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Economic Acumen

Commentary by CEBI Research Team

In Brief

- The 20th National Congress of the CPC opened its session on 16th October. The Congress showed the development roadmap for the next five years and beyond, thus leading Chinese people in embarking on a new journey to build China into a modern socialist country.
- Xi Jinping, general secretary of the CPC Central Committee, delivered the working report, highlighting that China's path to modernization is the central task of enhancing Chinese people's wellbeing. The goal of revitalizing growth momentum for China's economy to achieve full employment and sustainable growth by tackling the problem of unbalanced and inadequate development, seeking common prosperity among more than 1.4 billion people and pursuing "dynamic zero COVID" policy will ensure stability of socioeconomic development of China in all aspects.
- Looking forward, China would further adhere to high-quality economic growth through proper macroeconomic policy supports to foster a balanced and sustainable development. China's economy will grow within a reasonable range under which the pick-up pace of domestic demand and technological innovation will ensure growing economic strengths in coming decades.

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The 20th National Congress of the CPC mapping out the road ahead for China over the next five years and beyond

The 20th National Congress of the Communist Party of China (CPC) opened its session on 16th October. Amid the complex and volatile economic environment as well a multiple challenges from the ongoing COVID-19 pandemic, the CPC National Congress demonstrated socioeconomic roadmap for the next five years and beyond, thus leading Chinese people in embarking on a new journey to build China into a modern socialist country after the task of achieving a moderately prosperous society was completed last year. Xi Jinping, general secretary of the CPC Central Committee, delivered the working report, highlighting that China's path to modernization is the central task of enhancing Chinese people's wellbeing. The goal of revitalizing growth momentum for China's economy to achieve full employment and sustainable growth by tackling the problem of unbalanced and inadequate development, seeking common prosperity among more than 1.4 billion people and pursuing "dynamic zero COVID" policy will ensure stability of socioeconomic development of China in all aspects. Looking forward, China would further adhere to high-quality economic growth through proper macroeconomic policy supports to foster a balanced and sustainable development. The CPC aims to basically realize socialist modernization by 2035, and build China into a great modern socialist country. China's economy will grow within a reasonable range under which the pick-up pace of domestic demand and technological innovation will ensure growing economic strengths in coming decades.

China pursuing growth sustainability. In the past decade, the CPC under Xi's leadership has been devoted a lot of effort and resources to poverty eradication, ecological and environmental improvement, infrastructure development, healthcare, and rebalancing economic development across provinces. For the next five years and beyond, China would foster a new pattern of development, promote high-

quality development and advance the rejuvenation of the Chinese nation on all fronts through a Chinese path to modernization. China's commitment to expanding domestic demand is integrated with the efforts to deepen supply-side structural reforms, thus boosting the dynamism and reliability of the domestic economy while engaging at a higher level in the global economy. Looking forward, China embraces abrupt changes in the economic environment and looming market uncertainties in the wake of sustained pressures from ongoing pandemic, supply chain disruptions, debt problems afflicting property sector alongside liquidity tightening, growing global recession risks and Russia-Ukraine crisis. Nevertheless, China's goal of modernization will continue, albeit gradually and with eventual turbulences, in a context of increasing risks. We are of the view that a solid technological foundation and industrial transformation including enhancement of the quality of manufactured products, capabilities in space transportation and digital development will provide China with strategic competitiveness in pursuing sustainable economic development. China will raise total factor productivity, make industrial and supply chains more resilient and secure, as well as promote integrated urban-rural development and coordinated regional development so as to effectively upgrade and expand economic output. Pickup in consumption and investment, coupled with stronger business and consumer confidence, lend great support to strengthen growth momentum. China will further make great progress in structural reforms with which the economy will grow at a medium growth rate in coming decades.

'Common prosperity' emerging as a key policy objective and strategy goal. China has won the battle against poverty but this is just the beginning of the task of building a "common prosperity" that avoids the extremes of poverty or excessive wealth. Closing the wealth gap in China has been a key theme under Xi's leadership with which "Common prosperity" is placed as a key initiative to turn China into a great modern socialist country and it is of paramount importance to promote the people's all-around development with reduction of wealth inequality. In sum, China' goal of modernization aims to address unbalanced and insufficient development to tackle inequality. Xi's address at 20th Party Congress placed the economic and social policy objectives within the unifying context of the common prosperity strategy. This integrated approach sets solid foundation of future high quality economic development that brings prosperity to the people of China. We are of the view that China will increase its push for shared wealth as a key strategic goal in coming decades, thus leading to more policy reforms on education, healthcare and employment.

Hong Kong's transition from "chaos to governance" favoring medium and long term development. In the wake of social unrest in 2019 and the outbreak of Covid-19 pandemic, Hong Kong (HK) experienced severe economic and political turbulence. China Government effectively exercised the power of comprehensive

governance over the city in accordance with the constitution and the Basic Law, and implemented the principle of patriots, thus pushing HK from chaos to governance and setting a new stage of moving from governance to prosperity. In sum, HK has managed to restore order from chaos since the enactment of the national security law. HK Chief executive (CE), John Lee, stressed that Xi's working report emerges to be a "stabilizer" in advancing development in HK as the principle of 'one country, two systems' is a great innovation of socialism with Chinese characteristics that ensure sustained prosperity and stability. We are of the view that the initiatives in Lee's Policy Address aiming to stimulate the local economy will further improve the people's livelihood, boost land and housing supply, and strengthen HK's competitiveness. Accelerating pace of work and consumption normalization as well as further relaxation of the restrictions on cross-border movement will speed up growth momentum of HK in coming quarters.

China economic indicators

	1Q2021	2Q2021	3Q2021	4Q2021	2021	1Q2022	2Q2022	3Q2022
Real GDP (YoY%)	18.3	7.9	4.9	4.0	8.1	4.8	0.4	-
PMI Manufacturing (%)	51.3	51.0	50.0	49.9	50.3	49.9	49.1	49.5
PMI Non-Manufacturing (%)	53.4	54.5	51.3	52.5	52.7	50.4	48.1	52.3
Exports (RMB YoY %)	38.7	19.9	14.4	17.8	21.2	13.4	13.3	-
Imports (RMB YoY %)	19.3	32.4	15.7	18.6	21.5	7.6	1.9	-
Trade Balance (RMB/bn)	710.0	868.3	1181.1	1612.7	4372.1	1029.7	1478.2	-
Exports (USD YoY %)	48.8	30.6	24.2	22.9	29.9	15.8	13.0	-
Imports (USD YoY %)	29.4	44.1	25.4	23.6	30.0	9.8	1.7	-
Trade Balance (USD/bn)	108.8	134.2	183.1	250.9	676.9	162.9	227.8	-
CPI (YoY %)	0.0	1.1	0.8	1.8	0.9	1.1	2.2	2.7
PPI (YoY %)	2.1	8.2	9.7	12.2	8.1	8.7	6.8	2.5
FAI (YTD/ YOY %)	25.6	12.6	7.3	4.9	4.9	9.3	4.2	-
Real Estate Investment (YTD YoY %)	25.6	15.0	8.8	4.4	4.4	0.7	(9.0)	-
Industrial Production (YoY %)	24.6	9.0	4.9	3.9	9.6	6.5	0.6	-
Retail Sales (YoY%)	33.9	13.9	5.0	3.5	12.5	3.3	(4.6)	-
New Lending (RMB/bn)	7667.9	5084.5	3961.4	3231.2	19945.1	8338.9	5340.1	4403.2
M2 (YoY %)	9.4	8.6	8.3	9.0	9.0	9.7	11.4	12.1
Aggregate Financing (RMB bn)	10288.9	7510.9	6967.1	6584.1	31351.0	12031.0	8946.9	6724.2

	Sept 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	July 22	Aug 22	Sept 22
Real GDP (YoY%)	4.9	-	-	4.0	-	-	4.8	-	-	0.4	-	-	-
PMI - Manufacturing %	49.6	49.2	50.1	50.3	50.1	50.2	49.5	47.4	49.6	50.2	49.0	49.4	50.1
PMI - Non-manufacturing%	53.2	52.4	52.3	52.7	51.1	51.6	48.4	41.9	47.8	54.7	53.8	52.6	50.6
Exports (RMB YoY %)	19.7	20.1	16.3	17.3	20.8	3.9	12.7	1.6	14.8	21.8	23.9	11.8	-
Imports (RMB YoY %)	9.7	14.3	25.6	16.0	17.9	9.4	(1.1)	(1.9)	2.2	4.8	7.4	4.6	-
Trade Balance (RMB/bn)	441.6	547.8	460.6	600.1	537.3	178.8	287.6	317.7	494.8	646.5	682.7	535.9	-
Export (USD YoY %)	28.0	26.9	21.7	20.9	24.0	6.1	14.4	3.6	16.4	17.7	18.0	7.1	-
Import (USD YoY %)	17.2	20.4	31.4	19.5	20.9	11.5	0.5	0.1	4.0	1.0	2.3	0.3	-
Trade Balance (USD/bn)	68.1	84.8	71.7	93.7	82.7	28.1	45.3	50.0	77.5	97.4	101.3	79.4	-
CPI (YoY %)	0.7	1.5	2.3	1.5	0.9	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8
PPI (YoY %)	10.7	13.5	12.9	10.3	9.1	8.8	8.3	8.0	6.4	6.1	4.2	2.3	0.9
FAI (YTD/ YOY %)	7.3	6.1	5.2	4.9	-	12.2	9.3	6.8	6.2	6.1	5.7	5.8	-
Real Estate Investment (YTD/ YoY %)	8.8	7.2	6.0	4.4	-	3.7	0.7	(2.7)	(4.0)	(5.4)	(6.4)	(7.4)	-
Industrial Production (YoY %)	3.1	3.5	3.8	4.3	-	7.5	5.0	(2.9)	0.7	3.9	3.8	4.2	-
Retail Sales (YoY%)	4.4	4.9	3.9	1.7	-	6.7	(3.5)	(11.1)	(6.7)	3.1	2.7	5.4	-
New Lending (RMB/bn)	1663.0	826.2	1273.2	1131.8	3980.0	1233.6	3125.4	645.4	1888.4	2806.3	679.0	1254.2	2470.0
M2 (YoY %)	8.3	8.7	8.5	9.0	9.8	9.2	9.7	10.5	11.1	11.4	12.0	12.2	12.1
Aggregate Financing (RMB bn)	2902.6	1617.6	2598.3	2368.3	6162.3	1221.2	4647.5	943.0	2833.8	5170.7	762.0	2432.2	3530.0
Urban Unemployment Rate (%)	4.9	4.9	5.0	5.1	5.3	5.5	5.8	6.1	5.9	5.5	5.4	5.3	-
Urban Unemployment Rate in 31 major cities (%)	5.3	5.0	5.1	5.1	5.1	-	6.0	6.7	6.9	5.8	5.6	5.4	-

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	30,523.80	16.83	4.39
S&P 500	3,719.98	18.26	3.65
NASDAQ	10,772.40	34.58	3.32
EUR			
FTSE 100	6,936.74	13.47	0.75
DAX	12,765.61	12.45	4.46
CAC40S	6,067.00	12.79	4.01
STOXX EUR 600	399.84	13.94	3.06
Asia			
HSI	16,914.58	6.39	0.49
HSCEI	5,756.31	5.53	0.47
CSI300	3,838.27	14.04	2.97
SSE Composite	3,080.96	13.47	3.40
SZSE Composite	2,005.08	35.76	6.54
NIKKEI 225	27,156.14	27.19	2.86
KOSPI	2,249.95	9.54	2.64
TWSE	13,124.68	9.31	0.14
S&P/ASX 200	6,779.22	13.92	2.02
MSCI Index			
MSCI WORLD	2,457.86	15.87	3.43
MSCI DEVELOPED	569.98	14.89	3.24
MSCI EMERGING	879.07	9.80	1.67
MSCI US	3,538.37	18.71	3.62
MSCI UK	1,995.80	13.38	0.52
MSCI France	173.21	14.50	3.97
MSCI Germany	126.53	11.94	4.54
MSCI China	55.58	9.73	1.33
MSCI Hong Kong	11,402.94	16.92	(1.39)
MSCI Japan	1,159.43	14.76	1.79

* As of 2022/10/18 closing for all markets

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	3.25	0.00
US Prime Rate	6.25	0.00
US Discount Window	3.25	0.00
ECB Rate (Refinancing)	1.25	0.00
BOJ Policy Rate	(0.10)	0.00
US Treasury (1 Mth)	3.0995	0.1909
US Treasury (1 Yr)	4.4829	0.2348
US Treasury (5 Yr)	4.2217	0.0513
US Treasury (10 Yr)	4.0066	0.0596
US Treasury (30 Yr)	4.0297	0.1074
1-Month LIBOR	3.4799	0.1632
3 Month LIBOR	4.2266	0.3074
Japan 1-Yr Gov. Bond	(0.130)	0.002
Japan 10-Yr Gov. Bond	0.256	0.002
German 1-Yr Gov. Bond	2.041	0.289
German 10-Yr Gov. Bond	2.285	(0.013)
China LPR (1-year)	3.65	0.00
China 1-Yr Gov. Bond	1.740	(0.004)
China 5-Yr Gov. Bond	2.468	(0.050)
China 10-Yr Gov. Bond	2.703	(0.043)
O/N SHIBOR	1.134	(0.049)
1-mth SHIBOR	1.610	(0.024)
HK Base rate	3.50	0.00
O/N HIBOR	1.7758	0.0673
1-mth HIBOR	2.6332	0.2351
O/N CNH HIBOR	1.2616	0.0332
1-mth CNH HIBOR	1.9173	(0.4064)
Corporate Bonds (Moody's)		
Aaa	5.10	0.10
Baa	6.30	0.13

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	82.82	(7.31)
ICE Brent Oil	USD/bbl	90.03	(4.52)
NYMEX Natural	USD/MMBtu	5.75	(12.90)
Basic Metals			
LME Aluminum	USD/MT	2,181.51	(2.39)
CMX Copper	USD/lb.	336.20	(2.89)
LME Steel Rebar	USD/MT	679.00	(1.81)
LME Lead Cash	USD/MT	2,049.50	(0.39)
Precious Metals			
CMX Gold	USD/T. oz	1,651.30	(0.94)
Gold Futures	USD/T. oz	1,655.80	(1.79)
CMX Silver	USD/T. oz	18.67	(3.56)
NYMEX Platinum	USD/T. oz	918.20	2.81
Agricultural			
CBOT Corn	USD/bu	681.00	(1.73)
CBOT Wheat	USD/bu	849.50	(5.72)
NYB-ICE Sugar	USD/lb.	18.67	(0.37)
CBOT Soybeans	USD/bu.	1,372.00	(0.31)

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	112.13	(0.96)
Euro/USD	0.9819	1.04
GBP/USD	1.1259	1.70
AUD/USD	0.6290	0.30
USD/CAD	1.3775	(0.22)
USD/JPY	149.17	2.44
USD/CHF	0.9973	0.04
USD/CNY Midpoint	7.1086	0.02
USD/CNY	7.2023	0.47
USD/CNY NDF-12-mth	7.0443	(0.10)
USD/CNH	7.2138	0.60
USD/HKD	7.8493	(0.01)
CNY/HKD	1.0899	(0.47)
CNH/HKD	1.0881	(0.59)
USD/KRW	1,422.65	(0.89)
USD/TWD	32.01	0.46
USD/SGD	1.4214	(1.09)
USD/INR	82.36	0.04

All data sources: Bloomberg

Disclosures

Analyst Certification

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