

# Auto

## New models to stabilize Chinese OEMs' discounts

We summarize the May 2025 price discounts at dealers for major automakers in this report. Note that May discounts for each automaker are calculated based on the weighted average of Apr 2025 retail sales volume for each model, as May 2025 retail sales volume data have not been released yet.

The industrywide average discounts rose 0.7ppts MoM to about 15% in May 2025, based on our calculations, mainly driven by German brands (VW, Mercedes-Benz and BMW, etc.). Major Chinese brands' average discounts remained relatively stable last month, thanks to the ramp-up of sales for new models with lower discounts. Discounts for major NEV start-ups even narrowed in May, except for NIO. BYD's average discounts only rose about 2ppts MoM in May based on our calculations, despite its eye-catching "618" promotion announced in late May. The drag on BYD's margins could be weaker than some investors' expectation, in our view. We expect the discounts of major brands to rise MoM in Jun, with the pace of discount widening to slow in 3Q25 since more new models will be introduced.

- **The NEV trio and Leapmotor.** In May 2025, **Li Auto's** average discounts narrowed by 1ppt MoM (Figure 2), driven by the facelifted L series. Despite that, Li Auto still faces stiffer competition, as its average discounts have reached 4.5% in May after launching the facelifted models on 8 May. **Xpeng's** average discounts fell 3.3ppts MoM to only 0.5% in May (Figure 3), thanks to the facelifted G6, G9 and X9 rolled out in Mar-Apr. **NIO's** average discounts rose 0.4ppts MoM to about 12% in May (Figure 1), as discounts of the Onvo L60 rose 6ppts to 7% in the second half of Apr to boost sales. **Leapmotor's** average discounts fell 1.1ppts MoM to 9.5% in May (Figure 4), aided by the facelifted C10 launched on 15 May.
- **Geely.** Geely's average discounts at dealers rose 1.2ppts MoM to 9.4% in May (Figure 6), mainly due to the 2-4ppts discount hikes for major NEVs to withstand competition. Both *Xingyao 8* PHEV (launched in May) and *Lynk & Co 900* PHEV (launched in Apr) offered 6-7% discounts in May. We expect Geely's overall discounts to rise in the next few months until new models can contribute a meaningful portion of sales volume.
- **Great Wall Motor.** Great Wall's average discounts at dealers remained stable at about 10% in May (Figure 5), as the automaker still appears to prioritize profitability for old models. The redesigned Haval *Xiaolong Max* (launched in Apr) and Wey *Gaoshan* (launched in May) are still ramping up, with daily new orders being 200 and 150 units, respectively, according to management. The company plans to launch the facelifted Ora *Haomao*, Haval *Dagou* and Tank *500 Hi4-Z ADAS* versions in Jun.
- **BYD.** BYD's average discounts at dealers rose 1.9ppts MoM to 8.2% in May (Figure 7). The company announced an eye-catching "618" promotion on 23 May. This round of price war initiated by BYD is well expected by us, given that BYD's inventories exceeded 0.7mn units as of May 2025, based on our calculations. We expect price war to continue in 2H25, should BYD be determined to achieve its 5.5mn-unit sales target. We estimate the promotion only offers 2-3ppts additional discounts, as the price cuts in the promotion include the government's trade-in subsidies. We estimate that dent on its gross margin in 2Q25 could be only about 1ppt.
- **GAC Group.** GAC Trumpchi's average discounts at dealers narrowed slightly in May (Figure 8), thanks to the launches of the Model Year 2025 versions of the *GS3* and *Empow* with lower MSRPs (manufacturer

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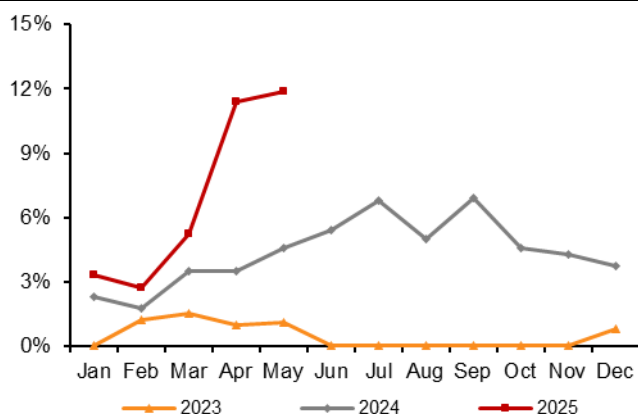
#### Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	33
Li Auto	2015 HK	BUY	131
NIO	NIO US	HOLD	4
NIO	9866 HK	HOLD	31
Xpeng	XPEV US	BUY	28
Xpeng	9868 HK	BUY	110
Geely	175 HK	BUY	24
GWM	2333 HK	BUY	14
GWM	601633 CH	BUY	27
BYD	1211 HK	BUY	470
BYD	002594 CH	BUY	440
GAC	2238 HK	BUY	3.6
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	72
Yongda	3669 HK	BUY	3.2
Meidong	1268 HK	BUY	3.2
Tuhu	9690 HK	BUY	21.5
Minth	425 HK	BUY	26
EVA	838 HK	BUY	1.3

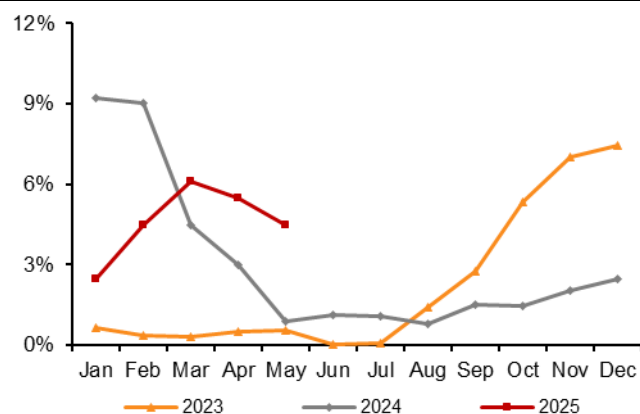
Source: Bloomberg, CMBIGM

suggested retail price). GAC Aion's average discounts at dealers remained largely stable in May (Figure 9) with a retail sales volume MoM decline. GAC Toyota's average discounts rose 0.3ppts MoM to 18% in May (Figure 10), mainly due to slightly higher discounts for the *Camry*. GAC Toyota's average discounts have narrowed by about 4ppts since Dec 2024. There was still no discount for the *bz3X* EV in May. The EV model was launched in Mar with competitive pricing. Its retail sales volume rose to over 6,000 units in Apr. GAC Honda's average discounts rose 0.8ppts MoM to 21.7% in May (Figure 11), mainly due to the discount increases for the *Accord*. GAC Honda's average discounts still widened by 1ppt compared with Dec 2024, while its retail sales volume fell 27% YoY in the first four months of 2025.

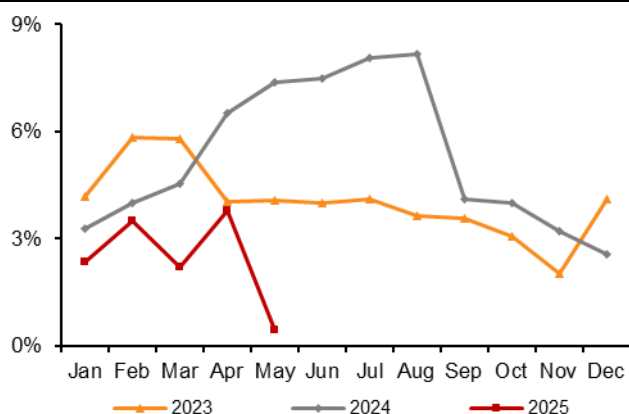
- **BMW.** Although we expected more headwinds faced by BMW in 2Q25 vs. 1Q25 two months ago, the challenges in 2Q25 appear to be even larger than expected. The new long-wheelbase X3, which was launched in Feb 2025, had an average discount of 14% in May 2025. Discounts at BMW Brilliance widened by 0.8ppts MoM to 34% in May (Figure 12), a record high again. We estimate that new-car GPM at BMW dealers in China in 2Q25 could be 5ppts worse than 1Q25. We expect new-car GPM including auto finance and insurance commissions to be in the negative territory for BMW dealers in 2Q25.
- **Mercedes-Benz.** Mercedes-Benz dealers in China face similar challenges like BMW dealers. Discounts at Beijing Benz rose 1.4ppts MoM to 31.1% in May (Figure 13), also a record high, as the *A Class AMG* started to give a discount of 38%. Discounts at Beijing Benz have been widening at a faster pace than those at BMW Brilliance in the first five months of 2025, due to the lack of new models. The new-car GPM including auto finance and insurance commissions could also be negative for Mercedes-Benz in 2Q25, based on our estimates. We are of the view that some investors still underestimate the challenges that traditional luxury brands including BMW and Mercedes-Benz face in China.

**Figure 1: NIO's discounts**

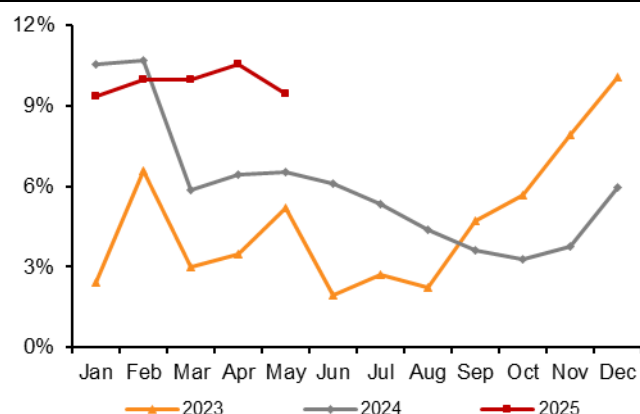
Source: ThinkerCar, CMBIGM

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

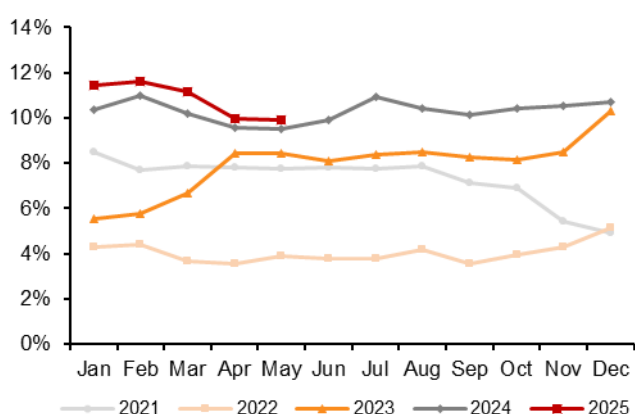
Source: ThinkerCar, CMBIGM

**Figure 3: Xpeng's discounts**

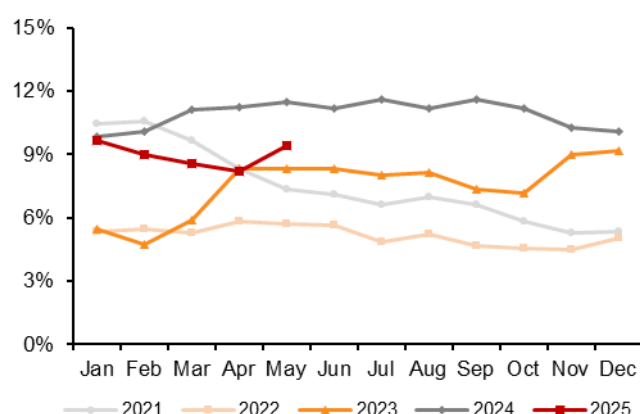
Source: ThinkerCar, CMBIGM

**Figure 4: Leapmotor's discounts**

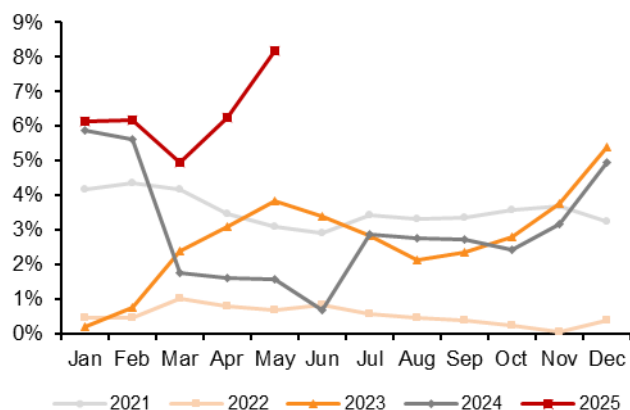
Source: ThinkerCar, CMBIGM

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

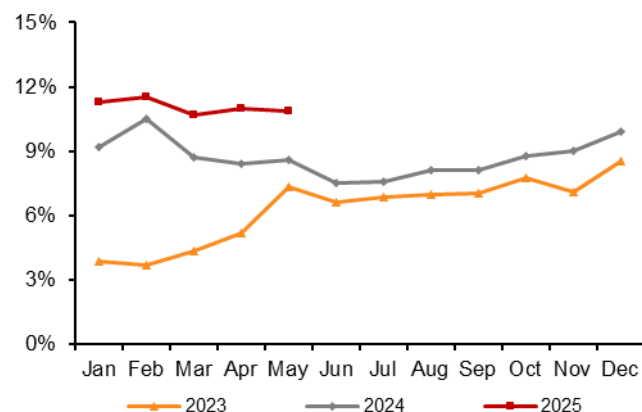
Source: ThinkerCar, CMBIGM

**Figure 6: Geely's discounts at dealers**

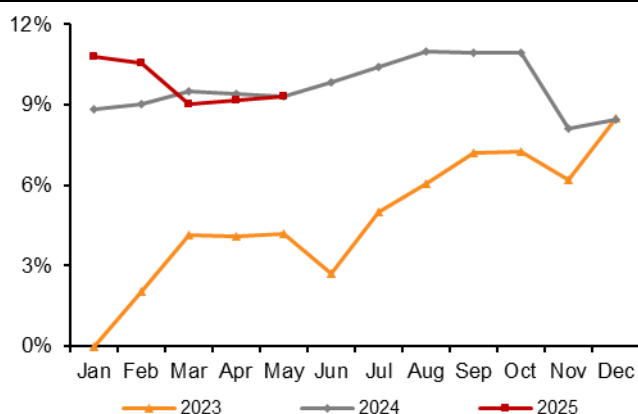
Source: ThinkerCar, CMBIGM

**Figure 7: BYD's discounts at dealers**

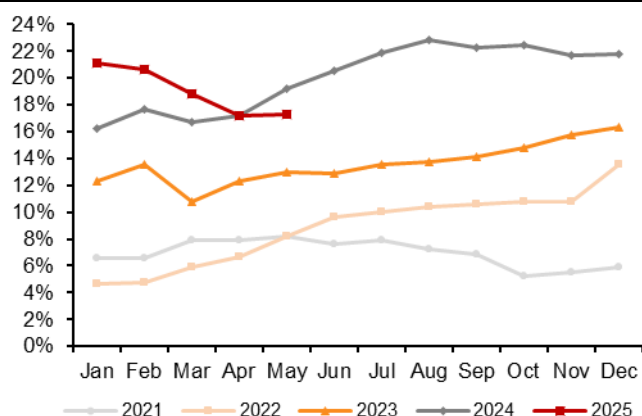
Source: ThinkerCar, CMBIGM

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

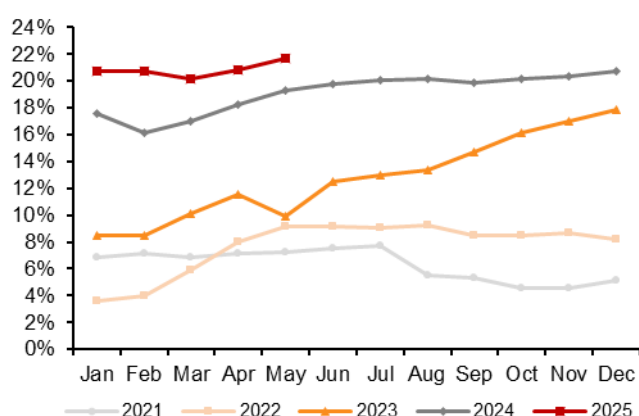
Source: ThinkerCar, CMBIGM

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

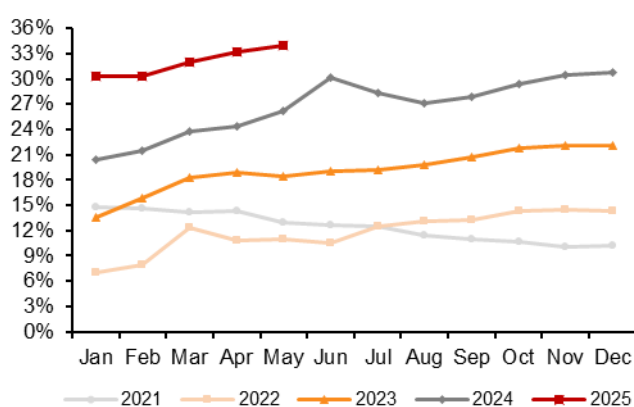
Source: ThinkerCar, CMBIGM

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

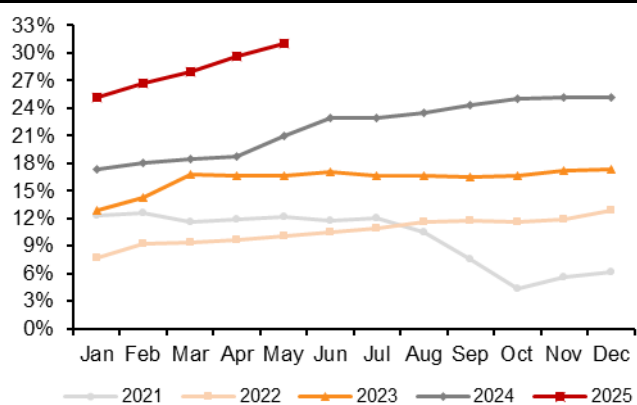
Source: ThinkerCar, CMBIGM

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

Source: ThinkerCar, CMBIGM

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

Source: ThinkerCar, CMBIGM

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

Source: ThinkerCar, CMBIGM

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