

INDUSTRIAL PROFIT GAIN ADDS TO RECOVERY HOPES

Earnings rise for a second month in June as the economy rumbles back to life after lockdowns, but they remain in negative territory for the first half

Finbarr Bermingham and
Orange Wang

China's industrial giants saw their monthly profits grow for a second successive month in June, but remained in negative territory over the first half of the year, owing to the impact of the coronavirus.

Last month, profits rose 11.5 per cent year on year, up from an increase of 6 per cent in May, data from the National Bureau of Statistics showed yesterday.

In the first six months of the year, however, profits fell 12.8 per cent, with May and June representing the only months of growth in 2020.

China's economy has been rumbling back to life in recent months following a weeks-long shutdown in the early months of the year.

Official data said the economy grew by 3.2 per cent in the second quarter, a dramatic turnaround

on the minus 6.8 per cent reported in the preceding quarter.

However, the official economic growth figure has been met with widespread scepticism, given that many parts of the economy are still reopening following the lockdown.



Companies still face many difficulties in production and operations

ZHU HONG, SENIOR STATISTICIAN

Total profits in the first six months amounted to 2.51 trillion yuan (HK\$2.77 trillion), with the June figure at 666.55 billion yuan.

Mining companies saw their profits fall 41.7 per cent in the first

half, while those for manufacturers, which were dealing with trade war tariffs on top of coronavirus issues, were down 9.8 per cent. Utilities firms saw a drop of 8.7 per cent in profits from January to June.

Among the 41 industrial sectors the statistics bureau measures, just nine saw profits rise year on year in the first half. One sector was unchanged, while 31 saw their profits decline.

One of the few segments to shine was electronics, communications and computing, where profits grew 27.2 per cent.

State-owned enterprises, meanwhile, were less profitable than private firms.

Their dividends tumbled 28.5 per cent in the first six months from a year earlier. For private companies, there was an 8.4 per cent decline, while foreign-invested companies experienced an 8.8 per cent drop.

The overall six-monthly profit drop of 12.8 per cent was a slight

improvement on the 19.3 per cent decline over the first five months and the record 38.3 per cent year-on-year decrease in the first two months of 2020.

The improvement in May and June was in line with other indicators that suggest China is the first major economy to have begun to recover from the pandemic, including successive positive purchasing managers' indices, stronger retail sales and industrial production, along with exports and imports that surprisingly returned to growth in June.

"Although the profits of industrial enterprises clearly recovered and improved in the second quarter, in general market demand remained weak due to the impact of the coronavirus pandemic. Companies still face many difficulties in production and operations," said Zhu Hong, senior statistician at the bureau.

"At present, the global pandemic is still spreading, the international economic and trade situation is still complicated and severe, and the sustainability of industrial profit growth is still uncertain."