

China Watch

Chart book series #135: Another week of weak construction activities

Domestic & international flights normalized after LNY

Inter-city mobility softened after the LNY travel concluded, as evidenced by sequential moderation in Baidu migration index and number of domestic flights (Exhibit 2 & Exhibit 4). International flights also softened to 66% of the pre-COVID level (Exhibit 5). In terms of consumption, weekly auto sales increased by 4% yoy in Mar 1-10 (Exhibit 6), while box office revenue remained above the 2021-23 level (Exhibit 7).

Construction activities remain weak links

Rebar consumption and cement shipment ratio continued to normalize after the LNY. However, the pace is slower than previous years due to weak demand (Exhibit 8 & Exhibit 10). This is especially true for construction activities. According to 100NJZ, in the fourth week post LNY, the resumption ratio of construction sites only registered at 75% (vs. 80-94% in previous years), and the return ratio for construction workers is even lower (72% vs. 84% in 2023) (Exhibit 1). The LGSB issuance pace also stayed below past years' level (Exhibit 13).

Home sales saw little sign of improvement

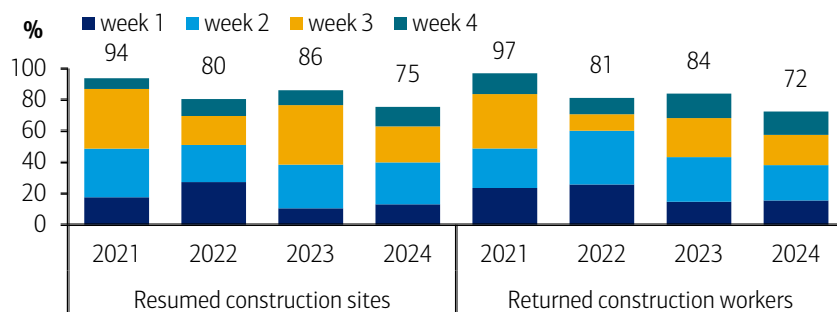
The land market remains muted, as evidenced by low land auction price premium (Exhibit 16). New home sales in key cities remained sluggish this week, with little sequential improvement (Exhibit 14). Secondary home sales fared slightly better, but also below last year's level (Exhibit 15). On Mar 14, Hangzhou (a key tier-2 city) announced it will relax all its home purchasing requirements (HPR) for secondary home sales.

Liquidity conditions & FX market remained stable

This week, market liquidity remained largely stable (Exhibit 17). USDCNY continued to stay at 7.2 level, although the daily fixing's difference remained high (Exhibit 18).

Exhibit 1: Update of Construction sites and workers after LNY

In the fourth week after LNY, 75% construction projects had restarted and 72% of workers had returned, both notably lower than previous years



Source: 100NJZ, Note: data as of Mar 12, surveyed sample of 10,094 projects nationwide

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14 March 2024

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Abbreviations:

IPP: Independent power plants

CPCA: China Passenger Car Association

LGSB: Local government special-purposed bond

LNY: Lunar New Year

OMO: Open market operations

PCR: Passenger Car Radial tires

TBR: Truck, Bus and Radial tires

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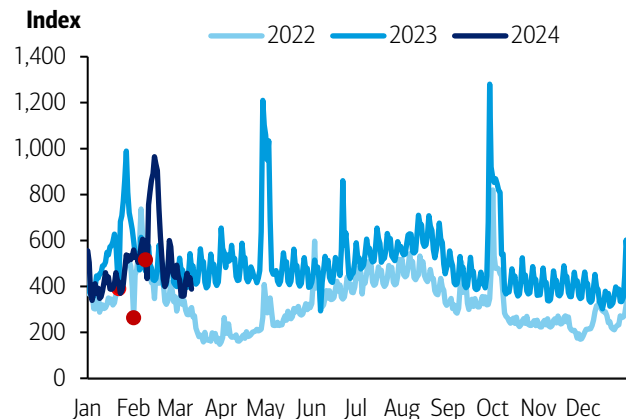
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Mobility & Consumption

Exhibit 2: Baidu Migration index

Inter-city trips normalized after LNY hike

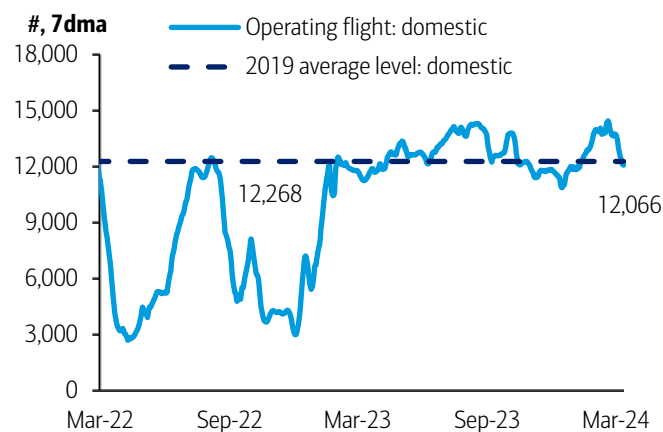


Source: Baidu, Note: data as of Mar 12

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Exhibit 4: China's operating flights: domestic

The number of domestic flights moderated to the 2019 level

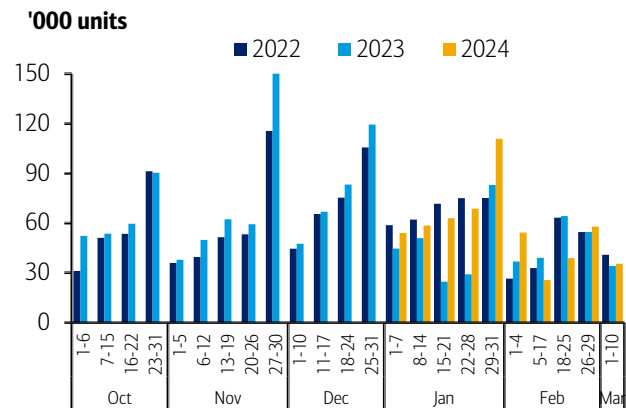


Source: Wind, Note: data as of Mar 12

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Exhibit 6: Auto Sales

Auto sales during Mar 1-10 rose by 4% yoy

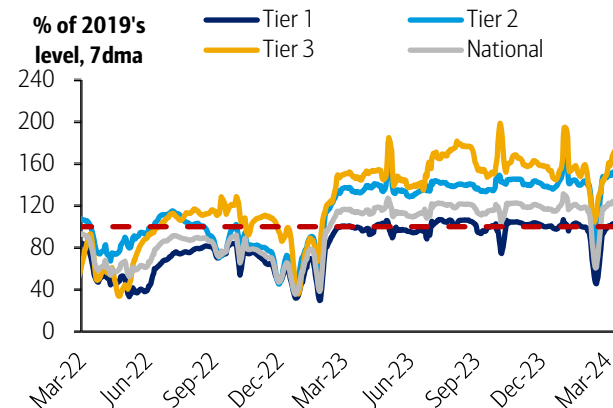


Source: CPCA, Note: data as of Mar 10

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Exhibit 3: Daily subway rides by city tiers (28-city)

Daily subway rides rebounded to pre-LNY level this week

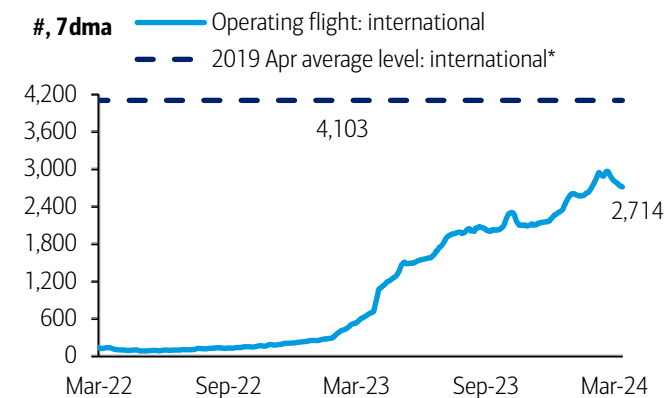


Source: Wind, Note: 100 represents benchmark (subway volume in December 2019); data as of Mar 11

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Exhibit 5: China's operating flights: international

The number of international flights inched down to 66% of 2019 April level

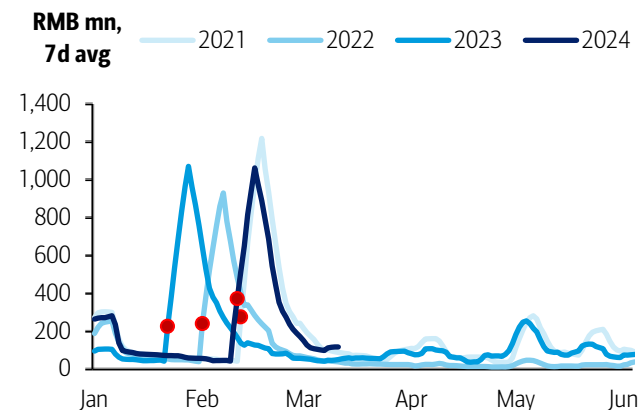


Source: Wind, Note: *We have reset the benchmark of pre-COVID level based on the Apr's press conference by CAAC, data as of Mar 12

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Exhibit 7: Box office revenue

Box office revenue remained resilient above 2021-23 level



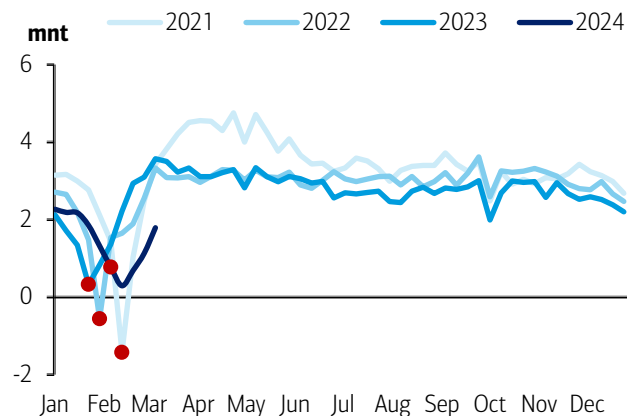
Source: Wind, China film administration, Note: Red dots indicate Lunar New Year (LNY) in each year; data as of Mar 11

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Production, Logistic & LGSB

Exhibit 8: Weekly average rebar apparent consumption

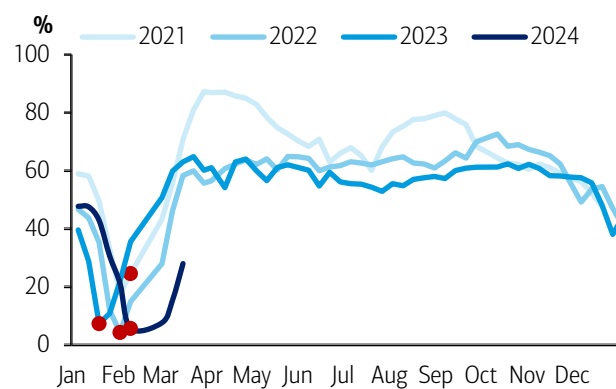
Rebar consumption continued to recover post-LNY, but at a slower pace vs. previous years



Source: Mysteel, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Mar 8
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Exhibit 10: Cement shipment ratio

Cement shipment speeded up but remained below previous year's level

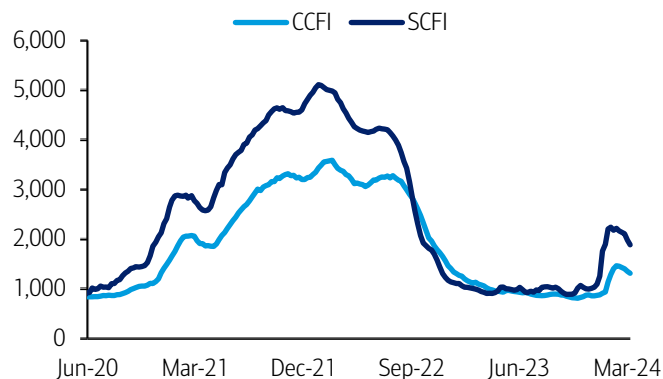


Source: Digital Cement Note: Shipment ratio is defined as the shipment volume over the production capacity in the same period, data as of Mar 8

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Exhibit 12: Shanghai container freight index (SCFI) & China container freight index (CCFI)

Both SCFI and CCFI moderated further last week

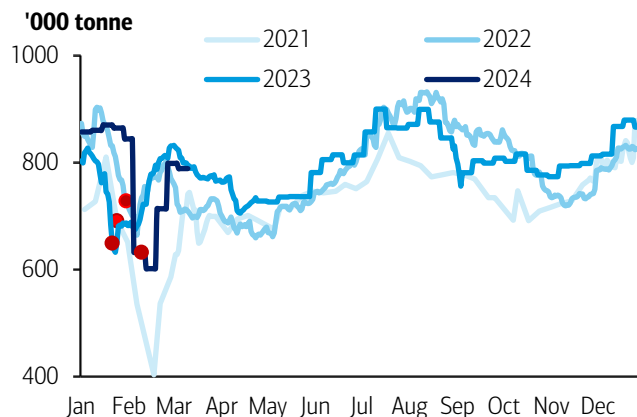


Source: Wind, Note: data as of Mar 8

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Exhibit 9: Daily coal consumption at major IPPs

Coal consumption at major IPPs remained resilient in past week

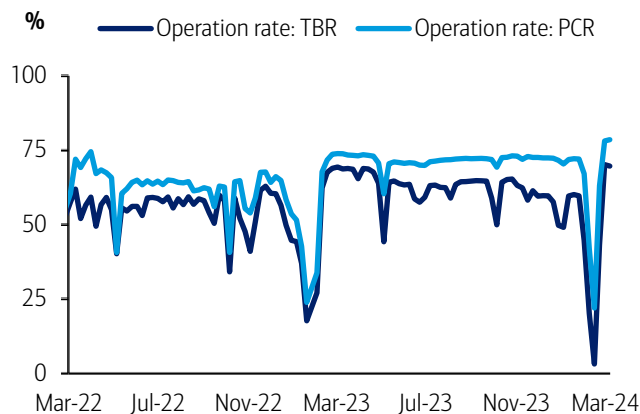


Source: Sxcoal, Note: Red dots indicate Lunar New Year (LNY) in each year, IPPs: independent power plants, data as of Mar 10

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Exhibit 11: Operation rate of TBR and PCR

Operation rate of TBR and PCR rebounded higher than pre-LNY level

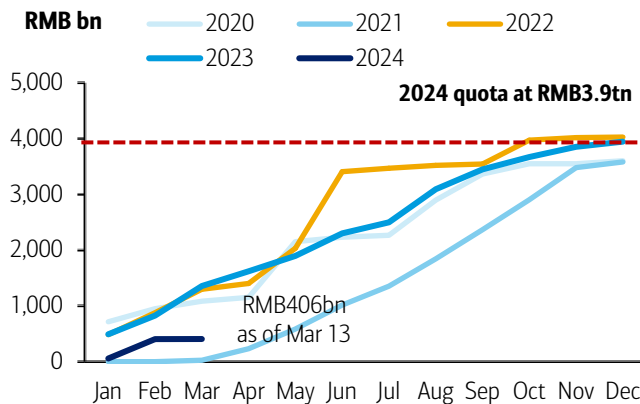


Source: Wind, Note: data as of Mar 7

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Exhibit 13: LGSB net issuance

LGSB net issuance reached RMB406bn as of Mar 13



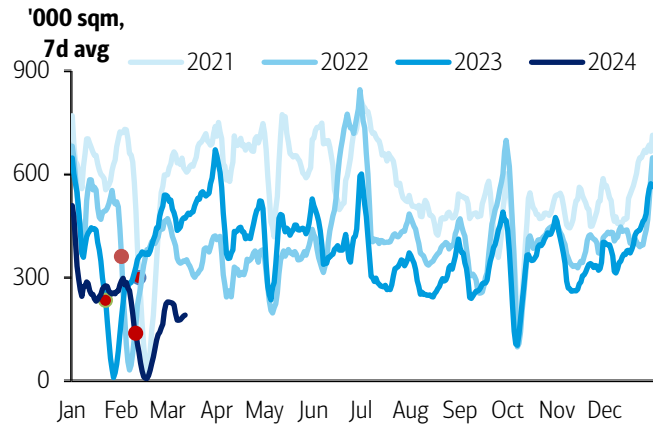
Source: Wind, Note: data as of Mar 13

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Property & Financial market

Exhibit 14: Property transaction in 30 major cities

New home sales remained far below par level



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Mar 12
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Exhibit 16: Land auction premium rate (100-city)

4-week average land auction premium rate ticked up from 2%

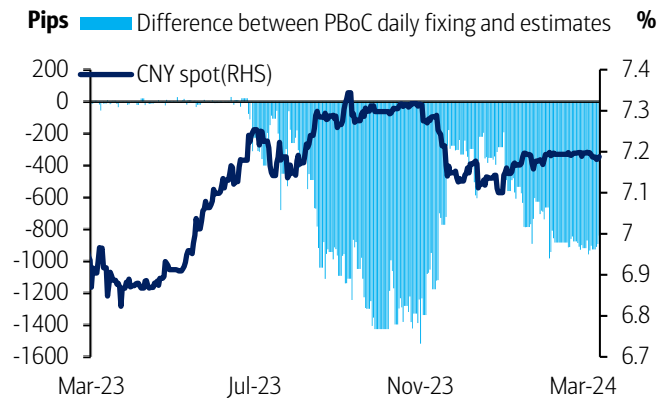


Source: Wind, Note: data as of Mar 10, 2024

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Exhibit 18: USDCNY exchange rate with daily fixing

The daily fixing's difference remained at high level while USDCNY remained stable at 7.2

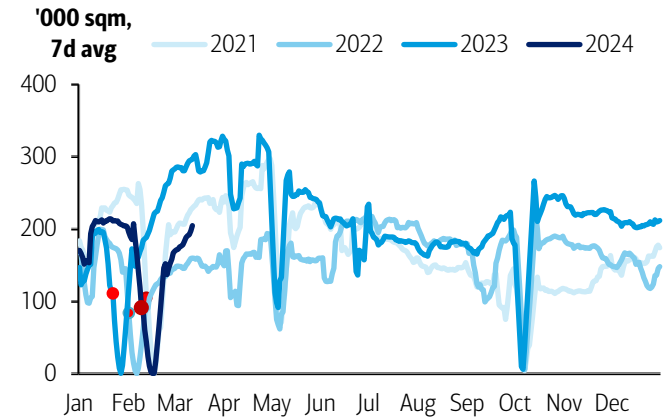


Source: Bloomberg, Note: data as of Mar 13

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Exhibit 15: Secondary housing transaction in 10 cities

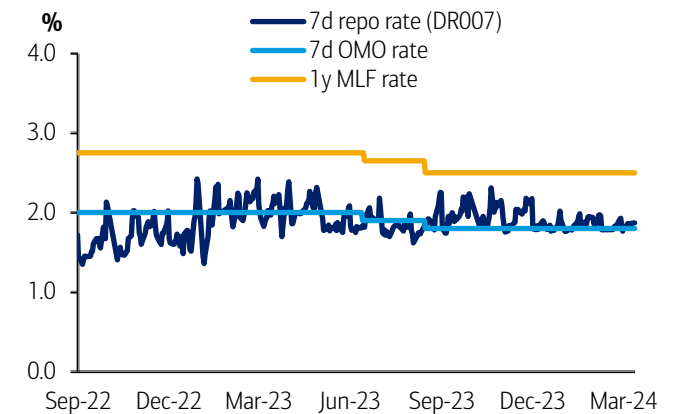
Secondary home sales rose further after LNY holiday



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Mar 12
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Exhibit 17: Money market rates vs policy rates

7d repo rate stayed closer to 7d OMO rate

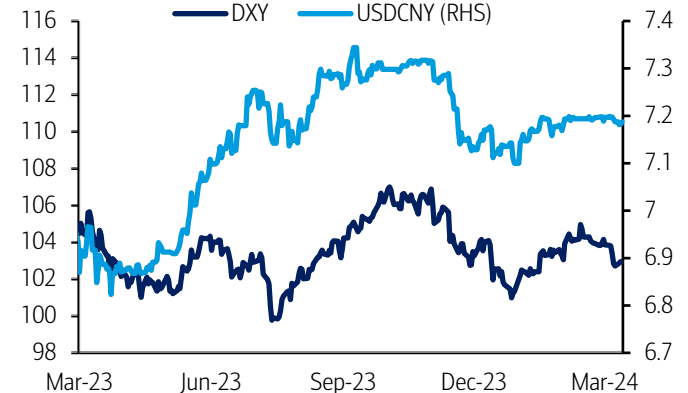


Source: Bloomberg, Wind, Note: data as of Mar 13

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Exhibit 19: USDCNY exchange rate and U.S. Dollar Index

Dollar index inched down recently, while CNY remained roughly stable



Source: Bloomberg, Note: data as of Mar 13

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