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Chartbook

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China

Post-pandemic recovery underway, but uncertainty looms

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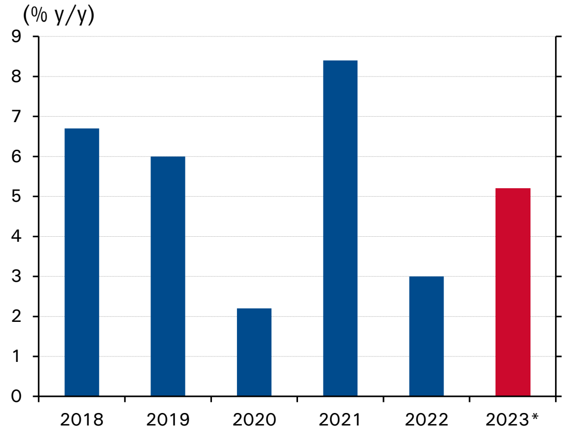
- GDP growth should rebound in 2023 but weaker global backdrop may somewhat offset domestic recovery. Recent economic data implied a cautious outlook.
- Both fixed investment and industrial production rose in Jan-Feb though the latter was softer than expected.
- Composite PMI jumped to its highest level on record as sentiment improved post-reopening.
- Home valuations remain in a downtrend as lackluster demand sent prices lower.
- CPI inflation softened in February while producer prices deflated further.
- New loans surged while the central bank cut the reserve requirement by 25 bps to further boost credit demand.
- Chinese equities were weak in March before partially rebounding last week.

Chart 1: Real GDP growth

(% y/y)

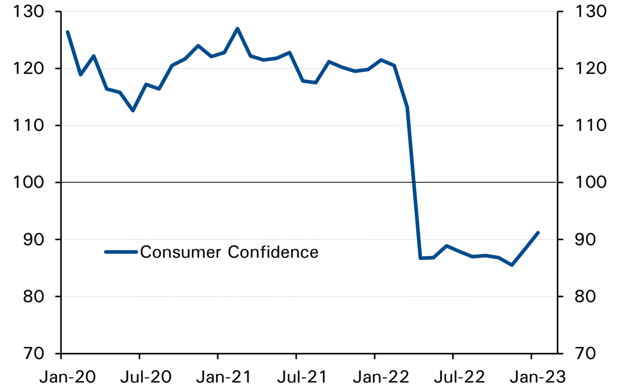


The prospects for 2023 appear brighter, with growth looks set to rebound, yet uncertainty remains due to weak global outlook.

Source: Haver Analytics, *IMF forecast

Chart 2: Consumer confidence

(index; above 100 = optimistic)

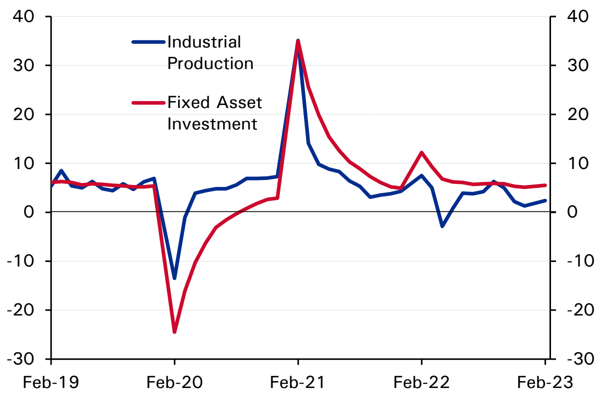


Consumer confidence recovered in January as the removal of lockdowns before Lunar holidays lifted sentiment.

Source: Haver Analytics

Chart 3: Industrial output and fixed investment

(% y/y)

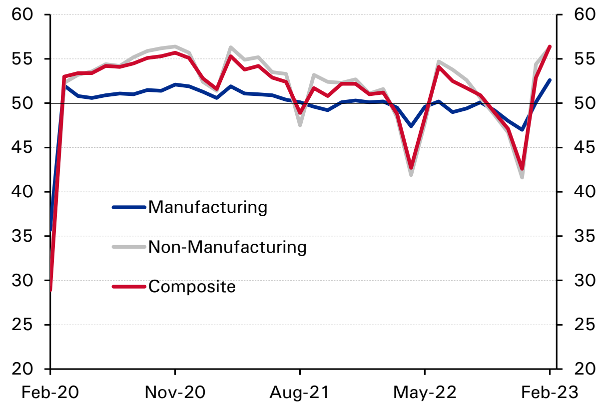


Industrial production growth was soft at 2.4% y/y in January-February while fixed asset investment accelerated 5.5%.

Source: Haver Analytics

Chart 4: Purchasing Managers' Index surveys

(index; above 50 = expansion)

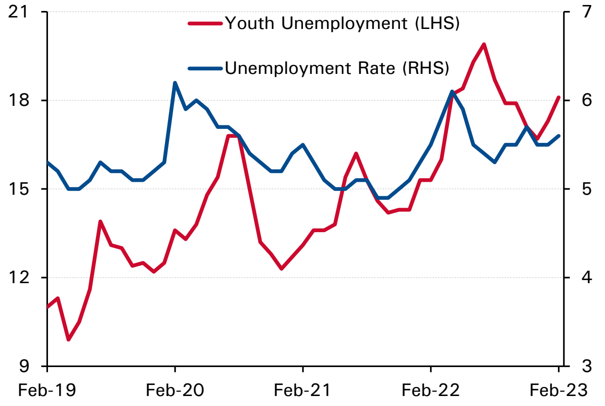


Composite PMI jumped to record peak of 56.4 in February led by a surge in the non-manufacturing sector (56.3).

Source: Haver Analytics

Chart 5: Unemployment rate

(%)

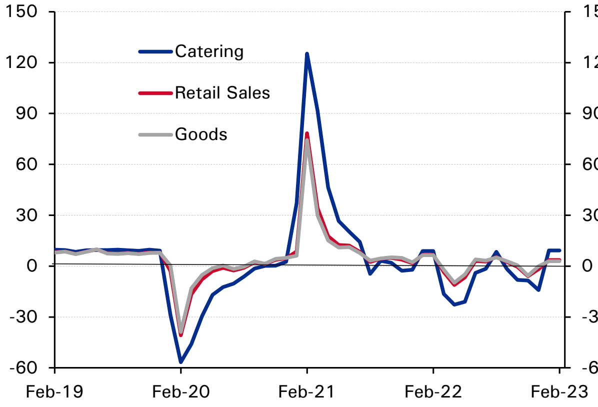


Both overall and youth unemployment rates ticked up in February on seasonal factors related to the Lunar New Year holiday.

Source: Haver Analytics, official sources

Chart 6: Retail sales

(% y/y)

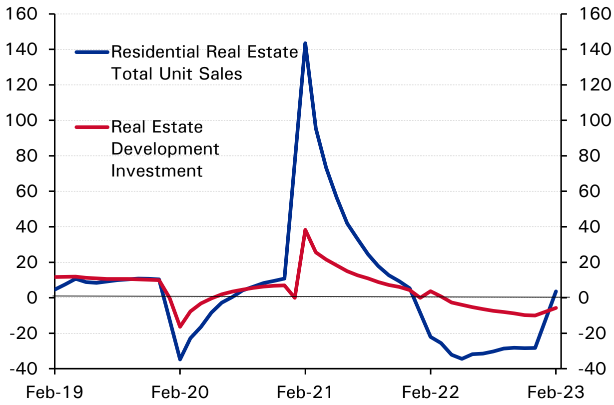


Retail sales grew 3.5% y/y in January-February as demand for catering soared 9.2% y/y.

Source: Haver Analytics

Chart 7: Sales & investments in residential property

(% y/y)

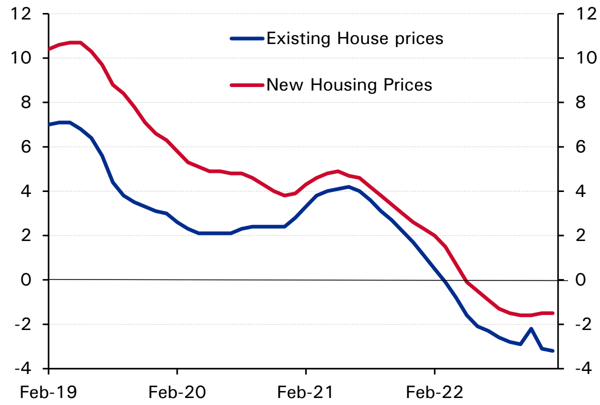


Residential real estate sales (by value) unexpectedly rebounded by 3.5% y/y in February while investment remained weak.

Source: Haver Analytics

Chart 8: House prices in 70 medium & large cities

(% y/y)

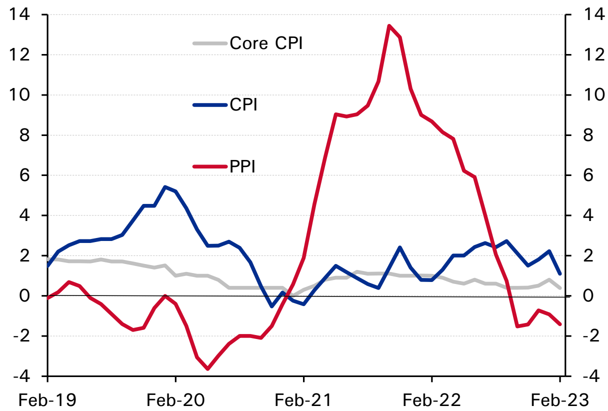


Home valuations remained under pressure as new house prices declined 1.2% y/y in February.

Source: Haver Analytics

Chart 9: Consumer and producer price inflation

(% y/y)

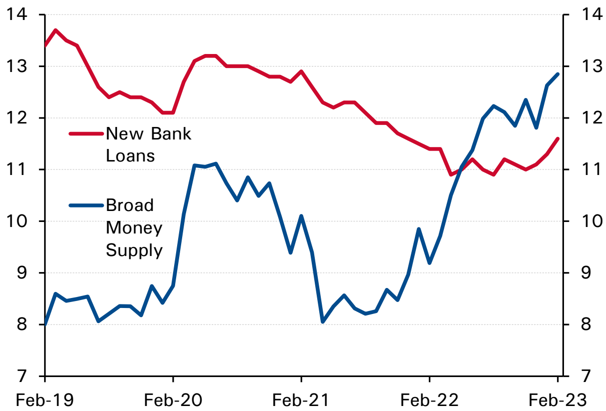


CPI inflation softened to 1.1% y/y in February, while producer prices deflated further on an annual basis.

Source: Haver Analytics

Chart 10: Money supply (M2) and credit growth

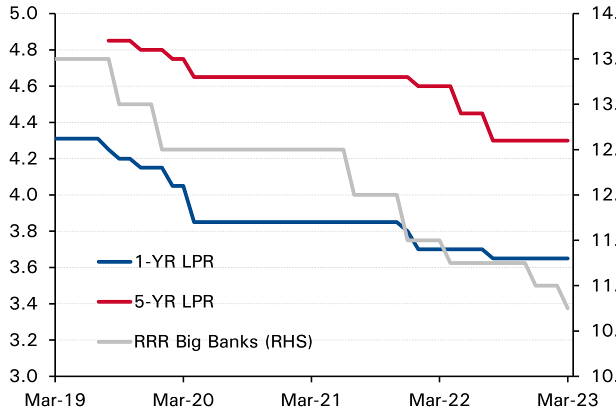
(% y/y)



New loans surged 11.6% y/y, signifying an uptick in business momentum.

Source: Haver Analytics

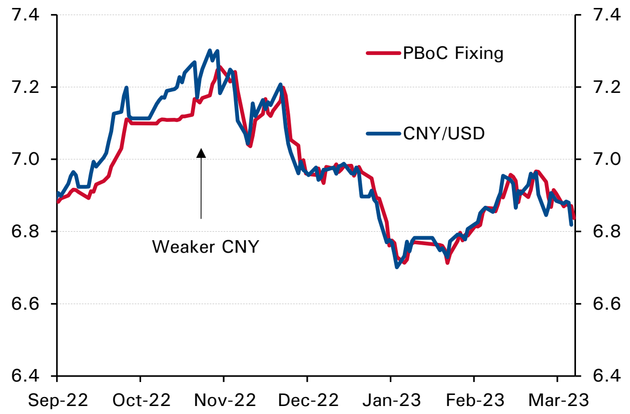
Chart 11: Interest rates
(%)



The central bank cut the reserve ratio requirements by 25 bps, effective March 27, as it seeks to shore up economic recovery.

Source: Haver Analytics

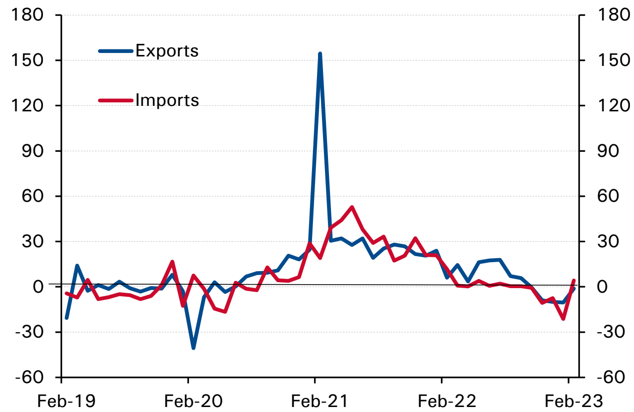
Chart 12: Yuan-dollar exchange rate
(USD/CNY)



The yuan appreciated 0.7% mtd against the dollar amid relative weakness in the latter in March.

Source: Haver Analytics

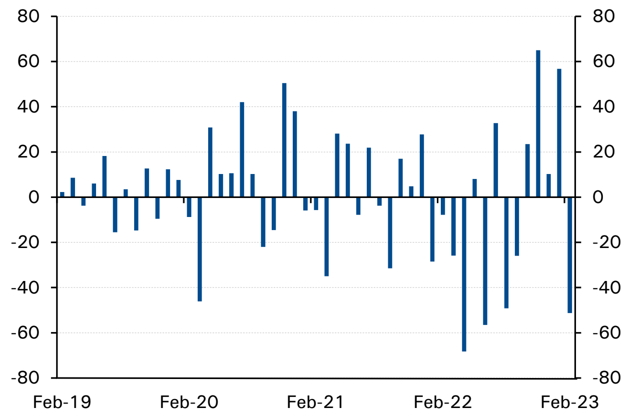
Chart 13: International trade
(% y/y)



Rebound in consumption saw imports grow 4.2% y/y while decline in exports moderated to -1.3% y/y.

Source: Haver Analytics

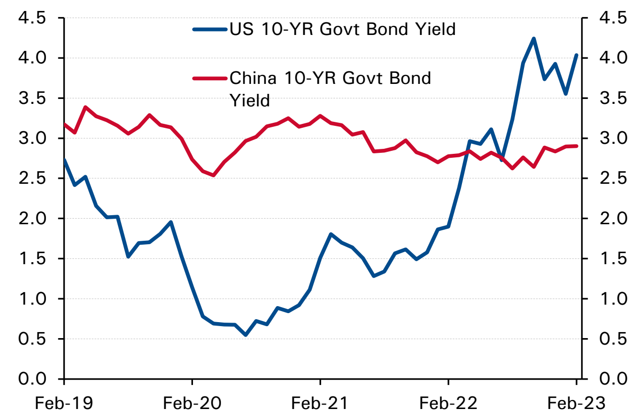
Chart 14: Monthly FX reserve changes
(USD billion)



FX reserves decreased by $51 billion in February amid dollar strength during the month.

Source: Haver Analytics

Chart 15: China and US government bond yields
(%)



Yields on 10-yr UST bonds rose higher than those on yuan bonds as the Fed kept interest rates higher relative to the PBoC.

Source: Haver Analytics

Chart 16: Stock market
(Normalized, 3 January 2020 = 100)

Chinese equities fell during most of March before partially rebounding last week.

Source: Haver Analytics

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