

China Watch

Chart book series #127: Container freight index continue to hike on Red Sea conflict

Mobility eased after the holiday; auto sales still resilient

Both inter- and intra-city mobility normalized after the three-day New Year holiday (Exhibit 2 & Exhibit 3). The number of domestic flights remained stable (Exhibit 4) while that of international flights also stayed at 63% of the pre-COVID level (Exhibit 5). Consumption activities remained resilient. Auto sales was up by 21% yoy in the first week of 2024, albeit below the 2022 level (Exhibit 6); box office revenue also stayed at close to 2022 levels despite the sequential moderation after the holidays (Exhibit 7).

Production activities came in mixed at the year start

Entering 2024, production activities came in mixed. Cement shipment improved due to the cancellation of air pollution precaution and construction acceleration in the South (Exhibit 10), while cement price continued to trend down (Exhibit 11). Both rebar apparent consumption and the operation rate of tire dropped due to seasonality issues (Exhibit 8 & Exhibit 12). However, coal consumption in major IPPs remained strong (Exhibit 9). Container freight index surged further after the Red Sea incident (Exhibit 13).

New home sales dropped in the first week of Jan

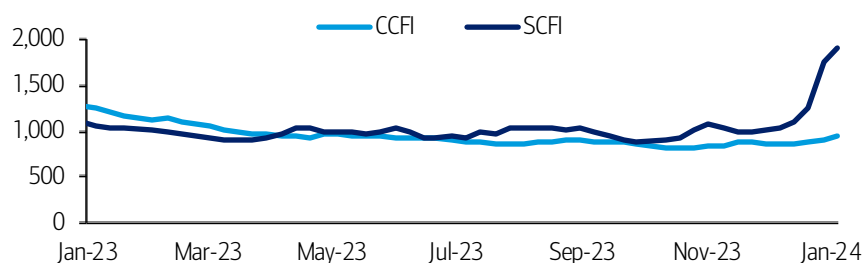
New home sales in key cities dropped again after the rebounding seen last week (Exhibit 14), but secondary home sales still held up well in key cities (Exhibit 15). Land market continued to see little improvement as the land auction price premium stayed muted (Exhibit 16).

PBoC signaled potential RRR cut to support credit growth

On Jan 8, Zou Lan, the director of PBoC monetary policy department, highlighted that PBoC may utilize monetary tools including OMO, MLF, re loans as well as RRR to provide liquidity, and to support TSF and credit growth. Market expectation for near-term RRR cut is on the rise amid coming LNY holiday in early Feb. USDCNY fluctuated around 7.15 this week, while PBoC have marginally stepped up with FX stability management via the setting of higher fixings (Exhibit 18).

Exhibit 1: Shanghai container freight index (SCFI) & China container freight index (CCFI)

SCFI surged further amid recent red sea incident; CCFI ticked up



Source: Wind, Note: data as of Jan 5, 2024

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11 January 2024

GEM Economics
Asia | China

Benson Wu
China & Korea Economist
Merrill Lynch (Hong Kong)
+852 3508 5047
benenson.wu@bofa.com

Helen Qiao
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 3961
helen.qiao@bofa.com

Abbreviations:

OMO: Open market operations
PCR: Passenger Car Radial tires
TBR: Truck, Bus and Radial tires
PBoC: People's Bank of China
RRR: Reserve requirement ratio
MLF: Medium term lending facility
OMO: Open market operation
IPP: Independent power plants
CPCA: China Passenger Car Association
LNY: Lunar New Year

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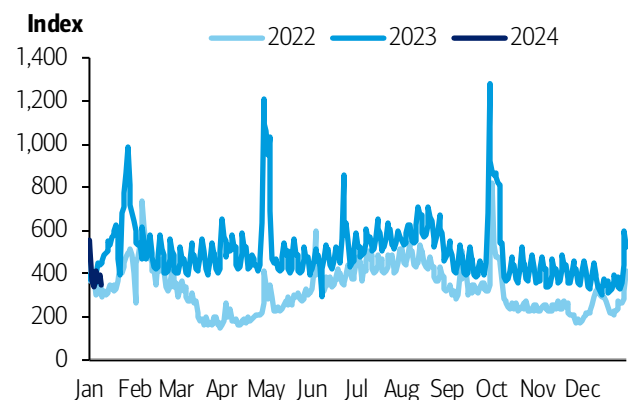
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Mobility & Consumption

Exhibit 2: Baidu migration index

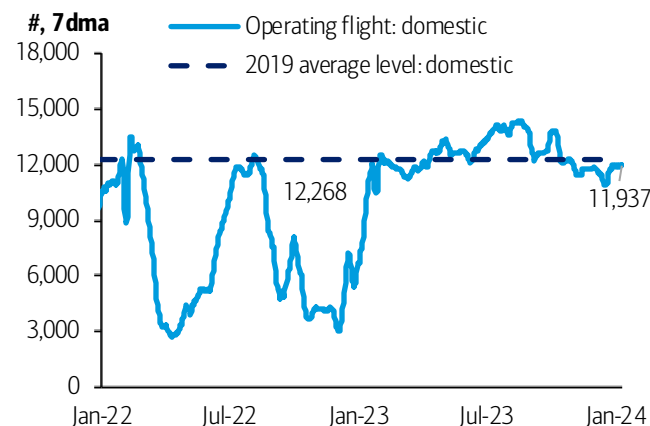
Inter-city trips normalized after New Year holiday hike



Source: Baidu, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Jan 9/2024
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Exhibit 4: China's operating flights: domestic

The number of domestic flights ticked up to 11,937 as of Jan 9

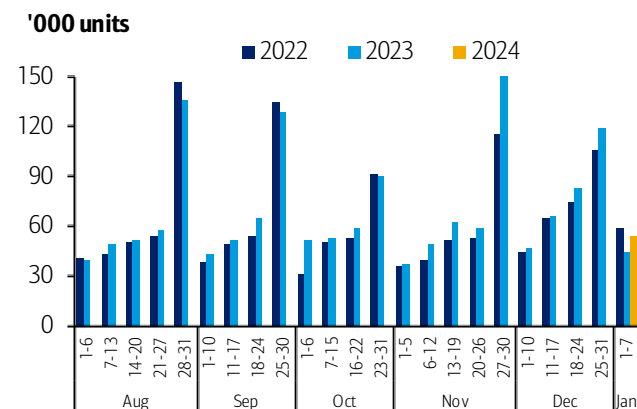


Source: Wind, Note: data as of Jan 9/2024

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Exhibit 6: Auto sales

Auto sales during Jan 1-7 rose by 21% yoy



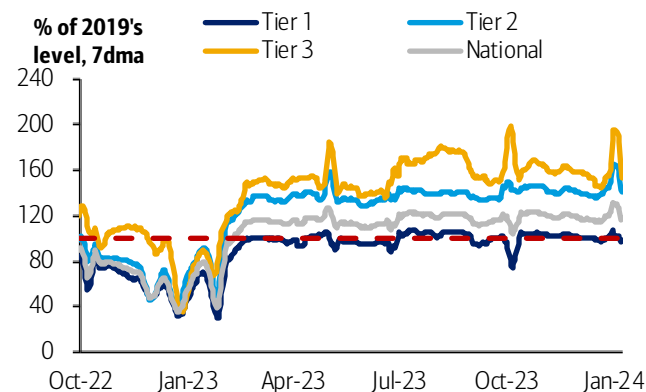
Source: CPCA, Note: data as of Jan 7

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Production & Logistic

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

Daily subway rides normalized this week after holiday effect

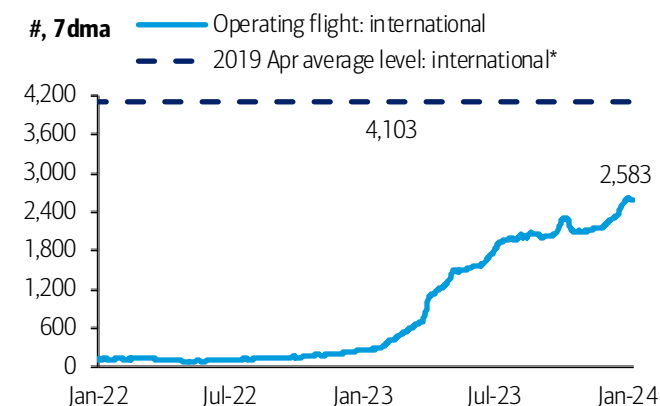


Source: Wind, Note: 100 represents benchmark (subway volume in December 2019); data as of Jan 8, 2024

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Exhibit 5: China's operating flights: international

The number of international flights stabilized at 63 % of 2019 April level

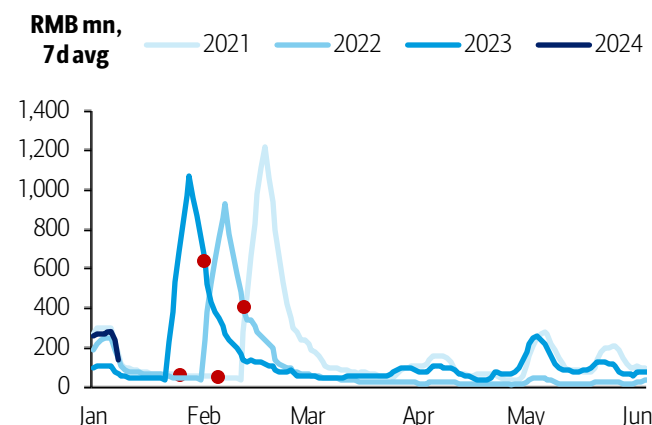


Source: Wind, Note: *We have reset the benchmark of pre-COVID level based on the April press conference by CAAC, data as of Jan 9/2024

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Exhibit 7: Box office revenue

Box office revenue moderated and stayed roughly 2021 level

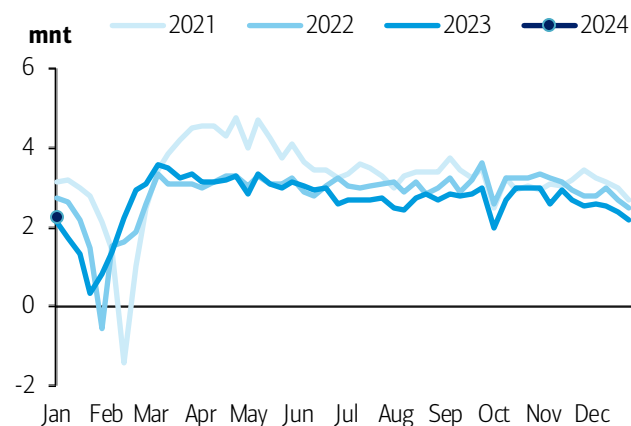


Source: Wind, China film administration, Note: data as of Jan 8, 2024

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Exhibit 8: Weekly average rebar apparent consumption

Entering 2024, rebar consumption started low amid weak demand



Source: Mysteel, Note: data as of Jan 5, 2024

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Exhibit 9: Daily coal consumption at major IPPs

Entering 2024, coal consumption for major IPPs started strong

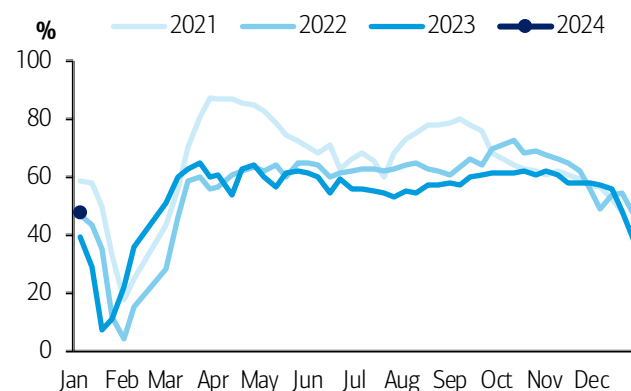


Source: Sxcoal, Note: Red dots indicate Lunar New Year (LNY) in each year, IPPs: independent power plants, data as of Jan 7, 2024

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Exhibit 10: Cement shipment ratio

Cement shipment ratio started strong in 2024 due to construction acceleration in the South

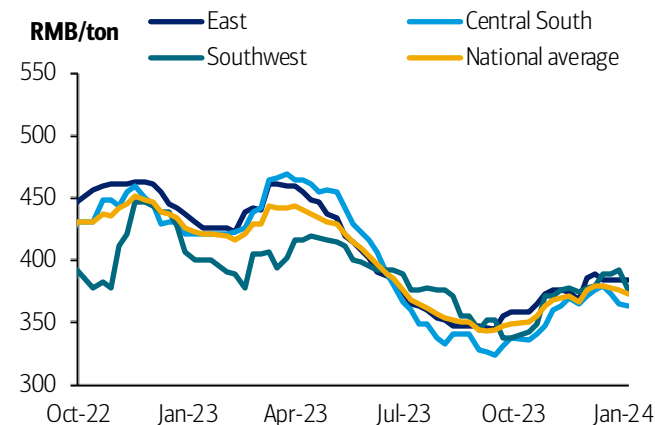


Source: Digital Cement Note: Shipment ratio is defined as the shipment volume over the production capacity in the same period, data as of Jan 5, 2024

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Exhibit 11: Cement price by region

National average cement prices inched down despite improved demand

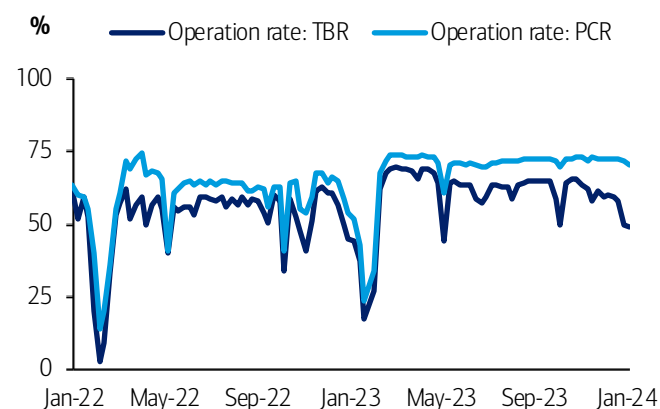


Source: Digital Cement, Note: data as of Jan 5, 2024

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Exhibit 12: Operation rate of TBR and PCR

Operation rate of TBR fell further last week

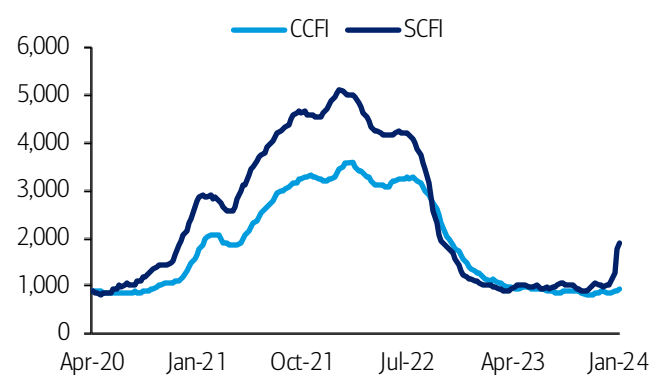


Source: Wind, Note: data as of Jan 4, 2024

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Exhibit 13: Shanghai container freight index (SCFI) & China container freight index (CCFI)

SCFI surged further amid recent red sea incident; CCFI ticked up



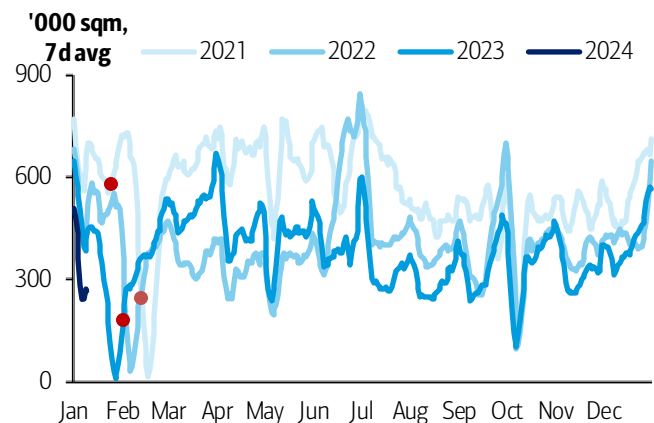
Source: Wind, Note: data as of Jan 5, 2024

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Property & Financial market

Exhibit 14: Property transaction in 30 major cities

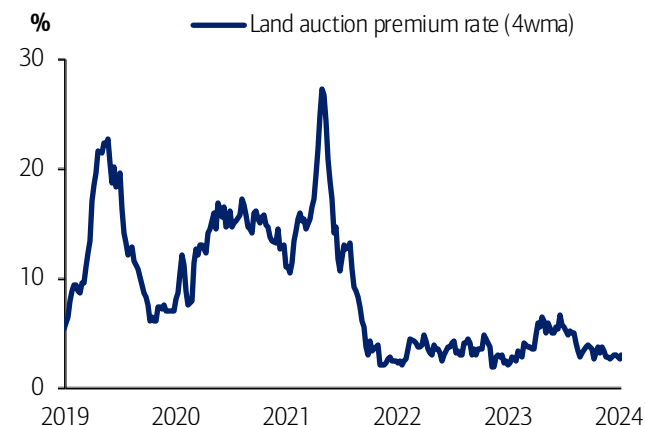
New home sales dropped far below par level



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Jan 9, 2024
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Exhibit 16: Land auction premium rate (100-city)

4-week average land auction premium rate fluctuated around 3%

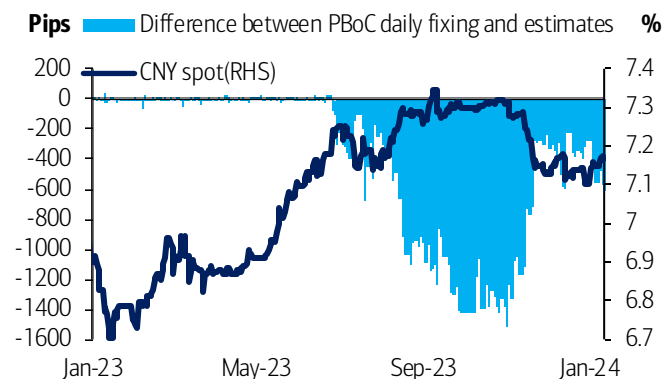


Source: Wind, Note: data as of Jan 7, 2024

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Exhibit 18: USDCNY exchange rate with daily fixing

The daily fixing's difference with estimates widened, while USDCNY trended up from 7.15

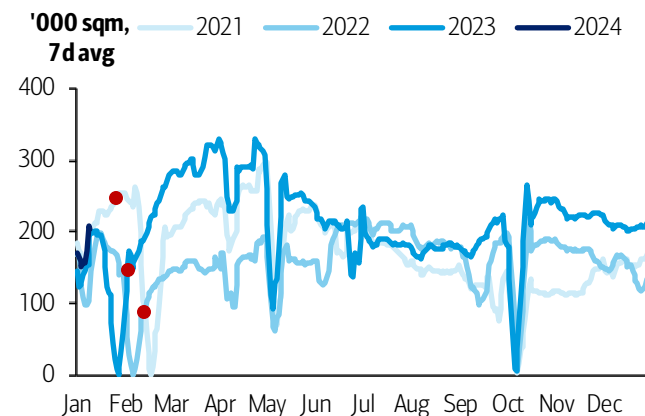


Source: Bloomberg, Note: data as of Jan 11

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Exhibit 15: Secondary housing transaction in 10 cities

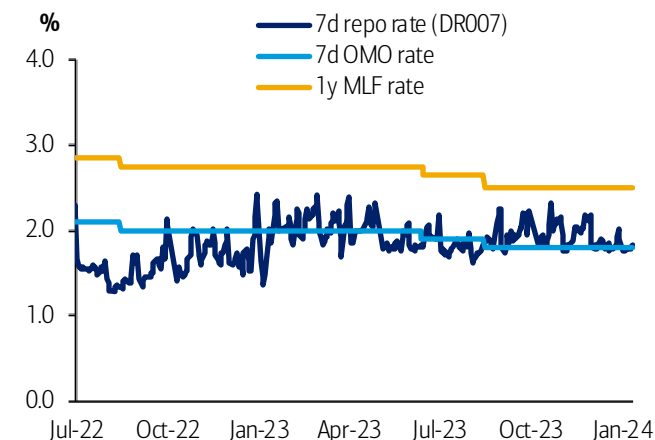
Secondary home sales trended up and remained above 2021-22 level



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Jan 9, 2024
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Exhibit 17: Money market rates vs policy rates

7d repo rate fluctuated around 7d OMO rate

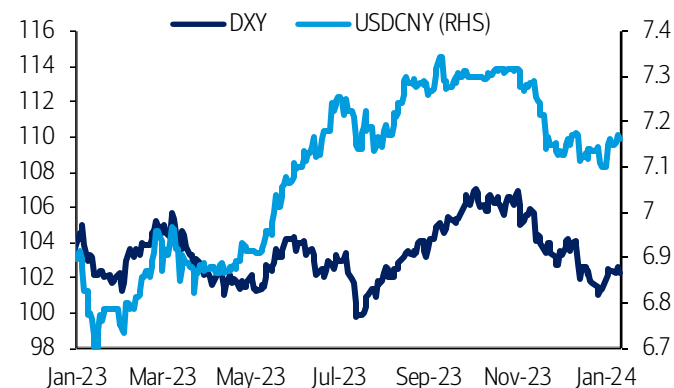


Source: Bloomberg, Wind, Note: data as of Jan 11

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

Dollar index rebounded while CNY only saw depreciated marginally



Source: Bloomberg Note: data as of Jan 11

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