5 Dec 2025

CMB International Global Markets | Equity Research | Sector Update

Auto

2026 Outlook: Second half of the NEV match

OUTPERFORM (Maintain)

Both passenger vehicle (PV) retail sales and wholesale volumes in China are likely to hit new highs in 2025E. That, along with trade-in subsidy and purchase-tax saving phase-out, could make 2026 interesting and complex.

- **Resilient industry growth despite subsidy cuts**. We project China's PV retail sales volume to be largely flat YoY and wholesale volume to rise 2.9% YoY in 2026E, despite subsidy cuts. We are probably a bit more positive than the market on China's auto sales resilience, and we do not rule out the possibility of new stimulus measures if 1H26 sales volume is weak. We project China's passenger new-energy vehicle (NEV) retail sales volume to rise 15.5% YoY to 14.93mn units in 2026E, with a market share of 61.8%, aided by a plethora of new models. We forecast passenger NEV wholesale volume to rise 18.5% YoY to 18.50mn units (a market share of 59.2%) in 2026E, as we project China's NEV export volume to rise 40% YoY, lifting overseas' NEV sales in 2026.
- **Key trends in 2026**. We expect competition in China's auto industry to be even stiffer in 2026, with a possible all-time high number of new models in 2026E. Some automakers have benefited from an aggressive pricing strategy, which pushes more peers to follow suit, as Chinese consumers pursue value-for-money with diminishing brand loyalty. We project Chinese brands to continue gaining market share in 2026E, while we may start to see more competitive NEV models from foreign brands from next year. We expect battery price to increase in 2026 on a more positive outlook for energy storage batteries. That could dent automakers' margins. We also project PHEV to regain traction in 2026 amid trade-in subsidy phase-out, more PHEV models and possible battery price hikes.
- **Investment thesis**. We are more concerned about competition and possible battery price hikes for China's auto industry in 2026, rather than industry sales volume slowdown. We are of the view that NEV competition in China could enter the 2nd half in 2026 for the following reasons: 1) valuation premium for start-ups may start to narrow with incumbent carmakers; 2) competition may no longer be limited to car making, but also AI, such as robotaxi and robotics; 3) foreign brands accelerate NEV launches with a better understanding of China's NEV market. We think range trading and contrarian bets could be good options in 2026, as winners still change constantly.
- **Top picks**. Geely is our top pick for Chinese automakers. We believe strong NEV sales volume growth could continue in 2026, as it still has room for new models in 2026 to complete a comprehensive NEV model line-up. Higher sales contribution from high-margin models launched in 2H25, along with NEV export acceleration, could lift margins. We also find its valuation attractive compared with its peers. Zenergy could be overlooked by investors given its IPO in Apr 2025. It has achieved an industry-leading gross margin as a latecomer, aided by its minimal legacy burden and superb operational efficiency. We expect its client mix to improve in 2026 with higher revenue from GAC Toyota, VW and SAIC Motor, which could lift margins. It may also benefit from a possible battery price hike in 2026.

China Auto Sector

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Xpeng	XPEV US	BUY	29
Xpeng	9868 HK	BUY	113
Geely	175 HK	BUY	25
GWM	2333 HK	BUY	20
GWM	601633 CH	BUY	28
BYD	1211 HK	BUY	125
BYD	002594 CH	BUY	125
GAC	2238 HK	BUY	4.3
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	73
Yongda	3669 HK	BUY	2.5
Meidong	1268 HK	BUY	2.8
Tuhu	9690 HK	BUY	23
Minth	425 HK	BUY	38
Zenergy	3677 HK	BUY	18
EVA	838 HK	BUY	1.3
Li Auto	LI US	HOLD	18
Li Auto	2015 HK	HOLD	70
NIO	NIO US	HOLD	6.4
NIO	9866 HK	HOLD	50

Source: Bloomberg, CMBIGM

Related Reports:

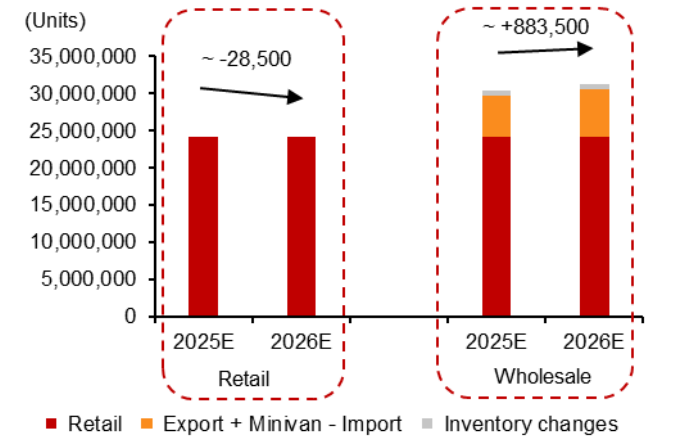
"China Auto Sector - 2025 Outlook: Likely a replica of 2024, but more" – 6 Dec 2024

"China Auto Sector - 2024 Outlook: Competition pushes technological advancement, overseas expansion" – 30 Nov 2023

"China Auto Sector - 2023 Outlook: A critical year for long-term survival" – 7 Dec 2022

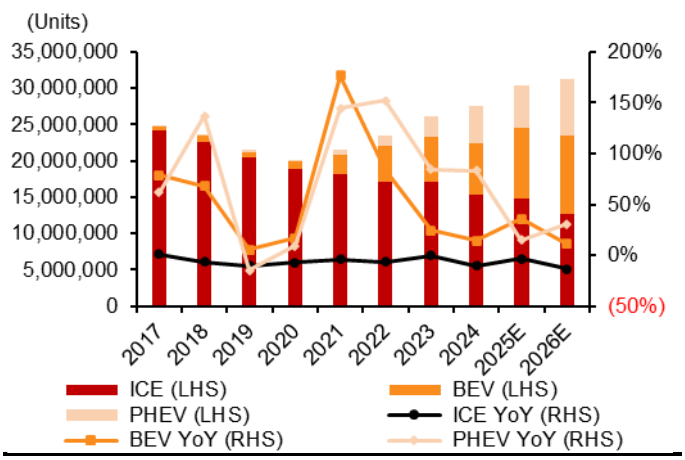
Focus Charts

Figure 1: Retail vs. wholesale volume in 2025-26E



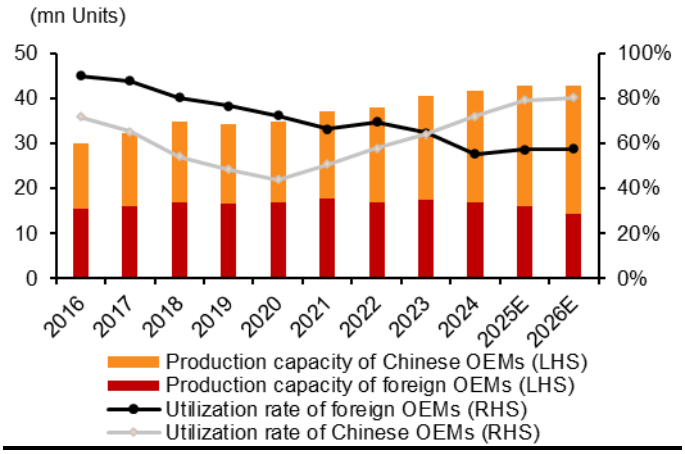
Source: CAAM, CATARC, CMBIGM estimates

Figure 2: China's PV wholesale volume breakdown



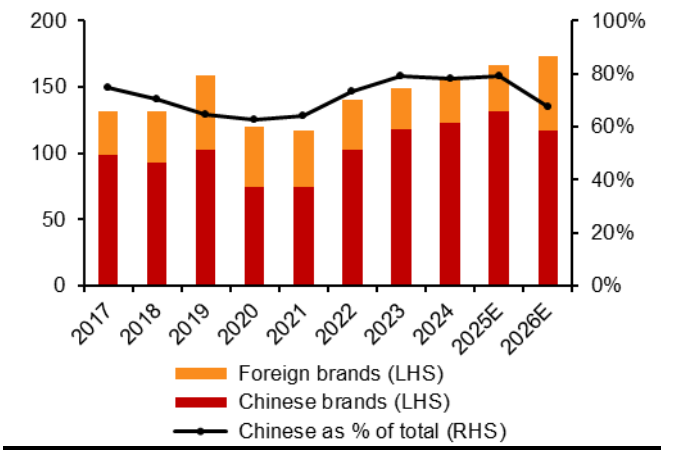
Source: CAAM, CMBIGM estimates

Figure 3: PV production capacity and utilization rate



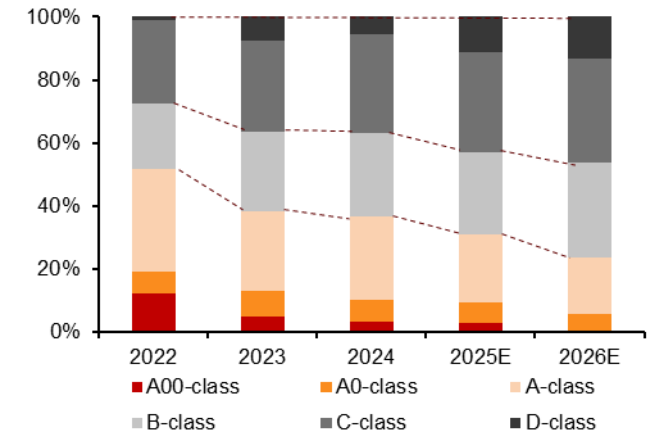
Source: Company data, CAAM, Marklines, CMBIGM estimates

Figure 4: No. of new models by brand origin



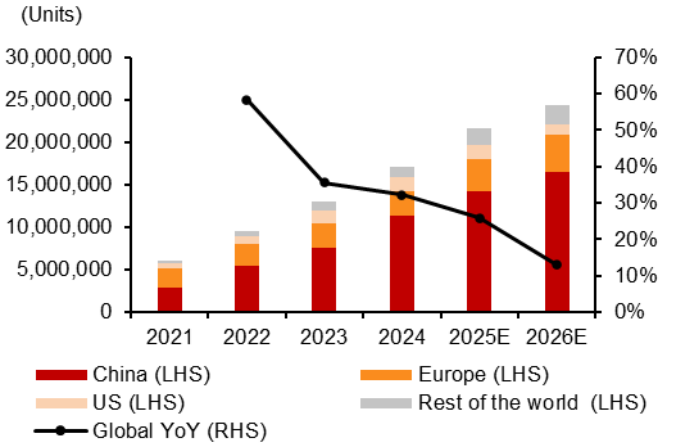
Source: Company data, CMBIGM estimates

Figure 5: Breakdown of new NEV models by size



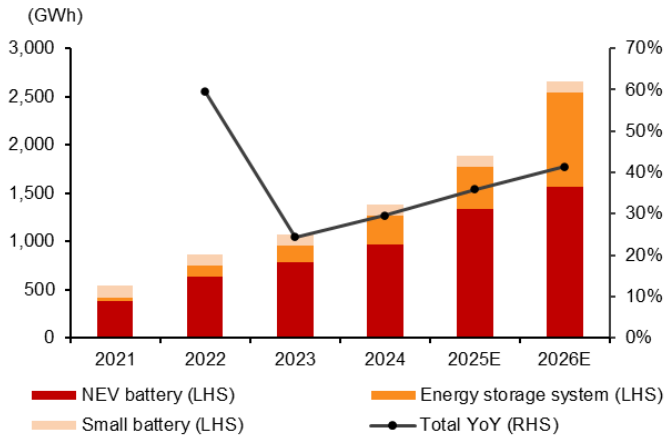
Source: Company data, CMBIGM estimates

Figure 6: Global NEV sales volume forecast



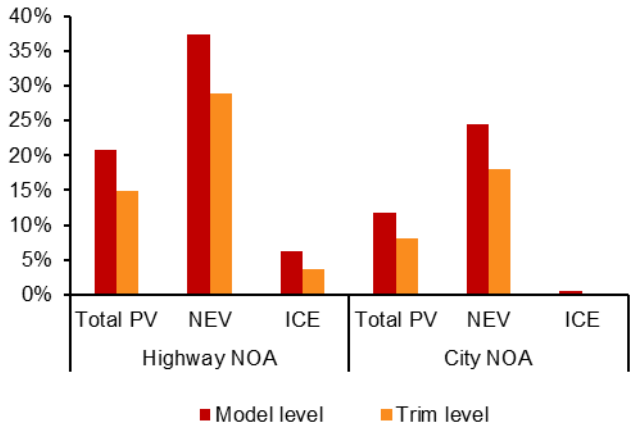
Source: Marklines, CMBIGM estimates

Figure 7: Global lithium-ion battery sales forecast



Source: GGII, Frost & Sullivan, EV Tank, CMBIGM estimates

Figure 8: Highway and city NOA penetration rate



Source: Autohome, CMBIGM

Figure 9: Our forecast for Chinese brands' potential overseas market size in the medium term

Regions (excl. China)	Total annual sales (units)	Our market share assumption for Chinese brands	Potential annual market size for Chinese brands (units)	Current EV market share in each region
US	16,600,000	0%	0	8%
Japan, South Korea and India	11,900,000	4%	458,000	6%
Western Europe with own brands	9,400,000	9%	860,000	29%
Latin America	6,000,000	25%	1,500,000	7%
MENA	4,800,000	25%	1,200,000	3%
Western Europe without own brands	3,400,000	15%	509,000	31%
Southeast Asia	3,300,000	25%	825,000	13%
Canada	1,900,000	2%	38,000	5%
Central Europe	1,800,000	25%	450,000	10%
Russia	1,550,000	40%	620,000	1%
Oceania	1,400,000	30%	420,000	12%
Northern Europe	800,000	20%	160,000	64%
Central Asia	800,000	35%	280,000	6%
Eastern Europe (excl. Russia)	200,000	30%	60,000	1%
Others	1,400,000	30%	420,000	5%
Total	**65,250,000**	**12%**	**7,800,000**	

Source: Marklines, CMBIGM estimates

Contents

Investment Thesis and Top Picks

- **Industry sales volume slowdown may have limited impact on stock prices, despite our more positive view on China's auto industry resilience**

We are probably a bit more positive than the market in projecting China's industrywide sales in 2026, as we expect PV retail sales volume to be flat YoY and wholesale volume to rise 2.9% YoY next year, despite possible all-time highs for both retail and wholesale volume in 2025 and subsidy phase-out in 2026. We believe vehicle consumption's importance to China's economy, more new model rollouts with accelerated facelifts and steady-state PV demand are key factors to support China auto sales resilience. We also think new stimulus measures are possible, if 1H26 auto sales volume turns out to be weak.

On the other hand, we are of the view that industrywide sales volume growth now has limited impact on automotive players' stock performance, based on historical data in the past few years. In fact, the market's pessimistic views on industry sales volume may provide room to beat expectation, which matters more on stock performance.

- **Competition, battery price hikes are our key concerns for 2026**

Compared with possible industry sales volume slowdown, we are more concerned about competition, which is likely to be even stiffer in 2026. Competition has outweighed macro- or industry-level factors in recent years, in our view, which has resulted in larger stock performance divergence among different players. Number of new models is likely to hit a new high of 173 in 2026E, based on the data we have compiled, higher than 167 in 2025E and 157 in 2024. Moreover, some automakers have benefited from an aggressive pricing strategy, which pushes more automakers to follow suit, as Chinese consumers pursue value-for-money vehicles across all the sizes and price ranges with diminishing brand loyalty.

Possible battery price hikes, resulted from a more positive outlook for energy storage batteries, may have not been fully priced in yet, in our view. That may benefit battery makers but dent automakers' margins, although we believe such cost burden is still manageable by OEMs given more reasonable price hikes compared with 2022.

- **Range trading still works as winners change constantly**

Previous market leaders including BYD, Tesla and Li Auto lost market share to Xiaomi, Xpeng, Geely and Leapmotor this year, meaning a stable industry landscape is still far away. Such market share shift occurred in 2021-23 between traditional automakers and start-ups or even within start-ups, and we believe that could occur again in the future. We think that the market sometimes could overprice current winners by using linear extrapolation. We believe focusing on the sales volume growth sustainability could be more important, with detailed analysis on new models' competitive edge and marginal effect for the current model line-ups. Contrarian bets could also be a good option in auto stock trading in 2026.

- **Perception gap between incumbent carmakers and start-ups to narrow**

Investors have given valuation premiums to start-up carmakers for the past few years, as they expected higher sales growth potential, especially with their new technologies and mentality during the transformation. We believe such valuation premiums could be narrowed gradually, as the leading start-ups have been established for around 10 years and now have a sizable annual sales volume of about 0.4mn-1.0mn units with lower growth potential. Most of them have turned profitable or are close to breakeven. Incumbent players have been catching up by learning start-ups' technologies and marketing strategies.

- **Competition may no longer be limited to cars, and thus catalysts could be more diversified**

AI capabilities led by autonomous driving technologies and humanoid robots fuelled automotive players' share prices this year, especially for players like Xpeng and Sanhua (002050 CH/2050 HK, NR). Li Auto is set to transform itself to an AI device company, probably as it has realized that the barrier for car making is still too low. We are of the view

that automakers, especially those with leading autonomous driving technologies, are well positioned in the humanoid robot industry, as the VLA (Vision Language Action) model utilized in the autonomous driving data training could fit well in humanoid robot's AI development. We expect catalysts for automotive players' share prices to be more diversified in 2026, not only limited to new-model sales, earnings, stimulus measures etc.

■ **Foreign brands start to understand China NEV market better**

Although we do not expect foreign brands to gain market share in 2026E, we may start to see more competitive NEV models from next year. The Toyota *bZ3X* BEV and Nissan *N7* BEV are good lessons for foreign automakers to better understand China's NEV market, including pricing strategy and utilization of local partners' technologies and parts procurement. We expect VW to launch 10 new NEV models in 2026E, which could be more competitive than its previous ID series. The sales performance of those more "localized" models could be key to foreign brands' market share from 2027 and onwards.

■ **Top picks: Geely, Zenergy**

Geely is our top pick for Chinese automakers, with key reasons as below: 1) Geely has found the key to NEVs' successful launches with almost all the recent new models being well received. Yet, it still has room for new models in 2026 to complete a comprehensive NEV model line-up, which will extend its strong sales volume growth at least into 2026. 2) Improving product mix from the full-year sales contribution of the high-margin models, Zeekr *9X* and Galaxy *M9,* could lift Geely's gross margin in 2026E. 3) NEV export acceleration could also lift sales volume and margins in 2026E. 4) Attractive valuation.

Zenergy could be overlooked by investors given its IPO in Apr 2025 and investors all eye on CATL (300750 CH/3750 HK, NR). We list key reasons as below: 1) It has a much lower legacy burden than most of its peers. That, along with its management's priority to enhance manufacturing efficiency through standardized cells and platform-based packs, has lifted its gross margin to an industry-leading level as a latecomer, just after CATL. 2) Leapmotor's strong sales growth has aided Zenergy's sales and gross margin in 2025, while improving client mix including new clients like GAC Toyota, VW and SAIC Motor will not only fuel its sales, but also margins. 3) Possible battery price hikes could benefit battery makers. 4) Growth for lithium-ion batteries is still solid and Zenergy now only accounts for about 2% of China's market, which implies huge room for growth.

Figure 10: Peers' valuation

Company	Ticker	Rating	Mkt Cap (US$ mn)	Price (LC)	TP (LC)	P/E (x) FY25E	P/E (x) FY26E	P/S (x) FY25E	P/S (x) FY26E	ROE (%) FY25E	ROE (%) FY26E
Li Auto	LI US	HOLD	19,375	18.1	18.0	165.1	40.9	1.2	1.1	1.2	4.5
Li Auto	2015 HK	HOLD	19,182	69.8	70.0	163.5	40.4	1.2	1.0	1.2	4.5
NIO	NIO US	HOLD	12,441	5.0	6.4	N/A	N/A	1.0	0.6	N/A	N/A
NIO	9866 HK	HOLD	12,411	39.1	50.0	N/A	N/A	1.0	0.6	N/A	N/A
Xpeng	XPEV US	BUY	18,773	19.7	29	N/A	32.2	1.7	1.2	(4.5)	12.6
Xpeng	9868 HK	BUY	18,498	75.4	113	N/A	31.7	1.7	1.2	(4.5)	12.6
Leapmotor	9863 HK	BUY	9,202	53.0	73	75.6	18.5	1.0	0.7	7.2	22.0
Tesla	TSLA US	NR	1,427,575	429.2	N/A	259.4	188.7	15.0	13.2	6.7	7.7
		Average				**164.3**	**36.3**	**1.3**	**1.0**	**1.2**	**8.6**

Company	Ticker	Rating	Mkt Cap (RMB mn)	Price (LC)	TP (LC)	P/E (x) FY25E	P/E (x) FY26E	P/S (x) FY25E	P/S (x) FY26E	ROE (%) FY25E	ROE (%) FY26E
Geely	175 HK	BUY	155,189	16.9	25.0	8.9	7.7	0.4	0.4	19.7	20.5
BYD	1211 HK	BUY	812,025	98.2	125.0	24.1	18.5	1.0	0.9	15.4	16.3
BYD	002594 CH	BUY	866,590	95.1	125.0	25.7	19.8	1.1	0.9	15.4	16.3
Great Wall	2333 HK	BUY	112,526	14.5	20.0	10.0	8.5	0.5	0.4	13.6	14.2
Great Wall	601633 CH	BUY	186,818	21.8	28.0	16.6	14.1	0.8	0.7	13.6	14.2
GAC	2238 HK	BUY	38,401	4.2	4.3	N/A	N/A	0.4	0.4	(3.7)	(1.6)
GAC	601238 CH	BUY	90,346	8.9	10.0	N/A	N/A	1.0	0.8	(3.7)	(1.6)
Yongda	3669 HK	BUY	2,912	1.7	2.5	N/A	13.5	0.1	0.1	(26.7)	2.0
Meidong	1268 HK	BUY	1,906	1.6	2.8	N/A	9.5	0.1	0.1	(28.7)	9.4
Tuhu	9690 HK	BUY	12,354	16.5	23.0	22.1	17.5	0.8	0.7	10.7	11.6
Minth	425 HK	BUY	34,660	32.8	38.0	13.0	11.3	1.3	1.2	12.4	12.9
Zenergy	3677 HK	BUY	20,862	9.0	18.0	36.6	16.0	2.7	1.5	8.5	16.0
EVA	838 HK	BUY	1,429	0.9	1.3	5.7	4.9	0.2	0.2	8.6	9.3
		Average				**9.8**	**5.1**	**0.8**	**0.6**	**4.2**	**10.7**

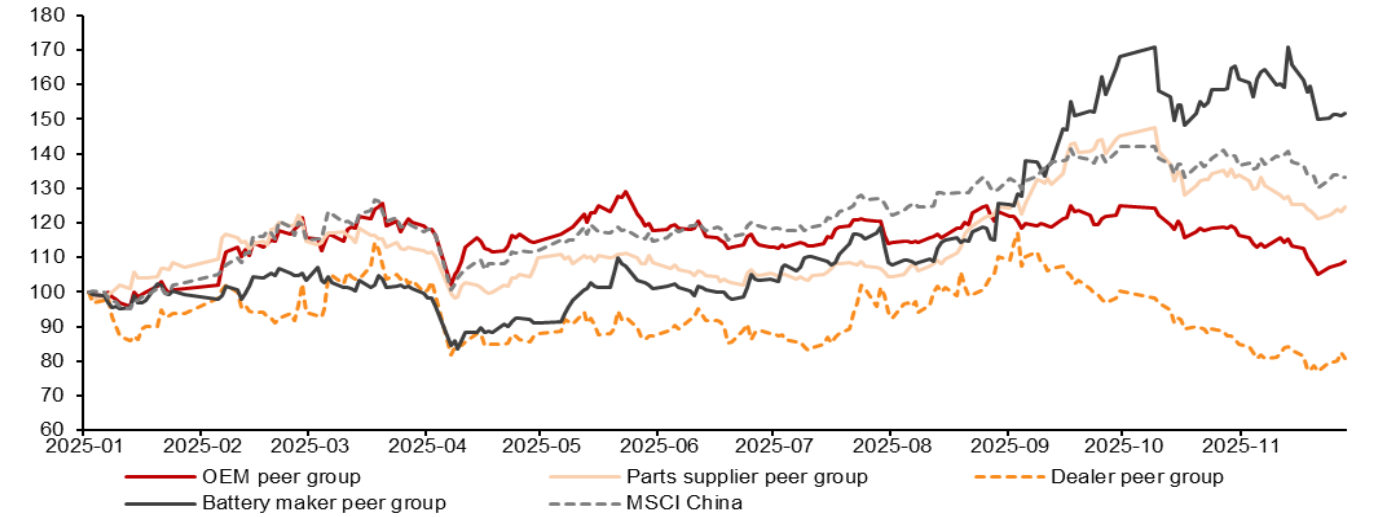
Source: Bloomberg, CMBIGM estimates. Note: Market data as of 3 Dec 2025

Share Performance in 2025

Battery makers outperformed again; OEMs and auto parts saw positive absolute returns

We have created four market cap-weighted peer groups to review the share performance in the first 11 months of 2025 for different players along the automotive value chain: OEMs, dealers, parts suppliers and battery makers. The overall stock performance YTD largely mirrored the patterns last year: a rebound occurred in Sep, with only the battery-maker group outperforming MSCI China (+19ppts YTD), while the dealer peer group underperformed the most (-52ppts YTD).

Figure 11: Share performance for different automotive peer groups YTD (rebased to 1 Jan 2025)



Source: Bloomberg, CMBIGM
Notes: OEM peer group consists of Li Auto, NIO, Xpeng, BYD, Geely, Great Wall, GAC, Chery (9973 HK, NR), Leapmotor, Zeekr (ZK US, NR), BAIC (1958 HK, NR), BAIC BluePark (600733 CH, NR), SAIC Group (600104 CH, NR), Changan (000625 CH, NR), Seres (601127 CH, NR), Dongfeng Motor Group (489 HK, NR) and JAC (600418 CH, NR).
Dealer peer group consists of Zhongsheng (881 HK, NR), Meidong and Yongda.
Parts supplier peer group consists of Inovance Technology (300124 CH, NR), Fuyao Glass (600660 CH, NR), HASCO (600741 CH, NR), Xingyu (601799 CH, NR), Desay SV Automotive (002920 CH, NR), Tuopu Group (601689 CH, NR), Minth, and Nexteer (1316 HK, NR) etc..
Battery maker peer group consists of CATL, Eve (300014 CH, NR), Gotion High-Tech (002074 CH, NR), Farasis (688567 CH, NR), Zenergy, REPT (666 HK, NR) and CALB (3931 HK, NR) etc.

■ Battery makers: Rising lithium carbonate price, higher earnings visibility

CATL dominates the battery peer group's performance, as its market cap accounts for over 80% of the segment. Lithium carbonate price rebounded from Jul 2025 from about RMB60,000/metric ton to about RMB93,000/metric ton in Nov 2025. We expect lithium carbonate price to continue rising in 2026E, with detailed reasoning laid out in the section of "Battery price hike risk could be manageable for OEMs in 2026E" in this report.

■ Car dealers: Three-year underperformance

Chinese auto dealers have underperformed other automotive players for three consecutive years. From time to time in 2025, some investors started to think if the worst is over, especially as some leading dealers start to open more NEV stores and traditional luxury automakers become more rational. We do not recommend investors to take the bottom fishing risk now, as we believe dealers are still in the process of the survivor's game.

■ Parts suppliers: benefit more from robotics theme than autos

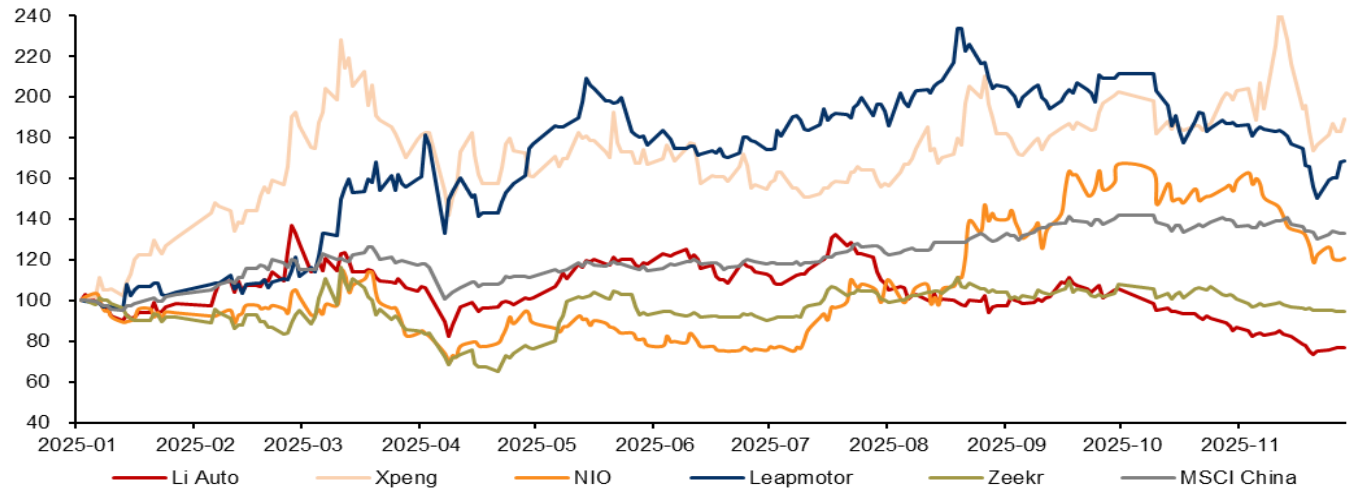
Parts-supplier group started to underperform OEMs in 2Q25, as investors were worried that a prolonged price war may dent suppliers' margins more than OEMs'. The concerns started to ease from 3Q25, as automakers claimed to shorten payable days. More importantly, the humanoid robotics theme fuelled parts suppliers' share price from late 3Q25, which has helped parts suppliers outperform OEMs since Sep 2025.

■ **OEMs: Range trading, stock picking as key amid rising competition**

While OEM peer group's share performance appeared to be stable with a 9% YTD return, divergence among automakers is significant with huge short-term volatility. For instance, BYD and Geely delivered 12% and 19% return, respectively, while NIO, Leapmotor, and Xpeng surged 45%, 77%, and 84%. In contrast, Li Auto's share price fell 24% over the same period.

Share prices of the NEV start-ups continued to be more volatile than traditional automakers. Xpeng had the best share price performance YTD (+84%) among all Chinese NEV start-ups, aided by its strong sales volume with net profit breakeven expectation in 4Q25E and first-mover advantage in humanoid robotics among Chinese automakers. Strong sales volume also lifted Leapmotor's profits and share price in 2025. Despite share price decline in 1H25, NIO's share price rose 45% YTD after the successful launches of the Onvo *L90* and redesigned *ES8*, ending its share price declines since 2021. Li Auto was the worst performer (-24% YTD) among all Chinese carmakers on weaker sales volume and margins.

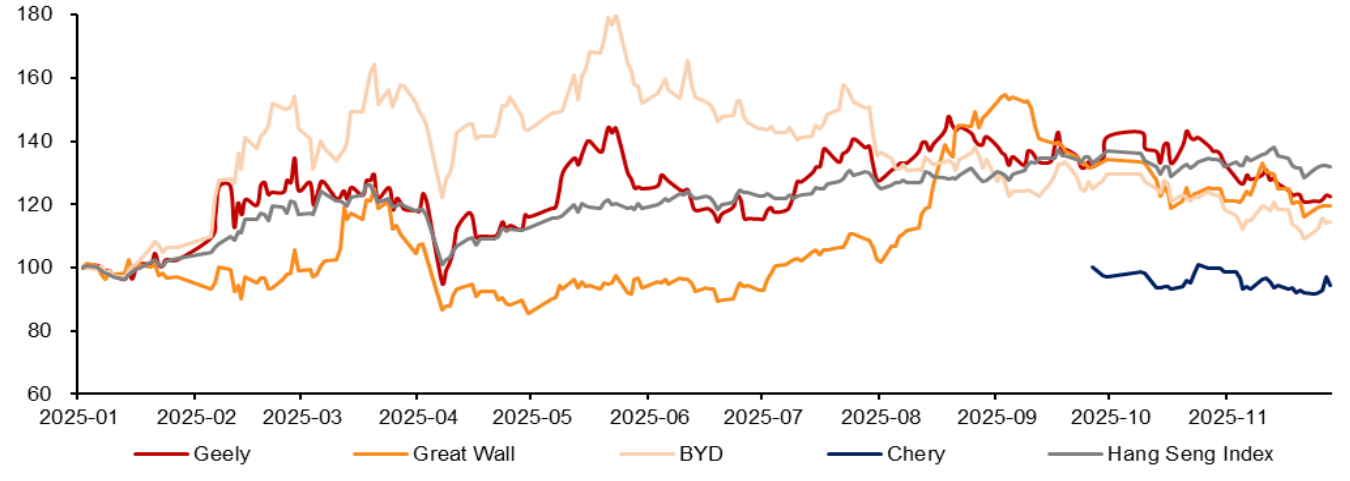
Figure 12: Share prices of NIO, Li Auto, Xpeng, Leapmotor and Zeekr vs. MSCI China (rebased to 1 Jan 2025)



Source: Bloomberg, CMBIGM

The share prices of three HK-listed non-SOE automakers diverged prior to Aug 2025, with BYD outperforming the benchmark and Great Wall underperforming. Share prices of three OEMs started to converge from Aug 2025 when BYD's sales volume and margins deteriorated amid stiffer competition and pessimistic sentiment for 2026. Great Wall's share price rebounded from Aug 2025 with rising sales volume and better model cycle.

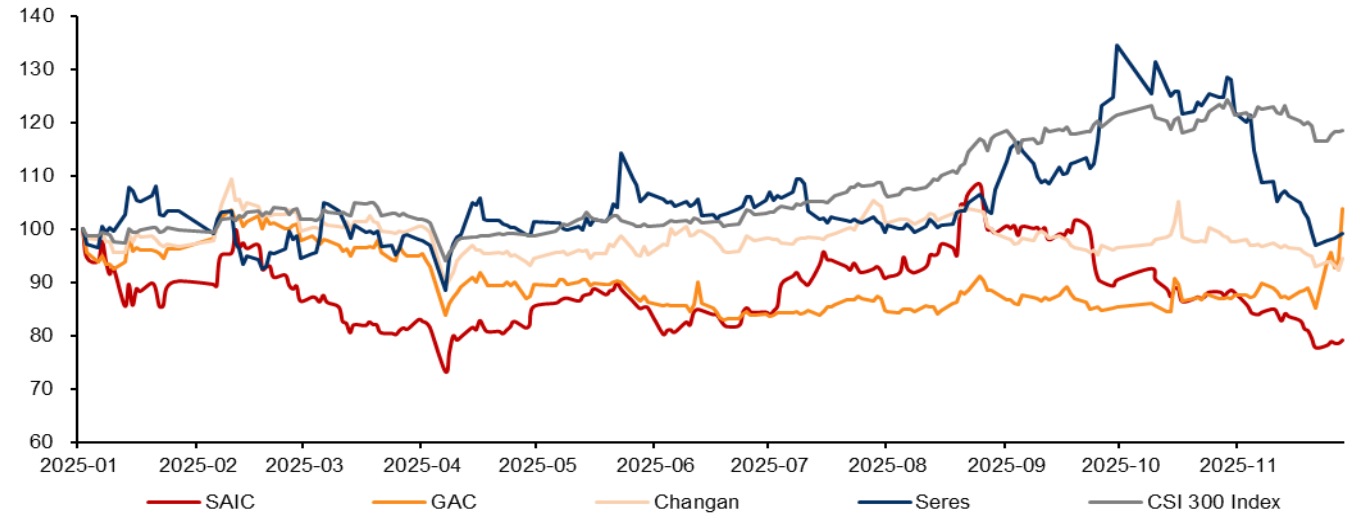
Figure 13: Share prices of Geely, Great Wall, BYD and Chery vs. Hang Seng Index (rebased to 1 Jan 2025)



Source: Bloomberg, CMBIGM

Share price volatilities for automakers primarily listed in A-share also became larger than last year. Seres' share price gained before its H-share IPO on 5 Nov 2025 and fell sharply afterwards. In contrast, GAC was the worst performer prior to Oct 2025 but rebounded significantly in late Nov, as investors anticipate its upcoming solid-state batteries and new models under Qijing, a brand partnered with Huawei.

Figure 14: Share prices of SAIC, GAC, Changan and Seres vs. CSI 300 Index (rebased to 1 Jan 2025)



Source: Bloomberg, CMBIGM

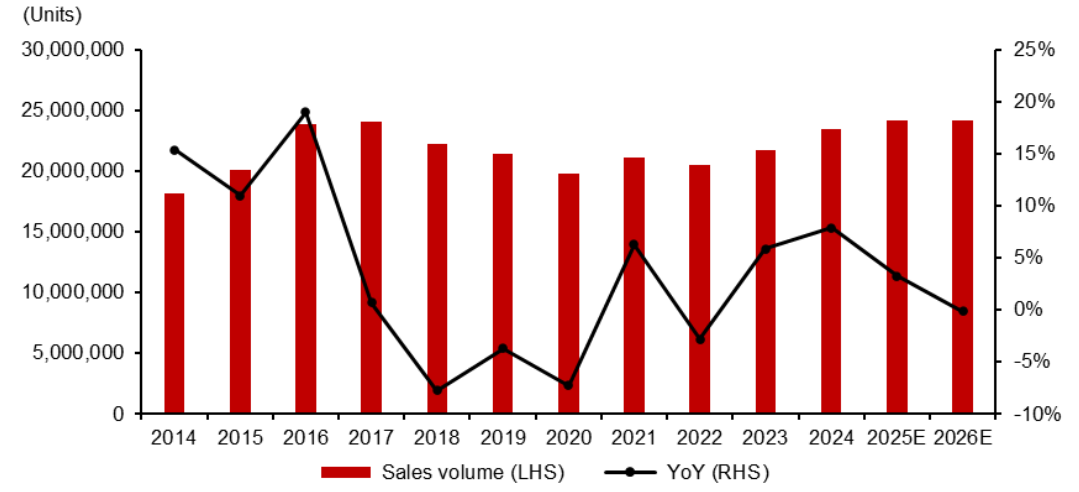
2026 Industry Outlook: Stiff Competition to Continue

Retail sales volume: resilient in 2026 despite subsidy cuts

It is likely that 2025 will end with a historical-high PV retail sales volume of 24.18mn units (+3.2% YoY) on our estimates, surpassing 24.09mn units in 2017, about 4.8% higher than our original forecast made in Dec 2024. China's retail sales volume has beaten investors' expectations for three years in a row despite some economic challenges. The market has been pessimistic about China's auto sales volume in 2026, as the NEV purchase-tax exemption is to be halved (from 10% to 5%) and capped at RMB15,000 from 2026, and trade-in subsidies for both NEV and ICE (internal-combustion engine) vehicles (initiated in Apr 2024 and doubled from mid-Aug 2024) are likely to be ended by 2025 (some regions have already used up the quotas).

We are more positive about auto sales volume's resilience in China and project retail sales volume to fall only 0.1% YoY in 2026E to 24.15mn units. We believe vehicle consumption's importance to China's economy, more new model rollouts with accelerated facelifts and steady-state PV demand are key factors to support China auto sales' resilience.

Figure 15: China's PV retail sales volume



Source: CATARC, CMBIGM estimates

■ New stimulus measures are likely if 1H26 auto sales volume is weak

Vehicle consumption is now one of the most important ways, if not the most important way, to stimulate the economy in China. We are of the view that the main reason why the Chinese government gradually phases out the trade-in subsidies is that a significant portion of the subsidies has gone to used-car dealers and other similar players. We believe the government may roll out new stimulus measures again, should auto sales volume turn out to be weak in 1H26. We expect retail sales volume in Mar and Jun 2026 to face sharper declines than other months in 2026 amid high comparison base, which could be good timing to monitor potential policy changes.

■ Shorter purchase cycle as cars become more electronic

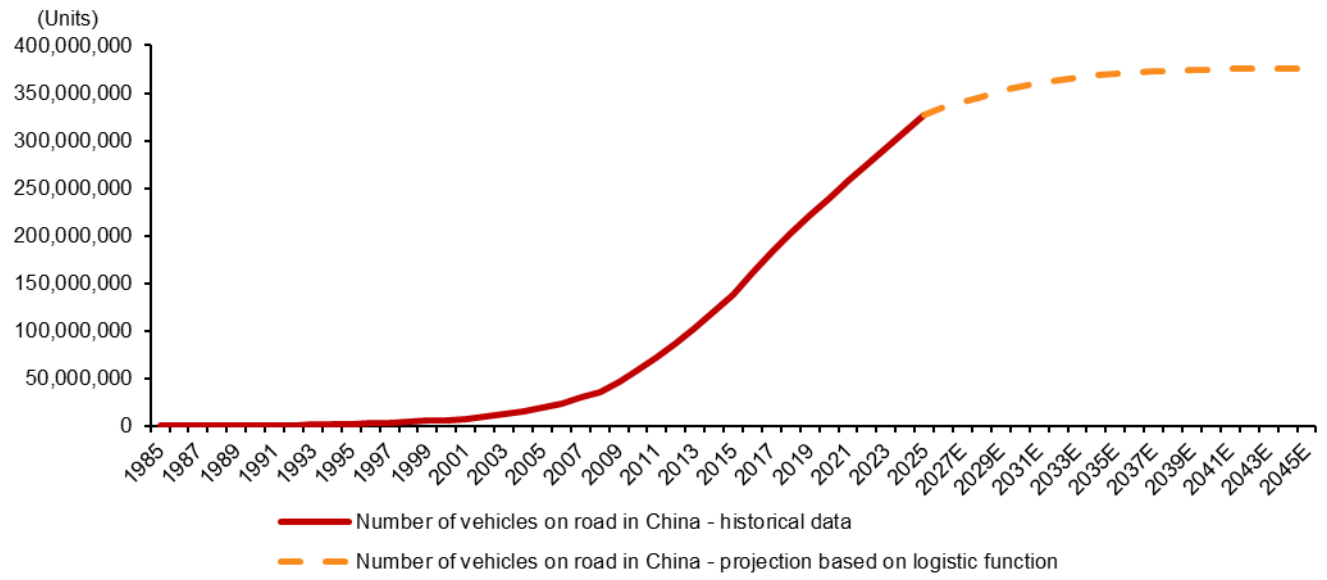
We estimate about 167 new model rollouts in China in 2025, the highest in history. The number may further increase to 173 in 2026, based on the data we have compiled. Such shortened model cycles, along with more frequent facelifts, have boosted car replacement demand in China. In other words, battery powertrain, smart cockpit and autonomous driving technologies have made cars' model cycle shorter and thus a shorter purchase cycle for Chinese consumers. We will analyze upcoming new models in detail in the next section.

■ Our steady-state replacement demand forecast implies room for growth

We have been using a single-factor model to roughly project China's long-term number of vehicles on the road and steady-state replacement demand. See page 23-24 of our 2023

outlook report published on 7 Dec 2022 for calculation details. We run the same non-linear regression based on the logistic function with new data points in 2024 and 2025, and we obtain the steady-state number of PVs on the road of about 377mn units. The new forecast is about 3% higher than our previous projection made in 2024, implying more resilient sales in 2023-25 than expected. We also revise the average vehicle scrappage time from 14-15 years (replacement rate of 6.7%-7.1%) to 13.5-14.5 years (replacement rate of 6.9%-7.4%) in China to reflect cars' increasing electronic content. Therefore, we derive China's steady-state annual replacement demand to be around 26.0-27.9mn units.

Figure 16: Projection on number of vehicles on the road in China based on logistic function

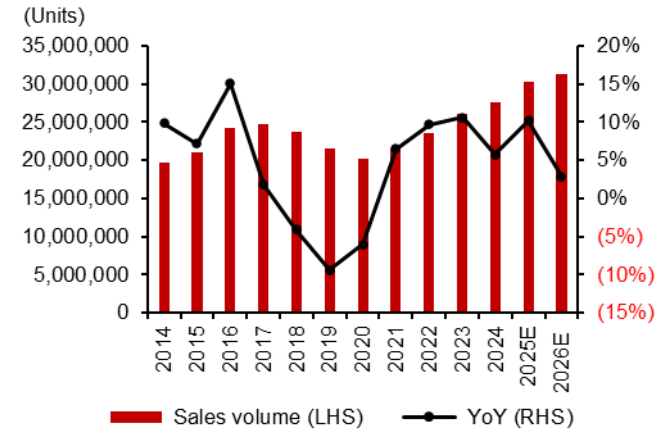


Source: CAAM, CATARC, NBS, CMBIGM estimates

Wholesale volume: 2.9% YoY growth amid exports, stockpiling

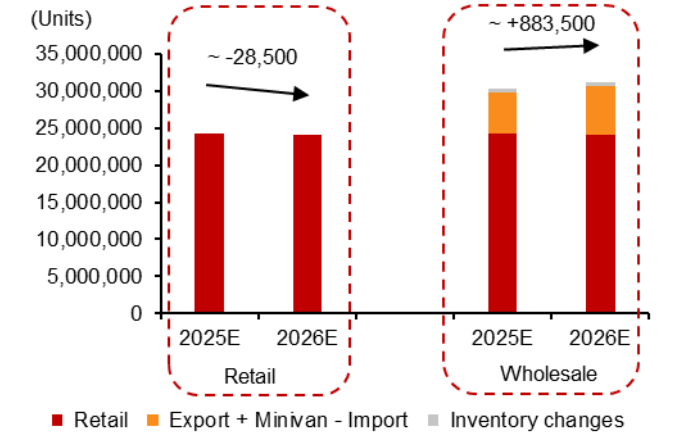
China's PV wholesale volume is likely to hit 30mn units for the first time in history in 2025, as it rose 12.9% YoY to 24.21mn units in the first 10 months of 2025, stronger than most investors' expectation. We project China's PV wholesale volume to rise 2.9% YoY from 30.37mn units in 2025E to 31.25mn units in 2026E, aided by rising exports and inventory restocking.

Figure 17: China's PV wholesale volume



Source: CAAM, CMBIGM estimates

Figure 18: Retail vs. wholesale volume in 2025-26E



Source: CAAM, CATARC, CMBIGM estimates

■ **Export: Chinese NEVs' overseas demand may be stronger than prior expectation**

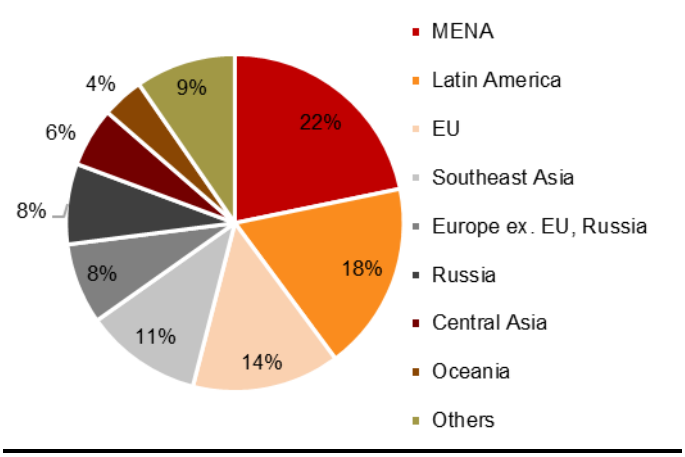
Despite the challenges that China PV exports face as we mentioned last year, China's PV export volume is likely to rise 18% YoY from 5.0mn units in 2024 to 5.8mn units in 2025E,

or 6% higher than our original forecast of 5.5mn units. The stronger-than-expected export volume was mainly driven by surging NEV exports. In fact, all the YoY growth of China's PV exports in the first 10 months of 2025 came from NEVs, according to CAAM. The sluggish ICE export volume was mainly due to the plunge in Russia.

In the first 10 months of 2025, China exported PVs to more than 200 countries with the top 10 countries accounting for 49% of the total, according to the data from customs. Russia remained as the No.1 destination despite a 48% YoY export plunge. Its market share fell from 18.8% in 2024 to 7.7% in the first 10 months of 2025. Mexico remained as the No.2 export market for PVs produced in China with a market share of 7.3% in the first 10 months of 2025, followed by United Arab Emirates (7.0%), Belgium (4.6%) and UK (4.4%).

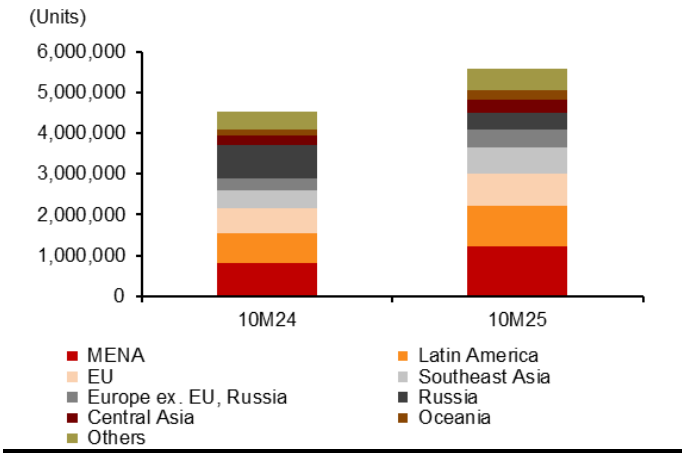
Chinese automakers have been cultivating other markets to offset the declines in Russia. Exports to the Middle East and North Africa (MENA, including Turkey) in the first 10 months of 2025 surged 52% YoY, led by UAE and Algeria. Exports to Latin America rose 36% YoY during the same period, led by Mexico and Brazil. Despite heightened tariffs for NEVs, total export volume to the EU still rose 27% YoY in the first 10 months of 2025, with about 70% being NEVs. Chinese automakers have also seized the rising NEV penetration in the UK which is not subject to the EU tariffs for Chinese NEVs. The UK became the 2nd largest NEV export hub for China, right after Belgium in the first 10 months of 2025. Exports to Southeast Asia also surged 51% YoY in the first 10 months of 2025, led by the Philippines and Indonesia. These four regions (MENA, Latin America, EU and Southeast Asia) accounted for 22%/18%/14%/11% of China's PV export volume in the first 10 months of 2025.

Figure 19: China PV export breakdown by region in 10M25



Source: China Customs, ThinkerCar, CMBIGM

Figure 20: China PV exports by region



Source: China Customs, ThinkerCar, CMBIGM

We divide overseas markets into different regions based on their auto industry development, local consumers' brand loyalty and policies: 1) the US, 2) Canada, 3) Japan, South Korea and India, 4) Western Europe with own brands (Germany, France, Italy etc.), 5) Western Europe without own brands (Belgium, the Netherlands, Switzerland etc.), 6) Northern Europe, 7) Central Europe, 8) Eastern Europe, 9) Russia, 10) Latin America, 11) MENA, 12) Southeast Asia, 13) Central Asia, 14) Oceania, and 15) Others.

We project Chinese brands' market share to be ranged 0-40% in these regions in the medium term as illustrated in the table below, and thus we can calculate potential market size of 7.8mn units for Chinese-brand overseas sales in the medium term. As we project China's export volume of 4.77mn units for Chinese brands and 1.04mn units for foreign brands in 2025E, there is about 64% growth potential for Chinese brands in overseas markets in the next five years or so, or a CAGR of 10-12%.

Our newly projected medium-term market size of 7.8mn units for Chinese automakers' overseas sales volume is about 11% higher than our projection made in 2024, mainly due to several reasons: 1) global auto market excluding China is still growing; 2) Chinese automakers' expansion in some markets, such as the Oceania and UK, has exceeded our

prior expectation; 3) Chinese automakers' accelerating global production plans could mitigate tariff obstacles.

Figure 21: Our forecast for Chinese brands' potential overseas market size in the medium term

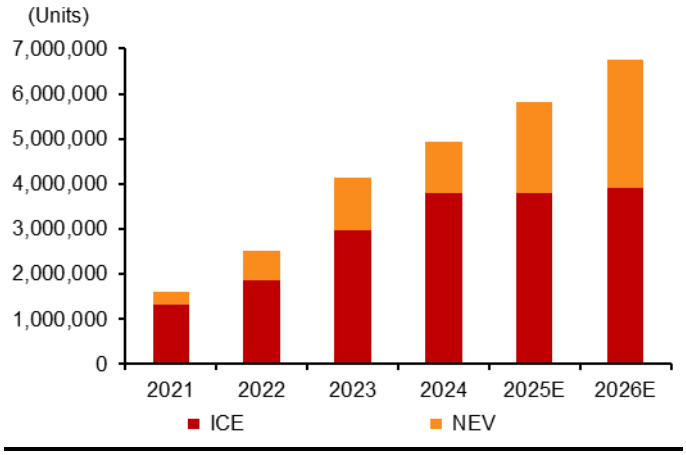
Regions (excl. China)	Total annual sales (units)	Our market share assumption for Chinese brands	Potential annual market size for Chinese brands (units)	Current EV market share in each region
US	16,600,000	0%	0	8%
Japan, South Korea and India	11,900,000	4%	458,000	6%
Western Europe with own brands	9,400,000	9%	860,000	29%
Latin America	6,000,000	25%	1,500,000	7%
MENA	4,800,000	25%	1,200,000	3%
Western Europe without own brands	3,400,000	15%	509,000	31%
Southeast Asia	3,300,000	25%	825,000	13%
Canada	1,900,000	2%	38,000	5%
Central Europe	1,800,000	25%	450,000	10%
Russia	1,550,000	40%	620,000	1%
Oceania	1,400,000	30%	420,000	12%
Northern Europe	800,000	20%	160,000	64%
Central Asia	800,000	35%	280,000	6%
Eastern Europe (excl. Russia)	200,000	30%	60,000	1%
Others	1,400,000	30%	420,000	5%
Total	**65,250,000**	**12%**	**7,800,000**	

Source: Marklines, CMBIGM estimates

We project China's total PV exports to rise by 16% YoY to 6.75mn units in 2026E, with 5.67mn units being Chinese brands. In other words, we expect overseas sales volume for Chinese brands to rise 19% YoY in 2026E.

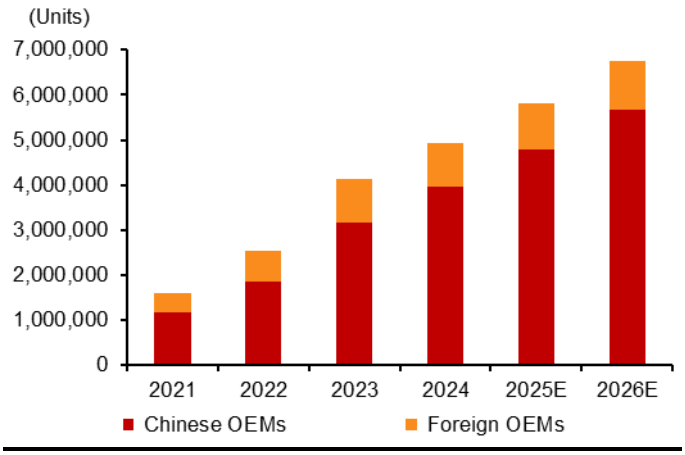
We also expect the majority of China's PV export growth in 2026E to come from NEVs. We project China's NEV exports to surge 40% YoY from 2.02mn units in 2025E to 2.83mn units in 2026E.

Figure 22: China's PV exports by powertrain



Source: CAAM, CMBIGM estimates

Figure 23: China's PV exports by brand origin

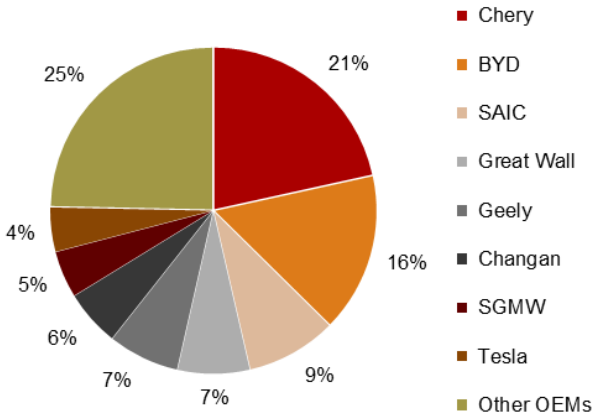


Source: CAAM, CMBIGM estimates

In the first 10 months of 2025, Chery remained as the largest PV exporter in China with 10% YoY growth to 1.02mn units, according to CAAM. BYD extended its strong growth into this year, with 133% YoY growth. BYD accounted for 45% of China's total passenger NEV exports in the first 10 months of 2025, followed by Tesla (13%). The export volume growth from Chery and BYD combined contributed the majority of China's total PV export growth

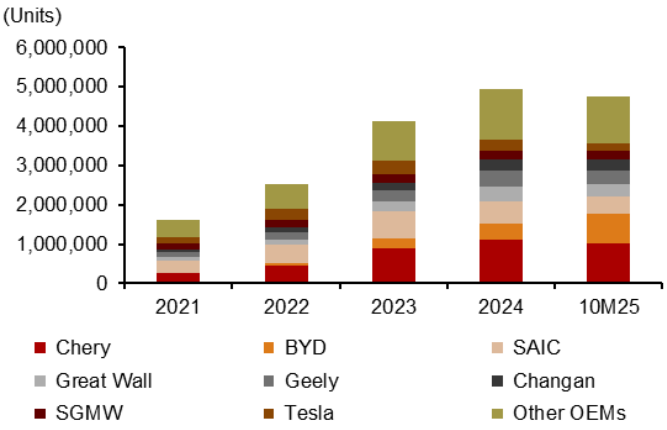
in the first 10 months of 2025. SAIC, Great Wall and Geely were ranked 3rd-5th largest PV exporters in China in the first 10 months of 2025 with low single-digit YoY growth or declines.

Figure 24: China PV export breakdown by OEM in 10M25



Source: CAAM, CMBIGM

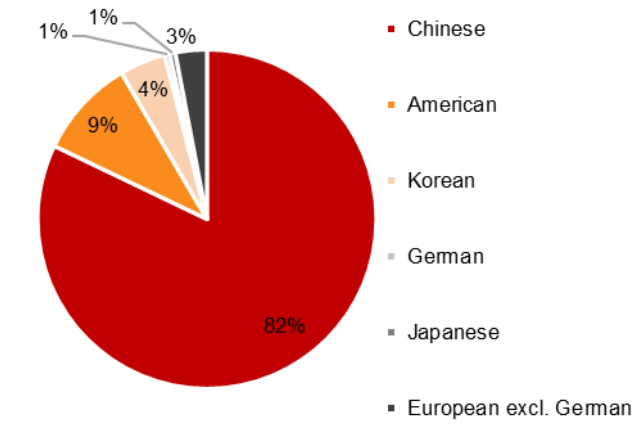
Figure 25: China PV exports by OEM



Source: CAAM, CMBIGM

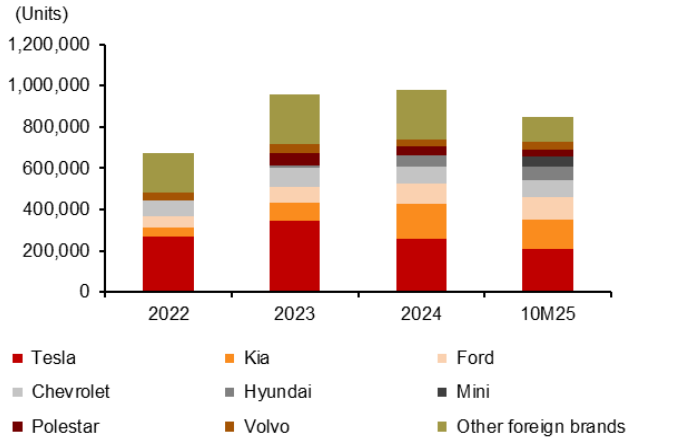
Foreign automakers' export volume from China only rose 2% YoY to 0.85mn units in the first 10 months of 2025, as volume increase from brands like Ford, Hyundai and Mazda was largely offset by declines from Tesla, Honda, Buick, BMW and Dacia. Although Tesla explored new markets for Shanghai-made models, it halted the China-made *Model Y*'s exports to Europe from 2025. EU's tariffs also dented China-made models for BMW and Dacia in 2025. Therefore, we project foreign brands' export volume from China to only rise 4% YoY to 1.08mn units in 2026E.

Figure 26: China PV export breakdown by brand origin in 10M25



Source: CAAM, CMBIGM

Figure 27: Foreign brands' PV exports from China

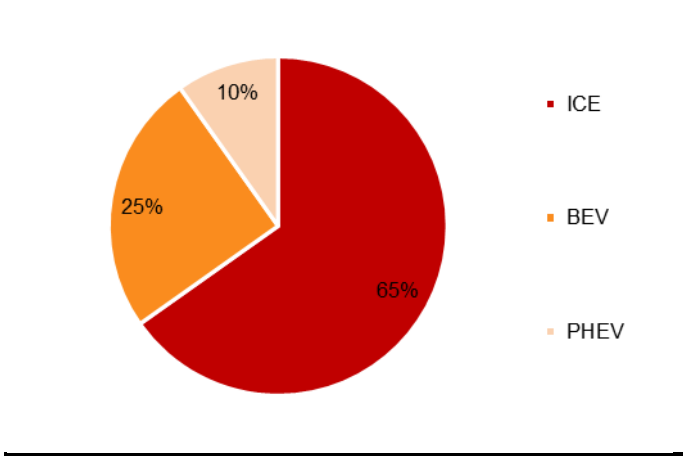


Source: CAAM, CMBIGM

Unlike 2024 when passenger NEV export volume fell 1% YoY dragged by foreign brands, we project passenger NEV export volume to surge 77% YoY to 2.02mn units in 2025E, driven by Chinese automakers such as BYD and Geely. BYD contributed about 62% of China's passenger NEV export volume growth in the first 10 months of 2025.

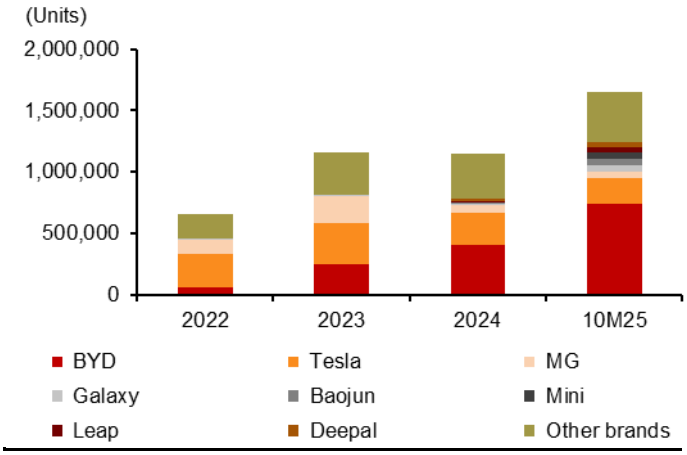
We project China's passenger NEV export volume to continue its strong growth in 2026E, with a 40% YoY growth to 2.83mn units, as automakers like Geely, Leapmotor and Chery would be more aggressive next year in NEV exports. Li Auto has also accelerated its overseas plan recently. BYD, which faces challenges in domestic market this year, could also be aggressive in overseas expansion in 2026, especially with more plants ready for local production in Thailand, Brazil and Hungary.

Figure 28: China PV exports by powertrain in 10M25



Source: CAAM, CMBIGM

Figure 29: China NEV exports by brand



Source: CAAM, CMBIGM

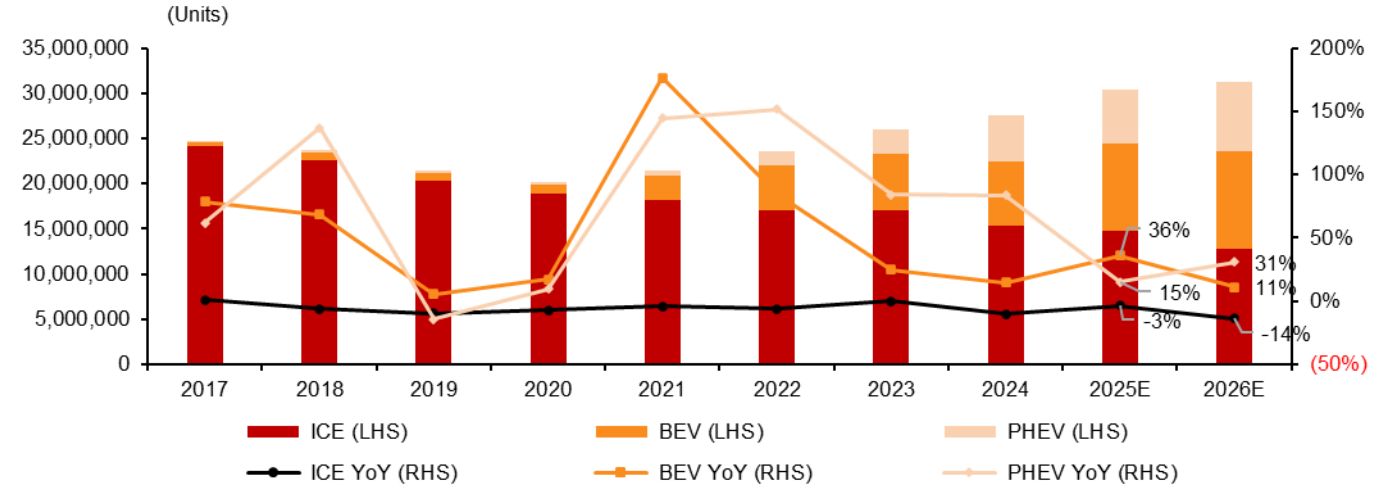
■ **Inventory may continue to rise in 2026E after a cut in 2024**

It has become increasingly difficult to estimate inventory changes now with different statistical data for China's PV exports. To the best of our knowledge, both industrywide and NEV inventory levels are about 1.5-1.6 months as of the end of Oct 2025. We expect inventories, especially NEV inventories, to rise mildly in both 2025E and 2026E, as domestic retail sales volume gradually returns to historical high levels, and NEV sales volume continues to grow.

■ **ICE wholesale volume decline to reaccelerate in 2026E**

With our forecasts for retail sales volume, exports and inventory changes, we project China's PV wholesale volume to rise 2.9% YoY to 31.25mn units in 2026E. From powertrain perspective, NEV is to be the driver for China's auto sales growth again. We forecast China's NEV wholesale volume to rise 19% YoY from 15.6mn units in 2025E to 18.5mn units in 2026E, details of which will be discussed in the NEV outlook sector of this report. Unlike 2025, we expect PHEV (including EREV) wholesale volume growth (+31% YoY) to outpace BEV (+11% YoY) in 2026E amid more new PHEV/EREV models, trade-in subsidy phase-out and potential battery price increases. Our industrywide and NEV forecasts imply that China's ICE wholesale volume is to fall 14% YoY in 2026E, the largest decline in history. We are of the view that the slower decline rate for ICE vehicle wholesale volume in 2025E than that in 2024 was mainly due to the trade-in subsidies which help both NEV and ICE cars.

Figure 30: China's PV wholesale volume breakdown by powertrain



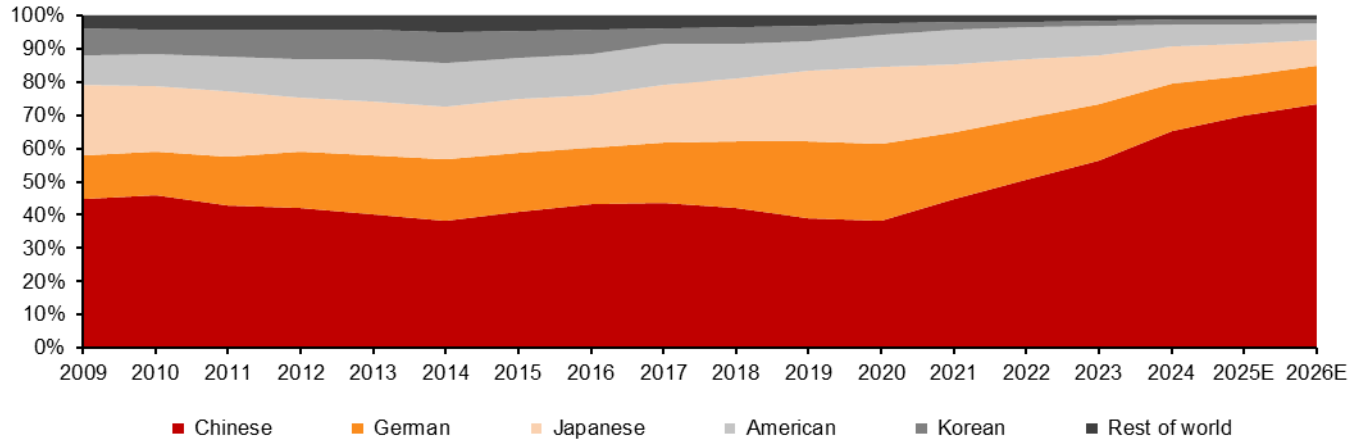
Source: CAAM, CMBIGM estimates

Chinese brands could continue gaining market share with more competitive models

Although Chinese brands in 2025E may only gain the least market share (+4.6ppts YoY on our estimates) in the past five years, we do not expect foreign brands' market share loss to halt in 2026E. Although foreign automakers such as VW (VOW GR, NR) and Toyota (7203 JP, NR) have been increasingly leveraging local supply chain, including platform sharing and technology partnership with Chinese partners, as well as local parts procurement, they are still not fast enough to catch up with leading Chinese automakers, in our view, as their decision making still takes too long, especially with headquarters involved. More "localized" models are scheduled to roll out in 2026E, the sales performance of which could be crucial for foreign brands' market share in China from 2027 onwards.

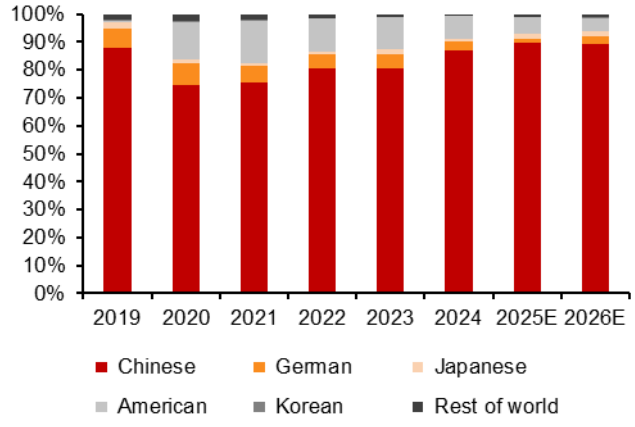
We project Chinese brands' market share on a wholesale basis to widen by 3.6ppts to 73.3% in 2026E from 69.7% in 2025E, extending their market share gains into seven years in a row. We project Chinese brands' market share in the NEV segment to narrow YoY slightly in 2026E given their dominance with about 90% market share now, as foreign marques accelerate electrification. On the other hand, we expect Chinese brands to continue gaining market share in the ICE segment, making up half of ICE wholesale volume in China in 2026E. Although exports contribute a significant portion of Chinese ICE vehicle wholesale volume, Chinese brands' market share gains in the ICE segment on a retail basis during 2023-25 still showcase their improving brand image.

Figure 31: PV market share by brand origin in China on a wholesale basis



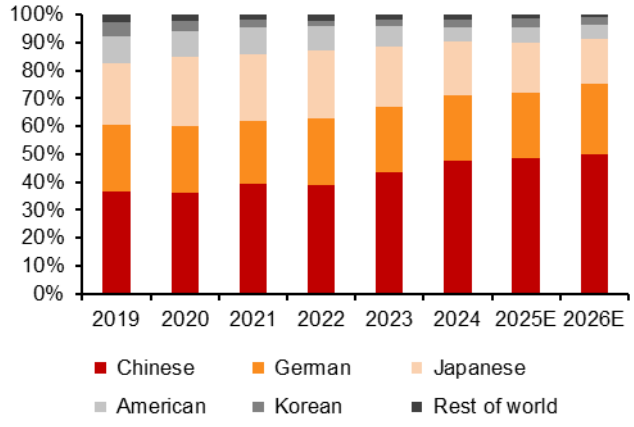
Source: CAAM, CMBIGM estimates

Figure 32: NEV market share by brand origin on a wholesale basis



Source: CAAM, CMBIGM estimates

Figure 33: ICE market share by brand origin on a wholesale basis



Source: CAAM, CMBIGM estimates

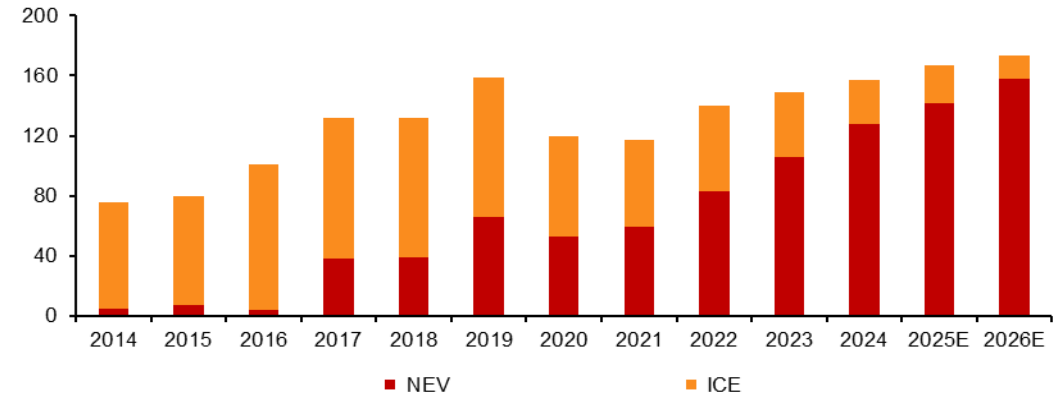
■ **Model pipeline: larger size NEVs, more aggressive pricing and Huawei Inside**

2025 is likely to be another record year for the number of new-model launches in China's history, with about 167 new models, surpassing 157 in 2024, based on the data we have compiled. About 151 new models have been launched in the first 11 months of 2025, which are close to our original forecast of 153 new models for the full year of 2025.

1) Both number of new models and new NEVs to reach all-time high again in 2026E

We estimate about 173 new models to be launched in 2026E, the highest in history, reflecting continuously stiff competition. About 158 new models, or 91% of the total are to be NEVs or have NEV powertrain choices, the highest ratio in history (85% in 2025E and 82% in 2024). NEV's dominance in the new model pipeline fuels its continuous market share gains in 2026-27E. New model pipeline in 2025-26 is also one of the key reasons why we expect ICE wholesale volume decline to accelerate in 2026.

Figure 34: No. of new model launches by powertrain in China

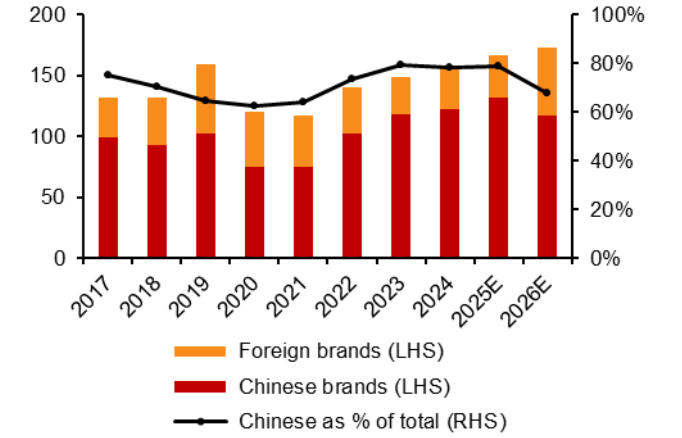


Source: Company data, CMBIGM estimates

2) Chinese-brand new model launches keep beating expectation while foreign brands fall behind

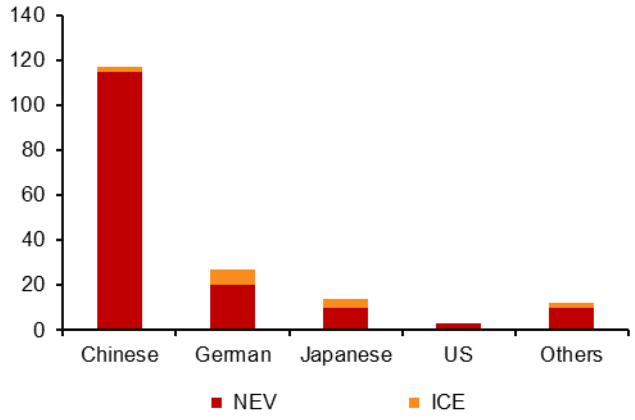
We expect Chinese brands to roll out 117 new models in 2026E with 115 being NEVs. We believe the actual number of new models from Chinese brands could be higher than our projection given their massive R&D investments and engineering flexibility to stay ahead of the competition, which occurred in the past few years. For example, the number of Chinese-brand new models is likely to reach 132 in 2025E, 31% higher than our original forecast of 101 made in Dec 2024.

Figure 35: No. of new models by brand origin



Source: Company data, CMBIGM estimates

Figure 36: No. of new models by brand origin in 2026



Source: Company data, CMBIGM estimates

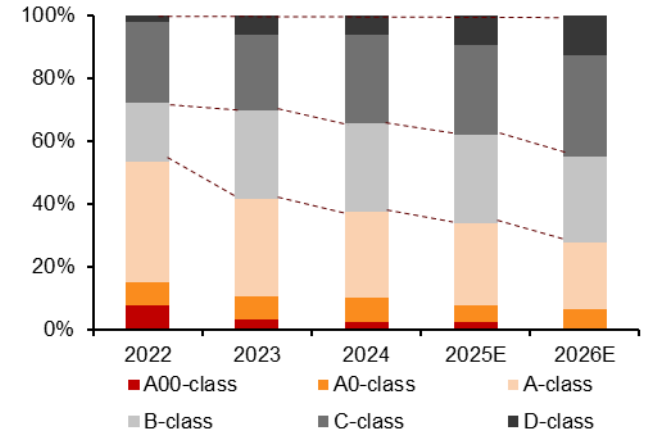
On the other hand, foreign brands' new-model launches often missed our estimates in the past few years due to their lack of competitiveness for previously scheduled new models.

In Dec 2024, we projected 52 new-model launches for foreign brands in 2025E, which may only end up with 35. We now estimate 56 new models for foreign brands in 2026E with 43 being NEVs. We cannot rule out the possibility that some new models are to be delayed or cancelled again, although we believe foreign brands' new NEV models in 2026E should exceed the number in 2025E (about 22 based on our estimates).

3) Car size is still getting larger in China

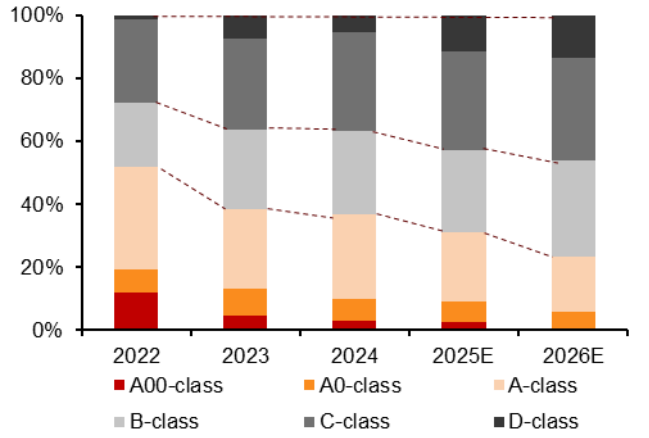
Quite a few automakers in China have launched the so-called "9-series" flagship models during 2024-25. Such trend is likely to continue in 2026: about 72% of new models in 2026E are to be medium size or above, the highest in history, vs. 66% in 2025E, 62% in 2024 and 58% in 2023. Such ratio is even higher for new NEV models in 2026E. We estimate medium size (B-class), medium-to-large size (C-class) and large size (D-class) to account for 30%/33%/13% of total new NEV model launches in 2026E. All three ratios are expected to be the highest in history.

Figure 37: Breakdown of new models in 2026E by vehicle size



Source: Company data, CMBIGM estimates

Figure 38: Breakdown of new NEV models in 2026E by vehicle size

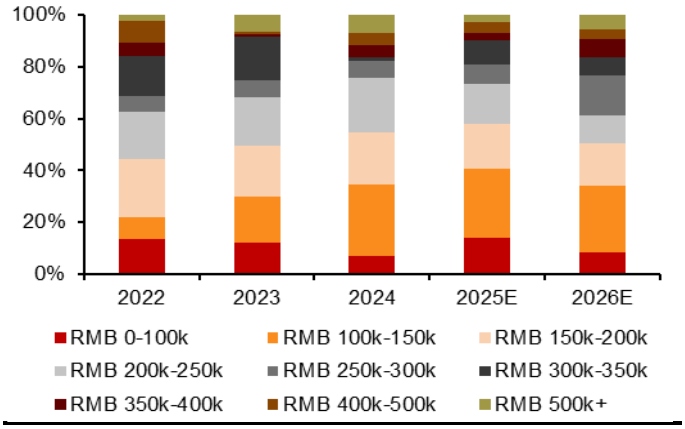


Source: Company data, CMBIGM estimates

4) Chinese consumers pursue value-for-money, but not consumption downgrade

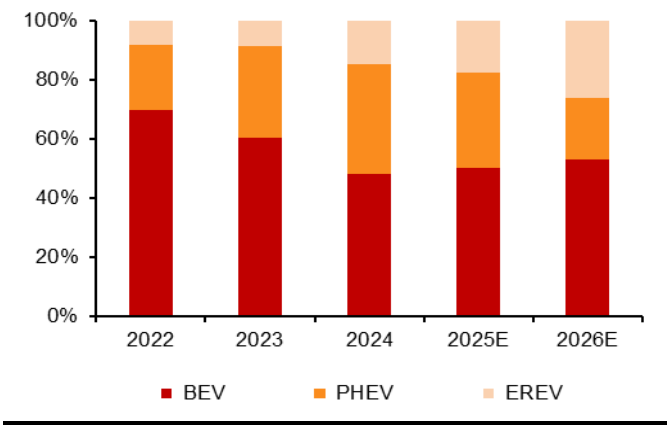
While the number of models priced between RMB100,000-150,000 is to remain the largest among all new NEV models in 2026E (41, or 26% on our estimates), the number of new NEVs priced between RMB250,000-300,000 may increase the most in 2026E. The majority of new NEVs priced between RMB250,000-300,000 in 2026E would be medium-to-large smart sedans or SUVs, which were priced above RMB300,000 prior to 2025. We estimate that about 39% of all new NEV models in 2026E are to be priced above RMB250,000, the highest in history.

Figure 39: Breakdown of new NEV models by price range



Source: Company data, CMBIGM estimates

Figure 40: Breakdown of new NEV models by powertrain



Source: Company data, CMBIGM estimates

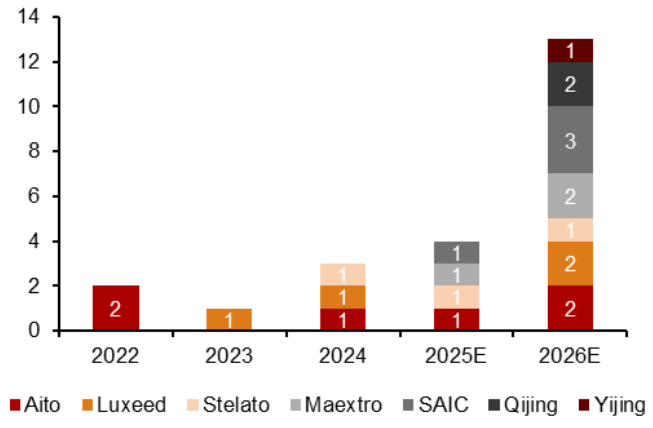
5) More EREVs in 2026E to lift PHEV sales volume

As cars are still getting larger in China, more automakers in China have been launching EREVs which have simple engineering architecture to ease some consumers' range anxiety. Xpeng, IM and GAC Motor all launched their first EREVs in 2025. Xiaomi and VW will follow suit in 2026. About 54 new models are to have EREV powertrain available in 2026E, based on the data we have compiled, higher than 29 in 2025E and 19 in 2024. Full-year sales contribution from EREVs launched in 2025, along with more models with PHEV/EREV powertrain available, could help PHEV sales volume outpace BEV, in our view.

6) More models powered by Huawei in 2026E

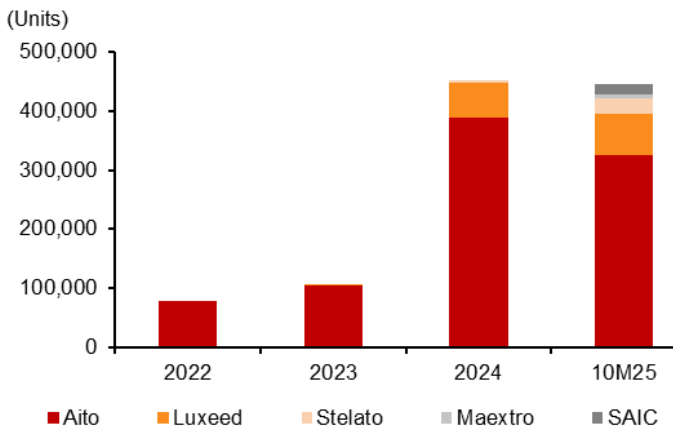
Aito's huge success has pushed other automakers, especially weaker players, to work closely with Huawei. Following five brands (Aito, Luxeed, Stelato, Maextro and SAIC) under Harmony Intelligent Mobility Alliance (HIMA), Huawei continued to partner with GAC and Dongfeng to set up Qijing and Yijing. We project 13 new models under these seven brands to be launched in 2026E, vs. 4 in 2025E and 3 in 2024. Huawei smart car business unit also provides technologies and parts to other brands including Avatr, Voyah, Deepal, Trumpchi, Fangchengbao and Audi. There are already about 30 models on sale powered by Huawei's technologies.

Figure 41: HIMA, Qijing, Yijing's no. of new models



Source: Company data, CMBIGM estimates

Figure 42: HIMA's wholesale volume



Source: CAAM, CMBIGM

Possible key models to watch in 2026

New models' contribution to an automaker's sales volume and profit has become increasingly important, as the model cycle accelerates. New models launched during Oct 2024-Sep 2025 contributed about 31% of China's total wholesale volume in Oct 2025, based on our calculations. Top 20 new models launched during Oct 2024-Sep 2025 contributed about 17% of total wholesale volume in Oct 2025. Both figures were at similar levels last year.

Meanwhile, it becomes increasingly difficult for us to identify key new models, not only because models have now become less differentiated, but also due to different pricing strategies amid heightened competition. For example, sales volume of the NIO *ES8* could jump as high as 10x after the new generation trimmed its price by about RMB130,000. Such success may also push rivals to launch a similar model with even more aggressive pricing, making sales volume of each model more volatile and generating many one-hit-wonder models.

On the other hand, BYD's *Han L* and *Tang L*, the larger versions of BYD's popular *Han* and *Tang* models equipped with the automaker's latest autonomous driving and fast charging technologies, have not been well received by customers since their launches in Apr 2025. That may also partially reflect Chinese consumers' price sensitivity on NEVs with a plethora of models on sale.

■ **BYD: We expect more aggressive pricing and cutting-edge technologies in 2026**

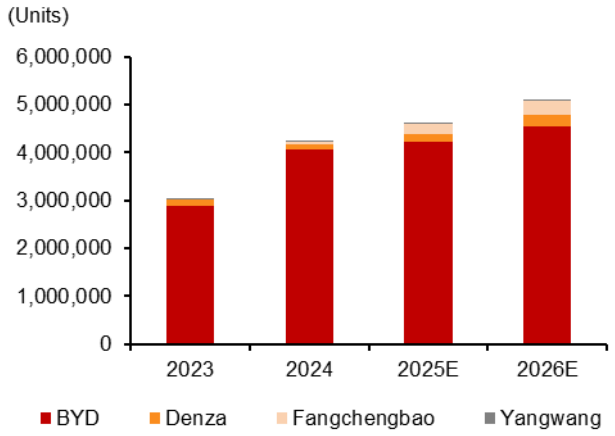
BYD rolled out 16 new models (BYD brand: 10, Denza: 2, Fangchengbao: 2, Yangwang: 2) in 2025, higher than 11 in 2024. However, new models have not translated into strong sales volume growth yet, as we project BYD's wholesale volume to only rise 8% YoY in 2025E, lower than overall NEV's 27% YoY growth in China.

We are of the view that the new models now have diminishing marginal effect on BYD's sales volume growth given its comprehensive model line-up. BYD's strategy in 2025 was to empower new models with more technologies such as autonomous driving and fast charging with similar price tags as before, which did not work well. Therefore, we expect BYD to switch back to aggressive pricing strategy in 2026 for its new models, including its premium brands. BYD's premiumization has been below its expectation in the past two years despite its initial success in the Denza *D9*. We believe the recent success in the Fangchengbao *Tai 7* PHEV, an off-road style medium-to-large SUV priced between RMB179,800-219,800, could be a good lesson for BYD to go upscale: value-for-money is also crucial for premium brands in China.

We also expect BYD to equip its new models with more state-of-the-art technologies in 2026, in order to differentiate itself from its rivals and lower costs, given its massive R&D investments in recent years. Meanwhile, we expect BYD to introduce its existing technologies for premium brands, such as the e3 intelligent control technology platform, to more mass-market models in 2026.

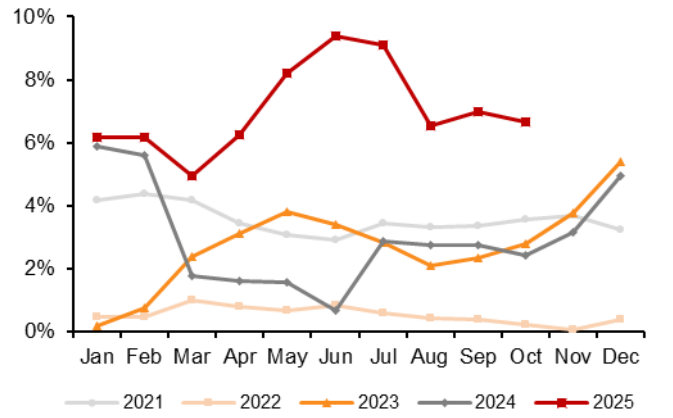
We project BYD's wholesale volume (including commercial vehicles) to rise 11% YoY to 5.17mn units in 2026E, still lower than our projected overall NEV growth of 19% YoY.

Figure 43: BYD's wholesale volume forecast by brand



Source: CAAM, CMBIGM estimates

Figure 44: BYD's discounts at dealers



Source: ThinkerCar, CMBIGM

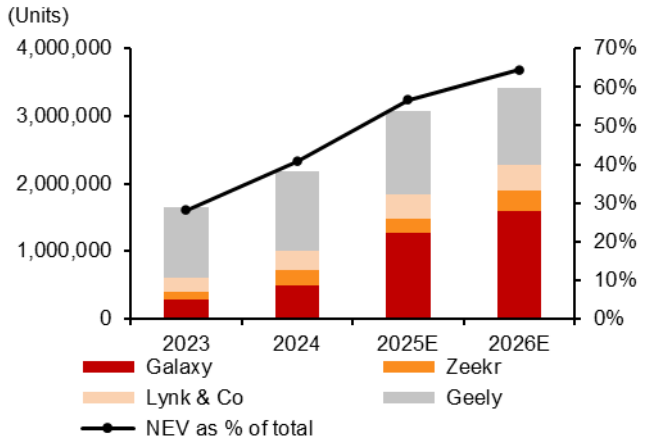
■ **Geely: Still a few subsegments to enter in 2026, especially for medium-size SUVs**

As we expected last year, Geely appeared to have found the key to making popular NEVs by simplifying its CMA platform into the GEA platform and modifying its hybrid technologies to EM-i (P1+P3 with a reducer). Most of its new NEV models in 2025, such as the Galaxy *A7* PHEV, *Xingyao 8* PHEV, *M9* PHEV, Lynk &Co *900* PHEV and Zeekr *9X* PHEV, have been well received. Geely launched 11 new models in the first 11 months of 2025 (Geely: 3, Galaxy: 4, Lynk & Co: 2, Zeekr: 2). Among the 13 new models launched during Oct 2024-Sep 2025, six models' monthly wholesale volumes exceeded 10,000 units in Oct 2025.

Now most of the subsegments have been covered by key NEV models: *Panda Mini* BEV for mini cars, *Starwish* BEV for small cars, *Xingyao 6* PHEV for compact cars, *Starship 7* PHEV and *E5* BEV for compact SUVs, *A7* PHEV for medium cars, *Xingyao 8* PHEV for medium-to-large cars, and *M9* PHEV for medium-to-large SUVs. It appears to us that Geely still needs a small BEV SUV, a compact BEV car, a medium-size BEV/PHEV SUV and large-size PHEV SUV, to complete its NEV model line-up. We believe most of Geely's new models in 2026 would be focused on these subsegments.

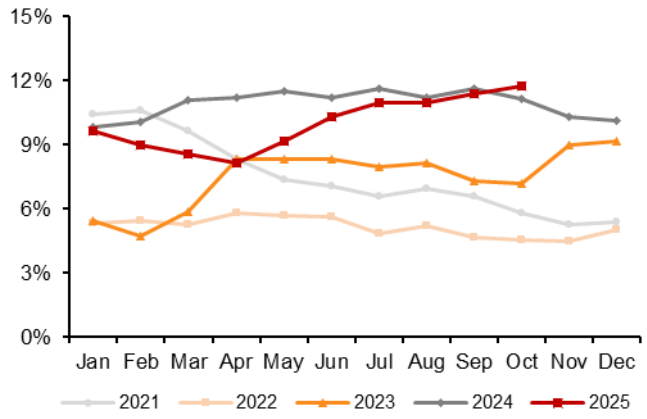
We project Geely's total sales volume to rise 11% YoY from 3.08mn units in 2025E to 3.42mn units in 2026E, with NEV market share widening from 57% (1.75mn units) in 2025E to 65% (2.21mn units) in 2026E. Seven models, including the Galaxy *M9* PHEV, *A7* PHEV, *Xingyao 6* PHEV, Geely *Emgrand EC7, Boyue* and Zeekr *9X* were launched after 1 Aug 2025, which could contribute a significant portion of sales volume growth in 2026E.

Figure 45: Geely's wholesale volume forecast



Source: CAAM, CMBIGM estimates

Figure 46: Geely's discounts at dealers



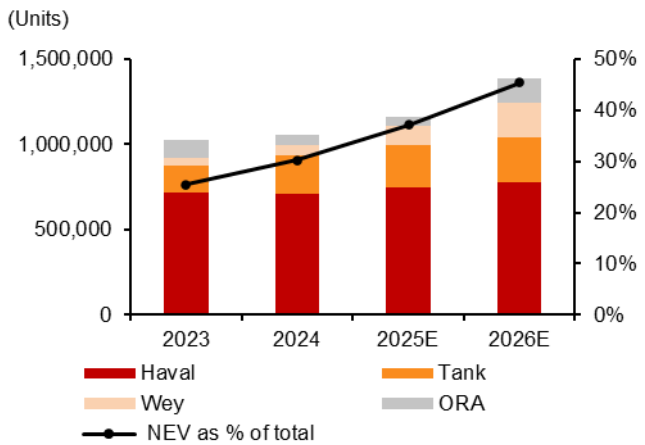
Source: ThinkerCar, CMBIGM

■ **Great Wall: Can Wey and Ora's new models follow the *Gaoshan*'s success?**

Great Wall Motor rolled out eight models in 2025, doubling the number in 2024. Yet, it still trailed its multiple-brand rivals, such as BYD, Geely and Chery. We are of the view that Great Wall is still optimizing its model line-up, causing new model delays and cancellations. That makes its new model pipeline a bit unclear to us. Nevertheless, we believe the focus would be on Wey and Ora in 2026 and these two brands are poised to enter the fast lane from 2026. We project wholesale volume of these two brands combined to double YoY to 0.3mn units in 2026E, although the automaker targets even higher.

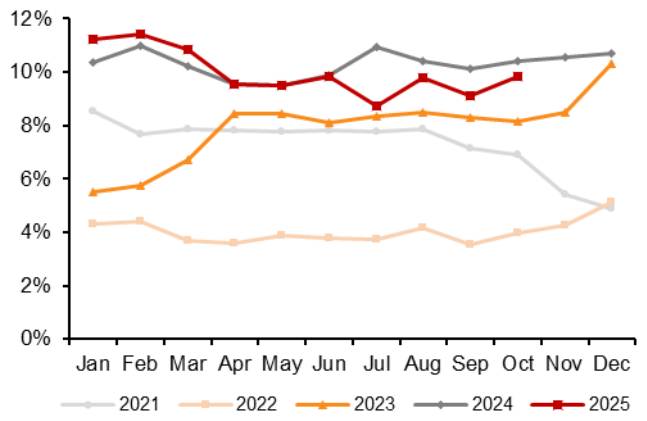
We project Great Wall's total wholesale volume (including pickup trucks) to rise 13% YoY to 1.54mn units in 2026E. We expect NEVs to account for 47% of its total PV wholesale volume in 2026E, up from 37% in 2025E, still trailing most Chinese automakers.

Figure 47: Great Wall's wholesale volume forecast



Source: CAAM, CMBIGM estimates

Figure 48: Great Wall's discounts at dealers



Source: ThinkerCar, CMBIGM

■ **GAC Motor: All eyes on Qijing**

GAC Motor extended its NEV sales volume declines into 2025, despite seven new NEV model rollouts under Aion, Hyptec and Trumpchi this year. We project GAC Motor's NEV wholesale volume to fall 23% YoY to 0.33mn units in 2025E, vs. its previous peak of 0.51mn units in 2023. We estimate Aion, Hyptec and Trumpchi to launch four new NEV models in

total in 2026E, including an off-road style medium-size SUV. However, we believe all eyes in 2026 should be on Qijing, a new brand that works closely with Huawei. We expect Qijing to turn GAC Motor's NEV wholesale volume into positive growth territory in 2026E, while we also see challenges for Qijing after Huawei's partnerships with more and more automakers.

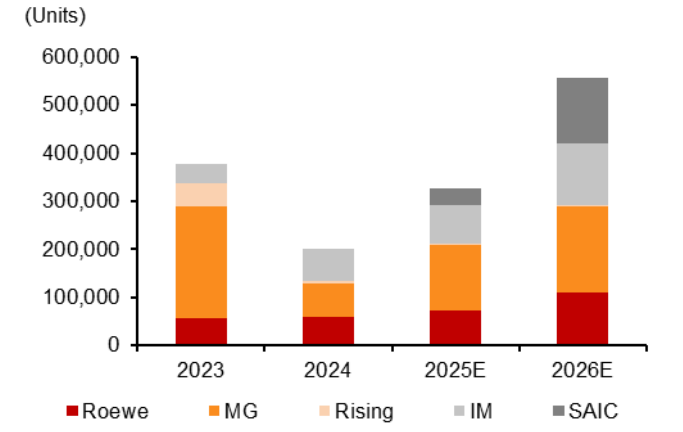
■ **SAIC Motor: A possible positive surprise for NEV sales growth in 2026**

NEV sales volume for SAIC Motor's homegrown brands (including Roewe, MG, Rising, IM and SAIC) has recovered in 2025 after a sharp decline of 47% YoY in 2024, mainly driven by MG in both China and overseas markets.

We estimate that SAIC may post one of the strongest NEV sales volume growth rates among Chinese automakers in 2026E, which may be overlooked by many investors. The SAIC brand, the 5th brand under HIMA, launched its first model, a medium-size SUV, in Sep 2025. More models, which are likely to be medium-to-large size, will be rolled out in 2026E. Moreover, we are of the view that IM is also becoming more competitive with new models like the *LS9*. This large SUV, launched in Nov 2025 with a price tag of RMB332,800-362,800, impressed us during the Guangzhou Auto Show. Wholesale volume for the *LS6* exceeded 11,000 units in Oct 2025 after adding the EREV version in Sep 2025. It also plans to launch a medium-to-large size SUV, the *LS8*, in 2026E.

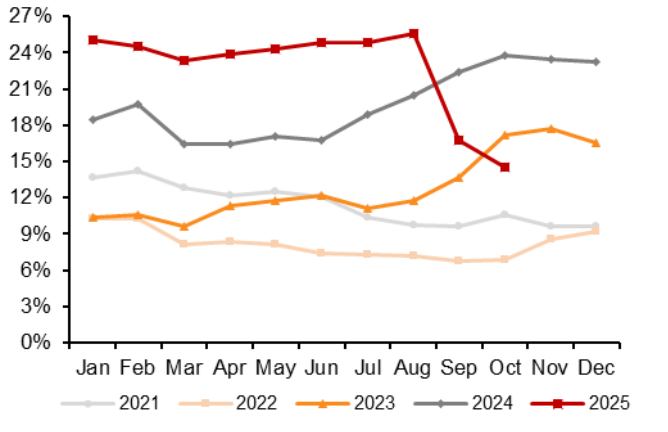
We project NEV sales volume for SAIC's homegrown brands to rise 70% YoY to 0.56mn units in 2026E. We may turn more positive on our forecast, if any new models under the IM or SAIC brand are better received by Chinese consumers.

Figure 49: SAIC Motor's NEV wholesale volume forecast by brand



Source: CAAM, CMBIGM estimates

Figure 50: SAIC Motor 's (incl. Roewe, MG, Rising and SAIC) discounts at dealers



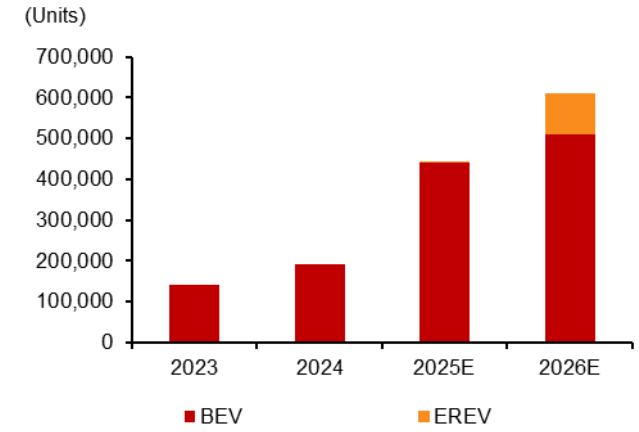
Source: ThinkerCar, CMBIGM

■ **Xpeng: EREVs + Mona SUVs**

Xpeng's strong sales volume growth in 2025E (+134% YoY on our estimates) is fuelled by two models launched in late 2024: the *P7+* and *Mona M03*. We believe that the sales volume growth in 2026E could come from the Mona SUVs and newly added EREV versions of existing models, including the *X9*, *G9*, *G7* and *P7+*. Xpeng plans to debut four brand-new models, including two Mona SUVs and one 6-seat SUV. We are positive on the Mona SUVs, given the *Mona M03*'s success. Our largest concern may lie in their exterior design, which was key to the *Mona M03*'s success, in our view.

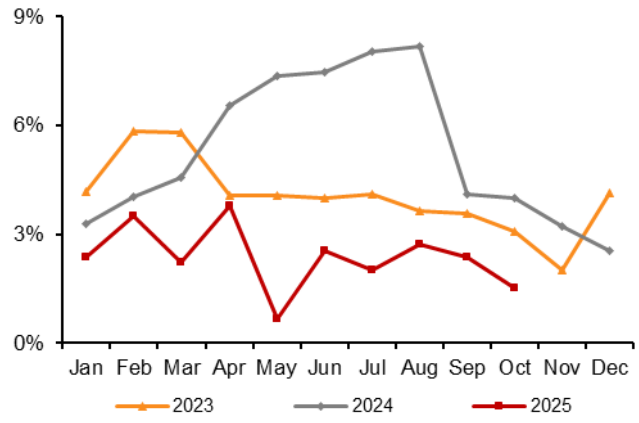
We project Xpeng's deliveries to rise 37% YoY from 445,000 units in 2025E to 610,000 units in 2026E.

Figure 51: Xpeng's sales volume forecast



Source: CAAM, CMBIGM estimates

Figure 52: Xpeng's discounts



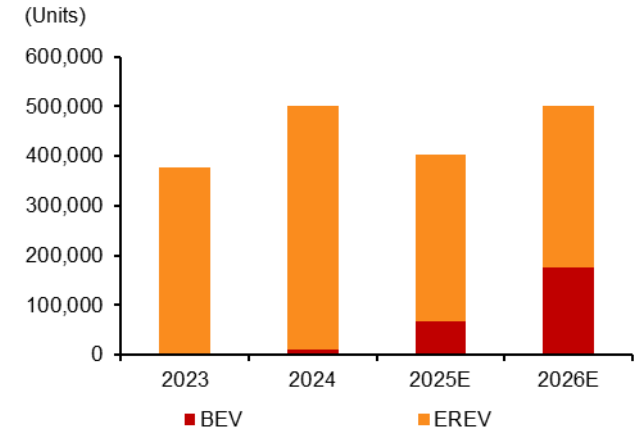
Source: ThinkerCar, CMBIGM

Li Auto: Dilemma between sales volume and gross margin

Li Auto faces sales volume decline in 2025, the first time in its history. It also posted a net loss in 3Q25, the first time in the past 12 quarters. As we expected earlier, Li Auto prioritized sales volume over margins on the *i6* BEV, which could make the *i6*'s gross margin around 10% now, based on our estimates. The new-generation L-series models next year may also face the same dilemma amid stiffer competition in China, especially for EREVs. Although upgraded autonomous driving and smart cockpit experience supported by its proprietary chips and greater battery capacity could make its redesigned L-series more competitive, we believe pricing is still key to its sales volume.

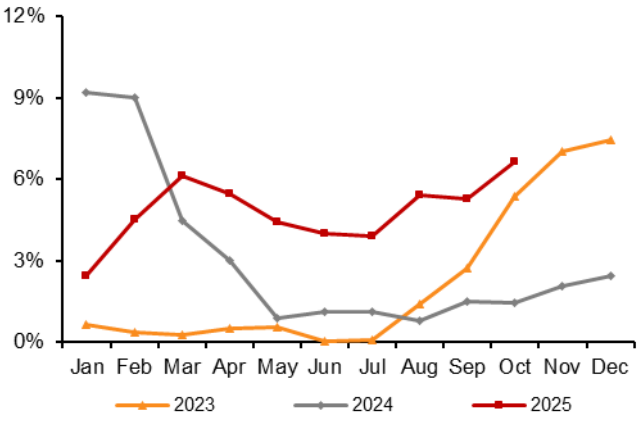
We project Li Auto's deliveries to rise 24% YoY to 0.5mn units in 2026E, back to its prior peak level in 2024. Meanwhile, we expect its gross margin to narrow by 1.4ppts to 17.0% in FY26E, dragged by the *i6* and redesigned L-series.

Figure 53: Li Auto's sales volume forecast



Source: CAAM, CMBIGM estimates

Figure 54: Li Auto's discounts



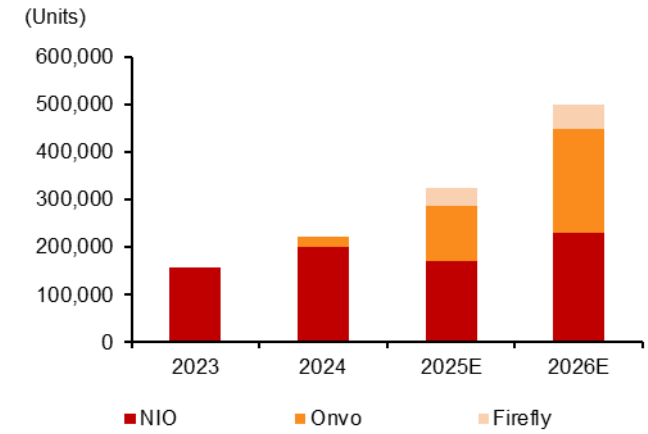
Source: ThinkerCar, CMBIGM

NIO: Focus on large SUVs following the success of the *ES8*, Onvo *L90*

NIO's monthly sales volume reached 30,000 units in Aug 2025, aided by its new Onvo *L90*. The redesigned *ES8* with a significant price cut then lifted NIO's monthly sales volume to 40,000 units in Oct 2025. The success of these two models gives NIO more confidence in rolling out large SUVs in 2026, including the *ES9*, *ES7* and Onvo *L80*. Meanwhile, taking into consideration the competitive environment (as we estimate 47 new medium-to-large and large-size SUVs to be launched in 2026E in China, higher than 35 in 2025E), we believe linear extrapolation for both sales volume and gross margin is not suitable in China's highly competitive auto market. NIO's 4Q25 sales volume guidance may also imply that the Onvo *L90*'s sales volume may have peaked in Oct 2025. Nevertheless, we project

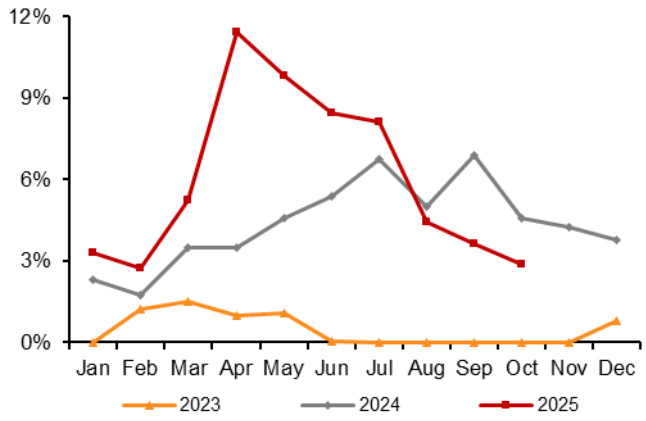
NIO's sales volume to surge 53% YoY to 500,000 units in 2026E, the highest growth rate since 2022.

Figure 55: NIO's sales volume forecast



Source: CAAM, CMBIGM estimates

Figure 56: NIO's (incl. NIO, Onvo, Firefly) discounts



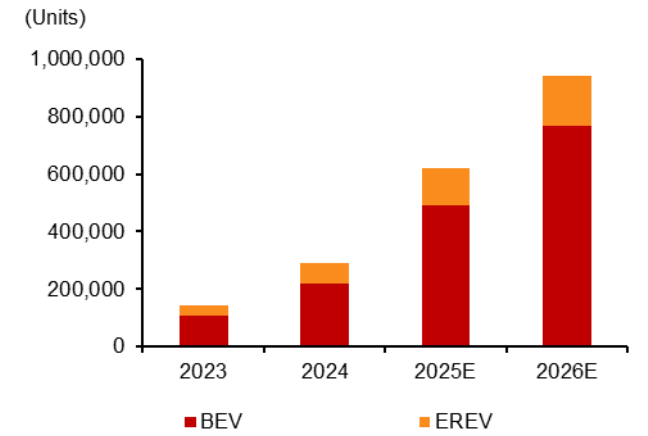
Source: ThinkerCar, CMBIGM

■ **Leapmotor: We see competitiveness in D-series and uncertainties for A-series**

Leapmotor is likely to double its sales volume again in 2025E, after a 105% YoY growth in 2024. Sales volume of the B-series models beat our prior expectation. These three models (the *B10*, *B01* and *Lafa5*) are to contribute full-year sales volume in 2026E. More interestingly, wholesale volume of the *C10* and *C11* combined surged 81% YoY in the first 10 months of 2025. The *C10* showed strong sales momentum after its facelift in May 2025.

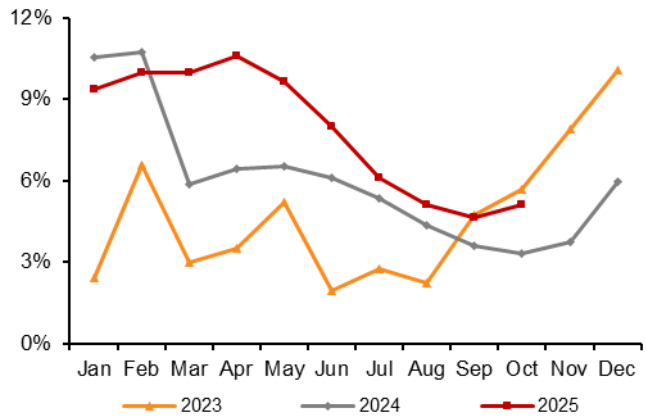
Leapmotor plans to roll out two D-series models and two A-series models in 2026E. The medium-to-large SUV, the *D19*, had its debut on 1 Nov 2025 and was well received by customers based on its refundable deposits. The small-size SUV, the *A10*, had its premiere in the 2025 Guangzhou Auto Show. We expect Leapmotor's wholesale volume to rise 52% YoY to 0.94mn units in 2026E, slightly lower than the company's guidance of 1mn units. We believe the difference probably comes from the A-series models, as we are concerned about the A0-class vehicle's market size post the trade-in subsidies' phase-out.

Figure 57: Leapmotor's wholesale volume forecast



Source: CAAM, CMBIGM estimates

Figure 58: Leapmotor's discounts at dealers



Source: ThinkerCar, CMBIGM

■ **Xiaomi: Can it surpass Tesla in its 3rd year?**

Despite the recent incidents related to car safety, Xiaomi's wholesale volume reached 48,000 units in Oct 2025 with only two models on sale. Sales volume of the *YU7* SUV exceeded 33,000 units in Oct 2025, the 5th month since its debut.

Xiaomi plans to launch its 3rd model, a large-size SUV, in 2026E, with both BEV and EREV versions available. We are of the view that Tesla's sales volume performance in China

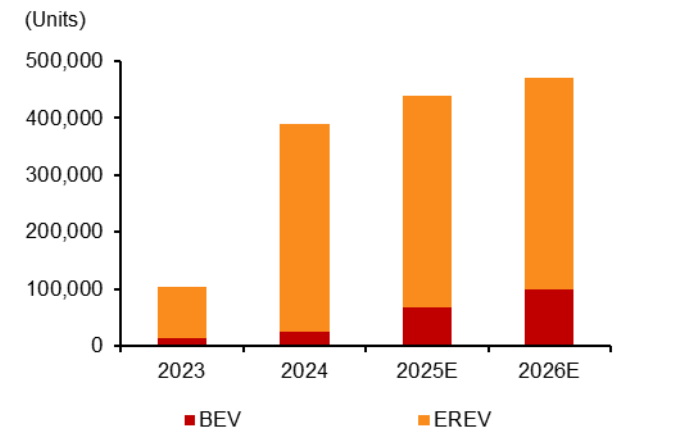
during 2020-23 could be a good reference for Xiaomi. Tesla's retail sales volumes (excluding exports) were about 147,000/323,000/442,000/613,000 units during 2020-23, with production disruption from COVID and chip shortage in 2021-22. Xiaomi achieved sales volume of about 140,000 units in its first year (2024) and is likely to achieve 410,000 units in 2025E based on our estimates. We project Xiaomi's sales volume to reach 610,000 units in 2026E, a similar level as Tesla's 4th year in China with local production.

■ **Seres: Positive on the *M6* but concerned about competition for the *M7*, *M8*, *M9***

We project Aito's wholesale volume to rise 13% YoY to 0.44mn units in 2025E, 15% lower than our original forecast made in Dec 2024. The *M7*'s weaker sales volume was the main reason for the miss. It appears to us that the *M7* is more vulnerable to competition, as its strong sales period is short-lived. Moreover, the sales cannibalization between the *M7* and *M8* appears to be severe given the sales volume declines for the *M8* after the new-generation *M7*'s launch in Sep 2025.

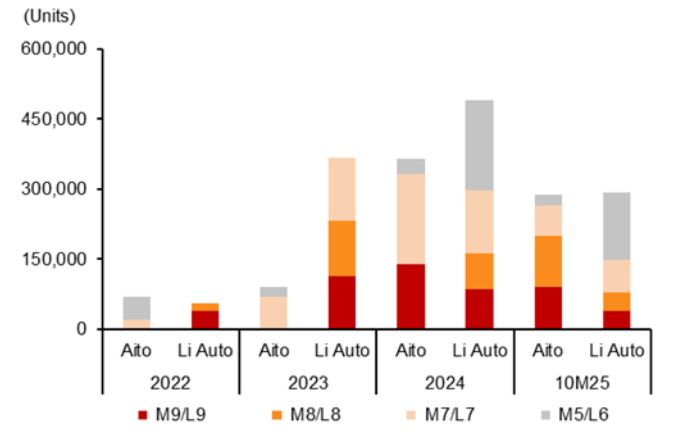
Seres plans to launch the *M6* in 2026E, in a bid to revive sales in the medium-size SUV segment, as the *M5* is the least successful model under Aito so far. While we expect the *M6* to be more successful than the *M5*, we are still concerned about the competition for the *M7*, *M8* and *M9*, not only from other automakers, but also from Huawei's other partners, as the value-add from Huawei is likely to be diluted when Huawei works with more partners. We project Aito's wholesale volume to rise 7% YoY to 0.47mn units in 2026E.

Figure 59: Aito's wholesale volume forecast



Source: CAAM, CMBIGM estimates

Figure 60: Aito's EREV sales volume vs. Li Auto's



Source: CAAM, CMBIGM

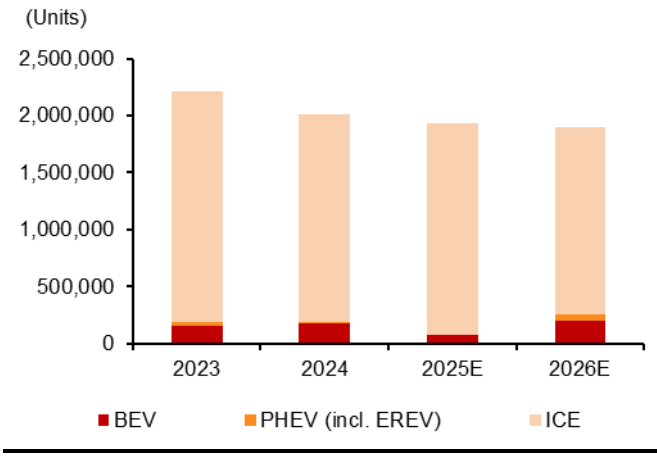
■ **VW brand: Can its "in China, for China" strategy work in 2026?**

We estimate the VW brand to roll out 10 new NEV models in 2026E, accounting for about 23% of total foreign brands' new NEV models next year. VW fully leverages resources in China for its electrification: 1) two new models will be based on Xpeng *G9*'s platform; 2) some models will be based on VW's China-specific platform CMP to lower costs; 3) VW plans to launch its first EREV model in 2026E; 4) VW formed a joint venture with Horizon Robotics (9660 HK, BUY; covered by our semiconductors team) named CARIZON in 2023 and some NEV models in 2026 are likely to adopt autonomous driving solutions from Horizon Robotics. Although details of VW's new NEV models in 2026E are still lacking, we are more positive on VW's electrification now, as the chance for one model to stand out from 10 could be high. That could be a good lesson for VW to optimize new models in the future. We project VW's NEV sales volume to more than triple YoY in 2026E to 0.26mn units.

VW's ICE vehicle sales volume is more resilient than its peers, rising 4% YoY in the first 10 months of 2025 on a wholesale basis, stronger than 1% YoY decline for industrywide ICE sales volume. The new-generation *Magotan* and *Tiguan L* launched in 2024 were quite successful, in our view. The redesigned *Sagitar* and *Tayron* in 2H25 could also support VW's ICE resilience in 2026. Therefore, we project VW's ICE wholesale volume to fall 11% YoY in 2026E, vs. 14% YoY decline for industrywide ICE wholesale volume based on our

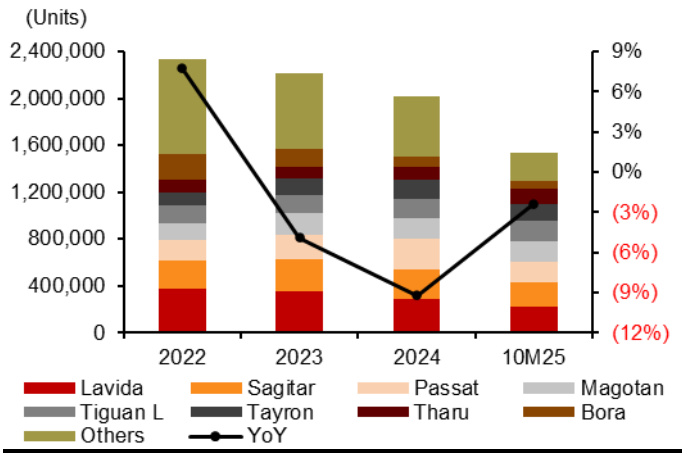
forecast. Accordingly, we expect VW's total wholesale volume to fall 2% YoY in 2026E, the smallest decline in four years.

Figure 61: VW's wholesale volume forecast in China



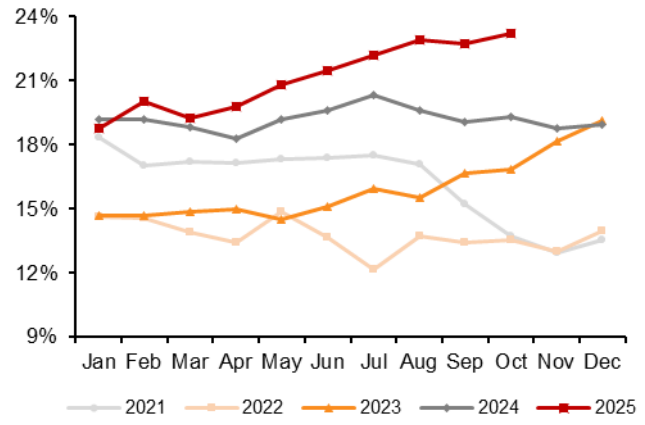
Source: CAAM, CMBIGM estimates

Figure 62: VW's wholesale volume by model



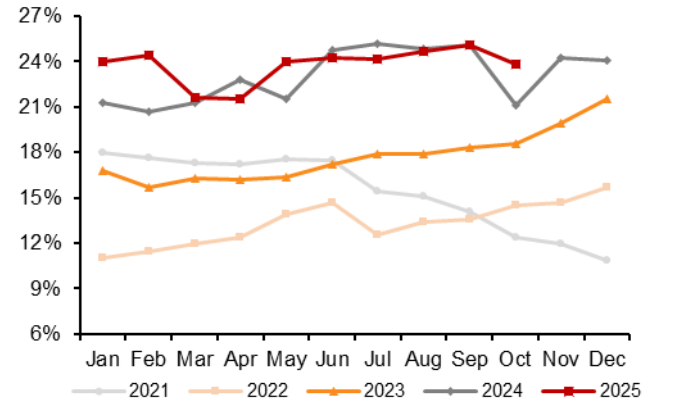
Source: CAAM, CMBIGM

Figure 63: SAIC VW's discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 64: FAW VW's discounts at dealers



Source: ThinkerCar, CMBIGM

■ Toyota: More challenges in 2026 despite a resilient 2025

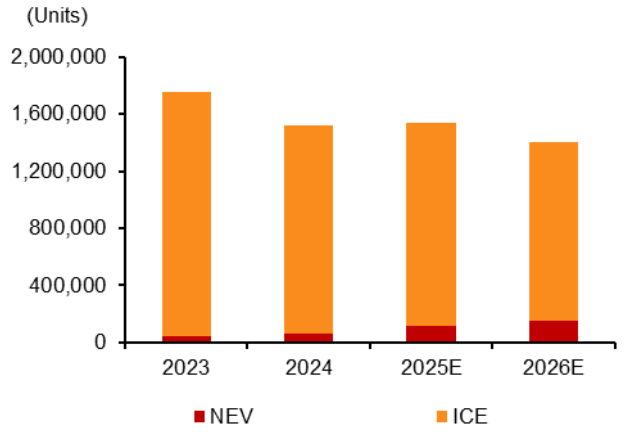
Toyota is likely to post a positive YoY growth rate in 2025E in terms of its wholesale volume in China, outpacing most foreign brands in China. We also expect Toyota to almost double its NEV wholesale volume to 0.12mn units in China in 2025E, the highest among incumbent foreign brands in China, aided by its *bZ3X* SUV.

The *bZ7*, a medium-to-large sedan, is probably the most important new NEV model for Toyota in 2026E in China. In our view, it is still too early to draw a conclusion for the *bZ7*'s sales volume, as it may face stiffer competition, not only from Chinese automakers, but also from foreign marques like VW and Nissan (7201 JP, NR).

We are of the view that Toyota's electrification still lags and the company is less determined than VW and Nissan. The *bZ3X* appears to be more like a trial, rather than a start of a plethora of new NEV models, although the model turned out to be one of the most successful NEV models so far in China among the incumbent foreign automakers. GAC Toyota plans to roll out the PHEV versions for its *Highlander* and *Sienna* in 2027E, which could be a bit too late, in our view.

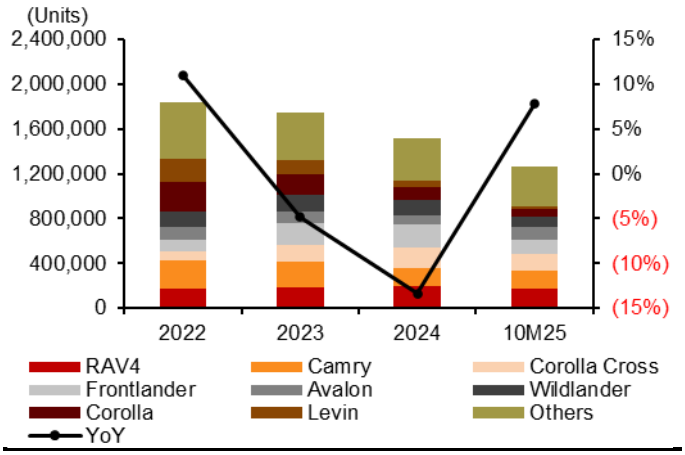
We project Toyota's total wholesale volume to fall 9% YoY to 1.4mn units in 2026E with NEVs accounting for 11%.

Figure 65: Toyota's wholesale volume in China



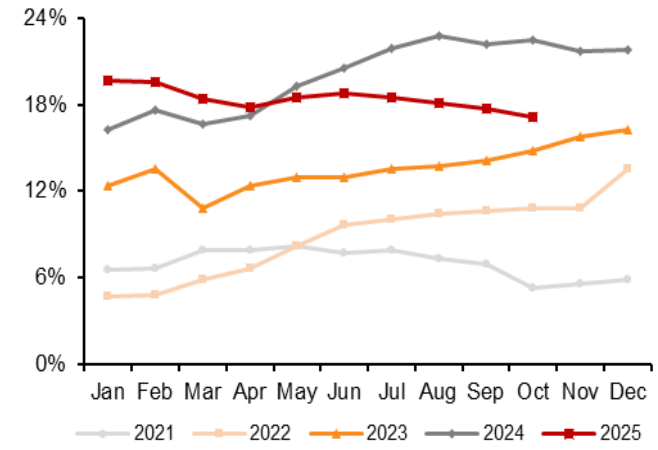
Source: CAAM, CMBIGM estimates

Figure 66: Toyota's wholesale volume by model



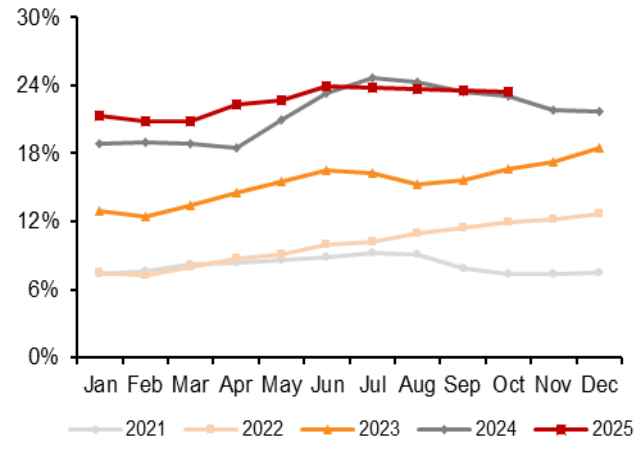
Source: CAAM, CMBIGM

Figure 67: GAC Toyota's discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 68: FAW Toyota's discounts at dealers



Source: ThinkerCar, CMBIGM

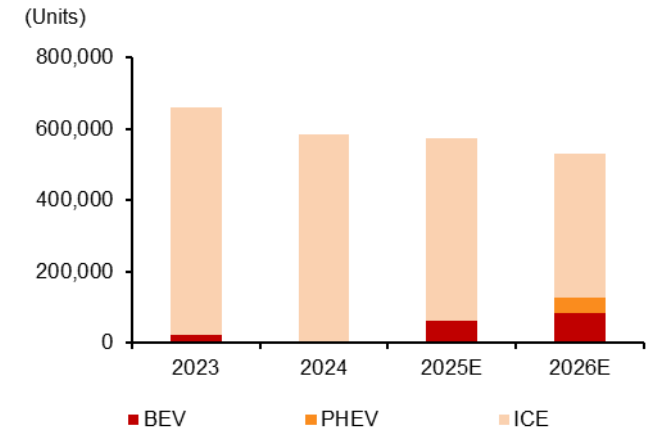
■ **Nissan: Electrification may accelerate following the *N7*'s aggressive pricing**

Nissan unveiled a medium-to-large size sedan, the *N7*, in late Apr 2025 with a price tag of RMB119,900-149,900. Its average monthly wholesale volume reached 7,000 units in the first six months after its debut, helped by its aggressive pricing. Nissan just launched a slightly smaller sedan, the *N6*, on 1 Dec 2025, with a price tag of RMB99,900-121,900. Dongfeng Nissan is likely to roll out another two or three new NEV models in 2026E, based on its previous plan. We estimate its new NEV models to cover medium-size and medium-to-large SUV segments in 2026E. Similar to VW, we are of the view that Nissan may see strong NEV sales volume growth in 2026E, should its new NEV models continue to adopt aggressive pricing strategy.

On the other hand, Nissan's most important model in China, the *Sylphy*, which accounted for 56% of Nissan's total wholesale volume in China in the first 10 months of 2025, is likely to launch a new generation in 2026E. Although we do not expect the redesigned *Sylphy* to lift Nissan's sales volume, it may still help Nissan's sales volume to decline at a slower pace in China.

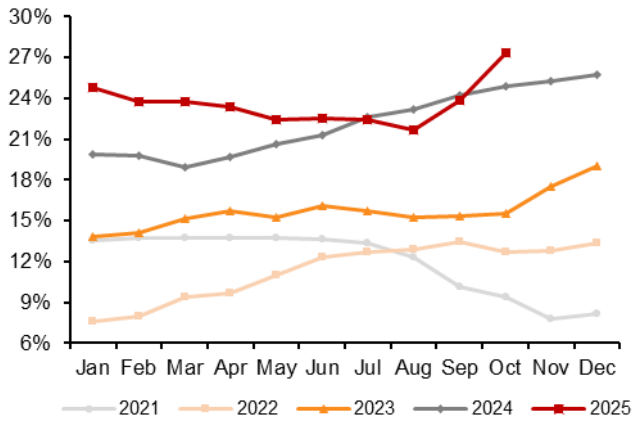
We project Nissan's NEV wholesale volume to double YoY to 127,000 units and its total wholesale volume to decline 8% YoY to 530,000 units in 2026E.

Figure 69: Nissan's wholesale volume in China



Source: CAAM, CMBIGM estimates

Figure 70: Dongfeng Nissan's discounts at dealers



Source: ThinkerCar, CMBIGM

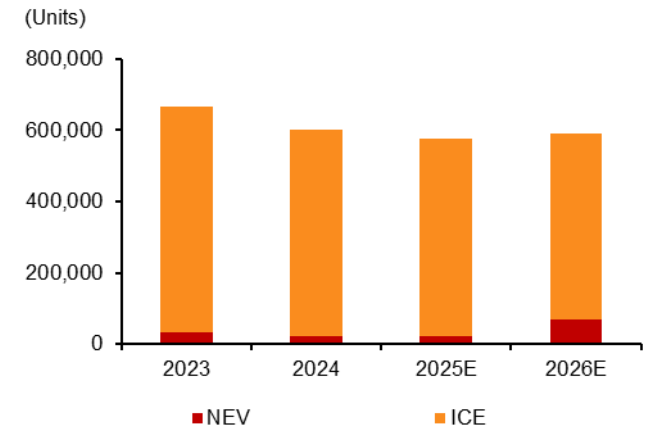
■ Audi: A plethora of new models in the next 12 months

Audi is likely to surpass BMW and Mercedes-Benz in 2025E in terms of both retail sales and wholesale volume (excluding imports) in China. Audi has started to roll out a plethora of new models since Aug 2025 after its thorough preparation and restructuring. Audi did not launch any new models during 4Q22-2Q25.

Audi launched the *A5L* and *A5L* Sportback (medium-size sedan) for both joint ventures with FAW and SAIC, respectively, in early Aug 2025. Audi FAW NEV, a new joint venture where Audi and VW China combined take up 60% stakes, unveiled its first model, the *Q6L e-tron* BEV (medium-to-large SUV) in Aug 2025. The Audi *E5*, a medium-size sedan based on IM's platform, was also rolled out in Sep 2025.

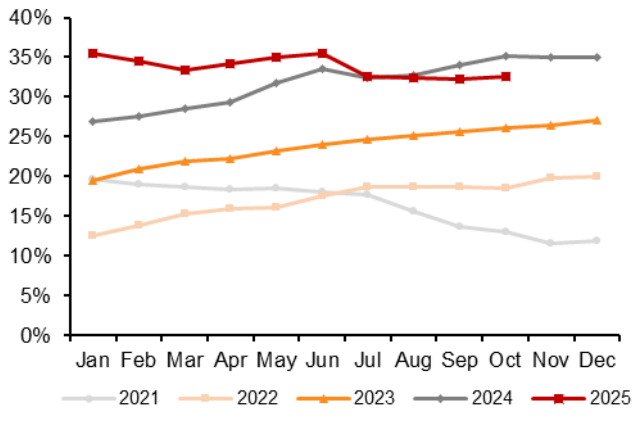
We estimate Audi to launch eight new models (5 ICE and 3 BEVs) in the next 12 months, covering compact car, compact SUV, medium-size SUV, medium-to-large car and large-size car. Therefore, we project Audi's wholesale volume to rise 3% YoY to 0.59mn units in 2026E in China, extending its leading position among the luxury "German Big Three". Meanwhile, it may be still too early to draw a conclusion for Audi's new NEV models, in our view.

Figure 71: Audi's wholesale volume forecast in China



Source: CAAM, CMBIGM estimates

Figure 72: FAW Audi's discounts at dealers



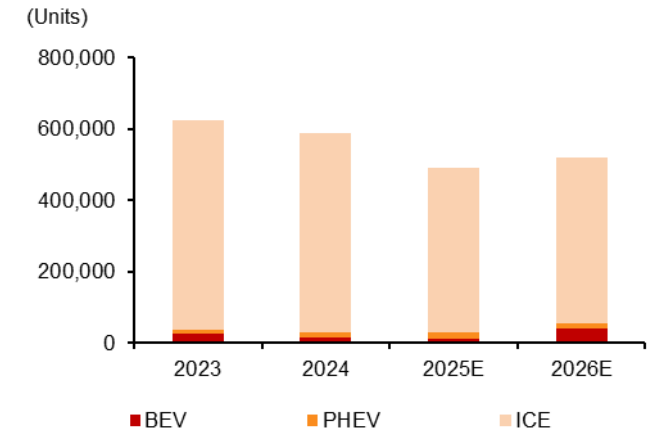
Source: ThinkerCar, CMBIGM

■ Mercedes-Benz: Locally-produced *GLE* to revive sales volume

Both Mercedes-Benz's retail sales and wholesale volumes in China are likely to decline the most among the luxury "German Big Three" in 2025E. It may roll out more new models in a bid to revive sales in 2026. It launched the *CLA* BEV in early Nov 2025 and is likely to electrify its *C-Class* and *GLC* models in 2026E. An important new model to watch in 2026

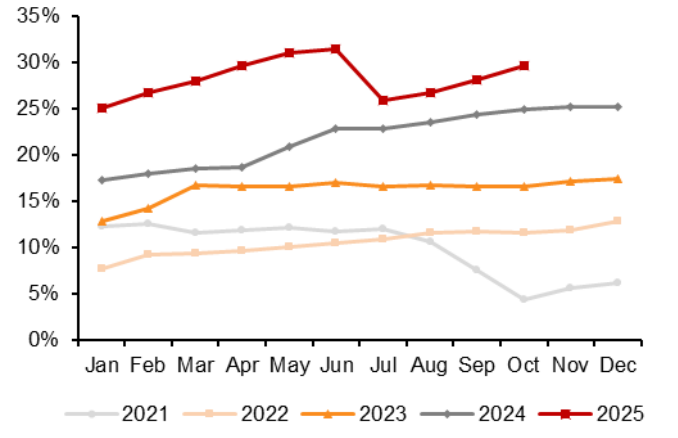
for Mercedes-Benz is the locally-produced *GLE*, although such decision is a bit late, in our view. While Mercedes-Benz's retail sales volume may continue to face challenges in China, we expect its wholesale volume (excluding imports) to rise 6% YoY to 0.52mn units in China in 2026E, aided by new models.

Figure 73: Mercedes-Benz's wholesale volume



Source: CAAM, CMBIGM estimates

Figure 74: Beijing Benz's discounts at dealers



Source: ThinkerCar, CMBIGM

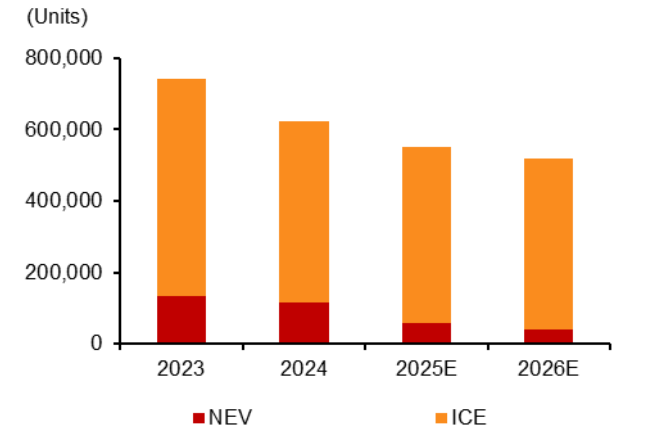
■ BMW: Challenges to continue in both ICE and NEV

We project BMW Brilliance's wholesale volume to drop 12% YoY in 2025E, with NEVs plunging 51% YoY. Exports accounted for about 25-30% of BMW's total NEV wholesale volume during 2021-23. The ratio fell to only 2% in the first 10 months of 2025 after it halted the *iX3*'s exports to Europe.

BMW plans to introduce its first Neue Klasse model, a medium-size SUV, into China in around Sep 2026, which may be of little help in its NEV sales volume, not only because of its launch time, but also its design, in our view.

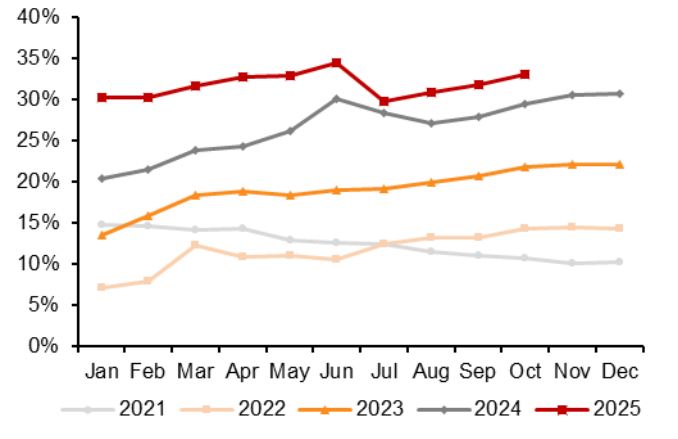
We project BMW Brilliance's wholesale volume to fall 6% YoY to 0.52mn units in 2026E, with NEVs accounting for only 8%.

Figure 75: BMW Brilliance's wholesale volume



Source: CAAM, CMBIGM estimates

Figure 76: BMW Brilliance's discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 77: China's passenger-vehicle wholesale volume forecasts by OEM / brand

	Sales volume in 2024 (units)	Sales volume forecast in 2025E (units)	Sales volume forecast in 2026E (units)	2026E YoY (%)	2025E market share (%)	2026E market share (%)
Chinese OEMs	**17,954,093**	**21,177,215**	**22,898,000**	**8%**	**69.7%**	**73.3%**
Geely	2,225,684	3,080,000	3,420,000	11%	10.1%	10.9%
Great Wall Motor	1,055,235	1,177,000	1,355,000	15%	3.9%	4.3%
Changan	1,612,642	1,770,000	1,700,000	-4%	5.8%	5.4%
SAIC-GM-Wuling	1,062,538	1,350,000	1,150,000	-15%	4.4%	3.7%
SAIC	772,518	950,000	1,080,000	14%	3.1%	3.5%
BYD	4,240,854	4,596,400	5,089,000	11%	15.1%	16.3%
GAC Motor	789,475	660,000	654,000	-1%	2.2%	2.1%
Chery	2,467,941	2,700,000	2,730,000	1%	8.9%	8.7%
Dongfeng	430,873	521,000	560,000	7%	1.7%	1.8%
FAW	562,235	670,000	560,000	-16%	2.2%	1.8%
BAIC Group	265,079	370,000	390,000	5%	1.2%	1.2%
JAC	166,763	154,000	120,000	-22%	0.5%	0.4%
NIO	221,970	326,000	500,000	53%	1.1%	1.6%
Li Auto	500,513	402,000	500,000	24%	1.3%	1.6%
Xpeng	190,068	445,000	610,000	37%	1.5%	2.0%
Avatr	64,303	119,000	150,000	26%	0.4%	0.5%
Leapmotor	291,424	620,000	940,000	52%	2.0%	3.0%
Seres	465,610	495,000	510,000	3%	1.6%	1.6%
Xiaomi	140,354	410,000	610,000	49%	1.4%	2.0%
German brands	**3,996,302**	**3,722,000**	**3,680,000**	**-1%**	**12.3%**	**11.8%**
VW	2,014,007	1,930,000	1,900,000	-2%	6.4%	6.1%
Audi	600,220	575,000	590,000	3%	1.9%	1.9%
BMW	625,091	550,000	520,000	-5%	1.8%	1.7%
Mercedes-Benz	589,314	490,000	520,000	6%	1.6%	1.7%
Japanese brands	**3,075,328**	**2,843,625**	**2,411,000**	**-15%**	**9.4%**	**7.7%**
Honda	896,802	640,000	400,000	-38%	2.1%	1.3%
Toyota	1,516,062	1,540,000	1,400,000	-9%	5.1%	4.5%
Nissan	583,922	575,000	530,000	-8%	1.9%	1.7%
American brands	**1,774,245**	**1,790,000**	**1,530,000**	**-15%**	**5.9%**	**4.9%**
Buick	322,859	435,000	370,000	-15%	1.4%	1.2%
Ford	252,604	250,000	200,000	-20%	0.8%	0.6%
Tesla	916,660	837,000	800,000	-4%	2.8%	2.6%
Korean brands	**431,215**	**465,000**	**410,000**	**-12%**	**1.5%**	**1.3%**
Hyundai	182,998	205,000	190,000	-7%	0.7%	0.6%
Kia	248,217	260,000	220,000	-15%	0.9%	0.7%
Others	**321,325**	**368,700**	**321,000**	**-13%**	**1.2%**	**1.0%**
Total	**27,552,508**	**30,366,540**	**31,250,000**	**3%**	**100.0%**	**100.0%**

Source: CAAM, CMBIGM estimates

Figure 78: China's passenger NEV wholesale volume forecast by OEM / brand

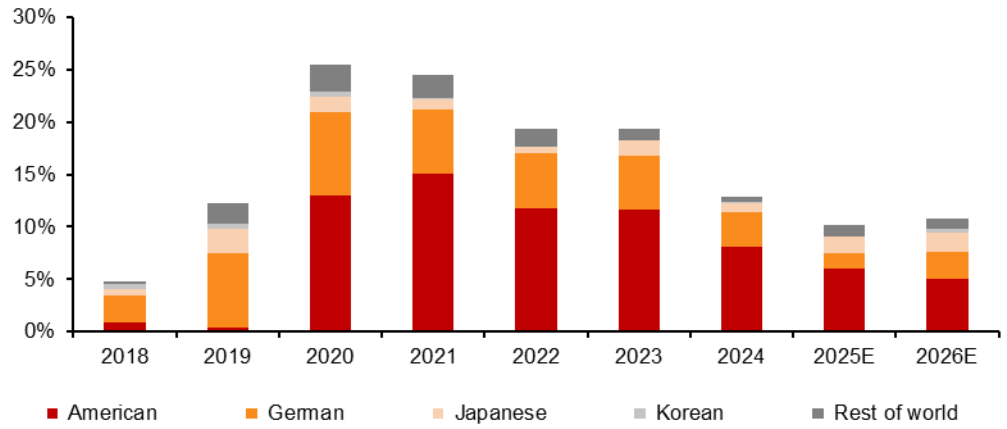
	Sales volume in 2024 (units)	Sales volume forecast in 2025E (units)	Sales volume forecast in 2026E (units)	2026E YoY (%)	2025E market share (%)	2026E market share (%)
Chinese OEMs	10,684,918	14,022,356	16,511,000	18%	89.9%	89.2%
Geely	888,235	1,745,970	2,205,000	26%	11.2%	11.9%
Great Wall Motor	320,848	433,000	630,000	45%	2.8%	3.4%
Changan	605,335	795,000	850,000	7%	5.1%	4.6%
SAIC-GM-Wuling	722,954	949,300	800,000	-16%	6.1%	4.3%
SAIC	199,993	327,700	556,000	70%	2.1%	3.0%
BYD	4,240,854	4,596,400	5,089,000	11%	29.5%	27.5%
GAC Motor	430,847	332,000	389,000	17%	2.1%	2.1%
Chery	507,328	840,700	960,000	14%	5.4%	5.2%
Dongfeng	300,871	408,291	497,000	22%	2.6%	2.7%
FAW	197,872	315,800	300,000	-5%	2.0%	1.6%
BAIC Group	116,283	244,500	280,000	15%	1.6%	1.5%
JAC	31,183	35,080	48,000	37%	0.2%	0.3%
NIO	221,970	326,000	500,000	53%	2.1%	2.7%
Li Auto	500,513	402,000	500,000	24%	2.6%	2.7%
Xpeng	190,068	445,000	610,000	37%	2.9%	3.3%
Avatr	64,303	119,000	150,000	26%	0.8%	0.8%
Leapmotor	291,424	620,000	940,000	52%	4.0%	5.1%
Seres	428,484	478,400	487,000	2%	3.1%	2.6%
Xiaomi	140,354	410,000	610,000	49%	2.6%	3.3%
German brands	408,054	234,808	493,000	110%	1.5%	2.7%
VW	190,673	78,300	260,000	232%	0.5%	1.4%
Audi	21,829	21,000	70,000	233%	0.1%	0.4%
BMW	116,451	57,008	40,000	-30%	0.4%	0.2%
Mercedes-Benz	29,432	29,500	55,000	86%	0.2%	0.3%
Japanese brands	95,156	241,287	325,000	35%	1.5%	1.8%
Honda	29,474	20,700	13,000	-37%	0.1%	0.1%
Toyota	60,510	116,087	150,000	29%	0.7%	0.8%
Nissan	1,680	62,500	127,000	103%	0.4%	0.7%
American brands	997,706	933,319	926,000	-1%	6.0%	5.0%
Buick	73,543	94,000	115,000	22%	0.6%	0.6%
Tesla	916,660	837,000	800,000	-4%	5.4%	4.3%
Others	82,260	174,006	245,000	41%	1.1%	1.3%
Total	**12,268,094**	**15,605,776**	**18,500,000**	**19%**	**100.0%**	**100.0%**

Source: CAAM, CMBIGM estimates

Foreign marques accelerate NEV rollouts with more aggressive pricing, cut capacity in China

While Chinese brands continue to dominate in China's NEV market in 2026E, we expect foreign brands to gain market share slightly, by 0.7ppts YoY, aided by VW, Audi and Nissan, as we noted in the previous part of this report. We project German brands' NEV market share to widen by 1.2ppts YoY to 2.7% in 2026E and Japanese brands' NEV market share to rise by 0.3ppts to 1.8% during the same period. On the other hand, we expect American brands' NEV market share to narrow by 1ppt to 5.0% in 2026E, as we forecast Tesla's wholesale volume in China to fall 4% YoY to 0.8mn units in 2026E, after a 9% YoY decline in 2025E.

Figure 79: Foreign brands' NEV market share forecast

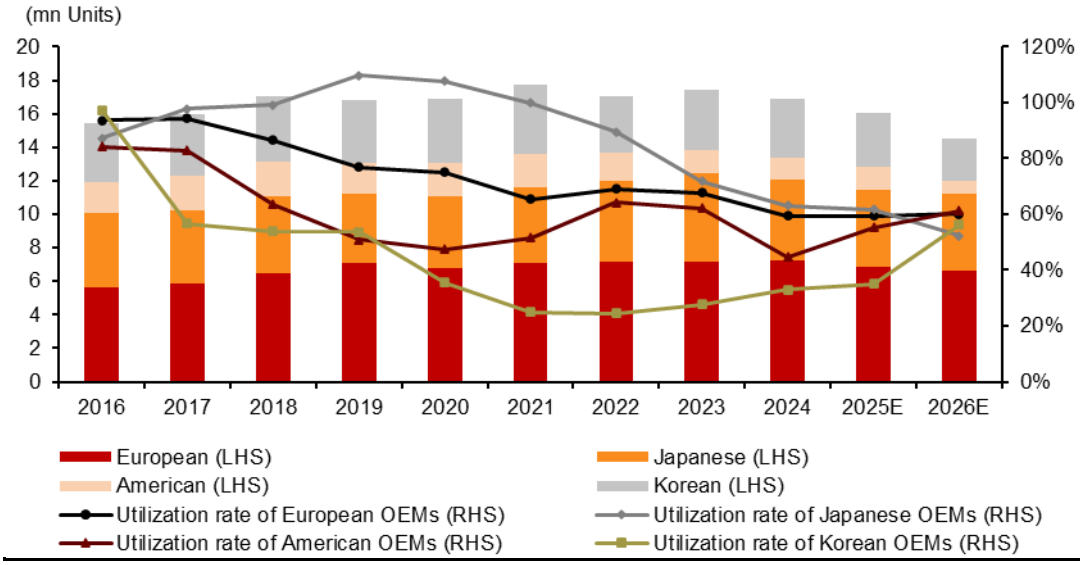


Source: CAAM, CMBIGM estimates

Despite foreign brands' efforts to catch up in the NEV market, we expect total wholesale volume for foreign brands in China to continue declining in 2025-26E, which will likely result in production capacity cuts.

Although foreign marques cut their production capacity by 2% in 2024, their capacity utilization rate in China hit an all-time low of 55% last year, based on our estimates. We expect foreign brands to cut their production capacity by 5% in 2025E and 10% in 2026E, in order to stabilize their capacity utilization rate. We project foreign brands' capacity utilization rates in China to rise slightly to 57% in 2025E and 58% in 2026E, mainly because we forecast SAIC GM to cut its capacity. Japanese brands, which were well-known for their cautious capacity expansion and high capacity utilization, only had a capacity utilization rate of 63% in 2024 in China, vs. around 100% during 2017-2021. We expect the capacity utilization rate to continue falling to 62% in 2025E and below 60% in 2026E. To make it worse, the recent China-Japan tension could make Japanese brands' sales in China more uncertain in 2026E.

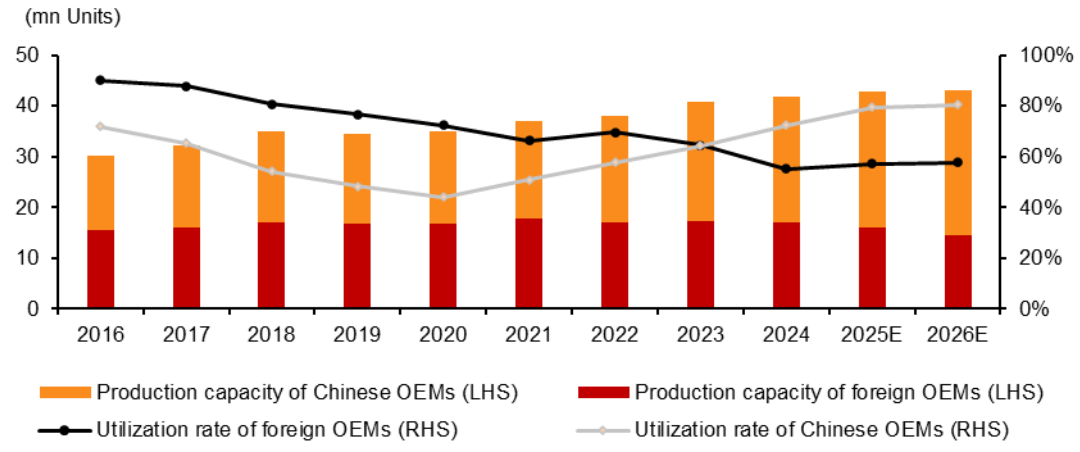
Figure 80: Foreign brands' PV production capacity and utilization rate in China



Source: Company data, CAAM, Marklines, CMBIGM estimates

Chinese brands, in contrast, have been increasing their production capacity utilization rate since 2021, which hit an all-time high of 72% in 2024. We expect it to continue rising to 79% in 2025E and 80% in 2026E, with a capacity increase of 7% YoY in both years.

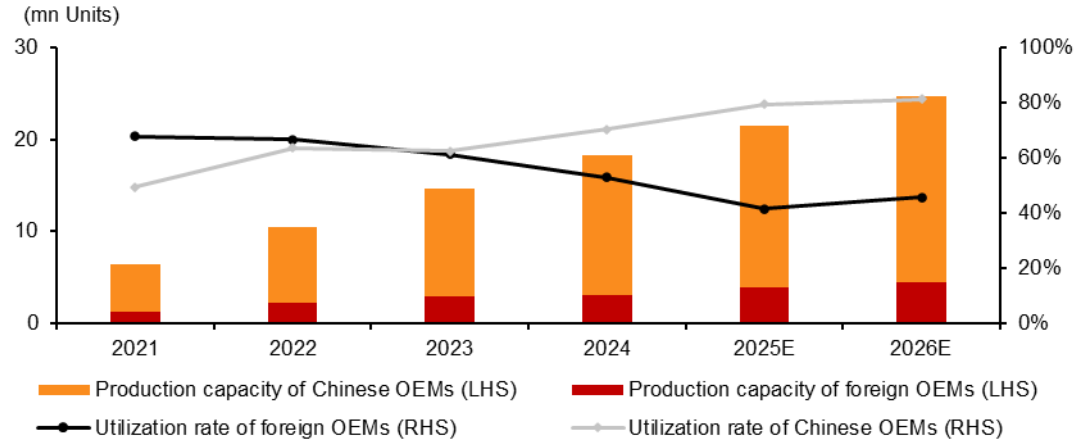
Figure 81: Chinese brands' PV production capacity and utilization rate vs. foreign brands'



Source: Company data, CAAM, Marklines, CMBIGM estimates

Chinese automakers' capacity utilization rate increase coincides with China's NEV boom. In fact, it is much more difficult to estimate NEV capacity utilization rate, as quite a few NEV models are made in the same production line with ICE models. Our best guesstimation for Chinese automakers' NEV capacity utilization rates in China are 70%/79%/81% in 2024-26E, similar to their overall capacity utilization rates during the same period. As Chinese brands dominate NEV sales volume in China, they lift China's overall NEV capacity utilization rates to 67%/73%/75% in 2024-26E, slightly higher than China's overall PV capacity utilization rates during the same period, despite foreign brands' lower NEV capacity utilization rates than their total PV utilization rates.

Figure 82: China's passenger NEV production capacity and utilization rate



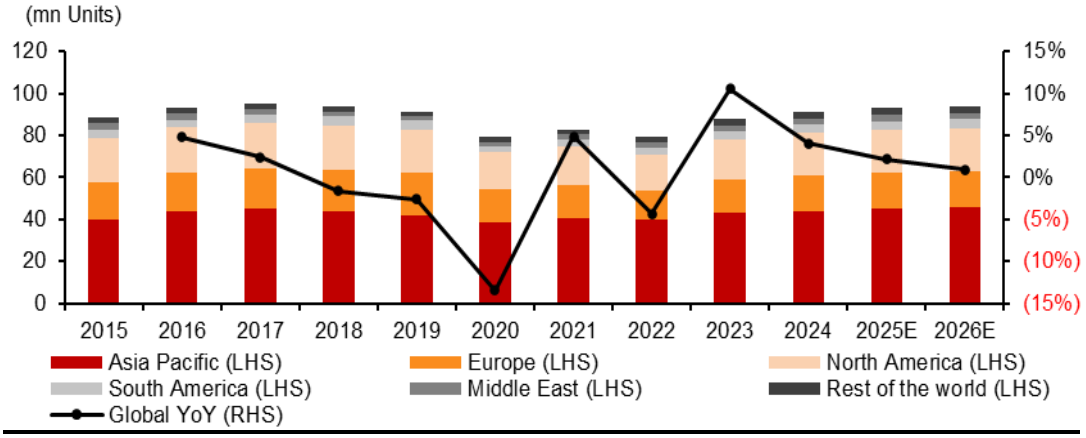
Source: Company data, CAAM, Marklines, CMBIGM estimates

Global auto sales in a nutshell: China plays a more important role

We project global auto sales volume (including commercial vehicles) to rise 2.2% YoY to 93.18mn units in 2025E, stronger than our prior forecast of 0.4% made in Dec 2024, setting positive growth rates for three consecutive years after the chip shortage. The beat mainly came from China, as we originally expected China's retail sales volume to decline slightly in 2025. China's impact on global auto sales goes beyond the domestic market: Sales volume in MENA and South America in the first 10 months of 2025 also beat our prior expectation, largely due to strong sales from Chinese brands. On the other hand, sales volume in Russia and other Eastern Europe countries missed our projection, as Russia imposed higher vehicle recycling fees for imported vehicles, mainly Chinese brands, after Western automakers exited the market in 2022.

Global auto sales volume has been recovering gradually. Our projected global auto sales volume in 2025E is about 2.3% lower than its all-time high of 95.34mn units in 2017, when China's retail sales volume reached an all-time high. We project global auto sales volume to rise 0.9% YoY to 94.02mn units in 2026E, as we expect China's retail sales volume to be flat YoY.

Figure 83: Global auto sales volume by region



Source: Marklines, CMBIGM estimates

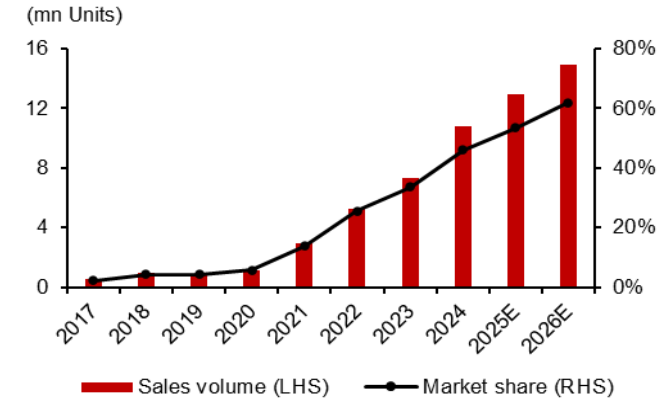
2026 NEV Outlook: Larger, Smarter But Cheaper NEVs Needed Despite Possible Battery Price Hikes

Solid NEV sales growth to continue in 2026 despite subsidy cuts

We project China's passenger NEV retail sales volume to rise 15.5% YoY from 12.93mn units in 2025E to 14.93mn units in 2026E, which implies NEV market share of 61.8% in 2026E, up from 53.5% in 2025E.

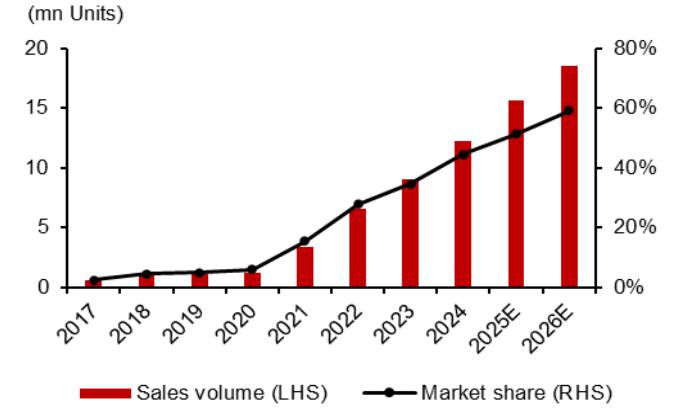
We also project China's passenger NEV wholesale volume to rise 18.5% YoY from 15.61mn units in 2025E to 18.50mn units in 2026E, which implies NEV market share of 59.2% in 2026E, up from 51.4% in 2025E. The lower NEV market share on a wholesale basis than a retail basis is mainly due to exports. We project China's NEV exports to rise 40% YoY to 2.83mn units in 2026E, after a 77% YoY growth in 2025E despite EU's tariffs on China-made NEVs. That implies NEV market share of 42% for China's export volume in 2026E.

Figure 84: China's NEV retail sales volume forecast



Source: CATARC, CMBIGM estimates

Figure 85: China's NEV wholesale volume forecast

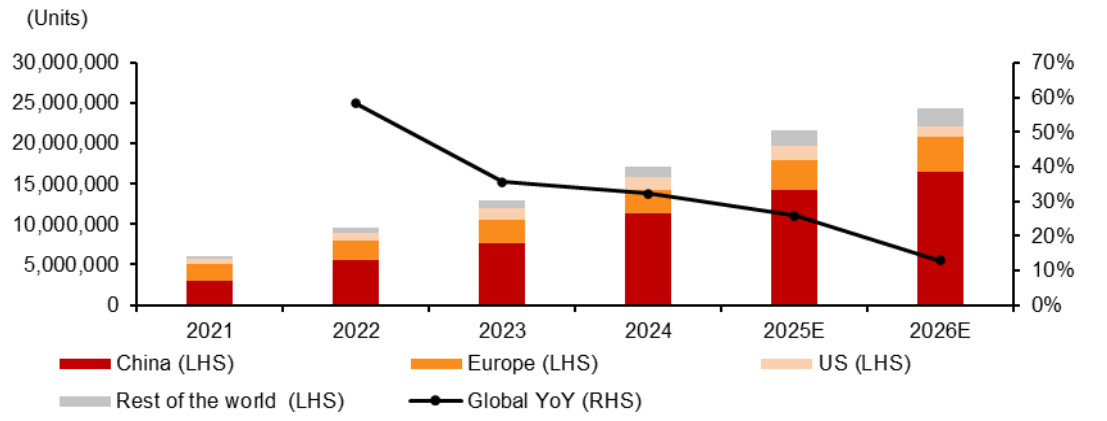


Source: CAAM, CMBIGM estimates

Global NEV sales in a nutshell: China's impact expands to overseas; US to decline

We project global NEV sales volume to rise 26% YoY to 21.58mn units in 2025E, 5% higher than our prior forecast, as Europe, China and the US all beat our projection. Strong NEV sales in overseas markets are likely to make global NEV sales volume grow at a similar rate as China's in 2025E. Yet, China is still likely to make up 66% of global NEV sales volume in 2025E, based on our estimates.

Figure 86: Global NEV sales volume forecast by region



Source: Marklines, CMBIGM estimates

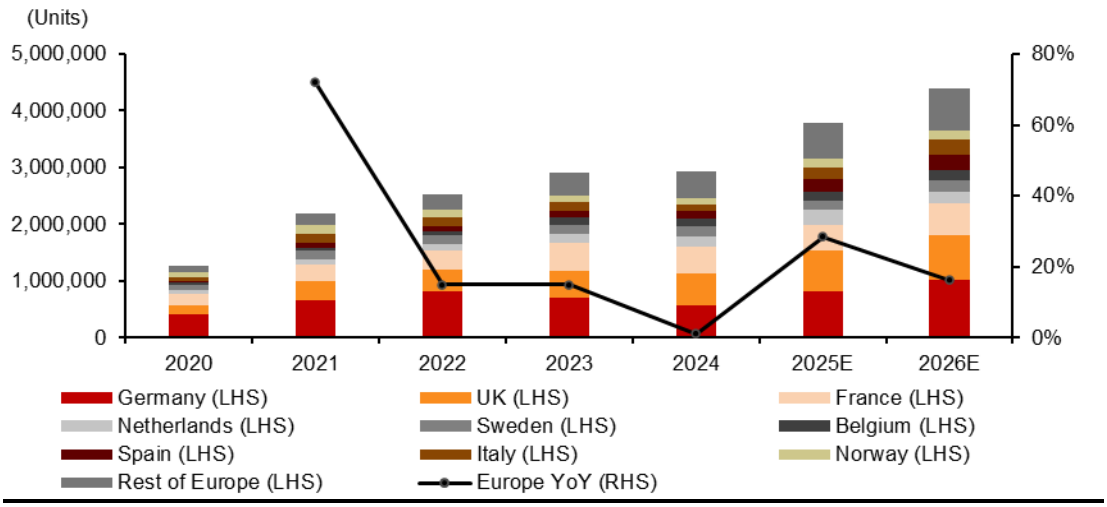
We project global NEV sales volume to rise 13% YoY to 24.38mn units in 2026E, with China making up 67%. We project China to outpace the global average again, as the US is to drag the global sales down. We expect Europe to extend its strong NEV sales volume into 2026E amid tightening CO_2 emission standards. In our view, South America could be a positive surprise in 2026E, following ASEAN's pattern in the past three years, as more Chinese automakers tap into the market, although the region still has limited impact on the global NEV market.

■ **Europe: Local brands resume grip; Chinese carmakers gain traction**

While we had projected a positive surprise from NEV sales in Europe for 2025 amid the EU's tightened CO_2 emission standards, NEV sales volume in Europe is likely to be 12% higher than our prior forecast in 2025E, with NEV market share reaching 22.4% this year.

In May 2025, the EU amended the emission standards to allow carmakers to fulfil the requirement by averaging their performance during 2025-27. According to International Council on Clean Transportation (ICCT), carmakers are on track to meet the requirement, with 9% away from the fleet-average CO_2 target for 2025-27, based on sales volume in Jan-Jun 2025. That also means strong NEV sales volume may continue in 2026, especially with many countries resuming or extending NEV subsidies. We project NEV sales volume to rise 16% YoY to 4.39mn units in 2026E in Europe, with an NEV market share gain of 3ppts YoY to 25.4%.

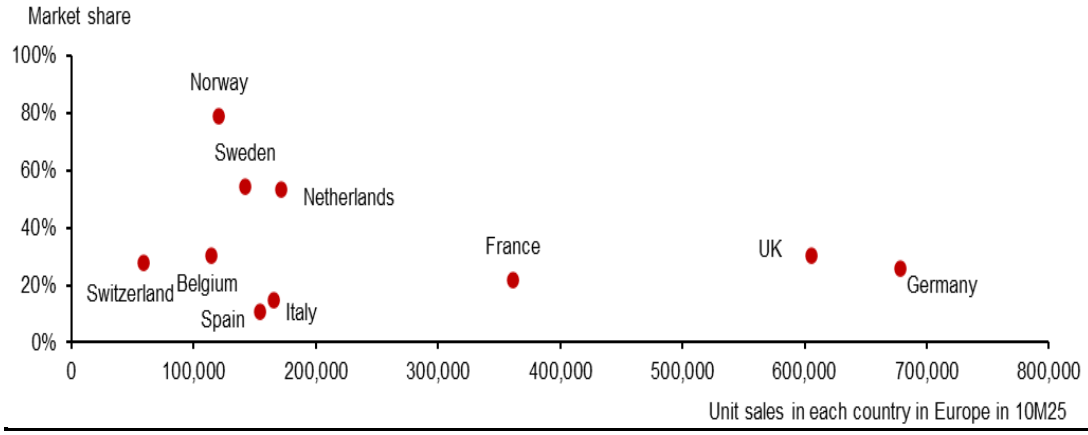
Figure 87: Europe NEV sales volume forecast



Source: Marklines, CMBIGM estimates

Germany, the largest auto market in Europe for both PVs and NEVs, posted strong NEV sales volume growth of 46% YoY in the first 10 months of 2025, accounting for about 22% of total NEV sales volume in Europe. The UK continued its strong NEV sales volume growth this year, with a YoY growth rate of 34% in the first 10 months of 2025, as the country has adopted the Zero Emission Vehicle (ZEV) Mandate since 2024 with a rising percentage of NEVs from 22% in 2024 to 100% in 2035. Spain's NEV sales volume surged 73% YoY in the first 10 months of 2025, the fastest growth among the top 10 countries in Europe in terms of NEV sales volume. Norway still has the highest NEV market share of over 70% in Europe, while Denmark, Sweden and the Netherlands are set to surpass 50% NEV market share in 2025E.

Figure 88: NEV sales volume and market share by country in 10M25 in Europe

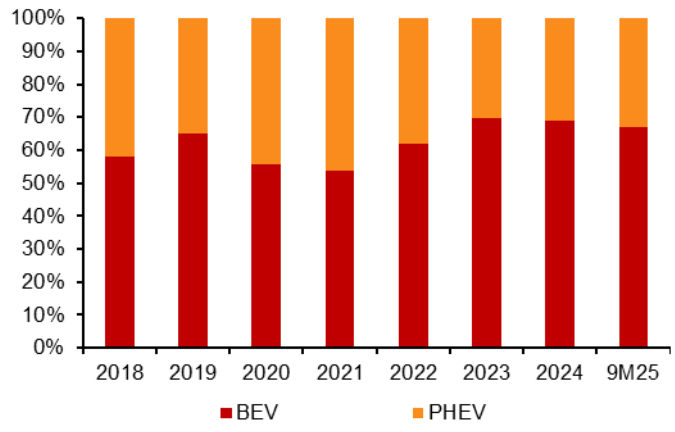


Source: Marklines, CMBIGM

European automakers have gradually resumed their grip in European NEV market. VW's NEV sales volume rose 72% YoY in the first nine months of 2025, aided by brands including VW, Skoda and CUPRA, accounting for 28% of NEV sales volume in Europe. BMW (BMW GR, NR) ranked No. 2 with 10% market share after its NEV sales volume rising 28% YoY in the first three quarters of 2025, followed by Stellantis (STLAM US, NR, 8%), Mercedes-Benz (MBG GR, NR, 7%) and Volvo (VOLCARB SS, NR, 7%), although the latter three carmakers posted YoY declines in NEV sales volume during the same period. Tesla fell to the 6th place after posting a 29% YoY sales volume decline in the first three quarters of 2025.

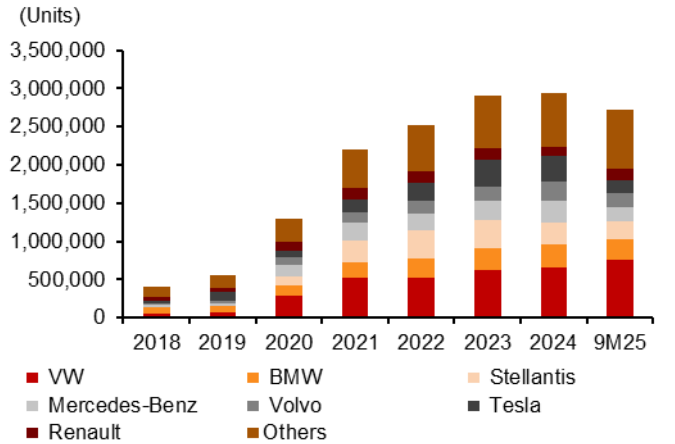
Chinese brands are grabbing NEV market share in Europe despite the imposed tariffs. Chinese brands' NEV sales volume more than doubled YoY to 0.27mn units in the first three quarters of 2025, based on the data compiled by Marklines, led by BYD, MG and Chery. Chinese brands accounted for 10% of NEV sales volume in Europe in the first nine months of 2025, with BYD taking up about 4.4%. In fact, Chinese automakers' NEV market share in Europe climbed to an all-time high of 13.9% in Sep 2025. We expect such trends to continue in 2026E.

Figure 89: BEV and PHEV sales breakdown in Europe



Source: Marklines, CMBIGM

Figure 90: NEV sales volume by OEM in Europe

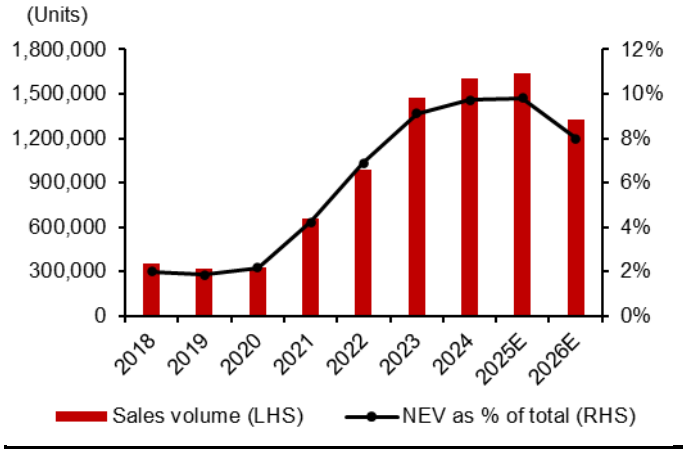


Source: Marklines, CMBIGM

■ US: NEV gap with China and Europe to widen in the next few years

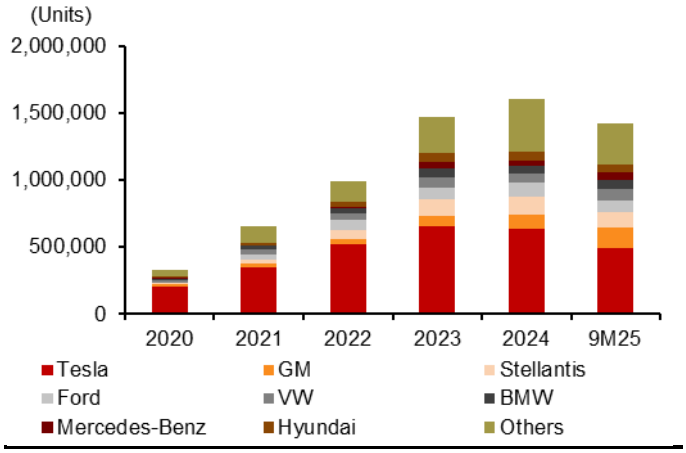
NEV sales volume in the US was halved MoM in Oct 2025, as the EV tax credit of US$7,500 in the Inflation Reduction Act (IRA) was ended at the end of Sep 2025 by the Trump Administration. NEV market share narrowed to 7% in Oct 2025, from almost 15% in Sep 2025 and 11% in the first nine months of 2025. We expect NEV market share in the US to remain flat YoY at 9.8% in 2025E and fall to 8.0% in 2026E.

Figure 91: US NEV sales volume forecast



Source: Marklines, CMBIGM estimates

Figure 92: US NEV sales volume by OEM



Source: Marklines, CMBIGM

Tesla also lost market share in its home market in the first 10 months of 2025, partially due to some American consumers' subtle changes in its brand perception amid Elon Musk's previous engagement in politics, as we noted last year. GM (GM US, NR) gained the most NEV market share, from 7.0% in 2024 to 10.9% in the first 10 months of 2025. Three German automakers VW, BMW and Mercedes-Benz all gained NEV market share in the US during the same period. We still see little chance for Chinese automakers to enter the US market in the foreseeable future.

Battery price hike risk could be manageable for OEMs in 2026E

Lithium carbonate's recent price increase raises a question of whether the battery price will hike to an unreasonable level as in 2022. We are of the view that the recent price increase is mainly due to rising expectation on energy storage system installation and demand hike for both passenger and commercial NEVs before the subsidy cuts. We expect capacity utilization rate for both battery manufacturers and raw-material suppliers to improve YoY in 2026E. However, we believe players along the supply chain could be more rational and less panicked with smaller stockpiling after the experience in 2021-22. Therefore, we expect battery prices to rise but within a more reasonable level compared with 2022.

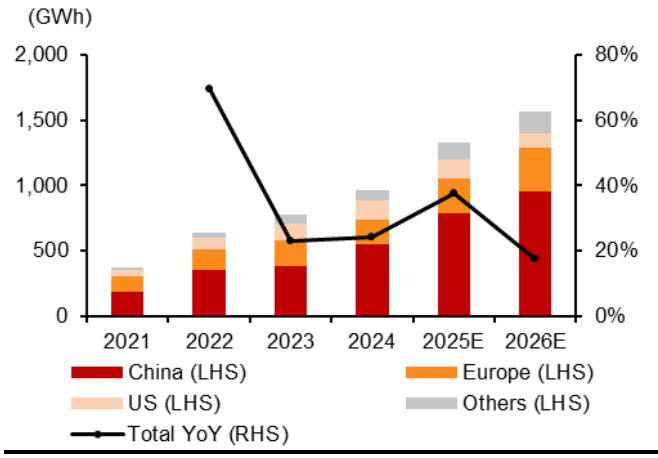
■ LCE demand hike in 2026E mainly comes from energy storage

We project global NEV sales volume to rise 26% and 13% YoY to 21.58mn units and 24.38mn units in 2025-26E, respectively, as noted earlier. We estimate global NEV battery sales volume to rise 38% YoY to 1.3TWh, a higher growth rate than global NEV sales volume growth for the first time since 2023, due to greater market share from BEVs and rising inventories in anticipation of price hikes. We expect inventory restocking to continue in 2026E, with a 17% YoY growth rate for global NEV battery sales volume in 2026E, although we project PHEV market share to widen.

We project global energy storage sales volume to rise 55% YoY to 454GWh in 2025E amid solid installation growth in 1H25 and strong new orders for both China and overseas. We expect both strong installation and inventory restocking to continue in 2026E, especially for overseas markets given the strong order backlog. Therefore, we project global energy storage sales volume to more than double YoY to 983GWh in 2026E, much stronger than forecasts by other data sources.

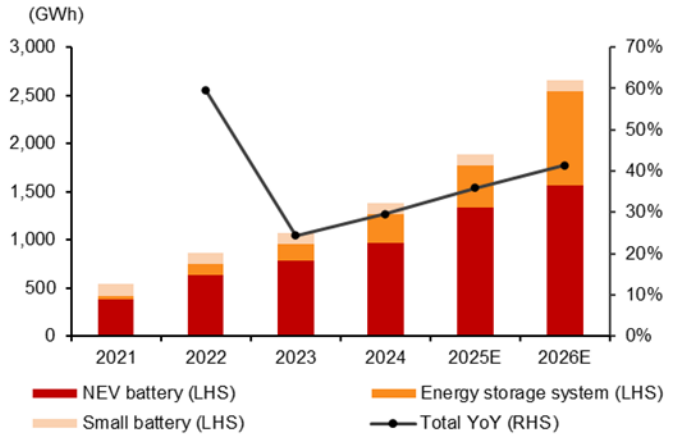
Despite slower demand growth from NEV batteries, strong energy storage installation with optimistic expectation, along with demand from consumer electronics and others, would translate into a demand of 1.29mn metric tons for lithium carbonate equivalent (LCE) in 2025E and 1.74mn metric tons in 2026E, based on our estimates, or 29% YoY and 35% YoY growth rates for 2025-26E, respectively.

Figure 93: Global NEV battery sales forecast



Source: GGII, CMBIGM estimates

Figure 94: Global lithium-ion battery sales forecast

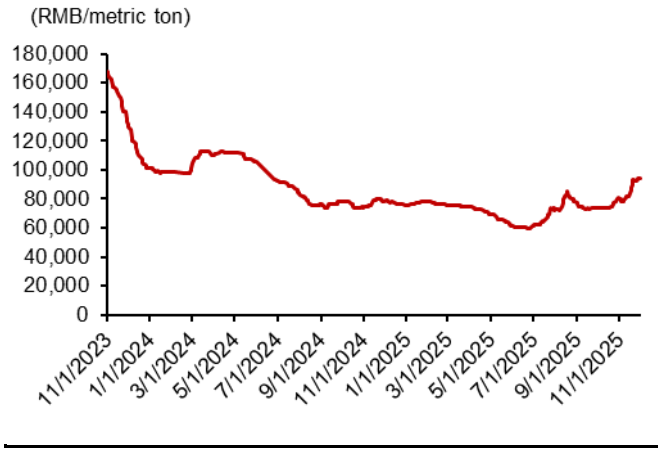


Source: GGII, Frost & Sullivan, EV Tank, CMBIGM estimates

■ **Battery price increase may benefit battery makers, while margin dent on automakers could be manageable**

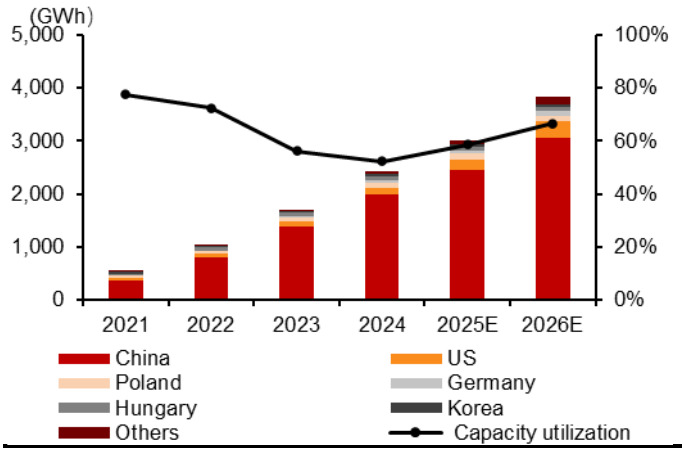
We expect LCE capacity utilization rate to rise 79% in 2025E and 88% in 2026E, based on our estimates on LCE supply compiled from salt lake and hard rock data. Despite our optimistic forecast with inventory restocking expectation, LCE capacity utilization in 2026E could still be below 90%+ in 2021-22. Therefore, we expect battery price to rise in 2026E, but unlikely to reach unreasonable levels as 2022.

Figure 95: Battery-grade lithium carbonate price



Source: ICCSINO, CMBIGM

Figure 96: Battery makers' capacity forecast



Source: Company data, CMBIGM estimates

Meanwhile, we project capacity utilization rate for battery makers to widen by 8ppts YoY to 67% in 2026E, the highest since 2023, based on the capacity data that we have compiled. Battery makers are likely to pass through the raw-material cost hike to automakers, denting automakers' gross margin, as the intensifying competition in China makes automakers more difficult to pass through such costs to customers. However, we believe such cost increase for automakers is manageable, as they may absorb it through greater economies of scale and cost reduction from other suppliers, especially as batteries now make up a smaller portion of a vehicle's total costs than that in 2021-22.

We expect PHEV/EREV to regain traction in 2026E

Unlike our prior forecast, PHEVs (including EREV) accounted for only 37.5% of total NEV wholesale volume in China in the first 10 months of 2025, down from 41.7% in 2024. We attribute such trend to three reasons.

1) Trade-in subsidies in 2025 benefit small NEVs more than larger ones in terms of discounts in percentage, and BEVs take up a large portion of small-size NEVs.

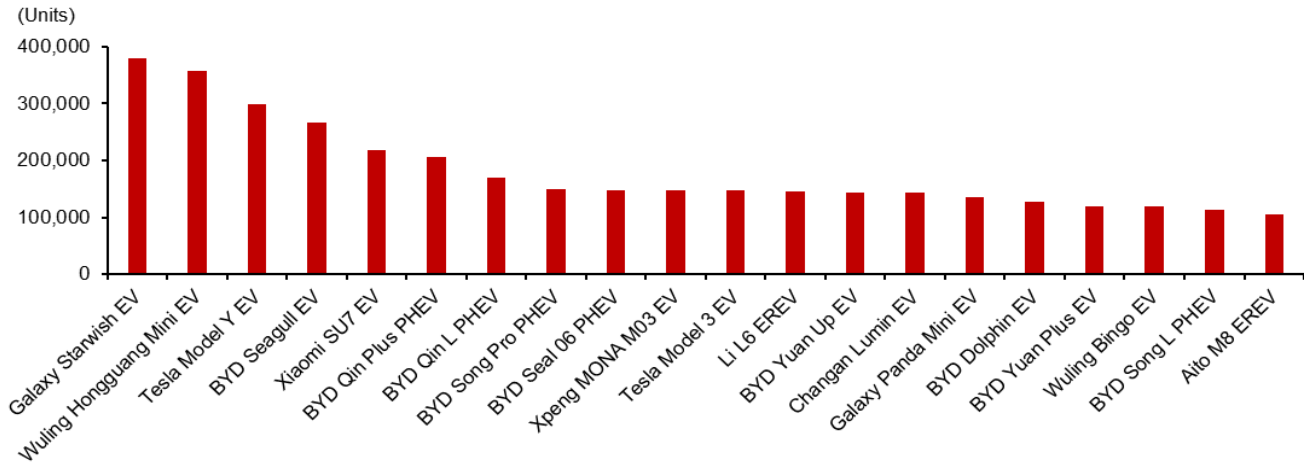
2) Most of the key new models launched late last year or in 1H25, such as the Xiaomi *YU7*, Xpeng *Mona M03*, Galaxy *Starwish,* Onvo *L90*, and Leap *B10*, are BEVs, which also partially reflects consumer preference shift with lower range anxiety.

3) Some automakers launched new BEVs with an aggressive pricing compared with their equivalent EREV models, as battery prices are at a low level now.

■ **Mini, small BEV market share to fall amid subsidy cuts, battery price increase**

In the first 10 months of 2025, mini- and small-size NEVs (A0-class or below) accounted for 22.2% of China's total NEV retail sales volume, 3.7ppts higher than 2024. That was the first growth since 2022. Among the top 20 best-selling NEV models (on a retail basis) in the first 10 months of 2025, only seven were PHEVs/EREVs, compared with 10 in 2024. Reappearance of the *Lumin* and *Panda Mini* on the list, which were rolled out in 2022 and 2023, respectively, showcased the importance of trade-in subsidies for those mini and small BEVs, not even to mention other small BEVs on the list, such as Galaxy *Starwish*, Wuling *Hongguang Mini* and BYD *Seagull*, *Dolphin* and *Yuan Up*.

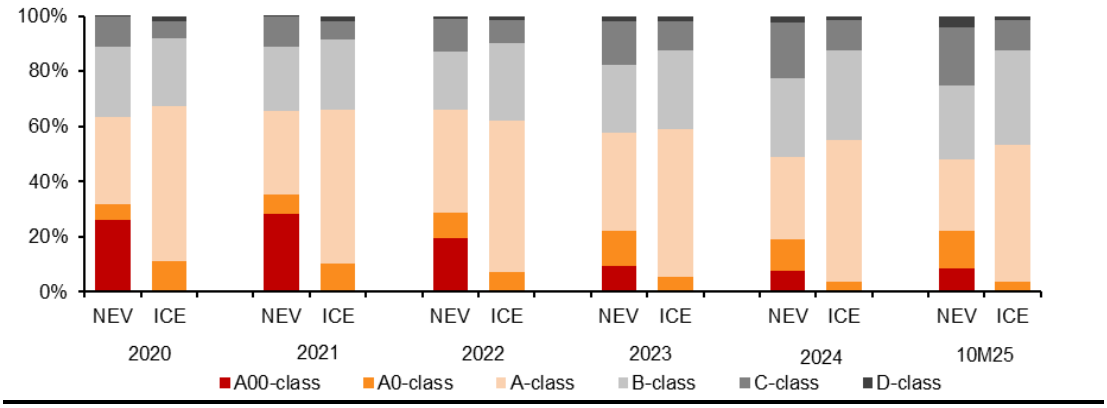
Figure 97: Top 20 NEV models in China in terms of retail sales volume in 10M25



Source: CATARC, CMBIGM

Despite Leapmotor's upcoming A-series, we expect mini- and small-size NEVs' market share in the NEV segment to shrink in 2026E, as trade-in subsidies phase out. Although we do expect possible subsidies in 2H26E again, it may not benefit small NEVs as much as trade-in subsidies in 2025. Moreover, possible battery price hike would have a more significant impact on small NEVs' cost structure, denting sales volume and margins.

Figure 98: NEV retail sales volume breakdown by vehicle size in China



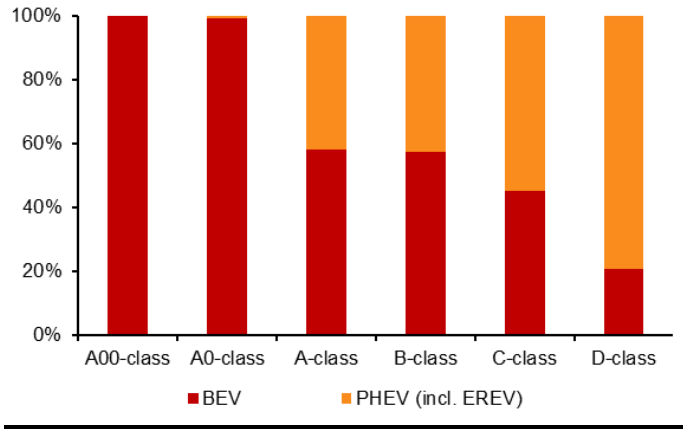
Source: CATARC, CMBIGM

■ **Small BEV's market expansion does not mean car size is getting smaller**

In the first 10 months of 2025, medium and medium-to-large size NEVs (C-class or above) accounted for 25.2% of China's total NEV retail sales volume, 2.4ppts higher than 2024, and the highest in history. We expect larger NEV's market share to further increase in the NEV segment, supported by a plethora of new models in 2H25 and 2026. Almost 50% of new models in 2026E are C-class or above, based on our estimates. NEVs made up 68% of total retail sales volume for C-class or above vehicles in China in the first 10 months of 2025, still trailing 87% for A0-class or above. We believe there is still room for further electrification in large vehicles.

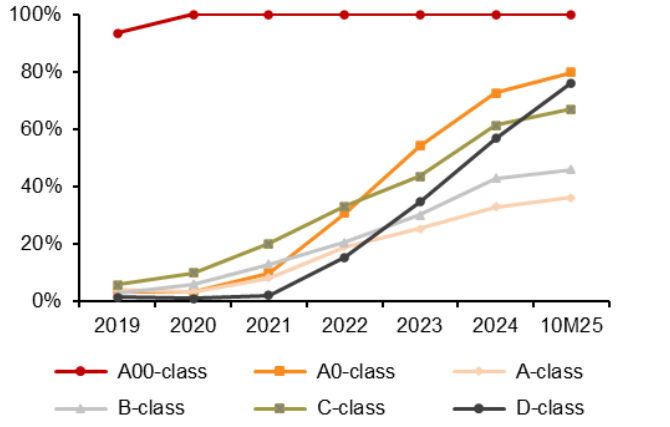
PHEVs (including EREVs) made up 59% of total retail sales volume for C-class and above size NEVs in the first 10 months of 2025, much higher than 37% across all the sizes of NEVs. Although NIO launched the Onvo *L90* and redesigned *ES8* in 2H25 to grab larger market share for BEVs in the large SUV segment, many automakers have been rolling out competitive large PHEV or EREV models. New models launched in 2H25, such as Galaxy *M9* PHEV, Zeekr *9X* PHEV, Fangchengbao *Tai 7* PHEV, Xpeng *X9* EREV, IM *LS9* EREV, would contribute more sales when their production ramps up in 2026.

Figure 99: BEV, PHEV market share in NEVs by vehicle size in 10M25 (on a retail basis)



Source: CATARC, CMBIGM

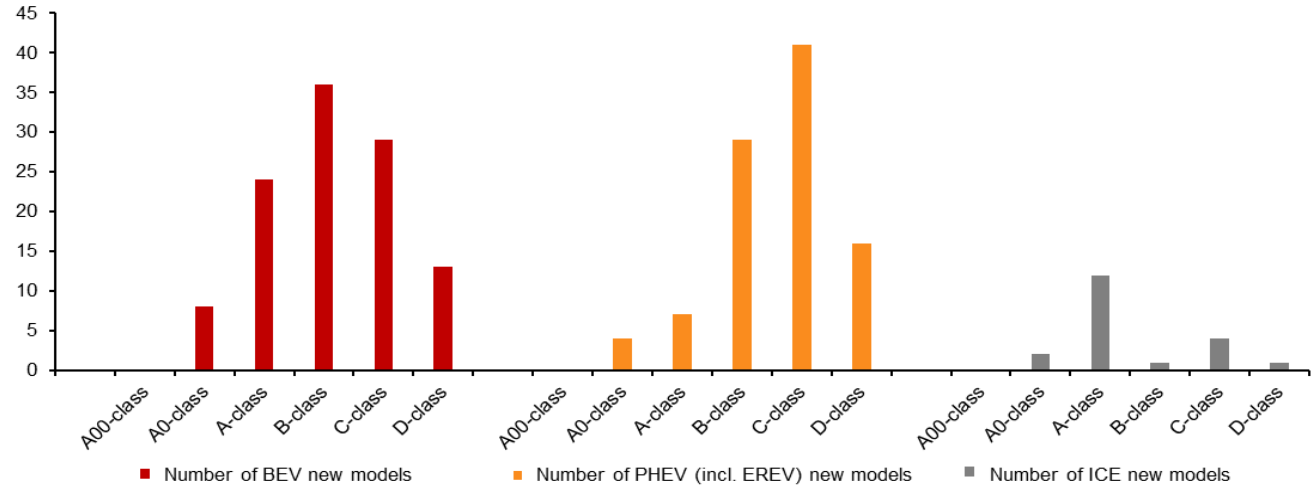
Figure 100: NEVs as % of China's PV retail sales volume, by vehicle size



Source: CATARC, CMBIGM

We project 57 new C-class or above models to have PHEV or EREV versions in 2026E, based on the data we have compiled, vs. 42 new BEV models sized C-class or above. Moreover, possible battery price hikes in 2026E could dent large BEV's cost structure more severely than PHEV's of a similar size, making PHEVs more competitive.

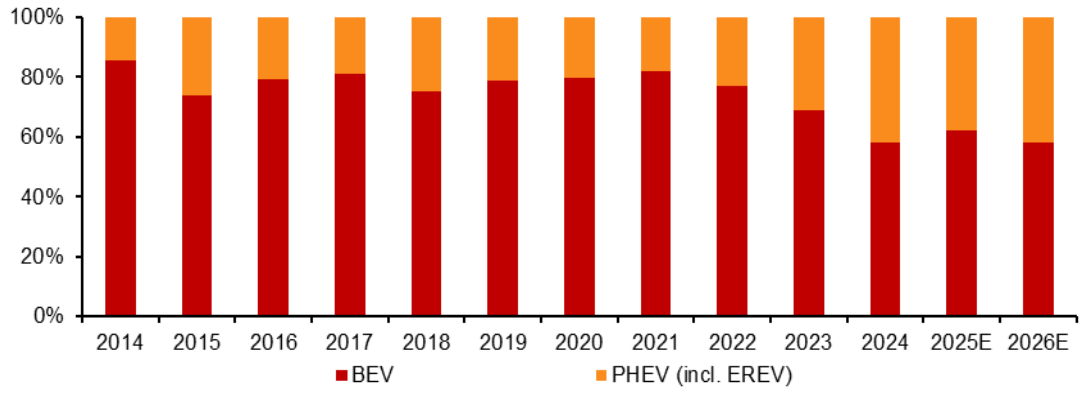
Figure 101: New model pipeline breakdown by vehicle size in 2026E



Source: Company data, CMBIGM estimates

We thus project PHEVs (including EREVs) to account for 41.7% of total NEV wholesale volume in China in 2026E, up from 37.8% in 2025E, amid trade-in subsidy phase-out, possible battery price rise and strong PHEV/EREV model pipeline.

Figure 102: BEV and PHEV (incl. EREV) wholesale volume breakdown in China



Source: CAAM, CMBIGM estimates

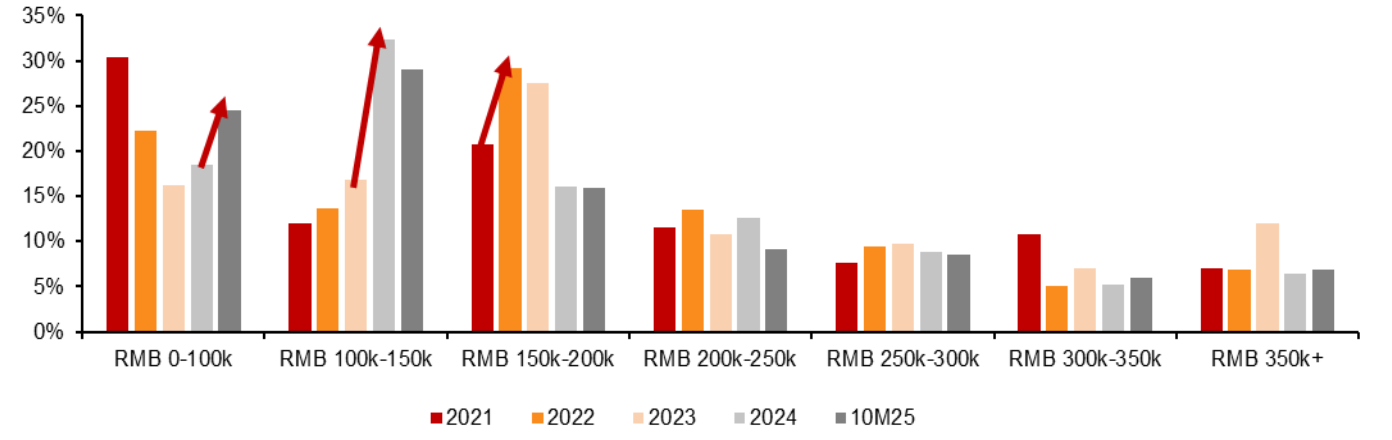
NEV price analysis: value-for-money as key to Chinese consumers; Can Chinese brands go upscale amid the price war?

The NEV competition is still getting stiffer in China. The top 20 best-selling models combined only accounted for 37% of China's total NEV retail sales volume in the first 10 months of 2025, down from 43% in 2024 and 53% in 2023. Despite more perspectives and functions for Chinese consumers to compare now than before, such as autonomous driving technology, smart cockpit and air suspension, cutting prices to make vehicles more value-for-money seems to be the most important method to stay competitive for all the automakers in China.

■ Price war reshapes NEV price distribution

NEVs priced below RMB100,000 accounted for almost 25% of total NEV retail sales volume in China in the first 10 months of 2025, 6ppts higher than that in 2024. While trade-in subsidies aided small BEVs such as the Galaxy *Starwish* and Wuling *Hongguang Mini* to gain market share, vehicle price cuts also contributed significantly to such shift. BYD cut prices for its *Qin Plus* PHEV and *Yuan Up* BEV from RMB100,000-150,000 to below RMB100,000. Great Wall followed suit with its Ora *Haomao* BEV. Accordingly, NEVs priced between RMB100,000-150,000 as a percentage of total NEV retail sales volume fell 3.4ppts to 29% in the first 10 months of 2025.

Figure 103: NEV retail sales volume breakdown by price range in different years



Source: CATARC, CMBIGM

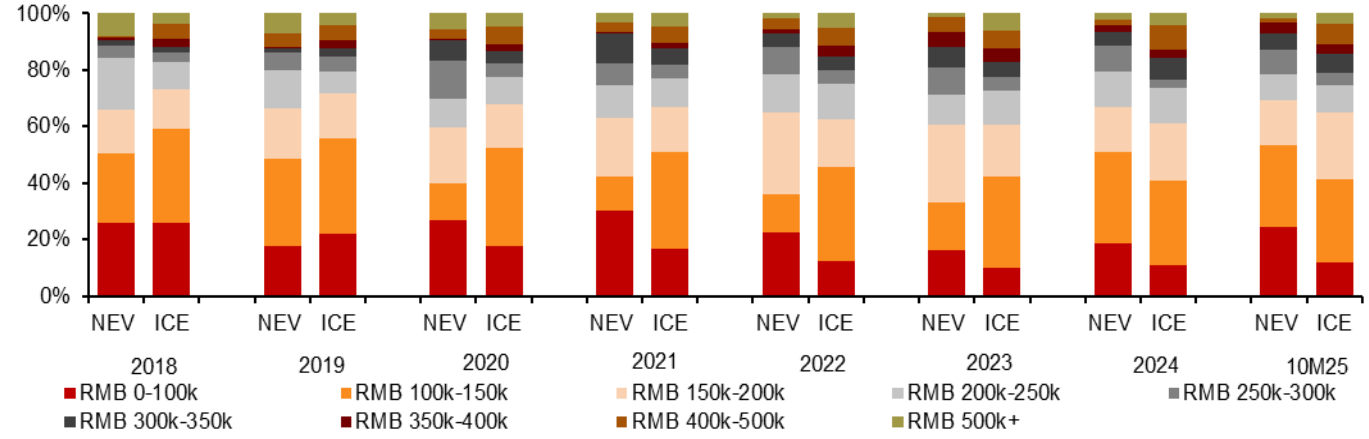
Another interesting trend to watch is the price pattern changes over time. In 2021, NEVs priced below RMB100,000 and between RMB300,000-350,000 as a percentage of total NEV retail sales volume rose the most YoY, as consumers either pursued lower total cost of ownership or tried premium NEVs that were very different from ICE cars, such as Tesla. In 2022, NEVs priced between RMB150,000-200,000 as a percentage of total NEV retail sales volume widened the most, as NEV prices started to drop, especially battery prices. Price war extended into 2024 with NEVs priced between RMB100,000-150,000 gaining the most as a percentage of total retail NEV sales volume. It further spread into NEVs priced below RMB100,000 this year.

■ **We expect NEV price pattern to further converge with ICE in 2026E**

NEV's price pattern diverged from ICE's in 2025, as NEVs grabbed market share in vehicles priced below RMB100,000. On the other hand, ICE vehicles priced between RMB150,000-200,000 accounted for 24% of total ICE retail sales volume in the first 10 months of 2025, with the highest share gain among all the price segments. That was because foreign automakers including Toyota and Honda (7267 JP, NR) cut prices for the *Avalon*, *Accord* and *Breeze* from RMB200,000-250,000 to RMB150,000-200,000.

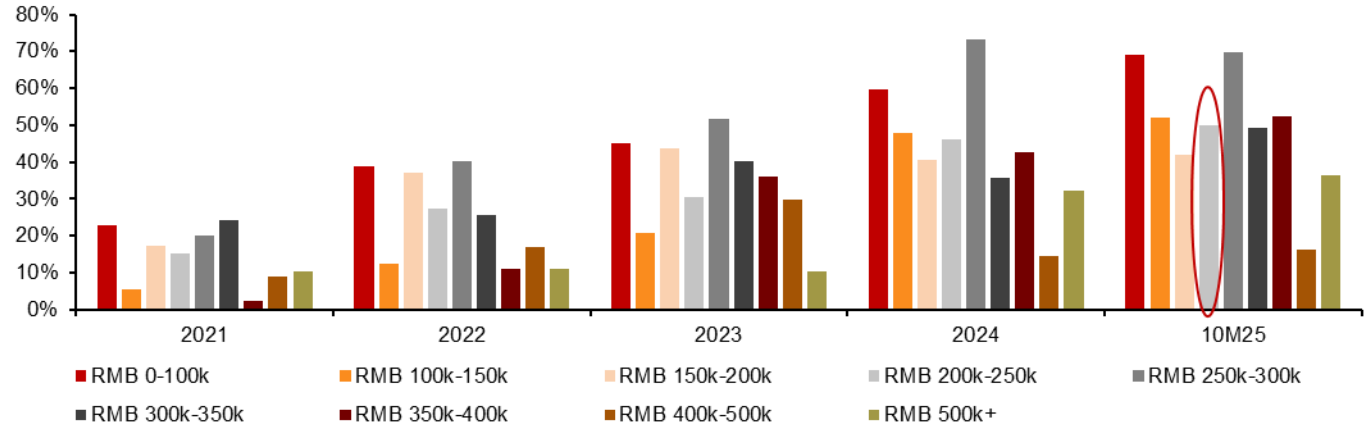
We expect NEVs priced below RMB100,000 to lose share to NEVs priced between RMB150,000-200,000 in 2026E, further converging with the ICE vehicle price pattern. NEVs only accounted for 42% of retail sales volume for vehicles priced RMB150,000-200,000 in the first 10 months of 2025, the lowest market share among all the price segments of below RMB400,000.

Figure 104: Retail sales volume breakdown by price range (NEV vs. ICE)



Source: CATARC, CMBIGM

Figure 105: NEV market share in each price segment (on a retail basis)



Source: CATARC, CMBIGM

■ **When can Chinese brands lead in the price segments of above RMB200,000?**

The table below illustrates the top five brands in each price segment in the past five years, which shows some interesting trends.

Figure 106: Leading brands in different price segments in China

	2021	2022	2023	2024	10M25
RMB0-100k (14-19% of total retail sales volume)	Wuling (18%)	Wuling (24%)	Wuling (25%)	Wuling (23%)	BYD (21%)
	Geely (14%)	Changan (14%)	Changan (15%)	BYD (20%)	Wuling (19%)
	Changan (13%)	Geely (9%)	BYD (9%)	Changan (10%)	Galaxy (16%)
	Chery (6%)	Chery (9%)	Geely (7%)	Geely (8%)	Changan (10%)
	Dongfeng (5%)	Dongfeng (5%)	Chery (7%)	VW (7%)	Geely (6%)
RMB100k-150k (28-33% of total retail sales volume)	VW (11%)	Changan (12%)	BYD (13%)	BYD (27%)	BYD (20%)
	Changan (10%)	VW (10%)	Changan (12%)	Changan (8%)	Chery (8%)
	Nissan (9%)	Toyota (10%)	VW (10%)	Chery (7%)	Toyota (7%)
	Haval (8%)	BYD (9%)	Geely (8%)	Nissan (6%)	Geely (6%)
	Honda (7%)	Nissan (7%)	Toyota (7%)	Toyota (6%)	Nissan (6%)
RMB150k-200k (16-21% of total retail sales volume)	VW (23%)	VW (18%)	BYD (20%)	VW (20%)	VW (18%)
	Nissan (11%)	BYD (17%)	VW (16%)	BYD (18%)	BYD (16%)
	Toyota (11%)	Honda (10%)	Toyota (11%)	Toyota (14%)	Toyota (13%)
	Honda (10%)	Toyota (10%)	Honda (8%)	Geely (5%)	Hongqi (7%)
	Buick (6%)	Nissan (8%)	GAC Aion (6%)	Hongqi (4%)	Honda (7%)
RMB200k-300k (15-19% of total retail sales volume)	VW (19%)	VW (18%)	VW (18%)	Tesla (16%)	VW (14%)
	Toyota (16%)	Toyota (13%)	Honda (12%)	VW (14%)	Tesla (13%)
	Honda (14%)	Honda (12%)	Toyota (11%)	Honda (12%)	Xiaomi (8%)
	Buick (6%)	Tesla (10%)	Tesla (11%)	Toyota (6%)	Honda (6%)
	Audi (5%)	BYD (9%)	BYD (11%)	Aito (6%)	Toyota (6%)
RMB300k-400k (7-11% of total retail sales volume)	Mercedes-Benz (14%)	Mercedes-Benz (15%)	BMW (15%)	BMW (13%)	BMW (12%)
	Tesla (11%)	Toyota (12%)	Mercedes-Benz (11%)	Mercedes-Benz (11%)	Audi (10%)
	BMW (9%)	BMW (10%)	Lixiang (11%)	Toyota (10%)	Toyota (9%)
	Cadillac (9%)	Audi (10%)	Toyota (10%)	Lixiang (10%)	Mercedes-Benz (8%)
	Audi (9%)	VW (6%)	Tesla (8%)	Audi (7%)	Aito (7%)
RMB400k+ (7-11% of total retail sales volume)	BMW (27%)	BMW (26%)	Mercedes-Benz (20%)	Mercedes-Benz (22%)	Mercedes-Benz (24%)
	Mercedes-Benz (21%)	Mercedes-Benz (23%)	BMW (18%)	Audi (20%)	BMW (17%)
	Audi (18%)	Audi (16%)	Audi (18%)	BMW (19%)	Audi (14%)
	Volvo (6%)	Volvo (6%)	Volvo (6%)	Aito (7%)	Aito (8%)
	Lexus (5%)	NIO (5%)	Buick (5%)	Volvo (6%)	Volvo (7%)

Source: CATARC, CMBIGM

Notes: percentage in the brackets next to brand names represents the brand's market share in the corresponding price segment

Chinese brands dominate sales of vehicles priced below RMB100,000, with 90%+ market share. BYD surpassed Wuling to become the best-selling brand below RMB100,000 in the first 10 months of 2025. Geely, if combining its Geely and Galaxy brands, became the best-selling automaker in this segment during the same period. VW was the only foreign brand in the top 10 list in the first 10 months of 2025, as it cut the *Lavida*'s price to below RMB100,000. Toyota and Honda dropped out the top 10 list after 2022, as they discontinued small models like the *Yaris* and *Fit*. We are of the view that foreign brands may need to pay more attention to this price segment again as price war persists.

Chinese brands have also topped in the price segment of RMB100,000-150,000 since 2022. BYD took a market share of 27% in this price segment in 2024, the highest in history, but fell to 20% in the first 10 months of 2025 amid stiffer competition. Number of foreign brands in the top 10 in this price segment fell from six in 2022 to three (Toyota, Nissan and VW) in the first 10 months of 2025.

VW's previous dominance in the price segment of RMB150,000-200,000 has been challenged by BYD since 2022. BYD took the crown in 2023 but lost it to VW in 2024 and likely in 2025 again. Chinese brands already took up seven spots in the top 10 list in the first 10 months of 2025 including some start-ups like Leapmotor and Xpeng. We expect more Chinese brands in the top 5 list in 2026, although the competition for No.1 is stiff.

Tesla was the only brand which surpassed VW in terms of retail sales volume for vehicles priced RMB200,000-300,000, at least in the past eight years. Competition continues this year, but it seems that VW is set to take back the crown in 2025E. Xiaomi took the 3rd spot in the first 10 months of 2025, the best ranking for Chinese brands in history. We expect Xiaomi to take a larger market share in this price segment in 2026E, as the *YU7* ramps up. We also expect other Chinese brands including Lixiang, Onvo and Aito to gain market share in 2026E with more models on sale in this segment. In fact, Chinese brands made up 48% of retail sales volume in the price segment of RMB200,000-300,000 in the first 10 months, and we expect the ratio to exceed 50% in 2026E.

Foreign brands' dominance in the price segment of RMB300,000-400,000 has also been diminishing, with market share narrowing to 65% in the first 10 months of 2025, vs. 90% in 2021. Although it may take a while for Chinese brands to challenge the leaders, we expect more Chinese brands to enter the top 10 list. Four Chinese brands (Aito, Lixiang, NIO and Denza) were on the top 10 list in the first 10 months of 2025.

Traditional luxury brands, Mercedes-Benz, BMW and Audi, held the top 3 spots in the price segment of above RMB400,000 in the past eight years. Aito has taken the 4th position since 2024, aided by its *M9* SUV. The launches of the Aito *M9*, Li *Mega*, Maextro *S800* and Zeekr *9X* make Chinese brands visible in the luxury segment. In fact, Chinese brands' market share in the price segment of above RMB400,000 was 20% in the first 10 months of 2025, vs. 16% in 2024 and 5% in 2021.

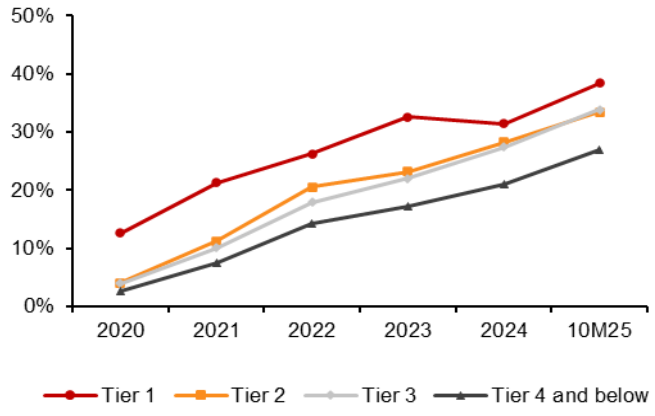
It appears that 27% is probably the highest market share that one single brand could achieve in any price segment, based on the data in the past five years. It could be a reference to forecast a brand's market share ceiling in the long term, should historical data repeat.

Every city is important as lower-tier cities catch up in electrification

Nationwide NEV market share rose to 52.0% in the first 10 months of 2025, up from 46.0% in 2024, with different city tiers contributing at similar levels, the first time in history. NEV market share in tier-4 and below cities climbed to 46.5% in the first 10 months of 2025, only 5.5ppts lower than the nationwide average, the narrowest gap since 2022. It appears to us that now every city with a fair amount of auto sales volume becomes important to NEV makers, which could be reflected by a rapidly rising number of showrooms for new NEV brands, especially in lower-tier cities.

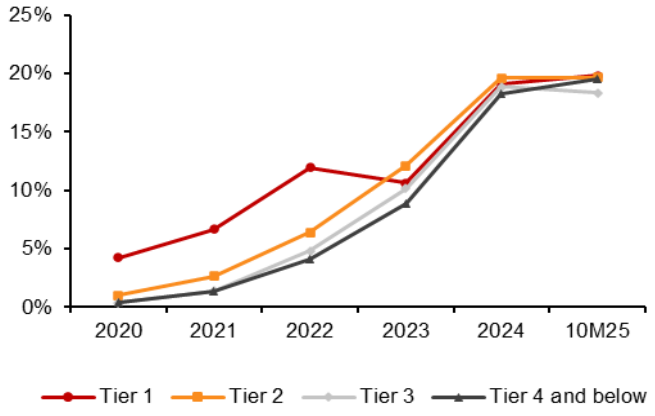
The NEV market share rise in 2025 mainly came from BEVs, as PHEV market share in all the city tiers remained sluggish. PHEVs accounted for 19.5% of total PV retail sales volume in tier-4 and below cities in the first 10 months of 2025, vs. 19.8% in tier-1 cities. PHEV market share in tier-3 cities fell slightly to 18.4% in the first 10 months of 2025.

Figure 107: BEV market share in different city tiers (on a retail basis)



Source: CATARC, CMBIGM

Figure 108: PHEV market share in different city tiers (on a retail basis)



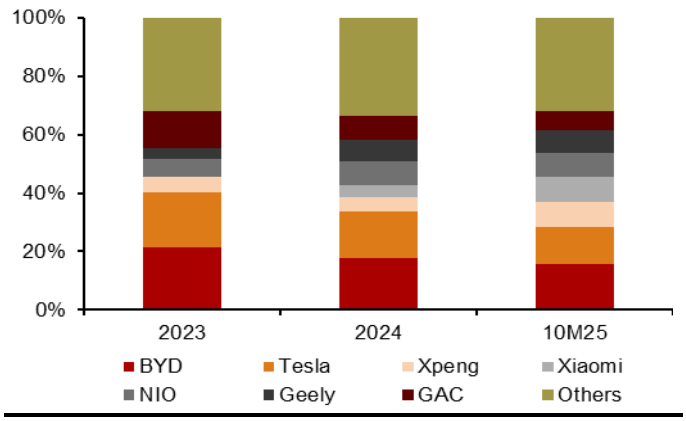
Source: CATARC, CMBIGM

■ **Xiaomi gained the most share in tier-1 and tier-2 BEV market; Geely grabbed the most in lower-tier cities**

Two largest BEV players in tier-1 cities, BYD and Tesla, lost market share to Xiaomi and Xpeng in the first 10 months of 2025, reflecting heightened competition in China's tier-1 cities. Xiaomi gained a market share of 5.0ppts YoY, the most among all the automakers, whereas BYD lost the most market share (-3.5ppts) YoY in the first 10 months. Aion also lost BEV market share in tier-1 cities, while Leapmotor probably benefited, although it only took a market share of 3.6% in the tier-1 city BEV market in the first 10 months of 2025.

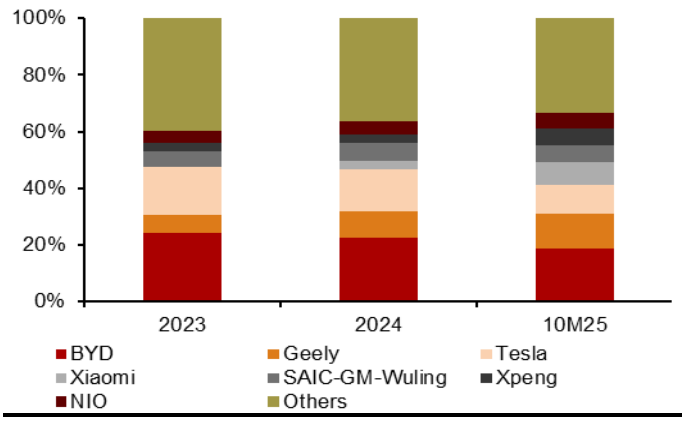
BEV market dynamics in tier-2 cities were very similar to tier-1 cities in the first 10 months of 2025: Xiaomi gained the most share (+5.1ppts YoY), followed by Xpeng (+3.3ppts YoY). BYD once again lost the most share (-4.5ppts YoY), followed by Tesla (-4.4ppts YoY). Geely surpassed Tesla to be the 2nd largest player in tier-2 city BEV market in terms of retail sales volume.

Figure 109: BEV market share by OEM in tier-1 cities (on a retail basis)



Source: CATARC, CMBIGM

Figure 110: BEV market share by OEM in tier-2 cities (on a retail basis)

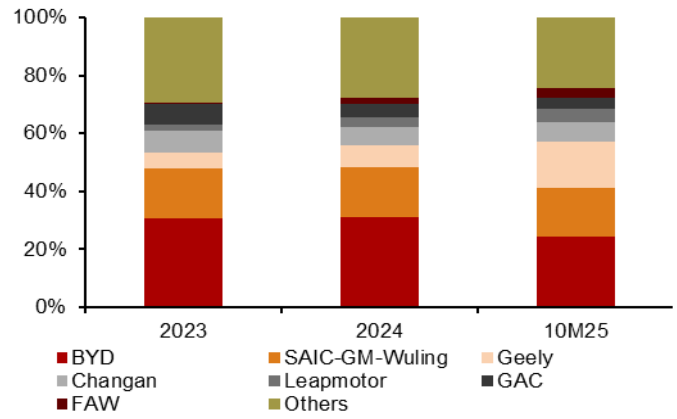


Source: CATARC, CMBIGM

BEV market in tier-3 cities also becomes more competitive after BYD lost a market share of 8.2ppts YoY to Geely (+8.9ppts YoY) in the first 10 months of 2025. The market share gap between the top three players becomes much smaller now: 24.5%/16.6%/15.8% for BYD, SAIC-GM-Wuling and Geely during the first 10 months of 2025.

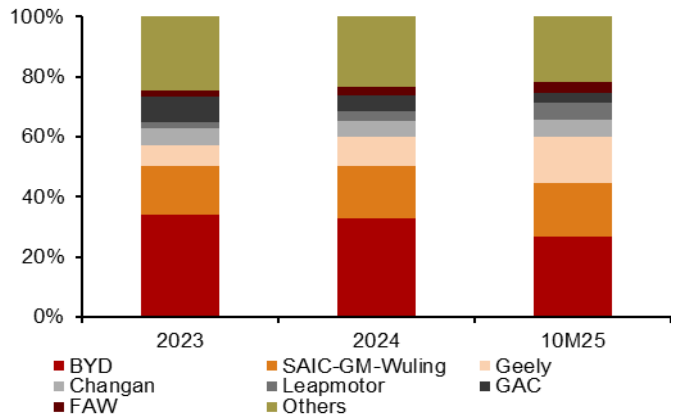
BEV market in tier-4 and below cities followed a similar pattern as tier-3 cities in the first 10 months of 2025: Geely gained the most share (+6.7ppts YoY), whereas BYD lost the most share (-7.6ppts YoY). Leapmotor and Xpeng also gained share in this market at the cost of BYD and Aion.

Figure 111: BEV market share by OEM in tier-3 cities (on a retail basis)



Source: CATARC, CMBIGM

Figure 112: BEV market share by OEM in tier-4 and below cities (on a retail basis)



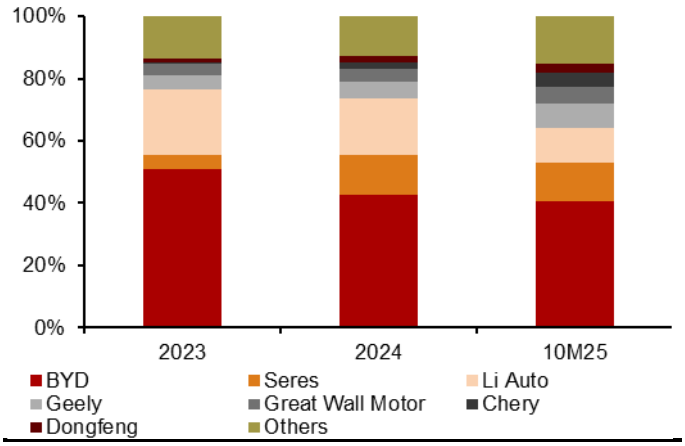
Source: CATARC, CMBIGM

■ **Geely gained the most share in PHEV market across all city tiers; Li Auto lost the most in tier-1 cities, whereas BYD lost the most in lower-tier cities**

The top three PHEV players in tier-1 cities, BYD, Seres and Li Auto, all lost market share in the first 10 months of 2025. Li Auto lost the most (-7.7ppts YoY), while Geely gained the most (+2.6ppts YoY), followed by Chery (+2.3ppts YoY) and Great Wall (+1.5ppts YoY). BYD remained its reign in the tier-1 city PHEV market with a share of 40.8% in the first 10 months of 2025, despite a 1ppt YoY market share decline.

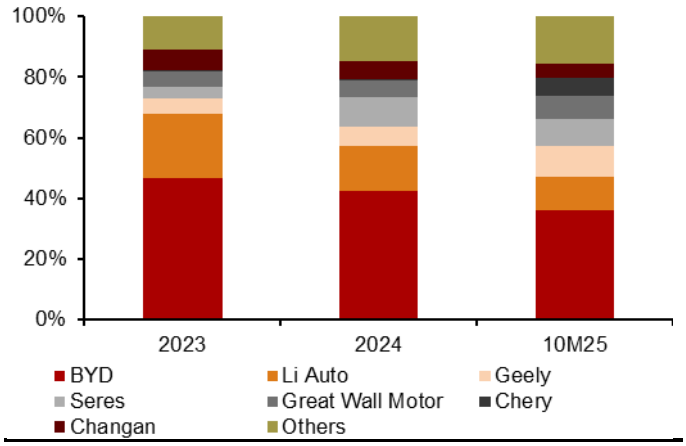
Geely, Chery and Great Wall were once again the largest market share gainers in the PHEV market in tier-2 cities, at the cost of BYD and Li Auto's market share declines. BYD's share in the tier-2 city PHEV market narrowed to 36.2% in the first 10 months of 2025, down from a historical high level of 57.8% in 2022.

Figure 113: PHEV market share by OEM in tier-1 cities (on a retail basis)



Source: CATARC, CMBIGM

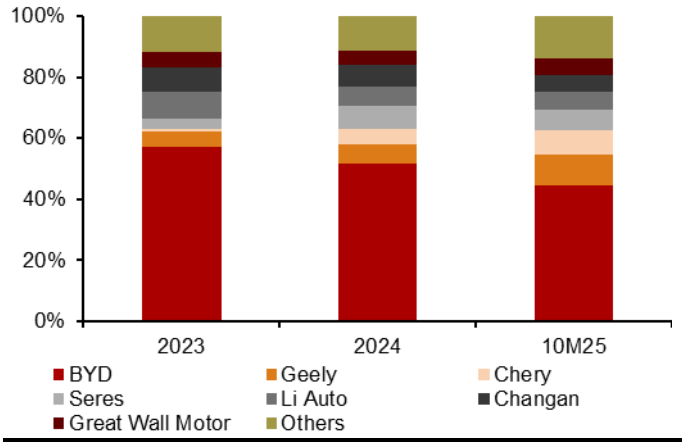
Figure 114: PHEV market share by OEM in tier-2 cities (on a retail basis)



Source: CATARC, CMBIGM

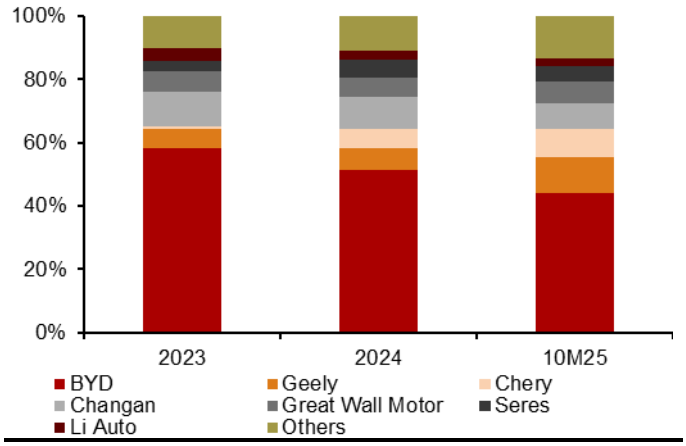
BYD's dominance in the tier-3 city PHEV market also faces challenges, because 1) automakers like Geely, Chery and Leapmotor launch similar PHEV models by leveraging their economies of scale; 2) The likes of Li Auto and Seres expand their model portfolio to RMB200,000-250,000 or even lower. BYD's share in the tier-3 city PHEV market fell 7.4ppts YoY in the first 10 months of 2025, while Geely gained the most share of 4.2ppts YoY. PHEV market dynamics in tier-4 and below cities, including current market share distribution and market share changes, were very similar to tier-3 cities in 2025.

Figure 115: PHEV market share by OEM in tier-3 cities (on a retail basis)



Source: CATARC, CMBIGM

Figure 116: PHEV market share by OEM in tier-4 and below cities (on a retail basis)



Source: CATARC, CMBIGM

■ **Leading NEV brands' store expansion continues, especially in lower-tier cities, to push ICE brands out**

Leading NEV brands, including BYD, Tesla, Lixiang, Xpeng, NIO and Leap, have continued to expand their store network in 2025, especially in lower-tier cities.

Tesla, which laid off a significant number of sales personnel last year and relies more on livestreaming to sell cars now, still expanded its showroom number by around 24% YoY as of Sep 2025, based on the data we have compiled. Unlike before, Tesla starts to pay attention to tier-3 and below cities, with more stores opening in 2025. Its store efficiency fell by about 26% YoY amid sales volume decline. Yet, its store efficiency still topped among major brands.

Li Auto probably pays the most attention to store efficiency among Chinese automakers, with the fewest number of stores among the NEV trio. Its number of stores rose 16% YoY to 551 as of Oct 2025. Interestingly, it closed 7 stores in Nov 2025. Li Auto's store efficiency is still the highest among all Chinese start-ups, following Tesla and BYD, despite its sales volume decline in 2025.

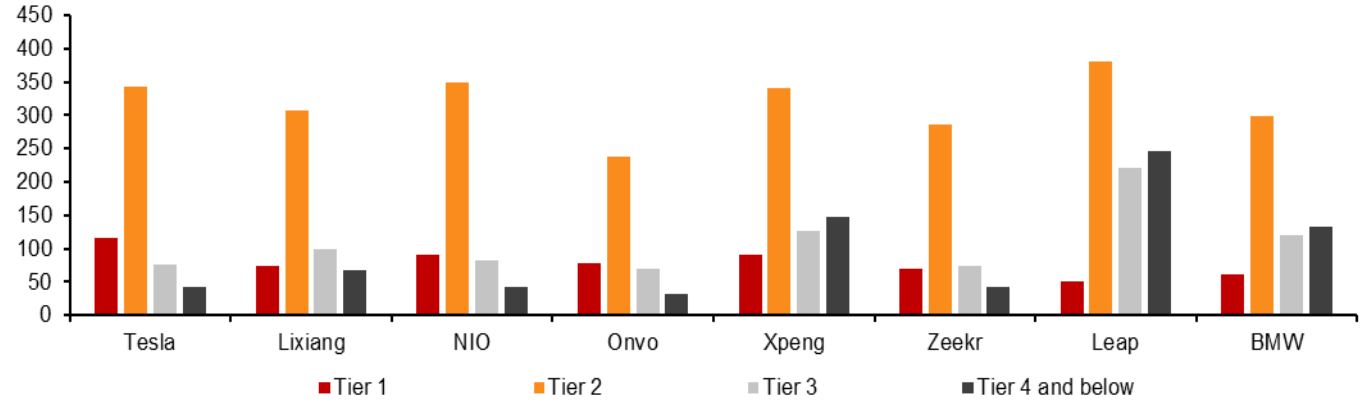
Xpeng accelerated its showroom expansion in 2024 after it switched to dealer model. Its number of stores was close to 700 as of Sep 2025. Yet, its store efficiency more than doubled YoY this year amid its strong sales volume growth.

Despite NIO's cautious expansion in store network this year, the brand's store efficiency dropped to the lowest among Chinese NEV start-ups. On the other hand, Onvo's number of stores more than doubled YoY to more than 400 now. While store expansion lifts sales volume in the short term, the automaker may need to balance the expansion and efficiency. NIO has the highest SG&A ratio among the NEV trio, which is one of the reasons why we expect NIO's breakeven sales volume to be higher than Xpeng and Li Auto.

Leapmotor has been expanding its store network rapidly this year amid doubled sales volume, which dragged its store efficiency improvement. We estimate its store efficiency to rise about 20% in 2025E with 60%+ YoY increase in store number.

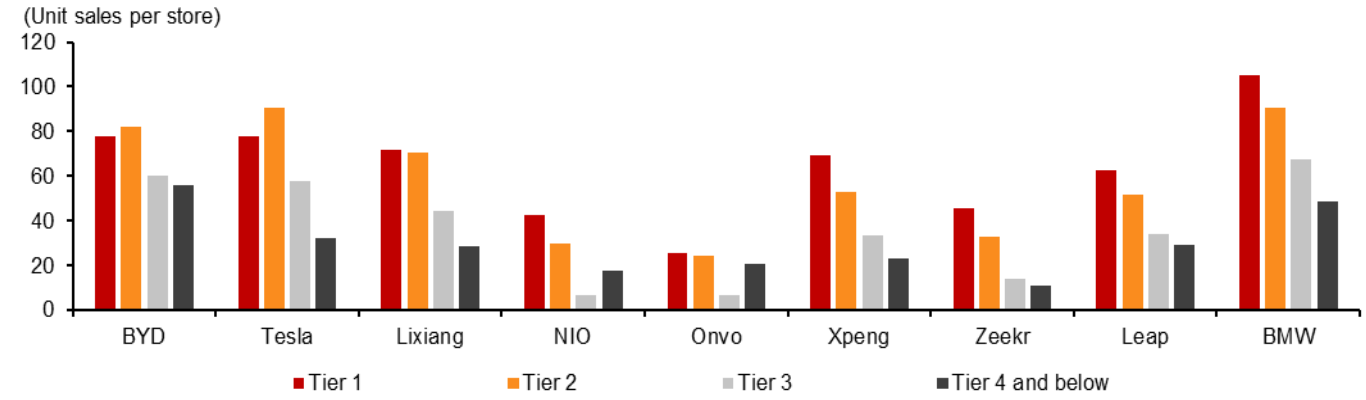
BMW and Mercedes-Benz, on the other hand, have been closing their dealer stores. Yet, BMW still keeps a similar store efficiency level this year as last year.

Figure 117: Major brands' number of stores in different city tiers as of Sep 2025



Source: Company data, CMBIGM

Figure 118: Monthly average unit sales per store for different brands in different city tiers (10M25)



Source: CATARC, company data, CMBIGM

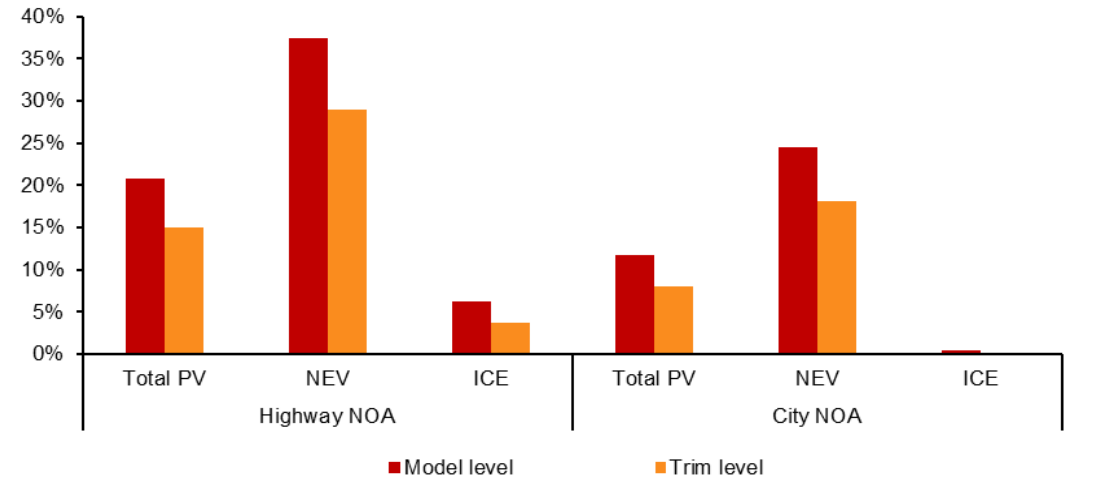
City NOA to expand at a faster pace in 2026E

We have compiled the data of 1,209 vehicle models on sale in China and the corresponding 7,881 trim levels of these models from the Autohome website. About 874 models, or 72% of the total, have the L2 ADAS (advanced driver-assistance system) functionalities available in at least one trim level. About 58% of all trim levels have L2 ADAS functionalities available.

About 252 models, or 21% of the total, have at least highway NOA functionalities available in one or several of their trim levels. The highway NOA penetration rate is about 37% for NEVs, much higher than 6% for ICE vehicles. Yet, more automakers, especially foreign marques, have started to launch ICE vehicles with highway NOA functionalities.

More interestingly, about 12% of models on sale now have city NOA functionalities available in at least one of their trim levels. About one out of four NEVs have city NOA functionalities available in one or several of their trim levels, which is higher than we had thought. We expect such ratio, especially for NEVs to increase rapidly in 2026E, as more automakers will partner with Momenta or Horizon Robotics to make city NOA functionalities available in their new models.

Figure 119: % of no. of models/trim levels on sale with highway and city NOA



Source: Autohome, CMBIGM

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