Mizuho Economic Commentary-China

April 2018 edition

◆ Topic

The Chinese response to the U.S. trade issue

The U.S. has introduced several punitive measures based on U.S. trade laws. China has prepared some countermeasures, but it has also made conciliatory noises, with a call for further opening up, for example. China's response will probably continue to mix toughness with conciliation for now, but it is difficult to predict how things will develop and economic tensions could drag on into the long term.

◆ Economic trends

Despite a mixed picture, major indices moved stably overall in March

China's real GDP growth in January–March 2018 moved firmly at +6.8% y-o-y for the third straight quarter. Production and investment growth dipped on a monthly basis in March, though consumption and exports grew at a faster pace. The data was impacted by the strong results in February owing to the Spring Festival holidays, with the major indices moving stably on the whole.

1. Topic: The Chinese response to the U.S. trade issue

The U.S. has implemented three measures based on U.S. trade laws since entering 2018

The Trump administration is swiftly pursuing the 'aggressive enforcement of U.S. trade laws' as part of its 2018 Trade Policy Agenda. It has already taken three steps based on U.S. trade laws (Fig. 1).

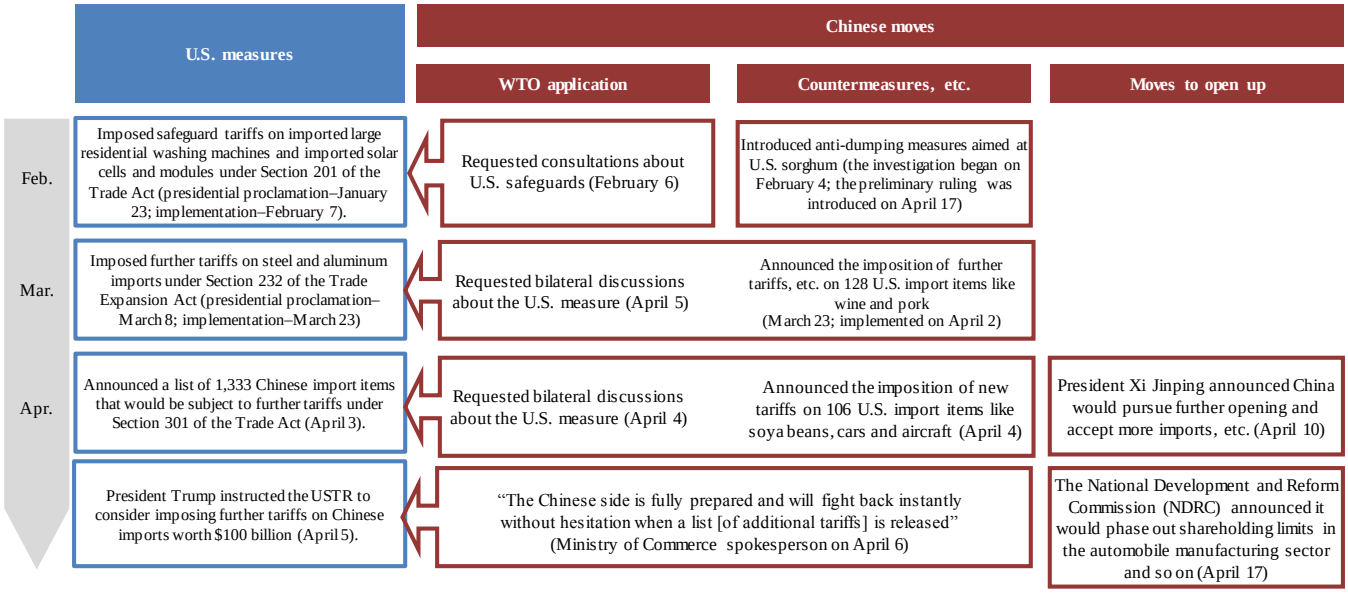
(1) It imposed safeguard tariffs on imported large residential washing machines and imported solar cells and modules under Section 201 of the Trade Act (presidential proclamation–January 23; implementation–February 7).

(2) It imposed steep tariffs on steel and aluminum imports to protect national security under Section 232 of the Trade Expansion Act (presidential proclamation–March 8; implementation–March 23).

(3) It imposed trade and investment restrictions on China (memorandum signed on March 22; it released a list of 1,333 Chinese import items worth around $50 billion that would be hit by tariffs on April 3) under Section 301 of the Trade Act and it pursed dispute settlement procedures at the WTO (March 23).

(1) and (2) do not apply solely to China, but Chinese misconduct featured strongly in the two investigations behind these measures, so the measures are clearly aimed to a large extent at China, a country that accounts for around half the U.S. trade deficit.

Fig. 1: Trade Sanctions Based on U.S. Trade Laws; and the Chinese Response



Source: Prepared by Mizuho Research Institute based on the materials from the WTO, the Chinese National Development and Reform Commission, the Chinese Ministry of Commerce, and various media reports

China is standing its ground and it has taken countermeasures, including filing to the WTO

China has responded as follows to these measures.

(1) It formally requested consultations with the U.S. pursuant to the WTO Safeguards Agreement (February 6) and it launched an anti-dumping investigation into U.S. sorghum imports (the investigation began on February 4; the preliminary ruling was introduced on April 17).

(2) It imposed steep tariffs on 128 U.S. import items like wine and pork (announced on March 23 and implemented on April 2) and it pursued dispute settlement procedures at the WTO (April 5).

(3) It imposed new tariffs on 106 U.S. import items like soya beans, cars and aircraft equivalent to $50 billion (announced April 4) and it pursued dispute settlement procedures at the WTO (April 4).

The Chinese government said its anti-dumping measure (1) was not a retaliation against U.S. safeguards, but it did indicate that (2) and (3) were retaliatory measures. In response to (3),

President Trump instructed the USTR to consider further tariffs on Chinese goods to the tune of $100 billion. China continues to stand its ground, though, with a Chinese official stating the government was prepared "fight back instantly without hesitation." China has also requested dispute consultations at the WTO on the grounds that the U.S. measures infringe WTO rules.

China has also made some conciliatory noises

At the same time, the Chinese government has also made some conciliatory noises about opening up further to the outside world, for example. At the Boao Forum for Asia, President Xi Jinping announced China would pursue further opening up and would accept more imports (April 10), while Yi Gang, governor of the People's Bank of China (PBOC), also announced specific measures and a timeframe for opening up China's financial sector (April 11). President Trump welcomed President Xi's speech and at one point he seemed disposed toward alleviating tensions between the U.S. and China.

Though the U.S. has hit major Chinese ICT firms with punitive measures, it is also signalling a readiness to talk

However, the U.S. continues to tighten the screws on China. On April 16, it banned sales of U.S. exports to the Chinese telecom equipment manufacturer ZTE on the grounds of malpractice, for example, while a report released by the U.S.-China Economic and Security Review Commission on April 19 mentioned acts of espionage by major Chinese ICT firms like Huawei, Lenovo and ZTE. Under these circumstances, U.S. treasury secretary Steven Mnuchin announced on April 21 that he was considering a trip to China to discuss a deal, with signs emerging that the U.S. was moving toward dialogue.

Opinions on the ground suggest there are three main potential scenarios going forward, ranging from the optimistic to the pessimistic.

Future developments:

(1) The U.S. and China adopt concilatory stances and frictions soon cool off

First up, the optimistic scenario involves China continuing to open up and promote imports. Under this scenario, the U.S. realizes the potential benefits of this situation. With concerns also growing in the U.S. about the potential negative impact on the U.S. of import restrictions and so on, Washington's China economic policy gradually pivots from punishments to dialogue, with U.S./China trade frictions soon cooling off.

(2) Sanctions are tightened, but negotiations also move forward and the situation gradually cools

The next scenario is a mixture of optimism and pessimism. Under this scenario, the U.S. implements further sanctions and China reacts accordingly, with frictions between the two countries growing worse, though the situation gradually regains composure due to ongoing negotiations. According to voices on the Chinese side, potential Chinese countermeasures in this case include expanding the list of items subject to import restrictions (to include agricultural products like corn or resources like petroleum and natural gas) or restricting travel to the U.S.

(3) Economic frictions worsen and China adopts a range of measures, including currency manipulation and restrictions on trade and investment

Last up is the pessimistic scenario. Under this scenario, bilateral negotiations break down and tit-for-tat responses are stepped up, with economic frictions growing worse. According to voices on the Chinese side, potential Chinese countermeasures in this case include harsh steps that could also have a negative impact on Chinese economic stability. These include restricting Chinese investment in U.S. firms/financial institutions, implementing comprehensive restrictions on U.S. imports, guiding the RMB lower, and selling U.S. treasuries.

It is difficult to gauge how events will develop, but U.S./China tensions could drag on into the long term

When the U.S. previously hit China with sanctions under Section 301 of the Trade Act, an agreement was reached within two months from the publication of the U.S. target list. However, the recent U.S. measures were prompted by a desire to reduce China's huge trade surplus with the U.S. ($100 billion) and they are larger and more comprehensive than previous measures, so reaching an agreement will be no easy matter (卢锋, 2018). Even if an agreement is reached comparatively quickly, this is unlikely to completely resolve U.S./China trade frictions. Economic

tensions between Washington and Beijing could drag on into the long term, so caution will be needed.

(Kaori Yamato)

Reference: 卢锋 (2018), "中美新一轮经贸博弈前景推测" (財経网, dated on April 8, 2018)

2. Overview: Major indices moved stably overall in March

Growth remained stable over January–March

China's real GDP growth in January–March 2018 hit +6.8% y-o-y for the third straight quarter, with the Chinese economy remaining stable (Fig. 2). At -0.6%Pt, net exports made a negative contribution to GDP for the first time in five quarters (October–December: +2.0%Pt), but the growth rate was bolstered by the expanded contribution of final consumption (from +3.1%Pt in October–December to +5.3%Pt) and total fixed capital formation (from +1.7%Pt in October–December to +2.1%Pt). The negative contribution of net exports was due to a sharp increase in imports, with exports actually growing on a y-o-y basis and remaining firm.

Production growth dipped in March

At +6.0% y-o-y, real value-added industrial production growth dipped in March (January–February: +7.2% y-o-y). However, growth was up sharply in January–February, so the average figure for January–March was +6.8% y-o-y (October–December: +6.2% y-o-y), with growth hitting the upper-6% range for the first time in three quarters. Tobacco and other light industries grew at a fast clip over January–February, while the ferrous metal sector also posted positive y-o-y growth for the third straight month. With real estate investment rebounding, for instance, the ferrous metals sector grew by +5.2% y-o-y in March to record its fastest growth since December 2015 (January–February: +2.9% y-o-y). However, inventories swelled in January–February on expanded production, so the output/inventory balance (y-o-y output growth minus y-o-y inventory growth) hit +2.5%Pt over January–February, with the positive contribution continuing to shrink after peaking in July–September 2017 (Fig. 3).

The government's Manufacturing PMI rose in March

At 51.5, the government's March Manufacturing PMI rose for the first time in two months (February: 50.3). All the constituent indices rose, including production and new orders. This bullishness was largely a reaction to the slump that occurred in February due to the Spring Festival holidays, but with the PMI recovering to highs around the average figure for 2017 and growth remaining at the upper +6% mark, business confidence also appears to be moving firmly. At 54.6, the Non-manufacturing PMI rose slightly (February: 54.4).

Export growth dipped into negative territories in March

At -2.7% y-o-y, export growth (nominal, dollar-denominated) slipped into negative territories in March (February: +44.1% y-o-y) (Fig. 4). This was partly a fallback from February's strong data, with the figure also impacted by the high level of growth recorded a year previously. As mentioned above, at +14.1% y-o-y, export growth picked up over January–March (October–December: +9.6% y-o-y). The breakdown for January–March shows exports of petroleum products and electrical equipment growing at a faster clip, with exports to the NIEs, the ASEAN5, the U.S., the Middle East, and Central and South America all moving robustly.

Imports grew sharply in March

At +14.4% y-o-y, import growth (nominal, dollar-denominated) in March was up on February's figure of +6.1% y-o-y (Fig. 4). At +18.9% y-o-y, the figure for January–March was up sharply on October–December's +12.7% y-o-y. The breakdown for January–March shows imports of hi-tech products (integrated circuits, etc.) surging by +25.1% y-o-y (October–December: +13.7% y-o-y), with imports of coal and crude oil also expanding. Imports were up when it came to Japan, the U.S., the NIEs and the ASEAN5.

In March China recorded its first trade deficit since February 2017

China recorded a trade deficit of $5 billion in March (February: a surplus of $33.4 billion). This was the first deficit since February 2017. Though China maintained a surplus over January–March, this surplus shrank by -19.6% on the previous year due to a surge in imports.

Investment in fixed assets grew at a slightly slower pace in March

At +7.2% y-o-y, the nominal growth rate of investment in fixed assets* fell in March (January–February: +7.9% y-o-y). Though investment in real-estate development grew, investment in manufacturing and infrastructure slowed. A breakdown for manufacturing shows investment in specialist machinery and automobiles jumping back into positive territories, though investment in telecommunications and electronics dipped after previously growing at a fast clip. At +7.5% y-o-y, investment in fixed assets grew at a faster pace over January–March (October–December: +6.4% y-o-y), though the data was sluggish when investment in real-estate development was removed from the equation (Fig. 5). At +0.9% y-o-y, the real growth rate of investment in fixed assets* moved more-or-less flatly in March (February: +1.1% y-o-y). At +1.2% y-o-y, though, the real growth rate hit positive territories for the first time in three quarters in January–March thanks to a recovery in real-estate investment (October–December: -0.9% y-o-y). After bottoming out at 72.9% in January–March 2016, the industrial capacity utilization rate had continued to improve until the end of 2017, with hopes growing for a revival in manufacturing investment, but the rate dipped to 76.5% in January–March to record its first slide in two years (October–December: 78.0%).

Retail sales growth was up

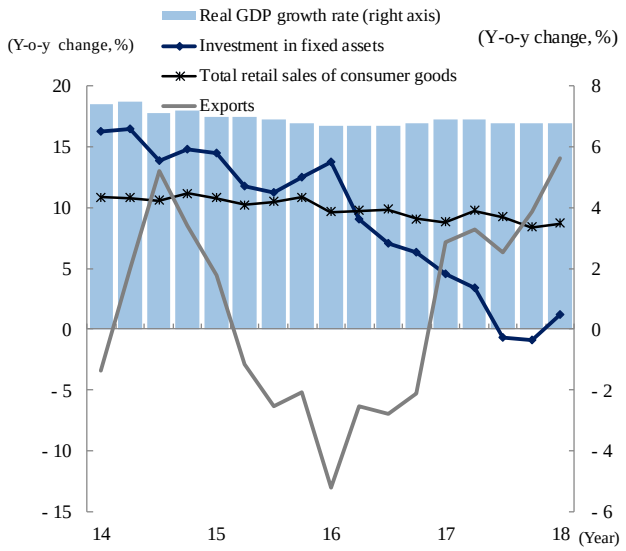
At +10.1% y-o-y, nominal total retail sales of consumer goods grew at a faster pace in March (January–February: +9.7% y-o-y) (Fig. 6). The breakdown for retail sales above a designated size shows sales of automobiles and telecommunications equipment growing at a slower pace, though sales of household goods (such as furniture, appliances and construction materials) moved briskly. At +8.6% y-o-y, the real growth rate* was up on February's figure of +7.5% y-o-y. Growth was up on a nominal and real basis over January–March.

Income growth fell slightly

Per-capita disposable income growth* dipped slightly in January–March on both a nominal basis (from +9.0% y-o-y in October–December to +8.8% y-o-y) and a real basis (from +6.7% y-o-y in October–December to +6.6% y-o-y). A breakdown of the nominal data shows labor income rising in the urban and rural sectors, though income from property grew at a slower pace in the urban sector, with income growth possibly impacted by a correction in the real-estate market.

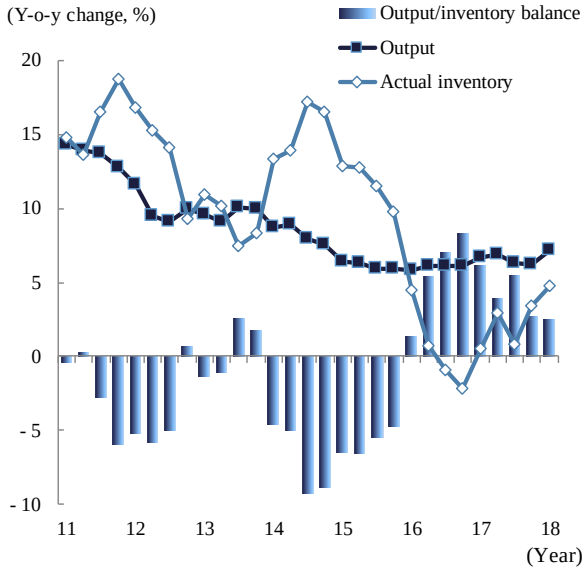
* Mizuho Research Institute estimate

Fig. 2: Real GDP Growth Rate



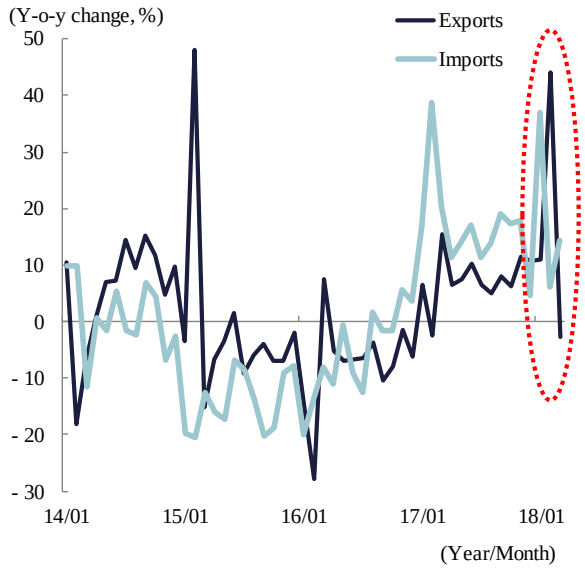
Note: The total retail sales of consumer goods data has been indexed using the retail price index; the investment in fixed assets data has been indexed using the fixed asset price index. (Estimated by Mizuho Research Institute). Exports = Nominal, dollar-denominated
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 3: Output/Inventory Balance



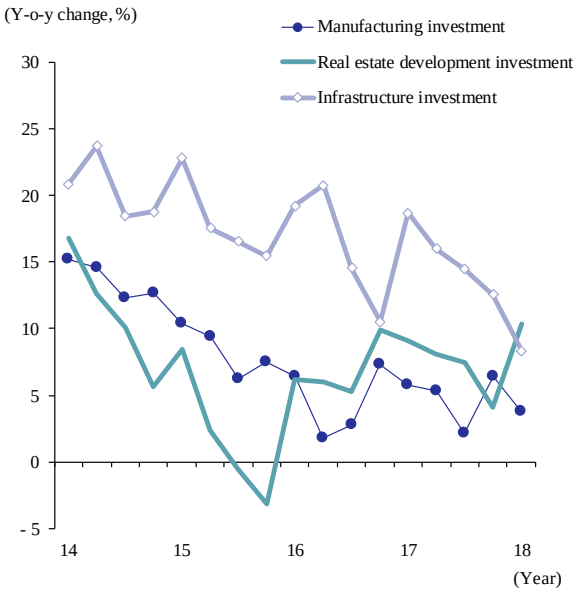
Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth. The most recent month: January to February
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 4: Value of Imports and Exports



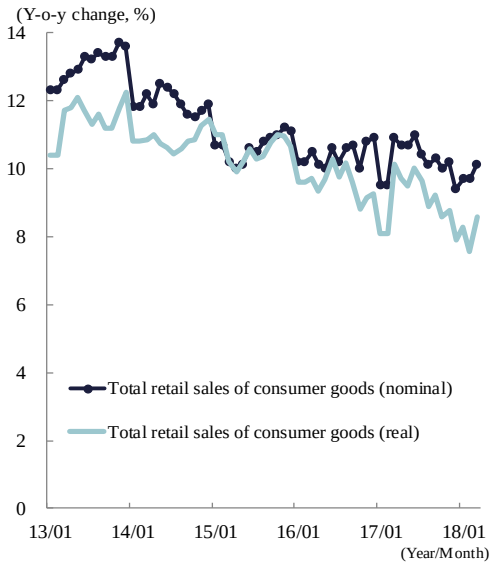
Note: Nominal, dollar-denominated
Source: Prepared by Mizuho Research Institute based on the materials from the General Administration of Customs

Fig. 5: Investment in Manufacturing, Infrastructure and Real Estate Development



Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 6: Total Retail Sales of Consumer Goods



Note: 1. The figures for January and February were aggregated and compared to the same period last year.
2. The total retail sales of consumer goods data (real) has been indexed using the retail price index (The figures for January and February were publicly-released cumulative values).
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

3. Inflation: The CPI and PPI both fell

With seasonal factors wearing off, the CPI and core CPI data dipped

At +2.1% y-o-y, consumer price index (CPI) growth fell for the first time in two months in March (February: +2.9% y-o-y) (Fig. 7). The price of fresh food, telecommunications and transportation had soared in February due to the Spring Festival holidays, but this trend eased off in March. At +2.0% y-o-y, the core CPI data (excluding energy and food) dipped (February: +2.5% y-o-y).

PPI growth dipped on a y-o-y basis

At +3.1% y-o-y, producer price index (PPI) growth continued to slide in March (February: +3.7% y-o-y) (Fig. 7). Though coal prices grew slightly, PPI growth was down across a wide range of sectors, including petroleum processing, chemicals, ferrous metals, and non-ferrous metals. At -

0.2% m-o-m, PPI growth remained in negative territories on a monthly basis for the second straight month (February: -0.1% m-o-m).

House prices grew at a slower y-o-y pace, with prices cooling off

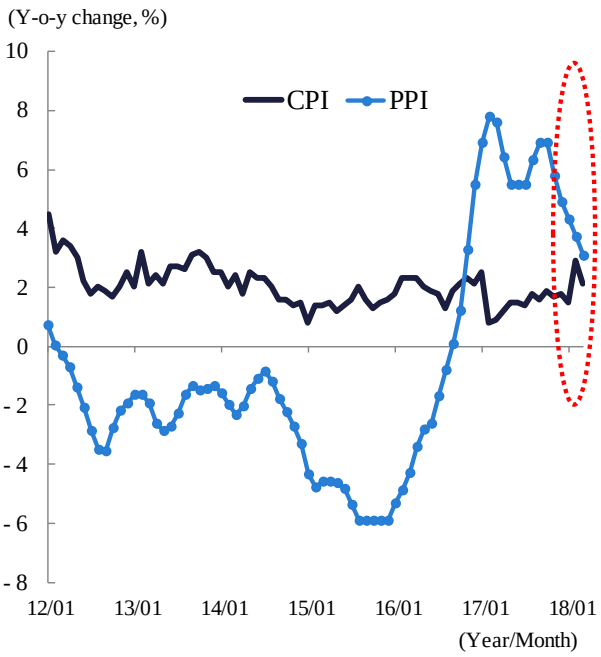
At +5.5% y-o-y, the sales price indices of newly constructed commercial residential buildings (the average of 70 major Chinese cities*) grew at a slower y-o-y pace in March for the first time in two months (February: +5.8% y-o-y) (Fig. 8). The sense of overheating is waning, with growth generally remaining at the upper-5% range since October 2017 and prices cooling off. Growth continued to slide in first-tier cities for the third month in a row, for instance, while prices grew at a slightly slower pace in the second-tier and third-tier cities. At +0.4% m-o-m, growth picked up slightly on a monthly basis (February: +0.2% m-o-m). Fifty-five cities saw prices rising on a monthly basis, up from 44 in February. The number of cities with rising prices tends to increase in March, but a PBOC survey suggests household appetite for home-buying remains strong, so price movements will require monitoring from here on.

Real estate sales in terms of floor space grew at a slower pace, though development investment expanded

At +3.2% y-o-y, real estate sales in terms of floor space grew at a slower pace in March (January–February: +4.1% y-o-y). The data was impacted in large part by a slide in office sales. Sales of residential buildings grew at a slightly faster pace, though growth remained sluggish at the mid-2% y-o-y mark. At +10.9% y-o-y, investment in real estate development expanded in March (January–February: +9.9% y-o-y), though it seems the figure was pushed up by anti-poverty measures.

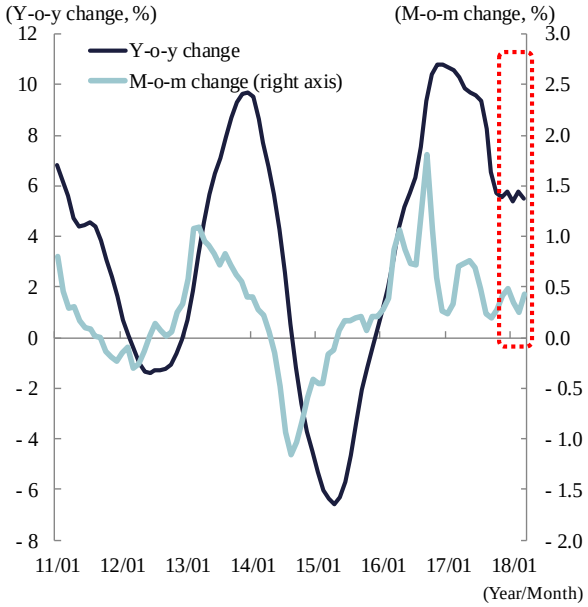
(Kaori Yamato)

Fig. 7: CPI and PPI



Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 8: Sales Price Indices of Newly Constructed Commercial Residential Buildings



Note: The average price indices of new homes in 70 major Chinese cities
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

4. Monetary policy: The PBOC lowered the deposit reserve ratio, though it maintained its prudent and neutral monetary policy

M2 growth dipped again

At +8.2% y-o-y, money supply (M2) growth dipped again in March (February: +8.8% y-o-y) (Fig. 9). At +7.1% y-o-y, the narrow money supply (M1) fell for the second straight month (February: +8.5% y-o-y).

The outstanding RMB loan balance moved flatly

New RMB loans totaled RMB 1.12 trillion in March. This was up on the previous month (RMB 839.3 billion) and the same month last year (RMB 1.02 trillion). A y-o-y comparison shows lending pushed up by an increase in notes on loans issued to companies and government institutions. At +12.8% y-o-y, the outstanding RMB loan balance moved flatly (February: +12.8% y-o-y).

The total social financing balance grew at a slower pace

At RMB 1.3323 trillion, total social financing was up slightly on the previous month (February: RMB 1.1741 trillion). At +10.5% y-o-y, the outstanding balance fell for the fourth month in a row (February: +11.2% y-o-y) (Fig. 10). Off-balance-sheet transactions (such as entrusted loans, trust loans and bankers' acceptances) decreased as the financial authorities cracked down on the shadow banking sector, but the corporate bond issuance balance continued to grow at a gentle pace.

In March, the PBOC absorbed net funds via its open-market operations, the SLF and the MLF

In March, the PBOC absorbed net funds from the markets via open-market operations for the first time in two months (Fig. 11). The Standing Lending Facility (SLF) provided net funds while the Medium-term Lending Facility (MLF) absorbed net funds, with the PBOC absorbing a total of RMB 345.6 billion once its open-market operations were added to the equation (in February the PBOC absorbed a net RMB 486.6 billion).

The PBOC provided net funds through open-market operations in April

In April, the PBOC provided a net RMB 390.0 billion as part of its open-market operations. Though the MLF provided funds to the tune of RMB 367.5 billion, the PBOC is expected to absorb the same amount by the end of April through maturing MLF loans (as of April 24).

The PBOC announced its was lowering the deposit reserve ratio

On April 17, the PBOC announced it was lowering the required deposit reserve ratio by 1%Pt for large commercial banks, joint-stock commercial banks and foreign-funded commercial banks, etc., effective from April 25. The PBOC has asked the banks to use around 70% of the funds released by the reduction to repay their outstanding MLF borrowings. The PBOC says around RMB 900 billion of MLF loans will be repaid following the reduction. It also says an additional RMB 400 billion will be released and the relevant financial institutions will be required to use the additional funds to lend mainly to small and micro enterprises. The PBOC explained that the reduction in the required deposit reserve ratio did not imply any change in its prudent and neutral monetary policy, with liquidity kept at reasonable and stable levels.

The reverse repo rate was lifted slightly

With the U.S. implementing a 25bp rate hike on March 21, the PBOC raised the 7-day reverse repo rate by five basis points to 2.55% on March 22, saying this was a 'normal response of the market.'

Yi Gang was appointed head of the PBOC and Guo Shuqing head of a new banking and insurance regulatory commission

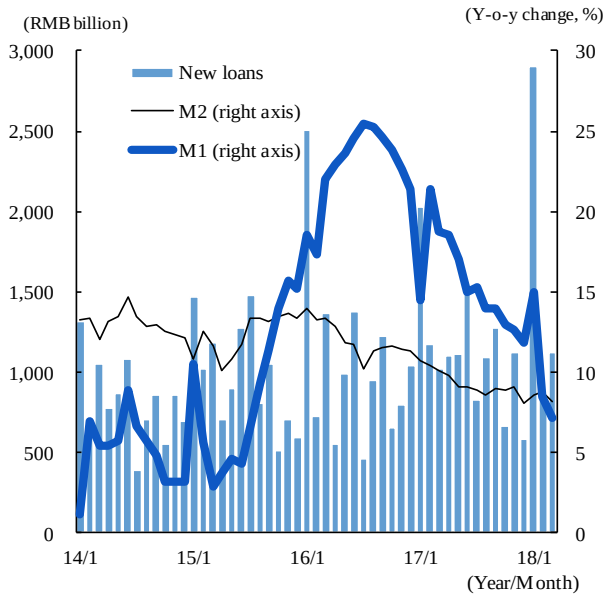
The National People's Congress appointed several top personnel (including the president, vice-president and the cabinet) when it met over March 5–20. Yi Gang was promoted from deputy governor to governor of the PBOC, while Guo Shuqing, chairman of the China Banking Regulatory Committee (CBRC), was appointed to head a new banking and insurance regulatory commission that will merge the roles of the CBRC and the China Insurance Regulatory Commission.

Stock prices fell; the RMB moved stably against the dollar

The Shanghai Stock Exchange Composite Index fell on the risk of a trade dispute between the U.S. and China (Fig. 12). The RMB moved stably overall against the U.S. dollar, with the currency pair not impacted much by concerns about U.S./China trade frictions and geopolitical risk related to Syria and North Korea (Fig. 13).

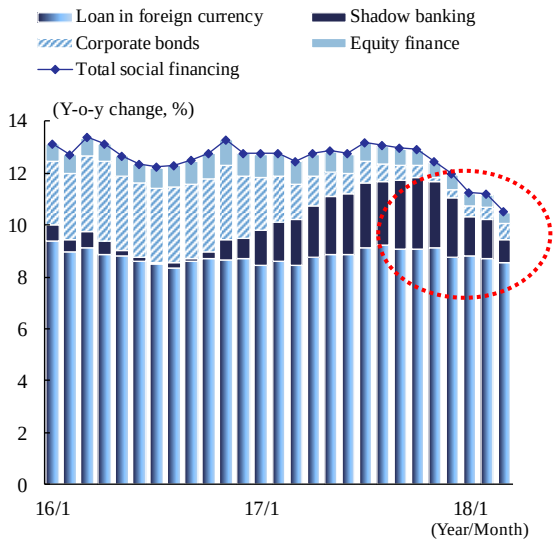
(Naoaki Sato)

Fig. 9: Financial Indicators



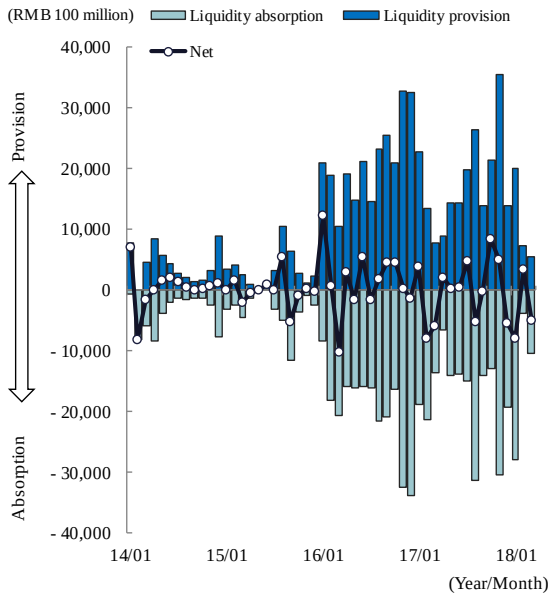
Note: 'New loans' denotes the amount of new RMB loans.
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 10: The Total Social Financing Balance (Y-o-y change)



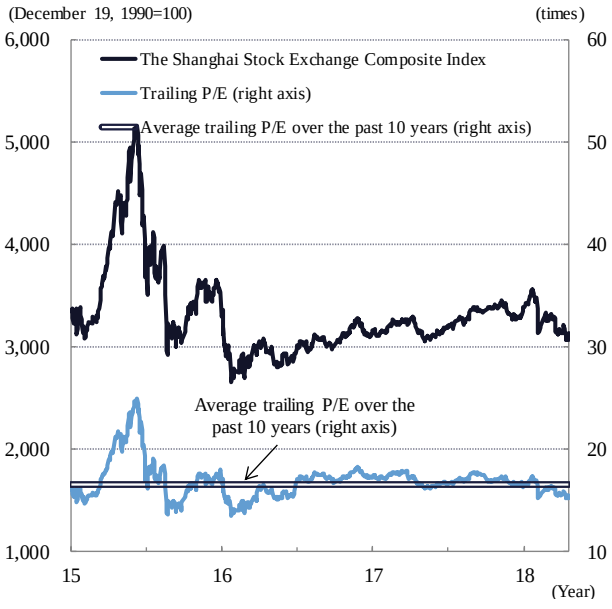
Note: 'Shadow banking' denotes the total amount of entrusted loans, trust loans and bank acceptance.
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 11: Open Market Operation



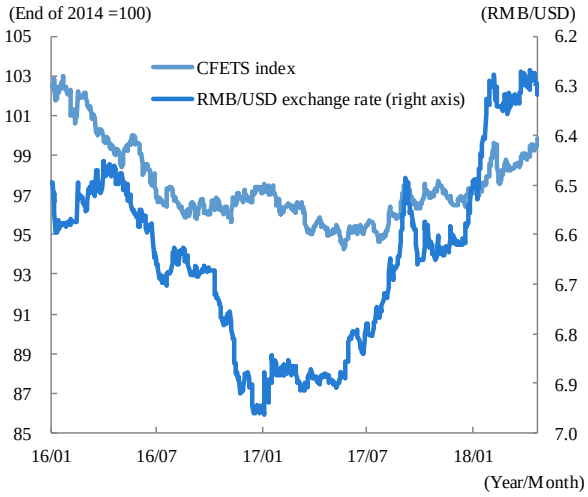
Note: Monthly data
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 12: Stocks



Note: Daily data; The most recent day: April 24
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China and CEIC data

Fig. 13: Foreign Exchange



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: April 24.

Source: Prepared by Mizuho Research Institute based on the materials from the China Foreign Exchange Trade System (CFETS) and Bloomberg data

Appendix: China's Major Economic Indicators (1)

Headings			Unit	2016	2017	17/3Q	17/4Q	18/1Q	January	Februrary	March
GDP	Real GDP		Y-o-y change (%)	6.7	6.9	6.8	6.8	6.8			
	Nominal GDP		Year-to-date (total), RMB 1 trillion	74.36	82.71	59.25	82.71	19.88			
Business Sentiment	PMI		End-of-period figure, points			51.7	52.4	51.6	51.3	50.3	51.5
		New Orders	Points			53.1	54.8	53.4	52.6	51.0	53.3
Production	Value-added Industrial Production (Real)		Y-o-y change (%)	6.0	6.6	6.9	6.3	6.2	7.2	7.2	6.0
		Light Industry	Y-o-y change (%)	4.7	6.9	7.7	6.9	5.8	7.1	7.1	5.4
		Materials	Y-o-y change (%)	6.2	4.8	4.1	5.0	4.8	4.5	4.5	5.3
		Machinery	Y-o-y change (%)	8.4	10.5	10.5	10.8	9.7	8.0	8.0	8.0
	Electric Power Generation		Y-o-y change (%)	4.8	5.2	5.2	6.2	3.6	n.a.	n.a.	2.1
	Industrial Goods Inventories		Y-o-y change (%)			17.5	17.5	17.5	8.6	8.6	n.a.
		Light Industry	Y-o-y change (%)			3.9	3.3	5.2	4.3	4.3	n.a.
		Materials	Y-o-y change (%)			11.3	8.0	10.2	9.6	9.6	n.a.
		Machinery	Y-o-y change (%)			10.3	9.0	9.6	10.9	10.9	n.a.
	Passenger Transportation Volume		Year-to-date y-o-y change (%), passenger-kilometer	- 0.4	4.6	3.7	4.1	14.8	- 10.9	1.8	17.9
	Freight Transportation Volume		Year-to-date y-o-y change (%), ton-kilometer	- 1.5	7.6	4.6	4.0	6.1	4.0	- 14.7	6.9
Investment	Investment in Fixed Assets		Year-to-date (total), RMB 1 trillion	59.7	63.2	28.06	45.85	63.17	4.46	4.46	10.08
			Year-to-date y-o-y change (%)	8.1	7.2	8.6	7.5	7.2	7.9	7.9	7.5
		Primary Industry	Year-to-date y-o-y change (%)	21.1	11.8	16.5	11.8	11.8	27.8	27.8	24.2
		Secondary Industry	Year-to-date y-o-y change (%)	3.5	3.2	4.0	2.6	3.2	2.4	2.4	2.0
		Manufacturing	Year-to-date y-o-y change (%)	4.2	4.8	5.5	4.2	4.8	4.3	4.3	3.8
		Tertiary Industry	Year-to-date y-o-y change (%)	10.9	9.5	11.3	10.5	9.5	10.2	10.2	10.0
	Real estate development investment		Year-to-date y-o-y change (%)						9.9	9.9	10.4
	Actual Direct Investment		Year-to-date (total), USD 100 million	1,337	1,363	921	1,363	345	121	211	345
			Year-to-date y-o-y change (%)	- 1.4	1.9	- 3.2	1.9	2.1	0.6	1.7	2.1
Trade	Exports		USD 100 million	21,366	22,804	5,614	5,882	6,353	2,001	1,711	1,741
			Y-o-y change (%)	- 6.4	6.7	8.2	6.4	9.6	11.0	44.1	- 2.7
		To the U.S.	Y-o-y change (%)	- 5.1	11.3	14.5	10.4	12.1	11.1	46.1	- 5.6
		To the EU	Y-o-y change (%)	- 3.7	9.1	9.7	8.4	12.8	10.3	42.4	- 7.0
		To Japan	Y-o-y change (%)	- 4.7	6.1	7.4	2.4	10.1	1.4	31.2	- 3.7
		To NIES, ASEAN	Y-o-y change (%)	- 8.5	2.4	- 2.4	3.1	6.6	17.7	20.3	3.2
	Imports		USD 100 million	15,895	18,423	4,440	4,756	5,056	1,801	1,376	1,791
			Y-o-y change (%)	- 5.4	15.9	14.1	14.9	12.7	36.9	6.1	14.4
		From the U.S.	Y-o-y change (%)	- 9.8	14.8	14.1	18.8	5.2	26.4	- 4.7	3.2
		From the EU	Y-o-y change (%)	- 0.5	17.7	12.1	21.2	21.8	44.6	0.4	10.0
		From Japan	Y-o-y change (%)	1.7	13.9	12.5	13.3	11.1	37.3	- 10.5	16.0
		From NIES, ASEAN	Y-o-y change (%)	- 1.6	12.6	6.9	13.4	14.3	39.6	5.1	19.4
	Trade Balance		USD 100 million	5,471	4,380	1,175	1,126	1,298	199	334	- 49.8

Note 1: Value-added Industrial Production is calculated for industrial enterprises above a designated size. In 2011, this size was adjusted to "industrial enterprises with annual revenue of RMB 20 million or more" (it was previously "industrial enterprises with annual revenue of RMB 5 million or more). The National Bureau of Statistics explains that the post-change figures and trends remain essentially the same.

Note 2: From the January-February 2015 edition of Mizuho Economic Commentary onwards, all annual figures for Value-added Industrial Production show the year-to-date y-o-y change (up until the November 2014 edition, the figures for Light Industry, Materials and Machinery were calculated as a simple average of the quarterly figures).

Note 3: The 1Q Value-added Industrial Production figure shows the year-to-date y-o-y change for the period January–March.

Note 4: The figures for Inventories show publicly-released y-o-y statistics.

Note 5: The annual y-o-y change figures in the Passenger Transportation Volume/Freight Transportation Volume show the year-to-date y-o-y change for the period from January.

Note 6: Statistics for Investment in Fixed Assets were only collected for urban areas up until 2010. Investment by enterprises or collectives in rural areas has also been included since 2011.

Note 7: The Value-added Industrial Production figures and the Investment in Fixed Assets figures for January and February show the aggregate results for the period January–February.

Note 8: The Inventory figures for January and February show the aggregate result for the period January–February.

Note 9: All figures are nominal unless denoted as "real."

Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China, the General Administration of Customs, and the Ministry of Commerce of the People's Republic of China

Appendix: China's Major Economic Indicators (2)

Headings			Unit	2016	2017	17/3Q	17/4Q	18/1Q	January	Februrary	March
Consumption	Consumer Confidence Index		End-of-period figure, points			118.6	122.6	122.3	122.3	124.0	122.3
	Consumer Expectations Index		End-of-period figure, points			121.9	125.9	125.7	125.7	127.4	125.7
	Total Retail Sales of Consumer Goods		RMB 1 trillion	33.23	36.63	9.08	10.31	2.92	29.74	29.74	2.92
			Y-o-y change (%)	10.4	10.2	10.3	9.9	10.1	10.3	10.3	10.1
	Sales at Retailers Above a Designated Size		Y-o-y change (%)	8.1	8.1	8.0	7.3	8.9	8.3	8.3	8.9
	Automobile Sales		10,000 automobiles	2793.9	2894.1	686.6	872.1	718.3	280.9	171.8	265.6
			Y-o-y change (%)	13.7	4.1	5.7	0.9	1.7	11.6	- 11.1	4.7
	Nationwide Disposable Income per Capita Figure		Year-to-date y-o-y change (%)	8.4	9.0	9.1	9.0	0.0	n.a.	n.a.	n.a.
	Jobs-to-applicants Ratio		End-of-period figure, times	1.13	n.a.	1.16	n.a.	n.a.	n.a.	n.a.	n.a.
Prices	Consumer Price Index		Y-o-y change (%)	2.0	1.6	1.6	1.8	2.2	1.5	2.9	2.1
		Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	2.2	2.2	2.3	2.1	1.9	2.5	2.0
		Foods	Y-o-y change (%)	4.6	- 1.4	- 0.9	- 0.6	2.0	- 0.5	4.4	2.1
	Producer Price Index		Y-o-y change (%)	- 1.3	6.3	6.2	5.9	3.7	4.3	3.7	3.1
		Producer Goods	Y-o-y change (%)	- 1.7	8.4	8.2	7.6	4.9	5.7	4.8	4.1
		Consumer Goods	Y-o-y change (%)	- 0.0	0.6	0.6	0.6	0.3	0.3	0.3	0.2
	New-home Price Index (average price of 70 major cities)		Y-o-y change (%)	0.0	1.4	6.5	5.8	5.5	5.4	5.8	5.5
Finance	Money Supply (M2)		End-of-period figure, RMB 1 trillion	155.01	167.68	165.57	167.68	173.99	172.08	172.91	173.99
			End-of-period figure, y-o-y change (%)	11.3	8.1	9.0	8.1	8.2	8.6	8.8	8.2
	Outstanding Loans		End-of-period figure, RMB 1 trillion	106.60	120.13	117.76	120.13	124.98	123.03	123.86	124.98
			End-of-period figure, y-o-y change (%)	13.5	12.7	13.1	12.7	12.8	13.2	12.8	12.8
		Net Increase	Mid-period increase, RMB 10 billion	1265	1353	319	237	485	289	84	112
	Deposits		End-of-period figure, RMB 1 trillion	150.59	164.10	162.28	164.10	169.18	167.97	167.67	169.18
			End-of-period figure, y-o-y change	11.0	9.0	9.3	9.0	8.7	10.5	8.6	8.7
	Required Reserve Ratio (Large Enterprises)		End-of-period figure, %	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
	1-year Benchmark Lending Rate		End-of-period figure, %	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
	Overnight Repo Rate		End-of-period figure, %	2.10	2.82	2.94	2.82	2.73	2.60	2.74	2.73
	Foreign Currency Reserves		End-of-period figure, USD 100 million	30,105	31,399	31,085	31,399	31,428	31,615	31,345	31,428
Exchange Rates	RMB/USD Exchange Rate		End-of-period figure, RMB/USD	6.94	6.51	6.65	6.51	6.27	6.28	6.33	6.27
	JPY/RMB Exchange Rate		End-of-period figure, JPY/RMB	16.82	17.32	16.93	17.32	16.93	17.39	16.85	16.93
Stocks	Shanghai Composite Index		End-of-period figure, December 19, 1990 = 100	3,104	3,307	3,349	3,307	3,169	3,481	3,259	3,169
		PER	End-of-period figure, times	15.9	18.2	18.0	18.2	17.8	19.3	18.3	17.8
	Market Capitalization (Shanghai, Shenzhen)		End-of-period figure, RMB 10 billion	5,077	5,671	16,735	17,102	17,067	5,856	5,616	5,595
	Turnover (Shanghai, Shenzhen)		RMB 10 billion	12,777	11,281	3,311	2,725	2,830	1,151	645	1,034
Public Finances	Fiscal Revenue		Year-to-date y-o-y change (%)	4.8	8.1	10.5	8.1	13.9	16.9	16.2	13.9
	Fiscal Expenditure		Year-to-date y-o-y change (%)	6.8	8.3	11.7	n.a.	n.a.	- 7.2	16.9	11.1

Note 1: The government releases both the real data and the y-o-y figures for Total Retail Sales of Consumer Goods, Sales at Retailers Above a Designated Size, and Automobile Sales. However, the y-o-y figures calculated from the real data sometimes diverge from the publicly-released y-o-y figures. This appendix uses the publicly-released y-o-y figures.

Note 2: With regards to the Total Retail Sales of Consumer Goods and Sales at Retailers Above a Certain Size, the (1) annual real data and (2) annual y-o-y figures show the (1) year-to-date sales and (2) year-to-date y-o-y change, respectively (up until the November 2014 edition, the data was calculated based on an aggregation of the standalone monthly figures).

Note 3: The Nationwide Disposable Income per Capita Figure shows the year-to-date y-o-y change from January onwards.

Note 4: The Total Retail Sales of Consumer Goods figures and the Sales at Retailers Above a Designated Size figures for January and February show the aggregate results for the period January–February.

Note 5: The quarterly CPI and PPI figures are calculated as a simple average of the monthly figures.

Note 6: Since October 2011, the Money Supply (M2) data includes deposits of housing provident fund centers and non-depository financial institutions' deposits with depository financial institutions (the margin accounts of securities companies, for example). Following this change, the y-o-y figures calculated from the real data and the publicly-released y-o-y figures have diverged from October 2011 onwards. This appendix uses the publicly-released y-o-y figures.

Note 7: The outstanding loan growth rate is a y-o-y figure released by the PBOC. However, the y-o-y figures calculated from the real data and the publicly-released y-o-y figures have diverged from November 2008 to November 2009 and from January 2011 onwards.

Note 8: The deposit growth rate is a y-o-y figure released by the PBOC. However, the y-o-y figures calculated from the real data and the publicly-released y-o-y figures have diverged from 2011 onwards.

Note 9: PER shows the prior period's actual PER (stock price divided by net income in the last fiscal year). The standards are revised each May.

Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China, the China Association of Automobile Manufacturers, the Ministry of Human Resources and Social Security of the People's Republic of China, the People's Bank of China, the FRB, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, and the Ministry of Finance of the People's Republic of China

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