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PANORAMA

China's two-speed economy: Sector winners and losers

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By Jackit Wong, Coface Asia Pacific Economist

China's ongoing structural reforms have shifted to a greater focus on services and consumption, making the country's two-speed economy even more evident. The divide between winning and losing sectors is linked to their medium and longer term growth potential, relevant government policies and structural demand.

The sector winners and losers indicate the longer term growth prospects, while Coface's updated quarterly sector risk assessments point to the short-term credit risks for Chinese corporates in 12 sectors. In general, sector winners likely to enjoy brighter longer term growth outlooks, such as pharmaceuticals and retail, have been assigned with low or medium risk assessments. The Information communication technologies (ICT) segment is an exception to this, being a sector winner assigned with a high risk rating. This would indicate that the credit risks of Chinese corporates in the ICT sector are probably high due to keener regional competition, despite the market's strong longer-term growth potential.

Sector losers that are likely to face longer term growth challenges, such as chemicals and metals, are assigned with either high, or very high risk ratings. This indicates that the high to very high short-term credit risks for Chinese corporates in these sectors will probably continue, with challenging business conditions persisting in the longer term. Neutral sectors that do not directly benefit from the government's structural reforms (such as agrofood, paper-wood and textile-clothing), have been assessed as either medium or high risk.

Among the 12 sectors, construction and metals are the only two at very high risk. The risks for these two sectors are somewhat linked to recent hot topics, such as debt problems amid a surge in non-performing loans, a number of corporate bond defaults, industrial overcapacities and zombie companies. These risks could be somewhat addressed by reforms of state-owned enterprises (SOEs), where measures concerning "Closure", "Reorganisation" and "Public-private-partnerships (PPP)" are likely to be implemented.

The pharmaceutical sector remains the brightest spot and is showing steady profit margins. Besides a clear improvement in corporate payment experience in 2015, pharmaceutical enterprises are less dependent on borrowing for their operations and fixed asset investment expansions. The medium term outlook is positive, with a structural increase in demand backed by the continuing rise of the middle classes and the ageing population.

Against the backdrop of ongoing structural and SOE reforms, the Chinese economy is set to continue its slowdown in 2016 and 2017, with an overall increase in credit risks for Chinese enterprises.

AUGUST 2016

CHINA'S TWO-SPEED ECONOMY: SECTOR WINNERS AND LOSERS

BY OUR ECONOMIST

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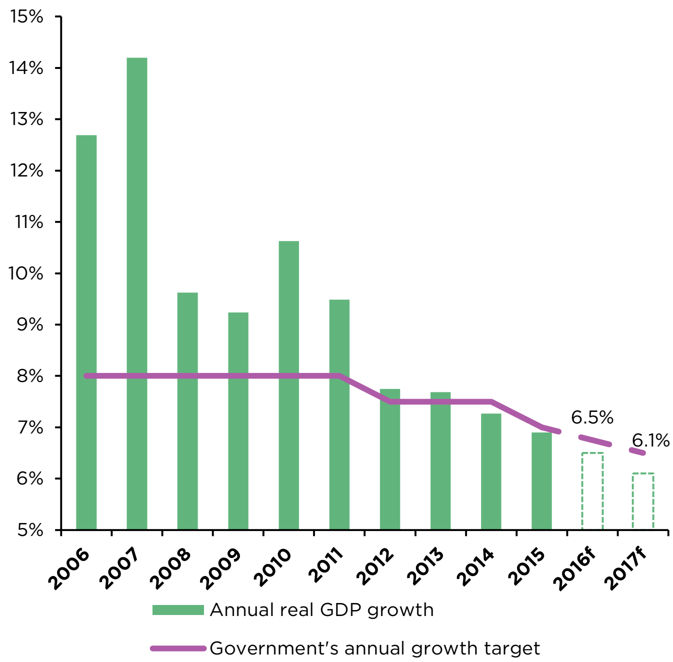
« In the light of the on-going structural reforms, the "tale of two Chinas" is resulting in sector wise winners and losers, linked to their growth potential in the medium and longer term, government policies and structural demand. »

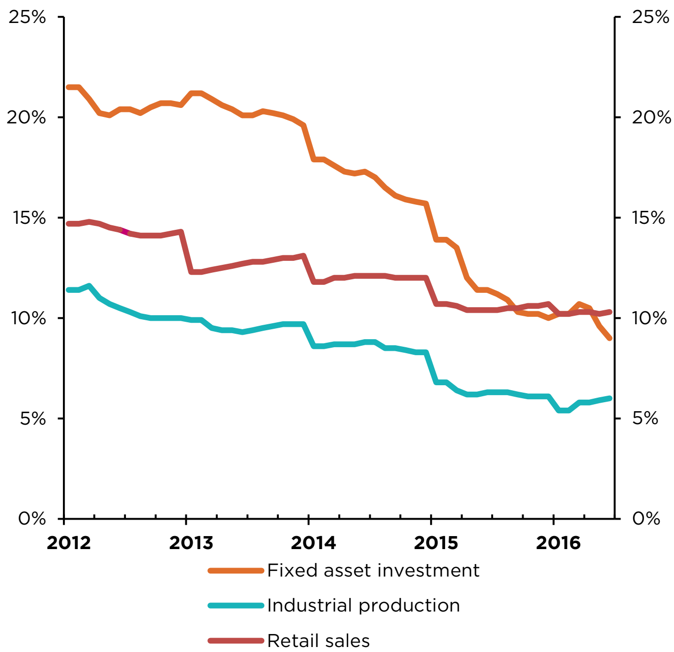
China's economy grew by 6.9% in 2015, the slowest expansion pace in 25 years. Growth should continue to slow in 2016 and 2017, and will probably undershoot the government's average annual growth target of 6.5% - as set out in the 13th five-year plan (2016-2020) (Graph 1). In the first half of 2016, China's year-on-year economic growth slowed to 6.7%. Nevertheless, markets do not appear to be too worried about growth momentum, as leading cyclical indicators, including fixed asset investment industrial production and retail sales (Graph 2), all signal L-shaped growth moderation. Drilling down, there have been two different forces driving the overall growth moderation, mainly due to the on-going structural reforms.

Graph 1:
Real GDP growth and government's annual growth target (%)



Source: CEIC, State Council, Coface (Last update: Jun 30, 2016)

Graph 2:
Fixed asset investment, industrial production and retail sales (YoY, YTD, %)



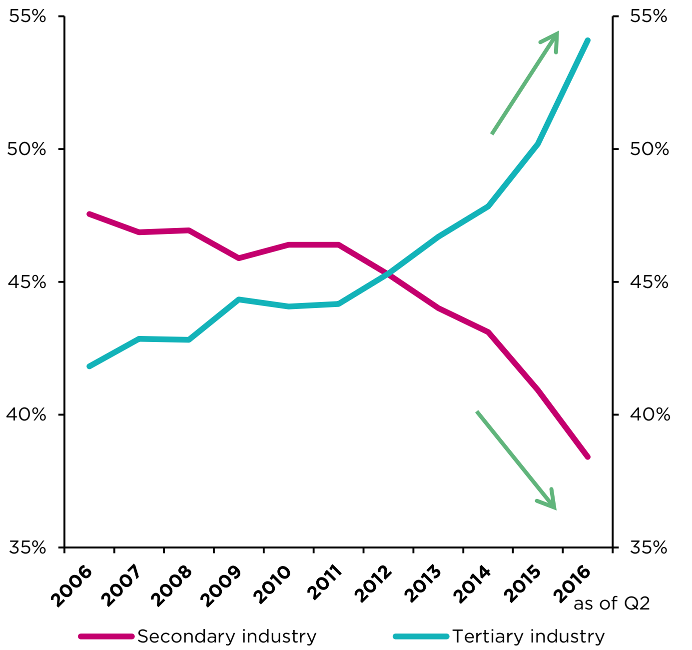
Source: CEIC, Coface (Last update: Jul 15, 2016)

Structural reforms, supply-wise shifting from secondary to tertiary industries (Graph 3) and the focus of demand turning from investment to consumption (Graph 4), have been graphically visible and are expected to continue.

It is expected that the Chinese government will continue to introduce favourable policy initiatives concerning supply side reforms. These will focus more on boosting potential growth for tertiary industries and supporting manufacturing activities in the medium and longer term. One example is the government's strong support for the development of a countrywide infrastructure for charging electric cars. This is despite plans to cut existing incentives for domestic electric vehicle manufacturers by 20% at the end of 2017 and 40% by the end of 2019, before they expire completely by 2021.

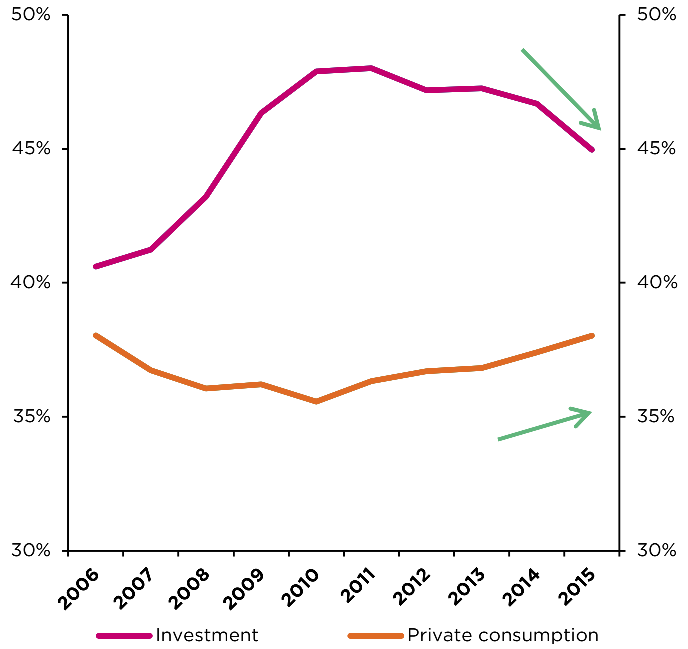
Unsurprisingly, this 'tale of two Chinas' is resulting in sector-wise winners and losers, linked to their growth potential in the medium and longer term, government policies and structural demand. Table 1 shows a cross-over picture between sector winners and losers, while Coface's quarterly updated sector risk assessments[1] measure the short term credit risks for corporates in 12 sectors.

Graph 3:
Percentage share of annual nominal GDP - Tertiary vs. secondary industry



Source: CEIC, Coface (Last update: Jul 15, 2016)

Graph 4:
Percentage share of annual nominal GDP - Private consumption vs. investment



Source: CEIC, Coface (Last update: Jul 5, 2016)

Table 1:
China's sector winners and losers vs. Coface's sector risk assessments

Winners	Losers	Neutral
Automotive	Chemical	Agrofood
ICT*	Construction	Paper-wood
Pharmaceuticals	Energy (Coal)	Textile-clothing
Retail	Metals	
Transportation		

Source: Coface (Last update: Jul 12, 2016)

* Information and communications technologies

Low risk / Medium risk / High risk / Very high risk

[1] Sector risk assessment methodology: 12 sectors, from six geographical regions (Emerging Asia, North America, Latin America, Western Europe, Central Europe and Middle East + Turkey), are assessed every quarter, based on Coface's expertise and financial data published by over 6,000 listed companies. Our credit risk statistical indicator simultaneously synthesises the evolution of five financial indicators (changes in revenue, profitability, the net debt ratio, cashflow, and claims observed by our network). This evaluation has 4 levels: Low risk, Medium risk, High risk and Very high risk.

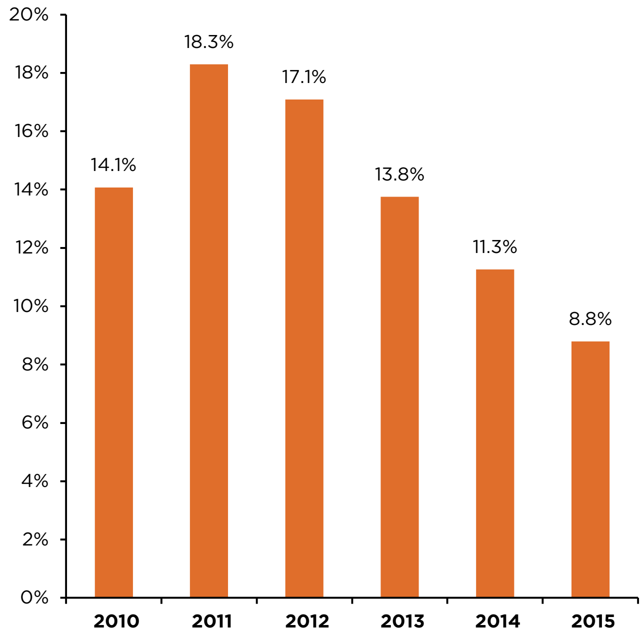
Sector winners (namely automotive, information communication technologies (ICT), pharmaceuticals, retail and transportation) will continue to benefit from the positive outlook for demand, supported by the rising middle-income class and stronger government emphasis on consumption. Enterprises in these sectors are expected to continue investments in fixed assets, in order to meet robust demand. These investments will be further boosted by government incentives for targeted industries, such as electric vehicle and aircraft engine manufacturing. On 13 July 2016, the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) announced that it will provide capital to set up a new state-owned enterprise (SOE) specialising in the development of aircraft engines[2].

Our sector risk assessments indicate the short-term credit risks for Chinese corporates in 12 sectors. Most sector winners are rated as either low or medium risk, as is the case for pharmaceuticals and retail. ICT is an exception as, although it has good potential growth, its risk is assessed as high. The credit risks for ICT enterprises, in particular those involved in electronics and computers, are increasing, due to keener regional market competition, shorter business cycles and market saturation[3].

As can be expected, sector losers include chemicals, construction, energy (in particular the coal segment) and metals - all former champions of the Chinese economy. These sectors have been suffering from significant overcapacities, falling demand and lower support from the government, as it shifts away from energy-intensive, highly-polluting, heavy industries. The government plans to reduce significant overcapacities in these sectors. In addition, these enterprises have cut back on investment projects - as reflected by the slowing (if not negative) growth in fixed asset investment.

From the perspective of credit risks, Chinese corporates within these sector losers are assigned with high, or very high, risk ratings - indicating a higher probability of defaults and insolvencies due to challenging business conditions.

Graph 5:
Private enterprises' average wages (YoY, %)



Source: NBS, Coface (Last update: May 13, 2016)

Neutral sectors are neither direct beneficiaries nor victims of the ongoing structural reforms, but they are affected by other specific factors. For example, the hikes in labour costs (Graph 5) have impacted China's textile-clothing sector, leading to the relocation of manufacturers to other emerging countries in the region with lower labour costs (such as Vietnam, Bangladesh and Myanmar). The agrofood sector is likely to benefit from improvements in quality and brand management made by local food manufacturers. The Kantar Worldpanel's 2016 Brand Footprint ranking[4] indicated that, in food and beverage categories, brand choices are dominated by local players, both in terms of the number of brands available and the number of times they are chosen. The paper-wood sector is likely to be stressed by an increase in imported costs, amid depreciation of the renminbi. China is the world's largest producer and consumer of wood-based panels and paper. Its imports of industrial round wood and sawn wood surged to record levels in 2014[5], by 17% and 30% respectively.

[2] SASAC's official statement (in Simplified Chinese only), Jul 13, 2016: 国资委关于组建中国航空发动机集团有限公司的公告
[3] For more details, please refer to Barometer of sector risks - April 2016, Coface, Apr 13, 2016.
[4] "Chinese brands rule China's most chosen brands ranking", Kantar Worldpanel, May 19, 2016.
[5] Source: 2014 Global Forest Products Facts and Figures, Food and Agriculture Organisation of the United Nations.

CONSTRUCTION: RISKS INTENSIFYING WITH GLOOMY OUTLOOK

In the construction sector, debt-to-equity ratio, a common leverage ratio, decreased steadily in the light of an acceleration in overall average property prices (+15.7% YoY YTD in Q1 2016, vs. +7.4% in Q4 2015). This indicates that the deleveraging process in the construction sector has begun. Nevertheless, net profit margins continued to decline, down to 2.8% in the first quarter this year, in part due to seasonal factors (Graph 6). This also indicates a higher probability that construction enterprises will run into net losses if home sales or prices decline.

According to Moody's recent report[6], growth in both nationwide home sales and property prices are likely to show signs of slowing over the coming twelve months. This signals a warning that Chinese property developers will face increased pressure on their margins.

Meanwhile, China's real estate investment appears to have rebounded, stemming from acceleration in overall property price (Chart 7). That said, this rebound is likely to be short-lived, as the two-speed development in the housing market (Appendix 1) is likely to weigh on residential investment (which represented 67.8% of real estate investment, as of May 2016).

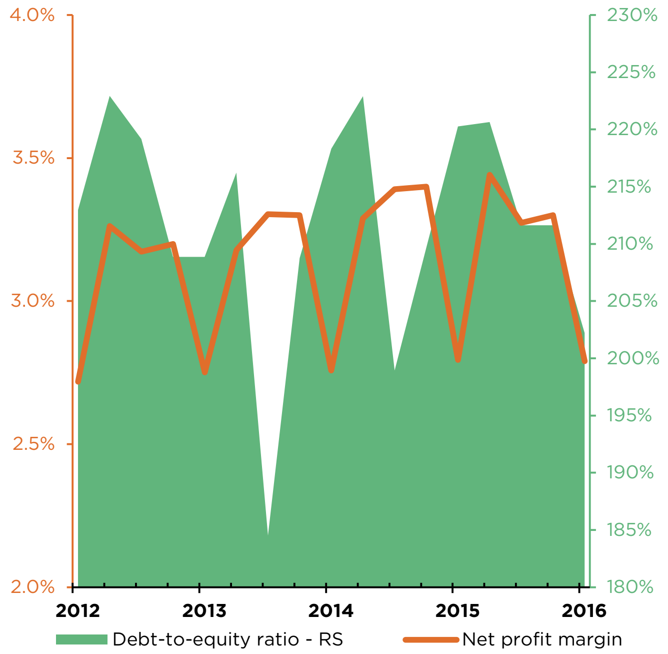
In late March and again in early April, the Chinese government tightened home-buying policies in some key cities[7], in order to moderate increases in the prices of homes. The effect of these cooling measures has begun to kick in, as indicated by the slowdown in home price gains in some of the largest cities. For example, following the introduction of these measures, new home prices (excluding affordable homes) in Shanghai and Shenzhen increased at a slower pace in April, May and June on a year-on-year basis than they did in March.

This is likely to dampen sentiments on residential investments in first and second tier cities that have experienced sharp price gains.

Conversely, home prices in third and fourth tier cities are continuing to decline, albeit at a slower pace. This is despite the implementation of a series of incentive policies, including a reduction in interest rates and the relaxation of mortgage down payment requirements. As a result, home inventories in these cities remain high - leaving little scope for private residential investment. On a positive note, government-led projects for affordable new home constructions, along with continued urbanisation, should provide a buffer.

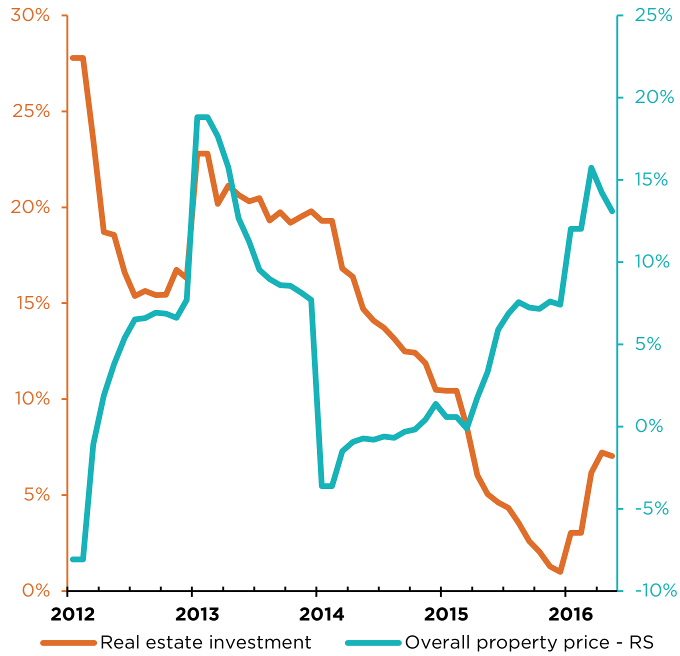
Another angle for assessing construction demand, is to study fixed asset investment, as construction and installation represented 70.5% of fixed asset investment, as of May 2016. Fixed asset investment growth has mainly been fuelled by SOEs (Box 1), while private fixed asset investment has been lacklustre.

Graph 6:
Debt-to-equity ratio and net profit margin of construction enterprises (%)



Source: NBS, Coface (Last update: May 16, 2016)

Graph 7:
Real estate investment and average overall property price (YoY, YTD, %)



Source: CEIC, Coface (Last update: Jun 15, 2016)

[6] Moody's: Rise in land prices to raise margin pressures for Chinese developers (Jun 28, 2016)

[7] According to China Daily, examples of cooling prices this year are as follows:

- On March 25, Shanghai required that local families with one property pay a minimum down payment of 50% for second homes. The down payment requirement is increased to 70% for properties with a surface area of over 140 square meters, or those priced above RMB 4.5 million if located within the inner ring. Families with no permanent residency in the city are required to pay tax for at least 5 consecutive years before buying a property- - compared with the previous requirement of 2 years.
- On March 25, Shenzhen required that local families that buy their first home but who have borrowed home mortgages over the past two years, or already own one home but have paid off mortgages, must make a down payment of at least 40% (compared to the previously required 30%), when applying for home loans. Non-local buyers must have paid income tax and social security premiums for 3 consecutive years (up from 1 year under the previous requirement), if they wish to buy a property.
- On April 1, Langfang, in North China's Hebei province (90 kilometres from central Beijing), adopted a series of restrictive policies for home purchasing. Non-local families can only buy one home, with down payments of no less than 30%.

With sluggish private investment and slowing SOE investment, within a backdrop of low profitability, growth in construction and installation is likely to cool in the second half of the year. This will cast a shadow over the construction sector and reduce the demand for construction materials - in particular cement and metals, which have already been suffering from overcapacities. Despite a 3.6% fall in cement production in 2015, compared to 2014, China remains the world's largest cement producing country. It accounted for 51.2% of global output in 2015, against 56.6% in 2014[8].

In summary, despite some signs of deleveraging, credit risks for construction enterprises, including construction material manufacturers, appear to be intensifying, with a negative outlook.

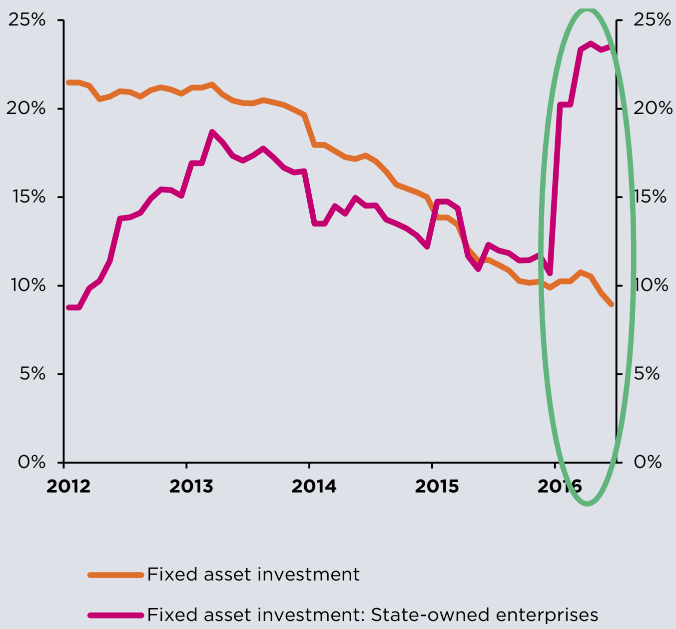
Box 1

China's state-owned enterprise reforms: zombie companies and industrial overcapacity

China's state-owned enterprises (SOEs) have been playing an important role in implementing government policies, boosting economic growth and providing employment. As of the end of May 2016, there are some 150,000 SOEs, with total assets of around RMB 125 trillion. Among these, there are 106 central SOEs, which are governed by the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). These central SOEs account for 53.0% of total assets of all SOEs. Against the backdrop of ongoing structural reforms, SOEs have been ramping up their spending to boost the slowing economy. Growth in fixed asset investment has thus mainly been fuelled by SOEs this year (Graph 8).

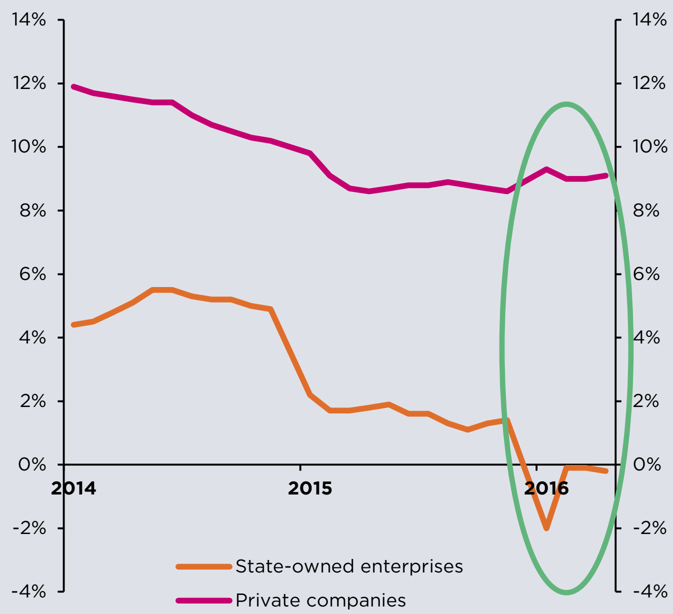
Nevertheless, the ability of SOEs to perform their role appears to be falling short, with risks intensifying and lack of profitability. SOE profits in the January-May period this year fell by 9.6% on a year-on-year basis (down to RMB 837.39 billion), suffering from a decline of 8.4% in the first four months. Central SOEs recorded the same 9.6% rate of decline in profit, down to RMB 624.55 billion in the January-May period, with a drop of 6.4% in the first four months[9]. Moreover, the profitability gap between industrial SOEs and private companies has widened (Graph 9), highlighting the inefficiency and low profitability of SOEs in comparison to private companies.

Graph 8:
Total fixed asset investment and SOE led fixed asset investment (YoY, YTD, %)



Source: CEIC, Coface (Last update: Jul 15, 2016)

Graph 9:
Industrial profits (YoY, YTD, %) - SOEs vs. private companies



Source: NBS, Coface (Last update: Jun 27, 2016)

[8] Source: European Cement Association (CEMBUREAU)
[9] Source: Ministry of Finance of the People's Republic of China

As a consequence, Chinese Premier Li Keqiang has stressed the importance of improving the competitiveness of SOEs, with SOE reform, being one of the major tasks outlined in his Government Work Report presented in March this year. Many suggest that encouraging competition from private companies, by eliminating the advantages that SOEs enjoy, would be the most effective way of shutting down zombie companies and only retaining efficient and profitable companies. The analysis of Coface, however, is that the following three-point focus would be the best framework for the reform of SOEs:

1. "Closure": "Zombie companies" refer to non-profitable, inefficient and non-performing SOEs, which rely on aid from the government and state-banks for survival. According to Ho and Zhu (2016)[10], as of the end of 2014, around 10% of the 2,419 listed companies in China were zombie companies. These zombie companies often borrow excessively, while their net operating losses mean that they are unable to repay bank loans and debts. This situation is negatively impacting China's banking system, causing a surge in non-performing loans and corporate bond defaults. Allowing the survival of zombie companies is boosting the country's skyrocketing core debt (i.e. total credit to the private non-financial sector), which reached 210.4% of GDP in Q4 2015 (vs. 193.0% in 2014 and 180.5% in 2013), with slight, if any, productivity. These debt-ridden zombie companies should therefore be closed down as soon as possible. On July 8 2016, the SASAC announced targets to reduce the excess capacity of central SOEs in the coal, iron and steel sectors by 10% this year, 10% in 2017 and a further 15% in the following 5 years. The reduction in overcapacities could be achieved by closing some zombie companies and reorganising SOEs in these sectors[11].

2. "Reorganisation": The reorganisation of SOEs could be accomplished through mergers and acquisitions within specific industries. This would boost competitiveness through economies of scale and eliminate malicious price competition, leading to improved profitability. The megamerger between China International Travel Service Group Corporation and China National Travel Service (HK) Group Corporation, which resulted in one of the largest travel service companies in China, was approved by the SASAC on July 11, 2016[12]. Similar mergers and acquisitions among SOEs will probably continue in the coming few years. However, although these reorganisation activities will help enhance SOE competitiveness, they leave reductions in overcapacity unaddressed.

3. "Public-private-partnerships": Public-private-partnerships (PPP) could somewhat substitute the role usually played by SOEs in fostering future development. PPPs would link the remuneration of private companies to performance, resulting in greater efficiency and improved services. Following the State Council's executive meeting, chaired by Premier Li Keqiang on July 7, 2016, new measures, such as taxation policies and legislation with clear accountability, will be introduced to encourage PPPs and boost their activities. PPPs would thus serve the Chinese government as a good alternative, in order to reduce the economic significance of SOEs and move one step closer to "privatisation".

[10] "How many zombie companies are there in China? Ho and Zhu (2016), China Finance. 中国究竟有多少僵尸企业 ？ 何帆，朱鹤 (2016) ，中国金融。
[11] SASAC's official statement (in Simplified Chinese only), Jul 11, 2016: 国资委部署中央企业化解钢铁煤炭过剩产能工作
[12] SASAC's official statement (in Simplified Chinese only), Jul 7, 2016: 中国港中旅集团公司与中国国旅集团有限公司实施战略重组

METALS: REDUCTIONS IN OVERCAPACITIES ARE ON THE WAY

Metals, a very high risk sector, is likely to continue facing challenges, as its two key segments, steel and non-ferrous metals, have been suffering from:

1. Muted demand: Compounding the gloomy outlook for the construction sector, China's official manufacturing Purchasing Managers Index (PMI)[13] hovered at around 50 during the first half of 2016, showing little improvement. All of this points to a lacklustre demand for steel and non-ferrous metals.

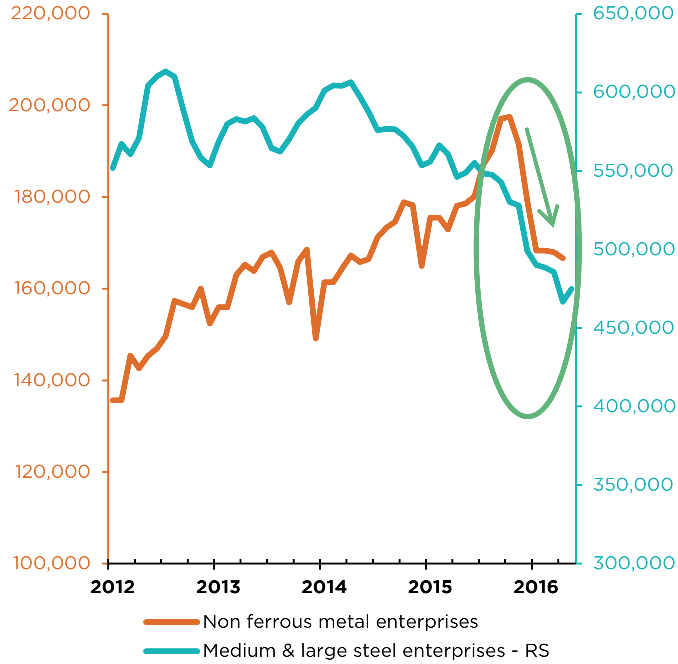
2. Significant overcapacities: The Chinese government has plans to shed capacity in both steel and non-ferrous metals:

   - Steel: In 2015, China's crude steel production was 803.8 million tonnes, a decrease of 2.3% compared to 2014. Nevertheless, China remains the world's largest crude steel producer, accounting for 49.5% of global production[14]. During the National Development and Reform Commission, chaired by Xu Shaoshi on June 26 2016, it was announced that China plans to shed another 45 million tonnes of steel capacity during 2016 - a drop of 5.6% in relation to 2015.
   - Non-ferrous metals: In 2015, production of 10 major non-ferrous metals - aluminium, antimony, copper, lead, magnesium, mercury, nickel, stannum, titanium and zinc - rose by 5.8%, to reach 50.9 million tonnes. Although the production of non-ferrous metal did not decline in 2015, on June 16, 2016[15] the State Council released guidelines on new capacity and overcapacity reductions for the non-ferrous metal sector.

In line with the Chinese government's plans, the inventories of non-ferrous metal and medium to large sized steel enterprises have begun to come down (Graph 10). Debt-to-equity ratio of these enterprises saw a slight decrease, with some signs of deleveraging in the first half of 2016 (Graph 11). All of these factors suggest that a reduction in overcapacity is on the way.

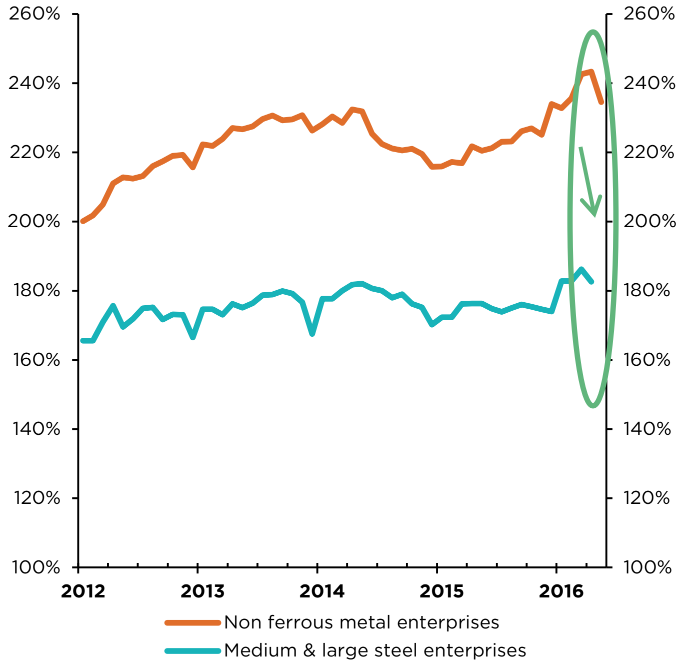
In general, the credit risks for metal enterprises are expected to remain very high. Reforms on SOEs in the sector are likely to continue over the next 18 months, commencing with the closure of zombie companies and the reorganisation of central SOEs via mergers and acquisitions.

Graph 10:
Inventory of non-ferrous metal and medium to large sized steel enterprises (RMB million)



Source: NBS, Coface (Last update: Jul 8, 2016)

Graph 11:
Debt-to-equity ratio of non-ferrous metal and medium to large sized steel enterprises (%)



Source: CEIC, Coface (Last update: Jul 8, 2016)

[13] The Purchasing Managers Index (PMI) is summarised and compiled from the results of a monthly survey of enterprise purchasing managers. A reading above 50 indicates an expansion compared to the previous month, while below 50 represents a contraction. 50 indicates no change.
[14] Source: World Steel Association
[15] State Council's official guideline (in Simplified Chinese only), Jun 16, 2016: 国务院办公厅印发《关于营造良好市场环境促进有色金属工业调结构促转型增效益的指导意见》

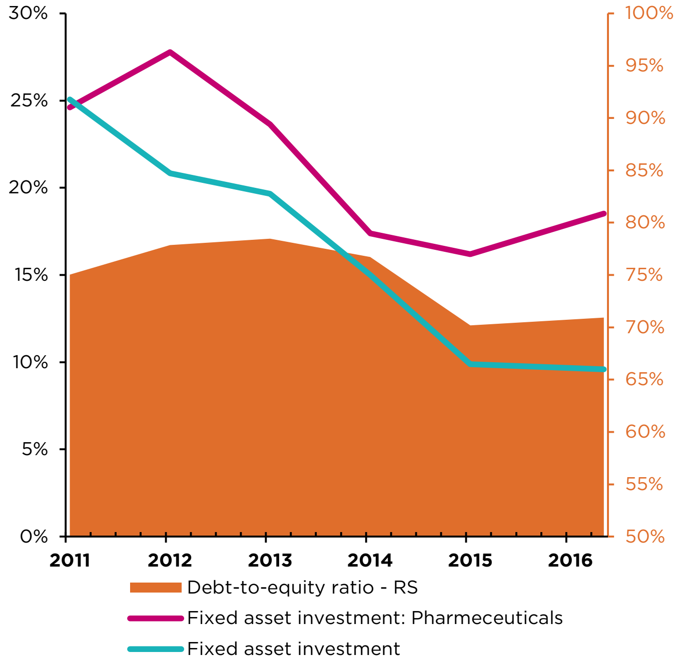
PHARMACEUTICALS: UNSURPRISINGLY, A BRIGHT SPOT

The pharmaceuticals sector clearly demonstrated an Coface's latest Asia Pacific Corporate Payment Survey report showed a clear improvement in the pharmaceutical sector in terms of corporate payments in 2015, compared to 2014[16].

Net profit margins for Chinese pharmaceutical enterprises remain very stable (10.4% in May 2016, vs. 10.3% and 10.2% at the end of 2015 and 2014, respectively). Meanwhile, fixed asset investment growth for pharmaceuticals (including healthcare, as well as medical and pharmaceutical products) has been steadily outpacing overall fixed asset investment growth, without driving up the debt-to-equity ratio of pharmaceutical enterprises (Graph 12). In other words, pharmaceutical enterprises are not only enjoying steady profit margins, but are also less dependent on borrowing for their operations and fixed asset investment expansions. Their credit risks therefore appear to be low.

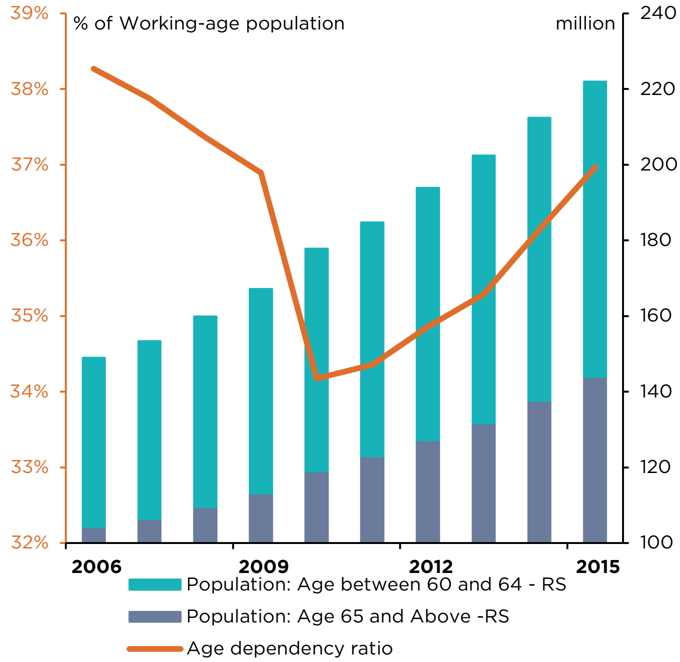
Looking ahead, the pharmaceutical sector is likely to enjoy a buoyant increase in structural demand, with the continuing expansion of the middle classes and the ageing population (Graph 13). Nevertheless, companies in this sector will probably be faced with intensifying price pressures and will need to take a more market-oriented approach, in response to government-led reforms related to medicines[17] and medical services[18].

Graph 12:
Debt-to-equity ratio of pharmaceutical enterprises (%), fixed asset investment and fixed asset investment for pharmaceuticals (YoY, %)



Source: NBS, Coface estimates (Last update: Jun 29, 2016)

Graph 13:
Ageing population with longer life expectancy



Source: CEIC, Coface (Last update: Feb 29, 2016)

[16] For more details, please refer to Asia Corporate Payment Survey, Coface, May 31, 2016.
[17] National Development and Reform Commission's official statement (in Simplified Chinese only), May 5, 2015: 关于印发推进药品价格改革意见的通知
[18] National Development and Reform Commission's official statement (in Simplified Chinese only), July 1, 2016: 关于印发推进医疗服务价格改革意见的通知

APPENDIX 1:
Prices of new homes (excluding affordable homes) in China's largest 70 cities (YoY, %)

	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15	Dec-14
Shenzhen	47.4	54.0	63.4	62.5	57.8	52.7	47.5	-1.3
Xiamen	34.0	28.3	21.7	15.9	10.2	8.7	6.5	2.1
Shanghai	33.7	33.8	34.2	30.5	25.1	21.4	18.2	-4.4
Nanjing	31.5	27.1	22.6	17.8	14.1	10.8	7.9	-2.7
Hefei	29.1	23.3	17.6	11.2	6.0	3.3	1.4	-1.9
Beijing	22.3	21.4	20.2	17.6	14.2	11.3	10.4	-3.4
Canton	19.4	19.0	17.6	15.3	11.9	10.0	9.2	-4.8
Hangzhou	17.4	17.0	14.8	11.9	8.9	7.1	5.8	-10.3
Tianjin	14.6	12.5	10.0	7.2	5.0	4.1	3.4	-3.4
Fuzhou	13.9	12.9	11.1	7.7	5.5	3.3	1.8	-5.4
Wuhan	13.8	11.9	9.6	7.7	6.5	5.6	4.5	-4.2
Huizhou	13.5	10.2	6.4	2.3	0.4	-1.1	-2.3	-5.2
Wuxi	9.7	6.9	5.3	2.4	0.2	-0.4	-1.5	-4.7
Nanchang	9.6	8.5	7.1	5.5	3.7	1.8	1.7	-5.4
Zhengzhou	9.4	8.2	6.8	5.3	4.0	3.4	2.7	0.2
Ningbo	8.9	8.9	8.3	7.2	5.5	4.6	3.6	-5.6
Nanning	6.3	6.1	5.2	4.2	3.6	2.7	1.7	-4.4
Shijiazhuang	5.8	4.8	3.8	3.2	3.1	2.1	1.7	-3.3
Jinan	5.8	5.1	4.3	3.3	2.2	1.5	0.8	-4.0
Changsha	4.9	4.4	3.5	1.8	1.2	0.4	-0.5	-6.9
Qingdao	4.1	3.7	2.7	1.2	-0.5	-1.4	-2.4	-6.5
Chengdu	3.7	3.3	3.0	2.4	1.5	1.1	0.6	-4.7
Chongqing	3.4	3.5	2.9	2.3	1.4	0.3	-1.0	-5.3
Xuzhou	3.3	2.9	2.0	1.2	0.7	-0.1	-0.5	-4.4
Wenzhou	3.2	3.6	3.7	4.2	3.5	2.8	1.8	-4.7
Jinhua	3.1	3.1	3.1	3.2	2.6	2.0	1.4	-4.9
Ganzhou	3.1	2.7	1.8	0.5	-0.6	-0.6	-0.6	-5.5
Jiujiang	3.0	2.1	1.6	0.3	-0.5	-1.2	-2.6	-4.5
Xi'an	3.0	2.4	1.8	0.9	0.6	0.2	-0.1	-3.8
Yangzhou	2.8	2.3	1.5	1.0	0.4	-0.2	-1.0	-4.9
Seaport	2.6	2.3	1.4	0.6	0.4	-0.4	-1.2	-4.7
Sanya	2.5	0.7	0.0	-0.1	-0.1	-0.3	-0.8	-4.0
Lanzhou	2.5	1.9	1.1	0.2	-0.3	-0.8	-1.6	-3.0
Taiyuan	2.3	1.8	2.1	2.3	2.2	1.8	1.5	-3.9
Shaoguan	2.3	2.0	1.0	-0.4	-1.7	-3.4	-3.1	-7.8

Source: NBS, Coface (Last update: Jul 18, 2016)

Price gains ≥ 10%   Price declines ≤ 0

Prices of new homes (excluding affordable homes) in China's largest 70 cities (YoY, %) (cont'd)

	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16	Dec-15	Dec-14
Yantai	2.1	1.5	0.8	0.2	-0.4	-1.0	-1.9	-5.0
Luzhou	2.0	1.3	0.5	-0.7	-1.1	-0.5	-1.5	-6.8
Guiyang	2.0	2.2	1.5	0.5	0.3	-0.4	-0.9	-3.0
Quanzhou	1.8	1.9	1.9	0.7	0.0	-1.0	-2.5	-6.0
Harbin	1.7	1.5	1.1	1.4	0.5	0.1	-0.6	-4.4
Anqing	1.6	1.0	0.7	0.0	-0.8	-0.7	-1.0	-5.9
Pingdingshan	1.6	1.3	0.9	0.6	0.1	-0.2	-1.0	-3.7
Shenyang	1.5	1.8	1.0	0.1	-0.4	-0.5	-0.9	-7.8
Yichang	1.5	0.7	0.2	-0.6	-1.1	-1.4	-1.6	-5.1
Changchun	1.3	1.0	0.3	-0.5	-1.2	-1.8	-1.8	-3.8
North Sea	1.2	1.3	1.1	0.3	-0.3	-0.9	-1.5	-4.1
Zhanjiang	0.9	-0.9	-1.9	-2.8	-3.6	-4.9	-5.0	-5.0
Bengbu	0.7	0.2	-0.8	-1.8	-3.5	-4.0	-4.2	-5.7
Dalian	0.5	0.6	0.1	-0.6	-1.1	-1.1	-1.8	-6.4
Qinhuangdao	0.4	-0.2	-0.7	-1.7	-2.3	-3.1	-3.3	-5.0
Hohhot	0.4	0.2	-0.1	-0.8	-1.3	-2.3	-2.6	-5.3
Jilin	0.4	0.0	-0.4	-1.2	-1.6	-2.5	-2.7	-4.2
Nanchong	0.4	-0.3	-1.2	-2.1	-3.3	-3.4	-3.7	-5.1
Dali	0.4	-0.3	-1.1	-1.8	-1.3	-1.8	-2.6	-3.4
Luoyang	0.3	0.1	-0.3	-1.3	-1.8	-2.4	-2.6	-4.1
Zunyi	0.2	-0.2	-0.5	-1.0	-1.6	-2.2	-3.3	-3.4
Kunming	0.1	0.0	-0.7	-1.8	-1.9	-2.3	-2.6	-4.5
Yinchuan	0.0	-0.1	-1.2	-2.3	-3.1	-3.6	-3.7	-3.3
Guilin	-0.2	-0.5	-0.8	-1.5	-1.9	-2.7	-2.8	-7.2
Xining	-0.5	-1.1	-1.7	-2.4	-2.8	-3.1	-4.0	-2.1
Tangshan	-0.7	-0.3	-1.3	-1.4	-1.7	-2.1	-2.8	-3.3
Yueyang	-0.7	-1.2	-1.6	-2.3	-2.7	-3.5	-4.2	-3.5
Changde	-0.7	-1.0	-1.2	-2.0	-1.9	-2.9	-3.4	-3.1
Xiangfan	-1.0	-1.2	-1.9	-2.5	-2.8	-3.8	-4.1	-4.9
Jining	-1.1	-1.3	-1.7	-2.1	-2.8	-3.3	-3.4	-3.6
Urumqi	-1.1	-1.0	-1.7	-2.1	-2.5	-2.2	-2.0	-4.1
Baotou	-1.2	-1.3	-1.5	-2.0	-2.2	-2.9	-3.7	-6.5
Dandong	-2.0	-2.5	-3.1	-3.8	-3.9	-3.8	-5.3	-6.1
Mudanjiang	-2.4	-2.0	-1.6	-2.0	-1.9	-1.7	-2.2	-2.7
Jinzhou	-3.5	-3.2	-3.2	-3.1	-2.8	-3.5	-5.0	-5.9

Source: NBS, Coface (Last update: Jul 18, 2016)

Price gains ≥ 10%   Price declines ≤ 0

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