

## CHINA: THE RECOVERY FORGES AHEAD, ALBEIT WITHOUT GAINING STRENGTH

According to the latest economic data out of China, the post-Covid recovery remains on track, although its momentum remains weak.

In October 2023, growth in the services sector accelerated further (to +7.7% year-on-year compared with +6.9% in September), buoyed by the improvement in the performance of retail sales (+7.8% year-on-year in October compared with +5.5% in September).

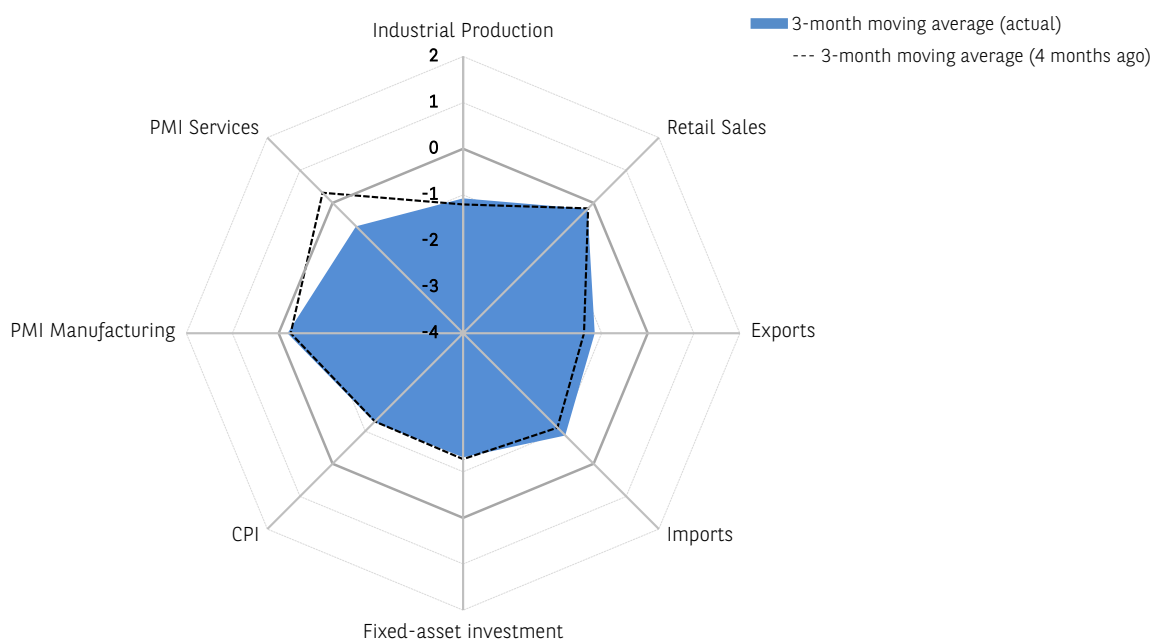
The rebound in retail sales can be partly explained by base effects as retail sales contracted in October 2022. This also reflects some positive developments, the effects of which could still be felt over the very short term. First, growth in disposable income per capita has picked up slightly over the last two quarters. The unemployment rate for urban areas remained stable at 5% in October, very slightly below its pre-Covid level. Consumer price inflation is still very low (-0.2% year-on-year in October), contained in particular by the fall in food prices (-4% year-on-year in October). In addition, the authorities have adjusted their economic policy stance since the summer and increased the number of measures aimed at supporting activity. Against this backdrop, consumer confidence edged up slightly. However, it remains fairly depressed. In particular, the unprecedented high unemployment rate among young people aged 16-24 and the unprecedented and never-ending crisis in the property sector continue to weigh heavily on Chinese consumer sentiment.

Despite the stimulus measures implemented by the authorities, activity in the property sector continued to contract sharply in October (transaction volumes: -20% year-on-year, projects under construction: -28%, housing starts: -21%). Meanwhile, the number of completed building site projects continued to recover in October (+13% year-on-year). Over the first ten months of 2023, total investment in the property sector fell by 7.8% year-on-year in value terms. Lastly, the fall in the average house price in the country's 70 largest cities reached 7.5% since the start of its correction in July 2021.

In the industrial sector, the very slight growth recovery continued in October (+4.6% year-on-year compared with 4.5% in September). In the very short term, the decline in exports (which contracted by 7.9% year-on-year in current dollars in October) should continue to hold back activity in the manufacturing sector. In general, our Economic Pulse here shows that growth momentum in China is not picking up; the blue zone is virtually unchanged from the dotted zone.

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.

