

SCI China Market Update – January 2024

Dear Friends,

Happy New Year! Christmas day is not a holiday in China. However, New Year's day is. In fact, more and more young people celebrate the New Year holiday by traveling and shopping. In part this reflects the Chinese economy, family income and wealth status as well as people's confidence in the future of the country. China is still fighting issues such as unemployment, aging, low birth rate, deflation, slumping real estate and shrinking export markets. Nonetheless, travel data for the recent 3-day New Year's holiday was not bad, or at least the best since the COVID pandemic. Data showed 135 million domestic tourist trips, up 155% from 2022, while domestic tourism revenue rose to 79.73 billion yuan (\$11.23 billion). It also included 128 million passenger trips made on China's transport network, up 78.4% from 2023 and 33.1% from 2022, according to Ministry of Transport.

China has already constructed the world's longest and fastest high-speed train network. The number of railway passenger trips surged 177.5% year-on-year, and air passenger trips jumped 140.3%, the Global Times reported. If you are preparing to travel to China or place a PO to Chinese manufacturers or shipping POs to Chinese buyers, please note that the weeklong (at least) Chinese New Year - the Year of the Wood Dragon - will officially begin February 10th. Please manage to avoid arriving in China just before or soon after the Chinese New Year holidays. I am pleased to learn that the Dragon symbolizes power, nobleness, honor, luck, and success in traditional Chinese culture. The Dragon is a supernatural being with no parallel for talent and excellence. Since dragons are linked to strength, good fortune, and success, 2024 is expected to be a year full of opportunity and career success.

The current USD to RMB exchange rate is \$1 = RMB7.11 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

China factory activity growth accelerates in Dec

China's factory activity expanded at a quicker pace in December due to stronger gains in output and new orders, but business confidence for 2024 remained subdued, a private-sector survey showed on Tuesday. The Caixin/S&P Global manufacturing PMI rose to 50.8 at the end of 2023 from 50.7 in November, marking the fastest expansion in

seven months and surpassing analysts' forecasts of 50.4. The 50-point mark separates growth from contraction.

US extends tariff exclusions on some Chinese categories till May 31

The office of U.S. Trade Representative Katherine Tai announced a further extension of China "Section 301" tariff exclusions on 352 Chinese import and 77 COVID-19-related categories till May 31, 2024. The import tariff exclusions include industrial components such as pumps and electric motors, some car parts and chemicals, bicycles and vacuum cleaners. The COVID-related exclusions include medical products like face masks, examination gloves and hand sanitizing wipes. The exclusions were previously scheduled to expire on Dec. 31. The extension till May 31 will allow for further consideration under a statutory four-year review, Tai's office said in a statement.

China eases visa application for U.S. tourists

China will simplify visa applications for tourists from the United States from Jan. 1, cutting the documents required, according to a notice on Friday on the website of the Chinese embassy in Washington. The move is the latest by China to revive tourism and boost the world's second-largest economy following a slump during the COVID-19 pandemic. Tourist visa applicants in the U.S. will no longer need to submit air ticket bookings, hotel reservations or an invitation letter, the embassy's notice said. Beijing earlier cleared the way for passport holders from France, Germany, Italy, the Netherlands, Spain and Malaysia to visit the country without visas from Dec. 1, 2023.

China's BYD overtakes Tesla's electric car sales in last quarter of 2023

Chinese company BYD sold more electric vehicles than Elon Musk's Tesla in the last three months of 2023 as the two battled for top spot in the sector. BYD said on Monday it had sold a record 526,000 battery-only vehicles in the final quarter of 2023. It marked the first quarter its battery-only sales have outpaced Tesla's. The US-based firm has seen demand slow as borrowing costs climb. Analysts say BYD owes its growth to its original business - batteries. They are among the most expensive parts of an EV and making them in-house saves BYD a lot of money. Many of BYD's competitors rely on third-party manufacturers for batteries. BYD's battery business helped to give it flexibility to cut prices sharply at the end of 2023, lifting sales, which jumped by 70% in December alone.

Tesla's China-made EV sales jump 68.7% y/y in December

U.S. automaker Tesla sold 94,139 China-made electric vehicles (EVs) in December, a 68.7% increase from a year earlier, China Passenger Car Association (CPCA) data showed on Wednesday. Deliveries of China-made Model 3 and Model Y vehicles were up 14.2% from November.

Chinese automaker Geely raises sales target for 2024 to 1.9 mln units

Chinese carmaker Geely Automobile set its sales volume target at 1.9 million units for 2024, up 13% from its total sales last year, according to a Hong Kong stock exchange filing on Monday. The company also said it increased its sales volume target for new energy vehicles by more than 66% compared with the total sales volume achieved in 2023, without giving a figure. Geely, China's second largest automaker by sales, said it sold 1,686,516 vehicles in 2023, up 18% from 2022.

State Council approves new nuclear plants

China's State Council granted approval to two new nuclear power projects recently, and called for intensified support for the innovation and development of the country's nuclear power industry with an emphasis on boosting competitiveness in related equipment and industries. Approval has been granted for the Taipingling nuclear power project in South China's Guangdong province, as well as the Jinqimen nuclear power project in Zhejiang province, according to an executive meeting of China's Cabinet chaired by Premier Li Qiang.

China's power generation grows faster in November

China's power generation grew at a faster pace of 8.4 percent in November, up from October's 5.2-percent rise. A breakdown of the data revealed growth in the output of thermal power, hydropower, and solar power which went up by 6.3 percent, 5.4 percent, and 35.4 percent year on year, respectively, according to the National Bureau of Statistics. The output of wind power reversed a downward trend, rising 26.6 percent last month compared with a year earlier. Nuclear power output decreased by 2.4 percent year on year. In the first 11 months of 2023, the country's power generation expanded 4.8 percent from a year earlier to reach about 8.07 trillion kilowatt-hours.

China's energy output maintains steady growth

China's production of coal, crude oil and natural gas maintained steady expansion in the first 11 months of the year, official data showed. Miners in the country churned out 4.24 billion tons of coal during the first 11 months, up 2.9 percent year-on-year,

according to the National Bureau of Statistics (NBS). The country's crude oil output climbed 1.8 percent year-on-year during the period to 191.25 million tons, while its crude oil imports gained 12.1 percent to 515.65 million tons.

China's natural gas consumption up 7.3% in Jan-Nov

China's natural gas consumption logged a steady rise in the first 11 months of 2023 amid efforts to achieve green development, data from the country's top economic planner shows. During the period, apparent consumption of natural gas stood at 356.61 billion cubic meters, up 7.3 percent year-on-year, according to the National Development and Reform Commission. In November alone, apparent consumption of natural gas rose 9.4 percent from the same period last year to 34.98 billion cubic meters.

China's central bank agrees Ant Group's Alipay has no controller

China's central bank has agreed that popular payment app Alipay has no controller following a sweeping business overhaul of Jack Ma's Ant Group, the fintech giant that owns the app, according to the website of the People's Bank of China. In January, Ant Group said its founder Jack Ma will no longer control the fintech giant and give up most of his voting rights.

US chip company Micron settles IP lawsuit with Chinese firm

The US chip company Micron Technology Inc said it has settled an intellectual property theft lawsuit with Chinese company Fujian Jinhua Integrated Circuit Co. Micron said in a statement that it has reached a global settlement agreement with the Chinese company. "The two companies will each globally dismiss their complaints against the other party and end all lawsuits between them," a Micron spokeswoman said.

China aims to build more than half the world's cleaner-fuel ships by 2025

China has set itself the goal of producing more than half of the world's ships powered by cleaner fuels by 2025, in guidelines published by the industry ministry on Thursday. Key enterprises have made progress in reducing pollution and carbon emissions with the comprehensive energy consumption per 10,000 yuan dropping by 13.5% from 2020 levels, it added. The environmental overhaul of the shipping industry would be completed by 2030, it added.

China to retain lead in global shipbuilding

China will retain its lead in the global shipbuilding market this year, and this trend is expected to persist into 2024, market watchers and shipbuilders said. With robust growth in both new orders as well as output this year, Chinese shipyards have demonstrated greater innovation, productivity and supply chain advantages compared to foreign rivals, they added. China's shipbuilding output climbed 12.3 percent year-on-year to 38.09 million deadweight tons (dwt) in the first 11 months of 2023, accounting for 50.1 percent of the world's total, data from the Ministry of Industry and Information Technology showed. New orders soared 63.8 percent on a yearly basis to 64.85 million dwt, taking up 65.9 percent of the world's total during the period, according to the data.

For example, Shanghai-based Hudong-Zhonghua Shipbuilding (Group) Co was the only builder of large-scale LNG carriers in China before. But this year marked a significant shift as several other major shipyards, including Jiangnan Shipyard (Group) Co, Dalian Shipbuilding Industry Co, Jiangsu Yangzijiang Shipbuilding Group and China Merchants Industry Holdings Co, have all started construction for their inaugural LNG carrier orders. This development signifies the emergence of a robust industrial cluster in China dedicated to the production of large LNG carriers. The holding orders of China's shipbuilding industry totaled 134.09 million dwt at the end of November, expanding 29.4 percent year-on-year and representing 53.4 percent of the global market share, according to the Ministry of Industry and Information Technology.

China's rare earths dominance in focus after it limits germanium and gallium exports

Beijing recently banned the export of technology to extract and separate rare earths, in a further step towards protecting its dominance in several strategic metals. China is the world's top miner and processor of rare earths. The ban followed the introduction of export permits for chipmaking materials gallium and germanium in August, followed by similar requirements for several types of graphite since Dec. 1, 2023. China accounted for 70% of world mine production of rare earths in 2022, followed by the United States, Australia, Myanmar and Thailand, United States Geological Survey (USGS) data shows. China refines 89% of the world's neodymium and praseodymium, the key metals for EV magnets, a dominance that by 2028 is expected to dip to 75%, according to consultancy Benchmark Mineral Intelligence.

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