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# Mizuho Economic Commentary-China

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January-February 2019 edition

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## ◆ Topic

### The Chinese economy remains in a downturn phase

At +6.4% y-o-y, China's real GDP growth rate slowed for the third straight quarter from October to December. The business cycle clock confirms that China's economy remained in a downturn phase up to December. There is the possibility that consumption stimulus measures might not be as effective as expected, despite the support of economic stimulus measures, as the growth of real disposable income is decreasing.

## ◆ Economic trends

### Major indices generally slowed in December

Production and consumption grew at a slightly faster pace, while investment growth contracted. The output/inventory balance fell further into negative territories, with pressure for production cuts continuing to grow, and import/export growth slipped into negative territories. Thus, major indices generally slowed.

## **1. Topic: The Chinese economy remains in a downturn phase**

### **The growth rate slowed for the third straight quarter**

At +6.4% y-o-y, China's real GDP growth rate decreased for the third straight quarter from October to December in 2018 (July to September: +6.5% y-o-y) (Fig. 1). A glance at the major indices by demand item shows that the growth rate was pushed down by the sluggish real growth rate of total retail sales of consumer goods (\*), at +6.0% y-o-y (July to September: +6.5% y-o-y)—although the real growth of investment in fixed assets (\*), primarily infrastructure investment, recovered to +2.4% y-o-y (July to September: -0.9% y-o-y) with strengthened financial support. Contribution to external demand began growing again for the first time in four quarters. This is because the import (nominal) growth significantly slowed (from +20.7% y-o-y from July to September to +4.8% y-o-y from October to December). Export (nominal) growth also contracted, at +4.0% y-o-y (July to September: +11.7% y-o-y). Not only in that export to the U.S. were slow due to U.S./China trade frictions, but exports to other countries/regions were also sluggish against the backdrop of global economic slowdown, mainly in the manufacturing sector.

### **The business cycle clock shows that China's economy remained in a downturn phase up to December**

A glance at the business cycle clock (based on a diffusion index (DI) which is composed of six key economic indicators (production, investment, consumption, exports, the jobs-to-applicants ratio, and corporate earnings; for details, see *Mizuho Economic Commentary-China: November 2018 edition*), which indicates the move of short-term economic cycles, confirms that China's economy remained in a "downturn phase," when the economy is slowing and economic expectations have deteriorated, from summer to December 2018 (Fig. 2). Worsening exports and corporate earnings pushed down the economy, although investment improved toward the end of 2018 and retail slowdown was improving from November. To look ahead to the future, we need to wait for the result of U.S.-China discussions, with a deadline set for March 1, in order to assess the trends of exports to the U.S., but it is also difficult to expect the recovery of exports to non-U.S. countries/regions. Corporate capital investment will be sluggish against the backdrop of the earnings slowdown. With such downward pressure, the Chinese economy is expected to remain in a downturn phase for the time being.

### **Infrastructure investment will prop up the economy again in 2019, backed by the government's monetary and fiscal policies**

In response to economic slowdown, the Chinese government converted its policy in summer 2018 and has been strengthening its economic stimulus measures based on monetary and fiscal policies. This suggests that China will be able to avoid the rapid worsening of its economy in the future. In fact, the effect of these policies has partially already begun to show, such as in the recovery of infrastructure investment as mentioned above. China plans to further increase the issuance of local government special bonds in 2019 for infrastructure investment (Fig. 3), and it is expected that infrastructure investment will prop up the economy during 2019.

### **Consumption stimulus measures were also announced, but expanding income disparities will possibly weigh down consumption**

In addition to the individual income tax reduction that began in January, consumption stimulus measures, such as in aid for the replacement of cars and energy-saving home appliances, were jointly announced on January 29 by 10 government departments, including the National Development and Reform Commission and the Ministry of Finance. Consumption will possibly recover to some extent if these measures are taken. However, there is a concern over the worsening consumption environment, such as the declining growth of real disposable income per capita, which fell to +6.2% y-o-y from October to December (\*) for the first time in four quarters (July to September: +6.6% y-o-y). In particular, it is noteworthy that income growth in the middle-income group is significantly slowing (Fig. 4). The real growth of disposable income per capita rapidly fell in the middle-income group from +5.9% y-o-y in 2017 to +0.9% y-o-y in 2018. There is the possibility that the drop was caused by sample area replacement, which is implemented once in five years, as well as due to other revisions in 2018. However, the expanding income gap could weigh down consumption recovery if the data reflects the reality.

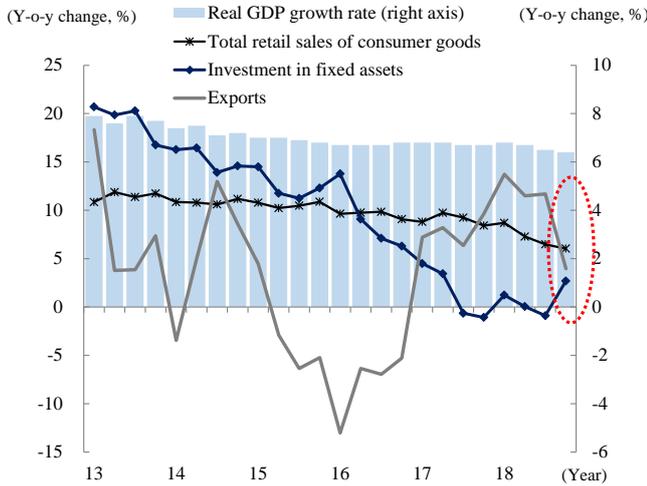
It is projected that infrastructure investment could be further increased if consumption stimulus measures are not as effective as expected. In December 2018, the Central Economic Work Conference presented its policy of continuing structural reform initiatives,

including deleveraging, together with the economic support initiatives. However, China's financial risk could be perceived again in markets, etc., if a rise in the leverage ratio and other moves against reforms increase excessively, depending on circumstances. The Chinese government is pressed to perform difficult balancing between measures against economic slowdown risk and structural reform initiatives.

(\* ) denotes a Mizuho Research Institute estimate

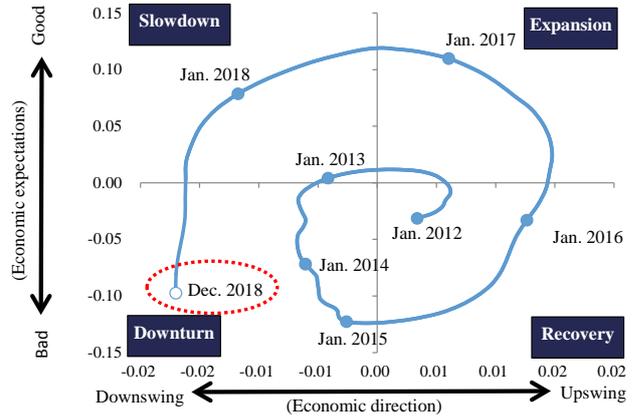
(Kaori Yamato)

**Fig. 1: Real GDP Growth Rate and Major Index**



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. (Mizuho Research Institute estimate).  
Exports = Nominal, dollar-denominated  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China, and the General Administration of Customs

**Fig. 2: China's business cycle clock**



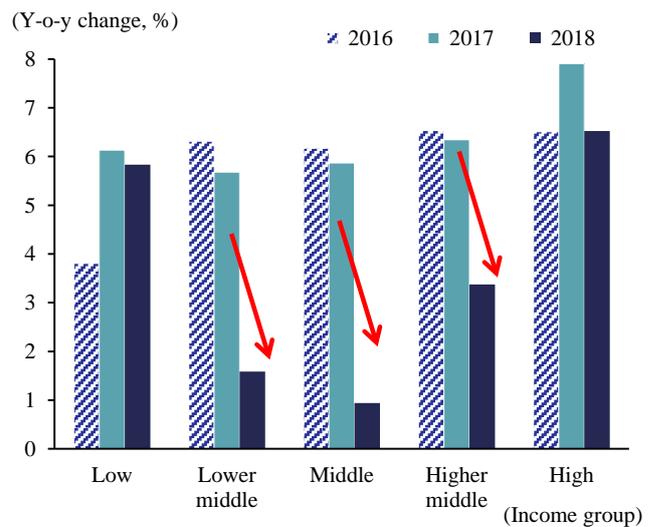
Note: The diffusion index is comprised of six indicators: production, total retail sales of consumer goods, investment in fixed assets, exports, the jobs-to-applicants ratio, and corporate earnings. These indicators are given similar weightings after standardization, the removal of trend components, and the processing of outliers, for example. The y-axis shows the divergence above or below the trend line; the x-axis shows the time series variation of cycle components (m-o-m).  
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: Major economic stimulus measures for 2019**

Fiscal policies	
	Amount (based on news reports)
1. Tax break & fee reduction	RMB 1.5 trillion (2018: RMB 1.3 trillion)
Reduce the burden on small and micro enterprises, etc.	—
Reduce individual income tax.	RMB 300 billion
2. Infrastructure investment	
Expand the issuance of local government special bonds.	RMB 2 trillion (2018: RMB 1.35 trillion)
Invest in railway construction.	RMB 850 billion (2018: RMB 802.8 billion)
3. Subsidy for buying automobiles, energy-saving home appliances, etc.	Total amount: RMB 50 billion
Monetary policies	
1. Cut the cash reserve ratio.	
2. Guide short-term interest rates down.	
3. Support private companies and small and micro enterprises.	
• Raise relending and rediscount quotas.	
• Create the TMLF (targeted MLF directed to private companies and small and micro enterprises).	
• "One two five" target designed to extend a certain proportion or more of new bank loans to private companies, etc.	

Source: Prepared by Mizuho Research Institute based on the materials from news reports.

**Fig. 4: Growth of disposable income per capita by income group**



Note: Indexed using CPI (composite)  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

## **2. Overview: Major indices generally slowed in December**

<b>Major indices generally slowed in December</b>	A glance at the major indices in December 2018 shows a contraction of investment growth, although production and consumption grew at a slightly faster pace. The output/inventory balance fell slightly further into negative territories, with pressure for production cuts continuing to grow; and import/export growth also slipped into negative territories. Thus, the Chinese economy is slowing, in general.
<b>Production grew at a slightly faster pace in December</b>	At +5.7% y-o-y, real value-added industrial production began growing again in December (November: +5.4% y-o-y), albeit at a low growth rate below 6% for the fourth straight month (Fig. 5). The growth picked up in non-metallic minerals, cigarettes, medical products, and non-metallic mineral products, etc. On the other hand, the growth of automobile production remained down on the previous year for the third straight month, at -4.1% y-o-y (November: -3.2% y-o-y). The growth also slowed in chemical fiber and telecommunications. The output/inventory balance for industry as a whole fell further into negative territories, at -0.7%Pt (November: -0.3%Pt), with pressure for production cuts growing.
<b>The government's Manufacturing PMI fell below 50 in December</b>	At 49.4, the government's Manufacturing PMI fell for the fourth straight month in December (November: 50.0), moving below the key economic threshold of 50 (Fig. 6) for the first time since July 2016. Of the five constituent indices, four indices (production, new orders, raw material inventory, and employment) fell. At 46.6, new export orders (an indicator referenced by the PMI) moved below the key threshold of 50 for the seventh straight month (November: 47.0), representing the indicator's lowest level since November 2015. There is the possibility that the downward pressure on exports could increase in the future. The figures lowered for all company sizes (large-sized companies: 50.1 down from 50.6 in November; medium-sized enterprises: 48.4 down from 49.1 in November; small-sized enterprises: 48.6 down from 49.2 in November). The figures for medium-sized enterprises and small-sized enterprises were both below 50 for the fourth and third straight month, respectively.
<b>Export growth slipped into negative territories in December</b>	At -4.4% y-o-y, export growth (nominal, dollar-denominated) contracted in December for the first time since March 2018 (November: +3.9% y-o-y) (Fig. 7). The hi-tech products sectors and other machinery sectors saw slower growth. The growth of exports to the U.S. decreased by -3.5% y-o-y (November: +9.8% y-o-y). Exports decreased from the previous year for various destinations, including the EU and Japan.
<b>Import growth also slipped into negative territories in December</b>	At -7.6% y-o-y, import growth (nominal, dollar-denominated) contracted in December for the first time since October 2016 (November: +2.9% y-o-y) (Fig. 7). Imports of resources such as iron ore, crude oil, and natural gas recorded high growth, while imports of automobiles, automobile parts, and hi-tech products, etc., decreased from the previous year. Imports from the U.S. fell further into negative territories, at -35.8% y-o-y (November: -25.0% y-o-y). Imports from the EU, Japan, South Korea, and ASEAN also dipped on the previous year.
<b>China's trade surplus expanded in December</b>	China's trade surplus grew for the fourth straight month to hit \$57.1 billion in December (November: \$41.9 billion). The surplus with the U.S. fell slightly, at \$29.9 billion (November: \$35.5 billion), while the surplus with the EU and ASEAN grew at a faster pace. China's trade deficit with Japan slightly fell to \$12.1 billion (November: \$13.3 billion).
<b>Investment in fixed assets grew at a slower pace</b>	At +5.9% y-o-y, the nominal growth rate of investment in fixed assets (*) slowed for the second straight month in December (November: +7.7% y-o-y). The overall figure was pushed down because both manufacturing investment (+13.1% y-o-y in November to +9.5% y-o-y in December) and investment in real estate development (+9.7% y-o-y in November to +7.4% y-o-y in December) slowed, although infrastructure investment grew, at +7.7% y-o-y (November: +3.5% y-o-y) (Fig. 8). The real growth rate of investment in fixed assets (*) slowed in December, at +1.1% y-o-y (November: +2.6% y-o-y).
<b>Retail sales grew at a slightly faster pace</b>	At +8.2% y-o-y, nominal total retail sales of consumer goods grew only slightly in December, improving from the previous month (+8.1% y-o-y) when the figure hit its lowest level since May 2003 (Fig. 9). The breakdown for retail sales above a designated size shows automobile

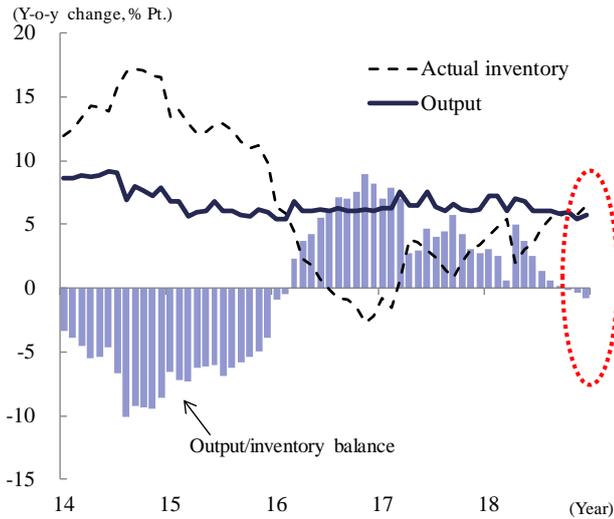
sales growth remained down on the previous year for the eighth straight month, at -8.5% y-o-y (November: -10.0% y-o-y). Telecommunications equipment sales contracted at a slower pace, at -0.9% y-o-y, after it began contracting to -5.9% y-o-y in November. At +6.7% y-o-y, the real retail sales growth (\*) accelerated for the second straight month (November: +5.8% y-o-y).

**Income growth declined**

At +8.5% y-o-y, the growth of disposable income per capita (\*) decreased from October to December for the first time in four quarters (July to September: +8.8% y-o-y). The real growth rate (\*) also declined to +6.2% y-o-y (July to September: +6.6% y-o-y). (\*) denotes a Mizuho Research Institute estimate

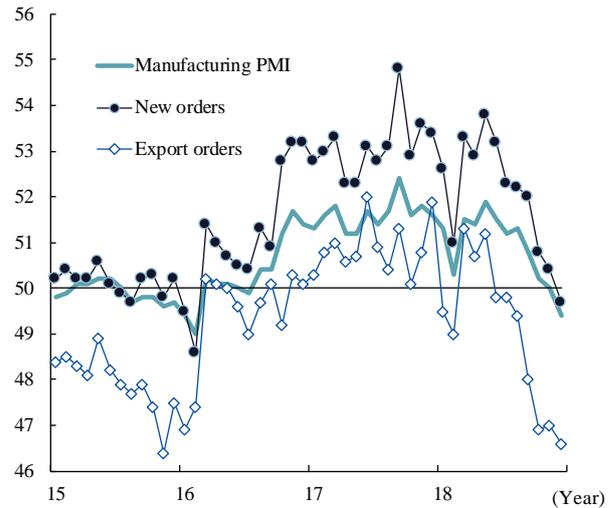
(Naoaki Sato)

**Fig. 5: Output/Inventory Balance**



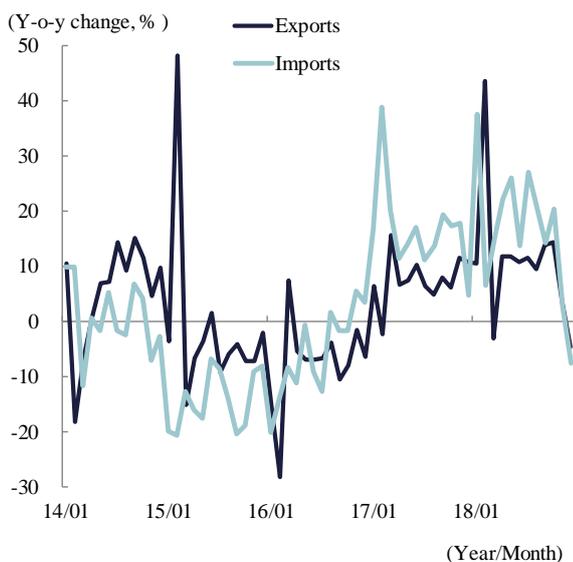
Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth.  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

**Fig. 6: Manufacturing PMI**



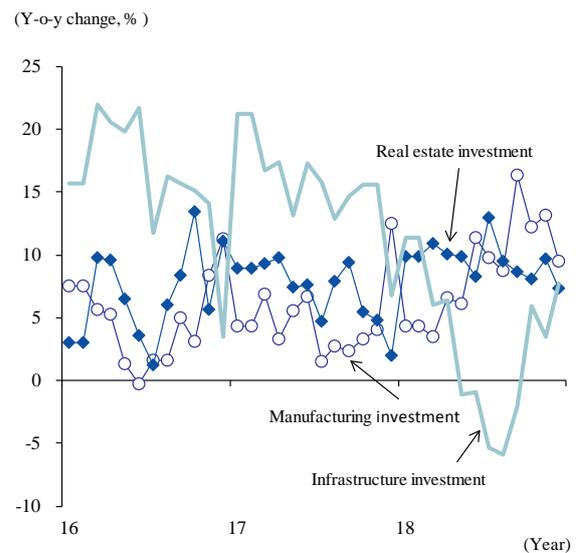
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

**Fig. 7: Value of Imports and Exports**



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

**Fig. 8: Investment in manufacturing, real estate and infrastructure**



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

**Fig. 9: Total Retail Sales of Consumer Goods**



Note: 1. The figures for January and February were aggregated and compared to the same period last year.  
 2. The total retail sales of consumer goods data (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: Both CPI and PPI fell**

**CPI fell, but core CPI moved flatly**

At +1.9% y-o-y, consumer price index (CPI) growth fell in December (November: +2.2% y-o-y) (Fig. 10). The CPI result was pushed down because pork prices contracted at a faster pace and because growth in gasoline prices began contracting, although for vegetable prices growth picked up. The core CPI data (excluding food and energy) moved sideways, at +1.8% y-o-y (November: +1.8% y-o-y), with stable service price growth.

**PPI growth slowed**

At +0.9% y-o-y, the producer price index (PPI) growth slowed for the sixth month straight month in December (November: +2.7% y-o-y) (Fig. 10). This is because ferrous growth contracted for the first time since June 2016 after growing at a fast clip the previous year and because the growth of oil/coal processing slowed. The PPI grew at a slower pace, at -1.0% m-o-m (November: -0.2% m-o-m).

**Homes prices grew at a faster y-o-y pace for the 8th straight month**

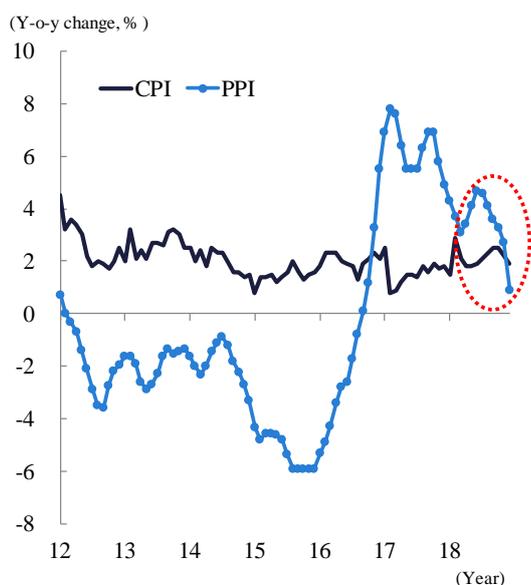
At +10.6% y-o-y, the sales price indices of newly constructed commercial residential buildings (the average of 70 major Chinese cities\*) grew at a faster y-o-y pace for the eighth straight month in December (November: +10.3% y-o-y) (Fig. 11). Every tier of city saw faster growth. The y-o-y price growth tends to lag behind the y-o-y floor space growth by about three quarters. It is assessed that the figure reflects the strong sales of commercial residential buildings in the first half of 2018. Average m-o-m growth in the 70 major Chinese cities lowered for the second straight month, at +0.8% m-o-m (November: +1.0% m-o-m). This suggests that the y-o-y figure was pushed up by the low-level figure of the previous year. Fifty-nine cities saw prices rising on a monthly basis (down from 63 cities in November), while eight cities saw prices falling (up from five in November). Three cities saw prices moving flatly (up from two in November).

**Real estate sales in terms of floor space grew for the first time in four months, with investment in development contracting**

At +0.9% y-o-y, real estate sales in terms of floor space grew in December for the first time in four months (November: -5.1% y-o-y). This is mainly because the growth of residential sales in terms of floor space picked up in second, and third-tier cities. Overall sales in terms of floor space were pushed up as office sales in terms of floor space began growing again and as the sales of commercial facilities in terms of floor space contracted at a slower pace. At +7.4% y-o-y, the growth of investment in real estate development contracted in December (November: +9.7% y-o-y). This is because the growth of residential investment slowed in first-tier cities and began contracting in third-tier cities.

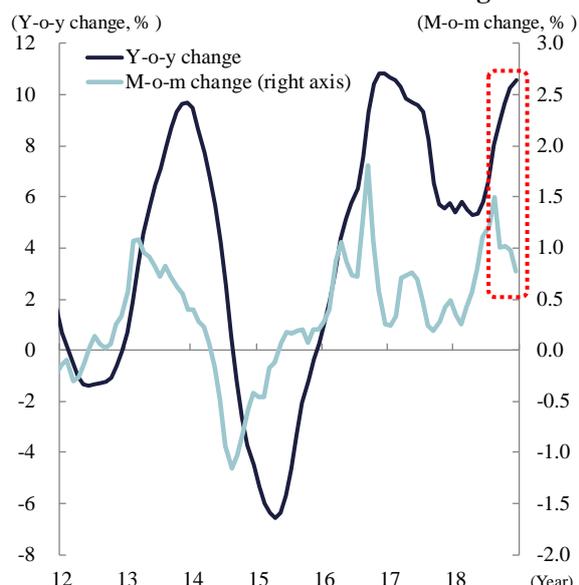
(Miho Takase)

**Fig. 10: CPI and PPI**



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

**Fig.11: 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 took a series of monetary easing measures**

**M2 grew at a faster pace**

At +8.1% y-o-y, money supply (M2) growth began trending upward in December (November: +8.0% y-o-y) for the first time in three months. At +1.5% y-o-y, narrow money supply (M1) growth remained at the same level (November: +1.5% y-o-y) (Fig. 12).

**The outstanding RMB loan balance grew at a faster pace, particularly when it came to short-term loans**

New RMB loans totaled RMB 1.08 trillion in December. This was down on the previous month (RMB 1.25 trillion) but up on the same month last year (RMB 584.4 billion). At +13.5% y-o-y, the outstanding RMB loan balance grew at a faster pace as short-term loans expanded (November: +13.1% y-o-y).

**Total social financing grew at a slower pace**

At RMB 1,589.8 billion, total social financing increased from the previous month (November: RMB 1,523.9 billion). A m-o-m breakdown reveals that bank acceptances and loans written-off increased. At +9.8% y-o-y, the total social financing balance grew at a slower pace for the fourth straight month (November: +9.9% y-o-y) (Fig. 13). Entrusted loans fell further into negative territories (from -9.6% y-o-y in November to -11.5% y-o-y in December) with the same for trust loans (from -4.9% y-o-y in November to -8.0% y-o-y in December) as well. The overall figure was pushed down by a decline in off-balance-sheet transactions.

**In December, the PBOC supplied net funds via its open-market operations and the SLF; in January, the PBOC absorbed net funds via its open-market operations**

In December, the People’s Bank of China (PBOC) supplied net funds via its open-market operations (a net RMB 840 billion) for the first time in three months (Fig. 14). It supplied a net total of RMB 917.7 billion via the Standing Lending Facility (SLF) and open-market operations. (In November, the PBOC absorbed RMB 113.9 billion.) In January, the PBOC absorbed a net RMB 290 billion via its open-market operations (as of January 30).

**The PBOC has taken a series of monetary easing measures**

The PBOC has taken a series of monetary easing measures since January. First, on January 2, it eased requirements for the preferential treatment that reduces the cash reserve ratio (reduction of 0.5%Pt to 1.5%Pt depending on the loan amount and other requirements in the field of

financial inclusion), which was introduced in January the previous year to promote financial inclusion, and it expanded the scope of eligible loans.

**The cash reserve ratio has been lowered**

On January 4, the PBOC announced that it would reduce the cash reserve ratio for all commercial banks. It reduced the ratio by 0.5%Pt on January 15 and 25, respectively, totaling a 1%Pt reduction.

**The TMLF was created as a tool derived from the MLF**

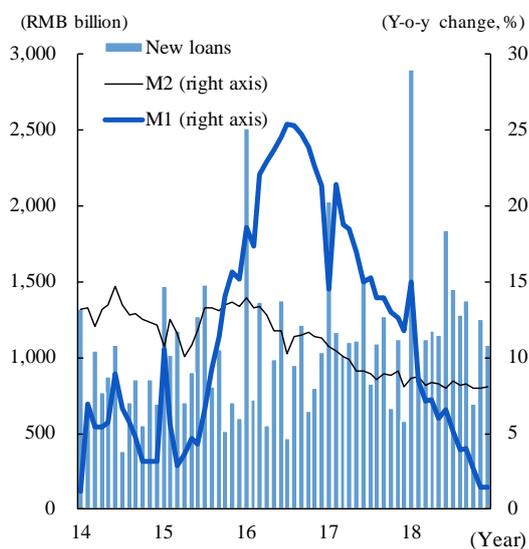
On January 23, the PBOC created the Targeted MLF (TMLF) directed to private companies and small and micro enterprises as a tool derived from the Medium-term Lending Facility (MLF) and supplied RMB 257.5 billion to large commercial banks, joint-stock commercial banks, and large-sized city commercial banks. The TMLF's lending period is up to three years with a 3.15% interest rate, which is 0.15%Pt lower than the ordinary MLF. According to the PBOC, approximately RMB 800 billion in liquidity will be provided through these three measures. The TMLF is designed to respond to an increasing demand for funds before and after the Chinese New Year holidays, private companies' fund-raising problems, and high fund-raising costs.

**Stock prices rose in positive response to economic stimulus measures; the RMB strengthened against the dollar in January**

The Shanghai Stock Exchange Composite Index recovered to 2,600Pt for a time in January in positive response to economic stimulus measures, monetary easing measures, etc., after hitting a record low for the first time in about four years due to a concern over economic slowdown (Fig. 15). The RMB weakened against the dollar for a time, coming close to \$1 = RMB 6.9, in negative response to the manufacturing PMI, published at the end of December, falling below 50. After the new year began, however, the RMB strengthened against the dollar to around the \$1 = RMB 6.71 level for the first time in about six months, in positive response to expectations for the government's economic stimulus measures and for the progress of U.S.-China trade negotiations (Fig. 16).

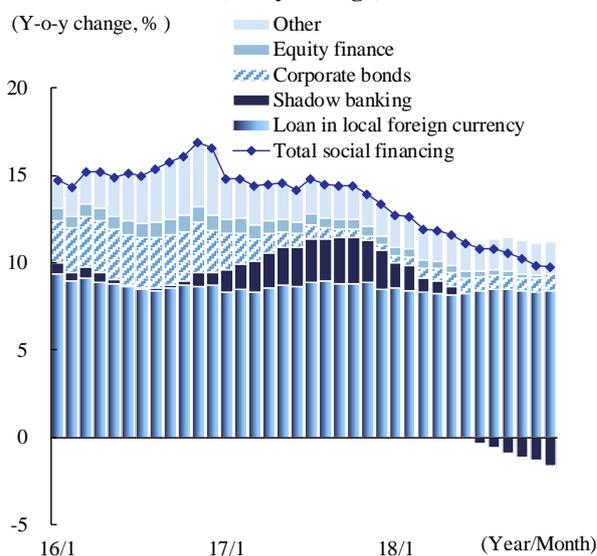
(Naoaki Sato)

**Fig. 12: Financial Indicators**



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

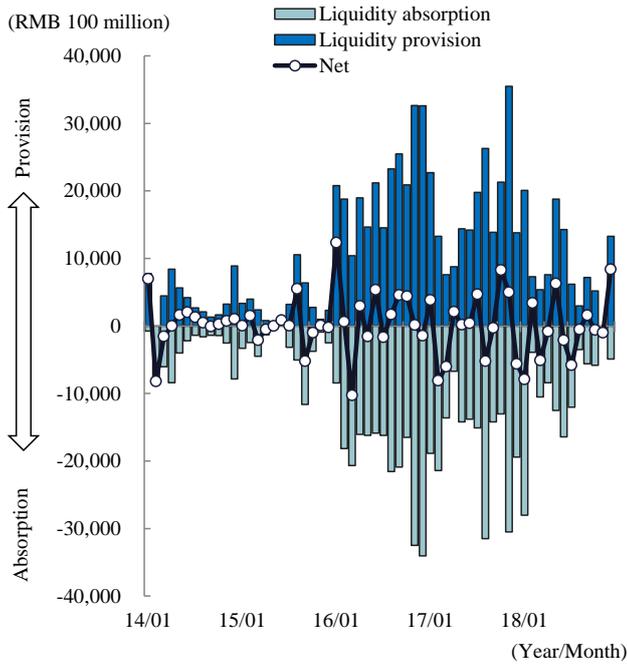
**Fig. 13: The Total Social Financing Balance (Y-o-y change)**



Note: 'Shadow banking' denotes the total amount of entrusted loans, trust loans and bank acceptances. Other denotes the total amount of deposit-taking financial institution ABS, loans written-off, and local government special bonds. Deposit-taking financial institution ABS and loans written-offs were newly added when the data was revised in July 2018, while local government special bonds were newly added when the data was revised in September 2018.

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

**Fig. 14: Open Market Operation**



Note: Monthly data

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

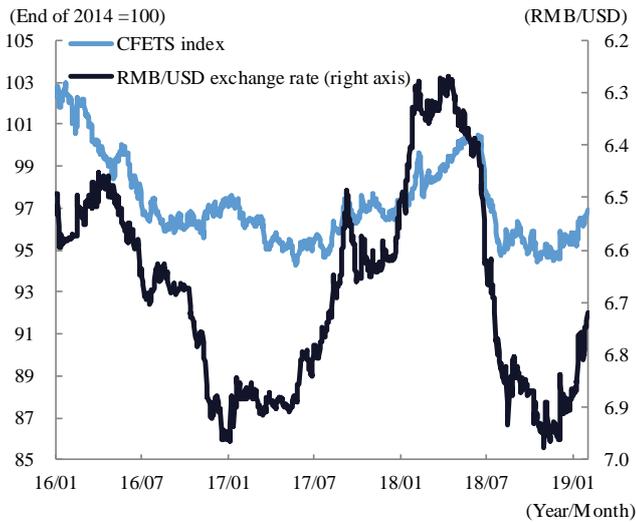
**Fig. 15: Stocks**



Note: Daily data; The most recent day: January 30

Source: Prepared by Mizuho Research Institute based on the materials from Bloomberg data

**Fig. 16: Foreign Exchange**



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: January 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	2017	2018	18/2Q	18/3Q	18/4Q	October	November	December	
GDP	Real GDP	Y-o-y change (%)	6.8	6.6	6.7	6.5	6.4	n.a.	n.a.	n.a.	
	Nominal GDP	Year-to-date (total, RMB 1 trillion)	82.08	90.03	41.72	64.67	90.03	n.a.	n.a.	n.a.	
Business Sentiment	PMI	End-of-period figure, points			51.5	51.5	50.8	50.2	50.0	49.4	
	New Orders	Points			53.3	53.2	52	50.8	50.4	49.7	
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.6	6.2	6.0	6.6	6.0	5.9	5.4	5.7	
	Light Industry	Y-o-y change (%)	6.9	5.0	5.4	4.5	4.4	4.2	4.5	3.2	
	Materials	Y-o-y change (%)	4.8	6.2	5.3	6.2	6.7	7.0	6.3	6.8	
	Machinery	Y-o-y change (%)	10.5	7.3	8.0	7.8	5.8	6.0	7.2	7.7	
	Electric Power Generation	Y-o-y change (%)	5.2	5.8	2.1	7.8	5.9	4.8	3.6	6.2	
	Industrial Goods Inventories	Y-o-y change (%)			17.5	17.5	17.5	9.5	8.6	7.4	
	Light Industry	Y-o-y change (%)			4.4	4.7	7.7	8.2	5.4	6.3	
	Materials	Y-o-y change (%)			9.3	7.5	12.2	13.9	13.3	11.1	
	Machinery	Y-o-y change (%)			11.0	8.9	11.4	11.0	10.1	7.9	
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	4.6	4.2	7.1	4.7	4.8	5.5	2.9	3.6	
Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	7.6	4.3	14.2	10.1	11.1	5.3	9.4	14.2		
Investment	Investment in Fixed Assets	Year-to-date (total, RMB 1 trillion)	63.2	63.6	10.08	29.73	48.34	54.76	60.93	63.56	
		Year-to-date y-o-y change (%)	7.2	5.9	7.5	6.0	5.4	5.7	5.9	5.9	
	Primary Industry	Year-to-date y-o-y change (%)	11.8	12.9	24.2	13.5	11.7	13.4	12.2	12.9	
	Secondary Industry	Year-to-date y-o-y change (%)	3.2	6.2	2.0	3.8	5.2	5.8	6.2	6.2	
	Manufacturing	Year-to-date y-o-y change (%)	4.8	9.5	3.8	6.8	8.7	9.1	9.5	9.5	
	Tertiary Industry	Year-to-date y-o-y change (%)	9.5	5.5	10.0	6.8	5.3	5.4	5.6	5.5	
	Real estate development investment	Year-to-date y-o-y change (%)						9.7	9.7	9.5	
	Actual Direct Investment	Year-to-date (total, USD 100 million)	1,363	1,350	683	980	1,350	1,077	1,213	1,350	
	Year-to-date y-o-y change (%)	1.9	-1.0	4.1	6.4	-1.0	6.5	1.1	-1.0		
Trade	Exports	USD 100 million	22,804	25,013	5,440	6,262	6,568	2,148	2,243	2,212	
		Y-o-y change (%)	6.7	9.7	13.7	11.5	11.7	14.3	3.9	-4.4	
		To the U.S.	Y-o-y change (%)	11.3	10.8	13.6	11.3	12.9	13.2	9.8	-3.5
		To the EU	Y-o-y change (%)	9.1	9.9	12.5	9.8	11.6	14.6	6.0	-0.3
		To Japan	Y-o-y change (%)	6.1	7.3	6.8	8.8	10.2	7.9	4.8	-1.0
		To NIES, ASEAN	Y-o-y change (%)	2.4	10.1	12.7	14.2	12.6	16.9	3.3	-9.0
	Imports	USD 100 million	18,423	21,331	4,991	5,355	5,727	1,817	1,825	1,642	
		Y-o-y change (%)	15.9	15.8	19.4	20.6	20.4	20.3	2.9	-7.6	
		From the U.S.	Y-o-y change (%)	14.8	0.1	8.4	13.6	3.9	-1.8	-25.0	-35.8
		From the EU	Y-o-y change (%)	17.7	11.6	17.7	12.1	12.8	12.3	6.0	-2.7
		From Japan	Y-o-y change (%)	13.9	8.9	12.9	12.8	11.9	11.4	-1.1	-11.4
From NIES, ASEAN		Y-o-y change (%)	12.6	14.1	21.3	21.8	19.0	17.3	-6.1	-14.8	
Trade Balance	USD 100 million	4,380	3,682	450	906	841	331	419	571		

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 by the government.

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	2017	2018	18/2Q	18/3Q	18/4Q	October	November	December
Consumption	Consumer Confidence Index	End-of-period figure, points			118.2	118.5	123.0	119.1	122.1	123.0
	Consumer Expectations Index	End-of-period figure, points			121.2	121.9	126.3	122.3	125.3	126.3
	Total Retail Sales of Consumer Goods	RMB 1 trillion	36.63	38.10	8.97	9.43	10.67	3.55	3.53	3.59
		Y-o-y change (%)	10.2	9.0	9.0	9.0	8.3	8.6	8.1	8.2
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	8.1	5.7	6.6	5.7	2.6	3.6	2.0	2.2
	Automobile Sales	10,000 automobiles	2894.1	2803.9	688.0	638.7	758.9	238.0	254.8	266.1
		Y-o-y change (%)	4.1	-2.2	8.6	-6.4	-12.9	-11.7	-13.9	-13.0
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	9.0	0.0	8.7	8.8	8.7	n.a.	n.a.	n.a.
	Jobs-to-applicants Ratio	End-of-period figure, times	n.a.	n.a.	1.23	1.25	1.27	n.a.	n.a.	n.a.
Prices	Consumer Price Index	Y-o-y change (%)	1.6	2.1	1.8	2.3	2.2	2.5	2.2	1.9
	Core CPI (excluding foods and energy)	Y-o-y change (%)	2.2	1.9	1.9	1.9	1.8	1.8	1.8	1.8
	Foods	Y-o-y change (%)	-1.4	1.8	0.4	1.9	2.8	3.3	2.5	2.5
	Producer Price Index	Y-o-y change (%)	6.3	3.5	4.1	4.1	2.3	3.3	2.7	0.9
	Producer Goods	Y-o-y change (%)	8.4	4.6	5.3	5.3	2.8	4.2	3.3	1.0
	Consumer Goods	Y-o-y change (%)	0.6	0.5	0.3	0.7	0.7	0.7	0.8	0.7
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	1.4	7.3	5.8	8.9	10.6	9.7	10.3	10.6
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	167.68	182.67	177.02	180.17	182.67	179.56	181.32	182.67
		End-of-period figure, y-o-y change (%)	8.1	8.1	8.0	8.3	8.1	8.0	8.0	8.1
	Outstanding Loans	End-of-period figure, RMB 1 trillion	120.13	136.30	129.15	133.27	136.30	133.96	135.21	136.30
		End-of-period figure, y-o-y change (%)	12.7	13.5	12.7	13.2	13.5	13.1	13.1	13.5
	Net Increase	Mid-period increase, RMB 10 billion	1353	1616	417	411	303	70	125	108
	Deposits	End-of-period figure, RMB 1 trillion	164.10	177.52	173.12	176.13	177.52	176.48	177.43	177.52
		End-of-period figure, y-o-y change	9.0	8.2	8.4	8.5	8.2	8.1	7.6	8.2
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.0	14.5	16.0	15.5	14.5	14.5	14.5	14.5
	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, %	2.82	2.56	2.80	2.65	2.56	2.40	2.65	2.56
	Foreign Currency Reserves	End-of-period figure, USD 100 million	31,399	30,727	31,121	30,870	30,727	30,531	30,617	30,727
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.51	6.88	6.62	6.87	6.88	6.97	6.96	6.88
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	17.32	15.96	16.73	16.52	15.96	16.18	16.32	15.96
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,307	2,494	2,847	2,821	2,494	2,603	2,588	2,494
	PER	End-of-period figure, times	18.2	12.5	14.1	14.1	12.5	13.0	13.0	12.5
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,671	4,349	15,910	14,685	13,351	4,465	4,536	4,349
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	11,281	9,030	2,425	1,936	1,838	524	781	533
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	8.1	6.2	10.6	8.7	6.2	7.4	6.5	6.2
	Fiscal Expenditure	Year-to-date y-o-y change (%)	8.2	8.8	7.8	7.5	8.8	7.6	6.8	8.8

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 Designated 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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