

Chartbook

30 April 2024

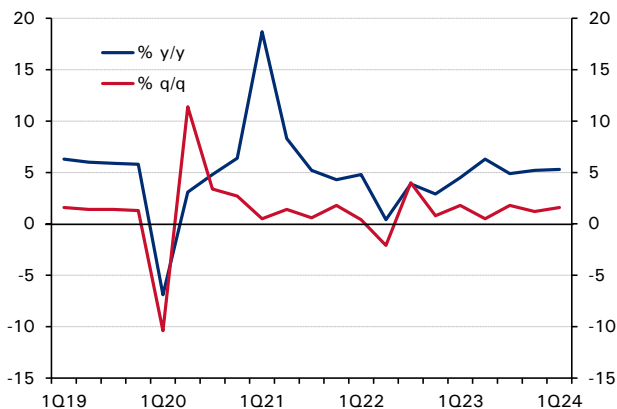


China: Strong GDP growth in Q1, but more recent economic performance mixed

The economy grew by a robust 5.3% y/y in Q1 2024, led by a stronger performance in the manufacturing sector as authorities shifted focus to support industrial activity. Services sector growth, while still easing, remained elevated at 5% y/y. However, momentum, having built up earlier in the year across facets of the economy, looked to have slowed in March. Retail sales growth softened to an eight-month low, industrial production eased compared to the previous period, and exports declined in annual terms, highlighting bumpy progress. Inflation and imports were both lackluster in March, showing domestic demand weakness. Housing prices suffered their largest year-over-year declines last month as property demand struggled to recover. The city of Chengdu, which is seen as having one of the healthiest property markets in the country, was the latest to scrap home purchase qualifications as real estate sales slumped in Q1 2024.

Nevertheless, business sentiment indicators have shown some improvement. Despite April seeing a softening in manufacturing and services sector PMIs, activity across both remains in expansion territory. Equity markets reversed their losses following government support, with both blue-chip indices hovering near year-to-date highs. The mixed economic performance underscores the uneven recovery across sectors, while a hawkish Federal Reserve diminishes space for further domestic monetary easing amid currency depreciation concerns.

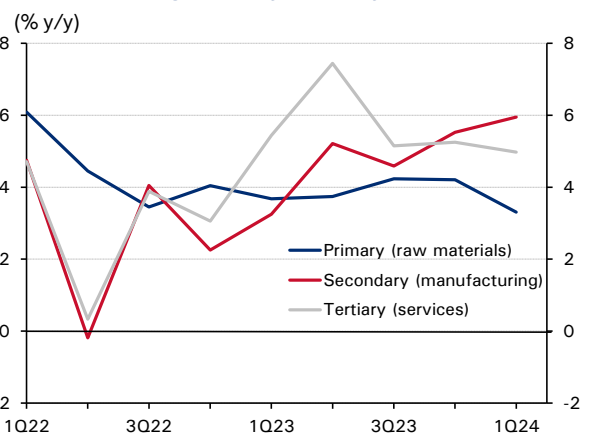
Chart 1: Real GDP growth



Economic growth surprised positively in Q1 2024, accelerating to 5.3% y/y (+1.6% q/q) amid stronger industrial and exports performance.

Source: Haver Analytics

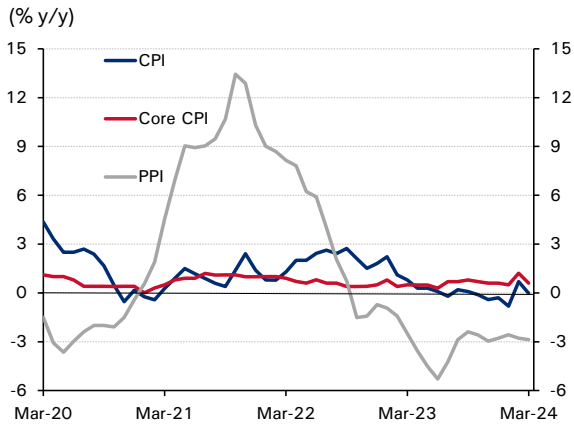
Chart 2: GDP growth by industry



Q1's growth was led by the manufacturing sector, which expanded 5.9% y/y, followed by the services sector (+5%).

Source: Haver Analytics.

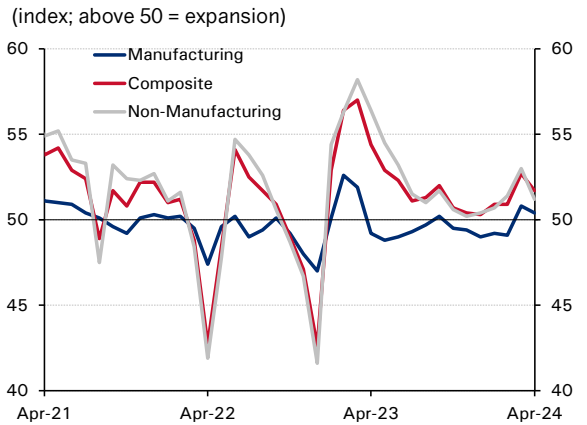
Chart 3: Consumer and producer price inflation



Headline CPI prices edged up in March (+0.1% y/y), missing market forecasts after February's stronger uptick, but deflation in producer prices deepened to -2.9% y/y.

Source: Haver Analytics

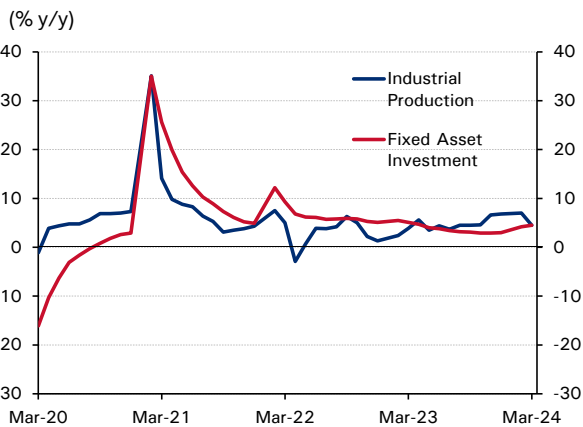
Chart 4: Purchasing Managers' Index surveys



Manufacturing activity slowed to a still-expanding 50.4 in April amid government support for industrial enterprises.

Source: Haver Analytics

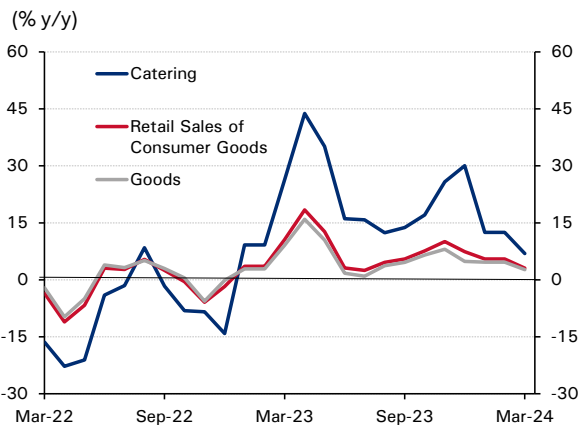
Chart 5: Industrial output and fixed investment



Industrial production growth unexpectedly eased in March to 4.5% y/y, while fixed asset investment rose 4.5% y/y, the fastest rate since April 2023.

Source: Haver Analytics

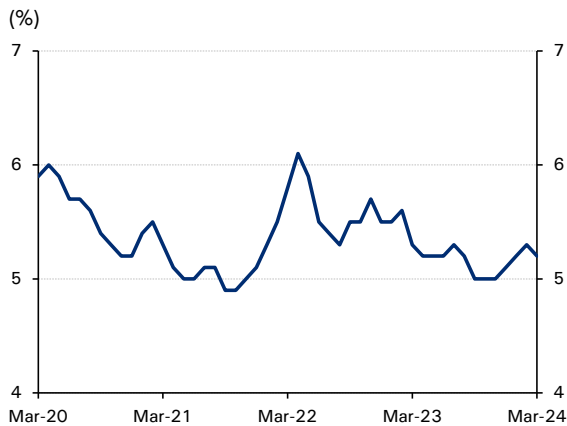
Chart 6: Retail sales



Sales grew 3.1% y/y in March, softening from the previous period's 5.5% on weaker catering & consumer goods sales.

Source: Haver Analytics

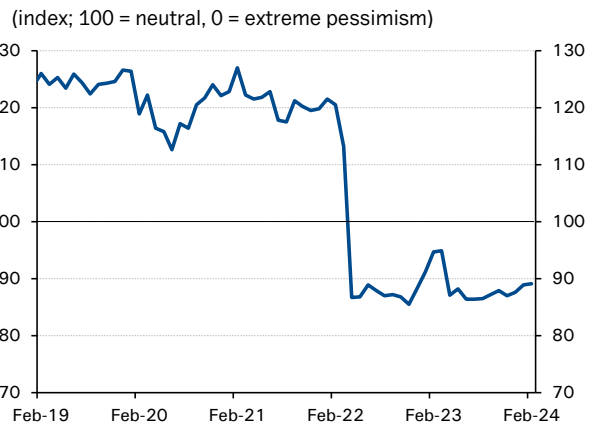
Chart 7: Unemployment rate



The unemployment rate in March ticked lower to 5.2% from 5.3% in February, generally in line with market expectations and government goals.

Source: Haver Analytics.

Chart 8: Consumer confidence

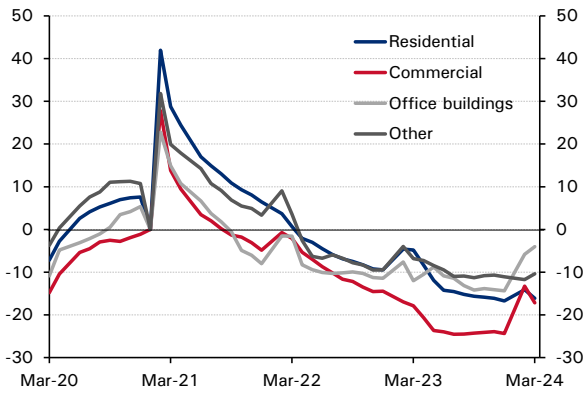


Consumer confidence rose to 89.1 in February, the highest level since March 2023, led by government efforts to bolster underlying economic conditions.

Source: Haver Analytics

Chart 9: Real estate investment

(% y/y, Cumulative ytd)

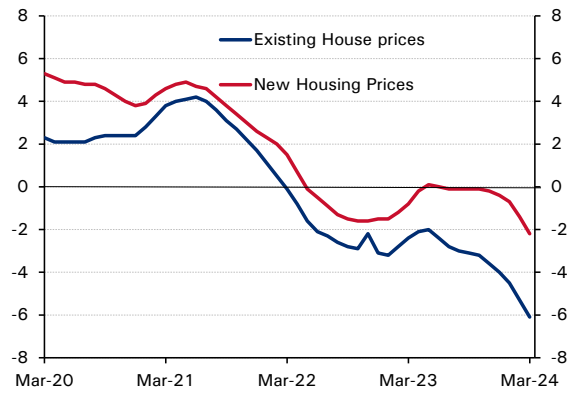


Residential property investments remained uninspiring in March, with a new wave of developer defaults on the cards, according to rating firm S&P Global, partially led by...

Source: Haver Analytics

Chart 10: House prices in 70 medium & large cities

(% y/y)

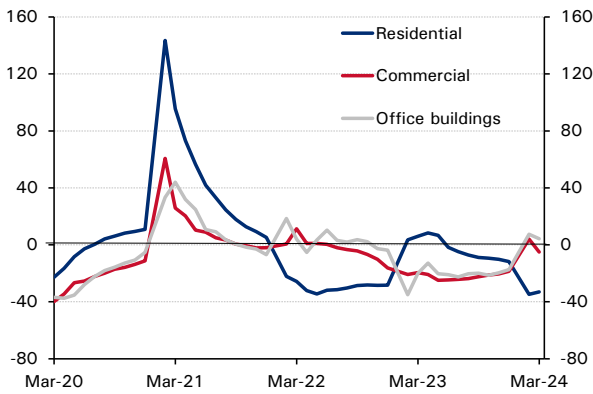


...declining housing prices, especially for existing homes, which fell 6.1% y/y in March, the sharpest decline in the available data.

Source: Haver Analytics

Chart 11: Real estate unit sales

(% y/y, Cumulative ytd)

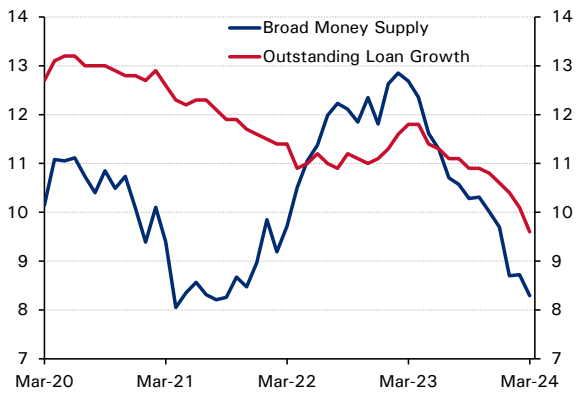


Residential real estate unit sales continued to drag property offtake, though the rate of decline improved slightly to -33% y/y in March.

Source: Haver Analytics

Chart 12: Money supply (M2) and credit growth

(% y/y)

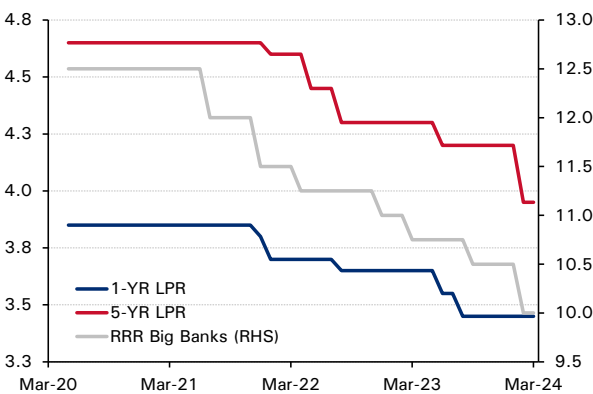


Outstanding loans growth eased in March to 9.6% y/y, a concerning sign for the PBoC as credit demand slows despite monetary easing efforts.

Source: Haver Analytics

Chart 13: Interest rates

(%)

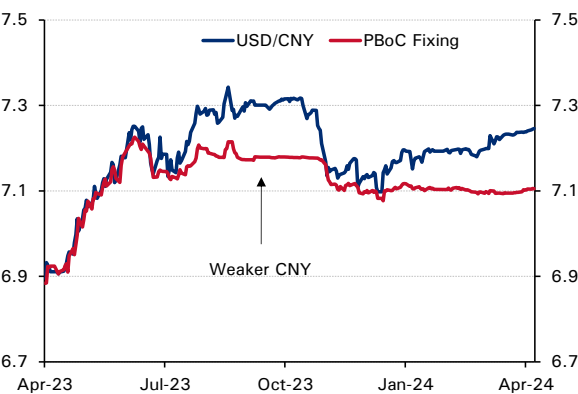


The PBoC kept rates steady in April as it weighs its options against a hawkish Federal Reserve and an uncertain domestic macroeconomic environment.

Source: Haver Analytics

Chart 14: Dollar-yuan exchange rate

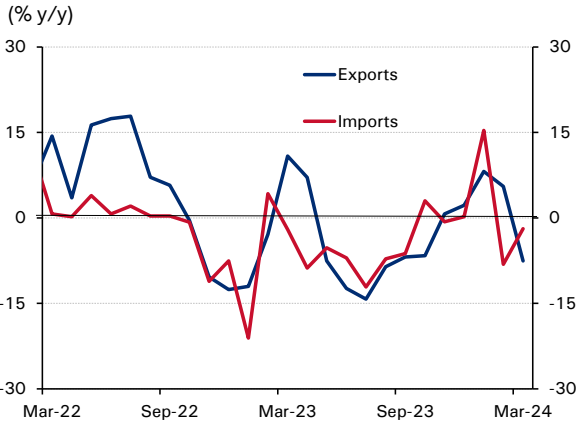
(USD/CNY)



The yuan weakened 2.1% ytd to 7.24 per USD as monetary policy divergence with the US intensifies depreciation pressures.

Source: Haver Analytics

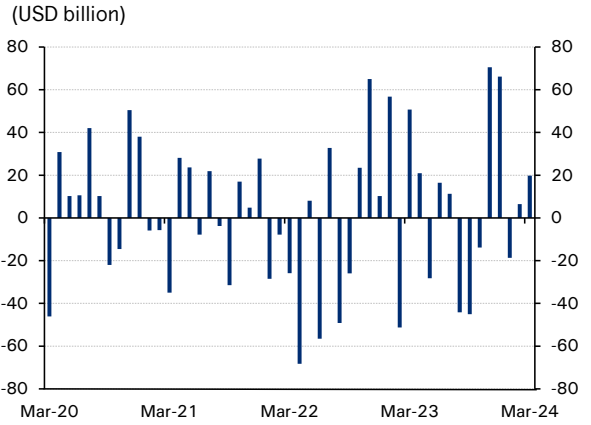
Chart 15: International trade



Exports reversed the gains seen in Jan-Feb, slipping 7.5% in March, and dashing hopes of a sustainable resurgence in global demand. Imports also fell, by 1.9% y/y.

Source: Haver Analytics

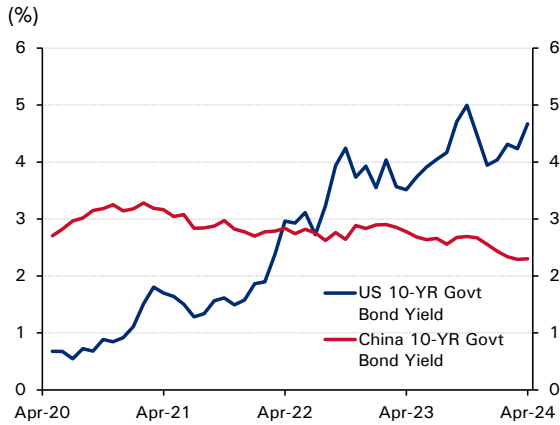
Chart 16: Monthly FX reserve changes



Despite the dip in exports, foreign exchange reserves increased by \$20 billion in March. Gold's share in foreign reserves rose to the highest on record at 5%.

Source: Haver Analytics

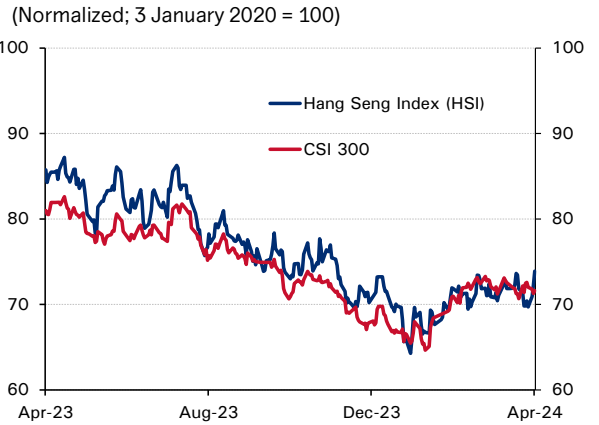
Chart 17: China and US government bond yields



US 10-year treasury bond yields rose after the Fed's hawkish tone, while Chinese equivalents declined amid the looser monetary policy stance.

Source: Haver Analytics

Chart 18: Stock market



Equity markets stemmed their losses after the government intensified intervention efforts; the technology-heavy HSI rose 4.3% mtd.

Source: Haver Analytics

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