Key economic indicators remain soft as stagflation worries rise

- GDP growth slowed in 3Q21 on energy shortages and a property market slowdown.
- Manufacturing activity remained soft in November despite signs of energy shortages easing slightly.
- Retail sales rose in October, outperforming expectations on higher spending on goods.
- Producer price inflation hit a 26-year high as firms face higher energy and raw material costs.
- The central bank kept its policy rates unchanged in November but has hinted at a cut given current conditions.
- The yuan appreciated against the US dollar in November on brighter export prospects.

Chart 1: Real GDP growth (% y/y)

Growth (4.9% y/y) slowed to its lowest rate in a year in 3Q21 as energy shortages and a property slowdown impeded recovery.

Source: Refinitiv

Chart 2: Macroeconomic climate (index, 100 = 2015)

Macroeconomic climate indicators continued to dip in August as economic activity moderated.

Source: Refinitiv

Chart 3: Industrial prod. and urban investment (% y/y)

Fixed asset investment eased in October (6.1% y/y) while industrial production (3.5% y/y) growth picked up, breaking an 8-month softening trend.

Source: Refinitiv

Chart 4: Purchasing Managers’ Index surveys (index; 50 = no change)

Official factory activity edged up in November as commodity prices stabilised while energy rationing measures eased.

Source: Refinitiv
Consumer confidence increased in September after Covid-19 outbreaks eased in multiple regions.

Retail sales (4.9% y/y) continued to grow despite fresh Covid-19 outbreaks in October as consumer spending on goods helped lift the month’s figures.

New and old house price growth continued to decline as government property market curbs and restrictions on housing speculation cool prices.

Producer price inflation (13.5% y/y) surged in October, hitting a 26-year high amid rising energy and raw material costs. The consumer price index also rose to 1.5% from a year earlier.

Growth in new bank loans in October was unchanged from the previous month while M2 grew by 8.7%.

The PBoC left interest rates unchanged in November. The bank has signaled its willingness to ease monetary policy should macroeconomic conditions continue to soften.
China’s export growth (27.1% y/y) outperformed expectations despite a slight slowdown from a month earlier. Imports (20.4% y/y), however, grew less than expected.

The trade surplus with the US decreased slightly to $40.7 bln as growth in both exports to and imports from the US slowed to 22.7% and 4.6% (y/y), respectively.

The Shanghai stock index were largely unchanged in November despite ongoing real estate concerns.

Official foreign reserves increased to $3.218 trn in October marking the first monthly increase since July.

Chinese government bond yields slumped after the PBOC hinted at a possible rate cut while US yields declined slightly amid worries over the new Covid-19 variant.