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Market prepares for more inflows

Trend of Chinese-global integration seen in country's new development phase, trading links and further opening-up

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Further opening-up will be a major theme for the Chinese capital market this year, according to industry insiders.

China's A-share market is scheduled to be included in the MSCI Emerging Markets Index in June. As estimated by China International Capital Corporation, it is expected to bring in a capital inflow valued between $15 billion and $20 billion this year.

The regulators have reinforced their commitment to opening up the Chinese capital market to foreign investors by launching a number of programs associated with overseas markets over the past few years.

For instance, the mainland launched the Shanghai-Hong Kong Stock Connect in November 2014 and Shenzhen-Hong Kong Stock Connect at the end of 2016. The Shanghai-London Stock Connect, which was initiated in late 2015, is expected to take effect this year.

In addition, authorities approved the bond trading link between the Chinese mainland and Hong Kong in mid-May last year, allowing investors from both sides to trade bonds on each other's interbank markets. "Northbound" trade, which allows foreign investors to buy bonds issued on the Chinese markets, started in July.

On March 2, bourses in Shanghai and Shenzhen announced the start of bond-issuance businesses targeting Belt and Road Initiative projects. Jiang Chao, a senior researcher at Haitong Securities, said it is necessary to expand financing channels to meet the huge funding demand for such projects.

All these are signs of the integration between the Chinese market and the global market, a trend that is certain to be carried into the future, said David Chin, head of UBS' investment banking in the Asia-Pacific region.

During the annual two sessions, Zhou Xiaochuan, governor of the People's Bank of China (PBOC), said at a news conference on March 9 that there could be a higher level of opening-up in terms of market access since the country has entered a new phase of development.

"We can see that China has stepped further steadily in terms of greater convertibility of the Chinese currency. It can be expected that such opening-up will be expanded in the following years," he said.

In November, the Chinese government relaxed restrictions on foreign ownership in jointly owned financial institutions. With this, foreign businesses are allowed to own up to 51 percent equity in such organizations. The limit will be totally abolished after the policy is in effect for three years.

Apart from the relaxed grip on foreign financial institutions in China, opening-up also means Chinese financial organizations will be allowed to reach overseas markets, said Zhou.

"Quite a large number of Chinese financial institutions have set up branches and started their businesses worldwide. This will bring competition between Chinese financial institutions and the overseas ones, but more importantly, cooperation. One important facilitator is the internationalization of the renminbi," he said.

Yi Gang, vice-governor of the PBOC, said efforts are also being made to advance capital account convertibility, including direct investment and portfolio investment. With the two major means of foreign direct investment and overseas direct investment, it will be quite easy to carry out direct investment against the backdrop of real trade and investment, he said.

"For portfolio investment, it will refer to the opening-up of the financial market. To that end, the domestic stock market and the debt market will be further opened up. Local residents will be able to realize their asset allocation in a wider area," he said.

City ranking assesses sustainable development

Think tank works with economic planners to give detailed insight of urbanization initiatives

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The planning department of China's top economic regulator and an international think tank have jointly released a ranking of Chinese cities, with the aim to offer a comprehensive assessment of the quality and sustainability of their development and to explore the future path of the country's urbanization.

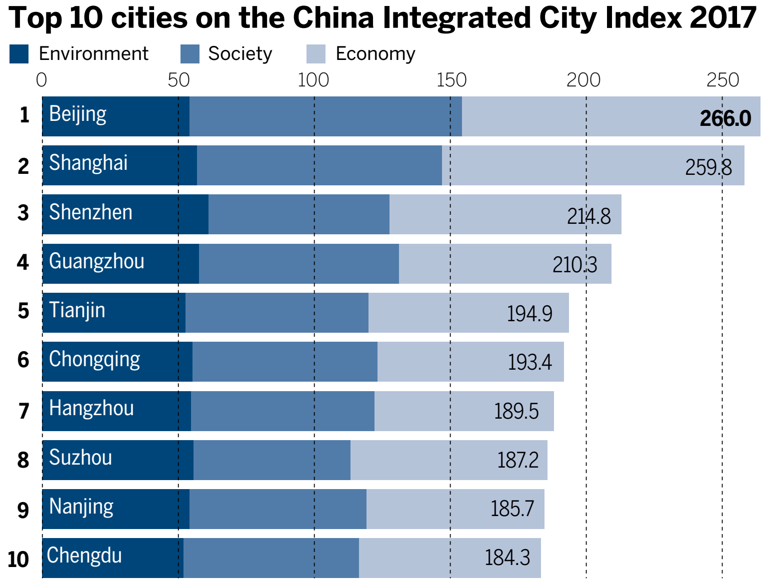
The China Integrated City Index 2017, developed by the National Development and Reform Commission's (NDRC) development planning department and Cloud River Urban Research Institute, analyzed and evaluated 297 Chinese cities based on three main dimensions — society, economy and environment.

The index is an annual ranking of Chinese cities and the first edition was published in 2016.

Beijing, Shanghai and Shenzhen are the top three cities in the overall ranking of 2017, followed by Guangzhou and Tianjin in the fourth and fifth positions. Shanghai was the top city under the economic index while Shenzhen led the ranking in terms of environmental quality.

The ranking was built on the analysis of vast amounts of original data

Top 10 cities on the China Integrated City Index 2017



Source: Cloud River Urban Research Institute CHINA DAILY

including satellite remote sensing data, and utilized a total of 175 indicators to carry out a comprehensive assessment of the cities, according to Zhou Muzhi, professor of economics at Tokyo Keizai University and head of Cloud River Urban Research Institute.

"With the support of such a massive amount of data, the ranking contains a lot of insightful information and some interesting development phenomenon in the cities, which could provide valuable resources for the policymakers," Zhou said.

Take Beijing for example. The city ranked top under the index of society for its capital status, international influence, quality of cultural and entertainment life, and consumption level that no other cities can compare with.

But in some sub-indexes of society, the capital city had a weak performance. For instance, Beijing ranked 169 under the index of population growth rate, 294 under the index of traffic safety and 290 under the index of housing price to income ratio.

Chongqing is another interesting city. As an economic center and transportation hub in Southwest China, the city ranked sixth in the overall ranking. However, Chongqing is the only city among the top 30 that had population outflows.

In addition, the China Integrated City Index 2017 introduced the concept of densely inhabited district (DID) to reflect the trend of centralized and clustered urban development in China. The concept of DID refers to districts with a population density of more than 5,000 inhabitants per square kilometer.

The index reflected that DID population has a high correlation with a city's ability to attract talent and industrial resources, and high-quality DID area is the foundation of the development of modern cities.

For example, the top 30 cities account for 40 percent of the country's total GDP, 89.7 percent of Fortune 500 Chinese companies, 67.2 percent of the country's listed companies on the main board and 80.7 percent of the country's total imports of goods.

This set of data reflected the overwhelming advantages of China's megacities in terms of economic development level, innovation and entrepreneurship, Zhou said, noting that the high-quality urban clusters will be a crucial driving force of China's urbanization process.

The government has already launched a series of policies to boost the development of three major urban areas — the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Pearl River Delta.

Xu Lin, director of China Center for Urban Development affiliated with the NDRC, said high-quality growth requires high-quality urbanization and there are many urgent issues that deserve the attention of the policymakers and need to be resolved.

The issues include disorderly expansion and inefficient use of urban space, unreasonable layout of infrastructure networks, lack of openness and inclusiveness of cities, and lack of scientific and forward-looking approaches in urban planning, according to Xu.