Chartbook

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China

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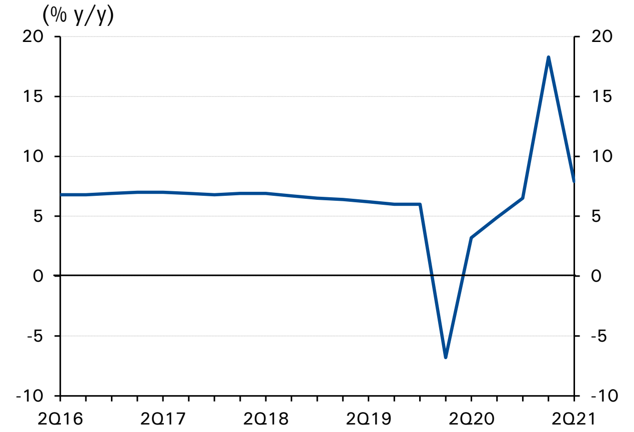
Growth outlook eases as economic indicators soften, property market concerns rise

- GDP growth in 2Q21 moderated on higher raw material costs and slower industrial activity.
- Growth in manufacturing slowed while services contracted as delta outbreaks and related measures take effect.
- Retail sales eased sharply on Covid-related restrictions and weaker demand.
- Producer price inflation registered its highest rate in 13 years while consumer inflation decreased to 0.8%.
- The central bank kept its policy rates unchanged in August, but has hinted at a possible reserve ratio cut.
- The yuan appreciated slightly in September despite a late month dip on a more hawkish Fed policy statement.

Chart 1: Real GDP growth

(% y/y)

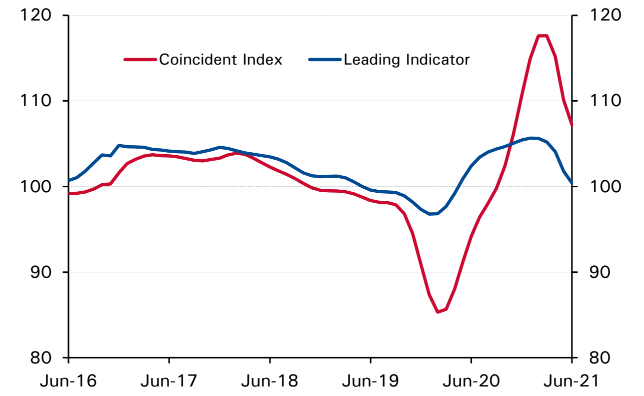


GDP grew by 7.9% y/y in 2Q21, down from record growth in Q1 (18.3%) as base effects fade and higher raw material costs along with slower industrial activity weighed on recovery.

Source: Refinitiv

Chart 2: Macroeconomic climate

(index, 100 = 2015)

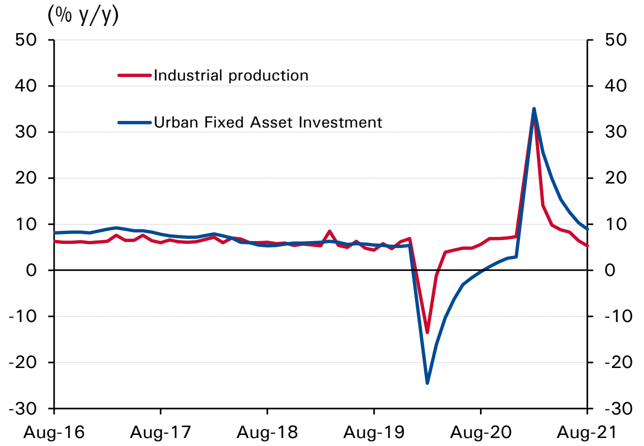


Macroeconomic indicators – lifted by base effects in Q1 - edged down in June as consumption and production moderated.

Source: Refinitiv

Chart 3: Industrial prod. and urban investment

(% y/y)

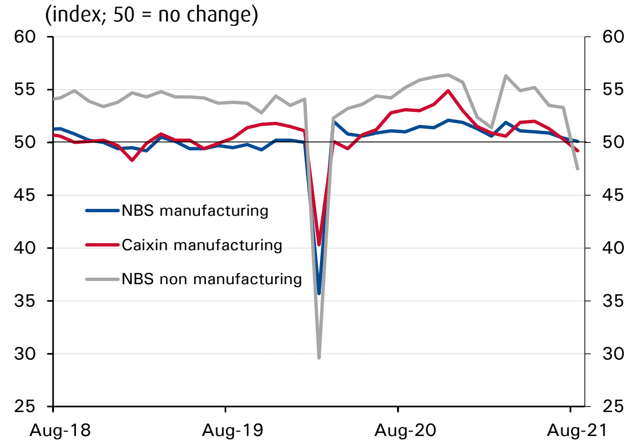


Fixed asset investment and industrial production have slowed on Delta outbreaks, travel restrictions, and supply chain disruptions.

Source: Refinitiv

Chart 4: Purchasing Managers' Index surveys

(index; 50 = no change)

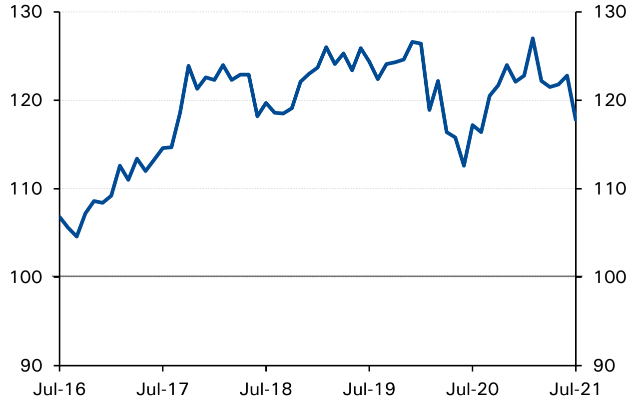


Tighter Covid-19 measures and higher raw material prices pushed all three PMI indicies lower and services contracted for the first time since February 2020.

Source: Refinitiv

Chart 5: Consumer confidence

(index, 100 = no change)

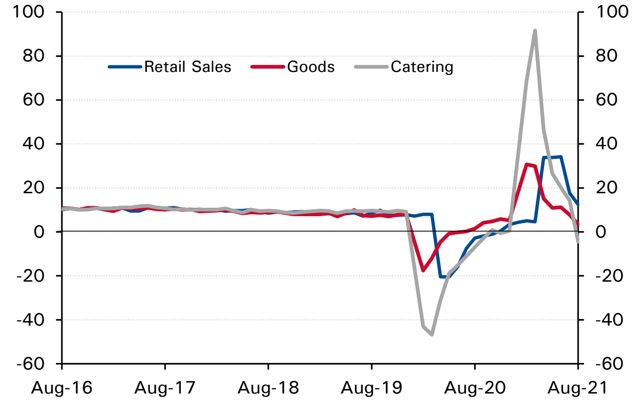


Confidence edged lower in August on virus outbreaks, travel restrictions, and stricter Covid-19 measures.

Source: Refinitiv

Chart 6: Retail sales

(% y/y)

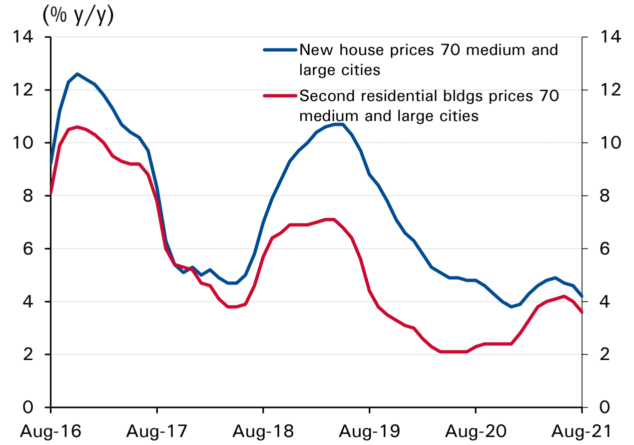


Retail sales growth plummeted in August to 2.5% (y/y) as consumption moderated during the latest Delta variant outbreak in the southeastern provinces and restrictions were implemented.

Source: Refinitiv

Chart 7: House prices in 70 medium & large cities

(% y/y)

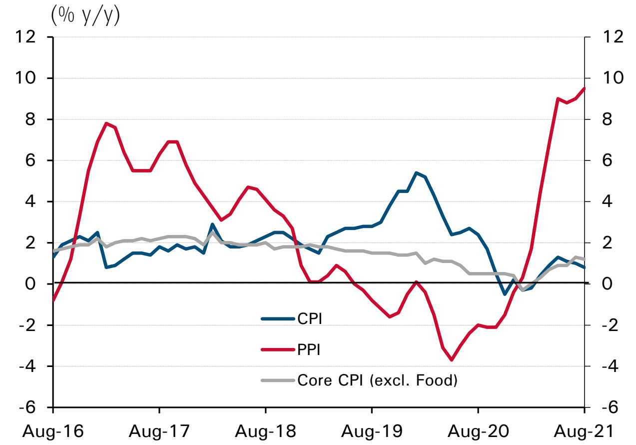


New and old house price growth declined as government efforts to curb housing speculation slow the heated property market.

Source: Refinitiv

Chart 8: Inflation

(% y/y)

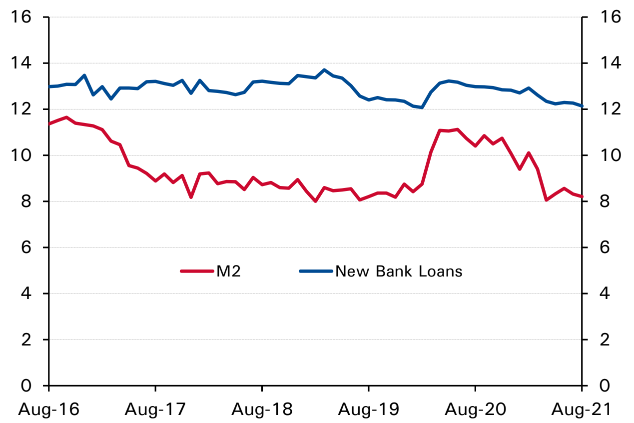


Producer price inflation came in above market expectations, hitting a 13-year high in August amid rising commodity prices.

Source: Refinitiv

Chart 9: Broad money supply & credit lending

(% y/y)

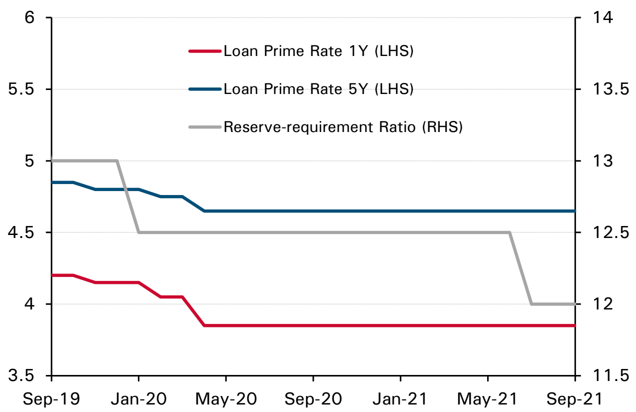


Growth in M2 and new bank loans slowed slightly to 8.2% y/y and 12.1%, respectively – both missing market forecasts.

Source: Refinitiv

Chart 10: Nominal interest rates

(%)

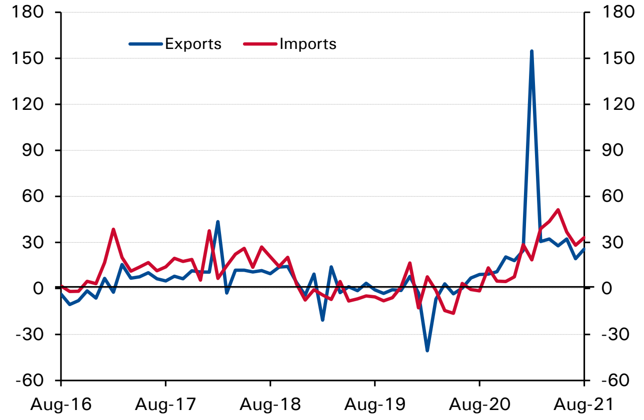


The PBoC left its benchmark interest rates unchanged in September. However, the bank has signaled its intention to cut the reserve requirement ratio to support the weaking recovery.

Source: Refinitiv

Chart 11: International trade

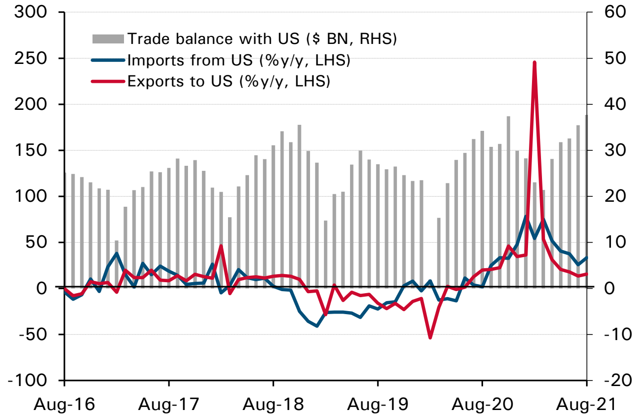
(% y/y)



Exports surged by 25.6% y/y in August, above market expectations, giving a welcome boost to the economy. Imports increased by 33.1% y/y on higher commodity prices.

Source: Refinitiv

Chart 12: Trade with the US



Trade with the US grew as both exports and imports between the two countries rose from a year earlier. The trade surplus widened for the 6th consecutive month to $37.7 billion.

Source: Refinitiv

Chart 13: Stock Market

(CSI 300)

The Shanghai stock index fell in mid-September as debt-ridden property developer Evergrande faces default risks.

Source: Refinitiv

Chart 14: Exchange rate

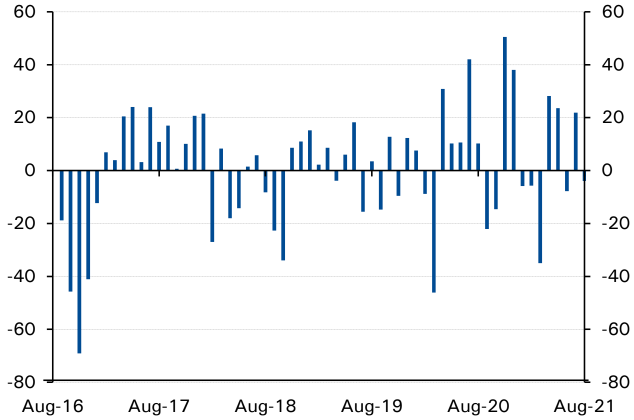
(RMB/USD)

The yuan appreciated against the dollar in September despite a late month dip on a more hawkish Fed policy statement.

Source: Refinitiv

Chart 15: Monthly FX reserve change

(USD bn)

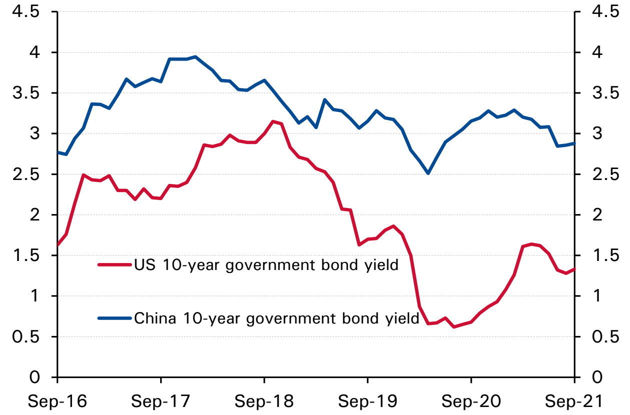


Official foreign reserves decreased in August but came in slightly higher than market expectations (and now stand at $3.232 trn).

Source: Refinitiv

Chart 16: China and US government bond yields

(%)



US treasury yields edged up slightly after higher inflation reports while Chinese government bonds remained relatively unchaged.

Source: Refinitiv

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