CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

October 18th 2017

■ BIWEEKLY DIGEST

[Economy]

- **Business sentiment in both corporate and banking sectors continues to improve in FY2017 3Q**
- **Manufacturing PMI for September reaches a high level in five and a half years**
- **Second national census on pollution sources to start in 2018**

[Industry]

- **The end of preferential treatment of customs clearance procedures for cross-border e-commerce imports has been postponed again to the end of 2018**
- **Home prices for 70 medium and large cities for August: 46 cities with MoM growth and 68 cities with YoY growth**
- **Passenger car manufacturers and importers to be obligated to manufacture and sell new energy vehicles from 2019**
- **Chinese e-commerce transactions in the first half of 2017 increase by 27.1 % YoY to RMB 13.35 trillion**

[Trade/ Investment]

- **August: Inward foreign direct investment rises 7.0% YoY and outward foreign direct investment falls 24.8% YoY**
- **Jilin and Henan Provinces announce a hike in minimum wage**

[Finance/Exchange]

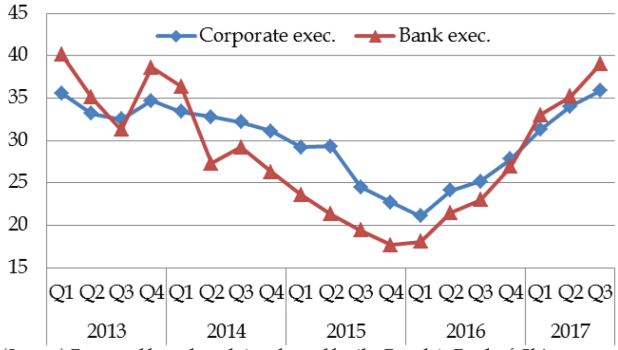
- **The People's Bank of China announces a conditional reserve requirement ratio cut to be put into force in 2018**

[Economy]

◆Business sentiment in both corporate and banking sectors continues to improve in FY2017 3Q

On September 15, the People's Bank of China announced the results of a survey on the business sentiment in FY2017 3Q conducted for corporations, financial institutions, and individuals. The business sentiment index in the corporate sector and the banking sector improved for the sixth and seventh consecutive terms respectively.

<Change in Macroeconomic Sentiment Index>

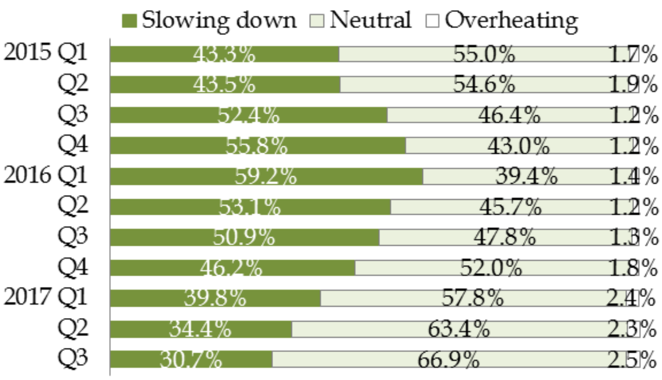


(Source) Prepared based on data released by the People's Bank of China

Among corporate executives, macroeconomic sentiment rose 1.9 points to 35.9 from 34.0 in the previous term. 30.7% of respondents answered that the economy is currently slowing down, down from 34.4% in the previous term, while 66.9% of respondents answered that it is neutral, up from 63.4% in the previous term.

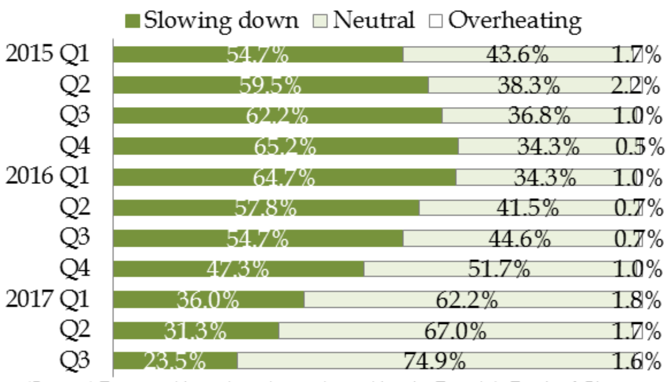
Macroeconomic sentiment for bank executives grew 3.8 points to 39.0 from 35.2 in the previous term. 25.3% of respondents answered that the economy is currently slowing down, down from 31.3% in the previous term, while 74.9% of respondents answered that it is neutral, up from 67.0% in the previous term.

<Economic sentiment of corporate executives>



(Source) Prepared based on data released by the People's Bank of China

<Economic sentiment of bank executives>

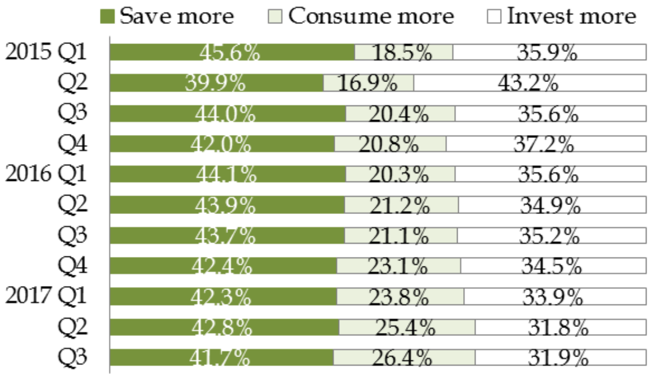


(Source) Prepared based on data released by the People's Bank of China

In the survey of depositors in urban areas on their willingness to save, consume and invest, 41.7% of respondents showed an intention to save more, down from 42.8% in the previous term. On the other hand, 26.4% of the respondents were willing to consume, up from 25.4% in the previous term, and 31.9% showed an intention to invest more, up from 31.8% in the previous term.

The list of the top 7 items (multiple answers) for which the depositors are most willing to spend in the next three months were ①travel (31.4%), ② education (28.6%), ③ healthcare (25.0%), ④ houses (22.5%), ⑤ luxuries (22.0%), ⑥ socializing, culture and entertainment (19.0%) and ⑦insurance (15.0%).

<Economic sentiment of urban depositors >



(Source) Prepared based on data released by the People's Bank of China

◆Manufacturing PMI for September reaches a high level in five and a half years

According to the September 30 announcement by the National Bureau of Statistics (NBS) and the China Federation of Logistics & Purchasing (CFLP), the manufacturing PMI for September increased by 0.7 point month-on-month (MoM) to 52.4, improving for the second consecutive month, and surpassed 50 points, which is the break-even point for business confidence, for the fourteenth consecutive month, marking the highest level since April 2012.

By major item, the production index increased 0.6 point MoM to 54.7, the new orders index gained 1.7 points MoM to 54.8, and the new export orders index added 0.9 point MoM to 51.3. In addition, the index for the purchase price of raw materials also rose by 3.1 points MoM to 68.4, hitting a yearly high as in the previous month. The NBS indicated that even though the manufacturing sector increased production in response to strong domestic and foreign demand, it was further exposed to the pressure of increasing costs.

Further, the expected production and business activities index, which indicates the business confidence for the future, dropped 0.1 point MoM to 59.4.

The September non-manufacturing PMI rose by 2.0 points MoM, improving to 55.4. Particularly, the index for the service sector added 1.8 points MoM to 54.4. The construction sector entered into a peak period and its index rose by 3.1 points to 61.1, recovering a high level.

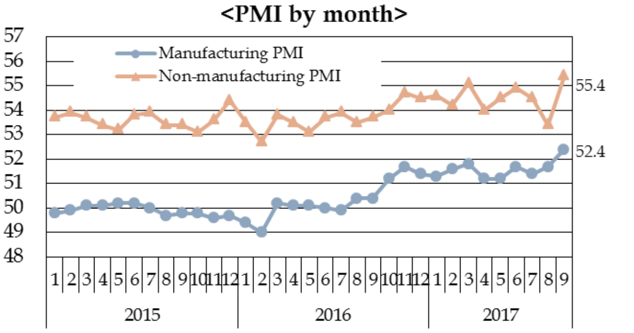
<Manufacturing PMI and sub-indices>

		Manufacturing PMI	Production	New orders	New export orders	Raw material purchase price	Import	Employment	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
	Sep	52.4	54.7	54.8	51.3	68.4	51.1	49.0	59.4

(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

◆Second national census on pollution sources to start in 2018

On September 21, the General Office of the State Council released a plan for the country's second national census on pollution sources (Office of the State Council (2017) Circular No. 82). The survey will investigate the scale, structure, and distribution of pollution sources, and the generation, emission and disposal of pollutants across the country in order to establish a database for the government to execute environment-related policies. It is conducted once a decade in principle, with the first one in 2008.

The second census will cover all organizations and private proprietors, and their actual situations in FY2017 regarding pollution sources generated in the five fields of industrial production, agriculture, national life, centralized pollution treatment facilities, and mobile pollution sources (automobiles, vessels, and construction machinery). According to the schedule, the survey will be completed within 2018, and the results will be published in 2019.

Furthermore, regarding the investigation on the industrial pollution sources, the authorities require companies operating in industrial complexes to fill out and submit a questionnaire and be subjected to onsite inspections. Survey items include consumption of raw materials, production of products, and generation, emission, disposal, and general utilization of waste, etc.

[Industry]

◆ The end of preferential treatment of customs clearance procedures for cross-border e-commerce imports has been postponed again to the end of 2018

In the State Council executive meeting on September 20, Premier Li Keqiang announced the policy to continue to grant preferential treatment on customs clearance procedures for cross-border e-commerce retail imports through the end of 2018. The deadline was postponed for the second time following November 2016.

On April 8, 2016, the country introduced its new tax policies on retail goods purchased through cross-border e-commerce platforms. As a temporary measure for the transition to the new tax system, in 10 pilot cities(*) for cross-border e-commerce, bonded merchandise purchased through e-commerce platforms is exempted from customs clearance certificate inspection when they are carried into special customs supervision zones, such as bonded areas. Likewise, some imported goods (cosmetics, powdered milk, medical devices and health food products) are exempt from import licensing approval, etc. These exemptions were originally to be effective until May 11, 2017, but the Ministry of Commerce announced in November 2017 to extend the tentative measures until the end of 2017. The recent policy update extends them again until the end of 2018.

(*) 10 cities: Tianjin, Shanghai, Hangzhou, Ningbo, Zhengzhou, Guangzhou, Shenzhen, Chongqing, Fuzhou and Pingtan

The preferential treatment has been postponed twice, as many cross-border e-commerce retail import products are directly purchased by buyers, so there have been many cases in which they have been unable to submit documents required for import licensing approval such as certificate of origin, contract, etc. It is also because that the development of cross-border e-commerce has been impeded significantly by import licensing approval, which is mandatory for some imported goods, which can take from several months to over a year.

The Ministry of Commerce (MOFCOM) commented that it is desirable to continue to grant preferential treatment on customs clearance procedures for cross-border e-commerce retail imports, in order to respond to diversified consumption in China, as well as promote a shift in consumption from the overseas market toward the Chinese market.

According to report titled "2017 (H1) China Online Retail Market Data Monitoring Report" released on September 19 by the China E-business Research Center, the import amount of China's e-commerce market (including retail and wholesale) for the first half of 2017 increased by 66.3% YoY to RMB 862.4 billion, and the total for 2017 is expected to increase by 54.5% YoY to RMB 1.8543 trillion.

<Outline of policies related to cross-border ecommerce retail import>

Announced	Outline
2016/3/24	Name: Notice on the Tax Policies on Cross-Border E-Commerce Retail Imports (No. 18 [2016], Ministry of Finance) Outline: As of April 8 2016, the tax system on cross-border e-commerce retail import products changed from the parcel tax that treated them as personal commodities to tariffs, import value-added tax and consumption tax treating cross-border e-commerce retail import as general trade. However, if each single transaction amount is RMB 2,000 or less and the annual transaction amount is RMB 20,000 or less, the applicable tariff rate shall be set at 0% and the VAT and consumption tax payable shall be set to 70% of the statutory tax amounts.
2016/5/24	Name: Notice on the New Supervision Control Requirements on Cross-Border E-Commerce Retail Imports (No. 29 [2016], General Administration of Customs) Outline: In 10 pilot cities(*) for cross-border e-commerce, bonded merchandise purchased through e-commerce platforms is exempted from customs clearance certificate inspection when they are carried into special customs supervision zones, such as bonded areas. Some imported goods, including cosmetics, powdered milk, medical devices and health food products are temporarily exempt from import licensing approval, registration process, etc. for the first import. On the other hand, directly-imported goods are exempt from submission of customs clearance certificates and the registration process for all of China. Effective until: May 11, 2017
2016/11/15	The transitional period for the customs clearance procedures mentioned above (No. 29 [2016] issued by the General Administration of Customs) was extended to December 31st, 2017. (announced by MOFCOM)
2017/9/20	The end of preferential treatment of customs clearance procedures for cross-border e-commerce imports has been postponed again to the end of 2018 (announced at the State Council executive meeting)

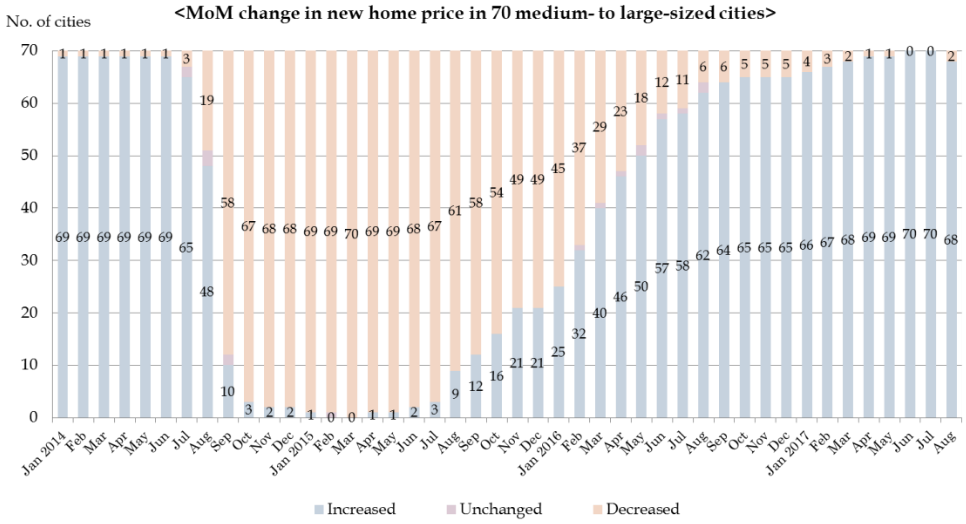
◆Home prices for 70 medium and large cities for August: 46 cities with MoM growth and 68 cities with YoY growth

On September 18, the National Bureau of Statistics (NBS) announced the home price indices for 70 medium and large cities for August.

The sales prices of newly constructed homes rose from the previous month in 46 cities, down 10 cities MoM, and dropped in 18 cities, up 13 cities MoM. The prices increased considerably in Guilin (Guangxi Zhuang Autonomous Region), up 1.1% MoM, and Hohhot (Inner Mongolia Autonomous Region), up 1.0% MoM, while they dropped considerably in Haikou (Hainan), down 1.0% MoM, and Guangzhou (Guangdong), down 0.7% MoM.

The average price increase rate is shrinking overall, decreasing MoM from 0% to -0.3% among first-tier cities (*), from 0.4% to 0.2% among second-tier cities (*) and from 0.6% to 0.4% among third-tier cities.

<MoM change in new home price in 70 medium- to large-sized cities>

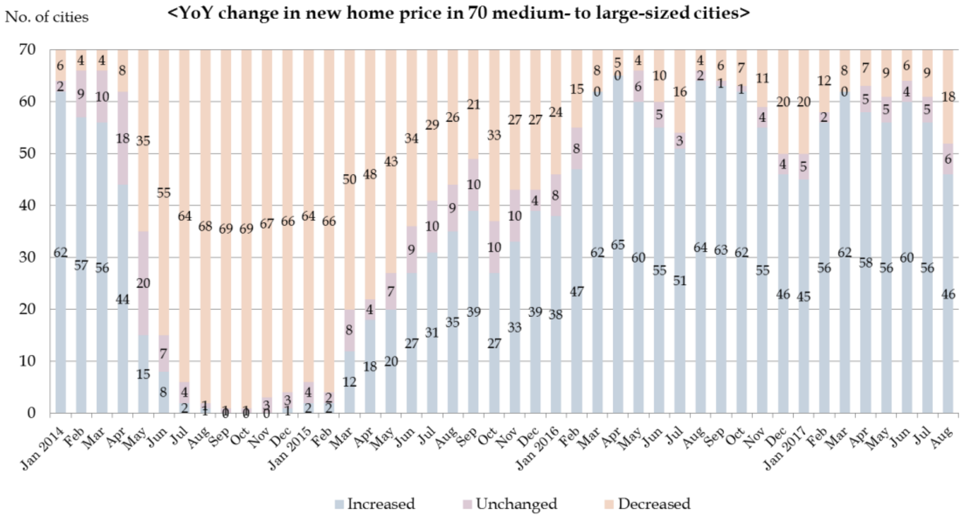


(Source) Prepared based on data published by the National Bureau of Statistics of China

Meanwhile, on a year-on-year basis, the prices increased in 68 cities, down two cities MoM.

The prices increased significantly in Changsha (Hunan), up 16.9% YoY, Bengbu (Anhui), up 15.2% YoY, and Beihai (Guangxi Zhuang Autonomous Region), up 14.9% YoY. Meanwhile, the price fell in Shenzhen (Guangdong), down 2.0% YoY and Chengdu (Sichuan), down 0.3% YoY. The average price increase rate fell 3.0 percentage points MoM among first-tier cities (*), down for the 11th consecutive month, and dropped 1.6 percentage points MoM among second-tier cities (*), down for the 9th consecutive month.

<YoY change in new home price in 70 medium- to large-sized cities>



(Source) Prepared based on data published by the National Bureau of Statistics of

(*)First-tier cities: Beijing, Shanghai, Guangzhou, and Shenzhen
Second-tier cities: 31 cities including provincial capitals and sub-provincial cities
Third-tier cities: 35 cities, excluding the above first- and second-tier cities from 70 cities

◆Passenger car manufacturers and importers to be obligated to manufacture and sell new energy vehicles from 2019

The Ministry of Industry and Information Technology (MIIT), the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, and the General Administration of Quality Supervision, Inspection and Quarantine jointly announced the Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credits (No. 44) on September 27. This new system promotes more efficient fuel consumption and wider use of NEVs, and requires passenger car manufacturers and importers to manufacture and sell NEVs from 2019.

Specifically, each passenger car manufacturer or importer shall set annual CAFC and NEV (*1) targets. If they achieve their targets, they will receive positive credit. If they do not reach their targets, they will receive negative credit. Companies that did not achieve their targets must offset their negative credit by purchasing positive credit from companies that achieved their targets. Also, negative CAFC credit can be offset with positive NEV credit, but not vice versa.

(*1) NEVs include electric vehicles (EVs), plug-in hybrid vehicles (PHVs), and fuel cell vehicles (FCVs).

The introduction of this system was postponed by one year due to the strong requests of industry groups of various countries to postpone the introduction of the NEV credit scheme in 2018, which were made in response to public comments issued in September 2016 and June 2017.

The MIIT plans to launch a CAFC and NEV credit management platform, and intends to disclose credit-related information of all passenger car manufacturers and importers in the future. Companies that cannot offset their negative credit will be subject to penalties, such as having to review their production or import plan, or not being granted China Compulsory Certification (CCC), which is necessary to import and sell cars.

The Technology Road Map for Energy Saving and New Energy Vehicles issued by the government in October 2016 sets a goal to raise the share of NEVs in the annual total number of cars sold to 40% or more by 2030.

<Outline of the Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption and New Energy Vehicle Credits>

Item		CAFC credit scheme	NEV credit scheme
Introduction period		FY2018	FY2019
Management targets		All passenger car manufactures and importers	Companies annually manufacturing or importing 30,000 or more internal combustion engine (ICE) passenger cars
Credit calculation method	Calculation	Actual credit - Target credit > 0 = Positive credit Actual credit - Target credit < 0 = Negative credit	
	Target credit	Calculated based on Article 5-2 of Fuel Consumption Evaluation Methods and Targets for Passenger Cars (GB 27999-2014) enforced in January 2016 (The conditions stated in the above standard will be relaxed for companies annually manufacturing or importing fewer than 2,000 passenger cars.)	Target credit = Production/Import volume of ICE passenger cars x Specified ratio (*) *2019: 10% 2020: 12% 2021 and onwards: to be formulated
	Actual credit	Calculated based on Article 5-1 of Fuel Consumption Evaluation Methods and Targets for Passenger Cars (GB 27999-2014) enforced in January 2016	Actual credit = NEV production/import volume x Credit applied per car Applied credit is calculated based on formulas differing depending on the type of NEV (EV, PHV, FCV, etc.), driving range, vehicle weight, and energy consumption. <Reference: calculation example> For a company producing 1 million ICE passenger cars (2019): - Target credit: 100,000 points - Applied credit per standard EV: 0.012 x driving range (=250 km) + 0.8 = 3.8 points - Necessary EV production volume to satisfy the target credit: about 26,000 points
Credit balance	Positive credit	- Possible to carry over a specified ratio of credit to the next fiscal year - Possible to transfer credit to affiliated companies	- Possible to sell credit to other companies - Impossible to carry over credit to the next fiscal year (possible in 2019, the first fiscal year)
	Negative credit	・Offset by the following types of positive credit - Own CAFC credit carried over - CAFC credit received from affiliated companies - Own NEV credit (*) -NEV credit purchased from other companies (*) * 1 NEV credit = 1 CAFC credit	・Offset by the following types of positive credit - NEV credit purchased from other companies - Own NEV credit for the next fiscal year (applicable only in 2019, the first fiscal year)

(Source) Created based on the Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credits

◆Chinese e-commerce transactions in the first half of 2017 increase by 27.1% YoY to RMB 13.35 trillion

According to the 2017 (H1) China Online Retail Market Data Monitoring Report issued by the China E-commerce Research Center (CECRC) on September 19, e-commerce transactions in China in the first half of 2017 rose by 27. 1% YoY to RMB 13.35 trillion, growing at a faster pace than throughout 2016 (+25.5% YoY).

<Breakdown by transaction type>

Among e-commerce transactions, B2B transactions increased by 24.0% YoY to RMB 9.8 trillion (2016: +20.1% YoY). The top five companies with the largest transaction shares were Alibaba (37.0%), HC International (7.9%), Global Sources (4.3%), Shanghai Ganglian E-Commerce Holdings (4.2%), and Focus Technology (3.7%).

Transactions for the retail of goods (B2C and C2C) grew by 34.8% YoY to RMB 3.1 trillion. The top five companies with the largest shares were Alibaba's subsidiary Tmall (50.2%), JD.com (24.5%), vip.com (6.5%), Suning.com (5.4%), and Gome.com.cn (4.1%).

Transactions related to life services increased by 21.8% YoY to RMB 450 billion.

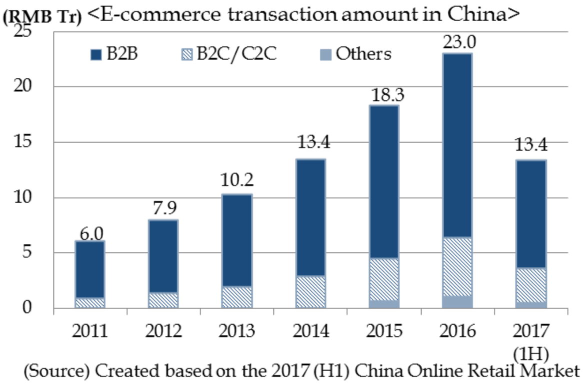
<Cross-border e-commerce>

Cross-border e-commerce transactions in the first half of 2017 rose by 30.7% YoY to RMB 3.6 trillion (2016: +24.0% YoY), and accounted for a quarter of e-commerce overall.

In terms of the balance of import and export, export transactions largely exceeded import transactions in the first half of 2017, covering 76.1% of RMB 2.75 trillion over 23.9 % of RMB 862.4 billion. Trading companies that used to be engaged in conventional transactions are also reported to have begun using e-commerce as a new export channel. On the other hand, at a growth ratio of +66.3% YoY, imports grew faster than exports, which grew 31.5% YoY

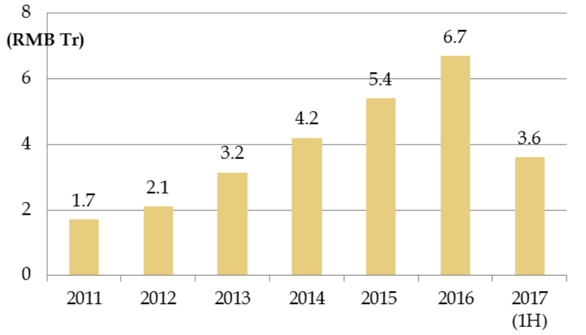
By transaction type, B2B transactions remained the mainstream transaction type with 87.4 % over B2C transactions with 12.6%. According to CECRC, companies in the B2B export market are enhancing their competitiveness such as by offering one-stop services for the series of logistics, customs, finance, and other export-related services as competition is intensifying due to the entry of platform companies. The report also suggests that the One Belt, One Road initiative has boosted the expansion of B2B export transactions.

<E-commerce transaction amount in China>



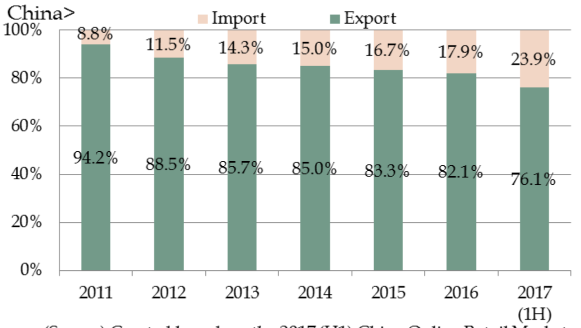
(Source) Created based on the 2017 (H1) China Online Retail Market Data Monitoring Report by CECRC

<Cross-border e-commerce transaction amount in China>



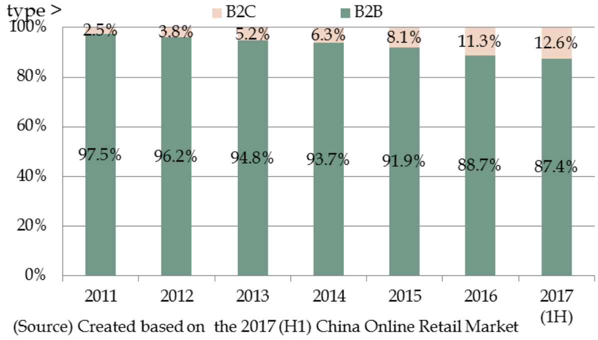
(Source) Created based on the 2017 (H1) China Online Retail Market Data Monitoring Report by CECRC

<Breakdown of cross-border e-commerce transactions in China>



(Source) Created based on the 2017 (H1) China Online Retail Market Data Monitoring Report by CECRC

<Cross-border e-commerce transactions in China by transaction type >



(Source) Created based on the 2017 (H1) China Online Retail Market Data Monitoring Report by CECRC

The MIIT released the Three-Year Action Plan for the Development of Industrial E-commerce on September 25. This action plan aims to increase e-commerce purchases to RMB 9 trillion and e-commerce sales to RMB 11 trillion while raising the share of e-commerce transactions of major industrial companies to 60% by 2020. It also sets out five major action plans to (1) boost e-commerce use of leading industrial companies, (2) develop industrial e-commerce platforms, (3) spread e-commerce among small and medium-sized companies, (4) set up industrial e-commerce model areas, and (5) establish an industrial e-commerce support service framework.

[Trade/ Investment]

◆ August: Inward foreign direct investment rises 7.0% YoY and outward foreign direct investment falls 24.8% YoY

The Ministry of Commerce (MOFCOM) released statistical data on inward and outward foreign direct investment on September 18.

<Inward foreign direct investment>

Regarding inward foreign direct investment (excluding the financial sector) in August, the number of newly founded, foreign affiliated companies decreased by 1.8% YoY to 2,686, inward foreign direct investment (executed) increased by 7.0% YoY to USD 9.36 billion, versus a 15.8% YoY drop in July, resulting in an increase in the investment growth rate for the first time in five months.

In the January-August period, the number of newly-founded, foreign affiliated companies increased by 10% YoY to 20,389, and inward foreign investment declined by 5.1% YoY to USD 81.5 billion (January-July: down 6.5% YoY). While the total investment amount continues to decline YoY, the amount of decline has slowed.

By country and region, direct investment from Japan declined by 0.9% YoY* to USD 2.04 billion (January-July: down 3.8% YoY*), and direct investment from the U.S. declined by 31.8% YoY* to USD 1.99 billion (January-July: down 37.5% YoY*), the pace of decline slowing for both. The decrease accelerated for foreign direct investment from the ASEAN region (down 26.4% YoY to USD 3.39 billion, January-July: down 23.3% YoY) and the EU (down 3.5% YoY to USD 6.43 billion, January-July: down 1.1% YoY). Investment from the One Belt, One Road region dropped by 24.4% YoY to USD 3.62 billion (January-July: down 22.5% YoY).

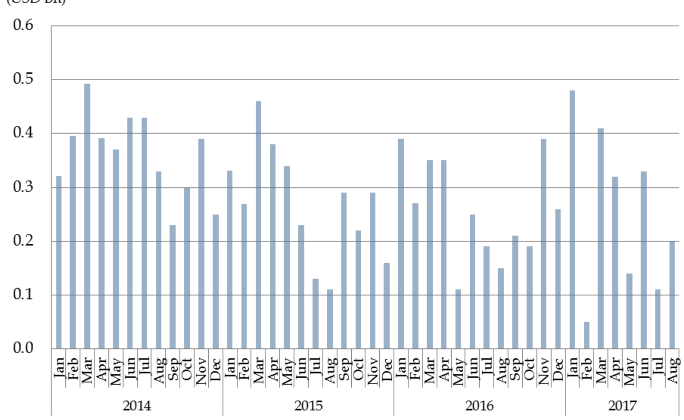
*These figures were calculated by BTMU based on the inward foreign direct investment amounts announced by MOFCOM.

By sector for January-August, investment dropped by 1.5% YoY to USD 23.39 billion (January-July: down 5.7% YoY), 1.5% YoY to USD 23.39billion in the manufacturing sector (January-July: down 5.7% YoY) and 6.4% YoY to USD 56.92 billion in the service sector (January-July: down 6.8% YoY). The drop shrank in all sectors.

<Inward foreign direct investment in China by month>

(Source) Created based on data released by MOFCOM

<Japanese direct investment in China by Month>



(Source) Created based on data released by MOFCOM

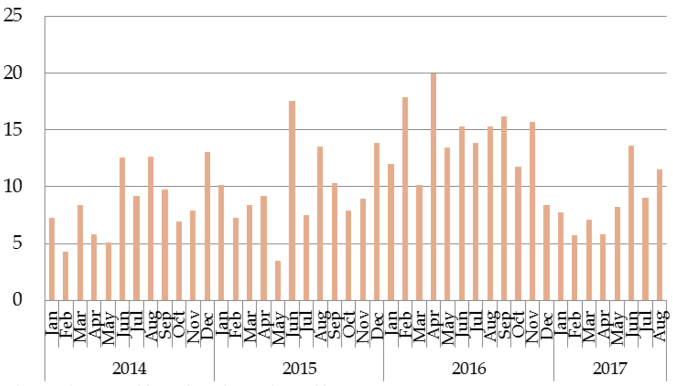
<Outward foreign direct investment>

Outward foreign direct investment (excluding the financial sector) continued to fall YoY, by 24.8%(*) YoY to USD 11.5 billion in August (July: a drop of 35.1% YoY(*)) and by 41.8% YoY(*) to USD 68.72 billion in the January-August period (a 44.3% YoY drop for the January-July period), declining greatly compared to the previous year, but the amount of decline shrank from the previous month.

(*) Calculated by BTMU based on the amount of outward FDI announced by the MOFCOM.

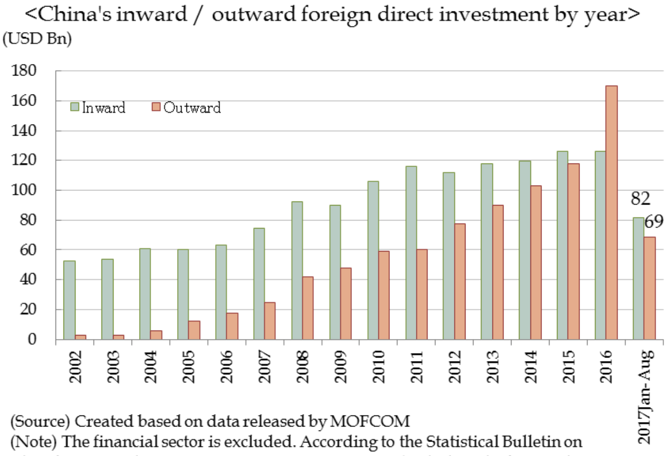
The major sectors for outward FDI by industry over the January-August period were leases and business services accounting for 31.1% of FDI, manufacturing accounting for 16.9% of FDI, wholesale/retail accounting for 12.6% of FDI and software / information technology services accounting for 10.3% of FDI. Meanwhile, no new investment was made in real estate and sports and leisure in August.

<Chinese outward foreign direct investment by month>



(Source) Created based on data released by MOFCOM

<China's inward / outward foreign direct investment by year>



(Source) Created based on data released by MOFCOM
(Note) The financial sector is excluded. According to the Statistical Bulletin on China's Outward Foreign Direct Investment in 2015 (including the financial sector) published jointly by MOFCOM, NBS, and SAFE, outward foreign direct investment exceeded inward foreign direct investment in 2015.

◆Jilin and Henan Provinces announce a hike in minimum wage

The governments of Jilin and Henan Provinces recently announced a minimum wage hike.

The minimum wage will be raised from 1,480 yuan (December 2015 revision) to 1,780 yuan in Jilin Province, and from 1,600 yuan (July 2015 revision) to 1,720 yuan in Henan Province. Both hikes will take effect from October 1, 2017

Aside from these two regions, Shanghai city, Shenzhen city, Shaanxi Province, Fujian Province, Shandong Province, Tianjin city, Qinghai Province, Jiangsu Province, Beijing city, Hunan Province, Guizhou Province and Gansu Province have implemented or announced a minimum wage hike this year, for a total of 14 regions.

[Finance/ Exchange]

◆The People's Bank of China announces a conditional reserve requirement ratio cut to be put into force in 2018

The People's Bank of China (PBoC) announced an RMB reserve requirement ratio cut for financial institutions, which will be put into force in January 2018, for the first time since March 2016.

Specifically, the PBoC intends to lower the reserve requirement ratio for financial institutions whose outstanding loans (or annual increase in loans in 2017) to small- and medium-sized companies and unemployed people starting a business, and provided in relation to the so-called three rural issues (agriculture, rural areas, and farmers) and the salvation of the poor as of the end of 2017 account for 1.5% or more of their total outstanding loans (the amount of increase), and 1.5% for those whose outstanding balance accounts for 10.0 % or more.

The PBoC had been implementing selective financial support policies focusing on small- and medium-sized companies and the three rural issues since 2014, but extended its scope of support to the unemployed and the poor.

According to estimation by the PBoC, all medium- and large-sized commercial banks and more than 90% of regional banks will be subject to the reserve requirement ratio cut.