CIO Insights: Thematic Investing Series

# Chinese electric vehicles cross borders

6 August 2026

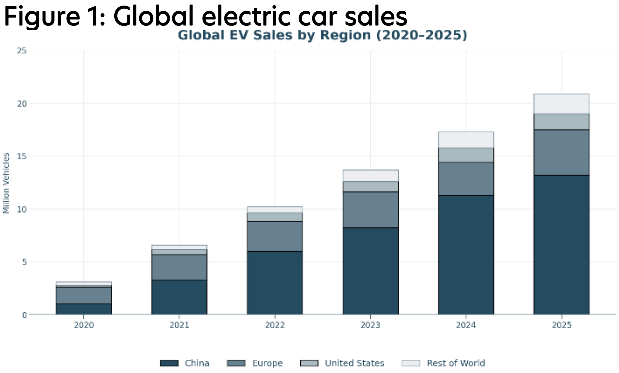
## Key Takeaways:

- Electric vehicle adoption remains a global structural trend. Global sales exceeded 20m units in 2025 and should reach 29% of new-car sales in 2026.
- China remains the largest electric vehicle market, but domestic growth has weakened. Exports have become the industry's principal growth engine.
- In July, BYD's overseas sales increased 124% y/y, offsetting an estimated 9% decline onshore.
- Valuations now differ considerably across the sector. Investors are distinguishing profitable scale leaders from loss-making technology challengers.
- The next phase will be determined by global execution, margins and cash generation, rather than deliveries alone.

### EV adoption remains a global structural trend

More than 20m electric cars were sold worldwide in 2025, representing approximately one-quarter of new-car sales. The International Energy Agency expects electric vehicles to reach around 29% of global sales in 2026, supported by improved affordability and wider adoption across Europe and emerging markets.

**Figure 1: Global electric car sales**




Source: IEA analysis based on EV Volumes, ACEA, EAFO and country submissions.

Growth is also becoming more geographically diverse. More than 90 countries reported higher electric vehicle sales during the first half of 2026. Markets including Australia, Brazil, India, South Korea and Vietnam recorded particularly strong growth between March and June.

However, the leading markets are moving in different directions.

Europe continues to benefit from tighter emissions requirements and a broader selection of lower-priced models. Conversely, demand in the US has weakened following reductions in policy support. China remains the largest market, but domestic demand has slowed as broader vehicle consumption, consumer confidence and industry incentives soften.

### China's market is becoming more mature

China sold 7.45m new energy vehicles in the first half of 2026, an increase of 7.3% y/y. These vehicles represented 49.6% of total new-vehicle sales, rising to 58.5% in June.

Headline industry sales appear strong, but export growth is masking weaker domestic demand.

New energy vehicles (Hybrid vehicles & EVs) are gaining share partly because conventional vehicle sales are declining faster. Domestic new energy vehicle sales fell 13.4% y/y during the first half, while June domestic sales were approximately flat. High penetration therefore indicates that electrification is winning the powertrain transition. It does not necessarily indicate that the overall market is expanding.

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### EU & US markets are moving in different directions

Europe has emerged as the principal growth market in 2026. Battery electric vehicle registrations across the EU reached approximately 1.22m units during the first half, increasing market share to 20.7% from 15.6% a year earlier. Germany and France recorded particularly strong growth, supported by tighter emissions requirements, renewed incentives and improving model availability.

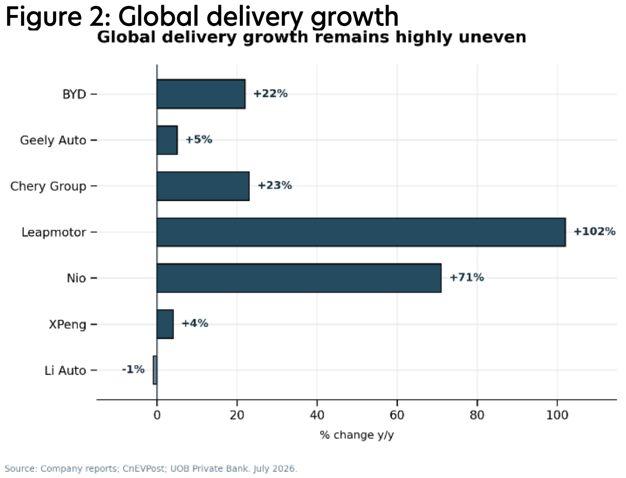
Europe has emerged as one of the most important contributors to incremental global electric vehicle demand, even more than China, despite remaining considerably smaller in absolute volume.

The US presents a contrasting picture. Electric vehicle demand weakened following the expiry of federal purchase credits in September 2025 and a less supportive regulatory environment. North American plug-in registrations fell 28% y/y in April, while the US battery electric vehicle share has stabilised at approximately 5% to 7%.

### Overseas sales have become the release valve for Chinese EV companies

The July 2026 data reveal a clear divide between domestic and overseas demand. The larger manufacturers reported weaker sales at home but strong overseas growth, enabling global deliveries to remain positive. This suggests that China's electric vehicle market is not losing momentum entirely. Rather, growth is shifting geographically as domestic competition intensifies and local demand matures.

**Figure 2: Global delivery growth**




Source: UOB private bank, Company reports, CnEVPost. July 2026

**Figure 3: Overseas sales are picking up**

| Company | Domestic sales y/y | Overseas sales y/y | July 2026 global deliveries | Global deliveries y/y |
|---|---|---|---|---|
| BYD | -9% | 124% | 419,211 | 22% |
| Geely Auto | -29% | 202% | 250,161 | 5% |
| Chery Group | -30% | 70% | 276,820 | 23% |
| Leapmotor | Not disclosed | Not disclosed | 101,267 | 102% |
| Nio | Not disclosed | Not disclosed | 35,934 | 71% |
| XPeng | Not disclosed | Not disclosed | 38,027 | 4% |
| Li Auto | Not disclosed | Not disclosed | 30,468 | -1% |

Source: Company reports, CnEVPost, Bydtoday

### Net net, is this positive?

Yes. Although this depends on individual companies' strategies, we believe the immediate conclusion is positive for the electric vehicles theme.

More importantly, overseas expansion can become a structural source of value rather than merely an outlet for excess capacity. Chinese manufacturers are broadening their product ranges, building dealer and servicing networks and localising production to strengthen brand acceptance. They are also competing through product features and total ownership costs, rather than price alone. This could support higher average selling prices, stronger margins and more diversified earnings over time. The net effect should therefore remain positive, provided retail demand keeps pace with shipments and tariffs, localisation costs and overseas investment remain controlled.

Higher fuel prices provide another tailwind for EVs

Recent increases in petrol and diesel prices have strengthened the economic case for electric vehicles.

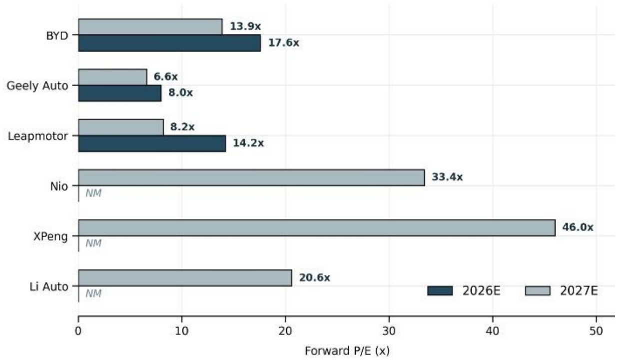
The mechanism is straightforward. Higher fuel prices increase the running cost of internal combustion engine vehicles, while electricity prices are generally less directly exposed to oil-market disruptions. This widens the perceived operating-cost advantage of an electric vehicle, particularly for high-mileage drivers and consumers with access to affordable home charging.

However, fuel prices should be viewed as an accelerant rather than the engine of adoption.

Cars are replaced infrequently, so only a small share of consumers can respond immediately. Short-lived price spikes tend to increase search activity and consideration rather than completed purchases. After all, fuel prices can influence which powertrain a consumer chooses, but affordability and infrastructure still determine whether that consumer buys a new car at all.

Valuations point to a more selective sector

**Figure 4: Earnings valuations are dispersed**




Source: Bloomberg, UOB private bank

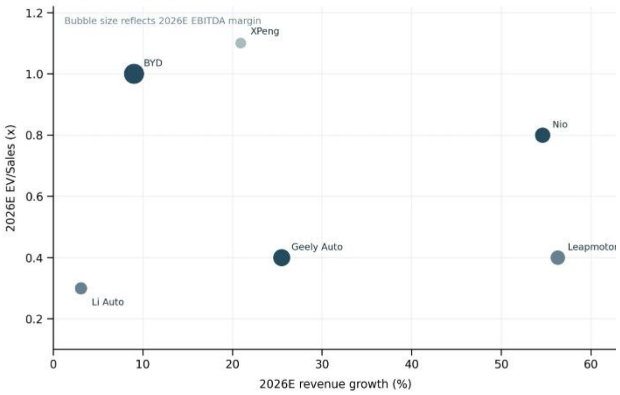
**Figure 5: Operating margins (OM) reveal a widening profitability divide**

| Quarter End | BYD OM | Li Auto OM | NIO OM | XPeng OM | Geely OM |
|---|---|---|---|---|---|
| Q2 2024 (Jun-24) | 6.40% | 1.50% | -29.90% | -19.80% | 14.50% |
| Q3 2024 (Sep-24) | 7.30% | 8.00% | -28.00% | -18.30% | 2.90% |
| Q4 2024 (Dec-24) | 6.70% | 8.40% | -30.60% | -9.70% | 12.80% |
| Q1 2025 (Mar-25) | 4.90% | 1.00% | -53.30% | -6.60% | 8.60% |
| Q2 2025 (Jun-25) | 2.80% | 2.70% | -25.80% | -5.10% | 5.00% |
| Q3 2025 (Sep-25) | 5.00% | -4.30% | -16.20% | -3.70% | 4.80% |
| Q4 2025 (Dec-25) | 5.40% | -1.50% | 2.30% | -0.20% | 0.06% |
| Q1 2026 (Mar-26) | 4.50% | -13.00% | -1.20% | -14.40% | 6.20% |

Source: Bloomberg, UOB private bank

Valuations across Chinese electric vehicle manufacturers vary considerably. Profitable, scaled manufacturers can be assessed using earnings and cash-flow multiples, while loss-making challengers remain more dependent on revenue growth, margin improvement and their path towards breakeven. This dispersion reflects differences in profitability, balance-sheet strength and execution. It also shows that investors no longer reward delivery growth alone. Greater value is being assigned to companies that can convert scale into sustainable earnings and free cash flow.

Fig 6: Higher growth does not guarantee a higher-quality valuation




Source: Bloomberg, UOB private bank

Overseas expansion could provide the next source of re-rating. International markets may offer stronger pricing and a richer product mix than China's highly competitive domestic market. Investors are more likely to value Chinese companies with a strong overseas revenue stream versus one with pure domestic operations, due to potential premium attached to profitable international growth.

## Bottom line

The next chapter of China's electric vehicle industry will be written overseas.

The global adoption trend remains intact, but China's domestic market has entered a more mature and competitive phase. High penetration, slower demand and persistent price competition make domestic scale less valuable unless it generates acceptable margins.

Overseas markets are giving Chinese manufacturers another source of growth. July's results show that exports can more than offset weaker domestic performance for the leading companies. This is net positive for volumes, factory utilisation and long-term global positioning. But exports are not the finish line.

Retail sell-through, localisation, brand acceptance and after-sales service will determine whether overseas volume becomes sustainable profit. The market is likely to reward manufacturers that combine scale with improving cash generation, rather than those producing the strongest delivery headline.
The electric vehicle transition is not ending. It is moving from adoption to competition, and from China-led volume growth to global execution.

This note builds on the return of electric vehicles theme introduced in our Thematic Investing Series, where we argued that the transition remains structurally intact but is entering a more competitive phase. Recent sales data, China's accelerating export pivot and wide valuation dispersion reinforce the need for greater selectivity.

For readers who would like the broader investment framework, the full publication also covers the electric vehicle value chain, theme maturity score, scenario analysis and key risks across the sector.

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