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Flash Note
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What's new in China?

Trade

- A government survey found that China's leading industrial enterprises are almost completely reliant on imports for top-end computer chips and crucial components, echoing calls for caution about the country's technological prowess. According to the report, about a third of the "key materials" covered by the survey were not available in China.
- China launched early this week an anti-dumping investigation on imports of stainless steel from Europe, Japan and other countries, worth 1,300 million dollars due to complaints about domestic steel mills about the extremely cheap price of these imports. The Ministry of Commerce said the investigation will focus on imports of stainless steel and hot-rolled steel sheets from the European Union, Japan, South Korea and Indonesia, which almost tripled last year.

Markets

- Listed companies upbeat about H1 performance: Xinhua reported 2,141 companies listed on the country's two stock exchanges have released mid-year performance estimates, and 54% of them expect profit growth. Some 392 companies, or 18% of the total, expect net profits to at least double, while another 114 loss-making firms forecast a turnaround.
- **What's behind the bad performance seen in 2018?** Some publications discussed ongoing issues with the credibility of China's economic data and the National Bureau of Statistics (NBS) took the highly unusual step of acknowledging that it revised past data on corporate profits. An internal investigation uncovered 72 cases of illegal statistical manipulation at the national level and over 7,000 cases at the municipal level between 2017 through April of this year. The bureau has started releasing corrected figures since the fall of 2017. Figures for 2018 tend to show higher growth because the comparable figures for 2017 were revised down.
- Regulator says stock index futures 'back to normal' soon: China Securities Regulatory Commission (CSRC) vice chairman Fang Xinghai said during an internal training meeting with futures brokerage executives that trading in stock index futures will soon be "back to normal," suggesting the government is about to lift tough restrictions imposed during the 2015 market crash.

National deleveraging policy continues to unfold

- China steps up regulations on wealth/asset management business, with the China Banking and Insurance Regulatory Commission (CBIRC) releasing long-awaited draft rules and guidelines to strengthen regulations of financial institutions' wealth management and asset management businesses. The latest step by Beijing to fend off systemic financial risks.
- Sharp decline in shadow banking has taken place since the beginning of the year due to stricter supervision. The amount of entrusted loans has been dropping since January. PBOC data showed that entrusted loans in the first half of the year dropped more than CNY800B ($118B).
- Property loans to individuals see slower growth. According to a PBOC report, China's property loans to individuals rose 18.6% y/y at June-end to CNY23.84T ($3.5T). The growth rate was 1.4 percentage points lower than the end of March.

Economy - Outlook

- Urban registered jobless rate falls to a multi-year low of 3.83% (source: Ministry of Human Resources and Social Security). This compares with 3.89% at the end of March.
- China's non-financial outbound direct investment (ODI) grew 18.7% y/y in H1 to $57.2B. Belt and Road investments expanded 12% to $7.4B. Investment mainly went into leasing and business services, manufacturing, mining and retail and wholesale sectors. No new projects were reported in sectors such as property development, sports and entertainment.
- More fiscal stimulus expected to come from tax cuts: The China Securities Journal discussed China's fiscal policy and the government's aim to lower the deficit ratio. The most qualified vices suggest tax cuts as a more efficient form of fiscal stimulus, ahead of government expenditure, reinforcing Beijing's focus on tax reforms.

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