

China New Year GDP Cheer

With just a little over a week to go until Chinese New Year, 4Q19 GDP gave no reason for concern, coming in at 6.0% in line with the consensus view



6.0%YoY 4Q19 GDP
1.5%QoQ

As expected

4Q19 GDP comes in at 6.0%, same as 3Q19

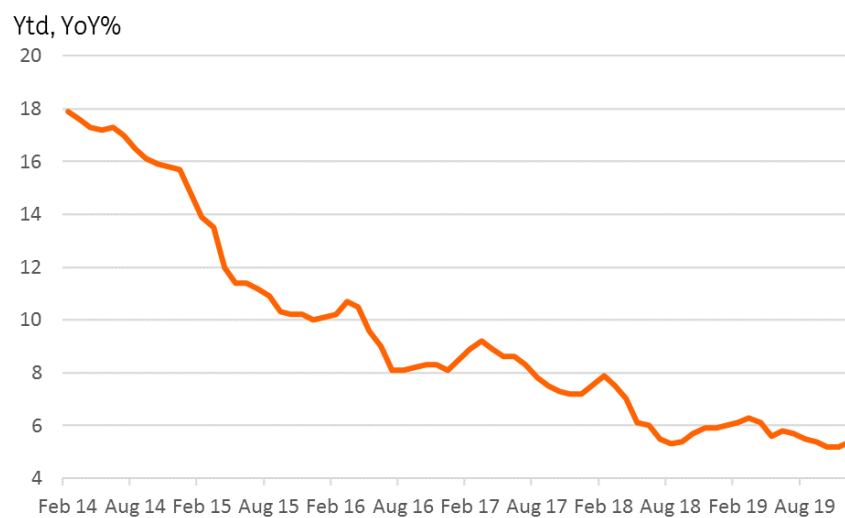
It wasn't a bad haul for China today, with most data coming in either in line with the consensus view, or slightly stronger. GDP for 4Q19 came in at 6.0%YoY, the same as in 3Q19 and as expected. That said, the recent trend has been steadily down. We are hopeful that some of the recent infrastructure spending will provide more of a tangible lift in early 2020, as the net export sector is unlikely to do much following only very modest changes in effective tariff rates after the phase-one trade deal.

It is possible that a period of trade calm will provide some support for business sentiment and

investment. Fixed asset investment for December came in at 5.4% year-to-date, a little bit better than had been pencilled-in and up from 3Q19's 5.2%. That said, the year on year chart doesn't look very appealing. The best we can really say is that it is no longer slowing. Retail sales also steadied at 8.0%YoY, unchanged on the November figure.

Industrial production was the star of the show, growing in December by 6.9%YoY, a full point above the consensus forecast and a solid pick up from 6.2%YoY in November. Infrastructure spending buoyed by stimulus measures seems to be providing the industrial sector with the demand it needs in the absence of a notable pick up in manufacturing production or residential construction.

China Fixed Asset Investment, (Year-to-date, year-on-year %)

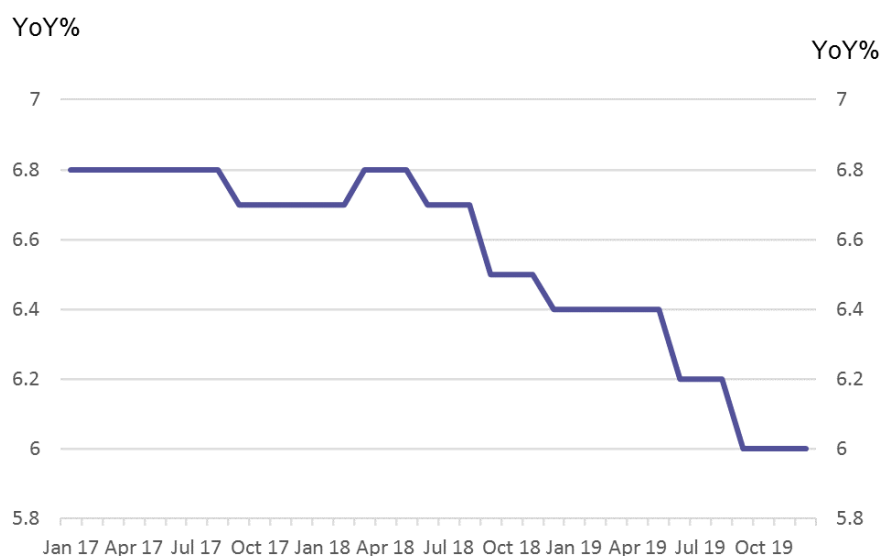


Source: Bloomberg, ING
China FAI

Steady for now

These numbers suggest that China's economy has stabilised following exhaustive efforts by the government and central bank. That job isn't over, and the external backdrop is still very challenging, with average tariff rates on exports to the US much higher still than they were 18 months ago. The negative direction of travel by China's economy may have been abated. But 2020 will likely be about stabilisation, rather than "recovery".

China GDP, YoY%



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