
Mizuho Economic Commentary-China

April 2017 edition

Topic

An evaluation of the GDP result for January-March 2017; and the outlook from here on

At +6.9% year-on-year, China's real GDP growth rate improved slightly in January-March (October-December: +6.8% y-o-y). Investment in manufacturing and real-estate development slowed, so the contribution of investment to GDP fell, but the growth rate was pushed up by an improved net export figure, expanding government spending, and stronger infrastructure investment. It seems the Chinese economy continued to improve at a gentle pace thanks to government support.

Economic trends

Monthly major indicators improved

Production, exports, investment and consumption indicators all improved in March. The production recovery was driven by a slower pace of production cuts in the coal mining and iron/steel sectors, with these moves reflecting an improvement in market conditions.

1. Topic: An evaluation of the GDP result for January-March 2017; and the outlook from here on

The real GDP growth rate improved slightly in January-March

At +6.9% year-on-year, China's real GDP growth rate improved slightly in January-March for the second successive quarter (October-December: +6.8% y-o-y) (Fig.1). A glance at contribution levels by demand item trends shows final consumption (including the government sector) growing by +5.3%Pt (October-December: +3.2%Pt), with net exports also making a positive contribution for the first time in eight quarters at +0.3%Pt (October-December: -0.3%Pt). Investment in manufacturing and real-estate development slowed, so the contribution of gross capital formation fell to +1.3%Pt (October-December: +3.8%Pt). With the price of resources and materials bouncing back, nominal GDP grew by +11.8% y-o-y (October-December: +9.6% y-o-y), the first double-digit growth in around three years.

Though government spending grew, consumer spending slowed on a reduced vehicle tax break

At +8.8% y-o-y, the real growth rate of total retail sales of consumer goods (a Mizuho Research Institute estimate; this also applies to subsequent indicators marked with a *) dipped on October–December's figure of +9.1% y-o-y, with real consumer spending per capita (including spending on services) also falling from +7.8% y-o-y in October-December to +6.2% y-o-y. As such, it seems the expansion in final consumption was due to government rather than consumer spending. In January, the tax break on purchases of small vehicles was slashed from 5% to 2.5%, so it seems consumer spending growth slowed on a sharp fall in purchases of passenger cars over January-March (from +15.7% y-o-y in October-December to +5.1% y-o-y). However, real per-capita disposable income growth (*) and income-related confidence indicators are swinging up on the improved jobs environment (Fig.2), so the consumer spending situation seems fundamentally strong.

Investment slowed, particularly in the manufacturing sector, where moves are afoot to eliminate overcapacity

At +9.2% y-o-y, nominal fixed asset investment grew at a faster pace over January–March (October-December: +7.8% y-o-y), though this was due to a rising deflator. On a real basis (*), the figure fell for the fourth successive quarter (down from +6.4% y-o-y in October-December to +4.5% y-o-y). A glance at the real growth rate details (*) shows investment in manufacturing and real-estate development slowing, though infrastructure investment expanded again after slowing toward the end of 2016 (Fig.3). A breakdown of the manufacturing investment figure points to sluggish investment when it comes to industries involved in raw materials, with the ferrous metals and non-ferrous metals sectors

contracting further and the petroleum processing, chemicals, rubber/plastics, and nonmetallic mineral products sectors either falling on the previous year or experiencing near-zero growth. Investment was also pushed down by sluggish growth in the electrical machinery sector (after strong growth the previous year), though moves to eliminate overcapacity are the main factor behind the slowdown in manufacturing investment.

Net exports may have grown due to a special factor fall in service imports

Real exports of goods (*) grew by +8.5% y-o-y in January-March (October-December: +1.6% y-o-y), while real imports (*) also grew sharply by +14.6% y-o-y (October-December: +4.4%), with the net export figure for goods alone remaining down on the previous year. The government's net export figure was up on the previous year, so it seems service imports (which account for around a quarter of all imports) fell, with the net export figure for goods and services shifting into positive territories. Since March, the Chinese government has banned tour groups from visiting South Korea in retaliation for the planned deployment of the U.S. army's Terminal High Altitude Area Defense (THAAD) there. As a result, Chinese visitors to South Korea dropped sharply, down 40% on the previous year. This special factor could help explain the fall in service imports.

Funding support and a net export recovery helped to push growth up in January-March

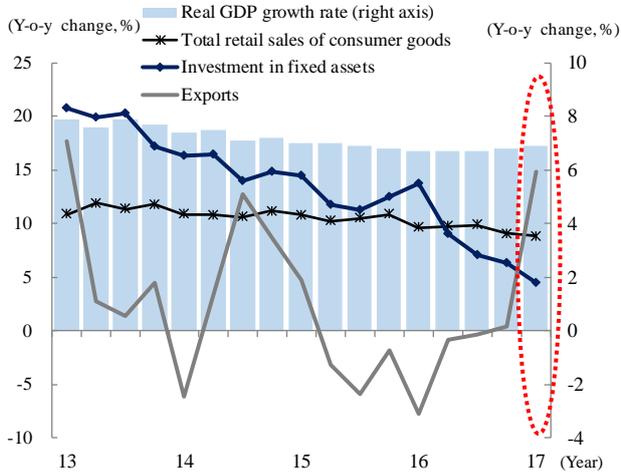
As outlined above, the growth rate in January-March was impacted by: a decline in consumer spending following a reduction in the tax break for small vehicles; and a slowdown in investment on the back of moves to eliminate overcapacity. However, growth was underpinned by government spending and funding for infrastructure investment, etc. With imports sliding due to a special factor, net exports also switched to making a positive contribution to growth.

Growth looks set to slow from April-June on the growing impact of restrictions on housing purchases, etc.

From here on, the growth rate looks set to fall as investment slows due to ongoing moves to eliminate overcapacity and restrictions on housing purchases. However, the economy will be supported by moves on the fiscal front, as seen in the huge increase in government spending over January-March, so the slowdown will occur at a gentle pace. Imports have continued to recover since last year in tandem with an improved output/inventory balance (y-o-y output minus y-o-y inventories), but after peaking in November 2016, the output/inventory balance is now increasing at a slower pace (Fig.4). Though the output/inventory balance will remain in positive territories for now, this positive balance will

gradually be reduced, with the y-o-y growth rate of goods imports also expected to slow from here on.

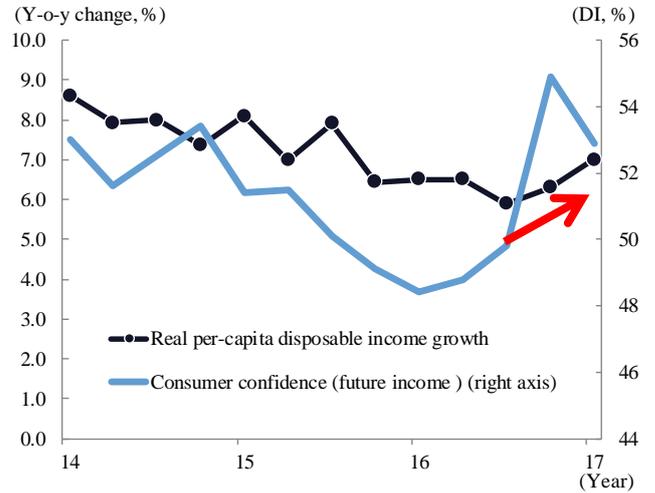
Fig. 1: Real GDP Growth Rate and Major Economic Indicators



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 (The figures for January and February were publicly-released at a press conference) (Estimated by Mizuho Research Institute).

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

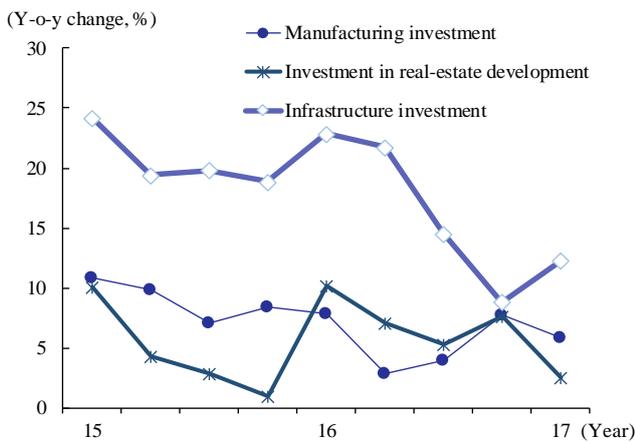
Fig. 2: Consumer Confidence and Real Disposable Income Growth



Note: Disposable income is calculated using the aggregate real growth rate.

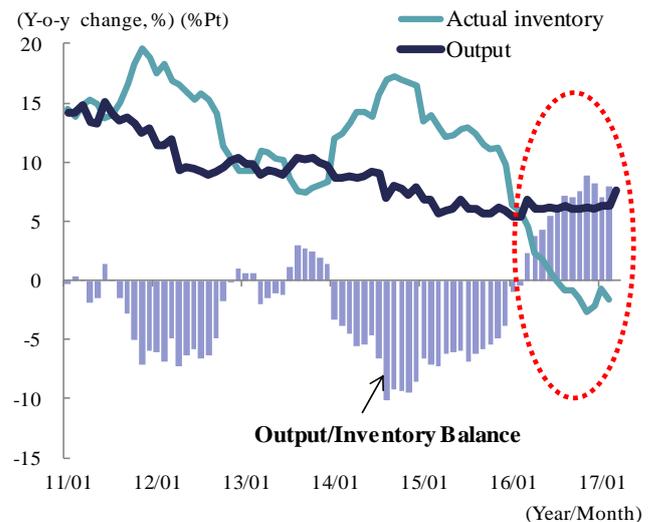
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China, and the People's Bank of China

Fig. 3: Investment in Manufacturing, Real-estate Development and Infrastructure



Note: The figures are real. Infrastructure investment encompasses electricity, gas and water; transportation, warehousing and postal services; and the management of water conservation, the

Fig. 4: Output/Inventory Balance



Note: The inventories data has been indexed using the PPI. The most recent inventories balance was February 2017.

Source: Prepared by Mizuho Research Institute based on the materials

2. Overview: Major indicators improved on the whole in March

March saw improvements on the whole

In March, production grew at a fast pace compared to January-February, with exports also continuing to improve on the global economic recovery. Furthermore, the slowdown in the manufacturing sector eased off and the negative impact of the reduced tax break on small vehicles also had less of an impact on the retail sector, so fixed asset investment recovered on the whole.

Production grew strongly

At +7.6% y-o-y, real value-added industrial production grew at a faster clip in March (January-February: +6.3% y-o-y). Coal mining and other extractive industries contracted at a slower pace, while growth accelerated in the manufacturing sector and the electricity, gas and water sector. As estimation of industry contributions using value-added amounts from 2012 input/output tables shows (1) a slower pace of production cuts in the coal mining and iron/steel sectors accounting for 64% of March's growth on January-February, with (2) increased tobacco output accounting for a further 29% (Fig.5). Factor (2) is likely to prove a temporary factor, but factor (1) seems largely the result of rising prices on the back of tighter supply and demand conditions. If this market rally continues, the production recovery might prove durable. If this is the case, it will probably prompt moves to revise production capacity adjustment (investment) in these sectors, so events will require monitoring from here on.

The Manufacturing and Non-manufacturing PMIs both improved

The government's Manufacturing PMI edged up again to hit 51.8 in March (February: 51.6). This represented its highest level since April 2012 (Fig.6). The employment figure topped 50 for the first time since May 2012, while new orders and production also trended upwards. Though the PMI import index (a reference series) remained above 50, it fell for the first time in three months. At 55.1, the government's Non-manufacturing PMI began climbing on a rise in new orders (February: 54.2).

Exports grew at a faster pace

At +16.4% y-o-y, export growth (nominal, dollar-denominated) rose sharply in March (February: -1.5% y-o-y) (Fig.7). This was mainly due to increased exports of clothing and electrical machinery. Exports to the U.S. and EU experienced double-digit growth. At +8.3% y-o-y, the export figure for January-March also returned to positive territories for

Import growth dipped slightly, though it remained at high levels

China's trade surplus continues to shrink on a y-o-y basis

Nominal investment grew at a faster clip, though real growth was down slightly

the first time in two years (October-December: -5.3%), with exports swinging up on the economic recovery in Europe and the U.S.

At +20.3% y-o-y, import growth (nominal, dollar-denominated) slowed slightly in March (February: +38.0 y-o-y), though it remained at a high level (Fig.7). This was largely due to the rising price of commodities like iron ore and crude oil, but growth remained high at +9.6% y-o-y even when commodities (iron ore, copper ore, coal and crude oil) were removed from the equation. The import recovery was also propelled by increased inventory building.

China recorded a trade surplus of \$23.9 billion in March as opposed to a deficit of \$9.2 billion in February. On a y-o-y basis, though, the trade surplus has edged lower since August 2016 on rising commodity prices.

At +9.4% y-o-y, the nominal growth rate of investment in fixed assets in March was up on January-February's figure of +8.9% y-o-y (Fig.8). Manufacturing investment (January-February: +4.3% y-o-y; March: +6.9% y-o-y) and investment in real-estate development (January-February: +8.9% y-o-y; March: +9.3% y-o-y) both grew at a faster pace. Infrastructure investment growth slowed slightly (from +21.3% in January-February to +16.8% in March), but it remained in double digits. The real growth rate (calculated by Mizuho Research Institute) fell slightly from 4.5% y-o-y in February to +3.4% y-o-y.

Fig. 5: Contribution by industry to industrial production (estimate)

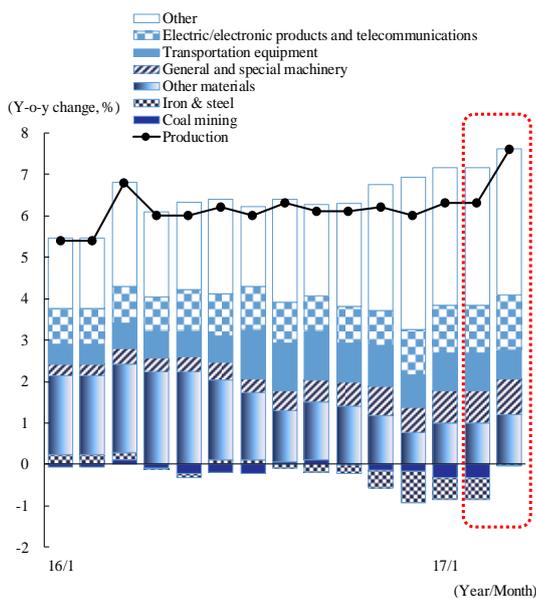
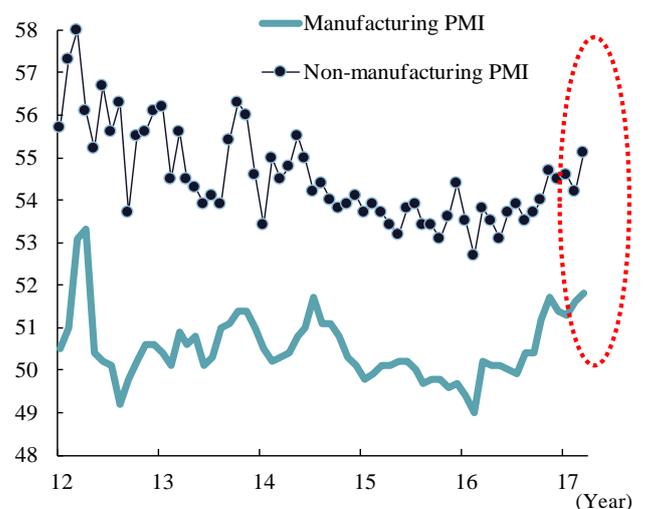


Fig. 6: Manufacturing and Non-manufacturing PMIs

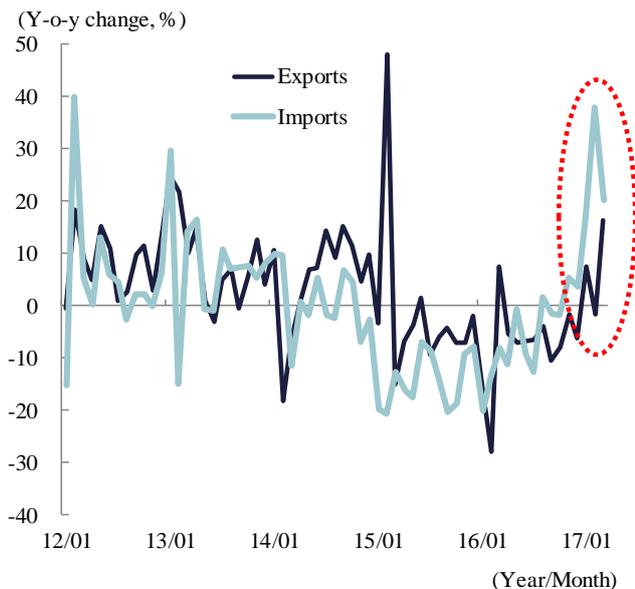


Note 1: Value-added amounts by industry from 2012 input/output tables were tabulated with production data, with the contribution rate of each industry calculated using 2015 weights derived from each value-added production growth rate.

Note 2: 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 of China

Fig. 7: Value of Imports and Exports



Note: Nominal, dollar-denominated

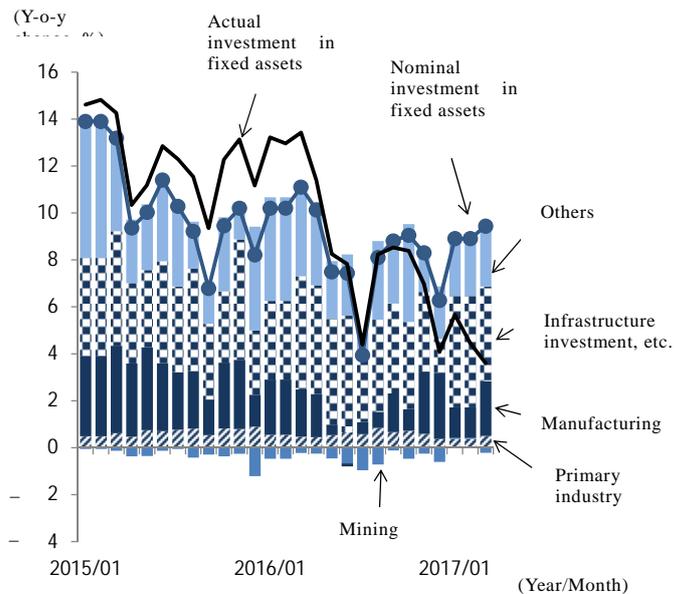
Source: Prepared by Mizuho Research Institute based on the materials from the General Administration of Customs

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 of China

Fig. 8: Investment in Fixed Assets



Note 1: The standalone monthly figures were calculated based on the cumulative investment amount

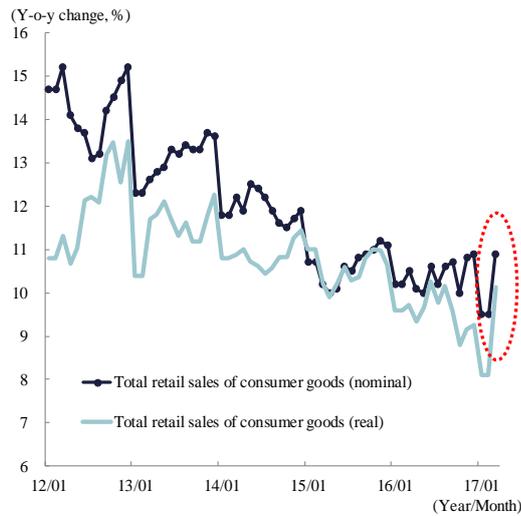
Note 2: The contribution level is calculated on a nominal basis. The fixed asset price index is converted into monthly data using spline interpolation and this data is used to calculate the real series.

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

Retail growth improved as the negative impact of the reduced automobile tax break wore off

At +10.9% y-o-y, total retail sales of consumer goods grew at a faster pace in March (January–February: +9.5%) (Fig.9). Retailing growth dipped over January–March after the tax break on small vehicles was slashed, but the standalone figure for March showed improvements. The breakdown for large retailers reveals that the overall figure was boosted when automobile sales returned to positive growth after falling y-o-y in January-February. Growth was also up on a real basis (*), from +8.1% y-o-y in January-February to +10.1% in March.

Fig. 9: Total Retail Sales of Consumer Goods



Note: 1. The figures for January and February were aggregated and compared to the same period last year.

2. The total retail sales of consumer goods data has been indexed using the retail price index (The figures for January and February were publicly-released cumulative value) .

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

3. Inflation: The CPI rose slightly but remained low; the PPI fell slightly

CPI growth fell below +1% for the second successive month, but core CPI growth hit the 2% range

At +0.9% y-o-y, consumer price index (CPI) growth in March remained under 1% for the second successive month (February: +0.8% y-o-y) (Fig.10). The fallback from last year’s period of soaring pork and vegetable prices continued. However, the price of services rose slightly, so the core CPI data (excluding energy and food) hit +2.0% y-o-y (February: +1.8%). Excluding January (when prices are prone to rising ahead of the Lunar New Year holiday), this was the first time the figure had hit the 2% range since October 2011.

The PPI growth rate fell

At +7.6% y-o-y, producer price index (PPI) growth in March was down slightly on February’s figure of +7.8% y-o-y (Fig.10). Several sectors saw breakneck growth slowing slightly, including coal mining (from +39.6% y-o-y in February to +39.6% y-o-y in March), petroleum processing (from +30.5% y-o-y in February to +29.9% y-o-y in March), and iron & steel (from +40.1% y-o-y in February to +36.8% y-o-y in March).

House prices grew at a slower y-o-y pace on tougher purchasing regulations

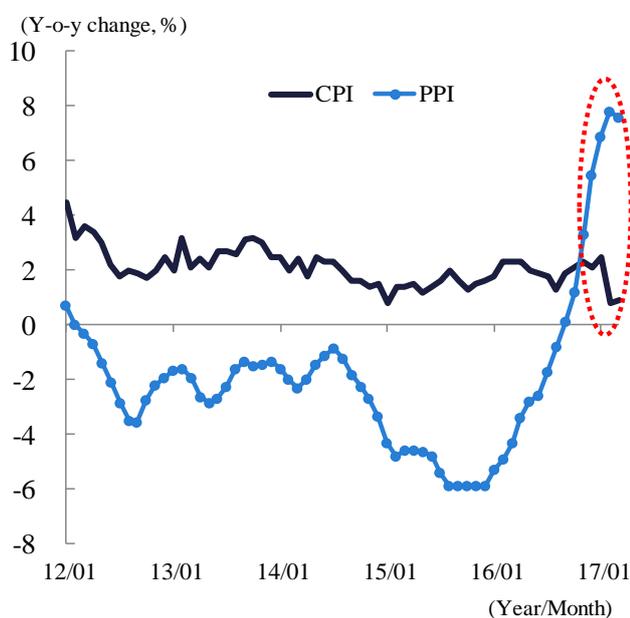
The March new-homes price index (the average of 70 major Chinese cities) stood at +10.0% y-o-y (Mizuho Research Institute estimate), with the index continuing to fall at a gentle pace (February: +10.3% y-o-y) (Fig.11). Prices had soared in first-tier cities (Beijing, Shanghai Guangzhou and Shenzhen), some second-tier cities (Tianjin, Nanjing,

Hangzhou, Hefei, Fuzhou, Xiamen, Zhengzhou and Wuhan) and some third-tier cities (Wuxi and Huizhou), but price growth began slowing in these cities after rules on housing purchases were tightened. On a monthly basis, though, home prices in the 70 cities grew by an average of +0.7%, up on February's figure of +0.3%, with prices rising in 62 cities, up on 56 in February. In the wake of these moves, restrictions on housing purchases have been tightened in a number of cities since March, including Beijing, Tianjin, Nanjing Hangzhou and Fuzhou, with the authorities committed to keeping asset bubbles in check.

Real estate sales in terms of floor space grew at a slower pace, though development investment picked up slightly

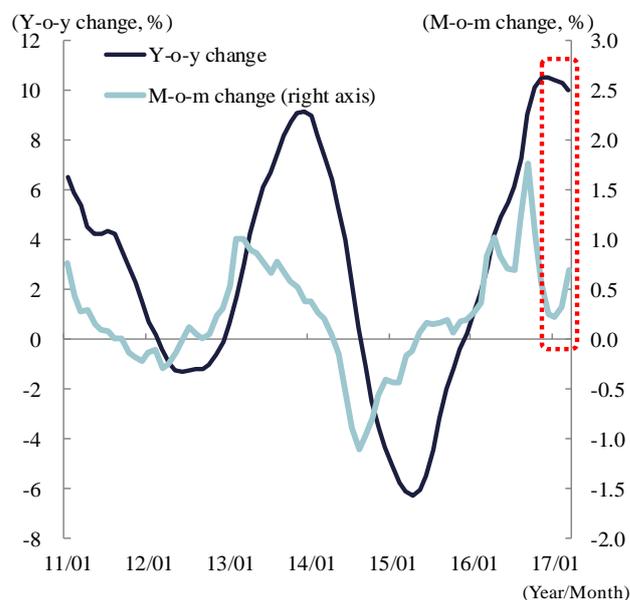
At +14.7% y-o-y, real estate sales in terms of floor space grew at a slower pace in March (January-February: +25.1% y-o-y). Though offices and commercial facilities grew at a faster pace, housing growth dipped. Homes sales have seen y-o-y falls in Shanghai and Tianjin entering 2017, which suggests speculative buying has eased off. However, nominal investment in real-estate development rose slightly from +8.9% y-o-y in January-February to +9.4% y-o-y in March, mainly thanks to housing investment. The total floor space of housing starts figure is a leading indicator of housing investment. It also rose from +14.8% y-o-y in January-February to +22.2% y-o-y in March.

Fig. 10: CPI and PPI



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

Fig. 11: 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 of China

4. Monetary policy: With China adopting a neutral position, monetary supply growth dipped slightly

The money supply (M2) growth rate fell

A glance at March's financial indicators shows financial policy shifting from excessive easing to a neutral position. At 10.6% y-o-y, money supply (M2: M1+ time, savings and other deposits) growth continued to slow (February: +11.1% y-o-y) (Fig.12). The narrow money supply (M1: cash in circulation + current deposits) figure fluctuated sharply due to the Lunar New Year holiday falling at a different time this year. At +18.8% y-o-y, though, the March figure was also down on December's +21.4% y-o-y (February: +21.4% y-o-y).

Outstanding RMB loan growth fell slightly

At +12.4% y-o-y, outstanding RMB loan growth in March was down slightly on February's +13.0% y-o-y. New RMB loans totaled RMB 1.02 trillion, down on RMB1.17 trillion in February and 1.37 trillion in the same month last year. A glance at the details points to an ongoing decline of notes on loans issued by non-financial institutions and government agencies. Total social financing increased by RMB 2,118.9 billion, up from RMB 1,087.6 billion in February, though the figure was down on the same month last year (RMB 2,393.1 billion).

The total social financing figure saw an increase in trust loans

A breakdown of the total social financing figure shows off-balance trades (entrusted loans, trust loans and undiscounted banker's acceptance bills) rising sharply in January and March, thus pointing to an expanded shadow banking sector. A glance at the y-o-y change in total social financing balance also points to an increase in off-balance trust loans. This shift to trust loans appears to come as corporate bond issuances are being capped by rising interest rates (Fig.13). The authorities have introduced several measures to control shadow banking, so trends in this sector will require monitoring from here on too.

In March, the PBOC absorbed funds for the second successive month through a combination of open-market operations, the SLF and the MLF

In March, the People's Bank of China (PBOC) absorbed funds (a net RMB 600 billion) from the money markets as part of its open-market operations (see Fig. 14). Though the standing lending facility (SLF) and the Medium-term Lending Facility (MLF) both provided funds on a net basis, when open market operations were added to the equation, the PBOC absorbed RMB 241.9 billion (in February it absorbed RMB 641.1 billion).

In April the PBOC has provided funds through open-market

In April, the PBOC has pumped a net RMB 250 billion into the markets via open-market operations while providing a further RMB 44 billion

operations and the MLF

through the MLF, with the PBOC providing RMB294 billion in total (as of April 26).

The RMB is moving flatly against the dollar

With the dollar moving bearishly, the RMB strengthened slightly against the greenback in the latter half of March, though in April it has moved flatly in a range between RMB 6.88–6.90 to the dollar (Fig.15).

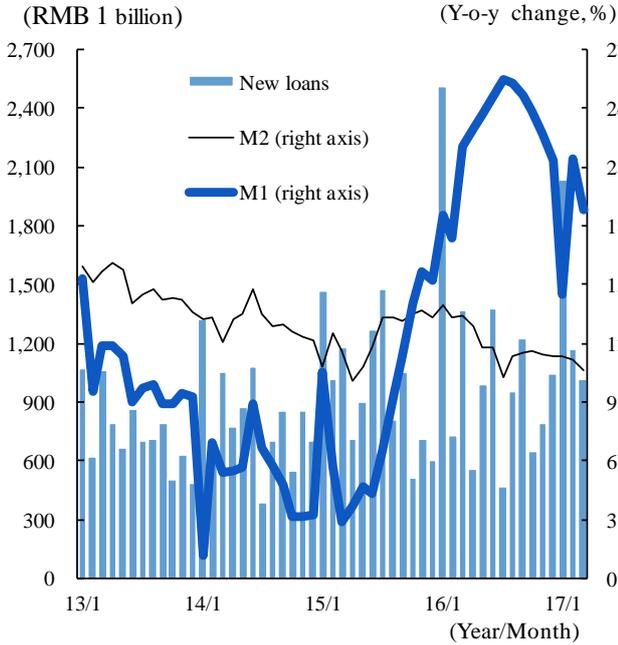
As expected, the U.S. did not label China a currency manipulator

On April 14, the U.S. released the Semiannual Report on International Economic and Exchange Rate Policies (released April and October), the first report since Donald Trump's inauguration. As Trump had mentioned beforehand, China was left off the list of countries that manipulate their currencies. However, the criteria for inclusion in the monitoring list have been revised with an eye on China, so the Trump administration is still adopting a cautious stance regarding Chinese foreign exchange policies. The U.S. has three criteria for adjudging that a country is a currency manipulator: (1) it has a significant bilateral trade surplus with the U.S., (2) it has a large current account surplus, and (3) it conducts persistent, one-sided intervention in the foreign exchange markets. Number (2) and (3) have not applied to China for two reports now (this report and the one last October). If things continue in this way, some observers believe China could be removed from the monitoring list this October. From here on, though, a trading partner will now be added to the monitoring list if it "accounts for a large and disproportionate share of the overall U.S. trade deficit, even if that economy has not met two of the three criteria." As such, China is likely to remain on the list for the time being.

The Shanghai Stock Exchange Composite Index continued to move flatly, though it then fell slightly on tougher financial regulations

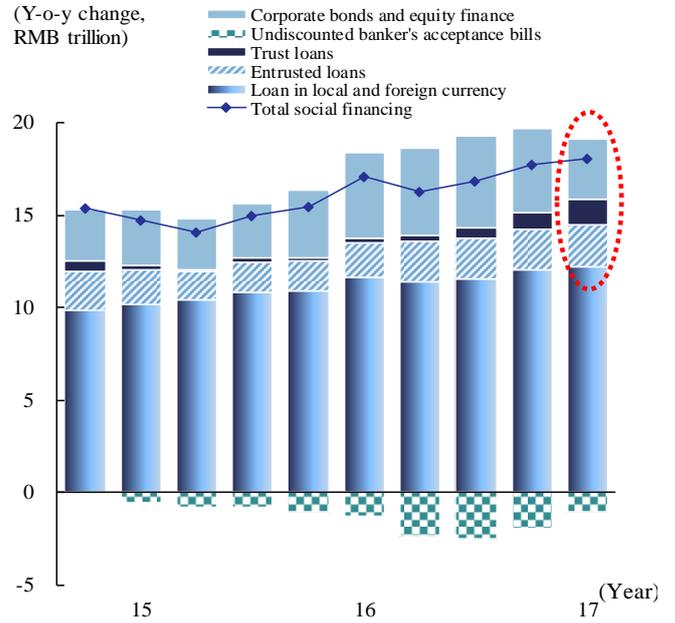
The Shanghai Stock Exchange Composite Index continued to move flatly, though it then fell slightly mid-April to break below 3,200 on April 18 for the first time since February 10 (Fig.16). The China Banking Regulatory Committee has introduced a series of tighter regulations for the shadow banking sector, while the China Securities Regulatory Commission and the China Insurance Regulatory Commission have also announced plans for a crackdown. It seems stocks were sold off in reaction to these moves.

Fig. 12: Financial Indicators



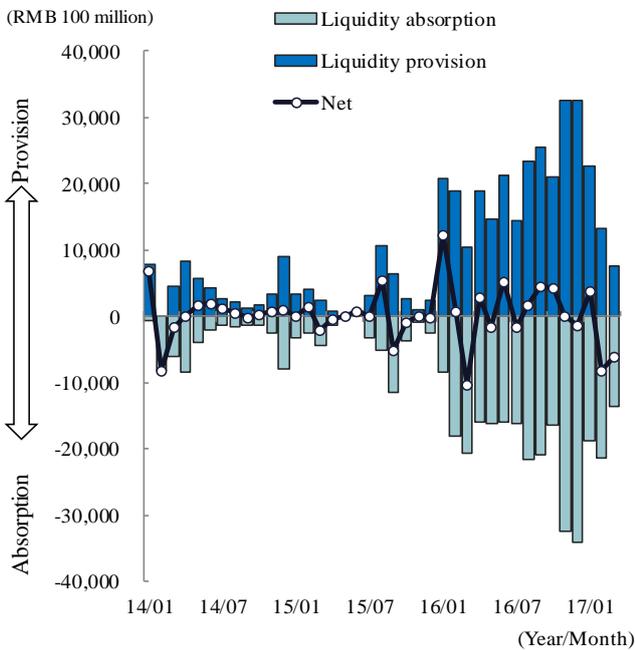
Note: 'New loans' denotes the amount of new RMB loans.
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 13: The total social financing balance (Y-o-y change)



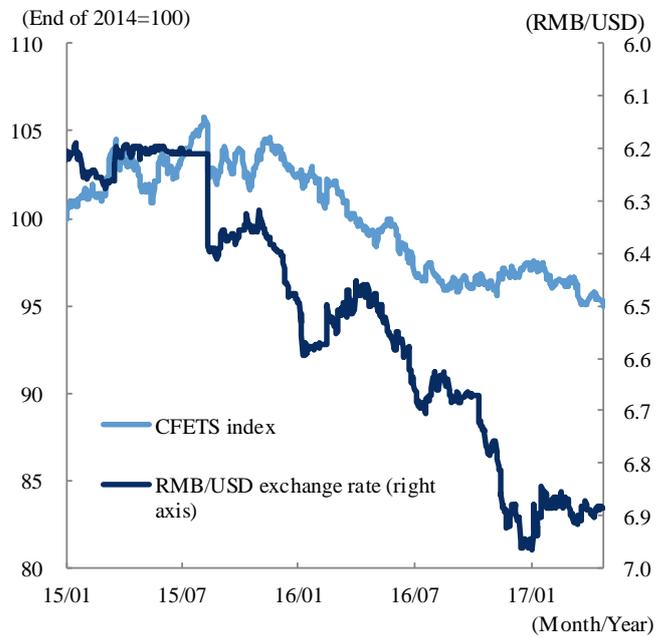
Note: End of period figures.
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 14: Open Market Operation



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

Fig. 15: Exchange Rates



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: April 26
 Source: Prepared by Mizuho Research Institute based on the materials from the China Foreign Exchange Trade System (CFETS) and Bloomberg data

Fig. 16: Stocks



Note: Daily data; The most recent day: April 26

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	2015	2016	16/4Q	17/1Q	January	February	March
GDP	Real GDP	Y-o-y change (%)	6.9	6.7	6.8	6.9			
	Nominal GDP	Year-to-date (total), RMB 1 trillion	68.9	74.4	74.4	18.1			
Business Sentiment	PMI	End-of-period figure, points			51.4	51.8	51.3	51.6	51.8
	New Orders	Points			53.2	53.3	52.8	53.0	53.3
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.1	6.0	6.1	6.0	6.8	6.8	7.6
	Light Industry	Y-o-y change (%)	6.0	4.7	5.7	4.3	6.9	6.9	8.5
	Materials	Y-o-y change (%)	8.6	6.2	3.5	8.0	4.9	4.9	4.7
	Machinery	Y-o-y change (%)	6.3	8.4	9.1	7.6	10.9	10.9	11.2
	Electric Power Generation	Y-o-y change (%)	-1.9	4.8	7.3	7.2	n.a.	n.a.	7.2
	Industrial Goods Inventories	Y-o-y change (%)			1.1	6.1	6.1	6.1	n.a.
	Light Industry	Y-o-y change (%)			0.0	1.7	1.7	1.7	n.a.
	Materials	Y-o-y change (%)			-0.7	7.2	7.2	7.2	n.a.
	Machinery	Y-o-y change (%)			3.8	6.8	6.8	6.8	n.a.
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	4.1	3.4	14.8	0.7	n.a.
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-0.5	4.0	4.0	0.7	6.1	24.9	n.a.	
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	55.2	59.7	59.7	9.4	4.1	4.1	9.4
		Year-to-date y-o-y change (%)	10.0	8.1	8.1	9.2	8.9	8.9	9.2
	Real Estate	Year-to-date y-o-y change (%)	-0.2	5.4	5.4	8.5	5.6	5.6	n.a.
	Primary Industry	Year-to-date y-o-y change (%)	31.8	21.1	21.1	19.8	19.1	19.1	19.8
	Secondary Industry	Year-to-date y-o-y change (%)	8.0	3.5	3.5	4.2	2.9	2.9	4.2
	Manufacturing	Year-to-date y-o-y change (%)	8.1	4.2	4.2	5.8	4.3	4.3	5.8
	Tertiary Industry	Year-to-date y-o-y change (%)	10.6	10.9	10.9	12.2	12.2	12.2	12.2
	Actual Direct Investment	Year-to-date (total), USD 100 million	1355.8	1260.0	1260.0	338.1	120.0	207.0	338.1
	Year-to-date y-o-y change (%)	5.5	-7.1	-7.1	-4.5	-14.8	-8.1	-4.5	
Trade	Exports	USD 100 million	22734.7	20976.4	5795.9	4827.6	1823.3	1198.3	1806.0
		Y-o-y change (%)	-2.9	-7.7	-5.3	8.2	7.6	-1.5	16.4
	To the U.S.	Y-o-y change (%)	3.5	-5.1	2.0	7.8	6.3	-4.2	19.7
	To the EU	Y-o-y change (%)	-3.9	-3.7	-3.2	4.8	3.0	-5.8	16.6
	To Japan	Y-o-y change (%)	-9.2	-4.7	-2.0	4.3	9.3	-7.8	8.5
	To NIES, ASEAN	Y-o-y change (%)	-2.8	-8.5	-11.6	1.9	-4.8	8.1	4.3
	Imports	USD 100 million	16795.6	15879.2	4486.2	4171.8	1314.2	1290.8	1566.8
		Y-o-y change (%)	-14.3	-5.5	2.7	24.0	16.8	38.0	20.3
	From the U.S.	Y-o-y change (%)	-5.9	-9.8	-0.1	23.8	23.4	38.0	15.1
	From the EU	Y-o-y change (%)	-14.3	-0.5	5.1	15.2	7.9	33.7	9.3
	From Japan	Y-o-y change (%)	-12.3	1.7	10.6	20.1	10.2	39.4	13.6
From NIES, ASEAN	Y-o-y change (%)	-7.7	-1.6	3.2	15.7	7.6	33.8	10.0	
Trade Balance	USD 100 million	5939	5097	1310	656	509	-92	239	

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 of China, 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	2015	2016	16/4Q	17/1Q	January	February	March
Consumption	Consumer Confidence Index	End-of-period figure, points			108.4	111.0	109.2	112.6	111.0
	Consumer Expectations Index	End-of-period figure, points			111.5	114.2	112.4	116.2	114.2
	Total Retail Sales of Consumer Goods	RMB 1 trillion	30.09	33.23	9.38	18.30	5.80	5.80	2.79
		Y-o-y change (%)	10.7	10.4	10.6	10.3	9.5	9.5	10.9
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	7.8	8.1	9.2	7.5	6.8	6.8	10.1
	Automobile Sales	10,000 automobiles	2,456.3	2,793.9	864.6	700.2	252.0	193.9	254.3
		Y-o-y change (%)	3.9	13.7	14.9	8.9	0.2	22.4	4.0
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	8.9	8.4	8.4	8.5	n.a.	n.a.	n.a.
Jobs-to-applicants Ratio	End-of-period figure, times	1.10	1.13	1.13	1.13	n.a.	n.a.	n.a.	
Prices	Consumer Price Index	Y-o-y change (%)	1.4	2.0	2.2	1.4	2.5	0.8	0.9
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	1.9	2.0	2.2	1.8	2.0
	Foods	Y-o-y change (%)	2.3	4.6	3.4	-2.0	2.7	-4.3	-4.4
	Producer Price Index	Y-o-y change (%)	-5.2	-1.3	3.3	7.4	6.9	7.8	7.6
	Producer Goods	Y-o-y change (%)	-6.8	-1.7	4.4	9.9	9.1	10.4	10.1
	Consumer Goods	Y-o-y change (%)	-0.3	0.0	0.4	0.8	0.8	0.8	0.7
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	-3.8	6.2	10.4	10.2	10.4	10.3	10.0
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	139.23	155.01	155.01	159.96	157.59	158.29	159.96
		End-of-period figure, y-o-y change (%)	13.3	11.3	11.3	10.6	11.3	11.1	10.6
	Outstanding Loans	End-of-period figure, RMB 1 trillion	93.95	106.60	106.60	110.83	108.64	109.80	110.83
		End-of-period figure, y-o-y change (%)	14.3	13.5	13.5	12.4	12.6	13.0	12.4
	Net Increase	Mid-period increase, RMB 10 billion	1228	1265	249	422	203	117	102
	Deposits	End-of-period figure, RMB 1 trillion	135.70	150.59	150.59	155.65	152.07	154.38	155.65
		End-of-period figure, y-o-y change	12.4	11.0	11.0	10.3	10.4	11.4	10.3
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.5	17.0	17.0	17.0	17.0	17.0	17.0
	1-year Benchmark Lending Rate	End-of-period figure, %	4.35	4.35	4.35	4.35	4.35	4.35	4.35
	Overnight Repo Rate	End-of-period figure, %	2.10	2.10	2.10	2.52	2.60	2.50	2.52
Foreign Currency Reserves	End-of-period figure, USD 100 million	33,304	30,105	30,105	30,091	29,982	30,051	30,091	
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.48	6.94	6.94	6.88	6.88	6.87	6.88
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	18.57	16.82	16.82	16.19	16.39	16.32	16.19
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,539	3,104	3,104	3,223	3,159	3,242	3,223
	PER	End-of-period figure, times	17.6	15.9	15.9	16.9	16.3	16.9	16.9
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,313	5,077	5,077	5,396	5,172	5,382	5,396
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	25,559	12,777	3,134	2,654	680	810	1,163
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.5	4.8	4.8	14.1	17.7	14.9	14.1
	Fiscal Expenditure	Year-to-date y-o-y change (%)	15.9	6.8	6.8	21.0	37.5	17.4	21.0

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 of China, 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 April 28, 2017

**Kaori Yamato; Senior Economist, Research Department-Asia
Mizuho Research Institute Ltd.**

+81-3-3591-1368 kaori.yamato@mizuho-ri.co.jp

This publication is compiled solely for the purpose of providing readers with information and is in no way meant to encourage readers to buy or sell financial instruments. Although this publication is compiled on the basis of sources that MHRI believes to be reliable and correct, MHRI does not warrant its accuracy and certainty. Readers are requested to exercise their own judgment in the use of this publication. Please also note that the contents of this publication may be subject to change without prior notice.
