
Mizuho Economic Commentary-China

August 2017

◆ Topic

How much progress has been made with corporate deleveraging?

The government began moving in earnest to promote deleveraging from 2016. This has started to show results, with corporate debt no longer swelling, for example. The government also needs to consider economic stability, though, so it will need time to achieve its deleveraging goals.

◆ Economic trends

The economy showed signs of peaking out in July

All major indices (production, investment, consumption and exports) grew at a slower year-on-year pace in July. This was partially due to temporary, weather-related factors, but there are signs the economic recovery that accelerated in the latter half of 2016 is now peaking out.

1. Topic: How much progress has been made with corporate deleveraging?

The Chinese government has pursued initiatives to promote deleveraging from 2016

Debt continues to swell under China's accommodative monetary environment. From the end of 2016, China began moving in earnest to tackle the financial risk this entails. The Chinese government has now introduced more reforms to promote deleveraging at firms with long-standing debt issues.

The government has been aware of excess debt problem for a while. This problem traces back to when the Chinese government launched an RMB 4 trillion economic stimulus program in the wake of the financial crisis. Just one year later, at the end of 2009, it became apparent that local government financing vehicles were building up debt, with the government gradually tightening regulations in response. With concerns of an economic slowdown smoldering away, though, the monetary policy environment remained accommodative, so the debt problem worsened. The government finally got serious about tackling the issue in December 2015, when deleveraging was adopted as one of the five main tasks for 2016 at the Central Economic Work Conference. In October 2016, the government spelt out its deleveraging policies with the release of *Opinions on Actively and Steadily Reducing the Leverage Ratio of Enterprises*. The government also announced that although it would continue to pursue a 'prudent' monetary policy in 2017, it would also shift policy in a more 'neutral' direction in order to encourage deleveraging. When it met in July 2017, meanwhile, the National Financial Work Conference adopted deleveraging at state-owned enterprises (SOEs) as its number one priority.

In its annual report on the Chinese economy, released this August, the IMF recognized that China had implemented some important policies to tackle deleveraging over the past year, but it said China needed to go even further if it wanted to ensure strong growth in the medium term. As the IMF indicated, with the global economy continuing to recover and the Chinese economy remaining firm, despite peaking out, now would be a good time to pursue debt reduction.

Corporate debt as a proportion of GDP stopped expanding in 2016

Initiatives to promote deleveraging are gradually starting to produce results. Debt as a proportion of GDP moved stably around 150% until 2008, but with the Chinese government introducing an RMB 4 trillion stimulus package, this figure ballooned to around 180% in 2010, with this new debt mainly added in the corporate sector. The ratio had swollen to 257% by the end of 2016 (Fig. 1). However, a glance at the details shows debt as a proportion of GDP rising at a slower pace from the end of June, 2016. The debt ratio of non-financial enterprises began sliding gently, from 166.8% at the end of June to 166.3% at the end of September. This trend was partly helped by the recovery in the nominal GDP growth rate, but it is nonetheless true that the debt balance is growing at a slower rate compared to before. Furthermore, the balance of nonperforming loans (NPL) also grew at a slower pace from the end of June, 2016. As a result, the NPL ratio began sliding, from 1.76% at the end of September 2016 to 1.74% at the end of December (Fig. 2). When loans requiring attention are added to the equation, the NPL ratio has been falling since the end of December, 2016.

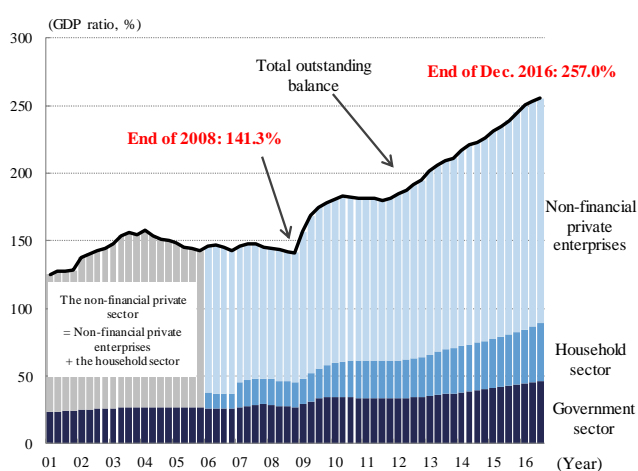
SOE debt growth fell sharply from June 2017

State-owned enterprises (SOEs) are taking the lead when it comes to deleveraging, in accordance with the priorities of the National Financial Work Conference. A glance at the debt growth rate for different types of enterprise in the industrial sector showed the debt growth rate of private enterprises (privately-owned enterprises and foreign-invested enterprises) slowing from the end of 2015 to mid-2016, though the debt growth rate accelerated over the same period when it came to SOEs (Fig. 3). With the economic slowdown growing more pronounced in the first half of 2016, it seems the economy was boosted by infrastructure investment, particularly by SOEs. When private investment began recovering from the latter half of 2016, private-sector debt grew at a faster pace, but SOE debt growth began decelerating, with the growth rate falling sharply in June–

July, 2017.

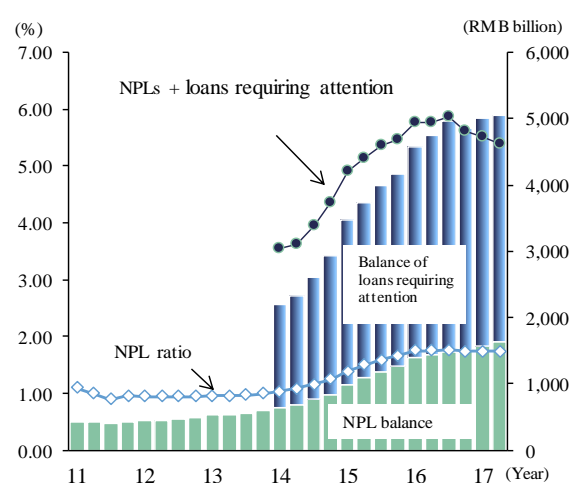
Though deleveraging has begun, it will still take quite some time for the government to hit its targets. The IMF says private debt will continue expanding if the Chinese government tries to reach its goal of doubling incomes in 2020, with the debt-to-GDP ratio potentially rising to around 300% by 2022. Behind this problem of excess debt is the problem of overcapacity, the result of unbridled, inefficient investment, but moves to tackle overcapacity only just began entering 2016. The longer this problem is ignored and corporate productivity improvements are delayed, the longer it will take to tackle deleveraging as the economic growth rate slides. However, if investment is curbed too much as part of efforts to deleverage and tackle overcapacity, this could threaten the goal of doubling incomes by 2020 and it could also invite financial instability if the economy slows. From here on, the government will continue to face difficulties as it seeks to achieve the twin goals of reform and maintaining growth/stability.

Fig. 1 Debt as a proportion of nominal GDP



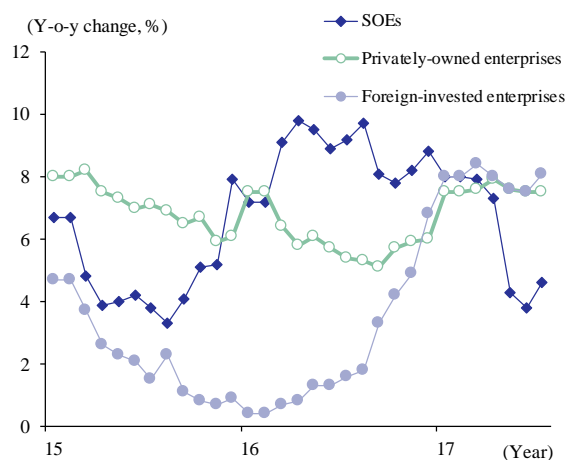
Source: Prepared by Mizuho Research Institute based on the materials from BIS

Fig. 2 The NPL ratio



Source: Prepared by Mizuho Research Institute based on the materials from CBRC

Fig. 3: Debt growth ratio by type of enterprise



Note: The figure for January is the same of February.

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

2. Overview: All major indicators slowed in July and there are signs the economy is peaking out

All major indicators slowed in July, partially due to temporary factors

All major indices (production, exports, investment and retail) grew at a slower year-on-year pace in July. This was partially due to temporary, weather-related factors, but there are signs the economic recovery that accelerated in the latter half of 2016 is now peaking out.

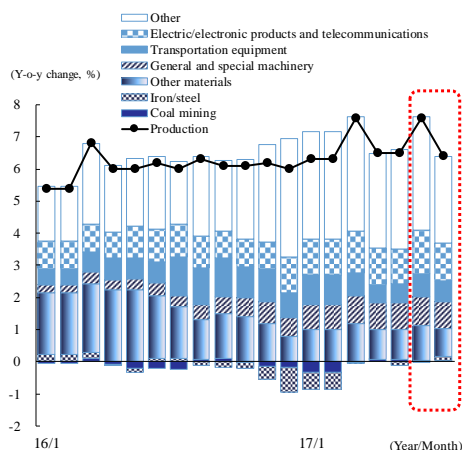
Production growth slowed

At +6.4% y-o-y, real value-added industrial production growth slowed in July for the first time in two months (June: +7.6% y-o-y) (Fig. 4). Production fell at a faster pace in the mining sector, while processing industries (general machinery, automobiles, electrical machinery and telecommunications/electronics, etc.) also saw growth slowing after previously picking up in June. Mobile phone production picked up slightly in the telecommunications/electronics sector. After moving at high levels for a prolonged period, though, integrated circuit output growth dipped below +20% y-o-y for the first time in a year. Some was partially because some firms were forced to suspend production in July due to abnormal weather like heavy rain, flooding and record high temperatures. However, production in the iron & steel sector rose slightly as sentiments shifted on moves to clamp down on substandard products, with inventory adjustment also picking up pace in May–June on brisk sales and so on.

The Manufacturing PMI also fell

The government's Manufacturing PMI dipped to 51.4 in July (June: 51.7). This was due to a slide in new orders and production, while the PMI data was also hit by the bad weather. Corporate sentiments remain firm overall, with the Production and Business Activity Expectations sub-index rising, for example. A breakdown of the data by enterprise size shows large enterprises (a sector well placed to receive the benefits of government stimulus) continuing to improve, but the data for small and medium-sized enterprises (SMEs) deteriorated noticeably in June and July, so the situation will require monitoring from here on (Fig. 5).

Fig. 4 Contribution by Industry to Industrial Production (estimate)

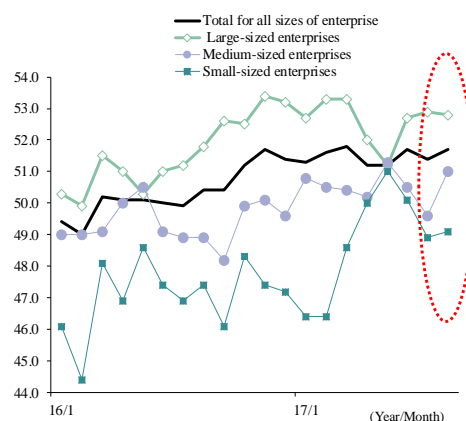


Note: 1. Value-added amounts by industry from 2012 input/output tables were tabulated with production data, with the contribution rate of each industry calculated using 2015 weights estimated from each value-added production growth rate.

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

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

Export growth slowed for the first time in two months

At +7.2% y-o-y, export growth (nominal, dollar-denominated) slowed for the first time in three months in July (June: +11.3% y-o-y) (Fig. 6). Export volume growth also dipped to +6.9% y-o-y (June: +11.6% y-o-y). On a quarterly average basis, growth remained high at around 10% y-o-y over the first and second quarters of this year, but the data suggests this trend has eased off. A glance at the export volume breakdown shows the overall data pushed down by a dip in the machinery sector (particularly when it came to office equipment, data processing equipment, and telecommunications/audio equipment). This sector has previously grown at a fast clip in June.

Import growth also slowed

At +11.0% y-o-y, import growth (nominal, dollar-denominated) in July was down on June's +17.1% y-o-y, with imports also sliding on a volume basis (from +12.4% y-o-y in June to +7.5% y-o-y in July). A glance at the details shows imports of electrical machinery sliding sharply, with imports of mineral fuels and chemicals also growing at a slower pace.

China's trade surplus continues to shrink on a y-o-y basis

China recorded a trade surplus of \$46.7 billion in July (June: \$42.8 billion), with the surplus shrinking on a y-o-y basis for the 12th month in a row. Though China's surplus with the U.S. continued to grow, its surplus with the ASEAN region shrank and its deficits with Japan and South Korea increased.

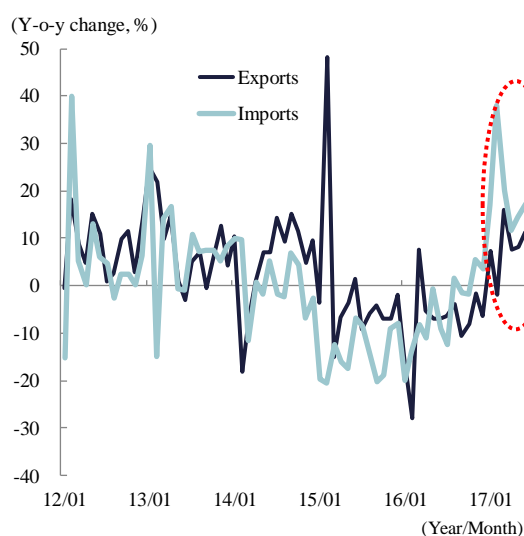
Investment growth slowed and the real growth rate fell to its lowest level ever

At +6.8% y-o-y, the nominal growth rate of investment in fixed assets in July was down on June's figure of +8.6% y-o-y (Fig. 7). The automobile sector saw growth dipping on the previous year for the first time in nine months, with manufacturing investment sliding to the +1% y-o-y mark for the first time in around a year. Real estate development investment growth also began slowing on sluggish house sales. Infrastructure investment growth also dipped, though it remained at high levels. At +2.2% y-o-y, July's real growth rate (a Mizuho Research Institute figure) fell to its lowest level since 2005, the earliest year for which estimates are possible (June: +3.9% y-o-y).

Sales growth slowed, though sales continued to move firmly on average

At +10.4% y-o-y, nominal total retail sales of consumer goods grew at a slower pace in July (June: +11.0% y-o-y) (Fig. 8). The breakdown for large retailers shows sales of beverages and petroleum rising on the hot weather. However, sales of daily products, cosmetics, medicines and telecommunication equipment dipped after growing at a fast clip the previous month. This pushed the overall figure down, though sales continued to move firmly on average. Automobile sales grew at a slower pace on a monetary basis, but the number of passenger cars sold increased for the second successive month, for example, with the industry recovering gently from the slump that occurred when the government reduced the tax break. At +9.6% y-o-y, the real growth rate of total retail sales of consumer goods (a Mizuho Research Institute figure) in July was down on June's +10.0% y-o-y. However, the figure remained almost the same level as the figure for April–June at +9.7% y-o-y.

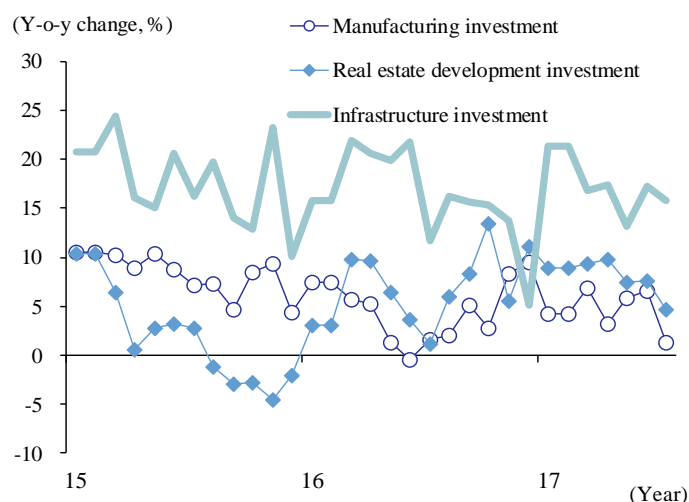
Fig. 6 Value of Imports and Exports



Note: Nominal, dollar-denominated

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

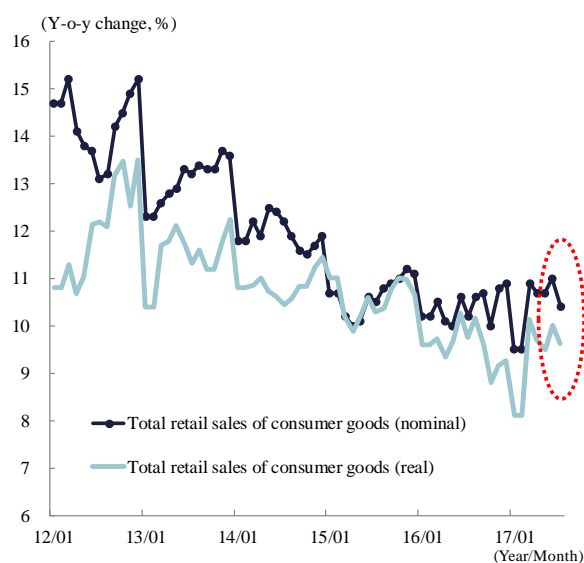
Fig. 7 Nominal Investment in Fixed Assets



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 moved flatly

CPI and core CPI both fell

At +1.4% y-o-y, consumer price index (CPI) growth slowed slightly in July (June: +1.5% y-o-y) (Fig. 9). Pork prices fell at a slower pace and the price of fresh vegetables grew at a faster pace, with the cost of food subsequently contracting at a slower pace.

However, automobile sales prices dipped on sluggish sales. With energy import costs also sliding, gasoline price growth slowed. The core CPI data (excluding energy and food) hit +2.1% y-o-y, down on June's figure of +2.2% y-o-y.

PPI growth dipped in energy-related sectors, though it rose in the iron & steel sector to move flatly overall

At +5.5% y-o-y, producer price index (PPI) growth in July was unchanged on the previous month for the third month in a row (June: +5.5% y-o-y) (Fig. 9). At +0.2% m-o-m, the PPI posted positive growth on a monthly basis for the first time in four months (June: -0.2% m-o-m). A glance at the y-o-y figures shows energy-related sectors (coal, petroleum and natural gas extraction, petroleum processing, etc.) growing at a slower pace, though growth in the iron & steel sector accelerated for the second successive month on moves to crack down on substandard products.

Homes prices continued to grow at a slower pace on a y-o-y and a m-o-m basis on moves to clamp down on housing speculation

At +9.1% y-o-y, the July new-homes price index (the average of 70 major Chinese cities) was down on June's figure of +9.4% y-o-y, with growth sliding gently on a y-o-y basis since the start of 2017 on moves to clamp down on housing speculation. The index also fell on a monthly basis, from +0.7% m-o-m in June to +0.5% m-o-m in July (the y-o-y and m-o-m figures are both Mizuho Research Institute estimates) (Fig. 10). Fifty-six cities saw prices rising on a monthly basis, down from 60 in June, while nine cities saw prices falling, up from six in June. On a monthly basis, home price growth in first-tier cities continued to move around zero, with the growth rate slowing in second- and third-tier cities.

Fig. 9 CPI and PPI

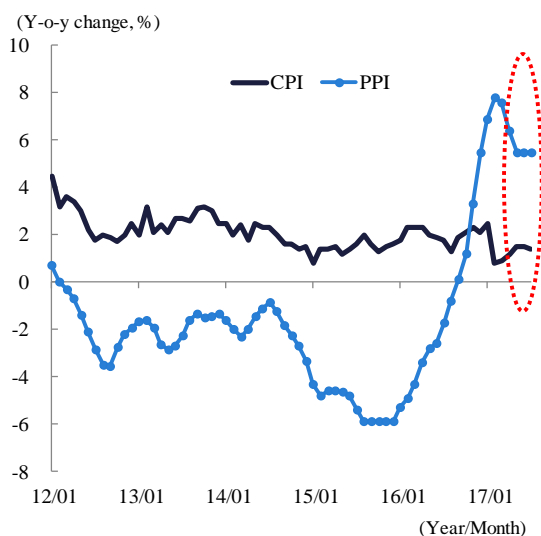
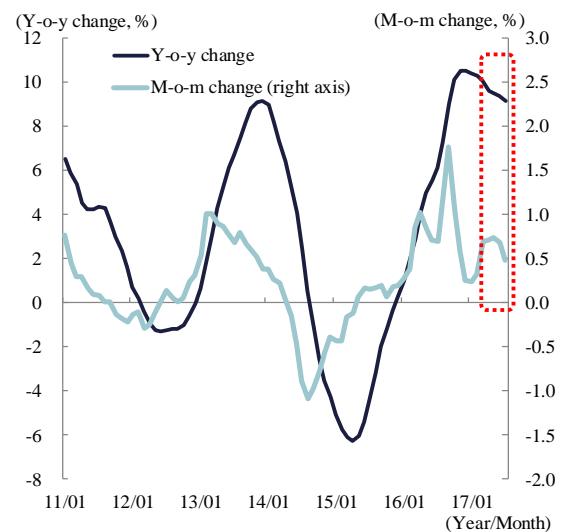


Fig. 10 The New-Homes Price Index



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

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

Real estate sales in terms of floor space grew at a slower pace, with development investment growth also slowing

At +2.0% y-o-y, real estate sales in terms of floor space fell sharply in July (June: 21.4% y-o-y). At +0.3% y-o-y, the housing sector saw growth slowing to around 0%, with the growth rate also dipping when it came to offices and commercial facilities (June: 18.4% y-o-y). Nine provinces and directly-controlled municipalities saw housing sales in terms of floor space dipping in June (mainly those with large urban areas), with the figure rising to 17 in July. As a result, nominal growth in real estate development investment also slowed to +4.7% y-o-y in July (June: +7.6% y-o-y).

4. Monetary policy: With China pursuing a ‘prudent and neutral’ monetary policy, money supply growth is undergoing a gentle slowdown

M2 growth remained in single digits for the third successive month

At +9.2% y-o-y, money supply (M2) growth remained in single digits for the third successive month in July, with the figure continuing to slide (June: +9.5% y-o-y) (Fig. 11). With China pursuing a ‘prudent and neutral’ monetary policy, it seems the corporate fundraising environment has grown tighter. However, M1 (cash in circulation + current deposits) growth rose slightly to +15.3% y-o-y (June: +15.0% y-o-y).

The outstanding RMB loan balance grew at a faster pace for the first time in four months

New RMB loans totaled RMB 825.5 billion in July (June: RMB 1.54 trillion), with new loans sliding on a m-o-m basis. This was largely due to seasonal factors, though, with the y-o-y figure hitting +78.1%, an increase on June’s figure of +11.6%. At +13.2%, the outstanding loan balance grew for the first time in three months (June: +12.9% y-o-y). The breakdown shows the short-term loan balance continuing to expand. Mid- to long-term lending moved flatly, but mid- to long-term lending to households slowed, so it seems lending to the corporate sector increased.

The total social financing balance grew at a faster pace

At RMB 1.22 trillion, total social financing fell on the previous month (June: RMB1.7762 trillion). As with the RMB loan data, this was due to seasonal factors. However, the figure was up +154.6% y-o-y (June: +7.8% y-o-y) (Fig. 12). At +13.2% y-o-y, the outstanding balance hit the +13% mark for the first time in eight months (June: +12.8% y-o-y). A glance at the details shows RMB loans expanding alongside off-balance-sheet items like trust loans. The corporate bond issuance balance also began growing for the first time in eight months after a sustained fall. Though interest rates are high, they are moving stably and this seems to have boosted corporate bond issuances. According to media reports, the authorities relaxed restrictions on issuances out of concern about defaults, with bond issuances by real-estate companies subsequently soaring, so the situation will require monitoring from here on.

In July, the PBOC provided net funds to the markets through its open-market operations, the SLF and the MLF

In July, the People’s Bank of China (PBOC) provided funds (a net RMB 470 billion) to the money markets for the fourth successive month as part of its open-market operations (Fig. 13). The Standing Lending Facility (SLF) absorbed funds while the Medium-term Lending Facility (MLF) provided a small amount of funds (both on a net basis). In total, funds to the tune of RMB 438.9 billion were provided to the markets through the funds (June saw RMB 139.5 billion pumped into the markets).

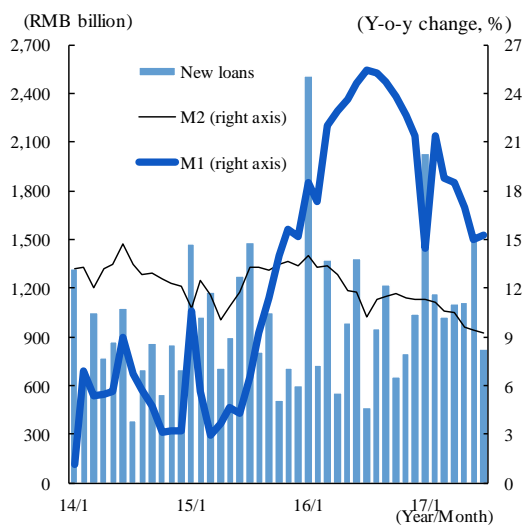
The PBOC absorbed funds in August for the first time in five months

In August, the PBOC absorbed a net RMB 390 billion from the markets via open-market operations. Though it also provided a net RMB 112 billion through the MLF, in total it absorbed RMB 278 billion, with the PBOC absorbing funds for the first time in five months (as of August 28). With liquidity growing tighter, short-term interest rates (SHIBOR overnight rates, etc.) rose at a gentle pace over August after previously falling at the start of July.

The RMB continued to trend higher against the dollar, while stocks climbed at a gentle pace

The RMB continued to trend higher against the dollar in August against a backdrop of global dollar bearishness (Fig. 14), with the RMB/dollar pair hitting RMB 6.6156 at close of trading on August 28, its highest level since June 2016. The Shanghai Stock Exchange Composite Index continued rising gently on improved business results to hit 3,363 by close of trading on August 28, its highest level since the end of 2015 (Fig. 15).

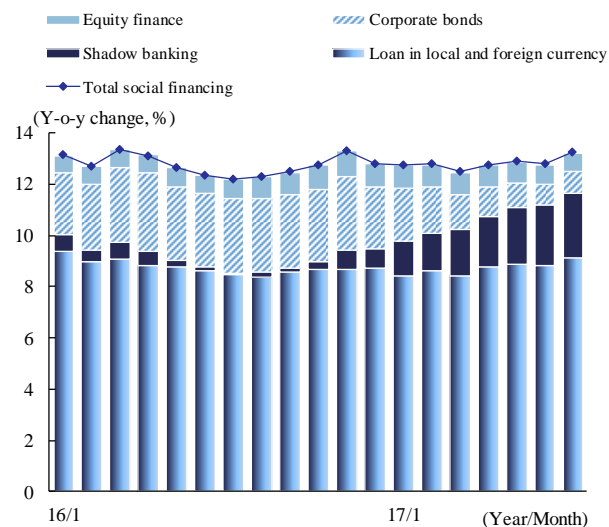
Fig. 11 Financial Indicators



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

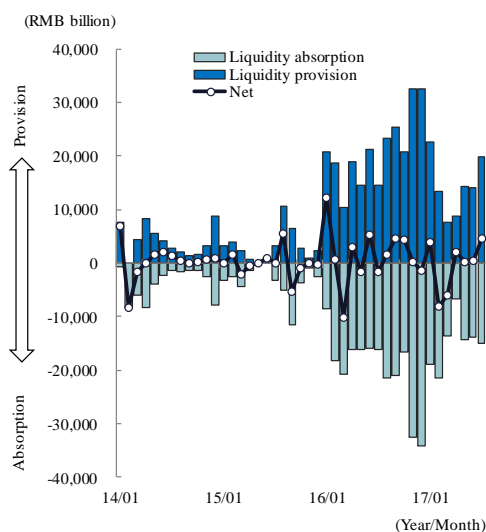
Fig. 12 The Total Social Financing Balance (Y-o-y change)



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

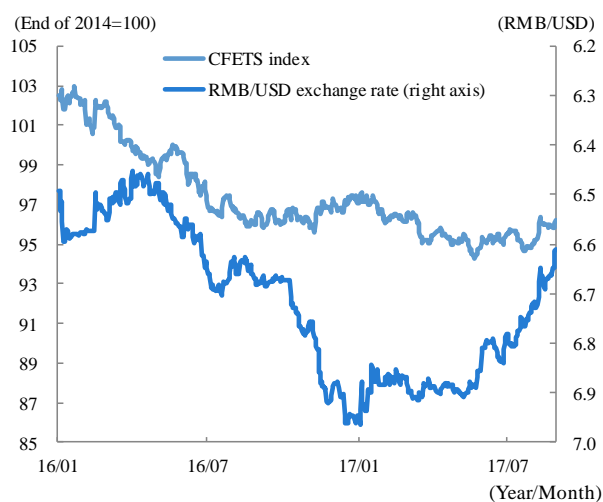
Fig. 13: Open Market Operation



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: August 28

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: August 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	May	June	July
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	51.7	51.4
	New Orders	Points			53.3	53.1	52.3	53.1	52.8
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.1	6.0	6.0	6.9	6.5	7.6	6.4
	Light Industry	Y-o-y change (%)	6.0	4.7	4.3	7.7	7.3	8.3	6.9
	Materials	Y-o-y change (%)	8.6	6.2	8.0	4.1	3.6	4.9	4.7
	Machinery	Y-o-y change (%)	6.3	8.4	7.6	10.5	9.9	11.6	9.9
	Electric Power Generation	Y-o-y change (%)	-1.9	4.8	7.2	5.2	5.0	5.2	8.6
	Industrial Goods Inventories	Y-o-y change (%)			6.8	9.4	9.3	8.6	8.0
	Light Industry	Y-o-y change (%)			2.2	3.9	3.3	4.1	3.4
	Materials	Y-o-y change (%)			8.5	11.3	11.4	9.1	8.0
	Machinery	Y-o-y change (%)			7.2	10.3	10.4	10.2	9.1
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	3.4	3.6	5.1	4.6	5.2
	Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-0.5	4.0	0.7	3.5	5.3	11.1	13.7
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	55.16	59.65	9.38	28.06	20.37	28.06	33.74
		Year-to-date y-o-y change (%)	10.0	8.1	9.2	8.6	8.6	8.6	8.3
	Real Estate	Year-to-date y-o-y change (%)	-0.2	5.4	8.5	7.1	6.8	7.1	6.8
	Primary Industry	Year-to-date y-o-y change (%)	31.8	21.1	19.8	16.5	16.9	16.5	14.4
	Secondary Industry	Year-to-date y-o-y change (%)	8.0	3.5	4.2	4.0	3.6	4.0	3.4
	Manufacturing	Year-to-date y-o-y change (%)	8.1	4.2	5.8	5.5	5.1	5.5	4.8
	Tertiary Industry	Year-to-date y-o-y change (%)	10.6	10.9	12.2	11.3	11.6	11.3	11.3
	Actual Direct Investment	Year-to-date (total), USD 100 million	1,356	1,260	338	656	508	656	721
		Year-to-date y-o-y change (%)	5.5	-7.1	-4.5	-5.4	-6.2	-5.4	-6.5
Trade	Exports	USD 100 million	22,735	20,976	4,810	5,659	1,902	1,966	1,936
		Y-o-y change (%)	-2.9	-7.7	7.8	9.0	8.3	11.3	7.2
	To the U.S.	Y-o-y change (%)	3.5	-5.1	7.8	14.5	11.7	19.8	8.9
	To the EU	Y-o-y change (%)	-3.9	-3.7	4.8	9.7	9.7	15.2	10.1
	To Japan	Y-o-y change (%)	-9.2	-4.7	4.3	7.4	3.7	5.5	6.6
	To NIES, ASEAN	Y-o-y change (%)	-2.8	-8.5	1.9	-2.4	-1.6	-1.4	0.6
	Imports	USD 100 million	16,796	15,879	4,169	4,450	1,497	1,537	1,469
		Y-o-y change (%)	-14.3	-5.5	24.0	14.4	14.4	17.1	11.0
	From the U.S.	Y-o-y change (%)	-5.9	-9.8	23.8	14.1	27.1	14.8	24.2
	From the EU	Y-o-y change (%)	-14.3	-0.5	15.2	12.1	10.6	22.9	13.8
	From Japan	Y-o-y change (%)	-12.3	1.7	20.1	12.5	13.1	17.5	12.2
	From NIES, ASEAN	Y-o-y change (%)	-7.7	-1.6	15.7	6.9	5.8	10.5	7.0
	Trade Balance	USD 100 million	5,939	5,097	641	1,209	405	428	467

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	May	June	July
Consumption	Consumer Confidence Index	End-of-period figure, points			111.0	113.3	112.0	113.3	114.6
	Consumer Expectations Index	End-of-period figure, points			114.2	116.4	114.7	116.4	117.4
	Total Retail Sales of Consumer Goods	RMB 1 trillion	30.09	33.23	18.30	8.65	2.95	2.98	2.96
		Y-o-y change (%)	10.7	10.4	10.3	10.8	10.7	11.0	10.4
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	7.8	8.1	7.5	9.6	9.2	10.2	8.6
	Automobile Sales	10,000 automobiles	2,456.3	2,793.9	700.2	635.2	209.6	217.2	197.1
		Y-o-y change (%)	3.9	13.7	8.9	0.7	-0.1	4.5	6.2
	Nationwide Disposable Income per Capita	Year-to-date y-o-y change (%)	8.9	8.4	8.5	8.8	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.
	Consumer Price Index	Y-o-y change (%)	1.4	2.0	1.4	1.4	1.5	1.5	1.4
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	2.0	2.1	2.1	2.2	2.1
	Foods	Y-o-y change (%)	2.3	4.6	-2.0	-2.1	-1.6	-1.2	-1.1
	Producer Price Index	Y-o-y change (%)	-5.2	-1.3	7.4	5.8	5.5	5.5	5.5
	Producer Goods	Y-o-y change (%)	-6.8	-1.7	9.9	7.7	7.3	7.3	7.3
	Consumer Goods	Y-o-y change (%)	-0.3	-0.0	0.8	0.6	0.6	0.5	0.5
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	-3.8	6.2	10.2	9.5	9.5	9.4	9.1
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	139.23	155.01	159.96	163.13	160.14	163.13	162.90
		End-of-period figure, y-o-y change (%)	13.3	11.3	10.6	9.5	9.6	9.5	9.2
	Outstanding Loans	End-of-period figure, RMB 1 trillion	93.95	106.60	110.83	114.57	113.04	114.57	115.40
		End-of-period figure, y-o-y change (%)	14.3	13.5	12.4	12.9	12.9	12.9	13.2
	Net Increase	Mid-period increase, RMB 10 billion	1228	1265	422	375	111	154	83
	Deposits	End-of-period figure, RMB 1 trillion	135.70	150.59	155.65	159.66	157.02	159.66	160.48
		End-of-period figure, y-o-y change	12.4	11.0	10.3	9.2	9.2	9.2	9.4
	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, %	2.10	2.10	2.52	2.63	2.62	2.63	2.79
Exchange Rates	Foreign Currency Reserves	End-of-period figure, USD 100 million	33,304	30,105	30,091	30,568	30,536	30,568	30,807
	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.48	6.94	6.88	6.78	6.81	6.78	6.72
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	18.57	16.82	16.19	16.58	16.26	16.58	16.42
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,539	3,104	3,223	3,192	3,117	3,192	3,273
	PER	End-of-period figure, times	17.6	15.9	16.9	17.0	16.5	17.0	17.5
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,313	5,077	5,396	5,343	5,136	5,343	5,422
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	25,559	12,777	2,654	2,591	816	851	978
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.5	4.8	14.1	10.3	10.5	10.3	10.4
	Fiscal Expenditure	Year-to-date y-o-y change (%)	15.9	6.8	21.0	16.1	14.9	16.1	14.8

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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