

SCI China Market Update – June 2023

Dear Friends,

Development of U.S.–China relations, including the Taiwan issue, is the key concern of corporate China during and after the Covid-19 pandemic. If Blinken’s 2-day visit to Beijing could represent a sign of warming-up. Here are the headlines today, June 19th, from mainstream media worldwide even before Blinken’s departure from Beijing on the 20th:

Reuters, June 19th: Xi, Blinken agree to stabilize US-China relations in Beijing talks

BBC, June 19th: US and China pledge to stabilise tense relationship after talks

CNN, June 19th: Blinken touts ‘progress’ made in highly-anticipated Beijing meetings

Bloomberg, June 19th: US-China Rift Eases After Blinken Trip, But Frictions Remain

NBC News, June 19th: U.S. and China pledge to stabilize ties after Blinken's high-stakes visit

Beijing’s China Daily reported Blinken’s visit positively this way:

“Xi highlights mutual respect, sincerity in meeting with Blinken

President Xi Jinping said state-to-state interactions "should always be based on mutual respect and sincerity" when meeting with visiting United States Secretary of State Antony Blinken at the Great Hall of the People in Beijing on Monday.

Xi mentioned Blinken's talks with senior Chinese diplomats on Sunday and Monday morning.

Blinken spoke with Wang Yi, a member of the Political Bureau of the Communist Party of China Central Committee and director of the Office of the Foreign Affairs Commission of the CPC Central Committee on Monday; and State Councilor and Foreign Minister Qin Gang on Sunday.

Xi noted Wang and Qin described their talks with Blinken as candid and in-depth.

Speaking to Blinken, Xi said the Chinese side has made its position clear, and "the two sides have agreed to follow through on the common understandings President Biden and I reached in Bali".

The two sides also made progress and reached agreement on specific issues, Xi noted.

"I hope Secretary Blinken, through this visit, can make positive contributions to stabilizing China-US relations," he said.

The current USD to RMB exchange rate is \$1 = RMB7.16 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

US and China pledge to stabilize tense relationship after talks

The US and China have pledged to stabilize their tense relationship following US Secretary of State Antony Blinken's two-day visit to Beijing.

Mr Blinken met China's President Xi Jinping for talks on Monday, restarting high-level communications between the rival superpowers.

Mr Xi said they had made progress, while Mr Blinken indicated that both sides were open to further talks. But the top US diplomat made clear that there remained major differences.

Germany's Scholz rejects blanket state supervision of exports to China

The German government should not place all exports to China under supervision, German Chancellor Olaf Scholz said on Monday.

"We have now made a whole series of laws with which we can guarantee the security of our economy," Scholz said at an event hosted by the BDI industry association in Berlin. It is clear that we should not now subject the entire export process to an investigation by state authorities," he added.

Micron says it is committed to China, invests \$602 million in plant

U.S. memory chipmaker Micron said on Friday it was committed to China and would invest 4.3 billion yuan (\$603 million) over the next few years in its chip packaging facility in the Chinese city of Xian.

The company has been targeted by China's cyberspace regulator, which last month said the firm, the United States' biggest memory chipmaker, had failed a network security review and that the regulator would block operators of key infrastructure from buying from the company. "This investment project demonstrates Micron's unwavering commitment to its China business and team," it quoted CEO Sanjay Mehrotra as saying.

From Elon Musk to Jamie Dimon, CEOs flock to China as risks to trade and investment rise

From Elon Musk to Jamie Dimon, CEOs flock to China as risks to trade and investment rise. The CEOs of some of America's biggest companies are in China this week to take the pulse of one of their top markets after the country reopened following nearly three years of pandemic restrictions. Elon Musk of Tesla, Laxman Narasimhan of Starbucks, and Jamie Dimon of JPMorgan are among the big names in town. They follow a string of visits in recent months from the leaders of Apple, Samsung, Aramco, VW, HSBC, Standard Chartered and Kering.

Vietnam's power crisis hits local firms, foreign investors

An intensely hot summer and unprecedented drought are straining energy supplies in northern Vietnam, prompting rolling blackouts and sudden power outages that have led to "uncountable" losses among local firms and foreign manufacturers. Vietnam is a crucial part of the supply chain for some of the world's most important companies, and many of them -- including Samsung and Apple supplier Foxconn -- have factories in the north, not far from the capital Hanoi.

Operations at a large number of factories have been badly impacted by the lengthy power outages, business leaders told AFP. Some were given very little notice or had no warning at all. "We had a 26-hour power cut. It cost us tens of thousands of dollars that day. It's not nice at all," said Vu Chi Hieu, director of Vietnam's KingBill XNK Joint Stock Company that produces aluminium parts in Bac Ninh province, which neighbours Hanoi.

Last week, several northern areas -- many of them home to key industrial parks -- were told to cut their energy use in half, forcing the Japanese, Korean and European chambers of commerce to petition the government to find a quick solution to the crisis. Susumu Yoshida from Japan Chamber of Commerce and Industry told AFP that direct damage from one single power outage affecting five manufacturers at an industrial park was over \$190,000. "Total damage among IPs (industrial parks) in northern Vietnam seems to be an unaccountable amount," he said.

China's power generation increases in May

China's power generation rose 5.6 percent year-on-year in May, official data showed. Total power generation reached 688.6 billion kilowatt-hours last month, according to the National Bureau of Statistics (NBS).

Thermal power generation expanded 15.9 percent year-on-year in May, and nuclear power output increased by 6.3 percent from a year ago.

Wind power generation rose 15.3 percent year-on-year last month, while solar power generation edged up 0.1 percent year-on-year, NBS data revealed. In the first five months of 2023, total power generation rose 3.9 percent year-on-year to 3.42 trillion kilowatt-hours, according to the NBS.

China's express delivery sector expands in May

China's courier sector registered expansion in May, according to a monthly industry index. The State Post Bureau said the monthly express delivery development index came in at 370.9 in May, up 37.8 percent year-on-year.

The sub-index for service quality grew 78.5 percent from a year earlier, the sub-index for development scale picked up 17.8 percent year-on-year, and the sub-index for development capacity went up 8.3 percent year-on-year. The index is compiled based on data from major logistics firms' operating delivery services. It reflects the overall business activities and trends in the country's courier sector.

World's first alumina futures with physical delivery starts trading in China

The world's first alumina futures contracts with physical delivery have been officially listed for trading on the Shanghai Futures Exchange (SHFE) on Monday.

A total of eight contracts were traded on the futures exchange, with the benchmark price at 2,665 yuan (about 374.3 U.S. dollars) per ton, according to the futures exchange. Glencore, a global diversified natural resource company, is the buyer in the first transaction of the main contract on the first day of alumina's listing, with China Aluminum International Trading Group Co., Ltd. serving as the seller of the deal.

China is the world's top producer and consumer of alumina, or aluminum oxide, which is an essential raw material of the aluminum industry. About 95 percent of the alumina are used in electrolytic aluminum smelting and production, and the rest are used for ceramics, chemicals and pharmaceuticals and other areas. Accounting for over half of global production, China produced 81.86 million tons of alumina last year, according to the futures exchange. In 2022, China imported 2.02 million tons of alumina from countries including Australia, Vietnam, Indonesia and India, while exporting 1 million tons of such products, said the SHFE citing data from the customs authority.

China's passenger vehicle sales up 26.4 pct in May

China's passenger vehicle sales stood at 2.05 million units in May, surging 26.4 percent year on year, industry data showed on Monday.

Specifically, sales of sports utility vehicles, multi-purpose vehicles and crossover utility vehicles in May all witnessed expansion from the same period last year, according to the China Association of Automobile Manufacturers. During the period, China's output of passenger cars totaled 2.01 million units, up 18.2 percent year on year.

The association attributed the sales jump last month to car purchase promotional activities during the May Day holiday and gradually stabilized prices at end-market, which stimulated consumption vitality.

The aggregate sales for the first five months of 2023 grew by 10.7 percent year on year to around 9 million units, it said. During the January-May period, China produced 9.06 million passenger cars, up 10.6 percent year on year, it added.

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!

Shiqiang Gu

President & CEO

Sino Consulting (SCI)

8010 Fairview Lane

Eagleville, PA 19403

U. S. A.

Tel: (610) 457 8380

Email: sgu@s-c-i.com

Web: www.s-c-i.com