China: Automotive Industry

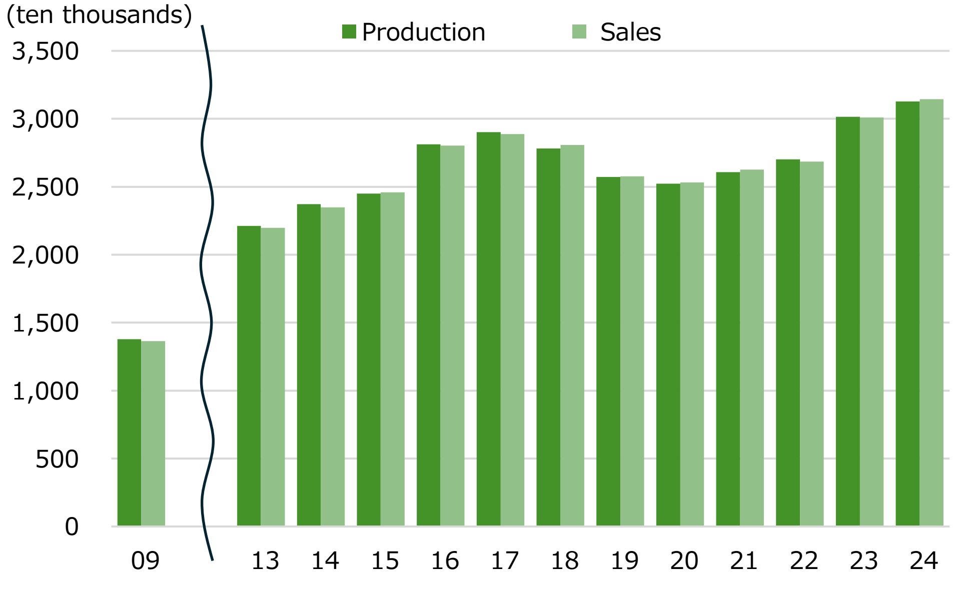
■ Overview: Expansion phase resumed since 2021, driven by accelerated NEV sales

- China's automobile production and sales volume have returned to an expansion phase since 2021, driven by accelerated sales of new energy vehicles (NEVs), achieving four consecutive years of growth through 2024. Both production and sales volume account for over 30% of the global total, maintaining China's position as the world leader for the 16th consecutive year.
- NEVs are driving the expansion phase since 2021. NEV production and sales growth has outpaced overall growth, with NEVs accounting for over 40% of total sales in 2024.
- However, amid intensifying price competition, particularly for NEVs, the industry's overall profitability is declining.

■ Production and Sales Volume

- China's automobile production and sales volumes peaked in 2017 and experienced a slight decline until 2020. However, they returned to positive growth starting in 2021. In 2023, both production and sales exceeded 30 million units for the first time, setting a new record high for the first time in six years.
- In 2024, production reached 31.28 million units, a 3.7% year-on-year increase, and sales reached 31.43 million units, a 4.5% increase, setting new records for the second consecutive year. Government support measures, such as subsidies for NEVs, continued to provide a tailwind.

Figure 1: Automobile Production and Sales Volume



(Source: China Association of Automobile Manufacturers)

■ China's Share

- China's production and sales volumes both remained the world's top for 16 consecutive years through 2024. China's share in 2024 was 34% for production and 33% for sales, significantly outpacing the second-place United States (Figures 2 and 3).

Figure 2: Production Volume by Country Share (2024)

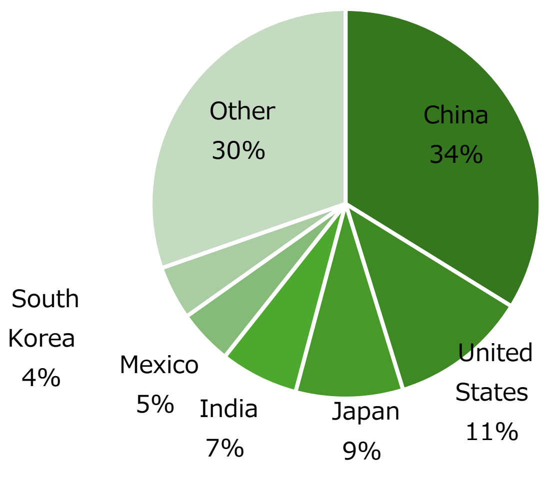
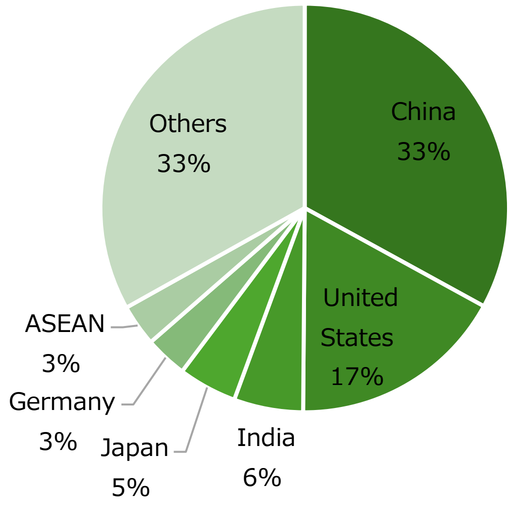


Chart 3: Sales Volume by Country Share (2024)



(Compiled by Ashu Research based on data from the International Organization of Motor Vehicle Manufacturers)

■ NEV Production and Sales Volume

- NEV production and sales volumes have expanded rapidly since 2021. In 2024, production reached 12.88 million units, a 34.4% year-on-year increase, while sales hit 12.86 million units, a 35.5% rise, both surpassing the 10 million unit mark.
- The share of NEVs in total vehicle sales exceeded 10% in 2021, 20% in 2022, and 30% in 2023. In 2024, it reached 40.9% (Figure 4).
- Looking at the breakdown of NEV sales, plug-in hybrid vehicles (PHEVs) are currently experiencing significant growth. PHEVs grew by over 80% in both 2023 and 2024, expanding their share from 30% in 2023 to 40% in 2024. Meanwhile, the share of battery electric vehicles (BEVs) decreased from 70% to 60% (Figure 5).

Figure 4: NEV Production, Sales Volume, and Sales Ratio

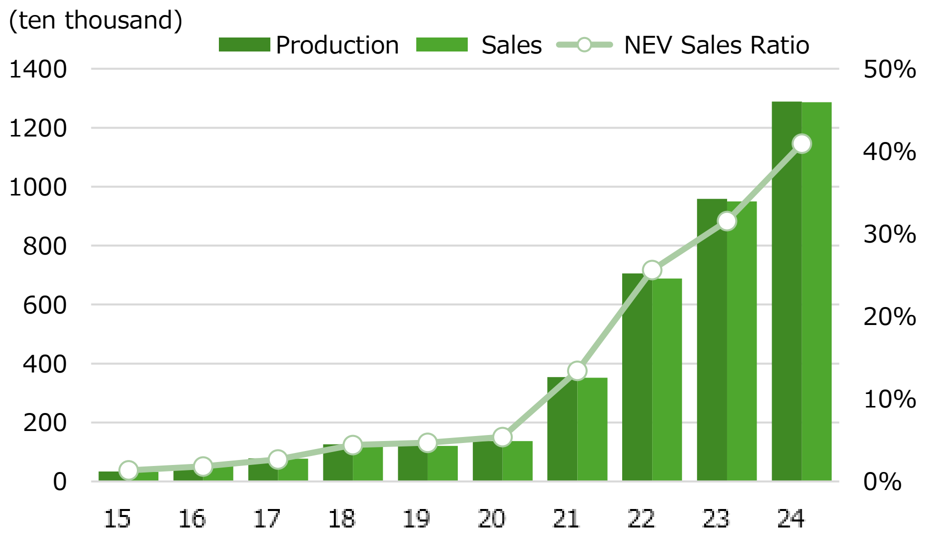
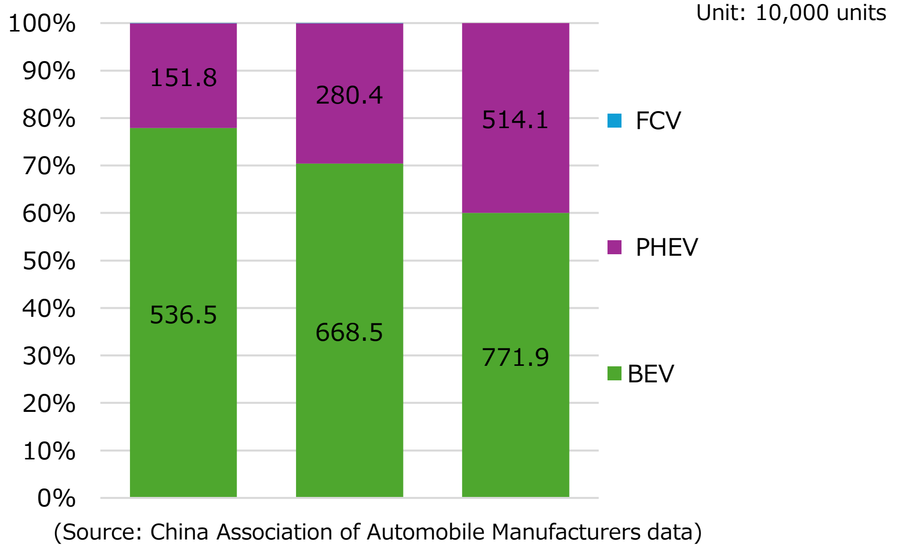


Figure 5: Breakdown and Composition Ratio of NEV Sales



(Source: China Association of Automobile Manufacturers data)

■ Profitability

- China's auto market continues to see sales growth, primarily driven by NEVs. However, the industry faces a challenging environment. Many NEV startups have yet to achieve economies of scale, and intense price competition persists among numerous loss-making companies. The auto industry's profit margin fell below 5% in 2024, reaching 4.3%.

■ 2025 Forecast

- The China Association of Automobile Manufacturers (CAAM) forecasts that China's auto sales will maintain positive growth in 2025, with an expected increase of nearly 5% year-on-year. Within this, NEV sales volume is projected to grow by over 20%, albeit at a slower pace.
- However, for exports, the association forecasts growth will slow to single digits due to concerns over tariff hikes by Europe and the US (Figure 6).

Figure 6: 2025 Forecast

	Volume	Year-on-Year Change
Automobile Sales	32.9 million	+4.7%
Passenger Vehicle Sales	28.9 million	+4.9%
Commercial Vehicle Sales	4.0 million	+3.3%
NEV Sales	16 million	+24.4%
Automobile Exports	6.2 million	+5.8%

(Ashu Research: May 2025)