CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

July 30th 2018

■ BIWEEKLY DIGEST

[Economy]

- **The Chinese Academy of Social Sciences projects 6.7% GDP growth for the second quarter**
- **GDP Growth Rate for Q2 Slows Down to 6.7%**

[Industry]

- **June Auto Sales Rise 4.8% Year-on-Year (YoY), New Energy Vehicle Sales Jump 42.9% YoY**

[Trade/Investment]

- **US tariff sanctions against China and China's retaliatory tariffs come into effect on July 6**
- **June Trade Statistics Show 11.3% YoY Increase in Exports and 14.1% YoY Increase in Imports**
- **WTO Trade Policy Review Report for China Points Out Considerable State Involvement in the Economy**

[Finance/Exchange]

- **The State Council convenes a meeting on financial stability**
- **Foreign Reserve Balance in June Shows the First Increase In Three Months**

[Economy]

◆ **The Chinese Academy of Social Sciences projects 6.7% GDP growth for the second quarter**

On July 3, the National Academy of Economic Strategy (NAES) of the Chinese Academy of Social Sciences, a government think tank, and the Economic Information Daily of the state-run Xinhua News Agency jointly announced the forecast for Chinese GDP growth rates as increasing by 6.7% for both the second quarter and the first half of 2018. The forecast is lower than the 6.8% growth in the first quarter by 0.1 percentage point.

Regarding the Chinese economy in the first half of the year, NAES pointed out that there were conspicuous drops in demand-related macroeconomic indices such as investment due to a substantial decrease in total social financing. NAES also shared the view that the complex environment of the global economy has had a negative impact on the Chinese economy.

Regarding the macro-economy in the second half of the year, in addition to the three key government policies (prevention/elimination of major risks, precise eradication of deprivation, and anti-pollution measures), NAES pointed out that challenges will arise in matters such as US-China trade friction, elimination of structural leveraging and financial risks, development of the real-estate market, and a slowdown in investment.

In response to those challenges, NAES suggests the enhancement of sustainable development potential by eliminating latent risks while continuing economic growth, since what will be needed in the second half of the year is to integrate supply-side structural reforms and domestic demand expansion, expand reforms and opening-up and respond to US-China trade friction, continue active financial policies such as promotion of tax cuts, carry out stable and fair monetary policies and secure sufficient liquidity, and develop a sound financial market through macro-prudential policies.

NAES added the forecasts of GDP growth rates rising 6.6% for the third quarter, 6.5% for the fourth quarter and 6.6% annually. However, the possibility of those numbers decreasing was also pointed out, depending on the developments of US-China trade friction.

◆ **GDP Growth Rate for Q2 Slows Down to 6.7%**

On July 16, the National Bureau of Statistics (NBS) announced its major economic indicators for the first half of 2018. The GDP growth rate in the second quarter of 2018 fell 0.1 percentage point from the previous quarter to 6.7%, but still surpassed the government's full-year target of around 6.5%. The government rated the management of the economy as being stable, with the GDP growth rate staying between 6.7% and 6.9% for the twelfth consecutive quarter.

Recently, while January-June investment in fixed assets increased 6.0% year-on-year (YoY) (up 6.1% YoY in January-May), and value-added industrial production for June went up 6.0% YoY (up 6.8% YoY in May), both slowing down in growth, the total retail sales of consumer goods for June rose 9.0% YoY (up 8.5% YoY in May), demonstrating the first increase in growth rate in three months.

Consumer spending also contributed to the GDP at a rate of 78.5% for January-June, up 0.7 percentage point from January-March and up 14.2 percentage points YoY, making the situation in which consumer spending supports the economy even more clear.

Regarding prices, the overall consumer price index (CPI) for June increased 1.9% YoY, which was 0.1 percentage point above the previous month's index. The overall producer price index (PPI) for June rose 4.7% YoY, up 0.6 percentage point from the month before.

In the press conference held on the same day, NBS commented on investment in fixed assets, stating that investment in infrastructure had slowed down due to a clampdown on local governments' investment projects in order to reduce financial risk. Meanwhile, growth in private sector investment in January-June accelerated, with an 8.4% year-on-year increase, whereas it was 8.1% in January-May. NBS indicated that the outlook for the second half of 2018 includes the expectations that central government-approved project developments will accelerate and that investment will remain stable.

Regarding industrial production, the industry breakdown for January-June shows YoY increases in the high-tech industry with 11.6%, equipment production with 9.2%, and strategic emerging industry with 8.7%, all exceeding the average increase rate (6.7%). NBS explained that these results reflect a structural shift to high-value added industries.

<Main Economic Indicators for June>

Item		Amount	YoY(%)
Gross Domestic Product (GDP)/ April-June	(RMB Bn)	-	6.7
Investment in fixed assets (excl. investments by rural companies)*	(RMB Bn)	29,732	6.0
State-owned sector	(RMB Bn)	(Unreleased)	3.0
Private sector	(RMB Bn)	18,454	8.4
By industry: Primary industry	(RMB Bn)	987	13.5
By industry: Secondary industry	(RMB Bn)	10,988	3.8
By industry: Tertiary industry	(RMB Bn)	17,757	6.8
Value-added industrial production**	-	-	6.0
Total retail sales of consumables	(RMB Bn)	3,084	9.0
Consumer price index (CPI)	-	-	1.9
Industrial producer price index (PPI)	-	-	4.7
Industrial producer purchase price	-	-	5.1
Exports	(USD Bn)	216.7	11.3
Imports	(USD Bn)	175.1	14.1
Trade balance	(USD Bn)	41.6	-
Inward foreign direct investment (actual basis)	(USD Bn)	15.7	5.8

*Cumulative total for January-June

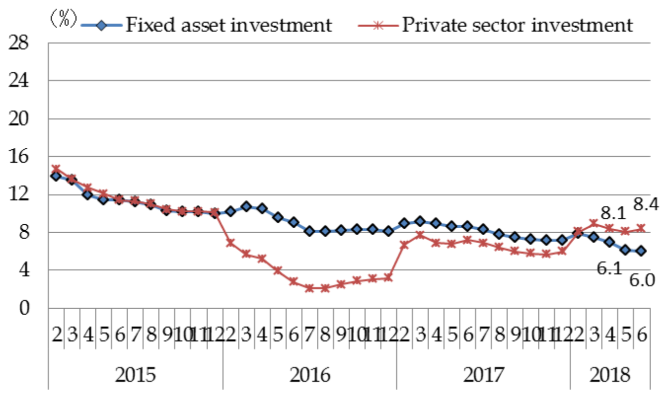
**Independently-accounted state-run companies and non-state-run companies with annual sales of RMB 20 million or more

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

<Quarterly Trends in GDP Growth Rate>

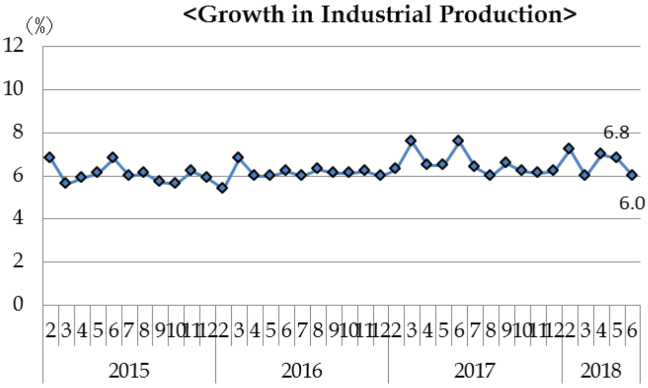
Source: Created based on data released by NBS

<Growth in Fixed Asset Investment>



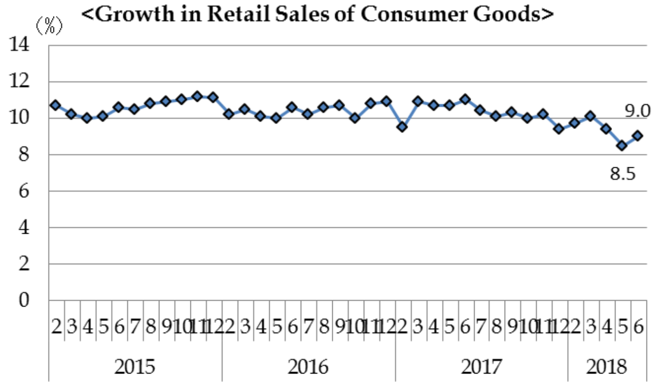
Note: Cumulative total from the start of the year
Source: Created based on data released by NBS

<Growth in Industrial Production>



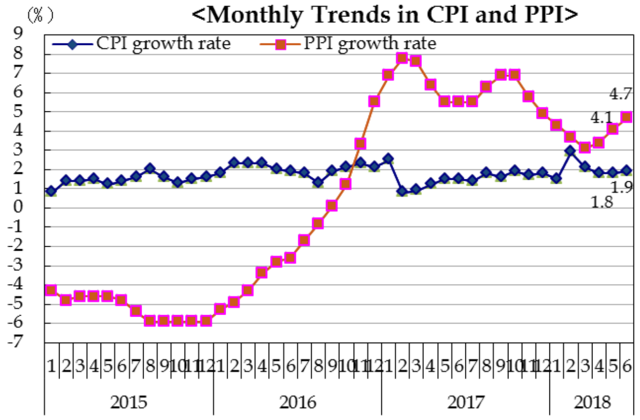
Note: Cumulative total of January and February used for February data
Source: Created based on data released by NBS

<Growth in Retail Sales of Consumer Goods>



Note: Cumulative total of January and February used for February data
Source: Created based on data released by NBS

<Monthly Trends in CPI and PPI>



Source: Created based on data released by NBS

Looking at the quarterly growth of consumption, the YoY growth rate slowed down in the second quarter, as it was 9.8% in January-March, but 9.0% in April-June. The factor behind the slowdown in consumption was consumers' reluctance to buy automobiles in anticipation of the reduction of tariffs on imported vehicles from July 1.

As for the effects of trade friction between China and the U.S., NBS emphasized that a number of countries will be affected as the globalization of supply chains is progressing. Also, an increase in the prices of soy products, cooking oil, and pork and eggs from soymeal-fed livestock is expected because

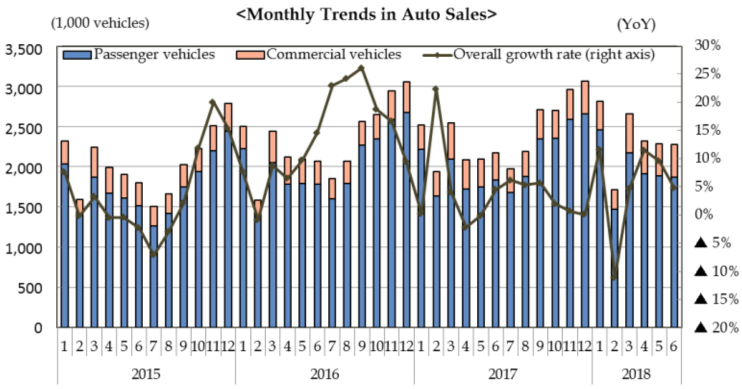
China has imposed punitive tariffs on U.S.-produced soybeans. However, all of these prices currently remain in the low range, and NBS sees the effect on commodity prices as limited.

As structural reforms reach a critical point, the Chinese government has indicated that its policy for future management of the economy will be to continue to promote supply-side structural reforms and to continuously expand demand, aiming at a steady development of the economy in spite of uncertain factors such as the rise of protectionism outside China.

[Industry]

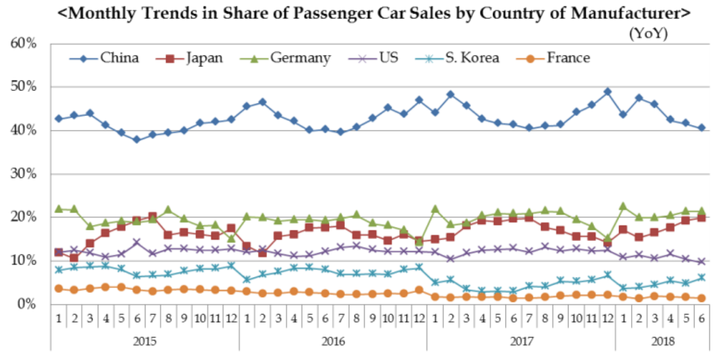
◆ June Auto Sales Rise 4.8% Year-on-Year (YoY), New Energy Vehicle Sales Jump 42.9% YoY

According to an announcement made by the China Association of Automobile Manufacturers (CAAM) on July 11, June auto sales rose 4.8% YoY to 2.274 million units while the growth rate dropped from 9.6% YoY in May. Cumulative January-June sales were up 5.6% YoY to 14.066 million units.



Source: Created based on data released by CAAM

By vehicle type, sales of passenger vehicles in June rose 2.3% YoY to 1.874 million units (up 7.9% YoY in May), while commercial vehicles continued to do well, increasing 18.2% to 400,000 units (up 18.6% YoY in May). A crackdown on overloading and tightened environmental regulations beginning in 2017 are said to have boosted the demand for trucks.



Source: Created based on data released by CAAM

By type of passenger car, while sales of sedans were strong and rose 9.1% YoY to 963,000 units, with a growth rate that surpassed total auto sales, the sales of sport utility vehicles (SUVs) and multi-purpose vehicles (MPVs) fell below the previous year, down 0.5% and 21.0%, respectively. It is assumed that some consumers were reluctant to buy cars prior to the cuts to import tariffs beginning on July 1.

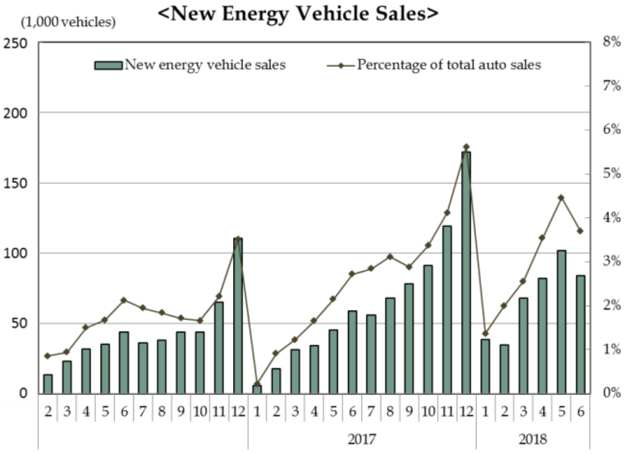
Turning to the share of the Chinese passenger car market, Chinese automakers accounted for 40.4% with 758,000 units, German automakers 21.4% with 401,000 units, Japanese automakers 20.0% with 374,000 units, U.S. automakers 9.7% with 181,000 units, and South Korean automakers 6.1% with 114,000 units, while French automakers held 1.4% with 27,000 units. Japanese and South Korean automakers increased their market shares from the previous month.

Meanwhile, sales of new energy vehicles for June jumped 42.9% YoY to 84,000 units. Though growth continues to be significant, the growth rate dropped considerably from having been up 125.6% YoY in May. Electric vehicle (EV) sales were up 29.5% YoY to 62,000 units, while plug-in hybrid vehicle (PHV) sales soared 102.0% YoY to 22,000 units. The cumulative total of new energy vehicles sales for January-June increased 111.5% YoY to 412,000 units, of which EVs were up 96.0% YoY to 313,000 units and PHVs were up 181.6% to 99,000 units.

<June Auto Sales and Growth Rates>

	Auto sales (1,000 vehicles) June	Auto sales (1,000 vehicles) January-June	Growth rate June YoY (%)	Growth rate January-June YoY (%)
Auto sales	**2,274.0**	**14,066.0**	**4.8**	**5.6**
Passenger vehicle	1,874.0	11,775.0	2.3	4.6
Sedan	963.4	5,694.0	9.1	5.5
SUV (sport utility vehicle)	737.6	4,965.0	▲ 0.5	9.7
MPV (multi-purpose vehicle)	129.3	881.9	▲ 21.0	▲ 12.7
Crossover SUV	43.9	234.7	0.5	▲ 25.9
Commercial vehicle	399.5	2,291.0	18.2	10.6
Bus	42.7	227.0	▲ 13.6	2.8
Truck	356.8	2,065.0	23.6	11.5
New energy vehicle	84.0	412.0	42.9	111.5
Electric vehicle (EV)	62.0	313.0	29.5	96.0
Plug-in hybrid vehicle (PHV)	22.0	99.0	102.0	181.6

Source: Created based on data released by CAAM



Source: Created based on data released by CAAM

[Trade/Investment]

◆ US tariff sanctions against China and China's retaliatory tariffs come into effect on July 6

On July 6, the US government implemented sanctions under Section 301 of the Trade Act of 1974(*1) which impose an additional tariff of 25% on 818 categories of Chinese products worth USD 34 billion for the purpose of preventing China from benefiting unfairly by infringing on intellectual property rights. Meanwhile, on the same day the sanctions were implemented, the Chinese government implemented a retaliatory action on the same scale, imposing additional 25% tariffs on 545 types of US products, and filed a complaint with the WTO over the US sanctions.

Regarding the additional tariffs between the U.S. and China, the Office of the United States Trade Representative (USTR) and the Ministry of Commerce of the People’s Republic of China (MOFCOM) each released lists of products subject to the additional tariffs(*2) on June 15 and 16, respectively. Both countries announced that they will impose additional 25% tariffs on each other’s products worth the annual import amount of USD 50 billion. The first set of additional tariffs worth USD 34 billion was implemented on July 6. Both countries will announce the final contents and timing of the second wave of tariffs worth USD 16 billion at a later time.

Looking at the lists of products on which the two countries imposed additional tariffs, the U.S. list conspicuously includes high-tech products such as semiconductors, automobiles, industrial robots, medical equipment and communication components, while China’s first list includes agricultural products, such as soybeans, and automobiles, with the second set including energy products, medical equipment and chemicals.

On the same day, USTR started the process to exclude certain products from the tariff sanction against China(*3) and will accept requests for exclusion from companies in the U.S. until October 9. The points to consider in approving the exclusion of products are ① the product cannot be imported from regions other than China, ② the product not being excluded would severely damage the companies filing such requests and US national interests and ③ the product has no relation to Chinese industrial development strategies including "Made in China 2025." If approved, the product will be excluded from the sanctions for one year retroactively from July 6.

Meanwhile, on July 10, USTR announced a draft of additional tariff sanctions against China(*4) following its retaliatory action. The U.S. will impose additional 10% tariffs on 6,031 categories of products worth USD 200 billion and collect feedback from the public through the end of August.

On July 9, MOFCOM announced future actions in response to the US tariffs, which include ① continuing to monitor the impact on Chinese companies, ② utilizing increased tax revenue due to the retaliatory tariffs to reduce economic losses of relevant companies and employees, ③ providing support for companies to import agricultural products such as soybeans, fishery products, and automobiles from countries other than the U.S. and ④ actively attracting foreign investment, strengthening the protection of legitimate interests of companies and creating a favorable environment for investment.

Also, according to MOFCOM's analysis, over USD 20 billion or 59% of the USD 34 billion tariffs imposed through these US sanctions against China comes from products that foreign companies make in China and that products made by US companies account for a considerable percentage.

<Comparison of Additional Tariff Measures between the U.S. and China over Section 301 of the US Trade Act of 1974>

	United States / Tariff Sanctions against China		China / Retaliatory Tariffs agains the U.S.	
	HS Code (Subheading)	Major Target Products / 818 lines	HS Code (Subheading)	Major Target Products / 545 lines
First Set Implemented on July 6 (USD 34 billion)	8536	Electrical apparatus for switching, protecting, or making connections for electrical circuits	1201	Soybeans
	8413	Pumps for liquids and liquid elevators	8703	Passenger automobiles
	8431	Parts suitable for use solely or principally with machinery such as construction equipment and machine tools	1007	Grain sorghum
	8703	Passenger automobiles and other automobiles	0206	Edible meat offal
	8471	ADP devices and reading devices (storage devices)	2303	Residue from the process of manufacturing starches/sugar
	8541	Semiconductor devices and light-emitting diodes		
	8544	Insulated wires/cables and optical fiber cables		
	8421	Centrifuges and filtering and purifiying machinery		
	8501	Electric motors and generators		
	8481	Cocks, valves and similar appliances		
	HS Code (Subheading)	Major Products under Consideration / 284 lines	HS Code (Subheading)	Major Products under Consideration / 114 lines
Second Set (Draft) Timing undecided (USD 16 billion)	8542	Electronic integrated circuits	2711	Petroleum gases
	8543	Electrical equipment with specific functions	9018	Medical and veterinary instruments and apparatus
	8541	Semiconductor devices and light-emitting diodes	3907	Polyacetals, polyethers, epoxy resin, polycarbonate, etc.
	7308	Iron or steel structures and parts of the structures		
	8486	Machines and apparatus for the manufacture of semiconductor devices or electronic integrated circuits	3822	Diagnostic and laboratory-use reagents
	8501	Electric motors and generators	3920	Plastic sheets and film (non-reinforced)
	8536	Electrical apparatus for switching, protecting, or making connections for electrical circuits		
	8503	Parts suitable for use solely or principally with machinery such as electric motors and generators		
	3920	Plastic sheets and film (non-reinforced)		
	3921	Other plastic sheets and film		

Source: Created based on the announcements by USTR and MOFCOM

<Developments in US-China Trade Friction over Section 301 of the Trade Act of 1974>

Date	United States	China
March 22	Under Section 301 of the Trade Act of 1974, President Trump signed an executive order imposing an additional 25% tariff on Chinese products worth USD 50-60 billion in total as sanctions for intellectual property infringement. Restrictions on investment by Chinese companies in the U.S. were also decided.	
April 3	USTR released a draft of tariff sanctions for intellectual property infringement. An additional 25% tariff will be imposed on 1,300 types of Chinese products. The amount is nearly 10 percent of the 2017 total amount for imports from China of USD 510 billion.	
April 4		As a retaliatory measure, MOFCOM announced an additional 25% tariff on 106 types of US products worth USD 50 billion.
May 3 to 4	First US-China trade talks in Beijing	
May 17 to 18	Second US-China trade talks in Washington	
June 2 to 3	Third US-China trade talks in Beijing	
June 15	As sanctions against China under Section 301, USTR announced an additional 25% tariff on 1,102 types of Chinese products worth USD 50 billion. The tariffs on USD 34 billion worth of the products are scheduled to take effect on July 6, while the timing of tariff imposition on the remaining products is under consideration.	

Date	United States	China
June 16		MOFCOM retaliated against the US sanctions under Section 301 by announcing an additional 25% tariff on 659 types of products worth USD 50 billion. The tariffs on USD 34 billion worth of the products are scheduled to take effect on July 6. The timing of tariff imposition on the remaining products will be determined later.
June 18	As a countermeasure to China's retaliation, President Trump ordered USTR to consider an additional 10% tariff on USD 200 billion worth of Chinese products.	
July 6	USTR implemented an additional 25% tariff on 818 types of Chinese products worth USD 34 billion. Exemption procedures for specific products began.	The Chinese government implemented an additional 25% tariff on 545 types of US products worth USD 34 billion. The governemnt also filed a complaint against the US with the WTO.
July 10	Following China's retaliatory measure against US sanctions under Section 301, USTR released a draft of an additional tariff measure against China, which imposes an additional 10% tariff on 6031 types of products worth USD 200 billion. The authority will continue to collect opinions until the end of August.	

Source: Created based on announcements by the US and Chinese governments

(*1) A clause that enables the US president to impose sanctions such as a tariff increase in response to unfair trade practices by trading partner countries at his/her own decision.

(*2) List of products subject to the US tariff sanctions against China (USTR website):
https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/june/ustr-issues-tariffs-chinese-products
List of products subject to the Chinese retaliatory tariffs against the US (MOFCOM website):
http://www.mofcom.gov.cn/article/ae/ai/201806/20180602756389.shtml

(*3) The process to exclude certain products from the US tariff sanctions against China (USTR website):
https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/july/ustr-releases-product-exclusion

(*4) Draft of additional US tariff sanctions against China (USTR website):
https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/july/statement-us-trade-representative

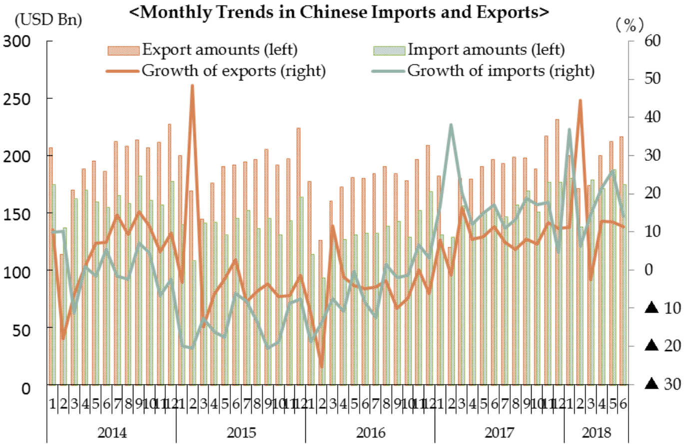
◆ June Trade Statistics Show 11.3% YoY Increase in Exports and 14.1% YoY Increase in Imports

On July 13, the General Administration of Customs (GACC) released a trade statistics bulletin (in USD), which indicated that exports in June rose 11.3% YoY (up 12.6% YoY in May) to USD 216.74 billion, and imports for the same period displayed an increase of 14.1% (up 26.0% YoY in May) to USD 175.13 billion, resulting in a USD 41.61 billion trade surplus.

The cumulative total for January-June showed a 12.8% YoY increase in exports (up 13.3% YoY in January-May) for USD 1.17275 trillion and a 19.9% YoY increase in imports (up 21.0% YoY in January-May) for USD 1.0331 trillion. A trade surplus of USD 139.65 billion was posted, which decreased by 24.5%* year-on-year.

Turning to trade with Japan from January to June, exports were up 8.0% YoY (up 8.2% YoY in January-May) to USD 70.4 billion, while imports rose 12.9% YoY (up 15.7% YoY in January-May) to USD 87.11 billion, both slowing down in growth compared to the previous month. The trade balance resulted in a deficit of USD 16.71 billion*, and the deficit increased by 43.7%* year-on-year.

<Monthly Trends in Chinese Imports and Exports>



Source: Created based on data released by GACC

<Jan-Jun 2018 Import and Export Amounts and Growth Rates by Country/Region (Top 10)>

(USD Bn)

Country/Region	Total	YoY	Exports	YoY	Imports	YoY
U.S.	301.8	13.1%	217.8	13.6%	84.0	11.8%
Japan	157.5	10.7%	70.4	8.0%	87.1	12.9%
South Korea	152.3	16.9%	53.9	9.0%	98.4	21.8%
Hong Kong	141.4	13.5%	137.7	13.7%	3.6	8.3%
Taiwan	107.8	22.0%	23.2	14.4%	84.6	24.2%
Germany	87.9	12.8%	36.6	10.0%	51.4	14.9%
Australia	74.1	11.5%	21.7	17.3%	52.4	9.3%
Vietnam	66.0	28.8%	39.1	23.5%	26.9	37.4%
Malaysia	51.9	15.1%	21.7	10.6%	30.3	18.6%
Brazil	51.9	24.3%	17.2	34.0%	34.7	20.0%

Source: Created based on data released by GACC

As for trade with the U.S. from January to June, exports rose 13.6% YoY (up 13.6% in January-May) to USD 217.78 billion, and imports increased 11.8% YoY (up 11.9% in January-May) to USD 84.02 billion.

The trade balance showed a USD 133.76 billion* surplus, which increased by 13.8%* year-on-year.

*Calculated by MUFG Bank based on the data released by GACC.

When looking at the breakdown of exports and imports by product (in RMB terms) for January-June, export products that grew significantly year-on-year were automobiles with a 15.1% increase and metal processing machines with a 14.9% increase, while for imports, fishery products were up 38.4%.

GACC commented that in China's foreign trade in January-June, both imports and exports registered relatively high growth, as demand has recovered and grown in the global and domestic economies. GACC also explained that by opening up the domestic market further, the trade balance will move toward equilibrium, emphasizing that imports are increasing at a faster rate than exports, and that the trade surplus has shrunk for the eighth consecutive quarter.

Regarding the second half of 2018, GACC pointed that there are a number of uncertainties in the global environment, and in particular that measures taken by some countries based on unilateralism/protectionism will introduce challenges to world trade. However, China has been working on initiatives such as improving the structure of import and export commodities and market diversification, and will be prepared to meet these challenges. Therefore, according to GACC, trade trends will have a steady undertone throughout 2018.

◆ WTO Trade Policy Review Report for China Points Out Considerable State Involvement in the Economy

The World Trade Organization released a Trade Policy Review Report for China on July 11. While the Review rated China as a major driver of global economic growth, it pointed out that state involvement in the economy remains considerable.

The report said that China's government applies price controls, both at the central and provincial levels, on commodities and services deemed to have a direct impact on the national economy and people's livelihoods.

Also, though China's government grants a substantial amount of subsidies to the nation's advanced manufacturing and technologies, new energy vehicles, fisheries, etc., relevant information has not been provided to WTO and the real situation is uncertain.

China's main laws concerning intellectual property rights have remained largely unchanged since the previous Review, and though China has strengthened intellectual property rights enforcement at both the administrative and judicial levels, protection and enforcement of intellectual property rights continue to be a major challenge.

On July 17, China's National Development and Reform Commission announced that the price control list for local governments had been revised as part of the promotion of price liberalization. The list was reduced by 30% from the previous revision made in 2015, and prices including fares for local railways, service fees for online car dispatch, and tuition for private schools were liberalized.

(1) WTO examines the trade policies of member countries at regular intervals in order to ensure the transparency of their trade policies and practices. A review for China is conducted every two years, and this is the seventh review.

[Finance/Exchange]

◆ The State Council convenes a meeting on financial stability

On July 2, the State Council convened a general meeting of the Financial Stability and Development Committee. Liu He, the vice premier of the State Council, took charge of the committee, in which attendees including Yi Gang, the governor of the People's Bank of China, discussed such matters as promoting reforms and opening-up of the financial industry, stable and fair financial policies and securing sufficient liquidity, and supervisory pace and strength while reviewing a three-year action plan for forestalling and defusing major financial risks as well as analyzing the current economic and financial state and financial operation situation.

Regarding the current financial state, the committee shared the view that in general the financial sector was operating on a stable basis since structural deleveraging has made gradual progress resulting from reduced high-risk financial operations due to the efforts of building a supervisory system and taking measures for financial risks.

The committee also expressed its intention to continue to promote operations in line with the action plan on the grounds that the Chinese economy has been showing high-quality growth, which provides China with more opportunities to expand its policies and reforms in its large market and enables the country to withstand major risks including foreign risks.

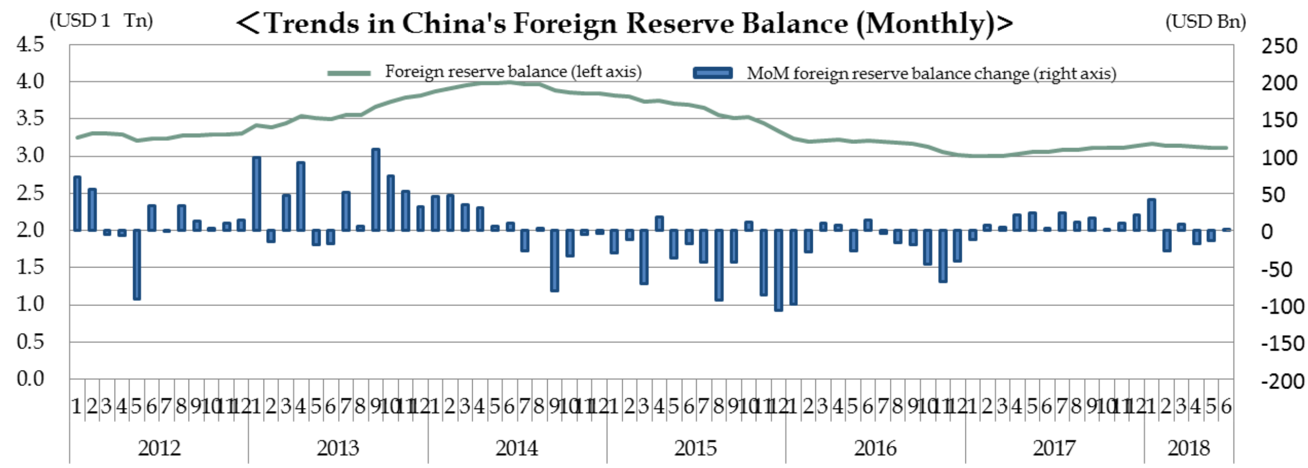
The Financial Stability and Development Committee of the State Council is an institution designed to comprehensively examine and make adjustments for major issues regarding financial stability, reforms and development. The reason this meeting was held at this timing is believed to be in order to discuss the future impact of US-China trade friction on Chinese financial market and countermeasures to take prior to the implementation of tariff sanctions by the US government on July 6.

◆ Foreign Reserve Balance in June Shows the First Increase In Three Months

The People's Bank of China (PBoC) announced on July 9 that China's foreign exchange reserves increased USD 1.5 billion in the month of June to USD 3.1121 trillion, showing the first month-on-month increase in three months.

The State Administration of Foreign Exchange (SAFE) described the slight increase in foreign reserve balance in June as stemming from causes such as a drop in other currencies against the USD and changes in asset prices.
SAFE commented that China is generally maintaining stability in its cross-border funds transfers through good fundamentals, though the recovery of the world economy is patchy, trade conflicts are intensifying, and some emerging countries are under the pressure of capital outflow and the weakening of their national currencies.

For the future outlook, SAFE holds the view that China's foreign exchange reserves will fluctuate but maintain stability.



Source: Created based on data released by the PBoC