

# CHINA BIWEEKLY

RMB Internationalization Business Promotion Office  
Global Business Division

August 16th 2017

## ■ BIWEEKLY DIGEST

### [Economy]

- **The manufacturing PMI for July falls 0.3 point from June, to 51.4**
- **The IMF revises its growth forecast for China for 2017 upward to 6.7%**

### [Industry]

- **June: home prices rise in 60 out of 70 cities, posting a YoY rise in 70 cities**

### [Trade/ Investment]

- **June: Inward foreign direct investment declines 2.8% YoY and outward foreign direct investment falls 11.3% YoY**
- **Beijing city and three other provinces announce a minimum wage hike**

### [Finance/ Exchange]

- **Real estate loans slows down for the second consecutive terms in June loan statistics by area**

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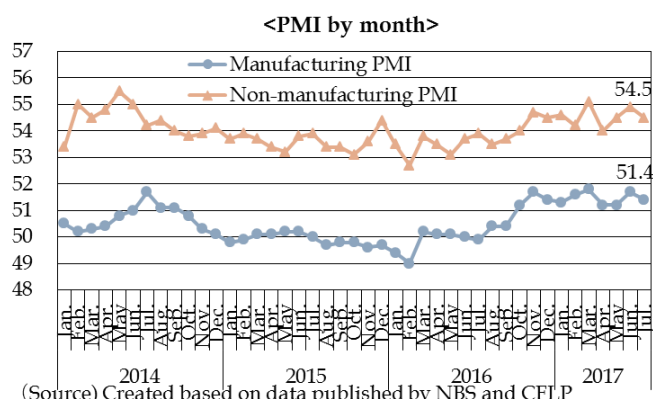
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## [Economy]

### ◆The manufacturing PMI for July falls 0.3 point from June, to 51.4

According to the July 31 announcement by the National Bureau of Statistics (NBS) of China and the China Federation of Logistics & Purchasing (CFLP), the manufacturing PMI fell to 51.4, down 0.3 point, from the previous month, the first fall in three months, but exceeded 50, the threshold for business confidence, for 12 consecutive months. They analyzed that the fall in July was attributable to slowed production activities due to high temperatures over wide areas in July and disasters such as heavy rain and floods in some parts of China.

By main item, the production index fell to 53.5, down 0.9 point month on month (MoM), the new orders index dropped to 52.8, down 0.3 point MoM, the new export orders index fell to 50.9, down 1.1 points MoM, and the import index sunk to 51.1, down 0.1 point MoM, while the expected production and business activities index rose to 59.1, up 0.4 point MoM, a rise for the third consecutive month, showing optimistic prospects. Further, the non-manufacturing PMI for July fell by 0.4 point MoM to 54.5. Among that, the PMI for the service sector dropped by 0.7 point MoM to 53.1, while that for the construction sector increased 1.1 points MoM to 62.5, marking a high level of the index in recent years supported by robust demand for infrastructure investment.



<Manufacturing PMI by main item>

		Manu- facturing PMI	Product ion	New orders	New export orders	Import	Employ ment	Expected production and business activities
17	Jan	51.3	53.1	52.8	50.3	50.7	49.2	58.5
	Feb	51.6	53.7	53.0	50.8	51.2	49.7	60.0
	Mar	51.8	54.2	53.3	51.0	50.5	50.0	58.3
	Apr	51.2	53.8	52.3	50.6	50.2	49.2	56.6
	May	51.2	53.4	52.3	50.7	50.0	49.4	56.8
	Jun	51.7	54.4	53.1	52.0	51.2	49.0	58.7
	Jul	51.4	53.5	52.8	50.9	51.1	49.2	59.1

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

### ◆The IMF revises its growth forecast for China for 2017 upward to 6.7%

The International Monetary Fund (IMF) recently announced its World Economic Outlook. It revised up its growth forecast for China to 6.7% for 2017 (up 0.1 point from the April forecast) and 6.4% for 2018 (up 0.2 point from the April forecast).

Regarding economic growth in China, it indicated that in 2017, growth would maintain the same level as 2016, reflecting the fact that the growth rate of Q1 was higher than expected due to the supply-side reforms including the easing policy and efforts to reduce excess production capacity.

Regarding growth in 2018, it projected the Chinese government would maintain large public investment in order to achieve the goal of doubling GDP from 2010 to 2020. However, it also indicated that if the government would adjust the necessary fiscal discipline late, it might cause a great increase in debt, and higher risk of an economic downturn. In addition, it expressed concern that failures in eliminating financial risks and controlling excessive increases in credit exposure would negatively affect the trade with and resource prices for other countries, and lead to a drastic deceleration of economic growth.

Its projection for global economic growth remained the same as the previous forecast in April: 3.5% in 2017 and 3.6% in 2018.

<IMF's GDP forecast for China and the world>

		2017	2018
China	January 2017	6.5	6.0
	April 2017	6.6	6.2
	July 2017	6.7	6.4
World	January 2017	3.4	3.6
	April 2017	3.5	3.6
	July 2017	3.5	3.6

(Source) IMF's World Economic Outlook (July 2017)

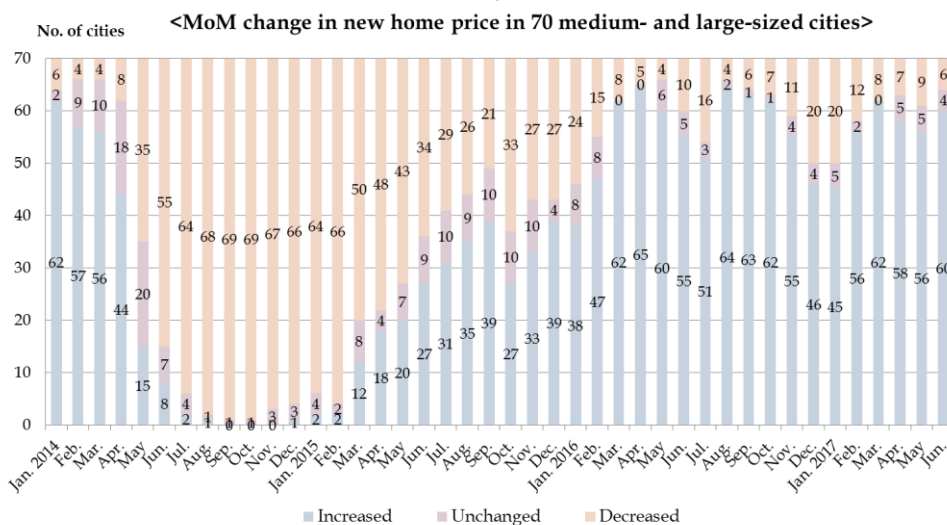
## [Industry]

### ◆June: home prices rise from the previous month in 60 out of 70 medium- to large-sized cities, posting a YoY rise in 70 cities

On July 18, the National Bureau of Statistics of China (NBS) released the housing price indexes of 70 medium- to large-sized cities for June.

For newly constructed homes, prices rose month-on-month (MoM) in 60 cities, up four cities from the previous month, and dropped in six cities, down three cities from the previous month.

The rise was steepest in Luoyang city (Henan Province) at 2.4% MoM, Bengbu city (Anhui Province) and Beihai city (Yunnan Province) at 2.1% MoM, and Xiangyang city (Hubei Province) at 2.0% MoM, while the fall was sharpest in Sanya city (Hainan Province), Beijing city, and Wuxi city (Jiangsu Province) at 0.8%, 0.4%, and 0.3% MoM, respectively.

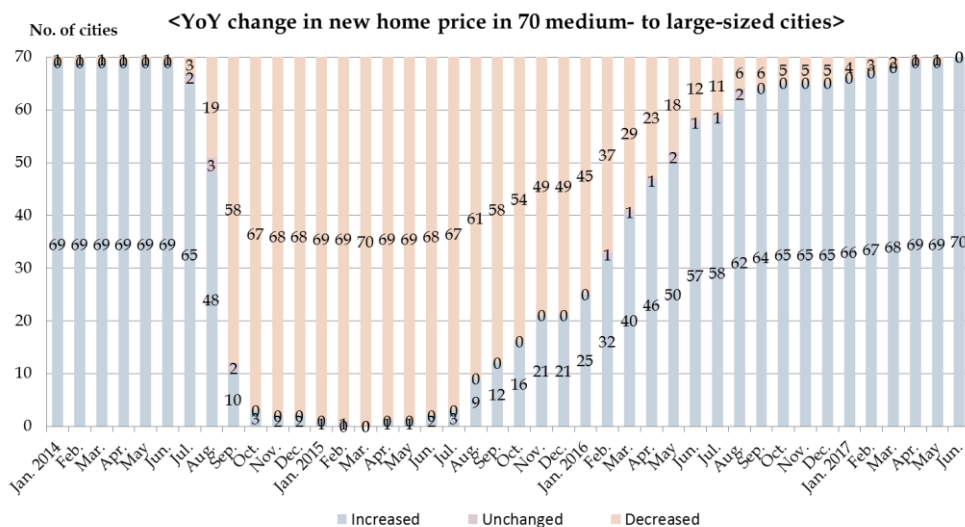


(Source) Created based on data published by the NBS

On a YoY basis, home prices rose in 70 cities, up one city from the previous month.

The rise was steepest in Wuxi city (Jiangsu Province), Zhengzhou city (Henan Province), Changsha city (Hunan Province) and Guangzhou city (Guangdong Province) at 22.9%, 20.2%, 18.5%, and 17.9% YoY, respectively.

However, the average YoY growth in home prices fell 2.6 percentage points from the previous month for first-tier cities(\*) and 0.5 percentage points for second-tier cities(\*), marking a fall for the ninth and seventh consecutive months, respectively.



(Source) Created based on data published by the NBS

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

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

## [Trade/ Investment]

### ◆ June: Inward foreign direct investment declines 2.8% YoY and outward foreign direct investment falls 11.3% YoY

The Ministry of Commerce (MOFCOM) released statistical data on inward and outward foreign direct investment on July 19.

#### <Inward foreign direct investment>

Regarding inward foreign direct investment (excluding the financial sector) in June, the number of newly founded, foreign affiliated companies increased by 14.3% YoY to 2,894, inward foreign direct investment (executed) fell by 2.8% YoY to USD 14.8 Bn, resulting in a decrease in the investment growth rate for the third consecutive month, but the amount of decrease shrank.

In January-June, the number of newly founded, foreign affiliated companies increased by 12.3% YoY to 15,053, and inward foreign direct investment declined by 5.4 % YoY to USD 65.65 Bn, with the amount of decline shrinking from 6.2% YoY in January-May.

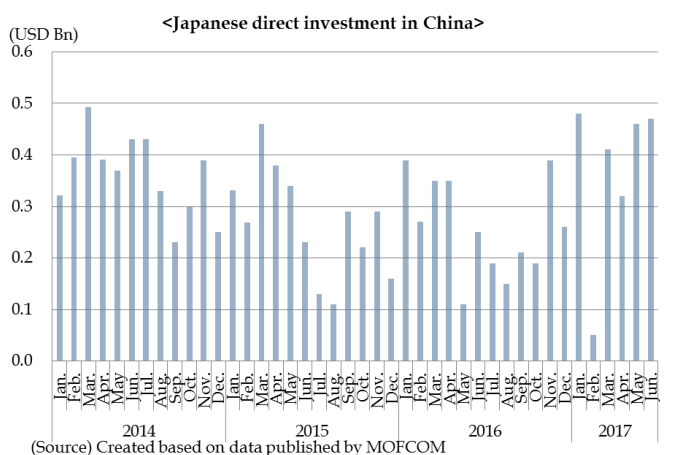
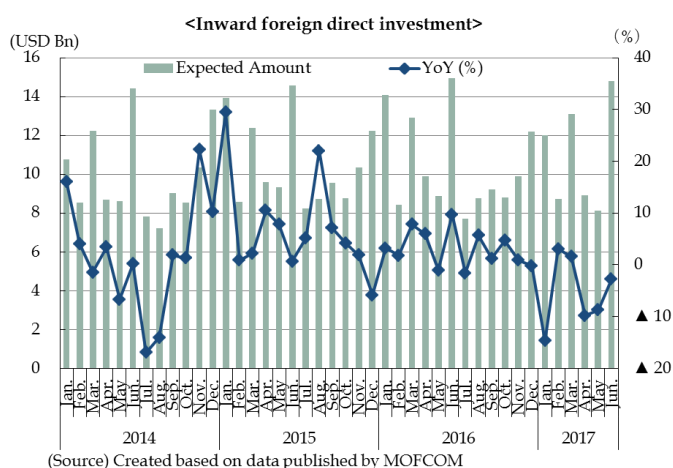
By region/country, foreign direct investment from Japan increased by 0.6% YoY\* to USD 1.73 Bn\* (January-May: -4.7% YoY\*). On the other hand, similarly to the previous month, a decrease was seen in foreign direct investment from the U.S. (-43.6% YoY\* to USD 1.45 Bn, January-May: -50.0% YoY\*), the ASEAN region (-18.5% YoY to USD 2.77 Bn, January-May: -27.7% YoY), and the EU (-11.2% YoY to USD 5.0 Bn, January-May: -0.9% YoY), expanding the amount of decrease for the EU. Furthermore, investment from the One Belt, One Road region dropped by -17.6% YoY to USD 2.76 Bn, however with a smaller decrease compared to January-May (-26.3% YoY). \*These figures were calculated by BTMU based on the inward foreign direct investment amounts announced by MOFCOM.

By sector, investment dropped by 2.7% YoY to USD 19.01 Bn in the manufacturing sector (January-May: -14.6% YoY) and 5.6% YoY to USD 46.2 Bn in the service sector (January-May: -2.7% YoY). The drop in investment expanded in the service sector, while it shrank greatly in the manufacturing sector.

#### <Outward foreign direct investment>

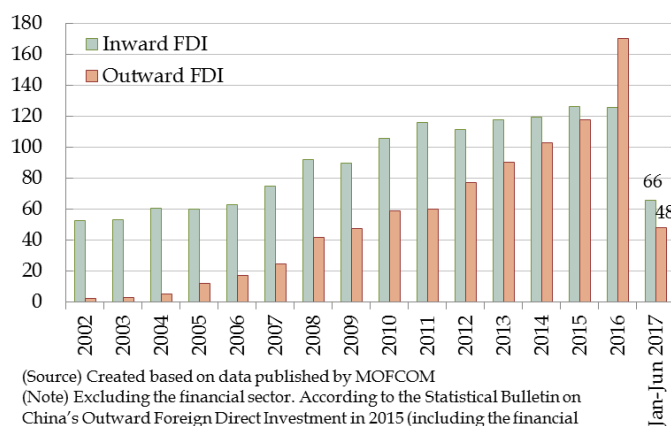
Outward foreign direct investment (excluding the financial sector) continued to fall YoY, by 11.3% YoY to USD 13.6 Bn in June and by 45.8% YoY to USD 48.19 Bn in January-June, but it marked the highest monthly amount since last December, with the amount of decrease shrinking from -53.0% YoY in January-May.

By sector for January-June, outward foreign direct investment plummeted -82.1% YoY in real estate and -82.5% in culture, sports and leisure.



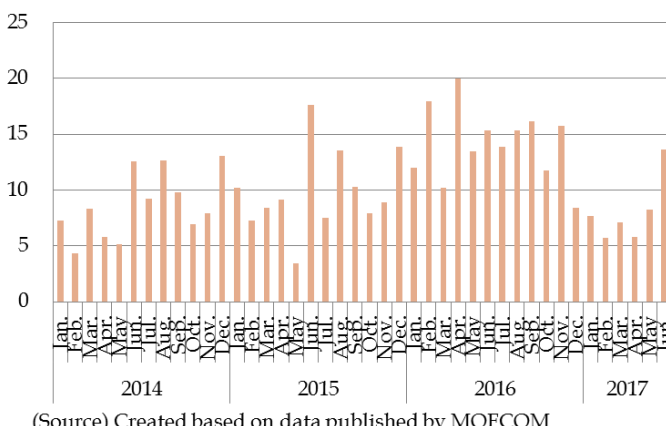
MOFCOM indicated that the decrease in outward foreign direct investment for January-June was due to the following reasons: (1) the Chinese economy is stable and on an upward trend, and the reserve funds of investors is increasing, (2) factors of uncertainty are increasing in the global community, including the spread of terrorism, and regulations on the entry of foreign companies in some countries, and (3) the structure of outward foreign direct investment improved by enhancing examining the authenticity of outward investment and controlling irrational outward investments, which led to a significant reduction of outward investment in real estate, hotels, movie theaters, leisure, sport clubs, etc.

**<Chinese inward/outward foreign direct investment >**  
(USD Bn)



(Source) Created based on data published by MOFCOM  
(Note) Excluding the financial sector. 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.

**<Chinese outward foreign direct investment by month >**  
(USD Bn)



(Source) Created based on data published by MOFCOM

## ◆ Beijing city and three other provinces announce a minimum wage hike

Beijing city, and the provinces of Hunan, Guizhou, and Gansu recently announced a minimum wage hike.

Aside from these four regions, Shanghai city, Shenzhen city, Shaanxi Province, Fujian Province, Shandong Province, Tianjin city, Qinghai Province, and Jiangsu Province have implemented or announced a minimum wage hike this year, for a total of 12 regions.

**<Minimum wage hike in 4 area>**

Area	Before		After	
	RMB/ Month	Date	RMB/ Month	Date
Beijing	1,890	2016-9-1	2,000	2017-9-1
Hunan	1,390	2015-1-1	1,580	2017-7-1
Guizhou	1,600	2015-10-1	1,680	2017-7-1
Gansu	1,470	2015-4-1	1,620	2017-6-1

(Source) Announcement by the regional government

## [Finance/Exchange]

### ◆ Real estate loans slow down for the second consecutive term in June loan statistics by area

On July 21, the People's Bank of China (PBoC) announced the statistics for financial institution loans by area for January-June 2017. The amount of new RMB loans in January-June increased by RMB 436.2 Bn YoY to RMB 7.97 Tn. Out of that, real estate loans increased by RMB 110.0 Bn YoY to RMB 3.04 Tn, accounting for 38.1% of total new RMB loans, which decreased from 40.4% in January-March.

The RMB loan balance for the end of June 2017 increased 12.9% YoY to RMB 114.57 Tn, with the rate of increase expanding by 0.5 point from the end of March 2017. Out of that, real estate loans increased by 24.2% YoY to RMB 29.72 Tn, with the rate of increase slowing by 1.9 points from the end of March 2017, for the second consecutive term.

## CHINA BIWEEKLY (August 16th 2017)

Breaking down the real estate loan balance, loans for land development decreased by 17.9% YoY (-21.5% YoY at the end of March 2017) to RMB 1.36 Tn, loans for building development grew 18.3% YoY (+17.3% YoY at the end of March 2017) to RMB 6.4 Tn, and private home loans increased 30.8% YoY (+35.7% YoY at the end of March 2017) to RMB 20.1 Tn, slowing the rate of increase in private home loans for the first time in eleven terms.

