.6	18066.0
4	Guangdong Province	2340	3604.4	15403.4
5	Fujian Province	1451	3306.7	22789.1
6	Tianjin Municipality	1635	3207.9	19620.2
7	Sichuan Province	1738	2938.8	16909.1
8	Anhui Province	2108	2078.1	9858.2
9	Hebei Province	746	1708.1	22896.8
10	Xinjiang Uygur Autonomous Region	450	1198.2	26626.7
Total		28493	55053.9	-
The proportion of the total export volume/total export value		89.7%	91.8%	-

According to the regional distribution within China, the eastern coastal areas have an absolute advantage in the export of second-hand cars. The export amount from Zhejiang, Shanghai, Shandong, Guangdong, and Fujian ranked in the

top five, with a cumulative export amount of 439.228 million US dollars, accounting for 73.2% of the total export amount. The total export volume of second-hand cars from these five regions was 21,816, accounting for 68.7% of the total export

volume. Among them, the export amount from Zhejiang province ranked first with 225.877 million US dollars, accounting for 38% of the total export amount. Shanghai and Shandong ranked second and third with 79.654 million US dollars and 64.586 million US dollars, respectively. In addition, Tianjin and Anhui showed significant growth in export. Table 3 shows the top 10 regions in China in terms of export number of second-hand cars from 2021 to the first half of 2022.

From the perspective of export enterprises, leading enterprises have gradually formed and become the main force of used car exports. As of October 2022, there were a total of 158 used car export enterprises in China. The types of enterprises include used car trading markets, dealerships, used car e-commerce platforms, parallel import enterprises, and host factory-related enterprises. Among them, the top 10 used car export enterprises in 2021 accumulated an export amount of 14625.2 million US dollars, accounting for 66.3% of the total export amount; and an export volume of 8718 vehicles, accounting for 57.6% of the total export volume. Among them, there were 6 enterprises with export amounts exceeding 10 million US dollars. Taizhou Longtong Automobile Sales Service Co., Ltd. ranked first with an export amount of 30.401 million US dollars; Zhejiang Fanglin Used Car Market Co., Ltd. ranked second with an export amount of 24.979 million US dollars; and Zhejiang Zhongdayuantong International Trade Co., Ltd. ranked third with an export amount of 20.743 million US dollars.

3. Characteristics of the Development of China's Second-Hand Car Industry

Since 2021, the COVID-19 pandemic has continued to spread, and the outbreak of the Russia-Ukraine conflict in 2022 has led to geopolitical tensions and camp confrontations, bringing great uncertainty to the international situation and seriously dragging down the world economic recovery. The economic development of various countries overseas has shown a significant downward trend, with a decrease in consumption and the ability to purchase new cars, but the demand for second-hand cars has not significantly decreased. Faced with the complex and severe international environment, China's second-hand car export enterprises have actively explored feasible export models, tapped competitive export products, established overseas warehouses for key market operations, and constructed overseas export service systems, fully reflecting the enterprise's firm confidence in future development. At present, China's second-hand car exports mainly show the following characteristics:

(1) Since the second half of 2021, the rapid rise of the export of new energy second-hand cars has become the main force of second-hand car exports. In 2021, the total export volume of new energy second-hand cars was 9,066 vehicles, accounting for 59.9% of the total, with 2,572 vehicles exported in the first half of the year and 6,494 vehicles in the second half. In the first half of 2022, the export volume of new energy second-hand cars was 14,239 vehicles, a year-on-year increase of 453.6%. As a global leader in the new energy vehicle market, China's new energy vehicles rank high in terms of scale, product technology, and quality level, and have strong international competitiveness. In the future, the situation of new energy new and second-hand cars collaborating to go abroad will accelerate.

(2) Actively expanding sales channels and accelerating the development of overseas markets. Establishing long-term and stable overseas sales channels is an effective way to ensure the rapid development of second-hand car exports. Under unfavorable conditions such as the epidemic and political turmoil in some countries, China's second-hand car export enterprises have made full use of mobilizable resources to actively expand sales channels. Some second-hand car export pilot enterprises with parallel import qualifications have used their existing automotive import and sales networks to operate in reverse and open up export channels for second-hand cars. Utilizing online sales platforms such as Alibaba and Made in China, they solve the bulk export of second-hand cars in the B2B market and expand their overseas markets. Tianjin held the first China (Tianjin) Second-Hand Car Export Overseas Exhibition in Dubai to promote Chinese second-hand car products. In addition, some enterprises have actively cooperated with foreign students studying in China, overseas Chinese, and other personnel who are familiar with overseas markets and environments to create marketing networks, and help open up new markets for the export of second-hand cars.

(3) Promote overseas service system and strengthen the supporting service capability for the export of second-hand cars. In order to fully ensure the use of second-hand cars by overseas customers, China's second-hand car export enterprises actively strengthen the construction of overseas service system for the export of second-hand cars. Tianjin Huatu accelerates the operation of second-hand car roll-on roll-off ship routes and focuses on solving the problem of insufficient export capacity for second-hand cars. Many second-hand car export enterprises are accelerating the construction of overseas warehouses. Export enterprises guarantee the supply of spare parts and after-sales service for exported vehicles through self-built after-sales service networks, cooperation with overseas dealers and after-sales service providers, and training of overseas after-sales maintenance personnel. Some export enterprises also actively use favorable conditions such as the Internet to establish technical support centers in China, providing real-time online guidance for overseas after-sales service, and improving after-sales maintenance service effectiveness. At the same time, in response to the charging matching problem of second-hand new energy vehicles, China's second-hand car export enterprises solve the charging problem of new energy vehicles for overseas customers through the wall-mounted charging piles, portable on-board chargers, charging gun adapters, and promoting the construction of fast charging stations, and effectively guarantee the customer's use experience.

(4) Pay attention to second-hand car preparation and improve the quality of exported second-hand cars. The quality of second-hand car exports is an effective way to obtain overseas favor. Improving the quality of second-hand car exports through preparation and maintenance is a common practice in the industry. Standardization of the preparation process is crucial, and many second-hand car export enterprises have established their own corporate standards. In the second half of 2022, the Export Committee officially launched the "Second-hand Car Export Preparation Service Specification" project to help improve the quality of second-hand car exports.

(5) Coastal provinces lead the development of second-hand car exports and form a good demonstration effect. There are significant differences in the development of second-hand car

business in various regions of China. Regions such as Zhejiang, Shanghai, Shandong, Tianjin, and Guangzhou have already formed a certain leading advantage and have initially formed industrial agglomeration effects. Local governments and export enterprises are coordinating and cooperating to jointly promote the development of second-hand car export business.

(6) Many places promote the construction of second-hand car export bases to create a new integrated export model. In order to fully play the role of second-hand car export business in driving the upstream and downstream of the automobile industry, and to improve the industrial agglomeration, many places are accelerating the construction of second-hand car export bases. By building second-hand car export bases, regional agglomeration effects are formed, which drives the coordinated development of the transaction, preparation, inspection, logistics, finance and other industrial chains, and fully plays the role of second-hand car export in promoting local economic and social development.

4. The potential of China's used car export industry.

The export potential of second-hand cars in China can promote the development of the automobile industry and drive regional economic growth, as follows.

Promoting the development of the automobile industry: Developing the export business of second-hand cars can improve the efficiency of second-hand car circulation, promote the upgrading of automobile consumption, and expand foreign trade scale; Exporting second-hand cars can pave the way for new car exports. Compared with new cars, second-hand cars have a wider coverage in export countries, and second-hand cars can lead the market, thereby accelerating the pace of new car exports; Good export reputation of second-hand cars can help form a development situation where new and old cars promote each other and cooperate in going global.

Driving regional economic development: Vigorously promoting the export business of second-hand cars can effectively promote the upgrading of local automobile circulation, stimulate regional consumption. On the other hand, second-hand car exports involve multiple upstream and downstream industries, and promoting the export business of second-hand cars can promote the establishment of a complete second-hand car industry chain system integrating

domestic procurement, maintenance and repair, testing and certification, parts supply, display and sales, warehousing and logistics, finance and insurance, and drive the coordinated development of upstream and downstream industries in the industrial chain, forming a regional industrial cluster and scale effect, and helping regional economic development.

The export of second-hand cars is in the initial stage with enormous potential for development. In 2021, the export volumes of second-hand cars in countries such as Japan, the United States, and South Korea exceeded 1.2 million, 900,000, and 400,000 vehicles, respectively. Compared with developed regions in the second-hand car export industry, China's second-hand exports are in the initial stage and have huge room for growth. China's automobile ownership ranks first in the world with 310 million vehicles, and the number of second-hand car transactions exceeded 17 million in 2021. With the increase in the average age of cars, the circulation of second-hand cars will further accelerate, providing sufficient sources of cars for the export of second-hand cars in China. At the same time, about 70% of countries drive on the right side (cars with left-hand steering), China's automobile products conform to the driving habits of most countries, and have greater potential market advantages compared with Japan. At the same time, due to the global chip shortage, many countries are experiencing longer delivery periods or delayed delivery of new cars, and some consumer car buying demands are shifting from new cars to second-hand cars, further enhancing the demand for the second-hand car market.

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