

Driving change

Opportunities and barriers for Chinese Automakers
entering the Southeast Asian market



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01 Foreword

The Southeast Asian market is still relatively early in its electrification journey compared to other areas of the world. However, consumer demand for new electric vehicles (NEVs) is growing across its regions. The slower adoption rates have been partly down to lack of innovation from the current vehicle manufacturers supplying Southeast Asia. Now, with government incentives in place for some countries, it opens up new opportunities for Chinese original equipment manufacturers (OEMs) wanting to expand and increase global market share.

This report will give an overview of what is happening within the Southeast Asian market, the potential barriers facing Chinese OEMs entering each country, and what they need to know in order to succeed.

***The report has focused on Indonesia, Malaysia, Thailand, Vietnam and Philippines. The car sales of these countries account for more than 80% of the entire region.*

02 Southeast Asian market overview

Southeast Asia is a thriving and growing region. With a **combined GDP of USD3.08 trillion**, it is estimated to become the fourth-largest economy in the world by 2050.

Whilst the **latest research by McKinsey** showed mixed performance in the third quarter of 2023 for Southeast Asia's economies, Malaysia, the Philippines, Singapore, and Vietnam did see GDP growth increase in this period. Indonesia's and Thailand's growth were slower. McKinsey reports that 'muted external conditions and demand for the region's manufactured and commodity exports are the main reasons behind the slower growth in this quarter. On the other hand, robust domestic demand, government spending, and a continued recovery of the services sector—particularly tourism—have contributed to better job and income prospects, which in turn have supported growth, especially in the Philippines and Vietnam.'

External investment from other countries will play a key role in the continued growth of Southeast Asia's economy. It particularly appeals to Chinese businesses looking to expand their global footprint and grow market share in the region due to its favourable foreign trade policies and close proximity. More recently, Southeast Asia has come into focus for businesses within the automotive industry as China leads the way in NEV technology. With little competition within this area compared to other global markets, Southeast Asia presents significant opportunities for Chinese vehicle manufacturers.

According to JATO data, 2023 NEV unit sales in the region reached 134,000, and grew by 199%, driven by strong demand across Thailand, Vietnam, Indonesia, and Malaysia.

The growing appetite for NEVs within Southeast Asia, combined with limited electric vehicle products from existing brands within the region, makes it the ideal zone for expansion outside of the saturated Chinese market, and the more competitive European market.

03 A land of opportunity

Whilst there are NEVs on the roads across Southeast Asia, it is still very much an untapped market. During the era of the internal combustion engine (ICE), Japanese brands dominated in the region, but their NEV technology lags in comparison to other global vehicle manufacturers, putting them instantly on the backfoot in the NEV game.

Meanwhile, China continues to charge ahead in the global NEV race; in addition to **more than half of the electric cars** on roads worldwide found in China, its global electric vehicle market share rose to **68.2% over the last three months** of 2023. In fact, as has been widely reported, Chinese automaker BYD sold more electric vehicles than Tesla in Q4 2023.

Not only do Chinese OEMs have the vehicles and technology readily available to bring to the Southeast Asian market quickly, but their attractive price point will also appeal to the more price-sensitive consumer. In this market, consumers are not bound by brand loyalty, instead they favour product quality, performance, and price above all.

A recent **consumer report** by Deloitte, showed only 32% of Southeast Asian drivers choose a vehicle on brand familiarity. This demonstrates most consumers in the region are not affiliated to specific brands and will be more susceptible to accepting new Chinese brands. However, product quality (62%), vehicle performance (57%), and price (54%) are shown as the top three most important factors for Southeast Asian consumers when choosing their next vehicle, and Chinese OEMs must consider these areas when developing their strategies for market entry.

With the right strategy for each individual market, Chinese OEMs can penetrate the Southeast Asian marketplace and become dominant players as long as they can overcome the potential barriers.

04 Potential barriers to overcome

As the Southeast Asian market is still very early in its NEV journey compared to the Chinese and European markets, awareness, and education will be key. Consumers will need to understand why they should choose a NEV over the much more familiar ICE vehicle. A big part of this education should focus on the infrastructure and charging of the vehicle, as both infrastructure (44%) and time required to charge (45%) are the **biggest concerns** for consumers in Southeast Asia switching to a NEV.

Chinese OEMs will need to be aware of infrastructure availability in each market as this varies hugely. Education on charging and range for specific vehicles should be considered within the marketing and sales strategies to increase awareness and encourage sales.

In addition to the challenge of awareness and understanding, the other important factors Chinese OEMs must consider, will be the issue and impact of incentives. It will not be a one-size-fits-all approach to launch into the Southeast Asian market. On a macro level, the incentives are the biggest factors driving the region's NEV market so far. On the other hand, at a micro product level, customers in Southeast Asia (particularly Thailand, Malaysia and Indonesia) are relatively price sensitive.

With incentives, uptake and education varying per region, an individual strategy should be developed for each market. OEMs will need to ensure their vehicles meet the relevant standards in every region if they are to succeed.

05 A closer inspection of each market

Southeast Asia has multiple types of incentives to push up the adoption of NEV. These incentives vary per country, something which Chinese OEMs will need to be familiar with when launching new vehicles into the market.

Here, we take a closer look at each market, the current incentives in place, and NEV conditions.

Thailand

Thailand has attractive government incentives in place to help stimulate its NEV market growth. The below illustration provides an overview of the current incentives within the country. sales strategies to increase awareness and encourage sales.

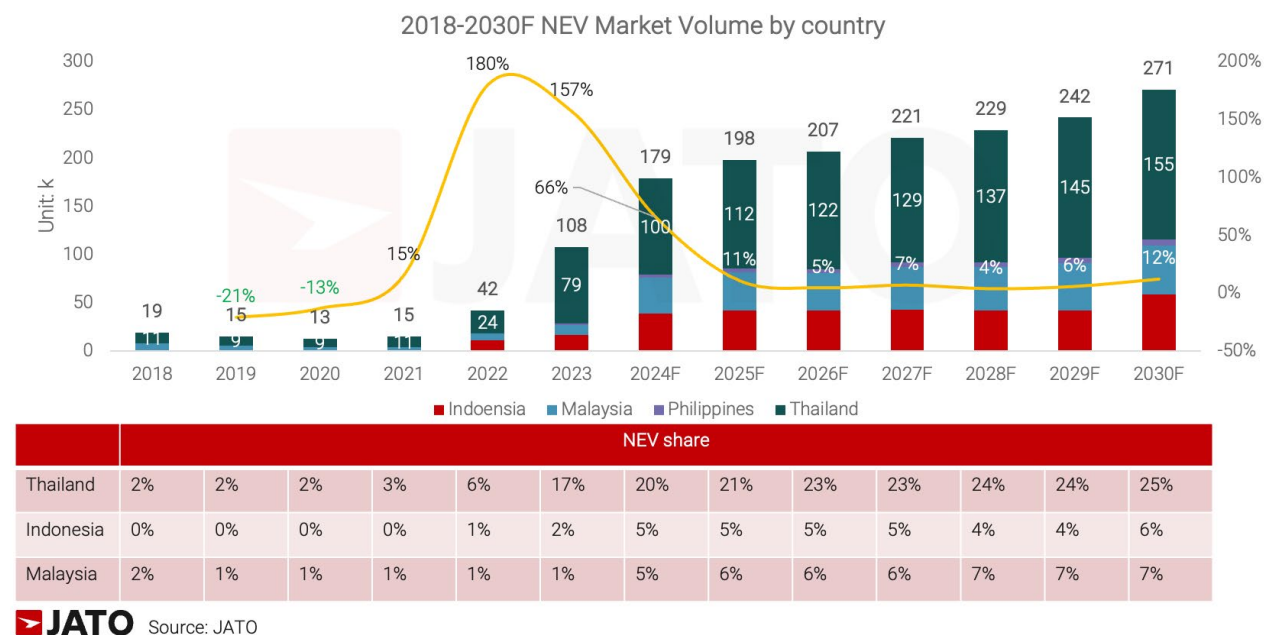
Thailand 2024-2027 EV support measures

Country	NEV PV/CV	Conditions	Time	Policy type	Details
Thailand	NEV PV	Battery EVs priced up to 2 million baht	2024-2027	Duty reduction	A 40% reduction of import duty of CBU typed EVs
				Tax reduction	2% consumption tax (ICE 8%)
				Subsidy	Battery at least 50kWh, 50k-100k baht
		Battery EVs priced between 2 million and 7 million baht		Duty reduction	A 20% reduction of import duty of CBU EVs
		Tax reduction		2% consumption tax (ICE 8%)	
		Subsidy		Battery at least 50kWh, 20k-50k baht/unit	
	NEV Pickup	Battery EVs priced up to 2 million baht		Subsidy	Battery at least 50kWh, 50k-100k baht/unit

Eligibility condition:

1. CBU must be imported during 2022-2023/CKD must be produced from 2022-2025
2. OEM must sign MOU or agreement with Exercise department
3. OEM must offset the imported CBU with local production at the ratio of 1:1/1:1.5

As already mentioned, incentives will play a key role in helping to drive forward Thailand's NEV volume both now and in the future. From available data, we estimate growth will increase from 17% in 2023 to 25% in 2030.



Thailand is home to large rural areas, making pickup trucks extremely popular. Sales within this product category account for nearly 40%. Currently, there are no pickup truck NEV equivalents within the region. While Chinese OEMs have already gained a lot of traction in Thailand, those looking to increase market share should grasp the opportunity to be first to market with an appealing NEV pickup truck alternative.

Malaysia and Indonesia

In both Malaysia and Indonesia, incentives include 100% reduction in import duty. During the era of ICE vehicles domination, import duty was typically high. However, governments have now implemented this import duty incentive to attract foreign investment to help develop the NEV market. While Southeast Asia does hope to strengthen its own automotive industry in the future, there is currently a good window of opportunity for Chinese OEMs to enter the market.

Continued-Malaysia & Indonesia latest EV support measures

Country	NEV PV/CV	Conditions	Time	Policy type	Details
Malaysia	NEV PV	CBU (only at proposal stage)	2024-2025	Duty reduction	• A 100% reduction of import duty
			2024-2025	Tax reduction	• A 100% Reduction of consumption tax • A 100% reduction of road tax
		CKD (only at proposal stage)	2022-2027	Duty reduction	• A 100% reduction of consumption tax
Indonesia	NEV PV	CBU&CKD	2024-2025	Duty reduction	• A 100% of reduction of import duty
			2024-2025	Tax reduction	• A 100% of reduction of luxury goods sales tax
			2024		• VAT at 1% if OEMs local production meets 40% or over • VAT at 6% if OEMs local production meets 20%-40%

Source: public info, JATO analysis

In Indonesia where the birth rate is high and people have lower purchasing power, it has resulted in the popularity of multi-purpose vehicles (MPVs) in this market. Whilst there are a number of ICE vehicles meeting this demand, there are currently no NEV substitutes for this segment. Chinese OEMs should be aware of this when deciding which NEVs to launch into this market.

Malaysia does have its own local brand Perodua, a Toyota joint venture model, boosting the sales of affordable small sedans. Although, there are no suitable NEV products currently available.

Vietnam

Vietnam's local carmaker Vinfast is currently ranking first place for NEV sales volumes in 2023. The OEM's products are mainly focused on the SUV body type ranging from mini-SUV to upper medium SUV. Whilst sedans have historically been the most popular in this region, small SUVs and compact affordable MPVs are also well sought-after. SUVs are particularly favourable with Vietnam's expanding middle class population and would explain Vinfast's product strategy to concentrate on this body type initially. Power, interior decoration, and services are the main considerations of car purchases in this region.

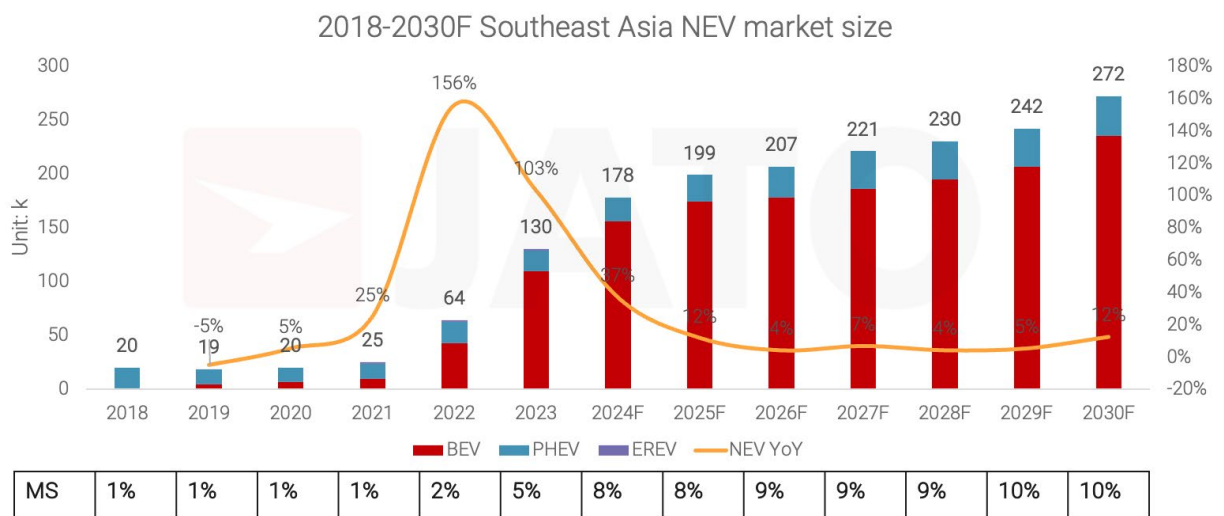
Vinfast's products are also affordable in comparison to other competitors in this market, which are mainly premium brands. Chinese brands entering the Vietnamese market would challenge Vinfast's current NEV dominance. However, Vietnam does not have a strong NEV growth strategy compared to other countries in the region. As such, there are currently no tax incentives or price subsidies for NEVs in place. In addition to import duties, electric cars shipped to Vietnam have been subject to special consumption tax rates ranging between 15-70%, which increase prices by up to 20%. Chinese OEMs wanting to break into this market would need to consider if the return on investment outweighs the higher tariffs than other countries in the region.

Philippines

Philippines has no current incentives for NEVs, but it was **recently announced** The Department of Trade and Industry is looking to launch a pilot phase of the subsidy programme for buyers of electric vehicles as part of the government's efforts to promote environment-friendly transportation. It is expected to begin by the third quarter of 2024.

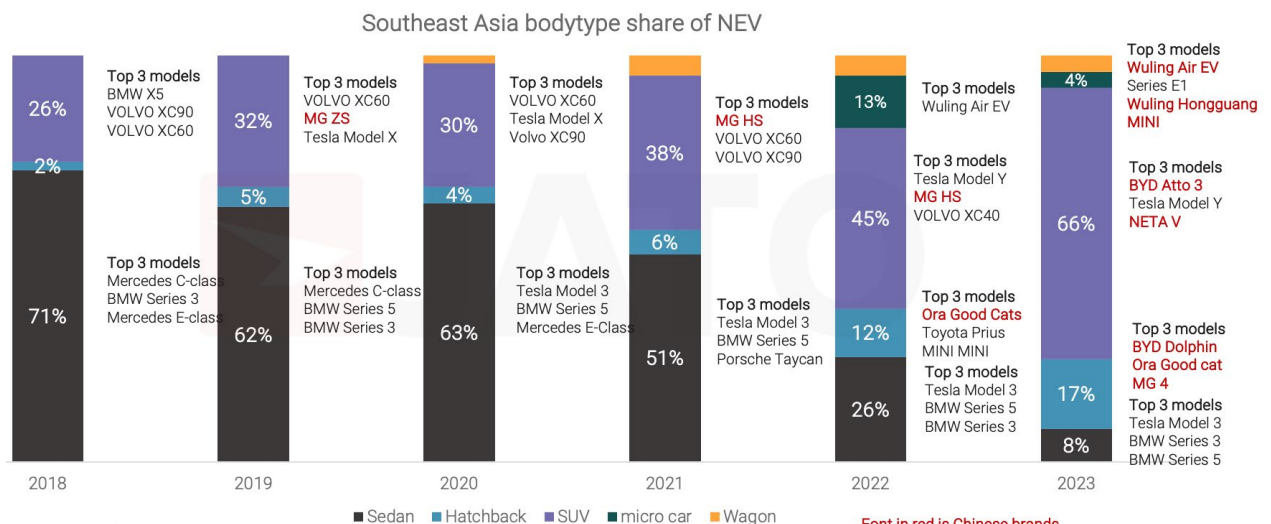
Lack of incentives could make it harder for Chinese OEMs to thrive in this current market, unless NEV products are on a par or more affordable than the ICE counterparts.

06 All markets overview



JATO Source: JATO

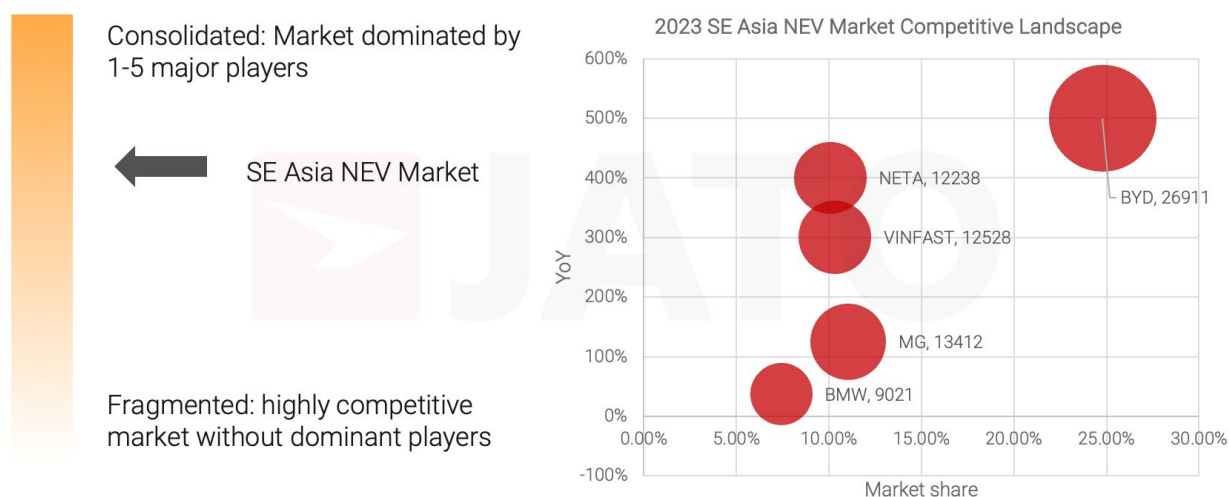
SUVs and sedans continue to dominate in the region, with premium sedan models being favoured. The SUV segment presents a different picture with premium brands such as BMW, Volvo, and Tesla taking up the majority of sales before 2022, and Chinese mass brands like BYD, MG and NETA gaining the upper hand. Microcars market share increase is also driven by Chinese brand Wuling.



JATO Source: JATO

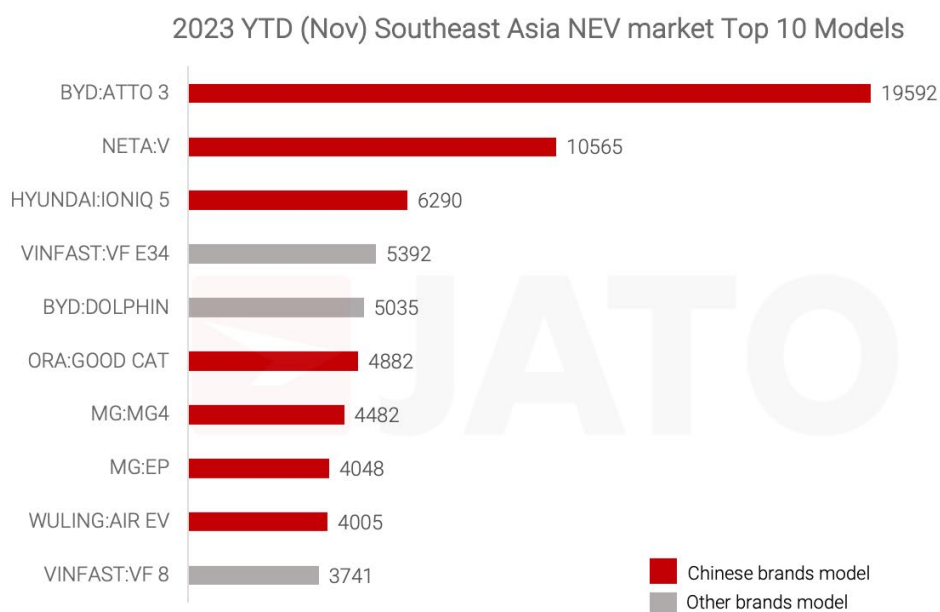
07 Brands gaining traction

In 2023, the Southeast Asian NEV market was positioned as a moderately consolidated market considering the top five players accounting for nearly 64% of total market share.



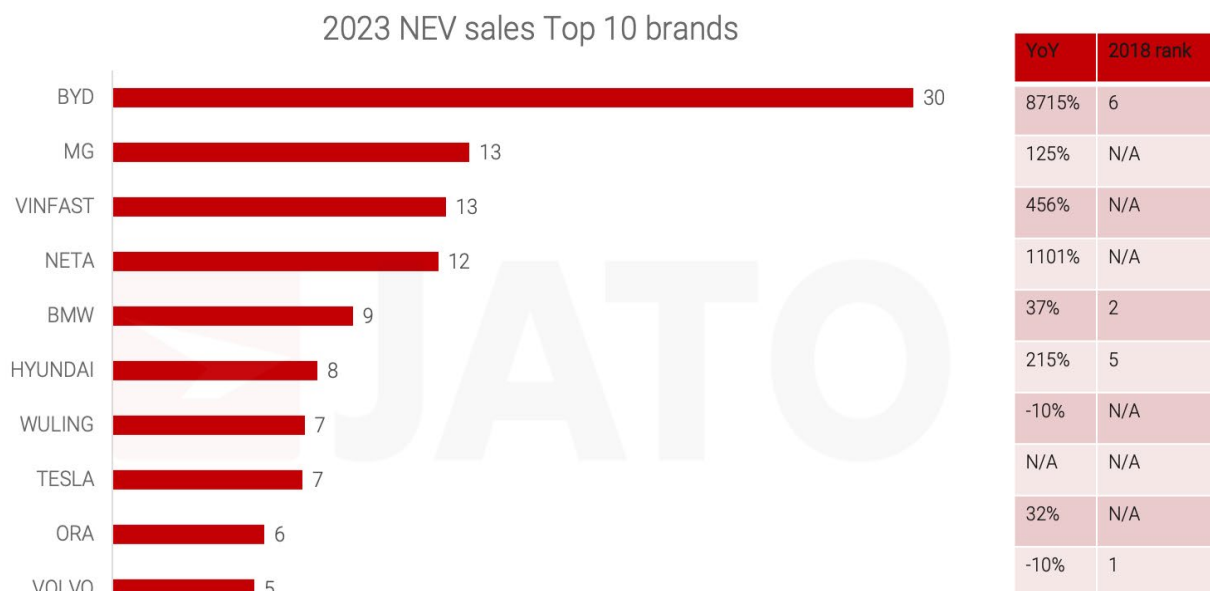
JATO Source: JATO MMix

Among the top 10 NEV models in Southeast Asia, Chinese brands account for 80% of the current market share with BYD dominating overall.



JATO Source: JATO MMix

In 2023, BYD took the first place with year to date (YTD) sales of 27,000 units, followed closely by MG and Vinfast. We are seeing dominance emerging from Chinese OEMs for NEVs in the Southeast Asian market, which will only continue to grow as consumer demand increases and brand reputation strengthens in the region.



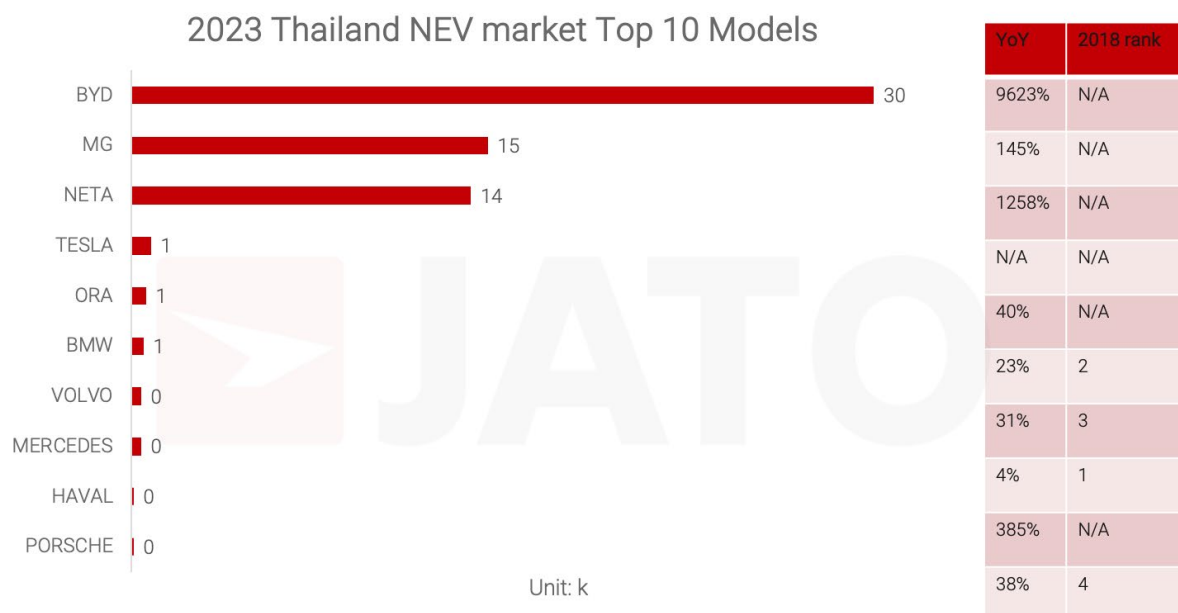
JATO Source: JATO MMix

Chinese brands cost-effectiveness stands out against its competitors, here we illustrate Thailand's NEV volume sales as an example of what is happening in the Southeast Asian market.

	BYD Atto 3	MG HS	Haval H6	AION Y Plus	Changan Deepal S07	Hyundai Ioniq 5	Tesla Model Y
Segment	PR Medium SUV						
Powertrain type	BEV	PHEV	PHEV	BEV	BEV	BEV	BEV
Thailand price range/million baht	109.9-119.9	129.9-137.9	169.9	89.9-129.9	139.9	169.9-239.9	174.9-232.9
Length/mm	4455	4574	4683	4535	4750	4635	4751
Width/mm	1875	1876	1886	1870	1930	1890	1921
Height/mm	1615	1664	1730	1650	1625	1647	1624
Wheelbase/mm	2720	2720	2738	2750	2900	3000	2890
Battery range/km	410/480	67	202	490/550	485	384/451/481	510/582/623
Maximum power/kw	150	209	240	150	190	125/160	188/274/321
Maximum torque/nm	310	480	530	225	320	170/217	355/509/693

JATO Source: JATO MMix

Thailand's NEV market also saw significant growth in brand sales from BYD, MG, and NETA in 2023.



JATO Source: JATO MMix

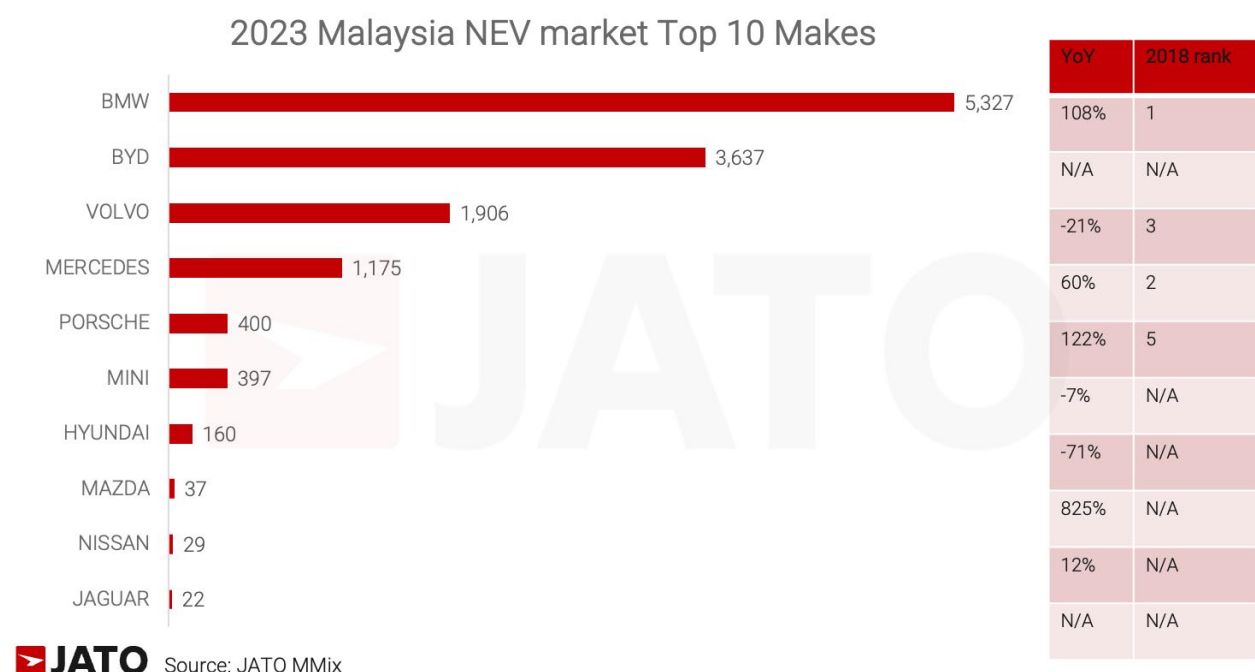
With the emerging dominance of brands such as BYD, it not only demonstrates the appetite for Chinese NEVs, but also the demand for such technology in Thailand.



JATO Source: JATO MMix

In Indonesia, it's a different story with Hyundai dominating market share. Hyundai has chosen Indonesia as its first stop in the Southeast Asian market and has obtained market share in the country. If Hyundai chooses to enter other countries in the region, it will have fierce competition with Chinese OEMs due to similar product strategies of launching quality products that are cost-effective.

Furthermore, Chinese and South Korean brand awareness and brand reputation are increasing. This means if Hyundai keeps expanding, the market will become much more competitive. While data shows Wuling is in second place, it's not as a result of Hyundai taking market share, they simply have different product offerings for different segments. Wuling offers a Car-A segment car called Air EV, whereas Hyundai offers a SUV-C called IONIQ 5.



The Malaysian NEV market shows a different picture with premium brands such as BMW, VOLVO, and Mercedes still occupying 63% of market share. This is due to the Malaysian economy being stronger than other countries in Southeast Asia; consumers have high purchasing power and are less price sensitive. When it comes to purchasing vehicles, **Malaysians still tend to choose western brands as they are more brand conscious**; product name and reputation successfully prevails over cost, but only once the brand is well known.

NEV brand share varies country to country, with only the Thailand and Indonesian markets mostly dominated by Chinese brands, and Malaysia still occupied by traditional European premium brands. Meanwhile, Vietnam is still at a very early stage, and currently only has local brand, Vinfast, with total sales in 2023 reaching 12,500 units. Whereas the Philippines has barely started on its NEV journey – while BYD ranks in first place, sales were only 581 units in 2023.

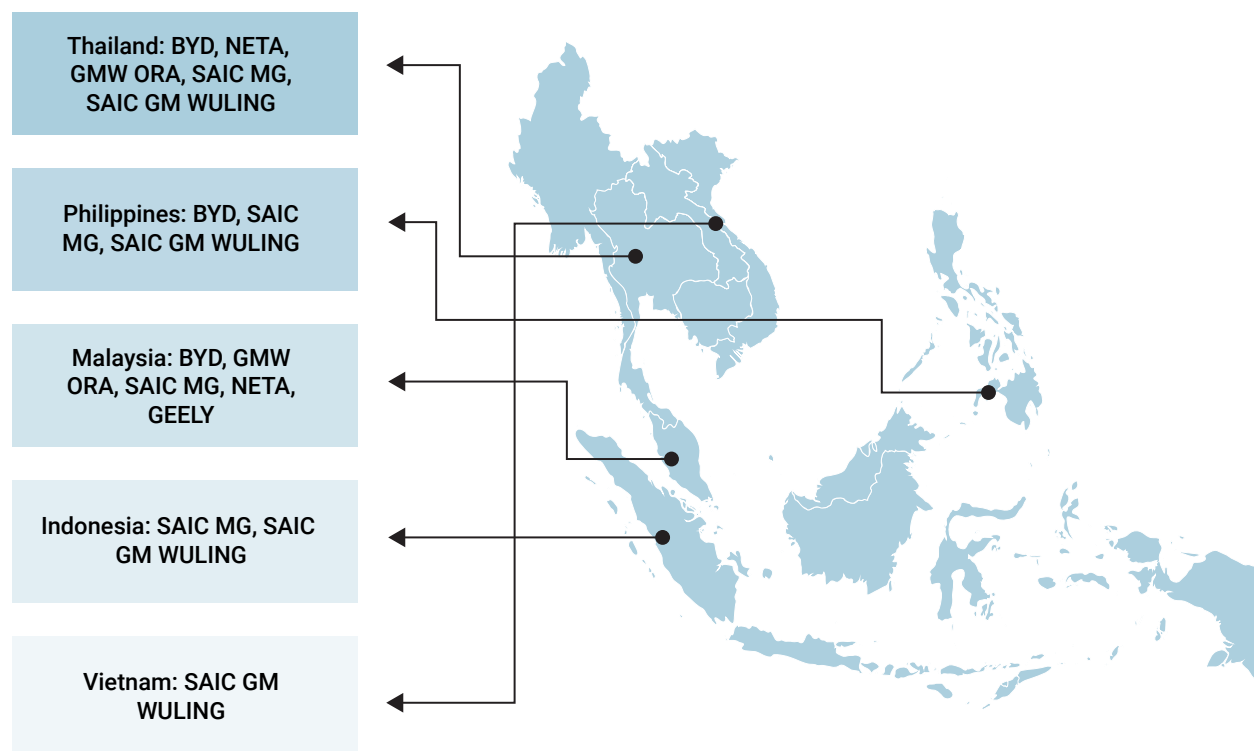
Incentives and lower purchasing power are key driving forces for Thailand and Indonesian consumers. Malaysia, however, is a relatively developed country, and consumers are more brand orientated. There is opportunity within Indonesia and the Philippines, but these markets will be much harder to penetrate short-term.

It will be much easier for Chinese OEMs to gain a place in the Thailand and Indonesian markets due to their cross-segment strategy, i.e. they offer high-price effectiveness products to the market, and both price and product specifications are better than their competitors. Additionally, in ICE era, Japanese brands dominated in the area, demonstrating consumers in these markets are more openminded to new brands. As Japanese brands currently do not have good NEV alternatives to appeal to the growing demand, it opens up big opportunities for OEMs looking to enter the Southeast Asian market.

08

Localisation is key

Preferential subsidy policies for new energy vehicles in Southeast Asia often add localised production requirements. For example, Thailand requires OEMs that acquire subsidies to sign an agreement with the government, and subsequent localised production must be achieved. The production volume is related to the amount of subsidies enjoyed in the early stage; Indonesian market subsidies are only limited to vehicles that offer domestic production. Therefore, Chinese OEMs must grasp opportunities to start localisation to conquer certain market share in the different regions.



The below table illustrates OEMs' current strategies for entering the Southeast Asian markets. Thailand's government encourages localisation of vehicles, requiring foreign OEMs to eventually build plants in the country if they want to expand their business in the area. Other governments in the region have not implemented this localisation rule as yet, meaning OEMs are likely to choose CBU (completely built up) to enter the market to ensure costs are more controlled.

Chinese OEMs NEV footprint in Southeast Asia			
OEM	Country	Route to market strategy	NEV Models launched
BYD	Thailand	Plant building (planning)	Atto 3 Seal Dolphin
		CBU	
	Malaysia	CBU	Atto 3 Dolphin
	Philippines	Plant building (planning)	Atto 3 Dolphin Han Tang
GMW ORA	Thailand	Plant building	Ora 07 Ora good cat
		CBU	
	Malaysia	Set up subsidy	Ora good cat
HOZON	Thailand	Plant building	NETA V
		CBU	
	Malaysia	CBU	NETA V
SAIC MG	Thailand	CBU	MG 4 MG EP MG HS MG ZS MG Maxus 9
		Plant building (Planning)	
	Indonesia	CBU	MG 4 MG ZS
	Philippines	CBU	MG 4 MG Marvel
	Malaysia	Set up office	N/A
SAIC GM Wuling	Thailand	CBU	Wuling Air
	Indonesia	CBU	Wuling Air
	Philippines	Plant building (planning)	
		CBU	Wuling Hongguang MNI EV Wuling bingo Wuling Yep
Geeley	Vietnam	CBU	Wuling Hongguang MNI EV
	Malaysia	Tech licensing	Proton X90

09

Knowledge is power

Having a detailed understanding of each market will be key to Chinese OEMs' success in not only entering but also thriving in the Southeast Asian region. Access to the relevant data will play a pivotal role in enabling this, giving Chinese automakers the knowledge and insights to develop tailored product, marketing, and sales strategies for each country.

Working with a data partner that can provide valuable global automotive intelligence on each country will enable Chinese OEMs to compare vehicle specifications, understand volumes, optimise market position, and identify regional trends for better, more informed strategies.

10

Driving forward

Southeast Asia is a growing and thriving region with untapped potential for Chinese automakers looking to expand NEV market share globally. The saturated Chinese and European markets, along with a lack of NEV competition in the Southeast Asian area, makes it the ideal next step for OEMs wanting to increase sales volumes.

OEMs should consider entering markets with more policy incentives but less competition such as Thailand and Indonesia, keeping the benefits of cross-segment strategy e.g. quality products that are cost-effective.

Although Southeast Asia is usually seen as a region, each country does vary. OEMs should have a deep understanding of each market's characteristics and offer products that suit local requirements. Working with a data partner that can provide access to insights for each market will be the secret weapon for Chinese automakers' success in the region.

About JATO

JATO is a leading global supplier of automotive market intelligence. Employing more than 800 experts globally in over 50 countries, and supported by 20 regional offices, our offices are perfectly positioned to deliver your local automotive data needs.

For more information about JATO's automotive market intelligence for Southeast Asia, please book a consultation with one of our experts.

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