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Q&A with Yi Xiong

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In a new 'Q&A with' Yi Xiong, Chief Economist, Asia reviews China's recent economic performance and shares his insights on what policy makers need to do to stabilize the economy.

Q: How much impact did recent Covid outbreaks have on China's economy?

A: We estimate that China's output growth slowed from 6% in January and February to 3% in March, and further to -2% in April. Activity has begun to improve lately but only at a modest pace. We forecast GDP growth will drop to 0.5% in Q2 from 4.8% in Q1.

Q: What are the risks to the economy?

A: The three major challenges under today's low growth environment are (1) rising unemployment rates, especially among the youth; (2) a prolonged property downturn that raises financial stability concerns; and (3) continued RMB depreciation and capital outflows.

Q: What will policymakers do?

A: We think Chinese policymakers will do whatever it takes to stabilize the economy. They are likely to boost vaccine protection and roll out regular testing in bigger cities to prevent future lockdowns. The fiscal stimulus package could be increased to a size comparable to what was delivered in 2020. The PBOC is likely to cut mortgage rates further and encourage bank property lending to support the housing market.



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Deutsche Bank Research clients can access the full report here:

- [China Macro: China's "Whatever it takes" moment?](#)



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