Mizuho Economic Commentary-China

July 2017 edition

◆ Topic

Will the Chinese economy continue to recover?

The real GDP growth rate remained at high levels over April–June, though this was due in large part to inventory growth. There are signs of impending inventory adjustment. Investment is likely to be pushed lower by a tighter corporate fundraising environment, with the Chinese economy expected to slow gradually from here on.

◆ Economic trends

Major indicators all improved in June

All major indices (production, export, investment and consumption) grew at a faster year-on-year pace in June. Inventories of durable goods and so on are piling up, though, so the production expansion will probably be short-lived. House prices grew at a slower pace, particularly in first-tier cities. This suggests that policies to curb real-estate speculation are gradually starting to bite.

1. Topic: Will the Chinese economy continue to recover?

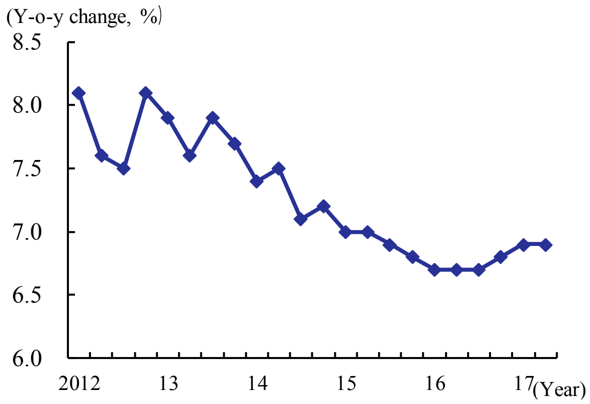
The Chinese economy has continued to bounce back from the latter half of 2016 onward

The Chinese economy last recorded double-digit growth in April–June 2011 (real GDP growth rate: +10.0% y-o-y). The economy slowed over a long period thereafter, but this trend has bottomed out from the latter half of 2016, with the growth rate now rising slightly. GDP growth rate accelerated for the second successive quarter in January–March, 2017 to hit +6.9% y-o-y, with the same results recorded in April–June too (Fig. 1). There are several reasons for this upswing. Exports have moved firmly on the global IT cycle recovery, for instance, while the output/inventory balance improved on production curbs, mainly in materials sectors like iron and steel, with inventory rebuilding on the increase in the mining and manufacturing sectors (Fig. 2). The employment and wages environment also recovered as corporate profits swung upwards on the improved supply and demand of finished goods, with consumer spending remaining firm.

The growth rate was pushed up by inventory increases over April–June 2017, but inventory adjustment looks set to exert downward pressure from here on

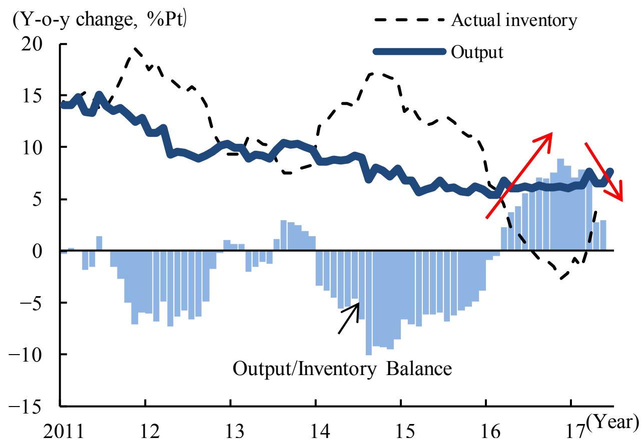
However, inventory increases seem to have played a major role in ensuring that growth remained strong over April–June 2017. Though gross capital formation (investment + inventories) made a bigger contribution to the real GDP growth rate (from +1.3%Pt in January–March to +3.1%Pt in April–June), fixed asset investment (Mizuho Research Institute estimate) grew at a slower pace (from +4.5% in January–March to +3.4%Pt in April–June). Moreover, inventories of durable goods and so on were forced up unexpectedly by a slowdown in car sales after a tax break on small vehicles was reduced. Moves to adjust production in the mineral resources and materials sectors have eased off slightly in the wake of the economic recovery, so although the overall manufacturing output/inventory balance remains in positive territories, it has shifted sharply downwards (Fig. 2). Based on this, domestic demand looks set to weaken on inventory adjustment going forward.

Fig. 1 Real GDP Growth Rate



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

Fig. 2 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

Y-o-y real fixed asset investment growth has fallen into single digits on overcapacity and excess inventories/debt

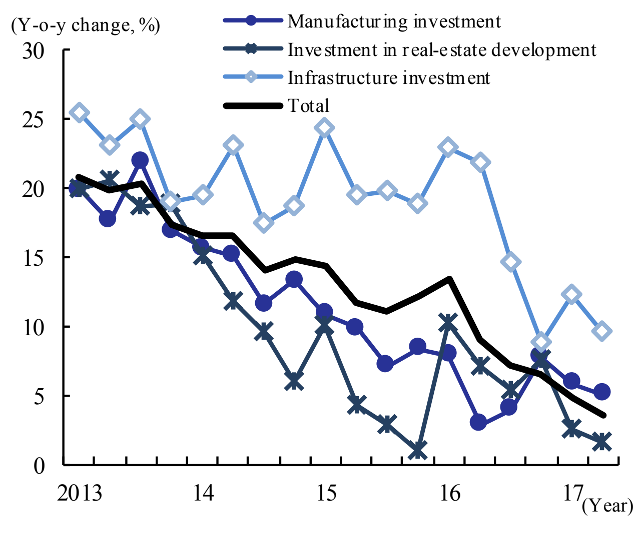
Furthermore, when cyclical movements are removed from the equation, the Chinese economy still faces structural adjustment pressures released to overcapacity, an accumulation of housing stock in small- to medium-sized cities, and excessive debt build-ups. This is also placing downward pressure on growth. Meanwhile, mounting local government debt means infrastructure investment is unlikely to increase in an unbridled fashion. In fact, real investment in fixed assets continues to grow at a slower pace in sectors like manufacturing, which still face problems of overcapacity and excess debt. Fixed asset investment growth has dropped into the lower single digits entering 2017 on new rules to curb real estate speculation in major cities and so on (introduced in the face of soaring house prices) and restrained infrastructure investment growth (though it remains at high levels) (Fig. 3).

The corporate fundraising environment has grown tighter, with the economy set to slow slightly

Since monetary policy shifted from ‘prudent’ to ‘prudent and neutral’ at the end of last year, the People’s Bank of China (PBOC) has continued to guide market interest rates higher and it has strengthened financial regulations. This has led to a tighter financial environment and this will also probably keep investment in check from here on.

According to a PBOC survey, bankers believe monetary policy has shifted sharply in a tightening direction entering 2017, with the financial environment in April–June already as tight as it was during other phases of tightening (before the financial crisis, 2011, and 2013) (Fig. 4). The survey also suggested bankers are becoming a little stricter when it comes to loan approvals. Though short-term interest rates are trending upwards, the real lending rate (weighted average) hit -1.9% in January–March on rising producer prices (PPI). This was the lowest level since 2008, with the situation remaining accommodative when it comes to interest rates. However, rules on interbank transactions are being tightened to prevent financial risk related to the increasing flow of illicit funds via the shadow banking sector, for example. The PBOC has also introduced restrictions on lending to companies of concern based on the Macro-Prudential Assessment (MPA) system, with the authorities also placing strict controls on local government debt. As a result, the corporate fundraising environment is probably growing tighter.

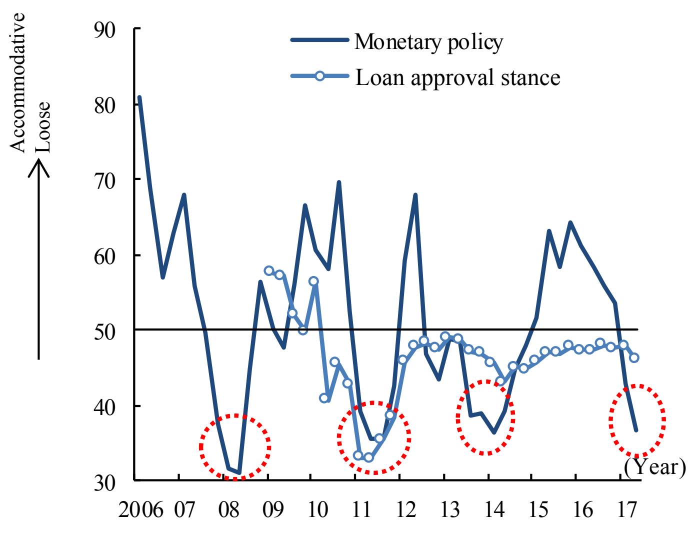
Fig. 3 Real Growth Rate of Investments in Fixed Assets



Note: Indexed using the fixed asset price index.

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

Fig. 4 Banking Conditions Index



Note: The monetary policy indicator and loan approval stance indicator are calculated on a weighted-average basis, with ‘accommodative’ set as 100 and ‘neutral’ as 50 for the former and ‘loose’ set at 100 and ‘no change’ as 50 for the latter.

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

The economy is expected to slow gently, but policy might be tightened further if the real-estate market overheats again, so caution will be needed

However, while the government is trying to promote deleveraging and curb housing bubbles, it is wary of damaging the real economy or the financial system by tightening too quickly. The government is trying to ease downward pressures on the economy by constraining lending to sectors with over-investment and excessive debt while at the same time supplying more funds to vital sectors, such as emerging new industries. As the government pushes steadily forward with this strategy, the economy looks set to slow gently on investment and inventory adjustment. However, if the real-estate market overheats again, the authorities could also tighten policy further. Developments will need to be watched closely from here on.

2. Overview: Though major indicators bounced back in June, this revival might be short-lived

All indicators improved in June, but this improvement will only be temporary in some sectors

Production, exports, investment and retail all grew at a faster year-on-year pace in June. However, indicators up until May hinted that a phase of inventory adjustment may be looming, with inventories of durable goods and so on piling up, for example, so this production expansion will probably be temporary.

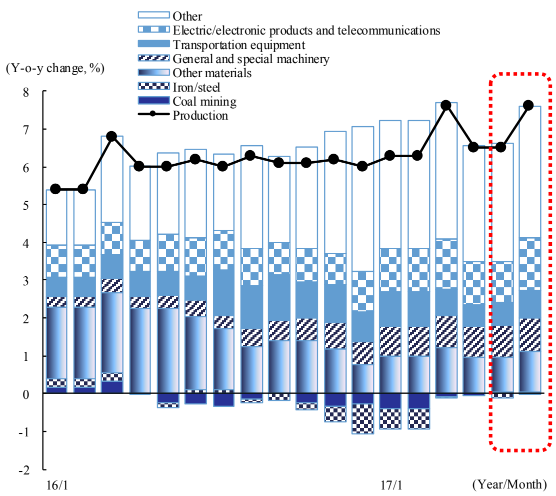
Production increased for the first time in three months

At +7.6 y-o-y, real value-added industrial production growth accelerated in June for the first time in three months (May: +6.5% y-o-y) (Fig. 5). Coal mining and other extractive industries saw production dipping slightly, though output rose in sectors like food processing, general/special purpose machinery, and telecommunications/electronics. There had been a slowdown in automobile production after a tax break on small vehicles was reduced at the start of the year, but production began rising again on the bullish SUV and cargo vehicle sectors. Iron and steel output began rising again after a two-month hiatus, though growth remains close to zero at +0.7% y-o-y (May: -1.9% y-o-y). In addition to iron and steel, the production of other materials like coke and cement is also moving sluggishly overall on a slowdown in real-estate investment. Furthermore, with inventories of durable goods (automobiles, etc.) piling up, June's increase in production will probably be temporary.

The Manufacturing PMI also rose

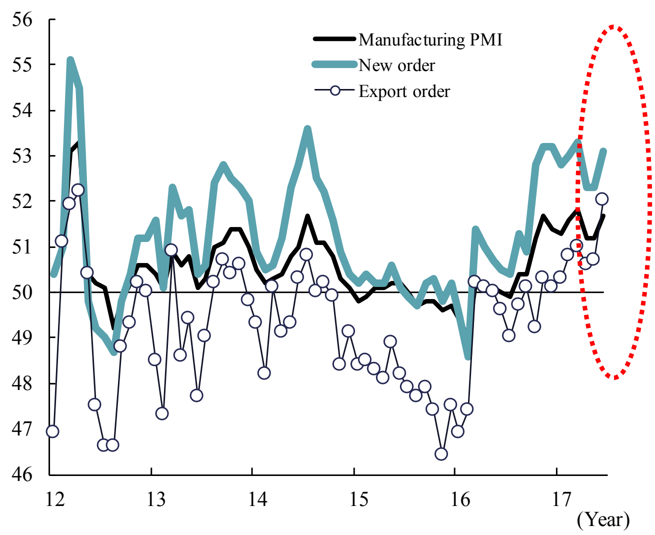
The government's Manufacturing PMI rose for the first time in three months to hit 51.7 in June (May: 51.2) (Fig. 6). This was down to a rise in production and new orders. The export order indicator scored its best result since April 2012 (from 50.7 in May to 52.0 in June), with bullish exports leading to a revival in business confidence. However, the supply and demand situation also seems slack, with shipment prices moving below 50 for the third successive month, for example, so the orders recovery is likely to be short-lived.

Fig. 5 Contribution by Industry to Industrial Production (estimate)



Note: 1. Value-added amounts by industry from 2012 input/output tables were tabulated with production data, with the contribution rate of each

Fig. 6 Manufacturing PMI



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

industry calculated using 2015 weights estimated from each value-added production growth rate.
2. 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 of China

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

Exports grew at a faster pace

At +11.3% y-o-y, export growth (nominal, dollar-denominated) in June was up on May's figure of +8.3% y-o-y (Fig. 7). Export volume growth also accelerated to +11.6% y-o-y (May: +9.6% y-o-y). A glance at the export volume breakdown shows base metal exports (iron and steel, etc.) dipping on the previous year, with the overall data pulled up by brisk exports of machinery and minerals. The export volume figure grew by +9.4% y-o-y on average over April–June, thus maintaining the previous quarter's momentum (January–March: +9.7% y-o-y).

Import growth also accelerated

At +17.2% y-o-y, import growth (nominal, dollar-denominated) was up on May (+14.5% y-o-y), with imports also increasing on a volume basis (from +8.6% y-o-y in May to +12.4% y-o-y in June). A glance at the details shows imports of electrical machinery (electronic equipment, etc.) and mineral fuels increasing. Import volumes grew by +8.5% y-o-y over April–June, down on the previous quarter's figure of +15.3% y-o-y.

The trade surplus continued to shrink on a y-o-y basis

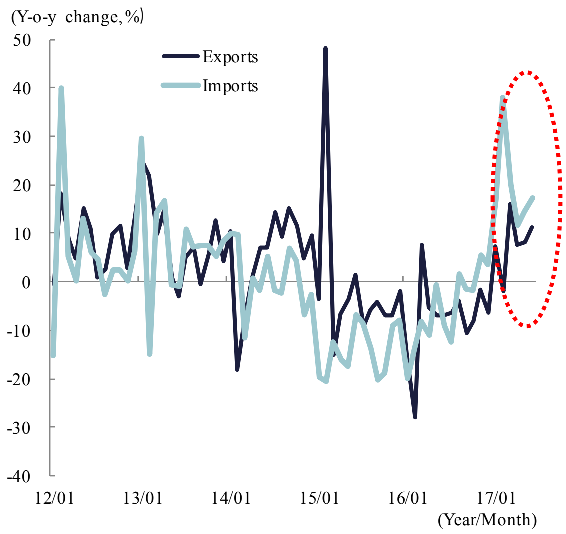
China recorded a trade surplus of $42.8 billion in June (May $40.5 billion), with the surplus declining on a y-o-y basis for the 11th month in a row. Though China's surplus with the U.S. and E.U. grew, its surplus with the ASEAN region and Japan decreased.

Investment growth accelerated

At +8.6% y-o-y, the nominal growth rate of investment in fixed assets was up on May's figure of +7.9% y-o-y. This was due to a revival in investment in real-estate development and infrastructure after a sharp drop-off in May. At +8.3% q-o-q, though, growth slowed over April–June (January–March: +9.2% q-o-q), mainly in investment in real-estate development and infrastructure.

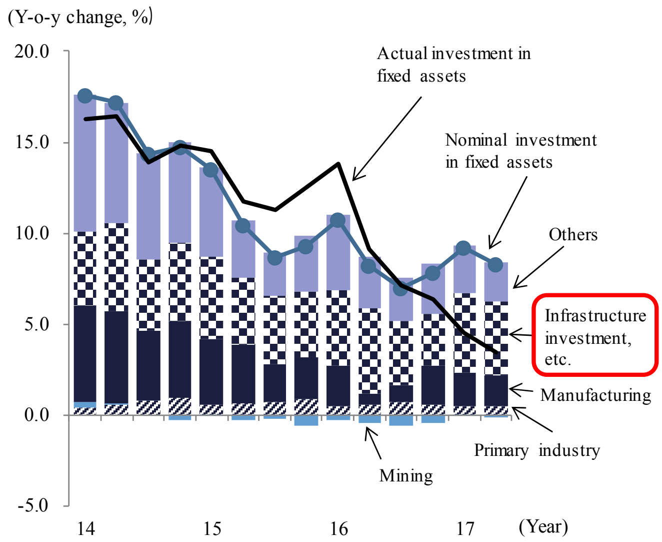
At +3.9% m-o-m, June's real growth rate (a Mizuho Research Institute figure) was up slightly on May's figure of +3.0% m-o-m. At +3.4% q-o-q, though, real growth slowed over April–June for the fifth successive quarter (January–March: +4.5% q-o-q), with growth continuing to slide (Fig. 8).

Fig. 7 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. 8 Investment in Fixed Assets (quarter)

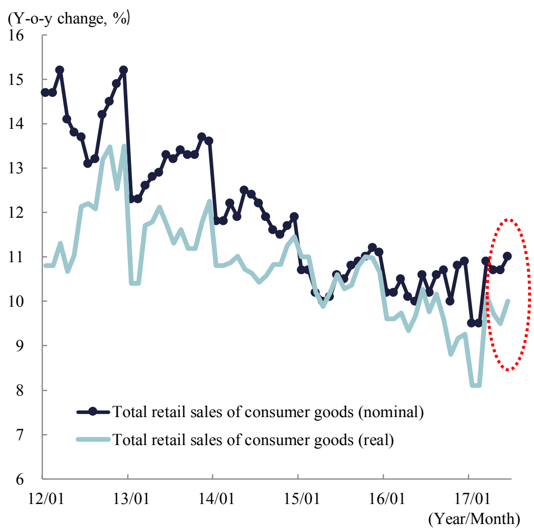


Note: 1. The quarterly figures were calculated based on the cumulative investment amount since the start of the year.
2. The contribution level is calculated on a nominal basis. The real series is calculated using the fixed asset price index.
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Retail growth expanded on improved sales of telecommunications equipment and automobiles

At +11.0% y-o-y, nominal total retail sales of consumer goods grew at a faster pace in June (May: +10.7% y-o-y) (Fig. 9). The breakdown for large retailers shows previously-sluggish sales of telecommunications equipment bouncing back to hit double-digit y-o-y growth for the first time in three months, with automobile sales also rallying slightly. At +10.0% y-o-y, the real growth rate (a Mizuho Research Institute figure) in June was also up on May's +9.5% y-o-y. April–June also saw nominal and real growth accelerating on a quarterly basis. At +7.7% y-o-y, real per-capita disposable income growth rose for the third successive quarter in the second quarter (January–March: +7.0% y-o-y), with consumption moving firmly as wages improved on the back of labor shortages and so on.

Fig. 9 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 moved flatly and the PPI growth rate stopped sliding

The CPI data moved flatly and the core CPI figure rose

At +1.5% y-o-y, consumer price index (CPI) growth moved flatly in June (May: +1.5% y-o-y) (Fig. 10). Though pork prices fell at a faster pace, the cost of services increased, with the core CPI data (excluding energy and food) hitting +2.2% y-o-y, up on May's figure of +2.1% y-o-y. Service price growth hit the +3% mark for the first time since 2013 (excluding the period before the Lunar New Year holiday, when prices are prone to rising). This trend will require monitoring from here on.

The PPI growth rate stopped sliding

At +5.5% y-o-y, producer price index (PPI) growth in June was unchanged on May's +5.5% y-o-y, thus halting a four-month slide (Fig. 10). Though price growth continued to slide in the coal and petroleum processing sectors, the iron and steel sector saw growth accelerating for the first time in four months. This might be due to an ongoing decline in inventories, with the price of imported iron ore also stabilizing in June after previously trending downwards. However, prices are not facing rising inflationary pressure from the demand side, with investment in real-estate development continuing to slow, for example.

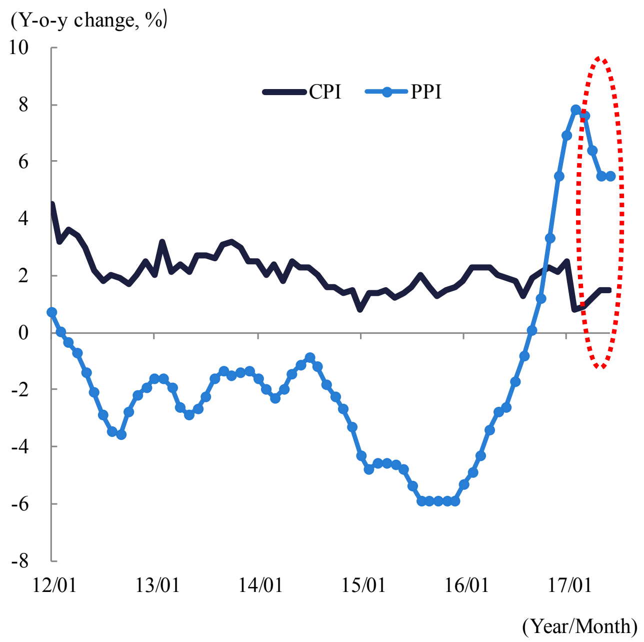
House prices grew at a slower y-o-y and m-o-m pace

At +9.4% y-o-y, the new-homes price index (the average of 70 major Chinese cities) continued to dip slightly on the previous month in June (May: +9.5% y-o-y). It also fell slightly on a monthly basis, from +0.74% m-o-m in May to +0.67% m-o-m in June (the y-o-y and m-o-m figures are both Mizuho Research Institute estimates) (Fig. 11). Sixty cities saw prices rising on a monthly basis, up from 56 in May, while six cities saw prices falling, down from nine in May. However, the average growth rate dipped in those cities with rising prices, while prices fell at a faster average pace in those cities with falling prices. On a monthly basis, home price growth in first-tier cities dipped into negative territories for the first time since February 2015, with the growth rate also slowing in second- and third-tier cities. This suggests that policies to curb real-estate speculation are gradually stating to bite.

Real estate sales in terms of floor space expanded, with development investment accelerating slightly

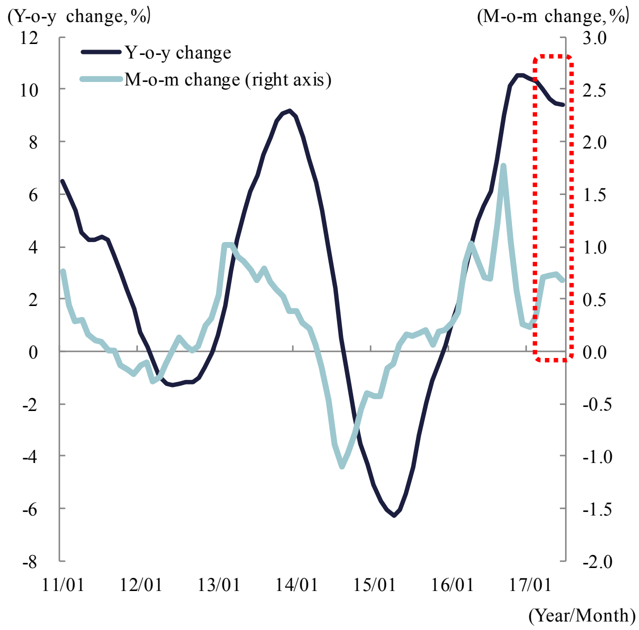
At +21.4% y-o-y, real estate sales in terms of floor space expanded in June (May: 10.2% y-o-y). Housing, offices and commercial facilities all saw growth accelerating. Housing sales continued to slide in metropolitan areas like Beijing, Shanghai and Tianjin, but housing sales increased in other regions. The regions could be facing a surge in demand on expectations for the introduction of tougher measures to crack down on speculation. According to a PBOC survey, the rate of households planning to buy a home surged in October–December and it has continued to rise until April–June. At +7.6% y-o-y, nominal investment growth in real-estate development rose slightly in June (May: +7.4% y-o-y). At +8.1% y-o-y, though, investment growth fell for the second successive quarter in April–June (January–March: +9.1% y-o-y).

Fig. 10 CPI and PPI



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

Fig. 11 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: With China adopting a 'prudent and neutral' position, monetary supply growth is undergoing a gentle slowdown

M2 growth remained in single digits for the second successive month

Though money supply growth slowed in June in line with China's 'prudent and neutral' policy stance, the authorities managed policy in a manner designed not to harm the corporate fundraising environment, for instance. At +9.5% y-o-y, money supply (M2) growth remained in single digits for the second successive month (May: +9.6% y-o-y) (see Fig. 12). M1 (cash in circulation + current deposits) growth dipped to +15.0% y-o-y (May: +17.0% y-o-y).

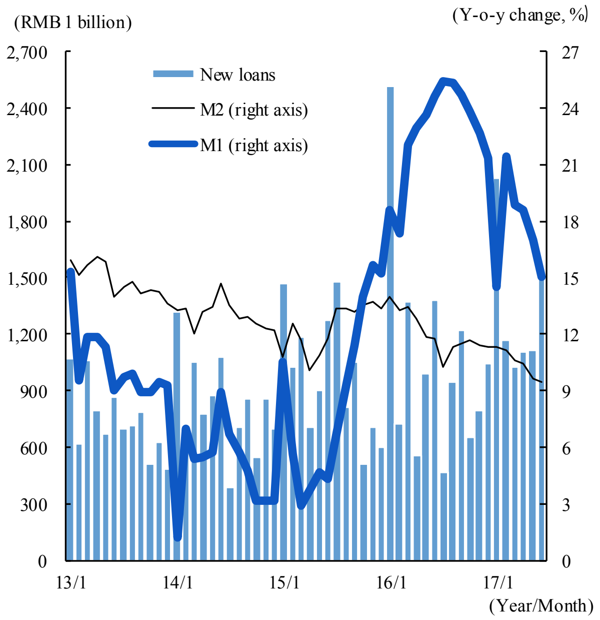
The outstanding RMB loan balance moved flatly for the third successive month

New RMB loans totaled RMB 1.54 trillion in June (May RMB 1.11 trillion), with new loans growing on a m-o-m and y-o-y basis. The breakdown shows mid- to long-term lending to households (mainly mortgages) falling on a y-o-y basis for the second month in a row, though mid- to long-term lending to companies and government institutions increased. The outstanding balance also grew by +12.9% for the third successive month (May: +12.9% y-o--y).

Total social financing balance growth moved flatly on the whole, with financing continuing to shift from corporate bonds to trust loans

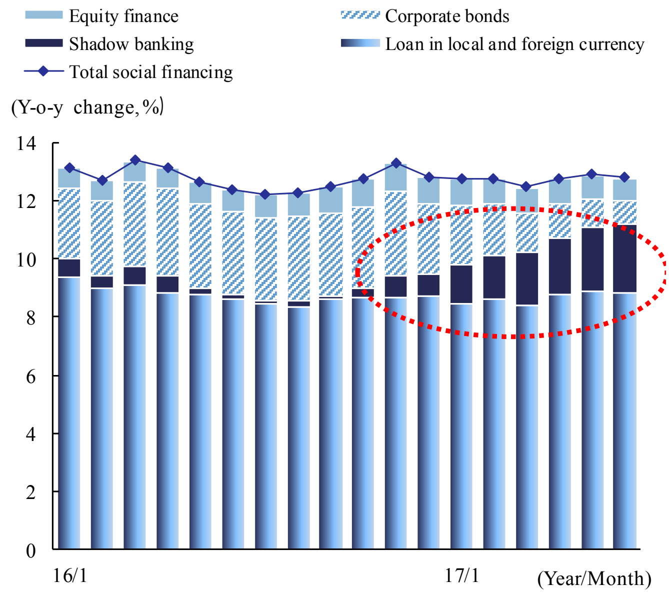
At RMB 1.7762 trillion, total social financing was up on a m-o-m and y-o-y basis, with the outstanding balance growing by +12.8% y-o-y, more-or-less the same as May (+12.9% y-o-y) (Fig. 13). A y-o-y breakdown reveals corporate bond issuances sliding for the seventh successive month, though trust loans (regarded as part of the shadow banking sector) continued to expand. Corporate bonds accounted for 10.6% of the total social financing balance, down from 11.1% a year ago, though the contribution of trust loans rose from 3.9% to 4.5%. When the National Financial Work Conference convened over July 14–15, it decided to establish a Financial Stability and Development Committee under the State Council. The aim seems to be to shift from the compartmentalized management of banking, securities and insurance towards the prevention of financial risk in a cross-sectional manner based around the PBOC.

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 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

The PBOC's open-market operations, the SLF and the MLF all provided net funds in June

In June, the PBOC provided funds (a net RMB 40 billion) to the money markets for the third successive month as part of its open-market operations (see Fig. 14). Between them the standing lending facility (SLF) and the Medium-term Lending Facility (MLF) provided a net RMB 139.5 billion, up from RMB 71.1 billion in May. The PBOC is providing funds as necessary to prevent turmoil following moves to tighten financial regulations.

The PBOC has provided net funding to the markets for the fourth successive month in July

In July, the PBOC has pumped a net RMB 470 billion into the markets via open-market operations while providing a further net RMB 2.5 billion through the MLF (total: RMB 472.5 billion), with the PBOC providing funds to the markets the fourth month in a row (as of July 28).

The RMB continued to trend higher against the dollar

The RMB has continued to trend upwards against the dollar over June–July (Fig. 15). The dollar remained bearish globally, with the RMB also bought in the run up to the 20th anniversary of the return of Hong Kong to China on July 1. China revised its method for calculating the central parity rate at the end of May. This was seen as running counter to RMB marketization, but a meeting of regional PBOC governors over July 24–25 confirmed that the PBOC would promote RMB marketization while stabilizing the currency's rate at a rational equilibrium.

Fig. 14: Open Market Operation

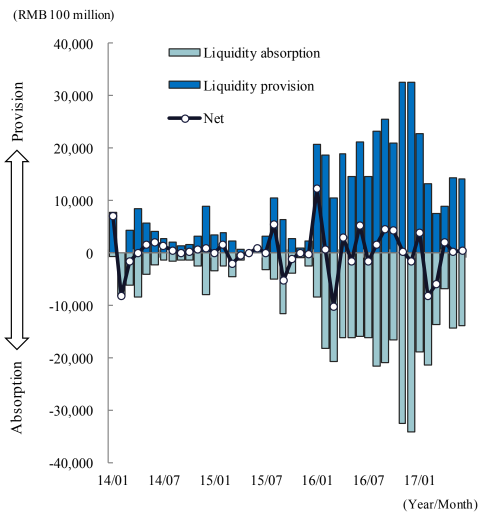
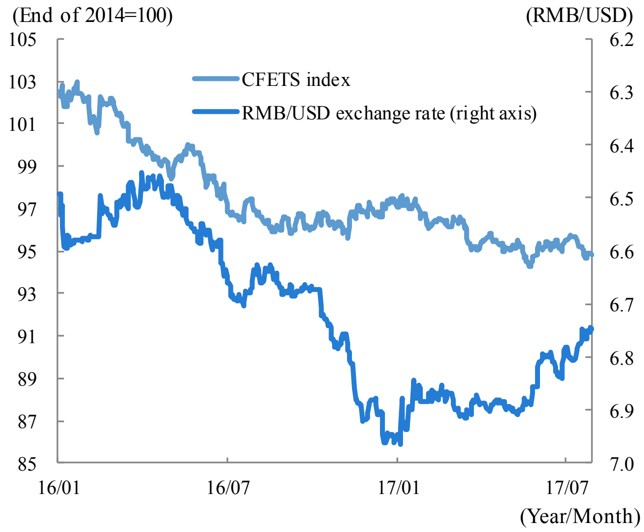


Fig. 15 Exchange Rates



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

Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day:July 28
Source: Prepared by Mizuho Research Institute based on the materials from the China Foreign Exchange Trade System (CFETS) and Bloomberg data

The Shanghai Stock Exchange Composite Index is climbing at a gentle pace

The Shanghai Stock Exchange Composite Index is climbing at a gentle pace (Fig. 16). June economic indicators (released in July) moved firmly overall, with stock prices also seemingly bolstered by growing expectations for an intervention by the authorities in the run up to the autumn's National Congress. Stocks may also have been supported to a certain extent by the June 20 announcement that the MSCI would be adding China A shares to its Emerging Markets Index (from June 2018), but the inclusion will only be 0.73%, so most observers believe the impact will be limited.

Fig. 16 Stocks

Note: Daily data; The most recent day:July 28
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	April	May	June
GDP	Real GDP		Y-o-y change (%)	6.9	6.7	6.9	6.9			
	Nominal GDP		Year-to-date (total), RMB 1 trillion	68.91	74.41	18.07	38.15			
Business Sentiment	PMI		End-of-period figure, points			51.8	51.7	51.2	51.2	51.7
		New Orders	Points			53.3	53.1	52.3	52.3	53.1
Production	Value-added Industrial Production (Real)		Y-o-y change (%)	6.1	6.0	6.0	6.9	6.5	6.5	7.6
		Light Industry	Y-o-y change (%)	6.0	4.7	4.3	7.7	7.5	7.3	8.3
		Materials	Y-o-y change (%)	8.6	6.2	8.0	4.1	3.8	3.6	4.9
		Machinery	Y-o-y change (%)	6.3	8.4	7.6	10.5	10.0	9.9	11.6
	Electric Power Generation		Y-o-y change (%)	−1.9	4.8	7.2	5.2	5.4	5.0	5.2
	Industrial Goods Inventories		Y-o-y change (%)			6.8	9.4	10.4	9.3	8.6
		Light Industry	Y-o-y change (%)			2.2	3.9	4.3	3.3	4.1
		Materials	Y-o-y change (%)			8.5	11.3	13.4	11.4	9.1
		Machinery	Y-o-y change (%)			7.2	10.3	10.4	10.4	10.2
	Passenger Transportation Volume		Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	3.4	3.6	5.4	5.1	4.6
	Freight Transportation Volume		Year-to-date y-o-y change (%), ton-kilometer	−0.5	4.0	0.7	3.5	13.7	5.3	11.1
Investment	Investment in Fixed Assets		Year-to-date (total), RMB 1 trillion	55.16	59.65	9.38	28.06	14.43	20.37	28.06
			Year-to-date y-o-y change (%)	10.0	8.1	9.2	8.6	8.9	8.6	8.6
		Real Estate	Year-to-date y-o-y change (%)	−0.2	5.4	8.5	7.1	7.3	6.8	7.1
		Primary Industry	Year-to-date y-o-y change (%)	31.8	21.1	19.8	16.5	19.1	16.9	16.5
		Secondary Industry	Year-to-date y-o-y change (%)	8.0	3.5	4.2	4.0	3.5	3.6	4.0
		Manufacturing	Year-to-date y-o-y change (%)	8.1	4.2	5.8	5.5	4.9	5.1	5.5
		Tertiary Industry	Year-to-date y-o-y change (%)	10.6	10.9	12.2	11.3	12.1	11.6	11.3
	Actual Direct Investment		Year-to-date (total), USD 100 million	1,356	1,260	338	656	427	508	656
			Year-to-date y-o-y change (%)	5.5	−7.1	−4.5	−5.4	−5.7	−6.2	−5.4
Trade	Exports		USD 100 million	22,735	20,976	4,812	5,661	1,792	1,903	1,966
			Y-o-y change (%)	−2.9	−7.7	7.8	9.1	7.5	8.3	11.3
		To the U.S.	Y-o-y change (%)	3.5	−5.1	7.8	14.5	11.7	11.7	19.8
		To the EU	Y-o-y change (%)	−3.9	−3.7	4.8	9.7	4.0	9.7	15.2
		To Japan	Y-o-y change (%)	−9.2	−4.7	4.3	7.4	13.3	3.7	5.5
		To NIES, ASEAN	Y-o-y change (%)	−2.8	−8.5	1.9	−2.4	−4.2	−1.6	−1.4
	Imports		USD 100 million	16,796	15,879	4,169	4,454	1,417	1,498	1,538
			Y-o-y change (%)	−14.3	−5.5	24.0	14.5	11.7	14.5	17.2
		From the U.S.	Y-o-y change (%)	−5.9	−9.8	23.8	14.1	1.5	27.1	14.8
		From the EU	Y-o-y change (%)	−14.3	−0.5	15.2	12.1	2.6	10.6	22.9
		From Japan	Y-o-y change (%)	−12.3	1.7	20.1	12.5	6.9	13.1	17.5
		From NIES, ASEAN	Y-o-y change (%)	−7.7	−1.6	15.7	6.9	4.4	5.8	10.5
	Trade Balance		USD 100 million	5,939	5,097	642	1,208	375	405	428

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	April	May	June
Consumption	Consumer Confidence Index	End-of-period figure, points			111.0	113.3	n.a.	112.0	113.3
	Consumer Expectations Index	End-of-period figure, points			114.2	116.4	n.a.	114.7	116.4
	Total Retail Sales of Consumer Goods	RMB 1 trillion	30.09	33.23	18.30	8.65	2.73	2.95	2.98
		Y-o-y change (%)	10.7	10.4	10.3	10.8	10.7	10.7	11.0
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	7.8	8.1	7.5	9.6	9.3	9.2	10.2
	Automobile Sales	10,000 automobiles	2,456.3	2,793.9	700.2	635.2	208.4	209.6	217.2
		Y-o-y change (%)	3.9	13.7	8.9	0.7	−2.2	−0.1	4.5
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	8.9	8.4	8.5	8.8	n.a.	n.a.	n.a.
	Jobs-to-applicants Ratio	End-of-period figure, times	1.10	1.13	1.13	1.11	n.a.	n.a.	n.a.
Prices	Consumer Price Index	Y-o-y change (%)	1.4	2.0	1.4	1.4	1.2	1.5	1.5
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	2.0	2.1	2.1	2.1	2.2
	Foods	Y-o-y change (%)	2.3	4.6	−2.0	−2.1	−3.5	−1.6	−1.2
	Producer Price Index	Y-o-y change (%)	−5.2	−1.3	7.4	5.8	6.4	5.5	5.5
	Producer Goods	Y-o-y change (%)	−6.8	−1.7	9.9	7.7	8.4	7.3	7.3
	Consumer Goods	Y-o-y change (%)	−0.3	−0.0	0.8	0.6	0.7	0.6	0.5
	New-home Price Index	Y-o-y change (%)	−3.8	6.2	10.2	9.5	9.6	9.5	9.4
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	139.23	155.01	159.96	163.13	159.63	160.14	163.13
		End-of-period figure, y-o-y change (%)	13.3	11.3	10.6	9.5	10.5	9.6	9.5
	Outstanding Loans	End-of-period figure, RMB 1 trillion	93.95	106.60	110.83	114.57	111.92	113.04	114.57
		End-of-period figure, y-o-y change (%)	14.3	13.5	12.4	12.9	12.9	12.9	12.9
	Net Increase	Mid-period increase, RMB 10 billion	1228	1265	422	375	110	111	154
	Deposits	End-of-period figure, RMB 1 trillion	135.70	150.59	155.65	159.66	155.91	157.02	159.66
		End-of-period figure, y-o-y change	12.4	11.0	10.3	9.2	9.8	9.2	9.2
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.5	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
	Overnight Repo Rate	End-of-period figure, %	2.75	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
	Overnight Repo Rate	End-of-period figure, %	2.10	2.10	2.52	2.63	2.80	2.62	2.63
	Foreign Currency Reserves	End-of-period figure, USD 100 million	33,304	30,105	30,091	30,568	30,295	30,536	30,568
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.48	6.94	6.88	6.78	6.89	6.81	6.78
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	18.57	16.82	16.19	16.58	16.17	16.26	16.58
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,539	3,104	3,223	3,192	3,155	3,117	3,192
	PER	End-of-period figure, times	17.6	15.9	16.9	17.0	16.7	16.5	17.0
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,313	5,077	5,396	5,343	5,275	5,136	5,343
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	25,559	12,777	2,654	2,591	924	816	851
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.5	4.8	14.1	10.3	12.4	10.5	10.3
	Fiscal Expenditure	Year-to-date y-o-y change (%)	15.9	6.8	21.0	16.1	16.6	14.9	16.1

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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