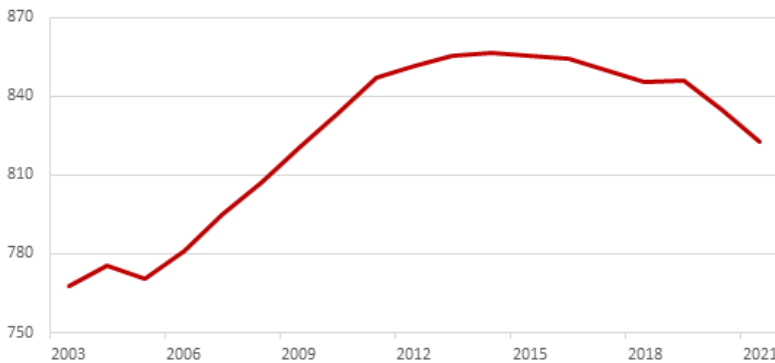


China Bulletin: Market View

Population Age 20-59, in million



While the spread of COVID-19 and the recovery of the infected are both rapid, the recovery of growth momentum may be much slower. Although China has stopped reporting COVID cases and deaths since late December, it has been estimated that more than 80% of Beijing's 21 million people have already been infected since 2020, 50% of whom may get reinfected within weeks of December's reopening. As a result of the low vaccination rate among the elderly, the majority of the population receiving the booster a year or more ago, and the seasonal mass migration before and after the upcoming Chinese New Year, a nationwide initial shock is expected within two months. This is defined as a surge of critical cases and a significantly stretched healthcare system.

After the initial shock, which may take 1-2 months to subside, the economy should proceed to normalise, best case starting from Q2 2023. The drag on China's economy from the housing sector is also expected to abate about the same time, after apparent policy adjustments in late 2022. Consequently, growth momentum should recover meaningfully from Q2 2023, although uncertainty about the impact and the length of

the initial shock still exists.

Another notable point will be the development of inflation in China. In the last three decades, China's economy has seen a rapidly expanding manufacturing capacity and oversupply in the labour market. However, China passed the Lewis Turning Point a decade ago and the working age population reached its peak around 2015-2016, pointing towards an increasingly tighter labour market. As the proportion of the population with a college degree or above increased to 15.5% in 2020, from 8.93% in 2010 and 3.6% in 2000, the labour market is now seeing a structural imbalance. Skilled labour is competing for insufficient demand while unskilled labour is no longer in such oversupply. Thus, the impact of COVID may cause some inflationary pressure, especially in the service sector. However, since the working age population is still ample, any inflation increase above the 3% policy target would be a surprise.

2022 was a bumpy year for China's equity market, but the outlook for 2023 is much brighter. Twice in 2022, April and October, valuation indicators of major China equity indices revisited their low point of 2020 when the world was first hit by the pandemic. The equity market's retreat, starting in early 2021, was driven by the government crackdown on certain sectors, the slump in the housing market and expanded COVID containment measures in response to the Omicron variant. All of these factors have improved significantly. Although it may take some time to boost sentiment and growth momentum, we would recommend a more positive stance on China equity.

📍 3rd Floor | 75 King William Street London
EC4N 7BE

☎ +44 203 617 5260

✉ marketaccess@chinapostglobal.co.uk

🌐 www.chinapostglobal.com

This document is issued by China Post Global (UK) Limited ("China Post Global") acting through its offices at 75 King William Street, London EC4N 7BE and for the purposes of Directive 2014/65/EU has not been prepared in accordance with the legal and regulatory requirements to promote the independence of research. This document has been prepared for information purposes only. It shall not be construed as, and does not form part of an offer, nor invitation to offer, nor a solicitation or recommendation to enter into any transaction or an offer to sell or a solicitation to buy any security or other financial instrument. No representation, warranty or assurance of any kind, express or implied, is made as to the accuracy or completeness of the information contained herein and China Post Global and each of its affiliates disclaim all liability for any use you or any other party may make of the contents of this document. The contents of this document are subject to change without notice and China Post Global does not accept any obligation to any recipient to update or correct any such information. China Post Global (UK) Limited is authorised and regulated by the Financial Conduct Authority. This document is not for distribution in the U.S. or to U.S. persons. This document is directed at Institutional Investors only. This communication is exclusively directed and available to Institutional Investors as defined by the 2014/65/EU Directive on markets in financial instruments acting for their own account and categorised as eligible counterparties or professional clients. This communication is not directed at retail clients. It should not be distributed to or be relied on by retail clients in any circumstances. For the UK, institutional investors ("Institutional Investors") are Professional Clients as defined by the FCA. Calls may be recorded. This document is confidential and not to be communicated to any third party or copied in whole or in part, without the prior written consent of China Post Global. This communication contains the views, opinions and recommendations of China Post Global. This material is based on current public information that we consider reliable, but we do not represent it as accurate or complete, and it should not be relied on as such. The information, opinions, estimates and forecasts contained herein are as of the date hereof and are subject to change without prior notification. There can be no assurance that future results or events will be consistent with any opinions, forecasts or estimates contained in this document. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance.

 2nd Floor | 75 King William Street
London EC4N 7BE

 +44 203 617 5260

 marketaccess@chinapostglobal.co.uk

 www.chinapostglobal.com



China Post Global



Market Access
Exchange Traded Funds