CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
BTMU Global Business Division

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■ BIWEEKLY DIGEST

[Economy]

- **The end of preferential treatment of customs clearance procedures for cross-border e-commerce imports has been postponed to the end of 2017**

[Industry]

- **The 13th Five-Year Plan for power development to accelerate construction of EV charging facilities**
- **October home prices rose month on month in 62 of 70 mid- to large-sized cities, and year on year in 65 cities**
- **October auto sales rose 18.7% year over year**
- **Energy-saving and new energy vehicle penetration -- Policy for development through 2030**

[Trade/Investment]

- **Jan-Oct inward FDI rose 4.2% year on year, while outward FDI jumped 53.3%**

[Finance/Exchange]

- **RMB fell back to No. 6 in the October global payment currency ranking according to SWIFT**
- **October cross-border RMB settlements**
- **October new RMB loans stood at RMB 651.3 Bn, a sharp month on month drop**

BIWEEKLY DIGEST

[Economy]

◆ The end of preferential treatment of customs clearance procedures for cross-border e-commerce imports has been postponed to the end of 2017

The Ministry of Commerce announced on November 15 its policy to continue to grant preferential treatment on customs clearance procedures for cross-border e-commerce retail imports through the end of 2017. The deadline was initially set to May 11, 2017.

On April 8, 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(*1) for cross-border e-commerce, bonded merchandise purchased through e-commerce platforms are exempted from customs clearance certificate inspection when they are carried into special customs supervision zones, such as bonded areas. Likewise, some imported goods, including cosmetics, milk and health food products, are exempt from import licensing approval, etc. These exemptions were originally to be effective until May 11, 2017, but the recent policy update extends the tentative measures until the end of the year. This move is likely aiming to facilitate a smooth transition to the new supervision model for cross-border e-commerce retail imports and to prop up consumer spending at the same time.

(*1) 10 cities: Tianjin, Shanghai, Hangzhou, Ningbo, Zhengzhou, Guangzhou, Shenzhen, Chongqing, Fuzhou and Pingtan

[Industry]

◆The 13th Five-Year Plan for power development to accelerate construction of EV charging facilities

The National Development and Reform Commission and the National Energy Administration announced the 13th Five-Year Plan for development of electric power on November 7. During the five-year plan period from 2016 through 2020, China aims to construct a framework for a clean, low-carbon, safe and efficient modern electric power industry.

As part of the plan, the country is aiming to promote the use of electric vehicles by building more than 12,000 mid-sized charging/battery -swap stations and more than 4.8 Mn distributed charging poles to meet a demand for over 5 Mn electric vehicles by 2020.

<Major targets of 13th Five-Year Plan for power development>

	Item	2015 Result	2020 Target	Annual growth
Power supply	Nationwide capacity of power generation facilities (Unit: 100 Mn kW)	15.3	20.0	5.5%
	Non-fossil power generation (percentage of total)	(35.0%)	(39.0%)	-
	Hydropower generation (general) (Unit: 100 Mn kW)	3.0	3.4	2.8%
	Hydropower generation (pumping) (Unit: 10,000 kW)	2303.0	4000.0	11.7%
	Nuclear power generation (Unit: 100 Mn kW)	0.3	0.6	16.5%
	Wind power generation (Unit: 100 Mn kW)	1.3	2.1	9.9%
	Solar power generation (Unit: 100 Mn kW)	0.4	1.1	21.2%
	Fossil power generation (percentage of total)	(65.0%)	(61.0%)	-
	Coal-fired power generation	9.0	<11.0	4.1%
	Natural gas-fired power generation	0.7	1.1	10.8%
Power demand	Nationwide power consumption (Unit: 1 Tn kW)	5.7	6.8 - 7.2	3.6 - 4.8%
	Percentage of electric power in final energy consumption	25.8%	27.0%	-
	Energy consumption to generate electricity (Unit: 100 Mn kW)	-	4500.0	-
	Construction of charging facilities	-	Meet the needs of over 5 Mn EVs	-

Source: The 13th Five-Year Plan for development of electric power released by the National Development and Reform Commission and the National Energy Administration

The plan also showed the country's focus on eight fields; enhancement of the power supply, improvement of the power structure, development of the power grid, improvement of overall adjustment capability, energy-saving and emissions reduction, ensuring power for people's basic livelihood needs, development of technology and equipment, and power system reform. China is planning to curb the construction of coal power plants, which produce higher emissions of pollutants. On the other hand, the plan also unveiled the country's intention to actively promote the use of new energies and its goal of increasing the power supply capacity by 5.5% on an annual average basis.

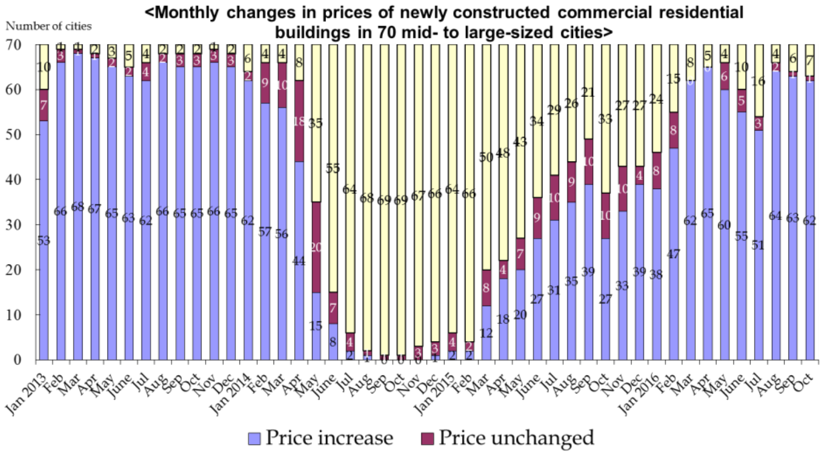
◆October home prices rose month on month in 62 of 70 mid- to large-sized cities, and year on year in 65 cities

On November 18, the National Bureau of Statistics of China (NBS) released the housing price index of 70 mid- to large-sized cities for October.

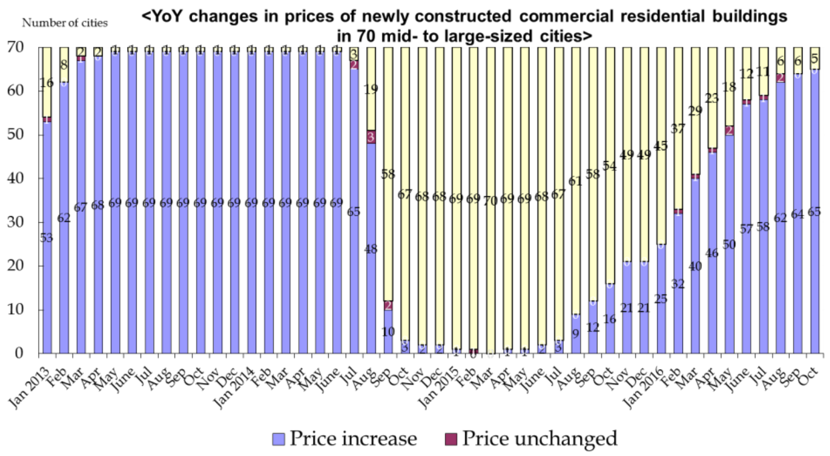
Sales prices of newly constructed commercial residential buildings rose in 62 cities month on month in October, down by one from September, while prices declined in seven cities, up by one from September.

Specifically, new home prices rose month on month by 4.5% in Wuxi (Jiangsu Province), 4.5% in Changsha (Hunan Province), 3.5% in Zhengzhou (Henan Province), 3.4% in Jinan (Shandong Province), achieving faster growth than other cities. Meanwhile, prices particularly fell in Chengdu (Sichuan Province) by 0.8%, and Mudanjiang (Heilongjiang Province) and Shenzhen by 0.5%.

On a year on year basis, prices increased in 65 cities in October, up by one from September, while they decreased in five cities, down by one from September.



Source: Data released by the National Bureau of Statistics of China



Source: Data released by the National Bureau of Statistics of China

In particular, Hefei (Anhui Province) logged a 48.6% spike in prices, Xiamen (Fujian Province) took a 45.9% leap, Nanjing (Jiangsu Province) marked a 44.4% jump, and Shanghai saw a 37.4% climb.

By contrast, Jinzhou (Liaoning Province) logged a 3.9% decline, Dandong (Liaoning Province) marked a 1.7% slide, and Urumqi (Xinjiang Uyghur Autonomous Region) and Mudanjiang (Heilongjiang Province) posted a 1.6% decrease.

According to the NBS, measures to cool down the property market worked in first-tier cities and some popular second-tier cities around the country's National Day holiday, and first-(*) and second-tier cities(*)are now on a slower growth track in home prices. The statistics agency also pointed out that prices continued to fall in Shenzhen and Chengdu, and prices in Beijing, Tianjin, Shanghai, Xiamen and Zhengzhou turned into a downtrend in the second half of October, compared to the first half of the month.

(*) First-tier cities: Four cities (Beijing, Shanghai, Guangzhou and Shenzhen)

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

◆October auto sales rose 18.7% year on year

The China Association of Automobile Manufacturers (CAAM) said on November 10 that the country's auto sales for October rose 18.7% year on year to 2.65 million units. Although the growth was slower than the 26.1% climb for September, the sales continued to hold up well.

By type of vehicle, sales of passenger cars reached 2.344 million units, up 20.3% year on year. Of which, sales of such cars with 1.6-liter or smaller engines increased 28.1% year over year to 1.713 million units, a significant decline from a year on year jump of 42.2% in September. Sales of commercial cars rose 7.4% year on year to 306,000 units.

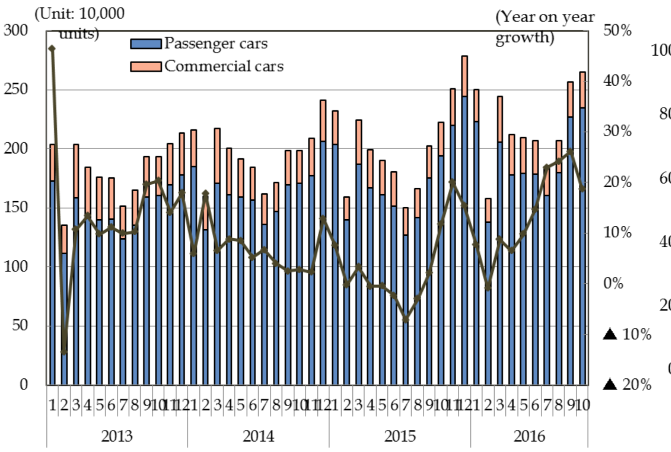
Among passenger cars, sedan sales rose 10.1% year over year to 1.171 Mn units (down from the 17.1% rise in September), sport utility vehicle (SUV) sales jumped 43.3% to 896,000 units (down from the 54.2% jump in September), and multi-purpose vehicle (MPV) sales climbed 20.2% to 232,000 units (down from the 37.3% climb in September). The sales growth of the three types of passenger cars marked a month-over-month decline.

When it comes the market share of domestic passenger car sales, Chinese automakers control a 45.1% share (up from 42.7% in September), German automakers held 18.1% (down from 18.6% in September), Japanese automakers accounted for 14.7% (down from 16.0% in September), U.S. automakers took 12.2% (down from 12.5% in September), South Korean automakers had 6.8% (down from 7.0% in September), and French automakers cornered 2.6% (up from 2.4% in September). Chinese players grabbed more market share, while their Japanese counterparts had a smaller one.

Meanwhile, new energy vehicle sales for October rose 8.1% year on year to 44,000 units. Of which sales of electric vehicle (EV) were up 19.7% to 39,000 units, while those of plug-in hybrid vehicle (PHV) decreased 38.6% to 5,000 units.

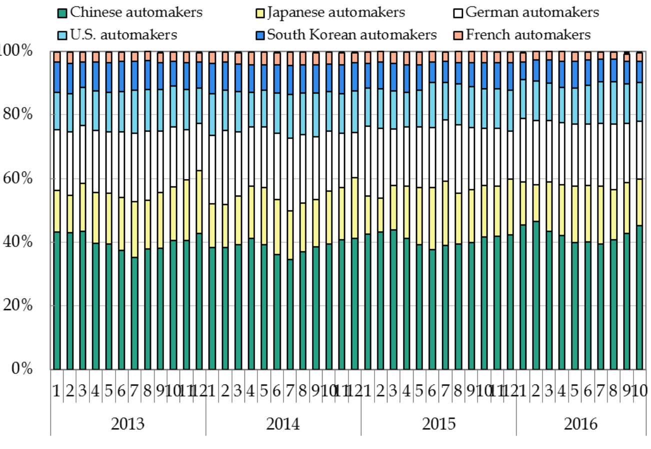
In the first 10 months of 2016, Chinese auto sales rose 13.8% year on year to 22.017 Mn units. At the beginning of the year, the CAAM showed its projection that the country's annual car sales will rise about 6% year on year to 26.04 Mn units. On this point, the China Passenger Car Association, an auto industry group, recently predicted that the nation's auto sales for 2016 will achieve a 10-12% year on year rise.

<Changes in monthly auto sales>



Source: Data released by the China Association of Automobile Manufacturers

<Changes in monthly sales of passenger cars by country>



Source: Data released by the China Association of Automobile Manufacturers

◆Energy-saving and new energy vehicle penetration -- Policy for development through 2030

The Society of Automotive Engineers of China (SAE-China) issued, on October 26, the "Roadmap of technologies for energy-saving and new energy vehicles," a report of development policies for technologies in the Chinese auto industry through 2030. Commissioned by the National Manufacturing Power Strategic Advisory Committee , which was established by the central government in June 2015 as part of the "Made in China 2025" plan, and the Ministry of Industry and Information Technology, the SAE-China collected views and opinions of more than 500 experts at home and abroad into a single report, which unveiled development policies and targets through 2030 in seven fields that will lead the auto industry: (1) Energy-saving vehicles, (2) Electric vehicles, (3) Fuel cell vehicles, (4) Smart car technology (ICVs: Intelligent Connected Vehicles), (5) Traction batteries, (6) Light weight technology, and (7) Vehicle manufacturing technology.

In regard to specific development policies, the report cited: (1) Making new energy vehicles into mainstream products, (2) Completing the entry-level stage of the transition to electric vehicles, (3) Deriving findings on ICVs from the country's own research efforts, putting the findings into practical use, and promoting the wide-spread use of the solutions, (4) Developing sustainable innovation capability with global competitive edge, etc. as major directions for development to make the auto industry low-carbon, information-driven and smart,

Specific targets include: (1) An increase in annual production and sales to 38 Mn vehicles, (2) A fuel consumption target of 3.2l/100km for new passenger cars, (3) An increase in annual sales volume of new energy vehicles to account for more than 40% of the total, (4) An expansion of the market share for totally self-driving vehicles to 10% or so, and (5) A reduction in the country's energy consumption per unit of GDP by half compared to 2015.

Based on the contents of the report, relevant industry policies are expected to be established in the future.

Outline of Roadmap of technologies for energy-saving and new energy vehicles

Technology fields	Major development policies	Targets by 2030
(1) Energy-saving vehicles	･By placing greater importance on hybrid engine technology, improve the energy efficiency of fossil fuel vehicles, with emphases on friction-reducing technology and advanced electronic/electric technology ･By putting greater focus on improvement of energy efficiency through structure- and technology-driven approaches, promote the widespread use of small vehicles ･In a major development direction towards natural gas vehicles, develop alternative fuel vehicles that meet local conditions, promote a shift towards lower-carbon fuels and fuel diversity, and reduce dependence on gasoline	･Average fuel efficiency of new passenger cars: 3.2l/100km ･Average fuel efficiency of new passenger cars: Up 20% from 2015 ･Market share of energy-saving vehicles: 50% - Of which hybrid vehicles account for 25%
(2) Pure electric vehicles (EVs)/ Plug-in hybrid vehicles (PHVs)	･By moving forward with the development of electric vehicles with particular emphases on small and medium-sized vehicles, promote the widespread use and new applications of EVs for family, business, rental and other uses ･By moving forward with the development of PHVs with particular emphases on medium-sized and large vehicles, promote the widespread use and applications of PHVs for personal, business and other uses ･Develop core parts of traction batteries/motors, and promote exports of them ･Prepare a nationwide network of charging facilities and service stations	･Average driving distance of passenger EVs: 500km ･Electricity consumption of public buses: 3.0kWh/100km/t
(3) Fuel cell vehicles	･By 2020, demonstrate the pilot application of fuel cell vehicles using both medium-power fuel cells and high-capacity traction batteries in the field of public services provided in some specific areas ･By 2025, commercialize fuel cell vehicles using both high-power fuel cells and medium-capacity traction batteries ･By 2030, achieve 1 Mn registrations for fuel cell vehicles powered only by fuel cells	･Registrations of fuel cell vehicles: 1 Mn units ･Power generation efficiency of fuel cells: 25kW/kg ･Durability of fuel cells: 8,000 hours
(4) Smart car technology (ICVs: Intelligent Connected Vehicles)	･In the short-term, promote the application of partially autonomous driving (PA) that focuses on autonomous recognition of the driving environment ･In the medium term, achieve recognition of the driving environment with a system connected to a network, and achieve conditional autonomous driving (CA) in complex environments ･In the long term, achieve vehicle-to-vehicle and road-to-vehicle (V2X) communication control, and acquire complete autonomous driving technology	･Come close to the completion of the industrial chain for ICVs and the smart transportation system ･Market share of new vehicles adopting autonomous driving features: 50% ･Traffic accidents involving vehicles: Down
(5) Traction batteries	･In the short and medium terms, place greater importance on technological development of lithium cells, and improve the safety and extend the lifetime of them ･In the medium and long term, improve the functionality of lithium cells, and at the same time, promote the development and applications of high-energy-density and low-cost cells made up of new materials	･Energy density -EV cells: 500 (Wh/kg) -PHV cells: 300 (Wh/kg) ･Production costs-EV cells: RMB 0.8/Wh -PHV cells: RMB 1.1/Wh
(6) Lightweight technology	･In the short term, focus on the development of high-strength steel technology, and increase the application of high-strength steel to vehicles to account for at least 50% of the total ･In the medium term, focus on the development of third-generation steel for vehicles and aluminum alloy technology, and achieve mass production of alloyed aluminum parts and applications of them in the industrial field	･Aluminum used per unit: 350kg ･Alloyed magnesium used per unit: 45kg ･Carbon fibers used in vehicle mass: 5% of the total ･Vehicle mass: Down 35% from 2015
(7) Vehicle manufacturing technology	･By using the terms "green, smart, high-quality, fast manufacturing" as key words, improve the quality and efficiency, and achieve reduced consumption ･With particular emphases on alloyed aluminum, alloyed magnesium and carbon fiber composite materials, gradually acquire the technology to manufacture lightweight materials ･By placing greater importance on power units and electric traction systems for new energy vehicles, improve processing technology for gear shafts, etc., and realize digitalized and smart manufacturing facilities	･Defect rate: Down 65% from 2015 ･Average annual growth of labor productivity: 5.5% ･Energy consumption per unit of GDP: Down by 50% from 2015

Source: Roadmap of technologies for energy-saving and new energy vehicles published in October 2016 by the Society of Automotive Engineers of China

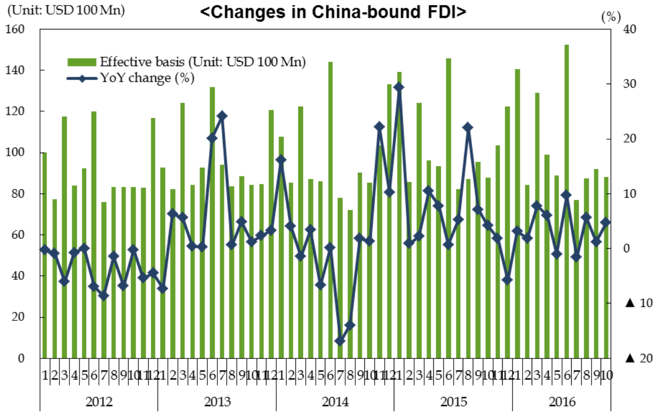
[Trade/ Investment]

◆Jan-Oct inward FDI rose 4.2% year over year, while outward FDI jumped 53.3%

China's Ministry of Commerce said on November 24 that regarding FDI in October (excluding financial sector investment), newly approved foreign-invested companies in October numbered 1,288, down 36.9% year on year. Foreign direct investment (FDI) in China rose 4.7% to USD 8.81 Bn on an effective basis. In the first 10 months of 2016, the number of newly approved foreign-invested companies increased 7.4% year on year to 22,580, while inward FDI rose 0.2% to USD 103.91 Bn on an effective basis.

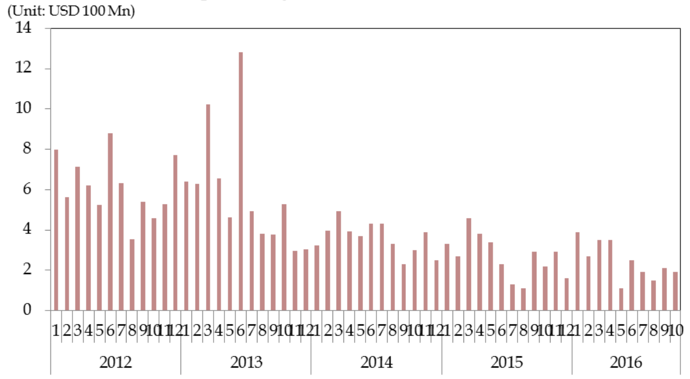
By country and region, Luxembourg's investment in China for the 10 months rocketed 154.2%(*1) year on year to USD 1.38 Bn, followed by a 119.9% leap to USD 2 Bn from the U.K., an 86.0% surge to USD 2.44 Bn from Germany, and a 79.8% boost to USD 3.49 Bn from the U.S. On the other hand, Japan's direct investment in China for the same period declined 10.9%(*2) year on year to USD 2.46 Bn.

<Changes in China-bound FDI>



Source: Created based on data released by China's Ministry of Commerce

<Changes in Japan's direct investment to China>

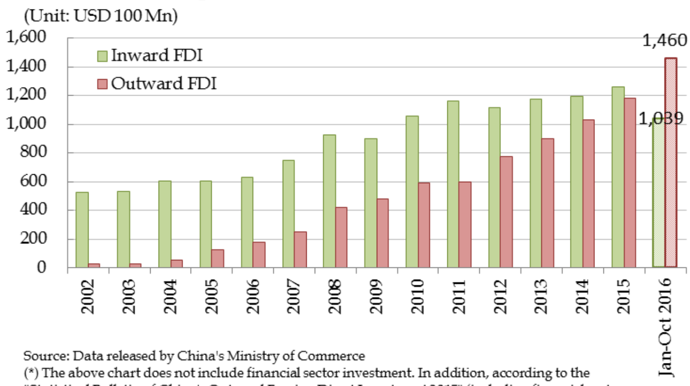


Source: Created based on data released by China's Ministry of Commerce

China's direct investment for the period of January through October, excluding financial sector investment, in foreign countries jumped 53.3% year on year to USD 145.96 Bn. The figure remained above China-bound direct investment.

By country and region, in January-October, Chinese corporates spent a total of USD 109.15 Bn in Hong Kong, ASEAN, EU, Australia, the U.S., Russia and Japan. The figure accounted for 74.8% of China’s total outward FDI. In particular, the country's investment in the U.S. skyrocketed 173.9%.

<Changes in inward/outward FDI>



Source: Data released by China's Ministry of Commerce
(*) The above chart does not include financial sector investment. In addition, according to the "Statistical Bulletin of China's Outward Foreign Direct Investment 2015" (including financial sector investment) jointly released by China's Ministry of Commerce, National Bureau of Statistics and State Administration of Foreign Exchange, China's outward FDI surpassed inward FDI in 2015.

By industry, in the same period, the country's investment in the manufacturing industry surged 163.8% year over year to USD 26.23 Bn, of which equipment manufacturers took in USD 16.04 Bn, up 260% year over year.

(*1) The growth rate in inward FDI is calculated in RMB terms.

(*2) The growth rate in Japan's investment in China is based on calculations by BTMU.

[Finance/Exchange]

◆RMB fell back to No. 6 in the October global payment currency ranking, according to SWIFT

According to the November 23 announcement by the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the October share of RMB in global payments fell to 1.67% from 2.03% in September, falling to the No. 6 spot. The decrease in the month is attributable to fewer business days due to the country's National Day holiday, SWIFT said.

As for the internationalization of the RMB, SWIFT also said that the currency's October inclusion into the IMF's Special Drawing Rights (SDR) basket will serve as a positive factor to increase the currency’s creditworthiness, leading to further progress in internationalization.

<Global payment currency ranking and market share>

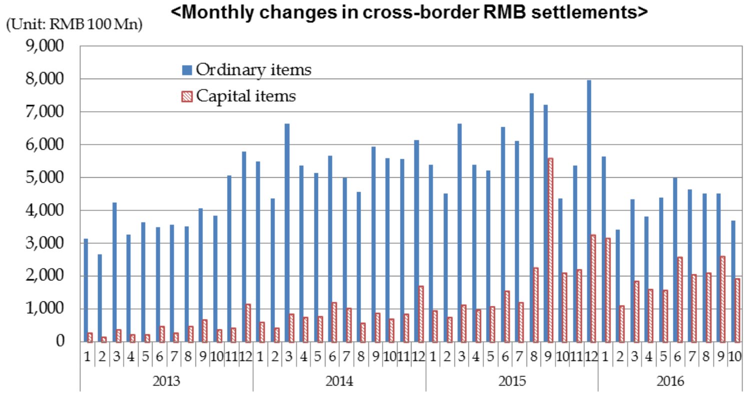
Currency	Upper box: Rank / Lower box: Market share for payments													
	2013	2014	2015		2016									
	Jan	Jan	Jan	Aug	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
USD	2	1	1	1	1	1	1	1	1	1	1	1	1	1
(U.S. dollar)	33.48%	38.75%	43.41%	44.82%	42.96%	41.40%	43.09%	41.92%	41.68%	40.97%	41.30%	42.50%	41.08%	40.55%
EUR	1	2	2	2	2	2	2	2	2	2	2	2	2	2
(Euro)	40.17%	33.51%	28.75%	27.20%	29.43%	31.47%	29.83%	30.69%	31.31%	30.82%	31.31%	30.17%	31.24%	32.26%
GBP	3	3	3	3	3	3	3	3	3	3	3	3	3	3
(British pound)	8.55%	9.38%	8.24%	8.45%	8.66%	8.78%	8.00%	8.40%	7.87%	8.73%	7.85%	7.53%	7.77%	7.61%
JPY	4	4	4	5	4	4	4	4	4	4	4	4	4	4
(Japanese yen)	2.56%	2.49%	2.79%	2.76%	3.07%	3.16%	3.27%	3.24%	3.16%	3.46%	3.42%	3.37%	3.53%	3.38%
CAD	7	5	6	6	6	6	6	5	5	5	6	6	6	5
(Canadian	1.80%	1.80%	1.91%	1.79%	1.74%	1.73%	1.85%	1.83%	1.91%	1.96%	1.81%	1.72%	1.90%	1.82%
CNY	**13**	**7**	**5**	**4**	**5**	**5**	**5**	**6**	**6**	**6**	**5**	**5**	**5**	**6**
(Chinese renminbi)	**0.63%**	**1.39%**	**2.06%**	**2.79%**	**2.45%**	**1.76%**	**1.88%**	**1.82%**	**1.90%**	**1.72%**	**1.90%**	**1.86%**	**2.03%**	**1.67%**
AUD	5	6	8	7	8	8	7	7	7	7	8	8	7	7
(Australian	1.85%	1.75%	1.74%	1.60%	1.47%	1.52%	1.59%	1.56%	1.68%	1.55%	1.59%	1.67%	1.57%	1.64%
CHF	6	8	7	8	7	7	8	8	8	8	7	7	8	8
(Swiss franc)	1.83%	1.38%	1.91%	1.55%	1.63%	1.52%	1.47%	1.50%	1.41%	1.52%	1.60%	1.44%	1.45%	1.50%
HKD	9	9	9	9	9	10	9	10	9	9	9	9	9	9
(Hong Kong dollar)	1.02%	1.09%	1.28%	1.41%	1.23%	1.00%	1.10%	1.06%	1.16%	1.09%	1.19%	1.25%	1.15%	1.21%
SEK	11	11	12	12	12	9	12	9	11	11	10	10	11	10
(Swedish krona)	0.96%	0.97%	0.80%	0.84%	0.86%	1.02%	0.93%	1.09%	1.01%	0.96%	1.00%	1.11%	1.04%	1.06%

Source: Created based on data released by SWIFT

◆October cross-border RMB settlements

The People's Bank of China (PBOC) said on November 11 that the amount of cross-border RMB settlements in October stood at RMB 368.1 Bn for ordinary items, of which RMB 286.1 Bn came from trade of goods, and RMB 82 Bn from trade in services. The amount was RMB 195.2 Bn for capital items, of which RMB 108.1 Bn came from inward FDI, and RMB 87.1 Bn from outward FDI.

<Monthly changes in cross-border RMB settlements>



Source: Data released by the People's Bank of China

◆October new RMB loans stood at RMB 651.3 Bn, a sharp month on month drop

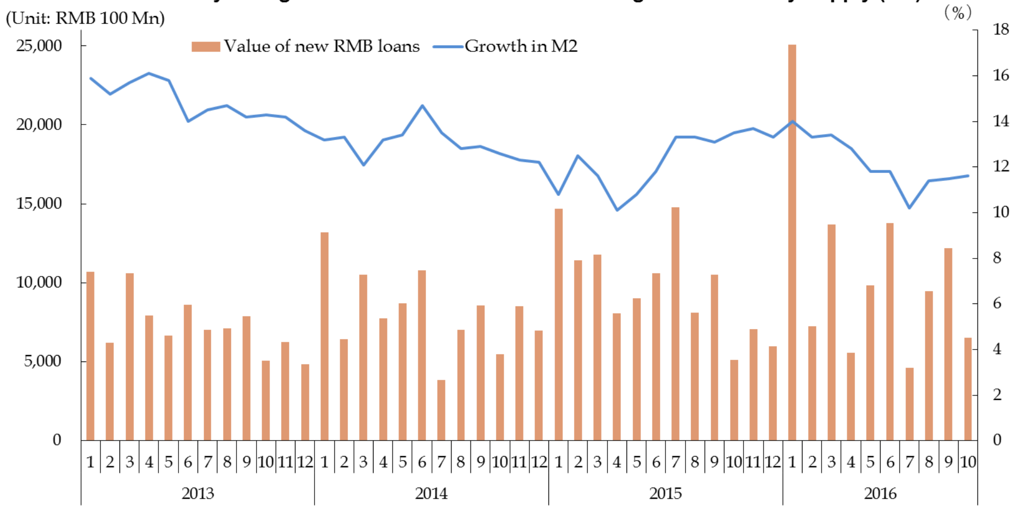
The PBOC said on November 11 that the value of new RMB loans issued in October by Chinese banks dropped to RMB 651.3 Bn from RMB 1.22 Tn in September, though the figure went up by RMB 137.7 Bn year on year. By sector, corporate loans were RMB 133.7 Bn, while personal loans stood at RMB 433.1 Bn.

In October, China's total social financing(*) -- a measurement of liquidity in the real economy -- was RMB 896.3 Bn, up by RMB 337 Bn year on year, marking a sharp decline from RMB 1.72 Tn in September.

The M2, a broad measure of money supply, was RMB 151.95 Tn, up 11.6% year on year, at the end of October, marking the third straight month of increases. That said, the figure remained below the government's annual target of 13% growth.

(*) 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 + Others

<Monthly changes in value of new RMB loans and growth in money supply (M2)>



Source: Data released by the People's Bank of China