Economic Commentary

QNB Economics
economics@qnb.com
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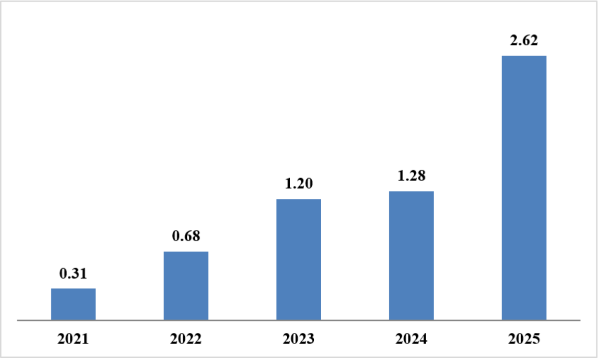
China's electric vehicle exports accelerate as the industry seeks consolidation

Over the last decade, China has rapidly become the dominant force in global vehicle exports. In 2025 alone, exports of new energy vehicles (NEVs) — a category spanning battery-electric cars, plug-in hybrids and fuel-cell vehicles — reached 2.62 million units, double the level of a year earlier. Battery-electric exports alone rose by around two-thirds to 1.65 million units, while plug-in hybrid shipments more than tripled. This surge helped lift total Chinese vehicle exports above 7 million, confirming the country as the world's largest auto exporter by a wide margin. The momentum has carried into 2026: in the first quarter, NEV exports more than doubled again from a year earlier to close to one million units, accounting for over 40% of all vehicles shipped abroad.

This external strength stands in contrast to a more complex picture at home. In its new 15th Five-Year Plan, covering 2026 to 2030, Beijing omitted NEVs from its list of strategic emerging industries for the first time in fifteen years. Rather than a retreat, the move signals that policymakers now regard the sector as mature enough to be shaped by market forces rather than sustained by subsidies. In this article, we examine the scale of China's electric vehicle export boom, how it fits within the priorities of the new five-year plan, and what it implies for the broader Chinese economy.

China New Energy Vehicle Exports
(2021–2025, million units)

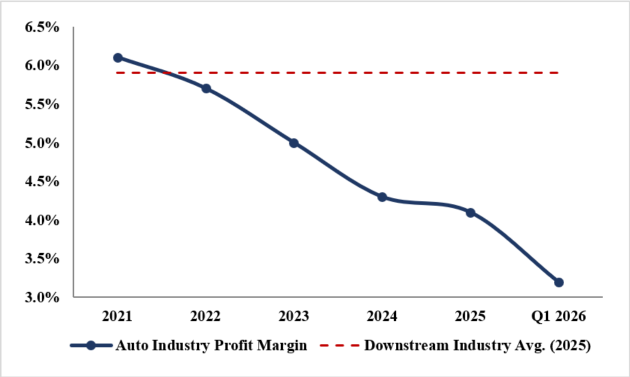


Source: China Association of Automobile Manufacturers (CAAM), QNB Economics

First, exports have become the principal engine of growth for China's automotive sector. Domestic demand softened notably at the start of 2026, as generous purchase-tax incentives were scaled back and the previous full exemption was replaced by an effective 5% rate. Domestic NEV sales fell by close to a quarter in the first quarter, even as production capacity continued to expand. With factories running well below efficient utilisation levels, overseas markets have become both a safety valve for surplus output and a source of stronger margins, as vehicles typically sell for more abroad than in China's intensely competitive home market. Manufacturers such as BYD, Geely and Chery have broadened their global footprint at pace, with exports now representing roughly one-third of total industry volume.

Second, the export drive aligns closely with the strategic reorientation embedded in the five-year plan. Having already surpassed a 50% share of domestic car sales — a milestone reached more than a decade ahead of the original target — the NEV industry no longer requires the priority status it once held. Instead, the plan channels resources toward emerging frontiers such as quantum technology, hydrogen and advanced manufacturing, while recasting electric vehicles as part of a wider energy-system strategy, with ambitious targets to roughly double charging infrastructure and to integrate vehicles with the power grid by 2030. At the same time, a quality over quantity campaign seeks to curb the ruinous price competition that has eroded profitability, encouraging consolidation.

China Auto Industry Profit Margin
(%, net profit as a share of revenue)



Source: National Bureau of Statistics of China, QNB Economics

Third, the implications for the wider economy are double-edged. On one hand, the industry has become a pillar of China's export performance and a showcase for its manufacturing and technological capabilities, contributing to a record goods trade surplus. On the other, years of aggressive expansion have left the sector with substantial overcapacity: more than a hundred brands compete domestically, factory utilisation sits near 60%, and industry profit margins have fallen to historic lows of around 3%. This has reinforced a broader deflationary dynamic that reaches well beyond the auto sector. Heavy reliance on exports also carries risks, as several major markets have raised trade barriers, prompting manufacturers to shift toward building production capacity abroad.

All in all, China's electric vehicle export boom reflects both the remarkable success of its industrial strategy and the growing pains of an industry that has outgrown its domestic market. As policy shifts from active promotion toward managing overcapacity and rewarding efficiency, the sector's future will increasingly be determined by global competitiveness and consolidation at home. For the broader economy, electric vehicles remain a source of strength and international influence, but also a test of China's ability to rebalance growth away from investment-led overcapacity towards a more durable, demand-driven expansion.