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[Sales Highlights] Hongqi reports January–May sales figure

FAW Hongqi, FAW's premium vehicle brand, sold 118,000 vehicles in January–May, up 116% year on year (y/y), according to Xinhua News. The brand plans to achieve total sales of 400,000 units this year, double its 2020 figure.

Outlook and implications

Owing to a lack of models targeting mass-market consumers, Hongqi has lost its relevance in the passenger vehicle market in the past decade. FAW, however, is experiencing increasing demand for Hongqi's recent models thanks to a fresh design, a wider product range catering to private-market car buyers, and more accessible pricing compared with previous Hongqi offerings. The brand now has eight nameplates on the market, covering sedans and sport utility vehicles (SUVs). The HS5, a mid-size SUV, and the mid-size H5 sedan are Hongqi's main sellers in the passenger vehicle market. Hongqi recently unveiled the L-Concept four-door sedan at the Shanghai Motor Show. In February, FAW partnered with Silk EV, an automotive design and engineering company headquartered in Italy, to develop a series of ultra-luxury, high-performance sports vehicles for China and global markets. The two companies will commit more than EUR1 billion of investment to the new projects. According to Chairman of FAW Group Xu Liuping, the Hongqi S Series developed by the partnership will come under FAW's Hongqi brand and support the brand's target to sell 1 million Hongqi vehicles annually by 2030. IHS Markit expects Hongqi sales in 2021 to be around 247,800 units.

[Sales Highlights] BYD reports 45.5% y/y increase in sales during May

Chinese automaker BYD sold 46,295 vehicles in May, an increase of 45.5% year on year (y/y). The sales figure includes new energy vehicles (NEVs) and traditionally fuelled vehicles. BYD's sales of NEVs, which consist of battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs), totalled 32,800 units last month, up 189% y/y. Passenger BEVs remained the top-selling category in the automaker's NEV line-up, their sales totalling 31,681 units in May, up 198%% y/y, while sales of its passenger PHEVs totalled 12,970 units, compared with 2,323 units in May 2020. Sales of BYD's traditionally fuelled vehicles totalled 13,495 units last month, down 34.1% y/y. Of this total, sedan sales reached 3,320 units, down from 3,469 units in May 2020, while sales of sport utility vehicles (SUVs) totalled 9,291 units, compared with 15,887 units in May 2020. Sales of multi-purpose vehicles

(MPVs) reached 884 units in May, compared with 1,140 units in May 2020. In the year to date (YTD), BYD's sales are up 56.6% y/y at 195,674 units.

Outlook and implications

The y/y increase in BYD’s sales during May can be attributed to the low base of comparison . The launch of the Qin Plus DM-i PHEV in March this year has strengthened BYD's PHEV sales. The DM-i hybrid system will enable BYD's PHEVs, such as the Song and Tang SUVs, to compete with fully hybrid models and small-engine-displacement internal combustion engine (ICE) vehicles introduced by its rivals. Last month, BYD reached the milestone of producing 1 million units of electric passenger cars globally. The automaker also revealed the e-platform 3.0 for EVs at the 2021 Shanghai Motor Show. The new platform is designed for the next generation of high-performance smart EVs. The company claims that the e-platform 3.0 modules are smaller, lighter, stronger, and have lower energy consumption. The platform is equipped with new heat pump technology as standard. IHS Markit estimates light-vehicle sales of BYD globally will reach around 487,500 units in 2021 and 595,000 units in 2022

[OEM Highlights] Great Wall and CATL sign 10-year partnership agreement to develop NEV technologies

Great Wall Motors has signed a framework agreement for a 10-year partnership with Chinese battery manufacturer Contemporary Amperex Technology Co. Ltd (CATL) to develop new-energy vehicle (NEV) technologies, reports Gasgoo. The two parties are said to have co-operated on the development of models since 2016.

Outlook and implications

The partnership is an important one to support an uninterrupted supply of batteries for Great Wall's NEVs in the Chinese market. The automaker recently announced plans to introduce a new standalone brand for upscale electric vehicles (EVs). The new brand would be Great Wall's second attempt to make its mark in the premium segment. In 2018, it launched the Wey brand, which broadened the product offerings of Great Wall by introducing a range of freshly designed sport utility vehicles (SUVs) positioned higher than Haval models. Other than Wey, Great Wall also has the Ora brand, dedicated to the production of subcompact and compact EV models. Meanwhile, Great Wall aims to be a market leader in the hydrogen fuel-cell vehicle (FCV) sector and plans to roll out its first hydrogen-powered sport utility vehicle (SUV) this year. The company claims to have invested CNY2 billion (USD313 million) over the past five years to develop hydrogen-power-related technologies to be used in vehicles, as well as marine and rail transport. The company plans to invest another CNY3 billion over the next three years in hydrogen-related vehicle technologies. Great Wall aims to become one of the top three sellers of hydrogen-powered vehicles by 2025.

[OEM Highlights] Daimler's Chinese JV with BAIC to raise output capacity

Daimler's Chinese joint venture (JV) with partner Beijing Automotive Industry Holding Co. Ltd (BAIC) is looking to increase the production capacity of Mercedes-Benz vehicles by 45% in China, according to Reuters. The JV plans to increase the number of working days annually to 312 at both of its Beijing plants which currently have 290 and

250 days of output annually. One of the plants will also add a 7.5-hour shift per working day. However, the company has not revealed the investment earmarked for the project.

Outlook and implications

The capacity increase will help to meet the growing demand for Mercedes-Benz vehicles in the country. The combined production at the JV's two plants in the country has increased from 432,000 units in 2017 to 605,000 units in 2020, despite the impact of the coronavirus disease 2019 (COVID-19) virus pandemic, according to IHS Markit's light-vehicle production forecast. We expect the production to increase to 684,000 units by 2022 and 780,000 by 2024. The increased capacity is likely to be used for production of electric vehicles (EVs) such as the EQC and EQE. The German automaker will also begin production of 'Smart' branded EV in the country from next year in partnership with Geely. We expect production output at the Daimler-Geely JV plant to be around 10,000 units in 2022 and 78,000 units in 2023. Increasing the production volume of EVs in China will help Daimler meet the 18% new energy vehicle (NEV) quota requirement by 2023 set by the Chinese authorities.

[EV Highlights] Apple in talks with CATL, BYD for battery supply for its EV

Apple is reportedly in talks with Chinese battery suppliers CATL and BYD for the supply of batteries for its planned electric vehicle (EV) model, according to Shanghai Daily, citing four unnamed people with knowledge of the matter. Apple, which is in favour of using lithium iron phosphate batteries owing to the low-cost factor, has also asked that the potential battery supplier build manufacturing facilities in the United States. However, CATL is reluctant to set up a plant in the US because of political tensions between the US and China.

Outlook and implications

Apple has been working on accelerating the development of electric autonomous vehicles (AVs) for several years, but details of the project have been kept under wraps. In recent years, the company has reportedly hired engineers with expertise in EV and AV technology. As Apple does not manufacture its own products, it is expected to opt for a contract manufacturing agreement with another company. It has held discussions with Nissan and Hyundai Group companies Hyundai and Kia regarding electric AV manufacturing, but these talks have reached an impasse. Securing the supply of batteries for its planned model will be an important milestone for Apple. Meanwhile, CATL has been expanding its production capacity in China and overseas to ensure a robust supply of batteries to its customers, including leading OEMs such as Tesla, Hyundai, Daimler Trucks, BMW, SAIC, and GAC Motor. The battery manufacturer also recently announced plans to invest CNY39 billion (USD6.1 billion) to build three battery factories to further expand its operations in China. It would be interesting to see the results of the discussions considering the unwillingness of Chinese battery suppliers to set up a plant in the US.

[EV Highlights] BMW to set up 360,000 EV charging stations in China, factories to be carbon neutral

Premium car manufacturer BMW plans to make its Chinese plants carbon neutral by the end of this year, according to Reuters. The automaker is also aiming to reduce the total carbon emissions in its Chinese production chain by 80% by 2030. In a separate statement, it has revealed plans to set up 360,000 electric vehicle (EV) charging stations across the country in a bid to enhance its new energy vehicle (NEV) sales, according to Hindustan Times Auto. Jochen Goller, CEO of BMW China, said, “As a multi-national company with a large-scale footprint in China, BMW is fully supporting the country’s transition toward a low-carbon economy by placing sustainability at the core of our own China strategy”.

Outlook and implications

China is a very important market for BMW. The automaker outsold its two rivals, Mercedes-Benz and Audi, in the Chinese market during 2020 with its sales up by 7.4% year on year (y/y) to 777,379 units. The sales volume includes both the BMW and Mini brands. The automaker envisions a deeply electrified production line with at least 25 NEVs, covering BEVs and plug-in hybrid vehicles by 2023 in order to gain a foothold in China's substantially growing NEV market. With more EVs coming to the market, BMW will need a well-developed high-quality EV charging network to support its transition to electrification. In a bid to provide charging support its customers, BMW signed an agreement with State Grid Electric Vehicle Service (State Grid EV) last year to engage in research and development (R&D) for electric-vehicle-charging technologies and expand China's EV charging network to serve BMW customers. The companies will make joint efforts to expand the charging network, formulate technical charging standards, and construct integrated energy stations. BMW had planned to build over 270,000 charging piles by the end of 2020, including 80,000 fast-charging piles, and have its charging network cover more than 50,000 km of expressways nationwide.

[GSP] Greater China sales and Production Commentary -2021.04

Greater China sales

March 2021: +69.1%; 2.28 million units vs. 1.35 million units
YTD 2021: +70.3%; 5.96 million units vs. 3.5 million units

In March 2021, a total of 2.28 million light vehicles were sold in Greater China, marking an increase of 69.1% compared with the same period in 2020. Specifically, light vehicle sales in mainland China rose 70.8% from 1.31 million units in March 2020 to 2.24 million units. Passenger vehicles recorded sales of 1.81 million units for an increase of 76.3% year on year (y/y), while light commercial vehicle sales increased 51.1% y/y to 0.43 million units.

On a year-to-date (YTD) basis, light vehicle sales in mainland China jumped 72% from 3.4 million units to 5.84 million units. Precisely, passenger vehicle sales increased 74.5% y/y to 4.95 million units, while light commercial vehicle sales increased 59.7% y/y to 0.89 million units. Segment-wise, YTD sedan sales rose 78.5% y/y from 1.35 million units to 2.41 million units, and the SUV segment increased 71.3% y/y from 1.38 million units to 2.37 million units. For MPVs, YTD sales increased 63.9% y/y to 0.18 million units.

In March 2021, passenger vehicle sales of local brands soared by 69% y/y to 0.6 million units, seeing their market share fall from 34.6% to 33.2%. Great Wall Motor confirmed plans to launch Tank as a standalone brand, which will house a product line dedicated to SUVs that emphasize off-roading capability, handling, and performance. Geely will also launch a new EV brand Zeekr, which is positioned in a higher price range—the first model Zeekr 001 is based on Lynk & Co's Zero Concept. All these moves show local brands' ambitions to go premium.

Looking ahead, manufacturers were highly confident that output would continue to rise in 2021, with the level of positive sentiment among the highest seen in the past seven years. Growth projections were heavily linked to expectations that the pandemic will end, and that global demand will recover. Mainland China's GDP is expected to increase 7.8% in 2021.

The semiconductor shortage has weighed on the passenger car market at the beginning of 2021 as German and American OEMs, such as VW and GM, have seen sharp reductions in first-quarter vehicle production. The situation is getting worse into the second quarter with Japanese and Chinese OEMs preparing for a production halt or potential production interruption in the coming months. The impact of the semiconductor shortage is expected to last at least until the end of second quarter 2021 and the shortage could result in a net demand loss of 250,000 vehicles for 2021. Taking the semiconductor shortage into account, light vehicles sales in mainland China are expected to grow 5.0% to 24.85 million units in 2021.

Greater China production

March 2021: +66.1%; 2.20 million units vs. 1.32 million units
YTD 2021: +77.1%; 5.78 million units vs. 3.26 million units

Greater China's light vehicle production in March recorded 2.20 million units, marking a strong burst of 66.1% year on year (y/y). In mainland China, light vehicle production increased 64% y/y to 2.18 million units. The huge surge was mainly due to the particularly low base in 2020. Hit by the COVID-19 pandemic, some OEMs were still not back to work in March 2020, especially those in Wuhan Province. Compared with last month, the March forecast was lifted by about 100,000 units owing to strong demand for battery-electric vehicles (BEVs) from Chinese domestic brands (Wuling) and international premium brands. The impact of the semiconductor shortage has been fully offset by a strong resumption in production and demand in the first quarter.

The full–year 2021 light vehicle production forecast for Greater China is set at 24.87 million units, with a 5.4% y/y increase. In mainland China, production will likely increase to 24.62 million units—with 5.5% growth y/y. Affected by the semiconductor shortage, major OEMs may face the risk of reduced production in the second quarter. Compared with last month's forecast, another 75,000 units were downgraded in the second quarter. Nevertheless, the situation will improve in the second half, thus the whole-year reduction will be controlled within 40,000 units compared with the previous forecast.

[Supplier Trends and Highlights] Avatar Technology's first vehicle model E11 to feature Huawei HI smart car solution

Design prototype has already rolled off the assembly line

Source: Getty Images Plus/ metamorworks

Avatar Technology's first vehicle, the mid-size SUV named E11, will contain a next-generation smart EV platform and will be powered by the Huawei HI (Huawei Inside) smart car solution, *Olt News* reported in May. The design prototype has already rolled off the assembly line.

Avatar Technology will reportedly partner with Changan Automobile, Huawei and CATL to codevelop an independent and controllable CHN intelligent connected electric vehicle (EV) platform, and a smart ecosystem.

Outlook and implications

Avatar Technology, formerly known as Changan NIO was formed in 2018 as a joint venture (JV) between NIO and Changan Automobile. Huawei will work with Avatar to offer a full battery smart vehicle solution while CATL will equip Avatar with its electric battery technologies.

Huawei Technologies has also reportedly expanded its smart car partnership with state-owned Chongqing Changan Automobile to include the design and development of automotive semiconductors.

[Supplier Trends and Highlights] Magna introduces surface element lighting technology

The technology was first introduced on Volkswagen's pure electric model ID.4

Source: Getty Images/ bgton

Global tier-1 supplier of automotive components, Magna International has developed an all-new surface element lighting technology, which offers a new palette of options for the automotive designers, the company said on 7 June 2021.

First introduced on Volkswagen's pure electric model ID.4, Magna's new surface element lighting technology offers a compact look, providing customizable and affordable LED lighting options for exterior vehicle applications, the company said.

According to Magna, with a minimum thickness of just 4mm, the individual compact LED panels can be packaged into tight spaces. The surrounding frame of the lit element can be modified to create unique 3D panels, offering styling options to the designers, it said.

"The lighting animations are customizable and can be created within individual elements or in groups including lock/unlock, greet/goodbye, charge indicator, startup, and turn signal indicator. In addition, designers have the option to offer consumers a choice of different pre-programmed lighting animations to deliver an even greater level of personalization," the company said.

"Automotive designers are constantly looking for new ways to differentiate and lighting is one way to showcase creativity and brand image," said, John O'Hara, President of Magna Mechatronics, Mirrors, Lighting, and Magna Electronics. "With OLED-like uniformity at a fraction of the cost, Surface Element Lighting is a game-changer in terms of design and customization."

Outlook and implications

While this new technology adds to Magna's current portfolio of lighting technologies, which includes solutions that can be found on more than 140 vehicle models today, it can be recalled that almost two years ago it's subsidiary Magna Electronics had formed a joint venture (JV) with Rohinni, a developer and producer of lighting solutions, to produce ultra-thin micro LED lighting solutions for automotive application.

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