

CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

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■ BIWEEKLY DIGEST

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- **Main Economic Indicators for April: Investment and consumption slow down while industrial production climbs**

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- **April housing prices rise in 58 of 70 medium and large cities, posting a YoY rise in 59 cities**

[Trade/ Investment]

- **April trade statistics show exports and imports up 12.9% and 21.5% YoY**
- **Executive meeting of the Standing Committee of the State Council: Procedures for establishing foreign companies now simplified further**

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- **Foreign reserves in April decline by USD 18 billion from March**
- **RMB rises to No. 6 in SWIFT's March global payment currency ranking**
- **April cross-border RMB settlements**
- **New RMB loans for April increase RMB 79.7 billion YoY and RMB 60 billion MoM**

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[Economy]

◆ April 2018: CPI and PPI rise 1.8% and 3.4% YoY

The National Bureau of Statistics (NBS) of China announced on May 10 that the overall consumer price index (CPI) for April rose 1.8% year-on-year (YoY), down 0.3 percentage point from March. By category, April CPI fell 1.4 points to 0.7% YoY for foods, while CPI for non-foods remained unchanged at 2.1%. Prices for pork dropped off significantly, down 16.1% YoY from 12.0% YoY in March, pushing down the overall CPI.

The producer price index (PPI) for April 2018 increased 3.4% YoY, up 0.3 percentage point from the previous month. NBS commented that the overall PPI increase is due to higher PPI for

extraction of petroleum and natural gas, processing of petroleum, coal and other fuels, smelting and pressing of ferrous metals, and manufacturing of chemical products, up 8.3 points, 1.7 points, 1.1 points, and 1.0 point YoY respectively.

◆ Main Economic Indicators for April: Investment and consumption slow down while industrial production climbs

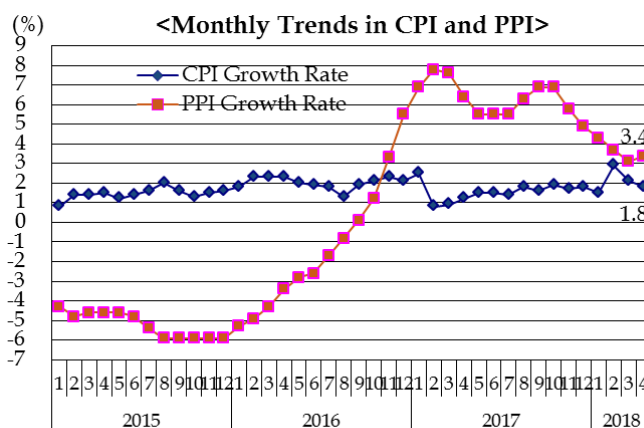
The National Bureau of Statistics (NBS) announced its major economic indicators for April on May 15.

Investment in fixed assets grew 7.0% year-on-year (YoY) for January–April (January–March: up 7.5% YoY), slowing down for the second consecutive month. Within this category, infrastructure investment increased 12.4% YoY (January–March: up 13.0% YoY), continuing the consecutive monthly decrease in the growth rate on-going since December 2017.

Furthermore, the total retail sales of consumer goods for April grew 9.4% YoY (March: up 10.1% YoY), a smaller rate of growth MoM.

Meanwhile, China's industrial production (value added) for April went up 7.0% YoY (March: up 6.0% YoY), growing 1.0 percentage point from March. In particular, the high-tech industry is showing remarkable growth with industrial robots, up 35.4% YoY, and new energy vehicles, up 82.2% YoY, as the driving forces.

NBS commented that the economic trends from January to April were generally stable, with expansion in industrial production as well as a favorable employment situation. It also recognized the average daily registration of new companies exceeding 20,000 in April and the strong growth of consumer business including e-commerce as indications of growing economic viability. Meanwhile, factors such as the previous year's comparatively high investment figures and the strengthening of control over public-private partnerships (PPP) and local governments' bond issuance and fundraising were related to the slow-down in infrastructure investment. However, the Bureau did also comment that although such strengthening might affect investment growth in the short term, it will also lead to robust investment expansion in the medium to long term due to the still-high demand for local infrastructure development.



Source: Created based on data released by NBS

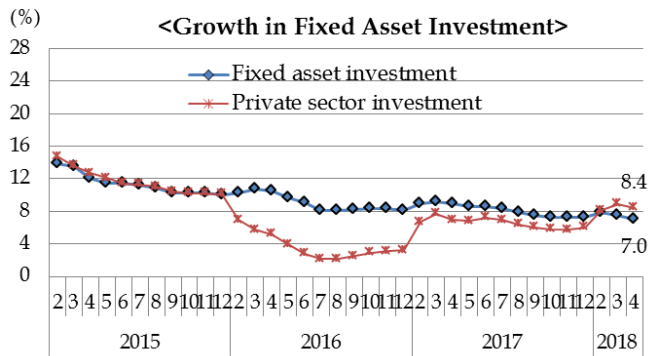
<Main Economic Indicators for April>

Item		Amount	YoY(%)	
Investment in fixed assets*		(RMB Bn)	15,435.8	7.0
State-owned sector		(RMB Bn) (Unreleased)		6.5
Private sector		(RMB Bn)	9,544.9	8.4
By industry	Primary industry	(RMB Bn)	459.1	16.8
	Secondary industry	(RMB Bn)	5,596.0	2.5
	Tertiary industry	(RMB Bn)	9,380.7	9.3
Value-added industrial production**		-	-	7.0
Total retail sales of consumer goods		(RMB Bn)	2,854.2	9.4
Consumer price index (CPI)		-	-	1.8
Industrial producer price index (PPI)		-	-	3.4
Industrial producer purchase price		-	-	4.2
Exports		(USD Bn)	200.4	12.9
Imports		(USD Bn)	171.7	21.5
Trade balance		(USD Bn)	28.8	-
Inward foreign direct investment (actual basis)		(USD Bn)	9.1	1.9

* Cumulative total for January–April excl. investments by rural companies

** Independently-accounted state-run companies and non-state-run companies with annual sales of RMB 20 million or more

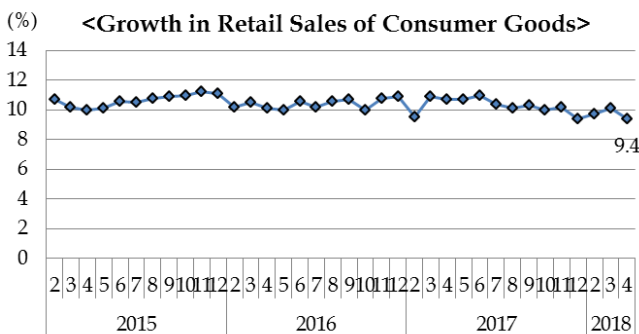
Source: Created based on data released by the National Bureau of Statistics and others



Note: Cumulative total from the start of the year
Source: Created based on data released by the National Bureau of Statistics



Note: Cumulative total of January and February used for February data
Source: Created based on data released by the National Bureau of Statistics



Note: Cumulative total of January and February used for February data
Source: Created based on data released by the National Bureau of Statistics

[Industry]

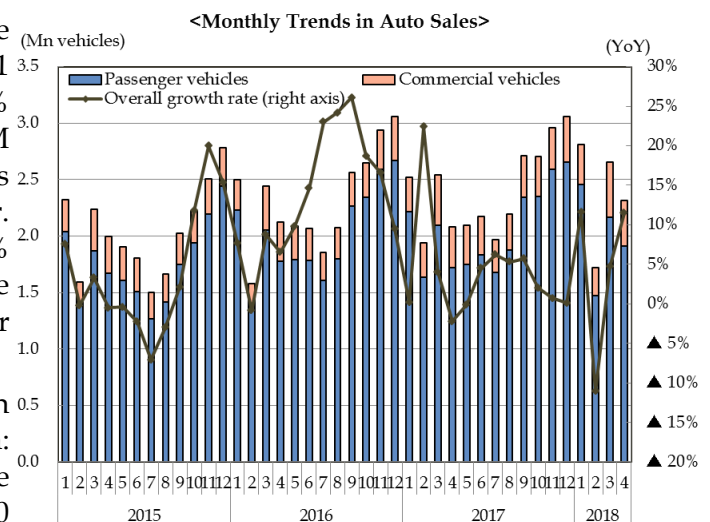
◆ April auto sales up 11.5% YoY: Sales of new energy vehicles soar 138.4%

The China Association of Automobile Manufacturers (CAAM) announced on May 11 that the country's auto sales for April rose 11.5% year-on-year (YoY) to 2.32 million vehicles. CAAM related the two-digit growth rate to the small sales in the same month of the previous year. Cumulative sales for January–April went up 4.8% YoY to 9.50 million units, demonstrating a notable increase in the growth rate from the 2.8% YoY for January–March.

By vehicle type, sales of passenger vehicles in April rose 11.2% YoY to 1.91 million units (March: up 3.5% YoY to 2.17 million units), while commercial vehicles jumped 13.0% to 404,000 units (March: up 10.5% YoY to 488,000 units).

When looking at YoY sales by type of passenger car, sales of sedans rose 10.8% to 928,000 units (March: up 3.7% to 1.03 million units), sport utility vehicles (SUVs) jumped 18.3% to 810,000 units (March: up 10.7% to 921,000 units), and multi-purpose vehicles (MPVs) dropped 4.6% to 137,000 units (March: down 11.5% to 176,000 units).

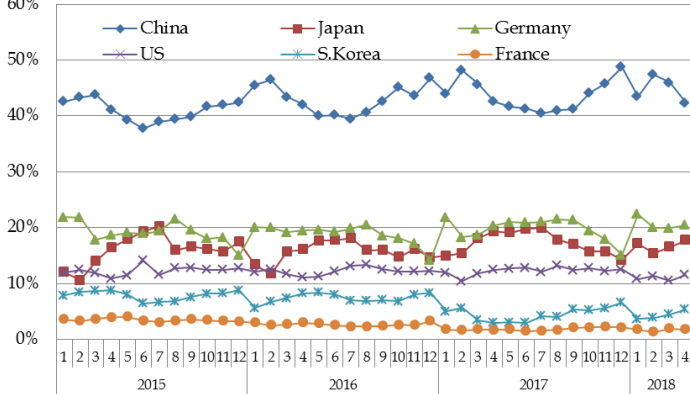
Turning to the share of sales in the Chinese passenger car market by country of manufacture, Chinese automakers held a 42.3% share (March: 45.9%) with 810,000 units, German automakers rose to 20.4% (March: 19.9%) with 391,000 units, Japanese automakers seized 17.7% (March: 16.5%) with 339,000 units, and U.S. automakers accounted for 11.5% (March: 10.5%) with 221,000 units, while South Korean automakers accounted for 5.4% (March: 4.5%) with 103,000 units and French automakers 1.8% (March: 1.9%) with 34,000 units. German, Japanese, U.S., and South Korean automakers increased their market shares.



Source: Created based on data released by CAAM

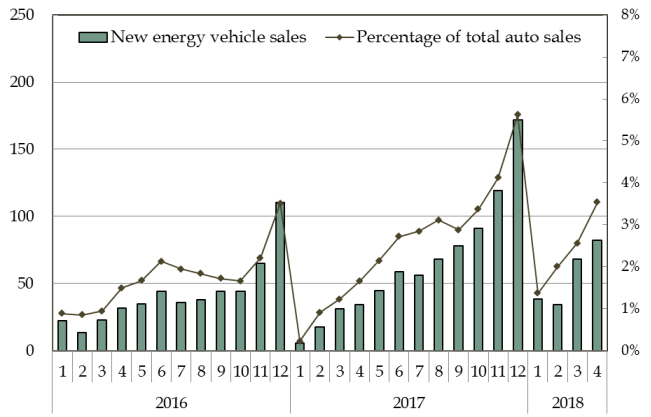
Meanwhile, sales of new energy vehicles were still booming in April with an increase of 138.4% YoY to 82,000 units (March: up 117.4% to 68,000 units), of which electric vehicles (EVs) rose 126.8% to 65,000 units (March: up 105.9% to 52,000 units), and plug-in hybrid vehicles (PHVs) grew 194.6% to 17,000 units (March: up 167.2% to 16,000 units). The cumulative total of new energy vehicles for January–April increased 149.2% YoY to 225,000 units (January–March: up 154.3% to 143,000 units), of which EVs were up 130.5% YoY to 168,000 units (January–March: up 131.0% YoY to 102,000 units), and PHVs up 226.7% YoY to 57,000 units (January–March: up 242.6% YoY to 40,000 units).

<Monthly Trends in Share of Passenger Car Sales by Country of Manufacture (YoY)>



Source: Created based on data released by CAAM

<New Energy Vehicle Sales>



Source: Created based on data released by CAAM

◆ April housing prices rise in 58 of 70 medium and large cities, posting a YoY rise in 59 cities

On May 16, the National Bureau of Statistics of China (NBS) released the April housing price index for 70 medium- and large-sized cities.

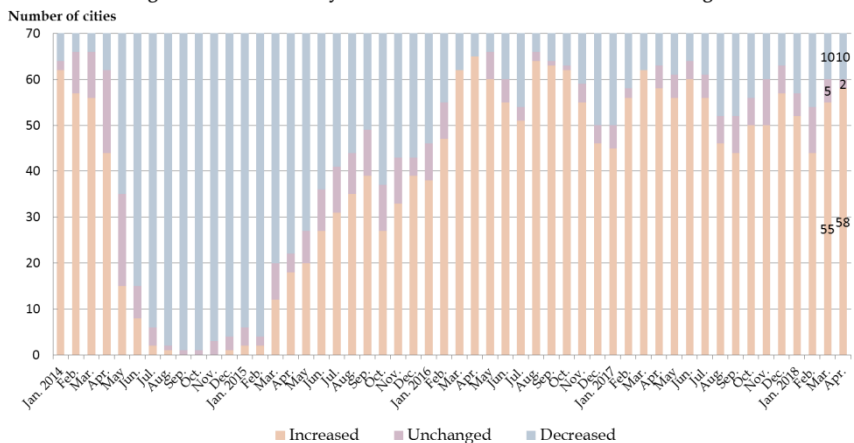
The prices of newly constructed homes rose MoM in 58 cities, up 3 cities from the previous month, marking two consecutive months of increases. The prices dropped in 10 cities, the same number as in the previous month.

MoM prices rose substantially in Dandong (Liaoning), up 2.0%, and in Haikou and Sanya (both in Hainan), up 1.9%.

The largest MoM price drops were in Anqing (Anhui), down 0.3%, and in Wuxi and Nanjing (Jiangsu), Hefei (Anhui), and Xining (Qinghai), all decreasing by 0.2%.

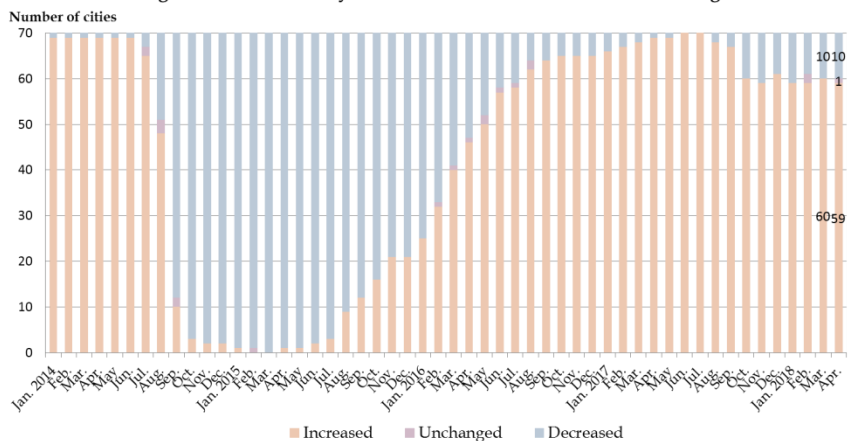
The average rate of price increase from March among first-tier cities* shrank to zero from 0.1% in the previous month. The rate increased from March in second- and third-tier cities*, from 0.4% to 0.5% and from 0.3% to 0.5% respectively.

<MoM Changes in Prices of Newly Constructed Homes in 70 Medium- to Large-sized Cities>



Source: Created based on data released by the National Bureau of Statistics

<YoY Changes in Prices of Newly Constructed Homes in 70 Medium- to Large-sized Cities>



Source: Created based on data released by the National Bureau of Statistics

On a YoY basis, home prices rose in 59 cities, down one city from March, and dropped in 10 cities, with no change from the month before. Prices rose substantially in Harbin (Heilongjiang), up 12.0%, Xi'an (Shaanxi), up 11.2%, and Beihai (Guangxi Zhuang Autonomous Region), up 11.1%. Prices fell most sharply in Shenzhen, down 2.2%, Wuxi (Jiangsu), down 2.0%, and Fuzhou (Fujian), down 1.7%.

The average YoY growth in home prices worsened 0.4 point from March for first-tier cities to minus 1.0% YoY, while second-tier cities saw unchanged YoY growth rate from the previous month. Meanwhile, the growth rate in third-tier cities dropped off 0.3 point from March.

* 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-mentioned first- and second-tier cities from the 70 cities

[Trade/ Investment]

◆ April trade statistics show exports and imports up 12.9% and 21.5% YoY

According to the preliminary figures for trade statistics (in USD) published by the General Administration of Customs on May 8, both exports and imports showed strong growth, with exports increasing 12.9% YoY (down 2.7% YoY in March) to USD 200.44 billion, and imports jumping 21.5% YoY (up 14.4% YoY increase in March) to USD 171.65 billion. The trade balance had posted a deficit for the first time in 13 months in March, but posted a USD 28.78 billion surplus in April. Cumulative totals for January through April showed a 13.7% YoY increase in exports (up 14.1% YoY in January-March) for USD 745.73 billion, and a 19.6% increase in imports (up 18.9% YoY in January-March) for USD 668.98 billion, resulting in a cumulative trade surplus of USD 76.75 billion.

In trade with Japan from January to April, exports rose 7.7% YoY (up 7.1% YoY in January-March) to USD 46.7 billion and imports grew 13.9% YoY (up 12.7% YoY in January-March) to USD 56.61 billion, both areas showing increased growth from March.

As for trade with the US from January to April, exports rose 13.9% YoY (up 14.8% YoY in January-March) to USD 135.98 billion, and imports increased 11.6% YoY (up 8.9% YoY in January-March) to USD 55.58 billion, demonstrating significant growth with a YoY increase of over 10% in both exports and imports. The trade surplus grew to USD 80.4 billion* from USD 70.94 billion* in April 2017 and USD 58.24 billion* in January-March 2018. While trade friction has been escalating, the trade imbalance is growing.

*Calculated by MUFG Bank based on the amount of imports and exports announced by the General Administration of Customs.

The breakdown of exports by product (in RMB terms) shows that electronics and machinery remain the major export products, rising 8.7% YoY and accounting for 59.1% of all exports. The specific products that grew significantly YoY were integrated circuits, up 22.3%, automobiles, up 17.1%, and mobile terminals, up 13.5%.



Source: Created based on data released by the General Administration of Customs

<Jan-Apr 2018 Import and Export Amounts and Growth Rates

Country/Region	by Country/Region (Top 10)> (USD Bn)					
	Total	YoY	Exports	YoY	Imports	YoY
U.S.	191.6	13.2%	136.0	13.9%	55.6	11.6%
Japan	103.3	11.0%	46.7	7.7%	56.6	13.9%
Korea	98.4	15.6%	34.9	9.4%	63.5	19.3%
Hong Kong	90.3	14.2%	88.1	14.6%	2.2	1.0%
Taiwan	69.6	23.2%	15.0	15.8%	54.7	25.4%
Germany	57.5	16.4%	23.5	10.9%	34.0	20.6%
Australia	47.8	7.2%	13.9	15.6%	33.9	4.0%
Vietnam	43.6	36.8%	25.1	28.2%	18.4	50.7%
Malaysia	33.3	14.5%	14.1	11.2%	19.1	17.0%
Russia	31.2	27.3%	13.9	21.1%	17.3	32.8%

Source: Created based on data released by the General Administration of Customs

◆ Executive meeting of the Standing Committee of the State Council: Procedures for establishing foreign companies now simplified further

At the executive meeting of the State Council Standing Committee held on May 16, Premier Li Keqiang decided on measures for simplifying the procedures for establishing foreign companies, promoting online government services, and reducing logistic costs.

From June 30 on a nationwide basis, the two procedures to establish a foreign company, filing with the Ministry of Commerce and registering the business at the State Administration for Industry and Commerce, will be integrated into one application at the latter.* By sharing foreign company information between the two offices, the time required to set up foreign companies will be reduced by going paperless and eliminating both the need to consult with anyone in person as well as any associated fees. Administrative offices in charge of banks, customs, tax affairs, foreign currency management, etc. will promote information-sharing and collaborative management on a real-time basis.

* In March this year, the measures were announced to take effect from the end of June in “the Notice regarding the launch of simplified procedures for record filing and business registration of foreign investment enterprises,” or Shangbanzihan [2018] No.87, jointly released by the General Office of the Ministry of Commerce and the General Office of the State Administration for Industry and Commerce.

This meeting’s decision also aims to implement putting government services online by developing an interconnected national-provincial-municipal electronic administration service platform. In principle, the platform would allow people to apply for and carry out all administrative procedures online. This policy includes a target of switching 90% of services to online at the provincial level, and more than 70 % to online at the municipal or county level by the end of 2019.

The meeting also decided on measures to lower companies’ logistic costs, including cutting land tax in half for bulk commodity storage facilities (in effect from May 1, 2018 to December 31, 2019) as well as halving the purchase tax on trailers (in effect from July 1, 2018 to June 30, 2021), consolidating numerous annual inspections for freight transportation vehicles, abolishing mandatory permits for such vehicles, doing away with the expressway toll gates at county borders, and streamlining the procedures for establishing new branch offices for logistics companies. All of these measures combined are expected to slash annual logistics costs by RMB 12 billion.

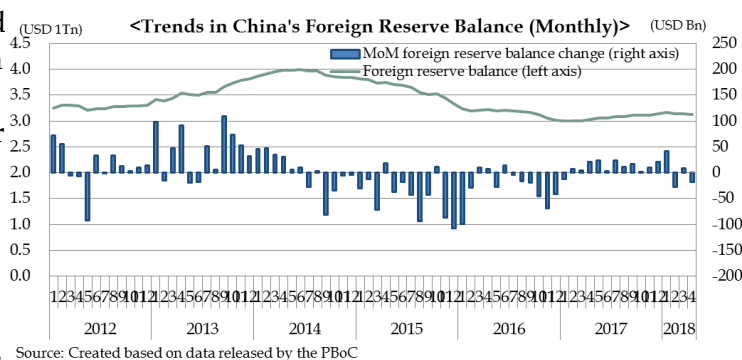
On May 17, the General Office of the State Council issued “An opinion on further reducing the time required for establishing a company” (Guo Ban Fa [2018] No. 32). The circular’s attempts to simplify the procedures for establishing a company (either domestic or foreign) include switching to a new framework that integrates the points of application to “One Window” and handles multiple processes concurrently. The streamlining of procedures including business registration, official seal production, and collecting relevant receipts, is expected to reduce the average number of business days for company establishment from the current 20 to the targeted 8.5 by the end of 2018 in major cities, and by the end of June 2019 nationwide.

[Finance/Exchange]

◆ Foreign reserves in April decrease by USD 18 billion from March

The People’s Bank of China (PBoC) announced on May 7 that the country’s foreign reserves in April decreased by USD 18.0 billion from the previous month to USD 3.12 trillion, falling for the first time since February.

The State Administration of Foreign Exchange (SAFE) pointed out that the decrease in foreign reserves in April was caused by various factors such as an increase in the US Dollar Index followed by drops in asset values due to depreciation of other currencies versus the US dollar.



Source: Created based on data released by the PBoC

◆ RMB rises to No. 6 in SWIFT's March global payment currency ranking

According to the April 8 announcement by the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the ranking of RMB settlements in March for global transaction currencies rose from the No. 7 spot to No. 6, expanding to a 1.62% share month-on-month (MoM) from 1.56% MoM in February, which had fallen off from January due to the Chinese New Year.

SWIFT said that although the internationalization of the RMB has currently slowed, the use of RMB is expected to expand along with the progress of the Belt and Road Initiative (BRI), increasing trade with African countries, and crude oil futures trading, leading to further progress in its internationalization.

In particular, SWIFT emphasized that the BRI will be one of the major drivers of RMB internationalization. Global banks such as Citigroup and HSBC are enhancing RMB solutions strategies such as financing and currency hedging in capital markets in the BRI region. HSBC said that its annual trade transaction volume in the region is expected to exceed USD 2.5 trillion over the next 10 years.

Moreover, while Hong Kong and London are currently playing the roles of the main clearing centers for RMB, JP Morgan Chase has recently been appointed an RMB clearing center in the US. Therefore, SWIFT said that thanks to reduced trading costs in the US and increasing access to Chinese capital markets, the use of RMB is expected to grow and the US will become a new player in the internationalization of RMB.

<Share of International Trade by Currency>

Ranking	Upper Box: Currency, Lower Box: Share of Trade																					
	2014			2015			2016			2017									2018			
	JAN	JAN	AUG	JAN	JAN	AUG	JAN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
1	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
2	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
3	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
4	JPY	JPY	CNY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	JPY	VEF	JPY	JPY	JPY	JPY	JPY
5	CAD	CNY	JPY	CNY	CAD	CAD	CAD	CAD	CAD	CAD	CNY	CNY	CAD	CHF	JPY	CNY	CNY	CNY	CHF	CAD	CNY	CAD
6	AUD	CAD	CAD	CAD	CNY	CNY	CNY	CHF	CNY	CNY	CAD	CAD	CNY	CAD	CNY	CAD	CNY	CAD	CAD	CAD	CAD	CNY
7	CNY	CHF	AUD	CHF	CHF	CHF	AUD	CNY	CHF	CHF	AUD	CHF	CHF	CHF	CNY	CHF	AUD	AUD	CNY	AUD	AUD	AUD
8	CHF	AUD	CHF	AUD	AUD	CHF	AUD	CHF	AUD	AUD	AUD	CHF	CAD	AUD	CAD	CHF	CAD	CHF	CHF	AUD	AUD	CHF
9	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	VEF	HKD	HKD	HKD	HKD	HKD	HKD	HKD
10	THB	THB	THB	THB	SEK	THB	SEK	THB	SEK	THB	THB	THB	THB	THB	HKD	AUD	THB	SGD	THB	THB	THB	THB

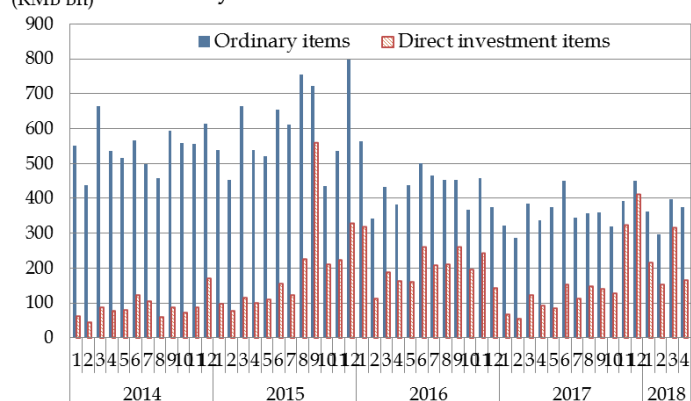
Notes: USD: U.S. Dollar, EUR: Euro, GBP: British Pound, JPY: Japanese Yen, CNY: Chinese Yuan/Renminbi (RMB), CAD: Canadian Dollar, AUD: Australian Dollar, CHF: Swiss Franc, HKD: Hong Kong Dollar, THB: Thai Baht, SEK: Swedish Krona, SGD: Singapore Dollar, VEF: Venezuelan
Source: Created based on data released by SWIFT

◆ April cross-border RMB settlements

The PBoC announced on May 11 that cross-border RMB settlements for the month of April for ordinary items stood at RMB 375.96 billion, of which RMB 270.28 billion came from trade of goods and RMB 105.68 billion came from trade in services.

Direct investment amounted to RMB 165.75 billion, of which RMB 111.27 billion was from inward foreign direct investment and RMB 54.48 billion from outward foreign direct investment.

(RMB Bn) <Monthly Trends in Cross-border RMB Settlements>



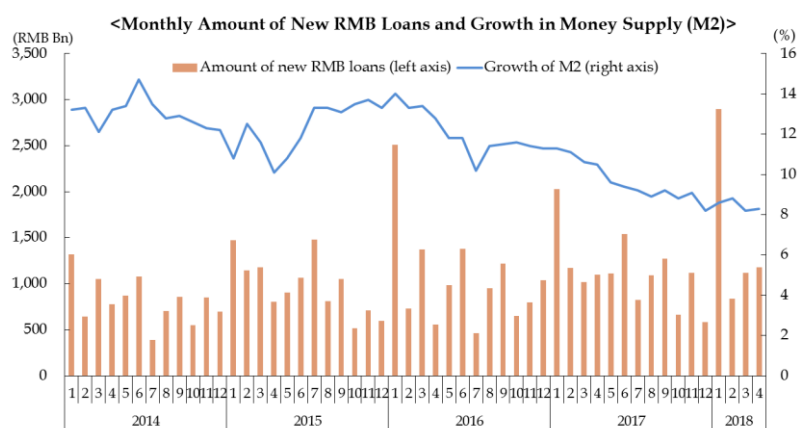
Source: Created based on data released by The People's Bank of China

◆New RMB loans for April increase RMB 79.7 billion YoY and RMB 60 billion MoM

The PBoC announced on May 11 that new RMB loans for April increased RMB 79.7 billion YoY, or RMB 60 billion MoM, to RMB 1.18 trillion.

Total social financing,* which shows the amount of liquidity supplied to the real economy, grew RMB 172.5 billion YoY to RMB 1.56 trillion.

Money supply (M2) as of the end of April rose 8.3% YoY to RMB 173.77 trillion, with the 0.1 percentage point rate of increase higher than at the end of March.



Source: Created based on data released by The People's Bank of China

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