# Electric vehicle market shifts highlight contrasting strategies in China and the US



Recent developments in the electric vehicle (EV) sector highlight the contrasting trajectories of leading global players, particularly China and the United States, as they navigate an increasingly competitive landscape characterised by rapid technological advancements and shifting consumer demands.

China's BYD, a key player in the EV industry, reported a significant milestone, announcing the sale of 4.3 million vehicles in 2024, a figure that surpasses its stated target by nearly 20 per cent. This announcement came just a day after Tesla, led by Elon Musk, revealed its first full-year sales decline in over a decade. The juxtaposition of these announcements underlines a formidable gap in growth between the world’s two biggest EV markets.

In late 2020, China’s President Xi Jinping set an ambitious target for the nation’s automotive sector, aiming for new energy vehicles (NEVs) to account for one-fifth of all passenger car sales by 2025. China has far exceeded that target, with NEV sales overtaking those of combustion-engine vehicles in the second half of last year. Analysts attribute this rapid growth, particularly for BYD, to significant reductions in vehicle costs achieved through economies of scale, vertical integration, and strong local supply chains. The company’s lowest-cost electric vehicle retails for under $10,000, making it an attractive option for consumers.

In contrast, while Tesla has made strides within the Chinese market—with a reported 9 per cent increase in sales last year—it has struggled to keep pace with the broader market growth, which surged nearly 40 per cent. Tesla's challenges extend beyond China, as its market share in the US fell below 50 per cent for the first time in Q2 2023, amid increasing competition from other manufacturers.

The slow growth of electric vehicle sales in the US also poses challenges for Tesla and others. As of late 2023, the proportion of EVs in new US car sales increased sharply to nearly 8 per cent, but this growth rate has since tapered. Factors contributing to this slowdown include affordability issues, as manufacturers grapple with closing the price gap between electric and petrol-powered vehicles, compounded by rising interest rates that deter consumer spending on pricier options.

Meanwhile, the European market presents its own set of challenges. While EV sales accounted for nearly one-fifth of car sales in the UK last year and approximately one-eighth in the EU, the bloc has seen a downturn in EV sales, with a 6 per cent drop in the first nine months of 2023. This decline is particularly pronounced in Germany, where sales plummeted more than 25 per cent.

Interestingly, hybrids, once viewed as a compromise amidst the EV push, are experiencing renewed popularity. The US has seen a notable rise in the sales of non-plug-in hybrids, reaching 10.6 per cent market penetration in Q3 2024. Likewise, China recorded a 70 per cent increase in the sales of plug-in hybrids in the first half of 2024.

In terms of future projection, analysts anticipate a continued shakeout in the Chinese EV market as companies like BYD might benefit from the exit of weaker competitors amidst fierce price competition. However, the international expansion of Chinese manufacturers faces barriers, notably from the EU, which has implemented stringent tariffs on Chinese-made EVs, citing unfair state support for these companies. The US has further widened access restrictions by imposing hefty tariffs on Chinese imports. BYD is making efforts to penetrate the European market, with plans to establish a factory in Hungary, although it may encounter scrutiny over labour conditions tied to its operations in Brazil.

As the global automotive landscape continues to evolve, the disparity between China’s rapid transition and the more measured pace of developments in the West becomes increasingly pronounced, highlighting critical challenges and opportunities that lie ahead for stakeholders across the industry.

Source: [Noah Wire Services](https://www.noahwire.com)

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