

# READ LESS. KNOW MORE. CHINA BANKING TRENDING ANALYTICS POWER TRACKER

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8 minute read

## CHINA BANKING TRENDING ANALYTICS

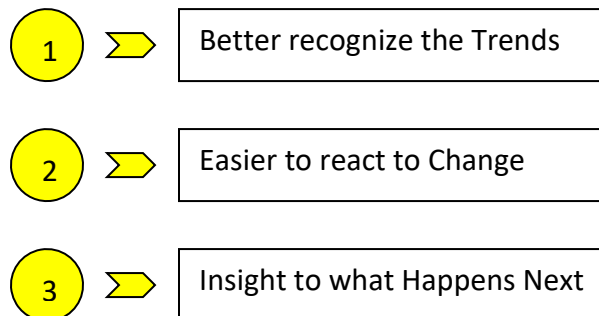
Trending Analytics for China Banking is always the ultimate goal our UK team looks for to provide an **unrivalled service to our readers**. Leveraging our experience on Economic Indicators, financial circuit breakers, business DNA and hundreds of hours of deep thinking about the best way to classify and categorize, as well as going through lines and lines of feeds on China Banking and related information, the first report is now ready.

To visualize complex arguments and formulae calculations, we decided to **present the Report in 8 charts**.

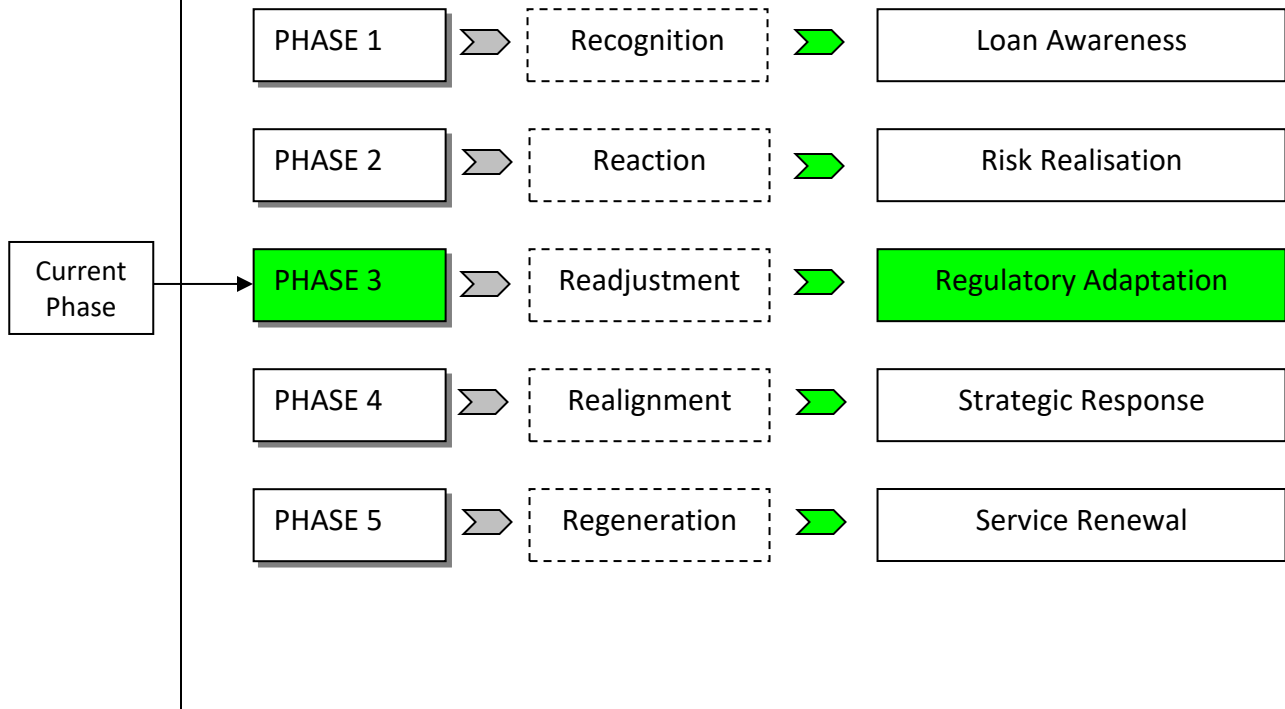
### CHINA BANKING AND THE 5R'S MODEL: STAGE 1

There have been several significant spikes in activity and news alerts related to China Banking recently. These really started gaining momentum around October last year (2019) and are still playing out.

By creating a simple 5R's Model of the Phases and Drivers underpinning the new China Banking Trends. It not only makes the activity easier to understand and follow; it also helps us to react to change and be able to **gain an insight into what's going to happen next**.



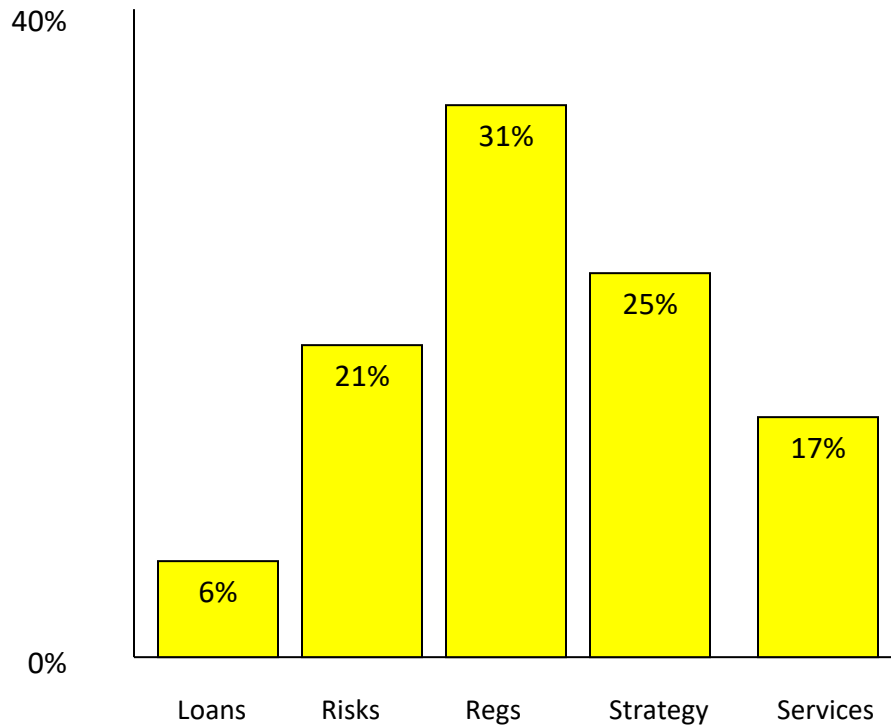
**CHART 0**  
**CHINA BANKING MODEL: PHASES and DRIVERS, STAGE 1**



Our Banking Model focuses on 5 Phases and 5 related Drivers to help one to understand what's really going on in China Banking. These 5 Phases are present in most historical financial crises and recoveries, for example, they echo the 2008 crisis. **These Phases and Drivers recognize what happens in Stage 1 of a Recovery.**

The Data for the Model indicates that **China is currently in Phase 3 mode and currently driven by Regulatory change.** In today's Trend Analytics Briefing we are going to focus on the Phase 3 Data Analysis and, in particular, the Profile for Regulatory Change and its implications for Business.

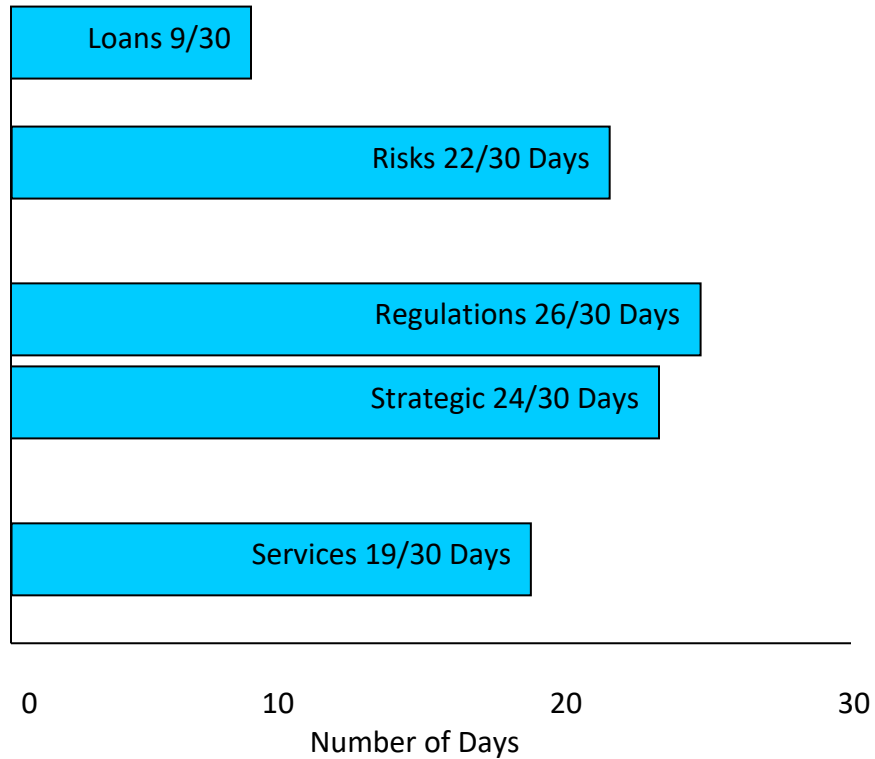
**CHART 1**  
**BANKING ALERTS: % DISTRIBUTION MARCH - APRIL 2021**



This Chart has been compiled by **expressing the number of alerts for each Driver as a % of the total number of Alerts for the monthly slice** (mid March to mid April 2021).

In short, this Chart identifies **Regulations as the top Alert Driver** for the period, confirming the result we expect for Phase 3 in terms of the volume of entries: although we can also detect from the underlying Data that **the pace of Regulatory Alerts has started to slow down**.

**CHART 2**  
**BANKING ALERTS: DAILY FREQUENCY MARCH-APRIL 2021**



This Chart has been compiled by illustrating the number of daily alerts identified and recorded for each of the 5 Drivers.

This Chart confirms that Regulations **are not only the top driver in terms of volume but also in terms of frequency over the 30 day period** and it again confirms what we **expect to see for Phase 3**: although we can also detect from the underlying Data that the frequency of Regulatory Alerts has started to slow down.

**CHART 3**  
**DAILY ALERT INTENSITY: % DISTRIBUTION**

DRIVER	1 ENTRY	2 ENTRIES	3 ENTRIES	4 ENTRIES
1. LOANS	75%	25%		
2. RISKS	70%	18%	12%	
3. REGS	33%	49%	11%	7%
4. STRATEGY	68%	10%	16%	6%
5 SERVICES	73%	13.5%	13.5%	

Chart 3 has been compiled to illustrate **the number of Alert entries that have been recorded each day for all the 5 Drivers.**

This Chart confirms that **Regulations have the highest density of entries during Phase 3 which confirms their dominant position:** although we can also detect from the underlying Data that the intensity of Regulatory Alerts has started to slow down.

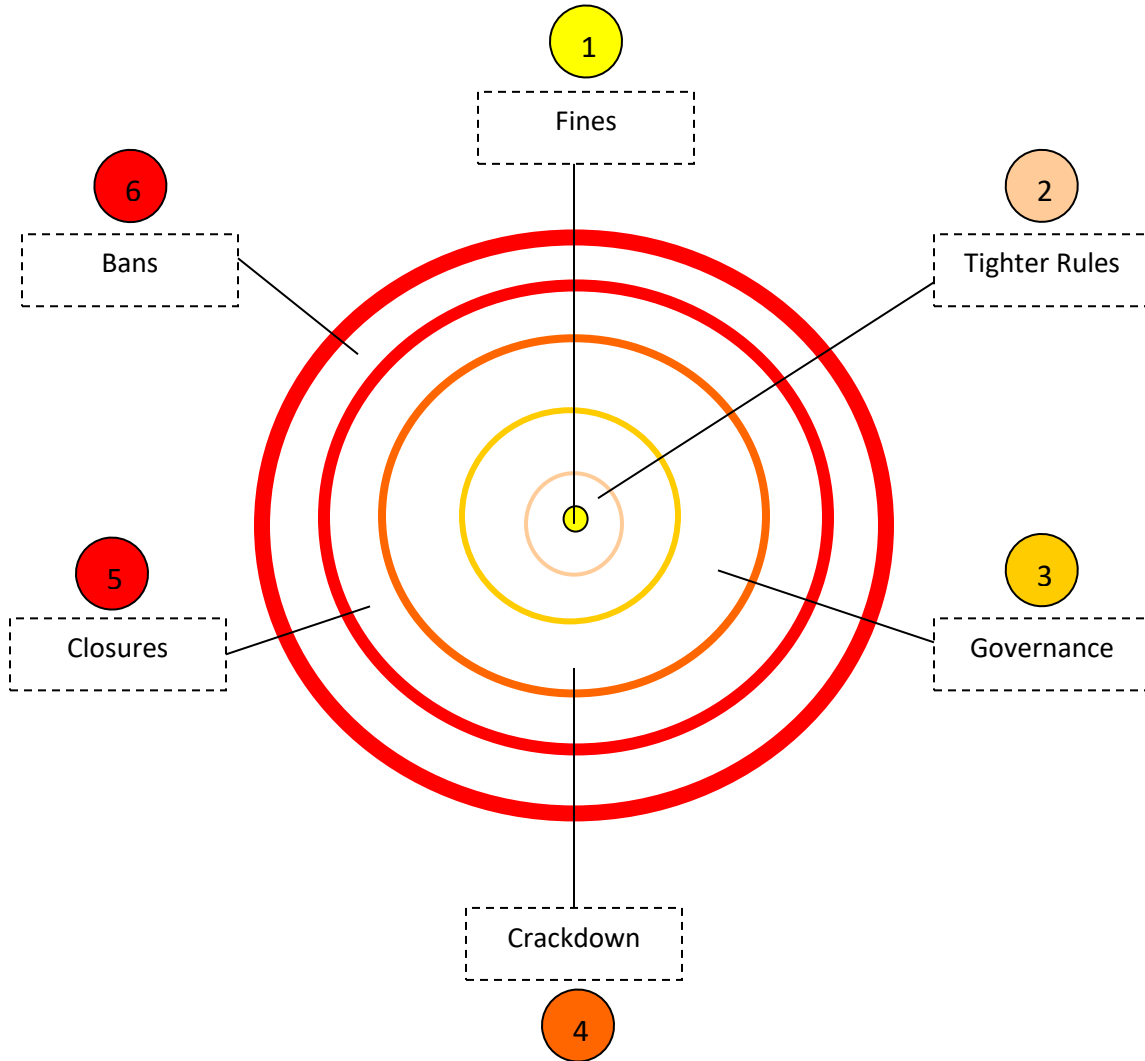
**CHART 4**  
**REGULATION PROFILE: WHAT DO WE KNOW ALREADY?**

	KEY FEATURE	BUSINESS IMPACT
✓	It's the Top Driver in Phase 3	Need to focus on Regulatory changes
✓	It's the Most Frequent Driver	There are Regulatory changes nearly every day
✓	It's the Most Intense Driver	There can be multiple changes each day

**WHAT ELSE DO WE KNOW ABOUT REGULATION?**

KEY QUESTION	Y/N	BUSINESS MEANING
Is the Regulation Scope narrow?	No	It covers multiple regulatory drivers
Is it Segment specific?	No	It covers multiple regions/sectors
Is it Purpose specific?	No	It has multiple purposes
Is it Time specific?	No	There are no early warning signals
Is it One Dimensional?	No	There are multiple business implications
Is it Linked Up?	Yes	All the Drivers are inter-connected
Is there an Underlying Theme?	Yes	There is no stone going to be left unturned

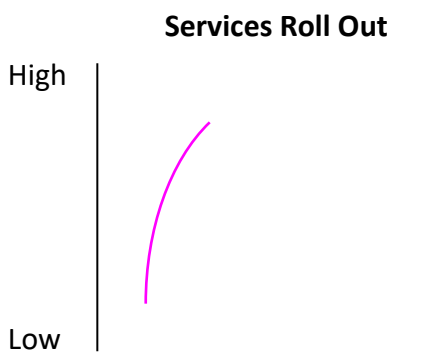
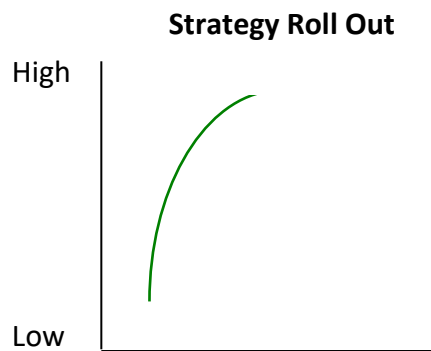
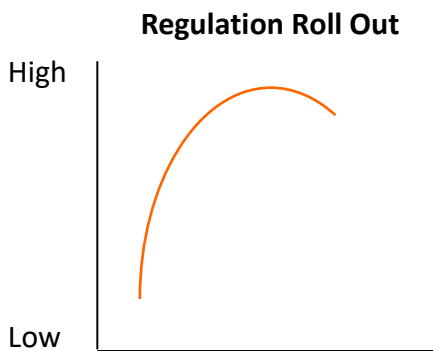
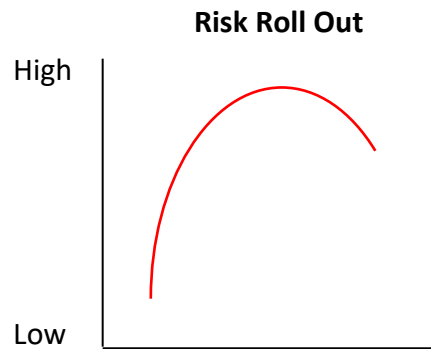
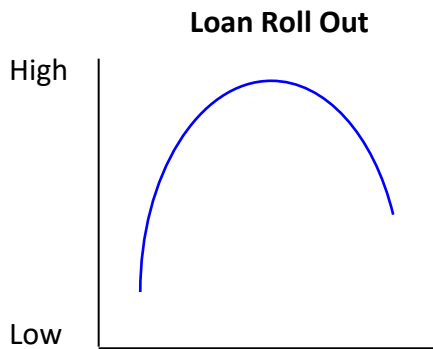
## CHART 5 GROUPING THE REGULATION DRIVERS: SEVERITY BANDS



Based on our current research we expect the number of Regulation Drivers to **peak at 50: currently we have identified 38**. In other words there are currently 38 regulatory indicators that are being tracked which confirms that what we are seeing is a "no stone left unturned" approach with little room being left to hide.

To help all of us to see the Big Picture we have created the Chart above which is based on **six Severity Index Bands starting with Fines and ending with Bans**. These are really the Containers which hold the (expected) 50 Regulation Drivers.

## CHART 6 WHAT'S GOING TO HAPPEN NEXT: PHASES 4-5?



The shape of the Driver Roll Out follows a Bell Curve with the early Phase Drivers leading the roll out (**Loan Awareness and Risk Recognition**) which are predicted to continue to fall away.

The current Phase Driver (Regulation has already reached a peak; **the two lagging drivers (Strategy and Services) are still gaining momentum and are predicted to dominate Phase 4 and Phase 5.**

**THE ABILITY TO PREDICT POLICY TRENDS IS THE KEY TO FINANCIAL GAIN. FOR THE LAST SIX MONTHS, I HAVE BEEN DOING JUST THAT. THERE ARE SO MANY WAYS TO SLICE AND DICE, TO REVEAL AND UNVEIL THE TRUE PROFILING OF ONE'S BUSINESS. IN ADDITION, BY MASTERING THE TRENDS ONE CAN BUILD MOATS TO PROTECT ONE'S BUSINESS. WHAT YOU SEE HERE IS JUST THE TIP OF THE ICEBERG. WE WELCOME YOUR FEEDBACK AND PROFILING OF YOUR BUSINESS. TOGETHER WE BUILD OPPORTUNITIES AND RISK AVOIDANCE.**