

## China: August activity better but still soft

The main stand-out was retail sales but remains at risk from future lockdowns

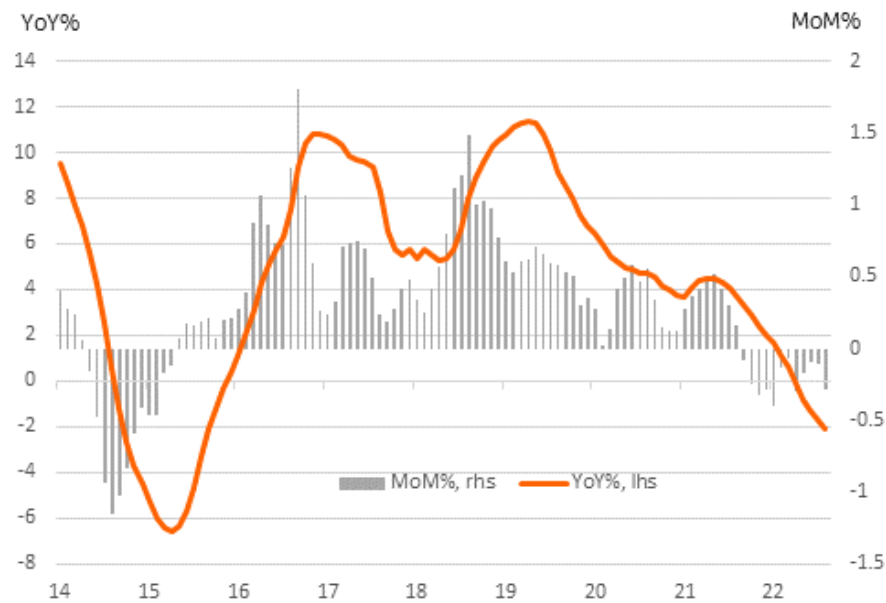


China's retail sales were hit by Covid restrictions in November

### More of the same on housing

The slew of data for August released by China got off to a bad start with a 0.29% MoM decline in new home prices. This marks the 12th consecutive month-on-month decline in Chinese home prices and takes house price inflation down to -2.1%YoY. As a major pool of Chinese household wealth, this won't help encourage spending. Residential property sales were not much better either, though at -30.3%YoY, they were at least marginally less bad than the July numbers (-31.4%YTD YoY). It will take some time for the pool of unfinished property construction projects to be completed with local government support for developers, and in turn, for Chinese households to consider investing in property in scale again. Consequently, these numbers are likely to remain a blot on the economic landscape for quite a while.

## 70-City home prices



Source: CEIC

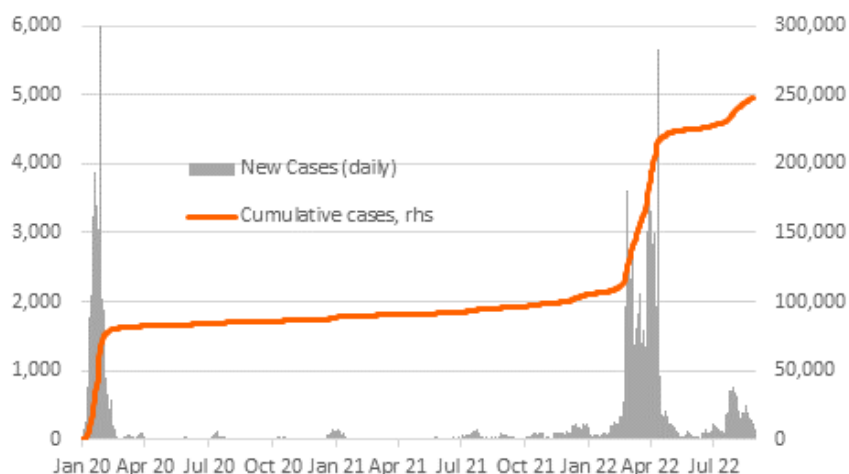
## Some better signs elsewhere

There were some more encouraging signs elsewhere, suggesting that the lockdowns in August as Covid cases spiked above 700 mid-month did not have such a big impact on activity, maybe helped through shorter, more focused restrictions.

The key stand out was retail sales, which rose 5.4%YoY, up from 2.7% in July, beating the 3.3% consensus expectation. The growth in retail sales was most evident in the restaurant/catering section, an area normally hit hard by lockdowns. There was some reasonable growth in consumer goods too. And though high petroleum prices probably helped lift the spending total, automobile sales were also strongly up, helping to offset weakness in housing-related areas like furnishings, household electronics and construction materials. A slight fall in the surveyed unemployment rate from 5.4% to 5.3%, may also have helped the retail sales figures to firm up.

China's Covid numbers continue to bubble along with about 160 daily cases reported on average currently. And though the current trend is downwards, the risk of a renewed upsurge is never very far away. For now, though, this is a more encouraging sign.

## Mainland China Covid Cases



Source: CEIC

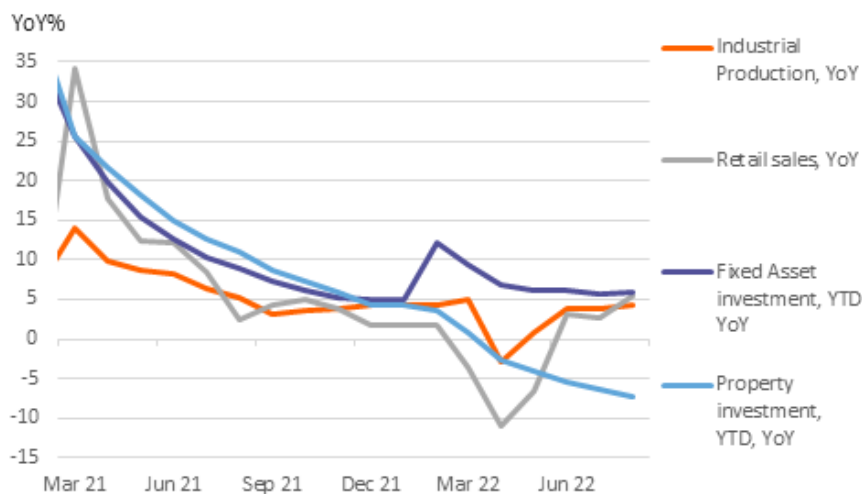
## Other activity data little changed

Other activity series showed some marginal improvements. Industrial production grew by 4.2%YoY in August. That's an improvement from 3.8% in July, but still weak by China's normal standards. There was some improvement in manufacturing output, though it looks as if utilities (electricity etc) may have played a role, which looks hard to reconcile with the power shortages reported at times in August due to the heatwave. The auto sector, reflecting the retail numbers, also experienced stronger growth in August.

Fixed asset investment delivered 5.8% growth, fractionally up from 5.7% in July. Infrastructure spending on transport and the environment stand out as some of the stronger-looking numbers in the breakdown by industry, with auto-manufacturing also growing faster and adding to the message that cars are in the driving seat of a lot of today's better data.

Today's data were not enough to save the CNY from trading above USDCNY7.0, the first time it has done so since July 2020. We look for USDCNY to reach 7.05 by the end of this month.

## China activity series



Source: CEIC

### Author

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).