

# ECOPULSE

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PULSE OF CHINA'S ECONOMIC INDICATORS



**BNP PARIBAS**

The bank for a changing world

## A decent rebound in the first two months of 2023

Economic indicators for the first two months of 2023 show a rebound in activity following the abandon of China's zero Covid policy in early December and the end of disruptions caused by a spike in contaminations in December-January.

Activity picked up quickly in the services sector, swinging from a contraction of -0.8% y/y in December 2022 to growth of +5.5% y/y in January-February 2023. Output in services was supported by a sudden upturn in households' optimism and demand. Retail sales volumes surged by about +2% y/y in January-February, after contracting by -3.6% y/y in December, despite a decline in automobile sales (triggered by a reduction in tax incentives). Consumer price inflation remains low (2.1% y/y in January and 1% y/y in February).

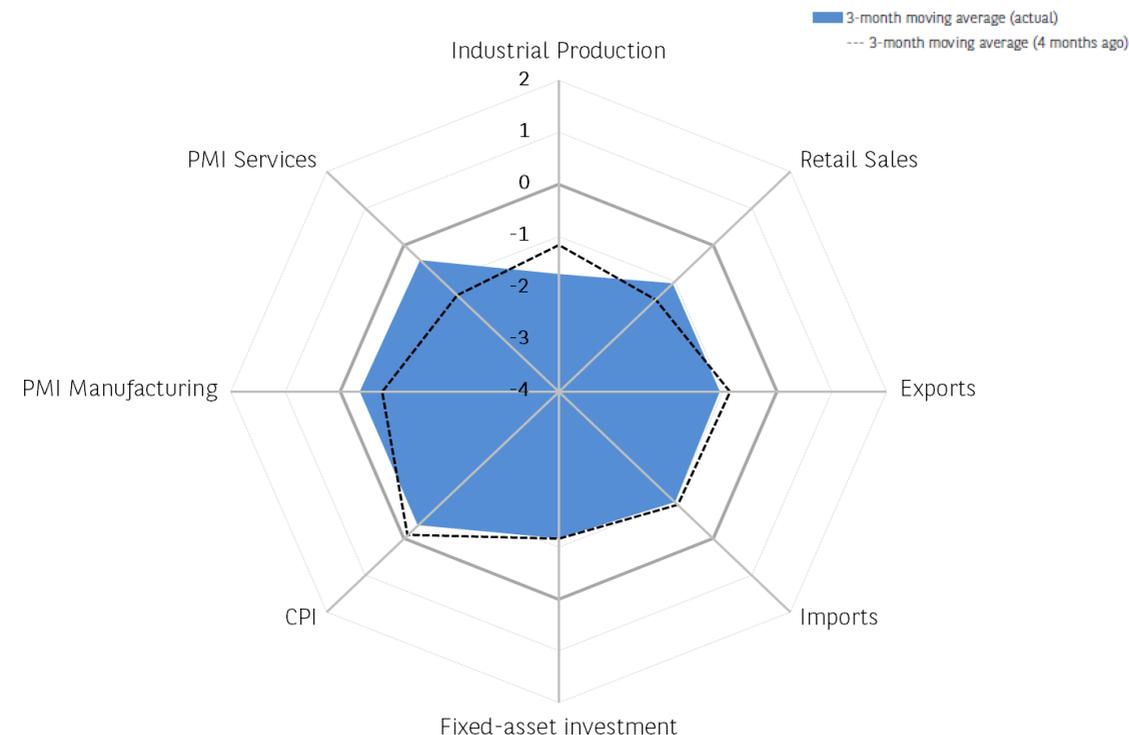
The crisis in the construction and real estate sectors seems to be starting to ease: new construction, house sales and real estate investment continued to contract in January-February, albeit at a much slower pace than in Q4 2022.

In the industrial sector, the strengthening in activity since the beginning of the year has been more moderate, hampered by the decline in automobile production and the deterioration in the performance of exports (which contracted by another 6% y/y in January-February). Industrial production growth reached +2.4% y/y in January-February 2023, up from +1.3% in December.

The GDP growth momentum observed in the first two months of the year should continue in the very short term, and growth rates are expected to improve in part thanks to stronger base effects in Q2 2023. However, the downside risks to economic growth are still high. They result notably from uncertainties regarding the real estate sector (many property developers continue to face severe financial troubles), local government finance, the job market (despite the economic rebound, the urban unemployment rate rose slightly again in February to an average of 5.6%, and 18.1% for the 16-24 age group), and the international environment (due to geopolitical tensions and weaker global trade).

Christine Peltier

## China: economic indicators 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 green 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.

SOURCE : NBS, BNP Paribas



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ECONOMIC RESEARCH | ECOPULSE | 3