

## 2Q2018 CNCBI Cross-border Banking Demand Index stands at 56.9

### Demand high but China-US trade frictions to ease financing needs

(Hong Kong: 10 April 2018) China CITIC Bank International Limited (the “Bank” or “CNCBI”) today releases the latest *CNCBI Cross-border Banking Demand Index Report*. The 2Q2018 CNCBI Cross-border Banking Demand Index holds onto the 1Q2018 level at 56.9, indicating corporations and individuals’ confidence for cross-border banking services remains strong as the overall environment for demand continues to improve. The Corporate Demand Index slips slightly by 0.2 from the last quarter to 54.9 while Individuals Demand Index rises 0.4 more to a two-year high of 64.5.

Dr Liao Qun, Chief Economist and General Manager of Research Department, CNCBI, says that of the 8 service- or product-related corporate demand sub-indices, 4 increase and 4 decrease. The drop in derivative products is most significant at 1.4, followed by trade finance (1.0), loans (0.8) and bond issuance (0.1). In the order of magnitude, currency transactions (0.6), structured finance (0.5), asset management & financial consultancy (0.1) and settlement & cash management (0.1) log increases.

Dr Liao points out that driven by positive factors including the stabilisation of mainland’s economic growth, acceleration of the global economic recovery, RMB appreciation and policy clarity of the central government’s control over capital outflows, corporate cross-border banking demand bounced back considerably in 1Q2018. In this quarter, these factors continue to develop in a positive direction. But, US President Donald Trump’s trade protectionism sparks concern over the prospects of this year’s China-US trade. Demand for cross-border financing and even demand across the entire banking spectrum among corporations softens after last quarter’s rebound.

Demand for trade finance, loans, bond issuance and derivative products loses steam. Despite China and Hong Kong’s strong foreign trade, demand for trade finance weakens significantly due presumably to market concerns over the heated China-US trade conflicts. Conversely, demand for services gains further strength. Demand for currency transactions rises remarkably resulting clearly from the sustained validity of the abovementioned positive factors in the demand environment and particularly from the improving expectation of RMB’s exchange rates.

Dr Liao expects that the growth prospects of both the mainland and global economies, RMB development and direction of the central government’s foreign policy will continue to pick up pace this year. However, US trade protectionism has escalated rapidly in recent weeks, and how far the US will go in this direction in the future is highly uncertain, which will also continue to sway corporations’ cross-border banking demand.

Of the 6 service- or product-related Individuals Demand Sub-indices, 4 go up and 2 go down. The rising sub-indices, namely currency transactions, immigration & education services, financial investment and

credit cards, increase rather significantly by more than 1.0, with the first 2 gaining 1.8 and 1.5 respectively, whereas the mortgage & personal loans and insurance products sub-indices shed 1.0 and 0.6 respectively.

Dr Liao notes that stronger cross-border demand from individuals is attributable evidently to the continuous development of the abovementioned favourable factors, especially the improving expectation of RMB's exchange rates and the central government's clarity and relaxation of its control over capital outflows. These also result in the surge of currency transactions demand. The delayed response to these 2 factors is seen in the rebound of demand for immigration & education services from the soft 1Q2018. Steady growth of financial investment demand is also directly related to the bullish outlook of Hong Kong's

### **Corporations' and individuals' expectation of regulatory looseness in different trends**

In 2Q2018, the corporate and individuals law & regulation environment sub-indices stand at 49.4 and 51.4 respectively, representing an increase of 1.6 and a decrease of 2.1 compared to 1Q2018.

On the corporate side, the sub-index rises further and considerably on last quarter, implying that the central government's control over capital outflows is clearer and more relaxed, and that corporations' understanding of the policy is even more thorough and deeper with their concerns over this policy eased to a large extent.

As for individuals, the sub-index shows a significant correction after a three-quarter increase. In view of the great magnitude of the correction, the sub-index is expected to stabilise shortly.

Dr Liao points out that the intensity of China-US trade conflicts will have a direct impact on mainland corporations and individuals' expectations of regulatory looseness while a trade war can cause their expectations to deteriorate.

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

**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 Tian Yuan Trading 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%).

By providing a comprehensive suite of financial services including corporate banking, personal banking, wealth management, treasury and global markets solutions to exceed Greater China and overseas customers’ expectation, the Bank aspires to be the “China Bank of Choice” with the best international standards. The Bank’s footprint includes 34 branches in Hong Kong, as well as overseas branches in New York, Los Angeles, Macau and Singapore. The Bank also provides banking services in Beijing, Shanghai and Shenzhen through a wholly-owned subsidiary. The Bank is rated “Baa1” by Moody’s Investors Service and “BBB” by Fitch Ratings. More information about the Bank can be found on its website at [www.cncbinternational.com](http://www.cncbinternational.com).

#### **For media enquiries, please contact:**

Charles Mak  
Assistant Vice President  
Corporate Communications  
Tel: (852) 3603 6314  
Fax: (852) 3603 4312  
Email: charlesko\_mak@cncbinternational.com

Christopher Law  
Assistant Manager  
Corporate Communications  
Tel: (852) 3603 6635  
Fax: (852) 3603 4312  
Email: christopherst\_law@cncbinternational.com

- End -