Focus

Deep dive into the month's biggest story.

Deconstructing Ant Group

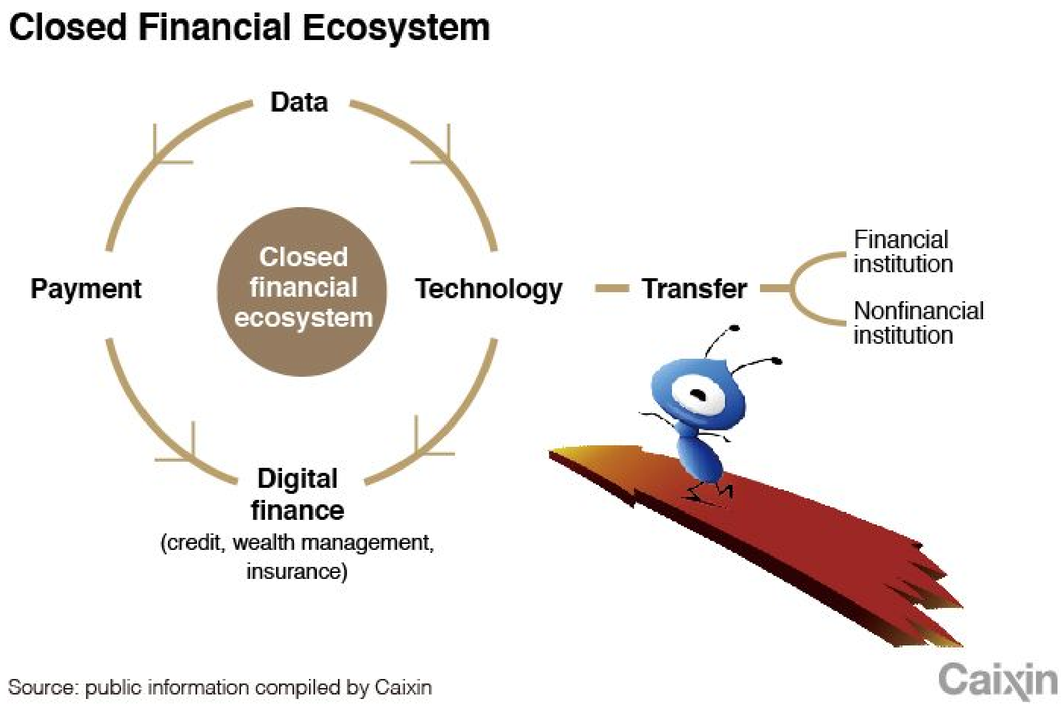
Ant, the parent of payment provider Alipay, is the world's most valuable tech startup. Its planned dual listing in Hong Kong and on Shanghai's high-tech STAR Market could be the biggest initial public offering (IPO) in the world this year.

What is Ant, really, and how did it get here?

Four pillars

The group is currently divided into four basic divisions:

- Digital finance
- Insurance
- International
- Smart tech



They work together, pulling in users with payments and keeping them around with attractive financial services, then using its proprietary data and synergies between products to upsell them on other products like insurance, before exporting its tech to the financial sector and expanding abroad.

In its IPO, Ant wants to downplay the financial label and strengthen its reputation as a tech and big data company, perhaps because such firms generally gain higher valuations, but the reality is that the financial side is essential to the business.

Alipay remains the core

Started 17 year ago to solve payment challenges facing traders on Alibaba's Taobao marketplace, it was designed as a Chinese answer to PayPal. Now the number of active users on Alipay is more than three times that of PayPal, which is valued at $200 billion. Alipay has come up with a series of financial innovations, each revolutionary:

- Rapid mobile payment
- QR code payment
- Yu’e Bao (e.g. investment of pocket change)
- Sesame (e.g. social) credit

All of them are run through the Alipay app - 80% of Alipay users use three or more types of services through it.

Ecosystem integration

But Ant also holds stakes in a wide variety of businesses — catering, retail, entertainment, property, logistics, tourism and healthcare. The combination forges a comprehensive and complex business chain that meets all aspects of consumer demands for daily services.

For Alibaba and many Chinese people, Taobao is the portal to e-commerce, and Alipay is the portal to offline services, whether ordering takeout or booking a hotel.

Cash cow: borrowing and spending

However, you can’t profit from payments alone: the real money is in credit.

Ant launched the consumer loan business Huabei in 2014 offering credit to shoppers on Alibaba’s e-commerce platforms. Jiebei, a microloan provider, debuted in 2015.

The two businesses essentially act as middlemen, providing loans to users from partnerships with some 400 banks. Eric Jing, Ant’s chairman, in a March speech said a total of 1.7 trillion yuan of loans were issued through Ant’s platforms in 2019, up 72% year-on-year.

But the bank-tech firm partnership in loan issuance is also surrounded by lingering concerns. For instance, critics said such arrangements allow banks to overly rely on tech platforms for risk control. In July, the China Banking and Insurance Regulatory Commission (CBIRC) issued guidelines to regulate the joint loan business between banks and tech companies.

Regulatory challenges

Rules governing Huabei and Jiebei are the least of Ant’s regulatory challenges.

Ant and its billion customers have formed an unprecedented mixed internet financial services platform which affects China’s entire financial ecosystem, with almost no regulation. 70% of the company’s business takes place in a closed cycle within the platform, and doesn’t run through any major clearing agencies like Unionpay.

One industry insider said neither the central bank nor Ant’s bank partners understand the flow of funds, and that the company is totally out of regulators’ control.

Huabei, for example, functions effectively like a credit card, but is instead regulated as if it were a normal small loan, and all the different services (and associated financial licenses) that go with it are run through one payment account entry point. How should this be regulated, or even monitored?

The PBOC will move in to regulate it as a financial holding company, but insiders say it still doesn’t know how to deal with Ant, presenting major legal risks for the company that could dramatically increase compliance costs.

However, strengthening supervision doesn't necessarily mean it'll be broken up in an anti-trust investigation - some compliance requirements (like for data protection) can only be met by large tech companies, so it could actually enhance Ant's position in the long run.

Growth space

Ant is hitting a ceiling: it's running out of customers to reach in China, where it already has a billion users already. If it wants to hit its target of 2 billion users by 2025, it needs to expand abroad.

The company has taken the strategy of investing in or buying offshore payments companies in order to gain access to the highly regulated sector abroad without taking on too much geopolitical risk. That's worked for it in markets across Asia, although it may face increasing difficulties as it seeks to expand further afield.

CITIC Securities Research argues it will face three challenges:

- cultural and linguistic differences
    - making it harder to understand the market and get more value per user
- lack of infrastructure both physical and otherwise in developing regions
    - government departments with limited coordination capacity
    - lack of mature labor force in the Internet industry
- regulatory barriers
    - most countries have a cautious attitude towards the entry of foreign capital may face resistance from local governments and peers

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Discourse

Shedding light on domestic politics and policymaking with concise analysis of the month's most important meeting, speech or essay, so you know who is saying what, and why it matters

Xi's political economy symposium

Xi Jinping hosted a symposium this Monday, bringing top officials and prominent economists and sociologists together in Beijing to discuss the upcoming 14th five-year plan. While the meeting was closed-door and their individual comments have not been made public, the meeting has been prominently featured in state media, and Xi gave a speech discussing six key takeaways:

- new opportunities and challenges should be viewed dialectically
    - particularly challenges including rural-urban inequality and social issues, and navigating an increasingly complex international environment
- building a new pattern of development requires smoothing circulation of the national economy
    - i.e. the domestic half of **dual circulation** (see below)
- China must rely on indigenous innovation to achieve high-quality development
    - i.e. taking control of key core technologies, and strengthening domestic R&D capacity
- deepen reform to stimulate new development vitality
    - i.e. continuing existing reform agenda including strengthening IPR, market competition, etc.
- build new advantages in international cooperation & competition through high-level opening up
    - especially in terms of
        - increasing international cooperation, including at the state, local and enterprise levels in the U.S.
        - balancing cooperation and security, and strengthening ability to regulate & control risks

- social development via “joint efforts and shared governance”
    - this point not made particularly clearly, but Xi calling to improve social security & public health, address “social contradictions” and maintain social stability

“Dual circulation” (as we’ve discussed before) has become increasingly prominent as the top focus of macroeconomic policy. The high-level strategy is still in the process of being fleshed out, but is emerging as the guiding principle for China’s macro policy for years to come, accelerated by increasing pressure to become more self-reliant as the U.S. pushes to cut off access to chips, which domestic observers have grown to call “stranglehold tech,” 卡脖子技术.

There has been a lot of buzz about it in the last week especially: economist Yu Yongding 余永定 spoke at a Sunday event on the topic organized by the China Wealth Management 50 Forum, and the state-run Economic Daily newspaper on Wednesday published a front-page article on it under the Zhong Jingwen 钟经文 pseudonym, indicating an authoritative interpretation of the theory.

That article concluded with a specific reference to its importance as the 14th 5-year plan approaches. Analysts widely agree that the dual circulation notion will be a key guiding doctrine in the 14 5-year plan.

Both Yu’s talk and the Economic Daily article are fairly long and heavy on jargon, so we don’t have room to fully unpack them here, although do recommend reading them to get a sense of how key voices are discussing the topic. From a more applied perspective, however, ICBC International economists Wang Yuzhe 王宇哲 and Cheng Shi 程实 recently explained the concept more clearly, arguing it’s based on three key trends:

- relying on the scale of China’s domestic economy and available policy space and putting existing economic resources to better use
- domestic consumption and industrial upgrading forming a more closed loop, helping create a new growth engine against the background of shifting global trade patterns and value chains
- reform and opening up, particularly in terms of factor markets enhancing resource allocation efficiency and financial sector opening helping actively link internal and external “cycles”

They provide a handful of examples to illustrate those points:

- “consumption backflow” supported by strong domestic demand amid contraction of service trade
- policy focus on industrial upgrading, as discussed in Xi Jinping’s July meeting with entrepreneurs and highlighted at the Two Sessions
    - specifically, the new infrastructure initiative, the April guiding opinions on “setting up a better market-oriented production factor allocation mechanism” and the May guiding opinions on “accelerating the improvement of the socialist market economy system in the new era”
    - Cheng and Wang consider the two guiding opinions “programmatic documents” that lay an institutional foundation for supply-side reform, minimizing government intervention in markets and breaking through bottlenecks to domestic “circulation”

- financial opening and reform enhancing links between the sector and real economy, as well as between China and the global economy

Data Digest

Illustrated insights into China's macroeconomy and what's happening on the ground in the financial sector.

China's Rebound Continued in August

Industrial production remains one of the main drivers of China's economic recovery

- Value-added industrial output, which measures production by factories, mines and utilities, grew by 5.6% year-on-year in August, marking the fastest gain in eight months (Figure 1).

- Industries which are strongly correlated with infrastructure and property investment made the biggest contribution in August (Figure 2).

Figure 1

Figure 2

"China has sustained a steady recovery as factories stepped up production and retail sales expanded for the first time this year, in spite of the dual pressure of the epidemic and recent flooding," according to NBS

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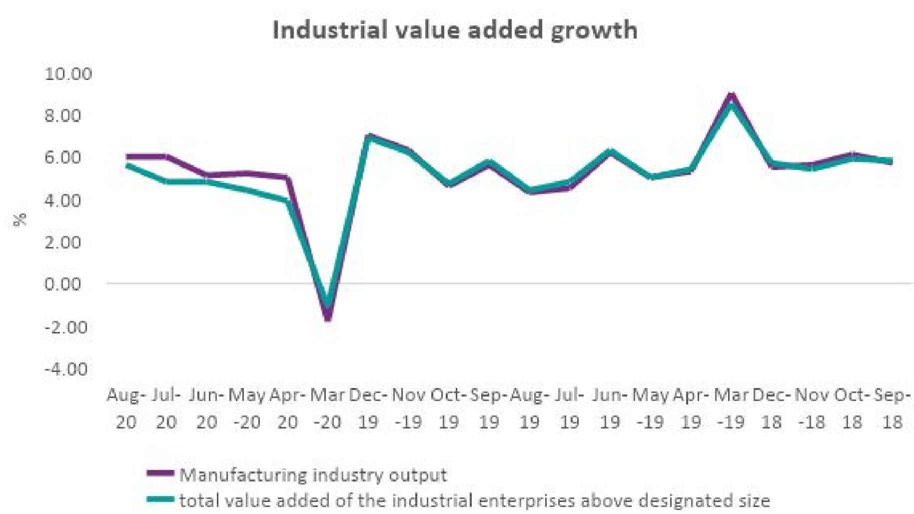
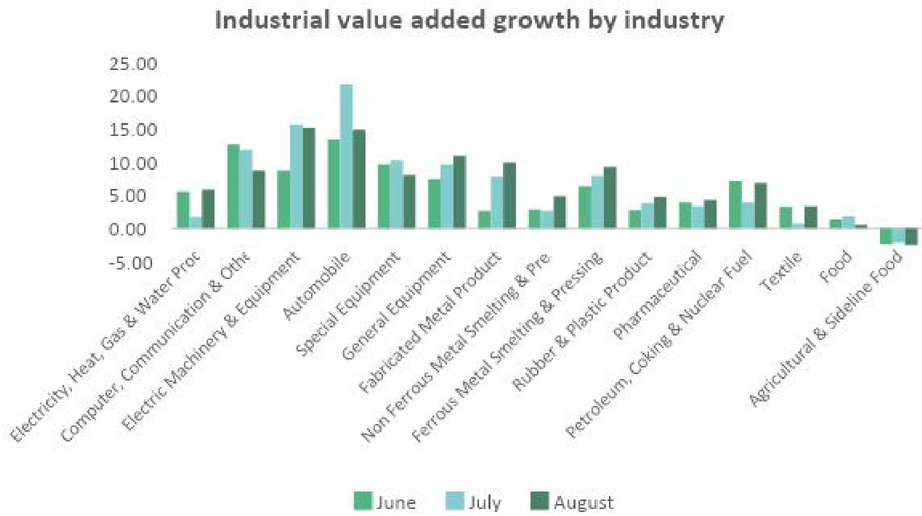


- The automobile industry and the process manufacturing industry(装备加工类) continue to take the lead.



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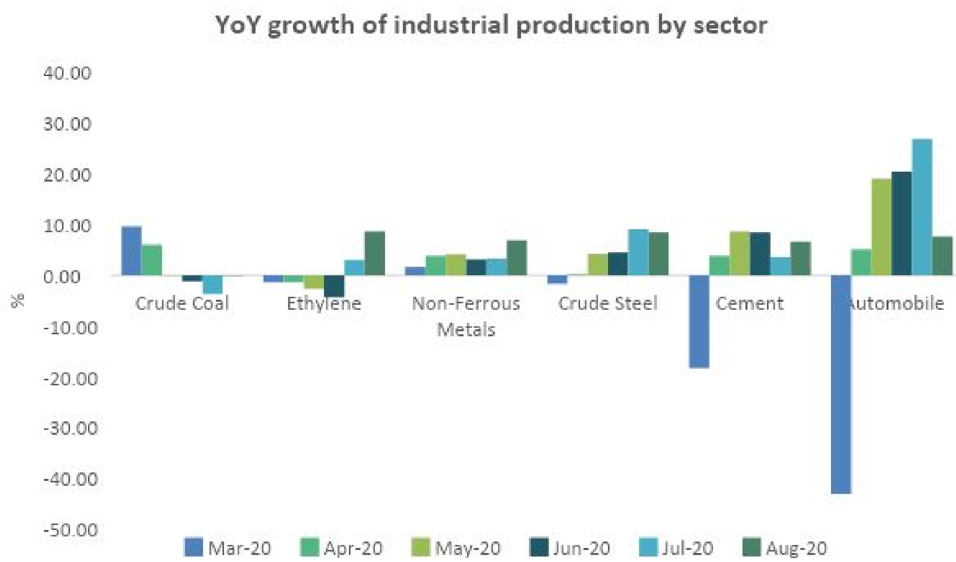
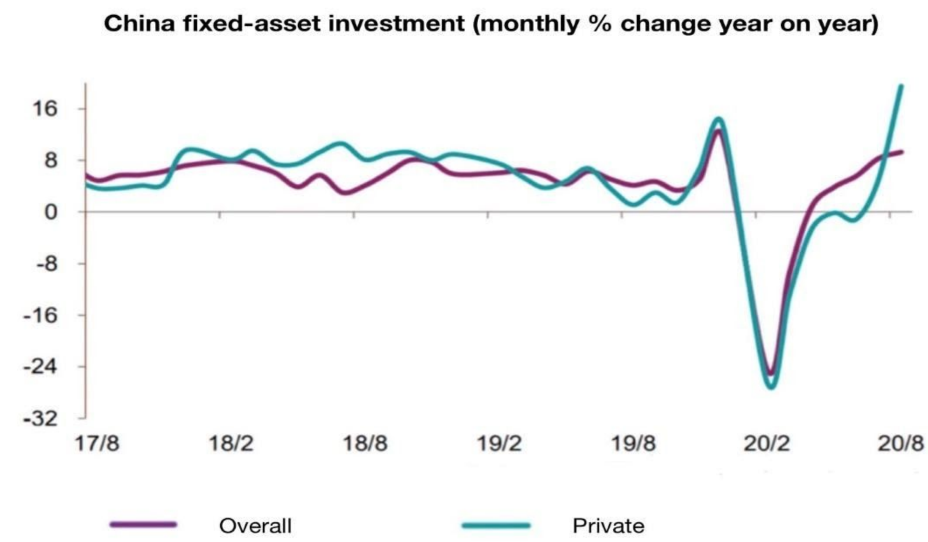


Investment Continues to Recover

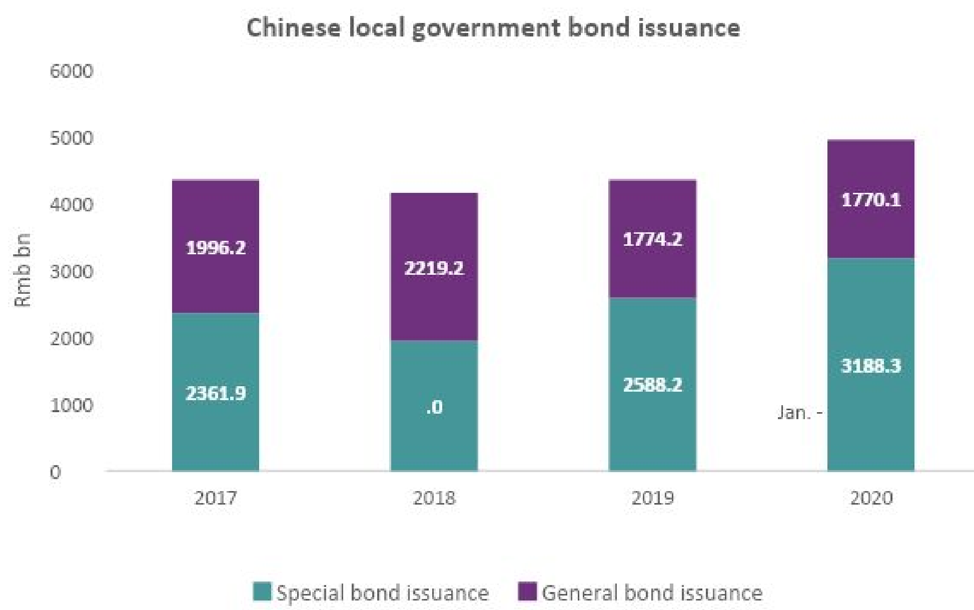
- Fixed-asset investment (FAI), a key driver of domestic demand that includes infrastructure spending, fell 0.3% year-on-year in the first eight months, improving from a 1.6% drop over the first seven months.

- Notably, the improvement was driven by private firms, demonstrating that pandemic-related support measures have taken effect. Private FAI increased 19.5% in August compared to a year earlier, up from a 5.2% increase in July.

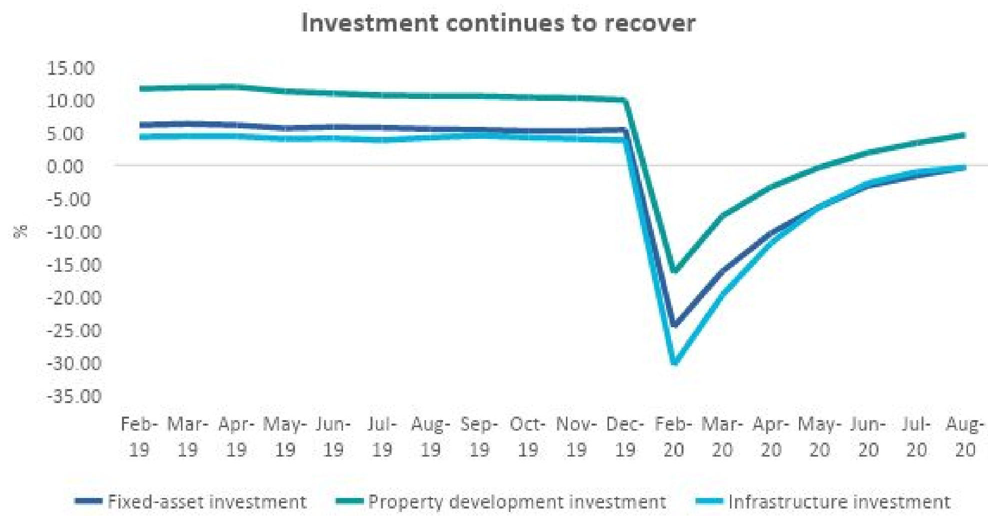


- Infrastructure investment shrank 0.3% year-on-year in the first eight months, narrowing from a 1% decline in the January-to-July period. But it is set to accelerate in the coming months following the surge in government bond issuance.

"Growth in industry and construction is likely to remain strong since fiscal spending is set to be ramped up further during the rest of the year," economists at London-based Capital Economics Ltd. wrote in a note



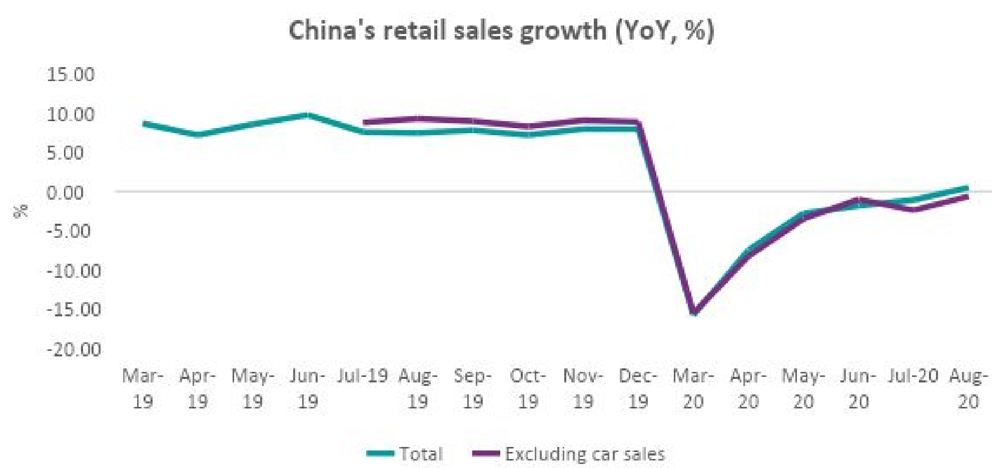
- Investment in real estate development remained strong, rising 4.6% year-on-year in the first eight months, accelerating from a 3.4% rise in the January-to-July period, although this may not continue in light of new restrictions on real estate financing discussed below.



Consumption growth was far less positive

- Retail sales grew for the first time this year, reversing a 1.1% drop in July. However, it only rose 0.5% year-on-year last month, and actually shrank if exclude car purchases.

- This is not at all a good sign for economic recovery in a country which has all but eliminated Covid-19 within its borders, and does not bode well for the “dual circulation” strategy which hinges on increasing domestic demand.



“Core inflation remained unchanged at a very low level of 0.5% YoY in August, thanks to a sharp fall in crude oil prices which have a material impact on the prices of many final products”, said Nomura's Chief China Economist Lu Ting.

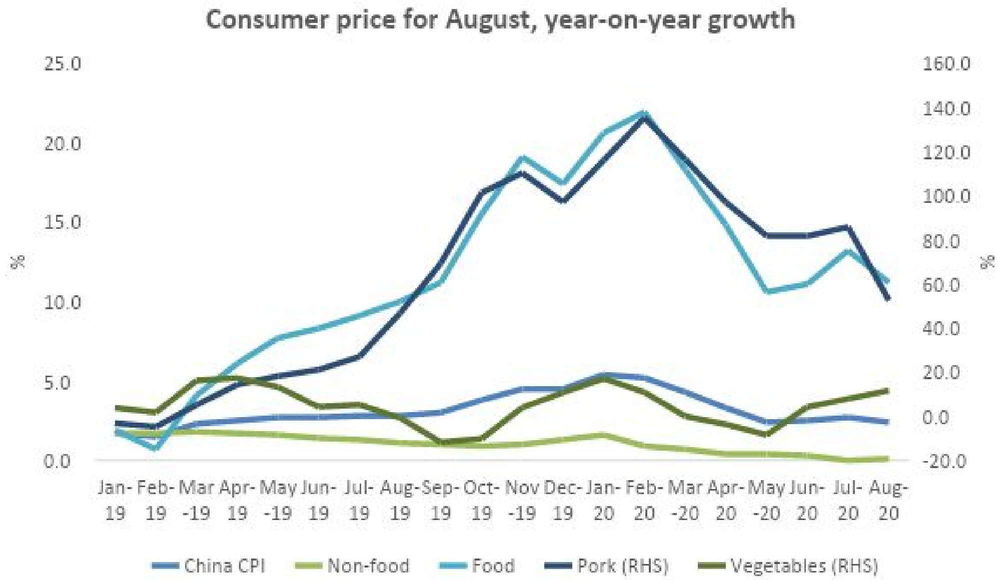
August CPI inflation eases

- China’s consumer price inflation moderated to 2.4% year-on-year in August, contracting 0.3% from the previous month due to the higher base and weakening food price inflation.

- Food prices rose 11.2% year-on-year in August, moderating from 13.2% in July. The fall in CPI inflation was mainly driven by a sharp decline in pork price inflation, which eased to 52.6% in August from 85.7% growth in July. However, the prices may not continue falling as they did last month, as demand continues to increase along with supply.

- Vegetable prices, impacted by a combined heat wave and heavy rainfall, jumped 11.7%, compared with a 7.9% increase in July, mitigating the impact of cheaper pork.

Dong Lijuan, a senior statistician with the National Bureau of Statistics, said "industrial production continued to improve while market demand kept recovering in August. And prices for global commodities such as crude oil, iron ore and non-ferrous metals continued to rise, driving a rebound in domestic factory-gate prices."



- On the production side, PPI fell 2% in August, illustrating the continued recovery from Covid-19, albeit more slowly than July's 2.4% decline.

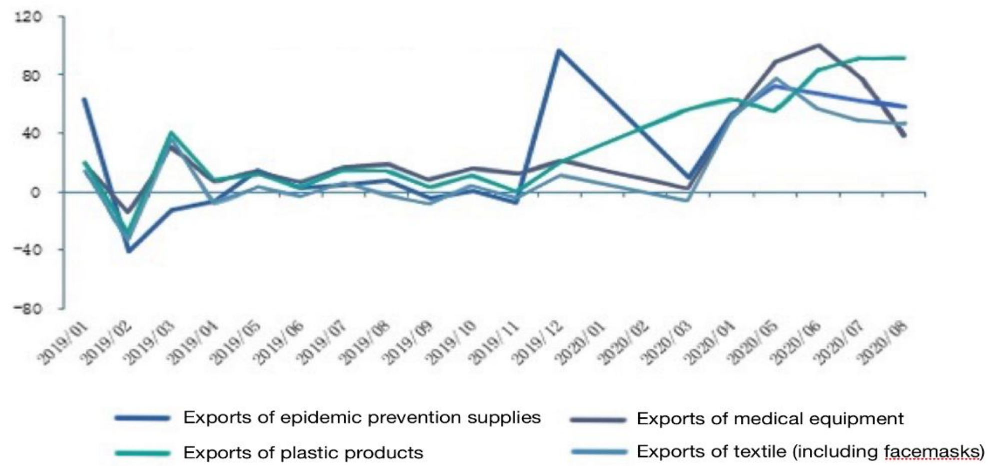
August exports beat expectations

- China's dollar-denominated exports grew at 9.5% year-on-year in August, accelerating from July's 7.2% growth in the fastest expansion since March 2019, boosted by recovering overseas demand and shipments of medical supplies to countries battling Covid-19.

- Exports of medical equipment grew 38.9% YTD year-on-year in dollar terms in August, slower than the 78% increase in July, but still well above average. Shipments of textiles, including facemasks, rose 47% last month, though economists expect the momentum will slow in coming months as other countries resume production.

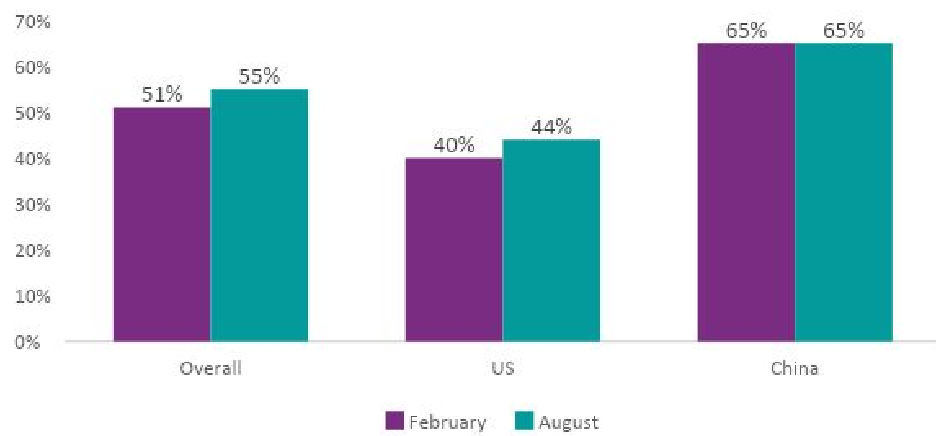
Export growth in such products might be more resilient than in other categories, as around 55% of respondents to UBS Evidence Lab's PC consumer survey said they were willing to buy computers over the next six months versus 51% in February.

China's exports of epidemic prevention related products (YoY, %)



- Electronics like computers and mobile phones also performed well amid the rise in remote work and study.

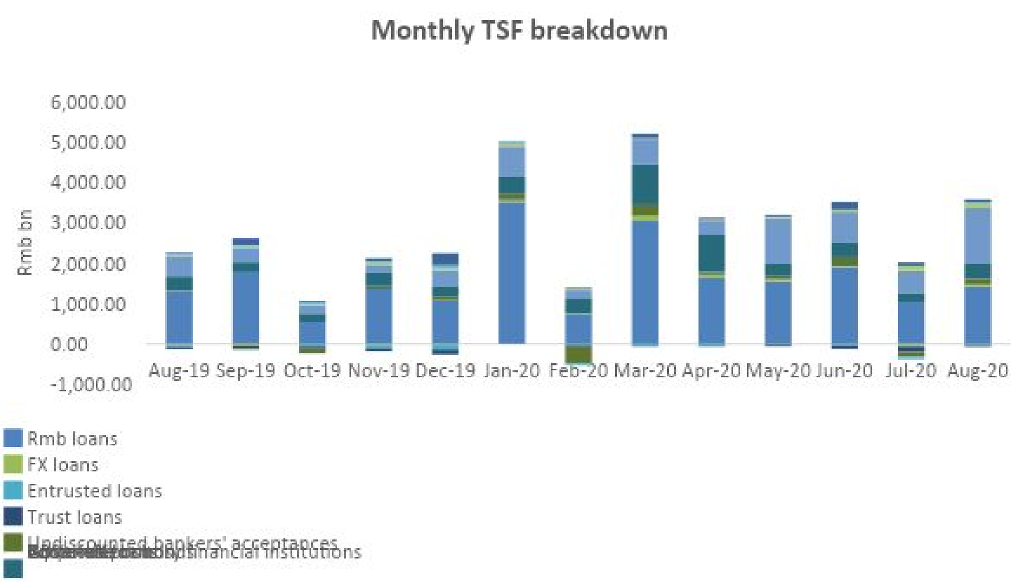
Consumer survey shows increasing purchase intentions



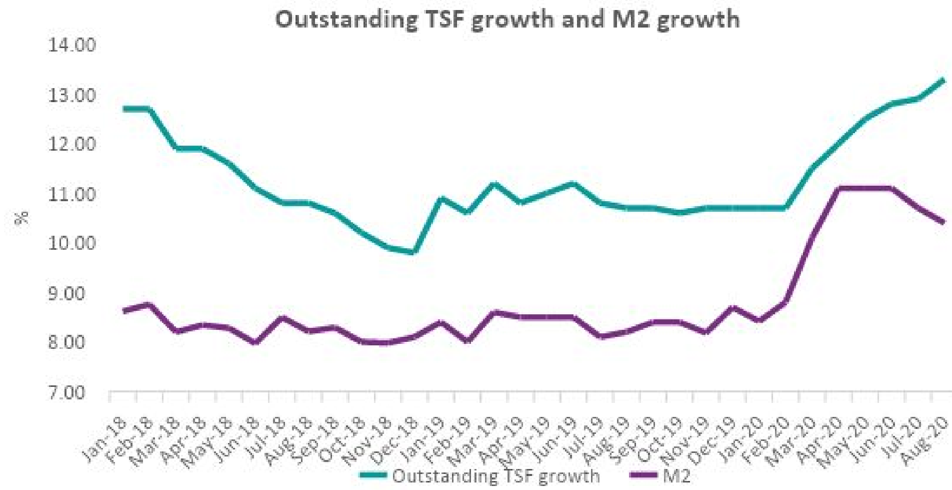
- Imports, however, declined for a second straight month, down 2.1% year-on-year in August, steeper than the 1.4% decline in July. However, the drop-off in imports was due largely to low commodity prices and t he high base of last year; import values will likely soon begin expanding again, as China accelerates the pace of infrastructure investment and works to meet its phase one trade deal commitments.

China's credit growth quickened in August, but it may slow in the coming months

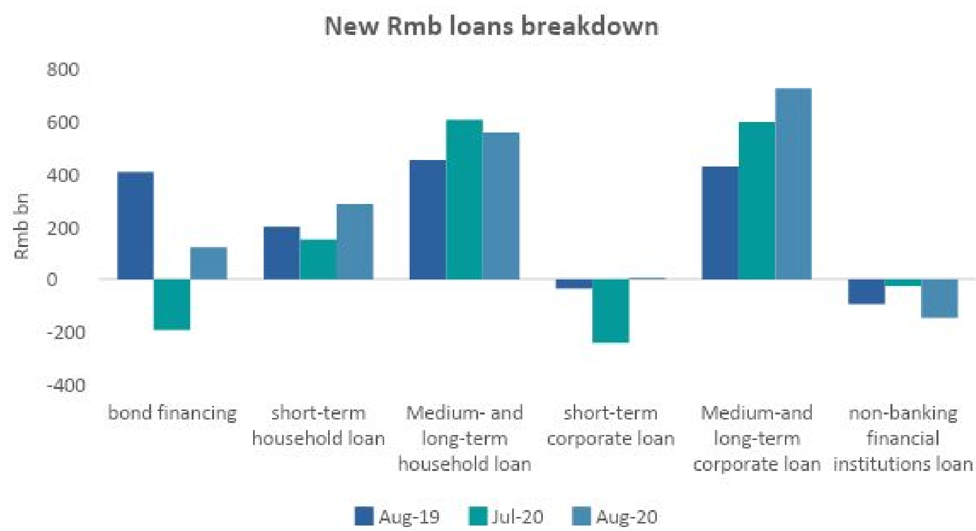
- China's credit growth rebounded to its highest level since March, as a surge in government bond issuance and other easing policies continues to take effect.



- Annual growth of total social financing - the widest official measure of financing in the economy that includes shadow finance assets, bonds financing and equity financing- quickened to 13.3% in August from 12.9% in July. Broad M2 money supply in August grew 10.4% from a year earlier, while it rose 10.7% in July.



- Chinese banks extended 1.28 trillion yuan ($187.25 billion) in new yuan loans in August, up 29% from July but largely in line with a year earlier. Growth of Rmb loans has been largely driven by medium- and long-term loans.



- Central bank has now moved to a steady stance amid signs that the economy is getting back on solid footing. It is unlikely to cut banks' reserve requirement ratios or interest rates in Q4 barring a major external shock.

- However, as economy still suffers from structural problems, regulators will continue using structured monetary policy tools to make sure that financing flows to the manufacturing sector and SMEs.

Policy

Digest of need-to-know policy developments with none of the noise.

- People's Bank of China (PBOC), the China Securities Regulatory Commission (CSRC), and the State Administration of Foreign Exchange (SAFE) unveiled new draft rules on Sept. 2 to **make it easier for foreign investors to access the country's $15.4 trillion bond market.** The draft rules would simplify application procedures for foreign bond investors and unify rules governing various investment channels.

- **On August 31, China's Ministry of Commerce (MOFCOM) set up a formal, legally codified complaint handling system for foreign-invested companies for the first time**, which will take effect in October, in response to a requirement in the Foreign Investment Law.

    - The new system broadens the scope of complaints that foreign-invested enterprises can file, improves the complaint processing mechanism, and requires agencies to better protect complainants' trade secrets, confidential business information, and other data submitted as part of complaints. It also shortens the complaint processing time limit from two years to one year and allows complainants who disagree with local decisions to appeal to high-level authorities.

- **On August 31, the PBOC released a white paper pledging to enhance its benchmark interest rate system ahead of the phase out of LIBOR at the end of 2021.** China will make depository financial institutions' repo rates (DR) a key reference to adjust monetary policy and price financial contracts, as it can better reflect the real liquidity situation in the banking system, according to the white paper.

    - The PBOC said it has formulated a roadmap and timetable for domestic benchmark conversion and will help commercial banks shift from LIBOR to a self-designed interest rate system. This move will help China build up financial markets, deepen market-based interest rate reforms and improve the efficiency of monetary policy, it said.

- **On Aug. 28, China revised a list of technologies that are banned or restricted for export for the first time in 12 years, with 53 revisions in total including**: adding 23 items subject to export restrictions. Most notably, article 21 on "personalized information push service technology based on data analysis" and article 18 on "artificial intelligence interactive interface technology"; removing restrictions on 9 items including microbial fertilizer tech, caffeine production, vaccines and firewall software; revising parameters of another 21 items.

- **China's highest court slashed the ceiling on interest rates for private loans protected by law by more than a third on Aug. 20**, as part of a broader government strategy to stamp out usury and lower financing costs for small businesses and individuals. Only loans with rates at or below that level will provide borrowers and lenders legal protection and court support to enforce collection. The cap, which is effective immediately, is now set at four times the one-year national loan prime rate.

- **China's central bank said it will maintain a "normal," "steady" and "flexible" monetary policy** in response to increasing economic uncertainties amid the Covid-19 pandemic, as LPR reforms further lower interest rates for businesses.

- **The NDRC directed six state-owned or state-controlled banks to provide credit support to urbanization projects in county-level regions.** The move is in line with Premier Li Keqiang's call for distributing money directly into the hands of struggling local authorities. They were instructed to arrange credit lines of a certain scale every year to support county-level urbanization projects, particularly in weak areas, according to a notice issued on Aug. 14 by the NDRC.

- **The CSRC issued draft regulations on Aug. 14 aimed at tightening control over how brokerages use third-party platforms**, following a spate of private data leaks and concerns that some apps may be operating illegally.

Personnel

Two anti-graft probes started at separate PetroChina firms recently

- **Lin Changhai (林长海)**, general manager and deputy party secretary of PetroChina Gas Storage Co. from 2016 to 2019, is under scrutiny in North China's Shanxi province for "serious legal and disciplinary violations," according to an official announcement on Sept. 10. Another anti-graft investigation targeting on **Zhu Tianshou (朱天寿),** who used to be the chief engineer and Communist Party committee member of PetroChina's subsidiary in Shaanxi province, was announced on the same day.

Insurer Caught Up in Fake Gold Scandal Chooses New Chairman

- **Luo Xi (罗熹),** Communist Party chief and chairman of China Taiping Insurance Group Co. Ltd., will take over as party chief and chair of the People's Insurance Co. (Group) of China Ltd. (PICC), an insurance giant that got caught up in a widely reported fake gold scandal. Luo will fill the seat of Miao Jianmin (苗建民), who left in July to serve as chairman of state-owned China Merchants Group Ltd.

Luo, 59, has years of experience in the banking and insurance industries:

- He graduated in 1987 from the Graduate School of the People's Bank of China (PBoC), which is now the PBC School of Finance at Tsinghua University
- He went on to work at Agricultural Bank of China Ltd. until 2009
- Then he was transferred from his position as an executive vice president to the same role at Industrial and Commercial Bank of China Ltd.
- In 2013, Luo switched to the insurance industry when he took over as president of China Export and Credit Insurance Corp.
- In 2016, he was appointed a vice chairman and general manager of China Resources (Holdings) Co. Ltd.
- In 2018, he became chair of China Taiping Insurance

Standard Chartered Creates New CEO Position for China's GBA

- Standard Chartered PLC has created a new position that will oversee business in China's Guangdong-Hong Kong-Macao Greater Bay Area (GBA) in order to "capture the significant opportunities" in the region, according to a Aug. 31 statement by the international banking group. The bank's veteran **Anthony Lin** will assume the role as CEO of its GBA business. He is currently CEO of Standard Chartered's Taiwan branch. This appointment reflects Standard Chartered's long-term commitment in the GBA, where financial and economic activity growth is creating greater demand for cross-boundary services due to favourable policies.

China-Led AIIB Names Its First Chief Economist

- The Asian Infrastructure Investment Bank (AIIB) has named its first chief economist since it began operating in 2016. Swedish economist **Erik Berglof** assumed the position on Sept. 1. Before joining the AIIB, Berglof served as chief economist of the European Bank for Reconstruction and Development, from 2006 to 2015. He was also a professor at the London School of Economics and Political Science

New Leaders Give Measure of Independence to Company Cleaning Up Baoshang Bank

- Two central bank officials will leave their posts to assume the positions of chairwoman and general manager of Deposit Insurance Fund Management (DIFM). **Wang Yuling (王玉玲)** will serve as chair of the company. She's been with the PBOC since 1989, and was most recently appointed head of the Wuhan PBOC branch in December 2017. **Huang Xiaolong (黄晓龙)**, deputy head of the PBOC's financial stability bureau and DIFM's legal representative, will act as general manager.

Two Senior Executives Leave Ant Group Ahead of IPO

- Two senior executives left Ant Group Co. Ltd. in August. **Yu Shengfa (俞胜法)**, Ant Group's vice president and chief risk officer, departed in early August. Yu previously served as the first head of MYBank, one of Ant Group's stable of online financial businesses. Before joining Ant Group, Yu was president of Bank of Hangzhou Co. Ltd. in the eastern city where Alibaba is based. **Hu Xi (胡喜)**, Ant Group's chief technology officer, has stepped down to rejoin Alibaba, which owns 33% of Ant Group. Hu joined Alibaba in 2007. He is a member of the Alibaba Partnership, a 36-member committee that has de-facto control over the e-commerce giant's board of directors.

Former China Development Bank Official Investigated for Corruption

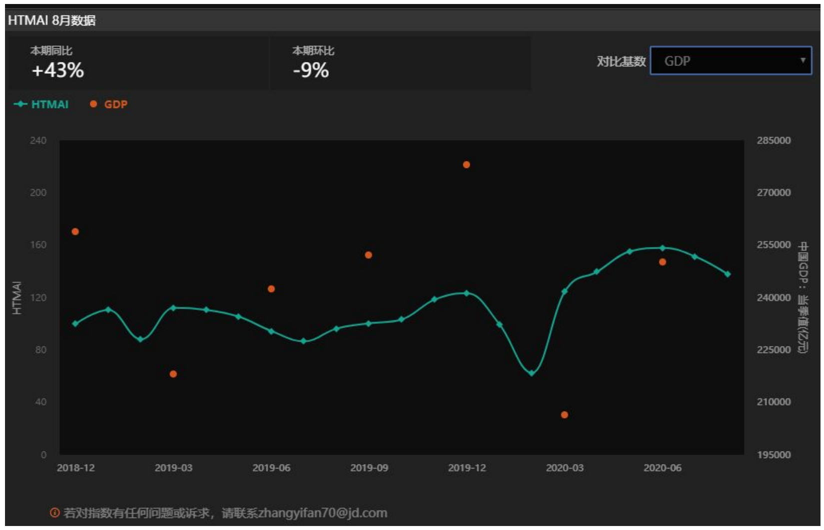
- A former head of the Shanxi provincial branch of the China Development Bank, **Wang Xuefeng (王雪峰)** has been put under investigation by anticorruption agencies on suspicion of serious violations of law and Communist Party discipline. He served as president of the Shanxi branch from June 2010 to February 2016. He is currently a senior expert on the CDB's expert committee.

Exclusive indicators

JD Digits HTMAI

JD Digits and the in late August launched its heavy truck manufacturing activity index (HTMAI) aiming to provide a more forward-looking indicator than traditional macro data, similar to the excavator manufacturing activity index it announced earlier. It measures production by some 90% of manufacturers of trucks used for construction, road freight, logistics and more, and is available 1-2 weeks earlier than NBS data.

The HTMAI was 138 in August, up 43% y-o-y but down 9% m-o-m. JD Digits macro analyst Xue Yao noted that the data indicates slowing growth compared to the rapid post-pandemic rebound over March-July, due in part to manufacturers managing to digest a large backlog of orders. In other words, this represents the beginning of a return to normal.



Jiang Chuanyue, another JD Digits macro analyst, highlighted that the HTMAI has a strong short-term correlation with real estate and infrastructure investment, which have played a leading role in counter-cyclical adjustments following the pandemic and helped buoy it at over 40% growth y-o-y despite the August dip. As the year goes on, sales of heavy trucks, excavators and other engineering equipment are expected to remain strong.

ESG

POLICY

Ministry of Agriculture and Rural Affairs: will work with the Ministry of Finance to further improve subsidies for green agricultural inputs

- On September 10, the Ministry of Agriculture and Rural Affairs responded to the recommendation No. 6061 of the third session of the Thirteenth National People's Congress on the official website of the "Government Information Disclosure", proposing that in recent years, the Ministry of Agriculture and Rural Affairs, together with the Ministry of Finance, has increased agricultural production relief funds to support the prevention and control of major pests and diseases. They coordinated to promote professional unified prevention and control and green prevention and control and adapted to the new situation of green and high-quality development of agriculture. They have increased support for the application of green and efficient measures such as natural enemies and pollinators. The Ministry of Agriculture and Rural Affairs will work with the Ministry of Finance to further improve subsidies for green agricultural inputs.

The Ministry of Finance signed the "Shandong Green Development Fund Project" loan agreement

- According to the news from the Ministry of Finance on September 2, the Ministry of Finance signed the Shandong Green Development Fund project loan agreement with the KFW Bank and the French Development Agency on August 5 and August 14, 2020. The project is a joint financing project of the Asian Development Bank loan, the German promotion loan, the French Development Agency loan, and the Green with KFW Bank and the French Development Agency

Climate Fund (GCF). The project aims to achieve green development in Shandong Province through investment in energy conservation and emission reduction, environmental protection and governance, clean energy, circular economy, green manufacturing and other fields.

Nine departments including the Ministry of Housing and Urban-Rural Development: improve the policy environment for green finance to support the industrialization of new constructions

- The Ministry of Housing and Urban-Rural Development reported on September 4 that in order to fully implement the new development concept and promote the green development and high-quality development of urban and rural construction, the new construction industrialization will promote the comprehensive transformation and upgrading of the construction industry, and create an internationally competitive "China Construction" brand. Recently, nine departments including the Ministry of Housing and Urban-Rural Development, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, and the Ministry of Natural Resources jointly issued the "Opinions on Accelerating the Industrialization of New constructions."

Beijing: accelerate the construction of a global green finance and sustainable financial center

- On the morning of September 19, the 2020 Annual Meeting of the Green Finance Professional Committee of the China Finance Society and the China Green Finance Forum was held in Beijing. Huo Xuewen, director of the Beijing Municipal Financial Supervision and Administration Bureau, stated at the sub-forum on "Local Green Finance Digital Platform Innovation" that green finance has become an important guide for the development of the country's financial industry, and Beijing will implement it in accordance with the requirements of the new city plan. The service industry expands the pilot trials of opening up, plans the development of the green finance industry in the sub-center, and accelerates the construction of a global green finance and sustainable financial center.

Anhui Province: Encourage the inclusion of residential green performance-related indicators in commercial housing sales contracts

- The Department of Housing and Urban-Rural Development of Anhui Province issued the "Green Building Creation Action Implementation Plan" on September 14th, proposing to carry out green building creation actions, supervising the design and construction of new urban buildings in accordance with green building standards, and encouraging cities to incorporate residential green performance related indicators into commercial housing sales contract.

"Shanghai Industrial Green Loans Supporting the Development of Green New Infrastructure (Data Center) Guiding Opinions" is issued

- On August 26, the "Shanghai Industrial Green Loan Supporting the Development of Green New Infrastructure (Data Center) Guidance Opinions" was officially issued, clearly proposing to take industrial green loans as a starting point to strengthen advanced technical guidance, and to provide precision for high-quality data center projects. For financial services, the loan interest rate for data center projects that adopt different advanced energy-saving technologies decreased; through differentiated financial support, strict full-process evaluation management and other measures, the green development level of new data centers is continuously improved. At the same time, the industrial loans work to strengthen the post-acceptance inspection, to establish a data center energy report system, and to implement normalized energy management for the data center.

COMPANY

Global United Way: Influential investment is gaining momentum in China

- Yuan Jiakai, vice president of Global United Way, published a signed article on Caixin.com, stating that despite the challenges, there are a large number of unmet needs in education, healthcare, especially elderly care, environment, and food and imaging. Influential investment is gaining momentum in China.

China Construction Bank: green bonds listed on the Nasdaq Dubai Stock Exchange for the first time

- On the 18th local time, Nasdaq Dubai, the United Arab Emirates, held a tolling ceremony for the first green bond issuance by a Chinese bank in Dubai. Two green bond issuances, with a scale of US$700 million and US$500 million respectively, are all issued by China Construction Bank. 700 million US dollars bonds will mature in 2025 with a coupon rate of 1.25%, and 500 million US dollars bonds will mature in 2023 with a coupon rate of 1%. The bonds issued this time have been certified by the Climate Bonds Initiative before the issuance of climate bonds.

Shanghai Rural Commercial Bank Provided Credit for the Yangtze River Delta Integrated Finance Headquarter

- On August 18, the Yangtze River Delta Integrated Finance Headquarter was established in Shanghai, and the Yangtze River Delta regional integrated service plan was released. In the next three years, Shanghai Rural Commercial Bank plans to provide credits of no less than 120 billion yuan for customers in the Yangtze River Deltaregion (excluding Shanghai); by 2022, it will provide credits of no less than 50 billion yuan for key rural financial institutions in the Yangtze River Delta region. At the same time, the three important measures of "one core, one mechanism, and one team" will be deeply implemented-customer-centric, and a three-province consultation platform will be built.

Under the background of green consumption, ESG concept promotes sustainable development of catering companies

The International Institute of Green Finance, Central University of Finance and Economics recently released an article "Under the background of green consumption, ESG concepts promote sustainable development of catering companies." The article points out that green consumption is the future development trend of catering companies, and catering companies play an important role in preventing food waste and green consumption. Catering companies should comprehensively consider the three major factors of environment, society and corporate governance, improve the production and operation capabilities of catering companies, establish a green catering brand image and green trust, and promote the development of my country's green strategy.

INVESTMENT

MSCI releases China Climate Change Index Series

- On August 18, MSCI released the China Climate Change Index Series. The index series includes two indexes, MSCI China Climate Change Index and MSCI China A-Share Climate Change Index. According to reports, unlike other related indexes already launched by MSCI, this index series starts with a broad-based index to measure the risk exposure and risk management of each company to climate change, rather than excluding individual industries or companies.

CSI 300 ESG Bond Index and CSI 300 ESG Credit Bond Index will be

- On September 21, China Securities Index Co., Ltd. announced that it will further expand on the index system and provide investors with new investment tools and released at the end of the year

investment targets. On October 21, 2020, itt will officially release CSI 300 ESG Bond Index and CSI 300 ESG Credit Bond Index

FTSE Russell releases second quarter China bond research report

- FTSE Russell recently released its second quarter China bond research report. According to the report, as of the end of June, the number of Chinese bonds held by foreign investors reached a record 2.51 trillion yuan ($354.5 billion). Despite the impact of Covid-19, in the first half of 2020, foreign buyers still increased their holdings of RMB bonds by 14.6%. As China officially abolished the quota restrictions on Qualified Foreign Institutional Investors (QFII) and Renminbi Qualified Foreign Institutional Investors (RQFII). It is expected to encourage more international market participants to invest in China's financial markets.

The sustainability of excess returns on ESG investment needs time to test

- At the "Caixin Cloud Conference-China ESG 30 People Forum | How to Organically Combine ESG and Value Investment" held on August 31, Li Shaojun, deputy director of Guotai Junan Securities Research Institute and global chief strategy analyst, said whether the excess return on ESG investment is sustainable still needs time to test. Domestic ESG investment still faces problems such as low data quality, lack of reliable indicator systems and evaluation standards.

Global sustainable mutual fund, ETF doubled in three years

- A report recently released by Morningstar shows that the number of products and funds invested in sustainable index mutual funds and exchange-traded funds (ETFs) have more than doubled in the past three years. Among them, European and American investors hold 95.8% global assets. China is now the largest market for passive sustainable funds outside the United States and Europe. The growth in the past three years was mainly driven by the net inflow of new product launches, especially in Australia, Canada and China

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New Infrastructure

POLICY

Ministry of Industry and Information Technology: China Has Built 480,000 5G Base Stations So Far

- On September 5, Xiao Yaqing, minister of industry and information technology, said the ministry will make a big push to promote digital industrialization and industrial digitalization in the next step. China advances digital trade to fuel economic growth. More efforts are also needed to speed up the construction of digital infrastructure; promote the large-scale commercial deployment of 5G; accelerate the digital, networked and intelligent transformation of manufacturing and improve data services, Xiao said. He made the remarks at a forum at the China International Fair for Trade in Services (CIFTIS) in Beijing. According to spokesman of MIIT, China has built over 480,000 5G base stations so far, and more than 100 million devices have been connected to 5G network, as part of the broader push to accelerate 5G deployment.

Cyberspace Administration: China's Digital Economy Contributing 36.2% GDP in 2019

- On September 10, Cyberspace Administration of China reviewed the progress of the country's digitalization. Yang Xiaowei, deputy head of the information authorities, said the country's digital economy has grown rapidly in 2019, with added economic value hitting 35.8 trillion yuan ($5.29 trillion), contributing 36.2 percent of the country's GDP. Yang also mentioned China now has about 130,000 5G base stations in operation nationwide. Yang emphasized that China would pay special attention to supporting digital construction in rural areas in the next step.

PLANS

Fujian Initiated New Infrastructure Plan

- On August 24, the General Office of the Fujian Provincial Government issued the "Three-year Action Plan for the Construction of New Infrastructure in Fujian Province (2020-2022)". The plan pointed out to actively build new technology infrastructure, proposing that by 2022, Fujian will build a hub for information and communication in the digital era. The plan will enhance in-depth integration with new infrastructure, 5G, big data, the internet of things, industrial internet, and artificial intelligence while fully empowering high-quality development.

Sichuan Issued Action Plan of New Infrastructure

- On September 14, the General Office of the Government of Sichuan Province issued the "Action Plan for Accelerating the Construction of New Infrastructure in Sichuan Province (2020-2022)", making it the latest provincial government to do so. According to Caixin Global Intelligence, 13 out of 31 Chinese provinces have initiated their targeted New Infrastructure Plan. Sichuan's plan focused on computing power infrastructure, smart transportation and digital municipal infrastructure.

The City of Hefei Launched Its Own Plan For New Infrastructure

- On August 19, Hefei, the capital of Anhui Province and a science and tech hub home to well-known institutes like the University of Science and Technology of China, launched its own plan for its own plan for new infrastructure. In the "Implementation Plan for Promoting New Infrastructure Construction in Hefei (2020-2022)", it clearly stated that by 2022, more than 22,000 5G base stations would be built, over 500,000 urban neural sensing nodes would be deployed and an IoT sensing network system would be constructed. According to Caixin Global Intelligence, Hefei is the 12th major city to carry out a specific action plan for new infrastructure.

Hubei Launches 2.3 Trillion Yuan Projects to Reboot Post-Pandemic Recovery

- On August 17, the Hubei Provincial Government reported the "Ten Projects" Three-Year Action Plan (2020-2022) for Hubei Province with the introduction of a package of investment and consumption stimulus policies, to revitalize its post-pandemic recovery economy. The plan involves 4,572 projects, with an estimated investment of about 2.3 trillion yuan, targeting ten key areas, including new infrastructure, energy, transportation, public health system, water conservancy and cold chain logistics.

2020H1 Investment in China

Province	No. of key projects	Completed investment in 2020H1 (bn, CNY)	Planned investment in 2020 (bn, CNY)	Planned investment in 2020-2022 (bn, CNY)	New Infra Policy（●） New Infra Related Policy（○）
Beijing	300		252.3		●
Tianjin	346		210.5	1002.5	○
Hebei	536	456.2	800.3	1880.0	○
Shanxi	248	146.9	235.9		○
Inner Mongolia	193			377.8	○
Liaoning	100				○
Jilin	2188			1096.2	●
Heilongjiang	300		200.0	885.6	
Shanghai	212				●
Jiangsu	40		541.0		●
Zhejiang	537	266.9	415.0	886.4	●
Anhui	6878	800.3	1305.4		●
Fujian	1567	275.1	500.5	3840.0	●
Jiangxi	335	143.7	239.0	1119.5	○
Shandong	321	289.9	668.0		○
Henan	980	452.4	837.2	3300.0	○
Hubei	410	86.8	226.2	1329.1	●
Hunan	105	220.9	312.1	1000.0	○
Guangdong	1230	398.6	700.0	5900.0	○
Guangxi	1132	124.8	260.0	1961.9	●
Hainan	105	30.8	67.7	377.2	○
Chongqing	1136	176.1	344.5	2600.0	●
Sichuan	700	201.5	408.7	4400.0	●
Guizhou	3357	362.7	726.2		○
Yunnan	525	186.0	440.0	5000.0	●
Tibet	188	93.5	188.1		○
Shaanxi	600	236.1	501.4	3380.0	●
Gansu	2101	93.7	176.5		○
Qinghai	190				○
Ningxia	80	86.4	170.0		
Xinjiang	390		260.0	1678.8	○
Total	**27330**	**5129.8**			

INVESTMENT

NDRC Tells Six Banks to Allocate Discount Loans to County-Level Governments To Support New Infrastructure

- The National Development and Reform Commission (NDRC) directed six state-owned or state-controlled banks to provide credit support to urbanization projects in county-level regions. The banks are state-owned China Development Bank, Agricultural Development Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank, and state-controlled joint-stock commercial bank China Everbright Bank. They were instructed to arrange credit lines of a certain scale every year to support county-level urbanization projects including construction of new infrastructure, particularly in weak areas. The credits will be medium to long-term loans, in principle for no more than 20 years. The banks will extend the loans at discount interest rates based on prime rates.

Produced by Caixin Global Intelligence, the research arm of Caixin Global. Contact us at cgi@caixin.com

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