

Chartbook

NBK Economic Research Department | 29 December 2022

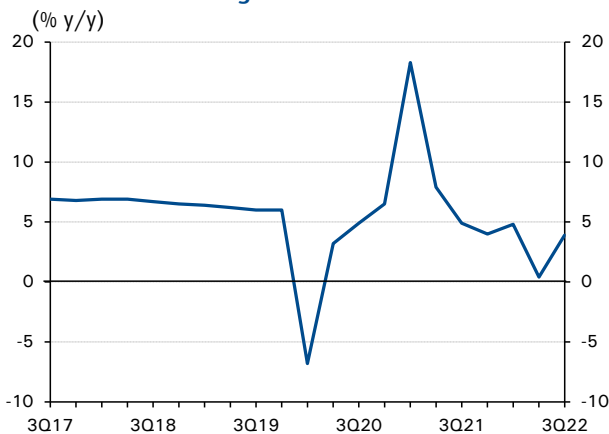
China

Covid reopening lifts prospects following weak readings of late

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- The economy rebounded by 3.9% y/y in 3Q22, buoyed by government efforts to rejuvenate economic activity, though a return to strict lockdowns in October and November could weigh on growth in 4Q22.
- Official PMI readings continued to show contractions in business conditions as economic activity dampened.
- The hard-hit property sector showed no signs of recovery as home valuations deteriorated.
- Inflation eased as domestic consumption softened while producer prices declined for the second month in a row.
- The Central Bank kept interest rates steady in December amid an uncertain outlook and the weak property sector.
- The mainland stock index (CSI 300) gave up its Covid reopening gains (-1.7% mtd) as new infections soared.

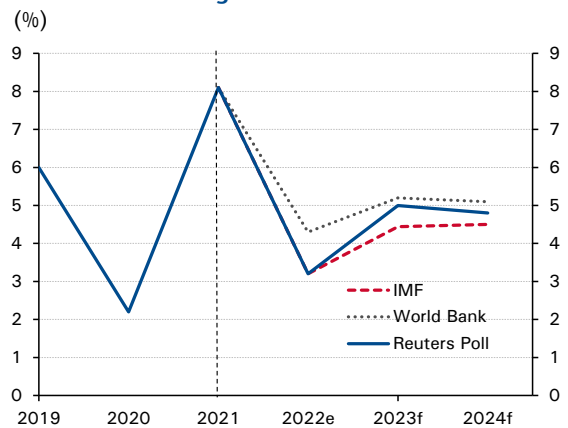
▶ Chart 1: Real GDP growth



The economy rebounded by 3.9% y/y (+3.9% q/q) in 3Q22, supported by government stimuli amid deteriorating conditions.

Source: Haver Analytics

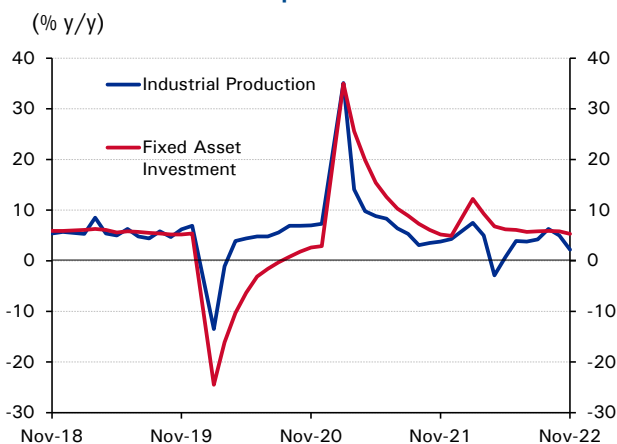
▶ Chart 2: Real GDP growth forecasts



Economic growth is expected to recover to around 5% in 2023 as the government eased Covid controls.

Source: IMF, WorldBank, Refinitiv

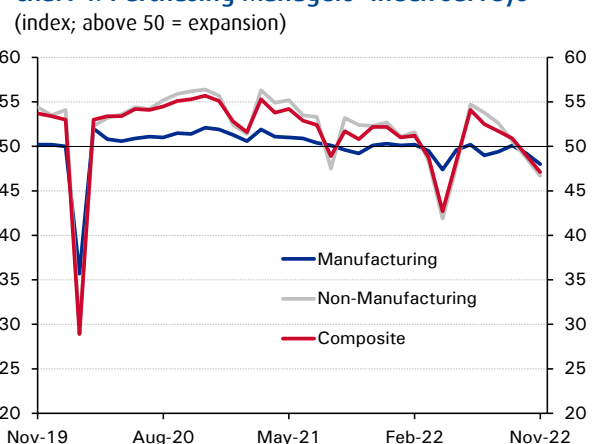
▶ Chart 3: Industrial output and fixed investment



Industrial production and fixed asset investment growth eased to 2.2% y/y and 5.3% y/y in November, respectively.

Source: Haver Analytics

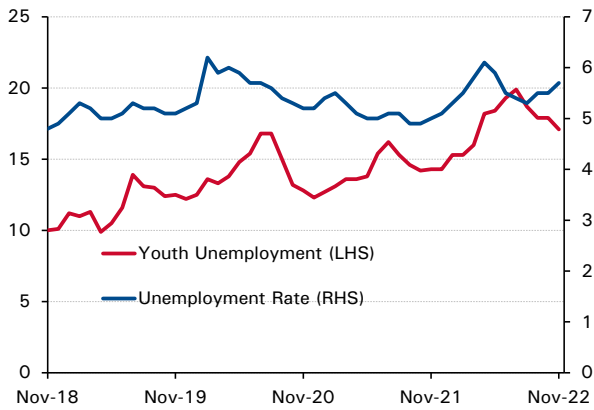
▶ Chart 4: Purchasing Managers' Index surveys



The composite PMI, along with its components, contracted for the second month in a row on declining business activity.

Source: Haver Analytics

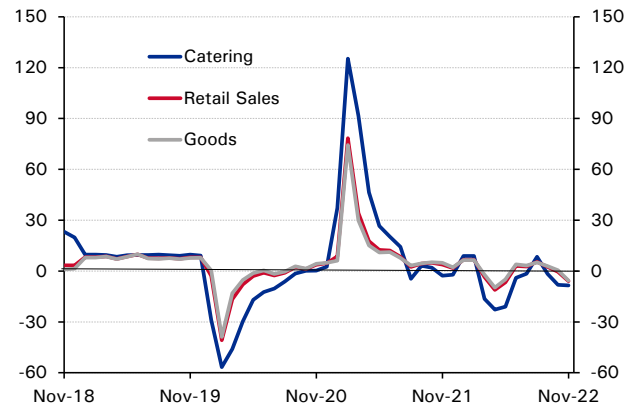
Chart 5: Unemployment rate
(%)



The unemployment rate in November rose slightly to 5.7% while youth unemployment declined after its seasonal spike in July.

Source: Haver Analytics, official sources

Chart 6: Retail sales
(% y/y)



Retail sales decreased by 5.9% y/y in November as consumption slowed amid soaring covid cases and strict lockdown measures.

Source: Haver Analytics

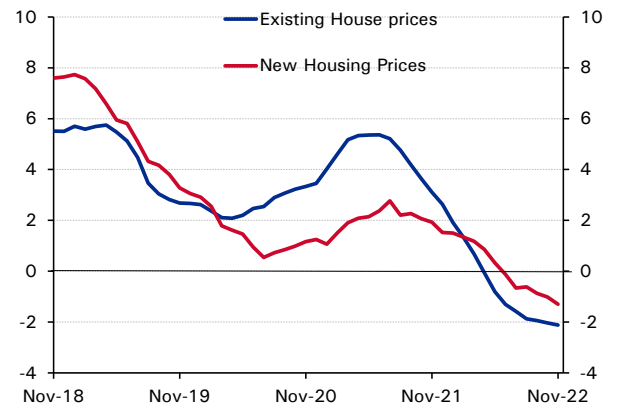
Chart 7: Sales & investments in residential property
(% y/y)



Sentiment in the real estate market continued to deteriorate as sales of new housing units and investment in real estate slumped.

Source: Haver Analytics

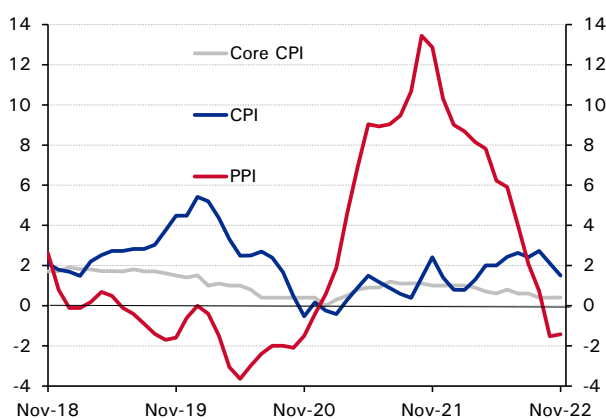
Chart 8: House prices in 70 medium & large cities
(% y/y)



Home valuations tumbled in November on subdued demand in the housing market as negative sentiment persisted.

Source: Haver Analytics

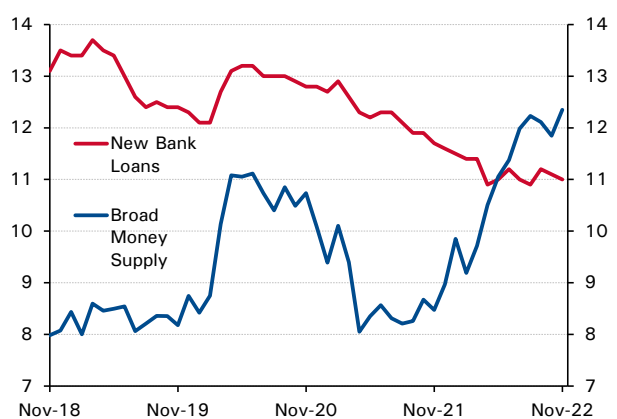
Chart 9: Consumer and producer price inflation
(% y/y)



Consumer inflation softened to 1.6% y/y in November on a slowdown in consumption while producer prices fell 1.3% y/y.

Source: Haver Analytics

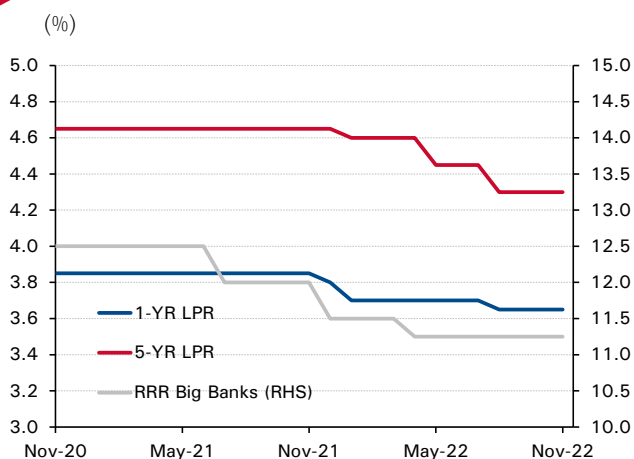
Chart 10: Money supply (M2) and credit growth
(% y/y)



Credit growth eased in November (11% y/y) while money supply grew at its fastest rate in over six years (12.4% y/y).

Source: Haver Analytics

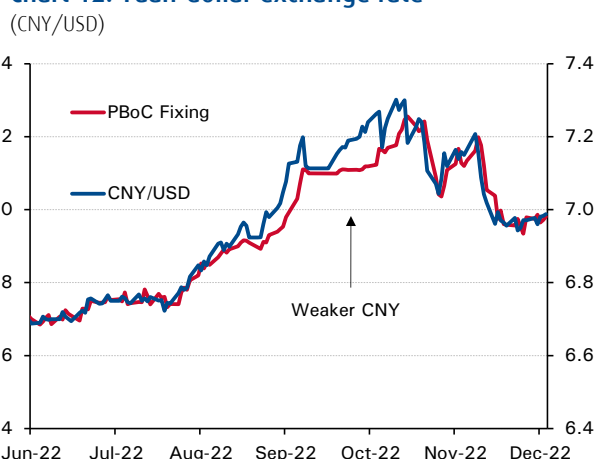
▶ **Chart 11: Interest rates**



The People's Bank of China kept interest rates steady as economic uncertainty lingered.

Source: Haver Analytics

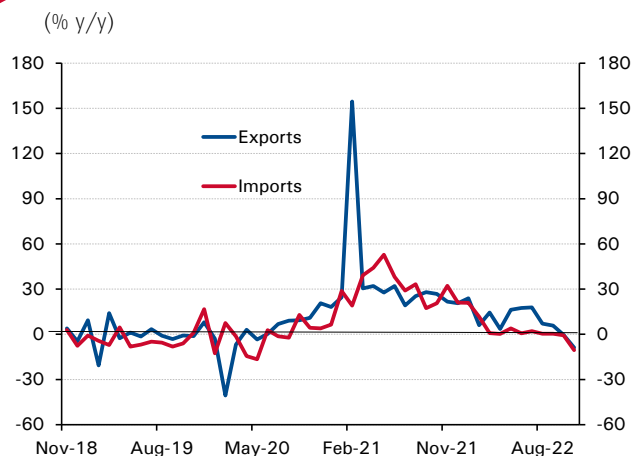
▶ **Chart 12: Yuan-dollar exchange rate**



The yuan sustained its rally in December as the easing of Covid restrictions spurred demand for the Chinese currency.

Source: Haver Analytics

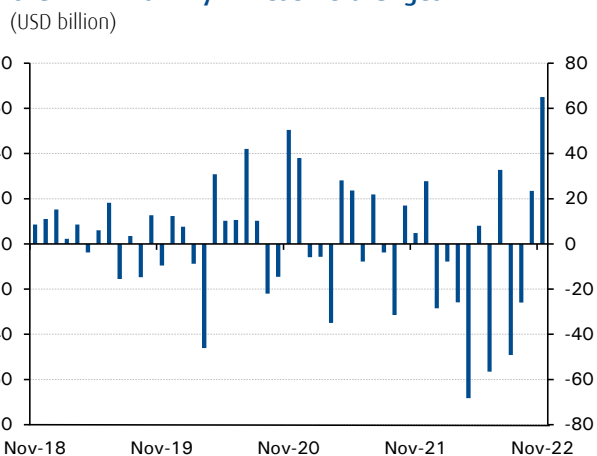
▶ **Chart 13: International trade**



Exports slid 8.7% y/y in November on weak global orders while imports fell 10.6% y/y as lockdowns sapped domestic demand.

Source: Haver Analytics

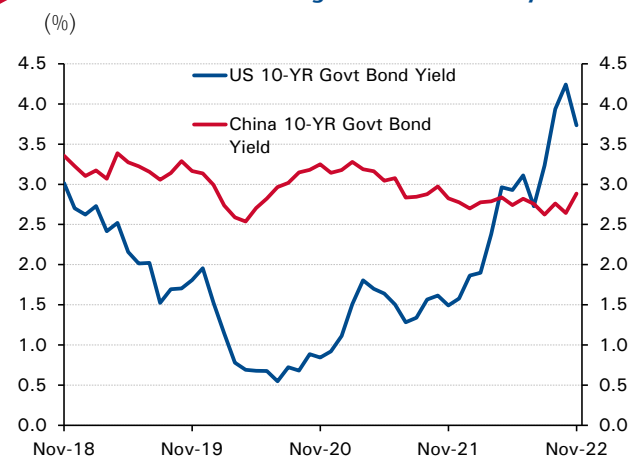
▶ **Chart 14: Monthly FX reserve changes**



Foreign currency reserves increased by \$65 billion in November as demand for the yuan increased and the dollar weakened.

Source: Haver Analytics

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



US 10-yr bond yields fell in November while the Chinese counterpart rose on expectations of a shift in PBoC policy.

Source: Haver Analytics

▶ **Chart 16: Stock market**



The CSI 300 shed its Covid reopening-driven rally (-1.7% mtd) while the more volatile HSI gained 5% mtd.

Source: Haver Analytics

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