

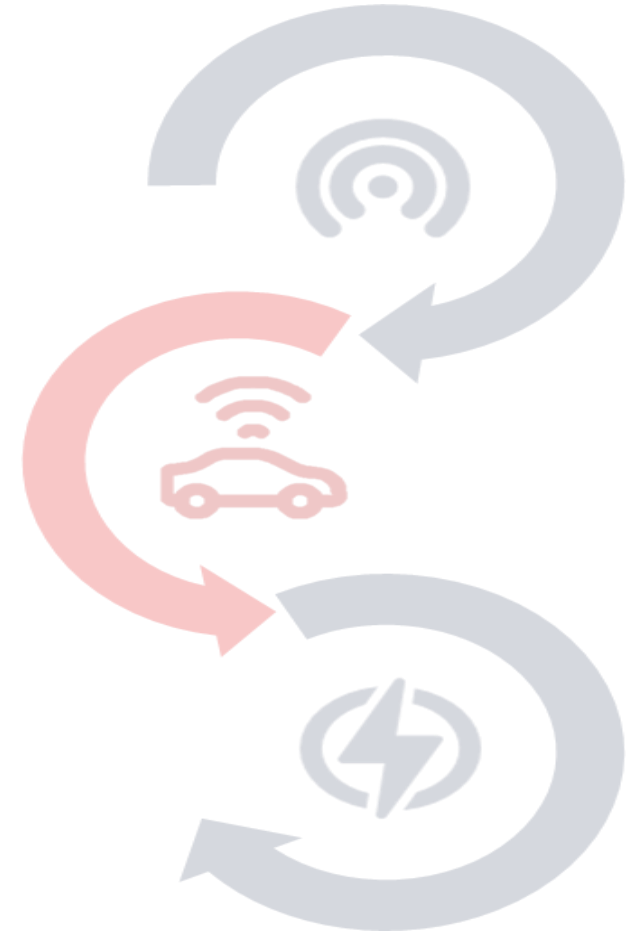


September 10, 2024
Shanghai, China



2024 Automotive Conference

*After the Storm:
Competing in China's New Automotive Landscape*



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Bill Russo:



Our monthly China Auto Market webinars and newsletters highlight recent industry developments



Link to August Newsletter
(VPN required in China):

<https://coats-share-oiq.craft.me/74mQtKZq8hxOMG>



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AMCHAM SHANGHAI

State of China's Auto Market August 2024
by Bill Russo, Founder & CEO of Automobility Ltd

YEAR-TO-DATE HIGHLIGHTS

- Passenger vehicle sales surpassed gasoline powered vehicles for the first time on a monthly basis in July
- EV brands now hold 63% share of the passenger vehicle market, an increase of 27% from July
- China strengthened its domestic performance with 7 out of the top 10 selling NEV brands in July, with their segment share increasing to 34.1% for the year
- Manufactured in China are now exported, 78% of exports from China are EVs

of Schedule

China passenger vehicle sales surpassed a major milestone in July 2024.

China passenger vehicle sales, by category, 2018-2024 (1-7)

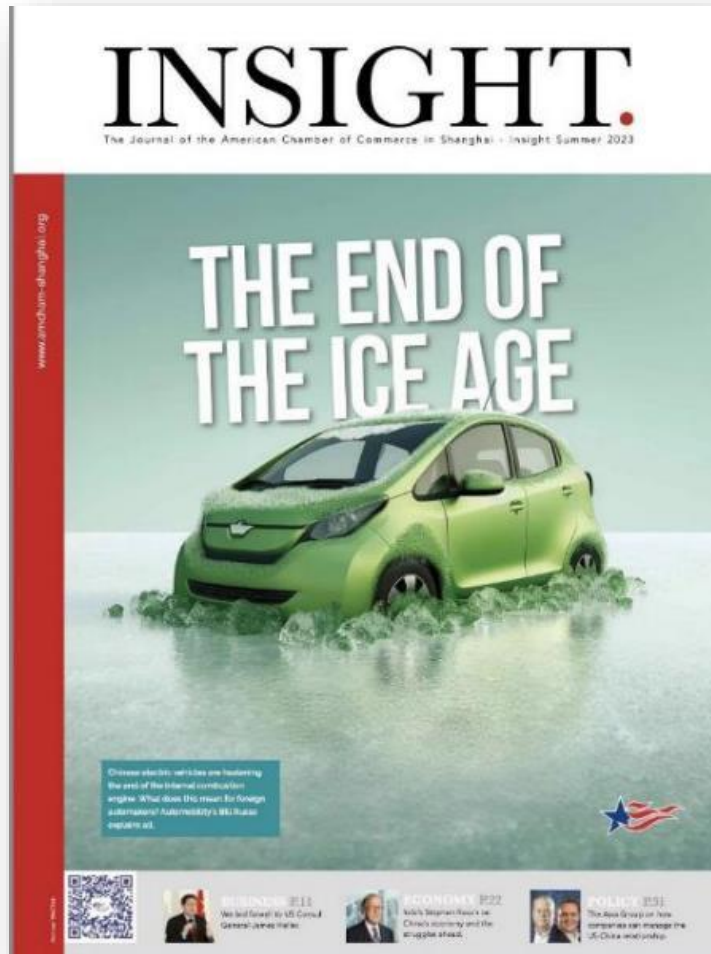
Month	NEV	ICE	NEV share
Jan	1,000	1,000	32%
Feb	1,000	1,000	35%
Mar	1,000	1,000	41%
Apr	1,000	1,000	44%
May	1,000	1,000	47%
Jun	1,000	1,000	48%
Jul	1,000	1,000	51%
2024 (1-7)	4,988	6,672	43%
2023	34,193	7,736	81%

Webinar | State of China Auto Market Monthly Briefing (August)
Committees Event • Automotive Committee

Aug 20, 2024
9:00 AM – 10:00 AM GMT+8

China retail consumer preferences and well equipped NEV launches since 2020

We shared our viewpoint on the exponential rise of electric mobility in the Summer 2023 edition of INSIGHT magazine



Access to the article:

[Insight Magazine | The End of the Ice Age: Rise of the Chinese NEV | Amcham \(amcham-shanghai.org\)](#)

“

The rest of the world [used to] perceive China as a place where foreign companies came, brought their know-how and technology and Chinese companies were following. It's not that way anymore. **Chinese companies in the EV era are leading development and innovation.**

If you lose China, you lose your competitive edge, and not just in China; you can derive from China the economy of scale that allows you to be more competitive in your global business.

Foreign companies are addicted to milking the old cow. It reflects the lack of commitment or conviction to the EV market in 2018. And any moves with the intention of pivoting would be an affront to the local partner that they already had a joint venture with, in which they're profiting from traditional vehicles. **I call this carry-over bias.**

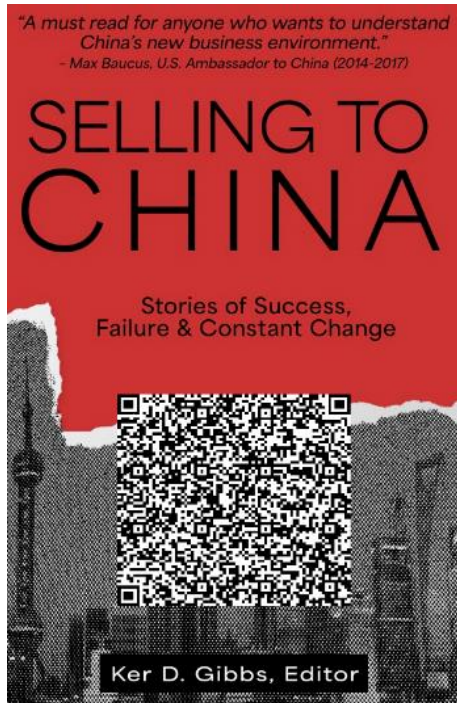
Chinese consumers do still have an esteem for the legacy brands. But that was an incremental move; [these foreign brands] knew how to build SUVs, they just weren't building them in China. Can they do that for EVs? This is different. **Chinese EVs are fundamentally offering a different value proposition than just an electric powertrain. People are expecting a smartphone on wheels, not just an electric powered vehicle.**”

[Click here to watch the video from the interview](#)

We authored the automotive industry chapter of “Selling to China: Stories of Success, Failure and Constant Change”

“

Praise for Selling to China



"Selling to China is good – really good. The down to earth advice from American business people in today's uncertain political environment is excellent! It's factual, honest, and nuanced. A must read for anyone who wants to understand China's new business environment."

Max Baucus, U.S. Ambassador to China (2014-2017), and U.S. Senator (1978-2014)

The mantra for succeeding in the Chinese market is 'think big and go fast.' Selling To China provides a comprehensive and balanced guide on how American businesses can navigate this complex environment. As the CEO of an open EV ecosystem that promotes collaboration, I have witnessed the rapid progress of China's automotive industry and its shift toward sustainable mobility. This book offers valuable insights into the Chinese market, including policy shifts, industry trends, and technology innovations that are shaping the future of mobility not just in China but around the world.

Jack Cheng, Co-Founder of NIO and CEO of MIH Consortium

"Selling to China is about U.S.-China relations but it's important for European businesses too. This is a practical handbook written by active business people with on-the-ground management experience."

Jörg Wuttke, President, European Union Chamber of Commerce in China

”

Now available: <https://a.co/d/5faxFPT>

CHAPTER 6

China's Auto Industry: The Race to a Sustainable Future

Bill Russo

The automotive industry has historically been a major driver of innovation and economic development. We are currently facing a shift in the center of gravity for the industry, as new trends and technologies have commercialized at scale faster in China. Policymakers and industry leaders need to pay attention to this if we in the West intend to sustain leadership in mobility innovation, which has historically been a key driver of economic growth and job creation.

We are facing a secular and generational shift in the automotive and mobility sector. The rise of connected, electric, and autonomous cars requires that key stakeholders control critical technologies and supply chains. These stakeholders include national governments and industries that depend on this sector for their economic sustainability. Over the past decades, China has skillfully navigated its way to leadership in the

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K. D. Gibbs (ed.), *Selling to China*,
https://doi.org/10.1007/978-981-99-1958-6_6

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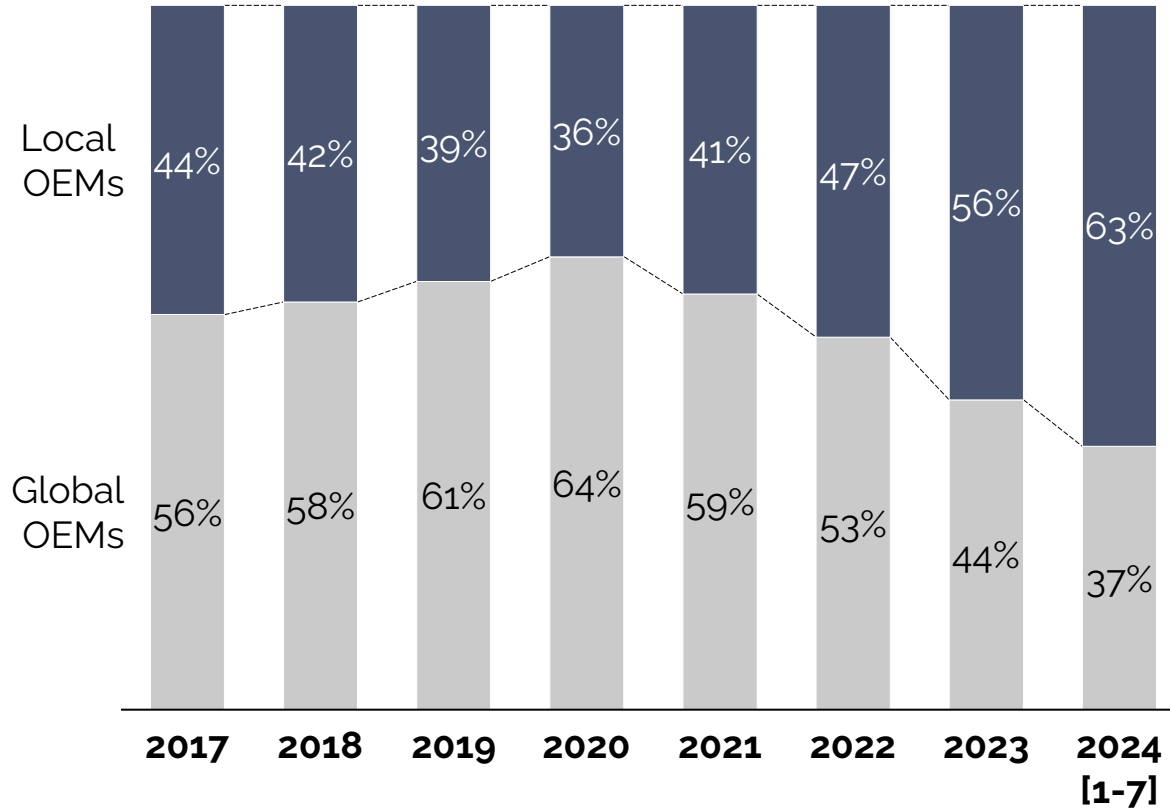
China's New Automotive Landscape

Recent Headlines

AmCham Shanghai Auto Conference Agenda

Foreign brands have lost 27% share of the Chinese PV market since 2020

China PV Volumes by Brand Origin
(% in terms of share)



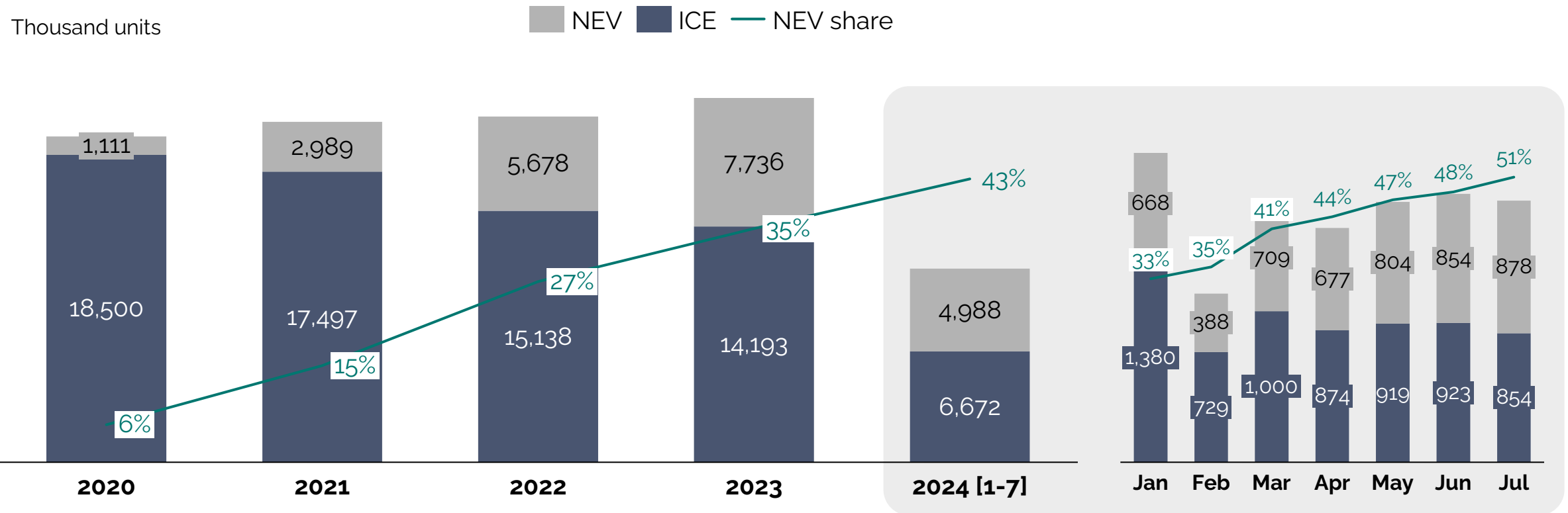
China PV Shipments by Brand Origin
2024 [1-7]

Brand Origin	Total Volume (thousand units)	YoY
Local	8,742	+21.6%
Germany	2,208	-12.6%
Japan	1,635	-16.8%
USA	964	-23.3%
Korea	182	-15.1%

- Share of local brand PV shipments at a new record high of 63% in 2024 [1-7]
- Chinese OEMs account for ALL of the growth in the year-over-year performance

Sales of New Energy Vehicles surpassed pure gasoline powered vehicles for the first time in July 2024

China passenger vehicle sales, by category, 2018-2024 [1-7]

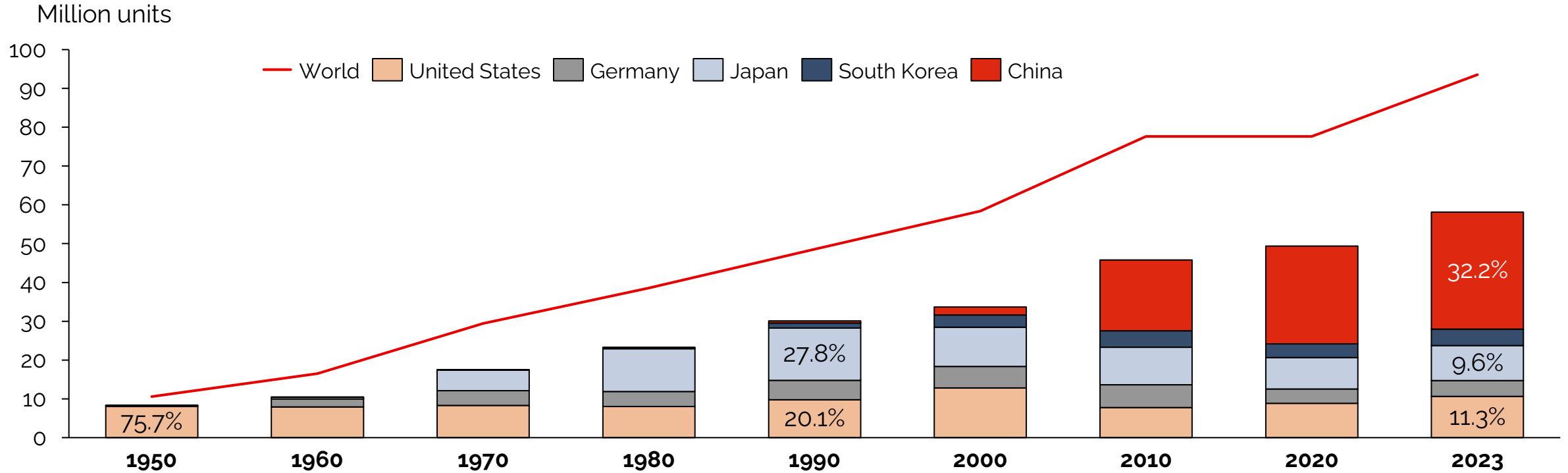


▪ The NEV rise is driven by a rapid shift in retail consumer preferences and a steady stream of attractively priced and well equipped NEV launches since 2020

Source: CPCA, Automobility analysis

Global mobility demand is served by an increasingly diverse set of solution providers

Global Vehicle Production



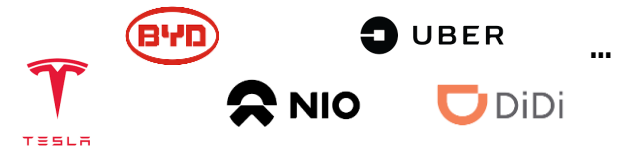
Golden Era



Rise of East Asia



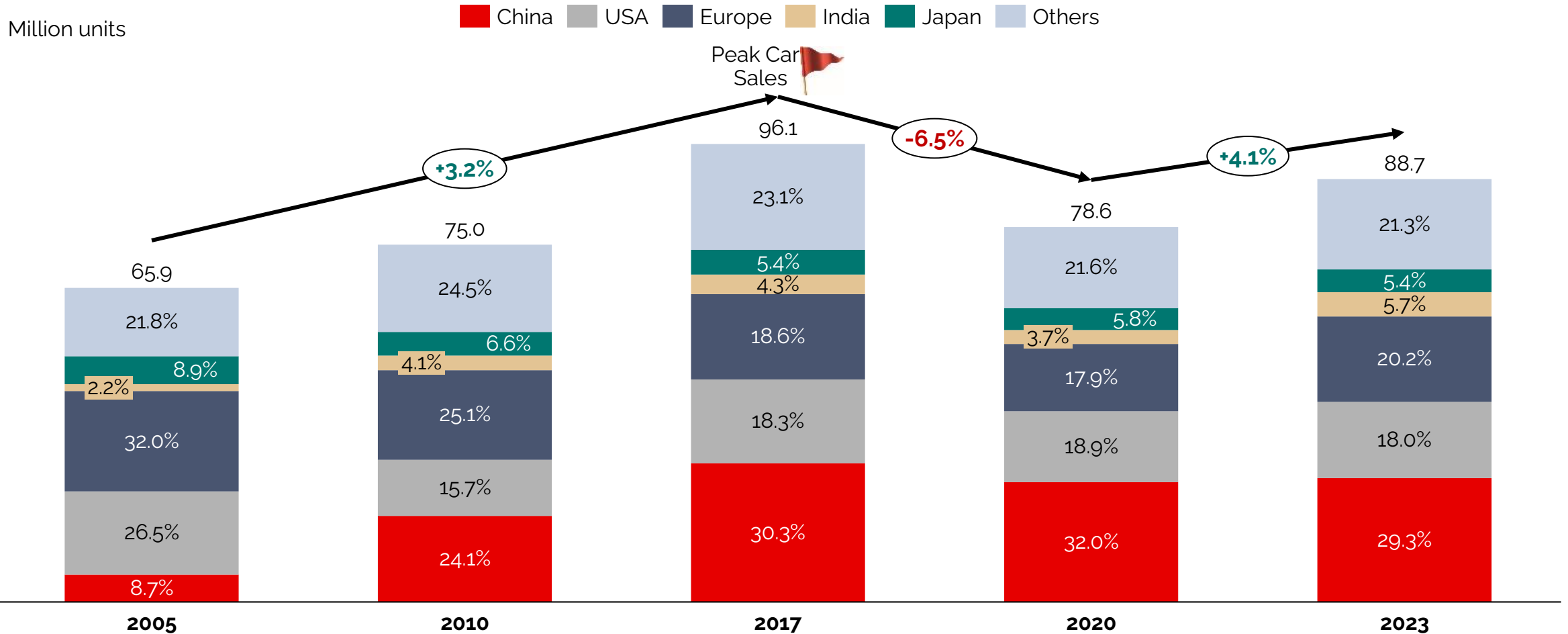
China, EVs and the "Future of Mobility"



Source: OICA, Automobility Analysis

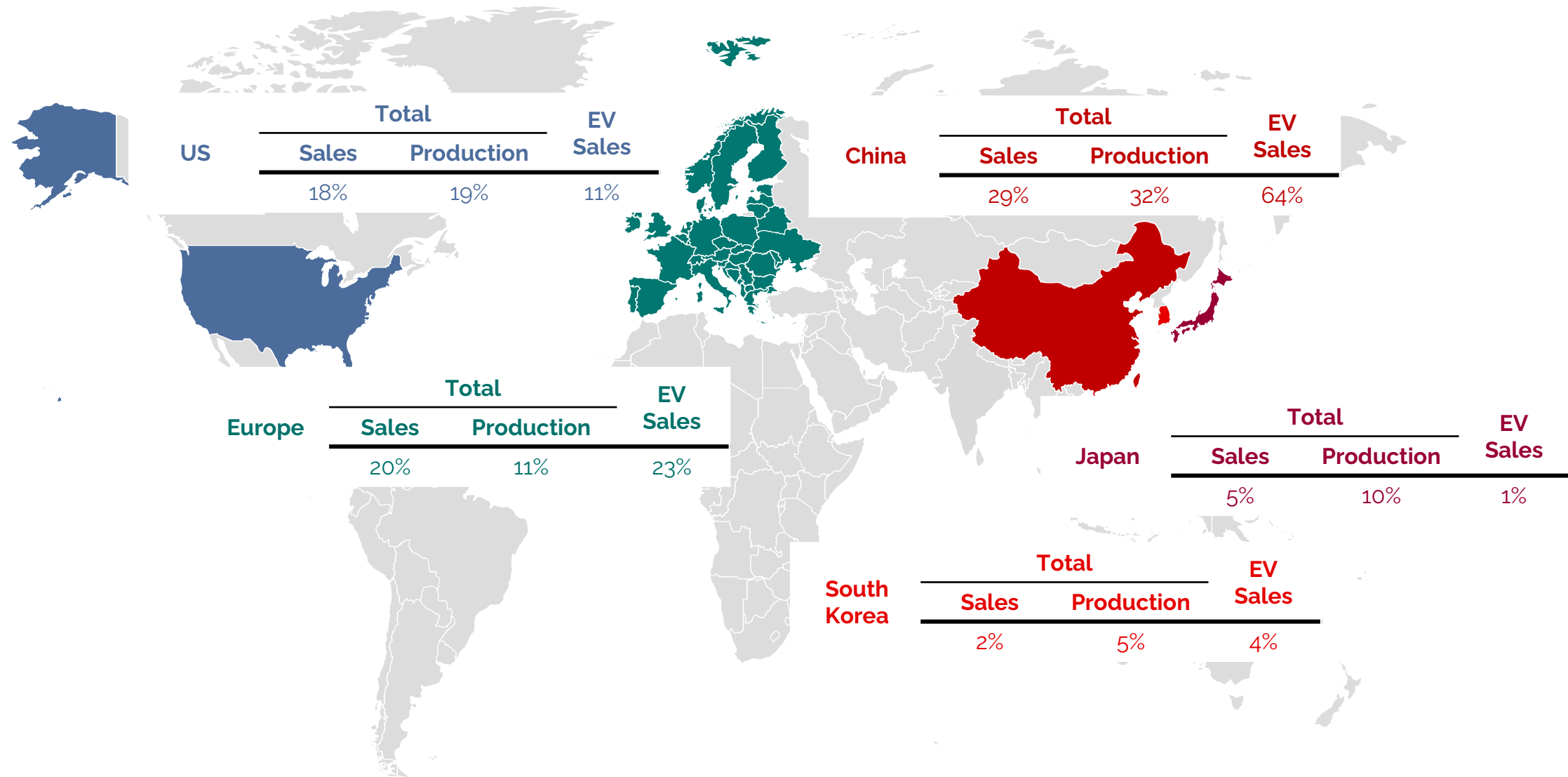
China became the engine of growth for the auto industry until reaching peak new car sales demand in 2017

Global Vehicle Sales, 2005 - 2023



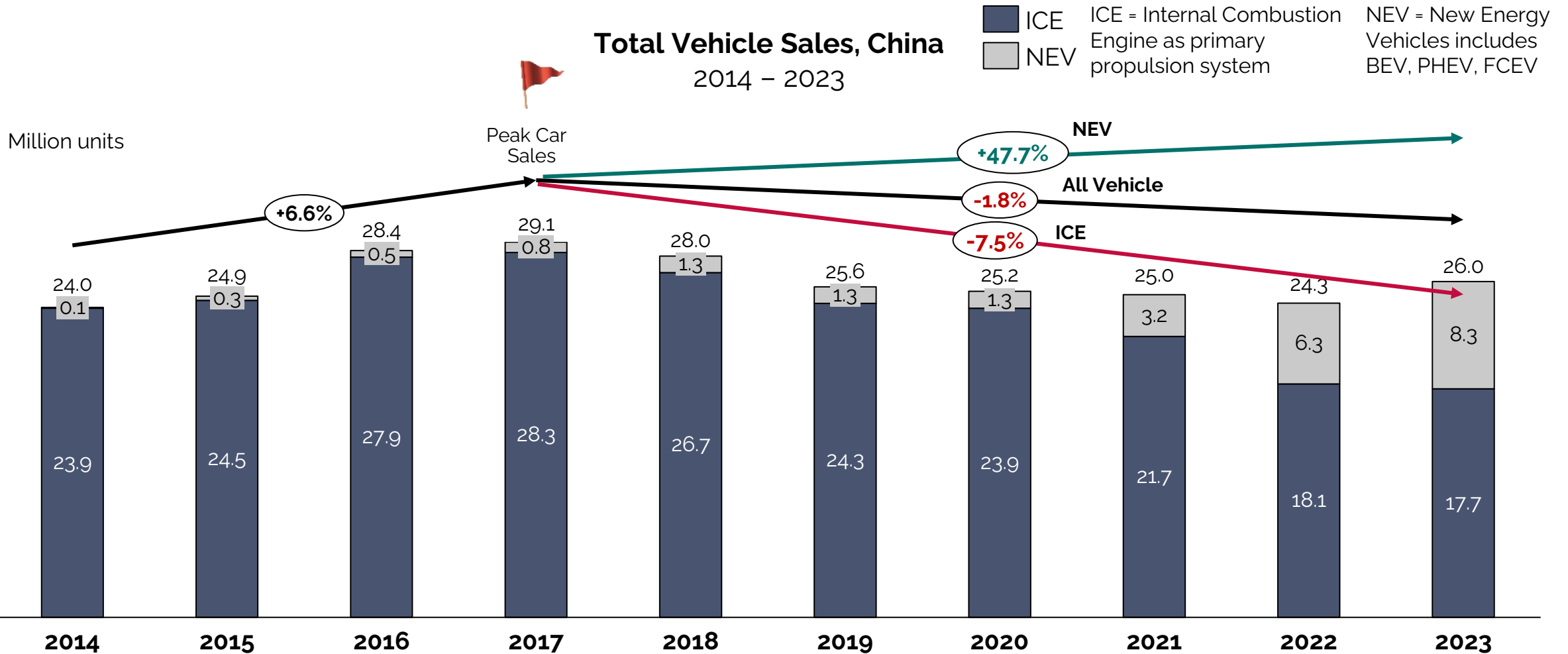
NOTE: percentages indicate share of overall industry sales
Source: OICA, CPCA, Automobility analysis

The global automotive industry footprint is shifting with China taking the lead position in sales and production



Source: OICA, Automobility Analysis

NEV sales in China have risen exponentially since Tesla entered the market

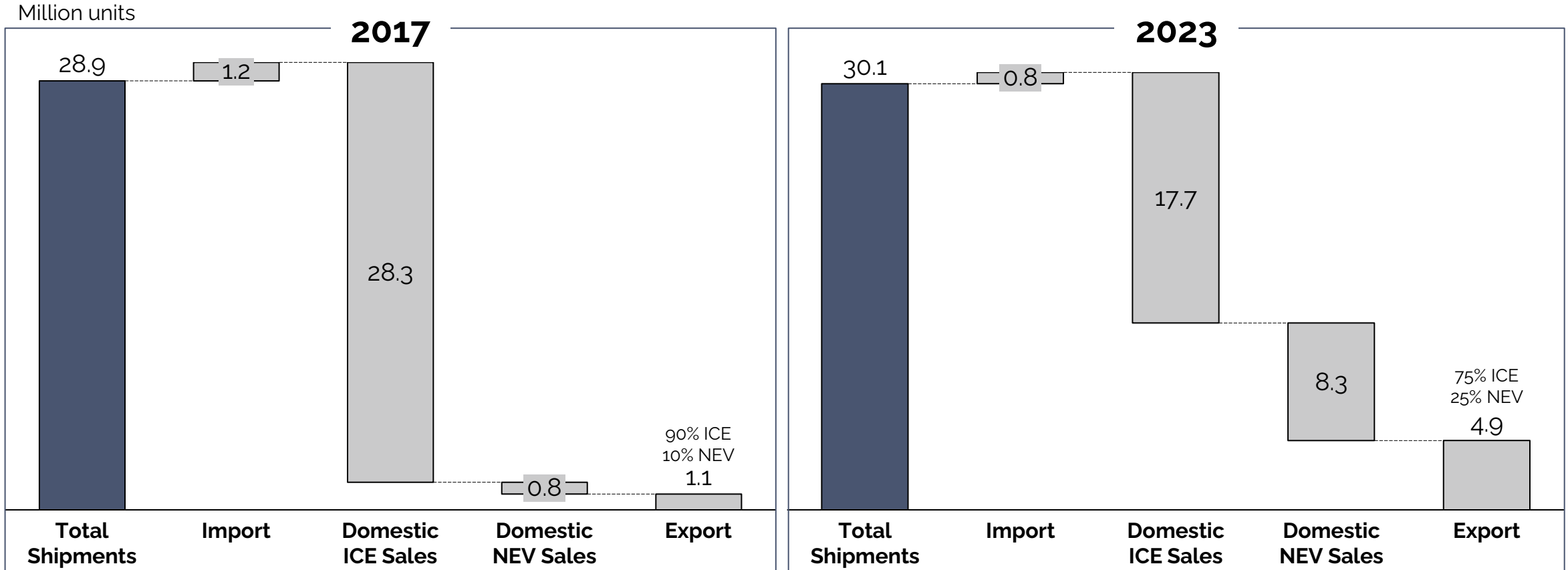


China government phases out foreign ownership limits and Tesla immediately seizes the opportunity to build its footprint in China

Source: CAAM, Automobility analysis

Peak-to-Peak comparison of 2017 vs. 2023 shows a dramatic shift in the market structure and sales mix

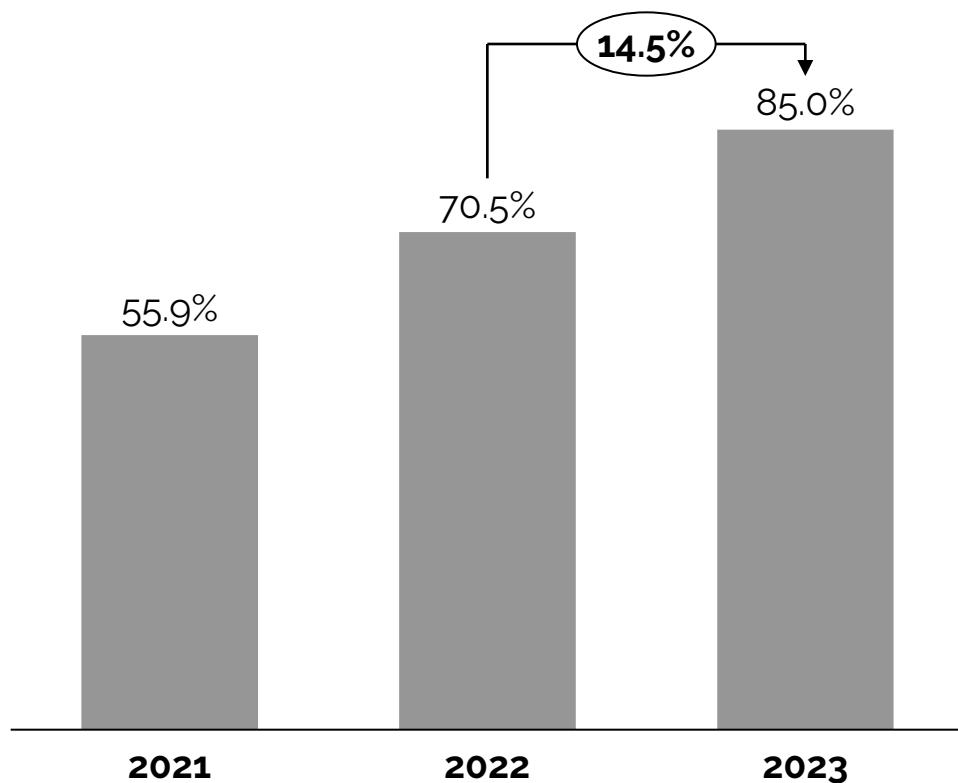
Comparison between China's Auto Market in 2017 and 2023, Peak-to-Peak Comparison of Auto shipments



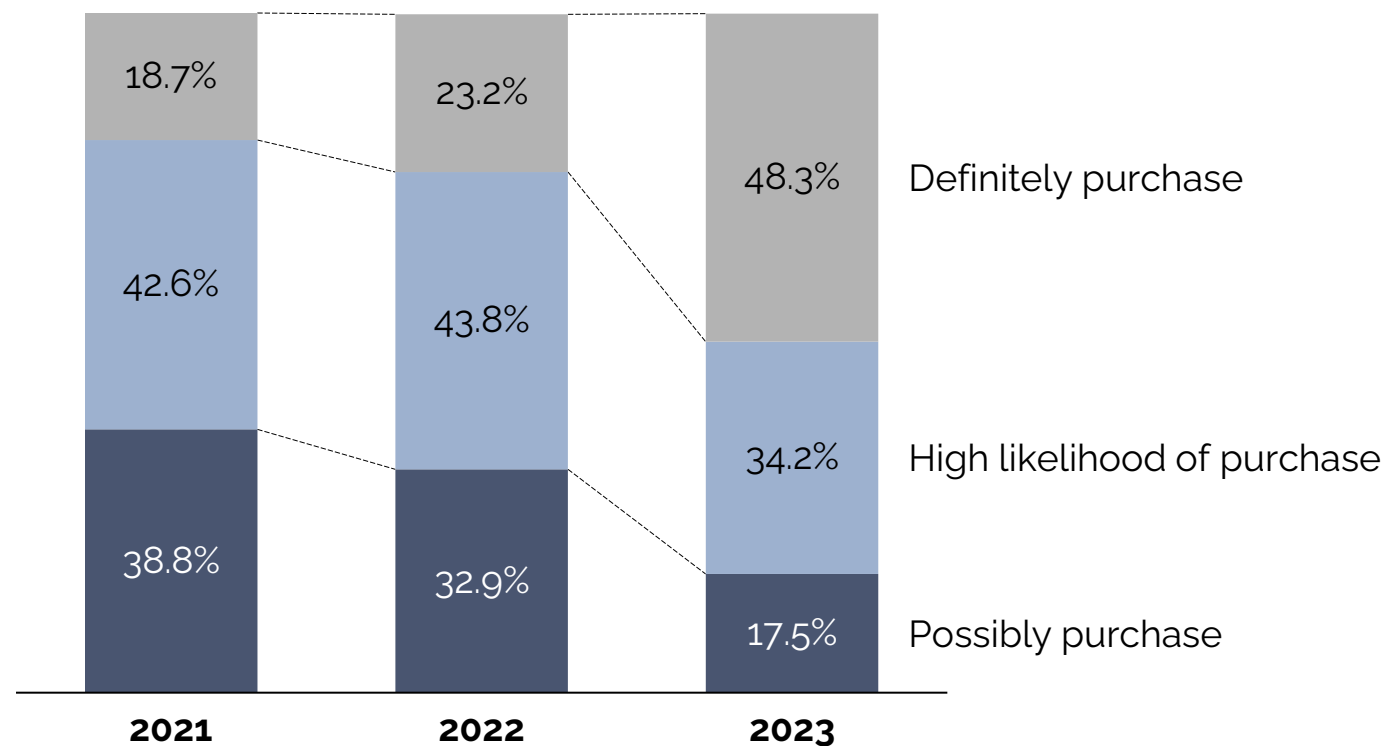
Source: CAAM, Automobility analysis

Chinese consumers are now more likely to buy EVs

EV Purchase Consideration



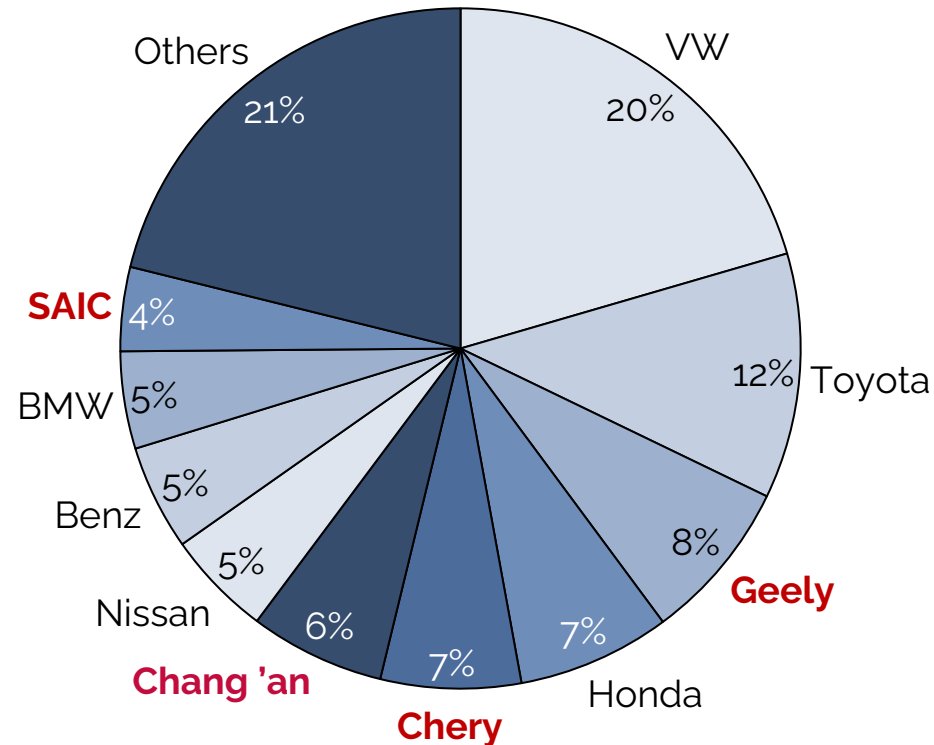
EV Purchase Intent



- By 2023, the proportion of potential users who intend to buy new energy has reached 85%, an increase of 14.5% compared with 2021.
- Purchase intent increased from 18.7% in 2021 to 48.3% in 2023.

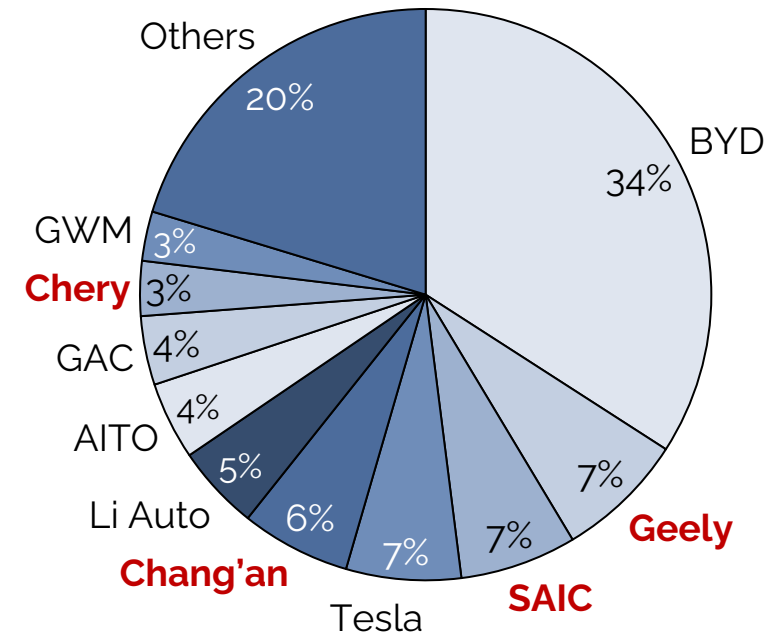
The secular shift to NEV completely alters the automotive industry competitive landscape

ICE Top 10, 2024 [1-7]



6.67 million in total

NEV Top 10, 2024 [1-7]

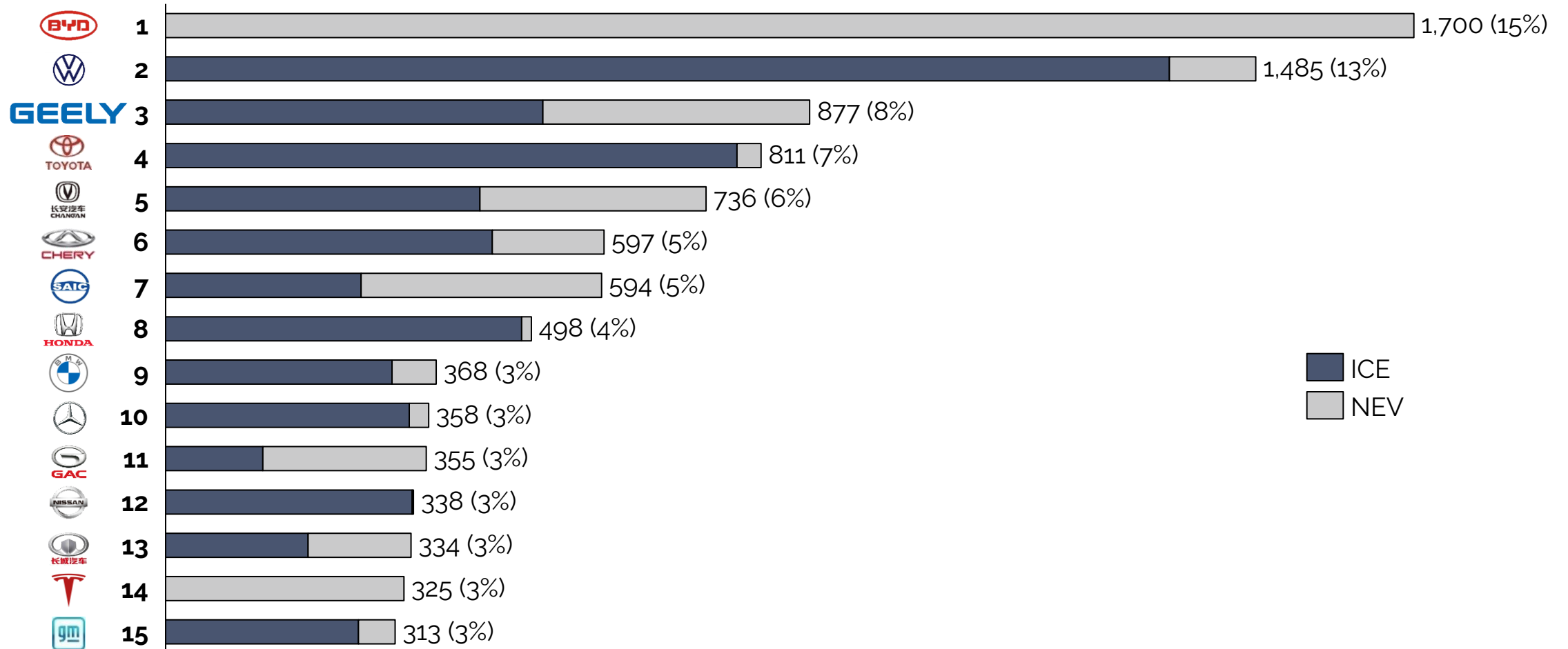


4.99 million in total

- ~2/3 ICEs sold are foreign branded while >4/5 NEVs sold are locally branded
- 4/10 legacy companies are in both lanes
- Brand equity in the ICE lane does not cross over into the NEV lane
- Market consolidation of ALL types of car brands is inevitable as the market shifts to NEV

BYD is now the best-selling automotive group, and Tesla is the top-selling US OEM in China

TOP 15 PV Groups by Retail Sales, China, 2024 [1-7]

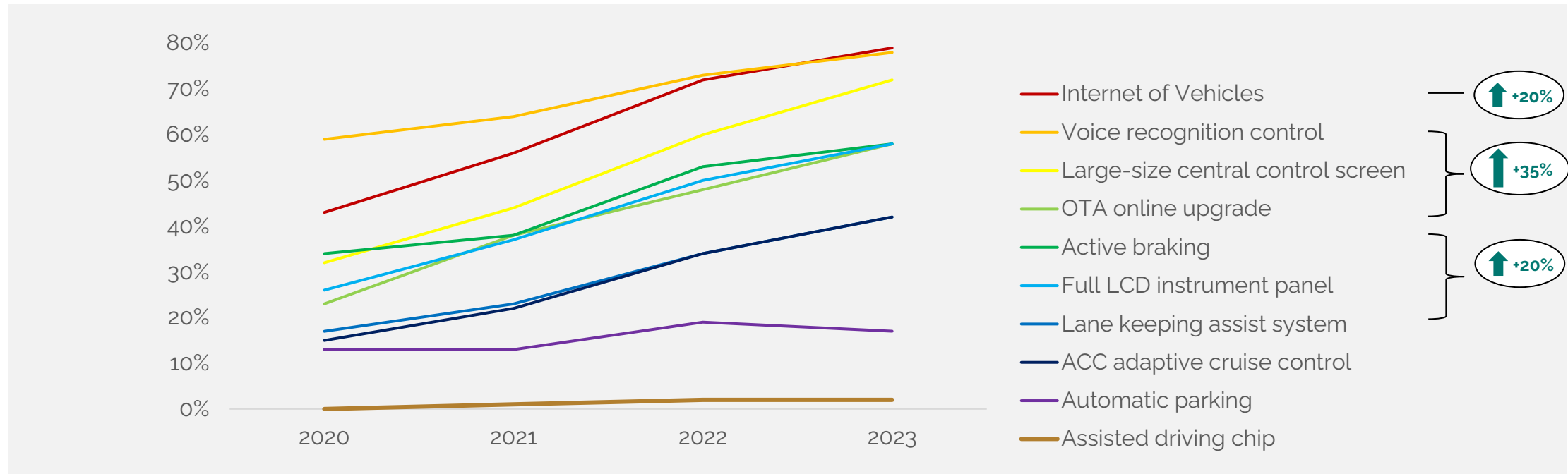


Note: 1. VW including Audi 2. SAIC including SGMW 3. Benz including Smart 4. GM excluding SGMW

Source: CPCA, Automobility analysis

The technology feature is becoming a norm in vehicles in China and more considered as must-have by consumers

Trend of intelligent configuration penetration rate,
(by Number of vehicles)



- Significant adoption of smart features and a shift toward more technologically advanced and safer vehicles
- The penetration rates of smart features such as connectivity, touchscreen controls, and Over-the-Air (OTA) updates increased by more than 35%
- The penetration of active braking, lane-keeping assistance systems, and Adaptive Cruise Control (ACC) has increased by over 20%.

BYD dominates the NEV market with a full range of brands and very well-equipped vehicles across a range of price points



Exterior



Qin L



Leopard 5



D9



U9

Interior



Price

RMB 99,800 –
139,800

RMB 289,800 –
352,800

RMB 335,000 –
460,000

RMB 1,680,000

Smart EV players are redefining premium as digital experience



Exterior



SU7



L9



M9



ET9

Interior



Price

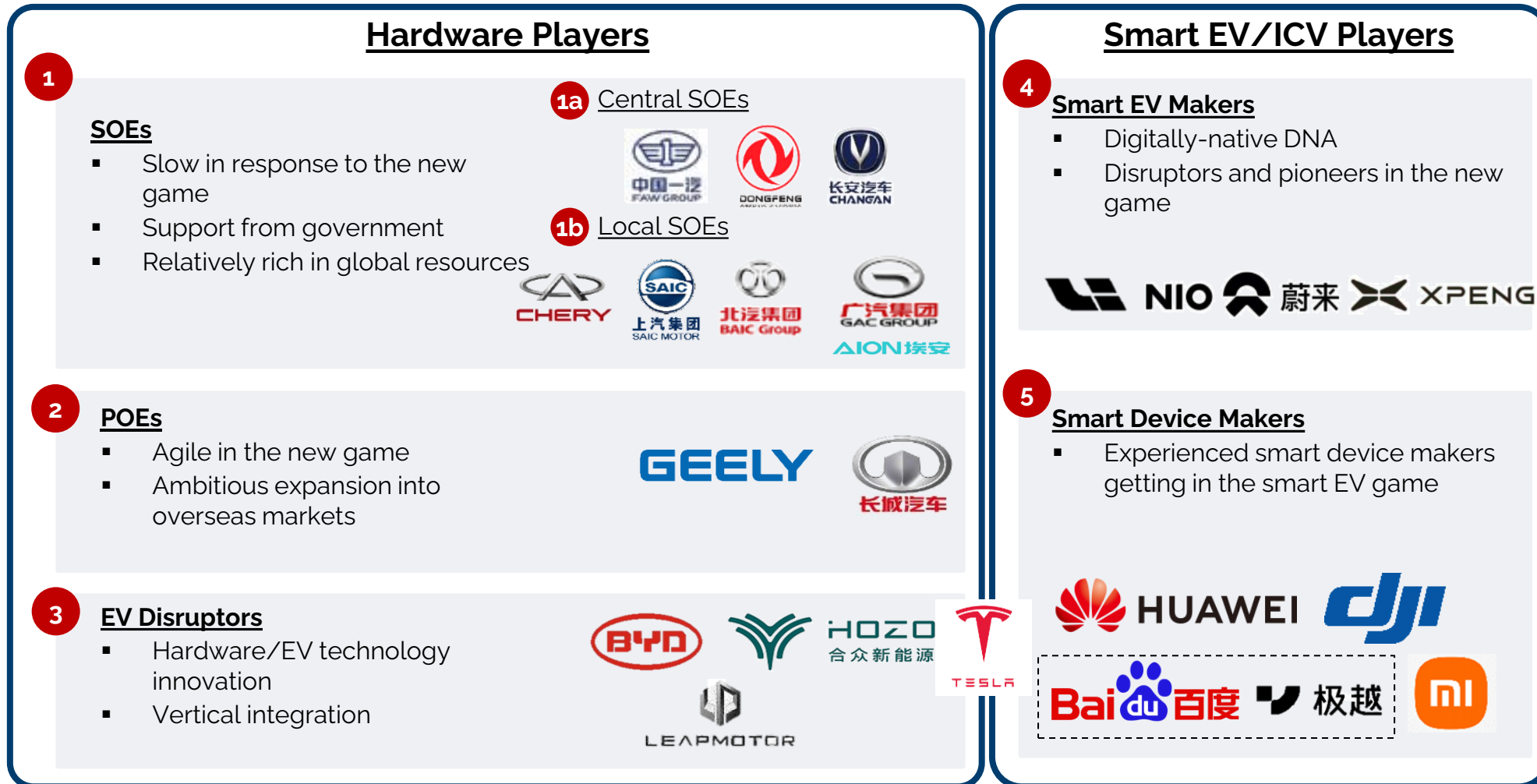
RMB 215,900 – 299,900

RMB 409,800 – 439,800

RMB 469,800 – 569,800

Starting from RMB 800,000





















China's competitive landscape can be grouped into two distinct types and five sub-categories



16 of top 20 NEV models by global sales in 2023 were from Chinese OEMs...

Ranking	Model	2023 Sales	Share	Ranking	Model	2023 Sales	Share
1	 Tesla Model Y	1,212k	8.90%	12	 VW ID.4	193k	1.40%
2	 BYD Song	637k	4.60%	13	 Wuling Bingo	169k	1.20%
3	 Tesla Model 3	529k	3.90%	14	 BYD Tang	142k	1.00%
4	 BYD Qin Plus	456k	3.30%	15	 VW ID.3	139k	1.00%
5	 BYD Atto 3	419k	3.10%	16	 Changan Lumin	139k	1.00%
6	 BYD Dolphin	355k	2.60%	17	 Li Auto L7	134k	1.00%
7	 BYD Seagull	254k	1.90%	18	 Denza D9	119k	0.90%
8	 Wuling Mini EV	238k	1.70%	19	 Li Auto L8	118k	0.90%
9	 GAC Aion Y	236k	1.70%	20	 Li Auto L9	114k	0.80%
10	 BYD Han	228k	1.70%	Others		7,638k	55.8%
11	 GAC Aion S	221k	1.60%	Total		13,689k	100%

...and legacy companies that respond rapidly to market trends have an economic advantage in the race to the future

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NEV Startup

ICE Legacy

Note: All Tesla models are BEV, Li Auto models on list are EREV
Source: Desktop research, Automobility analysis

The global auto industry stands at the crossroads in a rapidly transforming industry

The Path Traveled:

- Powered by gasoline
- Dominated by legacy brands
- Growth to maturity

Retreat and Run Out:

- De-risk
- Seek profitable havens and avoid the hot stove of disruption
- Use tariff protection as a security blanket at home



Take the Highroad:

- Experimental mindset
- Invest in new technology early or follow fast
- Embrace digital to expand revenue streams

Stay the Course:

- Milk the large markets
- Seek premium
- Mitigate risk with tariffs
- Incrementally improve

China's New Automotive Landscape

Recent Headlines

AmCham Shanghai Auto Conference Agenda

Summary of recent headline news in China



- A softening of the Chinese government's attitude towards Tesla after the opening of its data center in China



- US to propose barring Chinese software in autonomous vehicles



- Turkey cancelled tariffs one month after their announcement as BYD commits a \$10b investment



- Chinese EV startups announced their in-house development plans on chips for automated driving and smart cabin



- Uber to start using BYD cars in Europe, Latin America and develop 'autonomous-capable vehicles'

China's New Automotive Landscape

Recent Headlines

AmCham Shanghai Auto Conference Agenda

Conference Agenda - AM

SECTION

9:00 – 9:30

Keynote:

The Status of China's Auto Industry in 2024

9:30 – 10:00

Presentation:

Chinese EV Subsidies & Tariffs: what next?

10:00 – 10:30

Coffee Break

SPEAKERS

Bill Russo

Founder & CEO, Automobility Chairman, AmCham Shanghai Automotive Committee

Scott Kennedy,

Senior Adviser and Trustee Chair in Chinese Business and Economics at the Center for Strategic and International Studies (CSIS)

Conference Agenda - AM

SECTION

SPEAKERS

10:30 – 11:15

Fireside Chat:

Competing in the Intelligent Connected Vehicles Era

Moderator: Bill Russo

Founder & CEO, Automobility Chairman, AmCham Shanghai Automotive Committee

Tyson Becker

Vice President of China Software & Services, GM China

11:15 – 12:00

Panel Discussion:

Navigating the Challenges in the Changing Market

Moderator: Xiaozhi Liu

Founder and CEO, ASL

Yu Zhang

Founder, AutoForesight

Bruno Lambert

Co-Founder & CEO, B-ON

Zhen Wu

Regional President, Magna China

12:00 – 13:30

Lunch Speech:

A 40-year Journey Of Industry Development from An Automotive Perspective

Conference Agenda - PM

SECTION

SPEAKERS

13:30 – 14:00

Presentation:

The Current Chinese Economic Landscape

Sitao Xu

Chief Economist, Deloitte China

14:00 – 14:45

Panel Discussion:

The Shifting Footprint of the Automotive Industry Supply Chain

Moderator: Frank Liu

Head of Strategic Development, Dun & Bradstreet in China Mainland and HKSAR market

Simon Yang

President, Aptiv China and Asia Pacific

Sean Sun

SVP of Rubber Reinforcement China, Bekaert

Sng Yih

President, Autoliv China

14:45 – 15:15

Coffee Break

Conference Agenda - PM

SECTION

15:15 – 16:00
Fireside Chat:
Coping with the Challenges in the New Game

SPEAKERS

Moderator: Bill Russo

Founder & CEO, Automobility Chairman, AmCham
Shanghai Automotive Committee

Feng Shen

Executive Vice President & Chairman of Quality
Management Committee, NIO



AmCham Shanghai Auto Conference

FIRESIDE CHAT

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AmCham Shanghai Auto Conference

FIRESIDE CHAT

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