

Auto

Will “Golden Sep” reoccur after a peaceful Aug?

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

The industrywide average discounts widened by 0.1ppts MoM in Aug based on our calculations, the mildest increase since Apr 2024. Wider discounts for Japanese and American brands were largely offset by narrower discounts for Germany brands (mainly VW, BMW) in Aug. Some foreign brands have cut sales-volume targets in a bid to narrow discounts. We are of the view that such moves could be short-lived, as they have probably overestimated their sales resilience given their more severe sales volume plunge after discount narrowing. Most Chinese automakers were not too aggressive in pricing last month following BMW and VW's discount narrowing. We believe they are also waiting for local governments' new stimulus measures to be implemented.

- **The NEV trio and Leap.** In Aug 2024, NIO's average discounts narrowed 1.8ppts MoM to about 5% (Figure 1), as the sales-volume drivers, the *ES6* and *ET5/5T* both posted 2ppts declines in their discounts, better than our expectation. The Onvo *L60* is scheduled to be rolled out and delivered this month. Li Auto's average discounts fell 0.4ppts MoM to below 1% in Aug (Figure 2), mainly due to the narrower discounts for the *L6*. The less aggressive pricing probably led to a 6% MoM decline for Li Auto's sales volume in Aug, but we expect a record-high sales volume again in Sep. Xpeng's average discounts widened 0.3ppts MoM to about 8% in Aug (Figure 3), mainly driven by the *P7*. The Mona *M03* started deliveries on 30 Aug and the all-new *P7+* will be rolled out in 4Q24. We expect the *P7*'s discounts to widen further. Leapmotor's (9863 HK, NR) average discounts widened by 0.3ppts MoM to about 5.6% in Aug on the surface (Figure 4). The actual discounts could be flat MoM, as the *C16* sales ramped up in Aug to offset the rising discounts for other models.
- **Great Wall Motor.** Great Wall's average discounts at dealers narrowed by 0.6ppts MoM to about 10% in Aug (Figure 5), as the Ora *Haomao*'s discounts narrowed by 11ppts MoM after the inventory clearance for the old versions. Such discounts could not lift its gross margin significantly, as the Manufacturer's Suggested Retail Prices (MSRPs) of the Model Year 2024 *Haomao* were cut by RMB24,000. The Tank brand, which is the profit driver for Great Wall in the China market, posted stable discounts in Aug. Discounts for all the Haval models rose by 0.2-1.1ppts compared with Jul.
- **Geely.** Geely's average discounts at dealers rose by 0.5ppts MoM to about 12% in Aug (Figure 6). The Lynk & Co *08* and *09* PHEVs posted the largest discount increase of about 2ppts MoM last month, followed by the *Binrui* and *Emgrand*. Discounts for the *Galaxy L6* PHEV narrowed by 2ppts MoM, thanks to the gradual model shift to the new Model Year versions. We expect Geely's average discounts to be largely stable in 3Q24, especially with the sales ramp-up of the *Galaxy E5*.
- **BYD.** BYD's average discounts at dealers remained stable at about 3% in Aug (Figure 7). Most models' wider discounts were offset by narrower discounts for the *Seagull*, *Seal* and *Song Plus*, due to the rollout of their Model Year 2025 versions in Aug. Although the nominal discounts for the *Bao 5* also returned to zero in Aug, its MSRPs were cut by RMB50,000 on 29 Jul. We expect discounts/MSRP changes to have little impact on BYD's gross margin in 3Q24. BYD's gross margin fell 3.2ppts QoQ to 18.7% in

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	25
Li Auto	2015 HK	BUY	97.5
NIO	NIO US	HOLD	5.1
Xpeng	XPEV US	HOLD	8
Xpeng	9868 HK	HOLD	31.2
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	14
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	262
BYD	002594 CH	BUY	286
GAC	2238 HK	BUY	3
GAC	601238 CH	BUY	9
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	1.8
Meidong	1268 HK	BUY	2.8
Minth	425 HK	BUY	21
Tuhu	9690 HK	BUY	23

Source: Bloomberg, CMBIGM

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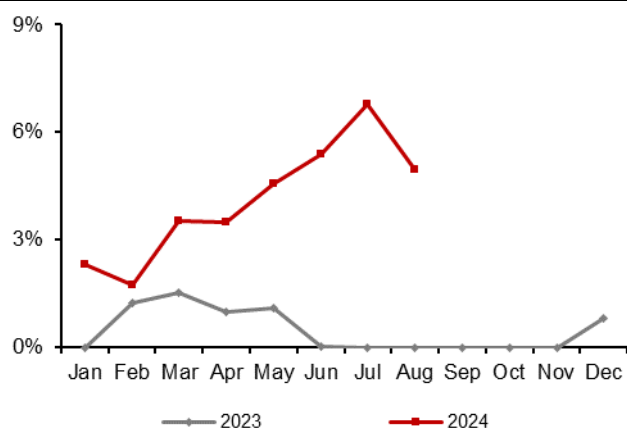
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2Q24 after the MSRP cuts of 10-15% for its Model Year 2024 versions in Feb-Mar 2024.

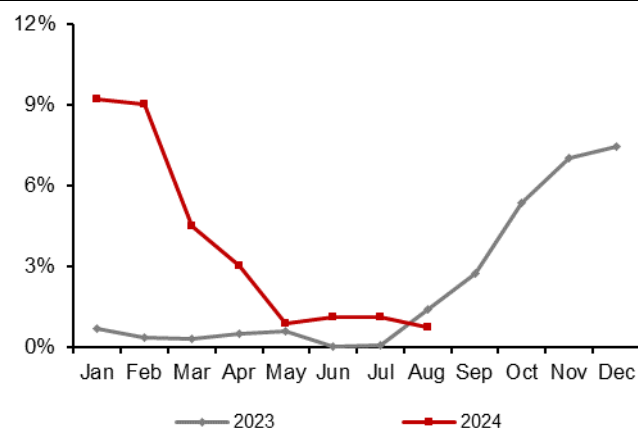
- **GAC Group.** Trumpchi's average discounts at dealers rose 0.7ppts MoM to about 8% in Aug (Figure 8), driven by the Trumpchi *ES9*, *E9* and *GS3*. Aion's average discounts also widened 1.2ppts MoM to about 11.6% in Aug (Figure 9), driven by the *Aion Y* and *Aion S*. Aion plans to roll out its first EREV in 2Q25.

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 Aug. We see little signals to reverse such trends, should these automakers be to maintain a reasonable capacity utilization rate. Net profit at GAC Toyota fell 61% YoY in 1H24 while GAC Honda recorded a net loss in 1H24.

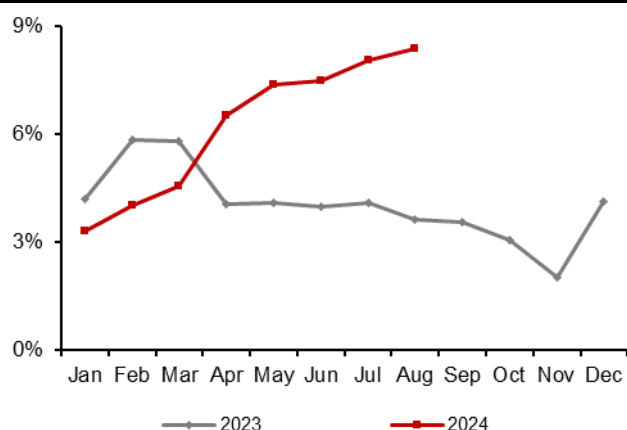
- **BMW.** Discounts at BMW Brilliance continued to narrow MoM in Aug (Figure 12) with a slower pace compared with Jul (-0.5ppts vs. -1ppt). However, such little discount narrowing had led to a decline of 30-50% for BMW's new orders in Aug compared with the average in 2Q24. We are of the view that BMW has overestimated its sales resilience, and therefore, its efforts in narrowing discounts could be short-lived. We expect BMW dealers' new-car gross margin to improve slightly in 2H24 after BMW's trial and error in China where the competition now is much more severe than it had expected.
- **Mercedes-Benz.** Discounts at Beijing Benz widened by about 0.6ppts MoM to about 23.5% in Aug (Figure 13), an all-time high level again. Similar to Jun-Jul, its Aug discount increase was mainly driven by the compact-size models, including the *A-Class*, *EQA* and *EQB* EV. Mercedes-Benz did not follow suit after BMW's efforts to narrow its discounts in China in 3Q24. Instead, it appears to benefit from BMW's move in the short term. We estimate Mercedes-Benz's retail sales volume to exceed BMW's by about 20,000 units in Aug. Such retail sales volume gap could be a record high in China.

Figure 1: NIO's discounts

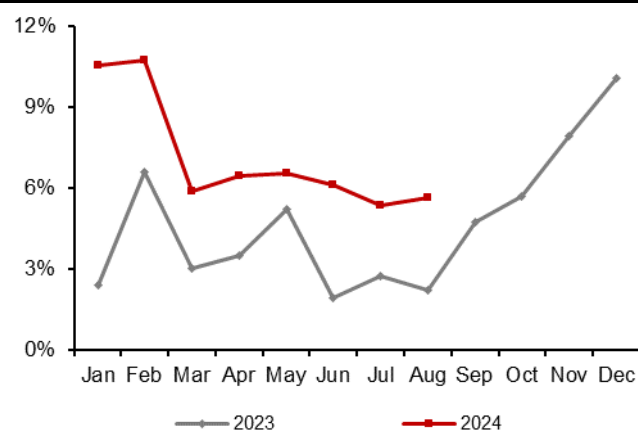
Source: ThinkerCar, CMBIGM

Figure 2: Li Auto's discounts

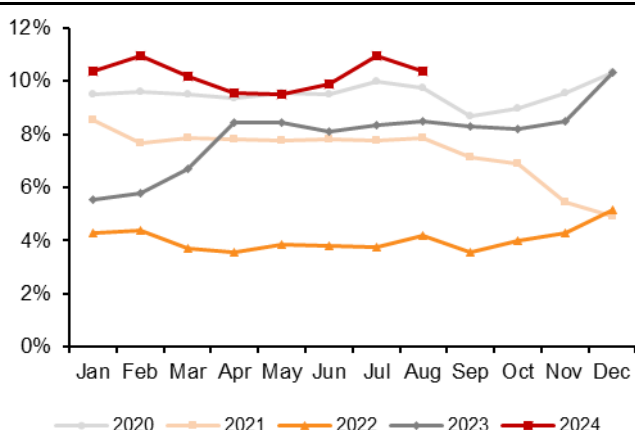
Source: ThinkerCar, CMBIGM

Figure 3: Xpeng's discounts

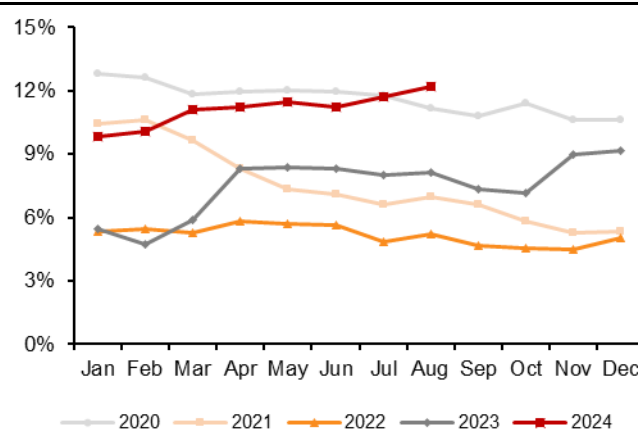
Source: ThinkerCar, CMBIGM

Figure 4: Leapmotor's discounts

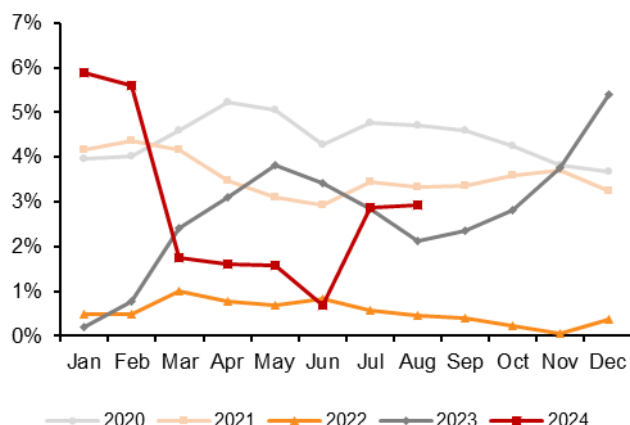
Source: ThinkerCar, CMBIGM

Figure 5: Great Wall Motor discounts at dealers

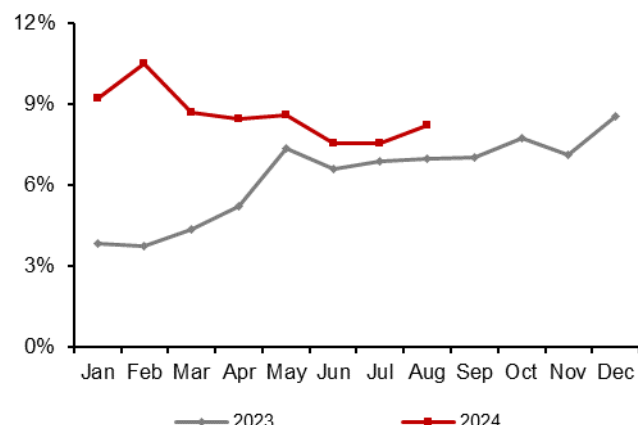
Source: ThinkerCar, CMBIGM

Figure 6: Geely discounts at dealers

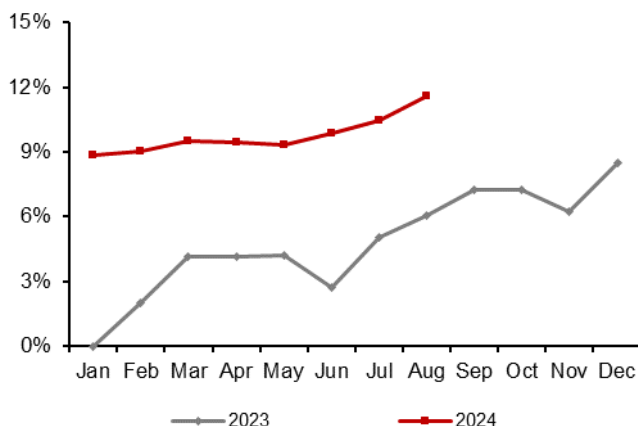
Source: ThinkerCar, CMBIGM

Figure 7: BYD discounts at dealers

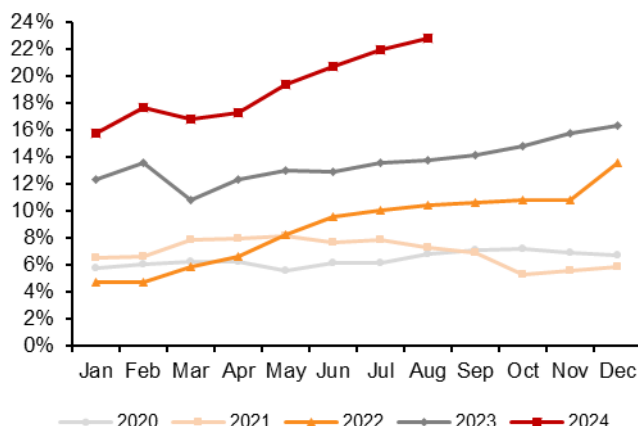
Source: ThinkerCar, CMBIGM

Figure 8: GAC Trumpchi discounts at dealers

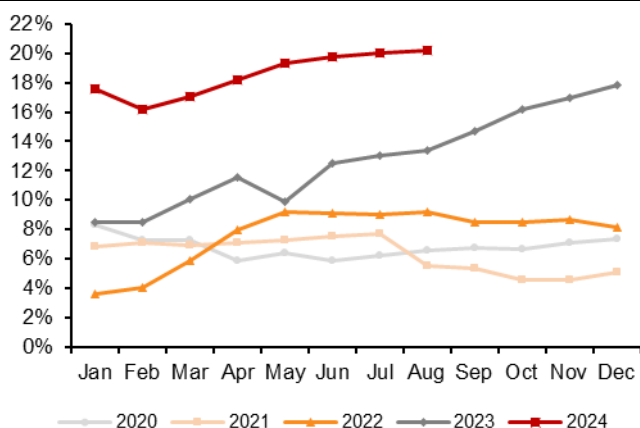
Source: ThinkerCar, CMBIGM

Figure 9: GAC Aion discounts at dealers

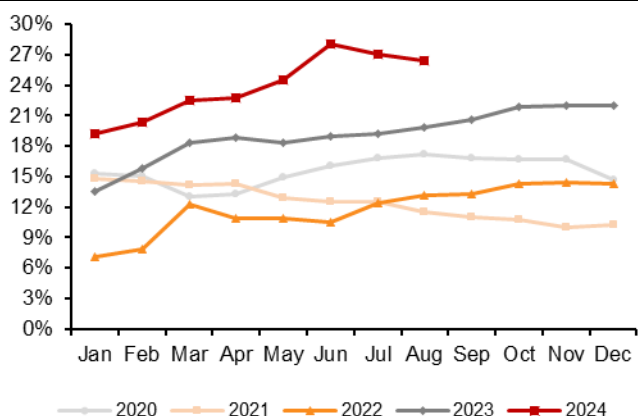
Source: ThinkerCar, CMBIGM

Figure 10: GAC Toyota discounts at dealers

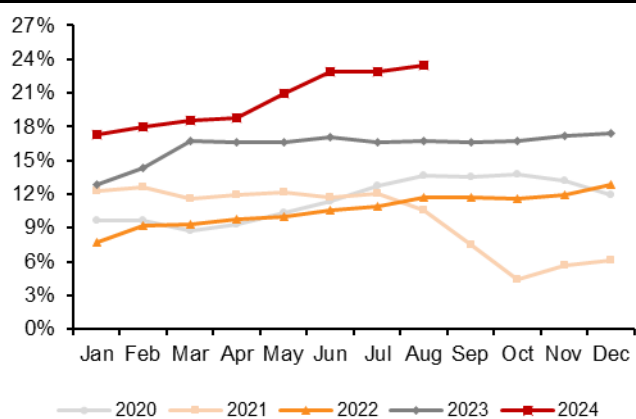
Source: ThinkerCar, CMBIGM

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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