

SCI China Market Update – September 2020

Dear Friends,

In the last issue of our newsletter, we said that China continues to recover from the COVID-19 pandemic. Now, as the weather cools down, more and more of my relatives, classmates and friends in China are touring by car, by air and by high-speed train. After sightseeing in Sichuan Province and re-visiting the Chengdu Research Base for Giant Panda Breeding, my brother and family returned safely to Beijing last weekend. It seems clear that the COVID-19 panic has passed.

Major trade shows from Beijing to Shanghai to Shenzhen are opening one after another, attracting thousands of visitors. The huge 2020 China International Fair for Trade in Services opened in Beijing. China's International Aviation and Aerospace Exhibition (China's 13th Zhuhai Airshow), the country's biggest airshow, will be held in November as scheduled.

In March, Chinese authorities ordered all international flights to Beijing to be diverted to other airports including Tianjin, Shenyang and Nanjing as their first port of entry, as the capital stepped up measures to battle imported infections. Now, starting September 3rd, direct flights to Beijing have resumed from eight countries including Thailand, Cambodia, Greece, Denmark, Sweden and Canada.

China's economy is steadily turning for the better, and I can see daily business and life are really getting back to normal. So what else is new in the China market and economy? Below is some of the latest news culled from various public sources:

China reports two new COVID-19 cases vs 10 a day earlier

Mainland China reported two new COVID-19 cases on Sept. 8, down from 10 a day earlier, the country's national health authority said on Wednesday.

The National Health Commission said in a statement that both cases were imported infections involving travelers from overseas, marking the 24th straight day of no local infections.

The number of new asymptomatic cases also fell to eight from 13 reported a day earlier. China does not count these symptomless patients as confirmed COVID-19 cases. The total number of confirmed COVID-19 cases for mainland China now stands at 85,146 while the death toll remained unchanged at 4,634.

China offers coronavirus vaccine candidates to aviation industry workers

China has offered experimental coronavirus vaccines to aviation industry workers, according to a regulatory notice in a push to inoculate high-risk groups to prevent a possible resurgence as economies reopen.

China, which has four COVID-19 vaccines in the final stage of human trials, launched the emergency use vaccine programme in July, hoping to boost the immunity of groups such as border inspectors or medical industry workers.

Frontline workers at Chinese airlines, airports, China National Aviation Fuel Group and TravelSky Technology Limited will be provided a candidate vaccine on a voluntary basis, the notice from China's aviation regulator shows.

At least two experimental vaccines, one from Sinovac Biotech Ltd and the other from China National Biotec Group, have been approved for emergency use in China. No vaccine has yet passed final, large-scale trials to prove it is effective enough to protect people from contracting the virus that has led to over 860,000 deaths globally.

US extends tariff relief on some Chinese goods

The United States Trade Representative's office said that it has extended tariff exclusions on a wide range of Chinese goods, including smart watches, medical masks and some medical equipment, till the end of this year.

The original one-year exclusions of such Chinese imports from the Section 301 tariffs imposed by the US government were set to expire on Tuesday. The USTR has extended the exclusion by four months this time. The products on the list include a number of Bluetooth and wearable data-transmitting devices, such as those imported from China by Apple, FitBit, Sonos and other technology companies.

Other exclusions were for some face masks, respirators, stethoscope covers, cotton gauze sponges, blood pressure cuff sleeves and other medical devices. Products such as

upright pianos, liquid crystal display modules and stainless-steel watch cases were also exempted from tariffs until the end of this year.

Foreign trade results better than expected

Despite global economic uncertainties amid the COVID-19 pandemic, China's foreign trade has maintained better-than-expected performance since the second quarter of this year, with trade in services, cross-border e-commerce and private sector transactions emerging as new growth engines, according to government officials and economic analysts.

In August alone, the country's exports surged by 11.6%, with imports dipping only 0.5%, according to the General Administration of Customs on Monday. China's total foreign trade volume of goods reached RMB20.05 trillion yuan in the first eight months, down 0.6% year-on-year. The drop narrowed by 1.1% points compared with the decline from January to July, according to Customs officials.

Forex reserves rise to \$3.16 trillion

China's foreign exchange reserves, the largest in the world, expanded to \$3.1646 trillion in August, the fifth consecutive month of growth, as strong economic resilience and high-level opening-up measures bolstered momentum, experts said.

The State Administration of Foreign Exchange said on Monday that total foreign exchange reserves rose by 0.3 percent on a monthly basis to \$3.1646 trillion by the end of last month, compared with \$3.1544 trillion at the end of July. The country's foreign exchange reserves have risen by \$56.7 billion from the end of last year.

China's consumer inflation eases to 2.4 pct in August

China's consumer inflation eased in August as economic activities gradually recovered after effective epidemic containment in the country, official data showed Wednesday. China's consumer price index (CPI), the main gauge of inflation, grew 2.4 percent year on year last month, moderating from the 2.7-percent gain in July, according to data from the National Bureau of Statistics. On a monthly basis, consumer prices edged up 0.4 percent. Food prices, which account for nearly one-third of weighting in China's CPI, climbed 1.4 percent last month.

Wednesday's data also showed China's producer price index, which measures costs for goods at the factory gate, fell 2 percent year on year in August.

China buys 664,000 tonnes of U.S. soybeans, biggest daily total in nearly seven weeks: USDA

Chinese buyers booked deals to buy 664,000 tonnes of soybeans, the largest daily total since July 22, for delivery in the 2020/21 marketing year, the U.S. Agriculture Department said on Tuesday.

The sales were the latest in a string of large U.S. farm commodity purchases by China, which vowed to import record amounts of U.S. agricultural goods this year as part of a Phase 1 trade deal signed in January.

Still, Chinese purchases in the first half of this year totaled just \$7.274 billion, according to U.S. Census Bureau trade data. The trade deal called for \$36.5 billion in annual purchases. USDA on Tuesday also said that private exporters reported the sale of 101,600 tonnes of corn for delivery in 2020/21.

China cabinet approves two nuclear power projects: state media

China's cabinet approved two nuclear power projects, according to Beijing. The approved projects were Hainan Changjiang nuclear power plant phase 2 and Zhejiang San'ao nuclear power plant phase 1.

China last year launched three new nuclear power plants in the provinces of Shandong, Fujian and Guangdong, which marked the end of a moratorium on new projects. China's nuclear association said the country will build six to eight nuclear reactors a year between 2020 and 2025 and raise total capacity to 70 gigawatts (GW), up 43.5% from end-May, according to the official China Daily in July.

The association was also quoted as saying China's total installed nuclear capacity is expected to stand at 52 GW by the end of 2020, falling short of an initial 58 GW target, but would soon get back on track to bring total capacity either in operation or under construction to around 200 GW by 2035.

China's August crude oil imports jump 13% on year as delayed cargoes clear customs

China's crude oil imports in August climbed 13% from a year earlier, buoyed by hefty orders placed earlier this year when global oil prices collapsed and as cargoes previously delayed by congestion at arrival ports finally cleared customs.

Imports were 47.48 million tonnes last month, data released by the General Administration of Customs showed on Monday, equivalent to 11.18 million barrels per day (bpd). That was well below the monthly record of 12.94 million bpd set in June this year, but easily beat last year's overall monthly average of 10.11 million bpd. Meanwhile total natural gas imports, including liquefied natural gas and piped gas, reached 9.36 million tonnes, up from both 7.35 million tonnes in July and 8.34 million tonnes in August 2019.

Factory output sees strong growth in Aug

China's manufacturing sector saw its strongest expansion in more than nine years in August as production and market demand firmed up in the aftermath of the COVID-19 epidemic, a private survey said on Tuesday.

The Caixin China General Manufacturing Purchasing Managers' Index came in at 53.1 in August, the highest level since January 2011 and up from 52.8 a month earlier, media group Caixin said in a report. The reading marked the fourth month in a row for the index to rise within the expansionary territory, indicating that the manufacturing sector has recovered at a continuously quicker pace. A reading above 50 indicates expansion, while one below that reflects contraction.

China's Sinopec awards 10-year gas tender to Qatargas: sources

China's Sinopec Corp has awarded a 10-year tender to buy 1 million tonnes of liquefied natural gas annually from Qatargas, two industry sources with knowledge of the matter said on Friday, to take advantage of current low prices. Sinopec has agreed to pay at a slope of 10.19% to Brent crude on a delivered ex-ship basis, said one of the sources. China's long-term gas demand is expected to grow, supported by the country's push to shift to the cleaner fuel from coal.

Rebound in China Car Sales Accelerates With Pandemic Easing

China's car sales increased for a second straight month in August, raising optimism that a two-year slump in the world's biggest market is nearing an end.

Retail sales of sedans, SUVs, minivans and multipurpose vehicles increased 8.8% last month from a year earlier to 1.73 million units, the China Passenger Car Association said Tuesday. That follows a 7.9% gain in July.

Nissan's China sales slow in August when Toyota, Honda surge

Japanese automaker Nissan said its sales in China fell 2.4% in August from a year earlier, while rival Toyota and Honda sales surged in the world's biggest auto market. Nissan is determined to boost sales in China as it struggles to fix problems from ousted leader Carlos Ghosn's aggressive expansion drive. It said it sold 126,592 vehicles in China in August, up 4.7% from the previous month as sales continue to recover from China's coronavirus lockdown earlier this year.

Toyota sold 164,400 vehicles in China last month, up 27.2% from last year. Of the total, 20,700 came from its premium Lexus brand, which showed a 22.3% sales jump compared to a year earlier. Honda sold 148,636 units, up 19.7%.

China's August zinc output hits record high in nearly five years

China's August refined zinc output rose 2.8% to 450,000 tonnes from last year, research house Antaika said on Wednesday, hitting a record monthly high in nearly five years as smelters boosted production.

Zinc output from 49 Chinese producers increased by 19,000 tonnes last month compared with the revised July data, according to a survey by Antaika, sending production for the January-August period to 3.37 million tonnes, up 2.1% from same period in 2019. The research house expected September zinc output to rise to above 470,000 tonnes and overall industry to be more stable.

China sees record heavy truck sales in August

Sales of heavy trucks in China registered robust year-on-year growth in August to set a new record in years, industry data showed. Around 128,000 heavy trucks were sold last month, surging 75 percent year on year, according to estimation by auto industry information service provider cvworld.cn.

The figure broke a record set in August 2017, when some 93,700 trucks were sold, and witnessed a five-month streak of sales peaks. Given the continued boom in the market, cvworld.cn expected the annual sales to set a record high of 1.4 million.

GM venture's mini car becomes China's most sold EV, surpassing Tesla's Model 3

A micro electric vehicle (EV) by General Motors' local Chinese joint venture becomes the most sold EV model in China, with 15,000 cars sold in China last month, followed by Tesla Inc's 11,800 Model 3 sedans, industry data showed. The model, the

Hongguang MINI EV, is a two-door micro electric vehicle launched by the joint venture between GM, SAIC Motor Corp and another partner, SGMW, in July.

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!

Best regards,

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