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中国经济评论：8 月制造业弱势延续

China Economics Update：Manufacturing still under pressure

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8 月中国制造业数据继续超预期下跌。工业生产、社会零售总额和固定资产投资都进一步减速，而市场此前预期有所改善或持稳。国家统计局称，生产放缓部分受恶劣天气和其他季节性因素的影响。

贸易政策的不确定性给制造业带来了一定压力，而内需大抵持稳。基建和房地产投资 8 月提速。在全球科技周期的改善、内需稳定的背景下，我们预计四季度制造业增速保持稳定。

虽然整体经济数据疲软，但内需企稳且政策方面强调遏制债务风险，我们预计政策刺激力度有限。持续走高的食品和石油价格是央行近期降低政策利率（MLF）的一个限制因素。

Chinese manufacturing data continued to surprise on the downside in Aug. Industrial production, retail sales and fixed asset investments all decelerated further, defying expectations of improvement or stabilization. NBS attributed part of the slowdown to adverse weather conditions and other seasonal factors.

Manufacturing remained under pressure due to uncertainties on the trade front, while domestic demand continued to hold up, including stronger investments into infrastructure and property. We expect some stabilization in manufacturing in 4Q, as the global tech cycle improves and domestic demand remains steady.

Despite the weak data, policy stimulus is likely to stay measured in our view, as domestic demand is holding up and as the government remains focused on containing debt risks. Rising food and oil prices is a near-term constraint for cutting MLF rates.

				Aug 2019			4Q19F		2019F	
Indicator	**Aug 18**	**2Q19**	**Jul 19**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**	**BBG**	**CCBIS**
IP (% YoY)	6.1	5.6	4.8	5.2	5.4	**4.4**	5.3	5.0	5.7	5.4
Retail sales (% YoY)	9.0	8.6	7.6	7.9	8.0	**7.5**	8.3	8.3	8.4	8.4
FAI YTD (% YoY)	5.3	5.8	5.7	5.7	5.6	**5.5**	5.7	5.8	5.7	5.6

Source: Bloomberg, CCBIS estimates

Aug economic data missed expectations

IP growth slowed further, missing expectations of a rebound

Industrial production growth decelerated further by 0.4ppt to 4.4% YoY in Aug, missing expectations of a recovery (B'berg cons: 5.2%; CCBIS: 5.4%). Sequential growth rebounded to 3.9% YoY annualized from 2.3% YoY the previous month. By sector, mining production slowed the most, shaving 0.3ppt off headline growth. Manufacturing production also softened, led by raw materials, computers, communications and other electronic equipment, though auto production contracted at a slower pace and electrical machinery production rebounded.

Investment growth slowed, led by manufacturing sector

Fixed asset investments (FAI) YTD eased further to 5.5% YoY, below the market and our expectations (B'berg cons: 5.7%; CCBIS: 5.6%). Monthly growth eased to 4.3% YoY, down 0.9ppt from the previous reading. The slowdown was mainly driven by manufacturing investments (Aug: -1.6% YoY, vs Jul: +4.7% YoY), echoing Aug's softer credit growth. Mining investments also retreated after the strong rebound in Jul. In contrast, service investments and infra investments in particular rebounded after the dip in Jul.

Property investments still strong; property sales recovered on low base

Property investments remained solid, rising 9.9% YoY in Aug after a 9.0% YoY growth the previous month, partly thanks to a low base last year. But property new starts moderated further. Property sales growth climbed further to 4.7% YoY on top of a 1.2% YoY increase in Jul. This was supported by smaller cities thanks to a low base last year, while sales in the top-30 largest cities declined on a YoY basis for the first time in six months amid rising mortgage rates. Weekly data showed that the property sales in the top-30 cities contracted further in Sep.

Retail sales remained soft on sluggish auto sales

Nominal retail sales growth slowed slightly to 7.5% YoY, missing market and our expectations of a rebound (B'berg cons: 7.9%; CCBIS: 8.0%). The further decline of auto and fuel consumption more than offset the recovery in food and other housing-related goods (such as home appliance and decorative materials).

Our take of the data

Aug data may have been biased downwards by temporary factors. According to NBS, Typhoon Lekima and fewer working days have contributed to the slowdown, in particular causing disruption of production in eastern provinces. These factors should fade in the coming month. High-frequency indicators (such as coal-consumed by power plants) improved in the first two weeks of Sep. In addition, the positive news from the ongoing trade negation has somewhat alleviated the headwinds for exporters. We expect some improvement in Sep production.

Manufacturing should stabilize in 4Q, as trade numbers become less negative and domestic demand hold up. Trade related sectors such as textile, computer and equipment all registered slower growth, dragging down manufacturing. Meanwhile domestic demand was more robust, as seen in the steady growth of the domestic-facing commodities and materials sectors, solid retail sales outside auto, and the modest recovery of the construction sector (infra and property). We see some improvement in trade and production in 4Q, as the tech cycle stabilizes. We expect IP to average around 5% YoY in 4Q, compared to 6% in 1H and 4.8% in 3Q.

Monetary policy will stay accommodative but further easing will be constrained. Following the RRR cut, market attention has been focused on whether the MLF rate will be cut, and moves of the next LPR rate to be announced on Sep 20. While today's disappointing data has strengthened the case for a rate cut, the likely further climb of headline inflation driven by food and oil prices is likely to be a near-term concern for the PBoC, in our view. Signs of domestic demand picking up would suggest a wait-and-see approach. We expect the PBoC to refrain from cutting MLF, while LPR could drift down a bit lower on Sep 20 as interbank liquidity has eased following the RRR cut.

Table 1: Breakdown of key economic indicators

IP details (YoY %)	**Aug 18**	**2Q18**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**Jul 19**	**Aug 19**
Industrial production	**6.1**	**6.6**	**6.0**	**5.7**	**6.5**	**5.6**	**4.8**	**4.4**
Mining	2.0	1.8	1.8	3.2	1.7	4.7	6.6	3.7
Manufacturing	6.1	6.7	6.0	5.7	6.7	5.5	4.5	4.3
- Food	5.3	5.3	5.3	8.3	5.6	5.6	7.3	5.0
- Ferrous metals smelting and pressing	5.9	6.7	7.5	9.9	7.8	12.3	10.0	10.4
- Non-ferrous metals smelting and pressing	9.5	5.2	8.3	11.6	9.9	10.4	10.3	8.5
- General equipment	5.9	7.7	6.3	6.7	7.6	2.4	0.7	3.9
- Special equipment	9.8	11.4	10.2	10.7	12.1	4.3	4.0	3.3
- Automobiles	1.9	13.0	3.0	-2.7	-2.7	-2.8	-4.4	-3.4
- Electric machinery and equipment	3.3	6.4	4.7	8.6	10.4	9.1	7.6	10.0
- Computers and telecom equipment	17.1	12.3	14.4	12.5	7.4	11.1	6.1	4.7
Utilities	9.9	10.1	10.0	8.7	7.1	7.3	6.9	5.9
FAI details (YoY %)								
FAI	**4.1**	**5.2**	**4.5**	**7.2**	**6.3**	**5.5**	**5.2**	**4.3**
Private	8.1	8.1	9.2	8.7	6.4	5.3	4.0	1.9
Non-private	-2.0	0.8	-2.7	4.8	6.1	5.9	7.5	8.3
Mining	18.1	-0.7	14.8	-1.3	14.8	25.3	46.8	20.3
Manufacturing	8.7	8.3	11.8	11.5	4.6	2.2	4.7	-1.6
Services	2.6	5.2	2.9	6.0	7.5	7.3	4.9	9.1
Infrastructure	-4.3	4.6	-2.6	5.0	4.4	3.9	2.3	6.7
Property market growth (YoY %)								
Real estate investment	9.5	9.3	10.2	8.4	11.8	10.3	9.0	9.9
Floor space started	26.6	13.0	25.3	19.2	11.9	9.1	6.6	4.9
Floor space sold	2.4	**3.1**	**2.0**	**-2.0**	**-0.9**	**-2.3**	**1.2**	**4.7**
Floor space sold – tier 1and tier 2	3.4	-15.9	2.5	0.1	-1.4	13.1	4.3	-6.0
Floor space sold – other	2.3	4.8	2.0	-2.1	-0.8	-3.3	0.9	5.6
Land sales volume	45.0	11.1	29.4	11.3	-33.1	-24.6	-37.1	-5.6
Retail sales details (YoY %)								
Retail sales	**9.0**	**9.0**	**9.0**	**8.3**	**8.4**	**8.6**	**7.6**	**7.5**
Garments	7.0	8.6	8.3	6.0	3.3	2.8	2.9	5.2
Daily-use goods	15.8	12.8	14.9	14.5	16.1	12.1	13.0	13.0
Home appliances	4.8	9.9	3.7	10.8	7.7	5.8	3.0	4.2
Furniture	9.5	10.8	10.2	10.2	5.5	6.4	6.3	5.7
Decoration materials	7.9	8.2	7.3	9.0	8.3	0.0	0.4	5.9
Automobiles	-3.2	-1.8	-4.2	-8.4	-3.4	5.9	-2.6	-8.1

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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