

Decline in deposits, loans due to 'seasonal factors'

By **JIANG XUEQING**
jiangxueqing@chinadaily.com.cn

Declines in bank deposits and new loans in July were mainly due to seasonal factors and not a cause for concern, according to financial analysts.

The renminbi deposits of the four largest lenders by assets declined by 1.5 trillion yuan (\$243 billion) in July from an increase of 2.2 trillion yuan in June. During the same period, the big four State-owned banks' new yuan loans also fell to 210 billion yuan from 290 billion yuan, Shanghai Securities News, one of the leading Chinese financial newspapers, reported on Tuesday.

Bank of Communications Co Ltd estimated in a research report on July 31 that China's new yuan loans reached 780 billion yuan in July, falling from 1.08 trillion yuan in the previous month.

1.5 trillion yuan

decline in the yuan deposits of the four largest lenders in July, compared with an increase of 2.2 trillion yuan in June

Xu Bo, a financial researcher at Bank of Communications, said there was a sudden rise of yuan deposits and new yuan loans in the banking sector in June because of seasonal factors.

According to Chinese banking regulations, the regulator assesses the banks' financial performance in the first half of a year at the end of June. New yuan loans usually show marked growth in June and fall in the following month, as past figures show. The same reason also caused yuan deposits to drop in July.

In addition, the growth of new yuan loans in June this year was fueled by a package of monetary stimulus measures such as targeted cuts of the reserve requirement ratio, Xu said.

Mu Hua, banking analyst of Guangzhou-based GF Securities Co Ltd, said deposit outflows in July mainly occurred in resident savings, with a large part shifting to wealth management products.

To meet the banking regulator's requirements, the banks set the maturity date for wealth management products around the end of June so clients will deposit money back in the bank at that time.

Once the banks have passed the regulator's assessment, the deposits will be diverted back to wealth management products. Such a deposit decline occurs in the first month of each quarter, not just in July this year, Mu said.

Yuan deposits dropped by 1.5 trillion yuan in July, accounting for 40 percent of the 3.79-trillion-yuan deposit increase in June. In terms of a proportion, the decrease is not as large as the one in January when yuan deposits declined by 940.2 billion yuan, accounting for 82 percent of the 1.15-trillion-yuan increase in December 2013, the central bank figures revealed.

"Although the deposit drop of 1.5 trillion yuan is quite large, it is not that significant compared with the decrease in other months if measured by the proportion of the deposit drop in a particular month to the deposit increase in the previous month," Mu said.

Apart from going to wealth management products, part of the deposits may also flow into the stock market, which has been performing well recently, she said.

Li Kai, banking analyst at China Galaxy Securities Co Ltd, said monetary policy will remain slightly loose in the second half of this year and new loans will continue to grow moderately. He estimated that new yuan loans will not exceed 10 trillion yuan in 2014.

what's news

Toyota's July figures show continued drop in sales

Toyota Motor Co's sales in China continued their six-month decline with a year-on-year decrease of 1.1 percent in July, according to a report by auto website auto.gasgoo.com on Tuesday. The Japanese carmaker has sold 540,000 autos in China so far this year. According to Toyota, July sales were 74,800, including contributions from local joint ventures, compared with 75,600 last July.

H2 rise in aluminum exports set to lower London prices

Increasing Chinese exports of aluminum products in the second half of 2014 will lower London prices, narrowing the premium over Shanghai contracts, said Ivan Szpakowski, a commodity analyst at Citigroup Inc. The Shanghai Futures Exchange futures contract has been trading at a discount to the benchmark London Metal Exchange three-month delivery price since June 23, according to data from Metal Bulletin.

BMW's profit figures beat analysts' expectations

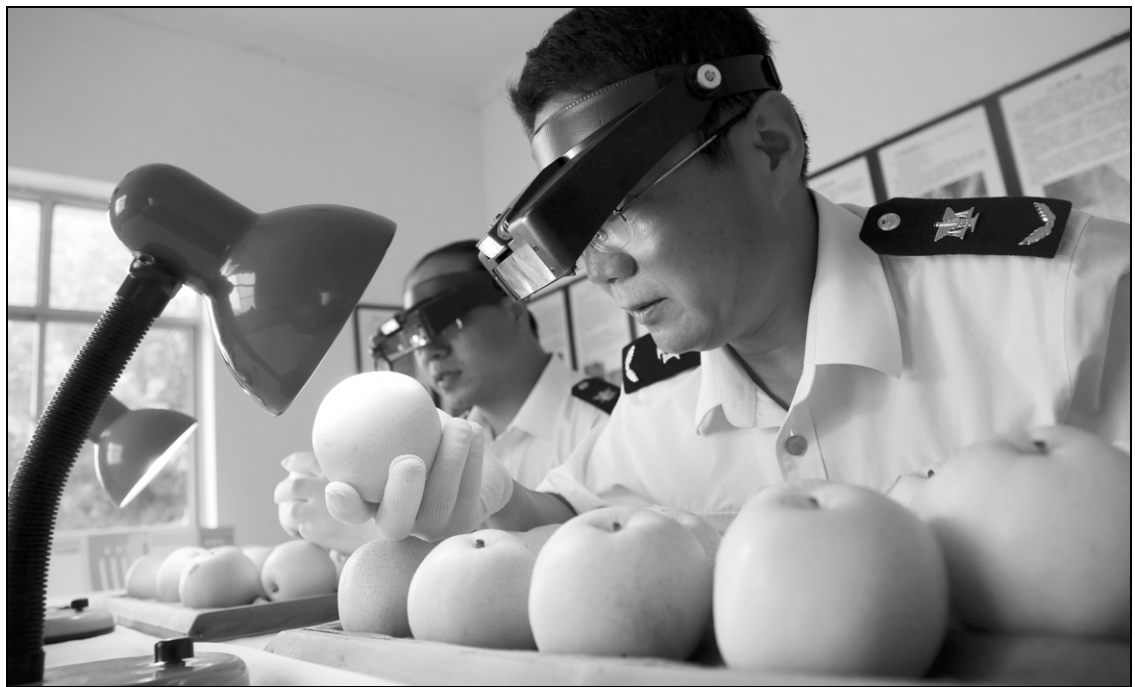
Bayerische Motoren Werke AG, the world's biggest maker of luxury autos, reported a second-quarter profit that beat analyst predictions of 2.25 billion euros (\$3 billion) as the company sold more X5 sport-utility vehicles and added deliveries in China. Earnings before interest and taxes jumped 26 percent to 2.6 billion euros from 2.07 billion euros a year earlier, Munich-based BMW said on Tuesday in a statement.

Shipbuilders banking on orders for LNG tankers

Chinese shipyards are aiming to take some \$10 billion in orders for new liquefied natural gas tankers in the rest of the decade, part of a plan to restructure the country's ailing shipbuilding sector and secure China's energy supply chain. The push to build its own natural gas delivery vessels will boost China's capability in high-tech ships and pose a challenge to South Korean and Japanese shipyards.

Policies in pipeline to promote residential solar panel use

China, the world's biggest supplier of solar panels, may announce policies as soon as this month to encourage solar-power installations at home. Under the policies, the National



PARING OFF TIME

PHOTO BY **FU XINCHUN** / XINHUA

Customs officials inspect pears for export at Botou, Hebei province. In July, local authorities introduced policies that would reduce the quarantine time to ensure freshness for certain exports.

Energy Administration would call for local planners to add more projects in regions where electricity can be distributed to customers living nearby, according to people familiar with the matter, who asked to remain anonymous because they aren't authorized to speak publicly.

Benchmark money-market rate hits two-week low

The benchmark money-market rate fell to a two-week low on speculation that enough cash exists in the system for the central bank to pull funds for a second week. The People's Bank of China sold 30 billion yuan (\$4.9 billion) of 14-day repurchase agreements on Tuesday at 3.7 percent, according to a statement on its website. This week will see 30 billion yuan of repo contracts mature and inject liquidity into the banking system.

WH Group shares gain as pork producer debuts in Hong Kong

WH Group Ltd rose on its debut in Hong Kong after the world's biggest pork producer raised HK\$15.3 billion (\$2 billion) in its second attempt at an initial public share sale. The stock gained 7.4 percent to HK\$6.66 at the close of trading, up from the offer price of HK\$6.20 for the company. The benchmark Hang Seng rose 0.2 percent.

BYD joins forces with GAC in new-energy bus project

The nation's leading electric car and battery maker BYD said on Tuesday that it plans to set up a new-energy bus joint venture with GAC Group. The joint venture, with a registered capital of 300 million yuan, will involve an investment of 120 million yuan (\$19.4 million)

in the initial stage. BYD will hold a 51 percent stake and GAC Group will take the other 49 percent.

MGM sees earnings increase despite weaker China revenue

MGM Resorts International, the largest owner of casinos on the Las Vegas Strip, reported second-quarter earnings that beat analysts' estimates. Net income totaled \$105.5 million, or 21 cents a share, compared with a loss of \$93 million, or 19 cents, a year earlier, the Las Vegas-based company said on Tuesday in a statement. However, revenue at MGM China fell 1 percent to \$828 million in the quarter.

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Agro: Young executives now 'rural partners'

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Despite its rich flora and fauna, Guizhou is considered to be one of the most economically backward and underdeveloped provinces in China. But Chashan begs to differ and wants to be known for using modern, sustainable agricultural techniques to make a big difference.

Though the village is still steeped in the old, there are visible signs of modernity. Visitors undergo sanitization procedures at a spray sterilization room before they are allowed to see the 400 dairy goats that are grazing in the lush grassland at the foot of a hill.

Though grazing reduces milk output by 30 percent, compared with raising goats in confinement, the villagers believe that the New Zealand-style of breeding will give it the coveted high-end green product tag. Further evidence of modernization is visible in the form of the New Zealand-designed Waikato system used to milk the goats.

The dairy farm is part of Guiyang Shengheng Ecological Agriculture Development Co Ltd, an agricultural startup established by four young professionals who gave up their promising urban careers for a tryst with the unknown in the relatively undeveloped Chashan.

The four young executives of Shengheng, all born around 1980, style themselves as real-world "Chinese rural partners".

Ning Weihua, 34, Shengheng's chairman as well as head of Chashan village, recalls the early days when he invited several agricultural experts to discuss the way forward for Chashan and the road it should take for sustainable development.

According to Ning, the experts were unanimous in the opinion that Chashan should use its natural resources to full advantage. The roadmap outlined by these experts hinged on increasing farming and developing leisure agricultural tourism.

"Cities are for making a living and countries are for living a life," said Ning. He said that his goal is to ensure that Chashan has a modern infrastructure without sacrificing its idyllic country life.

That was something easier said than done, said Ning, adding that his first task was to conduct an opinion poll among the village's 284 households on the kind of jobs and the remuneration they expected.

"We provided job options such as cattle breeding, dairy goat raising, rural tourism, bed and breakfast, support crews and construction. The expected remuneration of farmers for these jobs ranged from 5,000 yuan (\$800) to 72,000 yuan per year. Ning said they want to help the villagers build competitiveness to sustain themselves by taking the agricultural development route for growth.

Ning, who only finished three years of elementary school, has spent lots of time and effort to attract good professional talent for Shengheng, a key factor in its successful operations.

One such person is Wang Haibin, 34, the company's technical supervisor for its goat project, who was earlier a researcher with the Guiyang agricultural department and a graduate of Northwest Agriculture and Forestry University.

Wang admitted that Chashan has been an ideal place to put his knowledge to the test. He started a goat-raising business earlier with other partners but failed because of a lack of capital.

The milk output at the goat farm is about 250 kilograms per day. Most of the dairy goats are of the Saanen breed, and Wang is working on nurturing a local breed so that more farmers can participate in goat raising and increase the output.

Unlike Wang, Luo Hongwei, a former department manager of Pudong Development Bank Co Ltd in Shanghai, would have never given a second thought or dreamed that he would resettle from the nation's financial center to a small backward village in Guizhou.

Luo's father-in-law was a supplier of Shengheng, who said good things about Ning and made the introduction. "After almost three days' conversation through day and night, I was deeply touched by Ning's dream — a dream to change rural lives, and I decided to join," Luo said.

He is now in charge of marketing

MIGRANT MILLIONAIRE TURNING VILLAGE AROUND

His dream is something that Ning Weihua often talks about. Born in Chashan in 1980, the 34-year-old left the impoverished village at age 12 and became a migrant worker in Guiyang and other surrounding cities. He started out washing dishes at a restaurant and went on to become a labor contractor for projects doing road construction and civil work, making him tens of millions of yuan.

In 2010, he decided to return to his hometown with a dream to lead the villagers out of poverty as well as pursue his own rural development goals.

The first thing that he did was to



Ning Weihua

rent about 20 hectares of land from farmers for a fruit tree plantation. According to the contract, 30 percent of the revenue would be given to the farmers and the rest would accrue to Ning, who had already invested close to 800,000 yuan (\$129,600) on things such as pesticide and technology.

But to the villagers' surprise, Ning not only returned the contracts to the farmers, but also distributed all the proceeds to them. Naturally, this helped earn Ning trust among the villagers.

"I have ambition," said Ning, who was voted as the village head in 2013.

Ning invited more than 30 villagers on a 1,800-kilometer trip to Huaxi village in Jiangsu province to compare it to Chashan. After the two-day visit, many villagers were struck by the stark contrast between their poor hometown and modern Huaxi, one of China's richest villages.

After the trip, many villagers gained a better understanding about Ning's goals and became eager to contribute their land for the village's overall development, he said.

LAN LAN

and financing issues for Shengheng.

The three team leaders found Liu Qingshun, who became deputy general manager of Shengheng, through an article Liu posted on the website about agricultural investment and agricultural industry park. Liu called himself a big fan of rural investment, and he owned an agricultural base in Chengdu, Sichuan province.

After a phone conversation, the three drove directly to Liu's place in Chengdu. Similarly, after three days and two nights of conversation that brought only six hours for sleep, they welcomed Liu as the newest member of the team.

"I saw too many agricultural investors who were actually real estate developers; we really want to develop a unique model and a circular economy for Chashan," said Liu.

Many of their friends do not understand their choice, and all of their wives are still in cities as the rural village is too backward in terms of education for their children.

The company has set up a dairy bar in Guiyang, the provincial capital, to supply milk, yogurt, pudding and cheese. The total number of the bars in Guiyang will eventually reach 20, and they are looking for dealers in other cities, according to Ning.

Other industries in Shengheng

includes a pig farm with about 1,800 pigs, which has already turned a profit, and flower and kiwi fruit plantations.

According to Ning, about 150 million yuan has been invested in the redevelopment of Chashan, and indications are that the total outlay will hit 2 billion yuan by 2017.

"Funding is not an issue," said Ning. "The important thing is to know how to leverage the capital."

But he also said that financing such projects is not an easy task because they come with many risks and a long gestation period.

"We have been lucky," he said. "Our projects have been supported by the local government, and it has provided funds for the construction of infrastructure like roads."

The local government support also extended into naming Shengheng as a provincial-level demonstration agricultural park. In addition, a local commercial bank has ensured financing of more than 200 million yuan.

Land is the most important asset for farmers. Shengheng is renting farmers' land, and Ning said his goal is to make farmers in Chashan shareholders of Shengheng and centralize the management of the village's land in the coming years. Thus farmers

could get a rental income, a salary for working for the company and a bonus if the company makes a profit.

Shengheng, currently a private company, was established for the benefit of the villagers. Ning said that his goal is to ensure basic welfare for children and senior citizens of the village.

Xu Xiaoqing, director of department for rural economic development at the State Council's Development Research Center, said the practice of turning villagers into shareholders has been replicated in other places, such as Xiabo village in Foshan, Guangdong province.

"It (pooling land as shares) is a good effort to bring the villages out of poverty. But there are also risks like the performance of the enterprise," said Xu.

Lots of land was used for building factories in Xiabo and the village's development stagnated after years of hectic development.

"We won't damage the cultivated land no matter how well Chashan develops since that's not sustainable development," Ning said.

Yang Jun and Su Jiangyuan contributed to this story.

Contact the writer at lanlan@chinadaily.com.cn