

China Watch

January macro data preview: Credit data likely rebounded amid weak inflation prints

For the month of January, the Chinese authorities only release the monthly inflation and money & credit data. The combined Jan-Feb trade and key activity data (including industrial production, fixed asset investment, retail sales etc.) will be released in mid-March.

CPI and PPI readings to remain in negative territory

We estimate that January CPI inflation could edge down to -0.6% yoy from -0.3% in December. This is partly due to a higher year-ago base because of the different timing of Lunar New Year (LNY) holiday (Feb 10-17 this year, vs. Jan 21-27 in 2023). Food prices likely rose sequentially, driven by higher vegetable prices, while pork prices remained weak given still excess supply. Services price could see a mom improvement amid rising holiday travel demand.

PPI inflation likely remained weak at -2.5% yoy in January (vs. -2.7% in December). In sequential terms, the prices of energy and chemicals both dropped, according to the high-frequency data we track. The producer price sub-index from the January NBS manufacturing PMI survey also stayed in contractionary zone (47.0). These all imply a mom decline in the January PPI.

New loans and TSF likely solid; financial conditions eased

New RMB loans and total social financing (TSF) likely came in at RMB4,300bn and RMB5,400bn respectively in January. These numbers present a sharp rebound compared with December, as commercial banks typically issue a substantial amount of loans in the first month of each year. That said, the estimated amount of new RMB loans and TSF would still trail the same month in 2023 (RMB4,900bn and RMB5,996bn, respectively). The implied yoy growth of outstanding RMB loans would decelerate to 10.1% (vs. 10.6% previously), while outstanding TSF growth would edge down to 9.3% (from 9.5% in December).

M2 growth may decelerate to 9.2% yoy in January (from 9.7% in December), partly due to the LNY base effect. Our BofA China Financial Condition Indicator (FCI) likely loosened further in January, helped by lower nominal interest rate and slightly larger yoy CNY NEER depreciation.

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Table 1: Economic calendar

Jan 2024 macro data

Date	Event	BofAe	Prev
8 Feb	CPI	-0.6	-0.3
8 Feb	PPI	-2.5	-2.7
9-15 Feb	M2	9.2	9.7
9-15 Feb	New loans, RMB bn	4,300	1,170
9-15 Feb	TSF, RMB bn	5,400	1,940
9-15 Feb	TSF	9.3	9.5

Note: Unit is percent year-on-year, unless stated otherwise.

Source: BofA Global Research estimates, Bloomberg
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LNY: Lunar New Year

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