

China's Economic & Market

Beijing's property price expected to rise further this year

According to Huang Qisen, a CPPCC national committee member and chairman of Thai Hot Group, the property price hike in the first-tier cities such as Beijing, Shanghai, and Shenzhen since the beginning of this year is partly due to the government's monetary easing policy and the imbalanced supply-demand relationship. "The price increase, however, also has a solid foundation due to the strong purchasing power of wealthy people in those cities and the continuous influx of new comers," said Huang. "But as developers, we don't like big property price fluctuations." As Beijing adopted the country's most stringent home purchase policies, Huang believe there is little chance for the capital to see a skyrocketing property price like Shenzhen has experienced in the past year. The home price in Shenzhen has seen an increase of more than 70 percent in the past 12 months, according to Urban Planning, Land and Resources Commission of Shenzhen Municipality.

China's forex reserves fall to \$3.2 trillion

China's foreign exchange reserves decreased by \$28.57 billion to \$3.2 trillion in February, the lowest since December 2011, central bank data showed on Monday. The decline was smaller than a drop of \$99.5 billion in January, according to data published by the People's Bank of China on its website. China's foreign exchange reserves have fallen four months in a row as the central bank dumps dollars to ease depreciation pressure on the yuan and prevent an increase in capital outflows. "There is no basis for persistent yuan depreciation," central bank governor Zhou Xiaochuan said in late February, adding the decline of China's foreign reserves is only a period of overshooting. The country's gold reserves stood at \$71.01 billion at the end of February, up from January's \$63.57 billion.

Chinese yuan strengthens to 3-month high

The onshore yuan advanced to its strongest level since December on Friday after China's central bank raised the daily reference rate by the most in four months. The People's Bank of China on Friday raised the yuan's central parity rate, which restricts onshore moves to 2 percent on either side, by 0.51 percent to 6.4628, the highest level in three months. The onshore yuan climbed to 6.4625 to the dollar as of 9:40 am in Shanghai, up 214 basis points from Thursday's close, according to China Foreign Exchange Trade System prices. The offshore yuan gained more than 200 basis points to 6.4443 a dollar. The hike in the yuan's exchange rate came after the US Federal Reserve kept its benchmark short-term interest rates unchanged and reduced the number of expected rate hikes this year, which triggered a slump in the US dollar.

Central bank sets up anti-poverty relending

The central bank on Friday announced it will set up an anti-poverty relending program to pump funds into local financial organizations. The program will target local rural banks in poor counties, providing low-cost loans that can be used for up to five years, said a statement on the website of the People's Bank of China. The move followed a guideline issued on Wednesday by the central bank and six other government agencies. The guideline said banking financial institutions are encouraged to increase credit support for poverty relief programs through relending, in which the central bank extends loans to commercial banks on the condition that they in turn lend to businesses in required sectors.

More lock-up shares to become tradable

Lock-up shares worth about 25.6 billion yuan (\$3.93 billion) will become eligible for trade on China's stock market in the coming week. The value is much smaller than shares worth over 100 billion yuan that entered the market last week. More than 2.2 billion shares from 32 companies will become tradable on the Shanghai and Shenzhen stock exchanges from Monday to Friday, according to brokerage Southwest Securities. Delian Group, the Guangdong-based auto service provider, will see the unlocking of 411 million non-tradable shares worth 4.1 billion yuan on Monday, the largest batch of shares to hit the market during the week. About 74 percent of all the upcoming shares in terms of value, worth 19 billion yuan, will be unlocked Monday, putting pressure on the market.

Historical macro economy data and projections

% change, unless otherwise stated

% chg, unless otherwise stated		1Q 2015	2Q2015	3Q2015	4Q2015	Jan-16	Feb-16	Mar-16
GDP	yoy	7.0	7.0	6.9	6.8	-	-	6.9
	qoq sequential annualized	5.6	10.0	7.1	4.8	-	-	5.7
IP	yoy	6.4	6.3	5.9	5.9	5.4	-	6.8
	qoq sequential annualized	3.3	7.5	4.8	7.9	5.5	-	3.8
Nominal FAI	yoy (ytd)	13.5	11.4	10.3	10.0	10.2	-	10.5
	yoy (monthly)	13.7	10.3	8.8	9.3	10.2	-	10.7
Nominal retail sales	yoy	10.5	10.2	10.7	11.1	10.2	-	10.4
Exports	yoy	4.6	-2.2	-5.9	-5.2	-11.5	-25.4	16.1
Imports	yoy	-17.8	-13.6	-14.4	-11.8	-18.8	-13.8	-10.1
Trade balance	USD bn	124	140	164	175	63	33	41
CPI	yoy	1.2	1.4	1.7	1.5	1.8	2.3	2.5
	qoq sequential annualized	0.4	2.5	3.2	0.0	0.9	2.1	3.3
PPI	yoy	-4.6	-4.7	-5.7	-5.9	-5.3	-4.9	-4.6
	qoq sequential annualized	-8.4	-2.8	-5.7	-6.8	-6.1	-5.7	-4.3
M2	yoy	11.6	11.8	13.1	13.3	14.0	13.3	13.3
New Loans	RMB bn	3,670	2,880	3,340	1,820	2,510	727	910
TSF	RMB bn	4,656	4,136	3,218	3,396	3,417	780	939

Source: CEIC, CICC Research

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