

ECONOMY

Shanghai bets on manufacturing to spur growth

Moves also aimed at 'driving innovations' as city seeks to make up for lost production

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Shanghai's government will fast-track the approval of new manufacturing projects to undergird production, as China's commercial hub grapples to get economic activity back on track after a two-month lockdown in April and May.

The city, whose economy contracted by an unprecedented 5.7 per cent in the first six months, must convince global investors of its resilience as it grappled with the consequences of lost production, missed deadlines and supply chain disruptions during the period, said Quan Heng, the Communist Party secretary and a researcher of the Shanghai Academy of Social Sciences.

"Key industrial projects can effectively bolster economic output, [which is why] the municipal government is accelerating the pace of approvals," Quan, who represents the think tank and economic policy adviser, said at a media briefing yesterday.

"The moves are not just aimed at shoring up economic data, but also driving technological innovations to pursue high-quality growth in the future."

The city of 25 million residents, often dubbed the "dragon head" of China's economy, is home to the Chinese operations of Tesla, General Motors and millions of factories, as well as the country's main onshore financial centre.

Economic growth was likely to miss the 2022 target of 5.5 per cent, Quan said, as Shanghai struggled amid a power shortage and intermittent anti-Covid policies to get back to normal.

The financial hub's economy shrank by 13.7 per cent in the second quarter from a year earlier as business activity came to a standstill after the citywide lockdown from April 1 to June 1 to contain a spreading coronavirus outbreak.

To make up for lost production, the local government is aggressively kicking off construction and giving approval to expansion plans. That includes giving Tesla the go-ahead to add an electric car assembly line to its first wholly foreign-owned factory, according to two Shanghai government officials.



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QUAN HENG, RESEARCHER, SHANGHAI ACADEMY OF SOCIAL SCIENCES

Work on the second line, which would bolster Tesla's annual capacity of more than 1 million vehicles by a further 450,000 units, would begin in the coming months near the existing Gigafactory at the Lingang Free Trade Zone, the government sources said.

Tesla will not be alone in expanding in Lingang.

Last week, a total of 72 projects began laying the groundwork in the area, a clear sign that Shanghai officials were pinning hopes on infrastructure construction to get the local economy back on track.