

## China Watch

# Chart book series #117: Fiscal expenditure on track; mortgage rate dropped further

## Fiscal expenditure on track; bond issuance accelerated

In Sep, fiscal revenue dropped by 1.3% yoy, with land sales dipped (-21.3% yoy). Fiscal expenditure also moderated to 5.2% yoy (from 7.2% previously), but the pace was largely in line with historical patterns (Exhibit 1). Year-to-date, fiscal expenditure came in at 3.9% yoy. Month-to-date, the issuance for local government refinancing bond has reached over RMB800bn (the planned issuance announced to be over RMB1tn already), and over RMB140bn LGSB has also been issued (Exhibit 13). Market expects the additional RMB1tn treasury bond to be issued in Nov.

## Production remained stable; auto sales picked up

Intra- and inter-city mobility remained largely stable this week (Exhibit 2), while the recovery ratio of international flights still hovers at around 50% of the 2019 level (Exhibit 5). Box office revenue trended down and remained below par (Exhibit 7). That said, auto sales remained resilient, which grew by 11% in Oct 16-25 (Exhibit 6). As for production activities, cement shipment ratio inched down, but operation rate of tire rebounded further (Exhibit 10 & Exhibit 11). Coal consumption at major IPPs moderated (Exhibit 9) and rebar apparent consumption remained below 2022 levels (Exhibit 8).

## Secondary home sales improved on lower mortgage rates

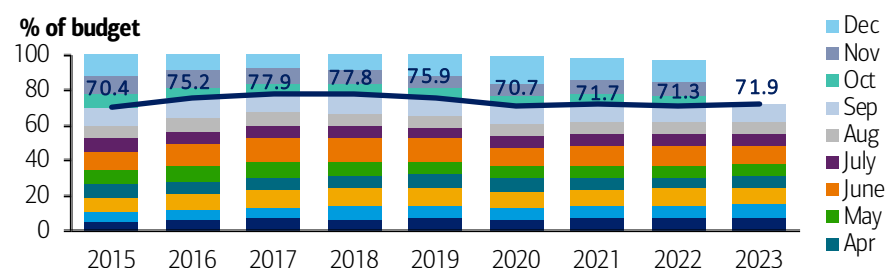
This week, we see further relaxation in HPR for tier-1 city non-core regions. Jinshan district in Shanghai has relaxed its purchase requirement for non-local individuals. However, new home sales in key cities only picked up slightly, still remained below par (Exhibit 14). On the other hand, secondary home sales in 10 major cities improved further (Exhibit 15) amid lower mortgage rates. According to Beike, the mortgage rate for secondary homes dropped by 13bps to only 4.44% in Oct (Exhibit 17).

## Market liquidity condition remained tight

Mostly due to the fast issuance on bonds, money market rate stay elevated at above policy rate despite the liquidity injections this week (Exhibit 18). USDCNY continued to stay weak at around 7.3 despite the recent fiscal stimulus.

### Exhibit 1: General fiscal expenditure spending pace (vs. budget)

Fiscal expenditure came in at 3.9% yoy ytd in Sep (vs. 3.8% in Aug), CAGR vs.2019 at 2.6% yoy.



Source: CEIC, MoF

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### Abbreviations

LGSB: Local government special-purposed bonds

HPR: Home purchasing requirement

IPP: Independent power plants

PCR: Passenger Car Radial tires

TBR: Truck, Bus and Radial tires

### Related reports

[Chart book series #116: Secondary home sales improved further](#)

[Chart book series #115: A full comeback of holiday consumption in Oct Golden week](#)

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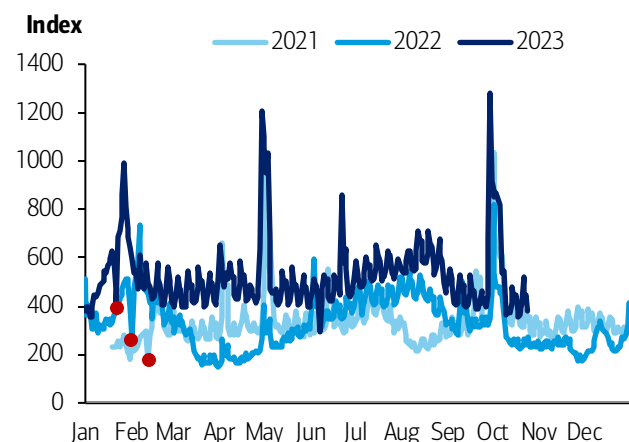
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## Mobility & Consumption

### Exhibit 2: Baidu migration index

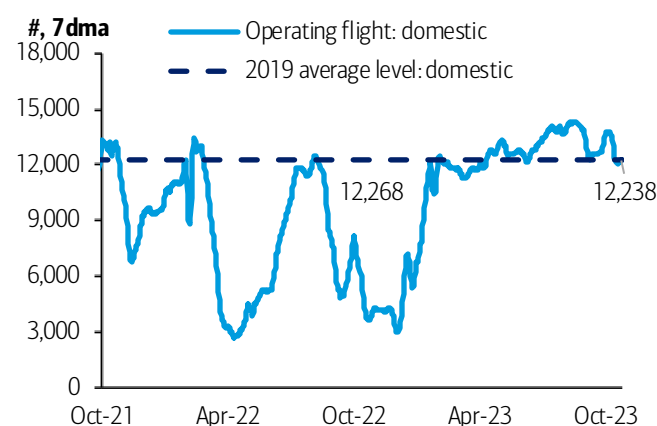
Inter-city trips remained robust, stayed above par level



Source: Baidu, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Oct 24  
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### Exhibit 4: China's operating flights: domestic

The number of domestic flights fell to 12,238 as of Oct 24

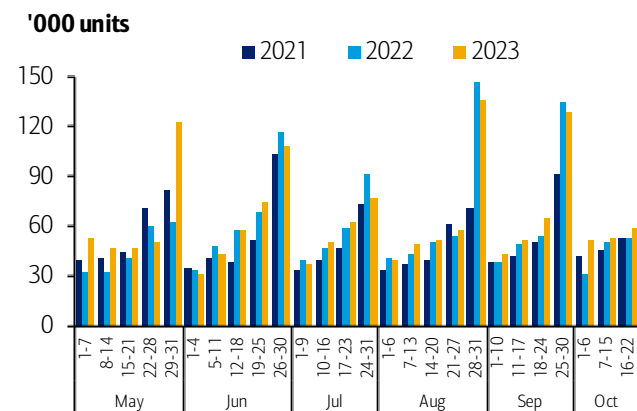


Source: Wind, Note: data as of Oct 24

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### Exhibit 6: Auto sales

Auto sales in Oct 16-22 rose by 11% yoy

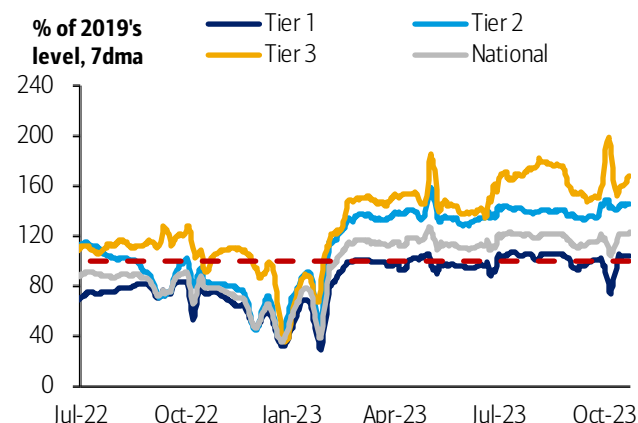


Source: CPCA, Note: data as of Oct 22

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### Exhibit 3: Daily subway rides by city tiers (28-city)

Daily subway rides inched up in the past week

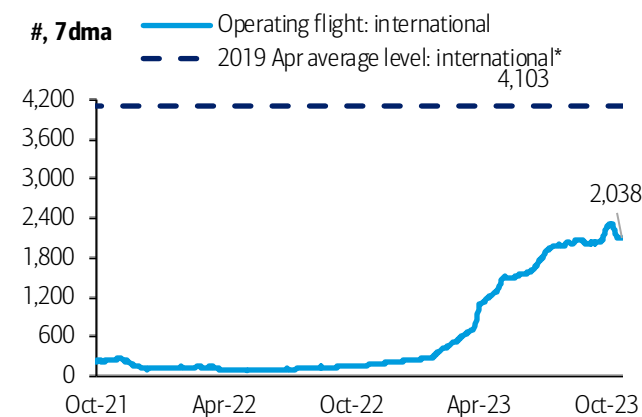


Source: Wind, Note: 100 represents benchmark (subway volume in December 2019); data as of Oct 23

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### Exhibit 5: China's operating flights: international

The number of international flights stabilized at 51.2% of 2019 April level

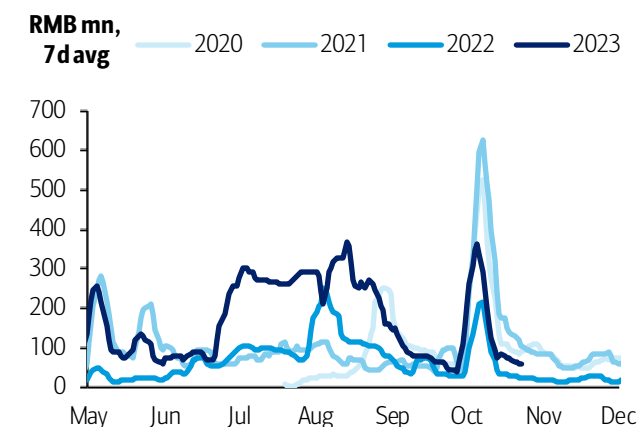


Source: Wind, Note: \*We have reset the benchmark of pre-COVID level based on the Apr's press conference by CAAC, data as of Oct 24

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### Exhibit 7: Box office revenue

Box office revenue stayed below 2020-21 level



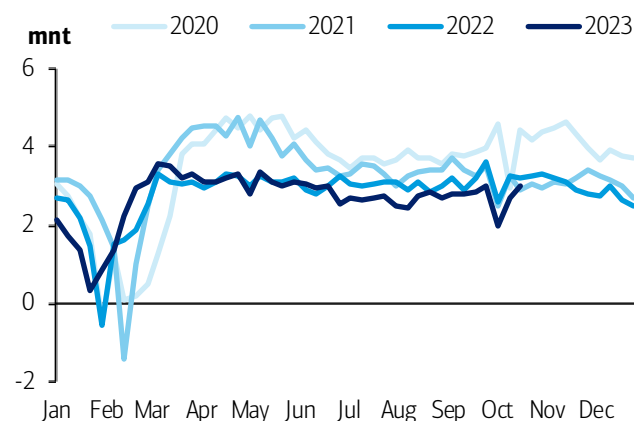
Source: Wind, China film administration; data as of Oct 23

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## Production, Logistics & LGSB

### Exhibit 8: Weekly average rebar apparent consumption

Rebar consumption improved further, but stayed below 2020-22 level

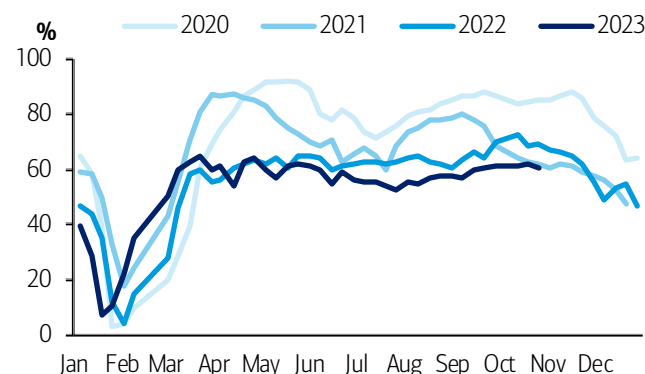


Source: Mysteel, Note: data as of Oct 20

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### Exhibit 10: Cement shipment ratio

Cement shipment ratio inched down and stayed below par level

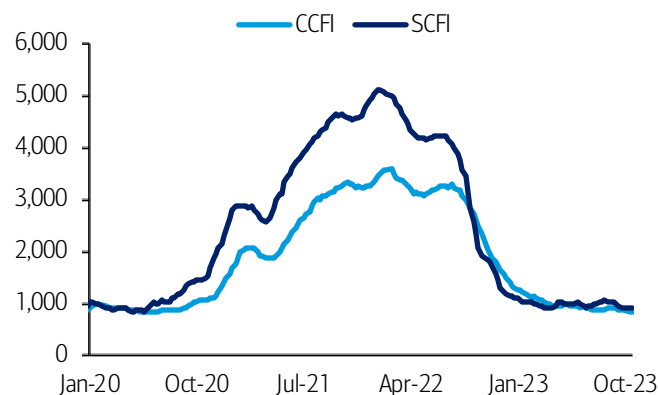


Source: Digital Cement, Note: Shipment ratio is defined as the shipment volume over the production capacity in the same period, data as of Oct 20

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### Exhibit 12: Shanghai container freight index (SCFI) & China container freight index (CCFI)

Both SCFI & CCFI remained roughly flat

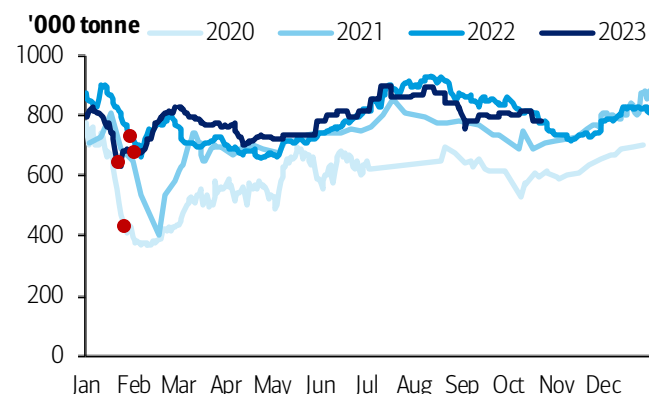


Source: Wind; Note: data as of Oct 20

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### Exhibit 9: Daily coal consumption at major IPPs

Coal consumption for major IPPs moderated in the past week amid weaker demand

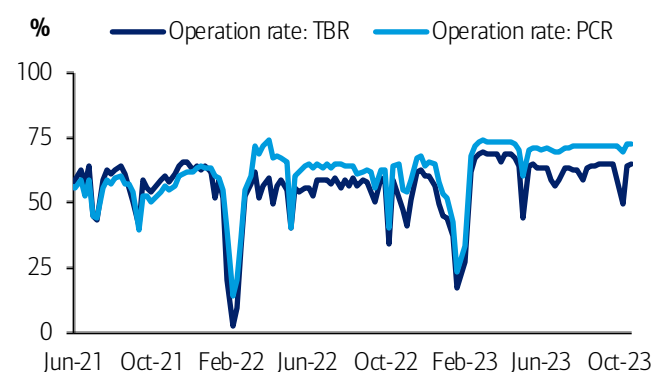


Source: Sxcoal, Note: Red dots indicate Lunar New Year (LNY) in each year, IPPs: independent power plants, data as of Oct 22

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### Exhibit 11: Operation rate of TBR and PCR

Operation rate of TBR and PCR both picked up sequentially

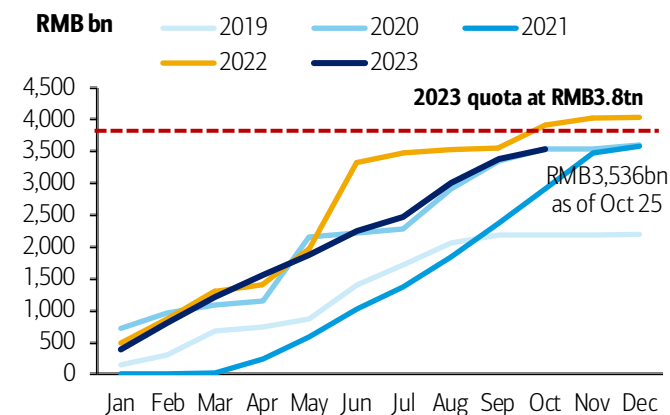


Source: Wind, Note: data as of Oct 20

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### Exhibit 13: LGSB net issuance

LGSB net issuance reached to RMB3,536bn as of Oct 25 (RMB140bn in Oct)



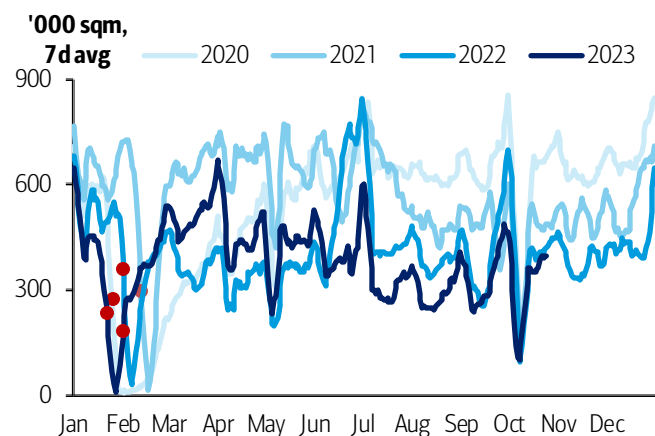
Source: Wind; Note: data as of Oct 25

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## Property, Fiscal & Financial market

### Exhibit 14: Property transaction in 30 major cities

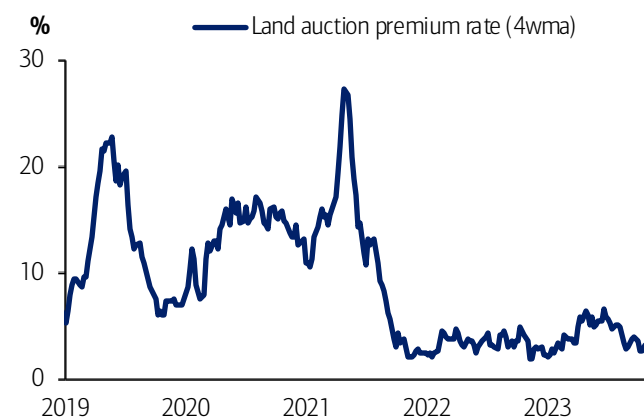
New home sales picked up in past week but stayed below par level



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Oct 24  
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### Exhibit 16: Land auction premium rate (100-city)

4-week average land auction premium rate inched up slightly

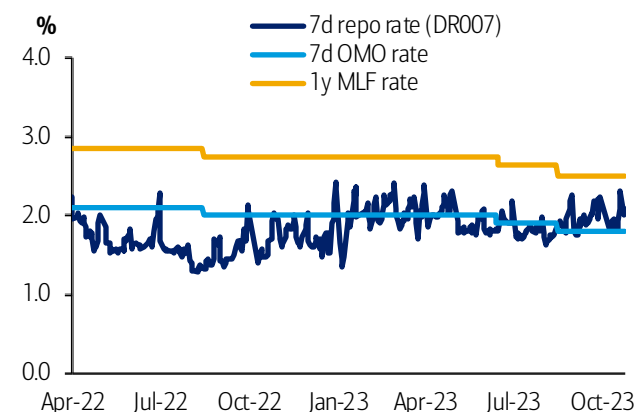


Source: Wind, Note: data as of Oct 22

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### Exhibit 18: Money market rates vs policy rates

7d repo rate increased in the past week

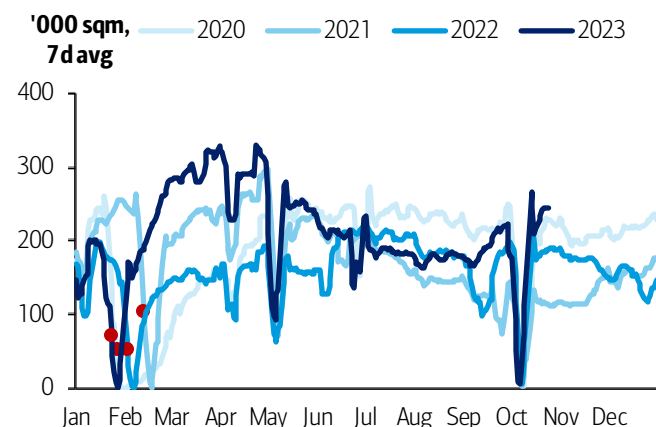


Source: Bloomberg, Wind, Note: data as of Oct 25

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### Exhibit 15: Secondary housing transaction in 10 cities

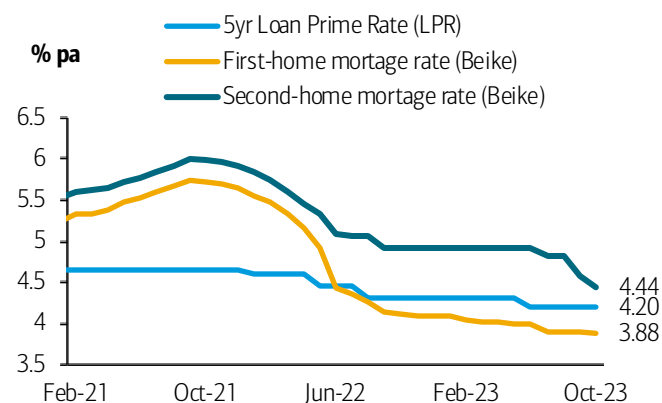
Secondary housing sales remained at elevated level in the past week



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Oct 24  
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### Exhibit 17: Mortgage rate and 5y LPR rate

Average mortgage rate trended down further in Oct, especially for second-home mortgage rate (4.44%, vs. 4.57% in Sep)

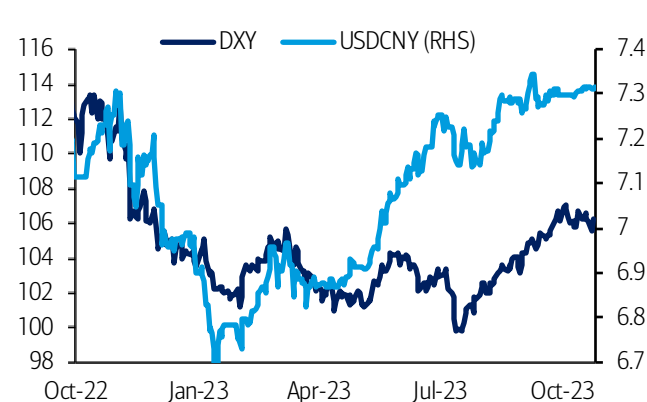


Source: Beike, CEIC

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### Exhibit 19: USDCNY exchange rate and U.S. Dollar Index

CNY ticked up from 7.3 against USD, while DXY fluctuated



Source: Bloomberg, Note: data as of Oct 24

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