CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

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■ BIWEEKLY DIGEST

[Economy]

- **GDP Growth Rate for 3Q 2019 Down to 6.0%, Slowing Down for Two Consecutive Quarters While Underlying Picture Shows Some Improvement**
- **IMF 2019 Outlook Lowers Projected Growth of Chinese Economy to 6.1% and World Economy to 3.0%**

[Industry]

- **Consumption in Retail and Restaurant Sectors During National Day Holidays Up 8.5% YoY, Cinema Box-Office Revenue Up 129.0% YoY**
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[Trade/Investment]

- **U.S.-China Cabinet-Level Talks: Partial Deal Reached, Further Aggravation of Tariff War Temporarily Avoided**
- **U.S. Punitive Tariffs on China: Exemption of 203 Additional Product Categories Announced**
- **September Exports Down 3.2%, Imports Down 8.5% Year-on-Year (YoY)**
- **Further Promotion of Foreign Investment: Regulatory Easing to Accelerate in Markets Including Financial and Auto Markets**

[Finance/Exchange]

- **Foreign Reserve Balance in September Decreases for the First Time in Two Months**

[Economy]

◆GDP Growth Rate for 3Q 2019 Down to 6.0%, Slowing Down for Two Consecutive Quarters While Underlying Picture Shows Some Improvement

On October 18, the National Bureau of Statistics (NBS) announced its major economic indicators for September. The GDP growth rate for the third quarter of 2019 dropped 0.2 point quarter-on-quarter (QoQ) to 6.0%, slowing down for the second consecutive quarter and making its way to the lower limit of the government's annual target range of 6.0 to 6.5% (Fig. 1). Meanwhile, the GDP growth rate for the January-September period stayed well within the target range at 6.2%.

[Fig. 1] Quarterly Trends in GDP Growth Rate

Source: Created based on data released by the NBS

Despite mounting downward pressure on the Chinese economy and an increasingly severe external environment driven by the slowdown of the global economy and the U.S.-China trade conflict, NBS is still optimistic that China can maintain its economic growth since the effect of measures to underpin its economy, including cutting taxes, expanding infrastructure investment, and implementing interest rate reforms which essentially lower the rates, is becoming evident as demonstrated by the improvement of indicators such as production and consumption in September and is expected to further grow going forward.

[Fig. 2] Main Economic Indicators for September

Item	August 2019			September 2019			
	Amount		YoY (%)	Growth	Amount		YoY (%)
Gross Domestic Product (GDP)*		(Q2 2019)	6.2	↘	(RMB Bn)	(Q3 2019)	6.0
Investment in fixed assets (excl. investments by rural companies)*	(RMB Bn)	40,062.8	5.5	↘	(RMB Bn)	46,120.4	5.4
State-owned sector	(RMB Bn)	(Unreleased)	7.1	↗	(RMB Bn)	(Unreleased)	7.3
Private sector	(RMB Bn)	23,696.3	4.9	↘	(RMB Bn)	26,480.5	4.7
Type of Industry: Primary	(RMB Bn)	1,100.5	▲ 3.4	↗	(RMB Bn)	1,156.6	▲ 2.1
Type of Industry: Secondary	(RMB Bn)	13,182.4	2.1	↘	(RMB Bn)	13,836.1	2.0
Type of Industry: Tertiary	(RMB Bn)	25,779.9	7.3	↘	(RMB Bn)	31,127.7	7.2
Value-added industrial production**	-	-	4.4	↗	-	-	5.8
Total retail sales of consumer goods	(RMB Bn)	3,389.6	7.5	↗	(RMB Bn)	3,449.5	7.8
Consumer price index (CPI)	-	-	2.8	↗	-	-	3.0
Industrial producer price index (PPI)	-	-	▲ 0.8	↘	-	-	▲ 1.2
Industrial producer purchase price	-	-	▲ 1.3	↘	-	-	▲ 1.7
Exports	(USD Bn)	214.80	▲ 1.0	↘	(USD Bn)	218.12	▲ 3.2
Imports	(USD Bn)	179.97	▲ 5.6	↘	(USD Bn)	178.47	▲ 8.5
Trade balance	(USD Bn)	34.83	-	-	(USD Bn)	39.65	-
Inward foreign direct investment (actual basis)	(USD Bn)	10.46	0.3	↗	(USD Bn)	11.52	0.5

* Cumulative total since January 2019.

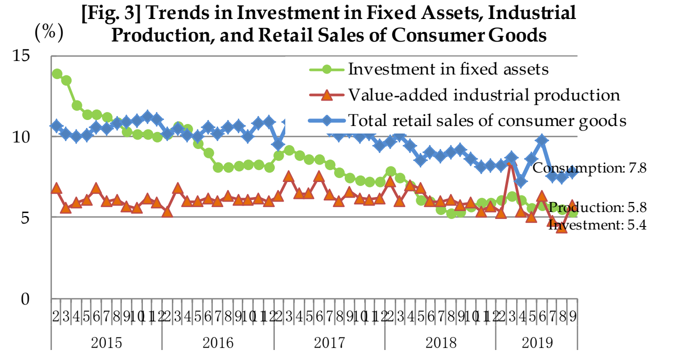
** Figures are calculated based on the data of independently-accounted state-run companies and non-state-run companies with annual sales of RMB 20 million or more.

Source: Created based on data released by the NBS.

<Investment, production, and consumption>

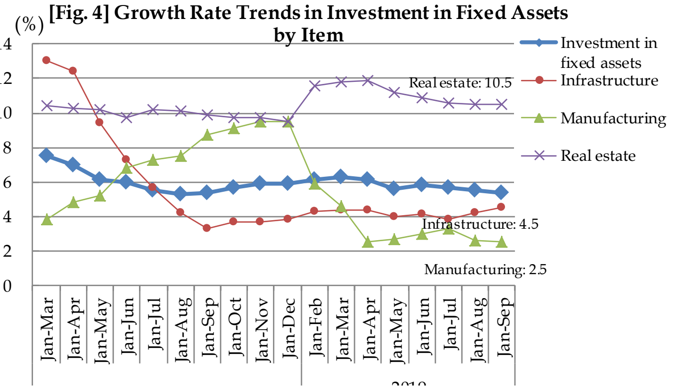
Although cumulative investment in fixed assets for the January-September period increased 5.4% YoY, the growth rate decreased 0.1 percentage point from the January-August period. Investment in infrastructure accelerated for the second straight month (Jan.-Jul.: up 3.8%, Jan.-Aug.: up 4.2%, Jan.-Sep.: up 4.5%; Figs. 2, 3 & 4). Meanwhile, both value-added industrial production and total retail sales of consumer goods improved in September, growing 5.8% YoY, up 1.4 percentage points month-on-month (MoM), and 7.8% YoY, up 0.3 percentage point MoM, respectively (Figs. 2 & 3).

[Fig. 3] Trends in Investment in Fixed Assets, Industrial Production, and Retail Sales of Consumer Goods



Note: Investment in fixed assets is the cumulative total since January 2019.
Industrial production and total retail sales of consumer goods for February are the cumulative total for January-February.
Source: Created based on data released by the NBS.

[Fig. 4] Growth Rate Trends in Investment in Fixed Assets by Item

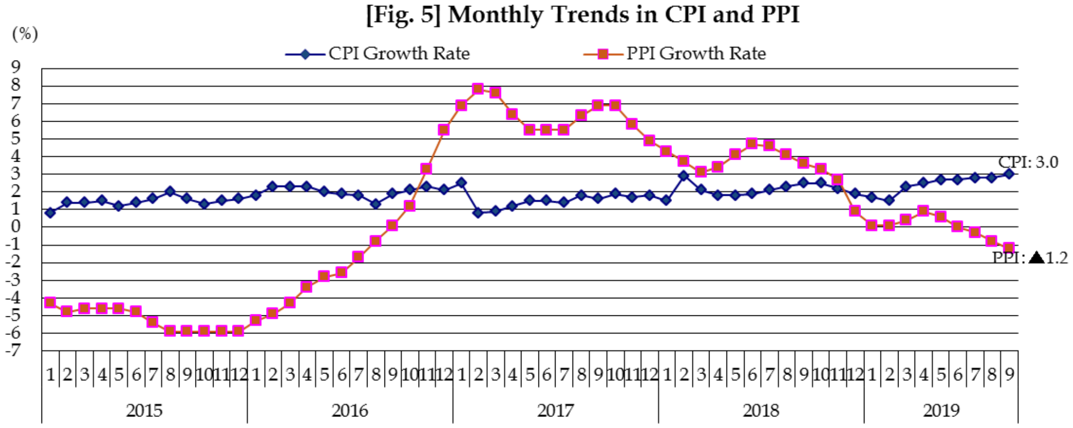


Source: Created based on data released by the NBS

<CPI, PPI>

The consumer price index (CPI) for September rose 3.0% YoY, up 0.2 percentage point MoM. Meanwhile, the producer price index (PPI) fell 1.2% YoY, down 0.4 percentage point MoM. While CPI has been affected by surging pork prices (up 69.3% YoY), PPI decreased for the fifth straight month, seemingly reflecting a lack of demand in China (Fig. 5).

[Fig. 5] Monthly Trends in CPI and PPI



Source: Created based on data released by the NBS

<Employment>

New employment in urban areas for the January-September period totaled 10.97 million people, almost achieving the government's full-year target set at 11 million or more. The surveyed urban unemployment rate as of the end of September stayed flat MoM at 5.2%, below the government's full-year target in the 5.5% range. NBS concluded that the Chinese job market was stable.

◆IMF 2019 Outlook Lowers Projected Growth of Chinese Economy to 6.1% and World Economy to 3.0%

On October 15, the IMF announced revisions to its "World Economic Outlook" for October 2019, in which China's projected growth rate was lowered by 0.1 point from the previous revision (July 2019) to 6.1% for 2019 and by 0.2 point to 5.8% for 2020. The IMF pointed out that tariff increases and decreased foreign demand along with regulatory tightening intended to control debt were exacerbating the economic slowdown.

Conversely, the IMF judged that despite sluggish investment during the first half of 2019, the U.S. economy had maintained momentum buoyed by robust employment and consumption. While the projection for the 2019 U.S. economy was lowered by 0.2 point to 2.4%, the projection for 2020 was raised by 0.2 point to 2.1%.

For the world economy, the IMF revised down the 2019 growth rate projection for the fifth time in a row, lowering the previous projection by 0.2 point down to 3.0% in response to escalating trade conflict between the U.S. and China and growing uncertainties caused by rising geopolitical tensions. The revised projection is the lowest level since 2008-2009. The growth rate projection for 2020 was revised down by 0.1 point from the previous projection to 3.4%. However, the improvement of emerging countries' economies was factored into the projection for 2020, so the IMF added that the world economy could slow down even more when considering the uncertainty of the outlook for emerging countries, the deceleration of the U.S. and Chinese economies, and other factors.

IMF World Economic Outlook

Region	2019 (%)	2020 (%)	Remarks
World	3.0 (▲0.2)	3.4 (▲0.1)	- Revised down for the fifth consecutive time. The U.S.-China trade conflict has led to a worldwide slowdown in trade and investment. - The growth rate for 2019 is projected to be at the lowest level since a decade ago in 2009, the year following the global financial crisis.
China	6.1 (▲0.1)	5.8 (▲0.2)	- The 2019 and 2020 growth rates are both expected to be the lowest since 1990 (4.1%). - The rapid increase in corporate and household debt is a warning sign of financial imbalance, although an economic slowdown is expected to be avoided through the package of monetary easing and fiscal stimulus measures.
U.S.	2.4 (▲0.2)	2.1 (+0.2)	- Growth has slowed from 2.9% in 2018 due to weaker corporate investments etc. - The growth rate projection for 2020 was revised upward by 0.2 point based on the Federal Reserve's interest cuts and the expansion of federal government expenditure.
Japan	0.9 (0.0)	0.5 (+0.1)	- The impact of the October consumption tax increase is expected to be eased by an economic stimulus of over JPY 2 trillion launched by the government as a countermeasure. The growth rate projection for 2020 has been revised upward.

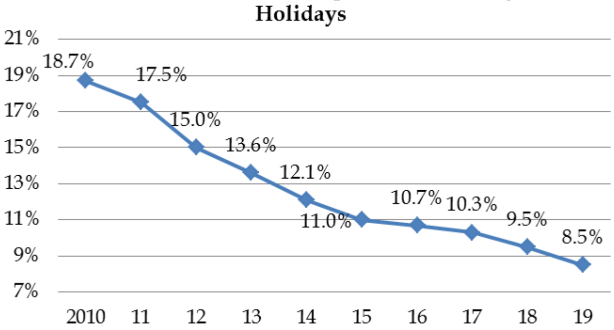
Source: Created based on the IMF report "World Economic Outlook" (October 2019 Revision).
Note: Figures in parentheses denote change in forecasts from the July 2019 revision.

[Industry]

◆Consumption in Retail and Restaurant Sectors During National Day Holidays Up 8.5% YoY, Cinema Box-Office Revenue Up 129.0% YoY

On October 7, the Chinese Ministry of Commerce (MOFCOM) announced that nationwide sales during this year's National Day holidays (October 1 to 7) rose 8.5% YoY to reach RMB 1.52 trillion. The growth rate fell from the 9.5% seen last year, continuing its slowdown (Fig. 1). Consumption was characterized by strong-performing sales of natural foods, apparel and fashion, smart appliances, and new digital products.

[Fig.1]Growth Rate of Sales in the Retail and Restaurant Sectors During the National Day Holidays



Source: Created based on data released by MOFCOM.

Regarding online shopping, according to the report a total of 3 million consumers purchased Moutai and other baijiu liquor from industry giant Alibaba's shopping site Tmall over the holidays. Also in the period from October 1 to 3, the traded amount of home surveillance cameras soared 84.0% YoY, while electric curtain rails also skyrocketed 168.0% YoY and robotic vacuums grew eighteen fold.

Meanwhile, according to a survey by a movie website operator, cinema box office revenue for the October 1 to 7 period totaled RMB 4.38 billion, an increase of 129% YoY. Attendance numbers also entered nine-figure territory, reaching a total of 120 million and noted for being the largest cinema attendance recorded for the National Day Holidays. The top three movies were all Chinese: My People, My Country; The Captain; and The Climbers. These movies together accounted for 96.3% of all box-office revenue during the holiday period.

According to a report released by the Chinese Ministry of Culture and Tourism on October 7, the number of tourists visiting locations in China during the National Day Holiday period totaled 782 million, increasing by 7.8% YoY (last year: up 9.4% YoY). Tourism-related sales increased 8.5% YoY (last year: up 9.0% YoY) to a total of RMB 649.7 billion.

As for overseas travel, the number of citizens leaving the country over the seven-day period surpassed 7 million. The usual top destinations, including Japan, Thailand, Malaysia, Singapore, and Australia were as popular as ever. In addition, the report indicated that online travel booking volumes for destinations including the Czech Republic, Austria, Hungary, Slovakia, and Poland reached double-digit growth over the previous year.

◆Healthcare Industry Development: Announcement of Action Plan for Period up to 2022

On September 30, 21 Chinese central agencies including the Chinese National Development and Reform Commission (NDRC) released a jointly signed action plan for the promotion of high-quality development in the healthcare industry (for 2019–2022). The document details an action plan for the development of the healthcare industry up to the year 2022 as a component of the “Healthy China 2030” program, which is a national strategy that aims to cultivate the industry to improve the health of the Chinese people and to serve as a new economic driver.

The action plan sets forth the objective of building the foundations for a multilayered and high-productivity health industry by 2022, and outlined ten major areas of advancement to accomplish this objective. These areas comprise the expansion of health and medical resources, utilization of IT, facilitation of medical innovation, and support for relevant companies.

The report also indicated the agencies that are in charge of each of the 10 areas of advancement. It is expected that each of these agencies will announce specific measures for their respective areas in the future.

<Action Plan for the Promotion of High-Quality Development in the Healthcare Industry (2019-2022): Outline of the 10 Areas of Advancement>

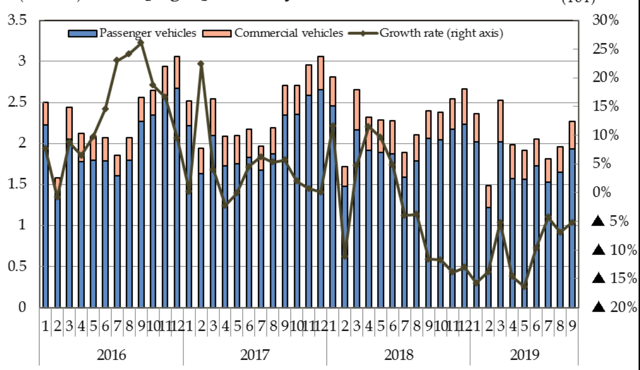
1	Establish high-grade medical facilities nationwide - Support the expansion of high-grade private hospitals - Promote the spread of the availability of home medical services
2	Promote "Internet + Healthcare" - Digitalize, standardize, and create a data sharing platform for medical records - Manage and utilize big data for health, while establishing a personal data protection system - Accelerate the development of online diagnosis systems
3	Improve traditional Chinese medicine services - Promote the spread of health and hygiene rules based on traditional Chinese medicine, regulate providers of traditional Chinese medicine services
4	Unify the development of the nursing care, sports, and travel industries - Merge medical services with services for the elderly, develop medical services at senior citizen welfare facilities - Promote sports rehabilitation, increase the popularity of traditional Chinese sports such as tai chi - Establish model regions for medical tourism
5	Promote medical innovation - Prioritize the approval process for new medicines and new medical devices which have a high degree of medical necessity - Accelerate the research and application of major next-generation technologies including genetic testing, cancer immunotherapy, stem cell therapy/regenerative medicine, and biomedical big data analysis - Promote early detection screening for serious illnesses
6	Develop new types of insurance products - Focus on areas including health improvement, application of leading-edge medical technologies, and illness prevention
7	Form healthcare industry clusters - Form industry cluster areas which incorporate functions such as medical service provision, research and development, holding of clinical trials, and the development, testing, and approval of new medicines
8	Provide vocational training - Increase the number of specialist staff in areas including general medical practice, geriatric care, nursing care, and rehabilitation
9	Support healthcare industry companies - Simplify approval procedures for establishing a new medical institution - Provide support for financing including equity finance and bond issuance - Give preferential treatment on taxes, public utility fees, land provision, etc.
10	Establish supervisory structure - Establish systems for supervision of medical institutions, coordination among government agencies, and for blacklisting of companies

◆ September Auto Sales Fall 5.2% Year-on-Year (YoY), 15th Consecutive Month of YoY Decline

According to an announcement made by the China Association of Automobile Manufacturers (CAAM) on October 14, September auto sales fell 5.2% YoY to 2.271 million units, slightly improving from the previous month, when sales were down 6.9% YoY, but nevertheless marking the 15th consecutive month of decreasing YoY sales. The period from September to October (called “Golden September and Silver October”) is typically a bustling season for the Chinese auto industry. Nonetheless, auto sales continued to be low, and CAAM pointed out that consumption remained weak and that the downward pressure the auto-related companies were facing had not improved. Cumulative auto sales for the January-September period fell 10.3% YoY to 18.371 million units (Figs. 1 & 2).

By type of vehicle, the sales of passenger vehicles for September decreased 6.3% YoY to 1.931 million units, continuing to fall below the previous year's level. The sales of commercial vehicles, on the other hand, turned positive with a 1.9% increase to 340,000 units. In the cumulative sales for the January-September period, passenger vehicles sold 15.249 million units, down 11.7% YoY, and commercial vehicles sold 3.122 million units, down 3.4% YoY (Fig. 2).

[Fig. 1] Monthly Trends in Auto Sales



Source: Created based on data released by the CAAM

Sales of Chinese-owned brands of passenger vehicles for September dropped 9.8% YoY to 727,000 units, extending 0.5 point MoM and accounting for 37.7% of the total auto sales. The cumulative sales for the January-September period slid 18.5% YoY to 5.903 million units.

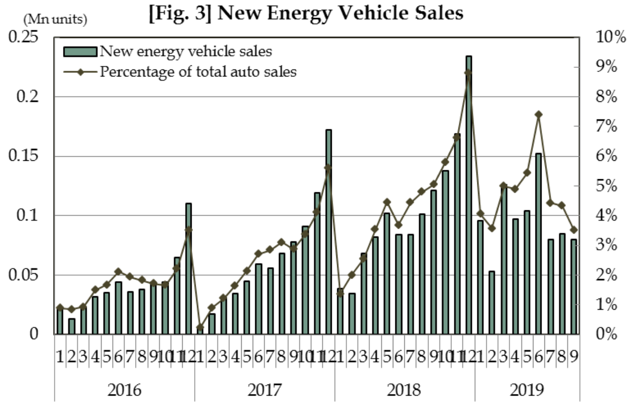
[Fig. 2] September 2019 Auto Sales and Growth Rates

	August 2019		Jan-Aug 2019		September 2019		Jan-Sep 2019	
	Auto sales (Mn units)	YoY	Auto sales (Mn units)	YoY	Auto sales (Mn units)	YoY	Auto sales (Mn units)	YoY
Auto Sales	**1.958**	**▲6.9%**	**16.104**	**▲11.0%**	**2.271**	**▲5.2%**	**18.371**	**▲10.3%**
Passenger Vehicles	1.653	▲7.7%	13.322	▲12.3%	1.931	▲6.3%	15.249	▲11.7%
Commercial Vehicles	0.305	▲2.8%	2.782	▲4.2%	0.340	1.9%	3.122	▲3.4%
New Energy Vehicles	0.085	▲15.8%	0.793	32.0%	0.080	▲34.2%	0.872	20.8%
Electric Vehicles (EV)	0.069	▲6.0%	0.629	40.8%	0.063	▲33.1%	0.692	27.8%
Plug-In Hybrid Vehicles (PHV)	0.016	▲41.3%	0.163	5.7%	0.017	▲38.4%	0.179	▲0.8%

Source: Created based on data released by the CAAM

Sales of new energy vehicles for September decreased 34.2% YoY to 80,000 units (Figs. 2 & 3). Due to the postponement of subsidy cuts ending in June, sales have never exceeded the previous year's level during the three months from July. After a 4.7% drop in July, August saw a further decrease with 15.8%, expanding the declining trend rapidly. While the cumulative sales growth from January stayed positive in September with an increase of 20.8% YoY to 872,000 units, the sales growth of plug-in hybrid vehicles (PHVs) turned negative even on a cumulative basis (Fig. 2).

[Fig. 3] New Energy Vehicle Sales



Source: Created based on data released by the CAAM

[Trade/Investment]

◆U.S.-China Cabinet-Level Talks: Partial Deal Reached, Further Aggravation of Tariff War Temporarily Avoided

The governments of the United States of America and the People's Republic of China announced that a partial "phase one" deal had been reached between the two countries at cabinet-level trade talks held in Washington D.C. on October 10 and 11.[1]

In exchange for promises from China including expanding its imports of U.S. agricultural products, the United States will suspend the tariff increase from 25% to 30% on USD 250 billion of Chinese goods affected by the first to third rounds of punitive tariffs, which was scheduled to be implemented on October 15 (Fig. 1).

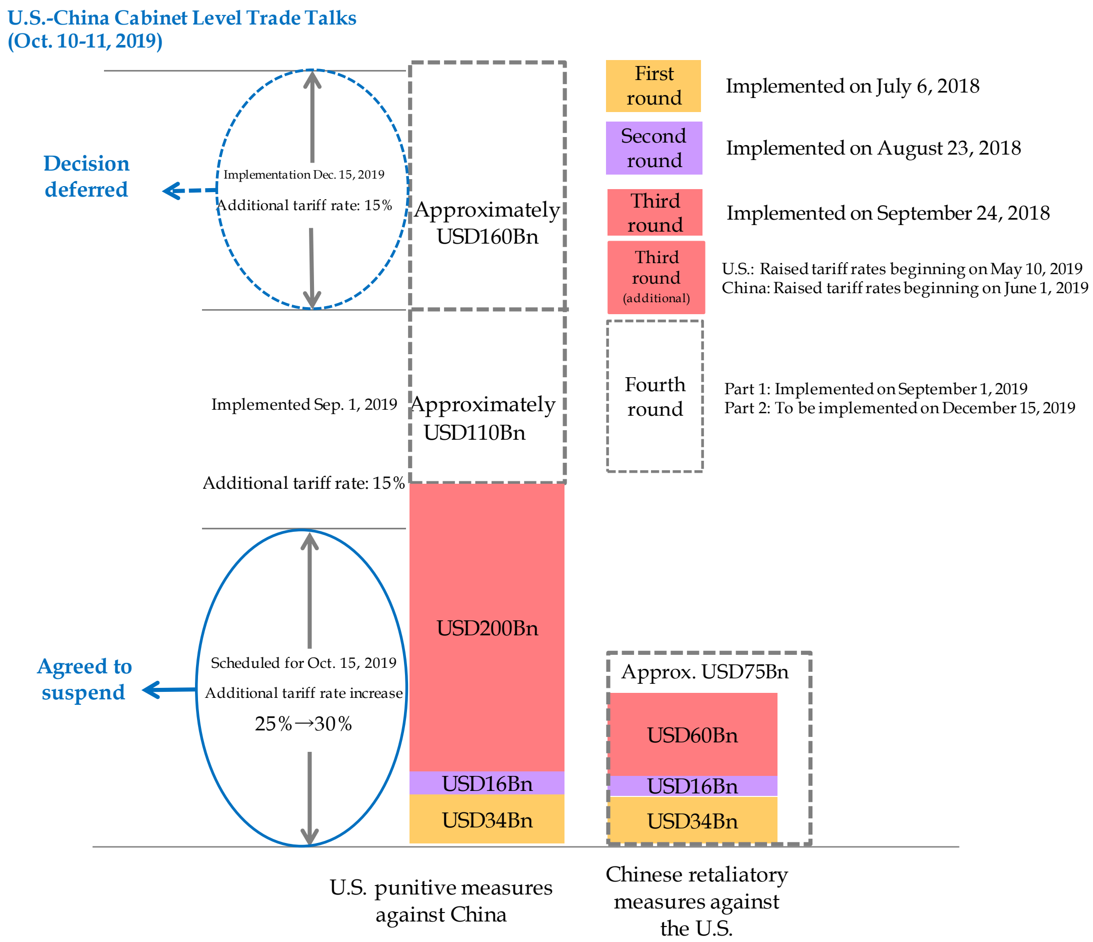
However, there was no change to the decision made to implement additional tariffs on USD 160 billion of goods, scheduled to go into effect on December 15 as the second part of the fourth round of punitive tariffs against China. Therefore, a lack of clarity surrounding the future relationship between the two nations still remains (Fig. 2).

[Fig. 1] Outline of Deal Reached at U.S.-China Cabinet-Level Trade Talks (Oct. 10-11, 2019)

China:	･Expand imports of U.S. agricultural goods (worth approx. USD 40–50 billion annually) ･Revise regulations on forced technology transfer from U.S. companies, boost protection of intellectual property ･Further open up the financial services sector ･Improve currency transparency and make the renminbi exchange rate more market-driven
U.S.:	･Suspend additional tariff increase (25%→30%) on Chinese goods scheduled for Oct. 15, 2019

Source: Created based on U.S. and Chinese government announcements.

[Fig. 2] Status of Additional Tariffs Levied by the U.S. and China



Source: Created based on respective announcements by the U.S. and Chinese governments.

The U.S. government expressed that it aims to have this phase of the deal formalized in writing over the next three to five weeks and then officially signed by the heads of both nations at the APEC summit in Chile on November 16 and 17.

The Chinese government also announced revisions to management regulations on foreign ownership in the banking and insurance industries,[2] easing regulations including market entry conditions and restrictions on the scope of activities. The government immediately abolished the requirement for the banking industry that an investing foreign bank must have total assets of USD 10 billion or more, and the requirement for the insurance industry that an investing foreign insurance company must have been in operation for 30 years or more and have total assets of USD 10 billion or more.

[1]: ･"Remarks by President Trump and Vice Premier Liu He of the People's Republic of China in a Meeting" Oct. 11, 2019 (The White House official website)
https://www.whitehouse.gov/briefings-statements/remarks-president-trump-vice-premier-liu-peoples-republic-china-meeting/
･Regular press conference by the Chinese Ministry of Commerce, Oct. 17, 2019 (Ministry of Commerce official website)
http://www.mofcom.gov.cn/xwfbh/20191017.shtml

2: ・Decision regarding revisions to foreign bank management regulations and foreign insurance company management regulations, Oct. 15, 2019 (Chinese State Council official website)
http://www.gov.cn/premier/2019-10/15/content_5440019.html

◆ U.S. Punitive Tariffs on China: Exemption of 203 Additional Product Categories Announced

On October 2, the Office of the United States Trade Representative (USTR) announced the exemption of an additional 203 product categories* among the Chinese products subject to the first and second rounds of punitive tariffs against China (an additional 25% tariff on approximately USD 50 billion of Chinese goods). This is the tenth such exemption announcement since December 2018, bringing the total number of exempted categories to 1,043 (see the figure on the right).

The exemptions announced this time include wires for golf carts, gear head assemblies and parts for civil aircraft, water filtration devices, application-specific integrated circuits (ASICs) for engine control units, and certain electronic control devices and DC motors.

The exemption periods are applied retroactively from the date when the respective round of tariffs was implemented, and are effective for one year from the date of its official announcement.

Product Categories Exempted from U.S. Punitive Tariffs on China

	Date announced	Relevant round of tariffs	No. of product categories	Exemption period
1st	Dec. 28, 2018	1st round	31	Jul. 6, 2018 – Dec. 28, 2019
2nd	Mar. 25, 2019	1st round	33	Jul. 6, 2018 – Mar. 25, 2020
3rd	Apr. 18, 2019	1st round	21	Jul. 6, 2018 – Apr. 8, 2020
4th	May 14, 2019	1st round	40	Jul. 6, 2018 – May 14, 2020
5th	Jun. 4, 2019	1st round	89	Jul. 6, 2018 – Jun. 4, 2020
6th	Jul. 9, 2019	1st round	110	Jul. 6, 2018 – Jul. 9, 2020
7th	Jul. 31, 2019	2nd round	69	Aug. 23, 2018 – Jul. 31, 2020
8th	Aug. 7, 2019	3rd round	10	Sep. 24, 2018 – Aug. 7, 2020
9th	Sep. 20, 2019	1st round 2nd round 3rd round	310 89 38 } 437	Jul. 6, 2018 – Sep. 20, 2020 Aug. 23, 2018 – Sep. 30, 2020 Sep. 24, 2018 – Aug. 7, 2020
10th (this time)	Oct. 2, 2019	1st round 2nd round	92 111 } 203	Jul. 6, 2018 – Oct. 2, 2020 Aug. 23, 2018 – Oct. 2, 2020

Source: Created based on announcements by the USTR.

* Details on the exempt product categories are available on the below USTR sites.
・First round of tariffs on China:
https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china/34-billion-trade-action (Oct. 2: 92 categories exempt)
・Second round of tariffs on China:
https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china/16-billion-trade-action (Oct. 2: 111 categories exempt)
・Third round of tariffs on China:
https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china/200-billion-trade-action

◆September Exports Down 3.2%, Imports Down 8.5% Year-on-Year (YoY)

The Chinese General Administration of Customs (GACC) released its trade statistics bulletin (denominated in USD) on October 14. According to the bulletin, the decline in exports increased in September, falling 3.2% YoY (August: down 1.0% YoY) to USD 218.12 billion. Imports continued their fifth consecutive month of numbers lower than the year before with a drop as steep as this year's record in May, falling 8.5% YoY (August: down 5.6% YoY) to USD 178.47 billion (Figs. 1 & 2).

Regarding the year-to-date total for January–September, exports decreased 0.1% YoY to USD 1.82511 trillion, and imports decreased 5.0% YoY to USD 1.52667 trillion (Fig. 1).

[Fig. 1] Overview of Trade Statistics for September

September 2019 Trade Statistics (USD Bn)		
	Amount	YoY
Exports	218.12	▲3.2%
Imports	178.47	▲8.5%
Trade surplus	39.65	-
Jan–Sep 2019 Trade Statistics (USD Bn)		
	Amount	YoY
Exports	1,825.11	▲0.1%
Imports	1,526.67	▲5.0%
Trade surplus	298.43	-

Source: Created based on data released by the GACC.

[Fig. 2] Monthly Trends in Chinese Imports and Exports

Source: Created based on data released by the GACC.

Looking at exports by product for January–September, while there were declines in mobile devices and parts and apparel, both down 13.5% YoY and 4.7% respectively, toys saw a gain of 27.0%. Imports saw significant drops across many product types, including soy beans falling 14.7% YoY, diodes and similar semiconductor devices dropping 12.7% YoY, and bicycle parts plunging 16.5% YoY.

Regarding year-to-date totals by country for January–September, trade with the United States experienced a fall in exports by 10.7% YoY (Jan–Aug: down 8.9% YoY) to USD 312.0 billion, with the decline exacerbating over last month. Imports fell 26.4% YoY (Jan–Aug: down 27.5% YoY) to USD 90.66 billion. Although the decline has contracted compared to the previous month, it is still far below last year's results. The trade surplus with the U.S. decreased 2.0% YoY* (Jan–Aug: up 1.5% YoY*) to USD 221.33 billion (Jan–Aug: USD 195.45 billion) (Figs. 3 & 4). *Calculated by MUFG Bank based on data released by the GACC.

On trade with Japan, exports experienced their sixth consecutive month of decline compared to last year, falling 1.5% YoY (Jan–Aug: down 1.0% YoY) to USD 106.18 billion. Imports also saw a drop compared to last year, declining for the ninth consecutive month and dropping 7.6% YoY (Jan–Aug: 7.7% YoY) to USD 125.68 billion (Fig. 3).

On the other hand, trade with ASEAN nations continued to grow, with exports increasing 9.5% YoY (Jan–Aug: up 9.4% YoY) to USD 255.05 billion and imports increasing 1.6% YoY (Jan–Aug: up 1.2% YoY) to USD 203.96 billion. Steady growth was seen especially with exports to Vietnam (up 15.3% YoY), Malaysia (up 13.1% YoY), and the Philippines (up 12.3% YoY).

Trade with Australia also saw growth. Exports rose 0.4% YoY, and imports grew 14.6% YoY, marking the fourth consecutive month of growth.

[Fig. 3] Jan–Sep 2019 Import and Export Amounts and Growth Rates by Country/Region

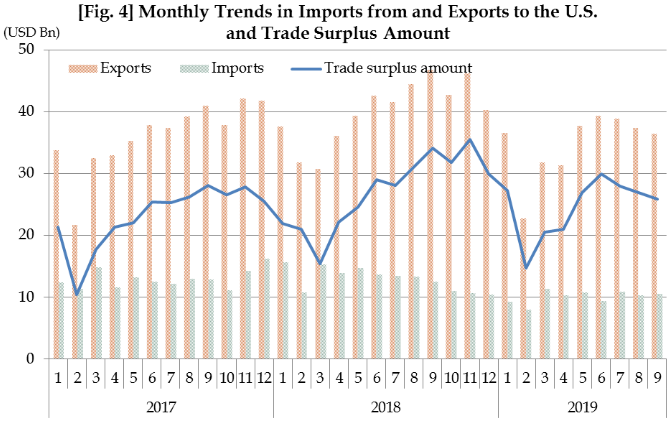
(USD Bn)

Country / region	Exports	YoY	Imports	YoY	Trade balance	Total export / import amount	YoY
U.S.	312.00	▲10.7%	90.66	▲26.4%	221.33	402.66	▲14.8%
Japan	106.18	▲1.5%	125.68	▲7.6%	1,256.77	231.86	▲4.9%
South Korea	81.71	2.4%	128.44	▲17.8%	▲ 46.74	210.15	▲11.0%
Hong Kong	200.99	▲8.2%	6.88	23.0%	194.11	207.88	▲7.4%
Taiwan	39.77	12.8%	125.10	▲6.4%	▲ 85.33	164.87	▲2.4%
Germany	59.21	3.8%	79.22	▲2.0%	▲ 20.01	138.43	0.4%
Australia	34.46	0.4%	91.84	14.6%	▲ 57.38	126.30	10.3%
Vietnam	69.57	15.3%	43.81	▲3.8%	25.76	113.37	7.1%
Malaysia	37.43	13.1%	52.32	10.2%	▲ 14.89	89.75	11.4%
Brazil	24.87	▲2.1%	58.25	3.0%	▲ 33.37	83.12	1.4%

Note: Top 10 countries/regions by total export/import amounts.

Source: Created based on data released by the GACC.

[Fig. 4] Monthly Trends in Imports from and Exports to the U.S. and Trade Surplus Amount



Source: Created based on data released by the GACC.

◆Further Promotion of Foreign Investment: Regulatory Easing to Accelerate in Markets Including Financial and Auto Markets

At the State Council Executive Meeting held on October 16, Premier Li Keqiang announced a policy aimed at further promoting foreign investment by developing an attractive business environment for foreign capital through further opening up of markets and regulatory easing. With this policy of expanding market opening and improving investment convenience, China will advance the use of foreign capital in the Chinese market.

In response to this decision by the State Council Executive Meeting, competent authorities are expected to announce more specific initiatives hereafter.

State Council Executive Meeting on October 16, 2019 / Policy Concerning Promotion of Foreign Investments

1. Expansion of Market Opening
- Review/abolish regulations not included in the foreign investment negative list (nationwide edition/FTZ edition). - Completely abolish regulations related to the business scope of foreign-invested banks, securities companies, and fund management companies. - Fully implement revised administration regulations on foreign-invested banks and insurance companies (effective since October 15, 2019). - Extend equal treatment to foreign and domestic companies entering the new energy vehicle market. - Revise the Parallel Management Regulation for Corporate Average Fuel Consumption and New Energy Vehicle Credits for Passenger Cars (effective since April 1, 2018). Permit the transfer of fuel consumption credits among foreign-invested auto manufacturers (currently allowed only to the foreign-invested manufacturers' affiliated companies).
2. Improvement of Investment Convenience
- Expand the scope of the pilot reform to facilitate payment procedures for revenue under the capital account. - Provide support for foreign-invested companies in freely selecting a foreign borrowing method (investment gap model/macro-prudential management model). - Encourage foreign-invested companies to use their capital for equity investment in China. - Simplify the review and approval procedures for land use by foreign-invested companies.
3. Protection of Foreign Companies' Legitimate Rights and Interests
- Prohibit the forced transfer of technology from foreign companies/foreign-invested companies, and protect their trade secrets. - Improve the rules on notifications of decisions and link removals concerning patent infringement for e-commerce platforms. - Remove restrictions based on ownership, nationality, brand, etc. on supplier companies for government procurement.
4. Provision of Support for Local Governments in Attracting Foreign Capital
- Improve incentives for the employees working at government divisions in charge of foreign investment promotion. - Provide support for investment promotion in foreign countries. - Establish comprehensive bonded zones with a priority on central and western regions.

[Finance/Exchange]

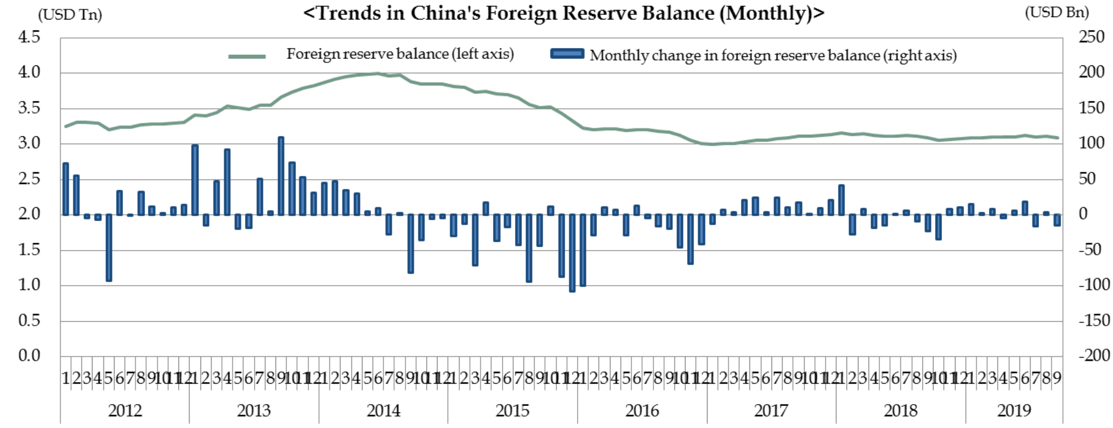
◆Foreign Reserve Balance in September Decreases for the First Time in Two Months

According to an announcement on October 6 by The People's Bank of China (PBOC), the foreign reserve balance in September decreased for the first time in two months, dropping USD 14.7 billion from last month to USD 3.0924 trillion.

The PBOC stated that the drop in September was due to volatility in the foreign exchange markets and in asset prices having compounding effects.

When compared with the foreign reserve balance at the start of the year, the balance in September is up USD 19.7 billion, which is an increase of 0.6%.

<Trends in China's Foreign Reserve Balance (Monthly)>



Source: Created based on data released by the PBOC