INSTRUCTIONS

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[Title:] Is China stopping overseas investment?

[SUMMARY:] It is widely known that growth in China has slowed. A powerhouse economy that was seen as the leader of growth for so many years is now pushing to slow foreign investment. Now, the aim is retaining capital within China's borders and the government is attempting to do this with a two-pronged approach. There is a push to simplify direct investment into China from outside; along with making it more difficult for Chinese businesses to purchase assets abroad.

[Sub-heading:] Why is China investing less overseas?

There is a clear aim of slowing investment into foreign companies and assets by Chinese entities. A main push towards this were the figures that came out showing that Chinese companies collectively spent over 1.1 trillion yuan; amounting to over £130 Billion in 2016. Many cite the reason for this being the weakening economy in mainland China. Many of the more high profile foreign acquisitions have hit the headlines, such as the acquisition of West Bromwich Albion and Aston Villa Football Club in the UK. This is also alongside the £1.4bn purchase of Skyscanner by the Chinese travel company Ctrip.com.

The high value of international investment has been recognized as a potential problem by the commerce minister, Gao Hucheng. He has taken up the baton of promoting internal investment into China after seeing the high level of funds being deployed outside of China increasing by over 50% in the last year, from around £85 billion in 2015.

[Sub-heading:] What's happening to inward Chinese investment?

Funds that are coming into China are at a stark contrast to those flowing out. Incoming investment is remaining stagnant at around £90bn. Thus, the gap between capital flowing into projects abroad and those deployed from outside into country, has reached almost £40bn. This is assisting to increase China investment fears and the migration of capital.

Even though the government's public stance is to create a more 'orderly' or even 'healthy' landscape for investment outside of China; there is the fear of curbs in foreign co-operation and pressure to reduce mergers or acquisitions.

It is questionable what the lowering of restrictions of foreign investment will look like within the People's Republic. This is at a time where it is feared that many globally situated Chinese focused funds have diversified their investments in 2016; shifting the focus to outside of China.

[Conclusion:] What is the future for Chinese foreign investment?

2016 broke many records for Chinese foreign investment. We have seen billions of dollars flow into US real estate, including the New York Waldorf Astoria for almost $2bn. Assets in the UK have also been seen as appealing, with an investment in the Hinkley Point nuclear power plant.

We are unsure whether the Chinese governmental action will have any significant impact as we keep seeing the positive momentum of Chinese external investment increasing; with the ChemChina's acquisition for $43bn of the Swiss company, Syngenta. This is due to take place in early 2017. We have also seen this hunger spill into the US film scene; with a purchase of the Godzilla filmmakers, Legendary studios for $3.5bn.

We wait to see what the government action will bring.

[Summary:] The future of investment in China is uncertain, but we're certain it will continue to play a role in our global economy.

Are you trading with Chinese companies or looking to export in China? Trade Finance Global have put together a series of exporting guides and a 'Doing Business in China' guide.

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Target keywords: China, Trade Finance, China growth, China investment, Chinese Foreign Investment, Gao Hucheng, People's Republic of China, Syngenta, Yuan
30 word post summary: There have been large capital outflows from China over the last year, which the government is putting a stop to. This could have negative effects for global commerce.

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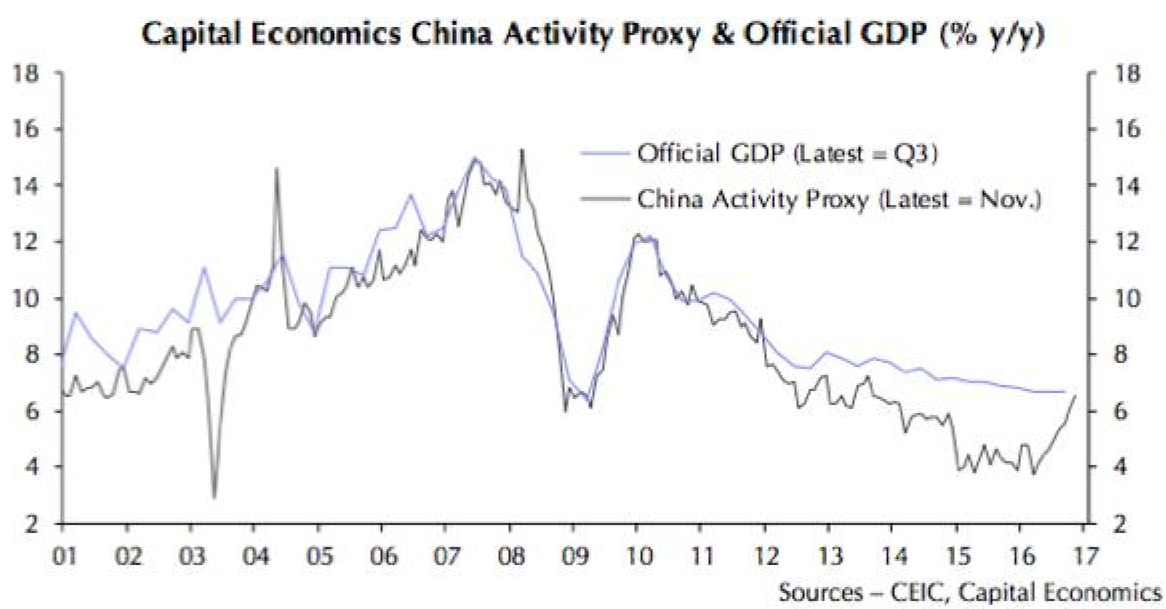

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