CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

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■ BIWEEKLY DIGEST

[Economy]

- **Economic Policies for the Second Half of 2019 Emphasize Efforts to Support the Economy**
- **Highest Priority to Be Put on Stabilizing Employment and Increasing Consumption**
- **July Manufacturing PMI at 49.7, Up 0.3 Percentage Point Month-on-Month**
- **Main Economic Indicators for July: Slumps in Production, Consumption, and Investment**

[Industry]

- **July Auto Sales Fall 4.3% YoY, Declining for 13 Consecutive Months**

[Trade/Investment]

- **Fourth Round of U.S. Tariffs on China: Implementation of Tariffs on Certain Products Pushed Back from September to December.**
- **July Exports Up 3.3%, Imports Down 5.6% Year-On-Year (YoY)**

[Finance/Exchange]

- **Foreign Reserves in July Decline for First Time in Three Months**
- **New Loans in July Down From Previous Month**

[Economy]

◆Economic Policies for the Second Half of 2019 Emphasize Efforts to Support the Economy

On July 30, the Communist Party of China convened the Central Politburo and decided the economic policies for the second half of the year. Although the Party defined its economic management for the first half of the year as having been successful and having contributed to advancing the economy in a stabilized fashion, it also pointed out the current situation, where China's economy has been faced with new risks and challenges and there is increasing downward pressure on the economy. The Party reiterated that it would continue to support the economy through a proactive fiscal policy and prudent monetary policy. According to its announcement, the fiscal policy will steadily implement tax breaks and measures to reduce administrative costs through and through, while the monetary policy will ensure a reasonable and ample level of liquidity.

The Party raised a number of key challenges to be addressed, such as deepened supply-side structural reform, raising the level of the industrial supply chain, uncovering potential consumer needs, and steadily implementing priority measures to stabilize employment. In addition to these issues, the policies also cover other notable challenges as follows.

Firstly, the policies are intended to effectively address trade friction and fully stabilize the six focus areas, which consist of employment, finance, trade, foreign-invested enterprises, investment and the economic outlook. The six areas to be stabilized were first brought up at the Central Politburo meeting in July 2018 and then at the Central Economic Work Conference in December that decided the economic management policies for the next year. In April 2019, the Party did not mention the six areas in its economic policies, but they were brought back to the forefront at this meeting.

As for real estate, the Party reaffirmed that it would maintain its existing stance of curbing speculative transactions under which housing is defined as being for residents, not for investors, adding that it would not use real estate as a means to stimulate the economy in the short term.

In terms of finance, there was no mention of "deleveraging (reducing excessive debt)," which was brought up at the meeting in April. It seems that the Party may fear that excessive deleveraging could impact companies' cash flow and cause economic slowdown.

◆Highest Priority to Be Put on Stabilizing Employment and Increasing Consumption

At the Executive Meeting of the State Council on July 31, Premier Li Keqiang made it clear that the government would put the highest priority on stabilizing employment and further capturing potential consumer needs in its future policy management. Amid growing concerns over an economic slowdown associated with intensifying U.S.-China trade friction, the premier's speech indicated that the government's top priority for now is to stabilize the macro economy by maintaining employment and to prop up the economy by boosting consumption.

Meanwhile, the People's Bank of China (PBOC) held a conference on August 2 to decide on the monetary management policies for the second half of the year and affirmed that the bank will maintain its prudent monetary policy, which includes keeping a reasonable and sufficient level of liquidity, enhancing financial support for small, medium-sized and micro enterprises, reducing financial risks, and imposing stricter control of speculative money flowing through the real estate market.

<Measures to Stabilize Employment Decided by the Executive Meeting of the State Council>

・Develop an environment in which it is easy to launch a new business, create more new jobs
・Monitor employment conditions in labor-intensive businesses, establish an early warning system for large-scale layoffs
・Promote orderly industrial transfer to the central and western regions
・Provide financial support for vocational training
・Further promote the employment of and start-up of new businesses by target demographics such as university graduates, military veterans, rural migrant workers
・Promote the healthy development of the part-time job and market flexible work arrangements, and the development of new forms of employment

<Measures to Increase Consumption Decided by the Executive Meeting of the State Council>

・Promote new forms of consumption including customized or smart consumption using big data, etc.
・Create a new consumer market by improving the living environment, upgrade medical, nursing and household services in residential areas
・Develop cold chain logistics services for agricultural products, promote development of EC in rural areas
・Use old-fashioned department stores and shut-down factories as platforms for new styles of consumption, add creativity to the way pedestrian precincts in downtown areas are used
・Start conducting a pilot test of simplified screening/approval procedures for Class B non-prescription (OTC) medicines
・Ask internationally well-known brands to release their new products first in China

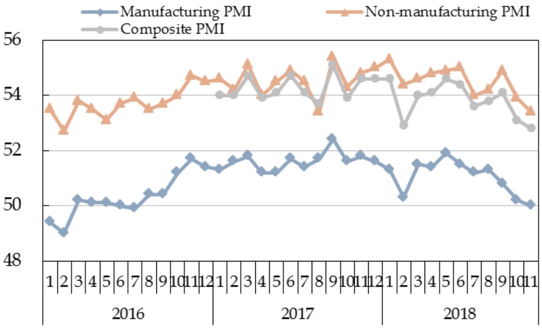
<Monetary Policies for the Second Half of 2019 Decided in the PBOC Conference＞

・Maintain the prudent monetary policy, ensure a reasonable and sufficient level of liquidity
・Keep the growth rate of money supply (M2) and loans at the same level as nominal GDP growth rate
・Enhance financial support for small, medium-sized, and micro enterprises
・Reduce major financial risks, prevent systemic risk, impose stricter control of speculative money in the real estate market
・Further open up financial markets, gradually relax RMB capital account controls, encourage the use of cross-border RMB
・Accelerate the research and development of China's central bank digital currency (DC/EP) and the related use of electronic settlement

◆July Manufacturing PMI at 49.7, Up 0.3 Percentage Point Month-on-Month

On July 31, the National Bureau of Statistics (NBS) and the China Federation of Logistics & Purchasing (CFLP) announced that the July manufacturing PMI was 49.7 (Fig. 1). Although it remained below 50, the benchmark for judging the economy, for the third consecutive month, it rose by 0.3 percentage point month-on-month (MoM). While the bureau views this improvement as a positive sign for the manufacturing industry, many critics are skeptical about this improvement, not knowing whether it will really contribute to the stable recovery of the economy in the future.

[Fig.1] PMI Trends



Source: Created based on data released by NBS and CFLP
Note: Composite PMI has been released since 2017.

By item, production increased to 52.1 (up 0.8 percentage point MoM), up for the first time in four months. New orders rose to 49.8 (up 0.2 percentage point MoM).

Looking at trade, new export orders increased to 46.9 (up 0.6 percentage point MoM), and imports increased to 47.4 (up 0.6 percentage point MoM). Indexes for both exports and imports showed improvement from the previous month, though they remained under 50.

The expected production and business activities index, which indicates future business confidence, rose for the first time in four months to 53.6 (up 0.2 percentage points MoM) (Fig. 2).

Manufacturing PMI by company size was 50.7 for large companies (up 0.8 percentage point MoM), showing a significant increase from the previous month’s figure, which was below 50. On the other hand, the index was 48.7 for medium-sized companies (down 0.4 percentage point MoM) and 48.2 for small companies (down 0.1 percentage point MoM), both dropping compared to the previous month and showing again a widening gap between large companies and small and medium-sized companies.

The non-manufacturing PMI for July decreased 0.5 percentage point MoM to 53.7 (Fig 1). By industry, both services and construction fell 0.5 percentage point MoM to 52.9 and 58.2 respectively.

The composite PMI, a weighted average of the manufacturing and non–manufacturing PMIs that reflects the overall economic sentiment in China, increased 0.1 percentage point to 53.1 (Fig 1).

[Fig. 2] Trends of Major Components in the Manufacturing PMI

		Manufacturing PMI	Production	New orders	New export orders	Raw materials prices	Imports	Employment	Expected production and business activities
2018	Jan	51.3	53.5	52.6	49.5	59.7	50.4	48.3	56.8
	Feb	50.3	50.7	51.0	49.0	53.4	49.8	48.1	58.2
	Mar	51.5	53.1	53.3	51.3	53.4	51.3	49.1	58.7
	Apr	51.4	53.1	52.9	50.7	53.0	50.2	49.0	58.4
	May	51.9	54.1	53.8	51.2	56.7	50.9	49.1	58.7
	Jun	51.5	53.6	53.2	49.8	57.7	50.0	49.0	57.9
	Jul	51.2	53.0	52.3	49.8	54.3	49.6	49.2	56.6
	Aug	51.3	53.3	52.2	49.4	58.7	49.1	49.4	57.0
	Sep	50.8	53.0	52.0	48.0	59.8	48.5	48.3	56.4
	Oct	50.2	52.0	50.8	46.9	58.0	47.6	48.1	56.4
	Nov	50.0	51.9	50.4	47.0	50.3	47.1	48.3	54.2
	Dec	49.4	50.8	49.7	46.6	44.8	45.9	48.0	52.7
2019	Jan	49.5	50.9	49.6	46.9	46.3	47.1	47.8	52.5
	Feb	49.2	49.5	50.6	45.2	51.9	44.8	47.5	56.2
	Mar	50.5	52.7	51.6	47.1	53.5	48.7	47.6	56.8
	Apr	50.1	52.1	51.4	49.2	53.1	49.7	47.2	56.5
	May	49.4	51.7	49.8	46.5	51.8	47.1	47.0	54.5
	Jun	49.4	51.3	49.6	46.3	49.0	46.8	46.9	53.4
	Jul	49.7	52.1	49.8	46.9	50.7	47.4	47.1	53.6

Source: Created based on data released by NBS and CFLP

◆Main Economic Indicators for July: Slumps in Production, Consumption, and Investment

On August 14, the National Bureau of Statistics (NBS) announced the main economic indicators for July. Although growth in production, consumption, and investment had temporarily improved in June, the indicators slumped again in July. Authorities assert that although economic management in July was generally reasonable, the foundations for sound development need to be further strengthened in light of increased downward pressure on the domestic economy caused by the increasing complexity of the external environment.

Industrial production in July (value-added) increased 4.8% YoY, which is 1.5 points lower than the previous month's 6.3% YoY, and also lower than production in May, when a 10-year low of 5.0% had been recorded (Figs. 1 and 2). By industry, many areas saw a slump in growth: auto manufacturing saw a steeper drop, falling off 4.4% YoY (down 2.5% YoY in June), electronic machinery was up 7.6% YoY, tapering off from the 11.3% YoY increase in June, and computers, communications, and other electric facilities were up 6.1% YoY, versus 10.4% in June.

Retail sales of consumer goods in July increased 7.6% YoY, which is a decline of 2.2 points from the 9.8% YoY recorded in the previous month (Figs. 1 and 2). Authorities say that the massive 2.6% YoY drop in auto sales (up 17.2% in June) was to blame, and that for consumer goods other than automobiles, the growth in July was 8.8%. For other items, communications saw growth of 1.0% YoY (up 5.9% YoY in June) and apparel marked a 2.9% increase YoY (up 5.2% YoY in June).

Growth in investments in fixed assets was up 5.7% YoY, decreasing 0.1 point from the 5.8% recorded for the January to June period. Specifically, investment in manufacturing improved for the third consecutive month, up 3.3% YoY, in contrast to growth in real estate and infrastructure, which slumped to 10.6% and 3.8% YoY, respectively (Figs. 1, 2, and 3).

In terms of employment, urban unemployment rates in July increased 0.2 point from the previous month to 5.3%.

[Fig. 1] Main Economic Indicators for July

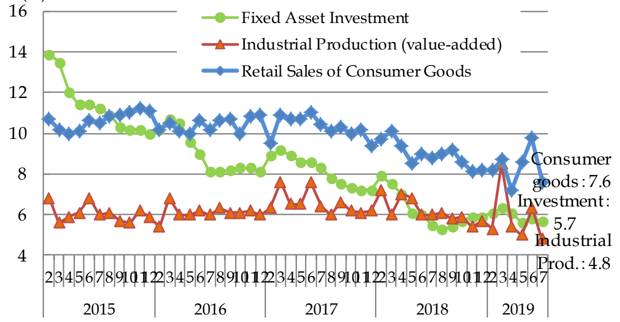
Item			June 2019			July 2019			
			Amount		YoY (%)	Growth Rate	Amount		YoY (%)
Investment in fixed assets (excl. investments by rural companies)*			(RMB Bn)	29,910.0	5.8	↘	(RMB Bn)	34,889.2	5.7
	State-owned sector		(RMB Bn)	(Unreleased)	6.9	↗	(RMB Bn)	(Unreleased)	7.1
	Private sector		(RMB Bn)	18,028.9	5.7	↘	(RMB Bn)	21,026.7	5.4
	By industry	Primary	(RMB Bn)	843.0	0.6	↘	(RMB Bn)	978.4	▲1.2
		Secondary	(RMB Bn)	10,007.0	2.9	↗	(RMB Bn)	11,774.9	3.4
		Tertiary	(RMB Bn)	19,060.0	7.4	↘	(RMB Bn)	22,135.9	7.0
Value-added industrial production**			-	-	6.3	↘	-	-	4.8
Total retail sales of consumer goods			(RMB Bn)	3,387.8	9.8	↘	(RMB Bn)	3,307.3	7.6
Consumer price index (CPI)			-	-	2.7	↗	-	-	2.8
Industrial producer price index (PPI)			-	-	0.0	↘	-	-	▲0.3
Industrial producer purchase price			-	-	▲ 0.3	→	-	-	▲0.3
Exports			(USD Bn)	212.84	▲ 1.3	↗	(USD Bn)	221.53	3.3
Imports			(USD Bn)	161.86	▲ 7.3	↗	(USD Bn)	176.48	▲5.6
Trade balance			(USD Bn)	50.98	-	-	(USD Bn)	45.05	-
Inward foreign direct investment (executed basis)			(USD Bn)	16.13	3.0	↗	(USD Bn)	8.07	4.1

* Cumulative total from January

** 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

[Fig. 2] Growth in Fixed Asset Investment, Industrial Production and Retail Sales of Consumer Goods

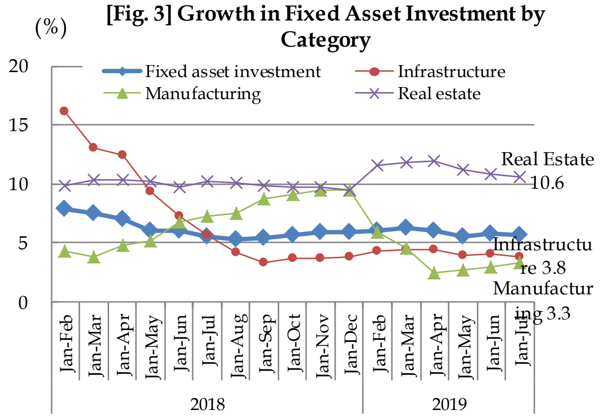


Notes: Cumulative total from January used for fixed asset investment

Cumulative January-February total used for February data for industrial production and retail sales of consumer goods

Source: Created based on data released by the NBS

[Fig. 3] Growth in Fixed Asset Investment by Category

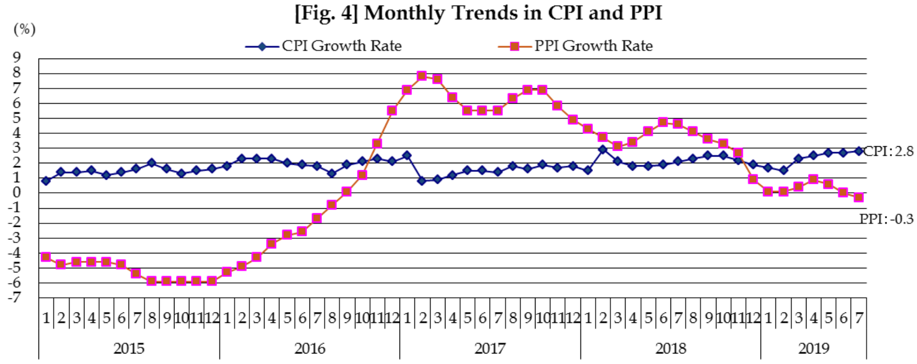


Source: Created based on data released by the NBS

The Consumer Price Index (CPI) for July increased 0.1 point to 2.8% YoY (Fig. 4). Prices of fruit (up 39.1% YoY) and pork (up 27.0%) continue to rise, pushing up the prices of food.

The Producer Price Index (PPI) decreased 0.3 point from the previous month and marked -0.3% growth YoY. This is the first time the YoY PPI has recorded a negative value since August 2016 (Fig. 4). By industry, declines in petroleum/natural gas drilling (down 8.3% YoY) and paper/paper product manufacturing (down 7.1% YoY) stood out.

[Fig. 4] Monthly Trends in CPI and PPI



Source: Created based on data released by the NBS

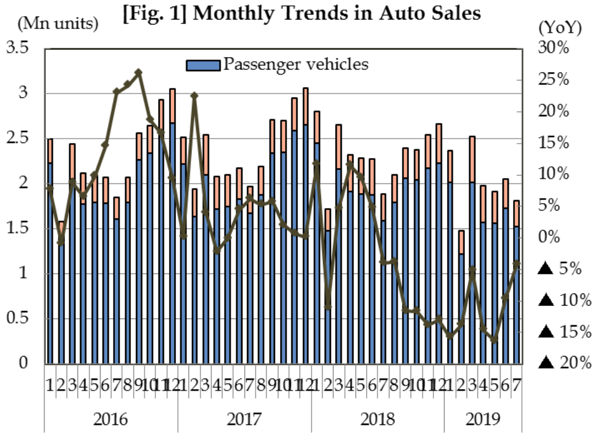
[Industry]

◆July Auto Sales Fall 4.3% YoY, Declining for 13 Consecutive Months

According to the announcement made by the China Association of Automobile Manufacturers (CAAM) on August 12, July auto sales fell 4.3% YoY to 1.808 million units, an improvement from the 9.6% drop seen in June. However this is the 13th consecutive month that recorded lower sales YoY. Cumulative sales for January-July were down 11.4% YoY to 14.13 million units (Figs. 1 and 2).

The CAAM pointed out that while the automobile market continues to be sluggish, the wait-and-see mood of consumers is expected to transition to a desire to purchase, given the increase in models that meet the new China 6 emission standard and sales to clear out inventory of models built for the old China 5 standard.

[Fig. 1] Monthly Trends in Auto Sales



Source: Created based on data released by the CAAM

[Fig. 2] July 2019 Auto Sales and Growth Rate

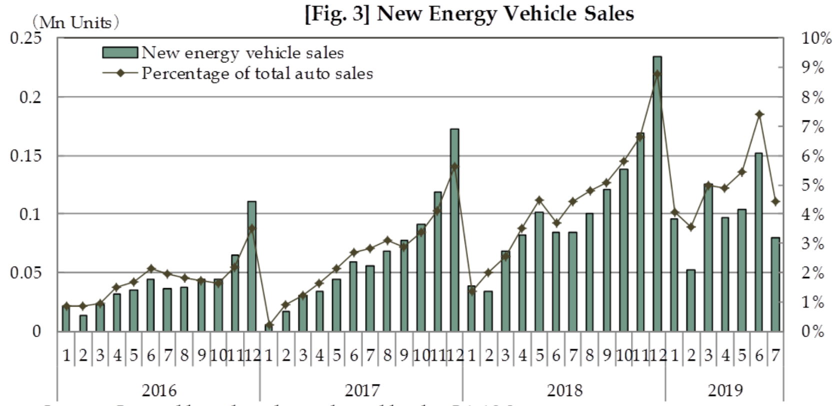
	July 2019		Jan-Jul 2019	
	Number sold (Mn units)	YoY	Number sold (Mn units)	YoY
Auto Sales	**1.808**	**▲4.3%**	**14.132**	**▲11.4%**
Passenger vehicles	1.528	▲3.9%	11.654	▲12.8%
Sedans	-	-	-	▲12.4%
SUVs (sport utility vehicles)	-	-	-	▲11.1%
MPVs (multi-purpose vehicles)	-	-	-	▲23.5%
Cross-over SUVs	-	-	-	▲16.5%
Commercial vehicles	0.281	▲6.4%	2.477	▲4.4%
Buses	-	-	0.249	▲3.9%
Trucks	-	-	2.228	▲4.4%
New energy vehicles	0.080	**▲4.7%**	0.699	40.9%
Electric vehicles (EVs)	0.061	1.6%	0.551	47.8%
Plug-in hybrid vehicles (PHVs)	0.019	**▲20.6%**	0.146	18.9%
Fuel cell electric vehicles	-	-	1,106 (vehicles)	x10.1

Source: Created based on data released by the CAAM

By type of automobile, sales of both passenger vehicles and commercial vehicles declined YoY in July, the former decreasing 3.9% YoY to 1.528 million units and the latter 6.4% YoY to 281,000 units. Chinese passenger vehicles in particular saw a drop larger than the overall decline, with sales decreasing 13.3% YoY to 553,000 units. Cumulative sales from January to July show a 12.8% drop YoY to 11.654 million units for passenger vehicles, and a 4.4% YoY decline to 2.477 million units for commercial vehicles. The decline in passenger vehicle sales was large (Fig. 2).

For new energy vehicles, sales in July were down 4.7% YoY to 80,000 units. This is a massive drop compared to June, when growth was up 80% YoY, and is also the first time since January 2017 when YoY growth was negative. The three-month postponement of the reduction of subsidies on new energy vehicle purchases ended on June 26, so it is believed that there was a reactionary decline as demand peaked and then fell before the cut-off. However, a high growth rate was maintained on a cumulative basis, as new energy vehicle sales for January to July rose 40.9% YoY to 699,000 units.

[Fig. 3] New Energy Vehicle Sales



Source: Created based on data released by the CAAM

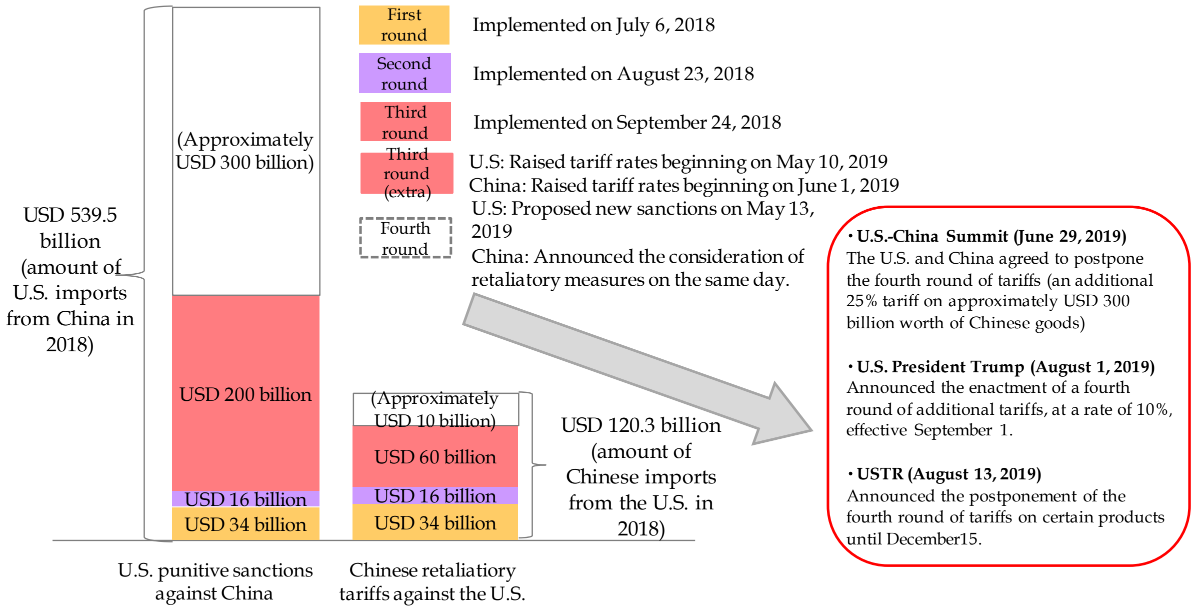
[Trade/Investment]

◆Fourth Round of U.S. Tariffs on China: Implementation of Tariffs on Certain Products Pushed Back from September to December

On August 13, the Office of the United States Trade Representative (USTR) announced that President Trump would push back the implementation of the fourth round of punitive tariffs on China, which consist of an additional 10% tariff on USD 300 billion worth of Chinese goods, from September 1 to December 15 for certain products.[1] Industry opinions gathered in advance through public hearings, etc. were taken into consideration.

Many consumer goods are included in the fourth round of tariffs, so the move is seen to consider the effects on Christmas season shopping and to leave some room for negotiations with China.

[Fig. 1] Additional Tariffs Levied by the U.S. and China



Note: 2018 imports figures are based on information published by the U.S Department of Commerce

In the fourth round of tariffs on China, tariffs will be imposed on 3,243 products totaling USD 111.4 billion beginning on September 1. From December 15, an additional tariff of 10% will be imposed on 555 products totaling USD 156 billion. However, products related to health, safety, and national safety were excluded from the initial list.

The September batch[2] adds products such as wearable devices, smartphone parts, and flat-screen TVs. As 30% to 40% of all U.S. imports of these types of products are from China, dependence on China for these products is low. On the other hand, the December batch[3] includes mobile phones, laptop computers, video game devices, wheeled toys, computer monitors, as well as some footwear and clothes. The U.S. is highly dependent on China these products, with Chinese imports accounting for 80% to 90% of the total amount.

In response to the fourth round of tariffs, China has said that it would need to take necessary countermeasures, but has yet to reveal any detailed measures. The governments of both countries have agreed to continue to hold conferences over the phone.

(1) USTR press release
https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-anounces-next-steps-proposed

(2) List of items in the scope of the tariffs that will come into effect on September 1, 2019
https://ustr.gov/sites/default/files/enforcement/301Investigations/List_4A_%28Effective_September_1%2C_2019%29.pdf

(3) List of items in the scope of the tariffs that will come into effect on December 15, 2019
https://ustr.gov/sites/default/files/enforcement/301Investigations/List_4B_%28Effective_December_15%2C_2019%29.pfd

[Fig. 2] Summary of Additional Tariffs Imposed by the U.S. and China

	U.S. tariffs levied on Chinese goods		Chinese tariffs levied on U.S. goods	
First round of tariffs, effective July 6, 2018 (USD 34 billion)	Additional 25% tariff on 818 types of Chinese products worth USD 34		Additional 25% tariff on 545 types of U.S. products worth USD	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8536	Relays for switching, protecting or making connections to or in electrical circuits	1201	Soybeans
	8413	Pumps for liquids, liquid elevator	8703	Passenger motor vehicles
	8431	Parts suitable for use with construction machinery, machine tools	1007	Grain sorghum
	8703	Passenger motor vehicles and other motor vehicles	0206	Edible meat offal
	8471	ADP disk drive units, storage units (storage units)	2303	Residues of starch or sugar manufacture
	8541	Semiconductor devices, light-emitting diodes		
	8544	Insulated wires and cables, optical fiber cables		
	8421	Centrifuges, filtering or purifying machinery, cleaning machines		
	8501	Motors and generators		
	8481	Cocks, valves and similar appliances		
Second round of tariffs, effective August 23, 2018 (USD 16 billion)	Additional 25% tariff on 279 types of Chinese products worth USD 16		Additional 25% tariff on 333 types of U.S. products worth USD	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8542	Electronic integrated circuits	4707	Waste and scrap paper
	8543	Electrical devices with specific functions	2711	Petroleum gases
	8541	Semiconductor devices, light-emitting diodes	9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences
	7308	Iron or steel structures and parts	7404	Scrap copper
	8486	Machines and apparatus for manufacture of semiconductor devices or electronic integrated circuits	7602	Scrap aluminum
	8501	Motors and generators	8536	Lamp holders, plugs, sockets
	8536	Relays for switching, protecting or making connections to or in electrical circuits	8703	Passenger motor vehicles
	8503	Parts suitable for use solely or principally with electric motors and generators		
	3920	Plastic sheets and film (not reinforced)		
	3921	Other plastic sheets and film		
Third round of tariffs, effective September 24, 2018	Additional 10% tariff on 5,745 types of Chinese products worth USD 200		Additional 5% or 10% tariff on 5,207 types of U.S. products	
	HS code (Headings)	Product description	HS code (Headings)	Product description
	8418	Refrigerators, freezers and other refrigerating or freezing equipment	2711	Liquefied natural gas (LNG)
	8415	Air-conditioning machines	2603	Copper ores and concentrates
	8528	Monitors and projectors; reception apparatus for televisions	8479	Machines and mechanical appliances
	9403	Other furniture and parts thereof	9031	Measuring or checking instruments, appliances and machines
	9405	Lamps and lighting fittings and parts thereof	7003	Cast glass and rolled glass, in sheets or profiles
	4202	Trunks, suitcases, other cases, pouches, bags	9013	Lasers; other optical appliances and instruments
	3926	Other plastic articles and articles of other materials	4703	Chemical wood pulp, soda or sulfate
	8708	Motor vehicle parts and accessories	9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences
	0302	Fish, fresh or chilled, excluding fish fillets and other fish meat		
Fourth round of tariffs, scheduled to be implemented on September 1 and December 15, 2019	September 2019 - Additional 10% tariff on 3,243 types of Chinese		Intent to take retaliatory measures announced	
	HS code (Headings)	Product description		
	8517	Landline telephones, wearable devices, and parts for communication devices		
	8528	Monitors, video projectors, TV receivers		
	8443	Printing equipment, printers, copy machines, fax machines		
	6403	Footwear (leather upper type)		
	8523	Devices, semiconductor storage devices, smart cards		
	6110	Jerseys, sweaters, cardigans, vests		
	December 2019 - Additional 10% tariff on 555 types of Chinese products			
	HS code (Headings)	Product description		
	8517	Mobile phones and wireless phones		
	8471	PCs (including laptops and tablets) and memory devices		
	9503	Wheeled toys, toys, models		
	9504	Video games, table game machines, indoor game equipment		
	8516	Water heaters, heating equipment, hair dryers, electric irons		
	6402	Footwear (ski shoes, sneakers, sports shoes)		
	9505	Entertainment products, Christmas products		

Source: Created based on materials from the U.S. and Chinese governments

◆July: Exports Up 3.3%, Imports Down 5.6% YoY

According to the trade statistics bulletin (in USD) released by the General Administration of Customs (GACC) on August 8, July exports increased 3.3% YoY (down 1.3% YoY in June) to USD 221.53 billion, recovering to positive growth and marking this year's highest numbers for a single month. The negative growth in imports also shrunk from the previous month, down 5.6% YoY (down 7.3% YoY in June) to USD 176.48 billion (Figs. 1 and 2).

The cumulative numbers from January to July shows that exports are up 0.6% YoY (Jan.-Jun.: up 0.1% YoY) to USD 1.39261 trillion, while imports are down 4.5% YoY (Jan.-Jul.: down 4.3%) to USD 1.16692 trillion (Fig.1).

[Fig. 1] Overview of Trade Statistics for July

July 2019 Trade Statistics (USD Bn)		
	Amount	YoY
Exports	221.53	3.3%
Imports	176.48	▲5.6%
Trade Surplus	45.05	-
Jan-Jul 2019 Trade Statistics (USD Bn)		
	Amount	YoY
Exports	1,392.61	0.6%
Imports	1,166.92	▲4.5%
Trade Surplus	225.69	-

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

By country, trade with the United States between January and July showed smaller declines with a decrease in exports of 7.8% YoY (Jan.-Jun.: down 8.1% YoY) to USD 238.25 billion, and imports from the U.S. shrinking 28.3% YoY (Jan.-Jun.: down 29.9% YoY) to USD 69.75 billion. The trade surplus increased by 4.2% YoY* (Jan.-Jun.: up 5.0% YoY*) to USD 168.5 billion (Figs. 3 and 4).

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

Trade with Japan between January and July saw a decrease in exports of 1.5% YoY (Jan.-Jun.: down 1.1% YoY) to USD 81.6 billion, as well as a decrease in imports of 7.5% YoY (Jan.-Jun.: down 6.4% YoY) to USD 96.2 billion. The amount by which they declined has expanded for both exports and imports compared to the previous month (Fig. 3).

Meanwhile, exports to ASEAN countries between January and July expanded the amount of growth from the month before, increasing 9.1% YoY (Jan.-Jun.: up 7.9% YoY) to USD 195 billion. Imports tapered off 0.1% YoY (Jan.-Jun.: down 0.2% YoY) to USD 150.73 billion, a smaller decline compared to the previous month.

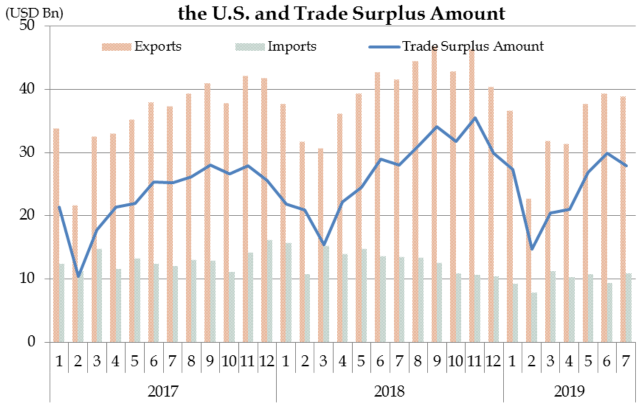
[Fig. 3] Jan-Jul 2019 Import and Export Amounts and Growth Rates by Country/Region

(USD Bn)

Country / Region	Exports	YoY	Imports	YoY	Trade Balance	Total Export / Import Amount	YoY
United States	238.25	▲7.8%	69.75	▲28.3%	168.50	308.01	▲13.4%
Japan	81.60	▲1.5%	96.20	▲7.5%	▲ 14.60	177.79	▲4.8%
South Korea	64.63	3.5%	99.00	▲15.5%	▲ 34.37	163.63	▲8.9%
Hong Kong	152.18	▲7.7%	5.29	23.0%	146.89	157.47	▲6.9%
Taiwan	30.21	10.9%	93.90	▲6.9%	▲ 63.69	124.11	▲3.1%
Germany	45.93	6.5%	61.00	▲0.5%	▲ 15.07	106.93	2.4%
Australia	26.17	1.9%	68.47	10.0%	▲ 42.31	94.64	7.7%
Vietnam	52.79	15.0%	29.91	▲6.2%	22.88	82.70	6.3%
Malaysia	28.79	13.4%	39.15	8.8%	▲ 10.36	67.94	10.7%
Brazil	18.99	▲5.2%	44.12	6.7%	▲ 25.13	63.11	2.9%

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

[Finance/Exchange]

◆Foreign Reserves in July Decline for First Time in Three Months

According to an announcement by the People's Bank of China made on August 7, foreign reserves in July decreased by USD 15.5 billion to USD 3.1037 trillion, declining for the first time in three months. Authorities state that the decline in July was the result of factors including other major currencies depreciating against the dollar, which caused fluctuation in asset prices.

Source: Created based on data released by the People's Bank of China

◆New Loans in July Down From Previous Month

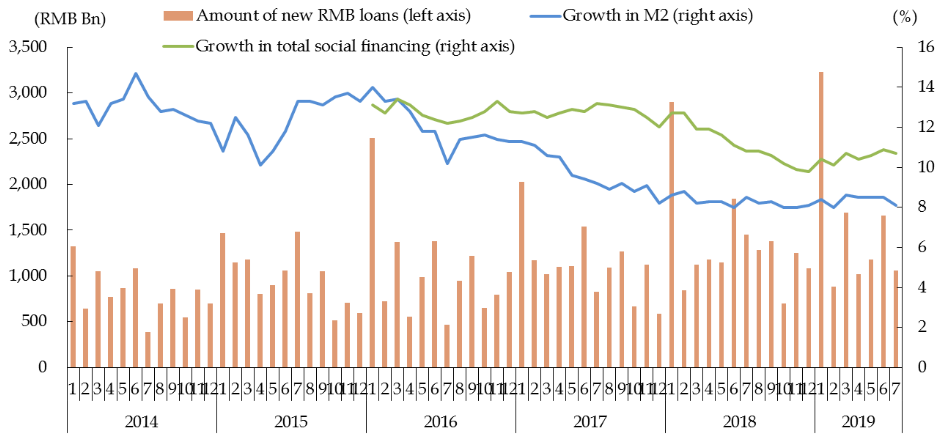
According to an announcement by the People's Bank of China on August 12, new RMB loans in July (including those for non-banks) dropped RMB 397.5 billion YoY and RMB 600 billion MoM to RMB 1.06 trillion. Money supply (M2) at the end of July was up 8.1% YoY, with growth declining 0.4 point compared to the previous month.

Total social financing,* which shows the amount of liquidity supplied to the real economy, decreased in July by RMB 210.3 billion YoY and RMB 1.25 trillion MoM to RMB 1.01 trillion. The growth rate at the end of July decreased by 0.1 point from the previous month and was up 10.8%.

* Total social financing = RMB loans + Foreign currency loans + Entrusted loans + Trust loans + Bank acceptance bills + Corporate bonds + Local government special bonds + Non-financial companies' equity financing + Compensations made by insurance companies + Investment properties + Other

July is usually a sluggish month when it comes for corporate demand for working capital and is considered to be the off season for bank loans, which appears to be why the numbers fell.

<Monthly Amount of New RMB Loans and Growth in Money Supply (M2)/Total Social Financing>



Source: Created based on data released by PBoC
Note: Growth rates for total social financing appear on the graph starting from January 2016 when the announcement of these statistics started.