



CCBI SECURITIES | RESEARCH

## China Economics Update: Softer economic momentum in August

### 中国经济评论: 8 月经济动能走弱

**Aug data points to softer economic momentum due to domestic demand.** Soft income growth continues to hold back consumption and auto sales have cooled, even though housing-related purchases were less of a drag. Meanwhile, industrial output slowed, as production of upstream industries eased the most in Jul and Aug, reflecting soft domestic demand for these products, but the remaining industries maintained solid growth, supported by exports, green investment, and manufacturing upgrades.

**Soft data calls for more policy support to stabilize income and growth expectations.** Fiscal spending continued to lag behind nominal growth. We look for stronger fiscal spending in coming months, and continued liquidity accommodation to shore up the cyclical economy.

**8 月经济动能受国内需求与供应因素影响走弱。**收入增长不振仍抑制消费，汽车销售也有所放缓，但与住房相关的支出拖累有所减弱。工业产出放缓，特别是上游行业的产出过往两个月放缓幅度居前，体现相关需求疲软，但出口、绿色投资和制造业升级等工业需求仍强劲。

**预计更多政策支持以稳定收入与增长预期。**财政支出仍然落后于名义增长。预计未来几个月的财政支出将有望提速，货币政策将继续保持流动性宽松，以支持经济复苏。

**Li Cui**(852) 3911 8274  
cuiii@ccbintl.com**Huifing Yan**(852) 3911 8012  
yanhuifing@ccbintl.com

**Industrial production (IP) growth slowed, driven by upstream industries.** Aug IP growth of 4.5% (vs 4.7% YoY consensus) was down from 5.1% YoY in Jul. Seasonally adjusted IP expanded 0.3% MoM in Aug, compared with 0.4% MoM in Jul.

In detail: Output of computer & electronic equipment remained the main contributor and sustained double-digit growth despite the slowdown. Growth in auto and electric machinery was broadly stable. In contrast, YoY growth of upstream industries such as ferrous-metal and non-metal mineral products continued to drop in the past two months. Other energy intensive sectors such as electricity production and non-ferrous metal held up better.

**Retail sales remained sluggish, as momentum from strong auto sales earlier in the year faded.** Retail sales grew 2.1% YoY in Aug (vs consensus forecast of 2.5% YoY). Seasonally adjusted sequential growth contracted by 0.1% MoM in Aug. Auto sales (-7.3% YoY) were the biggest drag, contributing around -0.7ppt to the headline. In contrast, sales of communication appliance grew near 30% YoY, after the strong performance in July. Housing related spending such as furniture and decoration materials was flat YoY, after positive growth in earlier months. Meanwhile, catering and online sales rose 3% and 1% YoY, respectively, pointing to modest growth momentum

**Fixed-asset investment (FAI) continued to show divergent trend.** FAI grew 2.2% YoY in Aug by our estimate. Contraction in real-estate investment was stable at -10.2% YoY, while manufacturing and infrastructure investment remained solid, driven by the green theme and industrial upgrades. Green infrastructure investment remained strong, with the electricity sector expanding more than 20% YoY in Aug. Reflecting such drivers, metals and chemical products also grew at a double digit pace. Equipment investment was solid, recording double-digit growth, possibly reflecting the recent policy initiatives to encourage upgrades. Meanwhile, auto investment has continued to slow from the strong growth last year, registering 5.4% growth in Aug. Traditional infrastructure investment (e.g. roads and railways) also eased to 1.2% YoY.

**Other property indicators were also weak.** Housing sales continued to contract 25.9% in Aug, with high-frequency data suggesting that momentum remained flat (Fig 3). Seasonally adjusted new home prices and secondary home prices fell by 0.7% and 1% MoM, respectively, similar to or slightly faster than the pace of adjustment last month. Property new starts fell 8.9% YoY in Aug while completions dropped 36.5% YoY, indicating continued supply-side adjustment.

**Rising food prices have pushed up CPI inflation, which is likely to continue.** CPI inflation ticked up to 0.6% YoY in Aug, missing our expectation of 1.0% YoY. Food prices contributed around 0.5ppt to the headline, while energy prices subtracted from it. High-frequency data suggest a similar trend of food prices in early Sep.

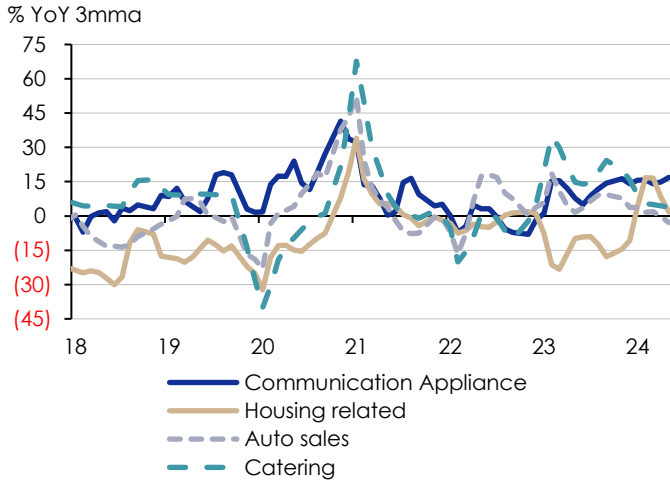
## Our view:

Aug data suggests household consumption remains the weak link of the economy, but strong potential for growth remains. Policies to encourage big-ticket purchase of consumer goods appear to have had limited effect lifting household purchases. Softer auto sales after the strong performance last year also remains a headwind. On the positive side, housing related purchases are becoming less of a drag as housing sales show tentative signs of stabilizing. As overall consumption is still being held back by job and income outlook, subsectors (such as communication appliance) could still perform well.

Production momentum indicates divergent industrial trends, and possibly energy constraints. Upstream industries slowed more since Jul, while the remaining industries held up better, pointing to softer demand for materials from slowing construction. Tight electricity supply could also be a factor affecting the output of these energy intensive sectors in recent months. Meanwhile, demand factors such as manufacturing upgrade, green investment and exports remained strong in Aug, supporting solid growth in the rest of the industrial sector.

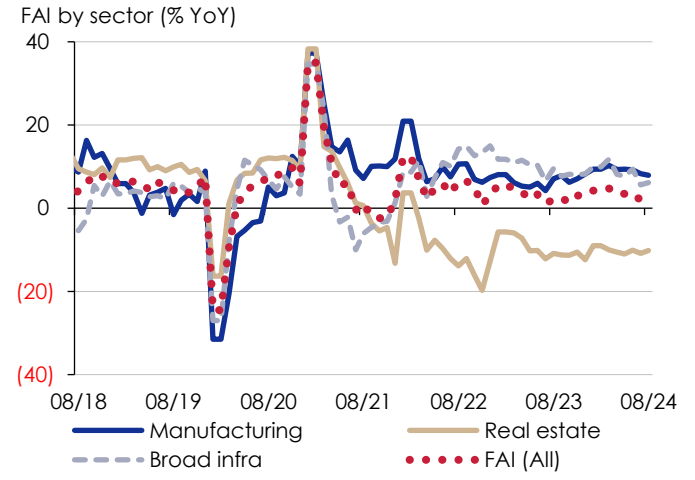
Soft data calls for more policy support to stabilize income and growth expectation. Fiscal spending rose 2.5% YoY during the first 7 months, pointing to limited fiscal support to the cyclical momentum. We look for stronger fiscal spending in coming months, and continued liquidity accommodation to shore up the cyclical economy.

**Fig 1: Output growth in key manufacturing sectors remains strong**



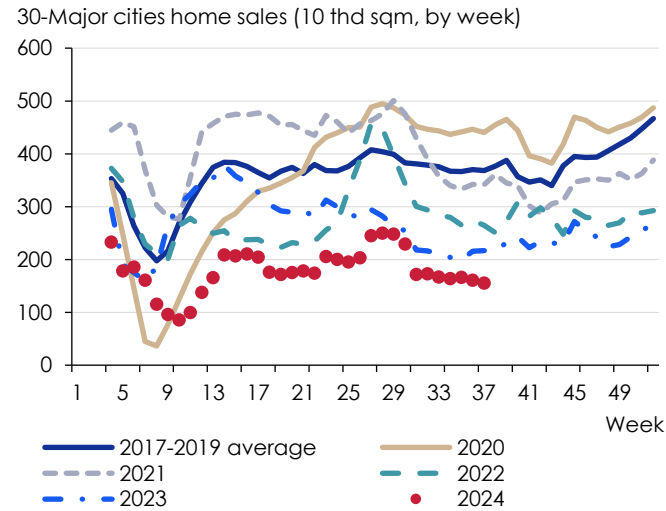
Source: CEIC, CCBIS

**Fig 2: Solid manufacturing investment growth**



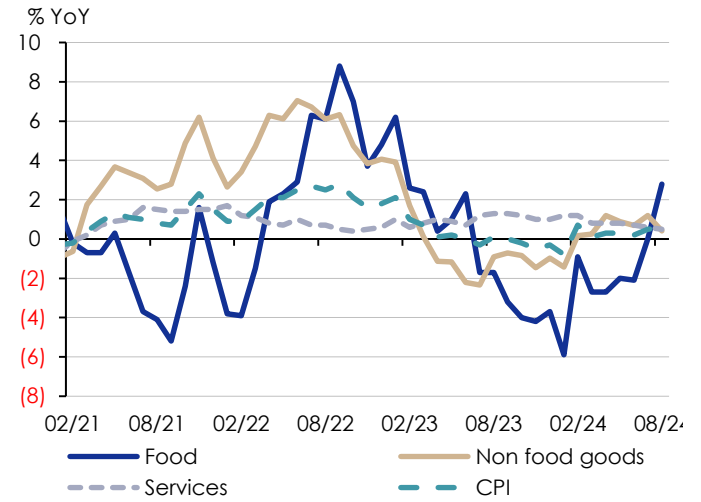
Source: CEIC, CCBIS

**Fig 3: Property sales remains soft**



Source: CEIC, CCBIS

**Fig 4: Rising food prices support CPI**



Source: CEIC, CCBIS

**Analyst certification:**

The author(s) of this document, hereby declare that: (i) all of the views expressed in this document accurately reflect his/her personal views about any and all of the subject securities or issuers and were prepared in an independent manner; (ii) no part of any of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this document; and (iii) he/she receives no insider information/non-public price-sensitive information in relation to the subject securities or issuers which may influence the recommendations made by him. The author(s) of this document further confirm that (i) neither he/she nor his/her respective associate(s) (as defined in the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the Hong Kong Securities and Futures Commission) has dealt in/traded or will deal in/trade the securities covered in this document in a manner contrary to his/her outstanding recommendation, or neither he/she nor his/her respective associate(s) has dealt in or traded in the securities covered in this document within 30 calendar days prior to the date of issue of this document or will so deal in or trade such securities within 3 business days after the date of issue of this document; (ii) neither he/she nor his/her respective associate(s) serves as an officer of any of the companies covered in this document; and (iii) neither he/she nor his/her respective associate(s) has any financial interests in the securities covered in this document.

**Disclaimers:**

This document is prepared by CCB International Securities Limited. CCB International Securities Limited is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH") and China Construction Bank Corporation ("CCB"). Information herein has been obtained from sources believed to be reliable but CCB International Securities Limited, its affiliates and/or subsidiaries (collectively "CCBIS") do not guarantee, represent and warrant (either express or implied) its completeness or accuracy or appropriateness for any purpose or any person whatsoever. Opinions and estimates constitute our judgment as of the date of this document and are subject to change without notice. CCBIS seeks to update its research as appropriate, but various regulations may prevent it from doing so. Besides certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate according to the analyst's judgment. Forecasts, projections and valuations are inherently speculative in nature and may be based on a number of contingencies. Readers should not regard the inclusion of any forecasts, projections and valuations in this document as a representation or warranty by or on behalf of CCBIS that these forecasts, projections or valuations or their underlying assumptions will be achieved. Investment involves risk and past performance is not indicative of future results. Information in this document is not intended to constitute or be construed as legal, financial, accounting, business, investment, tax or any professional advice for any prospective investors and should not be relied upon in that regard. This document is for informational purposes only and should not be treated as an offer or solicitation for the purchase or sale of any products, investments, securities, trading strategies or financial instruments of any kind in any jurisdiction. CCBIS makes no representations on the availability of the securities covered in this document (or related investment) to the recipients. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Neither CCBIS nor any other persons accept any liability whatsoever for any loss or damages (whether direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential) arising from any use of this document or its contents or otherwise arising in connection therewith. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. The opinions and recommendations herein do not take into account prospective investors' financial circumstances, investment objectives, or particular needs and are not intended as recommendations of particular securities, financial instruments or strategies to any prospective investors. The recipients of this document should consider this document as only a single factor in making their investment decision and shall be solely responsible for making their own independent investigation of the business, financial condition and prospects of companies referred to in this document. Readers are cautioned that (i) the price and value of securities referred to in this document and the income derived from them may fluctuate; (ii) past performance is not a guide to future performance; (iii) any analysis, ratings and recommendations made in this document are intended for long-term (at least for 12 months) and is not linked to a near-term assessment of the likely performance of the securities or companies in question. In any event, future actual results may differ materially from those set forth in any forward-looking statements herein; (iv) future returns are not guaranteed, and a loss of original capital may occur; and (v) fluctuations in exchange rates may adversely affect the value, price or income of any security or related instrument referred to in this document. It should be noted that this document covers only those securities or companies as specified herein and does not extend to any derivative instruments thereof, the value of which may be affected by many factors and may not correspond with the value of the underlying securities. Trading in these instruments is considered risky and are not suitable for all investors. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forward-looking statements, opinions and expectations contained herein are based on fair and reasonable assumptions, CCBIS has not been able to verify independently such facts or assumptions and CCBIS shall not be liable for the accuracy, completeness or correctness thereof and no representation or warranty is made, express or implied, in this regard. All pricing referred to in this document is as of the close of local market for the securities discussed, unless otherwise stated and for information purposes only. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect CCBIS' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions could result in substantially different results. Any statements which may be contained herein attributed to a third-party represent CCBIS' interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed or endorsed by the third party. Reproduction and distribution of these third party contents in any form is prohibited except with the prior written consent of such third party. The recipients must make their own assessments of the relevance, accuracy and adequacy of the information contained in this document and make such independent investigation as they may consider necessary or appropriate for such purpose. Recipients should seek independent legal, financial, accounting, business, investment and/or tax advice if they have any doubt about the contents of this document and satisfy themselves prior to making any investment decision that such investment is in line with their own investment objectives and horizons. Use of hyperlinks to other internet sites or resources (if any) as referred to in this document is at users' own risk. They are provided solely for the purpose of convenience and information and the content of these internet sites or resources does not in any way form part of this document. The contents, accuracy, opinion expressed, and other links provided at these sites are not investigated, verified, monitored, or endorsed by CCBIS. CCBIS expressly disclaims any responsibility for and does not guarantee, represent and warrant (either express or implied) the completeness, accuracy, appropriateness, availability or security of information found on these websites. Users of these websites are solely responsible for making all enquiries, investigation and risk assessment before proceeding with any online or offline access or

transaction with any of these third parties. All activities conducted by users via or at these websites are at their own risk. CCBIS does not guarantee the security of any information users may forward or be requested to provide to any third parties via these websites. Users are deemed to have irrevocably waived any claims against CCBIS for any loss or damage suffered as a result of any access to or interaction with any of these websites. Upon request CCBIS may provide specialized research products or services to certain customers focusing on the prospects for specific securities as compared with other covered securities over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, CCBIS has procedures in place to prevent selective disclosure and will update the relevant readers when our views has changed. CCBIS also has procedures in place to identify and manage potential conflicts of interest that may arise in connection with its research business and services. Chinese Wall procedures are also in place to ensure that any confidential and/or price sensitive information is properly handled. CCBIS will use its best endeavors to comply with the relevant laws and regulations in this respect. Nevertheless, the recipients should be aware that CCB, CCBIS, their affiliates and/or their officers, directors and employees may do business with the issuer(s) of the securities covered in this document, including investment banking business or direct investment business or may hold interest in (and/or later add or dispose) such securities (or in any related investment) for themselves and/or on behalf of their clients from time to time. As a result, investors should be aware that CCBIS may have a conflict of interest that could affect the objectivity of this document and CCBIS will not assume any responsibility in respect thereof. Further, the information contained herein may differ or be contrary to opinions expressed by other associates of CCBIS or other members of the CCB or CCBIH group of companies. Where this document refers to any products, investments, securities, financial instruments or industry sectors, this is for the information of the institutional and professional customers of CCBIS only and this document should not be distributed to retail customers. This document is not directed at you if CCBIS is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that CCBIS is permitted to provide research material concerning investments to you and that you are permitted and entitled to receive and read the document under relevant legislation and regulations. In particular, this document is only distributed to certain US Persons to whom CCBIS is permitted to distribute according to US securities laws, but cannot otherwise be distributed or transmitted, whether directly or indirectly, into the US or to any other US person. Any US person (as defined under the Exchange Act or the U.S. Internal Revenue Code of 1986, as amended) who is a recipient of this material wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided herein should direct such transaction exclusively to and such transaction shall be effected only through CCB International Overseas (USA), Inc. This document also cannot be distributed or transmitted, whether directly or indirectly, into Japan and Canada and not to the general public in the People's Republic of China (for the purpose of this document, excluding Hong Kong, Macau and Taiwan) unless under applicable laws. Any unauthorized reproduction or redistribution by any means to any persons, in whole or in part of this document is strictly prohibited and CCBIS accepts no liability whatsoever for the actions of third parties in distributing this research report. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. CCBIS therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. The disclosures contained in this document prepared by CCBIS shall be governed by and construed in accordance with the laws of Hong Kong.

Distribution in Singapore: The information/research herein is prepared by CCB International Securities Limited ("CCBIS"), a foreign affiliate of CCB International (Singapore) Pte Ltd ("CCBISG") (Co. Reg. No. 201531408W). CCBISG holds a capital markets services license from the Monetary Authority of Singapore for fund management, dealing in capital market products (specifically securities and collective investment schemes) and providing custodial services, and is an Exempt Financial Adviser under the Financial Advisers Act in respect of advising others by issuing or promulgating research analysis or research reports. CCBIS may distribute information/research pursuant to an arrangement with CCBISG under Regulation 32C of the Financial Advisers Regulations. CCBIS is licensed in Hong Kong to provide such information/research reports. Singapore recipients should contact CCBISG at +65-68071880 for matters arising from, or in connection with the information distributed.

Copyright 2024 CCBIS. The signs, logos and insignia used in this research report and the company name "CCB International Securities Limited" are the registered and unregistered trademarks of CCB, CCBIH and/or CCBIS. All rights are hereby reserved. All material presented in this document, unless indicated otherwise, is under copyright to CCBIS. This document or any portion hereof may not be reproduced, sold or redistributed without the written consent of CCBIS.

**CCB International Securities Limited**  
**12/F, CCB Tower, 3 Connaught Road, Central, Hong Kong**  
**Tel: (852) 3911 8000 / Fax: (852) 2537 0097s**