

China Luxury Car Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The China Luxury Car Market was valued at USD 160 billion, and it is expected to reach USD 175 Billion, registering a CAGR of around 3% during the forecast period.

As the economy slowly recovered from the COVID-19 pandemic, consumer demand for premium cars increased. The primary reason for the segment's growth is the continued rise in ultra-high-net-worth individuals (UHNWI) and high-net-worth individuals (HNWI) in China. Therefore, the demand for luxury automobile sales has shifted toward countries like China. Due to strong geolocation and technological shifts, particularly in China, more regional demand for high-priced automobiles has attracted new entrants to the market, resulting in more new product launches. Most major luxury brands see China as the fastest-growing market in terms of growth rate. For instance,

Key Highlights

In August 2022, FAW Hongqi announced the launch of its all-new LS7 large luxury flagship SUV. It is available in two versions, with the 6-seater version costing CNY 1.3658 million (USD 196.19 thousand) and the 4-seater version costing CNY 1.4658 million (USD 210.5 thousand)

In the last decade, the market for premium cars in China has grown at an impressive 36 % per year, outpacing the overall Chinese passenger vehicle market's 26 % annual growth. According to data from the China Automobile Dealers Association, China's luxury vehicle sales in the first 11 months of the year 2021 exceeded 2 million units with a year-on-year increase of over 5%. This also marked the third consecutive year for luxury brands to register growth in the wake of downward pressure in China's overall automotive market.

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In 2021, 2.73 million all-electric vehicles were sold in China, with Mercedes-Benz, BMW, and Audi accounting for approximately 27,000. The German luxury car manufacturers Mercedes-Benz, BMW, and Audi are also focusing on increasing the sale of their electric cars in China. For instance,

Key Highlights

In July 2022, Audi debuted the Q4 e-tron, the company's first luxury all-electric SUV in China. It is available in four variants, with 4WD and RWD, and is built on the MEB platform and the E3 electronic architecture. It is priced between CNY 299,900 (USD 43,079.17) and CNY 377,100 (USD 54,168.58).

Currently, luxury carmakers focus on catering to highly advanced cars with better connectivity to smart devices and the internet. This also plays a crucial role in the sales surge of premium cars. For instance,

Key Highlights

In May 2022, The Dreamer, an electric luxury seven-seat MPV, was launched by VOYAH Automobile Technology Co., Ltd (VOYAH Automobile), a subsidiary of Dongfeng Motor Corporation (Dongfeng Motor). The AUTOHOLD automatic parking system, an intelligent voice interaction system, and a 360-degree panoramic imaging system are among the features available on the Dreamer.

China Luxury Car Market Trends

Premium Automakers and Second-Tier Brands Gaining Target Market Traction

Carmakers target Gen Z consumers as they are more open to new technologies, are aware of market trends, and value a unique personality. As a result, luxury automakers are focusing more on offering various connectivity features in their vehicles. The trend can also be seen in the mass market segment.

European automakers Mercedes-Benz, Audi, and BMW, dominate the country's luxury car market. More than 4 million luxury vehicles were sold in the country in 2021, with Mercedes-Benz selling 758,863 vehicles, BMW selling 815,691 vehicles, and Audi selling 701,289 vehicles. BMW became the country's leading brand, with an average monthly sales volume of more than 65,000 units. (including the sales of Mini cars).

Among Chinese brands, Geely Automobile Holdings Ltd is among the companies to have responded with heavy price cuts, which were managed by reducing the specifications and features of its vehicles. At the same time, Geely's sales rose by 52.8% year over year. China's iconic sedan brand Hongqi registered a new sales record in 2021, with vehicles manufactured and sold exceeding 300,000 units. However, many Chinese brands are also launching new products in the premium car segment market. For instance,

In March 2022, A large luxury off-road SUV was introduced by Great Wall Motor Co., Ltd. It is available in ten different variations, divided into four editions: business, sports, customized, and black knight.

Growing Trend of EV are Likely to Drive the Market

Initiatives taken by the Chinese government to boost the automotive sector and increase the sales of luxury cars in the country

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also helped in sales growth and attracted new investments. In terms of policy and taxation reforms, the country is considering a tax cut to revive its weakened automotive market. The tax cut may aid the country in supporting its automotive sector.

The government allows international automakers to set up more than two joint ventures in the country. Most of the international players already have more than two joint ventures with their Chinese partners. Additionally, they can also set up wholly-owned companies in the country. These conditions create opportunities for other luxury brands to tap into the market. On the other hand, luxury car manufacturers are also cutting down the prices of their vehicle models to increase their sales in the coming years.

This year, an all-electric vehicle or a plug-in hybrid will account for one-quarter of all new cars sold in China. According to some estimates, more than 300 Chinese companies are producing electric vehicles, ranging from low-cost models under USD 5,000 to high-end models that compete with Tesla and German automakers. There are approximately four million charging units in the country, which is more than double the number from a year ago, with more on the way. Major players are also coming up with luxury electric vehicles in the country. For instance,

In June 2022, Cadillac announced that the Lyriq luxury SUV, the brand's first all-electric vehicle, is now available for order in China, accelerating the brand's transition to an electric future in its largest market. There are three variants available, each priced between RMB 439,700 (USD 63,154.42) and RMB 479,700 (USD 68,899.65).

While markets are still heavily reliant on subsidies and financial incentives, China has entered a new phase in which consumers compare the features and prices of electric vehicles to those of gas-powered vehicles without much regard for state support. The United States has fallen far behind. This year, the country passed a critical threshold, with electric vehicles accounting for 5% of new car sales. China surpassed that mark in 2018.

Of the top ten best-selling E.V. Half of the brands are Chinese, led by BYD, which trails only Tesla in global market share and is beginning to ship its electric vehicles abroad. And it's not just auto sales that are booming in the country. The Chinese battery manufacturers CATL and BYD are the industry's biggest players, and Beijing controls access to critical raw materials.

China Luxury Car Market Competitor Analysis

The Chinese luxury car market is fairly consolidated and majorly dominated by a few players, like BMW, FAW Group Co. Ltd, Infiniti, BYD, Geely, Toyota Motors, and Tesla. Some major companies have their manufacturing plants set up in the country, giving them a cost advantage over their rivals. Further, they provide a shorter timeline for dispatching their produced vehicles. BMW dominates the market with the highest sales of its German counterparts.

In July 2022, China FAW Group Co., Ltd (FAW) announced the launch of the new Hongqi H5 mid-size luxury sedan. It is available in 7 variants, including 2 HEV versions. It is priced between CNY 159,800 (USD 22,952.23) and CNY 225,800 (USD 32,431.88).

Compared with the models on sale, the new model has made improvements in its appearance, size, and power.

In April 2022, Maxus, a luxury carmaker from China, launched its new luxury MPV G90 in China.

Additional Benefits:

The market estimate (ME) sheet in Excel format

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