

Regional Analysis China

China | Negative Jan-Feb economic activity outturns point to a historical low growth in Q1

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A batch of negative January-February indicators announced today pointed to a significant slowdown in economic activities in Q1 amid the outbreak of COVID-19. Together with the previously released trade and credit data, it suggests that the Q1 GDP growth might dip to the historical low, leading to a sharp growth slowdown in the whole year. Looking ahead, the growth outlook depends on the evolution of the COVID-19 in China and globally as well as the authorities' policy responses to the negative readings. We therefore anticipate more monetary and fiscal easing measures to be deployed to reverse negative growth in the rest of the year. Altogether, we predict that there will be a “deep-V” shape growth pattern this year. That means, the spread of COVID-19 globally will give much pressure for the authorities' pre-set growth target of “doubling the GDP volume at end-2020 from 2000”.

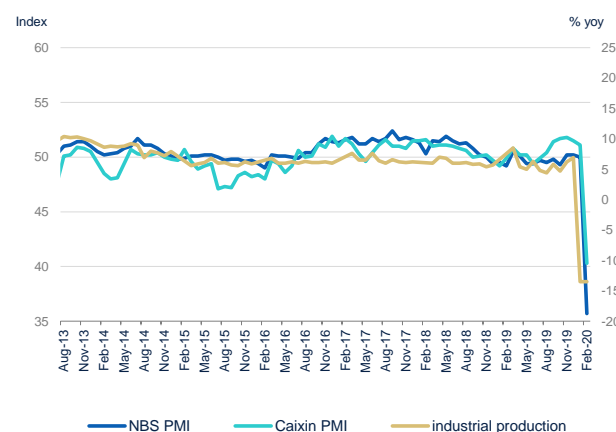
The negative growth in January-February is broad-based as all indicators are below the previous readings and the market consensus: industrial production decelerated to -13.5% y/y from the 2019 reading at 5.8% (consensus: -3% y/y); fixed asset investment also dipped to -24.5% ytd y/y from 5.4% ytd y/y in 2019 (consensus: -2% ytd, y/y); retail sales edged down to -20.5% y/y from % y/y in 2019 (consensus: -4% y/y). On the other hand, Jan-Feb credit data are also below the market expectations and the previous readings. Both total social financing and the new yuan loans decreased to RMB 855.4 billion and RMB 905 billion respectively, versus consensus at RMB 1,585.5 and 1,120 billion. However, M2 growth edged up to 8.8% y/y from the previous reading at 8.4%. (Table 1; Figure 2-8)

Figure 1. Activity Indicators* (3MA, YoY, Seasonally Adjusted)

	Mean	2019						2020		
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Industrial Production	9.0	5.5	5.3	5.2	5.1	5.1	5.6	6.0	0.0	-0.1
CPI	2.6	2.7	2.8	2.8	2.9	3.1	3.7	4.2	4.5	5.0
Retail sales	13.1	9.0	8.9	8.3	7.9	7.9	7.9	7.9	0.0	-0.1
Auto Sales	8.2	-13.8	-10.4	-7.4	-5.9	-5.4	-3.6	-1.8	-0.7	-27.6
Exports	8.9	-12	0.9	0.3	-0.3	-1.6	-1.7	2.0	-4.0	-7.9
Imports	9.5	-3.9	-7.1	-6.1	-6.4	-6.9	-4.7	3.2	4.7	3.1
Manufacture PMI	-0.6	-3.8	-3.9	-3.5	-2.8	-2.4	-1.1	0.1	1.0	-8.2
Non-manufacture	-0.4	-1.2	-1.0	-0.9	-1.2	-1.7	-0.8	-0.2	0.1	-15.7
Caixin PMI	-0.3	-2.2	-2.2	-1.8	1.7	4.1	7.1	7.1	7.3	-2.0
P/E ratio	-1.7	-8.3	-5.5	-1.3	-1.3	1.9	3.6	9.8	11.1	6.9
Real estate sales	18.6	7.1	6.5	5.9	7.1	7.3	7.3	6.5	-35.9	-35.9
Credit	15.0	13.3	13.1	12.7	12.5	12.4	12.4	12.3	12.1	12.2

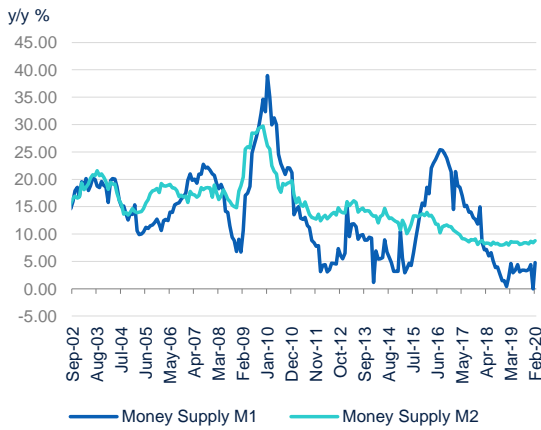
* Series are non-calendar adjusted**BBVA Research monthly GDP is dynamic factor model synthesizing high-frequency indicators to proxy monthly GDP

Figure 2. NBS PMI still below 50 while industrial production decelerated



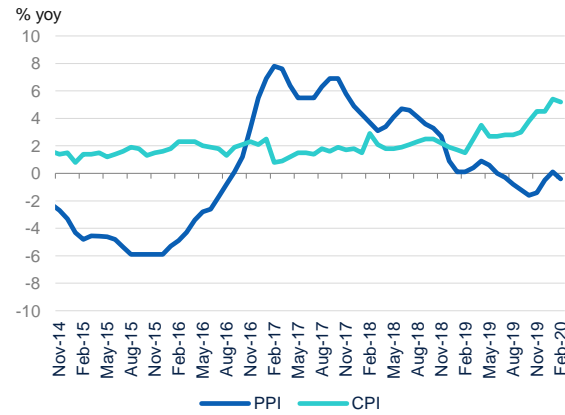
Source: CEIC and BBVA Research

Figure 3 M2 picked up marginally in February



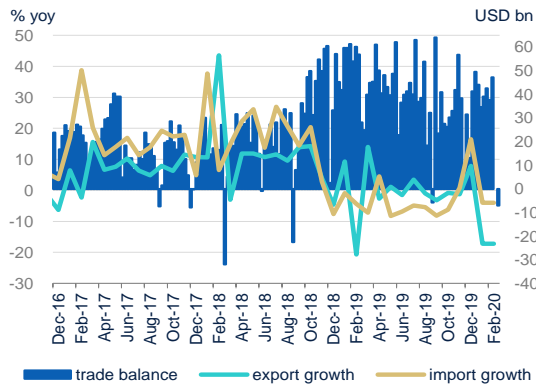
Source: CEIC and BBVA Research

Figure 4 CPI decreased marginally in February while PPI remains sluggish



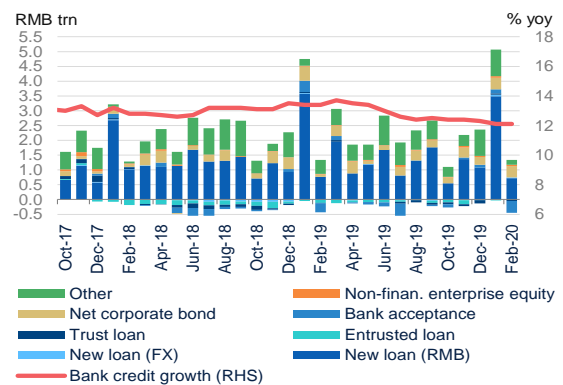
Source: CEIC and BBVA Research

Figure 5 Both exports and imports growth dipped to negative region, leading to trade deficit in Jan-Feb



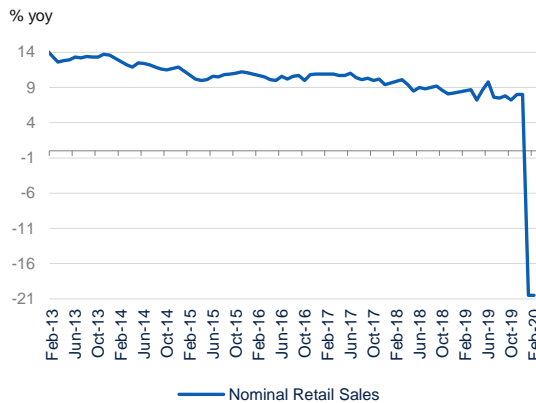
Source: CEIC and BBVA Research

Figure 6 Both total social financing and new yuan loans below the market consensus



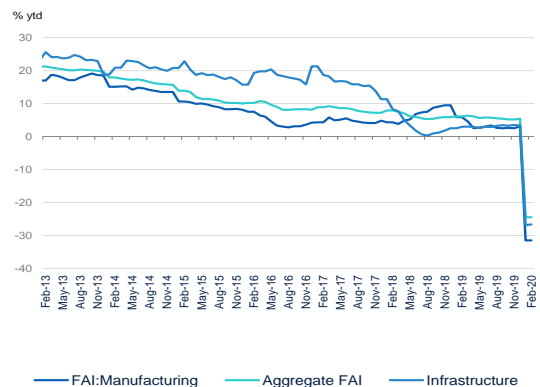
Source: CEIC and BBVA Research

Figure 7 Retail sales dipped significantly to -20.5% y/y



Source: CEIC and BBVA Research

Figure 8 ...so did the aggregate FAI and its components



Source: CEIC and BBVA Research

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