

China's Economic & Market

Chinese yuan tumbles to five-year low against US dollar

The renminbi fell to a five-year low against the US dollar on Monday after statistics indicated weaker-than-expected Chinese economic growth momentum in December. The People's Bank of China, the central bank, cut its daily reference rate by 0.15 percent to 6.5032 yuan to the dollar, the weakest level since May 2011. In Shanghai, the Chinese currency, which is allowed to diverge from a central bank fixing by a maximum of 2 percent, retreated by 0.25 percent to 6.5097, according to China Foreign Exchange Trade System. Offshore, the currency's spot rate on the Hong Kong foreign exchange market fell to 6.6108 to the dollar at one stage. China's December manufacturing purchasing managers index rose to 49.7 from 49.6 in November, less than the market forecast of 49.8. It has been under 50 for five straight months, suggesting a persistent contraction in the sector.

China's IPO fundraising to hit \$40b, largest worldwide

Fundraising by China's new IPOs in 2016 is estimated to hit 250 billion yuan (\$40 billion) to 300 billion yuan this year, making the A-share IPO market the biggest one globally. The number of new IPOs is expected to reach 400, fueled by the registration-based IPO system and the launch of the Strategic Emerging Industries Board, said Frank Lyn, PwC China and Hong Kong Markets Leader.

PBOC to raise RRR for yuan deposits by overseas banks

China's central bank announced on Monday it is raising the reserve requirement ratio (RRR) for yuan deposits placed in the country by overseas financial institutions to the normal level beginning Jan 25. The People's Bank of China (PBOC) began to include these types of yuan deposits into its reserve requirement system since December 2014 and set the ratio at zero for the time being. Overseas financial institutions do not include central banks and other similar agencies, such as official reserve managements, international financial organizations, and sovereign wealth funds. The central bank said the move is aimed at improving the country's deposit reserve system and will not affect the liquidity of the onshore yuan market.

China's foreign exchange market turnover at 110t yuan in 2015

China's foreign exchange (forex) market posted turnover of 110.93 trillion yuan (\$16.7 trillion) last year. It is the first time the annual turnover of the country's forex market has been released, according to the SAFE. In December, forex market turnover totaled 12.17 trillion yuan, including 2.46 trillion yuan in forex transactions between banks

and their clients, 9.71 trillion yuan in interbank forex transactions, 5.53 trillion yuan in transactions on the spot forex market and 6.64 trillion yuan in forex derivatives transactions. It is forecast that forex market turnover will continue to rise this year as more overseas investors enter China's forex market. In 2015, China opened its interbank forex market to overseas central banks and similar institutions to promote a market-oriented and more transparent interbank forex market. So far, 14 overseas central banks and similar institutions have been allowed to trade in China's interbank forex market.

Consumption contributes more to China's economic growth

China's domestic consumption has become a stronger force driving economic growth thanks to government efforts to restructure the economy. Consumption contributed 66.4 percent to the gross domestic product (GDP) in 2015, up 15.4 percentage points from 2014. The rising ratio suggested concrete progress in creating a more consumption and service driven consumption in order to sustain growth. Consumption has been a bright spot for the Chinese economy, which is weighed down by slowing investment and falling exports. To boost consumption, China is pushing forward supply-side reforms to provide better merchandise, encourage online shopping, stimulate the service sector and strengthen market supervision. The GDP grew 6.9 percent year on year in 2015, the slowest annual expansion in a quarter of a century, but is still in line with the official target.

Historical macro economy data and projections

% change, unless otherwise stated

| % chg, unless otherwise stated | | 1Q 2015 | 2Q2015 | 3Q2015 | 4Q2015 | Jan-16 |
|--------------------------------|---------------------------|---------|--------|--------|--------|--------|
| IP | yoy | 6.4 | 6.3 | 5.9 | 5.9 | - |
| | qoq sequential annualized | 3.4 | 7.6 | 4.9 | 7.6 | - |
| | Nominal FAI yoy (ytd) | 13.5 | 11.4 | 10.3 | 10.0 | - |
| Nominal retail sales | yoy (monthly) | 13.7 | 10.3 | 8.8 | 9.3 | - |
| | yoy | 10.5 | 10.2 | 10.7 | 11.1 | - |
| Exports | yoy | 4.6 | -2.2 | -5.9 | -5.2 | 5.9 |
| Imports | yoy | -17.8 | -13.6 | -14.4 | -11.8 | 9.1 |
| Trade balance | USD bn | 124 | 140 | 164 | 175 | 59 |
| CPI | yoy | 1.2 | 1.4 | 1.7 | 1.5 | 2.0 |
| | qoq sequential annualized | 0.4 | 2.5 | 3.2 | 0.0 | 0.6 |
| | PPI yoy | -4.6 | -4.7 | -5.7 | -5.9 | -5.5 |
| M2 | yoy | -8.4 | -2.8 | -5.7 | -6.8 | -6.7 |
| | qoq sequential annualized | | | | | |
| | qoq sequential annualized | | | | | |
| New Loans | RMB bn | 11.6 | 11.8 | 13.1 | 13.3 | 13.1 |
| TSF | RMB bn | 3,670 | 2,880 | 3,340 | 1,820 | 1,900 |
| | | 4,644 | 4,125 | 3,156 | 3,368 | 1,800 |

Source: CEIC, CICC Research

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