

MAINLAND INDUSTRIAL PROFITS JUMP BY 19.6pc

Rebound for third successive month in July as recovery from coronavirus continues, but analyst warns that the economy is still trending downward

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China's industrial giants saw their monthly profits grow for a third successive month in July, but they remained negative in the first seven months of the year.

Profits of industrial firms increased 19.6 per cent year on year, improving from an 11.5 per cent rise in June, data from the National Bureau of Statistics showed yesterday. This was the fastest pace since June 2018, when profits grew by 20 per cent.

In the first seven months of the year, however, profits fell by 8.1 per cent, with May, June and July the only months of growth. Total profits for the first seven months reached 3.1 trillion yuan (HK\$3.5 trillion).

Profits fell by 12.8 per cent year on year in the first six months and in July alone, profits stood at 589.51 billion yuan.

"Benefiting from the acceleration of production and sales in some key industries, and the

decline in overall unit costs, the profits of industrial enterprises were still recovering in July, but revenue growth has shown signs of slowing down," said Liang Zhonghua, chief macro analyst at the research institute of Zhongtai Securities.

"The data is improving in the short term, mainly supported by real estate and infrastructure.

"The [growth of] infrastructure is the result of policies, and real estate is more due to the release of backlogged investment during the pandemic, which are both hard to sustain. After the backlog of demand and investment is released, the economy is still trending downward."

On Wednesday, the finance ministry said profits at state-owned firms in the January-July period fell 30.4 per cent from a year earlier to 1.48 trillion yuan.

China's economic recovery from the impact of the coronavirus remains patchy after industrial production grew by 4.8 per cent in July from a year earlier but retail sales shrank by 1.1 per cent.

During the first seven months of the year, profits within the manufacturing sector dropped 4.5 per cent, with those in the mining sector down 41.6 per cent.

In July, 32 of the 41 industrial sectors recorded a growth in profits, nine more than in June.

12.8%

Decline in profits at China's biggest industrial firms in the first six months of 2020, compared with the same period last year

Last month, profits within the equipment manufacturing industry increased by 44.3 per cent from a year earlier, while the car industry rate rose sharply to 125.5 per cent from 16.9 per cent in June thanks to a round in sales and increased investment.

In the first seven months of the

year, 12 of the 41 industrial sectors saw profits rise year on year. The total profit within the computer, communications and other electronic equipment manufacturing industry increased by 28.7 per cent, but profits within support activities for mining dropped 134.6 per cent from a year earlier.

"Although the profit growth of industrial enterprises accelerated further in July, the cumulative profit of the upstream mining and raw materials industries still fell sharply," Zhu Hong, a senior statistician at the NBS, said.

"The growth of accounts receivables increased compared with June, resulting in greater pressure on corporate cash flow. Coupled with complex and serious domestic and foreign environments, there is still a certain degree of uncertainty in future profit growth.

"[China should] make every effort to promote consumption, expand investment and stabilise foreign trade, accelerate the release of domestic demand, give full play to the advantages of the huge domestic market, stabilise the industrial chain supply chain and promote the continuous improvement of industrial economic benefits."