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# Mizuho Economic Commentary-China

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May 2018 edition

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## ◆ Topic

### Monetary policy will focus more on economic stability

According to the *Monetary Policy Execution Report for Q1 2018*, the PBOC will maintain a prudent and neutral stance while shifting its priority from ‘deleveraging’ to ‘stable leveraging’ or ‘economic stability.’

## ◆ Economic trends

### A mixed picture on major indices in April

Though production grew at a faster pace, investment and consumption growth slowed. Export growth picked up, with production expanding on external demand.

## **1. Topic: Monetary policy will focus more on economic stability**

**While remaining ‘prudent and neutral,’ the focus of monetary policy has shifted to ‘economic stability’**

The People’s Bank of China (PBOC) released its *Monetary Policy Execution Report for Q1 2018* on May 11. The report said the PBOC had stuck to its ‘prudent and neutral’ stance, though it had also begun to place more emphasis on ‘economic stability’ than ‘deleveraging.’

As with the previous report (Q4 2017), the recent report said the PBOC would continue to manage the liquidity supply valve (閘門) in an appropriate manner while maintaining a prudent and neutral monetary policy. However, though the previous report had mentioned the need to “strike a balance between stable growth, deleveraging, and risk prevention,” the word ‘deleveraging (去杠杆)’ was replaced in the recent report by ‘structural adjustment.’

**From ‘deleveraging’ to ‘stable leveraging’**

According to local news sources\*, the biggest change from last time around was the shift from ‘deleveraging (去杠杆)’ to ‘stable leveraging (穩杠杆).’ When it came to changes in the macro-leverage rate, the new report mentioned how: corporate earnings had improved on supply-side structural reforms and the economic recovery; total debt to GDP (macro-leverage rate) had grown at a slower pace over 2017 thanks to the success of the prudent and neutral monetary policy; and corporate debt to GDP had dipped for the first time since 2011. With the deleveraging process showing results to a certain extent, some local observers now believe deleveraging has become a less pressing issue.

**Given growing uncertainty related to trade frictions, for instance, the focus is shifting to economic stability**

Furthermore, local media suggests the increasing complexity of the global economic and political situation has pushed monetary policy to focus more on economic stability. At the start, the report states that the global economy continues to recover at a modest pace, though it points out that uncertainty has increased sharply on trade frictions and geopolitical risk. After suggesting that the authorities are focused on the risk of an economic downswing due to shifts in the external environment, the report goes on to say that the PBOC will comprehensively consider changes to the macro-economy while strengthening policy coordination. This marked a change from the previous report, which mentioned how “measures will be taken to step up regulatory coordination” based on “full consideration of the impact of financial regulatory policies on the macro economy and on business models and financial market operations.” This suggests that the focus of monetary policy will shift from ‘financial regulation’ to ‘economic stability.’

A trade dispute between the US and China has erupted this year. Though a ceasefire has been called now bilateral talks have begun, the two sides have yet to compromise in the face of tough US demands for a decrease in its \$200 billion trade deficit with China, for example. Furthermore, in Q1 2018, external demand made a negative contribution to the Chinese economy for the first time in five quarters. The RMB is now stronger compared to a year earlier and it will probably weigh down exports going forward. Under these circumstances, observers are starting to focus on the risk of external demand having a negative economic impact.

**A tightish monetary policy is also producing side effects**

Furthermore, China has pursued a tightish monetary policy since the end of 2016. This has included moves to guide interest rates higher and crack down on shadow banking. These moves are starting to produce side effects and this also seems to be a contributing factor to the monetary policy adjustment. As lending rates rise, fundraising costs are also increasing, particularly when it comes to small and micro enterprises. The loan balance to small and micro enterprises has been growing at a slower pace since Q4 2017. At +14.4% y-o-y, growth in Q1 2018 hit its lowest level since Q3 2014.

The liquidity crunch is also starting to impact large and medium-sized enterprises. Since the start of 2018, there have a series of bond defaults, mainly involving private enterprises. A recent case has involved DunAn Group, a major manufacturer in Zhejiang province with interest-bearing liabilities worth RMB 45 billion. In April, the DunAn Group teetered above bankruptcy and it asked a group of creditors for help. Furthermore, Bloomberg reports that State Power Investment Corporation may also have missed a debt repayment deadline in April, with another three listed companies experiencing financial trouble (China Security Co., Ltd., Kaidi Ecological and Environmental Technology Co., Ltd. and Shandong Longlive Bio-Technology

Co., Ltd).

**The PBOC has provided liquidity by operating the RRR in a flexible manner**

Since entering 2018, the PBOC has started to operate the required deposit reserve ratios (RRR) in a flexible manner in order to tackle liquidity shortages. For example, (1) on January 25, the PBOC lowered the RRR to encourage inclusive financing (financial support for small enterprises). (2) The PBOC also moved to meet the demand for cash in the run up to the Spring Festival by introducing a ‘Contingent Reserve Arrangement (CRA)’ in mid-January that allowed banks to temporarily use required deposit reserves of up to 2% for a period of up to 30 days. Furthermore, (3) on April 25 the PBOC reduced the RRR on the condition that released funds were used to repay outstanding MLF borrowings (including ahead-of-schedule repayments). The PBOC has traditionally lowered the RRR as a way to loosen monetary policy, but the PBOC’s Execution Report said these 2018 measures were all aimed at stabilizing liquidity in the banking system, with the PBOC’s prudent and neutral monetary policy remaining intact. However, measure (1) released new funds to the tune of RMB 450 billion, while measure (2) released RMB 2 trillion at peak and measure (3) released around RMB 400 billion (when repayments are discounted), so in fact the markets regard these moves as de facto easing.

**The PBOC is less likely to introduce tougher regulations or monetary controls that might put further stress on the economy**

Based on the *Monetary Policy Execution Report for Q1 2018*, the PBOC will continue working to prevent financial risk from here on, though it now seems less likely the PBOC will introduce any tougher regulations or monetary controls that might put further stress on the economy. The *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* had attracted attention as a cross-industry measure to tackle shadow banking. The Opinions were finally promulgated after the transitional period was extended to allow more time for public comments (see page 7). From here on, attention will focus on whether the authorities adjust the RRR further while monitoring liquidity and the external environment, for example.

(Kaori Yamato)

\* Caijing website: “細讀央行政策報告：与寬松有距離 置換式降準仍有戲”

(<http://economy.caijing.com.cn/20180515/4452625.shtml>)

## **2. Overview: A mixed picture on major indices in April**

**Production was buoyed by external demand in April**

It was a mixed picture for the major indices in April, with production growing at a faster pace while investment and consumption growth dipped. Export growth picked up, with production expanding thanks to external demand.

**Production growth picked up in April**

At +7.0% y-o-y, real value-added industrial production growth picked up in April for the first time in two months (March: +6.0% y-o-y) (Fig. 1). The contraction in the mining sector eased off, while production also grew at a faster clip when it came to chemicals, general/specialist machinery, electrical machinery and automobiles. However, the output/inventory balance is generally worsening in these sectors (automobiles excepted), so this growth seems unsustainable. The output/inventory balance for industry as a whole dipped to +0.6% in March (February: +2.5%). With the balance dipping into negative territories when it came to general machinery, electrical machinery, telecommunications equipment and electronics, for instance, pressure is growing for inventory adjustment.

**The government’s Manufacturing PMI fell slightly in April**

At 51.4, the government’s Manufacturing PMI fell slightly for the first time in two months in April (March: 51.5) (Fig. 2). The production index moved flatly, but the new orders, employment and raw materials inventories data all dipped slightly. Export orders (an indicator referenced by the PMI) also began falling, though it remained above 50 at 50.7. A government press release said 13.6% of companies had said exchange rate fluctuations had impacted production and business management to a certain extent. This was the highest such percentage since March 2017. The RMB had moved stably against the dollar since February. In April, though, RMB appreciation hit its highest year-on-year tempo since 2008, hence the replies. At 54.8, the Non-manufacturing PMI rose slightly for the second straight month (March: 54.6),

with the overall PMI climbing (from 54.0 to 54.1) for the second month in a row.

**Export growth jumped into positive territories in April**

At +12.9% y-o-y, export growth (nominal, dollar-denominated) returned to positive territories in April (March: -2.7% y-o-y) (Fig. 3). The data fluctuated sharply up until March on the impact of the Spring Festival, so annualized growth was down slightly compared to January–March (+13.9%), though it remained at a high level. As with January–March, the breakdown shows the overall data being pulled higher by exports of office equipment, computers, telecommunications and audio equipment, and electrical equipment, for example.

**Imports grew sharply in April**

At +21.5% y-o-y, import growth (nominal, dollar-denominated) in April was up sharply on March's figure of +14.4% y-o-y (Fig. 3). Growth was also up compared to January–March (+19.0% y-o-y). The breakdown shows imports of mineral fuels, chemical products, non-ferrous metals, and general and specialist machinery all growing at a faster pace, for example. Imports of electrical machinery were down slightly compared to January–March, though they have grown by an average of more than 30% y-o-y since January 2018.

**China's trade balance was back in surplus in April**

China recorded a trade surplus of \$28.4 billion in April (March: a deficit of \$5.1 billion). With the import amount growing at a faster y-o-y pace, the trade surplus shrunk compared to one year previously. The surplus grew on y-o-y basis when it came to the US, Hong Kong and the ASEAN region, though it shrank when it came to the EU, Japan and South Korea.

**Investment in fixed assets grew at a slightly slower pace in April**

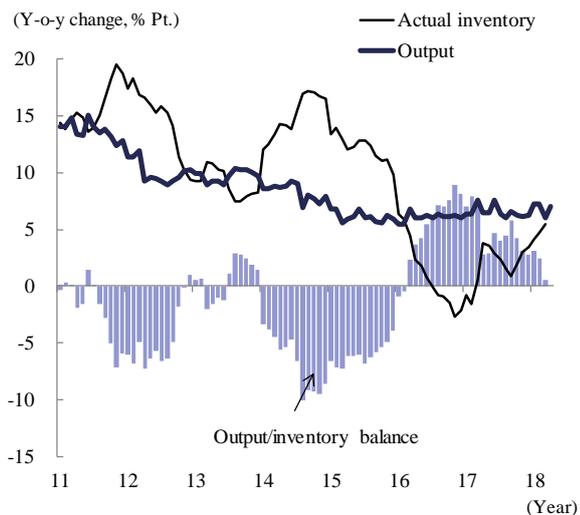
At +6.1% y-o-y, the nominal growth rate of investment in fixed assets\* fell in April for the second straight month (March: +7.2% y-o-y) (Fig. 4). Investment in manufacturing and infrastructure rallied slightly, though investment in real-estate development slowed. The breakdown for manufacturing shows investment recovering on faster growth when it came to general/specialist machinery and automobiles. Though investment in infrastructure picked up, it only hit +6.4% y-o-y, a far cry from the annual pace of around +15% y-o-y recorded in 2017 (March: +6.0% y-o-y). The breakdown for infrastructure investment shows growth slowing when it came to the management of water conservation, the environment and utilities (a sector that had posted strong growth in 2017). At +0.0% y-o-y, the real growth rate of investment in fixed assets\* in April was down on March's figure of +0.9% y-o-y.

**Retail sales growth was down**

At +9.4% y-o-y, nominal total retail sales of consumer goods grew at a slower pace in April (March: +10.1% y-o-y) (Fig. 5). The breakdown for retail sales above a designated size shows the overall figure being pushed down by slower sales of clothing and appliances (following brisk growth in March). However, sales of telecommunications equipment returned to double-digit growth after having slipped to +1% in March, while automobile sales growth moved flatly. Industry statistics show automobile sales growing at a faster pace, with sales recovering slightly from the ongoing slump that occurred from autumn 2017. At +6.4% y-o-y, the real growth rate\* was down on March's figure of +7.5% y-o-y.

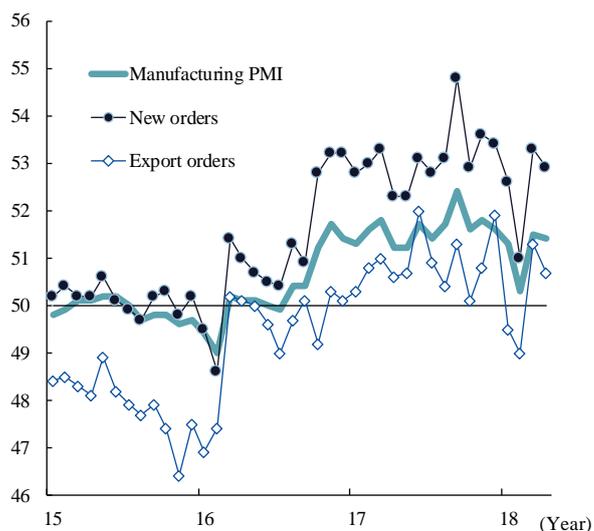
\* Mizuho Research Institute estimate

**Fig. 1: Output/Inventory Balance**



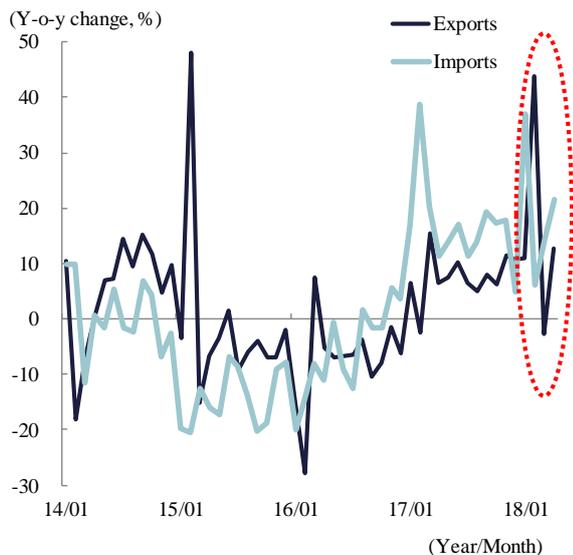
Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth. The most recent data is March for the output/inventory balance and April for output.  
 Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

**Fig. 2: Manufacturing PMI**



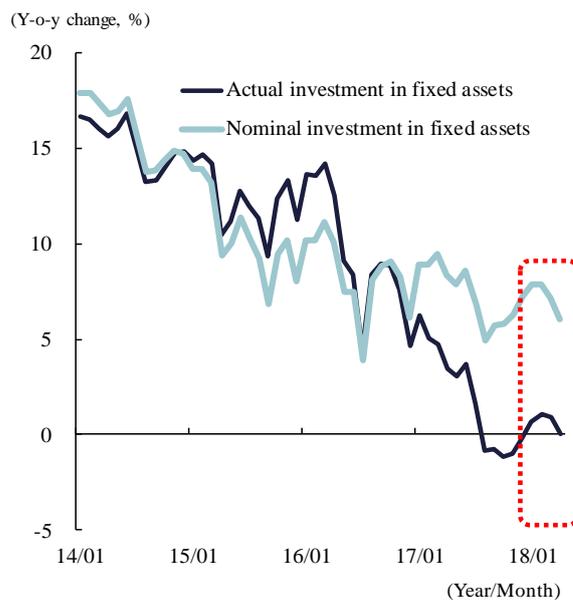
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China.

**Fig. 3: Value of Imports and Exports**



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

**Fig. 4: Investment in Fixed Assets**



Note: The real figure is calculated using the regressed deflator as a PPI parameter after converting the price index of investment in fixed assets (quarterly) using spline interpolation. (Mizuho Research Institute estimate).

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

**Fig. 5: 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.

### **3. Inflation: The CPI fell and the PPI rose slightly**

#### **CPI fell as food inflation slowed, though core CPI moved flatly**

At +1.8% y-o-y, consumer price index (CPI) growth fell for the second straight month in April (March: +2.1% y-o-y) (Fig. 6). This was because food inflation dipped as pork prices fell at a faster pace. At +2.0% y-o-y, the core CPI data (excluding energy and food) was unchanged on the previous month (March: +2.0% y-o-y).

#### **PPI rose on a y-o-y basis**

At +3.4% y-o-y, producer price index (PPI) growth increased for the first time in eight months in April (March: +3.1% y-o-y) (Fig. 6). Growth was up across a range of materials-related sectors (paper, petroleum processing, chemicals, and ferrous metals, etc.), with rising crude oil prices starting to have an impact. Prices tend to cool in April for seasonal reasons, with PPI growth remaining in negative territories on a monthly basis in April (-0.2% m-o-m) for the third month in a row (March: -0.2% m-o-m). Gasoline and diesel prices are set to be lowered from May following a decrease in value-added tax, so the CPI and PPI data could dip to a certain extent from May onwards.

#### **House prices grew at a slower y-o-y pace for the second straight month**

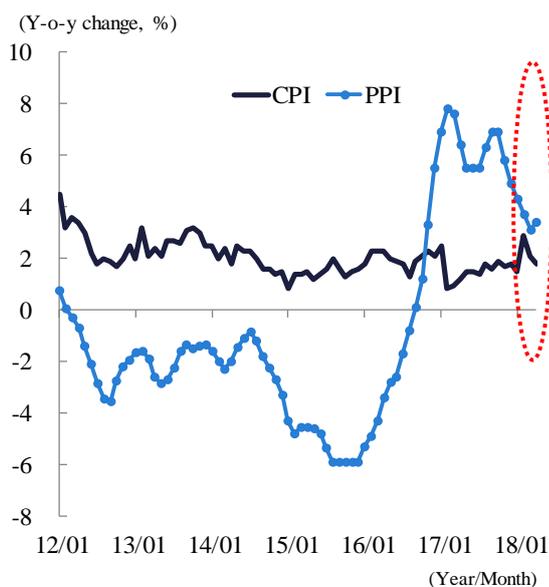
At +5.3% y-o-y, the sales price indices of newly constructed commercial residential buildings (the average of 70 major Chinese cities\*) grew at a slower y-o-y pace in April for the second month in a row (March: +5.5% y-o-y) (Fig. 7). Growth picked up slightly in second-tier cities, but prices fell at a faster pace in first-tier cities and growth also slowed in third-tier cities. At +0.6% m-o-m, though, growth continued to accelerate gently on a monthly basis (March: +0.4% m-o-m). Ten cities saw prices falling on a monthly basis (unchanged from March), though only two cities saw prices moving flatly (down from five) and 58 cities saw prices rising (up from 55).

#### **Real estate sales in terms of floor space saw negative growth, while development investment also slowed**

At -4.1% y-o-y, real estate sales in terms of floor space saw negative growth for the first time in six months in April (March: +3.2% y-o-y). Though office sales contracted at a slightly slower pace, sales of residential buildings dipped into negative territories. At +10.1% y-o-y, investment in real estate development dipped in April (March: +10.9% y-o-y). Though housing investment continued to expand, office investment fell into negative territories, while investment in commercial facilities also contracted at a faster pace.

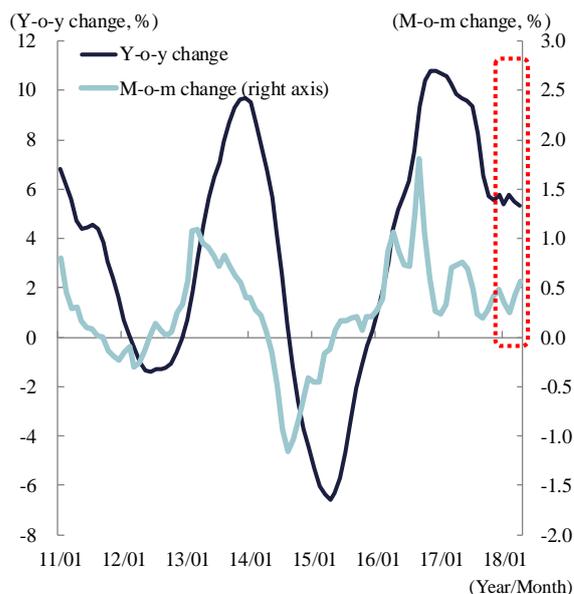
**(Kaori Yamato)**

**Fig. 6: CPI and PPI**



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

**Fig. 7: 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

**4. Monetary policy: The PBOC, etc. formally promulgated guiding opinions on regulating asset management products**

**M2 growth picked up**

At +8.3% y-o-y, money supply (M2) growth began rising at a gentle pace in April (March: +8.2% y-o-y) (Fig. 8). At +7.2% y-o-y, the narrow money supply (M1) also rose (March: +7.1% y-o-y).

**The outstanding RMB loan balance grew at a slower pace, mainly on sluggish mid- to long-term lending**

New RMB loans totaled RMB 1.18 trillion in April. This was up slightly on the previous month (RMB 1.12 trillion). At +12.7% y-o-y, the outstanding RMB loan balance grew at a slightly slower pace (March: +12.8% y-o-y). This was mainly due to slower growth when it came to mid- to long-term lending.

**The total social financing balance moved flatly**

At RMB 1.56 trillion, total social financing was up slightly on the previous month (March: RMB 1.3323). Bankers' acceptances began growing on a net basis, while corporate debt and equity expanded. At +10.5% y-o-y, the outstanding balance moved flatly on the previous month (March: +10.5% y-o-y) (Fig. 9). Off-balance-sheet transactions (such as entrusted loans and trust loans) decreased as the financial authorities cracked down on the shadow banking sector, for example, but the corporate bond issuance balance grew for the fifth month in a row.

**In April, the PBOC absorbed net funds via its open-market operations, the SLF and the MLF**

In April, the PBOC absorbed net funds from the markets via open-market operations for the second straight month (Fig. 10). The Standing Lending Facility (SLF) provided net funds while the Medium-term Lending Facility (MLF) absorbed net funds, with the PBOC absorbing a total of RMB 89.2 billion once its open-market operations were added to the equation (in March the PBOC absorbed a net RMB 345.6 billion).

**The PBOC provided net funds through open-market operations in May**

In May, the PBOC provided a net RMB 300 billion as part of its open-market operations. Though the MLF provided funds to the tune of RMB 156 billion, the PBOC is expected to absorb RMB 392.5 billion by the end of May through maturing MLF loans, so the MLF will absorb a total of RMB 236.5 billion (as of May 25).

**Asset management businesses are being standardized; the transition period has been extended to the end of 2020**

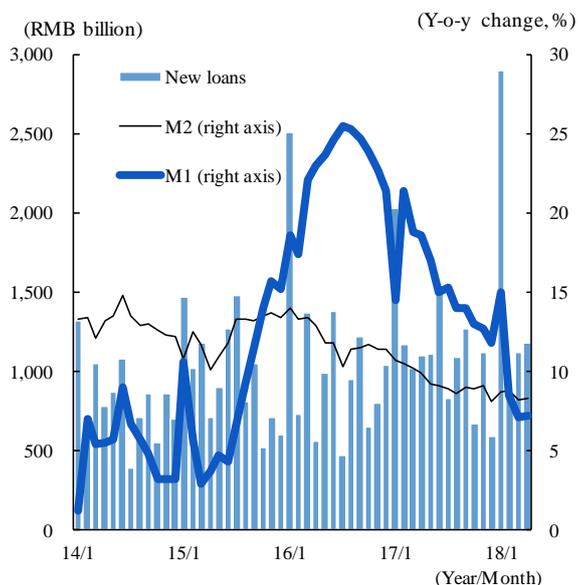
On April 27, the PBOC, the Banking and Insurance Regulatory Commission, the Securities Regulatory Commission, and the State Administration of Foreign Exchange jointly issued the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* (hereinafter referred to as the ‘Guiding Opinions’). The Guiding Opinions were introduced to strengthen the standards governing the expanding asset management businesses of financial institutions (such as bank off-balance-sheet transactions). A draft was issued in November last year to solicit public comments, with the Guiding Opinions now formally taking effect. The Guidelines forbid principal and income guarantees in asset management businesses while cracking down on the investment of asset management products in non-standard credit assets (assets with insufficient information disclosure that are not traded in the interbank market or on securities exchanges). The Guiding Opinions have a transition period. This has been extended to the end of 2020 (from the end of June 2019 in the draft) to give financial institutions ample time to make adjustments and transformations.

**Stocks moved to and fro on US/China trade frictions; the RMB weakened against the dollar**

The Shanghai Stock Exchange Composite Index rose until mid-May on the avoidance of a trade war between the US and China together with the impending incorporation of A shares into the MSCI Emerging Markets Index from June. However, the Composite Index fell from late May as concerns of a US/China trade dispute flared up again and geopolitical risk increased on the North Korea situation, for example (Fig. 11). The RMB trended lower against the dollar as the greenback strengthened in overseas markets (Fig. 12).

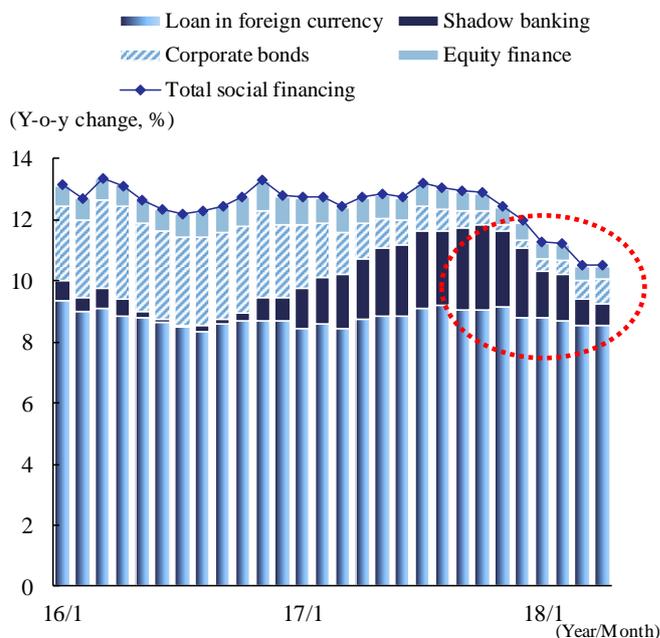
(Naoaki Sato)

**Fig. 8: Financial Indicators**



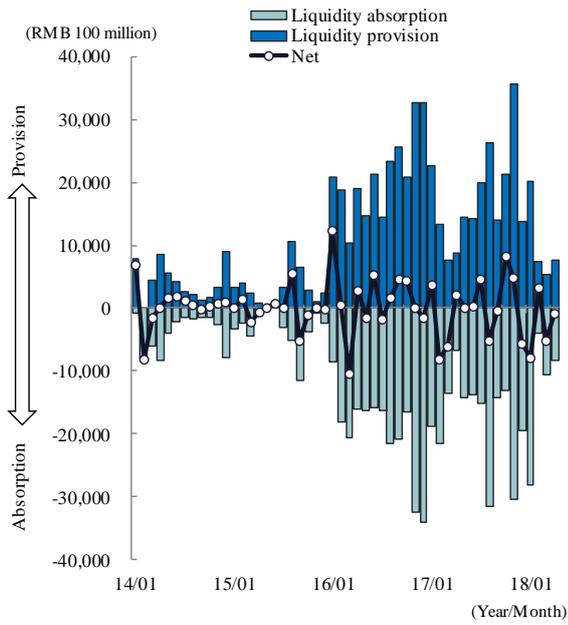
Note: ‘New loans’ denotes the amount of new RMB loans.  
Source: Prepared by Mizuho Research Institute based on the materials from the People’s Bank of China

**Fig. 9: The Total Social Financing Balance (Y-o-y change)**



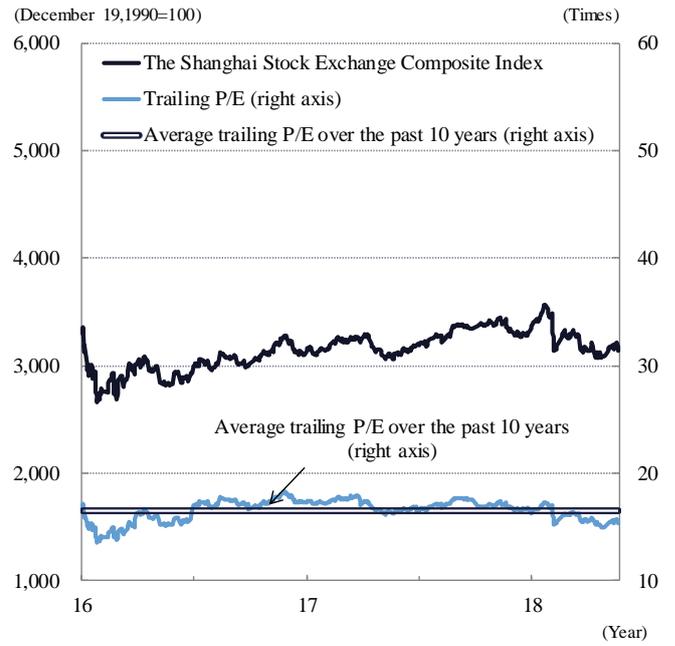
Note: ‘Shadow banking’ denotes the total amount of entrusted loans, trust loans and bank acceptance.  
Source: Prepared by Mizuho Research Institute based on the materials from the People’s Bank of China

**Fig. 10: Open Market Operation**



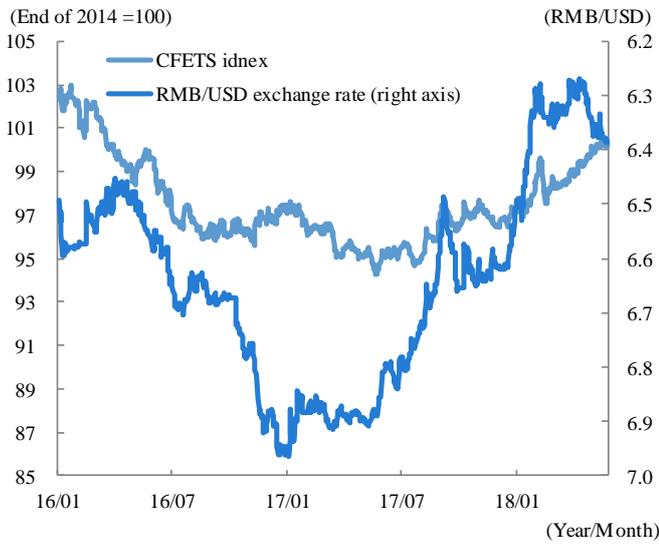
Note: Monthly data  
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

**Fig. 11: Stocks**



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

**Fig. 12: Foreign Exchange**



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: May 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	17/3Q	17/4Q	18/1Q	February	March	April
GDP	Real GDP	Y-o-y change (%)	6.7	6.9	6.8	6.8	6.8			
	Nominal GDP	Year-to-date (total), RMB 1 trillion	74.36	82.71	59.25	82.71	19.88			
Business Sentiment	PMI	End-of-period figure, points			51.7	52.4	51.6	50.3	51.5	51.4
	New Orders	Points			53.1	54.8	53.4	51.0	53.3	52.9
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.0	6.6	6.9	6.3	6.2	7.2	6.0	7.0
	Light Industry	Y-o-y change (%)	4.7	6.9	7.7	6.9	5.8	7.1	5.4	5.6
	Materials	Y-o-y change (%)	6.2	4.8	4.1	5.0	4.8	4.5	5.3	6.2
	Machinery	Y-o-y change (%)	8.4	10.5	10.5	10.8	9.7	8.0	8.0	9.2
	Electric Power Generation	Y-o-y change (%)	4.8	5.2	5.2	6.2	3.6	n.a.	2.1	6.9
	Industrial Goods Inventories	Y-o-y change (%)			17.5	17.5	17.5	8.6	8.7	n.a.
	Light Industry	Y-o-y change (%)			3.9	3.3	5.2	4.3	4.7	n.a.
	Materials	Y-o-y change (%)			11.3	8.0	10.2	9.6	8.9	n.a.
	Machinery	Y-o-y change (%)			10.3	9.0	9.6	10.9	11.4	n.a.
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	- 0.4	4.6	3.7	4.1	14.8	1.8	17.9	6.9
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	- 1.5	7.6	4.6	4.0	6.1	- 14.7	6.9	1.9	
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	59.7	63.2	28.06	45.85	63.17	4.46	10.08	15.44
		Year-to-date y-o-y change (%)	8.1	7.2	8.6	7.5	7.2	7.9	7.5	7.0
	Primary Industry	Year-to-date y-o-y change (%)	21.1	11.8	16.5	11.8	11.8	27.8	24.2	16.8
	Secondary Industry	Year-to-date y-o-y change (%)	3.5	3.2	4.0	2.6	3.2	2.4	2.0	2.5
	Manufacturing	Year-to-date y-o-y change (%)	4.2	4.8	5.5	4.2	4.8	4.3	3.8	4.8
	Tertiary Industry	Year-to-date y-o-y change (%)	10.9	9.5	11.3	10.5	9.5	10.2	10.0	9.3
	Real estate development investment	Year-to-date y-o-y change (%)						9.9	10.4	10.3
Actual Direct Investment	Year-to-date (total), USD 100 million	1,337	1,363	921	1,363	345	211	345	436	
	Year-to-date y-o-y change (%)	- 1.4	1.9	- 3.2	1.9	2.1	1.7	2.1	2.0	
Trade	Exports	USD 100 million	21,366	22,804	5,614	5,882	6,353	1,711	1,741	2,004
		Y-o-y change (%)	- 6.4	6.7	8.2	6.4	9.6	44.1	- 2.7	12.9
	To the U.S.	Y-o-y change (%)	- 5.1	11.3	14.5	10.4	12.1	46.1	- 5.6	9.6
	To the EU	Y-o-y change (%)	- 3.7	9.1	9.7	8.4	12.8	42.4	- 7.0	10.7
	To Japan	Y-o-y change (%)	- 4.7	6.1	7.4	2.4	10.1	31.2	- 3.7	9.5
	To NIES, ASEAN	Y-o-y change (%)	- 8.5	2.4	- 2.4	3.1	6.6	20.3	3.2	15.2
	Imports	USD 100 million	15,895	18,423	4,440	4,756	5,056	1,378	1,791	1,717
		Y-o-y change (%)	- 5.4	15.9	14.1	14.9	12.7	6.2	14.4	21.5
	From the U.S.	Y-o-y change (%)	- 9.8	14.8	14.1	18.8	5.2	- 4.7	3.2	20.3
	From the EU	Y-o-y change (%)	- 0.5	17.7	12.1	21.2	21.8	0.4	10.0	27.8
	From Japan	Y-o-y change (%)	1.7	13.9	12.5	13.3	11.1	- 10.5	16.0	17.1
From NIES, ASEAN	Y-o-y change (%)	- 1.6	12.6	6.9	13.4	14.3	5.1	19.4	23.3	
Trade Balance	USD 100 million	5,471	4,380	1,175	1,126	1,298	332	- 50	288	

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	17/3Q	17/4Q	18/1Q	February	March	April
Consumption	Consumer Confidence Index	End-of-period figure, points			118.6	122.6	122.3	124.0	122.3	122.9
	Consumer Expectations Index	End-of-period figure, points			121.9	125.9	125.7	127.4	125.7	126.5
	Total Retail Sales of Consumer Goods	RMB 1 trillion	33.23	36.63	9.08	10.31	2.92	29.74	2.92	2.85
		Y-o-y change (%)	10.4	10.2	10.3	9.9	10.1	10.3	10.1	9.4
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	8.1	8.1	8.0	7.3	8.9	8.3	8.9	7.8
	Automobile Sales	10,000 automobiles	2793.9	2894.1	686.6	872.1	718.3	171.8	265.6	231.9
		Y-o-y change (%)	13.7	4.1	5.7	0.9	1.7	-11.1	4.7	11.5
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	8.4	9.0	9.1	9.0	8.8	n.a.	n.a.	n.a.
	Jobs-to-applicants Ratio	End-of-period figure, times	1.13	n.a.	1.16	1.22	1.23	n.a.	n.a.	n.a.
Prices	Consumer Price Index	Y-o-y change (%)	2.0	1.6	1.6	1.8	2.2	2.9	2.1	1.8
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	2.2	2.2	2.3	2.1	2.5	2.0	2.0
	Foods	Y-o-y change (%)	4.6	-1.4	-0.9	-0.6	2.0	4.4	2.1	0.7
	Producer Price Index	Y-o-y change (%)	-1.3	6.3	6.2	5.9	3.7	3.7	3.1	3.4
	Producer Goods	Y-o-y change (%)	-1.7	8.4	8.2	7.6	4.9	4.8	4.1	4.5
	Consumer Goods	Y-o-y change (%)	-0.0	0.6	0.6	0.6	0.3	0.3	0.2	0.1
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	0.0	1.4	6.5	5.8	5.5	5.8	5.5	5.3
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	155.01	167.68	165.57	167.68	173.99	172.91	173.99	173.77
		End-of-period figure, y-o-y change (%)	11.3	8.1	9.0	8.1	8.2	8.8	8.2	8.3
	Outstanding Loans	End-of-period figure, RMB 1 trillion	106.60	120.13	117.76	120.13	124.98	123.86	124.98	126.16
		End-of-period figure, y-o-y change (%)	13.5	12.7	13.1	12.7	12.8	12.8	12.8	12.7
	Net Increase	Mid-period increase, RMB 10 billion	1265	1353	319	237	485	84	112	118
	Deposits	End-of-period figure, RMB 1 trillion	150.59	164.10	162.28	164.10	169.18	167.67	169.18	169.72
		End-of-period figure, y-o-y change	11.0	9.0	9.3	9.0	8.7	8.6	8.7	8.9
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.0	17.0	17.0	17.0	17.0	17.0	17.0	0.0
	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	2.94	2.82	2.73	2.74	2.73	2.80
Foreign Currency Reserves	End-of-period figure, USD 100 million	30,105	31,399	31,085	31,399	31,428	31,345	31,428	31,249	
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.94	6.51	6.65	6.51	6.27	6.33	6.27	6.33
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	16.82	17.32	16.93	17.32	16.93	16.85	16.93	17.26
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,104	3,307	3,349	3,307	3,169	3,259	3,169	3,082
	PER	End-of-period figure, times	15.9	18.2	18.0	18.2	17.8	18.3	17.8	17.3
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,077	5,671	16,735	17,102	17,067	5,616	5,595	5,425
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	12,777	11,281	3,311	2,725	2,830	645	1,034	826
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	4.8	8.1	10.5	8.1	13.9	16.2	13.9	12.9
	Fiscal Expenditure	Year-to-date y-o-y change (%)	6.8	8.3	11.7	8.3	11.1	16.9	11.1	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). Furthermore, in January 2018 MMF deposits (including CD) were replaced in the M2 MMF data by MMF held by non-depository institutions, households and non-financial institutions. 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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