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# An Analysis of Chinese Electric Vehicles Market

## 剖析中國電動車市場

Chinese electric vehicles market was valued at USD 124.2 billion in 2021, and it is expected to reach USD 799 billion by 2027 by registering a CAGR of over 30.1% during the forecast period (2022 - 2027).

According to CPCA (China Passenger Car Association), China sold a total of 3.31 million new energy passenger vehicles in 2021, accounting for a 53% share of the global market, taking back the position it lost to Europe which finished 2021 with only 33%, while the United States accounted for 11% of new energy vehicle sales. Again, CPCA's figures align closely with those of the IEA, which reported China as finishing 2021 with 3.4 million electric vehicle registrations, which would account for a 51.5% share of the global market. According to Chinese electric vehicle media outlet (CnEVPost), which reported on the CPCA's new report, China returned to the global leader after a slump in 2020 which saw the country's share of new energy vehicle sales fall to 41%, allowing Europe to jump a spot with 44%. EV deliveries are expected to hit 5 million and climb to as high as 20 million by 2030, according to think tank China EV 100.

Authorities in China are paying increasing attention to any possible weak links that could undermine the EV sector after weathering this year's chip shortage, which still disrupts production to this day. Automakers in the country rely on imports for raw materials like cobalt and lithium but also refrigerants that are used in a car's heat-management system and the high-wear resistance bearing steel that's needed for electric motors. The list goes on. With expectations for around 300 million NEVs on China's roads by 2040, people could expect more policy initiatives to shore up supply lines.



### The Story of 2019-2020

Once subsidies reduced for EV cars in mid of 2019, the market of EV cars declined 50% in July 2019 in China. Based on this reason, most EV manufacturers didn't reach to their specified goals. For example, WEY had a sales goal for 100K EV but they could only reach the sales of 17K in that year. On the other hand, small-size EV manufacturers could cope with the issue in the 3rd quarter of 2019, because they could upgrade their EVs charge to over 250 kilometres, hence, their EV sales increased by 20% in November and 70% in December month on month. Small-size EVs share 20% of the total EV market and are mostly used in small cities of China. Because of the Covid pandemic, the subsidies of EVs returned back for two years and Chinese government announced that the subsidies would be allocated to improve infrastructures.



### EV Players in China

According a Ries& Ries report, in China, the EV market is mostly in the hands of the following companies:

- BYD (24.9%)
- SGMW (8.5%)
- Chery (5.3%)
- Tesla (5.2%)
- SAIC (4.5%)

BYD is the largest EV manufacturer in China. It has stopped its pure engine car production line and focused on EVs and Plug-in hybrid vehicles. Based on this decision its hybrid cars use small engines. Toyota has partnered with Chinese BYD since December 2021 for producing a new type of affordable electric cars scheduled to be launched in the end of 2022. The price range will be around \$30,000. The total revenue of BYD at the end of the third quarter of 2021 was USD 24.1 billion and in the previous year its revenue was USD 25.7 billion.



## Key Points of the EV Market in China

### 1. The Price and Driving Range of EVs are Improving

Chinese consumers have three main concerns about EVs: their high price, their limited driving range and the dearth of charging points. Price sensitivity remains high, as shown by the abrupt fall in EV sales in mid-2019 when the government cut price support levels.

### 2. New Models Have been a Game-Changer

New EV models are being launched, including those from traditional car manufacturers, increasing the competition among brands and also giving consumers more choices. The entrance of Tesla's Model 3, one of the best-selling electric vehicles in China, has been a game-changer for the industry. Tesla's success bolstered the business case for domestic EV start-ups such as NIO, Xpeng and Li Auto, while sending traditional auto manufacturers back to the drawing board to design EVs from scratch.

### 3. Vehicle Smartisation

Chinese consumers view EVs very differently from Europeans, whose focus is on their environmentally friendly credentials. By contrast, Chinese consumers are more heavily influenced by the smart technology, or 'vehicle smartisation', that EVs offer. And, this trend could tilt the market decisively in favour of EVs, particularly once price parity with conventional cars is reached, which is expected within the next five years.



## EV Market Trend 2021-2022

- Xiaomi is the other player in this industry that it has entered the EV market in March 2021, and its plan for investing is 10 billion USD that is injected to the company within 10 years.
- Tesla has invested \$200 million USD

in order to expand its Giga-Factory China in November 2021 and it will hire 4,000 people.

- Geely auto and Inchcape signed a global partnership in July 2021 in order to jointly explore business in Chile. Since February 2021 Geely has partnered with Volvo Groups in order to maximize the strengths of the Swedish and Chinese Automotive Groups, autonomous drive technologies, and sharing of EV architecture.
- NIO day 2020 was held in Chengdu. NIO has launched its first autonomous driving model, NIO ET7, a smart electric flagship sedan. The ET7 will range from USD 70,000 or from USD 59,000 with BaaS (Battery as a Service). NIO is set to expand for the first time out of its home country, starting with a launch of electric vehicles in May 2021 in Norway.
- Ford has signed a joint venture with China's Zotye Automobile. They will invest \$756 million in a 50-50 venture and they will produce small electric cars. ▣



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