



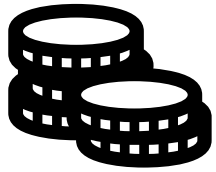
China Light Vehicles Sales Outlook



Lin Huaibin

08- September 2020

Central Government efforts to cushion COVID impact



Extended from June to Dec 2020

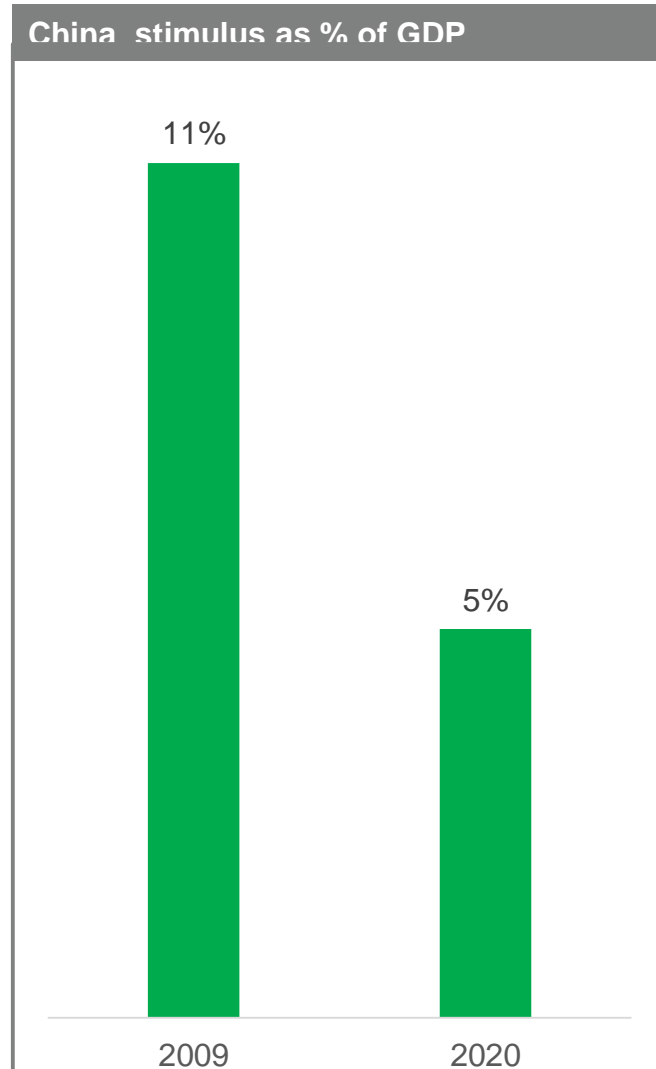
3%

VAT

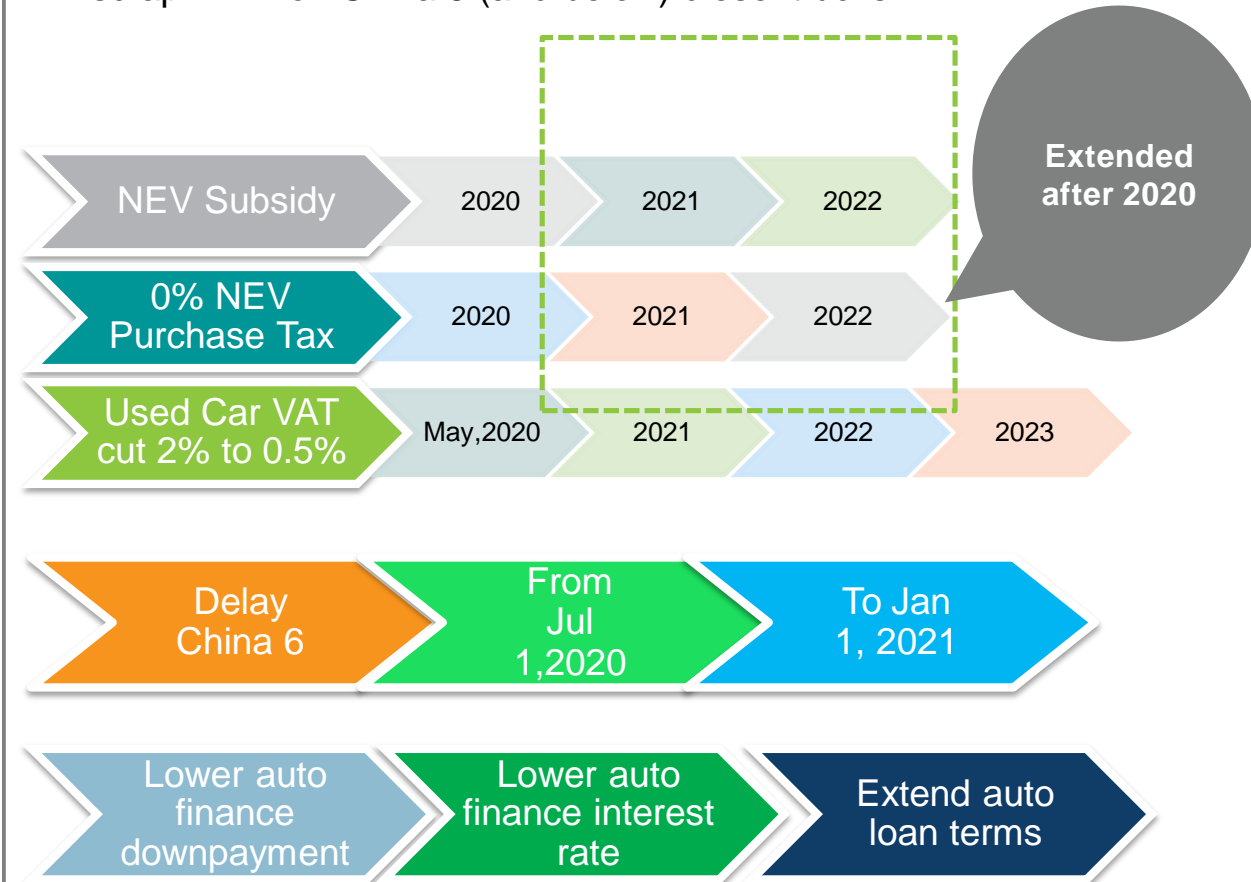


1%

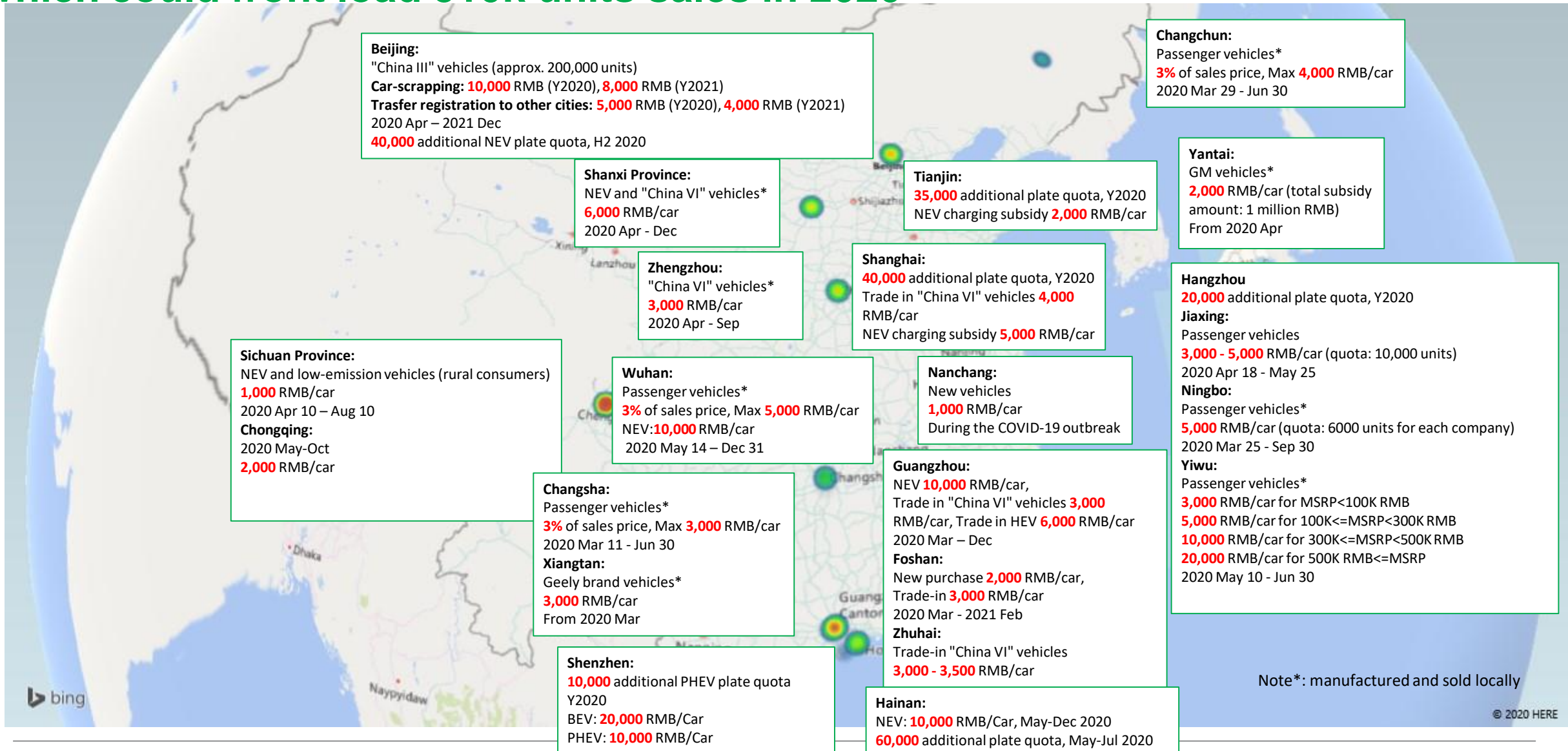
- VAT cut for 80m small size companies with employment of 200 m in Mar-May, 2020
- Defer loan/interest payment (up to 125 billion USD by March) and increase lending at concessional rates for SMEs
- issue 1 trillion yuan special bonds and increase the budget deficit by another 1 trillion yuan with focus on tax and fee cuts



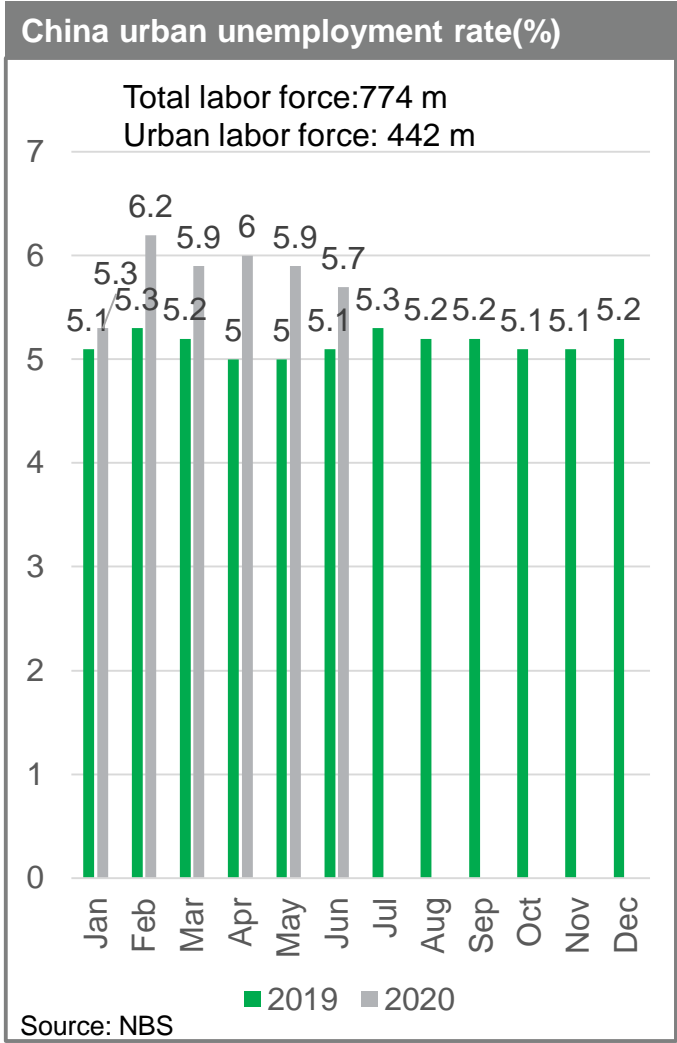
- Encourage key areas including Beijing, Tianjin, Hebei to scrap 1 million China 3 (and below) diesel trucks.



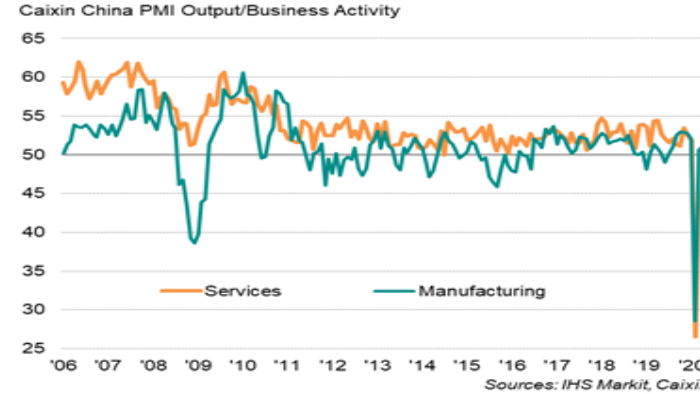
22 provinces/cities ushered in various incentives to support local car demand which could front load 510k units sales in 2020



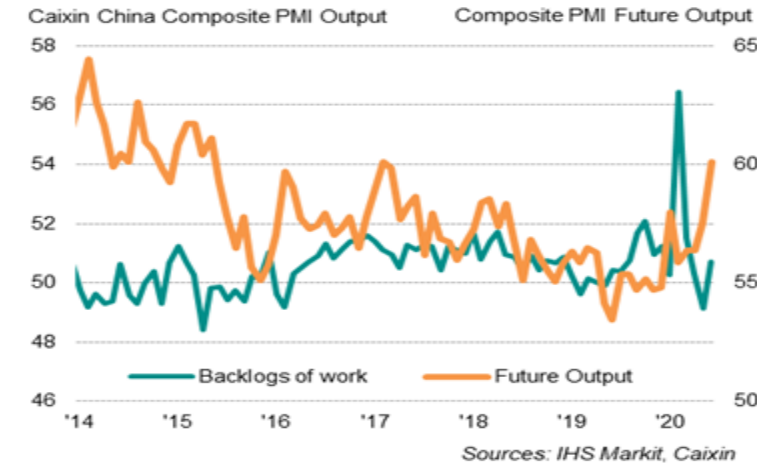
Jun urban unemployment rose to 5.7% vs 5.1% in Jun 2019; Jun export growth rose to 4.3% from 1.4% in May; Increase in backlogs of work in June subdued, pointing to potential slow down in PMI



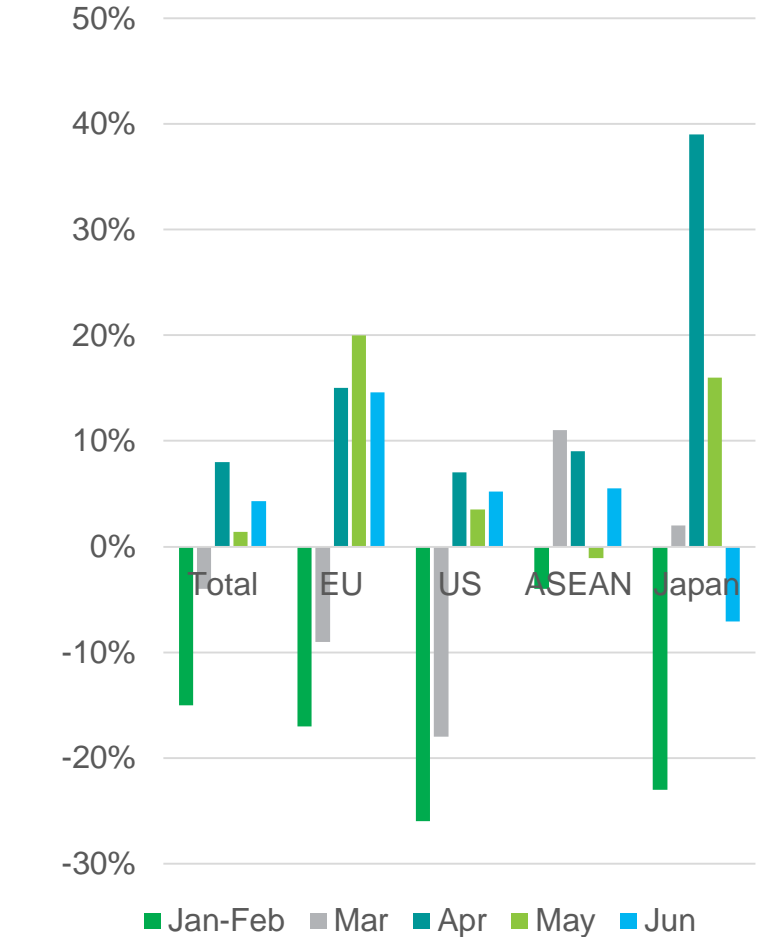
Services business activity growth accelerated in June while manufacturing output rose at slower rate



Forward-looking indicators

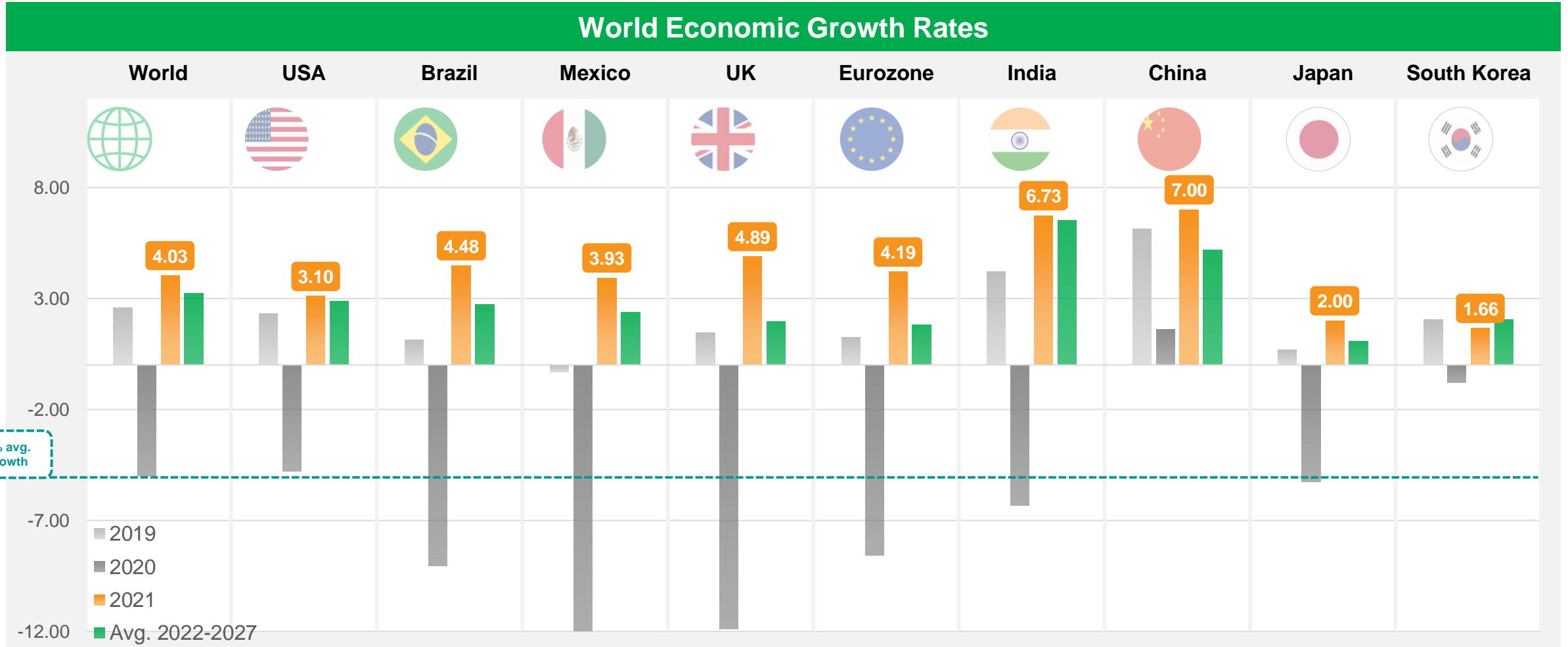


China export by destination(YOY)

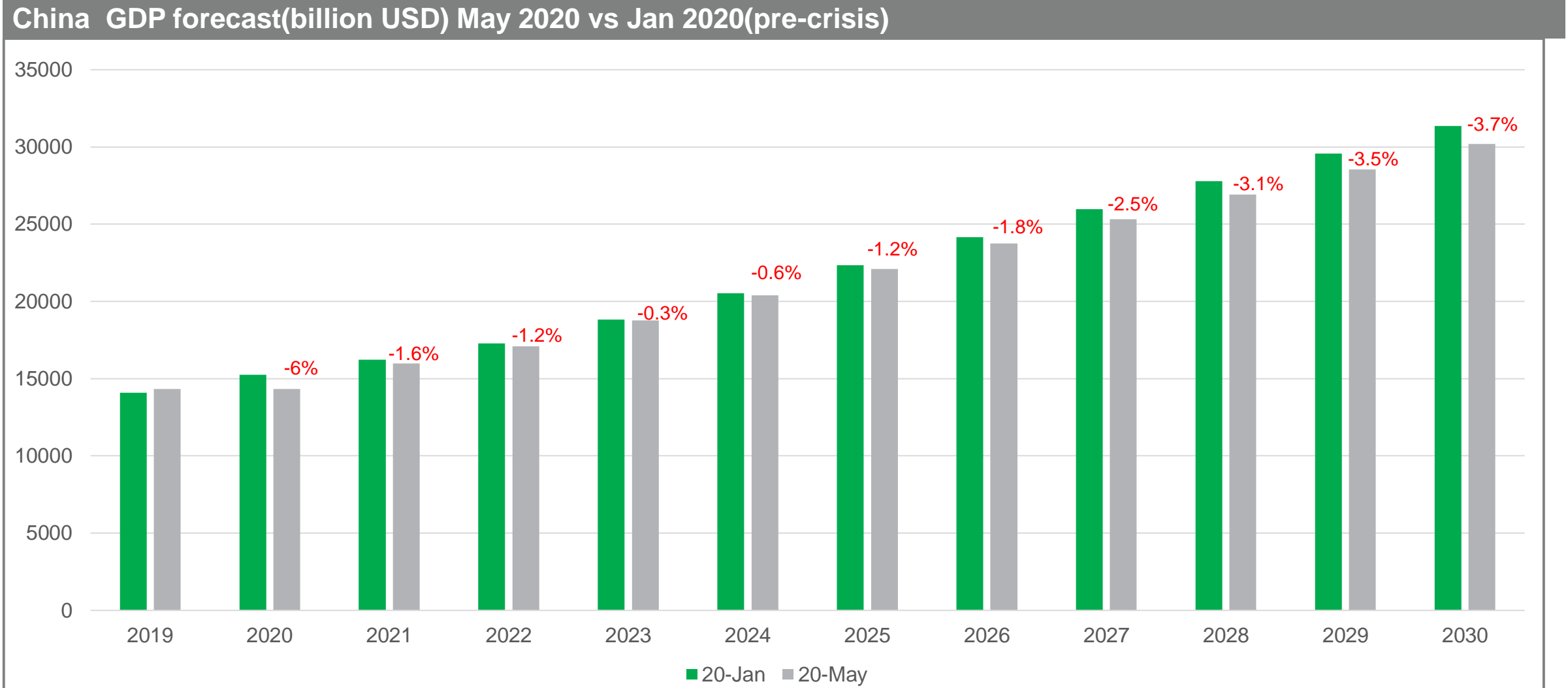


World Economic Growth Rates

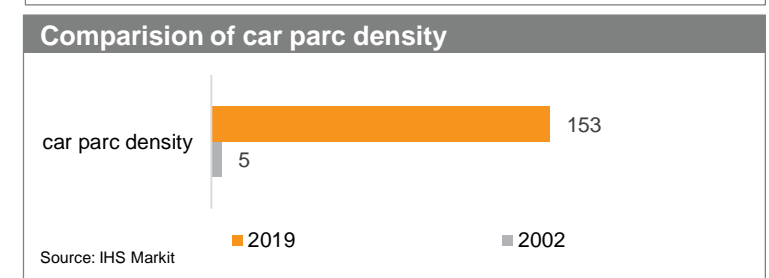
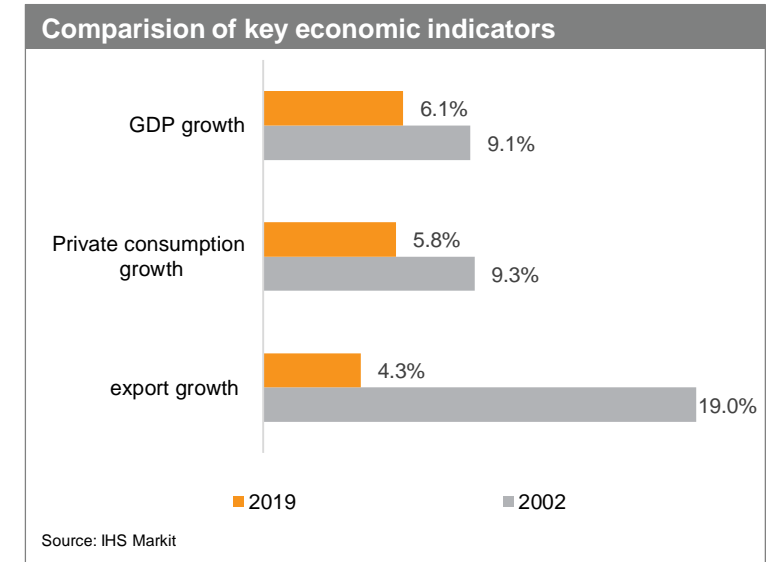
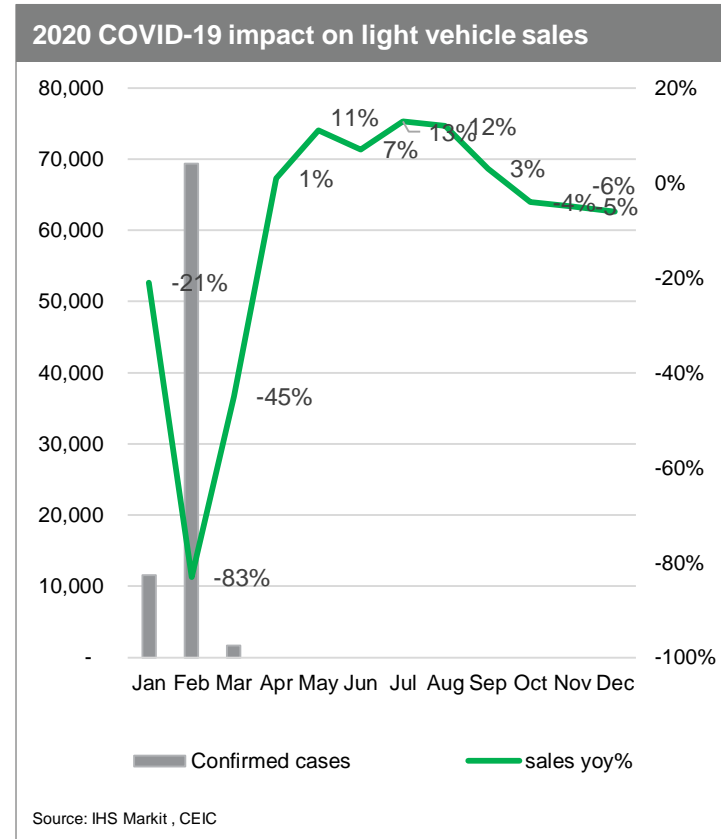
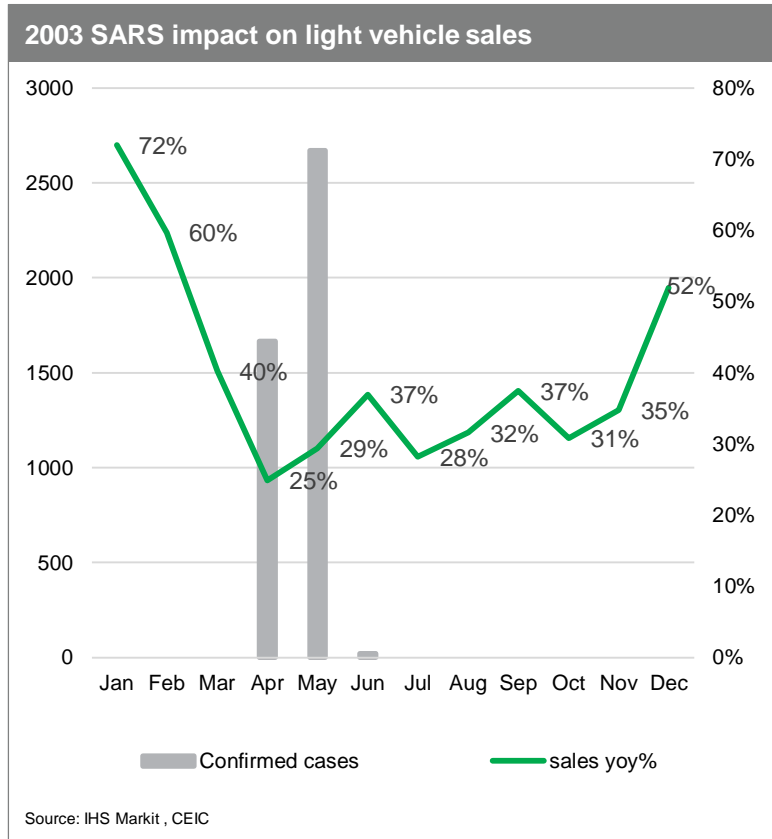
Economic activity plunging as deep recessions grip major markets



Impact of COVID-19 on economy/car demand would last for mid and long term

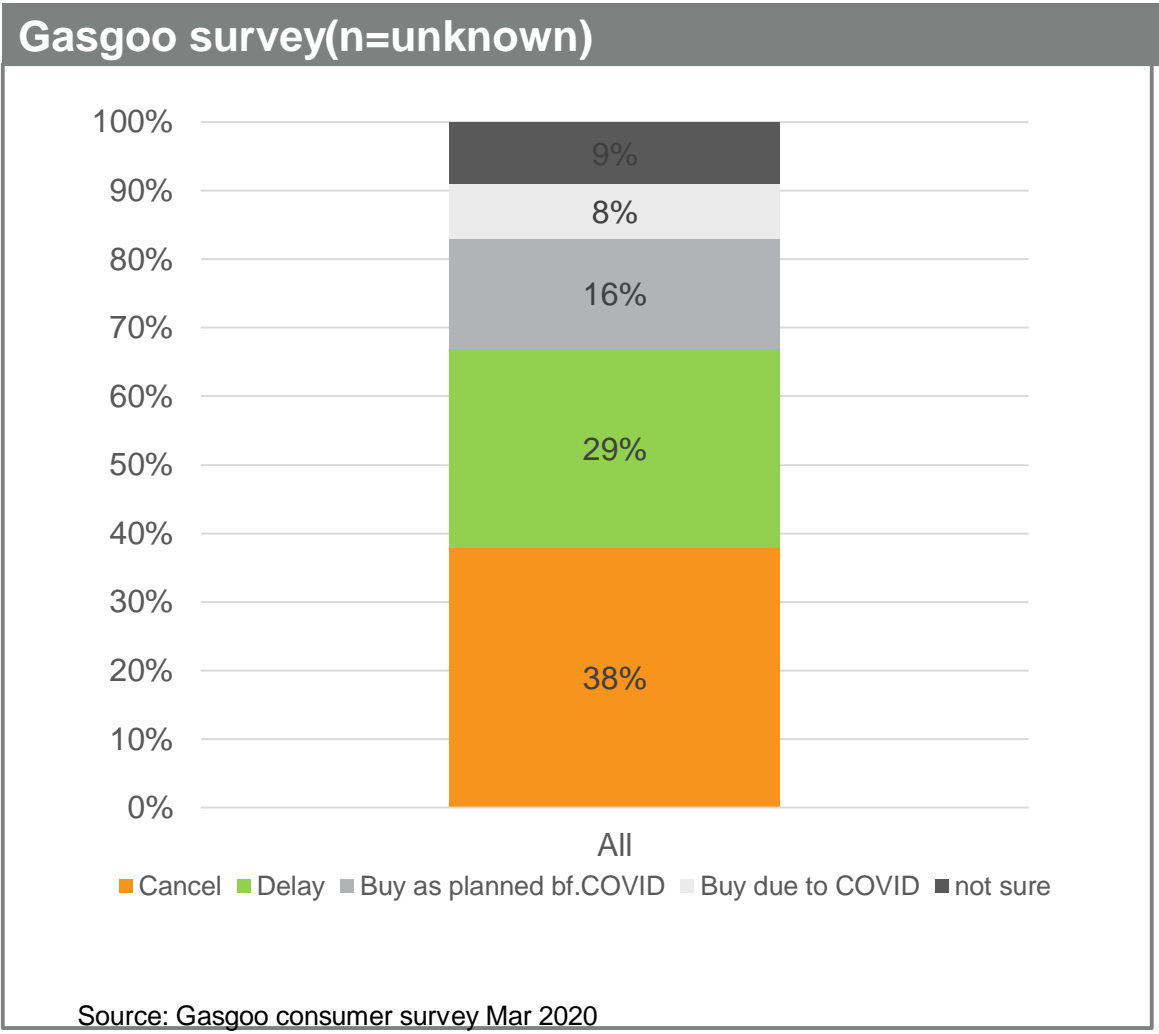
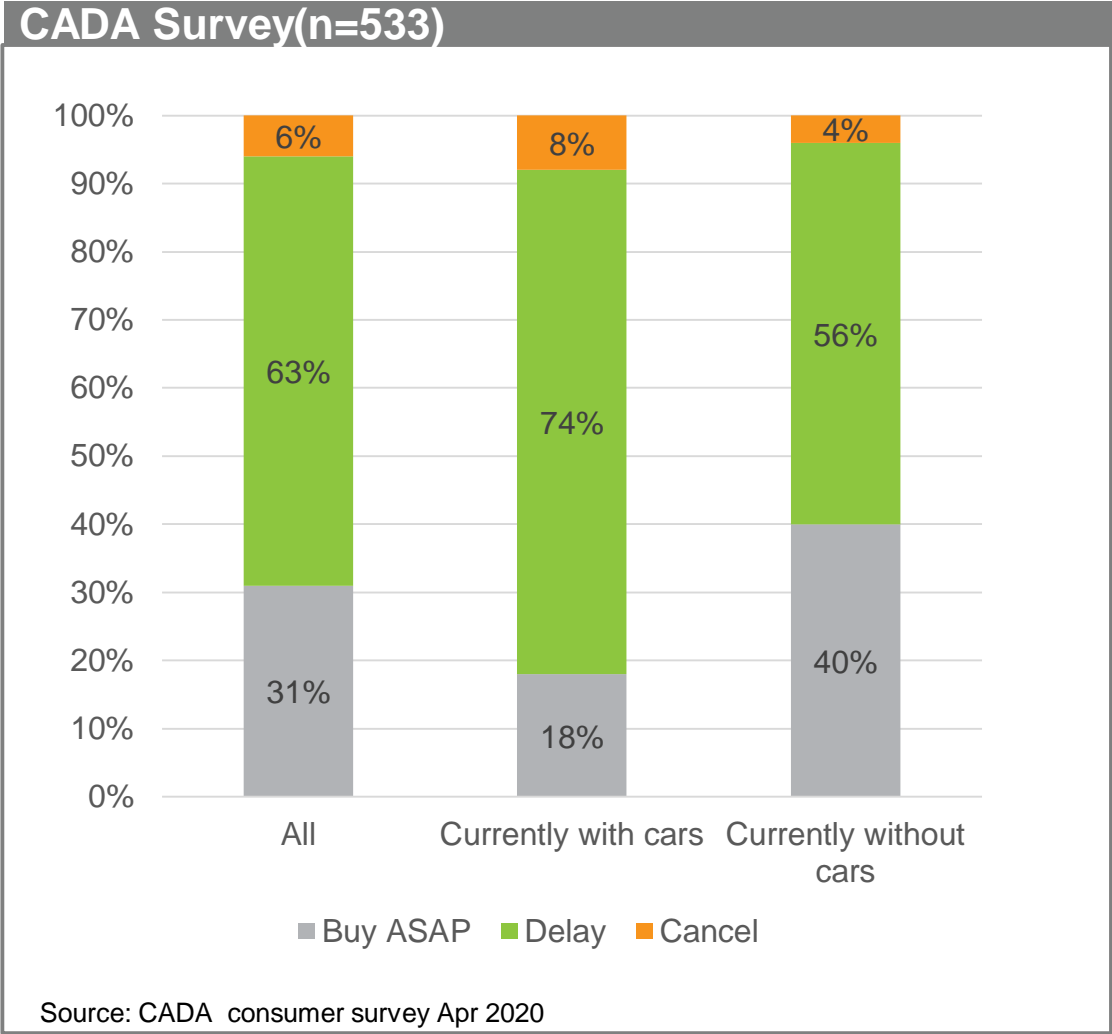


SARS vs COVID-19: low chances of strong rebound in car sales

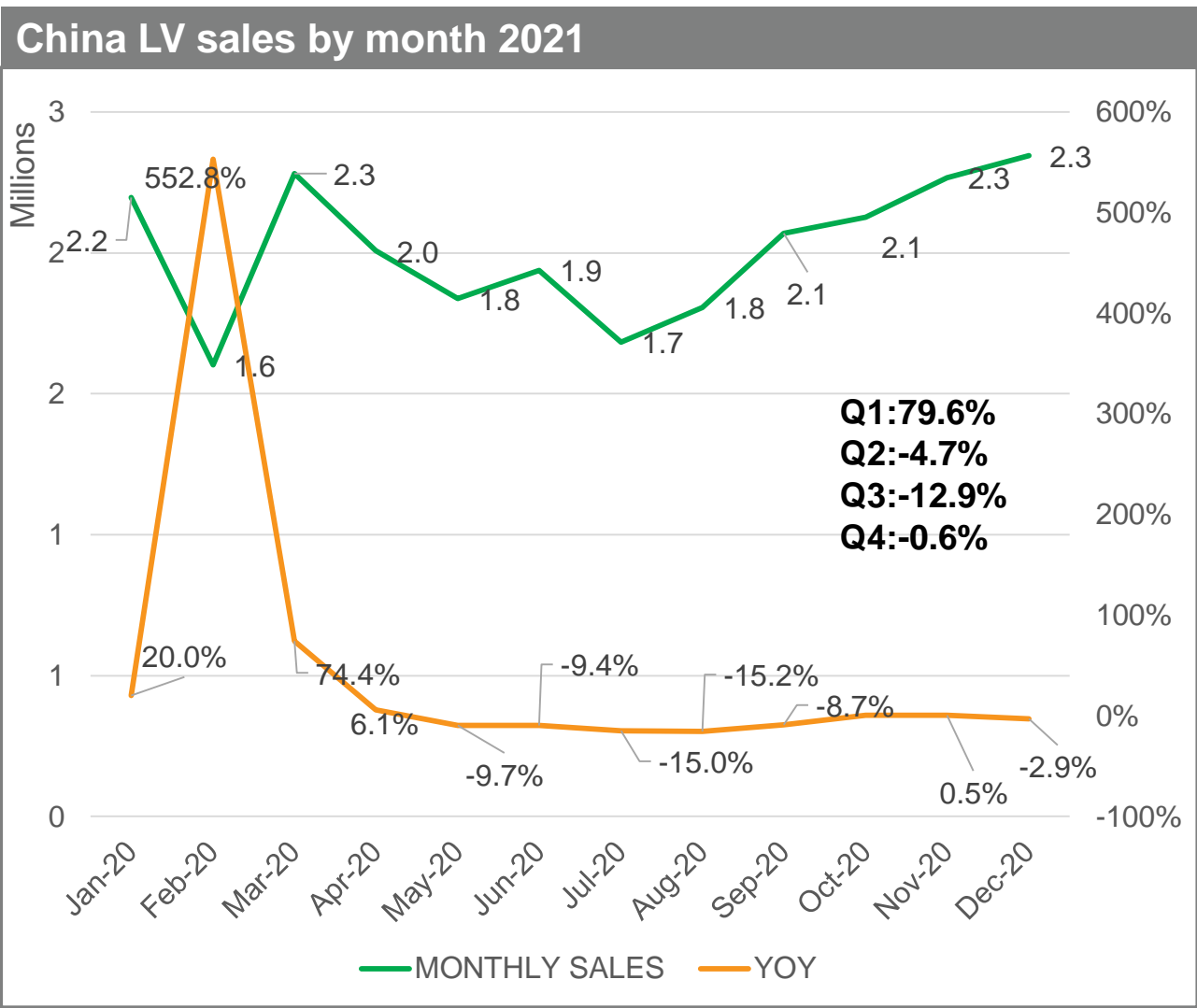
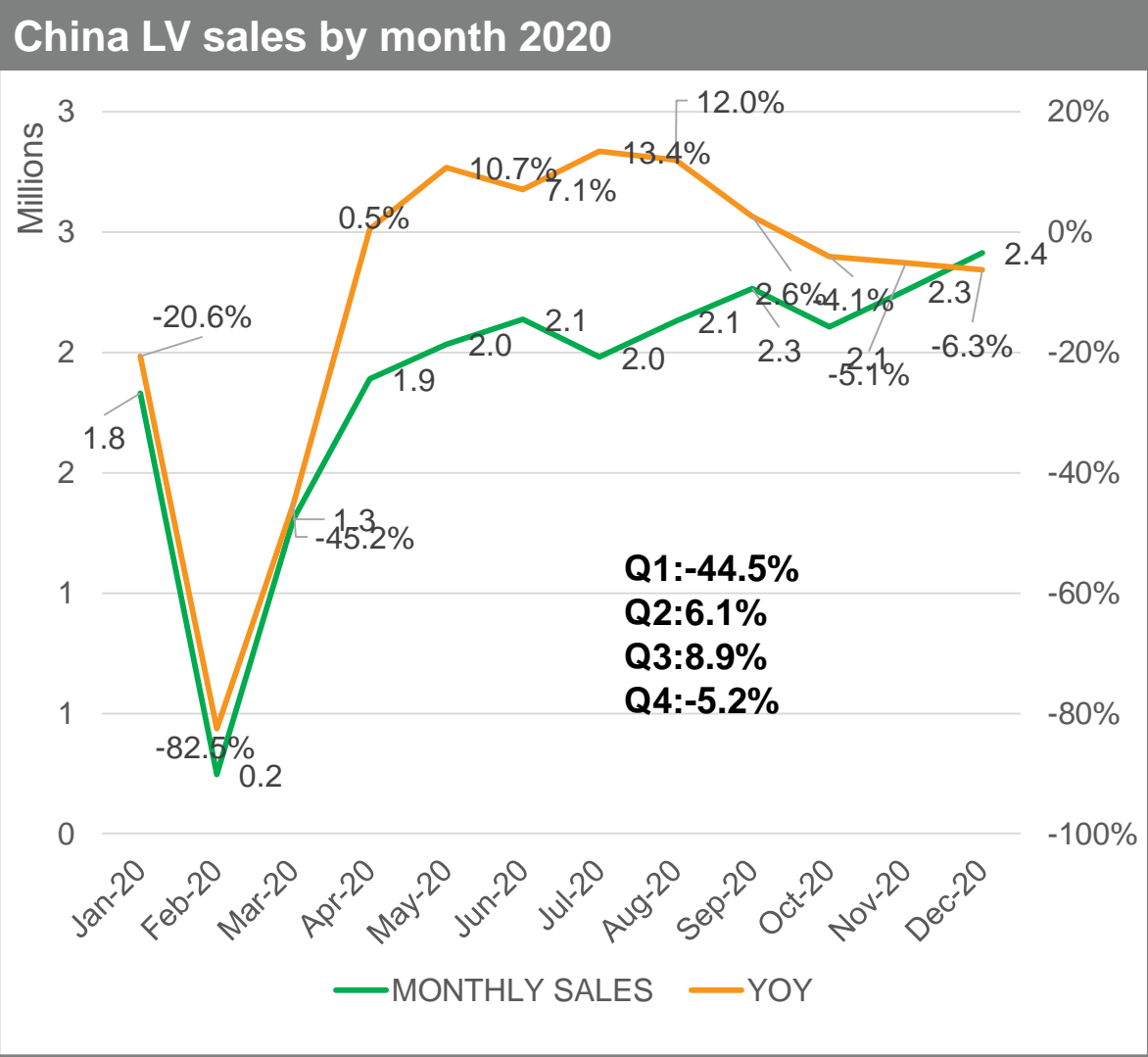


- Outbreak of SARS in 2003 has actually led to strong vehicle demand as aversion to public transport generated strong desire to own a private car. Nonetheless, we don't expect repeat of history as passenger vehicle par density in China in 2019 is 153 units per 1000 people compared to only 5 units in 2002.
- China's economy was on fast track in 2003 as the country is reaping the benefit of international trade after it joined WTO in 2001. By contrast, consumer confidence remained fragile at this stage after being battered by coronavirus outbreak in January in addition to ongoing trade tensions with the US.

How COVID-19 impacts on consumers' willingness to buy cars?

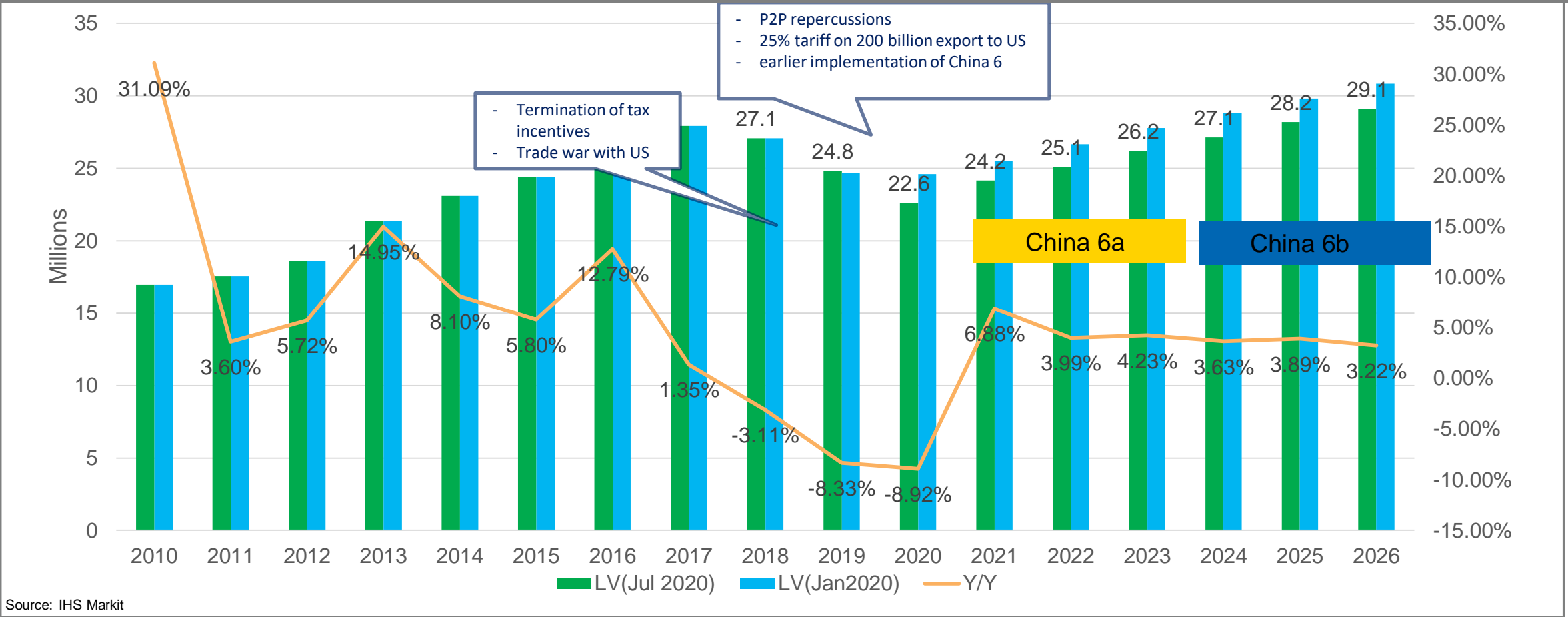


China Light Vehicles by month 2020-2021



China light vehicle sales outlook 2010-2026

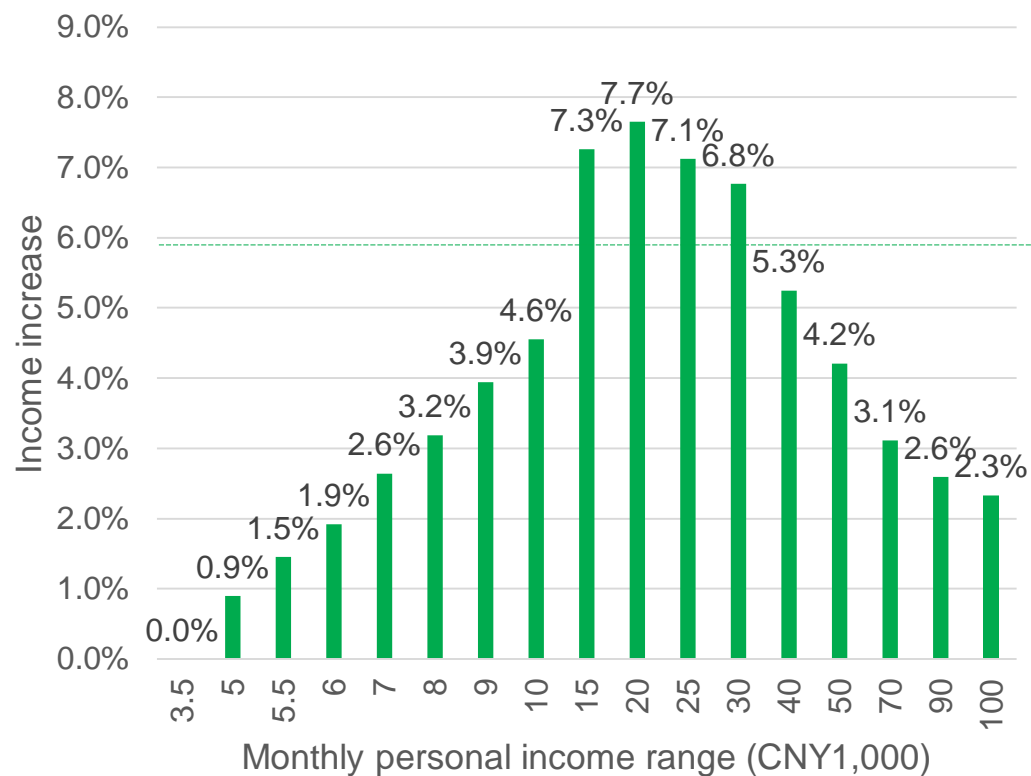
China light vehicle sales 2010-20216



	2020	2021	2022	2023	2024	2025
% Growth YoY	-8.9%	6.9%	4.0%	4.2%	3.6%	3.9%
Vol Delta vs. Pre-Crisis Jan Forecast	-2016200	-1337200	-1534500	-1589511	-1695840	-1639500

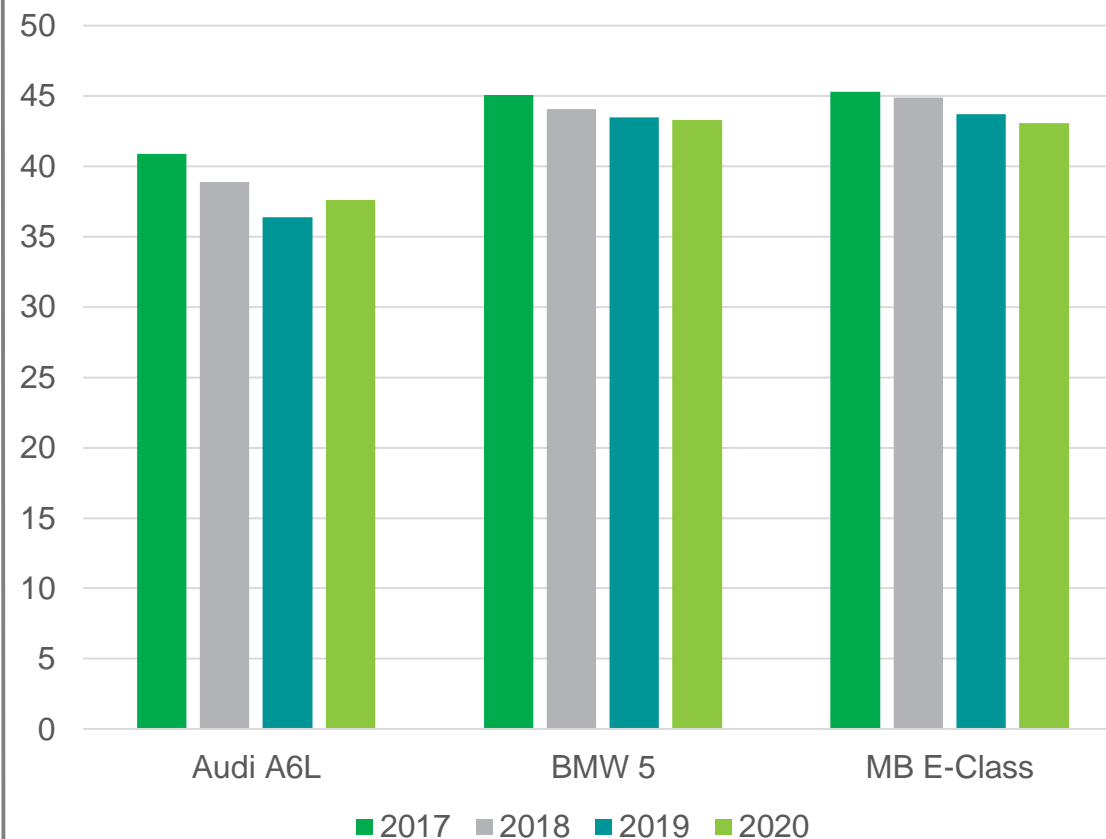
Premium manages to maintain solid momentum regardless of COVID-19

Income increase per new income tax



Source: IHS Markit

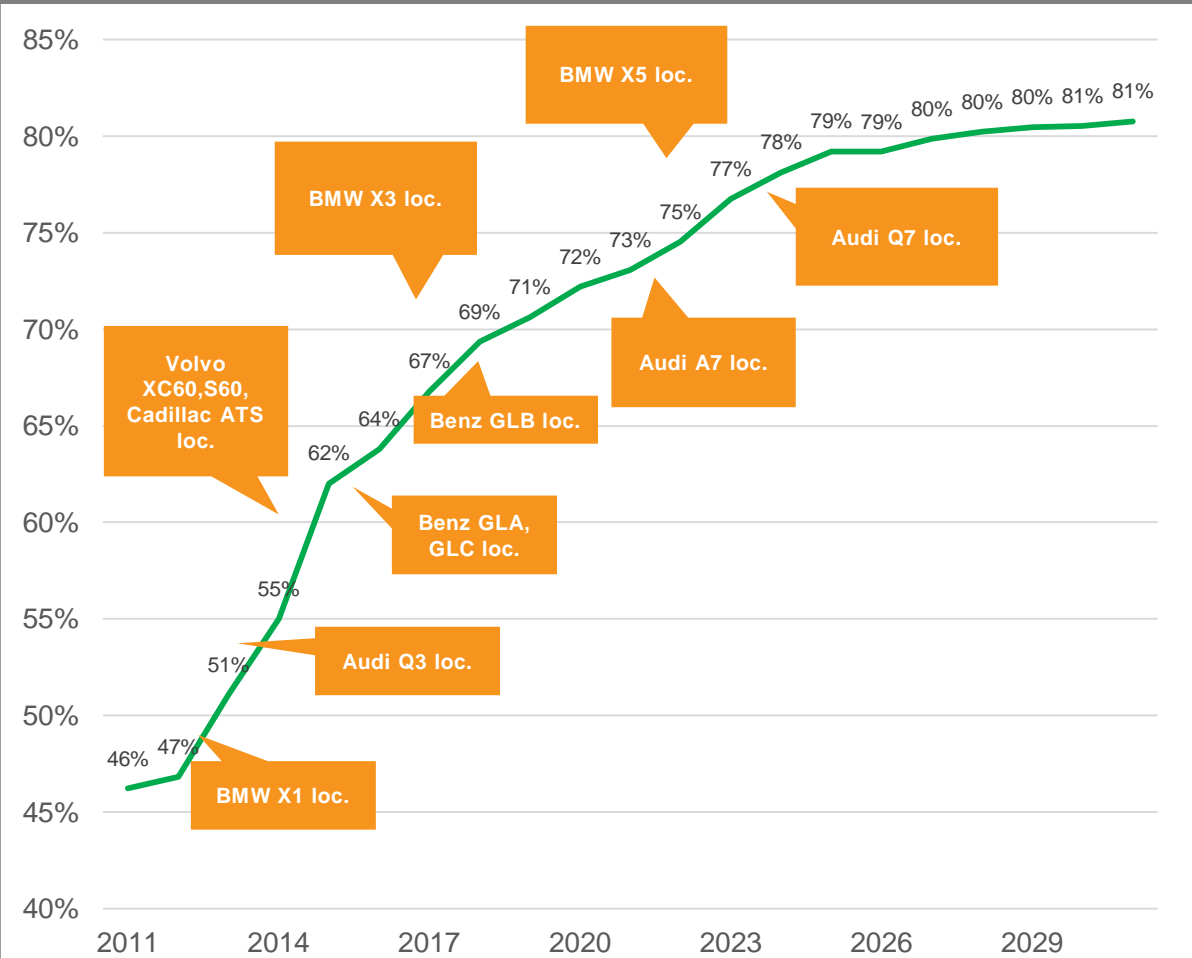
Premium models weight average transaction price



Source: IHS Markit

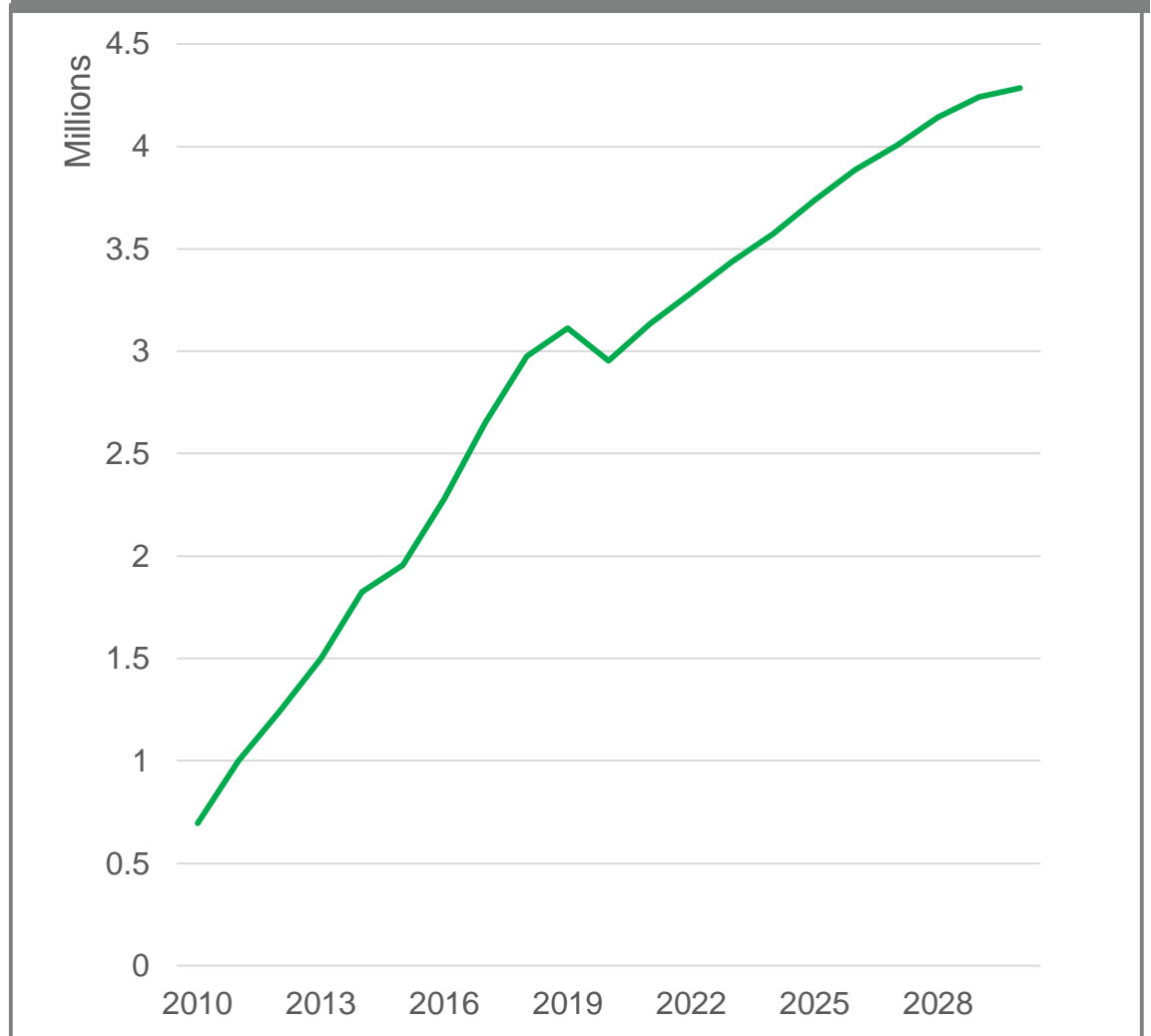
Premium localization rate still on the rise

Premium localization share(as % of premium sales)



Source: IHS Markit

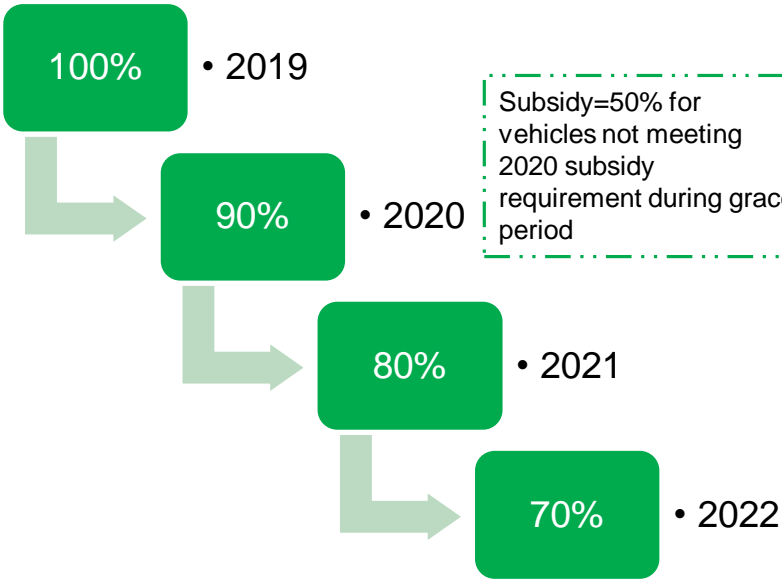
China premium sales in 2010-2030



NEV subsidy would be reduced by 10% annually in 2020-2022



NEV subsidy phase out schedule:
2020 subsidy 10% less vs.2019
2022 subsidy 30% less vs.2019



- Effective from Apr 23, 2020
- Grace period: Apr 23-Jul 22, 2020



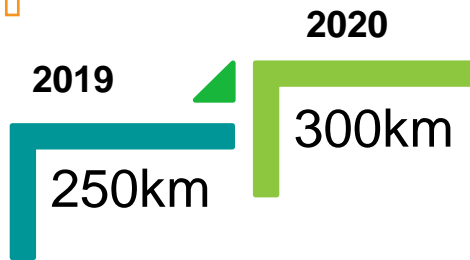
NEV MSRP threshold

≤ RMB 300K

(not applicable to battery swap BEV)



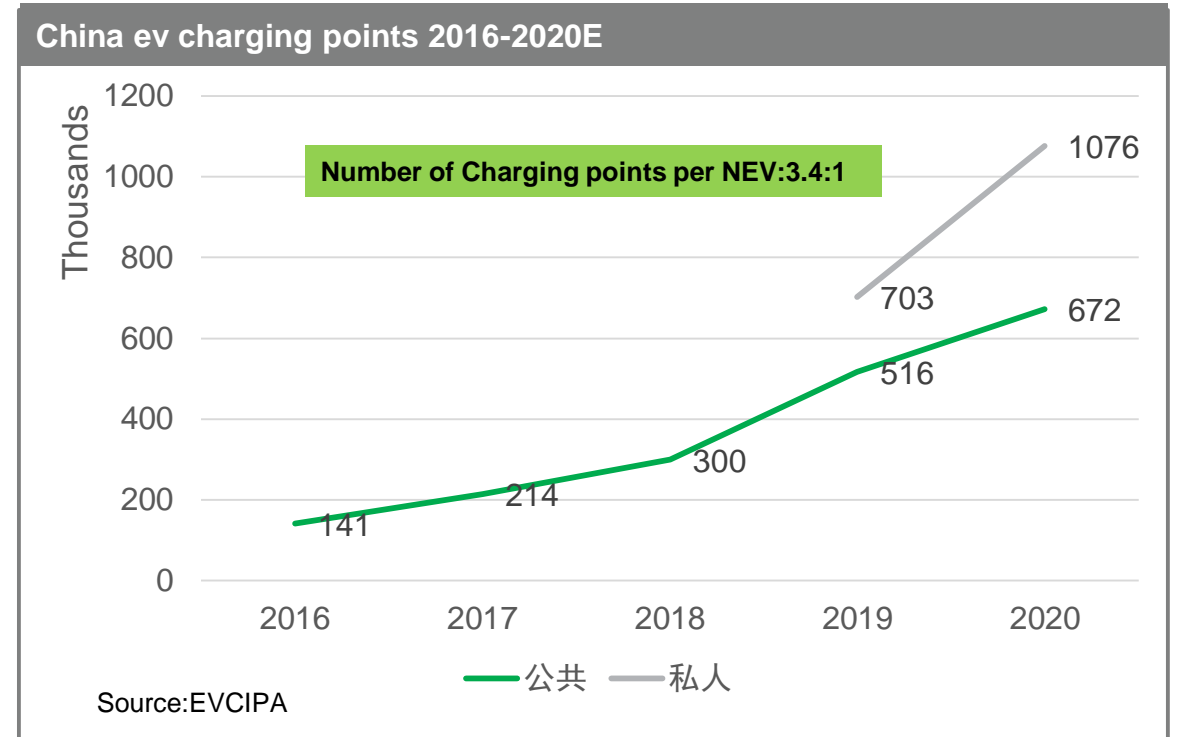
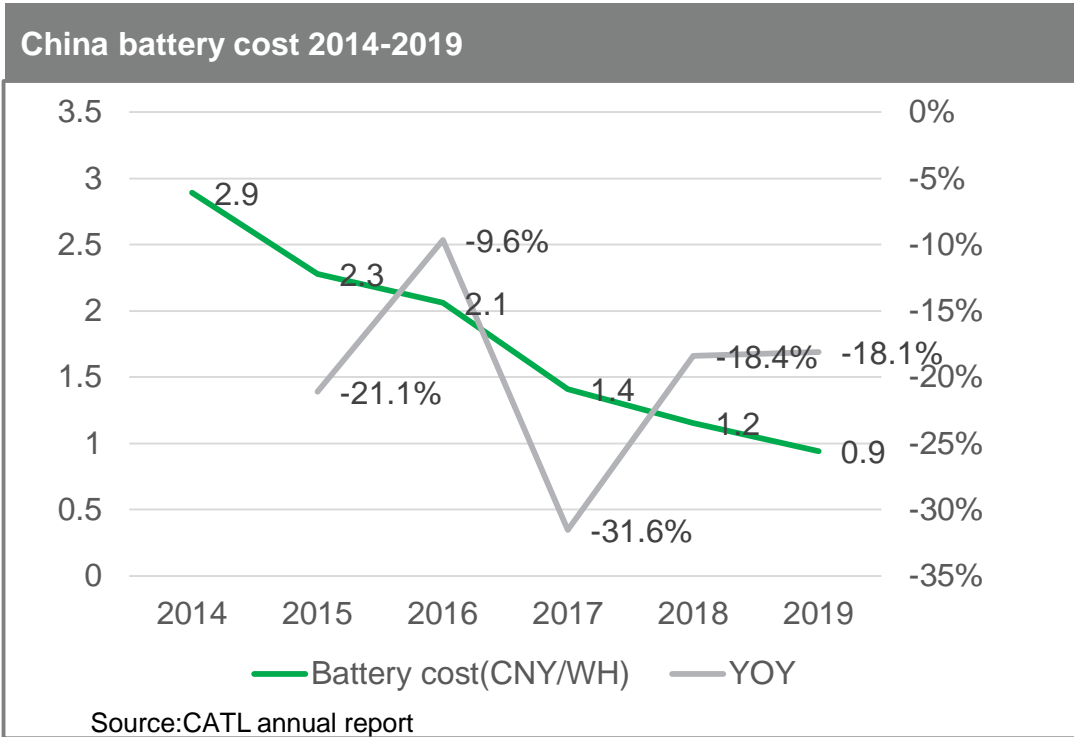
BEV Range threshold



Subsidy=50% for vehicles not meeting 2020 subsidy requirement during grace period

Vehicle Type	Subsidy Reduction
BEV (300km ≤ R < 400km)	16.2K RMB (10% ↓)
BEV (R > 400km)	22.5K RMB (10% ↓)
PHEV (R ≥ 50km)	8.5K RMB (15% ↓)

.....battery cost in sharper decline while EV charging points undergoing fast expansion



Key Factors Takeaways

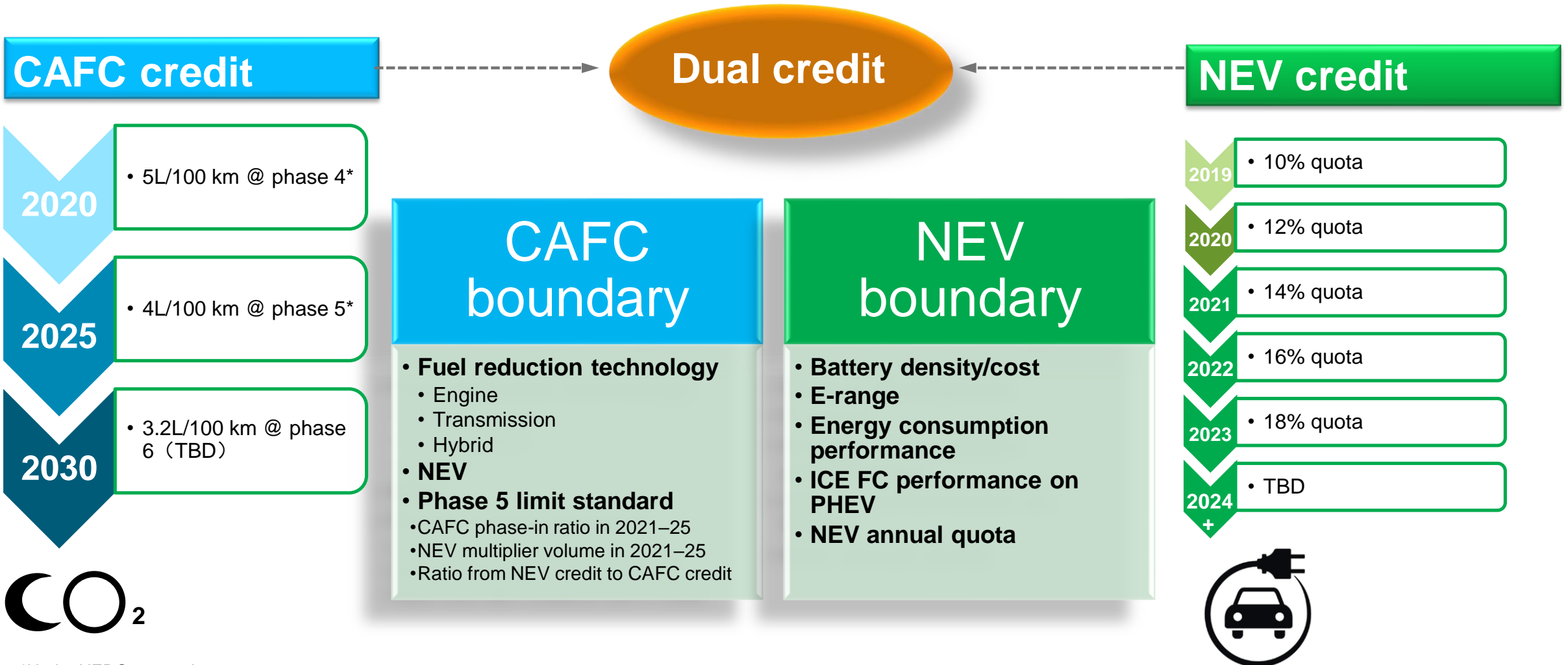
1. Declining Battery cost (CAGR of -20%) for the past 5 years with rising energy density is leading to rising affordability of BEVs
2. Charging infrastructure is growing at exponential rate (CAGR of 47%) for the past 4 years

Effect on the Forecast

- Short-Term
- Mid-Term
- Long-Term

Challenges for powertrain technology

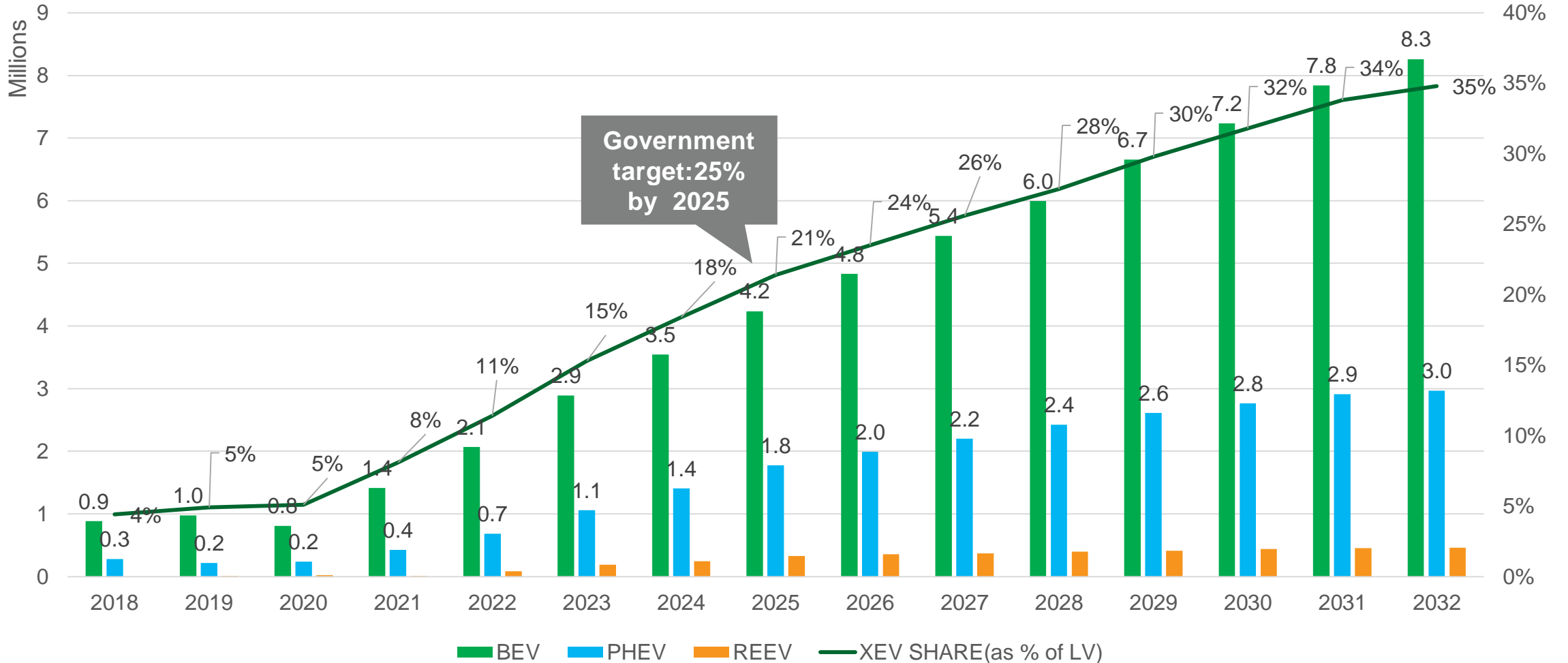
More stringent regulations drive the powertrain technology to move forward



*Under NEDC test cycle

China's CO₂ technology landscape, xEV will be considered as major contributor in medium term

xEV outlook 2018-2032



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