Understanding the rise of China’s OEMs: Key players, global ties, and future potential

JATO

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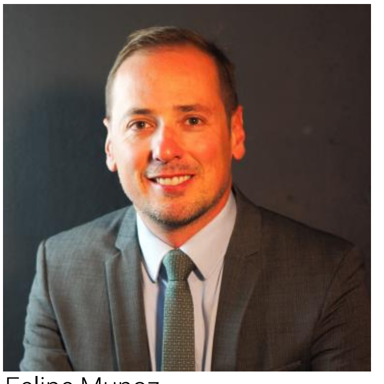
Foreword

The world's major auto shows can be interpreted as microcosms of the wider automotive landscape, revealing the key players leading the way and the trends and innovations that will likely come to the fore in the coming years.



Felipe Munoz
Global Analyst, JATO Dynamics

This year's Beijing motor show offered compelling insights into why the growing influence of China's car manufacturers is one of, if not the most, discussed topics in the industry.

In the space of just five years, China's OEMs have been able to close the gap on legacy OEMs, matching sales volumes and in many cases outperforming them in terms of quality, performance and innovation [(1)].

The Chinese central government has played a vital role in nurturing the domestic automotive market, having identified the local development of electric vehicles (EVs) as a key pillar of its economic expansion plans. Accepting that the country would not be able to scale in the already mature ICE market, the central government instead put plans in place to outpace its Western counterparts in the race to electrification.

As a result, the government has actively worked alongside the private sector to secure near-complete control over the battery supply chain for EVs, from the raw materials mined overseas to domestic production. This has allowed China's OEMs to market their vehicles at highly competitive prices in comparison to legacy Western carmakers.

As revealed by JATO's previous report – EV price gap: A divide in the global automotive industry – the average retail price of an EV in China is 19% lower than a traditional ICE vehicle [(2)]. Due to the country's focus on the production of EVs, these vehicles now command more than 20% of the overall car market.

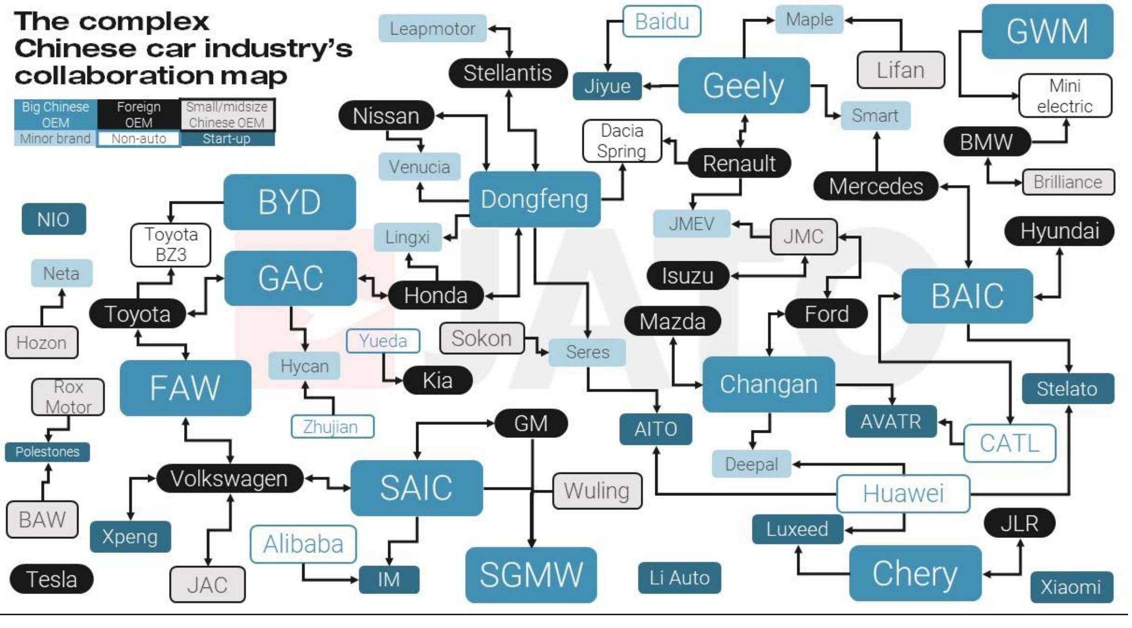
This new report provides analysis of the rapidly evolving landscape within China, alongside an overview of the main players emerging from China's burgeoning automotive industry.

02 Increasing competition within China

The fact that the Chinese market has gone from strength to strength in recent years is well-covered ground among analysts, commentators and media. However, the rapid emergence of multiple new players – a consequence of this strengthening that has flown under the radar by comparison –means that the market has become increasingly saturated with less capacity for future growth. Today, Europe is home to roughly 50 different car brands, while the US and Japan account for 14 apiece. In contrast, China is now the source of 140 different brands – all of which are vying for a position in a rapidly growing and evolving landscape.

Some of these OEMs are set to disrupt global markets in the years ahead, but maintaining a foothold domestically alone presents a significant challenge for many. For example, once promising EV manufacturers like Zotye, Qoros, and Borgward are no longer in existence, while the likes of Aiways, Hiphi, and Weltmeister are struggling to survive.

Due to fierce levels of competition, Chinese OEMs are now having to work harder than ever to retain and attract new customers, whether through upgrades to existing vehicles, the roll-out of new features or the launch of new vehicles altogether.



For example, legacy OEMs unveiled just five new cars at the Beijing Auto Show this year compared to more than 20 from Chinese brands. BMW was the only European OEM to launch a new product for the global market with the Mini Aceman, while Honda, Mazda, and Volkswagen presented cars that will only be available to consumers in China.

Felipe Munoz, Global Analyst at JATO Dynamics, commented: "Motor shows have historically been dominated by legacy carmakers. However, at this year's edition of the Beijing auto show attention was firmly fixed on the local Chinese brands. These OEMs are targeting every segment to capture a share of the market, while legacy carmakers continue to focus their efforts on the more profitable high-end segments."

In a relatively short period of time, China's OEMs have streamlined production processes, enabling them to deliver vehicles that are able to compete on the global stage around 30% faster than their western counterparts [3]. As a result, these OEMs are now turning their attention to the development of technological innovations like connectivity, driver assistance software and in-car entertainment to set themselves apart from their competitors.

China's main carmakers
AITO
Aiways
BAIC
BAW
Brilliance
BYD
Changan
Chery
Dayun
Dongfeng
FAW
GAC
Geely
GWM
HiPhi
Hycan
JAC
Jiyue
JMC
JMEV
Leapmotor
Lifan
Lingxi
Li Auto
Luxeed
Maple
Neta
NIO
Polestones
SAIC
Seres
SGMW
Sokon
Stelato
Venucia
Wuling
Xiaomi
Xpeng
Zhidou
ZX Auto

03 Global ambitions

Competition is the driving force behind the extraordinary level of progress being observed in China, but the associated impacts of market saturation, oversupply and a price war mean that for some, overseas expansion will be critical to fulfilling their growth ambitions. Between 2020 and 2023, we have seen a 5.4 times increase in the sales of cars from Chinese brands outside the domestic market.

Munoz continued: "The pace of progress in China is startling, but it seems the market has reached something of an inflection point, with many OEMs struggling to turn a profit amid ongoing price wars. As a result, the market is entering a period of consolidation from which a few key players will emerge."

An inability to compete with China's OEMs in production capacity and affordability has sparked policymakers in Europe and the US into action, with the introduction of tougher measures to protect domestic manufacturers. In 2023, global sales of Chinese-origin light vehicles (excluding light commercial vehicles) surpassed those registered by US brands to reach a total of 13,554,305 units – a 23% year-on-year increase. In contrast, sales of both US and European-origin light vehicles increased by 9%, while sales of Japanese-origin light vehicles increased by 6% during the same period.

China's top 10 carmakers and the market positioning of their Chinese brands

	BYD	Geely	Changan	Chery	SGMW	SAIC	GWM	GAC	Dongfeng	FAW
Luxury	YangWang									Hongqi
High-tech		ZEEKR, Jiyue	AVATR	Luxeed		IM		Hyper	eπ	
Premium	Denza						TANK		M-Hero	Hongqi
Semi-premium	Fang Cheng Bao	*Geely Galaxy*	Deepal	Exeed		Feifan			Voyah	
Mainstream plus	*BYD Dinasty*	Lynk & Co	Qiyuan	Jetour		Roewe	Wey			
Mainstream	*BYD Ocean*	Geely	Changan	Chery, iCar, Jaecoo, Omoda		MG	ORA	GAC	Aeolus	
Mainstream entry		Geometry, Cao Cao	Oshan	Kaiyi	Baojun, Wuling		Haval	AION	Nammi, Fengon, Venucia	Bestune
LCV & Pickups		Radar, Farizon	Chana, Kaicheng	Karry	Wuling	Maxus	Great Wall		Dongfeng	
Low-cost		Livan, Maple				*Roewe CLEVER*			Forthing	
# of brands	4	10	7	9	2	5	5	3	9	3

Brands and *sub-brands* available in July 2024

While nearly all major players view exports as a key element of their growth ambitions, potential to gain a significant foothold differs by OEM. For example, in 2023 exports constituted 88% of SAIC's self-owned brand sales globally compared to just 8% for BYD.

Hopes of entering the US market have been halted by the Biden administration's imposition of a 100% tariff on Chinese-made EVs. Additionally, the recent EU decision to impose tariffs of up to 38% on imported Chinese EVs is likely to slow growth prospects. Between January and June 2024, the growth of EVs made by Chinese brands available in Europe slowed, with a decrease of 4% across the big 5 markets.

Munoz commented: "The growth of Chinese brands in Europe slowed in the first few months of this year. While this cannot be directly attributed to discussions around protective policy measures, they will add further pains to progress."

This ongoing uncertainty has prompted Chinese OEMs to focus their attentions on developing and emerging economies. Between 2022 and 2023, the market share of Chinese brands in the Middle East grew from 12.9% to 16.8%, and in Eurasia – where they are now the most popular cars – their market share grew from 12.4% to 33.3%. Southeast Asia-Pacific and Africa also saw growth of 1.9 and 2.3 percentage points, respectively.

Despite challenges on the road ahead, China's manufacturers will continue to gain traction across global markets. Whether their arrival and growing influence poses a threat or an opportunity, there is no escaping the fact that China is a force to be reckoned with in the global automotive market.

04 An overview of the main players in China's automotive market

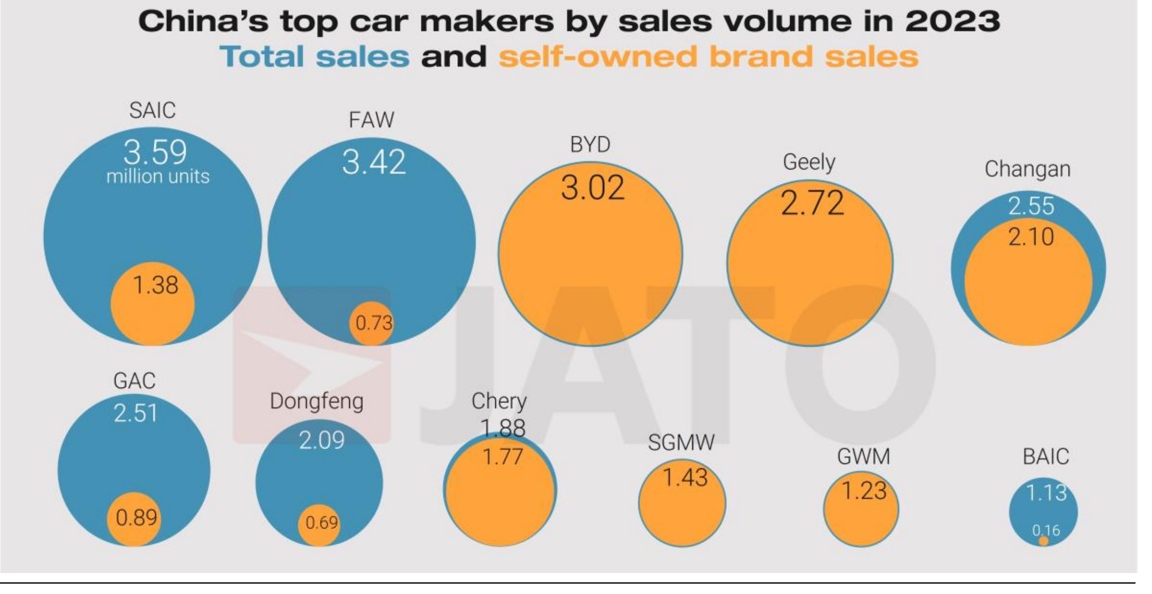
SAIC: The largest by total volume

Shanghai Automotive Industry Corporation, or SAIC, is China's largest automaker in terms of total sales volume. The state-owned manufacturer headquartered in Shanghai sells vehicles under a range of brands. The most successful of which, MG, has enjoyed rapid growth in recent years.

Due to the breadth of its offering, SAIC meets the needs of a variety of different drivers. For example, Roewe predominantly targets the mid-to-high-end market segments but also sells the Clever, an affordable all-electric mini-sized hatchback.

Maxus, on the other hand, specialises in commercial vehicles such as vans and minibuses, while the high-end luxury segment is catered for by Feifan (Rising Auto) and IM Motors.

In addition to its 'self-owned' brands, SAIC has joint ventures with Volkswagen Group and General Motors. Through these operations, which accounted for 62% of the manufacturer's total volume in 2023, SAIC has been able to acquire the market-specific knowledge required to help fuel its global expansion plans.



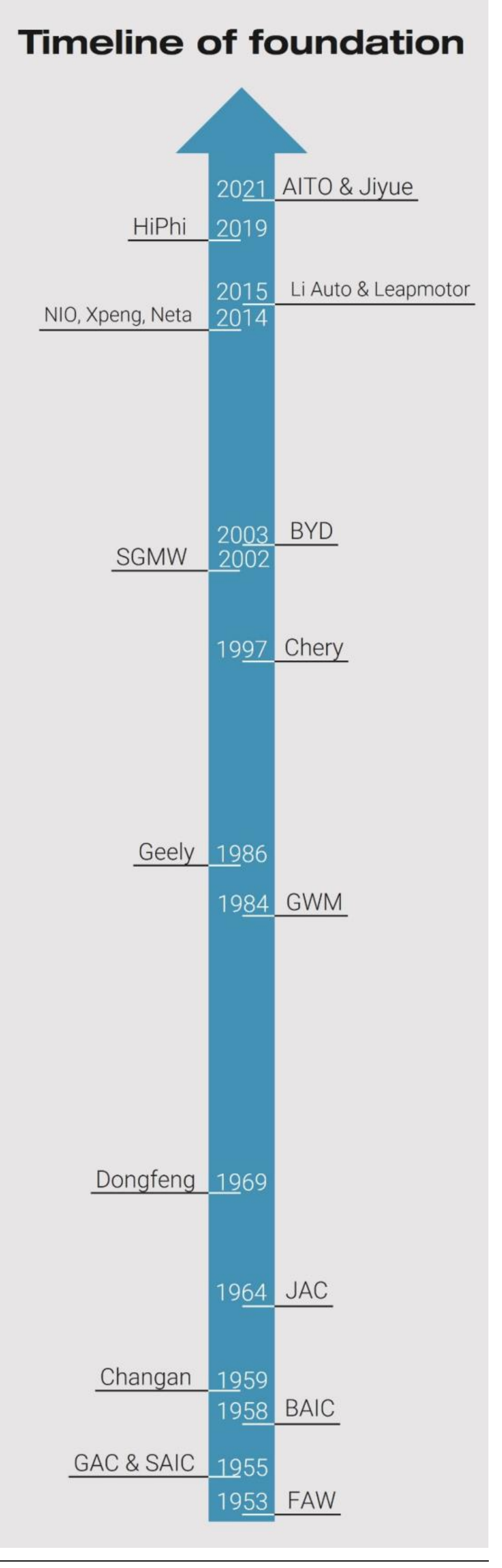
Last year, SAIC sold 3.59 million units across the world. Of this total, 1.38 million vehicles were sold by self-owned brands, with MG accounting for two-thirds of these sales. With a model line-up that appeals to drivers in both developed and emerging markets, MG has huge potential to expand its global footprint. On top of this, SAIC views the technologically advanced IM Motors as a potential rival to Tesla.

BYD: The disruptor

No Chinese carmaker is yet to make an impact on the same scale as BYD. Founded in 2003, the publicly listed multinational – which also produces batteries – owns several other brands including Denza, Yangwang, and Fang Cheng Bao. In 2019, BYD also established a joint venture with Toyota focused on research and development for BEVs.

While BYD has been selling electric cars since 2006, on the global market it was something of an unknown entity until 2021, following significant improvements in the build quality, design, and battery performance. In 2023, BYD was China's best-selling brand domestically.

Since then, the brand has enjoyed rapid growth, becoming the world's second best-selling BEV brand last year, falling short of Tesla by 234,000 units.



If BEV demand remains stable in China, then it is likely that BYD could outsell the US manufacturer by the end of the year.

Unlike SAIC and its leading brand, MG, BYD positions itself purely as a Chinese manufacturer. While the brand has proven it can produce a wide range of high quality and competitively priced vehicles, its ability to generate and sustain traction overseas rests upon whether we see a shift in perception among consumers.

Geely: Global players

Geely is the only Chinese manufacturer that owns several Western car brands in its entirety. In total, the manufacturer has ties to more than 14 brands across the globe including ZEEKR, Volvo, Polestar and Lotus. This puts the OEM on equal footing with Stellantis, also with 14 brands under its name. As a key player in markets around the world, Geely is at an advantage to competitors when acquiring brands in markets that have not yet seen penetration from Chinese manufacturers. For example, through Volvo and Polestar, Geely is currently the only Chinese manufacturer that has a presence in the US.

In 2023, the group sold 2.72 million units across all brands (excluding Smart) – 1.76 million of which were from its Chinese brands. It terms of total volume, Geely exceeded Mercedes-Benz and BMW Group.

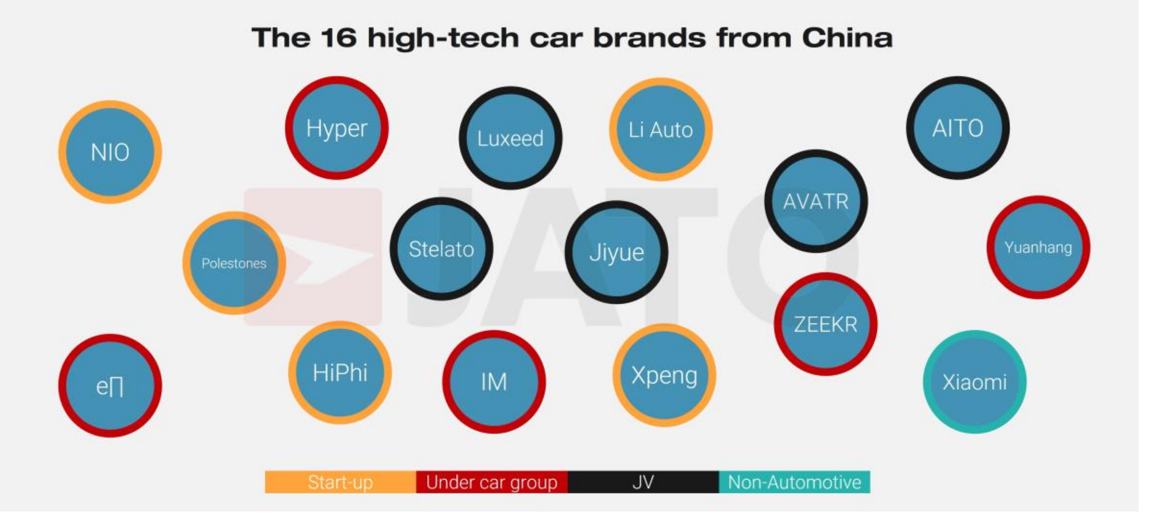
On top of this, Volvo and its Chinese sibling brands are collaborating more frequently, which has the potential to lead to Geely and ZEEKR playing a larger role across global markets.

Chery: Keeping pace with international trends

Concerns around the perception of Chinese brands among western consumers has prompted some players to create their own "international" brands. As China's third largest OEM by self-owned brand sales in 2023 with 1.77 million units, Chery stands as an example of this strategy. Although it already has a vast range of brands including Kaiyi, Exceed and Jetour - Omoda and Jaecoo have recently joined the brand in hopes of global expansion.

Chery has had limited interaction with western car companies – the only significant joint-venture the brand signed was with Jaguar Land Rover in 2012. Despite this, Chery, BYD, and Leapmotor are the only Chinese OEMs that have announced local production of their cars in Europe.

This ability to adapt to global market trends has seen Chery become China's largest exporter. Last year, sales outside of China contributed to 50% of its volume.



Great Wall Motor: Leader in SUVs and pick-up trucks

Preference for larger vehicles is not limited to the US. In China, SUVs account for almost half of all passenger car sales, and more pick-up truck models are hitting the market. Great Wall Motor (GWM) is a pioneer across both segments in China, selling 1.23 million units last year, up by 16% from 2022.

Its Haval brand is exclusively focused on SUVs, while Great Wall is focused on midsize to large pick-up trucks. These two vehicle types accounted for 99% of the group's total sales in 2023 with Haval accounting for 60% of the total, followed by Great Wall pick-up trucks (16%), and TANK (13%).

Notably, BMW Group selected GWM to be part of a joint venture for building the new all-electric Mini. This collaboration sees BMW making use of GWM's EV technology through the Spotlight Automotive venture.

Changan: China-focused

Changan Automobile is another major Chinese player. Last year, the company sold 2.55 million units, up by 9% from 2022. While most of the cars produced by Changan are intended for the domestic market and sold by self-owned brands, it also producing vehicles for Mazda and Ford.

Most of the group's recent growth has been focused on the Changan brand, although there has been a shift in strategy following the introduction of its Deepal electric brand, alongside the Qiyuan and AVATR – a high-tech brand made in collaboration with Huawei. There are also Oushang for Multi-purpose Vehicles (MPVs), and Kaicheng for light commercial vehicles and pick-up trucks.

In 2023, Changan Automobile exported 358,000 units, up 44% year on year – with vehicles mainly destined for markets in the Middle East, Central Asia and Latin America.

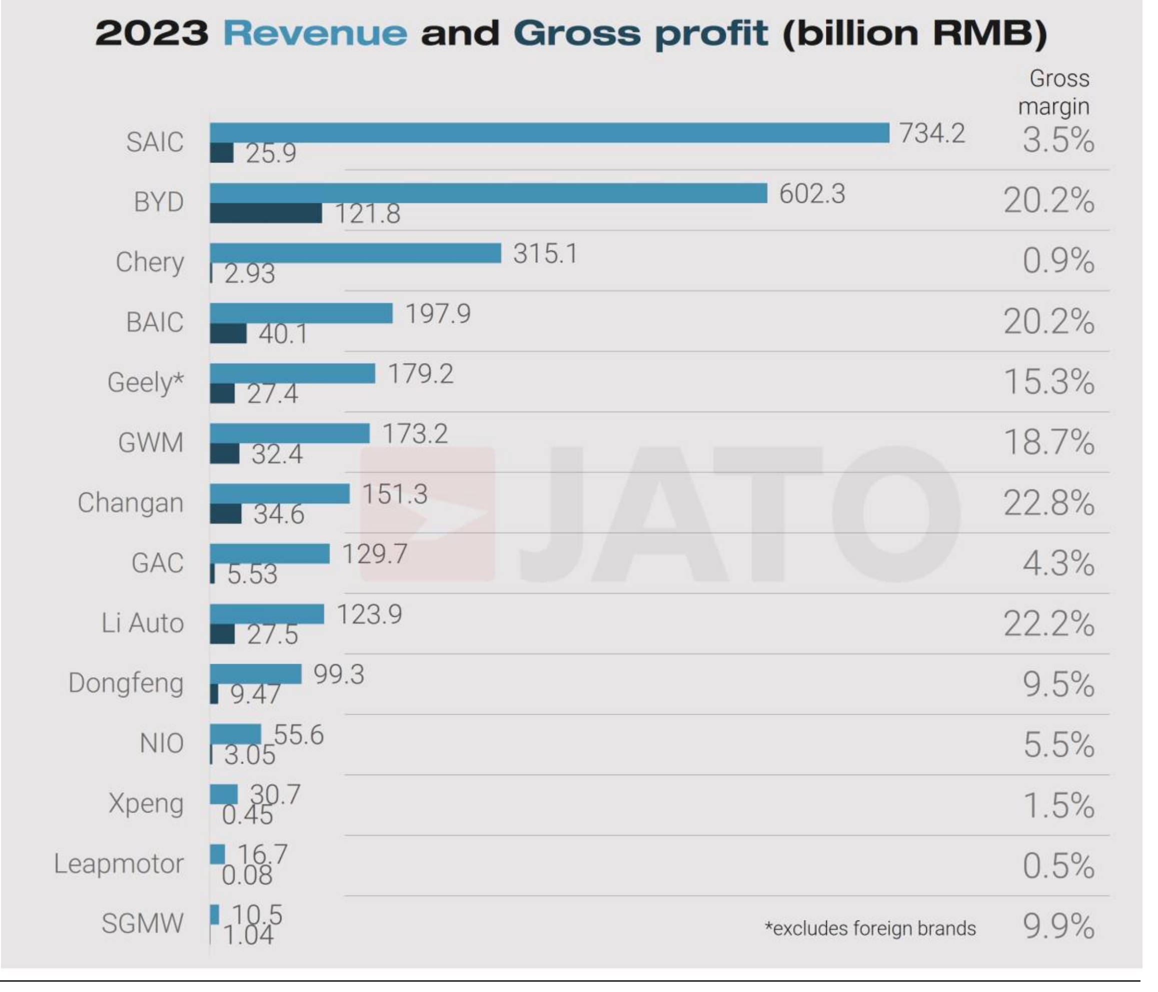
BAIC: The survivor

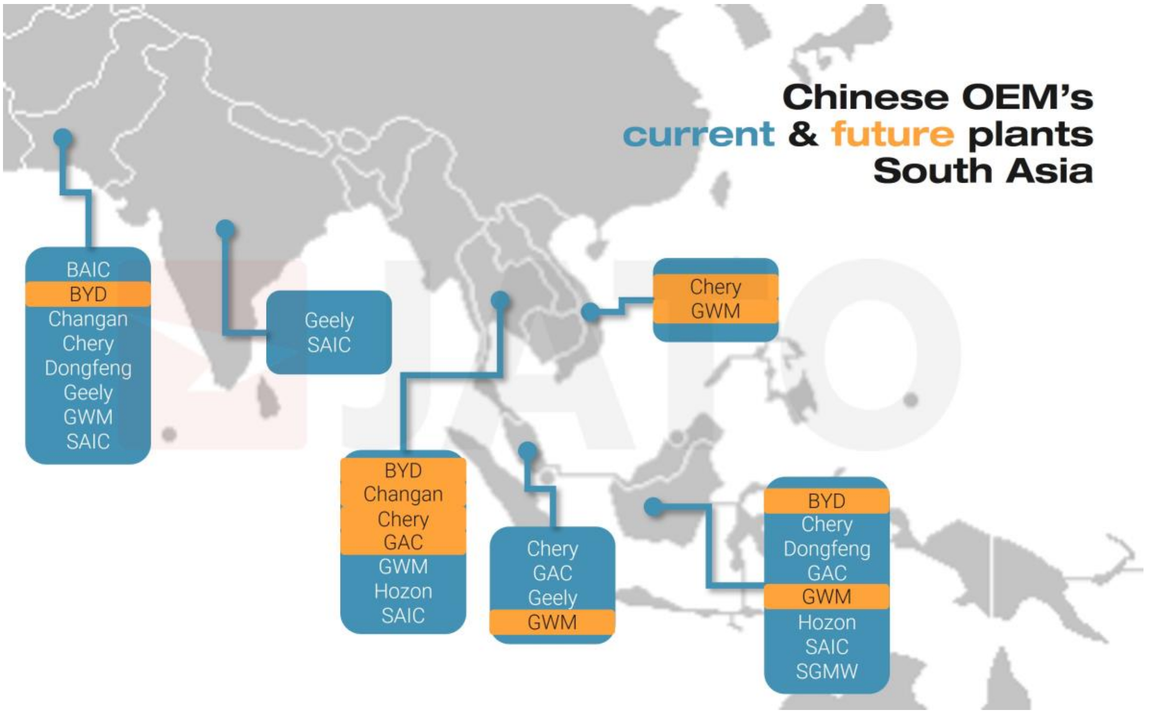
The Beijing Automotive Industry Corporation (BAIC) has been in existence since 1958. Over this period, the company has had a turbulent journey.

After spending years trying to find a strong identity and position in the market, BAIC is now an important player in Beijing. Most of the taxis in this megacity are produced by BAIC under its 'Beijing' brand, one of the many brands available today, including Arcfox, BAIC, and Foton.

Arcfox is the manufacturer's most technologically advanced brand, which BAIC is looking to leverage to compete in the upper segments. Its models are all-electric and are soon set to arrive in markets across the globe. The BJ line-up, branded "Beijing" in Chinese characters, is the entity responsible for the group's off-road models.

BAIC sold 1.13 million units in 2023, of which 190,000 were exported overseas, and the company has joint ventures with Western carmakers Mercedes and Hyundai.





FAW: The group that propelled China onto the automotive main stage

First Automotive Works, or FAW, was founded in 1956 with the aim of introducing China onto the global automotive stage. It is well recognised as the parent company of Hongqi – the luxury car brand considered the official vehicle of the Communist Party. However, this brand accounts for just a small percentage of the group's total sales.

Brands including Bestune and Jiefang fall under the FAW umbrella, while the group also produces cars for Volkswagen and Toyota. In 2023, 2.12 million units out of a total of 2.64 million held a Volkswagen or Toyota logo, reinforcing the manufacturer's dependence on western brand names.

GAC: An electric success story

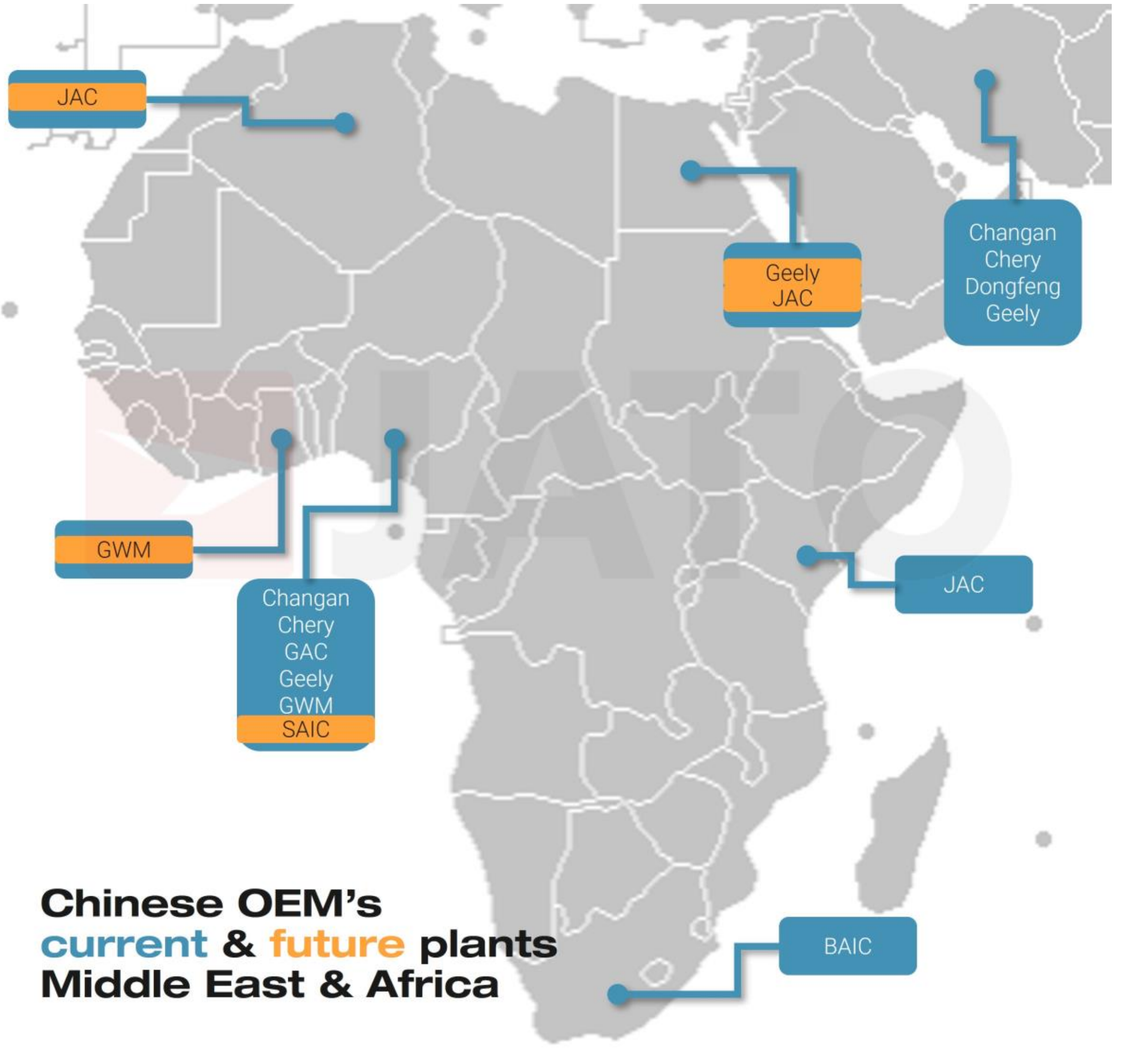
When the company was established in 2008, few would have thought that the Guangzhou Automobile Group (GAC Group) would become one of the world's top-five producers of BEVs. In 2023, the company sold 2.51 million units, of which 892,000 units came from its self-owned brands: AION, Hyper, and GAC (Trumpchi). From this total, 486,000 units were pure-electric cars, meaning that from its own total sales, GAC Group has one of the highest market shares for BEVs.

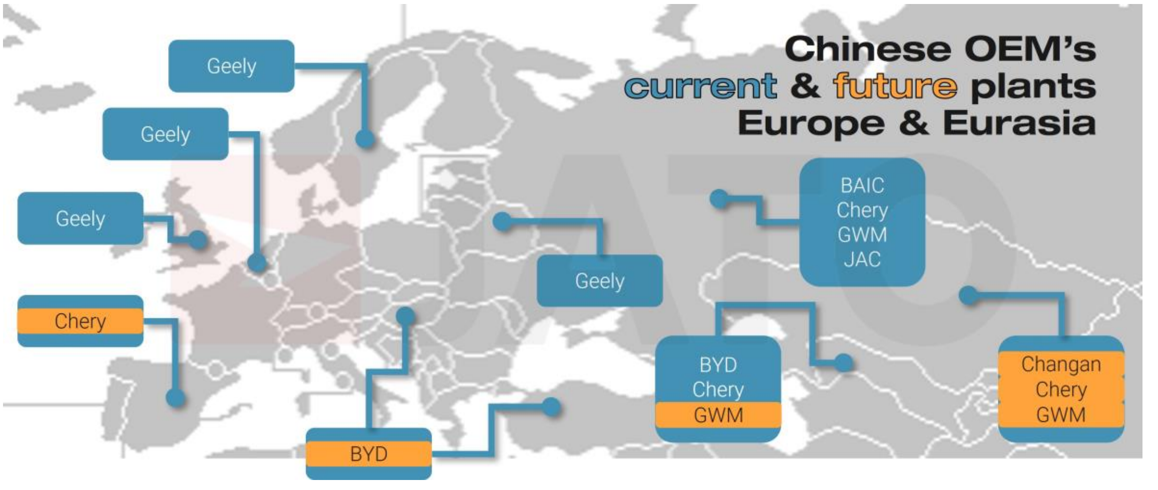
The remaining 1.61 million units sold in 2023 came from a joint venture between GAC Group, Toyota and Honda.

Dongfeng: The brand with most variety

An extensive line-up, joint ventures, and volume are Dongfeng's key features. The OEM offers a wide range of models under different brands, while also producing cars for four different brands available outside of China.

Alongside this, Dongfeng has a large sales volume and offers six different self-owned brands including M-Hero, Voyah, and Forthing, as well as joint ventures with Honda, Nissan-Infiniti, and Peugeot-Citroen. In addition to this, Dongfeng has a joint venture with Nissan for the production of Venucia cars. Last year this OEM sold 2.09 million units, down by 15% compared to 2022.





SGMW: Cars for the masses

Established in 2002, SGMW is a joint venture among SAIC, General Motors, and Wuling. In developing its offer, the carmaker has largely relied on designs and technology from existing GM models, with a focus on entry-level segments. Due to this focus on small affordable vehicles, SGMW has been successful in expanding its footprint in markets such as India and Southeast Asia.

GM has leveraged this collaboration to export its products to more price sensitive markets like Latin America. In Mexico, for example, Chevrolet – one of GM's key brands – has been able to expand its line-up with the addition of competitive models like the Aveo and Captiva, which are built using SGMW products.

Turning to some of the other brands within the SGMW portfolio, Wuling has seen strong results with the Hongguang Mini EV – one of China's most popular cars – while Baojun has emerged as a cheaper alternative to GM brands, like Chevrolet and Buick. Both brands sold 1.4 million units in 2023.

JAC: Entering emerging markets

The smallest of China's major OEMs, JAC sold 592,500 units in 2023 – an increase of 18% from 2022. In 2020, the brand formed a joint venture with Volkswagen to create Sol – a brand now solely owned by Volkswagen.

Following this, JAC has continued to produce its own cars under the brand name Sehol. Due to its focus on commercial vehicles and smaller SUVs that perform well in more price sensitive countries, JAC has been able to maintain a presence in several emerging markets across Eurasia, Africa, and South Asia.

The start-ups

Around 75 different brands sit underneath the major manufacturers discussed above, but this accounts for just half of all Chinese brands operating today.

So, who are the other key players?

NIO – Founded in 2014, NIO has grown to become one of China's most innovative carmakers. The brand has focused its efforts solely on fully electric segments, offering a broad line-up of high-end sedans and SUVs. As the world's 13th largest BEV manufacturer, NIO has expanded its global footprint in recent years and is now present in Norway, Germany, the Netherlands, Denmark and Sweden, with a total sales volume of 160,000 units in 2023.

Xpeng – A direct competitor of NIO, Xpeng also offers a range of fully electric sedans and SUVs, but its line-up is more limited. Available in China and several European markets, the brand sold a total of 141,600 units in 2023.

Li Auto – With a focus on large and luxury vehicles, Li Auto has become a key player in the SUV segment. Excluding the Mega – a fully electric MPV – all models within its line-up are range-extended electric vehicles (EREVs). The brand is available in Russia, but it is yet to officially enter European markets. In 2023, it sold a total of 376,000 units.

Xiaomi – An emerging brand, Xiaomi looks set to disrupt the EV space in the coming years. Having launched its SU7 in late 2023 – a technologically advanced and competitively priced sedan – Xiaomi has the potential to challenge competitors both in China and overseas.

Leapmotor – An EV startup that currently offers four models spanning SUVs (C10 and C11), sedans (C01) and city-cars (T03). Last year, Leapmotor sold a total of 144,200 units, up 30% on sales for 2022. In 2023, Leapmotor sold 20% of its business to Stellantis in a bid to accelerate its expansion in Europe; however, if this is to come to fruition, Leapmotor will need to broaden its line-up to appeal to the masses.

AITO – Established in 2021 as a joint venture between Huawei and Seres, AITO offers a range of SUVs that utilise Huawei technology. In 2023, the brand sold a total of 94,400 units.

Hozon – Under its EV brand, Neta, Hozon currently offers four models: the GT – one of the few sport cars made by a Chinese manufacturer; the S – a performance sedan; alongside the U and the V – two SUVs. In 2023, it sold a total of 127,500 units.

Hiphi – Another brand that is focusing its efforts on high-end segments, the Hiphi line-up includes a large hatchback as well as two SUVs. While its vehicles offer a range of advanced features, its high price point means the company is yet to deliver strong results. In 2023, it sold a total of just 4,800 units.

Notes

(1) “Western car brands” includes all OEMs from the US, Europe, Japan and South Korea.
(2) Average retail price in CNY of the units available and sold in China in January 2024.
(3) The Wall Street Journal, How China Is Churning Out EVs Faster Than Everyone Else.

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