

## DECODING CHINA'S ECONOMIC GROWTH: TRENDS AND CHALLENGES AHEAD

China's economy began the year on a strong note, surpassing expectations in the first quarter and raising hopes for a prosperous 2024. Analysts remain optimistic about the economic outlook, attributing the strong start to a solid foundation established in preceding months. However, underlying this apparent strength, there are growing concerns about the sustainability of this growth trajectory. A detailed examination of alternative data-based indicators presents a nuanced perspective, suggesting a shift from the initial momentum observed earlier in the year. While growth surged notably in the first two months, recent data suggests that this momentum is now starting to wane.

### Tracking Chinese GDP trends: QuantCube Nowcast identifies early reversal in February

One of the critical indicators pointing to a slowdown is the shift in Chinese GDP growth trends, as highlighted by QuantCube's GDP Leading indicator. The pronounced increase in GDP observed from December to February, a period that typically coincides with the Chinese Lunar New Year, was supported by significant monetary injections from the Chinese government. However, a noticeable reversal in trends towards the end of February suggests that this growth trajectory may not be sustainable in the long term.

QuantCube's GDP Leading Indicators showed a notable increase from December through the end of February. This growth trend closely parallels the typical patterns observed during the Chinese lunar year and aligns with official figures reporting higher-than-expected GDP growth for China in Q1 2024. However, our GDP Nowcast has identified a distinct trend reversal at the end of February, signaling early indications that this surge may not be sustainable in the long run.

Upon closer examination of the factors behind this downward trend, notable challenges emerge in key sectors of the economy, particularly in consumption and employment. Despite ongoing efforts to shift towards a consumption-driven growth model, the most recent data from QuantCube's Consumption Nowcast highlights a significant decline in consumption, particularly evident in sectors such as recreation as shown in Exhibit 2. It seems that weak consumer confidence and economic instability continue to restrain domestic spending.

### Examining consumption challenges amid China's economic trends

Exhibit 1. QuantCube Leading GDP - China

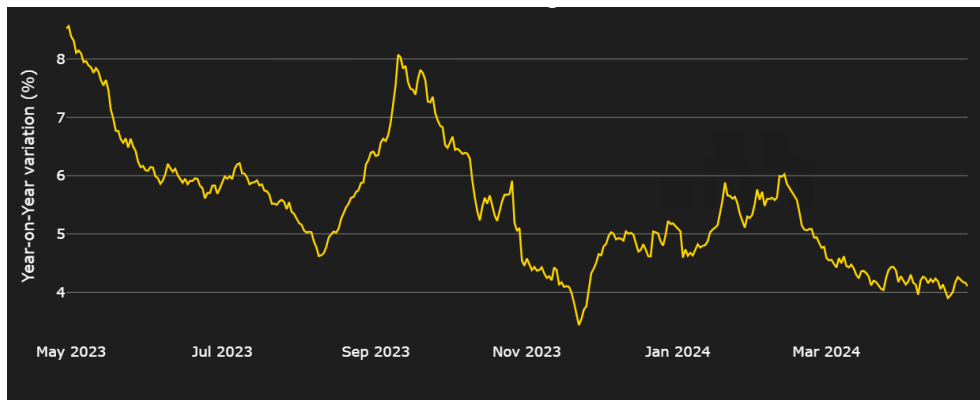
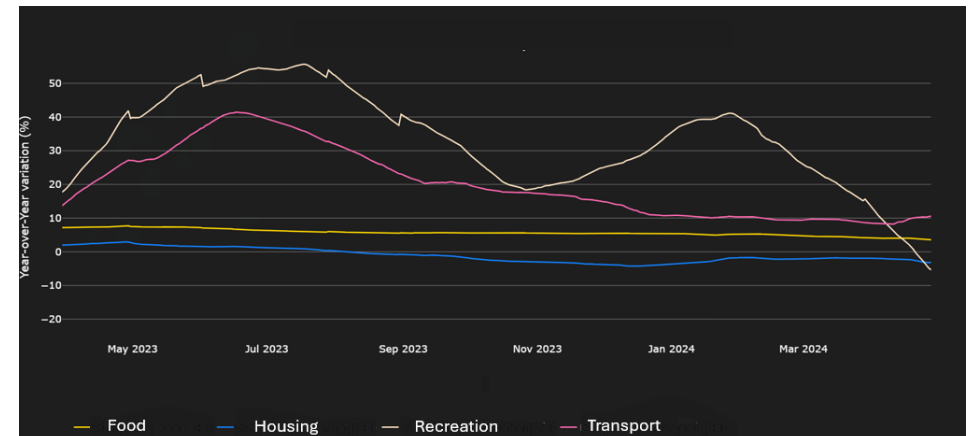


Exhibit 2. Quantcube Sectoral Consumption Nowcast - China



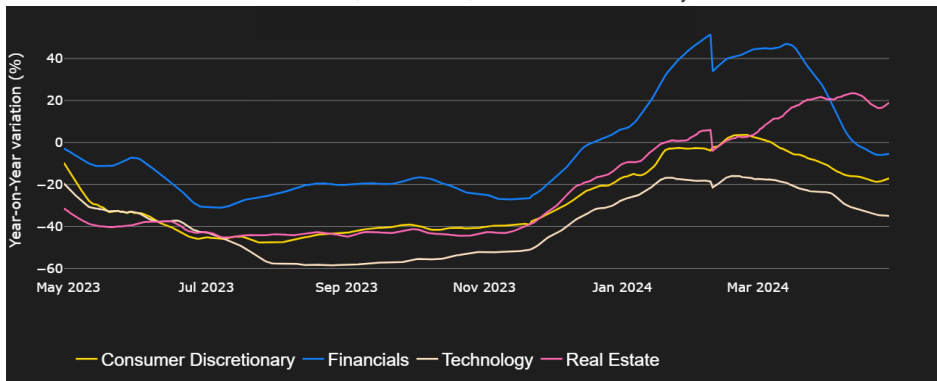
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### Employment trends in China: sectoral divergence

After more than a year since the pandemic, the Chinese labour market continues to show signs of sluggishness. Our Job Openings Nowcast, which monitors job offers from over 300 Chinese companies in real-time, has depicted negative trends from 2022 through late 2023, followed by a brief but ultimately unsustainable rebound.

Recent observations highlight notable disparities across economic sectors, with Technology, Financials, Consumer Discretionary, and Real Estate experiencing pronounced slowdowns as shown in Exhibit 3. The slowdown in the real estate sector is particularly noteworthy, given its substantial impact on consumer spending, with approximately 70% of Chinese household wealth tied to real estate.

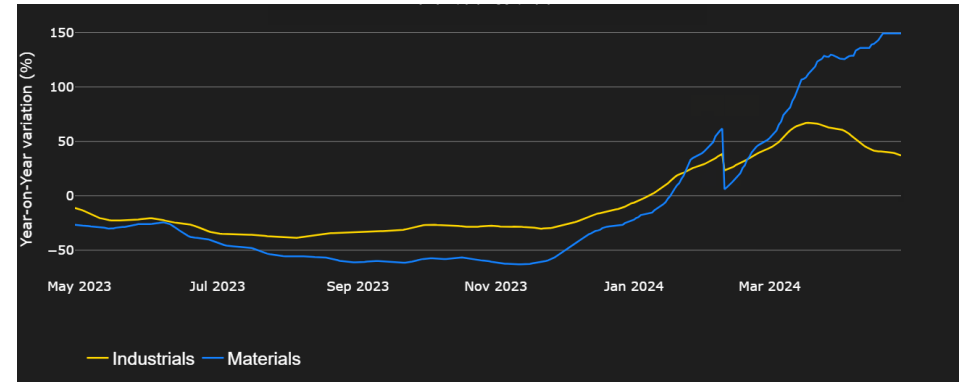
Exhibit 3. QuantCube Sectoral Job Openings Nowcast – Financials, Real Estate, Consumer Discretionary



On the other hand, sectors closely tied to industry, such as Industrials and Materials, have shown positive trends recently as highlighted in Exhibit 4. This improvement can be attributed to recent monetary stimuli that are boosting factory activity as

indicated by the recent rebound in the QuantCube Manufacturing Nowcast. Exhibit 5 showcases the trend evolution of the components of the QuantCube manufacturing Nowcast. Over the last few weeks, we have been observing an

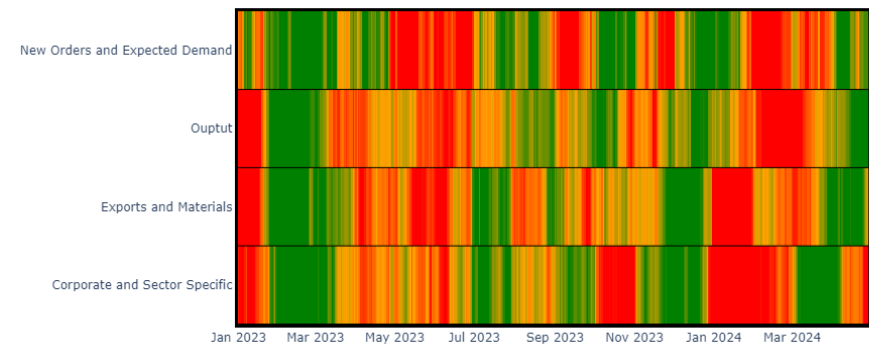
Exhibit 4. QuantCube Job Openings Nowcast – Industrials and Materials



improvement in China's manufacturing activity in terms of output, new orders and exports. The current resurgence in the factory sector is promising, yet tempered by persistent structural challenges.

The recent uptick in factory activity combined with the persisting weak domestic demand, is likely to result in potential oversupply issues, leading to spillovers of industrial overcapacity into export markets.

Exhibit 5. QuantCube Manufacturing Nowcast – Trend Heatmap - China



\* Green: positive trend over the past 30 days  
Red: Negative trend over the past 30 days  
Orange: Neutral trend over the past 30 days

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## COMPANY BACKGROUND

QuantCube analyses billions of alternative data points in real time, using artificial intelligence and big data analytics to deliver insights ahead of the market – giving users an edge in their investment strategies. Today we are the global leader in macroeconomic intelligence nowcasting and in pinpointing macro regime change.

Our vision is to become the standard point of reference for macroeconomic, sector, corporate and environmental intelligence. By delivering timely, comprehensive and actionable economic insights we empower users within financial institutions, corporates and public bodies to reach their financial performance and sustainability goals. Headquartered in Paris, QuantCube employs a diverse international team of economists, quant analysts and data scientists with expertise in multilingual NLP, deep learning and machine learning techniques. The company's shareholders include Moody's and Caisse des Dépôts and its R&D in computer vision has been partially funded by the European Space Agency (ESA) and French government space agency CNES.

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