

SCI China Market Update – August 2022

Dear Friends,

U.S. President Joe Biden and China's Xi Jinping held a fifth call on Thursday. They spoke for over two hours as concerns mounted over a possible visit to Taiwan by U.S. House of Representatives Speaker Nancy Pelosi. Also according to Reuters, Biden told China's Xi that U.S. opposes efforts to change Taiwan status quo, White House says.

The White House said the call began at 8:33 a.m. (1233 GMT) and ended at 10:50 a.m. (1450 GMT). Officials said it would include a broad agenda, including discussion of Russia's invasion of Ukraine, which China has yet to condemn.

Washington does not have official relations with Taiwan and follows a "one-China" policy that recognizes Beijing, not Taipei, diplomatically. But it is obliged by U.S. law to provide the island with the means to defend itself, and pressure has been mounting in Congress for more explicit support. One person briefed on planning for the call said the Biden administration thinks leader-to-leader engagement is the best way to lower tensions over Taiwan.

Biden also wanted to discuss climate and economic competition issues, the person said, as well as the idea of placing a price cap on Russian oil to punish Moscow for its war in Ukraine, an issue Treasury Secretary Janet Yellen raised with Chinese counterparts earlier in July.

The Biden administration has been debating whether to lift some tariffs on Chinese goods as a way to ease soaring inflation, but U.S. officials have said a decision was not expected ahead of the call. Beijing's Xinhua News Agent reported this important Biden – Xi summit soon after the meeting.

The current USD to RMB exchange rate is around \$1 = RMB 6.75 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

Chinese mainland reports 86 new local confirmed COVID-19 cases

Shanghai still is the focus of China's Covid-19 control status. The Chinese mainland on Wednesday reported 86 locally transmitted confirmed COVID-19 cases from Guangxi,

Sichuan, Gansu, Henan, Guangdong and Shanghai. Altogether 507 local asymptomatic carriers were newly identified nationwide.

RMB retains 5th spot as currency for global payments

The Chinese currency renminbi, or the yuan, has retained its position as the fifth most active currency for global payments by value in June 2022, with a share of 2.17 percent, said the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

The value of RMB payments increased by 6.61 percent compared to May 2022, while in general, all payments currencies increased by 5.3 percent, according to SWIFT, a global provider of financial messaging services. Regarding international payments, excluding those within the Eurozone, the RMB ranked sixth, with a share of 1.45 percent in June 2022.

A year on, China's CO2 market yet to drive big emission cuts

China's year-old carbon market has given more than 2,000 power plants a taste of emissions trading, but design flaws and data fraud have meant limited large-scale greenhouse gas reductions and environmental gains, experts say.

China's much-heralded Emissions Trading Scheme (ETS) is already the world's biggest, regulating around 4.5 billion tonnes of annual CO2 output from the power industry. Nearly 200 million tonnes of carbon changed hands in the first year of operations at a total value of 8.5 billion yuan (\$1.26 billion).

Means of production prices fall in China

Most of the capital goods monitored by the government saw lower prices in mid-July compared with early July, data from the National Bureau of Statistics showed on Sunday.

Of the 50 major goods monitored by the government, including seamless steel tubes, gasoline, coal, fertilizer, and some agricultural products mainly used for processing, 42 saw their prices decline, while five posted higher prices.

Hog price rose 1.3 percent from early July to come in at 22.6 yuan (\$3.35) per kg. The reading, released every 10 days, is based on a survey of nearly 2,000 wholesalers and distributors in 31 provincial-level regions.

China drops mention of GDP growth target, aims for 'best possible' results instead

China will try hard to achieve the best possible results for the economy this year, state media said on Thursday after a high-level meeting of the ruling Communist Party, dropping previous calls that it will strive to meet its 2022 growth target.

In the second half, China should "stabilize employment and prices, maintain economic operations within a reasonable range, and strive to achieve the best possible results," Xinhua news agency reported, after the 25-member Politburo chaired by President Xi Jinping met to assess the economy.

The world's second-largest economy narrowly avoided contracting in the second quarter due to widespread COVID-19 lockdowns and analysts said Beijing's full-year growth target of around 5.5% had been looking increasingly unattainable.

Chinese leaders "have signalled that they won't embark on massive stimulus just to hit the national target," Capital Economics said, while noting Beijing said it would work to stabilise the distressed property market, which has been dragging heavily on activity for the past year.

"We expect official 2022 GDP growth of at most 4% and think that, in reality, the economy may not grow at all this year."

China's industrial profits rebound in June though headwinds remain

Profits at China's industrial firms bounced back to growth in June after two months in the red, underpinned by the resumption of activity in major manufacturing hubs, but fears of a COVID-19 resurgence have cast a shadow over future factory output.

Profits in June grew 0.8% from a year earlier, rebounding from a 6.5% decline in May, National Bureau of Statistics (NBS) data showed on Wednesday. In June, China's industrial output grew 3.9% from a year earlier.

China's shipbuilding sector continues to lead in global market

China remained the world's leading shipbuilder in the first half of this year, as its market share ranked first globally in output, new, and holding orders, official data showed.

The country's shipbuilding output hit 18.5 million deadweight tonnes (dwt) in the January-June period, accounting for 45.2 percent of the world's total, data from the Ministry of Industry and Information Technology showed. New shipbuilding orders, another major indicator of the shipbuilding industry, came in at 22.46 million dwt in the first six months, taking up 50.8 percent of the global market share.

By the end of June, China's shipbuilding holding orders rose 18.6 percent year-on-year to 102.74 million dwt, with a global market share reaching 47.8 percent, the ministry said.

China Energy Investment to ensure sufficient and stable power supply

China Energy Investment Corp said it will further ramp up domestic coal output to ensure sufficient and stable energy supply in the country amid a tight global market. While boosting domestic coal production, China Energy will ensure clean and efficient utilization of the fossil fuel as the country goes full throttle on its green energy transition with the aim of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060.

The company produced 300 million metric tons of coal during the first half, up 6.2 percent year-on-year, while its power generation during the period rose to 526.4 billion kilowatt-hours, up 1 percent year-on-year, said Zhang Yuxin, spokesperson for the company, during a news conference in Beijing on Monday. Coal sales of the company rose to 390 million tons, and both revenue and net profit rose to record highs, he said, without disclosing the actual figures.

Data from the National Bureau of Statistics showed that first-half coal imports at 115 million tons were down 17.5 percent year-on-year. On the other hand, the country mined 2.19 billion tons of coal, up 11 percent year-on-year.

Solar power climbs toward record high

Nation's green push spurs 137% y-o-y surge in newly installed capacity in H1. China's expected new solar capacity in 2022 is on course to hit a record as the country goes full throttle on its green energy transition with the aim of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060, said an industry group.

Total installations are expected to further gain momentum to stand at between 80 gigawatts and 100 GW this year, breaking last year's record of some 55 GW, said Wang

Bohua, honorary chairman of the China Photovoltaic Industry Association (CPIA). China built 30.88 GW of new solar power capacity from January to June, up 137 percent from a year earlier, while the total installed capacity of solar power increased by 25.8 percent year-on-year to 340 million kilowatts, Wang said.

During the 14th Five-Year Plan period (2021-25), China's renewable energy generation capacity is expected to account for more than 50 percent of the total and the generation capacity for wind and solar power is to be doubled, it said.

State Grid crowns China's most valuable brands list

State Grid has crowned China's 500 Most Valuable Brands list of 2022, according to an annual report released at the World Brand Summit by the World Brand Lab, a consultant of digital marketing and brand valuation in Beijing on Tuesday.

With a brand value of 601.52 billion yuan (\$88.96 billion), State Grid topped the list of this year's most valuable brands, which is formulated based on financial data, brand strength and consumer behavior analysis. ICBC, Haier, Tencent and China Life Insurance occupied the top five on the list, with these brands entering the world-class brand tier.

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