

Economic QuickView



Chinese Mainland Economy: Recovery momentum sustained in April, driven by strong industrial production

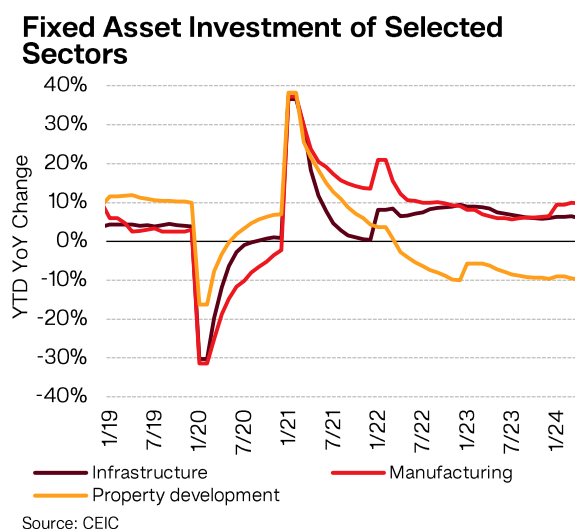
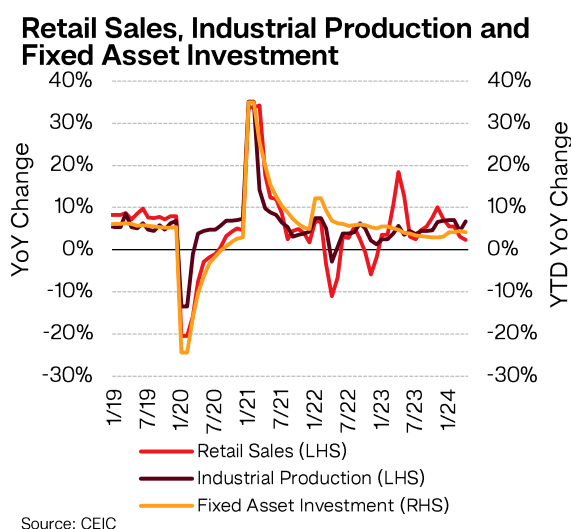
- Robust industrial production and improving external demand supported stable growth.
- Investment maintained steady growth, while consumer spending softened owing to a higher base of comparison and seasonal impacts.
- Support policy for the property market is intensifying on multiple fronts.

The Chinese Mainland economy maintained a stable recovery trend in April, led by the industrial sector. During the month, major monthly economic indicators showed divergent growth patterns, reflecting a higher base of comparison from a year ago, as well as the differing timing of holidays. Industrial production accelerated markedly, serving as a major growth driver, while the growth of retail sales and fixed asset investment (FAI) moderated slightly. Overall, Chinese Mainland economic fundamentals continued to improve. Most notably, the surveyed urban unemployment rate eased to 5.0% in April, down from 5.2% in March, pointing to stable labour market conditions.

Industrial production grew strongly amid policy support and improving exports. The value-added of industrial enterprises accelerated from 4.5% year-on-year (YoY) in March to 6.7% in April (exceeding market expectations). On a month-on-month (MoM) basis, industrial production was up sharply by 0.97%. In addition, structural transformation continued to be seen, with high-tech and equipment manufacturing rising further from 7.6% YoY in March to 11.3% in April and from 6.0% to 9.9%, respectively. The outperformance of high-end industries underscored the concerted policy efforts to promote digitalisation, green transition and structural upgrades to build a modernised industrial system. Moreover, the production of some emerging high value-added products surged in April, such as semiconductors (+31.9%), industrial robots (+25.9%), automobiles (+15.4%), and solar cells (+11.1%). Improving external demand also played a role in boosting industrial production, with the nominal export delivery value of industrial products rising sharply from 1.4% YoY in March

to 7.3% in April.

Investments maintained steady growth. Total FAI expanded by 4.2% YoY in January – April, compared to 4.5% in January - March. According to the National Statistics Bureau (NBS), the moderation was due to adverse weather conditions in certain southern regions, where construction works were disrupted. Among the major industries, manufacturing and infrastructure FAI sustained faster growth at 9.7% YoY and 6.0% in the first four months of 2024, respectively, while property FAI contracted by 9.8%. It is worth noting that the policies to encourage equipment renewals have led to a strong growth in the purchase of equipment and instruments, which grew by 17.2% YoY.



Consumer spending softened owing to a higher base of comparison and seasonal impacts. Total retail sales slowed from 3.1% YoY in March to 2.3% in April. The slowdown reflected the high base in 2023, and there were two days of holidays less in April 2024 due to the differing timing of the May Golden Week holidays in 2023 and 2024. The NBS estimated that the seasonal impacts would cause the YoY growth of overall retail sales to slow by more than 1 percentage point in April. On a MoM basis, total retail sales were steady, growing by 0.03% in April. Going forward, consumer spending should have picked up pace in May given the boost from the Golden Week holidays.

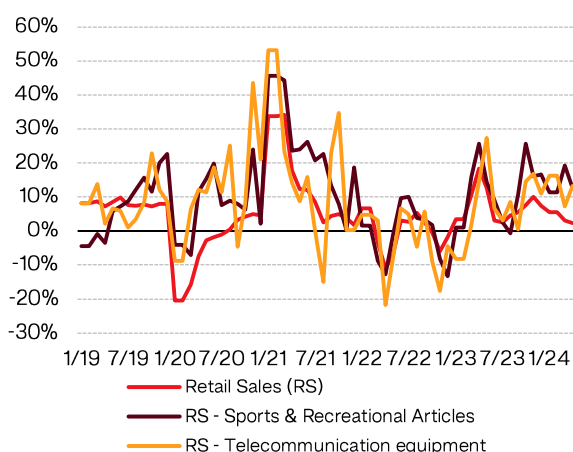
Support policies for the property market are intensifying on multiple fronts. At present, the property market remains in a consolidation phase. In January – April, property-related indicators continued to contract: the sales of residential buildings (-31.1% YoY), the funds for real estate development investment (-24.9%) and the floor space of newly started residential buildings (-25.6%). To address the recent changes in market dynamics, the Mainland authorities are rolling out a new round of support measures to shore up the property market and take a stronger response to better utilise existing housing inventory. On 17 May, the People's Bank of China (PBoC) stated that it would establish a nationwide relending programme worth RMB 300 billion to policy banks, state-owned commercial lenders and joint-stock banks at a rate of 1.75%. These lenders will be encouraged to extend financing (estimated to reach RMB 500 billion) to state-owned enterprises for purchasing unsold finished homes at reasonable prices. These residential units will then be converted into affordable housing. Meanwhile, the PBoC announced various easing measures to further unleash home demand, including: removing the floor on mortgage rates, reducing the

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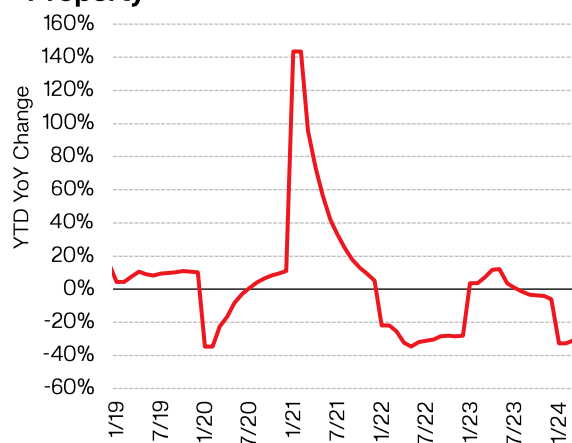
17 May 2024

interest rates for individual housing provident fund loans by 25 basis points, and lowering the minimum down-payment ratio for first-homes (from 20% to 15%) and second homes (from 30% to 25%). Furthermore, more local governments (Hangzhou and Xi'an) fully lifted their home purchase restrictions in early May. After that, home purchase restrictions only continue to be in force in tier-1 and a couple of cities. With the implementation of stronger policy support, the property sector looks set to stabilise gradually ahead.

Retail Sales of Selected Sectors



Sales Value of Commercial Residential Property



Macro policies remain supportive to drive a steady recovery ahead. During the State Council meeting in mid-May, Premier Li Qiang called for the use of ultra-long special treasury bonds to support the implementation of major national strategies and enhance capabilities in targeted areas, such as the development of core technology and the strengthening of energy security. This hints at an expansionary fiscal stance with strong public investment in the future. In the meantime, the Ministry of Finance announced it would start issuing ultra-long special treasury bonds with tenors of 20 years, 30 years and 50 years from 17 May 2024 onwards. On the monetary front, the PBoC has recently reinforced its stance to flexibly deploy its monetary tools, with possible cuts in the reserve requirement ratio and interest rates to provide credit support to the real economy and various targeted sectors. In addition, the State Council recently adopted an action plan to scale up support for the digitalisation and transformation of the manufacturing sector, particularly for SMEs. The action plan will complement the measures to promote investment in equipment renewals and technology upgrade projects. With ample policy room and an abundant tool reserve, the Chinese Mainland economy is poised to attain the growth target of around 5% in 2024.

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