Economics

Economic Activity

Weak July Data; Investment Drop Broadens Beyond Property

- Industrial production growth slowed to 4.5% yoy (-0.8ppt mom) in July, missing Bloomberg's consensus estimate of 5.0% yoy, despite continued strength in high-tech manufacturing industry. FAI ytd growth fell further to -6.7% yoy (-1.0ppt mom), below consensus estimates of -6.2% yoy, dragged by property FAI ytd (-19.2% yoy), with infrastructure and manufacturing FAI also now contracting.
- Retail sales growth slowed to 0.6% yoy, down from June's 1.0% yoy and missing consensus forecasts of 1.5% yoy. The unemployment rate edged up to 5.2% (+0.2ppt mom).
- July's data was weak across all major indicators, with the investment contraction broadening beyond property.

What's New

Economic Activity Data (Monthly)

(yoy % chg)	Jul 26	Consensus	Jun 26
FAI YTD	-6.7	-6.2	-5.7
FAI*	-12.7	-	-13.7
Property FAI YTD	-19.2	-18.9	-18.0
Industrial Production	4.5	5.0	5.3
Surveyed Unemployment Rate (%)	5.2	5.1	5.0
Retail Sales	0.6	1.5	1.0

** UOB Kay Hian estimates*

Source: NBS, CEIC, UOB Kay Hian

- **Industrial production growth slowed to 4.5% yoy in July (-0.8ppt mom)** below Bloomberg's consensus estimate of 5.0% yoy. In July, 25 of 41 major industries maintained yoy growth in output value (vs 29 in June), with manufacturing IP slowing slightly to 5.5% yoy despite high-tech manufacturing industry IP growth held up at 16.9% yoy (vs 13.8% ytd in June). The gains again came from a narrow set of new quality productive forces: Computer, communication and other electronic equipment (+19.1% yoy), railway and shipbuilding (+13.6% yoy), special equipment (+12.6% yoy) and general equipment (+9.5% yoy) led, while electrical machinery slowed to +5.3% yoy. On the other hand, mining output contracted 4.2% yoy after a 2.2% decline in June.
- **July's retail sales growth slowed to 0.6% yoy** down from June's 1.0% yoy and below Bloomberg's consensus estimate of 1.5% yoy. By consumption type, catering revenue grew 1.4% yoy (+0.2ppt mom) while retail sales of goods rose only 0.5% yoy (-0.4ppt mom). Policy-supported durable-goods categories remained the key drag, with automobiles down 17.0% yoy, building and decoration materials down 14.2% yoy, furniture down 8.8% yoy and petroleum products down 7.6% yoy; communication equipment (+20.4% yoy), cosmetics (+6.8% yoy), tobacco and alcohol (+6.0% yoy) and food (+5.3% yoy) were the main positives. June's rebound therefore appears to be temporary rather than the start of a sustained recovery.
- **FAI ytd growth fell further to -6.7% yoy in July (-1.0ppt mom)** below Bloomberg's consensus estimate of -6.2% yoy. Property FAI ytd deepened to -19.2% yoy (-1.2ppt mom), missing consensus estimates of -18.9% yoy and hitting fresh multi-year lows. Notably, the weakness has broadened beyond property: infrastructure and manufacturing FAI ytd contracted 3.6% yoy and 1.7% yoy respectively, respectively, deteriorating by 1.2ppt and 0.5ppt from June.

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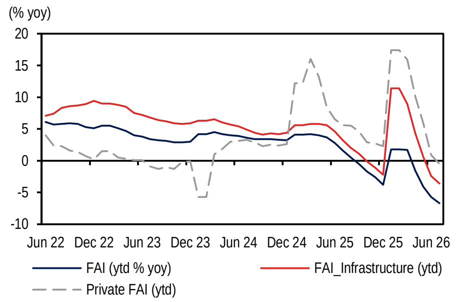
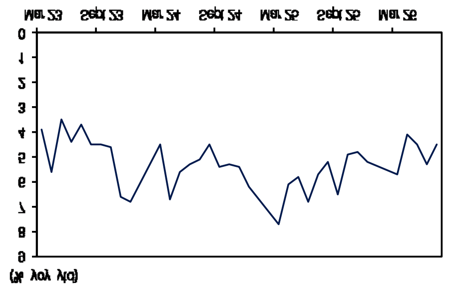
Fixed Asset Investment Growth



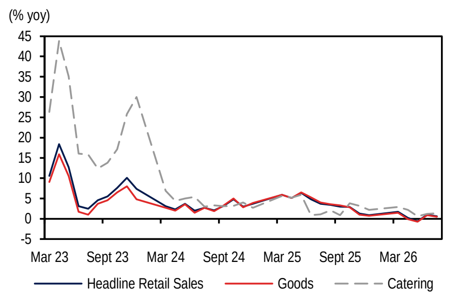
Source: NBS, CEIC, UOB Kay Hian

Industrial Production Growth



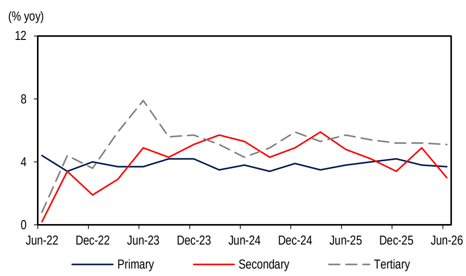
Source: NBS, CEIC, UOB Kay Hian

Retail Sales By Merchandise



Source: NBS, CEIC, UOB Kay Hian

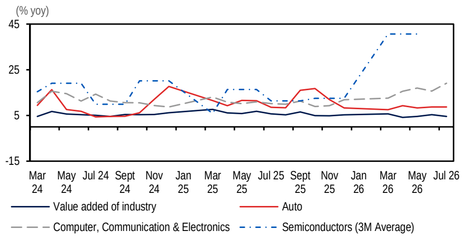
GDP By Industry



Source: NBS, CEIC, UOB Kay Hian

- **The surveyed unemployment rate edged up to 5.2% in July (+0.2ppt mom)** above Bloomberg's consensus of 5.1%. Overall, July's activity data was weak across all major indicators.

Industrial Production By Sector



Source: NBS, CEIC, UOB Kay Hian

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