

China Watch

Jan-Feb macro data preview: more noise than signal

Jan-Feb IP growth may improve

We expect industrial production (IP, real) growth to moderate to 5.0% yoy in Jan-Feb from 6.8% in Dec 2023 due to higher base from a year ago amid China's reopening and weak sequential momentum. The production sub-index in the NBS manufacturing PMI fell to 49.8 in Feb after picking up modestly to 51.3 in Jan, indicating limited improvement vs end-2023. High-frequency indicators, such as the cement shipment ratio, rebar apparent consumption and coal consumption at major IPPs, mostly pointed to tepid industrial demand.

FAI growth and retail sales both to moderate

Fixed asset investment (FAI) growth likely softens to 2.5% yoy in Jan-Feb from 4.0% in Dec. The slower construction labor return ratio after the LNY holiday (see: [Chartbook #133](#)) may suggest a weak property investment growth as well as infrastructure investment in Feb, especially against a relatively high year-ago base.

Retail sales growth likely decelerated to 4.8% yoy in Jan-Feb (vs 7.4% in Dec), against a higher comparison base last year. Spending on dining, which accounts for >10% of total retail sales, might have improved during the Lunar New Year (LNY) holiday. Auto sales were resilient (+28% yoy in volume terms during Jan 1–Feb 25, according to the CPCA) and continued to support the headline retail sales.

Jan-Feb export & import growth likely to improve

We expect export growth (in USD terms) to accelerate to 3.5% yoy for Jan-Feb combined (vs 2.3% in Dec). External demand will likely see some improvement for the first two months of the year, as suggested by the recent improvement in the global PMI as well as the released trade data of South Korea and Taiwan. Imports may pick up to 1.8% yoy in Jan-Feb (vs 0.2% in Dec). The implied trade surplus would be US\$79.0bn in Jan-Feb combined, vs US\$75.3bn in Dec.

CPI and PPI inflation improve on favorable base effects

We estimate that February CPI inflation likely turned positive to 0.3% on a yoy basis, supported by favourable Lunar New Year base effects. Sequential food prices likely rose substantially, driven by higher demand around the holiday though we expect a negative payback in March. Services price likely also strengthened on the month based on high frequency data. Meanwhile PPI inflation likely remained negative at -2.5% yoy in February as key energy prices contracted. Similarly, the producer price sub-index from the February NBS manufacturing PMI survey also stayed below 50 at 48.1.

New loans and TSF likely pulled back from Jan

New RMB loans and total social financing (TSF) likely came in at RMB1,600bn and RMB2,500bn respectively in February. The implied yoy growth of outstanding RMB loans would moderate to 10.2% from 10.4%, while outstanding TSF growth would edge down to 9.3% from 9.5%. Meanwhile we expect M2 growth to remain unchanged at 8.7% yoy in February. Our BofA China Financial Condition Indicator (FCI) likely loosened further in February, helped by lower nominal interest rate and a weaker CNY.

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Table 1: Economic calendar

Jan-Feb 2024 macro data

| Date | Event | BofAe | Prev |
|----------|-------------------------|-------|-------|
| 7 Mar | Trade bal, US\$ bn | 79 | 75.3 |
| 7 Mar | Exports (in US\$) | 3.5 | 2.3 |
| 7 Mar | Imports (in US\$) | 1.8 | 0.2 |
| 9 Mar | CPI (Feb) | 0.3 | -0.8 |
| 9 Mar | PPI (Feb) | -2.5 | -2.5 |
| 9-15 Mar | M2 (Feb) | 8.7 | 8.7 |
| 9-15 Mar | New loans, RMB bn (Feb) | 1,600 | 4,920 |
| 9-15 Mar | TSF, RMB bn (Feb) | 2,500 | 6,502 |
| 18 Mar | IP | 5.0 | 6.8 |
| 18 Mar | FAI, ytd | 2.5 | 3.0 |
| 18 Mar | FAI* | 2.5 | 4.0 |
| 18 Mar | Retail sales | 4.8 | 7.4 |

Note: Unit is percent year-on-year, unless stated otherwise. * Jan-Feb data combined, Monthly FAI is BofA Global Research calculation

Source: BofA Global Research estimates, Bloomberg
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