
Mizuho Economic Commentary-China

October 2017 edition

◆ Topic

The current state of the Chinese economy and the outlook for policy administration in the wake of the National Congress of the Communist Party of China

At +6.8% year-on-year, the real GDP growth rate for July–September was down -0.1%Pt on the previous quarter due to the impact of policies like deleveraging, though the economy remained firm. General Secretary Xi Jinping strengthened his political base at October's National Congress of the Communist Party of China. From here on, Xi Jinping is likely to wield his authority more as he seeks to accelerate painful reforms in the run up to the 40th anniversary of China's 'reform and opening-up' at the end of 2018.

◆ Economic trends

All major indices rose in September as the impact of bad weather wore off

Production, investment, consumption and exports all grew at a faster year-on-year pace in September. This was seemingly due to the waning impact of the bad summer weather. The aforementioned indicators all slowed over July–September and there are signs the economic recovery is losing some momentum.

1. Topic: The current state of the Chinese economy and the outlook for policy administration in the wake of the National Congress of the Communist Party of China

The Chinese economy remained firm over July–September, 2017

The Chinese economy underwent a modest recovery from the latter half of 2016, but the real GDP growth rate for July–September 2017 fell for the first time in 18 months to hit +6.8% year-on-year (April–June: +6.9% y-o-y) (Fig. 1). The growth rate was pushed down by the falling contribution of net exports (from +0.3%Pt in April–June to +0.0%Pt) and gross capital formation (from +3.1%Pt in April–June to +2.3%Pt). However, the contribution of final consumption grew (from +3.5%Pt in April–June to +4.6%Pt), so growth only slowed slightly and the economy remained firm. Most prior forecasts had said the Chinese economy would slow from summer on moves to clamp down on real estate speculation and tougher financial regulations, for example.

The growth rate was pushed down by moves to clamp down on speculation, promote deleveraging, and eliminate overcapacity

The GDP result and other recent major indicators have revealed clear signs that the growth rate is being pushed down as the Chinese government moves in earnest to clamp down on speculation, promote deleveraging, and eliminate overcapacity. A glance of the real growth rates of representative indicators for each demand item (a Mizuho Research Institute estimate, as are the other figures below) shows investment in fixed assets falling to -0.6% y-o-y (April–June: +3.4% y-o-y) to record negative growth for the first time since the start of 2004. Investment in manufacturing (a sector struggling with overcapacity) fell to +1.2% y-o-y, while investment in real estate development also began sliding to hit -1.6% y-o-y (Fig. 2). Housing demand has fallen since the government cracked down on speculation, with housing sales in terms of floor space undergoing a y-o-y decline over July–September, for instance. This has led to a slowdown in housing investment growth. However, it seems inventories continued to grow over July–September, just as they had the previous quarter, so the contribution of gross capital formation to GDP did not fall as much as the contribution of investment in fixed assets. This is another reason why Chinese economic growth remained firm, contrary to expectations.

Consumer spending slowed slightly, but it remained firm, while government spending increased

Consumer spending also continues to move firmly on improved incomes. The total retail sales of consumer goods data slowed (from +9.7% y-o-y in April–June to +9.2% y-o-y), as did the real per-capita consumption expenditure (including services), but this was apparently due to the impact of bad weather over summer, with growth recovering on a monthly basis in September. Though consumer spending growth slowed slightly, the contribution of final consumption to GDP increased over July–September. This was probably due to a rise in government spending. Though the government has kept a lid on further infrastructure investment, it may have ramped up fiscal spending on improving people's livelihoods.

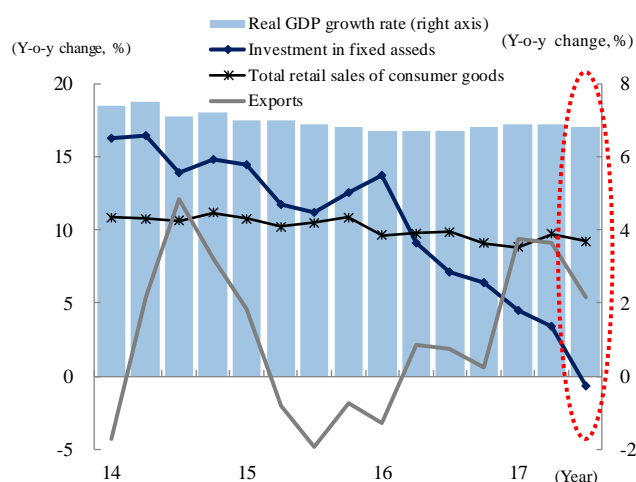
Xi Jinping strengthened his political base at the National Congress of the Communist Party of China

In this way, the impact of government policy is starting to make itself felt in various areas of the Chinese economy. As for the direction of policy management from hereon, there have been two key changes in the wake of the 19th National Congress of the Communist Party of China (held over October 18–24). Firstly, the consensus is that general secretary Xi Jinping has strengthened his leadership role when it comes to policy management. This follows a decision at the National Congress to make 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era' into a guiding principle of the Communist Party's constitution. This was only the third time a guiding principle had carried the name of a leader, following on from 'Mao Zedong Thought' and 'Deng Xiaoping Theory' (Jiang Zemin's thought was incorporated as the 'Three Represents' and Hu Jintao's as the 'Scientific Outlook on Development'). In fact, Mao was the only leader to have his name enshrined in this way while still alive. All this suggests Xi Jinping has gained a lot of power. Furthermore, the first plenary session of the 19th Central Committee of the Communist Party of China ('the first plenary session') also chose the next Politburo Standing Committee (China's main decision-making body). The new members were announced on October 25 and rumor has it that most are people close to Xi Jinping, with many observers believing it will now be easier for Xi Jinping to wield authority.

The Xi administration will push forward with painful reforms at an early stage, with the Chinese economy set to slow slightly

Secondly, we will need to wait until the Central Economic Working Conference at the end of the year to learn more about the specific economic policies the Xi administration will pursue in its second term, but if Xi Jinping's press conference after the first plenary session is anything to go by, it appears he will use his authority to push forward with further reform for now. 2018 marks the 40th year since Chinese first embarked on a program of 'reform and opening-up' at the end of 1978, so it seems Xi Jinping will need to show that China is pushing steadily ahead with reforms (Fig. 3). In particular, it is likely Xi Jinping will accelerate the pace of painful reforms like deleveraging and the elimination of overcapacity. Furthermore, 2020 is the target year for China to 'finish building a moderately prosperous society.' The country will need to maintain growth at around the lower-6% mark if it is to achieve the target of doubling GDP compared to 2010. With the 100th anniversary of the founding of the Chinese Communist Party also looming in 2021 and the 20th National Congress of the Communist Party of China lined up in 2022, Xi Jinping will probably focus on maintaining stability too. In light of the above, in 2018 the Xi administration will probably focus on quickly pushing forward with painful reforms while maintaining the growth needed to achieve the goal of doubling GDP. The Chinese economy is expected to slow gently on the back of these policy responses.

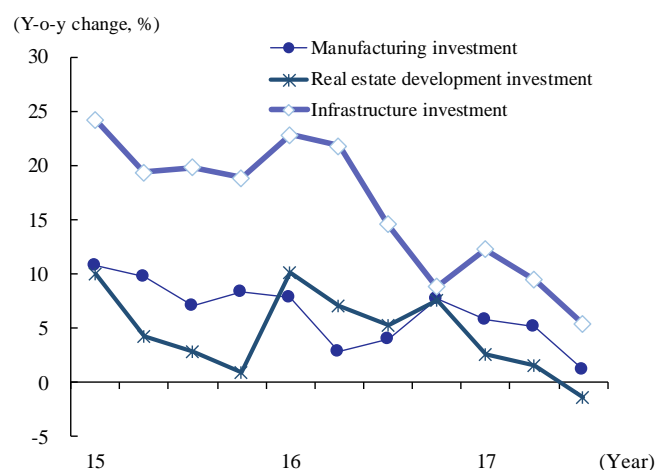
Fig. 1 Real GDP Growth Rate and Major Economic Indicators



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 (Estimated by Mizuho Research Institute).

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

Fig. 2 Real Investment Growth



Note: The data has been indexed using the fixed asset price index. (Estimated by Mizuho Research Institute).

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

Fig. 3: Key events mentioned by general secretary Xi Jinping in his press conference after the first plenary session

2018	40th anniversary of 'reform and opening-up'	Promote the ongoing modernization of national governance systems/capabilities; deepen reform in various areas; move unswervingly forward with reform and opening-up
2019	70th anniversary of the founding of the People's Republic of China	Continue to implement the tasks adopted in the '13th Five Year Plan' (2016–2020); formulate a new plan to promote future development
2020	Finish building a moderately prosperous society	Mobilize the entire party and country to fully realize the pledge of completing the transition from a poor country; strive to maintain/improve livelihoods; continually strengthen the sense of attainment, happiness and security of the people; unswervingly promote the shared prosperity of all citizens
2021	100th anniversary of the founding of the Chinese Communist Party	Sweep away everything undermining the soundness of the party; ferment a clean, decent political climate; use the strong positive energy of the party to mobilize the powerful development/progress of China across all areas of society

Source: Prepared by Mizuho Research Institute based on the People's Daily Online (<http://cpc.people.com.cn/19th/GB/414745/414893/index.html>)

2. Overview: All major indices grew at a faster pace in September

Though all major indices grew at a fast pace in September, they all slowed over the third quarter

All major indices (production, exports, investment and retail) grew at a faster year-on-year pace in September on the waning of the temporary headwinds caused by the bad summer weather. However, all these indicators slowed over July–September, with the economic recovery that picked up from the latter half of 2016 now losing some momentum.

Production accelerated, though it lost momentum compared to the first half of the year

At +6.6% y-o-y, real value-added industrial production growth expanded in September for the first time in three months (August: +6.0% y-o-y) (Fig. 4). Production in the mining sector fell at a faster pace and output in the iron and steel also began sliding, though the telecommunications/electronics sector saw faster growth as the production of mobile phones ramped up to meet sales of new models. However, though overall production had enjoyed growth in the upper-6% range over the first half of the year (+6.7% y-o-y in January–March and +6.9% y-o-y in April–June), it dipped slightly to +6.3% y-o-y over July–September. It seems the supply side of things was impacted substantially by policy, with the government pushing ahead with deleveraging and the elimination of overcapacity, for instance, while several production suspension orders were also issued over August–September as environmental rules were tightened. After peaking out in October–December 2016, the positive output/inventory balance (the y-o-y production growth rate minus the y-o-y inventories growth rate) had continued to shrink, though it began climbing again in July–September as inventory growth decelerated (Fig. 4).

The Manufacturing PMI rose

At 52.4, the government's September Manufacturing PMI rose to its highest level since April 2012 (August: 51.7) (Fig. 5). Production and new orders both surged.

Export growth expanded

At +8.1% y-o-y, export growth (nominal, dollar-denominated) expanded in September (August: +5.1% y-o-y) (Fig. 6). This was partly because the level was quite low this time last year. Mizuho Research Institute's seasonally-adjusted figure shows growth moving flatly at $\pm 0\%$ m-o-m. Though exports of electrical machinery grew at a faster y-o-y pace, iron and steel exports also fell at a faster y-o-y pace. Mobile phone exports (number of phones) stopped sliding on a y-o-y basis for the first time in 11 months in August, though they dipped back into negative territories in September. It seems production began to ramp up to meet sales of new models. This will probably translate into increased exports (shipments) from October onwards.

Import growth also expanded

At +18.6% y-o-y, import growth (nominal, dollar-denominated) in September was up on August's +13.4% y-o-y (Fig. 6). Mizuho Research Institute's seasonally-adjusted figure also shows import growth accelerating to +2.8% m-o-m. There was a rise in imports of resources (like crude oil and iron ore), machine equipment and electric/electronic products, for example. It seems imports of raw materials were front-loaded in anticipation of a rise in resource prices and the impending National Congress of the Communist Party of China in October. Furthermore, on a volume basis iron and steel imports also saw positive y-o-y growth for the first time in four months. This suggests firms are shifting to imports following moves to curb domestic production.

China's trade surplus continued to shrink

China recorded a trade surplus of \$28.6 billion in September (August: \$41.2 billion), with the surplus shrinking on a y-o-y basis for the 14th month in a row. Though China's surplus with the U.S. grew for the seventh successive month, its surplus with the EU and Hong Kong shrank while its deficit with Japan expanded.

Investment growth rose for the first time in three months, though the real growth rate remained down on the

At +5.7% y-o-y, the nominal growth rate of investment in fixed assets rose for the first time in three months in September (August: +4.9% y-o-y) (Fig. 7). Construction activity had been hit by the bad summer weather, but as the impact of the bad weather wore off, real estate development and infrastructure investment growth picked up. However, manufacturing investment growth slowed, albeit slightly. A glance at the figures for July–September shows investment in fixed

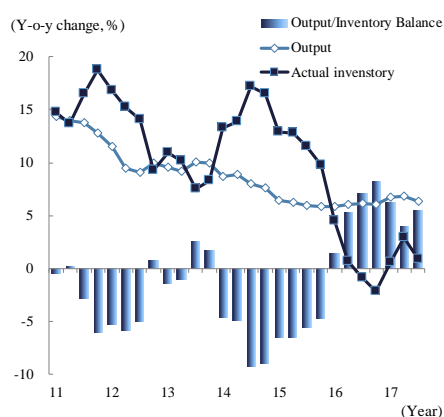
previous year

assets growing at a slower pace across the board, with growth dipping when it came to manufacturing, real estate development and infrastructure. Infrastructure investment continues to grow at a double-digit y-o-y pace, but with fiscal spending growth slowing, trends will need monitoring from here on. At -0.8% y-o-y, the real growth rate of investment in fixed assets (a Mizuho Research Institute estimate) moved sluggishly in September, with growth moving in negative territories for the second consecutive month (August: -0.8% y-o-y).

Retail sales grew slightly on both a nominal and real basis

At +10.3% y-o-y, nominal total retail sales of consumer goods grew at a faster pace in September (August: +10.1% y-o-y) as the negative impact of the bad summer weather wore off (Fig. 8). A glance at the breakdown for retail sales above a designated size shows sales of furniture, construction materials and medicines rising at a faster pace, for example. Passenger car sales grew at a slightly slower y-o-y pace, mainly because growth was so strong the year before. At +9.2% y-o-y, the real growth rate of total retail sales of consumer goods (a Mizuho Research Institute estimate) rose in September (August: +8.9% y-o-y).

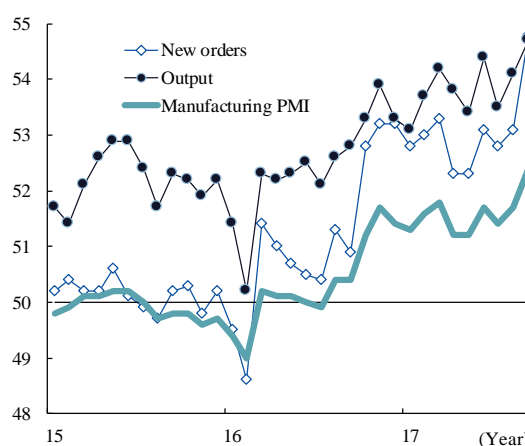
Fig. 4 Output/Inventory Balance



Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth. The inventories data has been indexed using the PPI.

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

Fig. 5 Manufacturing PMI

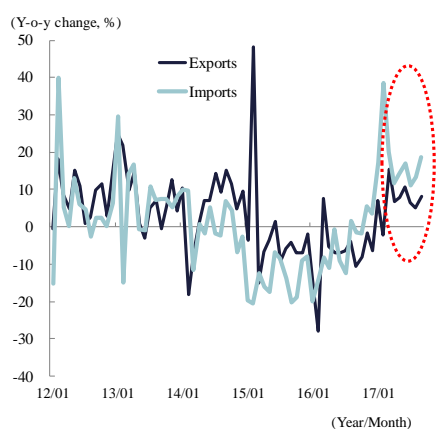


Note: 1. Please note that seasonal factors, such as Chinese New Year, have not been completely eliminated from the data.

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 of China

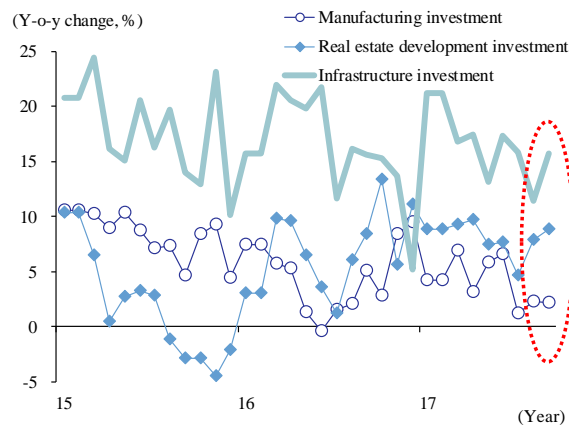
Fig. 6 Value of Imports and Exports



Note: Nominal, dollar-denominated

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

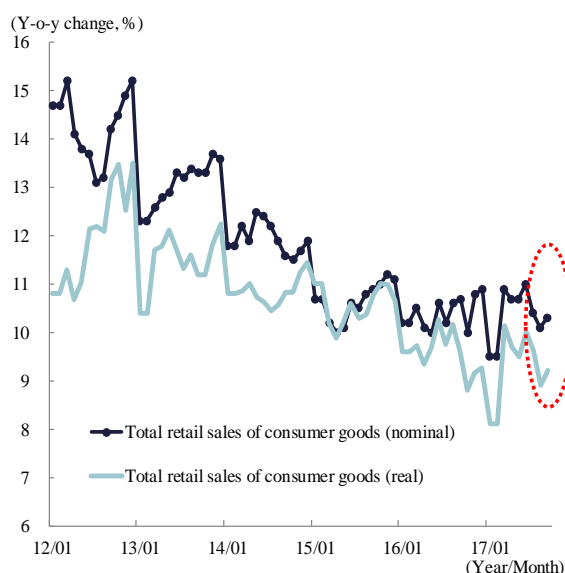
Fig. 7 Nominal Investment in Fixed Assets



Note: The monthly figures were calculated based on the cumulative investment amount since the start of the year. The figures for January and February are aggregated and included under the figure for January–February.

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

Fig. 8 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 has been indexed using the retail price index (The figures for January and February were publicly-released cumulative value).

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

3. Inflation: The CPI fell while the PPI rose

Though CPI growth fell, core CPI rose

At +1.6% y-o-y, consumer price index (CPI) growth slowed slightly in September (August: +1.8% y-o-y) (Fig. 9). This was because the price of fresh vegetables and fruit contracted on a y-o-y basis. However, the price of services like healthcare grew at a faster pace, so the core CPI data (excluding energy and food) hit +2.3% y-o-y, its highest level since October 2011 (August: +2.2% y-o-y).

The PPI rose on a monthly and yearly basis

At +6.9% y-o-y, producer price index (PPI) growth rose for the second month in a row in September (August: +6.3% y-o-y) (Fig. 9). At +1.0% m-o-m, the PPI grew faster on a monthly basis too (August: -0.9% m-o-m). A glance at the y-o-y figures shows the prices of ferrous and non-ferrous metals, chemicals and paper facing upward pressure. This points to the impact of rising crude oil prices and tighter supply and demand conditions due to tougher environmental regulations.

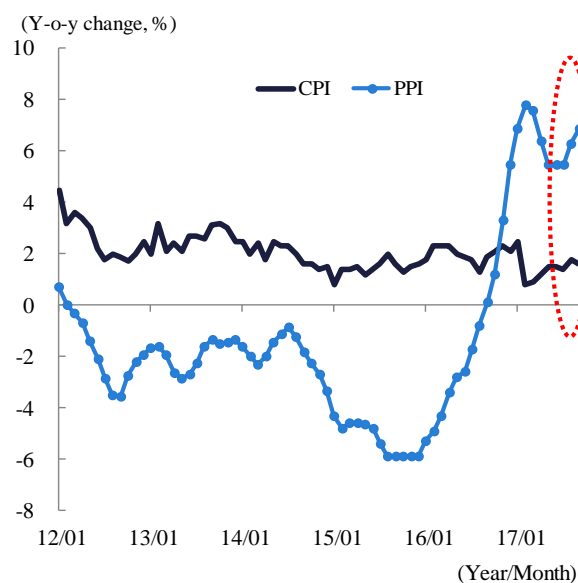
Homes prices grew at slower m-o-m and y-o-y basis as the impact of policies started to bite

In September, the new-homes price index (the average of 70 major Chinese cities) continued to grow at a slower pace on both a yearly basis (+6.4% y-o-y against August's figure of +8.1% y-o-y) and a monthly basis (+0.19% m-o-m against August's figure of +0.23% m-o-m) (Mizuho Research Institute estimates) (Fig. 10). At +1.6%, home price growth in first-tier cities shrank to more-or-less move flatly, for instance, with prices also growing at a slower pace in second-tier and third-tier cities, so it seems the crackdown on housing speculation is starting to make itself felt in urban areas and so on. Forty-four cities saw prices rising on a monthly basis (down from 46 in August), while 17 cities saw prices falling (down from 18 in August) and nine cities saw prices moving flatly (up from six in August).

Real estate sales in terms of floor space fell slightly on the previous year, though real estate investment growth increase slightly

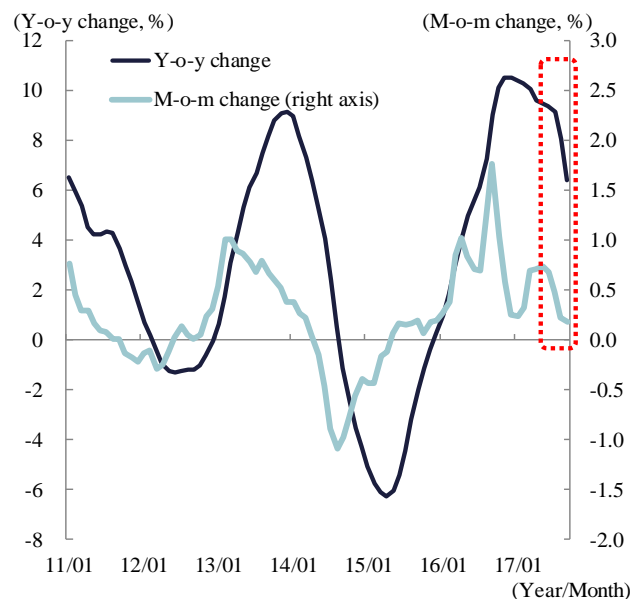
At -1.5% y-o-y, real estate sales in terms of floor space recorded negative growth in September for the first time since March 2015 (August: +4.3% y-o-y). The office sector saw faster growth, for instance, and although growth slowed slightly when it came to commercial facilities, it remained in double-digits on a y-o-y basis. However, the housing sector contracted by -5.7% y-o-y (August: +2.3% y-o-y). At +9.4% y-o-y, nominal growth in real estate development investment recovered in September (August: +7.9% y-o-y). This was probably a temporary boost caused by the aforementioned waning of the impact of bad weather. With sales moving bearishly, though, growth will probably be pushed downward from here on.

Fig. 9 CPI and PPI



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

Fig. 10 The New-Homes Price Index



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 money supply continued to grow at a slow pace

M2 growth remained in single digits for the fifth successive month

At +9.2% y-o-y, money supply (M2) growth rose in September, though it remained in single digits for the fifth successive month (August: +8.9% y-o-y) (Fig. 11). M1 (cash in circulation + current deposits, etc.) growth moved flatly at +14.0% y-o-y (August: +14.0% y-o-y), but quasi-money (personal savings deposits + corporate time deposits, etc.) growth increased to +7.1% y-o-y (August: +6.7% y-o-y). M2 growth has continued to slow since 2016. This was mainly due to quasi-money in 2016, but the main reason for the slowdown entering 2017 has been the decline in M1 growth.

The outstanding RMB loan balance grew at a slower pace

New RMB loans totaled RMB 1.27 trillion in September. This was up on August's figure of RMB 1.09 trillion. This was largely due to seasonal factors, with new loans growth actually falling sharply on a yearly basis (from +14.9% y-o-y in August to +4.1% in September). At +13.1%, the outstanding loan balance also grew at a slower pace (June: +13.2% y-o-y). The breakdown shows mid- to long-term lending to households continuing to slow as housing demand drops off.

The total social financing balance grew at a slower pace

At RMB 1.8199 trillion, total social financing was up on the previous month (August: RMB 1.4922 trillion). It also grew on an annual basis (from +2.2% y-o-y in August to +6.3% y-o-y). However, the outstanding balance grew at a slightly slower pace (from +13.1% y-o-y in August to +13.0% y-o-y) (Fig. 12). A glance at the details shows off-balance-sheet items (such as trust loans and banker's acceptances) expanding, with corporate bond and equity finance continuing to grow at a slower pace.

In September, the PBOC provided funds on a net basis via its open-market operations, the SLF and the MLF

In September, the People's Bank of China (PBOC) absorbed net funds from the money markets for the second successive month as part of its open-market operations (Fig. 13). The Standing Lending Facility (SLF) and the Medium-term Lending Facility (MLF) both provided funds on a net basis, with the open-market operations, the SLF and the MLF providing a total of RMB 226.7 billion (the PBOC had absorbed a total of RMB 391.7 billion in August).

The PBOC provided net funds in October too

In October, the PBOC has provided a net RMB 650 billion to the markets via open-market operations, with a net RMB 58.5 billion also being provided via the MLF. As such, the PBOC has pumped a total of RMB 708.5 billion into the markets, with the bank continuing to provide funds on a net basis (as of October 30).

The foreign currency risk reserve requirement was scrapped in September, with the RMB subsequently sliding

With the dollar continuing to weaken against other major currencies, the RMB soared against the dollar from August to the start of September (Fig. 14). On September 8, though, the PBOC announced to financial institutions that the foreign currency risk reserve deposit rate (introduced in 2015 to deal with RMB bearishness) would be lowered to 0% (it was previously set at 20%; the new rate came into effect on September 11). The markets read this as a move by the authorities to curb RMB bullishness, so the RMB began sliding from September 11. The RMB began rising again at a gentle pace at the start of October, after the National Day holiday, with the RMB/dollar pair then trading around RMB 6.6 without a sense of direction toward the end of October.

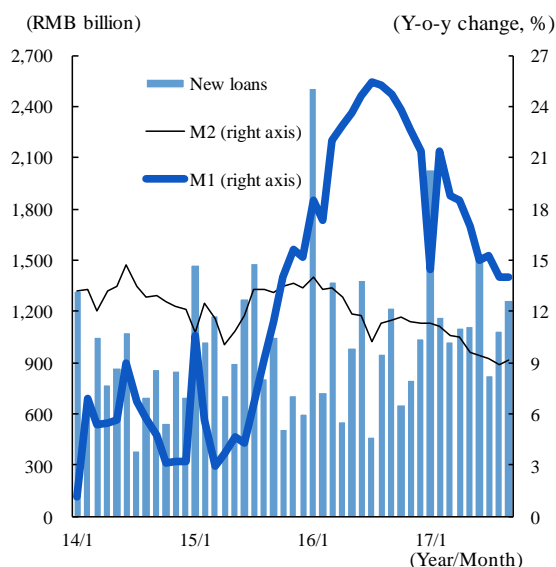
Stock prices rose

With industry profits surging by +32.5% y-o-y, for example, the Shanghai Stock Exchange Composite Index continued rising at a gentle pace in September on the warm reaction to improved corporate results (Fig. 15).

The PBOC announced it would be lowering the required reserve ratio for banks that lend to small businesses

On September 30, the PBOC announced it would be lowering the required reserve ratio for banks that meet certain requirements when it comes to lending to small businesses (this will come into effect in 2018). This was part of the State Council's measures to provide financial support to small businesses. This will apply to most commercial banks, so some observers saw this as step toward monetary easing. However, the PBOC has indicated it will not be shifting the direction of its monetary policy and will instead continue to pursue a 'prudent and neutral' course.

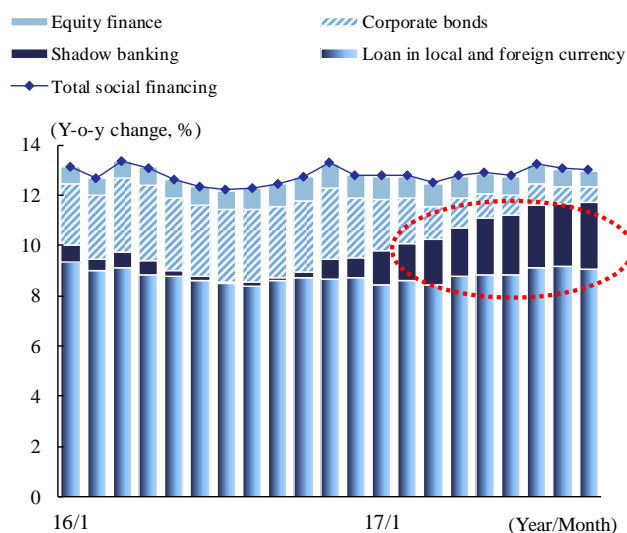
Fig. 11 Financial Indicators



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

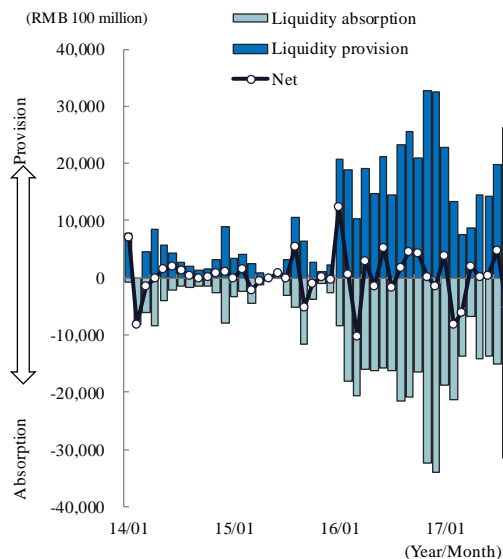
Fig. 12 The Total Social Financing Balance (Y-o-y change)



Note: Shadow banking is the total of entrusted loans, trust loans and banker's acceptance bills.

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

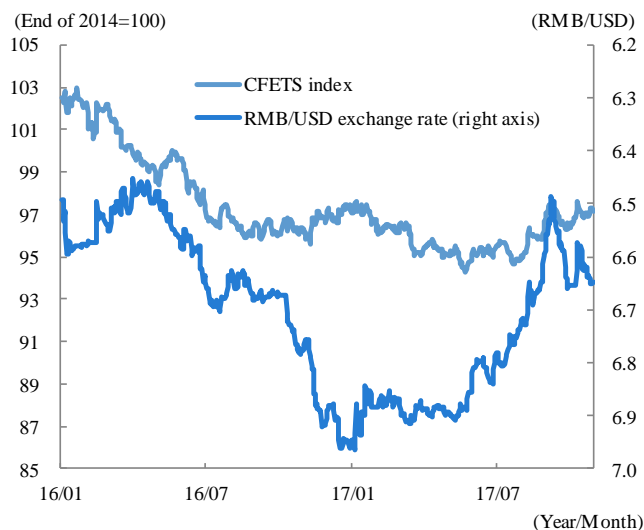
Fig. 13: Open Market Operation



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; Daily data; The most recent day: October 30

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: October 30

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	17/1Q	17/2Q	17/3Q	July	August	September
GDP	Real GDP	Y-o-y change (%)	6.9	6.7	6.9	6.9	6.8			
	Nominal GDP	Year-to-date (total), RMB 1 trillion	68.91	74.41	18.07	38.15	59.33			
Business Sentiment	PMI	End-of-period figure, points			51.8	51.7	52.4	51.4	51.7	52.4
	New Orders	Points			53.3	53.1	54.8	52.8	53.1	54.8
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.1	6.0	6.0	6.9	6.3	6.4	6.0	6.6
	Light Industry	Y-o-y change (%)	6.0	4.7	4.3	7.7	6.9	6.9	6.2	7.7
	Materials	Y-o-y change (%)	8.6	6.2	8.0	4.1	5.0	4.7	4.7	5.5
	Machinery	Y-o-y change (%)	6.3	8.4	7.6	10.5	10.8	9.9	10.8	11.7
	Electric Power Generation	Y-o-y change (%)	-1.9	4.8	7.2	5.2	6.2	8.6	4.8	5.3
	Industrial Goods Inventories	Y-o-y change (%)			6.8	9.4	7.9	8.0	7.9	7.8
	Light Industry	Y-o-y change (%)			2.2	3.9	3.4	3.4	3.4	n.a.
	Materials	Y-o-y change (%)			8.5	11.3	8.2	8.0	8.4	n.a.
	Machinery	Y-o-y change (%)			7.2	10.3	8.9	9.1	8.7	n.a.
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	3.4	3.6	3.7	5.2	4.0	1.7
	Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-0.5	4.0	0.7	3.5	4.6	13.7	8.3	6.7
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	55.16	59.65	9.38	28.06	45.85	33.74	39.42	45.85
		Year-to-date y-o-y change (%)	10.0	8.1	9.2	8.6	7.5	8.3	7.8	7.5
	Real Estate	Year-to-date y-o-y change (%)	-0.2	5.4	8.5	7.1	6.9	6.8	6.9	6.9
	Primary Industry	Year-to-date y-o-y change (%)	31.8	21.1	19.8	16.5	11.8	14.4	12.2	11.8
	Secondary Industry	Year-to-date y-o-y change (%)	8.0	3.5	4.2	4.0	2.6	3.4	3.2	2.6
	Manufacturing	Year-to-date y-o-y change (%)	8.1	4.2	5.8	5.5	4.2	4.8	4.5	4.2
	Tertiary Industry	Year-to-date y-o-y change (%)	10.6	10.9	12.2	11.3	10.5	11.3	10.6	10.5
	Actual Direct Investment	Year-to-date (total), USD 100 million	1,356	1,339	338	656	921	721	815	921
Trade		Year-to-date y-o-y change (%)	5.5	-1.2	-4.5	-5.4	-3.2	-6.5	-5.1	-3.2
	Exports	USD 100 million	22,735	20,976	4,800	5,633	5,891	1,924	1,985	1,982
		Y-o-y change (%)	-2.9	-7.7	7.6	8.5	6.5	6.5	5.1	8.1
	To the U.S.	Y-o-y change (%)	3.5	-5.1	7.8	14.5	10.4	8.9	8.4	13.8
	To the EU	Y-o-y change (%)	-3.9	-3.7	4.8	9.7	8.4	10.1	5.1	10.4
	To Japan	Y-o-y change (%)	-9.2	-4.7	4.3	7.4	2.4	6.6	1.1	0.0
	To NIES, ASEAN	Y-o-y change (%)	-2.8	-8.5	1.9	-2.4	3.1	0.6	4.1	4.5
	Imports	USD 100 million	16,796	15,879	4,178	4,446	4,739	1,469	1,573	1,696
		Y-o-y change (%)	-14.3	-5.5	24.2	14.3	14.4	11.0	13.4	18.6
	From the U.S.	Y-o-y change (%)	-5.9	-9.8	23.8	14.1	18.8	24.2	18.6	14.3
	From the EU	Y-o-y change (%)	-14.3	-0.5	15.2	12.1	21.2	13.8	19.4	30.9
	From Japan	Y-o-y change (%)	-12.3	1.7	20.1	12.5	13.3	12.2	9.8	17.8
	From NIES, ASEAN	Y-o-y change (%)	-7.7	-1.6	15.7	6.9	13.4	7.0	13.6	18.9
	Trade Balance	USD 100 million	5,939	5,097	622	1,187	1,152	454	412	286

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	2015	2016	17/1Q	17/2Q	17/3Q	July	August	September
Consumption	Consumer Confidence Index	End-of-period figure, points			111.0	113.3	118.6	114.6	114.7	118.6
	Consumer Expectations Index	End-of-period figure, points			114.2	116.4	121.9	117.4	117.6	121.9
	Total Retail Sales of Consumer Goods	RMB 1 trillion	30.09	33.23	18.30	8.65	9.08	2.96	3.03	3.09
		Y-o-y change (%)	10.7	10.4	10.3	10.8	10.3	10.4	10.1	10.3
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	7.8	8.1	7.5	9.6	8.0	8.6	7.5	7.9
	Automobile Sales	10,000 automobiles	2,456.3	2,793.9	700.2	635.2	686.6	197.1	218.6	270.9
		Y-o-y change (%)	3.9	13.7	8.9	0.7	5.7	6.2	5.3	5.7
	Nationwide Disposable Income per Capita	Year-to-date y-o-y change (%)	8.9	8.4	8.5	8.8	9.1	n.a.	n.a.	n.a.
Prices	Jobs-to-applicants Ratio	End-of-period figure, times	1.10	1.13	1.13	1.11	n.a.	n.a.	n.a.	n.a.
	Consumer Price Index	Y-o-y change (%)	1.4	2.0	1.4	1.4	1.6	1.4	1.8	1.6
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	2.0	2.1	2.2	2.1	2.2	2.3
	Foods	Y-o-y change (%)	2.3	4.6	-2.0	-2.1	-0.9	-1.1	-0.2	-1.4
	Producer Price Index	Y-o-y change (%)	-5.2	-1.3	7.4	5.8	6.2	5.5	6.3	6.9
	Producer Goods	Y-o-y change (%)	-6.8	-1.7	9.9	7.7	8.2	7.3	8.3	9.1
	Consumer Goods	Y-o-y change (%)	-0.3	-0.0	0.8	0.6	0.6	0.5	0.6	0.7
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	-3.8	6.2	10.2	9.5	7.9	9.1	8.1	6.4
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	139.23	155.01	159.96	163.13	165.57	162.90	164.52	165.57
		End-of-period figure, y-o-y change (%)	13.3	11.3	10.6	9.5	9.2	9.2	8.9	9.2
	Outstanding Loans	End-of-period figure, RMB 1 trillion	93.95	106.60	110.83	114.57	117.76	115.40	116.49	117.76
		End-of-period figure, y-o-y change (%)	14.3	13.5	12.4	12.9	13.1	13.2	13.2	13.1
	Net Increase	Mid-period increase, RMB 10 billion	1228	1265	422	375	319	83	109	127
	Deposits	End-of-period figure, RMB 1 trillion	135.70	150.59	155.65	159.66	162.28	160.48	161.84	162.28
		End-of-period figure, y-o-y change	12.4	11.0	10.3	9.2	9.3	9.4	9.0	9.3
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.5	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, %	2.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50
	Foreign Currency Reserves	End-of-period figure, USD 100 million			0.00	0.00	0.00	0.00	0.00	0.00
	Overnight Repo Rate	End-of-period figure, %	2.10	2.10	2.52	2.63	2.94	2.79	2.85	2.94
	Foreign Currency Reserves	End-of-period figure, USD 100 million	33,304	30,105	30,091	30,568	31,085	30,807	30,915	31,085
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.48	6.94	6.88	6.78	6.65	6.72	6.59	6.65
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	18.57	16.82	16.19	16.58	16.93	16.42	16.70	16.93
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,539	3,104	3,223	3,192	3,349	3,273	3,361	3,349
	PER	End-of-period figure, times	17.6	15.9	16.9	17.0	18.0	17.5	18.0	18.0
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,313	5,077	5,396	5,343	5,693	5,422	5,620	5,693
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	25,559	12,777	2,654	2,591	3,311	978	1,179	1,154
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.5	4.8	14.1	10.3	10.5	10.4	10.2	10.5
	Fiscal Expenditure	Year-to-date y-o-y change (%)	15.9	6.8	21.0	16.1	11.7	14.8	13.4	11.7

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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