

Volkswagen profits dip as it struggles in China

July 27 2023



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Volkswagen said Thursday its profits slipped in the second quarter as it battles to regain ground in China, the German auto giant's most

important market.

From April to June, net profit came in at 3.8 billion euros (\$4.2 billion), 3.1 percent below the same quarter a year earlier.

The 10-brand group—whose models include Audi, Seat and Skoda—makes a big chunk of its overall sales in China.

But it has faced increased competition in the world's number two economy, particularly in the booming electric car market.

In the first half of 2023, Volkswagen's deliveries of vehicles in China were down 1.2 percent compared to the previous year, weighed down by a poor start to the year.

The auto giant nevertheless struck a positive note about its prospects in the major market, saying it was stepping up the pace of "transformation in China".

On Wednesday, the carmaker announced it would invest over 600 million euros in Chinese electric vehicle manufacturer XPeng, acquiring a stake of just under five percent.

The two companies plan to develop two mid-sized VW-branded electric models to be rolled out on the Chinese market in 2026.

VW's premium Audi brand has also signed a memorandum with the group's existing Chinese partner SAIC to expand their cooperation and work on new high-end electric vehicles.

"The collaborations align with the company's 'in China for China' strategy, which enables it to address market-defining trends in China at an early stage and better leverage the growth momentum of the Chinese

market," the group said.

Volkswagen confirmed its financial outlook for the year but slightly reduced its forecast for vehicle deliveries.

Sales revenues in the second quarter rose 15.2 percent to 80.1 billion euros. In the first half of the year, sales rose in all regions of the world, except for China.

Mercedes-Benz, another top German carmaker, had better fortunes in the second quarter. It posted a 14-percent increase in net profit, which came in at 3.6 billion euros, driven by strong sales of premium cars and vans.

On the back of the strong results, the company raised its projection for operating profits in 2023.

But Mercedes is also facing struggles in China, with revenues falling heavily there in the second quarter compared to the same period last year.

In an effort compete with rivals in the Chinese market, the manufacturer unveiled an electric version of its iconic Maybach car at the Shanghai Auto Show in April.

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