

*Market Monitor – Chinese Mainland*

## Enhanced Consistency in Macro-Policy for Economic Stability



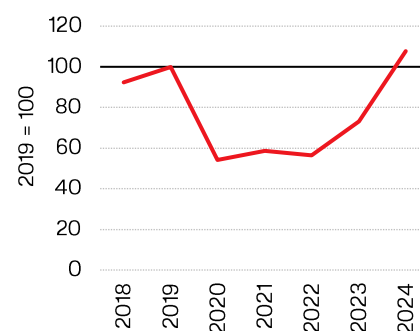
- Buoyant travel activity during the Chinese New Year (CNY) holiday signalled a steady recovery of consumption.
- The Mainland authorities stepped up their efforts to revive property market confidence with a 25-basis point (bps) rate cut on the 5-year Loan Prime Rate (LPR).
- The Government Work Report sets the GDP growth target for 2024 at around 5.0% and calls for enhanced consistency in macro-policy orientation to ensure stability and promote high-quality development.

### Buoyant holiday travel activity signalled a steady consumption recovery

**Buoyant travel activity during the CNY holiday signalled a steady recovery in consumption.** The 2024 CNY festive period witnessed a further release of pent-up demand for travel, with total domestic trips and tourist spending reaching 474 million and RMB 632.7 billion, respectively. Most notably, the two figures were above their corresponding pre-pandemic levels in 2019 by 19.0% and 7.7%, respectively. In addition, CNY box office ticket sales were estimated to attain a new high of RMB 8 billion. These figures reflect a robust demand for various service activities such as catering, accommodation and entertainment during the holidays. Overall, consumption is likely to continue a steady recovery.

**Survey indicators showed a further pick-up of economic activity in the first two months of 2024.** The official composite purchasing managers' index (PMI) stayed at 50.9 in both January and February 2024, higher than 50.3 in December 2023. The services sector remained a major growth driver in early 2024, led by strong festive sentiment and increased people's mobility. The services PMI returned to expansionary territory at 50.1 in January 2024 and further advanced to 51.0 in

**Tourism Revenue during Spring Festival**



## Economic Research

February. Meanwhile, the manufacturing sector was muted, with the manufacturing PMI at 49.1 in February, staying in contractionary territory for the fifth month. But the manufacturing PMI's high-tech sub-index was at 50.8 in February, the fourth month of expansion. This reflects the continued push for industrial upgrades and advanced manufacturing.

**Credit support intensified at the start of the year.** In January, new total social financing and new RMB loans surged to their new highs, at RMB 6.5 trillion and RMB 4.9 trillion, respectively. Both figures were stronger than market expectations. The increase in new RMB loans was mainly driven by the new medium-to-long-term loans for enterprises (RMB 3.3 trillion), which is widely viewed as an indicator of business investment appetite. On a year-on-year (YoY) basis, the outstanding balances of total social financing rose by 9.5% in January.

**The Mainland authorities are stepping up efforts to stabilise the property market.** Market demand is yet to show a visible rebound. Property sales among the top 100 developers remained in contraction in the first two months of 2024. That said, the Mainland authorities are taking stronger policies to support the property market. Since January, more "whitelist" projects have been approved to ensure sufficient funding for their completion. In mid-February, the People's Bank of China (PBoC) announced a surprise cut of 25-bps to the 5-year LPR, which would lower mortgage costs for homebuyers. The scale of the LPR cut has been unprecedented since its launch in 2019. This indicates the policy's determination to revive confidence and boost property demand.

### The Government Work Report 2024 calls for enhanced consistency in macro-policy orientation to ensure stability

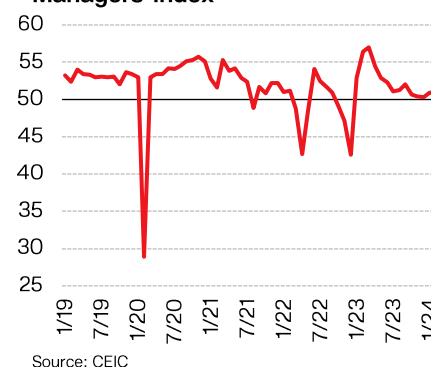
**Economic stability continues to be the policy focus.** On 5<sup>th</sup> March 2024, Premier Li Qiang released the Government Work Report 2024, which outlines the key economic targets and policy priorities for the year. Major economic targets for 2024 are largely the same as last year (GDP growth: around 5.0%; surveyed urban unemployment rate: 5.5%; CPI inflation: 3.0%). This reflects the policy goal of ensuring economic stability in 2024.

**The Chinese Mainland stressed enhancing consistency in macro-policy orientation along with proactive fiscal and prudent monetary policies.** In order to meet the above targets, a focus is placed on upgrading the Chinese Mainland's economic structure and solidifying the foundation for long-term sustainable development through transforming the growth model, making structural adjustments, improving quality and enhancing effectiveness.

The proactive fiscal policy will be intensified with improvements in quality and effectiveness. The target of deficit-to-GDP remains at 3%, and the target for special-purpose local government bond issuance is raised by RMB 100 billion to RMB 3.9 trillion in 2024. Issuances of regular, ultra-long special treasury bonds from 2024 and over the next few years (an expected amount of RMB 1 trillion in 2024) will provide additional fiscal support by funding major projects for national

## March 2024

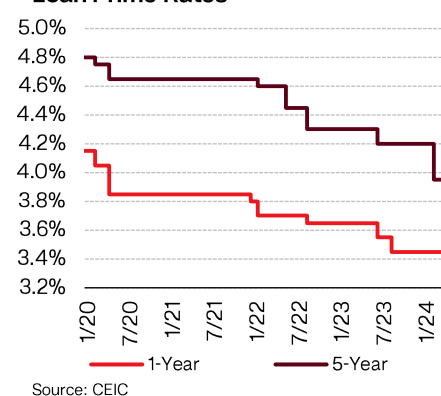
**Official Composite Purchasing Managers' Index**



**Total Social Financing (Outstanding)**



**Loan Prime Rates**



## Economic Research

March 2024

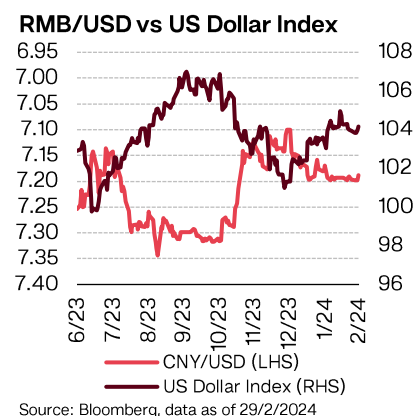
development. Going forward, infrastructure investment will remain a major stabilising force for the economy.

Prudent monetary policy will be implemented in a flexible, appropriate, targeted and effective way. Specifically, the authorities will ensure adequate liquidity and guide a steady decline in financing costs. At a press conference during the "Two Sessions", the PBoC Governor said that there is room for the reserve requirement ratio to be cut further, which hints that more monetary easing can arrive in the future.

Moreover, among the 10 major tasks in the Government Work Report, the development of a modernised industrial system and new quality productive forces is placed as the first policy priority, followed by enhancing science & education. Having these two tasks at the top reveals that the Central Government is increasingly focusing on accumulating long-term sustainable productive forces through advancing the nation's technology and innovation capacity.

### Improving market confidence drove a sharp rebound

**Stronger policy efforts helped boost investor confidence.** In early February, the China Securities Regulatory Commission stepped up its measures to curb short-selling activities and warned against malicious short-selling. Later in mid-February, an unexpected rate cut on the 5-year LPR fuelled a further rise in market confidence and boosted expectations for stable property market development ahead. Meanwhile, buoyant travel and spending data during the CNY holiday increased the positive sentiment for a steady economic recovery. The Shanghai Stock Exchange A-Share index rebounded by 8.1% in February, as compared to the previous month. Both onshore and offshore RMB depreciated slightly by 0.3% against the US dollar in February compared to the previous month, with the CNY and CNH closing at 7.1886 and 7.2078 per US dollar, respectively.



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