

CHART OF THE WEEK

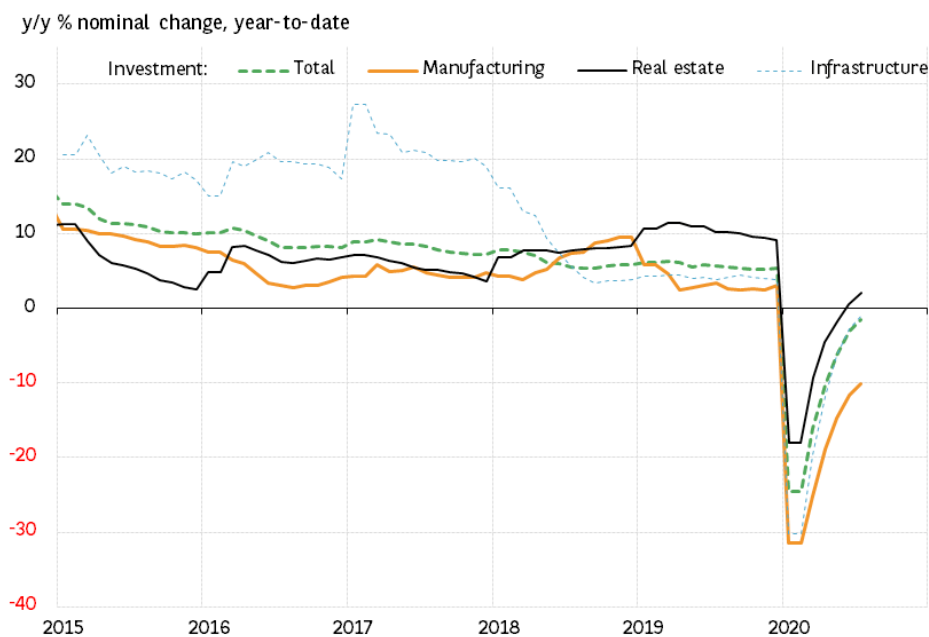
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by BNP PARIBAS

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CHINA: INVESTMENT RECOVERY CONTINUES

Christine Peltier



SOURCE: NBS

Activity indicators for July reflected the continued recovery of the Chinese economy. Real GDP growth already rebounded to 3.2% year-on-year in Q2 2020, up from a 6.8% contraction in Q1. The acceleration in investment growth since March has been driven mainly by public infrastructure projects, the construction and the real estate sectors, which have been supported by the government's stimulus measures. Manufacturing investment has recovered more slowly, held back by the financial difficulties of corporates, particularly amongst SMEs.

In the second half of 2020, investment in public infrastructure is set to remain strong, helped by continued expansionary fiscal policy. Monetary policy, by contrast, might become slightly more cautious, contributing to a slowdown in the recovery in the real estate sector. Lastly, investment in the manufacturing sector could strengthen slightly given the rebound in profits of industrial enterprises since May. Exports of manufactured goods have strengthened over the past two months, but their outlook remains clouded by the weakness of global demand and tensions between China and the US.

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