

## **A Brief Analysis of the Economic Operation of the Auto Industry in 2020**

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

At the beginning of 2020, the sudden outbreak of the COVID-19 has undoubtedly worsened the situation for the domestic economy, which was originally under increasing downward pressure. In the face of severe challenges and major difficulties, the whole country united and worked hard together. While achieving major strategic results in the fight against the epidemic, it also quickly restored economic vitality and momentum. The current market vitality continues to be stimulated, the supply and demand sides are steadily improving, the production and operation conditions of enterprises continue to improve, and the national economy is showing a good momentum of continuous and stable recovery.

Overall, the performance of the auto industry was much better than expected, mainly due to the following three reasons. One is the strong support of national and local policies, the second is the unremitting efforts of industry enterprises, and the third is the strong recovery of market consumer demand.

From the perspective of market conditions, in 2020, automobile sales have continued to grow since April, and the annual sales volume has reached 25.311 million vehicles, and the year-on-year growth rate has narrowed to less than 2%. Sales volume continues to rank first in the world; from the perspective of market segments, the commercial vehicle market took the lead in accelerating this year, and the annual sales volume showed substantial growth. The passenger car market continued to show a decline in annual sales, but the decline narrowed to 6%. Since September, the contribution of the monthly sales volume of passenger vehicles has increased, surpassing commercial vehicles, reflecting that consumer demand is recovering. Since July, the monthly sales of new energy vehicles have continued to show substantial growth year-on-year, and the annual market sales have been better than expected. After the end of the downturn in the first eight months, automobile exports began to recover since September, and the export volume in November and December set new historical records for two consecutive months.

2021 is the first year of the "14th Five-Year Plan". From the perspective of economic development, as government departments continue to consolidate and expand the results of epidemic prevention and control and economic and social development, better coordinate development and security, and continue to do a good job and implement the "six stability". With the "six guarantees" task and the scientific and precise implementation of macroeconomic policies, China's economic operation will remain within a reasonable range. However, there are still many uncertainties in the epidemic and the external environment, so downward pressure on the economy still exists.

From the perspective of the development trend of the automobile industry, with the steady recovery of the national economy, consumer demand will resume faster, and the overall potential of the Chinese automobile market is still huge. Therefore, it is judged that 2020 may be the trough year of the Chinese automobile market. The year 2021 will achieve recovery and growth, of which car sales are expected to exceed 26 million, a year-on-year increase of 4%. Among them, electrification, intelligence, connectivity, and digitization accelerate the transformation and upgrading of the automotive industry, and the new energy vehicle market will also shift from policy-driven to market-driven. Especially under the vigorous promotion of the "New Energy Vehicle Industry Development Plan (2021-2035)", new energy vehicles are expected to usher in sustained and rapid growth in the future. However, it should also be noted that the recent shortage of chip supply will also have a certain impact on global automobile production for some time to come, thereby affecting the stability of China's automobile industry.

### **2. Operation of the automobile industry in 2020**

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

In 2020, the sudden outbreak of the epidemic has pressed the "pause button" for the auto industry. Under the huge impact, the whole industry is in the same boat, not afraid of difficulties, resolutely implementing the decision and deployment of the CPC Central Committee and the State Council, and steadily promoting the resumption of work and production, and accelerating the transformation of marketing methods and actively promoting automobile consumption, the automobile market has gradually recovered. The annual growth rate of production and sales has steadily decreased slightly, and the impact of the epidemic has been basically eliminated. The automobile industry has generally shown strong development resilience and endogenous motivation. The annual automobile production and sales were 25.225 million and 25.311 million, down 2% and 1.9% year-on-year, and the rate of decline narrowed by 5.5 and 6.3 percentage points respectively from the previous year.

Judging from the monthly automobile production and sales, the whole year showed a trend of first decline and then rise. In the first quarter, automobile production and sales fell sharply due to the epidemic. However, in the second quarter, as the epidemic situation was effectively curbed, the auto market gradually recovered from April, and monthly sales continued to increase year-on-year. As of December, auto production and sales have shown growth for nine consecutive months.

This month, the production and sales of automobiles completed 2.840 million and 2.831 million respectively, with production and sales increasing by 5.7% and 6.4% year-on-year.

#### ● **Annual production and sales of passenger vehicles declined year-on-year**

In 2020, the production and sales of passenger vehicles reached 19,994,400 and 20,178,800 respectively, a year-on-year decrease of 6.5% and 6%, and the decline has narrowed by 2.7 and 3.6 percentage points from the previous year. Passenger car production and sales accounted for 79.3% and 79.7% of automobile production and sales, 3.7 and 3.5 percentage points lower than the proportion of production and sales in the previous year.

In terms of the production and sales of the four types of passenger vehicles: sedan production and sales decreased by 10% and 9.9% year-on-year respectively; SUV production and sales increased by 0.1% and 0.7% year-on-year respectively; the annual production and sales scale of SUV exceeded that of sedan for the first time; MPV production and sales decreased by 26.8% and 23.8% year-on-year respectively; the production and sales of cross-type passenger vehicles decreased by 1.7% and 2.9% year-on-year respectively.

From the perspective of the production and sales of passenger cars in each month, in the first four months, the monthly production and sales of passenger cars have shown a year-on-year decline. Since May, the production and sales of passenger cars have continued to grow, and their contribution to the growth of automobile production and sales has continued to expand. The contribution of monthly passenger car growth began to surpass that of commercial vehicles, which reflects the gradual recovery of consumer demand, and passenger cars, which account for 4/5 of the market share, have begun to become the main factor driving the growth of the automobile market.

In December, the production and sales of passenger vehicles were 2.331 million and 2.375 million. The output was the same as the previous month, and the sales volume increased by 3.3% month-on-month, and up 6.5% and 7.2% year-on-year. The growth rate was 1 and 4.4 percentage points lower than the previous month.

In December, the sales volume of domestically produced luxury cars reached 284,000, a year-on-year increase of 24.6%. Since April, the luxury car market has maintained substantial growth.

#### ● **The annual production and sales of commercial vehicles showed substantial growth**

In 2020, driven by factors such as the elimination of National III vehicles, stricter regulations, and infrastructure investment, the production and sales of commercial vehicles increased significantly throughout the year. In 2020, the production and sales of commercial vehicles were 5.231 million and 5.133 million, exceeding 5 million for the first time, a record high. The production and sales of commercial vehicles have increased by 20.0% and 18.7% year-on-

year. Compared with the previous year, it has changed from negative to positive.

In terms of the production and sales of different models, trucks are the main models supporting the growth of commercial vehicles. The production and sales of trucks were 4.778 million and 4.685 million, an increase of 22.9% and 21.7% year-on-year; the production and sales of buses were 453,000 and 448,000, down 4.2% and 5.6% respectively.

From the perspective of monthly production and sales, commercial vehicles have been the first to resume growth since April, and the growth rate has been rapid, breaking the historical production and sales record of the month for 9 consecutive months, and setting a record high in June. In December, the production and sales of commercial vehicles were 509,000 and 456,000, up 2.3% and 2.4% year-on-year.

From the perspective of the production and sales of segmented models, trucks are the main models that support the sustained high growth of commercial vehicles, with heavy and light trucks contributing significantly to the growth. The production and sales of buses only increased in 3 months, and the rest of the months showed a decline.

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

Through years of cultivating the entire industrial chain of new energy vehicles, each link has gradually matured. The rich and diversified new energy vehicle products continue to meet market demand, and the use environment is gradually optimized and improved. Under these measures, new energy vehicles are increasingly recognized by consumers. In 2020, the production and sales of new energy vehicles reached 1.366 million and 1.367 million, representing a year-on-year increase of 7.5% and 10.9% respectively. The growth rate has changed from negative to positive compared with the previous year. Among them, the production and sales of pure electric vehicles were 1.105 million and 1.115 million, an increase of 5.4% and 11.6% respectively; the production and sales of plug-in hybrid vehicles were 260,000 and 251,000, an increase of 18.5% and 8.4% respectively; the production and sales of fuel cell vehicles were both completed at 10,000 units, a year-on-year decrease of 57.5% and 56.8% respectively.

From the perspective of monthly production and sales, new energy vehicles have shown a growth trend since July, and the growth rate has gradually expanded, and each month's production and sales have refreshed the historical record of the month, and in December setting a record high.

In December, the production and sales of new energy vehicles were 235,000 and 248,000 respectively, up 55.7% and 49.5% year-on-year. Among them, the production and sales of pure electric vehicles were 203,000 and 211,000, an increase of 55.2% and 47.5% respectively; the production and sales of plug-in hybrid vehicles were 32,000 and 37,000, an increase of 69.2% and 71.6% respectively; the production and sales of fuel cell vehicles were completed 264 and 229, a year-on-year decrease of 81.3% and 83.7% respectively.