

Brief Analysis of the Economic Operation of the Auto Industry in October 2021

1. Overview of the overall operation

In October, China's macroeconomic operations were generally stable, but the domestic and international environment remained complex and severe. The automobile industry has worked hard to overcome the impact of many unfavorable factors such as tight power supply and high raw material prices, and the supply of auto chips is slightly better than the third quarter. Automobile production and sales continue to show a recovery trend, and the overall situation is showing signs of improvement.

Judging from the situation of the month, the decline in automobile production and sales in October was significantly narrowed, driven by passenger cars. Although chip supply eased slightly in October compared to September, it still could not fully meet production needs. Moreover, the market for commercial vehicles continued to fluctuate due to changes in policies and regulations, coupled with insufficient demand and other factors, the year-on-year decline continued. The auto market was still running at a low level. Although under great pressures, the industry still has many bright spots. The production and sales of new energy vehicles have reached new highs. The monthly production and sales have reached the level of 400,000 vehicles. The penetration rate continued to increase to 12.1% from January to October. At the same time, driven by the recovery of overseas markets and the growth of new energy vehicle exports, this month's vehicle exports also set a record.

In the fourth quarter, with the steady and positive development of the macro economy, the demand for automobile consumption would remain stable. However, there are still uncertainties on the supply side. The gradual easing of chip supply in the fourth quarter will promote monthly production and sales to maintain growth, but the overall supply situation is still in short supply; orderly electricity consumption in various regions and scattered domestic epidemics have increased the potential risk of supply interruption in the industrial chain of the automobile industry; rising electricity tariffs and continued high prices of raw materials increase cost pressures for enterprises. Based on the above factors, the annual automobile production and sales volume will increase slightly over last year, but it is lower than expected.

2. The operation of the automotive industry in October 2021

● The year-on-year decline in automobile production and sales has narrowed

In October, automobile production and sales completed 2.330 million and 2.333 million vehicles, representing an increase of 12.2% and 12.8% month-on-month, and a year-on-year decrease of 8.8% and 9.4% respectively. The rate of decrease was 9.1 and 10.2 percentage points lower than that in September. Compared with the same period in 2019, production and sales increased by 1.4% and 1.5% respectively year-on-year, and August and September were below the level of 2019 for two consecutive months, indicating that the tight supply situation in the third quarter has eased.

Considering that the average monthly sales volume from November to December last year was high (2.8 million units), and the shortage of chips still exists in the short term, so the pressure will be greater in the next two months.

From January to October, the production and sales of automobiles were 20.587 million and 20.970 million, up 5.4% and 6.4% year-on-year respectively. The growth rate continued to drop by 2.1 and 2.3 percentage points from January to September. Compared with the same period in 2019,

production and sales increased by 0.6% and 1.4% year-on-year, an increase of 0.2 and 0.1 percentage points from January to September respectively.

- **The decline in passenger car production and sales has narrowed, and luxury cars have grown rapidly**

In October, the production and sales of passenger cars were 1.988 million and 2.007 million respectively, up 12.5% and 14.6% month-on-month, and down 4.7% and 5.0% year-on-year. The decline was 9.2 and 11.5 percentage points lower than that in September. In terms of different models, the four types all declined, but the decline was significantly narrowed. Compared with 2019, passenger car production and sales increased by 2.4% and 3.4% year-on-year. Compared with September, the growth rate of production and sales changed from negative to positive. The supply of automotive chips in October was slightly better than that in September. In addition, the inventory of passenger car companies this month has fallen sharply compared with the beginning of the month. Therefore, the decline in passenger car production and sales that month has narrowed significantly. From January to October, the production and sales of passenger cars were 16.648 million and 16.871 million, an increase of 8.6% and 8.8% year-on-year. The growth rate continued to drop by 2.1 and 2.2 percentage points from January to September. Compared with the same period in 2019, production and sales fell by 2.3% and 1.9% year-on-year, and the rate of decline was 0.6 and 0.8 percentage points smaller than that from January to September.

In October, the sales volume of domestically produced luxury cars was 303,000, a year-on-year increase of 12.9%, and the growth rate turned from negative to positive compared with September. From January to October, the sales volume of domestically produced luxury cars was 2.793 million, a year-on-year increase of 21.7%, which was 12.9 percentage points higher than the cumulative growth rate of passenger cars.

- **Commercial vehicles dropped sharply year-on-year**

In October, the production and sales of commercial vehicles were 342,000 and 326,000, up 10.0% and 2.5% month-on-month; down 26.9% and 29.7% year-on-year, and the decline was 8.3 and 3.9 percentage points smaller than that in September. In terms of vehicle types, both trucks and buses showed a decline, but the rate of decline has narrowed. Compared with the same period in 2019, commercial vehicle production and sales fell by 4.3% and 8.9% year-on-year, of which the decline in production was 5.7 percentage points lower than in September, and the decline in sales was 2 percentage points higher than in September. Commercial vehicles are affected by the switch of emission regulations, with heavier overdrafts in the early stage, and the superimposed market demand is not as expected, which affects the current market to a certain extent.

From January to October, the production and sales of commercial vehicles were 3.939 million and 4.099 million, a year-on-year decrease of 6.3% and 2.5% respectively. Among them, the decline in production increased by 2.3 percentage points, and the sales growth rate turned from positive to negative. In terms of vehicle types, the cumulative production and sales of trucks decreased year-on-year, and the cumulative production and sales of buses significantly increased year-on-year. Compared with the same period in 2019, commercial vehicle production and sales increased by 14.8% and 17.8% year-on-year, and the growth rate was 1.8 and 2.7 percentage points lower than that from January to September.

- **New energy vehicle production and sales hit a new high**

In October, the production and sales of new energy vehicles were 397,000 and 383,000 respectively,

a year-on-year increase of 1.3 times. The production and sales of pure electric vehicles were 329,000 and 316,000 respectively, an increase of 1.3 times year-on-year; the production and sales of plug-in hybrid vehicles were both completed 68,000, an increase of 1.7 and 1.5 times respectively; the production and sales of fuel cell vehicles were 59 and 47, down 23.4% and 40.5% year-on-year respectively. New energy production and sales continued to break new records this month. From the perspective of sub-models, the production and sales of pure electric vehicles and plug-in hybrid vehicles have also set new records. In October, the penetration rate of the new energy vehicle market continued to maintain a record high of 16.4%, and the penetration rate of the new energy passenger car market reached 18.2%.

From January to October, the production and sales of new energy vehicles were 2.566 million and 2.542 million respectively, a year-on-year increase of 1.8 times. Among them, the production and sales of pure electric vehicles were 2.132 million and 2.105 million, an increase of 1.9 times year-on-year; the production and sales of plug-in hybrid vehicles were 433,000 and 437,000 respectively, an increase of 1.2 times and 1.4 times year-on-year; the production and sales of fuel cell vehicles were 940 and 953, a year-on-year increase of 45.3% and 44.8% respectively.