

TWO SESSIONS

Key indicators show economy on even keel

Seasonal fluctuations had big impact on credit, other data in first two months

By CHEN JIA
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As drastic ups and downs in China's money and credit data within the first two months have sparked discussions on the reasons for this, the central bank issued an explanation on Monday morning, saying that robust financing activities have well supported economic growth so far this year.

Following January's rare boost in bank lending and full-aperture financing movements, China's money supply, new loan growth and aggregate social financing — the most important financial indicators, all retreated back to their normal status, said the People's Bank of China, the central bank.

Seasonal swings have played a significant role, said a statement on the PBOC website on Monday, as the Chinese Lunar New Year holiday, usually in the first two months of the year, always leads to remarkable fluctuations in credit and other economic data.

New yuan loans in February were reported at 885.8 billion yuan (\$131.7 billion), below the market's forecast of around 900 billion yuan and down sharply from 3.32 trillion yuan in January. The broad measure of money supply, or M2, slowed to 8 percent from 8.4 percent at the end of January, according to PBOC data released on Sunday.

Aggregate social financing increased by 703 billion yuan in February, down from a monthly expansion of 4.64 trillion yuan in January. It was also lower than the expected level. But the figure for the first two months, which amounted to 5.34 trillion yuan, still indicated a rare growth pace of 25.2 percent from a year earlier.

Growth of the aggregate social financing rebounded in the first two months, compared with that in 2018, because of the strong growth of loans, bond financing and a slower contraction of trust loans, said the central bank.

Experts speculated that financial regulators have made efforts to manage credit risk, after a surge of lending in January.

"If true, it would be positive news to some extent," said David Qu, an economist with Bloomberg Economics.

Off-balance sheet financing, a part of the aggregate financing statistics, showed weaker decline in the first two months, especially in terms of trust loans, entrust loans and undiscounted bankers' acceptance.

It showed a rebound from the aggressive drops during China's deleveraging campaign.

The change, as the PBOC explained, could indicate that financial institutions are gradually adopting the new rules on asset management products, the most influential policy to crack down on shadow banking, which was issued in April 2018.

Hu Xiaolian, a member of the Standing Committee of the 13th Chinese People's Political Consultative Conference National Committee and chairwoman of the Export-Import Bank of China, said that the financial policy needs to stay stable especially in the face of economic downside risks.

Too much easing of macroeconomic policy may lead to financial risks, said Hu, who also warned against a sharp reverse toward a tightening stance. "We should set a warning line to prevent the re-expansion of leverage."

Liu Wei, president of Renmin University of China, also a CPPCC National Committee member, said that the key issue is not about the aggregate amount of money or liquidity, but the structure and efficiency of the use of funds. "To curb the slowdown of demand growth is the critical task for short-term macro administration."

A group of the central bank's senior officials reassured the media on Sunday that the monetary policy stance will remain "prudent", although leaving room for additional liquidity injection and the real lending rates for small and private companies will be lower.

PBOC Governor Yi Gang attributed the first two months' credit data distortions to the Lunar New Year holiday. At Sunday's news conference, he suggested combining the data in January and February, or even considering the situation in March, for sensible analysis.

"The authorities are unlikely to engineer another long, large-scale credit boom, as its room for policy easing is becoming increasingly constrained," said Lu Ting, chief economist in China with Tokyo-based brokerage Nomura Securities.

As China will continue the deleveraging process targeting some key areas, it is hard to see a large rebound of money and credit data in the following months, which is also depressed by the economic growth headwinds, said Wu Ge, chief economist of Changjiang Securities.



Overseas exhibitors examine a soil-less vegetable cultivation device at the 29th East China Fair in Shanghai earlier this month. XIAO DA / CHINA DAILY

Foreign trade to remain robust in 2019, say advisers and legislators

By ZHONG NAN
and REN XIAOJIN

China's foreign trade growth will be backed by a wide range of trading partners and a resilient import and export structure, and a domestic market with growing demand in 2019, despite some uncertainties remaining in the global outlook, said political advisers and legislators from business circles.

Their comments came after the General Administration of Customs released the trade figures for the first two months on Friday, which said the country's foreign trade volume in February fell 9.4 percent year-on-year to 1.81 trillion yuan (\$269.12 billion).

Exports dropped by 16.6 percent to 922.76 billion yuan last month, while imports showed a slight decrease of 0.3 percent to 888.3 billion yuan.

"Slower growth was mainly caused by business disruptions during the Spring Festival holiday and the lack of clear signals in the trade dispute with the United States," said Wang Xiaosong, a researcher with the National Academy of Development and Strategy at Renmin University of China.

Wang said the Spring Festival was the major factor, and "if we rule that out, the trade is still growing".

Trade volume in February climbed 10.2 percent year-on-year after deducting the Spring Festival impact, according to the customs data.

As many parts of the world have been affected by factors such as weak market demand and trade protectionism, it is understandable to see some countries reporting a slowed pace in exports, said Zhang Yuyan, director of the Institute of World Economics and Politics at the Chinese Academy of Social Sci-

ences and a member of the 13th National Committee of the Chinese People's Political Consultative Conference.

"China's advantage in foreign trade can be found in technology upgrading, brand, quality and services, rather than low prices for the next stage, although developed countries are trying to maintain and enhance their strength in middle and high-end product industries," said Zhang.

He said China's export quality will gradually increase and so will the price. As a manufacturing powerhouse and major destination for foreign direct investment, the country's trade growth rate is expected to be higher than the global level, and its market share will continuously increase in global trade in 2019.

With a total value of 1.42 trillion yuan, mechanical and electrical products including machine tools, crane, construction machinery expanded to 58.3 percent of China's total exports in the first two months, while the nation's exports of labor-intensive products such as furniture, garments and plastic goods dropped 3.9 percent year-on-year to 467.14 billion yuan.

From the customs data, apart from the trade dispute between China and the US that has seen major declines, other markets, such as the European Union, the Association of Southeast Asian Nations and Japan, have seen notable growth. The EU and ASEAN accounted for 16.2 percent and 12.8 percent of China's total foreign trade volume in the first two months, both higher than the proportion with the US, which is 11.6 percent.

The total trade volume with the economies related to the Belt and Road Initiative in the same period

amounted to 1.28 trillion yuan, up 2.4 percent year-on-year, about 1.7 percentage point higher than the country's average growth rate in foreign trade. It accounted for 28.2 percent of the nation's total trade.

Apart from the impact brought by the trade dispute between China and the US, Xue Rongjiu, deputy director of the Beijing-based China Society for WTO Studies, said these figures demonstrate that China's import and export structure is able to adjust flexibly, and it is fairly resilient.

Gao Yan, a CPPCC National Committee member and chairwoman of the China Council for the Promotion of International Trade, said as the 2019 Government Work Report stressed that China will promote trade and investment liberalization and facilitation, the country will further optimize the foreign trade structure this year.

"Foreign trade development will further coordinate with national economic growth, environmental resource protection, industrial structure adjustment and regional development strategy," she said.

While China is accelerating the shift of driving forces for foreign trade, the country's cross-border e-commerce and procurement have also grown fast in recent years, marking a new highlight for foreign trade growth, said Qian Fangli, a deputy to the 13th National People's Congress.

Through independent innovation and improving branding capabilities, foreign trade companies have gradually bolstered the country's internal power for growth, said Qian, who is also director-general of the department of electronic commerce and information at the Ministry of Commerce.

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Guizhou eyes role as regional air hub

By WANG ZHUOQIONG
and YANG JUN

Guizhou is aiming to become a major regional air hub in western China by adding international routes including flights to India and the United Kingdom and increasing domestic flights connecting big cities to the province's famous places.

Wang Yong, general manager of Guizhou Provincial Airport Group and a deputy to the 13th National People's Congress, said the province has plans to further optimize its international routes. The first direct flight connecting Guiyang to Paris will be launched on March 24 by Hainan Airlines. The flight will take place once in a week.

Sichuan Airlines will open a direct flight from Guiyang to Melbourne in May, also on a weekly basis.

Guiyang is making efforts to launch flights to London and New Delhi this year while increasing flights to Incheon and Osaka, as well as adding flights to Macao, operated by the Macao Airlines.

In the first two months of this year, international flights including routes to Milan and Bali Island were launched at Guiyang airport.

Last year Guiyang airport saw the launch of flights to Moscow and San Francisco via Hong Kong, and to Los Angeles. Overall its international routes have reached 20, with 562,000 international travelers passing through the airport, a year-on-year growth of 22.81 percent.

"Guizhou needs to open wider to the world while the province has become an opening-up economic experiment zone," said Wang.

He said despite the province's late start if compared with other western provincial airports, Guizhou has the potential to catch up quickly by positioning itself as a regional hub.

Wang said: "We have to find destinations that meet our needs."

For example, flights connecting Guiyang with San Francisco will help in building up Guizhou as China's big data valley, echoing Silicon Valley in the United States.

Wang said Guiyang airport is considered complimentary to flights to and from Chengdu Airport and Chongqing Airport.

The recently built high-speed rail network connecting Guiyang to other aviation hubs in Southwest China has greatly enhanced the province' transportation volume. It takes only two hours from Chengdu to Guiyang by high-speed railway.

"The high-speed railway in the short term and in future is complementary to aviation," said Wang. "In Guiyang, we are building the model of aviation plus a high-speed railway."

Wang said construction of Beijing Daxing Airport will have a positive impact on increased flight frequency between Guiyang and Beijing. The group is aiming to launch express flights to Beijing, Shanghai, Shenzhen and Guangzhou.

Meanwhile, the soaring growth of travel to Guizhou province has also resulted in the need to open more point-to-point flights between Guiyang and other travel destinations in Guizhou province. Currently, Guizhou has 10 regional airports including Tongren, Zunyi and Bijie.

Li Sanqi, Party secretary of Guizhou provincial culture and travel administration, said expanding investment on aviation, railways and roads are crucial to the development of local tourism industry. "The province's rich tourism resources are scattered in locations. Therefore to connect tourism sights through better transportation will provide a more convenient travel experience to tourists in Guizhou province," said Li.

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High-tech offers way ahead for shipyards

By CHENG YU
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Jiangnan Shipyard (Group) Co Ltd, one of China's largest shipbuilders, will sign a new deal to construct five 15,000 TEU, or twenty-foot equivalent unit, dual-fuel container ships at the end of this month, its senior official said.

The deal will be valued at \$750 million approximately in total, with each vessel worth around \$150 million, said Hu Keyi, technical director at Jiangnan Shipyard, adding that the shipowner is CMA CGM SA, one of the world's top three container operators.

Hu, who is also a member of the 13th National Committee of the Chinese People's Political Consultative Conference, made the remarks in an exclusive interview with China Daily, on the sidelines of the ongoing two sessions.

The new ships are equipped with bigger membrane LNG fuel tank inside the hull, which is expected to provide strong support to long-haul container transportation. It is likely



Hu Keyi, technical director at Jiangnan Shipyard

to be used in Asia-Pacific routes, he added.

Hu also disclosed that the *Dongfanghong 3* scientific research ship and the research icebreaker *Xuelong 2* will be delivered in the first half of this year, possibly in May or June.

The Shanghai-based company, dating back to 19th century, is a historic shipyard. It was widely regarded as the cradle of China's shipbuilding industry. Currently, it builds, repairs and converts some high-tech and sophisticated vessels.

"Chinese shipbuilders have some advantages over the traditional shipbuilding powers including South Korea and Europe. For instance, the country's shipbuilders are good at making 'tailor-made' ships," Hu noted.

Tailor-made vessels are more flexible and boast stronger performance in certain cases as it can adapt to different marine demands during transportation, he said.

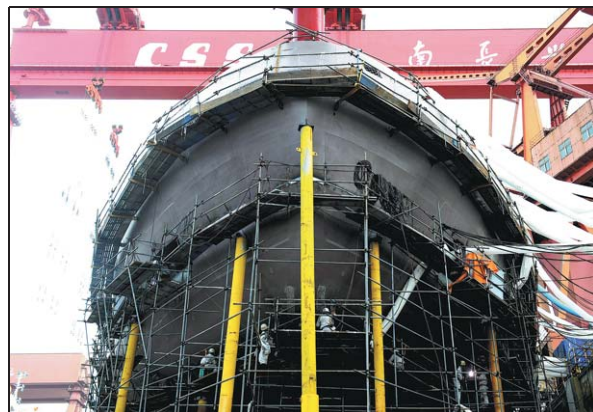
Amid the rapid development of the country's manufacturing segment including shipbuilding, Hu pointed out that China's manufacturing sector is facing mounting challenges.

"Developed countries are accelerating to revitalize the manufacturing industry while developing countries are attracting high-end manufacturing with lower production costs," he said.

To relieve the problem, Hu has proposed stepping up intelligent manufacturing in the shipbuilding sector, in a bid to promote the high-quality development of marine equipment in China.

Major shipyards in the nation now mainly use advanced machines to cut, weld and paint components, which according to Hu, is "partly automation" in the assembly line.

"China should strengthen policies



The construction site of *Xuelong 2* at Jiangnan Shipyard (Group) Co Ltd in Shanghai. XINHUA

to encourage shipyards to achieve smart manufacturing in more specific and detailed manufacturing processes, especially in the outfitting phase," he said.

Hu also highlighted the importance of three-dimensional models when manufacturing, saying that this is key to dynamic perception and real-time cognitive simulation during construction.

Liu Zheng, chairman of Dalian Shipbuilding Industry in Liaoning province, pointed out that Chinese shipyards should develop intelligent manufacturing.

"Looking at market demand, self-driving and smart vessels are future directions. Chinese shipbuilders are expected to grasp the opportunity to catch up with global leaders in the field," he said.