



CPI sees its slowest pace in two years

Low consumer inflation limits chances of China tightening monetary policy

By XIN ZHIMING and WANG YANFEI

China's consumer price index, a key gauge of retail inflation, rose 0.8 percent last month, the slowest growth in two years, due to the distortion caused by the timing of the Chinese Lunar New Year.

Analysts said the low consumer inflation reduces the possibility of China tightening its monetary policy and leaves room for policymakers to focus on risk prevention, analysts said.

Ample supply of vegetables and sagging demand for meat and other consumption items after the Lunar New Year holiday led to a "marked drop" in food prices in February, said a statement from the National Bureau of Statistics. Moreover, the high base of calculation last February, in which the Chinese New Year took place, contributed to the low reading last month, the statement said.

Core CPI, which excludes energy and food prices,

remains stable, said the bureau.

China's producer prices surged at the fastest pace since 2008 to 7.8 percent, up from 6.9 percent in January, thanks to the low base last February and recent rises in commodity prices, according to a research note from China International Capital Corporation.

In the coming two months, CPI may remain low due to high comparison bases, said Liu Dongliang, a senior analyst at China Merchants Securities. Producer prices may stabilize and even fall in the coming months due to a possible weakening in commodity prices, he said.

"The low CPI reading in February reduces pressure on the central bank to take measures to combat inflation and the possibility of China's monetary policy being tightened further declines," he said, adding that monetary policymakers will focus on deleveraging and prevention of financial risks as consumer inflation stabilizes.

CICC said while the con-



A woman looks at vegetable prices at a supermarket in Nanjing, capital of Jiangsu province. SU YANG / FOR CHINA DAILY

sumer price index may rise mildly after February, producer prices may remain at high levels in the coming months and even hit new highs given rising prices in the midstream and downstream industries.

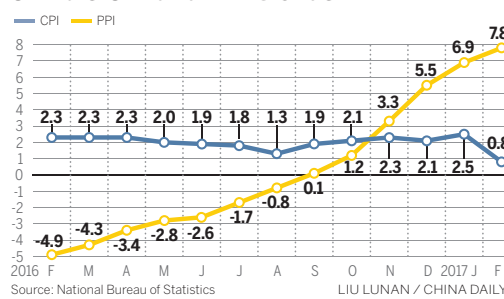
In another development, China's new loans fell sharply in February from near-record levels in January but were still higher than general market expectations. Banks made 1.17 trillion yuan (\$169 billion) in new loans in February, down

from 2.03 trillion yuan in January, according to the People's Bank of China, the central bank, on Thursday.

Chinese banks usually extend more loans in the first half of the year to compete for market shares and prevent regulators from limiting lending in the second half if they are deemed to have lent too much for the economy.

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China's CPI and PPI trends



Investment

Qualcomm ups ante with fresh funds for Guizhou venture

By MA SI in Beijing and YANG JUN

US chip giant Qualcomm Inc has upped the ante in its joint venture in the Guizhou province, pouring another 1 billion yuan (\$144 million), together with the local government, into Guizhou Huaxintong Semiconductor Technology.

The move brought the total investment in Huaxintong, which is based in Guizhou's capital Guiyang, to 2.85 billion yuan. The joint venture was established in 2016 by Qualcomm and the Guizhou provincial government to make server chips.

Wang Kai, CEO of Huaxintong, said in an interview with

China Daily in Beijing on Wednesday that the company had received another 1 billion yuan, the second phase of a capital injection, from its two shareholders.

Qualcomm owns a 45 percent stake in Huaxintong, with the Guizhou provincial government accounting for the balance.

Wang said the new deal had not changed the shareholder structure. He did not disclose how the new cash would be used.

The move comes after Huaxintong opened a research center in Shanghai last year to step up research and development on chip design.

It also opened an operating



A visitor experiences a virtual reality headset powered by a Qualcomm Inc Snapdragon 835 processor at the 2017 Consumer Electronics Show in Las Vegas, Nevada, on Jan 6. BLOOMBERG

center in Beijing last year. The joint venture is part of a broad effort by Qualcomm, which dominates the smartphone chip sector, to compete with Intel Corp in server chips.

Qualcomm President Derek Aberle said in an earlier interview with China Daily that Huaxintong expected to start shipping its China-customized server chips around mid-2018.

According to Huaxintong's Wang, unlike previous ven-

tures when foreign companies brought outdated technology to China, Huaxintong will tailor-make chips for the China market on the basis of Qualcomm's latest technology.

He said over half of Huaxintong's employees are from other leading semiconductor producers and 70 percent of them are doctorate or master degree holders.

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Province plans AI-enabled computing center

By MA SI and YANG JUN

Guizhou province in southwestern China plans to build an artificial intelligence-enabled computing center, as the world's largest radio telescope, located in the province, is expected to start a test run in the second half of this year, a senior local official said.

The move is part of China's broad plan to promote high-end manufacturing and leverage innovation to boost economic growth, which are highlighted in this year's Government Work Report.

"The computing machine, which is estimated to cost no more than 1 billion yuan (\$145 million), will process data from the radio telescope and other enterprises," said Liao Fei, head of the Guizhou Provincial Science and Tech-

nology Department.

"We don't exclude the possibility of setting up a joint venture with foreign companies to run the project," he said in an interview with China Daily.

The move comes after the local government persuaded the country's top three telecom carriers to store data in the province.

The Guizhou provincial government set up a 1.85 billion yuan joint venture with the United States chip giant Qualcomm Inc in 2016, in a move to produce server chips, which are of high importance to the big data sector.

Liao said it would take two years before the 1.2 billion yuan, 500-meter-diameter aperture spherical radio telescope, or FAST,

finishes testing. The radio telescope, located in Pingtang county, Guizhou, has a reflector as large as 30 soccer pitches. It was completed in September 2016.

Liao said data from FAST would first be made available to scientists and then to the public.

Guizhou's plan comes shortly after China said it has started to build a new-generation supercomputer that can make a quintillion (1 followed

by 18 zeros) calculations per second, roughly 10 times faster than the current world fastest computer.

"But our approach is different. Our computer center will focus on improving deep learning ability rather than processing speed," Liao added.

Roger Sheng, research director at Gartner Inc, said Guizhou is in dire need of a big computer center to mine insights and value from its data assets.

"It remains to be seen whether Guizhou will use its joint venture's chips to power the computer center, because it takes time to tailor-make new chips for that," Sheng said.

"But even it is AI-enabled, a computer center needs to be backed by fast processing speed."

Mobile internet powers app industry

By OUYANG SHIJIA

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China's booming mobile internet is playing an increasingly key role in supporting the growth of its mobile app industry, according to the latest annual report released on Thursday by App Annie, the US-based mobile analytics company.

According to the company's Top 52 App Publishers for 2016 list, tech giant Tencent Holdings Ltd bypassed Finnish mobile gaming company Supercell Oy to become the top publisher by revenue in the world. Supercell, which topped the list for 2014 and 2015, was knocked into second place in the latest rankings.

Due to the rapid growth of the gaming sector, Chinese internet company NetEase Inc moved up to third place on the 2016 list, passing US-based Machine Zone Inc and Activision Blizzard Inc.

Among the list, 11 companies were headquartered in China. New top China-based publishers on the list include Perfect World Co Ltd, Baidu Inc and G-bits Network Technology Xiamen Co Ltd.

"As China's mobile market grows increasingly, we will see more Chinese publishers appear on the top publishers list than before," said Dai Bin, App Annie's region director in China.

Dai said in the future, more innovation in the industry

would be boosted by China and then spread to other parts of the world.

"Now Chinese publishers' earnings are growing faster than the average in the globe."

According to App Annie, China gained the top spot for iOS App Store revenue in 2016 and the country's iOS revenue exceeded \$2 billion in the fourth quarter last year.

Xue Yongfeng, an analyst at Beijing-based internet consultancy Analysys, said that because of the maturity and growth of the mobile market, more Chinese people were now prepared to pay for more different types of content than ever before.

"Before, the majority of netizens in China only preferred to pay for gaming," Xue said.

"But with the booming Chinese market and the increase in average incomes, they have more choice to try other stuff, such as watching online videos."

The list also showed that the Asia-Pacific region proved to be the stronghold for top publishers. Publishers from China, Japan and South Korea took 30 of the total 52 spots.

The rankings are based on revenue earned from paid downloads and in-app purchases on the iOS App Store and Google Play Store.

App Annie said they do not include earnings from in-app advertising or subscriptions outside app store channels.

Top 5 app publishers in 2016

Publisher	Rank	Headquarter
Tencent 腾讯	1	China
Supercell Oy	2	Finland
网易 NETEASE	3	China
Machine Zone Inc	4	United States
Activision Blizzard Inc	5	United States

Source: App Annie

LIU LUNAN / CHINA DAILY

Didi Labs opens its doors in the US

By FAN FEIFEI

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Didi Chuxing, China's largest ride-hailing company, has officially launched Didi Labs in Mountain View, California, which will be focused on artificial intelligence-based security and intelligent driving technologies.

The lab will be led by Gong Fengmin, vice-president of Didi research institute. Dozens of leading data scientists and researchers have joined the team, including Charlie Miller, a key member of rival firm Uber Technologies Inc's self-driving team, according to Didi.

Didi said its current projects cover cloud-based security, deep learning, human-machine interaction, computer vision and imaging, as well as intelligent driving technologies.

"Building on rich data and fast-evolving AI analytics, we will be working with cities and towns to build intelligent transportation ecosystems for the future," said Didi CEO Cheng Wei.

20 million

Didi online car-hailing services' daily rides in more than 400 cities

Cheng said the launch of Didi Labs is a landmark in creating this global nexus of innovation. The lab will work in tandem with the broader Didi research network to advance its global strategy, apply research findings to products and services, and help cities develop smart transportation infrastructure.

It also expects to rapidly expand its US-based team of scientists and engineers over the course of the year.

Bob Zhang, Didi's CTO, called for top minds in AI and the intelligent driving research to join the company and to advance transformation in the global transportation industry.

"In the next decade, Didi will play a leading role in innovation in three ways: optimization of transportation infrastructure, introduction of new energy vehicles and intelligent driving systems, and a shift in the human-automotive relationship from ownership to shared access," Zhang said.

Wang Chenxi, a transport analyst for internet consultancy Analysys, said: "It is an inevitable trend that Didi taps into the self-driving sector as it has already accumulated enough personnel, capital and technologies."

The self-driving technology will first be applied into commercial car area such as logistics, cargo and public transportation, and followed by private cars, Wang said.

Last week, Didi obtained its first local online operating license from Tianjin municipality. It offers online car-hailing services in over 400 cities and completes more than 20 million rides daily.