

## Key Releases (July 13- July 24)

\* Thu 7/16: Monthly Activity: Industrial production and retail sales both should have rebounded as improved demand, Q2 GDP should reverse to positive growth as strong economic recovery.

Date	Time (CST)	Time (EST)	Economic Indicator	(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)						
				Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Mon</b> 7/13										
<b>Tue</b> 7/14 Tentative Tentative Jun										
			Trade Balance (\$ Billion)	47.2			20.0	45.3	62.9	50 (57.4)
			Exports (Y/Y)	7.9			-6.6	3.4	-3.3	-1.3 (-2)
			Imports (Y/Y)	16.5			-1.0	-14.2	-16.7	-9.5 (-9)
<b>Wed</b> 7/15										
<b>Thu</b> 7/16 9:30 AM 9:30 PM (-1) Jun										
			New Home Price (M/M)	0.35	0.27	0.02	0.13	0.42	0.49	0.5
			Industrial Production (YTD)	5.7		-13.5	-8.4	-4.9	-2.8	-1.5 (-1.5)
			Industrial Production (Y/Y)	6.9			-1.1	3.9	4.4	4.7 (4.8)
			Retail Sales (YTD)	8.0		-20.5	-19.0	-16.2	-13.5	-10.7 (-11)
			Retail Sales (Y/Y)	8.0			-15.8	-7.5	-2.8	0.9 (0.2)
			Fixed Asset Ex Rural (YTD)	5.4		-24.5	-16.1	-10.3	-6.3	-4.2 (-3.4)
			Real GDP (Y/Y)	6.0			-6.8			2.13 (2.5)
<b>Fri</b> 7/17										
				Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Mon</b> 7/20 9:30 AM 9:30 PM (-1) Jul 20										
			1-Year Loan Prime Rate	4.15	4.15	4.05	4.05	3.85	3.85	3.85
			5-Year Loan Prime Rate	4.80	4.80	4.75	4.75	4.65	4.65	4.65
<b>Tue</b> 7/21										
<b>Wed</b> 7/22										
<b>Thu</b> 7/23										
<b>Fri</b> 7/24										

## Indicator/Event Wrap-Up

**The People's Bank of China (PBOC)** held the Loan Prime Rates steady despite signaling an easier policy stance previously. The decision came ahead of the important political meetings, the "two sessions" that start this Friday. The pause in rate cuts does not indicate the reluctance in further easing actions, but rather some caution with cutting rates too rapidly amid the existing shadow-banking problems. Looking ahead, the Chinese central bank is set to lower rates broadly in order to support businesses during the global Consumer and producer prices both improved in June. **CPI** edged up to 2.5% y/y from 2.4% in May and **PPI** eased deflation to -3.0% y/y from -3.7% y/y in May. Inflation gauges are expected to stay in sluggish, due to the still weak external demand. More easing measures from the People's Bank of China and fiscal support should materialize in the next few months.

**Industrial Production** rebounded with the strongest growth rate in May since December 2019 while Retail Sales and Business Investment both registered contractions. Industrial Production increased 4.4% y/y. Manufacturing Production accelerated to 5.2% y/y, along with surges in mining and production in utility to increase by 1.1% y/y and 3.6% y/y. **Retail Sales** fell 2.8% y/y. The **Urban Fixed Asset** Investment declined 6.3% ytd y/y in the first five months, compared with a -10.3% y/y contraction in the first four months.

**Caixin Manufacturing PMI** jumped to 51.2 in June from 50.7. The official Manufacturing PMI also jumped to 54.2 from 53.4. The recovery in large and medium factories are strong, while that in small ones edged down back to a contraction reading. The Non-Manufacturing PMI strengthened to 54.4 from 53.6, align with Caixin Services PMI jumped to 58.4 from 55, reflecting a strong recovery in services sector regardless of the new outbreak of virus in Beijing.

**GDP** declined 6.8% y/y in the first quarter, the first contraction or record in more than 40 years. The secondary industry took the hardest hit during the quarter, which shrank 9.6% y/y. The tertiary industry declined 5.2% while the primary industry moderated 3.2%. Real disposable income declined 3.9% y/y during the first quarter due to the prolonged holiday and job losses. Exports declined 11.4% y/y and Imports dropped 0.7%, resulting in a 6.4% decrease in the combined amount of international trade.

## DE Assessment, Underlying Themes

**Economy:** DE is now less positive on China's economic growth outlook in the medium term. Besides the uncertainties surrounding international trade and the COVID-19, softness in domestic and foreign demand continues to weigh on China's growth. Growth rate will inevitably plunge in 2020 before rebounding in 2021 and likely stabilizing below 6% in the next 2-3 years, barring material changes in downside risks related to geopolitical and economic conditions.

**Inflation:** Headline CPI has breached the government's target of 3% due to the elevated pork price driven by supply shortage. Core inflation, however, stays low and is under downward pressure as producer prices continue to fall. High headline CPI is indeed an obstacle for the central bank to cut interest rates aggressively, but the relatively low core inflation grants room for using monetary tools to stimulate growth.

**Policy:** More fiscal and monetary support are expected in 2020 to stimulate domestic demand amid significant deterioration in economic activities due to the COVID-19 outbreak. The government should issue more supportive measures to prolong the moderate economic growth for the next 1-3 years regardless of external uncertainties related to trade conflicts with the United States.