

# ECONOMIC PULSE

## CHINA: A BRIEF RESPITE IN AUGUST

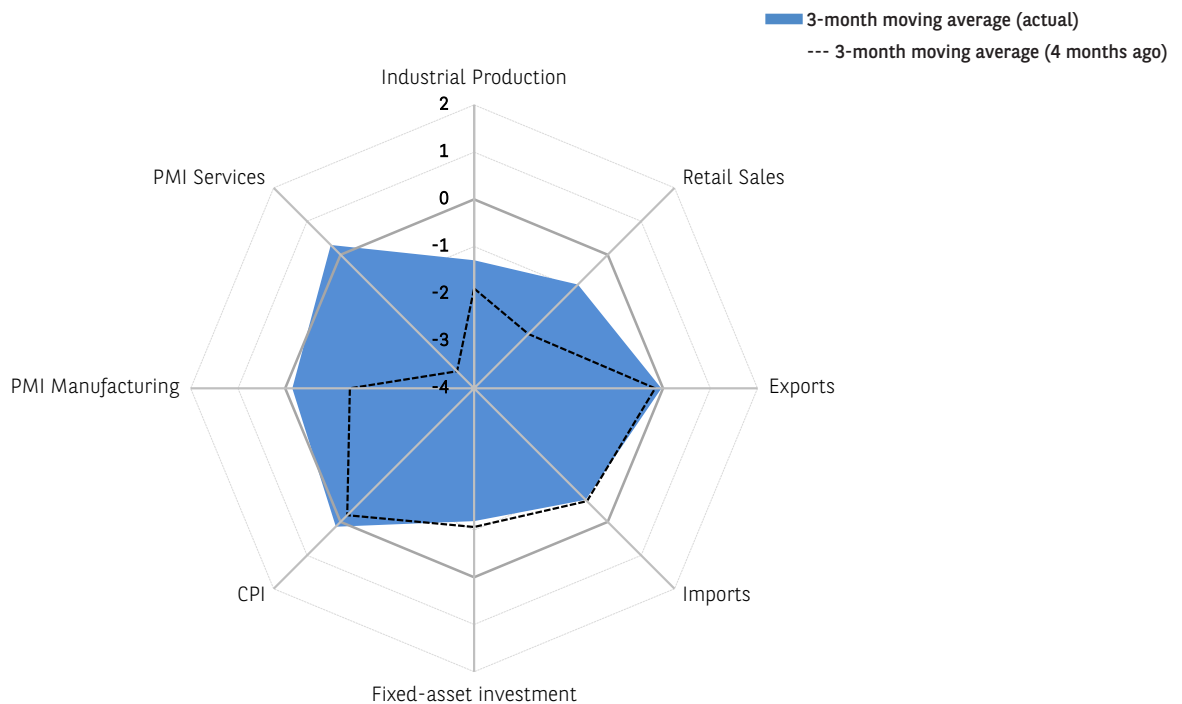
Our Pulse shows an improvement in Chinese economic conditions over the period June–August 2022 compared to the previous three months (widening of the blue zone compared to the dotted zone). In fact, the very strict lockdown measures imposed in the spring (in Shanghai in particular) started to be lifted at the end of May, allowing activity to resume.

The acceleration in economic growth has remained very gradual. However, it surprised positively in August, both in industry (+4.2% y/y after +3.8% in July and +0.6% in Q2 2022) and in services (+1.8% y/y after +0.6% in July and -3.3% in Q2). This was in spite of many headwinds: the average level of mobility restrictions increased again, the drop in hydroelectricity production caused by drought led to rationing in several provinces, and export growth began to slow down (+7% y/y in August after +17% on average for the previous three months). The improvement in August was mainly the result of supportive government policies, with particularly visible effects in the automotive sector (whose sales were encouraged by tax measures) and public investment. Growth in domestic investment thus strengthened slightly in August and stood at +5.8% y/y in the first eight months of 2022 (in nominal terms), driven by investment in infrastructure. The decline in real estate investment continued and growth in manufacturing investment accelerated slightly (+10%).

However, the growth recovery is expected to come to a halt again in September. Firstly, the external environment continues to deteriorate, weighing on export performance. Secondly, the zero Covid policy continues to be very strictly enforced. The lockdowns imposed in Chengdu and Shenzhen in the first half of September were relatively temporary but strict, penalising retail sales and activity in services. Finally, the severe crisis in the real estate and construction sectors continues, exacerbating the loss of confidence among households and investors.

**Christine Peltier**

### CHINA: QUARTERLY CHANGES



SOURCE: NBS, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +2. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

