
Mizuho Economic Commentary-China

August 2016 edition

Topic

What has caused the sharp slowdown in Chinese investment?

The current slowdown in manufacturing investment could be due to deleveraging, mainly in the private sector. A further factor in the short term could be rising uncertainty about economic policy. From here on, manufacturing investment looks set to slow gently on deleveraging, but it could fall on growing uncertainty about economic policy (in relation to the pace of moves to eliminate overcapacity), so caution will be needed.

Economic trends

China's key indicators generally slowed, but home prices continued to rise at a faster pace

The economy slowed on the whole in July. Production and consumption growth contracted slightly, while investment fell further as the impact of government policy wore off. Though the boom in home prices slowed in the first-tier cities, the cost of homes soared in the second-tier cities, so home prices continued to climb on the whole. Home sales also increased, mainly in the second-tier cities.

1. Topic: What has caused the sharp slowdown in Chinese investment?

China's investment slowdown is growing more pronounced China's investment slowdown is growing more pronounced. Real fixed asset investment grew by 9.1% year-on-year in April–June, down sharply on the previous quarter's figure of +13.8% y-o-y (see Fig. 1). A glance at the details shows manufacturing investment undergoing a particularly sharp slump. Since May this year, the Chinese government has reacted to this slowdown by dispatching investigation teams to each region, for example. This suggests the authorities are worried about investment slowing at a sharper pace than envisaged.

Deleveraging has been raised as a factor curbing investment, but it is insufficient to explain short-term investment trends Manufacturing investment has slowed in recent times on moves to deal with excessive debts. The debt ratios of industries besides automobiles and non-ferrous metals (where state-owned enterprises have a strong presence) have fallen compared to last year, so it seems investment has been curtailed by deleveraging (debt reduction), mainly in the private sector.

However, deleveraging is a factor pushing investment down in the medium-term. It is hard to explain the recent sharp slowdown by deleveraging alone. The Chinese government has put the slump down to three factors: (1) barriers to private-sector participation in some industries, (2) high funding costs, and (3) the complexity of bureaucratic procedures. These problems have been around for some time, though, so they cannot satisfactorily explain short-term investment trends.

A Granger causality test revealed that uncertainty about economic policy was having a short-term impact on manufacturing investment In order to determine the factors behind the short-term investment slowdown, Mizuho Research Institute carried out a Granger causality test looking at manufacturing investment and three related indicators (see Fig. 2). The related indicators were: (1) corporate earnings in the manufacturing sector, (2) base lending rate (an alternative indicator of investment costs), and (3) the 'economic policy uncertainty' indicator (see Fig. 2, Note 2 for details). The results did not show investment being directly impacted by lending rates or corporate profits. However, they did confirm a Granger-causal relationship between 'economic policy uncertainty' and manufacturing investment. In other words, growing uncertainty about the pace of reforms and other economic policies may have become a factor curbing investment. However, an impulse response analysis suggested this uncertainty would only have a dampening effect for a short period, around two quarters.

As mentioned above, the test yielded no clear relation between investment-related indicators (like interest rates and profits) and manufacturing investment. One reason for this may be that state-owned

enterprises (who carry out the lion's share of government projects) receive 'implicit guarantees' from the state, so they continue to invest regardless of interest-rate or profit levels.

Financial market turmoil or uncertainty about the pace of moves to eliminate overcapacity could lead to growing uncertainty about economic policy

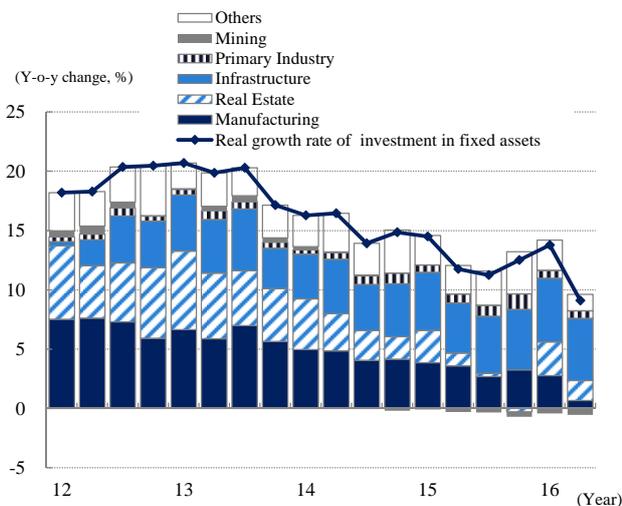
So what kind of uncertainty impacts manufacturing investment? The uncertainty indicator rose in mid-2015 and at the start of 2016, when Shanghai stocks and the RMB fell sharply. This suggests investment could be hit when tremors in the financial markets lead to growing uncertainty about the direction of economic policy. There also exists uncertainty in relation to moves to eliminate overcapacity. When it comes to reducing overcapacity in the coal and iron & steel sectors, the Chinese government has announced a target for 2016 and mid-term targets for the next three to five years. At this moment in time, though, there is considerable uncertainty regarding the pace of reform in other sectors struggling with overcapacity, such as non-metal mineral products (cement, glass, etc.) and shipbuilding. Investment in these industries accounted for over 10% of total investment in fixed assets in 2015 (estimate), so it will be hard to ignore the impact on overall investment of rising uncertainty regarding economic policy.

Overall investment is expected to slow at a gentle pace, though market participants should be on guard against a temporary downswing

From here on, investment looks set to slow on deleveraging, but the pace of this slowdown will be tempered by investment in infrastructure and new industry sectors. However, manufacturing investment could fall if uncertainty about economic policy grows on financial market turmoil or moves to eliminate overcapacity, so caution will be needed.

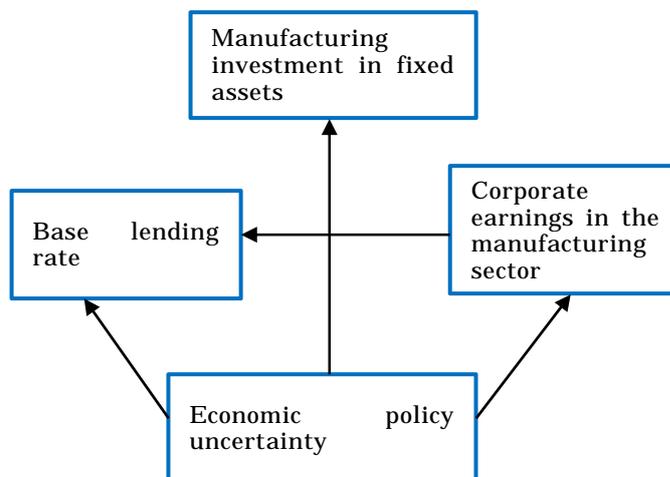
(Yoshino Tamai)

Fig. 1: Investment in Fixed Assets (by industry)



Note: Indexed using the fixed asset price index.
 Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

Fig. 2: The Granger causality relationship between manufacturing investment and related indicators



Note 1. Projection period: 1Q 2005–2Q 2016. Degree of lag: One quarter. The arrows indicate a detected Granger causality with a significance level of at least 10%.

Note 2. The ‘economic policy uncertainty’ indicator looks at the ratio of articles published in the South China Morning Post that include three keywords: ‘China,’ ‘economic policy’ and ‘uncertainty.’ The average ratio for the period January 1995–December 2011 was indexed as 100.

Note 3. Manufacturing investment in fixed assets = y-o-y figure with a one-quarter lag. Corporate earnings in the manufacturing sector = y-o-y figure. Base lending rates and Economic policy uncertainty = original figures.

Source: Prepared by Mizuho Research Institute based on the materials from the People’s Bank of China, the National Bureau of Statistics and the Economic Policy Uncertainty

2. Overview: China’s key indicators generally grew at a slower pace

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China’s key indicators generally grew at a slower pace in July. Production and consumption growth fell slightly while holding steady in a range. The investment data had been supported by infrastructure spending, but this spending now stalled as the impact of government policy dropped off. This saw investment growth dipping further, with the economy continuing to slow on the whole.

Industrial production growth fell in July

At +6.0% y-o-y, industrial production growth fell slightly in July (June: +6.2% y-o-y), with mining output continuing to slide and China’s northern region hit by flooding (see Fig. 3). However, a number of industries saw production rising. Growth in the electricity sector rose thanks to the hot summer, for example. With sales remaining brisk, meanwhile, automobile stocks began declining from May onwards, with

growth in this sector shooting up to +22.9% y-o-y (June: +11.4% y-o-y). Mobile phones and other telecommunications equipment saw continuous growth of around +10% y-o-y from May onwards, with production climbing further in July.

The government's Manufacturing PMI dropped below 50

At 49.9, in July the government's Manufacturing PMI dropped below 50 (the key line dividing expansion from contraction) for the first time in five months (June: 50.0) (see Fig. 4). As with the production slump, the government's announcement placed the blame for the downturn on flooding, slower demand, and capacity adjustment. The new orders, production, employment and supplier deliveries all fell. The inventories figure rose slightly, though it remained below 50. Furthermore, export orders (an indicator referenced by the PMI) dropped below 50 in June and continued to slide in July. At 50.6, though, Caixin's Manufacturing PMI for July topped 50 for the first time since February 2015. Caixin's PMI contains fewer samples and a higher proportion of private-sector, small- and medium-sized enterprises (SMEs), so it usually comes in below the government's PMI. It is not clear why this relationship reversed in July, but market participants will be keeping a close eye on developments from here on.

Export growth continues to slide, though the volume of exports grew at a faster pace

At -5.4% y-o-y, export growth (nominal, dollar-denominated) continued to fall in July (June: -5.3% y-o-y), though the government's seasonally-adjusted figure moved flatly on the previous month (see Fig. 5). At +4.9% y-o-y, meanwhile, the export volume figure grew at a faster pace in July, with the seasonally-adjusted figure (Mizuho Research Institute estimate) also rising for the second successive month. A glance at the details shows the overall figure pushed up by exports of machinery and light industrial products. Though the export data did swing upwards slightly in July, the downswing in the PMI's new export orders indicator is a factor of concern.

Import growth fell further into negative territories

At -12.5% y-o-y, import growth (nominal, dollar-denominated) fell further into negative territories in July (June: -8.4% y-o-y). The government's seasonally-adjusted figure was also down slightly on the previous month. Imports also contracted on a volume basis to fall by 2.9% on the previous year. The overall figure was pushed down by declining imports of manufactured goods classified by raw material (such as non-ferrous metals) and machinery (such as integrated circuits).

The trade surplus grew

The value of imports contracted at a faster y-o-y pace than the value of exports, so the trade surplus grew on the previous year to hit \$50.2 billion in July.

Investment growth slowed

The nominal growth rate of investment in fixed assets hit +3.9% y-o-y in July, down on June's figure of +7.4% y-o-y (see Fig. 6). After having contracted in June, the manufacturing data grew slightly in July, but the mining data dipped further into negative territories, with real-estate and infrastructure investment also dipping. Overall investment growth fell on moves to eliminate manufacturing overcapacity together with the waning impact of government policy. At +5.7% y-o-y, investment also slowed in real terms (June: +10.3% y-o-y) to drop to single-digit growth for the first time since December 2006.

Sales growth dipped slightly

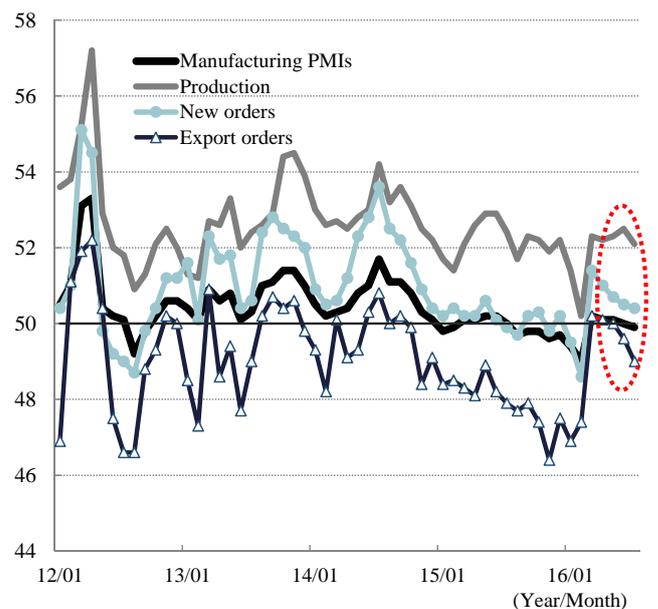
At +10.2% y-o-y, (nominal) total retail sales of consumer goods grew at a slightly slower pace in July (June: +10.6%) (see Fig. 7). Though automobile sales remained strong, housing-related sales moved somewhat bearishly and petroleum-related sales began sliding. At +9.8% y-o-y, sales growth was also down slightly in real terms (June: +10.3% y-o-y).

Fig. 3: Industrial Production



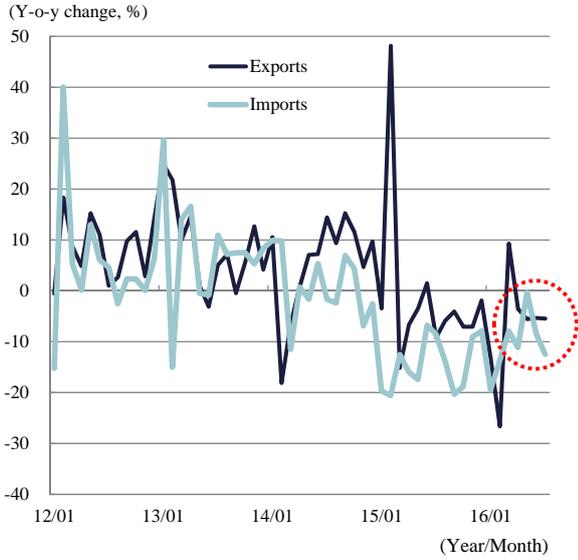
Note: The figures for January and February show the aggregate results for the same period.
 Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

Fig. 4: Manufacturing PMIs



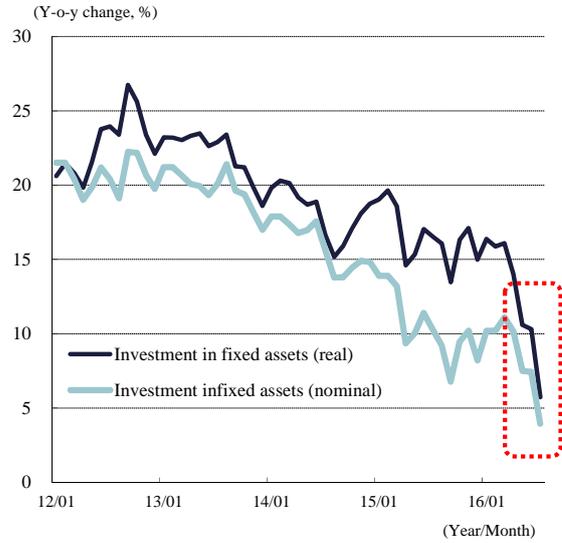
Note 1: Please note that seasonal factors, such as Chinese New Year, have not been completely eliminated from the data.
 Note 2: From 2013, the number of companies sampled increased from 830 to 3,000.
 Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics

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

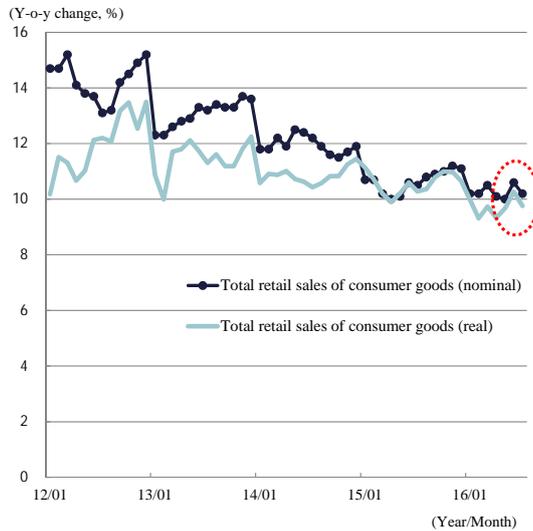
Fig. 6: Investment in Fixed Assets



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 core CPI moved stably; the PPI fell at a slower pace; and home prices continued to accelerate

With pork prices rising at a slower clip, CPI growth fell for the third month in a row, though the core CPI moved stably

In July, consumer price index (CPI) growth stood at +1.8% y-o-y, a slight decrease on June's +1.9% y-o-y, with the data dipping for the third month in a row (see Fig. 8). The price of pork had grown by over 30% y-o-y for three successive months up until June, but it only grew by 16.1% y-o-y in July, hence the overall dip. At +1.8% y-o-y, though, the core CPI (which excludes food and energy) moved stably, up slightly on June's figure of +1.6% y-o-y.

The pace of the PPI contraction continued to slow

The production price index (PPI) fell by 1.7% y-o-y in July, with the scale of the contraction shrinking to the 1% range for the first time since September 2014 (June: -2.6% y-o-y). This was due to a wide-ranging recovery in sectors like mining, materials-related industries (such as petroleum processing, non-metal minerals, iron & steel and non-ferrous metals), automobiles, and processing industries (such as electrical machinery, communications, and electronics). After rising in May for the first time in four-and-a-half years, the iron & steel industry PPI dipped in June, though it returned to positive territories again in July.

Home prices continued to rise at a faster y-o-y pace, particularly in second-tier cities

The July new-homes price index (the average of 70 major Chinese cities) stood at +6.1% y-o-y (Mizuho Research Institute estimate) (May: +5.0% y-o-y), with prices rising for the eighth successive month (see Fig.9). Shanghai and Shenzhen have introduced measures to keep a lid on prices, so the boom in those cities is easing off, but prices soared by over 30% y-o-y in Nanjing, Hefei and Xiamen, while the cost of new homes also rose by 15% or higher y-o-y in Tianjin, Hangzhou and Wuhan, for example. On a monthly basis, prices rose by an average of +0.7% m-o-m in the 70 cities, the same as in June. At 51, the number of cities recording m-o-m price rises fell for the third successive month, with price inflation not spreading across a wider regional area either. In cities with price inflation, though, prices continue to rise at a faster pace.

Though real estate sales in terms of floor space grew slightly, investment in real-estate development grew at a slower pace

Real estate sales in terms of floor space grew at a faster pace for the first time in two months in July to hit +18.7% y-o-y (June: +14.6% y-o-y). Office sales continued to grow at a fast clip, while commercial facilities recorded double-digit growth again (after slipping into single figures in June) and residential sales also grew slightly. A glance at the data for home sales shows sales contracting at a faster pace in first-tier cities but rising at a faster pace in second-tier cities. At +1.4% y-o-y, though, investment in real-estate development slowed in July (June: +3.6% y-o-y). Residential investment fell for the first time in seven months,

while investment in offices and commercial facilities also grew at a slower pace. SOE investment in real-estate development dipped into negative territories, a further sign that the impact of government policy is waning.

(Kaori Yamato)

Fig. 8: CPI and PPI

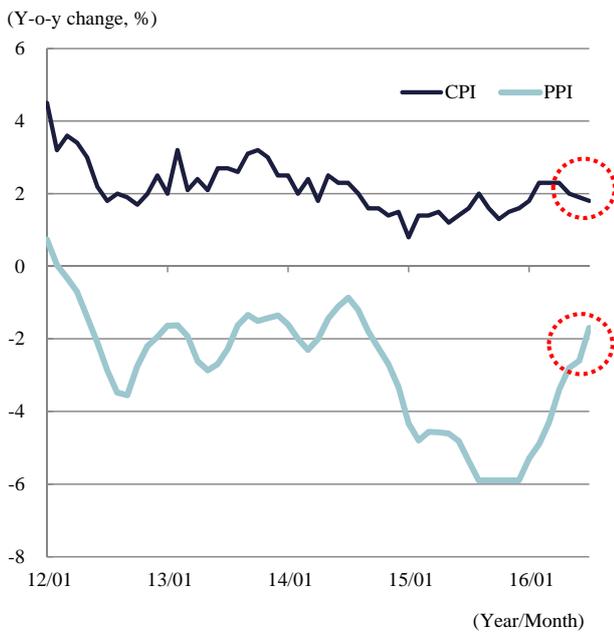
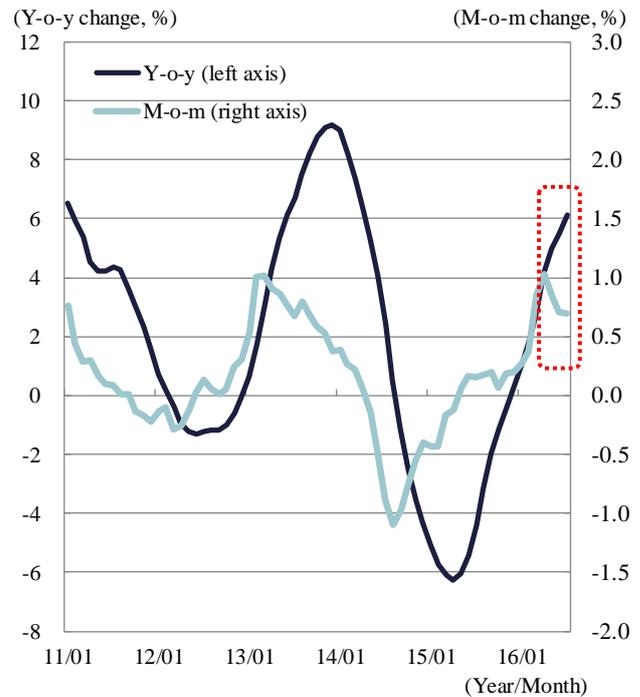


Fig. 9: The New-Homes Price Index



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

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: Liquidity remains at moderate levels in the markets

The money supply (M2) grew at a slower pace

A glance at July’s financial indicators shows the money supply (M2: M1 + time, savings and other deposits) growing by 10.2% y-o-y, down on June’s figure of +11.8% y-o-y (see Fig. 10). However, the narrow money supply (M1: cash in circulation + current deposits) grew by +25.4% y-o-y, up on June’s figure of +24.6% y-o-y, with the divergence in M1 and M2 growth continuing to widen. With monetary easing only leading to an increase in liquid assets, with no corresponding rise in investment, there are concerns that the Chinese economy could be slipping partly into a ‘liquidity trap’ (when monetary policy loses its effectiveness). In a statement released on August 15, though, the People’s Bank of China (PBOC) poured cold water on these concerns. The statement said the acceleration in M1 growth was due to an increase in current deposits on

the back of falling medium- to long-term interest rates and the lower opportunity cost of holding on to current deposits. The PBOC said the sluggishness of M2 growth was the result of a fluctuation caused by the expansion of the M2 supply in the same period last year. It insisted these were the reasons why the gap was growing between M1 and M2, with China not falling into a ‘liquidity trap’.

Outstanding RMB loan growth remained at high levels

At +12.9% y-o-y, outstanding RMB loan growth remained at high levels in July, though it was down on June’s figure of +14.3% y-o-y. New RMB loans totaled RMB 463.6 billion, down sharply on June’s figure of RMB 1.38 trillion (see Fig. 10). As a result, total social financing, which includes funds procured from non-bank sources, also fell sharply, from RMB 1,683.6 billion in June to RMB 487.9 billion in July. Financing through banker’s acceptance bills and so on also fell. Some say this is because the authorities have strengthened their supervision and control systems for bill issuances after the discovery of some bill-related fraud.

In July, the PBOC absorbed funds via its open-market operations and the MLF

In July, the PBOC absorbed a net RMB 166.2 billion from the money markets as part of its open-market operations to control liquidity (see Fig. 11). It also absorbed a net RMB 43 billion through its Medium-term Lending Facility (MLF).

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

In August, the PBOC absorbed a net RMB 165 billion from the money markets as part of its open-market operations (as of August 24). However, it pumped RMB 289 billion into the markets through the MLF (as of August 24). The PBOC is scheduled to absorb a total of RMB 237 billion through maturing MLF loans in August so it has already provided the markets with a net RMB 52 billion. Interbank rates continue to move stably, so it seems financial market liquidity remains at moderate yet ample levels.

The RMB recovered after hitting its lowest level against the dollar for five-and-a-half years

The RMB hit its lowest level against the dollar for five-and-a-half years mid-July, though it then strengthened in the run up to the G20 meeting of finance ministers and central bank governors on July 23. The U.S. dollar has moved bullishly entering August on a series of hawkish comments by FRB officials about a U.S. rate hike, with the RMB now moving somewhat bearishly against its U.S. counterpart.

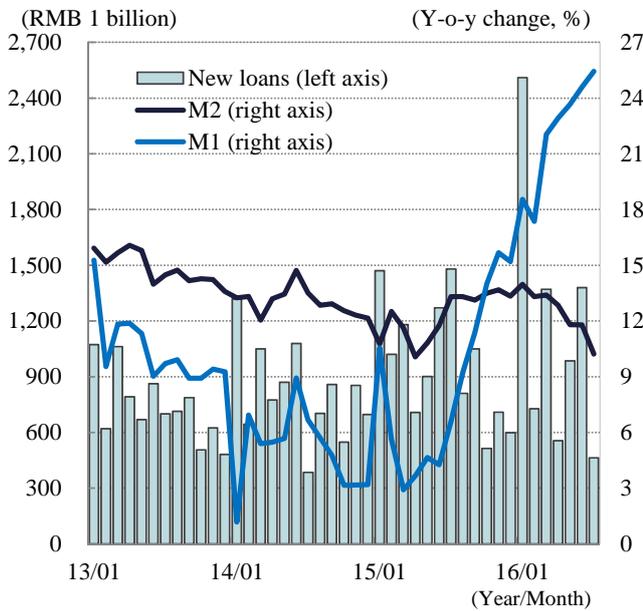
The Shanghai Stock Exchange Composite Index temporarily rallied to 3,100, but it has continued to move heavily on the topside

The Shanghai Stock Exchange Composite Index continued to move heavily on the topside toward mid-August on expectations that the rules governing ‘wealth management products (WMPs)’ would be tightened up, but it nonetheless closed above 3,100 on August 15 to hit its highest level this year. It seems to have been boosted by growing speculation that the authorities would soon announce the launch of the ‘Shenzhen–

Hong Kong Connect,' which will link up the stock exchanges of Shenzhen and Hong Kong. If the Shenzhen–Hong Kong Connect does launch, investors from Hong Kong and overseas will be able to trade Shenzhen listed stocks via the Hong Kong Stock Exchange. This prospect has led to rising expectations for fund inflows into Shenzhen's stock market. On August 16, the State Council released a statement formally endorsing the plan for the Shenzhen–Hong Kong Connect. However, the Index then began moving with a heavy topside again and it edged downward from August 16 onward to trade below 3,100 (as of August 24).

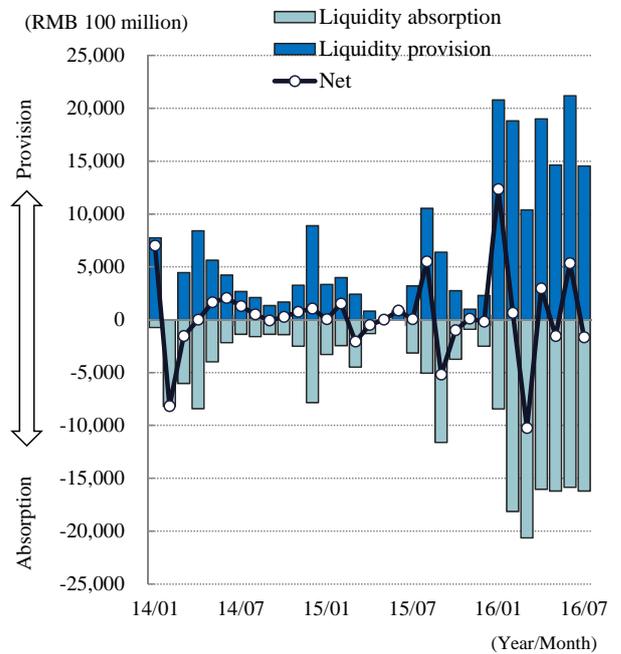
(Ayana Nakazawa)

Fig. 10: Financial Indicators



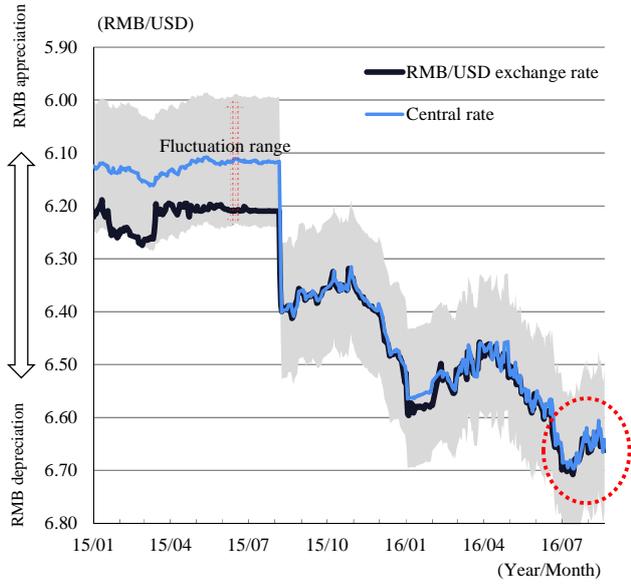
Note: 'New loans' denotes the amount of new RMB loans.
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 11: Open Market Operation



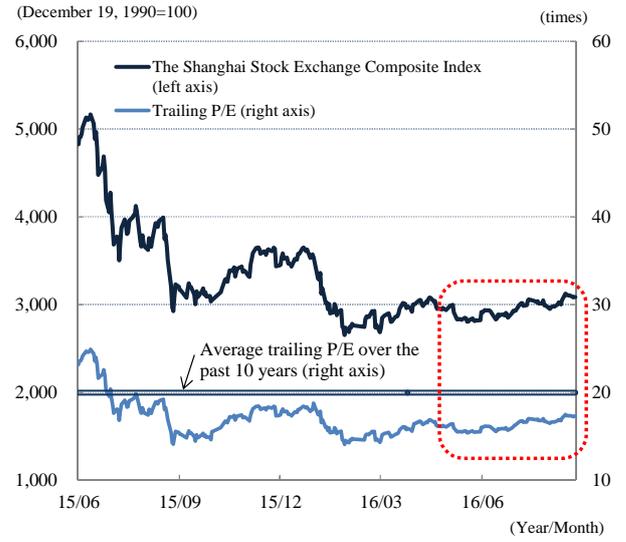
Note: Monthly data
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 12: Exchange Rates



Note: Daily data; The most recent day: August 24.
 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: August 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	16/1Q	16/2Q	May	June	July	
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	16.07	34.06				
Business Sentiment	PMI	End-of-period figure, points			50.2	50.0	50.1	50.0	49.9	
	New Orders	Points			51.4	50.5	50.7	50.5	50.4	
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	8.3	6.1	5.8	6.1	6.0	6.2	6.0	
	Light Industry	Y-o-y change (%)	8.3	6.0	4.6	4.5	4.8	4.5	3.2	
	Materials	Y-o-y change (%)	9.1	8.6	8.1	8.3	8.2	8.3	7.1	
	Machinery	Y-o-y change (%)	10.4	6.3	6.9	7.7	8.0	8.0	9.1	
	Electric Power Generation	Y-o-y change (%)	4.3	-1.9	4.0	0.1	0.0	2.1	7.2	
	Industrial Goods Inventories	Y-o-y change (%)			0.5	-1.4	-1.1	-1.9		
	Light Industry	Y-o-y change (%)			7.9	4.9	5.5	4.5		
	Materials	Y-o-y change (%)			-1.9	-3.5	-2.8	-3.8		
	Machinery	Y-o-y change (%)			3.6	1.3	1.3	0.1		
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	8.8	6.0	4.1	3.6	3.4	3.6		
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	9.9	-0.5	0.1	0.6	-0.5	0.6			
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	50.20	55.16	8.58	25.84	18.77	25.84	31.17	
		Year-to-date y-o-y change (%)	15.7	10.0	10.7	9.0	9.6	9.0	8.1	
	Real Estate	Year-to-date y-o-y change (%)	7.9	-0.2	5.6	5.1	6.5	5.1	3.8	
	Primary Industry	Year-to-date y-o-y change (%)	33.9	31.8	25.5	21.1	20.6	21.1	20.6	
	Secondary Industry	Year-to-date y-o-y change (%)	13.2	8.0	7.3	4.4	5.8	4.4	3.5	
	Manufacturing	Year-to-date y-o-y change (%)	13.5	8.1	6.4	3.3	4.6	3.3	3.0	
	Tertiary Industry	Year-to-date y-o-y change (%)	16.8	10.6	12.6	11.7	11.9	11.7	10.8	
	Actual Direct Investment	Year-to-date (total), USD 100 million	1,285	1,263	354	694	542	694	771	
	Year-to-date y-o-y change (%)	3.7	-1.7	1.5	1.5	0.7	1.5	0.6		
Trade	Exports	USD 100 million	23,423	22,735	4,549	5,274	1,783	1,794	1,826	
		Y-o-y change (%)	6.0	-2.9	-11.3	-4.8	-5.5	-5.3	-5.4	
		To the U.S.	Y-o-y change (%)	7.5	3.5	-9.0	-10.6	-12.0	-10.5	-2.4
		To the EU	Y-o-y change (%)	9.7	-3.9	-7.0	-1.0	-2.1	-3.6	-3.7
		To Japan	Y-o-y change (%)	-0.5	-9.2	-5.9	-6.9	-5.6	-3.0	-5.3
	To NIES, ASEAN	Y-o-y change (%)	2.8	-2.8	-10.1	-2.6	-2.1	-6.7	-8.0	
	Imports	USD 100 million	19,592	16,796	3,373	3,902	1,312	1,322	1,324	
		Y-o-y change (%)	0.5	-14.3	-13.7	-6.8	-0.3	-8.4	-12.5	
		From the U.S.	Y-o-y change (%)	4.3	-5.9	-14.9	-11.6	-10.4	-12.4	-23.2
		From the EU	Y-o-y change (%)	11.1	-14.3	-7.3	0.4	10.9	-3.5	-8.0
From Japan		Y-o-y change (%)	0.5	-12.3	-8.2	-1.2	4.0	0.0	-4.6	
From NIES, ASEAN	Y-o-y change (%)	1.6	-7.7	-7.4	-3.3	2.0	-7.3	-7.9		
Trade Balance	USD 100 million	3,831	5,939	1,176	1,372	472	472	502		

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	16/1Q	16/2Q	May	June	July
Consumption	Consumer Confidence Index	End-of-period figure, points			100.0	102.9	99.8	102.9	106.8
	Consumer Expectations Index	End-of-period figure, points			103.4	105.5	102.8	105.5	109.8
	Total Retail Sales of Consumer Goods	RMB 1 trillion	27.19	30.09	7.80	7.81	2.66	2.69	2.68
		Y-o-y change (%)	12.0	10.7	10.3	10.2	10.0	10.6	10.2
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	9.3	7.8	8.0	7.1	6.5	8.2	7.4
	Automobile Sales	10,000 automobiles	2,348.9	2,456.3	652.1	628.5	209.2	207.1	185.2
		Y-o-y change (%)	7.0	3.9	5.2	10.2	9.8	14.6	23.0
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	10.1	8.9	8.7	8.7	n.a.	n.a.	n.a.
Jobs-to-applicants Ratio	End-of-period figure, ratio	1.15	1.10	1.07	1.06	n.a.	n.a.	n.a.	
Prices	Consumer Price Index	Y-o-y change (%)	2.0	1.4	2.1	2.1	2.0	1.9	1.8
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	1.4	1.6	1.6	1.6	1.8
	Foods	Y-o-y change (%)	3.1	2.3	6.3	6.0	5.9	4.6	3.3
	Producer Price Index	Y-o-y change (%)	-1.9	-5.2	-4.8	-2.9	-2.8	-2.6	-1.7
	Producer Goods	Y-o-y change (%)	-2.5	-6.8	-6.4	-3.9	-3.7	-3.5	-2.3
	Consumer Goods	Y-o-y change (%)	0.0	-0.3	-0.4	-0.2	-0.2	-0.1	0.0
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	2.6	-3.8	1.9	4.9	5.0	5.5	6.1
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	122.84	139.23	144.62	149.05	146.17	149.05	149.16
		End-of-period figure, y-o-y change (%)	12.2	13.3	13.4	11.8	11.8	11.8	10.2
	Outstanding Loans	End-of-period figure, RMB 1 trillion	81.68	93.95	98.56	101.49	100.10	101.49	101.95
		End-of-period figure, y-o-y change (%)	13.6	14.3	14.7	14.3	14.4	14.3	12.9
	Net Increase	Mid-period increase, RMB 10 billion	978	1228	461	292	99	138	46
	Deposits	End-of-period figure, RMB 1 trillion	113.86	135.70	141.12	146.24	143.78	146.24	146.75
		End-of-period figure, y-o-y change (%)	9.1	12.4	13.0	10.9	11.5	10.9	9.5
	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	2.02	2.04	2.01	2.04	2.01
Foreign Currency Reserves	End-of-period figure, USD 100 million	38,430	33,304	32,126	32,052	31,917	32,052	32,011	
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.20	6.48	6.45	6.65	6.58	6.65	6.64
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	19.32	18.57	17.43	15.46	16.83	15.46	15.42
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,235	3,539	3,004	2,930	2,917	2,930	2,979
	PER	End-of-period figure, ratio	16.0	17.6	15.1	14.5	14.4	14.5	14.8
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	3,725	5,313	4,542	4,629	4,486	4,629	4,665
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	7,439	25,559	3,210	3,206	910	1,150	1,276
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.6	8.5	6.8	7.4	8.7	7.4	6.9
	Fiscal Expenditure	Year-to-date y-o-y change (%)	8.3	15.8	15.7	15.4	13.8	15.4	13.2

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 Designated 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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