

China industrial profit still strong

Capacity reduction reforms support profits in old sectors which, together with the increase in new sectors' already decent profitability, points to steady profit growth.



Source: istock

Headline operating income and profits are exaggerated by coal and steel, which have been affected by overcapacity programmes. But, thanks to rising new sectors that have been earning decent profits, China's overall industrial profit growth should keep momentum.

23.3% Profit growth
YTD Oct 2017

The hall of fame of profit makers

The growth headline number was overwhelmed by the coal and steel sectors that have experienced severe supply cuts resulting from the overcapacity exercise. Other sectors have been doing well up to Oct 2017. Computers and communication equipment, chemicals, automobiles,

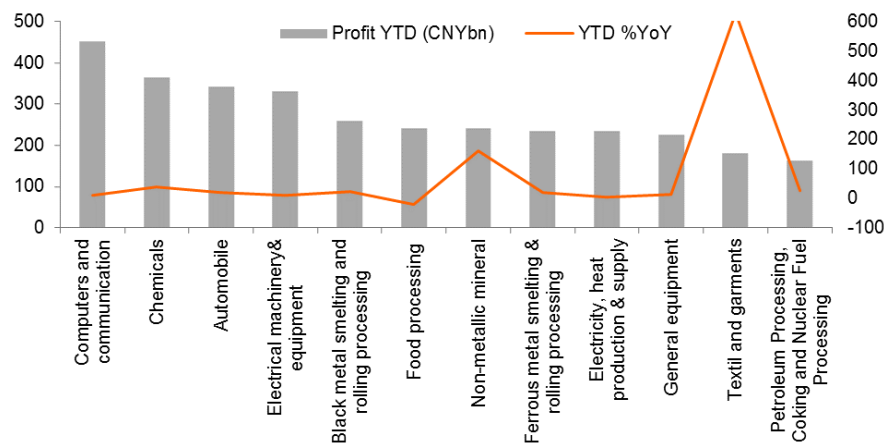
and electrical equipment were near the top for operating income as well as profits.

Computers and communication earned the most profits, at CNY562.21bn and up 8.8% YoY, followed by chemicals and automobiles at 37.9% and 19.3% growth, respectively.

Next year unlikely to be as good due to high base effect

Although the low base effect will fade and the high base effect will kick in next year, the rising technology-related sectors could be able to keep industrial profits growing well in China next year.

Technology-related sectors should keep China profits sustainable



Source: ING, Bloomberg