



## China's Recovery Sped Up By Rebound In Retail Sales

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China's **Industrial Production** accelerated growth by 5.6% YoY in August from a 4.8% growth in July. The strong resumption in production finally made up the hit from the virus outbreak as it registered a gain of 0.4% from a year earlier in the first eight months of 2020. **Retail Sales** rebounded to grow by 0.5% YoY, signaled the coming back of domestic demand, which has stayed negative since March 2020 due to lingering virus and flood disasters. **Urban Fixed Asset Investment** continued to narrow contraction to 0.3% YTD YoY, showing the recovery in investment was steadily in process following a 1.6% YTD YoY shrink in July.

### Details – Overall Recovery On Both Supply and Demand Sides

- Manufacturing Output kept a growth of 6% YoY, while Mining rebounded to rise 1.6% YoY and Power Supply surged by 5.8% YoY.
- Consumer Discretionary Retail Sales showed an overall pick-up. Clothing saw the first growth of 4.2% YoY in 2020, Cosmetics accelerated to 19% YoY, and Daily-Used Items jumped by 11.4% YoY. Meantime, Household Electronics reversed back to grow by 4.3% YoY, Automobiles remained a stable growth of 11.8% YoY.
- The narrowed deterioration in Industrial Investment was stepped up by a continued growth in State-owned Investment of 3.2% YTD YoY (from 3.8% YTD YoY in July) and an ongoing decelerated contraction in Private Investment of -2.8% YTD YoY (from -5.8% YTD YoY in July).

### Recovery Expected To Continue, Rely More On Domestic Demand

China's activity data in August painted a picture of an overall recovery on both supply and demand, especially picked up by a rebound in private consumption. As China's economy has crawled out of damages by the Covid-19 pandemic and flood disasters, recovery is expected to continue. **Looking ahead**, unstable recovery in external demand amid rising tensions with the U.S. forced China to depend more on its domestic market. That said, a strong recovery in domestic demand remains a key driver for a sustainable economic recovery. It leaves more room for the People's Bank of China to put easing policy back on table.

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