

China Macro Monitor: Rebound continues

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Important disclosures and certifications are contained from page 36 of this report

Key trends

- **Growth.** Activity has gained further strength into the autumn. GDP growth was 4.9% y/y in Q3 and has closed much of the *gap* to the pre-COVID-19 pandemic trend. PMIs for October were strong again, with *Caixin PMI* manufacturing reaching the highest level in nine years. A rally in *copper* prices supports this picture. *Retail sales* have also recovered but not as much as industrial data.
- **Inflation.** Headline *CPI* has fallen back to 1.7% after hitting above 5.0% on the back of African swine fever. Excluding food prices, CPI has fallen to 0.0%. *PPI* continues to be in deflation but our model points to a move back into inflation if commodity prices stay flat.
- **Monetary policy.** The *credit impulse* remains strong, driven partly by infrastructure investments and mortgage financing. *M1* growth has tapered off a bit after a boost earlier this year. The *Loan Prime Rate* (LPR) has remained at 3.85% since April, signalling an end to monetary easing. Money-market rates have also increased on the back of better data.
- **CNY.** *USD/CNY* has declined for some time mirroring the relative strength of the Chinese economy relative to the US and other countries. The growth outperformance is also reflected in a rise in the *relative spread* between Chinese and US money-market rates, a good medium-term anchor for the USD/CNY.
- **Stock markets.** Chinese onshore *stocks* have moved sideways for some time after a strong performance in the spring and early summer. Offshore stocks have been range bound since the decline related to the COVID-19 crisis in February/March.
- **For more China research, see our website [here](#).**

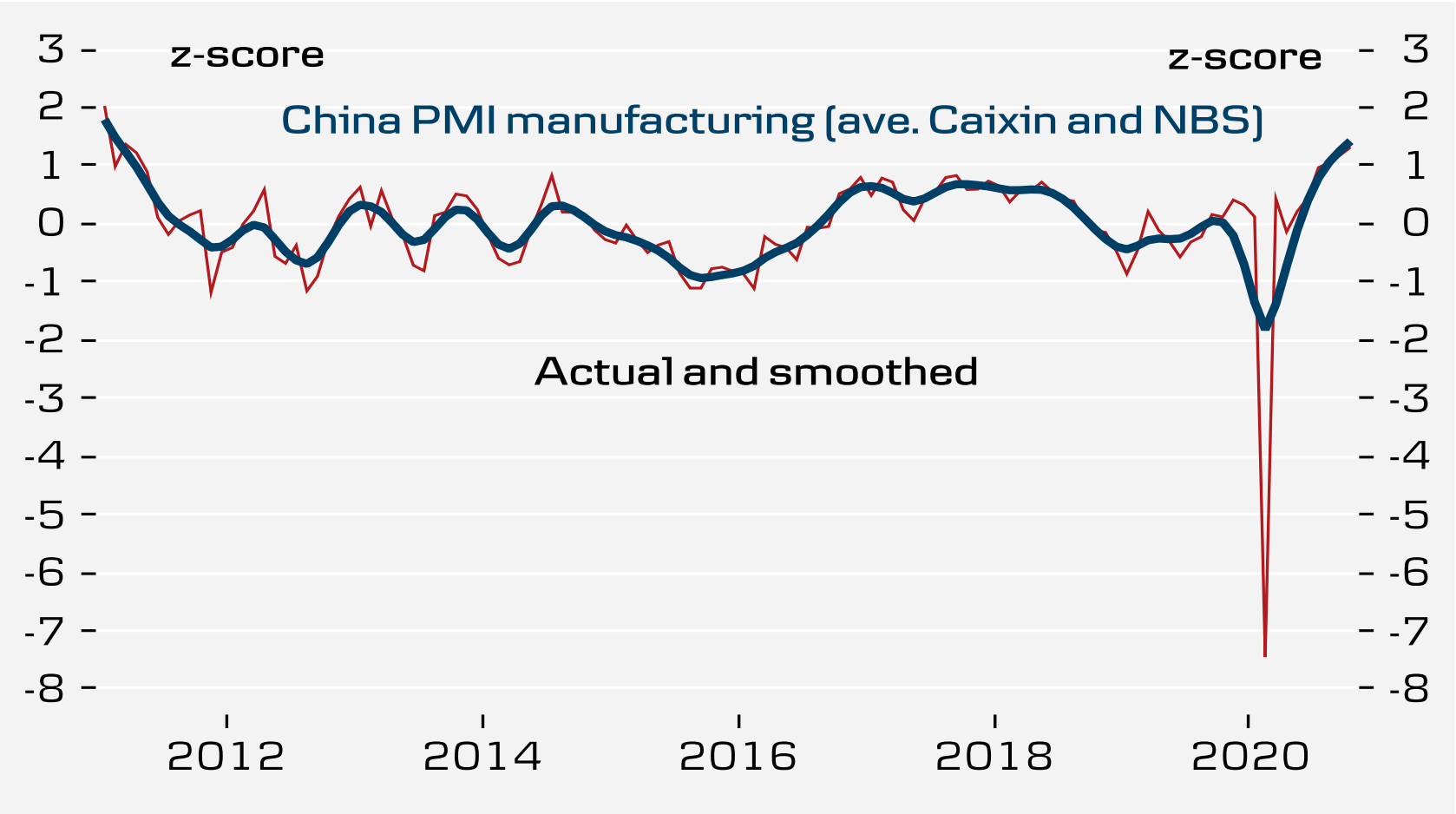
GDP level



Source: Macrobond Financial, NBS, Danske Bank

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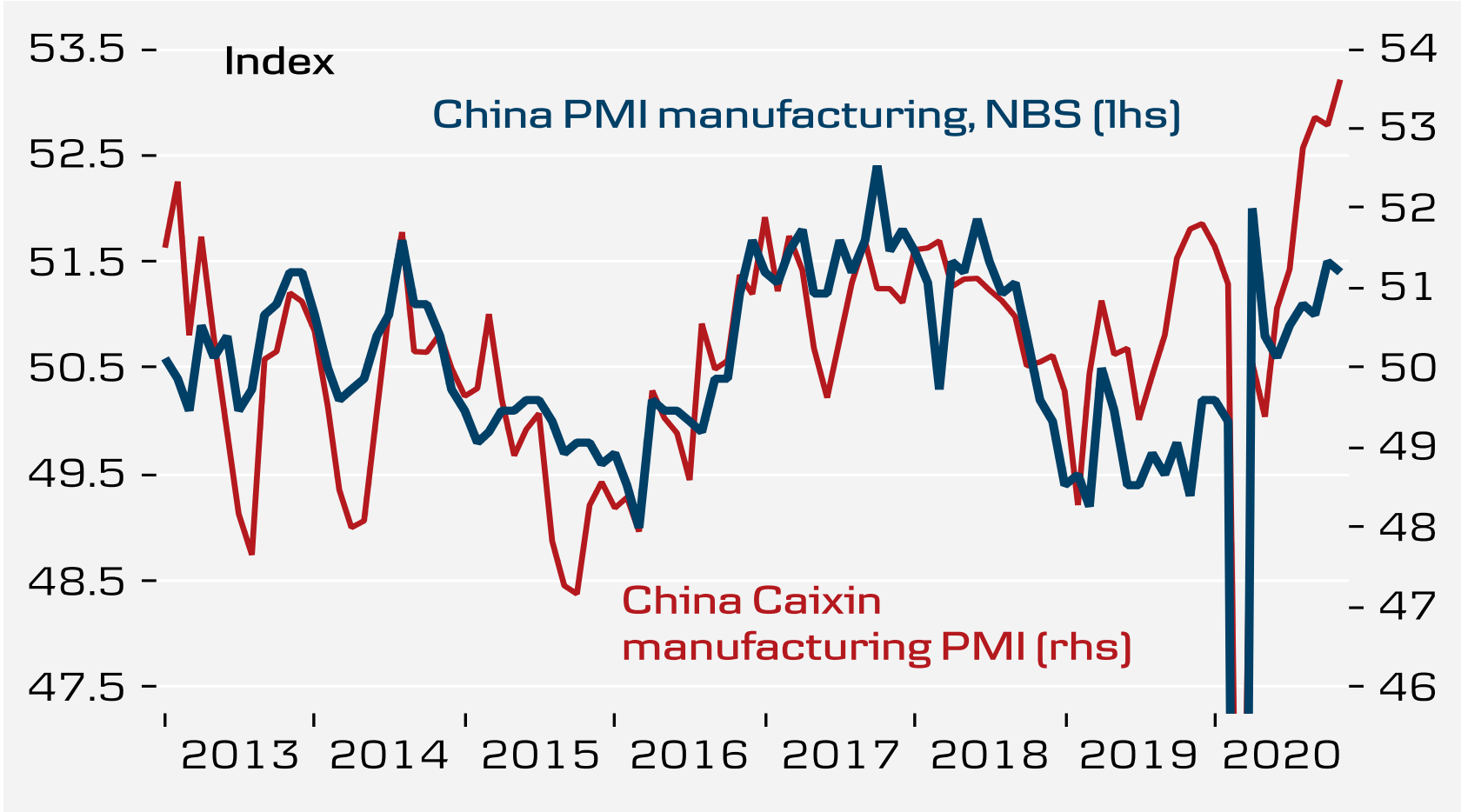
PMI indicator (average of Caixin and NBS)



Source: Macrobond Financial, Markit, NBS, Danske Bank

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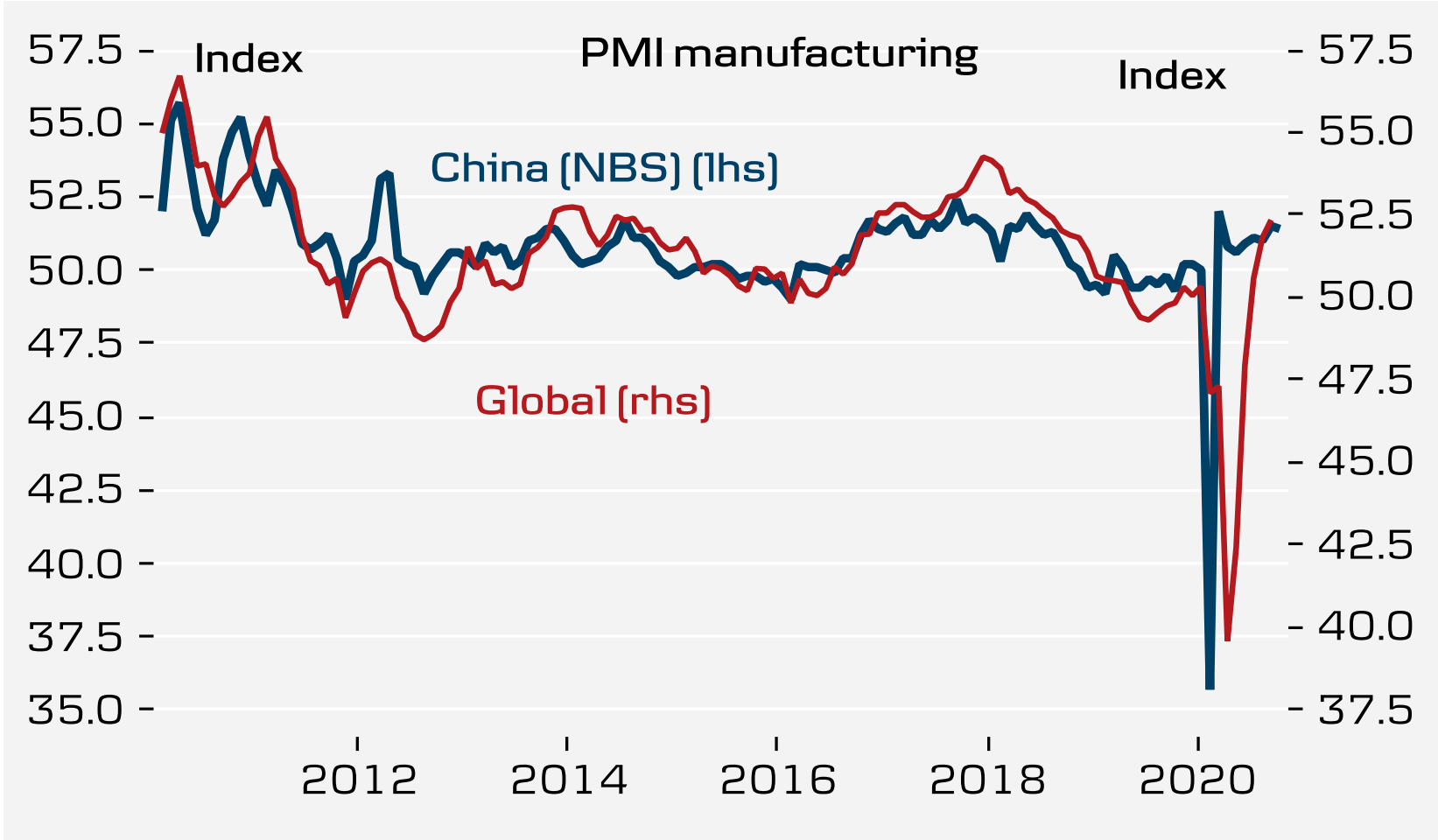
NBS vs Caixin PMI



Source: Macrobond Financial, Markit, NBS, Danske Bank

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Domestic vs global cycle



Source: Macrobond Financial, Markit, Danske Bank

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Copper prices

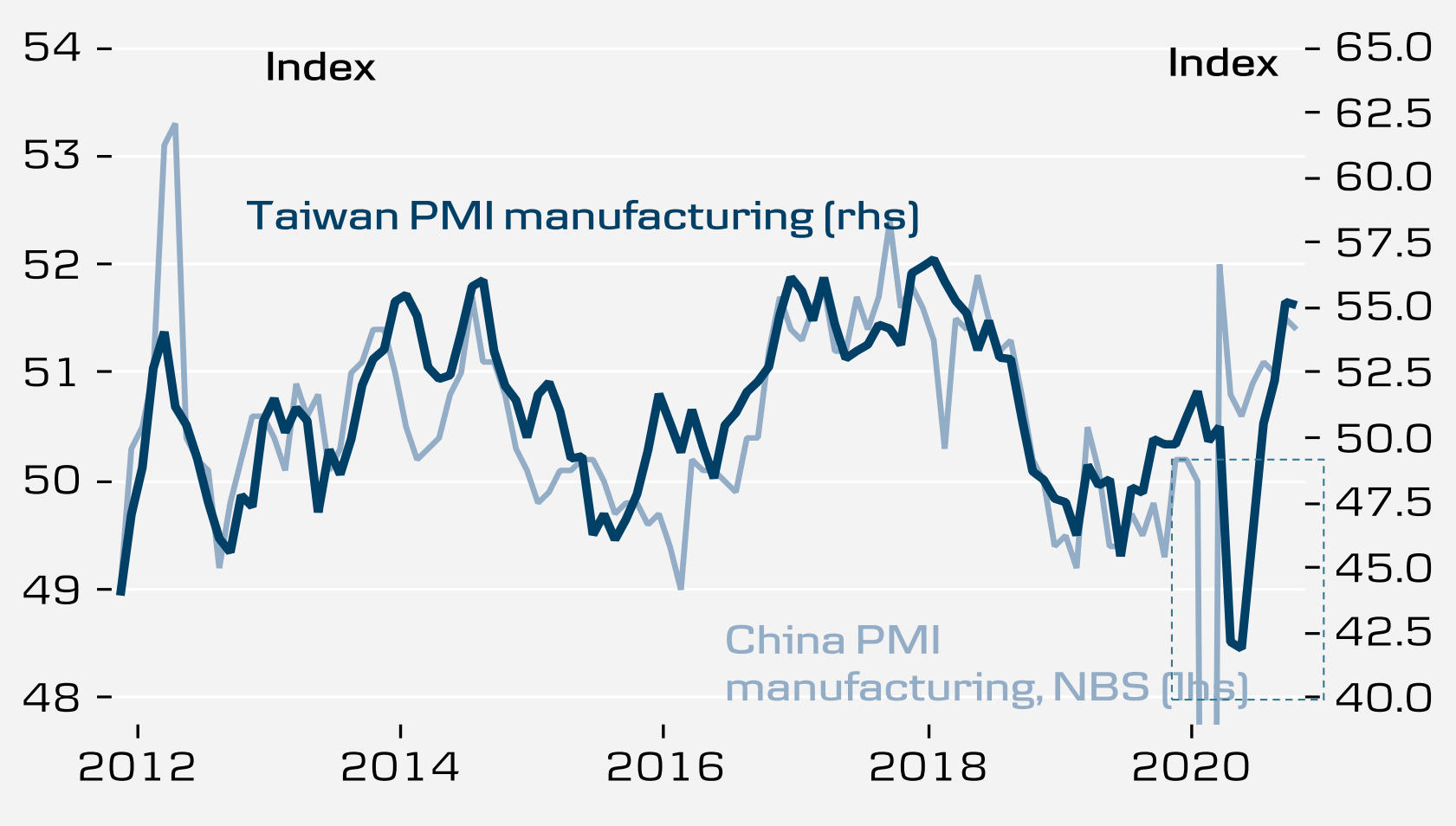


Note: Past performance is not a reliable indicator of current or future results

Source: Macrobond Financial, Danske Bank

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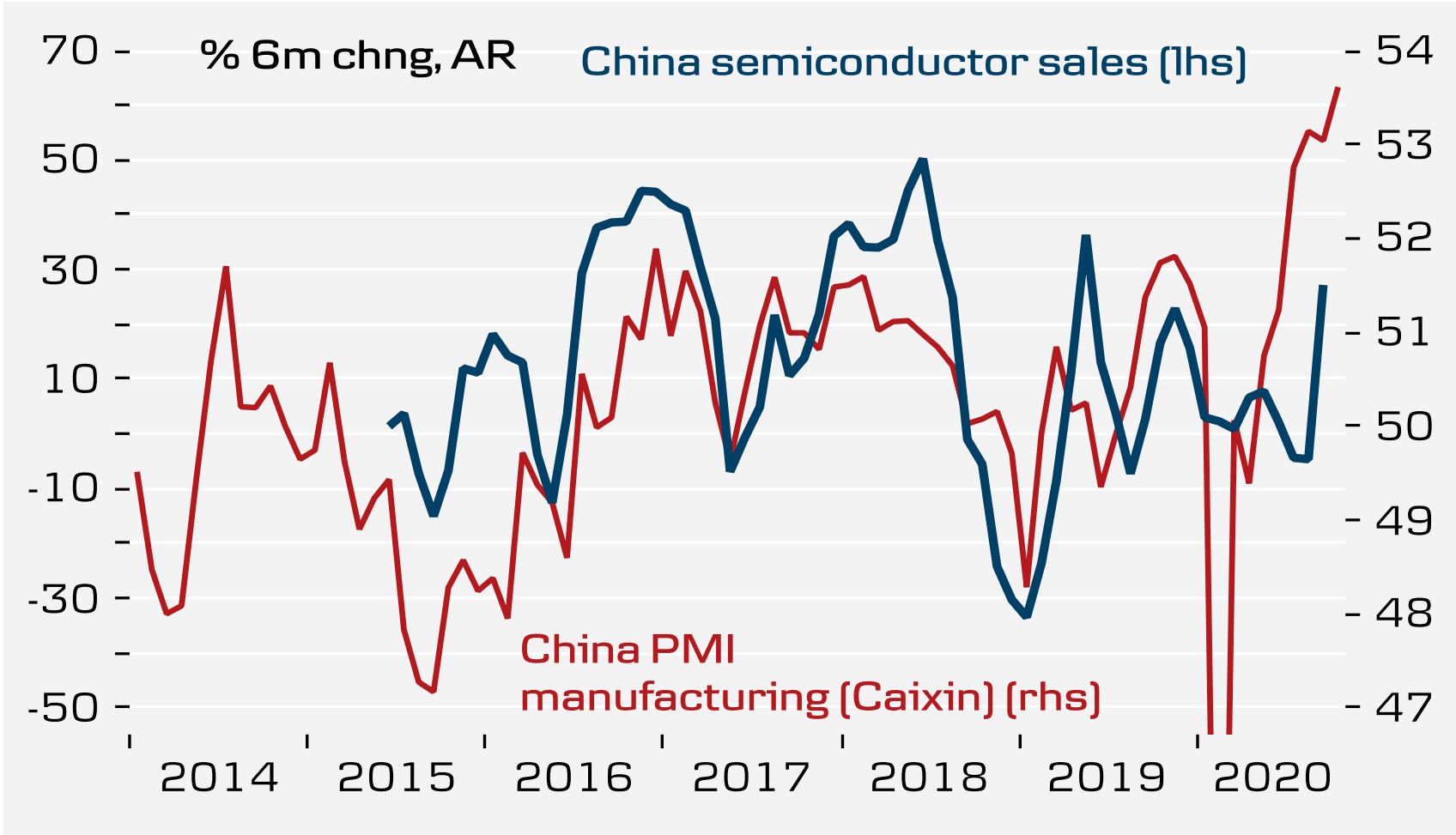
Taiwan PMI vs China PMI



Source: Macrobond Financial, Markit, Danske Bank

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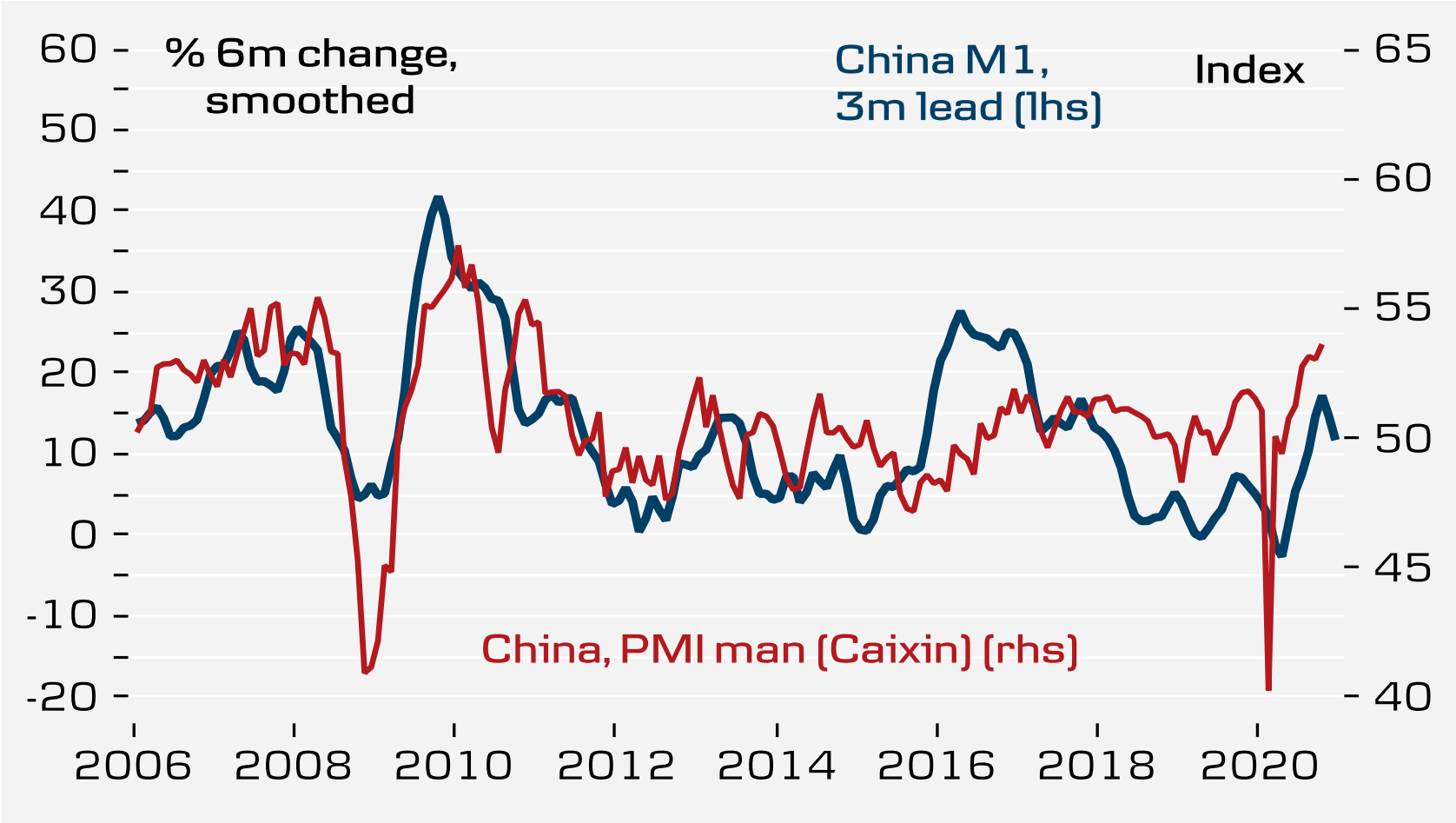
China semiconductor sales vs Chinese PMI



Source: Macrobond Financial, Markit, Semiconductor Industry Association

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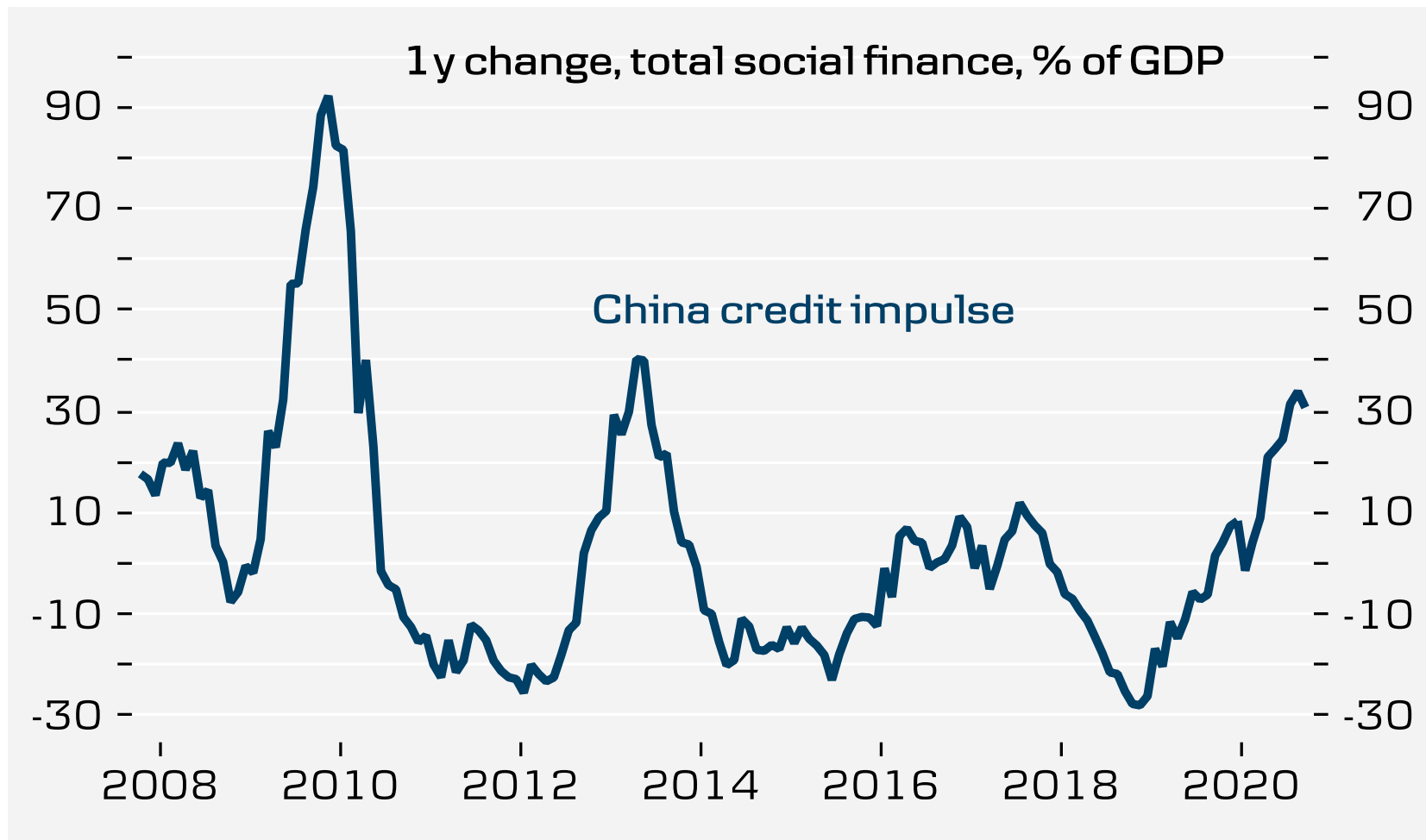
Money growth and PMI



Source: Macrobond Financial, Markit, People's Bank of China

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Credit impulse



Source: Bloomberg, People's Bank of China, Danske Bank

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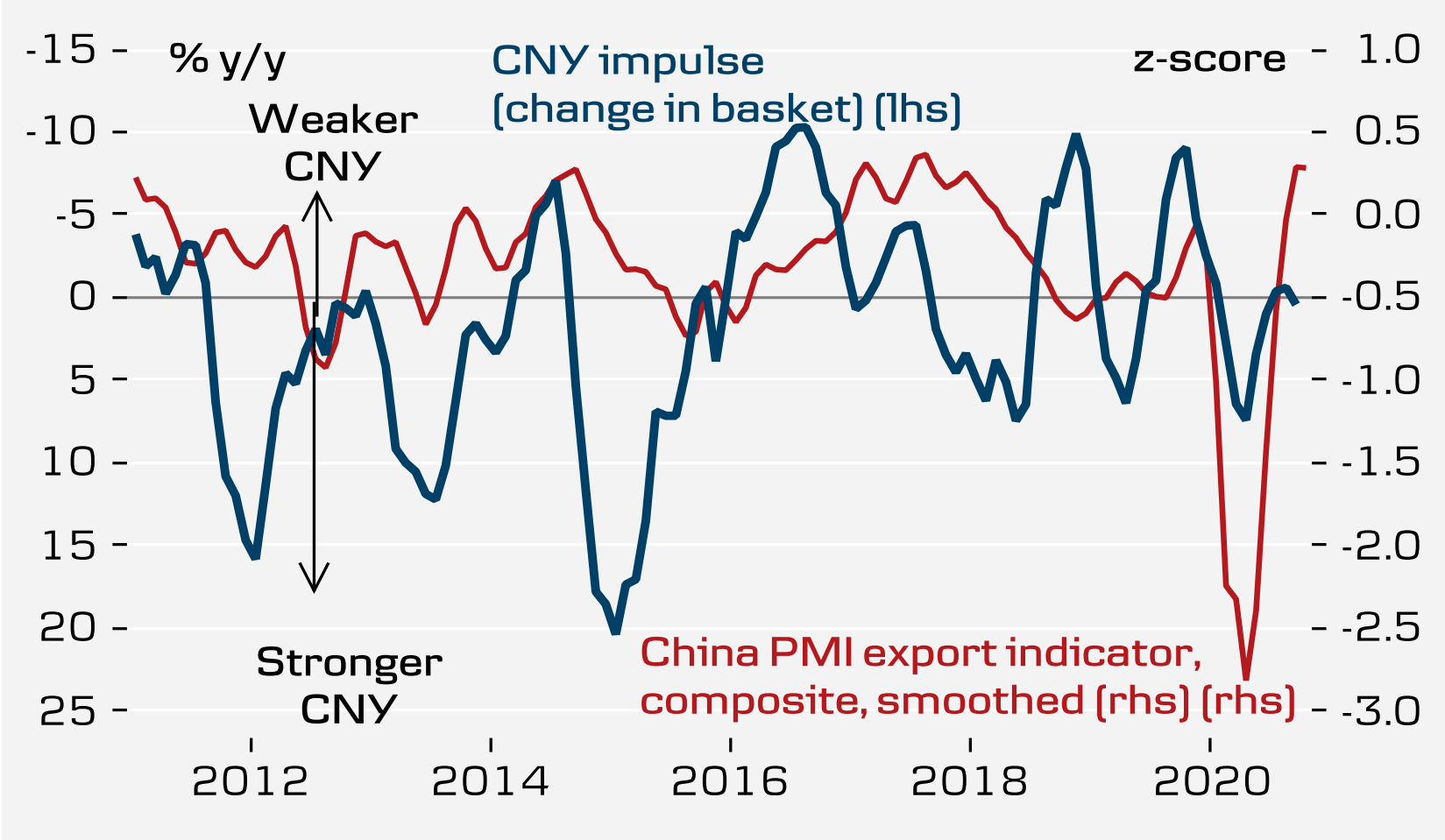
Exports - model



Source: Macrobond Financial, NBS, Markit, Danske Bank

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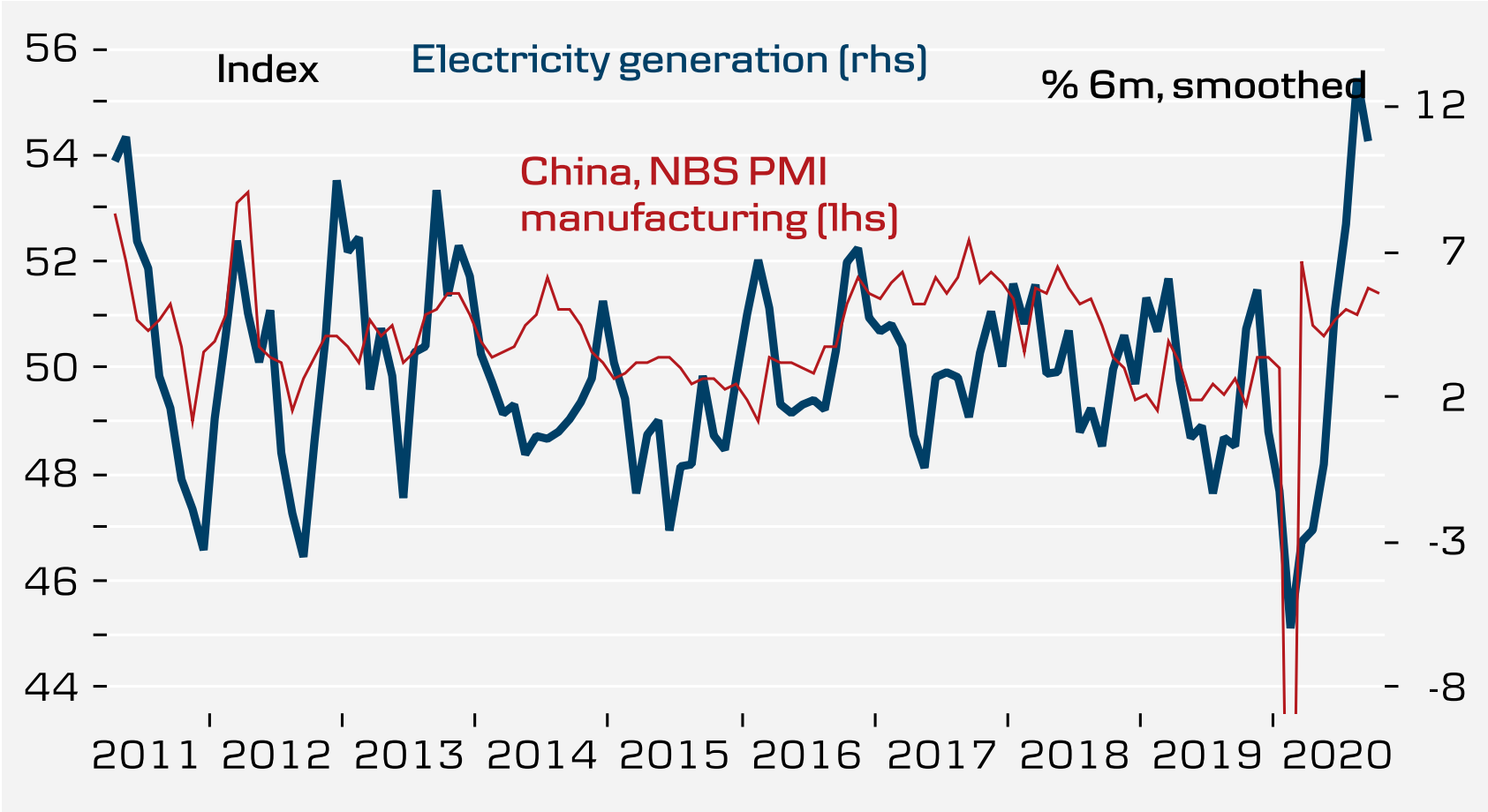
Exports - currency impulse



Source: Macrobond Financial, NBS, Markit, Danske Bank

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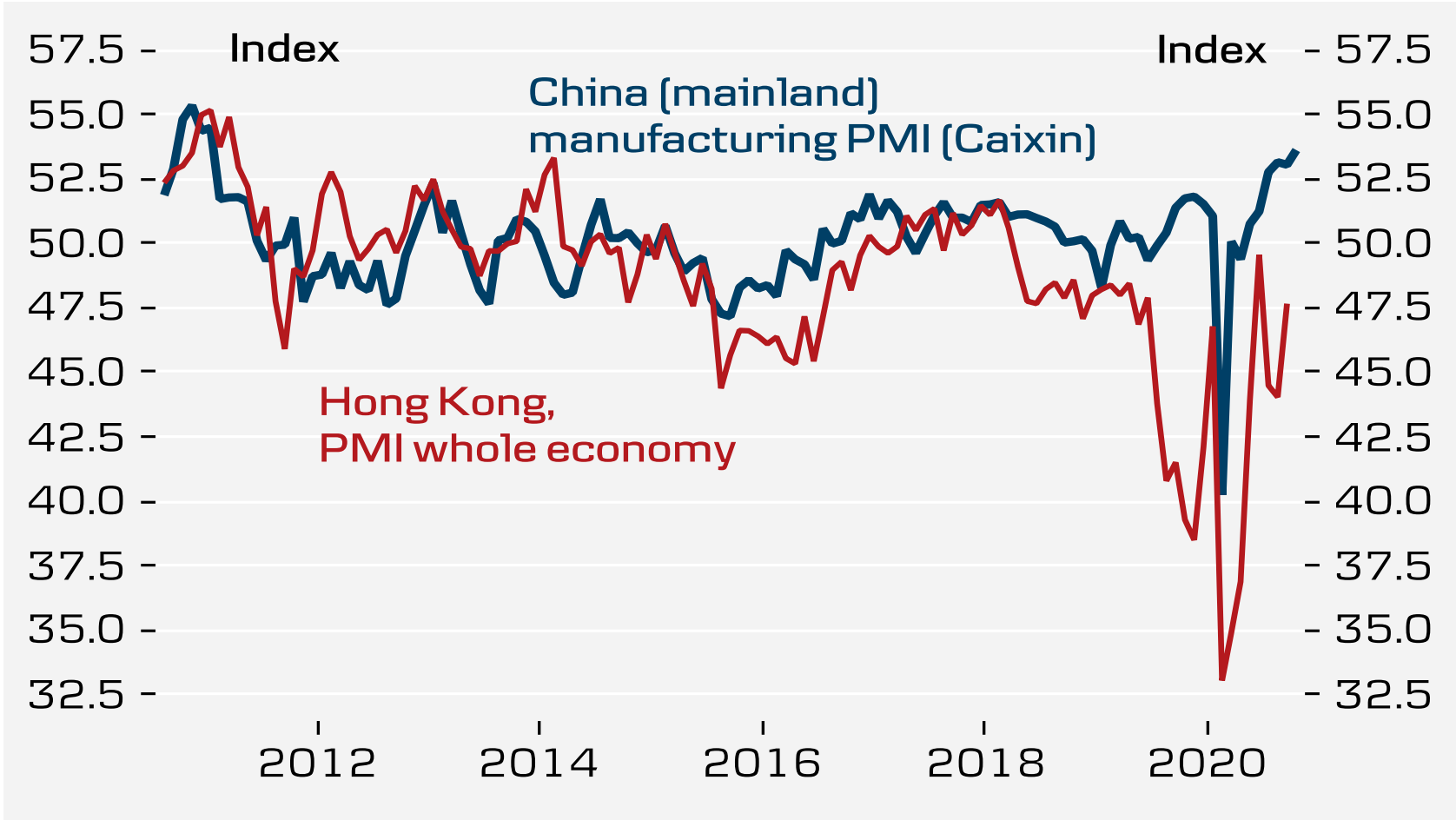
Electricity generation vs PMI



Source: Macrobond Financial, Markit, NBS, Danske Bank

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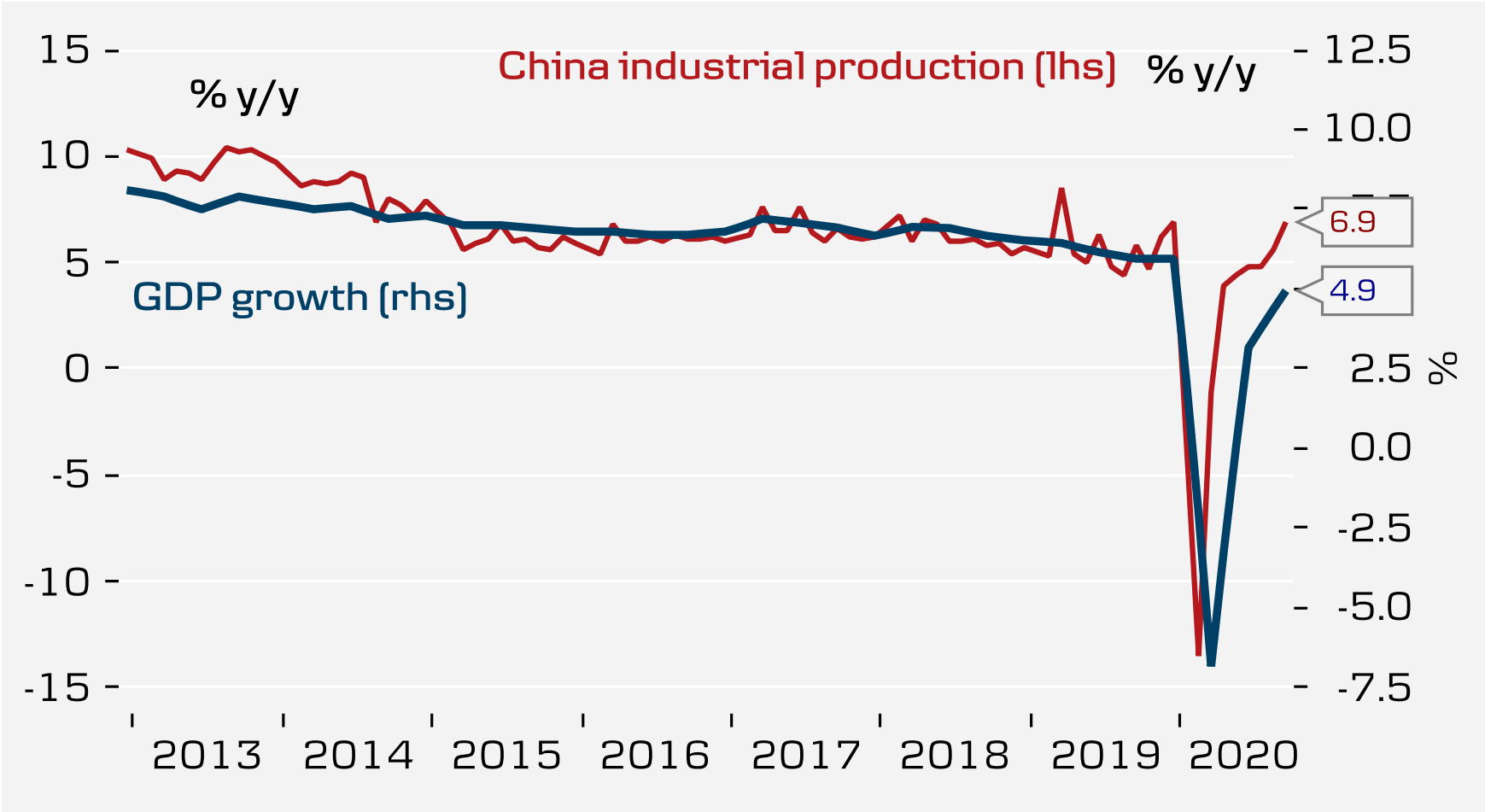
Hong Kong PMI vs China PMI



Source: Macrobond Financial, Markit, Danske Bank

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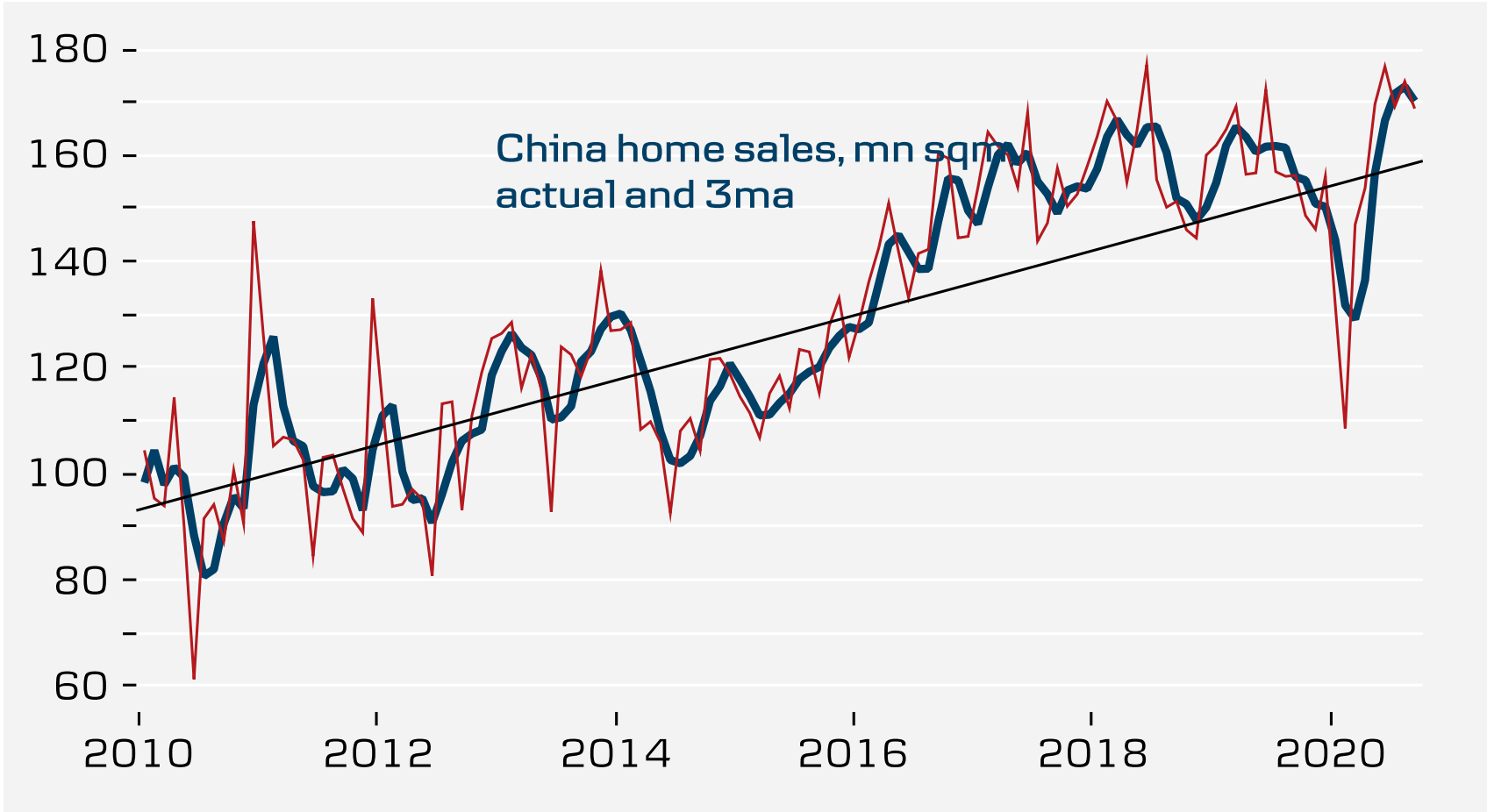
Industrial production vs GDP



Source: Macrobond Financial, NBS, Danske Bank

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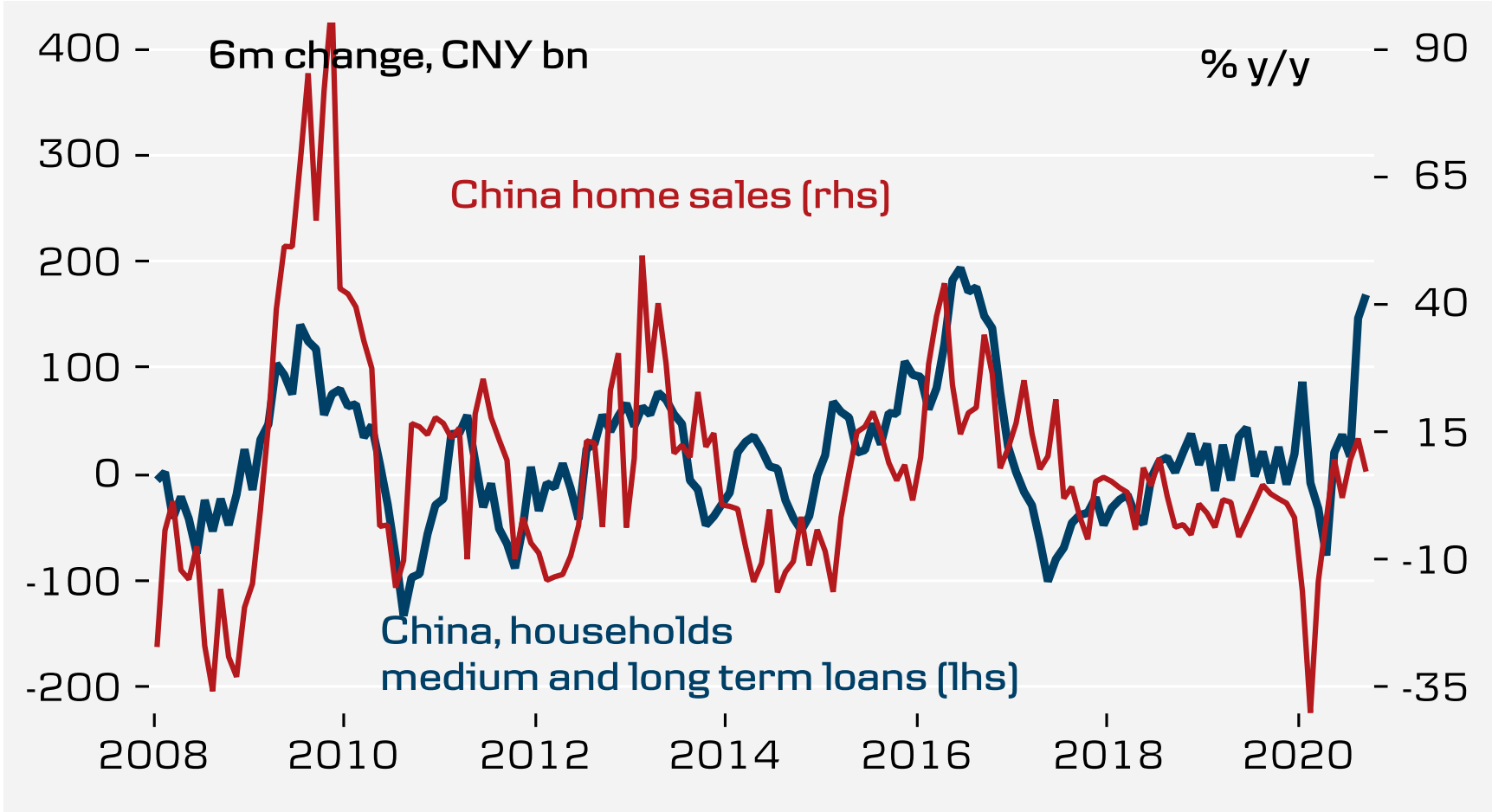
Housing - home sales level



Source: Macrobond Financial, NBS, Danske Bank

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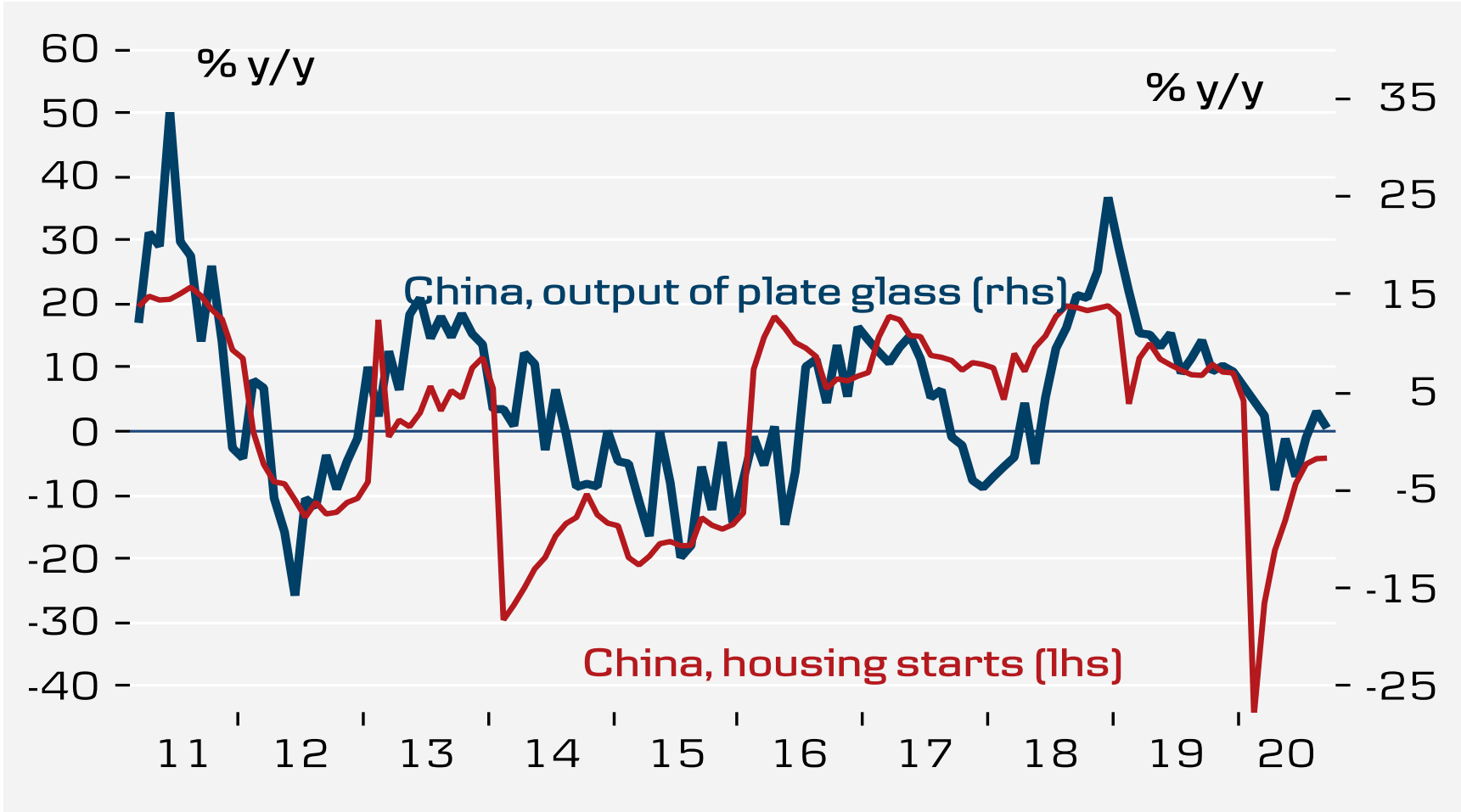
Housing - home sales and household credit



Source: Macrobond Financial, Markit, NBS, People's Bank of China, Danske Bank

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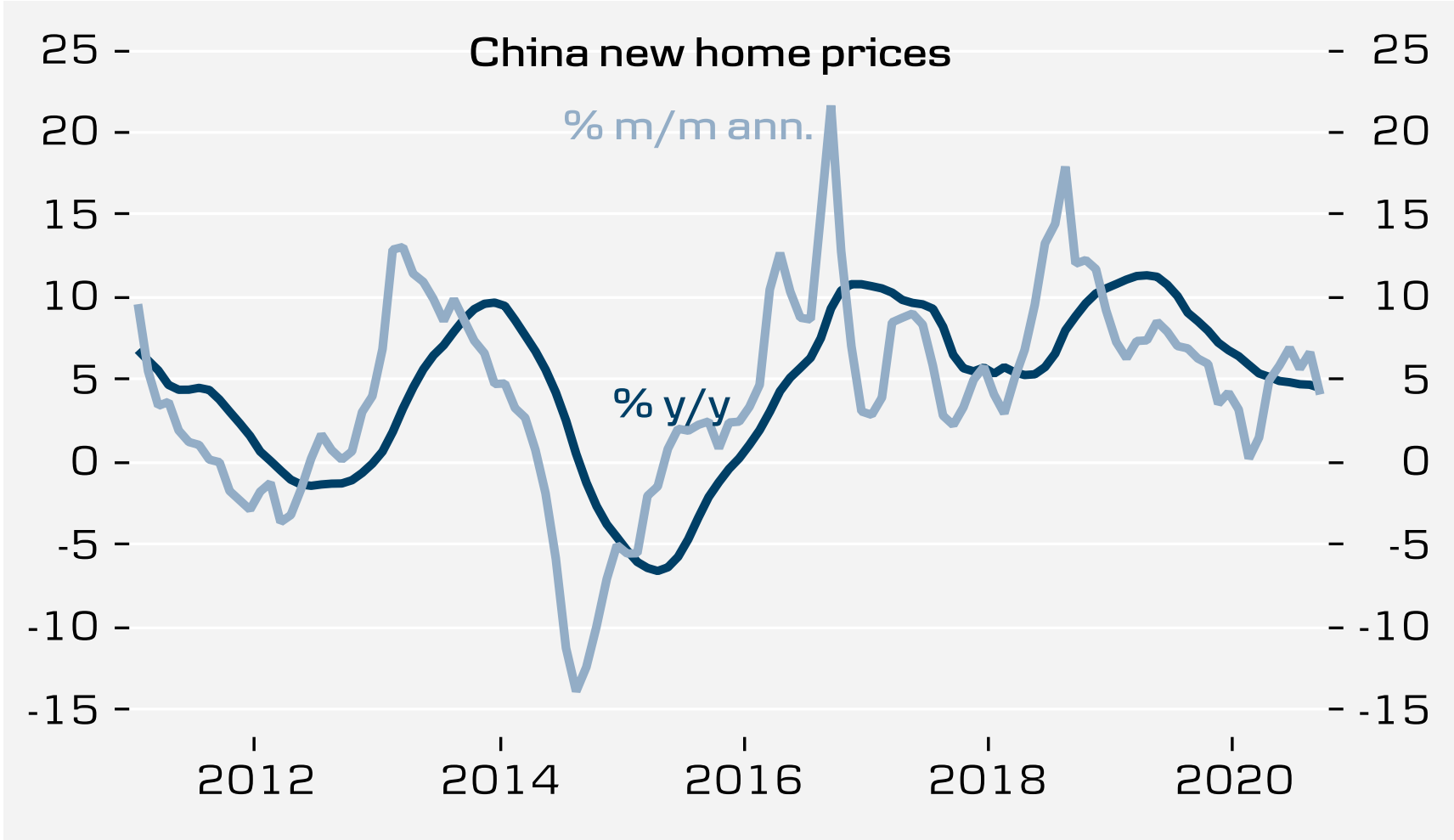
Housing - housing starts and plate glass



Source: Macrobond Financial, NBS, Danske Bank

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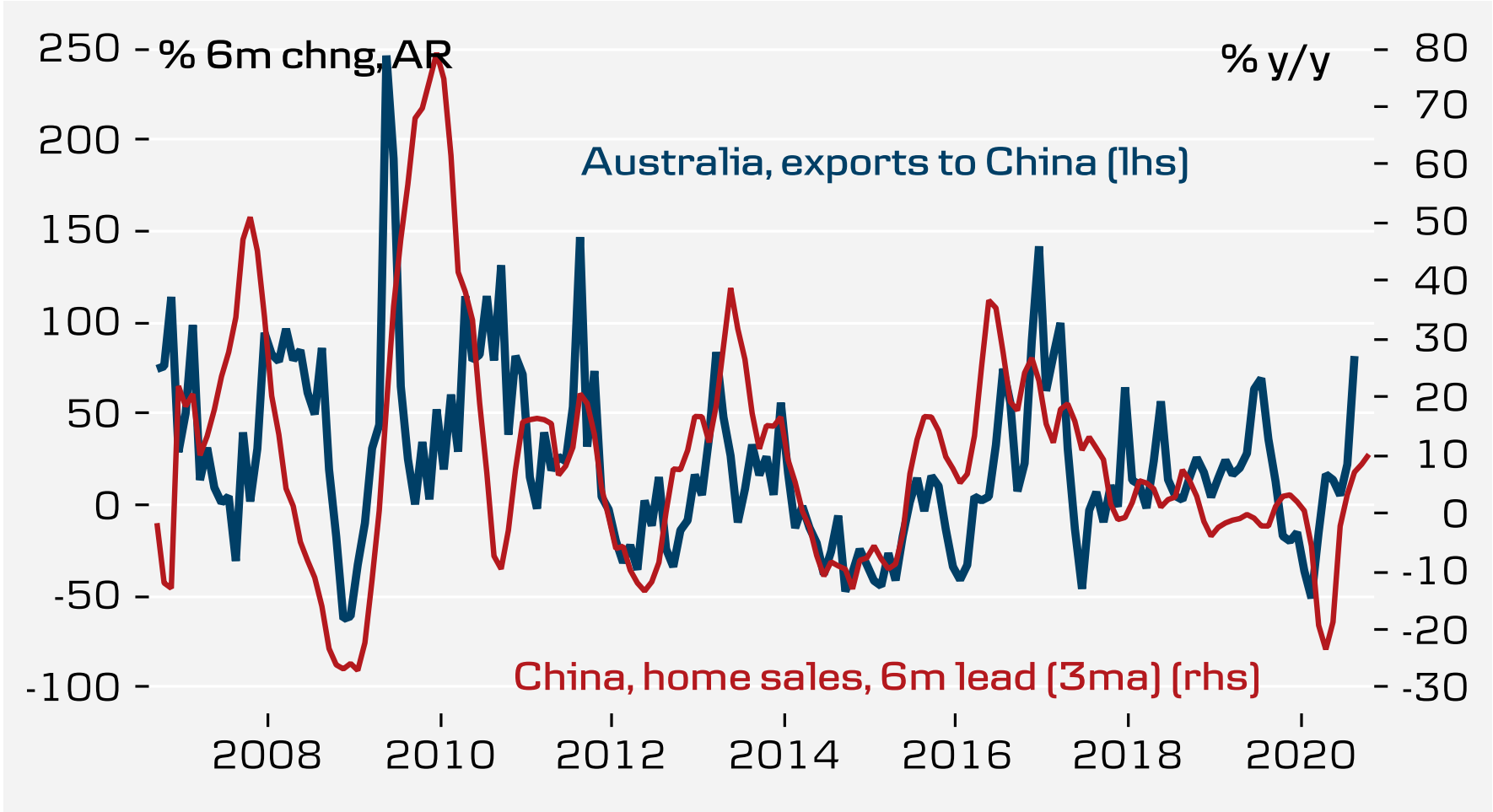
House prices



Source: Macrobond Financial, NBS

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Housing - Australia exports to China vs home sales



Source: Macrobond Financial, NBS, Danske Bank

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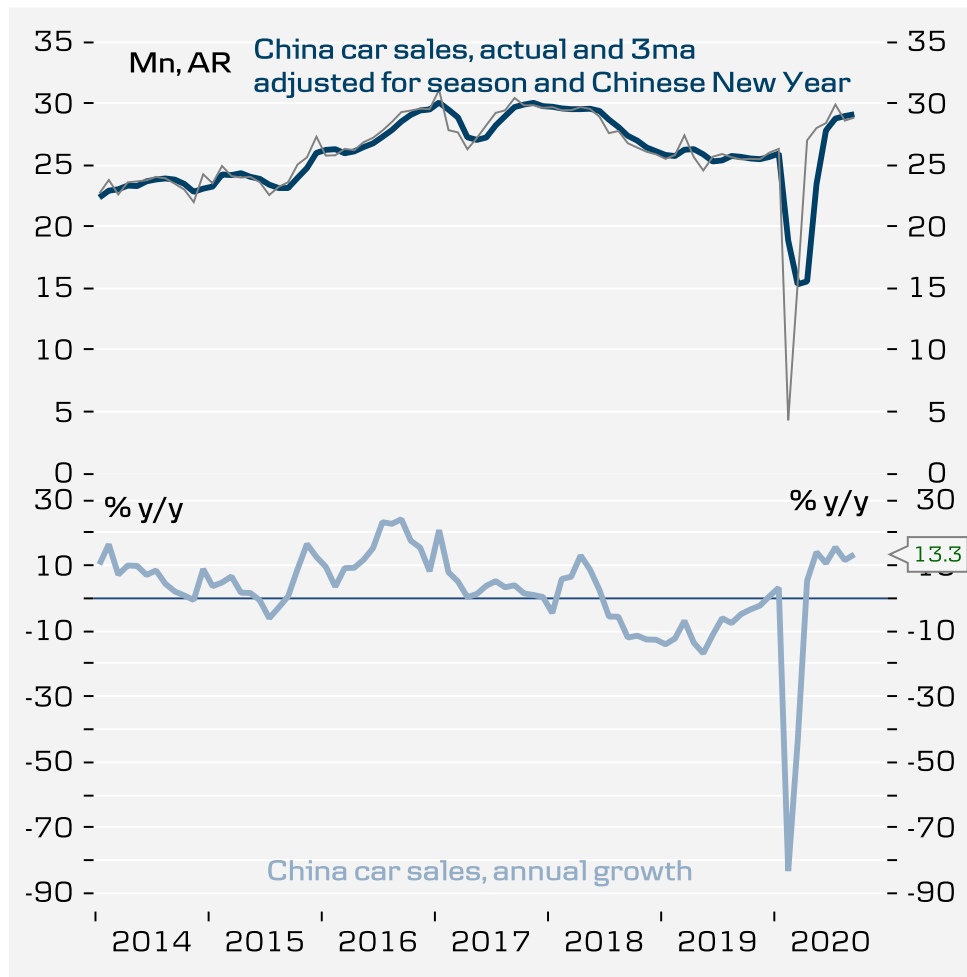
Consumer - retail sales



Source: Macrobond Financial, NBS, Danske Bank

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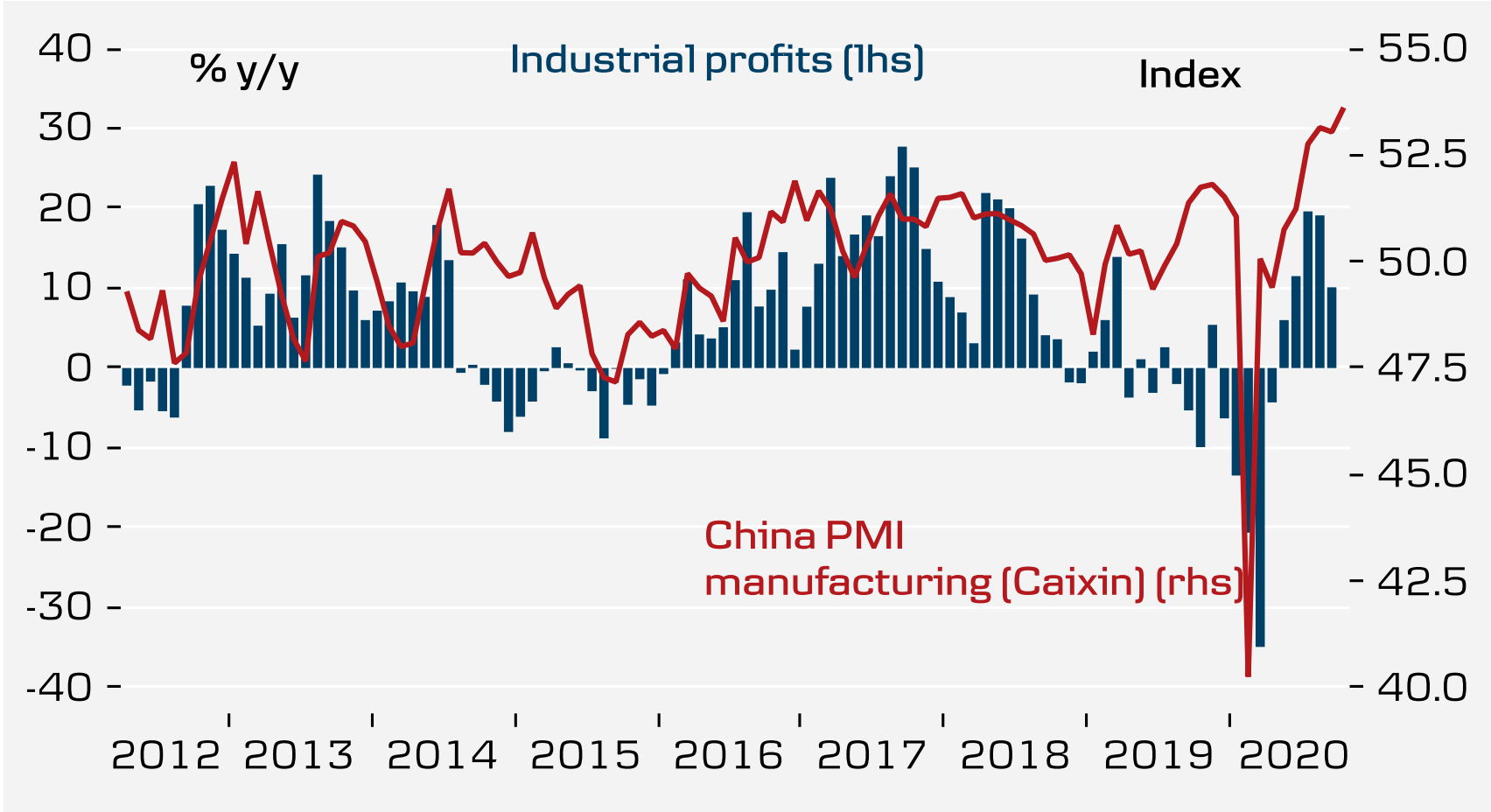
Consumer – car sales



Source: Macrobond Financial, CAAM, Danske Bank

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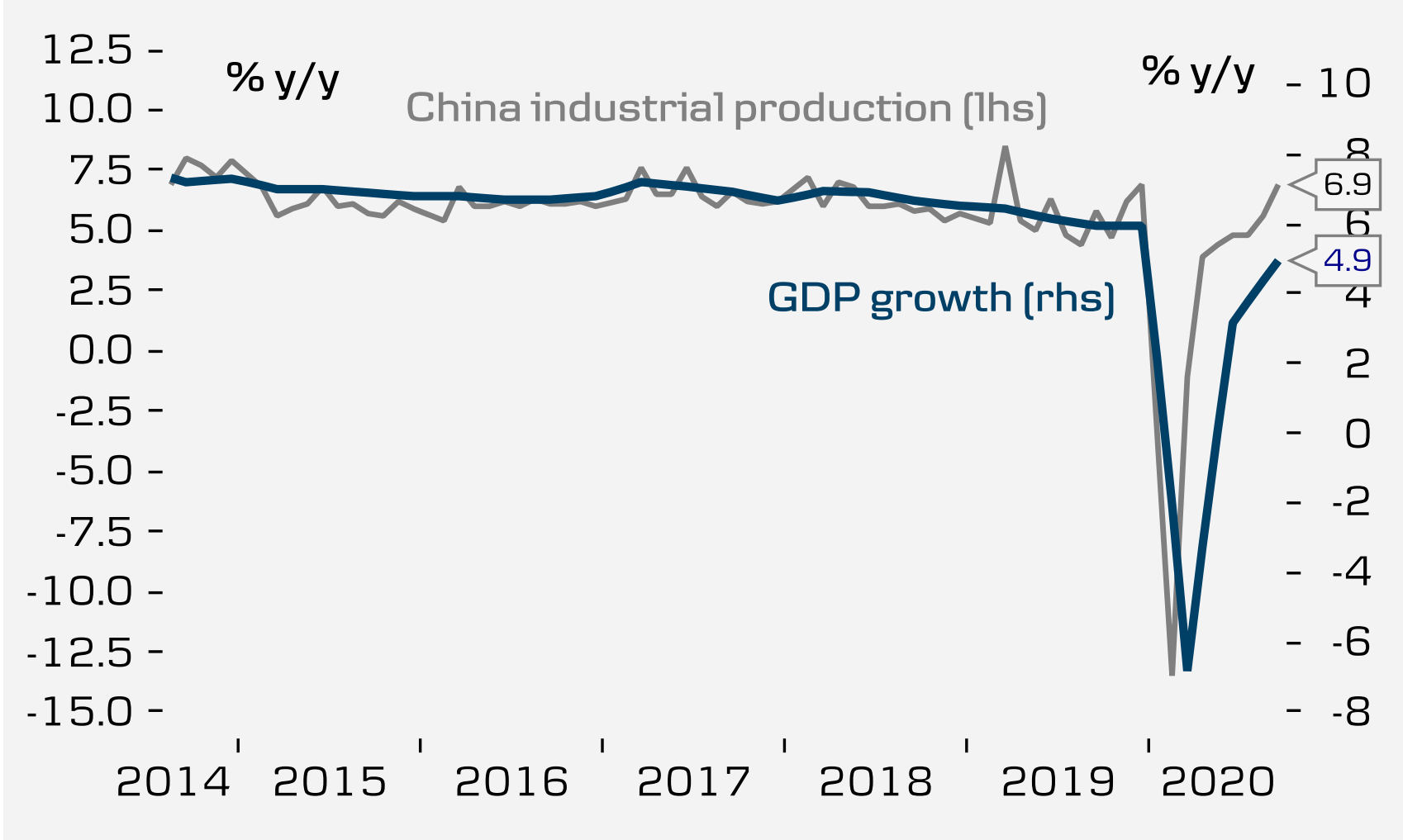
Profits vs PMI



Source: Macrobond Financial, NBS, Markit, Danske Bank

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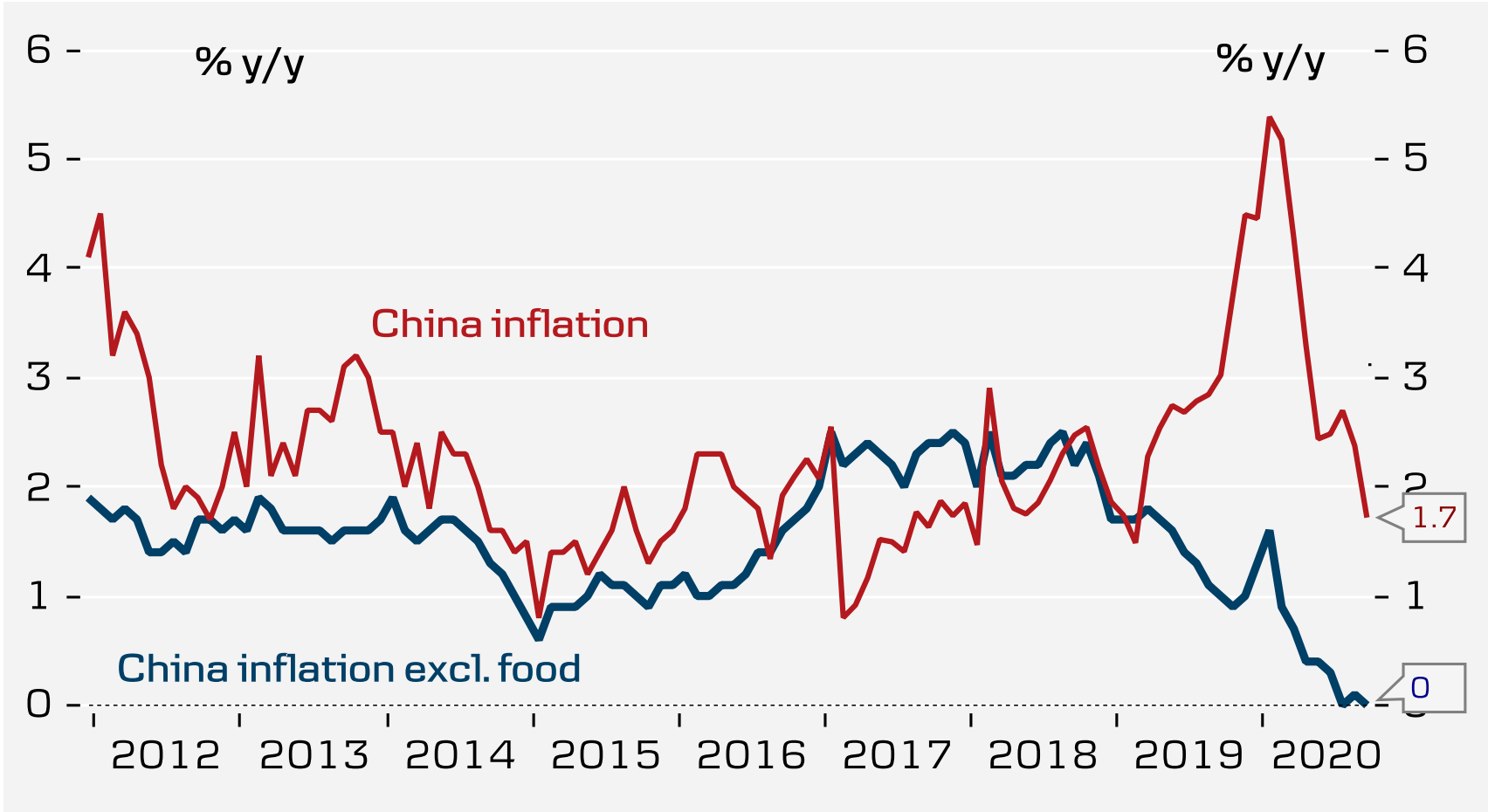
GDP growth



Source: Macrobond Financial, NBS, Danske Bank

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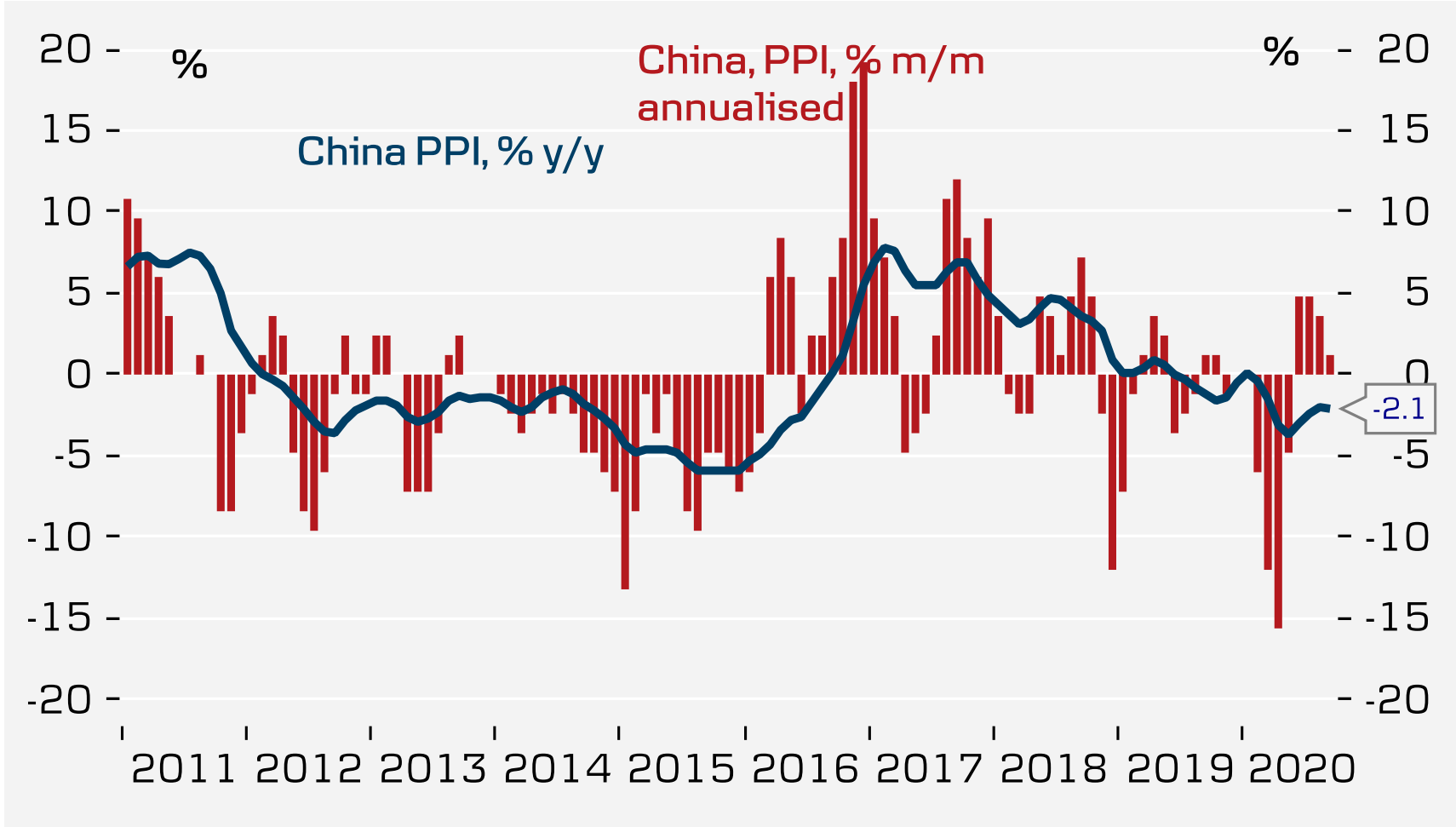
Inflation - CPI



Source: Macrobond Financial, NBS, Danske Bank

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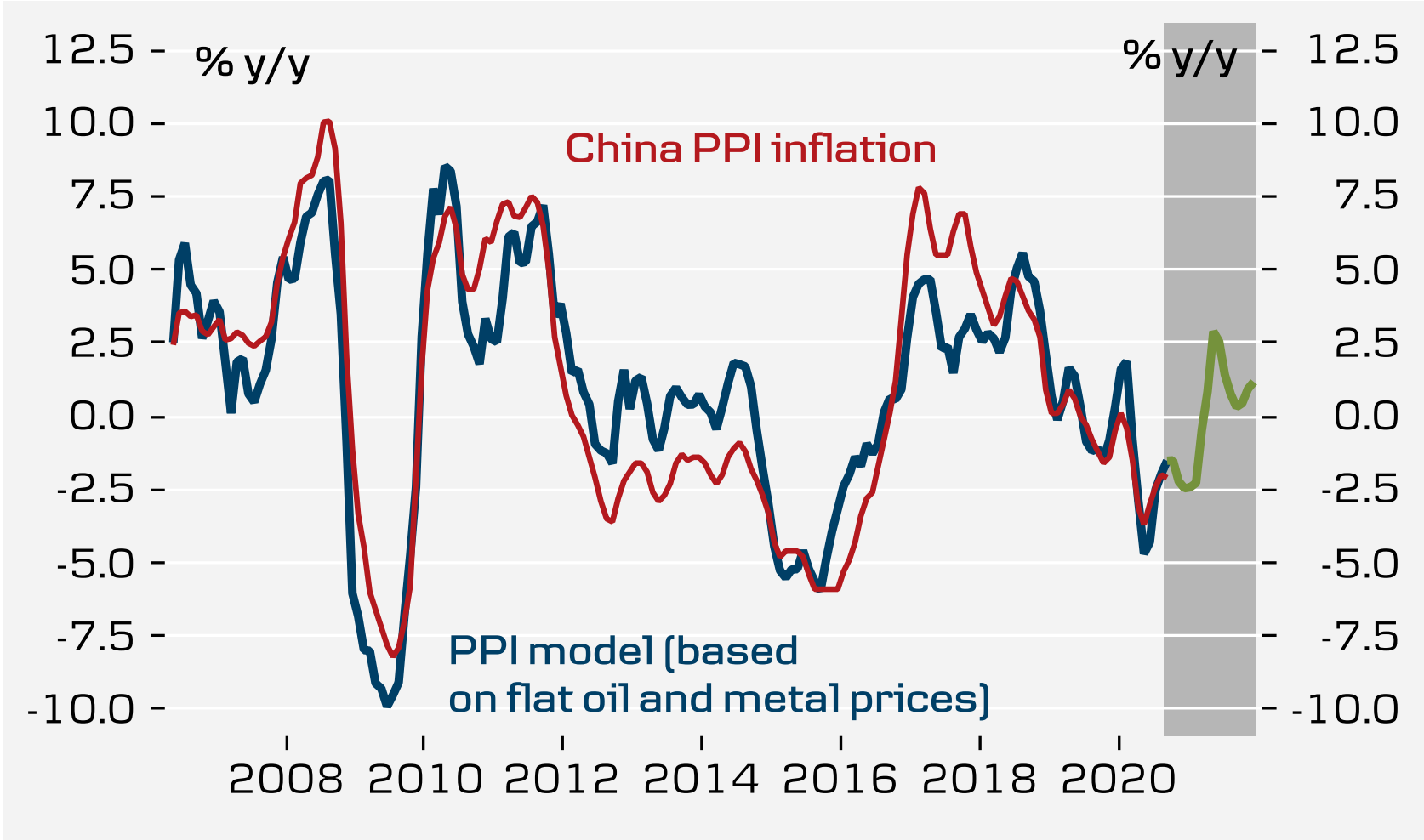
Inflation - PPI



Source: Macrobond Financial, NBS, Danske Bank

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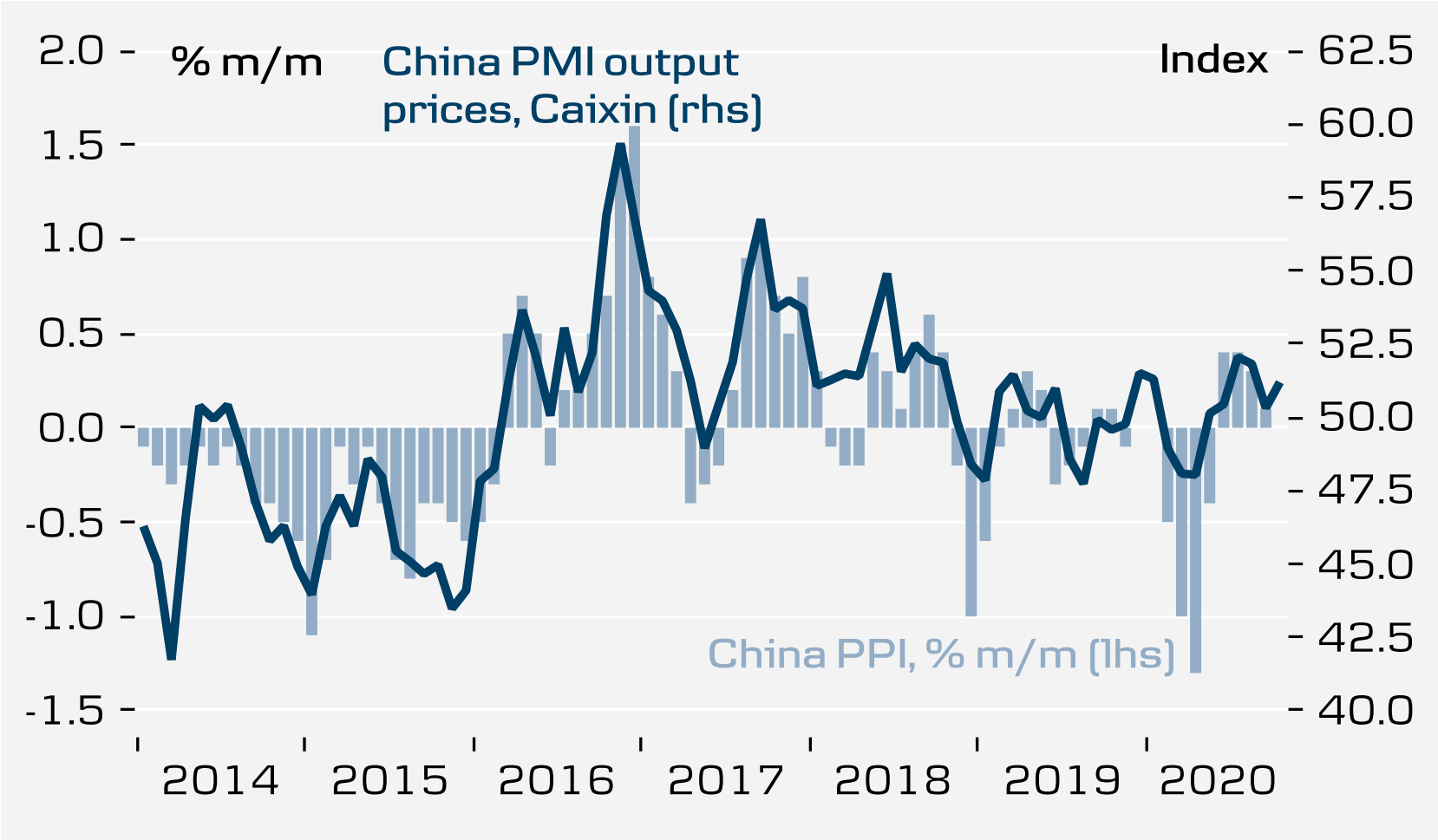
Inflation - PPI model



Source: Macrobond Financial, NBS, Danske Bank

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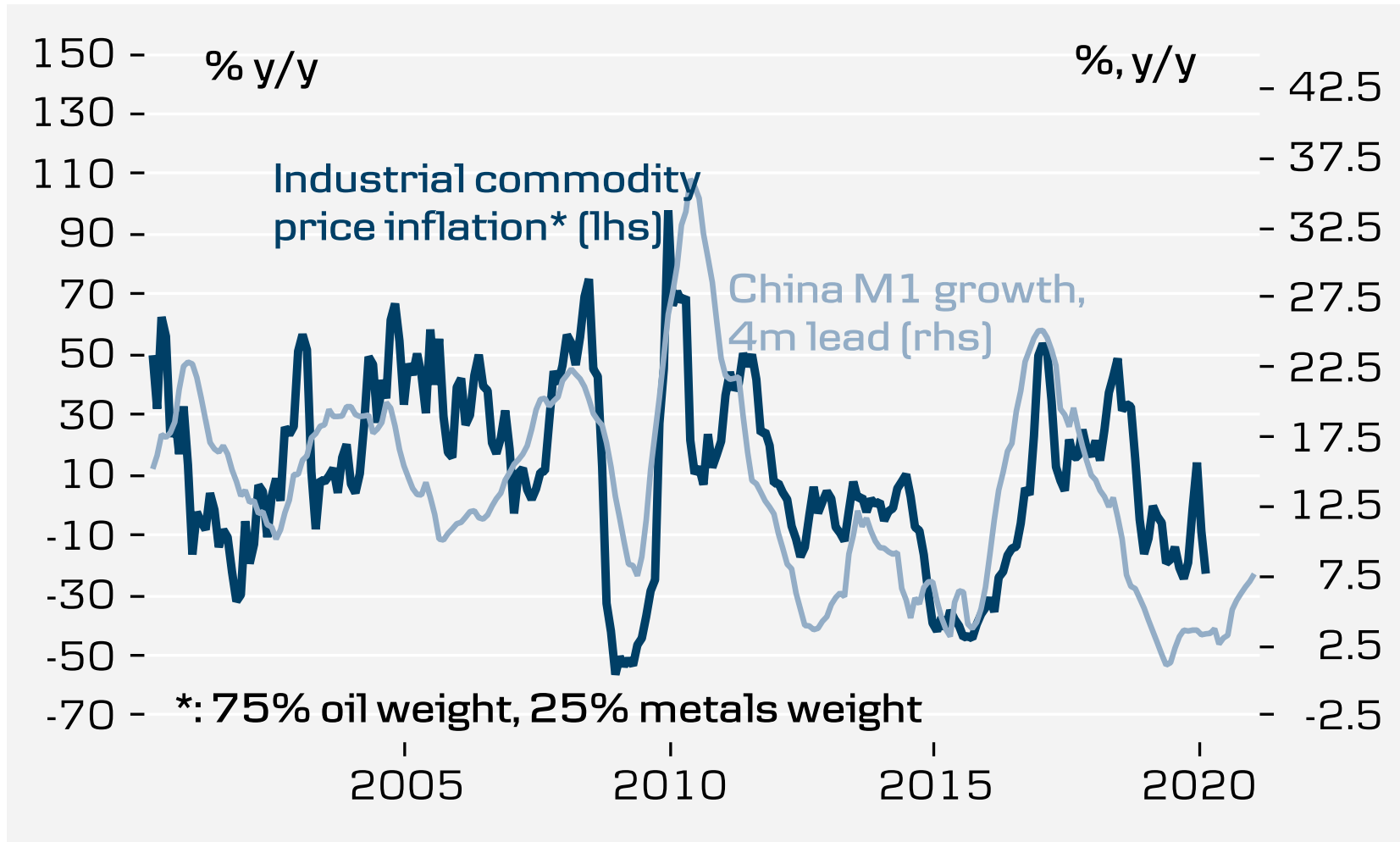
Inflation - PMI output prices and PPI m/m



Source: Macrobond Financial, Markit, NBS, Danske Bank

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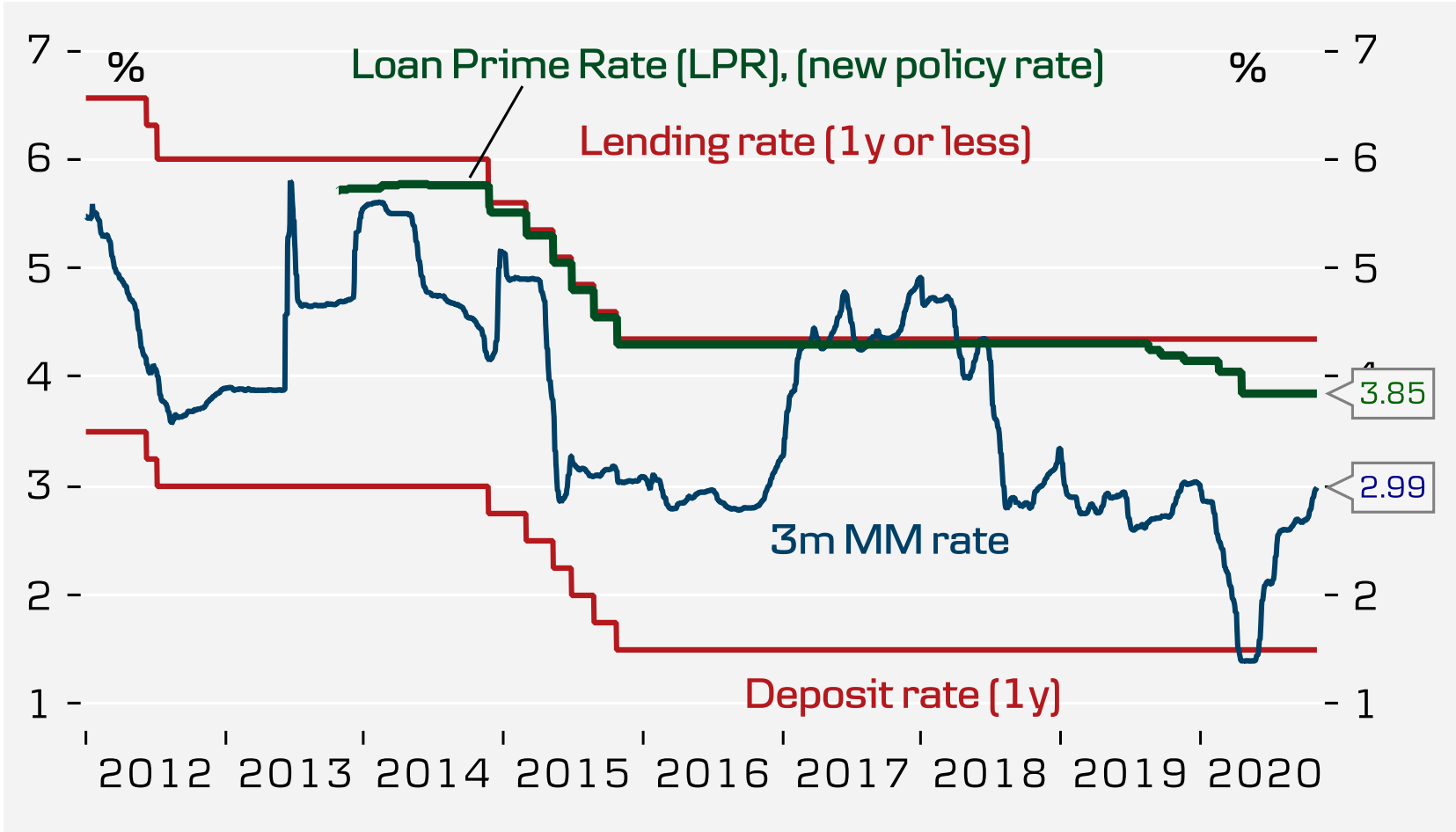
M1 and industrial commodity prices



Source: Macrobond Financial, Markit, People's Bank of China, Danske Bank

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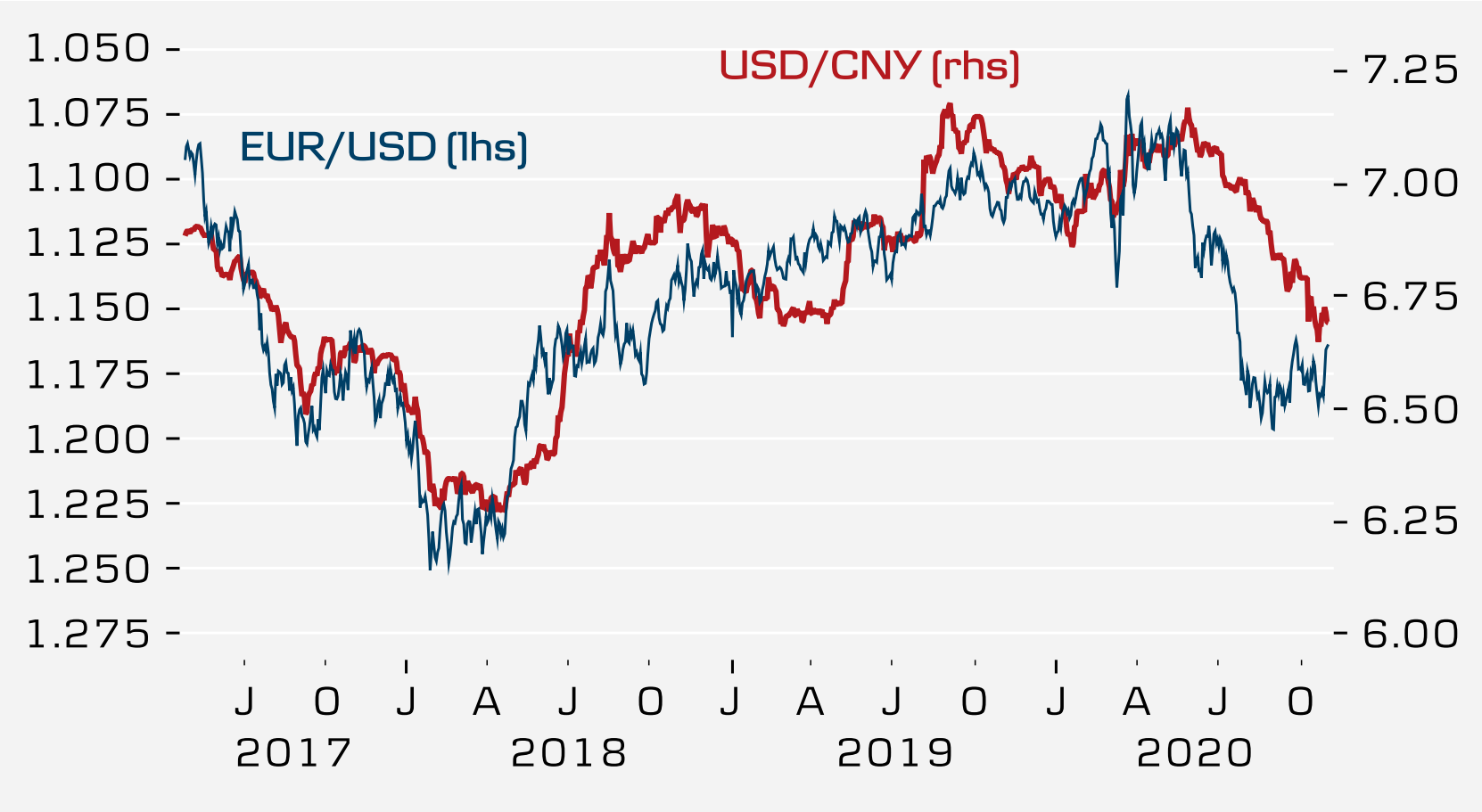
Monetary policy - rates



Source: Macrobond Financial, Markit, People's Bank of China

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CNY – overall USD development important for USD/CNY

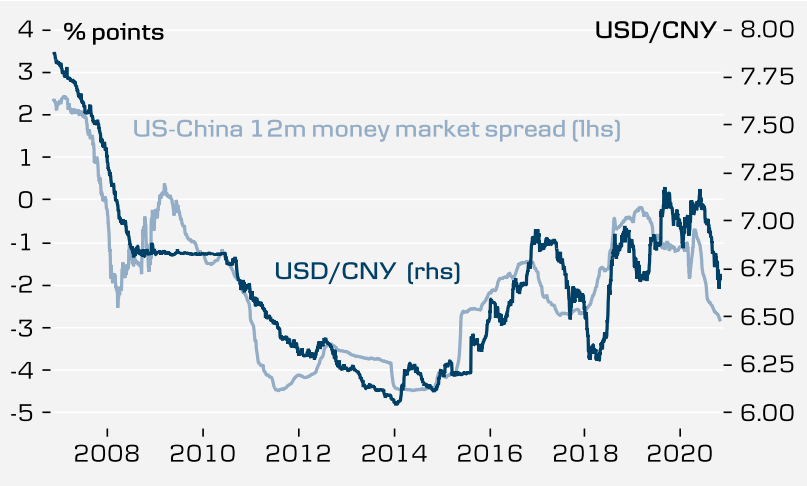


Note: EUR/USD on reverse axis in this chart, past performance is not a reliable indicator of current or future results
Source: Macrobond Financial, People's Bank of China

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CNY - relative rates a good long-term anchor

Relative rates vs USD/CNY



Note: Past performance is not a reliable indicator of current or future results
 Source: Macrobond Financial, People's Bank of China

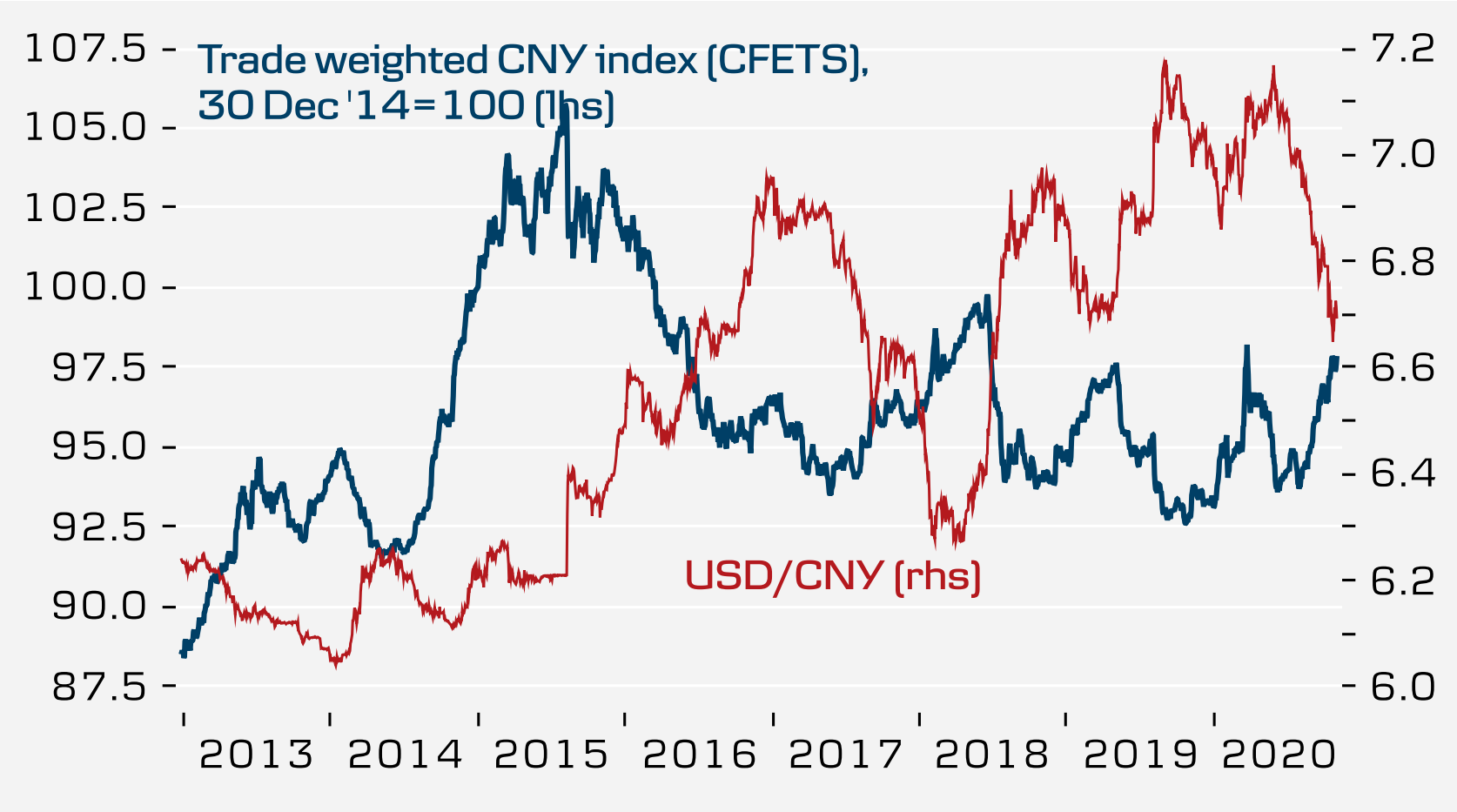
US and China money 12M rates



Note: Past performance is not a reliable indicator of current or future results
 Source: Macrobond Financial, People's Bank of China

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USD/CNY and CNY basket



Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond Financial, People's Bank of China

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China stock market



Note: Past performance is not a reliable indicator of current or future results
 Source: Macrobond Financial, People's Bank of China

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