

## China GDP and activity data show mixed recovery from Covid

Third-quarter GDP pointed to faster-than-expected growth against the consensus forecasts. But data breakdown paints a mixed recovery picture, which is still Covid-measure driven



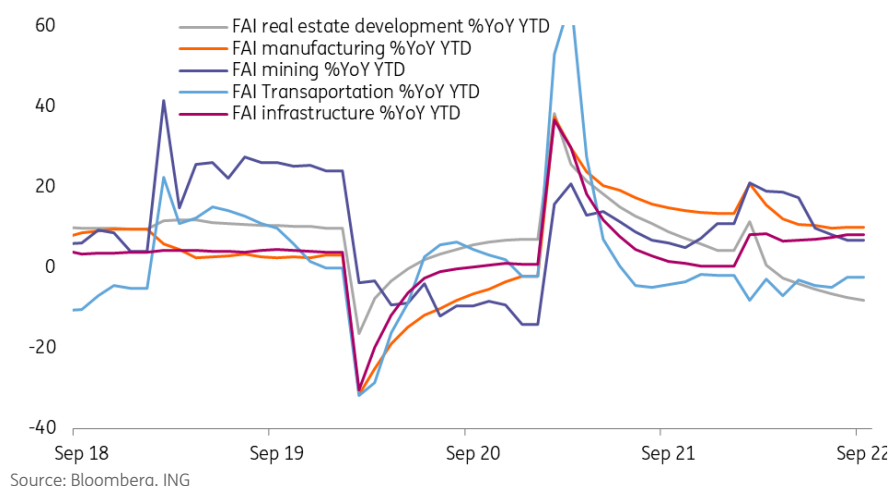
Future Covid outbreaks in China and subsequent lockdowns cannot be ruled out

### GDP was better than consensus

GDP grew 3.9% year-on-year in the third quarter of 2022, faster than the consensus forecast of 3.3% YoY and 0.4% YoY in the second quarter. This is mainly a result of more flexible Covid measures after the long lockdown in Shanghai during March to May.

Among all the industries, information and software technology grew the fastest at 7.9% YoY and the financial services industry which grew 5.5% YoY, while real estate contracted 4.2% YoY due to uncompleted projects that almost paused activities from land bidding to housing starts in the industry.

## China investments

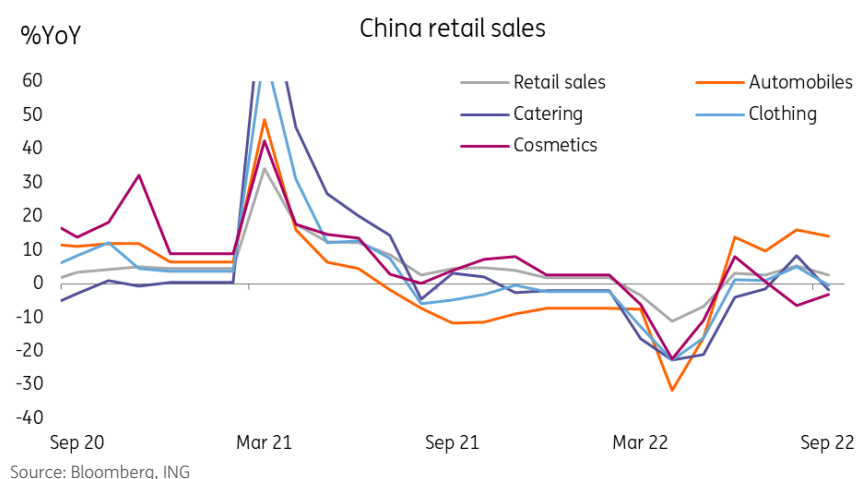


## Activity data is still affected by Covid

Activity data for September reflects that the partial recovery continues, but this time it was more a recovery in investments (5.9% YoY YTD in September from 5.8% in August) and industrial production (6.3% YoY in September from 4.2% YoY in August). The stronger growth in industrial production should be a result of reduced lockdowns in ports, which increases the speed of logistics and therefore a smoother supply chain delivery.

But there was a slower recovery in retail sales, which was affected by more quarantines in some residential and shopping areas in September. This reflected a contraction in sales of catering of 1.7% YoY. Covid measures now depends on the number of Covid cases, which is uncertain. This will continue to affect the job market and has a negative feedback effect on future retail sales.

## China retail sales



This set of data sends an important message that even Covid measures have become more flexible as it depends on the number of Covid cases, lockdowns are still a big uncertainty to the economy with the background of the real estate crisis. This uncertainty means the

effectiveness of pro-growth policy would be undermined.