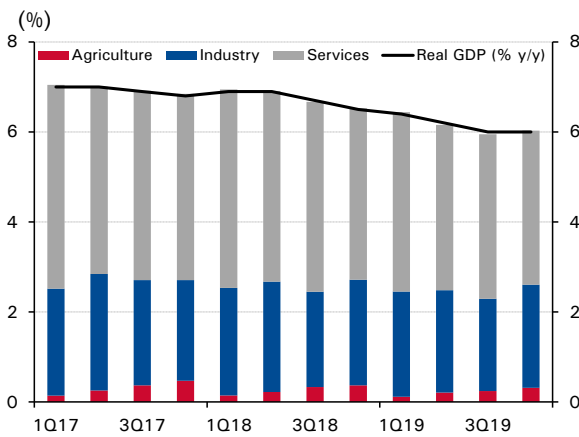


## Economy sees signs of stabilization as stimulative measures take effect

- Real GDP growth shows signs of stabilization, coming in at 6.0% in 4Q19, unchanged from the previous quarter.
- Industrial production, consumer spending and investment end 2019 on a healthier note on improved sentiments.
- After declining for most of 2019, both exports and imports witnessed a strong recovery in December.
- The currency appreciated quite sharply against the USD in late 4Q19 in tandem with easing trade tensions.
- Core CPI (excluding food) remains soft which should help the PBoC maintain an accommodative policy stance.
- The PBoC has cut the RRR six times since early 2018 in a bid to boost lending activity and prop up growth.

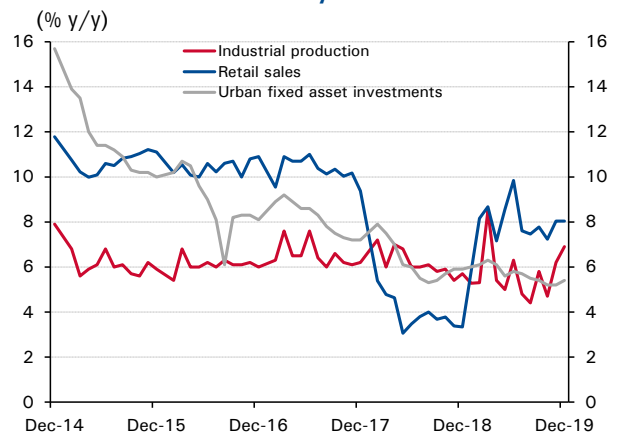
▶ **Chart 1: Real GDP growth & contribution to GDP**



GDP growth continued to moderate in 2019 but appears to have stabilized at 6.0% in 4Q19. Services were the main growth driver.

Source: Refinitiv

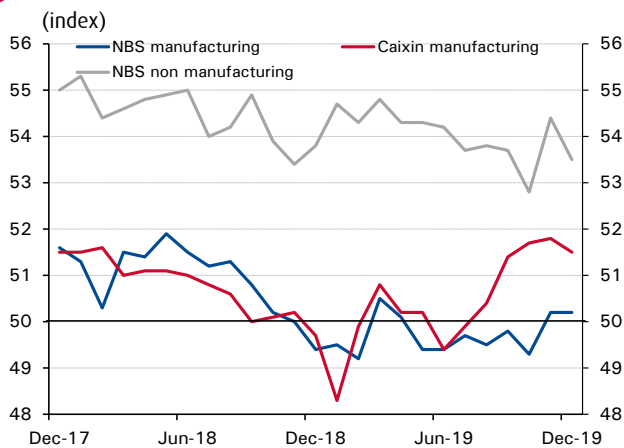
▶ **Chart 2: Economic activity**



Economic activity appears to have improved in late 2019 thanks to policy easing measures and as US trade tensions eased.

Source: Refinitiv

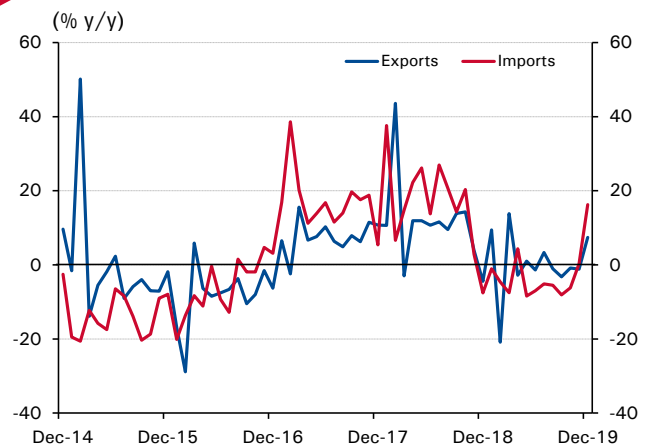
▶ **Chart 3: Purchasing Managers' Index surveys**



Manufacturing activity among larger government-owned firms (NBS) staged a mild recovery in Q4, but trailed behind smaller firms (Caixin).

Source: Refinitiv

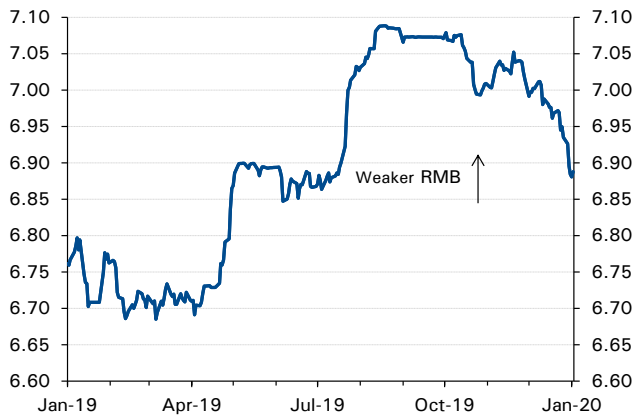
▶ **Chart 4: International trade**



Export growth witnessed a strong rebound in December. Imports also surged supported by a stronger currency.

Source: Refinitiv

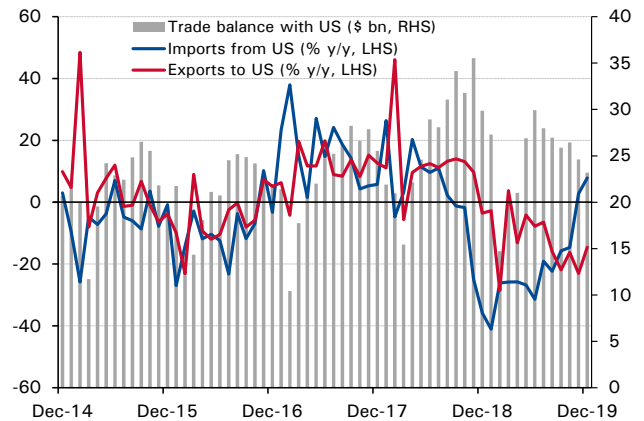
**Chart 5: Exchange rate**  
(RMB/USD)



The Chinese yuan has strengthened against the USD of late in tandem with a de-escalation in the trade war with the US.

Source: Refinitiv

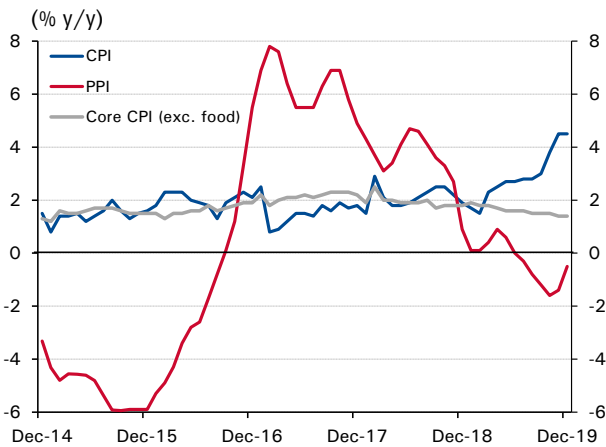
**Chart 6: Trade with the US**



The trade surplus with the US trended lower in 2019, with exports in decline and imports improving in late 4Q19.

Source: Refinitiv

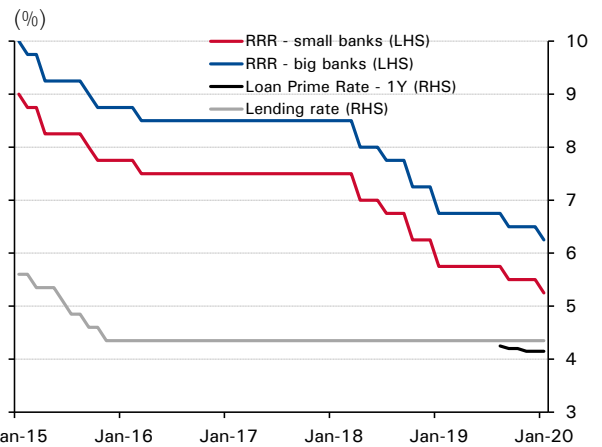
**Chart 7: Inflation**



Core CPI remains soft paving the way for a more accommodative policy stance. Headline inflation has risen on rising pork prices.

Source: Refinitiv

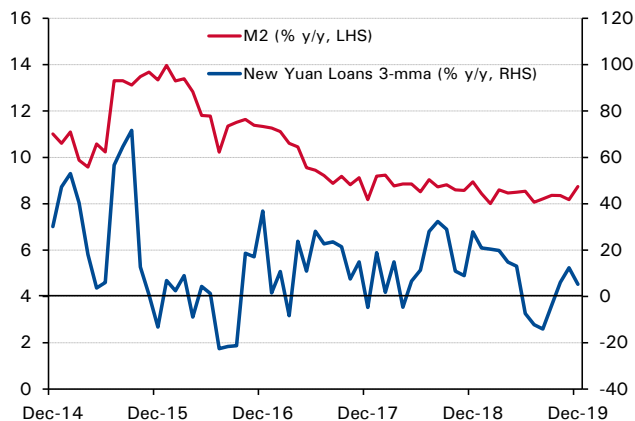
**Chart 8: Nominal interest rates**



The PBoC has cut the RRR at least six times since early 2018 to boost liquidity. It has also adopted a market-driven LPR as its main policy rate to help lower financing costs.

Source: Refinitiv

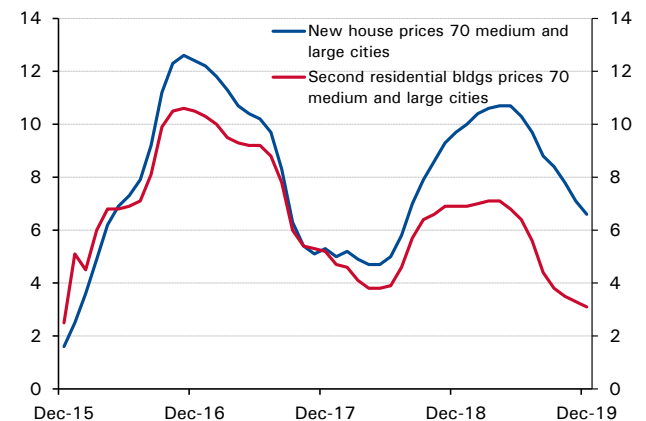
**Chart 9: Broad money supply & credit lending**



M2 growth edged up to a one-year high of 8.7% y/y in December while new loans averaged 4% higher in 2019 relative to 2018.

Source: Refinitiv

**Chart 10: House prices 70 medium & large cities**  
(% y/y)



Housing price increases cooled down in 2019 led by the local authorities' crackdown on speculative buying.

Source: Refinitiv

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