

SCI China Market Update – October 2020

Dear Friends,

The eight-day National Day holiday and the Mid-autumn Festival are over. National Day, which marks the founding of the PRC, coincides with the Mid-Autumn Festival during this special coronavirus pandemic year. To me, Golden Week is the true touchstone to see if COVID-19 is really under control and if the Chinese economy is really recovering. Did the long Golden Week boost the Chinese economy?

Hundreds of millions of people in China marked this year's National Day holiday with gatherings and quick getaways. It is estimated that 550 million people traveled domestically during the eight-day holiday referred to as "Golden Week".

It is thought that 13 million passenger trips were made last Thursday - the highest figure since February. China accounts for almost one-fifth of the world's international tourism, according to the United Nations World Tourism Organization. But this year, the pandemic has made international travel nearly impossible. So the people are travelling locally instead. As a result, domestic tourism during this national holiday season is expected to recover to near pre-pandemic levels, helped by pent-up demand and cheap airfares.

China's tourism ministry said around 425 million people travelled within the country during the first four days of holiday alone. And ticket sales from China's biggest online travel portal, Trip.com, show local tourism recovering to around 80% compared to last year. The World Travel and Tourism Council says tourism generated more than \$2.9 billion for Asia Pacific's economic growth in 2019. That's nearly 10% of the region's entire economy. According to a recent report from the World Bank, China's economy is expected to grow by 2% in 2020, up from the 1% growth projection released in June. The Golden Week shows a strong economic recovery for China. Food, drink, travel and holiday spending are returning to normal. Positive signs indeed. So what else is new in the China economy? Below is some of the latest news culled from various public sources:

Chinese mainland reports no new locally transmitted COVID-19 cases

No new locally transmitted COVID-19 cases were reported Wednesday across the Chinese mainland, the National Health Commission said today.

A total of 11 confirmed cases arriving from outside the mainland were reported, the commission said in its daily report.

Japan to remove travel ban for 12 countries including China next month

Japan is planning to remove a ban on overseas travel to China and 11 other countries next month, the Yomiuri newspaper reported on Thursday. The 11 other countries and regions include Taiwan, Australia, New Zealand, Singapore, South Korea, Vietnam and Malaysia.

The Japanese government, which currently bans travel to 159 countries and regions, will recommend that travelers refrain from unnecessary and non-urgent visits to those 12 countries, the newspaper said.

China's factory activity accelerates at solid pace in September on boost from overseas demand

China's factory activity extended solid growth in September, twin surveys showed, as the nation's crucial exports engine revved up on improving overseas demand and underlined a steady economic recovery from the coronavirus shock.

The official manufacturing Purchasing Manager's Index (PMI) rose to 51.5 in September from 51.0 in August, according to data from the National Bureau of Statistics (NBS) on Wednesday, remaining above the 50-point mark that separates growth from contraction for the seventh month.

Analysts had expected it to pick up slightly to 51.2.

A private survey, also released on the day, painted a similar picture of the manufacturing sector gaining momentum backed by stronger overseas demand. China's vast industrial sector is steadily returning to the levels seen before the pandemic paralyzed huge swathes of the economy, as pent-up demand, stimulus-driven infrastructure expansion and surprisingly resilient exports propel a recovery.

The official PMI, which largely focuses on big and state-owned firms, also showed the sub-index for new export orders stood at 50.8 in September, improving from 49.1 a month earlier and snapping eight months of declines.

The signs of stronger overseas demand were also highlighted in the Caixin/Markit Manufacturing Purchasing Managers' Index (PMI), which focuses more on small and export-oriented firms. Its gauge for new export orders rose at the fastest pace in over three years. Domestic demand also shows signs of broadening, with industrial output accelerating the most in eight months in August and retail sales growing for the first time this year.

World trade to fall by 9.2% in 2020: WTO

WTO said "world trade shows signs of bouncing back from a deep, COVID-19 induced slump," but cautioned that "any recovery could be disrupted by the ongoing pandemic effects."

World merchandise trade is expected to fall by 9.2 percent in 2020, followed by a 7.2-percent rise in 2021, the World Trade Organization (WTO) said on Tuesday in its revised trade forecast.

In April, the WTO had predicted a decline in the volume of world merchandise trade for 2020 between 13 percent and 32 percent as the COVID-19 pandemic disrupted normal economic activity and life around the world.

China has over 500,000 5G base stations

China has built over 500,000 5G base stations during the 13th Five-Year Plan period (2016-2020), as the country continues the rapid construction of its 5G network. With the number of 5G users on the rise, the number of connected devices on the network has exceeded 100 million, according to the Ministry of Industry and Information Technology (MIIT). During the 13th Five-Year Plan period, China introduced a series of measures to lay a solid foundation for accelerating the research and development of 5G technology, amid efforts to promote and construct related infrastructure network facilities.

China's import boom heralds deeper rift in aluminum

China's imports of unwrought aluminum rose again in August, extending a rare inversion of normal trade patterns.

Combined imports of primary metal and unwrought alloy totaled 393,000 tons, just shy of the previous record of 394,000 tons in April 2009. For the second consecutive month the world's largest producer was a net importer of aluminum in all forms. It's no coincidence that the only reference point for such high imports is the global financial crisis. That was the last time aluminum demand experienced the sort of hit now being generated by the COVID-19 pandemic.

Now, as then, China's recovery is proving faster and more powerful than anywhere else. China's smelters are responding by lifting production, even while output in the rest of the world is sliding. If history is repeating itself, it will mean a further polarization of the global aluminum market into two parallel universes - China and the rest of the world.

EU imposes import duties on China, Indonesia, Taiwan stainless steel

The European Union will impose tariffs on imports of hot-rolled stainless steel coils and sheets from China, Indonesia and Taiwan after an investigation found they were being sold at artificially low prices.

The European Commission, which conducted the investigation, has set duties of up to 19% for imports from China, of 17.3% for product from Indonesia and up to 7.5% for stainless steel from Taiwan, the EU's official journal said on Wednesday. The Commission said that the anti-dumping duties, to take effect from Thursday, aim to remedy the damage caused to EU producers located mainly in Belgium, Italy and Finland.

China to hold import expo on schedule, committed to further opening-up

In Shanghai, preparations for the third China International Import Expo (CIIE) are in full swing, as the world's first import-themed national-level expo is only one month away.

It has been a bumpy year for many global companies as the COVID-19 pandemic hit the world economy. Yet, foreign firms' passion for the upcoming CIIE was not hindered by the pandemic, and the event's business exhibition area will expand to 360,000 square meters from last year's 300,000 square meters to cope with foreign exhibitors' demand, according to Sun Chenghai, vice director of the CIIE Bureau.

VW China, joint ventures plan to invest 15 billion euros in e-mobility

Carmaker Volkswagen Group China announced on Monday that it is planning to invest a total of roughly 15 billion euros (about 17.5 billion U.S. dollars) together with its joint ventures in e-mobility between 2020 and 2024.

According to a statement of Volkswagen Group China, the investment in China comes on top of 33 billion euros already announced by the Volkswagen Group for development in global e-mobility for the same period. Pursuing a strategy of electrification and digitization, Volkswagen also planned to produce a total of 15 different new energy vehicle (NEV) models locally by 2025, with 35 percent of the product portfolio in China made up of fully-electric models. China has announced recently a climate target to achieve carbon neutrality by 2060, which is expected to accelerate the world's transition to green and low-carbon development.

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Best regards,

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