
Mizuho Economic Commentary-China

November 2016 edition

Topic

The impact and the direction of China's tax cut on small vehicles

Sales of passenger cars accelerated with the introduction of a tax cut on small vehicles in October, 2015. An examination of the impact of passenger car sales alone suggests only around 0.03%Pt will be shaved off the real GDP growth rate in 2017 if the tax break finishes at the end of 2016. However, the tax break might be extended on concerns about the automobile industry's ripple effect on production in other sectors.

Economic trends

Major indicators moved flatly on the whole

October 2015 saw the introduction of a tax break on purchases of small vehicles, but one year has now passed, so with the impact of this policy wearing off, production moved flatly and consumption slowed slightly in October. However, investment increased slightly on a rise in spending on property development, so October's monthly indicators continued to move flatly on the whole.

1. Topic: The impact and the direction of China's tax cut on small vehicles

Sales of passenger cars accelerated after China introduced a tax break for small vehicles

In October 2015, China cut the tax on small vehicles (the purchase tax on passenger vehicles with engines 1.6 liters or less was lowered from 10% to 5%), with sales of passenger vehicles subsequently accelerating. The tax break was originally supposed to finish at the end of 2016, but the National Development and Reform Commission (NDRC) and other related bodies discussed extending the policy at a meeting on November 1, 2016. Some agencies were opposed to such a move and it is unclear how things will develop from here on, but this report will examine the effects of the tax break so far and the potential impact of winding up the policy.

The main aim of the tax cut was to support sales after a 2015 slump

The tax cut was partially due to environmental considerations and it was also a response to mid-term challenges, such as the need to upgrade the automobile industry, but its main target seemed to be the short-term goal of boosting sales. 2015 saw a fierce cost-cutting war as passenger-car inventories piled up. This led to growing expectations among consumers for further price cuts, with vehicle sales subsequently slumping.

Passenger vehicle sales will drop by around 1.11 million after the tax cut comes to an end

This poses two questions. Firstly, to what extent has the tax cut boosted sales of passenger cars? Secondly, if the policy is wound down at the end of 2016, what impact will this have on sales in 2017? If we assume that any above-trend increase in sales since the tax cut was introduced (in October 2015) was indeed due to the tax cut, this suggests the policy boosted sales by 1.28 million from October–December 2015 to July–September 2016 and by 1.6 million from October–December 2015 to the end of 2016 ($=1.28 \text{ million sales} \div 4 \text{ quarters} \times 5 \text{ quarters}$), with sales pushed up by 940,000 in 2016 (see Fig. 1). However, sales in April–June and July–September 2015 fell below trend, with the divergence from trend reaching 490,000 vehicles. This seems to be the number of vehicles people held off from buying due to the aforementioned expectations for cheaper prices. If we assume that the demand curbed by this reluctance to buy was subsequently revived by the tax cut, then the end of the tax cut program will probably see car sales dropping around 1.11 million below trend ($+1.6 \text{ million} - 490,000$), with sales of passenger cars in 2017 set to hit approximately 22.83 million (down 2.0% year-on-year). A brief calculation based on the aforementioned estimates ('the -2.0% y-o-y change in the number of vehicles sold in 2017' \times 'the proportion of total retail sales of consumer goods (above a designated size) accounted for by vehicle sales in 2015 (4.1%)' \times the proportion of nominal GDP accounted

for by consumer spending in 2015 (38.6%) suggests around 0.03%Pt will be shaved off the real GDP growth rate in 2017 as a result of falling vehicle sales if the tax break comes to an end.

The automobile industry has a considerably large ripple effect on production in other industries

The estimates above only consider the impact of the tax cut on sales of passenger vehicles and on shifting sales patterns. However, it is important to look at the wider impact and examine the ripple effect of the automobile industry on other sectors.

If we calculate the Power of Dispersion Index (an indicator that shows how much an increase in final demand in a given sector can boost the production figure for industry as a whole) using China's Input-Output Table, it shows the automobile industry ranking 6th out of 139 sectors when it comes to the power of dispersion, thus suggesting that trends in the automobile industry have a considerable impact on other sectors (see Fig. 2). This impact is particularly felt in the automobile parts sector and in heavy industries like rolled steel, non-ferrous metals and metal products.

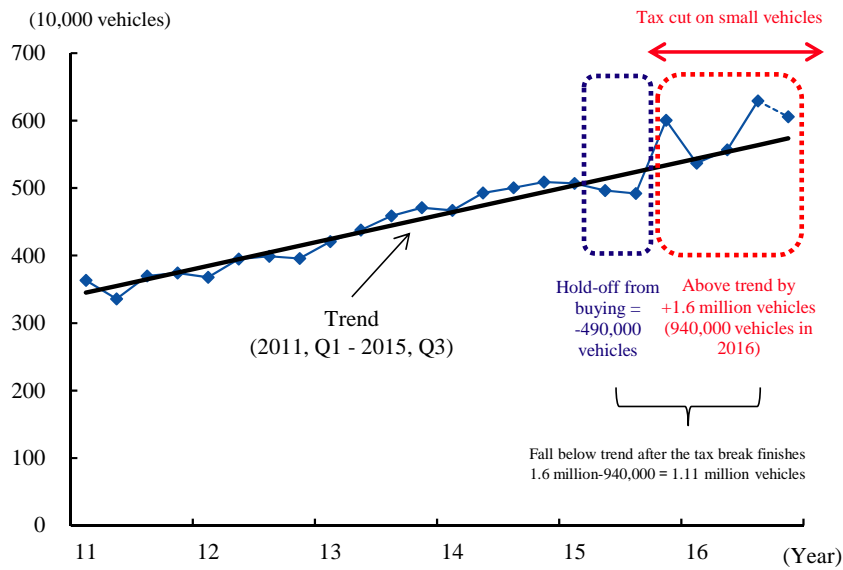
The authorities may consider extending the tax break as a way to lessen the negative impact on other industries

As mentioned above, the authorities are now examining the idea of extending the tax break. It seems they are trying to lessen the negative ripple impact on other industries if the policy ends.

At the end of the day, though, the authorities will only be delaying the inevitable shock if they just extend the timeframe of the tax cut. However, even if the policy is wound up, if the authorities do not act prudently when choosing the right time, the subsequent negative ripple effect on other industries could hit the economy. It seems likely announcements will be made before the year's end about an extension or the introduction of some new policies (for example, policies to promote new energy vehicles). These decisions will reveal the Chinese government's thinking about the ability of the economy to stage a self-sustained recovery, for instance, or the direction of the automobile sector from here on.

(Yoshino Tamai)

Fig. 1: Passenger Car Sales in China



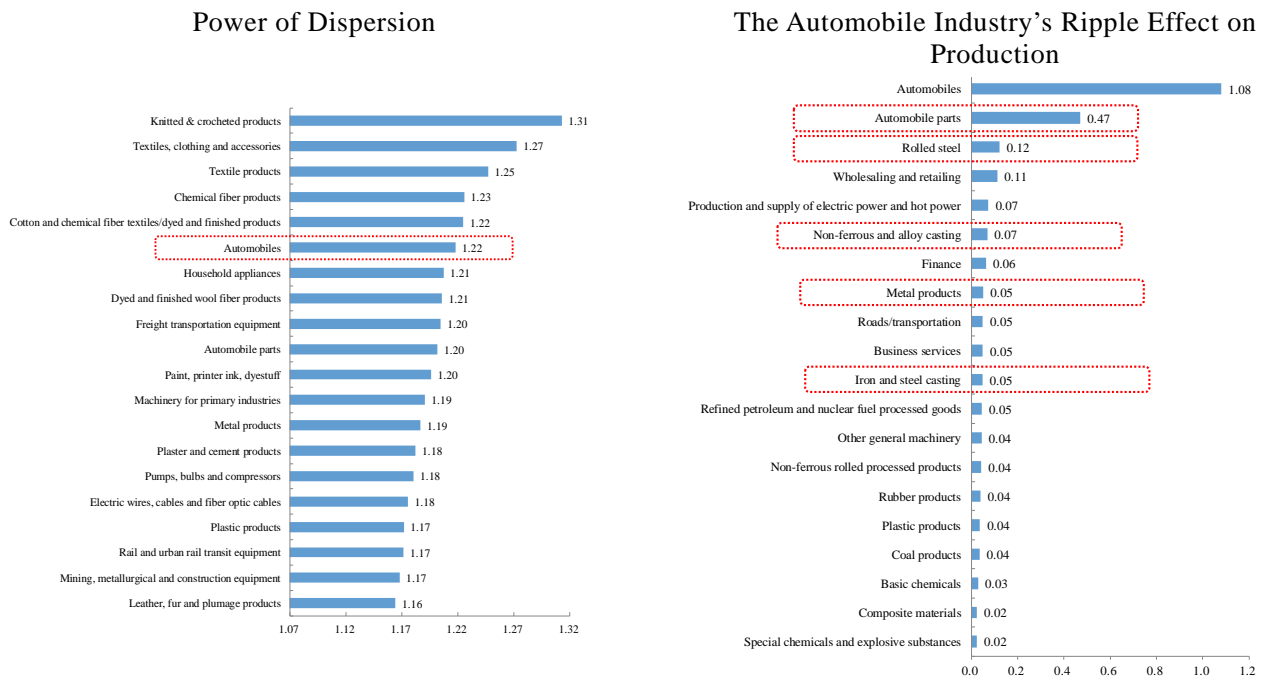
Note 1. The trend line runs from Q1 2011 (after the previous tax cut on small vehicles (January 2009–end of 2010) finished) up to Q3 2015 (before the recent tax cut started).

Note 2. The sales figure for Q4 2016 is an estimate.

Note 3. A seasonally-adjusted figure produced by Mizuho Research Institute.

Source: Prepared by Mizuho Research Institute based on materials from China Association of Automobile Manufacturers.

Fig. 2: The Power of Dispersion Index and the Automobile Industry's Ripple Effect on Production



Note 1: The Power of Dispersion Index is calculated using the competitive import model inverse matrix coefficient $[I - (I-M)A]^{-1}$, with the sum C for each industry divided by the average value of the \bar{C} . The top 20 sectors are listed.

Note 2: The production ripple effect table indicates how many units production in other industries increases by (directly or indirectly) if final demand in the automobile industry increases by one unit. The data is calculated using the competitive import model inverse matrix coefficient $[I - (I-M)A]^{-1}$. The top 20 impacted industries are listed.

Source: Prepared by Mizuho Research Institute based on the Input-Output Tables (2012) from the National Bureau of Statistics

2. Overview: Major indicators moved flatly on the whole

Though the impact of the tax break on small vehicles is wearing off, investment picked up slightly, so the major indicators moved flatly on the whole

October 2015 saw the introduction of a tax break on purchases of small vehicles, but with the impact of this policy wearing off, production moved flatly and consumption slowed slightly this October. However, investment increased slightly on a rise in spending on property development, so October's monthly indicators continued to move flatly on the whole.

Production moved flatly

At +6.1% y-o-y, industrial production growth moved flatly in October (September: +6.1% y-o-y) (see Fig. 3). The IT sector remained bullish, with the mobile phone and integrated circuit sectors recording growth in the region of 30% y-o-y, while the general machinery (construction machinery, etc.) and special purpose machinery (metal cutting machinery, etc.) sectors grew at a faster pace. However, production fell further in the iron and steel sector on structural adjustment, while automobile growth also slowed. The production of sedans (including small vehicles) decelerated. One year had passed since the tax break on small vehicles was introduced, so it seems the impact of this policy was wearing off.

The Manufacturing PMI rose to its highest level since July 2014

The government's Manufacturing PMI hit 51.2 in October, its highest level since July 2014 (September: 50.4) (see Fig. 4). Though new export orders fell, new orders rose by close to two points on a domestic demand revival, with production and all the other constituent indices showing improvements. In addition to firm IT-related demand, the domestic demand recovery was also bolstered by renewed government stimulus, including infrastructure investment. Caixin's PMI (which includes many small- and medium-sized enterprises (SMEs)) rose to 51.2, its highest level since July 2014 (September: 50.1).

Export growth contracted at a slower pace

At -7.5% y-o-y, export growth (nominal, dollar-denominated) contracted at a slower pace in October (September -10.2% y-o-y) (see Fig. 5). At +1.8% m-o-m, the seasonally-adjusted data (calculated by Mizuho Research Institute) returned to positive growth for the first time in two months (September: -3.0% m-o-m). However, neither the y-o-y nor the m-o-m data was strong enough to make up for the slump in September, when exports were hit by a typhoon and so on. A y-o-y breakdown by item shows exports of electrical machinery, light industrial products (clothing and shoes), and iron & steel, etc. contracting at a slower pace. Exports to the ASEAN region and several other destinations picked up slightly.

Import growth also contracted at a slightly slower pace

At -1.4% y-o-y, import growth (nominal, dollar-denominated) contracted at a slower pace in October (September -1.8% y-o-y). At +2.1% m-o-m, the seasonally-adjusted data (calculated by Mizuho Research Institute) increased for the first time in two months (September: -0.9% m-o-m). Several import items (including copper ore, coal and petroleum products) contracted at a slower y-o-y pace, with prices possibly bouncing back on a market recovery.

The trade surplus fell on the previous year

At \$48.8 billion, China's trade surplus contracted on the previous year for the third successive month in October, though the tempo of this slide eased off slightly.

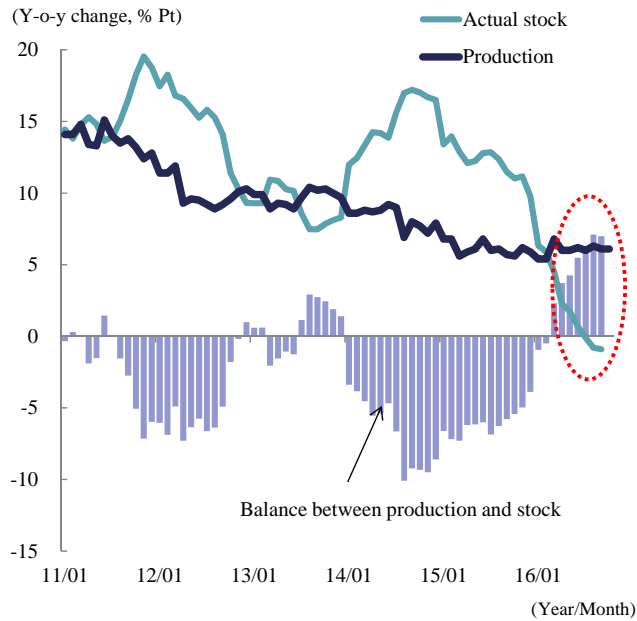
Investment increased slightly

At +9.0% y-o-y, the nominal growth rate of investment in fixed assets rose slightly in October (September: +8.8% y-o-y) (see Fig. 6). Automobile investment dipped further into negative territories, while infrastructure investment (including electricity) growth slowed slightly to +15.2% y-o-y (September: +15.6% y-o-y), but the overall figure was buoyed by spending on property development, which was up by +13.5% y-o-y (September: +7.8% y-o-y). Regulations on housing purchases were tightened up from the end of September to October, but housing investment remained firm until October. At +7.8% y-o-y, real investment in fixed assets grew at a slower pace on rising prices (September: +8.7% y-o-y).

Retail sales grew at a slower pace

At +10.0% y-o-y, (nominal) total retail sales of consumer goods grew at a slower pace in October (September: +10.7% y-o-y) (see Fig. 7). A glance at the breakdown for large retailers shows furniture selling at a faster pace, though automobiles sales slowed to single-digit y-o-y growth for the first time in three months as the impact of the tax cut wore off. The real figure also slowed to +8.8% y-o-y (September: +9.6% y-o-y).

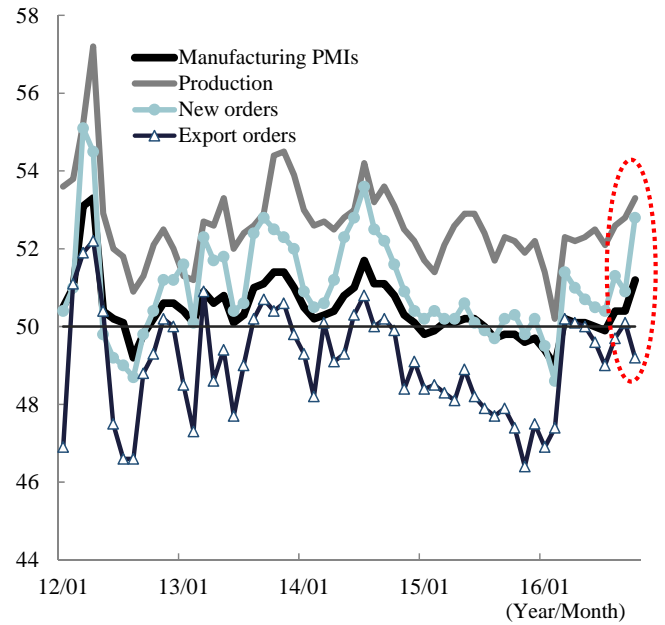
Fig. 3: Industrial Production



Note: The figures for January and February show the aggregate results for the same period.

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

Fig. 4: Manufacturing PMIs

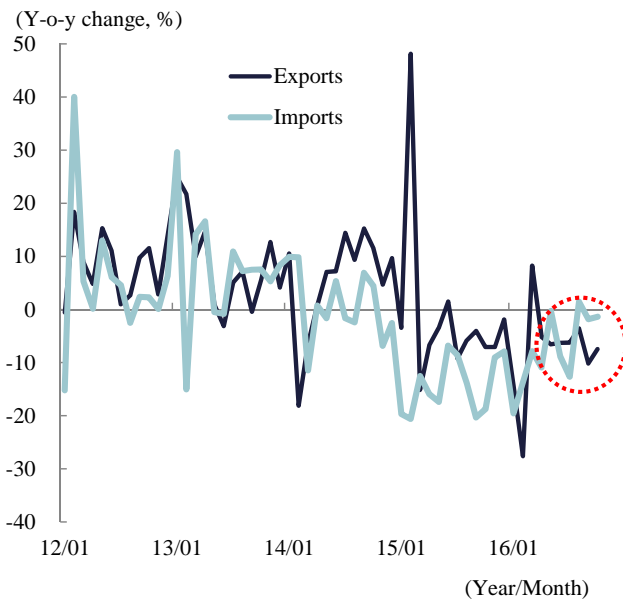


Note 1: Please note that seasonal factors, such as Chinese New Year, have not been completely eliminated from the data.

Note 2: From 2013, the number of companies sampled increased from 830 to 3,000.

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

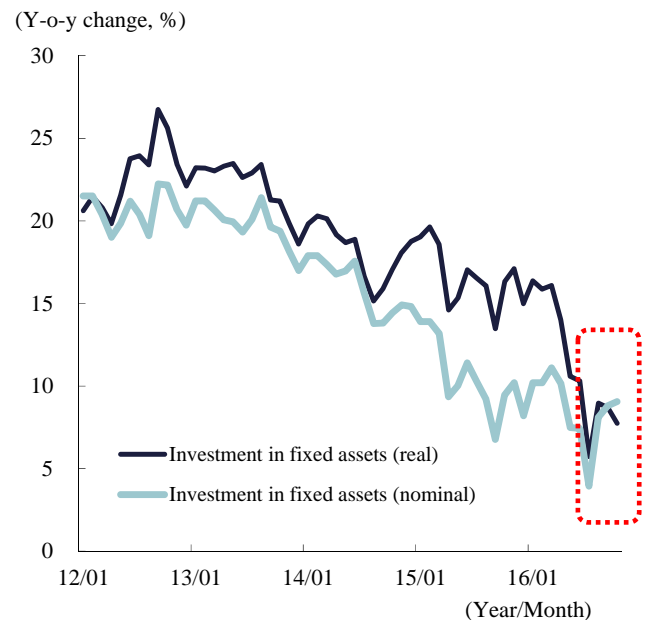
Fig. 5: Imports and Exports



Note: Nominal, dollar-denominated

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

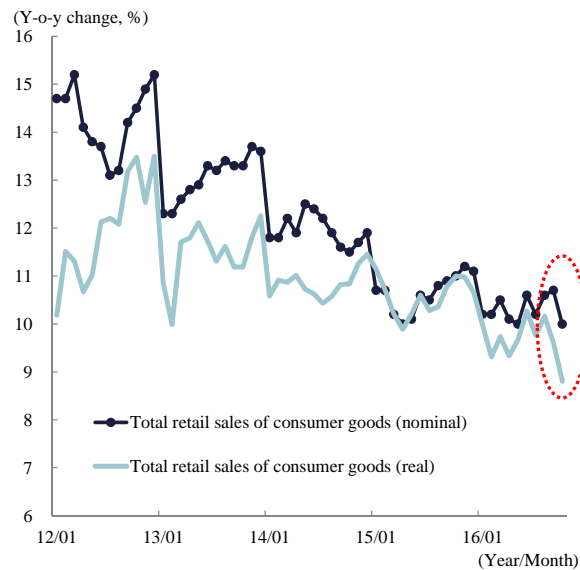
Fig. 6: Investment in Fixed Assets



Note: The standalone monthly figures were calculated based on the cumulative investment amount since the start of the year and cumulative y-o-y change since the start of the year. The real value has been indexed using the producer price index for the industrial sector.

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

Fig. 7: Total Retail Sales of Consumer Goods



Note: The total retail sales of consumer goods data has been indexed using the retail price index. The figures for January and February were aggregated and compared to the same period last year.

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

3. Inflation: The CPI and PPI both moved further into positive territories

The CPI and core CPI both rose

At +2.1% y-o-y, consumer price index (CPI) growth rose hit the 2% range for the first time in five months in October (September: +1.9% y-o-y) (see Fig. 8). Growth was quite low in the same month last year, so this was partially due to the base effect, but vegetable prices also grew at a faster pace, while the cost of services (rent, education, etc.) continued to undergo a gentle rise. At +1.8% y-o-y, the core CPI (which excludes food and energy) was also up slightly on September's figure of +1.7% y-o-y.

The PPI also grew at a faster pace

At +1.2% y-o-y, the production price index (PPI) rose further into positive territories in October (September: +0.1% y-o-y). With market conditions improving on a recovery in domestic demand (infrastructure spending, etc.), producer prices rose in the mining industry (iron ore, non-ferrous metals, etc.) and sectors involved in raw materials (petroleum products, chemicals, non-metal minerals, iron and steel, non-ferrous metals, etc.). The mining and iron & steel sectors in particular recorded double-digit growth.

Home prices continued to grow, though the pace eased off slightly

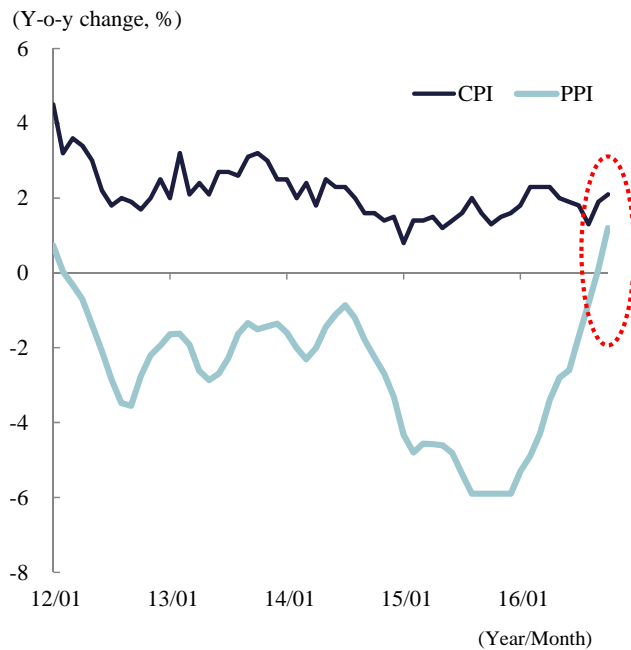
The October new-homes price index (the average of 70 major Chinese cities) stood at +10.1% y-o-y (Mizuho Research Institute estimate) (September: +9.0% y-o-y), with growth hitting double digits for the first time in six years (see Fig. 9). However, with 21 cities introducing new

Real estate sales in terms of floor space slowed, but investment in development grew at a faster pace

restrictions on house purchases from the end of September onwards, home price inflation slowed in Beijing, Shanghai, Xiamen and Shenzhen (after having previously soared). On a monthly basis, home prices in the 70 cities grew by an average of +1.0%, with growth slowing for the first time in three months (September: +1.8% m-o-m). Sixty-two cities saw prices rising on the previous month, down one city on September.

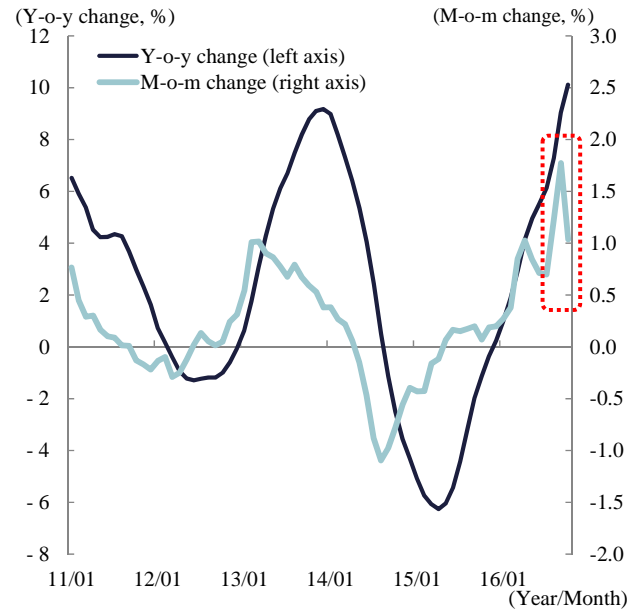
At +26.4% y-o-y, real estate sales in terms of floor space grew at a slower pace in October, though sales remained strong (September: +34.0% y-o-y). The office sector posted faster growth, but growth in the housing sector dipped to +26.0% y-o-y (September: +35.3% y-o-y) on tougher purchasing restrictions. However, real-estate investment accelerated to +13.5% y-o-y (September: +7.8% y-o-y) on faster growth in the housing sector.

Fig. 8: CPI and PPI



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

Fig. 9: 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

4. Monetary policy: Market liquidity is being kept at a moderate level

The money supply (M2) grew at a slightly faster pace.

A glance at October's financial indicators shows the money supply (M2: M1+ time, savings and other deposits) growing by 11.6% y-o-y. Though this remained below the government's target (2016: around +13% y-o-y), it was up slightly for the third successive month (September: +11.5% y-o-y) (see Fig. 10). At +23.9% y-o-y, though, the narrow money supply (M1: cash in circulation + current deposits) grew at a slower pace for the second consecutive month (September: +24.7% y-o-y).

Outstanding RMB loan growth remained at high levels

At +13.1% y-o-y in October, outstanding RMB loan growth was up slightly on September's figure of +13.0% y-o-y. New RMB loans totaled RMB 651.3 billion, down on September's figure of RMB 1,220 billion (see Fig. 10). It seems corporate funding demand dipped on the China National Day holidays at the start of October. This dip was not merely down to seasonal factors, though: bank lending to non-finance companies has seen y-o-y declines for nine successive months and lending remains sluggish on the back of moves to eliminate overcapacity. In contrast, mid- to long-term bank loans to households (mainly mortgages) have seen continuous y-o-y rises since April, a reflection of the buoyant housing market. Total social financing, which includes funds procured from non-bank sources, fell from RMB 1,711.5 billion in September to RMB 896.3 billion due to seasonal factors. A y-o-y comparison (which removes seasonal factors) shows equity financing rising on improved share prices, though financing via corporate bonds moved sluggishly.

In October, the PBOC provided liquidity as part of its open-market operations, though it absorbed funds at the start of November

In October, the PBOC pumped a net RMB 441.4 billion into the money markets as part of its open-market operations, with the PBOC providing net funding for the third successive month (see Fig. 11). It also provided a net RMB 205.5 billion through its Medium-term Lending Facility (MLF). With ample funding washing around at the start of November, the PBOC moved to absorb funds from the markets, but it continued to supply funds from mid-November onwards as liquidity grew somewhat tighter on rising bank financing demand. The PBOC had absorbed a net total of RMB 40 billion as of November 24.

The RMB fell sharply against the dollar in November on Trump's victory in the U.S. presidential election

The RMB rose against the dollar from the end of October to the start of November as U.S. interest rates fell on rising uncertainty in relation to the U.S. presidential election (see Fig. 12). Once a Trump victory was confirmed, though, the RMB fell as U.S. interest rates rose on expectations that the economy would be boosted by the fiscal policies (tax cuts and infrastructure investment) of the new administration. It temporarily fell to RMB6.9270 to the dollar on November 24, its lowest level since June 2008. The RMB rose against the yen and the euro, though, so the CFETS index (an indicator the Chinese authorities monitor closely; it shows the RMB's movements against a basket of 13 major currencies) continued to move flatly.

The Shanghai Stock Exchange Composite Index continued to rise

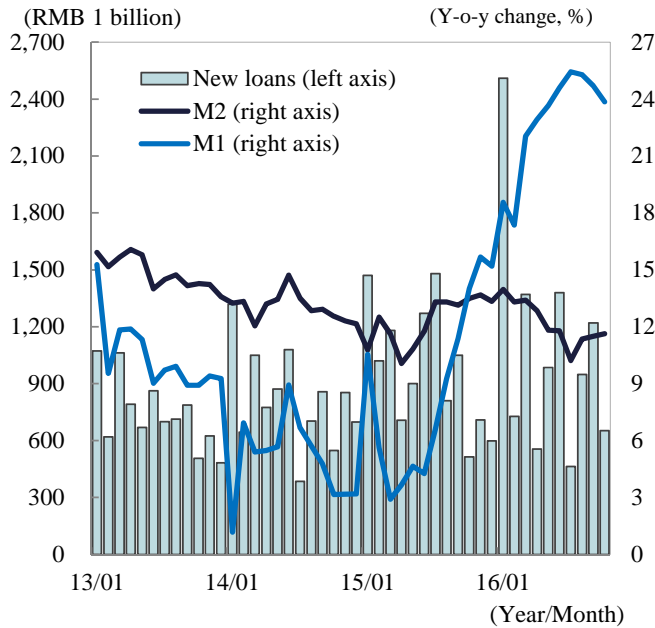
The Shanghai Stock Exchange Composite Index continued to rise gently from October to November (see Fig. 13). Stock prices were pushed up by several factors, including: Growing expectations that the new U.S. administration would decide to participate in the Asian Infrastructure Investment Bank (AIIB); speculation that the Shenzhen-Hong Kong Stock Connect would soon commence trading; and anticipation that financial institution (insurance company) earnings would recover on rising government bond yields.

From hereon, attention will focus on whether Donald Trump pursues protectionist policies or designates China a currency manipulator

So far, Trump's victory has led to strong hopes about the direction of the U.S. economy, with stock markets rising across the globe. However, if it seems Trump is going to implement the kind of protectionist trade policies he has espoused, markets may switch into risk-off mode (stock and currency bearishness) as investors focus on the negative impact for China and the emerging economies. Furthermore, Trump has said he will instruct the Treasury Secretary to designate China a currency manipulator after he assumes office in January. If this does happen, the RMB may become more unstable as it becomes harder to intervene in the currency markets, while China will probably be asked to revalue the RMB during bilateral talks with the U.S. With Trump also recently revising some of the incendiary statements he made during the electoral campaign, market participants will need to keep a close eye on specific policy moves by Trump from here on (as of November 25, 2016).

(Kaori Yamato)

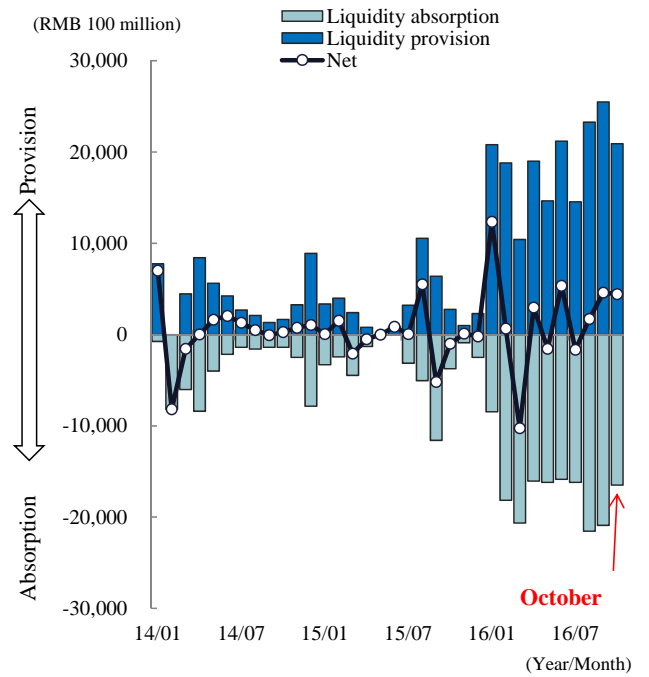
Fig. 10: Financial Indicators



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

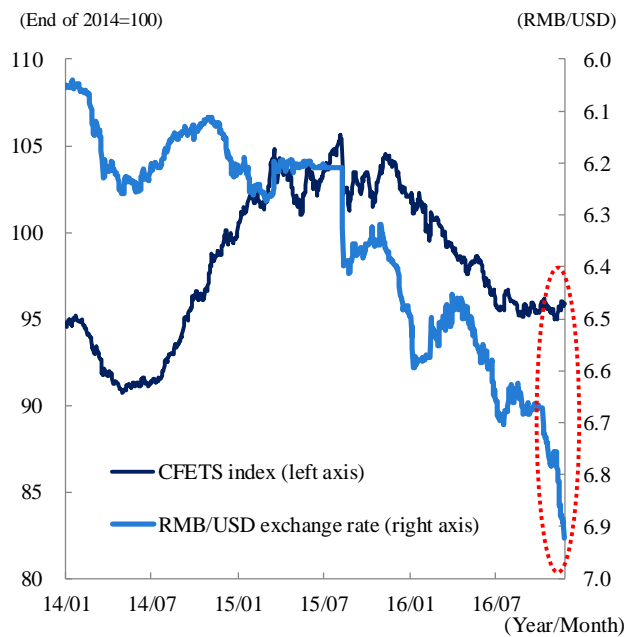
Fig. 11: Open Market Operation



Note: Monthly data

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

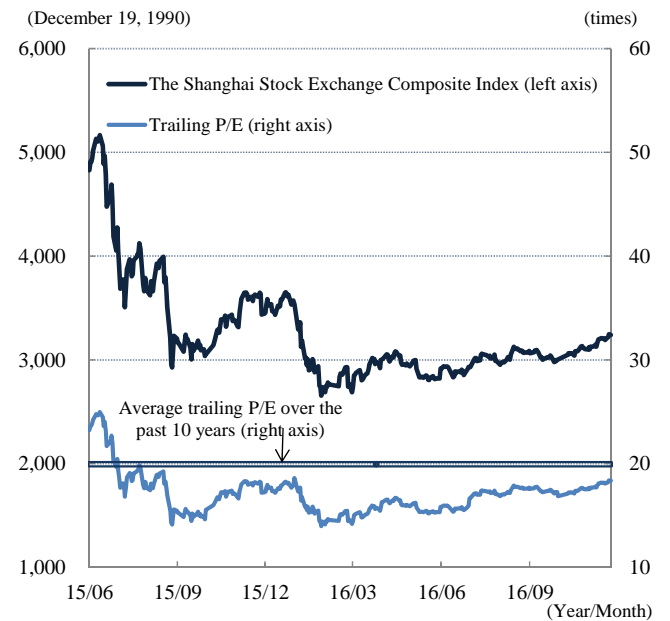
Fig. 12: Exchange Rates



Note: The CFETS index is a Mizuho Research Institute estimate

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

Fig. 13: Stocks



Note: Daily data; The most recent day: November 24

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	2014	2015	16/2Q	16/3Q	August	September	October
GDP	Real GDP	Y-o-y change (%)	7.3	6.9	6.7	6.7			
	Nominal GDP	Year-to-date (total), RMB 1 trillion	64.40	68.55	34.06	53.00			
Business Sentiment	PMI	End-of-period figure, points			50.0	50.4	50.4	50.4	51.2
	New Orders	Points			50.5	50.9	51.3	50.9	52.8
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	8.3	6.1	6.1	6.1	6.3	6.1	6.1
	Light Industry	Y-o-y change (%)	8.3	6.0	4.5	3.7	4.2	3.7	5.2
	Materials	Y-o-y change (%)	9.1	8.6	8.3	5.6	5.2	4.5	4.9
	Machinery	Y-o-y change (%)	10.4	6.3	7.7	9.5	9.8	9.4	9.1
	Electric Power Generation	Y-o-y change (%)	4.3	-1.9	0.1	7.3	7.8	6.8	8.0
	Industrial Goods Inventories	Y-o-y change (%)			-1.4	-1.4	-1.6	-0.8	
	Light Industry	Y-o-y change (%)			4.9	2.9	3.3	1.2	
	Materials	Y-o-y change (%)			-3.5	-3.9	-4.1	-3.5	
	Machinery	Y-o-y change (%)			1.3	1.9	1.9	2.2	
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	8.8	6.0	3.6	13.0	3.5	3.6	3.6
	Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	9.9	-0.5	0.6	-1.0	0.9	1.5	3.5
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	50.20	55.16	25.84	42.69	36.63	42.69	48.44
		Year-to-date y-o-y change (%)	15.7	10.0	9.0	8.2	8.1	8.2	8.3
	Real Estate	Year-to-date y-o-y change (%)	7.9	-0.2	5.1	4.3	3.9	4.3	4.9
	Primary Industry	Year-to-date y-o-y change (%)	33.9	31.8	21.1	21.8	21.5	21.8	22.0
	Secondary Industry	Year-to-date y-o-y change (%)	13.2	8.0	4.4	3.3	3.0	3.3	2.9
	Manufacturing	Year-to-date y-o-y change (%)	13.5	8.1	3.3	3.1	2.8	3.1	3.1
	Tertiary Industry	Year-to-date y-o-y change (%)	16.8	10.6	11.7	11.1	11.2	11.1	11.5
	Actual Direct Investment	Year-to-date (total), USD 100 million	1,285	1,356	694	951	859	951	1,039
Trade		Year-to-date y-o-y change (%)	3.7	5.5	1.5	0.2	0.6	0.2	0.2
	Exports	USD 100 million	23,423	22,735	5,209	5,544	1,891	1,841	1,779
		Y-o-y change (%)	6.0	-2.9	-6.0	-6.7	-3.6	-10.2	-7.5
	To the U.S.	Y-o-y change (%)	7.5	3.5	-10.6	-3.7	-0.2	-8.1	-5.8
	To the EU	Y-o-y change (%)	9.7	-3.9	-1.0	-3.7	2.4	-9.8	-8.8
	To Japan	Y-o-y change (%)	-0.5	-9.2	-6.9	-4.1	0.4	-7.0	-3.3
	To NIES, ASEAN	Y-o-y change (%)	2.8	-2.8	-2.6	-9.2	-9.9	-9.9	-8.1
	Imports	USD 100 million	19,592	16,796	3,900	4,133	1,385	1,426	1,291
		Y-o-y change (%)	0.5	-14.3	-6.9	-4.6	1.5	-1.8	-1.4
	From the U.S.	Y-o-y change (%)	4.3	-5.9	-11.6	-13.2	-3.7	-11.8	-6.9
	From the EU	Y-o-y change (%)	11.1	-14.3	0.4	-0.3	12.7	-3.8	2.4
	From Japan	Y-o-y change (%)	0.5	-12.3	-1.2	4.7	13.2	6.3	5.4
	From NIES, ASEAN	Y-o-y change (%)	1.6	-7.7	-3.3	0.2	6.1	2.7	2.5
	Trade Balance	USD 100 million	3,831	5,939	1,309	1,411	506	415	488

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 IQ Value-added Industrial Production figure shows the year-to-date y-o-y change for the period January–March.

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

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

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

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

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

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

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

Appendix: China's Major Economic Indicators (2)

Headings		Unit	2014	2015	16/2Q	16/3Q	August	September	October
Consumption	Consumer Confidence Index	End-of-period figure, points			102.9	104.6	105.6	104.6	107.2
	Consumer Expectations Index	End-of-period figure, points			105.5	107.6	108.3	107.6	110.2
	Total Retail Sales of Consumer Goods	RMB 1 trillion	27.19	30.09	7.81	8.23	2.75	2.80	3.11
		Y-o-y change (%)	12.0	10.7	10.2	10.5	10.6	10.7	10.0
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	9.3	7.8	7.1	8.4	8.8	9.0	7.7
	Automobile Sales	10,000 automobiles	2,348.9	2,456.3	628.5	648.7	207.1	256.4	265.0
		Y-o-y change (%)	7.0	3.9	10.2	24.5	24.2	26.1	18.7
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	10.1	8.9	8.7	8.4	n.a.	n.a.	n.a.
Prices	Jobs-to-applicants Ratio	End-of-period figure, ratio	1.15	1.10	1.06	1.10	n.a.	n.a.	n.a.
	Consumer Price Index	Y-o-y change (%)	2.0	1.4	2.1	1.7	1.3	1.9	2.1
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	1.6	1.7	1.6	1.7	1.8
	Foods	Y-o-y change (%)	3.1	2.3	6.0	2.6	1.3	3.2	3.7
	Producer Price Index	Y-o-y change (%)	-1.9	-5.2	-2.9	-0.8	-0.8	0.1	1.2
	Producer Goods	Y-o-y change (%)	-2.5	-6.8	-3.9	-1.1	-1.0	0.1	1.6
	Consumer Goods	Y-o-y change (%)	0.0	-0.3	-0.2	0.0	0.0	0.0	0.1
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	2.6	-3.8	4.9	7.5	7.3	9.0	10.1
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	122.84	139.23	149.05	151.64	151.10	151.64	151.95
		End-of-period figure, y-o-y change (%)	12.2	13.3	11.8	11.5	11.4	11.5	11.6
	Outstanding Loans	End-of-period figure, RMB 1 trillion	81.68	93.95	101.49	104.11	102.90	104.11	104.77
		End-of-period figure, y-o-y change (%)	13.6	14.3	14.3	13.0	13.0	13.0	13.1
	Net Increase	Mid-period increase, RMB 10 billion	978	1228	292	263	95	122	65
	Deposits	End-of-period figure, RMB 1 trillion	113.86	135.70	146.24	148.52	148.52	148.52	149.74
		End-of-period figure, y-o-y change (%)	9.1	12.4	10.9	11.1	10.8	11.1	11.5
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	20.0	17.5	17.0	17.0	17.0	17.0	17.0
	1-year Benchmark Lending Rate	End-of-period figure, %	5.60	4.35	4.35	4.35	4.35	4.35	4.35
	Overnight Repo Rate	End-of-period figure, %	3.59	2.10	2.04	2.31	2.07	2.31	2.31
Exchange Rates	Foreign Currency Reserves	End-of-period figure, USD 100 million	38,430	33,304	32,052	31,664	31,852	31,664	31,207
	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.20	6.48	6.65	6.67	6.68	6.67	6.77
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	19.32	18.57	15.46	15.18	15.48	15.18	15.51
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,235	3,539	2,930	3,005	3,085	3,005	3,100
	PER	End-of-period figure, ratio	16.0	17.6	14.5	15.1	15.5	15.1	15.8
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	3,725	5,313	4,629	4,850	4,916	4,850	5,049
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	7,439	25,559	3,206	3,227	1,122	830	777
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.6	8.5	7.4	6.1	6.4	6.1	6.1
	Fiscal Expenditure	Year-to-date y-o-y change (%)	8.3	15.8	15.4	12.7	12.9	12.7	10.2

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

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

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

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

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

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

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

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

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

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

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