CHINESE MACHINE TOOL MARKET - WEEKLY BULLETIN

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China says "Made in China 2025" in line with WTO rules

The "Made in China 2025" strategy should not be used as an excuse for unilateral measures as it does not go against China's obligations to the World Trade Organization (WTO), Vice Minister of Commerce Mr. Wang Shouwen said April 4th.

"The strategy is transparent, open, and non-discriminatory. Not only Chinese companies but also foreign firms can participate in it," Wang said at a press conference.

The "Made in China 2025" strategy, a plan to upgrade the manufacturing sector, was reportedly a source of concern in the U.S. Section 301 investigation into alleged Chinese intellectual property and technology transfer practices, launched by the Trump administration in August 2017.

Wang said China completed rigorous compliance reviews on the strategy when it was rolled out, and it was made in line with WTO rules.

The targets set in the strategy are of predictive and instructive nature, and are not mandatory tasks, Wang said.

Similar plans had been rolled out previously by many countries including the United States, Wang said.

Vice Finance Minister Zhu Guangyao said China's rapid development is a result of reform and opening-up. China made big strides in the field of intellectual property with a focus on talent and innovation, Zhu said.

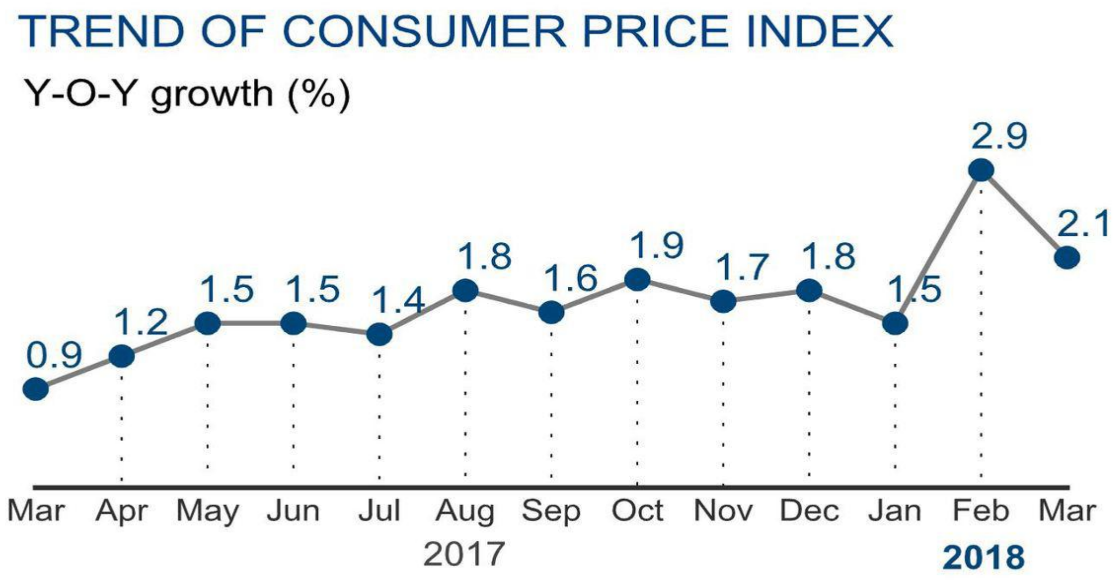
China on April 4th unveiled a list of products worth 50 billion U.S. dollars imported from the United States that will be subject to higher tariffs, including soybeans, automobiles, and chemical products.

The Customs Tariff Commission of the State Council has decided to impose additional tariffs of 25 percent on 106 items of products under 14 categories, the Ministry of Finance (MOF) said in a statement on its website.

The move was taken after the U.S. administration announced a proposed list of products subject to additional tariffs, which covers Chinese exports worth 50 billion dollars with a suggested tariff rate of 25 percent.

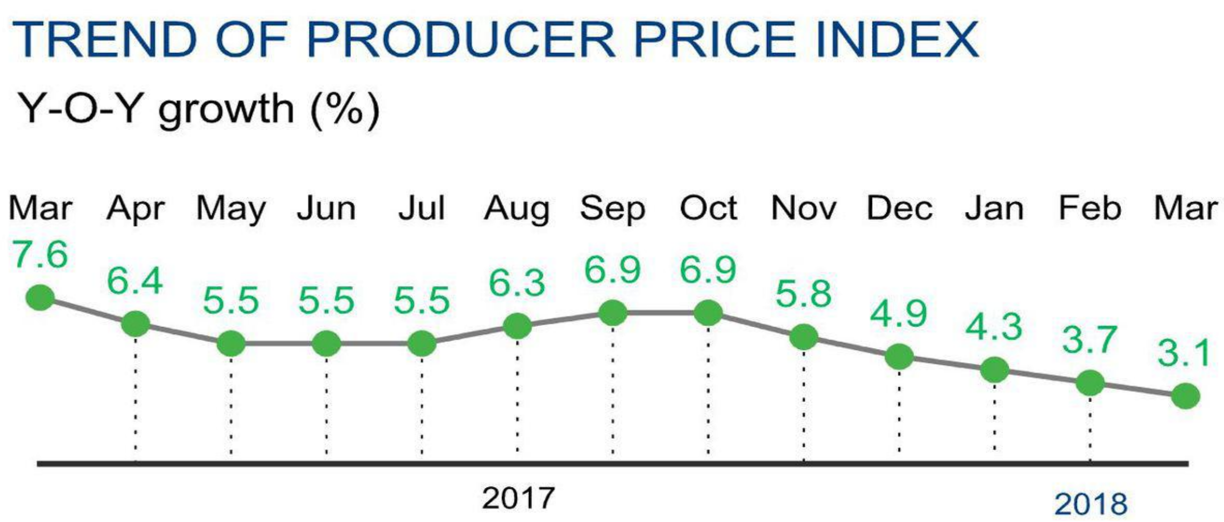
The date of implementation will depend on when the U.S. government imposes the tariffs on Chinese products, the MOF said.

China's CPI up 2.1%, PPI 3.1 in March



China's consumer price index (CPI), a main gauge of inflation, rose 2.1 percent year-on-year in March, the National Bureau of Statistics said on April 4th.

The increase was down from 2.9 percent for February, according to the bureau (NBS).



The producer price index (PPI), which measures costs for goods at the factory gate, rose 3.1 percent year-on-year in March.

It was down from the 3.7 percent recorded in February, according to the NBS.

Tax cuts to benefit Made in China 2025 industries

The recently announced tax cut plan for the manufacturing industry will largely benefit the industries related to the Made in China 2025 strategy, according to global accounting firm Ernst & Young.

According to Kenneth Leung, leader of the indirect tax business at Ernst & Young Greater China, companies specializing in equipment manufacturing, research and development and power grids will see their burdens relieved with the retained value-added tax policy.

As Leung explained, equipment manufacturing as well as research and development are included in the Made in China 2025 strategy. These companies usually invest heavily in their early days in machines, plants and all other related facilities. It will take a long time before they finally register sales and profits. With the new policy, the VAT can be retained, which means that companies can enjoy a tax rebate when they eventually report sales results. It can largely secure their cash flow and relieve this tax burden.

"The tax regime reform this time is more than tax reduction. It has introduced more ways such as the retained VAT. It cannot even be imagined two years ago," he said.

China will cut VAT rates this year as part of a tax reduction package amounting to 400 billion yuan ($63.6 billion) to drive high-quality development, a State Council executive meeting chaired by Premier Li Keqiang decided on April 4.

The tax rate for manufacturing will be lowered from 17 percent to 16 percent. The new rate will take effect May 1st.

Manufacturers shift to high gear in March as demand increases

GROWTH in China's manufacturing sector picked up more than expected in March as authorities lifted winter industrial pollution restrictions and steel mills cranked up production as construction activity swings back into high gear.

The official Purchasing Managers' Index released on March 31st rose to 51.5 in March, from 50.3 in February, and was well above the 50-point mark that separates growth from contraction on a monthly basis.

Analysts surveyed by Reuters had forecast the reading would pick up slightly to 50.5. February's figure had been the lowest in 18 months, but many analysts suspected it was due to disruptions related to the long Lunar New Year holidays.

The March survey showed manufacturers shifted into higher gear as seasonal demand picked up. The sub-index for output jumped to 53.1 from 50.3 in February, while total new orders rose to 53.3 from 51.0 and export orders climbed to 51.3 from 49.0.

Driving the positive sentiment are better-than-expected exports in the first two months of the year, particularly in tech shipments, the fastest-growing segment of China's industrial sector.

In the first quarter, China's steel companies defied expectations for a winter lull and continued to ramp up output in response to strong sales, while boosting borrowing, capital expenditure and hiring, a survey from the China Beige Book showed on April 4th.

Production increased further after winter smog controls expired on March 15 in many areas.

A separate PMI on the steel sector rose to 50.6 in March from 49.5 in February, according to the China Logistics Information Center.

But the burst in output has pushed steel inventories to multi-year highs, sending prices sharply lower and reducing mills' profit margins.

At the same time, growth in property sales and new construction starts appears to be slowing, and the government has hit the brakes on some local governments' infrastructure spending due to concerns over high debt levels.

Overall, China's economic data so far this year suggest the economy has carried more growth momentum into the first quarter from last year than expected, with a government think tank forecasting the economy will grow 6.9 percent in the first half.

That would keep synchronized global growth on track for a while longer. But economists are sticking to forecasts that China’s pace will slow to around 6.5 percent by the end of the year, weighed down by the cooling property market and rising borrowing costs, even if there are no global trade shocks.

Boosted by government infrastructure spending, a resilient housing market and unexpected strength in exports, China’s manufacturing and industrial firms helped the economy produce better-than-expected growth of 6.9 percent in 2017.

A sister survey showed activity in China’s service sector rose in March. The official non-manufacturing Purchasing Managers’ Index rose to 54.6 from 54.4 in February.

Chinese policy-makers are counting on growth in services and consumption to rebalance their economic growth model from its heavy reliance on investment and exports.

China is aiming for around 6.5 percent economic growth this year, the same as in 2017, while pressing ahead with its campaign to cut risks in the financial system, Premier Li Keqiang said in the annual parliament meeting earlier this month.

Economic picture continuing to improve

The quality and efficiency of China's economy has been improving as the country implements supply-side reform, according to official data.

China's industrial output expanded 7.2 percent year-on-year for the first two months, one percentage point higher than the growth rate recorded in December 2017 and 0.9 of a percentage point higher than the growth rate achieved over the same period in 2016, National Bureau of Statistics data showed.

Industrial output, officially called industrial value added, is used to measure the activity of designated large enterprises with annual turnover of at least 20 million yuan ($3 million).

Production in high-tech industries and the equipment manufacturing sector expanded by 11.9 and 8.4 percent, respectively.

Output of new energy vehicles surged 178.1 percent year-on-year during the first two months of 2018, while integrated circuit production picked up 33.3 percent and industrial robot production jumped by 25.1 percent, NBS data showed. In addition, the sales-output ratio of designated large enterprises came in at 97.9 percent.

In addition to the improved structure of the industrial sector, major industrial firms saw stronger profit growth in the beginning of the year.

Designated large enterprises posted profits of 969 billion yuan in the first two months, a 16.1 percent increase from a year earlier and 5.3 percentage points higher than the growth rate in December 2017.

Output of these companies' core business increased 10 percent year-on-year, 1.2 percentage points higher than the growth rate recorded in December 2017, while profit margin reached 6.1 percent, up by 0.33 percentage points year-on-year.

By the end of February, days in inventory of designated large enterprises decreased to 17.4 days, down by 0.2 days year-on-year and the average collection period for accounts receivable decreased to 47.4 days, 0.2 days shorter than a year earlier.

Their leverage ratio fell, too. By the end of February, the debt-asset ratio dropped 0.8 percentage points from a year ago, to 56.3 percent. The ratio for State-controlled enterprises dropped 1.4 percentage points, to 59.6 percent.

In the first two months, costs per 100 yuan of revenue gained from core business dropped 0.33 yuan from the same period last year, reaching 83.98 yuan.

While the industrial sector kicked off 2018 on a strong note, the service sector also showed a good outlook.

The service sector production index, a relatively new indicator first introduced by the NBS in March 2017 to show short-term changes in the service sector, registered 8 percent growth in the first two months, 0.1 percentage points higher than the growth registered in December 2017.

Output of designated service companies increased by 14.1 percent, up by 0.7 percentage points year-on-year and 0.5 percentage points higher than the national average growth rate in 2017.

A survey of 53,000 small and micro-sized firms showed in the first quarter of this year, 83.9 percent of them reported their operation is "good and stable", up by 1.6 percentage points year-on-year, the best performance in the last four years.

As both the industrial sector and the service sector posted better growth, the government also saw greater revenue.

In the first two months, the country's tax revenue increased by 18.4 percent year-on-year, up by 1.8 percentage points compared to one year earlier. In breakdown, domestic value-added tax increased by 22.3 percent, domestic consumption rate increased by 29.5 percent and corporate income tax increased by 14.8 percent.

Belt and Road helps balance economic development

The Belt and Road Initiative helps solve the problem of imbalanced economic development across regions, an expert said.

Chi Fulin, head of the China Institute for Reform and Development, said at a recent symposium held by the Chinese Economists 50 Forum that the initiative is a great opportunity for impoverished areas to further economic development.

"The initiative covers infrastructure, trade and financing exchanges with involved countries, and neighboring cities in China share great regional opportunities for export," Chi added.

The Belt and Road Initiative, or the Silk Road Economic Belt and the 21st Century Maritime Silk Road, was put forward by President Xi Jinping in 2013 to promote economic cooperation among countries and regions.

According to Zhang Xiaoqiang, former vice-chairman of the National Development and Reform Commission, China's foreign trade with Belt and Road-related economies surpassed $4 trillion between 2014 and 2017. In 2017, the figure hit $1.1 trillion, accounting for 26.5 percent of the country's total.

"Areas in the west and northeast have great potential to become China's new bases for opening-up," said Chi.

Chi added that the initiative has already become an important driving force for economic development in Shaanxi province, where outsourcing and exports to those countries increased by a factor of 5.3 in 2017, compared with 2016.

Shanghai aims to boost smart manufacturing

In a bid to reinvigorate its manufacturing sector, the Shanghai municipal government announced an action plan on April 10th to transform and upgrade its physical economy for quality development in the coming three years.

According to the plan, technological upgrade investment in Shanghai will reach 69 billion yuan ($10.96 billion) in 2018, covering intelligent manufacturing, new energy vehicles and intelligent network connected automobiles, civil aviation and new generation information technology.

The plan aims to make Shanghai's manufacturing more intelligent, high-end, concentrated and clustered, service-oriented, premium, and environmentally friendly. By 2020, Shanghai plans to establish 100 demonstration projects in each of the six sectors, and to promote 5,000 sizable technological reform projects.

"In this year alone, the city will launch 200 pilot projects in various sectors and kick-start 1,700 sizable technological reforms," said Chen Mingbo, director of the Shanghai Municipal Commission of Economy and Information Technology.

According to Wu Qing, vice-mayor of Shanghai, the city must develop its industries and manufacturing as it has laid a solid foundation for its physical economy.

"Shanghai's strength lies in research and development, equipment, management, production, skilled workers, market environment, location, trade and shipping, which as a whole guarantee the future form of Shanghai as a global metropolis different from New York, London or Tokyo," Wu said.

Shanghai was an important birthplace of China's domestic industry in modern times, and created numerous Chinese brands known for classic quality products.

Technological upgrade investment accounted for 61 percent of the city's total industrial investment last year, up from 47 percent in 2008, becoming a key driver for Shanghai's industrial restructuring and upgrade.

Driven by 14.5 billion yuan in financial support from the government, a total of 232.1 billion yuan has been invested in 1,496 technological upgrades between 2009 and 2017, among which a 62.9 billion yuan investment was made last year alone, up 7.1 percent year-on-year.

Shanghai's reputation for manufacturing can only be maintained through consistent research and development, technological upgrades and investment, Wu said.

Consumption becomes ballast stone for China's stable growth

As China's economic transition swiftly continues, consumption has become a ballast stone for stable economic growth, official data showed on 10 April.

Final consumption contributed 58.8 percent to economic growth in 2017, up from 45.3 percent in 2007, the National Bureau of Statistics (NBS) said on its website.

Retail sales, a main gauge of consumption, rose 9.7 percent year-on-year in the first two months of the year. Data for March is due to be released on April 14.

The NBS said strong income growth and consumption upgrade have driven up consumption in health-care, education, and entertainment, which all maintained double-digit increases during the past few years.

With the economy transitioning from a phase of rapid growth to a stage of high-quality development, there will be huge potential for consumption growth, according to a separate statement on the National Development and Reform Commission website.

Domestic demand, including consumption and fixed-asset investment, has become a decisive force for economic growth, adding 105.7 percent on average to GDP growth annually between 2008 and 2017.

The NBS said domestic demand will remain a booming growth engine as the country continues to push through supply-side structural reform and innovation-driven development.

The economy expanded 6.9 percent year-on-year in 2017. The government has targeted growth of around 6.5 percent for this year.

GROB receives awards from SAIC-GM and GEELY

GROB-WERKE has added to its collection of prestigious awards with the Special Contribution Supplier Award from SAIC-GM and the Excellent Supplier Award from GEELY. These are important and symbolic awards for GROB, particularly in China, the largest market in Asia.

This was the seventh time that GROB-WERKE received a Supplier Award from SAIC-GM. Strategic partners GROB and SAIC-GM have been working together for a long time, not just in China but across the globe. Outstanding product quality, leading technology and excellent service are key components of the partnership, which stretches back over several years and has continually evolved and intensified during this time. All four SAIC-GM plants in China are currently equipped with system machines from GROB. Just last year, GROB delivered around 65 machines to the SAIC-GM production plants in Yantai and Wuhan. "By presenting us with this Special Contribution Supplier Award, SAIC-GM is once again highlighting the outstanding collaboration with GROB," explained Hongzhi Ren, CEO of GROB Dalian, on February 9 at the 2017 Supplier Award ceremony. "It is a great honor for us to repeatedly receive these awards from our Chinese partners for our products and services," added Chairman of the Supervisory Board, Christian GROB, after the presentation. "This prestigious recognition from our customers is particularly important to us as it spurs us on and encourages us to continually improve our collaboration."

In mid-May Hongzhi Ren was invited to Sanya to receive another Excellent Supplier Award on behalf of GROB. On this occasion, he accepted the GEELY Excellent Supplier Award. This is the second consecutive award that the company has received from GEELY following the 2016 Best Supplier Award. The prize from automobile manufacturer GEELY (which means "auspicious" or "lucky" in English) recognizes the company's close, successful cooperation with GROB. Last year, GROB Mindelheim and GROB Dalian shipped production lines with over 160 GROB machining centers and four assembly stations for machining cylinder heads and blocks as well as gearbox and clutch housings to GEELY's two production plants in Ningbo, Taizhou and Baoji. GEELY is a Chinese automobile and motorbike manufacturer, which owns well-known brands such as Volvo and Lotus.

An Innovation Storm Sweeps Appliances Industry

A few years ago, Appliance giant Midea group used laser marking technology to complete automatic reconstruction of air conditioning production line with the help of Chinese laser supplier—HGLaser. Subsequently, first-class appliance manufacturers such as Haier, TCL, AUX successively co-operate with laser enterprise to expand laser marking application in the field of white appliances actively. Laser marking technology brings a new labeling and nameplate processing solution to air conditioning, refrigerator, washing machine, remote control and other appliances.

From the traditional offline retail to the war of the e-business, from the pure pursuit of growth in the quantity to the pursuit of quality assurance, household appliance industry is undergoing profound changes. In order to cater to people for the pursuit of quality life, laser technology has been applied into the appliance industry and innovating all the time.

Traditional Way Of Marking. Materials such as PET, PVC, coated paper etc were used to make household appliance product parameter label. Firstly, suppliers have to get labels ready by purchasing or producing. Secondly, suppliers need to hire people to pastelabels on appliances. Obviously, the traditional way of marking is of low efficiency. And the label are easily torn, pasted, and bubbled. What’s more, it needs a lot of label paper and extra worker and working time. In a word, it has a high production cost.

Laser Marking. On one hand, laser marking saves large amount of label paper; on the other hand, traditional manual labeling is changed to laser automatic marking. In other words, Laser marking can not only improve production efficiency, save manpower and material, but also more environmental and efficient.

Comau presents at the 4th Automotive Advanced Manufacturing Technology Summit

The 4th Automotive Advanced Manufacturing Technology Summit is being held April 10-12, 2018 in Guangzhou, China. This summit, which is considered to be the highest level automotive technology summit, will involve more than 1000 professionals from the automotive industry.

“It’s an honor to present our vision of digital transformation and smart manufacturing,” says Mauro Anselmetto, CEO of Comau China and ASEAN. “Digitalization is transforming the industry in amazing ways. Comau can provide customers with a full range of industrial robots and automation products, together with customized solutions that are fully connected and easy to use. Comau solutions for digital manufacturing enable customers to increase productivity and quality, reducing equipment downtime.”

“Comau approaches Industry 4.0 with easy to use solutions, value-added manufacturing solutions, and human-robot collaboration. HUMANufacturing, as we call it, is our way to Industry 4.0. In the factory of the future, industrial robots are no longer confined within barriers, but can work closely and in total security with man, who plays a central role in the production process. The interaction between operators and machines is made efficient and secure by collaborative robots and new digital technologies. Industrial machines become smarter, more flexible, and easier to use in an integrated and connected manufacturing system.”

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More than 100 Comau assembly lines have been installed in automotive plants of China. *“ComauFlex is an operational philosophy that maximizes production efficiency and creates a more orderly and rational layout of the industrial production environment,”* says Comau China’s Global Solution Development Manager Mr. Tao Xiaowei. *“The system guarantees the maximum in operations flexibility, even when dealing with space constraints or the pressure to machine large volumes of new materials and joint types.”*

Mr. Tao Xiaowei introduces *“LHYTE is a cutting-edge hybrid laser solution that combines a direct diode and fiber laser source within the same modular system. The system is adaptable to any industrial application and enables Comau to meet the needs of a market in continuous evolution, in which manufacturers and system integrators are constantly in search of high-performance, versatile technologies.”*