

ECONOMIC PULSE

CHINA: A SOLID CAPACITY TO REBOUND

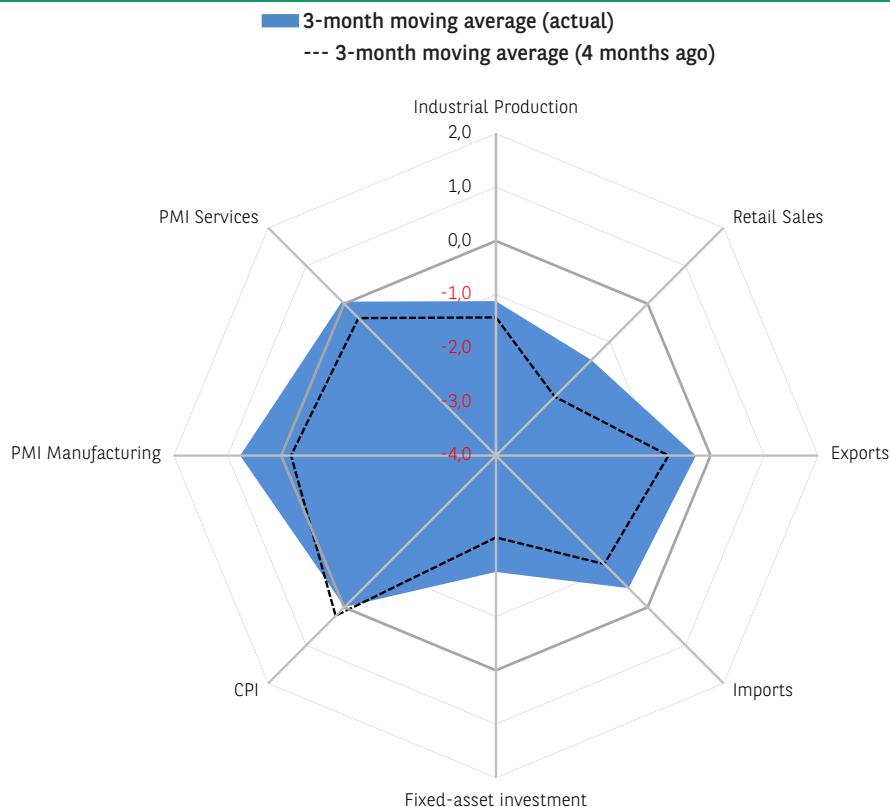
China's economic dynamics have remained the same in the past three months, i.e. the recovery has continued and strengthened gradually. As a result, real GDP registered positive growth of 0.7% y/y in the first three quarters of 2020, and 4.9% y/y in Q3 alone. The main economic sectors all reported positive growth in the first three quarters: +2.3% in the primary sector (vs. 3.1% in 2019), +0.9% in the secondary sector (vs. 5.7% in 2019) and +0.4% in the tertiary sector (vs. 6.9% in 2019). These data underline both the solid capacity of the Chinese economy to rebound after the Q1 shock, and the greater fragility of the services sector, where the recovery has started later and been slower than in the industrial sector.

As seen in our monthly Pulse, the expansion of the blue area compared to the dotted area shows a more widespread recovery in activity in Q3 2020 than in Q2. The recovery that followed the lockdown period of Q1 was initially driven by the rebound in industrial production and investment in both public infrastructure and real estate. Then,

in Q3 2020, it has also been supported by the improvement in the services sector and by the strengthening in other demand components. Export growth accelerated strongly (+9.9% y/y in September), driven by sales of medical equipment and IT goods and, more recently, by sales of home appliances and other consumer goods. Investment in the manufacturing sector strengthened in Q3, but yet is lagging behind investment in the property sector and public infrastructure. The rebound in retail sales has also gained momentum since August, but they were still well below their 2019 level over the first nine months of the year (-7.2% y/y). Consumer price inflation has continued to slow (to 2.3% y/y on average in Q3). While core inflation stayed low and stable (at 0.5%) au T3, disinflation has resulted mainly from the fall in fuel prices and slower inflation in food prices.

Christine Peltier

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.

