Highlights: unlock growth potential

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China's health authority confirmed that close to 60000 people died of Covid-19 related problems between 8 Dec 2022 and 12 Jan 2023. On positive note, the number of visits to China's fever clinics peaked on 23 Dec 2022 at 2.87 million and have subsequently fallen to less than half million on 12 January. In addition, the percentage of fever clinic visitors testing positive for Covid19 also fell from the peak of 33.9% on 20 Dec to 10.8% on 12 January.

The number of severe cases peaked on 5 January at 128000 and fell to 105000 as of 12 January. The use of beds for server cases at 75.3%.

Overall, the latest data confirmed that the worst of China's exit wave has been behind us. Meanwhile, China also confirmed that there are no new variants detected in the recent outbreak.

China's household deposits increased by CNY17.84 trillion in 2022, much higher than the net increase of CNY9.9 trillion in 2021. The sharp increase of household deposit in 2022 implied the pandemic induced excessive savings in 2022. This will provide ammunition to consumption story in 2023 and 2024 should China be able to unlock those excessive savings via restoring confidence.

China's CPI accelerated in December. Nevertheless, the weak pork prices and oil prices are likely to further cap the CPI gain in the next few months. As such, inflation will not be the key constraint to monetary policy in the first half of 2023 though we think it may pose the risk in the second half. As such, first half could be the last window for China to roll out more easing monetary policies.

A total of 23 Chinese provinces and municipal cities have set their growth target for 2023. Given almost all provinces have set their growth target at 5% and above, it is expected that China is likely to set its growth target above 5% in March.

Although the growth target is no longer a golden line after China missed its growth target in 2022 by a big margin for the first time in decades, the number still showed China's commitment to growth amid the wave of downgrade of global growth. Based on the current projection, The economic contribution to global growth is likely to exceed 50% in 2023.

RMB continued to benefit from the global soft-landing hope other than China's reopening hope. Given there is still room to run for dollar's correction, RMB may continue to trade on the strong side ahead of the Lunar New Year holiday. Nevertheless, Fed's tightening bias and China's change of balance of payment expectation may cap RMB's gain in the near term.

Both Hong Kong and Macau kicked start campaigns to boost inbound tourism, after three years of stringent Covid restrictions and border closure. Hong Kong prepared to launch a large-scale global publicity campaign in February. Macau gave away free return ferry or bus tickets for overnight visitors from Hong Kong. According to data released by Macau's Public Security Police, the number of visitor arrivals to Macau on 15 January amounted to around 48,300, the record high since the Covid-19 pandemic.

Key Events and Market Talk	
Facts	**OCBC Opinions**
▪ A total of 23 Chinese provinces and municipal cities have set their growth target for 2023.	▪ The economic power houses such as Guangdong Province and Jiangsu Province have set growth targets above 5% while Hainan Province set its target at 9.5% on the back of hopes on consumption recovery. ▪ Given almost all provinces have set their growth target at 5% and above, it is expected that China is likely to set its growth target above 5% in March. ▪ Although the growth target is no longer a golden line after China missed its growth target in 2022 by a big margin for the first time in decades, the number still showed China's commitment to growth amid the wave of downgrade of global growth. Based on the current projection, The economic contribution to global growth is likely to exceed 50% in 2023.
▪ China's health authority confirmed that 59938 people died of Covid related problems between 8 Dec 2022 and 12 January 2023 based on WHO and international standards.	▪ The average age of Covid related death was 80.3 years old. ▪ The number of visits to China's fever clinics peaked on 23 Dec 2022 at 2.87 million. The number of visits have subsequently fallen to less than half million on 12 January. In addition, the percentage of fever clinic visitors testing positive for Covid19 also fell from the peak of 33.9% on 20 Dec to 10.8% on 12 January. ▪ The number of severe cases peaked on 5 January at 128000 and fell to 105000 as of 12 January. The use of beds for server cases at 75.3%. ▪ Overall, the latest data confirmed that the worst of China's exit wave have has been behind us. ▪ China also confirmed that there are no new variants detected in the recent outbreak.
▪ Hong Kong: To win back tourists and revive the hard-hit tourism sector, Hong Kong prepared to launch a large-scale global publicity campaign "Hello! Hong Kong" in February.	▪ Tourism Board would reportedly offer visitors consumption vouchers for transport, meals and goods in its HK$100 million promotional campaign. In addition, the Board would give out 50,000 free air tickets to travellers visiting Hong Kong. In terms of large-scale conventions and exhibition, Hong Kong had secured over 30 large-scale MICE events, including a handful of flagship events. Meanwhile, major arts, recreational and sport mega events (such as Hong Kong Arts Festival, Art Basel, Hong Kong Marathon and the Hong Kong Seven) will resume to full capacity this year. ▪ ▪ According to the statistics in 2018 (before the social unrest and Covid-19 pandemic), inbound tourism sector accounted for around 3.6% of value added of Hong Kong's economy. Based on experience in other economies (eg. Macau and Singapore), Hong Kong's total visitor arrival may return to around 30% of the pre-pandemic level at the initial phase. The figure may then rise to around 70-80% of the pre-pandemic level by the end of 2023. Nonetheless, factors such as airline capacity and shortage of manpower, will still hinder the pace of revival for inbound tourism sector. Full recovery will more likely to be the story in 2024 instead of 2023. ▪

Key Economic News

Facts	OCBC Opinions
▪ China's CPI accelerated to 1.8% yoy in December from 1.6% yoy in November.	▪ On sequential basis, China's CPI remained unchanged in December as the rise of food prices offset the decline of non-food prices. Food prices rose by 0.5% mom driven by higher vegetable and fruits prices although pork prices continued to decline. Non-food prices fell by 0.2% mom as oil prices continued to drag down the non-food prices. ▪ Looking ahead, the weak pork prices and oil prices are likely to further cap the CPI in the next few months. As such, inflation will not be the key constraint to monetary policy in the next few months.

RMB	
Facts	**OCBC Opinions**
▪ RMB extended its gain with the USDCNH tested 6.70.	▪ RMB continued to benefit from the global soft-landing hope other than China's reopening hope. Given there is still room to run for dollar's correction, RMB may continue to trade on the strong side ahead of the Lunar New Year holiday. Nevertheless, Fed's tightening bias and China's change of balance of payment expectation may cap RMB's gain in the near term.

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