Decision Economics: China Indicator/Event Calendar

7-Aug-20 **Yu**

Key Releases (Aug 10- Aug 21)

* Mon 8/10: July CPI is set to stay stable, and PPI is likely to narrow contraction.

Date	Time (CST)	Time (EST)		Economic Indicator	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
				(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)							
Mon 8/10	9:30 AM	9:30 PM (-1)	Jul	Consumer Price Index (Y/Y)	5.4	5.2	4.3	3.3	2.4	2.5	**2.5 (2.6)**
			Jul	Producer Price Index (Y/Y)	0.1	-0.4	-1.5	-3.1	-3.7	-3.0	**-2.6 (-2.5)**
Tue 8/11											
Wed 8/12											
Thu 8/13											
Fri 8/14	9:30 AM	9:30 PM (-1)	Jul	New Home Price (M/M)	0.27	0.02	0.13	0.42	0.49	0.58	**0.56**
	10:00 AM	10:00 PM (-1)	Jul	Industrial Production (YTD)		-13.5	-8.4	-4.9	-2.8	-1.3	**-0.6 (-0.4)**
	10:00 AM	10:00 PM (-1)	Jul	Industrial Production (Y/Y)			-1.1	3.9	4.4	4.8	**4.9 (5.1)**
	10:00 AM	10:00 PM (-1)	Jul	Retail Sales (YTD)		-20.5	-19.0	-16.2	-13.5	-11.4	**-10 (-9.4)**
	10:00 AM	10:00 PM (-1)	Jul	Retail Sales (Y/Y)			-15.8	-7.5	-2.8	-1.8	**1.02 (0)**
	10:00 AM	10:00 PM (-1)	Jul	Fixed Asset Ex Rural (YTD)		-24.5	-16.1	-10.3	-6.3	-3.1	**-1.9 (-1.6)**
					Jan-20	**Feb-20**	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**
Mon 8/17											
Tue 8/18											
Wed 8/19											
Thu 8/20	9:30 AM	9:30 PM (-1)	Aug 20	1-Year Loan Prime Rate	4.15	4.05	4.05	3.85	3.85	3.85	**3.85 (3.85)**
	9:30 AM	9:30 PM (-1)	Aug 20	5-Year Loan Prime Rate	4.80	4.75	4.75	4.65	4.65	4.65	**4.65 (4.65)**
Fri 8/21											

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 downturn.

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 , recorded a second straight month high since December 2019 while Retail Sales and Business Investment both narrowed contractions. Industrial Production increased 4.8% y/y. Manufacturing Production remained flat at 5.1% y/y, along with a rise in mining by 1.7% y/y and a surge in production in utility by 5.5% y/y. **Retail Sales** continued to fall by 1.8% y/y. The **Urban Fixed Asset** Investment shrank 3.1% ytd y/y in the first half year, compare to a 6.3% ytd y/y declined in the first five months.

Caixin **Manufacturing PMI** jumped to 52.8 in July from 51.2, recording the sharpest rate in nearly a decade. The official Manufacturing PMI rose to 51.1 from 50.9. Output and new orders both grew, and export new orders improved though still stayed in contraction. The Non-Manufacturing PMI softened to 54.2 from 54.4, align with Caixin Services PMI softened to 54.1 from 58.4, dragged by drop in new export orders and rising unemployment amid expanding demand and production.

GDP rebounded back to grow 3.2% y/y in the second quarter, signaling strong recovery from the contraction in the first quarter due to the pandemic. 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 increased 2.4% y/y during the first half year, thanks to economy recovery. Exports and Imports both rose 0.5% y/y and 2.7% y/y, resulting in a 6.5% y/y decrease in the combined amount of international trade.

DE Assessment, Underlying Themes

Economy: DE is now positive on China's economic growth outlook in the medium term. Regardless of the uncertainties surrounding international trade and the potential resurgence of COVID-19, strong recovery in manufacturing and business activities make strong supports for real economy growth. Growth rate has already bounced back to positive in Q2 and will maintain momentum up in the second half year. It is likely to reach 6% YoY by end of 2020 and keep stepping up in the next 2-3 years, however may be held back by domestic pressure

Inflation: Headline CPI has breached the governemnt'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 economoic growth for the next 1-3 years regardless of external uncertainties related to trade conflicts with the United States.