

SCI China Market Update – January 2021

Dear Friends,

Many of my friends and relatives in Tianjin and Beijing have recently cancelled or suspended their travels. No cars or trucks from nearby Hebei Province can enter Beijing due to new COVID-19 restrictions. Shijiazhuang, the capital of Hebei Province in the north, and Shenyang and Dalian in NE Liaoning Province were locked down. In general, north China is now on high alert.

The good news today is that Hebei Province finally reported a drop in new COVID-19 cases, but new curbs continue, in part because Hebei is so close to Beijing and Tianjin. The National Health Commission said that a total of 55 new COVID-19 cases were reported, down from 103 a day earlier. Hebei accounted for 40 of the 42 local infections, with Beijing and northeastern Heilongjiang province reporting one local case each.

Hebei's capital Shijiazhuang, a city of 11 million that accounted for 39 of the new COVID-19 cases, has been hardest hit in the latest surge in infections and has been placed under lockdown. The province has shut off certain sections of highways and is ordering vehicles registered to Shijiazhuang to turn back. The number of new asymptomatic cases rose to 81 in the mainland from 76 a day earlier.

The total number of confirmed COVID-19 cases reported in mainland China now stands at 87,591, while the death toll remained unchanged at 4,634. The "hot points" are all now in the north - Hebei, Liaoning and Heilongjiang provinces.

Wuhan city said on Monday it had launched contact tracing for two people -- among the 82 new local cases Hebei reported -- who had been to Wuhan. A restaurant, a business building and three markets visited by one of the two people were later closed.

The current wave of local cases first erupted in the port city of Dalian in Liaoning in mid-December. As winter advanced, other northern provinces - Heilongjiang, Hebei and Jilin - started to report more infections. Dalian on Monday blamed its outbreak on contaminated foreign vessels, saying the gene-sequencing information of the virus was

different from that in previous outbreaks. Most of the infected were dock workers handling cargo from one ship from Russia, a Dalian official told reporters.

To avoid new local infections, Chinese governments at all levels already strongly urge people to stay home and stay at their work places during the upcoming Chinese New Year holidays. This will of course hurt the newly recovered tourism industry.

So what else is new in the China economy? Below is some of the latest news culled from various public sources:

China steps up COVID-19 curbs near Beijing as infections rise

Chinese authorities on Wednesday imposed travel restrictions and banned gatherings in the capital city of Hebei province, which surrounds Beijing, in the latest escalation of measures to stave off another coronavirus wave.

The province, which entered a “wartime mode” on Tuesday, accounted for 20 of the 23 new locally transmitted COVID-19 cases reported in mainland China on Jan. 5, more than the total of 19 cases in the province in the three previous days.

Southeast Asian states prepare for mass vaccination with Sinovac vaccines

Indonesia, Thailand and the Philippines are preparing for mass COVID-19 vaccination with the vaccine developed by Chinese company Sinovac, local media have reported.

A national large-scale vaccination program has been scheduled for Jan. 13 in Indonesia as President Joko Widodo will be among the first to take the COVID-19 vaccine developed by Sinovac, said YCNews on Wednesday.

Widodo will be vaccinated with the public and military representatives, and the event will be broadcast on television for public witness and increase public confidence in the vaccine, local media quoted a high-level Indonesian official as saying on Tuesday. In the Philippines, local media CNA said in mid-December that the country aimed to acquire 25 million doses of Sinovac's vaccine for delivery by March.

Thai Prime Minister Prayut Chan-o-cha said Wednesday on social media that the Thai government has outlined a vaccination plan to inoculate at least half of the country's population free of charge this year. Prayut said Thailand will receive 2 million doses of

Sinovac's vaccine during the emergency phase from February to April, reported Singapore's Chinese-language newspaper Lianhe Zaobao on Wednesday.

China's CNBG has supplied 3 million COVID-19 vaccine doses to UAE

United Arab Emirates (UAE) has received a total of three million COVID-19 vaccine doses from China National Biotec Group (CNBG), the company said on Tuesday.

CNBG has moved into late-stage clinical trials two COVID-19 vaccine candidates respectively developed by its units in Beijing and Wuhan city. The Beijing unit's shot obtained a green light last week for general public use in China. CNBG is a subsidiary of state-backed China National Pharmaceutical Group (Sinopharm).

Pakistan said last week it would purchase 1.2 million doses of the vaccine developed by CNBG's Beijing unit.

China says WHO team will fly from Singapore to Wuhan on Jan. 14

A World Health Organization (WHO) team of international experts investigating the origin of the novel coronavirus will arrive in the Chinese city of Wuhan from Singapore on Thursday, a Chinese official said. WHO chief Tedros Adhanom Ghebreyesus has said his organization looked forward to working with China on the mission to identify the source of the virus and how it entered the human population.

World Bank: China's growth to pick up at 7.9% in 2021

China's economy is expected to expand by 7.9 percent in 2021, nearly double the global growth rate predicted for the year, the World Bank said in its forecast on Tuesday.

"Growth in China is projected to accelerate to 7.9 percent this year—1 percentage point above the June forecast—reflecting the release of pent-up demand and a quicker-than-expected resumption of production and exports," the 189-member global lender said in a statement at the release of the 2021 Global Economic Prospects.

In October, the International Monetary Fund has predicted China will reach 8.2 percent growth this year, after becoming the only major economy to show positive growth in 2020.

China Dec FX reserves rise as economic recovery gathers pace

China's foreign currency reserves rose more than expected to the highest in more than 4-1/2 years in December, official data showed on Thursday, as the country's economic recovery boosted the yuan against a weakening dollar.

The country's foreign exchange reserves, the largest in the world, rose \$38.03 billion in December to \$3.217 trillion - the highest since April 2016, data from the People's Bank of China showed.

Analysts polled by Reuters had expected foreign currency reserves to rise to \$3.191 trillion from \$3.178 trillion in November. The rise in China's reserves was due to the dollar's fall against other major currencies, and rises in global asset prices, the foreign exchange regulator said in a statement.

The U.S. dollar index fell by 2.1% in December as investors switched to riskier assets on improving prospects of a global economic recovery. The yuan rose 0.8% against the dollar over that month.

2021: Tariffs for imports to be lowered

China will reduce or cancel tariffs on certain imported goods and materials starting in 2021 in a bid to expand imports, boost the domestic market and support the formation of high-standard free trade areas under the country's new "dual-circulation" development paradigm, according to the Ministry of Finance.

The new interim tariff rates on imports, which will be lower than Most Favored Nation tariff rates, will apply to 883 kinds of goods as of Jan 1, including foods, medicines and information technology products, the Office of the Customs Tariff Commission of the State Council, which is based in the ministry, announced on Wednesday.

China extends tariff exemptions for imports of some U.S. products for one year

China's finance ministry said on Friday it will extend tariff exemptions for imports of 6 products from the United States including white oil and food-grade petroleum wax, for another year.

The extension, effective on Dec. 26, will last through Dec. 25, 2021, the ministry said. China announced tariff exemptions on the 6 chemical and oil products from the U.S. in December last year, shortly after the two countries announced a Phase 1 trade deal.

China's Dec factory activity growth slows, higher costs hit firms

Activity in China's factory sector rose in December as the world's second-largest economy sustained its recovery to pre-pandemic levels, a business survey showed on Monday, however, increasing cost pressures slowed the pace of expansion.

The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 53.0 from November's 54.9, with the gauge staying well above the 50-level that separates growth from contraction but missing expectations and easing to the softest pace in three months. Analysts polled by Reuters had forecast the headline reading would slip to 54.8.

China's largest natural gas base ramps up production amid cold wave

Natural gas producers in the Sichuan Basin, China's largest natural gas base, are stepping up their production capacities to deal with the cold wave sweeping across the country.

In southwest China's Sichuan Province and Chongqing Municipality, located in the Sichuan Basin, urban gas consumption has risen from 50 million cubic meters per day to 70 million cubic meters per day, a 40 percent increase from the peak of the same period last year, according to the PetroChina Southwest Oil and Gasfield Company, one of the major energy developers in the basin.

The gas field currently produces 3.5 million cubic meters of gas per day, which can meet the daily needs of about 7 million households at most. When fully completed in 2022, it is expected to have an annual output of 3 billion cubic meters, which can meet the annual needs of 16 million households.

Data shows that the Sichuan Basin produced about 56.5 billion cubic meters of natural gas in 2020, an increase of 6 billion cubic meters from 2019 and accounting for 52 percent of the national increase in natural gas.

EU agrees investment deal with China to rebalance ties

The European Union and China agreed on Wednesday to an investment deal that will give European companies greater access to Chinese markets and help redress what Europe sees as unbalanced economic ties.

The agreement was negotiated for nearly seven years and is likely to take at least another year to enter into force. It forms part of a new relationship with China, which the EU views as both a partner and a systemic rival.

European firms will gain permission to operate in China in electric cars, telecom cloud services and certain activities linked to air and maritime transport, such as ground handling. Joint venture requirements will fall away for the automotive sector, many financial services, private hospitals, advertising, real estate and environmental services, such as sewage. Companies that could benefit include Daimler, BMW, Peugeot, Allianz and Siemens, all with a large presence in China.

Electric vehicle maker Tesla to deliver China-made Model Y SUVs this month.

Tesla Inc said on Friday it has started selling China-made Model Y sport-utility vehicles (SUV) and will deliver them to customers this month, as the U.S. electric vehicle maker expands sales in the world's biggest car market.

China, which offers hefty subsidies for electric vehicles as it seeks to cut down on pollution from petrol or diesel cars, is key to Tesla's global strategy. It is expanding its Shanghai car factory, where it also builds its Model 3 sedans. In October, it started exporting Model 3 vehicles to Europe.

It is also adding manufacturing capacity for EV chargers in Shanghai and expanding its sales and service network around the country. It sold over 20,000 vehicles in November.

The starting price of a Model Y in China is now 339,900 yuan (\$52,091.95), according to its China website.

Tesla's rivals in China include Volkswagen AG, BMW as well as local startups such as Nio Inc, Xpeng Inc, and Li Auto Inc, which all have electric SUV models. (\$1=6.5250 Chinese yuan renminbi)

Toyota's sales in China rise 11% in 2020 even as pandemic hits market

Japanese automaker Toyota Motor Corp said on Thursday it sold 1.8 million vehicles last year in China, up 11% from a year earlier, narrowing the gap with Volkswagen AG

and General Motors CO in the world's biggest car market. It also sold 223,700 imported premium Lexus vehicles in China, an increase of 11.5% from 2019.

Audi sales in China hit new high in 2020

FAW-Volkswagen Automobile Co., Ltd. announced that its Audi brand set a new sales record in China in 2020. A total of 726,288 new Audi vehicles were sold in China last year, up 5.4 percent year on year, the automaker said.

A total of 674,700 domestically-manufactured new Audi vehicles were delivered, up 7 percent year on year. Models such as Audi A6L, Audi Q5L recorded strong performance. A total of 51,588 imported Audi cars were sold, with sales of Audi A8L rising 13.9 percent year on year to 14,150.

BMW sees best China sales in 2020

Despite the COVID-19 pandemic, BMW Group sold 777,379 BMW and MINI-branded vehicles last year in China, marking its best annual sales in the country since its arrival in 1994. That was a 7.4 percent growth from 2019, said the Munich-headquartered premium carmaker on Tuesday, although customers stayed away from showrooms in the first quarter of 2020, when the pandemic was at its peak in China.

BMW said new energy vehicles were one highlight of its sales in the country, where around 30,000 were last year, bringing the carmaker's accumulated sales to nearly 90,000.

The carmaker is now producing the iX3 electric SUV in China and exporting them to overseas markets. BMW said it will introduce the iX in 2021 into its lineup in the country.

GM's 2020 China sales drop for third year as pandemic hits market

General Motors Co's vehicle sales in China fell 6.2% in 2020, as the U.S. automaker suffered a prolonged sales slowdown in the world's biggest auto market.

GM, China's second biggest foreign automaker, delivered 2.9 million vehicles in the country last year, the company said on Wednesday, for a third straight decline in annual sales. GM had delivered 3.09 million vehicles in China in 2019 and 3.65 million vehicles in 2018.

Beijing residents achieve higher incomes, more disposable income

Beijing's residents are seeing higher incomes while per capita disposable income in 2019 ranked second among China's municipalities and provinces, a senior official said at a news conference on Tuesday.

The capital's per capita disposable income in 2019 reached 68,000 yuan (\$10,524) from 48,000 yuan in 2015, which stands for average annual growth of 6.6 percent during these years, according to Lin Enquan, deputy head of the Beijing Development and Reform Commission. He said in the future the government will continue to help the low-income population in rural areas.

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

Best regards,

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