

Autos Sector

China auto sales (May): Moment of truth for ICE autos this summer; NEV shift continues, despite reversal of price gap with ICE

China's passenger vehicle retail sales continued to fall in May, but exports hit a new record high for the third straight month, breaking above 800k units for the month. The shift to new energy vehicles (NEV) was evident in domestic demand, with the NEV penetration rate rising 160bp MoM to 63%. In response to soaring export demand, major Chinese manufacturers are extending delivery dates and raising prices on some NEV models. On the other hand, popular internal combustion engine (ICE) models dropped out of the top sales rankings, despite deeper discounts. We assume that ICE auto sales will fall this summer because of seasonal factors, but with the number of used cars (mainly ICE autos) with zero recorded mileage rising again, declines in new vehicle prices and sales volumes could become more of a concern.

- Domestic NEV penetration accelerates, price gap with ICE autos reverses:** China's May retail sales of passenger vehicles amounted to 1,528k units (-22% YoY), down YoY for the eighth consecutive month. Whereas retail sales were 579k units (-38% YoY) for ICE autos, demand for NEVs was solid at 849k units (-7% YoY), and the penetration rate rose from 61% in April to 63% in May. Major Chinese OEMs have hiked NEV prices, mainly reflecting intelligent vehicle systems, whereas ICE automakers have lowered prices substantially. In the entry segment at CNY100,000 (about ¥2.3 million) and below in particular, popular NEVs are more expensive than ICE autos, but consumers continue to shift to NEVs.
- ICE autos set to struggle this summer:** Among companies that have disclosed May retail sales in China, Toyota Motor (102k units, -29% YoY) and Honda Motor (28k units, -49% YoY) both reported continued YoY declines. In seasonal terms, ICE auto sales momentum may fall through the summer, but we estimate that conditions for sales will be even tougher than usual this year. The number of used cars (mainly ICE autos) with zero recorded mileage is currently rising, and we see a risk that this will depress new vehicle prices and sales volume still further. As a knock-on effect, ICE resale values have fallen over the past few months, and the advantage over NEVs is diminishing.
- Surging export demand:** Passenger vehicle exports reached an all-time high for the third consecutive month, at 809k units (+73% YoY), driven by NEVs at 435k units (+110% YoY), though we should not overlook the net increase in ICE autos at 374k units (+42% YoY). Production capacity for BYD and other popular makes is reaching its limits, and delivery times are lengthening both in China and overseas. Brazil and Australia have emerged as key destinations for Chinese automobile exports, in addition to Europe and ASEAN.

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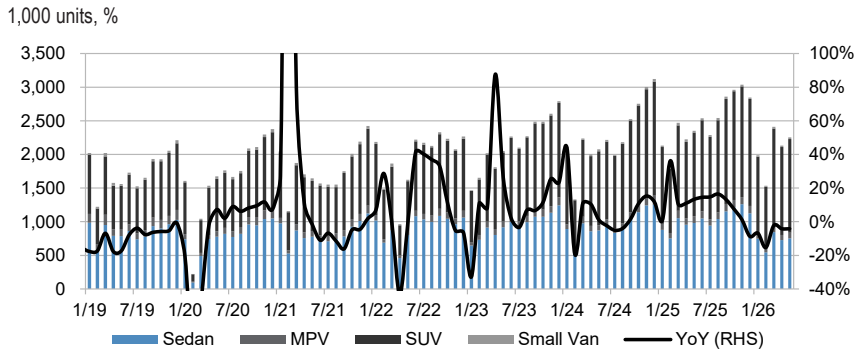
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Figure 1: China Passenger Car Monthly Wholesale Volume



Source: J.P. Morgan based on CAAM data

Figure 2: China Monthly Wholesale Volume

Unit, %

China Shipment Volume													
CY	PV					Total	YoY %	CV		Total	YoY %	Total	YoY %
	Sedan	MPV	SUV	Small Van	Bus			Truck					
18	11,542,077	1,734,637	9,980,489	452,579	23,709,782	-4.1%	485,170	3,885,625	4,370,795	5.1%	28,080,577	-2.8%	
19	10,290,338	1,383,684	9,398,531	399,538	21,472,091	-9.4%	474,682	3,850,158	4,324,840	-1.1%	25,796,931	-8.1%	
20	9,275,048	1,054,026	9,460,622	388,035	20,177,731	-6.0%	448,191	4,685,147	5,133,338	18.7%	25,311,069	-1.9%	
21	9,971,065	1,055,234	10,100,723	391,302	21,518,324	6.6%	504,844	4,291,095	4,795,939	-6.6%	26,314,263	4.0%	
22	11,115,979	937,072	11,187,184	323,052	23,563,287	9.5%	407,840	2,892,618	3,300,458	-31.2%	26,863,745	2.1%	
23	11,490,136	1,102,452	13,205,537	264,699	26,062,824	10.6%	491,633	3,539,241	4,030,874	22.1%	30,093,698	12.0%	
24	11,516,926	1,050,078	14,722,084	273,901	27,562,989	5.8%	511,001	3,362,203	3,873,204	-3.9%	31,436,193	4.5%	
25	12,423,803	1,212,832	16,123,377	343,128	30,103,140	9.2%	573,977	3,722,504	4,296,481	10.9%	34,399,621	9.4%	
Quarter													
2021	1-3	2,372,991	221,703	2,413,852	66,421	5,074,967	76.6%	112,316	1,296,382	1,408,698	77.4%	6,483,665	76.8%
	4-6	2,259,923	234,365	2,314,429	110,441	4,919,158	-1.1%	145,846	1,329,818	1,475,664	-7.2%	6,394,822	-2.6%
	7-9	2,232,786	263,694	2,258,340	99,079	4,853,899	-11.9%	114,383	761,208	875,591	-35.4%	5,729,490	-16.5%
	10-12	3,057,861	335,695	3,111,598	115,173	6,620,327	-2.4%	132,701	887,282	1,019,983	-26.7%	7,640,310	-6.5%
2022	1-3	2,576,738	204,398	2,667,569	89,441	5,538,146	9.1%	91,296	872,353	963,649	-31.6%	6,501,795	0.3%
	4-6	2,344,826	180,130	2,221,550	63,097	4,809,603	-2.2%	88,580	646,988	735,568	-50.2%	5,545,171	-13.3%
	7-9	3,118,204	278,738	3,151,347	83,065	6,631,354	36.6%	103,497	678,886	782,383	-10.6%	7,413,737	29.4%
	10-12	3,068,786	273,805	3,141,017	87,429	6,571,037	-0.7%	124,834	692,777	817,611	-19.8%	7,388,648	-3.3%
2023	1-3	2,288,469	214,980	2,575,933	58,821	5,138,203	-7.2%	99,930	838,036	937,966	-2.7%	6,076,169	-6.5%
	4-6	2,716,469	269,381	3,078,155	66,018	6,130,023	27.5%	119,610	913,011	1,032,621	40.4%	7,162,644	29.2%
	7-9	2,989,068	293,911	3,513,799	63,129	6,859,907	3.4%	123,220	844,441	967,661	23.7%	7,827,568	5.6%
	10-12	3,450,372	317,389	4,039,799	76,698	7,884,248	20.0%	145,312	949,499	1,094,811	33.9%	8,979,059	21.5%
2024	1-3	2,423,456	206,527	3,016,788	37,755	5,684,526	10.6%	123,848	908,949	1,032,797	10.1%	6,717,323	10.6%
	4-6	2,671,804	249,173	3,287,539	83,008	6,291,524	2.6%	130,427	905,325	1,035,752	0.3%	7,327,276	2.3%
	7-9	2,776,596	239,936	3,625,333	58,194	6,700,059	-2.3%	117,561	706,355	823,916	-14.9%	7,523,975	-3.9%
	10-12	3,637,502	355,340	4,788,613	94,944	8,876,399	12.6%	149,698	831,699	981,397	-10.4%	9,857,796	9.8%
2025	1-3	2,684,866	275,767	3,365,287	90,654	6,416,574	12.9%	124,801	926,206	1,051,007	1.8%	7,467,581	11.2%
	4-6	2,982,033	299,916	3,740,474	87,412	7,109,835	13.0%	140,388	930,206	1,070,594	3.4%	8,180,429	11.6%
	7-9	3,130,974	302,402	4,158,946	93,916	7,686,238	14.7%	144,143	837,811	981,954	19.2%	8,668,192	15.2%
	10-12	3,596,369	326,075	4,852,416	71,146	8,846,006	-0.3%	166,735	1,010,580	1,177,315	20.0%	10,023,321	1.7%
2026	1-3	2,132,608	221,423	3,515,214	66,039	5,935,284	-7.5%	111,179	1,003,924	1,115,103	6.1%	7,050,387	-5.6%
Month													
	5/23	916,076	89,993	1,023,535	21,519	2,051,123	26.4%	36,731	293,760	330,491	38.2%	2,381,614	27.9%
	6/23	998,168	88,766	1,160,159	20,728	2,267,821	2.1%	44,803	309,702	354,505	26.3%	2,622,326	4.8%
	7/23	923,051	85,098	1,072,014	19,687	2,099,850	-3.4%	38,692	248,391	287,083	16.8%	2,386,933	-1.4%
	8/23	991,468	93,359	1,168,570	19,386	2,272,783	6.9%	39,501	270,117	309,618	20.0%	2,582,401	8.4%
	9/23	1,074,549	115,454	1,273,215	24,056	2,487,274	6.7%	45,027	325,933	370,960	33.2%	2,858,234	9.5%
	10/23	1,074,443	104,081	1,283,007	26,342	2,487,873	11.5%	42,516	322,181	364,697	33.4%	2,852,570	13.9%
	11/23	1,134,613	94,047	1,350,199	25,511	2,604,370	25.5%	47,503	318,249	365,752	44.6%	2,970,122	27.6%
	12/23	1,241,316	119,261	1,406,583	24,845	2,792,005	23.3%	55,293	309,069	364,362	25.1%	3,156,367	23.5%
	1/24	891,971	66,896	1,149,091	7,487	2,115,435	-44.0%	35,105	288,804	323,909	79.6%	2,439,344	47.9%
	2/24	556,727	42,346	721,713	12,029	1,332,815	-19.4%	35,678	215,025	250,703	-22.5%	1,583,518	-19.9%
	3/24	974,758	97,295	1,145,984	18,239	2,236,276	10.9%	53,065	405,120	458,185	5.6%	2,694,461	9.9%
	4/24	856,080	82,335	1,036,601	26,453	2,001,469	10.5%	44,768	312,598	357,366	2.8%	2,358,835	9.3%
	5/24	868,864	76,738	1,099,257	30,629	2,075,488	1.2%	42,607	298,708	341,315	3.3%	2,416,803	1.5%
	6/24	946,860	90,100	1,151,681	25,926	2,214,567	-2.3%	43,052	294,019	337,071	-4.9%	2,551,638	-2.7%
	7/24	832,261	71,477	1,073,927	15,930	1,993,595	-5.1%	35,771	232,430	268,201	-6.6%	2,261,796	-5.2%
	8/24	891,064	79,924	1,189,557	20,820	2,181,365	-4.0%	40,028	231,865	271,893	-12.2%	2,453,258	-5.0%
	9/24	1,053,271	88,535	1,361,849	21,444	2,525,099	1.5%	41,762	242,060	283,822	-23.5%	2,808,921	-1.7%
	10/24	1,142,057	99,784	1,487,184	25,870	2,754,895	10.7%	43,146	254,889	298,035	-18.3%	3,052,930	7.0%
	11/24	1,242,975	120,085	1,605,833	32,580	3,001,473	15.2%	45,963	268,825	314,788	-13.9%	3,316,261	11.7%
	12/24	1,252,470	135,471	1,695,596	36,494	3,120,031	11.7%	60,589	307,985	368,574	1.2%	3,488,605	10.5%
	1/25	879,426	88,623	1,143,849	21,118	2,133,016	0.8%	37,601	252,877	290,478	-10.3%	2,423,494	-0.8%
	2/25	752,996	79,267	950,270	32,818	1,815,351	36.2%	34,172	279,088	313,260	25.0%	2,128,611	34.4%
	3/25	1,052,444	107,877	1,271,168	36,718	2,468,207	10.4%	53,028	394,241	447,269	-2.4%	2,915,476	8.2%
	4/25	954,333	93,245	1,139,844	35,135	2,222,557	11.0%	44,517	322,536	367,053	2.7%	2,589,610	9.8%
	5/25	979,319	100,514	1,246,530	25,399	2,351,762	13.3%	43,072	291,503	334,575	-2.0%	2,686,337	11.2%
	6/25	1,048,381	106,157	1,354,100	26,878	2,535,516	14.5%	52,799	316,167	368,966	9.5%	2,904,482	13.8%
	7/25	940,122	93,458	1,227,294	26,521	2,287,395	14.7%	43,625	254,207	297,832	11.0%	2,585,227	14.3%
	8/25	1,038,149	98,032	1,371,197	32,942	2,540,320	16.5%	44,683	271,587	316,270	16.3%	2,856,590	16.4%
	9/25	1,152,703	110,912	1,560,455	34,453	2,858,523	13.2%	55,835	312,017	367,852	29.6%	3,226,375	14.9%
	10/25	1,212,276	109,936	1,616,101	23,076	2,961,389	7.5%	49,602	311,103	360,705	21.0%	3,322,094	8.8%
	11/25	1,260,189	103,991	1,646,437	26,721	3,037,338	1.2%	53,215	338,445	391,660	24.4%	3,428,998	3.4%
	12/25	1,123,904	112,148	1,589,878	21,349	2,847,279	-8.7%	63,918	361,032	424,950	15.3%	3,272,229	-6.2%
	1/26	745,745	73,665	1,148,401	19,927	1,987,738	-6.8%	35,241	323,480	358,721	23.5%	2,346,459	-3.2%
	2/26	542,484	55,958	919,051	18,197	1,535,690	-15.4%	29,074	240,401	269,475	-14.0%	1,805,165	-15.2%
	3/26	844,379	91,800	1,447,762	27,915	2,411,856	-2.3%	46,864	440,043	486,907	8.9%	2,898,763	-0.6%
	4/26	725,148	78,520	1,304,647	21,067	2,129,382	-4.2%	52,727	343,992	396,719	8.1%	2,526,101	-2.5%
	5/26	750,433	84,838	1,391,840	25,877	2,252,988	-4.2%	52,903	323,497	376,400	12.5%	2,629,388	-2.1%

Source: J.P. Morgan based on CAAM data



Figure 3: Japanese OEMs' China New Car Sales

Unit, %

CY	Toyota		Nissan		Honda		Mazda		SUBARU		J3 Co. Total	
	YoY/%		YoY/%		YoY/%		YoY/%		YoY/%		YoY/%	
2018	1,479,252	15.0%	1,563,986	2.3%	1,432,291	-1.7%	272,324	-12.0%	21,844	-27.3%	4,475,529	4.7%
2019	1,620,500	9.5%	1,546,171	-1.1%	1,554,433	8.5%	227,722	-16.4%	25,204	15.4%	4,721,104	5.5%
2020	1,797,400	10.9%	1,456,738	-5.8%	1,626,580	4.6%	215,816	-5.2%	22,357	-11.3%	4,880,718	3.4%
2021	1,944,400	8.2%	1,381,494	-5.2%	1,561,541	-4.0%	183,954	-14.8%	16,769	-25.0%	4,887,435	0.1%
2022	1,940,400	-0.2%	1,045,197	-24.3%	1,373,121	-12.1%	108,124	-41.2%	11,224	-33.1%	4,358,718	-10.8%
2023	1,907,400	-1.7%	793,768	-24.1%	1,234,199	-10.1%	84,949	-21.4%	7,884	-29.8%	3,935,367	-9.7%
2024	1,776,200	-6.9%	696,631	-12.2%	852,101	-31.0%	81,743	-3.8%	3,635	-53.9%	3,324,932	-15.5%
2025	1,775,400	0.0%	653,024	-6.3%	645,342	-24.3%	74,847	-8.4%	2,580	-29.0%	3,073,766	-7.6%
Quarterly												
22 1-3	444,600	-6.2%	298,863	-15.2%	353,786	-9.3%	35,853	-28.2%	2,245	-40.9%	1,097,249	-9.8%
22 4-6	459,700	-7.5%	247,157	-30.2%	325,441	-17.9%	23,694	-49.5%	3,059	-43.0%	1,032,298	-17.2%
22 7-9	541,400	25.9%	291,844	-6.9%	371,155	15.5%	25,283	-40.4%	3,553	-25.6%	1,204,399	13.1%
22 10-12	494,700	-9.0%	207,333	--	322,739	-28.9%	23,294	-47.8%	2,367	-16.5%	1,024,772	--
23 1-3	379,800	-14.6%	161,961	--	220,376	-37.7%	12,011	-66.5%	1,745	-22.3%	762,137	--
23 4-6	499,500	8.7%	196,548	--	309,333	-4.9%	19,741	-16.7%	2,842	-7.1%	1,005,381	--
23 7-9	505,100	-6.7%	188,235	--	301,614	-18.7%	25,507	0.9%	1,344	-62.2%	994,949	--
23 10-12	523,000	5.7%	247,024	19.1%	402,876	24.8%	27,690	18.9%	1,953	-17.5%	1,172,900	14.5%
24 1-3	374,000	-1.5%	167,291	3.3%	206,907	-6.1%	23,715	97.4%	958	-45.1%	748,198	-1.8%
24 4-6	410,700	-17.8%	172,006	-12.5%	208,999	-32.4%	17,973	-9.0%	754	-73.5%	791,705	-21.3%
24 7-9	456,000	-9.7%	157,701	-16.2%	172,112	-42.9%	16,451	-35.5%	844	-37.2%	785,813	-21.0%
24 10-12	535,500	2.4%	199,633	-19.2%	264,083	-34.5%	23,604	-14.8%	1,079	-44.8%	999,216	-14.8%
25 1-3	387,400	3.6%	121,335	-27.5%	157,886	-23.7%	16,309	-31.2%	650	-32.2%	666,621	-10.9%
25 4-6	445,400	8.4%	158,136	-8.1%	157,265	-24.8%	17,567	-2.3%	727	-3.6%	760,801	-3.9%
25 7-9	464,000	1.8%	177,667	12.7%	152,700	-11.3%	14,448	-12.2%	641	-24.1%	794,367	1.1%
25 10-12	478,600	-10.6%	195,886	-1.9%	177,491	-32.8%	26,523	12.4%	562	-47.9%	851,977	-14.7%
26 1-3	370,700	-4.3%	130,031	7.2%	122,470	-22.4%	12,859	-21.2%	378	-41.8%	623,201	-6.5%
Monthly												
1/23	113,800	-23.5%	47,521		64,193	-56.2%	3,880	-79.8%	369	-53.2%	225,514	--
2/23	129,600	0.9%	59,997		74,142	-30.1%	3,877	-51.8%	632	14.5%	263,739	--
3/23	136,400	-18.5%	54,443		82,041	-18.8%	4,254	-50.6%	744	-17.8%	272,884	--
4/23	162,600	46.4%	61,313		94,879	-0.4%	4,645	-11.8%	793	14.4%	318,792	--
5/23	162,400	9.4%	66,096		101,321	13.7%	7,786	-6.0%	1,030	17.3%	329,817	--
6/23	174,500	-12.8%	69,139		113,133	-19.8%	7,310	-27.9%	1,019	-31.5%	356,772	--
7/23	152,700	-15.4%	59,507		89,691	-32.8%	7,810	-13.6%	548	-56.4%	301,898	--
8/23	175,800	-6.6%	64,905		102,257	-25.1%	8,095	1.5%	373	-72.3%	342,962	--
9/23	176,600	2.2%	63,823		109,666	8.5%	9,602	16.2%	423	-55.5%	350,089	--
10/23	173,000	1.5%	73,272	-17.5%	130,424	22.9%	9,610	28.9%	527	-37.9%	376,696	3.1%
11/23	164,500	17.2%	74,879	56.1%	106,654	36.5%	8,553	43.5%	560	-9.1%	346,033	29.8%
12/23	185,500	0.9%	98,873	40.3%	165,798	19.7%	9,527	-3.6%	866	-4.1%	450,171	14.6%
1/24	158,500	39.3%	65,553	37.9%	100,960	57.3%	12,393	219.4%	321	-13.0%	325,013	44.1%
2/24	83,300	-35.7%	41,824	-30.3%	45,498	-38.6%	5,010	29.2%	174	-72.5%	170,622	-35.3%
3/24	132,200	-3.1%	59,914	10.0%	60,449	-26.3%	6,312	48.4%	463	-37.8%	252,563	-7.4%
4/24	118,200	-27.3%	54,921	-10.4%	73,831	-22.2%	5,540	19.3%	220	-72.3%	246,952	-22.5%
5/24	140,400	-13.5%	64,233	-2.8%	66,202	-34.7%	6,229	-20.0%	243	-76.4%	270,835	-17.9%
6/24	152,100	-12.8%	52,852	-23.6%	68,966	-39.0%	6,204	-15.1%	291	-71.4%	273,918	-23.2%
7/24	143,400	-6.1%	47,102	-20.8%	52,567	-41.4%	4,816	-38.3%	447	-18.4%	243,069	-19.5%
8/24	152,100	-13.5%	49,204	-24.2%	56,959	-44.3%	5,210	-35.6%	160	-57.1%	258,263	-24.7%
9/24	160,500	-9.1%	61,395	-3.8%	62,586	-42.9%	6,425	-33.1%	237	-44.0%	284,481	-18.7%
10/24	172,300	-0.4%	61,170	-16.5%	75,440	-42.2%	7,037	-26.8%	348	-34.0%	308,910	-18.0%
11/24	176,000	7.0%	63,545	-15.1%	76,773	-28.0%	8,516	-0.4%	410	-26.8%	316,318	-8.6%
12/24	187,200	0.9%	74,918	-24.2%	111,870	-32.5%	8,051	-15.5%	321	-62.9%	373,988	-16.9%
1/25	136,500	-13.9%	45,418	-30.7%	68,890	-31.8%	5,665	-54.3%	186	-42.1%	250,808	-22.8%
2/25	95,800	15.0%	31,508	-24.7%	33,866	-25.6%	3,571	-28.7%	200	14.9%	161,174	-5.5%
3/25	155,100	17.3%	44,409	-25.9%	55,130	-8.8%	7,073	12.1%	264	-43.0%	254,639	0.8%
4/25	142,800	20.8%	46,295	-15.7%	43,689	-40.8%	5,340	-3.6%	237	7.7%	232,784	-5.7%
5/25	144,900	3.2%	57,998	-9.7%	55,108	-16.8%	5,704	-8.4%	240	-1.2%	258,006	-4.7%
6/25	157,700	3.7%	53,843	1.9%	58,468	-15.2%	6,523	5.1%	250	-14.1%	270,011	-1.4%
7/25	151,700	5.8%	57,359	21.8%	44,817	-14.7%	4,053	-15.8%	205	-54.1%	253,876	4.4%
8/25	153,400	0.9%	58,756	19.4%	53,339	-6.4%	5,707	9.5%	208	30.0%	265,495	2.8%
9/25	158,900	-1.0%	61,552	0.3%	54,544	-12.8%	4,688	-27.0%	228	-3.8%	274,996	-3.3%
10/25	160,900	-6.6%	67,855	10.9%	59,886	-20.6%	7,041	0.1%	209	-39.9%	288,641	-6.6%
11/25	154,600	-12.2%	70,084	10.3%	50,840	-33.8%	9,534	12.0%	178	-56.6%	275,524	-12.9%
12/25	163,100	-12.9%	57,947	-22.7%	66,765	-40.3%	9,948	23.6%	175	-45.5%	287,812	-23.0%
1/26	145,500	6.6%	50,024	10.1%	57,489	-16.5%	3,775	-33.4%	112	-39.8%	253,013	0.9%
2/26	82,500	-13.9%	25,391	-19.4%	28,780	-15.0%	3,108	-13.0%	102	-49.0%	136,671	-15.2%
3/26	142,700	-8.0%	54,616	23.0%	36,201	-34.3%	5,976	-15.5%	164	-37.9%	233,517	-8.3%
4/26	106,500	-25.4%	32,051	-30.8%	22,595	-48.3%	5,369	0.5%	131	-44.7%	161,146	-30.8%
5/26	102,300	-29.4%	--	--	28,279	-48.7%	--	--	--	--	--	--

Source: J.P. Morgan based on company data

Note: Major 3 total includes Toyota, Nissan, and Honda. Nissan no longer includes DFAC sales volume from Oct 2022.

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Completed 11 Jun 2026 03:28 AM JST

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