Mizuho China Weekly

Economics & Strategy | Asia ex-Japan

9 November 2026

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China Weekly Outlook

Mixed inflation data, squeezed margins

China's inflation data were mixed, pointing to a further squeeze on industrial profit margins. CPI inflation slowed to a nine-month low of 0.7% YoY in October, below the 0.8% market consensus but in line with our forecast. The moderation was mainly driven by deeper food-price declines, which more than offset higher fuel prices. Food deflation accelerated to -2.9% YoY from -1.7% in September, as favourable seasonality and a high base pushed fresh vegetable and fruit prices down 16.9% and 3.8% YoY, respectively. Core inflation also eased to an eight-month low of 0.8%, underscoring persistently subdued consumer sentiment.

By contrast, PPI inflation accelerated to 5.7% YoY, fuelled by persistently elevated energy prices. Mining prices for both coal and petroleum and natural gas rose by more than a third from a year earlier amid high global energy prices. However, price growth was far more muted for manufactured goods and consumer goods, at 3.5% and -0.1%, respectively.

This suggests that mid- and downstream producers have limited ability to pass higher input costs on to customers amid soft domestic demand, further compressing profit margins and clouding the outlook for manufacturing investment next year.

Solid trade, soft credit

Looking ahead to the remaining October data due this week, we expect trade growth to remain solid despite weaker trade-related indicators in China's official manufacturing PMI. Strong export growth in Korea and Vietnam, together with continued double-digit increases in export and import prices, points to another month of robust YoY growth in China's foreign trade. Credit expansion, however, likely remained relatively soft amid subdued financing demand from the non-government sector (see *Mizuho China Data Preview: A Soft Patch, Not a Stall, 5 November 2026*).

< Surging exports from Korea and Vietnam>



< Persistent double-digit gains in exports and imports prices >



Source: CEIC, Mizuho

CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.6515	6.6855	6.6426	6.6730	205
USD/CNY	6.6553	6.6867	6.6449	6.6744	195
CNY PBoC Fixing	6.7146	6.718	6.7146	6.7168	30
Shanghai Composite Index	3614.31	3701.59	3580.38	3649.18	50.16

#Last week, from Monday to Friday
*pips in USD/CNY,USD/CNH row

Weekly Price Change#	HK Close	Weekly Change		HK Close	Weekly Change
CNH Forward (1yr)	-1900	39	CNH HIBOR (3mth)	1.651	0.051
CNH Currency Swap (3yr)	1.311	-0.010	CNH Implied yield (1Y)	1.388	0.016

Recap

The offshore renminbi (CNH) weakened notably after **the PBoC announced a 2ppt increase in the FX reserve requirement ratio** to 6%. The move followed the renminbi's sharp appreciation last Monday and marked the first increase in the ratio in nearly five years. Although the measure will not take effect until 15 November, the announcement quickly pushed USD/CNH through 6.66 and 6.67, leaving the CNH 0.3% weaker against the dollar over the week.

We do not see the move as an attempt to defend a specific exchange-rate level. Rather, it likely reflects the PBoC's preference for a more orderly pace of renminbi appreciation and lower FX volatility. The central bank also continued to lean against renminbi strength by setting weaker fixings than implied by the CFETS model, although the gap was less pronounced than in early September (Fig. 27).

The renminbi slightly underperformed its regional peers. The Indian rupee and Philippine peso led gains, each appreciating 1.1% against the dollar, supported by lower oil prices as US-Iran tensions appeared increasingly contained. By contrast, the Korean won and Taiwanese dollar were the region's biggest losers amid AI-related selloffs triggered by the "Blue-Nami", weakening 2.2% and 0.8%, respectively.

Outlook

With China's CPI release now behind us, attention will shift to US inflation data due Tuesday night, Asian time. Even a modest upside surprise, however, is unlikely to generate significant depreciation pressure on the renminbi, as markets are pricing in fewer rate hikes amid scaled-back expectations for AI-related capex. Beyond the data, developments in the US-Iran conflict will remain a key risk to watch.

Absent a major surprise, **we expect USD/CNH to edge back towards 6.65 this week**. **We continue to expect modest renminbi appreciation into year-end, with USD/CNH reaching 6.58**. Seasonal FX settlement by Chinese exporters should provide additional support in Q4, particularly as China's trade surplus heads towards another record year.

<FX Charts on Page 8>

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Activity monitor (1/2)

Fig 1 **Thermal coal**: sentiment rebounded after the national holiday

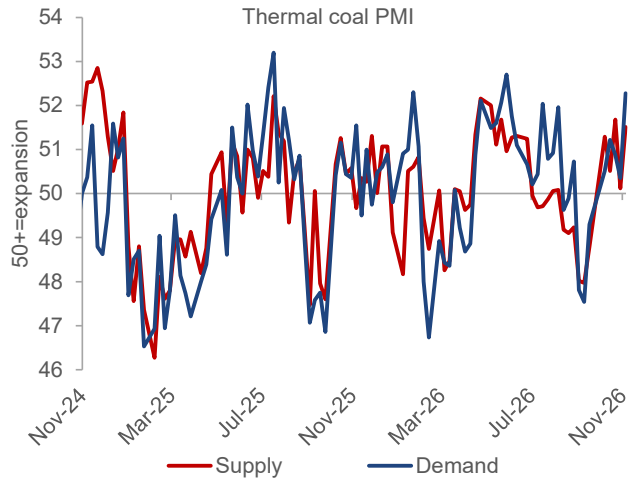
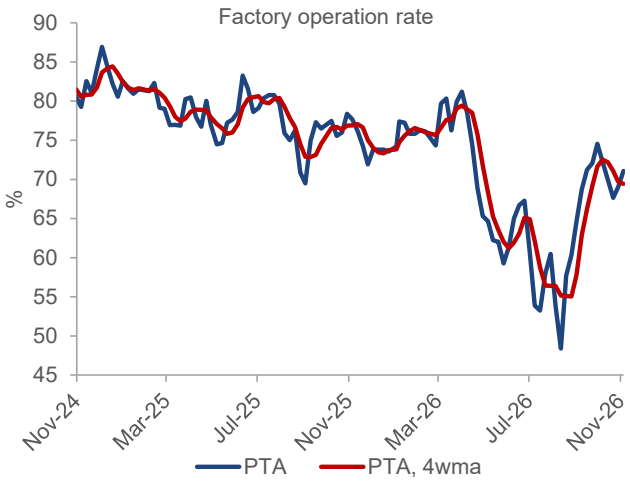


Fig 2 **PTA production** has picked up notably since late August



Source: Wind, Mizuho

Fig 3 **Steel production** saw a slower decline in October

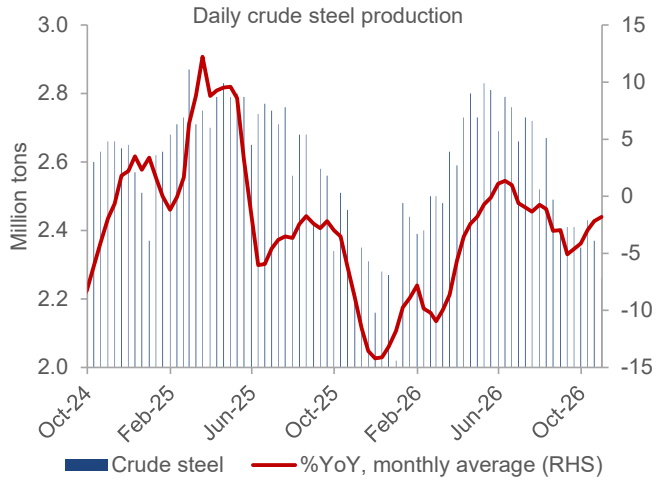
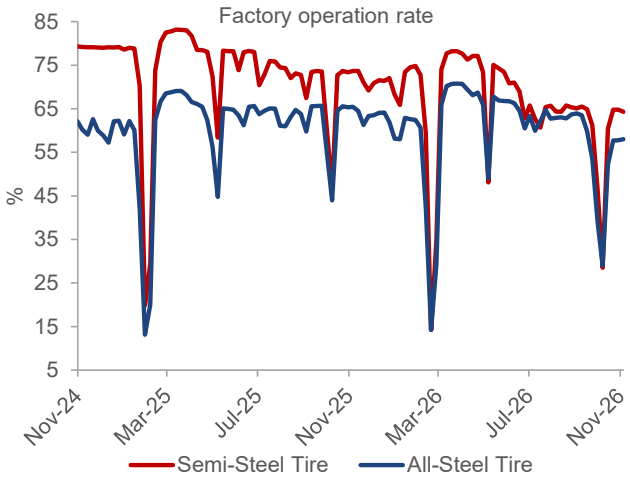


Fig 4 **Steel tire production** was subdued amid a challenging auto outlook



Source: Wind, Mizuho

Fig 5 **CCFI:** a notable weakening in shipments to the Europe

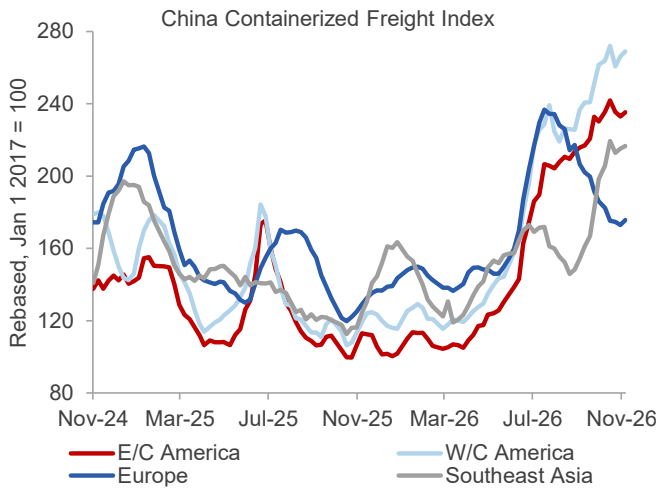
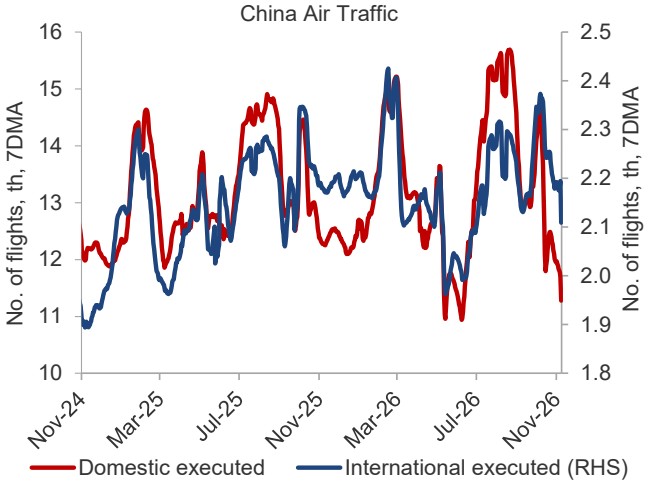


Fig 6 **Air traffic:** is moderating at a faster pace in November



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 **Road construction activity** improved in general

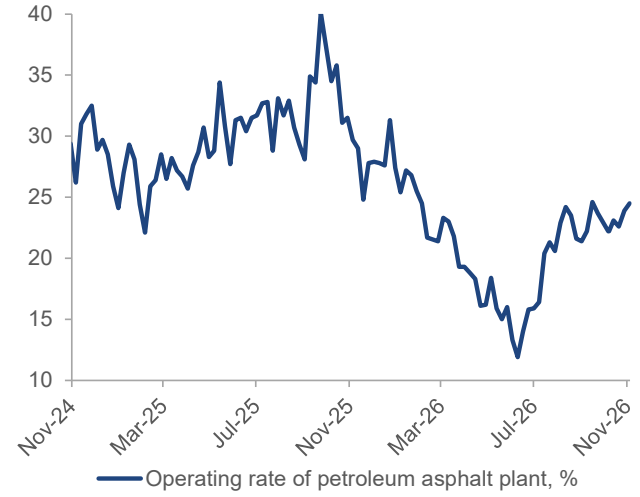


Fig 8 **Construction material prices:** cement prices rose to a YTD high



Source: Wind, Mizuho

Fig 9 **Land sales:** an unusual surge toward the year end

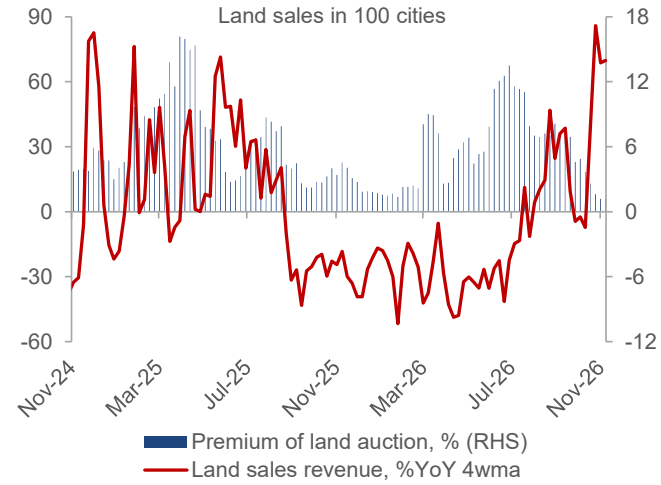
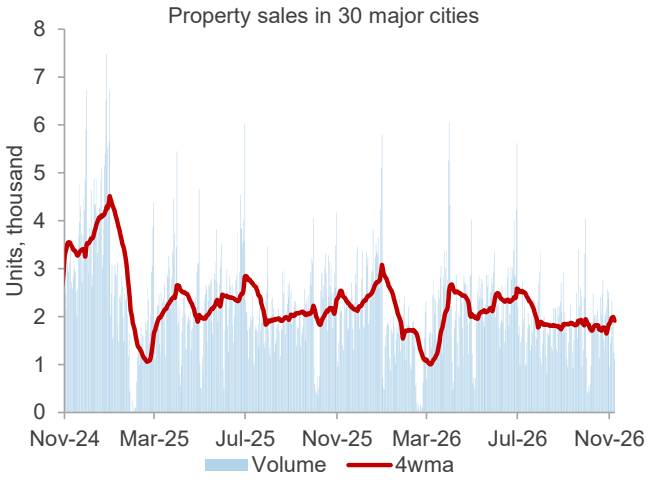


Fig 10 **New home sales:** a lack of improvement at the national level



Source: Wind, Mizuho

Fig 11 **Movie box office revenue** remained subdued

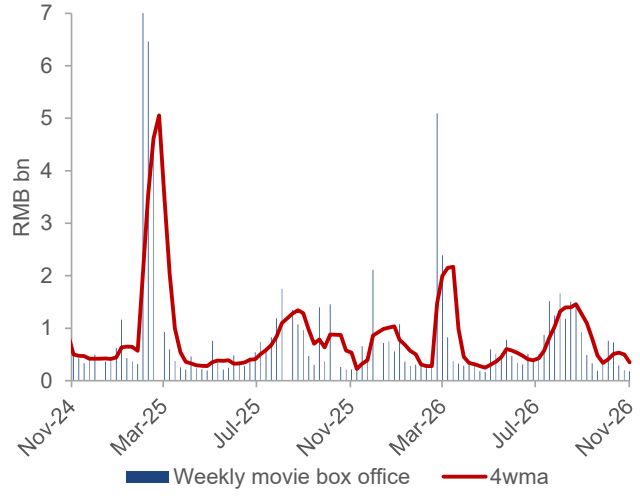
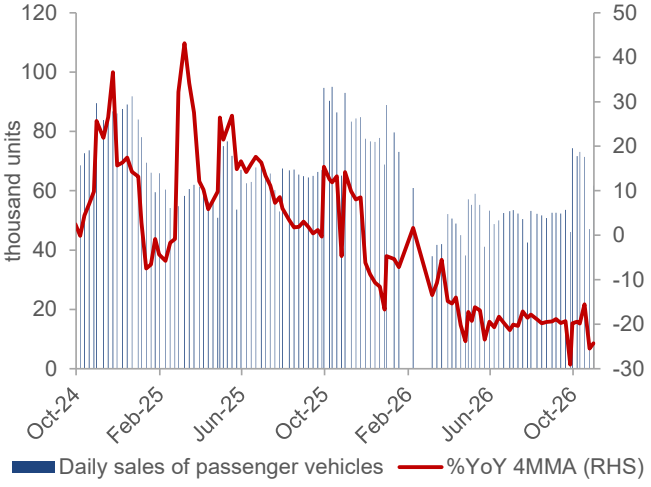


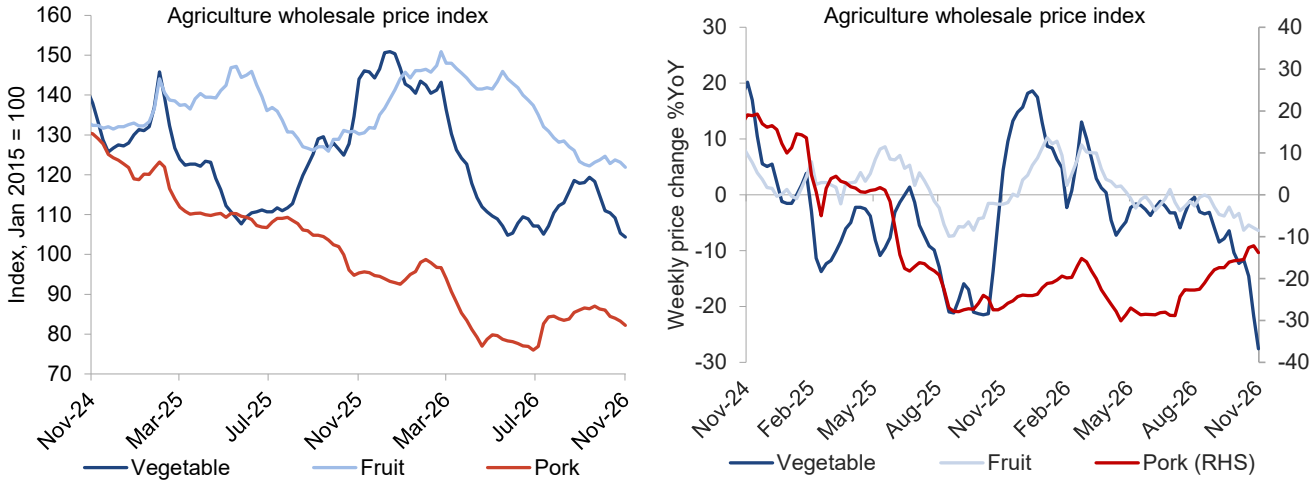
Fig 12 **PV sales**: the YoY decline accelerated in October



Source: Wind, Mizuho

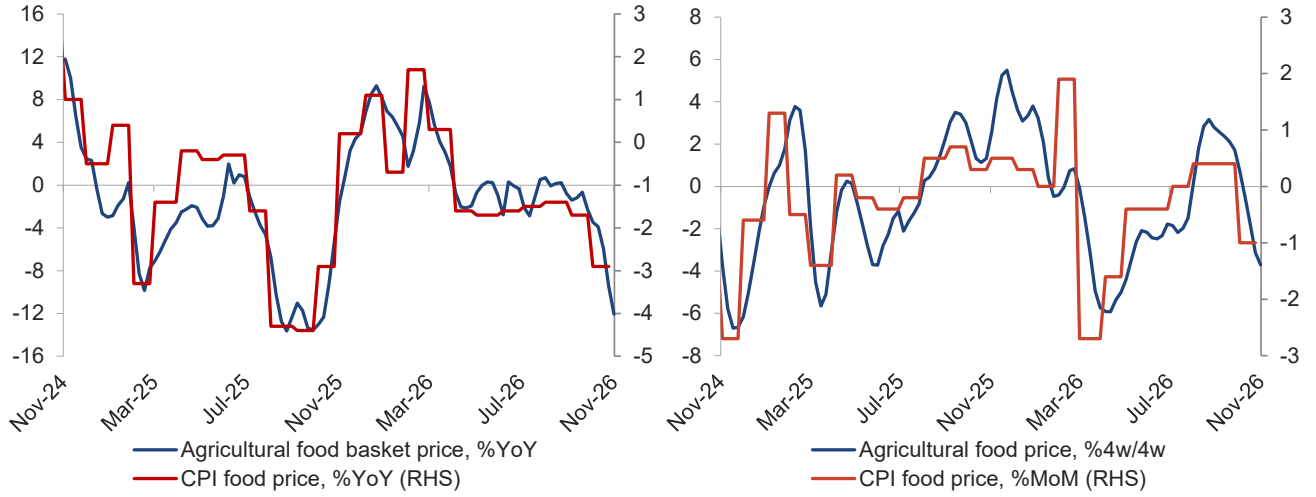
Price monitor

Fig 13 Major food items: renewed declines mainly seen in fresh vegetable prices



Source: Wind, Mizuho

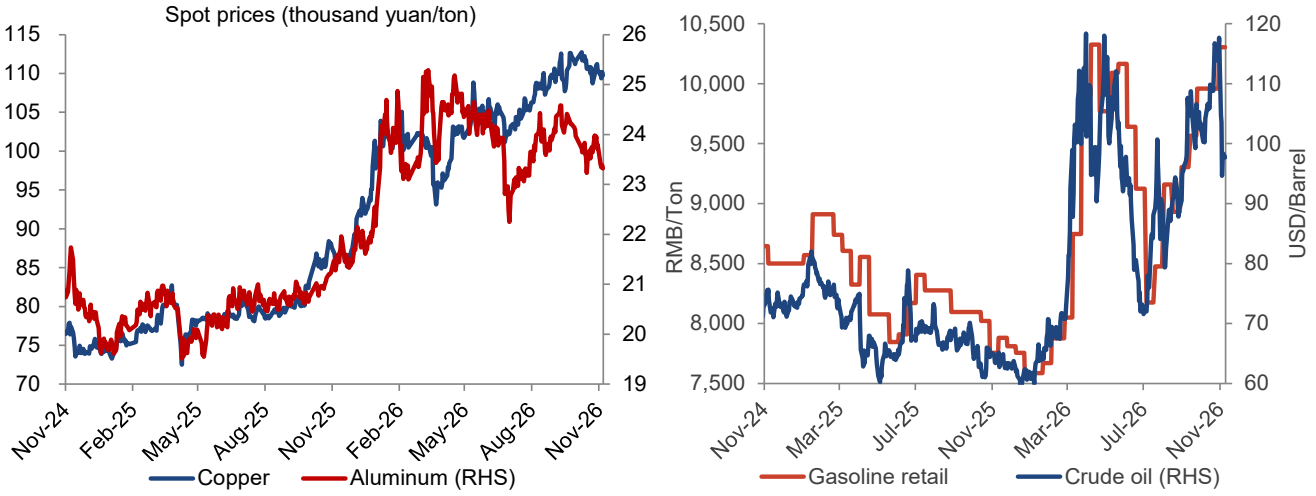
Fig 14 Wholesale food prices declined notably in recent weeks



Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices: slightly softened

Fig 16 Oil prices: buoyed by continued ME geopolitical uncertainty



Source: CEIC, Wind, Mizuho

Liquidity monitor

Fig 17 **OMOs:** net withdrawal of RMB1.62trn during 2 – 6 Nov

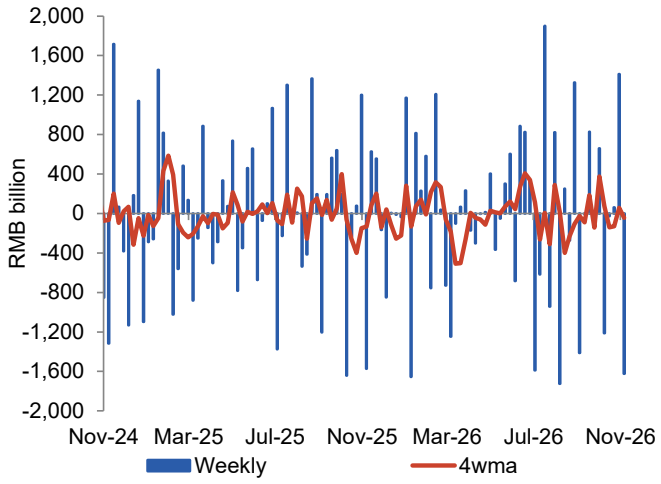
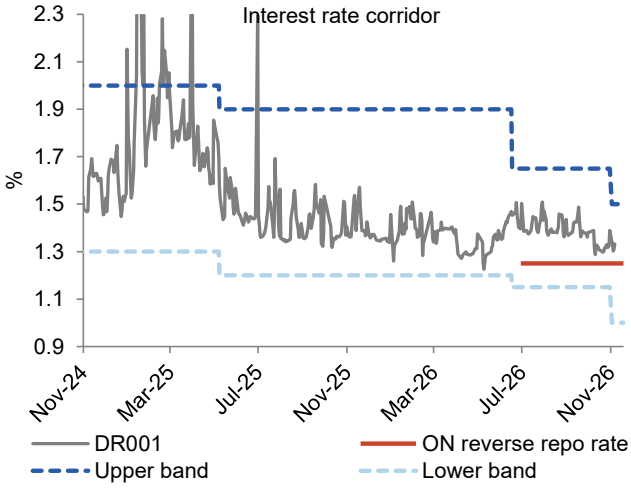


Fig 18 **O/N repo for banks** remained above its new benchmark



*Effective 17 June 2026. Source: CEIC, Wind, Mizuho

Fig 19 **Short-end CGB yields:** continued to trend lower

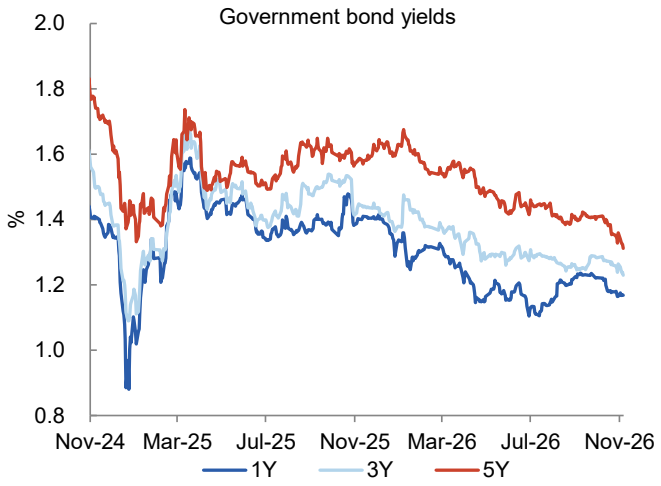
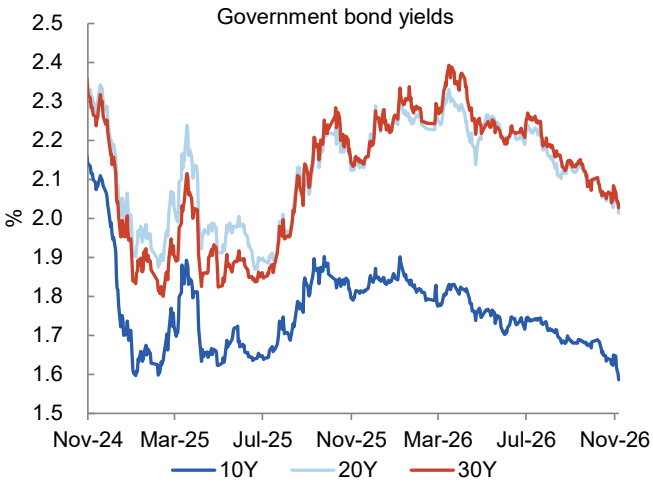
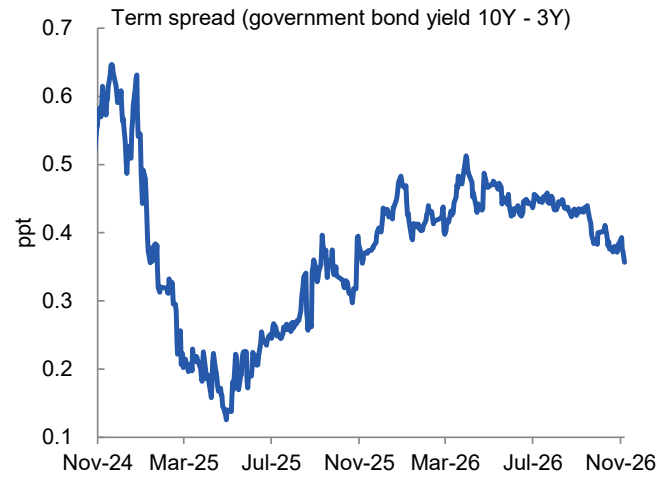


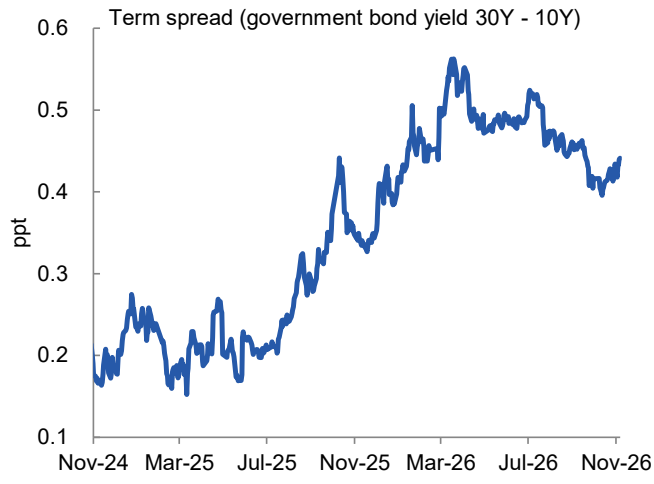
Fig 20 **Long-end CGB yields:** moved notably lower last week



Source: CEIC, Mizuho

Fig 21 **CGB yield curve** became more concave, with 3s10s flattening and 10s30s steepening

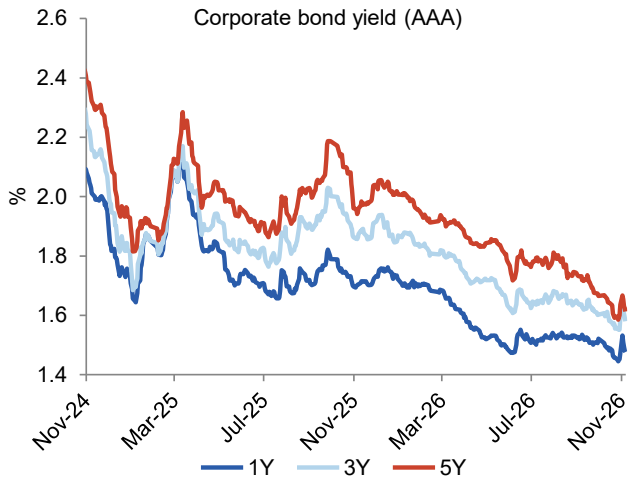




Source: CEIC, Mizuho

Credit monitor

Fig 22 **Onshore IG credit yields**: partially covered last week

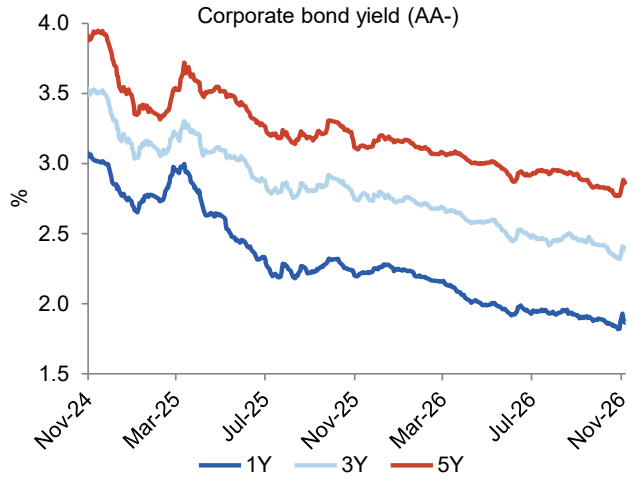


Source: Wind, Mizuho

Fig 23 **IG corporate risk premium** slightly tightened



Fig 24 **Onshore HY credit yields** saw a recovery at the front end



Source: Wind, Mizuho

Fig 25 **HY corporate risk premium** barely recovered

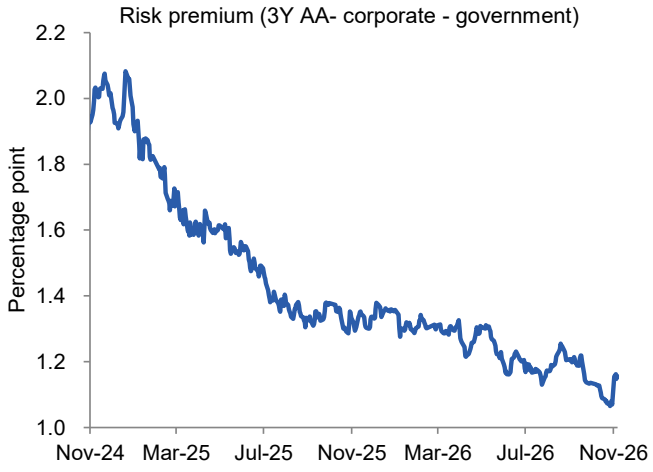


Fig 26 **China USD credit spreads** squeezed tighter last week helped by local government's pledged support for Zhuhai Huafa





Source: IHS Markit, Mizuho

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FX monitor

Fig 27 **RMB fixing rate**: continued to tilt towards the weak side

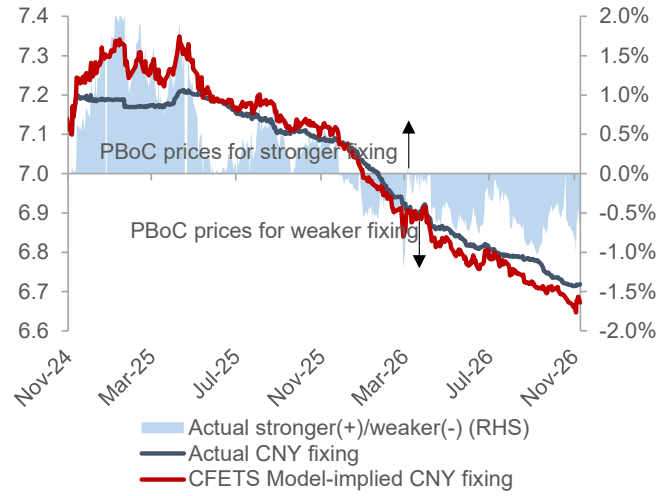
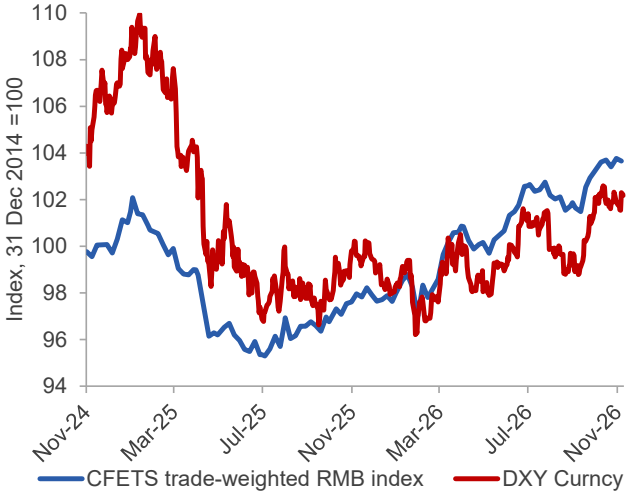
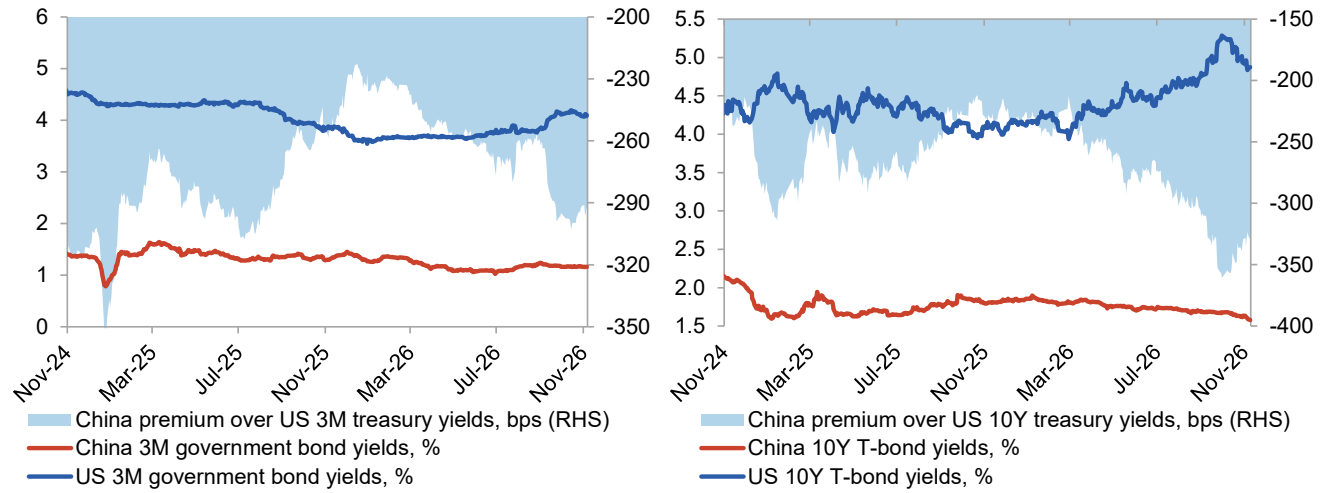


Fig 28 **RMB trade-weighted index** strengthened more than the dollar



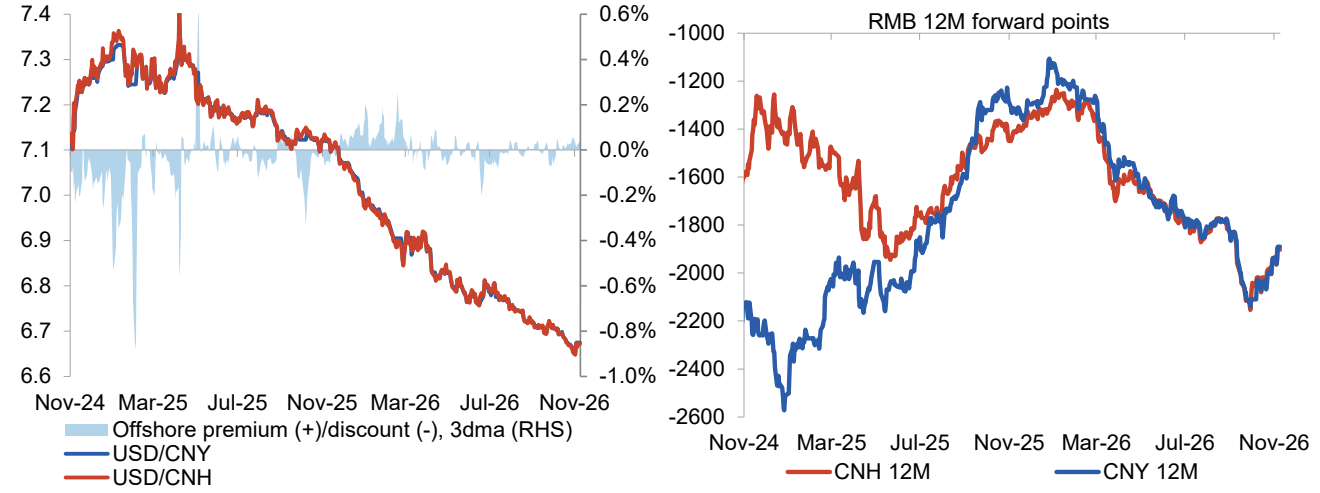
Source: CEIC, Bloomberg, Mizuho

Fig 29 **China-US interest rate spreads** moved slightly tighter in recent weeks amid declining US treasury yields



Source: CEIC, Bloomberg, Mizuho

Fig 30 **Offshore RMB (CNH):** the forward premium was recently trimmed by lower UST yields



Source: Bloomberg, Mizuho

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