CHINESE MACHINE TOOL MARKET - WEEKLY BULLETIN

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Nation's 'metal city' sees prosperous future in industrial robotics

More than 35 million vacuum bottles were produced last year by Haers Vacuum Containers Co Ltd in Yongkang, the second largest output of its kind worldwide. "A robot assembly line will be launched soon, and we are confident of surpassing the current leading producer this year," said Wang Shuyi, supply chain general manager of the company in Zhejiang province.

In line with the "Made in China 2025" strategy, which aims to upgrade the country's manufacturing sector, the government and businesses in Yongkang, a city in eastern China's Zhejiang province, have found new ways to enhance productivity and product quality while bringing down labor costs.

"The government had given around 40 million yuan ($6.3 million) of allowances to businesses that use advanced equipment such as industrial robots in 2017," said Ying Xujun, vice-head of Yongkang economy and information technology bureau.

As the "City of Metal," Yongkang now has more than 10,000 businesses in the hardware business, involving electric tools, kitchenware and thermal cups, becoming China's largest base for manufacturing, trading and exporting of hardware products.

"There are more than 360 ongoing programs aiming at using industrial robots to set up zero-labor production lines, with total investment reaching more than 8.5 billion yuan," Ying said.

The robotics industry has been listed as a key development area in the national "Made in China 2025" strategy, as the country is the biggest market for industrial robots worldwide.

The output of China's industrial robots exceeded 100,000 in the first 10 months of 2017, up 70-percent year-on-year, according to the Ministry of Industry and Information Technology.

Many big projects are ready to begin

A slew of big projects, with total investment of more than 10 trillion yuan ($1.58 trillion), are about to kick off in a number of Chinese provinces and regions in the new year.

As local governments aim for growth quality and sustainability, most of these projects will be in strategic and emerging industries, such as high-end equipment manufacturing and information technology, as well as infrastructure construction related to transportation and energy.

For example, East China's Shandong province is ready to launch 900 projects with total investment of 4 trillion yuan this year, according to the province's development and reform commission. Most of the projects cover emerging industries—such as renewable energy, new materials and high-end equipment manufacturing — and infrastructure construction including the building of high-speed railways and airports.

Emerging industries are expected to account for 30 percent of the province's GDP growth by 2022 as the province vies to find new economic growth drivers, according to a development plan released on February 22nd.

"Upgrading industrial structure is a hard fight that we must win," said Liu Jiayi, Party chief of Shandong province, at a meeting on Thursday. "We will speed up fostering emerging industries and upgrading traditional sectors, while axing outdated capacity, to improve our economic growth quality and competitiveness."

Six other provinces, including Henan, Hubei, Jiangxi and Guizhou, will also see project investment exceeding 1 trillion yuan each this year.

The projects will focus more on poverty relief and environmental protection.

Analysts said local governments are shifting their development strategies in accordance with the call by the country's top leadership for high-quality development.

Thirteen provinces and autonomous regions have cut GDP growth targets for 2018, with most local governments attaching more importance to innovation and environmental protection, according to government reports delivered at sessions of local people's congresses.

The projects will also offer strong support for traditional industries, such as construction machinery, coal and steel, analysts said.

China raises subsidies to reward longer-range electric cars

China is increasing subsidies for electric vehicles that can travel farther on a single charge, while also making it more difficult for battery-powered vehicles to qualify for any new incentives under a central government plan.

The central government incentive for EVs with a range of 400 kilometers (249 miles) and beyond on a single charge has been raised to 50,000 yuan ($7,900) from 44,000 yuan, the finance ministry said in a statement Tuesday. At the same time, vehicles must be able to go at least 150 kilometers on a single charge to be eligible for incentives, up from 100 kilometers before.

Incentives have been key to making EVs more affordable in China, helping the market pass the U.S. as the world's biggest in 2015. The Chinese government is leaning toward letting provinces continue with local subsidies for EVs to sustain the rising demand for new-energy vehicles in the country, Bloomberg reported.

The new rules, which took effect Monday, also cut subsidies by varying degrees for cars with a driving range of less than 300 kilometers, according to the statement. Separately, only EVs with battery energy density above 105 watt-hours per kilogram are eligible for the subsidies under the new rule. The threshold was raised from 90 watt-hours per kilogram.

The government also cut subsidies by as much as half for buses that qualify as new-energy vehicles, depending on the length and nature of the powertrain.

BYD Co. and other Chinese automakers including BAIC Motor Corp. and Anhui Zotye Automobile Co. have benefited from subsidies given by China as the nation tries to encourage production of less-polluting vehicles.

Automobile sales post double-digit growth in Jan.

CHINA'S auto sales returned to double-digit growth in January due to a low base, data from an industry association showed on February 16th.

About 2.8 million vehicles were sold in January, up 11.6 percent year on year, according to the China Association of Automobile Manufacturers (CAAM).

The growth was faster than the increase of 0.1 percent in December and 3 percent in 2017.

The CAAM attributed the surge to a relatively low base in the same period last year, noting that sales were down 8.2 percent from the previous month.

China's auto sales increased 13.7 percent in 2016, but the market was under pressure last year from government policy adjustments such as sales tax hikes.

In October 2015, the government slashed the sales tax on cars with engines of 1.6 liters or below from 10 percent to 5 percent to boost auto sales. The tax was raised to 7.5 percent in 2017 and then returned to 10 percent again in 2018.

New energy vehicle (NEV) sales were strong in January, soaring 430 percent year on year to reach about 38,000 vehicles, according to CAAM.

The robust growth came as China intensified efforts to encourage the use of NEVs to ease pressure on the environment by offering tax exemptions and discounts for car purchases and ordering government organizations to buy more new energy vehicles.

China remained the world's largest auto market in 2017, with some 28.88 million vehicles sold, according to CAAM.

In January, some 2.7 million vehicles were produced, up 13.6 percent year on year but down 11.6 percent month on month.

About 79,000 vehicles were exported, up 36.3 percent from a year earlier, according to the CAAM.

The government expects new energy vehicle output and sales to hit 2 million annually by 2020.

BMW, Great Wall Motor to produce Mini cars in China

German carmaker BMW AG is to produce electric Mini cars in a joint venture with China's leading SUV maker Great Wall Motor, to tap the potential of the world's largest market for electromobility.

The two parties signed a letter of intent on February 24th in Beijing, said Great Wall Motor in a filing to the Hong Kong stock exchange.

BMW said in a statement that they will soon discuss the details of a possible joint venture, and clarify aspects such as the choice of production location and concrete investments.

But BMW said it has no plans to set up an additional sales organization in China.

The German carmaker has been localizing BMW-branded models in partnership with Brilliance Auto, while Great Wall Motor is among the few Chinese automakers to not have an international carmaking partner.

Analysts said it is understandable that BMW is seeking a new partner in a competitive market like China, as Brilliance is only a financial investor in the joint venture, contributing little to BMW's success in the country.

They said the move will also help Great Wall Motor to meet the demand of the Chinese government that each carmaker in the country must produce a certain quota of electrified cars starting this year.

BMW's current Chinese joint venture, BMW Brilliance Automotive, has two car-manufacturing plants and an engine plant, which includes a battery factory for electrified BMW-branded vehicles.

This is the first battery factory to be operated by a premium automobile manufacturer in China.

BMW said, "The successful strategy for expansion of the BMW Group’s global production network obeys a clear rule: Production follows the market."

Around 560,000 BMW-branded vehicles were delivered to customers in China in 2017 – more than in the next two largest markets, the United States and Germany, combined.

The first electric Mini cars will be produced in the United Kingdom starting in 2019 before they will be localized in China.

State-owned enterprises 5-year boom

China’s state-owned enterprises administered by the central government saw surging assets in the past five years thanks to improved production and efficiency.

Total assets of the centrally administered SOEs stood at 54.5 trillion yuan at the end of 2017, up 73.8 percent from the end of 2012, according to the country’s SOE regulator.

Profits made in the past five years reached 6.5 trillion yuan, up 27 percent compared with the 2008-2012 period.

Consolidation among them also picked up as the number of centrally administered SOEs was cut from over 100 in 2013 to just 97 now after a string of mergers and reorganizations.

Meanwhile, more than two thirds of China’s centrally administered SOEs and their subsidiaries have introduced outside investors, registered new firms, restructured or gone public to optimize corporate management.

Their global competitiveness gained traction thanks to reform efforts, with three Chinese centrally administered SOEs ranking among the top five Fortune 500 Companies of 2017.

Schuler sold its100th hot stamping line to China

In 1993, Schuler delivered the first three hot stamping lines to automobile manufacturer Ford in the USA. What was a brand-new method at the time has since established itself on the market as a global forming technology for automotive lightweight construction – and the trend continues unabated: Schuler has now sold what is the 100th hot stamping line to a Chinese automotive supplier.

"Compared with forming aluminum, carbon fiber-reinforced plastics and dual phase steels, this technology is an inexpensive alternative for lightweight automobile construction," as Daniel Huber explained, the head of Division Hydraulic at Schuler. Oemer Akyazici, the CEO of Schuler China, added: "Chinese automobile manufacturers and automotive suppliers, such as Shanghai Superior Die Technology Co., Ltd. (SSDT) or Baowei are increasingly turning to hot stamping."

The method, which involves heating sheet steel blanks to 930 degrees and cooling them during forming, was first introduced in the early 1990s – initially to improve passenger safety in vehicles – for example, to reinforce the doors in the Saab 9000, thus helping it to pass the stricter crash tests in the USA.

Lantek experiences growth in China

Lantek consolidates its position as an international benchmark after recording an increase in its turnover of over 11% and reaching a milestone

These results highlight the strength of the company's international business, which accounts for 86% of total revenue. In this regard, the progress recorded in markets with high potential such as China (+67%) is significant, where Lantek is already the leader for laser manufacturers, and the US (+47%), where companies have been pushing for digitalization for some time now.

In 2017, turnover reached 17.6 million euros and the customer base grew by more than 2,000 new customers, exceeding the level of 20,000 active customers in more than 100 countries on five continents.

The company presented its results during the 2018 International Meeting, an annual meeting where all the employees meet to make an assessment of the year, as well as growth forecasts for the new year.

Regarding investments, during the past year the company allocated 1.8 million euros to R&D, implementation teams and project development. Worthy of note is the opening in Bilbao of a new technological center with the incorporation of 10 engineers.

During 2017, Lantek hired about 30 professionals in all its departments, which has increased the staff to over 200 people, spread over 19 offices all over the world.

The sectors in which Lantek has consolidated its global presence are industrial machinery, shipyards, automotive industry, duct parts, metal constructions, iron and steel industry, elevators, air conditioning, metallic furniture and distribution.

Forecast for 2018

Lantek faces 2018 with forecasted growth higher than that recorded last year, after a significant increase in the order book, especially for orders related to digital transformation projects, which will boost turnover towards a new milestone, reaching 20 million euros in invoicing.

"This year we plan to launch several products focusing on advanced manufacturing that will consolidate our strategy as a driving force in the digital transformation of our sector and that will help the sheet metal and fabrication market adapt to the new changes required by Industry 4.0", concludes Alberto Martínez.

Sinomach cooperates with DEC and China XD

A signing ceremony for the cooperation between Sinomach and Dongfang Electric Co as well as China XD Group takes place in Sinomach's headquarters in Beijing on Feb 11th.

All the three State-owned enterprises specialize in equipment manufacturing, yet in different sections of the industrial chain. According to the agreements, they will cooperate in business, innovation, financing and employee training to improve international competitiveness of China's machinery industry.

"The partnership will not only realize resource sharing among the three parties, but also help promote the high-quality development of China's equipment manufacturing industry," said Ren Hongbin, chairman of Sinomach, at the signing ceremony.

"The strategic cooperation will contribute to the national economic growth and the construction of a great modern socialist country." said Zou Lei, chairman of DEC.

Hiwin Hits Record Revenue and Expands in Europe and Asia.

Mechanical motion control component and industrial robot maker Hiwin Technologies has reported consolidated revenues of NT$2.137 billion (US$71.2 million) for December, hitting a monthly record for the 10th consecutive month with growths of 4.68% sequentially and 34.06% on year. Hiwin's fourth-quarter 2017 consolidated revenues reached NT$6.15 billion, increasing 9.54% sequentially and 34.78% on year, and those of NT$21.166 billion for 2017 hit the highest-ever annual level.

According to Chinese-language newspaper Economic Daily News, Hiwin plans to set up factories in Japan, South Korea and Italy in 2018.