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## **HAVE THE AUTHORITIES DONE ENOUGH?**

...WHEN WILL THE ECONOMY TROUGH?

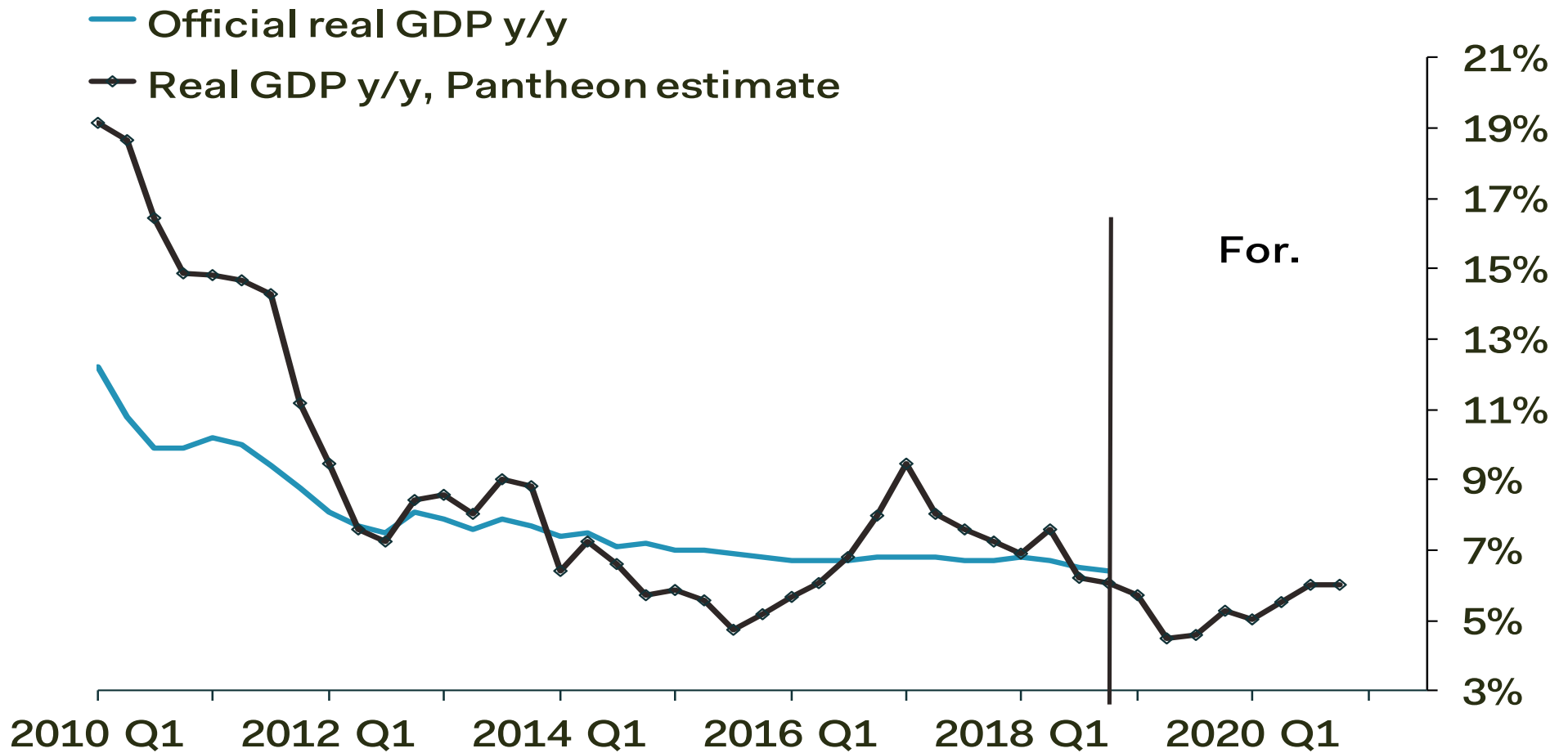
...WHAT WILL THE RECOVERY LOOK LIKE?

### **ASIA WEBINAR CHARTBOOK, MARCH 2019**

DATA AS AT MARCH 5 | FREYA BEAMISH, CHIEF ASIA ECONOMIST

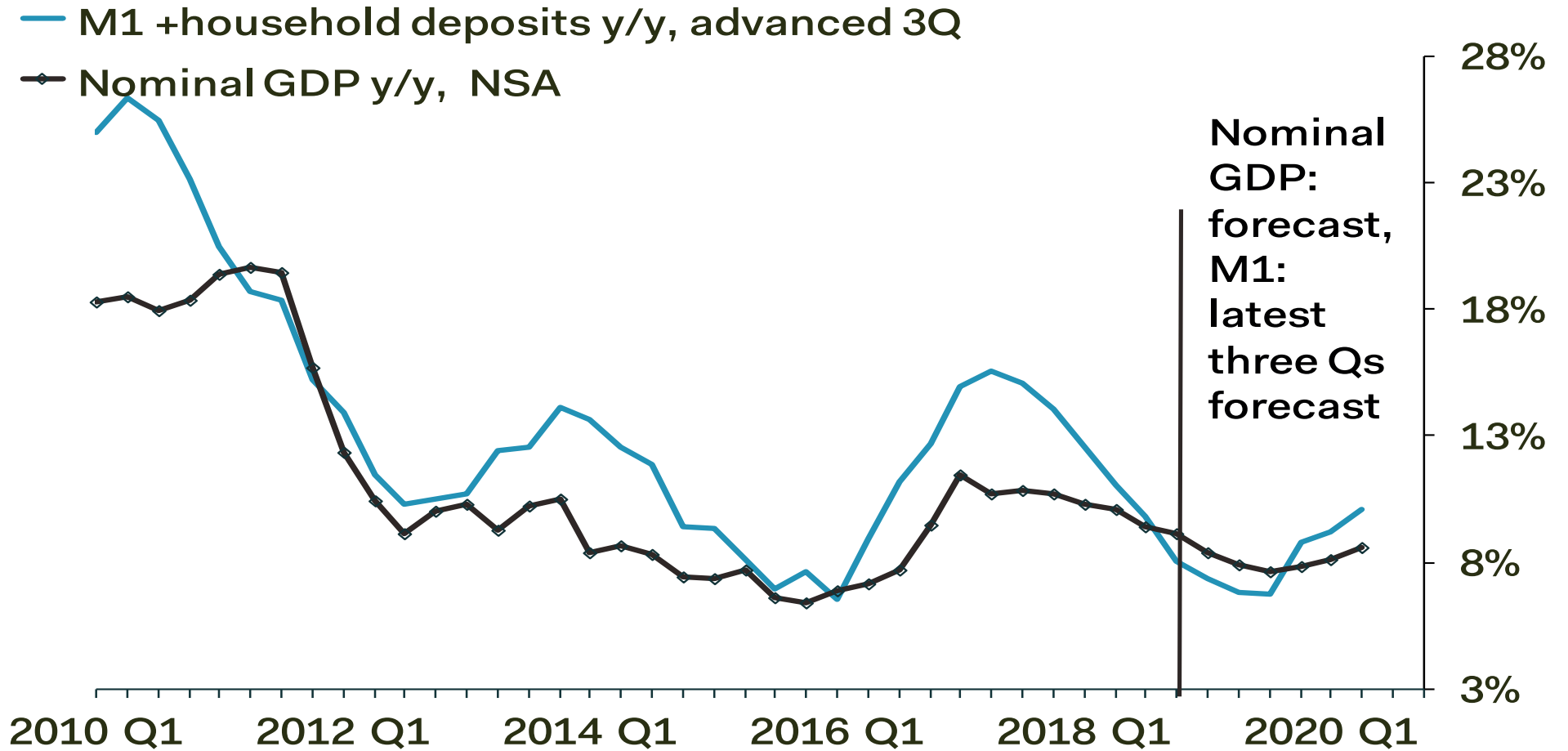
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**1. GDP GROWTH IN REALITY WON'T RECOVER UNTIL LATE THIS YEAR**





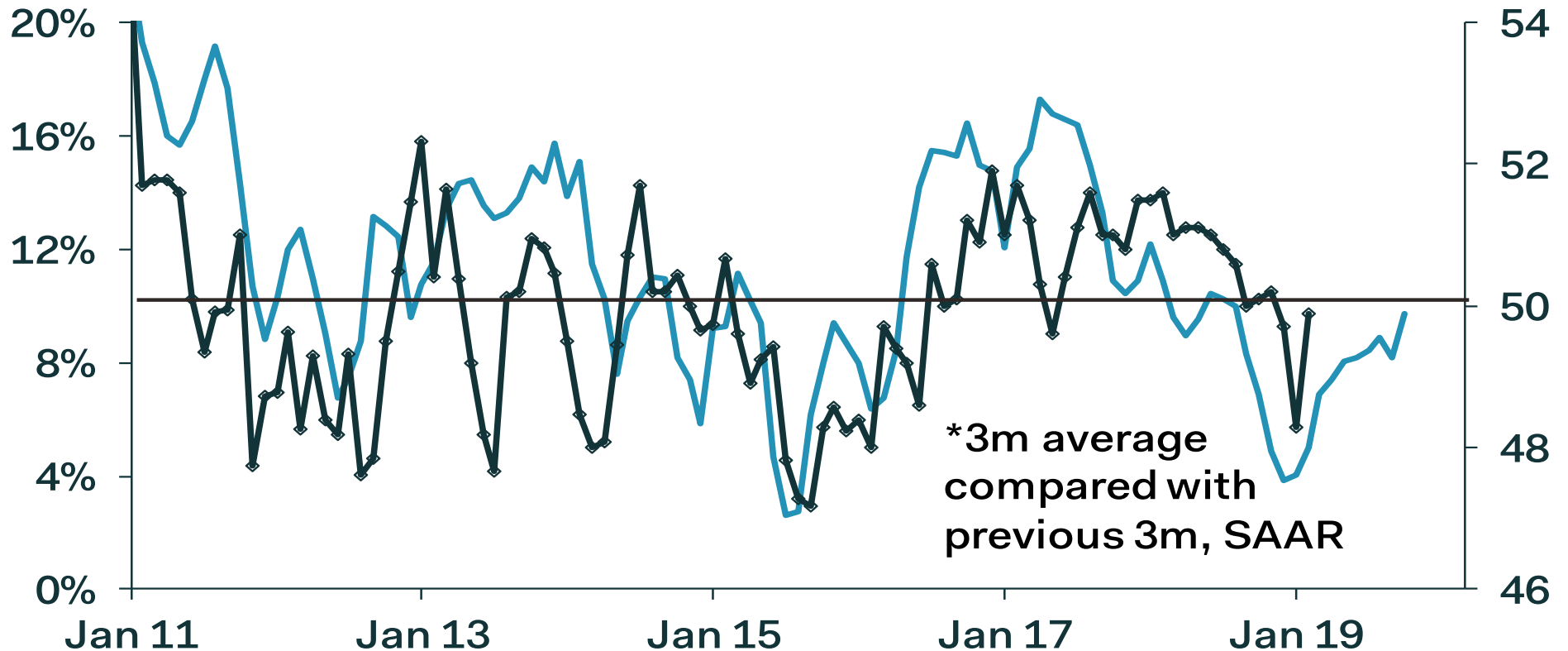
## 2. MONETARY CONDITIONS SIMPLY ARE TOO TIGHT FOR A SUSTAINED RECOVERY YET





### 3. THE MANUFACTURING PMIS WILL REMAIN SUBDUED UNTIL THE SECOND HALF

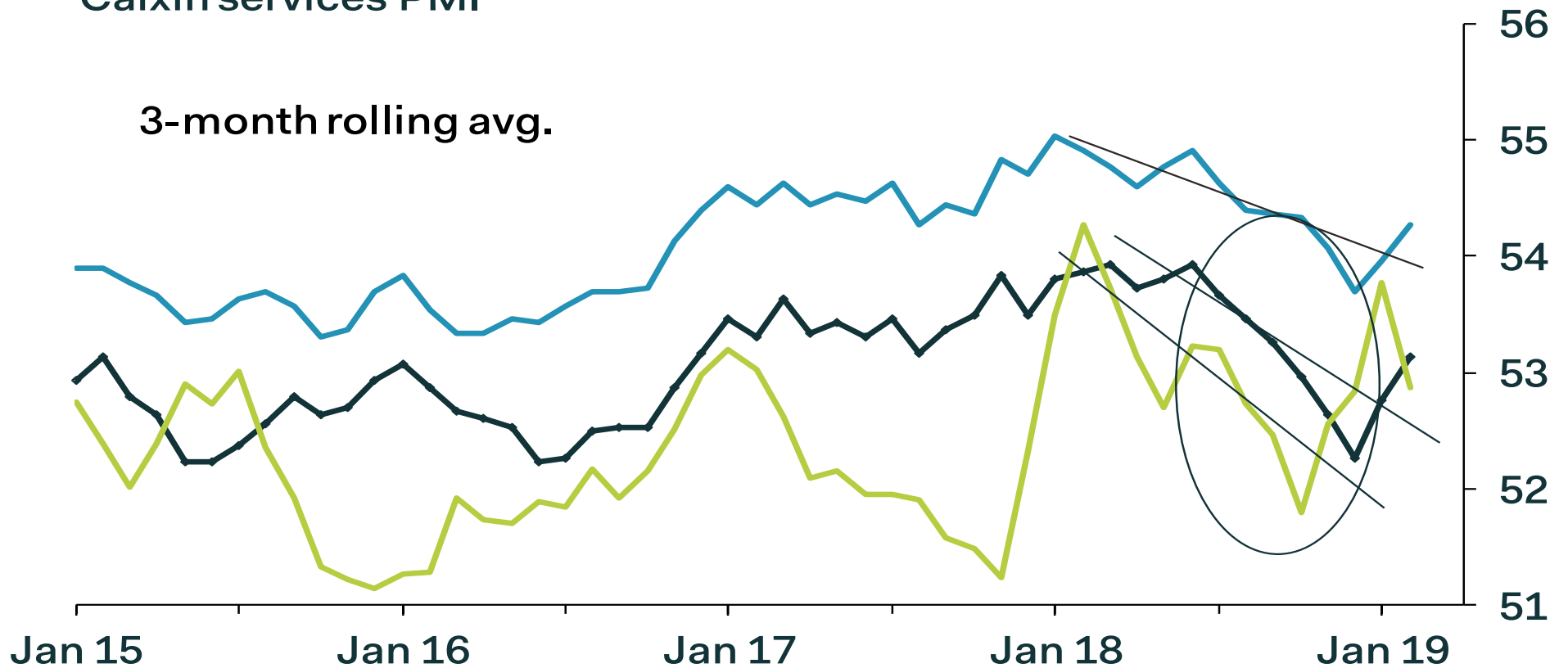
- M1 + household deposits, advanced nine months\* (Left)
- ◆ Caixin PMI manufacturing (Right)





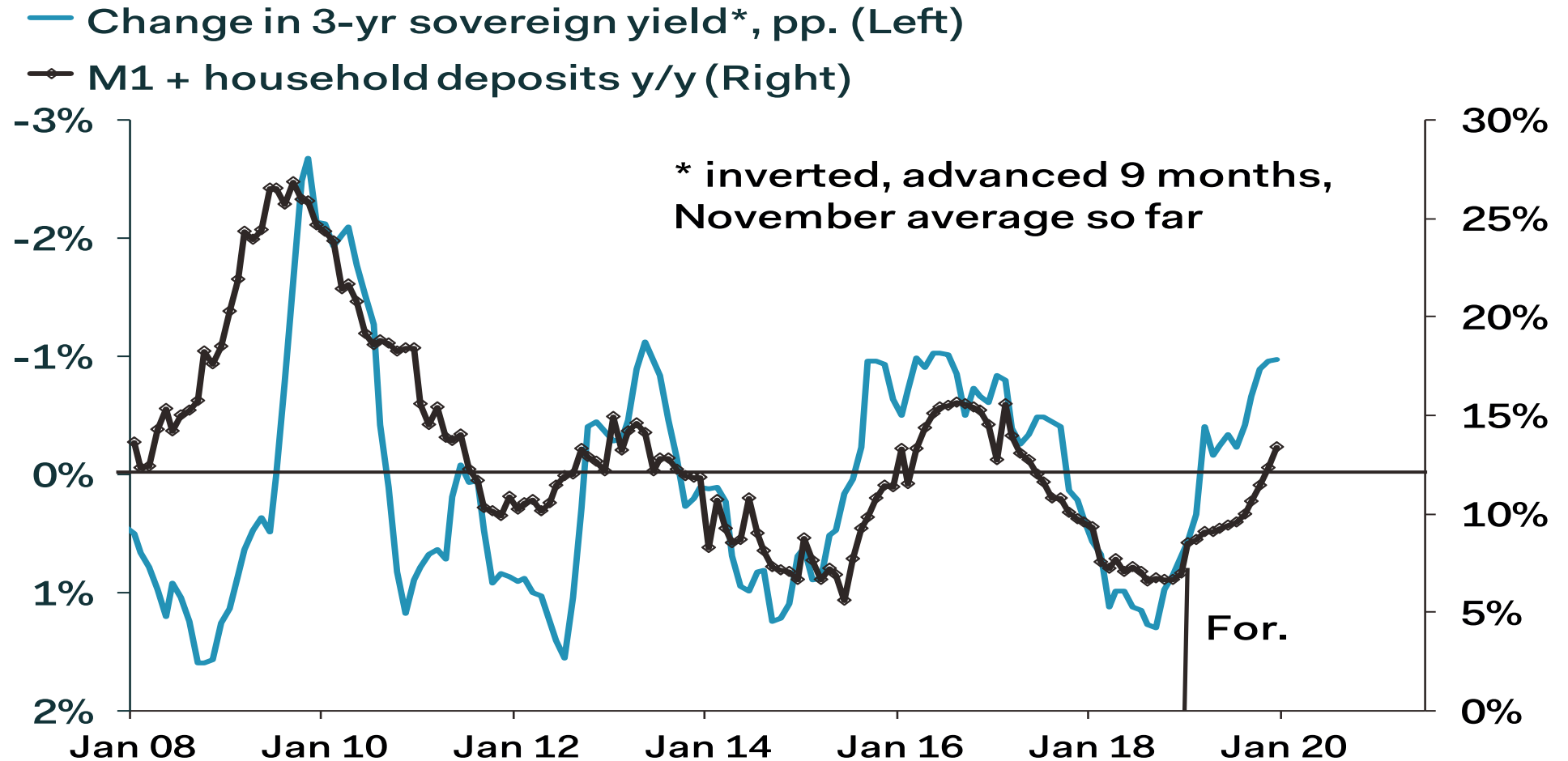
#### 4. THE SERVICES PMI DOWNTREND IS SET TO CONTINUE, LAGGING MANUFACTURING

- Official non-manufacturing PMI
- Official services PMI
- Caixin services PMI





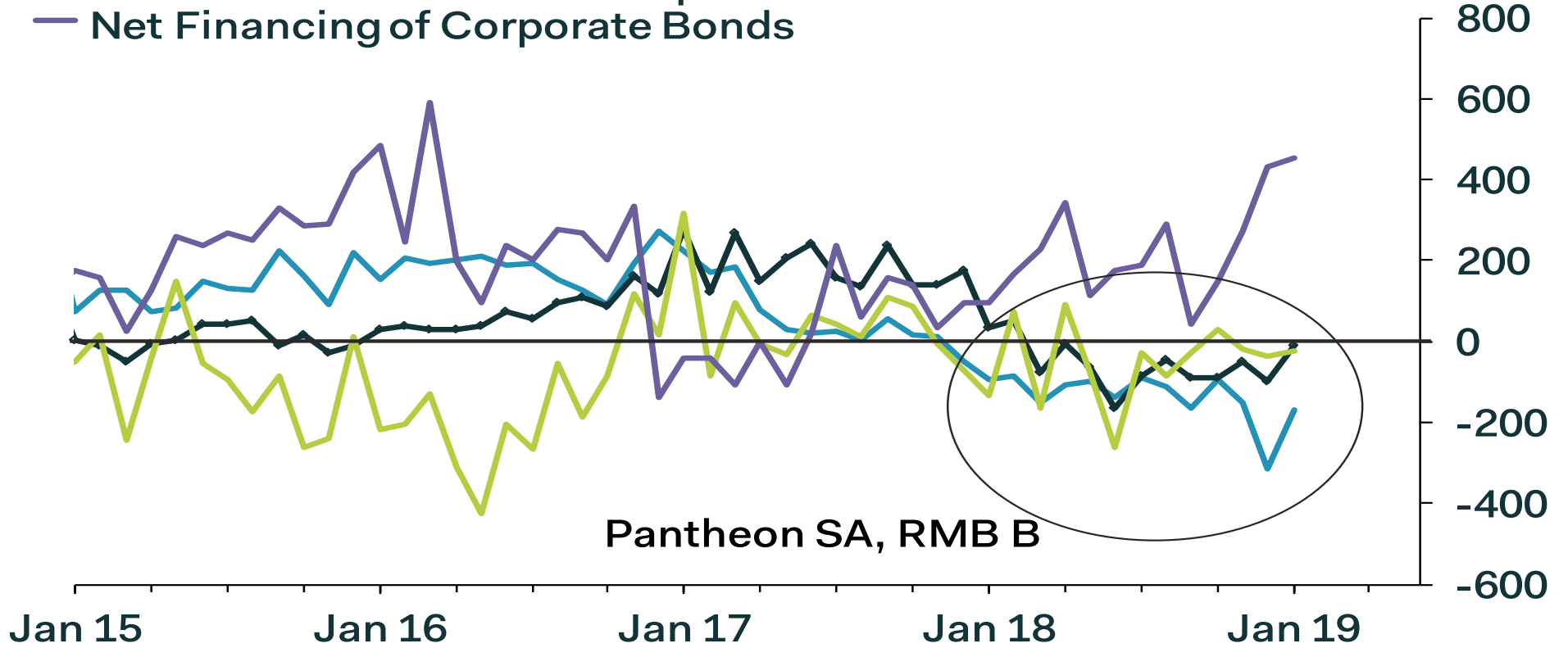
5. CONVENTIONAL MONETARY LOOSENING SO FAR SHOULD ENSURE AN M1 GROWTH PICK-UP





6. ...BUT SHADOW BANKING HAS BEEN KEPT ON A TIGHT REIN

- Entrusted Loans
- Trust Loans
- Undiscounted Bankers Acceptances
- Net Financing of Corporate Bonds

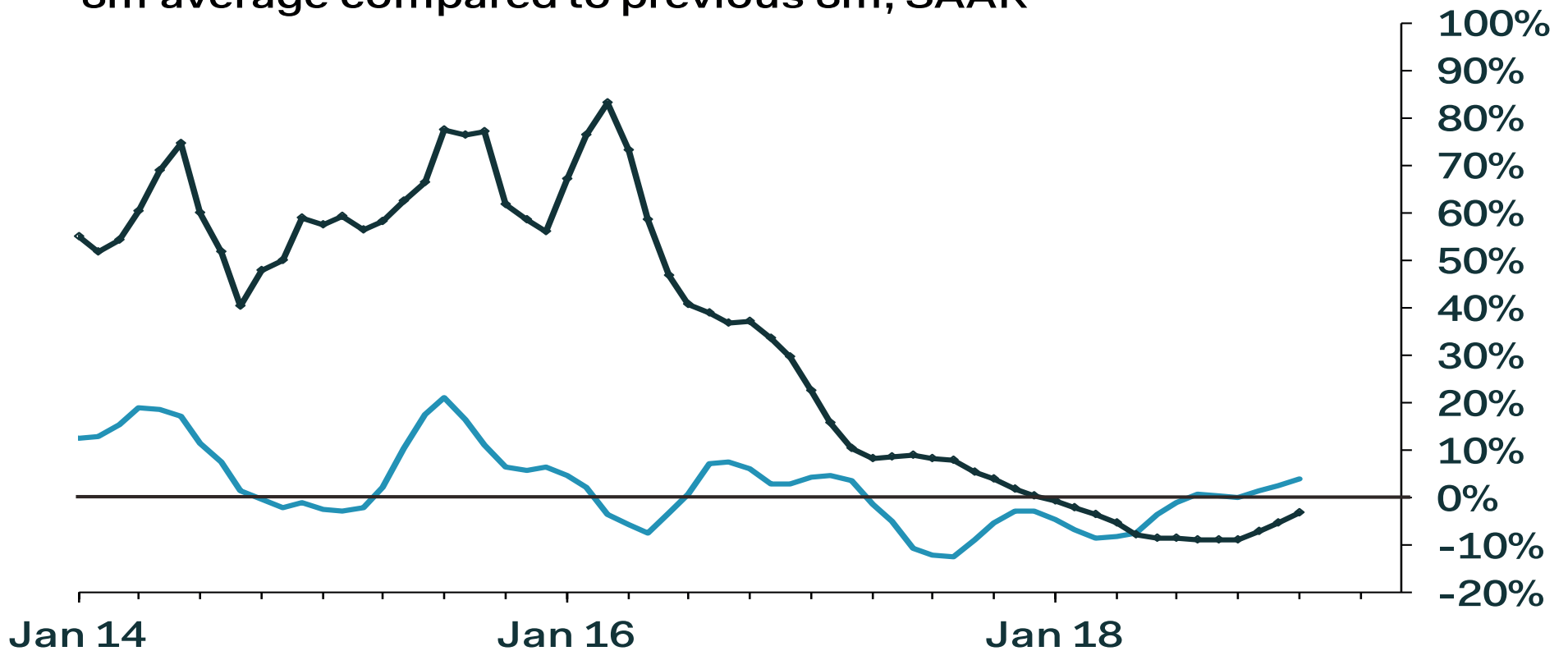


Pantheon SA, RMB B



7. ...WITH THE INTERBANK MARKET ONLY JUST STARTING TO RE-AWAKEN

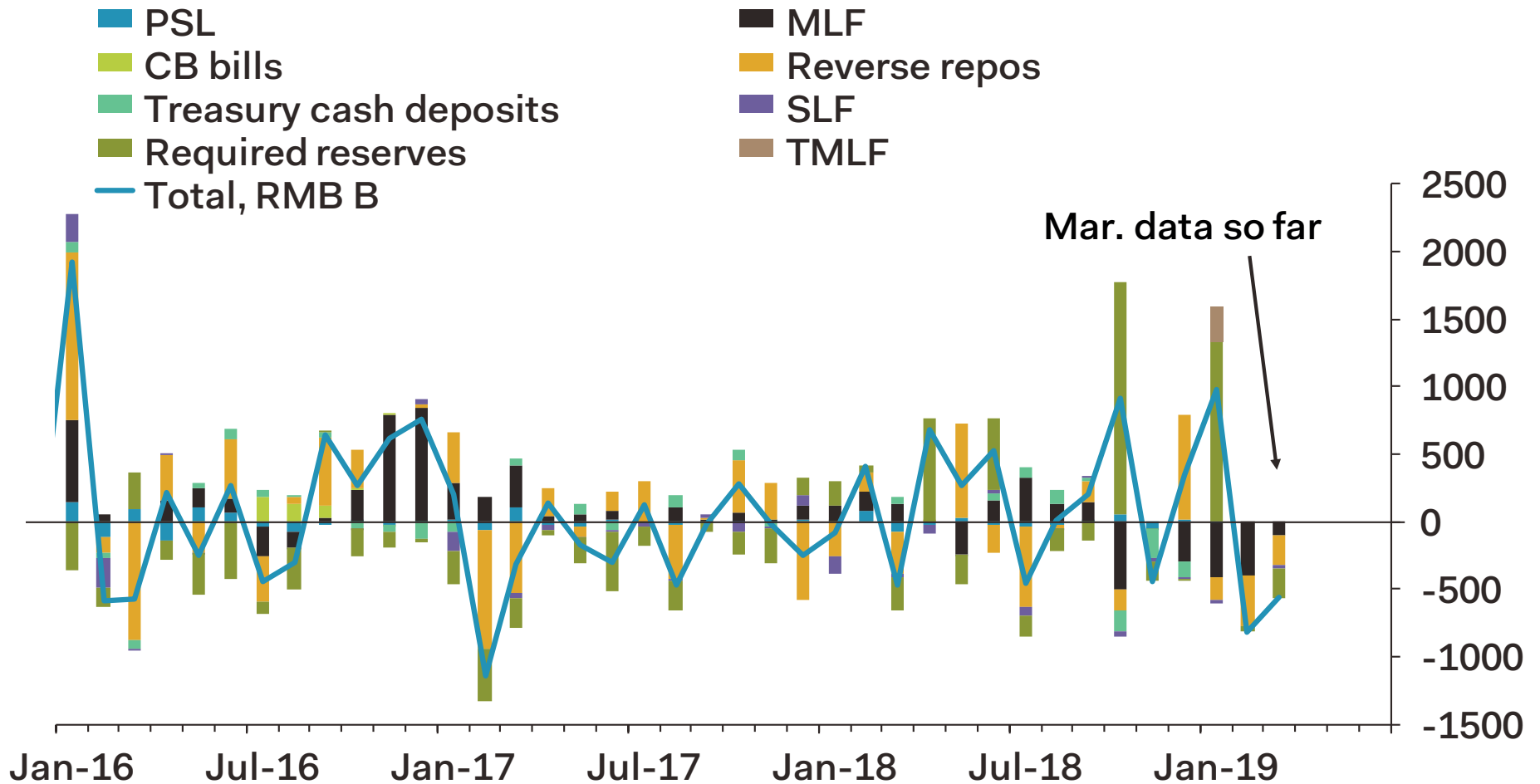
- Banks' claims on banks
  - Banks' claims on other financial institutions
- 3m average compared to previous 3m, SAAR







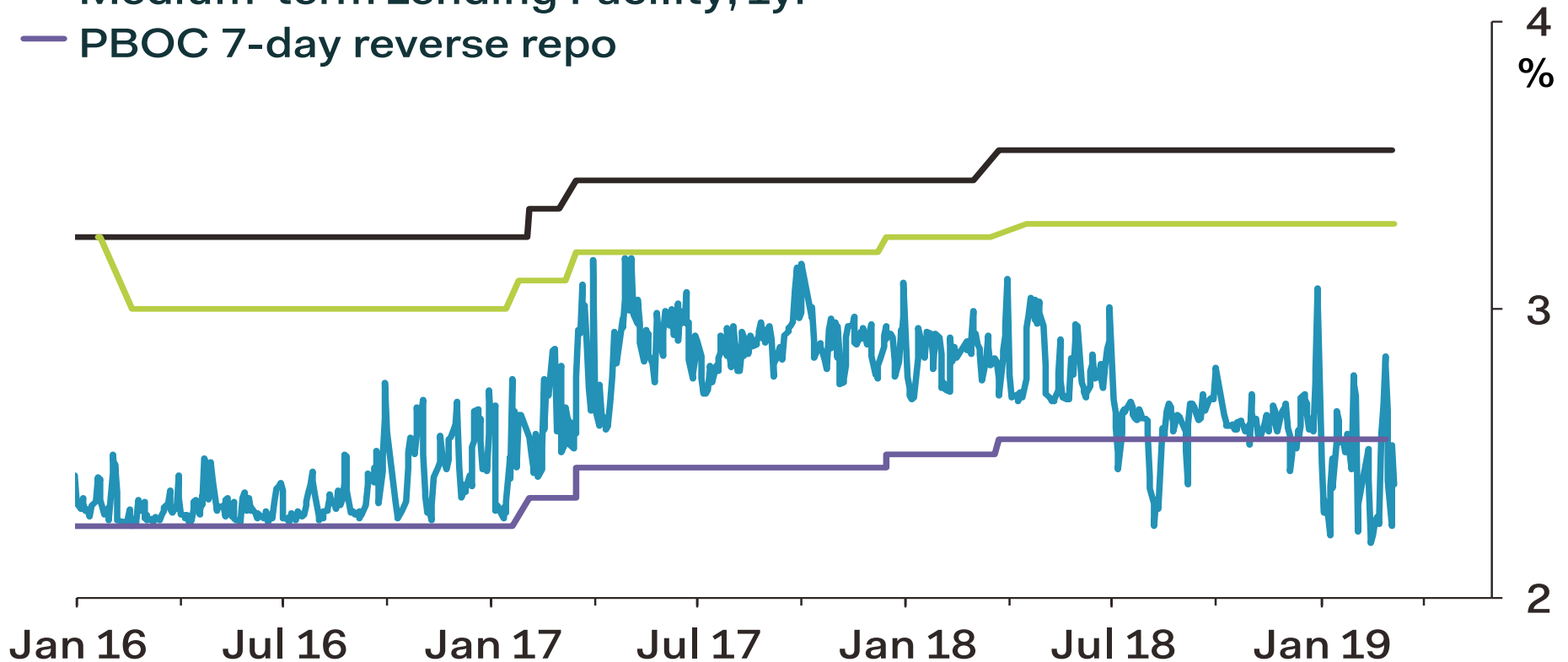
8. PBOC OMOS AND RRR CUTS HAVE BOLSTERED LIQUIDITY IN THE INTERBANK MARKET...





## 9. ...HELPING TO ENSURE AN EFFECTIVE THOUGH NOT OVERT RATE CUT

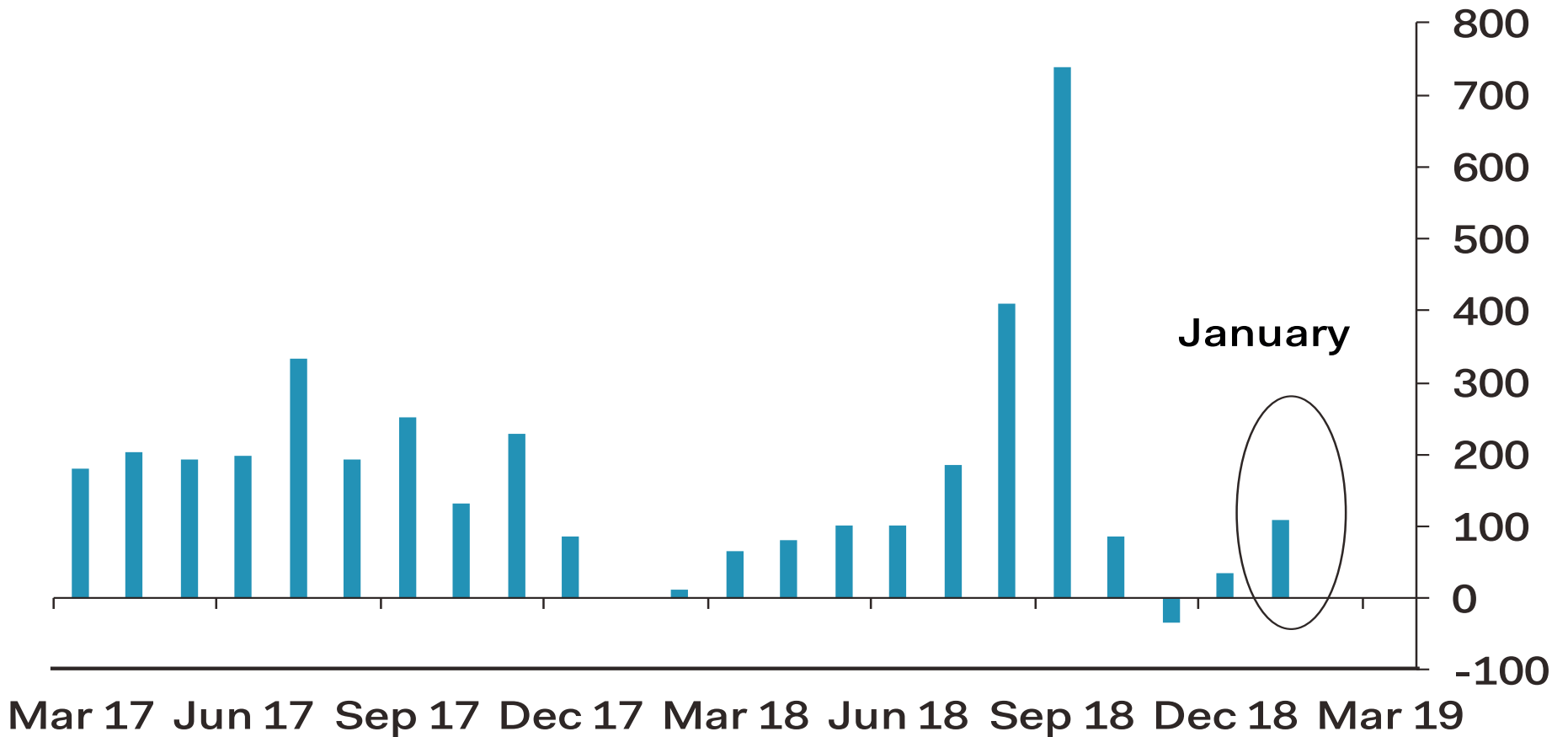
- Standing Lending Facility, 1m
- CFETS China Interbank repo, volume-weighted average, 7d
- Medium-term Lending Facility, 1yr
- PBOC 7-day reverse repo





## 10. LOCAL GOVERNMENT ISSUANCE HAS RESUMED IN JANUARY

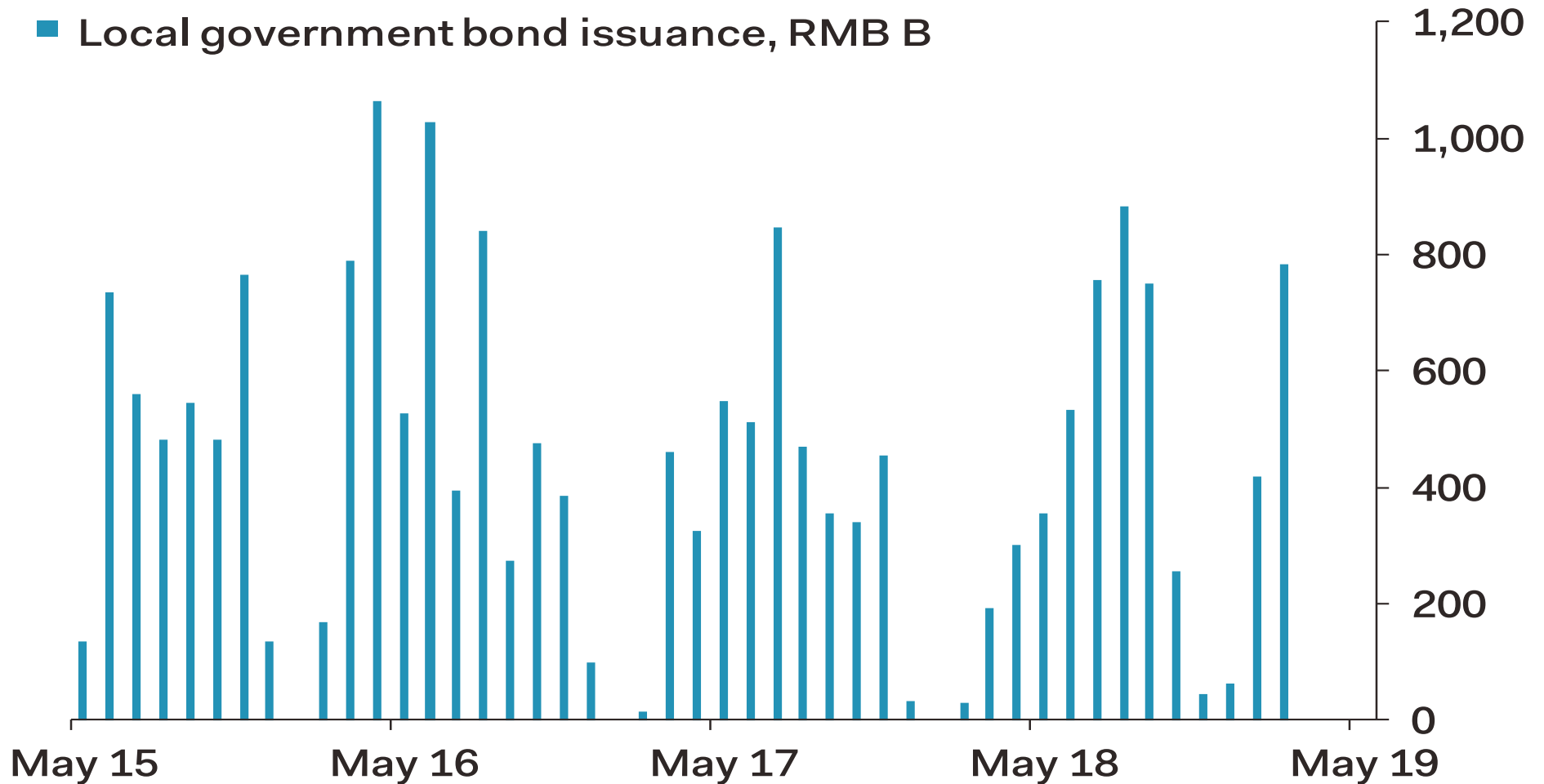
### ■ Net monthly change in local government special bonds, RMB B





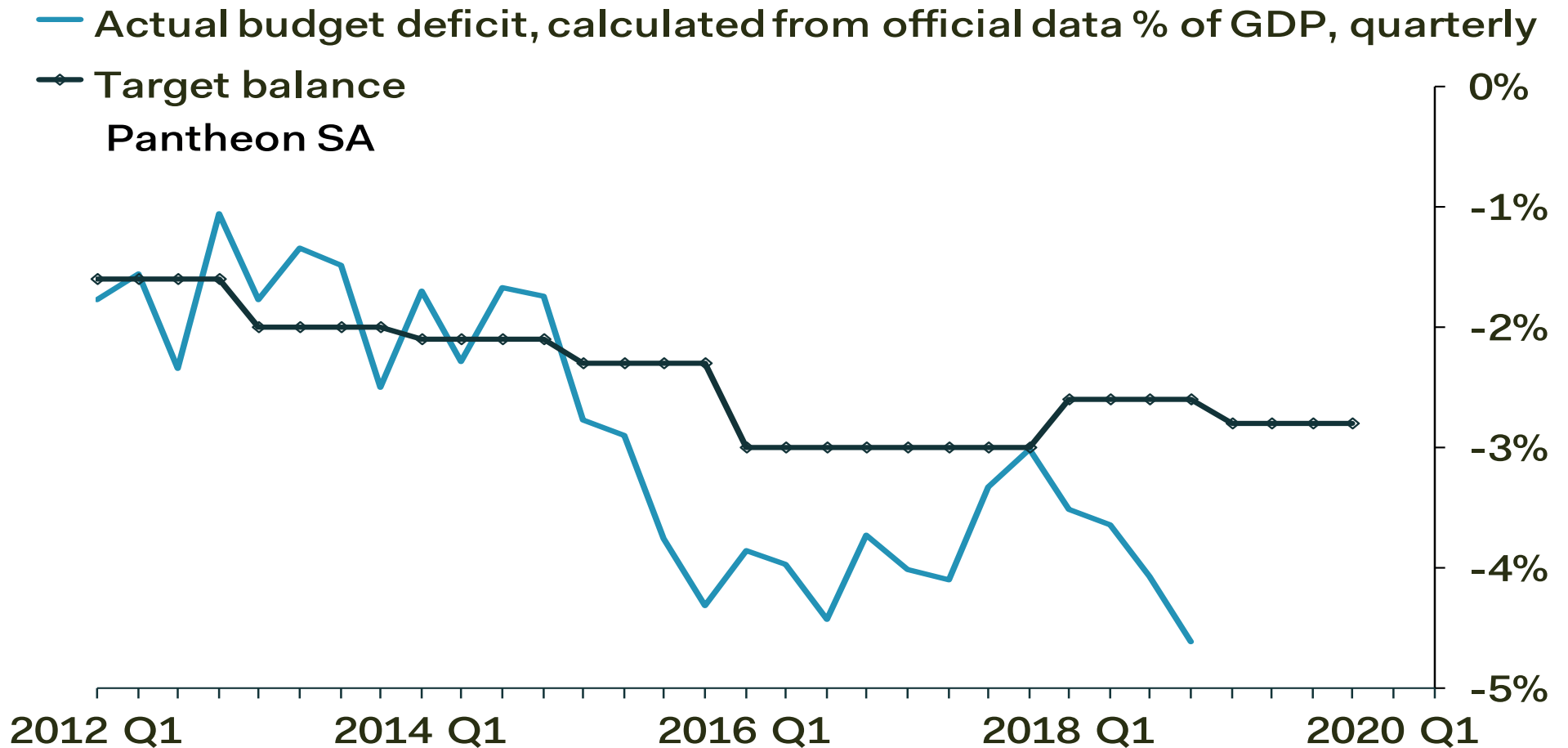
## 11. ...AND PICKED UP WITH VENGEANCE IN FEBRUARY, RE-OPENING THE TRANSMISSION CHANNEL

### ■ Local government bond issuance, RMB B



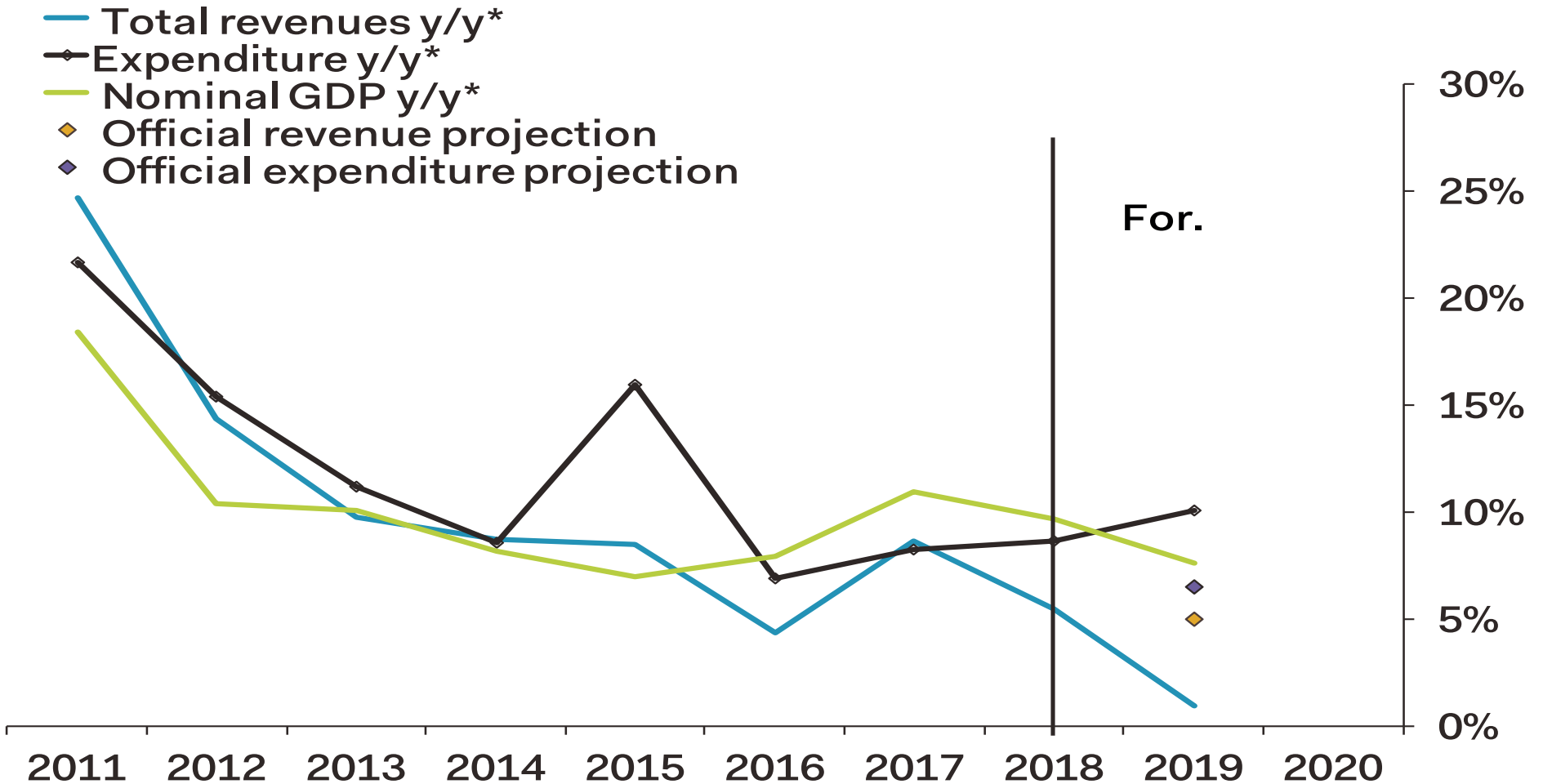


## 12. FISCAL STIMULUS HAS RATCHETED UP AFTER TIGHTENING IN THE SECOND HALF OF 2017



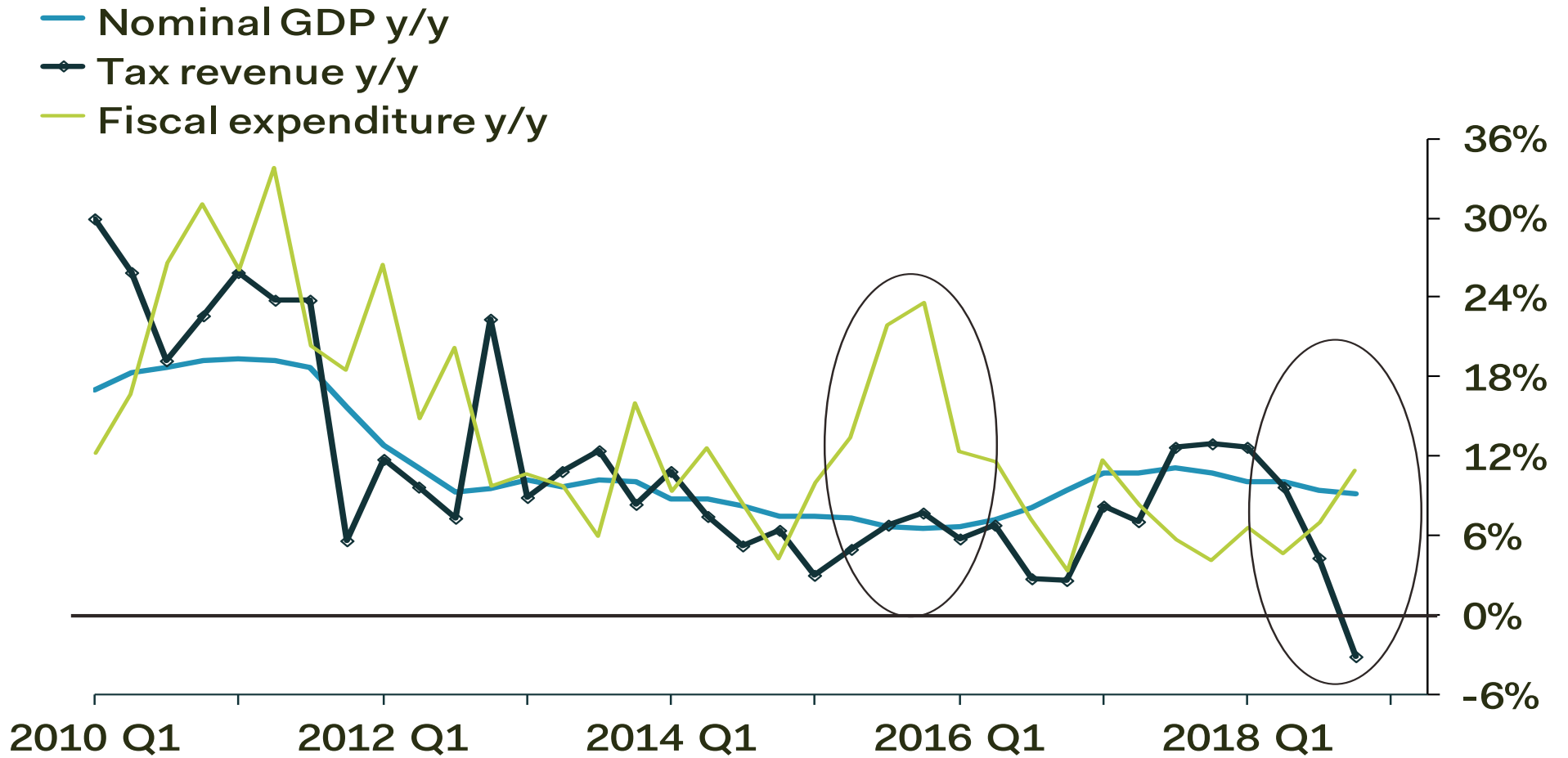


13. ...AND THE FISCAL IMPULSE THIS YEAR WILL BE LARGER THAN BILLED





14. THIS TIME AROUND, HOWEVER, THE GOVERNMENT IS RELYING ON TAX CUTS

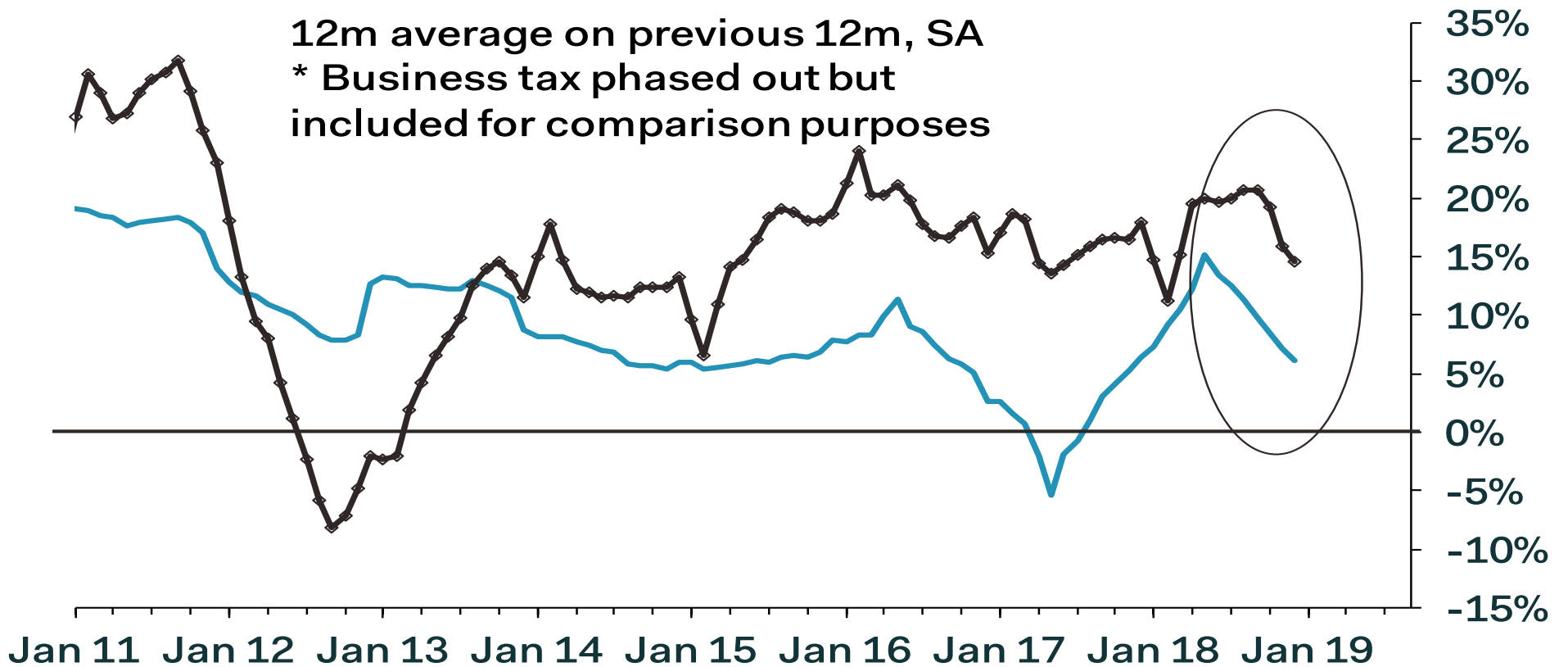




**15. A COMBINATION OF SLOWING GROWTH AND TAX CUTS HAVE DENTED REVENUES**

- VAT, consumption and business tax\*
- Personal income tax

12m average on previous 12m, SA  
\* Business tax phased out but included for comparison purposes

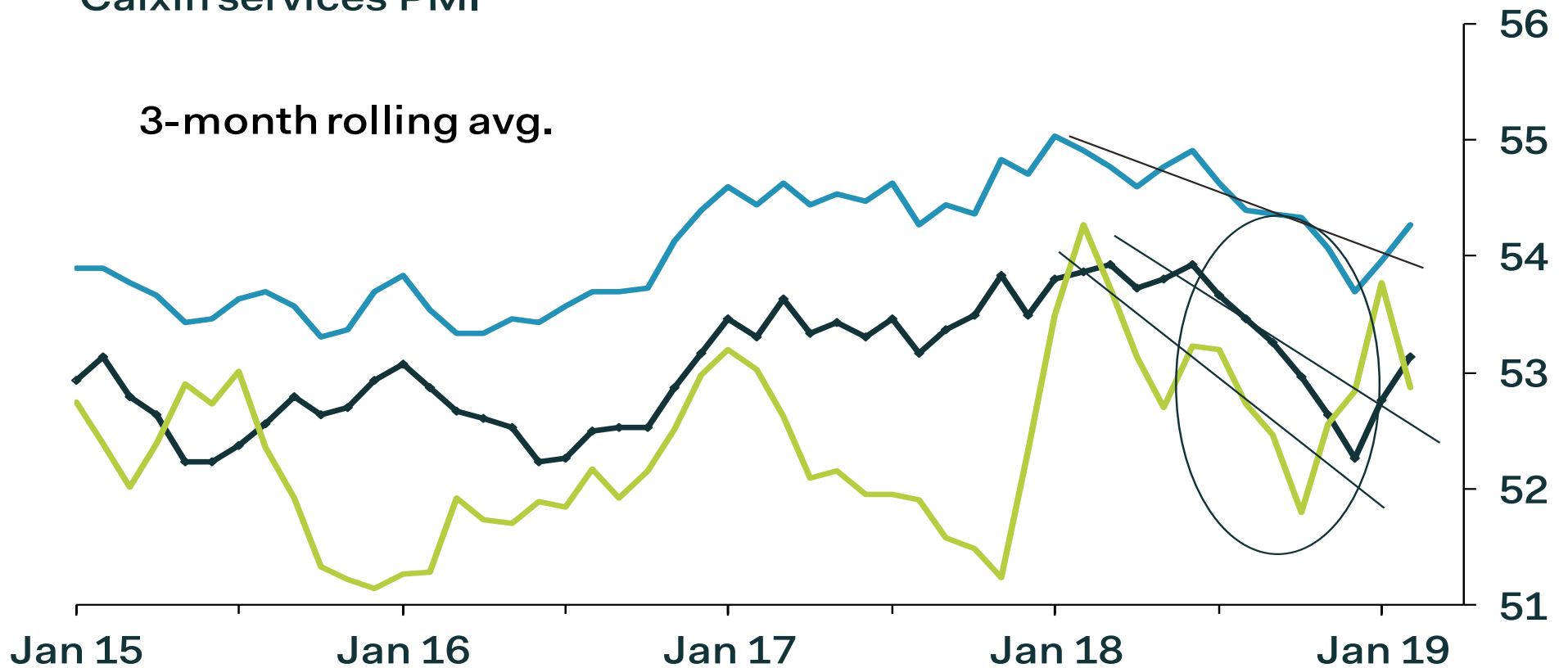






## 16. THE CAIXIN SERVICES PMI SUGGESTS SOME STRENGTH IN THE SECTOR

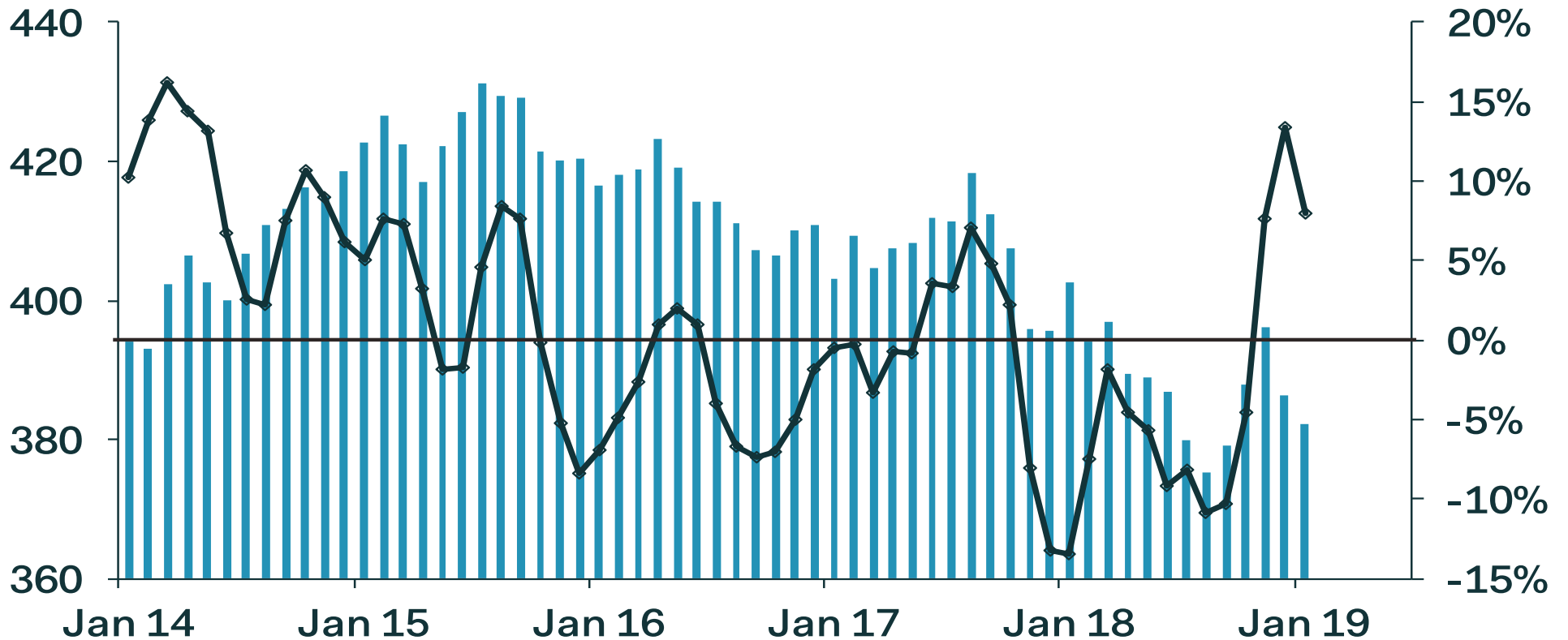
- Official non-manufacturing PMI
- Official services PMI
- Caixin services PMI





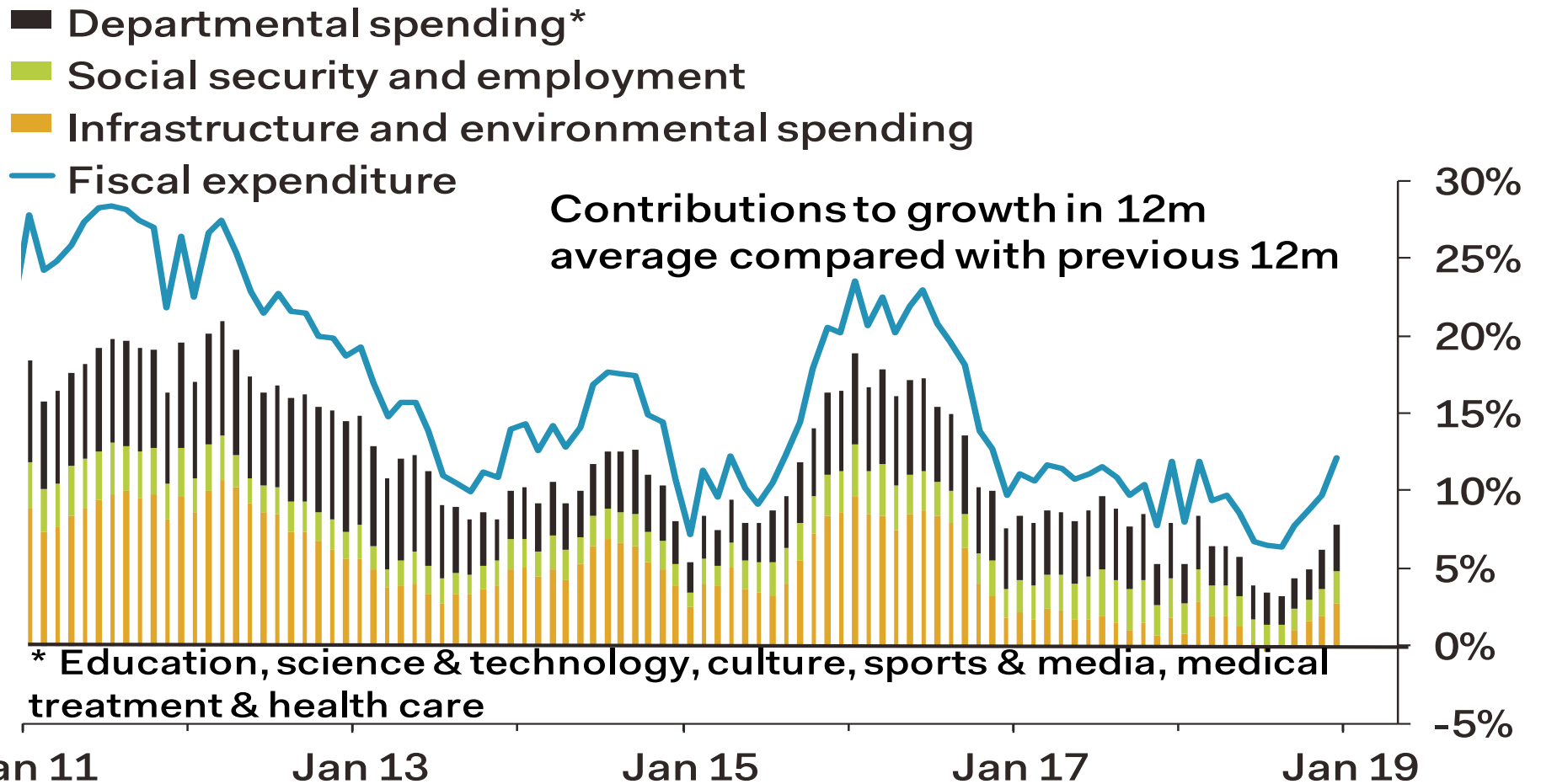
## 17. WE AREN'T WILLING TO ATTRIBUTE THE ONLINE SALES PICK-UP ENTIRELY TO TAX CUTS

- Unique visitors to online shopping websites, Pantheon SA, M (Left)
- ◆ 3m/3m SAAR (Right)



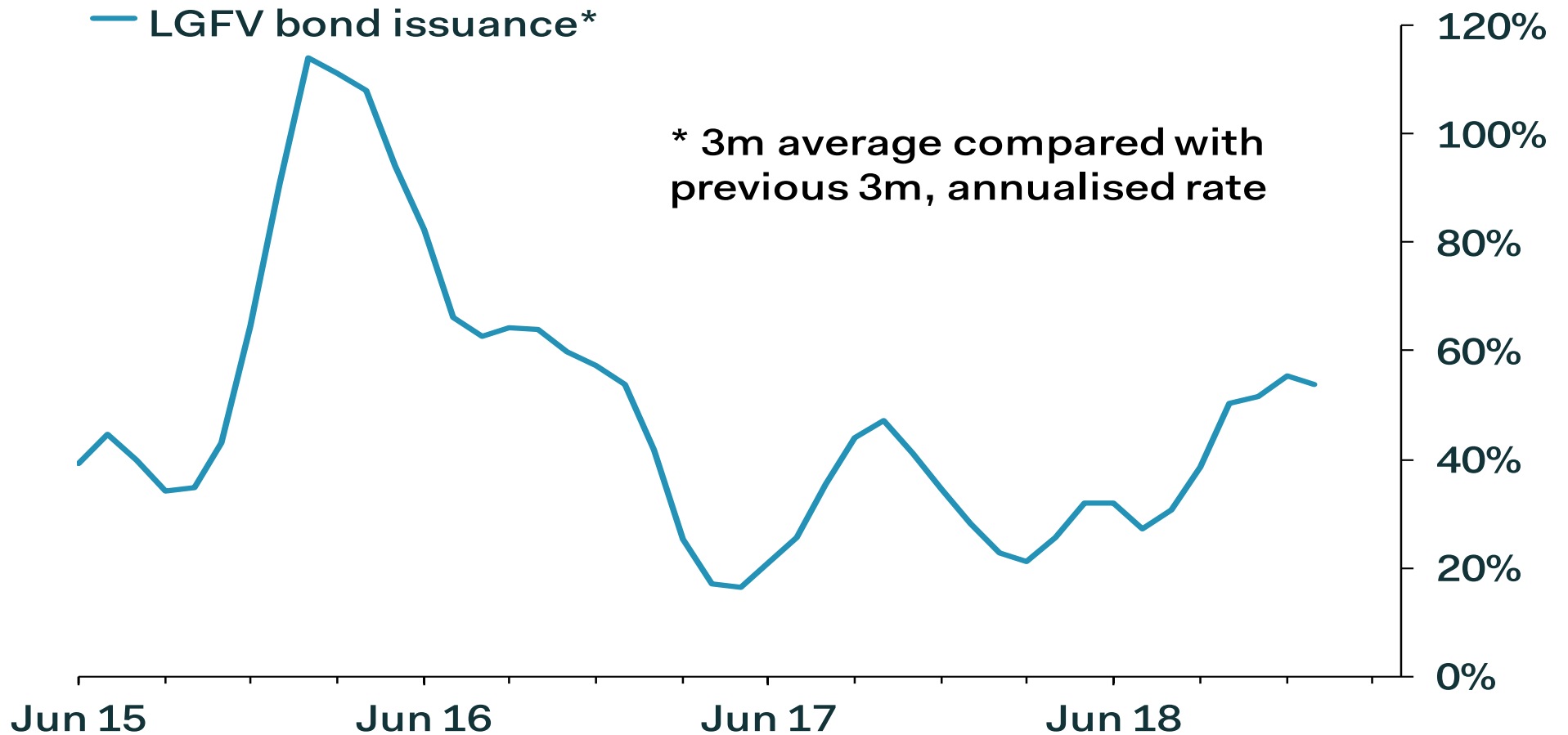


**18. ...AND EXPENDITURE GROWTH IS PICKING UP, LARGELY THANKS TO INFRASTRUCTURE**



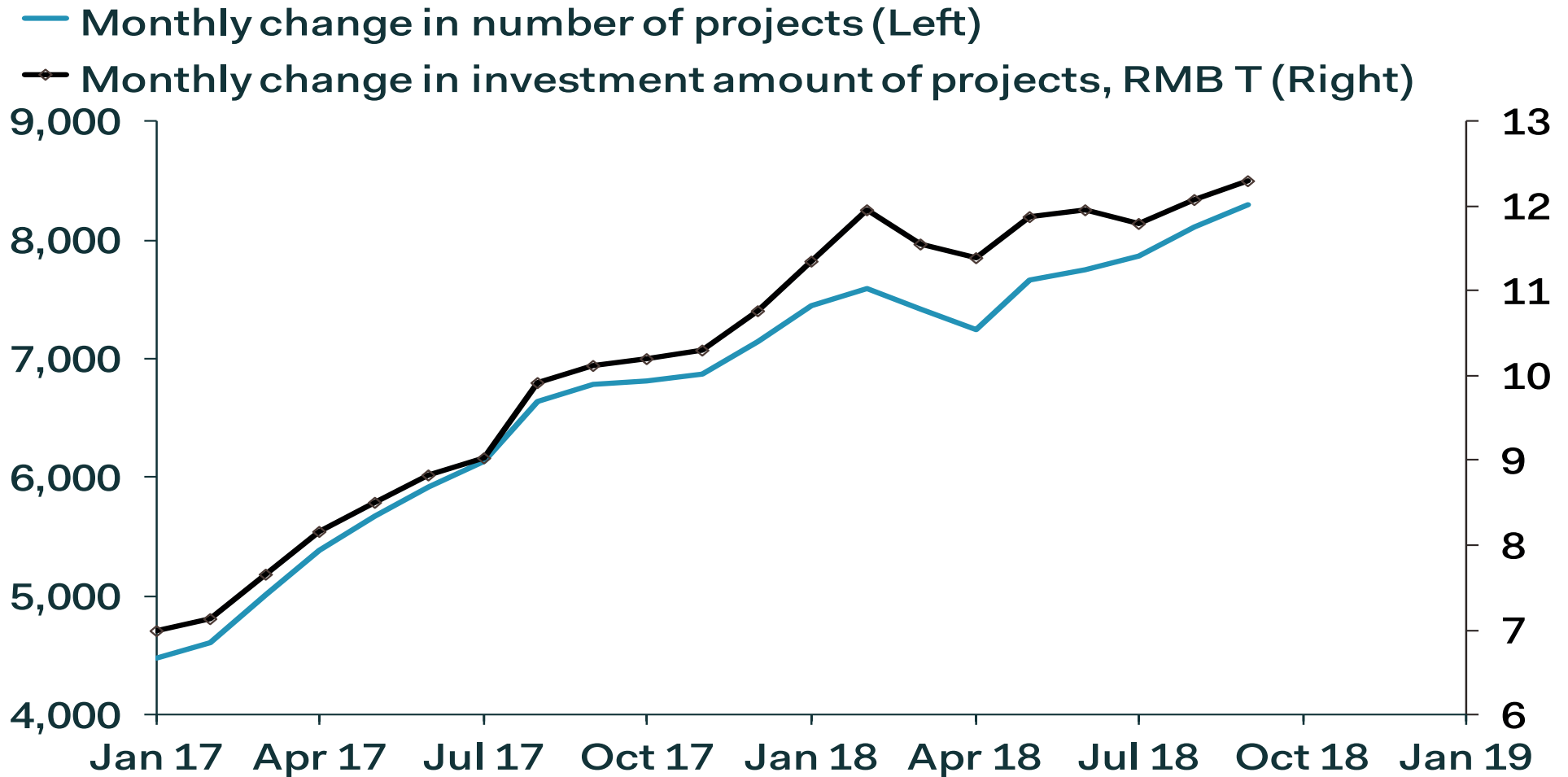


## 19. OFF-BALANCE SHEET SPENDING GROWTH ALSO IS RE-AWAKENING





20. ...WITH PPP SPENDING ALSO REVIVING THROUGH THE SECOND HALF LAST YEAR

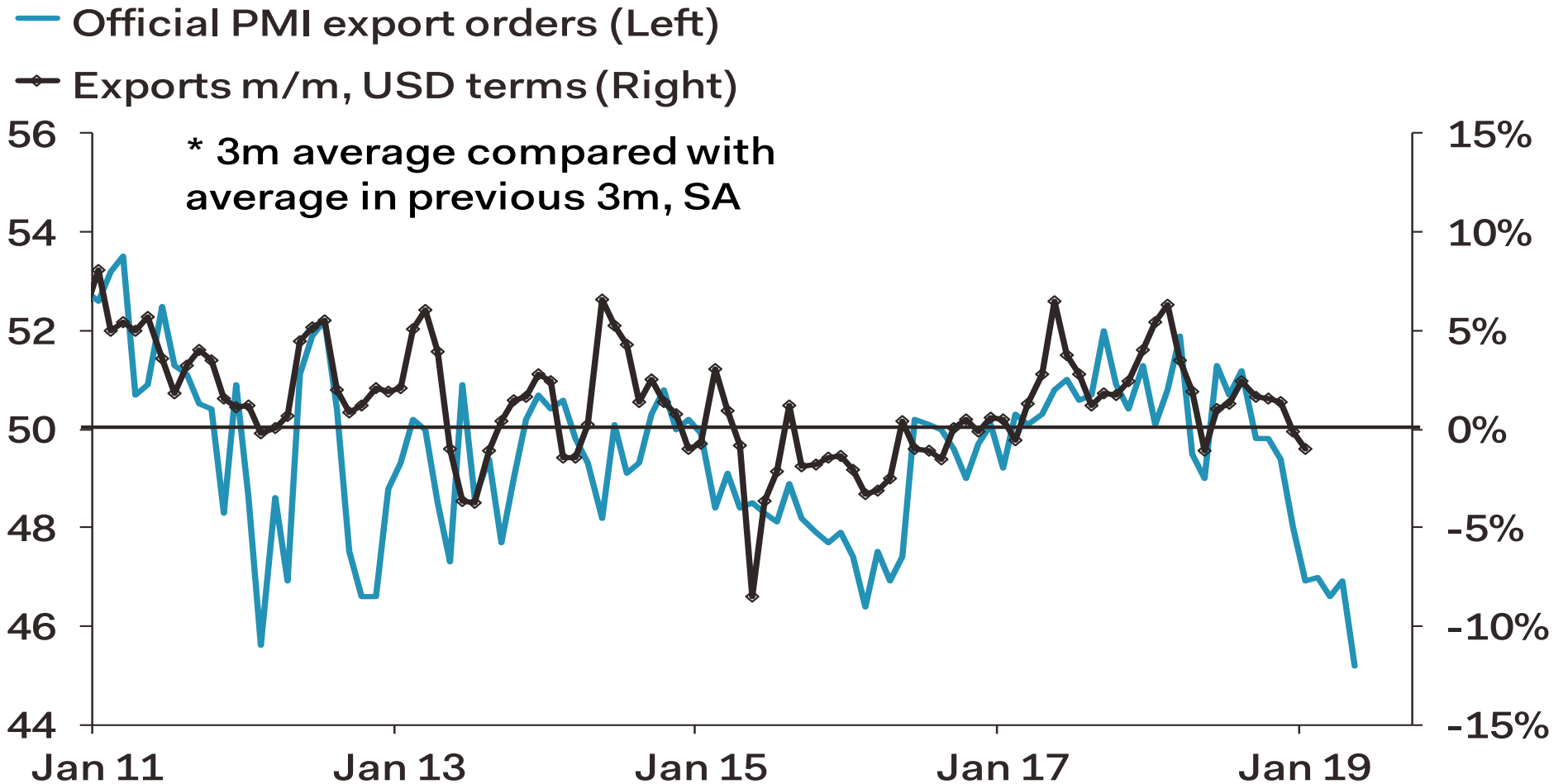


## 21. HOW DOES THIS STIMULUS ROUND COMPARE WITH 2015-TO-16?

	On-balance sheet			Off-balance sheet			
	Expenditure	Revenue	Deficit	Special bonds	LGFV	PPP	GGF/SCF
<b>2014-to-16</b>	Peak y/y growth rate, 2015 Q4 = <b>23.6%</b>	Average y/y growth rate 2015-to-2016 = <b>5.1%</b>	2016 change on 2014, pp of GDP = <b>-2.2pp</b>		Peak y/y growth rate 2016Q3 = <b>80%</b>	<b>Strong growth</b>	2016 change on 2014, pp of GDP = <b>4.5pp</b>
<b>2016-to-2017</b>	Average y/y growth rate, 2016Q3-to-2018Q2 = <b>6.5%</b>	Peak y/y growth rate 2017Q4 = <b>12.9%</b>	2017 change on 2016, pp of GDP = <b>0.2pp</b>		Trough y/y growth rate 2018Q1 = <b>30%</b>	Still strong growth into 2018, but levelled off in 2018H1	2017 <b>Levelled off</b>
<b>2018</b>	Growth rate y/y 2018Q4 = <b>11.0%</b>	Rate of change y/y 2018Q4 = <b>-3.1%</b>	2018 change on 2017, pp of GDP = <b>-0.6pp</b>	Quota = <b>RMB 1.9T</b> , issuance Mar-to-Oct	Growth rate, y/y 2018Q4 = <b>39%</b>	<b>Pick-up</b> from 2018H2	2018 Picked up?
<b>2019</b>	↗	↘	Forecast 2019 change on 2018, pp of GDP = <b>-1.8pp</b>	Quota = <b>RMB 2.15T</b> , issuance Jan-to-Sep	↗	↗	↗

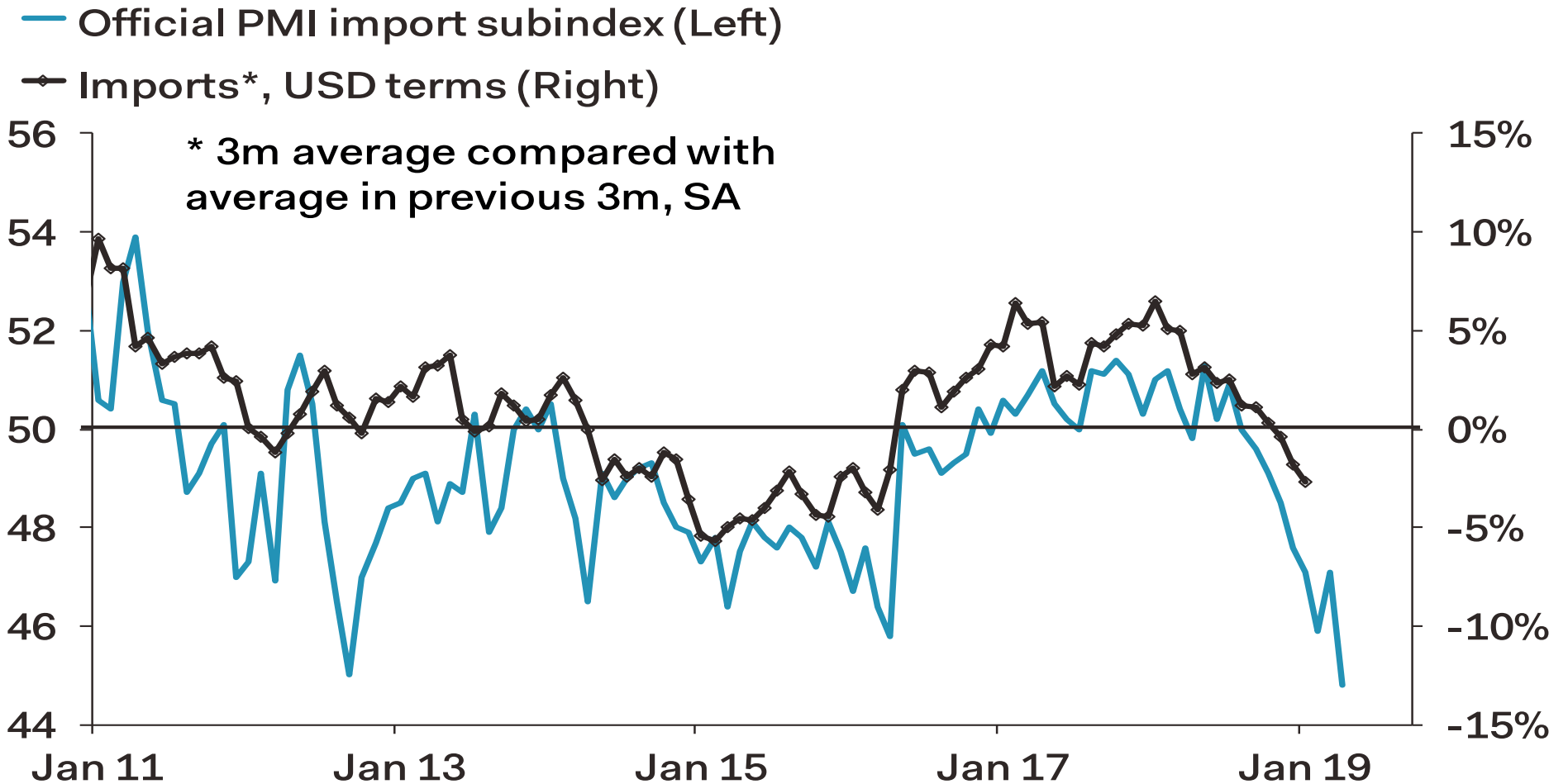


## 22. EXPORTS ARE IN FOR A FURTHER PUMPELLING EVEN IF A DEAL IS REACHED





### 23. THE EFFECTS WILL REVERBERATE THROUGH THE SUPPLY CHAIN







24. IT'S NOT ALL ABOUT TARIFFS, BUT THEY HAVE BEEN A NASTY STING IN THE TAIL

- Official M1\* y/y, advanced 6m (Left)
- Imports adjusted for Chinese New Year

