



CCBI SECURITIES | RESEARCH

## 中国经济评论：内需支持宏观指标全面反弹

**China Economics Update:** Jun macro data rebounded across the board on warming domestic demand

6月宏观数据强劲反弹，工业生产、固定资产投资和零售增速都远超预期。工业生产提速主要受汽车和原材料行业驱动，需求端受汽车销售和公共投资回暖的推动。

二季度实际GDP增速则从一季度的6.4%放缓至6.2%，与我们的预测一致。

今天的数据支持了我们对下半年内需回暖的判断。具体来看，基建投资和居民消费将继续支撑内需，抵消贸易的疲软。

技术密集型行业的生产未明显走弱，表明关税的影响相对有限，与我们预期一致。然而，持续的贸易政策不确定性抑制了新的制造业投资。我们预计宏观政策、尤其是财政政策，将保持较大的支持力度；而在通胀压力不减、信贷周期上升的背景下，央行降息的可能性很小。

Jun macro data was strong. Industrial production, fixed-asset investment and retail sales all rebounded sharply, beating expectations by a wide margin. A remarkable rebound by the auto sector and buoyant industrial raw material production have underpinned recent output growth, reflecting an acceleration in auto sales and higher public investment.

Meanwhile, real GDP growth fell to 6.2% YoY in 2Q from 6.4% YoY in 1Q, in line with our estimate.

Today's data supports our expectation that domestic demand will pick up in 2H, supported by the infrastructure sector and private consumption, offsetting headwinds to trade.

Despite the tariffs, output from technology intensive sectors has been solid, suggesting a limited direct impact as we emphasized earlier. However, uncertainty has held back new investment. We expect policies to remain accommodative in the interim, especially through fiscal tools. We maintain our view that a PBoC rate cut is unlikely given the cyclical picture.

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Indicator	Jun18	1Q19	May19	Jun 2019			3Q19F		2019F	
				BBG	CCBIS	Actual	BBG	CCBIS	BBG	CCBIS
IP (% YoY)	6.0	6.5	5.0	5.2	5.2	6.3	5.6	5.5	5.7	5.7
Retail sales (% YoY)	9.0	8.4	8.6	8.5	8.6	9.8	8.3	8.6	8.4	8.6
FAI YTD (% YoY)	6.0	6.3	5.6	5.5	5.6	5.8	5.7	5.6	5.8	6.1

				2Q19			3Q19F		2019F	
	2Q18	4Q18	1Q19	BBG	CCBIS	Actual	BBG	CCBIS	BBG	CCBIS
GDP YoY (%)	6.7	6.4	6.4	6.2	6.2	6.2	6.2	6.3	6.2	6.4

Source: Bloomberg, CCBIS estimates

## 2Q GDP slowed as expected; Jun economic data surprised to the upside

### GDP growth slows, in line with expectations

China's real GDP growth slowed 0.2 ppt to 6.2% YoY in 2Q19, in line with the market and our expectation. Seasonally-adjusted sequential growth picked up to 1.6%, from 1.4% in 1Q19. Real growth in secondary industries slowed in 2Q to 5.6% YoY, from 6.1% YoY, while tertiary industries were unchanged at 7% YoY. We attribute the slowdown to a smaller contribution from net exports and consumption, while investment picked up moderately.

### IP growth rebounds, led by transportation equipment, chemicals and metals

Industrial production growth rebounded 1.2 ppt to 6.3% YoY in Jun, well above expectations (B'berg cons and CCBIS: 5.2%). Besides a positive base effect, sequential growth also strengthened to 8.5% YoY annualized from 4.4% YoY the previous month. Over 80% of the rebound was attributed to the manufacturing sector. In particular, transportation equipment, metals, chemicals and electrical machinery improved the most, contributing 0.8 ppt to the headline pick-up. Despite the strong rebound in Jun, 2Q average growth eased 0.9 ppt to 5.6% YoY, from 1Q19, which was slightly lower than 5.7% YoY in 4Q18.

### Investment growth recovers across the board

Fixed asset investment (FAI) YTD rose 5.8% YoY in Jun, up from 5.6% YoY in May, beating the market and our expectations (B'berg cons: 5.5%; CCBIS: 5.6%). Monthly growth rebounded more visibly by 2.0 ppt to 6.3% YoY. By industry, the rebound was broadly-based, but mainly driven by the services sector, which bounced back to 8.2% YoY, from 5% YoY in the previous month. Within the services sector, infrastructure investments rebounded modestly to 4.4% YoY in Jun from 3.0% YoY in May. On average, FAI rose 5.5% YoY in 2Q, down from 6.3% YoY in the first quarter.

### Property investment still solid; property sales fall at a slower pace

Property investment registered solid 10.0% YoY growth in Jun on the heels of 9.2% YoY growth in May. Property new starts rebounded 8.9% YoY from 4.0% YoY the previous month. Property sales saw a smaller YoY contraction driven by the smaller cities. Sales in the top-30 largest cities slowed on cooler momentum in tier-2 cities (up 2.6% YoY in Jun vs a 14.4% increase in May) as mortgage rates were tightened in certain cities that saw strong price increases (e.g. Chengdu, Wuhan and Fuzhou). Weekly data showed that property sales in China's top-30 largest cities recovered somewhat in Jul on stronger sales in the tier-1 cities.

### Retail sales strengthen notably on a strong recovery of auto sales

Nominal retail sales rose 9.8% YoY, up from 8.6% YoY in May, beating the market and our expectations (B'berg cons: 8.5%; CCBIS: 8.6%). The strong recovery in auto sales was the main driver. Growth in auto sales surged to 17.2% YoY on top of 2.1% YoY growth the previous month, boosted by destocking promotions ahead of the 1 Jul deadline for transitioning to the VI Emission Standard in many large cities coupled with the low base last year. Meanwhile, consumption in housing-related goods such as home appliances and furniture continued to rise.

## Our view

**Today's data has dissipated some of the dark clouds that hung over growth in 1H.** Domestic demand has held up and Jun data points to an improvement that should soften the blow from softer trade growth. We expect the recovery in public investment and auto consumption to provide further support in 2H. While headwinds from external trade are likely to persist into 3Q, we expect trade growth to pick up towards the end of the year, adding to the growth momentum.

**Trade war impact on technology production has so far been limited, but investment may be inhibited.** High-tech and equipment production has been solid despite trade headwinds, indicating the resilience of China's manufacturing sector, especially in the technology intensive sectors. However, uncertainties related to supply chains are putting pressure on new investment in manufacturing. We expect policies to stay supportive in the interim, especially on the infrastructure front. We see a low probability of rate cuts by the PBoC, however, given the rising credit cycle and the recent pickup in inflation.

**Table 1: Breakdown of key economic indicators**

<b>IP details (YoY %)</b>	<b>Jun 18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>2Q19</b>	<b>May 19</b>	<b>Jun 19</b>
Industrial production	<b>6.0</b>	<b>6.6</b>	<b>6.0</b>	<b>5.7</b>	<b>6.5</b>	<b>5.6</b>	<b>5.0</b>	<b>6.3</b>
Mining	2.7	1.8	1.8	3.2	1.7	4.7	3.9	7.3
Manufacturing	6.0	6.7	6.0	5.7	6.7	5.5	5.0	6.2
- Food	5.0	5.3	5.3	8.3	5.6	5.6	4.6	6.7
- Ferrous metals smelting and pressing	7.8	6.7	7.5	9.9	7.8	12.3	11.7	13.7
- Non-ferrous metals smelting and pressing	4.0	5.2	8.3	11.6	9.9	10.4	9.4	12.9
- General equipment	6.8	7.7	6.3	6.7	7.6	2.4	2.5	2.6
- Special equipment	11.5	11.4	10.2	10.7	12.1	4.3	4.9	5.3
- Automobiles	14.0	13.0	3.0	-2.7	-2.7	-2.8	-4.7	-2.5
- Electric machinery and equipment	3.8	6.4	4.7	8.6	10.4	9.1	8.8	11.3
- Computers and telecom equipment	10.9	12.3	14.4	12.5	7.4	11.1	10.6	10.4
Utilities	9.2	10.1	10.0	8.7	7.1	7.3	5.9	6.6
<b>FAI details (YoY %)</b>								
FAI	<b>5.7</b>	<b>5.2</b>	<b>4.5</b>	<b>7.2</b>	<b>6.3</b>	<b>5.5</b>	<b>4.3</b>	<b>6.3</b>
Private	9.2	8.1	9.2	8.7	6.4	5.3	4.8	6.8
Non-private	0.6	0.8	-2.7	4.8	6.1	5.9	3.6	5.6
Mining	4.5	-0.7	14.8	-1.3	14.8	25.3	26.9	14.6
Manufacturing	11.3	8.3	11.8	11.5	4.6	2.2	3.2	3.8
Services	4.4	5.2	2.9	6.0	7.5	7.3	5.0	8.2
Infrastructure	2.1	4.6	-2.6	5.0	4.4	3.9	3.0	4.4
<b>Property market growth (YoY %)</b>								
Real estate investment	8.3	9.3	10.2	8.4	11.8	10.3	9.2	10.0
Floor space started	15.0	13.0	25.3	19.2	11.9	9.1	4.0	8.9
Floor space sold	<b>4.5</b>	<b>3.1</b>	<b>2.0</b>	<b>-2.0</b>	<b>-0.9</b>	<b>-2.3</b>	<b>-5.5</b>	<b>-2.2</b>
Floor space sold – tier 1 and tier 2	-12.0	-15.9	2.5	0.1	-1.4	13.1	14.4	6.8
Floor space sold – other	5.5	4.8	2.0	-2.1	-0.8	-3.3	-6.9	-2.7
Land sales volume	21.2	11.1	29.4	11.3	-33.1	-24.6	-31.8	-14.3
<b>Retail sales details (YoY %)</b>								
Retail sales	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>8.3</b>	<b>8.4</b>	<b>8.6</b>	<b>8.6</b>	<b>9.8</b>
Garments	10.0	8.6	8.3	6.0	3.3	2.8	4.1	5.2
Daily-use goods	15.8	12.8	14.9	14.5	16.1	12.1	11.4	12.3
Home appliances	14.3	9.9	3.7	10.8	7.7	5.8	5.8	7.7
Furniture	15.0	10.8	10.2	10.2	5.5	6.4	6.1	8.3
Decoration materials	7.2	8.2	7.3	9.0	8.3	0.0	-1.1	1.1
Automobiles	-7.0	-1.8	-4.2	-8.4	-3.4	5.9	2.1	17.2

Source: CEIC, CCBIS

**Rating definitions:****Outperform (O) – expected return > 10% over the next twelve months****Neutral (N) – expected return between -10% and 10% over the next twelve months****Underperform (U) – expected return < -10% over the next twelve months****Analyst certification:**

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