

SCI China Market Update – November 2017

Dear friends,

Economically, it seems that 2017 is a good year for China. Its GDP growth can reach to 6.8% year-on-year in 2017 is no longer a question. I went to China for business in September and November witnessed the positive performance of the companies that I visited.

Regarding SCI's China market services, I am very pleased to share the following letter that I received from Lukas Guenthardt, Executive Vice President of Eriez Manufacturing Co., before thanksgiving:

“I have had the pleasure of working with SCI since 2004 on multiple projects for two different companies, and the results have exceeded my expectations every time. Projects have touched just about every aspect of business, from headhunting for senior management positions to marketing studies to negotiations and due diligence on the acquisition of a Chinese company.

SCI thoroughly understands the needs of middle-market US companies operating in China, and has the capability and experience to bridge differences in Chinese business culture with Western expectations. SCI is always there when I need guidance, and I have avoided costly mistakes by following SCI's advice. I can't imagine doing business in China without Shiqiang, Tim and their experienced and dependable China-based team.”

Under the much cleaner Xi Jinping's government, we trust the Chinese economy will continue its growth momentum in 2018. Here is some very recent China market news from various public sources for your information.

China November factory growth unexpectedly picks up despite pollution crackdown

Growth in China's manufacturing sector unexpectedly picked up in November, despite a crackdown on air pollution and a cooling property market that have been widely expected to weigh on the world's second-largest economy.

The upbeat data should help ease concerns, for now, that Beijing's campaign to curb excess risk in the financial sector and its punishing war on smog could lead to a sharper-than-expected slowdown in China's economy.

The official Purchasing Managers' Index (PMI) stood at 51.8 in November, compared with 51.6 in October. It remained above the 50-point mark that separates growth from contraction on a monthly basis for the 16th straight month.

Boosted by hefty government infrastructure spending, a resilient property market and unexpected strength in exports, China's manufacturing and industrial firms has been a major driver behind the economy's forecast-beating growth of nearly 6.9% so far this year.

Steel consumption to rise 7.7% this year

The nation's steel consumption is expected to rise 7.7% to 725 million metric tons in 2017 amid an improving economy and better performance of major steel consumers, an industry research and planning institute said on Monday. The country's steel demand will grow by 0.7% to 730 million tons in 2018.

China's crude steel output will increase 3% year-on-year to 832 million tons in 2017, and by a further 0.7% to 838 million tons next year. Iron ore demand in the world's top buyer is expected to rise 1.3% to 1.122 billion tons in 2017 from last year and drop 0.2% to 1.12 billion tons in 2018.

Major steel consumers including real estate construction, machinery, automobile, energy and shipbuilding will be the main contributors to the country's rising steel demand next year. China plans to reduce crude steel output by 100 to 150 million tons by 2020. More than 65 million tons of steel production capacity was phased out in 2016, beating the annual target. The country met the 2017 capacity reduction goal of 50 million tons by the end of August this year.

China's digital economy accounts for 30% of 2016 GDP

China's digital economy reached 22.58 trillion Yuan (\$3.4 trillion) in 2016, ranking second globally and accounting for 30.3% of the national GDP. As of June 2017, there were 3.89 billion Internet users around the world, of which 751 million were in China, the most of any country worldwide.

C919 gains another 55 orders, lifting total orders to 785

The C919, China's first home-developed large passenger plane, gained another 55 orders on Tuesday from ICBC Leasing Co Ltd, China's largest aircraft leasing company by assets, lifting its total orders to 785. In November, the C919 passenger jet completed its first long-haul flight from Shanghai to Xi'an, Shaanxi province, and it will now start a series of test flights at the testing base in Yanliang, Shaanxi province. Last week, the second C919 test aircraft completed its first taxiing test at Shanghai Pudong International Airport, and it is expected to conduct its debut flight by the end of the year.

Experts said the C919's entry to the market won't occur very soon. It is expected to go into operation between 2020 and 2022.

Xi wants China to update toilets to boost tourism, quality of life

China must keep up efforts to “revolutionize” its toilets until the task is completed, state media quoted Chinese President Xi Jinping as saying recently, amid efforts to boost the domestic tourist industry and improve the quality of life.

Xi launched the “toilet revolution” in 2015 as part of a drive to improve standards of domestic tourism in China, which he said suffers from deep-seated problems of a lack of civility.

China’s National Tourism Administration recently announced plans to build and upgrade 64,000 toilets between 2018 and 2020. Some 68,000 toilets have been updated over the last three years.

For more information about today’s China market and opportunities please visit our website at www.s-c-i.com or call me at (610) 828-8061.

Thanks!

Best regards,

Shiqiang Gu
President & CEO

Sino Consulting (SCI)
One Tower Bridge
100 Front St., Suite 1460
West Conshohocken, PA 19428
U. S. A.
Tel: (610) 828 8061
Fax: (610) 828 8801
Web: www.s-c-i.com