

SCI China Market Update – May 2018

Dear friends,

We mentioned in our last Newsletter that we are “not too worried about the current U.S. – China trade dispute although the Dow 30 dropped 650 points (2%) today due to trade war fears.” We predicted that they would soon work out something that looks good politically and seems to taste nice to both Washington and Beijing. Both sides now need to win face.

One month has passed and it now seems progress is being made toward some kind of solution to avoid a trade war disaster. Soon after the May Day holidays, U.S. and Chinese officials will hold highly anticipated trade talks in Beijing. U.S. Treasury Secretary Steven Mnuchin said that he was “cautiously optimistic” about the meeting. To help settle the dispute, China welcomes this high level meeting between top U.S. and Chinese officials. Deal or tariffs, let’s wait and see the upcoming Beijing negotiations.

We also learned that U.S. Treasury officials met with industrial leaders to better understand how to protect the most sophisticated U.S. technologies by tightened export controls. At the same time, to show that China respects foreign Intellectual Property rights, China’s supreme court recently ruled in favor of the French brand name Dior and its new perfume bottle trademark registration. This ruling overturned unfair rulings of local courts.

Many believe that the U.S.–China trade dispute over the huge trade deficit is really about the ruling position of the U.S. dollars and RMB in international trade. China’s aggressive RMB is becoming a challenge. Although the trade dispute is far from over, China’s recent industrial performance is, in general, doing OK. Profits of China’s major industrial companies maintained a steady growth of 11.6% in the first quarter of 2018. Here is some very recent China market news from various public sources.

China April official services PMI edges up to 54.8

Growth in China’s services industry picked up in April, an official survey showed on Monday, as the sector extended a solid run of strong activity. The official non-manufacturing Purchasing Managers’ Index (PMI) rose to 54.8 from 54.6 in March.

The services sector accounts for over half of China’s economy, with rising wages giving Chinese consumers more spending power. The composite PMI covering both manufacturing and services activity

rose to 54.1 in April, from March's 54, well above the 50-mark that separates expansion from contraction.

Trump delays decision on steel and aluminum tariffs

It has also reached a deal in principle with Argentina, Brazil and Australia. In March, Mr. Trump imposed worldwide tariffs of 25% on US imports of steel and 10% on aluminum.

Some countries were then exempted temporarily from those tariffs, including Canada, the EU and Mexico. The EU said delaying the decision "prolongs market uncertainty", which was already having an effect on businesses. It was open to discussions, it said, but warned: "As a longstanding partner and friend of the US, we will not negotiate under threat."

U.S. moves up to second most attractive renewables market after China: report

The United States moved up to second place in a ranking of the most attractive countries for renewables investment, after China, a report by UK accountancy firm Ernst & Young showed on Tuesday.

In an annual ranking of the top 40 renewable energy markets worldwide, China was the top country for the third year running, followed by the United States which had occupied third place last year due to a shift in U.S. energy policy under President Donald Trump. Even though the United States imposed tariffs on imports of solar photovoltaic and modules this year, the effects have been mostly absorbed by the market and wind projects are not subject to subsidy cuts under a recently-passed U.S. tax reform bill.

World's first AP1000 nuclear power plant in China starts fueling

The world's first AP1000 third-generation nuclear unit started fueling on April 25 in east China's Zhejiang Province, a much-awaited landmark in China's actualization of the advanced technology, bringing the country a step closer to the mass-production and export of the third-generation nuclear facilities.

SPIC introduced the third-generation pressurized water reactor design AP1000 (AP = Advanced Passive) from the U.S. company Westinghouse Electric Corporation in November 2006. Since then, China has built two AP1000 units in Sanmen and another two units in Haiyang, east China's Shandong Province.

Boeing plans to open new facility in China by year-end

Boeing Co plans to open a new facility in China by the end of this year, to complete some of its 737 jets, financial news website MarketWatch reported Wednesday. Boeing CEO Dennis Muilenburg said construction is under way on the new delivery and completion center in Zhoushan, Zhejiang province, and site preparation has been initiated.

Currently, Airbus assembles four A320 aircraft every month in Tianjin. By early 2019, the assembly line will produce five aircraft a month, and by early 2020, it will produce six A320s a month, according to an agreement signed in January.

China to phase out automobile share holding limits for foreign investors

China will phase out share-holding limits for foreign investors in the automobile sector, the country's top economic planner said Tuesday.

Share-holding limits for special-purpose vehicles and new energy vehicles will be scrapped for foreign investors in 2018, while those for commercial vehicles and passenger vehicles will be lifted in 2020 and 2022 respectively, according to the National Development and Reform Commission.

China will also scrap share-holding limits in the shipbuilding and airplane manufacturing sectors for foreign investors this year.

The limits will be lifted on shipbuilding processes including design, manufacturing and repair, and on production of airplanes including trunk and regional airliners, general-purpose airplanes, helicopters, drones and aerostats.

China's resident income up 6.6 percent in Q1

China's average per capita disposable income grew 6.6 percent year on year in real terms to 7,815 Yuan (about 1,245.28 U.S. dollars) in the first quarter of 2018, official data showed Tuesday.

China's power use may grow 5.5 percent in 2018

An industry insider said that China's electricity consumption this year would grow about 5.5 percent provided there are no extreme weather conditions on a large scale. The pace is slower than the 6.6 percent in 2017 and 13.3 percent for the first two months of this year.

China's economy expanded 6.9 percent last year, picking up for the first time in seven years and well above the government annual target of around 6.5 percent. The International Monetary Fund forecast in its latest World Economic Outlook released in January that China's economy would grow 6.6 percent this year.

Taiwan loses diplomatic ally as Dominican Republic switches ties to China

Taiwan has said that it is "deeply upset" by the Caribbean nation's decision, which deepens its diplomatic isolation. The governments in Beijing and Taipei insist that countries cannot recognize both

of them. China regards Taiwan as a breakaway province. Taiwan is now left with only 19 diplomatic allies.

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Best regards

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