CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

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■ **BIWEEKLY DIGEST**

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[Economy]

◆GDP in 2018: U.S. Leads with USD 20.5 Trillion, Followed by China with 13.6 Trillion

The World Bank recently announced the world rankings for gross domestic product (GDP) by country/region for 2018.

The United States had the largest GDP for 2018 at USD 20.4941 trillion, followed by China with 13.6082 trillion and Japan with 4.9709 trillion (Fig. 1). China's GDP accounted for about 16% of the entire world GDP (USD 85.7908 trillion), or about 2.7 times as much as Japan.

Meanwhile, China's gross national income (GNI) per capita was USD 9,470 for 2018, putting it 71st in the world. Japan's per capita GNI was 41,340, ranking 21st, and the worldwide average was 11,101 (Fig. 2).

In its "Global Economic Prospects" published in June, the World Bank indicated that it expects the growth rate of real GDP for 2019 to increase 6.2% year-on-year (YoY) in China (for 2018: up 6.6%), 2.5% in the U.S. (for 2018: up 2.9%), 0.8% in Japan (unchanged from 2018), and 2.6% for the entire world (for 2018: 3.0%).

[Fig. 1] World GDP Ranking

Ranking	Country/Region	Nominal GDP (in USD Tn)
1	United States	20.4941
2	China	13.6082
3	Japan	4.9709
4	Germany	3.9968
5	United Kingdom	2.8252
6	France	2.7775
7	India	2.7263
8	Italy	2.0739
9	Brazil	1.8686
10	Canada	1.7093
11	Russia	1.6576
12	South Korea	1.6194
13	Australia	1.4322
14	Spain	1.4262
15	Mexico	1.2238
16	Indonesia	1.0422
17	Netherlands	0.9129
18	Saudi Arabia	0.7825
19	Turkey	0.7665
20	Switzerland	0.7055

Source: Created based on "Gross domestic product 2018" by the World Bank

[Fig. 2] World GNI Per Capita Ranking

Ranking	Country/Region	GNI Per Capita (in USD)
1	Switzerland	83,580
2	Norway	80,790
3	Isle of Man (British Crown dependency)	80,340
4	Macao	78,320
5	Luxembourg	77,820
6	United States	62,850
7	Qatar	61,190
8	Iceland	60,740
9	Denmark	60,140
10	Ireland	59,360
11	Singapore	58,770
12	Sweden	55,070
13	Australia	53,190
14	Netherlands	51,280
15	Hong Kong	50,310
16	Austria	49,250
17	Finland	47,820
18	Germany	47,450
19	Belgium	45,430
20	Canada	44,860
21	Japan	41,340
	:	
71	China	9,470

Source: Created based on "Gross national income per capita 2018" by the World Bank

◆IMF 2019 Outlook Lowers Projected Growth of Chinese Economy to 6.2% and World Economy to 3.2%

On July 23, the IMF announced revisions to its "World Economic Outlook" for July 2019. The projection for China's 2019 growth rate was lowered by 0.1 point from the previous revision (April 2019) to 6.2%, and the forecast for the 2020 growth rate was also revised down 0.1 point to 6.0%. The report indicated that in the midst of a structural economic slowdown and the strengthening of regulations to curb its high dependence on debt, tariff hikes and falling demand are placing additional downward pressure on the market.

Conversely, the US economy saw its GDP growth rate forecast rise due to stronger performance than anticipated in the first quarter of 2019, with a 0.3 point increase in the 2019 forecast to 2.6%. However, a slowdown was also predicted due to weaker-than-expected demand and the effects of higher import tariffs. The report predicts weakening economic conditions from the second half of 2019, and thus leaves the 2020 forecast unchanged at 1.9%.

Regarding the world economy, in view of continuing stagnation due to the intensifying China-US trade war and the prolonging of uncertainty around Brexit, the growth rate for 2019 was lowered 0.1 point to 3.2%--the fourth consecutive period it was revised down. The 2020 forecast was also revised down 0.1 point to 3.5%. However, while downside risks are gaining prominence, the IMF has made a precarious prediction of a pickup in 2020 which relies on the resolution of trade problems and the stability of emerging economies.

The IMF proposed that systems for trade between many nations should be strengthened based on the enforcement of WTO rules in order to address the urgent issues of easing tensions around trade and technology which have led to a cooling off in economic sentiment and investment, and to reduce the sense of uncertainty around the changes to trade agreements. The IMF stressed that it does not encourage the use of tariffs by any country to correct trade imbalances.

IMF World Economic Outlook

Region	2019 (%)	2020 (%)	Remarks
World	3.2 (-0.1)	3.5 (-0.1)	・Lowered due to the risk of unfavorable developments such as the deepening of the tariff confrontation between the US and China, the imposition of US auto tariffs, and a no-deal Brexit. ・There are concerns that these developments could worsen economic sentiment, diminish capital investments, and cause chaos in the global supply chain, causing a significant drop in the growth rate of the global economy.
China	6.2 (-0.1)	6.0 (-0.1)	・Despite the GDP growth rate for Q1 being higher than the forecast, the indicators for Q2 suggest an economic slowdown. Tariff rises and stagnating foreign demand are also having a negative effect. ・Being faced with the negative impact of external shocks, economic stimulus measures are expected to be able to prop up economic activity.
US	2.6 (0.3)	1.9 (0.0)	・Revision reflects the fact that the Q1 GDP growth rate of 3.1% was better than predictions. ・Internal demand was slightly below the forecast. Imports also seem to be stagnating more than expected due to the rise in tariffs, which means that the US's economic status could weaken heading towards the end of 2019.
Japan	0.9 (-0.1)	0.4 (-0.1)	・The high Q1 GDP growth rate was due to a sharp decrease in imports that caused a net contribution to exports and increase in inventory. The underlying economic conditions are actually weakening. ・Fluctuating economic growth resulting from the consumption tax hike in October 2019 is expected to be mitigated by fiscal measures.

Source: Created based on the IMF report "World Economic Outlook" (July 2019 Revision).
Note: Figures in parentheses denote change in forecasts from the April 2019 revision.

◆June Sees Record High Number of Chinese Tourists Arriving in Japan in a Single Month

According to an announcement by the Japan National Tourism Organization (JNTO) on July 17, the number of Chinese tourists visiting Japan in June 2019 increased 15.7% year-on-year (YoY) to about 881,000, the highest number on record for a single month. The cumulative total for January to June increased 11.7% YoY to 4.533 million, a growth rate considerably higher than the average for visitors from all countries of 4.6%.

Foreign Tourists Arriving in Japan in the First Half of 2019: Top 10

Country/Region	June 2019		January–June 2019	
	Visitors	Growth (%)	Visitors	Growth (%)
Total	**2,880,000**	**6.5**	**16,633,600**	**4.6**
1 China	880,700	15.7	4,532,500	11.7
2 South Korea	611,900	0.9	3,862,700	-3.8
3 Taiwan	461,100	0.9	2,480,800	-1.0
4 Hong Kong	209,000	1.7	1,097,900	-1.1
5 US	175,500	8.5	875,200	13.1
6 Thailand	63,000	-14.5	683,700	12.7
7 Australia	37,300	4.2	326,900	10.7
8 Philippines	46,800	25.3	295,100	7.1
9 Vietnam	35,400	20.1	253,200	30.3
10 Malaysia	30,500	-16.4	237,900	0.7

Source: Created based on official announcements from the JNTO.

JNTO attributes the higher numbers of Chinese tourists visiting Japan to increased passenger capacity on flights due to service being newly offered and additional flights, as well as the relaxing of conditions for the issue of individual tourist visas for returning visitors and students which has been in effect since January. Furthermore, the Japanese Ministry of Foreign Affairs announced on July 29 that from April 2020, seven of the Japanese embassies and consulates in China (excluding the one in Hong Kong) will start accepting online applications for tourist visas and will launch electronic visas. This simplification of visa application procedures will lead to an increase in the number of Chinese tourists to Japan, with the aim of expanding the inbound tourism market.

In related news, according to a bulletin for April–June 2019 titled "Consumption Trend Survey for Foreigners Visiting Japan" released on July 17 by the Japan Tourism Agency, the amount spent by Chinese visitors during that period increased 26.1% YoY to a total of JPY 470.6 billion, a significant increase well over the average for all countries of 13.0%. The Chinese also had the largest proportion of foreign tourist consumption at 36.7%.

◆ "Healthy China 2030" Program Detailing Measures for Health Promotion Announced

On July 15, the State Council of the People's Republic of China released the "Healthy China Program 2019-2030" (Guofa [2019] No. 3). In 2016, the government devised the "Healthy China 2030 Program Outline" which was a basic policy for the "health of all citizens." It set targets such as raising the average life expectancy from 76.3 in 2015 to 79.0 in 2030, and the expansion of the healthcare industry to the tune of RMB 16 trillion a year. Now, based on this program outline, focus items and their targets have been set, and a specific action plan directed at reaching these targets was established with detailed actions for individuals, families, communities, and governments to take.

The "Healthy China Program" pointed out that the rate of death in China from illnesses such as cardiovascular and cerebrovascular diseases, cancer, respiratory diseases, and diabetes is increasing. In the lifestyle changes brought on from rapid developments in industrialization, urbanization, and population aging, citizens' awareness of health issues is low, and diseases caused by an unhealthy lifestyle, such as smoking, excessive consumption of alcohol, and a lack of exercise, are becoming a major problem. The program intends to make good health prevalent by focusing on preventative measures. It also will push structural reforms on the supply side by offering a unified service for prevention, treatment, rehabilitation, and health promotion, prompting the realization of early diagnosis, early treatment, and early recovery.

The maintenance and promotion of citizens' good health is also leading the government to ease financial burdens, such as controlling increases in social security premiums. Furthermore, the raising of health awareness is expected to bring about diversified consumption of health foods and health information, health devices, pharmaceuticals, sports, medical and care services, etc., which will in turn provide new business opportunities in related sectors.

Selected Targets from the "Healthy China Program (2019-2030)"

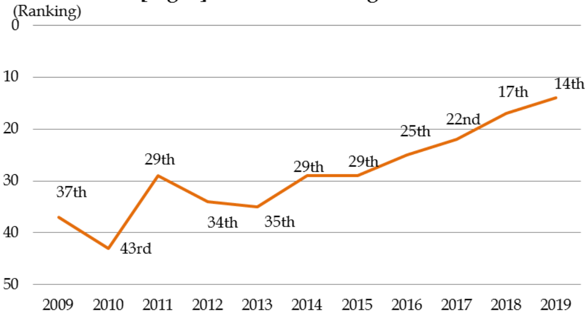
Item	Primary General Target	Outline of actions	
Health self-management and awareness		Individual	Individuals shall learn about health awareness and related topics and cultivate healthy lifestyle habits as they are responsible for their own health. They shall understand how to take their own temperature and pulse, and properly understand labels and instructions for food, medication, cosmetics, etc.
Diet	In response to the rate of increase in adult (age 18 and over) obesity, slow down the 5.3% annual increase (of 2002–2012) in a stable manner.	Individual, family	On average, consume 12 types of food per day and 25 types per week. Reduce salt intake: From 10.5g/person/day in 2012 to 5g/person/day in 2030. Reduce fat intake: From 42.1g to 25–30g as above. Reduce sugar intake: From 30g (2017) to 25g or less as above.
Exercise	Percentage of people who exercise daily: 2014: 33.9%→2030: ≧40%	Individual	Exercise at medium- to-high intensity 30 mins/day, 3 times a week or more. Have small, simple exercise equipment at home
		Community	Open free or low-fee communal sports facilities.
Smoking	Percentage of smokers aged 15 or over: 2015: 27.7%→2030: ＜20%	Government	Enforce the prohibition of smoking in all areas of indoor communal spaces and public transportation facilities. Promote the building of smoking-free environments.
Natural/living environment		Individual	Preferentially select environmentally-friendly products. Reduce usage of disposable plastic containers, straws, excess packaging, and so on.
Senior citizens	Proportion of 65-74 year olds who require a caregiver: 2015: 18.3%→ reduce to a certain extent Proportion of persons aged 65 and over suffering from dementia: 2017: 5.56%→rapidly reduce	Individual, family	Exercise including cardiovascular and strength training, as well as balance training such as calisthenics to prevent falls.
		Community	Companies, organizations, etc. shall actively participate in care services for senior citizens who require support and caregiving.
Prevention and treatment of cardiovascular and cerebrovascular diseases, cancer, chronic respiratory diseases, and diabetes	Rate of deaths from cardiovascular and cerebrovascular diseases: (Per 100,000) 2015: 238.4→2030: ≦190.7 Five-year survival rate for cancer patients 2015: 40.5%→2030: ≧46.6%	Community, government	Install AEDs at facilities where people congregate. Allocate ambulances at the rate of 1 per 50,000 people. Have all calls to emergency medical services answered within 10 seconds of receiving the incoming transmission. Have ambulances dispatched within 5 minutes of receiving a request.
		Community, government	Ensure coordination between the basic medical insurance, serious disease insurance, and medical help systems, etc. in order to ease the financial burden on cancer patients.
		Individual	Those who have prediabetes or are obese shall limit their energy intake to 400–500kcal, and do at least 150 minutes of medium-to-high intensity exercise per week.

◆Global Innovation Index: China Continues Four-Year Consecutive Rise to 14th

On July 24, UN agency World Intellectual Property Organization (WIPO), Cornell University in the US, and French business school INSEAD published the "Global Innovation Index" (GII) 2019 edition. In the index, China continued its four-year consecutive rise to reach 14th place in the world (Figures 1 and 2).

The GII ranks 129 countries and regions worldwide on their ability and output in innovation. It bases its ranking on 80 indicators across seven fields: institutions, human capital and research, infrastructure, market sophistication, business sophistication, knowledge and technology outputs, and creative outputs.

[Fig. 1] China's Ranking in the GII



Source: Created based on the "Global Innovation Index" by WIPO.

China ranked fifth worldwide for knowledge and technology outputs (Figure 3). It is on the highest level worldwide for national patent and design applications and for high-tech and creative product exports, and the WIPO has judged that China has firmly established itself as a leading innovative nation.

[Fig. 2] Overall Top 20 Ranking of the GII 2019

Rank (2018)	Country/Region
1 (1)	Switzerland
2 (3)	Sweden
3 (6)	US
4 (2)	The Netherlands
5 (4)	UK
6 (7)	Finland
7 (8)	Denmark
8 (5)	Singapore
9 (9)	Germany
10 (11)	Israel
11 (12)	South Korea
12 (10)	Ireland
13 (14)	Hong Kong
14 (17)	China
15 (13)	Japan
16 (16)	France
17 (18)	Canada
18 (15)	Luxembourg
19 (19)	Norway
20 (23)	Iceland

[Fig. 3] GII2019 Ranking by Field: Top 3 and Ranking for China

(1) Institutions

Rank	Country/Region
1	Singapore
2	Norway
3	Finland
…(omitted)…	
60	China

(2) Human capital/research

Rank	Country/Region
1	South Korea
2	Finland
3	Germany
…(omitted)…	
25	China

(3) Infrastructure

Rank	Country/Region
1	Norway
2	Sweden
3	Switzerland
…(omitted)…	
26	China

(4) Market sophistication

Rank	Country/Region
1	US
2	Canada
3	Hong Kong
…(omitted)…	
21	China

(5) Business sophistication

Rank	Country/Region
1	Sweden
2	Switzerland
3	Israel
…(omitted)…	
14	China

(6) Knowledge/tech output

Rank	Country/Region
1	Switzerland
2	Sweden
3	Netherlands
…(omitted)…	
5	China

(7) Creative output

Rank	Country/Region
1	Switzerland
2	Luxembourg
3	Hong Kong
…(omitted)…	
12	China

Source: Created based on the "Global Innovation Index 2019" by WIPO

Looking at other regions, Switzerland maintained its top spot for the ninth year in a row, earning praise for the profitability of its patent applications and intellectual property rights, and the stability and superior performance of its high tech products. The US placed third, retaining its position as a world leader in market sophistication, with global companies concentrating their research and development there, and the high quality of its universities and scientific publications being far superior to other countries. India also warranted attention by placing 52nd, 5 places higher than last year and 29 places higher than in 2015—the highest jump among any of the major economies. The quality of its universities and scientific publications, as well as its exports of information/communication technology services granted India its higher ranking.

WIPO pointed out the remarkable developments regarding innovation in Asia, and that the rapid rises in the GII rankings of large economies such as China and India were a clear reflection of government planning and initiatives for the cultivation of innovation. At the same time, WIPO also expressed concern that increasing protectionism worldwide has the potential to lead to the stifling of the progress and worldwide diffusion of innovation.

[Industry]

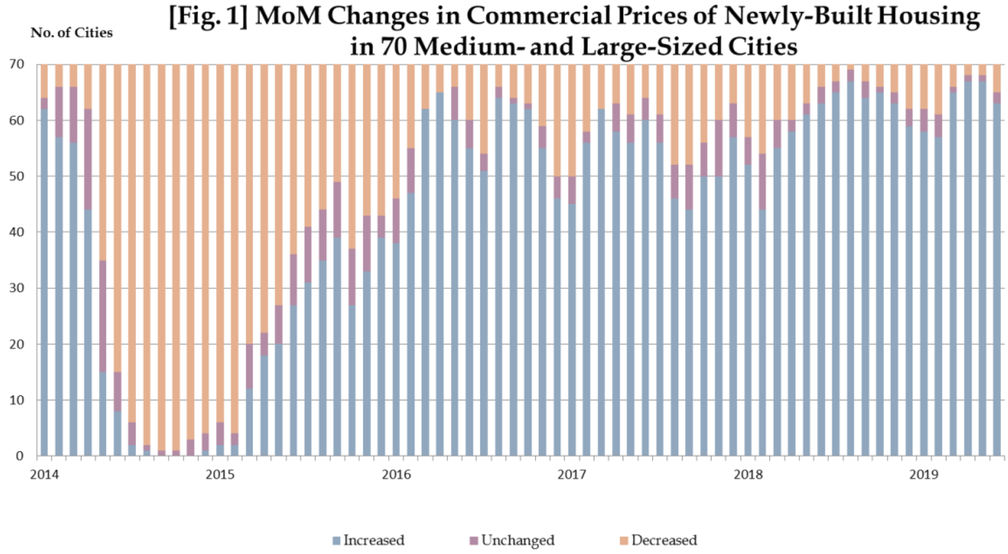
◆Housing Prices in June for 70 Medium- and Large-Sized Cities: Month-on-Month (MoM) Growth in 63 Cities, YoY Growth in All 70 Cities

On July 15, the National Bureau of Statistics (NBS) announced the housing price indices for 70 medium- and large-sized cities for June.

Sale prices for newly constructed residential buildings rose on a MoM basis in 63 cities, which is 4 cities fewer than in May and the first decrease in number in the last four months. Prices fell in 5 cities, 3 more than in the previous month (Fig. 1). On a YoY basis, prices increased in all 70 cities for the fourth month in a row (Fig. 2).

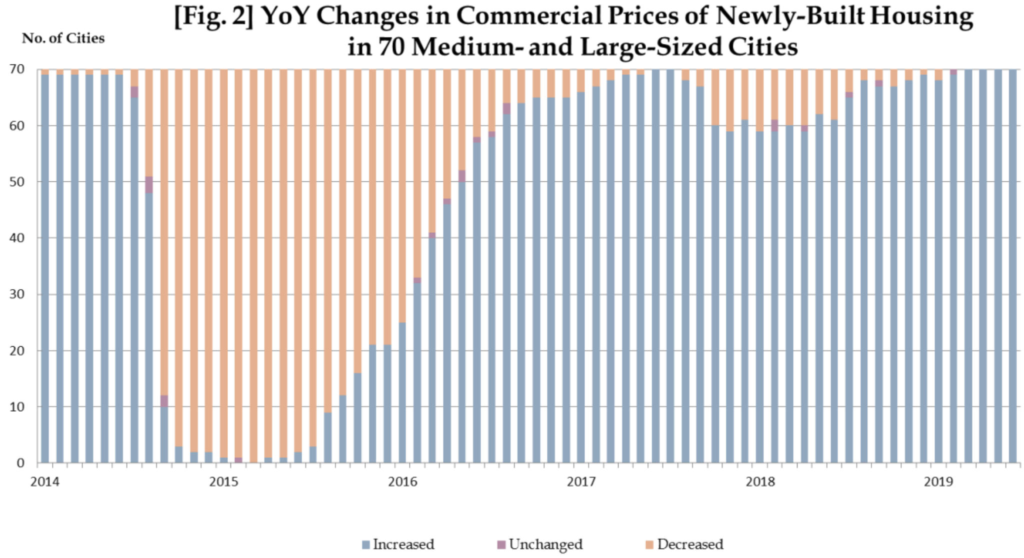
Cities that saw considerable MoM price increases include Luoyang (Henan) at 2.5%, and Hohhot (Inner Mongolia) and Dali (Yunnan) at 1.8% each. The cities in which prices fell significantly were Yichang (Hubei) at 0.4%, and Baotou (Inner Mongolia) at 0.3%. The cities with the largest YoY rises include Xi’an (Shaanxi) at 25.2%, Dali at 22.9%, and Hohhot at 22.2%.

[Fig. 1] MoM Changes in Commercial Prices of Newly-Built Housing in 70 Medium- and Large-Sized Cities



Source: Created based on data published by the NBS

[Fig. 2] YoY Changes in Commercial Prices of Newly-Built Housing in 70 Medium- and Large-Sized Cities



Source: Created based on data published by the NBS

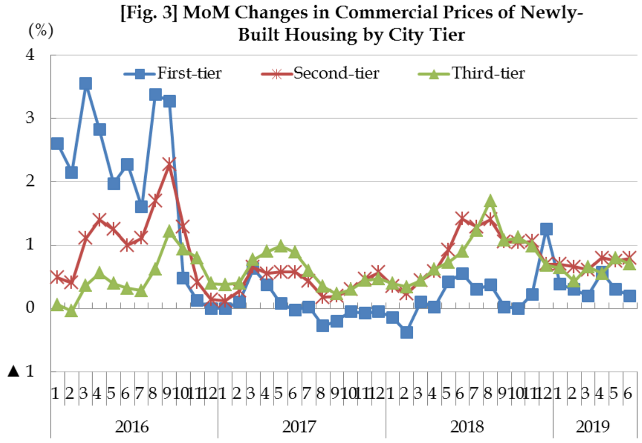
Comparing MoM growth by the size of the cities, growth in first-tier cities* shrunk from the previous month, from 0.3% to 0.2%, and likewise in third-tier cities,* from 0.8% to 0.7%. Second-tier cities* growth remained unchanged at 0.8% for the third month in a row (Fig. 3). YoY growth for first-tier cities (from 4.7% to 4.4%), second-tier cities (from 12.1% to 11.4%), and third-tier cities (from 11.3% to 10.9%) decreased across the board, although still remaining at a high level (Fig. 4).

Note: First-tier cities: Beijing, Shanghai, Guangzhou, and Shenzhen

Second-tier cities: 31 cities including provincial capitals and sub-provincial cities

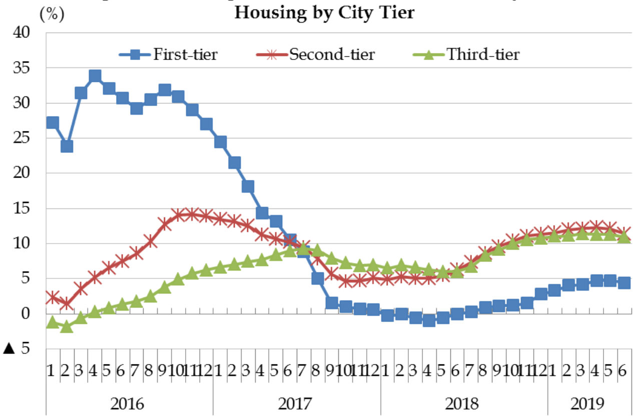
Third-tier cities: The 35 remaining cities of the 70, excluding the above first- and second-tier cities

[Fig. 3] MoM Changes in Commercial Prices of Newly-Built Housing by City Tier



Source: Created based on data released by the NBS

[Fig. 4] YoY Changes in Commercial Prices of Newly-Built Housing by City Tier



Source: Created based on data released by the NBS

[Trade/Investment]

◆June Inward Foreign Direct Investment Increases 3.0% YoY

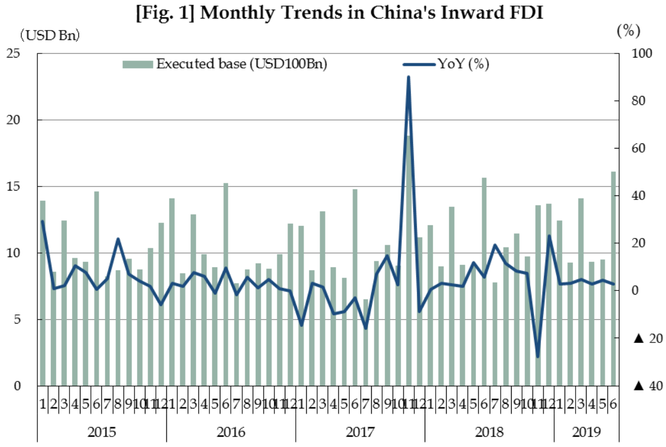
<Inward FDI>

According to the announcements of the Ministry of Commerce (MOFCOM) on July 11 and 17, inward foreign direct investment (FDI) increased 3.0% YoY to USD 16.13 billion in June, slowing from the previous month (May: up 4.6% YoY) (Fig. 1). The cumulative total for January-June grew 3.5% YoY to USD 70.74 billion, with growth smaller than last month (Jan.-May: up 3.7% YoY).

Looking at countries and regions, investment from Japan for the January-June period increased 8.8%* YoY to USD 1.98 billion, with a smaller growth rate than in the January-May period (up 13.8%* YoY) (Figs. 2&3). Meanwhile, both investments from South Korea (up 57.6% YoY to USD 3.64 billion) and Germany (up 71.2%* YoY to USD 1.13 billion) jumped largely. Meanwhile, the growth rate of investments from the United States turned negative (down 16.4%* YoY to USD 1.63 billion) from the January-May period (up 3.6%* YoY), while both investments from Taiwan (down 15.5%* YoY) and the United Kingdom (down 13.9%* YoY) saw a double-figure decrease (Fig. 3).

*Growth rates calculated by MUFG Bank based on data published by the MOFCOM.

[Fig. 1] Monthly Trends in China's Inward FDI



Source: Created based on data published by the MOFCOM

[Fig. 2] Top 10 Countries/Regions Contributing to China's Inward FDI for Jan-Jun 2019

Rank	Country/Region	Investment Amount (USD Bn)	YoY (%)
1	Hong Kong	50.09	1.4
2	South Korea	3.64	57.6
3	Singapore	3.32	6.1
4	Taiwan	2.40	▲ 15.5
5	Japan	1.98	8.8
6	USA	1.63	▲ 16.4
7	UK	1.36	▲ 13.9
8	Germany	1.13	71.2
9	Macao	0.94	9.3
10	The Netherlands	0.72	▲ 1.4

Source: Created based on data published by the MOFCOM

Note: YoY calculated by MUFG Bank based on data published by the MOFCOM

By industry, investment in manufacturing fell 3.8% YoY to USD 19.91 billion, while services increased by 6.7% YoY to USD 49.87 billion.

<Outward FDI>

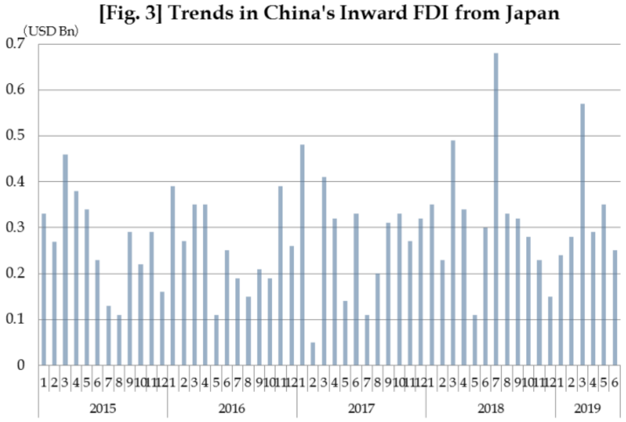
According to the MOFCOM's announcement on July 16, outward FDI for June fell 0.3%* YoY to USD 9.26 billion (Fig. 4). The cumulative total for January-June also decreased, falling 5.9% YoY to USD 53.8 billion. *Calculated by MUFG Bank based on data published by the MOFCOM.

By sector, investments in telecom/software and IT services (up 31.7% YoY) and in manufacturing (up 7.3% YoY) for the January-June period showed significant growth.

Meanwhile, although there were 161 cross-border M&As by Chinese corporations between January and June (up 15.0%* YoY), there was a huge decrease in the amount (down 35.1%* to USD 16.95 billion).

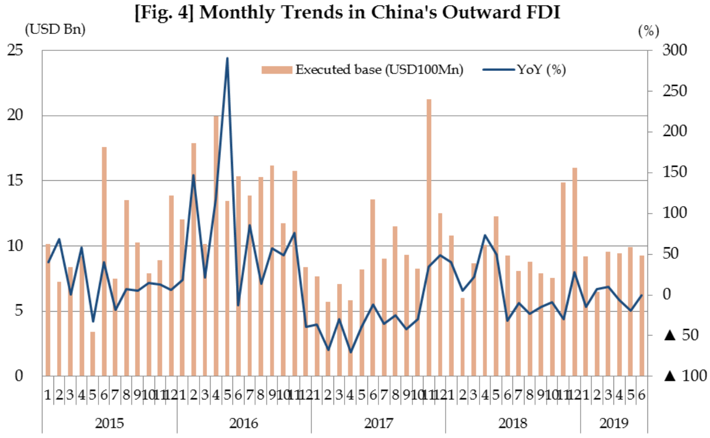
*Calculated by MUFG Bank based on data published by the MOFCOM.

[Fig. 3] Trends in China's Inward FDI from Japan



Source: Created based on data published by the MOFCOM

[Fig. 4] Monthly Trends in China's Outward FDI



Source: Created based on data published by the MOFCOM
Note: YoY calculated by MUFG Bank based on data published by the MOFCOM

[Finance/Exchange]

◆Total Social Financing, a Measure of the Economy's Liquidity, Grows by RMB 3.18 Trillion for 1H 2019

According to an announcement made on July 12 by the People's Bank of China (PBOC), total social financing,* which shows the amount of liquidity supplied to the real economy, increased RMB 3.18 trillion YoY to RMB 13.23 trillion for the January-June period, and for the month of June, it increased RMB 770.5 billion YoY and RMB 860 billion MoM to RMB 2.26 trillion. The monthly balance for June reached the highest level since July 2018, rising 10.9% YoY, with a growth rate 0.2 percentage point smaller YoY, and 1.1 points larger than the end of the previous year.

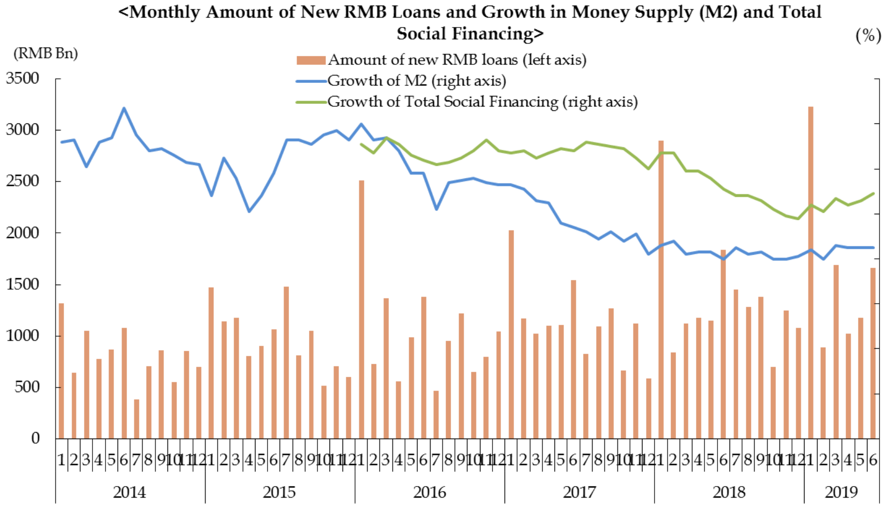
*Total social financing = RMB loans + Foreign currency loans + Entrusted loans + Bank acceptance bills + Corporate bonds + Local government special bonds + Non-financial companies' equity financing + Compensations made by insurance companies + Investment properties + Other

The increase in total social financing for January-June included RMB loans for companies (up RMB 1.26 trillion YoY to RMB 10.2 trillion), corporate bonds (up RMB 438.2 billion YoY to RMB 1.46 trillion), and local government special bonds (up RMB 825.8 billion YoY to RMB 1.19 trillion). All of them far exceeded the recorded numbers for the year before and served to boost total social financing.

New RMB loans for the January-June period increased RMB 664.4 billion YoY to RMB 9.67 trillion. For June, the amount of new RMB loans was RMB 1.66 trillion, showing a decrease of RMB 178.6 billion YoY, and an increase of RMB 480 billion MoM.

The growth rate in money supply (M2) as of the end of June rose 8.5% YoY and remained unchanged for the third consecutive month since April.

The PBOC commented that loans and total social financing are growing at an appropriate rate and the market liquidity remains at a reasonable level, which they view as demonstrating the enhancement of financial support for the real economy.



Source: Created based on data published by the PBOC
Note: Growth of total social financing began being published in January 2016

◆Announcement of 11 Deregulation Measures to Accelerate Opening-Up of Financial Sector

On July 20, the State Council's Financial Stability and Development Committee released the "Measures for Further Opening Up the Financial Sector," which include 11 measures to loosen government control over foreign investments.

These measures set out the details of the policy to accelerate the opening up of China's financial sector that was announced by Premier Li Keqiang on July 2 at the opening ceremony of the Summer Davos World Economic Forum in Dalian.

For example, foreign-funded credit rating companies will be allowed to rate a wider range of bonds, and foreign financial institutions will be allowed to serve as a lead underwriter in the bond market. The removal of foreign ownership limits on securities, futures, and life insurance companies will also be moved up from the original date.

The purpose of the new measures is seen as promoting the upgrading of China's domestic financial sector through importing foreign financial capital, as well as enhancing financial support for the real economy, which will lead to the stable growth of the Chinese economy.

<Summary of "Measures for Further Opening Up the Financial Sector">

1	Foreign-funded institutions will be allowed to conduct credit rating business on all kinds of bonds in China's inter-bank and exchange bond markets.
2	Overseas financial institutions will be encouraged to participate in setting up and investing in the asset management subsidiaries of Chinese commercial banks.
3	Overseas asset management institutions will be permitted to co-establish foreign-controlled asset management companies together with the subsidiaries of Chinese banks or insurers.
4	Overseas financial institutions will be permitted to invest in the establishment of or make equity investment in pension management companies.
5	Foreign capital will be supported in wholly-owned currency brokerage establishment and equity participation.
6	The transitional period for raising the foreign ownership cap on life insurers from 51% to 100% will be moved up to 2020 from the originally planned timing of 2021.
7	The requirement that the total share of an insurance asset management company held by domestic insurers be no less than 75% will be removed. The ratio of foreign ownership will be permitted to exceed 25%.
8	Entry conditions of foreign insurers will be eased by removing the requirement of having been in operatio for over 30 years.
9	The removal of foreign ownership limits (up to 51%) on securities, fund management, and futures companies will be moved up by one year to 2020 from the originally planned timing of 2021.
10	Foreign institutions will be permitted to obtain Type-A lead underwriting licenses in the inter-bank bond market.
11	China will further facilitate investment by foreign institutional investors in the inter-bank bond market.

Source: Created based on the PBOC announcement

◆Sci-Tech Innovation Board, a New Stock Market for Emerging High-Tech Companies, Launches on July 22 in Shanghai

On July 22, the Science and Technology Innovation Board (STIB), a new stock market specialized in emerging high-tech companies, began trading in the Shanghai Stock Exchange (SSE), closing up the day with an across-the-board price increase. The STIB was inaugurated on June 13 after being mentioned in President Xi Jinping's address at the First China International Import Expo held in Shanghai in November 2018 and in the subsequent government activity report made by Premier Li Keqiang at the National People's Congress in March.

25 companies were included in the first batch of stocks traded. By sector, the nine companies in the fields of computer, communication and other electronic equipment manufacturing and eight in special equipment manufacturing formed a majority, while the others included three companies in railway, shipbuilding, aviation, aerospace and other transportation equipment manufacturing, two in software and IT services, and one each in measuring instrument manufacturing, non-ferrous metal smelting, rolling, and processing, and general equipment manufacturing. In terms of where the companies are registered, the largest number are located in Shanghai and Beijing with five companies each, followed by Jiangsu with four, Guangdong and Zhejiang with three each, Shaanxi with two, and Shandong, Fujian, and Heilongjiang with one each.

The STIB is designed to list high-tech innovation companies that are in line with national strategies, make breakthroughs in core technologies, and are well-accepted by the market. The board focuses on the areas of next-generation information technology, advanced equipment, new materials, new energy, energy-saving and environmental protection, biomedicine, etc.

SSE has adopted a registration-based system on a trial basis to evaluate listings on the new board, instead of a system that requires approval by the China Securities Regulatory Commission, as on the main boards of the SSE and Shenzhen Stock Exchange or on ChiNext in the Shenzhen Stock Exchange.

Listing criteria was also eased for the STIB in terms of profitability requirements, making it possible for not-yet-profitable companies to be listed. This creates an expectation of fostering and promoting innovation companies with less capital strength. In addition, there is no restriction that prevents foreign companies from issuing stock.

Meanwhile, investors need to have assets of at least RMB 500,000 and two years or more of trading experience to participate in the STIB due to the high risk in investment.