

## SCI China Market Update – January 2022

Dear Friends,

If you know about the Qin Dynasty terracotta warriors, you must know about the city of Xi'an in Shaanxi Province. What a COVID shutdown holiday season for this city of 13 million! Now, finally, the number of new infections is declining. Xi'an reported 35 confirmed cases on Tuesday, compared with 95 on Monday, 90 on Sunday and 122 on Saturday. However, the city remains in shutdown status.

Like Wuhan some 2 years ago, all 13 million residents in Xi'an have been on been in lockdown the past two weeks and harsh measures have been put in place to battle an outbreak, with some 1,800 cases detected so far.

At the same time, Beijing is preparing to host the 2022 Winter Olympics. More than 2,000 international athletes are set to come to Beijing for the Games that start February 4th, plus 25,000 other "stakeholders", and a large number from overseas. And, the Chinese New Year, the Year of the Tiger, begins February 1<sup>st</sup>. Millions and millions of people will travel for the Spring Festival holidays before and after the Chinese New Year.

The current USD to RMB exchange rate is around \$1 = RMB 6.38 Yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

### **COVID-19 response and economy of Chinese cities from the perspective of China Integrated City Index 2020**

The China Integrated City Index 2020, compiled by Cloud River Urban Research Institute, was released on Dec 28. In the comprehensive ranking, the top 10 cities are Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Chongqing, Nanjing, Hangzhou, Tianjin, and Suzhou. The Index covers 297 Chinese cities at and above the prefecture level and analyzes and evaluates their sustainable development from three dimensions of environment, society, and the economy in an all-round way; and it is a scientific, authoritative, and practical index system measuring comprehensive urban development.

The 11th to 30th are Wuhan, Xiamen, Xi'an, Ningbo, Changsha, Zhengzhou, Qingdao, Dongguan, Fuzhou, Kunming, Hefei, Foshan, Wuxi, Jinan, Zhuhai, Shenyang, Guiyang, Dalian, Nanchang, and Quanzhou.

### **Tencent's WeChat mini program daily users in China hit 450 mln**

China's dominant messaging app, Tencent Holdings' WeChat said on Thursday that average daily active users for its mini programs hit 450 million in 2021. That represents a 13% increase from a year earlier, much slower than the 33% growth seen in 2020, according to previous figures released by Tencent. Total transaction volumes via those programs grew 897% over the same period, it added.

### **JD signs Spring Festival Gala deal, to give over \$230m in red envelopes**

Chinese e-commerce giant JD announced on Wednesday it has become the exclusive interactive partner of the 2022 China Media Group Spring Festival Gala, the most-watched annual show on Chinese New Year's Eve.

The partners will carry out in-depth cooperation in the red envelope-themed interactive segment and e-commerce. From January 24 to February 15, JD will hand out a whopping 1.5 billion yuan (\$235.5 million) in the form of virtual red envelopes to viewers across the nation.

Giving red envelopes or hongbao is a traditional practice during the Spring Festival, to deliver good luck and greetings to family members and friends.

### **Beijing meets state air quality standards for first time in 2021**

The Chinese capital Beijing met state air quality standards for the first time last year, officials said on Tuesday, a milestone lauded by experts, who also warned that pollution remained high in one of the world's most populous cities.

China declared war on pollution in 2014 after a series of hazardous smog build-ups in Beijing and elsewhere triggered widespread public anger and prompted concerted efforts to cut coal consumption, reduce transportation emissions, relocate heavy industry, and crack down on violations.

The annual average of small, hazardous airborne particles known as PM2.5 was 33 micrograms per cubic meter, nearly seven times higher than the recommended World Health Organization level of 5 micrograms. But this was down 13% compared to a year

earlier and met China's interim standard of 35 micrograms for the first time on record, officials said during a briefing on Tuesday.

### **China's Dec factory activity returns to growth, beats forecasts**

China's factory activity grew at its fastest pace in six months in December, driven by production hikes and easing price pressures, but a weaker job market and business confidence added uncertainty, a private survey showed on Tuesday.

The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) rose to 50.9 in December - its highest level since June. Economists in a Reuters poll had expected the index to rise to 50.0, which separates growth from contraction on a monthly basis, from November's 49.9.

The relative strength in the Caixin PMI tallies with an official survey released on Friday which showed China's factory activity edged up. Factory output increased at the fastest pace in a year, the private survey showed, helped by easing price pressures. A gauge of input prices fell to the lowest level since May 2020.

### **China's natural-gas consumption jumps in Jan.-Nov. period**

China's natural-gas consumption rose year on year in the first 11 months of 2021 amid efforts to fight air pollution, according to the country's top economic planner.

Apparent consumption of natural gas increased 14.5 percent year on year to 329.26 billion cubic meters in the January-November period, the National Development and Reform Commission said. In November alone, apparent consumption of natural gas reached 31.78 billion cubic meters, up 6.9 percent from a year earlier.

### **World coal power demand to hit new high after China, India, U.S. surge - IEA**

The IEA said global power generation from coal was expected to reach 10,350 terawatt-hours in 2021, up 9%, driven by a rapid economic recovery that has "pushed up electricity demand much faster than low-carbon supplies can keep up."

Overall coal demand, including for industries such as cement and steel, is expected to grow 6% this year. Though it will not exceed the record consumption levels of 2013 and 2014, it could hit a new all-time high next year, the IEA report said. China is responsible for more than half of global coal-fired power generation and is expected to

see a 9% year-on-year increase in 2021, the IEA said. Generation in India is forecast to grow 12% this year.

According to a report published this week by researchers with China's State Grid Corporation, energy security concerns mean the country is likely to build as much as 150 gigawatts (GW) of new coal-fired power capacity over the 2021-2025 period, bringing the total to 1,230 GW.

### **Shidaowan gives China edge in nuclear power tech**

The world's first industrial-scale demonstration plant of a high-temperature gas-cooled reactor with pebble-bed module, the No 1 reactor of the Shidaowan nuclear power plant, located in Shandong province, was connected to the grid and put into operation on Monday, said China Huaneng Group Co Ltd, its operator.

With the reactor in use, China now leads the high-temperature gas-cooled reactor technology worldwide, which will further boost the country's nuclear renovation development, it said.

Both reactors of the Shidaowan plant are expected to be put into commercial operation by the end of June 2022, to further facilitate the country's ambition to peak carbon emissions by 2030 and achieve carbon neutrality by 2060.

The Shidaowan plant, with independent intellectual property rights, has a total installed capacity of 200,000 kilowatts. Since 2021, it has been built jointly by China Huaneng Group Co Ltd, China National Nuclear Corp and Tsinghua University. The project successfully completed the cold and hot tests of double reactors in March and completed fuel loading in August, 2021.

### **China's largest single capacity offshore wind farm connected to power grid**

China's largest offshore wind farm in terms of single-unit capacity off the eastern province of Jiangsu was connected to the power grid at full capacity on Saturday. Electricity generated by 134 wind turbines in sea waters around 35 km from the city of Qidong was successfully transmitted to the power grid through undersea power cables, said the State Grid Jiangsu Electric Power Co Ltd. The Qidong offshore wind power project has a total installed power generation capacity of 802 MW. The project is expected to send to the power grid annually about 2.2 billion kWh of electricity, an amount equaling the annual consumption by 900,000 households.

As of Dec 22, the total installed capacity of wind farms off the coast of Jiangsu that are connected to the power grid had exceeded 10 GW.

The economic powerhouse province is undergoing the energy mix transition, planning to have 37 percent of its total installed capacity powered by new energy mainly including wind and solar.

### **China's car rental market to top 150b yuan by 2025: report**

China's car rental market is about to enter a phase of rapid expansion, with its market scale estimated to top 150 billion yuan (\$23.5 billion) by 2025, according to a report released Tuesday. The car rental industry has achieved a 30-fold growth over the past two decades, stated the report, noting that the market size of China's car rental industry has reached nearly 90 billion yuan by 2020.

### **Honda China JV announces 120,000 units-a-year EV factory**

Honda and its Chinese joint venture partner Dongfeng Motor said on Thursday they would build a new factory in Wuhan to exclusively manufacture electric vehicles (EVs) from 2024. The factory would have a production capacity of 120,000 vehicles a year, Honda said in a statement.

### **BYD new-energy vehicle sales up 218% in 2021**

China's leading new-energy vehicle (NEV) manufacturer BYD saw surging NEV sales growth in 2021, company data showed Monday. In a filing with the Shenzhen Stock Exchange, the Shenzhen-based company said its sales of NEVs, including purely electric vehicles and plug-in hybrid electric vehicles, surged 218.3 percent year-on-year to 603,783 units last year. In December, it sold a total of 93,945 NEVs, up from 28,841 units in the same month a year ago.

### **China auto sales to hit 27.5 mln in 2022, up 5.4%**

Automobile sales in China, the world's largest car market, will likely rise 5.4% to hit 27.5 million in 2022, the country's top auto industry body said. Of the total, sales of new energy vehicles is expected to grow 47% to 5 million.

### **First homegrown cruise ship goes floating in Shanghai**

China's first homegrown cruise ship conducted a floating on Friday in the shipyard at Shanghai Waigaoqiao Shipbuilding Co Ltd, a milestone step in the vessel's construction before its delivery in September 2023.

The floating of the vessel indicates the 135,500-gross-ton Vista-class vessel is halfway through completion, and the ship has officially entered the second-half phase of interior decoration and system debugging. To date, the vessel has finished about 55 percent of its total construction workload. Since its steel sheet cutting ceremony more than two years ago, 60,000 pieces of drawings have been transformed into 675 sections and 74 major sections before the cruise ship finally took shape as the 323.6-meter-long, 37.2-meter-wide hull structure in October.

The construction of a cruise vessel is a giant systematic engineering project which consists of 136 systems, more than 20,000 sets of equipment, 25 million components and parts, 4,200 kilometers of cables, 350 kilometers of pipelines, 450 kilometers of air pipes, as well as more than 500 global suppliers. One example to show the complexity of building a cruise vessel is it uses 25 million components and parts in total.

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Shiqiang Gu  
President & CEO

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Sino Consulting (SCI)  
8010 Fairview Lane  
Eagleville, 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)