

SCI China Market Update – November 2020

Dear Friends,

Today, November 11th, is China's "Singles' Day" shopping festival, the Chinese "Black Friday". Helped by "revenge spending" from the COVID-19 pandemic, online sales today in China are expected to break new records. China's Singles' Day falls on 11/11 every year and is the world's biggest 24-hour online shopping event. Last year, 2019, some 1.9 billion products were ordered and delivered.

So COVID-19 continues to be under control in China and business continues to recover. Mainland China reported 17 new COVID-19 cases on November 10th, down from 22 reported a day earlier, the country's health authority said today. One of the new cases was a local infection reported in Anhui, the first such infection in this eastern province since February 27th. The other 16 cases were imported from overseas.

The health commission also said the number of new asymptomatic cases fell to 15 from 25 reported a day earlier. China does not classify symptomless patients as confirmed COVID-19 cases. The total number of confirmed COVID-19 cases reported in mainland China now stands at 86,284, while the death toll remains unchanged at 4,634.

The good news is that China National Pharmaceutical Group (Sinopharm) said today the data from large-scale, late-stage clinical trials for its COVID-19 vaccine are "better than expected". Sinopharm's China National Biotech Group (CNBG) has moved two vaccine candidates into Phase 3 clinical trials outside China in multiple countries including the United Arab Emirates, Bahrain and Egypt involving more 50,000 participants in total.

The trials are nearing their ends. CNBG did not offer details on the "better-than-expected" data or specify which vaccine candidate the data are generated from. We also learned that Brazil's health regulator Anvisa announced today the resumption of clinical Phase III trials for China's Sinovac COVID-19 vaccine. Anvisa on Monday suspended the trials of the Sinovac vaccine after the death of a volunteer that was registered as a suicide.

The U.S. election result delivered a positive signal that could speed up economic recovery, including hopes to end the Tariff War. So what else is new in the China economy? Below is some of the latest news culled from various public sources:

China considers 5% annual GDP growth target for next five years

China's policymakers are close to setting an average annual economic growth target of around 5% for the next five years, at the lower end of ranges previously considered as global risks cloud the outlook, policy sources said.

Beijing is looking to set a more flexible growth target for the 14th five-year plan to hedge against external risks caused by the pandemic and rifts with the United States, three people involved in internal discussions said following last week's agenda-setting leadership meeting.

At last week's meeting, President Xi Jinping and others laid out a blueprint for China's five-year plan and key objectives for the next 15 years. They include a goal to turn China into a "high income" nation by 2025 and advance to a "moderately developed" nation by 2035, which implies income of more than \$20,000 per person.

China October exports surge, imports rise amid global recovery

China exports grew at the fastest pace in 19 months in October, while imports also rose, official data showed on Saturday, as the world's second largest economy continued to recover after being hit hard by the coronavirus crisis earlier this year.

Exports in October rose 11.4% from a year earlier, beating analysts' expectations of a 9.3% increase and quickening from a solid 9.9% increase in September. The surge in exports pushed the trade surplus for October up to \$58.44 billion, compared with the poll's forecast for a \$46 billion surplus and a \$37 billion surplus in September.

China's trade surplus with the United States widened to \$31.37 billion in October from \$30.75 billion in September. China's exports have stayed largely resilient amid the COVID-19 global pandemic, as strong demand for medical supplies and reduced manufacturing capacity elsewhere worked in China's favor.

China's factory activity rises to near-decade high in October - Caixin PMI

Activity in China's factory sector accelerated at the fastest pace in nearly a decade in October as domestic demand surged, a private business survey showed on Monday, adding further momentum to an economy that is quickly recovering from the coronavirus crisis.

The Caixin/Markit Manufacturing Purchasing Managers' Index(PMI) rose to 53.6 from September's 53.0, with the gauge staying above the 50-level that separates growth from contraction for the sixth consecutive month.

Analysts polled by Reuters had forecast the headline reading would remain steady at 53.0. Analysts expect China's economy to grow about 2% in 2020, the weakest since 1976 but still far stronger than other major economies.

China's auto sales rise 12.5% in October

China's October auto sales rose 12.5 percent year-on-year to 2.57 million as the market warmed alongside government policies to spur consumption, data from an industry association showed on Wednesday.

The rise marked the sixth consecutive month of double-digit year-on-year growth. Auto sales rose 0.1 percent on a monthly basis, according to the China Association of Automobile Manufacturers. Auto sales totaled 19.7 million in the first 10 months, down 4.7 percent year-on-year.

Ford's Chinese ventures October sales jump as SUVs, vans lead demand recovery

Ford's Chinese ventures reported higher vehicle sales for October from a year earlier, as strong demand for sport-utility vehicles (SUVs) and vans continued to support its recovery in the world's biggest auto market.

The Dearborn, Michigan-based automaker's Chongqing-based venture said on Thursday it sold 26,305 vehicles last month, a 43% jump year-on-year. Changan-Ford sells SUV models including Escape, Edge and Explorer. JMC sells Ford-branded SUVs and vans as well as JMC-branded commercial vehicles. Ford is researching feasibility of making Ford-branded pickup truck in the country but it is yet to lay out a clear plan.

Air Products to launch 30 tonnes per day liquid hydrogen plants in China in 2022

Air Products, the world's largest hydrogen producer, is expected to launch a 30 tons per day liquid hydrogen production plant in eastern China in 2022.

The project, based in Haiyan county in Zhejiang province, would be the first large-sized commercial liquid hydrogen plant in China and the largest of its kind in Asia, told the company on Tuesday. With total investment of \$1 billion, Air Products also plans to set up

production lines for key hydrogen equipments at the Haiyan plant, which started construction in June.

China, the world's biggest greenhouse gas emitter, since 2015 listed hydrogen as one of the key technologies among the country's national manufacturing upgrade plan and recognised hydrogen as an energy source in a national law for the first time in early 2020.

China's rail passenger, cargo traffic rebound

China's rail transport sector has seen a rebound in passenger and cargo volumes in recent months amid the effective control of the COVID-19 epidemic, according to the national railway operator.

September saw the daily average number of train trips hit 7.71 million, about 79.5 percent of the passenger traffic seen in the same period last year, according to China State Railway Group Co., Ltd. In the first three quarters, Chinese passengers made a total of 1.49 billion train trips.

Meanwhile, rail cargo volume rose steadily despite the impact of the epidemic. China's railway freight volume totaled 2.62 billion tonnes from January to September, up 4.8 percent year on year. Rail cargo volume, coupled with electricity consumption and the total loans issued, is a key indicator to evaluate an economy.

Airbus delivers 500th A320 family aircraft assembled in China

Airbus has delivered the 500th A320 family aircraft from its Final Assembly Line Asia (FALA) in north China's Tianjin Municipality, Airbus China announced Thursday. The A320neo airplane was delivered to China Southern Airlines, a leading airline carrier in the country.

In 2008, a joint venture of the A320 final assembly line was set up in Tianjin to meet surging demand from Chinese customers. It is the third location of Airbus's A320 family production facility and first outside Europe. It delivered its first A320 aircraft in 2009. China is the largest single-country market for Airbus, accounting for about one-fifth of its global deliveries.

PetroChina third quarter profit surges on recovering oil prices, pipeline spin-off

PetroChina, Asia's largest oil and gas producer, reported a surge of around 350% in third-quarter profit versus a year earlier, owing to recovering oil prices and revenue from pipelines spin-offs.

Net income reached 40.05 billion yuan (\$6 billion) versus 8.86 billion the same period a year ago, and compared with a loss of 13.75 billion the previous quarter when decades-low oil prices hammered its revenue.

PetroChina in September completed the spin-off of its pipeline and storage facilities and a liquefied natural gas (LNG) terminal in Shenzhen to newly established PipeChina for 268.7 billion yuan. Profit for the first nine months fell 73% year-on-year to 10.07 billion yuan. Crude oil production between January and September rose 2.7% on the year to 701 million barrels, in response to Beijing's urge to improve national energy security.

Total gas output increased 6.5% to 3,080 billion cubic feet. Its domestic operation, making up 94% of the total, rose 8.2% on year while that of overseas projects fell 16%.

The company, China's second-largest refiner, processed 877.3 million barrels of crude during the period, down 3.2% from a year earlier. Faced with growing competition amid massive refining surplus, PetroChina's sales of gasoline, diesel and kerosene fell 13% on the year.

Thanks to lower oil-linked import costs and also a reduction in total purchases, PetroChina managed to narrow losses incurred at its natural gas import business to 17.5 billion yuan, 4.2 billion yuan smaller than a year ago.

New energy vehicles to make up 20% of China's new car sales by 2025

Sales of electric, plug-in hybrid and hydrogen-powered vehicles in China, the world's biggest auto market, are forecast to rise to 20% of overall new car sales by 2025 from just 5% now, the State Council said on Monday.

Sales of so-called new energy vehicles (NEV), which include battery electric, plug-in hybrid and hydrogen fuel-cell vehicles will rise as China's NEV industry has improved their technology and competitiveness, the State Council, China's cabinet, said in a policy paper as part of the release of the country's 14th five-year plan through to 2025.

Volkswagen takes on Tesla with first ID.4 electric models in China

Volkswagen launched two ID.4 electric sport-utility vehicle models in China on Tuesday, taking on Tesla Inc in the world's biggest auto market.

The ID.4 CROZZ model is being made by Volkswagen's joint venture with FAW Group while the ID.4 X is produced by a separate venture with SAIC Motor. The models mark the start of a

major push by Volkswagen into the electric vehicle market in China to take on the likes of Tesla and Nio Inc.

China sends world's first 6G test satellite into orbit

China has successfully launched the world's first 6G satellite into space to test the technology. It went into orbit along with 12 other satellites from the Taiyuan Satellite Launch Center in the Shanxi Province.

High-speed technology will be trialed, which will be one of the core elements of sixth-generation communications. The satellite also carries technology which will be used for crop disaster monitoring and forest fire prevention.

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Best regards,

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