

ECONOMIC PULSE

CHINA, STILL WEAKENED BY THE COVID-19 SHOCK

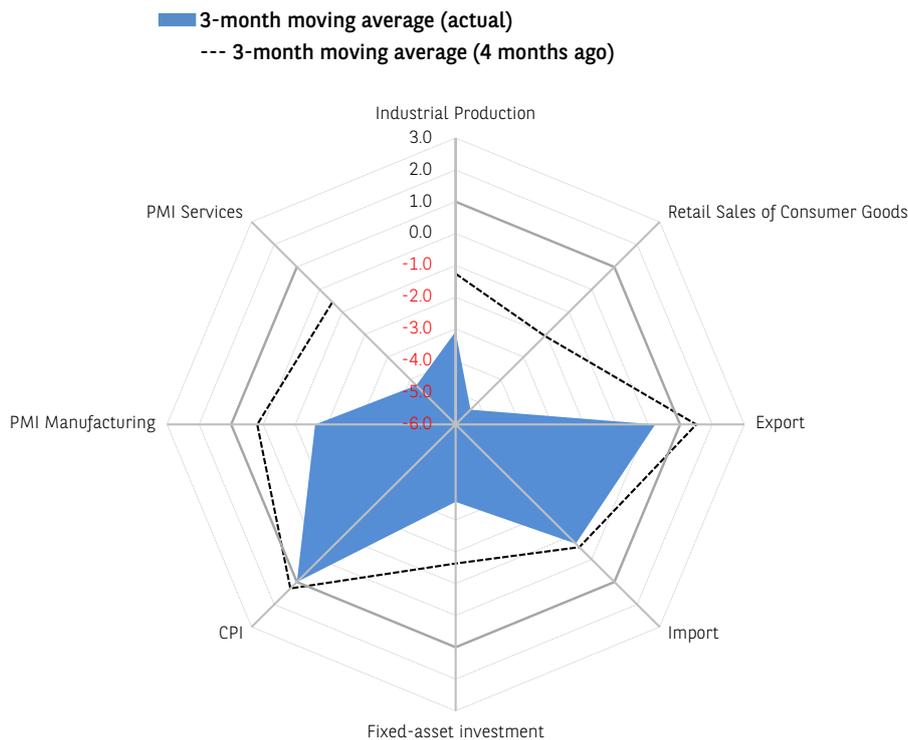
Economic activity contracted sharply in February, the first month of the lockdown, before rebounding very gradually in March and April. The recovery is bound to be very slow after this brutal first-quarter shock.

Activity is returning to normal more rapidly on the supply side and in the industry than on the demand side and in services. In April, industrial production growth rebounded to 3.9% year-on-year in real terms, after contracting 8.4% in Q1 2020. Meanwhile, retail sales continued to decline year-on-year in April (down 9.1% in real terms), after plunging 21% in Q1. In April, industrial output, corporate investment, and household consumption were still holding below pre-crisis levels: the first-quarter 2020 shock was unprecedented (real GDP growth contracted by 6.8% y-o-y), and it will take several months before things return to normal.

Merchandise exports regained momentum in April (+3.5% y-o-y in value terms, after contracting 13.3% in Q1 2020), signalling the restart of activity and foreign trade after the first-quarter shock. Yet this rebound is unlikely to strengthen in May given global demand weakness. As a matter of fact, April's decline in the manufacturing PMIs was largely due to a sharp fall in the "new export orders" component. Moreover, the downturn in the job market, the loss of revenues by both corporates and households, and persistent worries about the future course of the pandemic should continue to strain domestic demand. Faced with this situation, the authorities are likely to launch new stimulus measures in the weeks ahead.

Christine Peltier

CHANGES IN ACTIVITY INDICATORS



SOURCE: THOMSON REUTERS, 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 -6 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.

