

China Auto Sector

Price war possible despite strong Jul wholesale

China's passenger-vehicle (PV) wholesale volume surged 40% YoY to 2.17mn units in Jul 2022, according to China Association of Automobile Manufacturers (CAAM), making the best July wholesale volume in history and 30% higher than the second-best July sales occurred in 2017. The figure was also 30% higher than our prior projection, due to inventory restocking and strong exports. Retail sales volume, based on insurance data, rose 9% YoY to 1.79mn units, only 5% higher than our prior forecast.

Unlike July 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. Industry-wide inventory level rose by about 0.19mn units in Jul 2022, making total inventory addition of almost 0.7mn units in the first seven months of 2022, the second highest figure in history, just below the 0.75mn units in 2018. Such inventory building also underscores our argument made on 18 Jul 2022 that we see early signs for easing chip constraints and chip shortage should no longer be a key constraint.

PV exports also reached all-time high to 0.24mn units in Jul 2022, 22% higher than the second-best monthly export figure in Jun 2022.

- **Price war possible.** China's PV wholesale volume collapsed from Sep 2018 after adding the most inventories in the first seven months of the year in history. Although we think it is unlikely to repeat this year supported by purchase-tax cuts, we are concerned that a price war for both internal-combustion engine (ICE) and new-energy vehicles (NEVs) is possible in the next six months. NEVs accounted for 41% of the industry-wide inventory restocking YTD. As most NEV start-ups adopt direct-sales with no inventory taking at dealers, they use order backlog as a buffer. Therefore, we saw promotions at Xpeng in Jul despite sufficient order backlog and similar subtle promotions occurred at Li Auto as well.
- **Aug 2022 outlook: Will automakers continue to add inventories?** Despite a strong week at the end of Jul (even slightly higher than the last week of Jun 2022), retail sales volume at the beginning of Aug was more resilient than that in Jul. Therefore, we project MoM improvement to continue for Aug's retail sales volume with 20% YoY growth amid low base. Wholesale volume in Aug 2022 could be trickier, if automakers continue to push inventories to dealers. We forecast wholesale volume in Aug 2022 to rise 35% YoY assuming no inventory changes.
- **Investors may start to outweigh NEV competition over high growth.** NEV retail sales volume rose 106% YoY to about 443,000 units, in line with our previous projection of 0.44mn units. Passenger NEV wholesale volume of 0.57mn units beat our expectation of 0.5mn units amid inventory restocking. Passenger NEV sales volume both on wholesale and retail basis is likely to exceed our prior forecast. However, 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. We expect automakers' share prices to be volatile in the next six months, mixed with macro condition, policies and changing sentiment.

OUTPERFORM
 (Maintain)

China Auto Sector

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Source: CAAM, CPCA, CMBIGM



Source: CATARC, CMBIGM

Stocks Covered:

Name	Ticker	Rating	TP (LC)
Xpeng	XPEV US	BUY	60
Xpeng	9868 HK	BUY	234
NIO	NIO US	BUY	45
Li Auto	LI US	BUY	48
Li Auto	2015 HK	BUY	187.2
GWM	2333 HK	BUY	20
GWM	601633 CH	BUY	59
GAC	2238 HK	BUY	12
GAC	601238 CH	BUY	18.4
EVA	838 HK	BUY	3
Meidong	1268 HK	BUY	40
BYD	1211 HK	HOLD	255
BYD	002594 CH	HOLD	270
Geely	175 HK	HOLD	13.5

Source: Bloomberg, CMBIGM

Related Reports:

["China Auto Sector – Sep, Oct data key as chips may start to recover" – 18 Jul 2022](#)
["China Auto Sector – Jul NEV sales NEV trio miss, Zeekr, Neta beat" – 2 Aug 2022](#)

Company Watch List

Great Wall Motor

Great Wall's wholesale volume, including pick-up trucks, rose 11% YoY and 1% MoM to about 102,000 units in Jul 2022. Retail sales volume of PVs and pick-up trucks combined declined 16% YoY to about 75,000 units, leading to an inventory restocking of about 12,000 units as of Jul 2022.

It has been three months in a row of inventory restocking for Great Wall. We estimate Great Wall's inventory level to be about 160,000 units, or 2.1 months. The inventories mainly comprise of Haval and WEY brands. Therefore, we expect the weakness of WEY's wholesale volume to continue. The *Tank 300*'s new orders appear to be stabilizing at around 10,000 units a month. We expect Great Wall to debut three more Tank models in the next 12 months. New model launches for Ora have been slower than we had expected, as we are of the view that the current monthly sales volume for the *Ora Good Cat* has little room for improvement.

Discounts at dealers remained flat MoM in Jul 2022, as discounts for key models, including the *Tank 300*, *Tank 500*, *Ora Good Cat* and *Dagou*, remained low last month. Discounts for the *H6*, *Jolion* and *Chitu* widened slightly MoM in Jul 2022. We also expect discounts for WEY to widen in the next few months.

Although production ramp-up for the *Tank 500* could lift Great Wall's overall sales volume in 2H22, we are of the view that Great Wall needs new models to drive sales to offset the sales decline from the *H6* family, as the majority of Great Wall's order backlogs are from Tank. The rollouts of PHEVs for the Haval brand appear to be slower than expected. We believe it could be crucial for Great Wall to learn lessons from WEY PHEVs that have yet to succeed.

Geely

Geely's wholesale volume rose 24% YoY and fell 3% MoM to almost 123,000 units in Jul 2022. Wholesale volume of Geely's battery-electric vehicles (BEVs), including Zeekr, Geometry and Livan, more than quintupled YoY to about 22,000 units in Jul 2022, the highest in history. NEV wholesale volume accounted for 26% of Geely's total sales in Jul 2022, the highest in history. On the other hand, only 43% of Geometry's retail sales volume came from individual consumers in the first seven months of 2022, significantly lower than its peers.

Retail sales volume at Geely fell 10% YoY in Jul 2022 to about 91,000 units, leading to an inventory restocking of 18,000 units. It has been five months in a row for Geely to push inventories into its dealers. We estimate that inventories at Geely's dealers were about 2.2 months as of Jul 2022. Similar to Great Wall's *H6* family, Geely's *Boyue* and *Binyue* have accumulated more inventories, as their retail sales volume have been declining sequentially.

Although discounts for most models at Geely's dealers widened slightly last month, Geely's overall discounts at dealers fell MoM, as sales volume of new models, such as the *Emgrnad L* PHEV and *Geometry E*, has been increasing.

As noted in our report titled '[Jul NEV sales: NEV trio miss, Zeekr, Neta beat](#)' on 2 Aug 2022, we expect Zeekr's production to continue ramping up in Aug 2022, making all-time high deliveries again. We also project Zeekr's monthly sales volume to reach 10,000 units in 4Q22, which could make its full-year target of 70,000 units still feasible. **Based on our**

channel checks, the *Zeekr 001* orders remained high in the 1st half of Aug after the automaker upgraded the Qualcomm 8155 chip for free.

BYD

BYD's wholesale volume rose 21% MoM to all-time high again of about 162,000 units in Jul 2022. BYD's monthly wholesale volume has been rising sequentially to new all-time highs since Mar 2022. Retail sales volume increased 6% MoM to almost 140,000 units, which led to an inventory increase of almost 19,000 units in Jul 2022. We estimate BYD's current inventory level to be 1.1 months.

We expect BYD's wholesale volume to further rise in the next few months, as its new Changzhou and Fuzhou plants ramp up. **However, BYD's order backlog may have already been at a peak level, in our view.** We estimate BYD's pro-rata production capacity could reach 2mn units per annum in 2H22. Based on the information that we have compiled, another three new plants for BYD could start production around the end of 2022. A number of new battery manufacturing bases have also been planned in order to supply enough batteries for new capacity. We estimate BYD's battery annual capacity to reach about 275 GWh in 2023 and 350 GWh in 2024. 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.

Discounts at BYD's dealers further narrowed slightly MoM in Jul 2022, aided by new model launches.

Guangzhou Automobile Group

Total wholesale volume at GAC Group rose 22% YoY, aided by Aion and GAC Toyota.

Wholesale volume of Aion rose 4% MoM to about 25,000 units in Jul 2022, in line with our prior forecast. Retail sales volume of Aion rose 6% YoY to about 23,000 units. Retail sales volume for the *Aion Y* exceeded 10,000 units in Jul 2022 and became the 5th best-selling BEV model in China last month. To our surprise, we calculate that Aion has accumulated 19,000 units of inventories in the first seven months of 2022. As noted in our previous reports, we expect Aion's monthly wholesale volume to remain at around 25,000 units in the next few months until its second plant to start production in Oct 2022.

Wholesale volume at GAC Toyota rose 12% YoY to 84,000 units in Jul 2022 and retail sales volume rose 16% YoY to about 85,000 units, leading to a one-month inventory level as of Jul 2022 on our calculations. The inventory increase at GAC Toyota's dealers in the first seven months of 2022 (about 37,000 units) was mainly caused by the *Camry* (about 17,000 units). The *Levin's* inventories at dealers were cut by almost 10,000 units in the past two months, which could be reflected by its rising discounts at dealers. We believe GAC Toyota is well on track for our projected FY22 sales volume of 990,000 units, despite multiple industry headwinds.

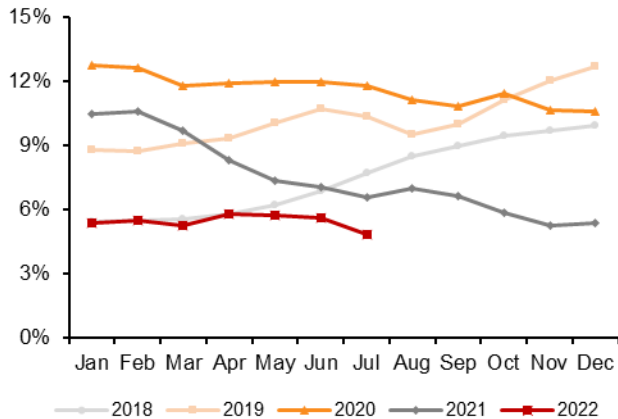
Wholesale volume at GAC Honda continued to rebound, rising 22% YoY in Jul 2022 as supply chain constraints eased and inventories at dealers rose by 8,000 units in Jul 2022.

BMW Brilliance

BMW (BMW GR) announced its 2Q22 results on 3 Aug 2022. Similar to 1Q22, BMW Brilliance Automotive's (BBA) real earnings should be adjusted by the amortization of purchase price allocation which was from the acquisition of 25% stake of BBA. Net profit at BBA (100% stake) was about EUR1.1-1.2bn in 2Q22, confirmed with BMW's management. We are of the view that such earnings (10-20% YoY growth) were strong

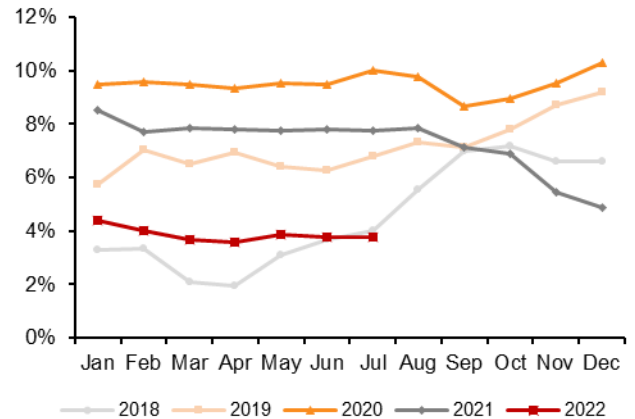
especially with 12% YoY sales-volume decline in 2Q22. The amortization will be about EUR350mn each quarter for the next 6-7 years.

Figure 1: Geely discounts at dealers



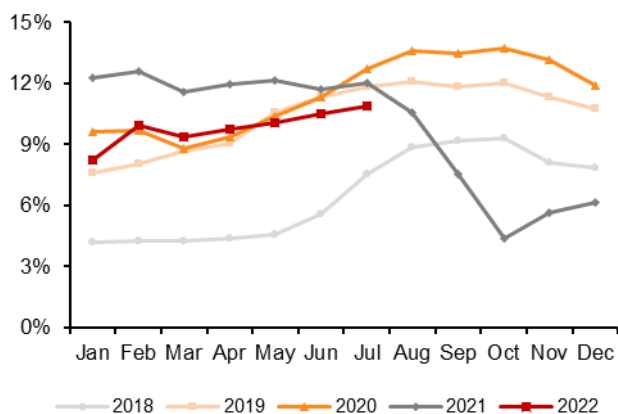
Source: ThinkerCar, CMBIGM

Figure 2: Great Wall Motor discounts at dealers



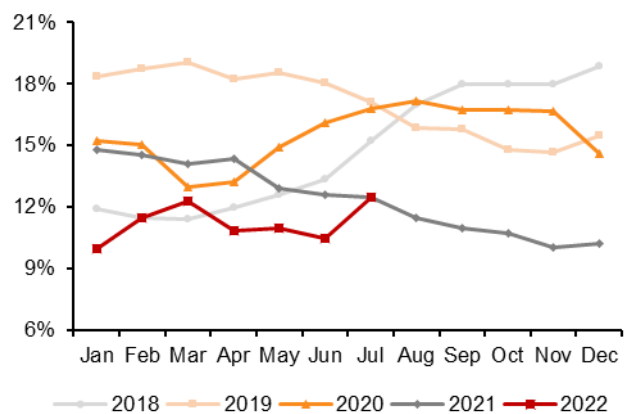
Source: ThinkerCar, CMBIGM

Figure 3: Beijing Benz discounts at dealers



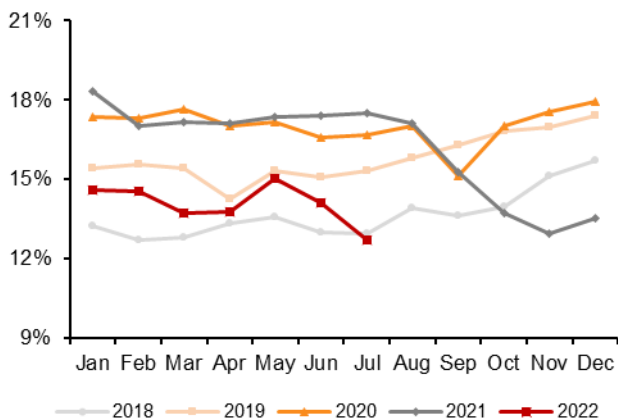
Source: ThinkerCar, CMBIGM

Figure 4: BMW Brilliance discounts at dealers



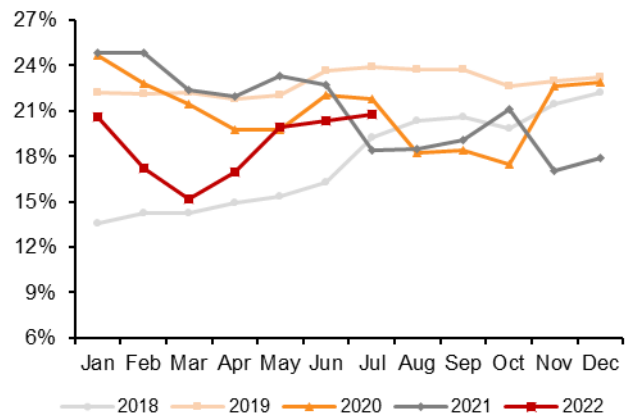
Source: ThinkerCar, CMBIGM

Figure 5: SAIC VW discounts at dealers

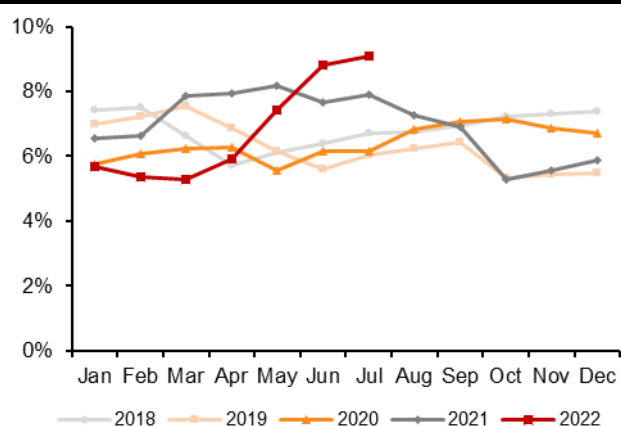


Source: ThinkerCar, CMBIGM

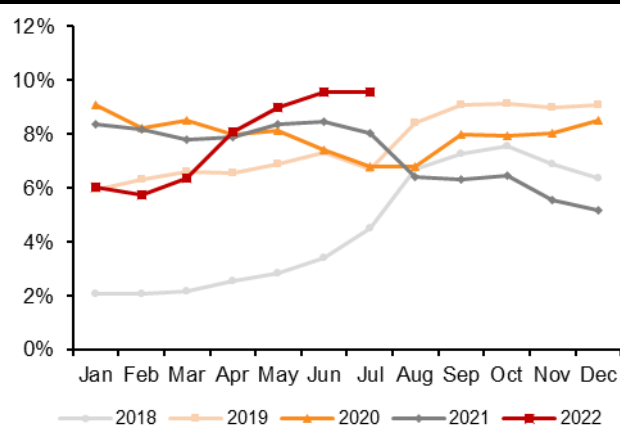
Figure 6: Buick discounts at dealers



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 luxury brands, including BMW, Mercedes-Benz, Audi and Cadillac, widened MoM in Jul 2022. We attribute this partially to large order intake in Jun 2022, as purchase-tax cuts started and dealers rushed for higher floating rebates in 1H22 with higher sales volume.

NEV Segment

NEV competition to be heightened amid rising market expectation

In Jul 2022, retail sales volume of passenger NEV rose 106% YoY and fell 12% MoM to about 443,000 units, with a market share of 24.7%, in line with our previous projection of 25%. NEV accounted for 23.3% of China's total PV retail sales volume in the first seven months of 2022. 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%.

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. Among the 65 new models launched in the first seven months of 2022 that we track, 40 of them are NEVs or have NEV versions. In the next few months, NEV start-ups will begin to deliver their flagship models, including the *Lixiang L9*, *Xpeng G9* and the *Leap C01*. Traditional automakers have been electrifying more models with their latest hybrid systems, especially low-end ones.

For every 10 passenger vehicles sold in tier-1 cities in China, 3.6 of them were NEVs last month. 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 about 19% and 15%, respectively, as of Jul 2022, compared with 7% and 5% 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 seven 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 17% in the first seven months of 2022. Mini BEVs accounted for over 50% 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 seven months of 2022, down from 28% last year.

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

Market Share	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
Tier 1	28.5%	29.0%	30.2%	30.8%	31.7%	32.6%	33.5%
Tier 2	15.0%	15.9%	17.6%	18.8%	20.1%	21.5%	22.6%
Tier 3	12.3%	13.3%	14.7%	15.7%	16.8%	17.9%	18.9%
Tier 4 and below	9.5%	10.2%	11.3%	12.2%	13.1%	14.1%	14.9%
Nationwide	14.7%	15.5%	17.0%	18.0%	19.1%	20.3%	21.3%

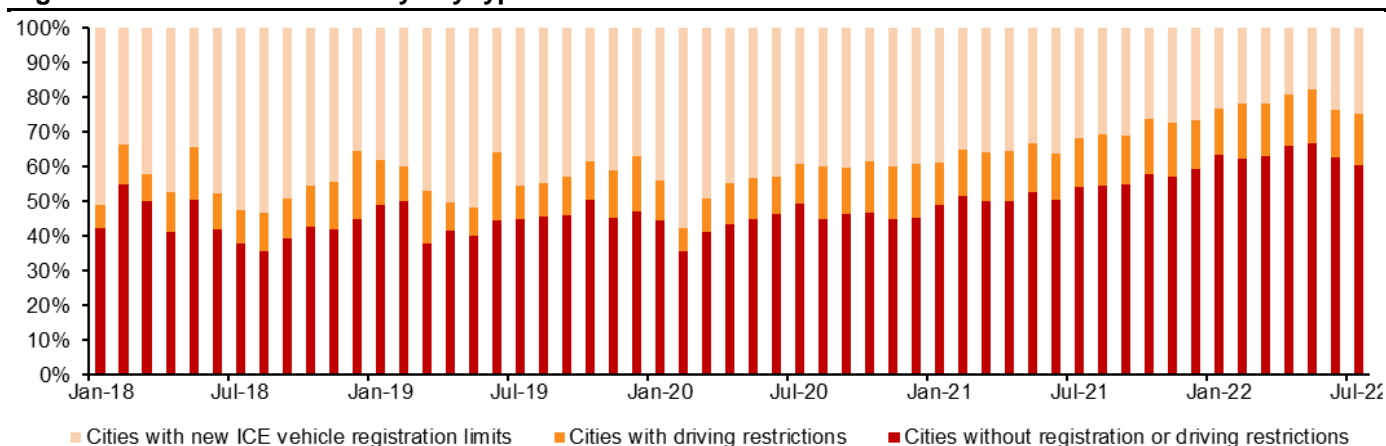
Source: CATARC, CMBIGM

About 25% of NEV retail sales volumes came from regions with ICE vehicle registration limits (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Hangzhou and Hainan province) in Jul 2022 (versus the historical low of 18% in May 2022), as sales in Shanghai rebounded. Shanghai took back the PV retail sales volume crown among all the cities in China in Jun 2022 and retained it in Jul 2022.

On the other hand, cities without license or driving restrictions accounted for 61% of the nationwide NEV retail sales volume in Jul 2022 (vs 63% in Jun 2022). As shown in Figure 11, about 67% of NEV YoY growth was contributed by these cities. Despite high penetration, NEV retail sales volume in Shenzhen rose about 8,000 units YoY, or 76% YoY in Jul 2022. It is likely that NEV retail sales volume in Shenzhen may surpass ICE sales by the end of

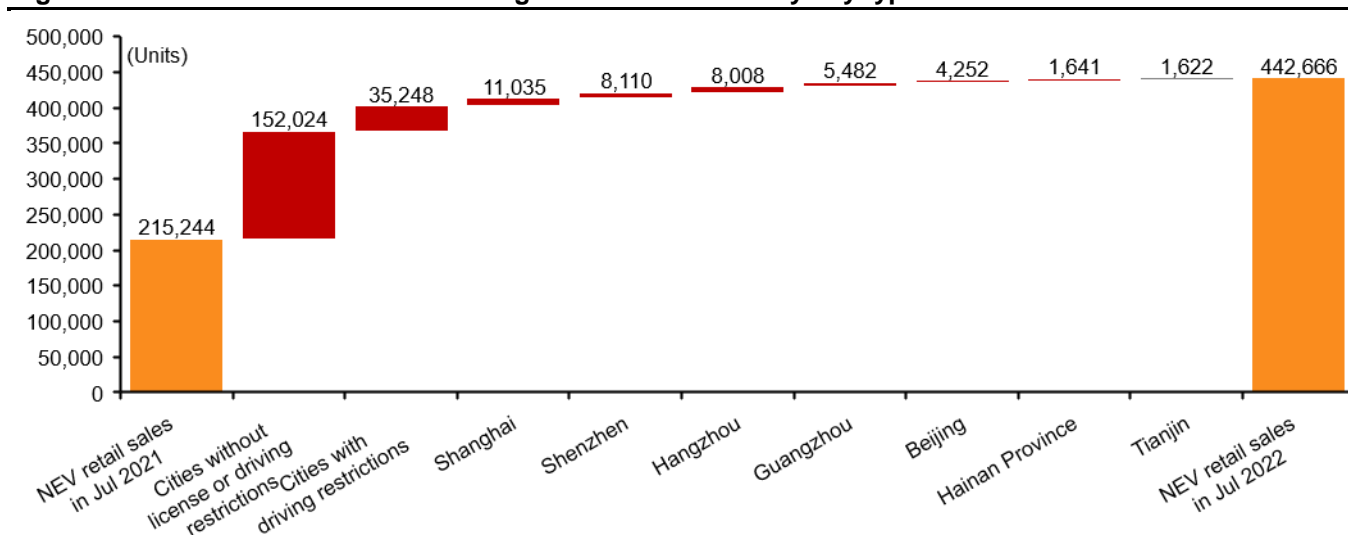
this year (46% NEV market share in Jul 2022, the highest among tier-1 cities). NEV retail sales volume in Shanghai also rose 69% YoY last month.

Figure 10: NEV market share by city type



Source: CATARC, CMBIGM

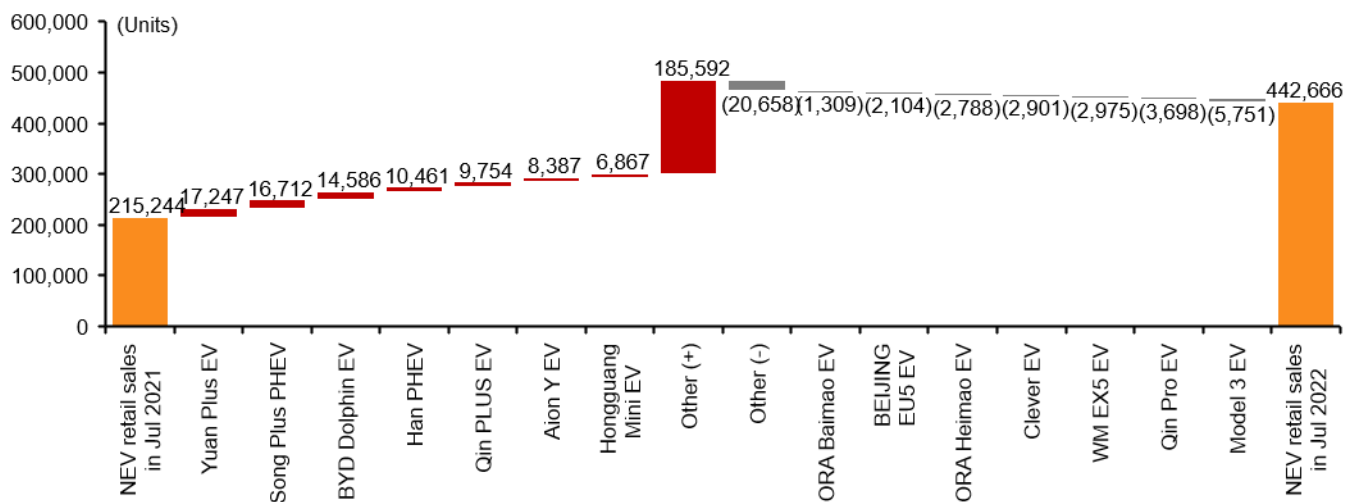
Figure 11: NEV retail sales volume YoY growth contribution by city type in Jul 2022



Source: CATARC, CMBIGM

In terms of NEV retail sales volume YoY growth by model, as shown in Figure 12, BYD was the largest contributor to the NEV sales-volume YoY growth on a unit basis in Jul 2022, as its *Yuan Plus BEV*, *Song Plus PHEV*, *Dolphin BEV*, *Han PHEV* and *Qin Plus BEV* were the top five contributors at the model level to the NEV YoY growth last month.

The Tesla *Model 3* had the highest YoY decline on a unit basis in Jul 2022 due to the production facilities upgrade. The *Ora Black Cat* and *White Cat* BEVs were among the bottom seven, as Great Wall Motor had stopped taking new orders for these two models amid rising battery costs. However, Ora's new model launches have been slower than we had expected.

Figure 12: NEV retail sales volume growth contribution by model in Jul 2022

Source: CATARC, CMBIGM

In addition, the percentage of NEVs sold for ride-hailing fleets has been declining since 3Q20, and individual customers accounted for over 80% of total NEV sales in the first seven months of 2022, based on our calculations.

BEV brands in China: BYD's market share continued to widen

In Jul 2022, total BEV retail sales volume rose 99% YoY and fell 12% MoM to about 337,000 units. BEV's market share in the NEV segment dropped to 77.2% in the first seven 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 18.9%. Among the top 10 best-selling BEV models in the first seven months, BYD took up four spots. Tesla's retail sales volume in Jul 2022 was affected by production facilities upgrade and exports. Nevertheless, we still expect Tesla's retail sales volume to surpass Wuling in full-year 2022, especially with its newly expanded capacity. The top three BEV brands accounted for 41.6% of total BEV sales volume in the first seven months, down from 42.5% in 1H22, amid intensifying competition.

GAC Aion is likely to surpass Chery in Aug 2022 and secure the 4th position in 2022, in our view. Xpeng retained the 6th spot in terms of YTD BEV retail sales volume, although its Jul's sales volume fell to the 9th position among all the BEV brands. It is possible that Xpeng may drop out the top 6 list in 2022.

VW is the only foreign brand in the top 10 list and its YTD sales-volume position rose from the 9th in Jun 2022 to 7th in Jul 2022, aided by its strong sales last month. VW's BEV retail sales volume was ranked 4th among all the brands in Jul 2022. The retail sales volume of the ID.4 X and Crozz combined exceeded 11,000 units last month.

The competition for the 6-10th positions has been intensified. In Jul 2022, 12 brands (even without Tesla) sold more than 10,000 BEVs in China. We expect such number to rise to about 15 in Dec 2022.

Figure 13: Top 10 BEV brands' retail sales volume in China

Units	Jul 2022	YoY	YTD	YTD YoY	YTD Market Share in BEV Segment
Total BEV	337,213	98.5%	1,968,940	98.4%	100.0%
BYD	77,117	245.1%	371,319	255.6%	18.9%
Wuling	37,695	24.9%	240,312	28.4%	12.2%
Tesla	8,930	-0.9%	207,139	46.6%	10.5%
Chery	14,430	153.7%	107,742	200.6%	5.5%
GAC Aion	23,103	117.1%	106,256	98.9%	5.4%
Xpeng	11,603	50.1%	80,427	113.2%	4.1%
VW	19,142	231.3%	75,039	330.6%	3.8%
Changan	16,888	84.2%	72,478	76.0%	3.7%
Neta	11,464	83.3%	70,353	202.2%	3.6%
Ora	7,662	6.8%	65,249	8.4%	3.3%

Source: CATARC, CMBIGM

Aito, Geely could make PHEV segment in China more competitive

In Jul 2022, total PHEV (EREV included) retail sales volume increased 133% YoY and 2% MoM to about 105,000 units. PHEV accounted for 22.8% of overall NEV segment in the first seven months of 2022, up from 18.5% in 2021.

BYD retained its YTD PHEV sales volume crown and widened its YTD market share to 57.8% with its all-time high PHEV sales volume in Jul 2022. Lixiang retained its second place in the PHEV segment, with YTD market share narrowing slightly. Huawei-backed Aito has been gaining market share rapidly with the *M5* ramping up and the *M7* debut.

We may see Geely in the top 10 list soon, as its PHEV retail sales volume rose to the 5th place among all the PHEV brands in Jul 2022 amid the *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% YTD versus 73% in 2021.

Figure 14: Top 10 PHEV (EREV included) brands' retail sales volume in China

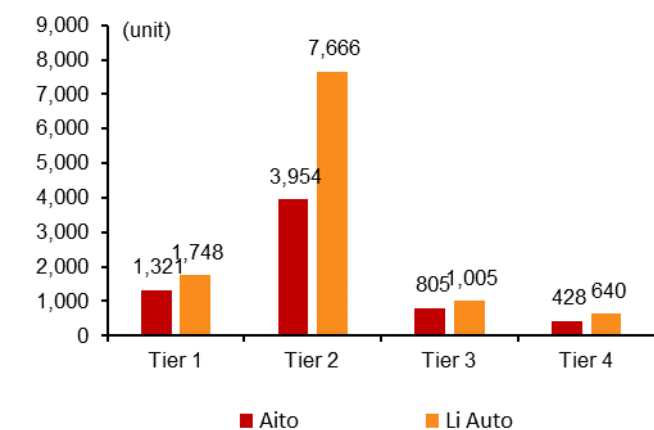
Units	Jul 2022	YoY	YTD	YTD YoY	YTD Market Share in PHEV Segment
Total PHEV	105,453	132.7%	581,540	164.0%	100.0%
BYD	61,955	222.6%	335,997	409.7%	57.8%
Lixiang	11,059	25.3%	71,883	82.7%	12.4%
Aito	6,508	N/A	23,225	N/A	4.0%
VW	3,265	-1.2%	19,375	-33.9%	3.3%
Mercedes-Benz	2,162	89.8%	15,133	402.1%	2.6%
Lynk & Co	2,590	264.8%	14,759	268.3%	2.5%
Nissan	2,383	N/A	14,129	N/A	2.4%
BMW	1,300	-35.0%	11,359	-25.8%	2.0%
Changan	1,418	70800.0%	8,568	47500.0%	1.5%
Honda	1,185	29.5%	8,474	170.9%	1.5%

Source: CATARC, CMBIGM

As the *Aito M7* was launched in Jul 2022 to compete with the *Li One*, 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. Based on the data that we compile, Aito now has about 760 showrooms with 36% in the tier-3 cities and below. Li Auto only has about 250 retail stores with 28% in the tier-3 cities and below. Even adding its temporary exhibition stores and booths, Li Auto's total store number is still about 260 fewer than Aito's. That probably partially explains why 19% of Aito's sales came from tier-3 cities and below in Jul 2022, higher than Li Auto's 15%.

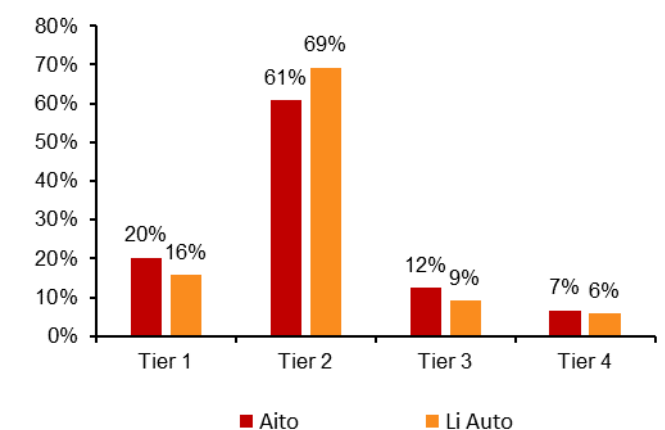
About 69% of Li Auto's retail sales volume came from tier-2 cities in Jul 2022, 8 ppts higher than Aito's.

Figure 15: Retail sales volume by city tier in Jul 2022 (Li Auto vs. Aito)



Source: CATARC, CMBIGM

Figure 16: Retail sales volume % by city tier in Jul 2022 (Li Auto vs. Aito)



Source: CATARC, CMBIGM

Other Industry Indicators to Watch

COVID-19 as the major uncertainty for city performance

Unlike 2Q22 when tier-1 cities were the worst performer among all city tiers in terms of retail sales volume YoY growth, retail sales volume in tier-1 cities rose 15% YoY in Jul 2022 with Shanghai and Beijing's recovery from lockdown, the highest among all city tiers. Still, tier-1 cities were the worst performer in terms of YTD retail sales volume. 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. In the first seven months of 2022, tier-2 cities were the best performer with 7% YoY decline.

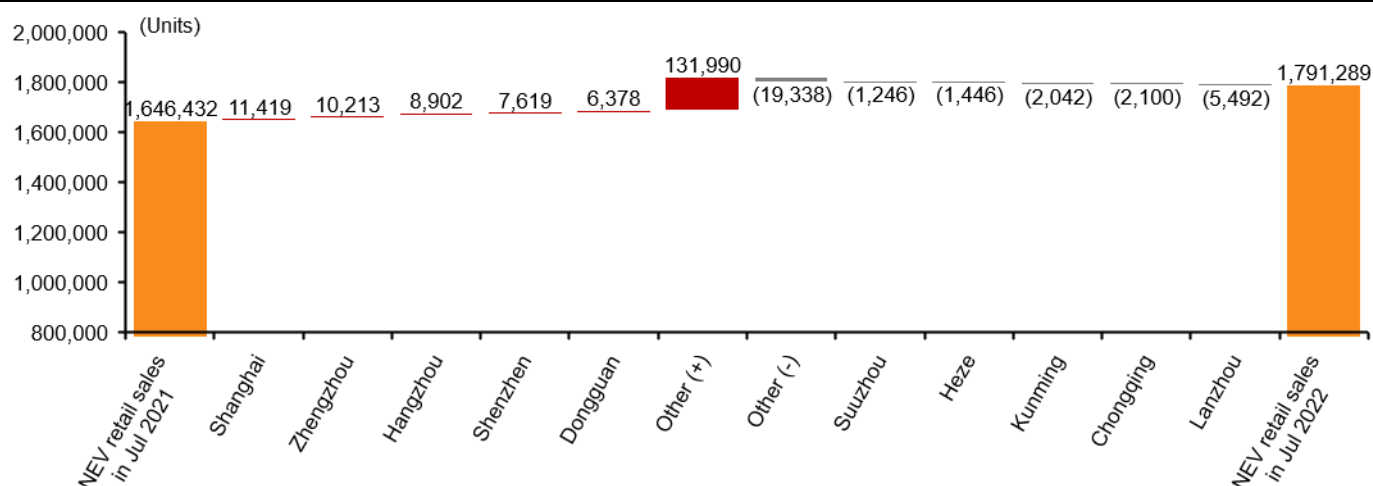
Figure 17: China auto retail sales growth by city tier

Retail Sales YoY Growth	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	YTD
Tier 1	-9.8%	-0.1%	-18.7%	-47.5%	-46.9%	9.1%	14.9%	-14.5%
Tier 2	-5.0%	-3.4%	-13.1%	-38.6%	-17.0%	18.4%	10.6%	-7.0%
Tier 3	-4.6%	-16.9%	-23.4%	-40.1%	-24.4%	12.2%	6.9%	-12.4%
Tier 4 and below	-0.6%	-22.0%	-14.6%	-34.7%	-18.6%	10.0%	3.5%	-10.1%
Nationwide	-4.3%	-11.1%	-16.1%	-39.1%	-22.0%	14.4%	8.8%	-9.6%

Source: CATARC, CMBIGM

Most cities continued to enjoy sales volume YoY growth in Jul 2022 with a second best July in history in terms of nationwide retail sales volume amid post-lockdown recovery and purchase-tax cuts. Shanghai contributed the most to the YoY growth on a unit basis last month amid pent-up demand.

Figure 18: PV retail sales volume YoY growth contribution by city in Jul 2022



Source: CATARC, CMBIGM

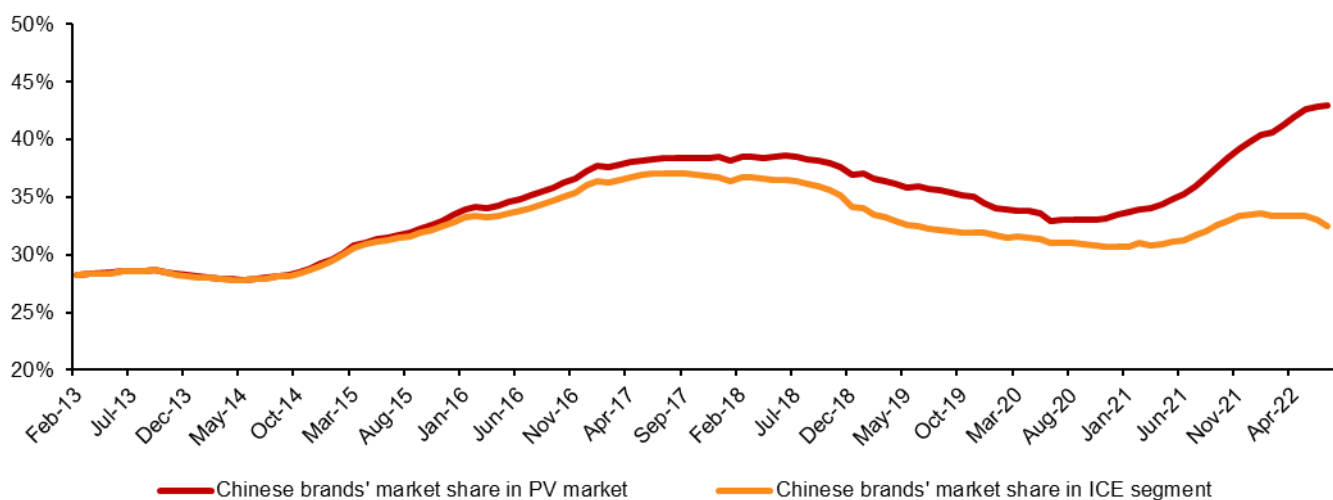
On the other hand, Shanghai still contributed the most to the retail sales volume YoY decline in the first seven months of 2022, followed by Zhengzhou and Beijing. Two out of the top four cities with the highest YoY retail sales volume growth YTD came from Guangdong province (Foshan as No. 1 and Zhongshan as No. 4), thanks to the strong stimulus measures by the provincial government.

Chinese-brand market share rose for 25 months in a row

Retail sales volume for Chinese brands increased 14% YoY in Jul 2022, outpacing industrywide 9% YoY increase, thanks to rising demand for NEVs. Excluding NEVs, retail sales volume of Chinese-brand ICE vehicles fell 24% YoY in Jul 2022, weaker than the overall ICE segment (-6% YoY). It appears to us that the purchase-tax benefited the German brands the most at least in Jul 2022, as German-brand ICE retail sales volume rose 12% YoY last month.

The trailing 12-month market share for Chinese brands rose for 25 consecutive months to 43.0% as of Jul 2022, on the right track to our projection of the full-year market share gain for the second year following 2021. Should such momentum continue, our 2022 market share projection could be a bit too conservative for Chinese brands.

Figure 19: 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 6.5% YoY in Jul 2022, still underperforming the overall industry by 2.3 ppts. In the first seven months of 2022, total retail sales volume of luxury brands dropped 14% YoY, weaker than the overall industry by 4.6 ppts, missing our expectation at the beginning of 2022. Retail sales volume of luxury brands in China, excluding Tesla, fell 18% YoY in the first seven months of 2022.

Although we can still see lingering chip supply constraints for some luxury brands based on the BMW and Mercedes' production plan by model 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 20% YoY in the first seven months of 2022, slightly outperforming the industrywide ICE decline of 23% YoY during the same period.

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

In the first seven months of 2022, all models at Tesla, Li Auto, NIO, Aito and Zeekr, along with the Xpeng P7 and BYD Han combined (14 models in total) achieved total retail sales volume of about 537,000 units in China, amounting to 43% of total sales volume for Mercedes-Benz, BMW and Audi combined.

Figure 20: China luxury auto market share by city tier (trailing 12-month basis)

Market Share	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
Tier 1	28.0%	27.7%	27.5%	27.1%	26.5%	26.6%	26.4%
Tier 2	21.7%	21.6%	21.6%	21.2%	21.0%	21.0%	20.9%
Tier 3	10.9%	10.9%	10.8%	10.6%	10.6%	10.6%	10.6%
Tier 4 and below	7.2%	7.2%	7.2%	7.0%	7.0%	6.9%	7.0%
Nationwide	17.0%	17.0%	16.9%	16.6%	16.4%	16.4%	16.4%

Source: CATARC, CMBIGM

Mercedes-Benz sold the most luxury cars in Jul 2022, widening its leading position slightly although we still expect BMW to take the luxury-sales crown in 2022, with its locally-produced X5. The “Big Three” accounted for about 65% 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 seven months of 2022, despite the Shanghai lockdown. 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 Jul 2022. Retail sales volume growth was volatile for different luxury brands in Jul 2022, as Porsche rose 42% YoY, followed by Mercedes-Benz’s 36% YoY. Lexus fell 15% YoY, the most among the top 10 luxury brands in Jul 2022. In our view, supply chain security is still the key factor for the sales growth of Porsche and Lexus in 2022.

Figure 21: Top 10 luxury auto brands’ retail sales volume in China

Units	Jul 2022	YoY	YTD	YTD YoY	YTD Market Share in Luxury Segment
Total Luxury	294,320	6.5%	1,907,435	-13.9%	100.0%
Mercedes-Benz	74,413	35.6%	441,398	-11.1%	23.1%
BMW	66,598	-1.3%	430,165	-16.8%	22.6%
Audi	61,368	5.3%	363,048	-21.3%	19.0%
Tesla	8,930	-0.9%	207,139	46.6%	10.9%
Lexus	19,400	-14.6%	105,893	-27.3%	5.6%
Cadillac	17,133	-14.3%	95,418	-31.1%	5.0%
Volvo	15,705	11.2%	85,861	-19.5%	4.5%
Porsche	10,152	41.9%	52,575	-3.2%	2.8%
Lincoln	7,660	0.3%	45,439	-8.0%	2.4%
Land Rover	6,463	-4.4%	37,940	-20.3%	2.0%

Source: CATARC, CMBIGM

Figure 22: China passenger-vehicle wholesale volume by OEM / brand

	Sales Volume in Jul 2022 (units)	YoY (%)	MoM (%)	Sales Volume YTD (units)	YTD YoY (%)	YTD Market Share (%)
Chinese OEMs	1,092,775	50.2%	7.9%	5,944,707	22.9%	47.6%
Geely	107,626	32.8%	-5.1%	644,210	6.8%	5.2%
Great Wall Motor	85,615	15.8%	7.1%	509,723	-11.2%	4.1%
Changan	129,649	34.9%	7.1%	770,930	0.6%	6.2%
SAIC-GM-Wuling	123,235	51.6%	22.0%	626,534	9.0%	5.0%
SAIC	86,401	69.8%	4.9%	451,970	23.0%	3.6%
BYD	162,214	184.7%	21.3%	805,420	169.1%	6.5%
GAC Motor (incl. Aion)	56,377	41.8%	-0.7%	329,867	41.1%	2.6%
Chery	124,902	63.5%	26.6%	565,853	23.9%	4.5%
Dongfeng	36,908	33.8%	-16.9%	288,404	40.8%	2.3%
FAW	7,110	81.2%	21.5%	33,539	-14.1%	0.3%
BAIC	8,614	-30.0%	4.1%	46,131	-38.9%	0.4%
NIO	10,051	26.7%	-22.5%	60,878	22.0%	0.5%
Li Auto	10,422	21.3%	-20.0%	70,825	82.8%	0.6%
Xpeng	11,524	43.3%	-24.7%	80,507	107.6%	0.6%
Weltmeister	4,566	13.4%	13.3%	20,597	4.6%	0.2%
Neta	14,037	133.5%	6.7%	77,168	184.6%	0.6%
Leap Motor	12,044	173.5%	7.0%	64,038	232.9%	0.5%
German Brands	412,154	70.2%	-10.1%	2,416,779	-0.6%	19.4%
VW	225,610	111.9%	-8.1%	1,277,178	10.7%	10.2%
Audi	59,676	17.0%	-20.1%	337,222	-19.3%	2.7%
BMW	50,705	21.4%	-18.4%	365,532	-7.8%	2.9%
Mercedes-Benz	66,162	96.7%	10.2%	348,625	-5.4%	2.8%
Jetta	10,001	8.7%	-38.3%	88,222	-6.9%	0.7%
Japanese Brands	412,927	16.2%	-6.9%	2,484,486	-3.5%	19.9%
Honda	153,542	51.4%	3.9%	840,475	-1.4%	6.7%
Toyota	166,637	8.7%	-17.8%	1,054,779	7.0%	8.4%
Nissan	81,042	1.1%	1.2%	496,650	-14.6%	4.0%
Mazda	7,111	-47.2%	-26.6%	62,853	-41.1%	0.5%
Mitsubishi	3,777	-17.9%	88.6%	17,722	-48.8%	0.1%
American Brands	174,915	14.4%	-26.6%	1,103,194	5.5%	8.8%
Buick	70,106	20.2%	-7.6%	374,583	-12.1%	3.0%
Chevrolet	23,539	51.8%	-17.8%	149,945	27.3%	1.2%
Cadillac	21,407	32.1%	2.9%	97,246	-24.1%	0.8%
Ford	25,001	14.8%	4.4%	117,112	-3.4%	0.9%
Lincoln	6,645	-12.7%	-34.1%	39,477	-12.6%	0.3%
Tesla	28,217	-14.4%	-64.2%	322,974	65.9%	2.6%
Korean Brands	38,761	3.1%	26.1%	195,348	-36.8%	1.6%
Hyundai	24,031	0.4%	32.8%	118,190	-45.8%	0.9%
Kia	14,730	8.0%	16.5%	77,158	-15.1%	0.6%
Others	33,767	34.4%	13.3%	201,278	3.5%	1.6%
PSA	10,211	37.4%	18.7%	67,561	39.6%	0.5%
Volvo	15,137	63.3%	12.0%	78,550	-11.4%	0.6%
Jaguar	1,505	-24.8%	12.6%	11,427	-8.2%	0.1%
Land Rover	3,304	-5.9%	8.6%	16,776	-14.1%	0.1%
Total	2,165,299	40.5%	-2.2%	12,486,998	8.5%	100.0%

Source: CPCA, CMBIGM

Figure 23: China passenger-vehicle monthly retail sales volume by OEM / brand

	Retail Sales Volume Jul 2022 (Units)	YoY %	MoM %	Retail Sales Volume YTD (Units)	YTD YoY %
Chinese OEMs					
Geely (incl. Lynk & co, Geometry)	83,202	-10.0%	-10.8%	579,145	-18.3%
Zeekr	3,792	N/A	-6.4%	22,617	N/A
Great Wall	62,359	-15.5%	2.0%	423,522	-26.0%
Changan	99,367	5.9%	5.5%	576,333	-16.3%
SAIC Motor	29,947	-24.8%	-9.4%	229,978	-25.6%
GAC Trumpchi	26,114	3.4%	-6.3%	166,359	-5.7%
GAC Aion	23,104	127.5%	6.4%	106,261	98.6%
BYD	139,503	247.9%	6.4%	726,483	146.3%
SAIC-GM-Wuling	68,635	-14.6%	-6.8%	465,433	-20.6%
BAIC Magna	1,237	561.5%	8.3%	5,882	414.6%
Voyah	1,514	N/A	41.9%	8,244	7751.4%
NIO	10,282	69.2%	-14.3%	59,767	21.6%
Lixiang	11,059	128.3%	-15.9%	71,883	82.7%
Xpeng	11,603	102.2%	-24.4%	80,427	113.2%
Weltmeister	3,766	47.6%	2.4%	25,504	45.4%
Neta	11,464	154.7%	-9.5%	70,353	202.2%
Leapmotor	10,914	295.7%	-0.2%	57,091	214.6%
Human Horizons	526	630.6%	-1.7%	3,110	230.5%
Jinkang Seres	6,543	5848.2%	16.1%	23,577	1509.4%
Foreign OEMs					
SAIC VW	114,739	-3.6%	1.0%	643,585	-25.7%
FAW VW	154,728	-7.2%	-13.6%	939,028	-19.2%
Beijing Benz	55,946	1.9%	2.9%	330,048	-11.2%
BMW Brilliance	57,191	-8.4%	-5.4%	365,605	-11.7%
FAW Toyota	84,268	25.8%	4.1%	429,890	-6.0%
GAC Toyota	84,902	23.1%	-24.7%	547,617	17.2%
Dongfeng Honda	68,286	4.9%	5.3%	396,290	-15.1%
GAC Honda	67,070	3.7%	-5.3%	407,536	-2.7%
Dongfeng Nissan	80,317	-5.3%	-8.3%	489,459	-23.0%
GAC Mitsubishi	2,762	-48.9%	-0.8%	20,318	-48.4%
SAIC GM	99,542	-12.5%	8.4%	541,970	-31.5%
Changan Ford	13,963	1.8%	-17.8%	93,528	-11.5%
Tesla China	8,930	-59.6%	-88.4%	207,139	47.2%
GAC FCA	443	-83.0%	-21.9%	5,045	-73.5%
Volvo Asia Pacific	13,882	-1.6%	-2.4%	75,170	-19.6%
Chery JLR	4,702	4.9%	-7.1%	27,198	-22.3%
Beijing Hyundai	22,045	-30.1%	3.5%	131,833	-44.4%
Yueda Kia	8,236	-41.5%	-16.4%	58,381	-38.5%
Total Volume (excl. imports)	1,716,999	10.2%	-7.8%	10,504,965	-8.5%
Imports by Brand					
Lexus	19,400	3.2%	20.2%	105,893	-27.3%
BMW	9,407	-30.2%	-1.1%	64,560	-37.2%
Mercedes-Benz	15,524	1.8%	2.9%	95,892	-9.8%
Porsche	10,152	24.6%	-5.5%	52,575	-3.2%
Audi	3,918	-43.1%	-5.5%	26,793	-45.5%
Total Imports	74,290	-15.6%	3.5%	441,922	-24.2%
Total Retail Sales Volume	1,791,289	8.8%	-7.3%	10,946,887	-9.3%

Source: CATARC, CMBIGM

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