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ELECTRIC VEHICLES MARKET OVERVIEW

EV sales in Far East Asia are expected to see a 78% growth in 2021, compared to just 4.8% in 2020.

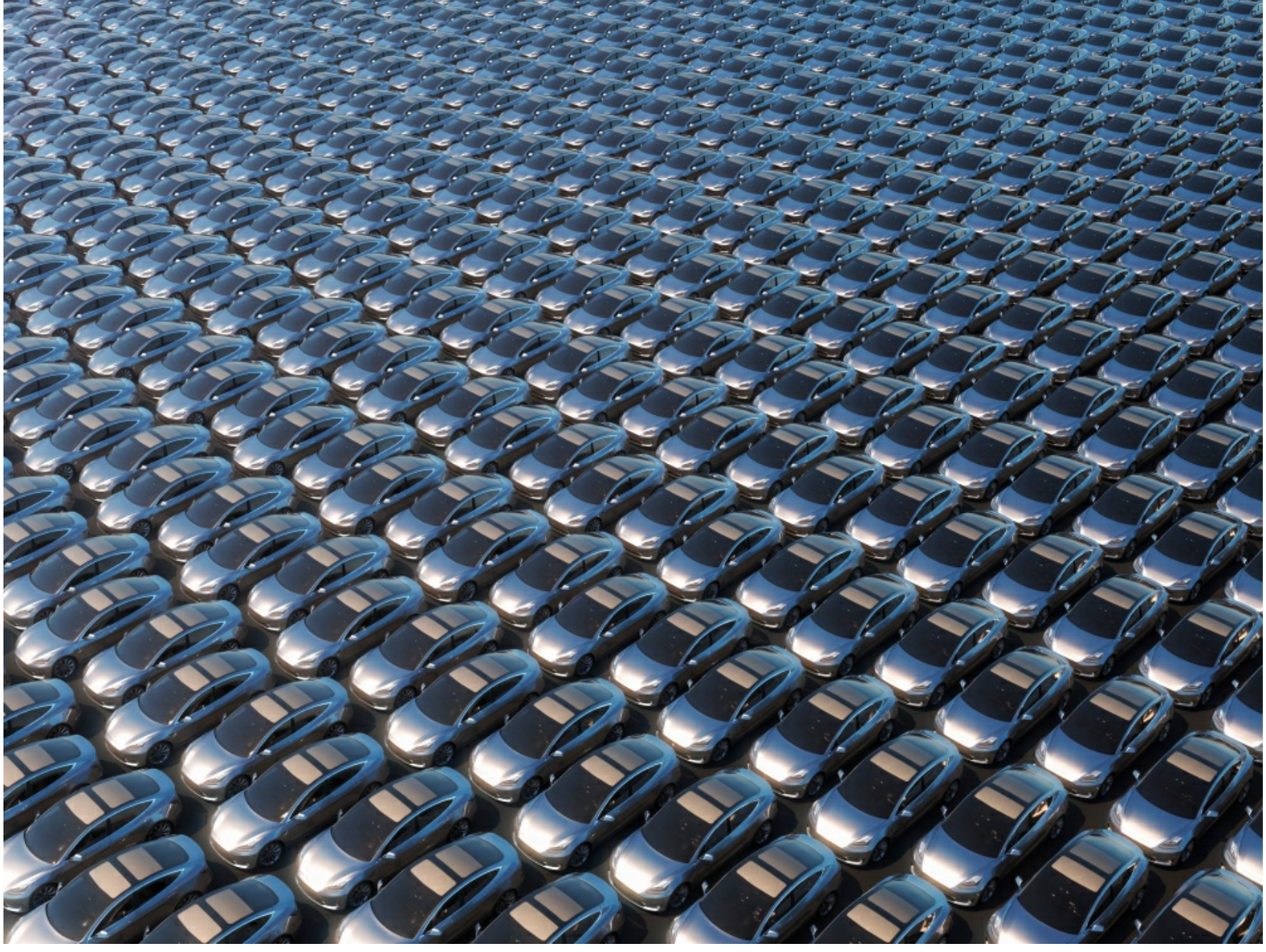
The automotive industry is a major customer for petrochemical plants, consuming rubber for tyres, plastics, adhesives, sealants and much more. For this reason, last year's crash had a significant knock-on effect on the global production of specialty chemicals. This year, the tables are turned; we are seeing a new trend forming before our very eyes, which will reshape the car market and, thus, the chemical industry in the not-too-distant future.

THE INDUSTRY'S BASE CASE SEES THE EV MARKET GROWING TO 14 MILLION UNITS BY 2025 AND TO 25 MILLION BY 2030, WITH 45 MILLION UNITS BY THE END OF THE DECADE IN THE ACCELERATED SCENARIO

The "Big Three" of Far East Asia (China, South Korea and Japan) have been acting as the trendsetters for the automotive industry for the past several years, being both the largest manufacturers and the largest consumers at the same time. According to the International Organisation of Motor Vehicle Manufacturers (OICA), these three countries produced around 47% of the world's vehicles in 2020 (36.7 million out of 77.6 million). They also make up about 36% of global consumption: according to the consultancy LMC Automotive, 15.3 million vehicles out of 42 million were sold in these markets in 1H 2021.Out of the Big Three, China leads by a landslide, accounting for about a third of global production and consumption. For the time being, electric vehicles (EVs) still represent a relatively low proportion of all of these figures. But the key part here is "for the time being". Analysts predict that sales of EVs and internal combustion engine (ICE) vehicles will be neck-and-neck within the next decade at the latest.

Contrasted with the fall in the industry overall in 2020, EV sales grew by about 40% – and this sizeable gap will continue into 2021. As a result, the industry's base case sees the EV market growing to 14 million units by 2025 and to 25 million by 2030, with 45 million units by the end of the decade in the accelerated scenario. To put this in perspective, even taking into account the rapid growth in EV sales, only slightly more than 3 million units were sold last year.

Of course, this phenomenal performance is primarily driven by the low base effect. 2020 saw about 4.5 million EVs registered in the Middle Kingdom, a figure that will double in the next two to three years. Sales are projected to grow by 83% over 2021, and by 2025, more than 2.2 million units will be sold there (Nomura Global Markets Research).



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In the other countries of the Big Three, the figures are also quite high in relative terms, but in absolute terms they pale in comparison to China. For example, the South Korean EV market expects a 50% increase this year (about 75 thousand units), with sales growing to about half a million EVs by 2030. Japan's figures are even lower, with an expected growth of 11.2% year-on-year to 46 thousand units in 2021.

Meanwhile, the governments of both countries are wheeling out all the tried-and-tested methods of stimulating EV sales: subsidies, straightforward scrapping of old cars, taxes and regulatory crackdowns on ICE vehicles. All the same, these measures alone are still not enough to overcome consumer inertia, which is primarily down to the consumption structure itself. Both Japan and South Korea are long-established markets with a high number of vehicles per capita. In this context, the bulk of car sales usually involve trading in an old one.

Looking at China, we can see a huge market with a rapidly-growing middle class, where the majority of cars are purchased for the first time. With environmental concerns in mind, local authorities are stimulating the production and consumption of EVs, both by directly subsidising their purchase, and by introducing additional regulatory restrictions related to the purchase and ownership of ICE cars.

In one way or another, these trends can be seen in other global markets: they are true for the USA, but are especially apparent in Europe, where a string of countries are making the replacement of cars with EVs a matter of state policy.

BMW PLANS TO LAUNCH A JOINT VENTURE WITH THE CHINESE GREAT WALL MOTOR IN 2023, WHICH WILL PRODUCE 12 MODELS OF ALL-ELECTRIC BMWS AND MINIS

Price also plays a role here. All over the world, it is holding back adoption, since an electric vehicle costs on average twice as much as its ICE equivalent. Over in China, SAIC-GM-Wuling Automobile, a joint venture between U.S.-based General Motors and two local, state-sponsored carmakers, has launched the “people’s” electric vehicle – the base model costs just USD 4,500. The stands in stark contrast to the market’s hottest brand, Tesla, as their cheapest model comes in at USD 25 thousand.

As a result, Chinese car buyers snapped up around 900 thousand EVs from the “people’s” auto giant in 1H 2021, and other leading global manufacturers are also trying to tap into the rapidly-growing Chinese market. The above-mentioned Tesla is ramping up production in the country, opening its first overseas design studio, and the “cheap” model mentioned above was originally supposed to be sold exclusively in China. BMW plans to launch a joint venture with the Chinese Great Wall Motor in 2023, which will produce 12 models of all-electric BMWs and Minis for the local market. On top of this, the German automaker plans to build 360 thousand EV charging points as early as by the end of the year.

In one way or another, these trends can be seen in other global markets: they are true for the USA, but are especially apparent in Europe, where a string of countries are making the replacement of cars with EVs a matter of state policy. But in China, thanks to the sheer market size, we can safely assume that the future is electric.