



# Asia Perspective Economic Update Report

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## China's Gross Domestic Product (GDP) grows at 6.9% in Q2.

The Chinese economy continued to show strong growth figures also in the second quarter of 2017, matching the Gross Domestic Product (GDP) of 6.9 % in the first quarter. The numbers are yet again above analysts expectations and well above the Chinese governments set out growth target at around 6.5 % in 2017.

The strong growth during the second quarter was stimulated by continuous strong investments by the Chinese government, rising industrial outputs and increasing consumption.

The factory output in China grew with 7.6 % in June compared to a year earlier and despite supply-side reforms aimed to cut excess capacity in the steel sector, steel output rose at 5.7 %.

Furthermore, a rise in global demand of Chinese products resulted in exports rising faster than expected according to the National Bureau of Statistics.

Consumption on the Chinese market remained strong as retail sales rose to 11.0 % in June compared to a year earlier, exceeding the forecast of 10.6 %. This is the fastest retail sales growth figure since December 2015.

China's manufacturing purchasing managers index (PMI) was 51.7 % in June. This is an increase of 0.5 % from May and shows that the expansion of the manufacturing industry has accelerated further.

China's non-manufacturing purchasing manager index was 54.9 % in June. This is an increase with 0.4 % from the previous month.

However, despite the strong GDP growth in China so far this year, many analysts still expect the economy will lose steam later this year with slower growth than in the first half. As for now, the growth rate of the Chinese economy is exceeding expectations.

# The Chinese car market

The Chinese automotive market has been at the top and dominating the world for eight years in terms of demand. At the same time, the Chinese government has identified the automotive industry as one of its core industries and has been striving to improve the competitiveness of its production.

Domestically, 2016 saw an obvious upward trend with 12 % growth after single-digit growth rates in 2015. The main driving factor was admittedly the tax deduction for cars with an engine capacity of up to 1.6 liters.

For the first quarter of 2017, the overall car market in China showed a slight rise.

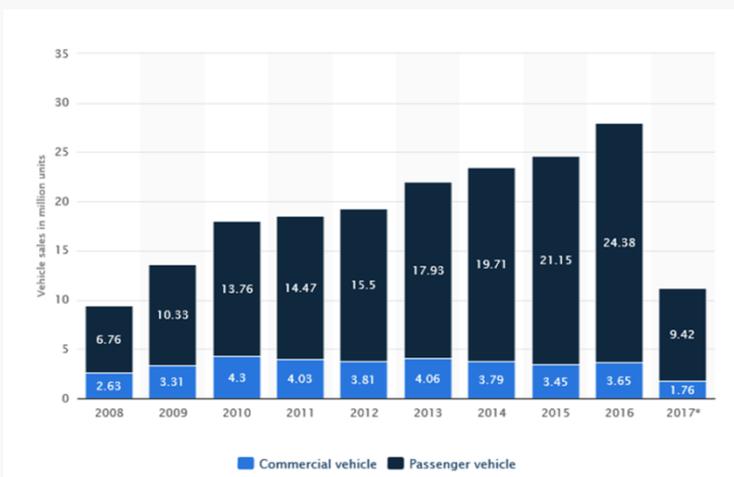
Following the Chinese New Year, a growth rate of 20.2% was registered in February 2017 after a stable January. The actual sales were still stronger than most predictions, where the first quarter of 2017 was expected to be in the low single digits due to the change of sales tax on vehicles with small engine.

With respect to New Energy Vehicles (NEV), the Ministry of Industry and Information Technology in China already subsidizes the purchase of NEV. At present, public users (like urban transport, taxis and logistics companies as well as public authorities) are mainly equipped with vehicles that have the new technology. In China, 507,000 NEVs was sold last year, the most in the world for a second year and up 53% from 2015, according to CAAM, the country's top automotive industry body.



Also, development of China's NEV market is keeping up with global development. The government is predicted to continue to adjust subsidy policies with the finance ministry, raise the threshold for corporate and product entry, and enhance online supervision over NEV sales and use.

To further support the world's fastest growing auto market, the Chinese government officially stated that it would extend stimulus measures in the auto industry to fuel its rise in the coming years. For the future, China will still remain an exciting place for the car industry.



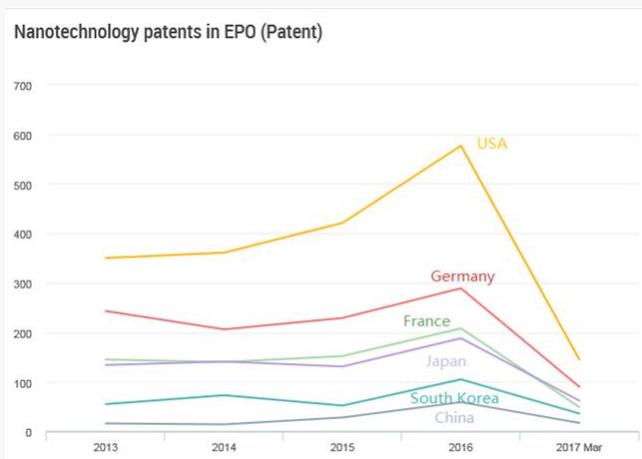
Source: Statista 2017

# Nano Metal Powder Industry

For many, nanotechnology is viewed as merely a way to make stronger and lighter tennis rackets, baseball bats, hockey sticks, racing bikes, and other athletic equipment. However, nanotechnology promises to do so much more. More and more applications are likely to have great impact particularly in industry, medicine, new computing systems, and sustainability.

The Global Nano Coating Market is estimated to reach \$14219.05 million by 2022 with the CAGR of 24.68% during 2016-2022. However, the global Nano metal powder industry develops slowly in a relative sense, let alone leading enterprises or massive commercialized application. At present, the overall yield is not high, at around 2,000 tons, which is mainly related to a short supply and high prices brought on by high technical requirements on Nano metal powder.

China's Nano metal powder market size will grow at a compound annual rate of some 25%, to an estimated over RMB18 billion by 2020.



Sources: STATNANO

After decades of research and development, China has achieved independent supply of some Nano metal powder like Cr, Ni, Ag, and Fe, with the output accounting for 4-6% of the global total. While improving production technology, the country is also actively studying and expanding the downstream demand.

Apart from the military need, China has seen commercial operation in the civilian market segments, such as 3D printing, catalyst (QSI's Nano iron has been applied in synthetic ammonia project), and thermal spraying (Nano chrome is adopted by thermal spraying enterprises like MECOM Industries).

Currently, there are more than 300 nanotechnology companies in China, but most of them are startups and have no mature technology (including in preparation and downstream application). They gain meager profits or are in the red. And there are only more than 10 enterprises in China that are engaged in production and research of Nano metal powder, of which those that supply Nano metal powder are even much rare.

At present, China's independently-developed Nano metal powder technology and capability are relatively limited, and product quality remains to be improved. According to the Europe Patent Office, the current situation of Nanotechnology patents in China is inferior compared to other countries, which is below 100. While US occupies the top, China still needs to work on innovation of the technology and gradually develop the R&D ability.



## About Asia Perspective

Asia Perspective is an Independent Management Consultancy with global presence and local knowledge. We assist our clients with business advisory regarding Analysis, Strategy and Implementation. Our mission is to turn our clients' Asia business vision into reality and add significant value to your business.

We offer specialist services covering Supply Chain Management, Purchasing, Market Entry, and Financial Advisory. This includes market entry research and strategy sourcing and pricing strategy, M&A advisory, risk management, operational improvements etc.

What differentiates us from our competitors is the knowledge and expertise we have gained after several years in the Asian market. We have experience from a variety of industries and clients including leading international companies from Europe, the US and Asia.

With a highly collaborative team of problem solvers and a passion for excellence we will add value to your business. We work closely with our clients to create and deliver insight, advantage and real impact.



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