

People's Republic of China



Description

China's history goes back to 1200 B.C. alternating its shape and politics between different imperial dynasties. It was after WWII, that Chinese Communist Party under MAO Zedong, initiated an autocratic socialist system. DENG Xiaoping, after 1978, focused on market oriented policies which prompt high economic growth and development. Since 2000 there was an increase in trade with international countries and the participation in international organizations. Despite that evolution, its people are still under tight control from the government.

Economic Overview

Economic challenges:

- China is shifting from an industrial based to an internal consumption driven economy. This change needs a higher level of spending from consumers, however a slowdown in growth may affect their confidence.
- At the same time, the decrease in dependence from the industrial sector has to be very well balanced as it is still a major contributor for economic growth and companies are highly leveraged.
- International pressure to comply with environment regulations has also put pressure in some sectors in China such as basic resources and energy. China is trying to transition from more pollutant sources of energy such as coal to cleaner ones like natural gas or renewables.
- Government debt is also an issue, especially at regional level. Measures to counter the tendency to increase the debt have resulted in slower investments by local governments which impacted economic growth. Some of the measures had to be reverted.
- Government also has to find the equilibrium between granting higher wages to working middle class while maintaining the competitiveness of the country.
- Investments in real estate and infrastructures also have to be managed carefully to avoid bubbles but also to avoid damaging economic growth.
- Population is also ageing due to "one-child" policy.

Stimulus:

- PBoC announced a cut of 50bps in January 6th of 2020, unlocking USD 115 bn to the financial system. Further cuts in 2020 are expected.
- Limits for local government issuance of bonds were relaxed at end of 2018 in order to stimulate investment in infrastructures by local governments.

Economic Indicators

GDP (USD bn) (2019 est)	14,200
GDP/Capita (USD, nominal) (2019 est)	10,099
GDP growth (3Q 2019)	6.0%
Inflation (Oct 2019)	3.0%
Unemployment (Dec 2019)	5.1%
Retail Sales YoY (Nov 2019)	8.0%
Ind Prod YoY % (Dec 2019)	6.2%
Agriculture weight (% GDP 2017 est)	7.9%
Industry weight (% GDP 2017 est)	40.5%
Services weight (% GDP 2017 est)	51.6%
PMI Manufacturing (Dec 2019)	50.2
PMI Non-manufacturing (Dec 2019)	53.5

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Geopolitics



China story begun more than 4000 years ago in the North China Plain, which is the region between Beijing and the margins of the Yangtze river. The Yellow river, served as catalyst for the birth of this civilization but is now so polluted that struggles to reach the sea. The North China Plain had a very fertile soil for agriculture which enabled a fast growth of population. It was around 1500 B.C. that the Shang dynasty was established giving rise to the Han people which constitute now the majority of China's population. Mandarin is the most common language, which is used by government agencies and state television.

China has now around 1.4 bn people, however around 1bn is situated in this North China Plain, despite its area being smaller than USA.

In early days, the Han were constantly under attack by surrounding civilizations that wanted access to the fertile soil. In order to defend itself, chose to expand its influence and borders, conquering natural obstacles that would keep rival civilizations away. One example is the annexation of Tibet, that makes much more difficult now for India to create an entrance through Himalayas to invade China. The Great Wall of China was built in order to keep Mongolians away of Han territory.

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The Sui Dynasty (581 C.E. to 618 C.E.) used slave labor to dig the canal between Jinan and Nanjing cities, connecting the Yellow and Yangtze rivers and enabling this way the connection between North and South territories.

By 1279, Mongols succeeded in conquering the region (Yuan dynasty), however around 90 years after Han people took control and the Ming dynasty begun.

The opening of the trade through sea with Europe created significant wealth in the coastal regions, but led to a gap in living conditions between these and the inland regions. This as a consequence, led to a huge influx of people towards cities in the coast such as Shanghai.

In the beginning of the 20th century, Japan invaded China, occupying most of the central region. This only lasted until 1945 when Japan surrendered to USA after the WWII and took back all its troops from China. That was followed by a war between nationalists (led by Chiang Kai-shek) and communists (led by MAO Zedong), which would be won by the communists leading to the MAO dynasty in 1949. The Nationalists retrieved to Taiwan.

The MAO dynasty focused on the consolidation of territories, annexing Tibet in 1951, but with diminished international contact and presence. The country wealth diminished and in interior regions there was extreme poverty. For this reason, its successors focus turned to economic prosperity. Deng Xiaoping summarized Chinese politics as a kind of Chinese Socialism (Communism control allied to capitalism), and its policies led to the increase of the weight of China in international trade.

Relationships in China borders:

Xinjiang region: In the 18th century China conquered the Xinjiang region in the north west, which despite some problems with Muslim population there, was seen as fundamental to create a wide space gap between the Europe and China main cities in order to protect them from an invasion. The local population tried several times to gain independence and in 2009, riots begun leading to the death of hundreds of people. Chinese government controlled the situation through force and increased the spending in the region. Today the region is crucial for the “Belt and Road Initiative”, besides its importance due to some natural resources (oil).

Russia: China has been very active in reaching trade pacts with its neighbor Russia, especially after Russia was affected by European sanctions due to Crimea.

Vietnam due to the lack of natural borders has been an historical source of wars for territory (like in 1979), however for now is controlled.

India, despite the Himalayas barriers, was involved in a war with China in 1962 over disputed territories. The conquest of Tibet was done to avoid India from conquering that territory and using it to threaten China. To this day, China trade with India has been very little as tensions still exist between the two countries. Currently there has been some migration from China core territories to its borders in order to increase its influence, and Tibet is an example. This movement of the Han to Tibet led to protests in 2008, in which Tibetans attacked Han properties.

Sea: China has been developing its naval capabilities in order to expand its influence in international seas just as Americans did. It is extremely important for China to guarantee the openness of the south maritime routes for trade. Due to that there were some conflicts with foreign countries over disputed sea territory.

Taiwan: Despite China calling Taiwan its 23rd province, the US has several military bases there and under an act of 1979, US promised to protect Taiwan in case there was an invasion attempt by China. On the other side, a declaration of independence by Taiwan would be seen by China as an act of war. Recent protests in Hong Kong and the violence demonstrated by the police (pressured by China government) may raise some doubts regarding the proximity that Taiwan wants to have with China.



Source: Geology.com

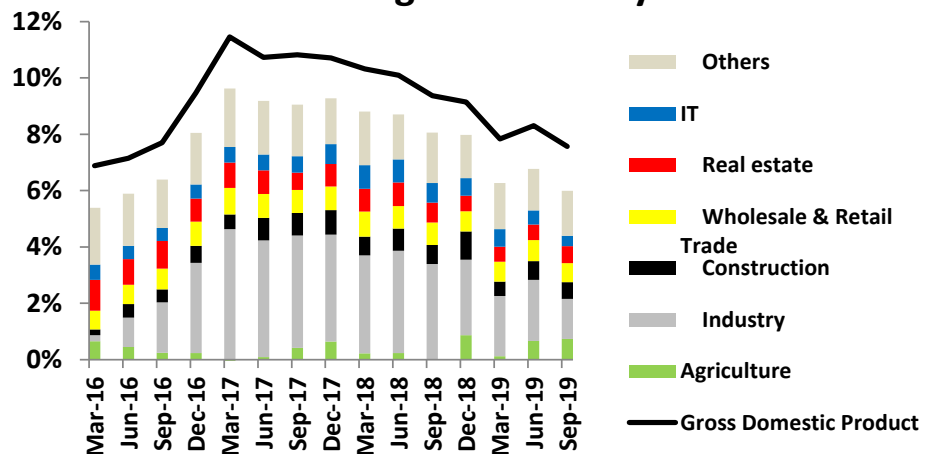
In conclusion: It is extremely important to maintain unemployment low and give to the people good living conditions, to avoid protests and attempts to separate territories. Equally important is to centralize the power in the Communist party and resist democracy that can divide the region. At the same time a global slowdown is a real threat for China as it will have a direct impact in its exports and industry. For that reason the country's shift towards an increasing dependence on domestic consumption makes sense.

▲ Economic Analysis

1. GDP

The main concern for China is a slowdown in growth which will have an impact in its industry and jobs, leading to worsening conditions for its population. This will lead to more insurgence against the party which may destabilize the dominance of the Communist Party of China.

Nominal GDP growth YoY by contribution



Source: National Bureau of Statistics

Industry is the main source of growth of Chinese economy. For this reason, the uncertainty around trade wars had an especially negative effect in its economy. The goal in the long run for the National Congress is to shift this dependence on industry to internal consumption, by improving the middle class living conditions.

1.1 Services

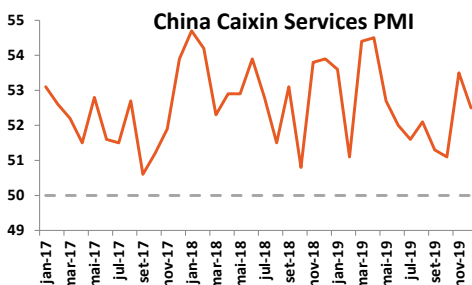
1.1.1 Wholesale & Retail

China has been trying to stimulate consumption through fiscal stimulus. In 2018 implemented an increase in the limit to which no taxes are charged to RMB 60,000 (around USD 8,500) per year of income, and improved the tax steps for income above this value, in order to give workers more tax savings.

China Retail sales YoY



Source: National Bureau of Statistics



Source: Markit

Income and expenditures households (CNY per year)



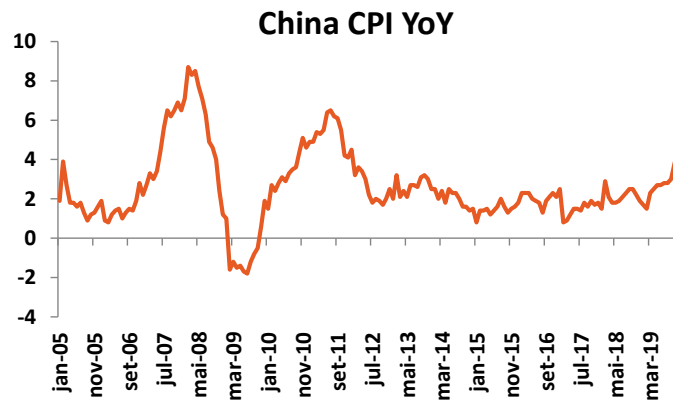
Source: National Bureau of Statistics

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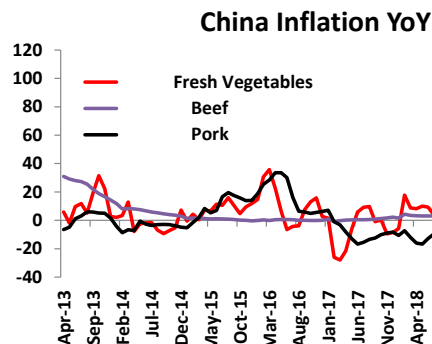
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Inflation:

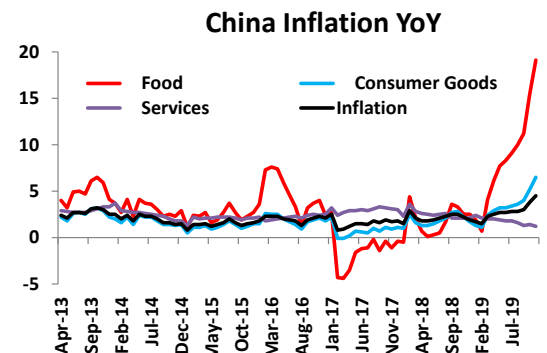


Source: National Bureau of Statistics

China had inflation stabilized below 4%, but due to the recent Swine Fever crisis, inflation in food skyrocketed leading.



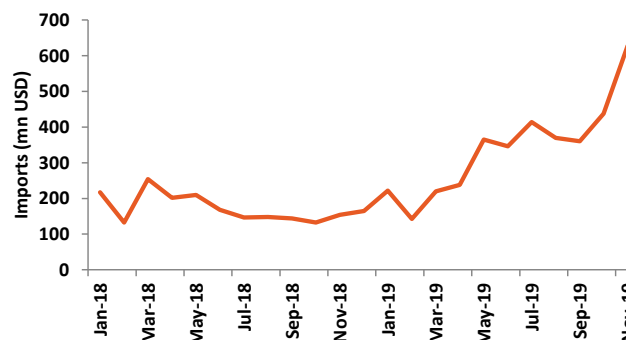
Source: National Bureau of Statistics



Source: National Bureau of Statistics

Chinese consumers eat a significant amount of pork meat, however due to the African Swine fever that killed 130 mn pigs in the country, prices rose. To provide meat at reasonable prices, the government subsidized imports of swine meat, which rose significantly in the last couple of months. However the government says the problem is solved and that there will be an increase in pigs which will drive down its price. Consequently, inflation in China should go back to normal levels.

Meat of swine



Source: China's General Administration of Customs

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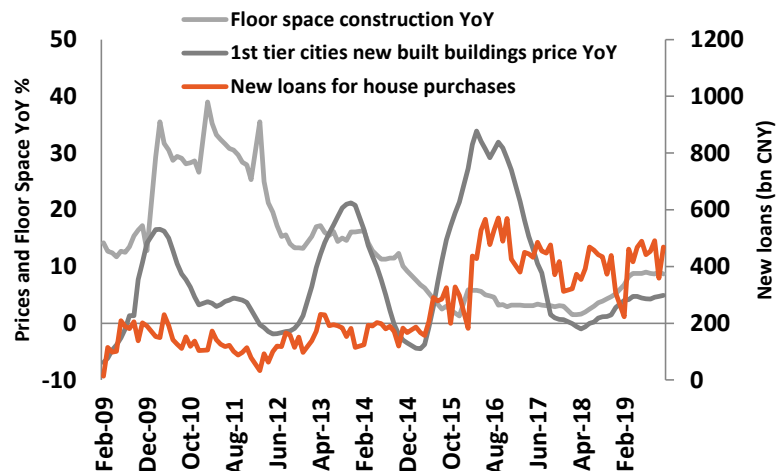
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1.2 Construction

Chinese real estate and infrastructures have been benefiting from government incentives:

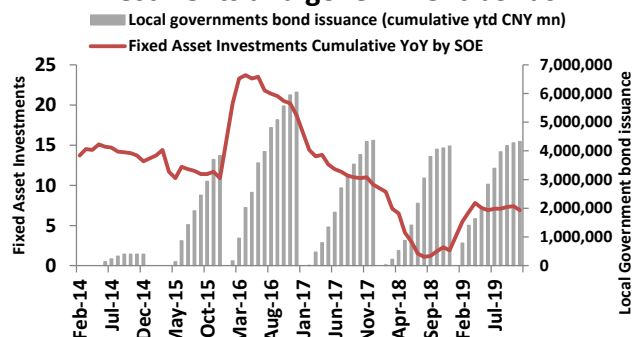
- In 2008 where new credit was given to local government and state companies to invest in infrastructure.
- In 2012 a construction scheme for new homes was developed by the government being replaced in 2015 by the purchase directly of homes by the government from constructors and use of these homes to give residency to poor citizens.



Source: Bloomberg Intelligence; The People's Bank of China; China's National Bureau of Statistics

- Infrastructure investments have been made by local governments. In 2015 an audit revealed shadow debt of around USD 2.6 trillion in entities related with local governments. The government forced these entities to convert debt to official government backed debt, and limited the amount that local governments could issue. This led to a decrease in investments in infrastructures and consequently China had in 2018 to revert partially the limits imposed earlier.

Investments and government bonds



Source: ChinaBond; China's National Bureau of Statistics

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1.3 Manufacturing

Most of the profits in China's industry come from Mining and generation of electricity, heat, gas and water. Automobiles are also a significant part, taking into account that China has its own manufacturers. Machinery and electric components are also important specially for exports.



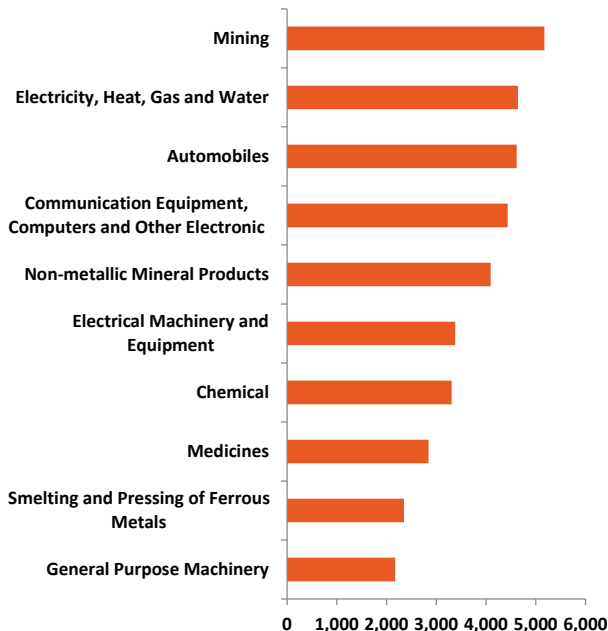
Source: Markit

Value Added of Industry YoY



Source: China's National Bureau of Statistics

Total industry profits



Source: China's National Bureau of Statistics

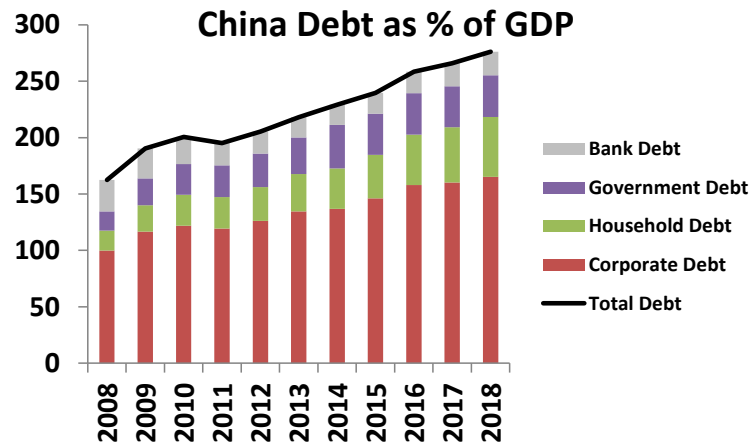
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Government Debt

China has been battling with the increase in debt as the government used this instrument to sustain economic growth through investments, specially by local offices.

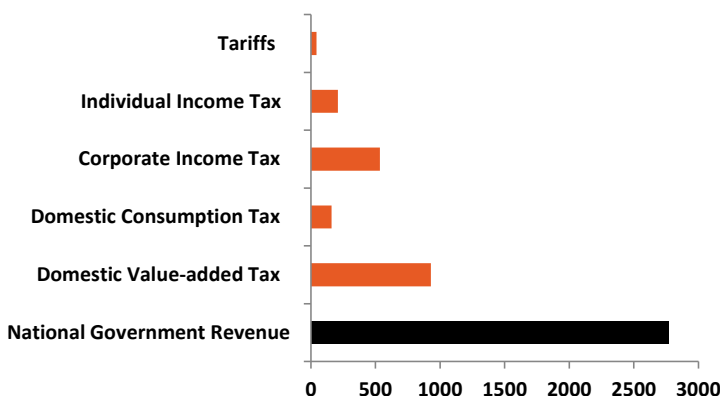


Source: Bloomberg Economics

Chinese bond market is gaining relevance as indexes from Bloomberg Barclays and JP Morgan will add Chinese sovereign debt and of Chinese policy banks. Bloomberg will add 356 Chinese securities to the Global Aggregate Bond Index, which will represent around 6%. Beginning in February of 2020, JP Morgan is expected to add 9 of the most liquid Chinese bonds to its emerging market index. For the government this is an opportunity to attract foreign capital but also to open its market, increase the use of Yuan and modernize its financial system.

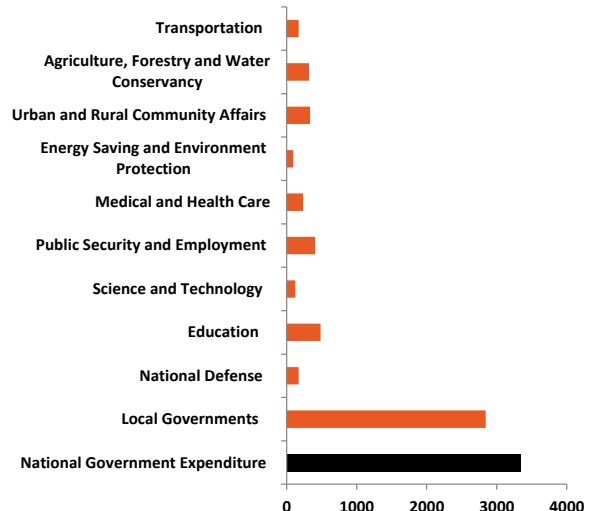
Government Budget

Government Revenues (USD bn)



Source: China's National Bureau of Statistics

Government Expenditures (USD bn)



Source: China's National Bureau of Statistics

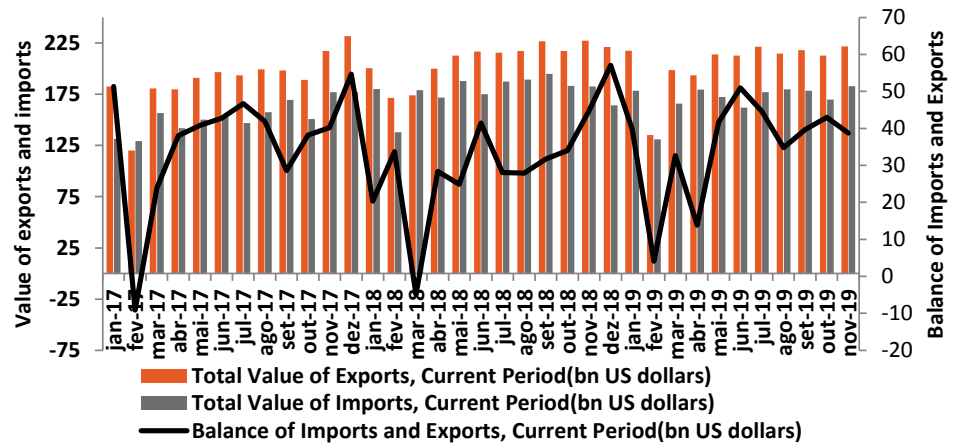
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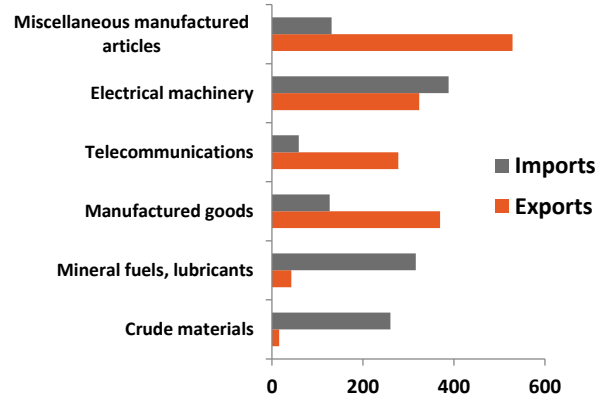
External trade

China Trade balance



Source: China's National Bureau of Statistics

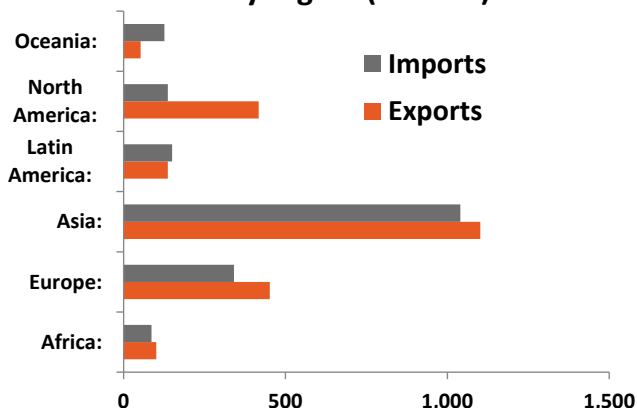
Trade by products (bn USD)



Source: China's General Administration of Customs

Note: Data of first 11 months of 2019

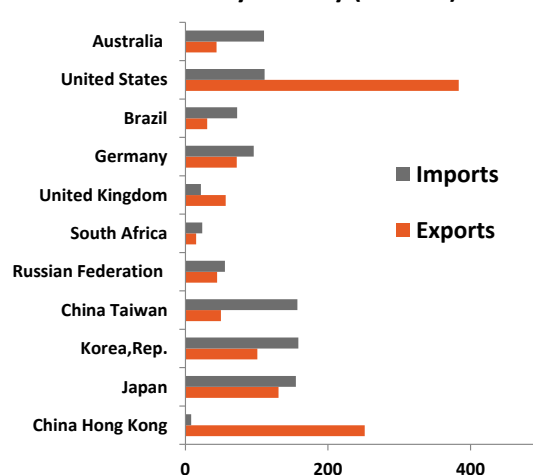
Trade by region (USD bn)



Source: China's General Administration of Customs

Note: Data of first 11 months of 2019

Trade by country (USD bn)



Source: China's General Administration of Customs

Note: Data of first 11 months of 2019

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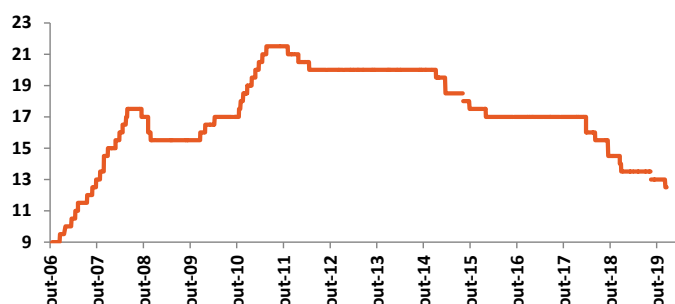
▲ People's Bank of China

This central bank is responsible for monetary decisions regarding China's economy. It was both central and commercial bank until 1978, date from which were created 4 independent but state owned commercial banks: Industrial and Commercial Bank of China (ICBC), the Bank of China (BOC), the Agricultural Bank of China (ABC) and the China Construction Bank (CCB).

Management of the bank: The governor and deputies are approved by the National People's Congress. The current governor is Yi Gang. The bank has 9 regional branches, 303 municipal branches and 1809 country level sub-branches.

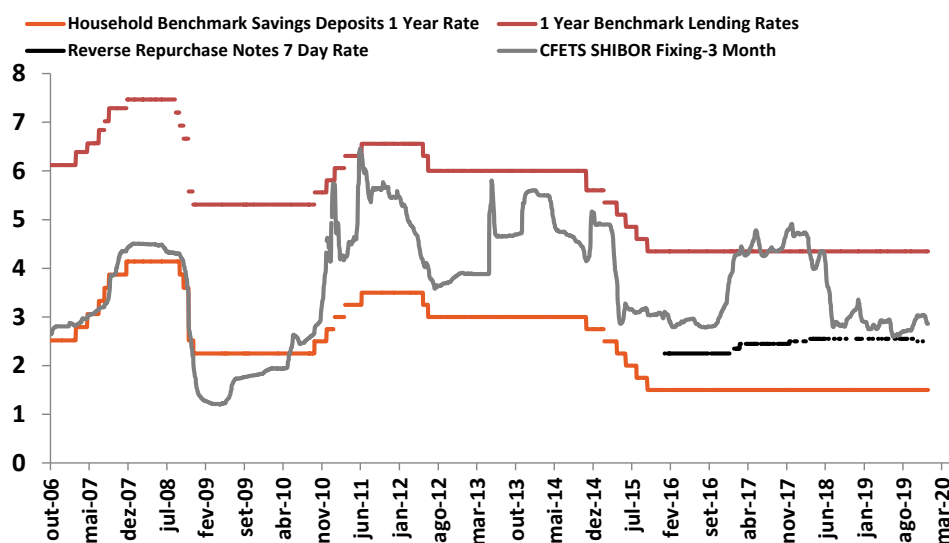
Monetary Policies: China uses different rates by the PBOC to stimulate or tighten its economy. It also concedes banks with loans with a maturity between 3 months and 1 year and more short term financing through repo operations. The most effective measure to stimulate the economy is through the cut of the required deposit reserves ratio of the banks, which unlocks liquidity to be used for financing corporates and consumers. The last cut was by 50 bps in January 2020 (to 12.5% for major banks), which unlocked around CNY 800 bn (USD 115 bn) of reserves to the financial system. According to the last statement further cuts are expected this year.

China Required Deposit Reserve Ratio for Major Banks



Source: People's Bank of China

PBoC rates



Source: People's Bank of China

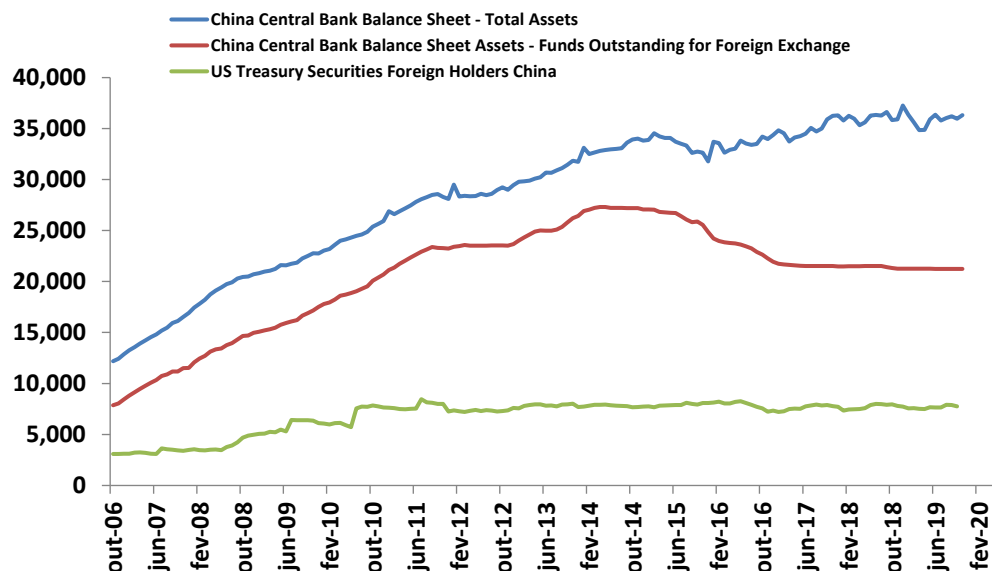
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Balance Sheet: PBOC has around USD 5 tn in assets. Its main composition is foreign currency assets, such as treasuries from US.

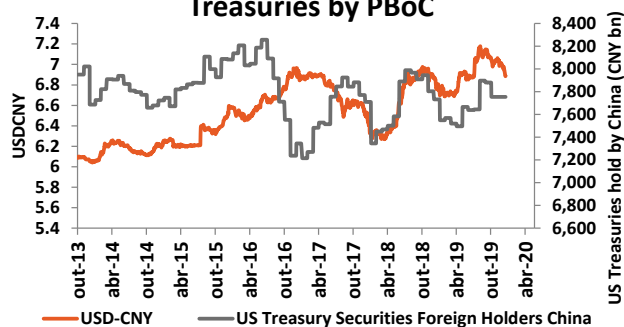
PBoC Balance Sheet (bn CNY)



Source: People's Bank of China; US Treasury

Currency: China's currency is the renminbi (RMB). It was in 2005 pegged to a basket of currencies but after the crisis of 2008 started being pegged to USD until the government started allowing some minor variations from 2010 onwards. From 2015 to 2016 suffered a major depreciation due to capital outflows and relaxation of the restrictions in its volatility. The currency was approved for the IMF special drawing rights basket in 2017, but the government still has capital controls to manage its volatility and maintain the country's financial stability.

China currency and holdings of US Treasuries by PBoC



Source: Bloomberg; US Treasury

Financial Sector: China's pursuit of market oriented practices has led to a tighter control of the leverage in government and state owned companies. This action prompted defaults in some companies and now threatens regional banks. Government is still rescuing the banks, but now at the cost of investors. In May of 2019, China rescued the Baoshang Bank (for the first time in 20 years). Its shadow financing techniques were hiding risky borrowers, discovered later by authorities. The government has also used state owned companies to purchase banks in trouble. Regulators in China pretend to motivate regional banks with less than USD 14 bn in assets to merge or restructure, assigning the responsibility of the action to local governments. This approach avoids contagion risk but does not address the moral hazard problem.

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Government



China is a communist party led state. The chief of state has been President Xi Jinping since 14th of March of 2013. Both president and vice-president are indirectly elected by the National People's Congress for a 5 year term (with unlimited terms). Next elections will be held in March 2023. The head of government (currently Premier LI Keqiang) is nominated by the President and confirmed by the party. In the last election in 2018, XI Jinping was reelected unanimously by the party (2970 votes).

Xi Jinping: Born in 15th of June of 1953, Xi Jinping is the General Secretary of the Communist Party of China, president of the People's Republic of China and chairman of the Central Military Commission. At a young age had to be exiled due to his father's political choices and even worked in a forced labor camp during the Cultural Revolution. After he started to gain importance in politics being nominated governor of Fujian from 1999 to 2002. After, was governor of Zhejiang and then party secretary. He succeeded to Hu Jintao as General Secretary of the CPC in November 2012 and as 7th President of the People's Republic of China in March 2013.

His main focus has been in assuring internal party unit and enforcing party discipline. Beside his campaigns to increase surveillance and censorship (especially in internet) in the country, he also prompted investigations into corruption within its own party. Regarding foreign policy, Xi has been very assertive in relation to Hong Kong, China South Sea disputes. He is leading the Belt and Road initiative to increase influence of China in Europe and Africa. In 2018 under his leadership, the limit of two terms for Presidents and Vice-Presidents were removed.

Lee Kuan Yew, former prime minister of Singapore described Xi as "a thoughtful man who has gone through many trials and tribulations. A person with enormous emotional stability who does not allow his personal misfortunes or sufferings affect his judgement". Henry Paulson, former US Treasury secretary described him as "the kind of guy who knows how to get things over the goal line".

Administrative powers: The President has the power to promulgate laws, nominate the Prime Minister and ministers of the State Council. But according to constitution, these decisions require confirmation by the National People's Congress.

Other administrative powers are divided between 23 provinces including Taiwan, and other 2 special administrative regions of Hong Kong and Macau.

Constitution: It was last amended in 2018. Amendments should be submitted by the Standing Committee of the National People's Congress or supported by more than 1/5 of the National People's Congress membership. To approve it needs more than 2/3 majority of the Congress membership.

Government 5 year plan: In 2016 it was approved the last 5 year Government Plan. The focus was to increase innovation and boost domestic consumption to make the economy less dependent on the government investments, exports and heavy industry. However, due to its goal established in 2010 of doubling GDP by 2020, government has focused more in the maintenance of economic growth than in the rebalance of the economy towards domestic consumption.

Politburo: Formed by 25 people in charge of overseeing the Communist Party of China. This is ruled by a small group of more or less 9 people which constitutes the Politburo Standing Committee. This is led by the General Secretary of the CPC.

China's Belt and Road Initiative (BRI)

This initiative begun in 2013 and is scheduled to end be completed in 2049, coinciding with the 100th anniversary of the People's Republic of China. The project's objective by China is to "enhance regional connectivity and embrace a brighter future", but for critics is a way for China to increase its influence in the rest of the World. China is financing projects in several countries through state owned companies in order to build terrestrial and sea routes from China to Europe, which go through Asia and Africa.



Latest developments:

Europe: in 2011, a route of freight trains started to be developed, having expanded to link 42 European destinations to 48 Chinese cities as of 2018. While Greece and Italy have joined the BRI, France and Germany remain skeptical. Macron stated that for a long time Europe "had an uncoordinated approach and China took advantage of our divisions".

Russia: In April of 2019, Putin and Xi Jinping agreed that their countries are "good friends" and committed to work together for the greater economic integration of Eurasia.

Opponents to the project: In 2016, Japan, India and Australia created an alternative to this initiative, called Blue Dot Network, to guarantee free trade in the Pacific. The US has joined this project (renaming it Free and Open Indo-Pacific Strategy) and Donald Trump has been pushing for it to center into security, economics and governance of the region.

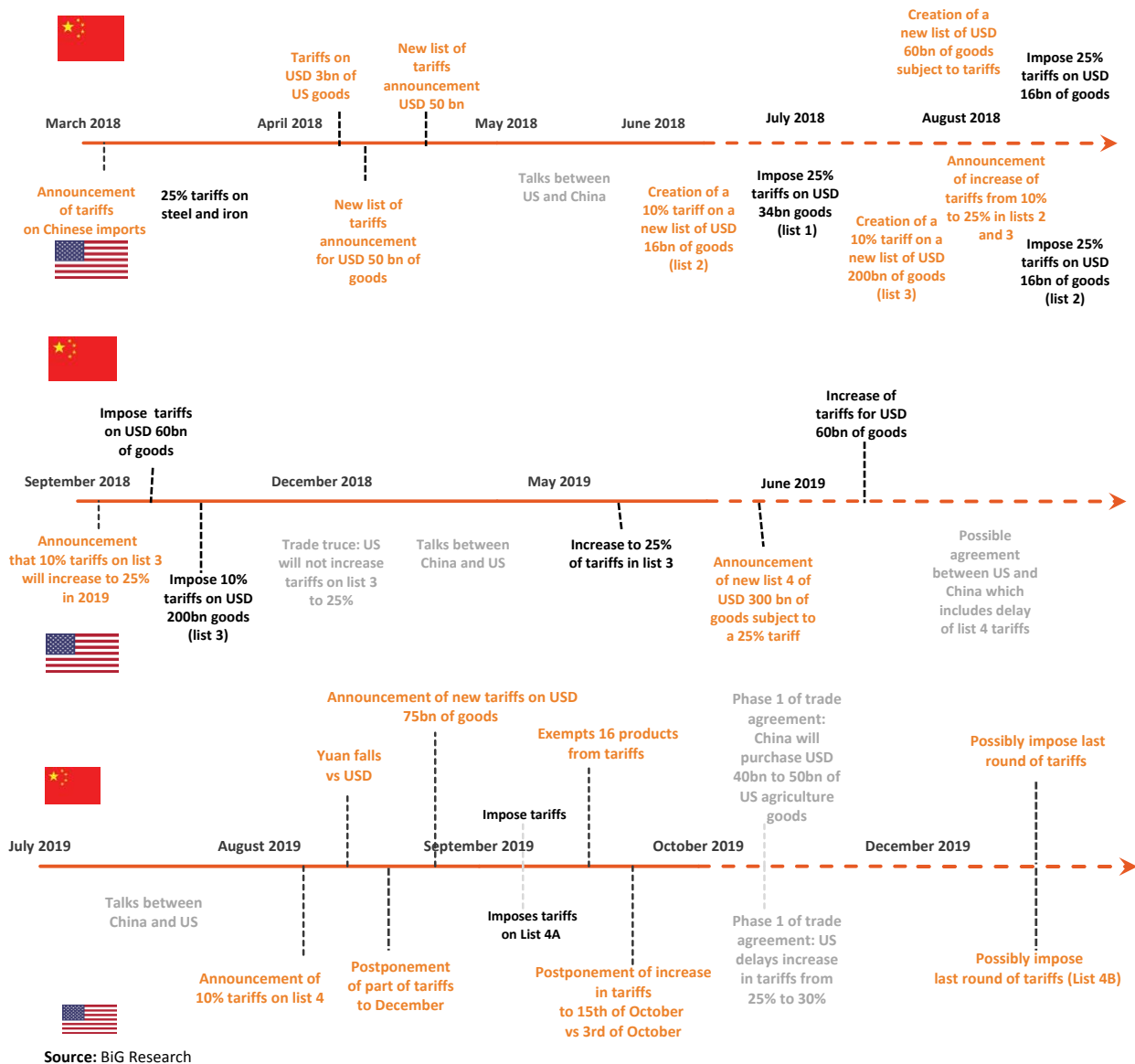
Controversy: After the launch in 2013, more than 130 countries showed interest in participating in this huge project which World bank estimates will require USD 575 bn in infrastructure. Critics say China has been burying poorer countries into debt by financing projects related to the Belt and Road. Some countries had to give up on some projects complaining about corruption, or high debt levels or pollution or the use of Chinese labor instead of regional workers:

- **Sri Lanka:** defaulted on a huge amount of debt to build a port, ending with an agreement with Chinese state to lease the port for 99 years in exchange for a debt forgiveness.
- **Pakistan:** A new government in Islamabad wants to halve the cost of a railroad from Karachi to Peshawar due to high leverage.
- **Myanmar:** The new regime decrease the amount of a regional project from USD 7.5bn to USD 1.3bn.
- **Kenya:** In 2019 a court ordered the stoppage of a project on Lamu Island and ordered an environmental study.

To solve this issue, Xi Jinping addressed the state owned enterprises in charge of the majority of the projects and demanded higher quality, greener and no corruption for these projects.

Trade War with US

Trump announced the first tariffs of 25% on steel and iron on March 2018, giving the kick start to trade tensions. Most of the negative impact felt in the economy is due to an increase in uncertainty. This effect led companies to delay projects and orders.



Source: BiG Research

Intellectual property: This is one of the main issues alongside negotiations between US and China. Donald Trump accuses China of several violations including counterfeit of iconic brands, steal of trade secrets and pressure for American companies to share technology in exchange for access to Chinese market. China announced some measures to try to solve this issue, such as announcing that Chinese companies involved in IP theft may lose access to borrowing and state funding. It is however hard to fight this issue in the short term, which may give arguments for US to maintain tariffs until the problem is visibly resolved.

▲ Phase 1 Trade Deal between US and China

Chapter 1: Intellectual Property

Objective: China and US agreed to “ensure fair, adequate, and effective protection and enforcement of intellectual property rights”.

Trade Secrets and Confidential Business Information: “The parties agree to ensure effective protection for trade secrets and confidential business information and effective enforcement against the misappropriation of such information”. In the agreement there are detailed specifications of how China should alter its law and processes regarding trade secrets, including the shift of burden of proof to the party accused of stealing trade secrets. regarding US, most articles state that US already has the appropriate measures in place.

Sectors mentioned:

- **Pharmaceutical companies** are mentioned in the article regarding patents, which may provide more security for this sector to start expanding to China without worrying about their patents being forged. Measures against counterfeit medicines are also mentioned.
- **Retail and e-commerce:** there is a specific section highlighting that both parties should “combat infringement and counterfeiting in the e-commerce market”. The agreement also includes a commitment for the discovery and destruction of counterfeit products.
- **Technological companies:** Measures to

Timeline: In the agreement it is established that “within 30 working days after the date of entry into force of this Agreement, China will promulgate an Action Plan to strengthen intellectual property protection aimed at promoting its high-quality growth”.

Chapter 2: Technology Transfer

Objective: Companies of a “Party shall have effective access to and be able to operate openly and freely in the jurisdiction of the other Party without any force or pressure from the other Party to transfer their technology to persons of the other Party”.

Chapter 3: Trade in Food and Agricultural Products

Objective: “to expand each Party’s market for food and agricultural products, and to promote the growth of trade in food and agricultural products between the Parties;”. The document mentions surprisingly the commitment to adhere to WTO rules regarding domestic support of the sector.

Measures:

- **Cooperation** in agricultural technologies, in consultations to pesticides, better communication between government agencies, technical development, exchange of information on animals and plants pests and diseases. However this does not involve any obligation to expend funds or dedicate personnel to these commitments.
- China upon entry into force of the agreement should **allow imports of US Dairy products and infant formula**. US and China will cooperate to solve the issue raised by FDA in which it suspected presence of melamine in milk products from China.

- Regarding **beef, pork and poultry (and processed products)** China agreed to acknowledge the safety regulations of US for these products in order to allow more imports.
- **Live Breeding Cattle:** Within one month of the agreement, discussions between China and US will begin to allow imports of live breeding cattle from US to China.
- **Aquatic products:** US will start discussions with China to identify steps for China to comply with US regulations regarding Aquatic products and consequently increase trade from China to US. Within 20 days, China should allow imports from US aquatic products facilities and fish meal processing facilities approved by FDA, registered by GACC and with a certificate form NOAA.
- **Fruits and vegetables:** China will sign protocols briefly after the agreement for allowing imports of potatoes, California nectarines, blueberries, California Haas avocados, barley, almond, timothy from US. US will allow imports of Bonsai, pears, citrus, jujube from China. These will be subject to a phytosanitary protocol. Frozen fruits and vegetables do not require this protocol and can be freely traded.
- **Pet food:** China is committed to lift the ban on US pet food that contains ruminant ingredients or poultry products.
- **Wheat, rice and corn:** China should act in conformity with the WTO tariffs and quotas.

Chapter 4: Financial Services

Objective: “provide fair, effective, and non-discriminatory market access for each other’s services and services suppliers”.

The agreement comprises the facilitated acceptance by China of US companies that provide services such as banking, credit rating, electronic payment, asset management, insurance, and securities, funds and futures management.

Chapter 5: Exchange rate

Main objective: “Parties shall honor currency-related commitments each has undertaken in G20 communiqués, including to refrain from competitive devaluations and the targeting of exchange rates for competitive purposes.”

Chapter 6: Expanding Trade

Objective: “The Parties acknowledge that trade and economic structural changes resulting from this Agreement and from other actions being taken by China to open up its economy and improve its trade regime should lead to improved trade flows, including significant increases in exports of goods and services to China by the United States and other countries.”

Commitments of increased exports from US to China:

ANNEX 6.1 INCREASES IN U.S. EXPORTS TO CHINA OVER 2 YEARS			
Unit: USD Billion			
Product Category	Additional U.S. Exports to China on Top of 2017 Baseline		
	Year 1	Year 2	2-Year Total
1. Manufactured Goods	32.9	44.8	77.7
1 Industrial machinery			
2 Electrical equipment and machinery			
3 Pharmaceutical products			
4 Aircraft (orders and deliveries)			
5 Vehicles			
6 Optical and medical instruments			
7 Iron and steel			
8 Other manufactured goods ^a			
2. Agriculture^b	12.5	19.5	32.0
9 Oilseeds			
10 Meat			
11 Cereals			
12 Cotton			
13 Other agricultural commodities ^c			
14 Seafood ^d			
3. Energy	18.5	33.9	52.4
15 Liquefied natural gas			
16 Crude oil			
17 Refined products			
18 Coal ^e			
4. Services^f	12.8	25.1	37.9
19 Charges for use of IP			
20 Business travel and tourism			
21 Financial services and insurance			
22 Other services			
23 Cloud and related services			
TOTAL	76.7	123.3	200.0

Source: Phase 1 trade agreement between China and US

Chapter 7: Bilateral evaluation and dispute resolution

Objective: “The purpose and mandate of the Arrangement are to effectively implement this Agreement, to resolve issues in the economic and trade relationship of the Parties in a fair, expeditious, and respectful manner, and to avoid the escalation of economic and trade disputes and their impact on other areas of the Parties’ relationship.”

Measures:

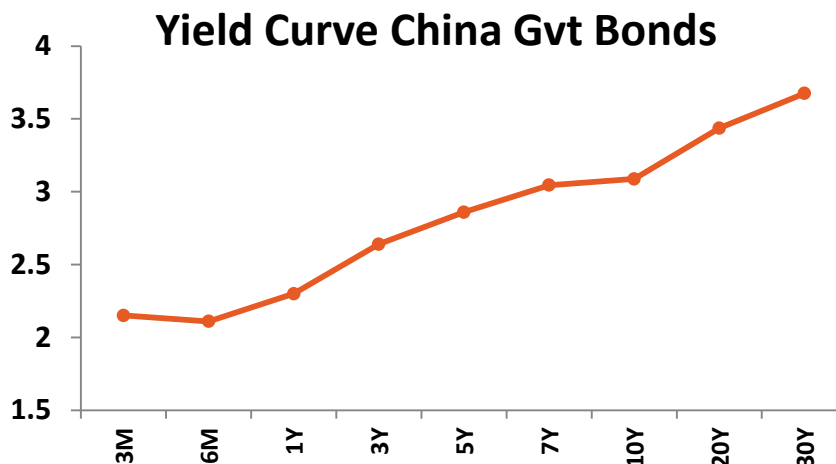
- **Regular meetings:** There will be meetings of the Trade Framework Group every six months, the heads of each Party’s Bilateral Evaluation and Dispute Resolution Office will meet on a quarterly basis, the designated officials will meet at least once a month.
- **Decision of appeal:** In case one party feels the agreement is not being followed, it may appeal and the other party will have 10 days to assess it and 21 business days to reach a solution by the designated officials. In case no solution is found, the Trade Representative and the designated Vice Minister will have 45 calendar days from the moment the appeal was received to reach a solution.

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Government Bonds

Maturity	Bond
3M	CGTB 0 04/13/20 Corp
6M	CGTB 0 07/06/20 Corp
1Y	CGB 2 ¼ 01/09/21 Corp
3Y	CGB 2 ¾ 08/08/22 Corp
5Y	CGB 2.94 10/17/24 Corp
7Y	CGB 3.12 12/05/26 Corp
10Y	CGB 3.13 11/21/29 Corp
20Y	CGB 4.18 10/15/39 Corp
30Y	CGB 3.86 07/22/49 Corp

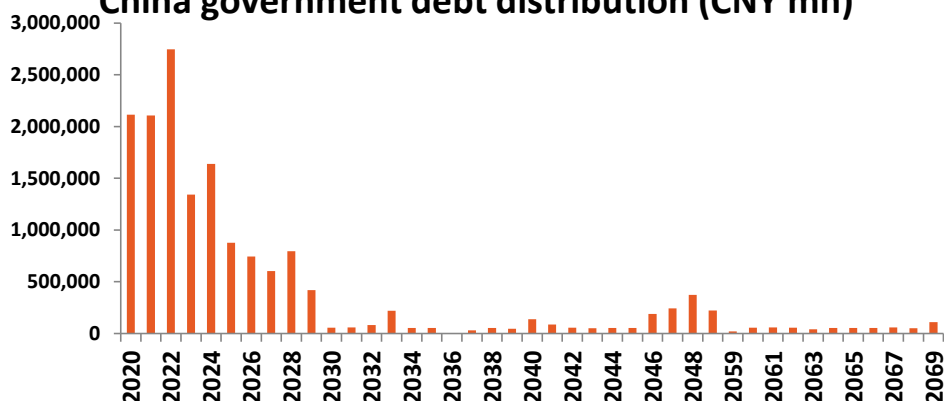
Source: Bloomberg



Source: Bloomberg

Note: Data as of 15-01-2020

China government debt distribution (CNY mn)



Source: Bloomberg

Note: Data as of 15-01-2020

Equity market in China

Sectors of CSI300 Index	Weight
Financials	37
Consumer (non-cyclical)	20
Industrial	14
Consumer (cyclical)	12
Technology	5
Basic Materials	5
Communications	3
Energy	2
Utilities	2

Source: Bloomberg



Source: Bloomberg

Note: Data as of 15-01-2020

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Population

As a consequence of the “one-child” policy is the ageing of China’s population. The government relaxed the policy to 2 child per couple in 2016.

Indicator	
Population (2018)	1,395,000,000
Pop Growth rate (2017)	5.30%
Urban Pop % (2016)	57.40%
Median age (Years) (2018)	38.1
Health Exp % GDP (2016)	5.00%
Education Exp %GDP (2019)	nd
School life expectancy (Years)	14
Unemployment (Dec 2019)	5.1%
Infant Mortality rate(/live births)	11.8/1000

Environment

In 2016 China ratified the Paris Agreement and pledged to peak its carbon dioxide emission between 2025 and 2030.

Calendar

1st October: China’s National Day (anniversary of the founding of the People’s Republic of China)

March 2023: Next elections of head of state by the National People’s Congress

Sources

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