

SCI China Market Update – February 2018

Dear Friends,

The Chinese New Year, the Year of the Dog, will officially begin February 16, 2018. People born during the Year of the Dog are said to be loyal, kind, sincere, good-natured and honest. They are often quick to help others in need.

I am currently in China for business and am already seeing millions of people across the country starting to make their way home for family get-togethers and New Year celebrations. China's advanced high-speed train network has helped a great deal to relieve pressure on air and highway travel. You can now go, literally, anywhere in mainland China by high-speed train - convenient, safe, comfortable and very fast.

We helped one of our clients successfully recruit a GM for its Tianjin operation in 217 and, a CFO recently. The new CFO will begin her new job soon after the Chinese New Year holidays.

The main purpose of my current China trip has been to locate and secure qualified Chinese vendors for our client. One strong candidate is Tianjin Tianduan Hydraulic Press, a company we have known for many years. Tianduan has already shipped and installed some 30 hydraulic presses, from 350 tons to 10,000 tons, for North American buyers. When I visited it was in the process of testing three more, to be shipped to a U.S. auto parts maker. So Tianduan's after sales service team is well experienced in serving western customers. Tianduan's website is: www.tianduan.com

I also visited pressure vessel manufacturers and will recommend two of them - one in Tianjin and one in Nanjing. Both are ASME certified and both make pressure vessels for major U.S., German and other foreign customers at competitive prices and delivery terms.

We also recommend Wuxi Lingood for quality loss-in-weight feeders. Lingood designs and manufactures loss-in-weight feeders with advanced control systems at very competitive prices, and the company pays attention to after sales service. The company already has sales and service engineers in both the U.S. and Canada. Wuxi Lingood will participate the NPE2018 in Orlando in May. Here is the company website: www.lingood.com.cn

What's new about the Chinese economy? Below is some very recent China market and economic news from various public sources:

China's economy grows by 6.9% in 2017

China's economy grew by 6.9% in 2017 according to official data - the first time in seven years the pace of growth has picked up. The figure beats Beijing's official annual expansion target of about 6.5%.

Yuan strengthens as investors move currency into country

China's currency strengthened to a 30-month high against the US dollar, driven by capital flows into the country, with its improving economic fundamentals expected to provide solid support. The yuan's daily reference exchange rate set by the central bank appreciated to 6.2882 per dollar recently, the strongest since Aug 11, 2015.

"Most of the Yuan's strengthening against the US dollar has been because of the general weakening in the greenback," said Louis Kuijs, head of Asia Economics at the Oxford Economics think tank, who raised the forecast of the Yuan's exchange rate to 6.32 per dollar by the end of 2018 compared with 6.41 in his previous forecast.

China's forex reserves keep growing

China's foreign exchange reserves rose for the 12th straight month to reach \$3.1615 trillion at the end of January. The amount was slightly below the market forecast of \$3.17 trillion, and \$21.5 billion up from the end of December, according to the People's Bank of China (PBOC).

The stockpile has increased steadily since February 2017 after dipping below \$3 trillion in January, as the economy got on a firmer footing and the yuan continued to stabilize. The PBOC said the country's gold reserves remained unchanged at 59.24 million ounces, and was valued at \$79.68 billion.

China births drop 3.5 percent in 2017

Births in mainland China fell by 3.5 percent to 17.23 million in 2017, citing figures from the country's statistics bureau.

The fall in the number of births in 2017 came despite a 2016 move to relax China's so-called "one-child policy" and allow all couples to have a second child. The loosening of the restrictions came amid concerns about the country's rapidly aging population.

China produced 1.9 billion mobile phones in 2017

China produced 1.9 billion mobile phones in 2017, up 1.6% from a year earlier, said a report issued by the country's Ministry of Industry and Information on Feb. 5.

However, the growth rate has dropped by 18.7% from 2016. Smartphones made up 1.4 billion of the total production, an increase of 0.7% year on year.

The export delivery value of the industry increased 13.9%, growing 10.5% faster than the previous year. However, mobile phone shipments in the domestic market stood at 491 million last year, down by 12.3% year on year, said a report in January.

Explosive growth of NEVs poses recycling challenge in China

Explosive growth of new energy vehicles in China will pose a great challenge to battery recycling, a downstream industry that has not kept up with the sharp expansion of plug-in autos.

A total of 777,000 new energy vehicles were sold in the Chinese market last year, up 53.3% year-on-year, according to the China Association of Automobile Manufacturers (CAAM). The growth was 0.3% faster than in 2016, when China sold more new energy vehicles than anywhere else for a second year. New energy vehicle output jumped 53.8% to 794,000 units last year, according to CAAM. The stock of new energy vehicles is the world's largest, with 1.53 million by the end of 2017.

In 2016, there were about 12,000 tons of car batteries that needed recycling, and the figure is expected to jump to 248,000 tons by 2020.

China may overtake UK in wine consumption

China is likely to displace Britain as the world's second largest wine consumer, in terms of value, by 2021, according to research from Vinexpo, one of the largest exhibitions for wine and spirits professionals globally, and the UK-based International Wine and Spirit Research.

The growth rate of the Chinese wine market is estimated to exceed 30 percent over the next five years, starting from 2017 onward, and attain a size of \$23 billion in 2021, second only to the US.

"The growth of value (in China) is mainly led by the increase of volume," said Guillaume Deglise, CEO of Bordeaux, France-based Vinexpo, at a news briefing in Shanghai.

Power producers want more coal to tide over shortages

China's four major power generation groups have asked the National Development and Reform Commission, the country's top economic regulator, to increase coal supplies and regulate, reduce coal prices after snowstorms sweeping across central and southern provinces led to major losses for the thermal power sector.

The four top utilities, China Huaneng Group, China Datang Corporation, China Huadian Corporation and State Power Investment Corporation, said in a joint report they are facing pressure due to tight gas and coal supplies and have warned of potential heating and electricity shortages as blizzards continued to buffet some central and southern provinces.

The high coal prices have led to a 40.2 billion Yuan (\$6.3 billion) loss in the coal power sector for the country's top five power generation groups, they said.

China's thermal coal futures hit record highs on Monday, with the most-active futures CZCcv1 reaching 679.6 Yuan, the highest since the contract began in 2015.

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Best regards,

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