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

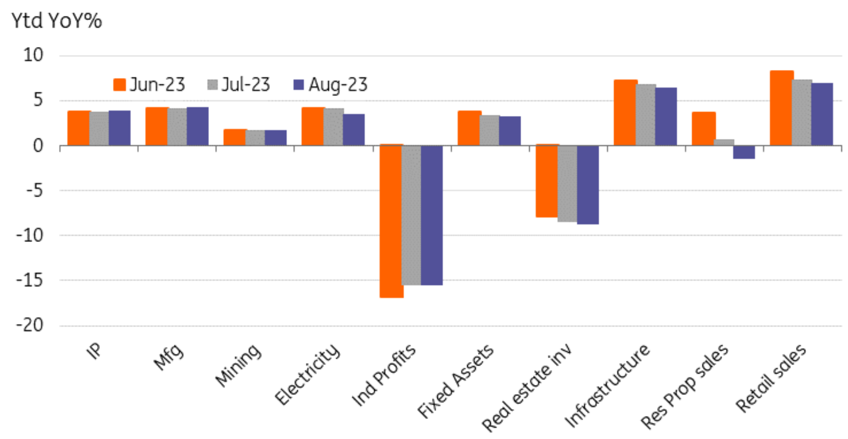
The day of China's data deluge started quietly enough. The PBoC left the one-year medium-term lending facility (1Y MLF) unchanged. Given the problems they have been having propping up the CNY in recent weeks, and the fact that the day before, they had already reduced the reserve requirement, any cut 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



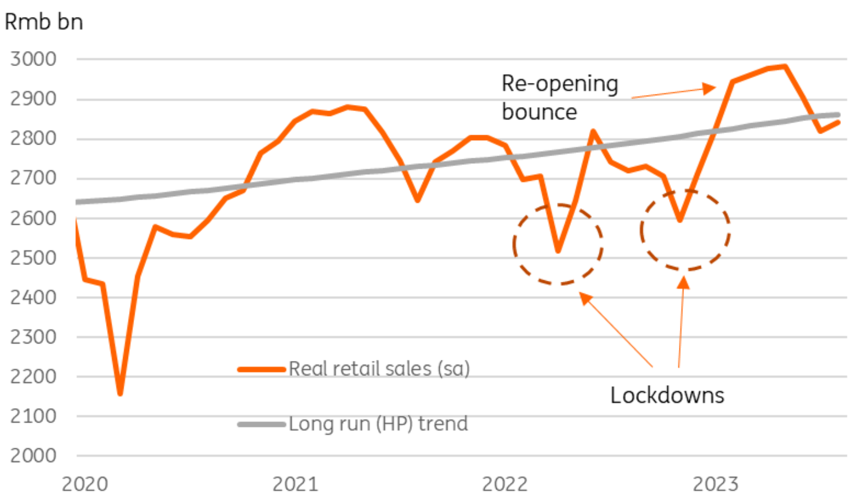
Source: CEIC, ING

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



Source: CEIC, ING

Real retail sales August

Production also improved

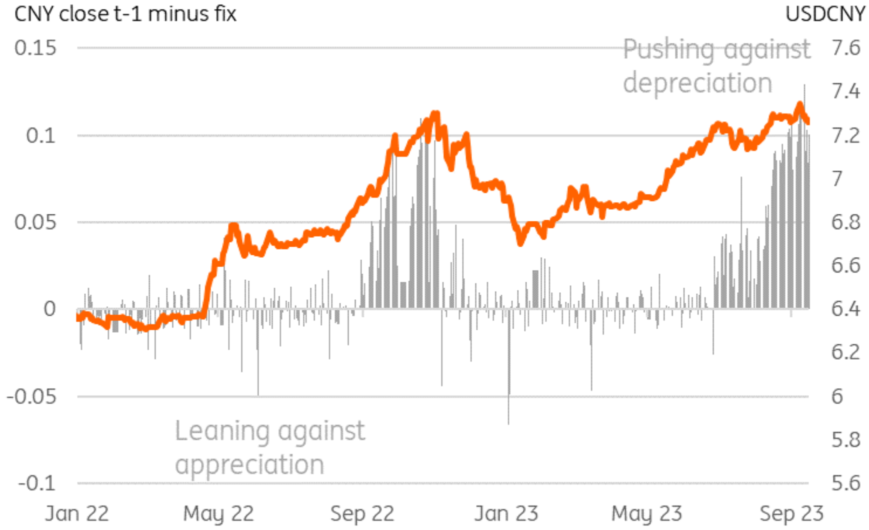
While it is also subject to the same caveats about year-on-year comparisons, the industrial production growth figures also edged slightly higher. We also got a slight decline in the surveyed jobless rate to 5.2%. This is not a terribly helpful or informative set of data, but the direction of travel is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



Source: CEIC, ING

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