

Friday Times BUSINESS

FRIDAY, FEBRUARY 17, 2017



Austria to sue Airbus over alleged Eurofighter fraud

RUSSIA HOPES TO MEET OIL OUTPUT CUT DEAL BY APRIL

Page 38

Page 41

CHINA'S OVERSEAS PROPERTY INVESTMENTS SLUMP PROPERTY AGENTS SAY CAPITAL CONTROLS HURTING ACTIVITY

BEIJING: Property investment by Chinese companies plunged in January as authorities tightened restrictions on capital outflows to support the ailing yuan currency and ease pressure on the country's foreign exchange reserves. Investment by Chinese firms in offshore properties—which has helped fuel sharp and often contentious home price rises from London to Vancouver—tumbled 84.3 percent in January from a year earlier, the commerce ministry said on Thursday, without giving the amount invested.

That helped drag China's outbound direct investment (ODI) down 35.7 percent in January to 53.27 billion yuan (\$7.77 billion), the weakest in 16 months. The data does not include investments by companies in the financial sector.

China tightened its grip on moving funds out of the country late last year as the yuan plumbed more than eight-year lows. While Beijing says it supports legitimate overseas investment, regulators have warned they would pay close attention to "irrational" investment in property, entertainment, sports and other sectors.

The move has disrupted Chinese plans to buy global assets ranging from Italian soccer club AC Milan to a Hollywood studio. Those involved in helping Chinese invest overseas say it is now much tougher to get money out of the country.

"All outbound property deals are heavily affected by the capital restrictions. We have changed our funding channels, to target investors who already have funds offshore," said an investment manager at China Orient Summit Capital, which operates property investment funds in Shanghai.

DTZ/Cushman & Wakefield expects the deal volume of China's outbound property investment to drop slightly in 2017 under the clampdown. It estimates Chinese investment in overseas commercial real estate alone reached a record \$38.3 billion last year.

There are also signs that overseas property purchases by individual Chinese, which aren't included in ODI data, have also been impacted by capital controls. "There has been a per-

ceptible reduction in activity from Chinese buyers on the ground in (London's) Mayfair, but they have by no means disappeared," Tim Macpherson, head of London Residential at Carter Jonas, said ahead of Thursday's data.

In Vancouver, Canada's most expensive real estate market and a region popular with Chinese buyers, property sales plunged 39.5 percent in January from a year earlier, data from the Real Estate Board of Greater Vancouver showed. Measures recently announced by Beijing include vetting transfers abroad of \$5 million or more and increasing scrutiny on outbound corporate investments.

Chinese banks on Jan. 1 also began requiring customers purchasing foreign currency to specify how they will use the funds, while reminding them individuals are not allowed to invest in overseas property under the capital account. Efforts to prop up the yuan currency led China's foreign exchange reserves to fall below the \$3 trillion level in January for the first time in nearly six years. But the drop was less than expected, suggesting tighter controls are slowing capital flight.

"Risk warnings from regulators and short-term controls have achieved results," the State Administration of Foreign Exchange (SAFE) said in a statement to Reuters last week. Investment in the culture, sports, and entertainment industries fell 93.3 percent in January. But, showing authorities were indeed being more selective, investment in overseas manufacturing and information technology sectors rose 79.4 percent and 33.1 percent, respectively.

"Although ODI dropped in January, the overall structure is improving," said ministry of commerce spokesman Sun Jiwen.

Too early to tell

Agents advising Chinese buyers on overseas property say it remains to be seen how capital controls will impact sales in the long term, as many buyers have already moved money abroad.

"The so-called 'mainlanders' who bought these high-value properties have had their

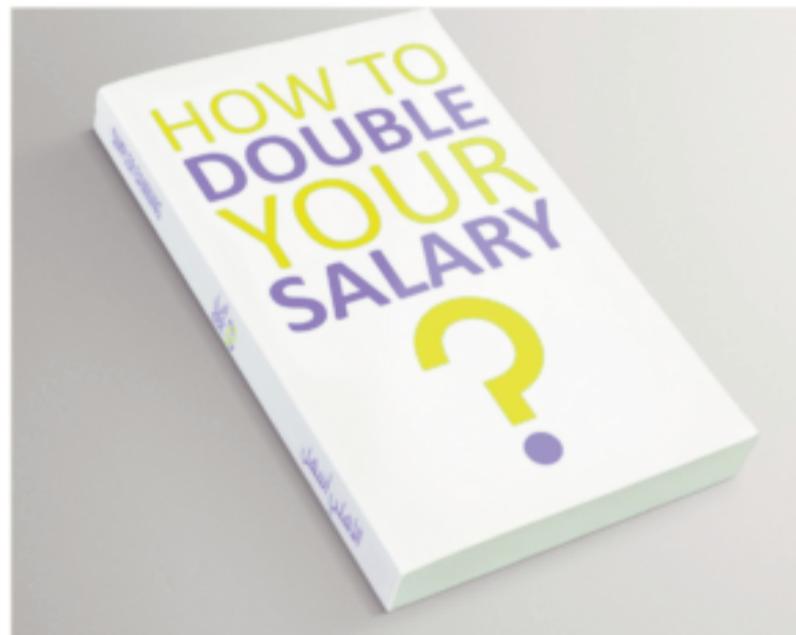
money transferred to Hong Kong one to two years ago," said Vincent Cheung, executive director, valuation and advisory, at Colliers International. Large companies such as Fosun, China's largest private conglomerate, say they already have sufficient funds overseas.

And Chinese interest in overseas property remains strong, according to Jan Kot, the head of China at property portal Juwai.com, which saw a more than 90 percent jump in inquiries on its website in January from a year earlier. The yuan is widely expected to fall further this year, according to a Reuters poll, while local Chinese governments are tighten-

ing restrictions to cool heated property prices at home. Economists expect more forceful policing of capital controls this year, though China's financial system is notoriously porous, with speculators quickly able to find new ways to get money out.

"It will probably stem outflows for a few months but over the long-term with the Chinese economic fundamentals still poor there is still a great desire for people to try to bring their money out," said Chua Han Teng, senior analyst at Fitch's BMI Research in Singapore. "In the long term, it seems like outflows are likely to persist." — Reuters

ABK Announces Winners of 42nd 'Double Your Salary' Weekly Draws



Get KD 100 upon transfer of salary to ABK and be one of the lucky winners to double up! Kuwait- 17 February, 2017: Al Ahli Bank of Kuwait (ABK) held its 42nd 'Double Your Salary' weekly draw on 13th February, 2017 at the Bank's Head Office in the presence of a representative from the Ministry of Commerce, announcing the names of the winners for this week. The promotion includes weekly draws, with two winners per draw. The campaign will run until 27th June, 2017.

The winners this week were:

• Amit Kapil Deo, Fahaheel Branch

• Bader Ahmad Akbar Albehbehani, Hawally Branch

New customers who transfer their salary to ABK receive KD 100 and will automatically be entered into the weekly draws to double their salaries. Existing customers who are already transferring their salary to ABK are entered into a separate draw.

The next 'Double Your Salary' draw will be held on 20th February 2017, where two new lucky winners will be announced. All winners will be contacted personally and a weekly announcement will be made through the media.



HANOI: A farmer uses a water buffalo to prepare his plot of land for the transplanting of rice in a paddy field on the outskirts of Hanoi yesterday. — AFP