

Economic watch

China | EV sector: forging ahead amid intensifying headwinds

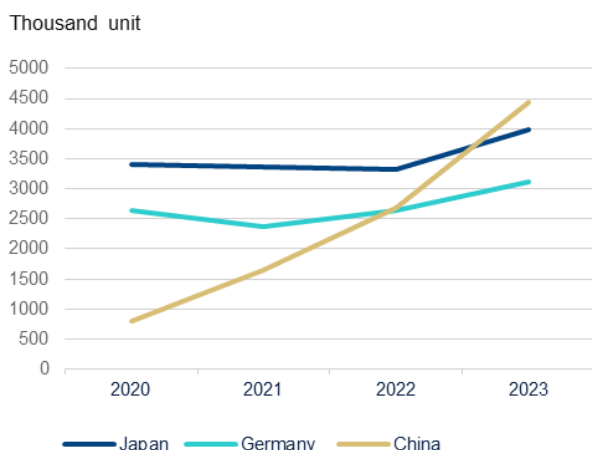
Betty Huang / Le Xia
June 27, 2024

China emerged as a new giant in auto industry driven by EVs

China, known as the world's manufacturing hub, has rapidly emerged as a significant player in the automobile industry. In 2023, China surpassed Japan to become the largest auto exporter globally, following its previous milestone in 2022 when it overtook Germany as the second-largest car exporter. Notably, China's rise as an automobile power is distinguished by its focus on new energy electric vehicles (EVs), which has contributed significantly to its export growth. In 2023, China's EV exports experienced a remarkable surge, with a 70% increase, reaching a value of USD 38.5 billion. These exports accounted for approximately one-third of China's total passenger car exports by quantity and 51% by value. (Figure 1 and 2)

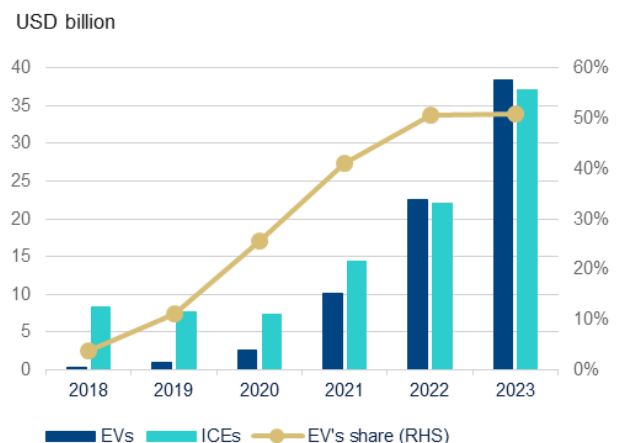
However, China's dominance in EV exports is encountering challenges posed by the United States and Europe. The US has raised the import tariff rate on Chinese-made vehicles from 27.5% to 100% as of May this year. Similarly, the President of the EU Commission has threatened to impose retroactive provisional countervailing tariffs of up to 38.1% on Chinese EV imports starting from July 4, unless discussions with Chinese authorities result in an effective solution. The EU's decision is a response to its anti-subsidy investigation into Chinese EV exports initiated in October of the previous year, along with the commencement of customs registration for Chinese EVs in March.

Figure 1. CHINA'S AUTO EXPORTS OVER JAPAN IN 2023



Source: BBVA Research based on data from Haver and CEIC

Figure 2. EVS EXPORT VALUE TAKING UP OVER 50%



Source: BBVA Research based on data from General Administration of Customs of the People's Republic of China, EVs are calculated as the sum of pure electric, plug-in hybrid and hybrid models.

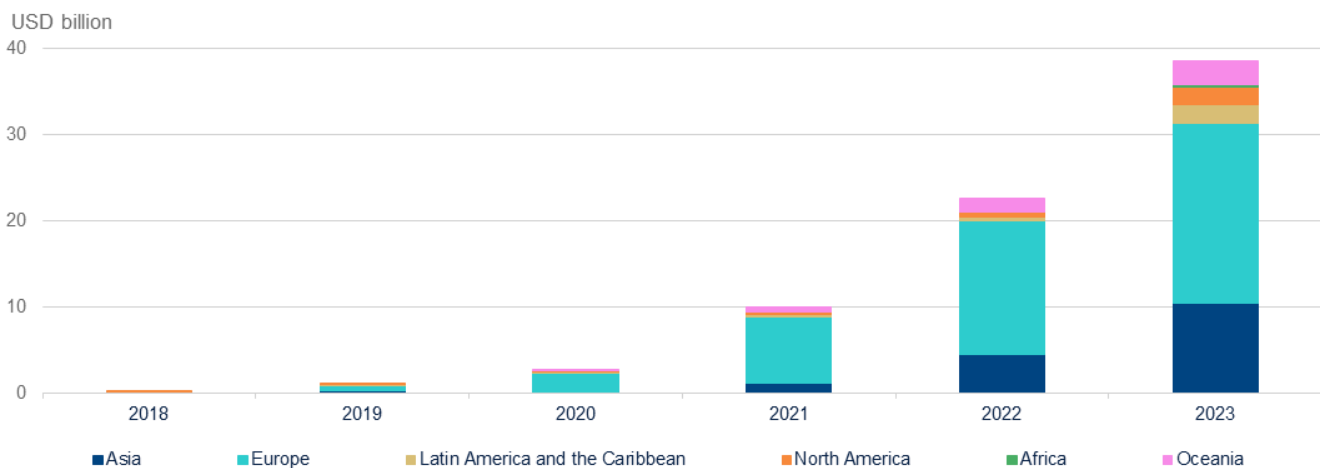
This report aims to assess the potential impact of current headwinds on China's EV exports amid the shifting trade environment. The changing trade dynamics, including increased tariffs and anti-subsidy measures, have the potential to influence China's position in the global EV market. By analyzing these factors, we seek to gain a comprehensive understanding of the future trajectory of China's EV sales overseas.

The pattern of China's EV exports has under nuanced changes

China's exports of electric vehicles (EVs) to the world have been growing exponentially in recent years. However, a number of factors, including high shipping costs, policy uncertainties, and changes in other countries' subsidies for their local EV makers, are starting to reshape the pattern of China's EV exports

Despite geopolitical tensions, Europe remains the primary destination for Chinese EV exports. In 2023, the value of China's EV exports to Europe rose significantly from \$15.4 billion in 2022 to \$20.8 billion, constituting 54.2% of China's total EV exports. Within Europe, the majority, nearly 88%, of Chinese EV shipments went to the 17 Western European countries ¹. Among these, Belgium stood out with the highest import value of Chinese EVs, reaching USD 5.6 billion. Belgium serves as a transit point for Chinese cars exported to Europe, as the EVs are further distributed to countries such as Germany, France, Italy, Switzerland, and others after arriving at the port of Zeebrugge. Meanwhile, Central and Eastern European countries accounted for a 12% share of Chinese EV exports in the same year.

Figure 3. **MADE IN CHINA ELECTRIC VEHICLES EXPORTS BY REGION, 2018-2023**



Source: BBVA Research based on data from General Administration of Customs of People's Republic of China

¹ 17 countries in the Europe including Germany, France, Spain, Italy, Portugal, UK, Ireland, Belgium, the Netherlands, Austria, Switzerland, Luxembourg, Sweden, Norway, Finland, Denmark and Greece.

Asia emerged as the second-largest market for China's EV exports, receiving 27.1% of the total, equivalent to \$10.4 billion. Notably, Southeast Asia played a crucial role in this region's demand for Chinese EVs. Oceania, primarily represented by Australia, accounted for 7.2% of China's EV exports, while Latin America received 5.9%. Lastly, Africa and the Middle East collectively accounted for 0.4% of China's EV exports (Figure 3).

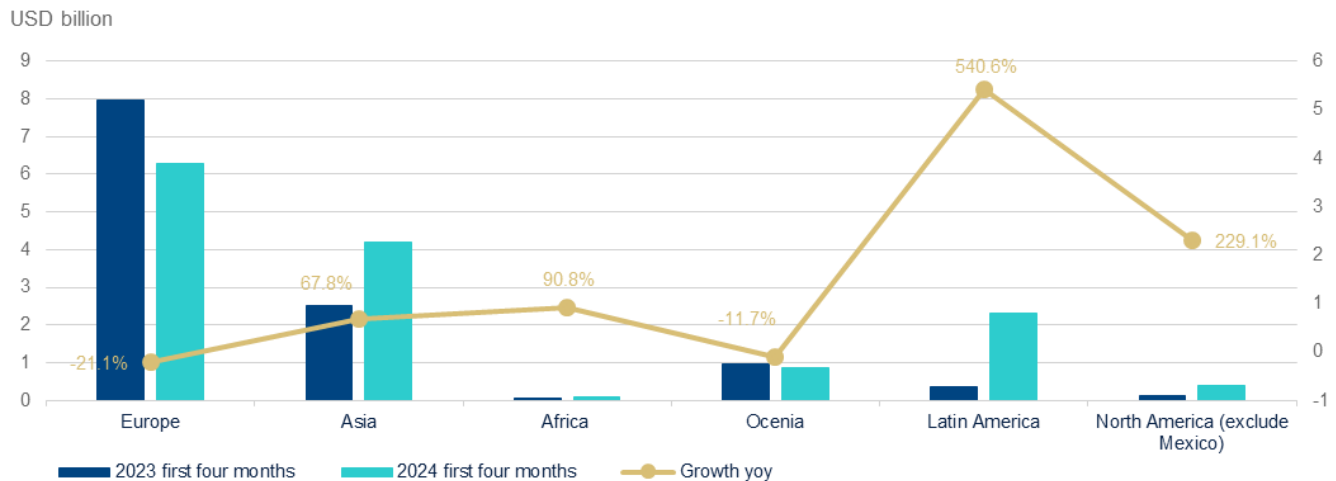
However, the momentum in Chinese EV exports to Europe has significantly declined following the announcement of the subsidy probe by the EU. As of 2024, the export value of electric vehicles to European countries has dropped by over a fifth, reaching USD 6.3 billion, compared to USD 8.0 billion in the same period the previous year (refer to Figure 4). Despite European countries still being major buyers of China's EVs, accounting for approximately 44% of China's total EV exports by quantity, this marks a substantial decrease from the period of 2021-2023 when the bloc accounted for over 50% of China's EV exports. The slowdown can be attributed to the ongoing subsidy probe and policy changes implemented by selected European countries.

The UK, for instance, is considering launching an investigation into EV subsidies to China, while Germany has decided to discontinue electric-car subsidies by the end of 2023. Additionally, France has announced that discounted purchases of Chinese-made electric vehicles will no longer be available to prospective owners across the border from 2024. As a result, major European markets such as the UK, Spain, Germany, France, the Netherlands, and Norway experienced significant declines in their imports of Chinese-made EVs from January to April (Figure 5).

In contrast, China's EV exports to Asia have witnessed a surge, growing by 68% to USD 4.2 billion in the first four months of 2024, compared to USD 2.5 billion in the same period the previous year. This shift indicates a change in the primary area of overseas operations from Europe to Asia, particularly Southeast Asia. Among Asian countries, Thailand remains the top destination for Chinese-origin EV exports, receiving USD 0.6 billion in the first four months of 2024 due to its close ties with China and access to the Southeast Asian market. Notably, China's EV exports to its partners under the Regional Comprehensive Economic Partnership (RCEP)² have experienced impressive growth, increasing by 53% year-over-year in the same period. This reflects China's efforts to focus on RCEP partners, notably Indonesia and South Korea, to leverage battery minerals such as Nickel and compensate for the decline in exports to the EU market during the ongoing Brussels probe. There is evidence of skyrocketing exports of Chinese-made EVs to Indonesia and South Korea, with increases of 72 and 6 times, respectively, from January to April compared to the previous year (Figure 6). Furthermore, Chinese EV exports to Singapore, Malaysia, and the Philippines have also shown remarkable increases, as these countries maintain a welcoming attitude towards China-made EVs.

² The free-trade agreement involves 15 members including Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam, which aims to eliminate up to 90 per cent of tariffs on imports between its signatories over the next several years.

Figure 4. **CHINESE EVS EXPORT STRUCTURE CHANGED IN THE FIRST FOUR MONTHS OF 2024**



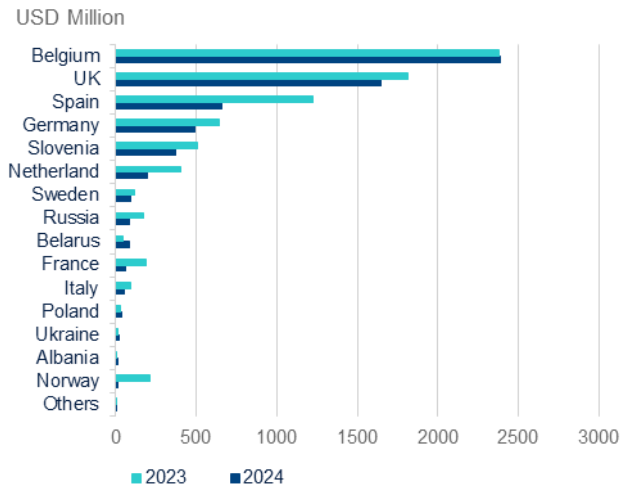
Source: BBVA Research based on data from General Administration of Customs of People's Republic of China

Furthermore, there has been remarkable growth in Chinese EV exports to Latin America. Despite a relatively low electric vehicle penetration rate in the region, 14% of Chinese-made EVs are now destined for Latin America, primarily due to Brazil's policies aimed at encouraging local auto production. Brazil has emerged as the top export market for Chinese EVs, surpassing Belgium. In April alone, exports of EV cars from China to Brazil skyrocketed by 13-fold year-on-year, reaching 40,163 units. This trend has made Brazil the biggest export market for Chinese EVs for the second consecutive month. Additionally, EV exports to Mexico have also seen significant growth, although the value remains relatively minor, totaling only USD 0.37 billion in the first four months of 2024.

In the North American market, Chinese-made EVs have yet to play a substantial role, with only 5% of exports going to North America. This reflects higher tariffs and other local content requirements imposed on Chinese-made automobiles in the United States. Specifically, China's EV exports to Canada amounted to USD 0.35 billion in the first four months of 2024, slightly higher than those to Mexico. Chinese-origin EV exports to Africa and the Middle East have also increased, although they still constitute a negligible share of the total.

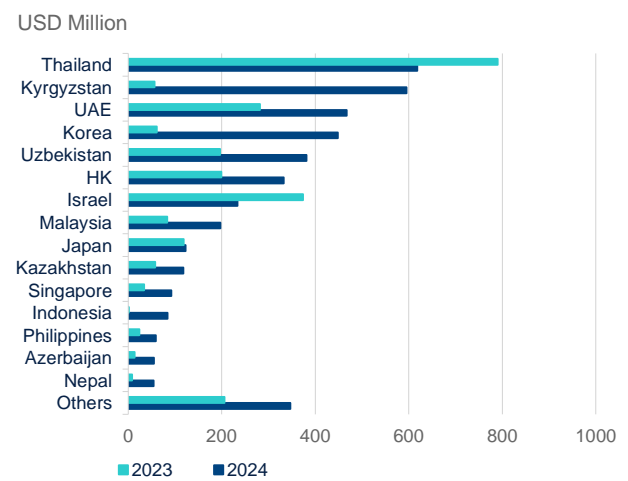
However, there has been an 11.7% decline in the share of Chinese-made EVs going to Oceania during the first four months of 2024. While EV sales to New Zealand have decreased, the share going to Australia has remained stable at USD 8.4 billion. Australia's zero-tariff rate (Table 1) and favorable environment for Chinese EV exports have contributed to this stability.

Figure 5. **CHINESE EVS EXPORT TO EUROPE BY COUNTRIES**



Source: BBVA Research based on data from General Administration of Customs of People's Republic of China

Figure 6. **CHINESE EVS EXPORT TO ASIA BY COUNTRIES**



Source: BBVA Research based on data from General Administration of Customs of People's Republic of China

Table 1. **TARIFFS PLACED ON VEHICLE IMPORTS BY COUNTRIES**

Country	Import tax for Chinese-made vehicles	Import tax for vehicles from other regions
Canada	6.10%	6.10%
Indonesia	40%	10%
Malaysia	30%	30%
Thailand	50%	80%
India	125%	125%
Brazil	20%	20%
Argentina	35%	35%
EU	25%	16%
Russia	20%	20%
Australia	0%	5%
US	100.00%	2.50%

Source: BBVA Research based on General Administration of Customs of People's Republic of China

“Go overseas” strategy of major Chinese EV makers

When it comes to Chinese-made EV exports, various carmakers including both foreign & joint-ventured automakers and China's own brand manufacturers have contributed to China's success in this market. According to data from the China Association of Automobile Manufacturers (CAAM), Tesla holds the largest share of China's EV exports. Utilizing its Gigafactory in Shanghai and benefiting from the lower labor and energy costs in China, Tesla exported 286,000 EV units, accounting for approximately 30% of Chinese-made EV exports. Apart from Tesla, foreign-brand joint ventures including BMW and Renault represented around 20% of Chinese-made EV exports during the same period (Figure 7).

The second-ranked company is BYD Auto Co. Ltd, a dominant Chinese EV automaker that is actively expanding into overseas markets. BYD exported 269,000 EV units in the past 12 months, constituting 28% of China's EV exports. With a strong global presence, BYD's new energy models have successfully signed contracts with local dealers and entered the passenger car markets of numerous countries, including Australia, Colombia, Sweden, India, Japan, Brazil, Thailand, Malaysia, the Netherlands, the UK, France, Germany, Ireland, and Spain. It has established headquarters and aftermarket services in Europe (the Netherlands and the UK) and recently announced plans to build its first European vehicle factory in Hungary. In 2022, BYD also established its first EV production line in Southeast Asia, located in Thailand, with an annual production capacity of 150,000 units. Additionally, BYD announced a USD 1.3 billion investment to build a factory in Indonesia, with a production capacity of 150,000 vehicles per year. In Latin America, BYD has had an electric bus factory in Brazil since 2015 and plans to establish a large-scale production base complex in the country, taking advantage of Brazil's mineral resources, to be operational in the second half of this year. Moreover, BYD conducted a feasibility analysis in February 2024 for the construction of a factory in Mexico and was in negotiations with Mexican officials regarding the plant's location and other terms.

Following BYD is SAIC Motor Co. Ltd, which exported 187,000 EVs abroad in the past 12 months, representing 23% of China's total EV exports. As China's largest carmaker and a state-owned enterprise, SAIC's strategy for international expansion involves acquiring or forming joint ventures with foreign brands and leveraging this knowledge across its portfolio. SAIC owns the iconic MG brand and has propelled MG to significant development on the global automobile stage. While the UK, Germany, France, Thailand, Norway, and Sweden were the previous main overseas markets for SAIC's MG models, the company has been accelerating its expansion into new markets. India, Australia, Mexico, Spain, and Indonesia have gradually become important overseas markets for SAIC. Additionally, SAIC has joint ventures with other foreign automakers such as SAIC GM's Wuling or Volkswagen.

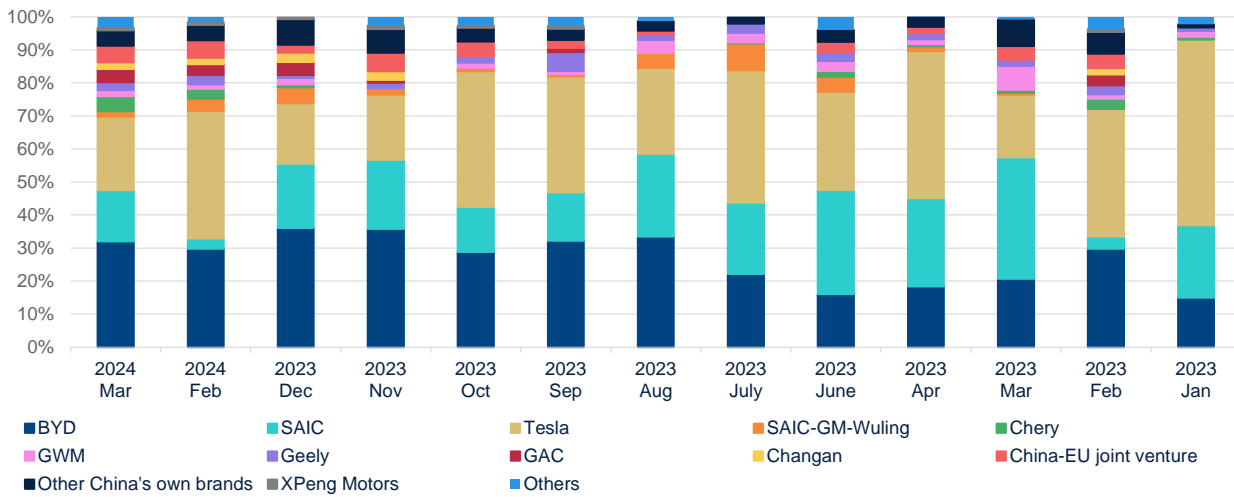
There are several other notable electric vehicle manufacturers in China. Geely Holding, a privately-owned enterprise, has expanded its presence overseas through acquisitions and joint ventures with brands such as Zeekr, Volvo Cars, Polestar, Proton, Smart, and Lotus. Geely Holding has exported over 22,000 EVs in the past 12 months and relies heavily on Geely Group's overseas production. Its key markets are the United States and Western European countries (Table 2).

Another significant player is NIO, which has adopted a direct operation model and has been delivering EVs in Europe. In July 2022, NIO established its first overseas smart factory in Hungary, with plans for investment in R&D and manufacturing of battery swap stations in the future. In October 2022, NIO announced the launch of a "subscription" service in the German, Dutch, and Danish markets, offering a range of models and battery options. As of June 2023, NIO operates six NIO Houses in Europe. NIO aims to expand its market share in Europe further by adding new battery swap stations and opening more directly operated stores.

XPeng Motors is another Chinese electric vehicle manufacturer that has adopted a mixed business model, utilizing both local dealers and direct sales. Throughout the year, XPeng Motors achieved total sales of 777 vehicles in the Norwegian market.

Chinese brands such as GWM, Chery, and Chang'an Motors also have ambitions to leverage their expertise and supply chains to develop their own new energy vehicle (NEV) products. For instance, Chang'an has set a sales target of 1 million EV units by 2025. GWM has announced that its Brazil plant will begin operations and plans to launch 10 electric vehicles in Brazil. GWM is also considering exporting EVs made in its Thailand factory to other Southeast Asian countries based on demand. Chery has signed a joint venture deal with Spanish EV Motors to produce cars in Catalonia, starting from April 2024.

Figure 7. CHINESE EVS SALE OVERSEAS BY BRAND SHARE



Source: BBVA Research based on CAAM

Table 2. CHINESE AUTO MANUFACTURERS ODI IN GREEN AREAS

Investor	Year	Month	Country	Quantity in Millions	Share Size	Transaction Party
BYD	2019	October	India	140		
	2022	October	Thailand	490		WHF
	2023	April	Chile	290	100%	
	2023	May	Vietnam	240	100%	
	2023	July	Brazil	620	100%	
	2024	Jan	Indonesia	1300	100%	
SAIC Motor	2015	February	Indonesia	390	56%	
Geely	2015	March	Britain	370	100%	
	2015	May	USA	500	100%	Volvo
	2015	May	Belarus	160	48%	BELGEE
	2022	June	Brazil	170		
	2023	March	Malaysia	230		DRB
Chery Auto	2011	May	Venezuela	200	100%	
	2011	July	Argentina	170		Socma
	2011	July	Brazil	400		
	2012	June	Turkey	120		
Great Wall	2009	November	Bulgaria	120		Litex Motors
	2015	May	Russian Federation	510		

Source: BBVA Research based on CAAM

Can EU's tariffs deter Chinese EVs from advancing into Europe?

The European Commission has recently announced the imposition of additional duties on Chinese electric vehicle (EV) imports, which will take effect from July 4. These additional duties will be applied on top of the existing 10% tariffs already in place on all Chinese EVs. The new tariffs range from 17% to 38%, depending on the specific manufacturers. Major exporters such as BYD and Geely will face additional tariffs of 17.4% and 20% respectively. SAIC, the state-owned automaker, which is perceived to have not cooperated with the investigation, will be subject to the highest additional tariff rate of 38.1%.

For other Chinese brand manufacturers that were considered to have cooperated with the EU investigation but were not assigned individual rates, a 21% tax rate will be applied. Furthermore, China-made European brand vehicles, including Mercedes and Renault, will also face a 21% tariff rate. In the case of Tesla, the EU will calculate

a duty based on the weighted average of the duties imposed on the Chinese brands that the EU Commission deems to have cooperated.

This tax rate structure is approximately in line with the average countervailing duties level imposed on the existing ten Chinese items, with cooperating firms facing an average countervailing duty of 19.3% and non-cooperating firms facing an average countervailing duty of 44.2% (Table 3).

Table 3. **HIGHEST COUNTERVAILING DUTIES ON RECORD PLACED ON CHINESE IMPORTS BY THE EU**

Items	Investigation Date	Highest countervailing duties on record
1.Coated fine paper	17-Apr-2010	12%
2.Organic coated steel products	22-Feb-2012	29.70%
2.Organic coated steel products (non-cooperating)	22-Feb-2012	44.70%
3.Solar glass	27-Apr-2013	17.10%
4.Glass fiber reinforcements (GFR)	12-Dec-2013	10.30%
5.Hot-rolled flat products of iron/steel	13-May-2016	35.90%
6.Tires for buses or trucks	16-Oct-2017	17.50%
6.Tires for buses or trucks (non-cooperating)	16-Oct-2017	50.0%
7.Electric bikes	21-Dec-2017	17.20%
8.Glass fiber woven fabrics (GFF)	16-May-2019	24.80%
8.Glass fiber woven fabrics (GFF) (non-cooperating)	16-May-2019	30.70%
9.Aluminum converter foil	22-Oct-2020	18.20%
10.Optical fiber cables	21-Dec-2020	10.30%
Average price (not incl. non-cooperating)	-	19.3%
Average price (Non-cooperating)	-	44.2%

Source: BBVA Research based on EU Commission

The impact of the newly imposed tariffs will vary depending on the level of the tariff and each company's cost structure. SAIC, the state-owned automaker dominating the lower-end European market with its MG brand, will be the most affected by these tariffs. Despite the MG 4 having a price premium of over 90% compared to its domestic selling price in China, the aggregate 48.1% tariff is expected to bring the selling price in Europe to a similar level as the domestic price, considering shipping costs and taxes. As a result, SAIC may be compelled to either increase prices or establish a factory in Europe to bypass these duties.

Nevertheless, some other Chinese EV manufacturers still have the capacity to absorb the tariff costs, due to their higher profit margins of selling EVs in the Europe. (Table 4) For instance, BYD, a dominant player in China's electric vehicle market, charges more than double the price in Germany, the Netherlands, and the UK compared to its domestic selling price for its popular models such as the Dolphin, Seal, and Atto 3. Even after factoring in shipping and the newly imposed tax costs, research conducted by the Rhodium Group suggests that BYD still enjoys 38% higher profits compared to the domestic price in China. This indicates that the European market will remain highly attractive for BYD, despite the new tariffs. Geely, which owns Volvo, has a less vertically integrated structure and a lower price premium of 36% for its Polestar brand. This means that Geely could still export to the EU profitably under the new tariff, although its profits will be significantly reduced.

Table 4. **EV MODELS PRICE IN SELECTED MARKETS COMPARED WITH LOCAL MARKET**

Brand	Model	Price in foreign market		Price in China	Price premium
BYD	Dolphin	UK	£30,195	€ 12,947	178%
		The Netherlands	€ 35,490		174%
		Germany	€ 32,990		155%
	Seal U comfort	UK	NA	€ 21,769	NA
		The Netherlands	€ 42,990		97%
		Germany	€ 41,990		93%
	Atto 3 Comfort	UK	£37,195	€ 17,923	147%
		Netherlands	€ 38,990		118%
		Germany	€ 37,990		112%
SAIC	MG4 Electric 64kWh	UK	£29,495	€ 17,939	96%
		The Netherlands	€ 35,785		99%
		Germany	€ 39,990		123%
Geely	Polestar 3	UK	£52,950	€ 38,470	64%
		The Netherlands	€ 55,200		43%
		Germany	€ 52,275		36%

Source: BBVA Research based on Electric Vehicle Database

Project Chinese brand EV sales overseas in 2025 and 2030

In this section, we aim to project the sales of Chinese brand electric vehicles (EVs) to different regions in 2025 and 2030, amid the changing trade environment. As Chinese automakers accelerate their investments in building factories in foreign markets, the EV sales overseas include both the export of Chinese-brand EVs and the local sales by China's manufacturers.

Europe: Western Europe will still be the primary destination for Chinese-brand automobiles sales

Western European countries will remain the primary destination for China-made passenger cars, especially EVs, for several reasons:

European Union's decarbonization policy: The EU's policy to decarbonize new car fleets provides a competitive opportunity for Chinese automakers due to their price advantage. Europe has one of the largest auto markets, selling over 10 million vehicles per year, with relatively high car ownership (550 per 1,000 people) and sales (30 vehicles per thousand). Additionally, Europe has the highest EV penetration rate of any continent, at over 20%. Driven by the goal to phase out internal combustion cars by 2035, it will lead to structural changes in the auto industry, favoring electric vehicles.

Openness to Chinese investment: In contrast to the United States, the EU has remained more open to Chinese investments. Chinese EV makers have faced greater resistance and high tariffs in the U.S. market, making the European market more important for their global expansion.

Competitive Pressures in China: The intense competition in China's domestic EV market is making Chinese manufacturers eager to expand overseas. Even if higher tariffs were imposed on Chinese EV imports to Europe, leading to price parity, Chinese brands might still decide to export in order to gain market share, given the

intense competition in the domestic Chinese market. Also, we cannot rule out the possibility that Chinese EV producers would be willing to sacrifice profits in the short term to capture a rising market share in the world's second-largest EV market.

Therefore, it is expected that Europe will continue to be the primary destination for China's EV sales. While the auto market size in Western Europe remains stable, Chinese brand manufacturers have experienced remarkable growth in their share of the Western European total passenger car market. In 2023, China's share stood at 9.2%, a significant increase from 0.5% in 2019. It is anticipated that Chinese brand auto share will reach 11% in 2024 and 15% by 2030, with EV share accounting for 70%-80% of the total passenger car market, even with the tariffs imposed by the EU. This is a more conservative projection compared to the European Federation for Transport and Environment's analysis, which expects Chinese EVs to account for 20% of the EU's market by 2027.

Southeast Asia: Rapid expansion driven by economic rebound and market potential

The Southeast Asian automobile market presents significant growth opportunities for Chinese EV manufacturers. With an annual output of only around 3 million vehicles, the region remains in the early stages of market development. Vehicle ownership across Southeast Asia varies widely, from dozens to a hundred vehicles per thousand people, with only Malaysia approaching European levels. Additionally, the number of vehicles purchased per thousand people averages no more than 5, indicating substantial untapped demand.

Several factors favor the expansion of Chinese EV brands in Southeast Asia. The region's large and growing population, coupled with rapid GDP growth, will drive new automotive demand. Furthermore, the market lacks strong local brands, allowing Chinese manufacturers to capitalize on the preference for cost-effective Japanese models. While tariffs on Chinese EV imports remain relatively high, they are lower than the rates imposed by India, making the region feasible for Chinese automakers to enter.

By leveraging the region's low labor costs, Chinese EV makers can establish local production facilities and export vehicles to the broader Southeast Asian market. The main challenge lies in the relatively underdeveloped industrial and manufacturing capabilities, requiring Chinese firms to invest in R&D and parts integration.

Based on the above analysis, the Southeast Asian auto market is expected to experience rapid growth in the coming years. Projections indicate that the share of Chinese-made vehicles in the Southeast Asian market will rise from 12.7% in 2023 to 20% in 2025 and further to 27% in 2030. During this period, EVs are expected to account for around 60-70% of Chinese automakers' sales in the region.

The share of Chinese-made autos in the Southeast Asian market is projected to rise from 12.7% in 2023 to 19% in 2025 and further to 27% in 2030, with EVs representing at around 60%-70%.

Latin America: A promising market for Chinese brand EV sales

In contrast to Southeast Asia, the Latin American automobile market has a longer history of development, with annual passenger car sales reaching 4.41 million in 2023. However, the market has faced challenges, with sales declining from a peak of over 6 million vehicles due to the economic downturn after 2013. Vehicle ownership in the region is slightly lower than North America and Europe, with some major countries ranging from 300 to 400 vehicles per thousand people. The purchase volume per thousand people has also been declining since 2013 due to the unfavorable economic conditions.

In terms of electric vehicles (EVs), the development of new energy vehicles in Latin America is still in its early stages. Sales have shown a fluctuating upward trend, and hybrid EVs account for a significant proportion of new energy vehicles. The penetration rate of new energy vehicles in the region was less than 1% in 2023.

Despite these challenges, the Latin American market presents both opportunities and risks for Chinese automakers looking to expand their auto sales. On the one hand, export tariffs to the region are relatively high, with Argentina maintaining a 35% tariff and Brazil planning to gradually increase the tax rate to 35% by 2026. However, certain countries within Latin America, such as Chile, have favorable trade cooperation agreements with China and impose zero tariffs on Chinese imports, presenting opportunities to reduce trade costs.

On the other hand, while the threshold for building local factories in Latin America is low, there are inherent risks involved. Weak resilience to risks in the construction and operation of local factories, combined with a fluctuating economic environment, may increase operational risks. The advantage is that since Latin American countries have widely signed free trade agreements with neighboring countries, establishing a factory in one Latin American country is expected to efficiently expand to other countries in the region.

Considering these factors, Chinese vehicle brands are anticipated to capture a significant market share in Latin America, accounting for 17.5% in 2025 and 25% in 2030, respectively. This growth is expected to be driven by a combination of reduced trade barriers, the establishment of local manufacturing facilities, and the appeal of Chinese EV offerings in the region.

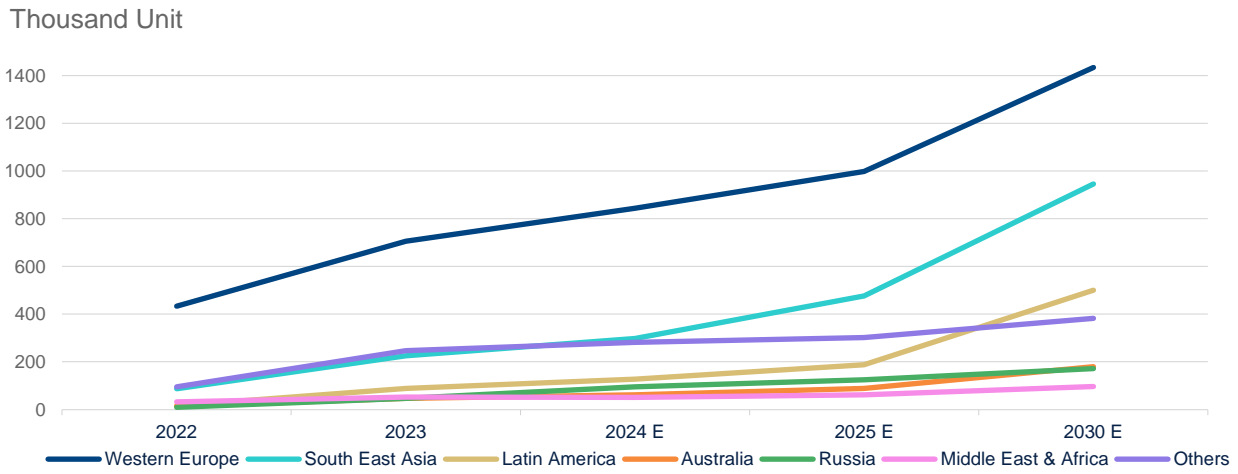
Considering these factors, Chinese vehicle brands are anticipated to capture a significant market share in Latin America, accounting for 17.5% in 2025 and 25% in 2030, respectively, with EV share at 25%-40%. This growth is expected to be driven by a combination of reduced trade barriers, the establishment of local manufacturing facilities, and the appeal of Chinese EV offerings in the region.

Expansion into other key overseas markets

Chinese brand auto sales in Australia are anticipated to grow due to a favorable trade environment, although the small population base may limit new demand. The penetration rate of new energy vehicles is expected to be high in the future. Meanwhile, Russia, the Middle East, and Africa are seen as potential destinations for Chinese brand automobiles, but particularly traditional internal combustion engine (ICE) vehicles, as the penetration rate for new energy vehicles is relatively low in these regions.

In sum, our projections indicate that by 2030, Chinese EV sales overseas will concentrate in Western Europe, Southeast Asia, and Latin America over the next six years, accounting for approximately 80% of total Chinese overseas EV sales (Figure 8). Western Europe represents the most promising market, as it boasts the highest penetration rate for new energy vehicles, which is expected to increase significantly as Chinese automakers establish local manufacturing facilities. Southeast Asia and Latin America also offer substantial growth opportunities for Chinese EV exports. Other potential markets include Oceania, mainly Australia. Chinese manufacturers are also targeting Russia, the Middle East, and Africa, especially in the traditionally internal combustion engine auto segment. However, Chinese automobile brands are unlikely to see significant growth in highly competitive markets like the US and India, where high tariff costs, local content requirements, and potential operational expenses pose substantial barriers to entry.

Figure 8. **PROJECTION OF CHINESE EV SALES OVERSEAS IN 2025 AND 2030**



Source: BBVA projection based on CAAM and Marklines data

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