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中国经济评论：十月数据疲软，但复苏有望

China Economics Update：Weak Oct data, but some rebound is likely

中国 10 月经济数据弱于预期。这一表现与近期每季度初数据下滑的规律一致，季度末数据有望反弹。

我们预计，随着贸易指标的改善，四季度工业增加值增速会企稳甚至略有改善。零售增速也有望因汽车销量降幅收窄而回升。今年“双十一”强劲的销售数据反映了中国消费的韧性。

基建增速的走弱与地方融资条件收紧和信贷反弹有限的情况相符。目前政策面仍未明确地方专项债的额度是否会在 11 月/12 月上调，以支持基建投资。随着接近年底，调额度的可能性有所下降。

China's Oct data all came in weaker than expected. This weakness is consistent with the recent pattern of data dipping at the beginning of a quarter, and we believe some rebound is likely at the quarter-end.

We continue to expect industrial production growth to stabilize or even improve slightly in 4Q as trade indicators improve. Retail sales should firm up on a smaller decline in auto sales. Solid sales growth on 11/11 reflects the underlying strength of the consumer sector.

The softness in infrastructure data is consistent with tight financial conditions of the local government and a limited rebound in credit growth. It is unclear whether new special local government bond quota for Nov/Dec will be added to shore up infrastructure investments, and odds for the government to do so have decreased as we approach the year-end.

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				Oct 2019			4Q19F		2019F	
Indicator	**Oct 18**	**Aug 19**	**Sep 19**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**	**BBG**	**CCBIS**
IP (% YoY)	5.9	4.4	5.8	5.4	5.5	**4.7**	5.0	5.1	5.5	5.5
Retail sales (% YoY)	8.6	7.5	7.8	7.8	7.9	**7.2**	7.9	8.0	8.1	8.1
FAI YTD (% YoY)	5.7	5.5	5.4	5.4	5.4	**5.2**	5.6	5.4	5.5	5.5

Source: Bloomberg, CCBIS estimates

China's Oct economic data slowed across the board

IP growth dragged down by upstream sectors

Industrial production (IP) growth slowed more than expected by 1.1 ppt to 4.7% YoY in Oct (B'berg cons: 5.4%; CCBIS: 5.5%). This reading was 0.3ppt lower than 3Q19 average growth. The manufacturing sector accounted for nearly 3/4 of the slowdown in headline growth, while utilities growth managed to accelerate. By sector, raw materials such as cement, ferrous and non-ferrous metals have continued to cool since 3Q as construction-related investments slowed. On the other hand, the production of equipment, electric machinery and electronic products held up compared with 3Q. Auto production also saw a notable rebound after the previous dip.

Infra investment slowed while manufacturing investment picked up

Fixed asset investments (FAI) YTD growth slowed by 0.2ppt to 5.2% YoY in Oct, missing market and our expectation of stabilization (B'berg cons & CCBIS: 5.4%). Monthly FAI growth dropped 1.1ppt from Sep and 3Q19 level, driven by the tertiary industry, in particular infrastructure investments. Infra investment growth dipped to below 2.1% YoY in Oct compared to 5.2% YoY in 3Q. In contrast, manufacturing investment recovered further, rising 3.3% YoY (vs 1.9% YoY in Sep and 1.7% in 3Q19). FAI growth of computers & telecom equipment rebounded the most.

Property investment moderated slightly, while sales maintained a gradual recovery

Property investment growth held high in Oct, moderating to 8.6% YoY from 9.8% YoY in 3Q. Meanwhile, floor space sold recorded positive growth in the fourth consecutive month, a continued improvement compared with slightly negative growth in 1H. High-frequency data showed that the slow sales recovery may continue in coming months. Sales in top cities slowed slightly in the first two weeks of Nov led by Tier 1 cities but sales in Tier 2 cities strengthened further.

Delayed consumption explains part of the moderation in retail sales

Oct nominal retail sales rose 7.2% YoY , weaker than Sep and 3Q19 growth by 0.6ppt and 0.4ppt respectively and below market expectation of flat growth (B'berg cons: 7.8%; CCBIS: 7.9%). Softer consumption of autos and housing-related goods (such as home appliances and furniture) was the main cause. The softer retail sales in Oct likely reflect consumers' delay in purchases to Nov for the Singles Day sales, as we mentioned in our preview.[1]

Our view

We continue to expect both IP and retail sales will likely stabilize in 4Q. The weakness in October data is consistent with the recent pattern of data dip at the beginning of a quarter, and we believe some rebound is likely in the last month of the quarter. Asia's trade indicators as well as global semiconductors sales have continued to improve sequentially. The reversal of a previous sharp correction in trade and stabilization of global manufacturing sentiment should help industrial production growth stabilize in 4Q. Meanwhile, Alibaba reported another strong increase in Singles Day sales in 2019 (25.7% vs. 26.9% in 2018), reflecting the underlying strength of the consumer sector. We expect retail sales to improve in 4Q on a smaller decline in car sales, amid firmer consumer sentiment.

Soft infrastructure investment is likely to weigh on overall FAI. Property investments have been the bright spot this year, with growth holding high at around 10% YoY in spite of the slow recovery in housing sales. That said, as property developers steer away from aggressive land acquisitions, there is a risk that the slide in land sales will translate into weaker property investments in the coming months. Meanwhile, we expect a slower expansion of infrastructure investments in 4Q given the tight financial conditions of local governments and limited rebound of credit. The central government may add some quota for special local government bond issuance this year, to restore infrastructure financing growth, but the odds have decreased as we approach the year-end.

[1] Macro Weekly: monetary easing to be paced and measured (10 Nov, 2019)

Table 1: Breakdown of key economic indicators

IP details (YoY %)	Oct 18	3Q18	4Q18	1Q19	2Q19	3Q19	Sep 19	Oct 19
Industrial production	**5.9**	**6.0**	**5.7**	**6.5**	**5.6**	**5.0**	**5.8**	**4.7**
Mining	3.8	1.8	3.2	1.7	4.7	6.1	8.1	3.9
Manufacturing	6.1	6.0	5.7	6.7	5.5	4.8	5.6	4.6
- Food	7.7	5.3	8.3	5.6	5.6	5.5	4.2	3.4
- Ferrous metals smelting and pressing	10.1	7.5	9.9	7.8	12.3	10.0	9.5	6.3
- Non-ferrous metals smelting and pressing	8.7	8.3	11.6	9.9	10.4	8.8	7.7	9.1
- General equipment	6.8	6.3	6.7	7.6	2.4	2.7	3.5	3.1
- Special equipment	8.1	10.2	10.7	12.1	4.3	4.8	7.0	5.0
- Automobiles	-0.7	3.0	-2.7	-2.7	-2.8	0.1	0.5	4.9
- Electric machinery and equipment	6.8	4.7	8.6	10.4	9.1	9.9	12.1	10.7
- Computers and telecom equipment	14.6	14.4	12.5	7.4	11.1	7.4	11.4	8.2
Utilities	6.8	10.0	8.7	7.1	7.3	6.2	5.9	6.6
FAI details (YoY %)								
FAI	**8.0**	**4.5**	**7.2**	**6.3**	**5.5**	**4.8**	**4.8**	**3.7**
Private	9.5	9.2	8.7	6.4	5.3	3.1	3.5	2.2
Non-private	5.5	-2.7	4.8	6.1	5.9	7.5	6.9	6.3
Mining	34.3	14.8	-1.3	14.8	25.3	31.1	26.2	18.3
Manufacturing	12.2	11.8	11.5	4.6	2.2	1.7	1.9	3.3
Services	6.2	2.9	6.0	7.5	7.3	6.9	6.6	3.8
Infrastructure	6.6	-2.6	5.0	4.4	3.9	5.2	6.3	2.1
Property market growth (YoY %)								
Real estate investment	8.1	10.2	8.4	11.8	10.3	9.8	10.5	8.6
Floor space started	14.7	25.3	19.2	11.9	9.1	6.0	6.7	23.2
Floor space sold	**-3.1**	**2.0**	**-2.0**	**-0.9**	**-2.3**	**2.9**	**2.9**	**1.9**
Floor space sold – tier 1and tier 2	-7.5	2.5	0.1	-1.4	13.1	1.2	5.4	4.8
Floor space sold – other	-2.8	2.0	-2.1	-0.8	-3.3	3.0	2.8	1.7
Land sales volume	12.4	29.4	11.3	-33.1	-24.6	-10.4	10.2	12.9
Retail sales details (YoY %)								
Retail sales	**8.6**	**9.0**	**8.3**	**8.4**	**8.6**	**7.6**	**7.8**	**7.2**
Garments	4.7	8.3	6.0	3.3	2.8	3.9	3.6	-0.8
Daily-use goods	10.2	14.9	14.5	16.1	12.1	12.6	12.0	12.0
Home appliances	4.8	3.7	10.8	7.7	5.8	4.2	5.4	0.7
Furniture	9.5	10.2	10.2	5.5	6.4	6.1	6.3	1.8
Decoration materials	8.5	7.3	9.0	8.3	0.0	3.6	4.2	2.6
Automobiles	-6.4	-4.2	-8.4	-3.4	5.9	-4.3	-2.2	-3.3

Source: NBS, 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

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