

SCI China Market Update – May 2023

Dear Friends,

The nearly weeklong China May Day (Labor Day) holiday is over. My hometown, Tianjin, together with Beijing attracted millions of tourists during the holiday. Surprising to all of us, the relatively unknown city Zibo in Shandong Province became the biggest tourism winner. This city of 4.7 million attracted some 4.8 million visitors to sample the famous “Zibo BBQ” over the course of the holidays. Great for the local economy!

According to Reuters, “China's tourism business during the May Day holiday rebounded to pre-COVID levels. Travel-hungry Chinese made 274 million domestic trips during the five-day break, a rise of 70.8% from a year earlier, and 19% more than during 2019, the Ministry of Culture and Tourism said on its website. During these trips, Chinese tourists spent 148 billion yuan (\$21.42 billion) in total, a 128.9% increase from a year earlier, and on a par with 2019 levels.”

The current USD to RMB exchange rate is \$1 = RMB6.92 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

White House OKs boost in Chinese airline flights to US

The United States will allow Chinese airlines to increase U.S. passenger services to 12 weekly round-trips, the Transportation Department (USDOT) said on Wednesday, equal to the number of flights Beijing has permitted for American carriers. It is a boost from the eight weekly round-trip flights currently allowed by Chinese carriers and matches what Beijing has permitted for U.S. carriers, but a small fraction of the more than 150 round-trip flights allowed by each side before restrictions were imposed in early 2020 due to the COVID-19 pandemic. USDOT's order said its goal was "a gradual, broader reopening of the U.S.-China air services market." China in March reopened its borders to foreign tourists for the first time in the three years after abandoning COVID-related border controls for its own citizens in January.

China's power consumption likely to rise 6% in 2023

The China Electricity Council has predicted that the country's power use will register stable growth in 2023 driven by the overall recovery of the country's economy.

The electricity consumption will increase by about 6 percent year-on-year to reach 9.15 trillion kilowatt-hours (kWh), the council said in a report, adding that the growth is expected to pick up significantly in the second quarter of this year. Total power use hit 2.12 trillion kWh in the first quarter, up 3.6 percent year-on-year.

By the end of 2023, the country's installed power generation capacity is expected to surpass 2.8 billion kilowatts, with power generated from non-fossil sources accounting for 52.5 percent, according to the report.

China forex reserves rise to \$3.205 trln in April

China's foreign exchange reserves rose more than expected in April, official data showed on Sunday, as the dollar fell against other major currencies. The country's foreign exchange reserves - the world's largest - rose \$21 billion to \$3.205 trillion last month, compared with \$3.192 trillion tipped by a Reuters poll of analysts and \$3.184 trillion in March.

The yuan fell 0.63% against the dollar in April, while the dollar last month fell 0.94% against a basket of other major currencies. China held 66.76 million fine troy ounces of gold at the end of April, rising from 66.50 million ounces at end-March. The value of China's gold reserves rose to \$132.35 billion at the end of April from \$131.65 billion at the end-March.

China's shrinking imports, slower exports growth darken economic outlook

China's imports contracted sharply in April, while exports rose at a slower pace, reinforcing signs of feeble domestic demand despite the lifting of COVID curbs and heaping pressure on an economy already struggling in the face of cooling global growth. China's economy grew faster than expected in the first quarter thanks to robust services consumption, but factory output has lagged and the latest trade numbers point to a long road to regaining the pre-pandemic momentum at home.

Inbound shipments to the world's second-largest economy fell 7.9% year on year in April, extending the 1.4% decline seen a month earlier, while exports grew 8.5%, easing from the 14.8% surge in March, customs data showed on Tuesday. Economists in a Reuters poll had predicted no growth in imports and an 8.0% increase in exports.

China's big data hub records over 8b yuan of investment in Q1

China's Guizhou province, the country's major big data hub, completed more than 8.07 billion yuan (\$1.17 billion) of investment in the first quarter this year, said local authorities on Wednesday.

Among the total investment, approximately 1.5 billion yuan was for channelings more computing resources from China's eastern regions to its less developed yet resource-rich western regions, said the provincial big data development administration bureau. As of the end of March, 10 large and eight ultra-large data centers had settled in Guizhou. Notably, the total server carrying capacity in the 18 data centers had exceeded 2.25 million units.

In terms of information infrastructure, by the end of March, Guizhou had added 2,362 5G base stations, raising its total number of 5G base stations to 87,000 and increasing its accumulated optical cable length to over 1.9 million km. This year, Guizhou plans to complete project investment amounting to 20 billion yuan in its big data sector and introduce more than 200 digital economy projects with strong growth potential, said the bureau.

China's energy consumption sustains recovery in Q1

China's energy consumption continued to rally in the first quarter of 2023, boosted by the country's rising industrial power demand, a government official said Thursday. Total electricity consumption increased 3.6 percent year on year in the first three months, Dong Wancheng, an official with the National Energy Administration, told a press conference.

Dong said that the electricity consumption for industrial use went up 4.4 percent from the same period in 2022, contributing 78 percent of the overall electricity consumption growth.

Coal consumption logged a steady increase driven by the rising industrial power demand in the first quarter, while the consumption of natural gas and refined oil had also reported an uptick since February, according to Dong. To further meet domestic energy demand, China scaled up energy source imports. The imports of coal surged 96.1 percent year on year in the first quarter, Dong added.

China's new energy power project in desert area becomes operational

The first phase of a renewable power project in the Tengger Desert in northwest China's Ningxia Hui Autonomous Region was connected to the grid and began generating power on Wednesday, according to the China Energy Investment Corporation (China Energy), the project's operator. The first phase of the China Energy project runs purely on photovoltaic power with an installed capacity of 1 million kilowatts, the company said.

It is expected to generate 1.8 billion kilowatt-hours of solar power each year, meeting the demand of 1.5 million households, according to the company.

It is the first one of China's planned solar and wind power projects to be built in the Gobi Desert as well as other desert or arid areas in the country. The project was designed to run on wind and photovoltaic power, according to China Energy. It has a total installed capacity of 13 million kilowatts and an investment of over 85 billion yuan (about 12.28 billion U.S. dollars).

China plans to bring its combined wind and solar power capacity to 1.2 billion kilowatts by 2030, with power generated at large wind and photovoltaic power bases in the Gobi Desert as well as other desert or arid areas in the country totaling 455 million kilowatts.

China's NEV sales surge 85.6% in April

Retail sales of new energy vehicles (NEVs) in China jumped 85.6 percent year-on-year in April, data from the China Passenger Car Association (CPCA) showed Tuesday. A total of 527,000 NEVs were sold in China last month, down 3.6 percent from March, according to the CPCA. NEV sales of major domestic brands accounted for 70.5 percent of the total NEV sales in the country, the data revealed. China exported 91,000 new energy passenger vehicles last month, jumping 1,028.5 percent year-on-year and up 29.4 percent from March. In the first four months of the year, retail sales of NEVs in China rose 36 percent year-on-year to top 1.84 million units, the CPCA said.

China's car sales rise 2.1% in April as price war effect fades

China's passenger vehicle sales rose by 2.1% in April from a month earlier, industry data showed, underscoring a slower pace of growth as the stimulus effect of price cuts and incentives faded. Car sales in April totaled 1.65 million units, 54.5% higher from a year earlier when COVID-19 lockdowns disrupted productions and sales, the China

Passenger Car Association (CPCA) said on Tuesday. In the first four months of 2023, vehicle sales were down 1.4% year-on-year to 5.98 million units, it added.

Tesla raises prices for new Model S, Model X in China

Tesla Inc has raised prices for its new Model S and Model X vehicles in China by 19,000 yuan (\$2,751), its website showed on Friday.

Tesla's Shanghai gigafactory delivers over 75,000 vehicles in April

Tesla's Shanghai plant delivered 75,842 vehicles in April, according to data from the China Passenger Car Association. The company's Shanghai plant delivered 710,000 vehicles in 2022, an increase of 48 percent from 2021. As of the beginning of May, the company has set up more than 1,600 supercharging stations, more than 10,000 supercharging piles and over 700 destination charging stations on the Chinese mainland. Established in 2019, the Tesla Gigafactory in Shanghai is the carmaker's first Gigafactory outside the United States.

Chinese cars gain EV sales crown in Israel in Jan-April

Chinese models dominated electric car sales in Israel during the first four months of 2023, shows data released by the Israel Vehicle Importers Association on Tuesday. The statistics showed that 66 percent of electric passenger cars sold in Israel in January-April were made by Chinese manufacturers, or 13,235 out of 19,982 cars. China's leading electric car maker BYD ranked Israel's top-selling electric cars brand in the period by selling 7,229 electric cars, mainly the subcompact crossover SUV Atto 3.

World's biggest ship for gas transport unveiled

The world's biggest Very Large Gas Carrier was unveiled on Tuesday in Shanghai, a day ahead of its delivery to Singaporean owner Petredec Global by Chinese manufacturer Jiangnan Shipyard. The vessel, capable of carrying up to 93,000 cubic meters of liquefied gas, complies with the latest regulations and requirements on emissions in light of eco-friendly concerns, according to Jiangnan Shipyard, subsidiary of the world's largest shipbuilder China State Shipbuilding Corp.

Named Harzand, the vessel is 230 meters long and 36.6 meters wide. It is the first of the fourth-generation VLGC-type ship independently developed and designed by Jiangnan Shipyard. In addition, it is the world's largest dual-fuel liquefied petroleum gas powered VLGC, according to Dong Sanguo, chief designer for the VLGC.

China's shipbuilding sector continues to lead in world market

China's shipbuilding industry continued to lead globally in the first quarter of 2023, boasting the biggest international market share in terms of output, as well as new and holding orders, official data showed Wednesday.

The country's shipbuilding output hit 9.17 million deadweight tonnes (dwt) during the period, accounting for 43.5 percent of the world's total, data from the Ministry of Industry and Information Technology showed. New orders, another major indicator of the shipbuilding industry, rose 53 percent year on year to 15.18 million dwt, with a global market share of 62.9 percent. The sector's holding orders totaled 114.52 million dwt at the end of March, expanding 15.6 percent year on year. The volume represented 50.8 percent of the global market share.

China's urban employees see steady average salary growth in 2022

The average salary of China's urban employees saw steady growth in 2022, data from the National Bureau of Statistics showed on Tuesday.

The average salary in the non-private sector reached 114,029 yuan (about 16,465 U.S. dollars), an increase of 7,192 yuan from 2021, or 6.7 percent year on year. The real growth of the average salary for urban employees in the non-private sector, adjusted for inflation, rose by 4.6 percent year on year. In the private sector, the annual average salary stood at 65,237 yuan, up 1.7 percent year on year after price factors were deducted, the data showed.

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