

# Chartbook

NBK Economic Research Department | 27 April 2022

## China

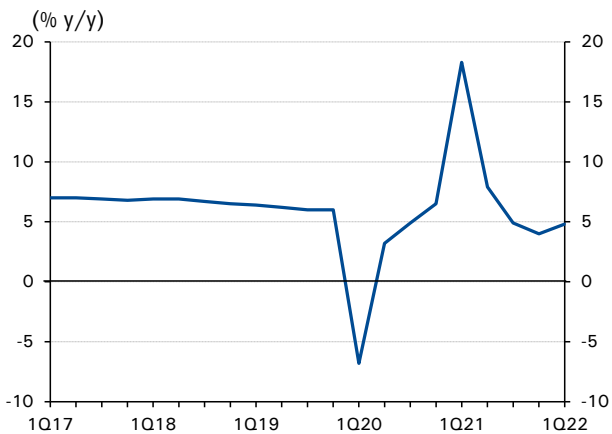
# Better than expected growth in Q1 but Covid outbreak and Ukraine war weigh on activity

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- GDP growth jumped to 4.8% y/y in 1Q22 on a strong performance in January-February.
- Manufacturing and service activities both contracted in March on Covid restrictions.
- Retail sales growth declined in March as lockdowns weighed on consumption.
- Consumer price inflation increased in March, while producer price inflation eased slightly.
- The central bank cut the reserve ratio requirement, providing further policy support.
- The stock market (CSI 300) has dropped 23.4% so far this year on economic slowdown fears.

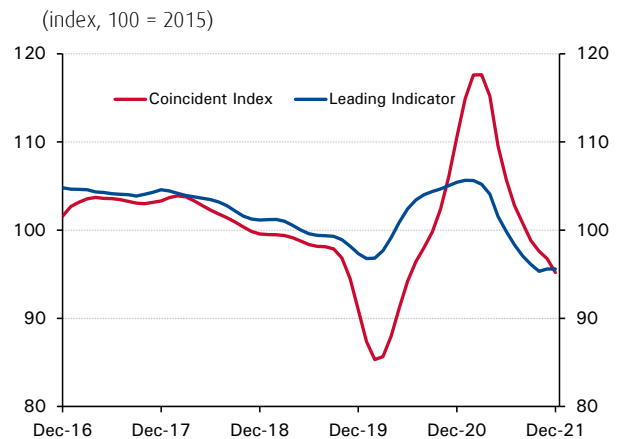
▶ **Chart 1: Real GDP growth**



GDP grew by 4.8% y/y in 1Q22, surpassing expectations of 4.4%, on strong retail sales and industrial production in Jan-Feb.

Source: Refinitiv

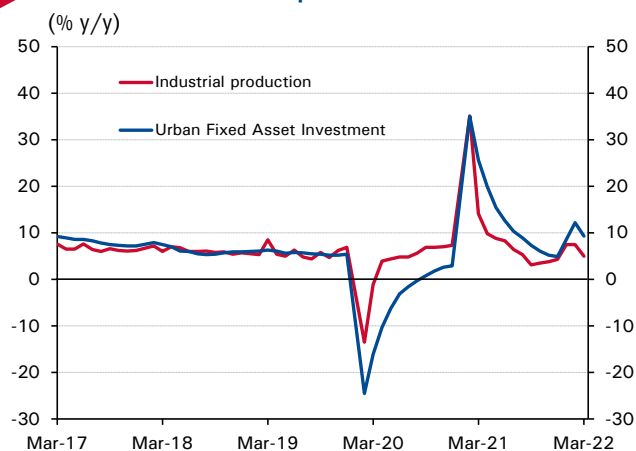
▶ **Chart 2: Macroeconomic climate**



December's leading indicator index remained unchanged, reflecting a neutral outlook on the upcoming months.

Source: Refinitiv

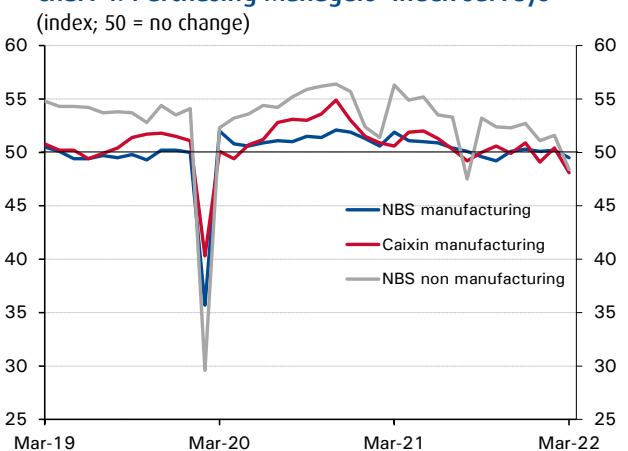
▶ **Chart 3: Industrial output and urban investment**



Both fixed asset investment (9.3% y/y) and industrial production (5%) growth eased in March amid Covid restrictions.

Source: Refinitiv

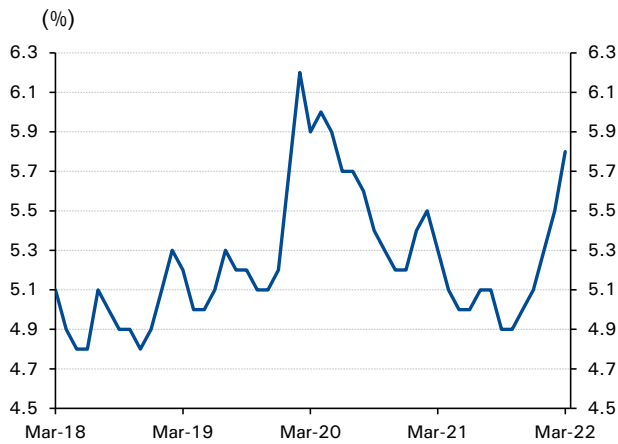
▶ **Chart 4: Purchasing Managers' Index surveys**



The manufacturing and service sectors contracted simultaneously in March on weaker activity—a first since February 2020.

Source: Refinitiv

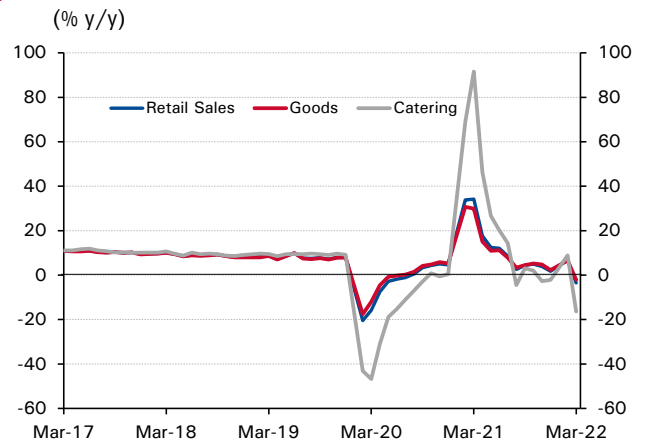
▶ **Chart 5: Unemployment rate**



The unemployment rate jumped to 5.8% in March amid lockdowns and mobility restrictions.

Source: Refinitiv

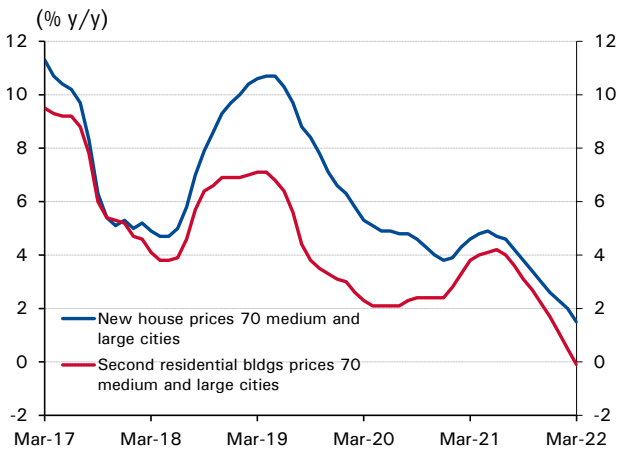
▶ **Chart 6: Retail sales**



Retail sales declined by 3.5% y/y in March as lockdowns curbed consumption.

Source: Refinitiv

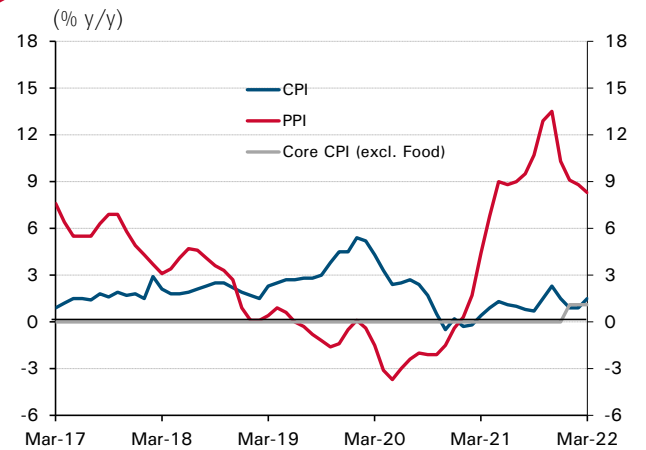
▶ **Chart 7: House prices in 70 medium & large cities**



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

Source: Refinitiv

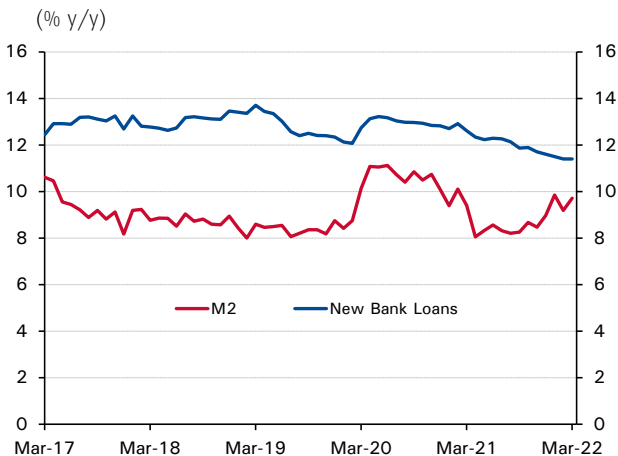
▶ **Chart 8: Consumer and producer price inflation**



Consumer price inflation increased in March (+1.5% y/y), while producer price inflation eased to a still-high 8.3% y/y.

Source: Refinitiv

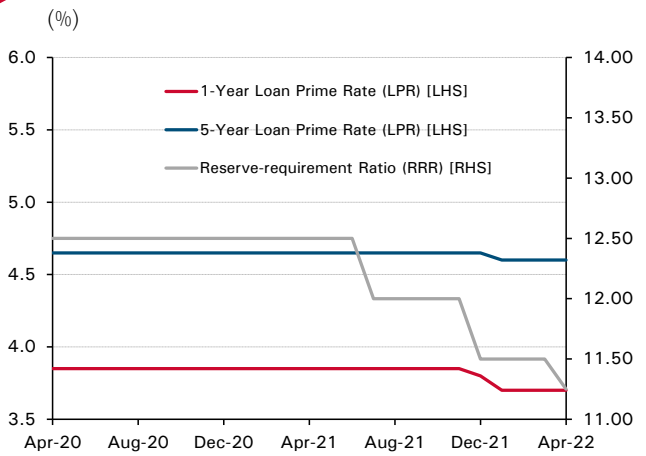
▶ **Chart 9: Broad money supply (M2) & credit growth**



New bank loan growth continues to ease (+11.4% y/y), while the central bank increased the money supply (+9.7%) and...

Source: Refinitiv

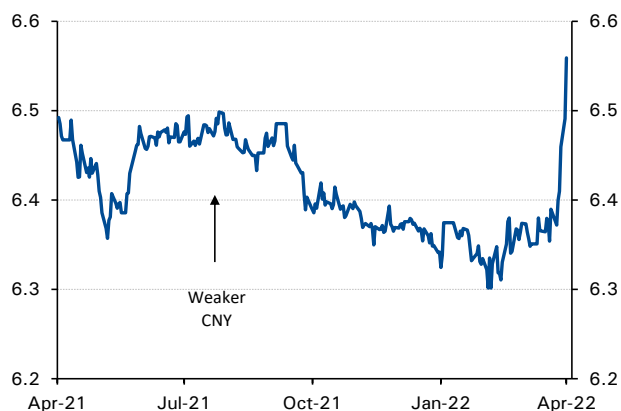
▶ **Chart 10: Interest rates**



...cut the banks' reserve requirement ratio, by 25 bps, for the second time since November to ease strains on the economy.

Source: Refinitiv

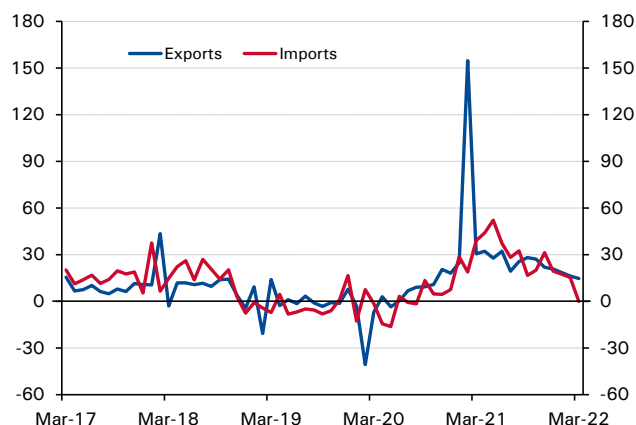
**Chart 11: Exchange rate**  
(CNY/USD)



The yuan depreciated in April (-2.9% ytd) as lockdowns dimmed currency demand; the PBoC cut banks' FX reserves ratio to stem weakness.

Source: Refinitiv

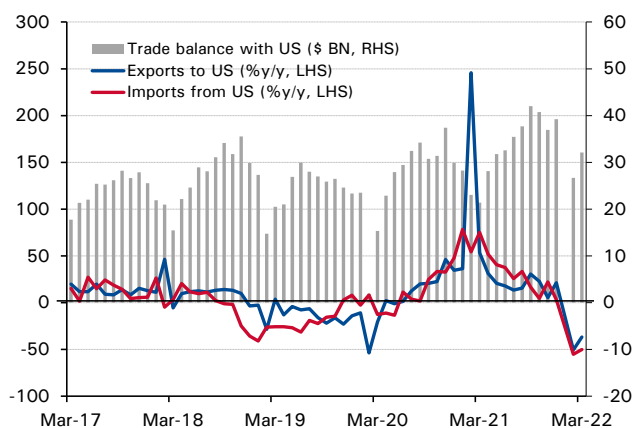
**Chart 12: International trade**  
(% y/y)



Covid curbs disrupted freight and domestic activity, forcing export growth to slow (+14.7% y/y) and imports to decline (-0.1%).

Source: Refinitiv

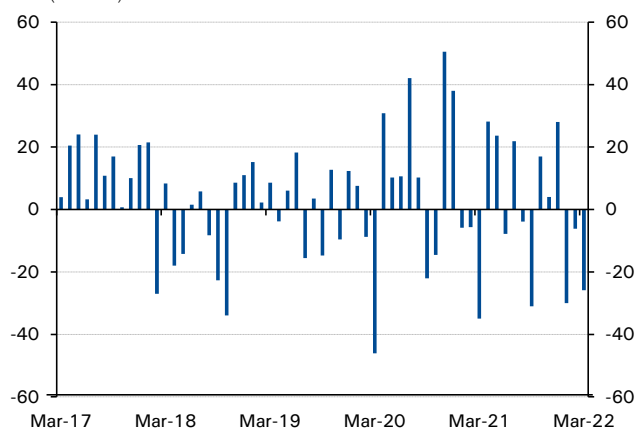
**Chart 13: Trade with the US**



Trade with the US declined in March, with exports and imports dipping 36.9% y/y and 50.1% y/y, respectively.

Source: Refinitiv

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



Foreign currency reserves decreased by \$25bn in March due to a fall in global asset prices and a strengthening in the US dollar.

Source: Refinitiv

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



Yields on US 10-year treasury notes surged in April as the US Fed raised rates; Chinese bond yields remained steady.

Source: Refinitiv

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



The CSI 300 has dropped 23.4% ytd as Covid outbreaks weighed on investor sentiment.

Source: Refinitiv

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