

China Bulletin: Market View



The consumption and migration trend observed during the Chinese New Year has marginally relieved the concern about a possible initial shock of infections from the relaxation of Covid restrictions. The return to pre-pandemic norms, mainly in regard to consumption and travel, is still in its infancy, but the trend is quite clear. Meanwhile, it is noticeable that consumption spending is recovering slower than volume, which from our perspective shows the gap between the swiftly returning consumer confidence, and the still sluggish growth of household income. It may take months to see a meaningful pick-up in income of those most affected by Covid-zero policy, followed by a more concrete recovery. The number of patients in critical condition is trending lower based on various estimates, and the massive migration did not cause a problematic new variant to date. The impact on the economy of the second infection wave, if there is a discernible one, should be limited.

Stronger than expected Chinese PMI figures confirm upbeat confidence after the reopening, hinting at more domestic-driven growth, as export demand slows down amid tightening financial conditions

overseas. Official indices, with a tendency to track large enterprises, are returning to expansive territory - although the more small-cap focused Caixin series is sluggish, reflecting the difference in pace of recovery across small and large enterprises. Service indices, both official and Caixin, point to a strong rebound of business confidence, and it is reasonable to expect a strong upturn of growth momentum in the coming months. We remain cautiously optimistic about the growth in 2023.

The housing market on the other hand is under ongoing stress, though tier-1 cities are seeing marginally higher demand. Financial conditions have turned substantially favourable in the last quarter, yet it may still take some time to pass through to home buyers as the downturn in the last two years has crushed their confidence. However, to reiterate our previous reports, a large-scale housing stimulus is very unlikely, and the best result we can expect is a normal housing market with positive growth. It might be achieved by 23Q2 in an optimistic scenario, but could be as late as end of 2023.

Some are worried about the risk associated with local governments' heavy debt burden, which relies on revenue from land sales to repay. In our view, as long as credit creation remains normal and local SOEs are able to roll over maturing debt, together with the control measures already in place, the problem can be managed well without spilling over into other sectors.


📍 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