

*Market Monitor – Chinese Mainland*

## Well-Coordinated Policies to Sustain Economic Recovery



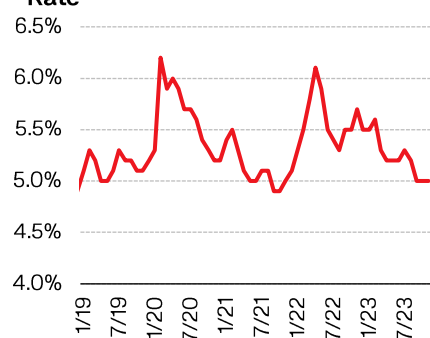
- Economic recovery continued in November 2023, with domestic consumption and industrial production being the major growth stabilisers.
- Enhanced support policies for the property market on various fronts to bolster a stabilising outlook.
- The Central Economic Work Conference in December 2023 signalled the need to strengthen coordination in macro policies to stabilise expectations, growth and employment, thereby extending a stable economic outlook in 2024.

### Domestic demand supported a steady recovery

**The Chinese Mainland economy recovered steadily in November 2023.** Major economic indicators in November showed a pick-up in year-on-year (YoY) growth on the back of a lower base in 2022, when the economy was disrupted by the pandemic. The growth of retail sales and industrial production continued to outpace that of fixed asset investment. The labour market remained stable, with the urban surveyed unemployment rate staying at 5.0% in November 2023 (near the pre-pandemic low of 4.8%). These data figures indicated that overall economic growth for 2023 would exceed the Government's growth target of around 5%.

**Domestic consumption and industrial production were the major growth stabilisers.** The growth of total retail sales accelerated from 7.6% YoY in October to 10.1% in November 2023. Among the goods components of retail sales, automobiles and telecommunication equipment picked up from 11.4% YoY to 14.7% and from 14.6% to 16.8%, respectively. Stronger growth in these big-ticket items was likely boosted by the Singles' Day sales promotion in November. Besides, retail sales of services expanded by 19.5% YoY in the first 11 months of

**Surveyed Urban Unemployment Rate**



Source: CEIC

## Economic Research

2023, accelerating from 19.0% in the first 10 months. Meanwhile, equipment and high-tech manufacturing took the lead in boosting the industrial sector. The value added of industrial enterprises accelerated from 4.6% YoY in October to 6.6% in November 2023, beating market expectations. Specifically, equipment manufacturing rose by 9.8% YoY, and the manufacturing of advanced technology products such as computers, communication & other electronic equipment expanded at a faster pace of 10.6% YoY in November 2023.

### Enhanced policy support bolstered a stabilising outlook for the property market.

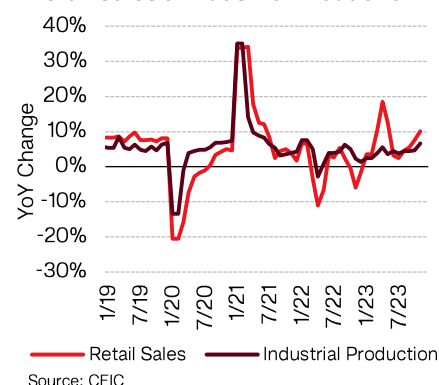
In January – November 2023, the sales of residential buildings decreased by 4.3% YoY (down from -3.7% in January – October 2023). That said, the national real estate climate index stayed at 93.42, the first monthly increase after six months of declines from April and October 2023, signalling a nascent stabilisation. Recently, policy support for the property market has continued to pick up, with new measures spanning from national to local levels. In mid-December 2023, Beijing and Shanghai loosened their housing policies by reducing the down payment requirements and easing the criteria for standard housing. It marked a significant change in policy stance as tier-1 cities used to implement stricter restrictions. Home transactions in these two cities reportedly increased following the recent easing. At the end of December 2023, the People's Bank of China announced a net injection of RMB 350 billion in low-cost funds to policy banks through the pledged supplementary lending facility. The funds are expected to provide stronger credit support for affordable housing and infrastructure construction. At the annual work conference in December 2023, the Minister of Housing and Urban-Rural Development stressed two major objectives for 2024: to stabilise the property market and build a new development model for the property sector. This suggests that future policies will focus on ensuring a healthy development of the property market in 2024.

### Stronger policy coordination and innovation are needed to sustain growth

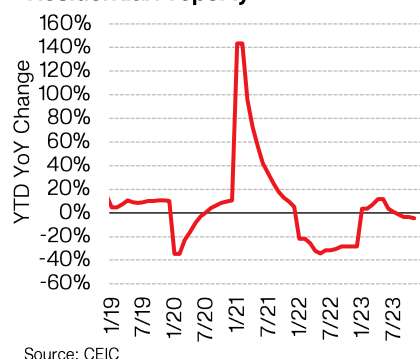
**Well-coordinated policies are expected to sustain growth and promote high-quality development in 2024.** In the Central Economic Work Conference held on 11<sup>th</sup>-12<sup>th</sup> December 2023, the Mainland authorities pledged to ramp up macro policies to stabilise expectations, growth and employment, with a 9-point work plan to pursue high-quality development. In particular, the construction of a modern industrial system through innovation and technology is listed as a top priority. Fiscal and monetary policies will remain supportive and focus on policy efficiency. In late December 2023, major state-owned banks announced plans to cut deposit rates, which would pave the way for lower lending rates. Moreover, as of late December 2023, the National Development and Reform Commission revealed that more than RMB 800 billion out of the RMB 1 trillion additional government bond issuances announced in late October 2023 have been earmarked for thousands of public investment projects. This suggests that infrastructure investment is likely to stay elevated in the coming months. Overall, the Chinese Mainland economy is set to extend its stable recovery momentum in 2024.

January 2024

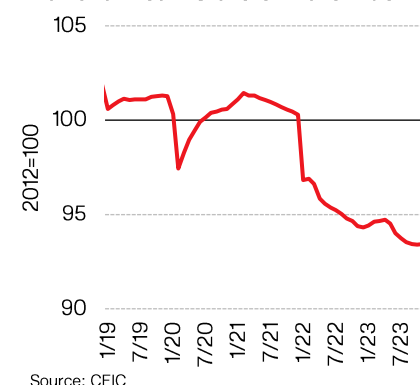
#### Retail Sales & Industrial Production



#### Sales Value of Commercial Residential Property



#### National Real Estate Climate Index



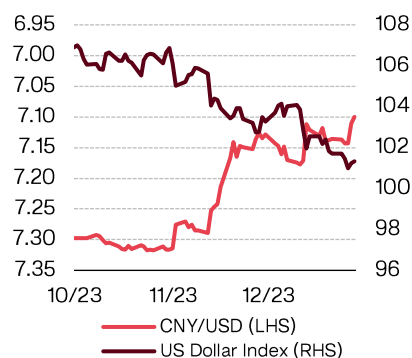
## Economic Research

### Easing financial conditions supported a steady market trend

**Market sentiment stabilised amid easing financial conditions.** Weaker-than-expected inflation data released in early December 2023 led to rising market concerns about the economic recovery. Starting in mid-December 2023, the US Federal Reserve took a dovish pivot by signalling more rate cuts in 2024 than its previous forecasts. This sparked risk-on sentiment, causing the USD to weaken. Along with stable monthly economic readings in 2023, the RMB gradually held up. Also, there were rising expectations of strong fiscal expenditure ahead, lifting market risk appetite to drive a pick-up in the equity market towards the end of December 2023. The Shanghai Stock Exchange A-Share index declined by 1.8% in December 2023, while onshore and offshore RMB appreciated slightly by 0.5% and 0.3% against the US dollar compared to the previous month, with the CNY and CNH closing at 7.1 and 7.1258 per US dollar, respectively.

January 2024

RMB/USD vs US Dollar Index



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