

China's industrial profits fall in June, add to fears of slowdown

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Profits earned by China's industrial firms contracted in June after a brief gain the previous month, fuelling concern that a slowdown in manufacturing from a bruising trade war will drag on economic growth.

China's industrial profits have been softening since the second half of 2018 as the economy slowed and the U.S.-China trade dispute escalated, with many industrial firms putting off business decisions and scaling back manufacturing investment.

Economic growth in the second quarter slowed to a near 30-year low.

Industrial profits fell 3.1% in June from a year earlier to 601.9 billion yuan (\$87.5 billion), according to data released by the National



Bureau of Statistics (NBS) on Saturday, following a 1.1% gain in May.

In the first six months, industrial firms earned profits of 2.98 trillion yuan, down 2.4% from a year earlier, compared with a 2.3% drop in January-May.

The drop in first-half prof-

its was driven by declining profits in the auto, oil processing and steel sectors, Zhu Hong of the statistics bureau said in a statement accompanying the data.

Producer price inflation, one gauge of industrial profitability, eased to zero in June from a year earlier, rekindling

worries about deflation, which could prompt authorities to launch more aggressive stimulus measures.

U.S. and Chinese negotiators will meet on Tuesday for the first time since their presidents, Donald Trump and Xi Jinping, agreed in late June to revive talks in a bid to end the year-long trade war.

The governments of the world's largest economies have levied billions of dollars of tariffs on each other's imports, disrupting global supply chains and shaking financial markets in the dispute over how China does business with the rest of the world.

June marked the first full month of higher U.S. tariffs on \$200 billion of Chinese goods, which the United States imposed after trade talks broke down. Both exports and imports fell.