

SCI China Market Update – October 2021

Dear Friends,

The holiday season is coming while the pandemic continues; and this will only exacerbate the growing supply chain issues. Shortages of energy, computer chips, containers, truck drivers and general labor, as well as seaport congestion, are problems that are likely to get worse worldwide before they get better. Needless to say, China has become even more important in this context because of its enormous role in the global manufacturing supply chain.

The good news is that China's National Health Commission reported only 12 new COVID-19 cases Monday, October 12, all imported from outside the mainland. So, the pandemic is very much under control in China and people can travel freely for business or pleasure. Further, Gao Fu, head of the Chinese Center for Disease Control and Prevention, said that China may open its borders after it vaccinates 85 percent of its population by early 2022.

China celebrated its weeklong National Day starting October 1st and saw some 515 million domestic tourist trips during this seven-day holiday, according to the Ministry of Culture and Tourism. Still, this number fell some 30 percent short of the number of trips made during the same period before the pandemic, said the ministry.

The current USD to RMB exchange rate is around \$1 = RMB 6.43 yuan. What else is new in the China economy? Below is some of the latest news culled from various public sources:

IMF: China's 2021 growth moderates to 8% as pandemic weakens global recovery momentum

The International Monetary Fund has projected the world economy will grow at 5.9 percent this year, while China's growth will moderate to 8 percent, both 0.1 percentage point lower than the IMF's July estimates, as global recovery continues amid increasing uncertainty from the pandemic.

China's export growth likely eased in Sept on electricity curbs

China's export growth likely slowed in September as electricity rationing hit production at home, while a shift in consumption towards services as developed economies reopened likely reduced global appetite for Chinese goods, a Reuters poll showed on Tuesday.

Exports are expected to have risen 21.0% in September from a year earlier, according to the median forecast of 30 economists in the poll, after growing 25.6% in August. Imports likely rose 20% in September from a year ago, the poll showed, after increasing 33.1% growth in August.

China liberalizes coal-fired power pricing to tackle energy crisis

China's State Council on Friday said it would allow coal-fired power prices to fluctuate by up to 20% from base levels, an increase on previous limits. In 2019, China had allowed coal-fired power prices to rise by 10% and fall by 15% from base levels.

The NDRC said that prices for high-energy consumption firms would not be bound by the 20% upper limit, in order to persuade them to consume electricity more efficiently. More than 70% of China's coal-fired power plants are loss-making because of high coal costs, Citi analysts said in a note on Friday.

China rust-belt province warns of more shortages in energy crisis

The largest provincial economy in China's northeast rust belt on Monday warned of worsening power shortages despite government efforts to boost coal supply and manage electricity use in a post-pandemic energy crisis hitting multiple countries.

The energy crisis gripping the world's second largest-economy and top exporter is expected to last through to the end of the year, with analysts and traders forecasting a 12% drop in industrial power consumption in the fourth quarter because coal supply is expected to fall short this winter.

Liaoning province issued its second-highest alert level for power shortages for the fifth time in two weeks on Monday, warning that the shortfall could reach nearly 5 gigawatts (GW). The biggest economy and largest consumer of power among the three provinces making up China's rust-belt industrial region, Liaoning has been hit by widespread power cuts since mid-September. A level-two alert indicates a power shortage equivalent to 10-20% of total demand for power.

China's Sept exports surprisingly robust despite power crunch

China's export growth unexpectedly accelerated in September, as still solid global demand offset some of the pressures on factories from power shortages, supply bottlenecks and a resurgence of domestic COVID-19 cases. Outbound shipments in September jumped 28.1% from a year earlier, up from a 25.6% gain in August. Analysts polled by Reuters had forecast growth would ease to 21%.

China posted a trade surplus of \$66.76 billion in September, versus the poll's forecast for a \$46.8 billion surplus and \$58.34 billion surplus in August. Its trade surplus with the United States rose to \$42 billion, Reuters calculations based on the customs data showed, up from \$37.68 billion in August.

China releases 150,000 tons of national metal reserves

China's state reserves authority released a total of 150,000 tons of copper, aluminum, and zinc from the national reserves to alleviate burdens on businesses over rising raw material costs. This is the third batch of releases to the market. Previously, China has released a total of 270,000 tons of copper, aluminum, and zinc to maintain market order.

Shanghai sees rise in soybean imports from U.S.

Shanghai saw its soybean imports from the United States soar to 2.53 million tons in the first eight months of the year, up 91 percent year on year, accounting for 31.1 percent of its total imported soybeans from January to August, customs authorities said recently.

In climate pledge, Xi says China will not build new coal-fired power projects abroad

Chinese leader Xi Jinping said that China would not build new coal-fired power projects abroad, using his address at the United Nations General Assembly to add to pledges to deal with climate change.

China's auto sales up 8.7% in first nine months

China's auto sales rose 8.7 percent year-on-year to 18.62 million units in the first nine months of 2021, data from the China Association of Automobile Manufacturers showed Tuesday.

Sales of passenger vehicles increased 11 percent year-on-year to 14.86 million units in the January-September period, according to the data. In September alone, auto sales totaled about 2.07 million units, down 19.6 percent year-on-year.

Home from home: Mercedes-Benz doubles down on China

Mercedes-Benz, the German company founded by the inventors of the motor car, is pouring more resources into its cutting-edge research and design capabilities in China as the center of gravity of the new auto world shifts eastwards.

In a drive to create a "home away from home", Mercedes-Benz is doubling down on bases in Beijing and Shanghai to stay ahead of regulations and consumer trends in a car market that outstrips the United States and Germany combined.

With 1,000 engineers, the new tech center is more than three times the size of the one Mercedes-Benz opened in 2014 and the first outside Germany that can test "everything", putting it more "on par" technically with the far bigger R&D headquarters near Stuttgart, a person close to the center said. Mercedes-Benz has also invested significantly in upgrading its Chinese design studio and has moved the whole team from Beijing to Shanghai, a megalopolis of about 25 million people known as the car design capital of China.

Tesla sold record 56,006 China-made vehicles in Sept - CPCA

U.S. electric vehicle (EV) maker Tesla sold 56,006 China-made vehicles in September, the highest since it started production in Shanghai about two years ago, data from the China Passenger Car Association (CPCA) showed on Tuesday.

Volkswagen building new EV battery system factory in China

Volkswagen said on Thursday it is building a new electric vehicle (EV) battery system factory in eastern China's Hefei city which will start production in 2023.

The German automaker is building a factory for electric vehicles under a majority-owned venture with JAC in the Hefei city. It also holds a stake in the EV battery maker Gotion which is also based in Hefei.

It said it would invest more than 140 million euros (\$164 million) in the battery plant by 2025. The factory's initial capacity will be 150,000 to 180,000 battery systems a year for local EV production.

Honda to launch new EV brand in China next year

Japan's Honda will launch a new electric vehicle brand in China next year, it said on Wednesday, and will only launch battery electric, hydrogen fuel-cell or petrol-electric hybrid vehicles there from 2030.

Known for its fuel-efficient internal-combustion engines, Honda sold over 1.6 million vehicles in China last year.

The new brand will be called "e:N Series" and it plans to roll out 10 models with partners GAC and Dongfeng Motor over the next five years, Honda said. Its two joint ventures, GAC-Honda and Dongfeng-Honda, plan to build new EV-only assembly plants that are expected to begin production in 2024.

EV battery maker CATL plans \$5-billion China recycling facility

Contemporary Amperex Technology Co Ltd plans to build a battery material recycling facility in the central Chinese province of Hubei with an investment of up to 32 billion yuan (\$4.96 billion), the electric-vehicle battery maker said on Tuesday.

The company's announcement comes at a time when global demand for electric vehicles has surged, which makes securing battery materials a key task for the industry. China, the world's biggest car market, has also set standards and policies to promote battery recycling and save materials.

China's NEV sales to hit 3m in 2021

Sales of new energy vehicles, which include electric cars and plug-in hybrids, are expected to hit 3 million units this year in China, said the China Association of Automobile Manufacturers on Tuesday.

The estimate came after the country's NEV production and sales hit a record in September, both exceeding 350,000 units. NEV sales made up 17.3 percent of total vehicle deliveries in China last month. In the segment of passenger vehicles, their proportion was even higher, at 19.5 percent, said the CAAM.

China's used car sales rise 40.4% in January-August

China's used car sales climbed 40.4 percent in the January-August period from the year-earlier level, data from the Ministry of Commerce showed. The sales volume is 22.8 percent higher than that for the same period of 2019 or the pre-pandemic level.

China's leading truck brand speeds up new energy transformation

Jiefang, a truck brand of China's leading automaker FAW Group, will invest over 30 billion yuan (about \$4.64 billion) to develop new energy vehicles (NEVs) during the 14th Five-Year Plan period (2021-2025), the company announced Wednesday.

The company will develop pure electric, hybrid and fuel-cell vehicles over the next five years and aims to become an industry leader in key and core technologies by 2030, it said, adding that it will gradually boost the market share of its NEVs.

The investment will be used to build new energy innovation bases in nine domestic and overseas locations and an exclusive base for developing fuel-cell vehicles and systems. For more information about doing business with China please visit our website at www.s-c-i.com or call me at 610-457-8380. Thanks!

Shiqiang Gu
President & CEO

Sino Consulting (SCI)
8010 Fairview Lane
Eagleview, PA 19403
U. S. A.
Tel: (610) 457 8380
Email: sgu@s-c-i.com
Web: www.s-c-i.com