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# Mizuho Economic Commentary-China

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July 2018 edition

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## ◆ Topic

### **The growth rate fell; trade frictions will only have a limited impact**

At +6.7% y-o-y, China's real GDP growth rate in April–June fell for the first time in three quarters. The economy is expected to slow at a gentle pace. Given the risk of a downswing on US/China trade frictions, China is looking for a way to restart dialogue.

## ◆ Economic trends

### **Though major indices swung upwards in June, they showed signs of a slowdown**

Though investment and consumption rallied slightly, export growth dipped, though it remains at a high level. China's economy is slowing despite some upswings, with production growth dipping for the second straight month, for example.

## **1. Topic: Growth fell slightly; China is looking for a way to restart talks aimed at resolving the trade frictions**

<b>Real GDP growth rate dipped slightly in April–June</b>	At +6.7% y-o-y, China’s real GDP growth in April–June was down slightly on the previous quarter (+6.8% y-o-y) (Fig. 1). At -0.7Pt, the contribution of external demand fell further into negative territories (January–March: -0.6Pt), while the contributions of final consumption (+5.3Pt) and total fixed capital formation (+2.1Pt) were unchanged on the previous quarter.
<b>Consumption moved flatly</b>	An analysis of demand items based on the results of major indicators shows real total retail sales of consumer goods growing at a slower pace (from +8.7% y-o-y in January–March to +7.3% y-o-y in April–June). The real data for retail sales above a designated size (a Mizuho Research Institute estimate, as are other figures denoted by a *) shows the overall figure being pushed down by a slowdown in car sales. At +8.1% y-o-y, though, real consumer spending per capita (*) was up on the previous quarter (+5.3% y-o-y). The breakdown reveals that the data was boosted substantially by spending on ‘education, culture and entertainment.’ With tariffs on automobile imports set to be lowered in July, the consumption of goods dipped as consumers held off from buying cars. However, the consumption of services (entertainment, etc.) increased, so overall consumption moved flatly. At +6.6% y-o-y, real disposable income growth moved flatly on the previous quarter in April–June, while the surveyed urban unemployment rate fell to 4.7% (January–March: 4.9%), for example, so it seems consumption is being bolstered by the healthy jobs and earnings environment.
<b>Though investment in infrastructure, etc. grew at a slower pace, the growth rate may have been bolstered by an increase in inventories</b>	At ±0.0% y-o-y, the real growth rate of investment in fixed assets (*) was down on the previous quarter (+1.2% y-o-y). Though investment in real estate development and manufacturing rallied slightly, infrastructure investment contracted for the first time since January–March 2012 (Fig. 2). This was partly because investment was at a high level one year earlier, but the data also reflected attempts to rein in excessive fiscal spending (through local government debt standardization, for instance). Though fixed asset investment growth slowed, the contribution of total fixed capital formation (investment + inventories) moved flatly, so it seems the growth rate was bolstered by an increase in inventories in April–June.
<b>The economy will undergo a gentle slowdown for the time being</b>	Amid ongoing moves to eliminate overcapacity, inventories could also become a factor pushing down the growth rate in China. However, consumption looks set to move firmly on the robust employment and earnings environment. The economy is also likely to be boosted by fiscal policies (such as tax reductions and moves to cut business costs) and measures to supply funds to small and micro enterprises. As such, it seems the economic slowdown will be quite mild overall.
<b>The US/China trade frictions will only have a limited impact on the economy</b>	As for risk factors, it seems most observers believe the economic impact of the worrisome US/China trade frictions has been limited so far. According to Ma Jun, a member of the monetary policy committee of the People’s Bank of China (PBOC), the measures implemented under Section 301 of the US Trade Act (the imposition of high tariffs on \$50 billion worth of Chinese goods) will only push GDP down by around -0.2%, despite the ripple effect caused by a fall in exports (Caixin, July 6: ‘The \$50 billion trade war will only have a limited impact on the Chinese economy’).
<b>The negative impact of the trade war could be offset by tariff reductions and lower corporate tax, etc.</b>	Furthermore, in 2018 China has already implemented several large-scale fiscal policies capable of offsetting the impact of the trade war (such as substantially slashing import tariffs, cutting corporate tax/lowering business costs, and cutting income tax). Specifically, China (1) lowered tariffs in January, May and July as part of measures to boost imports. These moves cover imports worth around \$300 billion (2017 results), with the reductions expected to add up to \$14.2 billion (Mizuho Research Institute estimate). This is higher than the \$13.1 billion increase as a result of the retaliatory tariffs already implemented by China, so on the whole the reductions are likely to offset the rise in domestic prices as a result of the retaliatory tariffs (Fig. 3). Furthermore, China has (2) lowered the value added tax rate, slashed red tape costs and cut tax for small and micro enterprises as part of moves to reduce business costs. In March, the National People’s Congress decided to cut corporate taxes and fees by RMB 1.1 trillion (around \$160 billion) or more in 2018. This move will probably compensate for the negative impact (falling exports, etc.) on businesses of the high US tariffs.

**The Chinese government is apparently looking for a way to re-open talks with the US**

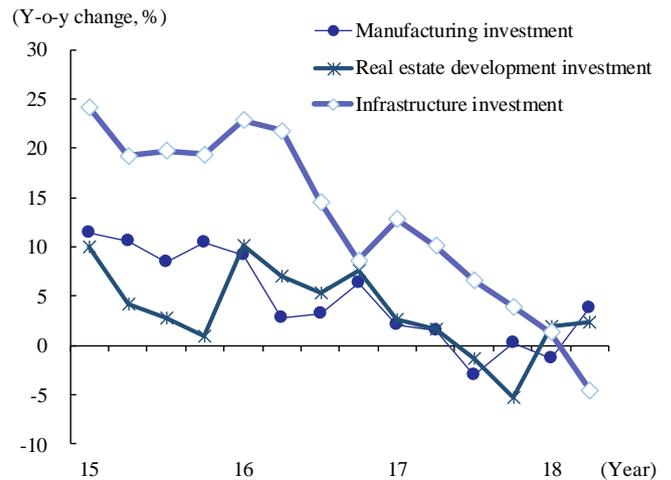
On July 10, the US released a list of \$200 billion worth of Chinese imports subject to a further 10% tariff increase. China immediately threatened to retaliate, though it has yet to announce any specific moves. On July 27, China’s Foreign Ministry commented that “China always believes that trade differences and frictions should be resolved through dialogue and consultation on the basis of mutual respect, equality and mutual benefit.” While Foreign Minister Wang Yi criticized the US moves on July 30, meanwhile, he also added that the door was always open for dialogue and negotiation. As such, it seems the Chinese side is worrying that retaliatory measures could exacerbate the situation and is subsequently trying to keep a lid on any provocative moves. With China looking for a way to recommence dialogue, attention will focus on what the US does next.

(Kaori Yamato)

**Fig. 1: Real GDP Growth Rate**



**Fig. 2: Investment in Manufacturing, Real Estate Development and Infrastructure**

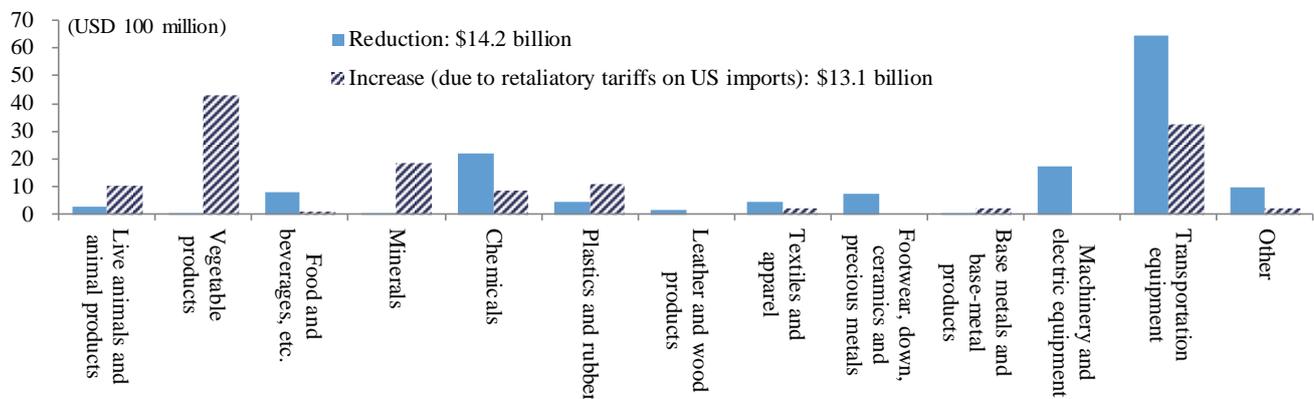


Note: The total retail sales of consumer goods data has been indexed using the retail price index; and the investment in fixed assets data has been indexed using the fixed asset investment price index. Exports = Nominal, dollar-denominated

Note: The data has been indexed using the fixed asset investment price index. Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

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. 3: Changes to Tariff Revenue as a Result of Chinese Tariff Measures in 2018**



Note: The index is a Mizuho Research Institute estimate.

Source: Prepared by Mizuho Research Institute based on the materials from the Taiwan Institute of Economic Research and the Ministry of commerce of the People’s Republic of China

## **2. Overview: The major indices rallied slightly in June, though they continue to slow**

<b>June's major indices pointed to an economic slowdown</b>	A glance at the major indices in June shows investment and consumption rallying, though they continue to slow on average. Export growth also slowed, though it remained at a high level. China's economy is slowing despite some upswings, with production growth dipping for the second straight month, for example.
<b>Production growth dipped in June</b>	At +6.0% y-o-y, real value-added industrial production growth fell for the second successive month in June (May: +6.8% y-o-y). A fall in tobacco production growth accounted for around 40% of the total slowdown, with growth also sliding in sectors like telecommunications equipment and electronics, electrical machinery, and chemicals, for example. The output/inventory balance (y-o-y output growth minus y-o-y inventory growth) continued to slide when it came to the telecommunications equipment and electronics sector and the electrical machinery sector. This seems to have dampened production. At +5.0%Pt, the output/inventory balance for industry as a whole expanded in April, though it contracted again in May to hit +3.7%Pt (Fig. 4). At 76.8%, the industrial capacity utilization rate in June was up slightly compared to March (76.5%), though it remained the same level as the same period last year. A comparison with the same period in 2017 shows utilization rates improving in sectors like coal and steel (where moves are underway to eliminate overcapacity). With production sliding, though, utilization rates dipped when it came to sectors like telecommunications equipment and electronics, electrical machinery, and chemicals.
<b>The government's Manufacturing PMI fell slightly in June</b>	At 51.5, the government's Manufacturing PMI fell for the first time in two months in June (May: 51.9), though it remained at a high level. (Fig. 5). Four of the five constituent indices (production, new orders, employed person and main raw materials inventory) fell. At 49.8, new export orders (an indicator referenced by the PMI) dipped below the key 50 market for the first time in four months (May: 51.2), while the import orders figure also fell (from 50.9 in May to 50.0). There was no rush of orders before the US and China imposed high tariffs on each other in July, with trade showing signs of stagnation. At 55.0, the Non-manufacturing PMI rose slightly for the fourth straight month (May: 54.9), with the composite PMI falling (from 54.6 in May to 54.4) for the first time in two months.
<b>Export growth dipped slightly in June</b>	At +11.2% y-o-y, export growth (nominal, dollar-denominated) dipped slightly in June (May: +12.1% y-o-y) (Fig. 6). The volatile shipping sector saw negative growth, with exports of computers and telecommunications also growing at a slower pace. Though exports to the US and EU accelerated, those to Japan and the NIEs grew at a slower clip. US data shows imports of Chinese steel and aluminum slowing sharply over April–May after the imposition of steep tariffs. This conflicts with the data released by China.
<b>Import growth also fell in June</b>	At +14.1% y-o-y, import growth (nominal, dollar-denominated) fell in June (May: +26.0% y-o-y) (Fig. 6). The machinery sector moved sluggishly. Imports of equipment and machinery slowed and transportation machinery import growth was down on the previous year for the first time in 14 months, for example, while imports of measuring instruments dipped into negative territories. However, the slide in transportation equipment growth is likely to be a temporary phenomenon caused by the impending July reduction of tariffs on automobiles (from 25% to 15%). China was due to reduce tariffs on a wide range of consumer goods in July and this may have led to imports of other items besides automobiles being delayed in June.
<b>China's trade surplus expanded in June</b>	China recorded a trade surplus of \$41.5 billion in June (May: \$24.1 billion). With the import amount slowing sharply on the previous year, the trade surplus was up slightly compared to one year earlier. China's surplus with the US grew on y-o-y basis for the third straight month. Its surplus with the EU and the ASEAN region also increased, though its deficit with South Korea expanded.

**Investment in fixed assets grew at a faster pace**

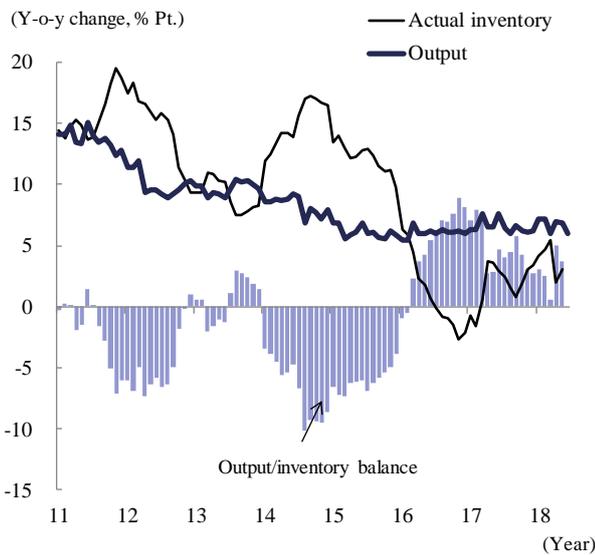
At +5.6% y-o-y, the nominal growth rate of investment in fixed assets (\*) rose in June for the first time in six months (May: +3.9% y-o-y) (Fig. 7). Investment in infrastructure underwent a y-o-y decline for the second successive month, while investment in real estate development also slowed, though manufacturing investment grew at a faster clip. The breakdown for manufacturing shows growth expanding when it came to nonmetallic mineral products, steel, metal products, general machinery and telecommunications equipment and electronics. At +0.4% y-o-y, the real growth rate of investment in fixed assets (\*) in June was up slightly on May's figure of -1.5% y-o-y.

**Retail sales grew at a faster clip**

At +9.0% y-o-y, nominal total retail sales of consumer goods grew at a faster pace in June for the first time in three months (May: +8.5% y-o-y) (Fig. 8). The breakdown for retail sales above a designated size shows automobile sales falling on the previous year for the second straight month as consumers held off from purchases ahead of a July tariff reduction. Sales of household-related goods (furniture, appliances, etc.) grew at a faster pace, though, with sales of food, daily articles and clothing also moving firmly. At +7.1% y-o-y, the real growth rate (\*) was up on May's figure of +6.9% y-o-y.

\* Mizuho Research Institute estimate

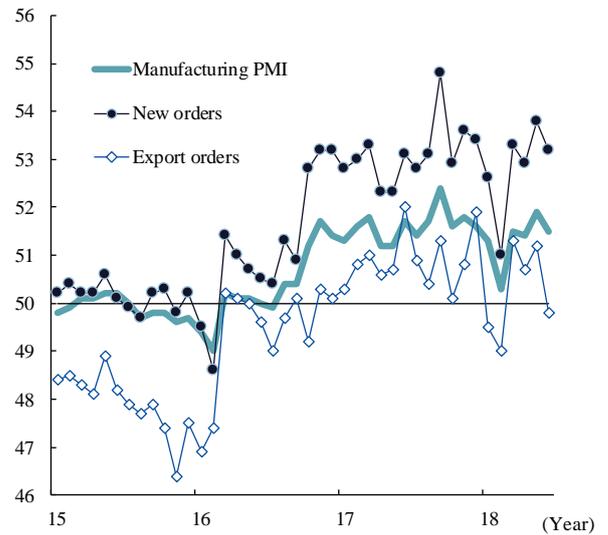
**Fig. 4: Output/Inventory Balance**



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.

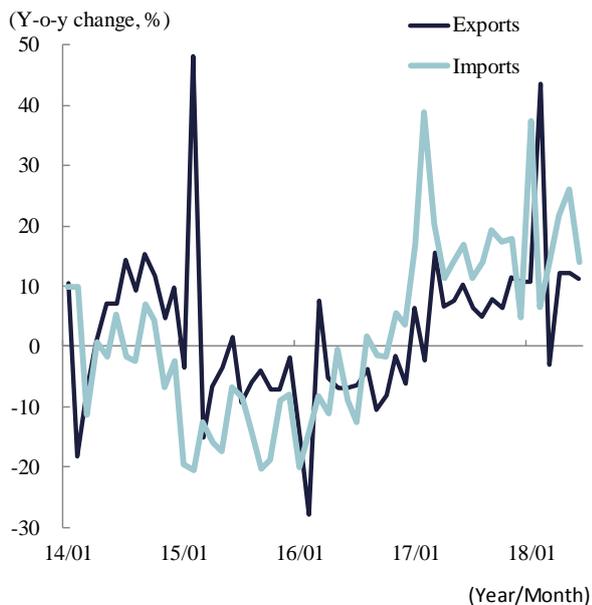
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

**Fig. 5: Manufacturing PMI**



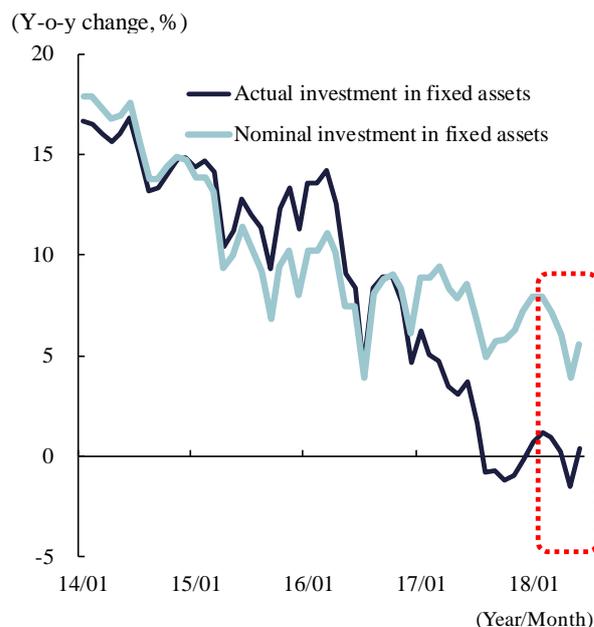
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China.

**Fig. 6: Value of Imports and Exports**



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

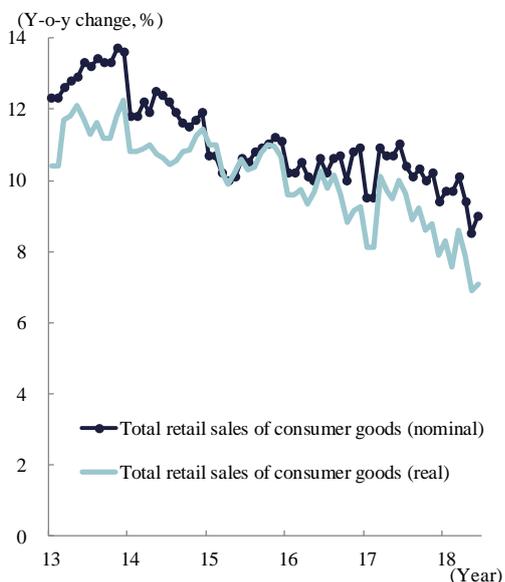
**Fig. 7: Investment in Fixed Assets**



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. 8: 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 and PPI both rose

#### The CPI rose slightly while core CPI moved flatly

At +1.9% y-o-y, consumer price index (CPI) growth picked up slightly in June (May: +1.8% y-o-y) (Fig. 9). Though the price of services grew at a slower pace, fuel costs increased, while food prices also rose slightly as pork prices fell at a slower clip. At +1.9% y-o-y, the core CPI data (excluding energy and food) moved flatly (May: +1.9% y-o-y).

#### PPI was up on the previous year

At +4.7% y-o-y, producer price index (PPI) growth increased for the third straight month in June (May: +4.1% y-o-y) (Fig. 9). Growth picked up even more in sectors that had already seen ongoing double-digit y-o-y growth thanks to rising energy prices (such as petroleum and natural gas extraction, petroleum processing, and steel), with the coal extraction sector also achieving double-digit growth. At +0.3% m-o-m, PPI growth remained in positive territories for the second straight month (May: +0.4% m-o-m), though the growth rate dipped slightly.

#### House prices rose on a y-o-y basis for the second straight month

At +5.8% 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 in June for the second month in a row (May: +5.4% y-o-y) (Fig. 10). Growth moved flatly in first-tier cities for the first time in six months (they had previously undergone a sustained fall), while prices also rose at a faster pace in second-tier cities. The growth rate in third-tier cities was unchanged on the previous month. Growth accelerated on a m-o-m basis in all three tiers. At +1.1%, the average m-o-m growth in the 70 major Chinese cities hit the 1% range for the first time since October 2016 (May: +0.8% m-o-m). Four cities saw prices falling on a monthly basis (down from seven in May), while three cities saw prices moving flatly (up from two) and 63 cities saw prices rising (up from 61).

#### Real estate sales in terms of floor space and investment in real estate development both grew at a slower pace

At +4.5% y-o-y, real estate sales in terms of floor space grew at a slower pace in June (May: +8.0% y-o-y). At +8.3% y-o-y, investment in real estate development slowed for the second successive month (May: +9.9% y-o-y). The overall data was pushed down by slower housing investment growth, with office investment also falling further into negative territories.

(Kaori Yamato)

Fig. 9: CPI and PPI

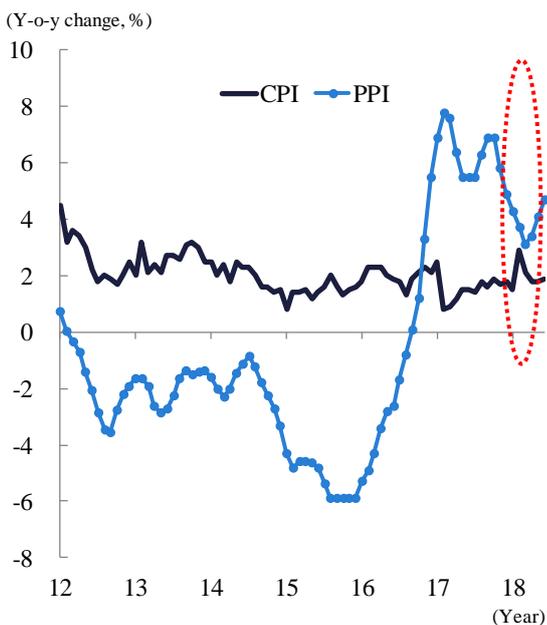
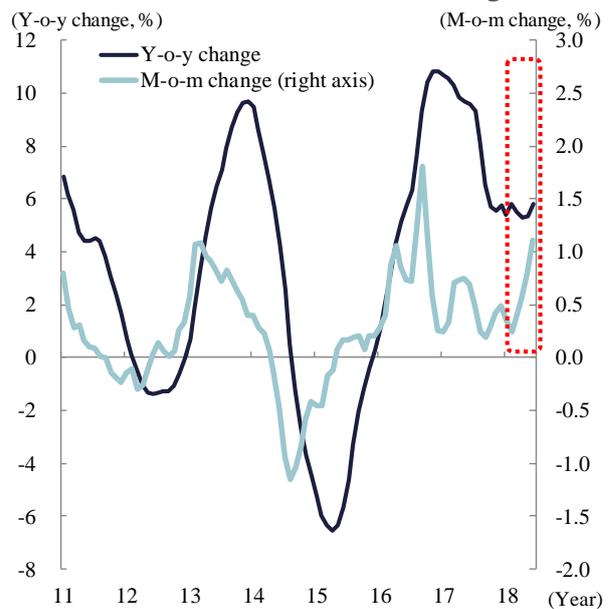


Fig.10: Sales Price Indices of Newly Constructed Commercial Residential Buildings



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

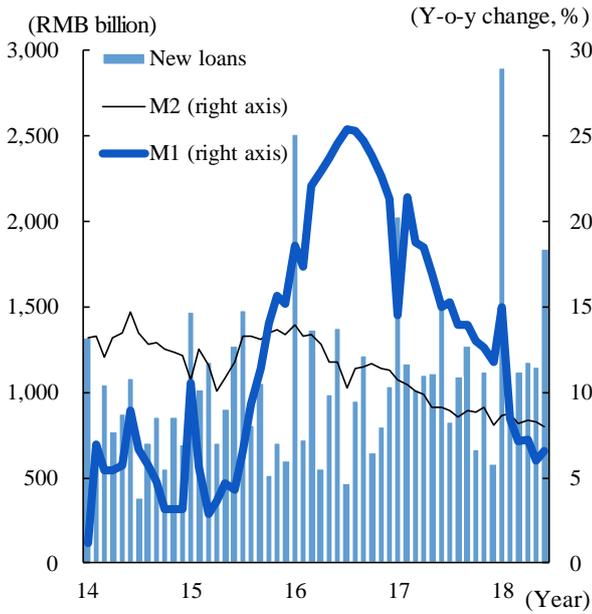
Note: The average price indices of new homes in 70 major Chinese cities  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

#### **4. Monetary policy: The PBOC lowered the required deposit reserve ratio for the third time this year**

<b>M2 growth fell</b>	At +8.0% y-o-y, money supply (M2) growth dipped in June (May: +8.3% y-o-y) (Fig. 11). Ruan Jianhong, head of the PBOC Survey and Statistics Department, said this slide was mainly due to financial deleveraging and the subsequent decline in commercial bank interbank transactions and equity investments.
<b>New RMB loans rose on an increase in loan on notes, etc.</b>	New RMB loans totaled RMB 1.84 trillion in June. This was up on the previous month (RMB 1.15 trillion) and the same month last year (RMB 1.54 trillion). A y-o-y comparison shows lending buoyed by an increase in loan on notes issued to companies and government institutions. At +12.7% y-o-y, the outstanding RMB loan balance grew at a slightly faster pace (May: +12.6% y-o-y).
<b>The total social financing balance grew at a record slow pace</b>	At RMB 1.1816 trillion, total social financing was up on the previous month (May: RMB 763.6 billion). At +9.8% y-o-y, the total social financing balance grew at a record slow pace (May: +10.3% y-o-y) (Fig. 12). The overall figure was pushed down by a fall in entrusted loans (including shadow banking loans) growth (from May -3.4% y-o-y to -4.6% y-o-y), for example, with trust loans also growing at a significantly slower pace (from +16.0% y-o-y in May to +10.1% y-o-y). It seems off-balance-sheet transactions declined as the financial authorities cracked down on the shadow banking sector.
<b>In June, the PBOC provided net funds via its open-market operations, the SLF and the MLF</b>	In June, the PBOC absorbed a net RMB 210 billion from the markets via its open-market operations (Fig. 13). The Standing Lending Facility (SLF) and the Medium-term Lending Facility (MLF) provided net funds, with the PBOC supplying a total of RMB 227.8 billion once its open-market operations were added to the equation (in May the PBOC supplied a net RMB 613.7 billion).
<b>In July, the MLF supplied a record amount of funds</b>	In July, the PBOC absorbed a net RMB 420 billion as part of its open-market operations. The MLF provided a total of RMB 690.5 billion, including RMB 502 billion on July 23, a record for a one-off operation. With the PBOC absorbing RMB 188.5 billion at the end of May through maturing MLF loans, the MLF supplied a total of RMB 502 billion (as of July 27).
<b>The PBOC expanded the range of acceptable collaterals for the MLF</b>	On June 1, the PBOC announced it would expand the range of acceptable collaterals for the MLF to include SMEs, green, and agricultural financial bonds rated AA and above, for example, and corporate debenture bonds rated AA+ or AA. These join government bonds, central bank bills, policy financial bonds, local government bonds, and AAA-rated corporate bonds as acceptable collaterals.
<b>The PBOC lowered the required deposit reserve ratio for the third time this year</b>	On June 24, the PBOC also announced it was lowering the required deposit reserve ratio for large commercial banks, joint-stock commercial banks and foreign-funded banks, etc., by 0.5%Pt from July 5. This is the third such cut this year. The PBOC said the latest move will provide liquidity to the tune of around RMB 700 billion. The central bank is encouraging banks to use RMB 500 billion amount to carry out debt-equity swap programs. It is also requesting that banks use the remaining RMB 200 billion to lend to small-and-micro enterprises. Despite the ongoing implementation of easing measures, the PBOC explained that it will continue to pursue a sound and neutral monetary policy.
<b>Stocks fell to a two-year low, while the RMB fell at a faster rate against the dollar</b>	The Shanghai Stock Exchange Composite Index fell on concerns about US/China trade frictions, though its slide was arrested after hitting its lowest level for around 28 months on July 5 (Fig. 14). With the US and China implementing tit-for-tat tariffs, the RMB fell at a faster rate against the greenback to drop temporarily below RMB 6.8 to the dollar (Fig. 15).

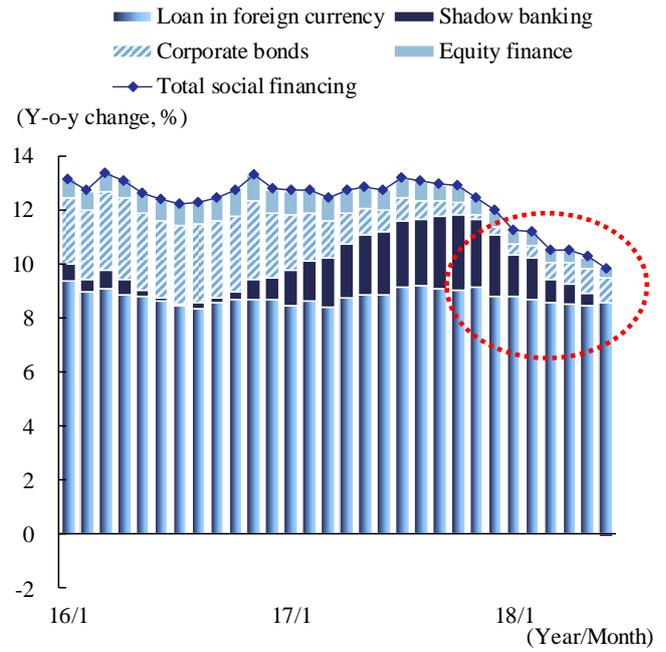
(Naoaki Sato)

**Fig. 11: Financial Indicators**



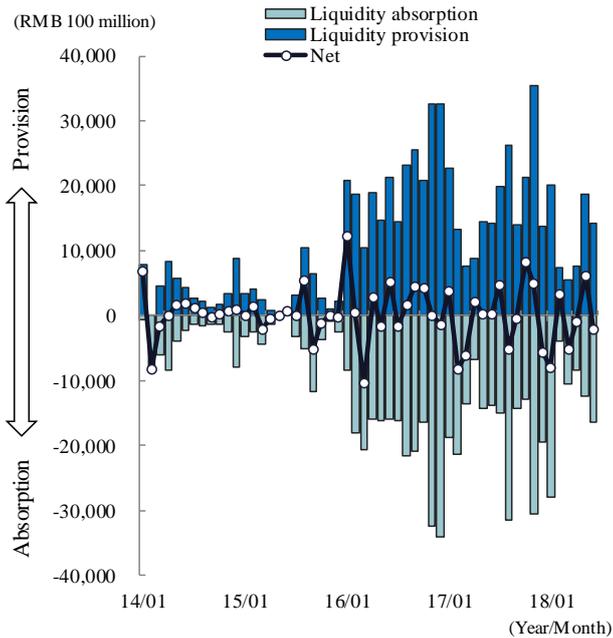
Note: 'New loans' denotes the amount of new RMB loans.  
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

**Fig. 12: The Total Social Financing Balance (Y-o-y change)**



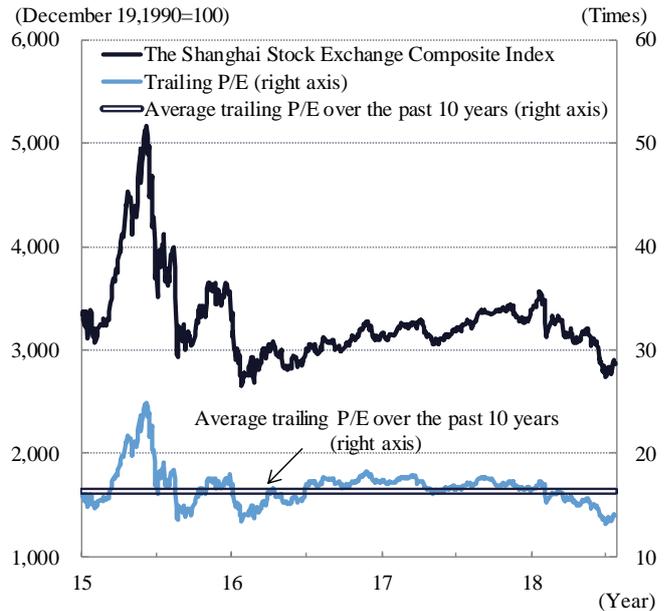
Note: 'Shadow banking' denotes the total amount of entrusted loans, trust loans and bank acceptance.  
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

**Fig. 13: Open Market Operation**



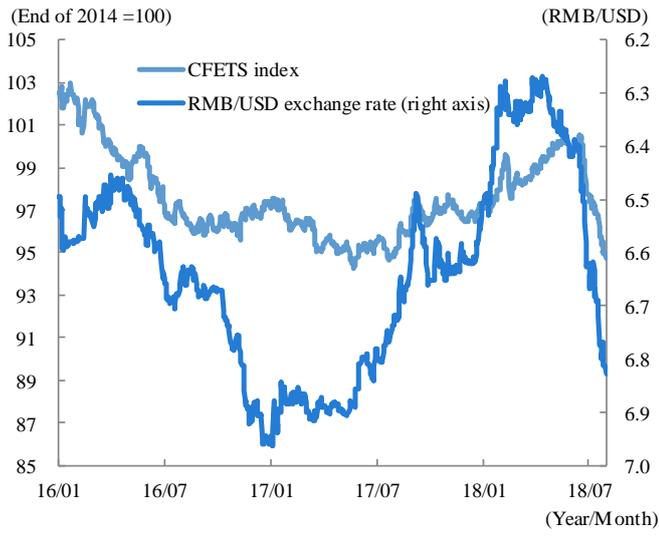
Note: Monthly data  
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

**Fig. 14: Stocks**



Note: Daily data; The most recent day: July 30  
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China and CEIC data

**Fig. 15: Foreign Exchange**



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: July 30

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	17/4Q	18/1Q	18/2Q	April	May	June	
GDP	Real GDP	Y-o-y change (%)	6.7	6.9	6.8	6.8	6.7				
	Nominal GDP	Year-to-date (total), RMB 1 trillion	74.36	82.71	82.71	19.88	41.90				
Business Sentiment	PMI	End-of-period figure, points			52.4	51.6	51.5	51.4	51.9	51.5	
	New Orders	Points			54.8	53.4	53.3	52.9	53.8	53.2	
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.0	6.6	6.3	6.2	6.0	7.0	6.8	6.0	
	Light Industry	Y-o-y change (%)	4.7	6.9	6.9	5.8	5.4	5.6	3.9	4.0	
	Materials	Y-o-y change (%)	6.2	4.8	5.0	4.8	5.3	6.2	6.0	6.4	
	Machinery	Y-o-y change (%)	8.4	10.5	10.8	9.7	8.0	9.2	7.7	6.6	
	Electric Power Generation	Y-o-y change (%)	4.8	5.2	6.2	3.6	2.1	6.9	9.8	6.7	
	Industrial Goods Inventories	Y-o-y change (%)			17.5	17.5	17.5	5.5	7.3	8.3	
	Light Industry	Y-o-y change (%)			3.3	5.2	4.4	2.6	5.7	n.a.	
	Materials	Y-o-y change (%)			8.0	10.2	9.3	5.8	7.0	n.a.	
	Machinery	Y-o-y change (%)			9.0	9.6	11.0	7.1	9.6	n.a.	
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	-0.4	4.6	4.1	14.8	7.1	6.9	2.3	6.1	
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-1.5	7.6	4.0	6.1	14.2	1.9	8.2	4.9		
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	59.7	63.2	45.85	63.17	10.08	15.44	21.60	29.73	
		Year-to-date y-o-y change (%)	8.1	7.2	7.5	7.2	7.5	7.0	6.1	6.0	
	Primary Industry	Year-to-date y-o-y change (%)	21.1	11.8	11.8	11.8	24.2	16.8	15.2	13.5	
	Secondary Industry	Year-to-date y-o-y change (%)	3.5	3.2	2.6	3.2	2.0	2.5	2.5	3.8	
	Manufacturing	Year-to-date y-o-y change (%)	4.2	4.8	4.2	4.8	3.8	4.8	5.2	6.8	
	Tertiary Industry	Year-to-date y-o-y change (%)	10.9	9.5	10.5	9.5	10.0	9.3	7.7	6.8	
	Real estate development investment	Year-to-date y-o-y change (%)						10.3	10.2	9.7	
Actual Direct Investment	Year-to-date (total), USD 100 million	1,337	1,363	1,363	345	683	436	527	683		
	Year-to-date y-o-y change (%)	-1.4	1.9	1.9	2.1	4.1	2.0	3.6	4.1		
Trade	Exports	USD 100 million	21,366	22,804	5,881	6,353	5,438	1,993	2,120	2,166	
		Y-o-y change (%)	-6.4	6.7	6.4	9.6	13.7	12.1	12.1	11.2	
		To the U.S.	Y-o-y change (%)	-5.1	11.3	10.4	12.1	13.6	9.6	11.6	12.5
		To the EU	Y-o-y change (%)	-3.7	9.1	8.4	12.8	12.5	10.7	8.5	10.4
		To Japan	Y-o-y change (%)	-4.7	6.1	2.4	10.1	6.8	9.5	10.2	6.8
		To NIES, ASEAN	Y-o-y change (%)	-8.5	2.4	3.1	6.6	12.7	15.2	15.0	12.4
	Imports	USD 100 million	15,895	18,423	4,758	5,061	4,982	1,719	1,879	1,751	
		Y-o-y change (%)	-5.4	15.9	14.9	12.8	19.2	21.7	26.0	14.1	
		From the U.S.	Y-o-y change (%)	-9.8	14.8	18.8	5.2	8.4	20.3	11.4	9.6
		From the EU	Y-o-y change (%)	-0.5	17.7	21.2	21.8	17.7	27.8	18.3	-6.5
		From Japan	Y-o-y change (%)	1.7	13.9	13.3	11.1	12.9	17.1	22.5	0.6
		From NIES, ASEAN	Y-o-y change (%)	-1.6	12.6	13.4	14.3	21.3	23.3	27.0	15.6
Trade Balance	USD 100 million	5,471	4,380	1,123	1,292	456	274	241	415		

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	17/4Q	18/1Q	18/2Q	April	May	June
Consumption	Consumer Confidence Index	End-of-period figure, points			122.6	122.3	118.2	122.9	122.9	118.2
	Consumer Expectations Index	End-of-period figure, points			125.9	125.7	121.2	126.5	126.1	121.2
	Total Retail Sales of Consumer Goods	RMB 1 trillion	33.23	36.63	10.31	2.92	8.97	2.85	3.04	3.08
		Y-o-y change (%)	10.4	10.2	9.9	10.1	9.0	9.4	8.5	9.0
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	8.1	8.1	7.3	8.9	6.6	7.8	5.6	6.4
	Automobile Sales	10,000 automobiles	2793.9	2894.1	872.1	718.3	688.0	231.9	228.8	227.4
		Y-o-y change (%)	13.7	4.1	0.9	1.7	8.6	11.5	9.6	4.8
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	8.4	9.0	9.0	8.8	8.7	n.a.	n.a.	n.a.
	Jobs-to-applicants Ratio	End-of-period figure, times	1.13	n.a.	1.22	1.23	1.23	n.a.	n.a.	n.a.
Prices	Consumer Price Index	Y-o-y change (%)	2.0	1.6	1.8	2.2	1.8	1.8	1.8	1.9
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	2.2	2.3	2.1	1.9	2.0	1.9	1.9
	Foods	Y-o-y change (%)	4.6	-1.4	-0.6	2.0	0.4	0.7	0.1	0.3
	Producer Price Index	Y-o-y change (%)	-1.3	6.3	5.9	3.7	4.1	3.4	4.1	4.7
	Producer Goods	Y-o-y change (%)	-1.7	8.4	7.6	4.9	5.3	4.5	5.4	6.1
	Consumer Goods	Y-o-y change (%)	-0.0	0.6	0.6	0.3	0.3	0.1	0.3	0.4
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	0.0	1.4	5.8	5.5	5.8	5.3	5.4	5.8
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	155.01	167.68	167.68	173.99	177.02	173.77	174.31	177.02
		End-of-period figure, y-o-y change (%)	11.3	8.1	8.1	8.2	8.0	8.3	8.3	8.0
	Outstanding Loans	End-of-period figure, RMB 1 trillion	106.60	120.13	120.13	124.98	129.15	126.16	127.31	129.15
		End-of-period figure, y-o-y change (%)	13.5	12.7	12.7	12.8	12.7	12.7	12.6	12.7
	Net Increase	Mid-period increase, RMB 10 billion	1265	1353	237	485	417	118	115	184
	Deposits	End-of-period figure, RMB 1 trillion	150.59	164.10	164.10	169.18	173.12	169.72	171.02	173.12
		End-of-period figure, y-o-y change	11.0	9.0	9.0	8.7	8.4	8.9	8.9	8.4
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.0	17.0	17.0	17.0	16.0	16.0	16.0	16.0
	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	2.82	2.73	2.80	2.80	2.83	2.80
	Foreign Currency Reserves	End-of-period figure, USD 100 million	30,105	31,399	31,399	31,428	31,121	31,249	31,106	31,121
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.94	6.51	6.51	6.27	6.62	6.33	6.41	6.62
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	16.82	17.32	17.32	16.93	16.73	17.26	16.96	16.73
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,104	3,307	3,307	3,169	2,847	3,082	3,095	2,847
	PER	End-of-period figure, times	15.9	18.2	18.2	17.8	14.1	17.3	15.2	14.1
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,077	5,671	17,102	17,067	15,910	5,425	5,442	5,042
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	12,777	11,281	2,725	2,830	2,425	826	900	699
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	4.8	8.1	8.1	13.9	10.6	12.9	12.2	10.6
	Fiscal Expenditure	Year-to-date y-o-y change (%)	6.8	8.2	8.2	11.1	7.8	10.3	8.1	7.8

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 and from January 2018 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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