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# Mizuho Economic Commentary-China

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October 2018 edition

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## ◆ Topic

### The Chinese economy continued to slow, due in large part to sluggish domestic demand

At +6.5% y-o-y, China's real GDP growth rate dipped in July–September for the second straight quarter, due in large part to sluggish domestic demand. Export growth remained firm, but exports targeted by punitive US tariffs slowed sharply in August. There are concerns that overall exports could swing lower from October onwards as the punitive tariffs are expanded.

## ◆ Economic trends

### Major indices continued to slow in September, though some did improve

Investment and consumption grew at a faster pace, though production slowed. The output/inventory balance has fallen for five straight months, so there will probably be growing pressure for production adjustment.

## **1. Topic: The Chinese economy continued to slow, due in large part to sluggish domestic demand**

### **GDP growth slowed for the second straight quarter**

At +6.5% y-o-y, China's real GDP growth rate dipped in July–September for the second straight quarter (April–June: +6.7% y-o-y) (Fig. 1). According to government data about contribution levels by demand item, external demand continued to make a negative contribution, though less so than the previous quarter (from -0.7%Pt in Q2 to -0.6%Pt in Q3), with the GDP downswing mainly due to the declining contribution of final consumption (from +5.3%Pt in Q2 to +5.0%Pt in Q3). The contribution of gross capital formation moved flatly at +2.1%Pt.

(Hereinafter, \* denotes Mizuho Research Institute estimates)

### **Retail sales growth remains firm once automobiles are removed from the equation**

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 +7.3% y-o-y in Q2 to +6.5% y-o-y in Q3). The breakdown for retail sales above a designated size (real \*) shows automobile sales falling further into negative territories following the ending of a tax break on small vehicles. This pushed the overall retail sales data lower, but real retail sales above a designated size remain firm once automobiles are removed from the equation (Fig. 2). Real disposable income per capita (\*) continued to grow stably to hit +6.6% for the third successive quarter. This also suggests the sluggish retail data was down to special factors like the end of the tax break on small vehicles.

### **Investment dipped into negative territories on sluggish infrastructure investment**

At -0.9% y-o-y, the real growth rate of investment in fixed assets (\*) dipped into negative territories (April–June: ±0.0% y-o-y). Manufacturing investment grew at a faster pace, though investment in real estate development slowed and infrastructure investment contracted at a faster pace. However, the monthly data shows the contraction in infrastructure investment easing off compared to September. With the government moving to prop up infrastructure investment, new issuances of special-purpose bonds by local governments have surged since August (Fig. 3), so the slump in infrastructure investment is expected to ease off going forward. Though investment dipped into negative territories, it continued to make a positive contribution to total fixed capital formation (investment + inventories) growth this quarter too. This suggests inventory growth may have made a greater contribution.

### **Exports growth remained in double digits. Exports to the US also grew at a faster pace**

At +11.7% y-o-y, export growth (nominal, dollar-denominated) remained in double digits (April–June: +11.5% y-o-y). Exports to the NIEs and the ASEAN region slowed, but exports to the US, Europe and Japan grew at a faster pace. At +20.1% y-o-y, imports (nominal, dollar-denominated) continued to grow at a fast clip (April–June: +20.5% y-o-y). Though exports grew at a faster pace, import growth dipped (albeit while remaining at a high level), so the negative contribution of external demand improved slightly.

### **A glance at the export items subject to the US tariff hikes implemented from July shows export growth to the US slowing to around zero in August**

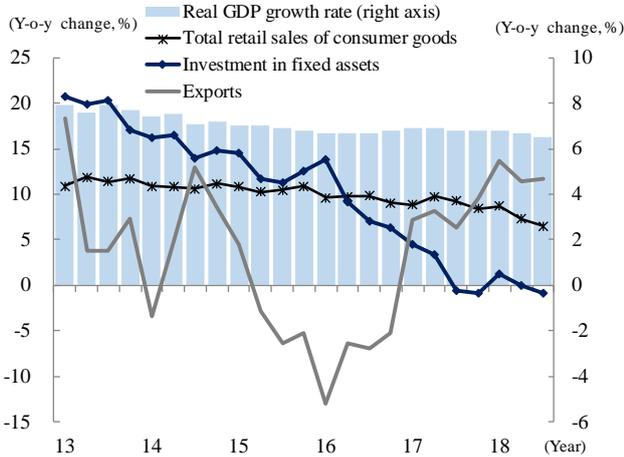
As outlined above, though the GDP growth rate over July–September was pushed down by sluggish automobile sales and stalling infrastructure investment, for example, the worrisome US/China trade frictions are yet to have a clear impact on the real economy. Exports also remain firm, with exports to the US continuing to move briskly on the recent strength of the US economy, for instance, so exports are not currently weighing down growth in China. However, a glance on the items targeted by the US moves suggest the punitive tariffs are steadily starting to bite. On July 6, the US invoked Section 301 of the US Trade Act in order to hike tariffs on select Chinese exports to the US (equivalent to \$34 billion a year). The Chinese authorities do not release detailed statistics about exports to the US, but US data paints a clearer picture. It reveals that the growth rate for these targeted exports had already started to dip slightly from March. It then picked up slightly from July before dropping down to around zero (+0.9% y-o-y) in August (Fig. 4). However, items targeted under the punitive tariffs introduced on August 23 (\$16 billion) grew by +23.2% y-o-y in July (up from +12.0% y-o-y in June) before slipping back to +16.6% in August (though this remains a strong figure). It is possible that the rush of demand before the invocation of the July tariffs was offset by a slump from August 23 onwards, with growth dipping slightly as a result. A glance at the overall figure for all the items targeted by the punitive tariffs introduced in July and August (\$50 billion) shows the export amount growing at a slightly faster pace in July on the back of a pre-emptive demand rush before contracting in August.

**Chinese exports as a whole could face more downward pressure from October onwards**

When items targeted by the September 24 tariff increase (\$200 billion) are added to the equation, the targeted items account for half of all Chinese exports to the US, so Chinese exports to the US (and Chinese exports as a whole) will probably face more downward pressure going forward. The Chinese government is expected to introduce some stimulus measures towards the end of the year, including moves to prop up infrastructure investment, but market participants will need to be even more vigilant about an export downswing from here on.

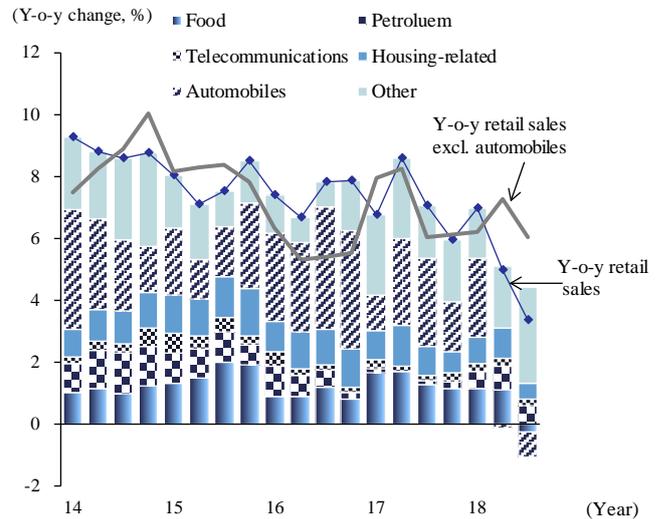
(Kaori Yamato)

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



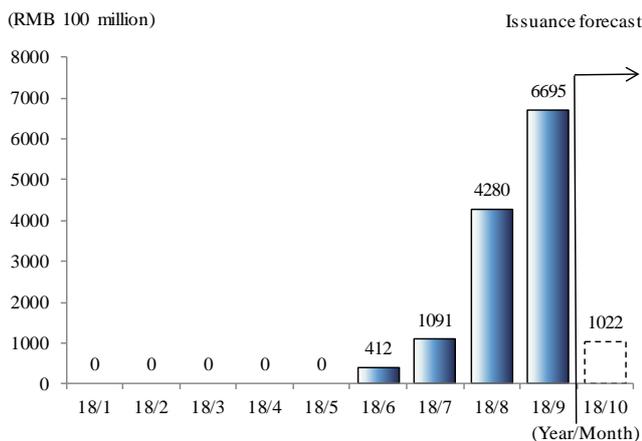
Note: The total retail sales of consumer goods data has been indexed using the retail price index; and the investment in fixed assets data has been indexed using the fixed asset investment price index. (Mizuho Research Institute estimate).  
Exports = Nominal, dollar-denominated  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China, and the General Administration of Customs

**Fig. 2: Real retail sales growth (above a designated size)**



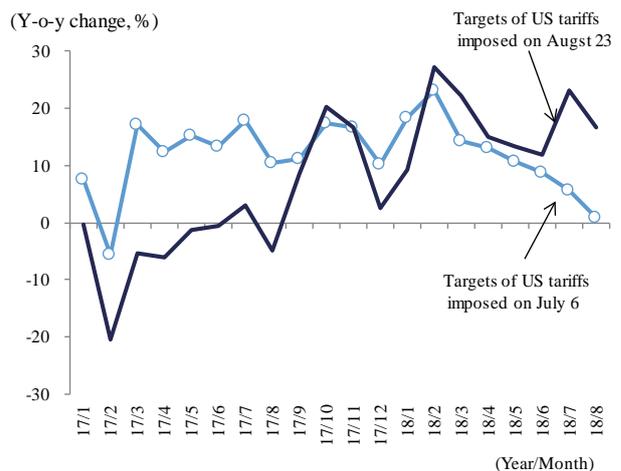
Note: The real figure is estimated from a series equivalent to the sales breakdown in the retail price index.  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China.

**Fig. 3: Issuances of special-purpose bonds by local governments**



Note: According to *Opinions on the Steady Issuance of Special-Purpose Bonds by Local Governments*, released by China's Ministry of Finance (MOF) on August 14, the MOF pressed local authorities to issue the entire 2018 quota for special-purpose bonds (RMB 1.35 trillion) by the end of October, with issuances in October set to amount to the difference between this quota and the total amount of bonds issued by the end of September.  
Source: Prepared by Mizuho Research Institute based on the materials from the Ministry of Finance of China

**Fig. 4: The movement of Chinese exports subject to US tariff increases**



Note: The US tariff targets are tabulated at the HS 6-digit level.  
Source: Prepared by Mizuho Research Institute based on the materials from the US Department of Commerce

## **2. Overview: Major indices continued to slow in September, though some did improve**

<b>Investment and retail growth picked up in September, but the economy continues to slow overall</b>	A glance at the major indices in September shows investment growing at a faster pace, with retail growth also picking up slightly. Production growth dipped, though. The output/inventory balance remained in positive territories, though less so than before, so there is likely to be growing pressure for production adjustment, with the economy continuing to slow from here on.
<b>Production growth dipped in September</b>	At +5.8% y-o-y, real value-added industrial production growth began slowing in September (August: +6.1% y-o-y) (Fig. 5). The manufacturing sector saw slower growth when it came to chemical fibers, electronics and telecommunications, and tobacco, with the overall figure also pushed down when the paper sector dipped into negative growth. Automobile production fell for the third straight month to hit +0.7% y-o-y. The output/inventory balance for industry as a whole dropped to +0.2%Pt (August: +0.6%Pt) as the chemical fibers sector and automobile sector fell deeper into negative territories. This figure has now fallen for five successive months, so there will probably be growing pressure for production adjustment.
<b>The government's Manufacturing PMI fell to a 7-month low in September</b>	At 50.8, the government's Manufacturing PMI fell to its lowest level in seven months in September (August: 51.3) (Fig. 6). Four of the five constituent indices fell (production, new orders, raw material inventories, and employment). At 48.0, export orders (an indicator referenced by the PMI) moved below the key 50 market for the fourth straight month (August: 49.4). This was the lowest level since February 2016, with the impact of US/China trade frictions becoming more apparent.
<b>Export growth accelerated in September</b>	At +14.5% y-o-y, export growth (nominal, dollar-denominated) began rising in September (August: +9.1% y-o-y) (Fig. 7). The machine equipment, electric/electronic products, and hi-tech products sectors all saw faster growth. At +14.0% y-o-y, exports to the US expanded for the third month in a row (August: +13.2% y-o-y), with the trade frictions yet to have an impact. At +14.3% y-o-y, exports to Japan also increased after sliding sharply the previous month (August: +3.7%), with the overall figure also pushed up by faster increase in exports to the EU (from +8.4% y-o-y in August to +17.4% y-o-y).
<b>Import growth fell in September</b>	At +14.3% y-o-y, import growth (nominal, dollar-denominated) fell in September for the second successive month (August: +19.9% y-o-y) (Fig. 7). At -1.2% y-o-y, imports from the US fell into negative territories (August: +2.2% y-o-y), while imports from Japan also slowed to +3.1% y-o-y (August: +10.5% y-o-y).
<b>China's trade surplus expanded in September</b>	China's trade surplus grew for the second straight month in September to hit \$31.7 billion (August: \$26.7 billion). Its surplus with the US expanded for the second month in a row to hit \$34.1 billion, a monthly record. With exports recovering and imports slowing, China's deficit with Japan also shrank.
<b>Investment in fixed assets grew at a faster pace</b>	At +7.9% y-o-y, the nominal growth rate of investment in fixed assets (*) rose for the second straight month in September (August: +4.1% y-o-y). At +16.3% y-o-y, growth accelerated when it came to manufacturing investment (August: +8.7% y-o-y), with the overall figure also pushed up when infrastructure investment contracted at a slower pace (from -5.9% y-o-y in August to -2.0% y-o-y) (Fig. 8). The Chinese government has begun using monetary and fiscal policy to stimulate the economy, with these efforts possibly beginning to bear fruit. At +0.6% y-o-y, the real growth rate of investment in fixed assets (*) began climbing in September (August: -1.1% y-o-y).

**Retail sales also grew at a faster pace**

At +9.2% y-o-y, nominal total retail sales of consumer goods grew at a faster pace for the second straight month in September (August: +9.0% y-o-y) (Fig. 9). The breakdown for retail sales above a designated size reveals that the overall data was pushed up by faster growth when it came to telecommunications equipment (from +6.4% y-o-y in August to +16.9% y-o-y). At -7.1% y-o-y, though, automobile sales contracted at a faster pace following the end of the tax break on small vehicles (August: -3.2% y-o-y). Nominal retail sales were pushed up by rising consumer prices in September, with the real growth rate (\*) falling slightly to hit +6.4% y-o-y (August: +6.5% y-o-y).

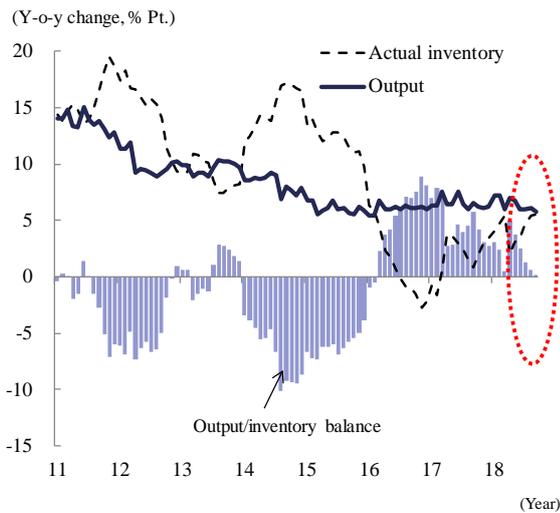
**Income growth improved slightly**

At +8.8% y-o-y, disposable income per capita growth\* rose slightly in July–September (April–June: +8.7% y-o-y), though it moved flatly on a real basis (+6.6% y-o-y in Q2 and Q3).

(\* ) denotes a Mizuho Research Institute estimate

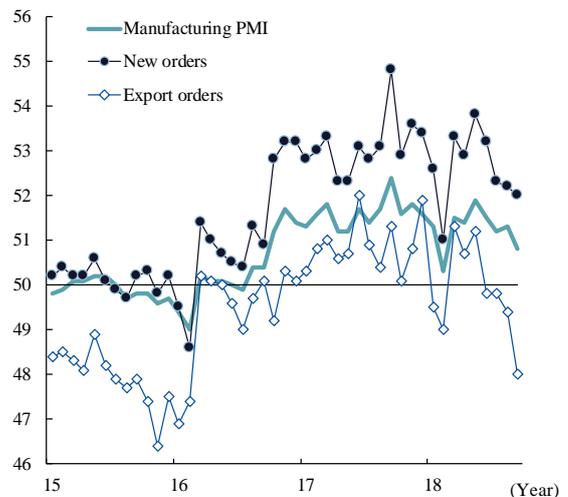
(Naoaki Sato)

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



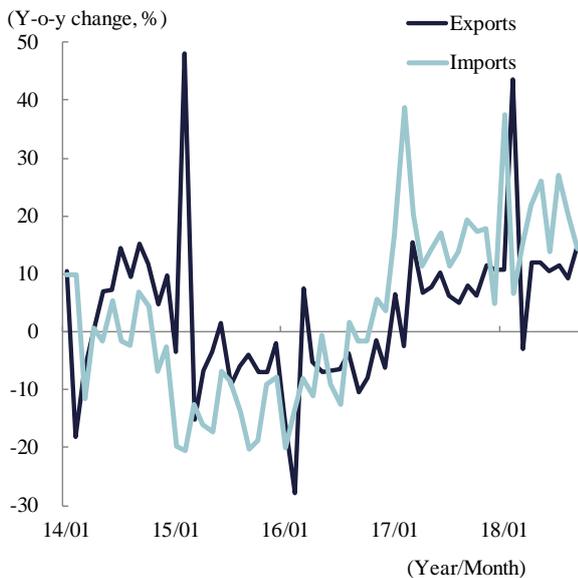
Note: Output/Inventory Balance= y-o-y output growth minus y-o-y inventory growth.  
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

**Fig. 6: Manufacturing PMI**



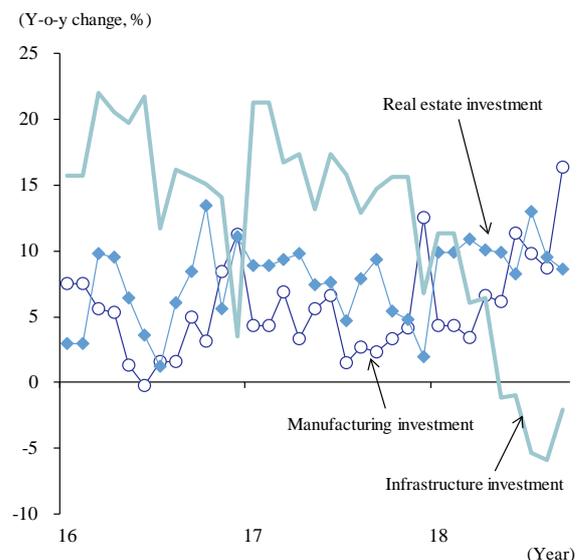
Source: Prepared by Mizuho Research Institute based on the materials from the National Bureau of Statistics of China

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



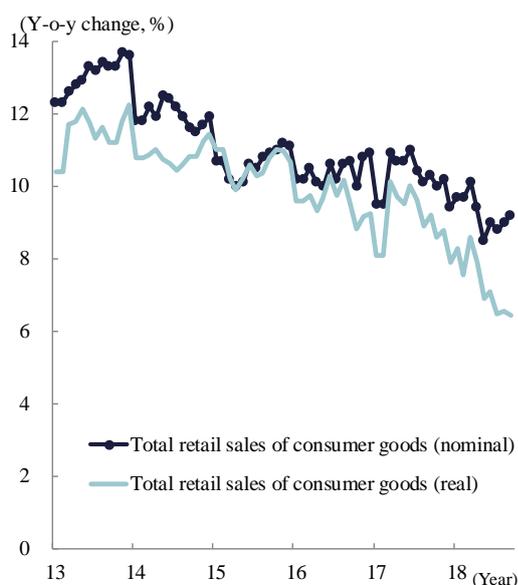
Source: Prepared by Mizuho Research Institute based on the materials from the General Administration of Customs

**Fig. 8: Investment in Fixed Assets**



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: The CPI rose but the PPI fell**

**CPI rose but core CPI fell** At +2.5% y-o-y, consumer price index (CPI) growth expanded in September (August: +2.3% y-o-y) (Fig. 10). Pork prices contracted at a slower pace, with the overall figure also pushed up when the price of vegetables and other food items grew at a faster clip. Service price growth slowed, though, so the core CPI data (excluding energy and food) dipped to +1.7% y-o-y (August: +2.0% y-o-y).

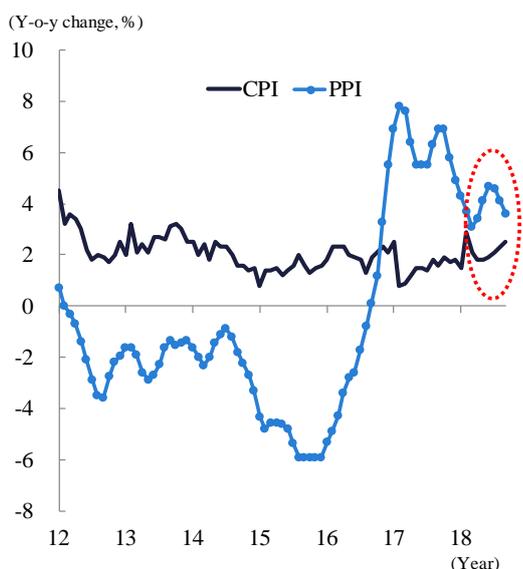
**PPI growth slowed on a y-o-y basis** At +3.6% y-o-y, producer price index (PPI) growth dipped for the third straight month in September (August: +4.1% y-o-y) (Fig. 10). This was because sectors like ferrous and non-ferrous metal slowed after growing at a fast clip the previous year. At +0.6% m-o-m, the PPI grew at a faster pace on a monthly basis (August: +0.4% m-o-m).

**Homes prices grew at a faster y-o-y pace for the 5th straight month** At +8.9% 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 fifth straight month in September (August: +8.0% y-o-y) (Fig. 11). Every tier of city saw growth expanding on a y-o-y basis. In particular, it seems prices are rising in third-tier cities as inventory-to-sales ratios fall as a result of policies to eliminate inventories. However, average m-o-m growth in the 70 major Chinese cities slowed for the first time in seven months to hit +1.0% m-o-m (August: +1.5% m-o-m). Three cities saw prices falling on a monthly basis (up from one in August), while three cities saw prices moving flatly (up from two in August) and 64 cities saw prices rising (down from 67 in August).

**The growth of real estate sales in terms of floor space fell into negative territories, with investment in development also slowing** At -3.6% y-o-y, the growth of real estate sales in terms of floor space fell into negative territories in September (August: +2.4% y-o-y), so the buoyant impact of moves to redevelop urban barrack zones may have worn off. At +8.7% y-o-y, investment in real estate development also grew at a slower pace (August: +9.5% 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.

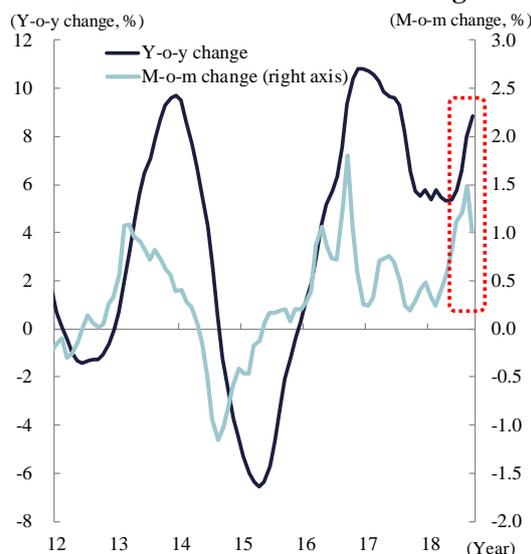
(Miho Takase)

**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 lowered the required deposit reserve ratio for the fourth time this year**

**M2 growth rose slightly** At +8.3% y-o-y, money supply (M2) growth began trending upward in September (August: +8.2% y-o-y). At +4.0% y-o-y, narrow money supply (M1) growth rose slightly (Fig. 12).

**New RMB loans increased, particularly in the short term** New RMB loans totaled RMB 1.38 trillion in September. This was up on the previous month (RMB 1.28 trillion) and on the same month last year (RMB 1.27 trillion). A y-o-y comparison show lending to companies and government institutions increasing, particularly in the short term. At +13.2% y-o-y, the outstanding RMB loan balance moved flatly (August: +13.2% y-o-y).

**Total social financing expanded, mainly due to an increase in issuances of special-purpose bonds by local governments** At RMB 2.2054 trillion, total social financing was up on the previous month (August: RMB 1.9286 trillion). A m-o-m breakdown reveals that the overall figure was buoyed by issuances of special-purpose bonds by local governments (bonds issued by local governments to public enterprises that generate a certain amount of profit). This data was included in the total social financing calculation from September this year, with the amount of issuances rising to RMB 738.9 billion in September, up from RMB 410.6 billion in August. At +10.6% y-o-y, the total social financing balance grew at a slower pace (August: +10.8% y-o-y) (Fig. 13). The overall figure was pushed down by a decline in off-balance-sheet transactions. There was a faster contraction when it came to entrusted loans (from -6.2% y-o-y in August to -7.7% in September) and bank acceptances (from -11.0% y-o-y to -13.9% y-o-y), for instance, while trust loan growth also plummeted (from +4.4% in August to +0.2%).

**In September, the PBOC provided net funds via its open-market operations, the SLF and the MLF** In September, the PBOC supplied net funds to the markets via its open-market operations (a net \$160 billion) (Fig. 14). The Standing Lending Facility (SLF) and the Medium-term Lending Facility (MLF) both provided net funds, with the PBOC supplying a total of RMB 479.1 billion once its open-market operations were added to the equation. This marked the second straight month that the PBOC had provided net funds (August: RMB 143.0 billion).

**In October, the PBOC absorbed net funds via its open-market operations** In October, the PBOC absorbed a net RMB 60 billion as part of its open-market operations. The MLF supplied no new funding in October. With loans worth RMB 451.5 billion maturing at the end of October, the MLF absorbed a total of RMB 451.5 billion (as of October 31).

**The PBOC lowered the required deposit reserve ratio**

On October 7, the PBOC announced it was lowering the required deposit reserve ratio for large commercial banks, joint-stock commercial banks and foreign-funded commercial banks, etc. by 1%Pt, effective from October 15. This is the fourth such cut this year. According to the PBOC, this move will release liquidity to the tune of around RMB 1.2000 trillion. The PBOC has asked banks to use around RMB 450 billion of this amount to repay MLF borrowings due to mature at the end of October. It is also requesting that banks use the remaining figure of around RMB 750 billion to lend to small-and-micro enterprises.

**The Shanghai Stock Exchange Composite Index temporarily dropped below 2,500 points to hit a 47-month low**

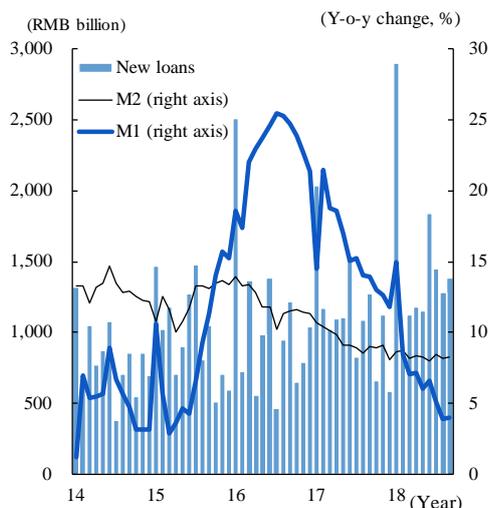
On October 18, the Shanghai Stock Exchange Composite Index dropped below 2,500 points for the first time in around three years and 11 months on RMB bearishness and concerns about prolonged US/China trade frictions. The index surged back on October 19 after the heads of the PBOC, the Banking and Insurance Regulatory Commission, and the Securities Regulatory Commission made verbal interventions to support stock markets. The index temporarily recovered to 2,600 points the following week, but it then dropped back to the 2,500-point range as the markets reacted badly to falling US stock prices, RMB bearishness, and deteriorating industrial profits, for example (Fig.15).

**The RMB fell at a faster pace against the dollar**

The RMB fell at a faster pace against the dollar on rising US interest rates, a Chinese economic slowdown, and the aforementioned reduction of the required deposit reserve ratio, with the Chinese unit temporarily dropping to RMB 6.96 to the dollar for the first time since December 2016 (Fig.16).

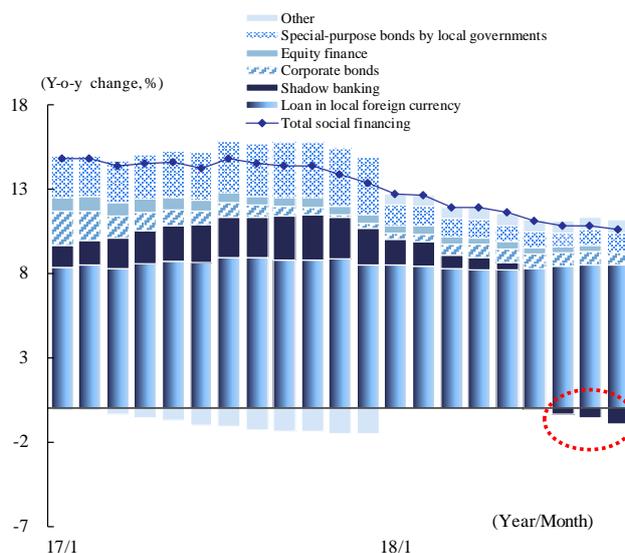
(Naoaki Sato)

**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

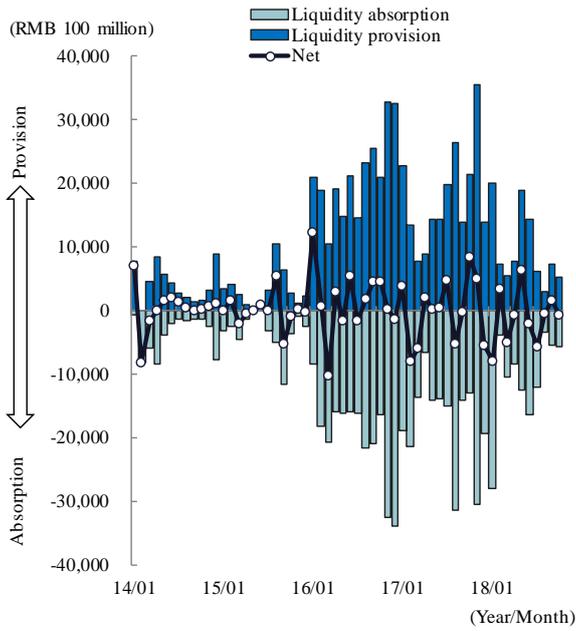
**Fig. 13: The Total Social Financing Balance (Y-o-y change)**



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 and loan write-offs. These were newly added when the data was revised in July 2018. Special-purpose bonds by local governments 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

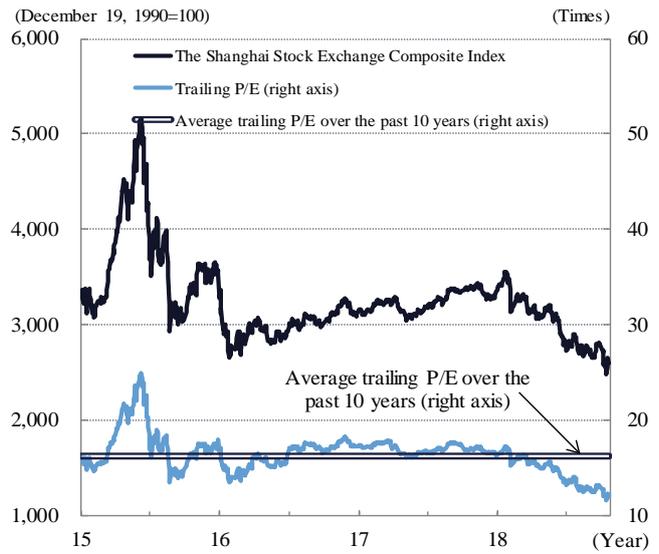
**Fig. 14: Open Market Operation**



Note: Monthly data

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

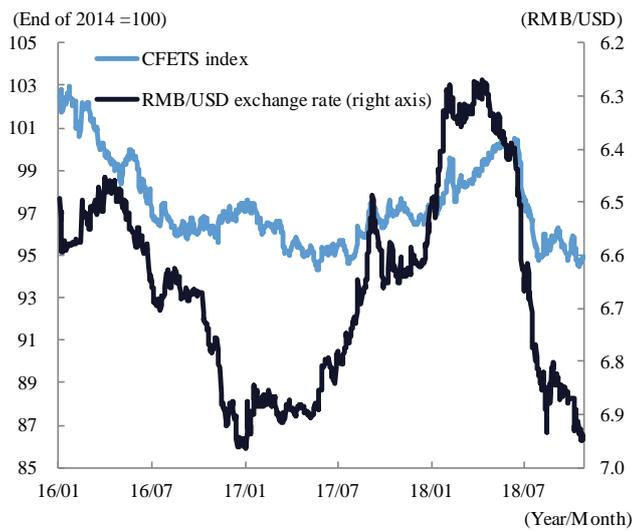
**Fig. 15: Stocks**



Note: Daily data; The most recent day: October 26

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

**Fig. 16: Foreign Exchange**



Note: The CFETS index is a Mizuho Research Institute estimate; Daily data; The most recent day: October 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	18/1Q	18/2Q	18/3Q	Jul.	Aug.	Sep.	
GDP	Real GDP	Y-o-y change (%)	6.7	6.9	6.8	6.7	6.5				
	Nominal GDP	Year-to-date (total), RMB 1 trillion	74.36	82.71	19.88	41.90	65.09				
Business Sentiment	PMI	End-of-period figure, points			51.6	51.5	51.5	51.2	51.3	50.8	
	New Orders	Points			53.4	53.3	53.2	52.3	52.2	52.0	
Production	Value-added Industrial Production (Real)	Y-o-y change (%)	6.0	6.6	6.2	6.0	6.6	6.0	6.1	5.8	
	Light Industry	Y-o-y change (%)	4.7	6.9	5.8	5.4	4.5	4.6	4.7	3.8	
	Materials	Y-o-y change (%)	6.2	4.8	4.8	5.3	6.2	6.3	6.8	6.9	
	Machinery	Y-o-y change (%)	8.4	10.5	9.7	8.0	7.8	6.0	5.8	5.7	
	Electric Power Generation	Y-o-y change (%)	4.8	5.2	3.6	2.1	7.8	5.7	7.3	4.6	
	Industrial Goods Inventories	Y-o-y change (%)			17.5	17.5	17.5	9.5	9.8	9.4	
	Light Industry	Y-o-y change (%)			5.2	4.4	4.7	7.0	n.a.	8.6	
	Materials	Y-o-y change (%)			10.2	9.3	7.5	11.1	n.a.	14.1	
	Machinery	Y-o-y change (%)			9.6	11.0	8.9	11.6	n.a.	10.6	
	Passenger Transportation Volume	Year-to-date y-o-y change (%), passenger-kilometer	- 0.4	4.6	14.8	7.1	4.7	4.5	6.7	4.5	
	Freight Transportation Volume	Year-to-date y-o-y change (%), ton-kilometer	- 1.5	7.6	6.1	14.2	10.1	- 3.4	3.5	8.7	
Investment	Investment in Fixed Assets	Year-to-date (total), RMB 1 trillion	59.7	63.2	63.17	10.08	29.73	35.58	41.52	48.34	
		Year-to-date y-o-y change (%)	8.1	7.2	7.2	7.5	6.0	5.5	5.3	5.4	
	Primary Industry	Year-to-date y-o-y change (%)	21.1	11.8	11.8	24.2	13.5	13.7	14.2	11.7	
	Secondary Industry	Year-to-date y-o-y change (%)	3.5	3.2	3.2	2.0	3.8	3.9	4.3	5.2	
	Manufacturing	Year-to-date y-o-y change (%)	4.2	4.8	4.8	3.8	6.8	7.3	7.5	8.7	
	Tertiary Industry	Year-to-date y-o-y change (%)	10.9	9.5	9.5	10.0	6.8	6.0	5.5	5.3	
	Real estate development investment	Year-to-date y-o-y change (%)						10.2	10.1	9.9	
Actual Direct Investment	Year-to-date (total), USD 100 million	1,337	1,363	345	683	980	761	865	980		
	Year-to-date y-o-y change (%)	- 1.4	1.9	2.1	4.1	6.4	5.4	6.1	6.4		
Trade	Exports	USD 100 million	21,366	22,804	6,353	5,439	6,260	2,140	2,161	2,267	
		Y-o-y change (%)	- 6.4	6.7	9.6	13.7	11.5	11.4	9.1	14.5	
		To the U.S.	Y-o-y change (%)	- 5.1	11.3	12.1	13.6	11.3	11.2	13.2	14.0
		To the EU	Y-o-y change (%)	- 3.7	9.1	12.8	12.5	9.8	9.5	8.4	17.4
		To Japan	Y-o-y change (%)	- 4.7	6.1	10.1	6.8	8.8	12.3	3.7	14.3
	To NIES, ASEAN	Y-o-y change (%)	- 8.5	2.4	6.6	12.7	14.2	14.9	9.4	13.7	
	Imports	USD 100 million	15,895	18,423	5,061	4,989	5,351	1,869	1,894	1,950	
		Y-o-y change (%)	- 5.4	15.9	12.8	19.4	20.5	26.9	19.9	14.3	
		From the U.S.	Y-o-y change (%)	- 9.8	14.8	5.2	8.4	13.6	11.1	2.2	- 1.2
		From the EU	Y-o-y change (%)	- 0.5	17.7	21.8	17.7	12.1	19.7	10.3	9.1
		From Japan	Y-o-y change (%)	1.7	13.9	11.1	12.9	12.8	23.5	10.5	3.1
From NIES, ASEAN		Y-o-y change (%)	- 1.6	12.6	14.3	21.3	21.8	29.0	13.6	15.9	
Trade Balance	USD 100 million	5,471	4,380	1,292	450	909	271	267	317		

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	2016	2017	18/1Q	18/2Q	18/3Q	Jul.	Aug.	Sep.
Consumption	Consumer Confidence Index	End-of-period figure, points			122.3	118.2	118.5	119.7	118.6	118.5
	Consumer Expectations Index	End-of-period figure, points			125.7	121.2	121.9	122.5	121.9	121.9
	Total Retail Sales of Consumer Goods	RMB 1 trillion	33.23	36.63	2.92	8.97	9.43	3.07	3.15	3.20
		Y-o-y change (%)	10.4	10.2	10.1	9.0	9.0	8.8	9.0	9.2
	Sales at Retailers Above a Designated Size	Y-o-y change (%)	8.1	8.1	8.9	6.6	5.7	5.7	5.9	5.6
	Automobile Sales	10,000 automobiles	2793.9	2894.1	718.3	688.0	638.7	188.9	210.3	239.4
		Y-o-y change (%)	13.7	4.1	1.7	8.6	-6.4	-4.0	-3.8	-11.6
	Nationwide Disposable Income per Capita Figure	Year-to-date y-o-y change (%)	8.4	9.0	8.8	8.7	8.8	n.a.	n.a.	n.a.
Jobs-to-applicants Ratio	End-of-period figure, times	1.13	n.a.	1.23	1.23	n.a.	n.a.	n.a.	n.a.	
Prices	Consumer Price Index	Y-o-y change (%)	2.0	1.6	2.2	1.8	2.3	2.1	2.3	2.5
	Core CPI (excluding foods and energy)	Y-o-y change (%)	1.6	2.2	2.1	1.9	1.9	1.9	2.0	1.7
	Foods	Y-o-y change (%)	4.6	-1.4	2.0	0.4	1.9	0.5	1.7	3.6
	Producer Price Index	Y-o-y change (%)	-1.3	6.3	3.7	4.1	4.1	4.6	4.1	3.6
	Producer Goods	Y-o-y change (%)	-1.7	8.4	4.9	5.3	5.3	6.0	5.2	4.6
	Consumer Goods	Y-o-y change (%)	-0.0	0.6	0.3	0.3	0.7	0.6	0.7	0.8
	New-home Price Index (average price of 70 major cities)	Y-o-y change (%)	0.0	1.4	5.5	5.8	8.9	6.6	8.0	8.9
Finance	Money Supply (M2)	End-of-period figure, RMB 1 trillion	155.01	167.68	173.99	177.02	180.17	177.62	178.87	180.17
		End-of-period figure, y-o-y change (%)	11.3	8.1	8.2	8.0	8.3	8.5	8.2	8.3
	Outstanding Loans	End-of-period figure, RMB 1 trillion	106.60	120.13	124.98	129.15	133.27	130.61	131.88	133.27
		End-of-period figure, y-o-y change (%)	13.5	12.7	12.8	12.7	13.2	13.2	13.2	13.2
	Net Increase	Mid-period increase, RMB 10 billion	1265	1353	485	417	411	145	128	138
	Deposits	End-of-period figure, RMB 1 trillion	150.59	164.10	169.18	173.12	176.13	174.15	175.24	176.13
		End-of-period figure, y-o-y change	11.0	9.0	8.7	8.4	8.5	8.5	8.3	8.5
	Required Reserve Ratio (Large Enterprises)	End-of-period figure, %	17.0	17.0	17.0	16.0	15.5	15.5	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	2.73	2.80	2.65	2.08	2.34	2.65
	Foreign Currency Reserves	End-of-period figure, USD 100 million	30,105	31,399	31,428	31,121	30,870	31,179	31,097	30,870
Exchange Rates	RMB/USD Exchange Rate	End-of-period figure, RMB/USD	6.94	6.51	6.27	6.62	6.87	6.80	6.83	6.87
	JPY/RMB Exchange Rate	End-of-period figure, JPY/RMB	16.82	17.32	16.93	16.73	16.52	16.44	16.25	16.52
Stocks	Shanghai Composite Index	End-of-period figure, December 19, 1990 = 100	3,104	3,307	3,169	2,847	2,821	2,876	2,725	2,821
	PER	End-of-period figure, times	15.9	18.2	17.8	14.1	14.1	14.3	13.6	14.1
	Market Capitalization (Shanghai, Shenzhen)	End-of-period figure, RMB 10 billion	5,077	5,671	17,067	15,910	14,685	5,062	4,757	4,866
	Turnover (Shanghai, Shenzhen)	RMB 10 billion	12,777	11,281	2,830	2,425	1,936	779	659	498
Public Finances	Fiscal Revenue	Year-to-date y-o-y change (%)	4.8	8.1	13.9	10.6	8.7	10.0	9.4	8.7
	Fiscal Expenditure	Year-to-date y-o-y change (%)	6.8	8.2	11.1	7.8	7.5	7.3	6.9	7.5

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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