

China Shakes off COVID Slump in January 2023

Economic activity in China shook off long slump in January following the abrupt lifting of Beijing's zero COVID policy, a positive sign for a global economy that faces a litany of challenges this year. NBBS's official gauges of activity in both manufacturing and services improved sharply, with both sectors rebounding into expansion territory. The data signal fresh green shoots in China's economy, which grew at one of its slowest rates in decades in 2022 as stringent pandemic restrictions upended supply chains, all but halted travel and battered consumer confidence. But in mid-November, Beijing said its main priority would be to revive growth, focusing on consumer spending in particular. Days later, China began to dismantle Covid-19 restrictions, reopening its borders in time for the weeklong Lunar New Year holiday.

IMF Raises China's GDP Forecast

NBS's PMI Swings to Expansion Territory

Non-Manufacturing PMI Surges on Reopening

Production Stabilizing as Measures Relaxed

Chinese Steel Sector Starts Recovering in January

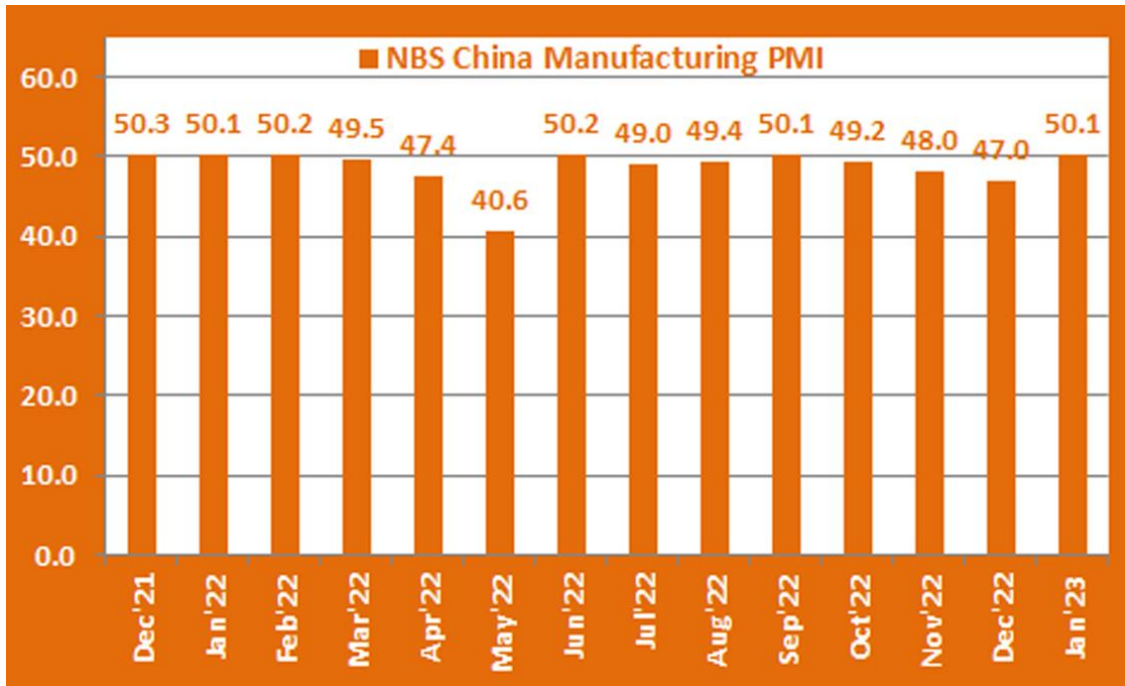
Chinese Steel Prices Gain USD 20-30 in January

IMF Raises China's GDP Forecast

The International Monetary Fund has raised its forecast for 2023 global economic growth, saying China's recent reopening had paved the way for a faster-than-expected recovery and citing resilient demand in the US and Europe and an easing of the energy crisis. The IMF now forecasts the global economy to grow 2.9% this year, from October's projection of 2.7%. China's economy is predicted to expand 5.2% in 2023, against the previous forecast of 4.4%.

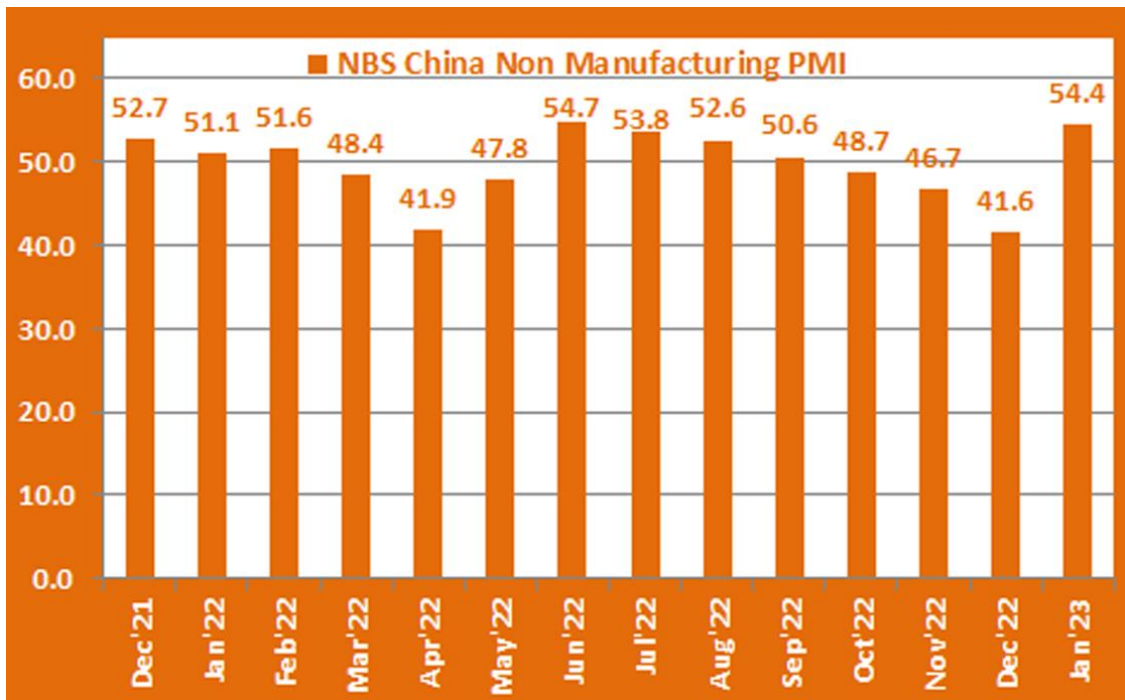
NBS's PMI Swings to Expansion Territory

National Bureau of Statistics said that the Purchasing Managers' Index for China's manufacturing sector came in at 50.1 in January, up from 47 in December 2022, returning to expansion territory for the first time since September 2022. In breakdown, the sub-index for large enterprises stood at 52.3 in January, up 4 points from the previous month. Demand in the manufacturing market also rebounded, with the sub-index for new orders gaining 7 points from a month earlier to 50.9. The sub-index for production stood at 49.8, up 5.2 points from last December.



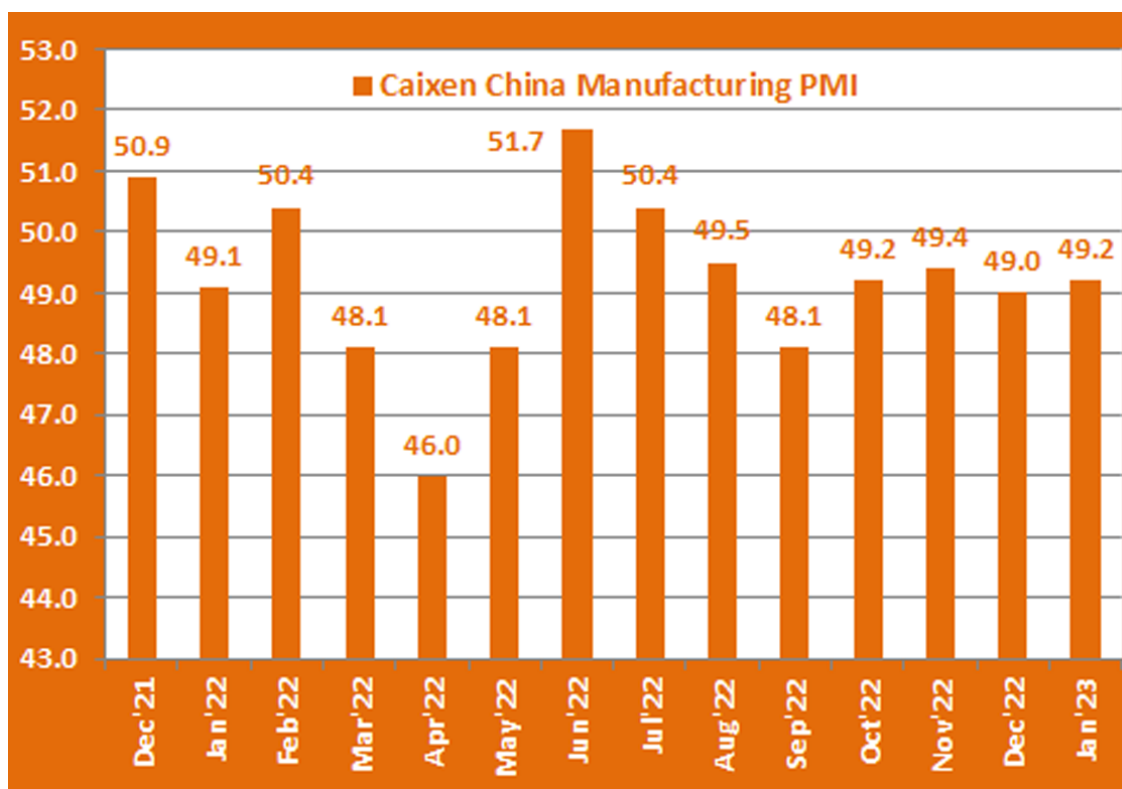
Non Manufacturing PMI Surges on Reopening

National Bureau of Statistics said that the official Non-Manufacturing PMI, which measures business sentiment in the services and construction sectors, rose to 54.4 in January from 41.6 in December, reaching the highest level since June 2022.



Production Stabilizing as Measures Relaxed

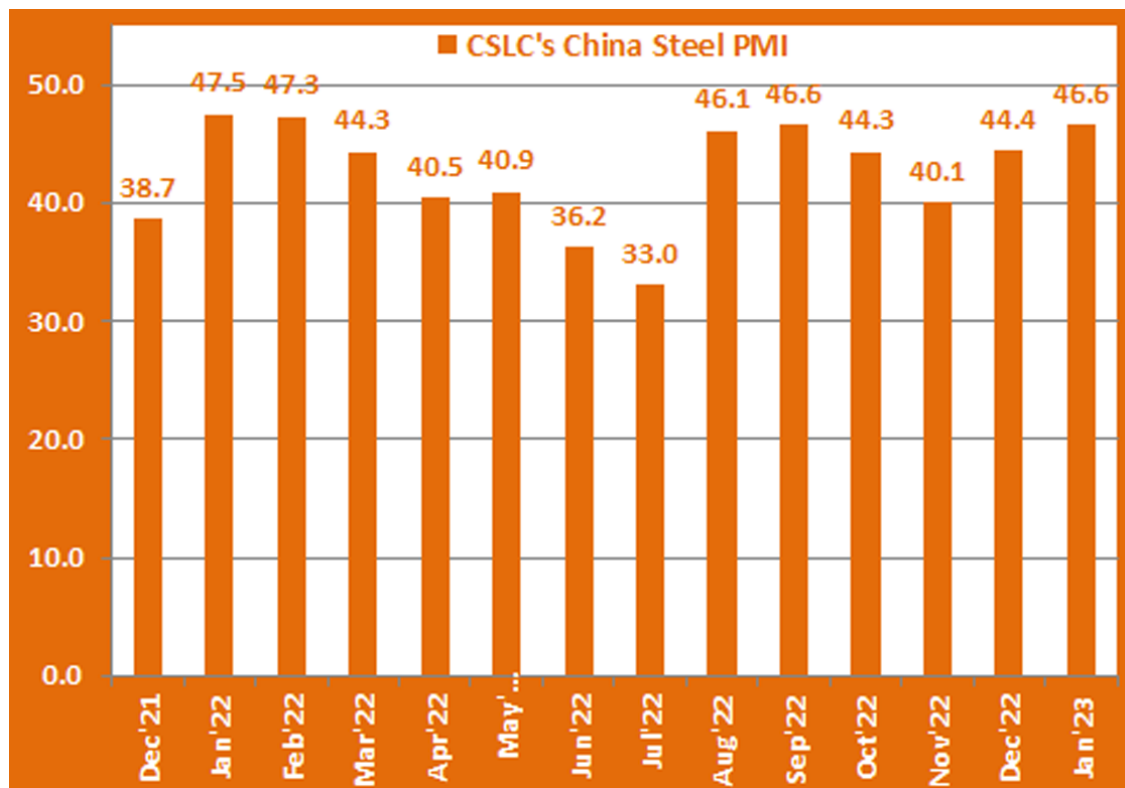
The Caixin China General Manufacturing PMI in January rose 0.2 points from the previous month to 49.2, remaining in contractionary territory for the sixth consecutive month, as manufacturing activity remained sluggish after a shift in Covid-19 control policies. Both manufacturing supply and demand continued to shrink last month, as COVID infections remained high. Output and total new orders shrank for the fifth and sixth straight months, respectively, but the contraction was milder than in December. Due to mounting recession risks overseas, external demand remained weak, with the reading for new export orders also contracting for the sixth consecutive month. Input and output prices diverged for the fourth consecutive month. The rise in input prices was mainly driven by elevated raw material costs, metals in particular, whereas output prices dropped given the sluggish market activity. Meanwhile, output prices at consumer goods makers climbed slightly. However, optimism continued to improve among businesses in January. Overall, the pandemic continued to take a toll on the economy in January. Supply and demand weakened, overseas demand was sluggish, employment declined, and logistics hadn't fully recovered, while the quantity of purchases shrank, inventories dropped, and manufacturers faced growing pressure on profitability. The reading for manufacturers' expectations for future output reached the highest since April 2021. But optimism in the sector continued to improve as businesses expected a post COVID economic recovery.



Chinese Steel Sector Starts Recovering in January

China Federation of Logistics and Purchasing China Steel Logistics Committee Purchasing Managers

Index for the Chinese steel sector was 46.6 in January 2022, up 2.3 points compared to December 2022. In January, the Production Index for the Chinese steel sector stood at 50.2, up 6.8 points higher than that recorded in December. In January, the New Order Index stood at 43.9, 5.0 points higher compared to December, signaling improved demand from downstream users, even though there was a long holiday in the given month. The easing of Covid-19 measures made market players hold an optimistic attitude towards the future prospects for the steel market, and so users built up stocks in January. Moreover, in January, the Index of Raw Material Purchase Prices stood at 66.6, 6.8 points higher than in December. In January, raw material prices moved up, pushing up steelmakers' production costs, while the better expectations for the market made steelmakers increase purchases of raw materials. At the same time, in January, the index of inventories of finished steel stood at 52.8, 11.2 points higher than in December. The easing impact of the Covid-19 pandemic exerted a positive impact on the steel industry, while the demand for steel will continue to improve in February following the long Chinese New Year holiday and the gradual resumption of work on construction sites. Moreover, stimulus policies for the real estate industry have been issued by Chinese government, which will positively affect the demand for steel in February and March. It is thought that the production of steel, demand for steel and iron ore prices may increase in February.



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Boosted by positivity, Chinese domestic steel prices have increased during January 2022
 Billet – CNY 170 or USD 25

Rebar – CNY 200 or USD 30
HR – CNY 120 or USD 18

