Mizuho Economic Commentary-China

January-February 2017 edition

◆ Topic

An evaluation of the GDP result for October-December 2016; and the outlook from here on

At +6.8% y-o-y, China's real GDP growth rate in October-December was up slightly on July-September's figure of +6.7% y-o-y, though it moved flatly on the whole. Business confidence has recovered faster from the latter half of 2016 on improved earnings and so on, but future trends will need to be watched closely. Investment in real-estate development grew at a slower pace due to tighter restrictions on house purchases, with the economy expected to undergo a gentle slowdown from here on.

◆ Economic trends

Monthly major indicators slowed on the whole

Production and investment growth dipped slightly in December. Consumption grew at a slightly faster pace, in part due to a rush of automobile sales before the tax cut on small vehicles was reduced, but the Chinese economic recovery seemed to stall toward the year's end.

1. Topic: An evaluation of the GDP result for October-December 2016; and the outlook from here on

The real GDP growth rate rose slightly in October-December

At +6.8% y-o-y, China's real GDP growth rate in October-December was up slightly on July-September's figure of +6.7% y-o-y (see Fig. 1). At +6.7% y-o-y, the figure for 2016 as a whole was down slightly on 2015's +6.9% y-o-y, though it remained within the government's target of +6.5% to +7.0% y-o-y. With resource prices rising and so on, October-December's nominal GDP growth rate hit +9.6% y-o-y (July-September: +7.8% y-o-y), the fastest pace of growth since October-December 2013.

Investment slowed as infrastructure spending eased off

A glance at demand item trends in October-December, as garnered from major indicators, shows the real growth rate of investments in fixed assets (the real figure is a Mizuho Research Institute estimate; hereinafter the same) hitting +6.4% y-o-y, with growth continuing to slow (July-September: +7.1% y-o-y). Manufacturing investment continued to bounce back and investment in housing and other real-estate development also edged upwards. However, infrastructure investment dropped off in December (after having enjoyed double-digit growth up until November) and this pushed overall investment down in October-December (see Fig. 2).

Retail sales fell, but the employment and earnings environment improved

At +9.1% y-o-y, the real growth rate of total retail sales of consumer goods also fell on July-September's +9.8% y-o-y. The breakdown for sales at large retailers shows automobiles continuing to sell briskly before the tax cut on small vehicles was reduced in January this year, but furniture sales slowed as homes sales moved sluggishly following a crackdown on house purchasing regulations from September onwards. The jobs situation continues to improve, though, with the jobs-to-applicants ratio rising, for example. Under these circumstances, the consumption climate is looking sunnier, with real disposable incomes growing at +6.4% y-o-y (July-September: +5.8% y-o-y).

The contribution of external demand also dipped, with the growth rate seemingly pushed up by inventory growth in October-December

Real export growth also fell as exports of mobile phones slumped, but real import growth rose, so the negative contribution of overseas demand grew more pronounced, from -0.2%Pt in July-September to -0.3%Pt in October-December. However, the contribution of gross capital formation increased and this helped to push up the GDP growth rate in October-December. As mentioned above, investment in fixed assets grew at a slower pace, so it seems the growth rate was buoyed by inventory investment.

Business confidence improved in the latter half of 2016

The growth rate rose slightly in October-December, though it moved flatly on the whole. Recently, though, more attention has focused on indicators that show the Chinese economic recovery picking up pace in the latter half of 2016. The government's Manufacturing PMI recovered to 50 (the key line dividing expansion from contraction) in August and it continued trending upwards thereafter. The PMI import index also improved in lockstep to hit an average of 50.3 over October-December, the first time it had topped 50 on a quarterly basis since January-March 2011. Real imports increased on the previous year in 2016. This was partly the result of low growth in 2015, but real imports grew at a faster pace in October-December (from +3.4% y-o-y in July-September to +4.1% y-o-y in October-December) even though the influence of this factor had waned. This helped to stimulate an export recovery in Japan and other Asian nations.

Earnings improved in the mining and manufacturing sector, particularly in industries involved in resources and materials

One reason behind this revival in business confidence is possibly improved earnings in the mining and manufacturing sector, particularly in industries involved in resources and materials. With industries involved in raw materials pushing forward with production cuts and inventory building, the producer price index (PPI) was up on the previous year in September for the first time in four-and-a-half years, with the growth rate rising since then. Earnings in the mining and industrial sector have also improved on the back of this. Profits in this sector usually manifest themselves in the following quarter's Manufacturing PMI, so when earnings began rising year-on-year in the first quarter, the Manufacturing PMI then began trending above 50 from the second quarter onwards (see Fig. 3).

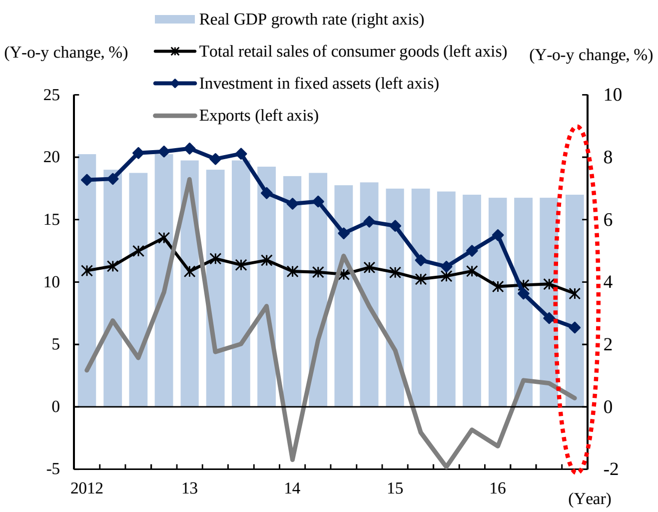
In addition to the resources and materials sectors, imports also rose on housing and infrastructure investment together with a revival in IT-related demand

At the same time, in addition to the resources and materials sectors, it is also possible that imports rose on housing and infrastructure investment together with a revival in IT-related demand. A glance at import volumes shows imports of primary products (coal, petroleum, non-edible raw materials) continuing to rise. Furthermore, imports of machinery and transportation equipment (general machinery, special purpose machinery, electrical machinery, etc.) began rising in the latter half of 2016 and this has also contributed to increased import volumes (see Fig. 4). It seems machinery imports increased thanks to: imports of construction machinery for housing and infrastructure investment; a rise in domestic demand for mobile phones; and investment support for the hi-tech sector.

Corporate profits look set to move sluggishly from here on, with housing investment growth also expected to fall. The economy will probably undergo a gentle slowdown

This recovery in business confidence and imports will need to be monitored closely to gauge how sustainable it is. Producer procurement costs are currently rising at a faster pace, so corporate profit growth will probably slow from here on. Furthermore, the impact of restrictions on house purchases is gradually starting to impact investment, so housing investment growth is expected to fall. The government continues to develop the hi-tech sector and infrastructure investment aimed at bolstering the economy, but there is also strong pressure to cut overcapacity, so on the whole investment is likely to slow in 2017. Though consumption looks set to move firmly on firm wages growth, the Chinese economy is expected to undergo a gentle slowdown in 2017 too.

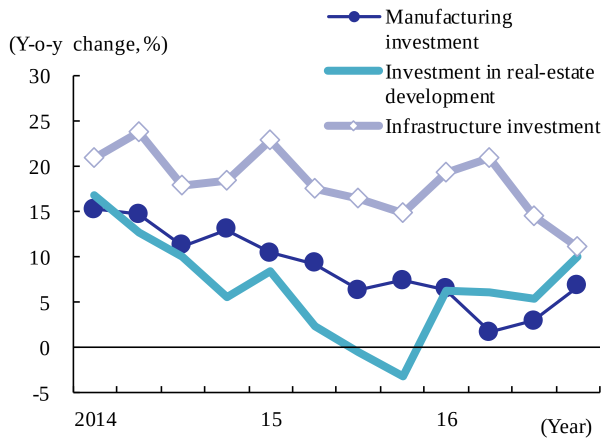
Fig. 1: Real GDP Growth Rate and Major Economic Indicators



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. The export data has been indexed using the export price index.

Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics, and the General Administration of Customs.

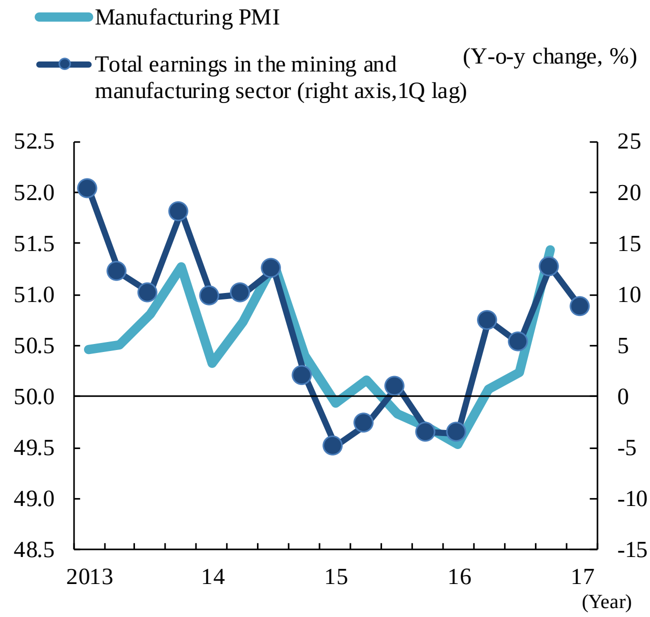
Fig. 2: Investment in Manufacturing, Real-estate Development and Infrastructure



Note: Nominal figures. Infrastructure investment encompasses electricity, gas and water; transportation, warehousing and postal services; and the management of water conservation, the environment and public facilities.

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

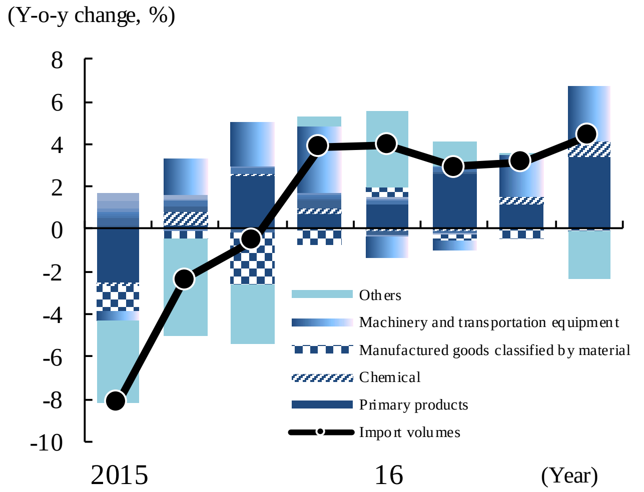
Fig. 3: Manufacturing PMI and Corporate Earnings



Note: The Manufacturing PMI data shows the quarterly average.

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

Fig. 4: Breakdown of Export Volumes



Note: The contribution level is calculated based on 2010 values.

Source: Prepared by Mizuho Research Institute based on the materials from the General Administration of Customs.

2. Overview: Major indicators slowed on the whole, with the economic recovery stalling

The recovery eased off in December

Real GDP growth rate rose slightly in October-December, but production and investment growth fell slightly in December. Consumption grew at a slightly faster pace, in part due to a rush of automobile sales, but the Chinese economic recovery seemed to stall toward the year’s end.

Production slowed, particularly when it came to manufacturing

At +6.0% y-o-y, industrial production growth dipped slightly in December (November: +6.2% y-o-y) (see Fig. 5). Mining contracted at a slower pace while the electricity, gas and water sector also saw more positive growth, but manufacturing growth slowed. The manufacturing breakdown reveals growth accelerating when it came to computers, communications and electronics (mobile phone and integrated circuits, etc.). Putting this aside, though, manufacturing generally helped push the industrial production figure downwards. The raw materials sector also made a negative contribution. Iron and steel production fell at a faster pace, for instance, while the petroleum processing and non-ferrous metals sectors both slipped into negative growth, with the chemicals sector also growing at its slowest pace since directly after the financial crisis. Furthermore, though processing industries (general machinery, special purpose machinery, automobiles and electrical machinery, etc.) continued to grow at a fast clip, the pace of this growth slowed.

Though the government's Manufacturing PMI fell slightly, it remained at high levels

The government's Manufacturing PMI hit 51.4 in December. Though this was down on November's figure of 51.7, it remained at a high level (see Fig. 6). A glance at the constituent indices shows new orders moving flatly, though the production, employment and raw materials inventories data fell slightly. On the other hand, Caixin's Manufacturing PMI hit 51.9, its highest level since January 2013 (November: 50.9). Though new export sales moved flatly, respondents commented that the strength of domestic demand was leading to the acquisition of new orders.

Export growth slipped further into negative territories

At -6.2% y-o-y, export growth (nominal, dollar-denominated) fell further into negative territories in December (November: -1.5% y-o-y) (see Fig. 7). Export volume growth deteriorated to -1.4% y-o-y (November: +8.2% y-o-y). However, the data was down compared to the strong performance recorded last year (both in terms of value and volumes). A seasonally-adjusted figure (calculated by Mizuho Research Institute) shows export volumes rising by 0.1% m-o-m. Though this was down on November's figure of +4.8% m-o-m, the figure remained in positive territories. A year-on-year breakdown of export volumes shows exports of base metals (steel materials, etc.), machinery (mobile phones, etc.) and transportation machinery all growing at a slower pace after having previously returned to positive growth in November.

Import growth slowed

At +3.1% y-o-y, import growth (nominal, dollar-denominated) dipped in December (November: +5.5% y-o-y). Import volumes also grew at a slower pace (from +8.6% y-o-y in November to +2.5% y-o-y in December), but as with imports, this slide was largely because volumes were at such high levels the previous year. A seasonally-adjusted figure (calculated by Mizuho Research Institute) shows import volumes rising by 3.2% m-o-m, up on November's figure of +2.8% m-o-m. A year-on-year breakdown of import volumes by item shows imports of mineral fuels and machinery (general machinery and special purpose machinery, etc.) continuing to move firmly.

The trade surplus fell on the previous year

Though imports rose on the previous year, exports dipped, so the trade surplus fell on the previous year for the fifth successive month in December to hit USD40.7 billion.

Investment slowed

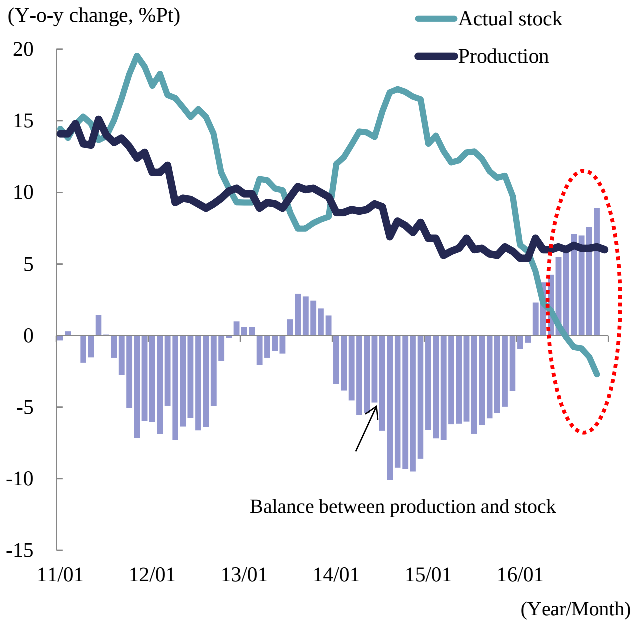
At +6.3% y-o-y, the nominal growth rate of investment in fixed assets was down on November's figure of +8.3% y-o-y in December (see Fig. 8). Manufacturing investment continued to recover (from +8.4% y-o-y in

November to +9.5% y-o-y in December), while investment in real-estate development (especially in housing) also grew at a faster clip (from +5.6% y-o-y to +11.1% y-o-y). However, infrastructure investment dropped off (+13.7% y-o-y to +5.2% y-o-y) after having previously enjoyed continually strong growth. At +0.7% y-o-y, the real growth rate (calculated by Mizuho Research Institute) fell close to zero for the first time since 2001 (November: +4.8% y-o-y).

Retail sales grew at a slightly faster pace

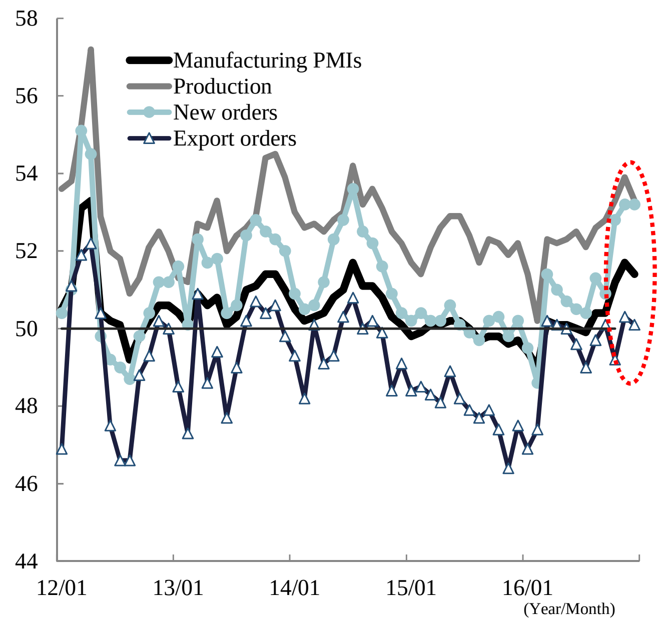
At +10.9% y-o-y, (nominal) total retail sales of consumer goods grew at a slightly faster pace in December (November: +10.8% y-o-y) (see Fig. 9). The breakdown for large retailers shows sales of household appliances and telecommunication equipment growing at a slower pace, though automobile sales grew on a rush of buying before the tax cut on small vehicles was reduced in January this year. The real figure also rose to +9.3% y-o-y (November: +9.2% y-o-y).

Fig. 5: Industrial Production



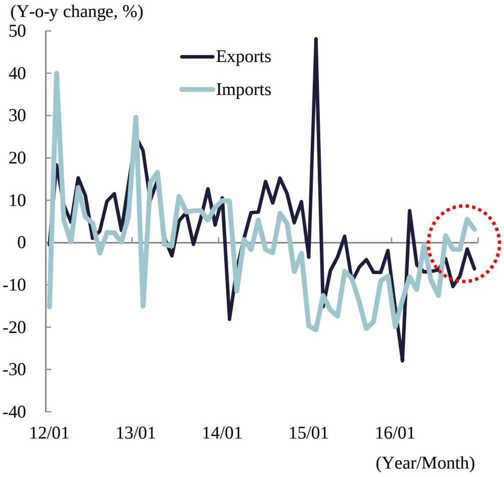
Note: The figures for January and February show the aggregate results for the same period.
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

Fig. 6: Manufacturing PMIs



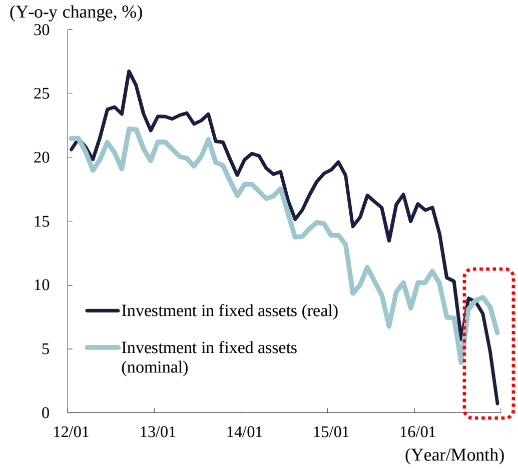
Note 1: Please note that seasonal factors, such as Chinese New Year, have not been completely eliminated from the data.
Note 2: From 2013, the number of companies sampled increased from 830 to 3,000.
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

Fig. 7: Imports and Exports



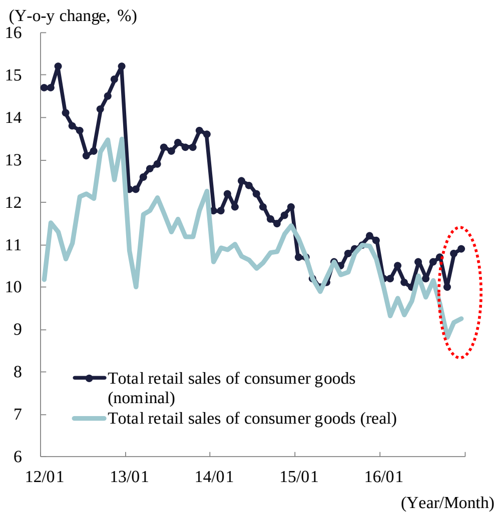
Note: Nominal, dollar-denominated
Source: Prepared by Mizuho Research Institute based on the materials from the General Administration of Customs

Fig. 8: Investment in Fixed Assets



Note: The standalone monthly figures were calculated based on the cumulative investment amount since the start of the year and cumulative y-o-y change since the start of the year. The real value has been indexed using the producer price index for the industrial sector.
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

Fig. 9: Total Retail Sales of Consumer Goods



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

3. Inflation: The CPI fell but the PPI rose further into positive territories

CPI growth dipped for the first time in two months

At +2.1% y-o-y, consumer price index (CPI) growth fell for the first time in two months in December (November: +2.3% y-o-y) (see Fig. 10). Though the cost of gasoline climbed on rising energy import prices, vegetable price inflation eased off and this pushed the CPI data down. At +1.9% y-o-y, the core CPI (which excludes food and energy) moved flatly on November (also +1.9% y-o-y).

The PPI grew at a faster pace

At +5.5% y-o-y, the producer price index (PPI) moved further into positive territories in December (November: +3.3% y-o-y). Resource-related prices rose on production and inventory adjustment. At +35.0% y-o-y, prices in the iron and steel industry rose at their fastest pace since 2001 on government-led moves to cut production.

The impact of restrictions on house purchases is gradually filtering through, with home prices no longer rising

The December new-homes price index (the average of 70 major Chinese cities) stood at +10.5% y-o-y (Mizuho Research Institute estimate) (November: +10.5% y-o-y), the first time the growth rate had not increased in roughly a year (see Fig. 11). Growth dipped in 21 cities, including Nanjing, Hefei and Xiamen (where prices had previously soared continuously by over +40% y-o-y). On a monthly basis, home prices in the 70 cities grew by an average of +0.3% (November: +0.6% y-o-y), with growth slowing for the third successive month. Forty-six cities saw prices rising on the previous month, down nine cities on November (19 cities saw prices falling, up from 10 cities in November).

Real estate sales in terms of floor space and investment in real-estate development both grew at a faster clip

At +11.8% y-o-y, real estate sales in terms of floor space recovered slightly in December (November: +7.9% y-o-y), but this was largely because sales were quite low the previous year. Despite this base effect, growth in the housing sector only hit +9.7% y-o-y, a relatively small climb on November's figure of +7.7% y-o-y. At +11.1% y-o-y, though, investment in real-estate development bounced back again (November: +5.6% y-o-y). The government has tightened rules on house purchases and this has reined in soaring prices and sales, but an investment slowdown has been avoided.

Fig. 10: CPI and PPI

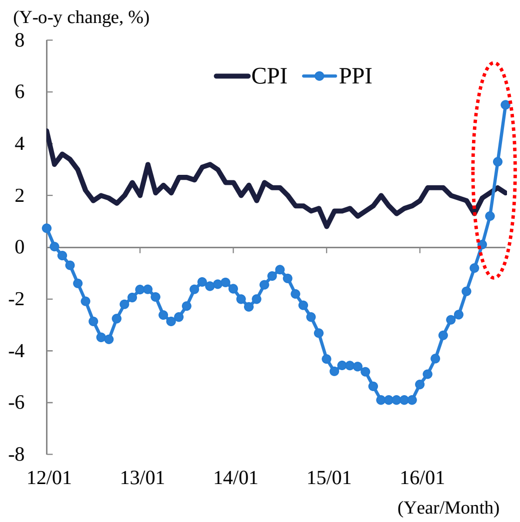
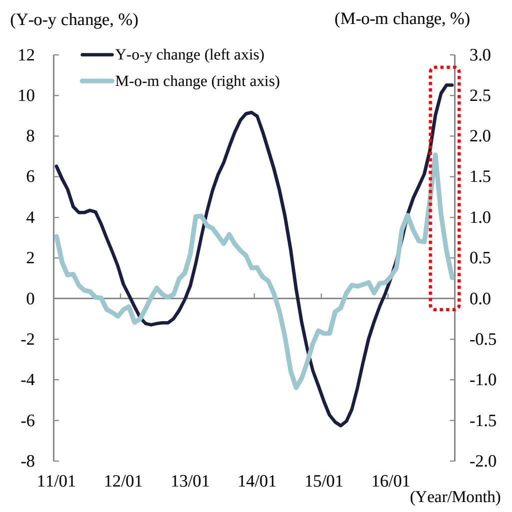


Fig. 11: The New-Homes Price Index



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

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

4. Monetary policy: The PBOC continued to provide liquidity in the run up to the Lunar New Year holiday

Money supply (M2) growth moved more-or-less flatly

A glance at December's financial indicators shows the money supply (M2: M1+ time, savings and other deposits) growing by 11.3% y-o-y, roughly the same as November's figure of +11.4% y-o-y (see Fig. 12). At +21.4% y-o-y, though, the narrow money supply (M1: cash in circulation + current deposits) fell for the fifth consecutive month (November: +22.7% y-o-y).

Outstanding RMB loan growth was up slightly

At +13.5% y-o-y in December, outstanding RMB loan growth was up slightly on November's figure of +13.1% y-o-y. New RMB loans totaled RMB 1.04 trillion, up sharply on November's figure of RMB 794.6 billion. A glance at the details shows mid- to long-term loans to the corporate sector more than trebling from RMB 201.8 billion to RMB 695.4 billion. It seems these loans were earmarked for corporate capital investment.

In December the PBOC absorbed funds through its open-market operations while providing more funds through the MLF

In December, the People's Bank of China (PBOC) absorbed funds (a net RMB 145 billion) from the money markets for the first time in five months as part of its open-market operations (see Fig. 13). However, it provided a net RMB 721.5 billion through its Medium-term Lending Facility (MLF).

In January the PBOC has provided net funds through its open-market operations and the MLF

In January the PBOC has pumped a net RMB 385 billion into the markets through its open-market operations (as of January 26). It has also provided RMB 551 billion through the MLF (as of January 26). The PBOC is scheduled to absorb a total of RMB 435.5 billion through maturing MLF loans in January, so it has already provided a net RMB 115.5 billion.

The PBOC provided funds through a new temporary liquidity facility in the run up to the Lunar New Year holiday

On January 20, the PBOC provided funds to some major commercial banks through a new temporary liquidity facility. This was done to stabilize market liquidity in the face of rising demand for funds around the time of the Lunar New Year holiday (January 27-February 2). The PBOC did not mention the size of this operation, but some reports put the figure as high as several hundred billion RMB. Unlike the bank's open-market operations and MLF, financial institutions are not obliged to post collateral when tapping the temporary liquidity facility for funds. The PBOC has recently stepped up moves to provide funds through its open-market operations and the MLF, so it appears financial institutions are running short of bills to post as collateral. It seems the PBOC introduced this new funding mechanism to deal with this situation.

The PBOC lifted rates for the first time since the MLF was introduced

As outlined above, the PBOC has continued to pump money into the markets through the MLF in January. When it did so on January 24, it lifted its one-year rate from 3.0% to 3.1% and its six-month rate from 2.85% to 2.95%. This was the first rate hike since the MLF was introduced in 2014. This indicated the cautious stance of the Chinese authorities as it tried to pump liquidity into tight markets in the run up to the Lunar New Year holiday without giving the impression of engaging in excessive monetary easing.

The RMB soared against the dollar entering 2017

The RMB recorded its lowest level against the dollar for eight-and-a-half years towards the end of 2016, but it then rose sharply entering 2017 (see Fig. 14). This RMB bullishness came after the Chinese authorities announced measures at the end of 2016 to strengthen the supervision and management of foreign exchange regulations, with the RMB also being pushed up by ongoing comments by President Trump, etc. aimed at curbing the dollar’s strength.

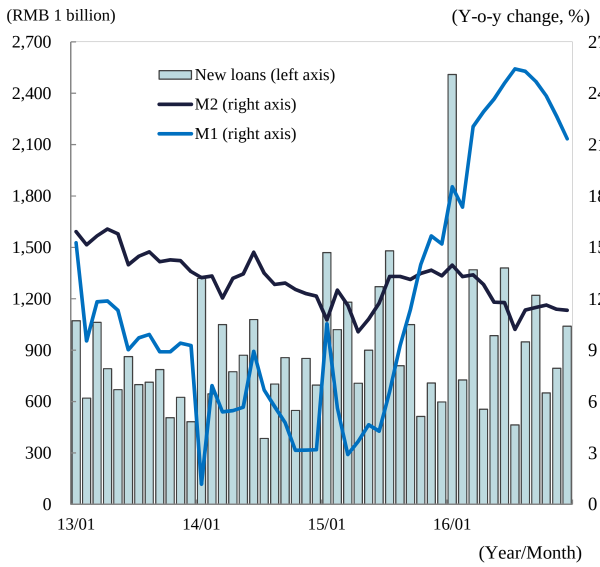
The constituent currencies of the CFETS index’s currency basket were adjusted

On December 29 last year, it was announced that 11 more currencies (including the South Korean Won and South African Rand) would be added to the basket of the CFETS index (an indicator the Chinese authorities monitor closely; it shows the RMB’s movements against a basket of 13 major currencies), making 24 currencies in total. The composition and weighting of the basket was also revised, with the weight of the dollar (the basket’s main constituent currency) lowered from 26.4% to 22.4%. The first index based on the new currency basket was released on January 1. It continues to move flatly.

The Shanghai Stock Exchange Composite Index continues to move in a narrow range

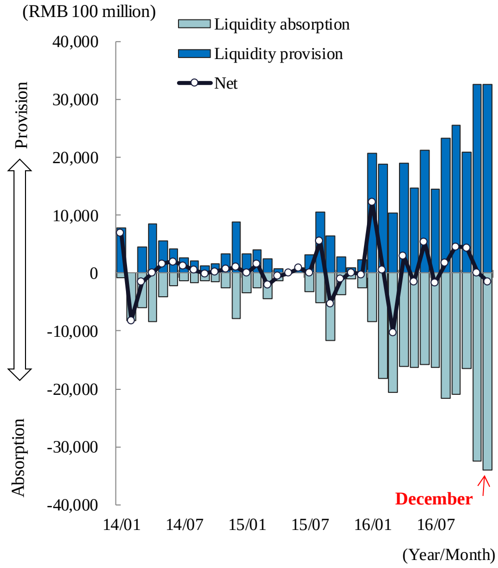
The Shanghai Stock Exchange Composite Index has continued to flutter in a narrow range between 3,100-3,200 from mid-December to the present (January 25) (see Fig. 15).

Fig. 12: Financial Indicators



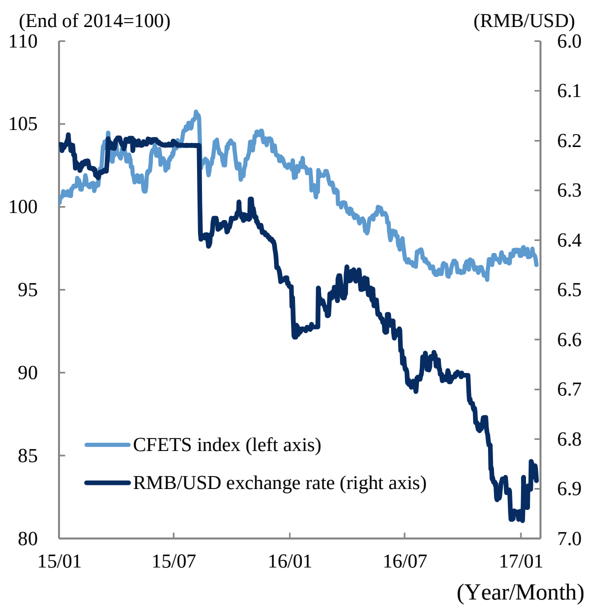
Note: 'New loans' denotes the amount of new RMB loans.
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 13: Open Market Operation



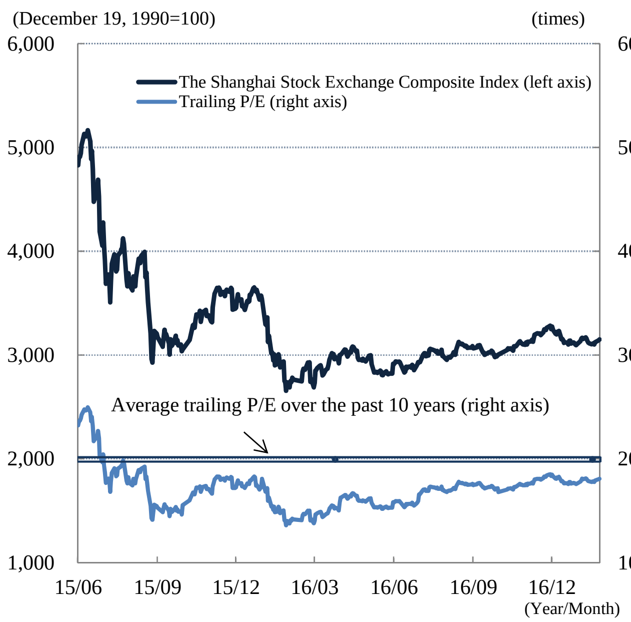
Note: Monthly data
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 14: Exchange Rates



Note: The CFETS index is a Mizuho Research Institute estimate; The most recent day: January 25
Source: Prepared by Mizuho Research Institute based on the materials from the China Foreign Exchange Trade System (CFETS) and Bloomberg data

Fig. 15: Stocks



Note: Daily data; The most recent day: January 25
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China and CEIC data

Appendix: China's Major Economic Indicators (1)

Headings			Unit	2015	2016	16/3Q	16/4Q	October	November	December
GDP	Real GDP		Y-o-y change (%)	6.9	6.7	6.7	6.8			
	Nominal GDP		Year-to-date (total), RMB 1 trillion	68.91	74.41	53.28	74.41			
Business Sentiment	PMI		End-of-period figure, points			50.4	51.4	51.2	51.7	51.4
		New Orders	Points			50.9	53.2	52.8	53.2	53.2
Production	Value-added Industrial Production (Real)		Y-o-y change (%)	6.1	6.0	6.1	6.1	6.1	6.2	6.0
		Light Industry	Y-o-y change (%)	6.0	4.7	3.7	5.7	5.2	5.6	6.2
		Materials	Y-o-y change (%)	8.6	6.2	5.6	3.5	4.9	3.6	2.0
		Machinery	Y-o-y change (%)	6.3	8.4	9.5	9.1	9.1	9.6	8.5
	Electric Power Generation		Y-o-y change (%)	-1.9	4.8	7.3	7.3	8.0	7.0	6.9
	Industrial Goods Inventories		Y-o-y change (%)			-1.4		-0.3	0.5	
		Light Industry	Y-o-y change (%)			2.9		0.3	-1.1	
		Materials	Y-o-y change (%)			-3.9		-2.4	-1.0	
		Machinery	Y-o-y change (%)			1.9		2.6	3.4	
	Passenger Transportation Volume		Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	3.6	4.1	3.6	3.7	4.1
	Freight Transportation Volume		Year-to-date y-o-y change (%), ton-kilometer	-0.5	4.0	1.5	4.0	3.5	4.6	4.0
Investment	Investment in Fixed Assets		Year-to-date (total), RMB 1 trillion	55.16	59.65	42.69	59.65	48.44	53.85	59.65
			Year-to-date y-o-y change (%)	10.0	8.1	8.2	8.1	8.3	8.3	8.1
		Real Estate	Year-to-date y-o-y change (%)	-0.2	5.4	4.3	5.4	4.9	5.2	5.4
		Primary Industry	Year-to-date y-o-y change (%)	31.8	21.1	21.8	21.1	22.0	21.9	21.1
		Secondary Industry	Year-to-date y-o-y change (%)	8.0	3.5	3.3	3.5	2.9	3.3	3.5
		Manufacturing	Year-to-date y-o-y change (%)	8.1	4.2	3.1	4.2	3.1	3.6	4.2
		Tertiary Industry	Year-to-date y-o-y change (%)	10.6	10.9	11.1	10.9	11.5	11.3	10.9
	Actual Direct Investment		Year-to-date (total), USD 100 million	1,356		951		1,039	1,138	
			Year-to-date y-o-y change (%)	5.5		0.2		0.2	-0.2	
Trade	Exports		USD 100 million	22,735	20,982	5,530	5,800	1,771	1,936	2,093
			Y-o-y change (%)	-2.9	-7.7	-6.9	-5.2	-7.9	-1.5	-6.2
		To the U.S.	Y-o-y change (%)	3.5	-5.1	-3.7	2.0	-5.8	7.3	5.1
		To the EU	Y-o-y change (%)	-3.9	-3.7	-3.7	-3.2	-8.8	4.8	-4.8
		To Japan	Y-o-y change (%)	-9.2	-4.7	-4.1	-2.0	-3.3	2.9	-5.5
		To NIES, ASEAN	Y-o-y change (%)	-2.8	-8.5	-9.2	-11.6	-8.1	-11.8	-14.2
	Imports		USD 100 million	16,796	15,874	4,141	4,478	1,288	1,504	1,686
			Y-o-y change (%)	-14.3	-5.5	-4.4	2.5	-1.6	5.5	3.1
		From the U.S.	Y-o-y change (%)	-5.9	-9.8	-13.2	-0.1	-6.9	10.2	-3.3
		From the EU	Y-o-y change (%)	-14.3	-0.5	-0.3	5.1	2.4	11.6	1.6
		From Japan	Y-o-y change (%)	-12.3	1.7	4.7	10.6	5.4	15.8	10.5
		From NIES, ASEAN	Y-o-y change (%)	-7.7	-1.6	0.2	3.2	2.5	3.0	4.0
	Trade Balance		USD 100 million	5,939	5,107	1,389	1,322	483	432	407

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, 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	2015	2016	16/3Q	16/4Q	October	November	December
GDP	Real GDP		Y-o-y change (%)	6.9	6.7	6.7	6.8			
	Nominal GDP		Year-to-date (total), RMB 1 trillion	68.91	74.41	53.28	74.41			
Business Sentiment	PMI		End-of-period figure, points			50.4	51.4	51.2	51.7	51.4
		New Orders	Points			50.9	53.2	52.8	53.2	53.2
Production	Value-added Industrial Production (Real)		Y-o-y change (%)	6.1	6.0	6.1	6.1	6.1	6.2	6.0
		Light Industry	Y-o-y change (%)	6.0	4.7	3.7	5.7	5.2	5.6	6.2
		Materials	Y-o-y change (%)	8.6	6.2	5.6	3.5	4.9	3.6	2.0
		Machinery	Y-o-y change (%)	6.3	8.4	9.5	9.1	9.1	9.6	8.5
	Electric Power Generation		Y-o-y change (%)	-1.9	4.8	7.3	7.3	8.0	7.0	6.9
	Industrial Goods Inventories		Y-o-y change (%)			-1.4		-0.3	0.5	
		Light Industry	Y-o-y change (%)			2.9		0.3	-1.1	
		Materials	Y-o-y change (%)			-3.9		-2.4	-1.0	
		Machinery	Y-o-y change (%)			1.9		2.6	3.4	
	Passenger Transportation Volume		Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	3.6	4.1	3.6	3.7	4.1
	Freight Transportation Volume		Year-to-date y-o-y change (%), ton-kilometer	-0.5	4.0	1.5	4.0	3.5	4.6	4.0
Investment	Investment in Fixed Assets		Year-to-date (total), RMB 1 trillion	55.16	59.65	42.69	59.65	48.44	53.85	59.65
			Year-to-date y-o-y change (%)	10.0	8.1	8.2	8.1	8.3	8.3	8.1
		Real Estate	Year-to-date y-o-y change (%)	-0.2	5.4	4.3	5.4	4.9	5.2	5.4
		Primary Industry	Year-to-date y-o-y change (%)	31.8	21.1	21.8	21.1	22.0	21.9	21.1
		Secondary Industry	Year-to-date y-o-y change (%)	8.0	3.5	3.3	3.5	2.9	3.3	3.5
		Manufacturing	Year-to-date y-o-y change (%)	8.1	4.2	3.1	4.2	3.1	3.6	4.2
		Tertiary Industry	Year-to-date y-o-y change (%)	10.6	10.9	11.1	10.9	11.5	11.3	10.9
	Actual Direct Investment		Year-to-date (total), USD 100 million	1,356		951		1,039	1,138	
			Year-to-date y-o-y change (%)	5.5		0.2		0.2	-0.2	
Trade	Exports		USD 100 million	22,735	20,982	5,530	5,800	1,771	1,936	2,093
			Y-o-y change (%)	-2.9	-7.7	-6.9	-5.2	-7.9	-1.5	-6.2
		To the U.S.	Y-o-y change (%)	3.5	-5.1	-3.7	2.0	-5.8	7.3	5.1
		To the EU	Y-o-y change (%)	-3.9	-3.7	-3.7	-3.2	-8.8	4.8	-4.8
		To Japan	Y-o-y change (%)	-9.2	-4.7	-4.1	-2.0	-3.3	2.9	-5.5
		To NIES, ASEAN	Y-o-y change (%)	-2.8	-8.5	-9.2	-11.6	-8.1	-11.8	-14.2
	Imports		USD 100 million	16,796	15,874	4,141	4,478	1,288	1,504	1,686
			Y-o-y change (%)	-14.3	-5.5	-4.4	2.5	-1.6	5.5	3.1
		From the U.S.	Y-o-y change (%)	-5.9	-9.8	-13.2	-0.1	-6.9	10.2	-3.3
		From the EU	Y-o-y change (%)	-14.3	-0.5	-0.3	5.1	2.4	11.6	1.6
		From Japan	Y-o-y change (%)	-12.3	1.7	4.7	10.6	5.4	15.8	10.5
		From NIES, ASEAN	Y-o-y change (%)	-7.7	-1.6	0.2	3.2	2.5	3.0	4.0
	Trade Balance		USD 100 million	5,939	5,107	1,389	1,322	483	432	407

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, 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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