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Chartbook

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China

Softening economic activity prompts policy intervention

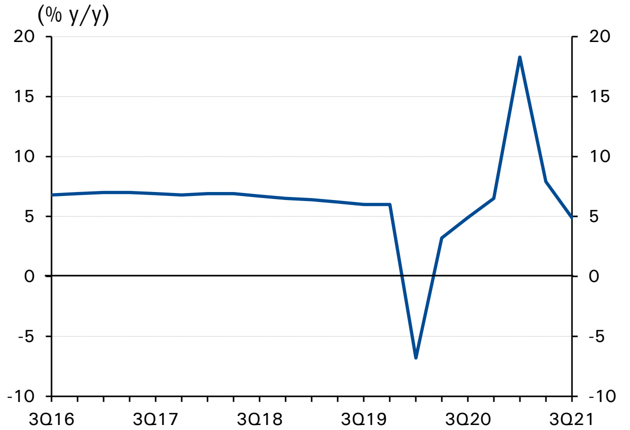
> Mohammad Al-Shehri
Research Assistant
+965 2259 5373
Mohammadalshehri@nbk.com

> Omar Al-Nakib
Senior Economist
+965 2259 5360
omarnakib@nbk.com

- GDP growth slowed in 3Q21 on energy shortages and a property market slowdown.
- Manufacturing activity expanded in November as commodity prices stabilized and energy restrictions eased.
- Retail sales slowed in November, with sporadic Covid outbreaks weighing on consumption.
- Producer price inflation eased from 26-year highs as government efforts to control prices took effect.
- The central bank cut key rates in December to support the economy.
- The yuan appreciated against the US dollar in December despite rate cuts.

Chart 1: Real GDP growth

(% y/y)

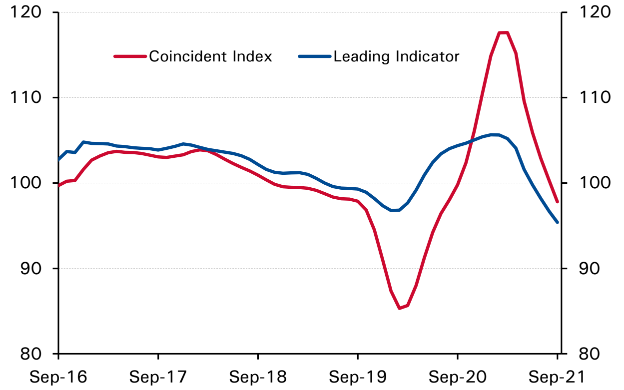


Growth slowed to 4.9% y/y in 3Q21, its weakest in a year, dragged down by energy shortages and a property slowdown.

Source: Refinitiv

Chart 2: Macroeconomic climate

(index, 100 = 2015)

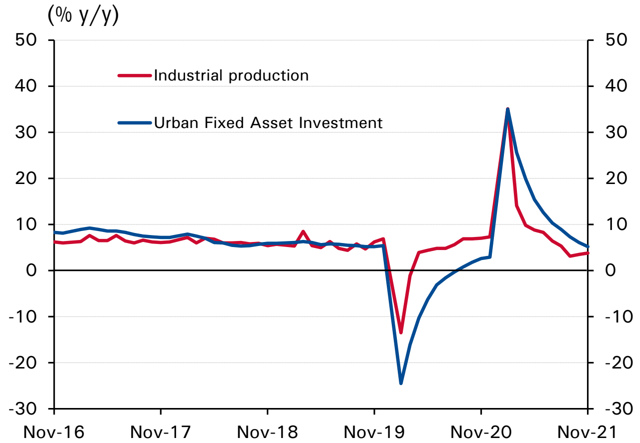


Macroeconomic climate indicators continued to soften in September, reflecting the slowdown in economic activity in 3Q21.

Source: Refinitiv

Chart 3: Industrial output and urban investment

(% y/y)

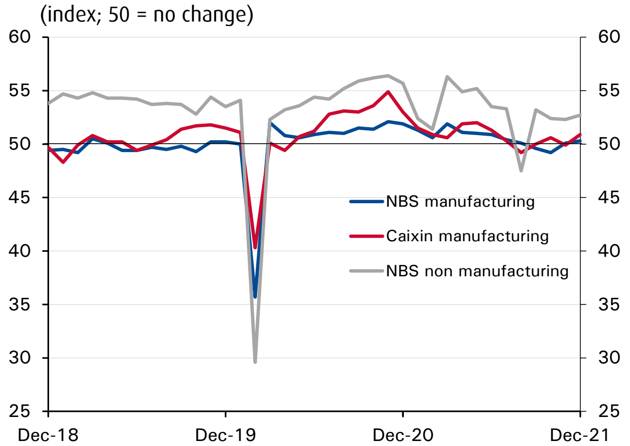


In Nov, industrial production ticked up again (3.8% y/y) but fixed asset investment growth continued to slow (5.2% y/y).

Source: Refinitiv

Chart 4: Purchasing Managers' Index surveys

(index; 50 = no change)

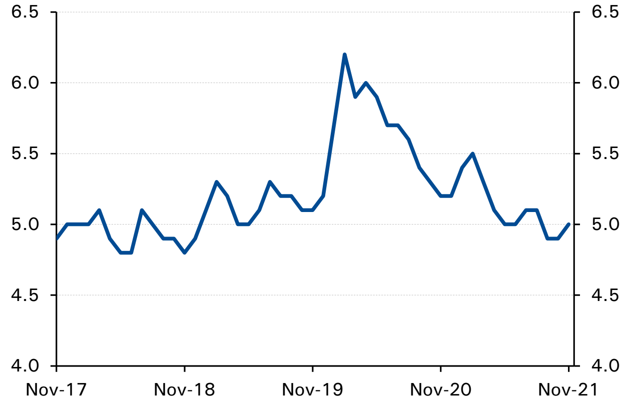


PMI readings in December, though subdued, showed a general improvement in activity in both manufacturing and services.

Source: Refinitiv

Chart 5: Unemployment rate

(%)

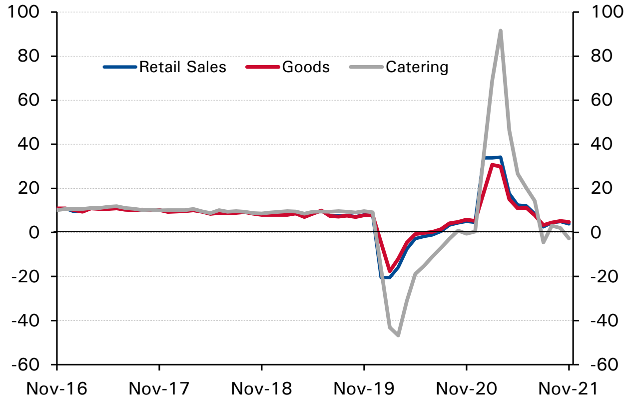


The unemployment rate rose slightly to 5% in November from 4.9% in October amid more uncertain economic conditions.

Source: Refinitiv

Chart 6: Retail sales

(% y/y)

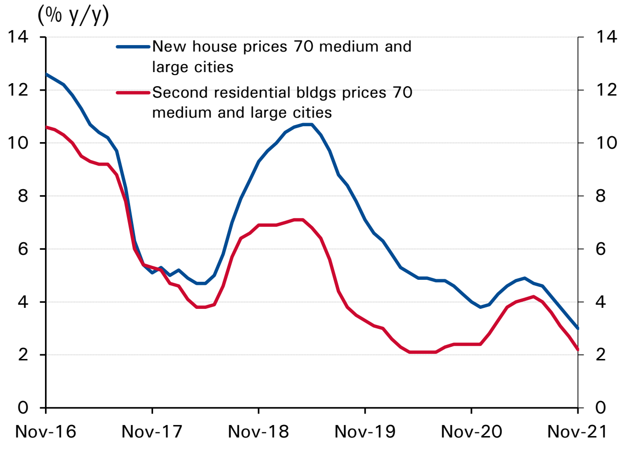


Retail sales growth, at 3.9% y/y in Nov, missed expectations as widespread Covid outbreaks weighed on consumption.

Source: Refinitiv

Chart 7: House prices in 70 medium & large cities

(% y/y)

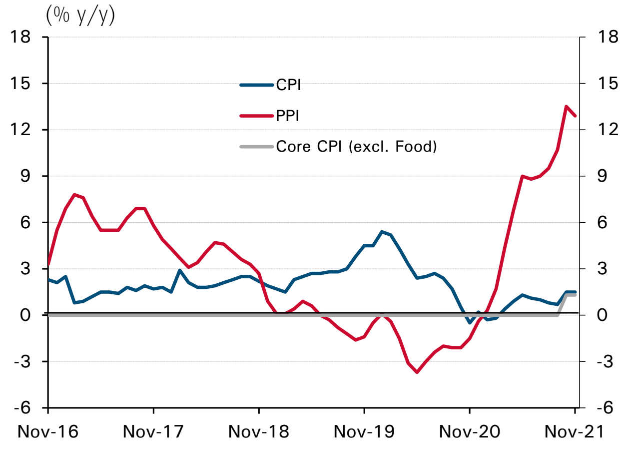


Growth in house prices (new and old) continued to trend downwards amid property market uncertainty.

Source: Refinitiv

Chart 8: Consumer and producer price inflation

(% y/y)

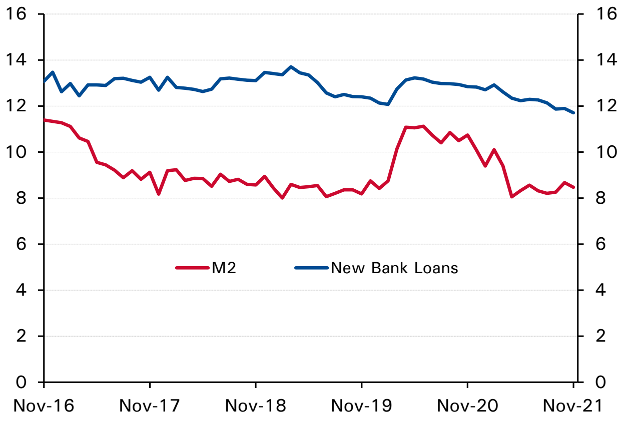


Consumer price inflation, though up to 2.3% in Nov, has lagged producer price inflation (12.9% y/y) due to government price control efforts.

Source: Refinitiv

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

(% y/y)

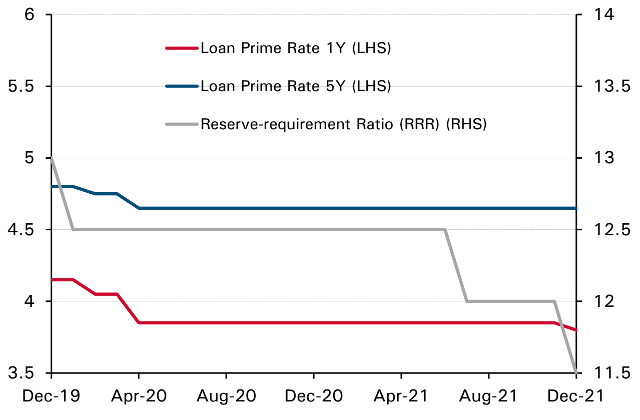


M2 and credit growth, though robust at 8.5% y/y and 11.7% y/y in November, respectively, have been slowing since 2019 due to monetary easing policies during the Covid pandemic.

Source: Refinitiv

Chart 10: Nominal interest rates

(%)



In December the PBOC cut by 50 bps the 1-yr loan prime rate (3.8%) and the RRR (11.5%) to support economic growth.

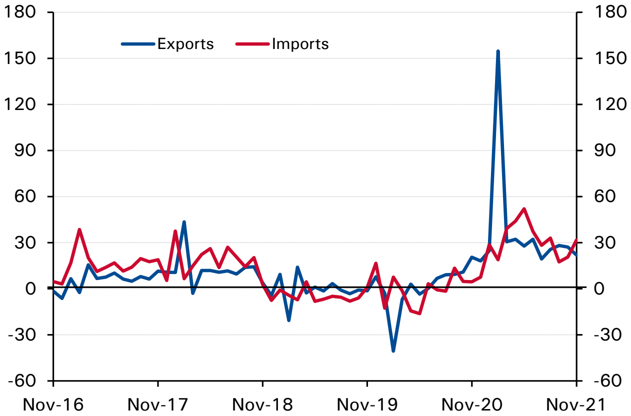
Source: Refinitiv

Chart 11: Exchange rate
(CNY/USD)

The yuan rose 2.3% against the dollar in 2021, helped in part by export strength and yield-chasing inflows to government bonds.

Source: Refinitiv

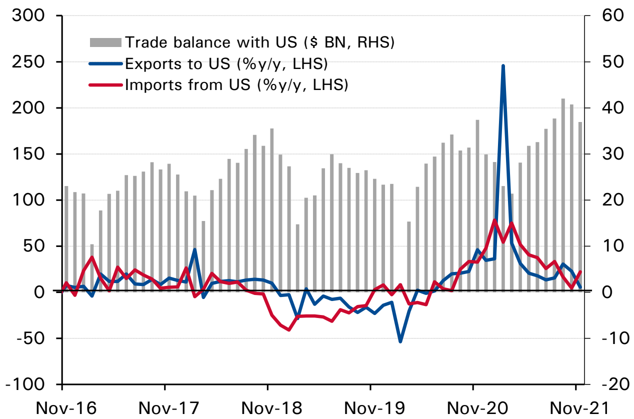
Chart 12: International trade
(% y/y)



Export growth slowed in Nov (22% y/y) due to weaker demand, a stronger Yuan and higher costs, but imports grew by 32% y/y.

Source: Refinitiv

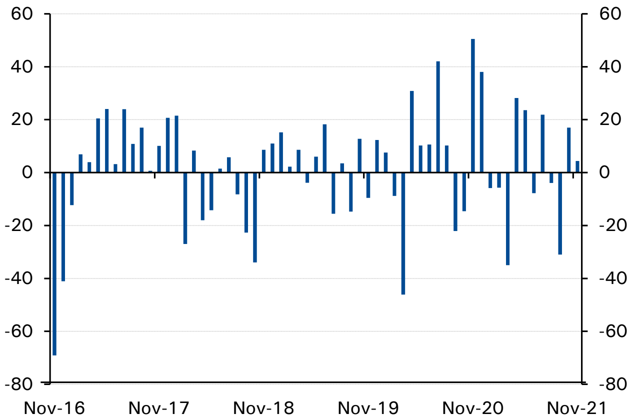
Chart 13: Trade with the US



The trade surplus decreased to $36.9bn as imports surged (22% y/y) and exports slowed (5.3% y/y), partly on currency strength.

Source: Refinitiv

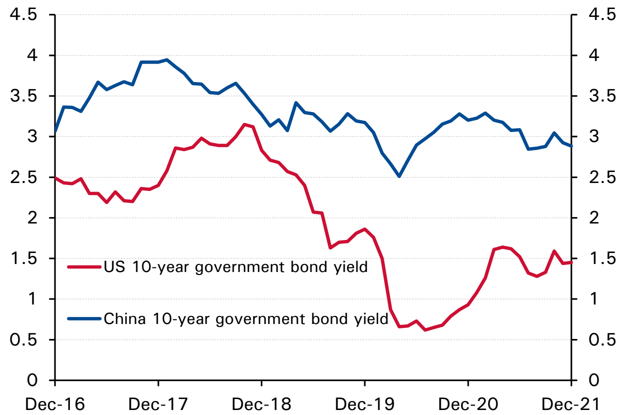
Chart 14: Monthly FX reserve change
(USD bn)



Yuan strength was the primary impetus for the $4.4bn increase in official foreign reserves in November to $3.22trn.

Source: Refinitiv

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



Chinese government bond yields fell slightly after the PBOC's rate cut, while US yields were up on the Fed's hawkish shift.

Source: Refinitiv

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

The CSI gained 1.6% in December (-5.2% in 2021) after the government's economy-supporting interest rate move.

Source: Refinitiv

Head Office

Kuwait
National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567,Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

France
National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
34h Floor, NBK Tower
Shuhada'a street, Sharq Area
PO Box 4950, Safat, 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353