

# Chartbook

NBK Economic Research Department | 13 February 2022

China

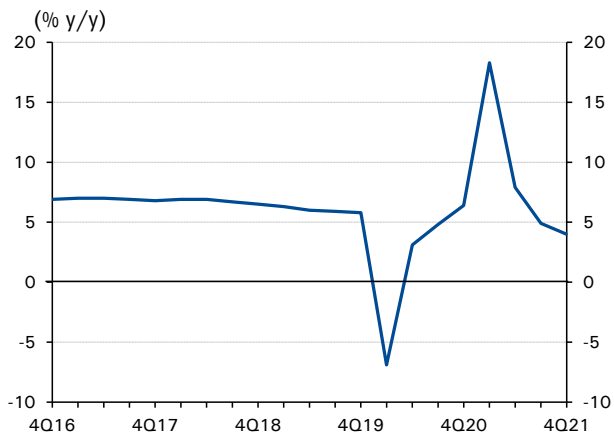
## Uncertain growth prospects prompt further policy intervention

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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 softened in December on strict virus containment measures.
- Retail sales growth slowed in December, weighed down heavily by a drop in catering sales.
- Consumer and producer price inflation eased in December amid government intervention.
- The central bank cut key rates again in January to support the economy.
- The yuan depreciated slightly against the US dollar in January on rate cuts and a hawkish US Fed.

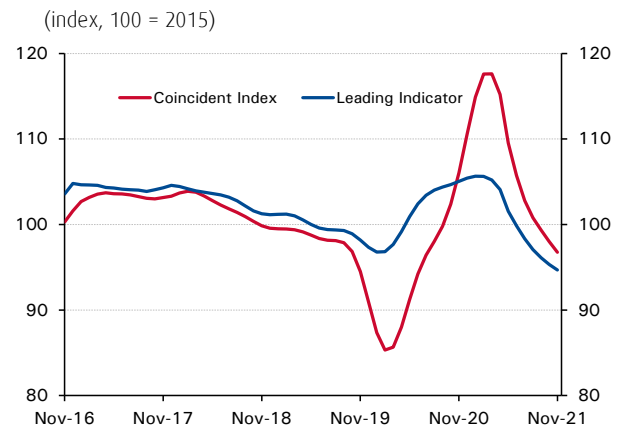
▶ **Chart 1: Real GDP growth**



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

Source: Refinitiv

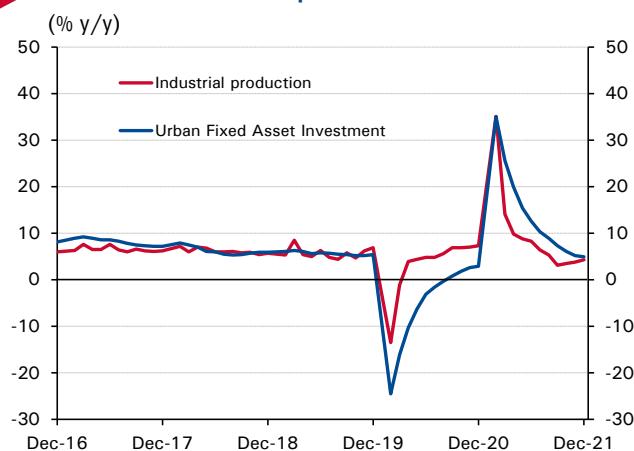
▶ **Chart 2: Macroeconomic climate**



The leading indicator declined at a slower rate in November, possibly reflecting easing pressures and an optimistic outlook.

Source: Refinitiv

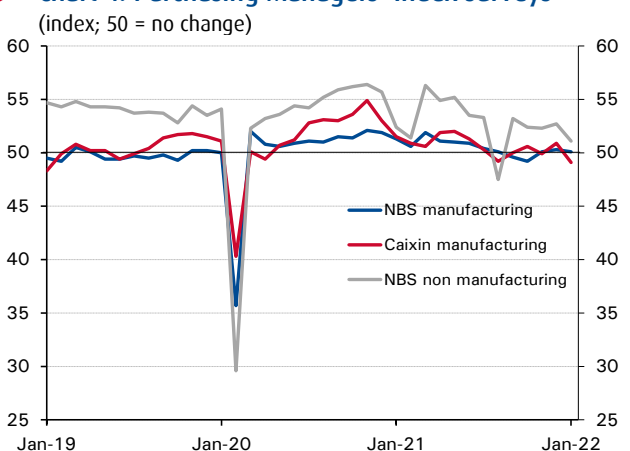
▶ **Chart 3: Industrial output and urban investment**



December's fixed asset investment growth continued to slow (4.9% y/y), while industrial production picked up (4.3% y/y).

Source: Refinitiv

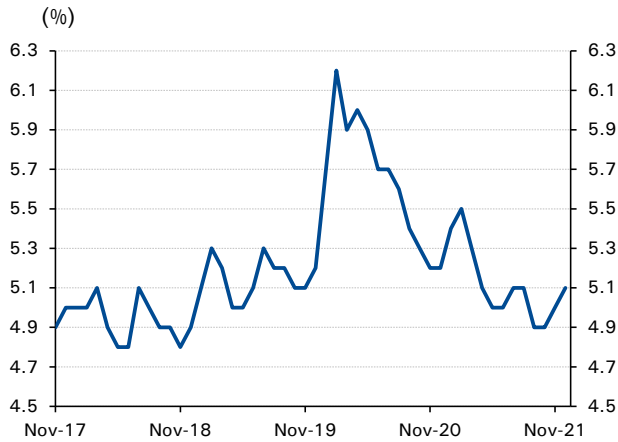
▶ **Chart 4: Purchasing Managers' Index surveys**



January's PMI readings showed a slowdown in manufacturing and service activities, potentially signaling the need for support.

Source: Refinitiv

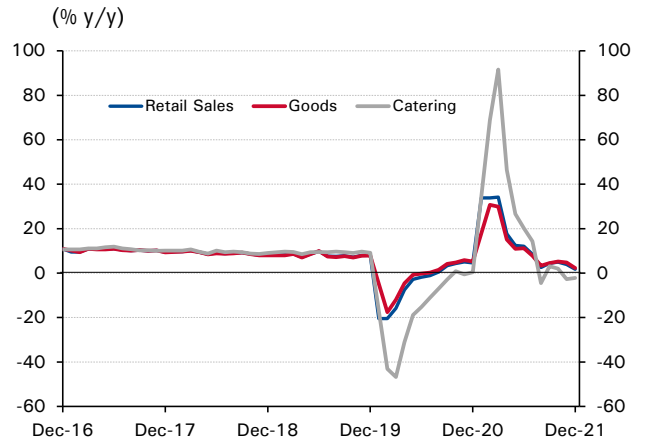
▶ **Chart 5: Unemployment rate**



The unemployment rate rose to 5.1% in December amid a slowdown in economic conditions.

Source: Refinitiv

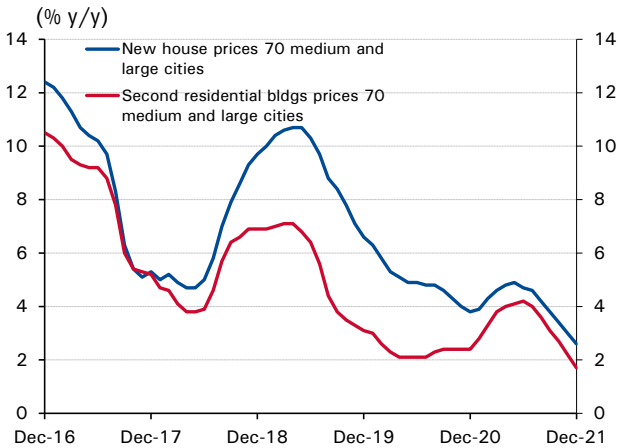
▶ **Chart 6: Retail sales**



Retail sales growth slowed to 1.7% y/y in December, led mainly by the drop in catering services (-2.2% y/y).

Source: Refinitiv

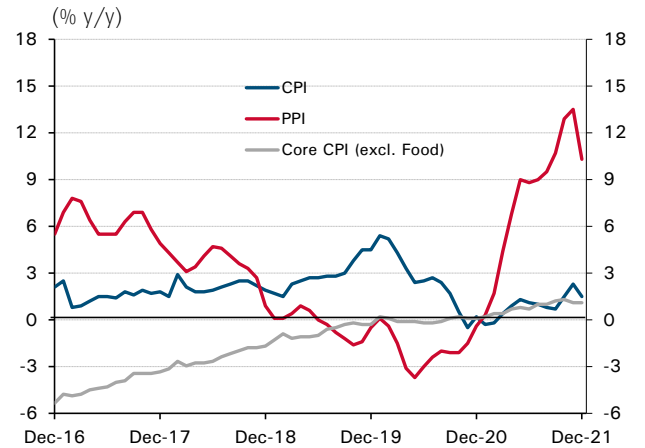
▶ **Chart 7: House prices in 70 medium & large cities**



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

Source: Refinitiv

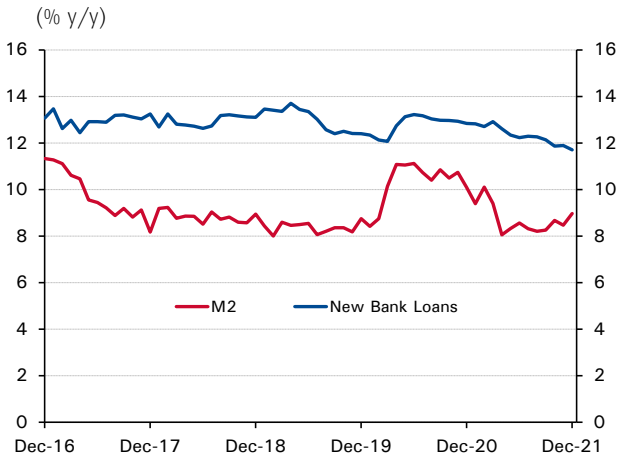
▶ **Chart 8: Consumer and producer price inflation**



Consumer and producer price inflation came in lower than expected in December amid government intervention.

Source: Refinitiv

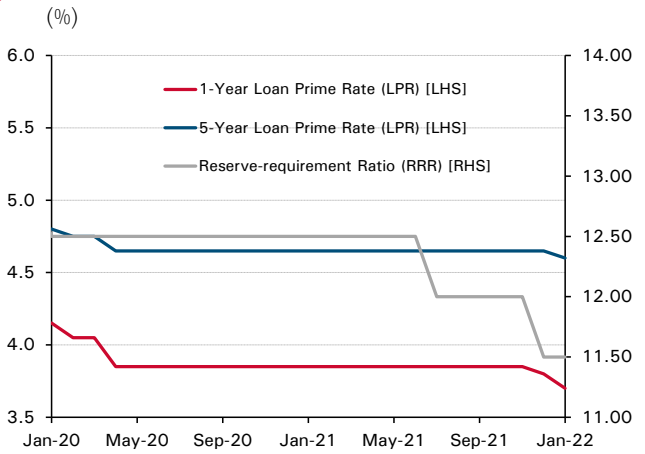
▶ **Chart 9: Broad money supply (M2) & credit growth**



M2 growth increased in December (+9% y/y) on supportive central bank policies; new bank loans growth continued to slow.

Source: Refinitiv

▶ **Chart 10: Nominal interest rates**



The central bank cut the 1-year LPR again (10 bps) to 3.7% in Jan and the 5-year LPR (5 bps) to 4.6% to support the economy.

Source: Refinitiv

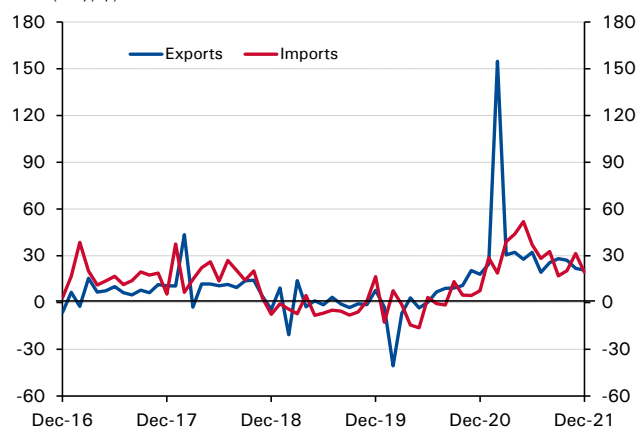
**Chart 11: Exchange rate**  
(CNY/USD)



The yuan's recent appreciation against the dollar came to a halt amid a hawkish shift in the Fed's stance to counter rising inflation.

Source: Refinitiv

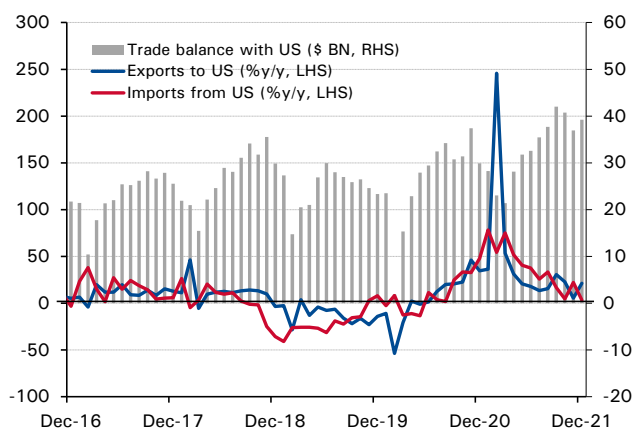
**Chart 12: International trade**  
(% y/y)



In December, import growth slowed (19.5% y/y) as Omicron weighed on demand. Export growth remained largely unchanged.

Source: Refinitiv

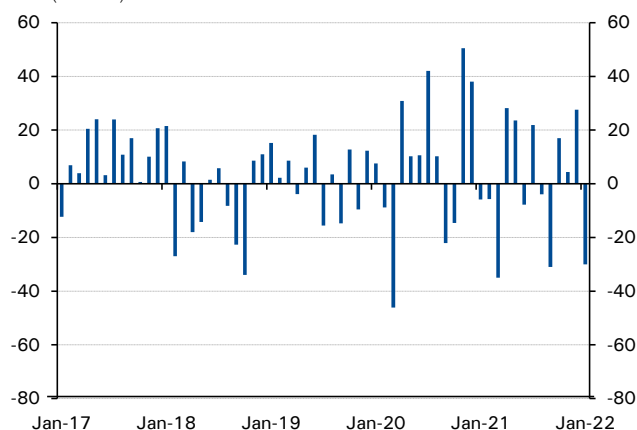
**Chart 13: Trade with the US**



The trade balance with the US widened by \$2.3bn to \$39.2 bn as exports surged 21.2% y/y and imports dropped by 3.3% y/y.

Source: Refinitiv

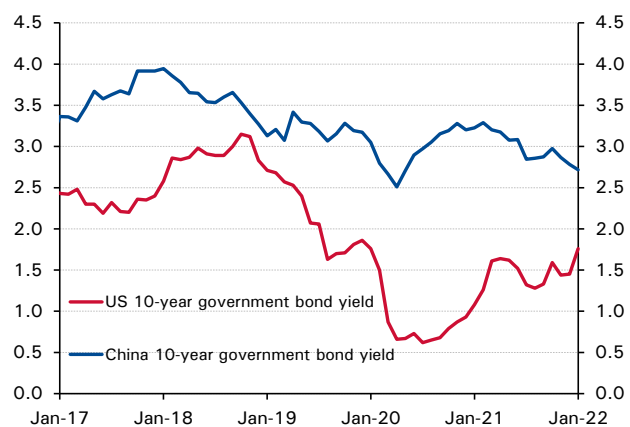
**Chart 14: Monthly FX reserve change**  
(USD bn)



Foreign currency reserves decreased by \$30bn in January as the Fed's hawkish shift led to a slight depreciation in the yuan.

Source: Refinitiv

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



Yields on US 10-year bonds increased in January after the Fed's hawkish stance while China's bond yields dropped after rate cuts.

Source: Refinitiv

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



The CSI 300 has dropped 11% so far in 2022 on downbeat sentiments linked to slowing economic growth.

Source: Refinitiv

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