

China's Economy to Grow the Slowest since 1976 This Year

https://www.bloomberg.com/news/articles/2020-02-04/economists-cut-china-s-growth-forecast-on-coronavirus-impact?cmpid=BBD032020_CN&utm_medium=email&utm_source=newsletter&utm_term=200320&utm_campaign=china

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China will see the slowest growth this year in more than 40 years according to economists, who have drastically slashed their forecasts for the economy after an across-the-board slump in activity in the first two months of the year. The economy will grow 2.9% this year, according to the median of 17 forecasts over the last week. That is the lowest since a contraction in 1976 - the final year of the Cultural Revolution, which wrecked the economy and society, and the year Mao Zedong died.

Data out last Monday showed an across-the-board slump in manufacturing, retail sales and investment in January and February, with all the numbers hitting historic lows. The coronavirus and the measures taken to contain it shut down economic activity for much of February, and now the outlook is worsening as other countries follow China with quarantines and lockdowns.

At least 17 banks or analysts have revised down their forecasts since the data were released. The median of those new forecasts is for the economy to shrink 6% in the first quarter from the same period a year ago. There has never been such a contraction since comparable data began in 1990.

A possible recovery later this year will largely depend on the pace of work resumption and policy makers' efforts to stimulate the economy, economists say. That process might be hindered by the spread of the coronavirus worldwide, as global supply chains will likely be disrupted and external demand may shrink.

Economist Forecasts

FIRM	REPORT DATE	1Q YOY - NEW	1Q YOY - OLD	2020 YOY - NEW	2020 YOY - OLD	COMMENTS
CICC	Mar. 23	-9.3%	6%	2.6%	6.1%	Level of short-term disruption may be unprecedented and we now see a higher probability of a severe global recession
Barclays	Mar. 19	-15%	-8%	1.3%	3.2%	
Bank of America	Mar. 19	-6%	2.2%	1.5%	4.6%	With the help of more policy easing, we expect China to lead the rebound mainly driven by consumption stability ahead of Europe and the U.S.
Oxford Economics	Mar. 19	-5%	2.3%	1%	4.8%	Our new global baseline shows a sharp but relatively short-term impact of the coronavirus outbreak on growth, consistent with the experience during previous virus episodes
Nomura	Mar. 18	-9%	0%	1.3%	5%	China has limited space to act as outbreak is a demand and supply shock, and there are other limits to effective policy

UBS	Mar. 18	-5%	2%	1.5%	4.8%	Limited policy space, concerns of financial risk, likely temporary nature of the shock will constrain China's policy stimulus
S&P Global Ratings	Mar. 17	-10%	About 2%	2.9%	4.8%	Sees contraction in 2Q, growth returning strongly in 3Q
Citi	Mar. 17	-5.2%	2.5%	3.7%	5.3%	Expect stronger policy responses ahead to support the economy
Pantheon Macroeconomics	Mar. 17	-6% or lower	Close to zero	2%	3.3%	Data will likely suffer from "reporting error" in March as local officials try to show they've succeeded in work restart
<u>Bloomberg Economics</u>	Mar. 17	-11%	1.2%	1.4%	5.2%	Hopes for a rapid 'V' shape recovery look increasingly out of reach
Morgan Stanley	Mar. 17	-5%	2.8%	4%	5.6%	Global recession in 2020 is now our base case, China should see the worst in 1Q, the rest of the world in 2Q
<u>Goldman Sachs</u>	Mar. 17	-9%	2.5%	3%	5.5%	We do not expect real GDP to return to the pre-virus trend until 3Q
Credit Suisse	Mar. 16	-4%	N/A	3.3%	4.8%	Key downside risk now is weaker external demand translating into additional unemployment domestically, triggering a new round domestic demand weakness.
Credit Agricole	Mar. 16	-6%	1%	4.9%	5.3%	
Standard Chartered	Mar. 16	-4.2%	2.8%	4%	5.5%	China's growth to bottom out in Q1 and improve for the rest of the year
Macquarie	Mar. 16	-6%	4%	extremely difficult to grow 5%	5.6%	The sharpest fall in almost 50 years
OCBC	Mar. 16	-1%	3.4%	5%	-	Possible negative feedback from outside China may cap China's speed of recovery
<u>ING</u>	Mar. 15	3.6%	4.4%	4.8%	5.2%	Broken global supply chain and sudden shrinkage in demand a double hit to China
Fitch Solutions	Mar. 13	2.9% (mean)	at least 4.0%	5.2%	5.6%	1Q hit harder than thought; the government slow to enact fiscal stimulus measures
China CITIC Bank	Mar. 13	3.9%	-	5.5%	-	-
<u>UOB</u>	Mar. 2	2.9%	5.1%	5.3%	5.7%	Recovery will be limited by how much production can accelerate
ANZ	Feb. 29	2%	3.2%-4%	4.1%	5.5%	Chances of a v-shaped rebound are low
HSBC	Feb. 12	4.1%	5.8%	5.3%	5.8%	-
Natwest	Feb. 12	4.5%	5%	5.3%	5.7%	Government has begun to prioritize policy support for resuming economic activities
Berenberg Bank	Feb. 7	6%	5.5%	5.6%	5.9%	-
BMO Capital	Feb. 7	4.5%	5.9%	5.5%	5.9%	-

— With assistance by Lin Zhu, Yinan Zhao, and Cynthia Li

(Updates median estimates, and adds CICC, Barclays and Credit Suisse forecasts.)