

Key Releases (Aug 23 - Sep 3)

Fri. 8/27: Industrial Profits to ease on high costs.

Date	Time (CST)	Time (EST)	Economic Indicator	(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)							
				Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	
Mon											
8/23											
Tue											
8/24											
Wed											
8/25											
Thu											
8/26											
Fri	9:30 AM	9:30 PM (-1)	Jul	Industrial Profits (Y/Y)	92.3	57.0	36.4	20.0	16.5		
8/27											
Mon											
8/30											
Tue	9:00 AM	9:00 PM (-1)	Aug	NBS Manufacturing PMI (SA)	50.6	51.9	51.1	51.0	50.9	50.4	50.5
8/31			Aug	NBS Non-Manufacturing PMI (SA)	51.4	56.3	54.9	55.2	53.5	53.3	53.0
			Aug	Composite PMI (SA)	51.6	55.3	53.8	54.2	52.9	52.4	52.1
Wed	9:45 AM	9:45 PM (-1)	Aug	Caixin Manufacturing PMI (SA)	50.9	50.6	51.9	52.0	51.3	50.3	50.5
9/1											
Thu											
9/2											
Fri	9:45 AM	9:45 PM (-1)	Aug	Caixin Services PMI (SA)	51.5	54.3	56.3	55.1	50.3	54.9	52.3
9/3			Aug	Caixin Composite PMI (SA)	51.7	53.1	54.7	53.8	50.6	53.1	51.6

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 ninth consecutive month, reflecting a stable economic recovery. Going forward, the PBOC is likely to keep the key rates unchanged and maintain an eased Momentary stance in the short term due to weak inflation and renewed restrictions amid the recent virus resurgence.

CPI rose 1% YoY in July after growing 1.1%. The Core CPI grew 1.3% YoY. PPI grew 9% YoY, accelerating from a rise of 8.8% in June. PPI is expected to stabilize and ease gradually while the CPI should maintain mild growth.

Industrial Production grew 6.4% YoY after rising 8.8% in June, slowing for four months. Retail Sales moderated to rise 8.5% YoY following a 12.4% growth, below the consensus of 10.9%.

Urban Fixed Asset Investment expanded 10.3% YTD YoY in Jan.- July after growing 15.4% in the first half-year, suggesting a slowdown in Infrastructure Investment.

The Official Manufacturing PMI slowed slightly to 51 from 51.1, while Non-manufacturing PMI climbed to 55.2 from 54.9. The Composite PMI rose to 54.2 from 53.8. The Caixin Manufacturing PMI edged up to 52 from 51.9, recording a five-month high.

GDP expanded 7.9% YoY (1.3% QoQ) in Q2 2021, slowing from an 18.3% YoY surge in Q1. Growth in all industry output moderated in Q2, comparing with Q1. The Primary Industry rose 7.8% YoY, the Second Industry climbed 14.4% YoY, and the Tertiary Industry grew 11.8% YoY. Real Disposable Income maintained a relatively high growth pace, rising 12% YTD YoY in the first half of the year.

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 the pre-Pandemic level. It is likely to reach 7% YoY by Q1 2021 and keep stepping up in the next 2-3 years.

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.