

SCI China Market Update – February 2024

Dear Friends,

The very long - too long for business – ten-day Chinese New Year holiday, the Year of Dragon holiday, is officially over. Business and government re-opened on February 18th, 2024.

We call the lunar new year our Spring Festival. It's so important to every Chinese family thanks to thousands of years of history and the tradition that families must get together during this holiday to welcome the new spring together. So, typically, the Spring Festival can last for 15 days and even longer in countryside. However, the Spring Festival has become a pretty quiet since the Covid pandemic - no holiday mood, no traveling, no shopping and no family members traveling to pay visits to each other. I am so pleased to see that this year, the Year of the Dragon, has brought back that traditional Spring Holiday mood, finally and for sure.

All major CCTV channels broadcast the annual New Year Spring Festival TV gala live throughout China and abroad, and fireworks also made a comeback and were welcomed by almost all Chinese cities, including my hometown of Tianjin. I learned from my WeChat that my relatives, classmates and friends in China were all about traveling, tours, dinner parties, shopping and local lantern fairs. Great!

My brother No. 1 in Beijing, Prof. Shizhe Gu, took his family back to Tianjin by high-speed train on New Year's Eve to resume the Gu family traditional get-together. On New Year's Day, February 10th, the families of brother No. 1, No. 2, Shining Gu and No. 3, Shile Gu had a great dinner party in a well-known Tianjin restaurant and drank Maotai. I must say that no matter whether it's the so-called roast Peking Duck or braised fish in soy sauce or other sea food specialties, my hometown Tianjin is the best in China!

Below, please find BBC's headline news on China:

“Lunar New Year: China tourism spending tops pre-Covid level

Tourism spending in China during the Lunar New Year break jumped above pre-Covid levels, official data shows. Domestic tourism spending hit 632.7 billion yuan

(£69.7bn), about 47% more compared to the same holiday period last year according to government figures.

The celebrations came after years of pandemic lockdowns and restrictions, which were lifted in early 2023.”

“The figures for the start of the Year of the Dragon showed that 474m domestic trips were taken during the eight-day break, which ended on Sunday. That was more than 34% higher than last year and 19% above pre-pandemic levels in 2019.”

“During the pandemic, major celebrations were cancelled and travel was banned. The jump in overall Lunar New Year spending marks some rare good news for the world's second-largest economy, which is facing a number of challenges.

“Among the serious issues Beijing is grappling with are a property market crisis, weak exports and concerns about falling consumer prices, or deflation.”

According to China Daily, “major tourist sites across China had received 123 million tourist trips since the start of the 2024 Spring Festival travel rush, representing a 22.8 percent increase compared with the previous year.”

The current USD to RMB exchange rate is \$1 = RMB7.19 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

China's 2023 GDP shows patchy economic recovery, raises case for stimulus

Summary:

- China's Q4 GDP grows 5.2% vs Q3's 4.9%
- 2023 GDP expands 5.2%, hitting Beijing's target
- Dec retail sales weak, property downturn deepens
- Population falls for a second consecutive year
- More policy easing expected as challenges remain

China's economy grew 5.2% in 2023, slightly more than the official target, but the recovery was far shakier than many analysts and investors expected, with a deepening property crisis, mounting deflationary risks and tepid demand casting a pall over the outlook for this year.

China implements biggest LPR cut on record

China implemented the biggest cut on record to a mortgage rate benchmark on Tuesday, indicating monetary policymakers' dedication to bolstering economic revival, with additional cuts to a key policy rate likely on the horizon, experts said.

The over-five-year loan prime rate, on which lenders base their mortgage rates and long-term corporate loans, dropped by 25 basis points to 3.95 percent, the first cut since June 2023, said the People's Bank of China, the country's central bank.

The 25-basis-point cut marks the biggest cut since the over-five-year LPR served as an interest rate benchmark in 2019. The one-year LPR was left unchanged at 3.45 percent on Tuesday.

China reports current account surplus in 2023

China's current account surplus amounted to 264.2 billion U.S. dollars in 2023, the country's foreign exchange regulator said on Sunday. The current account surplus to gross domestic product ratio was 1.5 percent last year, which is within a reasonable and balanced range, according to the State Administration of Foreign Exchange.

The surplus under trade in goods came in at 608 billion dollars last year, the second highest level in the history, data released by the administration shows. China's foreign trade has expanded quarter by quarter thanks to the economic recovery trend, underpinning a relatively large current account plus, said Wang Chunying, spokesperson for the administration. The tourism and transportation sectors again registered major deficits, with the shortfall in the tourism sector coming in at 180.6 billion U.S. dollars, data shows.

China's population falls in 2023 again

China's annual population fell for the second time in 62 years; it was 1,409.7 million in 2023 compared to 1,411.8 million in 2022.

China's "ice city" Harbin welcomes over 10 million visits during Spring Festival holiday

Harbin, the capital city of northeast China's Heilongjiang Province, welcomed over 10.09 million visits during the Spring Festival holiday, an average daily increase of 81.7 percent year on year, local authorities said Sunday. The city raked in 16.42 billion

yuan (about 2.28 billion U.S. dollars) of tourism revenue during the eight-day holiday, from Feb. 10 to 17, according to the city's tourism department.

Looking ahead, Harbin will continue to integrate various resources such as tourist attractions, large-scale cultural tourism activities, regional characteristic brands, and cultural venues, and design tourism routes and products to help tourists better experience the city's history and charm.

Singapore air show kicks off with orders for China's COMAC, Boeing

Singapore on Tuesday kicked off Asia's biggest aviation gathering with orders for China's COMAC and Boeing planes as the industry grapples with a rebound in post-pandemic travel demand in the face of severe supply constraints.

More than 1,000 companies from more than 50 countries are participating in the biennial commercial and defense-focused Singapore Airshow, led by Western industry giants such as Airbus, Boeing and Lockheed Martin and their Chinese competitors such as COMAC and AVIC. COMAC, which brought its self-developed C919 narrow-body jet outside Chinese territory for the first time to the show, posted the first of the event on Tuesday morning, with China's Tibet Airlines finalizing an order for 40 C919 single-aisle planes and 10 ARJ21 regional jets, and China's Henan Civil Aviation Development and Investment Group ordering 6 ARJ21s.

Over 1 billion parcels collected during Spring Festival holiday

China's express delivery industry collected nearly 1.08 billion parcels during this year's 8-day-long Spring Festival holiday, with the average daily collection volume soaring by 145.2 percent compared to the same holiday period last year. About 641 million parcels were delivered during the period, with an 82.1 percent increase in average daily delivery volume over the same holiday period last year, according to data released by the State Post Bureau on Sunday.

China provides over 300b yuan for employment assistance in 2023

China intensified efforts to shore up employment in 2023, with more than 300 billion yuan (about \$42.23 billion) directly channeled by governments at all levels to support employment and entrepreneurship, according to the country's Ministry of Human Resources and Social Security. A total of 12.44 million jobs were created in urban areas in 2023, said Yun Donglai, an official with the ministry, adding that about 33.97

million people who were lifted out of poverty secured new employment opportunities over the past year.

Last year, the country provided assistance to 5.14 million unemployed individuals and aided 1.72 million people facing challenges in finding employment to secure new jobs.

China's 2024 Spring Festival box office sets new record

China's box office revenue during the eight-day Spring Festival holiday through Saturday exceeded 8 billion yuan (about \$1.13 billion), with domestic comedy movies accounting for over 97 percent of the total earnings.

According to data from box office trackers Maoyan and Beacon, "YOLO," directed by comedian Jia Ling, renowned for her debut film "Hi, Mom," led the holiday revenue chart with a revenue of 2.72 billion yuan, representing more than one-third of the total earnings. "Pegasus 2," the sequel to a 2019 blockbuster racing film by writer-director Han Han, ranked second with 2.40 billion yuan. "Boonie Bears: Time Twist," the latest installment in the flourishing "Boonie Bears" animated film series, and Zhang Yimou's "Article 20" ranked third and fourth on the chart, with 1.39 billion and 1.34 billion yuan, respectively.

Taiwan agrees to bring in Indian migrant workers to ease job crunch

Taiwan and India signed an agreement on Friday to bring in Indian migrant workers to the island as labor-strained Taipei seeks to expand its foreign workforce beyond its traditional source countries of Southeast Asia.

Taiwan, a major semiconductor producer but with an ageing society, is host to around 700,000 migrant workers who come mostly from Vietnam, Indonesia, the Philippines and Thailand, many of whom work in either in manufacturing or as home helpers for the elderly. India, like most countries, has no formal ties with Chinese-claimed Taiwan, but there is a close business relationship with India wanting to encourage more Taiwanese tech companies to invest and manufacture in India. India also has a difficult relationship with China, especially over their disputed shared border.

China's shipbuilding industry reports surging profits in 2023

China's shipbuilding businesses posted significant increases in combined profits and revenue last year with improving global competitiveness. The major shipbuilders profits surged 131.7 percent year-on-year to 25.9 billion yuan (\$3.64 billion) and their

main business revenue stood at 623.7 billion yuan, up 20 percent, data from the China Association of the National Shipbuilding Industry showed.

In 2023, Chinese shipbuilding companies accelerated digital transformation and stepped up its input in technological innovation. Multiple companies were in the global top 10 lists in terms of output, new orders and holding orders, and China State Shipbuilding Corporation ranked the first globally in all major shipbuilding indexes.

German investment in China rises to record high

German direct investment in China rose by 4.3% to a record high of 11.9 billion euros (\$12.7 billion) last year and also increased as a share of the country's overall investment abroad, official Bundesbank data analysed by the IW institute showed. The data underscores concern that German firms continue to invest heavily in China despite the government's pleas for them to reduce their exposure and its sharp cut in investment guarantees for the country.

German companies have invested as much in China in the last three years as in the previous six years, according to the IW institute report that was obtained exclusively by Reuters. Scholz will travel to China with a business delegation from April 15 to 16, a person involved in the planning told Reuters earlier this month.

China boosts Volkswagen's January deliveries, up 13%

Volkswagen said group deliveries rose 13.3% in January to 698,200 vehicles, with China the leading growth region. The German automaker's sales in China jumped 43%, while the group saw the biggest decline in its "Asia-Pacific Rest" region with 16.3%. Sales rose by 8.2% in Central and Eastern Europe. The strong growth in the Chinese market was partly thanks to a very low base in January last year, which was heavily influenced by COVID restrictions, VW said. In addition, the Chinese New Year holiday season was at the end of January in 2023.

China's policy bank lends 551.8 billion yuan to manufacturing, emerging industries in 2023

The China Development Bank (CDB) issued 551.8 billion yuan (about 77.68 billion U.S. dollars) in loans last year to support the development of the country's advanced manufacturing and strategically important emerging industries. These funds were mainly used to back the development of new-generation information technology, high-end equipment, new materials, new energy vehicles, energy conservation and

environmental protection, and bio-medicine, among others, according to the policy bank.

China had 3,608 listed manufacturing companies by the end of 2023

There were 3,608 manufacturing companies listed on China's domestic stock market by the end of 2023, according to the China Association for Public Companies.

Manufacturing companies accounted for about 67 percent of all 5,346 companies listed on the domestic stock market by the end of 2023. There were 2,263, 2,844 and 239 companies respectively listed on the country's Shanghai, Shenzhen and Beijing stock exchanges.

China's natural gas consumption up 7.6% in 2023

China's natural gas consumption registered a steady increase in 2023 amid the country's efforts to promote green development, official data showed. Last year, apparent consumption of natural gas stood at 394.53 billion cubic meters, up 7.6 percent year-on-year, according to the National Development and Reform Commission.

In December 2023, apparent consumption of natural gas rose 9.5 percent compared with the same period of 2022, reaching 37.65 billion cubic meters. China produced 229.7 billion cubic meters of natural gas in 2023, up 5.8 percent from 2022, earlier data revealed.

China's power generation up 8 percent in December 2023

The power generation of China's major electricity production enterprises went up 8 percent year on year in December 2023, data from the National Bureau of Statistics (NBS) shows. The total power output of these firms stood at 829 billion kilowatt-hours last month, according to the NBS.

A breakdown of the data revealed that the output of solar power soared 17.2 percent year on year, while that for thermal power rose 9.3 percent. The output of wind power and hydropower climbed 7.4 percent and 2.5 percent, respectively, on a yearly basis, while nuclear power generation fell 4.2 percent during the same period, according to the NBS. In 2023, the power output of these firms came in at 8.9 trillion kilowatt-hours, up 5.2 percent over one year earlier.

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