

# CHINA BIWEEKLY

RMB Internationalization Business Promotion Office  
Global Business Division

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## ■ BIWEEKLY DIGEST

### [Economy]

- **The manufacturing PMI for August rises 0.3 point from July to 51.7**
- **Infrastructure development in cities progresses steadily**

### [Trade/ Investment]

- **July: Inward direct investment falls 15.8%**

### [Industry]

- **China's shopping center development index for the second quarter falls 3.5 points from the previous term**

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## [Economy]

### ◆The manufacturing PMI for August rises 0.3 point from July to 51.7

According to the August 31 announcement by the National Bureau of Statistics (NBS) of China and the China Federation of Logistics & Purchasing (CFLP), the manufacturing PMI rose 0.3 point month on month (MoM) to 51.7, exceeding 50 points, the threshold for business confidence, for the thirteenth consecutive month.

By main item, the production index rose to 54.1, up 0.6 point MoM, the new orders index rose to 53.1, up 0.3 point MoM, and the import index rose to 51.4, up 0.3 point MoM, showing improvements in both supply and demand. Meanwhile, the new export orders index fell 0.5 point MoM to 50.4. In addition, the raw material purchase price index rose 7.4 points MoM to 65.3, which was the highest rise for this year, showing increasing pressure of higher costs on companies.

Further, the expected production and business activities index, which indicates business confidence for the future, rose 0.4 point MoM to 59.5, rising for the fourth consecutive month.

Furthermore, the August non-manufacturing PMI fell 1.1 points to 53.4. Among that, the PMI for the service sector slightly dropped by 0.5 point MoM to 52.6 and that for the construction sector dropped 4.5 points MoM to 58.0 due to the impacts of rainstorms and typhoons.

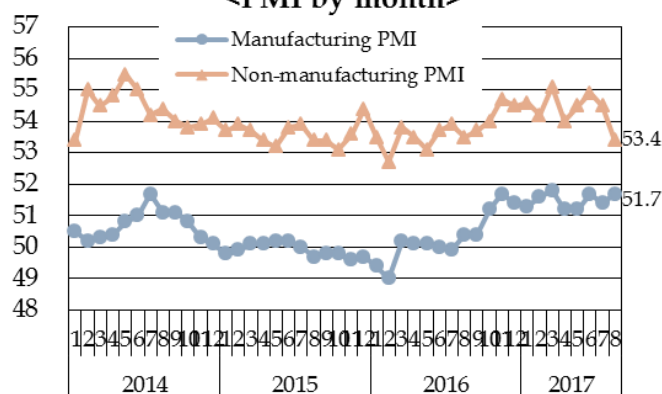
<Manufacturing PMI by item>

		Manuf acturing PMI	Product ion	New orders	New export orders	Raw material purchase price	Import	Employ ment	Expected production and business activities
16	Jan	49.4	51.4	49.5	46.9	45.1	46.4	47.8	51.3
	Feb	49.0	50.2	48.6	47.4	50.2	45.8	47.6	53.3
	Mar	50.2	52.3	51.4	50.2	55.3	50.1	48.1	54.8
	Apr	50.1	52.2	51.0	50.1	57.6	49.5	47.8	55.0
	May	50.1	52.3	50.7	50.0	55.3	49.6	48.2	55.1
	Jun	50.0	52.5	50.5	49.6	51.3	49.1	47.9	55.2
	Jul	49.9	52.1	50.4	49.0	54.6	49.3	48.2	55.8
	Aug	50.4	52.6	51.3	49.7	57.2	49.5	48.4	56.4
	Sep	50.4	52.8	50.9	50.1	57.5	50.4	48.6	57.3
	Oct	51.2	53.3	52.8	49.2	62.6	49.9	48.8	58.2
	Nov	51.7	53.9	53.2	50.3	68.3	50.6	49.2	59.0
	Dec	51.4	53.3	53.2	50.1	69.6	50.3	48.9	58.2
17	Jan	51.3	53.1	52.8	50.3	64.5	50.7	49.2	58.5
	Feb	51.6	53.7	53.0	50.8	64.2	51.2	49.7	60.0
	Mar	51.8	54.2	53.3	51.0	59.3	50.5	50.0	58.3
	Apr	51.2	53.8	52.3	50.6	51.8	50.2	49.2	56.6
	May	51.2	53.4	52.3	50.7	49.5	50.0	49.4	56.8
	Jun	51.7	54.4	53.1	52.0	50.4	51.2	49.0	58.7
	Jul	51.4	53.5	52.8	50.9	57.9	51.1	49.2	59.1
	Aug	51.7	54.1	53.1	50.4	65.3	51.4	49.1	59.5

(Source) Created based on data published by NBS and CFLP

(Note) The method of taking statistics for the expected production and business activities index was changed in January 2017, and the past data was modified accordingly.

<PMI by month>



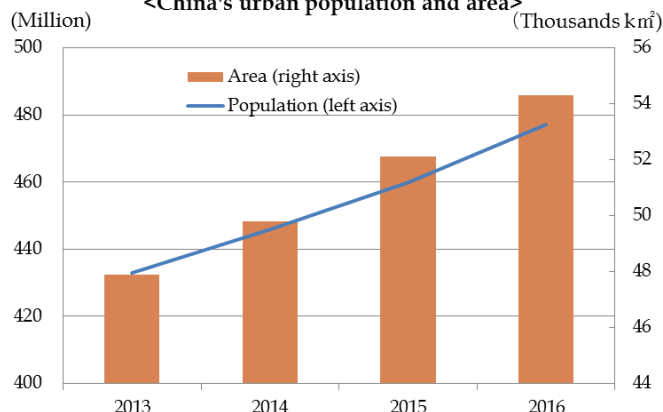
(Source) Created based on data published by NBS and CFLP

### ◆Infrastructure development in cities progresses steadily

The Ministry of Housing and Urban-Rural Development (MOHURD) released the Statistical Communique of Urban and Rural Constructions in 2016.

As of the end of 2016, the number of cities rose to 657 cities, up one year on year (YoY). The registered urban population increased to 43 million, up 2.3%\* YoY, and the population with temporary urban residency permits rose to 74 million, up 12.1% YoY\*, for a total of 117 million, showing a sharp increase in temporary residents. Urban areas reached 54,300 km<sup>2</sup>, up 4.2% YoY\*. (\* Calculated by BTMU based on the information released by MOHURD)

<China's urban population and area>



(Source) Created based on the Statistical Communique of Urban and Rural Constructions in 2016 by MOHURD

Investment in fixed assets of urban public facilities increased to RMB 1.746 Tn, up 7.7% YoY, accounting for 2.9% of the country's total investment in fixed assets. Turning to the share by item, roads and bridges accounted for 43.3%, rail transit for 23.4%, green facilities for 9.6%, and sewage for 7.0%.

Rail transit was established in 30 cities, up six cities YoY, and the total track length reached 3,586 km, up 16.8% YoY. The number of cities where new construction of rail transit started was 39, up one YoY, extending the total track length to 4,870 km, up 21.9% YoY.

The number of urban wastewater treatment facilities increased to 2,039, up 95 YoY. The capacity per day of urban wastewater treatment facilities rose to 149.1 million m<sup>3</sup>, up 6.2% YoY. The urban wastewater treatment ratio reached 93.4%, up 1.5% YoY, showing advancement in environment-related infrastructure development.

### <Construction of urban rail transit in China>

Year	Number of cities where rail transit was established	Total track length of established rail transit (km)	Number of cities where construction of rail transit started	Total track length of newly-started rail transit construction (km)
2011	12	1,672	28	1,891
2012	16	2,006	29	2,060
2013	16	2,213	35	2,760
2014	22	2,715	36	3,004
2015	24	3,069	38	3,994
2016	30	3,585	39	4,870

(Source) Created based on the Statistical Communique of Urban and Rural Constructions in 2016 by MOHURD

### <Construction of urban wastewater treatment facilities in China>

Year	Number of facilities	Capacity of wastewater treatment facilities (10,000m <sup>3</sup> /day)	Urban wastewater treatment ratio (%)
2011	1,588	11,303	83.6
2012	1,670	11,733	87.3
2013	1,736	12,454	89.3
2014	1,807	13,087	90.2
2015	1,944	14,038	91.9
2016	2,039	14,910	93.4

(Source) Created based on the Statistical Communique of Urban and Rural Constructions in 2016 by MOHURD

## [Trade/ Investment]

### ◆July: Inward foreign direct investment falls 15.8%

On September 1, the Ministry of Commerce (MOFCOM) announced the statistical data of inward foreign direct investment for July.

#### <Inward foreign direct investment>

Regarding inward foreign direct investment in July (excluding the financial sector), the number of newly established non-Chinese companies increased 10.1% MoM to 2,643, and the amount of inward foreign direct investment (executed) declined 15.8% MoM to USD 6.5 Bn, with the growth rate being negative for the fourth consecutive month and the rate of decline expanding significantly from 2.8% in the previous month.

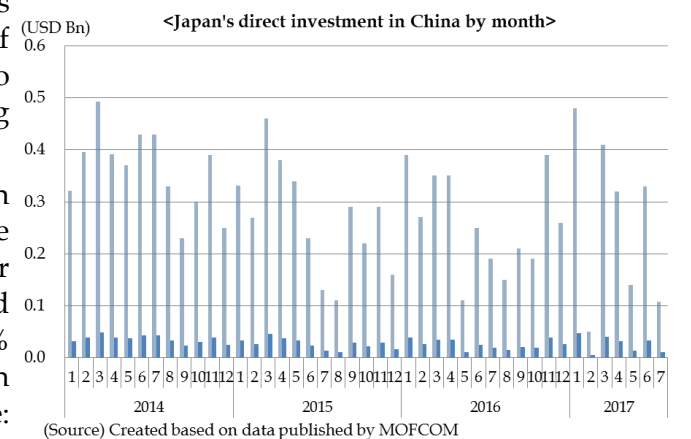
On a cumulative basis for January–July, the number of newly-established non-Chinese companies increased 12.0% YoY to 17,695, and the amount of inward foreign direct investment decreased 6.5% to USD 72.14 Bn, with the rate of decrease expanding from 5.4% in the previous month.

By country/region, direct investment from Japan fell 3.8% YoY\* to USD 1.84 Bn and the growth rate turned negative from the 0.6% YoY increase for January–June\*. Investment from the U.S. dropped 37.5% YoY to USD 1.78 Bn (January–June: -43.6% YoY). Investment from the ASEAN region decreased 23.3% YoY to USD 2.98 Bn (January–June: -18.5% YoY), with the rate of decrease expanding from January–June. Investment from the EU declined 1.1% to USD 5.88 Bn (January–June: -11.2%), but the rate of decline slowed from the previous term. Investment from One Belt, One Road regions shrunk 22.5% to USD 3.1 Bn (January–June: -17.6%).

(\* ) Calculated by BTMU based on the amount of inward foreign direct

By sector, investment in the manufacturing sector fell 5.7% YoY to USD 20.48 Bn (January–June: -2.7%) and investment in the service sector fell 6.8% to USD 50.49 Bn (January–June: -5.6%), marking a larger fall in both sectors.

China's outward foreign direct investment in January–July, which was announced earlier, declined 44.3% to USD 57.2 Bn. This went below the amount of inward foreign direct investment (USD 72.14 Bn).



**[Industry]**

**◆China's shopping center development index for the second quarter falls 3.5 points from the previous term**

On August 31, MOFCOM and China Chain Store & Franchise Association (CCFA) released China's shopping center development index. According to the announcement, more than 4,000 medium and large shopping centers are operating in China as of the end of 2016, suggesting that shopping center development is growing the most in China, while the risk of over development is gradually growing in some cities. MOFCOM started the quarterly announcement of the shopping center development index from this year to provide information to relevant parties in the industry.

A questionnaire survey is conducted on 100 shopping centers in 58 cities in 28 provinces, asking them about their macro environment, situation of tenants, income, expenditures, and future outlook, and the answers are converted into sub-indices on a scale of 0 to 100, with 50 being the break-even point for their business confidence – above 50 suggests growth and below 50 suggests a slowdown.

The general shopping center development index fell to 64.8 in the second quarter from 68.3 in the first quarter, which was explained to be due to seasonal factors in the second quarter with less sales promotion events. Meanwhile, the index largely exceeded the break-even point of 50 for two consecutive terms, showing a continued uptrend in the shopping center business according to MOFCOM/CCFA.

By sub-index, the tenant index rose, showing that businesses were more willing to open stores in shopping centers. By store type/location, the index of shopping centers located close to residential areas rose, which MOFCOM/CCFA interpreted to be attributable to their good performance achieved by securing small but stable customer bases.

**<Shopping center (SC) development index>**

Total index and sub-indices	2016	2017	
	(Full year)	1st quarter	2nd quarter
<b>SC development index (general: 100%)</b>	<b>67.2</b>	<b>68.3</b>	<b>64.8</b>
<b>Current situation index (60%)</b>	<b>64.2</b>	<b>63.6</b>	<b>57.9</b>
Macro environment (5%)	65.1	82.6	79.4
Tenant index (8%)	79.0	80.8	81.3
Income such as sales (22%)	89.9	80.1	72.8
Expenditure such as sales promotion cost (25%)	39.7	39.7	33.0
<b>Future outlook index (40%)</b>	<b>71.7</b>	<b>75.3</b>	<b>75.1</b>

(Source) Created based on China's SC development index

**<SC development index by store type/location>**

Store type/location	2016	2017	
	(Full year)	1st quarter	2nd quarter
Urban SC	62.7	69.3	64.0
Suburban SC	68.4	64.9	61.2
Residential area SC	69.8	67.6	73.5
Outlet SC	71.2	70.7	65.8

(Source) Created based on China's SC development index