

## China retail sales weak in November

Activity data shows that the weakest part of the economy in November was retail sales. This matches the small increase in the jobless rate. Various reasons have led to this weak growth in consumption, one of them being Covid



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### China's activity data points to mild growth in November

Among the three pieces of activity data announced today, retail sales was the most disappointing, growing 3.9% year-on-year in November compared to 4.9% YoY a month ago. The main drag was negative growth in catering. This is caused by the increasing number of Covid cases starting in November (though daily new cases are below 100), and were mostly imported cases. The government has tightened social distancing measures, and therefore limited people flows, which has affected the catering business.

Another reason is that the jobless rate edged up in November to 5.0% from 4.9% in October. We believe that job losses were mostly in the real estate sector.

Fixed asset investment grew 5.2% YoY year-to-date in November from 6.1% in October, which was dragged down by the contraction in automobile investment due to a lack of semiconductors, and shrinking infrastructure investment. Property investment was still growing albeit at a slower rate of 6.0% YoY YTD in November from 7.2% in October. Other sectors continued to see moderate growth

in investment.

Industrial production grew 3.8% YoY in November, edging up from 3.5% YoY in October. This was because of an electricity stoppage in October, which the government has promised won't happen again. Aside from this, we don't see many changes. For example, automobile production was still in contraction due to a lack of semiconductors.

## What to expect before the Two Sessions

The Two Sessions will be held in March 2022. Until then, we believe there will be far fewer reforms, in contrast to the flood of reforms seen in the August to October period. This backdrop of stability was laid out in the [Central Economic Work Conference](#) which ended on 10 December.

But even with this backdrop, Covid has not gone away, and China will continue with its strict social distancing measures, which means catering will be affected most under this scenario. We do not expect China to loosen social distancing measures even if the number of Covid cases were to drop, as the Winter Olympics in Beijing begins in February.

A quiet period in the absence of reforms is a pro-growth strategy. And this is what we expect.

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