China Macro Monitor

Still in the early stage of recovery

The significant increase in passengers and tourists during the CNY holiday indicates China's economy is on its way of recovery. However, we cannot use linear extrapolation to predict its recovery path in future. We believe China's economy may see a diagonal upward W-shaped resumption after reopening. Consumption and service activities firstly decline after the pandemic outbreak and then recover as people start to go out. The early stage of recovery is driven by restoration of mobility. Then the recovery momentum may slow as housing sales, large durable consumption & business capex may take longer to recover and overseas recession may impact China's manufacturing sector. As confidence & employment improve, the economy will brace for the late stage of recovery supported by durable consumption & capex. We maintain our forecast on China's GDP growth at 5.1% for 2023 and 4.7% for 2024. The risk for our forecast should be from the upside. China's liquidity & credit policy should remain accommodative unless housing sales or inflation significantly increases. The growth of outstanding social financing may gradually rebound amid credit policy loosening. We believe China will continue with the pro-business shift at least in next two years to restore business confidence & growth momentum.

- **China economy is in early stage of recovery driven by restoration of mobility.** The mobility has gradually recovered in China as the country dismantled the zero-Covid policy. After being locked down for a long time, the Chinese people could not wait to go out. We saw significant YoY increases of passengers, tourists and moviegoers in the Chinese New Year holiday this year. Transportation, catering, travel, accommodation, recreation, clothing & footwear, cosmetics & personal care should benefit as people start to go out instead of staying at home. Supported by the resumption of those sectors, China economy will see the first round of recovery in 1H23. The GDP growth may rise from 2.9% in 4Q22 to 3.2% in 1Q23 and 6.9% in 2Q23. Based on our calculation, the recovery of above sectors should contribute over 1.5ppt to China's GDP growth this year.

- **Housing sales, durable consumption & business capex may take longer to recover.** The Covid-19 pandemic, housing market slump and tech regulatory crackdown has severely hurt confidence, employment and income in the private sector. The number of domestic passengers and tourists during the Chinese New Year holiday was still about 40% and 11% respectively lower than their pre-pandemic levels. Meanwhile, there was a cyclical downgrade in consumption as the per capita consumption expenditure of travelers fell noticeably compared with the pre-pandemic level. That is why China's core CPI growth remained below 1% against the backdrop of high global inflation. The Chinese households and private business need some time to restore their confidence and regain growth momentum in the large expenditures. We believe housing sales, durable consumption & business capex may take longer to recover. Housing sales and related durable consumption may bottom out in 1H23 and improve in 2H23. Property development investment may see less YoY declines this year compared with last year.

- **China economy may see a diagonal upward W-shaped resumption after reopening.** Consumption and service activities firstly decline after the pandemic outbreak and then recover as people start to go out. The restored

Bingnan YE, Ph.D
(852) 3761 8967
yebingnan@cmbi.com.hk

Kevin Zhang
(852) 5336 4682
kevinzhang@cmbi.com.hk

	2022	2023F		
	Dec	**Jan**	**Feb**	**Mar**
GDP (YoY %, quarterly)	2.9	-		3.2
VAIO (YoY %)	1.3	-	2.3	2.5
Service index (YoY %)	-0.8	-	2.0	2.8
Retail sales (YoY %)	-1.8	-	2.1	2.6
FAI (YoY %, YTD)	5.1	-	4.8	4.7
Exports of goods (YoY %)	-9.9	-9.0	-7.0	-10.0
Imports of goods (YoY %)	-7.5	-7.0	-6.0	-4.0
CPI (YoY %)	1.8	2.0	2.2	2.1
PPI (YoY %)	-0.7	-0.4	-0.7	-1.3
RMB loans (YoY %)	11.1	11.0	11.2	11.3
M2 (YoY %)	11.8	11.6	11.4	11.3
Social financing (Rmb trn)	1.3	5.5	1.1	4.4
New RMB loans (Rmb trn)	1.4	4.4	1.0	3.5
3M Shibor(%)	2.42	2.37	2.34	2.32
10Y T-bond rate(%)	2.84	2.93	2.95	2.98

Source: Wind, CMBIGM

mobility supports an early stage of recovery especially in transportation, catering, travel, accommodation, recreation, clothing, footwear, cosmetics & personal care. However, housing sales, large durable consumption & business capex may take longer to recover as household income & business confidence was severely damaged last year. In addition, overseas recession risk may bring downside pressure on China's exports, industrial output and manufacturing investment. China's recovery momentum may slow after the early stage of recovery. As confidence, employment & income gradually improve, the economy will move into the late stage of recovery supported by housing sales, durable consumption & business capex. We maintain our forecast on China's GDP growth at 5.1% for 2023 and 4.7% for 2024. The risk for our forecast lies in the upside.

- **Liquidity & credit policy should remain accommodative as housing market recovery is slow and reflation is mild.** China's liquidity and credit policy should remain accommodative unless housing sales significantly rebounds or inflation sharply picks up. In the base scenario, China's housing market should see a gradual and slow recovery while the reflation pressure should be moderate. Therefore, the PBOC should maintain ample liquidity supply to facilitate credit revival. As liquidity demand noticeably rebounds amid more risk taking and higher credit demand, money market rates may mildly rise in 2023. However, the central bank will not seek liquidity tightening as China's GDP growth remains below potential growth and the reflation risk is manageable. It is possible to see additional RRR cut this year. The PBOC will maintain easing credit policy for manufacturing, service, private business and SMEs. The central bank will guide banks to roll over debt of property developers and local government financing vehicles. We see additional downside room for the down-payment ratios and contract rates of mortgage loans for first-home and second-home buyers.

- **China may continue with the pro-business shift in next two years.** The pandemic, housing market slump, tech regulatory crackdown and Sino-US conflict make it more difficult for China to achieve its 2035 vision goal. The Chinese policymakers are very clear about this as they have quickly changed various policies with a pro-business shift after the 20th Party Congress. The new cabinet leaders try to return to the policy framework with the economic development as the priority. Again, GDP growth and attracting capital will be important KPIs for local government officials in next two years. We have seen a dismantling of zero-Covid policy, continuing rescue policy for property market, changing policy stance towards internet sector and greater efforts to improve ties with the US, EU & Australia. We believe China may continue with the pro-business shift in next two years to restore business confidence and growth momentum.

Figure 1: China Economy Forecast

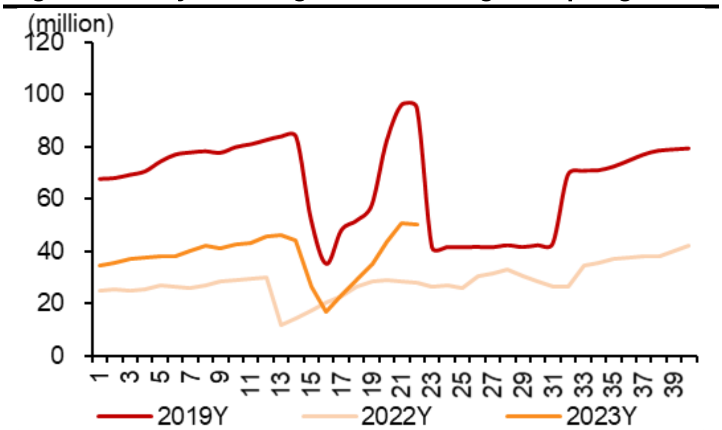
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022F	2023F	2024F
GDP																
Real GDP (YoY %)	9.4	10.6	9.6	7.9	7.8	7.4	7.0	6.8	6.9	6.7	6.0	2.2	8.4	3.0	5.1	4.7
Nominal GDP (US$ trn)	5.1	6.1	7.6	8.5	9.6	10.4	11.0	11.2	12.3	13.9	14.3	14.7	17.8	18.0	19.0	21.1
Per capita GDP (US$)	3823	4541	5597	6280	7057	7586	7923	8065	8797	9880	10124	10404	12615	12720	13450	14983
Inflation (YoY %)																
GDP deflator	(0.2)	6.9	8.0	2.3	2.1	1.1	0.0	1.5	4.3	3.5	1.2	0.5	4.6	2.2	1.1	2.1
CPI	(0.7)	3.3	5.4	2.6	2.6	2.0	1.4	2.0	1.6	2.1	2.9	2.5	0.9	2.0	2.2	2.5
PPI	(5.4)	5.5	6.0	(1.7)	(1.9)	(1.9)	(5.2)	(1.4)	6.3	3.5	(0.3)	(1.8)	8.1	4.1	(0.5)	1.6
GDP by industry (YoY %)																
Agriculture	4.0	4.3	4.2	4.5	3.8	4.1	3.9	3.3	4.0	3.5	3.1	3.1	7.1	4.1	4.0	4.3
Industry & construction	10.3	12.7	10.7	8.4	8.0	7.2	5.9	6.0	5.9	5.8	4.9	2.5	8.7	3.8	4.2	4.4
- VAIO of enterprises above designated size	11.0	15.7	13.9	10.0	9.7	8.3	6.1	6.0	6.6	6.2	5.7	2.8	9.6	3.6	4.3	4.6
Service	9.6	9.7	9.5	8.0	8.3	8.3	8.8	8.1	8.3	8.0	7.2	1.9	8.5	2.3	5.9	5.1
Contribution to GDP Growth (ppt)																
Consumption	5.4	5.0	6.3	4.4	3.9	4.2	4.9	4.5	3.9	4.3	3.5	(0.2)	5.3	1.0	3.7	3.4
Investment	8.0	6.7	3.9	3.3	4.1	3.3	1.6	3.1	2.7	2.9	1.7	1.8	1.1	1.5	1.2	1.0
Net exports	(4.0)	(1.1)	(0.6)	0.2	(0.2)	(0.1)	0.5	(0.8)	0.3	(0.5)	0.8	0.6	1.7	0.5	0.2	0.3
Demand indicators (YoY %)																
FAI	30.4	24.5	23.8	20.6	19.6	15.7	10.0	8.1	7.2	5.9	5.4	2.9	4.9	5.1	4.3	5.3
- Manufacturing	26.6	26.9	31.8	22.0	18.5	13.5	8.1	4.2	4.8	9.5	3.1	(2.2)	13.5	9.1	5.5	6.5
- Property development	16.1	33.2	27.9	16.2	19.8	10.5	1.0	6.9	7.0	9.5	9.9	7.0	4.4	(10.0)	(5.0)	3.0
- Infrastructure	42.2	18.5	6.5	13.7	21.2	20.3	17.3	15.7	14.9	1.8	3.3	3.4	0.2	11.5	8.0	5.0
Retail sales	15.9	18.8	18.5	14.5	13.1	12.0	10.7	10.4	10.2	9.0	8.0	(3.9)	12.5	(0.2)	6.5	5.5
Exports of goods	(16.0)	31.3	20.3	7.9	7.8	6.0	(2.9)	(7.7)	7.9	9.9	0.5	3.6	29.6	7.0	(3.5)	6.5
Imports of goods	(11.2)	38.8	24.9	4.3	7.2	0.5	(14.3)	(5.5)	16.1	15.8	(2.7)	(0.6)	30.1	1.1	0.5	4.5
Monetary conditions																
M2 (YoY %)	27.7	19.7	13.6	13.8	13.6	12.2	13.3	11.3	8.1	8.1	8.7	10.1	9.0	11.8	11.0	9.5
M1 (YoY %)	32.4	21.2	7.9	6.5	9.3	3.2	15.2	21.4	11.8	1.5	4.4	8.6	3.5	3.7	6.6	7.2
New RMB loans (RMB trn)	9.6	8.0	7.5	8.2	8.9	9.8	11.7	12.7	13.5	16.2	16.8	19.6	20.0	21.3	23.7	25.4
Total social financing (RMB trn)	13.9	14.0	12.8	15.8	17.3	16.5	15.4	17.8	26.2	22.5	25.6	34.9	31.4	32.0	35.2	38.0
RRR for large banks (%)	15.5	18.5	21.0	20.0	20.0	20.0	17.5	17.0	17.0	14.5	13.0	12.5	11.5	11.0	10.0	9.5
10Y T-bond rates (%)	3.73	3.90	0.00	3.58	4.56	3.62	2.83	3.02	3.88	3.24	3.14	3.14	2.77	2.91	3.10	3.15
1Y LPR (%)					5.73	5.51	4.30	4.30	4.30	4.30	4.30	4.30	4.30	3.65	3.55	3.55
5Y LPR (%)											4.80	4.65	4.65	4.30	4.15	4.15
Public finance																
Fiscal revenue (YoY %)	11.7	21.3	25.0	12.9	10.2	8.6	5.8	4.5	7.4	6.2	3.8	(3.9)	10.7	(1.5)	6.5	5.0
Fiscal expenditure (YoY %)	21.9	17.8	21.6	15.3	11.3	8.3	13.2	6.3	7.6	8.7	8.1	2.9	0.3	6.2	5.0	4.0
General deficit to GDP ratio (%)	2.7	2.5	1.8	1.5	2.0	2.1	2.4	2.9	2.9	2.6	2.8	3.7	3.1	2.8	3.1	2.8
Special fund revenue (YoY %)				(9.3)	39.2	3.5	(21.8)	11.9	34.8	22.6	12.0	10.6	4.8	(20.6)	0.0	5.0
Special fund expenditure (YoY %)				(9.7)	37.9	1.8	(17.7)	11.7	32.7	32.1	13.4	28.8	(3.7)	(2.5)	7.0	12.0
LG special bond quota to GDP ratio (%)								0.5	1.0	1.5	2.2	3.7	3.2	3.0	3.1	2.9
BOP & Exchange rates																
Trade surplus of goods to GDP ratio (%)	4.8	4.0	3.0	3.6	3.7	4.2	5.3	4.4	3.9	2.7	2.8	3.5	3.2	3.9	3.0	3.1
Trade surplus of service to GDP ratio (%)	(0.5)	(0.4)	(0.6)	(0.9)	(1.3)	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)	(1.8)	(1.0)	(0.6)	(0.4)	(0.7)	(0.9)
Current account balance / GDP (%)	4.8	3.9	1.8	2.5	1.5	2.3	2.7	1.7	1.5	0.2	0.7	1.7	1.8	2.2	1.5	1.7
Financial account balance to GDP ratio (%)	3.8	4.6	3.4	(0.4)	3.6	(0.5)	(4.0)	(3.7)	0.9	1.2	0.1	(0.4)	0.2	(0.6)	0.1	(0.3)
Error & omission to GDP ratio (%)	(0.8)	(0.9)	(0.2)	(1.0)	(0.7)	(0.6)	(1.8)	(1.9)	(1.7)	(1.3)	(0.9)	(1.1)	(0.9)	(1.2)	(0.7)	(0.9)
Forex reserve (US$ trn)	2.40	2.85	3.18	3.31	3.82	3.84	3.33	3.01	3.14	3.07	3.11	3.22	3.25	3.15	3.20	3.10
US$/RMB spot rate (year-end)	6.83	6.59	6.30	6.23	6.05	6.20	6.49	6.95	6.51	6.87	6.97	6.54	6.37	6.95	6.60	6.40

Source: Wind, CMBIGM

Mobility in China after Economy Reopening

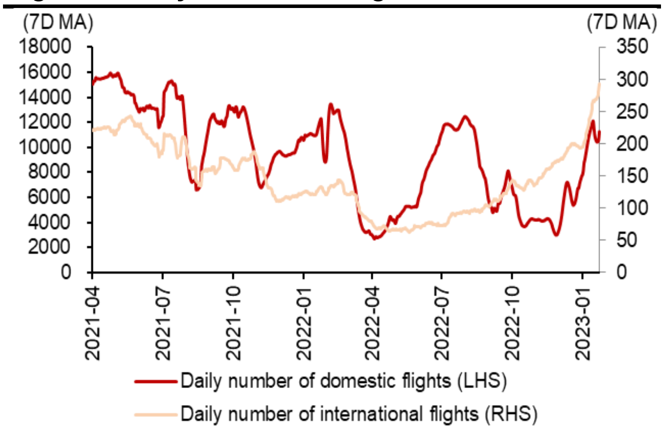
- **Tourism:** After being locked down for a long time, Chinese people could not wait to travel or return to their hometowns during CNY 2023. The number of domestic tourists during 2023 CNY rose 23.1% compared to the same period in 2022 and reached 88.6% of 2019 CNY level. Meanwhile, domestic tourism revenue increased 30% YoY from 2022, equivalent to 73.1% of 2019 CNY level.
- **Passenger flow:** The daily average railway passenger flow rose 57% YoY during 2023 CNY and reached 83.1% of 2019 CNY level. Meanwhile, the number of domestic air trips increased 79.8% YoY, about 72% of the level during 2019 CNY holiday.
- **Movie market:** Consumption and social activity of young people is the first to recover. Domestic movie box office reached RMB6.7bn during 2023 CNY, up 12.0% YoY from 2022.
- **Traffic congestion index & subway passenger flow**: As more people left large cities to their hometown for CNY holiday, traffic congestion index and subway passenger flow declined in most large cities except a few hot travel destinations like Xi'an.

Figure 2: Daily Passenger Flow During the Spring Rush



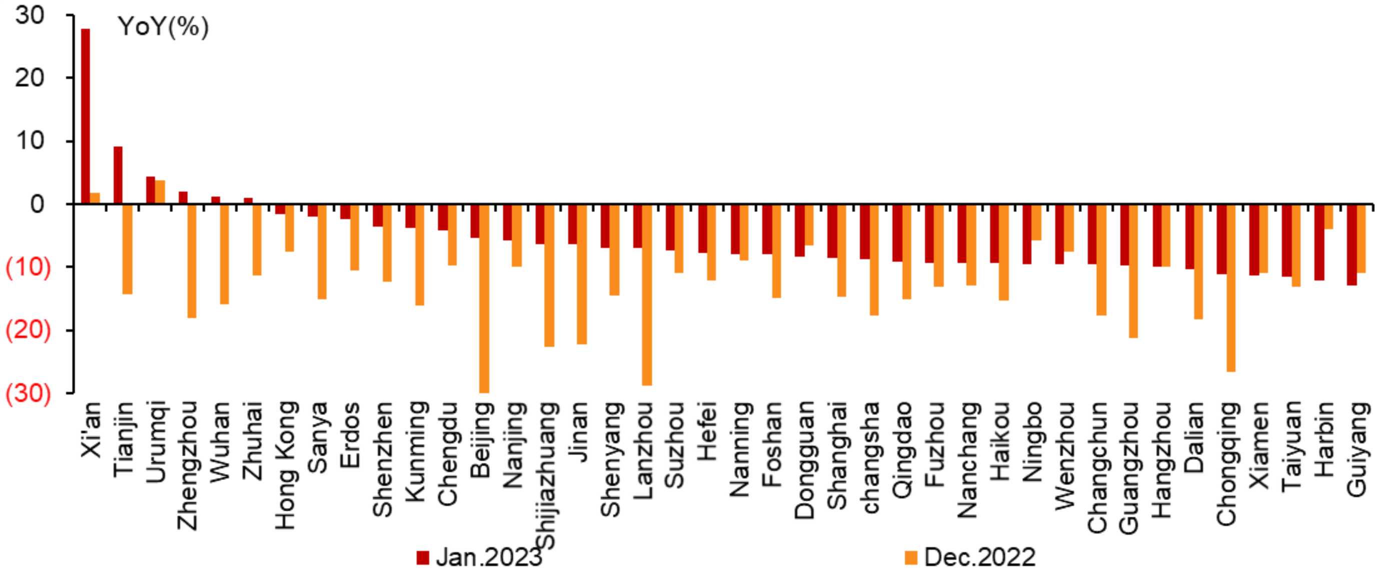
Source: WIND, CMBIGM

Figure 3: Daily Number of Flights



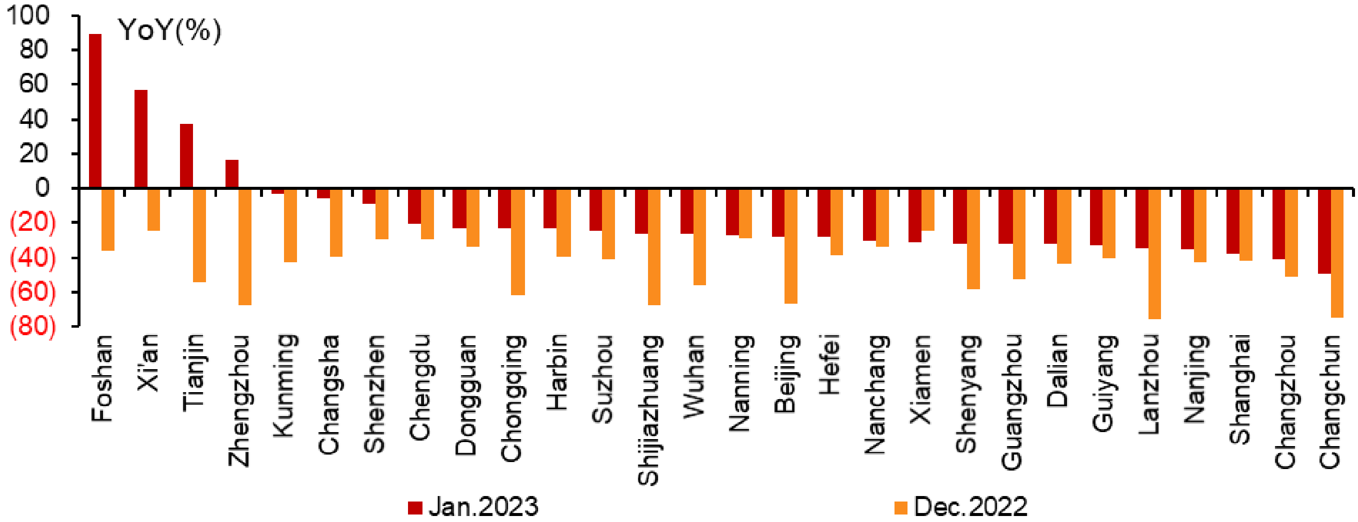
Source: WIND, CMBIGM

Figure 4: YoY Change of Daily Average Traffic Congestion Index by City



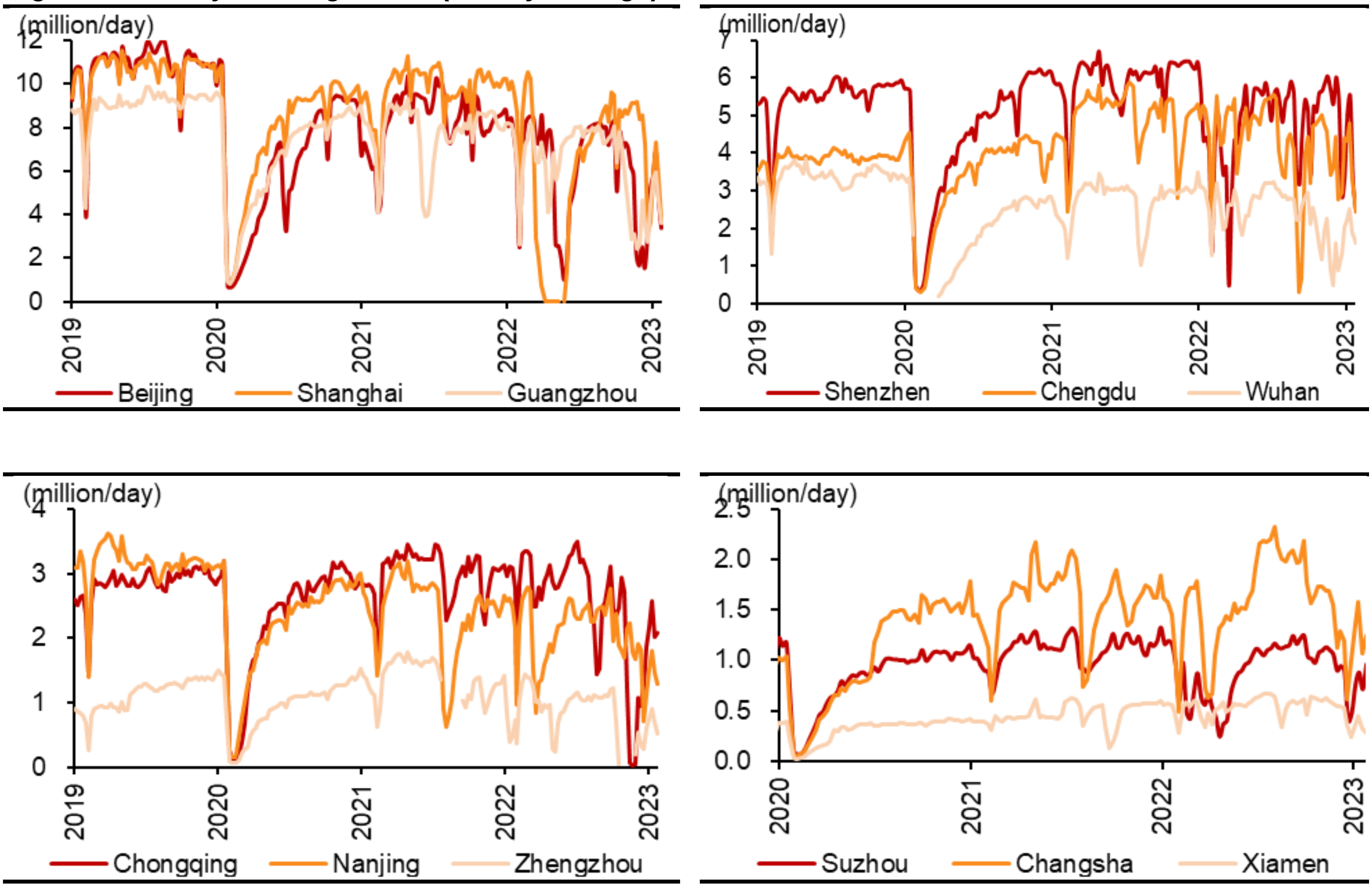
Source: Wind, CMBIGM

Figure 5: YoY Growth of Daily Average Subway Passenger Flow by City



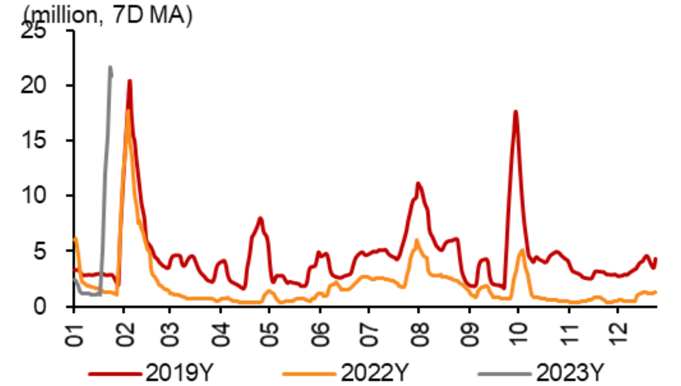
Source: Wind, CMBIGM

Figure 6: Subway Passenger Flow (Weekly Average)



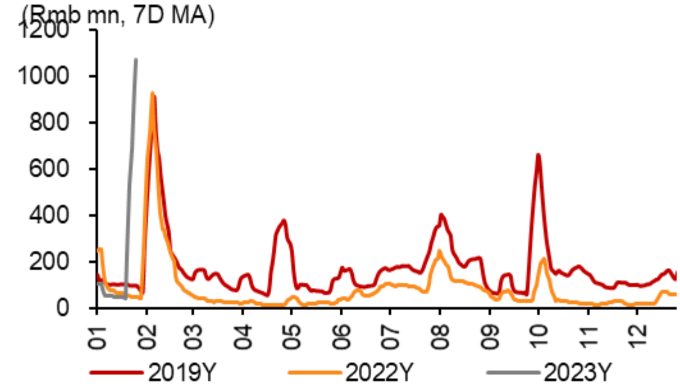
Source: WIND, CMBIGM

Figure 7: Daily Number of Film Audience



Source: WIND, CMBIGM

Figure 8: Daily Box Office Revenue

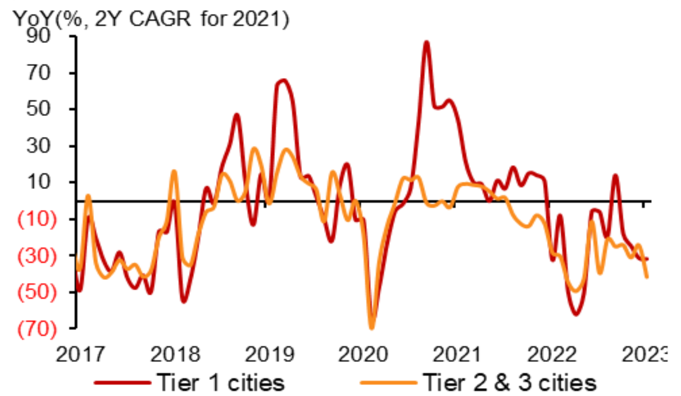


Source: WIND, CMBIGM

Housing Market, Auto Sales & Construction Activity in China

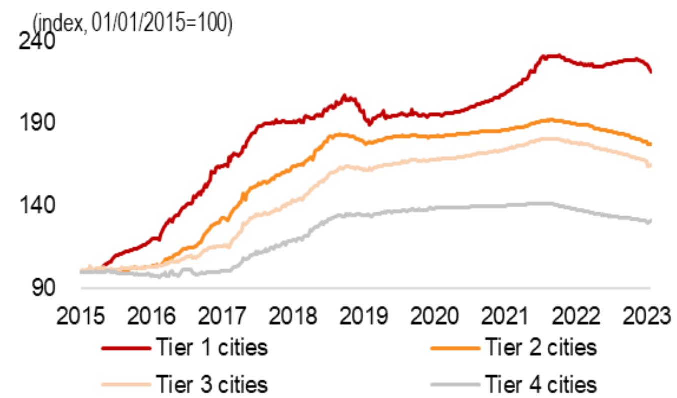
- **China's housing sales further declined due to holiday effect, weak income growth & low confidence.** Commodity building sales in Jan 2023 decreased by 31.5% and 41.7% YoY in Tier 1 and Tier 2 & 3 cities, respectively. Listing price of second-hand house continued to decline. New housing inventory remained high as month of inventory further increased amid sales decline.
- **Passenger vehicle sales also weakened.** Passenger vehicle sales volume dropped 20.5% YoY in the first half of January 2023 after rising 12.8% last December. Capacity operation rate of semi-steel tyre declined sharply mainly due to Chinese New Year holiday.
- **Construction activities turned weak close to Chinese New Year holiday.** Capacity operation rate of deformed steel bar and asphalt plant further declined as construction activities turned weak close to CNY. However, construction material prices mildly picked up thanks to sentiment improvement after economy reopening.

Figure 9: YoY Growth of Commodity Building Sales



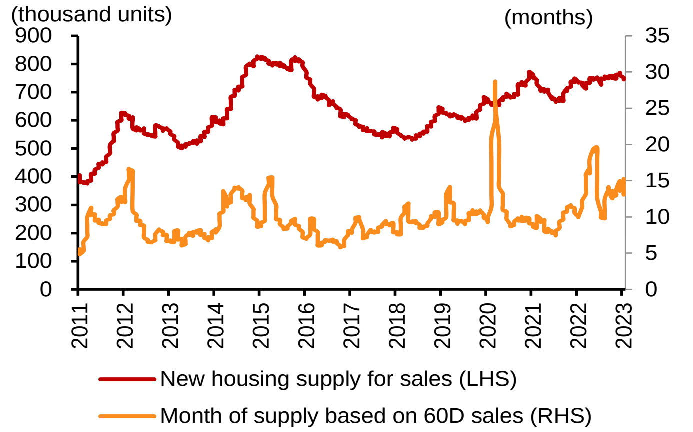
Source: WIND, CMBIGM

Figure 10: Listing Price Index of Second-hand House



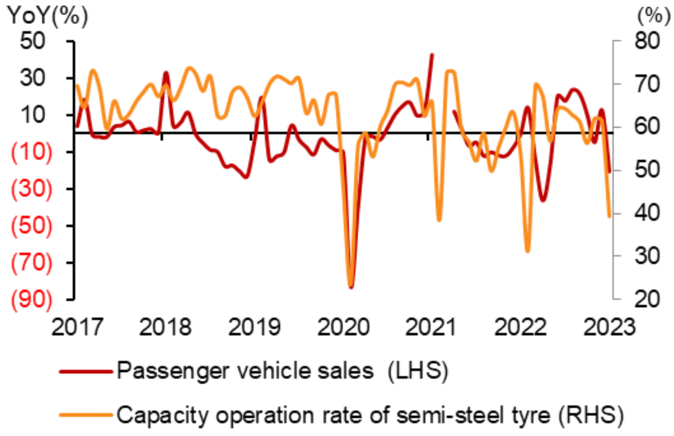
Source: WIND, CMBIGM

Figure 11: New Housing Supply in 10 Cities



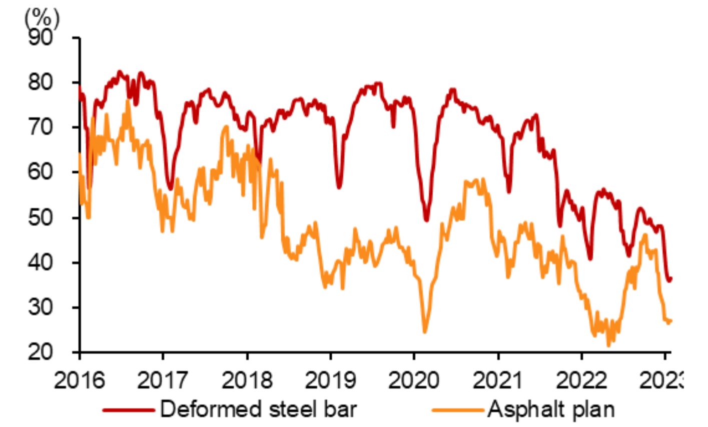
Source: WIND, CMBIGM
Note: 10 cities include Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing, Qingdao, Suzhou, Nanchang & Xiamen.

Figure 12: Auto Sales Volume



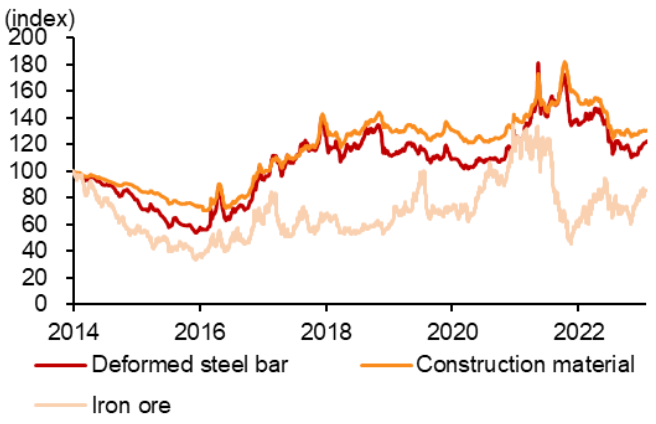
Source: WIND, CMBIGM

Figure 13: Capacity Operation Rate



Source: WIND, CMBIGM

Figure 14: Steel & Construction Material Price



Source: WIND, CMBIGM

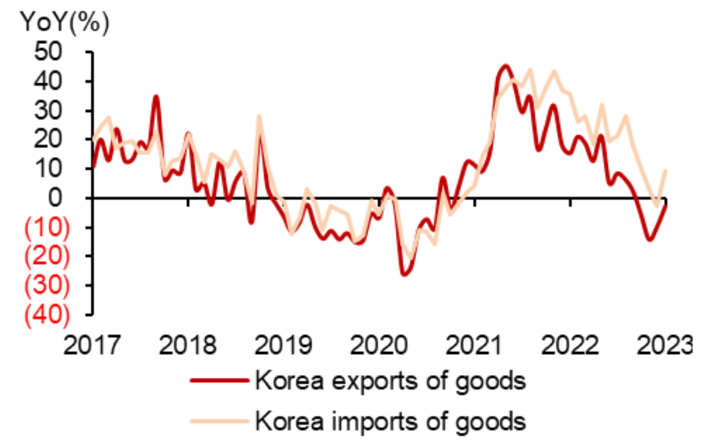
China Exports amid US Recession Risk

- **China's exports may have temporarily improved in January before further deteriorating.** South Korea's foreign trade is known as a "canary in the coal mine" for global economy because it is the first country to release trade data and its trade performance in major products like semiconductor is closely related to global business cycle. Considering its close trade relationship with China, South Korea's trade with China has a parallel trend with China's total trade. South Korea's exports dropped 2.7% YoY in the first 20 days of January 2023 after declining 9.6% in the same period of the previous month. Meanwhile, its exports to China and imports from China respectively rose 16.1% and 9.7% YoY, up from the declines of 21.1% and 11.6% in December. It seemed China's exports may have temporarily improved in January as the economy reopening probably removed supply chain disruptions. China's imports may have also rebounded thanks to improvement of domestic demand after economy reopening.

- **US yield curve continued to send warning signal for a recession ahead.** US 10Y/3M and 10Y/2Y Treasury yield curves inverted further, signalling higher recession risk ahead. US 5Y breakeven inflation rate further dropped as inflation expectations continued to decline. The US Fed is expected to slow down its tightening pace as it may raise federal fund rates by 25bps this week. The policy rate would reach 4.5%-4.75% after the move and investors expect the policy rate to peak around 4.95% after the Fed's March meeting. The US Fed has continued to shrink its balance sheet from >US$9 trillion to US$8.5 trillion recently.

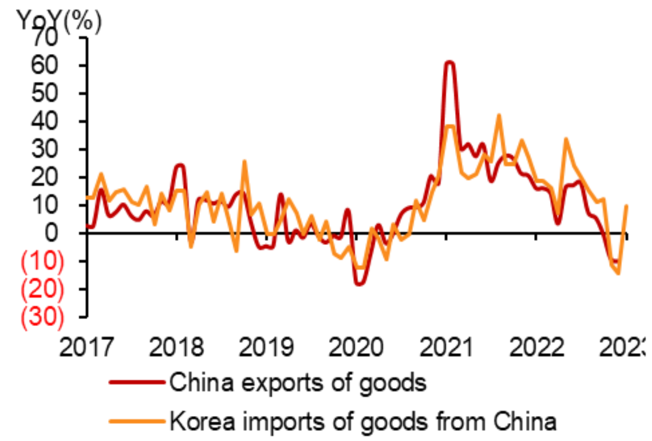
- **Financing costs for US private sector have dropped recently.** With the recession risk priced in, US long-term interest rates have dropped noticeably recently. US 30-year mortgage rate dropped to the lowest in months at 6.13%, followed by a rapid rebound in mortgage application volume in the past few weeks. ECRI leading indicator increased to 148.3 in January from 143.7 in December. However, weekly retail sales reported by Redbook Research continued trending downwards along with milder inflation.

Figure 15: Growth of South Korea Exports & Imports



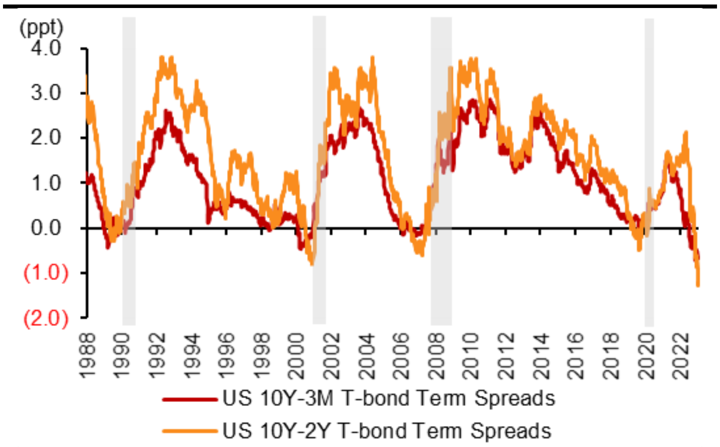
Source: WIND, CMBIGM
Note: the latest month covered the first 20 days

Figure 16: China Exports of Goods



Source: WIND, CMBIGM

Figure 17: US Term Spread as A Leading Indicator for Recession Risk

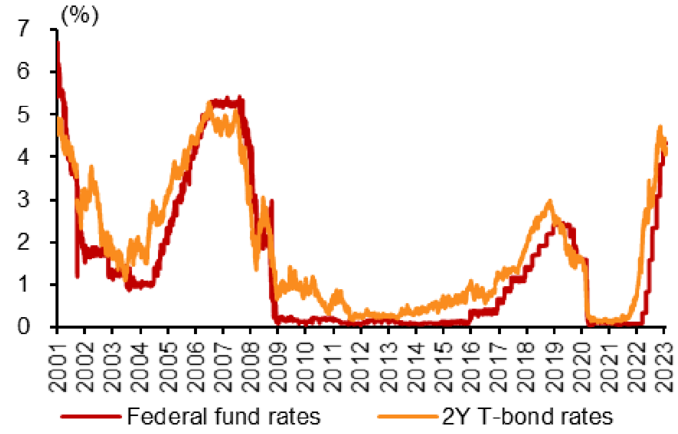


Source: WIND, CMBIGM

Figure 18: US Breakeven Inflation to Reflect Inflation Expectations

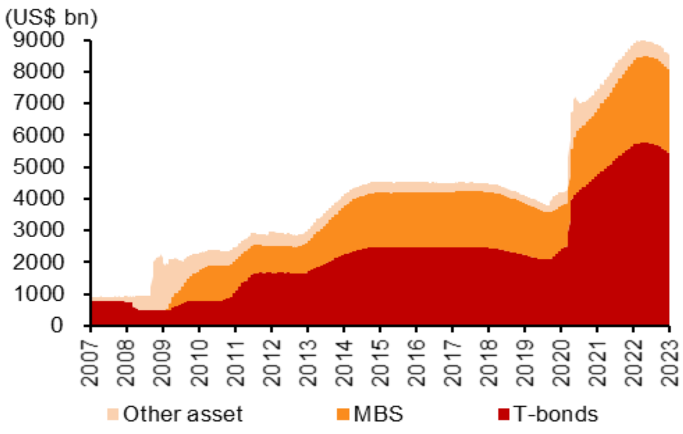
Source: WIND, CMBIGM

Figure 19: 2Y T-bond Rates Precede Fed Policy Rates



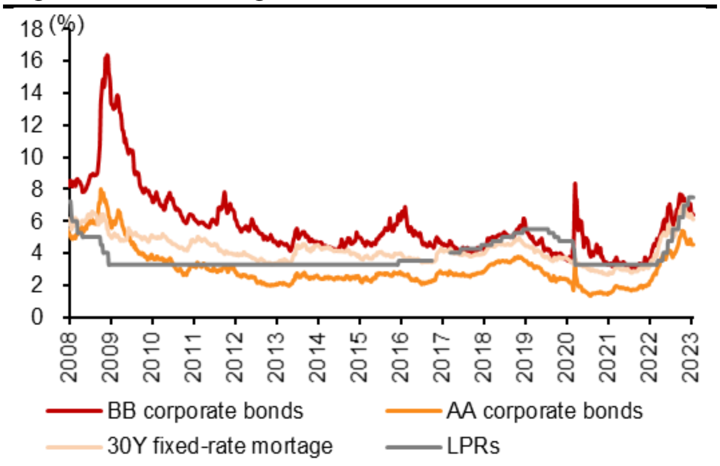
Source: WIND, CMBIGM

Figure 20: Fed's Assets in Its Balance Sheet



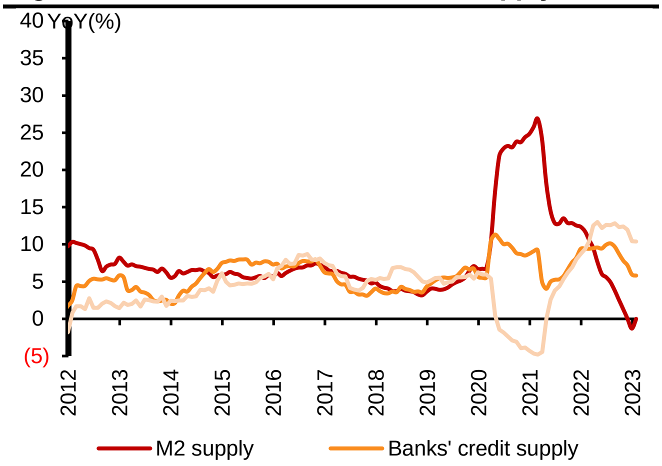
Source: WIND, CMBIGM

Figure 21: Financing Costs of US Private Sector



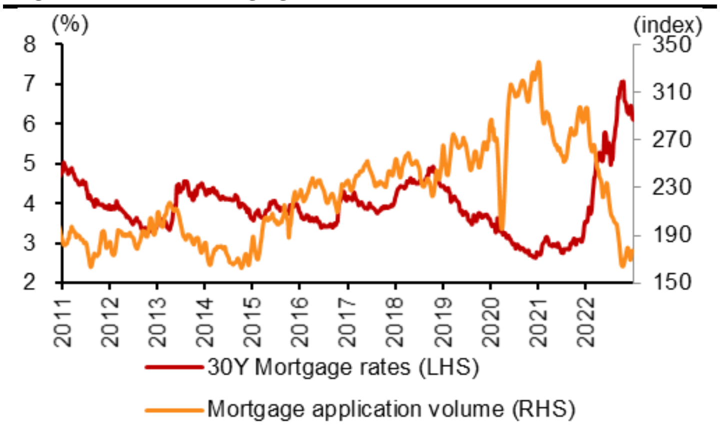
Source: WIND, CMBIGM

Figure 22: US M2 and Banks' Credit Supply



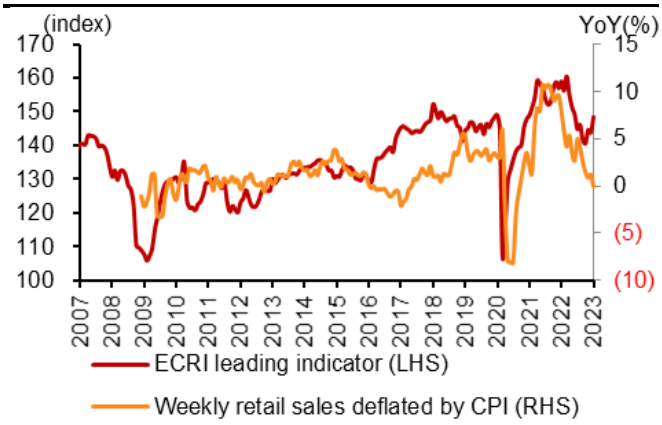
Source: WIND, CMBIGM

Figure 23: US Mortgage Rates & Demand



Source: WIND, CMBIGM

Figure 24: Leading indicators for US Economy

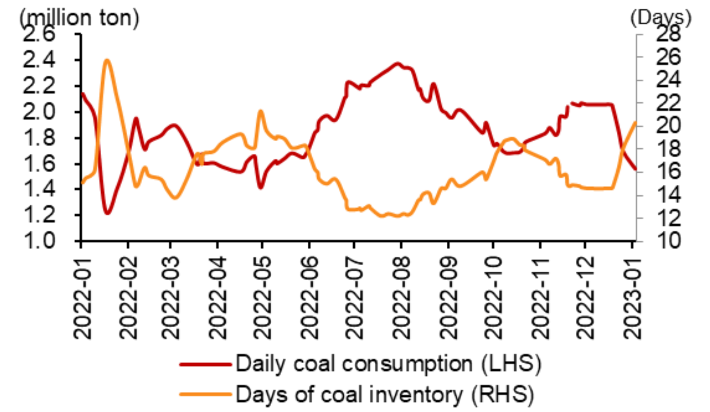


Source: WIND, CMBIGM

Factory Activities in China

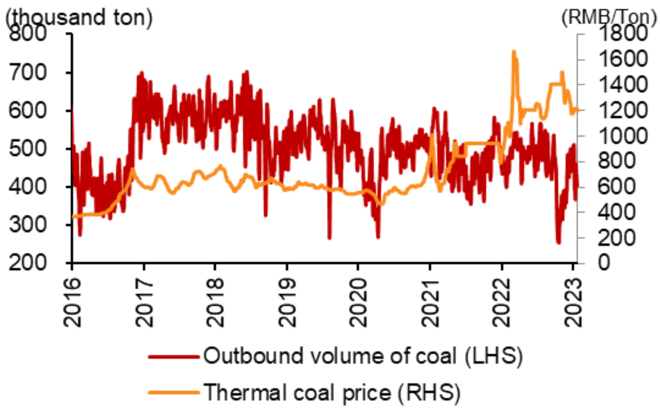
- **Factory activities softened close to the holiday and amid export slump.** The daily coal consumption of power generators in South China declined dramatically with an increase of days of coal inventory. Outbound coal volume by ship in Qinhuangdao also declined noticeably with a mild softening of coal price.

Figure 25: Power Generators' Coal Consumption in South China



Source: WIND, CMBIGM

Figure 26: Outbound Coal Volume & Price in Qinhuangdao Port



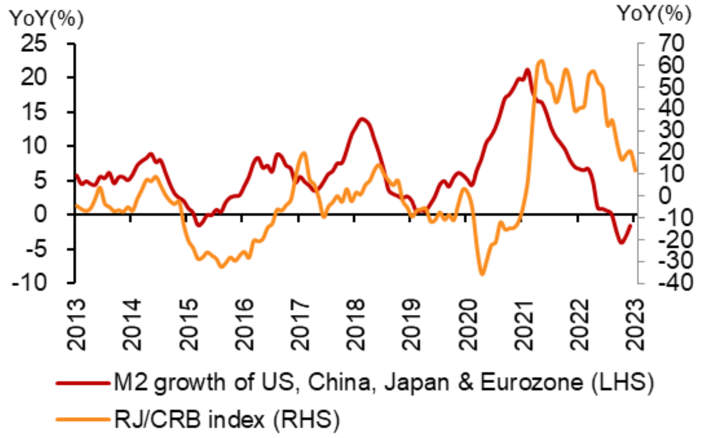
Source: WIND, CMBIGM

Commodity Inflation & China's Reflation Risk

- **Commodity inflation may further decline.** Global M2 growth as a leading indicator precedes commodity inflation. Due to base effect and global recession risk, commodity inflation may further decline in 1H23. Despite a boost from China's economy reopening, most commodity prices are unlikely to see significant rebound due to softening demand and improving supply chains. Gold price includes a "war premium" as its implied price based on US real-term rates should be much lower than the current level.

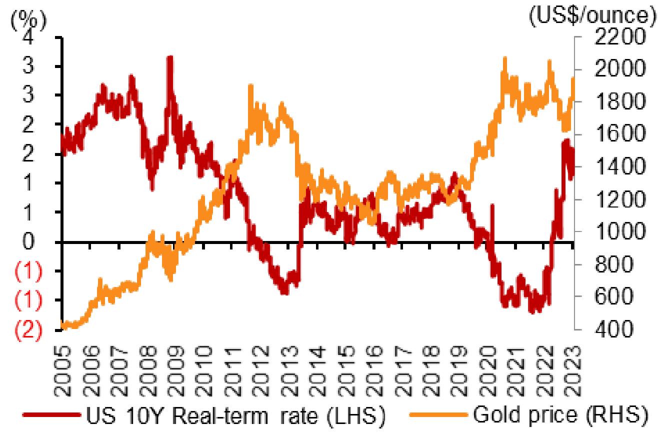
- **China's reflation pressure should be moderate after economy reopening.** China's reopening has boosted investor sentiment in the commodity market. However, the reflation pressure should be moderate due to three reasons. First, domestic demand especially housing sales, durable consumption & business capex should see a gradual resumption without overheating risk. Second, overseas demand will continue to soften amid rising recession risk. Chinese exporters have to transfer some product supply into domestic market. Third, the impact of the Covid wave has limited impact on China's labor participation and China may not have labor shortage risk. China's 2Y T-bond rates, which are sensitive to core inflation expectations, have mildly climbed recently as a signal for moderate reflation ahead in China. The wholesale reference price of Kweichou Moutai has also mildly climbed, indicating a moderate resumption of business activities.

Figure 27: Global M2 Growth & Commodity Price



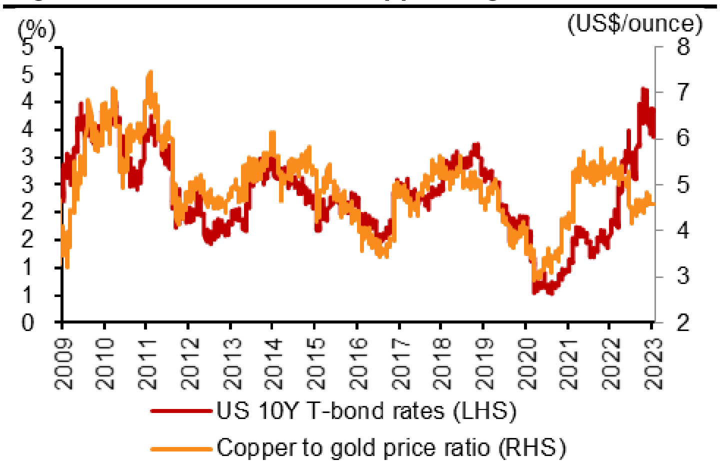
Source: WIND, CMBIGM

Figure 28: US Real-term Rate & Gold Price



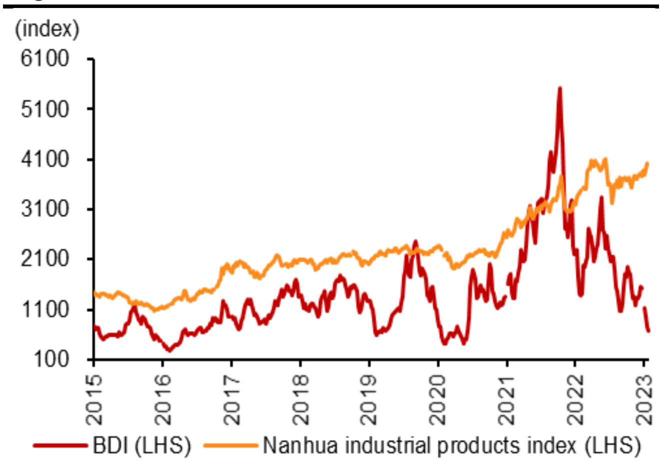
Source: WIND, CMBIGM

Figure 29: US 10Y Rates & Copper-to-gold Price Ratio



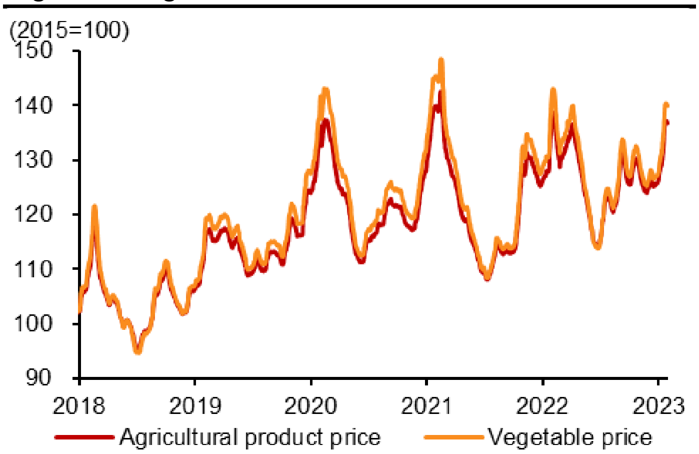
Source: WIND, CMBIGM

Figure 30: BDI & China Industrial Price



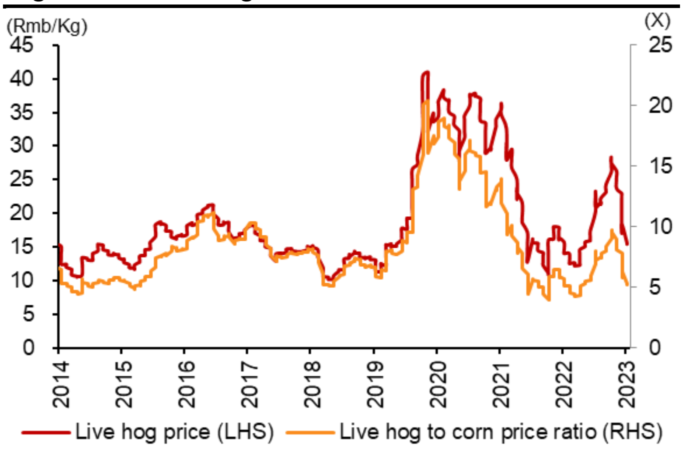
Source: WIND, CMBIGM

Figure 31: Agricultural Price in China



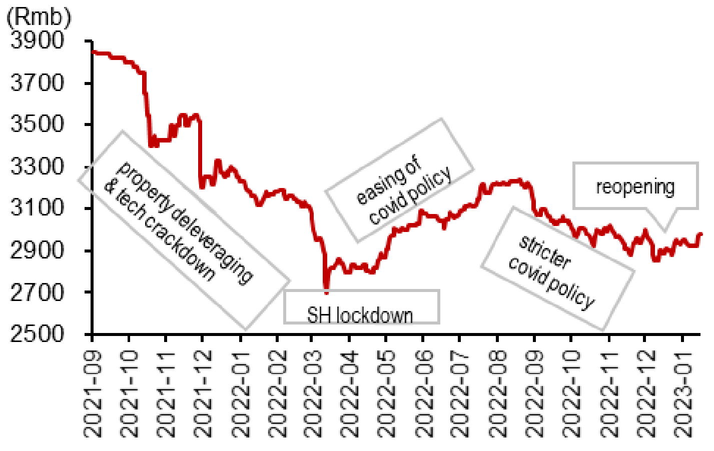
Source: WIND, CMBIGM

Figure 32: Live Hog Price in China



Source: WIND, CMBIGM

Figure 33: Wholesale Reference Price of MOUTAI



Source: WIND, CMBIGM

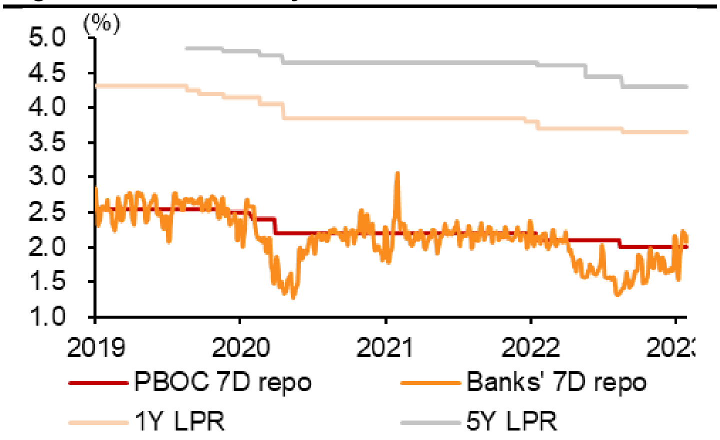
Figure 34: Moderate Core CPI Reflation in China

Source: WIND, CMBIGM

China's liquidity condition & RMB exchange Rates

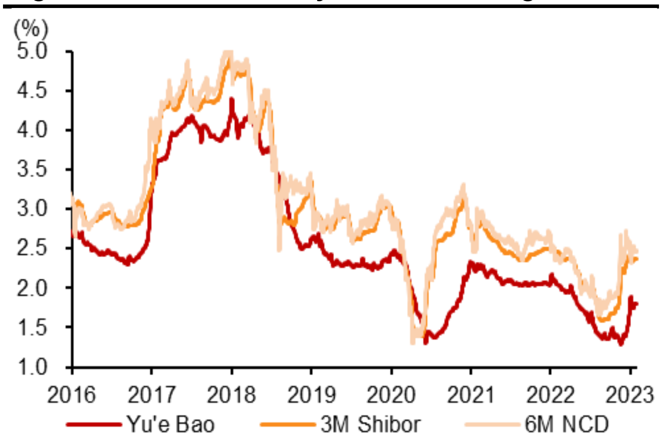
- **Liquidity condition:** The PBOC should maintain ample liquidity supply as housing market resumption is gradual and reflation pressure is moderate. Liquidity demand may increase as risk appetite and credit demand rebound. Therefore, money market rates may mildly rise in 2023. The recent increase of banks' 7D repo rate was mainly due to seasonal factor and the repo rate should decline after Chinese New Year holiday.
- **Bond market:** Long-term bond rates mildly rose after economy reopening amid expectations of resumption and reflation.
- **RMB exchange rates:** Renminbi rebounded against US dollar as the northbound fund inflow into A share market significantly increased in January 2023. Looking forward, renminbi may have additional upside room as Sino-US interest spreads pick up amid US recession and China recovery.

Figure 35: PBOC Policy Rates



Source: WIND, CMBIGM

Figure 36: China's Money Market Funding Cost

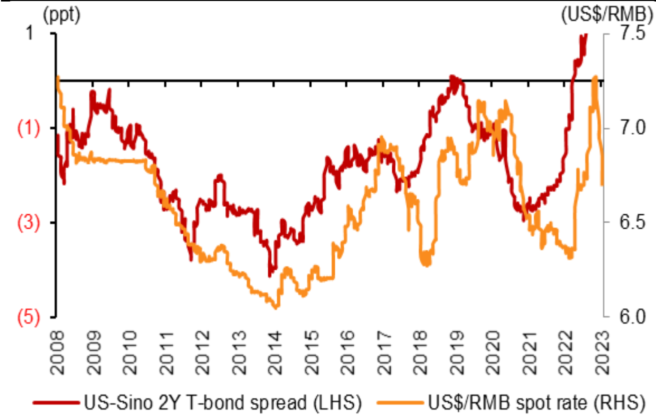


Source: WIND, CMBIGM

Figure 37: China T-bond Rates

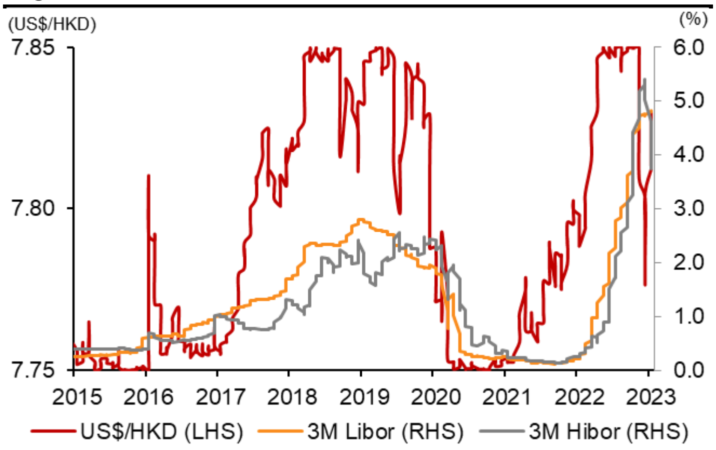
Source: WIND, CMBIGM

Figure 38: US$/RMB Rates & Interest Spreads



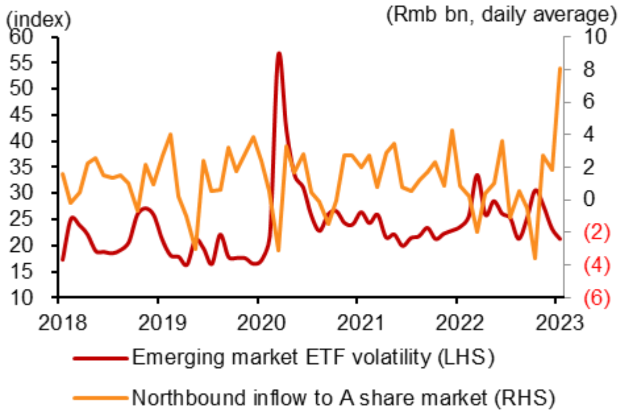
Source: WIND, CMBIGM

Figure 39: US$/HKD Rates & Interest Rates



Source: WIND, CMBIGM

Figure 40: EM Volatility & Foreign Fund Flow into A Share Market



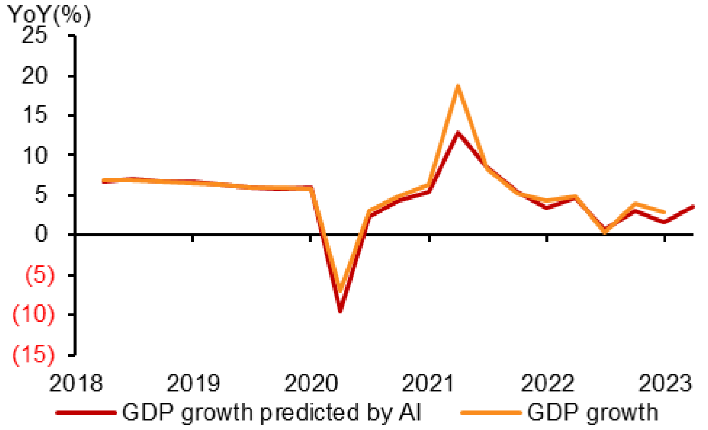
Source: WIND, CMBIGM

China Economy Forecast

- **Upside risk for our forecast on China's 2023 GDP growth.** The GDP growth in 1Q23 predicted by AI [1] is around 3.6%, higher than our forecast of 3.2%. The economic activities should continue to recover in February and March, which means the 1Q23 GDP growth forecast may be further revised up in next two months.
- **CPI and PPI growth may decline before rebounding.** CPI and PPI growth may first decline and then rebound. Core CPI growth may moderately rise as consumption and service inflation gradually rebound after reopening.
- **Total social financing growth may rebound amid credit policy loosening.** The YoY growth of outstanding social financing may gradually pick up thanks to credit policy loosening. However, M2 growth may gradually decline as risk aversion sentiment drops.

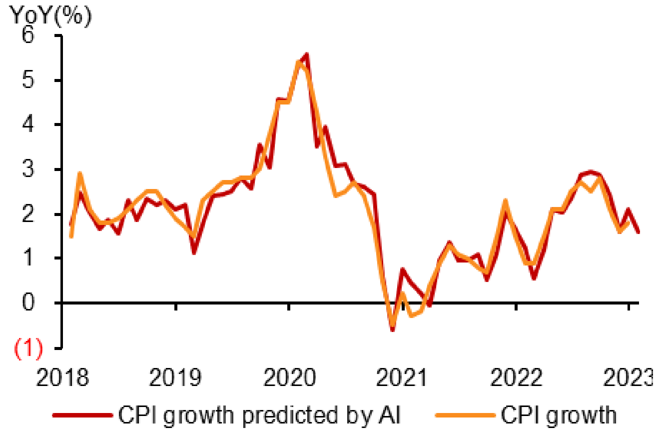
[1] The data is from Wind Database and provided by Beijing Tengjing Big Data Technology Company.

Figure 41: GDP Growth May Gradually Recover



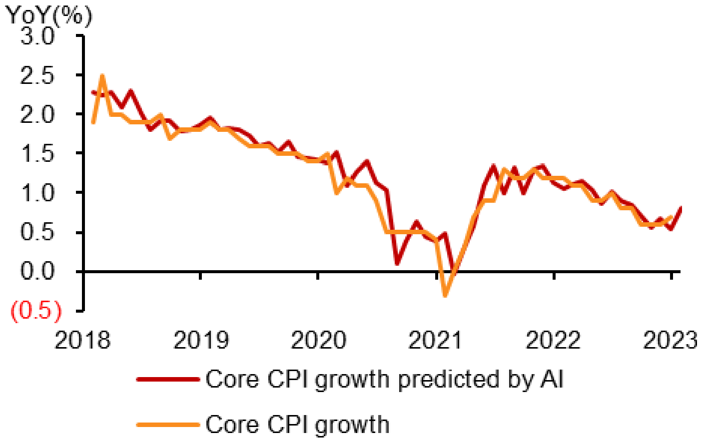
Source: WIND, CMBIGM

Figure 42: CPI May Slow Before Picking Up



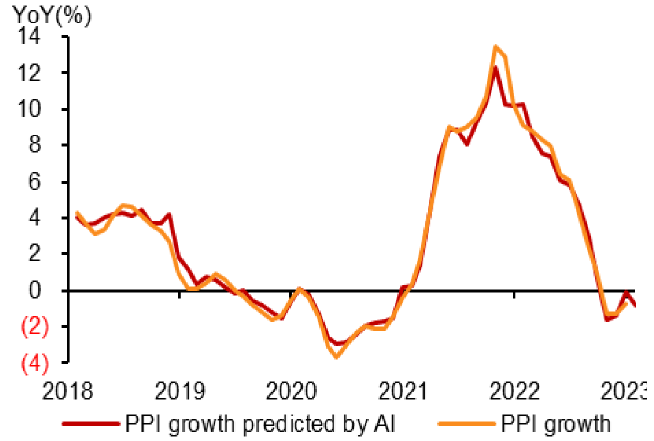
Source: WIND, CMBIGM

Figure 43: Core Inflation May Mildly Rise



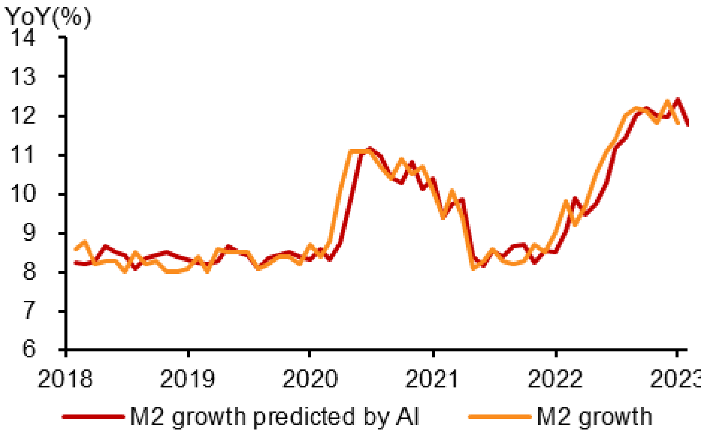
Source: WIND, CMBIGM

Figure 44: PPI May Decline Before Rebounding



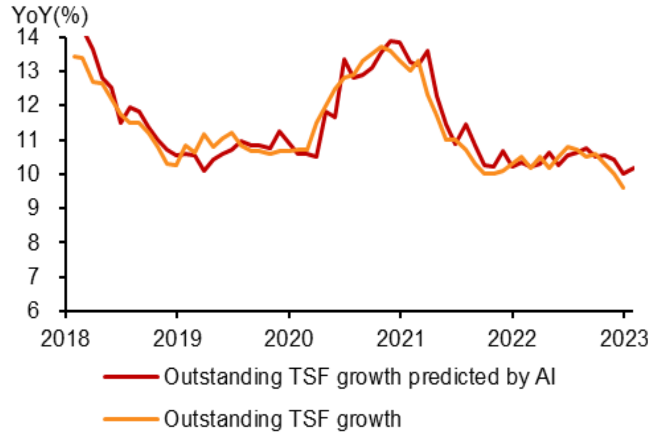
Source: WIND, CMBIGM

Figure 45: M2 Growth May Gradually Decline Amid Recovering Risk Appetite



Source: WIND, CMBIGM

Figure 46: Total Social Financing Growth May Rebound Amid Credit Policy Easing



Source: WIND, CMBIGM

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.