

Chartbook

27 June 2024

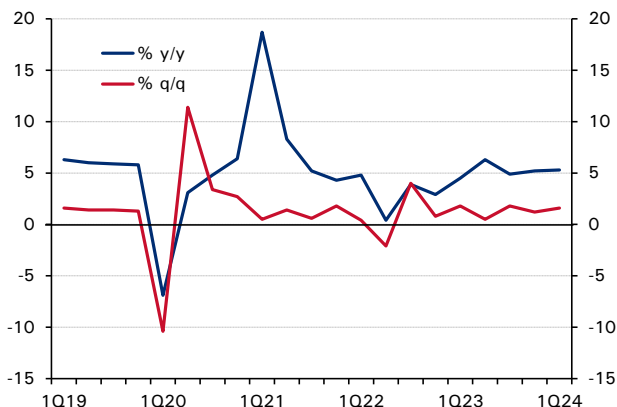


China: GDP growth seen around 5% in Q2 amid mixed but overall lackluster recent data

GDP growth in Q2 2024 is expected to moderate a touch from the faster-than-expected 5.3% y/y recorded in Q1, helped by resilient exports and a low comparison base from the previous year. However, softness in consumption and property market weakness continue to provide underlying headwinds. The flurry of economic data released for May painted a mixed picture. Retail sales recorded their quickest growth since February at 3.7% y/y, albeit still soft and benefiting from a holiday-related boost. But industrial output growth slowed to 5.6% y/y and fixed asset investment growth slowed to 4%, with real estate investment dragging despite recent policy support measures. Inflation and imports were also both lackluster in May, indicative of ongoing domestic demand weakness.

Separately, the Chinese Communist Party's central committee is scheduled to convene for a critical plenum in July – a meeting typically held every five years to set out economic strategies for the next 5-10 years. The gathering is of considerable significance to the political landscape at the current juncture, with the country's economic model facing a difficult medium-term outlook and global competition intensifying. The plenum will likely unveil continued support for President Xi's top priority sectors, dubbed the "new quality productive forces" which include new technology, advanced manufacturing, and renewable energy. These forces "align with the country's new development philosophy", Xi said, promising to encourage innovation and address technological bottlenecks as US and allies trade and investment curbs limit China's access to advanced chips and other hi-tech products.

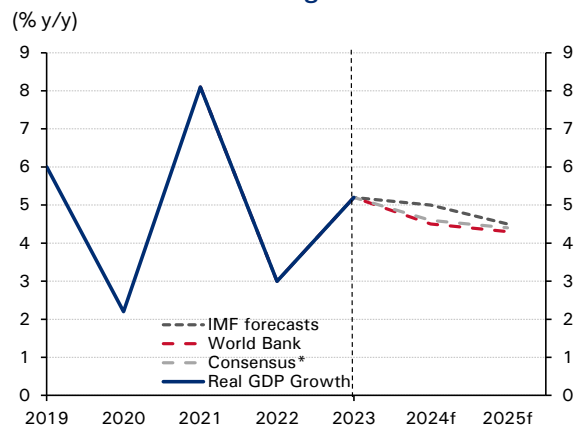
Chart 1: Real GDP growth



In Q1 2024, GDP expanded 5.3% y/y, a slight pickup from 5.2% in the previous quarter. The economy grew 1.6% in quarterly terms.

Source: Haver Analytics

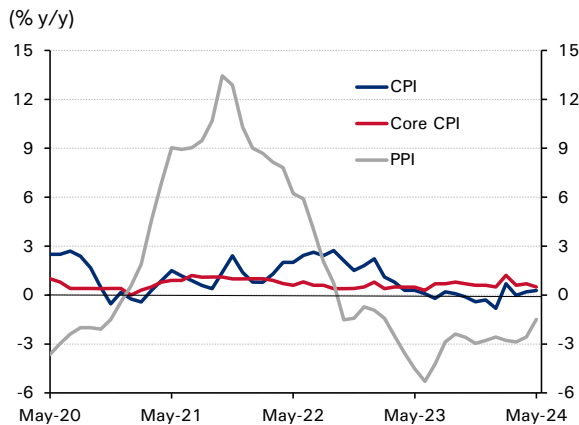
Chart 2: Annual real GDP growth



GDP growth will likely edge down in 2024 with household consumption growth slowing and property market troubles continuing to weigh.

Source: Haver Analytics. *Third party median forecast

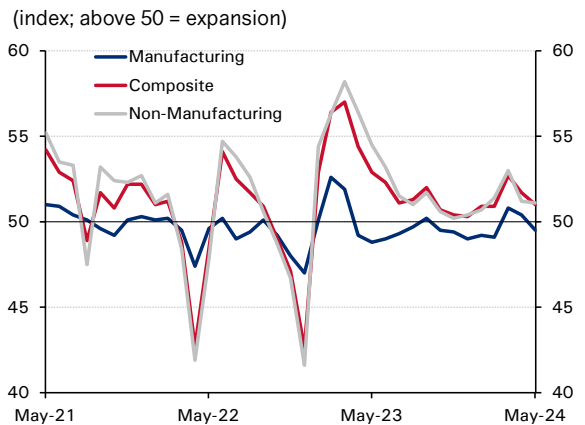
Chart 3: Consumer and producer price inflation



Headline inflation rose to 0.3% y/y in May, matching April's gain but slightly below market expectations. The decline in producer prices eased to -1.4% y/y.

Source: Haver Analytics

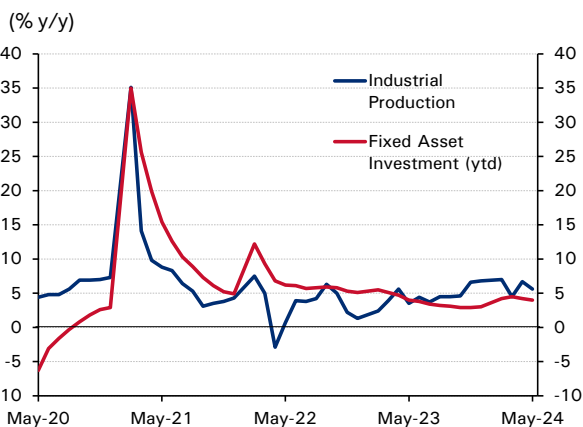
Chart 4: Purchasing Managers' Index surveys



PMI readings softened further in May, with the composite index reaching its lowest level in three months at 51. Manufacturing PMI fell below expansion territory at 49.5.

Source: Haver Analytics

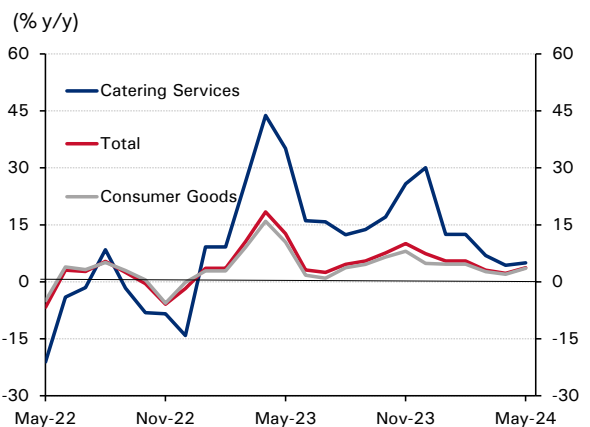
Chart 5: Industrial output and fixed investment



Industrial output grew 5.6% y/y in May, down from 6.7% in April, underscoring the bumpy economic recovery. Fixed investment growth slowed further dragged by real estate.

Source: Haver Analytics

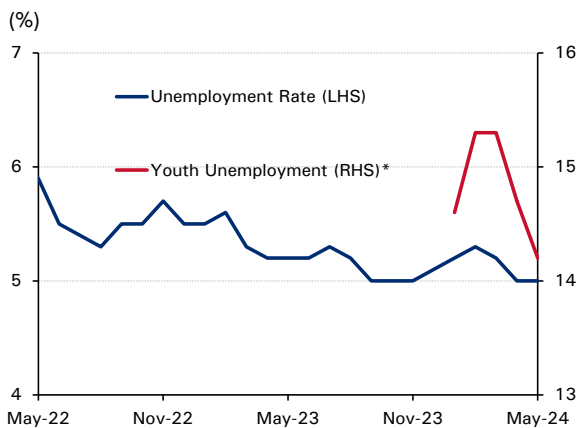
Chart 6: Retail sales



Retail sales beat forecasts due to a holiday boost in May, up 3.7% y/y from 2.3% in April, marking the quickest growth since February.

Source: Haver Analytics

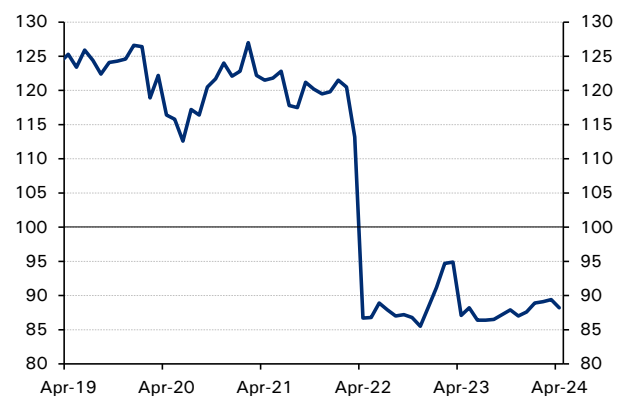
Chart 7: Unemployment rate



The unemployment rate was unchanged in May from the 5% recorded in April. Meanwhile, youth unemployment came in at 14.2% in May, down from 14.7% in April.

Source: Haver Analytics. *After methodology change; excludes students

Chart 8: Consumer confidence

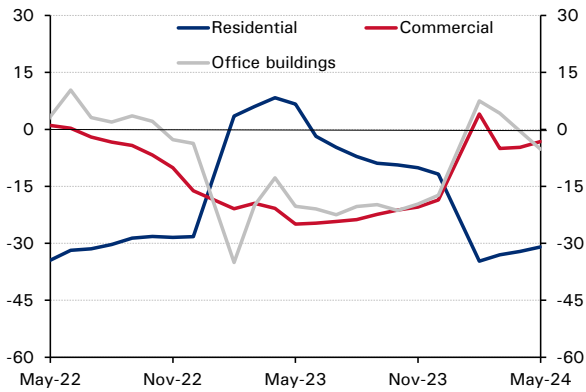


Consumer confidence fell in April to 88.2, decreasing from 89.4 in the prior month, showing that consumers are still wary about the state of the economy.

Source: Haver Analytics

Chart 9: Real estate sales by value

(% y/y, Cumulative ytd)

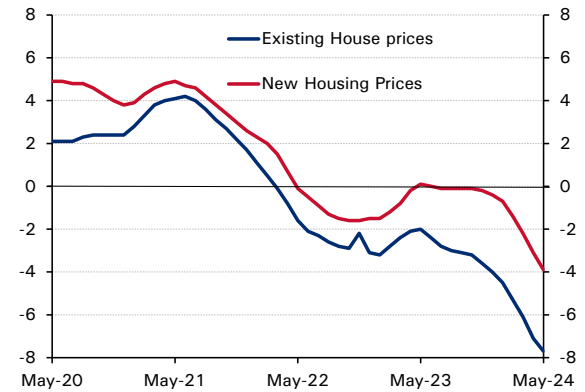


Commercial sales have shown signs of recovery, falling -3.2% vs -4.7% in July last year. Meanwhile, residential investments continue to weigh on the sector, down 31% y/y.

Source: Haver Analytics

Chart 10: House prices in 70 medium & large cities

(% y/y)

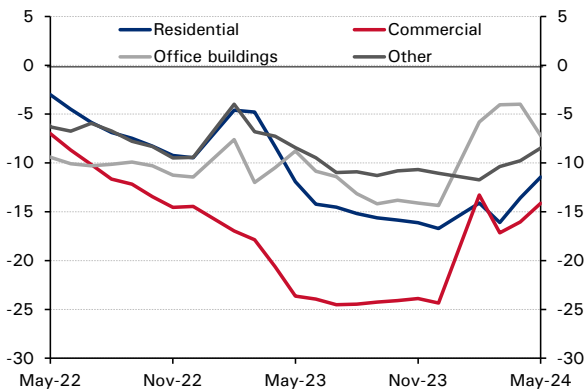


China's new home prices fell 3.9% y/y in May, the most since June 2015, showing persistent pressures on the sector amid a lack of forceful government assistance.

Source: Haver Analytics

Chart 11: Real estate investment

(% y/y, Cumulative ytd)

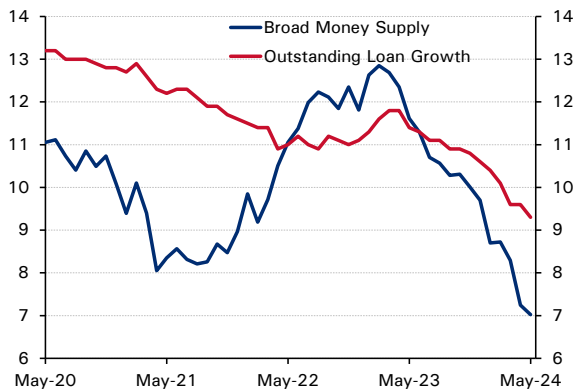


Despite improving from April, real estate investment growth was still negative YTD through May due to ongoing sector deleveraging.

Source: Haver Analytics

Chart 12: Money supply (M2) and credit growth

(% y/y)

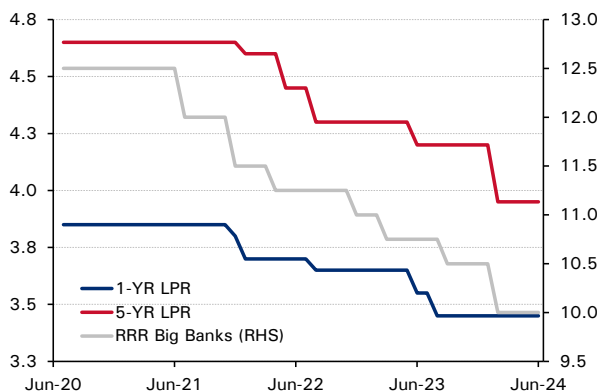


Outstanding loan growth was at 9.3% y/y in May, the lowest rate on record while money supply growth continued to decelerate and was a lower-than-expected 7% y/y.

Source: Haver Analytics

Chart 13: Interest rates

(%)

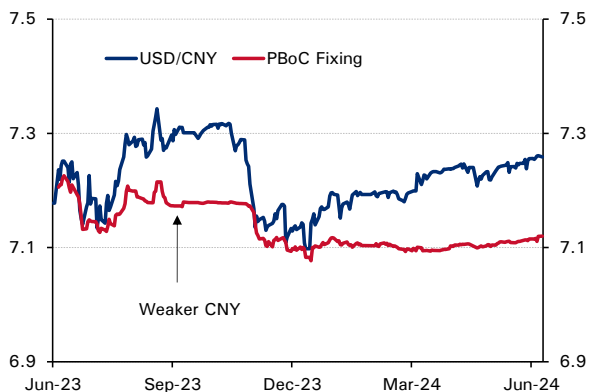


Interest rates were still at record lows in June, unchanged from the prior month and in line with market expectations of no policy change.

Source: Haver Analytics

Chart 14: Dollar-yuan exchange rate

(USD/CNY)

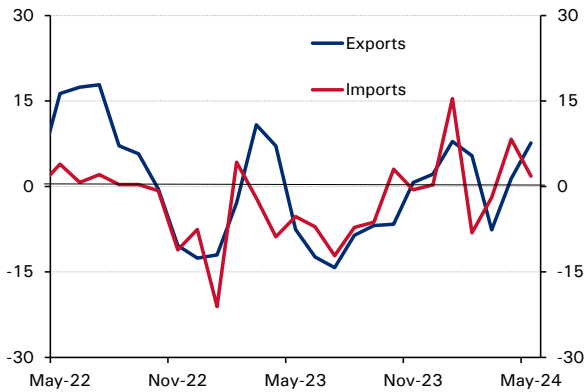


The yuan depreciated 0.2% mtd against the dollar in June amid general strength in the greenback and reduced demand for the renminbi from trade tensions.

Source: Haver Analytics

Chart 15: International trade

(% y/y)

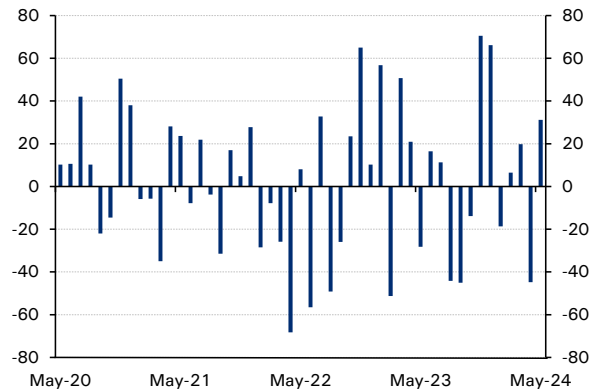


Exports rose by 7.6% y/y in May, beating forecasts of 6% and marking the highest monthly export value since September. Imports, meanwhile, rose by 1.8% y/y.

Source: Haver Analytics

Chart 16: Monthly FX reserve changes

(USD billions)

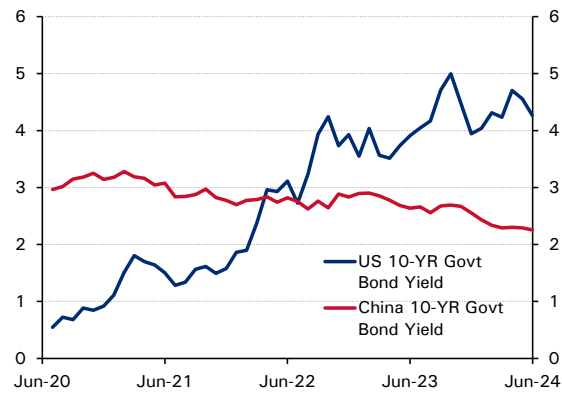


China's foreign-exchange reserves rose \$31.2 billion in May to \$3.232 trillion, helped by a decline in the US dollar index and favorable asset price changes.

Source: Haver Analytics

Chart 17: China and US government bond yields

(%)

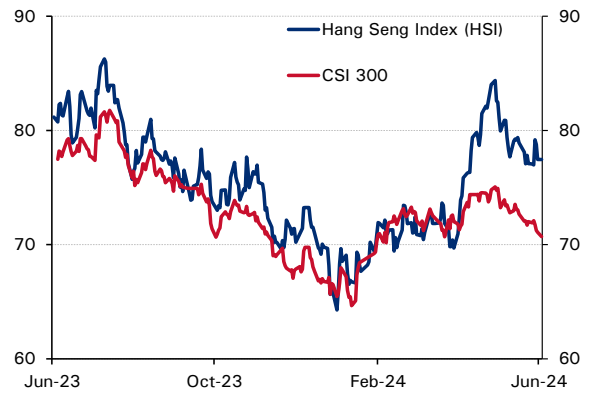


US and Chinese 10-year bond spreads remained wide due to monetary policy divergence, worsened by delayed US rate cut expectations.

Source: Haver Analytics

Chart 18: Stock market

(Rebased; 3 January 2022 = 100)



Equity markets sold off in June, giving back most of their year-to-date gains amid dampened investor sentiment from mixed economic data during the month.

Source: Haver Analytics

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