Mizuho Economic Commentary-China

October 2016 edition

◆ Topic

An assessment of China's GDP data for July–September; and the forecast from here on

At +6.7% year-on-year, China's GDP growth rate moved flatly for the third successive quarter in July–September, with GDP moving stably within the government's target range. The Chinese economy showed faint signs of a self-sustained recovery, as evinced by the improved employment and earnings environment, but it still relies heavily on government policy. It seems the Chinese economy will move flatly until the end of the year, but attention will probably focus on what happens with the vehicle tax break entering 2017.

◆ Economic trends

Major indicators moved flatly on the whole

In September, production and exports were hit by bad weather, but investment and consumption edged up, so the major indicators continued to move flatly on the whole. The CPI grew at a faster pace, with the cost of vegetables and so on being pushed up by bad weather, while the PPI rose on the previous year for the first time since February 2012 thanks to rallying commodity prices.

1. Topic: An assessment of China's GDP data for July–September; and the forecast from here on

The growth rate moved flatly for the third successive quarter

At +6.7% year-on-year, China's real GDP growth rate moved flatly for the third successive quarter in July–September (see Fig. 1), with GDP moving stably within the government's target range (6.5–7%). The economy continues to rely on policy support, such as the purchase tax cut for small vehicles, but there are also faint signs a self-sustained recovery maybe gaining momentum.

Investment growth relies on infrastructure investment

A glance at developments by demand item, based on major indicators, shows real fixed asset investment (real value = Mizuho Research Institute estimate; hereinafter the same) growing by +7.0% y-o-y, down on April–June's figure of +9.1%. The nominal data also showed infrastructure growth slowing to +17.4% y-o-y (April–June: +21.5% y-o-y). The data was impacted by the widespread flood damage in July and the delayed execution of the budget. However, growth still remained close to 20%, with investment growth still dependent on infrastructure spending. Real-estate investment also slowed to +5.2% y-o-y (April–June: +6.0% y-o-y). This was because housing investment growth shrunk to +2.9% y-o-y (April–June: +4.2% y-o-y), partly due to the flood damage but also due to a strengthening of restrictions on housing purchases. However, the monthly data reveals that real-estate investment bottomed out in July and is now accelerating again. Restrictions on purchases are set to grow tougher and this is leading to a last-minute demand rush.

With heavy industry undergoing adjustment, manufacturing investment bounced back on the strong performance of some growth sectors

On the other hand, after suffering an ongoing decline, manufacturing investment improved slightly to +3.0% y-o-y (April–June: +1.7%). Transportation machinery (apart from automobiles) saw several sectors dropping into/falling further into negative territories, including iron & steel, non-ferrous metals and machinery (general purpose and special purpose), but the pace of decline in the mining industry slowed slightly, while investment in automobiles, electrical machinery, computers, communications and other electronic equipment grew at a faster pace. With heavy industry undergoing some adjustment, investment increased when it came to sectors prioritized by the Chinese government, such as fuel-efficient and new-energy vehicles, electric power facilities (electrical equipment and machinery) and next-generation technologies (electronic equipment, etc.), and this contributed to the recovery in manufacturing investment.

Consumption moved firmly on a vehicle purchase tax cut and a recovery in the employment and earnings environment

With automobile sales continuing to move bullishly thanks to a vehicle purchase tax cut, consumption (real total retail sales of consumer goods) growth remained strong over July–September at +9.8% y-o-y (April–June: +9.8% y-o-y). Despite concerns that the tax cut will only provide a temporary boost to demand, attention is now focusing on the improving employment and earnings environment. The jobs-to-applicants ratio trended downwards over the first half of 2016, but it began rising again in July and it returned to the 1.1 range for the first time in nine months in September to hit 1.10. The income-related consumer confidence index is also improving after having deteriorated continuously entering 2015. One factor behind this is employment adjustment in the manufacturing sector. This kicked off in earnest in 2015, but with corporate earnings on the rise, particularly in resource and hi-tech sectors, this adjustment has eased off entering 2016. This suggests consumption will continue to move firmly rather thanks to an improved employment and earnings environment, rather than merely because of transitory factors. Furthermore, the contribution of final consumption (consumer spending + government spending) to the growth rate was also up on the previous quarter. It was apparently boosted by government spending and spending on services (data not captured in the retail statistics, which moved flatly on the previous quarter).

Exports fell, partly due to typhoons

The real contribution rate of net exports dipped further into negative territories at -0.2% (April–June: -0.1%). On a monthly basis, real exports contracted at a slower pace up until August, but they then underwent a near-double-digit y-o-y slide in September, perhaps because customs clearances had been delayed by large typhoons during this time.

There are faint signs of the Chinese economy undergoing a self-sustained recovery, but the economy still relies heavily on government policy

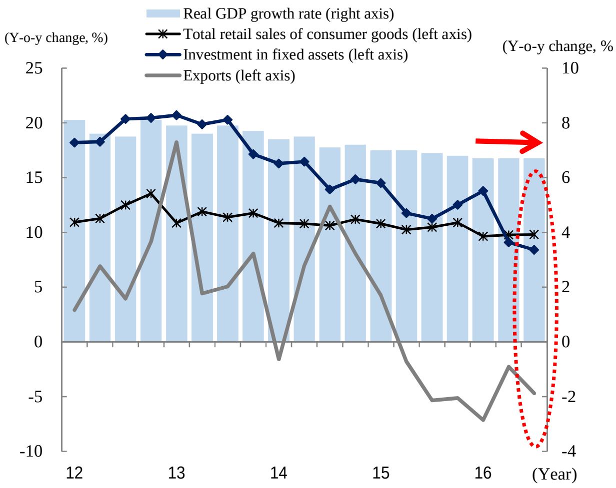
As mentioned above, there are faint signs of the Chinese economy undergoing a self-sustained recovery, as evinced by the improved employment and earnings environment, but it still relies heavily on infrastructure spending and government policy (such as the purchase tax cut for vehicles). The government has indicated it will strengthen its support for infrastructure spending, not only through public financing but also through the utilization of a policy bank and a review of the budget allocation, for example, so policy support looks set to continue from here on. The government has also hinted at investing more in growth sectors, but manufacturing investment is unlikely to move strongly amid lingering pressure to deal with overcapacity. Investment is likely to pick up towards the end of the year as it recovers from the impact of the summer flood damage, but it will probably slow gradually from there on. Exports are expected to trend steadily upwards as the impact of the typhoons wears off and the global economy recovers at a gentle pace.

The Chinese economy will move flatly until the end of the year, but attention will focus on the direction of the vehicle tax break entering 2017

When it comes to consumption, attention will focus on how the government deals with the tax break on automobiles, which is scheduled to end in December. The tax break was introduced in 2009. It was then extended for one year (to the end of 2010) at the request of the automobile industry. However, the tax break was slashed (from -5% to -2.5%), so vehicle sales fell sharply (see Fig. 2). As a result, though incomes continued to grow at a modest pace, real consumption growth stalled (average y-o-y change: +14.9% in 2010 down to +11.6% in 2011). Though employment and earnings are currently trending upwards, there are concerns about the impact on consumption if the tax break expires or is reduced further. It seems the Chinese economy will move flatly until the end of the year, but attention will probably focus on what happens with the tax break entering 2017.

(Kaori Yamato)

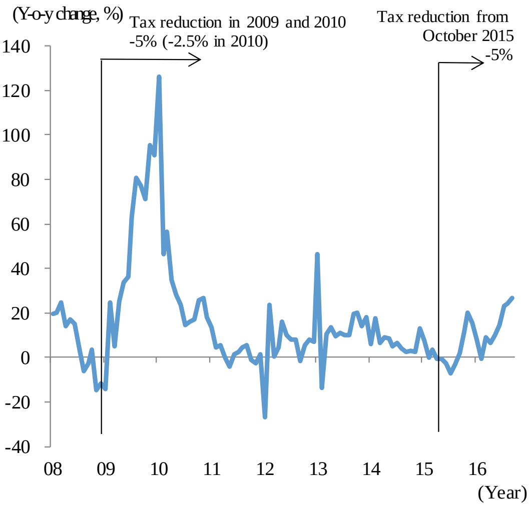
Fig. 1: Real GDP Growth Rate and Major Economic Indicators



Note: The total retail sales of consumer goods data has been indexed using the retail price index; the investment in fixed assets data has been indexed using the fixed asset price index. The export data has been indexed using the export price index.

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

Fig. 2: Automobile Sales Indicator



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

2. Overview: Major monthly indicators moved flatly on the whole

Major indicators moved flatly on the whole on September

September's monthly indicators recorded mixed results, though they continued to move flatly on the whole.

Industrial production remained firm above 6% in September

At +6.1% y-o-y, industrial production growth continued to move firmly at the 6.0% mark in September (August: +6.3% y-o-y) (see Fig. 3). It had recorded fairly high growth in August as production recovered from the impact of July's flooding, so the data in September was down slightly on August. However, with the output/inventory balance (y-o-y output growth minus y-o-y inventory growth) improving, it seems industrial production is continuing to move flatly yet firmly on the whole. A glance at the details shows mobile phone production falling slightly (after previously having soared in advance of the release of new smartphones), while iron & steel output fell sharply on ongoing structural adjustment. On the other hand, mining and chemicals production bounced back, while machinery and automobiles were churned out too. Automobile sales remain brisk thanks to the purchase tax cut, but inventories swelled over August–September, so caution will be needed.

For the second successive month, the government's Manufacturing PMI topped 50

At 50.4, the government's Manufacturing PMI remained above 50 (the key line dividing expansion from contraction) in September for the second month in a row (August: 50.4) (see Fig. 4). The production and employment indicators both improved. Though new orders fell slightly, new export orders topped 50 for the first time in four months. Caixin's PMI (which has higher proportion of small- and medium-sized enterprises (SMEs) than the government's PMI) rose slightly to 50.1 (August: 50.0).

Export growth fell further into negative territories as a result of two major typhoons

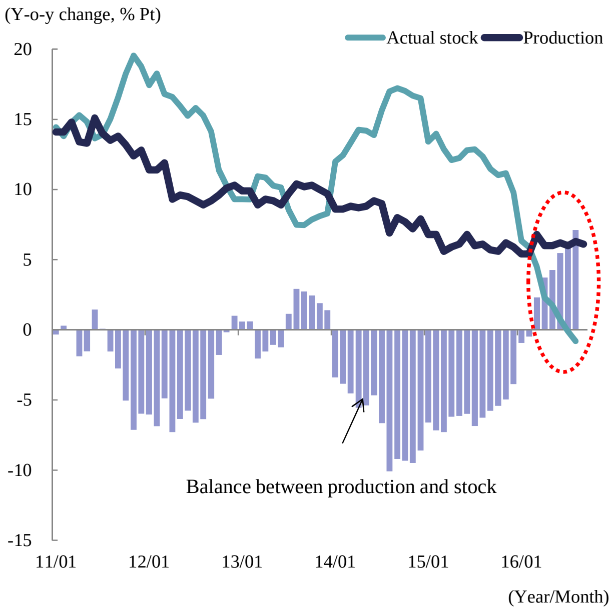
At -10.0% y-o-y, export growth (nominal, dollar-denominated) fell further into negative territories in September (August: -3.0% y-o-y) (see Fig. 5). At -2.6% y-o-y, meanwhile, the export volume figure fell for the first time in seven months in September (August: +6.9% y-o-y). A glance at the details shows machinery and a whole range of other export items dipping in terms of both value and volume. China was hit by two major typhoons in September and this probably held up the logistics flow.

Import growth fell into negative territories

At -1.9% y-o-y, import growth (nominal, dollar-denominated) fell into negative territories in September (August: +1.4% y-o-y). Import growth slowed on a volume basis to hit +3.0% y-o-y (August: +9.7% y-o-y). A wide range of import items (including chemicals, iron & steel,

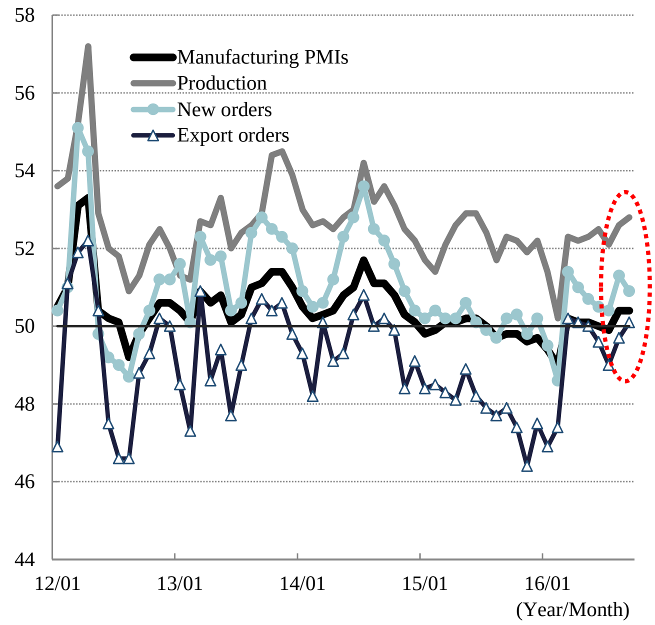
	machinery and automobiles) fell in terms of both value and volume. As with exports, though, this may have been due to the bad weather.
The trade surplus shrank in September	The value of exports fell sharply, so the trade surplus shrunk for the second successive month in September to hit $42 billion.
Investment growth was up	The nominal growth rate of investment in fixed assets rose slightly for the second consecutive month to hit +8.8% y-o-y in September (August: +8.1% y-o-y) (see Fig. 6). As with production, investment was hit by flooding, so it grew at a record low pace in July (+3.9% y-o-y), though it has since recovered on infrastructure spending and so on. Spending in the secondary industry rose by +5.2% y-o-y in September (August: +0.1% y-o-y) and this pushed up the overall investment data. A glance at the details shows mining investment contracting at a slower pace, while investment increased in sectors like electrical equipment and machinery manufacturing, electricity, gas and water, and construction.
Retail sales grew at a slightly faster pace	At +10.7% y-o-y, (nominal) total retail sales of consumer goods grew at a slightly faster pace in September (August: +10.6% y-o-y) (see Fig. 7). Automobile sales continued to rise, while sales of precious metals also moved bullishly. At +9.6% y-o-y, sales slowed in real terms (August: +10.2% y-o-y) as the retail price index jumped on rising food prices and so on.

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

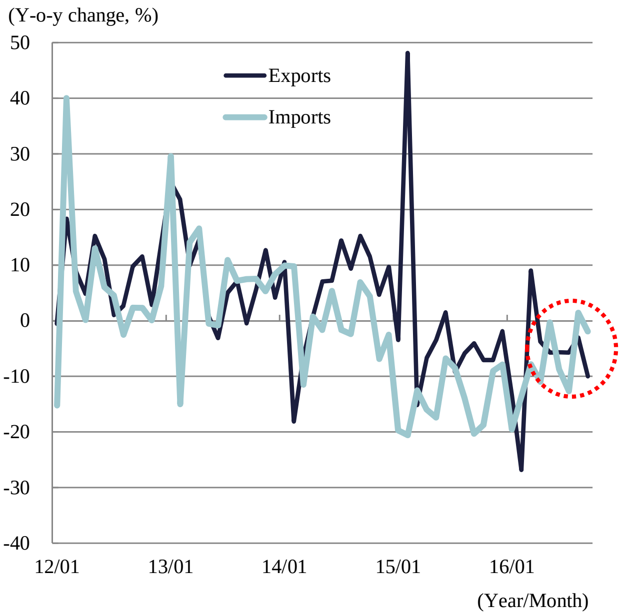
Fig. 4: Manufacturing PMIs



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.

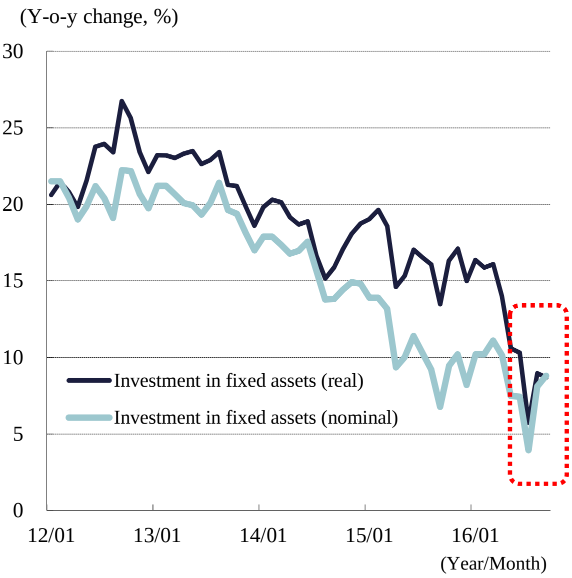
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

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 trended upwards, while home prices continued to climb

CPI growth accelerated on the bad weather, etc.

In September, consumer price index (CPI) growth stood at +1.9% y-o-y, up on August's figure of +1.3% y-o-y (see Fig. 8). Fruit and vegetable prices were pushed up by the impact of two major typhoons, with the CPI data also buoyed by a hike in the cost of educational services, with university and other school fees rising on the start of the new school year. At +1.7% y-o-y, the core CPI (which excludes food and energy) was also up slightly on August's figure of +1.6% y-o-y.

The PPI was up on the previous year for the first time since February 2012

At +0.1% y-o-y, the production price index (PPI) was up on the previous year for the first time since February 2012 (August: -0.8% y-o-y). With commodity prices rallying, the figure was pushed up by rising costs in sectors like petroleum and natural gas, iron ore, petroleum processing, chemicals and iron & steel. Producer prices in the iron & steel sector rose particularly sharply at +10.1%, the first double-digit rise since August 2011. On the other hand, prices fell at a slightly faster pace in sectors like general machinery, automobiles, and computers, telecommunications and electronics.

As home prices continued to soar, the government strengthened its restrictions on house purchase

The September new-homes price index (the average of 70 major Chinese cities) stood at +9.0% y-o-y (Mizuho Research Institute estimate) (August: +7.3% y-o-y), with prices rising for the tenth successive month (see Fig. 9). Sixty-four cities saw the price of new homes rising on the previous year, up two cities on the previous month. Restrictions on house purchases were introduced in Shanghai and Shenzhen in March and Xiamen in August. Home price inflation did slow in Shanghai and Shenzhen for a time, but it is now rising again in Shanghai. In Xiamen, meanwhile, prices actually soared by more than 40% y-o-y in August and they continued to climb in September. Home prices jumped by over 40% y-o-y in Nanjing and Hefei. In order to keep a lid on skyrocketing prices, the Chinese government introduced buying restrictions in over 20 cities from the end of September to the National Day holidays (October 1–7). As a result, home prices in 15 surveyed cities (first-tier cities and major second-tier cities) fell over the first half of October compared to September.

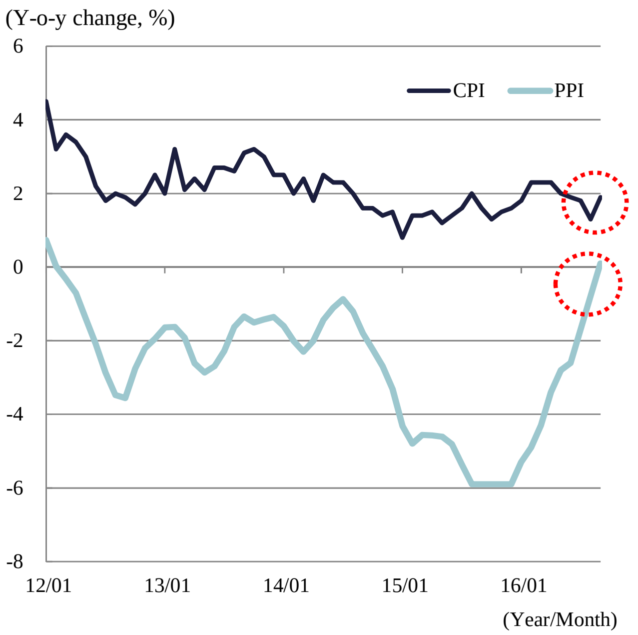
Real estate sales in terms of floor space and development investment both grew at a faster pace

Real estate sales in terms of floor space grew at a much faster pace in September to hit +34.0% y-o-y (August: +19.8% y-o-y), mainly due to housing sales. This was seemingly due to a flurry of buying before the government introduced restrictions on housing purchases. At +7.8%

y-o-y, investment in real-estate development accelerated in September (August: +6.2% y-o-y). Growth was up further in the housing sector, while the office sector also posted a return to positive growth.

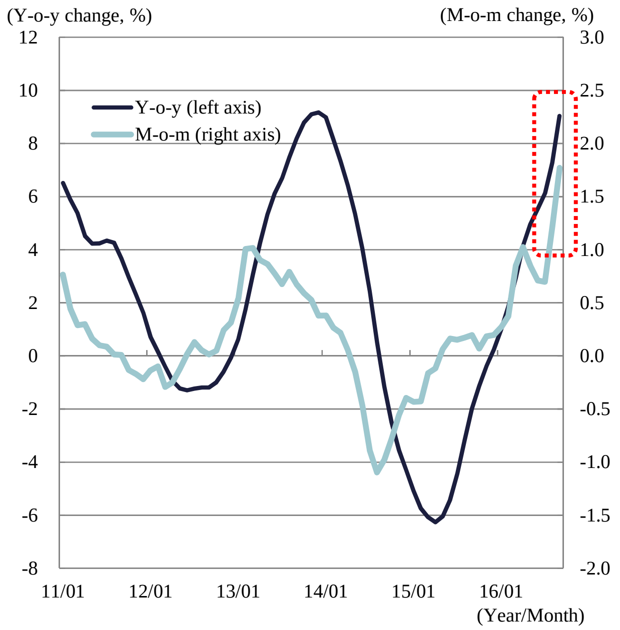
(Kaori Yamato)

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 tightened for a time

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

A glance at September's financial indicators shows the money supply (M2: M1+ time, savings and other deposits) growing by 11.5% y-o-y, up slightly on August's figure of +11.4% y-o-y (see Fig. 10). However, the narrow money supply (M1: cash in circulation + current deposits) grew by +24.7% y-o-y, down on August's figure of +25.3% y-o-y. As with August, the divergence in M1 and M2 growth shrunk slightly in September after having previously widened.

Outstanding RMB loan growth remained at high levels

At +13.0% y-o-y, outstanding RMB loan growth was unchanged on the previous month and it remained at high levels. New RMB loans totaled RMB 1,220 billion, up on August's figure of RMB 948.7 billion (see Fig. 10). With the housing market remaining bullish, the number of home loans increased in September, as they had done in August. Total social financing, which includes funds procured from non-bank sources, increased from RMB 1,469.7 billion in August to RMB 1,720 billion in September.

In September, the PBOC provided funds via its open-market operations and the MLF

In September, the PBOC pumped a net RMB 460 billion into the money markets as part of its open-market operations to control liquidity (see Fig. 11). It also provided a net RMB 151.8 billion through its Medium-term Lending Facility (MLF).

In October, the PBOC absorbed net funds via its open-market operations but it provided net liquidity via the MLF

In October, the PBOC absorbed a net RMB 10 billion from the money markets as part of its open-market operations (as of October 25). However, it pumped RMB 763 billion into the markets through the MLF (as of October 25). The PBOC is scheduled to absorb a total of RMB 557.5 billion through maturing MLF loans in October, so it has already provided the markets with a net RMB 205.5 billion.

Market liquidity temporarily tightened due to end-of-quarter factors, etc.

Interbank rates soared for a time at the end of September. It seems this was primarily due to a burst of financing demand as National Day holidays (October 1–7) coincided with the end of the quarter. When the National Day holidays ended, interbank rates returned to their pre-surge levels. Interbank rates rose again at a gentle pace towards the end of October, seemingly because of a temporary tightening of market liquidity due to end-of-month demand and demand related to tax payments.

The RMB fell to its lowest level against the dollar in roughly six years and one month

The RMB continued to move flatly against the dollar from the end of August to the end of September, but the dollar strengthened on the release of some generally-bullish U.S. indicators during the Chinese National Day holidays, so the RMB fell to a 6-year low on October 10, after the markets reopened after the holidays. The greenback remained bullish thereafter. There was also a growing sense that the authorities were prepared to tolerate RMB bearishness after the RMB’s central parity against the dollar was set at a lower rate on an increasing number of days. As a result, the RMB had fallen to its lowest level against the dollar in roughly six years and one month as of October 25 (see Fig. 12).

The RMB was added to the Special Drawing Rights basket

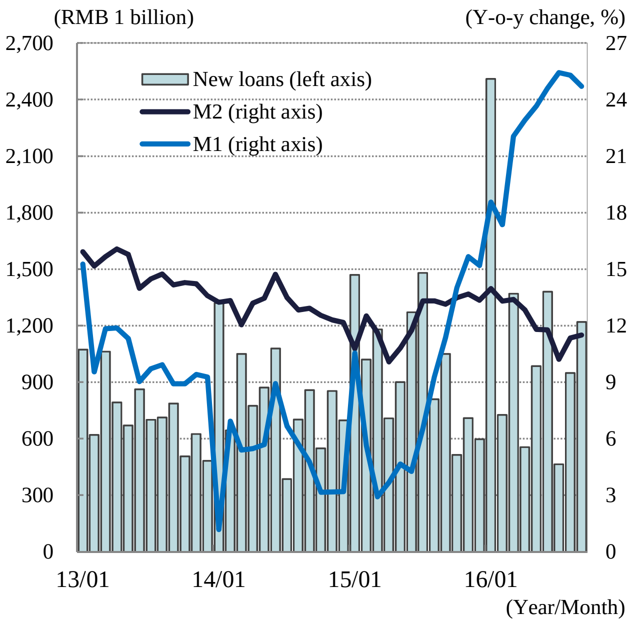
On October 1, the International Monetary Fund (IMF) added the RMB to its Special Drawing Rights basket. The share of each currency in the value of the SDR was set at 41.73% for the dollar, 30.93% for the euro, 10.92% for the RMB, 8.33% for the yen and 8.09% for the pound. Christine Lagarde, Managing Director of the IMF, said the RMB’s inclusion reflected the progress made in reforming China's monetary, foreign exchange and financial systems.

The Shanghai Stock Exchange Composite Index has risen slightly

The Shanghai Stock Exchange Composite Index moved more-or-less flatly around 3,000 from mid-September, though it then rose slightly from mid-October (see Fig. 13). With the Sixth Plenary Session of the 18th Central Committee of the Communist Party of China looming on October 24–27, anticipation grew about further economic stimulus or progress with regards to reforming China's state-owned enterprises. This seems to have pushed up stock prices. On October 25, the index closed at its highest price since the start of January, 2016.

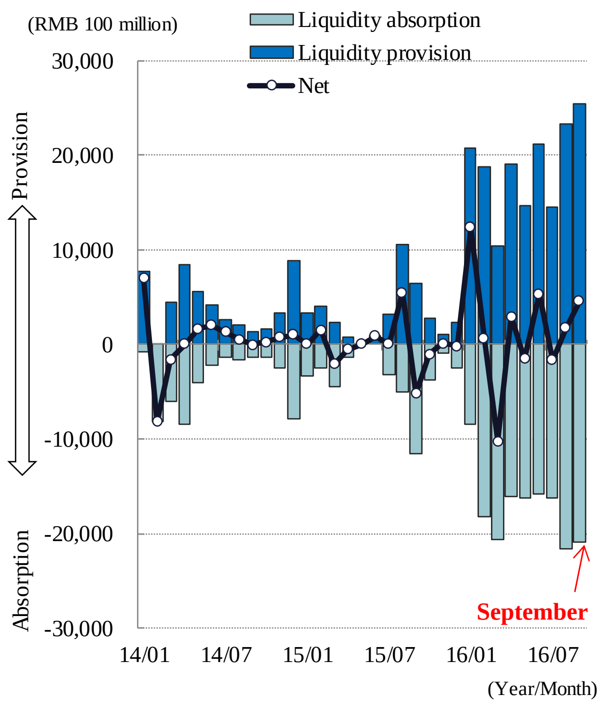
(Ayana Nakazawa)

Fig. 10: Financial Indicators



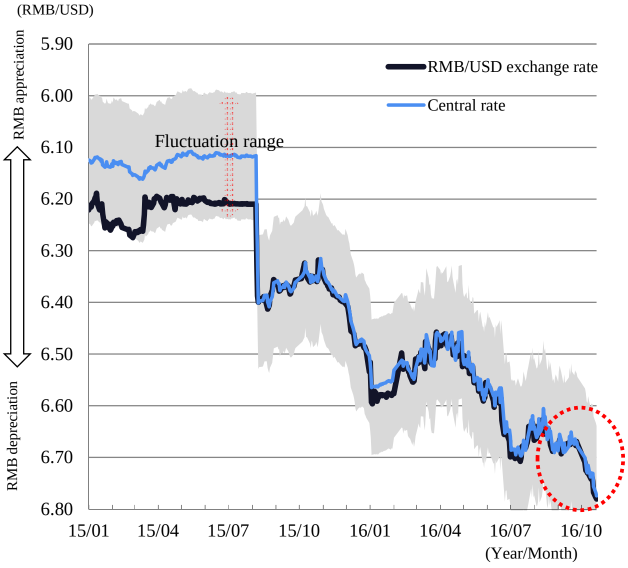
Note: 'New loans' denotes the amount of new RMB loans.
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 11: Open Market Operation



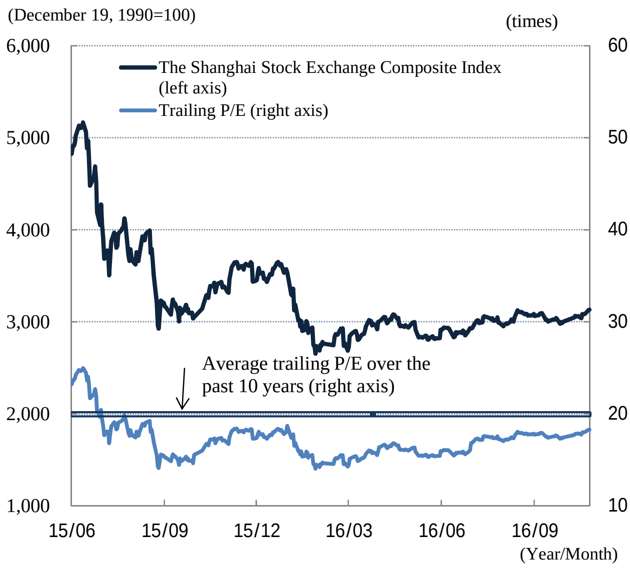
Note: Monthly data
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 12: Exchange Rates



Note: Daily data; The most recent day: October 25.
Source: Prepared by Mizuho Research Institute based on the materials from the China Foreign Exchange Trade System, Bloomberg and CEIC data

Fig. 13: Stocks



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

Appendix: China's Major Economic Indicators (1)

Headings			Unit	2014	2015	16/2Q	16/3Q	July	August	September
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	49.9	50.4	50.4
		New Orders	Points			50.5	50.9	50.4	51.3	50.9
Production	Value-added Industrial Production (Real)		Y-o-y change (%)	8.3	6.1	6.1	6.1	6.0	6.3	6.1
		Light Industry	Y-o-y change (%)	8.3	6.0	4.5	3.7	3.2	4.2	3.7
		Materials	Y-o-y change (%)	9.1	8.6	8.3	5.6	7.1	5.2	4.5
		Machinery	Y-o-y change (%)	10.4	6.3	7.7	9.5	9.1	9.8	9.4
	Electric Power Generation		Y-o-y change (%)	4.3	-1.9	0.1	7.3	7.2	7.8	6.8
	Industrial Goods Inventories		Y-o-y change (%)			-1.4		-1.8	-1.6	
		Light Industry	Y-o-y change (%)			4.9		4.1	3.3	
		Materials	Y-o-y change (%)			-3.5		-4.1	-4.1	
		Machinery	Y-o-y change (%)			1.3		1.8	1.9	
	Passenger Transportation Volume		Year-to-date y-o-y change (%), passenger-kilometer	8.8	6.0	3.6	13.0	3.4	3.5	
	Freight Transportation Volume		Year-to-date y-o-y change (%), ton-kilometer	9.9	-0.5	0.6	-1.0	0.7	0.9	
Investment	Investment in Fixed Assets		Year-to-date (total), RMB 1 trillion	50.20	55.16	25.84	42.69	31.17	36.63	42.69
			Year-to-date y-o-y change (%)	15.7	10.0	9.0	8.2	8.1	8.1	8.2
		Real Estate	Year-to-date y-o-y change (%)	7.9	-0.2	5.1	0.0	3.8	3.9	
		Primary Industry	Year-to-date y-o-y change (%)	33.9	31.8	21.1	21.8	20.6	21.5	21.8
		Secondary Industry	Year-to-date y-o-y change (%)	13.2	8.0	4.4	3.3	3.5	3.0	3.3
		Manufacturing	Year-to-date y-o-y change (%)	13.5	8.1	3.3	3.1	3.0	2.8	3.1
		Tertiary Industry	Year-to-date y-o-y change (%)	16.8	10.6	11.7	11.1	10.8	11.2	11.1
	Actual Direct Investment		Year-to-date (total), USD 100 million	1,285	1,356	694	951	771	859	951
			Year-to-date y-o-y change (%)	3.7	5.5	1.5	0.2	0.6	0.6	0.2
Trade	Exports		USD 100 million	23,423	22,735	5,262	5,569	1,822	1,903	1,845
			Y-o-y change (%)	6.0	-2.9	-5.1	-6.3	-5.7	-3.0	-10.0
		To the U.S.	Y-o-y change (%)	7.5	3.5	-10.6	-3.7	-2.4	-0.2	-8.1
		To the EU	Y-o-y change (%)	9.7	-3.9	-1.0	-3.7	-3.7	2.4	-9.8
		To Japan	Y-o-y change (%)	-0.5	-9.2	-6.9	-4.1	-5.3	0.4	-7.0
		To NIES, ASEAN	Y-o-y change (%)	2.8	-2.8	-2.6	-9.2	-8.0	-9.9	-9.9
	Imports		USD 100 million	19,592	16,796	3,899	4,131	1,321	1,384	1,425
			Y-o-y change (%)	0.5	-14.3	-6.9	-4.6	-12.7	1.4	-1.9
		From the U.S.	Y-o-y change (%)	4.3	-5.9	-11.6	-13.2	-23.2	-3.7	-11.8
		From the EU	Y-o-y change (%)	11.1	-14.3	0.4	-0.3	-8.0	12.7	-3.8
		From Japan	Y-o-y change (%)	0.5	-12.3	-1.2	4.7	-4.6	13.2	6.3
		From NIES, ASEAN	Y-o-y change (%)	1.6	-7.7	-3.3	0.2	-7.9	6.1	2.7
	Trade Balance		USD 100 million	3,831	5,939	1,363	1,438	500	518	420

Note 1: Value-added Industrial Production is calculated for industrial enterprises above a designated size. In 2011, this size was adjusted to "industrial enterprises with annual revenue of RMB 20 million or more" (it was previously "industrial enterprises with annual revenue of RMB 5 million or more). The National Bureau of Statistics explains that the post-change figures and trends remain essentially the same.

Note 2: From the January-February 2015 edition of Mizuho Economic Commentary onwards, all annual figures for Value-added Industrial Production show the year-to-date y-o-y change (up until the November 2014 edition, the figures for Light Industry, Materials and Machinery were calculated as a simple average of the quarterly figures).

Note 3: The 1Q Value-added Industrial Production figure shows the year-to-date y-o-y change for the period January–March.

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

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

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

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

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

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

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

Appendix: China's Major Economic Indicators (2)

Headings		Unit	2014	2015	16/2Q	16/3Q	July	August	September
Consumpti	Consumer Confidence Index	End-of-period figure, points			102.9	104.6	106.8	105.6	104.6
	Consumer Expectations Index	End-of-period figure, points			105.5	107.6	109.8	108.3	107.6
	Total Retail Sales of Consumer Goods	RMB 1 trillion	27.19	30.09	7.81	8.23	2.68	2.75	2.80
		Y-o-y change (%)	12.0	10.7	10.2	10.5	10.2	10.6	10.7
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	9.3	7.8	7.1	8.4	7.4	8.8	9.0
	Automobile Sales	10,000 automobiles	2,348.9	2,456.3	628.5	648.7	185.2	207.1	256.4
		Y-o-y change (%)	7.0	3.9	10.2	24.5	23.0	24.2	26.1
	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.
	Jobs-to-applicants Ratio	End-of-period figure, ratio	1.15	1.10	1.06	0.00	n.a.	n.a.	n.a.
Prices	Consumer Price Index	Y-o-y change (%)	2.0	1.4	2.1	1.7	1.8	1.3	1.9
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	1.6	1.7	1.8	1.6	1.7
	Foods	Y-o-y change (%)	3.1	2.3	6.0	2.6	3.3	1.3	3.2
	Producer Price Index	Y-o-y change (%)	-1.9	-5.2	-2.9	-0.8	-1.7	-0.8	0.1
	Producer Goods	Y-o-y change (%)	-2.5	-6.8	-3.9	-1.1	-2.3	-1.0	0.1
	Consumer Goods	Y-o-y change (%)	0.0	-0.3	-0.2	0.0	0.0	0.0	0.0
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	2.6	-3.8	4.9	7.5	6.1	7.3	9.0
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	122.84	139.23	149.05	151.64	149.16	151.10	151.64
		End-of-period figure, y-o-y change (%)	12.2	13.3	11.8	11.5	10.2	11.4	11.5
	Outstanding Loans	End-of-period figure, RMB 1 trillion	81.68	93.95	101.49	104.11	101.95	102.90	104.11
		End-of-period figure, y-o-y change (%)	13.6	14.3	14.3	13.0	12.9	13.0	13.0
	Net Increase	Mid-period increase, RMB 10 billion	978	1228	292	263	46	95	122
	Deposits	End-of-period figure, RMB 1 trillion	113.86	135.70	146.24	148.52	146.75	148.52	148.52
		End-of-period figure, y-o-y change	9.1	12.4	10.9	11.1	9.5	10.8	11.1
	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	2.01	2.07	2.31
	Foreign Currency Reserves	End-of-period figure, USD 100 million	38,430	33,304	32,052	31,664	32,011	31,852	31,664
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.20	6.48	6.65	6.67	6.64	6.68	6.67
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	19.32	18.57	15.46	15.18	15.42	15.48	15.18
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,235	3,539	2,930	3,005	2,979	3,085	3,005
	PER	End-of-period figure, ratio	16.0	17.6	14.5	15.1	14.8	15.5	15.1
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	3,725	5,313	4,629	4,850	4,665	4,916	4,850
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	7,439	25,559	3,206	3,227	1,276	1,122	830
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.6	8.5	7.4	6.1	6.9	6.4	6.1
	Fiscal Expenditure	Year-to-date y-o-y change (%)	8.3	15.8	15.4	12.7	13.2	12.9	12.7

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

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

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

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

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

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

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

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

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

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