

China: January-February activity data beat expectations modestly – First Take

Bottom line:

January-February activity data generally came in stronger than market expectations, although the magnitude of beat was modest. Industrial production (IP) growth moderated to 5.9% yoy in January-February from 6.2% yoy in December, faring much better than export growth which fell meaningfully in January-February. Fixed asset investment growth rose to 4.1% yoy in January-February from 2.4% yoy in December on a single month basis, thanks to the ongoing fiscal easing efforts, though the divergence between government-led investment and property investment remains significant. Retail sales growth edged up to 4.0% yoy in January-February from 3.7% yoy in December, thanks to the improvement in online goods sales and restaurant sales. By comparison, services industry output index growth – which is on a real basis and tracks tertiary (services) GDP growth closely – declined to 5.6% yoy in January-February from 6.5% yoy in December, with sequential growth turning slightly negative. January-February activity data and our high-frequency tracker for early March pointed to a modest slowdown in sequential GDP growth momentum in Q1 vs. Q4 2024, in our view, mainly as the boost from export frontloading late last year may have subsided and the adverse effect from higher US tariffs may have started to kick in.

Asia-MAP scores:

Industrial production: 0 (5, 0)

Fixed asset investment: +2 (2, +1)

Retail sales: 0 (1, 0)

Key numbers:

Industrial production (IP): +5.9% yoy in January-February (GS: +5.4% yoy; consensus: +5.3% yoy), vs. +6.2% yoy in December. Note sequential figures are highly sensitive to the specific seasonal adjustment methodology (NBS estimates: +0.35% mom sa non-annualized for January-February average, vs. +0.64% mom sa non-annualized in December; GS estimates: +0.4% mom sa non-annualized for January-February average, vs. +1.0% mom sa non-annualized in December).

Fixed asset investment (FAI): +4.1% yoy in January-February (GS: +3.6% yoy; consensus: +3.2% yoy), vs. +2.4% yoy in December and +3.2% yoy in 2024 (sequential growth by GS estimates: +1.6% mom sa non-annualized for

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January-February average, vs. +1.0% mom sa non-annualized in December).

Retail sales: +4.0% yoy in January-February (GS: +4.0% yoy; consensus: +3.8% yoy), vs. +3.7% yoy in December (sequential growth by GS estimates: +0.3% mom sa non-annualized for January-February average, vs. +0.5% mom sa non-annualized in December).

Services industry output index: +5.6% yoy in January-February, vs. +6.5% yoy in December (sequential growth by GS estimates: -0.2% mom sa non-annualized for January-February average, vs. +0.6% mom sa non-annualized in December).

Surveyed unemployment rates:

- Nationwide: 5.3% in January-February, vs. 5.1% in December.
- 31 major cities: 5.2% in January-February, vs. 5.0% in December.

Lisheng Wang

This initial comment summarizes the key data from today's release and our MAP score. A longer version with additional commentary will follow.

Disclosure Appendix

Reg AC

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