

Argus White Paper: Battery Materials



EV slowdown in China puts the brakes on global growth

A weaker economy and lower new energy vehicle (NEV) subsidies that were introduced in 2019 precipitated a drop in Chinese NEV production and sales last year. The outbreak of the coronavirus has put further downward pressure on the sector at the start of 2020. A weaker industry in China has a disproportionate effect on the global market as it currently represents almost 60pc of global electric vehicle (EV) sales.

China produced 1.24mn NEVs in 2019, down by 2.3pc from 1.27mn in 2018 and significantly lower than the initial production target of 1.5mn NEVs. The country sold 1.21mn NEVs last year, down by 4pc from 1.26mn in 2018.

Global EV (BEV and PHEV) sales reached 2.11mn in 2019, a 4.5pc rise from 2.02mn in 2018 and 65pc up on 2017. Market penetration of EVs varies considerably between regions and China leads the way with EVs taking a market share of nearly 5pc in 2019, compared to just under 4pc in Europe and only 2pc in the US.

Coronavirus outbreak in China exacerbates a gloomy outlook

The coronavirus outbreak is expected to continue to weigh on China's NEV market with domestic production and sales forecast to fall in the first quarter. Traffic restrictions and quarantine measures imposed by the Chinese government to contain the spread of the virus forced many NEV producers to extend their lunar new year holidays.

Production plants in Hubei province, the source of the virus outbreak, account for around 8-9pc of China's automotive output, but plants country-wide have been affected by the crisis. Several manufacturers including the 40,000 units/yr NIO, 150,000 units/yr Xiaopeng and 300,000 units/yr Lixiang plants have postponed deliveries.

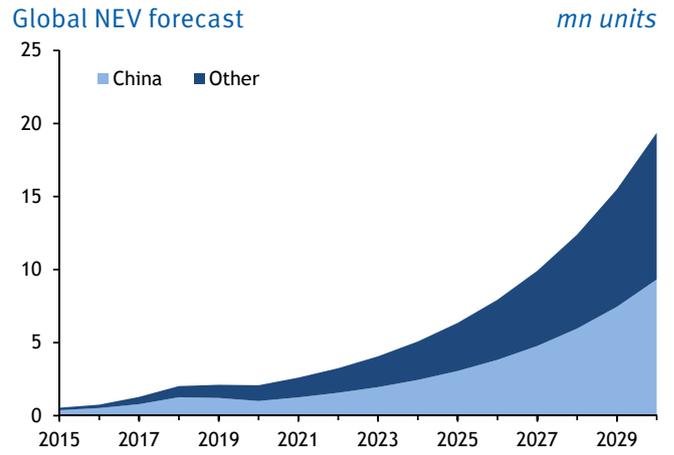
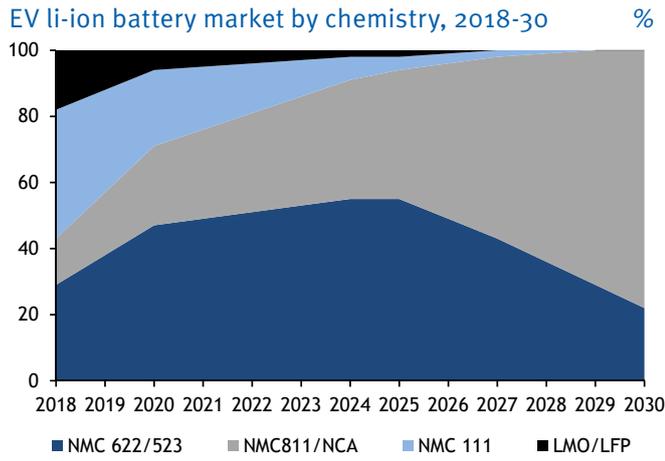
Buying interest for NEVs is expected to weaken significantly in the short term as potential buyers have opted to stay at home to prevent infections. China produced 40,000 NEVs in January, down by 55pc from a year earlier and by 74pc from 149,000 units in December 2019. January sales were 44,000, down by 54pc from a year earlier and by 73pc from 163,000 in December.

Global growth compromised by China's problems

The prospects for global growth in EV adoption have been harmed by the slowdown in China, given the country's lead in EV production and dominance in the global marketplace. Initial forecasts for global EV sales of over 2.5mn units for 2019 (a rise of over 25pc) proved to be over optimistic and predictions for sales in 2020 will have to be revised accordingly.

Originally, Argus had forecast global EV sales of almost 3.2mn units in 2020; 1.95mn in China and 1.24mn in the rest of the world. However, China will struggle to match its EV sales in 2019 with the fraught start to the year, while sales in the rest of the world are unlikely to make up the shortfall. As a result, Argus is now forecasting global EV sales of just under 2.1mn units in 2020, a 1.4pc drop from 2019.

The knock-on effect of this hiccup in the EV growth story is that the longer term forecast for EV sales could be over 20pc lower by 2030 than originally estimated or as many as 5mn units lower in absolute terms.



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