

Charting China Macro Weekly

Signs of weakness in external demand; policy focus on employment stability

March 16 – 20, 2020

Weekly high-frequency data pulse check

The COVID-19 pandemic escalated further overseas; containment measures strengthened globally. External demand indicators started to weaken. Domestic production resumption rate recovered to >80%.

Domestic demand indicators improved WoW. New daily confirmed cases in China fell to near zero last week after excluding the rapidly increasing “imported” cases. External demand started to show signs of softening – as of Mar 21, 42 countries have declared “state of emergency”, while 130 countries have shut down schools; international flights have been reduced by >30%, while the NO. of diners has plunged by >90% YoY in selected major economies. Meanwhile, import freight price and Guangzhou logistics index both points to sequential weakness since March 10. Domestic production resumption rate rose to 82.8%, +3.4ppt WoW. Utilization rates of steel, coal and cement picked up WoW. On the demand side, construction steel transaction volume picked up to 940k tonnes (vs. 850k the week earlier), YoY decline narrowed to 7% from 20%. Passenger car sales fell by 47% YoY in Mar 1-15. 30-city property transaction volume improved mildly.

Food price inflation retreated further; commodity prices fell, esp. that of oil. YoY increase of food prices narrowed by 2.6ppt last week. Global oil prices slumped by over 20% WoW; prices of steel, copper, coal & chemical products fell WoW. BDIY & China’s trade freight indices declined WoW.

Liquidity conditions eased on the margin after RRR cut; credit bond issuance remained rapid; CNY appreciated vs. the basket. Targeted RRR cut was implemented on Mar 16, releasing Rmb550bn in liquidity. In addition, the PBoC issued Rmb100bn of 1Y MLF, but left rate unchanged at 3.15%. 7D repo rates fell by 44bp to 1.76%. 10Y treasury yield stayed flat at 2.68%. Credit bond issuance registered Rmb191bn. CNY appreciated vs. the basket by 2.3% last week, but depreciated by 1.0% vs. the USD.

Review of main economic events in past week

COVID-19 dampened S-T growth; March LPR pricing was kept unchanged. Jan-Feb headline IP growth fell sharply to -13.5% YoY from 6.9% YoY in Dec-19; nominal retail sales growth plunged to -20.5% YoY in Jan-Feb from 8.0% in Dec; FAI growth dipped to -24.5% YoY from 11.8% in Dec-19. March 1Y and >5Y LPR fixings came in at 4.05% & 4.75%, both flat from Feb.

On policy front: 1) Premier Li Keqiang vowed to support employment growth.¹ **2)** Politburo pledged to remove travel restrictions & containment measures in “low-risk areas”, and to speed up production resumption. Hubei started to lift containment measures & resume production in a gradual manner.² **3)** NDRC to boost consumer demand, expand local gov’t special bond quota, and promote “new FAI” such as 5G and data centers.³

Week ahead: Key things to watch

Jan-Feb industrial enterprise financial data will be released on Mar 27. We will monitor financial market contagion from COVID-19 and potential risks. Meanwhile, we will also closely track the overseas development of COVID-19, containment measures implemented across the world, and their impacts on global and China’s growth.

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Related reports

- Macroeconomy | Global activities slow rapidly; US easing starts to follow the “2008 playbook” (2020.03.20)
- Macroeconomy | March LPR pricing was kept unchanged (2020.03.20)
- Macroeconomy | Macro implication of falling oil prices (2020.03.19)
- Macroeconomy | Containment continues to tighten; great liquidity stress forces policy action (2020.03.19)
- Macroeconomy | >100k confirmed cases worldwide; global travel severely disrupted (2020.03.18)
- Macroeconomy | EU & US tightened epidemic control measures markedly (2020.03.17)

¹ http://www.gov.cn/premier/2020-03/20/content_5493643.htm

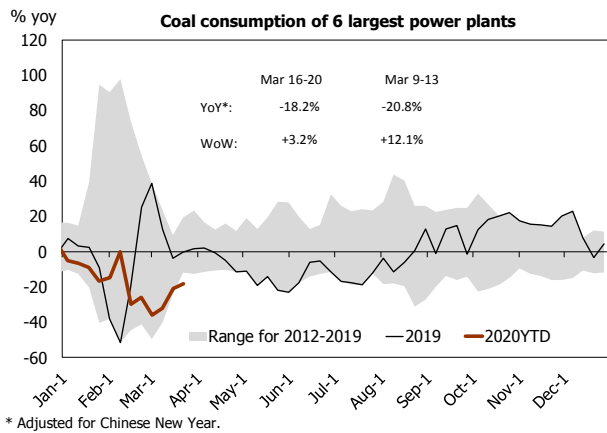
² <http://www.12371.cn/2020/03/18/ARTI1584529483471705.shtml>

³ https://www.ndrc.gov.cn/xwdt/xwfb/202003/t20200317_1223462.html



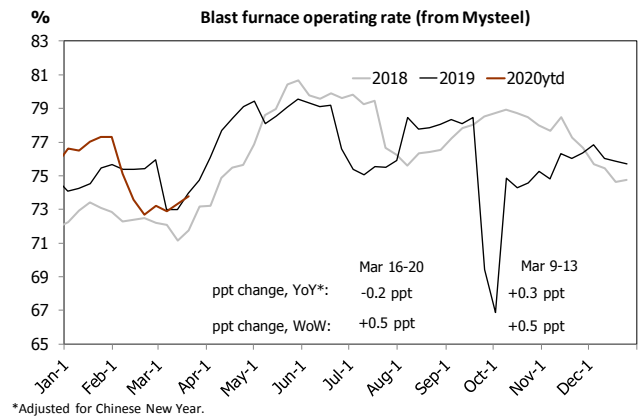
I. Weekly activity tracker

Figure 1: IPP coal consumption YoY growth recovered



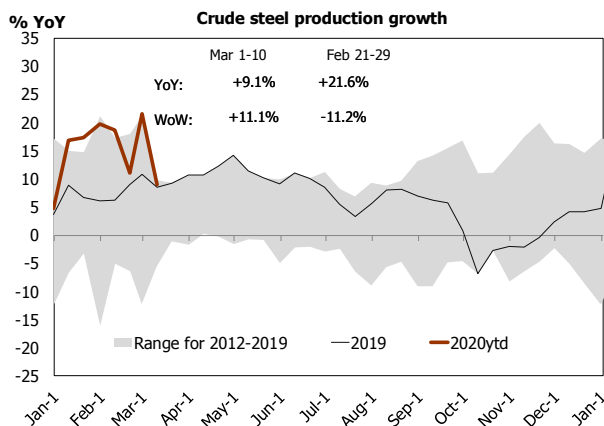
Source: Wind Info, CICC Research

Figure 2: Steel capacity utilization rates edged up last week



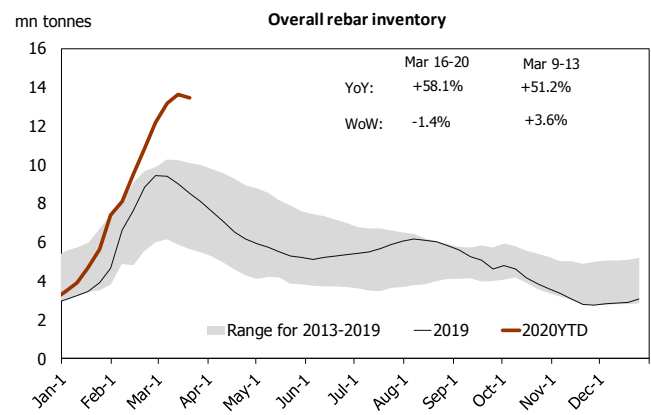
Source: Mysteel, CICC Research

Figure 3: Steel production YoY growth slowed down visibly



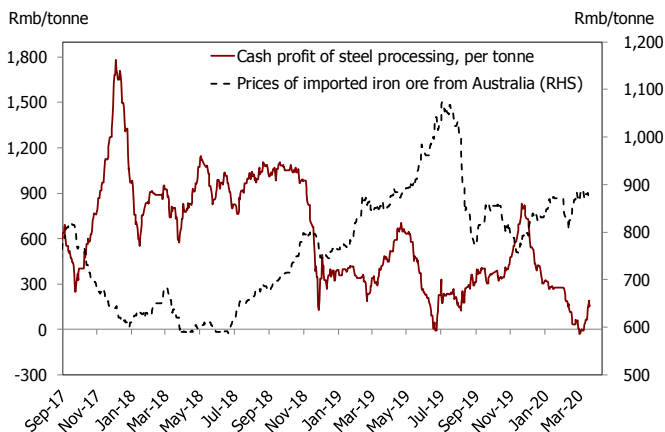
Source: Wind Info, CICC Research

Figure 4: Rebar inventory edged down last week



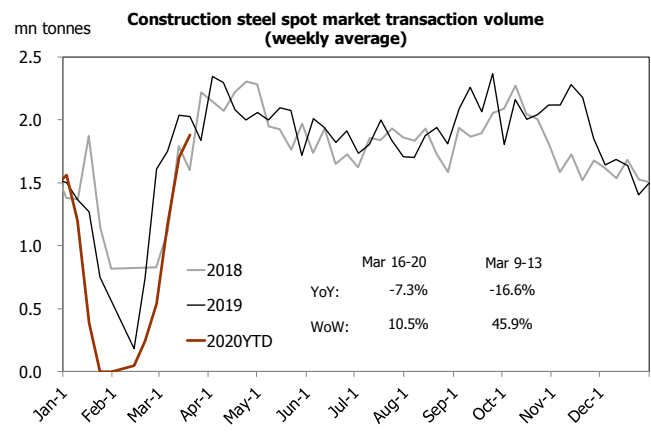
Source: Mysteel, CICC Research

Figure 5: Rebar gross profit per tonne edged up last week



Source: Wind Info, CICC Research

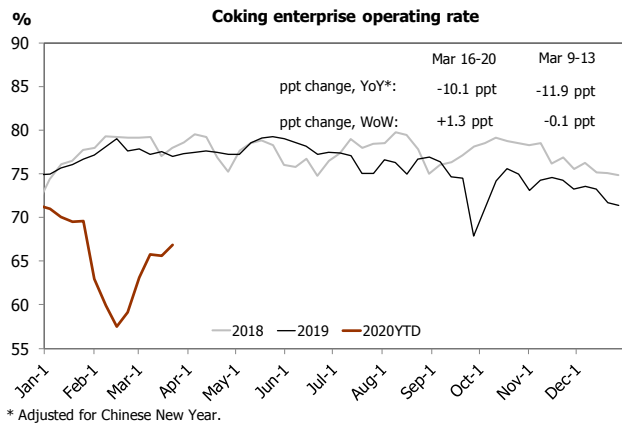
Figure 6: Construction steel transaction volume increased last week



Source: Mysteel, CICC Research

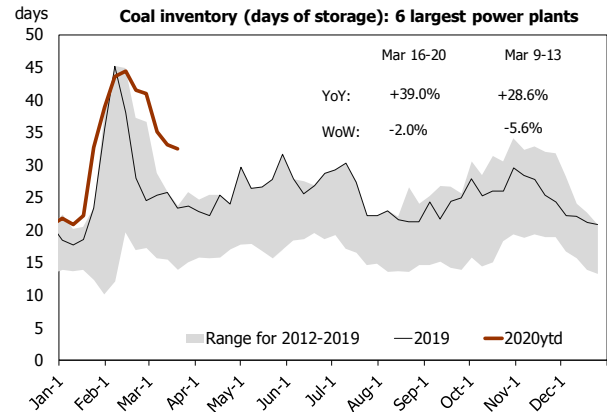


Figure 7: Coal capacity utilization rate recovered WoW last week



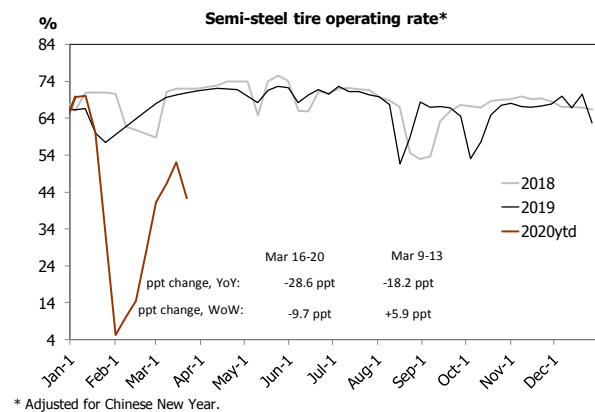
Source: Wind Info, CICC Research

Figure 8: Days of coal inventory fell further WoW last week



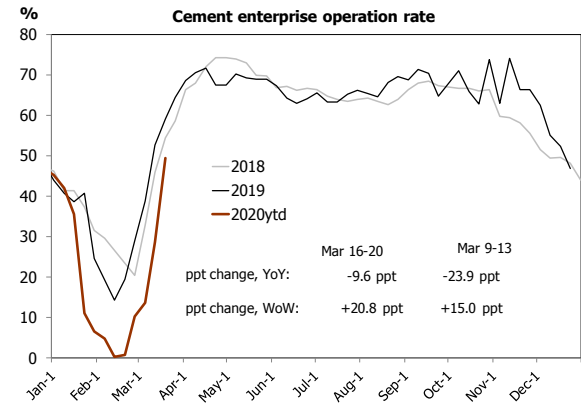
Source: Wind Info, CICC Research

Figure 9: Semi-steel tire enterprise capacity utilization rates dropped last week



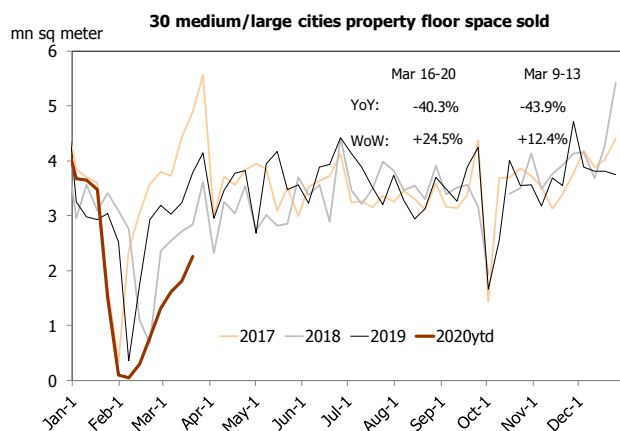
Source: Wind Info, CICC Research

Figure 10: Cement enterprise operation rate picked up further WoW last week



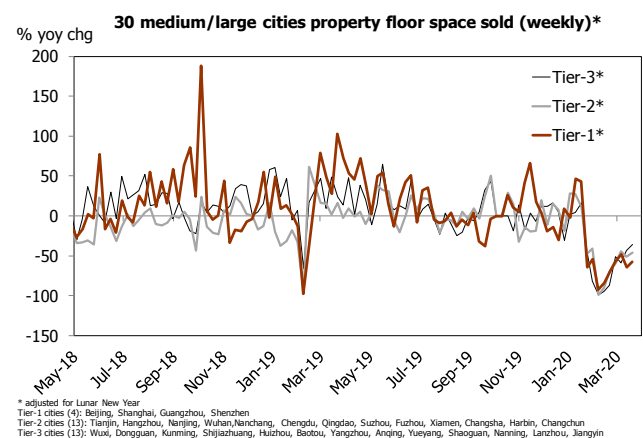
Source: Zhuo Chuang Info, CICC Research

Figure 11: 30-city property transaction volume continued to recover last week



Source: Wind Info, CICC Research

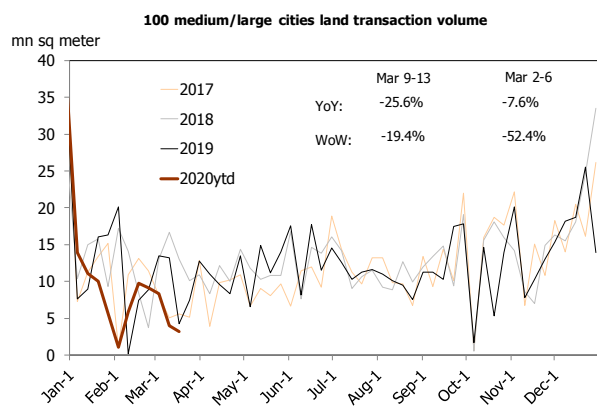
Figure 12: Property transaction volume YoY growth recovered across the board last week



Source: Wind Info, CICC Research

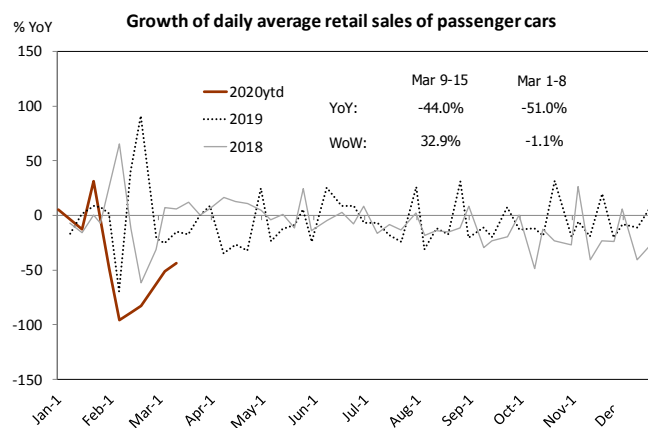


Figure 13: 100-city land transaction volume dropped further



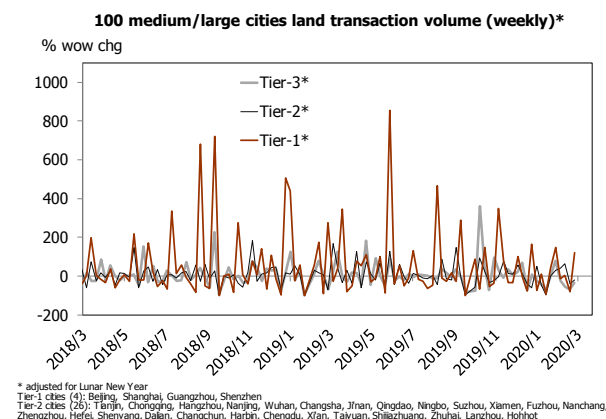
Source: Wind Info, CICC Research

Figure 15: Daily average retail sales volume growth of passenger cars continued to recover during Mar 9-15



Source: Wind Info, CICC Research

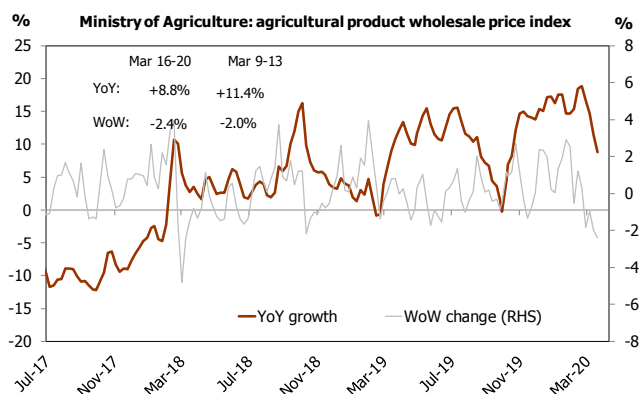
Figure 14: Property transaction volume recovered WoW in tier 1 cities



Source: Wind Info, CICC Research

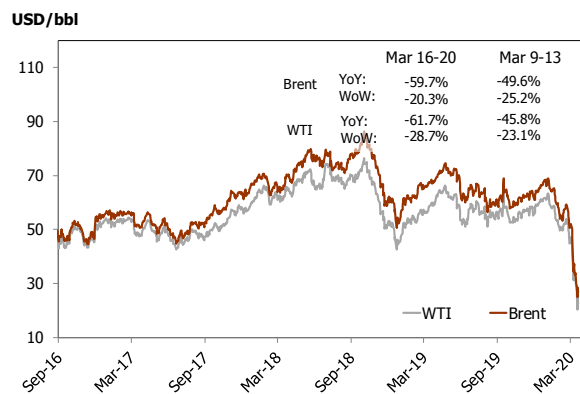
I. Weekly price indicators

Figure 16: YoY inflation of agricultural products dropped last week



Source: Wind Info, CICC Research

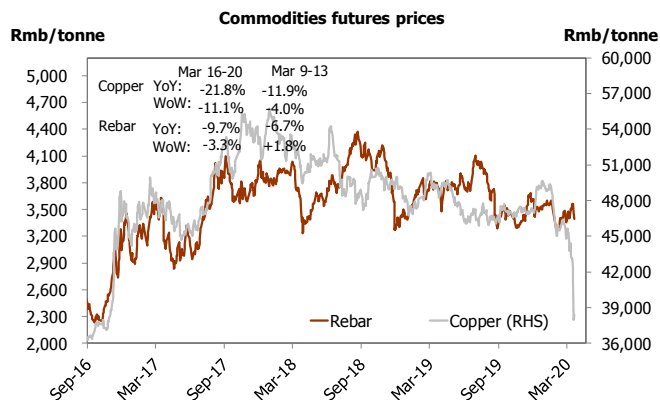
Figure 17: Global oil prices fell sharply last week



Source: Wind Info, CICC Research

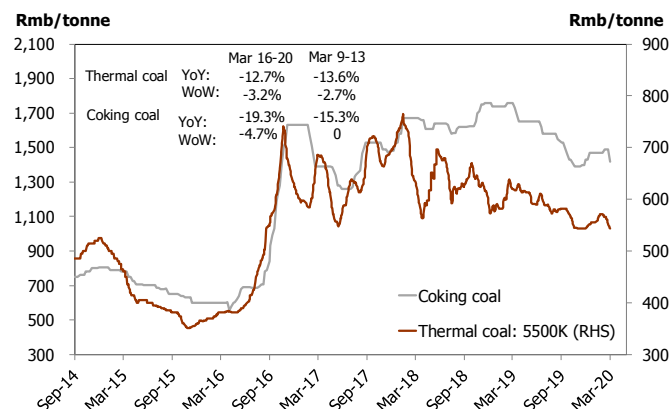


Figure 18: Copper price dropped drastically and rebar prices edged down WoW last week



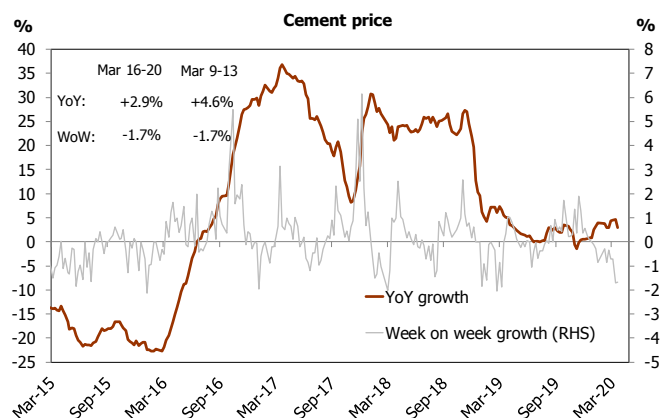
Source: Wind Info, CICC Research

Figure 19: Thermal coal and coking coal prices edged down WoW last week



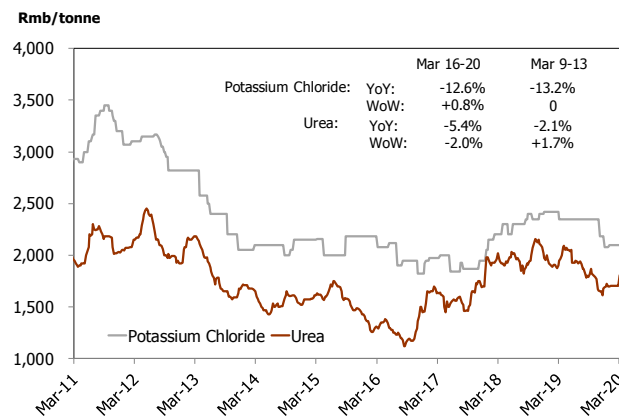
Source: Wind Info, CICC Research

Figure 20: Cement price edged down WoW last week



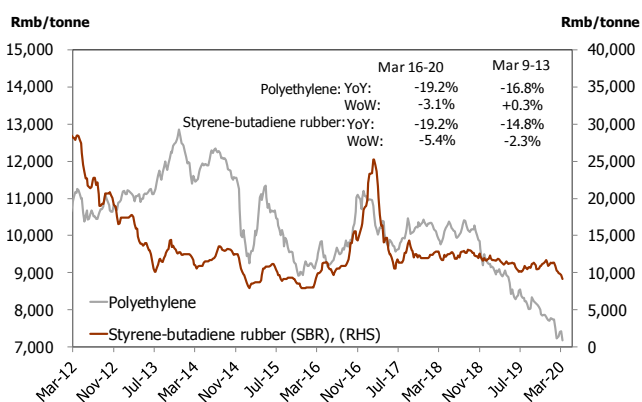
Source: Wind Info, CICC Research

Figure 21: Prices of urea edged down WoW last week



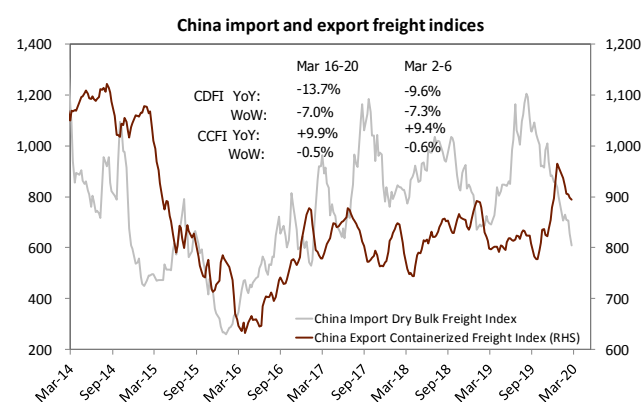
Source: SCI99, CICC Research

Figure 22: Chemical material prices edged down WoW



Source: Wind Info, CICC Research

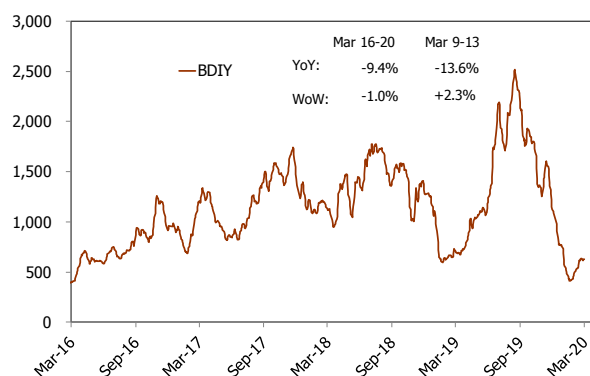
Figure 23: CDFI edged down WoW last week



Source: Baiinfo, CICC Research



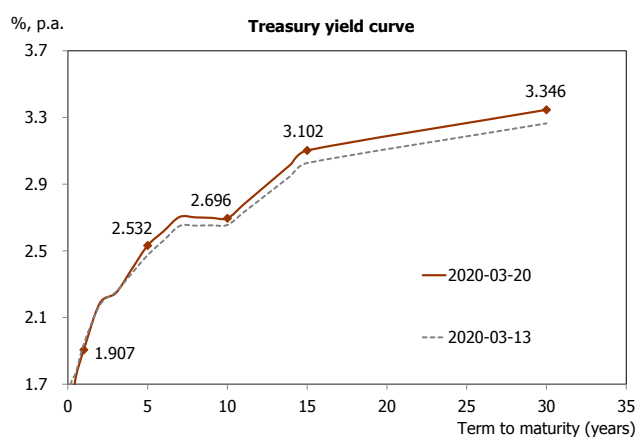
Figure 24: BDIY edged down last week



Source: Wind Info, CICC Research

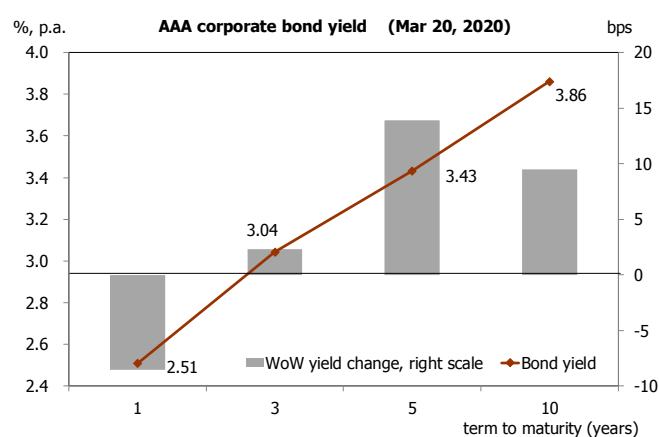
II. Weekly financial market movers

Figure 25: Treasury bond yield curve moved upwards



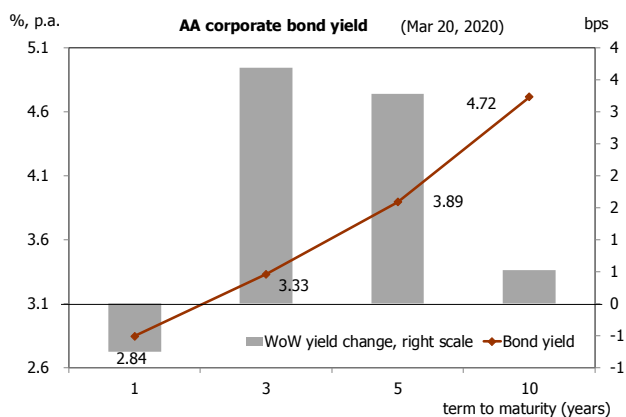
*Treasury yield curve is from interbank market Source: CEIC, CICC Research

Figure 26: AAA corporate bond yield curve moved upwards



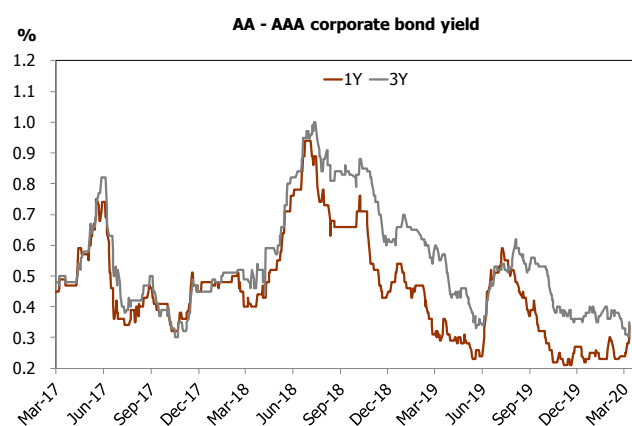
Source: Wind Info, CICC Research

Figure 27: AA corporate bond yield curve moved upwards



Source: Wind Info, CICC Research

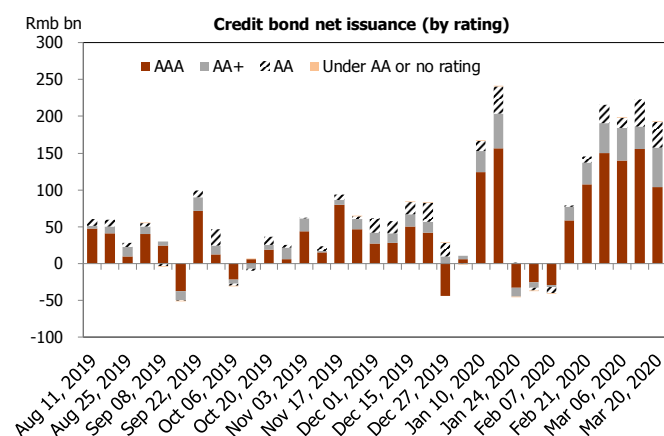
Figure 28: Credit spreads widened



Source: Wind Info, CICC Research

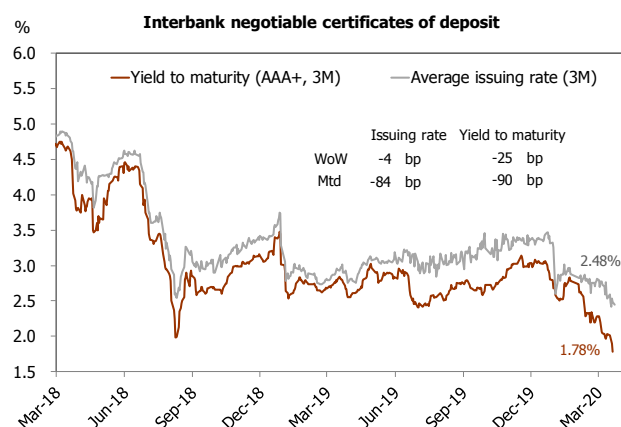


Figure 29: Credit bond net issuance edged down



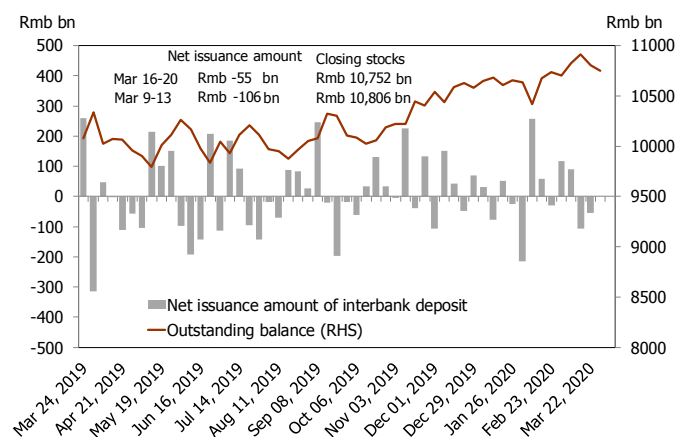
Source: Wind Info, CICC Research

Figure 30: Interbank CD yields at issue edged down



Source: Wind Info, CICC Research

Figure 31: Net issuance of interbank CDs edged down



Source: Wind Info, CICC Research

Figure 32: Interbank liquidity conditions eased on the margin

Representative interest rates for China (as of Mar 20, 2020), unit: %

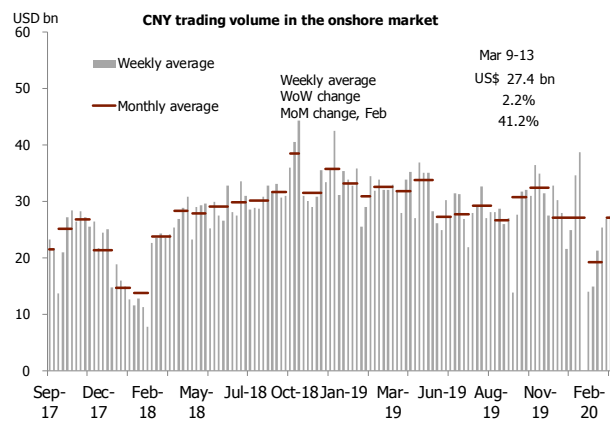
	7 day interbank repo	3M SHIBOR	1Y treasury yield	10Y treasury yield	1Y CDB bond yield	10Y CDB bond yield	Yu'eBao deposit rate	WMP product expected return
Average May-2005	1.10	n.a.	2.18	3.95	4.14	4.93	4.14	n.a.
Average Jan-2009	0.90	1.51	1.10	2.91	3.56	3.96	3.96	n.a.
September 1 2016	2.39	2.79	2.11	2.75	2.30	3.19	2.31	3.93
One year ago	2.80	2.84	2.45	3.13	2.62	3.62	2.41	4.44
One month ago	2.17	2.49	1.93	2.85	2.13	3.27	2.35	3.84
One week ago	2.09	2.20	1.92	2.68	2.09	3.06	2.25	4.01
Today	1.76	2.09	1.87	2.68	2.03	3.05	2.16	3.95

*Treasury yield data comes from CCDC

Source: CEIC, Wind Info, CICC Research

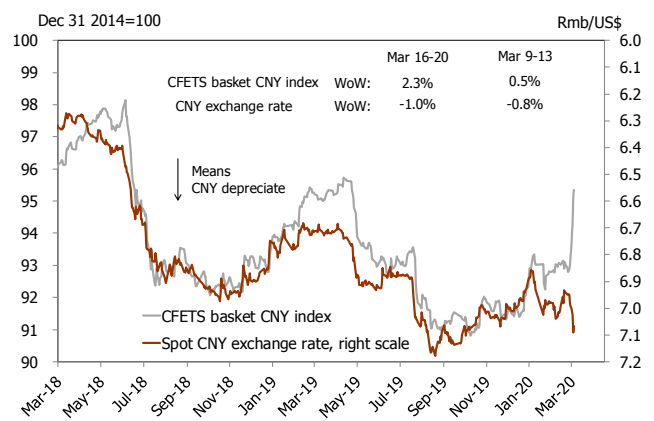


Figure 33: Onshore RMB daily trading volume rose WoW



Source: Bloomberg, CICC Research

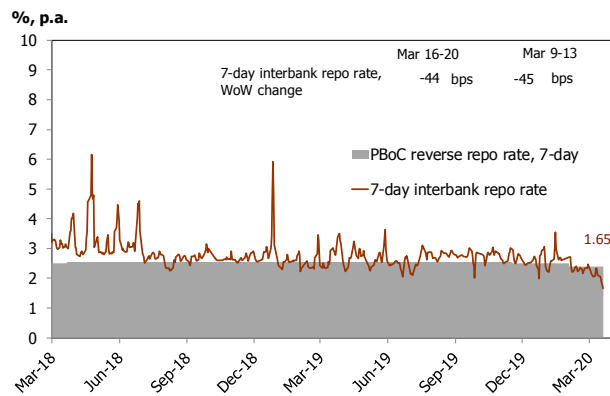
Figure 34: CNY depreciated vs. the USD while appreciated vs. CFETS basket



Source: CEIC, Bloomberg, CICC Research

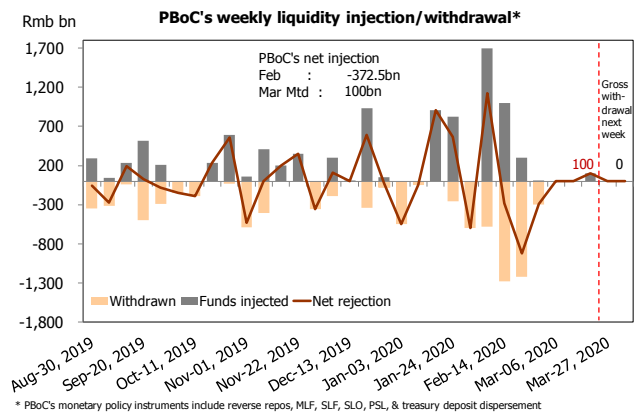
III. Monetary and fiscal policy trackers

Figure 35: 7-day interbank repo rates dropped



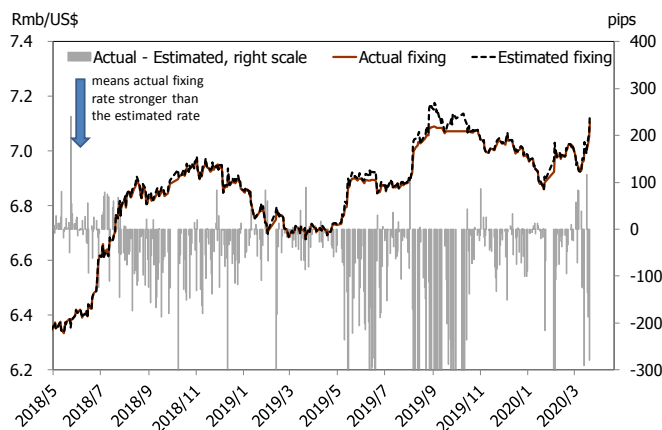
Source: Wind Info, CICC Research

Figure 36: Rmb 100bn OMO net injection last week



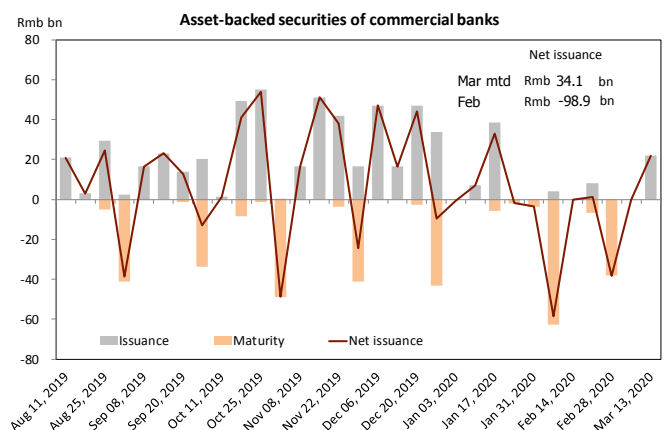
Source: Wind Info, CICC Research

Figure 37: CNY fixing rates came in stronger than model forecasts



Source: Bloomberg, Wind Info, CICC Research

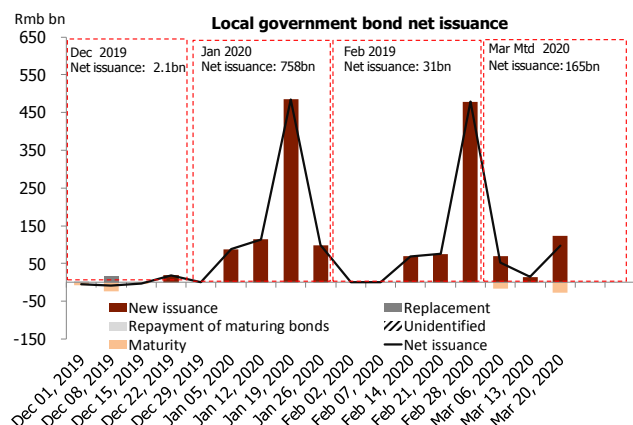
Figure 38: Net issuance of commercial banks ABS equaled Rmb 34.1bn in March mtd



Source: Wind Info, China Bond, CICC Research

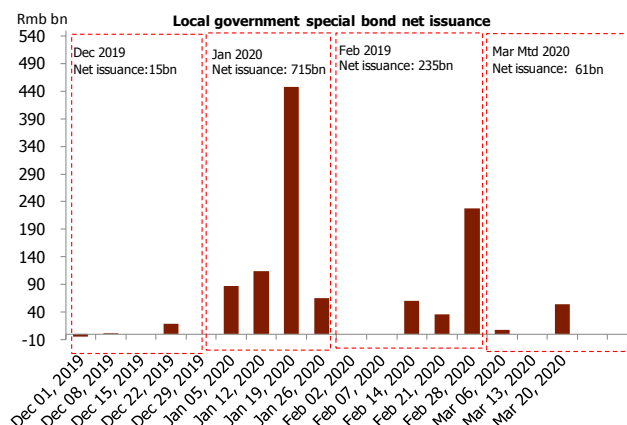


Figure 39: Net issuance of local government bonds came in at Rmb165bn in March Mtd



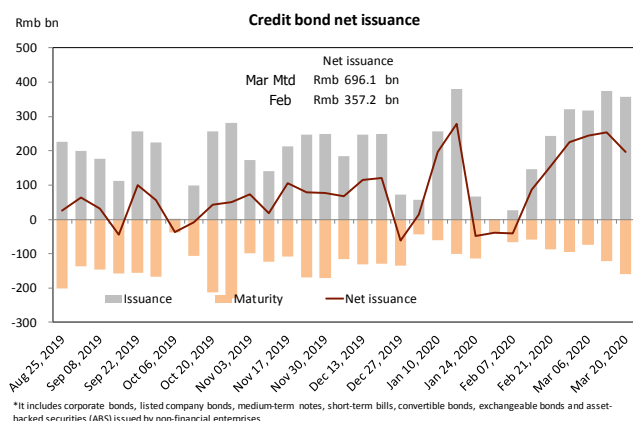
Source: Bloomberg, Wind Info, CICC Research

Figure 40: Net issuance of local government special bonds came in at Rmb61bn in March Mtd



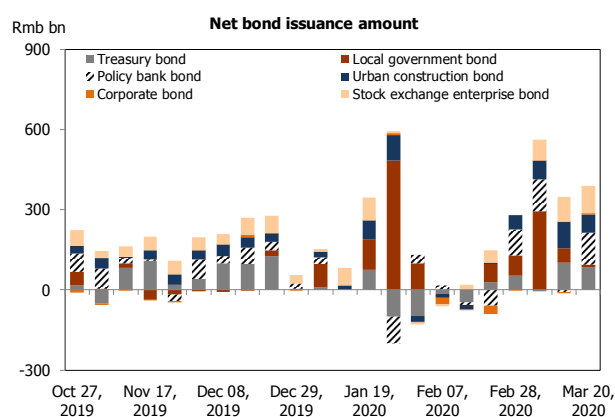
Source: Wind Info, China Bond, CICC Research

Figure 41 Net issuance of credit bonds slowed down



Source: Bloomberg, Wind Info, CICC Research

Figure 42: The overall bond net issuance picked up



Source: Bloomberg, Wind Info, CICC Research



Figure 43: China's key economic indicators and forecasts

			2019/2	2019/3	2019/4	2019/5	2019/6	2019/7	2019/8	2019/9	2019/10	2019/11	2019/12	2020/1	2020/2	2019	2020E	2021E
Economic Growth																		
GDP	Current	Rmb bn	-	21,343	-	-	23,750	-	-	24,687	-	-	29,307	-	-	990,865		
GDP	YoY	%	-	6.4	-	-	6.2	-	-	6.0	-	-	6.0	-	-	6.1	6.1	6.0
GDP	QoQ (sa)	%	-	1.4	-	-	1.6	-	-	1.5	-	-	1.5	-	-			
Nominal GDP																		
Nominal GDP	YoY	%	-	7.8	-	-	8.3	-	-	7.6	-	-	7.5	-	-	7.8	8.5	7.5
GDP deflator	YoY	%	-	1.4	-	-	2.0	-	-	1.5	-	-	1.4	-	-	1.6	2.3	1.4
Contribution to GDP Growth																		
Final Consumption Expenditure	YTD	ppt.	-	4.2	-	-	3.8	-	-	3.8	-	-	3.5	-	-	3.5		
Gross Capital Formation	YTD	ppt.	-	0.8	-	-	1.2	-	-	1.2	-	-	1.9	-	-	1.9		
Net Exports of Goods & Services	YTD	ppt.	-	1.5	-	-	1.3	-	-	1.2	-	-	0.7	-	-	0.7		
Inflation																		
CPI	YoY	%	1.5	2.3	2.5	2.7	2.7	2.8	2.8	3.0	3.8	4.5	4.5	5.4	5.2	2.9	3.3	1.2
Food CPI	YoY	%	0.7	4.1	6.1	7.7	8.3	9.1	10.0	11.2	15.5	19.1	17.4	20.6	21.9	9.3	-	-
Nonfood CPI	YoY	%	1.7	1.8	1.7	1.6	1.4	1.3	1.1	1.0	0.9	1.0	1.3	1.6	0.9	1.4	-	-
PPI	YoY	%	0.1	0.4	0.9	0.6	0.0	-0.3	-0.8	-1.2	-1.6	-1.4	-0.5	0.1	-0.4	-0.3	1.2	1.7
PMI																		
PMI	Index	%	49.2	50.5	50.1	49.4	49.4	49.7	49.5	49.8	49.3	50.2	50.2	50.0	35.7	50.2		
Caixin/Markit PMI	Index	%	49.9	50.8	50.2	50.2	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3			
Industry																		
Industrial Value-added	YoY	%	5.3	8.5	5.4	5.0	6.3	4.8	4.4	5.8	4.7	6.2	6.9	-	-13.50		6.0	5.6
Industrial Value-added	MoM (sa)	%	0.43	0.97	0.37	0.36	0.68	0.19	0.32	0.72	0.17	0.78	0.58	-2.78	-26.63			
Profits of Industrial Enterprises																		
Total profits	YoY, YTD	%	-14.0	-3.3	-3.4	-2.3	-2.4	-1.7	-1.7	-2.1	-2.9	-2.1	-3.3	-	-			
Retail Sales																		
Retail sales	YoY	%	8.2	8.7	7.2	8.6	9.8	7.6	7.5	7.8	7.2	8.0	8.0	-	-20.50	8.0	8.0	7.1
Retail sales	MoM (sa)	%	0.81	0.79	0.46	0.74	0.96	0.22	0.66	0.70	0.46	0.80	0.53	-9.36	-4.52			
Investment																		
FAI	YoY, YTD	%	6.1	6.3	6.1	5.6	5.8	5.7	5.5	5.4	5.2	5.2	5.4	-	-24.50	-2.6	6.0	6.1
Manufacturing Investment	YoY, YTD	%	5.9	4.6	2.5	2.7	3.0	3.3	2.6	2.5	2.6	2.5	3.1	-	-31.50	3.1	-	-
Infrastructure Investment	YoY, YTD	%	2.5	2.9	3.0	2.6	3.0	2.9	3.2	3.4	3.3	3.5	3.3	-	-26.90	4.5	-	-
Real Estate Development Inv.	YoY, YTD	%	11.6	11.8	11.9	11.2	10.9	10.6	10.5	10.5	10.3	10.2	9.9	-	-16.30	9.9	-	-
FAI	MoM (sa)	%	0.43	0.47	0.42	0.41	0.40	0.40	0.40	0.40	0.40	0.40	0.44	-0.05	-27.38	0.4		
Real Estate																		
Sales amount of Commodity Buildi	YoY, YTD	%	2.8	5.6	8.1	6.1	5.6	6.2	6.7	7.1	7.3	7.3	6.5	-	-35.9	6.5		
Sales volume of Commodity Buildi	YoY, YTD	%	-3.6	-0.9	-0.3	-1.6	-1.8	-1.3	-0.6	-0.1	0.1	0.2	-0.1	-	-39.9	-0.1		
Area Newly-started	YoY, YTD	%	6.0	11.9	13.1	10.5	10.1	9.5	8.9	8.6	10.0	8.6	8.5	-	-44.9	8.5		
Area Under Construction	YoY, YTD	%	6.8	8.2	8.8	8.8	8.8	9.0	8.8	8.7	9.0	8.7	8.7	-	2.9	8.7		
External Trade and Investment																		
Exports	YoY	%	-20.8	14.2	-2.7	1.1	-1.3	3.3	-1.0	-3.2	-0.9	-1.1	7.9	-	-17.2	0.5	5.1	4.1
Imports	YoY	%	-5.2	-7.6	4.0	-8.5	-7.3	-5.6	-5.6	-8.5	-6.4	0.3	16.5	-	-4.0	-2.8	7.0	5.7
Trade Surplus	Current	US\$ bn	4.1	32.4	13.8	41.7	51.0	45.1	34.8	39.6	42.8	38.7	47.2	-	-0.7	422		
FDI	Current	US\$ bn	9.3	14.1	9.3	9.5	16.1	8.1	10.5	11.5	10.0	13.6	13.7	12.7	19.4			
Balance of Payment																		
Current Account	Balance	US\$ bn	-	58.6	-	-	46.2	-	-	49.2	-	-	-	-	-			
Capital and Financial Account	Balance	US\$ bn	-	-48.6	-	-	13.8	-	-	-25.2	-	-	-	-	-			
Foreign Exchange Reserves	Outstanding	US\$ bn	3090.2	3098.8	3095.0	3101.0	3119.2	3103.7	3107.2	3092.4	3105.2	3095.6	3107.9	3115.5	3106.7	3,107		
	Increment	US\$ bn	2.3	8.6	-3.8	6.1	18.2	-15.5	3.5	-14.7	12.7	-9.6	12.3	7.6	-8.8	17		
Fiscal																		
Fiscal Revenue	YoY	%	7.0	4.0	2.8	-2.1	1.4	1.8	3.3	5.0	8.3	4.5	3.6	-	-			
Fiscal Expenditure	YoY	%	14.6	15.4	15.9	2.1	5.6	3.4	-0.2	12.9	-0.5	-3.4	11.2	-	-			
Fiscal Surplus/Deficit	Current	Rmb bn	579.0	-1076.3	195.7	-8.8	-1258.8	335.2	-366.8	-1192.6	505.1	-461.3	-2099.6	-	-			
Monetary																		
M2	YoY	%	8.0	8.6	8.5	8.5	8.5	8.1	8.2	8.4	8.4	8.2	8.7	8.4	8.8	8.7	8.8	8.6
M1	YoY	%	2.0	4.6	2.9	3.4	4.4	3.1	3.4	3.4	3.3	3.5	4.4	0.0	4.8	4.4		
M0	YoY	%	-2.4	3.1	3.5	4.3	4.3	4.5	4.8	4.0	4.7	4.8	5.4	6.6	10.9	5.4		
New Deposits	Increment	Rmb bn	1,310	1,720	261	1,220	2,270	642	1,800	719	237	1,310	600	2,880	1,020			
New Loans	Increment	Rmb bn	886	1,690	1,020	1,180	1,660	1,060	1,210	1,690	661	1,390	1,140	3,340	906	16,810	18,900	20,700
Total social financing	Increment	Rmb bn	703	2,863	1,385	1,395	2,263	1,011	1,977	2,273	619	1,755	2,103	5,070	5,920	25,575		
Change of Fiscal Deposits	Increment	Rmb bn	324	-693	535	485	-502	809	10	-703	555	-245	-1,079	400	21	30		
PBoC's Foreign Exchange	Increment	Rmb bn	-0.3	-0.5	-0.9	-1.1	-6.2	-0.7	-8.4	-1.0	-0.6	-1.2	-1.9	5.7		99		
Interest rates and RRR																		
1-year Deposit Rate	End of Period	%	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50		
1-year Lending Rate	End of Period	%	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35		
RRR	End of Period	%	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.0	13.0	13.0	13.0	12.5	12.5	13.0		
Exchange Rates																		
RMB/US\$, PBoC's fixing rate	End of Period Rmb/US\$		6.69	6.73	6.73	6.90	6.87	6.88	7.09	7.07	7.05	7.03	6.98	6.89	7.01	7.01		
RMB/US\$, spot rate	End of Period Rmb/US\$		6.69	6.71	6.73	6.91	6.87	6.88	7.16	7.15	7.04	7.03	6.96	6.94	6.99	6.99	6.72	-
NEER	Current 2010=100		120.9	118.8	119.1	117.5	115.9	116.2	114.3	113.6	113.6	114.7	114.4	115.7	115.9	114.4		
REER	Current 2010=100		126.3	124.4	124.1	122.2	120.4	121.2	119.8	120.0	120.9	122.7	122.4	124.8	126.4	122.4		

Source: NBS, General Administration of Customs, PBoC, SAFE, MoF, MoC, Markit, CEIC, Wind Info, CICC Research



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