

SCI China Market Update – November 2022

Dear Friends,

China's weeklong 20th National Congress of the CPC finally ended on Saturday. As forecast by the media, Xi Jinping, 69, secured a 3rd leadership term for another 5 years. Premier Li Keqiang began his retirement process. A new premier under Xi - very likely the current Shanghai party boss Li Qiang - will replace Li Keqiang in early 2023. As BBC's Topline reports: "Xi cements power by packing top team with loyalists." Mr. Li Xi, 66, party boss of China's economic development powerhouse Guangdong Province, has also become a new member of the 7-person Politburo Standing Committee.

It seems Xi has already drawn a blueprint for China's modernization. In today's news conference, he remarked: "China will open its door wider to the rest of the world." "Just as China cannot develop in isolation from the world, the world needs China for development."

I think Mr. Xi and his new government will work hard to show the Chinese people and the world that their leadership is strong and capable. To do so, they do need a better environment domestically and internationally.

My last SCI China Market Update noted that I haven't been back to China for business or personal reasons since the pandemic began well over two years ago. Obviously, China's very strict Zero Tolerance policy from Shenzhen, Shanghai, Beijing to my hometown Tianjin has slowed GDP and caused uncertainty in supply chains. First things first, I hope soon Beijing will relax the Zero Tolerance policy and change the "7+3 days" quarantine requirement upon entering China to something like "2+5 days - meaning only 2 days hotel quarantine time. This would immediately spur international business travel and benefit major Chinese airlines, high-speed trains, hotels, trade shows and business.

Xi and his new government need to show to the Chinese people that they can get good jobs more easily and increase their income. Thus, China does need to open its doors wider to Western countries to attract more investment and greatly expand export sales. But it will be a tough job in view of the strong challenges from the pandemic, Taiwan,

human rights issues as well as worsening relations with the U.S. and EU. I hope Beijing will succeed in improving relationships and fixing problems peacefully as it reopens its market.

The current USD to RMB exchange rate is around \$1 = RMB7.26 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

Chinese mainland reports 173 new local confirmed COVID-19 cases

The Chinese mainland on Sunday reported 173 locally transmitted confirmed COVID-19 cases, the National Health Commission said Monday.

Altogether 751 local asymptomatic carriers were newly identified. A total of 311 COVID-19 patients were discharged from hospitals after recovery on the Chinese mainland on Sunday, said the commission in its report. The total number of COVID-19 patients discharged from hospitals after recovery reached 248,573 on the Chinese mainland as of Sunday.

China Q3 GDP growth tops forecasts but meaningful rebound elusive

China's economy rebounded at a faster-than-anticipated clip in the third quarter, but a more robust revival in the longer term will be challenged by persistent COVID-19 curbs, a prolonged property slump and global recession risks.

Helped by a raft of government measures, the world's second-biggest economy expanded 3.9% in July-September from a year earlier, official data showed on Monday, outstripping the 3.4% pace forecast in a Reuters poll and faster than the 0.4% growth in the second quarter.

Chinese shares close lower Monday

Chinese stocks closed lower on Monday, with the benchmark Shanghai Composite Index down 2.02 percent to 2,977.56 points. The Shenzhen Component Index closed 2.05 percent lower at 10,694.61 points.

China's foreign trade value rises 9.9% to \$4t

China's imports and exports were valued 31.11 trillion yuan (\$4.29 trillion) in the first three quarters of the year, up 9.9 percent from a year ago, data from the General Administration of Customs showed on Monday.

The exports increased 13.8 percent year-on-year to 17.67 trillion yuan, while the imports totaled 13.44 trillion yuan, rising 5.2 percent on a yearly basis. The trade surplus during the period reached 4.23 trillion yuan, surging 53.7 percent year-on-year.

China's CPI up 2.8 pct in September

China's consumer price index (CPI), a main gauge of inflation, rose 2.8 percent year on year in September, the National Bureau of Statistics (NBS) said Friday. On a monthly basis, September's CPI remained generally stable, reversing the 0.1-percent decline in August to inch up 0.3 percent.

China's PPI up 0.9 pct in September

China's producer price index (PPI), which measures costs of goods at the factory gate, went up 0.9 percent year on year in September 2022, the National Bureau of Statistics (NBS) said Friday. The figure moderated from the 2.3 percent year-on-year increase registered in August. On a monthly basis, China's PPI fell 0.1 percent in September.

Certain airlines plan to resume, increase international flights

Good news: Some airlines released plans this month to resume or increase the number of international flights, as China's civil aviation market recovery speeds up.

China Eastern Airlines plans to increase its weekly international flights to 108 after the beginning of the industry's winter and spring season on Oct 30;

China Southern Airlines will increase its weekly international flights from the current 71 to 86; Hainan Airlines plans to increase the flights from Chongqing to Rome, Italy to twice a week starting from Nov 6, news portal the Paper reported on Tuesday.

Air China and Spring Airlines also announced, on their respective official WeChat accounts, plans to resume or open multiple international flights.

Ensuring winter gas supplies key task

China's oil majors are maximizing domestic gas production to ensure sufficient supplies for the spike in demand during the upcoming winter heating season. State-owned offshore oil and gas producer China National Offshore Oil Corp said on Tuesday that the company will supply 10 billion cubic meters of natural gas during the heating season this year to meet rising demand in the country.

The company's Shenhai-1, an ultra-deep water large gas field, has supplied more than 3 billion cubic meters of natural gas since being commissioned a year ago. About 8 billion cubic meters of offshore natural gas will serve the country through an intelligent gas distribution system this winter and next spring, said the company.

BloombergNEF expects China's gas production during the heating season to record annual growth above 5 percent, reaching around 100 billion cubic meters.

In addition to CNOOC, the country's major oil companies are all stepping up efforts to ensure sufficient gas supplies for the coming winter. Changqing oilfield in Erdos Basin has also been stepping up natural gas production capacity construction this year.

As newly built production capacity of Changqing oilfield now exceeds 11 billion cubic meters, the annual natural gas production of the field will likely hit a record of 50 billion cubic meters this year, said deputy director of the oilfield Wang Zhenjia.

China Petrochemical Corp (Sinopec) announced on Tuesday that it had discovered shale natural gas reserves in Southwest China's Sichuan Basin, with a confirmed volume of 387.8 billion cubic meters and potential daily output of 258,600 cubic meters. China sees its energy self-sufficiency rate reaching more than 80 percent in 2021, which has provided solid energy assurance for high-quality social and economic development.

China to take further steps to ensure energy supply

High natural gas prices and global competition for the fuel have driven more demand for thermal coal for power generation this year as countries try to wean themselves off Russian energy supplies and seek relatively cheaper alternatives. Beijing approved 15 gigawatts of new coal-fired power capacity and another 30 million tons of coal-based iron-making capacity in the first half of this year.

Currently more than 170 million tons of coals are stored in power plants under the country's unified dispatch, which is at the highest level in history. Since the 14th Five-Year Plan (2021-25), China has put into operation more than 270 million kilowatts of power generation capacity, and increased power transmission capacity to Central and East China by more than 20 million kW.

China's power use up 4 pct in first nine months

China's electricity consumption, a key barometer of economic activity, maintained stable growth in the first nine months of the year, official data showed on Thursday. Power use increased 4 percent year on year to hit 6.49 trillion kilowatt-hours in the January-September period, according to the National Energy Administration.

Power consumption in the primary industry grew 8.4 percent year on year in the first nine months. Electricity consumed by the secondary and tertiary industries increased 1.6 percent and 4.9 percent, respectively. Residents' power consumption registered a year-on-year increase of 13.5 percent.

In September alone, China's power consumption reached 709.2 billion kilowatt-hours, up 0.9 percent year on year. Power use in the primary and secondary industries rose 4.1 percent and 3.3 percent, respectively, and dropped 4.6 percent in the tertiary sector.

China's income growth keeps pace with decade's economic expansion

China's resident income growth has basically kept pace with the country's economic growth in the past decade, and the income gap between urban and rural residents has narrowed, the National Bureau of Statistics said Tuesday.

China's per capita disposable income stood at 35,128 yuan (\$4,940) in 2021, up 112.8 percent from 2012. It brought the average annual nominal growth rate to 8.8 percent in the past decade. After deducting price factors, the average annual real growth rate was 6.6 percent, basically in line with the expanding economy, the NBS said.

The income gap between urban and rural residents has narrowed in the past decade. In 2021, the per capita disposable income of urban residents was 47,412 yuan, an increase of 96.5 percent over 2012. The per capita disposable income of rural residents was 18,931 yuan, an increase of 125.7 percent over 2012. From 2013 to 2021, the average annual income growth rate of rural residents was 1.7 percentage points higher than that of urban residents.

China at No 2 in vehicle exports in Sept

China's vehicle exports continued their momentum last month, cementing the country's newly earned position as the world's No 2 vehicle exporter, as local carmakers are stepping up efforts to explore overseas markets.

In all, 301,000 vehicles left China's ports in September, according to data from the China Association of Automobile Manufacturers released on Tuesday. September data showed a 2.6 percent dip from the record high in August, but vehicle exports were still up almost 74 percent year-on-year. Total exports in the first three quarters reached 2.12 million units, up 55 percent year-on-year, and more than the total in 2021, the first year China's vehicle exports reached 2 million units. China overtook Germany as the world's second-largest vehicle exporter in August and is now second only to Japan.

China's auto sales up 25.7% in September

China's automobile sales rose 25.7 percent year-on-year to 2.61 million units in September, data from the China Association of Automobile Manufacturers showed. The country's automobile production topped 2.67 million units last month, up 28.1 percent from the same period of 2021, according to the association.

BYD and Tesla break China delivery records in September

The competition between the world's biggest NEV makers intensifies, as BYD and Tesla both broke monthly records for new energy vehicle deliveries in China in September, according to a report by Wall Street Journal.

Shenzhen-based BYD made a record high of almost 95,000 EV deliveries in September according to the report by Wall Street Journal. The total sales of BYD, including hybrids, also hit a record high of 201,000 units last month.

US EV maker Tesla delivered over 83,000 Model 3s and Model Ys from their Shanghai plant in September, breaking the company's monthly record, the report said, citing data from the China Passenger Car Association. With assembly lines upgrading in July, Tesla's Shanghai plant can crank out over 750,000 units a year, the company said.

With comparative advantage in the domestic market, BYD is also expanding abroad with several successful cases. Sixt SE, a German rental-car company, said last week that BYD will supply its fleet with several thousand EVs by the end of this year. The company is expected to purchase a total of 100,000 EVs from BYD by the end of 2028, Sixt said. BYD also exported 100 Tang sports-utility EVs to Norway last year, while supplying electric buses for public transport in multiple countries including the UK, Sweden and Spain.

China's power battery output surges over 101 pct in September

China's installed capacity of power batteries registered rapid growth in September amid a boom in the country's new energy vehicle (NEV) market, industry data showed. Last month, the installed capacity of power batteries for NEVs rose by 101.6 percent year on year to 31.6 gigawatt-hours (GWh), according to the China Association of Automobile Manufacturers. Specifically, about 20.4 GWh of lithium iron phosphate (LiFePO4) batteries were installed in NEVs, up 113.8 percent from a year earlier, accounting for 64.5 percent of the monthly total.

China's NEV market continued to maintain growth momentum in September, with the sales of NEV soaring 93.9 percent from a year earlier to 708,000 units, data from the automobile association showed.

Ford, GM report mixed sales in China in third quarter

GM and its joint ventures in China delivered nearly 630,000 vehicles in China in the third quarter of this year, up about one percent year on year. Meanwhile, Ford sold more than 133,000 vehicles in China in the third quarter, down 11 percent year on year but up 12 percent from the second quarter.

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