

# China Auto Sector

## Strong June provides more confidence for 2H23

China's passenger-vehicle (PV) retail sales volume rose 2% YoY and 12% MoM in Jun 2023 amid high base, 5% higher than our prior forecast, driving the 1H23 retail sales volume 5% higher than a year ago. Wholesale volume rose 2% YoY and 11% MoM to 2.27mn units in Jun 2023, the highest Jun in history, and 9% higher than our prior forecast. Wholesale volume rose 9% YoY (or +0.41mn units YoY) in 1H23, aided by 88% YoY growth (or +0.83mn units YoY) of exports.

Inventories at dealers in China rose about 32,000 units last month, higher than our expectation, leading to a restocking of 0.19mn units in 1H23, based on our calculations. In fact, inventories for internal-combustion engine (ICE) vehicles have been falling for three months in a row, leading to a destocking of about 17,000 units in 1H23. NEV makers added 0.21mn units (or 10 days) of inventories in 1H23. We estimate both industrywide and NEV inventory levels to be about two months, based on our retail sales volume forecasts for the next few months.

■ **Jul and 2H23 sales volume outlook.** Despite a volatile Jul after a strong Jun to push 1H23 sales, we project retail sales volume in Jul 2023 to fall 2% YoY to 1.75mn units, based on the sales data during 1-16 Jul that we have compiled. We project wholesale volume in Jul 2023 to fall 5% YoY to 2.06mn units, assuming an inventory restocking of 10,000 units.

We estimate NEV retail sales volume to rise 38% YoY to 0.61mn units in Jul 2023, assuming market share of 34.8%. NEV market share on a retail basis has been rising sequentially since Apr 2023, as we had expected, and we expect such trend to continue. We project NEV wholesale volume to rise 27% YoY to 0.72mn units in Jul, assuming continued mild inventory restocking.

We revise up our full-year China retail sales volume by 0.7mn units to 20.79mn units, or 1.4% YoY growth, after monthly figures beating our expectation for four months in a row. We revise up our full-year China wholesale volume by 1.2mn units to 24.37mn units, or 3.4% YoY growth. We maintain our 2023 China NEV retail sales volume at 7.1mn units and raise NEV wholesale volume by 0.2mn units to 8.5mn units, assuming more aggressive inventory restocking.

■ **Price war risk could be largely priced in, as key metrics appear to improve:** We expected discounts at dealers to peak in Jun-Jul in a [report](#) on 10 Jul 2023 and we still hold the same view. Some automakers have also lowered their full-year sales targets, which could help cut inventories and discounts. The new model effect appears to outweigh competition and margin concerns. Both 2Q23 preliminary results reported by Great Wall Motor and BYD beat our prior forecasts, which could give investors a bit more confidence on the price-war impact. We are of the view that it could still be a range trading market for auto stocks, but we turn a bit more optimistic for the overall industry.

In this report, we summarize key auto data for both industrywide and key companies in Jun 2023 and 1H23 from different perspectives, such as retail sales volume, inventories, discounts etc.

### OUTPERFORM (Maintain)

#### China Auto Sector

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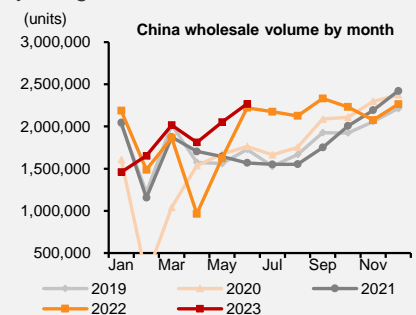
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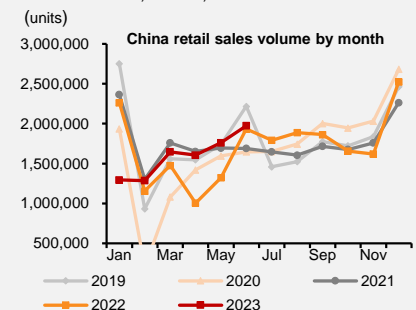
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Source: CAAM, CPCA, CMBIGM



Source: CATARC, CMBIGM

#### Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	44
Li Auto	2015 HK	BUY	172
NIO	NIO US	HOLD	9.2
Xpeng	XPEV US	HOLD	9
Xpeng	9868 HK	HOLD	35
Geely	175 HK	BUY	14.5
GWM	2333 HK	BUY	12
GWM	601633 CH	BUY	32
GAC	2238 HK	BUY	7
GAC	601238 CH	BUY	14
BYD	1211 HK	HOLD	240
BYD	002594 CH	HOLD	265
Yongda	3669 HK	BUY	6.5
Meidong	1268 HK	HOLD	11
EVA	838 HK	BUY	1.5

Source: Bloomberg, CMBIGM

#### Related Reports:

["China Auto Sector – Can possible strong Jun sales extend into 2H23" – 21 Jun 2023](#)

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## Company Watch List

### Great Wall Motor

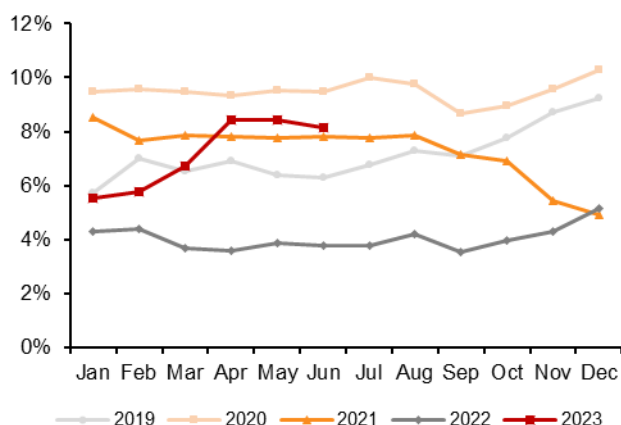
Great Wall's wholesale volume, including pick-up trucks, rose 4% YoY and 4% MoM to about 105,000 units in Jun 2023, largely in line with the overall industry's 2% YoY growth. Retail sales volume of PVs and pick-up trucks combined rose 7% YoY and 12% MoM to about 81,000 units last month, leading to an unchanged inventory level compared with May 2023. Great Wall's inventory level is about 1.6 months now, better than the industry average level.

Great Wall's cumulative wholesale volume remained largely flattish YoY at about 519,000 units in 1H23, weaker than the overall industry's 9% YoY increase. The key to Great Wall's 2H23E sales volume growth apparently lies in new PHEVs. In fact, the MoM wholesale volume growth in Jun 2023 mainly came from the Haval *Xiaolong* PHEVs (+3,000 units MoM). **NEVs accounted for 30% of Great Wall's PV wholesale volume in Jun 2023, the highest in history.** The order intake of the *Xiaolong* series showed MoM recovery in Jul 2023, according to management.

The Wey *Gaoshan* MPV is scheduled to be rolled out in 3Q23, followed by a Haval A+ class SUV (coded B26), the redesigned *H5* and *Tank 400*. Interestingly, the latter three models are all offroad style with different price ranges, which could result in a certain degree of sales cannibalization, in our view. We project these new models, along with more PHEV variants for existing models, to contribute about 20,000 units per month in 2H23, leading to an average monthly sales volume of about 120,000 units in 2H23, or about 1.25mn units in 2023E.

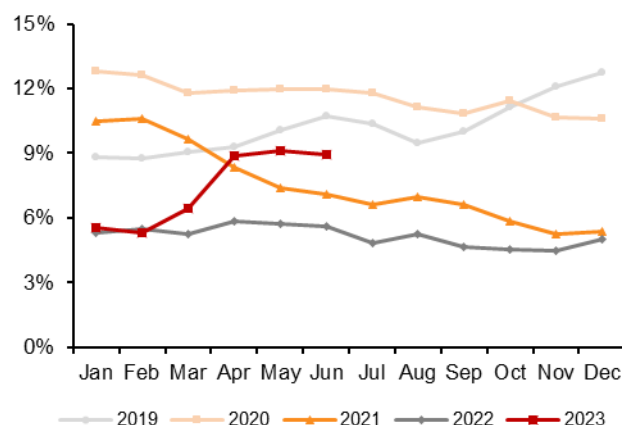
In Jun 2023, the weighted average discounts at Great Wall's dealers narrowed a bit from the 2.5-year peak in Apr-May 2023, aided by the sales ramp-up of the *Xiaolong* and *Lanshan* PHEVs. We expect the average discounts to continue to narrow slightly as sales of new models ramp up. Nevertheless, we still believe investors may pay more attention to Great Wall's NEV sales growth than profitability this year.

**Figure 1: Great Wall Motor discounts at dealers**



Source: ThinkerCar, CMBIGM

**Figure 2: Geely discounts at dealers**



Source: ThinkerCar, CMBIGM

## Geely

Geely's wholesale volume rose 9% YoY and 15% MoM to about 138,000 units in Jun 2023, with Zeekr's sales volume surging 147% YoY to about 11,000 units. NEVs accounted for 28% of Geely's total wholesale volume last month. Retail sales volume at Geely rose 26% YoY and 14% MoM to about 126,000 units last month.

Geely cut its inventories at dealers by about 10,000 units in Jun 2023, after a destocking of 13,000 units in May 2023. Yet, its inventory level at dealers is still about two months as of Jun 2023, based on our calculations. Geely's average discounts at dealers also narrowed a bit in Jun 2023 from a 26-month high in May 2023, aided by better product mix.

Geely's cumulative wholesale volume rose 13% YoY to about 694,000 units in 1H23, amounting to 42% of its full-year target of 1.65mn units. We maintain our FY23 sales forecast of 1.52mn units. We expect Zeekr to launch heavier promotion in a bid to withstand the competition, especially for the *Zeekr 001*, as more rival models have been launched recently, including the Xpeng G6, NIO ET5 Touring, and Denza N7. The *Galaxy L7* PHEV (RMB 138,700-173,700) based on the e-CMA platform started deliveries on 13 Jun 2023, with wholesale volume of 9,700 units and retail sales volume of 4,700 units last month. We expect retail sales volume of the *Galaxy L7* to exceed 7,000 units in Jul 2023, given its weekly sales of 1,500-1,700 units in the 1st half of Jul. The Galaxy series is another attempt by Geely to penetrate the PHEV market, with the *L6* PHEV (compact sedan) and *E8* EV (mid-size sedan) in upcoming 3Q23 and 4Q23, respectively.

## BYD

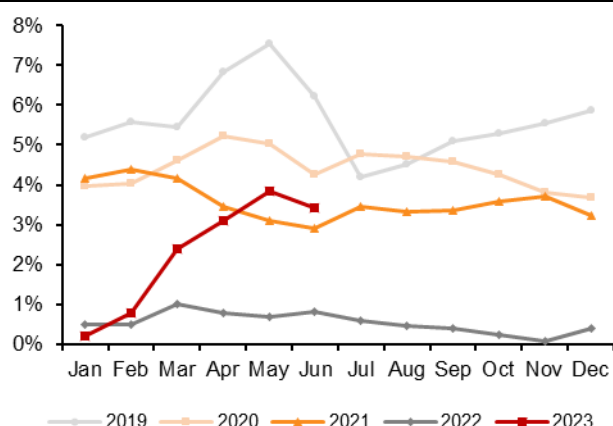
BYD's PV wholesale volume rose 89% YoY and 5% MoM to about 253,000 units in Jun 2023, the highest in history again. BYD's retail sales volume rose 78% YoY and 8% MoM to about 234,000 units last month, which led to an inventory restocking of about 7,600 units.

Although BYD has the lowest discounts (about 3.5%) and inventories at dealers (about 1.4 months) among automakers which adopt dealer sales network, it has been lowering the selling prices with new models and facelifted versions of the *Qin*, *Tang*, *Han* and *Song* since the beginning of 2023 in a bid to grab market share. Such strategy appears to pay off, as the MoM wholesale volume growth mainly came from the new small-size *Seagull* BEV (+8,700 units MoM), *Han* BEV and PHEV (+2,800 units MoM), and *Song* PHEV (+3,400 units MoM).

Denza targets 210,000-unit sales volume in 2023 with a monthly sales volume target of 15,000 units for the *D9*, which could be aggressive in our view. Its new mid-size SUV, the Denza N7 was unveiled on 3 Jul, with an MSRP of RMB 301,800-379,800, which could be too expensive, in our view, given the heightened competition. Denza now adopts direct-sales model. What could be tricky is that we calculate Denza's inventories at dealers to be about 8,900 units as of Jun 2023 based on insurance data, which is rare in the direct sales model. On the other hand, we believe Denza's margins could beat our prior expectation given its preliminary 2Q23 results.

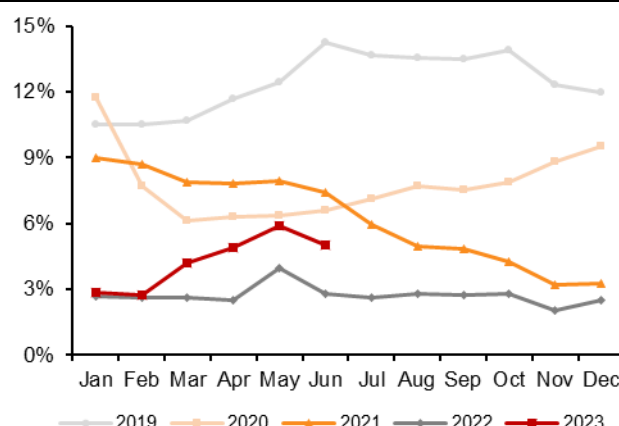
We maintain our FY23E wholesale volume forecast of 2.9mn units for BYD, which has been revised up from 2.6mn units made at the beginning of 2023, as BYD's dominance in the PHEV market appears to be longer than we had expected. Therefore, it is interesting to watch the sales ramp-up for the Changan *Deepal S7*, Geely *Galaxy L7* and Haval *Xiaolong Max* PHEVs.

Figure 3: BYD discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 4: GAC Trumpchi &amp; Aion discounts at dealers



Source: ThinkerCar, CMBIGM

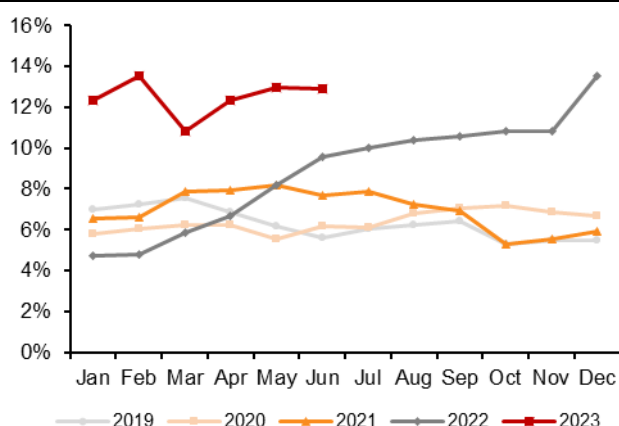
## Guangzhou Automobile Group

Total wholesale volume at GAC Group rose 1% YoY and 13% MoM to about 236,000 units in Jun 2023, in line with the industry average. GAC's sales volume was mainly dragged by GAC Honda (-18% YoY) and GAC Toyota (-14% YoY). Sales volume of GAC Aion soared 87% YoY to about 45,000 units last month (flattish MoM).

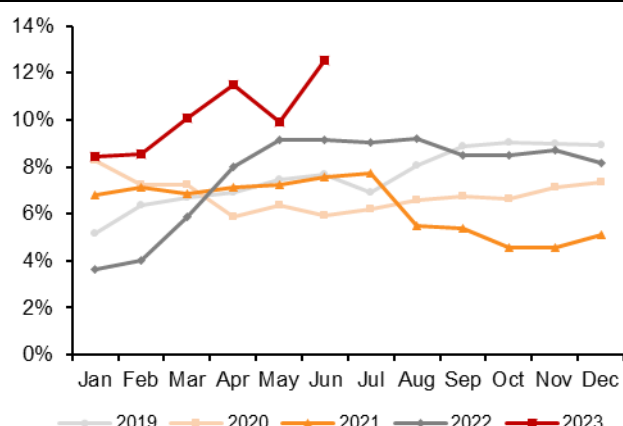
Retail sales volume of Aion surged 91% YoY and rose 2% MoM to about 41,000 units in Jun 2023, leading to an inventory increase of 3,500 units. We estimate Aion's inventory level to be about 1.9 months now. We project Aion's FY23 wholesale volume to reach 480,000 units, still lower than GAC's sales target of 500,000-600,000 units. We believe investors' main concerns for Aion now are its weak margin and brand building with a large portion of ride-hailing fleets.

GAC Toyota's retail sales volume fell 21% YoY but rose 14% MoM to about 90,000 units in Jun 2023, resulting in an inventory cut of about 2,300 units. We calculate the inventory level at GAC Toyota to be reduced to about 1.1 months as of Jun 2023. GAC Toyota's average discounts at dealers also slightly narrowed MoM in Jun 2023. GAC Toyota has cut its 2023 sales-volume target to 0.95mn units as we had expected, based on our dealer channel checks. Toyota has also raised rebates to dealers amid high discounts.

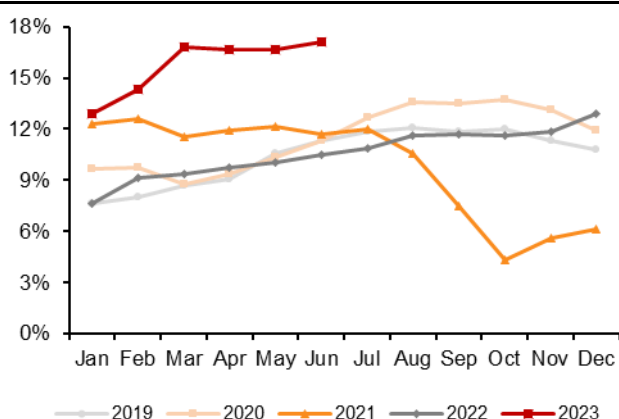
Retail volume of GAC Honda fell 9% YoY but rose 30% MoM to about 65,000 units in Jun 2023, which led to an inventory cut of about 4,500 units, mainly from the *Avancier* and *Integra*. Yet, its inventory level is still close to two months, based on our calculations. GAC Honda's discounts at dealers widened again last month, as the discounts for the new-generation *Accord* rose quickly. In our view, GAC Honda probably faces more challenges this year than ever before. Should current sluggish sales continue, GAC Honda would face severe overcapacity in the short term.

**Figure 5: GAC Toyota discounts at dealers**

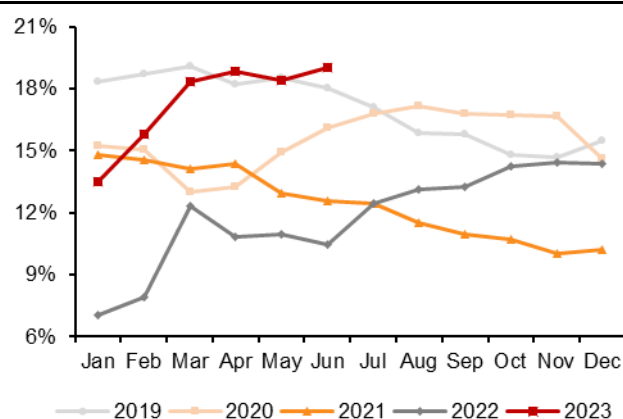
Source: ThinkerCar, CMBIGM

**Figure 6: GAC Honda discounts at dealers**

Source: ThinkerCar, CMBIGM

**Figure 7: Beijing Benz discounts at dealers**

Source: ThinkerCar, CMBIGM

**Figure 8: BMW Brilliance discounts at dealers**

Source: ThinkerCar, CMBIGM

Discounts for BMW Brilliance widened MoM in Jun 2023, to a level that was very close to its all-time high in 1H19. On 1 Jun 2023, it also announced generous additional rebates for dealers in 1H23. BMW raised its incentives per vehicle by about RMB 1,000 in 3Q23 vs. 2Q23 (excluding special subsidies announced on 1 Jun 2023), based on our channel checks. We expect BMW to provide special subsidies to dealers in 2H23 again. Nevertheless, we project BMW's discounts at dealers to gradually narrow HoH in 2H23 amid the new-generation X1 and the gradual production phase-out of the 1-Series and X2.

Discounts for Beijing Benz widened MoM to a record high of about 17% in Jun 2023, largely in line with our prior expectation, as we believe discounts for the new GLC could widen quickly. The OEM also provided additional rebates for dealers in 1H23, according to our channel checks. We believe new-car margin in 1H23 at Mercedes-Benz dealers could be slightly better than that for BMW dealers.



Figure 9: China passenger-vehicle wholesale volume by OEM / brand

	Total					NEV				
	Jun 2023	YoY %	MoM %	YTD	YTD YoY %	Jun 2023	YoY %	MoM %	YTD	YTD YoY %
<b>Chinese OEMs</b>	<b>1,215,719</b>	<b>20.6%</b>	<b>9.4%</b>	<b>6,128,887</b>	<b>21.8%</b>	<b>606,131</b>	<b>37.8%</b>	<b>12.1%</b>	<b>2,855,341</b>	<b>40.7%</b>
Geely	137,897	8.9%	14.9%	694,045	13.1%	38,572	30.0%	42.7%	157,894	45.5%
Great Wall Motor	88,397	10.6%	7.3%	416,419	-1.8%	26,643	110.1%	12.2%	93,069	47.6%
Changan	139,441	14.8%	14.9%	770,829	19.1%	36,639	121.6%	36.0%	161,944	135.5%
SAIC-GM-Wuling	73,491	-27.3%	7.9%	340,383	-32.4%	30,471	-38.4%	25.0%	110,700	-52.7%
SAIC	72,401	-12.1%	-1.1%	410,300	12.2%	29,787	58.6%	-6.1%	161,576	109.9%
BYD	251,685	88.2%	5.3%	1,248,161	94.0%	251,685	88.2%	5.3%	1,248,161	95.5%
GAC Motor	86,144	51.7%	10.7%	401,075	46.7%	47,682	97.8%	2.3%	215,674	113.7%
Chery	137,367	39.2%	4.6%	695,176	57.7%	10,573	-53.8%	28.3%	44,984	-59.8%
Dongfeng	26,541	-31.9%	36.3%	126,242	-44.5%	8,434	-44.1%	53.8%	32,178	-49.7%
FAW	48,350	74.5%	38.0%	198,677	27.1%	7,702	61.9%	-9.4%	36,210	184.8%
BAIC	19,994	141.6%	54.8%	71,046	89.4%	12,343	243.1%	157.4%	38,673	127.4%
NIO	10,707	-17.4%	74.0%	54,561	7.3%	10,707	-17.4%	74.0%	54,561	7.3%
Li Auto	32,575	150.1%	15.2%	139,117	130.3%	32,575	150.1%	15.2%	139,117	130.3%
Xpeng	8,620	-43.6%	14.8%	41,435	-39.9%	8,620	-43.6%	14.8%	41,435	-39.9%
Neta	12,132	-7.8%	-6.9%	62,417	-1.1%	12,132	-7.8%	-6.9%	62,417	-1.1%
Leap Motor	13,209	17.3%	9.5%	44,502	-14.4%	13,209	17.3%	9.5%	44,502	-14.4%
Jinkang Seres	5,111	-27.2%	25.2%	23,246	15.0%	5,111	-27.2%	25.2%	23,246	15.0%
<b>German Brands</b>	<b>415,116</b>	<b>-9.5%</b>	<b>17.8%</b>	<b>1,992,621</b>	<b>1.2%</b>	<b>33,731</b>	<b>-3.3%</b>	<b>-3.4%</b>	<b>135,157</b>	<b>39.0%</b>
VW	204,850	-16.5%	19.8%	967,141	-8.0%	14,472	-41.9%	-1.9%	60,062	-25.4%
Audi	70,103	-6.2%	39.0%	292,422	5.4%	3,316	438.3%	21.9%	12,565	258.3%
BMW	56,236	-9.5%	1.4%	334,101	6.1%	7,084	35.1%	-2.7%	43,691	98.8%
Mercedes-Benz	60,976	1.6%	14.2%	316,569	12.1%	2,909	-29.5%	27.4%	18,839	10.1%
Jetta	17,001	5.0%	19.9%	82,388	5.3%	-	N/A	N/A	-	N/A
<b>Japanese Brands</b>	<b>335,381</b>	<b>-24.4%</b>	<b>11.4%</b>	<b>1,674,581</b>	<b>-19.2%</b>	<b>8,133</b>	<b>71.6%</b>	<b>23.8%</b>	<b>31,717</b>	<b>82.9%</b>
Honda	102,483	-30.7%	3.3%	513,650	-25.2%	4,033	44.7%	74.9%	10,643	9.0%
Toyota	159,109	-21.6%	13.1%	811,593	-8.6%	3,526	88.4%	-10.9%	19,102	183.2%
Nissan	66,070	-17.5%	22.3%	305,191	-26.6%	516	N/A	70.9%	1,694	N/A
Mazda	7,411	-23.5%	7.4%	32,097	-42.4%	58	114.8%	1060.0%	109	-53.0%
Mitsubishi	-	-100.0%	N/A	8,943	-35.9%	-	-100.0%	N/A	169	-68.7%
<b>American Brands</b>	<b>217,803</b>	<b>-8.6%</b>	<b>11.6%</b>	<b>1,071,540</b>	<b>15.4%</b>	<b>102,865</b>	<b>20.8%</b>	<b>24.9%</b>	<b>505,009</b>	<b>60.0%</b>
Buick	52,472	-30.8%	1.3%	264,855	-13.0%	8,088	77.3%	127.3%	23,249	43.3%
Chevrolet	21,423	-25.2%	-4.7%	110,248	-12.8%	1,001	27.5%	1.8%	3,840	24.6%
Cadillac	19,105	-8.2%	7.6%	75,855	0.0%	19	137.5%	-75.9%	1,084	13450.0%
Ford	24,374	1.8%	20.2%	115,807	25.7%	77	-90.4%	83.3%	294	-79.0%
Lincoln	6,749	-33.1%	28.8%	28,236	-14.0%	-	-100.0%	-100.0%	3	-98.0%
Tesla	93,680	18.7%	20.6%	476,539	61.7%	93,680	18.7%	20.6%	476,539	61.7%
<b>Korean Brands</b>	<b>39,862</b>	<b>29.7%</b>	<b>38.1%</b>	<b>182,184</b>	<b>16.3%</b>	<b>-</b>	<b>-100.0%</b>	<b>N/A</b>	<b>-</b>	<b>-100.0%</b>
Hyundai	24,018	32.7%	24.7%	118,327	25.7%	-	-100.0%	N/A	-	-100.0%
Kia	15,844	25.3%	64.8%	63,857	2.3%	-	-100.0%	N/A	-	-100.0%
<b>Others</b>	<b>32,704</b>	<b>-5.3%</b>	<b>-8.3%</b>	<b>142,952</b>	<b>-5.0%</b>	<b>5,710</b>	<b>-12.2%</b>	<b>-52.9%</b>	<b>10,236</b>	<b>41.3%</b>
PSA	7,103	-10.0%	12.4%	40,866	-24.7%	110	-79.8%	-72.8%	3,590	-13.3%
Volvo	15,086	11.6%	16.6%	68,111	7.4%	1,039	169.9%	-0.7%	5,980	81.4%
Jaguar	1,838	37.6%	12.6%	11,217	13.1%	-	N/A	N/A	-	N/A
Land Rover	2,605	-14.4%	0.9%	14,549	8.0%	89	-32.1%	-9.2%	666	-48.3%
<b>Total</b>	<b>2,256,585</b>	<b>1.9%</b>	<b>11.5%</b>	<b>11,192,765</b>	<b>8.4%</b>	<b>756,570</b>	<b>32.4%</b>	<b>11.8%</b>	<b>11,192,765</b>	<b>43.4%</b>

Source: CPCA, CMBIGM

Figure 10: China passenger-vehicle monthly retail sales volume by OEM / brand

	Total					NEV				
	Jun 2023	YoY %	MoM %	YTD	YTD YoY %	Jun 2023	YoY %	MoM %	YTD	YTD YoY %
<b>Chinese OEMs</b>										
Geely	116,097	21.6%	14.0%	532,565	5.7%	29,250	94.4%	39.6%	108,240	68.6%
Zeekr	9,481	133.9%	16.2%	40,946	117.5%	9,481	133.9%	16.2%	40,946	117.5%
Great Wall	68,712	12.3%	16.2%	325,905	-9.8%	21,200	116.9%	35.7%	68,857	13.2%
Changan	115,163	22.3%	9.1%	584,297	22.5%	27,573	82.6%	27.3%	121,850	94.2%
SAIC Motor	24,112	-27.0%	-10.7%	140,028	-30.0%	8,542	6.3%	-7.3%	39,101	-2.6%
GAC Trumpchi	33,283	19.5%	6.7%	161,477	15.1%	1,855	18450.0%	348.1%	2,342	1622.1%
GAC Aion	41,415	90.7%	1.8%	198,804	139.1%	41,415	90.7%	1.8%	198,804	139.1%
BYD	233,563	78.2%	8.0%	1,089,375	85.6%	233,551	79.5%	8.0%	1,089,233	91.4%
SAIC-GM-Wuling	50,641	-31.3%	-8.5%	311,192	-21.6%	30,306	-33.1%	-12.0%	176,925	-18.2%
BAIC Magna	1,756	53.8%	6.7%	6,456	39.0%	1,756	53.8%	6.7%	6,456	39.0%
Voyah	2,244	110.3%	65.5%	8,925	32.6%	2,244	110.3%	65.5%	8,925	32.6%
NIO	11,053	-7.8%	81.3%	56,520	14.2%	11,053	-7.8%	81.3%	56,520	14.2%
Lixiang	32,600	147.9%	14.6%	141,397	132.5%	32,600	147.9%	14.6%	141,397	132.5%
Xpeng	8,898	-42.0%	21.3%	41,129	-40.2%	8,898	-42.0%	21.3%	41,129	-40.2%
Neta	9,753	-23.0%	17.1%	49,551	-15.9%	9,753	-23.0%	17.1%	49,551	-15.9%
Leapmotor	13,686	25.1%	3.5%	40,386	-12.5%	13,686	25.1%	3.5%	40,386	-12.5%
Human Horizons	588	9.9%	43.1%	2,438	-5.7%	588	9.9%	43.1%	2,438	-5.7%
Jinkang Seres	4,500	-20.1%	-17.9%	24,464	43.6%	4,500	-20.1%	-17.9%	24,464	43.5%
<b>Foreign OEMs</b>										
SAIC VW	100,120	-11.8%	10.0%	518,481	-2.0%	6,197	-37.6%	-11.3%	32,741	-11.6%
FAW VW	178,675	-0.2%	16.7%	830,429	5.9%	8,850	-15.1%	12.8%	39,334	3.8%
Beijing Benz	55,053	1.2%	8.6%	297,185	8.4%	4,134	11.9%	27.3%	20,279	22.7%
BMW Brilliance	60,454	0.0%	7.9%	333,543	8.1%	8,975	96.9%	9.9%	46,644	112.8%
FAW Toyota	79,229	-2.2%	20.2%	354,000	2.4%	3,490	535.7%	31.5%	12,086	235.1%
GAC Toyota	89,546	-20.6%	14.2%	416,972	-9.9%	1,544	203.9%	72.1%	4,823	21.9%
Dongfeng Honda	51,709	-20.2%	18.9%	239,224	-27.1%	621	-74.6%	20.3%	7,406	-20.2%
GAC Honda	64,491	-8.9%	30.2%	271,418	-20.3%	1,353	60.5%	55.7%	5,162	-10.4%
Dongfeng Nissan	65,996	-24.6%	8.8%	318,246	-22.2%	3,117	311600.0%	3442.0%	3,782	22147.1%
GAC Mitsubishi	1,630	-41.4%	20.2%	8,915	-49.2%	4	-92.6%	-69.2%	33	-87.9%
SAIC GM	82,095	-10.6%	4.0%	404,476	-8.6%	6,656	78.4%	72.1%	23,821	36.8%
Changan Ford	13,192	-22.3%	26.0%	60,557	-23.9%	228	-63.6%	-12.3%	1,364	-64.4%
Tesla China	73,243	-5.2%	67.0%	294,815	48.7%	73,243	-5.2%	67.0%	294,815	48.7%
Volvo Asia Pacific	13,358	-6.0%	15.0%	63,987	4.4%	1,125	34.2%	6.2%	6,333	31.4%
Chery JLR	4,224	-16.6%	-0.4%	25,416	13.0%	101	-59.6%	-31.8%	1,064	-1.1%
Beijing Hyundai	21,230	-0.3%	-1.7%	113,769	3.6%	1	-96.4%	-66.7%	15	-93.1%
Yueda Kia	7,034	-28.6%	-5.9%	38,570	-23.1%	16	-55.6%	300.0%	79	-81.7%
<b>Total (excl. imports)</b>	<b>1,907,955</b>	<b>2.5%</b>	<b>12.3%</b>	<b>9,199,449</b>	<b>4.7%</b>	<b>649,383</b>	<b>29.4%</b>	<b>16.3%</b>	<b>2,921,076</b>	<b>39.4%</b>
<b>Imports by Brand</b>										
Lexus	16,398	1.6%	20.1%	70,592	-18.4%	1,139	226.4%	-6.8%	5,036	184.5%
BMW	8,521	-10.4%	11.5%	51,474	-6.7%	907	625.6%	93.0%	3,076	210.4%
Mercedes-Benz	11,309	-25.0%	-13.2%	80,469	0.1%	198	-66.7%	5.9%	2,222	-27.9%
Porsche	6,865	-36.1%	-12.1%	44,025	3.8%	1,015	-36.9%	-22.5%	7,686	54.0%
Audi	6,202	49.6%	13.7%	29,208	27.7%	17	-60.5%	-39.3%	141	-46.6%
<b>Total Imports</b>	<b>65,332</b>	<b>-9.0%</b>	<b>6.3%</b>	<b>365,011</b>	<b>-0.7%</b>	<b>5,414</b>	<b>65.9%</b>	<b>42.6%</b>	<b>22,221</b>	<b>70.1%</b>
<b>Total</b>	<b>1,973,287</b>	<b>2.1%</b>	<b>12.1%</b>	<b>9,564,460</b>	<b>4.5%</b>	<b>654,797</b>	<b>29.6%</b>	<b>16.5%</b>	<b>2,943,297</b>	<b>39.6%</b>

Source: CATARC, CMBIGM



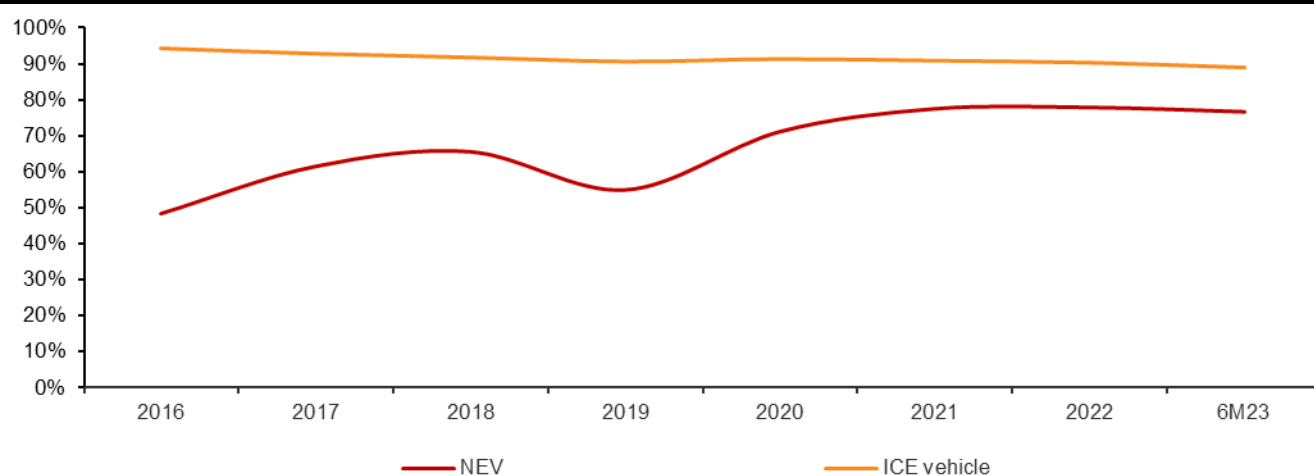
## NEV Segment

### Jun NEV wholesale volume hit all-time high

In Jun 2023, retail sales volume of passenger NEVs rose 30% YoY and 16% MoM to about 655,000 units, slightly stronger than our prior forecast of 640,000 units. NEV's market share climbed to 33.2% in Jun 2023 from 31.9% in May 2023 on a retail basis. The trailing 12-month NEV market share rose for 36 months in a row to 29.1% as of Jun 2023. The cumulative NEV retail sales volume rose 40% YoY to 2.9mn units in 1H23, well on track towards our full-year forecast of 7.1mn units.

Individual customers accounted for about 77% of total NEV retail sales in Jun 2023. Such ratio hit a record high of 83% in Jan 2023, as purchases of more price-sensitive ride-hailing cars were pulled ahead of the subsidy phase-out. We expect such ratio to be stable now.

**Figure 11: Proportion of NEVs sold to individual customers vs that of ICE vehicles in China**



Source: CATARC, CMBIGM

Wholesale volume of passenger NEVs rose 35% YoY and 11% MoM to about 765,000 units in Jun 2023, with market share of 33.8%. NEV wholesale volume beat our prior expectation by 55,000 units last month, amid an inventory increase of about 52,000 units. NEV inventories at dealers have increased by about 0.21mn units in 1H23.

We estimate the current nationwide NEV inventory level to be about 2.0 months based on our NEV sales forecasts for the next few months. In fact, the figure could be even higher for individual NEV makers because about 20% of total NEVs sold in 1H23 were through direct-sales model (excluding agency model) which is supposed to have minimal inventories.

NEV exports fell 29% MoM to about 64,000 units in Jun 2023. Tesla China usually cuts exports in the last month of each quarter, but the significant MoM declines from Dacia, BMW and Smart were out of our prior expectation. The cumulative NEV exports rose 165% YoY to about 0.44mn units in 1H23. Our full-year forecast of 0.99mn units assumes more Chinese brands to start or increase NEV exports in 2H23 but a moderate decline for Tesla in 4Q23. Tesla accounted for 41% of China's total NEV exports in 1H23 (vs. 48% in 2022), followed by BYD (17% in 1H23 vs. 10% in 2022) and MG (15% in 1H23 vs. 11% in 2022).

We still expect NEV market share to rise sequentially for the remainder of the year with sales ramp-up of new models, such as the Galaxy L7, Zeekr X, Smart #3, NIO ES6, ET5 Touring, ES8, Xpeng G6, Denza N7, Aion Hyper GT, Deepal S7 etc. We projected about

110 new NEV models or models with NEV powertrain available to be launched in 2023 in our [outlook report published on 7 Dec 2022](#). Only about 28 new NEV models were rolled out in the first five months of 2023, which was slower than our prior expectation. The NEV rollouts have been accelerated since Jun 2023 as we expected, with about 10 new NEV models starting to deliver last month.

### NEV by city-tier: Tier-1 cities outperformed YoY in 1H23

NEV market share, on a trailing 12-month basis, rose to 40.9% (+0.4 ppt MoM), 30.6% (+0.7 ppt MoM), 26.1% (+0.9 ppt MoM) and 21.3% (+0.5 ppt MoM), in tier-1, tier-2, tier-3, and tier-4 and below cities as of Jun 2023, respectively.

On a MoM basis, NEV retail sales volume in tier-1 cities rose 34% in Jun 2023, the fastest among all the city tiers (vs. +14% MoM in tier-2 and below cities). That may be driven by the pre-buying effect before the expiration of local subsidies in Shanghai, the issuance of new NEV licenses on 25 May in Beijing, and some local subsidies announced in Jun in Shenzhen. On a YoY basis, tier-1 cities also posted the fastest growth rate (+46% YoY) in 1H23, given low base amid the Shanghai lockdown in 2022. We expect the NEV retail sales growth in lower-tier cities to outpace that in higher-tier cities in 2H23.

The Tesla *Model Y* retained the best-selling NEV model with a market share of 9% in tier-1 and -2 cities combined in 1H23. The *Wuling Hongguang Mini EV* still tops in the tier-3 and below cities, with market share declining to 8% in 1H23 (vs. 15% in 2022). The market share for mini-size BEVs has been falling as we expected. Mini BEVs accounted for 15% of total BEV retail sales volume nationwide in 1H23, down from 26% in 2022.

**Figure 12: China NEV market share by city tier (trailing 12-month basis)**

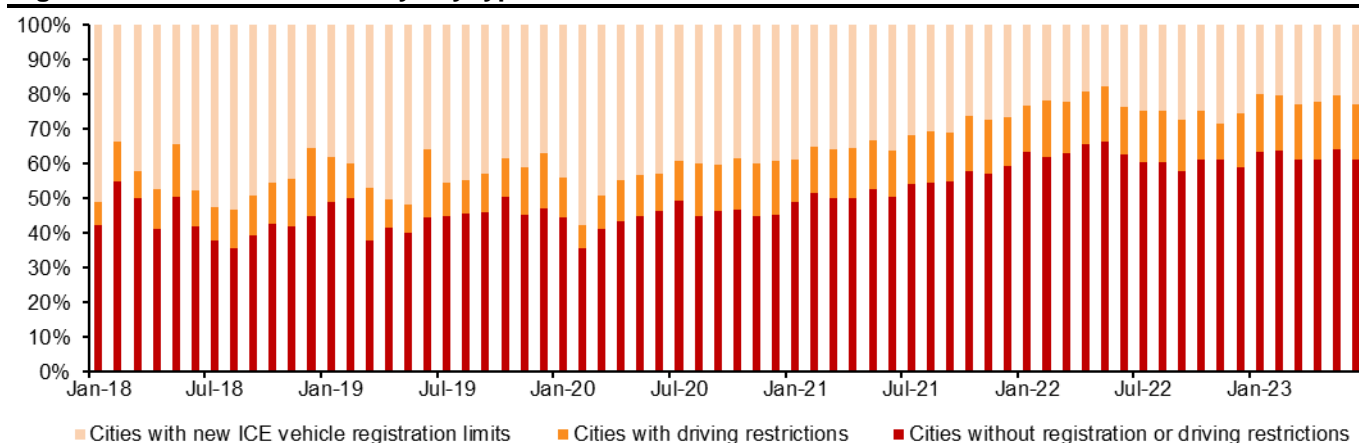
Market Share	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023
Tier 1	38.2%	39.4%	39.7%	40.1%	40.3%	40.6%	40.9%
Tier 2	27.0%	28.2%	28.8%	29.1%	29.4%	29.9%	30.6%
Tier 3	22.7%	23.7%	24.4%	24.5%	24.7%	25.3%	26.1%
Tier 4 and below	18.2%	19.3%	19.8%	20.0%	20.3%	20.8%	21.3%
<b>Nationwide</b>	<b>25.6%</b>	<b>26.8%</b>	<b>27.3%</b>	<b>27.6%</b>	<b>27.9%</b>	<b>28.4%</b>	<b>29.1%</b>

Source: CATARC, CMBIGM

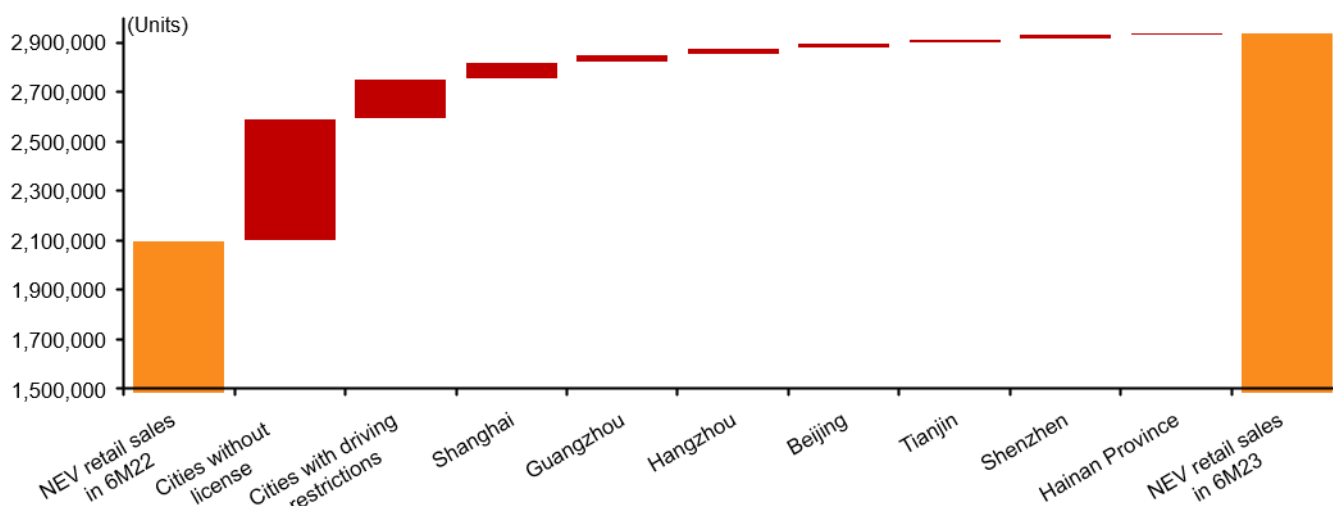
### NEV by city type: Cities with ICE restrictions lost market share HoH

We divide cities in China into three types based on whether there are restrictions for ICE vehicle registration or driving. In 1H23, about 22% of NEV retail sales volume came from the seven regions with new ICE vehicle registration limits (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Hangzhou and Hainan province), down from 24% in 2022, partly due to Shanghai's cancellation of green license for PHEVs from 2023. Shanghai accounted for 5.2% of nationwide NEV retail sales in 1H23, down from 6.4% in 2022. Despite that, China's PHEV retail sales volume YoY growth still outpaced BEV in 1H23, which underscored our previous argument that Shanghai's green license cancellation for PHEVs should have limited dent on PHEVs.

About 16% of NEV retail sales volume was from cities with driving restrictions (including 24 cities, like Baoding, Chongqing, Wuhan, Xi'an, etc.) in 1H23, up from 14% in 2022. The remaining 62% of NEV retail sales volume was contributed by cities without license or driving restrictions in 1H23, rising by 0.8 ppt from that of 2022.

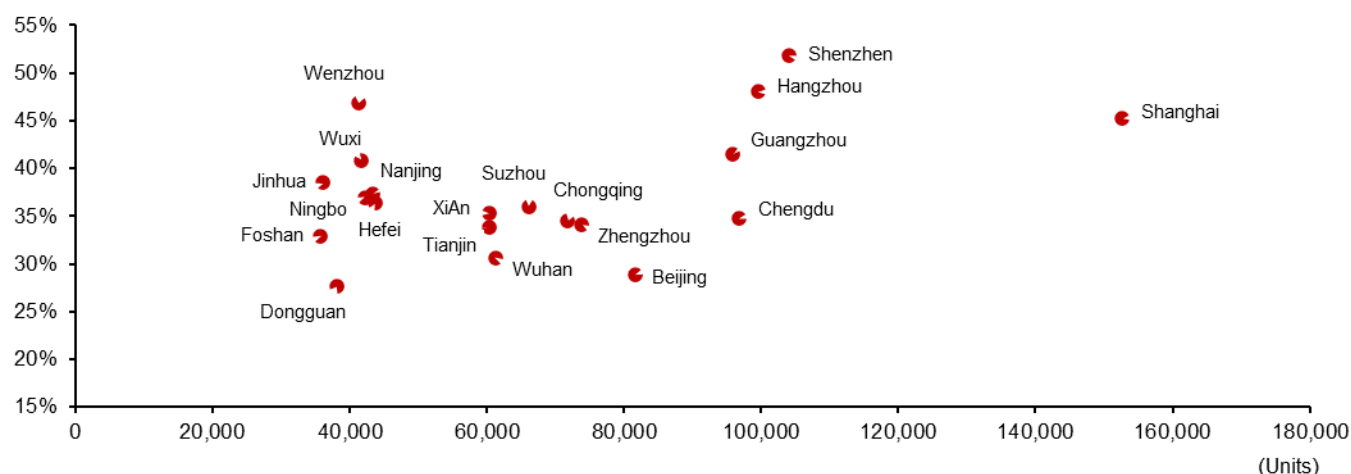
**Figure 13: NEV market share by city type**

Source: CATARC, CMBIGM

**Figure 14: NEV retail sales volume YoY growth contribution by city type in 1H23**

Source: CATARC, CMBIGM

China's total NEV retail sales volume increased by about 0.84mn units YoY in 1H23. About 59% of the increment was from cities without license or driving restrictions. Despite the cancellation of green license for PHEVs, NEV retail sales volume in Shanghai rose by about 67,000 units or 79% YoY in 1H23, due to low comparison base. Therefore, Shanghai retained the NEV retail sales crown among all cities in China in 1H23. PHEVs only accounted for 7% of total NEV retail sales volume in Shanghai in 1H23, down from 37% in 2022.

**Figure 15: NEV retail sales volume in top 20 cities with corresponding NEV market share in 1H23**


Source: CATARC, CMBIGM

Among the top 20 cities in terms of NEV retail sales volume, Shenzhen had the largest NEV market share of 52% in 1H23, followed by Hangzhou and Wenzhou in Zhejiang. Shanghai ranked the 4th place with 45% of retail sales volume from NEVs in 1H23. Beijing's NEV market share rose to 29% in 1H23, surpassing Dongguan to become the second lowest among these 20 cities, but still below the national average, due to its caps on new NEV registrations every year.

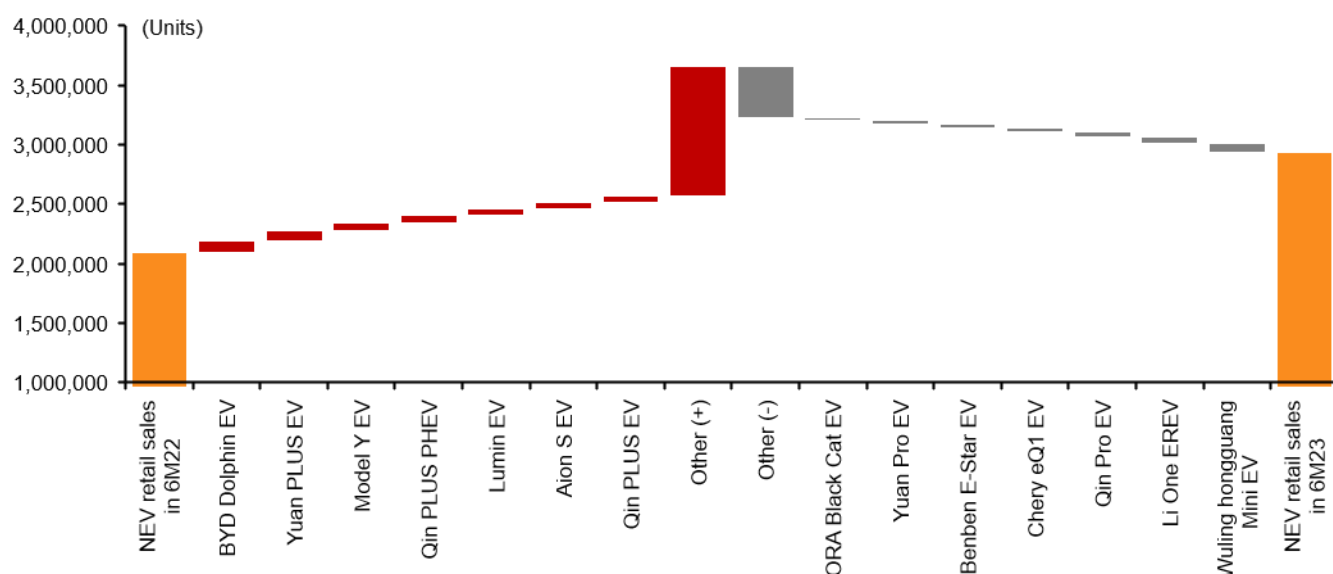
### NEV by model: BYD Song Series PHEVs exceeded Model Y in 1H23

BYD took up half of the top 10 best-selling NEV models, with the *Dolphin EV*, *Qin Plus PHEV*, *Song Plus PHEV*, *Yuan Plus EV* and *Song Pro PHEV*. In fact, the combined sales volume of BYD's *Song Plus* and *Song Pro* PHEVs exceeded the Tesla *Model Y* in 1H23 by about 3,000 units. Including exports, the *Model Y* still topped the NEV sales volume in 1H23. The *Wuling Hongguang Mini EV* fell to the No.6 place in 1H23, from the No.1 in 2020-22.

Excluding those discontinued models, such as the *Li ONE EREV*, *Qin Pro EV*, *Yuan Pro EV* (its redesigned model was just launched on 31 May 2023) and *Ora Black Cat EV*, three mini-size BEVs (the *Wuling Hongguang Mini EV*, *Chery eQ1* and *Changan Benben E-Star*) posted the largest sales volume YoY decline in 1H23. Their market share might be partly gained by Changan *Lumin EV*, which posted retail sales YoY growth of 55,000 units in 1H23.

It appears to us that the low-end BEV market also shows consumption upgrade, as small-size and compact BEVs are gaining market share from mini-size BEVs. The BYD *Yuan* BEVs (including the *Yuan Plus* and *Yuan Pro*) combined posted YoY unit growth of about 56,000 units in 1H23. The BYD *Dolphin EV* also posted YoY growth of about 93,000 units in 1H23.

Although no single model had a significant contribution to the nationwide NEV retail sales volume YTD growth based on the chart below, BYD (including Denza) contributed 62% of China's NEV retail sales volume growth in 1H23.

**Figure 16: NEV retail sales volume growth contribution by model in 1H23**

Source: CATARC, CMBIGM

**BEV brands: Top 3 all gained market share in 1H23**

In 1H23, total BEV retail sales volume rose 23% YoY to about 2.0mn units. BEV's market share in the NEV segment dropped to 68.1% in 1H23 from 77.2% in 2022.

BYD and Tesla's market share increased to 26% and 15% in the BEV segment in 1H23, from 20% and 11% in 2022, respectively. GAC Aion retained the 3rd place in Jun 2023. These top 3 brands all gained market share in 1H23 compared with last year.

Wuling, Chery and Neta experienced market share decline in 1H23 compared with last year. All three brands were dented by the shrinking mini-BEV segment amid intensified competition. In contrast, Geely and Changan secured the 5th and 6th places, respectively, thanks to sales increments from the *Panda mini* EV and *Lumin* EV.

BMW is the only foreign brand among the top 10 list, ranked No.8 in terms of the BEV retail sales volume in 1H23. BMW posted the highest YTD YoY sales volume growth among the top 10. In 1H23, the *i3* BEV and *iX3* BEV contributed about 47% and 46% of BMW's NEV retail sales volume in China, respectively.

The competition, especially for the 5th-10th positions in China's BEV segment has been intensified. Compared with the top 10 list of 2022, Geely, NIO and BMW were the new joiners in 1H23, while Dongfeng, VW and Xpeng were kicked out.

**Figure 17: Top 10 BEV brands' retail sales volume in China**

Units	Jun 2023	YoY	YTD	YTD YoY	YTD Market Share in BEV Segment
<b>Total BEV</b>	<b>449,940</b>	<b>12.1%</b>	<b>2,001,764</b>	<b>22.7%</b>	<b>100.0%</b>
BYD	116,151	64.0%	516,602	75.6%	25.8%
Tesla	75,006	-2.9%	296,784	49.7%	14.8%
GAC Aion	41,145	89.4%	198,530	138.8%	9.9%
Wuling	27,802	-34.3%	171,002	-15.6%	8.5%
Geely (incl. Geometry & Galaxy)	15,761	65.9%	75,558	81.0%	3.8%
Changan	13,369	-0.6%	65,592	18.0%	3.3%
NIO	11,053	-7.8%	56,520	14.2%	2.8%
BMW	9,529	195.7%	45,645	255.1%	2.3%
Chery	8,714	-49.1%	44,264	-52.6%	2.2%
Neta	9,016	-28.8%	41,225	-30.0%	2.1%

Source: CATARC, CMBIGM

### PHEV brands: Changan, Great Wall and Geely are catching up

In 1H23, total PHEV (EREV included) retail sales volume rose 102% YoY to about 0.94mn units. PHEV's market share in the NEV segment increased to 31.9% in 1H23 from 22.8% in 2022, in line with our previous forecast that PHEV's sales volume growth would outpace BEV's in 2023.

BYD's market share in the PHEV segment dropped to 56% in 1H23 from 61% in 2022. However, BYD and Denza's market share combined was still close to 61% in 1H23, as BYD-controlled Denza brand climbed to the 3rd place.

Lixiang's market share in the PHEV segment rose to 15.1% in 1H23 from 10.4% in 2022. Li Auto's management targets monthly deliveries of 35,000 units in 3Q23 and 40,000 units in 4Q23. We project its sales volume to exceed 30,000 units again in Jul 2023.

Changan Deepal climbed to the 4th position in the PHEV segment in 1H23, driven by the Deepal *SL03* EREV. We expect Deepal's sales volume to rise QoQ in 3Q23, amid the sales ramp-up of the *S7* EREV. Changan and Deepal's combined market share rose to 5.3% in 1H23.

Haval climbed to the 7th position in 1H23 as we expected, driven by the *Xiaolong Max* PHEV and *H-Dog* PHEV. We squeezed into the list for the first time in Jun 2023, thanks to the sales ramp-up of the *Lanshan* PHEV. In fact, Great Wall became the 4th largest PHEV maker in China in 1H23, after BYD, Li Auto and Changan, with a market share of 3.3% in the PHEV market in 1H23.

Aito fell into the 8th place in terms of 1H23 retail sales volume compared with the 3rd position last year. Geely also climbed to the 9th place in 1H23 as we expected, aided by the *Galaxy L7* PHEV. We expect retail sales volume of the *Galaxy L7* to exceed 7,000 units in Jul 2023, given its weekly sales of 1,500-1,700 units in the 1st half of Jul.

Only one foreign brand (VW) is still in the top 10 list, vs. four last year (VW, Mercedes-Benz, Nissan and BMW). As more EREV models on sale from brands like Neta and Leap, Chinese brands could take all the spots among the top 10 list. In fact, Chinese brands' combined market share in the PHEV segment rose to 93% in 1H23, from 89% in 2022. We expect such trend to continue based on the model pipeline.



**Figure 18: Top 10 PHEV (EREV included) brands' retail sales volume in China**

Units	Jun 2023	YoY	YTD	YTD YoY	YTD Market Share in PHEV Segment
<b>Total PHEV</b>	<b>204,742</b>	<b>103.3%</b>	<b>936,633</b>	<b>101.7%</b>	<b>100.0%</b>
BYD	106,905	80.5%	520,870	90.1%	55.6%
Lixiang	32,600	147.9%	141,397	132.5%	15.1%
Denza	9,860	61525.0%	48,473	5316.0%	5.2%
Deepal	5,252	N/A	27,077	N/A	2.9%
Changan	7,496	354.0%	22,030	208.1%	2.4%
VW	3,397	-9.6%	20,311	26.1%	2.2%
Haval	7,172	N/A	18,248	N/A	1.9%
Aito	3,540	-36.9%	17,729	6.1%	1.9%
Geely (incl. Geometry & Galaxy)	6,134	396.3%	15,148	410.9%	1.6%
Wey	5,862	1131.5%	12,592	291.7%	1.3%

Source: CATARC, CMBIGM

## Other Industry Indicators to Watch

### PV by city tier: Higher-tier cities outperformed YTD

Total PV retail sales volume rose 2% YoY and 12% MoM to 1.97mn units in Jun 2023, beating our prior forecast of 1.88mn units. Cumulative PV retail sales volume increased 4.5% YoY in 1H23. Tier-1 cities outperformed tier-2 and below cities in terms of YoY growth in both Jun 2023 and 1H23, as NEV accounted for a higher market share. Tier-1 and -2 cities are also more resilient than lower tier cities during the down cycle.

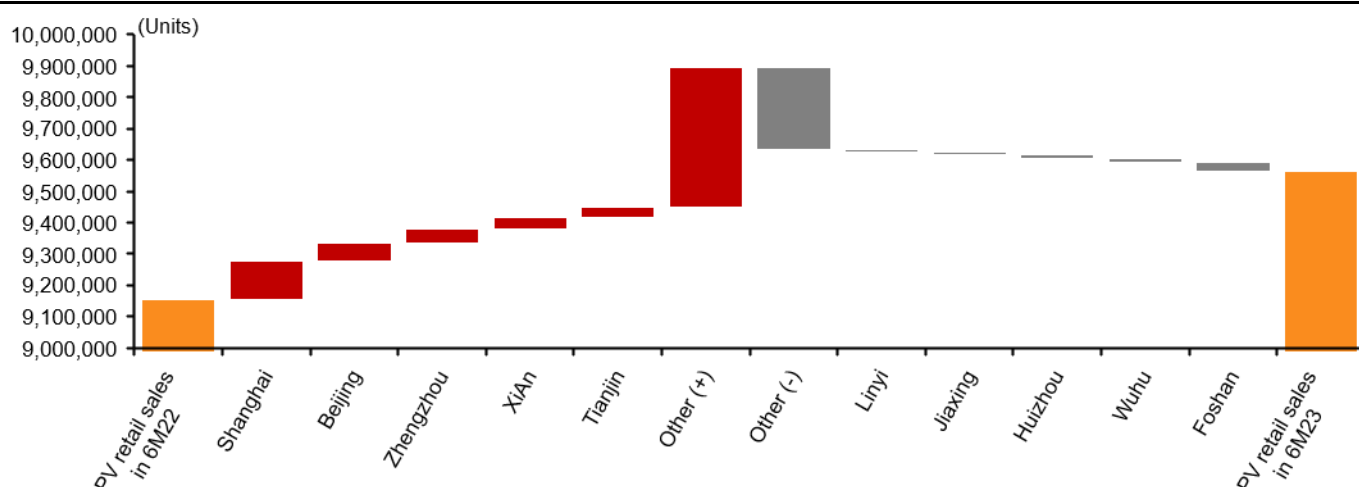
**Figure 19: China auto retail sales growth by city tier**

Retail Sales YoY Growth	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	YTD
Tier 1	13.2%	-48.6%	28.2%	17.7%	97.6%	102.4%	15.3%	20.3%
Tier 2	13.2%	-43.2%	17.4%	13.0%	63.5%	28.2%	2.0%	6.3%
Tier 3	6.7%	-39.4%	-0.2%	9.8%	52.9%	33.3%	-1.2%	1.3%
Tier 4 and below	11.6%	-42.8%	2.9%	6.4%	40.4%	22.1%	-1.8%	-3.4%
<b>Nationwide</b>	<b>11.5%</b>	<b>-42.8%</b>	<b>11.2%</b>	<b>11.5%</b>	<b>59.5%</b>	<b>33.1%</b>	<b>2.1%</b>	<b>4.5%</b>

Source: CATARC, CMBIGM

The low base effect resulted from COVID last year still dominated the city-level retail sales volume YoY growth in 1H23. Shanghai, Beijing, Zhengzhou, Xi'an and Tianjin posted the largest YoY retail sales volume growth in 1H23.

**Figure 20: PV retail sales volume YoY growth contribution by city in 1H23**



Source: CATARC, CMBIGM

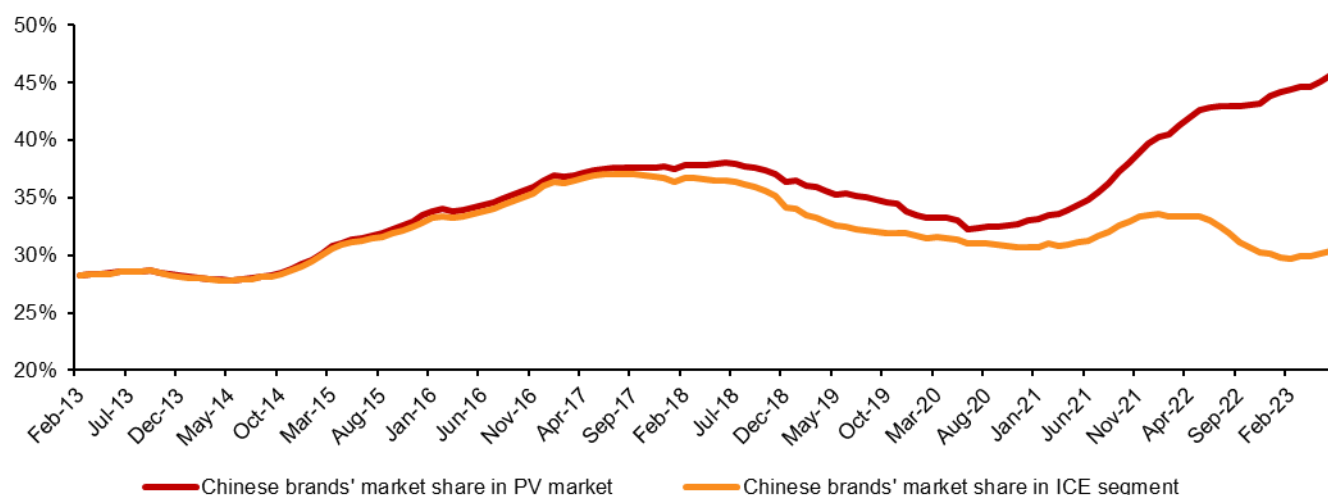
### Chinese-brand trailing 12-month market share rose to 45.7%

Cumulative retail sales volume for Chinese brands rose 15% YoY in 1H23, outpacing the overall industry by 10 ppts, thanks to higher NEV penetration in China. Interestingly, Chinese brands' market share decreased in both NEV and ICE segments in 1H23. Chinese-brand NEV retail sales volume rose 39% YoY in 1H23, underperforming the overall NEV segment by 1 ppt. Excluding NEVs, retail sales volume of Chinese-brand ICE vehicles fell 5% YoY in 1H23, weaker than the overall ICE segment by 2 ppts.

German brands achieved market share gain in both NEV and ICE segments in 1H23. Chinese brands largely grabbed market share from Japanese brands, as Japanese brands posted the largest retail sales volume decline among all brands in 1H23 (-16% YoY).

The trailing 12-month market share for Chinese brands rose to 45.7% as of Jun 2023. We project Chinese brands to gain market share for a third consecutive year in 2023, aided by NEVs.

**Figure 21: Chinese brands' market share (trailing 12-month basis)**



Source: CATARC, CMBIGM

### Traditional luxury underperformed for a second month

The retail sales volume of traditional luxury brands fell 3% YoY and rose 7% MoM to about 0.28mn units in Jun 2023, underperforming the overall industry for a second consecutive month after outperforming for eight months in a row, in line with our prior expectation. The cumulative retail sales volume of traditional luxury brands rose 6% YoY to 1.5mn units in 1H23, outperforming the overall industry by 2 ppts, partly due to low comparison base. We have been expecting a slight underperformance for traditional luxury brands compared with the overall industry in 2023, which is still possible as major luxury brands have cut their full-year targets. Luxury market share, on a trailing 12-month basis, remained at 15% as of Jun 2023.

**Figure 22: China traditional luxury auto market share by city tier (trailing 12-month basis)**

Market Share	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023
Tier 1	20.9%	20.7%	20.8%	21.0%	20.9%	21.0%	20.8%
Tier 2	18.4%	18.3%	18.4%	18.4%	18.4%	18.3%	18.2%
Tier 3	10.8%	10.8%	11.0%	11.1%	11.2%	11.1%	11.1%
Tier 4 and below	7.2%	7.3%	7.4%	7.4%	7.5%	7.5%	7.5%
<b>Nationwide</b>	<b>14.9%</b>	<b>14.8%</b>	<b>15.0%</b>	<b>15.1%</b>	<b>15.1%</b>	<b>15.1%</b>	<b>15.0%</b>

Source: CATARC, CMBIGM

Mercedes-Benz retained the No.1 place among the traditional luxury brands in China in 1H23, with only about 5,400 units more vehicles sold than BMW. The German "Big Three" (Mercedes-Benz, BMW, Audi) accounted for market share of 73% YTD, up from 72% in 2022. The German "Big Three" all achieved positive YoY growth (6-7%) in 1H23, which was higher than our prior expectation, at a cost of higher discounts. The competition

between BMW and Mercedes-Benz could be interesting again this year, as BMW has revised down its 2023 China sales-volume target to a similar level of Mercedes-Benz's in May 2023.

Cadillac, Volvo and Lexus retained the 4-6th places in 1H23. Lexus posted the largest YoY decline among the top 10. Porsche has decided to cut its full-year sales target in China by about 10% to 83,000 units in order to maintain its brand proposition, despite its 4% YoY growth in 1H23. Smart retained the 10th place in 1H23, aided by the *Smart #1* EV.

**Figure 23: Top 10 traditional luxury auto brands' retail sales volume in China**

Units	Jun 2023	YoY	YTD	YTD YoY	YTD Market Share in Luxury Segment
<b>Total Luxury</b>	<b>284,456</b>	<b>-3.4%</b>	<b>1,501,545</b>	<b>6.2%</b>	<b>100.0%</b>
Mercedes-Benz	68,900	-4.1%	390,422	6.4%	26.0%
BMW	68,975	-1.4%	385,017	5.9%	25.6%
Audi	69,846	-1.5%	321,779	6.7%	21.4%
Cadillac	14,985	-13.8%	87,053	11.2%	5.8%
Volvo	15,009	-7.8%	74,161	5.7%	4.9%
Lexus	16,398	1.6%	70,592	-18.4%	4.7%
Porsche	6,865	-36.1%	44,025	3.8%	2.9%
Land Rover	6,830	20.8%	40,740	29.4%	2.7%
Lincoln	7,044	-12.1%	32,910	-12.9%	2.2%
Smart	3,787	N/A	23,411	N/A	1.6%

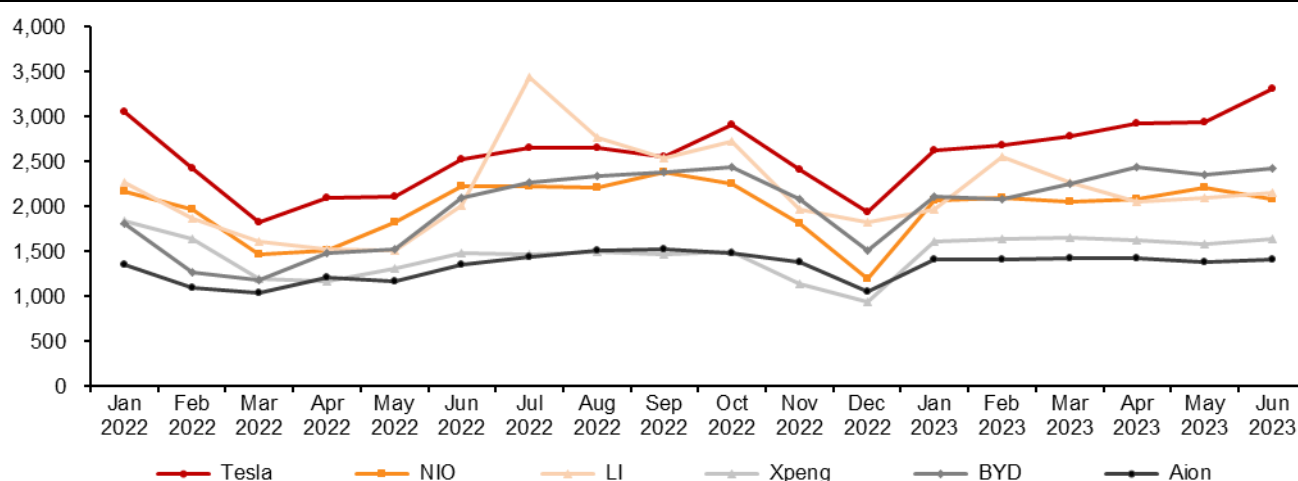
Source: CATARC, CMBIGM

## Appendix: NEV Leading Indicators

The leading indicators below, including number of leads, customer flows, and new orders generated, for Tesla, NIO, Lixiang, Xpeng, BYD and Aion are based on data from a sample size of 96 stores (15-18 stores for each brand) in 15 major cities in China.

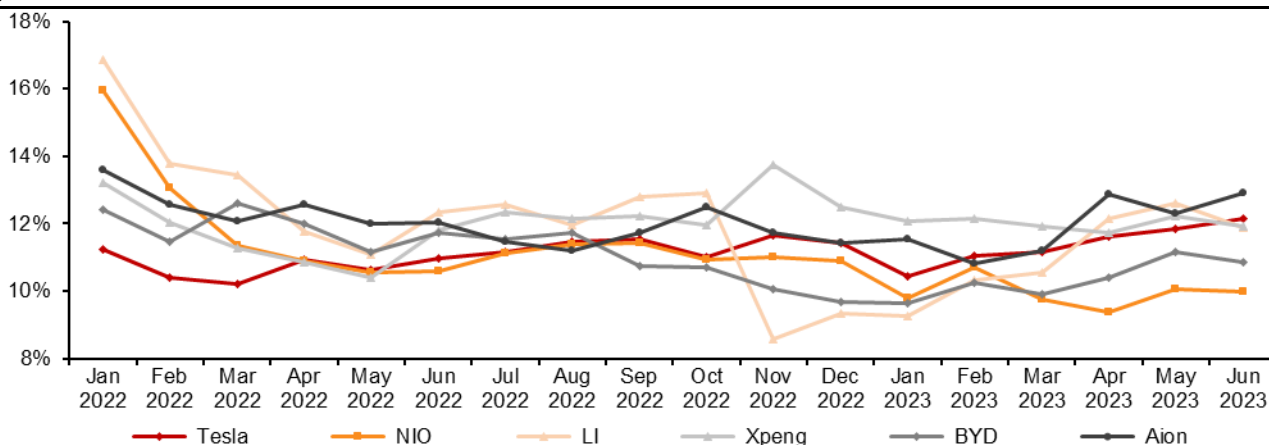
We have more detailed discussions in the report "[China Auto Sector – Jun leading indicators: NIO weaker than expected](#)" published on 6 Jul 2023.

**Figure 24: Number of leads per store on average for each brand**

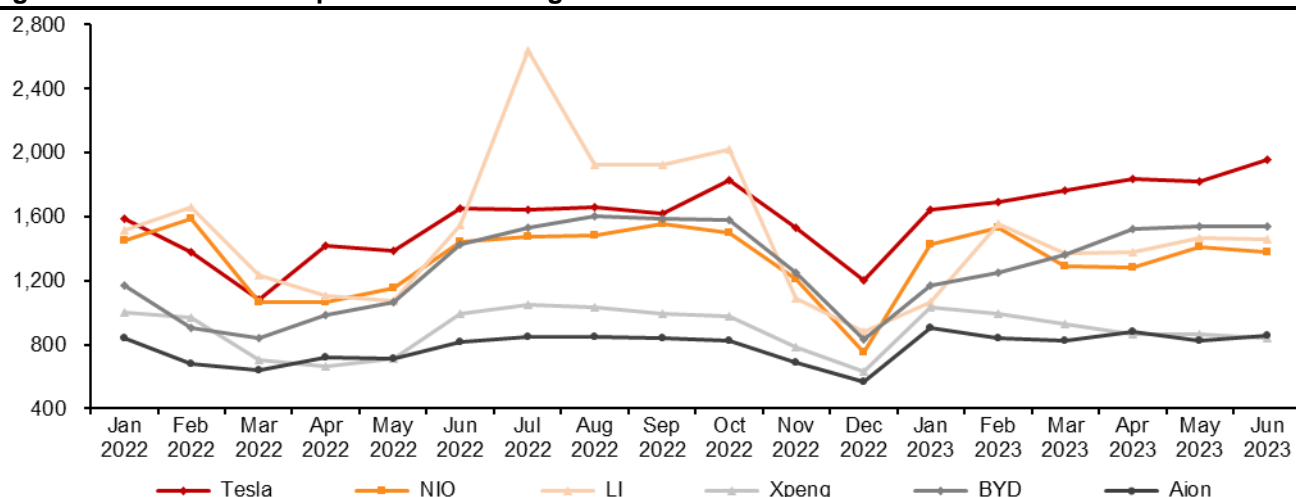


Source: Thinkercar, CMBIGM

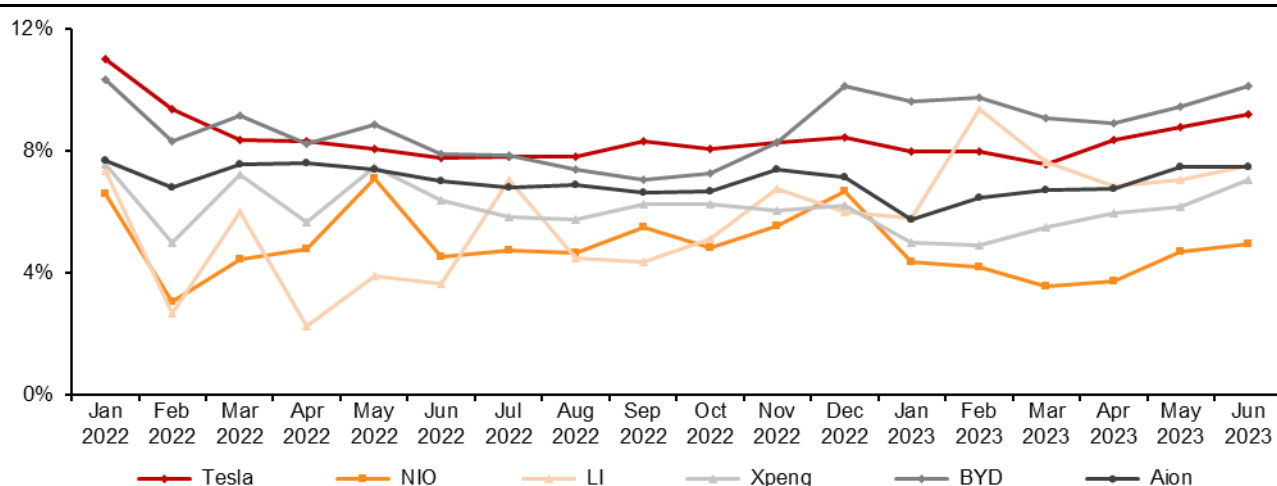
**Figure 25: Conversion ratio from leads to store visit for each brand**



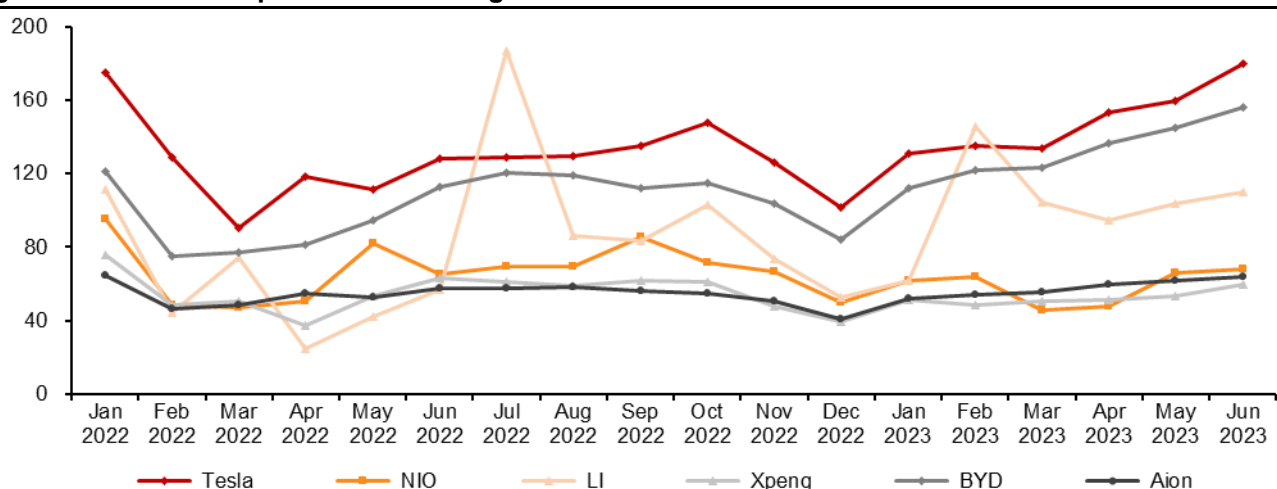
Source: Thinkercar, CMBIGM

**Figure 26: Customer flow per store on average for each brand**

Source: Thinkercar, CMBIGM

**Figure 27: Conversion ratio from store visit to new order generation for each brand**

Source: Thinkercar, CMBIGM

**Figure 28: New orders per store on average for each brand**

Source: Thinkercar, CMBIGM



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