
Mizuho Economic Commentary-China

January-February 2018 edition

◆ Topic

The Chinese economy remained firm over October–December

The Chinese economy continued to move firmly over October–December on robust external demand. The Central Economic Work Conference announced it was prepared to tolerate lower growth going forward, with the economy expected to face further headwinds in 2018 as reforms are accelerated.

◆ Economic trends

Major indices moved stably overall in December

Production and investment growth expanded slightly in December. Though consumption and exports slowed slightly, they continued to grow at a fast clip, with the major indices moving stably overall. The positive output/inventory balance continued to shrink, though, so production is unlikely to expand further from here on.

1. Topic: The Chinese economy remained firm over October–December

The Chinese economy remained firm in October–December on robust external demand

At +6.8% y-o-y, China's real GDP growth in October–December 2017 was unchanged on the previous quarter (July–September: +6.8% y-o-y) (Fig. 1). At +6.9% y-o-y, the figure for 2017 as a whole was up on the previous year for the first time in seven years (2016: +6.7% y-o-y), with the Chinese economy continuing to move firmly. With imports slowing, the contribution of external demand rose sharply (from +0.0Pt in July–September to +1.8Pt in October–December). Internal demand was somewhat subdued, with the contribution of gross capital formation falling from +2.3Pt to +2.1Pt and the contribution of final consumption sliding from +4.6Pt to +3.0Pt.

Investment growth fell further into negative territories on sluggish investment in infrastructure and real estate development

A glance at the major indicators shows investment in fixed assets slipping further into negative territories at -0.9% y-o-y (July–September: -0.6% y-o-y). Though manufacturing investment bounced back slightly, infrastructure spending growth slowed as the authorities introduced tougher regulations for local bonds, with investment in real estate development also contracting at a faster pace on a series of measures to rein in speculation. However, manufacturing investment returning to positive growth for the first time in two quarters. Investment in the telecommunications and electronics sector grew strongly at around 25% y-o-y for the fifth successive quarter, for instance, with faster growth also recorded in the general machinery, specialist machinery and automobile sectors, etc.

Consumer spending growth slowed as consumers avoided gasoline vehicles, etc.

At +8.4% y-o-y, the real growth of total retail sales of consumer goods slowed on July–September (+9.2% y-o-y). Sales of telecommunication equipment moved briskly on the sale of new smartphones, but sales of household goods grew at a slower pace on sluggish housing sales. Furthermore, China announced a policy to promote the usage of new energy vehicles (NEV) in September. This led to rumors that gasoline vehicles might be banned in future, so sales of gasoline vehicles underwent y-o-y slides for three consecutive months from October. With prices rising, meanwhile, real per-capita disposable incomes grew at a slower pace for the first time in around a year, from +7.9% y-o-y in July–September to +7.1% y-o-y. Incomes still seem to be moving firmly, with consumer confidence (earnings prospects) at high levels, for instance, but a temporary slide in real purchasing power may have constrained consumption.

Though exports moved firmly, import growth slowed on a tougher regulatory environment

Real exports grew at a faster pace (from +5.2% y-o-y in July–September to +5.6% y-o-y), though real import growth slowed (from +9.0% y-o-y to +4.0% y-o-y). A glance at import volumes by item shows imports of primary products growing at a slower pace on tougher environmental restrictions, though machinery imports expanded. Imports of capital goods continued to move firmly on brisk investment related to hi-tech and labor-saving technology.

As outlined above, the Chinese economy saw internal demand slowing over October–December 2017 on a tougher regulatory environment, though the economy was supported by robust external demand.

The Chinese economy will be bolstered by brisk exports and consumption, though it will face headwinds from tougher regulations, etc,

From here on, the growth rate will be bolstered as exports move briskly on the global economic recovery. Furthermore, though consumption slowed over October–December, it is expected to move strongly in future as incomes continue to move firmly on improved corporate profits and labor shortages. However, growth will be pushed down by: moves to reduce real estate investment and overcapacity, tougher financial restrictions, and the regulation of local bonds, for instance. As such, the Chinese economy is expected to undergo a gentle slowdown in 2018.

The Central Economic Work Conference took a more long-term view

In fact, the policy management platform announced at the Central Economic Work Conference of December 2017 suggests the authorities are prepared to tolerate slower economic growth as they push further forward with reform (Fig. 2). The Conference usually concentrates on setting the agenda for the upcoming year, but December's meeting took a more long-term view, as it was the start of the Xi administration's second term. The Conference placed 'high-quality development' as the central goal and it outlined eight major tasks, headed by 'supply-side structural reform,' that need to be implemented to achieve this. It also outlined 'three tough

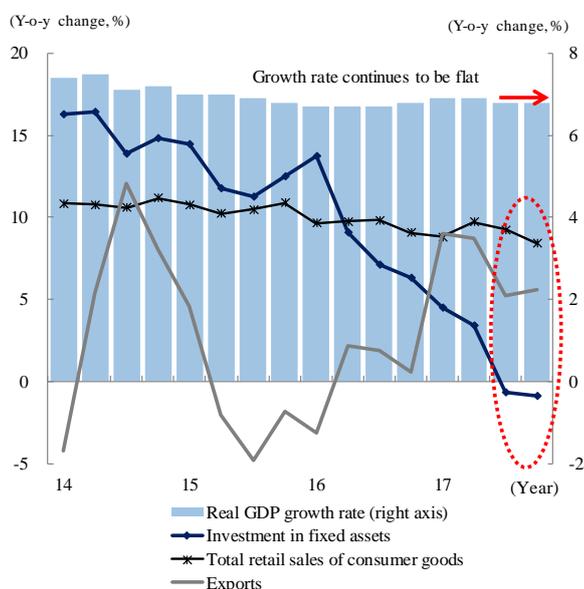
battles' that need be tackled in order to achieve the goal of finished building a moderately prosperous society in all respects. These are (1) preventing and solving major risks, (2) targeted poverty alleviation, and (3) pollution control. Given China's recent accommodative monetary environment, there is a danger of funds flowing into sectors with over-investment or into real-estate speculation, with economic efficiency deteriorating and the number of non-performing loans increasing, thus leading to a financial crisis. The fact that the Conference placed particular focus on preventing major risks reconfirmed that the authorities are determined to prevent such a crisis.

In 2018, the authorities are prepared to tolerate slower growth as they focus on striking a balance between 'stability' and 'progress (reform)'

As for economic policy in 2018, while following the key principle of "seeking progress (reform) while maintaining stability," the Conference's communique contained wording to the effect that a balance would be struck between 'stability' and 'progress' going forward. This contrasted with the view expressed as the last National Congress (held in autumn 2017) that the emphasis would be placed on policies that prioritized 'stability.' The Conference agreed to maintain the proactive orientation of fiscal policy, but the words 'in more proactive' were removed from the previous communique's wording about 'a more proactive and efficient manner.' This suggests more emphasis will be placed on qualitative improvements than quantitative improvements in 2018 compared to 2017. The Conference reaffirmed the 'prudent and neutral' stance, with policy management likely to focus on tightening and liquidity provision while keeping an eye on the real economy. The previous communique had spoken about "moderately expanding total demand," a phrase that reflected the emphasis on stability at the 2016 meeting. This phrase was now removed from the 2017 communique. All this suggests that the authorities will remain focused on maintaining stability in 2018 but will nonetheless place more emphasis on implementing reforms compared to 2017, with the authorities thus prepared to tolerate slower growth. 2018 marks the 40th year since China embarked up 'reform and opening-up.' This is another incentive for the government to push forward with reform this year.

(Kaori Yamato)

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 (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 Key points from the Central Economic Work Conference

	Last Time	This Time
Basic Policy	<ul style="list-style-type: none"> • 2017 will be <u>the year to further supply-side structural reform</u> • With supply-side structural reform as the centerpiece, greet the upcoming 19th National Congress with distinguished results by <u>moderately expanding total demand</u>, etc. 	<ul style="list-style-type: none"> • 'High-quality development' is the fundamental requirement • With supply-side structural reform as the centerpiece, <u>implement further reform/opening up and tackle the 'three tough battles,' namely preventing major risks, poverty alleviation and pollution control</u>
Key Principles	"Seek progress while maintaining stability." <u>Stability is the basic tone</u> with efforts to achieve progress in key fields.	Continue to "seek progress while maintaining stability." <u>Stability and progress are a unified whole.</u>
Fiscal Policy	Pursue a proactive fiscal policy <u>in a more proactive and efficient manner</u>	Maintain the proactive orientation of fiscal policy
Monetary Policy	Continue to pursue a prudent and neutral monetary policy	Prudent monetary policy should be kept neutral
Major Tasks	<ol style="list-style-type: none"> 1. Implement the five major tasks (cutting overcapacity, destocking, de-leveraging, lowering corporate costs, and expanding effective supply) 2. Deepen supply-side reforms in agriculture 3. Vitalize the real economy 4. Promote the stable and sound development of the real estate market 	<ol style="list-style-type: none"> 1. Further supply-side structural reform 2. Draw out the vitality of each market actor 3. Implement a strategy for rural rejuvenation 4. Implement a strategy for coordinated development between regions 5. Implement a new framework for comprehensive opening-up 6. Further secure and improve people's living standards 7. Expand the housing supply and accelerate the establishment of system that encourages both housing purchases and renting 8. Accelerate the building of an ecological civilization

Source: Prepared by Mizuho Research Institute based on the materials from the website of the State Council of The People's Republic of China, etc.

2. Overview: Major indices moved stably overall in December

The Chinese economy moved stably in December	Production and investment grew at a slightly faster pace in December, though consumption and exports slowed. Consumption and exports continued to grow at a fast clip, though, with the Chinese economy continuing to move firmly on the whole.
Production grew at a faster pace for the first time in two months	At +6.2% y-o-y, real value-added industrial production growth rose slightly in December for the first time in two months (November: +6.1% y-o-y). Environmental restrictions had curbed production in sectors like ferrous and non-ferrous metals and coal mining, for instance, but these sectors now saw production contracting at a slower pace or growing at a faster pace. Moves to restrict winter coal use in Beijing, Tianjin and other surrounding cities had hit living standards as households struggled to stay warm, so some overly-restrictive rules were relaxed, with coal-fired thermal power plants firing up again, for example. Real inventories growth (indexed using the PPI) outstripped production growth in December, so the output/inventory balance (y-o-y output growth minus y-o-y inventory growth) shrunk from November's +3.1%Pt to +2.8%Pt (Fig. 3). Though the data by industry for December has yet to be released, in November the output/inventory balance remained in negative territories when it came to automobiles and electrical machinery, while the positive balance in the general machinery, specialist machinery, telecommunications and electronics sectors shrunk to the lower single digits, so production is unlikely to expand further from here on.
The government's Manufacturing PMI fell slightly, though it remained at high levels	At 51.6, the government's December Manufacturing PMI fell on the previous month (November: 51.8), but it remained at a high level above 50, the line dividing expansion from contraction (Fig. 4). All the constituent indices fell slightly, including production and new orders. However, new export orders (an indicator referenced by the PMI) rose for the second successive month after dropping close to 50 in October, with external demand moving firmly. At 51.5, Caixin's Manufacturing PMI rose for the first time in two months (November: 50.8).
Exports grew at a slower pace	At +10.9% y-o-y, export growth (nominal, dollar-denominated) was down on November's figure of +11.5%, though it remained in double digits for the second month in a row (Fig. 5). At +6.9% y-o-y, export volumes also continued to grow at a fast clip (November: +7.0% y-o-y). Mobile phones grew at a faster pace, though exports of electrical machinery slowed slightly after growing strongly in November.
Import growth fell sharply	At +4.5% y-o-y, import growth (nominal, dollar-denominated) fell sharply on November's figure of +17.6% y-o-y (Fig. 5). At -3.9% y-o-y, import volume growth fell on a y-o-y basis for the first time since July 2016 (November: +9.3% y-o-y). The breakdown shows electrical machinery imports dropping back sharply from the strong growth recorded in November, with the overall figure also pushed down by the data for primary products (petroleum, rapeseed oil, palm oil and scrap, etc.), which had been hit by rising prices toward the end of 2017. With the positive output/inventory balance shrinking, imports faced less upwards pressure from inventory rebuilding. However, imports continued to move firmly, with the December PMI's Import Index rising for the second successive month, for instance. Movements from here on will need to be monitored to assess the shifts in Chinese demand.
The trade surplus grew on a y-o-y basis	China recorded a trade surplus of \$54.7 billion in December (November: \$39.0 billion). With import growth falling sharply on the previous year, the trade surplus underwent a y-o-y increase for the first time since July 2016. China's surplus with U.S., EU and Hong Kong continued to grow, while its trade deficit with Japan shrank.
Nominal investment growth was up for the fourth month in a row	At +7.2% y-o-y, the nominal growth rate of investment in fixed assets* accelerated for the fourth month in a row in December (November: +6.3%). Though investment in infrastructure and real-estate development slowed, investment in the manufacturing sector grew at a double-digit y-o-y pace for the first time in a year. Infrastructure investment often slows in December, which suggests there is a tendency to front-load yearly plans. Investment in real estate

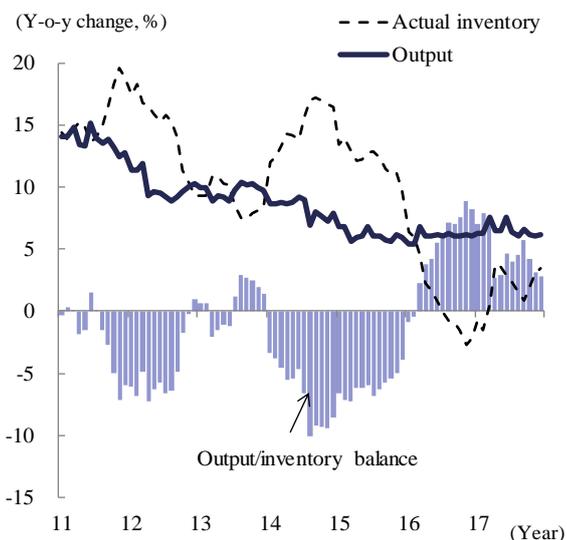
development continued to slow, with housing sales moving sluggishly as the authorities cracked down on real estate speculation. When it came to manufacturing, meanwhile, the telecommunications and electronics sector remained robust, with investment up a substantial +44.8% (November: +11.7%), while several sectors that had moved bearishly in recent times (such as chemicals, ferrous and non-ferrous metals) now saw positive growth. Moves to eliminate overcapacity are moving steadily forward, with the industrial capacity utilization rate hitting 78.0% in October–December for the first time since 2011. Under these circumstances, manufacturing investment was apparently pushed up companies spending money to upgrade facilities (Fig. 6). At -0.2% y-o-y, the real growth rate of investment in fixed assets contracted at a slower pace for the second successive month (November: -0.9%).

* Mizuho Research Institute estimate

Retail sales growth dipped

At +9.4% y-o-y, nominal total retail sales of consumer goods grew in single digits in December for the first time in ten months (November: +10.2%) (Fig. 7). Sales of household goods and automobiles were down on the previous year and this seems to have pushed the growth rate down. At +7.9% y-o-y, the real growth rate of total retail sales of consumer goods was down on November's figure of +8.8% y-o-y. As outlined in the Topic section, though, consumer sentiments are moving robustly. Consumption has undergone a temporary dip in the past too (in January–February 2017, for example), so the situation will require monitoring from here on.

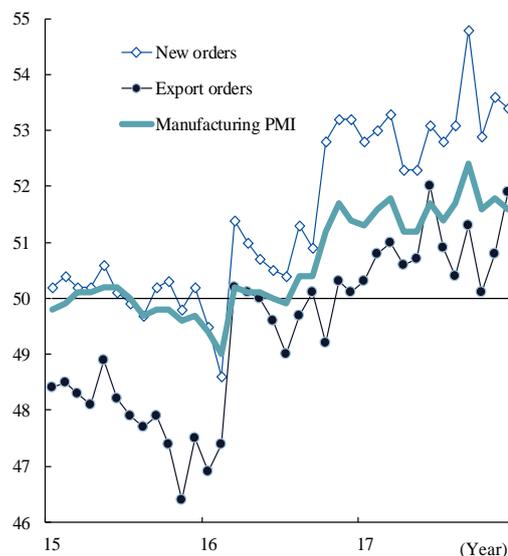
Fig. 3 Output/Inventory Balance



Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth. The inventories data has been indexed using the PPI.

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

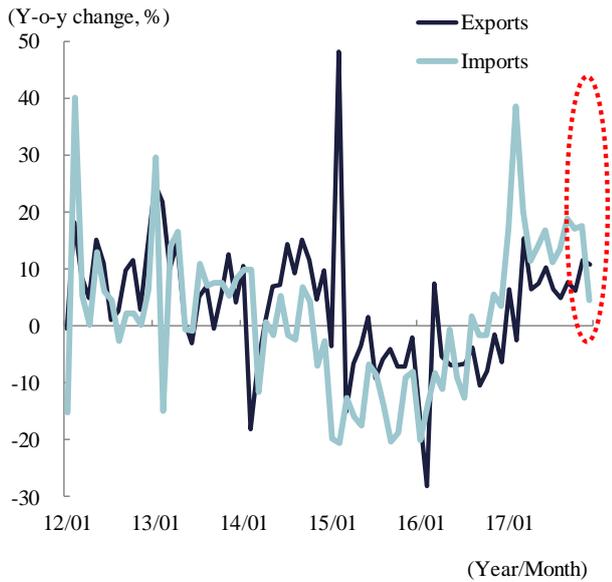
Fig. 4 Manufacturing PMI



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

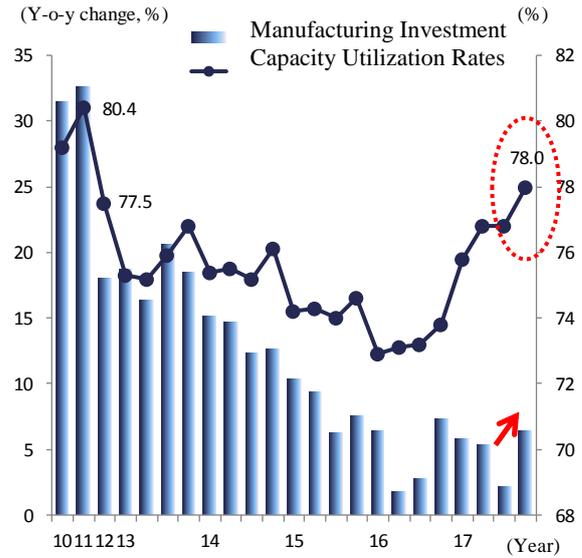
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China.

Fig. 5 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.6 Manufacturing Investment and Capacity Utilization Rates



Note: Capacity Utilization Rates were surveyed annually up until 2012.
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

3. Inflation: The CPI rose and the PPI fell

The CPI data climbed on the rising cost of food, but the core CPI data fell

At +1.8% y-o-y, consumer price index (CPI) growth accelerated for the second successive month in December (November: +1.7% y-o-y) (Fig. 8). This was because the cost of food rose as the price of fresh food and pork fell at a slower pace. At +2.2% y-o-y, the core CPI data (excluding energy and food) fell slightly (November: +2.3% y-o-y).

The PPI fell on a y-o-y basis, though it was up slightly on the previous month

At +4.9% y-o-y, producer price index (PPI) growth continued to slide in December (November: +5.8% y-o-y). This was largely because the PPI stood at such a high level the previous year, with PPI growth slowing across a wide range of sectors (such as coal, ferrous metals, non-ferrous metals, and chemicals). At +0.8% m-o-m, PPI growth accelerated slightly on a monthly basis (November: +0.5% m-o-m). This was because the ferrous metals sector saw slightly faster growth, for example.

House prices grew at a faster y-o-y pace for the first time in around a year

At +5.6% y-o-y, the sales price indices of newly constructed commercial residential buildings (the average of 70 major Chinese cities, *) grew at a faster y-o-y pace for the first time in around a year in December (November: +5.4% y-o-y) (Fig. 9). Growth continued to slide in first-tier cities, but it expanded in the second-tier and third-tier cities. On a monthly basis, the indices rose slightly for the third successive month in December to hit +0.5% m-o-m (November: +0.4% m-o-m). Fifty-seven cities saw prices rising on a monthly basis, up from 50 in November. Though the authorities have moved to crack down on speculation, household appetite for home-buying remains strong and speculation could flare up again, so caution will be needed.

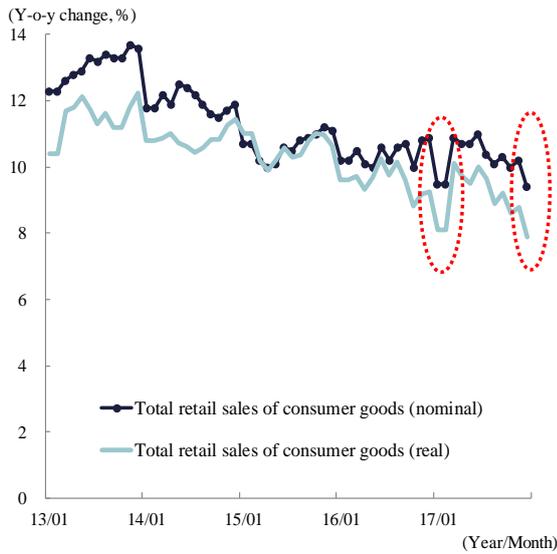
* Mizuho Research Institute estimate

Real estate sales in terms of floor space grew at a faster y-o-y pace for the successive second month, though investment in real estate development slowed

At +6.1% y-o-y, real estate sales in terms of floor space grew at a faster pace for the second month in a row (November: +5.3% y-o-y). The data has clearly slowed compared to the first half of 2017, when sales had consistently recorded double-digit growth. As with prices, though, sales could pick up again. With sales slowing on the whole, investment in real estate development hit +1.9% y-o-y in December, down on November's figure of +4.8% y-o-y.

(Kaori Yamato)

Fig. 7 Total Retail Sales of Consumer Goods

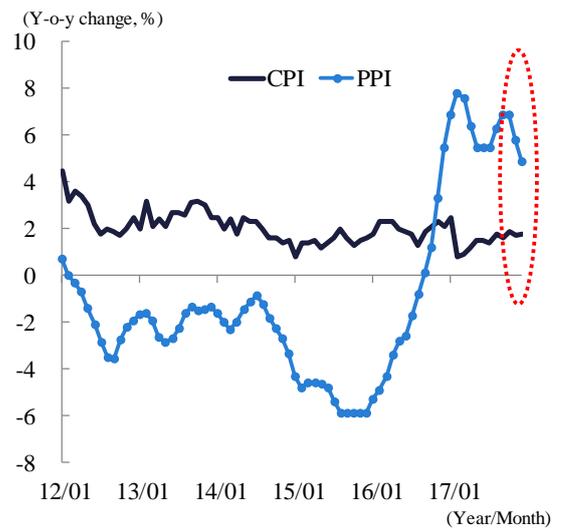


Note: 1. The figures for January and February were aggregated and compared to the same period last year.

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

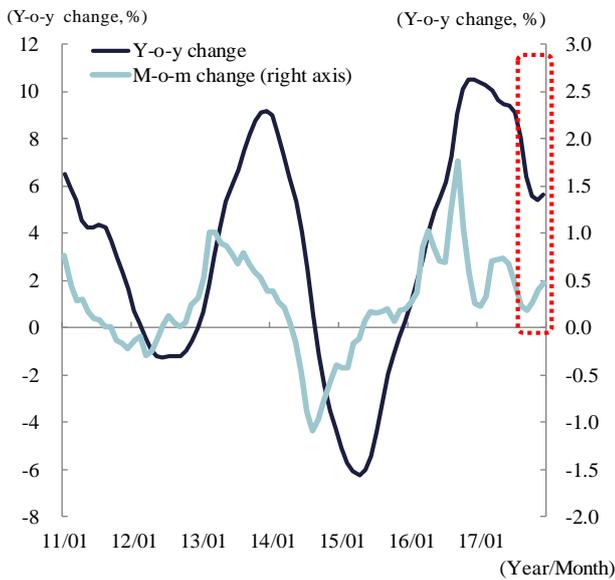
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 8 CPI and PPI



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

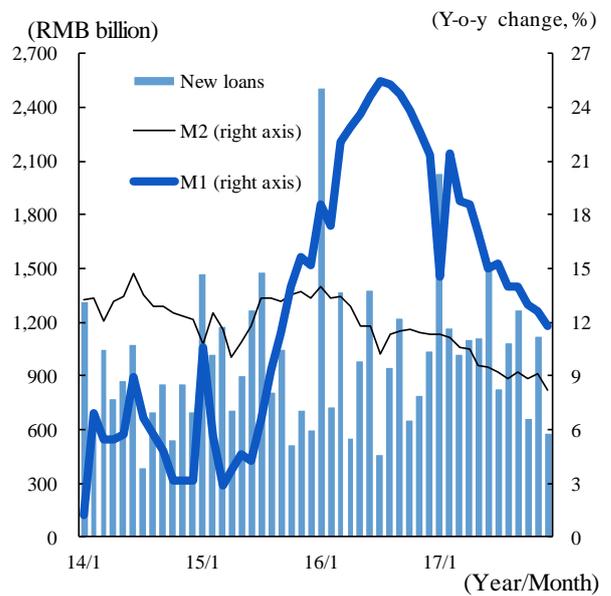
Fig. 9 Sales price indices of newly constructed commercial residential buildings



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

Fig. 10 Financial Indicators



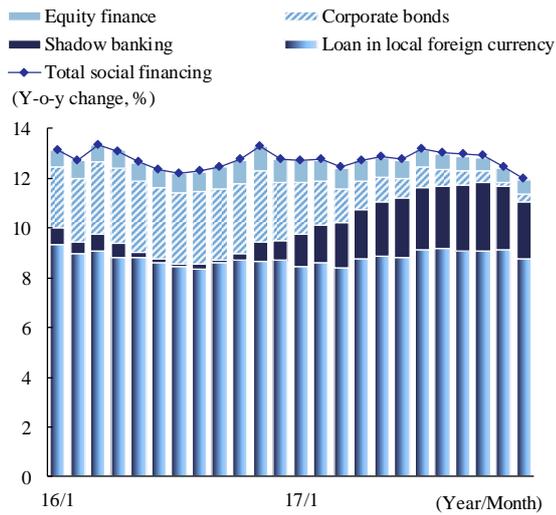
Note: 'New loans' denotes the amount of new RMB loans.

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

4. Monetary policy: Bank oversight and control will be stepped up to eliminate financial risk

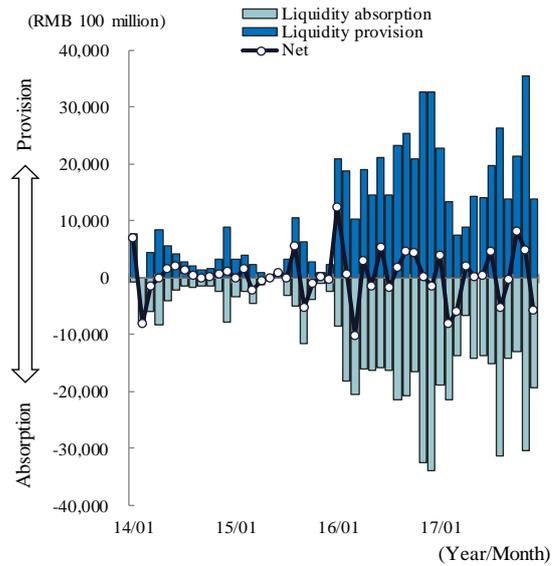
M2 growth dipped again	At +8.2% y-o-y, money supply (M2) growth dipped again in December (November: +9.1% y-o-y) (Fig. 10). Ruan Jianhong, head of the PBOC's Financial Survey and Statistics Department, explained that "amid the deleveraging process and tougher financial regulations, the slower growth indicated that capital uses by commercial banks have become better regulated with less funds circulating inside the financial sector and less derivative deposits."
Outstanding RMB loan growth fell slightly	New RMB loans totaled RMB 584.4 billion in December. This was down on the figure for November (RMB 1.12 trillion) and the figure for December 2016 (RMB 1.04 trillion). A y-o-y comparison show lending to companies and government institutions sliding, particularly in the medium- to long-term. At +12.7% y-o-y, the outstanding loan balance also grew at a slower pace (November: +13.3% y-o-y).
The total social financing balance grew at a slower pace	At RMB 1.1398 trillion, total social financing was down on the previous month (November: RMB 1.6196 trillion). At +12.0% y-o-y, the outstanding balance grew at a slower pace (November: +12.5% y-o-y) (Fig. 11). A glance at the details shows the growth rate pushed down by RMB loans, which made a smaller y-o-y contribution.
In December the PBOC absorbed net funds from the markets through its open-market operations, the SLF and the MLF	In December, the PBOC absorbed net funds from the markets via open-market operations for the first time in three months (Fig. 12). Though the Standing Lending Facility (SLF) and the Medium-term Lending Facility (MLF) provided net funds, the PBOC absorbed a total of RMB 347.6 billion once its open-market operations were added to the equation (in November the PBOC provided a net RMB 504.7 billion).
The PBOC provided net funding in January	In January, the PBOC provided a net RMB 70 billion as part of its open-market operations. It provided RMB 398 billion through the MLF, though it absorbed a total of RMB 289.5 billion through maturing loans, so the MLF provided a net RMB 108.5 billion (as of January 25).
The PBOC announced it would provide temporary liquidity in the run up to the Lunar New Year holiday	On December 29, the PBOC announced it would set up a 'Contingent Reserve Allowance' to stabilize market liquidity in the face of rising demand for funds around the time of the Lunar New Year holiday (February 15-21). The program is aimed at national commercial banks that require liquidity during the holidays. These banks will be able to withdraw up to 2% of their legal deposit reserves temporarily for up to 30 days to meet their contingent liquidity gap. This essentially lowers the deposit reserve requirement ratio for a temporary period. On January 25, the PBOC also lowered the reserve requirement ratio for banks that meet certain criteria. This formed part of a package of financial support for small enterprises that was announced in September last year.
The CBRC will strengthen bank oversight and control in order to eliminate financial risk	On January 12, the China Banking Regulatory Commission (CBRC) released a notice announcing it would further toughening regulations in the banking sector to tackle market disorder. It stated that initiatives introduced in 2017 to prevent and eliminate financial risk would be continued in 2018. The CBRC's statement said it would strengthen banking oversight and control when it came to eight sectors and 22 items (including corporate governance, shadow banking, and consumer protection).
Stocks moved bullishly. The RMB rose sharply against the dollar	The Shanghai Stock Exchange Composite Index rose on improved liquidity in the financial markets and the firmness of the domestic economy. It closed at 3,501.36 on January 22, thus closing at the 3,500-point range for the first time in around 25 months (Fig. 13). The RMB rose sharply against the dollar as the greenback moved bearishly in overseas markets (Fig. 14). On January 9, the PBOC announced it would be suspending the 'counter-cyclical factor' that it introduced last May to prevent RMB depreciation, though the impact on the markets was muted. (Naoaki Sato)

Fig. 11 The Total Social Financing Balance (Y-o-y change)



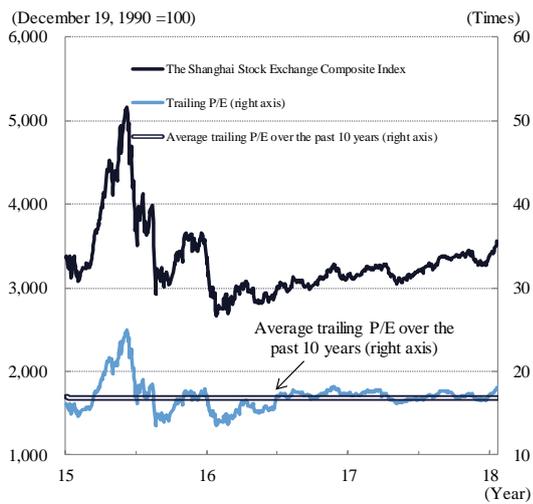
Note: 'Shadow banking' denotes the total amount of entrusted loans, trust loans and bank acceptance.
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 12 Open Market Operation



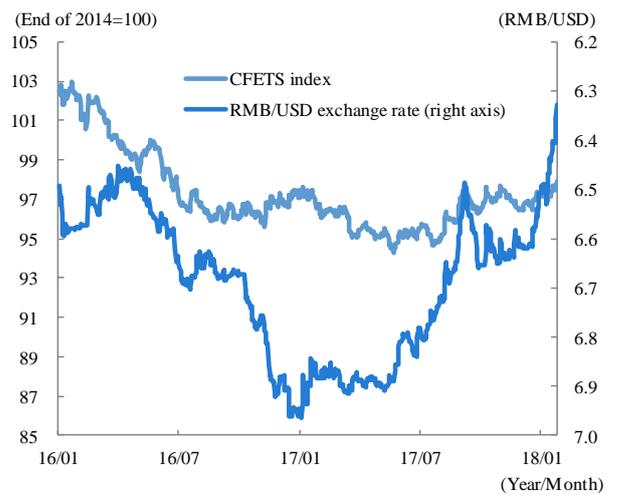
Note: Monthly data
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 13 Stocks



Note: Daily data; The most recent day: January 25
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China and CEIC data

Fig. 14: Foreign Exchange



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: January 25
 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	2016	2017	17/2Q	17/3Q	17/4Q	October	November	December
GDP	Real GDP	Y-o-y change (%)	6.7	6.9	6.9	6.8	6.8			
	Nominal GDP	Year-to-date (total), RMB 1 trillion	74.36	82.71	38.09	59.25	82.71			
Business Sentiment	PMI	End-of-period figure, points			51.8	51.7	52.4	51.6	51.8	51.6
	New Orders	Points			53.3	53.1	54.8	52.9	53.6	53.4
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.0	6.6	7.6	6.9	6.3	6.2	6.1	6.2
	Light Industry	Y-o-y change (%)	4.7	6.9	8.5	7.7	6.9	6.3	6.1	5.0
	Materials	Y-o-y change (%)	6.2	4.8	4.7	4.1	5.0	4.4	4.6	5.5
	Machinery	Y-o-y change (%)	8.4	10.5	11.2	10.5	10.8	10.1	9.6	9.4
	Electric Power Generation	Y-o-y change (%)	4.8	5.2	7.2	5.2	6.2	2.5	2.4	6.0
	Industrial Goods Inventories	Y-o-y change (%)			17.5	17.5	17.5	9.0	9.0	8.5
	Light Industry	Y-o-y change (%)			2.2	3.9	3.3	4.2	6.3	n.a.
	Materials	Y-o-y change (%)			8.5	11.3	8.0	10.1	10.2	n.a.
	Machinery	Y-o-y change (%)			7.2	10.3	9.0	9.4	9.7	n.a.
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	-0.4	4.6	3.6	3.7	4.1	4.1	8.0	3.6
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-1.5	7.6	3.5	4.6	4.0	6.8	-2.9	1.8	
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	59.7	63.2	9.38	28.06	45.85	51.78	57.51	63.17
		Year-to-date y-o-y change (%)	8.1	7.2	9.2	8.6	7.5	7.3	7.2	7.2
	Real Estate	Year-to-date y-o-y change (%)	5.4	5.2	8.5	7.1	6.9	6.2	5.8	5.2
	Primary Industry	Year-to-date y-o-y change (%)	21.1	11.8	19.8	16.5	11.8	13.1	11.4	11.8
	Secondary Industry	Year-to-date y-o-y change (%)	3.5	3.2	4.2	4.0	2.6	2.7	2.6	3.2
	Manufacturing	Year-to-date y-o-y change (%)	4.2	4.8	5.8	5.5	4.2	4.1	4.1	4.8
	Tertiary Industry	Year-to-date y-o-y change (%)	10.9	9.5	12.2	11.3	10.5	10.0	10.1	9.5
Actual Direct Investment	Year-to-date (total), USD 100 million	1,337	1,310	656	921	1,310	1,011	1,199	1,310	
	Year-to-date y-o-y change (%)	-1.4	-2.0	-5.4	-3.2	-2.0	-2.7	5.4	-2.0	
Trade	Exports	USD 100 million	21,366	22,804	4,783	5,615	5,881	1,879	2,159	2,318
		Y-o-y change (%)	-6.4	6.7	7.2	8.2	6.4	6.3	11.5	10.9
	To the U.S.	Y-o-y change (%)	-5.1	11.3	7.8	14.5	10.4	8.3	15.2	12.7
	To the EU	Y-o-y change (%)	-3.7	9.1	4.8	9.7	8.4	11.4	14.0	12.7
	To Japan	Y-o-y change (%)	-4.7	6.1	4.3	7.4	2.4	5.7	9.8	14.9
	To NIES, ASEAN	Y-o-y change (%)	-8.5	2.4	1.9	-2.4	3.1	2.7	10.2	6.6
	Imports	USD 100 million	15,895	18,423	4,179	4,440	4,744	1,507	1,769	1,771
		Y-o-y change (%)	-5.4	15.9	24.3	14.1	14.6	17.1	17.6	4.5
	From the U.S.	Y-o-y change (%)	-9.8	14.8	23.8	14.1	18.8	4.3	5.3	5.8
	From the EU	Y-o-y change (%)	-0.5	17.7	15.2	12.1	21.2	25.3	24.7	16.4
	From Japan	Y-o-y change (%)	1.7	13.9	20.1	12.5	13.3	13.4	14.7	5.9
	From NIES, ASEAN	Y-o-y change (%)	-1.6	12.6	15.7	6.9	13.4	17.1	20.2	6.6
Trade Balance	USD 100 million	5,471	4,380	604	1,175	1,137	372	390	547	

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	2016	2017	17/2Q	17/3Q	17/4Q	October	November	December
Consumption	Consumer Confidence Index	End-of-period figure, points			113.3	118.6	122.6	123.9	121.3	122.6
	Consumer Expectations Index	End-of-period figure, points			116.4	121.9	125.9	127.6	124.6	125.9
	Total Retail Sales of Consumer Goods	RMB 1 trillion	33.23	36.63	8.65	9.08	10.31	3.42	3.41	3.47
		Y-o-y change (%)	10.4	10.2	10.8	10.3	9.9	10.0	10.2	9.4
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	8.1	8.1	9.6	8.0	7.3	7.3	7.9	6.8
	Automobile Sales	10,000 automobiles	2793.9	2894.1	635.2	686.6	872.1	270.4	295.8	306.0
		Y-o-y change (%)	13.7	4.1	0.7	5.7	0.9	2.0	0.7	0.1
	Nationwide Disposable Income per Capita	Year-to-date y-o-y change (%)	8.4	9.0	8.8	9.1	9.0			
Jobs-to-applicants Ratio	End-of-period figure, times	1.13	n.a.	1.11	1.16	n.a.				
Prices	Consumer Price Index	Y-o-y change (%)	2.0	1.6	1.4	1.6	1.8	1.9	1.7	1.8
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	2.2	2.1	2.2	2.3	2.3	2.3	2.2
	Foods	Y-o-y change (%)	4.6	-1.4	-2.1	-0.9	-0.6	-0.4	-1.1	-0.4
	Producer Price Index	Y-o-y change (%)	-1.3	6.3	5.8	6.2	5.9	6.9	5.8	4.9
	Producer Goods	Y-o-y change (%)	-1.7	8.4	7.7	8.2	7.6	9.0	7.5	6.4
	Consumer Goods	Y-o-y change (%)	-0.0	0.6	0.6	0.6	0.6	0.8	0.6	0.5
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	0.0	1.4	9.4	6.4	5.6	5.6	5.4	5.6
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	155.01	167.68	163.13	165.57	167.68	165.34	167.00	167.68
		End-of-period figure, y-o-y change (%)	11.3	8.2	9.5	9.2	8.2	8.8	9.1	8.2
	Outstanding Loans	End-of-period figure, RMB 1 trillion	106.60	120.13	114.57	117.76	120.13	118.42	119.55	120.13
		End-of-period figure, y-o-y change (%)	13.5	12.7	12.9	13.1	12.7	13.0	13.3	12.7
	Net Increase	Mid-period increase, RMB 10 billion	1265	1353	375	319	237	66	112	58
	Deposits	End-of-period figure, RMB 1 trillion	150.59	164.10	159.66	162.28	164.10	163.33	164.90	164.10
		End-of-period figure, y-o-y change	11.0	9.0	9.2	9.3	9.0	9.1	9.6	9.0
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.0	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	2.82	2.63	2.94	2.82	2.89	2.88	2.82
Foreign Currency Reserves	End-of-period figure, USD 100 million	30,105	31,399	30,568	31,085	31,399	31,092	31,193	31,399	
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.94	6.51	6.78	6.65	6.51	6.63	6.61	6.51
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	16.82	17.32	16.58	16.93	17.32	17.13	16.99	17.32
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,104	3,307	3,192	3,349	3,307	3,393	3,317	3,307
	PER	End-of-period figure, times	15.9	18.2	17.0	18.0	18.2	18.4	18.1	18.2
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,077	5,671	15,754	16,735	17,102	5,791	5,640	5,671
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	12,777	11,281	2,591	3,311	2,725	796	1,124	805
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	4.8	8.1	10.3	10.5	8.1	9.9	9.1	8.1
	Fiscal Expenditure	Year-to-date y-o-y change (%)	6.8	8.3	16.1	11.7	n.a.	10.3	8.3	n.a.

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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