

China Auto Sector

Can possible strong Jun sales extend into 2H23?

China's passenger-vehicle (PV) retail sales volume surged 33% YoY and 10% MoM in May 2023, 4% higher than our prior forecast, driving the YTD retail sales volume 5% higher than a year ago. Wholesale volume rose 26% YoY and 13% MoM in May 2023, 3% higher than our prior forecast. Wholesale volume rose 11% YoY in the first five months of 2023, with 83% of the growth coming from exports.

Inventories at dealers in China rose about 7,500 units last month, leading to an inventory restocking of 0.16mn units in the first five months of 2023, based on our calculations. About 98% of the YTD inventory additions came from new-energy vehicles (NEVs) amid its rising sales volume. We estimate both industrywide and NEV inventory levels to be about 2.1 months, based on our retail sales volume forecasts for the next few months.

■ **Jun and 2H23 sales volume outlook.** We project retail sales volume to fall 3% YoY to 1.88mn units in Jun 2023, based on sales data during 1-18 Jun that we have compiled. We believe such figure to be strong given high base last year. In fact, we expect Jun 2023 retail sales volume to be the 3rd highest in history. We are of the view that such potential strong retail sales volume in Jun 2023 could be due to destocking and 1H23 sales target push. We project wholesale volume in Jun 2023 to fall 6% YoY to 2.08mn units, assuming an inventory reduction of 80,000 units.

We estimate NEV retail sales volume to rise 27% YoY to 0.64mn units in Jun 2023, assuming a market share of 34%. We still expect NEV market share to rise sequentially for the remainder of the year with accelerated rollouts of new models, as stated last month. We project NEV wholesale volume to rise 25% YoY to 0.71mn units in Jun 2023, assuming no inventory changes for NEVs.

Despite low visibility, we project China's wholesale and retail sales volume to both decline 6% YoY in 2H23 amid high base.

■ **This round of share-price rebound could be short-lived, although deterioration of some key metrics starts to halt:** Chinese automakers' share-price rebound in the past 20 days, led by Xpeng and NIO, could be attributable to previous expectation for stimulus measures, improved sentiment toward geopolitical risks and accelerated NEV rollouts with attractive pricing. Some factors could fade away quickly, especially given the unchanged competition dynamics, in our view. On the other hand, we expect discounts at dealers to peak in Jun-Jul 2023, as we see lower incentive for automakers to restock in 2H23. The key is whether it is an 'L' or 'U' shape recovery in 2H23, which we still have low visibility. For example, it is difficult for us to quantify the dent on Jul sales from the current strong Jun sales, as we believe part of demand could be pulled ahead due to destocking with higher discounts and expiration of some local-government subsidies. Earnings risk, which now could be crucial to long-term survival, may be overlooked before and could linger in 2H23.

In this report, we summarize key auto data in the first five months of 2023 from different perspectives, such as customer flow, new orders, retail sales, inventories and discounts.

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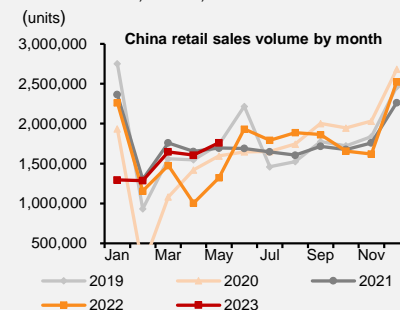
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Source: CAAM, CPCA, CMBIGM



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	8.5
Xpeng	XPEV US	HOLD	9
Xpeng	9868 HK	HOLD	35
Geely	175 HK	BUY	15
GWM	2333 HK	BUY	12
GWM	601633 CH	BUY	32
GAC	2238 HK	BUY	7.5
GAC	601238 CH	BUY	14
BYD	1211 HK	HOLD	230
BYD	002594 CH	HOLD	240
Yongda	3669 HK	BUY	8.5
Meidong	1268 HK	HOLD	17
EVA	838 HK	BUY	1.5

Source: Bloomberg, CMBIGM

Related Reports:

["China Auto Sector – Mixed picture ahead as inventory risk lingers" – 29 May 2023](#)

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Company Watch List

Great Wall Motor

Great Wall's wholesale volume, including pick-up trucks, rose 26% YoY and 8% MoM to about 101,000 units in May 2023, largely in line with the overall industry's YoY growth. Retail sales volume of PVs and pick-up trucks combined rose 20% YoY and 5% MoM to about 72,000 units last month, leading to an inventory restocking of about 3,500 units. Great Wall's inventory level is about 1.8 months now, still better than the industry average level.

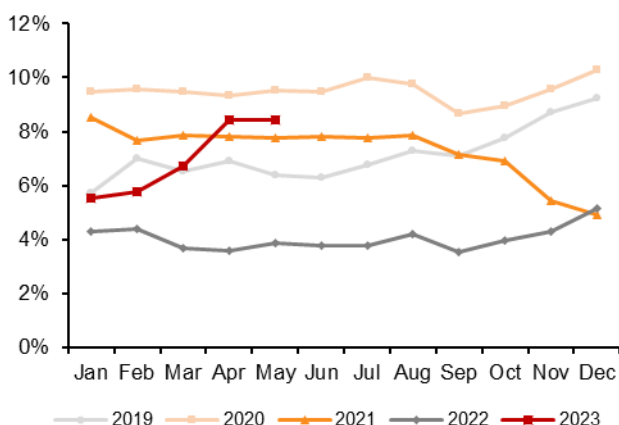
Great Wall's cumulative wholesale volume fell 1% YoY to about 414,000 units in the first five months of 2023, weaker than the overall industry's 11% YoY increase. Despite its plethora of upcoming new models, we believe Great Wall's 1.6mn-unit sales target for 2023 is too aggressive. We maintain our FY23 sales-volume forecast of 1.25mn units.

The key to Great Wall's 2H23E sales volume growth apparently lies in new PHEVs. In fact, the MoM wholesale volume growth in May 2023 came from two new PHEVs: the *Wey Lanshan* SUV (+4,100 units MoM) and *Haval Xiaolong* (+3,100 units MoM) SUV. **NEVs accounted for 29% of Great Wall's PV wholesale volume in May 2023, the highest in history.** Although the refundable deposits for the *Xiaolong* reached 20,000 orders in early Jun according to management, we still see wider discounts ahead for this model amid the heightened competition from the *BYD Song* and *Geely Galaxy L7*. The non-refundable deposits for the *Lanshan* have exceeded 10,000 orders, according to management.

The *Wey Gaoshan* MPV is scheduled to be rolled out in 3Q23, followed by a Haval medium-size 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 think Great Wall's offroad appearance style preference for new models could be because of matching its new Hi4 all-wheel hybrid technologies. We project these new models, along with more PHEV variants for existing models, to contribute about 20,000 units per month in 2H23E, leading to an average monthly sales volume of about 120,000 units, or about 1.25mn units in 2023E.

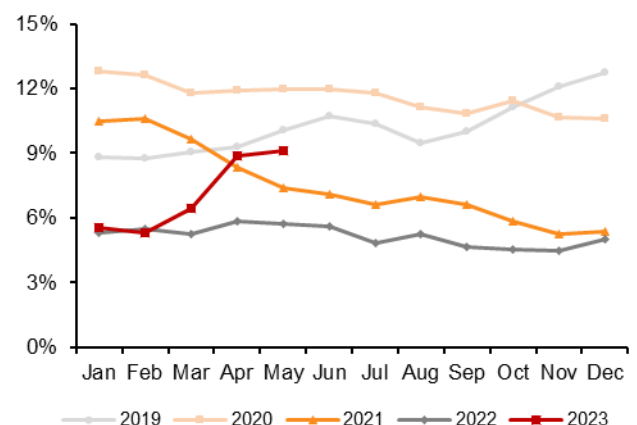
In May 2023, discounts at Great Wall's dealers continued to widen to the highest level since Jan 2021, based on our calculations. We expect discounts to narrow slightly as sales of new models ramp up. However, profitability should not be Great Wall's priority this year, in our view.

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 35% YoY and 6% MoM to about 120,000 units in May 2023, with Zeekr's sales volume doubling YoY to about 8,700 units. NEVs accounted for 23% of Geely's total wholesale volume last month. Retail sales volume at Geely rose 55% YoY and 21% MoM to about 110,000 units last month.

Geely cut its inventories at dealers by about 13,000 units in May 2023, the largest destocking so far this year. Yet, we calculate its inventory level to be still higher than two months. Geely's average discounts at dealers widened MoM to 26-month high in May 2023, based on our calculations.

Geely's cumulative wholesale volume rose 14% YoY to about 556,000 units in the first five months of 2023, amounting to 34% of its full-year target of 1.65mn units. We maintain our FY23 sales forecast of 1.53mn units, by cutting Zeekr's sales volume forecast by 10,000 units and revising up Livan Auto's sales forecast by 10,000 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 Denza *N7* and Xpeng *G6*. The brand-new Geely *Galaxy L7* PHEV (RMB 138,700-173,700) based on the e-CMA platform just started deliveries on 13 Jun 2023, which is another attempt by Geely to penetrate the PHEV market, with quite attractive pricing, in our view.

BYD

BYD's PV wholesale volume rose 109% YoY and 14% MoM to about 239,000 units in May 2023, the highest in history. BYD's retail sales volume rose 110% YoY and 22% MoM to about 216,000 units last month, which led to an inventory restocking of about 13,000 units.

Although BYD has the lowest discounts (about 4%) and inventories at dealers (about 1.4 months) among automakers which adopt dealer sales network, its rising discounts and inventories partially reflect the heightened competition. In fact, BYD has been lowering the average selling prices with facelifted versions of the *Qin*, *Tang*, *Han* and *Song* since the beginning of 2023 in a bid to grab market share.

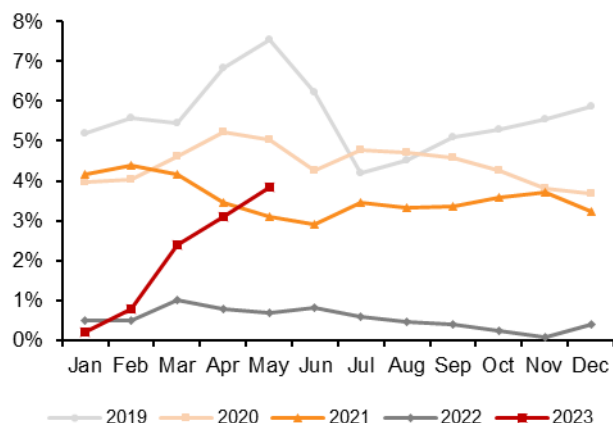
Such strategy appears to pay off, as the MoM wholesale volume growth mainly came from the new small-size *Seagull* BEV (+12,800 units MoM), *Han* BEV and PHEV (+6,000 units MoM), *Song* PHEV (+5,600 units MoM), and the *Destroyer 05* (+5,000 units MoM, due to wider discounts).

BYD has also been expanding its model mix with wider price ranges in order to withstand the competition. It will have at least four brands to cover different price ranges, including the BYD brand (below RMB 250,000), the Denza brand (RMB 350,000-450,000), the F brand (likely RMB 400,000-600,000) and the Yangwang brand (RMB 800,000-1,200,000).

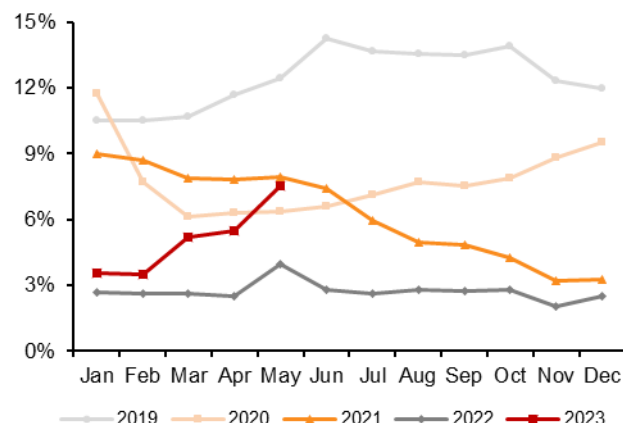
Denza targets 210,000-unit sales volume in 2023 with a monthly sales volume target of 15,000 units for the *D9*, which could be aggressive in our view. A new mid-size SUV, the Denza *N7*, which is equipped with BYD's proprietary intelligent air suspension system DiSus-A ("Yunnian" in Chinese), will be rolled out in late Jun 2023, followed by a mid-to-large-size SUV *N8* in 2H23.

Denza now adopts direct-sales model with 300 stores already opened and targets 500 stores in the medium term. What could be tricky is that we calculate Denza's inventories at dealers to be about 8,300 units as of May 2023 based on insurance data, which is rare in the direct sales model.

We maintain our FY23E PV wholesale volume forecast of 2.74mn units for BYD but we see upside potential, as its dominance in the PHEV market appears to be longer than we had expected. It is interesting to watch the sales ramp-up for the Changan *Deepal S7*, Geely *Galaxy L7* and Haval *Xiaolong*.

Figure 3: BYD discounts at dealers


Source: ThinkerCar, CMBIGM

Figure 4: GAC Trumpchi & Aion discounts at dealers


Source: ThinkerCar, CMBIGM

Guangzhou Automobile Group

Total wholesale volume at GAC Group rose 15% YoY and 18% MoM to about 210,000 units in May 2023, weaker than the industry average, which was mainly dragged by GAC Toyota (-12% YoY). Sales volume of GAC Aion more than doubled YoY to about 45,000 units last month.

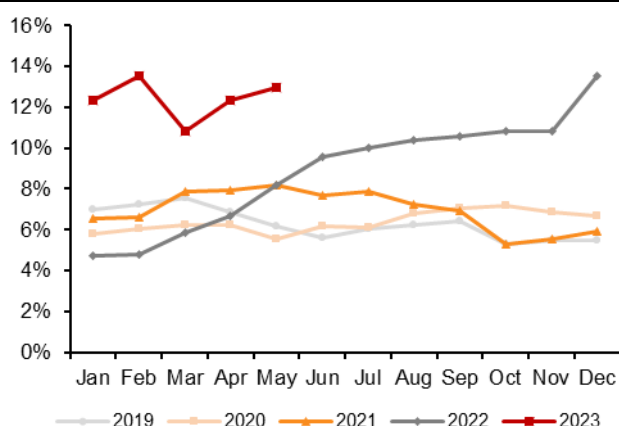
Retail sales volume of Aion soared 262% YoY and rose 11% MoM to about 41,000 units, leading to an inventory increase of 4,200 units in May 2023. We estimate Aion's inventory level to be about 1.8 months now. We project Aion's FY23 wholesale volume to reach 420,000 units, assuming an inventory destocking in 2H23, lower than GAC's sales target of 500,000-600,000 units. Our forecast now seems to be a bit conservative if such sales momentum continues. We are of the view that Aion's profitability now is key to GAC's valuation given its monthly volume has already reached 40,000 units.

GAC Toyota's retail sales volume rose 1% YoY and 7% MoM to about 78,000 units in May 2023, resulting in an inventory cut of about 4,800 units. We calculate the inventory level at GAC Toyota to be reduced to about 1.3 months as of May 2023. Yet, GAC Toyota's discounts at dealers still rose MoM last month. Similar to last year, we believe GAC Toyota has been struggling between its 1mn-unit sales target and rising incentive costs to dealers. It could be even more difficult for GAC Toyota to achieve its sales target this year, in our view. Toyota has already raised rebates to dealers amid high discounts, based on our channel checks.

Wholesale volume of GAC Honda more than doubled MoM to about 54,000 units in May 2023, which led to an inventory increase of about 2,800 units, mainly from the *Breeze* and *Vezei*. GAC Honda's retail sales volume has been recovering gradually from a low level of 28,000 units in Jan 2023. Yet, its inventory level is still higher than two months, based on our calculations. GAC Honda's discounts at dealers narrowed a bit from the all-time high last month, mainly due to the launch of the new-generation *Accord*. In our view, GAC Honda probably faces more challenges this year than ever before. Sales volume of its new-generation *Breeze* and *Vezei* launched at the end of last year did not meet the automaker's

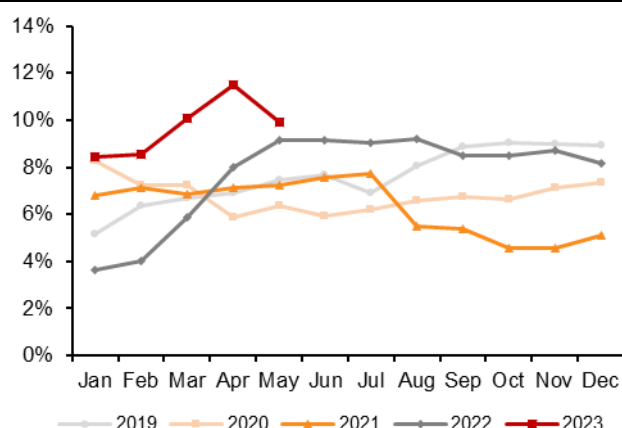
expectation, leading to a high inventory level now. Should this happen to the new *Accord*, GAC Honda would face severe overcapacity in the short term.

Figure 5: GAC Toyota discounts at dealers



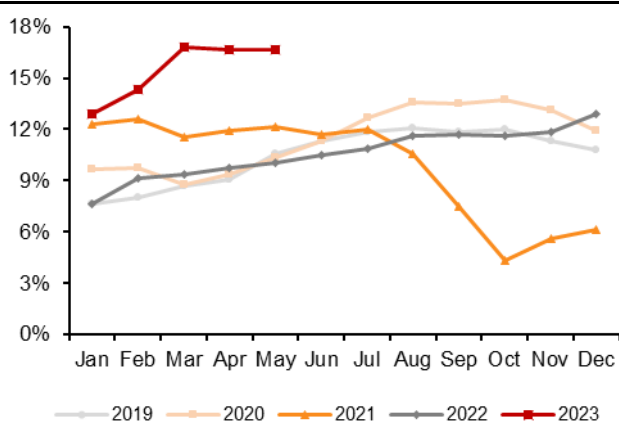
Source: ThinkerCar, CMBIGM

Figure 6: GAC Honda discounts at dealers



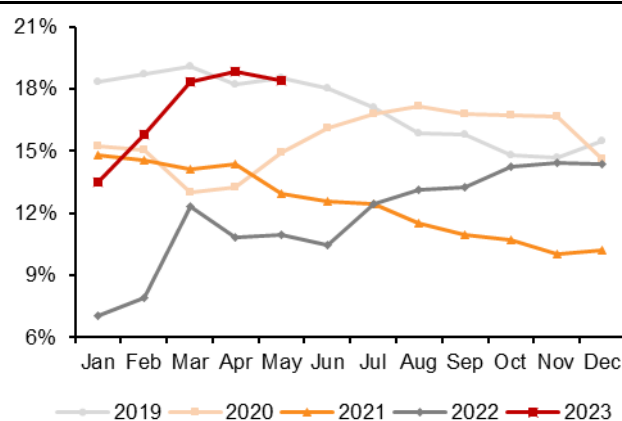
Source: ThinkerCar, CMBIGM

Figure 7: Beijing Benz discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 8: BMW Brilliance discounts at dealers



Source: ThinkerCar, CMBIGM

Discounts for Beijing Benz narrowed a bit MoM last month amid the launch of the new-generation *GLC* in Apr 2023. We expect discounts for Beijing Benz to remain high in 2H23, as we believe discounts for the new *GLC* could widen quickly, based on our channel checks.

Discounts for BMW Brilliance also narrowed a bit MoM last month due to better product mix amid the new-generation *X1* transition. On 1 Jun 2023, BMW announced generous additional rebates for dealers, including RMB 5,000 per vehicle for locally-produced models, RMB 8,000 per vehicle for imported models and RMB 50,000 per vehicle for BEVs sold in 1H23, as well as another RMB 7,600-13,900 per vehicle sold in 2Q23 based on the BEV market share. **We estimate both policies could lift BMW dealers' new-car gross margin by 2-3 ppts in 1H23.** We also expect BMW's discounts at dealers to narrow HoH in 2H23 amid the new-generation *X1* and the gradual phase-out of production for the heavily discounted *1-Series* and *X2*.

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

	Total					NEV				
	May 2023	YoY %	MoM %	YTD	YTD YoY %	May 2023	YoY %	MoM %	YTD	YTD YoY %
Chinese OEMs	1,121,473	38.0%	9.9%	4,902,746	22.4%	551,467	52.8%	12.8%	2,238,846	41.9%
Geely	120,053	34.8%	5.6%	556,148	14.1%	27,036	40.3%	-9.5%	119,322	51.3%
Great Wall Motor	82,415	30.7%	10.7%	328,022	-4.7%	23,755	104.1%	59.8%	66,426	31.9%
Changan	121,408	41.3%	7.2%	631,388	20.1%	26,934	125.9%	31.5%	125,305	139.9%
SAIC-GM-Wuling	68,089	-22.3%	3.0%	266,892	-33.7%	24,376	-34.7%	0.6%	80,229	-56.5%
SAIC	73,188	3.9%	7.2%	337,899	19.3%	31,715	58.9%	13.4%	131,789	126.4%
BYD	239,092	109.4%	14.1%	996,476	95.5%	239,092	109.4%	14.1%	996,476	97.5%
GAC Motor	77,810	54.4%	9.5%	314,931	45.3%	46,607	121.3%	13.5%	167,992	118.7%
Chery	131,356	66.1%	10.7%	557,809	63.0%	8,239	-61.7%	-6.7%	34,411	-61.3%
Dongfeng	30,048	-10.5%	0.0%	131,383	-36.6%	16,053	4.3%	0.6%	55,426	-18.0%
FAW	35,041	-2.7%	11.5%	150,327	16.9%	8,500	50.9%	10.4%	28,508	258.4%
BAIC	12,918	233.0%	65.1%	51,052	74.6%	4,796	110.7%	-7.2%	26,330	96.3%
NIO	6,155	-12.4%	-7.6%	43,854	15.8%	6,155	-12.4%	-7.6%	43,854	15.8%
Li Auto	28,277	146.0%	10.1%	106,542	124.9%	28,277	146.0%	10.1%	106,542	124.9%
Xpeng	7,506	-25.9%	6.0%	32,815	-38.9%	7,506	-25.9%	6.0%	32,815	-38.9%
Neta	13,029	18.3%	17.6%	50,285	0.6%	13,029	18.3%	17.6%	50,285	0.6%
Leap Motor	12,058	19.8%	38.2%	31,293	-23.2%	12,058	19.8%	38.2%	31,293	-23.2%
Jinkang Seres	4,083	-18.9%	67.5%	18,135	37.4%	4,083	-18.9%	67.5%	18,135	37.4%
German Brands	352,296	3.5%	13.2%	1,583,455	4.4%	33,649	74.5%	32.5%	100,902	53.8%
VW	170,954	-0.9%	12.8%	762,291	-5.4%	13,483	15.5%	60.6%	39,116	-25.4%
Audi	50,440	-0.4%	15.7%	222,319	9.6%	2,721	246.6%	-1.9%	9,249	219.9%
BMW	55,443	-11.4%	11.7%	277,865	10.0%	7,283	85.7%	16.2%	36,607	118.8%
Mercedes-Benz	53,403	24.9%	15.1%	255,593	14.9%	2,283	-21.2%	13.0%	15,930	22.6%
Jetta	14,177	19.8%	0.0%	65,387	5.4%	0	N/A	N/A	0	N/A
Japanese Brands	301,063	4.6%	24.3%	1,339,200	-17.7%	6,569	169.7%	3.3%	23,584	87.2%
Honda	99,243	20.9%	83.6%	411,167	-23.7%	2,306	53.5%	97.4%	6,610	-5.3%
Toyota	140,626	-0.7%	1.3%	652,484	-4.8%	3,956	396.4%	-16.8%	15,576	219.6%
Nissan	54,001	1.8%	35.0%	239,121	-28.7%	302	N/A	-28.3%	1,178	N/A
Mazda	6,902	-12.4%	77.7%	24,686	-46.4%	5	-88.6%	-68.8%	51	-75.1%
Mitsubishi	0	-100.0%	-100.0%	8,943	-25.1%	0	-100.0%	N/A	169	-65.2%
American Brands	195,222	49.4%	9.8%	853,737	23.7%	82,357	121.5%	3.7%	402,144	74.4%
Buick	51,777	1.5%	16.4%	212,383	-7.1%	3,559	-10.9%	20.0%	15,161	30.0%
Chevrolet	22,473	-3.7%	-4.4%	88,825	-9.1%	983	95.4%	118.4%	2,839	23.6%
Cadillac	17,750	104.0%	47.9%	56,750	3.1%	79	N/A	16.2%	1,065	N/A
Ford	20,286	61.3%	8.0%	91,433	34.1%	42	-91.3%	-63.5%	217	-63.4%
Lincoln	5,241	79.7%	62.4%	21,487	-5.6%	-1	-103.0%	N/A	3	-90.9%
Tesla	77,695	141.6%	2.4%	382,859	77.4%	77,695	141.6%	2.4%	382,859	77.4%
Korean Brands	28,875	74.8%	11.8%	142,322	13.1%	-	-100.0%	N/A	-	-100.0%
Hyundai	19,262	128.4%	20.4%	94,309	24.0%	0	-100.0%	N/A	0	-100.0%
Kia	9,613	18.9%	-2.3%	48,013	-3.6%	0	N/A	N/A	0	-100.0%
Others	25,078	9.1%	12.0%	114,720	-15.2%	1,549	107.4%	-16.4%	8,940	17.9%
PSA	6,322	-17.7%	-16.4%	33,763	-27.2%	405	25.0%	-43.3%	3,422	-2.9%
Volvo	12,939	74.7%	39.8%	53,025	6.3%	1,046	277.6%	-1.7%	4,941	69.7%
Jaguar	1,632	-1.7%	-18.4%	9,379	9.2%	0	N/A	N/A	0	N/A
Land Rover	2,582	-12.5%	8.7%	11,944	14.5%	98	-32.9%	30.7%	577	-50.1%
Total	2,024,007	25.6%	12.4%	8,936,180	10.2%	675,591	60.6%	12.2%	8,936,180	46.6%

Source: CPCA, CMBIGM

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

	Total					NEV				
	May 2023	YoY %	MoM %	YTD	YTD YoY %	May 2023	YoY %	MoM %	YTD	YTD YoY %
Chinese OEMs										
Geely	101,868	52.3%	22.6%	416,468	2.0%	20,946	101.1%	21.8%	78,990	60.8%
Zeekr	8,159	88.8%	2.7%	31,465	113.0%	8,159	88.8%	2.7%	31,465	113.0%
Great Wall	59,155	27.6%	8.1%	257,193	-14.3%	15,628	70.8%	28.0%	47,657	-6.6%
Changan	105,586	49.2%	11.3%	469,134	22.6%	21,664	76.4%	17.2%	94,277	97.9%
SAIC Motor	26,996	20.0%	20.7%	115,916	-30.6%	9,210	95.3%	33.6%	30,559	-4.9%
GAC Trumpchi	31,186	43.2%	14.1%	128,194	14.1%	414	5075.0%	2078.9%	487	286.5%
GAC Aion	40,667	262.3%	10.8%	157,389	156.2%	40,667	262.3%	10.8%	157,389	156.2%
BYD	216,323	109.8%	21.9%	855,812	87.7%	216,314	112.7%	21.9%	855,682	94.9%
SAIC-GM-Wuling	55,333	3.6%	10.2%	260,551	-19.4%	34,456	6.3%	5.5%	146,619	-14.2%
BAIC Magna	1,645	158.2%	68.4%	4,700	34.2%	1,645	158.2%	68.4%	4,700	34.2%
Voyah	1,356	81.8%	-25.7%	6,681	18.0%	1,356	81.8%	-25.7%	6,681	18.0%
NIO	6,095	-6.4%	-13.0%	45,467	21.3%	6,095	-6.4%	-13.0%	45,467	21.3%
Lixiang	28,455	145.4%	8.4%	108,797	128.2%	28,455	145.4%	8.4%	108,797	128.2%
Xpeng	7,336	-26.2%	7.2%	32,231	-39.7%	7,336	-26.2%	7.2%	32,231	-39.7%
Neta	8,331	-20.2%	-13.7%	39,798	-13.9%	8,331	-20.2%	-13.7%	39,798	-13.9%
Leapmotor	13,228	58.1%	61.7%	26,700	-24.2%	13,228	58.1%	61.7%	26,700	-24.2%
Human Horizons	411	11.4%	8.4%	1,850	-9.7%	411	11.4%	8.4%	1,850	-9.7%
Jinkang Seres	5,478	23.4%	22.4%	19,964	75.1%	5,478	23.4%	22.4%	19,964	74.9%
Foreign OEMs										
SAIC VW	91,027	32.5%	-4.6%	418,361	0.7%	6,988	70.8%	14.4%	26,544	-2.0%
FAW VW	153,063	28.1%	8.9%	651,754	7.7%	7,843	34.0%	12.1%	30,484	11.0%
Beijing Benz	50,674	34.1%	-0.5%	242,132	10.2%	3,247	39.5%	-1.5%	16,145	25.8%
BMW Brilliance	56,048	7.7%	3.0%	273,089	10.1%	8,166	134.0%	5.7%	37,669	116.9%
FAW Toyota	65,932	27.3%	5.7%	274,771	3.8%	2,653	501.6%	-12.6%	8,596	181.1%
GAC Toyota	78,382	0.5%	7.1%	327,426	-6.4%	897	33.5%	56.8%	3,279	-4.9%
Dongfeng Honda	43,476	-7.0%	17.9%	187,515	-28.8%	516	-66.5%	-33.1%	6,785	-0.6%
GAC Honda	49,538	-2.4%	5.4%	206,927	-23.3%	869	69.4%	-4.6%	3,809	-22.5%
Dongfeng Nissan	60,671	4.7%	20.9%	252,250	-21.6%	88	1660.0%	-59.3%	665	4056.3%
GAC Mitsubishi	1,356	-45.4%	-28.1%	7,285	-50.7%	13	-80.6%	225.0%	29	-86.8%
SAIC GM	78,926	40.6%	-0.8%	322,381	-8.0%	3,868	76.6%	-2.0%	17,165	25.5%
Changan Ford	10,470	-8.0%	7.6%	47,365	-24.3%	260	-54.5%	-19.5%	1,136	-64.5%
Tesla China	43,856	324.5%	7.7%	221,572	83.2%	43,856	324.5%	7.7%	221,572	83.2%
Volvo Asia Pacific	11,618	34.0%	4.1%	50,629	7.6%	1,059	167.4%	-5.3%	5,208	30.8%
Chery JLR	4,242	27.2%	-10.4%	21,192	21.6%	148	-30.8%	-34.5%	963	16.6%
Beijing Hyundai	21,592	66.9%	17.4%	92,539	4.6%	3	-90.9%	50.0%	14	-92.6%
Yueda Kia	7,473	12.6%	11.3%	31,536	-21.7%	4	-50.0%	300.0%	63	-84.1%
Total (excl. imports)	1,699,030	34.1%	9.9%	7,291,494	5.3%	558,450	73.1%	14.3%	2,267,054	43.1%
Imports by Brand										
Lexus	13,648	-0.7%	27.6%	54,194	-23.0%	1,222	364.6%	33.4%	3,897	174.2%
BMW	7,643	11.4%	-7.1%	42,953	-5.9%	470	543.8%	4.4%	2,169	150.5%
Mercedes-Benz	13,023	9.8%	-2.2%	69,160	5.9%	187	-53.5%	105.5%	2,024	-18.7%
Porsche	7,806	0.5%	8.8%	37,160	17.3%	1,310	7.0%	0.3%	6,671	97.3%
Audi	5,454	73.4%	11.8%	23,006	22.8%	28	-30.0%	47.4%	124	-43.9%
Total Imports	61,433	12.1%	3.7%	299,679	1.3%	3,797	61.5%	26.7%	16,807	71.5%
Total	1,760,463	33.1%	9.7%	7,591,173	5.1%	562,247	73.1%	14.4%	2,283,861	43.3%

Source: CATARC, CMBIGM

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.

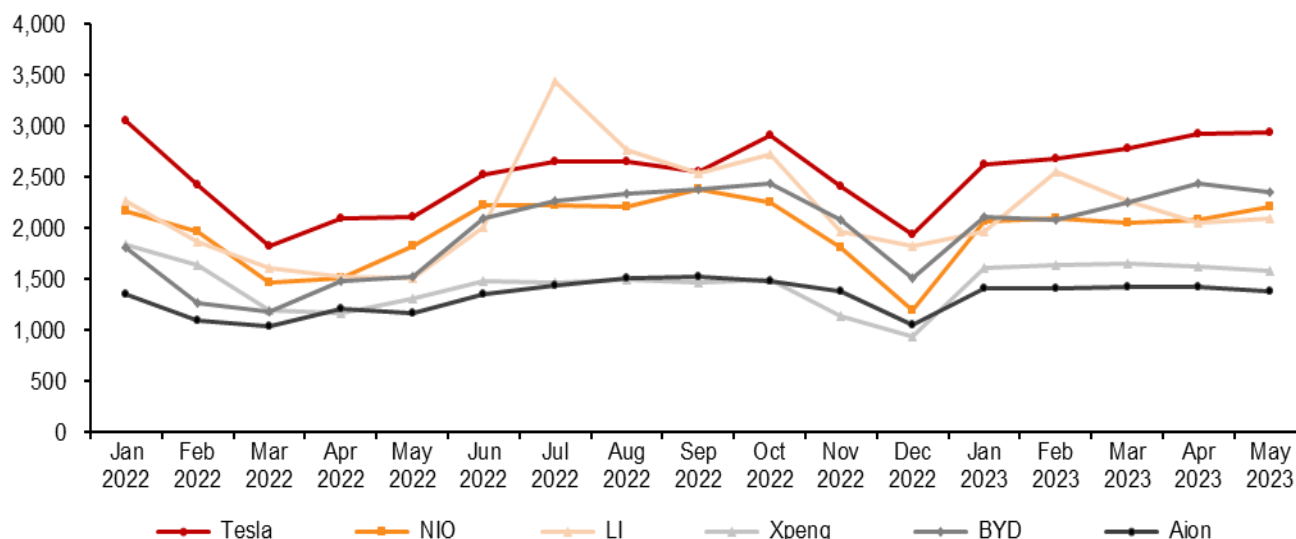
Number of leads: NIO rose most MoM, Tesla still leads

Number of leads per store for NIO rose 6% MoM in May 2023, driven by the new *ES6* launch. In our view, such increase, or more importantly, new order increase for the *ES6* was below the company's expectation. On 12 Jun 2023, NIO announced a price cut of RMB 30,000 for all models with fewer service benefits such as battery swap. NIO also unveiled the *ET5 Touring* on 15 Jun 2023. Therefore, we expect number of leads per store for NIO to continue rising in Jun 2023.

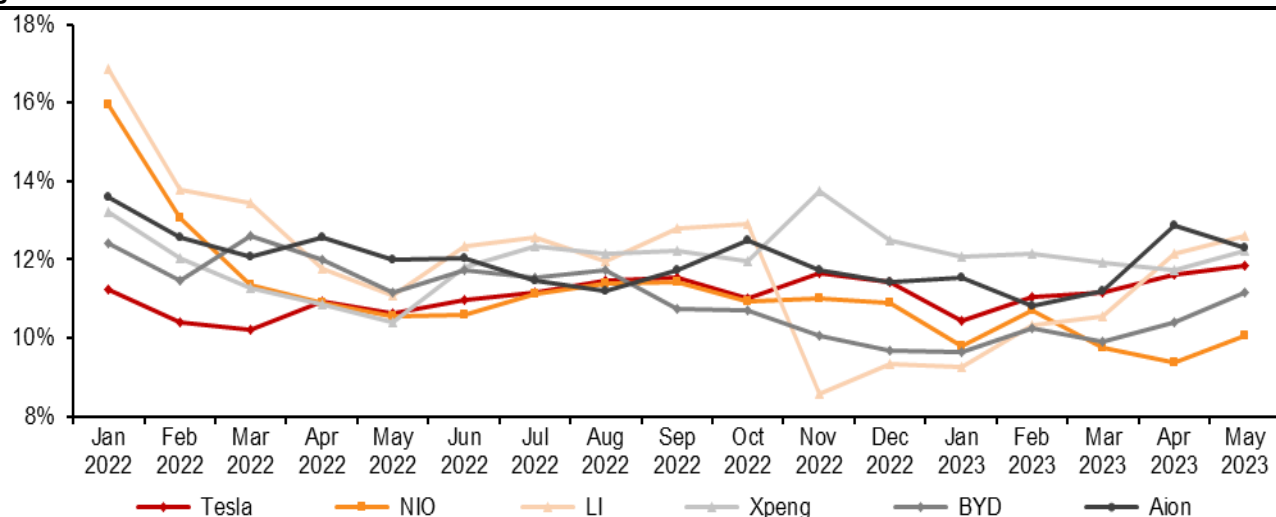
Li Auto's number of leads per store rose 2% MoM in May 2023, as consumers may compare the *NIO ES6* with the *Li L7*. BYD's number of leads fell 4% MoM in May 2023, probably reflecting intensifying competition. Tesla's number of leads per store is still the highest among all the six brands, which remained stable MoM in May 2023. Number of leads per store for the other two brands (Xpeng and Aion) both dropped 3% MoM in May 2023.

The conversion ratios from leads to store visit for all the brands rose MoM, except for Aion. The average of such ratios for all the six brands has been rising gradually from all-time low in Jan 2023, probably implying higher intention for car purchases. Li Auto had the highest conversion ratio from leads to store visit among the six brand again after the *Li L9* launch last year. NIO had the lowest ratio for two consecutive months.

Figure 11: Number of leads per store on average for each brand



Source: Thinkercar, CMBIGM

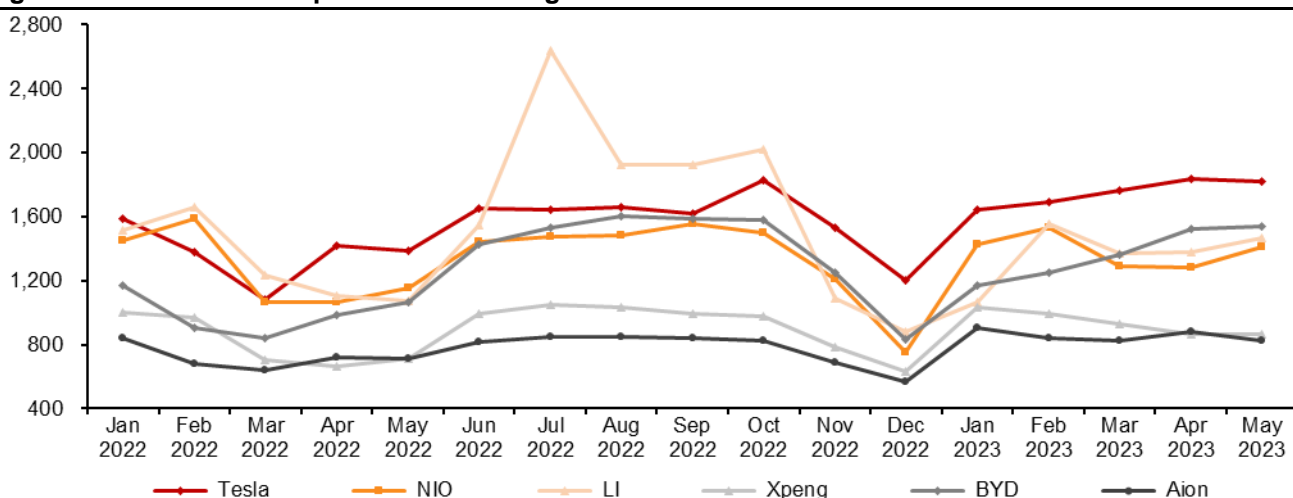
Figure 12: Conversion ratio from leads to store visit for each brand

Source: Thinkercar, CMBIGM

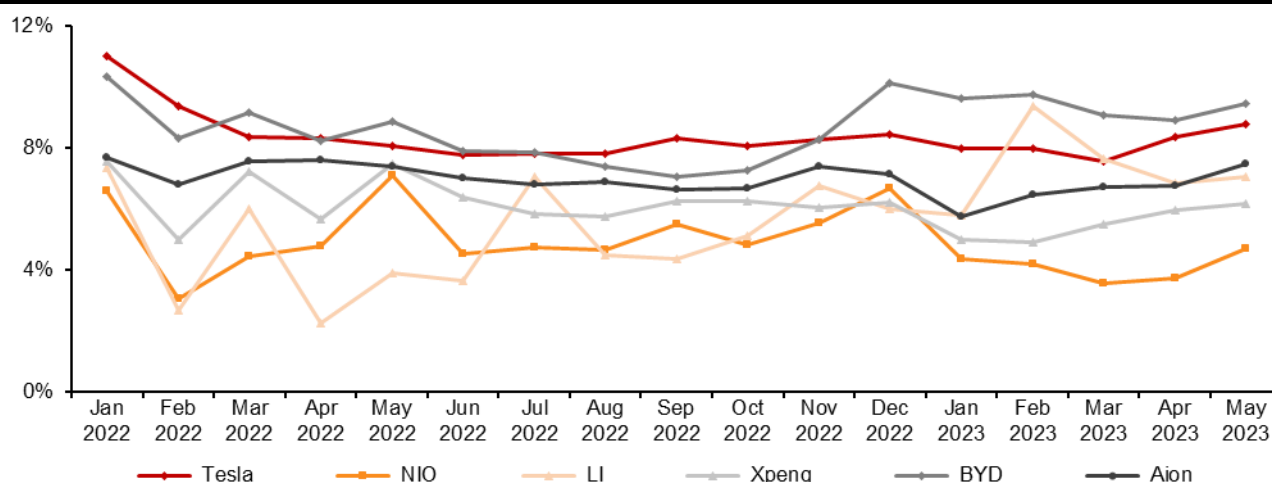
Customer flow: NIO rose most MoM, followed by Li Auto

Customer flow per store for NIO rose 10% MoM in May 2023, aided by the rollout of the new ES6. Customer flow per store for Li Auto also rose 6% MoM in May 2023, as consumers can test drive the L7 Air from 15 Apr 2023. Such numbers remained largely stable MoM for Tesla (-1%), Xpeng (+1%) and BYD (+1%) in May 2023. The Xpeng G6 started pre-sale with an MSRP of RMB 225,000 on 9 Jun 2023, which could lift Xpeng's customer flow in Jun 2023. We are of the view that the G6's pre-sale price is attractive and below our prior expectation. Customer flow per store for Aion fell 6% MoM in May 2023.

The conversion ratios from store visit to order generation improved MoM for the six brands in May 2023. BYD still had the highest ratio (9%) among the six brands in May 2023, although such number has decreased from a high level in Dec 2022. Such ratio for Li Auto also fell from a historical high level in Feb 2023 to an average level among peers now. Although NIO's conversion ratio from store visit to order generation improved the most among the six brands last month, it still has the lowest conversion ratio, followed by Xpeng.

Figure 13: Customer flow per store on average for each brand

Source: Thinkercar, CMBIGM

Figure 14: Conversion ratio from store visit to new order generation for each brand

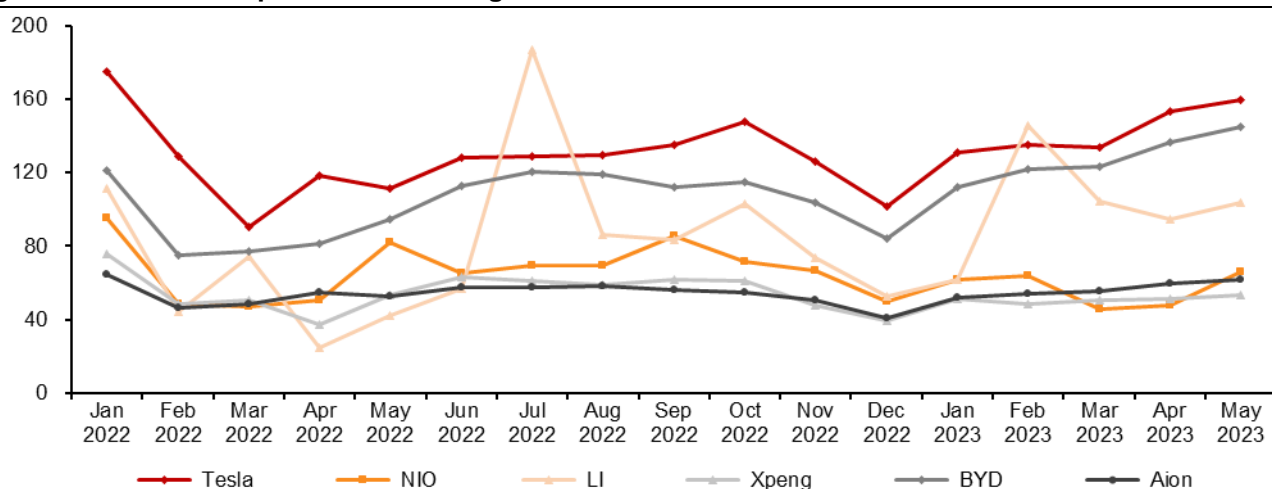
Source: Thinkercar, CMBIGM

New orders rose MoM for all NEV brands

In general, new orders per store for these six NEV brands have been rising sequentially since Jan 2023, which could provide some confidence for investors in 2H23. The divergence between brands also started from this year, with stronger recovery for Tesla, BYD and Li Auto. Xpeng's new orders per store did not show significant improvement during Mar-May 2023 despite the *P7i*'s launch on 10 Mar 2023. The *G6* would be key to Xpeng's sales volume growth in 2H23.

NIO's new orders per store jumped 38% MoM on low base in May 2023, aided by the new *ES6*. NIO's new orders generated last month was about 1.9x its retail sales volume, based on the data from 15 stores, lower than 2.4x for Li Auto when its *L7* was launched in Feb 2023. It is important to watch NIO's new orders in Jun, given its price cut and the *ET5 Touring* launch.

Aion's new orders per store were the most stable among all the brands in the past 17 months, with the smallest decline in Dec 2022. Aion's new orders per store in Apr-May 2023 has already exceeded its average level in 2022.

Figure 15: New orders per store on average for each brand

Source: Thinkercar, CMBIGM

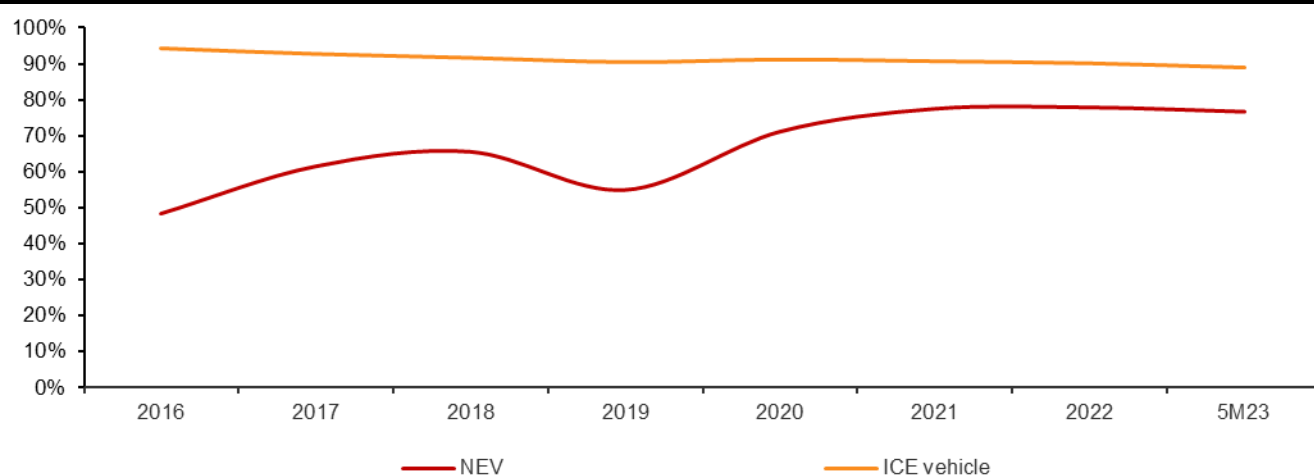
NEV Segment

NEV inventory rose for a fifth consecutive month

In May 2023, retail sales volume of passenger NEVs rose 73% YoY and 14% MoM to about 562,000 units, largely in line with our prior forecast of 561,000 units. NEV's market share climbed to 31.9% in May 2023 from 30.6% in Apr 2023 on a retail basis. The trailing 12-month NEV market share rose for 35 months in a row to 28.4% as of May 2023. The cumulative NEV retail sales volume rose 43% YoY to 2.28mn units in the first five months of 2023, well on track towards our full-year forecast of 7.1mn units.

Individual customers accounted for about 76% of total NEV retail sales in May 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 16: Proportion of NEVs sold to individual customers vs that of ICE vehicles in China



Source: CATARC, CMBIGM

Wholesale volume of passenger NEVs rose 61% YoY and 13% MoM to about 688,000 units in May 2023, with a market share of 33.6%. We estimate that about 39,000 units of inventory NEVs were added into dealers last month. NEV inventories at dealers have increased by about 0.15mn units in the first five months of 2023.

We estimate the current nationwide NEV inventory level to be about 2.1 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 18% of total NEVs sold in 2022 were through direct-sales model which is supposed to have minimal inventories.

NEV exports rose 5% MoM to about 91,000 units in May 2023, lower than our prior forecast of 95,000 units, mainly due to the MoM export decline from BYD. Smart almost tripled its exports MoM to about 5,300 units in May 2023. Aion exported 128 BEVs last month. The cumulative NEV exports rose 160% YoY to about 0.38mn units in the first five months of 2023. Our full-year forecast of 0.94mn units assumes more Chinese brands to start or increase NEV exports in 2H23 but a moderate decline for Tesla in 4Q23. Tesla accounted for 43% of China's total NEV exports in the first five months of 2023, followed by BYD and MG.

We still expect NEV market share to rise sequentially for the remainder of the year with new NEV rollouts, as stated in May 2023. 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 27 new NEV models were rolled out in the first five months of 2023, which was slower than our prior expectation. We expect the NEV rollouts to accelerate in the next few months. Four new BEV models (*Zeekr X*, *Smart #3*, *NIO ET5 Touring*, *JAC EV3*) were launched in 1st half of Jun 2023. We expect a few more new models to be rolled out or start deliveries in the next two months, including the *NIO ES8*, *EC6*, *Xpeng G6*, *Denza N7*, *Aion Hyper GT*, *Deepal S7*, *Haval medium-size SUV*, *Wey Gaoshan MPV* etc.

NEV by city-tier: Lower-tier cities outperformed MoM

NEV retail sales in tier-3 and below cities (over 20% MoM) grew at a faster pace than tier-1 (+7% MoM) and tier-2 cities (+12% MoM) in May 2023. NEV market share in tier-2 and below cities, on a trailing 12-month basis, rose 0.5 ppt MoM, while that of tier-1 cities increased 0.2 ppt MoM in May 2023. Every 10 PVs sold in tier-1 cities in China, four of them are now NEVs.

The Tesla *Model Y* retained the best-selling NEV model with market share of 9% in tier-1 and -2 cities in the first five months of 2023. The *Wuling Hongguang Mini* still tops in the tier-3 and below cities, with declining market share in the first five months of 2023 (9% vs. 15% in 2022). Market share for mini-size BEVs has been falling as we expected. Mini BEVs accounted for 16% of total BEV retail sales volume nationwide in the first five months of 2023, down from 26% in 2022.

Figure 17: China NEV market share by city tier (trailing 12-month basis)

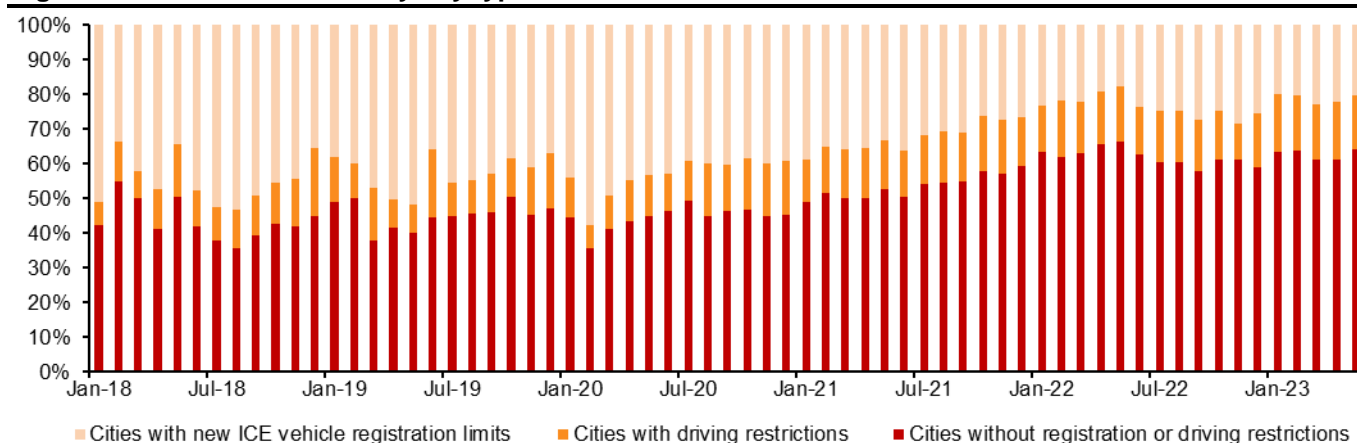
Market Share	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023
Tier 1	37.1%	38.4%	39.6%	39.9%	40.3%	40.5%	40.7%
Tier 2	26.3%	27.1%	28.3%	28.9%	29.2%	29.5%	30.0%
Tier 3	21.9%	22.8%	23.8%	24.4%	24.5%	24.8%	25.3%
Tier 4 and below	17.8%	18.3%	19.4%	19.9%	20.1%	20.4%	20.9%
Nationwide	24.9%	25.7%	26.9%	27.4%	27.7%	28.0%	28.5%

Source: CATARC, CMBIGM

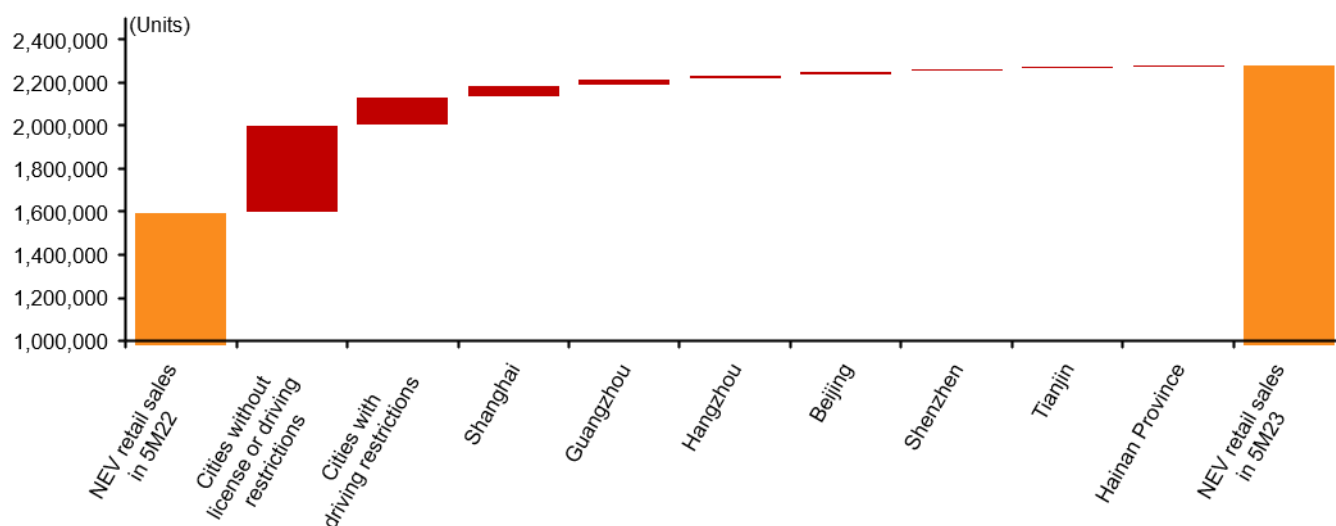
NEV by city type: Cities without ICE restrictions gain market share

We divided cities in China into three types based on whether there are restrictions for ICE vehicle registration or driving. In the first five months of 2023, about 21% 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% of nationwide NEV retail sales in the first five months of 2023, down from 6.4% in 2022. Despite that, China's PHEV retail sales volume YoY growth still outpaced BEV in the first five months of 2023, 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 the first five months of 2023, up from 14% in 2022. The remaining 63% of NEV retail sales volume was contributed by cities without license or driving restrictions in the first five months of 2023, rising by 1.1 ppts from that of 2022.

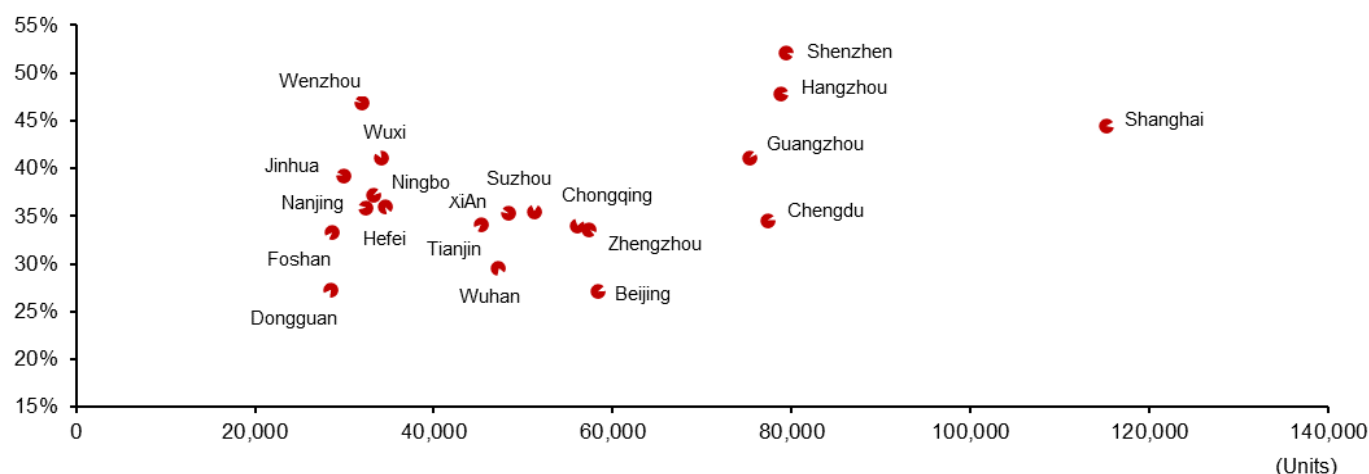
Figure 18: NEV market share by city type

Source: CATARC, CMBIGM

Figure 19: NEV retail sales volume YoY growth contribution by city type in 5M23

Source: CATARC, CMBIGM

China's NEV retail sales volume increased by about 0.69mn units YoY in the first five months of 2023. 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 59,000 units or 51% YoY in the first five months of 2023, due to low comparison base. Therefore, Shanghai retained the NEV retail sales crown among all cities in China in the first five months of 2023. PHEVs only accounted for 7% of total NEV retail sales volume in Shanghai in the first five months of 2023, down from 37% in 2022.

Figure 20: NEV retail sales volume in top 20 cities with corresponding NEV market share in 5M23


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 the first five months of 2023, followed by Hangzhou and Wenzhou in Zhejiang. Shanghai ranked the 4th place with 44% of retail sales volume from NEVs in the first five months of 2023. Beijing had the lowest NEV market share (27% YTD) among these 20 cities and was even below the national average, due to its caps on new NEV registrations every year.

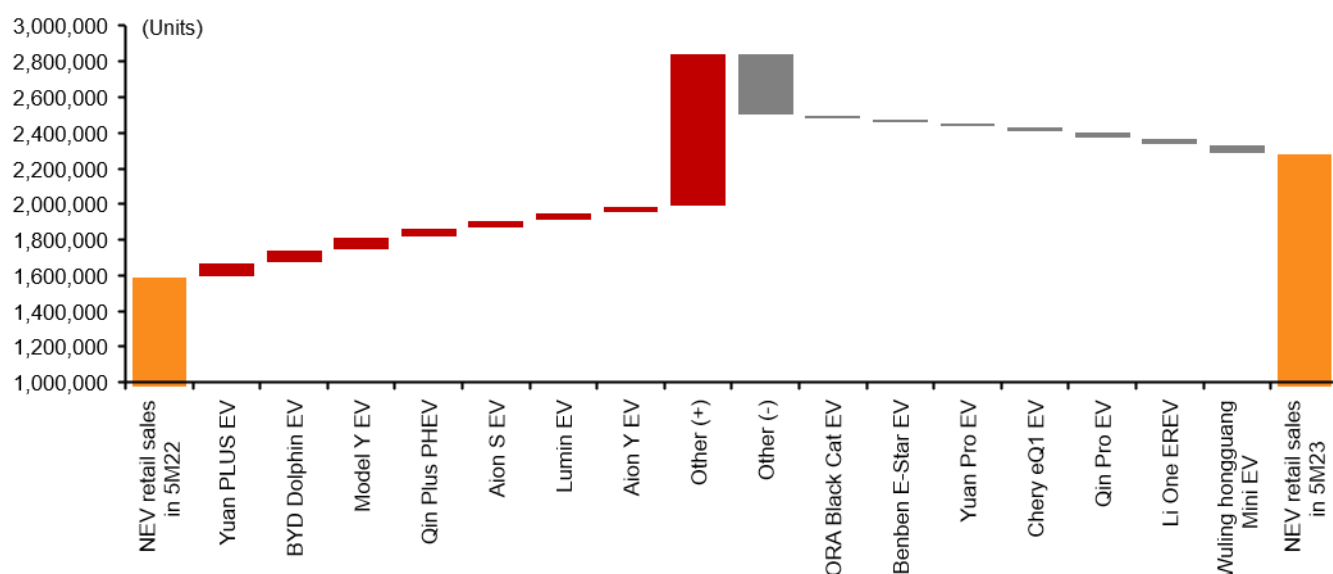
NEV by model: Tesla *Model Y* still tops the list

At the model level, the Tesla *Model Y* topped the NEV retail sales volume list in the first five months of 2023. BYD took up half of the top 10 best-selling NEV models, with the *Dolphin EV*, *Qin Plus PHEV*, *Song Plus PHEV*, *Yuan Plus BEV* and *Song Pro PHEV*. In fact, the combined sales volume of its *Song Plus* and *Song Pro PHEVs* exceeded the *Model Y* in the first five months of 2023. The *Wuling Hongguang Mini EV* fell to the No.5 place in the first five months of 2023, from the No.1 in 2020-22.

Excluding those discontinued models, such as the *Li ONE EREV*, *Qin Pro EV*, *Yuan Pro EV* 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 the first five months of 2023. Their market share might be partly gained by Changan *Lumin EV*, which posted retail sales YoY growth of 43,000 units in the first five months of 2023.

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 50,000 units in the first five months of 2023. The BYD *Dolphin EV* also posted YoY growth of about 73,000 units in the first five months of 2023.

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 60% of China's NEV retail sales volume growth in the first five months of 2023.

Figure 21: NEV retail sales volume growth contribution by model in 5M23

Source: CATARC, CMBIGM

BEV brands: Top 3 all gained market share last month

In the first five months of 2023, total BEV retail sales volume rose 26% YoY to about 1.6mn units. BEV's market share in the NEV segment dropped to 67.9% in the first five months of 2023 from 77.2% in 2022.

BYD and Tesla's market share increased to 26% and 14% in the BEV segment in the first five months of 2023, from 20% and 11% in 2022, respectively. GAC Aion retained the 3rd place in May 2023. These top 3 brands all gained market share compared with Apr 2023 and last year.

Wuling and Chery experienced market share decline compared with last year. Neta was out of the top 10 last month. All three brands were dented by the shrinking mini-BEV segment amid intensified competition. In contrast, Geely and Changan gained the 5th and 6th places, respectively, thanks to sales increments from *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 the first five months of 2023. BMW posted the highest YTD YoY sales volume growth among the top 10. The *i3* BEV and *iX3* BEV contributed about 46% and 48% of BMW's NEV retail sales volume in China, respectively, in the first five months of 2023.

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 the first five months of 2023, while Neta, Dongfeng, and VW were kicked out.

Figure 22: Top 10 BEV brands' retail sales volume in China

Units	May 2023	YoY	YTD	YTD YoY	YTD Market Share in BEV Segment
Total BEV	382,468	57.7%	1,551,824	26.1%	100.0%
BYD	108,658	113.0%	400,451	79.3%	25.8%
Tesla	44,062	326.5%	221,778	83.4%	14.3%
GAC Aion	40,667	262.3%	157,385	156.2%	10.1%
Wuling	33,450	10.5%	143,200	-10.7%	9.2%
Geely	16,003	135.2%	59,797	85.4%	3.9%
Changan	9,931	-14.9%	52,223	23.9%	3.4%
NIO	6,095	-6.4%	45,467	21.3%	2.9%
BMW	8,023	276.3%	36,116	275.0%	2.3%
Chery	8,898	-41.4%	35,550	-53.3%	2.3%
Xpeng	7,336	-26.2%	32,231	-39.7%	2.1%

Source: CATARC, CMBIGM

PHEV brands: Fewer foreign brands in the top 10 list

In the first five months of 2023, total PHEV (EREV included) retail sales volume rose 101% YoY to about 0.73mn units. PHEV's market share in the NEV segment increased to 32.0% in the first five months of 2023 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 slightly to 57% in the first five months of 2023 from 61% in 2022. However, BYD and Denza's market share combined rose to 62% in the first five months of 2023, as BYD-controlled Denza brand climbed to the 3rd place with only one model (the D9 MPV) on sale.

Lixiang's market share in the PHEV segment rose to 14.9% in the first five months of 2023 from 10.4% in 2022. Li Auto's management guided monthly sales volume to exceed 30,000 units in Jun 2023, which is well on track based on the weekly retail sales data released by the company (almost 20,000 units in the first 18 days of Jun 2023). It is likely to surpass the upper limit of its 2Q23 sales volume guidance of 81,000 units, should such momentum continue, as the L7 keeps beating our expectation.

Changan Deepal climbed to the 4th position in the PHEV segment in the first five months of 2023, driven by the Deepal SL03 EREV (about 5,000-6,000 units per month in Mar-May 2023), which was launched in Jul 2022. Aito fell into the 6th place in terms of YTD retail sales volume compared with the 3rd position last year.

Only two foreign brands (VW and Mercedes-Benz) are still in the top 10 list, vs. four last year (VW, Mercedes-Benz, Nissan and BMW). Chinese brands' combined market share in the PHEV segment rose to 92% in the first five months of 2023, from 89% in 2022. We expect such trend to continue based on the model pipeline. We expect Haval and Geely to surpass Mercedes-Benz in Jun or Jul 2023, in terms of YTD PHEV retail sales volume.

Figure 23: Top 10 PHEV (EREV included) brands' retail sales volume in China

Units	May 2023	YoY	YTD	YTD YoY	YTD Market Share in PHEV Segment
Total PHEV	179,751	118.3%	731,891	101.3%	100.0%
BYD	97,297	92.1%	413,965	92.7%	56.6%
Lixiang	28,455	145.4%	108,797	128.2%	14.9%
Denza	9,712	53855.6%	38,613	4292.8%	5.3%
Deepal	4,965	N/A	21,825	N/A	3.0%
VW	3,964	55.8%	16,914	36.9%	2.3%
Changan	4,930	714.9%	14,534	164.3%	2.0%
Aito	3,796	-13.8%	14,189	27.8%	1.9%
Mercedes-Benz	1,410	-19.7%	11,247	4.8%	1.5%
Haval	4,033	N/A	11,076	N/A	1.5%
Geely	2,053	468.7%	8,972	418.9%	1.2%

Source: CATARC, CMBIGM

Other Industry Indicators to Watch

PV by city tier: Higher-tier cities outperformed YTD

Total PV retail sales volume rose 33% YoY and 10% MoM to 1.76mn units in May 2023, largely in line with our prior forecast of 1.7mn units. Cumulative PV retail sales volume increased 5% YoY in the first five months of 2023. Tier-1 cities outperformed tier-2 and below cities in terms of YoY growth in May 2023 amid low base. Tier-1 and -2 cities are also more resilient than lower tier cities during the down cycle.

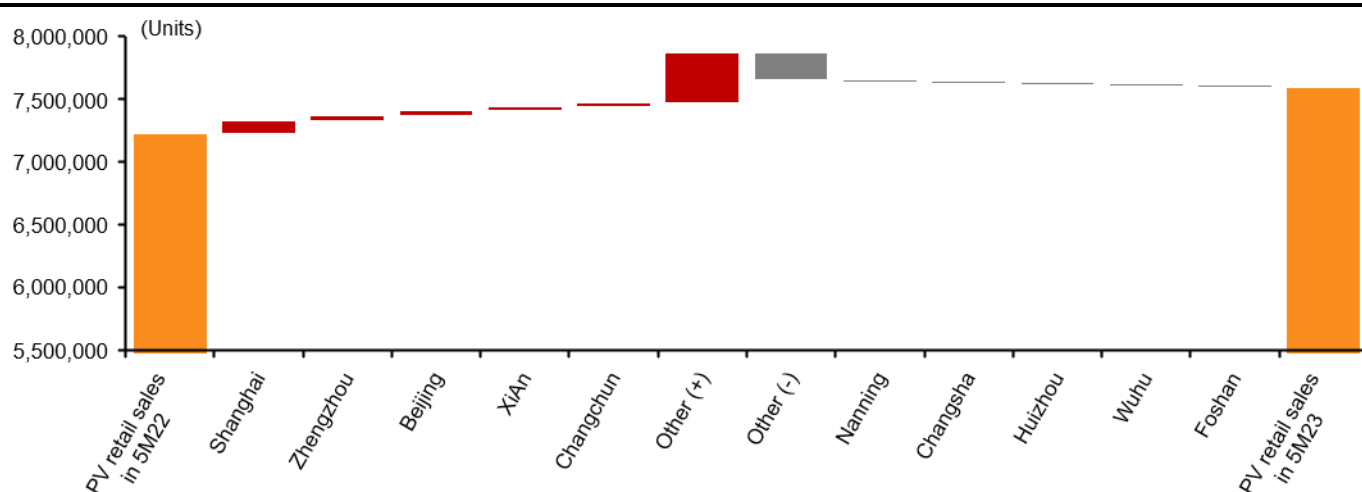
Figure 24: China auto retail sales growth by city tier

Retail Sales YoY Growth	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	YTD
Tier 1	14.0%	13.2%	-48.6%	28.2%	17.7%	97.6%	102.4%	21.8%
Tier 2	-1.4%	13.2%	-43.2%	17.4%	13.0%	63.5%	28.2%	7.5%
Tier 3	-23.8%	6.7%	-39.4%	-0.2%	9.8%	52.9%	33.3%	2.0%
Tier 4 and below	-19.4%	11.6%	-42.8%	2.9%	6.4%	40.4%	22.1%	-3.8%
Nationwide	-7.9%	11.5%	-42.8%	11.2%	11.5%	59.5%	33.1%	5.1%

Source: CATARC, CMBIGM

The low base effect caused by COVID last year still dominated the city-level retail sales volume YoY growth in the first five months of 2023. Shanghai, Zhengzhou, Beijing, Xi'an and Changchun posted the largest YoY retail sales volume growth in the first five months of 2023.

Figure 25: PV retail sales volume YoY growth contribution by city in 5M23



Source: CATARC, CMBIGM

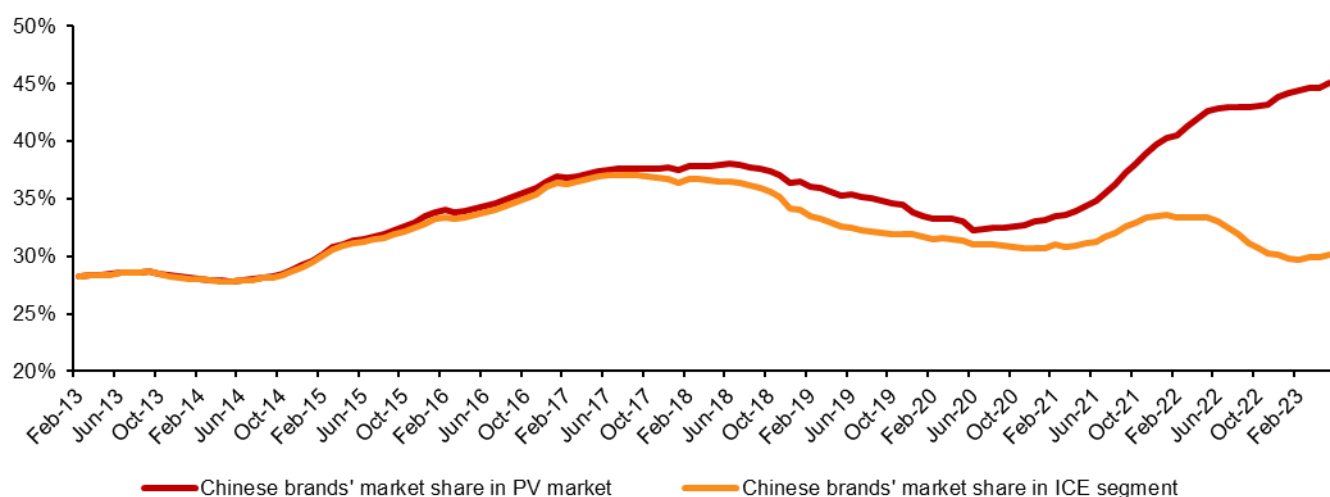
Chinese-brand trailing 12-month market share exceeded 45%

Cumulative retail sales volume for Chinese brands rose 13% YoY in the first five months of 2023, outpacing the overall industry by 8 ppts, thanks to higher NEV penetration in China. Interestingly, Chinese brands' market share decreased in both NEV and ICE segments YTD. Chinese-brand NEV retail sales volume rose 39% YoY in the first five months of 2023, underperforming the overall NEV segment by 4 ppts. Excluding NEVs, retail sales volume of Chinese-brand ICE vehicles fell 6% YoY in the first five months of 2023, weaker than the overall ICE segment by 0.2 ppt.

German brands achieved market share gain in both NEV and ICE segments in the first five months of 2023. Chinese brands largely grabbed market share from Japanese brands, as Japanese brands posted the largest retail sales volume decline among all brands in the first five months of 2023 (-16% YoY).

The trailing 12-month market share for Chinese brands rose to 45.1% as of May 2023. We project Chinese brands to gain market share for a third consecutive year in 2023, aided by NEVs.

Figure 26: Chinese brands' market share (trailing 12-month basis)



Source: CATARC, CMBIGM

Traditional luxury underperformed after 8-month outperformance

The retail sales volume of traditional luxury brands rose 26% YoY and 4% MoM to about 266,000 units in May 2023, underperforming the overall industry by 7 ppts in terms of YoY growth after outperforming for eight months in a row. The cumulative retail sales volume of traditional luxury brands rose 9% YoY to 1.2mn units in the first five months of 2023, outperforming the overall industry by 4 ppts, partly due to low base. We have been expecting a slight underperformance for traditional luxury brands compared with the overall industry in 2023. Luxury market share, on a trailing 12-month basis, remained at 15.1% as of May 2023.

Figure 27: China traditional luxury auto market share by city tier (trailing 12-month basis)

Market Share	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023
Tier 1	21.1%	20.9%	20.7%	20.8%	21.0%	20.9%	21.0%
Tier 2	18.4%	18.4%	18.3%	18.4%	18.4%	18.4%	18.3%
Tier 3	10.7%	10.8%	10.8%	11.0%	11.1%	11.2%	11.1%
Tier 4 and below	7.1%	7.2%	7.3%	7.4%	7.4%	7.5%	7.5%
Nationwide	14.8%	14.9%	14.8%	15.0%	15.1%	15.1%	15.1%

Source: CATARC, CMBIGM

Mercedes-Benz retained the No.1 place among the traditional luxury brands in China in the first five months of 2023, with about 5,500 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 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 retained the 4th place in the first five months of 2023. Volvo surpassed Lexus to gain the 5th position. Lexus posted the largest YoY decline among the top 10. Despite its more premium brand image being more defensive among the top 10, Porsche may lower its 3Q23 sales volume target. Smart grabbed the 10th place from MINI in the first five months of 2023, aided by the *Smart #1* EV.

Figure 28: Top 10 traditional luxury auto brands' retail sales volume in China

Units	May 2023	YoY	YTD	YTD YoY	YTD Market Share in Luxury Segment
Total Luxury	265,707	26.5%	1,217,089	8.7%	100.0%
Mercedes-Benz	65,968	28.7%	321,522	8.9%	26.4%
BMW	63,691	8.1%	316,042	7.6%	26.0%
Audi	60,383	37.8%	251,933	9.2%	20.7%
Cadillac	21,293	113.0%	72,068	18.3%	5.9%
Volvo	13,263	32.5%	59,152	9.8%	4.9%
Lexus	13,648	-0.7%	54,194	-23.0%	4.5%
Porsche	7,806	0.5%	37,160	17.3%	3.1%
Land Rover	6,262	41.8%	33,910	31.3%	2.8%
Lincoln	5,330	-2.7%	25,866	-13.1%	2.1%
Smart	2,662	N/A	19,624	N/A	1.6%

Source: CATARC, CMBIGM

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