

# ECONOMIC PULSE

6

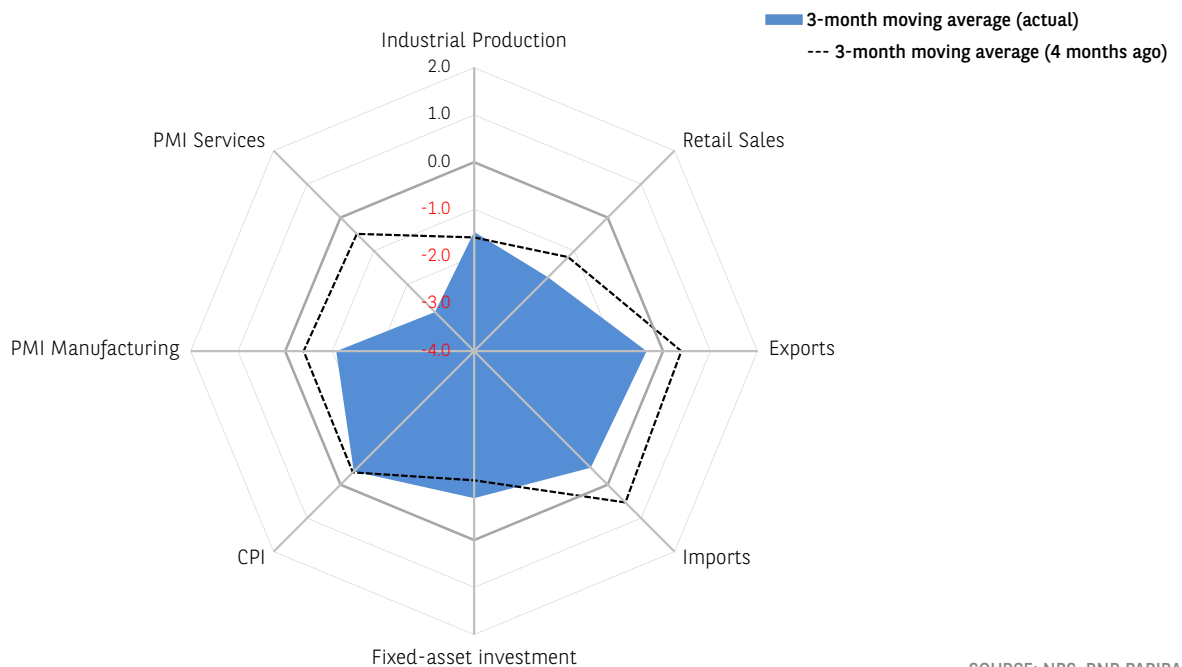
## CHINA: ECONOMIC CONTRACTION

China's economic growth started to slow down in March, then activity contracted in April (industrial production: -2.9% year-on-year, services production: -6.1% y/y). This rapid deterioration has principally resulted from mobility restrictions implemented in various provinces of the country in response to the epidemic wave. Most importantly, stringent lockdowns have been imposed in some major industrial and port regions (notably Shanghai), which has dampened activity in manufacturing factories, disturbed transport of goods and leading to supply chain disruptions in many sectors. Overall, the health situation and the level of mobility restrictions in China are improving in May. Local economic activity may therefore be able to recover at least slightly.

However, downside risks are elevated. On the one hand, the manufacturing sector has started to be affected by the effects of the deterioration in the world environment due to the war in Ukraine. World trade growth has slowed, which has contributed to the weaker growth in Chinese exports of goods (which fell to +3.7% y/y in April from +14.9% in Q1 2022). On the other hand, household consumption should struggle to recover in spite of the easing in lockdown measures. Consumer price inflation remains very moderate, but yet it is increasing (+2,1% y/y in April, up from 0.9% in January and February). Above all, the labour market is deteriorating rapidly. The total unemployment rate (based on urban surveys) rose from 5.1% at the end of 2021 to 6.1% in April, and the unemployment rate of young people between 16 and 24 years of age reached a record high point of 18.2%.

**Christine Peltier**

### CHINA: QUARTERLY CHANGES



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.



**BNP PARIBAS**

**The bank  
for a changing  
world**