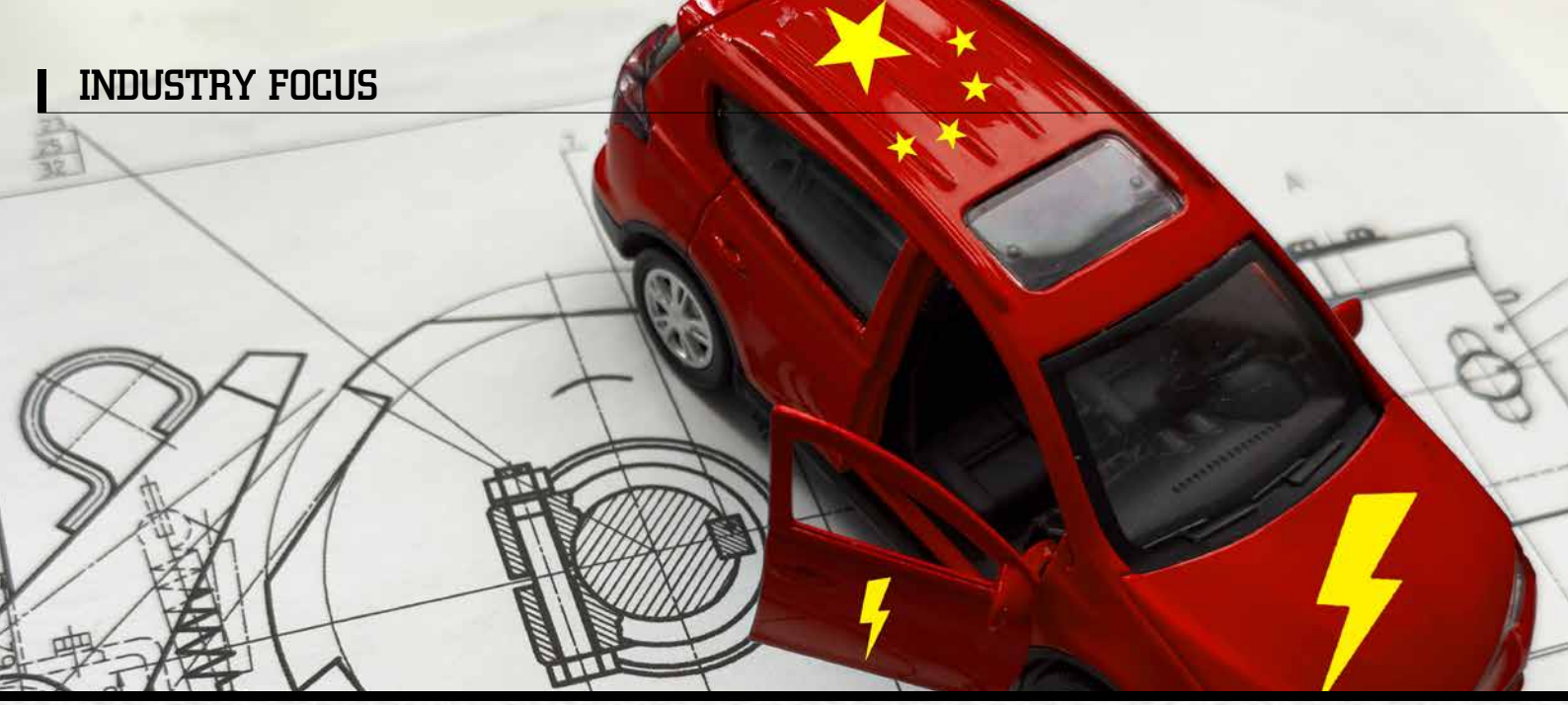


Post-Subsidy Reality:

China's EV Revolution from Policy-Driven Growth to Survival Game

中國電動車：從政策驅動到全球輸出，補貼退場、價格戰加劇與產業升級的下一個十年

Over the past decade, China's electric vehicle industry has transformed from a follower in the global auto market into the world's largest producer and consumer of new energy vehicles (NEVs). Brands such as BYD, NIO, XPeng, and Li Auto have rapidly captured the domestic market while also expanding into Europe, Southeast Asia, and the Middle East. China's EV industry has moved from "catching up" to setting the pace (**Table 1**), but the victory has not been easy. As subsidies gradually fade and the domestic market approaches saturation, Chinese companies are being forced to shift from pursuing sales volume alone to competing on cost control, technological integration, and overseas expansion. By 2026, China's EV market has moved from the question of "who can grow the fastest" to "who can survive."

★ Table 1. Key Drivers Behind China's EV Rise

Factor	Impact
Government Subsidies	Lowered purchase costs and stimulated demand
Integrated Supply Chain	Reduced battery costs and accelerated mass production
Large Market Scale	Faster technological maturity and price competition
Local Government Support	Building charging networks and production bases
Technology Integration	Enabled rapid adoption of smart cockpits and autonomous driving

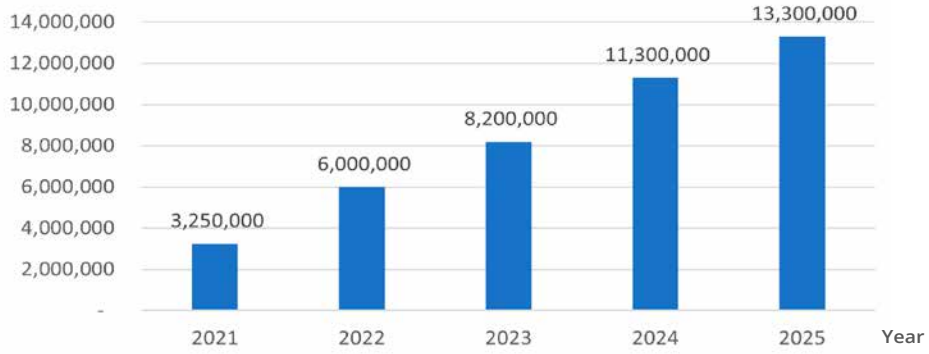
Industrial Growth Path

China's EV boom was first driven by long-term government support, supply chain consolidation, and a vast domestic market. In 2023, China's NEV production and sales reached 9.587 million and 9.495 million units respectively, marking a sharp year-on-year increase. In 2024, market penetration rose further, showing that electrification had shifted from a policy goal to a market norm.

After entering 2025, China remained the world's largest EV market. Rho Motion's data showed that China sold about 4.4 million EVs in the first 5 months of 2025, up 33% year on year. By the first 3 quarters of 2025, China had sold around 9 million EVs, with monthly sales repeatedly exceeding 1 million units, underscoring the sheer scale of the market (**Fig. 1**). China also achieved a striking result in 2025: NEV production reached 16.52 million units, accounting for 47.5% of total national auto production. Among them, BYD has become the leader in NEVs in China and globally, thanks to its complete battery supply chain, plug-in hybrid electric vehicle (PHEV) technology, and global expansion. In 2025, its total sales reached approximately 4.6 million units, while rapidly increasing its share in overseas markets. Chery, on the other hand, has built a strong export presence through Russia, the Middle East, South America, and Eastern Europe, becoming one of China's most representative export-oriented automakers. Geely has risen quickly in the new energy and high-end intelligent vehicle segments through brands such as Galaxy and Zeekr (**Tables 2 and 3**). Yet from a growth perspective, this was no longer a high-speed expansion phase, but rather a stage of refinement at a much higher base.

Unit: Vehicle

Fig. 1. China's Global Light-duty EV Sales



Passenger light-duty vehicles, including SUVs and light trucks. ; Source: IEA

The data show that China's market is much larger than any other region, and is a single market enough to shape the rhythm of the global EV industry.

★ Table 2. Sales of Major Chinese EV Brands in 2025 (Unit: 10,000 vehicles)

Brand	Total Sales	Domestic Sales (China)	Exports	Overseas Share
BYD	460	385	75	16.3%
Geely	302	252	50	16.6%
Chery	274	140	134	48.9%
SAIC	451	321	130	28.8%
Great Wall	132	90	42	31.8%
XPeng	43	39	4	9.3%
Li Auto	40	39.8	0.2	0.5%
NIO	32	29	3	9.4%
Leapmotor	60	54	6	10%
Xiaomi	41	40.9	0.1	0.2%

★ Table 3. Sales of Major Chinese EV Brands in January–April 2026 (Unit: 10,000 vehicles)

Brand	Total Sales	Domestic Sales (China)	Exports	Overseas Share
BYD	155	118	37	23.9%
Geely	98	78	20	20.4%
Chery	80	38	42	52.5%
SAIC	130	90	40	30.8%
XPeng	38	25	13	34.2%
Li Auto	15	13.5	1.5	10.0%
NIO	13	12.9	0.1	0.8%
Leapmotor	10	9	1	10.0%
Xiaomi	18	16	2	11.1%

The End of Subsidies

One of the main reasons China's EV industry scaled so quickly was subsidy support and tax incentives. Reports indicate that China used purchase subsidies, trade-in programs, and tax reductions to accelerate adoption, but these policy tools are now being phased out. National-level purchase subsidies ended at the end of 2022, and from 2026 onward, some tax incentives are expected to tighten further. Once policy stimulus faded, market demand cooled quickly. At the beginning of 2026, retail sales of NEVs in China fell more than 20% year on year, and in some months the decline exceeded 35%.

China's NEV penetration rate is now close to 60%, and most of the remaining consumers who have not yet switched to electric vehicles are concentrated in lower-tier cities, where concerns over driving range, charging convenience, and maintenance remain common. This means the center of competition is shifting. In the past, the key was who could benefit most from policy support; now the key is who can remain profitable and defend market share without subsidies. Multiple reports suggest that China's EV market in 2026 will face a true survival test: growth may slow, but price wars are unlikely to end.

Price Wars and Profit Pressure

Another defining feature of China's EV market is that it is cheap yet highly equipped. The main reason lies in the deep localization of batteries and supply chains, especially lithium iron phosphate batteries, component integration, and large-scale manufacturing, which allow Chinese brands to offer well-equipped cars at lower cost.

But low prices do not necessarily mean high margins. China's biggest EV problem is not weak demand, but excess supply. Research suggests that China's total EV manufacturing capacity is approaching 25 million units, nearly equal to the scale of global auto demand. Reuters has reported that prolonged price wars have created oversupply in the market, forcing companies to keep discounting vehicles to clear inventory and protect market share. As a result, revenue may look impressive on paper, but profitability is being squeezed. In 2025, the average profit margin of China's auto industry fell to just 4.1%, and more than 70% of vehicle models were being sold at a loss. Recent fluctuations in BYD's sales have also been interpreted as evidence that the market is entering a harsher elimination round. Weakening demand for plug-in hybrid vehicles has been one important reason behind the sales pressure.

The Next Technology Shift

China's competition has now shifted from expanding the market to competing for customers. As price wars continue to erode margins, Chinese automakers are focusing more on technology and brand differentiation. Chinese EV makers are no longer selling merely "a vehicle to get around"; instead, they are emphasizing smart cockpits, software updates, driver-assistance systems, battery safety, and advanced electrical architecture. The industry is moving from "cheap manufacturing" toward "high-tech export," (**Table 4**) with the goal of raising barriers to entry and escaping the image of being only a low-price brand.

★ Table 4. Changing Focus of EV Competition in China

Period	Core Competition
2015–2020	Subsidies and price
2020–2023	Driving range and charging
2023–2026	Smart features and AI
Future	Autonomous driving and ecosystem integration

Policy direction is also changing. In the latest 5-year plan, EVs are no longer listed separately as a strategic industry, suggesting that the Chinese government wants the sector to move from policy dependence toward self-driven competition. This creates both pressure and opportunity for leading local companies, because only those with real R&D strength, cost discipline, and brand power will be able to survive the next phase.

Overseas Expansion

As domestic space becomes increasingly saturated, exports have become the second growth curve for Chinese EV makers. In the first 3 quarters of 2025, Chinese EV exports reached more than 200 countries and regions. Europe remains the most important target market, while the Middle East, Latin America, Africa, and Southeast Asia are all growing quickly. This is not merely a sales strategy; it is also a necessary path for absorbing excess capacity and exporting brand influence. But overseas markets are not without obstacles. The U.S. and several European countries have imposed stricter tariffs, regulations, and safety reviews on Chinese EVs. Chinese automakers therefore face a dual challenge: they must lower prices to win share, while also navigating geopolitics and trade barriers. In that sense, overseas expansion is far more difficult than competing at home.

China Has Changed the Automotive Industry Rules

From a global perspective, the rise of Chinese EVs will accelerate the phase-out of traditional internal combustion engine vehicles and force automakers in Europe, the U.S., Japan, and South Korea to rethink their product and supply chain strategies—shifting from "mechanical engineering" to "software + battery + AI + supply chain efficiency."

For Chinese automakers, the most important strategic priorities for the future include reducing dependence on the single domestic market, accelerating overseas production and local assembly, enhancing advanced autonomous driving capabilities, building global brand trust, and avoiding prolonged low-price involution. The rise of China's EV industry is redefining the global automotive sector. In the past, the car industry was dominated by Europe, the U.S., and Japan. Today, China not only commands the world's largest market, but also holds advantages in batteries, smart technologies, and supply chains. Yet the post-subsidy Chinese market has also exposed the problems of overcapacity and excessive competition. In the future, the winners will not necessarily be the cheapest players, but the companies that can manage cost, technology, and globalization at the same time. The next battle for China's EV industry will no longer be about "who can sell the cheapest car," but "who can define the future of the automobile." ◘