

# Chartbook

NBK Economic Research Department | 29 November 2022

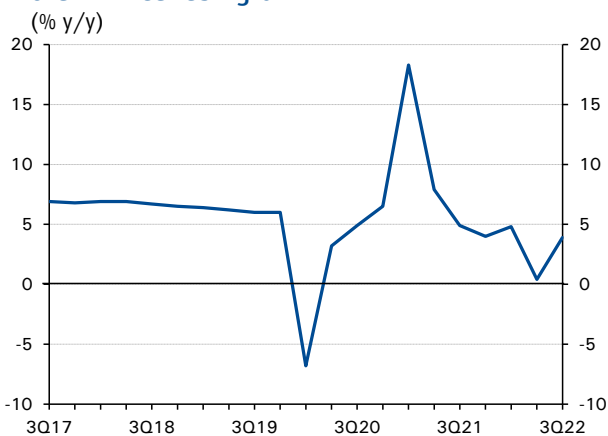
China

## Prolonged Covid restrictions weigh on economic activity

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- GDP grew by 3.9% y/y in Q3 as government measures supported the recovery in industrial and service activities.
- However, business activity indicators contracted in October on protracted lockdowns.
- Transaction activity and valuations in the property sector trended downwards amid loss of consumer confidence.
- Producer price inflation in October declined y/y for the first time in almost two years on muted domestic and external demand amid softening commodity prices.
- China's central bank cut its reserve requirement ratio by 25 bps to aid the deteriorating economy.
- Equities initially rose in November on hopes of Covid policy easing, though this now seems unlikely.

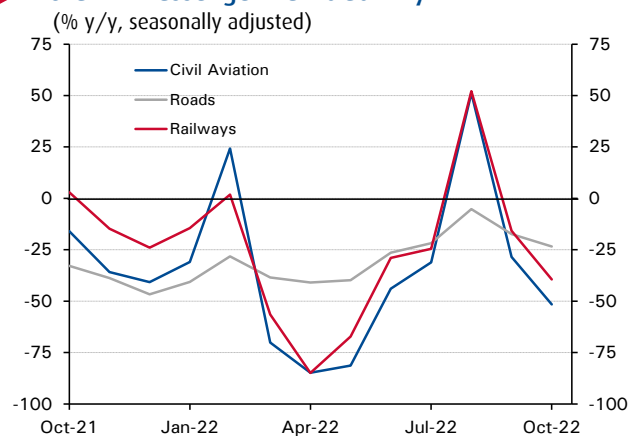
▶ Chart 1: Real GDP growth



The economy grew 3.9% y/y (+0.4% q/q) in 3Q22, supported by government measures to spur economic activity.

Source: Haver Analytics

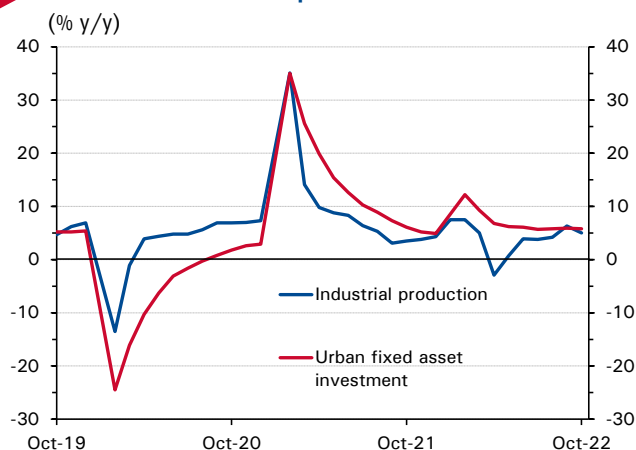
▶ Chart 2: Passenger traffic activity



Passenger traffic activity slumped in October as prolonged lockdowns weigh on external mobility.

Source: Haver Analytics

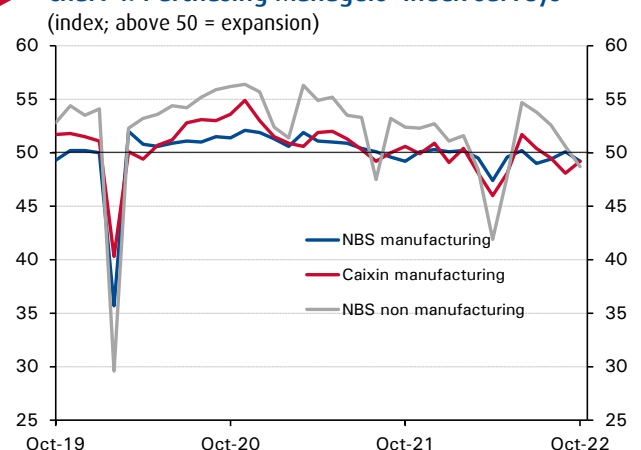
▶ Chart 3: Industrial output and fixed investment



Industrial production growth eased slightly to 5% y/y in October while fixed investment grew 5.8% y/y.

Source: Haver Analytics

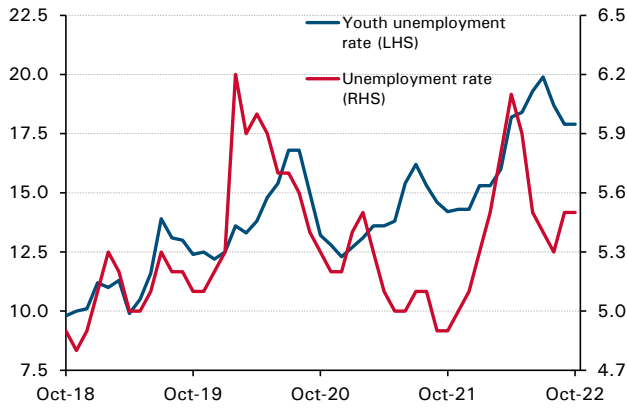
▶ Chart 4: Purchasing Managers' Index surveys



Business activity measures fell into contractionary territory in October as economic outlook dampened.

Source: Haver Analytics

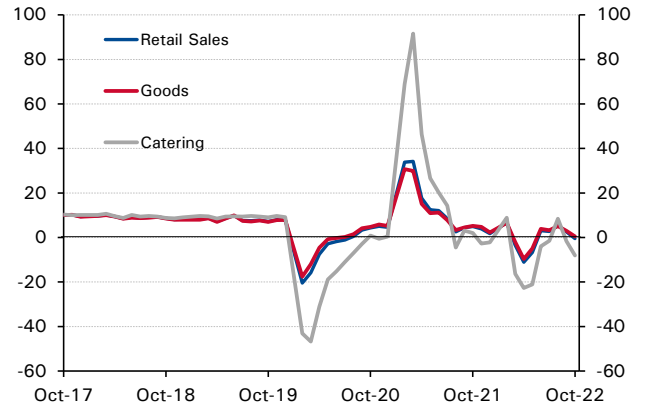
**Chart 5: Unemployment rate**  
(%)



Both the overall and the youth unemployment rates remained stable at 5.5% and 17.9% in October.

Source: Haver Analytics, official sources

**Chart 6: Retail sales**  
(% y/y)



Retail sales decreased 0.5% y/y in October, weighed heavily by a decline in catering sales (-8.1% y/y).

Source: Haver Analytics

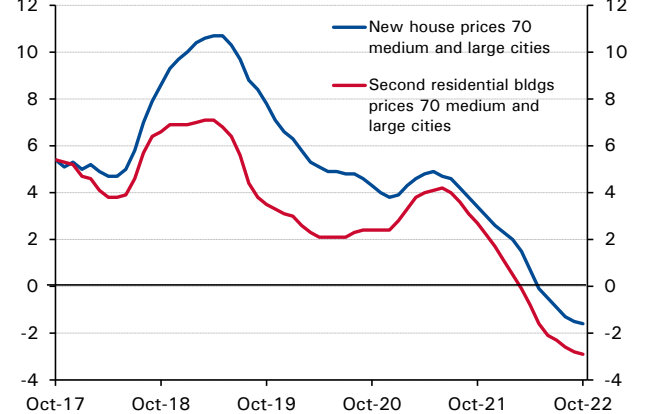
**Chart 7: Sales & investments in residential property**  
(% y/y)



The deterioration in the property market continued in October, as activity (measured in value) declined.

Source: Haver Analytics

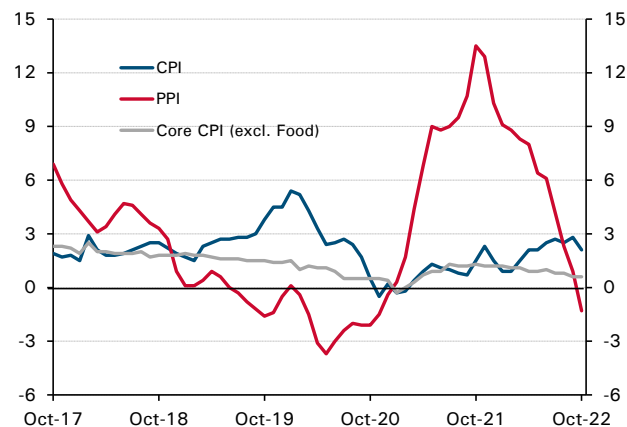
**Chart 8: House prices in 70 medium & large cities**  
(% y/y)



The real estate market extended losses, as new (-1.6% y/y) and second house (-2.9% y/y) prices dipped.

Source: Haver Analytics

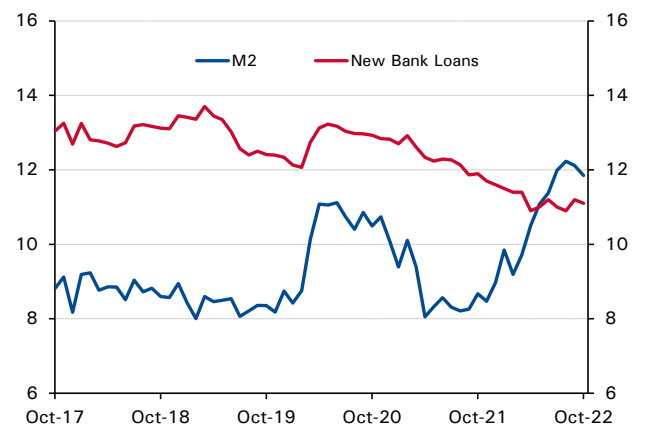
**Chart 9: Consumer and producer price inflation**  
(% y/y)



Producer price inflation slid into negative territory first time since 2020, while consumer inflation eased to 2.1% y/y.

Source: Haver Analytics

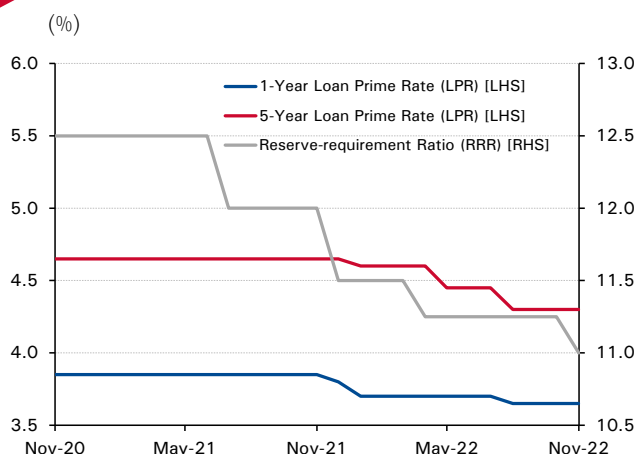
**Chart 10: Money supply (M2) and credit growth**  
(% y/y)



Growth in money supply slowed from a multi-year high to 11.8% y/y while new bank loans rose by 11.1% y/y in October.

Source: Haver Analytics

▶ **Chart 11: Interest rates**



The People's Bank of China cut the RRR by 25bps in November, aiming to prop up the slowing economy.

Source: Haver Analytics

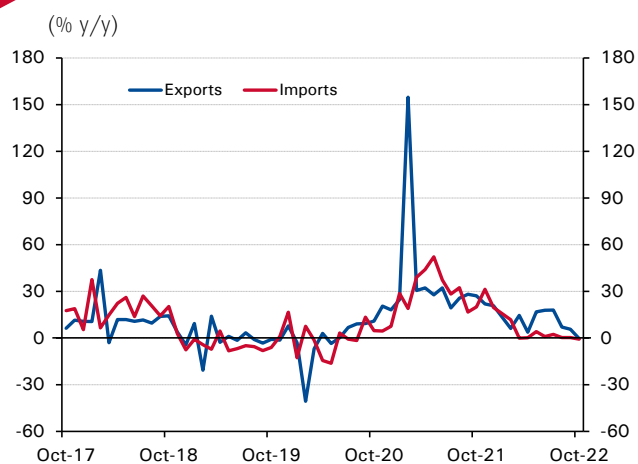
▶ **Chart 12: Yuan-dollar exchange rate**



The yuan appreciated in November as expectations for the Fed pivot shifted alongside government's support measures.

Source: Haver Analytics

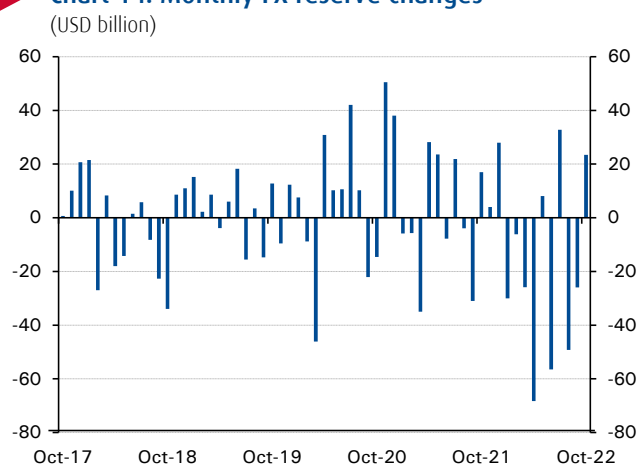
▶ **Chart 13: International trade**



Exports shrank (-0.3% y/y) in October as economic slowdown abroad and Covid restrictions at home weigh on trade.

Source: Haver Analytics

▶ **Chart 14: Monthly FX reserve changes**



Foreign currency reserves increased by \$23 billion as the dollar weakened.

Source: Haver Analytics

▶ **Chart 15: China and US government bond yields**



Yield differential on US and Chinese 10-year government bonds decreased in October as the yuan gained.

Source: Refinitiv

▶ **Chart 16: Stock market**



The CSI 300 gained 4% (-23% ytd) so far in November, lifted by hopes of a Covid policy reversal which now seems unlikely.

Source: Haver Analytics

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