Snap | 15 September 2023

China

China: Some spots of improvement in activity

While the overall economic background remains a very challenged one, there were some more positive signs in the latest data deluge, though all things related to the property market continue to struggle



Source: Shutterstock

No signs of panic from the PBoC

The day of China's data deluge started quietly enough. The PBoC left the one-year medium-term lending facility (1Y MLF) unchanged. Given the problems they have been having propping up the CNY in recent weeks, and the fact that the day before, they had already reduced the reserve requirement, any cut to the MLF today would have seemed excessive and would have put the CNY under undue weakening pressure. That did not happen.

Shortly after that, new home price data were released. These fell again from the previous month and at a slightly faster pace. As we noted in the summary - amongst some brighter data on activity, anything real-estate related remains troubled.

Activity data either better, or better-than-expected

When the bulk of data was released 30 minutes later, it was immediately apparent that this was

on balance a more positive set of data than we have seen recently. Growth rates across a broad range of activity indices were slightly higher, and where they weren't, they tended to beat expectations. So for the most part, the data was either better, or better-then expected.

Summary of August's activity data



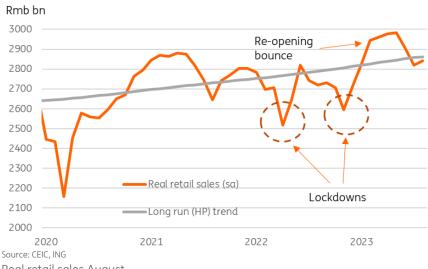
Source: CEIC, ING

Retail sales actually rose

Breaking the data down by component, the standout result was the 4.6%YoY rise in retail sales. This was up from only 2.5% in July, though the year-on-year, year-to-date (ytd) growth still slowed slightly. With the historical comparisons so messed up by lockdowns and re-openings, we prefer to look at our own seasonally adjusted real retail sales series. And this shows that sales actually picked up in real terms in August from July, and are now close to their long-run trend. That's both good and bad. Good as retail sales seems to have turned the corner. Bad, because this probably means growth will be more pedestrian from now on.

Real seasonally adjusted retail sales

ING Calculations



Real retail sales August

Production also improved

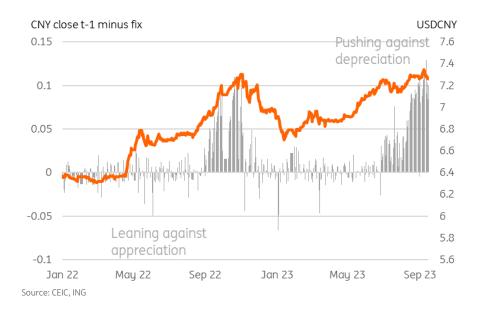
While it is also subject to the same caveats about year-on-year comparisons, the industrial production growth figures also edged slightly higher. We also got a slight decline in the surveyed jobless rate to 5.2%. This is not a terribly helpful or informative set of data, but the direction of travel is at least encouraging.

As mentioned, anything real-estate related remained problematic. Property investment decreased at an 8.8%YoY pace, worse than the 8.5% decline in July, but not as bad as the market was expecting. And perhaps given the relationship between infrastructure spending and the property sector, it was not too surprising to see infrastructure spending growth slow slightly to 3.2% from 3.4%, though it is at least still growing.

CNY took advantage of the data

After having been under weakening pressure for several weeks, the CNY rallied into this data, helped by another low PBoC reference rate which fixed at 7.1786, lower than the 7.1874 the previous day. Remarkably, our end-of-month, end-of-quarter forecast for CNY is no longer looking too bad at 7.25 with the CNY currently trading at 7.2597. Whether this will hold until the end of the month is another matter.

PBoC supporting the CNY



Author

Robert Carnell

Regional Head of Research, Asia-Pacific robert.carnell@asia.ing.com

Snap | 15 September 2023

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 http://www.ing.com.