

SCI China Market Update – May 2021

Dear Friends,

Today Beijing news reported that China's population grew at its slowest rate in the last decade since the 1950s as the birth rate declined. The 2020 results of the country's decennial census showed the mainland's population of mainland increased 5.38% to 1.41 billion. That was the lowest growth since modern census-taking began in 1953. I was born in Tianjin in 1957 and got married in Tianjin in 1984. Although I came to the U.S. to join SCI 30 years ago, my son Zheng Gu is our only child. Under China's "One Baby" policy, almost all of my Chinese classmates, friends and relatives around my age have only one child. Even though Beijing is now encouraging young people to have their second child, still the higher educated younger generations often prefer one child and even no-child family life today.

Data showed a fertility rate of 1.3 children per woman for 2020 alone, on par with ageing societies like Japan and Italy. The loud alarm for China's policymakers is that the world's second-biggest economy may already be in an irreversible population decline without having first accumulated the household wealth of G7 nations.

The good news is that China has already vaccinated some 350 million people against Covid-19 – unlike India. China reported 12 new COVID-19 cases in the mainland on May 8, up from 7 a day earlier, the country's national health authority said on Sunday. So, the pandemic is very much under control in China.

Well, the current USD to RMB exchange rate is around \$1 = RMB 6.43 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

Chinese Covid vaccine gets WHO emergency approval

The World Health Organization (WHO) has granted emergency approval for the Covid vaccine made by Chinese state-owned company Sinopharm. The WHO had previously only approved the vaccines made by Pfizer, AstraZeneca, Johnson & Johnson and Moderna.

May Day travel rush mirrors China's speedy recovery from COVID-19

The May Day travel rush in China signals the nation's stepped-up recovery from the COVID-19 pandemic, with people thronging at railway stations, airports and tourist sites.

Passenger trips on Chinese railways hit a new single-day high on Saturday, with nearly 18.83 million trips recorded, according to data released by the China State Railway Group Co., Ltd. The figure marks a 9.2-percent increase from the 2019 level.

According to China's State Post Bureau, the country's postal industry delivered over 260 million parcels on Saturday, up nearly 30 percent year-on-year, mirroring the positive momentum of China's economic recovery, particularly in consumption.

China's factory-gate prices surge, but CPI growth still modest

China's factory gate prices rose at the fastest rate in three and a half years in April as the world's second-largest economy gathers momentum after strong first-quarter growth, but economists downplayed the risks to inflation.

Investors globally are increasingly worried that pandemic-driven stimulus measures could spark a rapid rise in inflation and force central banks to raise interest rates and take other tightening measures, potentially holding back economic recovery.

China's producer price index (PPI), a gauge of industrial profitability, rose 6.8% in April from a year earlier, the National Bureau of Statistics said, faster than a 6.5% rise tipped by a Reuters poll of analysts and a 4.4% rise in March.

However, the consumer price index (CPI) rose by a mild 0.9% on year, held down by weaker food prices, and analysts said the rising costs from soaring producer prices were unlikely to be fully passed on to consumers. Sheng Laiyun, a deputy director at NBS, said on Friday that China's full-year CPI is likely to be significantly below the official target of around 3%.

China's trade surplus at 60.9b yuan in March

China's international goods and services trade surplus stood at 60.9 billion yuan (\$9.42 billion) in March, official data showed. The country's trade income amounted to over 1.72 trillion yuan, and expenditure stood at about 1.66 trillion yuan, according to data released by the State Administration of Foreign Exchange.

China's goods trade income came in at 1.54 trillion yuan with an expenditure of 1.43 trillion yuan, leading to a surplus of 116.8 billion yuan, the data showed. The services trade saw a deficit of 55.9 billion yuan, with the sector's income and expenditure standing at 177.8 billion yuan and 233.8 billion yuan, respectively.

China's online retail sales rise 29.9% in Q1

China's online retail sales maintained steady growth in the first quarter (Q1) of the year as the economy further recovered from the impact of COVID-19. In the January-March period, online retail sales went up 29.9 percent year on year to 2.81 trillion yuan (\$434.5 billion), according to data released by the Ministry of Commerce. Average first-quarter growth of online retail sales for the past two years stood at 13.5 percent, the data showed.

Rural online retail sales reached 439.79 billion yuan, increasing 35.3 percent from a year earlier and resulting in an average first-quarter year-on-year growth of 14.7 percent over the past two years. Online sales of agricultural products amounted to 105.58 billion yuan in the same period, representing a year-on-year growth of 4.9 percent, the ministry said.

China's industrial profits nearly double as demand for raw materials rises

Profits at China's industrial firms nearly doubled in March from a year ago, as demand for raw materials surged along with the economic recovery. Profits rose to 711.18 billion yuan (\$109.66 billion) in March, up 92.3% from a year ago, when the economy was hard hit by the COVID-19 crisis, data from the National Bureau of Statistics (NBS) showed.

The pace of growth slowed from the first two months of the year. Profits grew 179% in January-February compared with the same period in 2020. This year also saw more production than usual around the Lunar New Year holiday period as workers stayed put due to COVID-19 concerns, rather than going back home.

Strong profits in raw materials extraction and processing industries, in particular chemicals, metals and petroleum, helped drive overall industrial profit growth in March as demand picked up, said Zhu Hong, an official at the NBS in a statement. Industrial firms' profits rose to 1.825 trillion yuan in the January-March period, up 137% from a year ago and 50.2% from same period in 2019, according to the NBS. That brought the two-year average growth to 22.6%, it said.

China to cut coal use share below 56% in 2021

China aims to cut its coal use to below 56% of energy consumption in 2021, the National Energy Administration (NEA) said in a statement on Thursday, but said the fuel would still play a vital role in ensuring the nation's energy security. China, the world's biggest coal consumer, lowered the share of coal use in its primary energy mix to 56.8% in 2020, from around 68% at the beginning of the previous decade.

Lear profit beats on strong automobile demand in China

U.S. auto parts maker Lear reported a better-than-expected first-quarter profit and raised its full-year outlook, helped by robust demand in key markets such as China, which is leading the sector's recovery from the COVID-19 crisis. Lear said it now expects full-year sales between \$20.35 billion and \$21.15 billion, up from its prior forecast of \$19.8 billion to \$20.8 billion. Net sales rose 20% to \$5.4 billion, topping the Wall Street estimate of \$4.89 billion.

Chinese demand drives tire maker Michelin back to growth

Michelin's sales returned to growth in January-March, boosted by a sharp rebound in demand in China, the French tire maker said on Monday.

First-quarter sales rose 2.3% year-on-year to 5.45 billion euros (\$6.58 billion) as tire volumes for new passenger cars and light trucks surged 80% in China, with replacement rates up 36%. The demand in China rose close to 2019 levels, Michelin said, as the car making industry there suffered less from a shortage of electronic components than other markets. The tire maker said the passenger car and light truck tire markets were expected to grow 6%-10% in 2021, with the truck tire market growing 4%-8%.

China's shipbuilding industry registers robust growth in Q1

China's shipbuilding industry saw a strong performance in the first quarter of the year while maintaining a large global share in terms of completion volume, and new and holding orders, official data shows.

The completion volume of shipbuilding in China, rising 39.8 percent year-on-year to 9.79 million deadweight tons (dwt) in the first three months, accounted for 43.4 percent of the global market share, according to the Ministry of Industry and Information Technology (MIIT).

New shipbuilding orders surged 251.7 percent from the same period last year to 17.2 million dwt, taking up 47.4 percent of the global market share. The volume of holding orders, down 1.4 percent year on year to 78.48 million dwt by the end of March, accounted for 44.6 percent of the global market share.

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