Opinion **Inside Business**

Norway shows just how China has advanced in cars

Brands such as MG, BYD and Xpeng are making big inroads into country's auto market, competing on quality as well as price

RICHARD MILNE

Chinese carmakers sold no cars in Norway in 2019, but have managed to take 11% market share so far this year © Pedro Pardo/AFP/Getty Images

Richard Milne in Oslo 6 HOURS AGO

If Europe wants to see how Chinese manufacturers could affect its all-important car industry, it could do worse than look to Norway. Fully 94 per cent of cars sold in the Nordic country in October were electric, putting it on course to hit a target of no new fossil-fuel passenger vehicles next year.

Chinese carmakers sold no cars in Norway in 2019; this year so far, they have managed to take 11 per cent market share. Brands such as MG, BYD and Xpeng are common sights on Norwegian streets. Perhaps most telling is that Oslo's main shopping strip Karl Johans Gate has only one car dealership on it: Nio, a relatively new Chinese brand. Just around the corner, under the Financial Times' Nordic bureau, an upmarket estate agent has been replaced by a flashy showroom for Voyah, replete with modern art.

It is hard to exaggerate the importance of Europe's car industry either in economic terms or in symbolic value. It employs more than 13mn on the continent directly or indirectly, and accounts for one in 10 manufacturing jobs. It is equally hard to underplay the gloom in the sector right now. Amid the profit warnings being handed out by European carmakers, taboos are being threatened everywhere from Volkswagen planning its first closure of a factory in its homeland of Germany in 87 years to Europe's oldest car plant in Turin being shut for large parts of the year.

years to Europe's oldest car plant in Turin being shut for large parts of the year.

But just as European manufacturers are being laid low by the move to electric vehicles, Chinese carmakers (and Tesla) are prospering. "I looked at VW, Toyota, Volvo, but I just think the Chinese have better technology, look cooler," said Ivar, standing outside Nio's dealership in Oslo. He added that the touchscreens so crucial to electric cars were far slicker in Chinese models than, say, VW's.

Nio's main storefront looks like a coffee shop, perhaps because it is one, selling everything from a matcha latte to pistachio cookies. "I had no idea it was a Chinese car store," said one American tourist last month. Further on in the Nio store, it looks more like a lifestyle brand with jackets, suitcases and other bags for sale. It is only around the corner that cars such as ET5 saloon — with a starting price of NKr426,000 ($39,000) — make an appearance.

Manufacturers such as VW, Audi and Mercedes had become heavily dependent for their global sales on China, where they had to strike collaborations with local carmakers. Many Chinese companies are now beating the European marques where it hurts: by making arguably better cars in some cases. The German carmakers' sales in China are falling hard as local manufacturers increasingly dominate. "Look at how the Chinese are now building better cars than the Europeans after starting cooperations with the Europeans decades ago. It's amazing," said one Nordic automotive executive.

The picture is less dramatic in Norway, even though the direction of travel is still clear and challenging for the Europeans. Tesla, the US industry upstart, is the biggest-selling brand in Norway this year, and is not far off selling as many as the next two — VW and Japan's Toyota — combined, according to statistics from the Norwegian Road Association. Volvo, based in Sweden but owned by the China's Geely, is not far behind that duo in fourth place.

The pace of the Chinese advance in Norway has been uneven. It has been led by MG, the former UK brand that is now owned by SAIC Motor, one of VW's partners in China. Chinese makers had reached 5 per cent market share already in their first year of sales in 2020, and 10 per cent by 2022. In 2023, their share declined before rebounding to a fresh record level this year.

Established brands are far from finished: both Toyota and Volvo have increased their market share in the past five years, but VW and BMW have seen their share drop by more than a fifth.

As to where it could lead, a simulation published this year by the European Central Bank provides for alarming reading. If China's car industry receives subsidies similar

Bank provides for alarming reading. If China's car industry receives subsidies similar to those applied to its solar panel sector, an ECB simulation forecast Chinese carmakers' global market share would increase by 60 percentage points and the Europeans' would decrease by 30 percentage points. EU domestic production would fall 70 per cent.

The US and EU have sought to stem the rise of Chinese electric cars with tariffs, but Norway has pointedly refused to follow suit. How much tariffs will check the rise of Chinese manufacturers remains to be seen. For now, Norway serves as a local warning for European carmakers of what could happen if they do not move quicker.

richard.milne@ft.com