AustCham Shanghai

Industry Insights
Financial Services

Sector Overview

China's economy expanded faster than expected in the second quarter, matching 6.9% growth rate in the first quarter, setting the country on course to meet its 2017 growth target of "about 6.5%". While seeing huge opportunities in China's growing urbanisation, consumer spending and local demand for gooq quality healthcare and education, foreign companies still raise significant concerns about regulatory uncertainty in one of the world's fastest growing economies.

Market Outlook

Accodring to President's Xi Jinping's statement during the meeting of China's Central Leading Group on Finance and Economic Affairs, China is commited to improving its investment and market environment, and to accelerating opening up to the outside world. Local governments are guided to control debt growth, crack down upon financial irregularities and improve supervision on Internet finance.

China currently leads the world in the FinTech sector, in terms of both total users and market size. Most frequently cited emerging FinTech trends include: mobile payment and wealth management, online consumer and SME finance, B2B Internet finance, financial cloud and infrastructure, big data application, and disruptive technology.

Current Issues

> On May 24 Moody's Investors Service downgraded its rating of China's sovereign debt (to A1 from Aa3) citing concerns over growing debt in the country.

> The final statement of China's National Financial Work Conference held in mid-July emphasized the need for financial sectors to serve the real economy. China's top regulators and policymakers called for more resources to be channeled into both major and weak domains of economic and social development. One of the biggest accomplishments of the Conference was the announcement that a commission would be established under the auspices of the cabinet. The commission will meet regularly to discuss issues of financial stability.

Key News

> China will raise foreign ownership limits in financial firms in a step granting access to a tantalizing multi-trillion dollar financial services market, as the world's second-biggest economy seeks to position itself as a major global finance hub.

> According to the the city's long term plan, Shanghai aspires to become a world-class financial hub and shipping services center by 2020. By the end of 2016, Shanghai had over 1,500 financial institutions and has attracted even more foreign asset management institutions.

> China's State Council released an updated foreign investment negative list for its Free Trade Zones (FTZs), which came into effect on July 10. The updated list cuts 10 items and 27 special administrative measures (including four related to finance) from the previous negative list. It is expected that a similar "negative list" approach will be introduced for the rest of the country, effective in 2018.

> On July 3, China and Hong Kong launched a Bond Connect scheme. The program is designed to bring more convenience to foreign investors at the operational level. It allows global institutional investors the ability to trade via Hong Kong while bypassing onshore mainland licenses. The launch of the connection coincided with the 20th anniversary of Hong Kong's handover to Chinese rule. Initial trading allows foreign investors to buy and sell Chinese bonds from Hong Kong.

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