Decision Economics: China Indicator/Event Calendar

4-Sep-20 **Yu**

Key Releases (Sep 7- Sep 18)

* Wed 9/9: CPI likely to stay stable and PPI is set to improve.

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

Date	Time (CST)	Time (EST)		Economic Indicator	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Mon 9/7	Tentative	Tentative	Aug	Trade Balance ($ Billion)		20.1	45.2	63.0	46.4	62.3	50 (49.2)
				Exports (Y/Y)		-6.6	3.4	-3.2	0.5	7.2	7.3 (7.5)
				Imports (Y/Y)		-1.1	-14.2	-16.6	2.7	-1.4	1.3 (0.5)
Tue 9/8											
Wed 9/9	9:30 AM	9:30 PM (-1)	Aug	Consumer Price Index (Y/Y)	5.2	4.3	3.3	2.4	2.5	2.7	2.5 (2.4)
			Aug	Producer Price Index (Y/Y)	-0.4	-1.5	-3.1	-3.7	-3.0	-2.4	-2 (-1.9)
Thu 9/10											
Fri 9/11											
					Feb-20	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**
Mon 9/14	9:30 AM	9:30 PM (-1)	Aug	New Home Price (M/M)	0.02	0.13	0.42	0.49	0.58	0.47	0.5
Tue 9/15	10:00 AM	10:00 PM (-1)	Aug	Industrial Production (YTD)	-13.5	-8.4	-4.9	-2.8	-1.3	-0.4	0.3 (0.3)
	10:00 AM	10:00 PM (-1)	Aug	Industrial Production (Y/Y)		-1.1	3.9	4.4	4.8	4.8	5.2 (5.1)
	10:00 AM	10:00 PM (-1)	Aug	Retail Sales (YTD)	-20.5	-19.0	-16.2	-13.5	-11.4	-9.9	-9.5 (-8.8)
	10:00 AM	10:00 PM (-1)	Aug	Retail Sales (Y/Y)		-15.8	-7.5	-2.8	-1.8	-1.1	1.2 (0)
	10:00 AM	10:00 PM (-1)	Aug	Fixed Asset Ex Rural (YTD)	-24.5	-16.1	-10.3	-6.3	-3.1	-1.6	-0.3 (-0.4)
Wed 9/16											
Thu 9/17											
Fri 9/18											

Indicator/Event Wrap-Up

People’s Bank of China (PBOC) held the 1-Year and 5-Year Loan Prime Rates unchanged as expected. The central bank held for the fourth consecutive month, reflecting a stable economic recovery. Going forward, the PBOC is expected to maintain a cautiously accommodative stance in short-term, as its recently operations of repos maintained reasonable and sufficient liquidity.

Consumer and producer prices both improved in July. **CPI** jumped to 2.7% y/y from 2.5% in June and **PPI** contintued to ease deflation to -2.4% y/y from -3 % y/y in June. Inflation gauges are expected to soften in following months, as food prices are expected to soften as flood subsides. More easing measures from the People’s Bank of China and fiscal support should materialize in the next few months.

Industrial Production kept growth while Retail Sales and Business Investment both narrowed contractions in July. Industrial Production unchanged at 4.8% y/y. Manufacturing Production jumped to 6% y/y while mining declined by 2.6% y/y and production in utility decelerated grwoth by 1.7% y/y. **Retail Sales** continued to fall by 1.1% y/y. The **Urban Fixed Asset** Investment narrowed shrink by 1.6% ytd y/y in the first seven months of the year, compare to a 3.1% ytd y/y declined in the first half year.

Caixin **Manufacturing PMI** jumped to 53.1 in August from 52.8, recording the sharpest rate in nearly a decade. The official Manufacturing PMI softened to 51 from 51.1. Output declined to 53.5 from 54, while new orders new export orders both grew. The Non-Manufacturing PMI rose to 55.2 from 54.2, align with Caixin Services PMI softened to 54 from 54.1, with employment finally reversed to expansion but dragged by a drop in new orders.

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.