

China Economy in Nov

The light of dawn

Economic data of Nov came in stronger than previous months', finally, and in many aspects. Industrial activities rebounded after a weak Oct, underpinned by rebounding growth of some high-tech industries. Retail sales growth posted 8.0% YoY thanks to "Double 11" festival, narrowing decline of car sales and robust housing-related consumption demand. FAI were largely on track. Looking forward, we expect economic activities to hold up well in Dec, driven by 1) confirmation of Phase One Deal between China and the U.S., which reduced uncertainties for companies; and 2) consumption seasonality before the Chinese New Year (CNY).

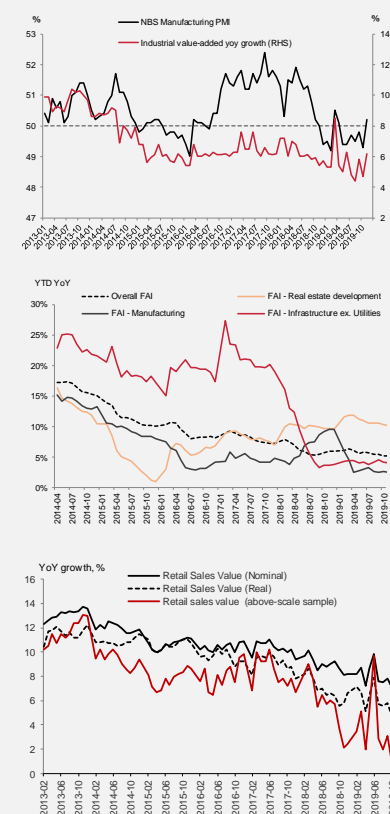
- Broad recovery of industrial activities underpinned by key industries.** In Nov, industrial value-added growth rebounded to 6.2% YoY, boosting YTD growth to 5.6%. All three segments – mining, manufacturing and utilities documented accelerating pace of growth. While last year's low base should have explained part of the acceleration, the recovery in Nov was underpinned primarily by emerging and high-tech industries. Output growth (in volume) trended up for mobile phones, integrated circuits, industrial robots, and etc. Monthly growth of automobile output (in vehicles) turned positive for the first time in 15 months. Judging from high-frequency monitors, we think industrial output growth could remain strong in Dec.
- Consumption demand rebounded in Nov.** Retail sales value growth in Nov was 8.0% YoY and 9.1% YoY excluding cars, vs. 7.2%/8.3% YoY in Oct. The "Double 11" festival has boosted demand for cosmetics, daily necessities, textiles, food & beverages, etc. Sales of mobiles and telecommunication equipment maintained double-digit growth, while that of cars narrowed its decline to 1.8% YoY. Housing-related consumption goods posted steady growth thanks to strengthening of housing completion. In Dec, we believe retail sales growth could remain robust due to seasonally strong consumption demand before the CNY next Jan.
- FAI growth on track.** 1) **Manufacturing FAI** increased 2.5% YoY in Jan-Nov. FAI of exported-oriented industries declined faster this year, which is likely to moderate with the alleviation of trade war uncertainties. 2) **Real estate investment** declined modestly to 10.2% YoY in Jan-Nov, vs 10.3% in Jan-Oct. Land acquisition expenses decelerated but construction expenses were lifted. 3) **Infrastructure investment** (ex. utilities) increased 2.3% in Nov, a bit faster than 2.0% in Oct. YTD growth was 4.0%, largely on track given all the supportive measures. We forecast FAI to stay flat in Dec, targeting annual growth at 5.2%.

Data Summary

YoY growth (%)	1H19	Aug-19	Sep-19	Oct-19	Nov-19	11M19
Industrial value-added	6	4.4	5.8	4.7	6.2	5.6
Fixed asset investment, YTD	5.8	5.5	5.4	5.2	5.2	5.2
- Manufacturing FAI	3	2.6	2.5	2.6	2.5	2.5
- Real estate FAI	10.9	10.5	10.5	10.3	10.2	10.2
- Infrastructure FAI	4.1	4.2	4.5	4.2	4.0	4.0
Retail sales value	8.4	7.5	7.8	7.2	8.0	8.0

Source: NBS, CMBIS

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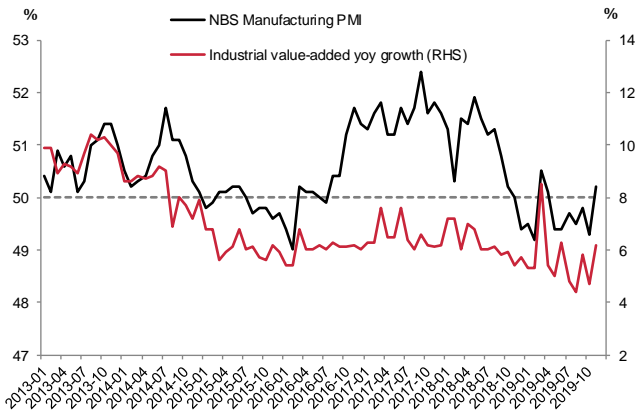


Source: NBS, CMBIS

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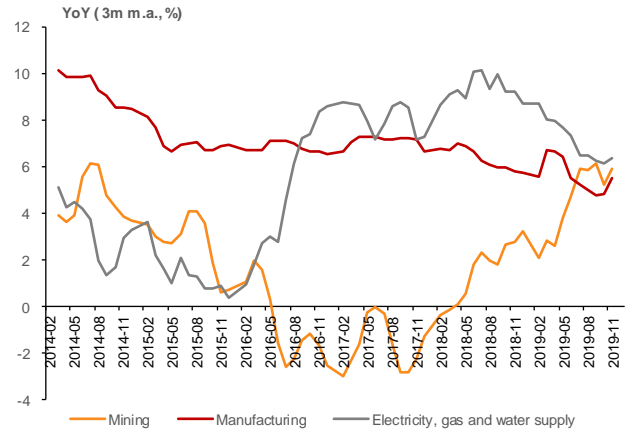
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Figure 1: Industrial value-added growth rebounded to 6.2% in Nov



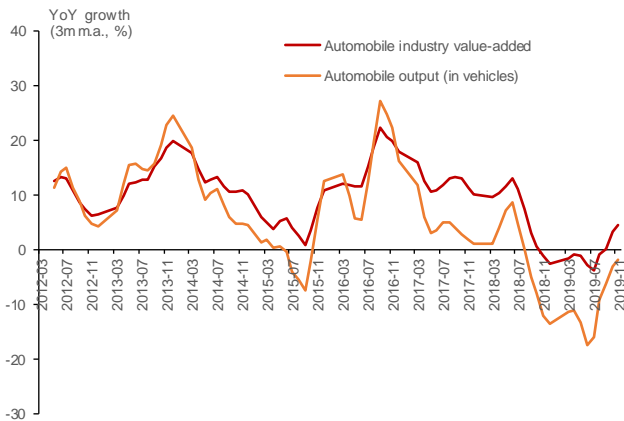
Source: NBS, Wind, CMBIS

Figure 2: Mining, manufacturing and utilities all accelerated growth in Nov



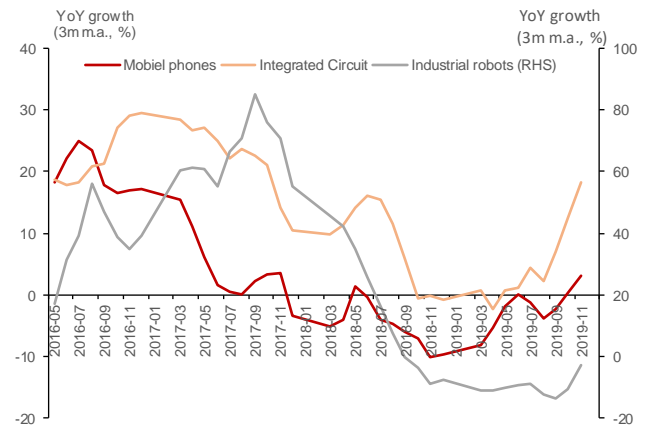
Source: NBS, Wind CMBIS

Figure 3: Automobile output remained in recovery, output (in vehicles) turned positive in Nov



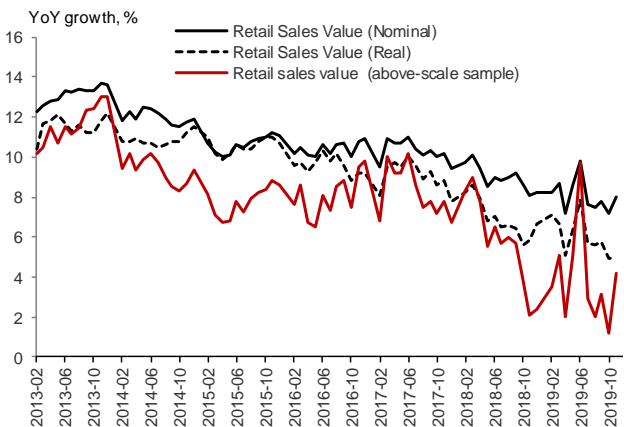
Source: NBS, Wind, CMBIS

Figure 4: Mobile phones, IC, industrial robots all trended well in output growth



Source: NBS, Wind CMBIS

Figure 5: Retail sales growth was 8.0%YoY in Nov and 9.1% excluding cars



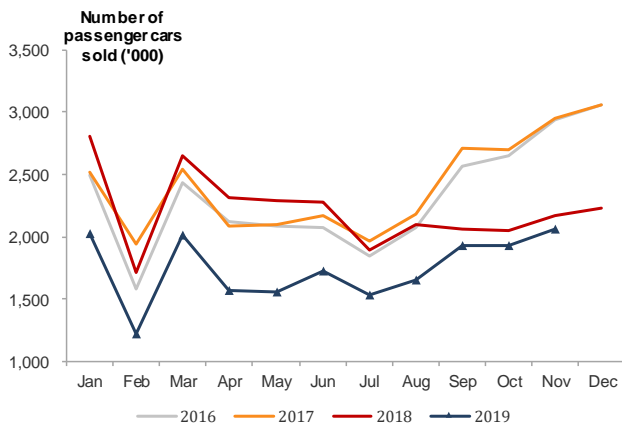
Source: NBS, Wind, CMBIS

Figure 6: Online sales increased 19.7% YTD, accounting for 20.4% of goods sales



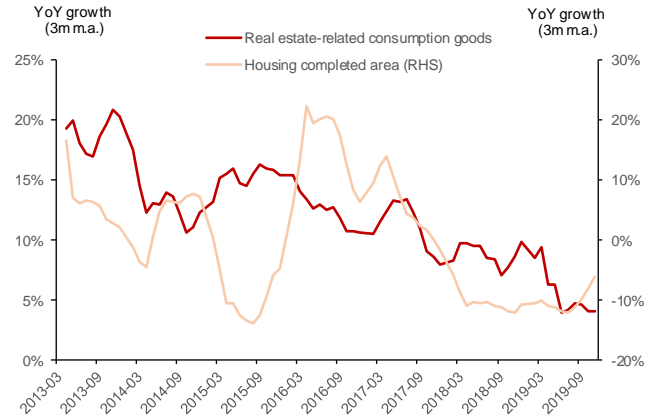
Source: NBS, Wind, CMBIS

Figure 7: Car sales decline continued to narrow in Nov



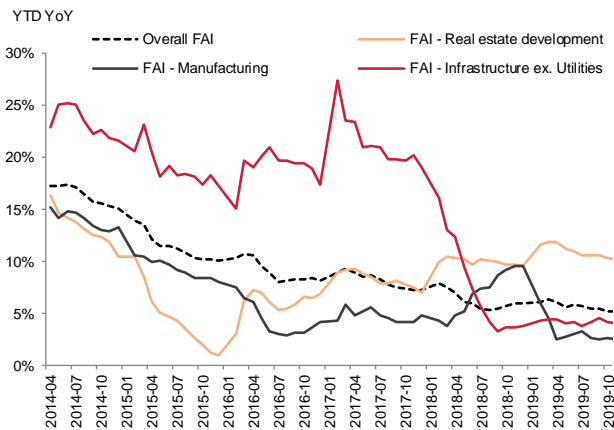
Source: China Automobile Association, Wind, CMBIS

Figure 8: Recovery of housing construction could lend support for sales of housing-related goods



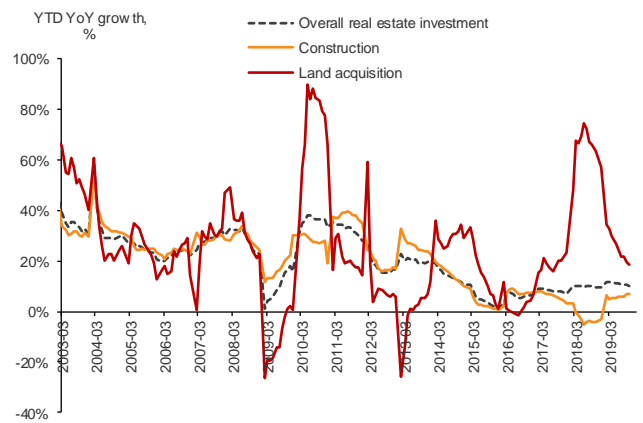
Source: NBS, Wind, CMBIS estimates

Figure 9: FAI growth remained flat at 5.2% in Jan-Nov



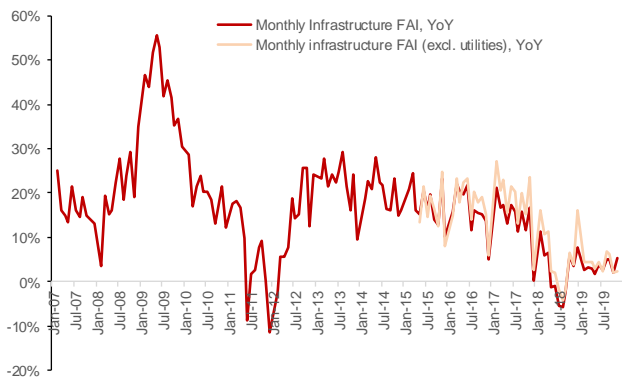
Source: NBS, Wind, CMBIS

Figure 10: Real estate investment increased 10.2% YoY YTD



Source: NBS, Wind CMBIS

Figure 11: Infrastructure FAI



Source: NBS, Wind, CMBIS

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