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FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

Newsletter

14 May 2019

FCCC/EUCBA ACTIVITIES

Seminar: China-U.S. Trade Tensions also Affect European Companies. What about Yours?
16 May 2019 – 08h30 – 11h30 – Ghent

The **Flanders China Chamber of Commerce** and **KBC Bank** are organizing a briefing focused on “China-U.S. Trade tensions also affect European companies. What about yours?”.

This event will take place on **Thursday 16 May** 2019 from **8:30-11:30** at KBC Bank, Kortrijksesteenweg 1100, 9051 Ghent.

The global economy is slowing down due to persistent uncertainties and trade conflicts. Amidst the risk of the U.S.-China trade war escalating towards Europe, European trade policy aims to balance short-term interests. Europe acknowledges the unavoidable further rise of China and explores new ways of structural European-Chinese cooperation. But many question whether Europe's approach is appropriate.

Exploring various features of current Chinese and European business allows us to assess the question of whether Europe is naïve or developing a structurally smart strategy to deal with the Chinese dragon.
During this briefing, two bankers from KBC Bank will discuss the following topics.

- China Economic Update Post-Trade War - Mr. P.C. Leung, General Manager, KBC Bank N.V. Shanghai Branch
- Is Fortress Europe ready for the Chinese Dragon? - Mr. Jan Van Hove, KBC Group's Chief Economist, and General Manager of KBC's international economic research activities

P.C. Leung

Jan Van Hove

Programme
08:30: Registration and networking
09:00: Introduction by Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce
09:10: Presentation by P.C. Leung, General Manager, KBC Bank N.V. Shanghai Branch and J. Van Hove, KBC Group's Chief Economist, and General Manager of KBC's international economic research activities.
10:00: Q & A discussion

Practical Information
Location: KBC Bank, Kortrijksesteenweg 1100, 9051 Ghent
Price: for members: €66,55 (incl.21% VAT)
Price: for non-members: €90,75 (incl. 21% VAT)
If you are interested in participating in this event, please subscribe via this link.

Contact: FCCC info@flanders-china.be

About the speakers

- P.C. Leung, General Manager, KBC Bank N.V. Shanghai Branch. After 10 years with the Bank of China Group, P.C. joined KBC Bank Hong Kong Branch at 1991 as Financial Controller. He started his China banking career in KBC Shanghai Branch in 1997. He also worked in KBC Bank Taiwan Branch for 3 years thereafter. He is now the General Manager of KBC Bank Shanghai Branch. P.C. earned an MBA degree and a Master of Information System degree. He is a Chartered Professional Accountant of Canada.

- Jan Van Hove, KBC Group's Chief Economist, and General Manager of KBC's international economic research activities. In addition, he is a professor in international economics at the University of Leuven in Belgium. As Chairman of the economic commission of the Federation of Belgian Enterprises, he has intensive contacts with Belgian firms. He is specialized in international trade and international macro-economics. His work has been published in various international journals. Jan Van Hove is often consulted by companies, policy makers and international institutions on European and global economic topics. He is also an Honorary Chairman of the International Network for Economic Research and has been a Visiting Professor at various European universities.

ACTIVITIES SUPPORTED BY FCCC

FIT: Princely mission to China 16 to 22 November 2019

China is one of the largest economies in the world and the second-largest importer. It is also one of the biggest countries with an enormous consumer market: the number of people in China's middle class is increasing yearly. It is Flanders' 10th export destination and the third outside Europe.

China's economic development involves technical-scientific progress and innovations. At the same time, China faces big challenges in the fields of environment, energy, transport, health and foodstuffs.

Discover this exiting market during an economic mission from 16 to 22 November 2019, headed by HRH Princess Astrid.

On the program:

- **Beijing**: the political center of China and **Shanghai**, China's commercial heart.
- As an option, Flanders Investment & Trade is offering a third destination: a program in Guangzhou or Hong Kong.
- During this multi-sectoral mission, Flanders will focus on **cleantech, life sciences** and **sports & entertainment technology**.
- Other key sectors which will be covered include: diamonds, agro-food, smart economy, artificial intelligence, robotics, space, transport and logistics, e-commerce, architecture, sustainability and tourism.

What to expect:

- Establish useful high-level contacts in one week.
- FIT will prepare a tailor-made program in Beijing, Shanghai and optionally in Guangzhou or Hong Kong, irrespective of the sector in which you are active.
- During seminars, visits and numerous networking moments, you will acquire a lot of information from your colleagues-entrepreneurs.

Registration is open till 19 August 2019.

Organization: Flanders Investment & Trade in cooperation with the Agency for Foreign Trade, AWEX and hub Brussels Invest & Export.

More information (in Dutch) is available on the FIT website.

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PAST EVENTS

Seminar: “Doing Business with the Asian Infrastructure Investment Bank (AIIB)” – Brussels – 14 May 2019

The seminar “Doing Business with the Asian Infrastructure Investment Bank (AIIB) was held in Brussels on 14 May 2019. Following an introduction by **Mr. Johan Malin**, Flanders Investment & Trade, **Mr. Ronald De Swert** and **Mr. Philippe Nizeyimana** of the FPS Finances, Department of the Treasury, talked about the relations between Belgium and the AIIB. Next, **Mr. Ian Nightingale**, Procurement Advisor, gave an overview of the AIIB, procurement procedures and opportunities, followed by a presentation on the AIIB investment operations, project pipeline and potential investment opportunities by **Mr. Ke Fang**, Manager of the Implementation Monitoring Unit of the AIIB. **Mrs. Gwenn Sonck** of the Flanders-China Chamber of Commerce delivered the closing remarks.

The event concluded with a Q&A session and a sandwich lunch. The possibility was also offered for 1 on 1 meetings for companies with concrete projects.

FOREIGN TRADE

Trump decides to raise import tariffs, China retaliates, but trade talks continue

Chinese Vice Premier Liu He (center)

U.S. President Donald Trump raised tariffs on USD200 billion of Chinese imports from 10% to 25% effective on May 10, despite the arrival in Washington of a Chinese team led by Vice Premier Liu He. Trump also threatened to increase tariffs on the remaining USD325 billion of Chinese imports which so far have been spared from tariff increases. Despite agreeing to still send a trade team to continue negotiations, **the Chinese government said** the effect of the increased tariffs would be 'manageable and foreseeable' and **it would not make more concessions to the U.S.** "Things we think are advantageous for us, we will do it even without anyone asking. Things that are unfavorable to us, no matter how you ask, we will not take any step back. Do not even think about it," the People's Daily commented. Bai Ming, Deputy Director of the Ministry of Commerce's International Market Research Institute, told the Global Times: "The U.S. should know by now that China will never give in to pressure."

On May 13, China announced retaliatory measures by imposing tariffs of 5% to 25% on USD60 billion worth of U.S. imports starting on June 1. The Chinese Ministry of Finance said 2,493 U.S. goods would be hit with a 25% tariff; 1,078 items with a 20% tariff; 974 items with a 10% tariff and 595 items with a 5% tariff. Goods hit by the highest rate include cooking oil, frozen vegetables, wine, beer and other beverages, as well as industrial minerals and chemicals, textiles and clothing, jewelry, metal products, machinery parts and home appliances. The Global Times newspaper hinted that China could also stop buying American agricultural products, cut the purchase of Boeing aircraft, and is considering halting the purchase of U.S. Treasury bonds and start selling those it already owns. Following China's announcement, USD1 trillion was wiped out of global stock markets on May 13. U.S. tech companies were among the hardest-hit stocks, with Apple and Tesla both dropping more than 5%. "China's tariff move today was expected, but the severity caught investors off guard," said Dan Ives, New York-based Tech Analyst with Wedbush Securities. The Dow Jones industrial average lost more than 600 points, both it and the S&P 500 recording their biggest losses since January.

Meanwhile, **trade talks continued in Washington**, but the Chinese delegation, led by Vice Premier Liu He arrived two days later than originally planned for the 11th round of talks, which concluded earlier than expected with **no progress reported**. Still, both sides put on a brave face, saying the talks were "constructive". But there were only three hours of discussions over two days of talks plus a working dinner. In the United States, various business groups – ranging from soybean farmers to the U.S. Council for International Business – expressed grave concerns about a breakdown in talks.

As a reason for raising tariffs, U.S. Trade Representative Robert Lighthizer said China had gone back on commitments previously made in talks. He said China had tried to substantively change the text of the 150-page draft agreement while the negotiations were nearing the final stages, but the Chinese delegation denied that it had come back on earlier agreed concessions. "Negotiations have not broken down, but rather on the contrary, this is only a normal twist in the negotiations between the two countries, it is inevitable," Liu He said before he left Washington. "Both sides agree they will meet again in Beijing in the future and keep pushing forward the negotiations." But neither party announced a date for the 12th round of talks.

"Looking ahead, we are cautiously optimistic about the future," Vice Premier Liu He said, adding that there were **several issues on which the two sides still disagreed**. "China believes tariffs are the starting point of the bilateral trade disputes," Liu said. "If a deal is to be reached, the tariffs should all be eliminated. This is the first point." The second regarded China's promise to buy more goods from the U.S. While an initial deal was reached when Chinese President Xi Jinping and U.S. President Donald Trump met in Argentina in December, the two sides now held different views on what had actually been agreed, Liu said. "This is a very serious issue," he said, adding that the deal had to be both balanced and fair. Thirdly, "we are very clear that we cannot make concessions on matters of principle. We hope our U.S. colleagues understand this," Liu said.

The new U.S. tariffs will only be applied on Chinese goods leaving Chinese shores after 12:01 am on May 10, Washington time. Goods already on their way to the U.S. will still be taxed at the 10% rate. This leaves some leeway for negotiators to still reach an agreement in the coming days – it can take from 14 to 21 days for ships to travel from China to the U.S. – and for the increased tariffs to be rolled back, although few analysts expect this to happen. President Trump even instructed his administration to make preparations to levy a 25% import tax on the USD325 billion of Chinese imports on which taxes have not been raised since the start of the trade war almost a year ago. “Such an easy way to avoid Tariffs? Make or produce your goods and products in the good old USA. It’s very simple!” Trump tweeted.

Analysts warned that U.S. companies' operations and investments in China could also be impacted, given the rising anger among the Chinese public toward the U.S., with calls to boycott U.S. products rising. "Why retaliate? All we need to do is boycotting U.S. products," one internet user said on Sina Weibo. “The trade war will escalate, and China has many cards at its disposal,” a trade specialist said. “The U.S. is reliant on components manufactured in China and they will not be able to find substitutes for them. This would mean U.S. consumers would suffer.”

After Trump on May 5 tweeted that he would raise tariffs, some Chinese manufacturers reacted furiously. The U.S. President is a business “killer” who “never plays by the rules”, some commented. “There’s a huge difference between a 10% tariff and a 25% tariff. No factory could absorb the tariff costs that are that high. It would only result in massive lay-offs at a large number of export-oriented companies, not to mention the effect of 25% tariffs on an additional USD325 billion of Chinese goods. This means a fundamental change for those of us who used to fill American orders, either we must relocate to other countries or suffer great hardship”, a Chinese manufacturer of LED lights said.

Chinese manufacturers who already relocated part or all of their production to other countries were vindicated. “To a certain extent, it was good for us, because our relocation investment is finally starting to pay off,” said Linda Chen, Sales Manager for a company that produces mounts for tablets, which set up a new factory of about 300 workers in Vietnam last year. “Many American clients were still not ordering from Vietnam because the shipping cycle in Vietnam’s factories is longer than that in China, and their Chinese suppliers were willing to absorb the 10% tariff cost. Now they will only order from factories in South-Asian counties and Mexico,” the South China Morning Post reports.

Companies planning to move part or all of their production to Vietnam and other low cost countries may be running out of options. In the first quarter of 2019 foreign investment in Vietnam rose by 86.2%, to USD10.8 billion, with Chinese investment accounting for almost half, but parts of Vietnam are struggling to cope with the influx of companies. Traffic jams are worsening and ports are becoming congested. Moreover, Vietnamese workers are not trained up to the level that the Chinese are. Infrastructure that is quite good in China, still has to be built in Vietnam. Analysts are warning that those who have yet to make the leap to Vietnam may have already missed the boat.

Another hurdle in Sino-U.S. relations occurred just hours before Vice Premier Liu He arrived in Washington, as the U.S. Federal Communications Commission (FCC) rejected China Mobile’s application to provide interconnection services for phone calls between the U.S. and other countries.

He Weiwen, former Economic and Commercial Counselor at the Chinese Consulates in New York and San Francisco, said a resolution of the trade dispute would take longer than expected and the two countries would alternate between conflict and talks in a cycle that would become the new normal. Lu Xiang, Researcher on U.S. issues with the Chinese Academy of Social Sciences (CASS), said the trade talks would continue – but due to fundamental differences – he indicated it would be difficult to reach a deal.

Meanwhile, **President Trump said there was “no rush” to conclude a trade deal with China**. He accused China of playing for time in trade talks and warned he will offer a “far worse” deal if he wins next year’s presidential election. White House Economic Adviser Larry Kudlow said there was a “strong possibility” Trump and Chinese President Xi Jinping will meet in Japan at the G20 Summit on June 28-29.

IT & TELECOM

5G smartphones becoming available, ZTE leading the pack

ZTE Corp released its 5G smartphone last week, making it the first vendor to offer a commercially ready 5G model. Shenzhen-listed ZTE launched its **Axon 10 Pro** in Fuzhou, Fujian province, where a trial 5G commercial network is available. The Axon 10 Pro has been tested for all three Chinese carriers, which makes it the first commercially ready 5G model in China. It features a specially designed 5G system of 10 antennas compared with 7 for 4G. About 2% of smartphones sold in China this year will be 5G, or an estimated 8 million units, said Xu Feng, President of ZTE's Mobile Device Division. By March, ZTE had obtained about 1,000 patents on 5G and had 5G partnerships with 40 mobile carriers globally.

Chinese consumers are expected to be able to buy much-awaited 5G smartphones from other vendors starting in June. Oppo's 5G smartphone models will enter the market within two months. Huawei's 5G foldable smartphone Mate X is also scheduled to hit the market by the middle of this year. 5G handsets by Vivo, Xiaomi and OnePlus will become available in the middle of this year, the third quarter and the second half of 2019 respectively, according to statements from the companies. The next-generation smartphones are expected to deliver super-fast speeds, be able to download high-definition movies in seconds, and better enable complicated virtual reality games such as fighting a 3D-dinosaur.

Though some of these initial applications are possible in 4G, "it is 5G that is going to be a significant jump forward for phones because only with the latter's higher bandwidth can these applications be more sophisticated and adopted by most consumers, delivering a really amazing impact," said Nicole Peng, Senior Director of market research company Canalys. According to the China Center for Information Industry Development, the prices of the first-batch of 5G smartphones will exceed CNY10,000. But with telecom carrier subsidies, prices are likely to drop to CNY5,000 to CNY6,000 by the beginning of 2020. By September 2020, Apple is expected to unveil its first 5G smartphone and production costs will plummet. As a result, the average prices of domestic products are likely to continue declining to about CNY2,000.

"Starting next year, more consumers will upgrade their handsets to 5G smartphones. The prime time period will last till 2023, **triggering an explosive growth in smartphone shipments**," said Kang Jialin, one of the authors of the report by the China Center. It forecast that about 10 million units of smartphones will be shipped this year and the number will hit 250 million in 2023, the China Daily reports.

RETAIL

Value of China's top 100 brands up 30%, according to WPP and Kantar

The total value of the 100 Chinese brands increased 30% to USD889.7 billion despite trade tensions and slower growth, according to the latest study by WPP and Kantar. **Alibaba was crowned the most valuable brand in China for the first time** in the annual ranking, according to the "BrandZ Top 100 Most Valuable Chinese Brands." Its brand value has grown 136% over the past five years in BrandZ's list, outperforming the overall growth of the top 100 brands, which was up 92% over the same period. "The threshold to enter the BrandZ China Top 100 has more than doubled to USD681 million in 2019 from USD311 million a year ago, showing that Chinese brands are increasingly recognized as leading the way in innovation," said David Roth, CEO of The Store, the WPP Global Retail Practice, for Europe, the Middle East, Africa and Asia.

The growth has been fueled by brands accelerating their expansion into China's lower-tier cities, which have seen rapid development and rising consumer buying power, and increasingly positive attitudes to domestic brands with a global presence. Technology companies, which are gaining worldwide recognition, took the most spots in the ranking and contributed 26% of the total value. The study this year also included companies in four new sectors — consumer finance, entertainment, lifestyle platforms and transport. Xiaomi, local lifestyle services app Meituan, food delivery app Ele.me as well as Pingan Group's consumer finance brand Lufax were the most valuable brands among 17 newcomers.

There is huge potential for further brand growth overseas as China moves beyond the industrial focus of its Belt and Road Initiative (BRI) toward establishing leadership in areas including AI, robotics, the Internet of Things (IoT) and green energy, the report adds. Doreen Wang, global head of BrandZ at Kantar, said: "Realizing brand growth requires Chinese companies to have knowledge and expertise to surmount new challenges." The ranking was based on a combination of the listed companies' stock performance and insights and opinion drawn from 290,000 Chinese consumers on more than 1,100 brands in 75 categories, the Shanghai Daily reports.

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CHINA NEWS ROUND-UP

China "puts Europe trade deal on back burner" to focus on countering U.S. tariffs

The China-U.S. trade war is holding back progress on economic talks with Europe, according to a source briefed on the negotiations. At their annual summit last month, China and the EU agreed to achieve "decisive" progress on a bilateral investment agreement this year, paving the way for a high-level deal in 2020. But the protracted trade talks with the United States had diverted Chinese attention from the agreement with Europe and discussions on overhauling the World Trade Organization (WTO), the source said, according to the South China Morning Post.

China and the United States appeared close to ending their year-long trade war until U.S. President Donald Trump decided to raise tariffs on USD200 billion of Chinese products to 25% from 10%. The fallout from the announcement had added "uncertainties" to the talks between China and the European Union, the source said. Shortly after the U.S.-China tariff war erupted in early July last year, leaders in the EU and China agreed on a package of cooperation projects, including speeding up talks on a geographical indications agreement, that would boost the EU's agricultural exports to China, possibly at the expense of American farm products. Sources said China had moved slowly on wrapping up the issue with the EU amid pressure from Washington. Both sides planned to conclude the talks by the end of 2019.

Observers said the outcome of the China-U.S. talks might also affect the China-Britain economic and financial dialogue, which is expected take place in London next month. Britain and China have held such a dialogue each year since 2008, except for last year, reportedly due to Beijing's anger at Britain's naval presence in the South China Sea. "We advocate open and fair competition, open and fair market access. So although we can agree with some of the challenges here in China with the U.S. administration, we do not necessarily believe that tit-for-tat tariffs is the right way to go about it," Nicholas Holt, Chairman of the British Chamber of Commerce in China, said. He said that more than half of the respondents in a Chamber survey said they had been negatively affected by the China-U.S. trade tension, though there were "sporadic cases" and "niche areas" in which British companies were doing well.

Chinese investment in U.S. shifts into venture capital, while some investors pull out

Chinese investors, finding the U.S. business environment is becoming more and more uninviting, **are turning to venture capital to skirt heightened scrutiny**, while some have decided not to invest in the U.S. at all. Chinese foreign direct investment (FDI) into the U.S. plummeted for the second straight year in 2018, tumbling 83% to USD5 billion, according to a report by the National Committee on U.S. China Relations. A year earlier, FDI amounted to USD29 billion, down from the peak of USD46 billion in 2016. The latest figure represented **the lowest level of direct investment by China since 2011**. In 2018, Chinese

investors sold USD13 billion worth of U.S. assets. Including those sales, direct investment in the U.S. came to a negative USD8 billion.

The Trump administration has recently toughened its oversight of Chinese investment in the wake of a number of Chinese acquisitions, particularly in U.S. technology, viewed as a national security threat. Chinese investors, as a result, are shifting into venture capital to avoid the stepped-up surveillance. Last year, **venture capital investments from China to the U.S. increased to a record USD3.6 billion**, mainly in automotive industry investment. Chinese venture capital had remained largely untouched by U.S. regulators up to November 2018, allowing deal activity to continue somewhat strongly in semiconductors amid sharp drops in direct investment, the report said.

The overall decline in FDI continued for a second year as the U.S.-China relationship grew increasingly hostile with U.S. President Donald Trump's levying punitive tariffs on hundreds of billions of dollars of Chinese goods nearly a year ago, launching the trade war. The Chinese government also stepped up control of the flow of outbound capital, prohibiting Chinese investors from acquiring assets in real estate, hospitality and other sectors. In the past year, major Chinese companies that had led the acquisition binge in 2015 and 2016 have sold assets worth billions of U.S. dollars to bring capital back to China to boost domestic growth.

On the other side, **U.S. venture investment in China soared to a record USD19 billion**, nearly doubling the previous high of USD9.4 billion a year earlier. Foreign direct investment (FDI) from the U.S. into China stayed largely flat at USD13 billion in 2018 from USD14 billion in 2017, according to the report from the National Committee on U.S. China Relations.

Fintech firms are increasingly positioning themselves as banks' tech partners, rather than disrupters

Chinese companies that are engaged in financial technology, or fintech, are increasingly collaborating with banks, some of them even helping banks acquire retail customers, as the financial institutions build out their digital banking services and technology. That is a fundamental shift from several years ago, when fintech companies entered the market with the aim of using digital technology to disrupt and disintermediate traditional banks from the financial business. **Tighter regulations** such as the 2018 asset management rule governing banks' wealth businesses have squeezed banks' income sources, **pushing them to tap the retail banking business for revenue**. Early movers such as China Merchant Bank and Ping An Bank reported that retail loans contributed to over half of their entire loan book in 2018.

Such transformation towards retail banking has benefited fintech groups, with companies like Lexin Fintech and 360 Finance positioning themselves as banks' technology partners, rather than disrupters that compete against them. "Chinese banks are still at the Banking 1.0 stage, as most of them serve clients offline," said DBS Group Research's Analyst Cindy Wang. "Fintech companies could help banks serve clients through their online platforms, using mobile apps to expand their customer base and shorten new account approval time through artificial intelligence (AI) and big data analysis."

It has taken less than a decade for early fintech movers such as the Alipay service by Ant Financial Services Group and Tencent Holdings' WeChat Pay to dominate China's mobile payment market, together accounting for 94% of the USD12.8 trillion market for online transactions. Other fintech companies have been keen to ride the retail banking wave, selling banks their risk management technologies and refer borrowers to banks and earn a service fee. Nasdaq-listed Lexin announced last month a partnership with 19 banks and consumer finance companies including Industrial and Commercial Bank of China (ICBC), China Minsheng Bank and Bank of Tianjin **to help match borrowers with creditors in real time**. Nasdaq-listed 360 Finance has also partnered with banks to provide its digital revolving credit line to over 12.5 million users between 18 and 35 years old, the South China Morning Post reports.

In other financial news, **JPMorgan could become the first foreign company to own a majority stake in its Chinese mutual fund business** China International Fund Management (CIFM), after its joint venture partner Shanghai International Trust put a crucial 2% of the business up for sale. Under new rules announced in late 2017, foreign asset managers can own up to 51% of their Chinese mutual fund joint ventures, though, so far, no company has managed to do so. "This is a very, very critical step because this potentially could open the door for a number of other deals to begin working their way through the process," said Peter Alexander, Founder and Managing Director of fund consultancy Z-Ben Advisors.

Inflation is rising in China, credit growth slowing, exports falling

China's consumer inflation continued to quicken last month to hit a six-month high, while factory-gate inflation also increased at a faster pace. The Consumer Price Index (CPI) grew 2.5% in April from a year earlier, 0.2 percentage points faster than the previous month, to be the highest since October, the National Bureau of Statistics (NBS) said. Pork prices increased by 1.6% mainly due to an epidemic of African swine fever. The increase was 14.4% year-on-year in April. "We believe the rapid spread of African swine fever since August 2018 could help push up pork prices by another 40% over the next six months," said Lu Ting, Chief China Economist of Nomura. Food prices jumped 6.1% year-on-year in April, contributing to a 1.19-percentage-point rise in overall CPI growth. The price of vegetables and fruits remained high, surging by 17.4% and 11.9% year-on-year, respectively. The higher fruit prices were mainly due to the poor harvest in the northern area last autumn and the shortage of inventories this year. Non-food prices also rose by 1.7% year-on-year. The price of health care, education, culture and recreation, and residences advanced 2.6%, 2.5% and 2%, respectively.

The Producer Price Index (PPI) rose by a stronger-than-expected 0.3% year-on-year in April, 0.2 percentage points faster than the previous month, mainly due to a low base and more expensive oil prices. Among upstream sectors, PPI inflation in the mining sector increased to 5.3% year-on-year in April from 4.2% in March, while in the processing sector, it rose to 0.9% from 0.4%.

China's credit growth slowed in April after a strong March as new yuan loans and aggregate financing fell below expectations. April's new bank loans amounted to CNY1.02 trillion, CNY161.5 billion less than in the same period last year, and a recent high of CNY1.69 trillion in March, according to data from the People's Bank of China (PBOC). The main issue was softer corporate borrowing, said UBS China's research team. New household loans stayed steady at CNY526 billion last month, with over three quarters of the growth from demand for medium- and long-term loans, mainly mortgages. HSBC predicted that broad credit growth will likely continue to recover at a modest pace in the coming months and borrowing costs for corporations will likely continue to ease, the Shanghai Daily reports.

The Chinese economy is projected to grow steadily this year, with full-year GDP growth rate likely to reach 6.4% year-on-year, investment bank JPMorgan said.

China's exports suffered a surprise fall in dollar terms in April, dropping by 2.7%, compared to a 14.2% rise in March. The decline was a surprise, with analysts having expected a 3% increase, according to a Bloomberg survey. **Imports rebounded slightly in April by climbing 4%**, reversing part of the 7.6% drop in March. The latest data from China's General Administration of Customs also showed April's trade surplus narrowed by USD18.8 billion to USD13.48 billion overall. China's exports to the U.S. contracted 4.8% in January-April year-on-year, while imports from the U.S. declined 26.8%, leading to a trade surplus reaching CNY570.19 billion, up 10.5%.

In the first four months, private enterprises' imports and exports totaled CNY3.9 trillion, up 11%, accounting for 41% of China's total foreign trade, up 2.5% from the same period last year. Exports increased by 13.1% to CNY2.53 trillion, making up 49.9% of the total, while imports rose 7.3% to CNY1.37 trillion, accounting for 30.7% of overall imports.

AB InBev prepares for Hong Kong IPO in July, planning to raise up to USD5 billion

AB InBev is targeting a July listing for its Asia-Pacific operations that could raise at least USD5 billion. The brewer submitted an application to the Hong Kong stock exchange to sell shares in the unit, according to a filing posted to the bourse's website. JPMorgan Chase and Morgan Stanley are leading the offering as joint sponsors, a preliminary prospectus shows. Bank of America and Deutsche Bank have also joined the deal as joint global coordinators. The initial public offering (IPO) indicates that the brewer seeks to profit from Asia's rapidly growing demand for premium beer. "Our current expectation is to complete the process during the upcoming summer," a representative for AB InBev said in an emailed response to Bloomberg, adding that the deal depends on valuation, market conditions and other factors.

The deal could be the biggest Hong Kong IPO from a company without mainland Chinese backing since 2010, when regional insurer AIA Group completed a USD20.4 billion share sale, according to Bloomberg. Listings of foreign companies in Hong Kong have been falling since 2011. AB InBev could seek a valuation of USD40 billion to USD70 billion for its Asia operations, people familiar with the matter have said. The unit had a net income of USD1.4

billion in 2018, up from USD1.1 billion a year earlier. The move would help AB InBev reduce its debt and pursue acquisition opportunities. The company has already cornered the premium beer market in China and has been buying up local craft beer brands to reach fashionable millennials with a taste for more expensive brews.

The competition for Asian consumers has been intensifying. Heineken this year set up a partnership with China Resources Beer (Holdings), having bought a USD3.1 billion stake in the country's top beer maker. Heineken is challenging AB InBev's position as the largest foreign brewer in the Chinese market, which has also attracted Carlsberg. The market is expected to expand by 21% to USD106 billion in just four years. **China Resources Beer (Holdings)**, which sells "Snow" brand beer, is among five new constituent stocks that **will join the Hang Seng China Enterprises Index** from June 17. The new entrants will replace five existing stocks in the 50-company index, the South China Morning Post reports.

Multimodal transport to be expanded at the Port of Shanghai

A joint venture focusing on multimodal transport is being established this month at the port of Shanghai, as part of efforts to increase transport efficiency and lower carbon emissions. "Sea and rail transport should have played a greater role in container shipping. But it has grown slowly due to the **insufficient railway network at Shanghai's major port area** of Waigaoqiao and Yangshan. We expect to expand the ocean-rail transportation volume to 80,000 TEU by the end of this year, and more than double this to 200,000 TEU in 2020," said Yan Jun, President of Shanghai International Port Group (SIPG), a terminal operator.

SIPG will hold a 45% stake in the new joint venture, while China COSCO Shipping Corp will have 20%. The balance would be held by the National Railway Administration and China Railway Container Transport Corp. According to Yan, since last May, the company has been striving to increase the port's ocean-rail transport capacity. The multimodal transport company, with a heavy focus on technology, will have a competitive edge over road transport in environmental and cost aspects. "The absence of a rail connection to major port areas has been a major barrier for the port of Shanghai. Railways are one of the most important solutions for logistics, and it is key to land transportation," said Lin Guolong, Director of the Shanghai Maritime University's Logistics Research Center.

Railway transport trials are already under way since April as containers can be shipped directly via rail from Suzhou to Yangshan's Luchaogang hub in the Pudong New Area in three hours, according to the Shanghai Shipping Exchange. Sophisticated international ports usually have between 20% and 40% of their goods shipped by sea-rail transport. For transportation with distances of above 600 kilometers, water-rail can reduce costs by about 30% compared to water-land. Merely 60,000 TEU were transported by ocean-rail at the port of Shanghai in 2018, which is in stark contrast with the port's title of being the world's largest container port since 2010, and is far below its container operation volume of 42.01 million TEU last year. The Port of Shanghai has also announced plans to join hands with the Port of Ningbo-Zhoushan, the world's largest port by cargo turnover, for development, operation and management of the north side of the Xiao Yangshan port area, the China Daily reports.

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