

China Auto Sector

What we worried earlier is partially priced in now

China's passenger-vehicle (PV) wholesale volume surged 37% YoY to 2.13mn units in Aug 2022, 1% higher than our prior projection. Similar to Jul 2022, that figure made the best Aug wholesale volume in history and 13% higher than the second-best Aug sales occurred in 2017. Retail sales volume, based on insurance data, rose 18% YoY to 1.89mn units, 2% lower than our prior forecast.

Unlike Aug in the past years when automakers cut inventories during the off-season, purchase-tax cuts have encouraged automakers in China to add inventories more aggressively, as we noted last month. Industry-wide inventory level rose by 0.73mn units in the first eight months of 2022, the highest figure in history. PV exports also reached all-time high to 0.26mn units in Aug 2022, 8% higher than the second-best monthly export figure in Jul 2022.

■ **A short-lived rebound for share price is possible, as most short-term negative factors have been priced in.** We noted in our report on 18 Jul 2022 that "we are not too concerned about sales volume in Jul and Aug 2022, but how shining the golden Sep and silver Oct could be an important indicator" and "we believe chip shortage could no longer be a key constraint for auto industry or share price". Now the best Jul and Aug sales in history have proven it. In our report published on 15 Aug 2022, we noted that "a price war for both internal-combustion engine (ICE) and new-energy vehicles (NEVs) is possible in the next six months". Now we see widening discounts at dealers came a bit earlier than previous years and more promotions from brands with direct-sales model. In our view, the market now has probably priced in such negative factors, including weak retail sales volume in the first 11 days in Sep 2022.

Now investors may start to outweigh positive catalysts in the short term, in our view. Based on our channel checks, new orders during the Mid-Autumn Festival rose substantially compared with last year, which could be reflected in retail sales volume in late Sep or Oct. However, we are still concerned about the potential valuation dent from intensifying competition and industry-wide sales volume decline in 2023 amid tax-cut expiry and the current high inventory level. We expect the share price rebound for the auto sector, if any, to be short-lived. We still prefer NEV start-ups over incumbent automakers, with our top pick as NIO. We now prefer GAC among all traditional automakers, as Aion's higher-than-expected sales this year could pave way for 2023 when more exciting new models are scheduled, as well as improving equity income from GAC Toyota and the loss-making GAC Fiat Chrysler's termination.

■ **Sep 2022 outlook:** Despite 1% YoY decline for retail sales volume in the first 11 days of Sep 2022, we project retail sales and wholesale volume in Sep 2022 to rise 12% YoY and 23% YoY, respectively.

■ **We have highlighted some interesting data point as usual.** For example, we expect NEV sales volume to surpass ICE in Shenzhen by the end of this year after posting 47% NEV market share in Aug (Figure 10). In the first eight months of 2022, all models at Tesla, Li Auto, NIO, Aito and Zeekr, along with the *Xpeng P7* and *BYD Han* combined (17 models in total) achieved total retail sales volume of about 632,000 units in China, amounting to 44% of total sales volume for Mercedes-Benz, BMW and Audi combined.

OUTPERFORM
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China Auto Sector

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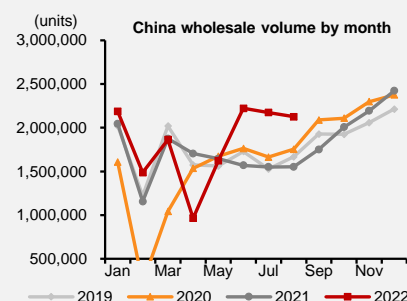
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Source: CAAM, CPCA, CMBIGM



Source: CATARC, CMBIGM

Stocks Covered:

Name	Ticker	Rating	TP (LC)
Xpeng	XPEV US	BUY	40
Xpeng	9868 HK	BUY	156
NIO	NIO US	BUY	28
Li Auto	LI US	BUY	48
Li Auto	2015 HK	BUY	187.2
GWM	2333 HK	BUY	20
GWM	601633 CH	BUY	40
GAC	2238 HK	BUY	12
GAC	601238 CH	BUY	16.7
EVA	838 HK	BUY	3
Meidong	1268 HK	BUY	25
BYD	1211 HK	HOLD	255
BYD	002594 CH	HOLD	248
Geely	175 HK	HOLD	16.5

Source: Bloomberg, CMBIGM

Related Reports:

["China Auto Sector – Price war possible despite strong Jul wholesale" – 15 Aug 2022](#)

["China Auto Sector – Sep, Oct data key as chips may start to recover" – 18 Jul 2022](#)

Company Watch List

Great Wall Motor

Great Wall's wholesale volume, including pick-up trucks, rose 19% YoY amid low comparison base and fell 13% MoM to about 88,000 units in Aug 2022. Retail sales volume of PVs and pick-up trucks combined declined 20% YoY to about 71,000 units, leading to an inventory restocking of about 1,800 units in Aug 2022.

It has been four months in a row of inventory restocking for Great Wall. We estimate Great Wall's inventory level to be about 165,000 units, or 2.2 months. Although production was capped by power shortage in some of Great Wall's plants, we are more concerned about Haval's continuous sales weakness and *Ora Good Cat's* potential peaked retail sales. New model launches for Ora have been slower than we had expected.

Discounts at dealers widened slightly MoM in Aug 2022, as we had expected, although it is still at multi-year low level. We expect gross margin in 3Q22 to be solid for Great Wall. However, investors are more concerned about its new model rollouts amid the nationwide accelerating electrification.

As noted in our previous reports, we were of the view that Great Wall needs new models to drive sales to offset the sales decline from the *H6* family. On 22 Aug 2022, the company launched the *H6* HEV (hybrid electric vehicle) and PHEV (plug-in hybrid electric vehicle) to compete with the likes of the *BYD Song* PHEV. It is still too early to tell how far the *H6* PHEV could go, given its similar price tag with the *BYD Song* and the same PHEV architecture from the Wey PHEV models that have yet to succeed. Investors could still wait for clearer signals. New models in the next few months could be crucial to regain investors' confidence for Great Wall.

Geely

Geely's wholesale volume rose 39% YoY and was flat MoM to almost 123,000 units in Aug 2022. Wholesale volume of Geely's battery-electric vehicles (BEVs), including Zeekr, Geometry and Livan, more than quintupled YoY and rose 26% MoM to about 28,000 units in Aug 2022, the highest in history again. NEV wholesale volume accounted for 31% of Geely's total sales in Aug 2022, the highest in history as well. On the other hand, only 43% of Geometry's retail sales volume came from individual consumers in the first eight months of 2022, significantly lower than its peers.

Retail sales volume at Geely rose 1% YoY and 19% MoM in Aug 2022 to about 109,000 units, leading to an inventory destocking of 5,600 units, after inventory restocking for five months in a row until Jul. We estimate that inventories at Geely's dealers were about 2 months as of Aug 2022. Discounts at Geely's dealers widened slightly MoM in Aug 2022, due to aging models such as the *Boyue*.

The company still aims to achieve sales volume of 150,000 units for its Hi X hybrid models (HEV + PHEV), with YTD sales of just more than 30,000 units. We are not very positive about its previously targeted sales of 20,000 units in Sep, as well as the full-year target.

Zeekr delivered about 32,000 units YTD and it already has enough order backlog to reach its full-year sales target of 70,000 units. Zeekr's full-year deliveries may exceed our prior forecast of 70,000 units.

BYD

BYD's PV wholesale volume rose 7% MoM to all-time high again of almost 174,000 units in Aug 2022. BYD's monthly wholesale volume has been rising sequentially to new all-time

high since Mar 2022. Retail sales volume increased 12% MoM to about 156,000 units, which led to an inventory increase of about 12,000 units in Aug 2022. Despite increasing order backlog, BYD's inventories at dealers increased by about 81,000 units in the first eight months of 2022, based on the wholesale and retail sales volume data. We estimate BYD's current inventory level to be 1.1 months. Discounts at BYD's dealers remained low and flat MoM in Aug 2022.

While the market may still focus on BYD's stake trim by Warren Buffett's Berkshire Hathaway, we are more concerned about intensifying competition that BYD faces next year, along with its aggressive capacity expansion in both vehicle and battery manufacturing. As noted several times in our previous report, given the cyclical nature in the automotive industry, investors should probably be aware of the medium-term risks, should the model cycle deteriorate. We have seen many examples of capacity underutilization after the aggressive capacity expansion, from Ford and Hyundai, to Geely and Trumpchi. In our view, BYD's order backlog may have already been at a peak level, amid heightened competition. Its monthly sales volume could also hit the peak level at some point next year.

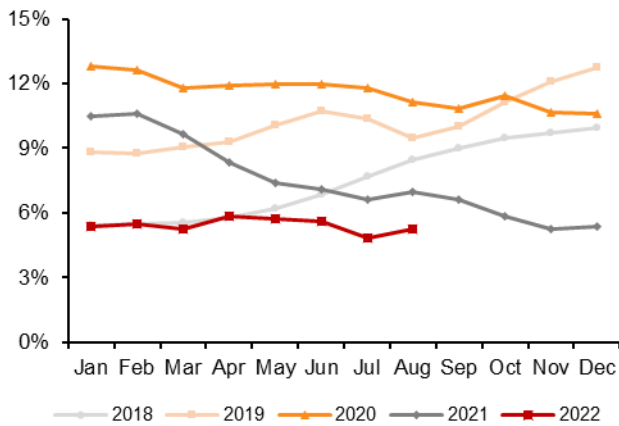
Guangzhou Automobile Group

Total wholesale volume at GAC Group rose 78% YoY amid low comparison base and fell 1% MoM.

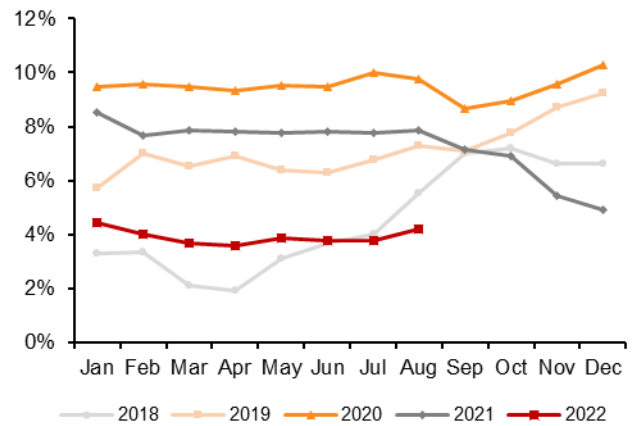
Wholesale volume of Aion rose 8% MoM to about 27,000 units in Aug 2022, all-time high and higher than our prior forecast. Retail sales volume of Aion fell 2% MoM from the all-time high to about 22,500 units in Aug 2022. Retail sales volume for the *Aion Y* continued to exceed 10,000 units in Aug 2022 and was the 7th best-selling BEV model in China last month. To our surprise, we calculate that Aion has accumulated 23,000 units of inventories in the first eight months of 2022. Despite that, its full-year sales volume is likely to exceed our prior expectation even without new models in 2022. Such sales growth with sales network expansion in 2022 could lay out a solid foundation for Aion next year. Based our channel checks, Aion plans to launch two new B-segment models (one sedan and one SUV) in 2023, as well as a new-generation *LX*.

Wholesale volume at GAC Toyota rose 59% YoY to about 85,000 units in Aug 2022 and retail sales volume rose 39% YoY to about 89,000 units, leading to a 0.9-month inventory level as of Aug 2022 on our calculations. GAC Toyota has been cutting inventories for three consecutive months. Inventories for the *Levin* has almost been halved since its peak level in Apr 2022. The *Camry* accounted for about 30% of GAC Toyota's total inventories now, based on our calculations. We believe GAC Toyota may beat our prior FY22E sales-volume forecast of 0.99mn units on the *Camry* and *Frontlander*.

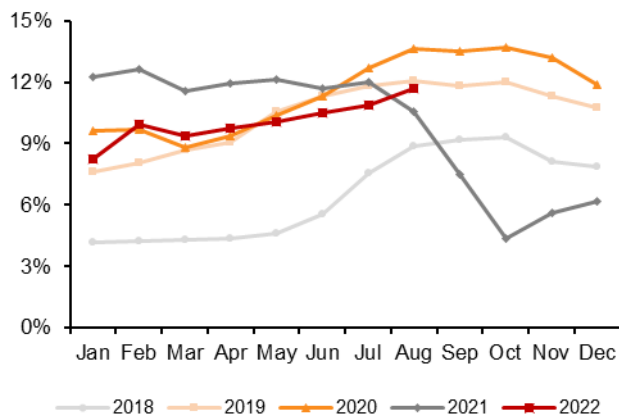
GAC Honda may not be as well positioned as GAC Toyota despite supply chain recovery. Sales volume for the *Fit* and *Integra* fall short our forecast, partially dented by the NEV boom, in our view.

Figure 1: Geely discounts at dealers

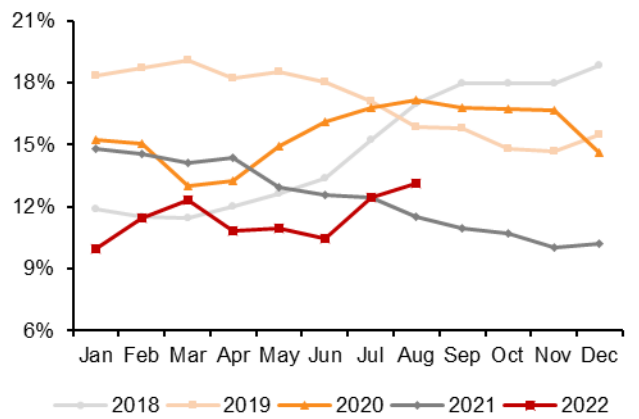
Source: ThinkerCar, CMBIGM

Figure 2: Great Wall Motor discounts at dealers

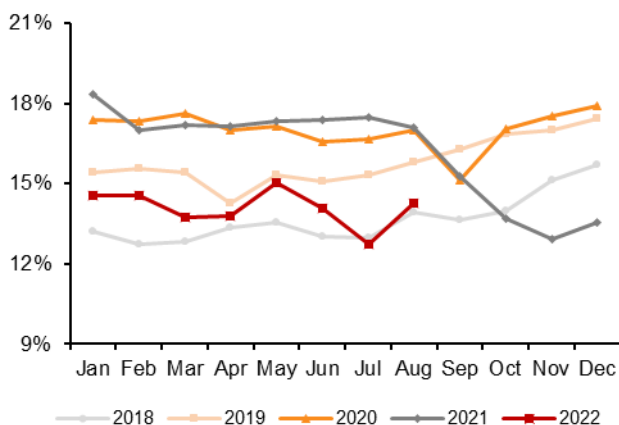
Source: ThinkerCar, CMBIGM

Figure 3: Beijing Benz discounts at dealers

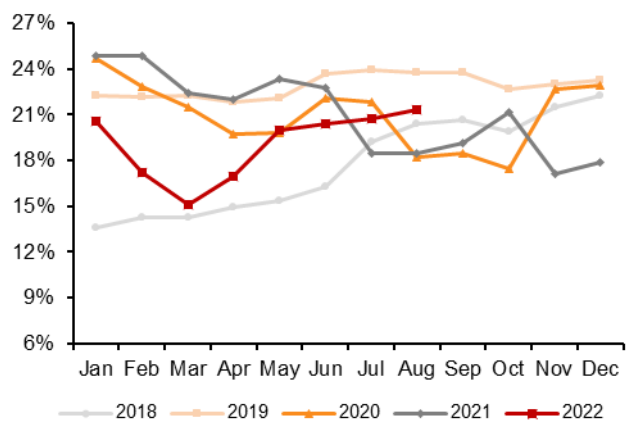
Source: ThinkerCar, CMBIGM

Figure 4: BMW Brilliance discounts at dealers

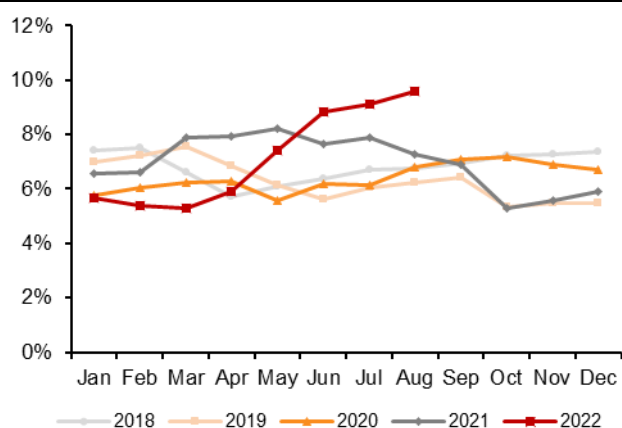
Source: ThinkerCar, CMBIGM

Figure 5: SAIC VW discounts at dealers

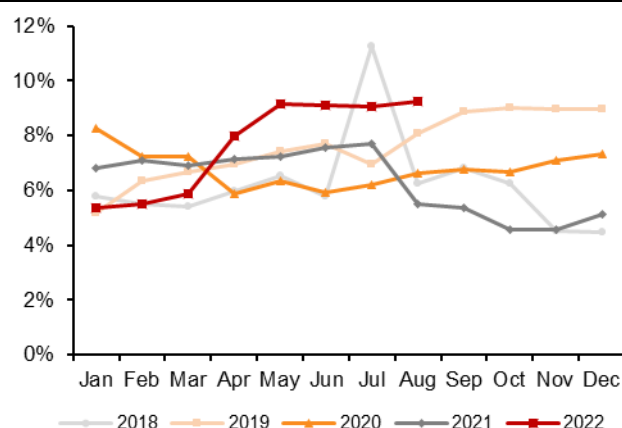
Source: ThinkerCar, CMBIGM

Figure 6: Buick discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 7: GAC Toyota discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 8: Dongfeng Honda discounts at dealers

Source: ThinkerCar, CMBIGM

Discounts at dealers for most brands nationwide widened MoM in Aug 2022, which came a bit earlier than previous years, probably reflecting our previous argument that a price war is coming.

NEV Segment

NEV competition to be heightened amid rising market expectation

In Aug 2022, retail sales volume of passenger NEV rose 101% YoY and fell 9% MoM to about 483,000 units (market share of 25.6%), 3% higher than our prior forecast of 0.47mn units. NEV accounted for 23.6% of China's total PV retail sales volume in the first eight months of 2022. Individual customers accounted for about 80% of total NEV sales in the first eight months of 2022, based on our calculations. As consumers may rush to buy NEVs at the end of 2022 before the subsidies phase-out, full-year NEV market share on a retail basis is likely to exceed our prior forecast of 25%. As total PV retail sales volume is also likely to exceed our prior projection amid stimulus measures, we estimate that NEV retail sales volume could be close to 5.5mn units in 2022.

While we had expected Aug passenger NEV wholesale volume to hit all-time high again, the actual figure of 0.64mn units was still 12% higher than our forecast. NEV market share on a wholesale volume basis reached 30% in Aug 2022, the highest in history. Passenger NEV exports also reached all-time high of about 68,000 units in Aug 2022, with Tesla contributing more than 60%. The main reason for the NEV wholesale beat was again the inventory restocking. The NEV inventory increase at dealers was about 86,000 units last month, also the highest in history. The NEV inventory addition in the first eight months of 2022 accounted for 51% of total PV inventory increases YTD. We estimate NEV wholesale volume to exceed 6mn units in 2022, depending on the inventory management.

On the other hand, such consistent beat has lifted the market expectation and investors' concerns about the heightened competition in the NEV segment may start to outweigh their excitement for its high growth potential, in our view.

For every 10 passenger vehicles sold in tier-1 cities in China, 3.7 of them were NEVs last month. More than one-third of PVs sold in the last 12 months in tier-1 cities were NEVs. Trailing 12-month market share for NEVs in tier-3 cities and tier-4 and below cities also further increased to 19.6% and 15.6%, respectively, as of Aug 2022, compared with 7.7% and 5.6% a year ago.

Unlike tier-1 and tier-2 cities where the best-selling model *Tesla Model Y* only accounted for 8% of the NEV market in the first eight months of 2022, lower-tier city (tier-3 and below) consumers prefer mini-size BEVs, as the *Wuling Hongguang Mini* took up a market share of 16% in the first eight months of 2022. Mini BEVs accounted for 47% of total BEV retail sales volume in tier-3 and below cities YTD. Nationwide, mini BEVs accounted for 22% of total NEV retail sales volume in the first eight months of 2022, down from 28% last year.

Figure 9: China NEV market share by city tier (trailing 12-month basis)

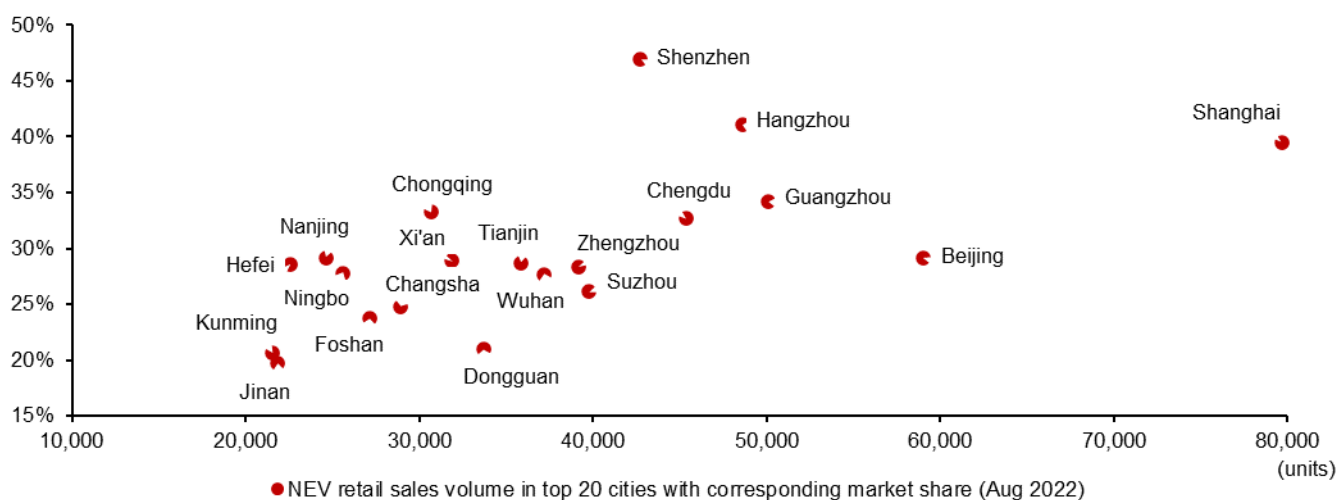
Market Share	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022
Tier 1	29.0%	30.2%	30.8%	31.7%	32.6%	33.5%	34.4%
Tier 2	15.9%	17.6%	18.8%	20.1%	21.5%	22.6%	23.6%
Tier 3	13.3%	14.7%	15.7%	16.8%	17.9%	18.9%	19.6%
Tier 4 and below	10.2%	11.3%	12.2%	13.1%	14.1%	14.9%	15.6%
Nationwide	15.5%	17.0%	18.0%	19.1%	20.3%	21.3%	22.2%

Source: CATARC, CMBIGM

About 25% of NEV retail sales volume came from regions with ICE vehicle registration limits (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Hangzhou and Hainan province) in Aug 2022 (versus the historical low of 18% in May 2022), as sales in Shanghai

rebounded post COVID lockdown. NEV retail sales volume in Shanghai rose over 100% YoY last month, with NEV market share of about 40%. Shanghai took back the PV retail sales volume crown among all the cities in China in Jun 2022 and retained it in Jul-Aug 2022. Despite high penetration, NEV retail sales volume in Shenzhen rose about 8,500 units YoY, or 73% YoY in Aug 2022. **It is likely that NEV retail sales volume in Shenzhen may surpass ICE sales by the end of this year** (47% NEV market share in Aug 2022, the highest among tier-1 cities).

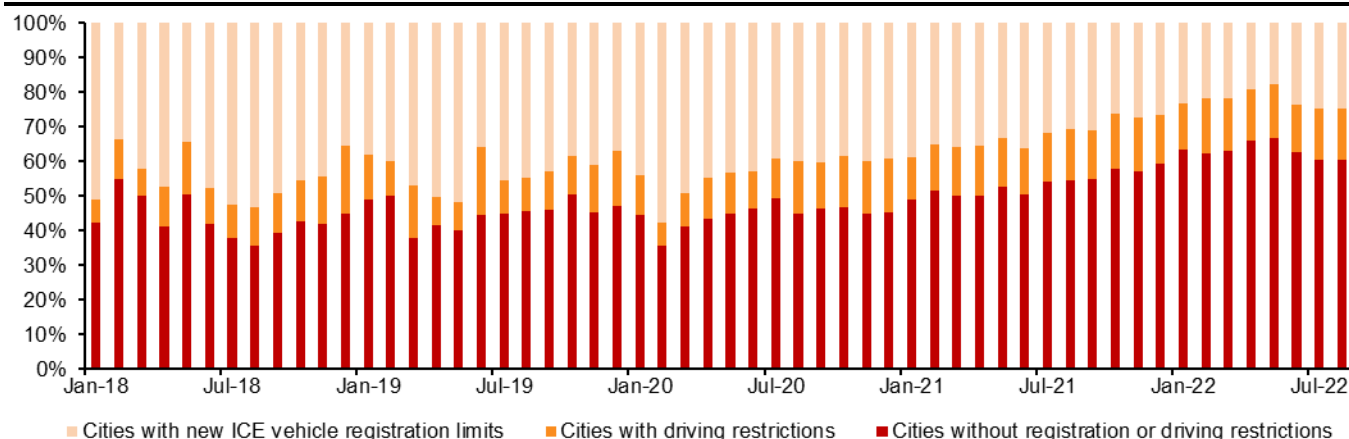
Figure 10: NEV retail sales volume in top 20 cities with corresponding NEV market share (Aug 2022)



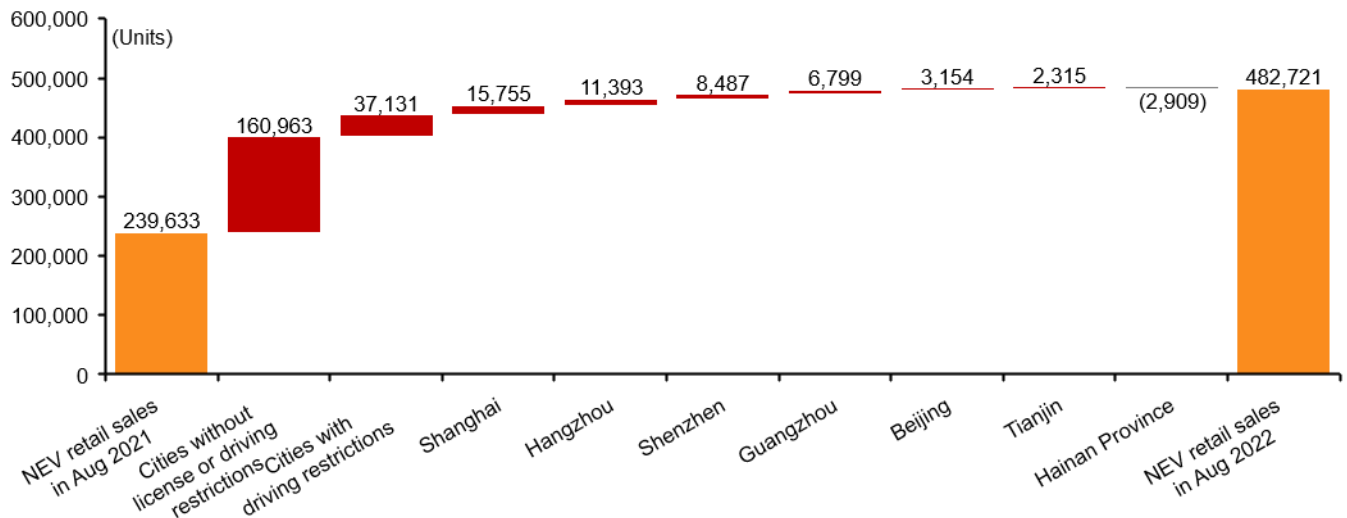
Source: CATARC, CMBIGM

On the other hand, cities without license or driving restrictions accounted for 60% of the nationwide NEV retail sales volume in Aug 2022, slightly down from previous months, as auto sales in Shanghai rebounded. About 66% of NEV YoY growth in Aug 2022 was still contributed by these cities, as shown in Figure 11.

Figure 11: NEV market share by city type



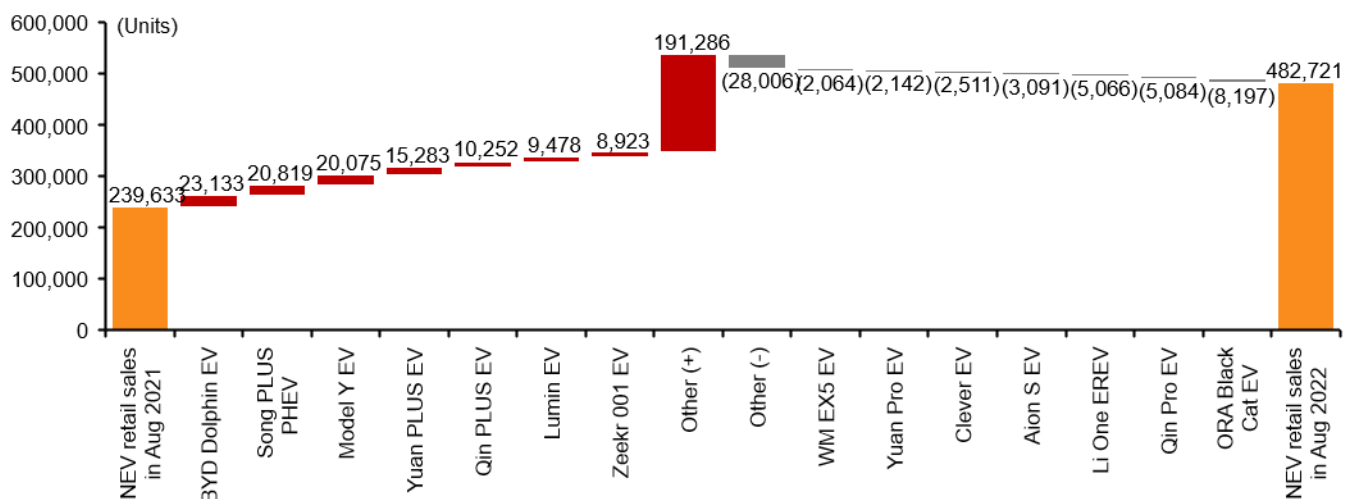
Source: CATARC, CMBIGM

Figure 12: NEV retail sales volume YoY growth contribution by city type in Aug 2022

Source: CATARC, CMBIGM

In terms of NEV retail sales volume YoY growth by model, as shown in Figure 13, BYD was the largest contributor to the NEV sales-volume YoY growth in Aug 2022, as its *Dolphin BEV*, *Song Plus PHEV*, *Yuan Plus BEV* and *Qin Plus BEV* took up four spots among the top five contributors at the model level to the NEV YoY growth last month, while the *Model Y* was the 3rd largest contributor.

The *Ora Black Cat BEV* had the highest YoY decline on a unit basis in Aug 2022, as Great Wall Motor had stopped taking new orders amid rising battery costs, whereas its new model rollouts have been slower than expected. The BYD *Qin Pro BEV* and *Yuan Pro BEV* were among the bottom seven, as they have been gradually replaced by the *Qin Plus BEV* and *Yuan Plus BEV*.

Figure 13: NEV retail sales volume growth contribution by model in Aug 2022

Source: CATARC, CMBIGM

BEV brands: More automakers are competing for top 10

In Aug 2022, total BEV retail sales volume rose 96% YoY and 9% MoM to about 368,000 units. BEV's market share in the NEV segment dropped to 77.0% in the first eight months of 2022 from 81.5% in 2021.

BYD retained the YTD BEV crown in terms of retail sales volume, with its market share widening to 19.3%. Among the top 10 best-selling BEV models in the first eight months, BYD took up four spots. Tesla's production of about 77,000 units in Aug 2022 hit the all-time high in China, with exports of about 42,000 units. We expect Tesla's both production and retail sales volume in China to reach new highs in Sep 2022. Therefore, we still expect Tesla's retail sales volume to surpass Wuling in full-year 2022. The top three BEV brands combined accounted for 41.5% of total China's BEV sales volume in the first eight months, down from 42.5% in 1H22, amid intensifying competition.

GAC Aion surpassed Chery in Aug 2022 in terms of YTD BEV sales volume, as we had expected in our report last month. Changan and VW also surpassed Xpeng in Aug 2022 in terms of YTD BEV sales volume. Monthly sales of the *Changan Lumin* ramp up quickly to almost 10,000 units within three months. We also noted earlier that Xpeng may drop out the top 6 list in 2022. VW is the only foreign brand in the top 10 list with its YTD sales-volume ranking remained as the 7th as of Aug 2022. Ora was dropped out in the top 10 positions and replaced by Dongfeng.

The competition for the 6-10th positions has been intensified. In Aug 2022, 12 brands sold more than 10,000 BEVs in China. We expect such number to rise to about 15 by Dec 2022. The sales-volume gap between the 9th and 14th positions in terms of total YTD BEV sales volume was only about 16,000 units.

Figure 14: Top 10 BEV brands' retail sales volume in China

Units	Aug 2022	YoY	YTD	YTD YoY	YTD Market Share in BEV Segment
Total BEV	368,164	95.6%	2,337,104	97.9%	100.0%
BYD	80,587	208.5%	451,906	246.2%	19.3%
Wuling	35,005	6.8%	275,317	25.1%	11.8%
Tesla	35,638	174.0%	242,777	57.4%	10.4%
GAC Aion	22,573	89.6%	128,829	97.2%	5.5%
Chery	13,736	75.7%	121,478	178.2%	5.2%
Changan	20,792	161.1%	93,270	89.8%	4.0%
VW	16,071	187.0%	91,110	295.7%	3.9%
Xpeng	9,535	37.3%	89,962	101.4%	3.8%
Neta	11,760	94.8%	82,113	180.1%	3.5%
Dongfeng	13,899	244.6%	74,644	274.1%	3.2%

Source: CATARC, CMBIGM

PHEV brands: Aito, Geely to make this segment more competitive

In Aug 2022, total PHEV (EREV included) retail sales volume increased 123% YoY and 9% MoM to about 115,000 units. PHEV accounted for 22.9% of overall NEV segment in the first eight months of 2022, up from 18.5% in 2021.

BYD retained its YTD PHEV sales volume crown and widened its YTD market share to 59.1% with its all-time high PHEV retail sales volume in Aug 2022. Lixiang retained its second place in the PHEV segment, with YTD market share narrowing by 1.4 ppts MoM.

Retail sales volume of the *Li ONE* was more than halved to about 4,300 units in Aug 2022, as the model is about to phase out. Market eyes on if the company can deliver 10,000 units of the new *L9* in Sep 2022.

Huawei-backed Aito rose to the 3rd position in terms of YTD PHEV sales volume with the *M5* ramping up and the *M7* debut. We may see Geely in the top 10 list soon, amid its *Emgrand L PHEV* ramp-up.

Unlike the BEV segment, which is largely dominated by Chinese brands, foreign brands took five spots in the top 10 PHEV brands in China, despite large market share gap with Chinese brands. Overall, Chinese brands gained market share in the PHEV segment, as the combined market share rose to 84.1% YTD versus 72.5% in 2021.

Figure 15: Top 10 PHEV (EREV included) brands' retail sales volume in China

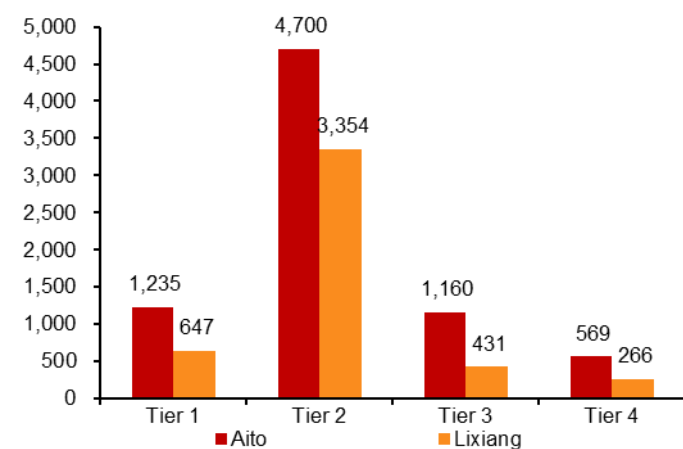
Units	Aug 2022	YoY	YTD	YTD YoY	YTD Market Share in PHEV Segment
Total PHEV	114,557	122.7%	696,097	156.2%	100.0%
BYD	75,517	210.6%	411,514	356.0%	59.1%
Lixiang	4,698	-50.0%	76,581	57.2%	11.0%
Aito	7,664	N/A	30,889	N/A	4.4%
VW	3,709	52.8%	23,084	-27.2%	3.3%
Mercedes-Benz	2,144	55.6%	17,277	293.4%	2.5%
Lynk & Co	1,930	101.9%	16,689	236.3%	2.4%
Nissan	2,247	N/A	16,376	N/A	2.4%
BMW	1,356	-35.0%	12,715	-26.9%	1.8%
Changan	1,192	39633.3%	9,760	46376.2%	1.4%
Honda	1,014	-13.1%	9,488	120.9%	1.4%

Source: CATARC, CMBIGM

As the *Aito M7* was launched in Jul 2022 to compete with the *Li One / L8*, we take a closer look at both brands' sales volume and network breakdown. As we noted earlier, Aito's sales volume may ramp up faster than other new brands by leveraging Huawei's sales network. Aito had about 760 showrooms as of Jul 2022 and it continued to expand quickly last month to reach 830 stores as of Aug-end, with 38% located in tier-3 cities and below. Li Auto only opened 6 new showrooms in Aug 2022 to 265 stores as of Aug-end, with 27% located in tier-3 cities and below. That probably partially explains why 22% of Aito's sales came from tier-3 cities and below in Aug 2022, higher than Li Auto's 15%.

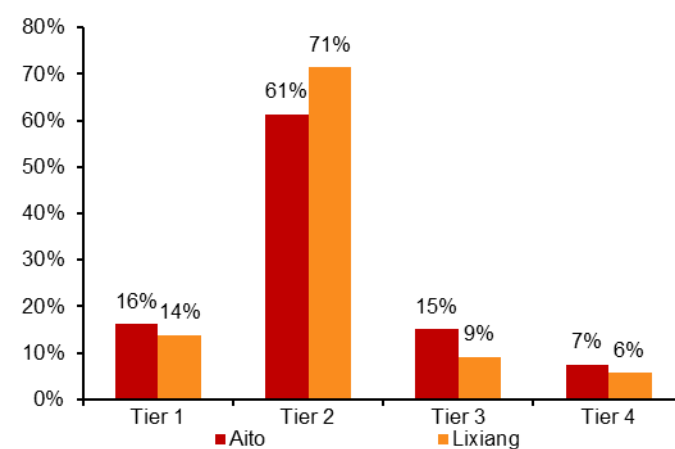
About 71% of Lixiang's retail sales volume came from tier-2 cities in Aug 2022, 10 ppts higher than Aito's.

Figure 16: Retail sales volume by city tier in Aug 2022 (Lixiang vs Aito)



Source: CATARC, CMBIGM

Figure 17: Retail sales volume % by city tier in Aug 2022 (Lixiang vs Aito)



Source: CATARC, CMBIGM

Other Industry Indicators to Watch

COVID-19 as the major uncertainty for city performance

For the overall PV market, similar to the pattern in Jul 2022, retail sales volume in tier-1 cities posted the highest YoY growth rate among all city tiers in Aug 2022, rising by 27% YoY with Shanghai and Beijing's recovery from the previous lockdown. Still, tier-1 cities remained as the worst performer in terms of YTD retail sales volume, while tier-2 cities were the best performer with 3.4% YoY decline. We expected retail sales volume in different city tiers to grow at a similar pace in 2022 at the beginning of 2022 but pandemic recurrence could make the pattern more volatile.

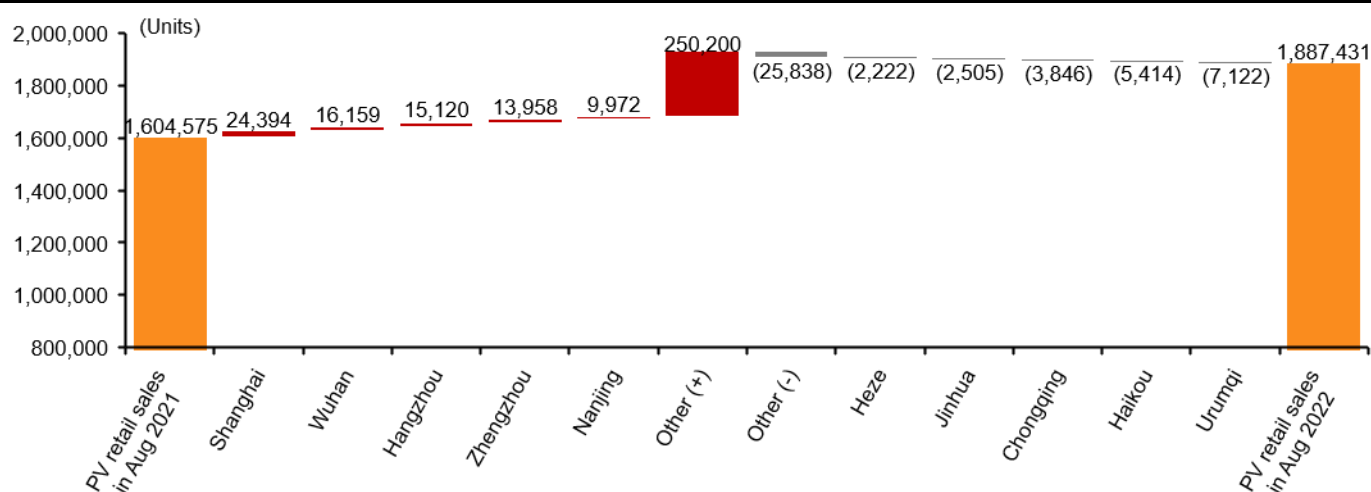
Figure 18: China auto retail sales growth by city tier

Retail Sales YoY Growth	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	YTD
Tier 1	-0.1%	-18.7%	-47.5%	-46.9%	9.1%	14.9%	27.0%	-9.3%
Tier 2	-3.4%	-13.1%	-38.6%	-17.0%	18.4%	10.6%	23.4%	-3.4%
Tier 3	-16.9%	-23.4%	-40.1%	-24.4%	12.2%	6.9%	16.6%	-9.1%
Tier 4 and below	-22.0%	-14.6%	-34.7%	-18.6%	10.0%	3.5%	4.7%	-8.4%
Nationwide	-11.1%	-16.1%	-39.1%	-22.0%	14.4%	8.8%	17.6%	-6.3%

Source: CATARC, CMBIGM

Most cities continued to enjoy sales volume YoY growth in Aug 2022 amid low comparison base, purchase-tax cuts and post-lockdown recovery. Shanghai contributed the most to the YoY growth on a unit basis last month amid pent-up demand, while retail sales volume of Urumqi, Haikou and Chongqing fell by around 7,000, 5,400 and 3,800 units YoY, respectively, due to the COVID recurrence.

Figure 19: PV retail sales volume YoY growth contribution by city in Aug 2022



Source: CATARC, CMBIGM

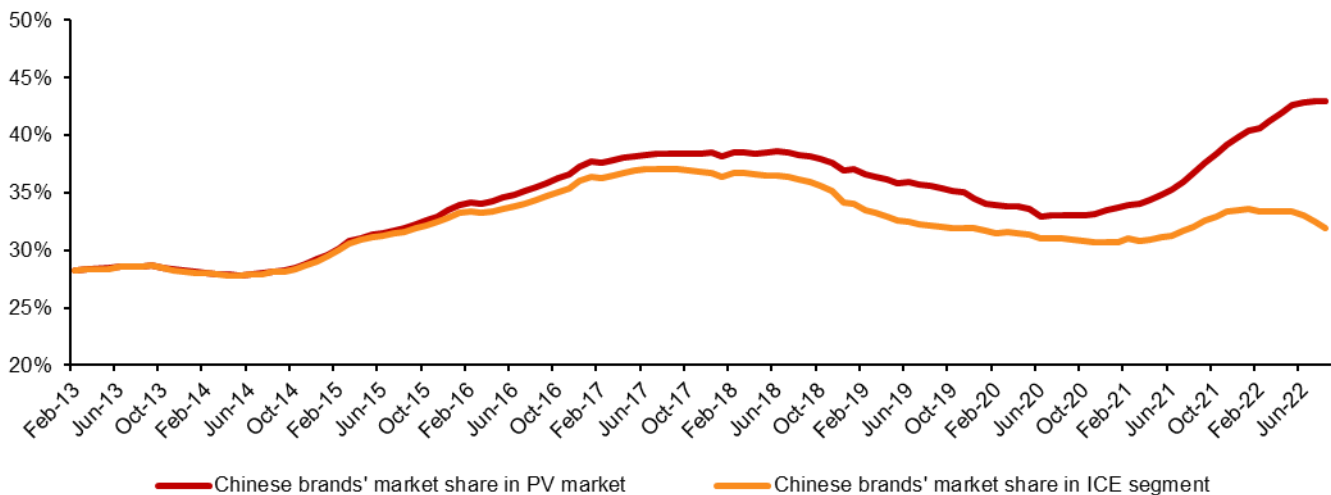
On the other hand, Shanghai still contributed the most to the YoY decline of PV retail sales volume in the first eight months of 2022, followed by Chongqing and Beijing. Two out of the top six cities with the highest YoY retail sales volume increase YTD came from Guangdong province (Foshan as No. 1 and Zhongshan as No. 6), thanks to the strong stimulus measures by the provincial government.

Chinese-brand market share rose for 26 months in a row

Retail sales volume for Chinese brands increased 19% YoY in Aug 2022, slightly outpacing industrywide 18% YoY increase, thanks to rising demand for NEVs. Excluding NEVs, retail sales volume of Chinese-brand ICE vehicles fell 16% YoY in Aug 2022, weaker than the overall ICE segment's 3% YoY increase.

The trailing 12-month market share for Chinese brands rose for 26 consecutive months to 43.0% as of Aug 2022, on the right track to our projection of the full-year market share gain for the second year following 2021.

Figure 20: Chinese brands' market share (trailing 12-month basis)



Source: CATARC, CMBIGM

Lack of NEV models leads to luxury brands' underperformance

The total retail sales volume of luxury brands rose 17.1% YoY in Aug 2022, still underperforming the overall industry by 0.5 ppt. In the first eight months of 2022, total retail sales volume of luxury brands dropped 10% YoY, weaker than the overall industry by 4.3 ppts, missing our expectation at the beginning of 2022. Retail sales volume of luxury brands in China, excluding Tesla, fell 15% YoY in the first eight months of 2022.

Although we can still see lingering chip supply constraints for some luxury brands in the past few months, we believe one of the key reasons for luxury brands' underperformance this year was lack of NEV models. Retail sales volume of luxury ICE vehicles fell 16% YoY in the first eight months of 2022, outperforming the industrywide ICE decline of 20% YoY during the same period.

Luxury market share, on a trailing 12-month basis, remained stable MoM at 16.4% as of Aug 2022, with almost no MoM changes for each city tier.

In the first eight months of 2022, all models at Tesla, Li Auto, NIO, Aito and Zeekr, along with the Xpeng P7 and BYD Han combined (17 models in total) achieved total retail sales volume of about 632,000 units in China, amounting to 44% of total sales volume for Mercedes-Benz, BMW and Audi combined.

Figure 21: China luxury auto market share by city tier (trailing 12-month basis)

Market Share	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022
Tier 1	27.7%	27.5%	27.1%	26.5%	26.6%	26.4%	26.3%
Tier 2	21.6%	21.6%	21.2%	21.0%	21.0%	20.9%	20.9%
Tier 3	10.9%	10.8%	10.6%	10.6%	10.6%	10.6%	10.6%
Tier 4 and below	7.2%	7.2%	7.0%	7.0%	6.9%	7.0%	7.0%
Nationwide	17.0%	16.9%	16.6%	16.4%	16.4%	16.4%	16.4%

Source: CATARC, CMBIGM

Mercedes-Benz sold the most luxury cars in Aug 2022, widening its leading position slightly, yet we still expect BMW to take the luxury-sales crown in 2022, with its locally-produced X5. The “Big Three” accounted for about 64% of total luxury retail sales volume in China YTD, much lower than its historical level of around 75%.

Tesla retained the 4th position among luxury brands in the first eight months of 2022. Lexus, Cadillac, Volvo, Porsche, Lincoln and Land Rover retained their positions of 5th to 10th in terms of YTD sales volume in China, respectively, as of Aug 2022. Retail sales volume growth was volatile for different luxury brands in Aug 2022, as Tesla rose 174% YoY, followed by Porsche's 42.6% YoY. Lexus fell 6.7% YoY, the most among the top 10 luxury brands in Aug 2022. In our view, supply chain security is still the key factor for the sales growth of Porsche and Lexus in 2022.

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

Units	Aug 2022	YoY	YTD	YTD YoY	YTD Market Share in Luxury Segment
Total Luxury	325,903	17.1%	2,233,338	-10.5%	100.0%
Mercedes-Benz	72,341	37.4%	513,739	-6.5%	23.0%
BMW	66,122	-4.3%	496,287	-15.3%	22.2%
Audi	64,577	7.1%	427,625	-18.0%	19.1%
Tesla	35,638	174.0%	242,777	57.4%	10.9%
Lexus	18,991	-6.7%	124,884	-24.8%	5.6%
Cadillac	19,910	1.0%	115,328	-27.1%	5.2%
Volvo	17,851	21.7%	103,712	-14.5%	4.6%
Porsche	9,291	42.6%	61,866	1.7%	2.8%
Lincoln	8,286	6.6%	53,725	-6.0%	2.4%
Land Rover	6,250	0.2%	44,190	-18.0%	2.0%

Source: CATARC, CMBIGM

Figure 23: China passenger-vehicle wholesale volume by OEM / brand

	Sales Volume in Aug 2022 (units)	YoY (%)	MoM (%)	Sales Volume YTD (units)	YTD YoY (%)	YTD Market Share (%)
Chinese OEMs	1,049,369	46.7%	-4.0%	6,969,448	25.9%	47.7%
Geely	107,537	30.7%	-0.1%	751,747	9.6%	5.1%
Great Wall Motor	72,660	14.9%	-15.1%	582,383	-8.6%	4.0%
Changan	67,010	-21.7%	-48.3%	837,940	-1.6%	5.7%
SAIC-GM-Wuling	116,846	-0.4%	-5.2%	743,380	7.4%	5.1%
SAIC	84,345	28.9%	-2.4%	536,315	23.9%	3.7%
BYD	173,977	157.2%	7.3%	979,397	166.9%	6.7%
GAC Motor (incl. Aion)	56,976	92.1%	1.1%	386,843	46.9%	2.6%
Chery	133,595	121.1%	7.0%	699,448	35.2%	4.8%
Dongfeng	43,301	74.3%	17.3%	331,705	44.4%	2.3%
FAW	10,108	140.8%	42.2%	43,647	1.0%	0.3%
BAIC	9,339	-28.4%	8.4%	55,470	-37.4%	0.4%
NIO	10,677	81.6%	6.2%	71,555	28.3%	0.5%
Li Auto	4,571	-51.5%	-56.1%	75,396	56.5%	0.5%
Xpeng	9,578	32.8%	-16.9%	90,085	95.9%	0.6%
Weltmeister	4,567	5.1%	0.0%	25,164	4.7%	0.2%
Neta	16,017	142.2%	14.1%	93,185	176.3%	0.6%
Leap Motor	12,525	179.1%	4.0%	76,563	222.8%	0.5%
German Brands	401,482	26.3%	-2.6%	2,818,261	2.5%	19.3%
VW	216,285	22.6%	-4.1%	1,493,463	12.3%	10.2%
Audi	58,716	50.6%	-1.6%	395,938	-13.4%	2.7%
BMW	59,173	4.9%	16.7%	424,705	-6.2%	2.9%
Mercedes-Benz	56,131	76.9%	-15.2%	404,756	1.1%	2.8%
Jetta	11,177	-21.8%	11.8%	99,399	-8.8%	0.7%
Japanese Brands	368,521	36.8%	-10.8%	2,853,007	0.3%	19.5%
Honda	120,439	43.2%	-21.6%	960,914	2.6%	6.6%
Toyota	161,481	81.4%	-3.1%	1,216,260	13.2%	8.3%
Nissan	78,003	-4.7%	-3.7%	574,653	-13.3%	3.9%
Mazda	4,628	-41.3%	-34.9%	67,481	-41.2%	0.5%
Mitsubishi	3,205	-26.6%	-15.1%	20,927	-46.3%	0.1%
American Brands	229,672	25.1%	31.3%	1,332,866	8.4%	9.1%
Buick	67,497	4.9%	-3.7%	442,080	-9.8%	3.0%
Chevrolet	29,913	36.9%	27.1%	179,858	28.8%	1.2%
Cadillac	22,700	14.6%	6.0%	119,946	-18.9%	0.8%
Ford	23,643	-6.0%	-5.4%	140,755	-3.8%	1.0%
Lincoln	8,954	21.8%	34.7%	48,431	-7.8%	0.3%
Tesla	76,965	73.9%	172.8%	399,939	67.3%	2.7%
Korean Brands	37,255	5.0%	-3.9%	232,603	-32.5%	1.6%
Hyundai	26,065	9.7%	8.5%	144,255	-40.3%	1.0%
Kia	11,190	-4.6%	-24.0%	88,348	-13.9%	0.6%
Others	33,503	38.2%	1.7%	230,867	7.6%	1.6%
PSA	8,843	45.8%	-5.8%	72,490	44.2%	0.5%
Volvo	15,809	69.6%	4.4%	94,359	-3.7%	0.6%
Jaguar	1,505	11.2%	0.0%	12,932	-6.3%	0.1%
Land Rover	3,346	7.9%	1.3%	20,122	-11.1%	0.1%
Total	2,119,802	37.2%	-2.1%	14,606,800	11.9%	100.0%

Source: CPCA, CMBIGM

Figure 24: China passenger-vehicle monthly retail sales volume by OEM / brand

	Retail Sales Volume Aug 2022 (Units)	YoY %	MoM %	Retail Sales Volume YTD (Units)	YTD YoY %
Chinese OEMs					
Geely (incl. Lynk & co, Geometry)	95,062	-11.7%	14.3%	674,207	-17.5%
Zeekr	8,931	111537.5%	135.5%	31,548	394250.0%
Great Wall	58,843	-22.1%	-5.6%	482,365	-25.5%
Changan	107,480	25.3%	8.2%	683,813	-11.7%
SAIC Motor	31,561	-18.0%	5.4%	261,539	-24.7%
GAC Trumpchi	26,664	-5.4%	2.1%	193,023	-5.7%
GAC Aion	22,573	89.5%	-2.3%	128,834	96.9%
BYD	156,411	141.8%	12.1%	882,894	145.5%
SAIC-GM-Wuling	64,924	-8.2%	-5.4%	530,357	-19.3%
BAIC Magna	1,045	22.1%	-15.5%	6,927	246.5%
Voyah	2,441	498.3%	61.2%	10,685	1982.8%
NIO	10,570	63.2%	2.8%	70,337	26.4%
Lixiang	4,698	-50.0%	-57.5%	76,581	57.2%
Xpeng	9,535	37.3%	-17.8%	89,962	101.4%
Weltmeister	3,636	15.6%	-3.5%	29,140	40.9%
Neta	11,760	94.8%	2.6%	82,113	180.1%
Leapmotor	10,389	117.5%	-4.8%	67,480	194.4%
Human Horizons	402	-14.3%	-23.6%	3,512	149.1%
Jinkang Seres	7,695	1098.6%	17.6%	31,272	1384.2%
Foreign OEMs					
SAIC VW	117,993	8.4%	2.8%	761,578	-21.8%
FAW VW	171,924	35.5%	11.1%	1,110,952	-13.8%
Beijing Benz	53,676	54.5%	-4.1%	383,724	-5.6%
BMW Brilliance	55,957	-1.7%	-2.2%	421,562	-10.5%
FAW Toyota	81,184	19.6%	-3.7%	511,074	-2.7%
GAC Toyota	88,755	39.3%	4.5%	636,372	19.8%
Dongfeng Honda	65,235	56.8%	-4.5%	461,525	-9.2%
GAC Honda	69,698	32.9%	3.9%	477,234	1.3%
Dongfeng Nissan	88,723	-4.9%	10.5%	578,182	-20.7%
GAC Mitsubishi	2,260	-56.0%	-18.2%	22,578	-49.3%
SAIC GM	99,769	10.2%	0.2%	641,739	-27.2%
Changan Ford	14,573	-13.9%	4.4%	108,101	-11.8%
Tesla China	35,638	174.3%	299.1%	242,777	57.9%
GAC FCA	368	-77.6%	-16.9%	5,413	-73.9%
Volvo Asia Pacific	15,960	23.7%	15.0%	91,130	-14.4%
Chery JLR	4,652	0.5%	-1.1%	31,850	-19.6%
Beijing Hyundai	25,175	-17.1%	14.2%	157,008	-41.3%
Yueda Kia	7,609	-34.9%	-7.6%	65,990	-38.1%
Total Volume (excl. imports)	1,812,543	18.8%	5.6%	12,317,508	-5.3%
Imports by Brand					
Lexus	18,991	-6.7%	-2.1%	124,884	-24.8%
BMW	10,165	-16.5%	8.1%	74,725	-35.0%
Mercedes-Benz	15,610	-4.2%	0.6%	111,502	-9.0%
Porsche	9,291	42.6%	-8.5%	61,866	1.7%
Audi	4,252	-38.7%	8.5%	31,045	-44.7%
Total Imports	74,888	-5.0%	0.8%	516,810	-21.9%
Total Retail Sales Volume	1,887,431	17.6%	5.4%	12,834,318	-6.1%

Source: CATARC, CMBIGM

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