

Automotive Industry Weekly Digest

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[Forecast & Analysis Highlights] Xpeng posts higher revenues, net loss increase in Q3

Chinese electric vehicle (EV) manufacturer Xpeng has announced its third-quarter financial results. The company posted total revenue of 8.53 billion yuan (US\$1.17 billion) in the third quarter, up 25% year over year and up 68.5% quarter over quarter. The company's revenue from vehicle sales totaled 7.84 billion yuan in the third quarter, up 25.7% year over year and up 77.3% quarter over quarter. Xpeng's gross margin was minus 2.7% for the third quarter, worsening further from minus 3.9% for the second quarter of 2023. The vehicle margin was minus 6.1% for the third quarter of 2023, compared with 11.6% for the same period of 2022 and minus 8.6% for the second quarter of 2023. Xpeng's net loss reached 3.89 billion yuan in the third quarter of 2023, compared with 2.38 billion yuan in the same period of 2022 and 2.8 billion yuan in the second quarter of 2023. Cash and cash equivalents, restricted cash, short-term investments and time deposits were 36.48 billion yuan as of Sept. 30, 2023. As for new vehicle deliveries, Xpeng delivered 40,008 vehicles in the third quarter, an increase of 72% from 23,206 vehicles in the previous quarter. Xpeng expects its deliveries to be between 59,500 units and 63,500 units in the fourth quarter. Total revenues are forecast to be between 12.7 billion yuan and 13.6 billion yuan for the fourth quarter.



Outlook and implications

Despite posting a record quarterly sales volume, Xpeng has seen its net loss widen from the second quarter of 2023 due to inventory write-downs related to the G3i, the company's entry-level sport utility vehicle (SUV), and higher expenses in the quarter to support sales. The G6 SUV is the company's main sales driver currently. With the G6 gaining traction among consumers in the next few months, Xpeng could leverage the G6 to strengthen its sales and improve margin levels through cost-cutting measures. In addition, Xpeng is working on an all-new mass-market model under a new sub-brand. He Xiaopeng, CEO of Xpeng, confirmed in the company's third-quarter earnings call that the first model, codenamed MONA, from the new brand will enter the market in 2024. The new model will be a battery-electric sedan priced at around US\$20,000.



[Forecast & Analysis Highlights] Proton reports 12.3% YOY sales growth in YTD, UMW Toyota's sales up 9% YOY

Proton recorded sales of 12,772 units in October, bringing its January–October sales to 129,604 units, up 12.3% year over year, according to New Straits Times. The figure includes sales in the Malaysian domestic market and exports. The Saga sedan was its best-selling vehicle, as well as the second best-selling A-segment sedan overall in Malaysia, with 6,322 units sold last month. In the year to date, the model's sales have reached 57,806 units. The Persona came second in the list with sales of 2,041 units last month and 20,655 units in the year to date. Other key-selling nameplates include the X50 sport utility vehicle (SUV) in third spot, which continued to lead the Malaysian B-SUV segment with sales of 2,021 units last month. Sales of the X70 reached 927 units, followed by the Iris with 589 units and the X90 with 479 units last month “Heading into the final two months of 2023, we are optimistic of exceeding our targets as we prepare to introduce new models to position the company for a great start to 2024,” said Roslan Abdullah, CEO of Proton Edar. Separately, UMW Toyota Motor (UMWT), the official distributor, assembler and exporter of Toyota vehicles in Malaysia, sold 10,931 units in October including 10,709 Toyota units and 222 Lexus units, the highest in the last five years. The automaker's sales in the year to date reached 87,422 units, up 9.1% year over year.



Outlook and implications

Proton's overall market share is estimated to be 20.1% as the year-to-date volume for the entire automotive industry has exceeded 645,000 units and is on track to break the record set in 2022, the report added, citing a statement from the automaker. Several of Proton's models led their market segment last month, helping the automaker to record 12.3% year-over-year growth in the year to date. The automaker recently launched the X90 SUV in the Malaysian market and is experiencing healthy demand for this model. S&P Global Mobility expects Proton's overall sales to reach 152,466 units in 2023, up 12% year over year. Toyota's overall Malaysian sales are forecast to decline by 0.4% year over year in 2023 to 99,549 units.



[OEM Highlights] Great Wall Motor rebrands range in Europe

Chinese automaker Great Wall Motor (GWM) is rebranding its products in Europe as part of a shift in strategy. Autocar reports that Great Wall's products will now be sold under the GWM brand instead of the separate Ora and Wey brands as part of the company's 'One GWM' initiative, which it says shows "commitment to a more cohesive and recognizable global presence, particularly in the European market." This change of strategy will see the model known as the Ora Funky Cat become the GWM Ora 03, while a forthcoming sedan currently known as the Ora Lightning Cat will be called the GWM Ora 07. At the same time, the Wey Coffee 01 will be renamed the GWM Wey 05, while the Wey Coffee 02 will become the GWM Wey 03.



Outlook and implications

The changes are already shown on the wey-eu.com website, but there are still changes that need to be made by the brand at a market level, with the German and UK Ora websites still showing the previous brand and product names. However, Autocar reports being told that the UK rebrand will take place in January 2024 when the first shipment of GWM Ora 03 badged cars arrives. The company has suggested that part of the reason for this rebranding is to achieve greater efficiencies, and it is likely that trying to raise the visibility of two new brands at the same time with a limited product lineup will have spread its resources more thinly than would be desirable. Autocar reports a company statement as saying that this approach "will increase the visibility of the Chinese automaker and allow GWM's partners to apply a synergetic and efficient commercial approach from distribution down to dealer level." However, the company has also said that the rebranding will make customers' experiences simpler and "even more enjoyable" and it has suggested that the resale value of its cars will be higher as a result. There are notable differences between the designs of the Ora and Wey named products — the former having a curved and friendly design language, while the design of the former's vehicles is more bold and upright. However, GWM has said that they are united through "high-end technology such as advanced driving assistants, exceptional design, outstanding interior material quality and NVH [noise, vibration and harshness], long-lasting quality and uncompromising safety, with several five-star ratings from Euro NCAP crash tests." Nevertheless, the change will also see the demise of the 'Cat'- and 'Coffee'-based names for these brands, which will not have helped GWM's hopes of being considered by customers as a serious newcomer in the European automotive market. S&P Global Mobility currently forecasts that combined sales of Ora and Wey vehicles in Western and Central Europe will be around 6,700 units in 2023, but rise to 28,800 units in 2025 and almost 35,000 units in 2027. However, GWM has a long way to go to match our expectations for MG brand's sales and BYD sales in the European region, which are 33,600 units and 203,000 units, respectively in 2023, and further growth beyond. It remains to be seen whether these expectations are dampened by an investigation by the European Commission into Chinese battery electric vehicle (BEV) imports into the region and which Great Wall has already responded to.



[OEM Highlights] Xiaomi president says first EV on track to enter production in H1 2024

Xiaomi is on track to begin volume production of its first electric vehicle (EV), the Xiaomi SU7, in the first half of 2024, according to Lu Weibing, president of Xiaomi Corporation. Lu said Xiaomi's car unit has a research-and-development team of around 3,000 staff. The company will soon begin to put the SU7, which is a battery electric sedan, into its second round of winter testing soon.



Outlook and implications

Exterior images and partial specifications of the SU7 appeared online in the past week. Previous reports on the model suggest that the SU7 is to be available in two variants, a 400-volt architecture model and an 800V-architecture model. The 400V model reportedly is to be the main seller in the SU7 model range and is likely to come with fairly competitive pricing. With Xiaomi disclosing more details on the SU7, it has become increasingly clear that the SU7 will be available in several specifications differing in powertrain, battery chemistry and automated driving technology configurations to compete with an array of mid-size electric sedans. The SU7's main rivals will include the Luxeed S7, Tesla Model 3, Zeekr 007 and Xpeng P7. The Leapmotor C01 EV also makes a potential contender, if Xiaomi prices the entry-level SU7 at less than 200,000 yuan (US\$28,070).



[OEM Highlights] NIO, Changan reach agreement on sharing battery-swapping technology

S&P Global Mobility perspective

Implications Chinese electric vehicle (EV) manufacture NIO announced on Nov. 21 that it has reached an agreement with Chinese automaker Changan Auto to jointly develop EVs with battery-swapping technology.

Outlook The high capital investment required to set up a nationwide battery-swapping station network needs to be justified by increased vehicle sales and high utilization of such facilities.



Chun Tu

Chinese electric vehicle (EV) manufacture NIO announced on Nov. 21 that it has reached an agreement with Chinese automaker Changan Auto on joint development of EVs with battery-swapping technology. The two companies are to collaborate on several aspects of the promotion of battery-swapping EVs in China, including formulating industry-wide standards for batteries in battery-swapping EVs, sharing battery-swapping infrastructure and setting up an efficient battery asset management system.

According to Li Bin, CEO of NIO, the company is also in talks with several other automakers on projects that would involve NIO's battery-swapping technology, but he did not provide details or timelines. On the collaboration with Changan, Li said the partnership is to be centered on installation of NIO's next-generation 800-volt battery pack in Changan's upcoming new EV models. The first passenger vehicles from Changan powered by NIO's battery-swapping technology are due to go on sale in 2025. Future EVs from the partnership are to be targeted mainly at the mass market.

Recent media reports indicate that upcoming models from NIO's sub-brand, Alps, are also expected to be based on the automaker's 800V platform and its new high-voltage battery packs. These new technologies are core components of NIO's new-generation technology platform, the NT3.0. NIO is a leading player in the battery-swapping EV market. As of Nov. 18, the company has established 2,100 battery-swapping stations, including over 650 stations on expressways. The company claims that it has provided NIO EV drivers with more than 32 million battery swaps as of Nov. 18.

Outlook and implications

The announcement of the NIO and Changan partnership follows NIO's move to cut approximately 10% of its workforce to reduce costs and improve operational efficiency. The company is faced with the pressing task of improving its sales volumes and margin levels by cutting costs and launching new products. NIO's battery-



swapping station network has become a key differentiator of the NIO brand. Its extensive battery-swapping station network gives NIO customers exclusive access to dedicated charging facilities when traveling long distances. The EV startup believes that such an infrastructure will reduce significantly consumer concerns about limited driving range of an EV, and make them practical for both city driving and long-distance journeys. However, the high capital investment required to set up a nationwide battery-swapping station network needs to be justified by increased vehicle sales and high utilization of such facilities. In June, NIO cut the prices of its entire model range by 30,000 yuan (US\$4,200) and stopped offering new car buyers a free battery-swapping service. The automaker's sales volumes have improved since the price cuts, but they have yet to meet its expectations. The price cuts were also made as a response to customer feedback on how frequent they use the service and their expectations on the pricing strategy of the company. The fast-expanding DC fast-charging networks operated by other EV makers and private-sector operators, to some extent, also compete with NIO's battery-swapping facilities. In addition, NIO operates more than 20,000 EV chargers, which are open to non-NIO EVs.



[Technology & Mobility Highlights] TSMC mulls third chip plant in Japan

Taiwan Semiconductor Manufacturing Co. (TSMC) is considering setting up a third plant in Japan to produce advanced 3-nanometer (3-nm) chips, according to Japan Times, citing unnamed sources familiar with the matter. The company has reportedly informed its supply chain partners about its plans for a third factory, codenamed TSMC Fab-23 Phase 3, in Kumamoto Prefecture. However, it is unclear at this stage when construction will start.



Outlook and implications

As demand for semiconductors has surged in the last few years owing to a shift toward autonomous and electric vehicle (EV) systems, the new plant under consideration would help prepare Japan for a semiconductor crisis in the medium or long term like the one that automakers have been facing for the past couple of years. TSMC is already in the process of setting up a semiconductor chip facility in Kumamoto Prefecture as a joint venture (JV) between itself, Sony Semiconductor Solutions Corporation (SSS) and Denso. The plant is likely to produce 12-nm and 16-nm chips, in addition to 22-nm and 28-nm chips. The company is also reportedly planning to invest ¥1 trillion (USD6.7 billion) in setting up a second semiconductor plant in Japan, which should become operational in the second half of this decade and will manufacture 5-nm and 10-nm chips. The new plant is likely to receive support from the Japanese government in the form of subsidies.

[Technology & Mobility Highlights] Intellias to showcase advanced in-vehicle tech at CES 2024

The company will unveil the next generation of its IntelliKit, a portable, fully-integrated digital cockpit



Source: Getty Images/ algre

Intellias, a software-engineering partner for the automotive industry, will showcase its expertise in human-machine interface (HMI), digital cockpit and advanced driver assistance system (ADAS) integration technology at Consumer Electronics Show (CES) 2024, said a PRNewswire release on Nov. 21.

The company will unveil the next generation of its IntelliKit, a portable, fully integrated digital cockpit, which is based on Qualcomm's SA8295P fourth-generation Snapdragon Automotive Cockpit Platform, Rightware's Kanzi One HMI kit and the BlackBerry Ivy Connected Vehicle Data Platform.

The company's Vice President of Delivery and Mobility Oleksandr Odukha will be available to discuss the company's offerings and mobility-related topics at the company's exhibit in the West Hall (Booth 7075) of the Las Vegas Congress Center.

Odukha noted that the shift toward software-defined vehicles presents automakers with significant challenges, requiring solutions that offer a unique driving experience and seamless integration into modern vehicles' IT ecosystem. To address these challenges, automakers need engineering partners with expertise in vehicle IT infrastructures and industry standards. Intellias aims to provide professional, cost-effective and quick solutions to help automakers achieve their software-defined vehicle objectives.



[EV & Energy Efficiency Highlights] Northvolt develops new battery chemistry

Swedish battery manufacturer Northvolt has developed a sodium-ion battery with an energy density of over 160 watt hours per kilogram. According to a statement, this chemistry has been developed in collaboration with research partner Altris and validated at the Northvolt Labs research and development (R&D) and industrialization campus in Västerås, Sweden. The company added that it is based on a “hard carbon anode and a Prussian White-based cathode, and is free from lithium, nickel, cobalt and graphite”. Northvolt said that it plans to be the first company to industrialize Prussian White-based batteries and bring them to commercial markets.



Outlook and implications

Prussian White is the fully reduced and sodiated form of Prussian Blue and has been seen as a possible breakthrough material for batteries. Among the benefits that this new battery type is said to have compared with conventional nickel, manganese, and cobalt (NMC) or iron phosphate (LFP) chemistries are that they are said to be safer, cost-effective, and sustainable, helped by iron and sodium both being abundant on global markets. Northvolt notes that the low cost and safety at high temperatures makes the technology especially attractive for energy storage solutions in upcoming markets, including India, the Middle East, and Africa. Furthermore, the battery-maker suggests that “the technology can be produced with locally sourced materials, providing a unique pathway for developing new regional battery manufacturing capacity entirely independent of traditional battery value chains”. While the first-generation sodium-ion cell has been designed primarily for energy storage, Northvolt expects that the subsequent generation that delivers higher energy density presents opportunities to enable cost-efficient electric mobility solutions. This suggests that Northvolt anticipates that with development, this new type could have density levels with an even greater upside.



[EV & Energy Efficiency Highlights] EU members discuss future Brexit BEV tariffs

EU member states have met regarding increased tariffs from the beginning of 2024 on battery electric vehicles (BEVs) built and exported between it and the United Kingdom that do not meet new rules-of-origin requirements. People familiar with the matter have told Bloomberg News that EU ministers and the vice-president of the European Commission for the European Green Deal, Interinstitutional Relations and Foresight, Maroš Šefčovič, discussed the issue last week. The people said that nearly every member state that spoke up at the meeting, including Italy, Sweden, and Hungary, has supported a one-off extension of the current rules. France is also said to have been open to a solution to cushion the impact and a short transitional period before implementing the new rules, but also underlined that it should not require the post-Brexit trade deal being reopened. It also believed that production of key BEV components in Europe should soon reach levels to meet UK demand.



Outlook and implications

There is a little over a month to go before a 10% import tariff is applied to BEVs built and shipped between the UK and the EU that do not meet new rules-of-origin requirements. This was included in the post-Brexit Trade and Cooperation Agreement (TCA) to encourage BEV supply chain to develop and on the expectation that it would not be too great an issue. However, this has not taken place to the degree hoped and there have been calls for both EU member states and the UK as well as the automotive industry to postpone this for over six months. The French government, which had previously taken a hardline against any change, also appears to be warming to the idea. However, it is also keen that this delay should not be postponed for three years, and the focus is placed on the next change to the rules of origin for BEVs, which will be introduced at the start of 2027. Olivier Becht, France's Minister for Foreign Trade, Economic Attractiveness and French Nationals Abroad, has told the Financial Times (FT) in an interview, "I hope that we can find a solution in the coming weeks," before adding that the government is "open to ideas" related to the postponement. He also highlighted the importance of the UK market in supporting the EU's BEV exports, stating that "the UK is the number one market for European production with a growing demand for EVs and many opportunities for our companies". This underlines what has been said by the European Automobile Manufacturers' Association (Association des Constructeurs Européens d'Automobiles: ACEA), which said that the tariffs would cost automakers €4.3 billion between 2024 and the end of 2026. However, Becht added that it was still mindful of developing the supply chain in the region, stating, "Of course we will be attentive to the solution that can be presented by the [European] Commission to solve this issue while bearing in mind that is highly important to keep incentivizing [battery] investments on our soil." Given the now very tight deadline, it remains to be seen what proposal can be drawn up by the European Commission that would be supported by all EU member states but also pass muster with the UK, and if it can be approved before Jan. 1, 2024.



[Supplier Highlights] Point One Navigation releases Atlas real-time inertial navigation system

Atlas INS offers precision location technology with high accuracy, low cost and a user-friendly interface



Source: Getty image/imaginima

Point One Navigation has introduced the Atlas Inertial Navigation System (INS), a product that offers high accuracy and affordability for autonomous vehicles, mapping and other applications, according to a press release on Nov. 14. The Atlas INS represents a significant leap forward in real-time precision location technology, providing ground-truth level accuracy in real time without the need for extensive post-processing.

Previously, legacy INS solutions required extensive post-processing to achieve high levels of precision, coming at a high price point and being both time- and labor-intensive. Atlas eliminates these barriers by providing highly accurate, low-cost Global Navigation Satellite System (GNSS) receiver and inertial measurement unit (IMU) technology, integrated with the Polaris real-time kinematic (RTK) corrections network and Sensor Fusion algorithms, at an accessible starting price of \$6,500.

The Atlas INS features a user-friendly interface, on-device data storage, Ethernet and Wi-Fi capabilities, allowing field engineers to easily configure and operate the system using smartphones, tablets and in-car displays.

Aaron Nathan, CEO and co-founder of Point One, said, "We envision a future where businesses, researchers, and automotive companies can harness the power of cm-level real-time accuracy without the complexities and cost associated with post-processing. Atlas is not just a product; it's a revolution that will redefine what's possible in the world of precision location."



[Supplier Highlights] Arteco builds new plant in China to meet growing demand for engine coolants

The new plant is designed with the stringent needs of automotive OEMs in mind and will produce heat-transfer fluids for all NEVs



Source: Getty Images

Arteco, a global leader in water-based engine coolant and heat-transfer fluid production, has announced the construction of a new state-of-the-art production plant in Nantong, China. The plant is scheduled to begin deliveries in the first half of 2024 and will cater to the growing demand for high-quality engine coolants and heat-transfer solutions in the automotive, industrial and electronics-cooling industries, a company press release dated Nov. 21 said.

According to Alexandre Moireau, general manager of Arteco, the new plant is a testament to the company's commitment to being a responsible and reliable global solutions provider. The plant will manufacture products from raw materials instead of imported additive packages, further strengthening Arteco's local presence and supply chain resilience.

The new plant is designed with the stringent needs of automotive original equipment manufacturers in mind and will produce heat-transfer fluids for all new-energy vehicles (NEV) including electric, hybrid and hydrogen fuel-cell vehicles. Moireau emphasized that Arteco recognizes the constant evolution of the automotive industry and is committed to maintaining a leading position.

The plant will also produce products for the electronics-cooling segment, including applications such as data centers. According to Paul Golesworthy, regional manager — Asia-Pacific and Middle East, a noticeable trend is emerging in the market, with water-based products gaining market share due to their long-lasting corrosion protection and cooling capabilities.

Arteco's decision to invest in a local plant aligns with its strategy for a resilient and sustainable future. With ambitious growth plans, Arteco aims to enhance its market presence and fulfill its mission as a reliable partner. The establishment of the new local plant eliminates the need for transporting corrosion inhibitor additive packages from Belgium to China, significantly improving transportation efficiency and reducing emissions.

The new plant is a significant expansion for Arteco's China team, providing opportunities for business growth, team development and personal growth.

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