

Flash Note
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China - Economy, Finance, Industry and Trade. Latest news

Economy: Government adviser says bigger tax cuts expected next year

- Liu Shangxi, director of the Research Institute for Fiscal Science under the Ministry of Finance, told MNI that China is expected to unveil a package of tax cuts next year surpassing this year's total of CNY1.3T.
- China's government advisers recommended China should lower next year's growth target to 6.0-6.5% as headwinds increases risks for the economy. Some suggested the government should be more tolerant of weaker growth, pushing reforms and avoiding strong policy stimulus that could worsen fiscal situation. (I take this as a more orthodox and mercantilist view that is gradually prevailing).

Finance: Shadow banking cleanup, but is taking its toll

- Mutual fund closures hit record on shadow banking purge: More than 600 funds have been closed this year, surpassing all liquidations in the previous 12 years combined, fueled by a cleanup of the shadow banking system. More than half of this year's closures came from liquidations of mixed allocation funds, followed by 206 in fixed income and 72 in equity.
- Analysts' expect more debt defaults among Chinese companies next year amid slowing economic growth, deteriorating liquidity conditions and refinancing pressure.

Industry: China to restrict auto industry investment making only traditional combustion engines

- National Development and Reform Commission (NDRC) approved tougher new regulations on investment in the auto industry. Beijing tightens the screws on firms adding manufacturing capacity in those cases when the company only makes combustion engines, amid a wider push toward electric cars.

Trade: Former PBOC deputy governor says he is optimistic that Beijing and Washington can reach a deal

- The head of the National Institute of Financial Research and former PBOC deputy governor Zhu Min declared last night that he is optimistic that Beijing and Washington can reach a deal by the end of their 90-day trade war truce that will pave the way for future talks. However, he warned that if the two sides failed to reach a deal within the grace period it would bring disruption to the global economy.
- China to halt added tariffs on US cars in easing of trade tensions. Ministry of Finance reported China will temporarily suspend additional 25% tariffs on US-made vehicles and auto parts starting 1-Jan-19. The ministry said it hopes China and the US can speed up negotiations to remove all additional tariffs on each other's goods as it reduces tariffs from 40% to the 15% level that was levied before the current trade fight began. The suspension will last for three months.
- China trade steps seen as good start but leave core US demands untouched. The US has welcomed Chinese concessions since the two declared a trade war truce in early December, but trade experts say Beijing needs to do far more to meet US demands for long-term change in how China does business.

Best regards