
Mizuho Economic Commentary-China

September 2018 edition

◆ Topic

The impact of US/China trade frictions on the Chinese economy

The US has hit Chinese imports with three rounds of extra tariffs. These cover a wide range of items (including low-value-added products). The Chinese government has offered support to companies by granting higher VAT rebates, for example. The government will offer more support going forward, but there is a risk the economy could be hit if sentiments are damaged by uncertainty about these trade frictions.

◆ Economic trends

The major indices rallied slightly in August, though they continue to slow overall

Investment and consumption rallied slightly, though the details suggest a lack of sustainability. Export growth shrank, though it remained at high levels. The PMI export orders indicator remained below 50 for the third straight month, with trade frictions starting to bite

1. Topic: The impact of US/China trade frictions on the Chinese economy

The US and China imposed new tariffs for the third time

The Trump administration implemented its third round of punitive tariffs on Chinese imports on September 24 (a further 10% tariff on \$200 billion of Chinese goods). The tariff rate is set to rise to 25% in January 2019. This gives firms with a presence in the US around three months to find new suppliers outside China. On the same day, China imposed high tariffs on \$60 billion of US goods as a retaliatory measure (a 10% tariff on 3,571 items and a 5% tariff on 1,636 items). President Trump said his next move would be to impose high tariffs on all Chinese imports if China retaliated against the latest measures, so this tit-for-tat battle is becoming more entrenched.

The fall in Chinese exports due to the US tariffs will be equivalent to a maximum 0.5% of GDP

The US tariffs target Chinese goods worth a total of \$252.9 billion. It is estimated the move will earn the US an extra \$33.1 billion a year (2017 trade amount basis; the figure will rise to \$63.1 billion a year from January 2019). If we set the price elasticity of Chinese exports at 1 (a change in price leads to an equal change in demand quantity), then exports will decline by an amount equivalent to this extra revenue earned from tariffs, so exports expected to fall by 1.5% (0.3% of nominal GDP). When the tariff rate is hiked from 10% to 25% in January 2019, exports will dip by 2.8% (0.5% of nominal GDP).

There are concerns the tariffs could hit small and medium-sized enterprises and thus have a deleterious impact on jobs, earnings and consumption

An analysis of the impact of the tariffs on each export item (with price elasticity set at 1) suggests machinery and electrical equipment exports will bear the brunt of the decline on an amount basis. When it comes to the rate of the decline of exports (as a proportion of total global exports), though, it is possible that exports of plastic and rubber, leather and wood products, transportation equipment, and other (furniture, games consoles, etc.) may experience a sharper decline than exports of machinery and electric equipment now that the US has lifted tariffs for the third time, while a wide range of other export items might also face more downward pressure (Fig. 1). Even if this decline in exports shaves 0.5% off China's GDP, this by itself is unlikely to lead to a serious economic slowdown in the country. However, if the impact spreads to low-value-added products, there are concerns this could deal a further blow to small and medium-sized enterprises already experiencing fundraising difficulties due to tougher financial regulations, with the jobs and earnings environment worsening and consumption dipping as a result.

Exports are likely to be comparatively resilient when it comes to items with a high global reliance on Chinese goods (such as machinery and electric equipment)

However, the export price elasticity value may be less than 1 if companies can easily find non-Chinese replacements for these export items. The level of global reliance on Chinese exports for each item (the Chinese share of the total global export amount for each item) is an indicator of how easy it will be to find replacement products. An analysis suggests the US will easily find replacements for items with a comparatively low global reliance level (such as food and beverages, etc., minerals, animal or vegetable products, or chemicals), with Chinese exports of these items subsequently falling (Fig. 2). However, the US will find it hard to replace items with a comparatively high global reliance level, such as machinery and electric equipment exports (which account for half the impact of the tariffs on an amount basis), other (furniture, games consoles, etc.), and textiles and apparel. As such, US or Chinese companies may bear the brunt of the higher costs associated with the new tariffs, with exports of these items unlikely to fall much, comparatively speaking.

The downward pressure on exports may be alleviated by a government measure to grant higher VAT rebates

In September, meanwhile, the Chinese government introduced a measure granting higher value-added tax (VAT) rebates on exports. The measure will cover 397 export items and there is a 91% overlap with the items targeted by the US tariffs (amount basis) (Fig. 3). If this tax cut boosts the ability of Chinese companies to shoulder the burden of higher costs due to the US tariffs, then together with the aforementioned high global reliance on Chinese goods (difficulty of finding substitutes for Chinese goods), this will work to alleviate the downward pressure on exports.

Intensified trade frictions could have an indirect impact

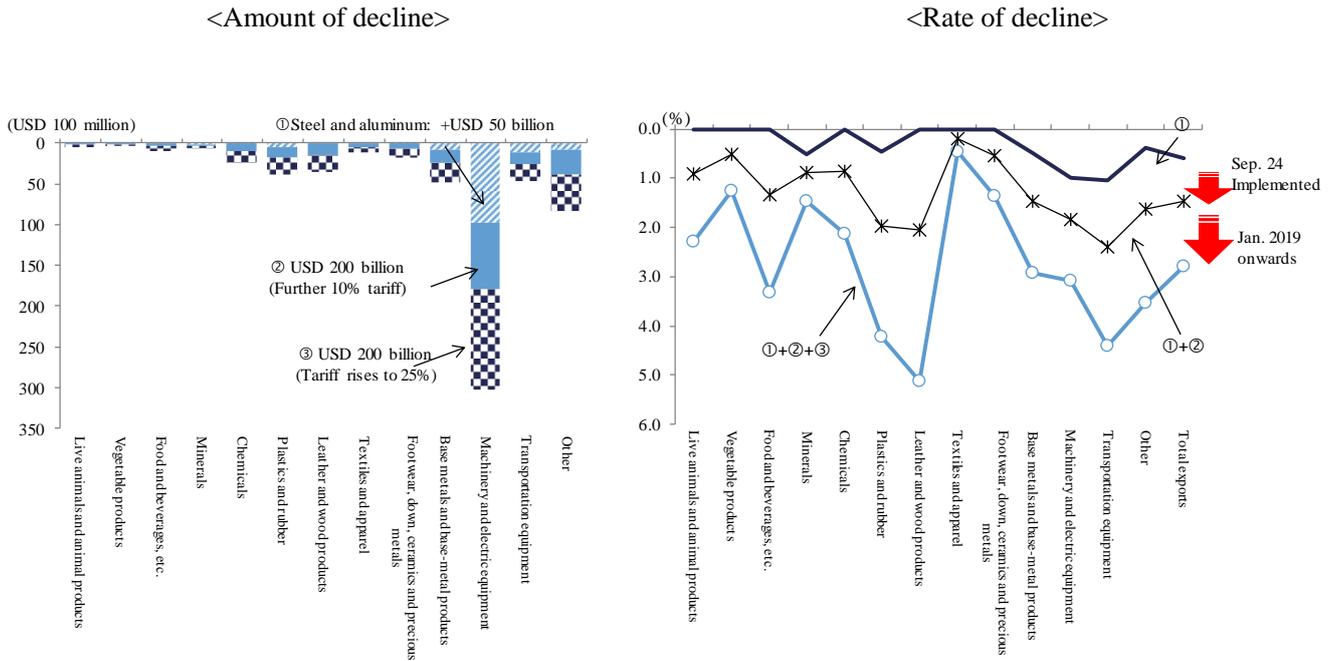
However, there is an undeniable danger that intensified trade frictions could have an indirect impact by hitting corporate and household sentiments, with investment and consumption falling sharply and companies reviewing their supply chains, for example. August saw news

on investment, etc.
by damaging
sentiments

that Chinese orders for processing machinery from Japan had fallen sharply, but there are no signs of a sharp decline once seasonal factors are taken into consideration. However, if these trade frictions continue with no end in sight, this will inevitably hit capital investment. News is also starting to emerge that Japanese companies and other foreign firms are looking into reviewing their supply chains (shifting production hubs from China or changing suppliers, for example). These movements could grow more pronounced from here on. If China and the US continue this tit-for-tat battle going forward, this might negatively impact not just the two protagonists but the whole global economy. As such, it is advisable that the two sides get back around the table as soon as possible and try to find some points of compromise.

(Kaori Yamato)

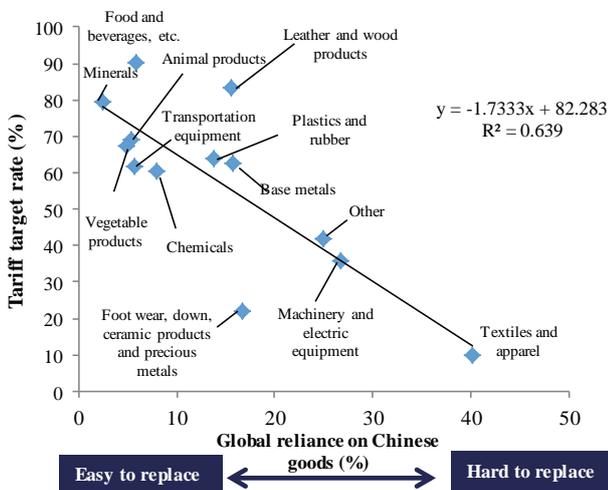
Fig. 1: The decline in Chinese exports due to US tariffs



Note: Estimates based on trade amount figures for 2017. The rate of decline = the rate of decline of Chinese exports as a proportion of total global exports. The price elasticity value is assumed to be 1.

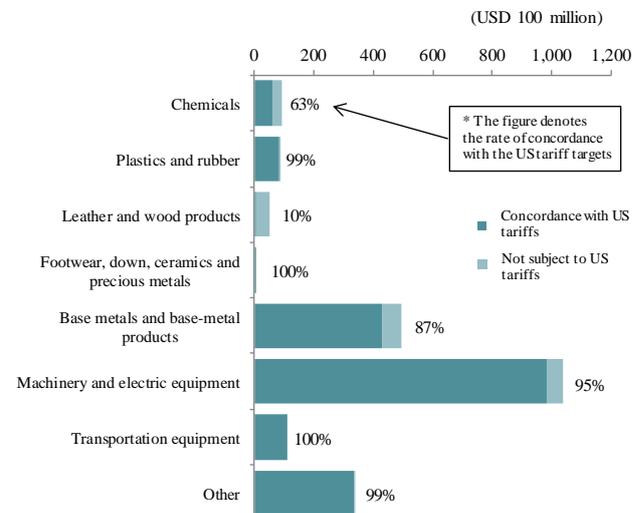
Source: Prepared by Mizuho Research Institute based on the materials from the United States Trade Representative, the Ministry of Commerce of China, and the database from the Taiwan Institute of Economic Research

Fig. 2: US tariff target rate and global reliance on Chinese goods



Note: The tariff target rate = the rate of Chinese imports to the US that are targeted by the tariffs; the global reliance on Chinese goods = the

Fig. 3: Targets of the government measure to grant higher VAT rebates



Source: Prepared by Mizuho Research Institute based on the materials from the Ministry of Finance of China, the United States Trade

2. Overview: The major indices rallied slightly in August, though they continue to slow overall

Major indicators rallied overall in August, though this trend lacks sustainability	A glance at the major indices in August shows production, investment, and retail growth recovering slightly, though the details point to a lack of sustainability, with the economy continuing to slow on the whole. Exports fell for first time in two months.
Production growth picked up in August.	At +6.1% y-o-y, real value-added industrial production growth rose for the first time in four months in August (July: +6.0% y-o-y) (Fig. 4). Growth was pushed up by sectors like mining (coal extraction), non-ferrous metals, and electronics and telecommunications. However, the output/inventory balance (y-o-y output growth minus y-o-y inventory growth) has deteriorated in the electronics and telecommunications sector, so it is hard to see this leading to a sustained expansion of production. The output/inventory balance for industry as a whole remains in positive territories, but this positive gap is shrinking on a downswing in the general machinery and electric equipment sectors. It dipped to +0.6% in August, so the environment is ripe for some adjustment from here on. At +1.9% y-o-y, automobile production grew at its slowest pace since August 2015 on a slump in sales.
The government's Manufacturing PMI rose slightly in August	At 51.3, the government's Manufacturing PMI began rising again in August, albeit it a gentle pace (July: 51.2) (Fig. 5). This was down to an improvement in the production and employed persons data, though the new orders figure dipped. At 49.4, export orders (an indicator referenced by the PMI) moved below the key 50 level for the third straight month, while import orders also remained below 50 for the second successive month at 49.1. This data suggests the tit-for-tat sanctions implemented by the US and China since July are finally starting to bite. At 54.2, the Non-manufacturing PMI began rising gently again (July: 54.0), but this was due to a rise in input prices, with new orders actually falling.
Export growth dipped slightly in August	At +9.8% y-o-y, export growth (nominal, dollar-denominated) fell in August (July: +12.1% y-o-y) (Fig. 6). Growth slowed when it came to electronic equipment and other hi-tech products, while automobile exports also grew at a slower pace. At +13.2% y-o-y, exports to the US continued to grow (July: +11.2% y-o-y), with the impact of the trade frictions yet to be felt. Exports to South Korea contracted, though, while exports to Japan and Taiwan grew at a far slower pace, so this pushed the overall figure down.
Import growth fell in August	At +19.9% y-o-y, import growth (nominal, dollar-denominated) fell in August (July: +27.3% y-o-y), though it remained at a high level (Fig. 6). On a y-o-y basis, commodity import growth dipped on the falling price of iron ore and the sluggish growth of crude oil prices. As with exports too, imports of electronic equipment and other hi-tech products also grew at a sluggish pace. However, the electronic equipment figure seemed to be a fallback from the strong data in July, when import duties were slashed for electronic equipment. At the State Council executive meeting on September 26, the government decided to slash import duties in November too, so companies may delay imports until this date.
China's trade surplus shrank in August, though its surplus with the US expanded	China recorded a trade surplus of \$27.9 billion in August (July: \$28.0 billion). The surplus shrank on y-o-y basis for the second straight month. China's deficit with Japan and South Korea expanded on a slump in exports. At \$31.1 billion, though, China recorded a record monthly trade surplus with the US. The surplus against the US also expanded on a y-o-y basis for the fifth month in a row. There are concerns this could worsen fraught US/China relations.

Investment in fixed assets grew at a faster pace

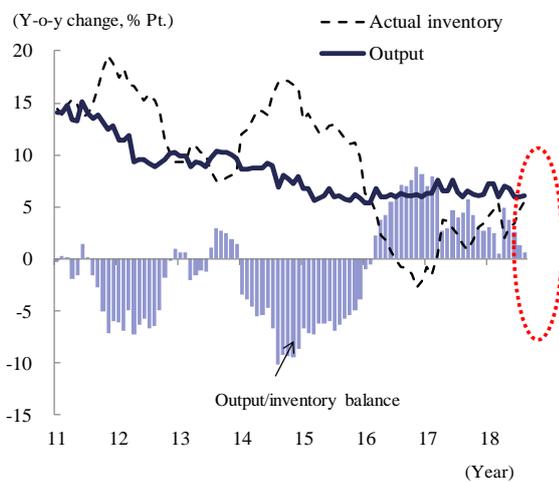
At +4.1% y-o-y, the nominal growth rate of investment in fixed assets (*) rose slightly in August for the first time in two months (July: +3.0% y-o-y) (Fig. 7). However, growth slowed when it came to manufacturing investment and real estate investment, while infrastructure investment contracted at a faster y-o-y pace. Discounting infrastructure-related investment, though, investment in the tertiary industry (entertainment, etc.) grew at a faster pace. At -0.6% y-o-y, the real growth rate of investment in fixed assets (*) in August improved slightly on July's figure of -1.9% y-o-y, though it remained in negative territories.

Sales grew at a faster pace

At +9.0% y-o-y, nominal total retail sales of consumer goods grew in August for the first time in two months (July: +8.8% y-o-y) (Fig. 8). The breakdown for retail sales above a designated size were boosted when sales of household appliances rose by +4.8% y-o-y after having previously slowed to +0.6% y-o-y in July. At -3.2% y-o-y, though, automobile sales contracted as a faster pace (July: -2.0% y-o-y). Nominal sales were pushed up by rising consumer prices in August, but the real growth rate (*) moved flatly at +6.5% y-o-y (July: +6.5% y-o-y).

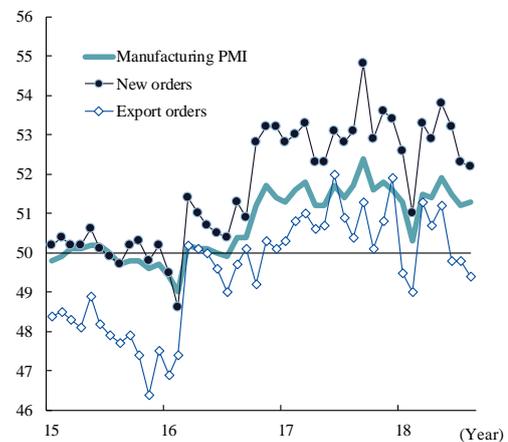
* Mizuho Research Institute estimate

Fig. 4: Output/Inventory Balance



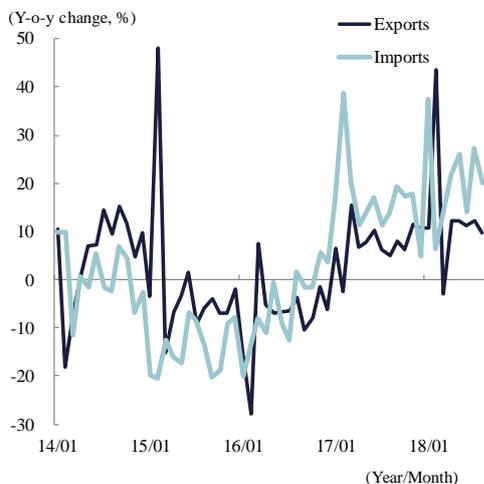
Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth.
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 5: Manufacturing PMI



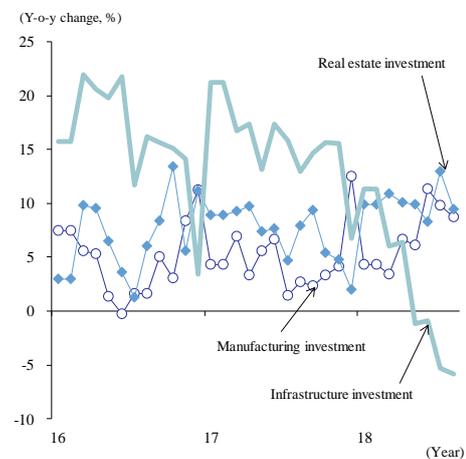
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

Fig. 6: Value of Imports and Exports



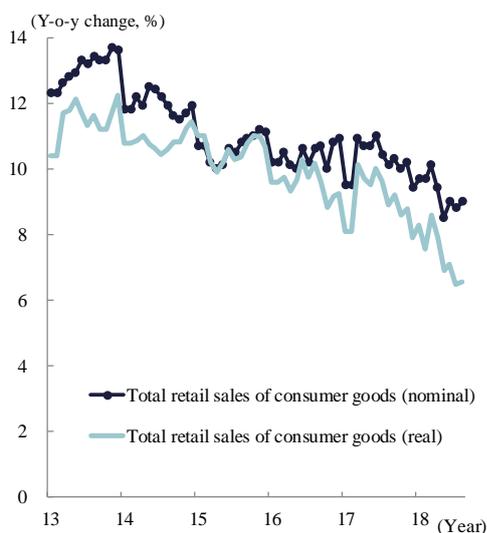
Source: Prepared by Mizuho Research Institute based on the materials from the General Administration of Customs

Fig. 7: Investment in Fixed Assets



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 rose but the PPI fell

CPI and core CPI both rose

At +2.3% y-o-y, consumer price index (CPI) growth picked up in August (July: +2.1% y-o-y) (Fig. 9). Fuel costs grew at a slower pace after crude oil prices stopped soaring, but pork prices contracted at a slower pace, with the overall data also pushed up by faster growth when it came to vegetable prices and services (rent and vacations, for example). At +2.0% y-o-y, the core CPI data (excluding energy and food) rose (July: +1.9% y-o-y).

PPI growth dipped on a y-o-y basis

At +4.1% y-o-y, producer price index (PPI) growth fell for the second straight month in August (July: +4.6% y-o-y) (Fig. 9). This figure was pushed down by slower growth when it came to commodity and energy sectors like mining (coal extraction, petroleum and natural gas extraction, iron ore extraction), petroleum processing, chemicals, and ferrous metals. At +0.4% m-o-m, PPI grew at a faster pace on a monthly basis (July: +0.1% m-o-m).

Homes prices grew at a faster y-o-y pace for the second straight month

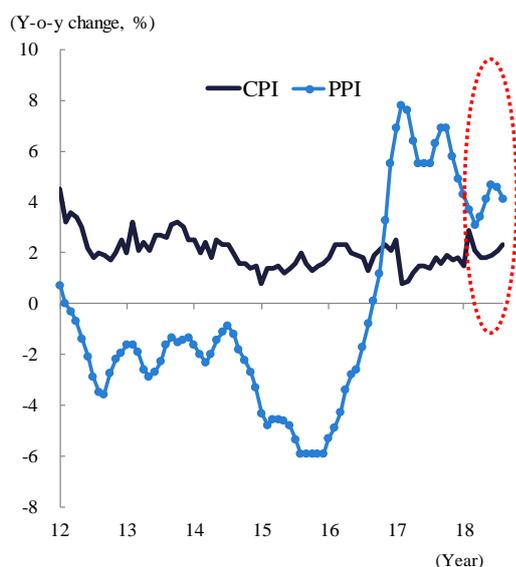
At +8.0% y-o-y, the sales price indices of newly constructed commercial residential buildings (the average of 70 major Chinese cities, *) grew at a faster y-o-y pace in August for the second successive month (July: +6.6% y-o-y) (Fig. 10). Every tier of city saw growth expanding on a y-o-y basis. It seems prices were pushed up as inventory-to-sales ratios fell in each region as a result of policies to eliminate inventories. Growth accelerated on a m-o-m basis in all three tiers, with average m-o-m growth in the 70 major Chinese cities accelerating for the sixth straight month to hit +1.5% m-o-m (July: +1.2% m-o-m). Only one city saw prices falling on a monthly basis (down from three in July), while two cities saw prices moving flatly (unchanged on July) and 67 cities saw prices rising (up from 65 in July).

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

At +2.4% y-o-y, real estate sales in terms of floor space grew at a slower pace in August (July: +9.9% y-o-y), so the buoyant impact of moves to redevelop urban barrack zones may have worn off. At +9.5% y-o-y, investment in real estate development also grew at a slower pace (July: +13.0% y-o-y). The overall data was pushed down by slower housing investment growth, with investment in offices and commercial facilities also falling further into negative territories.

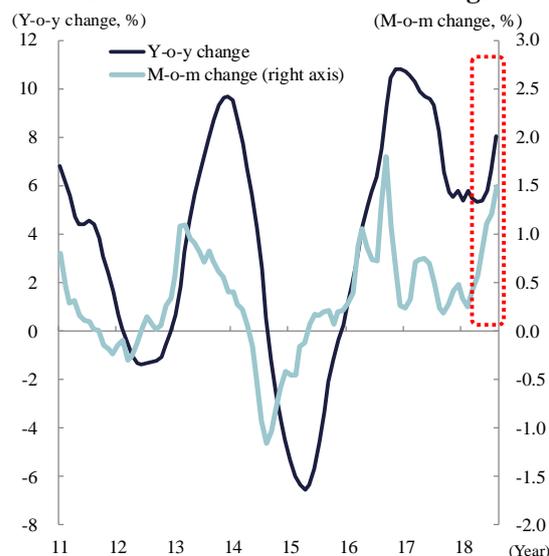
(Kaori Yamato)

Fig. 9: CPI and PPI



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

Fig.10: 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 re-introduced the foreign currency risk reserve requirement and the counter-cyclical factor

M2 growth fell

At +8.2% y-o-y, money supply (M2) growth dipped in August (July: +8.5% y-o-y). At +3.9% y-o-y, narrow money supply (M1) growth fell for the second straight month to hit its lowest level since April 2015 (see Fig. 11)

New RMB loans fell, particularly in the medium- to long-term

New RMB loans totaled RMB 1.28 trillion in August. This was down on the previous month (RMB 1.45 trillion). A m-o-m comparison show lending to companies and government institutions sliding, particularly in the medium- to long-term. At +13.2% y-o-y, the outstanding RMB loan balance moved flatly (July: +13.2% y-o-y).

The total social financing balance grew at a slower pace

At RMB 1.5215 trillion, total social financing was up on the previous month (July: RMB 1.0371 trillion). A m-o-m breakdown shows bonds and banker's acceptances increasing, while trust loans also expanded. The figures point to the impact of new government circulars cracking down on the shadow banking sector. At +10.1% y-o-y, the total social financing balance grew at a slower pace for the third straight month (July: +10.3% y-o-y) (Fig. 12). The overall figure was pushed down by a faster contraction when it came to entrusted loans (from -5.4% y-o-y in July to -6.2% in August) and banker's acceptances (from -8.7% y-o-y to -11.0% y-o-y)

In August, the PBOC provided net funds via its open-market operations, the SLF and the MLF

In August, the PBOC absorbed net funds from the markets via its open-market operations for the third straight month (a net \$50 billion) (Fig. 13). The Standing Lending Facility (SLF) absorbed net funds, but the Medium-term Lending Facility (MLF) provided net funds, so the PBOC supplied a total of RMB 143.0 billion once its open-market operations were added to the equation (in July the PBOC absorbed a net RMB 131.8 billion).

In September, the PBOC provided net funds via its open-market operations and the MLF

In September, the PBOC absorbed a net RMB 50 billion as part of its open-market operations. The MLF provided a total of RMB 441.5 billion, but with loans worth RMB 176.5 billion maturing at the end of September, the MLF supplied a total of RMB 265.0 billion (as of September 27).

The PBOC has introduced a FX risk reserve requirement

In August, the PBOC introduced a series of measures to stabilize the RMB after a sharp fall in the unit's value. Firstly, on August 6 it adjusted the foreign currency risk reserve requirement from 0% to 20%. This requirement was first introduced in August 2015 and it requires financial institutions engaged in foreign exchange forward transactions, etc. to park a certain amount of reserves with the PBOC. The foreign currency risk reserve requirement was originally set at 20%, but it was then lowered to 0% in September 2017 and this effectively put an end to these deposits, though they have now been introduced with this latest move.

The PBOC re-introduced the 'counter-cyclical factor'

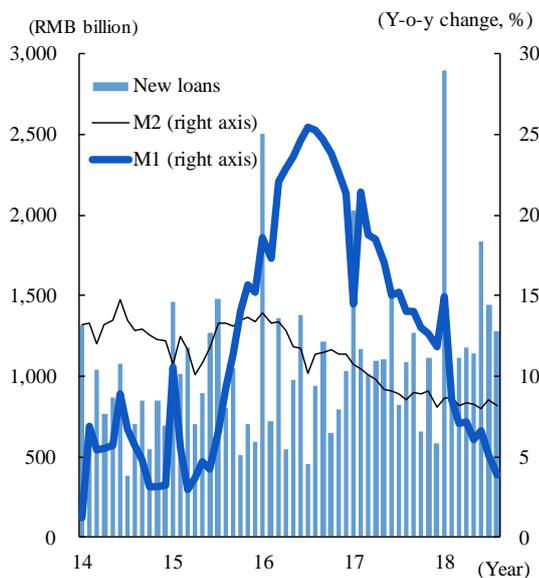
Then, on August 24, the PBOC re-introduced the 'counter-cyclical factor' into its mechanism for setting the RMB's central parity rate after an absence of around seven months. The counter-cyclical factor was first introduced in May 2017 to prevent excessive movements of the central rate and stabilize the RMB, though it was then suspended in January this year.

Stocks recovered to 2,800 points for a time; the RMB's slide was halted

The Shanghai Stock Exchange Composite Index moved heavily on concerns about US/China trade frictions. On September 17, it hit its lowest level in around three years and ten months. From September 18, though, it more-or-less underwent an uninterrupted rise and it rallied to close at the key 2,800 Pt mark on September 26 for the first time in around two months (Fig. 14). The RMB temporarily weakened to RMB 6.9 against the dollar, but its slide was halted thanks to the aforementioned policies to stabilize the unit (the foreign currency risk reserve requirement and the counter-cyclical factor) (Fig. 15).

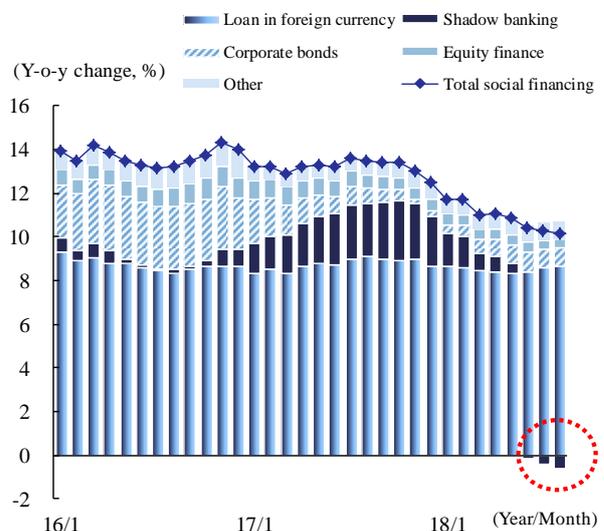
(Naoaki Sato)

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

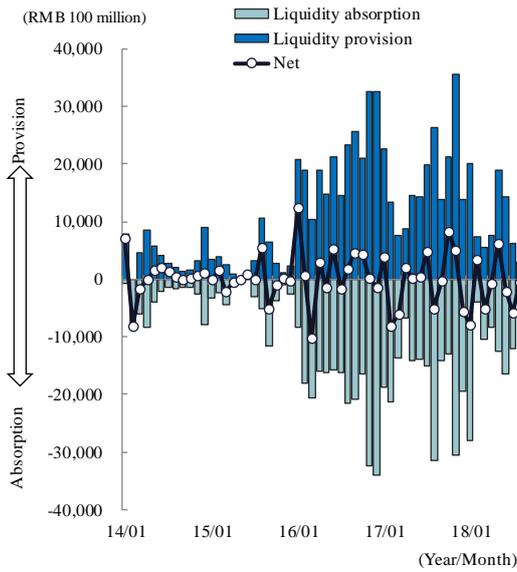
Fig. 12: The Total Social Financing Balance (Y-o-y change)



Note: 'Shadow banking' denotes the total amount of entrusted loans, trust loans and bank acceptances. The figures were revised from July 2018 to include deposit-taking financial institution ABS and loan write-off.

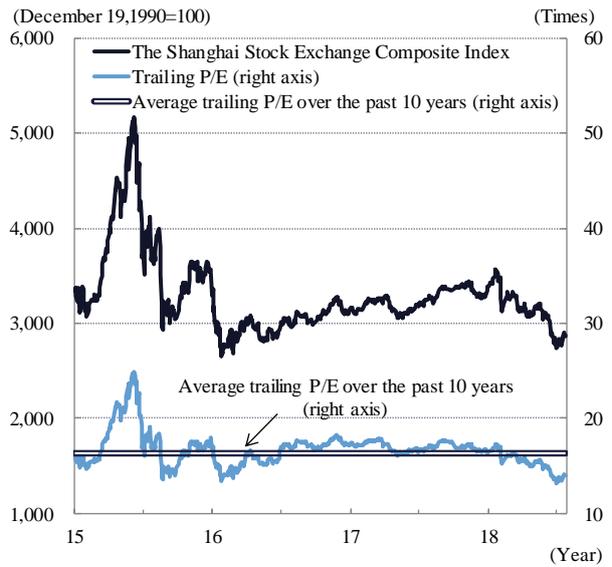
Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 13: Open Market Operation



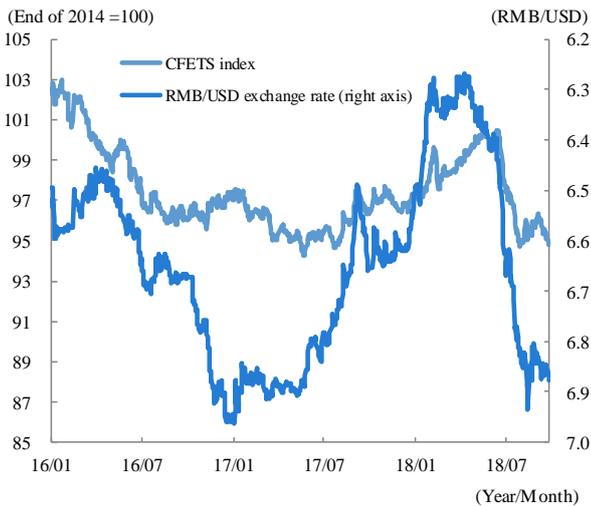
Note: Monthly data
 Source: Prepared by Mizuho Research Institute based on the materials from the People's Bank of China

Fig. 14: Stocks



Note: Daily data; The most recent day: September 26
 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: September 26
 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	June	July	August
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	51.5	51.2	51.3
	New Orders	Points			54.8	53.4	53.3	53.2	52.3	52.2
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.0	6.6	6.3	6.2	6.0	6.0	6.0	6.1
	Light Industry	Y-o-y change (%)	4.7	6.9	6.9	5.8	5.4	4.0	4.6	4.7
	Materials	Y-o-y change (%)	6.2	4.8	5.0	4.8	5.3	6.4	6.3	6.8
	Machinery	Y-o-y change (%)	8.4	10.5	10.8	9.7	8.0	6.6	6.0	5.8
	Electric Power Generation	Y-o-y change (%)	4.8	5.2	6.2	3.6	2.1	6.7	5.7	7.3
	Industrial Goods Inventories	Y-o-y change (%)			17.5	17.5	17.5	8.3	9.5	9.8
	Light Industry	Y-o-y change (%)			3.3	5.2	4.4	n.a.	7.0	n.a.
	Materials	Y-o-y change (%)			8.0	10.2	9.3	n.a.	11.1	n.a.
	Machinery	Y-o-y change (%)			9.0	9.6	11.0	n.a.	11.6	n.a.
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	-0.4	4.6	4.1	14.8	7.1	6.1	4.5	6.7
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	-1.5	7.6	4.0	6.1	14.2	4.9	-3.4	3.5	
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	59.7	63.2	45.85	63.17	10.08	29.73	35.58	41.52
		Year-to-date y-o-y change (%)	8.1	7.2	7.5	7.2	7.5	6.0	5.5	5.3
	Primary Industry	Year-to-date y-o-y change (%)	21.1	11.8	11.8	11.8	24.2	13.5	13.7	14.2
	Secondary Industry	Year-to-date y-o-y change (%)	3.5	3.2	2.6	3.2	2.0	3.8	3.9	4.3
	Manufacturing	Year-to-date y-o-y change (%)	4.2	4.8	4.2	4.8	3.8	6.8	7.3	7.5
	Tertiary Industry	Year-to-date y-o-y change (%)	10.9	9.5	10.5	9.5	10.0	6.8	6.0	5.5
	Real estate development investment	Year-to-date y-o-y change (%)						9.7	10.2	10.1
Actual Direct Investment	Year-to-date (total), USD 100 million	1,337	1,363	1,363	345	683	683	761	865	
	Year-to-date y-o-y change (%)	-1.4	1.9	1.9	2.1	4.1	4.1	5.4	6.1	
Trade	Exports	USD 100 million	21,366	22,804	5,881	6,353	5,438	2,165	2,154	2,174
		Y-o-y change (%)	-6.4	6.7	6.4	9.6	13.7	11.2	12.1	9.8
	To the U.S.	Y-o-y change (%)	-5.1	11.3	10.4	12.1	13.6	12.5	11.2	13.2
	To the EU	Y-o-y change (%)	-3.7	9.1	8.4	12.8	12.5	10.4	9.5	8.4
	To Japan	Y-o-y change (%)	-4.7	6.1	2.4	10.1	6.8	6.8	12.3	3.7
	To NIES, ASEAN	Y-o-y change (%)	-8.5	2.4	3.1	6.6	12.7	12.4	14.9	9.4
	Imports	USD 100 million	15,895	18,423	4,758	5,061	4,985	1,751	1,875	1,895
		Y-o-y change (%)	-5.4	15.9	14.9	12.8	19.3	14.1	27.3	19.9
	From the U.S.	Y-o-y change (%)	-9.8	14.8	18.8	5.2	8.4	9.6	11.1	2.2
	From the EU	Y-o-y change (%)	-0.5	17.7	21.2	21.8	17.7	-6.5	19.7	10.3
	From Japan	Y-o-y change (%)	1.7	13.9	13.3	11.1	12.9	0.6	23.5	10.5
From NIES, ASEAN	Y-o-y change (%)	-1.6	12.6	13.4	14.3	21.3	15.6	29.0	13.6	
Trade Balance	USD 100 million	5,471	4,380	1,123	1,292	453	414	280	279	

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	June	July	August
Consumption	Consumer Confidence Index	End-of-period figure, points			122.6	122.3	118.2	118.2	119.7	118.6
	Consumer Expectations Index	End-of-period figure, points			125.9	125.7	121.2	121.2	122.5	121.9
	Total Retail Sales of Consumer Goods	RMB 1 trillion	33.23	36.63	10.31	2.92	8.97	3.08	3.07	3.15
		Y-o-y change (%)	10.4	10.2	9.9	10.1	9.0	9.0	8.8	9.0
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	8.1	8.1	7.3	8.9	6.6	6.4	5.7	5.9
	Automobile Sales	10,000 automobiles	2793.9	2894.1	872.1	718.3	688.0	227.4	188.9	210.3
		Y-o-y change (%)	13.7	4.1	0.9	1.7	8.6	4.8	-4.0	-3.8
	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	1.9	2.1	2.3
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	2.2	2.3	2.1	1.9	1.9	1.9	2.0
	Foods	Y-o-y change (%)	4.6	-1.4	-0.6	2.0	0.4	0.3	0.5	1.7
	Producer Price Index	Y-o-y change (%)	-1.3	6.3	5.9	3.7	4.1	4.7	4.6	4.1
	Producer Goods	Y-o-y change (%)	-1.7	8.4	7.6	4.9	5.3	6.1	6.0	5.2
	Consumer Goods	Y-o-y change (%)	-0.0	0.6	0.6	0.3	0.3	0.4	0.6	0.7
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	0.0	1.4	5.8	5.5	5.8	5.8	6.6	8.0
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	155.01	167.68	167.68	173.99	177.02	177.02	177.62	178.87
		End-of-period figure, y-o-y change (%)	11.3	8.1	8.1	8.2	8.0	8.0	8.5	8.2
	Outstanding Loans	End-of-period figure, RMB 1 trillion	106.60	120.13	120.13	124.98	129.15	129.15	130.61	131.88
		End-of-period figure, y-o-y change (%)	13.5	12.7	12.7	12.8	12.7	12.7	13.2	13.2
	Net Increase	Mid-period increase, RMB 10 billion	1265	1353	237	485	417	184	145	128
	Deposits	End-of-period figure, RMB 1 trillion	150.59	164.10	164.10	169.18	173.12	173.12	174.15	175.24
		End-of-period figure, y-o-y change	11.0	9.0	9.0	8.7	8.4	8.4	8.5	8.3
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.0	17.0	17.0	17.0	16.0	16.0	15.5	15.5
	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	2.08	2.34
Foreign Currency Reserves	End-of-period figure, USD 100 million	30,105	31,399	31,399	31,428	31,121	31,121	31,179	31,097	
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.94	6.51	6.51	6.27	6.62	6.62	6.80	6.83
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	16.82	17.32	17.32	16.93	16.73	16.73	16.44	16.25
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,104	3,307	3,307	3,169	2,847	2,847	2,876	2,725
	PER	End-of-period figure, times	15.9	18.2	18.2	17.8	14.1	14.1	14.3	13.6
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,077	5,671	17,102	17,067	15,910	5,042	5,062	4,757
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	12,777	11,281	2,725	2,830	2,425	699	779	659
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	4.8	8.1	8.1	13.9	10.6	10.6	10.0	9.4
	Fiscal Expenditure	Year-to-date y-o-y change (%)	6.8	8.2	8.2	11.1	7.8	7.8	7.3	6.9

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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