# **Ivent Solutions** Market Trend Update
## November 2022


### CATL Slows Battery Investment Plan in the US/Mexico

- CATL is the world's largest battery maker;
- Was planning U.S. plants as part of expansion outside of China;
- New U.S. restrictions on EV battery materials were imposed in August.

Chinese battery giant CATL has slowed its planning for investment in battery plants in North America with concerns that the new U.S. rules on sourcing battery materials will drive costs higher, two people with inside knowledge of the matter said. The world's largest battery maker, which supplies one of every three electric vehicles, has been considering opening new plants in the United States and Mexico since earlier this year.

The planned investment in northern Mexico, South Carolina or Kentucky would be part of an expansion for CATL beyond China, where it controls almost half of the battery market, and serves major automakers who are direct customers, including Ford and BMW.

But CATL executives have slowed the process of vetting sites for potential new plants in North America since late August when the United States imposed tough new restrictions on the sourcing of material used in EV batteries. Executives from Volkswagen, BMW, and Hyundai have urged U.S. legislators to give automakers operating in the United States more time to meet the required battery sourcing targets, in order to qualify for the tax incentives.

But the shift by CATL represents the first known example of an automaker, or major supplier rethinking an investment because of the new law, known as the Inflation Reduction Act (IRA). Democratic Senator Joe Manchin, who was central to drafting the law, has said it was intended to drive companies to mine and process materials for batteries in North America and break the industry's reliance on China. The IRA requires automakers to have 50% of critical minerals used in EV batteries sourced from North America or U.S. allies by 2024, rising to 80% by the end of 2026. China, led by CATL, dominates the EV battery supply chain, producing about 70% of battery cells made globally. It also has a dominant position in refining key materials including cobalt and manganese.

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## Is My Supplier A Trading Company Pretending To Be A Manufacturer?


Firstly, it is all about understanding who your supplier is. If you know that you are working with a trading company, then that may be no problem. In fact, a trading company (acting essentially as a "middleman" between you and the manufacturer) with a well-established network in China, can make sourcing products and bringing them to market easier for less experienced importers. This is because you do not need to go through the hassle of sourcing and paying manufacturers, or even handling the logistics, as they do this in return for making their own margin on the order. It is also probably faster than doing it yourself and they might actually be experts in the product category and can add value in other technical areas. Additionally, working in this way may help decrease some high MOQ's that exist in some product categories in China.

However… as we have probably all seen before, trading companies often pass themselves off as manufacturers because they know importers are looking to "buy direct" and they want to get your business based on that premise. This is risky due to some of the following factors:

- You do not have any control over, or knowledge of who is actually in your supply chain, because the trading company selects the component suppliers, assemblers (and they will not want to tell you who they are in order to protect their supply chain from your potential interference). This also has serious product compliance and safety ramifications…for example, would you even know if the trading company's supplier is using the approved materials and/or components that should be used for you to be compliant with your market standards?

- They may select the cheapest possible suppliers in order to boost their own margins, with obvious quality ramifications for your product. This is often done without any consultation with you as the importer, and as the ultimate owner of the quality standards.

- They may not be upfront about quality issues because they do not want to scare you and lose your business, therefore leaving you to receive defective goods (or they may not even check quality at all, leaving it to their own supplier… with predictable results).

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- Trading companies sometimes prefer to deal with factories they have a relationship with, either friends or family, which means that if things go wrong they are unlikely to penalize them or push them hard to rectify the issue (again, leaving you as the buyer to carry the burden of defective goods).

Bearing all of the above comments in mind, it is quite a shaky business relationship for importers who are producing in anything other than very small volumes and have relatively uncomplicated products.

***Can you detect if you are really dealing with a trading company?***

Visiting the address of a factory in China is not really enough to be sure that you are not dealing with a trader as this anecdote from an online blog illustrates very clearly… Last month a visitor to China scheduled two factory visits on the same day, in the city of Shenzhen (between Hong Kong and Guangzhou). He was looking for a good manufacturer of LED lamps and optoelectronics. The factory he saw in the morning seemed to have a storage problem — they even placed some cartons in the reception area.

In the afternoon, he noticed he was driven to the exact same building. It was in fact the exact same place! To the right is a photo of the same reception area. You will notice two things:

- The cartons had disappeared and revealed a large logo.
- The company name on the wall was different.

Almost more concerning… was that the prices quoted in the afternoon were 25% lower than were quoted in the morning! Could he have spotted it before the visits took place? Not really... The company names were different, and one address referred to the area/district in China while the other gave a street address. If you want to know whether you are dealing with a trading company or with a supplier that really owns a

factory, what can you do? Most importantly, you have to be curious and ask many questions about the person you are dealing with and the overall company and its structure. Backing this up with evidence is vital. It will become quickly apparent if anything "dodgy" is going on". Additional steps can be as follows:

- Check their legal records. A legal records check (LRC) on the company can help a great deal. If their scope of business does not include manufacturing, if their registered address is in a downtown area, and if their registered capital is low, it points to a service/trading company, not a manufacturer.
- Use their pro-forma invoice to check their company details.
- Get a pro-forma invoice for the goods you are interested in and see what company name is mentioned on that document. If it is different from the company you did the LRC on, ask them why they mentioned one company and then they want to use another company to supply to you…
- Do a factory audit paying special attention to company information. Bank account names are a key indicator also.

The factory audit can be really helpful. In addition to confirming what process the factory does in-house, what types of products they make, and how mature their quality systems are, the main contact person (if suspected of being an intermediary posing for a manager of the factory) can be put on the grill (figuratively speaking!). Here are some examples of extra checks and balances than can be introduced to mitigate risk:

- Ask for the main contact persons email address on the factory domain (such as abc@factorydomain.com) if that is available. Looking to partner with companies that have actual domains reflecting their business name is a good strategy.
- Take photos of the main contact persons name card, next to the name card of someone else that works at the factory.
- Ask for the factory general managers email address, and whether he can read English. If the general manager is not there, ask for the same information from another salesperson OR from the production manager.
- Ask if they have product certificates such as RoHS, CE, UL for the products that you intends to buy. Then ensure to take a photo of the name of the company mentioned on those certificates (if viewed in person and not emailed).

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## Shipping Supply Chain Challenges Are Not Over Yet…

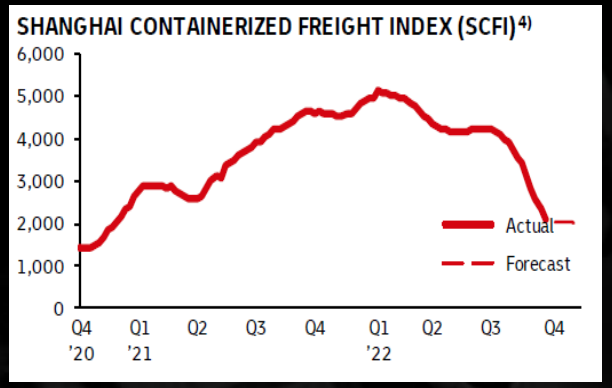
While port congestion is easing across Asia and North America and volumes have started to shrink after last year's cargo boom, and new disruptions to the supply chain are already underway, summarised as follows:

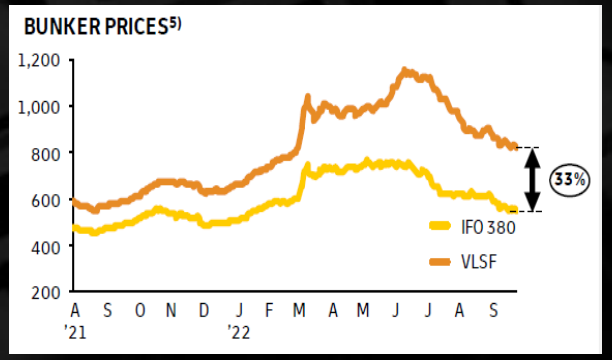
- **China**: The government's dynamic zero-COVID policy has impacted major manufacturing and exporting centres like Chengdu, Dalian, Guangzhou, Shenzhen and Tianjin. Whilst port operations are exempt from restrictions, manufacturing and inland logistics have already been affected to varying degrees.

- **United States**: While the queue of ships waiting to enter ports in Southern California has cleared, it seems to have relocated to Savannah where around 40 container vessels have been waiting to berth for an extended period. Also in New York, where around 15 vessels are waiting to berth. A potential rail strike has been avoided as railroad unions and companies have reached a tentative agreement on 15 September. Rail moves close to 40% of the US's long-distance trade and any service disruption would cause devastating shipping delays for the holiday season in December.

- **Germany**: Congestion at the port of Hamburg and Bremerhaven is expected to ease in the coming weeks as strike actions have been called off after the German labor union and the employers union finally agreed on a tariff valid for two years, and applying to 12,000 employees at German seaports.

- **United Kingdom**: Industrial strike actions by union members are ongoing into October at the ports of Liverpool - 19 Sep to 3 Oct) and Felixstowe - 27 Sep to 5 Oct). Further strike action at the Port of Felixstowe between now and Christmas are also possible and other UK ports may also follow suit and announce strike action.

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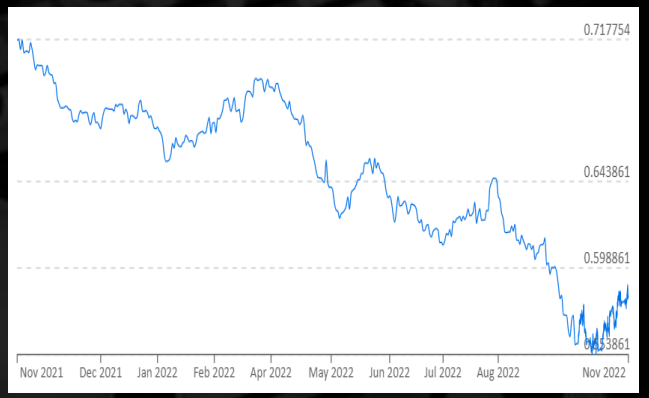
## November 2022

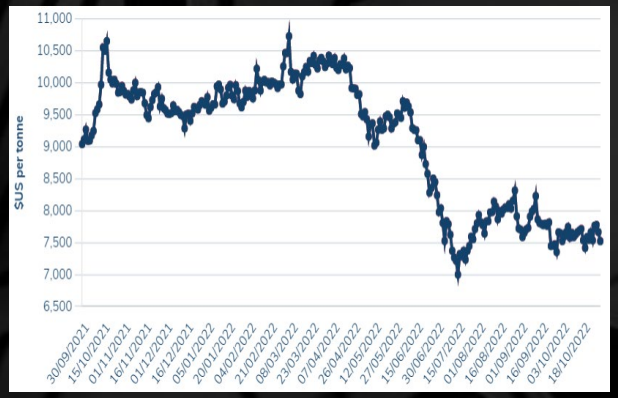
**NZD versus AUD - AU$0.910 vs NZ$1.00**


**NZD versus USD - US$0.585 vs NZ$1.00**

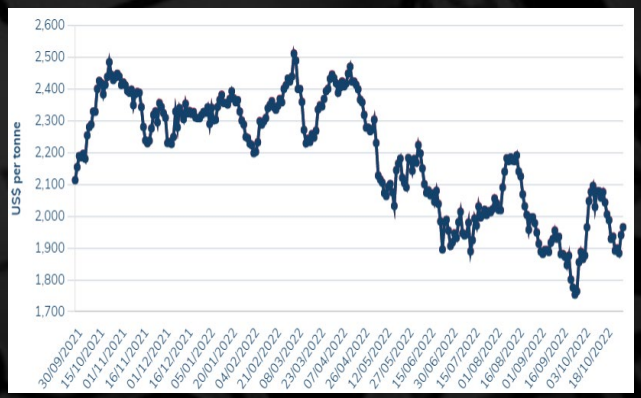



**NZD versus EUR - EU$0.590 vs. NZ$1.00**

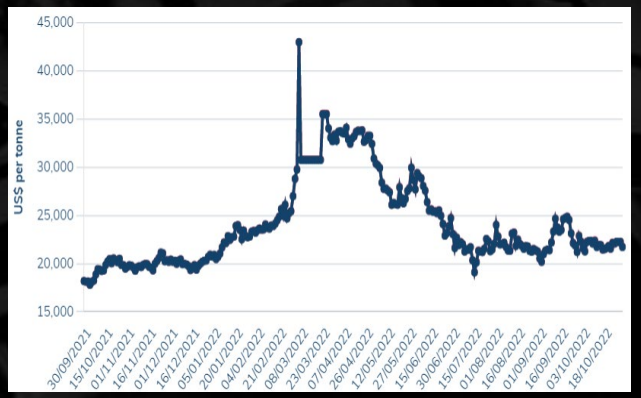

**Copper - USD7500 / tonne**




**Lead - USD 2000 / tonne**




**Nickel - USD21750 / tonne**

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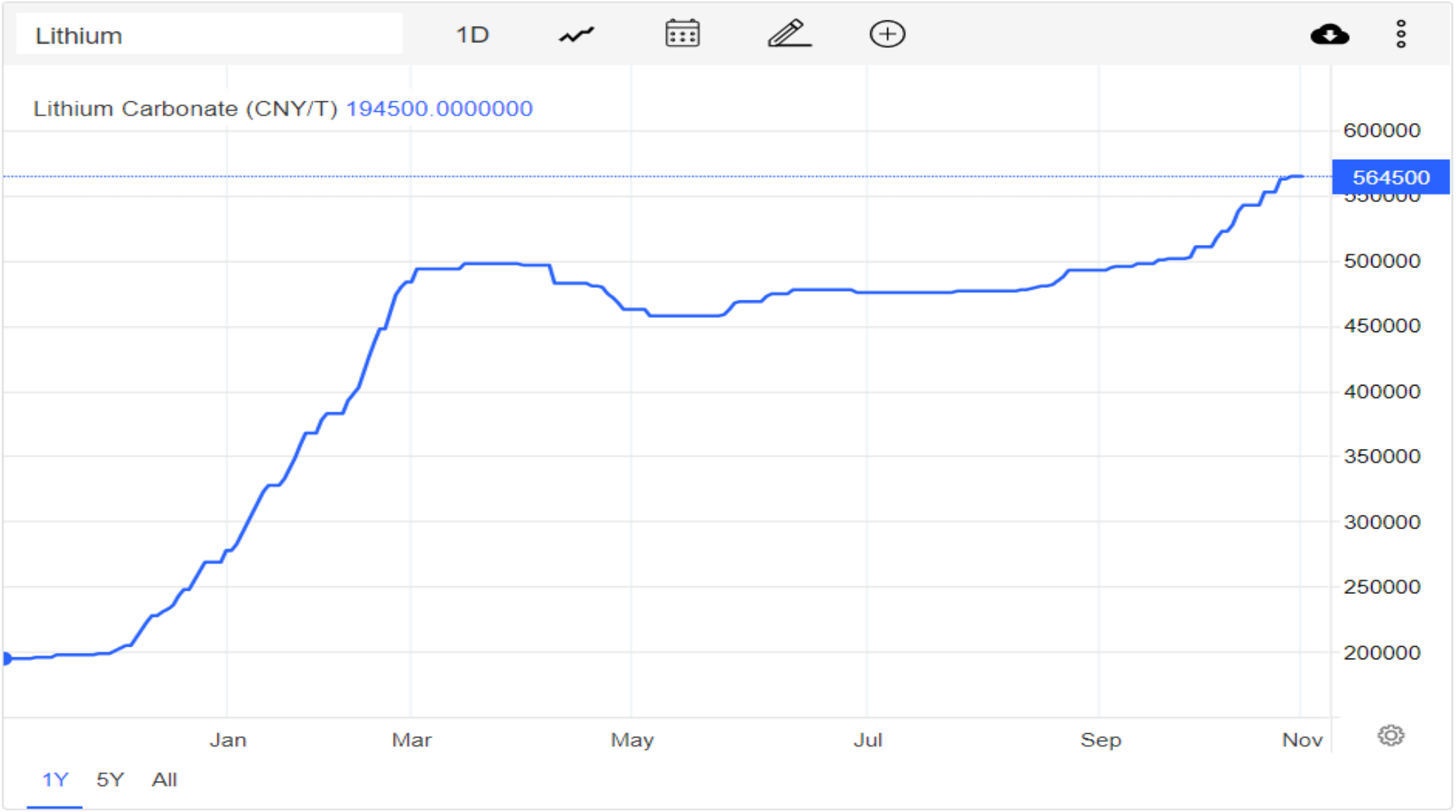

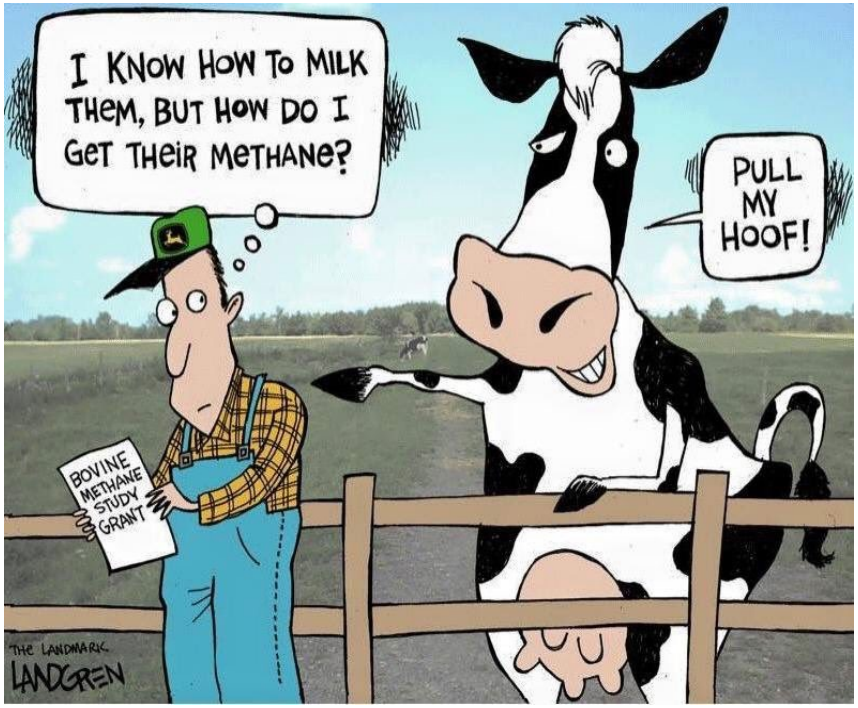
I KNOW HOW TO MILK THEM, BUT HOW DO I GET THEIR METHANE?
PULL MY HOOF!
BOVINE METHANE STUDY GRANT
THE LANDMARK
LANDGREN


Is that New Green Deal over yet? I can't hold it much longer
lazland.com


I may not be a smart man
But I know that making it harder for farmers to grow our food is a stupid idea


DESTROYING PLANET EARTH
ONE FART AT A TIME
memegenerator.net


THE GOOD NEWS IS, WE'RE NOT SO BAD FOR THE ENVIRONMENT...
AND THE BAD NEWS?
WE'RE BACK ON THE MENU
BEEF OFF WORST OFFENDERS LIST


Ack! For heaven's sake, Bessie, give a warning!
That's what you get for tailgating, Bud.


MEANWHILE, IN NEW ZEALAND

# This Month in Tech History…

November 1, 1954 – The Industrial Development Engineering Associates company begins selling the Regency TR-1, the world's first commercial transistor radio. Texas Instruments designed and developed the transistor technology who then partnered with IDEA to design and manufacturer the completed radio. The TR-1 sold over 100,000 units, ushering in the commercial transistor industry.

November 30, 1959 – IBM delivers the first two IBM 7090 mainframe computers. One of the first commercially produced fully-transistorized computers, the 7090 and the later 7094 were notable for being used by NASA to control the Mercury and Gemini space flights along with many other significant scientific and government applications in the 1960's. Some 7090's were even used through the 1970's and even into the 1980's.

November 15, 1971 – An advertisement in the magazine Electronic News announces the Intel 4004, the first commercially available microprocessor. The 4004 was primarily used in calculators, the first being the Busicom 141-PF. In fact, it was Busicom that actually developed the design of what would become the Intel 4004. Busicom approached Intel to help them finalize the design and manufacture their "calculator engine". Intel's engineers reduced the 12 integrated circuit design Busicom had come up with to 4 ICs and delivered the finished product in January 1971. Busicom had exclusive rights to that design until later in that year, when Busicom and Intel renegotiated their contract with Intel lowering their prices to Busicom in exchange for rights to the design of the microprocessor. By offering the first general-purpose programmable processor to the general market, Intel spurred the rapid development of electronic devices in the 1970s, culminating in the development of personal computers during that decade. However, Intel wasn't the clear leader in the microprocessor market until the IBM PC (and clones) helped catapult Intel to that title in the 1980's.

November 20 , 1985 – Two years after initially being announced, Microsoft finally ships the first version of Windows 1.0. Originally slated to be shipped in April of 1984, the long delay caused skeptics to began to accuse Windows of being "vaporware". Due to the relatively high demands of then-current PC technology, Windows 1.0 was generally considered too slow to be usable. It wasn't until Windows 3 that the operating system began to generate significant sales.

November 22, 1995 – Walt Disney Pictures releases the Pixar Animation Studios production Toy Story, the first major motion picture that is created completely by computer-generated animation. A breakthrough film, Toy Story set the standard for all future computer animated films to follow and catapulted Pixar into a household name.

November 5, 2007 – Google introduces the Android platform, its mobile operating system for cell phones based on a modified version of the Linux operating system. The first Android-based phone would ship in September of 2008.

# CHINA HOLIDAYS 2023

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## JANUARY

Chinese New Year

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## FEBRUARY

Lantern Festival

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## MARCH

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## APRIL

Qingming Festival

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## MAY

May Day

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## JUNE

Dragon Boat Festival

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## JULY

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## AUGUST

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## SEPTEMBER

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Mid-Autumn Festival

## OCTOBER

National Day (Golden Week)

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## NOVEMBER

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## DECEMBER

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