



Automotive Industry Weekly Digest

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[OEM Highlight] Great Wall accelerates model launches of Tank and WEY brands

IHS Markit perspective

Implications	Great Wall Motor has accelerated models launches across its brands in a renewed effort to strengthen its position in the SUV market.
Outlook	IHS Markit forecasts sales of Great Wall Motor to reach around 1.11 million units in mainland China in 2022, up 8% from 1.03 million units in 2020. The Tank brand is expected to have at least five SUV models by 2022, primarily in the D and E segments.

Chinese automaker Great Wall Motor has accelerated models launches across its brands in a renewed effort to strengthen its position in the sport utility vehicle (SUV) market.



Tank 500.

Picture courtesy of Great Wall Motor

Great Wall Motor has begun to take reservations for the Tank 500 SUV in China. The Tank 500, a full-size SUV, is the second model from Great Wall's newly introduced Tank brand. Compared to the Tank 300, the Tank 500 is designed to appeal to a wider group of customers. The brand offers three design themes for the model, which are Business edition, Sport edition, and Customized edition. Each of the three variants will provide customers with the option of a seven-seat layout or a standard five-seat layout. Under the hood, the Tank 500 will have Great Wall's 3.0-litre turbocharged 6-cylinder engine and a 9-speed automatic transmission. The powertrain, completely developed by Great Wall, produces a maximum power of 260 kW and a peak torque of 500 Nm.

As a vehicle designed for off-road driving conditions, the Tank 500 will feature a four-wheel-drive system, a twin-speed transfer case, and Great Wall's latest Smart Terrance Management System, which helps the vehicle to handle different terrains. The pre-sale price of the Tank 500 ranges from CNY335,000 (USD52,580) to CNY395,000.

Earlier this month, Great Wall's WEY brand kicked off pre-sales of the Latte Hybrid. This compact SUV will feature Great Wall's DHT hybrid system. Featuring a 1.5-litre turbocharged engine, the Latte Hybrid will be able to deliver a system output of 181 kW and a maximum torque of 532 Nm. According to Great Wall, the fuel consumption of the Latte Hybrid is estimated at 4.9 litres per 100 km. Great Wall says that, thanks to the DHT technology, the Latte Hybrid can deliver a range of 1,000 km on a full tank of gasoline (petrol).

Outlook and implications



Great Wall has accelerated models launches across its brands in a renewed effort to strengthen its position in the SUV market. The automaker's strategy has shifted from taking a leading role in entry-level SUV segment to securing a strong footing in the standard-price and premium SUV segments. Models such as the Tank 300 and the Tank 500 are designed to help the automaker capture the lion's share of a niche segment. The Tank 300, which entered the market in December 2020, has already become the most popular model in Great Wall's line-up. IHS Markit data indicate sales of the Tank 300 were 9,950 units in October and totalled 62,522 units in the year to date (YTD; January to October). The newly launched Tank 500 is designed to appeal to customers considering a full-size SUV with strong off-road capability. According to Great Wall, the company received more than 26,000 reservations for the Tank 500 between 19 November and 28 November.

Apart from launching new models, Great Wall also intends to reshape its brand image by introducing its latest technologies in its new models. The new-generation models under the WEY brand, which are the Latte, Mocha, and Macchiato, will replace the VV5, VV6, and VV7 starting from 2022. The three new models, which feature Great Wall's DHT hybrid technology, will help the automaker to compete with companies such as BYD, which has seen surging demand for its new models thanks to the launch of hybrid technologies. IHS Markit forecasts sales of Great Wall to reach around 1.11 million units in mainland China in 2022, up 8% from 1.03 million units in 2020. The Tank brand is expected to have at least five SUV models by 2022, primarily in the D and E segments.

[OEM Highlight] BYD considers new MPV under premium brand

BYD is considering developing a seven-seat multi-purpose vehicle under a new brand, reports D1EV. According to the report, Zhao Changjiang, a BYD executive leading the company's premium vehicle programme, has been seeking comments from its social media followers about their expectations for a high-end new energy MPV from BYD. Discussion so far has centred on performance metrics, including driving range as well as vehicle design, such as the seating plan and interior. BYD had not commented on the reported new model at the time of writing.



Outlook and implications

BYD is expected to announce a new brand targeting the premium market in 2022. The brand launch plan was confirmed by Yin Zeming, head of BYD's communications department, during Auto Guangzhou 2021. In an interview with auto media outlet Xincheping, Yin said the first model from the new brand would be a sport utility vehicle with strong off-roading capacities. The price range of the new model will be between CNY500,000 (USD78,500) and CNY800,000. It would not come as a surprise if BYD is planning a MPV under this new brand, although this is not yet confirmed. The premium MPV segment has already attracted attention from Chinese original equipment manufacturers (OEMs) such as Dongfeng and GAC Motor. Dongfeng's premium brand Voyah recently showcased a new premium MPV model, Mengxiangjia, at Auto Guangzhou 2021. The new Voyah



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Mengxiangjia will be available as two variants – an electric vehicle (EV) version and an extended-range EV. The vehicle has been developed to offer customers an alternative to some of the luxury imports on the market, including the Toyota Alpha and the Lexus LM.



[Sales Highlights] Geely EV brand Zeekr aims for annual sales of 650,000 units by 2025

Zeekr, the electric vehicle (EV) brand under Zhejiang Geely Holding Group (Geely), plans to launch six new models in the next three years, according to vice-president Zhao Yuhui. According to Zhao, Zeekr aims to sell 650,000 vehicles annually by 2025.



Outlook and implications

Zeekr has just started deliveries of its first model, the Zeekr 001, in China. The model, which is available in rear-wheel drive and four-wheel drive configurations, is a performance-oriented electric crossover based on Geely's SEA platform, which is developed specifically for EVs. Local media reports indicate the first batch of 199 Zeekr 001 vehicles were delivered to customers in the last week of October. It is not uncommon for new brands to announce ambitious sales targets, but Zeekr will need a full line-up of competitive EVs to come close. Zeekr said the company received high volumes of reservation for the 001 and it is currently in the process of ramping up production of it. The majority of reservations taken during the second half of this year will be delivered in the second quarter of 2022. Starting with the 001, the Zeekr brand will comprise a range of premium positioned electric models to compete with the likes of Tesla, Xpeng, and NIO in the EV market. IHS Markit currently expects Zeekr to launch five models by 2023, including a sedan, SUV and multi-purpose vehicle.

[Sales Highlights] Daimler expects China sales to stay strong next year

Daimler expects the company's sales to stay strong next year, reports Reuters, citing Hubertus Troska, CEO and chairman of Daimler Greater China. "Everything speaks for the fact that China will be a super market next year as well," Troska was quoted as saying. Troska also said that he was confident that Mercedes-Benz could grow its share in China's electric vehicle (EV) market with its expanding EV offerings. The Daimler chief, however, did not give a specific target on EV sales or market share.





Outlook and implications

In the EV market, Mercedes-Benz has already begun local production of the EQC, EQA, and EQB in China. The brand's locally produced EV line-up will be expanded to include the EQE electric sedan next year and the EQE electric sport utility vehicle (SUV) in 2023. As pointed out by Troska, the automaker will adopt the same pricing strategy on its EVs to set the brand apart from mass-market EV brands. The market performance of these new models will depend largely on whether the brand will have the power to charge a premium on their EVs as they do on their internal combustion engine (ICE) models. In the ICE vehicle market, Daimler will continue to enjoy steady sales growth in China as the Mercedes-Benz brand has high recognition among Chinese premium vehicle customers. Sales of the Mercedes-Benz brand are forecast to reach over 774,000 unit this year, followed by a moderate increase to around 780,000 units in 2022.

[Sales Highlights] Li Auto's revenue doubles in Q3 on strong vehicle demand

Chinese startup company Li Auto announced its financial results for the third quarter on 29 November. Li Auto's total revenues reached CNY7.78 billion (USD1.21 billion) in the third quarter, up 209.7% year on year (y/y) and up 54.3% quarter on quarter (q/q). The company reported vehicle sales of CNY7.39 billion in the third quarter, up 199.7% y/y and 50.6% q/q. Gross profit stood at CNY1.81 billion in the third quarter, up 264.8% y/y and 90.2% q/q. The automaker's gross margin was 23.3% in the third quarter, compared with 19.8% in the third quarter of 2020 and 18.9% in the second quarter of 2021. In the third quarter, Li Auto still operated at a loss; however, its net loss decreased to CNY21.5 million, from CNY235.5 million in the second quarter. The company's free cash flow was CNY1.16 billion in the third quarter, representing an increase of 55.4% y/y and 18.6% q/q. The company delivered 25,116 units of the Li One in the third quarter, compared with 17,575 units in the second quarter of 2021 and 8,660 units in the third quarter of 2020.



Outlook and implications

Li Auto's third-quarter deliveries set a new quarterly high for the company on the back of robust consumer demand for the Li One extended-range electric vehicle (EV). In the first three quarters, accumulative deliveries of the Li One totalled 69,734 units. Li Auto projects deliveries of between 30,000 and 32,000 units in the fourth quarter, bringing its total deliveries this year to close to 100,000 units. Recent media reports indicate that Li Auto's operations have been affected by the ongoing microchip shortage. Early in October, the company notified its customers that Li One vehicles delivered in October and November would be missing two millimetre-wave radars, which would affect some functions of the vehicle's driver-assistance system. Consumers who opt to



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receive their vehicles during this period will have the two missing radars installed on their vehicles between December and February 2022. The company did not disclose how many customers opted to receive their vehicles without the full radar system. However, given its delivery target of between 30,000 and 32,000 units, the missing components are unlikely to have a major impact on its fourth-quarter deliveries.



[EV Highlights] NIO, Shell team up to develop co-branded battery swap stations

NIO and Shell have signed a strategic co-operation agreement on the development of co-branded battery swap stations. According to a statement from Shell, the co-operation in China will start with two pilot sites and this is aimed to reach 100 sites by 2025. Under the agreement, Shell will offer Shell Recharge high-speed charging at NIO locations and make battery swap available at select Shell locations. Co-operation in Europe will start from exploring pilots in 2022.



Outlook and implications

The NIO-Shell co-operation will pave the way for NIO to expand to European markets. The electric vehicle (EV) startup has already begun deliveries of its flagship ES8 electric sport utility vehicle (SUV) in Norway. According to NIO's CEO William Li, the company is making preparations to launch sales in other key markets in Europe. NIO's battery subscription programme, which it referred to as Battery as a Service (BAAS), will be offered to European customers. The co-operation with Shell will enable NIO to expedite the deployment of its battery-swapping station in Europe and provide customers access to Shell-operated EV chargers. Shell intends to operate more than 500,000 EV charging points worldwide by 2025. In China, it already operates more than 850 public charging points at its service stations.

[EV Highlights] Xiaomi to set up EV plant with 300,000-unit production capacity in Beijing

Xiaomi Corp is to build an electric vehicle (EV) manufacturing plant in Beijing. Xiaomi signed an agreement with Beijing Economic-Technological Development Area on 27 November to locate its new plant in the development zone in the Chinese capital, reports the China Securities Journal. The plant is to be built in two phases, each of which is to have an annual production capacity of 150,000 vehicles.





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Outlook and implications

The new plant marks an important step in Xiaomi's plan to introduce its own model in the market by 2024. This agreement also settles speculation over whether the smartphone maker would enter into manufacturing deals with established automakers such as Great Wall and Geely Auto to launch vehicle production. There are still lots of unknown elements in Xiaomi's expansion plan into the auto sector, such as its product plan, pricing strategy, and target customers. Xiaomi has recently announced several investments in startup auto suppliers in an attempt to secure supplies of key components and facilitate the research and development of its new model. Hesai Technology, a Chinese Lidar supplier, announced on 16 November that it has received an investment of USD70 million from Xiaomi in its D round of fundraising. Apart from its investment in Hesai, Xiaomi has acquired Deepmotion Tech, a company specialising in autonomous driving technology development, for USD7,737 million. These investments indicate Xiaomi's new models are to feature high-level automated driving technologies, which are the core competency of a smart EV company, according to CEO Lei Jun.



[GSP] Global Sales and Production Commentary -2021.10

Global sales

October 2021: -17.5%; 6.26 million units vs. 7.59 million units

YTD 2021: +7.6%; 65.69 million units vs. 61.04 million units

As countries around the world continue to deploy COVID-19 vaccines on an unprecedented scale to stave off further spikes in infections, evolving pandemic-related supply-chain bottlenecks are pressuring the recovery profile. Semiconductor shortages are a major issue, but IHS Markit analysts also acknowledge acute pressures on other key components, logistics, commodity prices, and workforces, alongside further COVID-19 effects. The auto industry continues in its efforts to rebuild inventories and support recovering demand. The path of the COVID-19 pandemic remains an important driver of the auto demand cycle, especially the “race” between vaccine and variants. Vaccination programs should continue to improve population immunity levels through 2021 for key markets, including the United States, mainland China, Europe, the United Kingdom, and key Southeast Asian economies, although concerns remain as winter approaches Northern Hemisphere countries.

Latest IHS Markit global production and sales forecasts reflect this unprecedented set of circumstances—a “perfect storm” clouding the outlook. Through the summer months, vehicle supply and inventory pressures kept building, and recovery prospects lost significant momentum as vehicle output levels struggled to rebound to pre-pandemic levels. October 2021 global demand fell by 17.5%, highlighting the struggle to meet demand, although comparative base effects complicate the picture.

Depressed vehicle output levels are expected to impact vehicle lead times for some time, pressuring depleted inventory levels and delaying fulfillment of prevailing order levels. IHS Markit estimates 2021 global demand at 79.1 million units, down by 2.9% year on year (y/y). We foresee reduced momentum for 2022 (+3.9%) and 2023 (+10.8%), as supply chains slowly adapt. The forecast for 2024–25 should effectively “recycle” some delayed demand, although there will likely be some “lost” or “destroyed” demand, reflecting fading pent-up demand and a reduced market push. Upside risks include the hard-to-forecast potential for carmakers to bring semi-finished vehicles to the market as chip supplies improve (missing modules can prevent vehicles from being signed off).



Following a 3.4% contraction in 2020, the world’s real GDP is projected to increase by 5.5% for 2021, 4.3% for 2022, and 3.5% for 2023 (no change). In October, the J.P. Morgan Global Composite Output Index (compiled by IHS Markit) increased by 1.2 points to 54.5 in October, as an acceleration in services activity was partially offset by a mild slowdown in manufacturing growth. Strengthening demand and supply disruptions led to the sharpest increases in input costs and output prices since July 2008 and October 2009, respectively. The price of Dated Brent is projected to average USD72/barrel in 2021, USD77/barrel in 2022, and USD71/barrel in 2023 (USD42/barrel in 2020).



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Mainland Chinese demand in the year to October 2021 posted 19.0 million units (+3.6% y/y). For 2021, IHS Markit foresees 23.2 million units, down by 1.9% as supply-chain shortages turn market growth negative. We acknowledge a small upside risk for the coming few months, reflecting a mild uptick in short-term production prospects, supported by improved semiconductor deliveries. Risks remain concerning electric power outages that can lead to some limited interruptions for the auto industry, especially in the run-up to the year end. 2022 is currently set at 24.3 million units (+4.5% y/y). More meaningful recovery is expected for 2023—back above pre-crisis levels to 27.3 million units, up by 12.5% y/y.

US auto demand has been curtailed by constrained domestic production, hit hard by chips and worker shortages, with already-tight dealer inventories running dangerously low. The 2021 outlook is set below 15.2 million units (+4% y/y), with 2022 likely to post 15.5 million units, up by just 2.1% y/y. More typical demand is expected for 2023, up by 10% to over 17 million units, as supply normalizes.

A bleak winter looms for European automobiles as supply-chain and widening virus concerns depress vehicle output levels, especially German production. The 2021 Western and Central European demand forecast foresees 14.0 million units, up by just 1.3% y/y. 2022 demand should manage 15.1 million units (+7.7%) with some demand "delayed" and recycled into 2023–25. The region looks set to suffer below-par demand for 2023, only recovering above 17 million units in 2024 (at the earliest).

Global production

October 2021: -23.3%; 6.15 million units vs. 8.02 million units

YTD 2021: +5.3%; 62.16 million units vs. 59.05 million units

The year-on-year (y/y) comparison of the forecast for October remains complex; 12 months ago, most markets had reopened after varying periods of lockdown. The latest estimate shows that output declined by 23.3% to 6.15 million units, which is consistent with supply-chain disruption being still very much to the fore. In the first 10 months of 2021, the year-to-date (YTD) output is estimated to have reached 62.16 million units, which is up by 5.3% over the same period in 2020.



[Supplier Trends and Highlights] JiDU, Baidu, and Qualcomm to build China's first production vehicle powered by Gen4 Snapdragon Automotive Cockpit

This system is built on Qualcomm Technologies' 4th Generation Snapdragon Automotive Cockpit Platform



Source: Getty Images/metamorworks

According to a press release issued on the 29 November on Green Car Congress, Baidu, JiDU Automotive, and Qualcomm Technologies announced that JiDU's first production vehicle will include an intelligent digital cockpit system aided by Baidu and Qualcomm Technologies.

This system is built on Qualcomm Technologies' 4th Generation Snapdragon Automotive Cockpit Platform, as well as the next generation intelligent cockpit system and software solutions developed by JiDU and Baidu.

Outlook and implications

The 4th Generation Snapdragon Automotive Cockpit Platforms are intended to provide superior in-vehicle user experiences while also ensuring safety, comfort, and reliability. The platforms support ISO 26262 compliance safety applications and are designed to support the next generation of intelligent, connected vehicles and the transition to a zoned architectural concept. The platforms are also intended to serve as a central hub for high-performance computing, computer vision, artificial intelligence, and multisensor processing, with a flexible software configuration to meet the computational, performance, and functional safety requirements of a specific zone or domain.

JiDU is backed by Baidu, China's largest search engine, and Geely Holding, a Chinese automaker. JiDU production vehicles with the new digital cockpit are expected to be available in 2023, making them China's first production vehicles with the Snapdragon 4th Generation Automotive Cockpit Platform. In April 2022, attendees at the Beijing International Automotive Exhibition will be able to preview the concept vehicle of this JiDU product.

[Supplier Trends and Highlights] Ganfeng Lithium signs contract with Tesla for supply of battery grade lithium hydroxide



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Ganfeng Lithium and GFL International shall supply battery grade lithium hydroxide products to Tesla from 1 January 2022 to 31 December 2024



Source: Getty Images/ SL_Photography

Chinese lithium producing company Ganfeng Lithium Company Ltd. and its wholly owned subsidiary GFL International Co. Ltd. have signed a product supply contract with US electric vehicle (EV) maker Tesla, Inc and Tesla Shanghai Co. Ltd., the company said in a regulatory filing at The Stock Exchange of Hong Kong Limited on 1 November. Under the said product supply contract, Ganfeng Lithium and GFL International shall supply battery grade lithium hydroxide products to Tesla from 1 January 2022 to 31 December 2024, it said in the regulatory document.

“The actual purchase volume and amount will be determined by purchase orders issued by Tesla,” it said in the document, adding that the contract will be fulfilled, and the revenue will be recognized from 2022 to 2024, which will have a positive impact on the operating performance of Ganfeng Lithium.

Outlook and implications

Ganfeng Lithium, which is one of the leading producers of lithium globally, had reported in July 2021 that its subsidiary Lito Minera Argentina has received approval to build a 20,000 tons of lithium chloride per year for its Mariana project in northern Argentina. Notably, lithium chloride, produced at lithium brine projects, can be used to make battery-grade lithium carbonate or lithium metal.

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