

Chartbook

NBK Economic Research Department | 30 October 2022

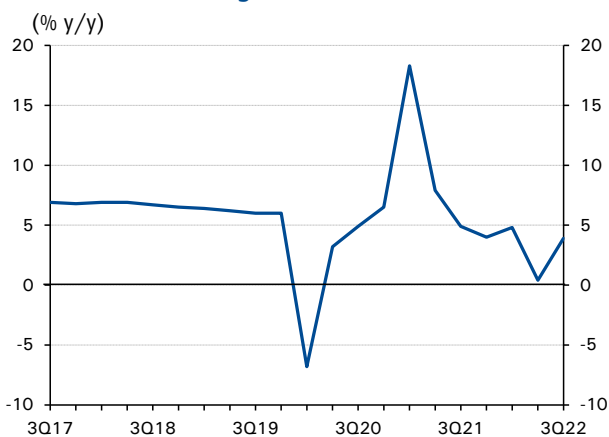
China

Economic growth picks up in Q3, but other indicators paint a mixed picture

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- Economic activity sharply rebounded in 3Q22 (+3.9% y/y) on extensive government support measures.
- Both fixed investment and industrial production grew at robust rates as Covid curbs eased slightly.
- The official manufacturing PMI expanded unexpectedly in September, yet the services PMI remains fragile.
- House prices continued to decline amid a property market downturn and prevailing negative sentiment.
- Consumer price inflation rose slightly on higher food prices while producer price inflation softened.
- China's central bank kept key rates steady in October as the yuan depreciated past key levels.
- Equities declined 2% (-26% ytd) so far in October as investors weighed policy outcomes of the CCP Congress.

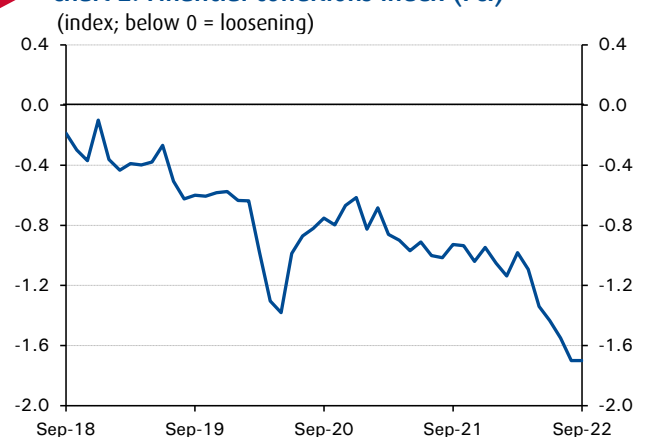
▶ **Chart 1: Real GDP growth**



The economy expanded 3.9% y/y (+0.4% q/q) in 3Q22, helped by government measures to rejuvenate economic activity.

Source: Haver Analytics

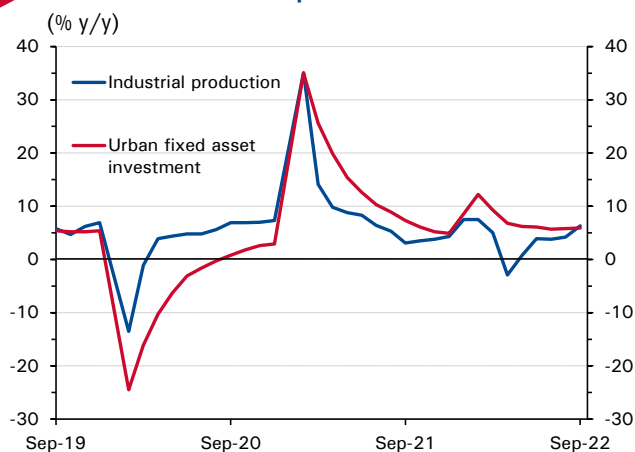
▶ **Chart 2: Financial conditions index (FCI)**



The FCI remained unchanged in September, reflecting the central bank's caution through a phase of economic uncertainty.

Source: Haver Analytics

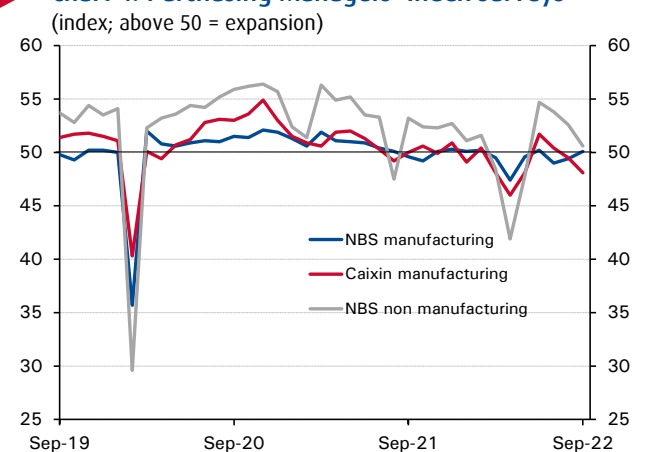
▶ **Chart 3: Industrial output and fixed investment**



Both industrial production and fixed investment grew in September by 6.3% and 5.9% y/y, respectively.

Source: Haver Analytics

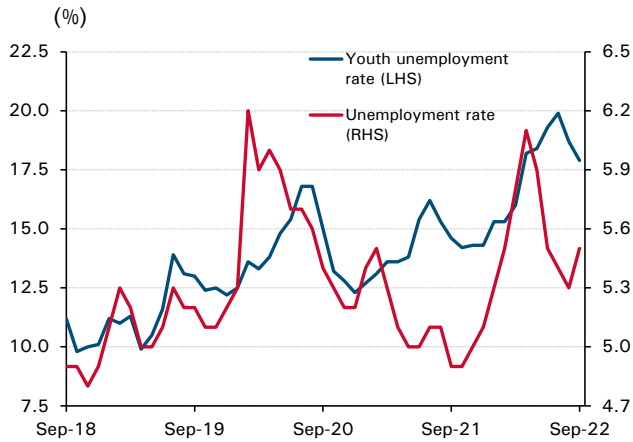
▶ **Chart 4: Purchasing Managers' Index surveys**



Official manufacturing PMI barely reversed the downturn at 50.1 in September while service activity further slowed to 50.6.

Source: Haver Analytics

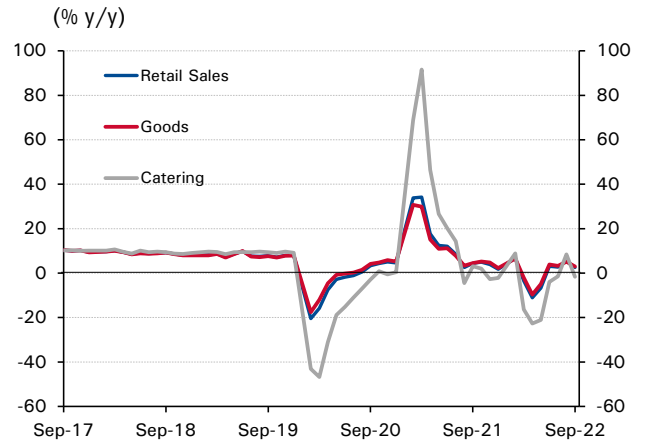
▶ **Chart 5: Unemployment rate**



The unemployment rate unexpectedly picked up to 5.5% in September while youth unemployment dropped to 17.9%.

Source: Haver Analytics, official sources

▶ **Chart 6: Retail sales**



Retail sales growth softened to 2.5% y/y in September, driven mostly by a decline in catering revenues (-1.7% y/y).

Source: Haver Analytics

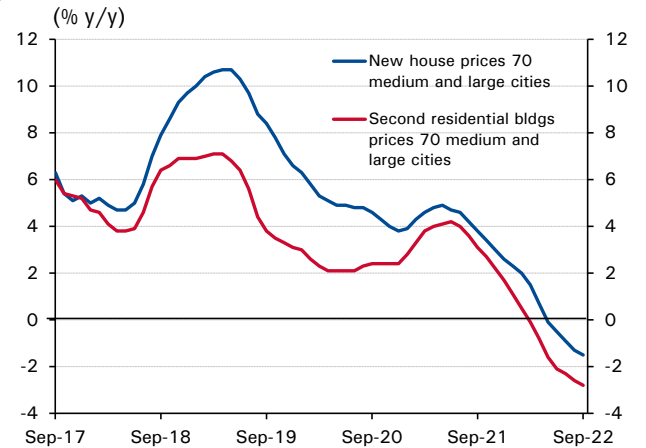
▶ **Chart 7: Sales & investments in residential property**



Activity (measured by total value of transactions) in the property sector declined in September amid a market downturn...

Source: Haver Analytics

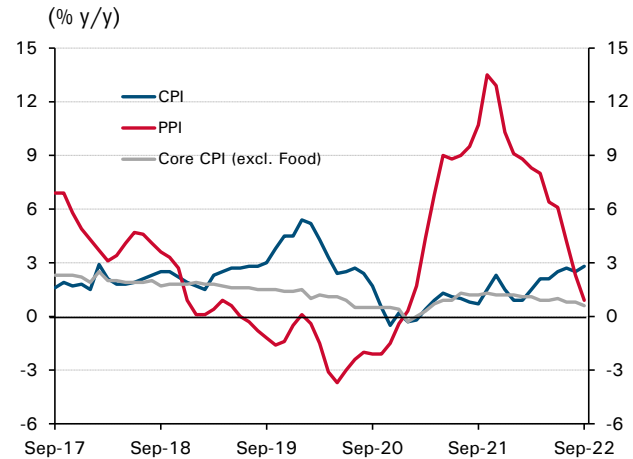
▶ **Chart 8: House prices in 70 medium & large cities**



...leading to continued downward pressure on new and secondhand home prices.

Source: Haver Analytics

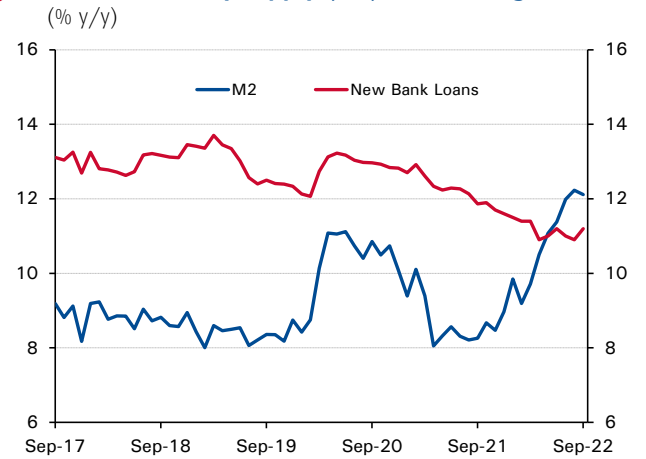
▶ **Chart 9: Consumer and producer price inflation**



CPI Inflation rose 2.8% y/y in September, mainly on higher food prices. Meanwhile, producer price inflation eased to 0.9% y/y.

Source: Haver Analytics

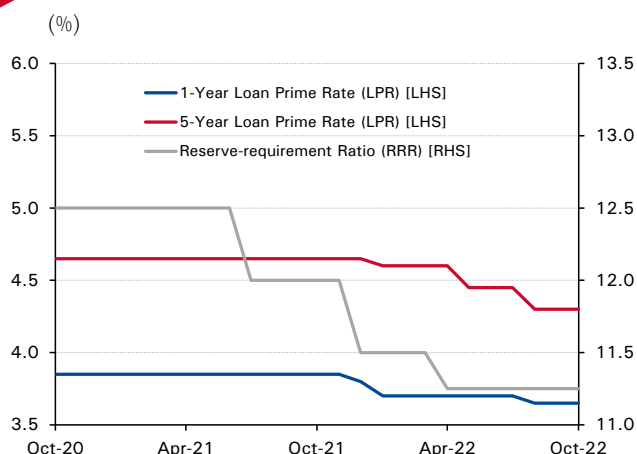
▶ **Chart 10: Money supply (M2) and credit growth**



M2 growth softened to 12.1% y/y in September while new bank loans rose 11.2% y/y amid extensive government lending.

Source: Haver Analytics

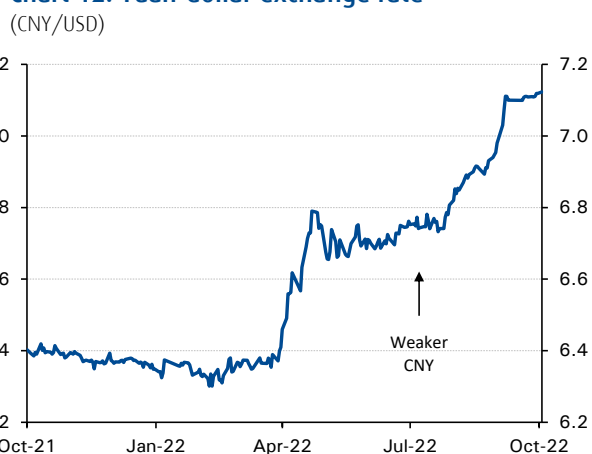
▶ **Chart 11: Interest rates**



The central bank kept key rates steady in its October meeting, seeking to limit pressure on the yuan...

Source: Haver Analytics

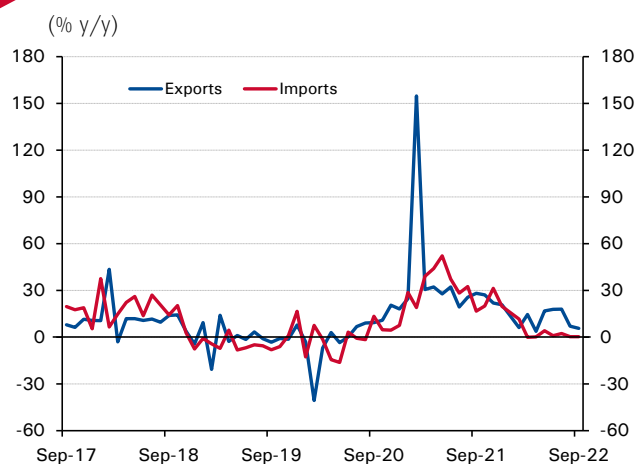
▶ **Chart 12: Yuan-dollar exchange rate**



...which weakened to levels last seen in 2008 on continued policy divergence with the US Fed.

Source: Haver Analytics

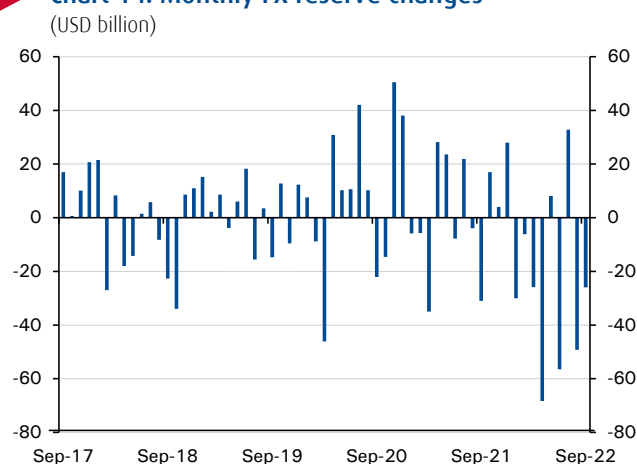
▶ **Chart 13: International trade**



Export growth eased in September (5.7% y/y) amid weak global demand. Import growth, however, remained muted (0.3% y/y).

Source: Haver Analytics

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



Foreign currency reserves fell by \$26 billion in September mostly on a general decline in global asset prices.

Source: Haver Analytics

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



The yield differential on US and China 10 year government bonds continued to soar amid central bank policy divergence.

Source: Refinitiv

▶ **Chart 16: Stock market**



The CSI 300 dropped 2% (-26% ytd) so far in October on policy announcements at the CCP Congress and mixed economic data.

Source: Haver Analytics

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