Mizuho Economic Commentary-China

October 2015

◆ Topic

Monetary easing and the abolition of deposit rate caps

On October 23, the People's Bank of China (PBOC) announced that it was implementing further monetary easing and abolishing caps on deposit rates. The aim of this easing was to support the economy, keep real interest rates in check, and provide liquidity. With the abolition of deposit rate caps, maintaining the stability of the financial system will become a more pressing issue from here on.

◆ Economic trends

The growth rate fell slightly in July–September

At +6.9% y-o-y, China's real GDP growth rate fell slightly in July–September. Major indicators moved unevenly in September alone. Though production and investment slowed, consumption moved firmly.

1. Topic: Monetary easing and the abolition of deposit rate caps

The PBOC announced some further monetary easing measures and the abolition of deposit rate caps at one time

On October 23, the People's Bank of China (PBOC) announced that it would be lowering the benchmark lending and deposit rates by 0.25%Pt each from October 24, with the required reserve ratio also cut by 0.5%Pt. At the same time, it also announced the abolition of the deposit rate caps less than one year, with all deposit rates now fully liberalized.

The aim of this easing was to support the economy, keep real interest rates in check, and move pre-emptively to provide liquidity

These recent moves were aimed at supporting the economy. China's real GDP growth rate for July–September stood at +6.9% y-o-y. Though this was within the bounds of the 'around +7%' target, the economy still lacks the momentum to recover unaided, and thus it seems that some policy support is needed to achieve target growth. With this in mind, the PBOC cut rates in order to control real interest rates rising on the back of falling inflation. When explaining why the cuts were necessary, the PBOC stated that it had noted how inflation-related indicators other than the Consumer Price Index (CPI), specifically the GDP deflator and the Production Price Index (PPI), were moving at low levels on falling international commodity prices and a slide in domestic demand for capital goods (see Fig. 1). The decision to lower the required reserve ratio was also described as a preemptive move to provide liquidity to offset the potential impact of a fall in foreign currency purchases (which add to the monetary base).

China has managed to abolish deposit rate caps within the year

All well as introducing further monetary easing, the PBOC also announced the abolition of caps on deposit rates, a reform generally hard to implement. The Chinese authorities are well aware of these difficulties, which is why deposit rate caps were the only ones still in place up until last month. The authorities have been steadily liberalizing deposit rates for some time now (see Fig. 2). The caps have been lifted in stages since November 2014, for example. A bank deposit insurance scheme was introduced in May 2015. The ban on certificates of deposit (CD) was lifted aimed at individuals and companies in June 2015. As a result, China has managed to abolish deposit rate caps within the year, as PBOC Governor Zhou Xiaochuan stated that it would in March 2015.

Against a backdrop of low inflation and interest rate cuts, now was a good time to abolish the deposit rate caps

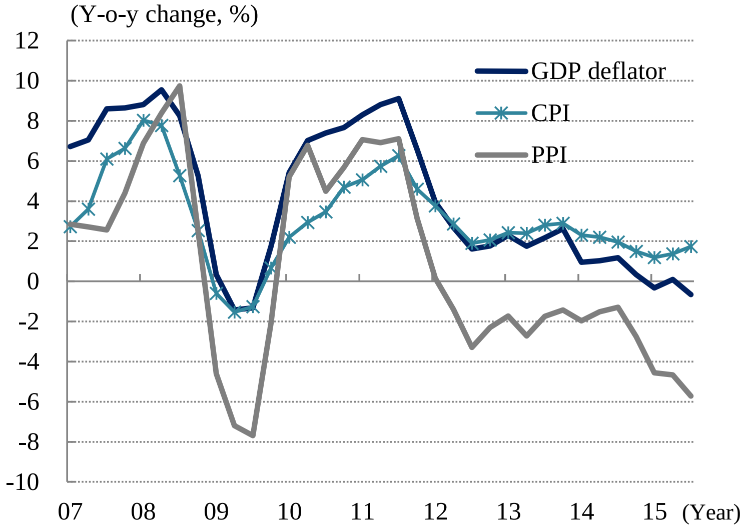
As for why the authorities pushed ahead with deposit rate liberalization at this moment in time, the PBOC stated that conditions were now favorable to abolish the deposit rate caps, with deposit and lending rates unlikely to rise substantially during the recent phase of low inflation and interest rate cuts. Furthermore, the IMF will be reviewing its special drawing rights (SDR) currency basket this November, and China wants the RMB to be included in the basket. Thus, it is considered that China has sought to create the impression that it was pushing forward with financial reforms.

Some financial instutions may face losses due to shrinking margins, and thus caution will be needed

A glance at commercial bank deposit rates (1-year fixed) since the deposit rate caps were abolished shows most banks taking their cue from the benchmark rate and implementing their own 0.25%Pt cuts. As a result, margins are not shrinking substantially at present. However, the fight to acquire deposits will grow fiercer from here on, and there is a risk that some financial institutions may face bankruptcy if they are hit hard by shrinking margins. Though a bank deposit insurance scheme is already in place, mechanisms for dealing with financial institution bankruptcies are not enough organized yet. Thus, the issue of how to maintain financial system stability will require even more attention going forward.

(Yoshino Tamai)

Fig. 1: GDP Deflator, CPI, PPI



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

Fig. 2: The Steps to Liberalizing Deposit Rates

December 1993	The PBOC sets a long-term goal of liberalizing interest rates
June 1996	Interbank call rates are liberalized
June 1997	Interbank repo rates are liberalized
1998 to 1999	The floating bands of lending rates for financial institutions are widened in three stages
October 1999	China begins issuing government bonds through auctions
January 2004	The cap on lending rates for commercial banks and urban credit cooperatives is lifted to 1.7 times the benchmark rate, while the cap for rural credit cooperatives is lifted to twice the benchmark rate
October 2004	Caps on lending rates are abolished; the lower limit is left at 0.9 times the benchmark rate; the lower limit for deposit rates is abolished
June 2012	The lower limit for lending rates is lowered to 0.8 times the benchmark rate; the cap on deposit rates is lifted to 1.1 times the benchmark rate
July 2012	The lower limit for lending rates is lowered to 0.7 times the benchmark rate
July 2013	The lower limit for lending rates is abolished; discounted bill rates are liberalized
December 2013	The ban is lifted on large-scale certificates of deposit (CD) for financial institutions
November 2014	The cap on deposit rates is lifted to 1.2 times the benchmark rate
March 1, 2015	The cap on deposit rates is lifted to 1.3 times the benchmark rate
March 12, 2015	PBOC Governor Zhou Xiaochuan states that it is highly likely the cap on deposit rates will be abolished within the year
March 31, 2015	China announces the launch of a bank deposit insurance scheme
May 1, 2015	The bank deposit insurance scheme is introduced
May 11, 2015	The cap on deposit rates is lifted to 1.5 times the benchmark rate
June 2, 2015	The ban is lifted on certificates of deposit (CD) for individuals and companies
August 26, 2015	The rate caps for fixed deposits of over one year is abolished
October 24, 2015	Caps on deposit rates are abolished

Acceleration of moves toward interest rate liberalization

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

2. Overview: The real GDP growth rate in July–September was slightly down on the previous quarter

In July–September, China's real GDP growth rate was slightly down on the previous quarter

At +6.9% y-o-y, China's real GDP growth rate in July–September was slightly down on the previous quarter's figure of +7.0% y-o-y (see Fig. 3).

In July–September, the real growth rate of investment in fixed assets slowed to +11.2% y-o-y (April–June: +11.8% y-o-y; Mizuho Research Institute estimates). This was due to a further slowdown of investment in real-estate development and investment in the manufacturing sector, which is struggling with overcapacity. Infrastructure investment (such as electricity & gas, transportation, management of water conservancy, and environment) continued to grow strongly, but this was not enough to push overall investment growth upwards.

However, the real growth rate of total retail sales of consumer goods (an indicator showing consumption trends) stood at +10.5% y-o-y in July–September, up on the previous quarter's figure of +10.2% y-o-y (Mizuho Research Institute estimates). The firmness of consumption is considered to be down to the rebound in sales of housing-related goods, such as appliances and construction material, together with stable income growth.

Exports cooled off even further compared to April–June. In July–September, export growth (nominal, dollar-denominated) was -5.9% y-o-y, with growth slipping even deeper into negative territories compared to the previous quarter (-2.2% y-o-y). Export growth to the NIEs and the BRICS dipped further into negative figures, while exports to ASEAN (excluding Singapore) slipped into negative growth. Exports to the developed nations also remained sluggish, with exports to Japan and the EU remaining in negative territories. Though exports to the U.S. continued to grow, a slowdown was inevitable. At -14.4% y-o-y, import growth (nominal, dollar-denominated) also fell further into negative territories compared to the previous quarter (-13.6% y-o-y). Imports from the NIEs, ASEAN (excluding Singapore), and Japan, etc., recorded even more negative growth.

As a result, the trade surplus remained high at $163.6 billion (April–June: $139.5 billion), though this was largely due to a sharp slide in the price of resources and other imports. In fact, on a volume basis, import growth exceeded export growth, with net exports making a negative contribution to the GDP growth rate in July–September.

Major indicators moved unevenly in September

A glance at the monthly figures for September alone showed major indicators moving unevenly, with signs of recovery yet to appear across the entire economy.

Industrial production growth slowed

In September, value-added industrial production recorded real growth of +5.7% y-o-y, down on August's figure of +6.1% y-o-y (see Fig. 4). In addition to industries involved in raw materials (such as mining and petroleum processing), production also dropped off in the machinery sector (such as general and special machinery).

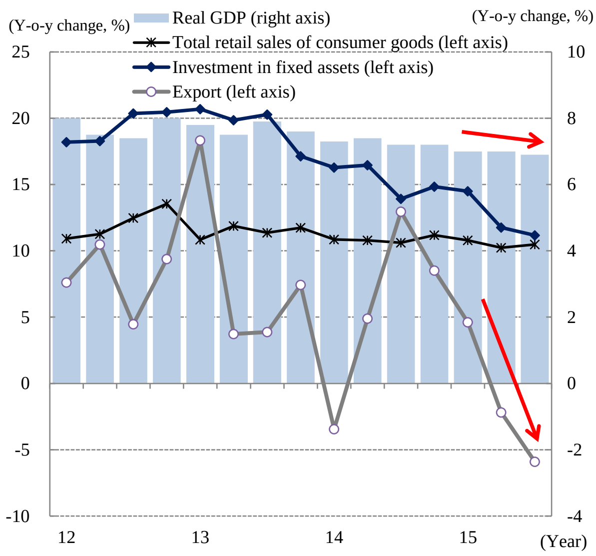
The Manufacturing PMI rose slightly

At 49.8, the government's Manufacturing PMI in September fell below 50, the key line dividing economic contraction from expansion, though it was slightly up on August's figure of 49.7 (see Fig. 5). A glance at the details shows the production index and the new orders index both rising. At 47.2, Caixin's final Manufacturing PMI figure for September remained below 50 and continued to trend downward (August: 47.3), though the scale of this slide was quite muted and nothing like the sharp falls recorded in recent times.

Exports recorded less negative growth

At -3.8% y-o-y, export growth (nominal, dollar-denominated) in September remained in negative territories, though less so than in August (-5.6% y-o-y) (see Fig.6). Exports to the NIEs slumped further, though exports to the U.S. slipped back into positive growth and exports to the EU and Japan recorded less negative growth. A breakdown by item reveals that brisker exports of computers, computer parts and ships contributed to alleviate the broader export slump.

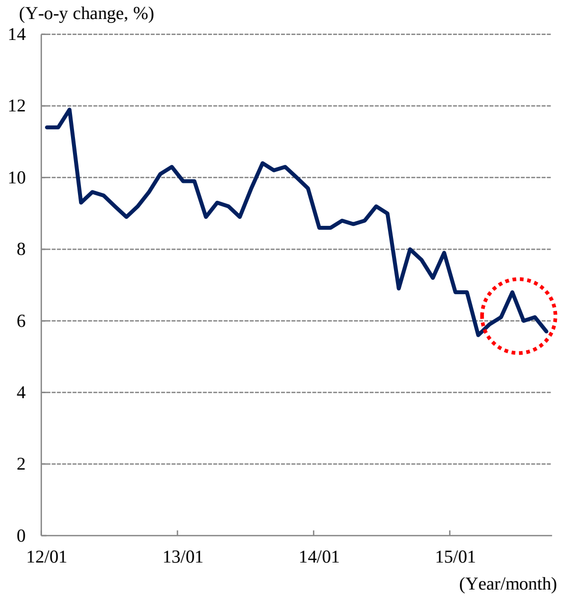
Fig. 3: Major Economic Indicators



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 is nominal, dollar-denominated and calculated on a customs clearance basis. All figures are Mizuho Research Institute estimates apart from the real GDP growth rate.

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

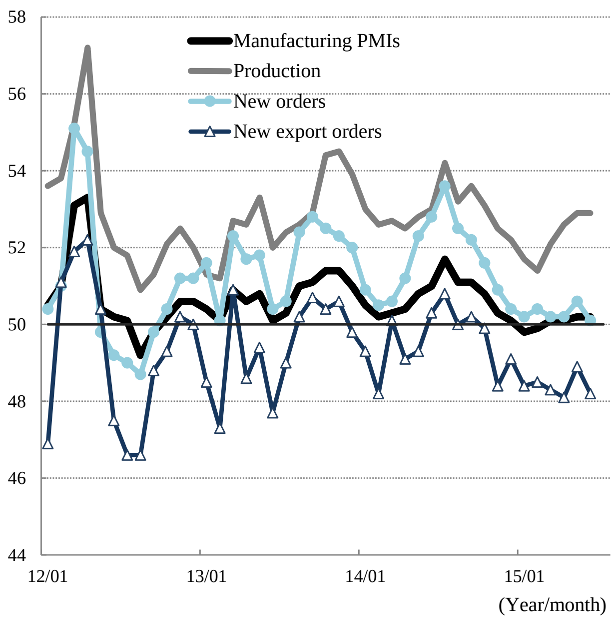
Fig. 4: Industrial Production



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. 5: Manufacturing PMIs

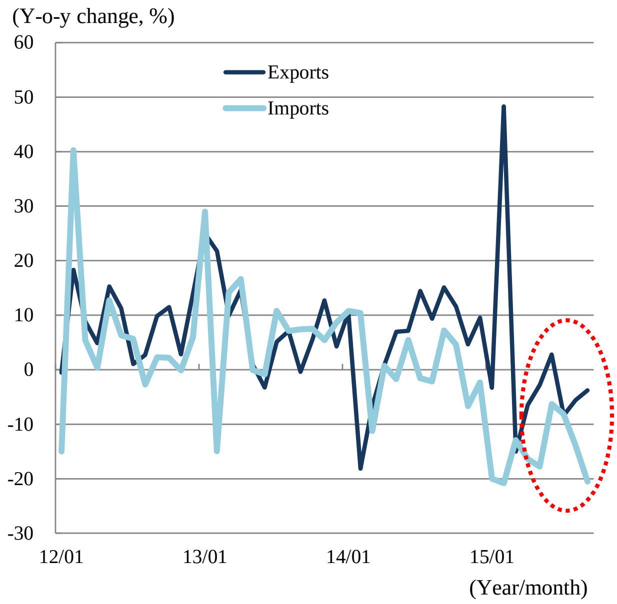


Note 1: Please note that seasonal factors, such as Chinese New Year, have not been completely eliminated from the data.

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. 6: Imports and Exports



Note: Nominal, dollar-denominated

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

Import growth fell further into negative territories

At -20.5% y-o-y, import growth (nominal, dollar-denominated) in September fell sharply further into negative territories compared to August (-13.9% y-o-y) (see Fig. 6). The slump in imports from ASEAN (excluding Singapore) and the NIEs (excluding Hong Kong) was particularly striking. A breakdown by item shows imports of integrated circuits slipping into negative growth, while imports of crude oil and copper ore dropped further into negative territories.

The trade balance moved flatly

The September trade surplus stood at $60.3 billion, more-or-less unchanged from August's figure of $60.2 billion.

Investment growth slowed

At +6.8% y-o-y, the nominal investment growth rate (investment in fixed assets) in September was down on August's figure of +9.2% y-o-y (Mizuho Research Institute estimates) (see Fig. 7). This was due to a further slowdown in manufacturing investment and real-estate development. Though infrastructure investment continued to enjoy double-digit growth, this was not enough to stop the overall slide in investment.

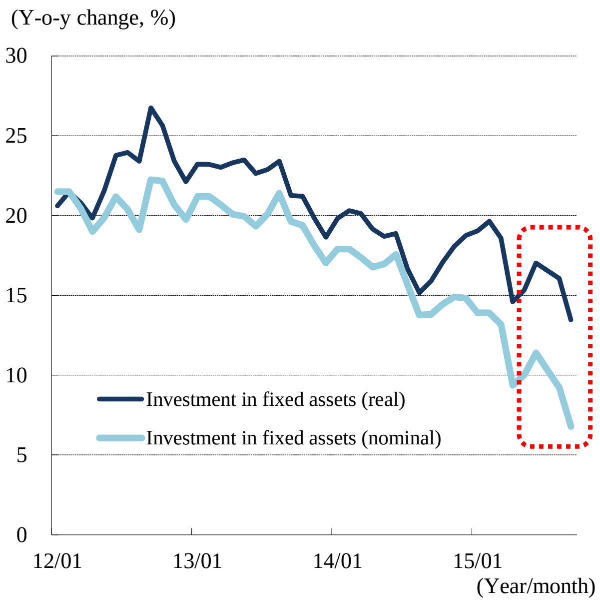
Nominal and real consumption growth both accelerated

Nominal consumption growth (total retail sales of consumer goods) was +10.9% y-o-y in September. This was slightly up on August's figure of +10.8% y-o-y (see Fig. 8). The real growth rate (adjusted to remove the impact of price fluctuations) also rose. A glance at consumption trends by product, based on the total sales of retailers with sales of RMB 5 million or more, shows sales of telecommunications equipment growing particularly briskly. Petroleum and related products continued to post negative growth, though less so than before.

Employment and income moved firmly

At 1.09, the jobs-to-applicants ratio remained above 1 in July–September. This was also above the figure for April–June (1.06). At +7.7% y-o-y, real per-capita disposable income growth in January–September was up slightly on the figure for January–June (+7.6% y-o-y). 10.66 million new urban jobs were created during January–September, which means the government has already beaten its annual target for 10 million new jobs.

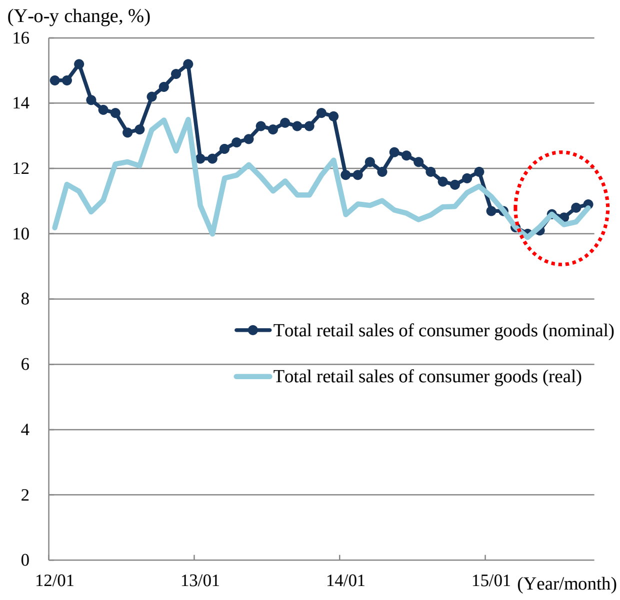
Fig. 7: Investment in Fixed Assets



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. 8: 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 growth rate fell; the PPI growth rate moved flatly

The CPI growth rate fell

In September, consumer price index (CPI) growth stood at +1.6% y-o-y, down on August's figure of +2.0% y-o-y (see Fig. 9). The main reason was a cooling off of soaring pork and vegetable prices. The growth rate of non-food prices also fell slightly.

The PPI growth rate moved flatly

At -5.9% y-o-y, the September producer price index (PPI) moved flatly on August. While ex-factory prices in the mining and raw materials manufacturing sectors grew at an even slower pace, the growth rate in the clothing and durable goods sectors showed signs of improvement.

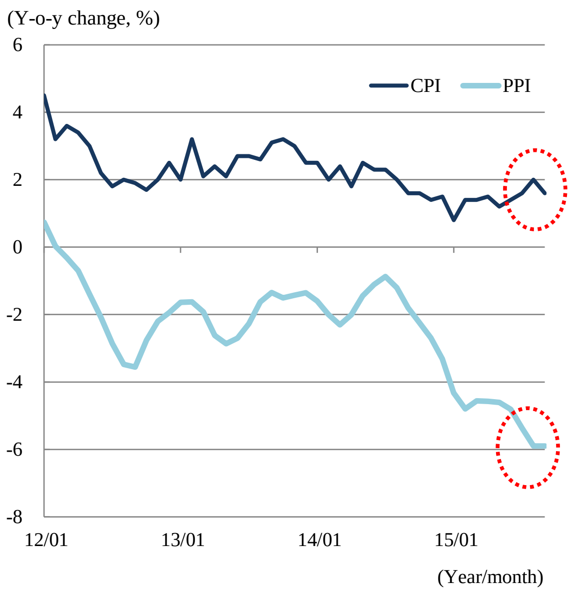
The housing price growth fell at a slower y-o-y pace for the fifth successive month

At -2.0% y-o-y (Mizuho Research Institute estimates), the September new-homes price index (the average of 70 major Chinese cities) saw negative growth shrinking for the fifth successive month (August: -3.2% y-o-y) (see Fig. 10). On a monthly basis, the index moved into positive territories for the fifth successive month at +0.2% m-o-m (Mizuho Research Institute estimates; August: +0.2% m-o-m). 39 of the 70 major cities surveyed saw the price of new homes rising on the previous month, up from 35 in August.

Real estate sales grew at a slower pace

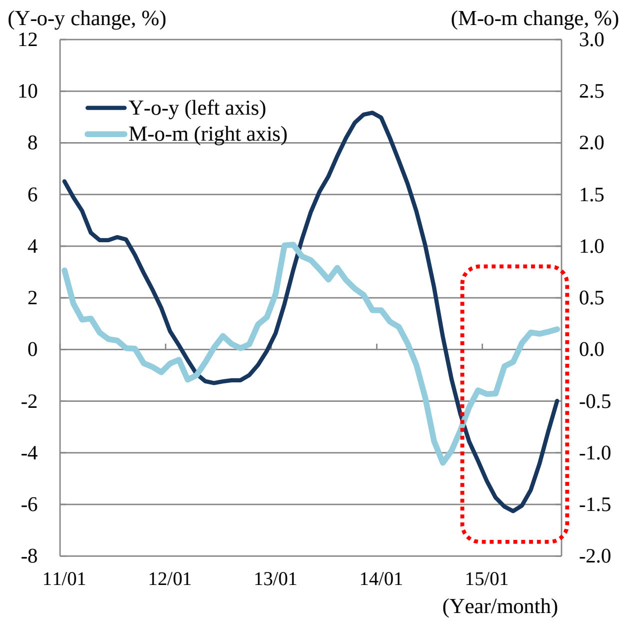
At +9.0% y-o-y, real estate sales in terms of floor space grew at a slower pace than in August (+14.7% y-o-y).

Fig. 9: CPI and PPI



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

Fig. 10: The New-Homes Price Index



Note: The average price indices of new homes in 70 major Chinese cities

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

4. Monetary policy: Further monetary easing and the abolition of deposit rate caps

Growth in outstanding deposits and the money supply slowed, though it remained at high levels

A glance at September's financial indicators shows outstanding RMB deposits up 12.6% on the previous year. Though this was down on August's figure of +13.0% y-o-y, deposits are still growing at a fast pace. At +13.1% y-o-y, money supply (M2) growth was down on August's figure of +13.3% y-o-y, though it remained above the 2015 target of 'around +12%' (see Fig.11).

Outstanding bank loans also continued to grow strongly

In September, outstanding RMB loans grew by 15.4% y-o-y, just like they had in August. New RMB loans totaled RMB 1.05 trillion, up sharply on August's figure of RMB 809.6 billion (see Fig. 11). Total social financing, which includes funds procured from non-bank sources, grew by RMB 1.3028 trillion, up on August's figure of RMB 1.0856 trillion. The amount of RMB loans and entrusted loans increased.

Though the PBOC absorbed funds through its open-market operations, it also extended loans via the MLF

In September, the PBOC absorbed a net RMB 520 billion from the money markets as part of its open-market operations to control liquidity (see Fig. 12). On the evening of October 21, the PBOC announced that it had provided 11 financial institutions with a liquidity of RMB 105.5 billion (6-month loans at 3.35% interest) through the Medium-term Lending Facility (MLF). This was the first MLF intervention since

August. With expectations growing for a U.S. rate hike, it seems that the aim of these MLF loans was to avoid a liquidity crunch due to fund outflows.

The PBOC announced some further monetary easing

In addition, on the evening of October 23, the PBOC announced that it would be lowering the required reserve ratio by 0.5Pt% on October 24. The ratio was lowered by a further 0.5Pt% for financial institutions that lend a lot to the agriculture sector and small, medium-sized, and micro enterprises. At the same time, the PBOC announced that it was cutting the benchmark lending and deposit rates by 0.25%Pt each from October 24 (see Fig. 13). This was the sixth round of cuts since November 2014.

Furthermore, the PBOC also announced that it was abolishing rate caps for deposits of less than one year. Interest rates had been liberalized in stages before then, with the Chinese government abolishing rate caps for fixed deposits of over one year this August, for example. With the abolition of rate caps for deposits of less than one year, deposit rates are now fully liberalized, in principle (see '1. Topic').

Stocks have climbed gently since entering October

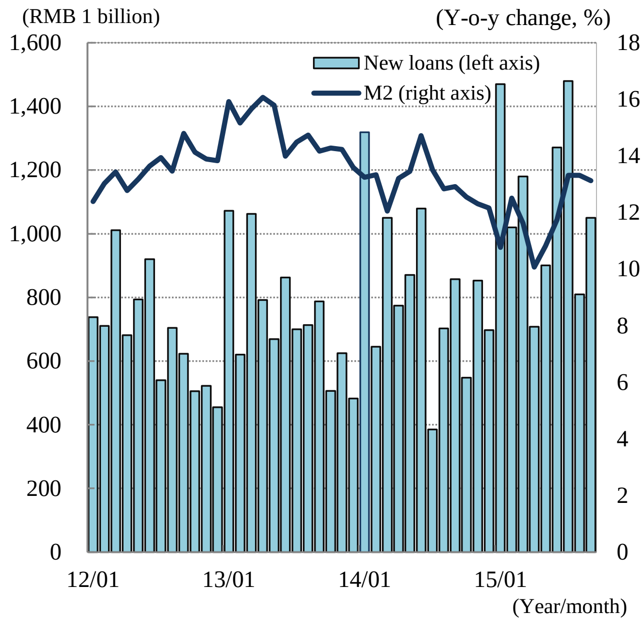
Throughout September, the Shanghai Stock Exchange Composite Index closed within 3,000–3,250 (see Fig. 14). Though it dropped below 3,000 at one point, the index moved stably thanks to government measures to support stock prices. It seems that stock prices were also bolstered to a certain extent by the announcement of measures to support purchases of fuel-efficient new-energy vehicles and the announcement of lower down payment rates for mortgages (made around the end of September). Stocks have enjoyed a gentle climb since entering October. This is apparently due to: a decline in expectations for U.S. rate hikes; speculation about the introduction of some economic stimulus measures to coincide with the Fifth Plenary Session of the 18th CPC Central Committee to be held on October 26; and the aforementioned implementation of further monetary easing.

Interventions, etc., continue to stop the RMB for depreciation sharply

The RMB has continued to trade around RMB 6.30 level to the dollar since September (see Fig. 14). With the RMB facing depreciatory pressures due to expectations for U.S. rate hikes and concerns of a Chinese economic slowdown, it seems that the authorities are continuing to intervene to buy the RMB as they seek to avoid a sharp slide in the value of the Chinese unit. The authorities are also using other means to stabilize the currency, with rules on forward exchange contracts being strengthened, for example.

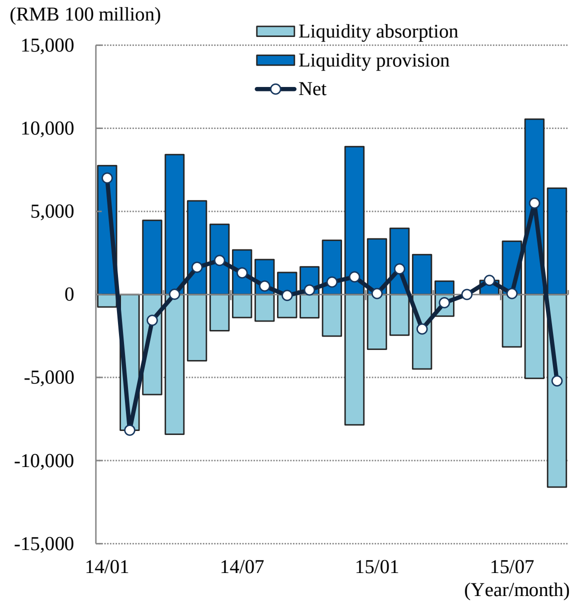
(Ayana Nakazawa)

Fig. 11: Financial Indicators



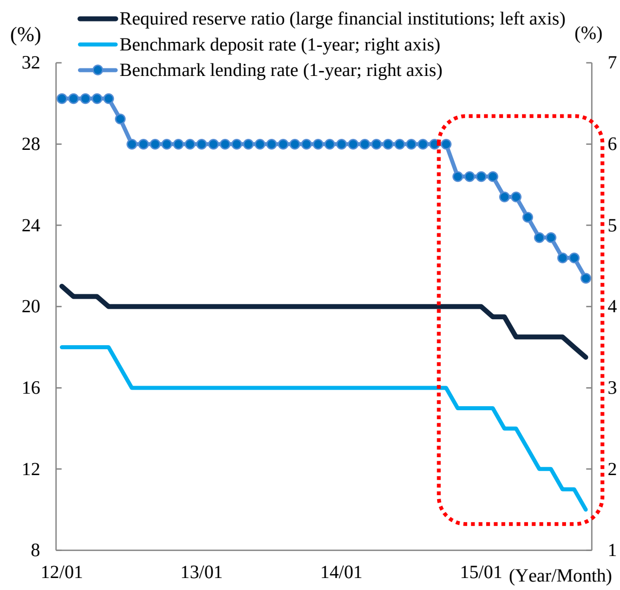
Note: 'New loans' denotes the amount of new RMB loans.
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 12: Open Market Operations



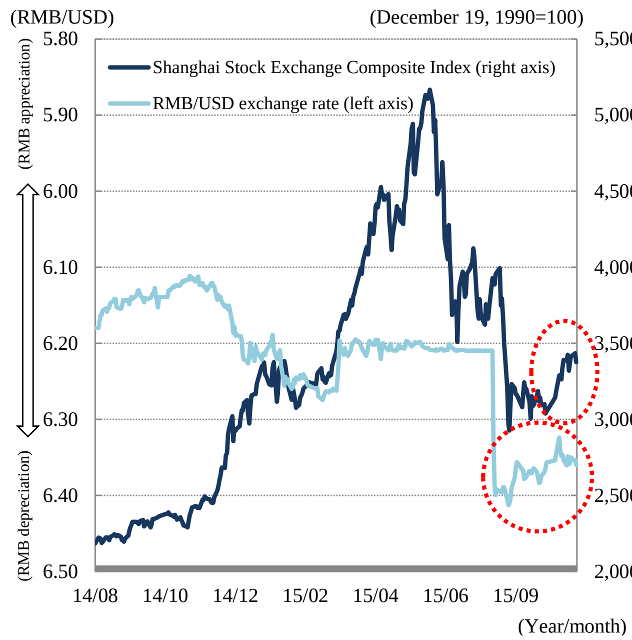
Note: Monthly data
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 13: Required Reserve Ratio/ Benchmark Deposit and Lending Rates



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

Fig. 14: Exchange Rates/Stocks



Note: Daily data; The most recent day: October 29
Source: Prepared by Mizuho Research Institute based on the Bloomberg data

Appendix: China's Major Economic Indicators (1)

Headings			Unit	2013	2014	15/2Q	15/3Q	July	August	September
GDP	Real GDP		Y-o-y change (%)	7.7	7.3	7.0	6.9			
	Nominal GDP		Year-to-date (total), RMB 1 trillion	58.80	63.61	31.42	48.78			
Business Sentiment	PMI		End-of-period figure, points			50.2	49.8	50.0	49.7	49.8
		New Orders	Points			50.1	50.2	49.9	49.7	50.2
Production	Value-added Industrial Production (Real)		Y-o-y change (%)	9.7	8.3	6.3	5.9	6.0	6.1	5.7
		Light Industry	Y-o-y change (%)	9.7	8.3	6.3	6.0	6.3	6.2	5.5
		Materials	Y-o-y change (%)	11.1	9.1	9.0	8.9	8.6	8.9	9.2
		Machinery	Y-o-y change (%)	10.5	10.4	6.2	5.4	5.8	5.3	5.2
	Electric Power Generation		Y-o-y change (%)	5.3	4.3	0.5	-1.4	-2.0	1.0	-3.1
	Industrial Goods Inventories		Y-o-y change (%)			7.1		6.8	5.7	
		Light Industry	Y-o-y change (%)			6.8		7.4	7.8	
		Materials	Y-o-y change (%)			3.7		3.8	2.4	
		Machinery	Y-o-y change (%)			13.3		9.9	8.8	
	Passenger Transportation Volume		Y-o-y change (%), passenger-kilometer	7.9	8.8	5.6	6.0	6.2	7.2	4.5
	Freight Transportation Volume		Y-o-y change (%), ton-kilometer	7.3	9.9	-1.6	0.6	2.6	0.9	-1.5
Investment	Investment in Fixed Assets		Year-to-date (total), RMB 1 trillion	43.65	50.20	23.71	39.45	28.85	33.90	39.45
			Year-to-date y-o-y change (%)	19.6	15.7	11.4	10.3	11.2	10.9	10.3
		Real Estate	Year-to-date y-o-y change (%)	16.7	7.9	2.3	1.1	2.5	1.9	1.1
		Primary Industry	Year-to-date y-o-y change (%)	32.5	33.9	27.8	27.4	28.2	28.5	27.4
		Secondary Industry	Year-to-date y-o-y change (%)	17.4	13.2	9.3	8.0	9.0	8.5	8.0
		Manufacturing	Year-to-date y-o-y change (%)	18.5	13.5	9.7	8.3	9.2	8.9	8.3
		Tertiary Industry	Year-to-date y-o-y change (%)	21.0	16.8	12.4	11.2	12.1	11.9	11.2
	Actual Direct Investment		Year-to-date (total), USD 100 million	1,176	1,196	684	949	766	853	949
			Year-to-date y-o-y change (%)	-2.9	1.7	8.0	8.6	7.7	8.9	8.6
Trade	Exports		USD 100 million	22,107	23,432	5,584	5,975	1,951	1,969	2,056
			Y-o-y change (%)	7.8	6.0	-2.2	-5.9	-8.4	-5.6	-3.8
		To the U.S.	Y-o-y change (%)	4.7	7.5	7.6	1.5	-1.3	-1.0	6.7
		To the EU	Y-o-y change (%)	1.2	9.7	-6.8	-6.9	-12.3	-7.5	-0.2
		To Japan	Y-o-y change (%)	-0.9	-0.5	-9.3	-7.9	-13.0	-5.9	-4.6
		To NIES, ASEAN	Y-o-y change (%)	16.6	2.8	-2.6	-7.7	-8.2	-3.7	-10.8
	Imports		USD 100 million	19,493	19,631	4,188	4,339	1,521	1,366	1,452
			Y-o-y change (%)	7.3	0.7	-13.6	-14.4	-8.2	-13.9	-20.5
		To the U.S.	Y-o-y change (%)	14.8	4.3	-1.7	-6.5	-4.8	-6.0	-8.7
		To the EU	Y-o-y change (%)	3.5	11.1	-15.4	-14.9	-8.9	-21.7	-14.3
		To Japan	Y-o-y change (%)	-8.7	0.5	-10.4	-15.8	-13.6	-14.2	-19.3
		To NIES, ASEAN	Y-o-y change (%)	7.9	1.6	-4.8	-11.6	-3.0	-5.9	-22.7
	Trade Balance		USD 100 million	2,614	3,801	1,395	1,636	430	602	603

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: 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 6: 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 7: The Inventory figures for January and February show the aggregate result for the period January–February.

Note 8: 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 the People's Republic of China

Appendix: China’s Major Economic Indicators (2)

Headings		Unit	2013	2014	15/2Q	15/3Q	July	August	September
Consumption	Consumer Confidence Index	End-of-period figure, points			105.5	105.6	104.5	104.0	105.6
	Consumer Expectations Index	End-of-period figure, points			108.0	108.5	107.0	106.8	108.5
	Total Retail Sales of Consumer Goods	RMB 1 trillion	24.28	27.19	7.09	7.45	2.43	2.49	2.53
		Y-o-y change (%)	13.1	12.0	10.2	10.7	10.5	10.8	10.9
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	11.6	9.3	7.1	7.8	7.2	7.9	8.2
	Automobile Sales	10,000 automobiles	2199.3	2348.9	570.1	519.2	150.3	166.4	202.5
		Y-o-y change (%)	14.2	7.0	-1.1	-2.7	-7.1	-3.0	2.1
	Average Wages	Y-o-y change (%)	10.1	9.5			n.a.	n.a.	n.a.
	Jobs-to-applicants Ratio	End-of-period figure, ratio	1.10	1.15	1.06	1.09	n.a.	n.a.	n.a.
Prices	Consumer Price Index	Y-o-y change (%)	2.6	2.0	1.4	1.7	1.6	2.0	1.6
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.7	1.6	1.6	1.7	1.7	1.7	1.6
	Foods	Y-o-y change (%)	4.7	3.1	2.1	3.0	2.7	3.7	2.7
	Producer Price Index	Y-o-y change (%)	-1.9	-1.9	-4.7	-5.7	-5.4	-5.9	-5.9
	Producer Goods	Y-o-y change (%)	-2.6	-2.5	-6.0	-7.4	-6.9	-7.7	-7.7
	Consumer Goods	Y-o-y change (%)	0.2	0.0	-0.3	-0.3	-0.3	-0.3	-0.3
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	5.9	2.6	-5.9	-3.2	-4.4	-3.2	-2.0
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	110.65	122.84	133.34	135.98	135.32	135.69	135.98
		End-of-period figure, y-o-y change (%)	13.6	12.2	11.8	13.1	13.3	13.3	13.1
	Outstanding Loans	End-of-period figure, RMB 1 trillion	71.90	81.68	88.79	92.13	90.27	91.08	92.13
		End-of-period figure, y-o-y change (%)	14.1	13.6	13.4	15.4	15.5	15.4	15.4
	Net Increase	Mid-period increase, RMB 10 billion	891	978	289	334	148	81	105
	Deposits	End-of-period figure, RMB 1 trillion	104.38	113.86	131.83	133.73	134.00	134.05	133.73
		End-of-period figure, y-o-y change	13.8	9.1	10.7	12.6	13.4	13.0	12.6
	Required reserve ratio (Large Enterprises)	End-of-period figure, %	20.0	20.0	18.5	18.0	18.5	18.5	18.0
	1-year Benchmark Lending Rate	End-of-period figure, %	6.00	5.60	4.85	4.60	4.85	4.60	4.60
	Overnight Repo Rate	End-of-period figure, %	3.18	3.59	1.23	1.98	1.46	1.77	1.98
	Foreign Currency Reserves	End-of-period figure, USD 100 million	38,213	38,430	36,938	35,141	36,513	35,574	35,141
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.05	6.20	6.20	6.36	6.21	6.38	6.36
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	17.39	19.32	19.69	18.85	19.96	19.02	18.85
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	2,116	3,235	4,277	3,053	3,664	3,206	3,053
	PER	End-of-period figure, ratio	11.0	16.0	20.9	15.1	18.0	15.8	15.1
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	2,391	3,725	5,846	4,195	5,048	4,380	4,195
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	4,687	7,439	9,822	6,034	2,818	2,053	1,163
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	10.2	8.6	6.6	7.6	7.5	7.4	7.6
	Fiscal Expenditure	Year-to-date y-o-y change (%)	11.3	8.3	11.8	16.4	13.4	14.8	16.4

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

Note 5: 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 6: 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 7: 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 8: 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

Release on October 30, 2015

Yoshino Tamai; Economist, China Unit, Research Department-Asia,
Mizuho Research Institute Ltd.
+81-3-3591-1367 yoshino.tamai@mizuho-ri.co.jp
Ayana Nakazawa; Economist, China Unit, Research Department-Asia,
Mizuho Research Institute Ltd.
+81-3-3591-1413 ayana.nakazawa@mizuho-ri.co.jp