

# Chartbook

NBK Economic Research Department | 27 June 2022

## China

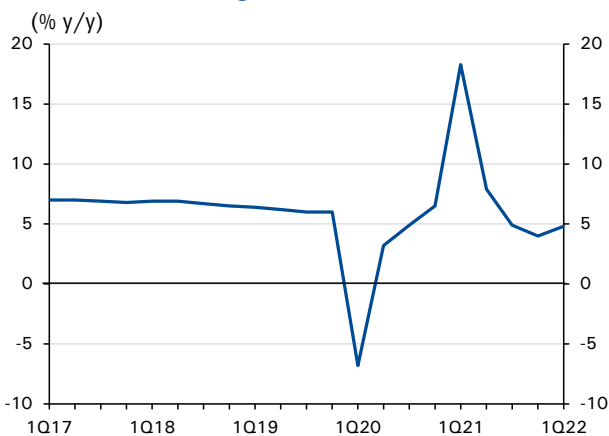
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# Signs of tentative economic recovery as China slowly emerges from Covid lockdown

- Strong 1Q22 growth is unlikely to offset the expected slowdown in 2Q22 due to the pandemic lockdowns; the government's target of 5.5% real GDP growth in 2022 is unlikely to be met.
- Retail sales growth was negative in May for the fourth consecutive month amid extended Covid restrictions.
- Manufacturing and service activities contracted for the third consecutive month in May, albeit at a slower rate.
- Producer price inflation softened to a 14-month low on weaker demand for industrial commodities.
- The PBoC kept rates steady in June amid the tentative economic recovery, diverging with global central banks.
- Equities reacted favorably to government support plans, with the CSI 300 paring back some of its losses.

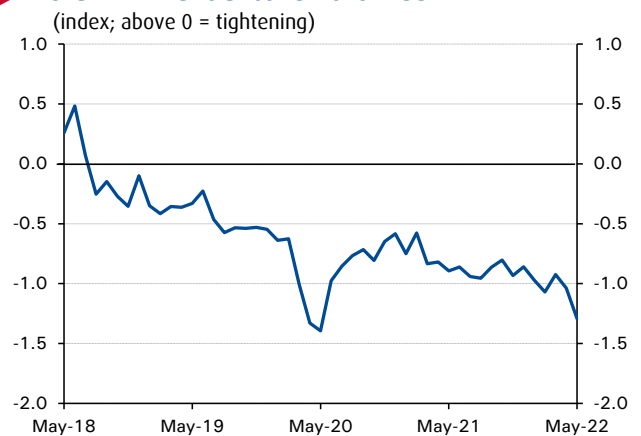
▶ **Chart 1: Real GDP growth**



While GDP growth surprised on the upside in 1Q22, it is likely to slow in 2Q22 due to the impact of extended Covid-19 lockdowns.

Source: Refinitiv

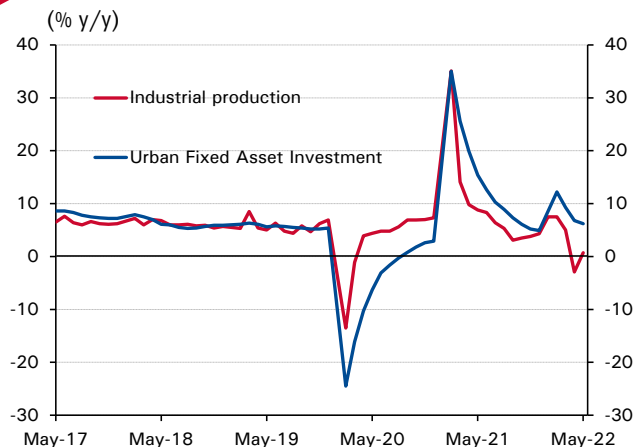
▶ **Chart 2: Financial conditions index**



Government efforts to ease financial conditions continued in May, with hopes of spurring credit growth and economic activity.

Source: Yicai, Haver Analytics.

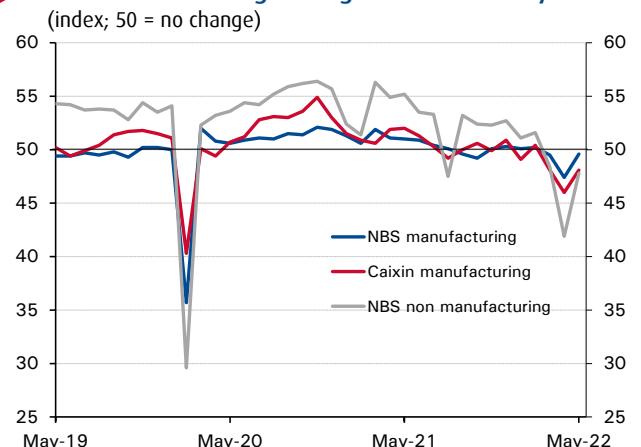
▶ **Chart 3: Industrial output and urban investment**



Industrial production expanded by 0.7% y/y in May on higher manufacturing output, while fixed investment grew 6.2% y/y.

Source: Refinitiv

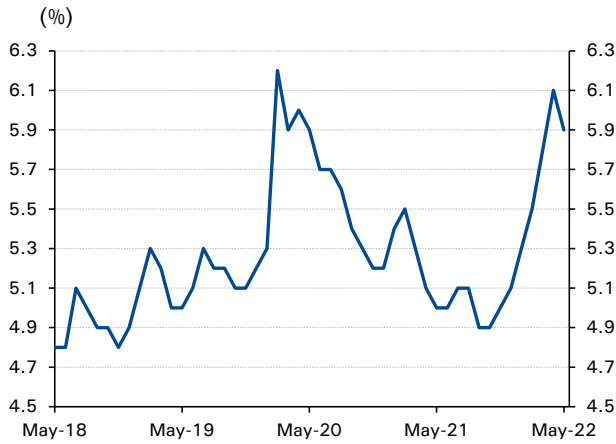
▶ **Chart 4: Purchasing Managers' Index surveys**



PMI figures for May continued to show activity contracting, albeit at a slower pace as Covid restrictions began easing.

Source: Refinitiv

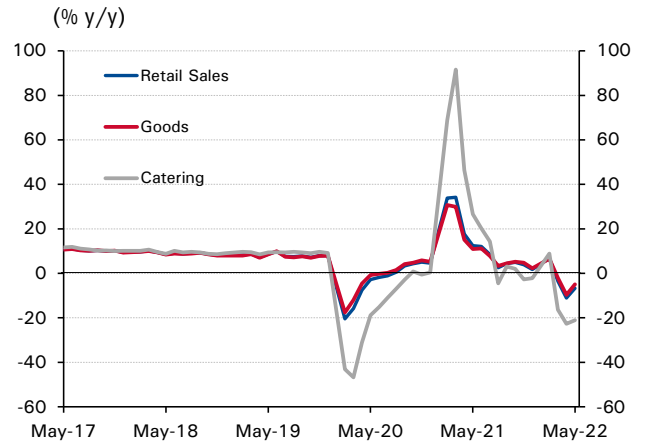
▶ **Chart 5: Unemployment rate**



The unemployment rate declined to 5.9% in May after hitting a 2-year high in the previous month.

Source: Refinitiv

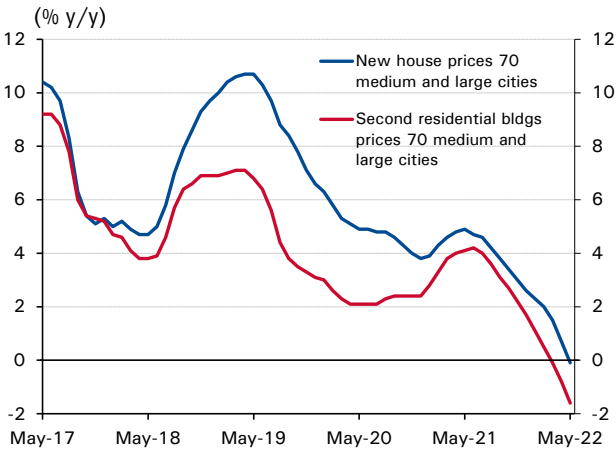
▶ **Chart 6: Retail sales**



In May, retail sales growth was negative for the fourth month in a row (-6.7% y/y); services was especially hard-hit.

Source: Refinitiv

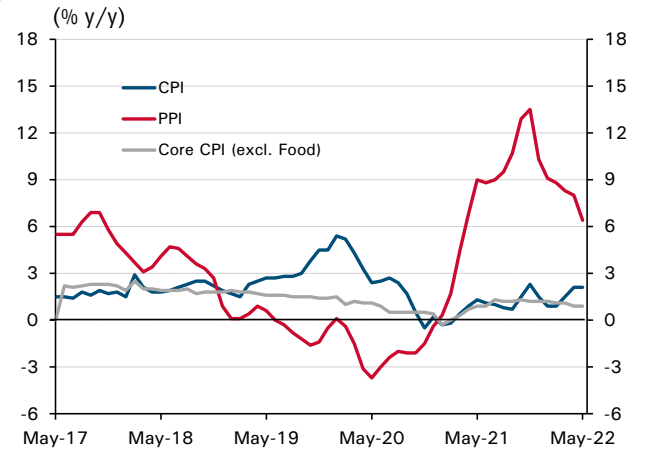
▶ **Chart 7: House prices in 70 medium & large cities**



Growth in new house prices dropped in May (-0.1% y/y) for the first time since 2015 on lower buyer confidence.

Source: Refinitiv

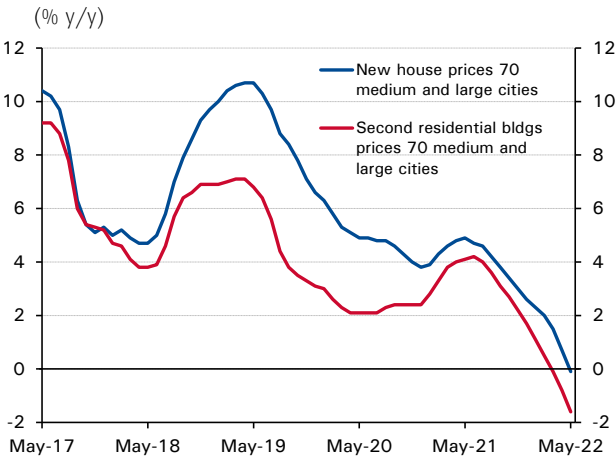
▶ **Chart 8: Consumer and producer price inflation**



Producer price inflation eased to a 14-month low of 6.4% y/y in May, while consumer price inflation was unchanged at 2.1% y/y.

Source: Refinitiv

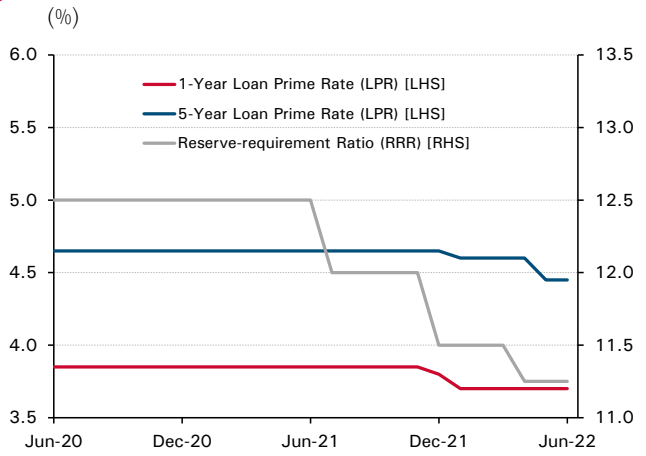
▶ **Chart 9: Broad money supply (M2) & credit growth**



M2 expanded in May (+11.1% y/y) on central bank attempts to improve liquidity. New bank loans improved slightly (+11% y/y).

Source: Refinitiv

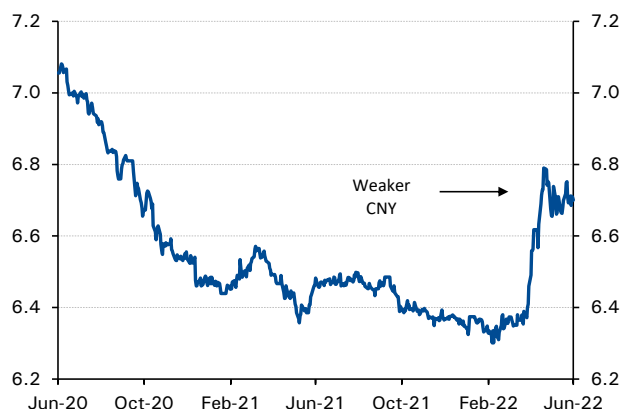
▶ **Chart 10: Interest rates**



The PBoC kept rates steady in June amid a tentative economic recovery and further global central bank monetary tightening.

Source: Refinitiv

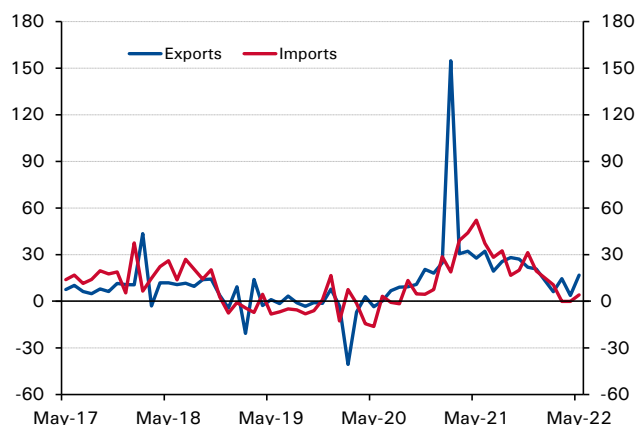
**Chart 11: Exchange rate**  
(CNY/USD)



The yuan weakened to October 2020 levels largely on dollar strength but also due to relatively looser monetary policy.

Source: Refinitiv

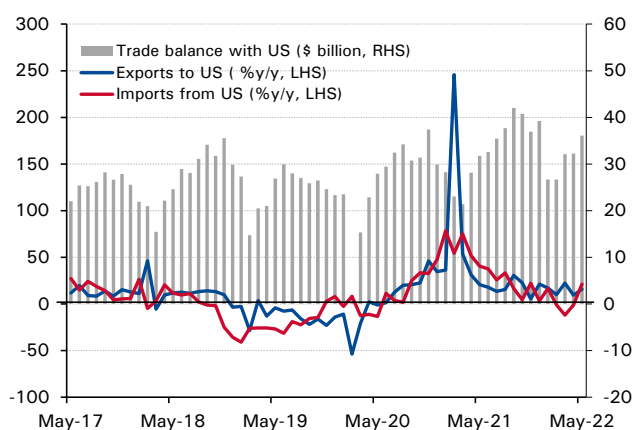
**Chart 12: International trade**  
(% y/y)



Exports (+16.9% y/y) and imports (+4.1%) rebounded in May, in a sign that business activity and consumption were picking up.

Source: Refinitiv

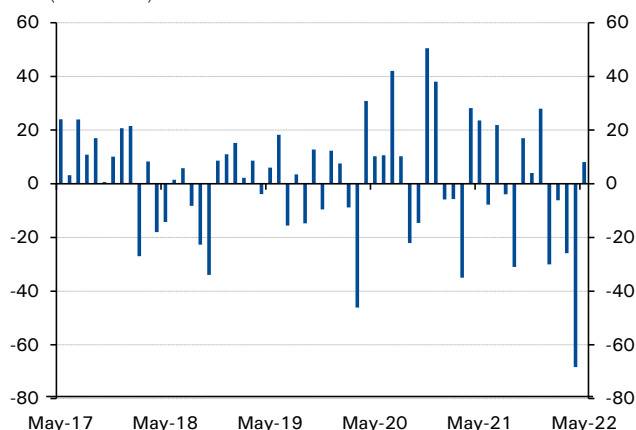
**Chart 13: Trade with the US**



China's trade surplus with the US increased to \$36bn in May; import growth (+21.2% y/y) outpaced export growth (+15.7%).

Source: Refinitiv

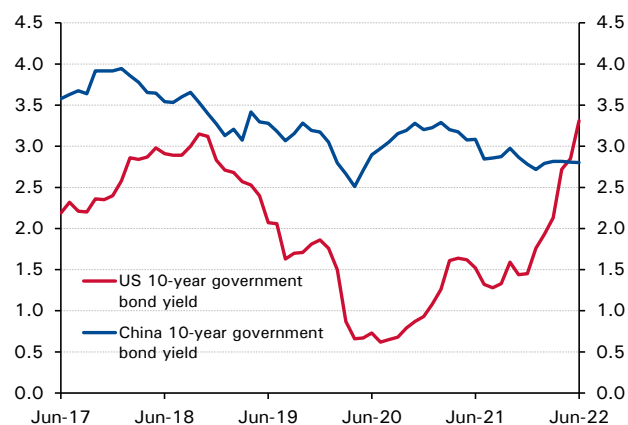
**Chart 14: Monthly FX reserve changes**  
(USD billion)



Foreign currency reserves increased by \$8bn in May on changing global asset prices and a pullback in the dollar index.

Source: Refinitiv

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



Yields on US 10-yr treasuries exceeded their Chinese counterparts for the first time in a decade on diverging monetary policies.

Source: Refinitiv

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



The CSI 300 reacted positively to government support measures, gaining 7.6% in June (-11% ytd).

Source: Refinitiv

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