



### Ben Simpfendorfer

Partner – China Expert, Oliver Wyman

### China's Post-Reopening Activity Bounce Emerging Faster Than Expected!

There is a more positive mood towards China after the recent economic data. My latest China Economic Dashboard shows the post-reopening activity bounce emerging faster than expected. But exports and property are still major drags on growth and reason for concern. China's December was a mixed bag as the economy grapples with reopening. Q4 GDP was weak, but still beat expectations. Consumer spending appears to be recovering faster than expected, especially in major cities, which may lead to a stronger post-Chinese New Year bounce. But it's not all positive. Exports continued to contract steeply in December and will remain a drag on GDP throughout most of 2023. Factory output is also still contracting and new orders are weak.

### China's Real Estate Stress?

The property sector remains imbalanced with home sales and starts still falling. Recent policy loosening may provide support later in 2023, but the data is not yet showing signs of recovery. Inflation is low relative to the rest of the region with food prices also easing. The PBOC has plenty of scope to support growth further if needed.

### 2023 Outlook?

The lifting of COVID controls has changed the 2023 outlook. Reopening will result in stronger data later in 1Q, especially in the bigger cities. We have revised our 2023 forecasts upwards to 4.5%. But there's still uncertainty around that forecast as it's not yet clear whether households will spend their built-up savings given lingering economic concerns. The weakness in exports will also remain a drag on GDP growth. Long-term structural challenges are also rising, especially demographic challenges. ■

(Source: Ben Simpfendorfer post on LinkedIn)

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