

## **Economic performance of the Auto Industry in the First Half of 2022**

### **1. Overview of the overall operation**

In the first half of 2022, China's auto industry is facing the triple pressure of supply shock, demand contraction and weakening expectations, and enterprises have encountered great difficulties in normal production and operation. All aspects of the industry are working together and working hard to jointly push the auto industry out of the slump. At present, the production and sales of automobiles have fully recovered to normal levels.

In the first half of the year, the production and supply of automobiles were affected by the shortage of chips and the increase in the price of raw materials for power batteries. Especially since the middle and late March, the outbreak of the epidemic in Jilin, Shanghai and other regions has caused a serious impact on industry chain and supply chain. From mid to late March to April, the production and sales of automobiles experienced a cliff-like decline, posing severe challenges to the steady growth of the industry.

In the face of the difficulties encountered by the industry, the Party Central Committee and the State Council have attached great importance to it, and the competent government departments have coordinated and accelerated the resumption of work and production of enterprises, ensured smooth logistics, and effectively alleviated the crisis caused by the epidemic. Since mid-to-late May, the executive meeting of the State Council has successively adopted a series of measures to promote consumption and stabilize growth. Among them, the policy of halving the purchase tax has greatly stimulated the vitality of the market. In addition, a number of provinces, cities and regions have introduced policies to promote auto consumption, and industrial enterprises have also taken an active role in increasing market promotion and marketing efforts. With the joint efforts of all parties, the auto industry has come out of the lowest point in April, and the production and sales performance in June was even better than the same period in history.

In the first half of the year, while the industry faced great difficulties, there were also some bright spots: the production and sales of new energy vehicles continued to grow rapidly, and the results of the industry's transformation and upgrading were further consolidated; the production and sales of passenger cars were higher than the same period of the previous year, and the resilience of auto consumption and policy support maintained stability growth; the market share of Chinese brand passenger vehicles has increased significantly, and the comprehensive strength has continued to improve; the export of automobiles has maintained rapid growth, and the competitiveness of the international market has been further manifested.

Looking forward to the second half of the year, under the encouragement of the continuous implementation of the detailed rules for promoting consumption in the "Package of Policy Measures for Solidly Stabilizing the Economy" issued by the State Council, China's macro economy will maintain stable growth, market consumer confidence will also be significantly restored. The effect of the purchase tax halving policy will continue to appear, and the recovery momentum of the passenger car market will further increase; under the influence of favorable factors such as infrastructure construction and the delayed repayment of principal and interest of truck loans, the truck market is also expected to bottom out and rebound; new energy vehicles will continue to maintain the momentum of rapid growth. Based on comprehensive research and judgment, it is expected to maintain stable growth throughout the year.

There are still some difficulties and constraints in the current economic operation of the industry, such as the shortage of chips still exists, the overall price of raw materials for power batteries remains high, the high energy prices caused by the conflict between Russia and Ukraine, and the international situation has great uncertainty. Therefore, the task of stable growth and stable operation of the industry is still very arduous in the future, and the

industry needs to pay full attention to it.

## **2. The characteristics of the economic operation of the automobile industry**

### **● Rapid growth in automobile production and sales year-on-year**

In June, the production and sales of automobiles reached 2.499 million and 2.502 million respectively, a month-on-month increase of 29.7% and 34.4%, and a year-on-year increase of 28.2% and 23.8%. Since June, the supply chain of China's auto industry affected by the epidemic has fully recovered, and enterprises have accelerated production to make up for losses; under the superimposition of the national purchase tax halving policy and the local government's policy to promote auto consumption, the wholesale volume of automobiles performed well in June. The terminal market has also improved significantly. The number of customers entering the 4S shop has rebounded significantly, and the number of car website views has increased significantly. According to the statistics of Autohome, the number of people who intend to purchase a car in June increased by 12% over the previous month and a year-on-year increase of 39.2%.

In the first half of the year, the production and sales of automobiles were 12.117 million and 12.057 million, respectively, down 3.7% and 6.6% year-on-year. In the first half of the year, automobile production and sales generally showed a "U-shaped" trend: January to February started well, production and sales grew steadily, fell rapidly in the middle and late March, lost about 1 million sales in March to May, and increased significantly in June. The automobile industry is an important pillar industry of the national economy, with a long industrial chain and a strong driving effect, which is an important focus for stabilizing economic growth. When the epidemic prevention and control situation was most serious in the first half of the year, the competent ministries and commissions took a series of effective measures to smooth the supply chain to minimize the impact of the epidemic on the industry chain. Since May, the Party Central Committee and the State Council have launched a series of policies and measures to stabilize automobile growth and promote automobile consumption. The consumption promotion policies issued by local governments mainly focus on automobile consumption. At present, the overall recovery of the automobile industry is in good condition.

### **● The production and sales of passenger cars are significantly promoted by the policy**

In June, the production and sales of passenger cars were 2.239 million and 2.222 million, up 31.6% and 36.9% month-on-month, and 43.6% and 41.2% year-on-year. The overall performance was significantly better than expected. In terms of models, except for crossover passenger cars, the other three types of models showed rapid growth month-on-month and year-on-year.

In June, the passenger car market generally showed the characteristics of "off-season but not weak", and the production and sales that were delayed in April and May due to the impact of the epidemic were also made up in June. Judging from the production and sales of passenger cars in June, the implementation effect of the policy of halving the purchase tax and the local policies to promote automobile consumption is obvious. According to data released by the State Administration of Taxation, since the implementation of the policy of halving the vehicle purchase tax for passenger cars for one month, the country has reduced the vehicle purchase tax by 7.1 billion yuan and reduced the collection of 1.097 million vehicles. The overall result has been very good.

In the first half of the year, the production and sales of passenger cars were 10.434 million and 10.355 million, up 6.0% and 3.4% year-on-year, respectively. Production and sales ended a decline, and the overall level returned to normal. In terms of models, sedans and SUVs increased slightly year-on-year, while other varieties still declined.

Judging from the performance of the passenger car market in the first half of the year, consumer demand has been suppressed to a certain extent due to the epidemic. Since the end of May, the state and local governments have successively issued a series of powerful policies to stimulate consumption, which provide an obvious support to quickly promote the recovery and improvement of consumer confidence. In the medium and long term, China's

automobile market is generally in the late stage of popularization, and consumer demand for automobiles is still strong. Coupled with the industry dividends brought about by industrial transformation and consumption upgrades, the passenger car market will maintain stable growth in the future.

In June, the sales volume of domestically produced high-end brand passenger cars reached 395,000 units, a year-on-year increase of 41.9%. In the first half of the year, the sales volume of domestically produced high-end brand passenger cars was 1.708 million units, a year-on-year decrease of 1.2%.

In the first half of the year, due to the impact of the epidemic, the pace of increase and replacement has slowed down. The terminal market in Shanghai and surrounding areas is not active, and high-end brand passenger cars have a greater impact in the first half of the year.

#### ● **The performance of commercial vehicles is still sluggish**

In June, the production and sales of commercial vehicles reached 261,000 and 281,000 units, respectively, up 15.7% and 17.4% month-on-month, and down 33.2% and 37.4% year-on-year. Compared with passenger cars, commercial vehicles are not directly promoted by policies, so the overall situation has not improved significantly and still needs to be recovered.

In the first half of the year, the production and sales of commercial vehicles were 1.683 million and 1.702 million, down 38.5% and 41.2% year-on-year, respectively. In terms of production and sales of different models, the production and sales of buses were 176,000 and 180,000, down 31.8% and 30.5% year-on-year, respectively; the production and sales of trucks were 1.507 million and 1.522 million, down 39.3% and 42.2% year-on-year.

Before the first half of last year, trucks were driven by environmental protection policies, and enterprises seized the opportunity to switch between the National V and National VI emission standards, resulting in a long-term peak in purchases, resulting in insufficient power for the current demand; due to the high production of National V heavy diesel vehicles in the same period last year, there are still a small number of vehicles to be digested. The digestion of blue-brand light truck inventory vehicles is also relatively slow. In addition, in the first half of this year, due to the impact of the epidemic, the start of infrastructure construction was slow, and the construction speed was lower than expected, so the production and sales of trucks fell sharply year-on-year. At the same time, the epidemic in the first half of the year had a great impact on the demand for tourism, bus transport and city buses, and the bus market continued to be sluggish.

#### ● **Production and sales of new energy vehicles hit a record high**

In June, the production and sales of new energy vehicles were 590,000 and 596,000 respectively, a year-on-year increase of 1.3 times. The production and sales of new energy vehicles reached a new high, with a market share of 23.8%, continuing to maintain a high-speed growth trend. In terms of categories, the monthly production and sales of new energy passenger cars were 563,000 and 569,000 units, an increase of 1.4 times and 1.3 times year-on-year, and the production and sales of new energy commercial vehicles were 27,000 and 28,000 units, an increase of 83.5% and 88.4% year-on-year. In terms of power types, the production and sales of pure electric vehicles were 466,000 and 476,000, an increase of 1.2 times year-on-year; the production and sales of plug-in hybrid vehicles were 123,000 and 120,000, an increase of 1.8 times and 1.7 times year-on-year. The production and sales of fuel cell vehicles were 527 and 455, up 18.7% and 67.3% year-on-year, respectively.

In the first half of the year, the production and sales of new energy vehicles reached 2.661 million and 2.6 million respectively, an increase of 1.2 times year-on-year, and the market share reached 21.6%. Among them, the sales of new energy passenger cars accounted for 24.0% of the total sales of passenger cars, and the proportion of new energy vehicles in Chinese brand passenger cars has reached 39.8%. Although the production and sales of new energy vehicles were also affected by the epidemic in the first half of the year, the auto companies attached great importance to new energy vehicle products, and their supply chain resources were prioritized to concentrate on new



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energy vehicles. Judging from the current development trend, the overall production and sales completion exceeded expectations.