

Mizuho Economic Commentary-China

November 2017 edition

◆ Topic

The real estate market is cooling off following moves to clamp down on speculation

Housing sales underwent a y-o-y decline in July–September 2017 following moves to clamp down on speculation. House price growth has also started to slow, even in third-tier cities, with soaring house prices now cooling off. Regulations will not be relaxed and the authorities will continue to pursue measures to curb speculation, including supply-side reforms. Speculative activity could flare up again, though, so caution will be needed.

◆ Economic trends

Major indices slowed on the whole in October

Though production, exports and consumption slowed a little in October, investment rallied slightly. The economic recovery has lost momentum and the Chinese economy seems to be slowing, though it continues to move stably on the whole.

1. Topic: The real estate market is cooling off following moves to clamp down on speculation

Housing sales began falling on a y-o-y basis in the 3Q 2017, with prices now cooling off

Amid China's accommodative monetary environment, the real estate market has faced ongoing concerns about housing speculation, but the situation is now cooling down. At -8.6% y-o-y, the floor space of residential buildings sold fell further into negative territories in October (September: -5.7% y-o-y). At +5.6% y-o-y, meanwhile, the new-homes price index (the average of 70 major Chinese cities) continued to grow at a slower pace for the tenth successive month (September: +6.4% y-o-y).

A glance at the relationship between floor space sold and prices on a quarterly basis shows both indicators rising over January–March 2016. This expansionary phase lasted for 18 months, but with sales falling in July–September 2017, prices also began rising at a slower pace (Fig. 1). Price inflation peaked in first-tier cities in April–June 2016 and in second-tier cities in October–December 2016, with the growth rate in these cities continuing to trend lower thereafter. Though the growth rate continued to rise in third-tier cities entering 2017, it seems to have peaked in July–September 2017 (Fig. 2), with the housing market as a whole now cooling off.

Tougher restrictions on homes purchases have calmed prices

The backdrop to this trend is a series of measures introduced by the Chinese government to clamp down on speculation. From the latter half of 2014 to 2015, the authorities implemented an accommodative housing policy in order to prop up the property market, with the People's Bank of China (PBOC) lowering down payment rates for mortgages, for instance. In 2016, though, the authorities changed tack and began tightening rules on homes purchases amid growing concerns about soaring housing prices, particularly in first-tier cities. As prices continued to soar, the authorities announced tighter regulations in more than 20 cities (particularly in the first-tier cities and some second-tier cities) from the end of September to the start of October 2016. Though the clamp-down had the desired effect in first-tier and second-tier cities, this led to growing concerns that money would now flood into third-tier cities, where the rules were less strict. As a result, the authorities moved to tighten restrictions in a number of cities, including third-tier cities, in March–April 2017 and also in September 2017, in the run up to the National Congress.

An examination of the restrictions implemented from 2016 to 2017, based on IMF materials (2017*), etc., reveals that these measures were mainly aimed at the purchaser side (the demand side) of the equation. They can be classified as: (1) buying restrictions (on buyers with household registrations outside the target region, etc.); (2) raising up payment rates for mortgages; (3) placing curbs on realtor financing; (4) expanding the supply of land available for housing; (5) selling restrictions (curbs on flipping, etc.).

The authorities are expected to pursue more comprehensive measures to curb speculation, including supply-side reforms

In 2018, it seems the authorities will try to restore the real-estate market to health by pouring energy into supply-side reforms too. On November 21, the Ministry of Housing and Urban-Rural Development, the Ministry of Land and Resources and the PBOC met to discuss real-estate policy. They confirmed they would continue working to prevent real-estate risk without loosening restrictions from here on. Specifically, the authorities will (1) pursue measures to improve the housing supply and the public housing system by: developing the rental housing market; expanding the supply of social security housing and shared-ownership housing; redeveloping urban barrack zones; and eliminating barriers to moving between urban and rural areas. Furthermore, the authorities will take steps to (2) prevent real-estate risk by: strengthening financial control in order to stop illicit funds from flowing into real estate; increasing the amount of land available for rental properties, etc. in order to prevent land prices and commercial house prices from soaring; establishing a system for monitoring/appraising the real-estate market (Fig. 3).

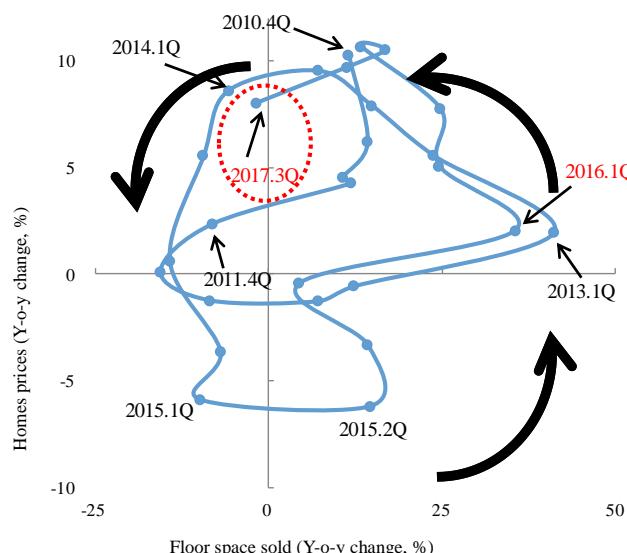
With regards to expanding the rental market, in December 2015 the Central Economic Working Conference proposed building up both condominiums and rental housing, with the Conference also announcing plans to accelerate the development of the rental market when it met in December 2016. From here on, there will probably be a shift away from ownership towards renting as the authorities increase the supply of land available for rental housing, for example.

There remains strong household appetite for home buying and speculative activity could flare up again, so caution will be needed

With the authorities committed to tightening, as mentioned above, soaring house prices look set to cool off in 2018 in tandem with falling housing sales. However, there remains strong household appetite for home buying, despite the tighter restrictions. According to a PBOC survey, the percentage of households planning to buy houses in the next three months has risen continually since the 13.6% figure recorded in January–March 2016, despite the crackdown, with the figure rising to around 23% entering 2017 (Fig. 4). With speculative money also flowing into regions with looser restrictions, speculative activity could flare up again, so caution will be needed.

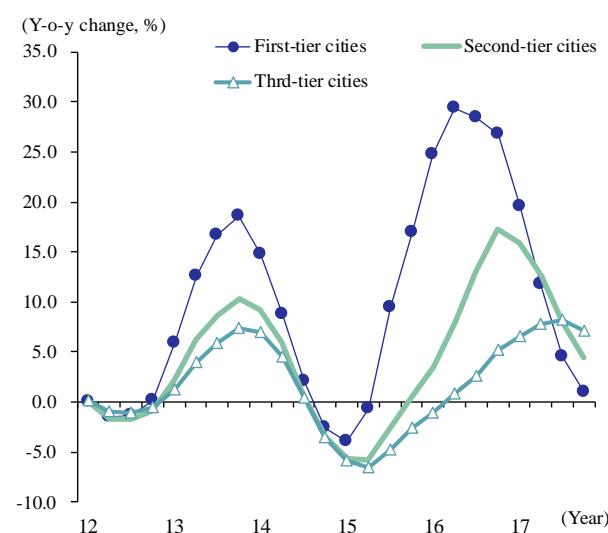
(*) *Assessing China's Residential Real Estate Market, IMF Working Paper 2017*

Fig. 1 The floor space of residential buildings sold and homes prices



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

Fig. 2 Homes prices in each type of city



Note: The city classification is based on National Statistics Office criteria. The most recent data is for October (y-o-y).

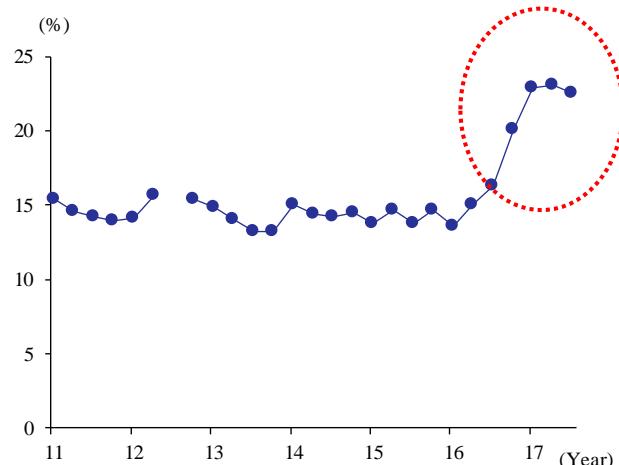
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China.

Fig. 3 Housing policies from here on

- I. Improve the housing supply/public housing system**
 - (1) Develop the rental housing market
 - (2) Expand social security housing aimed at new urban residents (people moving from rural areas to cities, etc.)
 - (3) Develop shared-ownership housing (ownership is shared between the state and the purchaser based on each party's capital contribution)
 - (4) Redevelop urban barrack zones
 - (5) Eliminate barriers to moving between urban and rural areas
- II. Prevent real-estate risk**
 - (1) Pursue a consistent and stable regulatory policy without relaxing restrictions
 - (2) Strengthen financial controls and stop illicit funds from flowing into real estate
 - (3) Prevent land prices from soaring by increasing the amount of land available for rental properties and shared-ownership housing
 - (4) De-centralize housing demand by transferring some functions of large cities to other cities nearby
 - (5) Promote a more orderly market, prevent speculation and clean up the housing environment
 - (6) Establish a system for monitoring/appraising the real-estate market

Source: Prepared by Mizuho Research Institute based on the materials from the Ministry of Housing and Urban-Rural Development of the People's Republic of China

Fig. 4 Household appetite for home buying



Note: The percentage of households planning to buy houses in the next three months. The figure for July–September 2017 is unavailable.

2. Overview: Though major indices slowed on the whole in October, they moved stably

Production, exports and consumption slowed a little in October, though investment rallied slightly

Production, exports and consumption slowed a little in October, though investment rallied slightly after previously falling sharply from summer onwards. The economy had recovered at a faster clip from the latter half of 2016, but this momentum eased off in October and the economy seems to be slowing, though it continues to move stably on the whole.

Production dipped for the first time in two months

At +6.2% y-o-y, real value-added industrial production growth fell in October for the first time in two months (September: +6.6% y-o-y) (Fig. 5). Growth slowed in the processing industries (such as communications and electronics, electrical machinery and automobiles), with growth also sliding in the materials sector (petroleum processing, and chemicals, etc.). The output/inventory balance deteriorated in the communications and electronics sector and the electrical machinery sector (it fell or dipped into negative territories) as inventories swelled over September, so it seems pressure for production cuts has increased slightly. The data may also have been impacted by delays in the production of new smartphones (on sale in November) due to technical issues. The automobile sector looks set to see a surge in demand before the tax break on small vehicles is abolished at the end of the year, so the production slowdown is likely to be temporary. At this moment in time, the China Association of Automobile Manufacturers (CAAM) is not calling for the tax break to be extended (the CAAM had called for an extension in October 2016, with the tax break subsequently extended for one year from the end of 2016), so the tax break is likely to finish at the end of the year, as planned.

The government's Manufacturing PMI fell

At 51.6, the government's October Manufacturing PMI fell for the first time in three months (September: 52.4) (Fig. 6). Though the PMI remained at a high level (the same as the average for January–September), the Production and Business Activities Expectation Index plummeted to 57.0 (September: 59.4), for instance, so it seems respondents are growing more cautious about the future. At 51.0, Caixin Manufacturing PMI moved flatly (September: 51.0).

Exports grew at a slower pace

At +6.9% y-o-y, export growth (nominal, dollar-denominated) fell in October (September: +8.1% y-o-y) (Fig. 7). Export volumes also fell from +6.2% y-o-y in September to +3.7% y-o-y. Machinery exports grew at a slower pace and this pushed the overall figure downwards. Mobile phone exports (number of phones) contracted on a y-o-y basis in September and they fell further in October (-8.1% y-o-y).

Import growth remained at high levels, though it fell slightly

At +17.2% y-o-y, import growth (nominal, dollar-denominated) in October was down slightly on September's +18.6% y-o-y, though it continued to move briskly at close to 20% y-o-y (Fig. 7). At +8.7% y-o-y, import volume growth also remained high, albeit down on September's figure of +9.7% y-o-y. The breakdown shows crude oil imports dipping slightly, though imports of electrical machinery grew at a faster pace. On December 1, China cut import duty on consumer goods. This applies to 187 articles, including high-grade food products, cosmetics, electric razors and toothbrushes, smart toilet seats, and daily articles. This move could see Chinese consumers shifting from overseas consumption (service imports) to goods imports (domestic consumption), but the target articles account for less than 1% of China's total amount of goods imports, so the impact will probably be limited.

The trade surplus continued to shrink on a y-o-y basis

China recorded a trade surplus of \$38.2 billion in October (September: \$28.6 billion), with the surplus shrinking on a y-o-y basis for the 15th month in a row. Though China's surplus with the U.S. continued to grow, its surplus with the EU, Hong Kong and the ASEAN region shrank while its deficit with Japan and South Korea expanded.

The nominal investment growth rate rallied for the first time in three months, though the real growth rate remained down on the previous year

At +5.8% y-o-y, the nominal growth rate of investment in fixed assets rallied for the first time in three months in October, though it moved more-or-less flatly (September: +5.7% y-o-y) (Fig. 8). Investment in real-estate development grew at a slower pace on tougher curbs on speculation, but manufacturing and infrastructure investment both rallied slightly. Though manufacturing investment moved weakly in the lower single digits, the automobiles sector continued to move bullishly, with the data also buoyed when the slump in the iron and steel sector eased off. Infrastructure investment was buoyed by strong growth when it came to the management of water conservation, the environment and utilities. However, government spending dipped into negative y-o-y territories for the first time in eight months in October. With the government also initiating a review into public-private partnership (PPP) projects in order to prevent abuses, the fiscal situation is growing more constrained. At -1.1% y-o-y, the real growth rate of investment in fixed assets (a Mizuho Research Institute estimate, as are other figures denoted by a *) continued to fall in October (September: -0.8% y-o-y).

The nominal retail sales growth rate fell, though it remained in double digits

At +10.0% y-o-y, nominal total retail sales of consumer goods rose at a slightly slower pace in October (September: +10.3% y-o-y), though growth remained firm in double digits (Fig. 9). The breakdown for retail sales above a designated size shows sales of household goods (such as furniture, appliances and construction materials), automobiles and telecommunications equipment growing at a slower pace. However, sales of food, clothing, cosmetics and entertainment goods grew at a faster clip. At +8.6% y-o-y, the real growth rate of total retail sales of consumer goods was down on September's figure of +9.2% y-o-y.

Fig. 5 Real value-added industrial production growth

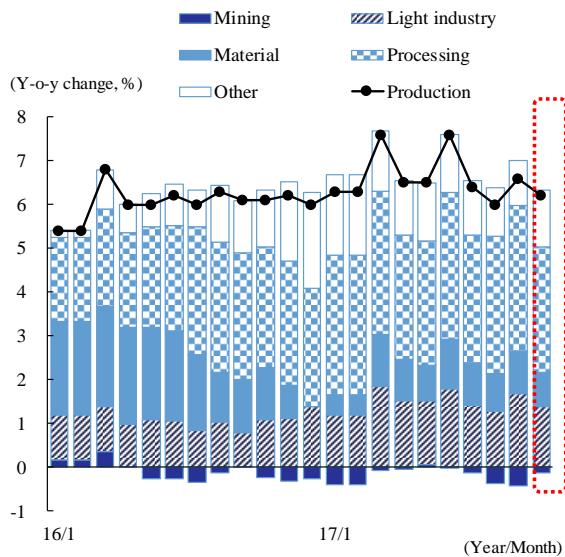
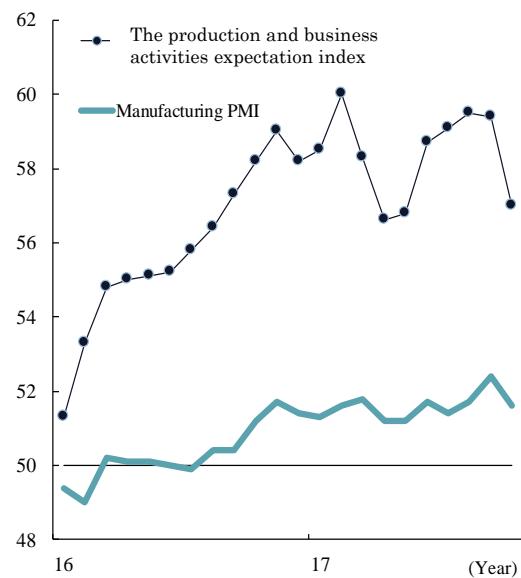


Fig. 6 Manufacturing PMI



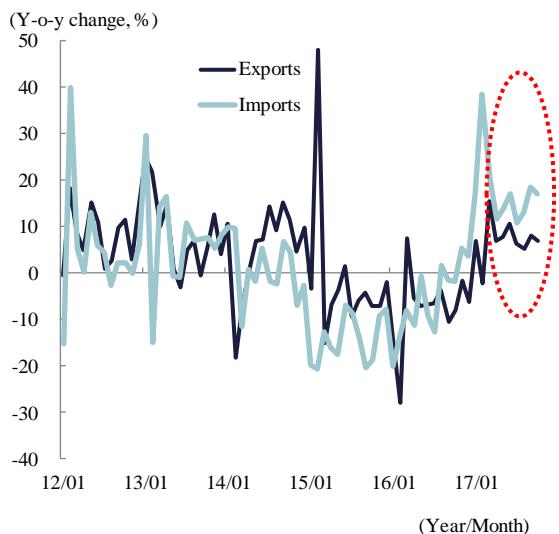
Note: Value-added amounts by industry from 2012 input/output tables were tabulated with production data, with the contribution rate of each industry calculated using 2015 weights estimated from each value-added production growth rate.

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

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

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

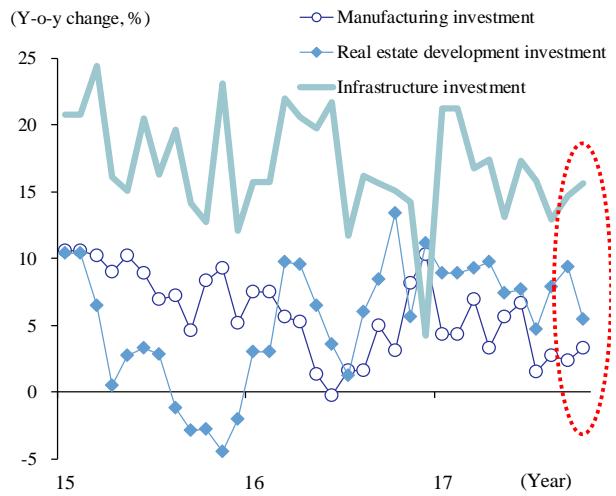
Fig. 7 Value of Imports and Exports



Note: Nominal, dollar-denominated

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

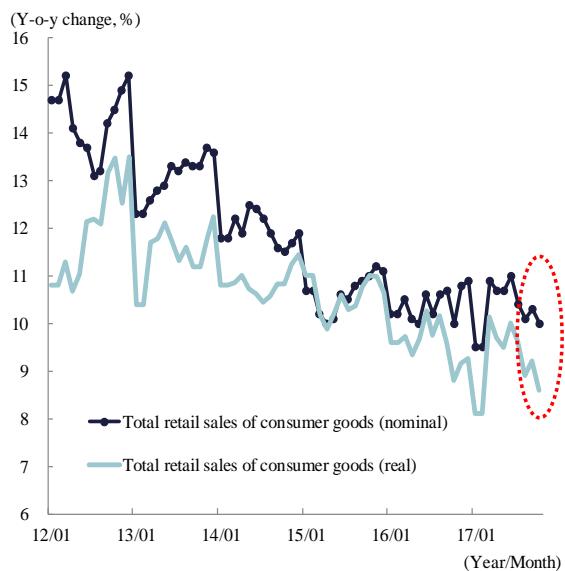
Fig. 8 Nominal Investment in Fixed Assets



Note: The monthly figures were calculated based on the cumulative investment amount since the start of the year. The figures for January and February are aggregated and included under the figure for January–February.

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

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 values).

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

3. Inflation: The CPI rose while the PPI moved flatly

CPI growth climbed on rising food prices, though the core CPI data moved flatly

At +1.9% y-o-y, consumer price index (CPI) growth rose for the first time in two months in October (September: +1.6% y-o-y) (Fig. 10). This was due to rising food prices, with the price of fresh vegetables returning to positive growth and pork prices falling at a slower pace. At +2.4%, the core CPI data (excluding energy and food) moved flatly (September: +2.4% y-o-y).

The PPI moved flatly y-o-y, though it fell on a monthly basis

At +6.9% y-o-y, producer price index (PPI) growth moved flatly in October (September: +6.9% y-o-y) (Fig. 10). At +0.7% m-o-m, PPI growth slowed on a monthly basis (September: +1.0% m-o-m). A glance at the y-o-y figures shows the price of coal falling sharply, with coal usage squeezed in Beijing, Tianjin and Hebei following moves to clamp down on air pollution. The

Homes prices continued to grow at a slower y-o-y pace, though they rose on a monthly basis for the first time in eight months

Real estate sales in terms of floor space fell further into negative territories on a y-o-y basis, with development investment growing at a slower pace

price of ferrous and non-ferrous metals also dipped slightly after previously growing at a fast clip. However, prices grew at a faster pace when it came to paper, chemicals and nonmetallic mineral products, all sectors where tougher environmental rules seem to have restricted supply on the whole.

At +5.6%, the new-homes price index (the average of 70 major Chinese cities, *) continued to grow at a slower pace in October (September: +6.4%) following moves to clamp down on speculation (Fig. 11). Growth continued to slide in first-tier and second-tier cities after peaking in the latter half of 2016. Prices continued to climb at faster clip in third-tier cities until July 2017, though the growth rate then fell for three months in a row. On a monthly basis (*), prices in the 70 major cities grew for the first time in eight months in October to hit +0.3% m-o-m (September: +0.2% m-o-m). Fifty cities saw prices rising on a monthly basis. This was up from 44 in September, with the figure increasing for the first time in four months, so it seems concerns about speculation have not been wiped away.

At -6.0% y-o-y, real estate sales in terms of floor space fell further into negative territories in October, particularly when it came to housing (September: -1.5% y-o-y). At +5.4% y-o-y, real estate development investment grew at a slower pace in October (September: +9.4% y-o-y). With the bounce-back from the bad summer weather ending, it seems investment faced downward pressure from a slide in demand.

Fig. 10 CPI and PPI

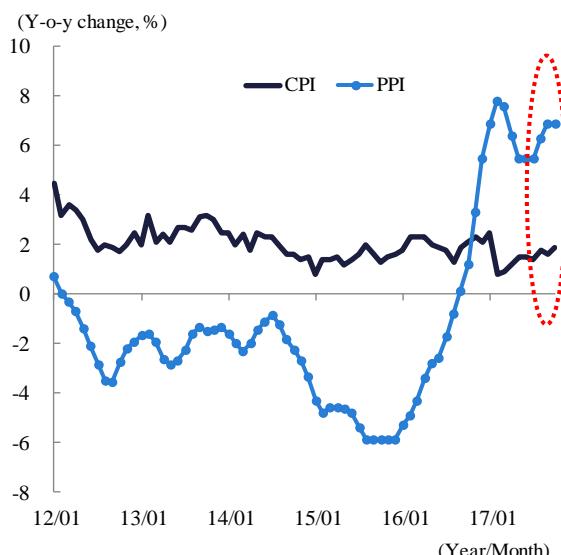
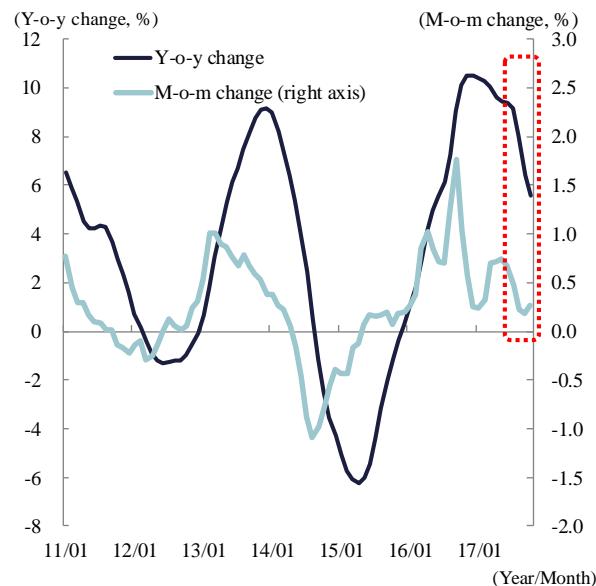


Fig. 11 The New-Homes Price Index



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

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: The money supply continued to grow at a slow pace

M2 growth dipped again

At +8.8% y-o-y, money supply (M2) growth dipped again in October (September: +9.2% y-o-y) (Fig. 12). M1 (cash in circulation + current deposits, etc.) grew at a slower pace (from +14.0% y-o-y in September to +13.0%), with quasi-money (personal savings deposits + corporate time deposits, etc.) growth also dipping (from +7.1% y-o-y in September to +7.0% y-o-y). An article in the People's Daily on November 27 expressed the opinion that (1) the slowdown in M2 growth was due to an increase in deleveraging following tougher financial

supervision and regulation, for instance, as well as a shift to non-bank-deposit savings. The article added that (2) with China pursuing a prudent and neutral monetary policy, the decline in the M2 growth rate marked a return to rational levels following various policy supports, with the financial system remaining stable.

Outstanding RMB loan growth fell slightly

New RMB loans totaled RMB 663.2 billion in October. This was down on September's figure of RMB 1.27 trillion, with the growth rate also falling on an annual basis (from +4.1% y-o-y in September to +1.8% y-o-y). At +13.0% y-o-y, the outstanding loan balance also grew at a slower pace (September: +13.1% y-o-y). The breakdown revealed that lending as a whole continued to be pushed down by the slide in mid- to long-term lending to households (particularly mortgage loans).

The total social financing balance moved flatly

At RMB 1.0387 trillion, total social financing was down on the previous month (September: RMB 1.8334 trillion), with the outstanding balance moving flatly at +13.0% y-o-y (September: +13.0% y-o-y) (Fig. 13). Though the overall balance remained unchanged, a glance at the details shows off-balance-sheet items (such as trust loans and banker's acceptances) making a greater y-o-y contribution, with the shift away from corporate bond and equity finance continuing.

The PBOC provided net funding for the 2nd consecutive month via its open market operations, the SLF and the MLF in October

In October, the PBOC provided net funds to the markets via open market operations for the first time in three months (Fig. 14). It supplied a net total of RMB 847.1 billion, including funds provided via the Standing Lending Facility (SLF) and the Medium-term Lending Facility (MLF), with the PBOC providing net funds for the second successive month (September: +RMB 26.7 billion).

The PBOC has provided net funding in November

In November, the PBOC has provided a net RMB 500 billion to the markets via open-market operations, with a net RMB 8 billion also being provided via the MLF. As such, the PBOC has pumped a total of RMB 508 billion into the markets, with the bank continuing to provide funds on a net basis, albeit at a low level (as of November 28).

The authorities announced measures to strengthen the supervision of asset management business in a cross-industry manner

On November 17, the PBOC, the China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission and the State Administration for Foreign Exchange released a draft version of the 'Guiding Opinions on Regulating the Asset Management Business of Financial Institutions.' The Opinions propose strengthening supervision in a cross-industry manner to promote sound development and risk management when it comes to the swelling off-balance sheet operations of financial institutions (asset management business). The draft also calls for the elimination of 'implicit bank guarantees' of asset management products.

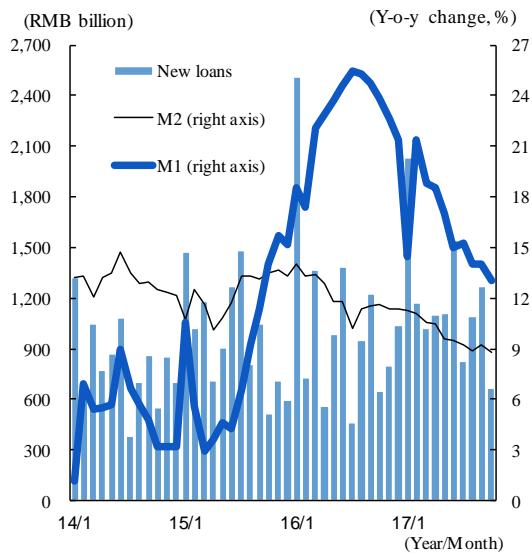
Stock prices fell slightly on the poor reaction to tougher financial regulations

After enjoying an ongoing climb, the Shanghai Stock Exchange Composite Index fell slightly on the poor market reaction to moves to tighten financial regulations (such as the aforementioned measures to regulate the asset management business of financial institutions) (Fig. 15). The fundamentals are moving firmly, though, with corporate profits continuing to rise sharply in October too, so the Index is unlikely to fall further.

The RMB is moving stably against the dollar

The RMB strengthened against the dollar for a time as the dollar weakened on November 23, though the currency pair is moving stably on the whole (Fig. 16).

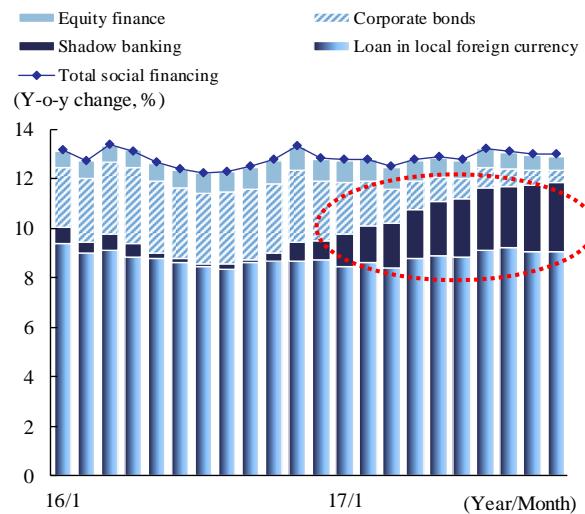
Fig. 12 Financial Indicators



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

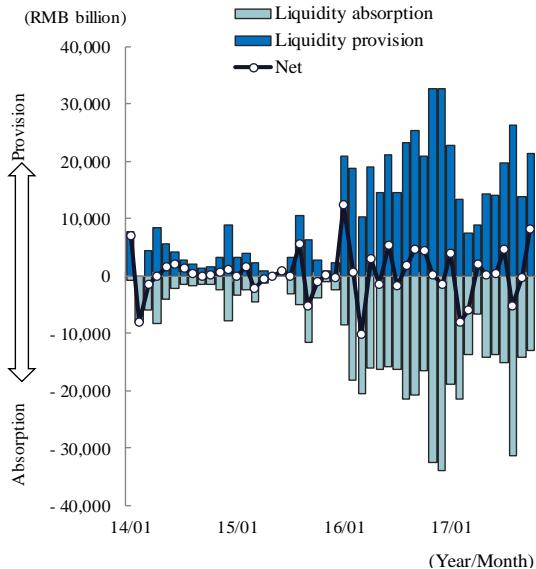
Fig. 13 The Total Social Financing Balance (Y-o-y change)



Note: Shadow banking is the total of entrusted loans, trust loans and banker's acceptance bills.

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

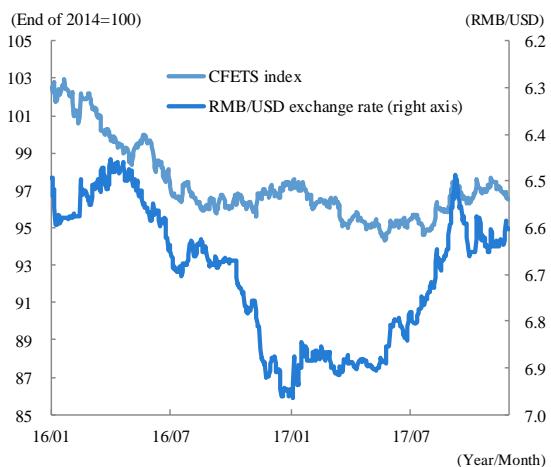
Fig. 15 Stocks



Note: Daily data; The most recent day: November 27

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

Fig. 16 Exchange Rates



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: November 27

Source: Prepared by Mizuho Research Institute based on the materials from the China Foreign Exchange Trade System (CFETS) and Bloomberg data

Appendix: China's Major Economic Indicators (1)

Headings		Unit	2015	2016	17/1Q	17/2Q	17/3Q	August	September	October
GDP	Real GDP	Y-o-y change (%)	6.9	6.7	6.9	6.9	6.8			
	Nominal GDP	Year-to-date (total), RMB 1 trillion	68.91	74.41	18.07	38.15	59.33			
Business Sentiment	PMI	End-of-period figure, points			51.8	51.7	52.4	51.7	52.4	51.6
	New Orders	Points			53.3	53.1	54.8	53.1	54.8	52.9
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.1	6.0	6.9	6.3	6.0	6.6	6.2	
	Light Industry	Y-o-y change (%)	6.0	4.7	4.3	7.7	6.9	6.2	7.7	6.3
	Materials	Y-o-y change (%)	8.6	6.2	8.0	4.1	5.0	4.7	5.5	4.4
	Machinery	Y-o-y change (%)	6.3	8.4	7.6	10.5	10.8	10.8	11.7	10.1
	Electric Power Generation	Y-o-y change (%)	-1.9	4.8	7.2	5.2	6.2	4.8	5.3	2.5
	Industrial Goods Inventories	Y-o-y change (%)			6.8	9.4	7.9	7.9	7.8	9.0
	Light Industry	Y-o-y change (%)			2.2	3.9	3.3	3.4	3.1	n.a.
	Materials	Y-o-y change (%)			8.5	11.3	8.0	8.4	7.5	n.a.
	Machinery	Y-o-y change (%)			7.2	10.3	9.0	8.7	9.2	n.a.
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	6.0	4.1	3.4	3.6	3.7	4.0	1.7	4.1
	Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-0.5	4.0	0.7	3.5	4.6	8.3	6.7	6.8
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	55.16	59.65	9.38	28.06	45.85	39.42	45.85	51.78
	Real Estate	Year-to-date y-o-y change (%)	10.0	8.1	9.2	8.6	7.5	7.8	7.5	7.3
	Primary Industry	Year-to-date y-o-y change (%)	-0.2	5.4	8.5	7.1	6.9	6.9	6.9	6.2
	Secondary Industry	Year-to-date y-o-y change (%)	31.8	21.1	19.8	16.5	11.8	12.2	11.8	13.1
	Manufacturing	Year-to-date y-o-y change (%)	8.0	3.5	4.2	4.0	2.6	3.2	2.6	2.7
	Tertiary Industry	Year-to-date y-o-y change (%)	8.1	4.2	5.8	5.5	4.2	4.5	4.2	4.1
	Actual Direct Investment	Year-to-date (total), USD 100 million	1,356	1,339	338	656	921	815	921	1,011
		Year-to-date y-o-y change (%)	5.5	-1.2	-4.5	-5.4	-3.2	-5.1	-3.2	-2.7
Trade	Exports	USD 100 million	22,735	20,976	4,797	5,633	5,890	1,985	1,982	1,890
	To the U.S.	Y-o-y change (%)	-2.9	-7.7	7.5	8.5	6.5	5.1	8.0	6.9
	To the EU	Y-o-y change (%)	3.5	-5.1	7.8	14.5	10.4	8.4	13.8	8.3
	To Japan	Y-o-y change (%)	-3.9	-3.7	4.8	9.7	8.4	5.1	10.4	11.4
	To NIES, ASEAN	Y-o-y change (%)	-9.2	-4.7	4.3	7.4	2.4	1.1	0.0	5.7
	Imports	USD 100 million	16,796	15,879	4,178	4,443	4,734	1,571	1,696	1,508
	From the U.S.	Y-o-y change (%)	-14.3	-5.5	24.2	14.2	14.3	13.2	18.6	17.2
	From the EU	Y-o-y change (%)	-5.9	-9.8	23.8	14.1	18.8	18.6	14.3	4.3
	From Japan	Y-o-y change (%)	-12.3	1.7	20.1	12.5	13.3	9.8	17.8	13.4
	From NIES, ASEAN	Y-o-y change (%)	-7.7	-1.6	15.7	6.9	13.4	13.6	18.9	17.1
	Trade Balance	USD 100 million	5,939	5,097	619	1,190	1,157	414	286	382

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	17/1Q	17/2Q	17/3Q	August	September	October
Consumption	Consumer Confidence Index	End-of-period figure, points			111.0	113.3	118.6	114.7	118.6	123.9
	Consumer Expectations Index	End-of-period figure, points			114.2	116.4	121.9	117.6	121.9	127.6
	Total Retail Sales of Consumer Goods	RMB 1 trillion	30,09	33,23	18,30	8,65	9,08	3,03	3,09	3,42
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	10.7	10.4	10.3	10.8	10.3	10.1	10.3	10.0
	Automobile Sales	10,000 automobiles	2,456.3	2,793.9	700.2	635.2	686.6	218.6	270.9	270.4
		Y-o-y change (%)	3.9	13.7	8.9	0.7	5.7	5.3	5.7	2.0
	Nationwide Disposable Income per Capita	Year-to-date y-o-y change (%)	8.9	8.4	8.5	8.8	9.1	n.a.	n.a.	n.a.
Prices	Jobs-to-applicants Ratio	End-of-period figure, times	1.10	1.13	1.13	1.11	1.16	n.a.	n.a.	n.a.
	Consumer Price Index	Y-o-y change (%)	1.4	2.0	1.4	1.4	1.6	1.8	1.6	1.9
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	1.6	2.0	2.1	2.2	2.2	2.3	2.3
	Foods	Y-o-y change (%)	2.3	4.6	-2.0	-2.1	-0.9	-0.2	-1.4	-0.4
	Producer Price Index	Y-o-y change (%)	-5.2	-1.3	7.4	5.8	6.2	6.3	6.9	6.9
	Producer Goods	Y-o-y change (%)	-6.8	-1.7	9.9	7.7	8.2	8.3	9.1	9.0
	Consumer Goods	Y-o-y change (%)	-0.3	-0.0	0.8	0.6	0.6	0.6	0.7	0.8
Finance	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	-3.8	6.2	10.2	9.5	7.9	8.1	6.4	5.6
	Money Supply (M2)	End-of-period figure, RMB 1 trillion	139.23	155.01	159.96	163.13	165.57	164.52	165.57	165.34
		End-of-period figure, y-o-y change (%)	13.3	11.3	10.6	9.5	9.2	8.9	9.2	8.8
	Outstanding Loans	End-of-period figure, RMB 1 trillion	93.95	106.60	110.83	114.57	117.76	116.49	117.76	118.42
		End-of-period figure, y-o-y change (%)	14.3	13.5	12.4	12.9	13.1	13.2	13.1	13.0
	Net Increase	Mid-period increase, RMB 10 billion	1228	1265	422	375	319	109	127	66
	Deposits	End-of-period figure, RMB 1 trillion	135.70	150.59	155.65	159.66	162.28	161.84	162.28	163.33
Exchange Rates		End-of-period figure, y-o-y change	12.4	11.0	10.3	9.2	9.3	9.0	9.3	9.1
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.5	17.0	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	4.35
	Overnight Repo Rate	End-of-period figure, %	2.10	2.10	2.52	2.63	2.94	2.85	2.94	2.89
	Foreign Currency Reserves	End-of-period figure, USD 100 million	33,304	30,105	30,091	30,568	31,085	30,915	31,085	31,092
	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.48	6.94	6.88	6.78	6.65	6.59	6.65	6.63
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	18.57	16.82	16.19	16.58	16.93	16.70	16.93	17.13
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,539	3,104	3,223	3,192	3,349	3,361	3,349	3,393
	PER	End-of-period figure, times	17.6	15.9	16.9	17.0	18.0	18.0	18.0	18.4
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,313	5,077	5,396	5,343	5,693	5,620	5,693	5,791
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	25,559	12,777	2,654	2,591	3,311	1,179	1,154	796
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.5	4.8	14.1	10.3	10.5	10.2	10.5	9.9
	Fiscal Expenditure	Year-to-date y-o-y change (%)	15.9	6.8	21.0	16.1	11.7	13.4	11.7	10.3

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

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