

### **SCI China Market Update – August 2023**

Dear Friends,

Big headlines lately include U.S. climate envoy John Kerry's Beijing meetings with top Chinese officials including Prime Minister Li Qiang, Vice President Han Zheng and China's top diplomat Wang Yi. Also 100-year-old Dr. Henry Kissinger Beijing met with China's Defense Minister Li Shangfu, as China considers Kissinger "an old friend of China". Kissinger's book "On China" is well known in both the U.S. and China. Wang Yi, top Chinese diplomat, said the U.S. needs Dr. Kissinger's style of diplomat wisdom in repairing U.S.–China relations. All very Interesting. But what really caught my eye was the People's Daily headline "China unveils guidance for supporting private sector".

Why are these Guidelines important? Because they indicate that Beijing's policy supporting private business plays a key role in boosting the still weak economy. Below is a translation:

"The guidance details 31 measures, including improving the policies and systems for financial support, protecting private firms' property rights and the rights and interests of entrepreneurs in accordance with the law, as well as supporting platform firms' development to generate jobs and spur consumption.

"China has also pledged efforts to continuously remove market entry barriers and fully implement policies for fair competition, according to the document released by the Communist Party of China Central Committee and the State Council.

"Private firms, a key driving force behind China's economic ascent in recent decades, contribute more than 60 percent of gross domestic product and 80 percent of urban employment, official data showed. According to the document, the private sector serves as a vital force in advancing Chinese modernization and building China into a great modern socialist country in all respects, and the country seeks to foster its healthy and high-quality development.

"China will guarantee private firms' need for talent, encourage the innovative development of the platform economy and continuously optimize the system for protecting intellectual property.

“More efforts will also be made to encourage private firms to increase spending on research and development and make key technological breakthroughs, speed up digital and technological transformation, encourage private firms' expansion of overseas business, promote the healthy development of the private sector and guide public opinion to create a supportive environment for the private sector.”

The current USD to RMB exchange rate is \$1 = RMB7.23 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

### **China's frail Q2 GDP growth raises urgency for more policy support**

GDP grows 0.8% q/q in Q2, vs 2.2% in Q1, shows slowing momentum

GDP expands 6.3% y/y in Q2 due to low base effects

Frail data raises urgency to unveil more policy steps

Policymakers seen avoiding aggressive stimulus due to debt risks

China reported that its economy grew 6.3% year-over-year in the second quarter, missing expectations for 7.1% growth. JPMorgan cut its expectations for China's growth to 5%, from 5.5% previously.

### **China's June industrial output rises 4.4%, retail sales up 3.1%**

China's industrial output grew 4.4% in June from a year earlier, unexpectedly accelerating from 3.5% seen in May, but demand remains lukewarm amid a bumpy post-COVID economic recovery. The data released by the National Bureau of Statistics (NBS) on Monday came above expectations for a 2.7% increase in a Reuters poll of analysts. Retail sales grew 3.1% in June, slowing from a 12.7% jump in May. Analysts had expected growth of 3.2%. Fixed asset investment expanded 3.8% in the first six months of 2023 from the same period a year earlier, versus expectations for a 3.5% rise. It grew 4.0% in the January-May period.

### **China youth unemployment hits high as recovery falters**

Youth unemployment in China has hit a new record high as the country's post-pandemic recovery falters. The jobless rate of 16 to 24 year old in urban areas rose to 21.3% last month, official figures show.

### **China's power use up 5% in H1**

China's electricity consumption, a key barometer of economic activity, registered steady growth in the first six months of 2023, official data showed. In the first half of the year, China's power

consumption topped 4.3 trillion kilowatt-hours, up 5 percent from a year ago, said the National Energy Administration.

Power consumed by primary industries grew by 12.1 percent year-on-year, while that used by secondary and tertiary sectors increased by 4.4 percent and 9.9 percent, respectively. Residential power use saw a year-on-year increase of 1.3 percent to 619.7 billion kilowatt-hours during the first six months, the administration said.

### **China's power generation up 3.8 pct in H1**

China's power generation climbed 3.8 percent year on year in the first half of this year, official data showed on Monday. The country's total power generation reached nearly 4.17 trillion kilowatt-hours during the January-June period, according to the National Bureau of Statistics (NBS).

A breakdown of the data showed growth in the output of thermal power, nuclear power, wind power and solar power, up 7.5 percent, 6.5 percent, 16 percent and 7.4 percent year on year, respectively, during the period, the NBS data showed. However, the country's hydropower output fell 22.9 percent from a year earlier in the first six months of the year. In June alone, the country's power output expanded 2.8 percent from one year ago, according to the NBS.

### **Chinese companies' investment in new energy globally surges 55.6% in 2022**

Chinese power companies are increasingly focusing on renewable energy projects such as solar and wind power globally, an industry report showed. Major Chinese power companies signed 102 new overseas engineering contracts in markets involved in the BRI, accounting for 53.1 percent of the total number of new power contract projects. The total contract value of the projects, which cover 23 countries and regions in Asia, Africa, and Europe, was around \$22.09 billion, accounting for 67.4 percent of the total new overseas engineering contracts signed in 2022.

### **China approves investment projects worth 701b yuan in H1**

China's top economic planner approved 91 fixed-asset investment projects with combined investment totaling 701.1 billion yuan (\$98.12 billion) in the first half (H1) of 2023, said the National Development and Reform Commission on Tuesday.

The projects were mainly in energy, high-tech, transportation and water conservancy industries, according to Jin Xiandong, an official with the commission. China's fixed-asset investment went up 3.8 percent year-on-year in the January-June period, hitting 24.31 trillion yuan, according to the National Bureau of Statistics. Fixed-asset investment includes spending on infrastructure, property, machinery and other physical assets.

### **First wind farm with 16MW turbines begins operations**

The world's first offshore wind farm using 16 MW turbines was put into operation and started power generation on Wednesday, operator China Three Gorges Corporation said. Located in Fujian province, the turbine, equipped with a 152-meter hub, has the world's longest impeller diameter of 252 meters, a swept area of around 50,000 square meters and the lightest per megawatt weight.

The wind farm is capable of producing more than 66 Gigawatt-hours of clean electricity per year, capable of meeting the annual electricity demand of 36,000 households and equivalent to saving about 22,000 tons of standard coal and reducing approximately 54,000 tons of carbon dioxide emissions each year. The operation marks an important breakthrough for China's offshore wind power industry in terms of high-end equipment manufacturing and deep-sea offshore wind power construction, reaching an internationally leading level.

### **China-Pakistan nuclear cooperation marks a milestone**

The construction of Chashma Nuclear Power Plant Unit 5 in Pakistan marks another milestone in nuclear energy cooperation between China and Pakistan, while further enhancing the influence of China's nuclear power technology worldwide, said its operator China National Nuclear Corporation.

Unit 5 of the Chashma Nuclear Power Plant (C-5) started construction on Friday. This is the third nuclear power unit using Hualong One, China's self-developed third-generation nuclear power technology, that China exported to Pakistan, as well as the seventh nuclear power unit exported from China to Pakistan, it said. The company has built two nuclear power bases in Pakistan with a total of six nuclear power units, which can provide nearly 30 billion kWh of clean electricity every year, equivalent to reducing carbon dioxide emissions by 24.48 million tons per year, it said.

### **Indian traders scoop up cheaper Chinese steel**

Indian traders have been scooping up Chinese steel at a deep discount, industry officials and analysts said, spooking Indian producers ahead of a seasonal pick up in domestic demand. Lured by discounts of \$30 to \$50 a tonne on hot-rolled and cold-rolled products, Indian buyers are signing a flurry of import deals, they added. Domestic industrial activity is set to pick up over the next two months after the monsoon rains recede.

In April-May, Indian imports of Chinese steel products such as plates and pipes used as construction material reached a three-year high.

During April-May, around 35% of steel imports from China were cold-rolled steel products, followed by pipes. About 68% of Chinese cold-rolled steel cargoes landed at Mundra Port, owned and operated by Gujarat Adani Port. Stainless steel imports from China reached a three-year high at 107,000 metric tons in the same period.

#### **Auto exports soar in H1 on booming NEV demand**

China's vehicle exports jumped in the first half, propelled in part by increased demand for new energy vehicles, a top industry association said on Tuesday. Of the total 2.14 million vehicles shipped overseas, 1.78 million units were passenger vehicles, up 88.4 percent from the same period last year, while buses and trucks made up 361,000 units, up 31.9 percent, according to the China Association of Automobile Manufacturers.

Shipments of NEVs, which include electric vehicles and plug-in hybrids, soared 160 percent year-on-year to hit 534,000 units between January and June, the data showed. China overtook Germany as the world's second-largest vehicle exporter in 2022. Since then, more Chinese carmakers have been eyeing the potential in overseas markets.

For more information about doing business with China please visit our website at [www.s-c-i.com](http://www.s-c-i.com) or call me at 610-457-8380. Thanks!

Shiqiang Gu

President & CEO

-----

Sino Consulting (SCI)

8010 Fairview Lane

Eagleview, PA 19403

U. S. A.

Tel: (610) 457 8380

Email: [sgu@s-c-i.com](mailto:sgu@s-c-i.com)

Web: [www.s-c-i.com](http://www.s-c-i.com)