China

In China, economic activity remains strongly correlated to the progress of the epidemic and the resulting lockdowns. After the decline in Q2 (-2.7%) marked by strict lockdowns, especially in Shanghai, GDP rebounded strongly in Q3 (+3.9%), boosted by the reopening of the economy. However, its year-on-year growth (+3.9% in Q3 compared to Q3 2021) remains lower than what it was in Q1 (+4.8%). Activity was stimulated by the rapid recovery in industrial production (+4.3% in Q3 after -3.2%, ►**Figure 1**), especially automobile production (+37.3%).

Regarding domestic demand, household consumption was penalised for longer than production in the spring, and the rebound in retail sales in Q3 (+6.8%) masks sluggish progress month by month (►**Figure 1**) due to the temporary lockdowns imposed in several regions.

In addition, the real estate sector remains in difficulty: real estate transactions fell back once again in Q3 (-2.6%), as did housing starts (-6.1%), which are now at a lower level than in the 2020 lockdown (►**Figure 2**). Central government is trying to revive this sector by supporting the policy banks, responsible for funding infrastructure projects (public investment up by 10.6% year-on-year in the first nine months of the year, against +2.0% for private investment). Monetary easing measures have also been adopted, in the form of rate reductions in August and December, especially for mortgages and for modernising equipment for SMEs. However, possible monetary support is limited by the depreciation of the yuan (-10.9% against the dollar between January and November) due to the outflow of capital caused by the rise in rates on western markets (-15% of Chinese bonds held by foreign investors since the beginning of the year).

Unlike western countries, the Chinese economy has so far been spared inflationary tensions: the consumer price index slowed again in November (+1.6% year-on-year after +2.1%), due to food inflation (+3.7% after +7.0% due to a base effect in 2021). Inflation excluding food and energy rose slightly (+0.6% year-on-year in November, the same as in September and October). Producer prices meanwhile were in decline in November (-1.3% year-on-year, as in October), affected by the fall in prices in the manufacturing industries (-3.2%) and extractive industries (-3.9%).

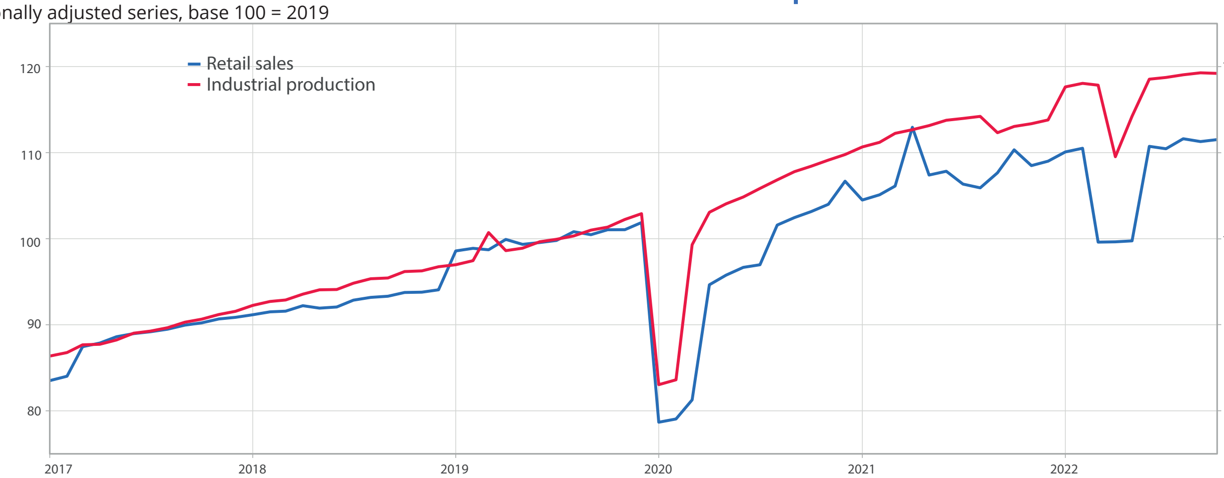
In foreign trade, imports are fairly sluggish and have not returned to their level at the start of the year (►**Figure 3**), despite a significant increase in imports of oil from Russia (+16.1% year-on-year in October) and liquefied natural gas (+52.3%). Exports, the driving force behind the end of lockdowns in 2020, have also seemed fairly sluggish since the start of 2021, suffering both from production problems caused by the lockdowns and the distinct slowdown in world demand for Chinese products (+0.3% in Q3, against +2.2% and +1.6% in Q1 and Q2). They fell sharply in November (►**Figure 3**). The slowdown in the global economy and the ongoing reorientation of western consumption towards services is likely to affect exports in the coming quarters, especially as new sanctions have been imposed by the United States on Chinese imports of US semi-conductors and high-tech products, threatening electronics production chains.

In Q4, it is likely that the Chinese economy will still be affected by sporadic lockdowns across the country and by difficulties in the real estate sector, and it is therefore expected to slow down. In 2023, the gradual easing of health constraints and public spending on infrastructure should allow for a moderate rebound in economic activity. ●

International economic outlook

1. Health restrictions affected retail sales more than industrial production

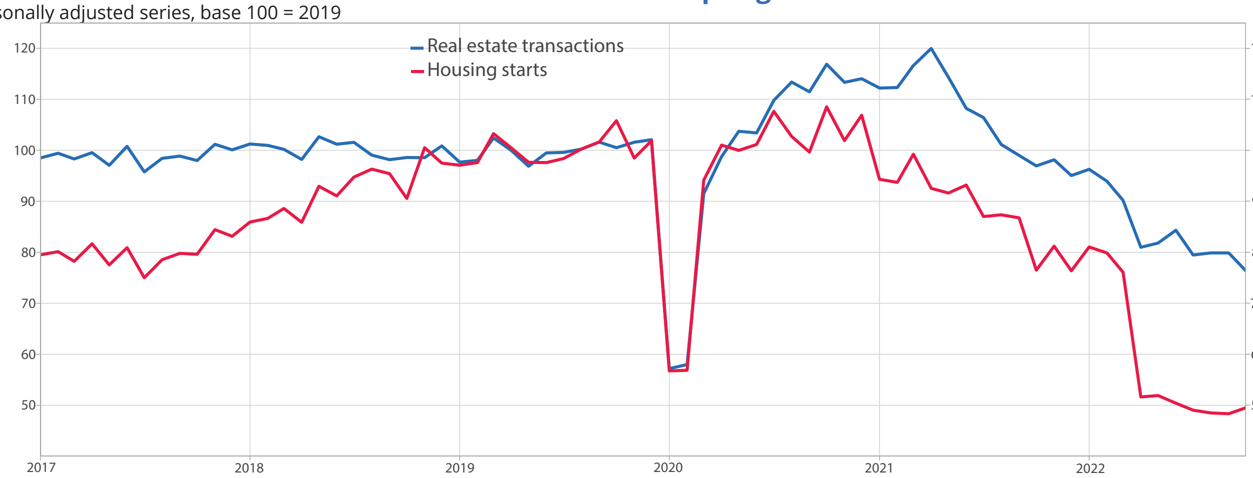
seasonally adjusted series, base 100 = 2019



Last point: October 2022.
How to read it: in October 2022, the industrial production index was 19% above its 2019 average.
Source: NBSC, INSEE calculations

2. The real estate market has not rebounded after the spring 2022 lockdowns

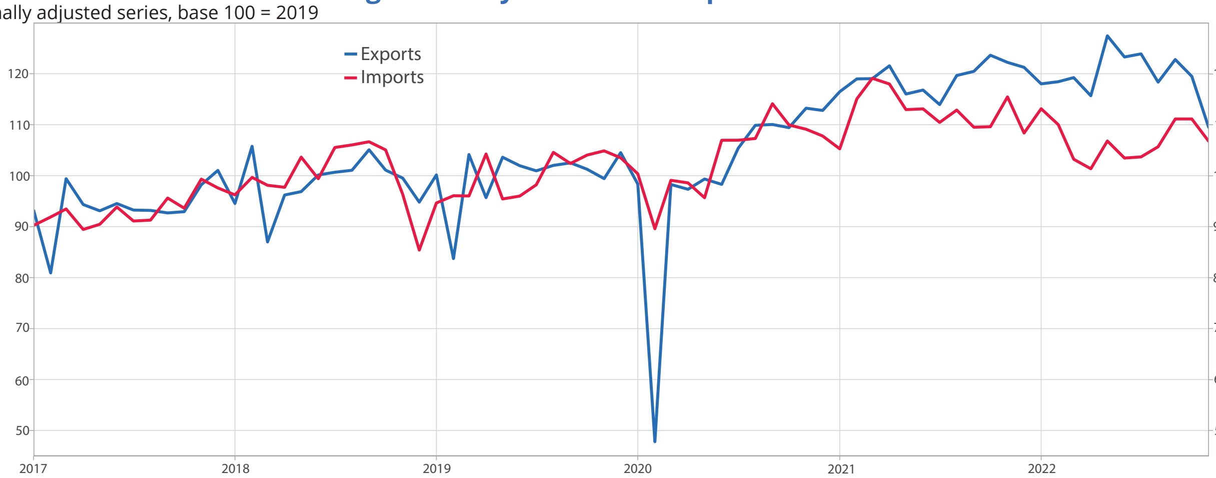
seasonally adjusted series, base 100 = 2019



Last point: October 2022.
How to read it: in October 2022, the number of housing starts was 50% below its 2019 average.
Source: NBSC, INSEE calculations

3. The international context weighs heavily on Chinese exports

seasonally adjusted series, base 100 = 2019



Last point: November 2022.
Note: the Chinese customs series were seasonally adjusted by INSEE using the X-13ARIMA-SEATS method, taking the Chinese New Year into account, then deflated by a Chinese export price index provided by the CPB extended to its level for September 2022.
How to read it: in November 2022, imports were 7% above their 2019 average.
Source: General Administration of Customs of China, Centraal Planbureau (CPB), INSEE calculations