

SCI China Market Update – July 2020

Dear Friends,

The COVID-19 pandemic has deeply disrupted the world's lifestyles and supply chains. Yet while the virus has caused economic crises worldwide, new business opportunities and markets are also emerging. China's recovery seems to be taking hold despite some setbacks and, in fact, we just delivered a proposal to a major company to help improve its supply chain position in the Asia-Pacific market. Moreover, 14 international airlines, including UA and Delta, are to resume flights to China in July.

On a cultural note, millions of Americans are learning about Chinese culture from a Sichuan countryside girl, Ziqi Li, on YouTube. Ms. Li truly becoming a rising star and “web celebrity”. To my surprise, her latest “Dragon boat zongzi” one already has 4.3 million views in just 3 days: Who is Li Ziqi? Here is she:

[https://en.wikipedia.org/wiki/Li_Ziqi_\(blogger\)](https://en.wikipedia.org/wiki/Li_Ziqi_(blogger)). Or better still, see one of her videos here: <https://www.youtube.com/watch?v=vusE2HqaAEY>

Below is some of the latest market and economic news about China from various public sources:

19 new confirmed COVID-19 cases reported in Chinese mainland

Chinese health authority said Tuesday it received reports of 19 newly confirmed COVID-19 cases on the Chinese mainland Monday, including 8 domestically transmitted and 11 imported ones. Of the eight domestically transmitted cases, seven were reported in Beijing and one in Shanghai, the National Health Commission said in its daily report. No deaths related to the disease were reported Monday, according to the commission.

Over eight million in Beijing receive COVID-19 tests

Nearly 8.3 million residents of Beijing have received nucleic acid tests as of Sunday noon since the resurgence of domestically transmitted COVID-19 cases, local authorities said on Sunday.

Test results from about 7.69 million people have come back so far, said Zhang Qiang, deputy head of the Organization Department of Beijing Municipal Party Committee. Zhang said the city's daily testing capacity has been expanded to 458,000 samples from 40,000 on June 11.

From June 11 to 27, Beijing reported 311 confirmed locally transmitted COVID-19 cases, after the city observed 57 days without reports of locally transmitted cases.

China's manufacturing PMI picks up in June

The purchasing managers' index (PMI) for China's manufacturing sector ticked up to 50.9 in June from 50.6 in May, the National Bureau of Statistics said Tuesday. A reading above 50 indicates expansion, while a reading below reflects contraction.

Business activities of the country's manufacturing sector continued to pick up in June amid the country's efforts to mitigate the impact of the COVID-19 epidemic, NBS senior statistician Zhao Qinghe said. The PMI for 14 of the 21 surveyed sectors registered a reading above 50, an increase of five from last month, NBS data showed.

CanSino's COVID-19 vaccine candidate approved for military use in China

China's military has received the greenlight to use a COVID-19 vaccine candidate developed by its research unit and CanSino Biologics ([6185.HK](#)) after clinical trials proved it was safe and showed some efficacy, the company said on Monday.

The Ad5-nCoV is one of China's eight vaccine candidates approved for human trials at home and abroad for the respiratory disease caused by the new coronavirus. The shot also won approval for human testing in Canada.

The military approval follows China's decision earlier this month to offer two other vaccine candidates to employees at state-owned firms travelling overseas.

Brazil's Sao Paulo sees China coronavirus vaccine trial approval soon

Brazil's Sao Paulo state expects this week to receive federal regulatory approval to start trials of a potential coronavirus vaccine developed by China's Sinovac, Governor Joao Doria said on Monday.

The trial would be carried out by the Instituto Butantan, a research center funded by the state of Sao Paulo. Doria said in a news conference that 9,000 volunteers had already been registered to test the vaccine, known as CoronaVac.

The announcement comes as Brazil's federal government announced over the weekend that it had signed an agreement to produce another potential vaccine, developed by pharmaceutical company AstraZeneca with researchers at Oxford University.

China's central bank injects 100 bln yuan into market

China's central bank on Sunday pumped cash into the banking system via reverse repos to maintain liquidity. The People's Bank of China injected 100 billion yuan (about 14.17 billion U.S. dollars) into the market through seven-day reverse repos at an interest rate of 2.2 percent, according to a statement on the website of the central bank.

The move is intended to maintain stable liquidity in the banking system, the central bank said. As 120 billion yuan of reverse repos matured Sunday, the operation led to a net withdrawal of 20 billion yuan from the market.

China central bank to cut re-discount, relending rates from July 1, 2020

China's central bank will cut the re-discount and re-lending rates by 25 basis points as of July 1, two sources with direct knowledge told Reuters on Tuesday, in a move that will reduce funding costs for smaller firms and rural sectors.

The three-month relending rate for small firms and rural sectors will be cut to 1.95% while the six-month rate will be cut to 2.15% and the one-year rate will cut to 2.25%, the government-backed newspaper reported. The rediscount rate will be cut by 0.25 percentage point to 2%, it said.

The central bank will also cut the re-lending rate related to financial stability by 50 basis points, it added.

China's export tax rebates exceed 600 bln yuan in first 5 months

China granted export tax rebates worth 632.4 billion yuan (89.3 billion U.S. dollars) in the first five months of the year to relieve the financial pressure on export enterprises amid the COVID-19 pandemic.

Starting from March 20, the country raised the export tax rebate rates for 1,464 items from 10 percent to 13 percent or from 6 percent to 9 percent, according to the State Taxation Administration.

BeiDou: China launches final satellite in challenge to GPS

Last Tuesday's launch will allow China to no longer rely on the US government-owned Global Positioning System (GPS). The \$10bn (£8bn) network is made up of 35 satellites and provides global navigation coverage.

It comes as tensions between Beijing and Washington are increasing over the coronavirus, trade and Hong Kong. The launch had been scheduled for last week but was delayed after technical problems were found with the rocket in pre-launch tests. The third version of the Beidou Navigation Satellite System (BDS) offers an alternative to Russia's GLONASS and the European Galileo systems, as well as America's GPS.

Three China-developed ARJ21 jetliners delivered to airlines

Three ARJ21 regional passenger planes were delivered to major domestic airlines on Sunday in Shanghai, marking the homegrown jetliner entering the domestic, mainstream civil aviation market.

The Commercial Aircraft Corp. of China (COMAC) delivered the jetliners, with 90 seats in a full economy class configuration, to Air China, China Eastern Airlines, and China Southern Airlines at the Pudong base of its assembly manufacturing center.

To date, COMAC has delivered a total of 32 ARJ21 aircraft. The first ARJ21 airplane was delivered to Chengdu Airlines in 2015 and had its first commercial flight on June 28, 2016.

China's C919 jet conducts high-temperature test flights in Xinjiang

China's indigenously-developed C919 large passenger aircraft has started high-temperature test flights in Turpan, a city known as the land of fire in northwest China's Xinjiang Uygur Autonomous Region.

The test plane arrived in Turpan on Sunday and testing will last for a month.

Turpan is renowned for its harsh desert climate, especially its extreme summer. Between June and August, the average temperature there can surpass 38 degrees Celsius.

17 Chinese brands join world's top 100

A record 17 Chinese brands joined the list of the world's most valuable brands this year, according to a Tuesday report by global communication services provider WPP and Kantar.

The world's top 100 most valuable brands have seen their total brand value rise 5.9 percent to \$5 trillion despite the impact of the COVID-19 epidemic, according to the 2020 BrandZ Top 100 Most Valuable Global Brands ranking.

China's e-commerce giant Alibaba took sixth on the list with \$152.53 billion in brand valuation, up 16 percent year-on-year, while [JD.com](https://www.jd.com) saw a 24 percent surge to \$25.49 billion,

according to the report. Chinese internet heavyweight Tencent came in seventh with a brand value of \$150.98 billion yuan.

Two Chinese brands, the livestreaming platform TikTok and Bank of China, are newcomers in the top 100 list, with a valuation of \$16.89 billion and \$13.69 billion, respectively.

China to raise gasoline, diesel retail prices, first time this year

China will raise the retail prices of refined oil products based on an increase in international oil prices, the country's top economic planner said Sunday. Starting Monday, gasoline prices will be increased by 120 yuan (about 17 U.S. dollars) per ton, while diesel prices will increase by 110 yuan per ton, the National Development and Reform Commission (NDRC) said.

Under the current pricing mechanism, China will adjust domestic prices of refined oil products when international crude prices translate into a change of more than 50 yuan per ton for gasoline and diesel over a period of 10 working days, but will not do so if the international prices go below the floor of 40 U.S. dollars or above the ceiling of 130 U.S. dollars a barrel.

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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