

Chartbook

30 January 2024

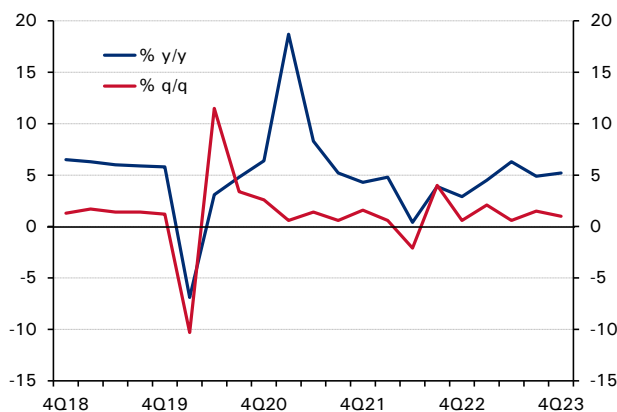


China: Government stimulus to lift sentiment but underlying weakness persists

China's economy grew 5.2% in 2023, helped by base effects from strict lockdowns in 2022 but at the slowest rate – excluding the pandemic period – since 1990. In December, encouraging signs came from a continued pickup in industrial production and a second straight increase in exports. However, a moderation in retail sales growth and softer PMI readings mean economic uncertainty remains high. Deflationary pressures from weak domestic consumption persisted during December, but core inflation remained positive (+0.6% y/y).

More government support measures came into force in January, especially targeting hard-hit equity markets. The government is mulling a \$278 billion rescue package to arrest the decline in both onshore and offshore markets, while regulators have placed more restrictions on short-selling. The People's Bank of China also cut bank reserve requirement ratios by 50 bps, effective February 5, while lowering relending rates to the agricultural sector and smaller firms. Meanwhile, a Hong Kong court ordered the liquidation of Evergrande, which has more than \$300 billion in liabilities, potentially weighing on market sentiment further. Additional measures may yet be needed to tackle lackluster domestic demand and boost confidence. Structural factors including an aging population, a buildup in public debt, and real estate turmoil, are set to dampen the outlook this year, with growth likely to struggle to remain close to 5%.

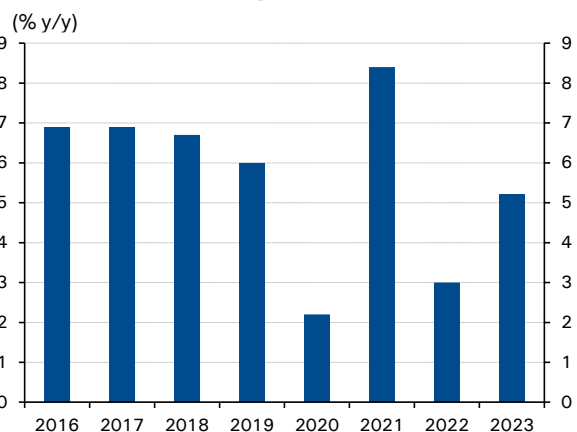
Chart 1: Real GDP growth



Real GDP growth accelerated to 5.2% y/y in 4Q 2023 but slowed in quarterly terms to 1% from 1.5% the previous quarter.

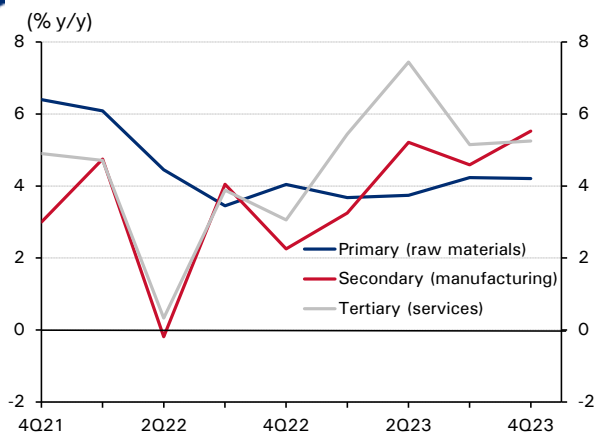
Source: Haver Analytics

Chart 2: Annual GDP growth



On an annual basis, the economy expanded 5.2% in 2023, achieving the government's target. However, it was the slowest rise – excluding the pandemic years – since 1990.

Source: Haver Analytics

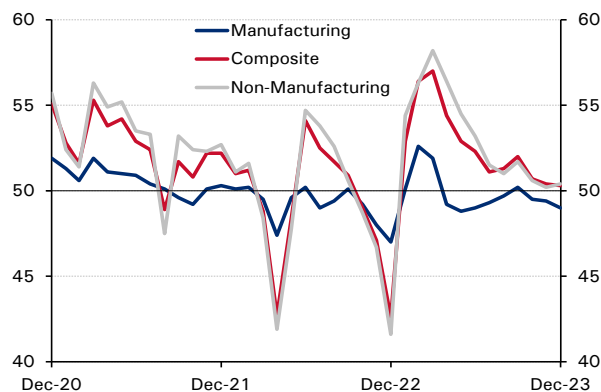
Chart 3: GDP growth by industry

The services industry remained a large contributor to growth in Q4, but the manufacturing sector witnessed the fastest growth on an annual basis (5.5% y/y).

Source: Haver Analytics

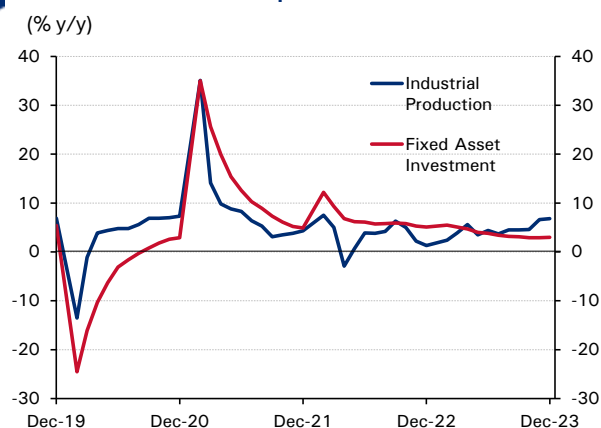
Chart 4: Purchasing Managers' Index surveys

(index; above 50 = expansion)



Business activity indicators moderated in December with the composite measure falling to 12-month low of 50.3 despite a pickup in non-manufacturing PMI to 50.4.

Source: Haver Analytics

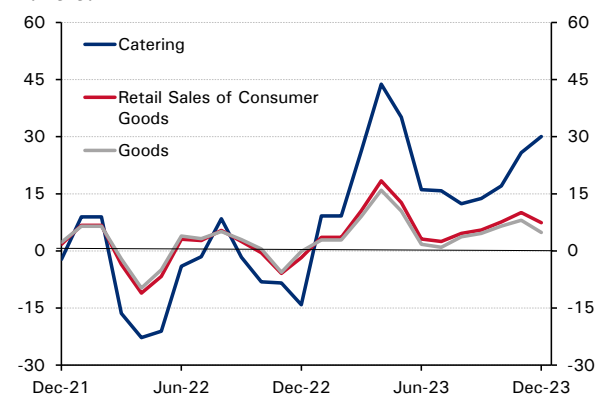
Chart 5: Industrial output and fixed investment

Industrial production growth remained on an upward trajectory in December, ticking up to 6.8% y/y, while fixed asset investment edged up slightly to 3% y/y.

Source: Haver Analytics

Chart 6: Retail sales

(% y/y)

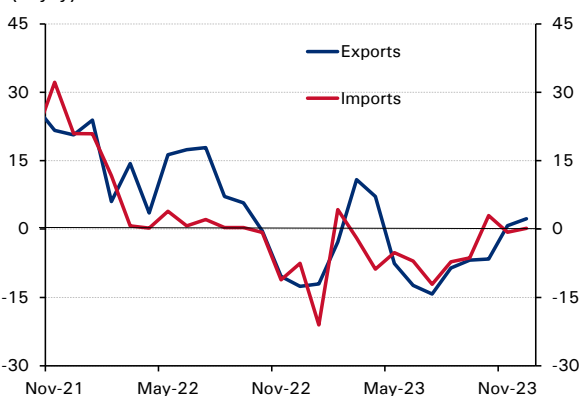


Retail sales growth worsened somewhat in December but remained at solid +7.4% y/y, helped by a sharp pickup in catering sales.

Source: Haver Analytics

Chart 7: International trade

(% y/y)

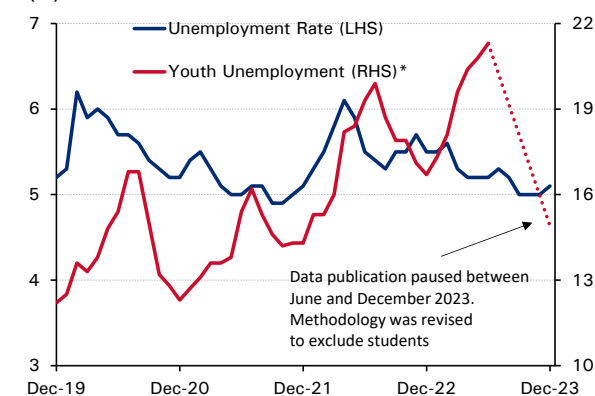


Exports recorded a second consecutive month of growth, rising 2.3% y/y in December and boding well for global demand. Imports were relatively unchanged at 0.2% y/y.

Source: Haver Analytics.

Chart 8: Unemployment rate

(%)

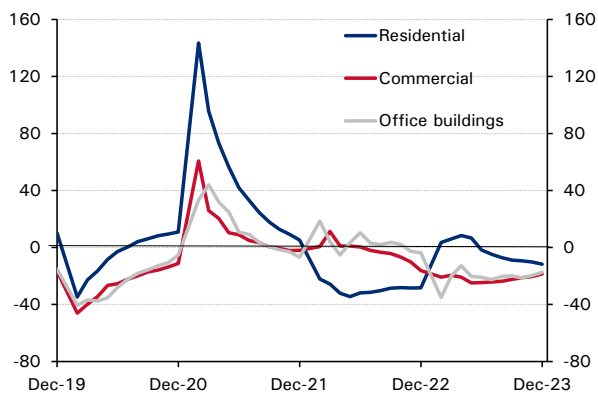


The government resumed the publication of youth unemployment (14.9%) data after modifications to the methodology. The overall jobless rate ticked up to 5.1%.

Source: Haver Analytics. *No data between June-Dec 2023

Chart 9: Real estate unit sales

(% y/y, Cumulative ytd)

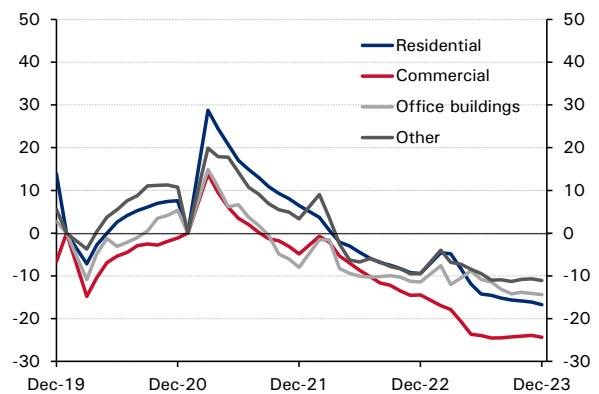


Real estate unit sales, particularly residential units, which contribute most to property sales, fell further in December as buyers remained hesitant.

Source: Haver Analytics

Chart 10: Real estate investment

(% y/y, Cumulative ytd)

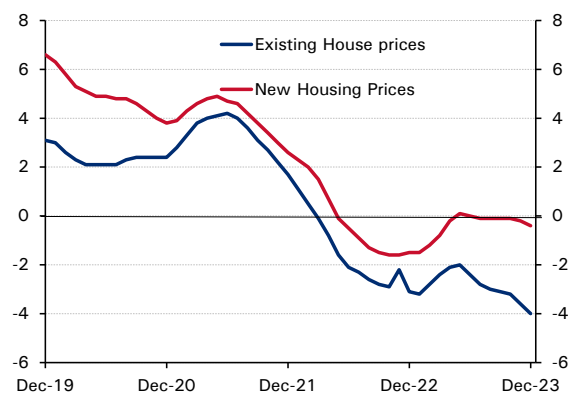


Investment in real estate declined in December and could likely remain weak amid poor sentiments following a court's decision to liquidate Evergrande's assets.

Source: Haver Analytics

Chart 11: House prices in 70 medium & large cities

(% y/y)

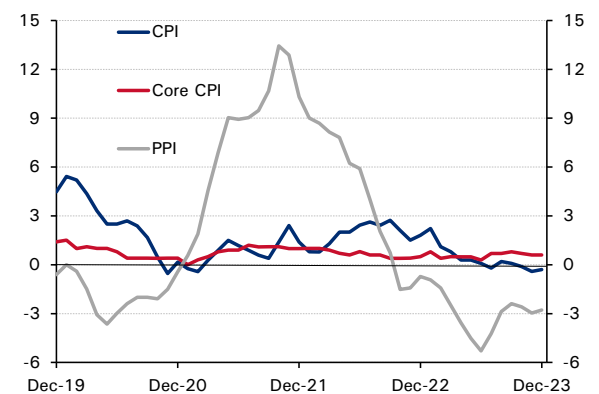


The decline in new house prices accelerated in December to -0.4% y/y as the markets keenly await the government's more forceful support to the beleaguered sector.

Source: Haver Analytics

Chart 12: Consumer and producer price inflation

(% y/y)

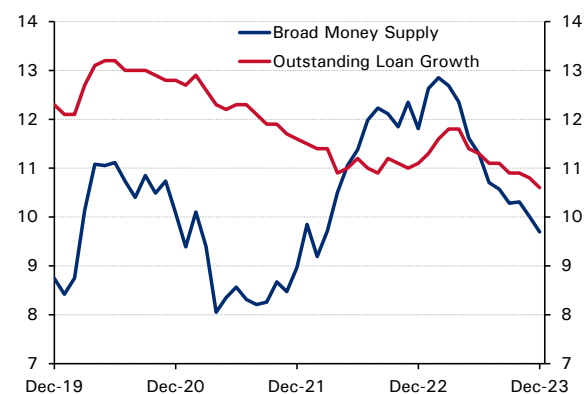


Consumer prices fell 0.3% y/y in December amid a drop in food and transportation costs. Core inflation, however, was stable at +0.6% y/y.

Source: Haver Analytics

Chart 13: Money supply (M2) and credit growth

(% y/y)

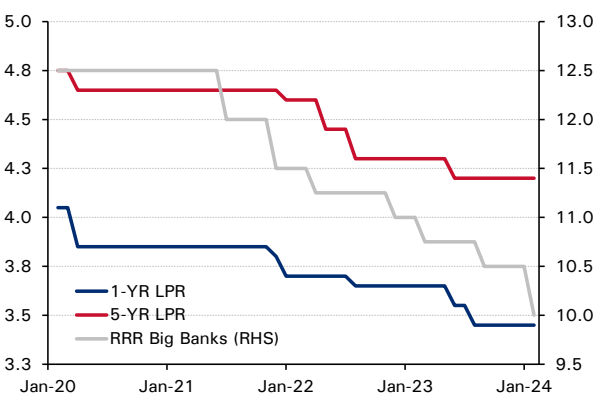


Both money supply and outstanding loan growth softened to 9.7% y/y and 10.6% y/y, respectively, in December, with the latter reflecting reduced credit appetite.

Source: Haver Analytics

Chart 14: Interest rates

(%)

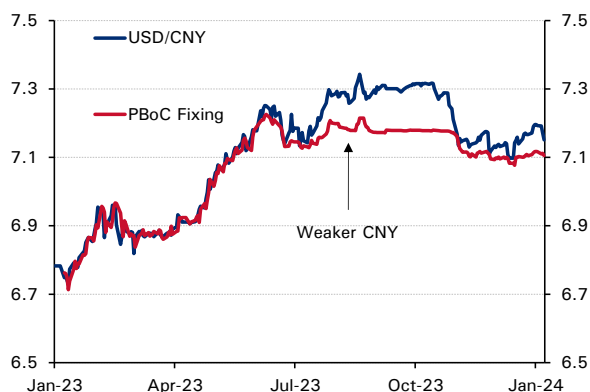


In a surprise announcement, the central bank reduced the bank reserve requirement ratio by 50 basis points, effective February 5, to improve liquidity.

Source: Haver Analytics

Chart 15: Dollar-yuan exchange rate

(USD/CNY)

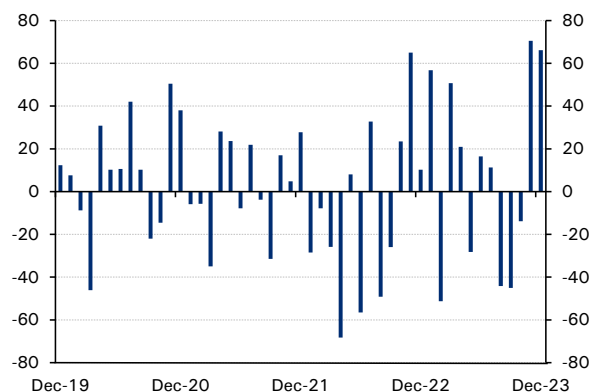


The renminbi lost some ground in January, depreciating 1% mtd, though recent weakness in the greenback helped the yuan stay below the pivotal 7.3 mark

Source: Haver Analytics

Chart 16: Monthly FX reserve changes

(USD billion)



Foreign exchange reserves jumped \$66 billion m/m in December, recording a second straight month of increase, likely on a widening trade balance.

Source: Haver Analytics

Chart 17: China and US government bond yields

(%)

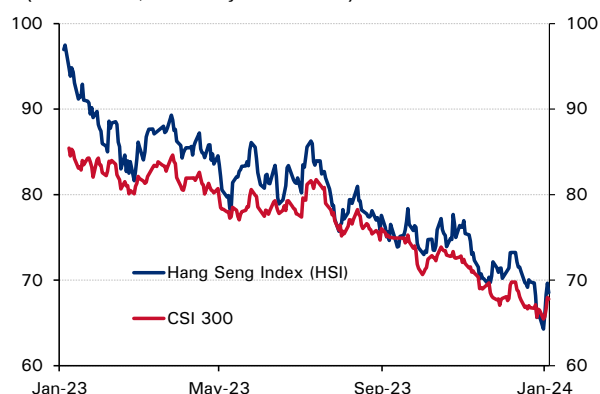


Yield on US 10-year government bonds rose to 4.1% in January while that on the Chinese counterparts fell to 2.5% amid continued monetary policy easing.

Source: Haver Analytics

Chart 18: Stock market

(Normalized; 3 January 2020 = 100)



Equity markets received a reprieve in late January as authorities injected funds into the stock market and limited short selling. Markets were still down mtd however.

Source: Haver Analytics

Head Office**Kuwait**

National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2222 2011
Fax: +965 2229 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network**Bahrain**

National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates

National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567, Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia

National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Lebanon

National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq

Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt

National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America

National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom

National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

France

National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore

National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China

National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital**Kuwait**

NBK Capital
34h Floor, NBK Tower
Shuhada'a street, Sharq Area
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates

NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates**Turkey**

Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353

© Copyright Notice. The Economic Update is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.

While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. GCC Research Note is distributed on a complimentary and discretionary basis to NBK clients and associates. This report and other NBK research can be found in the "Reports" section of the National Bank of Kuwait's web site. Please visit our web site, www.nbk.com, for other bank publications. For further information please contact: NBK Economic Research, Tel: (965) 2229 5500, Email: econ@nbk.com