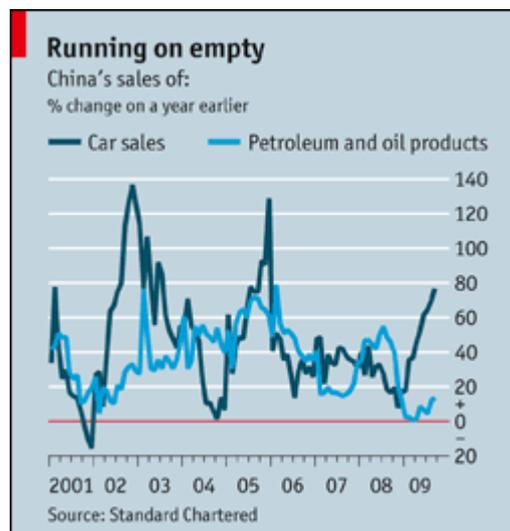


Exhaust fumes and mirrors

Car sales up, petrol sales flat: stockpiling, fuel-efficiency, or simply lousy data?

In January sales of vehicles in China surpassed those in America. Passenger-car sales have grown by around 45% this year. Yet sales of petrol have failed to keep pace (see chart). Attempts to explain this baffling phenomenon come up with widely differing answers, in part because the data present problems at every turn.

It is not known for sure, for example, how many cars are being sold by dealers to their final owners; nor how much petrol is being sold at the pump. The car-scrappage rate is also obscure, so the growth of China's total passenger-car stock is hard to calculate. When it comes to questions of consumer behaviour, such as distances travelled by car owners and how these are affected by petrol prices, tolls or other costs, the guesswork multiplies.



By the end of October sales of passenger cars from factories to dealers this year had reached 8.2m. Arthur Kroeber of Dragonomics, a consultancy, estimates that this could mean an increase in the total number of passenger cars in use of between 20% and 25%. Petrol sales are hard to quantify. But partial data from the first nine months suggest there has been hardly any increase.

One dramatic explanation has been proposed by Gordon Chang, an author and longtime doomsayer on China. Mr Chang wrote in October in *Forbes* magazine of what he admitted were unconfirmed reports that central-government officials had ordered state-owned enterprises to buy cars, which had then simply been stored in car parks.

Stephen Green of Standard Chartered, a bank, offers a more prosaic explanation. People are buying more fuel-efficient cars, he suggests, and are using their cars less because of high fuel prices. Much of the growth in car sales this year has been encouraged by tax cuts on sales of small cars, which use less fuel. And Mr Green says petrol is 20% dearer than it was two years ago, creating a "powerful reason to drive less". Mr Kroeber says that uncertainties remain even after taking account of these factors, and the figures were inconsistent even when gas-guzzlers were more common. But he rejects Mr Chang's theory. "It's just a reflection that China is a big and chaotic place" rife with incomplete data, he says.

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