

Chartbook

NBK Economic Research Department | 16 March 2022

China

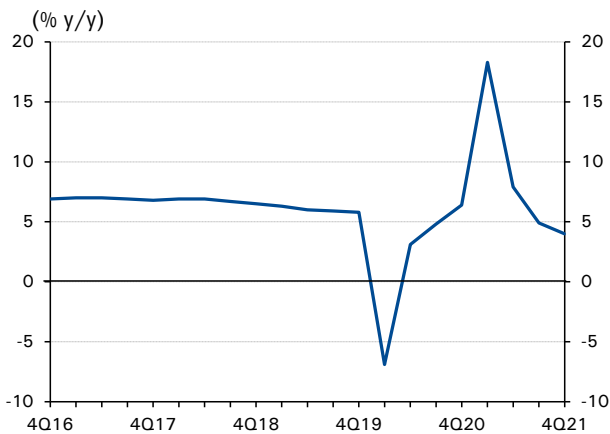
Industrial output and retail sales up in Feb but Covid-19, geopolitics weigh on outlook

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- GDP growth eased to 4% in 4Q21 on a slowdown in the property market and Covid lockdowns.
- Manufacturing and service activities expanded in February on improved demand.
- Retail sales growth up in the first two months helped by increased spending on catering services.
- Producer price inflation eased in February on continued government interventions.
- The central bank kept key rates steady in February.
- The yuan appreciated slightly against the US dollar in February on stronger demand for Chinese exports.

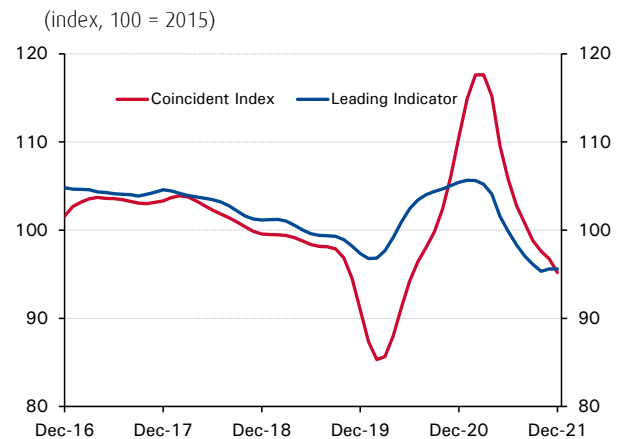
▶ **Chart 1: Real GDP growth**



Economic growth slowed to 4% in 4Q21 as property slowdowns and slowing consumption pressured the economy.

Source: Refinitiv

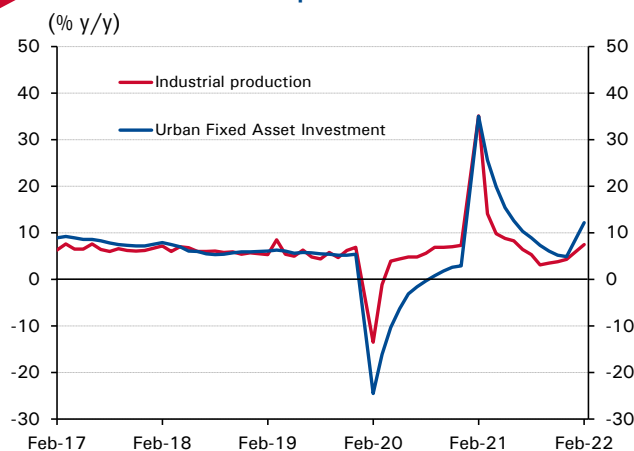
▶ **Chart 2: Macroeconomic climate**



December's leading indicator index remained unchanged, reflecting a neutral outlook on the upcoming months.

Source: Refinitiv

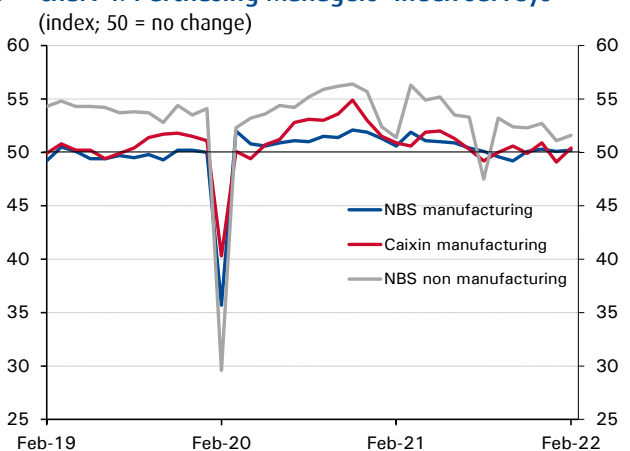
▶ **Chart 3: Industrial output and urban investment**



Fixed asset investment (+12.2% y/y) and industrial production (+7.5% y/y) growth have exceeded expectations so far in 2022.

Source: Refinitiv

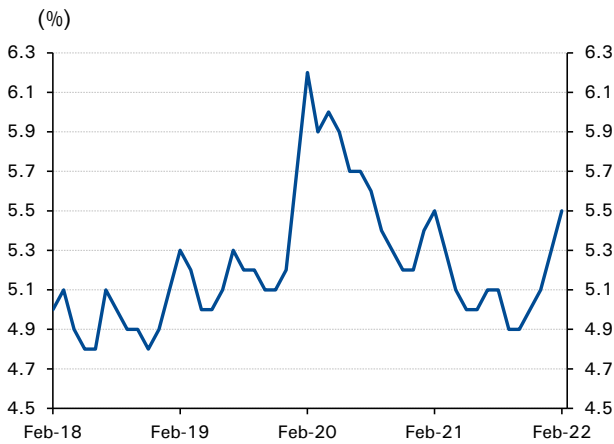
▶ **Chart 4: Purchasing Managers' Index surveys**



February's robust PMI readings showed manufacturing expanding, defying market expectations of a contraction.

Source: Refinitiv

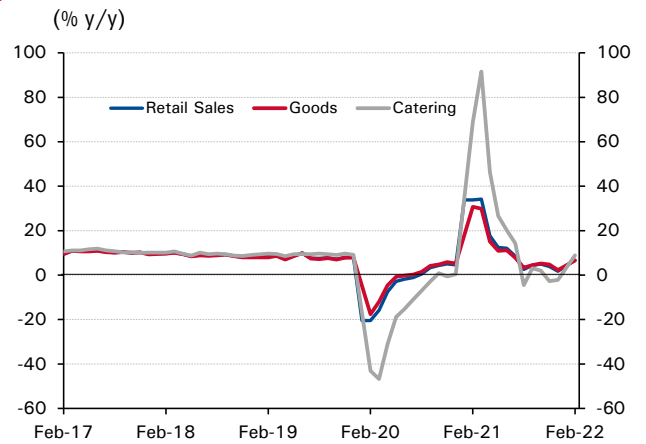
▶ **Chart 5: Unemployment rate**



The unemployment rate increased to 5.5% in February, marking the 6th consecutive rise amid a slowdown in economic activity.

Source: Refinitiv

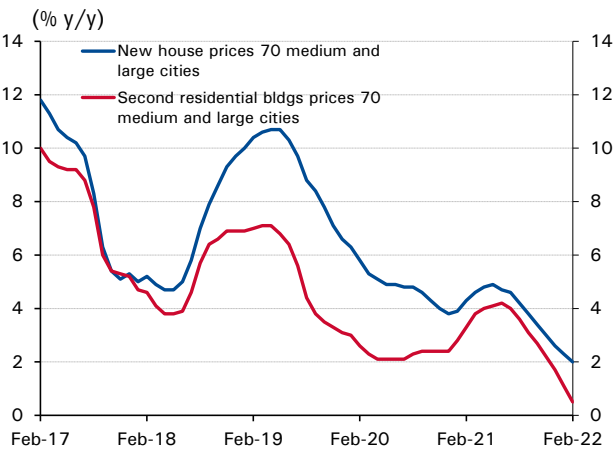
▶ **Chart 6: Retail sales**



Retail sales growth surprised in January-February at 6.7% (y/y) helped by a pickup in catering services (8.9%) and goods (6.5%).

Source: Refinitiv

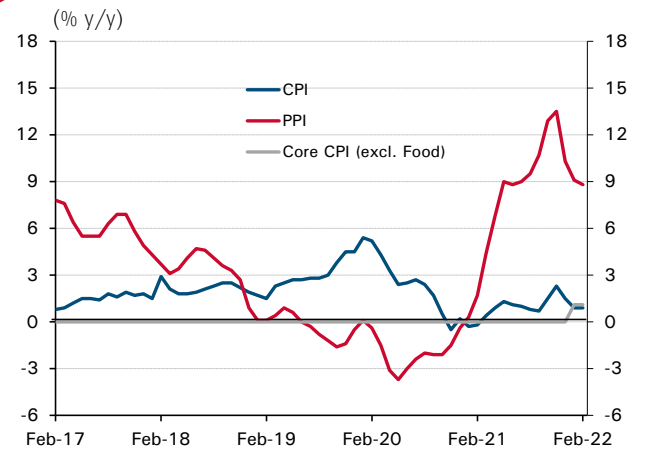
▶ **Chart 7: House prices in 70 medium & large cities**



Growth in house prices (new and old) continued to slow amid government curbs and depressed activity.

Source: Refinitiv

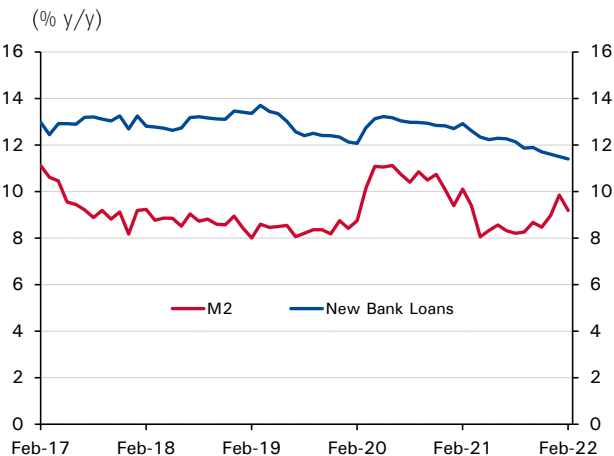
▶ **Chart 8: Consumer and producer price inflation**



Consumer price inflation was unchanged in Feb (+0.9%). Factory gate price growth eased to an 8-month low, but could be reversed by the surge in commodity prices.

Source: Refinitiv

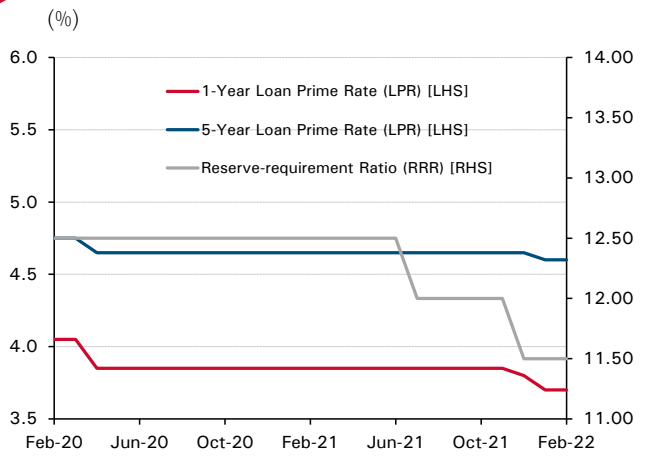
▶ **Chart 9: Broad money supply (M2) & credit growth**



M2 growth slowed in Jan (+9.2% y/y), but credit growth continues to moderate amid weak business sentiment...

Source: Refinitiv

▶ **Chart 10: Nominal interest rates**



...which, along with the largest Covid-19 flare up and lockdown since 2022, could prompt the PBOC to ease rates again sooner.

Source: Refinitiv

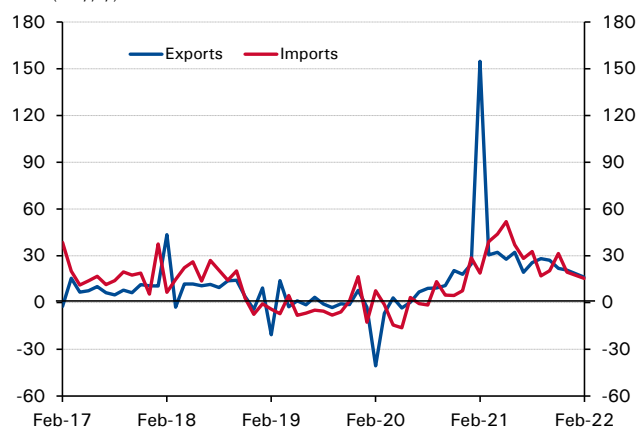
Chart 11: Exchange rate
(CNY/USD)



The yuan continued its appreciation against the US dollar on stronger demand for the renminbi and despite recent rate cuts.

Source: Refinitiv

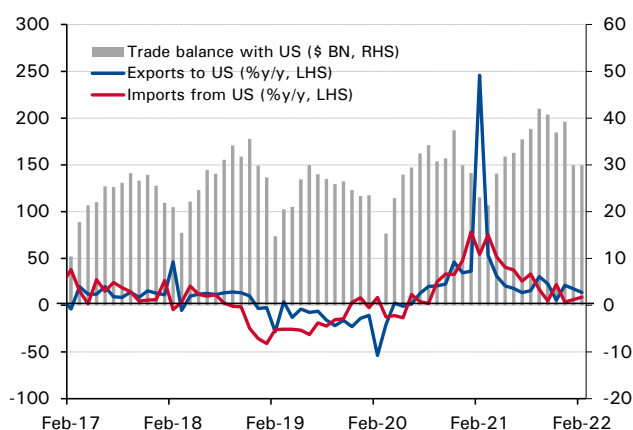
Chart 12: International trade
(% y/y)



Export growth slowed to 16.2% in Jan-Feb, outperforming market expectations, mainly on base effects from the previous year.

Source: Refinitiv

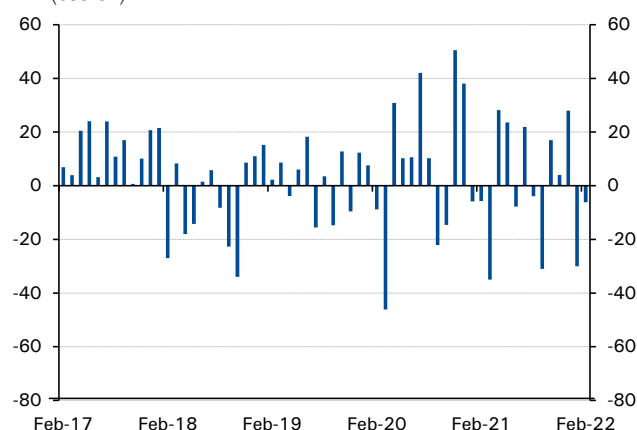
Chart 13: Trade with the US



February's exports to the US slowed to 13.7% y/y, while imports surged to 8.8% y/y. The trade balance shrank to \$30bn.

Source: Refinitiv

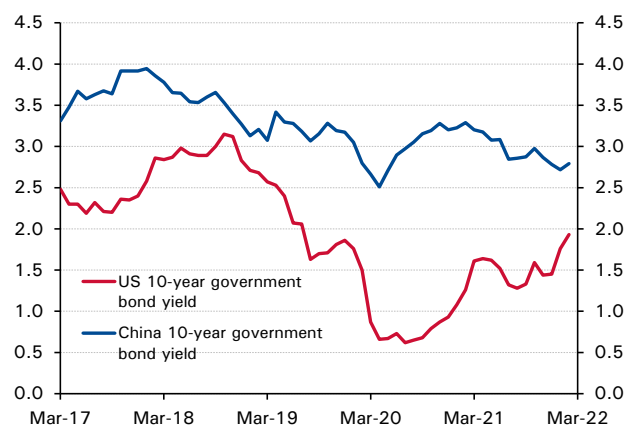
Chart 14: Monthly FX reserve changes
(USD bn)



Foreign currency reserves decreased by \$6bn in Feb due to a fall in global asset prices and general dollar index strength.

Source: Refinitiv

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



Yields on US 10-year treasury notes surged in March while the Chinese counterpart remained mostly steady.

Source: Refinitiv

Chart 16: Stock market
(Shanghai Stock Index, CSI 300)



The CSI 300 has remained largely unchanged in February, reflecting investor uncertainty about the economic outlook.

Source: Refinitiv

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