

Chartbook

NBK Economic Research Department | 7 May 2023

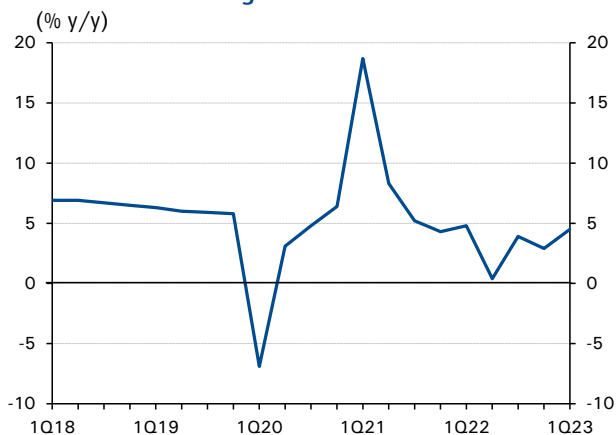
China

GDP surprises on the upside in 1Q23 though weak manufacturing weighs on the outlook

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- Economic activity accelerated 4.5% y/y in 1Q23 as the services sector rebounded following the re-opening.
- Industrial production jumped in March, while growth in fixed asset investments softened slightly.
- Manufacturing (PMI) contracted unexpectedly in April on subdued global demand; the non-manufacturing PMI reading also eased from its multi-year high.
- The property market showed early signs of recovery, with rising sales and a moderating pace of price decline.
- CPI inflation remained soft in March, giving authorities space to loosen policy further.
- New bank loans grew as economic activity rebounded and credit appetite increased.
- Chinese equities fell in April as investors turned cautious about the pace of the recovery amid mixed policy signals.

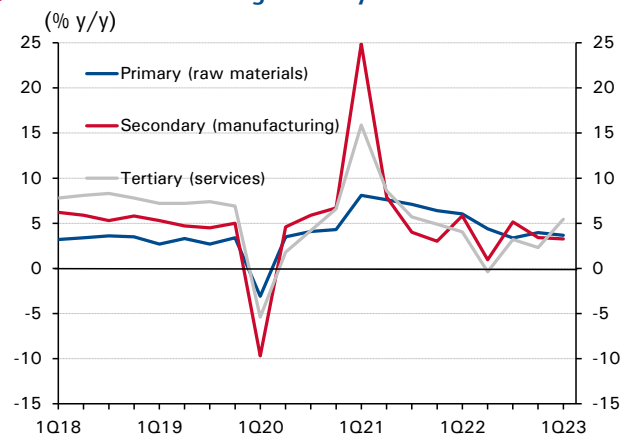
▶ **Chart 1: Real GDP growth**



GDP grew 4.5% y/y in 1Q23, beating market expectations, as economic activity recovered post-Covid.

Source: Haver Analytics

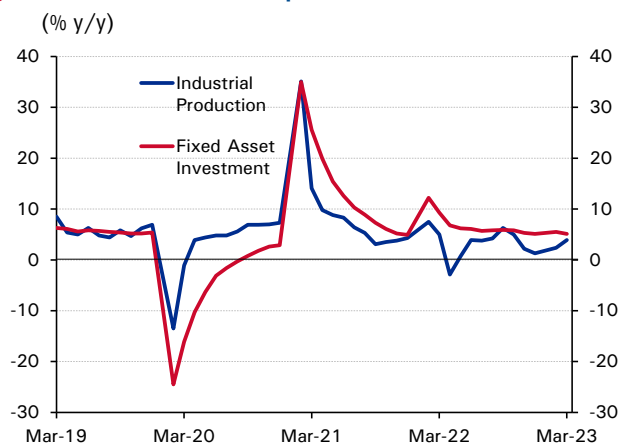
▶ **Chart 2: Real GDP growth by sector**



The services sector (60% of the economy) led the rebound at 5.4% y/y, while growth in manufacturing eased slightly to 3.3%.

Source: Haver Analytics

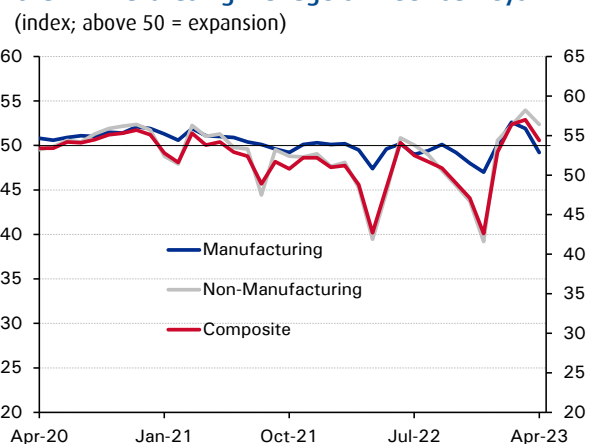
▶ **Chart 3: Industrial output and fixed investment**



Industrial production accelerated 3.9% y/y in March, while fixed asset investment growth softened slightly to 5.1% y/y.

Source: Haver Analytics

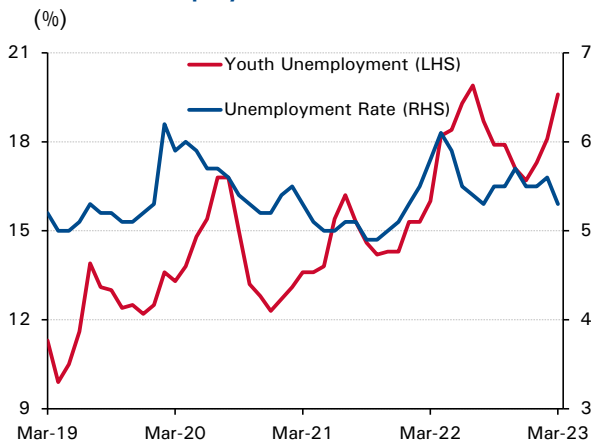
▶ **Chart 4: Purchasing Managers' Index surveys**



The composite PMI retreated in April (49.2) from its March record peak while manufacturing (49.2) contracted unexpectedly.

Source: Haver Analytics

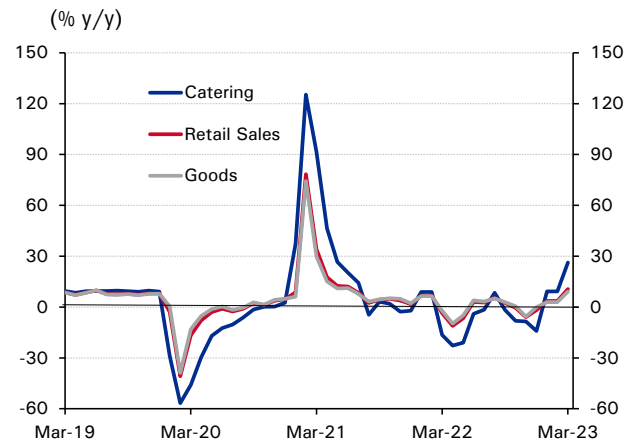
▶ **Chart 5: Unemployment rate**



Youth unemployment surged to 19.6% in March but the overall unemployment rate dropped to 5.3%.

Source: Haver Analytics, official sources

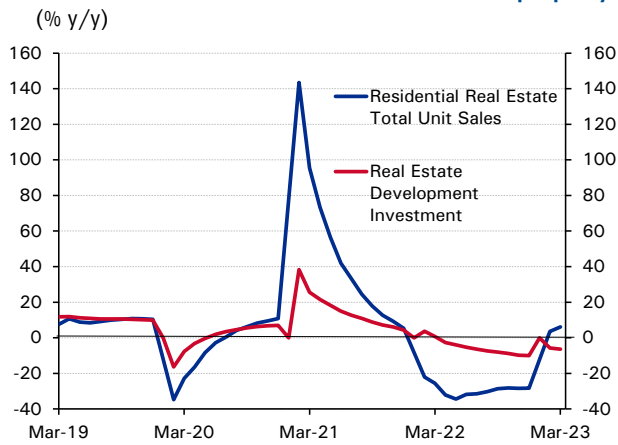
▶ **Chart 6: Retail sales**



Retail sales jumped 10.6% y/y in March, its fastest growth since June 2021, as demand for catering services soared 26.3% y/y.

Source: Haver Analytics

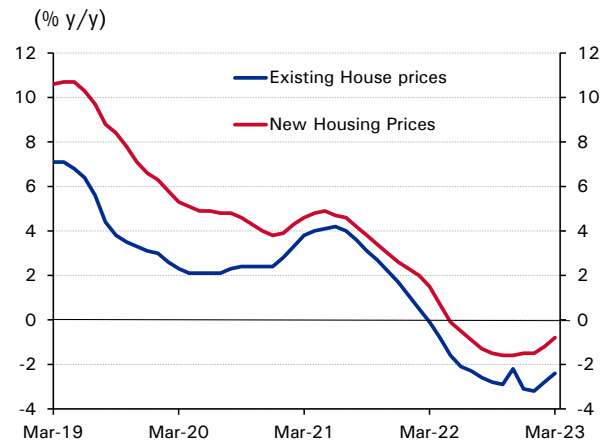
▶ **Chart 7: Sales & investments in residential property**



Residential real estate sales grew 6.0% y/y in March, the first expansion since the start of the property developer default crisis...

Source: Haver Analytics

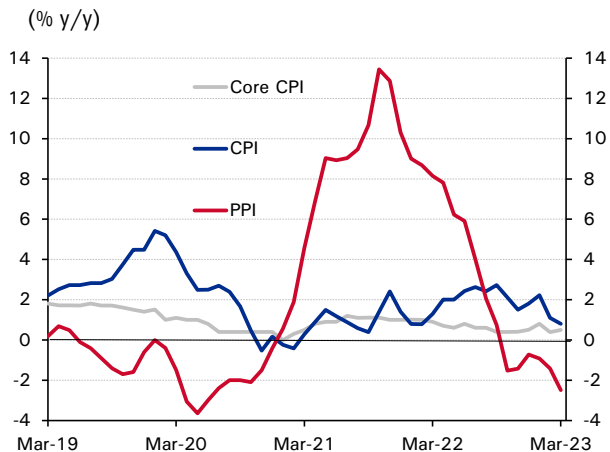
▶ **Chart 8: House prices in 70 medium & large cities**



...though home valuations still declined albeit at a softer pace for new (-0.8% y/y) and existing houses (-2.4% y/y).

Source: Refinitiv

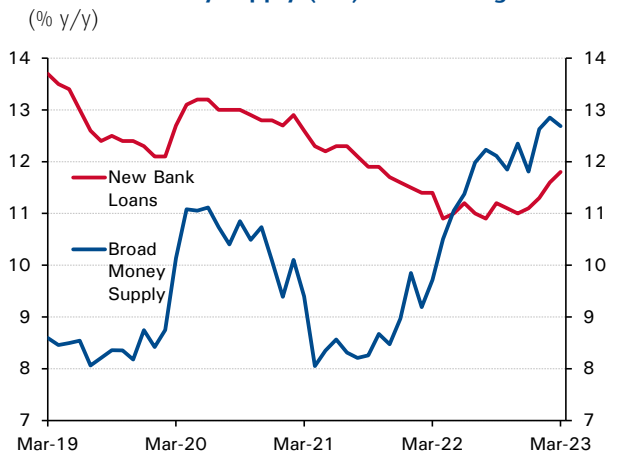
▶ **Chart 9: Consumer and producer price inflation**



Consumer price inflation remained muted at 0.8% y/y while deflation in producer prices quickened to 2.5% y/y.

Source: Haver Analytics

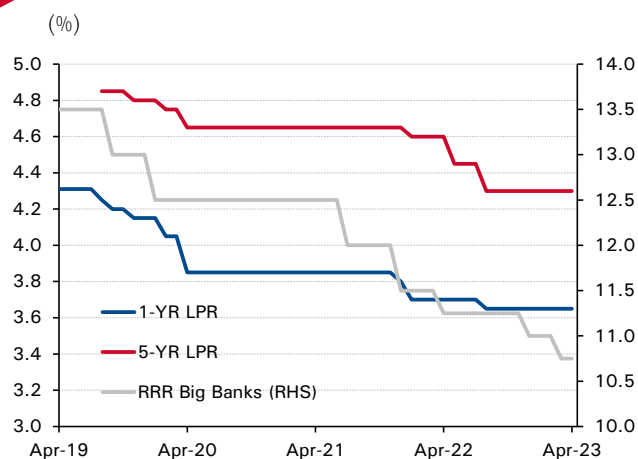
▶ **Chart 10: Money supply (M2) and credit growth**



New bank loans grew 11.8% y/y in March amid an increased appetite for credit and a pickup in economic activity.

Source: Haver Analytics

▶ **Chart 11: Interest rates**



The central bank held key interest rates steady in April though low domestic inflation gives the bank room to keep policy loose.

Source: Haver Analytics

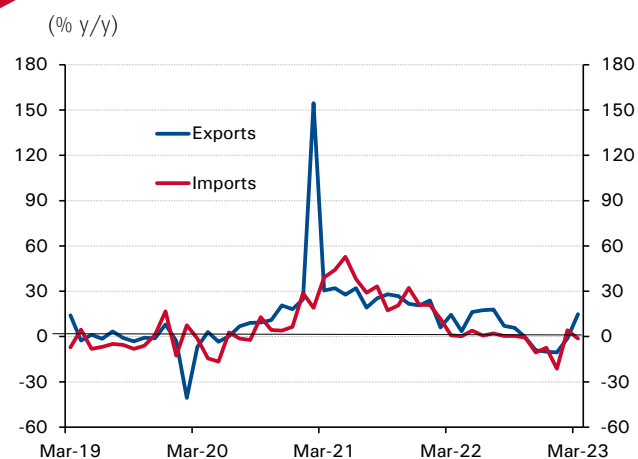
▶ **Chart 12: Yuan-dollar exchange rate**



The yuan weakened 0.5% against the dollar in April as an uneven recovery bolstered the case for further policy loosening.

Source: Haver Analytics

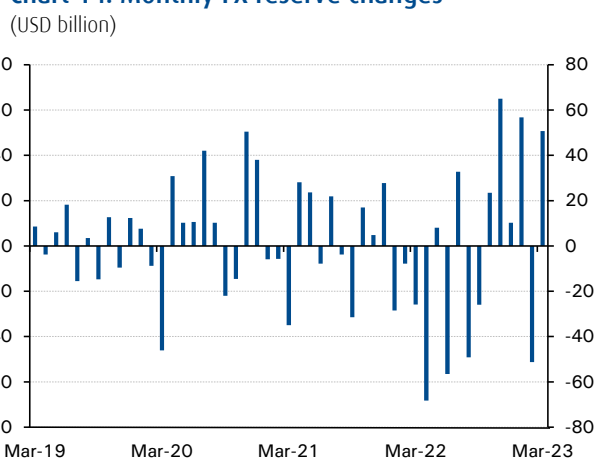
▶ **Chart 13: International trade**



Exports surged 14.8% y/y in March, snapping a 5-month losing streak but imports fell 1.4%, implying weak local consumption.

Source: Haver Analytics

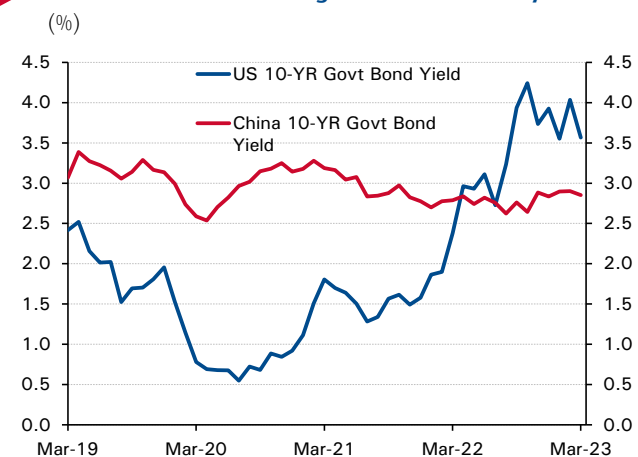
▶ **Chart 14: Monthly FX reserve changes**



FX reserves rose \$50.7bn in March, likely on rising gold and international bond prices amid dollar weakness.

Source: Haver Analytics

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



Yields on 10Y UST bonds fell in March amid expectations of a pause in rate-hikes while yields on yuan bonds were largely flat.

Source: Haver Analytics

▶ **Chart 16: Stock market**



Chinese equities fell in April as doubt about the pace of economic recovery grew amid mixed policy signals.

Source: Haver Analytics

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