12 Aug 2026 10:51:57 ET | 10 pages

China Auto Manufacturers

Expert Call Takeaways with Mr. Liu: 2H Sector & Policy Outlook

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CITI'S TAKE

We hosted an expert meeting with Mr. Liu Qing with key takeaways: **(1)** July demand was soft and OEM broadly cut monthly sales target. Aug-26 sales is expected to improve MoM on rising seasonality (5-8% MoM); **(2)** Leading OEMs with complete NEV product offering (BYD/Geely/Leapmotor) are likely to capture market share from ICE automakers in <Rmb200k price segment; **(3)** National stimulus will continue in 2027E with mild adjustment as the marginal effect is fading.

July demand was weak — (1) Jul overall demand was soft given negative impact from extreme weather (hot/typhoon) and seasonality. Jul inventory volume showed MoM improvement. **(2)** Mr. Liu mentioned that OEMs broadly cut their sales targets in July with dealers given shrinking demand to relieve channel inventory pressure.

Industry outlook — (1) Key opportunity for NEV: Mr. Liu stated that ICE still dominates ~50% market share of the <Rmb200k segment. If BYD, Geely, and other leading OEMs can deliver compelling BEV products with strong vehicle intelligent in this price range, they could capture market share from ICE. **(2) Aug-26 outlook:** Mr. Liu expected Aug sales to see MoM growth on rising seasonality (5-8% MoM growth) with the help of back-to-school season and Auto Show events. **(3) 2026 full year outlook:** Mr. Liu expects full year PV retail sales at ~19.5m units (-15% YoY), with ICE -3m units YoY), BEV remaining flat or slight increase, PHEV -0.8m units YoY. FY26 NEV penetration is expected at ~60%, with single month in 2H26 hiking to ~65%.

Policy & Stimulus outlook — (1) National trade-in stimulus progress: The national trade-in subsidy program (total amount of Rmb120-130bn for 2026E) has been consumed ~Rmb55-58bn in 1H26. Mr. Liu expected the national stimulus to continue while with mild adjustments and gradual fade-out as the marginal effect for consumption is declining. **(2) Export VAT rebate reduction/Battery tax/Weight tax:** Mr. Liu viewed a halving of the export VAT rebate as highly likely from 2027E. For Battery tax, he noted growing discussion of 2-4% tax rate for battery (link, CNEVPOST, 17-July). This would add cost per vehicle and cannot be fully absorbed by OEMs. For NEV weight-based tax (link, Yicai global, 26-May), he noted industry is proposing an automotive tax reform system based on vehicle weight to help reduce sizes, with no specific progress made yet.

Autonomous Driving regulatory view — Mr. Liu viewed 2027 as a milestone for L3 Autonomous Driving and all new models must pass validation across 300+ testing scenarios. He noted that multi-sensor fusion architectures with LiDAR are better positioned for the regulation. And some OEMs need to re-work on their hardware and software architecture to be aligned with the regulatory requirement.

BYD - (1) Jul orders: 250–270K with domestic insurance registrations at ~200K units; DENZA at 12k (excl. N8), Fangchengbao at 25-28k, major contribution from Ti 7 with 15-16k for PHEV and 6-7k for BEV; (2) Key bottleneck: Great Tang and etc. delivery delays (3-4 months waiting time) lead to some order shift to competitors.

(See 2nd page for order intake by brands & Q&A sessions)

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

GWM – (1) Haval H10 is the standout with 40K+ locked orders, with 6 seat option accounting for 60% of orders. The expert expects its monthly steady-state order could exceed 10k; (2) Mr. Liu expected Tank 300 monthly steady-state order could reach 10k, and Tank400/500/700 combined could contribute ~10k.

Leapmotor – (1) Jul/Jun domestic order at 75k; (2) D19/D99 combined could contribute 10-12k steady-state order; (3) A05 could contribute ~5k incremental volume; (4) Looking into 2H26, Mr. Liu expected Leapmotor could deliver monthly volume of 120-130k, with domestic retail reaching 90k.

Li Auto vs AITO – (1) Jul i6 orders at 15k, L6 orders at 16-17k (steady-state order at 8-10k) (2) AITO Jul orders at ~20k; (3) Mr. Liu was more bullish on Li Auto given more complete BEV product offering, flexible customer incentives; (4) Mr. Liu expect Li Auto will launch i9 and a facelift for i6 model within 1–2 months, and there is clear determination from company to push i6 toward 20k/month. Mr. Liu said Li Auto could reach ~40K total monthly volume while AITO is constrained by M6 delivery bottlenecks, M9 volume ceiling, and an M8/M9 replacement cycle that is causing consumers to hold off.

Xiaomi – (1) Jul orders at 28-29k (Sedan 65%, SUV 35%); (2) Upcoming N90/N70: an estimated 55–60k refundable orders within the first three days, with another 10k added as of last weekend, Mr. Liu expected the total refundable orders to exceed 100k by the official launch in Sep. The combined steady-state monthly order could be ~15-20k; (3) N90 Max is pricing at Rmb299k (below expert's previous Rmb330k expectation) and N70 Max is pricing at Rmb259k (higher than expert's previous Rmb220-230k expectation).

Other brands – (1) Geely Galaxy brand Jul order at 73-74k; (2) Xpeng Mona M03 orders decline from 12-13k to below 10k in Jul, impacted by L03 launch (~40k non-refundable orders). G6/G9 remain ~5-6k per month. (3) Nio: ES9 steady-state monthly order at ~5-6k; ONVO combined at 12-15k and Firefly at 5-6k;

Q&A

Q: Will BYD continue gaining market share through year-end? Is there any truth to speculation of policy support for fuel vehicles? What is your view on the export VAT rebate reduction?

Mr. Liu believed BYD's market share should continue to rise driven by rising NEV penetration in <Rmb200k ASP segment. With complete NEV product offerings, BYD is likely to capture market share from ICE automakers. Mr. Liu heard nothing about the stimulus on ICE market.

Q: Can you comment on the export trend? Can the current growth rate be sustained into next year? How should we think about EU tariffs and local production requirements?

Mr. Liu identified Europe and ASEAN as the two key export markets. Localization is the primary challenge in both — automakers must go through ca
deployment and establishing JV that foreign OEMs underwent w
China. He is relatively optimistic on exports because Chinese au
beginning to move beyond simply exporting domestic models ar
developing market-specific products. The second and third grov
smart driving and ecosystem differentiation.

**Q: Have most automakers exhausted their low-cost battery in
What other cost items are seeing upward pressure?**

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Mr. Liu said from a channel inventory perspective, total national vehicle inventory in July was ~340K units (~270K at dealers, ~70K at OEMs), and about 70% of that is NEV inventory. On cost items beyond raw materials, the expert again emphasized three regulatory-driven cost increases to watch: battery consumption tax (2–4%), potential vehicle weight-based tax, and the L3/L4 validation cost burden — 300+ scenario testing will be required from July 2027.