

China Auto Sector

Aug discounts widened slightly MoM

We summarize the Aug 2023 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on weighted average of Jul 2023 retail sales volume for each model, as Aug retail sales volume data have not been released yet. Discounts at dealers for most brands widened mildly MoM in Aug 2023, as the price war persists with more and more competitive product rollouts and raw-material price decline. Despite deep discounts, major leading Chinese automakers' gross margin in 1H23 beat our prior expectation, whereas most auto dealers' new-car gross margin missed.

- **Great Wall Motor.** Great Wall's average discounts at dealers widened slightly in Aug 2023 compared with Jul, per our calculation based on Jul retail sales volume for each model (Figure 1). There was still no discount for the *Wey Lanshan* PHEV last month, but the *Tank 300* began to offer discounts in late Aug. The discounts of the *Flash Cat EV* rose from about 6% in Jul to about 13% in Aug. We believe the model still faces fierce competition. Great Wall unveiled the new *Haval H5*, *Haval Menglong* PHEV, *Wey Gaoshan* MPV and *Tank 400* PHEV in Aug, which could narrow Great Wall's discounts in the next few months when their sales ramp up.
- **Geely.** Geely's average discounts at dealers widened a bit MoM in Aug 2023 (Figure 2), after narrowing for two months. That was in line with our prior argument, as the automaker provided additional floating rebates to dealers in Aug for most internal-combustion engine (ICE) models. Geely's overall discounts have been around 7-9% for six months, and we expect its discounts to be largely stable for the next few months.
- **BYD.** BYD's average discounts at dealers appeared to narrow MoM last month (Figure 3), aided by lowered discounts for the *Song* series, as the automaker cleared all the inventories for the old *Song* series. In fact, we believe BYD's actual discounts in Jun-Jul should be lower than our calculation, as the sales volume of the old *Song* series contributed a small portion. Our calculation for discounts assumes equal sales volume for each trim level of one model given the lack of data granularity. BYD's discounts remained the lowest among all major automakers. Given BYD's current cost advantage in NEVs, we believe its pricing strategy could partially depend on the sales gap between its target and actual volume. The *Denza N7* and *N8* started to provide discounts in Aug, as their MSRPs were a bit too high, in our view. We expect such discounts to further widen.
- **GAC Group.** Trumpchi's discounts at dealers narrowed a bit MoM in Aug, driven by the *GS8*. Aion's discounts at dealers continued to widen by over 1 ppt MoM in Aug, mainly due to the *Aion S* and *Aion V EV*. Aion cut inventories at dealers last month, after restocking for four months. Sales ramp-up of the *Hyper GT EV* may be worth paying attention to, as all variants start deliveries from Sep according to management. Discounts at dealers of GAC Toyota and GAC Honda continued to widen MoM to record highs in Aug 2023 (Figure 5 and 6).
- **BMW.** Discounts for BMW Brilliance widened MoM in Aug 2023, to an all-time high level again (Figure 7), in line with our prior expectation, as BMW announced similar additional rebates for dealers in 3Q23 compared with 2Q23.

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	55
Li Auto	2015 HK	BUY	215
NIO	NIO US	HOLD	10
Xpeng	XPEV US	HOLD	14
Xpeng	9868 HK	HOLD	55
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	12
GWM	601633 CH	BUY	32
BYD	1211 HK	HOLD	240
BYD	002594 CH	HOLD	265
GAC	2238 HK	BUY	7
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	5
Meidong	1268 HK	BUY	7.2

Source: Bloomberg, CMBIGM

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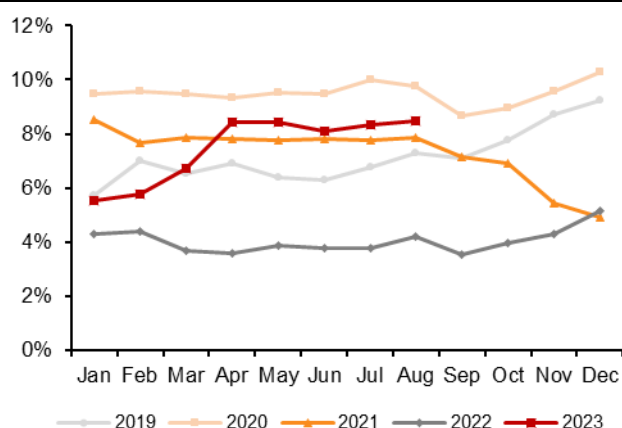
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Although the OEM revised down NEV market share target in China for 2H23, discounts for the *i3* and *iX3* EV continued to widen in Aug. The *1-Series* and *X2* now have the largest discounts among all BMW models, as their production is scheduled to be phased out gradually.

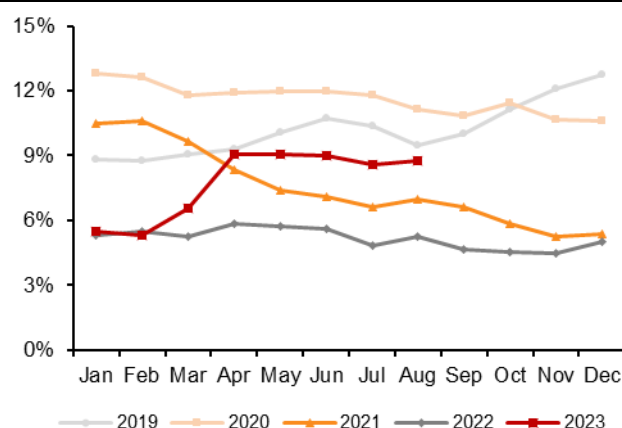
- **Mercedes-Benz.** Discounts for Beijing Benz remained largely stable MoM in Aug (Figure 8), as widened discounts for the *EQE* EV, *EQE SUV* EV and *E-Class PHEV* were largely offset by the narrowed discounts of the *E-Class* and *GLB*.

Figure 1: Great Wall Motor discounts at dealers



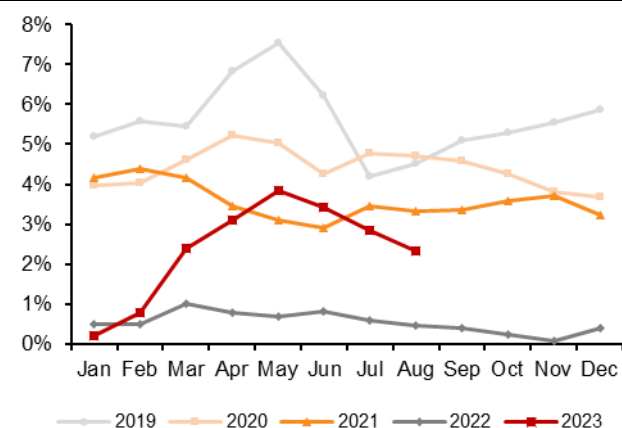
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



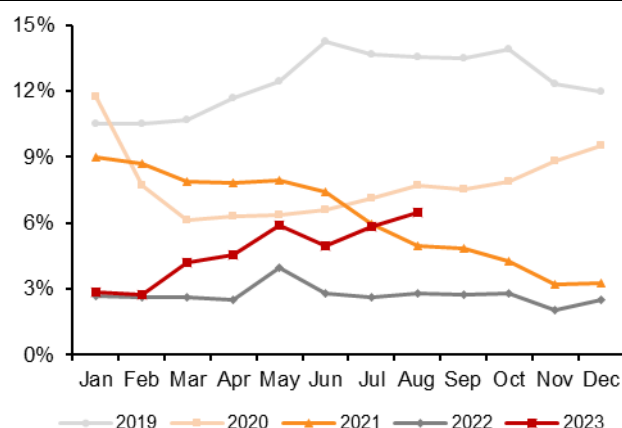
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Figure 3: BYD discounts at dealers

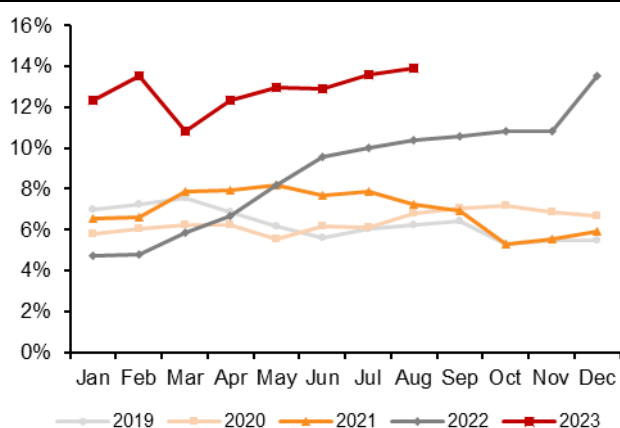


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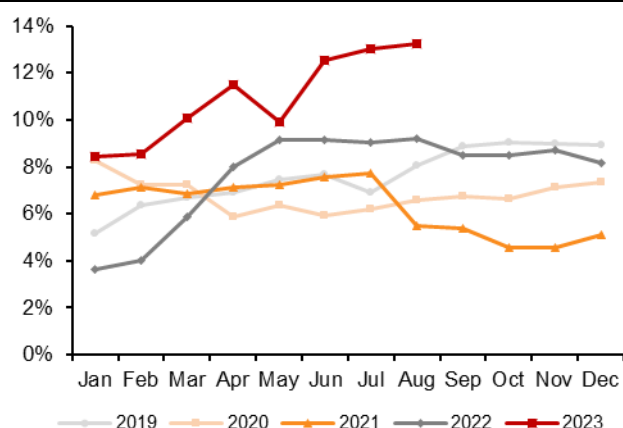
Figure 4: GAC Trumpchi & Aion discounts at dealers



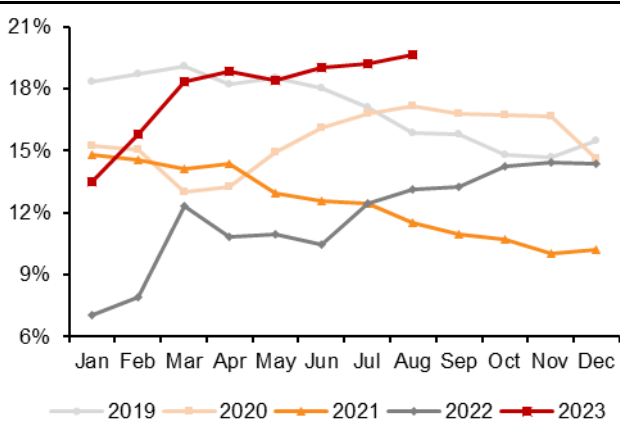
Source: ThinkerCar, CMBIGM

Figure 5: GAC Toyota discounts at dealers

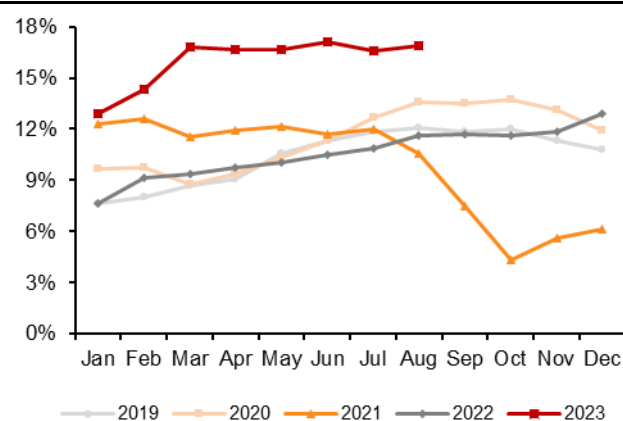
Source: ThinkerCar, CMBIGM

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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