

Auto

Foreign brands' pricing system has faltered

We summarize the May 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 Apr 2024 retail sales volume for each model, as May 2024 retail sales volume data have not been released yet.

The industrywide average discounts widened by 0.6ppt MoM in May based on our calculations, the largest MoM increase YTD, mainly driven by German and Japanese brands. Competition was stiffer than what the discounts showed, as Chinese automakers have been cutting MSRPs (manufacturer's suggested retail prices) for existing models and facelifted models directly, which will not be reflected by the discount figures. We are of the view that foreign brands could continue to widen discounts amid market share loss. We also see a possibility of another round of MSRP cuts in 3Q24 for major Chinese NEV makers.

■ **Great Wall Motor.** In May 2024, Great Wall's average discounts at dealers remained largely flat MoM (Figure 1), better than some peers. Discounts for the Ora *Haomao* EV, Haval *Menglong* and Wey *Mocha* PHEVs narrowed MoM last month, offsetting other models' mildly rising discounts. Wholesale volume for the Tank models remained at around 20,000 units in May with its average discounts rising about 0.3ppt MoM. Great Wall's passenger-vehicle wholesale volume fell 1% MoM to about 76,000 units in May, which implies an inventory destocking at dealers on our estimates. It appears to us that the new model launches at Great Wall have been delayed this year, as none of the major new models, including the Haval *H6*, *H9*, *Xiaolong Max* and Wey *Lanshan*, have been rolled out yet. We are of the view that Great Wall still prioritizes profitability over market share.

■ **BYD.** BYD's average discounts at dealers have remained stable at about 2% since Mar (Figure 2), following its aggressive MSRP cuts for the facelifted models after the Chinese New Year. Discounts for the *Tang* EV narrowed by about 2ppts MoM in May, as the facelifted version was just launched on 22 Apr. Discounts for the *Dolphin* EV widened by about 2ppts MoM last month amid stiffer competition. Discounts for Denza brand widened by 1.5ppts MoM to about 6% in May, mainly due to the *D9* PHEV, as this MPV model contributed about 90% of the brand's total sales volume. Discounts for the Denza *N8* PHEV widened by 4ppts MoM to about 10% in May. We expect the automaker to cut the MSRP significantly for its upcoming facelifted version, similar to the *N7*. Despite the MSRP cuts, we project BYD's gross margin to be resilient in 2Q24 amid a better product mix and cost reduction efforts from the supply chain.

■ **GAC Group.** Trumpchi's average discounts at dealers narrowed slightly MoM in May (Figure 3), mainly driven by the facelifted *GS4* and *Empow*. After the MSRP cuts for the *Aion S/Y/V* in Apr, Aion's average discounts at dealers widened slightly MoM in May (Figure 4), mainly driven by the *Aion S*. Discounts for the *Hyper GT* widened by 4ppts MoM to about 17% in May. GAC Aion's wholesale volume rose 43% MoM to about 40,000 units in May with an inventory restocking. It appears to us that Aion's previous MSRP cuts aided its sales in May.

The pace of discount expansion for foreign brands has been significantly faster than that for Chinese brands. Discounts at GAC Toyota widened by 2ppts MoM to an all-time high again in May (Figure 5). All the models at GAC Toyota posted higher discounts in May. Discounts for the *Levin* even

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Xpeng	9868 HK	HOLD	39
GWM	2333 HK	BUY	14
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	262
BYD	002594 CH	BUY	285
GAC	2238 HK	BUY	5.5
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
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Source: Bloomberg, CMBIGM

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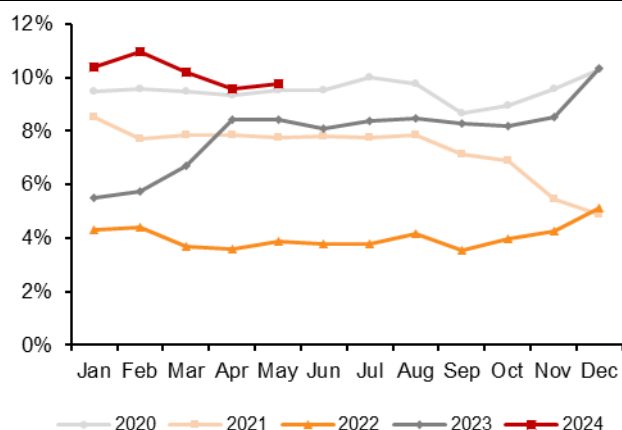
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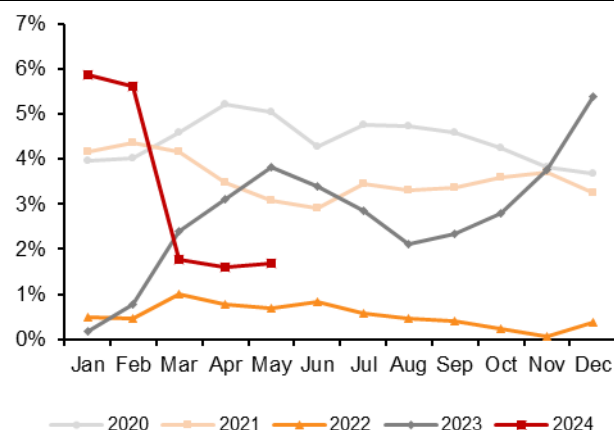
rose 4ppts MoM to about 30% in May, although its Model Year 2024 had just been rolled out in the second half of Mar.

Discounts at GAC Honda widened by 1ppt MoM to an all-time high again in May 2024 (Figure 6), mainly due to the discount increase for the *Accord*. Discounts for the *Accord* reached 22% in May after being launched for just one year. Average discounts at both GAC Toyota and GAC Honda reached about 19% in May, which we think could be challenging for the profitability of both OEMs and dealers this year.

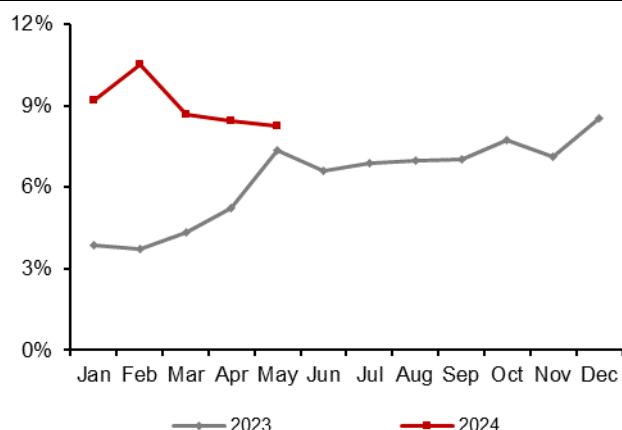
- **BMW.** Discounts at BMW Brilliance widened by 2.4ppts MoM to almost 27% in May (Figure 7), a record high again. Both the new *5-Series* (+4ppts MoM) and *i5* (+9ppts MoM) launched in Jan 2024 offered a discount of 17% in the second half of May. The pace of discount expansion was even faster than our prior expectation. Discounts for the *X3* also rose 4ppts MoM to 29% in the second half of May. All other models' discounts also widened MoM last month. We still expect BMW to increase special subsidies for dealers in 1H24.
- **Mercedes-Benz.** Discounts at Beijing Benz widened by about 2.5ppts MoM to about 21% in May (Figure 8), an all-time high level again. The discount expansion accelerated in the second half of May, mainly driven by the *E-Class* and *GLC*. Although Mercedes-Benz is less aggressive in sales volume than BMW in China, its retail sales volume is likely to surpass BMW's in May 2024.

Figure 1: Great Wall Motor discounts at dealers

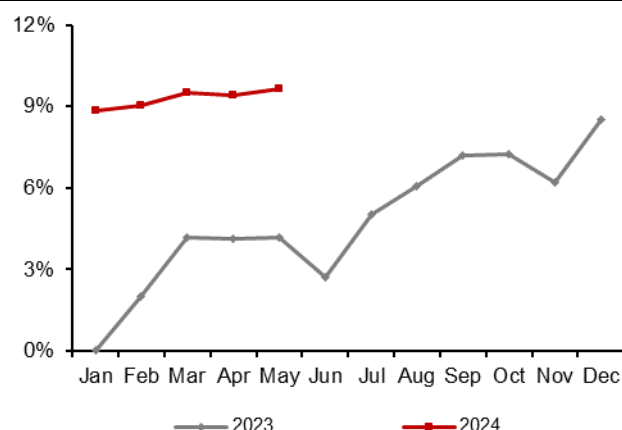
Source: ThinkerCar, CMBIGM

Figure 2: BYD discounts at dealers

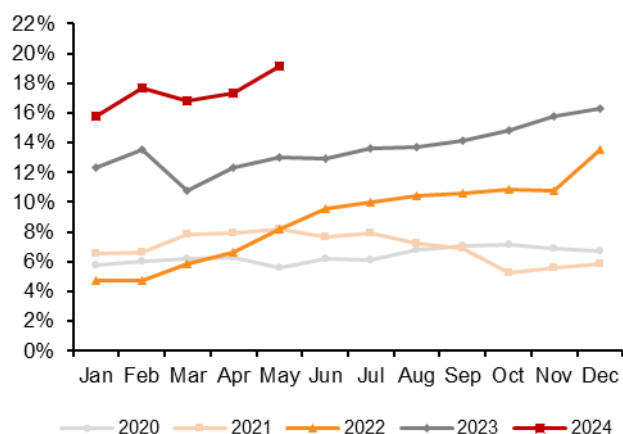
Source: ThinkerCar, CMBIGM

Figure 3: GAC Trumpchi discounts at dealers

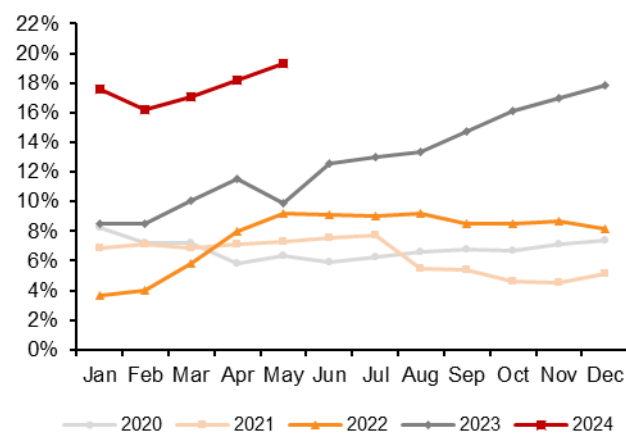
Source: ThinkerCar, CMBIGM

Figure 4: GAC Aion discounts at dealers

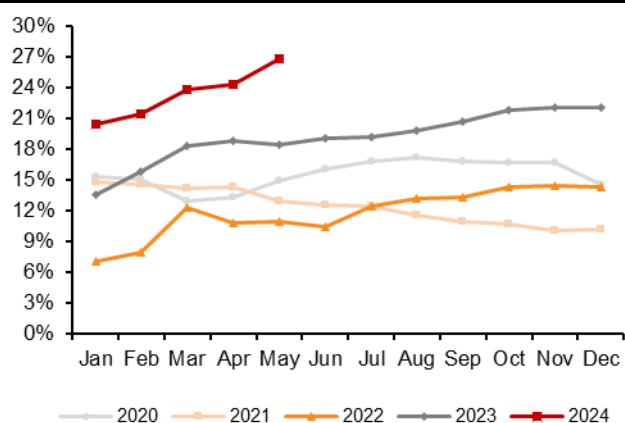
Source: ThinkerCar, CMBIGM

Figure 5: GAC Toyota discounts at dealers

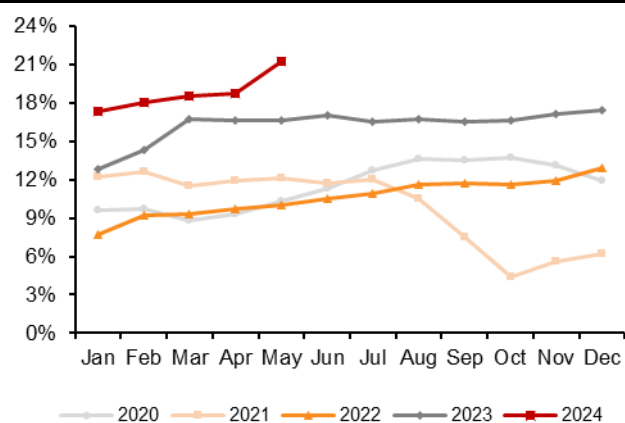
Source: ThinkerCar, CMBIGM

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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