

Between doomsaying and reality: There's still no rush for Chinese cars in Germany

Despite efforts by Chinese car manufacturers to take market share in Germany, they are still a long way from overtaking local producers. But with the end of the e-car subsidy, a wider choice of Chinese brands, and the aggressive pricing of models, China's market share could increase significantly over the coming years



In the last quarter of 2023, the Chinese car manufacturer BYD sold more electric cars worldwide than any other manufacturer for the first time, even overtaking electric car pioneer Tesla from the US. According to the China Association of Automobile Manufacturers, China exported an impressive five million cars last year, probably overtaking Japan as the world's largest car exporter. The final figures are expected at the end of January.

In Europe, Chinese car manufacturers went on the offensive with roadshows, test drives, new models and low prices. The fear that Chinese electric vehicles could take market share from European producers triggered an intense debate last year over whether to impose additional tariffs. In October last year, the EU Commission [launched a formal investigation](#) into whether Chinese companies are benefiting from illegal subsidies. This is scheduled to run for 13

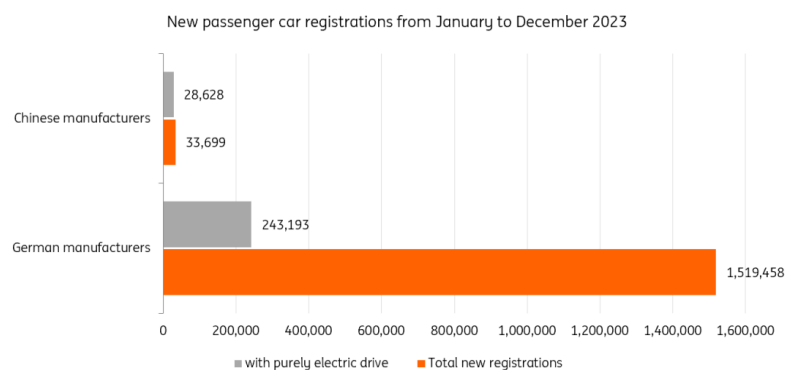
months. Currently, three major Chinese car manufacturers are under scrutiny, [according to Reuters](#).

In terms of the German market, we checked the data and found that Chinese car manufacturers are still a long way from overtaking German manufacturers. This is shown by the new car registration figures from the Federal Motor Transport Authority (KBA) for 2023. A total of 2.84 million new cars were registered in Germany between January and December, an increase of 7.3% compared to the previous year. 33,699 of these vehicles come from China, which corresponds to a meagre 1.2% of all new registrations in 2023. German manufacturers*, on the other hand, have a share of 53.4%.

Newly registered passenger cars from Chinese manufacturers are almost exclusively electric cars

Interestingly, registered passenger cars from China were almost exclusively electric cars. 85% of new registrations of Chinese cars were pure electric; in 2022, this was only 40.7%. And compared to 2022, the overall number of newly registered passenger cars from Chinese manufacturers increased by 47.6%. Maybe one reason for this increase is the [wider choice of Chinese brands](#). While there were just three Chinese suppliers on the German market in 2022, there are now models from seven different suppliers to choose from (Aiways, BYD, GWM, Lynk & Co, Maxus, MG Roewe, Nio). Despite the increase, Chinese cars accounted for only 5.5% of all new registrations of electric vehicles, compared with 46% by German manufacturers.

New passenger car registrations from January to December 2023



KBA, ING calculations

The end of the e-car subsidy (environmental bonus) could play into the hands of Chinese manufacturers

German subsidies for electric cars expired on 18 December 2023, which could help Chinese manufacturers significantly increase their market share this year. This is because the models are priced on average 24% below the base price of electric models from German manufacturers (without consideration of discount promotions). Only the Chinese brand Nio offered its models in the significantly higher price segment but has now also adjusted its list prices significantly downwards. Some manufacturers are granting discounts until 31 March, 2024. But Chinese

suppliers such as Nio are also among them. BYD has even permanently reduced the list price of some models.

The pricing by Chinese manufacturers prompted accusations from the European Union last year that the Chinese government was keeping prices artificially low through very large state subsidies. The ongoing investigation into these subsidies could ultimately result in higher tariffs on Chinese vehicles, which already face a 10% import charge by the EU.

The risk of Chinese car manufacturers taking over the German automotive market is more doomsaying than reality right now. But Chinese manufacturers could become a serious threat over the coming years, at least in the lower price segments.

*Audi, BMW, MAN, Mercedes, Mini, Opel, Porsche, Smart, VW

Authors

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.