

# Auto

## Chinese brands' discounts continued to widen in Jan

We summarize the Jan 2024 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on the weighted average of Dec 2023 retail sales volume for each model, as Jan 2024 retail sales volume data have not been released yet. The blended average discounts for foreign brands slightly narrowed MoM in Jan 2024, based on our calculations, while those for Chinese brands widened by 0.6ppt MoM on average, as Chinese automakers are probably more aggressive in pushing sales before the Chinese New Year (CNY). Discounts at dealers usually narrow after the CNY amid more new model launches, which did not occur in 2022 and 2023, as price war outweighed new model effect. The same pattern could repeat in 2024, in our view, but we expect a slower increase in discounts than in 2023.

- **Great Wall Motor.** In Jan 2024, Great Wall's average discounts at dealers widened by 5.3ppts YoY and 0.5ppt MoM to a record high (Figure 1), despite its inventory cuts. Almost all of its models showed higher discounts in Jan. Major PHEVs posted the largest MoM discount increases, such as the *Xiaolong*, *Menglong*, *Tank 400* and *Gaoshan* PHEVs. Total wholesale volume of the *Tank 400* and *Tank 500* PHEVs rose 17% MoM to about 9,600 units in Jan, stronger than our prior expectation. Discounts for the *Tank 300* widened to more than 3% in Jan 2023, as the model becomes aging and has more product cannibalization now. We expect discounts for Tank to widen gradually this year, as competition for the off-road SUV PHEVs rises.
- **Geely.** Geely's average discounts at dealers widened by 4.3ppts YoY and 0.6ppt MoM in Jan 2024 (Figure 2), in line with our prior forecast. That was below the discounts in Jan 2020 and Jan 2021. We estimate Geely's inventories at dealers to rise by about 25,000 units in Jan 2024. Discounts for the *Galaxy L6* and *L7* PHEVs rose by 3ppts and 2ppts MoM, respectively, to about 12% and 9% in Jan, the largest increases among all Geely's models, and the *Galaxy E8* EV has already provided a discount of about 3% right after its launch. On the other hand, discounts for the *Xingyue* and *Lynk & Co 08* PHEV narrowed slightly MoM last month. Geely achieved its sales target in 2023 with average discounts below 9% for 11 months last year. That could imply some room for higher discounts in 2024, should the company push its sales target of 1.9mn units aggressively.
- **BYD.** BYD's average discounts at dealers widened by 5.9ppts YoY and 0.7ppt MoM to about 6% in Jan 2024 (Figure 3), the highest level in the past 4.5 years. Its discount increase was slightly larger than major peers last month, but the absolute level remained the lowest among all major automakers in China. Unlike Dec 2023, discounts for the "Dynasty series" showed larger expansion than for the "Ocean series" in Jan 2024, as discounts for the *Yuan Pro* and *Han* EVs rose by 4-5ppts MoM to about 10-11% as of the end of Jan 2024. Despite new premium models such as the *Yangwang U8* and *Bao 5*, we expect BYD's average discounts to continue rising in 2024 amid stiffer competition. Cost reduction efforts could be more important to BYD's margins in FY24E.
- **GAC Group.** GAC Aion's average discounts at dealers widened by 0.2ppt MoM in Jan 2024 to a historical high again. We estimate retail sales volume for GAC Aion (Hyper included) to fall over 40% MoM to about 24,000 units last month with mild inventory cuts. We are of the view that Aion's wholesale volume in Feb could still face challenges given its high inventory level coupled with sluggish new-order intake. GAC Trumpchi's

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#### Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	45
Li Auto	2015 HK	BUY	187
NIO	NIO US	HOLD	8.5
Xpeng	XPEV US	HOLD	16
Xpeng	9868 HK	HOLD	62
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	13
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	290
BYD	002594 CH	BUY	300
GAC	2238 HK	BUY	6.5
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	2.8
Meidong	1268 HK	BUY	4

Source: Bloomberg, CMBIGM

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["China Auto Sector – Moderate leading indicators may result in mild recovery after CNY" – 5 Feb 2024](#)

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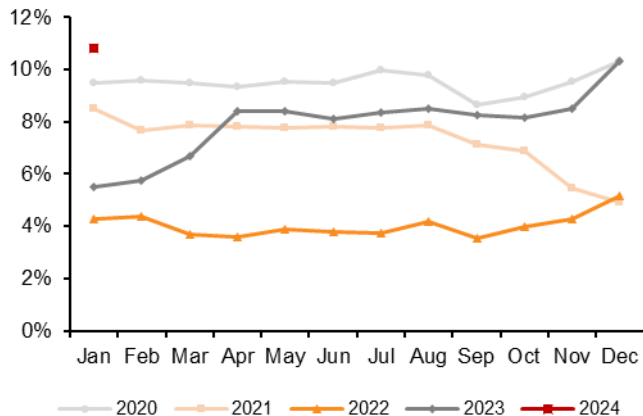
["China Auto Sector – Attractive valuation with likely resilient earnings" – 25 Jan 2024](#)

average discount at dealers widened by 0.5ppt MoM last month. Discounts for the *Empow* and *GS3* increased the most.

Discounts at dealers for GAC Toyota and GAC Honda narrowed by 0.4ppt MoM and 0.2ppt MoM in Jan 2024, respectively, as their most important sedan models, the Toyota *Camry* and Honda *Accord*, posted narrower discounts compared with Dec 2023 (Figure 5 and 6).

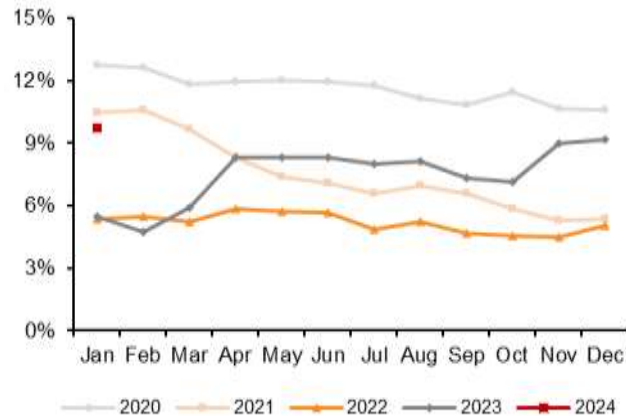
- **BMW.** Discounts at BMW Brilliance remained at a high level of around 21% in Jan (Figure 7). The average discounts narrowed slightly in the 2nd half of Jan 2024, as the old *5-series* started to phase out. Almost all other models posted larger discounts in Jan 2024 than Dec 2023. We are of the view that such discount narrowing could be short-lived, as the discount for the new *5-series* is likely to follow the pattern for the new Mercedes *E-Class*. We also think the NEV penetration of 20% for BMW in China in 2024 is a bit too aggressive, which could lift its overall discounts. Although BMW Brilliance set its new *i5*'s minimum manufacturer's suggested retail price (MSRP) at the same level as that for its new *5-series* ICE version (RMB439,900) to lure consumers, the *i5* still faces fierce competition from Chinese brands, in our view.
- **Mercedes-Benz.** Discounts at Beijing Benz widened 0.3ppt MoM to around 18% in Jan (Figure 8), an all-time high level. The discount expansion for Mercedes-Benz has been slower than BMW in China, as Mercedes-Benz's discounts was only 5ppts higher than that a year before vs. BMW's 8ppts. Discounts for the new-generation *E-Class* increased to around 10% in Jan 2024, in line with [our prior projection](#). Discounts for the *C-Class* narrowed by 1ppt MoM last month.

Figure 1: Great Wall Motor discounts at dealers

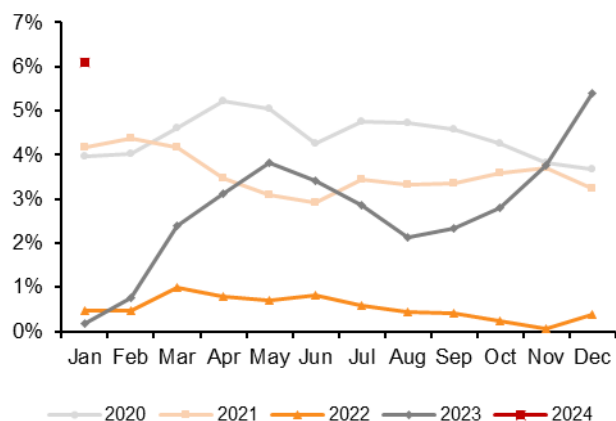


Source: ThinkerCar, CMBIGM

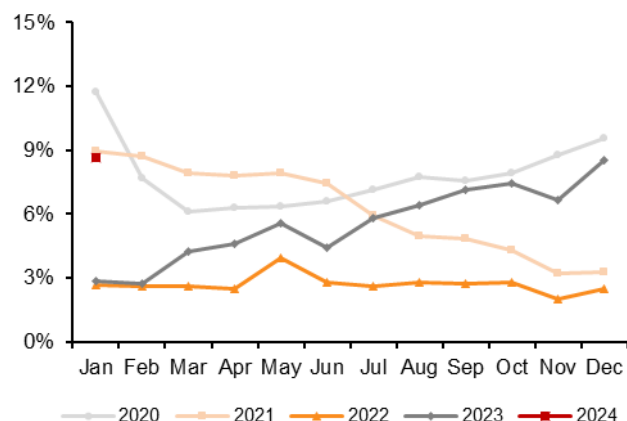
Figure 2: Geely discounts at dealers



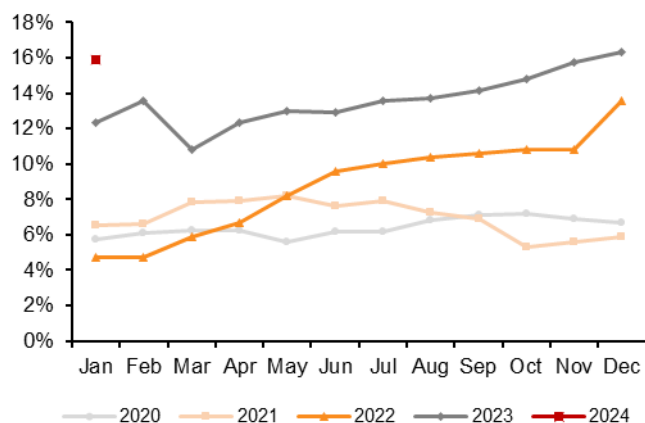
Source: ThinkerCar, CMBIGM

**Figure 3: BYD discounts at dealers**

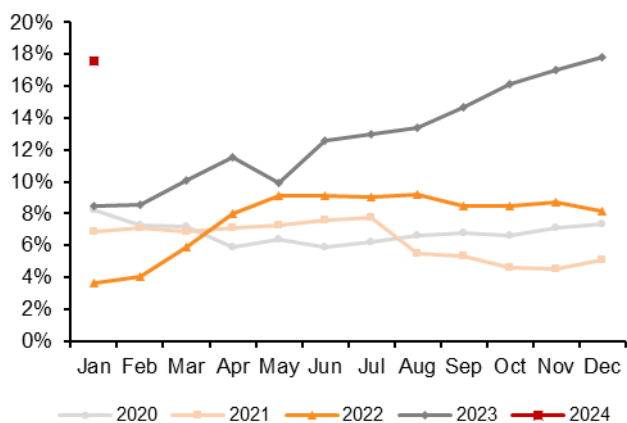
Source: ThinkerCar, CMBIGM

**Figure 4: GAC Trumpchi & Aion discounts at dealers**

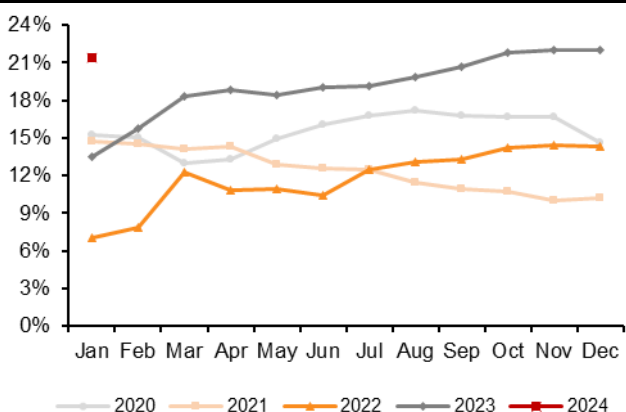
Source: ThinkerCar, CMBIGM

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

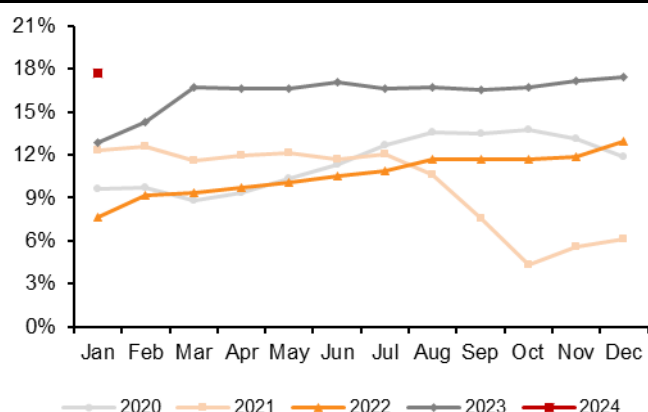
Source: ThinkerCar, CMBIGM

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

Source: ThinkerCar, CMBIGM

**Figure 7: BMW Brilliance discounts at dealers**

Source: ThinkerCar, CMBIGM

**Figure 8: Beijing Benz discounts at dealers**

Source: ThinkerCar, CMBIGM

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