

China Economy in Apr

Consumption growth moderated

Economic data in Apr was mixed, pointing to sustained recovery though at moderating paces. Consumption growth decelerated in Apr across various metrics after rebounding in Mar. Manufacturing output, manufacturing FAI and real estate FAI maintained steady expansion, whereas infrastructure FAI was neutral. Looking ahead, we expect to see some upticks in consumption in May thanks to booming demand during the Labor Day Holiday. Future downside risks include dull consumption recovery, hiking PPI weighing on industrial firm profit, and structural fine tuning of monetary policies. Regional COVID-19 outbreaks in some provinces may also pose short-term challenges.

- **Industrial output rose at 6.8% 2-year CAGR in Apr**, retrieving 0.6ppt from 6.2% in Mar and keeping the same pace of expansion as 1Q21. Manufacturing output expanded at 7.6% 2-year CAGR in Apr, compared to 6.4% in Mar. Output of high-tech manufacturing maintained strong growth steam - new energy vehicles, industrial robots, integrated circuits and computers, all documented double-digit growth in Apr.
- **FAI recorded upticks** in 2-year CAGR with respect to the three major categories – manufacturing, real estate and infrastructure FAI, despite contraction in YoY growth rates. **1) Manufacturing FAI** has gradually come back to positive growth, expanding +0.3% in the Jan-Apr period in 2-year CAGR terms. The 13 reported subindustries of manufacturing all reported improving FAI figures in Apr, and 6 of them have resumed above-zero 2-year CAGR, including computers & communications, pharmaceuticals, non-ferrous metal processing, special equipment, chemical production and transportation equipment. **2) Infrastructure FAI** maintained modest pace of recovery, rising 18.4% YoY and 2.2% at 2-year CAGR in Jan-Apr, and lagged pre-pandemic growth by ~2ppt. **3) Real estate FAI** speeded up to 8.8% 2-year CAGR in Jan-Apr, compared to pre-pandemic growth of ~10%.
- **Consumption growth moderated** by various metrics of growth rates and samples. Above-designated-size sample maintained its leading position since 2021. MoM growth of retail sales decelerated to 0.32% in Apr, compared to 0.92%/1.45%/1.75% in Jan/Feb/Mar. In terms of 2-year CAGR, growth decelerated to 4.3% in Apr vs. 6.3% in Mar, advancing at 7.1% 2-year CAGR. Consumption goods and catering revenue increased at 4.8%/0.4% 2-year CAGR in Apr, respectively. According to Figure 9, most categories of consumer goods in the above-designated-size sample recorded deceleration in Apr compared to the previous month.

Data Summary

	YoY growth			2-year CAGR		
	Jan-Feb 2021	Mar-21	Apr-21	Jan-Feb 2021	Mar-21	Apr-21
Industrial output	35.1%	14.1%	9.8%	8.1%	6.3%	6.8%
Fixed asset investment	35.0%	25.6%	19.9%	1.0%	2.7%	3.9%
- Manufacturing FAI	37.3%	29.8%	23.8%	-3.0%	-1.5%	0.3%
- Infrastructure FAI	36.6%	29.7%	18.4%	-3.3%	2.1%	2.2%
- Real estate investment	38.3%	25.6%	21.6%	7.6%	7.7%	8.4%
Retail sales	33.8%	34.2%	17.7%	3.2%	6.3%	4.3%

Source: NBS, CMBIS estimates

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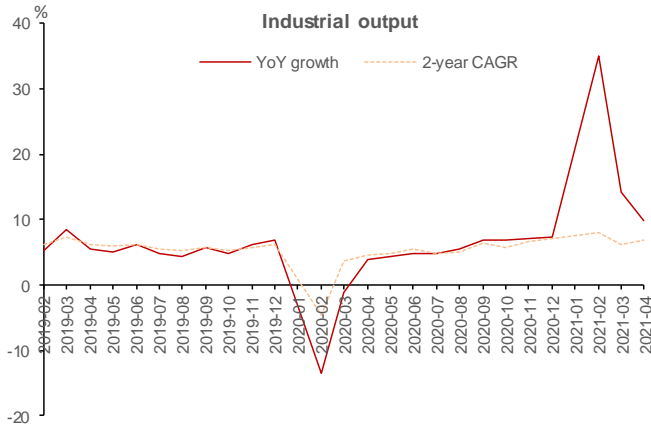
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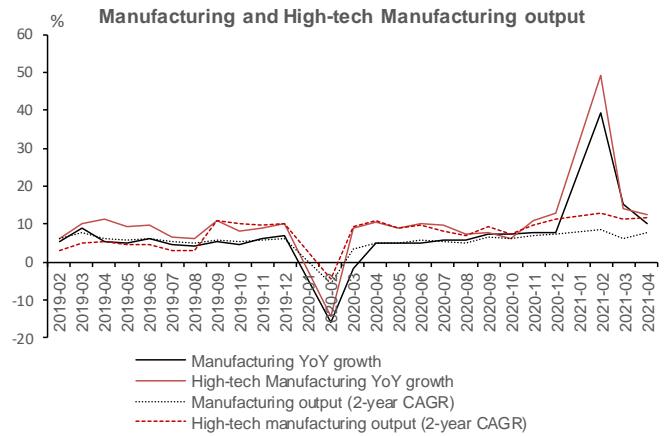
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Figure 1: Industrial output increased at 6.8% two-year CAGR in Apr



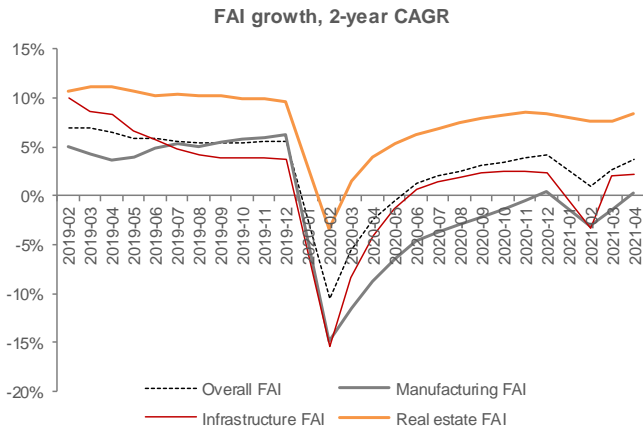
Source: NBS, Wind, CMBIS estimates

Figure 2: Manufacturing output's 2-year CAGR maintained robust in Apr



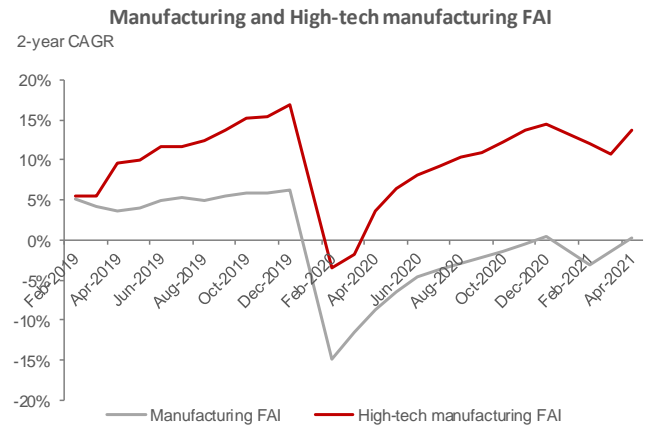
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Figure 3: FAI expanded at 3.9% 2-year CAGR in the Jan-Apr period, up 1.2ppt from 1Q21



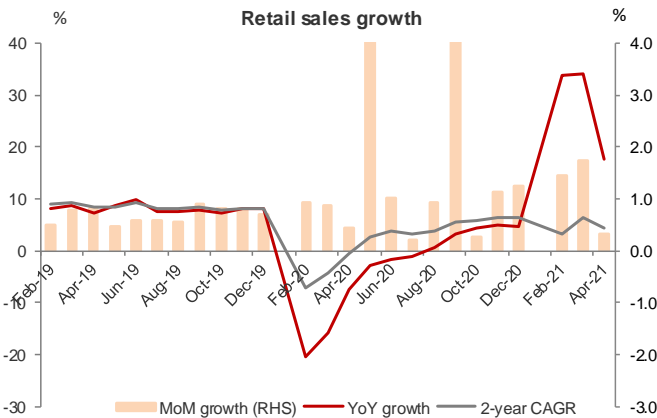
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Figure 4: High-tech industries have been leading the recovery of manufacturing FAI



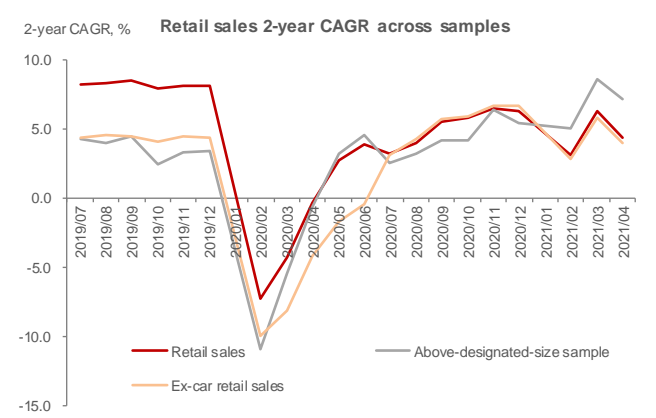
Source: NBS, Wind, CMBIS estimates

Figure 5: Retail sales moderated in Apr across several metrics compared to Mar



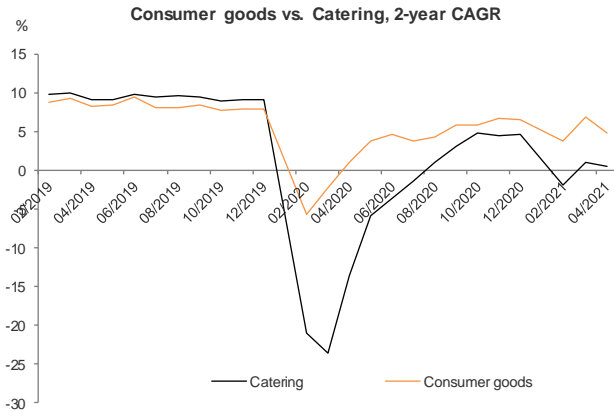
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Figure 6: Above-designated-size sample recorded outperforming growth in 2021



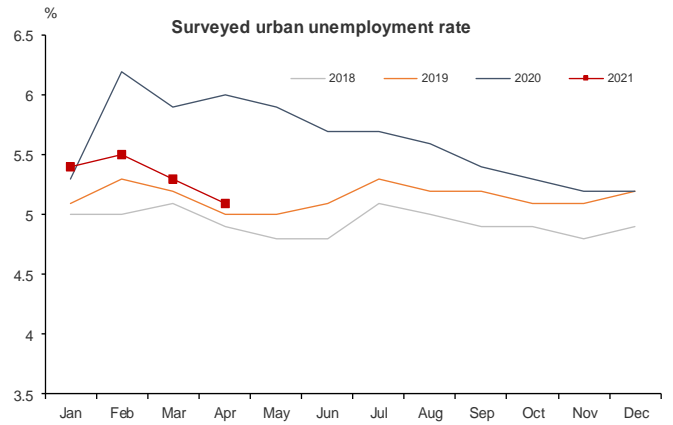
Source: NBS, Wind, CMBIS estimates

Figure 7: Consumption goods and catering revenue increased at 4.8%/0.4% 2-year CAGR in Apr



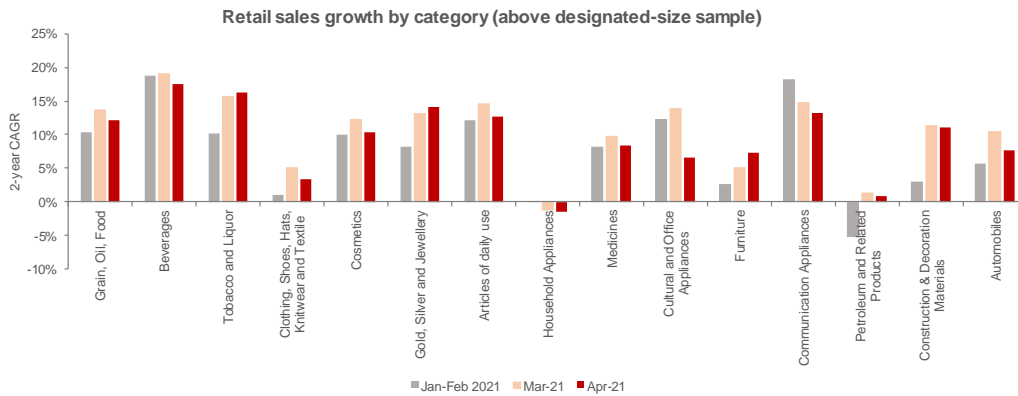
Source: NBS, Wind, CMBIS estimates

Figure 8: Surveyed urban employment rate improved 0.2ppt MoM to 5.1% in Apr 2021



Source: NBS, Wind, CMBIS

Figure 9: Most categories of consumer goods recorded moderating growth in Apr



Source: NBS, Wind, CMBIS estimates

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