

China Economy in Apr

Recovery on track

Economic performance in Apr continued its recovery trend. Value-added industrial output returned to positive growth trajectory, boosted by high-tech industries and the automobile sector. FAI decline narrowed, featured by resilient real estate investment and fast-rebounding infrastructure investment. In terms of consumption, car sales became an important stabilizer posting almost flat YoY change. However, retail recovery seemed divergent. Smaller retailers and the catering sector lagged behind larger counterparts and the consumer goods sector.

- **Industrial output expanded 3.9% YoY** in Apr, reverting its contraction pattern since the beginning of the year. The most significant output rebound involved the manufacturing sector (+5.0% YoY in Apr vs. -1.8% in Mar). High-tech manufacturing continued to strengthen by advancing 10.5% YoY in Apr, up 1.6ppt from Mar. Automobile production advanced 5.8%/5.1% YoY in value/volume, respectively, representing marked improvement.
- **FAI decline narrowed to 10.3% YoY in Jan-Apr.** Rebound was broad-based, but was more significant with respect to infrastructure FAI (-11.8% YoY in Jan-Apr, strengthening 7.9ppt from 1Q) compared to manufacturing FAI on back of supportive policies. Real estate FAI, which was the most resilient component of FAI amid COVID-19, decreased only 3.3% YoY in Jan-Apr. Manufacturing FAI decreased 18.8% in Jan-Apr, vs. 25.2% in 1Q. FAI in computer, communications and electronics sector returned to positive growth at 1.1% in Jan-Apr.
- **Consumption recovery on track.** Retail sales value decreased 7.5% YoY in Apr, or 9.1% in real terms. Car sales posted vigorous rebound to almost flat YoY change, and became a key driver to stabilize consumption. We also noticed strong sales growth of grain and food in Apr (+18.2% YoY) likely as a result of residents stockpiling in preparation for uncertainties. **...but the recovery seemed divergent. 1)** Rebound was stronger for above-designated-size sample, of which decline narrowed to 3.2% YoY in Apr (-7.5% overall). This might indicate **slower recovery of smaller retailers** than that of branded or larger ones. **2) Catering recovery lagged behind,** which declined 27.9% YoY in Apr for above-designated-size sample whereas decline of goods sales narrowed to 1.5% YoY.

Data Summary

YoY growth (%)	2019A	Jan-Feb 2020	Mar-20	1Q20	Apr-20
Industrial value-added	5.7	-13.5	-1.1	-8.4	3.9
Fixed asset investment, YTD	5.4	-24.5	-16.1	-16.1	-10.3
- Manufacturing FAI	3.1	-31.5	-25.2	-25.2	-18.8
- Real estate FAI	9.9	-16.3	-7.7	-7.7	-3.3
- Infrastructure FAI	3.8	-31.5	-19.7	-19.7	-11.8
Retail sales value	8.0	-20.5	-15.8	-19	-7.5

Source: NBS, CMBIS

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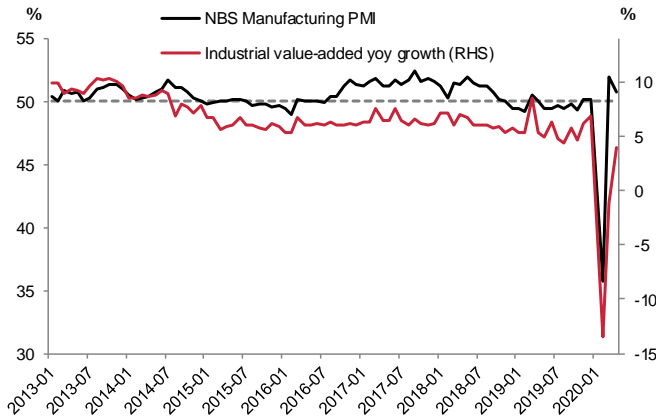
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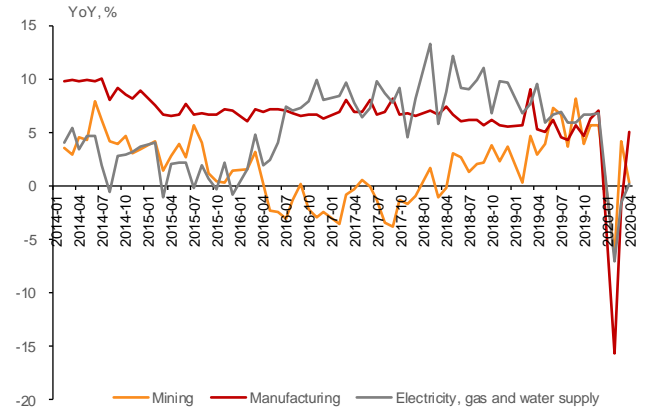
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Figure 1: Industrial output expanded 3.9% YoY in Apr



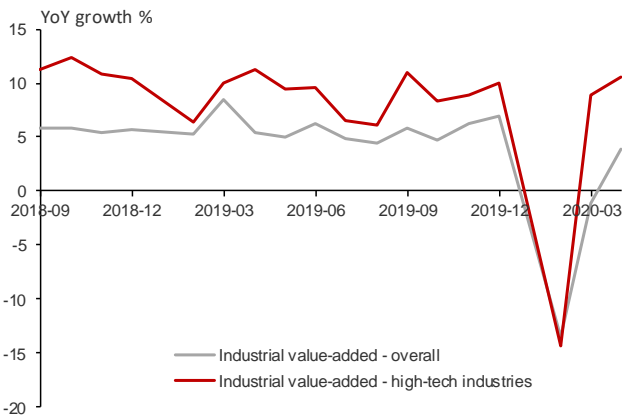
Source: NBS, Wind, CMBIS

Figure 2: Manufacturing output growth rebounded to 5.0% YoY in Apr



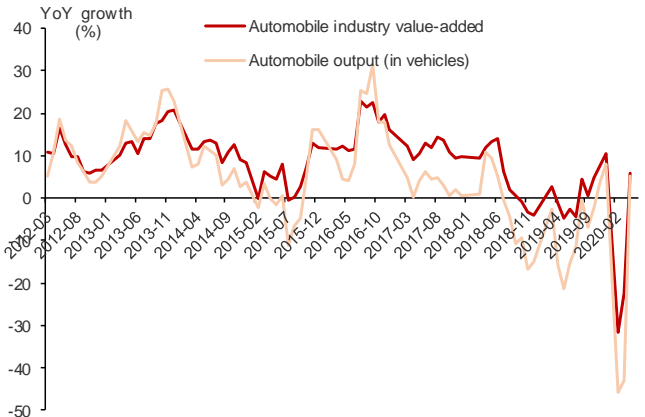
Source: NBS, Wind, CMBIS

Figure 3: High-tech manufacturing output increased 10.5% YoY in Apr



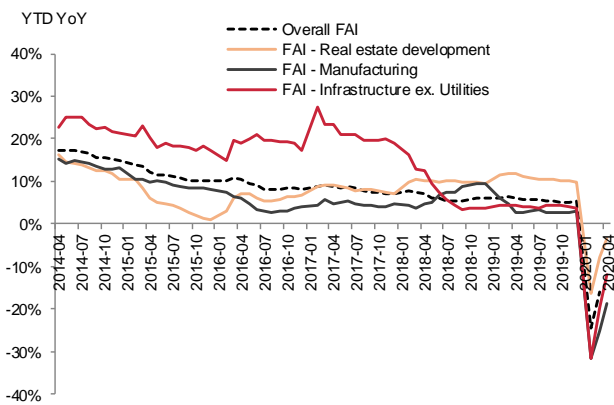
Source: NBS, Wind, CMBIS

Figure 4: Automobile output growth turned positive



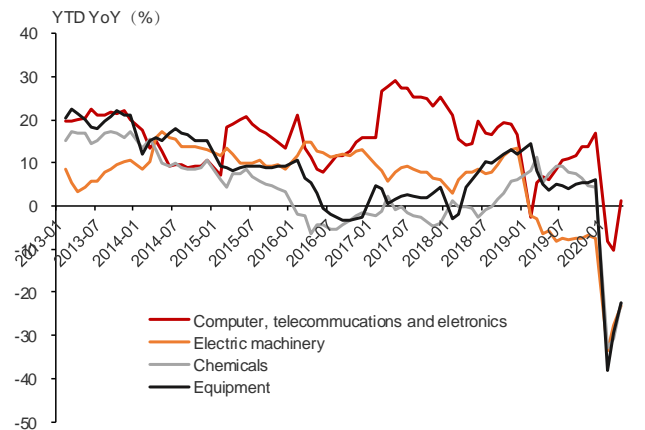
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Figure 5: Overall FAI declined 10.3% YoY in Jan-Apr



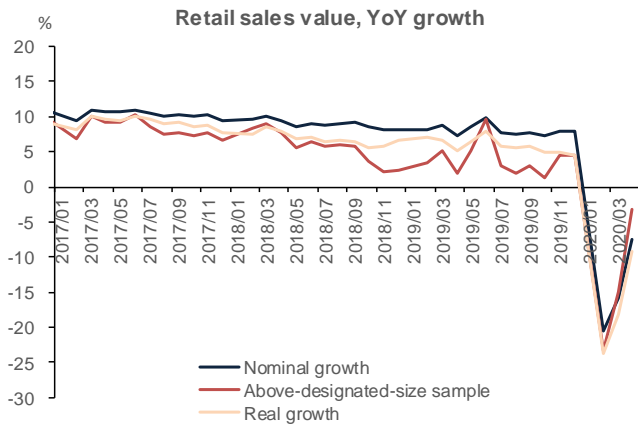
Source: NBS, Wind, CMBIS

Figure 6: Manufacturing FAI by subsector



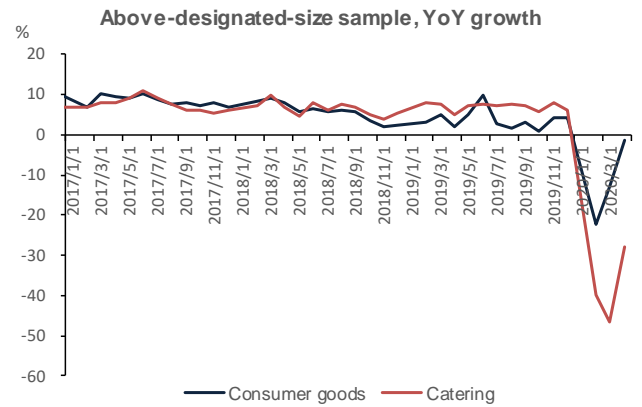
Source: NBS, Wind, CMBIS

Figure 7: Retail sales growth



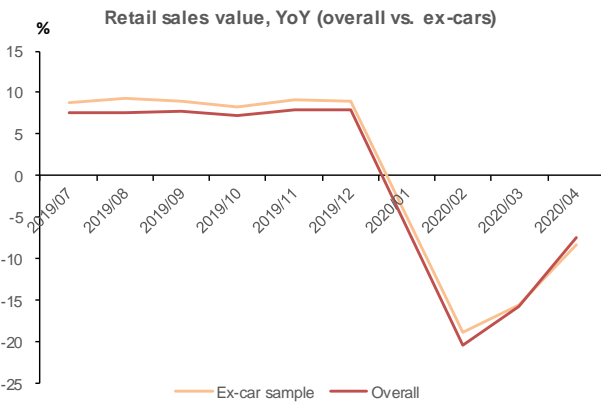
Source: NBS, Wind, CMBIS

Figure 8: Slower recovery of catering



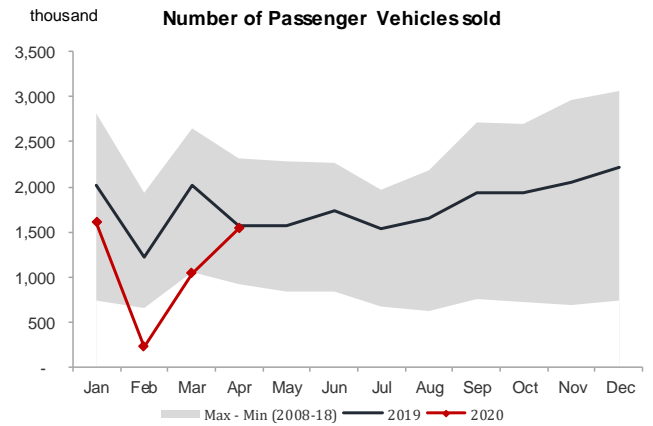
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Figure 9: Car sales no longer a drag on retail sales in Apr



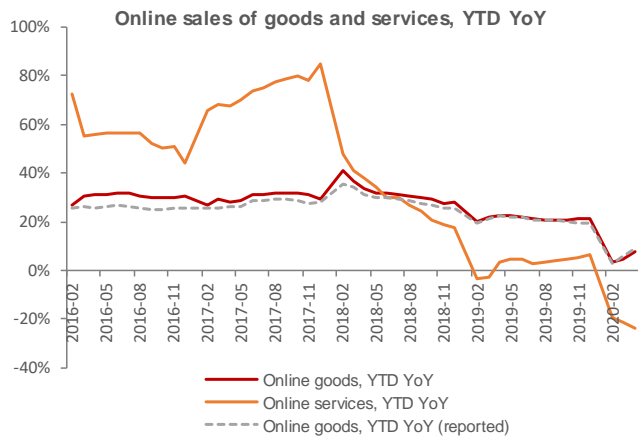
Source: NBS, Wind, CMBIS

Figure 10: Car sales close to flat growth in Apr



Source: Wind, CMBIS

Figure 11: Online goods sales increased 7.3% YoY in Jan-Apr



Source: NBS, Wind, CMBIS

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