



By: TA | AP Insight

China's carmakers continue to export more despite geopolitical constraints



China's passenger car exports surged 64% in September from the same month in 2025, an industry association reported Monday, as Chinese automakers increasingly focus on exports to drive growth amid **sluggish domestic sales**.

China exported around 919,000 passenger vehicles in September, lifted by overseas demand for plug-in hybrids and pure electric vehicles, data from the China Association of Automobile Manufacturers showed.

In the first nine months of 2026, China exported over 7.1 million passenger cars, up more than 70% from the same period last year.

Meanwhile, domestic passenger car sales in China fell for most of the year as automakers faced weaker consumer confidence at home and scaled-back government subsidies.

They fell 27% year-on-year in September to over 1.6 million units, according to the association.

China is the world's largest vehicle exporter, but is facing increasing skepticism from trade partners who fear it's undermining their domestic industries and trade balance.

The EU is capping Chinese hybrid vehicle imports at 350,000 a year, officials say.

Chinese car sales grow in regions including Europe

In recent months, Chinese automakers have more aggressively targeted rapid growth in overseas markets such as Europe, Latin America, Southeast Asia and Africa. Canada is also opening its doors to Chinese EV exports under a **tariff cut deal** with China.

The industry increasingly relies on overseas markets for sales and profit growth as players seek to offset weakness in the domestic market, analyst Stephen Chan of S&P Global Ratings said.

Chinese-branded EV costs around \$20,000 to produce, compared with \$31,000 for a European equivalent

Consultancy AlixPartners and some auto analysts expect Chinese automakers to export nearly or around 10 million vehicles globally in 2026.

In Europe, Chinese automakers are increasingly challenging the European auto industry with lower costs and prices.

AlixPartners' analysis found, for example, that a Chinese-branded EV costs around \$20,000 to produce, compared with \$31,000 for a European equivalent.

EU to cap Chinese hybrid vehicle imports at 350,000 annually

The EU has already **imposed higher tariffs** on pure electric vehicles from China, prompting Chinese carmakers to export more hybrid vehicles.

Recent **policy discussions** have focused on the rapid rise in sales of Chinese hybrids in Europe.

Chinese automakers captured around 12% of Europe's new-car market in August and accounted for one in four hybrid sales in the region, said a research note by Deutsche Bank.



China and the EU had reached an interim deal that could halve Chinese hybrid vehicle exports to the bloc - Maroš Šefčovič

Amid growing pressure on the EU to rebalance trade with China, EU trade chief Maroš Šefčovič said Friday that the two sides had reached an interim deal that could **halve Chinese hybrid vehicle exports** to the bloc.

The agreement sets an annual import quota of 350,000 hybrid vehicles made in China, including plug-in hybrids, two senior EU officials said Monday.

The officials spoke on condition of anonymity under European Commission policy.

Starting as early as December, customs authorities across the 27-nation bloc will coordinate monitoring of these imports and halt further shipments once the annual quota is reached, one official said. The limit excludes cars made in Europe by Chinese companies.

Analysts said protectionist measures would likely continue to cloud Chinese automakers' overseas outlook.

An import cap on Chinese hybrid cars would likely disrupt the highly profitable vehicle export growth that Chinese automakers recently enjoyed in the European market, Deutsche Bank analysts said.

"You can't expect BYD or the other OEMs (manufacturers) to export too many cars without facing tariffs or pushbacks from the foreign governments," Xiao Feng, head of Hong Kong and China industrials research at investment group CITIC CLSA, told reporters recently.

Geopolitics is the biggest challenge to BYD's overseas expansion, executive vice president Stella Li, who leads the Chinese EV giant's global growth, acknowledged at an event this month.

BYD has therefore been expanding overseas production, including setting up plants in Thailand, Indonesia, Brazil and Hungary, she

told the Milken Institute Asia Summit in Singapore.

More overseas production limits impact from trade curbs

Chinese automakers will likely continue to expand overseas production to reduce exposure to tariffs and other risks, said Ming Lee, head of Greater China automotive and industrial research at BofA Global Research, a unit of Bank of America.

"More and more volume will be made locally," he said.

The U.S. has effectively shut Chinese EVs out of its market with hefty tariffs

Meanwhile, the U.S. has effectively shut Chinese EVs out of its market with **hefty tariffs**. President Donald Trump's meeting with Chinese leader Xi Jinping during Xi's state visit to Washington last month yielded no deal on access for Chinese EVs.

Experts say continued political uncertainty likely makes the U.S. market a lower priority for Chinese automakers.