

## SCI China Market Update – October 2015

Dear friends,

The first week of October is China's "National Day" holiday. People call this 7-day, paid holiday "Golden Week". There is, of course, no football or baseball, but neither is there any major basketball, soccer or ping-pong during this important holiday. Cultural difference. So, the way hard working Chinese people celebrate their "Golden Week" is by visiting friends and family, eating, drinking, shopping and sightseeing.

As more and more Chinese families own their own cars and SUVs, "self-drive" family travel has become increasingly popular during the "Golden Week" holiday. But airports, bus stations and high-speed train stations are also packed. A friend of ours in Suzhou told us that she prefers to stay home because the highways near sightseeing cities like Suzhou and Hangzhou are literally like huge, slow moving parking lots. It's even very hard to find a rest room when you really need one.

Not everyone is like our Suzhou friend. My friends, classmates and relatives on WeChat are in the "self-drive" group. And many take this time for overseas tours in places like New Zealand, Australia, Hong Kong and Japan. In reality, October 1<sup>st</sup> is a day of traffic jams and slow movement. Starting on October 2<sup>nd</sup> you will see millions of heads of black hair in all the hot spots such as the Great Wall, the Forbidden City in Beijing, the Huangpu River in Shanghai, all the attractions in Suzhou, the West Lake in Hangzhou, and many more attractions throughout the nation.

The Chinese call a holiday like this "People Mountain, People Sea" – mountains and seas of people. Well, the good news from these millions of travelers is that the "slowing" Chinese economy and stock market have not slowed peoples' holiday buying power either at home or abroad. In fact, hotels in many cities and travel destinations, high-end restaurants, gas stations, shopping centers, bar streets, stores, parking lots and even real estate sales in major cities are all prospering during these holidays.

It is said that in Shanghai alone, the self-drive tourists will help the city to bring in at least US\$15.68 billion. Considering the traditional habit of Chinese families to save and save, together with Beijing's huge hard currency reserve, China's economic slow-down and stock market slump are far from the "end of the world".

Here is some very recent China market news from various public sources:

**China factory data picks up, long-term outlook positive**

China's factory activity picked up slightly in September but remained in contraction as the country's manufacturing sector saw improved, yet still weak, demand, official data showed Thursday.

China's manufacturing purchasing managers' index (PMI) came in at 49.8 in September, up from 49.7 for August, according to data released by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing (CFLP). A reading above 50 indicates expansion, while that below 50 represents contraction.

The index fell into contraction territory for the fourth time this year, but the slight increase in September was a reversal from two months of decline in a row previously.

The production sub-index posted 52.3 in September, up from 51.7 in August, showing accelerated growth in production. The sub-index for new orders came at 50.2, back to expansion territory and up from 49.7 in August, indicating demand has improved slightly. "The industry was still weak, but the downward movement has slowed somewhat," one China expert said.

**Boeing sells China 300 planes, agrees plant**

US aerospace giant Boeing has reached deals with Chinese firms to sell 300 aircraft and set up a completion center in China, state media and its local partner said, as President Xi Jinping began a visit to the United States. Boeing Co said it had won orders and commitments from China for 250 narrow body 737 aircraft and 50 wide body aircraft, valued at about \$38 billion at list prices.

The state-owned Commercial Aircraft Corporation of China (COMAC) also reached an agreement with Boeing to set up a "completion center" in China for its narrow-body 737 airliners, Xinhua said. It represents a step-up in Boeing's competition in China with European rival Airbus, which already has a manufacturing presence in Tianjin. China is expected to add 6,330 new aircraft worth \$950 billion to its commercial fleet by 2034, Boeing said last month in its annual China Current Market Outlook. A completion center in China for the medium-range Boeing 737 will be the firm's first outside the US.

**China to import record 13 million tons of US soybeans**

Nation to buy more oilseeds as animal feed demand increases. Members of a trade delegation from China, the world's top soybean importer, signed agreements to buy a record 13.18 million metric tons of the oilseed worth around \$5.3 billion from United States shippers after annual negotiations.

US industry representatives and members from the Chinese delegation announced the agreements on a conference call after talks in Des Moines, Iowa. US shippers outlined in 24 agreements included Archer-Daniels-Midland Co, Cargill Inc. and Louis Dreyfus Group. The cargoes are set for delivery by Aug 31, according to the US Soybean Export Council.

Last year, members of the Chinese delegation agreed to buy 4.8 million tons valued at \$2.3 billion from US shippers after a trade-visit. China buys soybeans to make feed for livestock.

### **China crude oil output rises 4.9% in August**

Crude oil output in China reached 18.3 million tons in August, a year on year increase of 4.9 percent, data from the top economic planner showed. China refined 40.37 million tons of crude oil during the period, up 2.8 percent year on year, while refined oil production rose 3.7 percent to 25.15 million tons, the National Development and Reform Commission said in an online statement.

Apparent consumption of refined oil, calculated as production plus imports minus exports, increased 2.2 percent from a year earlier to 24.52 million tons.

In a separate statement, the planner said natural gas output totaled 10.6 billion cubic meters last month, up 3.8 percent year on year. Imports of natural gas saw an increase of 1.4 percent to 4.7 billion cubic meters, while apparent consumption came in at 14.1 billion cubic meters, the commission said. China's appetite for energy has grown substantially amid rapid industrialization and urbanization.

### **China vows billions of development dollars, debt forgiveness**

China's president pledged billions in aid and said Beijing will forgive debts due this year in an effort to help the world's poorest nations, as world leaders begin to seek the trillions of dollars needed to help achieve sweeping new development goals. President Xi Jinping spoke at a global summit that last Friday launched the non-binding goals for the next 15 years. Xi said China will commit an initial \$2 billion to establish an assistance fund to meet the post-2015 goals in areas such as education, health care and economic development. He said China would seek to increase the fund to \$12 billion by 2030.

### **China in Line to Build Indonesia High Speed Rail**

China has emerged as the likely builder of Indonesia's first high-speed rail line after Indonesian officials rejected Japan's requirement for a government guarantee of loans. Regional rivals China and Japan were competing to construct the high-speed rail system, each offering low-interest loans and other perks as they vied to secure the estimated \$5.3 billion high-profile railway contract.

The 150-kilometer (93-mile) Jakarta to Bandung high-speed line is part of 750-kilometers (466 miles) of new rail planned for Indonesia. Indonesia's presidential chief of staff Teten Masduki said that Japan lost out because its proposal was more about government-to-government cooperation. Indonesia required business-to-business cooperation without Indonesian fiscal spending or debt guarantees.

### **Foreign firms, consortiums interested in California rail work**

Thirty-five construction companies, financiers, train manufacturers and operators from around the world have expressed interest in working on California's \$68 billion high-speed train.

The California High-Speed Rail Authority (CHSRA) asked for input from interested parties to help shape the state's strategy to build, finance, and run the first stage of an 800-mile (1,287-km) high-speed rail line, considered the most ambitious infrastructure project currently planned in the United States. Firms hailed from around the globe, including Spain, Germany, France, Italy, Australia, Sweden, China, Japan and the United States.

China and Japan presented separate consortiums, called the Chinese High Speed Rail Delivery Team and the Japan California High Speed Rail Consortium. Engineering firm Beijing National Railway Research & Design Institute of Signal & Communications Group also responded.

California officially broke ground earlier this year near the route's midsection in Fresno, a city in the state's Central Valley. California plans to run high-speed trains at speeds of up to 220 miles per hour (354 km per hour) between Los Angeles and San Francisco by 2029 and, later, to expand to San Diego and Sacramento.

Earlier this month, XpressWest, a private company set up by Las Vegas-based hotel and casino developer Marnell Cos, announced a joint venture with a group of Chinese firms to construct a 230-mile high-speed rail line between Las Vegas and Los Angeles. The deal includes a unit of CRRC Corp, the world's biggest train maker by revenue and the result of a state-driven merger of China's two largest train makers.

For more information about today's China market and opportunities please visit our website at [www.s-c-i.com](http://www.s-c-i.com) or call me at the number below, or Dr. Tim Weckesser at 610-828-8060.

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