

China Auto Sector

Jul discount: Chinese narrowed, foreign widened

We summarize the Jul 2023 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on weighted average of Jun 2023 retail sales volume for each model, as Jul retail sales volume data have not been released yet. Discounts at dealers for most Chinese brands narrowed MoM in Jul 2023, consistent with our prior argument that discounts may peak around Jun-Jul 2023. However, most foreign brands' discounts at dealers continued to rise MoM last month, in a bid to boost sales amid declining market share.

- **Great Wall Motor.** Great Wall's average discounts at dealers remained largely stable in Jul 2023 compared with Jun, per our calculation based on Jun retail sales volume for each model (Figure 1). We estimate its actual average discounts could be even lower, given its sequentially rising sales volume for new models in Jul. There was still no discount for Tank brand and Wey *Lanshan* PHEV last month. Discounts for the *Xiaolong* and *Xiaolong Max* PHEVs did not widen MoM in Jul, although we still believe Great Wall should adopt an even more aggressive pricing strategy for its upcoming PHEVs.
- **Geely.** Geely's average discounts at dealers narrowed a bit MoM in Jul 2023 (Figure 2), aided by its *Galaxy L7*, *Xingrui* and *Binyue*. On the other hand, the automaker provides additional floating rebates to dealers in Aug for most internal-combustion engine (ICE) models, based on our channel checks, which may lead to higher discounts this month. We estimate Geely's overall discounts at dealers could remain at the current level for a while, as its PHEV sales volume ramps up.
- **BYD.** BYD's average discounts at dealers narrowed MoM last month and remained the lowest among all major automakers (Figure 3). However, such discounts narrowing was partially at a cost of lower average selling prices resulted from the launches of cheaper variants for the majority of its models. Given BYD's current cost advantage in NEVs, we believe its pricing strategy could partially depend on the sales gap between its target and actual volume.
- **GAC Group.** Trumpchi's discounts at dealers narrowed a bit MoM in Jul, driven by the *GS8*. Aion's discounts at dealers widened by about 2.5 ppts MoM in Jul, mainly for the *Aion S* and *Aion Y EV*. The *Hyper GT* EV started deliveries on 25 Jul, which may help narrow Aion's discounts in the next few months. Management expects *Hyper GT*'s monthly deliveries to exceed 10,000 units in 2-3 months. Discounts at dealers of GAC Toyota and GAC Honda continued to widen MoM in Jul 2023 (Figure 5 and 6).
- **BMW.** Discounts for BMW Brilliance widened MoM in Jul 2023, to an all-time high level (Figure 7), worse than our prior expectation. The lowered discounts for the new-generation *X1* were not enough to offset rising discounts for other models, especially the *i3* EV in Jul. Last month, we expected BMW to provide special subsidies to dealers again in 2H23, as the automaker only raised its incentives per vehicle by about RMB 1,000 in 3Q23 vs. 2Q23 (excluding the special subsidies announced on 1 Jun 2023), based on our channel checks. It has come sooner than we had expected. On 13 Jul 2023, BMW announced additional subsidies of RMB 5,000-7,000 per vehicle for locally-produced models and RMB 4,000 per vehicle for imported models in 3Q23.

OUTPERFORM
 (Maintain)

China Auto Sector

SHI Ji, CFA

 (852) 3761 8728
 shiji@cmbi.com.hk

DOU Wenjing, CFA

 (852) 6939 4751
 douwenjing@cmbi.com.hk

GU Sijie

jasongu@cmbi.com.hk

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
BYD	1211 HK	HOLD	240
BYD	002594 CH	HOLD	265
GAC	2238 HK	BUY	7
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	6.5
Meidong	1268 HK	HOLD	11

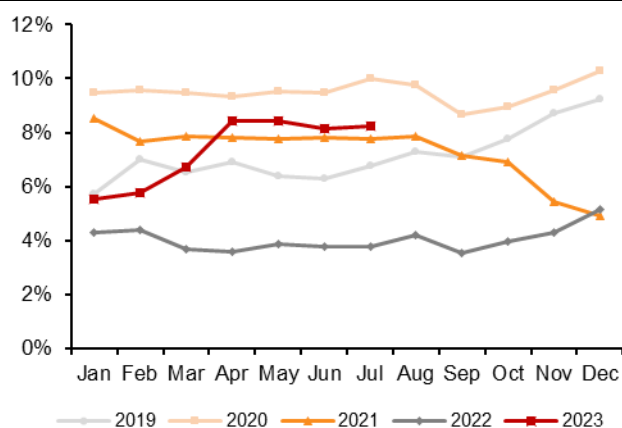
Source: Bloomberg, CMBIGM

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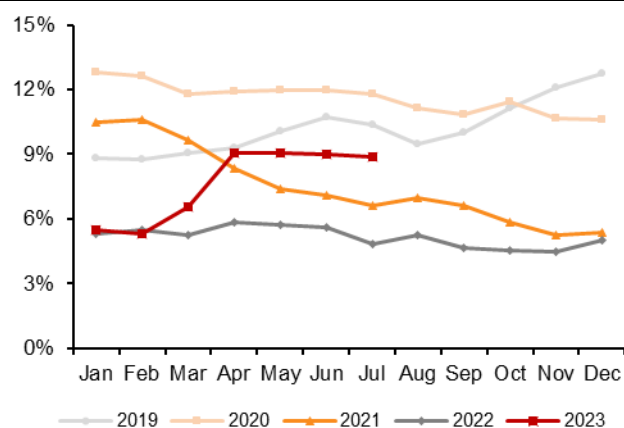
- **Mercedes-Benz.** Discounts for Beijing Benz also widened MoM to a record high of about 18% in Jul 2023 (Figure 8), as the discounts for the *E-Class*, *EQA EV* and *EQB EV* widened more than 1 ppt MoM.

Figure 1: Great Wall Motor discounts at dealers



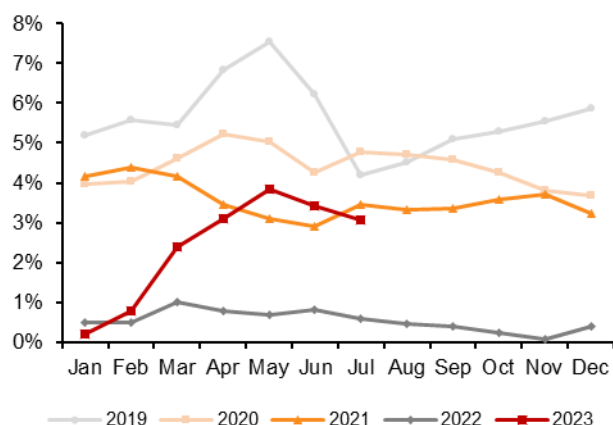
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



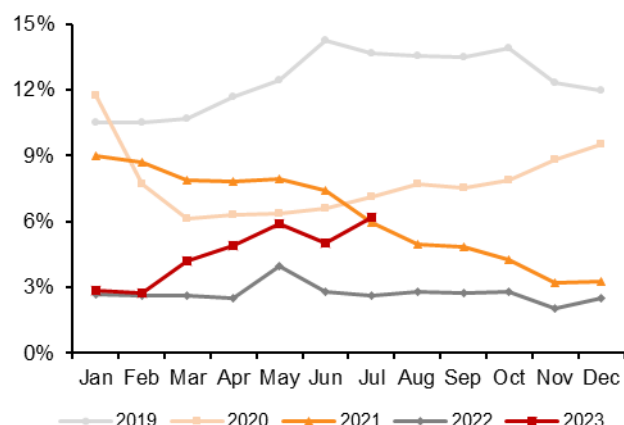
Source: ThinkerCar, CMBIGM

Figure 3: BYD discounts at dealers

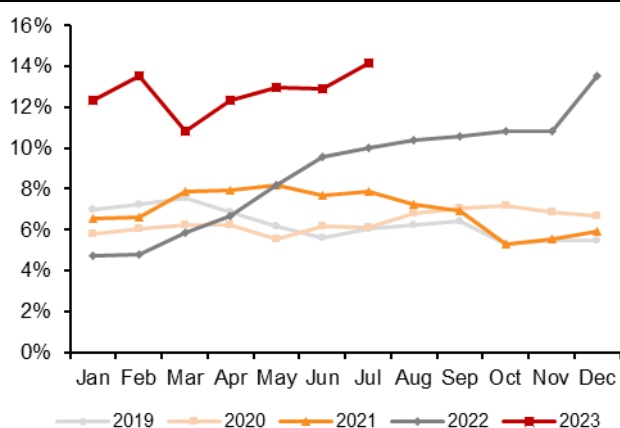


Source: ThinkerCar, CMBIGM

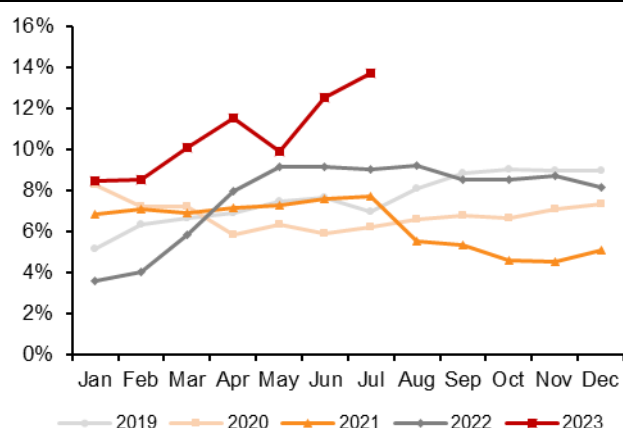
Figure 4: GAC Trumpchi & Aion discounts at dealers



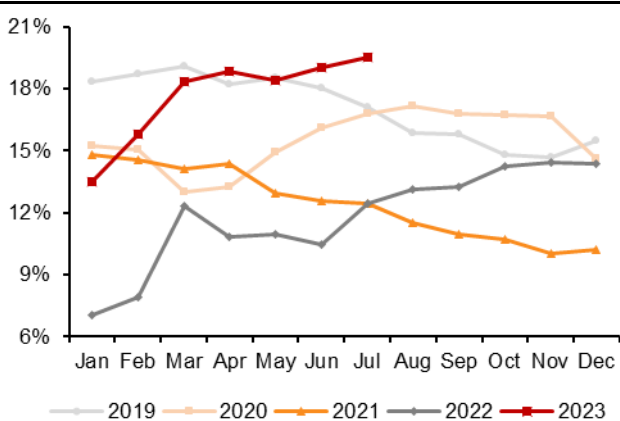
Source: ThinkerCar, CMBIGM

Figure 5: GAC Toyota discounts at dealers

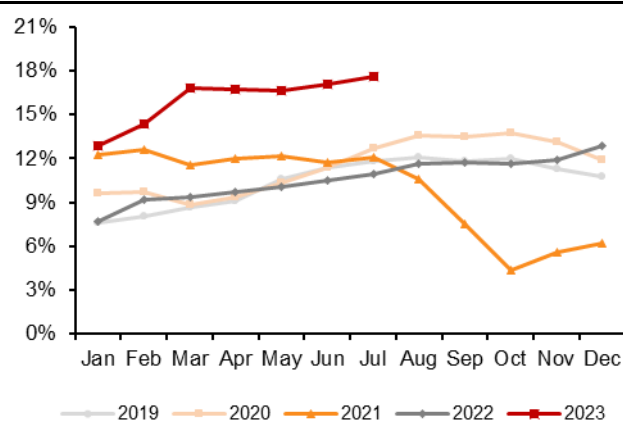
Source: ThinkerCar, CMBIGM

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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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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