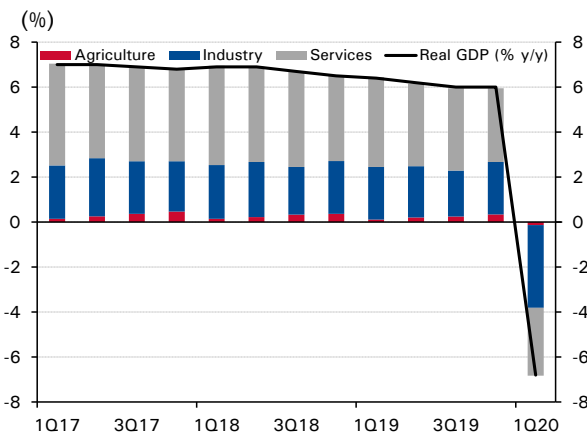


# Economic recovery post-lockdown weighed down by slump in global demand

- GDP contracted by 6.8% y/y in Q1 as the virus outbreak ravaged demand and factory activity.
- Industrial production has rebounded post-lockdown, consumer spending and investment remain in decline.
- Manufacturing activity surveys point to a gradual, albeit tepid, recovery due to lackluster external demand.
- The yuan has trended lower against the US dollar amid a weaker economic outlook and fresh US tensions.
- Core CPI remains subdued which will help the PBoC maintain an accommodative policy stance.
- The PBoC has stepped up its pace of monetary easing to boost lending activity and support growth.

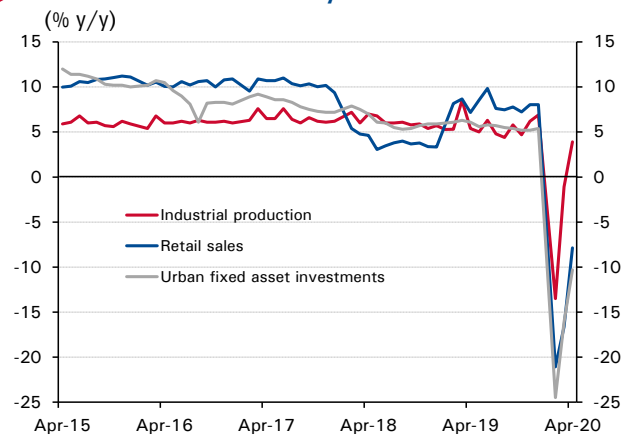
▶ **Chart 1: Real GDP growth & contribution to GDP**



GDP contracted by 6.8% in Q1, the largest fall in decades, as virus containment measures weighed on demand and factory output.

Source: Refinitiv

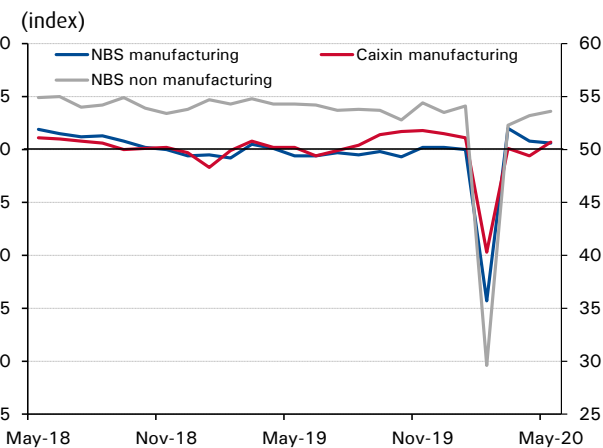
▶ **Chart 2: Economic activity**



Growth in industrial output sees a sharp 'V'-shaped recovery post-lockdown measures in March. But retail sales and investments remain in contractionary territory.

Source: Refinitiv

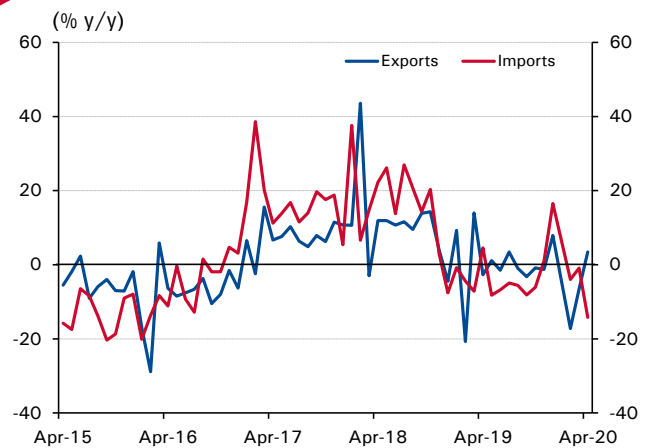
▶ **Chart 3: Purchasing Managers' Index surveys**



The recovery in manufacturing activity appears to have tapered off recently, not least because of the slump in global demand.

Source: Refinitiv

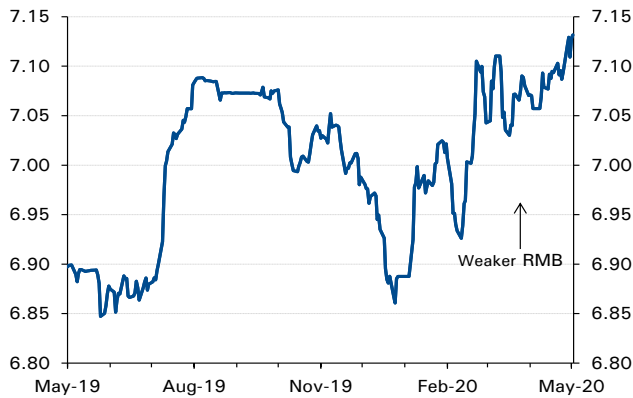
▶ **Chart 4: International trade**



The surprise rebound in export growth in April appears to have largely been driven by backlog orders and is likely to be temporary. Imports declined further on weak domestic demand.

Source: Refinitiv

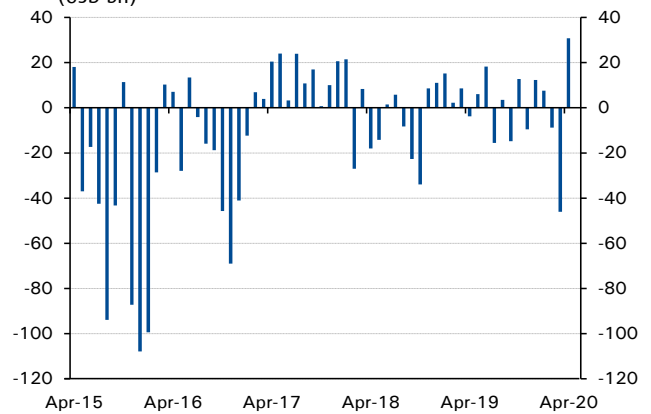
**Chart 5: Exchange rate**  
(RMB/USD)



The yuan has so far trended lower against the USD this year, amid a weaker economic outlook and fresh tensions with the US.

Source: Refinitiv

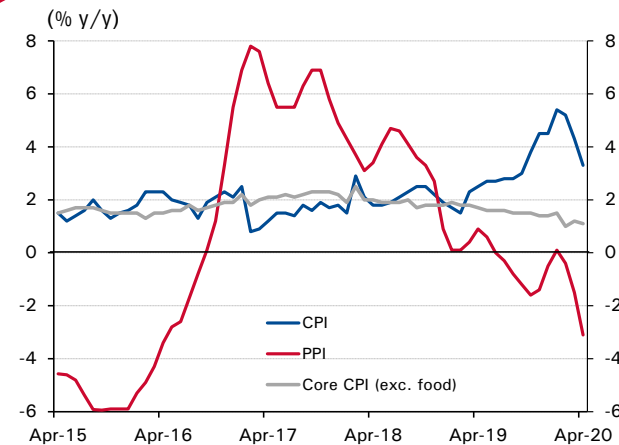
**Chart 6: Monthly FX reserve change**  
(USD bn)



The central bank's FX reserves witnessed a strong rebound in April, reflecting the resumption, albeit gradual, of economic activity during the same month.

Source: Refinitiv

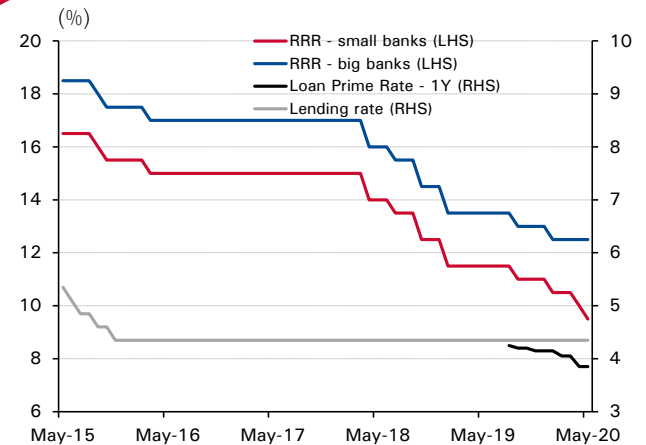
**Chart 7: Inflation**



Core CPI remains soft giving the central bank more room to ease its monetary policy if need be. The PPI remains in deflationary territory amid sluggish industrial demand.

Source: Refinitiv

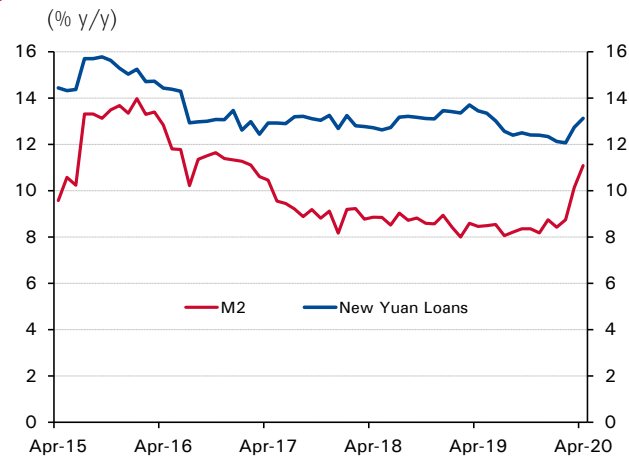
**Chart 8: Nominal interest rates**



The PBoC has stepped up its pace of monetary easing in an attempt to prop up the economy. It has cut its market-driven LPR, its main policy rate, twice this year.

Source: Refinitiv

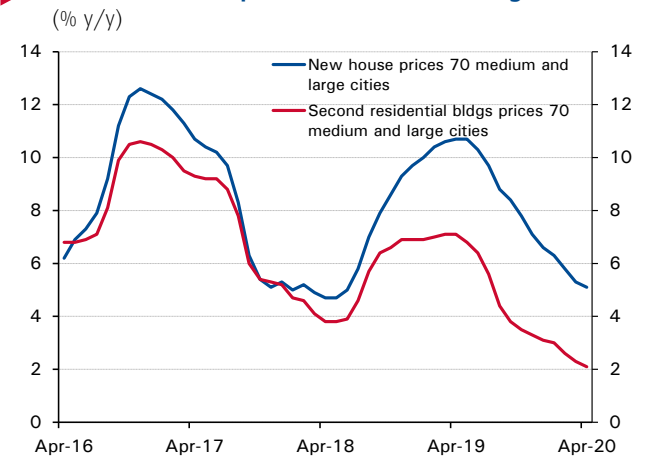
**Chart 9: Broad money supply & credit lending**



M2 growth edges higher amid an ease in monetary conditions. Meanwhile, growth in new loans also picked up recently on the back of lower borrowing costs.

Source: Refinitiv

**Chart 10: House prices 70 medium & large cities**



House price increases continue to trend lower as stringent measures to prevent speculative buying remain in place.

Source: Refinitiv

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