Decision Economics: China Indicator/Event Calendar

22-Nov-19 **You**

Key Releases (November 25 - December 6)

* Sat 11/30: Manufacturing PMI: Likely rebounded from the weaker-than-expected reading in October as business activity returned to normal but remained soft.
* Wed 11/27: Industrial Profits: Expected to decline for the third consecutive month as low prices and national holiday weighed on profit.

(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)

Date	Time (CST)	Time (EDT)		Economic Indicator	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Mon 11/25											
Tue 11/26											
Wed 11/27	9:30 AM	8:30 PM (-1)	Oct	Industrial Profits (Y/Y)	1.1	-3.1	2.6	-2.0	-5.3	**-7.0**	
Thu 11/28											
Fri 11/29											
Sat 11/30	9:00 AM	8:00 PM (-1)	Nov	NBS Manufacturing PMI (SA)	49.4	49.4	49.7	49.5	49.8	49.3	**49.5 (49.5)**
			Nov	NBS Non-Manufacturing PMI (SA)	54.3	54.2	53.7	53.8	53.7	52.8	**53 (53.1)**
			Nov	Composite PMI (SA)	53.3	53.0	53.1	53.0	53.1	52.0	**52.2**
					May-19	**Jun-19**	**Jul-19**	**Aug-19**	**Sep-19**	**Oct-19**	**Nov-19**
Mon 12/2	8:45 AM	8:45 PM (-1)	Nov	Caixin Manufacturing PMI (SA)	50.2	49.4	49.9	50.4	51.4	51.7	**51.1 (51)**
Tue 12/3											
Wed 12/4	8:45 AM	8:45 PM (-1)	Nov	Caixin Services PMI (SA)	52.7	52.0	51.6	52.1	51.3	51.1	**52 (51.6)**
			Nov	Caixin Composite PMI (SA)	51.5	50.6	50.9	51.6	51.9	52.0	**52.0**
Thu 12/5											
Fri 12/6											

Indicator/Event Wrap-Up

The People's Bank of China (PBOC) lowered the 1-Year Loan Prime Rate (LPR) by 5 bps to 4.15% as expected, following reductions in short-term and medium-term interest rates earlier in November. The PBOC also cut the 5-Year LPR by 5 bps to 4.8% from 4.85%, suggesting more room to cut rates as the housing market cools in China. The bank is more likely to cut the Required Reserve Ratio by the end of 2019 amid prolonged weakness in the economy.

October activity updates disappointed broadly, reflecting continued weakness in domestic demand exacerbated by the week-long holiday at the beginning of the month. Industrial Output slowed to 4.7% y/y after a rebound to 5.8% in September, even though the cumulative gauge held at 5.6% ytd y/y. Retail sales plunged to 7.2% y/y from 7.8%, dragging the cumulative gauge down to 8.1% ytd y/y from 8.2%. Moreover, the push in local government infrastructure investment seems ineffective so far, with urban fixed asset investment decelerating to a record low of 5.2% ytd y/y from 5.4%.

CPI held at 2.8% y/y again in August on surging pork prices related to a temporary supply shortage. Non-food prices dropped to 1.1% y/y from 1.3% in prior month, marking a fifth consecutive deceleration since March. **Produce prices** came in as expected, at -0.8% after a -0.3% decline in July.

NBS PMI figures slid more than expected in October, with Manufacturing down to 49.3 from 49.8 and Non-Manufacturing dropping to 52.8 from 53.7. The disappointing figures were due mainly to the week-long national holiday, which dragged down output significantly, but the business conditions clearly failed to improve as trade uncertainties persist. Caixin Manufacturing PMI rebounded unexpectedly to 51.7 from 51.4.

GDP grew 6% year-over-year in the third quarter after the 6.2% figure in Q2, refreshing the lowest number of economic expansion on record since 1992, dragged by declining demand and lower industrial profits. The second industry grew 5.2% y/y, compared to 5.6% in prior quarter, while the tertiary industry expansion edged up to 7.2% y/y from 7.0% in Q2. Fourth quarter GDP is likely to dip below 6% as economic activities continued to weaken.

DE Assessment, Underlying Themes

Economy: DE is now less positive on China's economic growth outlook in the medium term. Besides the persistent uncertainty surrounding international trade, softness in domestic and foreign demand continue to weigh on output growth. Growth target is lowered to be in the range of 6% to 6.5% for 2019 and 2020, still on path to achieving the goal of doubling 2010 GDP by 2020.

Inflation: CPI inflation has stayed under authorities' target of 3%, despite seasonal upward pressure on food prices. Relatively low inflation does grant authorities more room to implement fiscal and monetary tools to safeguard the growth path, if needed. Core gauge is steadily below 2%.

Policy: The government pledges to further expand VAT cuts in manufacturing industry, especially for micro and small businesses. Fiscal spending is moderately expanded from 2018, and various targeted rates continue to be the main monetary policy tool. More support measures are expected in the remainder of 2019 to stimulate domestic demand, regardless of external uncertainties related to trade conflicts with the United States.