

Economic and Trade Information on China

2018/05/15

Source: HKTDC

內地珠寶市場資訊

Latest Development

- China's GDP grew by 6.8% in the first quarter of 2018. China's GDP grew by 6.9% in 2017.
- The added-value industrial output grew by 6.8% in the first quarter of 2018, down from 7.2% in Jan-Feb 2018.
- Fixed assets investment grew by 7.5% in the first quarter of 2018, down from 7.9% in Jan-Feb 2018.
- Retail sales increased by 9.8% in the first quarter of 2018.
- Inflation stood at 2.1% in March 2018, with food prices increased by 2.1% and non-food prices increased by 2.1%.
- In March 2018, exports (in terms of US\$) fell by 2.7%, while imports (in terms of US\$) increased by 14.4%, resulting in a trade deficit of US\$4.98 billion.
- The Manufacturing Purchasing Managers' Index up from 50.3 in February 2018 to 51.5 in March 2018.

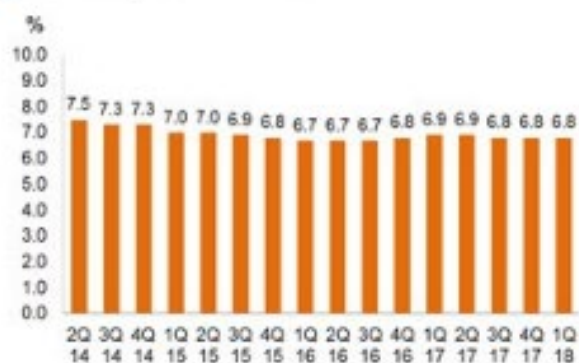
Major Economic Indicators	2017		Jan-Mar 2018	
	Value	Growth (%)	Value	Growth (%)
Area (sq km, mn)	9.6	—	9.6	—
Population (mn)	1,390.1	—	1,390.1	—
Gross Domestic Product (RMB bn)	82,712.2	6.9 ¹	19,878.3	6.8 ¹
Urban Per Capita Disposable Income (RMB)	36,396	6.5 ¹	10,781	5.7 ¹
Rural Per Capita Disposable Income (RMB)	13,432	7.3 ¹	4,226	6.8 ¹
Fixed Assets Investment ² (RMB bn)	63,168.4	7.2	10,076.3	7.5
Added-Value of Industrial Output ³	—	6.6 ¹	—	6.8 ¹
Consumer Goods Retail Sales (RMB bn)	36,626.2	10.2	9,027.5	9.8
Consumer Price Index	—	1.6	—	2.1
Exports (US\$ bn)	2,263.5	7.9	545.3	14.1
Imports (US\$ bn)	1,841.0	15.9	496.9	18.9
Trade Surplus (US\$ bn)	422.5	—	48.4	—
Utilised Foreign Direct Investment (US\$ bn)	131.0	4.0	12.1 ⁴	0.6
Foreign Currency Reserves (US\$ bn)	3,139.9	4.3	3,142.8	4.4

Current Economic Development

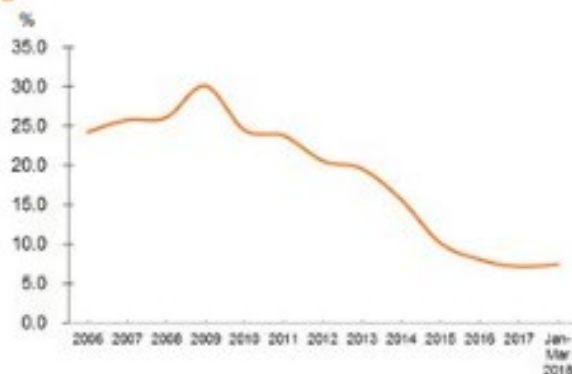
The Chinese economy grew by 9.3% in 2011 and slowed to 7.7% in both 2012 and 2013. In 2014, 2015, 2016 and 2017, GDP grew by 7.3%, 6.9%, 6.7% and 6.9% respectively. Per capita GDP reached RMB59,660 in 2017. In the first quarter of 2018, GDP grew by 6.8%.

After reducing the reserve requirement ratio five times in 2015, the *People's Bank of China (PBOC)* cut the reserve requirement by 0.5 percentage points again on 1 March 2016. The base lending rates were cut by 0.25 percentage points each on 1 March 2015, 11 May 2015, 28 June 2015, 26 August 2015 and 24 October 2015.

Quarterly GDP Growth

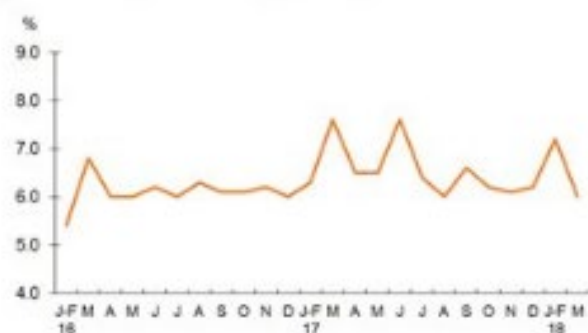


Fixed Assets Investment Growth

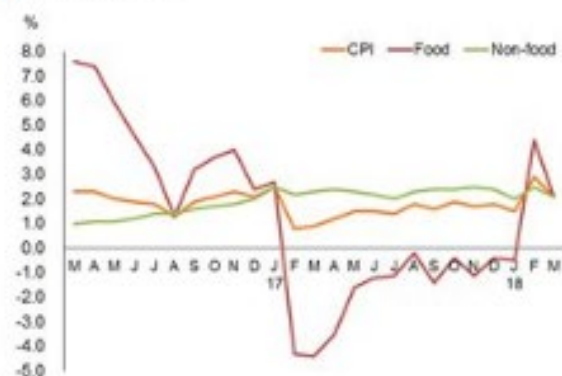


Fixed assets investment is one of the major driving forces of the economy. In 2017, fixed assets investment grew by 7.2%. In Jan-Mar 2018, fixed assets investment grew by 7.5%.

Added-value of Industrial Output Growth



Change in CPI



Added-value of industrial output (by large enterprises with annual sales exceeding RMB20 million) grew by 6.6% in 2017. In Jan-Mar 2018, added-value of industrial output grew by 6.8% with foreign-invested enterprises grew by 5.5%.

In 2017, consumer price index (CPI) went up by 1.6% with food prices dropped by 1.4% and non-food prices up by 2.3%. In Jan-Mar 2018, CPI went up by 2.1% with food prices up by 2.0% and non-food prices up by 2.2%.

In 2017, retail sales grew by 10.2%. In Jan - Mar 2018, retail sales increased by 9.78, with sales of household electrical appliances growing at 11.4%, garments & footwear at 9.8%, furniture at 9.3%, jewellery at 7.9% while automobiles at 7.4%.

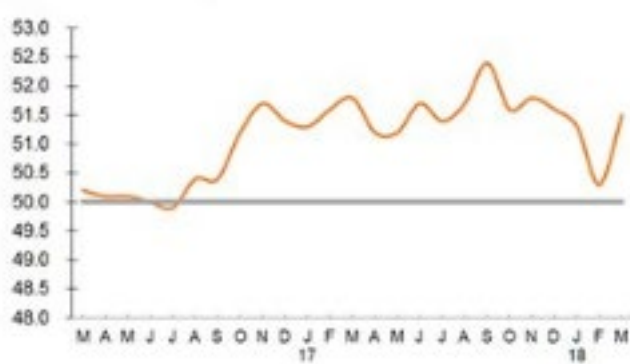
China's Manufacturing Purchasing Managers' Index (PMI) (compiled by China Federation of Logistics & Purchasing and China Logistics Information Centre) up from 50.3 in February 2018 to 51.5 in March 2018.

Money supply - total loan grew at 11.9% in March 2018, down from 12.1% in February 2018. The growth rate of RMB loans grew at 12.8% in March 2018, flat from 12.8% in February 2018.

Growth of the RMB Loans



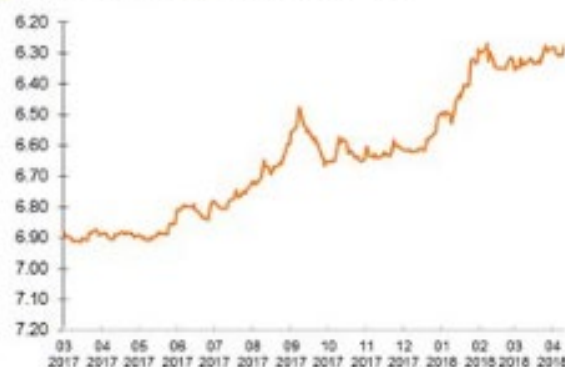
Manufacturing PMI



China's non-state sector expands rapidly and experiences healthy development in recent years. The status and economic contribution of private enterprises received official recognition in the 9th National People's Congress held in March 1999. By the end of 2016, there were 23.09 million private-owned enterprises (comparing to 845,520 at end-2010).

Beginning 21 July 2005, China reformed the Renminbi (RMB) exchange rate regime by moving into a managed floating exchange rate system with reference to a basket of currencies, and the exchange rate of RMB was re-valued to 8.11 per US dollar on 21 July 2005. On 21 May 2007, the floating band of RMB against the US dollar was enlarged from 0.3% to 0.5% around the central parity published by PBOC on each working day. On 16 April 2012, the floating band was expanded to 1% and since 17 March 2014, the floating band has been further expanded to 2%. As PBOC modified the RMB exchange rate fixing mechanism, on 13 August 2015, the exchange rate of RMB depreciated to 6.3982 per US dollar from 6.2083 on 10 August 2015. On 12 April 2018, the exchange rate per US dollar stood at 6.2917.

RMB Against the US\$ (RMB/US\$)

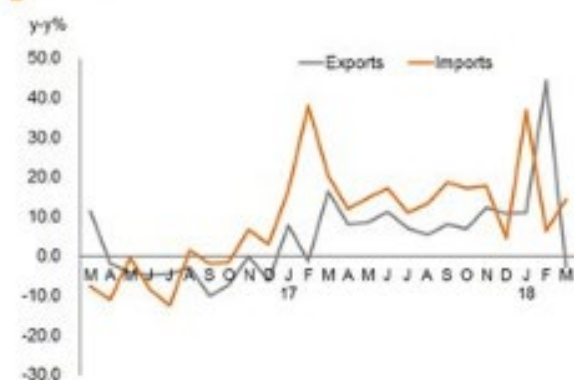


China's foreign exchange reserves stood at US\$3,142.8 billion by the end of March 2018, the largest in the world. Foreign debts amounted to US\$1,710.6 billion at the end of 2017, of which 36% was medium- or long-term debts and 64% was short-term debts. The debt service ratio stood at 7% in 2017.

Foreign Trade and Investment

In 2017, China's total external trade reached US\$4,104.5 billion, China's exports and imports increased by 7.9% and 15.9% (in terms of US\$) respectively, resulting in a trade surplus of US\$422.5 billion.

Growth of Trade



Trade Balance



The share of export-processing trade is declining in recent years. Export-processing trade accounted for 51% of China's total exports in 2007, but dropped to 34% in 2017. In 2017, exports of processing trade increased by 6.2%.

In 2017, exports of electrical and electronic products grew by 9.3% (In US\$ terms), exports of footwear grew by 2.0% while exports of garment dropped by 0.4%. In Jan-Mar 2018, exports of electrical and electronic products grew 16.3% (In US\$ terms), exports of footwear increased by 0.9% and exports of garment also increased by 0.7%.

In 2017, China's top ten export markets were US, Hong Kong, Japan, South Korea, Germany, Vietnam, India, Netherlands, UK and Singapore. China's total exports with these ten economies together accounted for about 58.7% of China's total exports in 2017.

In 2017, exports of foreign-invested enterprises (FIEs) increased by 6.6%, accounting for 43.2% of China's total exports, and imports increased by 11.8%, representing 46.8% of China's total imports.

By the end of 2017, China approved a cumulative of 899,956 foreign investment projects, with actual utilised overseas FDI amounting to US\$1,896.6 billion. The leading sources of investment included Hong Kong, Japan, Singapore, Taiwan, the US, South Korea, Germany and UK.

In 2016, China's outward FDI grew by 34.7% to US\$196.2 billion, ranked as the second largest source after the US. As at end-2016, China's stock of outward FDI reached US\$1,357.4 billion, ranked the sixth in the world. Business services (mainly investment holdings), financial services, wholesale and retail, mining and manufacturing are the leading sectors of China's outward FDI.

Economic Relations with Hong Kong

The Chinese mainland and Hong Kong signed the *Closer Economic Partnership Arrangement (CEPA)* on 29 June 2003 and supplemented with further liberalisation measures in subsequent years. At present, all products of Hong Kong origin can be imported into the mainland tariff free under *CEPA*. For products which have no agreed *CEPA* rules of origin at present, Hong Kong will initiate discussions with the mainland twice a year upon requests by local manufacturers. Hong Kong service suppliers enjoy preferential treatment in entering into the mainland market in various service areas. There are also agreements or arrangements on mutual recognition of professional qualification. On 18 December 2014, the *Agreement on Achieving Basic Liberalization of Trade in Services in Guangdong* was signed and to be implemented on 1 March 2015. The *Agreement* adopts a hybrid approach of positive and negative lists to set out the liberalisation measures in the Guangdong province applying to Hong Kong. The breadth and depth of liberalisation surpass the previous measures for early and pilot implementation in Guangdong. On the basis of the *Guangdong Agreement*, the *Agreement on Trade in Services* was signed on 27 November 2015 and to be implemented on 1 June 2016, extending the geographical coverage to the whole Mainland for basic liberalisation of trade in services. In June 2017, the *Investment Agreement* and the *Agreement on Economic and Technical Cooperation (Ecotech Agreement)* were signed under the framework of *CEPA*. The *Investment Agreement* expands the market access commitments to non-services sectors and introduces obligations on investment protection. The *Ecotech Agreement* consolidates and updates the economic and technical cooperation activities between Hong Kong and the Chinese mainland.

Hong Kong's Direct Investment in the Chinese Mainland

Projects, contracted and utilised direct investment	2017		1979-2017	
	No./ Value	Share of the national total (%)	No./ Value	Share of the national total (%)
Number of approved projects	18,066	46.3	404,530	44.9
Utilised direct investment (US\$ bn)	94.5	69.5	1,008.2	53.2

Sources: China Monthly Statistics

Hong Kong is the largest source of overseas direct investment in the Chinese Mainland. By the end of 2017, among all the overseas-funded projects approved in the Chinese Mainland, 44.9% were tied to Hong Kong interests. Cumulative utilised capital inflow from Hong Kong amounted to US\$1,008.2 billion, accounting for 53.2% of the national total. Hong Kong is also the leading destination for China's FDI outflow. According to Chinese statistics, by 2016, the stock of FDI going to Hong Kong accumulated to US\$780.7 billion, or 57.5% of the total outflow of FDI.

Chinese Mainland is one of the leading sources of inward investment in Hong Kong. According to Hong Kong statistics, the stock of Hong Kong's inward investment from the Chinese mainland amounted to US\$416 billion at market value or 25.7% of the total at the end of 2016. As of December 2017, 1,051 mainland companies were listed in Hong Kong, comprising H-share, red-chip and private companies with total market capitalisation of around US\$2.9 trillion, or 66% of the market total.

Hong Kong's Trade with the Chinese Mainland [1]

Hong Kong was the Mainland's third largest trading partner (after the US and Japan) in 2017. According to China's Customs Statistics, bilateral trade between the Mainland and Hong Kong amounted to US\$286.6 billion (7.0% of the Mainland's total external trade) in 2017. Of which exports from the Chinese Mainland to Hong Kong stood at US\$279.3 billion, making Hong Kong the second largest export market.

The Mainland has been Hong Kong's largest trading partner since 1985. Share of the Mainland in Hong Kong's global trade jumped from 9.3% in 1978 to 50.8% in 2016. The Chinese Mainland was Hong Kong's largest import source accounting for 47.8% of Hong Kong's total imports, and the largest export market accounting for 54.2% of Hong Kong's total exports in 2016.

Hong Kong's trade with the Chinese Mainland is to a large extent related to outward processing activities. In Jan-Dec 2017, 27.3% of Hong Kong's total exports to the Chinese Mainland were related to outward processing activities. Meanwhile, 40.5% of Hong Kong's imports from the Mainland and 72.6% of Hong Kong's re-exports of the Mainland origin to all countries were related to outward processing.

Hong Kong's Trade with the Chinese Mainland

Unit (US\$ million)	2017			Jan-Feb 2018	
	Value	Growth (+/-,%)	Ranking	Value	Growth (+/-,%)
Total exports	269,978	8.4	1	40,469	9.9
Domestic exports	2,214	-7.0	1	289	-12.5
Re-exports	267,764	8.5	1	40,180	10.1
Imports	260,275	5.9	1	38,457	11.0
Total Trade	530,253	7.1	1	78,926	10.4
Trade Balance	9,703	—	—	2,012	—

Sources: Census & Statistics Department of Hong Kong

[1] Since offshore trade has not been captured by ordinary trade figures, these numbers do not necessary reflect the total business managed by Hong Kong companies.