



CCBI SECURITIES | RESEARCH

中国经济评论：贸易拉动的生产复苏预计延续

China Economics Update: Recovery in manufacturing momentum to continue

中国 11 月工业增加值和零售增速均强于预期，但固定资产投资仍较疲软。

工业生产提速主要受汽车和 IT 制造业拉动，支持我们对近期贸易回暖将带动生产反弹的判断。消费方面，社零增速受汽车、家电和餐饮拉动反弹。而建筑相关的行业需求偏弱，固定资产投资增速提升有限。

我们认为，2020 年政策将继续避免大规模的信贷刺激。国内建筑业和房地产预计维持弱增长。而科技行业有望支撑制造业持续筑底回升。

China's industrial production (IP) and retail sales growth came in firmer than expected in Nov, while fixed asset investment remained soft as expected.

The strength of IP growth mainly stemmed from the auto and IT manufacturing sectors, supporting our view of a trade-led rebound in production growth in the near term. Meanwhile, retail sales rebounded on firmer auto and home appliance sales, and accelerating catering services growth. In contrast, the limited pickup in construction activity has capped overall investment growth.

In 2020F, we believe policy will continue to refrain from large credit stimulus while domestic construction and property will remain on a soft footing. The technology sector will be a bright spot with the potential to support manufacturing momentum.

Li Cui

(852) 3911 8274

cui@ccbintl.com

Claire Huang

(852) 3911 8012

clairehuang@ccbintl.com

Ying Xue

(852) 3911 8013

xueying@ccbintl.com

Indicator	Nov 18	Sep 19	Oct 19	Nov 2019			2020F	
				BBG	CCBIS	Actual	BBG	CCBIS
IP (% YoY)	5.4	5.8	4.7	5.0	5.3	6.2	5.1	5.4
Retail sales (% YoY)	8.1	7.8	7.2	7.6	7.8	8.0	7.8	8.0
FAI YTD (% YoY)	5.9	5.4	5.2	5.2	5.2	5.2	5.4	5.6

China's Nov economic data rebounds more than expected

Production growth rebounds, led by auto and tech

Industrial production (IP) growth strengthened 1.5 ppt to 6.2% YoY, a stronger rebound than the market had expected (Bloomberg cons: 5.0%; CCBIS: 5.3%). The Oct-Nov average reading picked up 0.5 ppt from the 3Q average. By sector, the rebound was led by auto and tech hardware, while raw materials such as cement and metals softened from 3Q due to the subdued recovery in construction. Auto production accelerated to 6.3% YoY in Oct-Nov from 0.1% YoY in 3Q, adding 0.4 ppt to headline growth. Electrical machinery, computers and other ICT equipment also firmed up, raising headline growth by another 0.2 ppt.

Investment growth remains soft on cooling construction cycle

Fixed asset investment (FAI) YTD growth was flat from Oct at 5.2% YoY, in line with the market and our expectation (Bloomberg cons and CCBIS: 5.2%). Average FAI growth picked up slightly in Oct-Nov to 4.5% YoY, from 4.3% YoY in 3Q, driven by manufacturing capex. As overall credit momentum stayed soft, infrastructure investment decelerated to just 2.2% YoY in Oct-Nov, from 4.9% YoY in 3Q, and property investment growth moderated to 9% YoY, from 9.8% YoY in 3Q.

Overall housing market holds up, but price declines seen in more cities

Housing construction data held up in the first two months of 4Q compared with the previous quarter as growth in new starts and areas under construction recorded small increases. That said, demand indicators cooled somewhat. There is an increasing number of cities seeing price declines month-over-month. The average sequential gain in housing prices also eased. Due to slightly higher mortgage rates, floor space sold in Oct and Nov grew at a slower pace of 1.5% YoY, down from 2.9% YoY in 3Q.

Retail sales see stronger rebound thanks to online sales promotion

Nominal retail sales rose 8.0% YoY in Nov, up from 7.2% the previous month, beating expectations (Bloomberg cons: 7.6%; CCBIS: 7.8%). By sector, sales of consumer electronics surged, accelerating to 16.5% YoY in Oct-Nov, from 4.5% YoY in 3Q. Home appliances also rose faster in Oct-Nov compared with 3Q, likely driven by Singles Day online sales. Meanwhile, auto consumption was less of a drag on headline growth than it was in 3Q.

Our view

We maintain our view of a manufacturing recovery. The latest global PMI reports, our trade leading indicator and today's Chinese data all support our view that the slide in the global manufacturing sector since 2018 has come to an end. We expect the technology sector to be a bright spot with the potential to support manufacturing momentum. A recovery in the global IT cycle, stabilization of trade risks, 5G-related investment, and an increase in high tech FDI are key catalysts. The latest PPI reports are in line with our view that the economy remains on a reflationary trend, supporting corporate profit gains.

Domestic construction and property remain on a soft footing. In 2020F, we expect policy to continue to refrain from large credit stimulus. The just-concluded Central Economic Work Conference also maintained a tightening bias towards the housing market, stressing stable land and housing prices. No mention was made of special local government bonds, with a detailed quota to be confirmed at the Two Sessions in Mar 2020F. Against this backdrop, we are likely to see construction momentum in 2020F grow at a pace similar to 2019.

Table 1: Breakdown of key economic indicators

IP details (YoY %)	Nov 18	3Q18	4Q18	1Q19	2Q19	3Q19	Oct 19	Nov 19
Industrial production	5.4	6.0	5.7	6.5	5.6	5.0	4.7	6.2
Mining	2.3	1.8	3.2	1.7	4.7	6.1	3.9	5.7
Manufacturing	5.6	6.0	5.7	6.7	5.5	4.8	4.6	6.3
- Food	8.6	5.3	8.3	5.6	5.6	5.5	3.4	5.5
- Ferrous metals smelting and pressing	10.4	7.5	9.9	7.8	12.3	10.0	6.3	10.7
- Non-ferrous metals smelting and pressing	12.8	8.3	11.6	9.9	10.4	8.8	9.1	6.4
- General equipment	6.7	6.3	6.7	7.6	2.4	2.7	3.1	6.2
- Special equipment	12.4	10.2	10.7	12.1	4.3	4.8	5.0	7.0
- Automobiles	-3.2	3.0	-2.7	-2.7	-2.8	0.1	4.9	7.7
- Electric machinery and equipment	9.0	4.7	8.6	10.4	9.1	9.9	10.7	12.6
- Computers and telecom equipment	12.3	14.4	12.5	7.4	11.1	7.4	8.2	9.7
Utilities	9.8	10.0	8.7	7.1	7.3	6.2	6.6	6.7
FAI details (YoY %)								
FAI	7.7	4.5	7.2	6.3	5.5	4.8	3.7	5.2
Private	7.8	9.2	8.7	6.4	5.3	3.1	2.2	5.4
Non-private	7.6	-2.7	4.8	6.1	5.9	7.5	6.3	4.9
Mining	-0.1	14.8	-1.3	14.8	25.3	31.1	18.3	27.7
Manufacturing	13.1	11.8	11.5	4.6	2.2	1.7	3.3	1.6
Services	7.4	2.9	6.0	7.5	7.3	6.9	3.8	5.8
Infrastructure	3.7	-2.6	5.0	4.4	3.9	5.2	2.1	2.3
Property market growth (YoY %)								
Real estate investment	9.7	10.2	8.4	11.8	10.3	9.8	8.6	9.3
Floor space started	21.7	25.3	19.2	11.9	9.1	6.0	23.2	-2.9
Floor space sold	-5.1	2.0	-2.0	-0.9	-2.3	2.9	1.9	1.1
Floor space sold – tier 1 and tier 2	3.6	2.5	0.1	-1.4	13.1	1.2	4.8	-5.2
Floor space sold – other	-5.7	2.0	-2.1	-0.8	-3.3	3.0	1.7	1.6
Land sales volume	8.2	29.4	11.3	-33.1	-24.6	-10.4	12.9	-0.7
Retail sales details (YoY %)								
Retail sales	8.1	9.0	8.3	8.4	8.6	7.6	7.2	8.0
Garments	5.5	8.3	6.0	3.3	2.8	3.9	-0.8	4.6
Daily-use goods	16.0	14.9	14.5	16.1	12.1	12.6	12.0	17.5
Home appliances	12.5	3.7	10.8	7.7	5.8	4.2	0.7	9.7
Furniture	8.0	10.2	10.2	5.5	6.4	6.1	1.8	6.5
Decoration materials	9.8	7.3	9.0	8.3	0.0	3.6	2.6	-0.3
Automobiles	-10.0	-4.2	-8.4	-3.4	5.9	-4.3	-3.3	-1.8

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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