# *CHINESE MACHINE TOOL MARKET - WEEKLY BULLETIN*

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# Further opening up of manufacturing to promote global growth

## Process of upgrading opening-up continues

In recent years, the focus of foreign investment has been gradually moving from processing and manufacturing to high-tech fields such as computers, integrated circuits and smart manufacturing.

Nearly 2,000 multinational companies have set up their regional headquarters or research and development centers in China. For instance, Dassault Systems and its Chinese partner have agreed to establish a Sino-French joint industry innovation center. They will strengthen cooperation in dynamic simulation, additive manufacturing and multi-robot advanced manufacturing to develop an incubation platform for future innovative manufacturing technologies.

The actual use of foreign investment in high-tech manufacturing was$66.59 billion in 2017, up 11.3 percent year-on-year, of which the growth rates for such sectors as electronics and communications equipment, computers and office equipment, and medical equipment and instruments were 7.9 percent, 71.1 percent and 28 percent, respectively. The scale and level of overseas investment by Chinese enterprises are also seeing rapid increase.

## Cooperative systems being normalized

Thanks to the implementation of the Made in China 2025 plan, China has enhanced synergies in manufacturing development strategies and promoted cooperation with

Germany, France and other countries through multilateral or bilateral mechanisms. The exchanges and cooperation, among others areas, cover strategy coordination, standardization and development of industrial parks.

In fact, a number of financial cooperation mechanisms have been in place to promote bilateral cooperation in manufacturing, including China-ASEAN Investment Cooperation Fund, China-Latin America Production Capacity Cooperation Investment Fund, China-EU Joint Investment Fund, China-Mexico Investment Fund, and China-France Fund for Joint Cooperation with Third-Party Markets.

Besides, Sino-US and Sino-German cooperation on smart manufacturing and Industrial Internet is deepening. For example, General Electric Company is cooperating with Chinese companies on Industrial Internet technologies and standardization. Another example is that, by focusing on smart manufacturing, standardization, talents development, demonstration parks, China and Germany have launched pilot projects for cooperation on intelligent manufacturing and production process networking so as to learn from each other and achieve mutual benefit through new ways of cooperation.

**The level of reciprocity continues to improve**

While benefiting from the inflow of foreign capital, technologies and talents, China's manufacturing sector has also continuously generated favorable economic returns for foreign companies. In 2017, a total of 24.72 million passenger vehicles were sold in China, of which German, Japanese, US, South Korean and French brands accounted for 19.6 percent, 17.0 percent, 12.3 percent, 4.6 percent and 1.8 percent of the total sales volume, respectively.

By investing overseas, Chinese manufacturing companies have also brought funds, technologies and products to the target countries and thus contributed to the development of the local economy, by creating jobs and paying tax, producing a win-win result.

By the end of 2017, Chinese companies' accumulated investment in overseas trade cooperative zones was$30.7 billion, which generated$2.42 billion in tax and fees, and created 258,000 local jobs for the host countries.

The 40 years of reform and opening-up have vigorously promoted the rapid development of China's manufacturing sector, supported the sustainable and rapid growth of the Chinese economy, and contributed significantly to the steady growth of the global economy. According to the World Economic Situation and Prospects 2018 report published by the United Nations, global economic growth is estimated to have reached 3 percent in 2017 with the Chinese economy contributing about one-third to that growth.

# Fixed-asset investment posts stable growth in Q1

China's fixed-asset investment showed stable growth during the first quarter this year, playing a vital role in optimizing supply structure, cultivating new engine and strengthening areas of weakness in people's livelihood.

Total fixed-asset investment stood at 10.07 trillion yuan ($1.6 trillion) from January to March, up 7.5 percent year-on-year. The growth was 0.4 percentage points lower than that of the first two months of this year.

Investment in the service industry rose 10 percent year-on-year. The growth was 2.5 percentage points higher than total investment, and contributed 83.8 percent to the total investment growth.

From January to March, investment in ecological protection and environmental improvement, road transport and public facilities management was up 34.2 percent, 18.9 percent and 13.4 percent respectively.

Infrastructure investment rose 13 percent. Although the growth experienced decline, it was still higher than total investment. In terms of different areas, the central and western regions still saw rapid growth in infrastructure investment, with 15.7 percent in the central area and 17.6 percent in the western region.

Meanwhile, consumption upgrade sectors showed rapid investment growth. With robust demand in health-care, tourism, education, culture, elderly care and sports, investment in these sectors also experienced rapid growth. During the first quarter, investment into the sports industry surged 37.3 percent, while that in education, health-care, culture and art, scenic parks and management, respectively rose 26.9 percent, 22.8 percent, 17 percent and, 16.4 percent.

In addition, as the promotion of the rural revitalization strategy and the supply-side structure reform, investment in the primary industry maintained rapid growth.

During the first three months, investment in the primary industry rose 24.2 percent year-on-year. The growth was 16.7 percentage points higher than total investment and contributed 6 percent to investment growth. In breakdown, investment in agriculture, forestry and animal husbandry was up 25.4 percent, 18.2 percent, and 28.8 percent respectively.

From January to March, investment in the manufacturing industry rose 3.8 percent year-on-year. The growth was 0.5 percentage points lower than that of the first two months of this year. However, the high-tech manufacturing still experienced stable growth. During the first three months, investment in high-tech manufacturing grew 7.9 percent, 0.4 percentage points higher than that of total investment.

In breakdown, investment in medical instruments and equipment manufacturing, communication equipment manufacturing, and aerospace vehicle manufacturing grew 39.7 percent, 38.2 percent and 33 percent respectively.

In recent years, high-tech manufacturing has maintained stable growth, while its proportion in total manufacturing investment showed sustained upside trend. Between 2014 and 2017, the proportion of high-tech manufacturing in total manufacturing investment was 10.6 percent, 11.1 percent, 12.1 percent and 13.5 percent respectively. During the first quarter of this year, the proportion grew to 17.8 percent.

High-tech service industry also maintained benign growth. From January to March, investment in the high-tech service industry rose 12.3 percent, up 2.3 percentage points than that of the tertiary industry. In breakdown, investment in environmental monitoring and governance, digital content and relevant services, and information technology was up 42 percent, 23.6 percent and 12.1 percent respectively.

Furthermore, private investment picked up in the first quarter, up 8.9 percent year-on-year. The growth was 0.8 percentage points and 2.9 percentage points higher than that of the first two months and the full year of 2017.

In breakdown, investment in agriculture, forestry, animal husbandry and fishery grew 25.1 percent, 2 percentage points higher than that of the first two months of this year. Investment in the manufacturing industry grew 4.6 percent, up 0.2 percentage points; while that in infrastructure and property sector rose 16.7 percent and 14.6 percent, up 1.2 percentage points and 0.6 percentage points respectively.

# Profits of centrally-owned SOEs rise

CHINA'S centrally-administered state-owned enterprises posted steady profit growth in the first quarter bolstered by industrial upgrading, the State-owned Assets Supervision and Administration Commission (SASAC) said on April 27.

Profits for the SOEs jumped 20.9 percent from a year ago to 377.06 billion yuan (US$60 billion) in the first three months of the year, SASAC said, adding that March's profits notched a record monthly high of 169.87 billion yuan.

The SOEs posted the best performance in 2017 over the past five years, with profits over the period rising 15.2 percent annually to 1.42 trillion yuan, according to SASAC.

Peng Huagang, a SASAC spokesman, attributed the profit growth to industrial upgrading and cost management.

The centrally-administered industrial SOEs posted a 26.7 percent annual surge in profits to 212.81 billion yuan in the first quarter — 5.8 percentage points above the average rate of central SOEs, Peng said.

The central SOEs saw a drop in their asset-liability ratio in the first quarter of this year due to deleveraging efforts.

The average asset-liability ratio for central SOEs stood at 65.9 percent by the end of March, down by 0.4 percentage points from the start of this year, according to SASAC.

The SOE sector has become a major target in the ongoing deleveraging drive to rein in mounting debt and guard against financial risks.

The government will continue to cut leverage and liability among central SOEs, said Peng.

More efforts will be made to dispose of non-performing assets and regulate open-book credit and inventory, high-risk businesses, debt investment and risks in other areas like international expansion, Peng pointed out.

Central SOEs are urged to expand equity financing via debt-equity swap and promote mixed-ownership and diversified equities, Peng said, adding this financing will be conducted in a market-oriented manner.

Meanwhile industrial profits contributed nearly 70 percent to the total profit growth — the largest driver of central SOEs' performance, he added.

# PPI, CPI slow in sign of ebbing economic growth

THE country's producer price inflation continued to cool in March, slowing to a 17-month low and backing expectations of a broader slackening in economic growth this year.

Consumer inflation also eased in the previous month as the effects of booming demand spurred by the Lunar New Year holiday in February receded, official data showed in April.

There are some worries that an escalating trade dispute between China and the United States could push up inflation over the coming months, though many analysts believe any impact on consumer prices will be limited.

The producer price index (PPI) rose 3.1 percent in March from a year earlier, compared with 3.7 percent in February, the National Bureau of Statistics (NBS) said.

China's factory-gate inflation has now softened for five months in a row, supporting the view that a slowdown in the world's second-largest economy is expected, weighed down by the cooling property market and rising borrowing costs.

Analysts polled by Reuters had expected March producer inflation would moderate slightly to 3.2 percent.

On a month-on-month basis, the PPI fell 0.2 percent, while for the first three months of this year it rose 3.7 percent from a year ago.

The consumer price index (CPI) rose 2.1 percent from a year earlier, below expectations of 2.6 percent and slowing from February's gain of 2.9 percent, which was driven by a spike in tourism and transport costs during the Spring Festival.

On a month-on-month basis, the CPI declined 1.1 percent.

The core consumer price index, which strips out volatile food and energy prices, rose 2 percent in March, down from 2.5 percent in February. The food price index rose 2.1 percent from a year earlier, after rising 4.4 percent in February.

The tariff spat between China and the United States has fueled worries about the inflation outlook. However, a researcher from China's National Development and Reform Commission said that the government's proposed tariffs on U.S. soybeans and pork will have limited impact on consumer price inflation.

# Manufacturing summit set for Anhui Province in May

A high-end manufacturing summit will be held from May 25 to 27 in Hefei, East China's Anhui Province, government officials announced at a press conference on April 18th.

"We aim at providing a global platform for communication and cooperation in the manufacturing sector," said Sun Yong, director of the Foreign Affairs Office of Anhui Provincial People's Government.

"The summit is important to foster a free trade and investment environment in Anhui, and is essential for Anhui to develop into China's new base for opening up," Sun added.

Held by Anhui municipal government, the United Nations Industrial Development Organization (UNIDO), and Global Alliance of SMEs, the World Manufacturing Convention 2018 will attract almost 80 companies listed on the Fortune Global 500.

Among those companies, 47 are domestic enterprises and over 30 are from overseas, including tech giants like iFlytech and Amazon, and companies in emerging fields, like new materials and logistics.

"The summit will feature high-tech manufacturing and eco-friendly productions," said Zhang Jian, head of The Bureau of Commerce of Anhui province, as part of the country's larger efforts to encourage industrial innovation and high-end manufacturing development.

"The convention has already released over 1,000 projects for investment," Zhang added.

# The first re-manufactured shield machine using domestic main bearing was successfully applied

On Mar 30th, in the construction of the Hefei Rail Transit Line 3 in Anhui Province, China's first re-manufactured shield machine using domestically-made main bearings successfully completed the 2369.65 meter excavation task.

The diameter of the main bearing of the shield machine is 2.6 meters, which can meet the continuous working of more than 15,000 hours for a shield machine with a diameter of 6 to 7 meters, indicating that China has mastered the core technology of the development of the main bearing of the shield machine, breaking a few foreign companies Technical monopoly. It shows that the domestically produced main bearing developed by LYC has withstood the practical inspection and is of great significance for promoting the localization of the core components of the shield machine.

# HAVAL to expand its capacity


**HAVAL has started building a new automotive factory in the heart of China's automotive hub in Chongqing Province.**

The one billion-dollar investment is expected to take 18 months before vehicles start rolling off the line in late 2019, with an initial production capacity of 250,000 units.

Based on HAVAL's state-of-the-art Xushui factory in Baoding, the new Yangchuan factory will feature the latest ABB robots and latest technology in vehicle stamping, assembly and painting.

ABB robots will help SUV manufacturer HAVAL produce up to 250,000 vehicles in a new factory that's currently being built in Yangchuan

A HAVAL spokesperson said Yangchuan was chosen over 20 potential sites due to its strategic transportation and logistical links. Located in China's booming south-west region, Yangchuan features access to the Yangtze River and major rail links.

The Chongqing province is China's largest automotive manufacturing hub, giving HAVAL access to skilled automotive workers and suppliers. It is expected to provide employment for around 10,000 staff.

## "NSK" recognized as well-known trademark in China

NSK has successfully acquired well-known trademark status for the registered trademark "NSK" in China. The China Trademark Office Trademark Review and Adjudication Board (TRAB) recognized "NSK" as a well-known trademark on January 12, 2018, with the conferral of Trademark Invalidation Ruling Certificate No. 10504647 for "NSK".

The TRAB recognized that "NSK" should be protected as a well-known trademark in light of factors such as widespread use and publicity of the trademark in a diverse range of formats and media, geographical sales range (in many provinces and cities around the country), and pervasive awareness of the trademark in related industry markets.

The well-known trademark status affords expanded protections for NSK in China that go beyond the standard protections of registered trademarks. This will expedite the removal of infringing and unauthorized usage, and help prevent illegitimate registration of "NSK" by third parties, thereby strengthening NSK brand protection in China.

Certification of "NSK" as a well-known trademark was awarded in recognition of our activities as a company operating in China, and in recognition of efforts to protect the NSK brand within the country. NSK will continue efforts to protect customers through anti-counterfeit initiatives.

## Siemens intensifying effort in B&R projects

German industrial conglomerate Siemens AG will establish an office in Beijing for businesses related to the Belt and Road Initiative, further intensifying company-wide efforts to continue teaming up with both Chinese and global partners, according to a senior executive.

The office will become Siemens' global hub, responsible for executing the company's strategy to develop the Belt and Road Initiative, integrating internal and external resources to support the initiative, strengthening interactions with multiple stakeholders.

Cedrik Neike, a member of the managing board of Siemens AG, said the group will invite more than 800 people including politicians and business executives to Beijing this year for further developing projects generated from the Belt and Road Initiative.

"We will invite our Chinese partners, including EPC (engineering, procurement and construction) partners, and also customers and politicians from all across the world, to come here and to build a platform to see how between Chinese EPCs and Siemens China, we can develop projects and really bring them forward," Neike said.

Siemens aims to help Chinese companies thrive in complex market environments overseas, increase project efficiency and enter into mature markets, by providing technologies and a complete portfolio ranging from intelligent manufacturing, power generation and power transmission solutions to pioneering infrastructure and smart cities solutions.

Neike, who is responsible for Asian and Australian markets of the group, said the great thing about the initiative is that it is an inclusive project open for participation. "We are already participating and we expect more opportunities for in-depth cooperation," he said.

"The opportunities also come from China' s new round of reform and opening-up to let foreign companies play a bigger role in diversifying their businesses and partnering with local firms," said Li Gang, vice-president of the Chinese Academy of International Trade and Economic Cooperation in Beijing.

Li said as many parts of the world are still confronting cumbersome issues of trade protectionism created by the United States, many multinationals are eager to seek new business opportunities spawned by the initiative and teaming up with Chinese companies to pursue their economic goals.

## ABB Robotics Qingdao Application Center relocates


The center is ABB's first branch in northern China, and will provide robotic technical support and comprehensive services for the automation field in the Qingdao high-tech zone and the entire northern region.

It is also committed to creating the largest robotics industry center in the north, taking full advantage of its leading position within the robotics industry, and using the abundant resources at its disposal to promote cooperation and collaboration within the smart manufacturing industry in the high-tech zone.

ABB Group is a Fortune Global 500 company, as well as a pioneering tech leader in the fields of electricity and automatics. Its robotics department ranks among the top four in the world.