CNCBI Cross-border Banking Demand Index stands at 56.9

Cross-border banking demand set for all-round rebound

(Hong Kong: 10 January 2018) China CITIC Bank International Limited (the "Bank" or "CNCBI") today releases its latest *CNCBI Cross-border Banking Demand Index Report*. The 1Q2018 CNCBI Cross-border Banking Demand Index rises 1.0 on the quarter to 56.9, indicating noticeably stronger demand for Hong Kong's cross-border banking services from mainland corporations and individuals bolstered by improving macroeconomic conditions and mainland China's clearer policy prospects. The Corporate Demand Index climbs 0.9 on the quarter to 55.1 while the Individuals Demand Index bounces back 1.2 to a 64.1 high.

Dr Liao Qun, Chief Economist and General Manager of Research Department, CNCBI, says that 8 of the 9 corporate demand sub-indices bounce back from last quarter. Asset management & financial consultancy and bond issuance sub-indices outrun the others with a rise of 2.4 and 2.0 respectively. The sub-indices of derivative products, currency transactions and loans in turn rise 1.6, 1.2 and 1.2 respectively, while the settlement services & cash management and trade finance sub-indices report mild growth of 0.6 and 0.2 respectively.

Dr Liao points out that the stabilising mainland China economy, accelerating global economic recovery, reversal of RMB devaluation and central government's clearer capital outflow control measures have curbed the deterioration rate of cross-border corporate demand. Such positive factors continued to ripen or became more prominent as corporations increased their awareness and acceptance of those factors in 4Q2017, contributing to increased confidence in using cross-border banking services and in turn the marked rebound of the 1Q2018 Corporate Demand Index.

Meanwhile, Corporate demand for all cross-border banking services, except for structured finance, rebounded in 1Q2018. Regarding demand for financing services, bond issuance demand bounces back strongly after a rather lengthy feeble period and sends a noteworthy positive signal which suggests a steady recovery of the "Dim-sum bond" market from its decline. Demand for loans and trade finance maintains last quarter's momentum as demand for structured finance holds steady in wait for a surge as the mainland's Outbound Direct Investment picks up its usual pace. More encouraging is the strength of rebound of service-related demand especially for asset management & financial consultancy, derivative products and currency transactions. Subsequent to the continuous rebound of financing demand, service-related demand demonstrates strong rebound strength, resulting in an overall recovery of cross-border corporate banking demand.

Of the 6 service- or product-related Individuals Demand Sub-indices, 5 increase and 1 drops, marking a stark contrast to 4Q2017 where 2 increased and 4 fell. More noticeable are the mortgage & personal loans, insurance products and credit cards sub-indices with respective increases of 2.8, 2.7 and 1.9. The increments of the financial investment and currency transactions sub-indices are relatively mild at 1.0 and 0.7 respectively whereas the immigration & education services sub-index drops 0.9 from its 4Q2017 rise.

Dr Liao notes that the Individuals Demand Index has been above the 60-high amid four years of fluctuations. Except for the expectation of regulatory looseness, most of the sub-indices rebound significantly after last quarter's softening and even reach a near 3-year peak, revealing the rapidly diminishing negative impacts of the government controls on individuals' capital outflow and RMB depreciation.

Owing to the ban of cross-border investment-linked insurance products, demand for insurance products decelerated notably last quarter but has recovered the strongest this quarter, suggesting that overall demand for cross-border insurance remains strong. Demand for mortgage & personal loans bounces back from last quarter's relatively low level thanks to the reheated Hong Kong property market and the continuously booming stock market. Despite the unchanged policies for limiting mainland individuals' purchases of Hong Kong properties, mainland individuals' wishes for entering the Hong Kong property market via various means strengthen. Demand for credit cards gains traction on 2 years' relatively stable growth, attributable to the rebound of mainland tourists number as well as their spending in Hong Kong. Financial investment and currency transactions bounce back on last quarter's softening stance, reflecting respectively the influence of the increased south-bound capital flows into the stock market and the stabilising of RMB from devaluation. Demand for immigration & education services soften unexpectedly after last quarter's rebound due possibly to the change in US immigration and oversea education policies.

Both corporations' and individuals' expectation of regulatory looseness bounce back

The sub-indices on both the corporate and individuals sides increase this quarter, indicating an overall improvement in cross-border banking services related regulatory environment. On the corporate side, the sub-index bounces back on last quarter's decline which was attributable to mainland corporations' insufficient understanding of the corporate capital outflow restrictions, as pointed out in the 4Q2017 report. It also predicted a rebound of sub-index as the situation changes this quarter while the rebound of the 1Q2018 sub-index proves it right. In fact, clearer government policy on Outbound Direct Investment has eased many corporations' concerns over cross-border investment and financing

On the individuals side, the 4Q2017 report predicted that this sub-index will continue its uptrend which is proven by its continuous rise in 1Q2018. In fact, the sub-index has reached a one-year high. This demonstrates that mainland individuals' "going out" momentum has strengthened further as a result of the mainland government's clearer policy stance on capital outflow controls.

To view the detailed *CNCBI Cross-border Banking Demand Index Report*, please log on to: www.cncbinternational.com/cross-border-index.

Photo

Dr Liao Qun, Chief Economist and General Manager of Research Department, CNCBI, says, demand for Hong Kong's cross-border banking services from mainland corporations and individuals increases noticeably on the back of improving macroeconomic conditions and mainland China's clearer policy prospects.

Editor's notes:

CNCBI Cross-border Banking Demand Index

The CNCBI Cross-border Banking Demand Index, launched in the first quarter in 2014, is the first quarterly leading index in Hong Kong to reveal changes in cross-border demand for Hong Kong banking services. The findings are based on the results of a quarterly survey over mainland corporate and individuals.

The Index is a weighted average of the Corporate Demand Index and the Individuals Demand Index. While the former is a weighted average of 9 service-specific corporate demand sub-indices, the latter is of 7 service-specific individuals demand sub-indices.

Each of the sub-indices is a diffusion index and is calculated from the replies of survey respondents to the question: Do you expect the cross-border demand of your/your company's demand for cross-border banking service (as specified) to increase, decrease or be unchanged in the next quarter as compared to the current quarter? For the sub-index of expectation of regulatory looseness, respondents answer the question: "Do you expect the regulatory environment to be looser, the same or tighter in the next quarter as regards your/your company's demand for cross-border banking service?" The value of the diffusion index is the sum of the responses of "Increase/looser" plus a half of those responding "Unchanged" in percentage terms.

The survey for the Index was conducted by international market research firm Ipsos and it covered 15 cities across the Pearl River Delta, Yangtze River Delta, Pan-Bohai and Central & Western areas of China. The quarterly survey involved 500 companies and 500 affluent mainlanders who are currently using cross-border banking services or indicated an intention to do so. Data is collected mainly through telephone interviews.

The corporate sample represents a wide spectrum of industries including import/export trade, manufacturing, real estate, construction, power & energy, etc, with quotas on small, medium and large enterprises based on their annual turnover. Finance managers or directors of qualified companies are interviewed. The individuals sample consists of high-net-worth (>US$1 million liquid assets) and upper affluent (>HK$1 million liquid assets) individuals.

China CITIC Bank International Limited

The controlling shareholder of China CITIC Bank International Limited (the "Bank" or "CNCBI") is China CITIC Bank Corporation Limited ("CNCB"). CNCB, via its wholly-owned subsidiary CITIC International Financial Holdings Limited, owns a 75% stake of the Bank. Another 25% of shareholding are held respectively by Hong Kong Tian Yuan Manganese International Trade Co., Limited (9.6%), Hong Kong Guansheng Investment Co., Limited (6.0%), Anxin Trust Co., Limited (3.4%), Clear Option Limited (3.0%) and Elegant Prime Limited (3.0%).

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