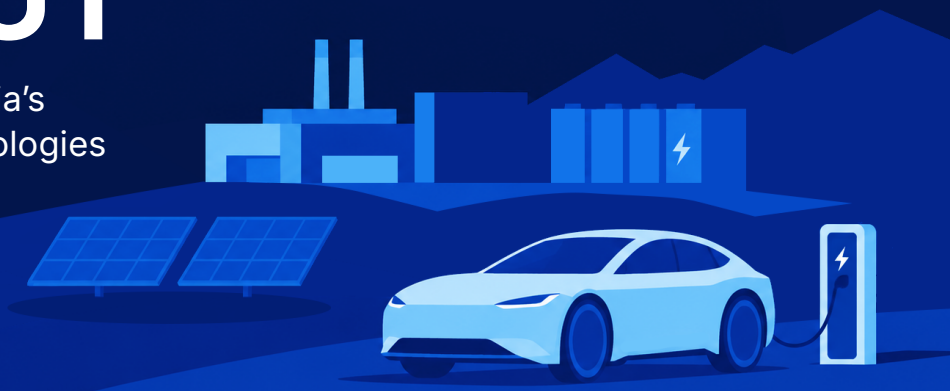
STONEBENCH

TECH • AI • CRITICAL MINERALS • COMMODITIES

ISSUE 04 - OCTOBER 2026

THE BUILD-OUT

Global EV market outlook and Asia's strategic control of critical technologies



01

A diverging Western market

02

China's question for global EV ambitions

Europe adapts under pressure

03

New OEMs emerge in Asia

The next EV frontiers

04

Broader trends reshaping the infrastructure of the future

EDITORS' NOTE

Welcome to the October 2026 edition of StoneBench's *The Build-Out* newsletter.

It's been over a decade since Tesla released the Model S in 2012, marking a shift in consumer perceptions about electric cars (EVs). Though not the first of its kind, the Model S showed drivers that EVs could represent more than just a greener economy, but a more luxurious, cleaner way of living. Global EV sales topped 1.85 million in July 2026—and for the first time ever, internal combustion engine (ICE) vehicles fell below 50% of global new car sales.

Underneath these headline numbers is a shifting landscape characterised by a number of trends: Chinese automakers' ongoing overseas expansion; Europe's attempts to adapt to tariff pressures; and the emergence of potential new OEMs from Vietnam and India. The future, according to EV carmakers, will be Southeast Asia and Latin America.

A DIVERGING WESTERN MARKET

Despite their historically close ties, the Western EV markets are being defined by sharp regional divergence.

Europe is experiencing surging growth in EVs. Battery electric vehicle (BEV) sales jumped 51% year-on-year in July 2026, with BEVs reaching a 26% market share. France recorded an 81% year-on-year sales increase in July, Germany 46% and the UK 43%. Spain is a regional leader, thanks to momentum catalysed by government initiatives such as its new "Auto+" subsidy programme, offering up to €4,500 per passenger EV retroactively from January 2026.

The combination of high fuel prices—partly driven by the ongoing conflict affecting the Strait of Hormuz—and expanding model choice, including the mass arrival of affordable Chinese models, is accelerating adoption. EV automaker BYD has begun targeting Europe with smaller, tailored models designed for local preferences.

The North American market, by contrast, is contracting. US EV sales fell 27% year-on-year in July 2026 following the removal of federal EV tax credits at the end of September 2025. Canada has partially offset this by opening a bilateral quota allowing up to 49,000 Chinese-made EVs annually at reduced tariff rates, with more than half of the first six-month allocation already issued by mid-August.

CHINA'S QUESTION FOR GLOBAL EV AMBITIONS

NEV sales in China fell by 5% in July 2026 from June 2026.

In many markets, EVs are still considered relatively niche, but in China, they dominate new car sales and account for increasingly large slices of the national vehicles mix. In July 2026, NEVs reached a record 60.4% of new passenger car sales—a sign that the combustion vehicle market is collapsing faster than EV volumes.

However, in reality, the domestic market has continued to soften: NEV sales in China fell by 5% in July 2026 from June 2026, leading Chinese manufacturers to focus on overseas expansion. In July alone, Chinese manufacturers responded by exporting a record 553,000 new energy vehicles. Major automaker BYD's pure electric vehicle sales rose 33% in September 2026, with overseas market expansion cited as a key driver.

Chinese makers are also broadening their technological ambitions beyond pure EVs and pushing into full-hybrid technology to challenge established players on the mainland and abroad. At the same time, Beijing has issued guidelines telling carmakers and suppliers to avoid price wars overseas, signalling a shift from a volume-at-any-cost strategy to sustainable long-term market building.

EUROPE ADAPTS UNDER PRESSURE

German auto executives called for deeper cooperation with China on NEVs, batteries, AI and automated driving, arguing that the two countries can draw on complementary strengths.

Chinese automakers' aggressive overseas expansion has led to a move by EU policymakers to establish tariffs on Chinese-made EVs, which has added up to 35% to import costs, resulting in Chinese automakers capturing their smallest share of Europe's EV market in eight months and Western automakers shifting more EV production back to Europe.

Yet, Chinese companies have continued to expand their physical presence on the continent, betting on competitive pricing and advanced technology. Analysts warn that tariffs alone will not make Europe a champion of electric vehicles, given China's two-decade head start in technological know-how and battery manufacturing. To illustrate: the share of China-made battery electric vehicles sold in Europe by Western brands fell from 38% in 2024 to 23% in the first quarter of 2026, according to a study by transport group T&E.

German auto executives have responded by calling for deeper cooperation with China on NEVs, batteries, AI and automated driving, arguing that the two countries can draw on complementary strengths. Since 2018, European automakers including Volkswagen, Stellantis, Mercedes-Benz and BMW Group have increased investment ties with Chinese innovation ecosystems. General Motors extended its SAIC partnership in China for 20 years, with plans to use China-developed technologies for both domestic and overseas markets—a reversal of the traditional one-way technology transfer model.

NEW OEMS EMERGE IN ASIA

Outside of China's dominance, we see a small but rising wave of new OEMs emerging in the region. VinFast represents the most prominent new OEM challenger from outside the traditional automotive powers, a company with roots in Vietnam that has pledged US$2 billion to build a regional manufacturing base serving South Asia, the Middle East and Africa.

The company has planned its global expansion via India, where it had previously planned to open its first factory outside Vietnam. However, its India ambitions have hit a bump in the road, with the factory plans suspended as the OEM "reassesses costs." In a strategic pivot, VinFast is now developing two India-specific EV models tailored to local market conditions, signalling that a one-size-fits-all global model strategy is insufficient for the complexity of emerging markets.

India itself is becoming a significant EV battleground: Delhi topped Niti Aayog's electric mobility index in 2025, and India's battery cell firms—including Amara Raja and JSW—are scaling up ambitions. Mahindra, India's largest maker of electric autorickshaws, has been shortlisted for the Prince of Wales' Earthshot prize, reflecting the country's growing micro-mobility innovation. However, Beijing's reluctance to share cutting-edge battery technologies is forcing Indian conglomerates to temper their plans.

Japan's Suzuki is making a major bet to defend its home market from Chinese rivals with the launch of the cheapest Japanese EV. Yet, the move has exposed Japan's deep battery vulnerability to China. Japan's EV subsidy programme is on track to exhaust roughly 90% of its fiscal 2026 budget through September, with Tesla (not Honda or Nissan) benefiting most from the scheme.

THE NEXT EV FRONTIERS

China targets having electric and hybrid vehicles account for 70% of all passenger car sales by 2030—up from 54% at the end of 2025.

As competition squeezes the competitive space in EV heartlands, the frontiers of the EV revolution are shifting to new markets:

- Indonesia is positioning itself as a battery manufacturing hub to capture value from the EV boom. President Prabowo has launched 11 downstream nickel and aluminium projects at the Weda Bay industrial park in North Maluku, part of a US$10.2 billion drive to move up the battery supply chain.
- Malaysia is shifting its EV policy focus from consumer subsidies to factory investment, introducing new import rules aimed at spurring local EV manufacturing rather than simply boosting consumer uptake.
- In Latin America, Chinese automakers are expanding rapidly. Chinese brands including BYD already account for over 80% of EV sales in Brazil, and BYD has ramped up battery production in the country.

China's target of having electric and hybrid vehicles account for 70% of all passenger car sales by 2030—up from 54% at the end of 2025—means the country's manufacturers will face intensifying pressure to find overseas volume. This structural export imperative, combined with Beijing's new guidelines against overseas price wars, suggests Chinese OEMs will increasingly compete on quality and localisation rather than pure price in

markets like Southeast Asia and Latin America. The countries that build local manufacturing partnerships now—as Indonesia is doing—will be better positioned to capture industrial value rather than simply becoming export destinations.

BROADER TRENDS RESHAPING THE INFRASTRUCTURE OF THE FUTURE

The US-China AI gap narrows: Chinese open-source AI models are winning over one in five enterprise users surveyed by The Information, and Bloomberg Intelligence data shows the US-China AI model performance gap has narrowed from roughly 9% to approximately 3%. However, China struggles to recruit foreign AI researchers—for every 30 Chinese researchers working on AI in the US in 2025, only one made the opposite journey.

- **What to watch:** The narrowing of the US-China AI model gap suggests that export controls on chips alone will not preserve Western AI leadership. The race is shifting to talent, data, and application-layer innovation. China's domestic AI regulation—particularly around social AI—may paradoxically accelerate the development of more industrially focused AI systems that are harder for Western competitors to match.

Semiconductors and chip control: China's state-backed financing apparatus is actively circumventing US export controls on advanced chips. For example, Semi-Tech Leasing Group—owned by local government entities—financed the purchase of restricted Nvidia B300 chips for a company called Glory View. Meanwhile, US chip design software leader Synopsys is exploring partnerships with Chinese AI labs to accelerate chip design—a move that illustrates the deep commercial interdependencies that make a clean technological decoupling extremely difficult.

- **What to watch:** The combination of state-backed financing, smuggling networks and commercial partnerships means China is acquiring advanced semiconductor capabilities through multiple channels simultaneously. Western export controls are slowing but not stopping this process.

Water security: China's Yellow River Basin has shown measurable ecological recovery five years after the release of its national management outline—sediment is falling, dry springs are flowing again and delta bird species have nearly doubled. This represents a significant policy success in managing one of Asia's most stressed river systems. However, the broader Himalayan water system faces acute stress: Nepal is planning to drain four glacial lakes after a glacier collapse in August 2026 killed more than 1,400 people and left over 5,000 missing in the border region with China. The disaster exposed the catastrophic risks of glacial lake outburst floods as climate change accelerates ice melt across the region.

- **What to watch:** Transboundary water management between China, India, Nepal and downstream Southeast Asian nations is becoming an increasingly urgent geopolitical issue. China's control of upstream river flows—through both natural geography and infrastructure—gives it significant leverage over neighbours. The Nepal glacier disaster is a preview of the scale of disruption that climate-driven water events could cause across the region in the coming decade.

Write to us at
info@stonebench.sg