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Chartbook

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China

Key economic indicators remain soft as stagflation worries rise

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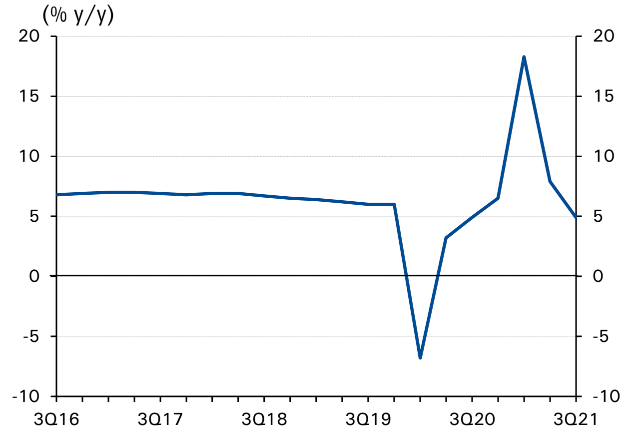
- GDP growth slowed in 3Q21 on energy shortages and a property market slowdown.
- Manufacturing activity remained soft in November despite signs of energy shortages easing slightly.
- Retail sales rose in October, outperforming expectations on higher spending on goods.
- Producer price inflation hit 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)

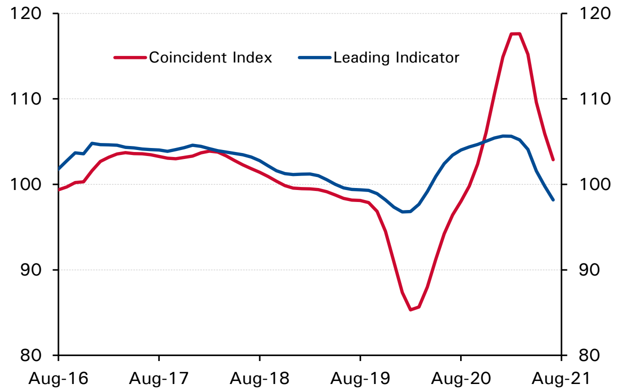


Growth (4.9% y/y) slowed to its lowest rate in a year in 3Q21 as energy shortages and a property slowdown impeded recovery.

Source: Refinitiv

Chart 2: Macroeconomic climate

(index, 100 = 2015)

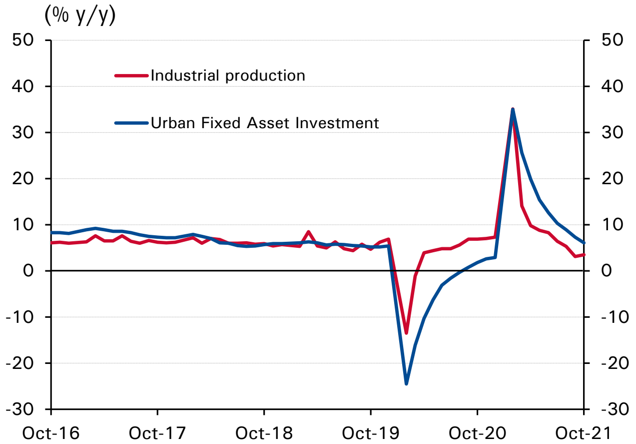


Macroeconomic climate indicators continued to dip in August as economic activity moderated.

Source: Refinitiv

Chart 3: Industrial prod. and urban investment

(% y/y)

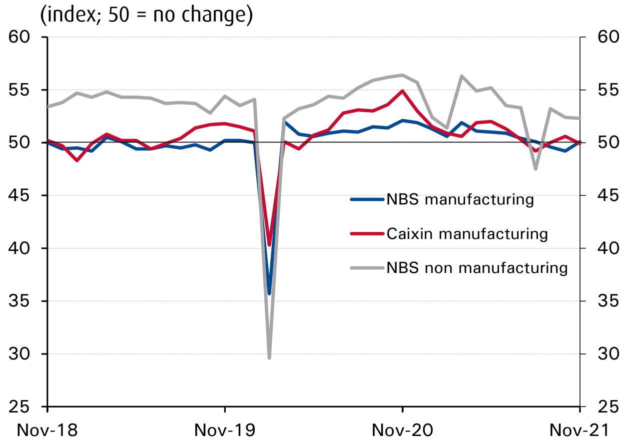


Fixed asset investment eased in October (6.1% y/y) while industrial production (3.5% y/y) growth picked up, breaking an 8-month softening trend.

Source: Refinitiv

Chart 4: Purchasing Managers' Index surveys

(index; 50 = no change)



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

Source: Refinitiv

Chart 5: Consumer confidence

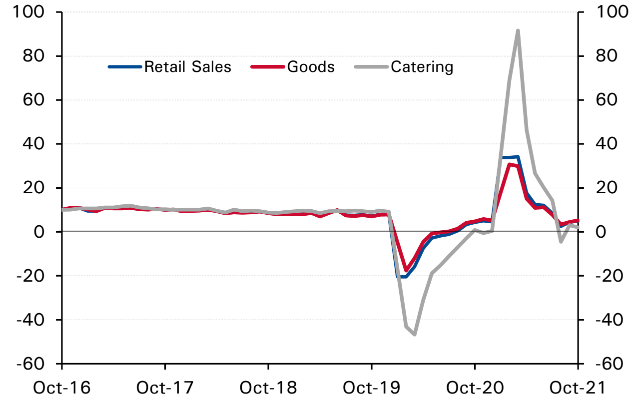
(index, 100 = no change)

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

Source: Refinitiv

Chart 6: Retail sales

(% y/y)

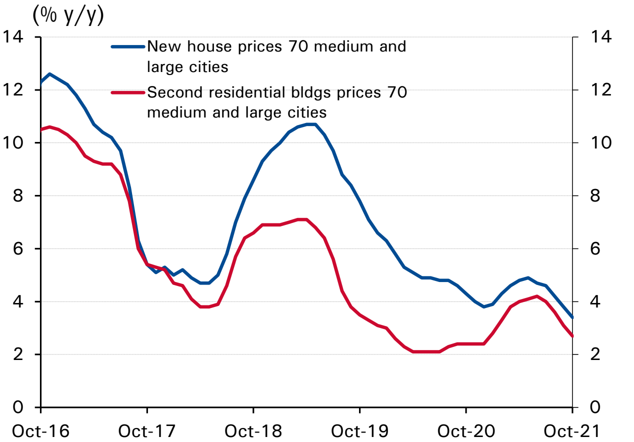


Retail sales (4.9% y/y) continued to grow despite fresh Covid-19 outbreaks in October as consumer spending on goods helped lift the month's figures.

Source: Refinitiv

Chart 7: House prices in 70 medium & large cities

(% y/y)

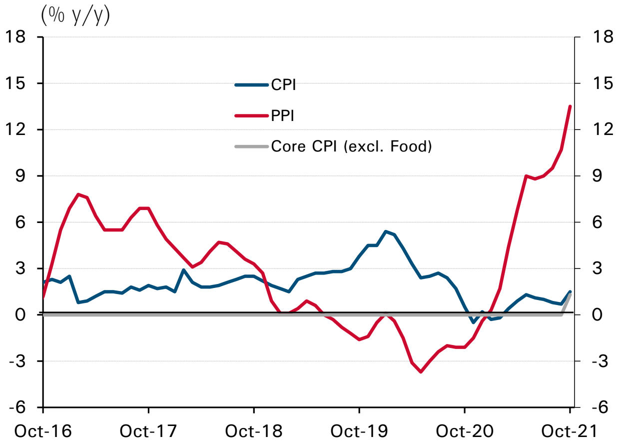


New and old house price growth continued to decline as government property market curbs and restrictions on housing speculation cool prices.

Source: Refinitiv

Chart 8: Inflation

(% y/y)

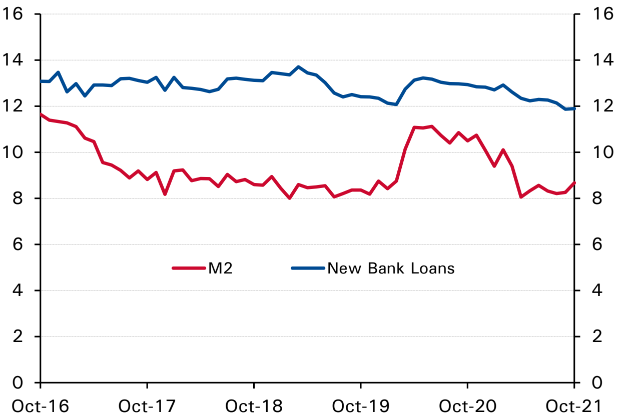


Producer price inflation (13.5% y/y) surged in October, hitting a 26-year high amid rising energy and raw material costs. The consumer price index also rose to 1.5% from a year earlier.

Source: Refinitiv

Chart 9: Broad money supply & credit lending

(% y/y)

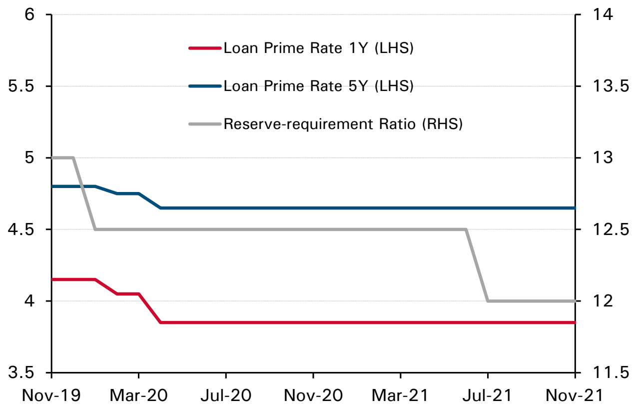


Growth in new bank loans in October was unchanged from the previous month while M2 grew by 8.7%.

Source: Refinitiv

Chart 10: Nominal interest rates

(%)

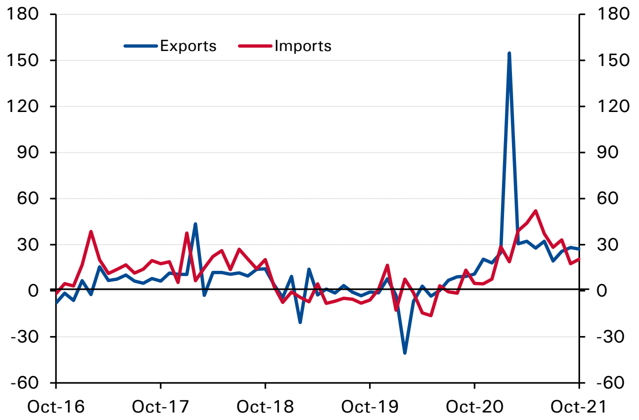


The PBoC left interest rates unchanged in November. The bank has signaled its willingness to ease monetary policy should macroeconomic conditions continue to soften.

Source: Refinitiv

Chart 11: International trade

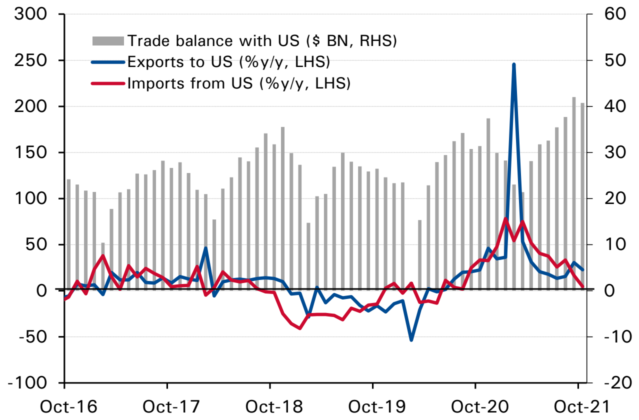
(% y/y)



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.

Source: Refinitiv

Chart 12: Trade with the US



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.

Source: Refinitiv

Chart 13: Stock Market

(CSI 300)

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

Source: Refinitiv

Chart 14: Exchange rate

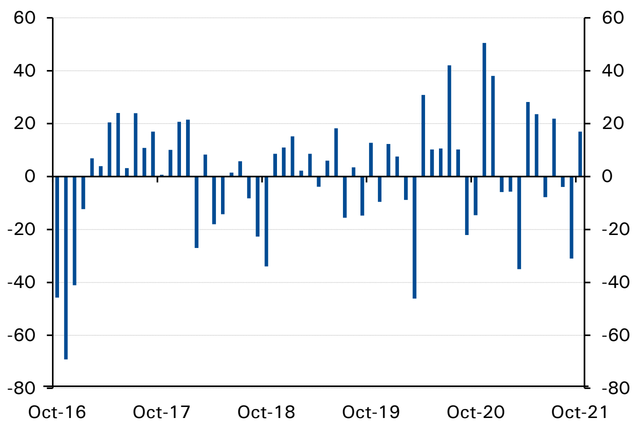
(CNY/USD)

The yuan sustained its recent strength against the dollar in November helped by a rise in China's trade surplus and prospects of cuts in US tariffs.

Source: Refinitiv

Chart 15: Monthly FX reserve change

(USD bn)

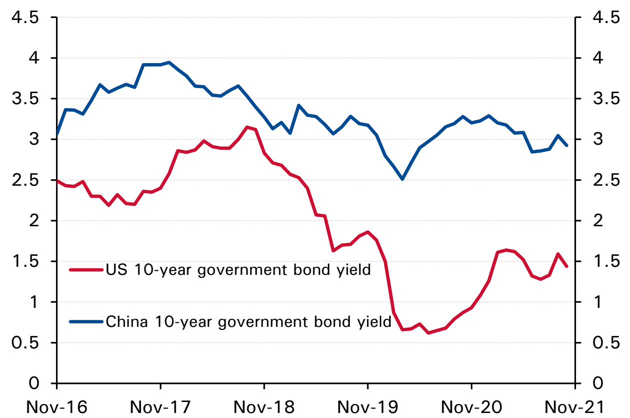


Official foreign reserves increased to $3.218 trn in October marking the first monthly increase since July.

Source: Refinitiv

Chart 16: China and US government bond yields

(%)



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.

Source: Refinitiv

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