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China tries to mitigate the fears of a foreign exchange war. Why?

China pledges not to devalue yuan exchange rate: South China Morning Post (SCMP) cited Pan Gongsheng, a PBOC vice-governor and the head of China's State Administration of Foreign Exchange (SAFE), stating that "China will neither devalue the yuan nor change the way it manages the Chinese currency exchange rate". The question is why do the authorities try now to lower the fear of a massive devaluation? The answer, perhaps, can be found among the economic data that we gradually know:

- Vehicle sales drop for first time in over two years. China Association of Automobile Manufacturers (CAAM) data showed total auto sales fell 4.3% y/y in July, marking the 13th straight decline. That followed a 9.6% drop in June. Sales of new energy vehicles also fell (4.7%), and was the first decrease in more than two years, after a surge of 80% in the previous month on the back of NEV subsidy cuts.
- ¡¡ CAAM also said that **Chinese manufacturers** are following their foreign counterparts out of the **country in search of alternative production bases to mitigate the impact of the prolonged trade war with the US**. According to the report, 33 listed companies have informed China's two stock exchanges of their plans to set up or expand production abroad since last June.
- Recent data points to a continued deceleration of the economy.
    - July new loans fell sharply to CNY1.06T versus 1.66T in prior month.
    - Outstanding loans growth decelerated to +12.6% y/y vs +13.0% in prior month.
    - Total social financing at CNY 1.01T versus 2.26T in prior month (it seems as if Beijing is saving stimulus and holding back from rolling out the big guns of monetary stimulus, keeping options in reserve in case that the trade standoff with the US risks morphing into a global currency war.
    - M2 money supply growth also decelerates to +8.1% y/y versus +8.5% y/y in prior month.

Best