

# Auto

## Discounts continue to widen despite some OEMs' intention to exit price war

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

The industrywide average discounts widened by 0.7ppts MoM in Jul based on our calculations, rising at an even faster pace than Jun. Unlike 2Q24 when the nominal discount increases were driven by German and Japanese brands, Jul's discount increases were driven by Japanese and some Chinese brands. It is apparent to us that Chinese automakers, especially NEV start-ups, still prioritize NEV market share, which could make German brands' efforts to narrow their discounts short-lived, as these marques' sales targets in China are still aggressive, in our view.

- NEV trio and Leap.** In Jul 2024, NIO's average discounts rose 1.4ppts MoM to about 6.7% (Figure 1), as the sales-volume drivers, the *ES6* and *ET5/5T* both posted 1.5ppts increase in their discounts. The *ES7*'s discounts widened by about 7ppts MoM to 12%. Li Auto's average discounts remained flat MoM at about 1% in Jul (Figure 2), although the automaker started to offer some free after-sales services for all the models except the *L6* (such as unlimited cellular data and range extender warranty, but such services were not counted as new-car sales cash incentives). Xpeng's average discounts widened by 0.4ppts MoM to about 8% in Jul (Figure 3). Discounts for all the models remained flat MoM, except for a hike of 6ppts for the *P5*. Leapmotor's (9863 HK, NR) average discounts narrowed by 0.8ppts MoM to about 5% in Jul (Figure 4), due to lower discounts for the *C11*. Its actual Jul discounts could be even lower, as the new *C16* has not been factored in our calculations yet.
- Great Wall Motor.** Great Wall's average discounts at dealers remained largely flat MoM at about 10% in Jul (Figure 5), as the wider discounts for the *Tank 300* were largely offset by the narrower discounts for the *Tank 400* and *500* PHEVs (both models stopped selling their Model Year 2023 versions which had larger discounts). The wider discounts for the other models were largely offset by the narrower discounts for the redesigned Haval *H6* and Ora *Haomao* EV (gradually shifted to Model Year 2024 versions) in Jul. However, the 4th-generation Haval *H6* already posted an average discount of 10% in Jul, after it was unveiled on 19 Jun 2024. The discounts for the *H9*, *Xiaolong Series* PHEVs and *Lanshan* PHEV all increased MoM in Jul, as their redesigned/facelifted models are scheduled to be rolled out soon.
- Geely.** Geely's average discounts at dealers rose slightly MoM to about 11.5% in Jul (Figure 6). The *Galaxy L6* and *L7* PHEVs, Geometry *E* EV, and Lynk & Co *09* PHEV showed the largest discount increases of about 2ppts MoM last month, respectively. Geely's major internal-combustion engine (ICE) models, including the *Boyue*, *Emgrand*, *Xingrui*, *Binyue* and Lynk & Co *01*, posted MoM discount declines in Jul, all due to the gradual model shifts to new Model Year versions. We expect Geely's Aug discounts to follow the same pattern in Jul and 3Q24 average discounts to remain stable.
- BYD.** BYD's average discounts at dealers rose 2.5ppts MoM to about 3% in Jul (Figure 7). Almost all the models (except the *Tang* and Denza brand) showed MoM discount increases in Jul, especially for the *Yuan* EV, *Seagull* EV and *Song Series*, as the price cuts for the facelifted models

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#### Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	26
Li Auto	2015 HK	BUY	101
NIO	NIO US	HOLD	5.6
Xpeng	XPEV US	HOLD	10
Xpeng	9868 HK	HOLD	39
Geely	175 HK	BUY	14
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
Yongda	3669 HK	BUY	2.7
Meidong	1268 HK	BUY	3
Minth	425 HK	BUY	21

Source: Bloomberg, CMBIGM

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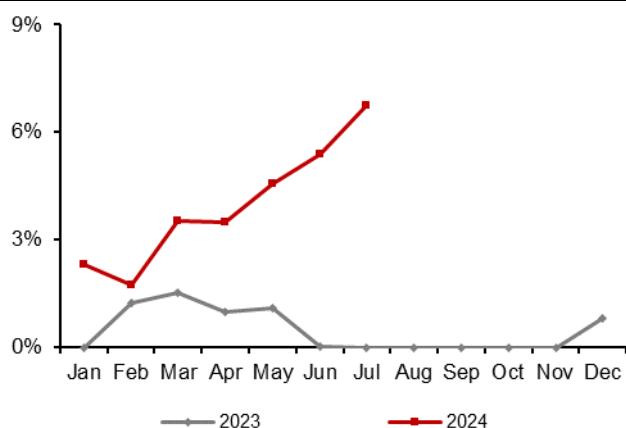
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mainly occurred in Feb-Mar 2024. Our calculated Jul discounts have not factored in the *Bao 5*'s MSRP cuts of RMB50,000 on 29 Jul. The *Bao 5*'s monthly retail sales volume has fallen to about 2,000 units in 2Q24. That, along with the MSRP cut of RMB62,000 for the *Denza N7* in Apr 2024, also reflects the challenges BYD faces in its upscale moves. We are of the view that BYD still prioritizes market share gains and intends to leverage economies of scale, given its discounts are still low compared with peers.

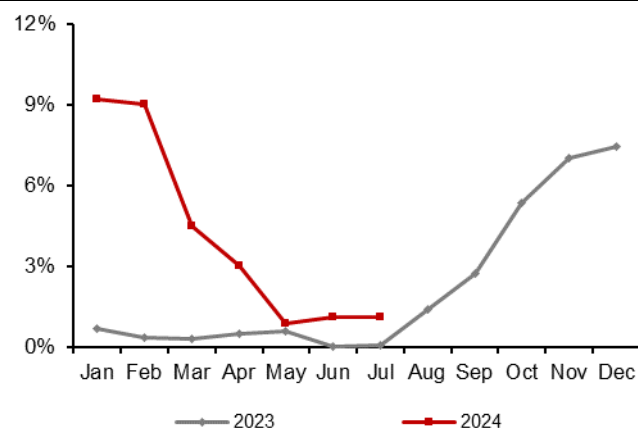
- **GAC Group.** Trumpchi's average discounts at dealers remained flat MoM in Jul (Figure 8), as the wider discounts for the *GS4* were offset by narrower discounts for the *E9*. Aion's average discounts widened 0.7ppts MoM in Jul (Figure 9), driven by the *Aion Y*.

The average discounts at GAC Toyota (Figure 10) and GAC Honda (Figure 11) continued to rise MoM to record-highs (both higher than 20%) in China in Jul. We see little signals to reverse such trends, should these automakers be to maintain a reasonable capacity utilization rate. The Toyota *Camry* posted an all-time high discount of 18% in Jul 2024, after the new generation had been launched for just four months.

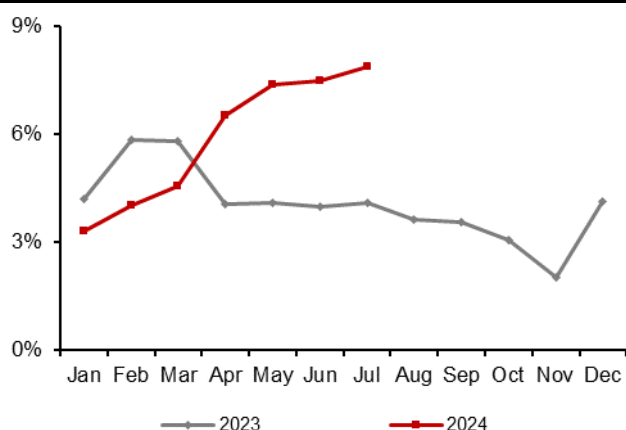
- **BMW.** Discounts at BMW Brilliance narrowed by 0.9ppts MoM to about 27% in Jul (Figure 12), the first MoM decline since Feb 2024. All the models' discounts narrowed by 0-1ppts MoM last month, except the *iX1* EV. Although BMW has cut its 2H24 sales volume target for both ICE and NEVs based on our channel checks, we believe BMW's intention to narrow its discounts by 10ppts is extremely difficult to materialize. In fact, we think the discount narrowing in Jul could be short-lived. The retail sales volume of Brilliance BMW plunged 21% MoM in the first 28 days of Jul, based on the insurance data. BMW continues its payment in advance for its dealers' rebates to relieve dealers' liquidity pressure and will likely increase incentives a bit to dealers, based on our channel checks. We expect new-car gross margin to BMW dealers to improve HoH (we forecast -7% for BMW new-car gross margin for dealers in 1H24) and retail sales volume to decline at a faster pace in 2H24 than 1H24.
- **Mercedes-Benz.** Discounts at Beijing Benz widened by about 0.3ppts MoM to about 23% in Jul (Figure 13), an all-time high level again. Similar to Jun, its Jul discount increase was mainly driven by the compact-size models, including the *A-Class*, *GLB* and *EQA* EV. Mercedes-Benz did not follow suit after BMW's efforts to narrow its discounts in China in Jul. The retail sales volume of Beijing Benz only fell 8% MoM in the first 28 days of Jul, based on the insurance data.

**Figure 1: NIO's discounts**

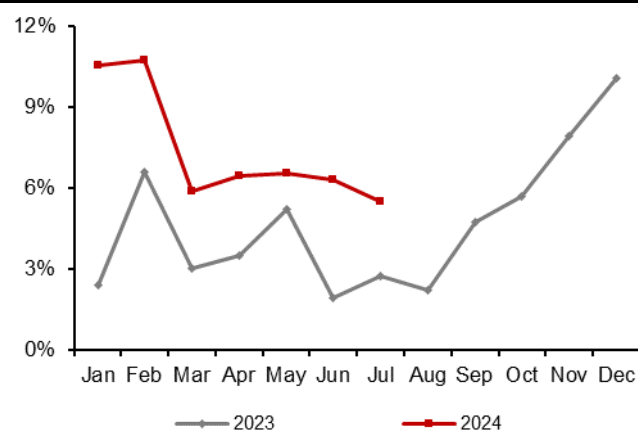
Source: ThinkerCar, CMBIGM

**Figure 2: Li Auto's discounts**

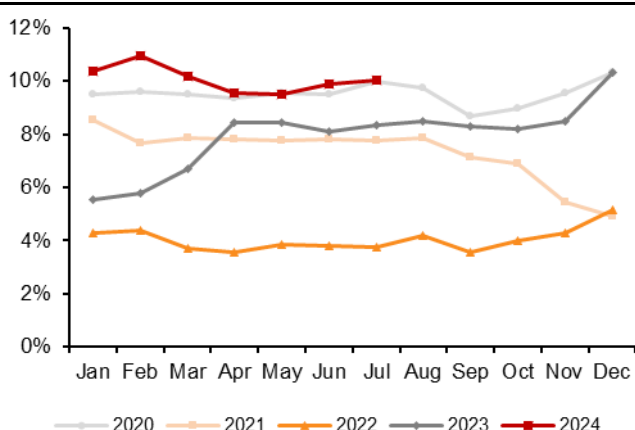
Source: ThinkerCar, CMBIGM

**Figure 3: Xpeng's discounts**

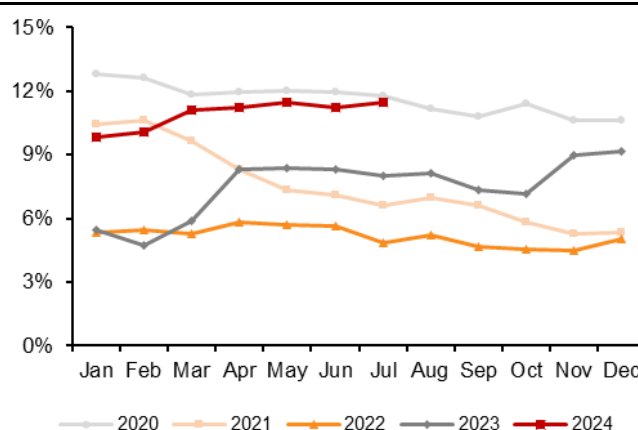
Source: ThinkerCar, CMBIGM

**Figure 4: Leapmotor's discounts**

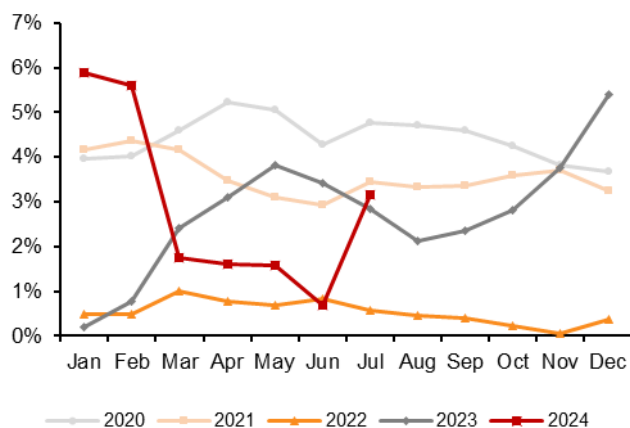
Source: ThinkerCar, CMBIGM

**Figure 5: Great Wall Motor discounts at dealers**

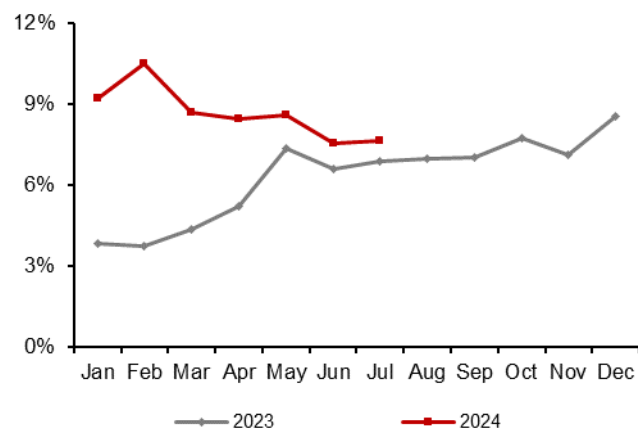
Source: ThinkerCar, CMBIGM

**Figure 6: Geely discounts at dealers**

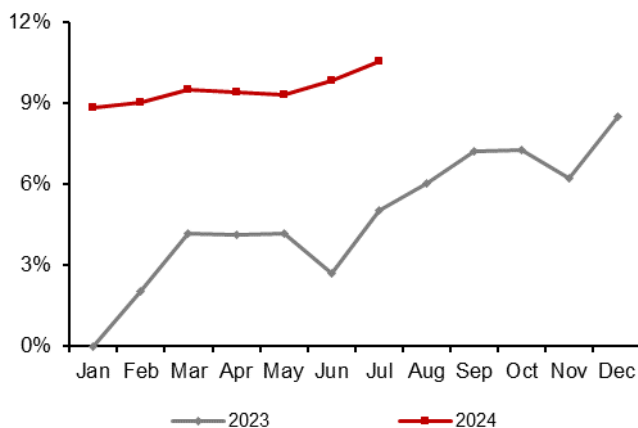
Source: ThinkerCar, CMBIGM

**Figure 7: BYD discounts at dealers**

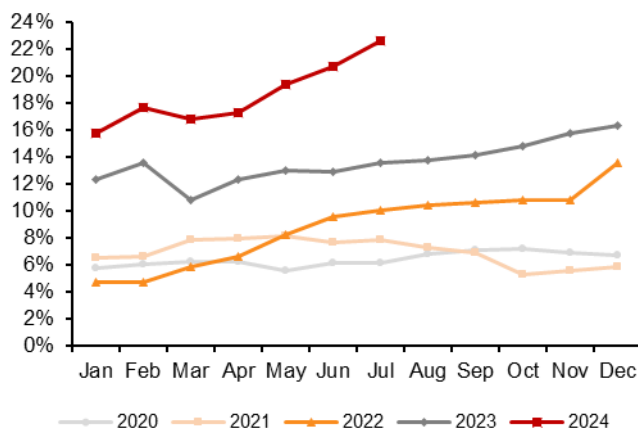
Source: ThinkerCar, CMBIGM

**Figure 8: GAC Trumpchi discounts at dealers**

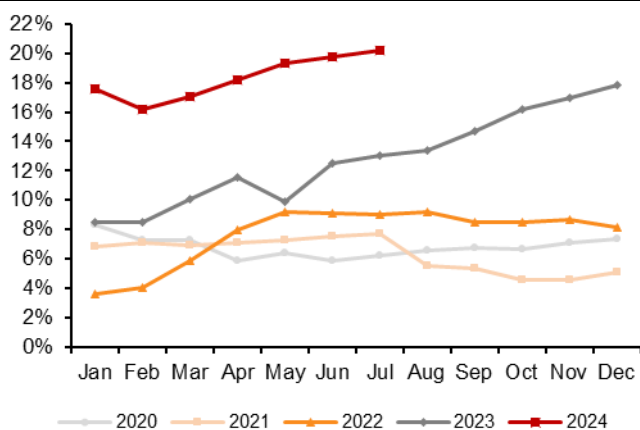
Source: ThinkerCar, CMBIGM

**Figure 9: GAC Aion discounts at dealers**

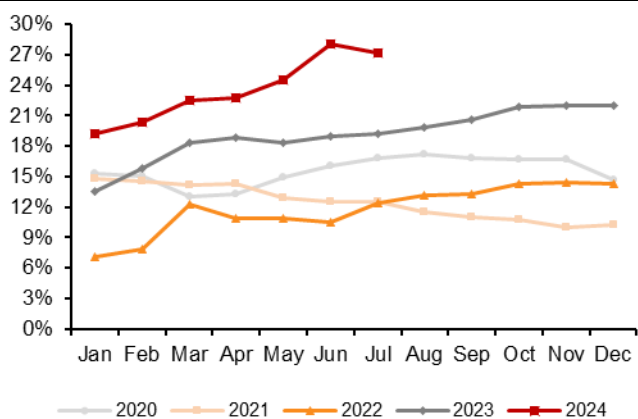
Source: ThinkerCar, CMBIGM

**Figure 10: GAC Toyota discounts at dealers**

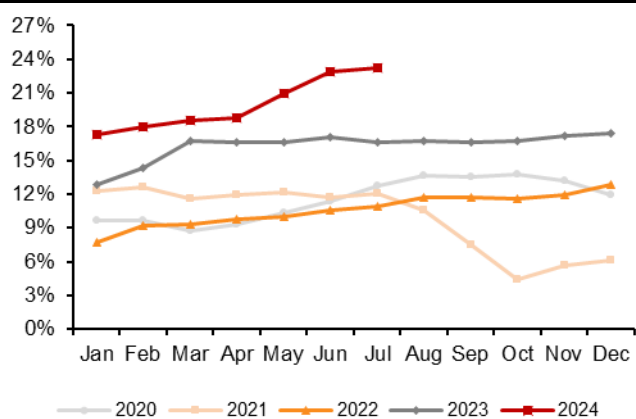
Source: ThinkerCar, CMBIGM

**Figure 11: GAC Honda discounts at dealers**

Source: ThinkerCar, CMBIGM

**Figure 12: BMW Brilliance discounts at dealers**

Source: ThinkerCar, CMBIGM

**Figure 13: Beijing Benz discounts at dealers**

Source: ThinkerCar, CMBIGM

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