

## China's Economic & Market

### One good news simply not enough

On August 25th, the PBoC decided to lower both deposit and lending rates in order to further lower enterprise financing cost. Specifically, one-year required reserve ratio for financial institutions went down by 0.25% to 4.6%; one year deposit rate went down by 0.25% to 1.75%; and other reserve ratios and interest rates were reduced accordingly. Meanwhile, PBoC removed the floating caps of CDs longer than one-year. Starting September 6th, PBoC will also reduce the required reserve ratio by 0.5% in order to maintain adequate liquidity within the banking system and to induce steady growth of credit lending in the market. On the other hand, the bank decreased required reserve ratio by 0.5% for agricultural financial institutions and 3% for financial leasing firms, respectively. In addition, the required reserve ratio for financial leasing and automobile financing companies were also lowered by 3%.

### More liquidity, better stabilized credit chain

After "double stimulations", PBoC announced a new short-term liquidity operation of 140 billion RMB to the market in order to stabilize the not too stable real economy credit chain in China on August 26th, 2015 for a 6-day term. The weighted average interest rate was 2.3% and the time limit was 6 days. Prior to this, PBoC had already injected to the market a liquidity of over 350 billion RMB through the medium term lending facilities. The newly established required reserve ratios that will be effective on September 6th will add a liquidity of 700 billion RMB to the market in the short-term. The government is resorting to liquidity tools to bolster the tumbling equity market.

### Smartphone sales slowdown in China

While Chinese economy is shifting to a more mature growth model, the sales prediction of smart phone industry worldwide is pretty lackluster. Specifically, the prediction of global smart phone shipment growth was cut to 10.4% from 11.3%, which is dramatically lower than 27.5% in previous year. In Chinese Smartphone market, the anticipated growth rate is 1.2% which declined sharply from 19.7% growth rate last year. The

weak economy in China and lacking of market stimulations diminish the Smartphone demand hard.

### What is the priority? The people or the economy?

In the upcoming 13th five year plan, President Xi's economic think-tank is highly likely to overweight the "population policy" over "GDP policy" for the very first time. Unlike previous years, the hard target for GDP growth range may adjust to 6.5% to 7% this year and the GDP target is not necessarily being viewed as an absolute requirement but acting as one of the flexible guidelines for macroeconomic oversight.

### People's future money is already in!

As of August 16th, 41 out of 245 State Owned Enterprises reform themed stocks disclosed their interim results. Social security funds were among the top 10 public float shareholders of 15 individual stocks. Further statistics showed that social security funds held a total of 252 million shares of the 15 companies with market value of 7.285 billion RMB.

Chinese Macro Economy Data

% chg, unless otherwise stated		Jul-15	Aug-15
IP	yoy	6.0	6.6
	sequential annualized	9.3	8.8
FAI	Ytd, yoy	11.2	10.9
	yoy (monthly)	10.3	9.5
Retail sales	yoy	10.4	10.4
Exports	yoy	-8.4	-9.1
Imports	yoy	-8.2	-9.7
Trade balance	USD bn	43	48
CPI	yoy	1.6	1.8
	sequential annualized	3.2	3.4
PPI	yoy	-5.4	-5.0
	sequential annualized	-1.7	-2.0
M2	yoy	13.3	13.3
New Loans	RMB bn	1,480	1000
TSF	RMB bn	719	900

Source: CEIC, CICC Research

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