

Market Monitor – Chinese Mainland

Strong Macro-policy Likely Sustains Solid Growth Momentum



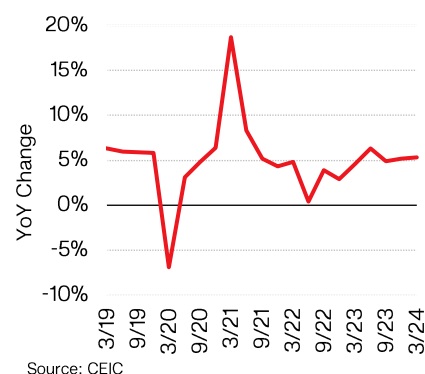
- Recovering external demand and robust consumer spending contributed to a solid GDP growth of 5.3% YoY in Q1.
- Monthly retail sales and industrial production moderated somewhat in March, while infrastructure and manufacturing investment maintained rapid growth.
- The Politburo meeting signalled the implementation and well-coordination of macro-policy support as well as more forceful measures to stabilise the property market.

Solid growth in Q1 with an improvement in external trade

The Chinese Mainland economy gained traction in Q1. Gross domestic product (GDP) growth accelerated from 5.2% year-on-year (YoY) in Q4 2023 to 5.3% in Q1 2024. Among major economic components, final consumption remained the primary growth driver, contributing to 73.7% of GDP growth in Q1. Most notably, the contribution of net exports turned positive (14.5% of GDP growth) in Q1, after posing a drag on GDP growth for 5 consecutive quarters. The improvement in external demand also delivered a boost to manufacturing and investment activity. Gross capital formation accounted for 11.8% of GDP growth in Q1.

Monthly economic indicators moderated somewhat in March. Due to an uneven comparison base a year ago, overall retail sales and industrial production softened to 3.1% YoY and 4.5% in March, down from 5.5% and 7.0% in January – February. In addition, fixed asset investment (FAI) accelerated from 4.2% YoY in January – February to 4.5% in Q1. This was likely to be driven by higher fiscal spending amid the issuance of an additional RMB 1 trillion of sovereign bonds last year. And private FAI stabilised further with modest growth.

Chinese Mainland GDP Growth



Economic Research

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Structural transformation is underway to achieve sustainable growth. A new consumption pattern leaning towards service-oriented experiences is on the rise, such as catering, accommodation, entertainment, and tourism. In Q1 2024, retail sales of services continued to grow rapidly by 10.0% YoY, outpacing those of commodity goods (+4.0%). In addition, the Mainland authorities have prioritised developing a modernised industrial system as their top policy focus, which emphasises the development of innovation & technology to accelerate new industrialisation and uplift productivity. Boosted by policy support, investment and manufacturing in high-tech sectors grew rapidly by 11.4% and 7.5% YoY in Q1, fostering the nation's capability in advanced technology. These advancements will support the transition of the Chinese Mainland's growth model from property-driven to a wider array of high-value-added activities.

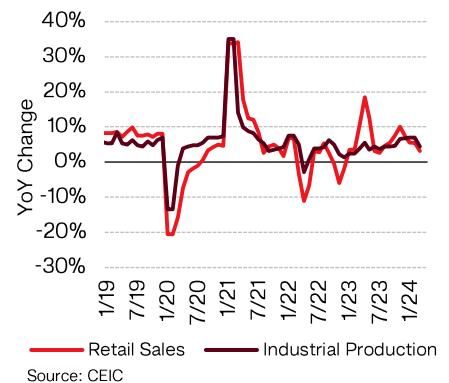
The property market continued to undergo a process of consolidation and adjustment. In Q1 2024, the sales of residential buildings contracted by 30.7% YoY, and the official measures of home prices continued to hover at low levels. For 2024, the Central Government clearly stated its commitment to stabilise the property market and accelerate the development of a "market-based + affordable housing" dual-track system. Moreover, the local governments have further enhanced their policy support on multiple fronts, including increasing the quota for provident fund loans to buy homes (e.g. in Guangzhou & Beijing), and further relaxing home purchase restrictions (e.g. in Beijing & Chengdu). And there are media reports that some tier-1 cities (e.g. Shanghai, Shenzhen, and Guangzhou) are assessing the idea of launching a "trade-in" policy for commercial residential properties. Given the boost from various policy measures, along with an accommodating monetary environment and a steady economic recovery, the property market is likely to gradually stabilise moving forward.

Survey indicators point to a sustained recovery in early Q2. In April, the official manufacturing purchasing managers' index (PMI) stayed in expansionary territory for the second straight month at 50.4, slightly lower than 50.8 in March. The sub-index for manufacturing production edged up from 52.2 to 52.9 in April, signalling a further pick-up in manufacturing output. Meanwhile, the sub-index for new orders and new export orders in the manufacturing sector continued to expand but retreated to 51.1 and 50.6 in April. The services sector recorded modest growth with its PMI at 50.3, while the construction PMI stayed elevated at 56.3, probably driven by government-supported infrastructure investment. Overall, the composite PMI registered at 51.7 in April, pointing to a stable growth outlook.

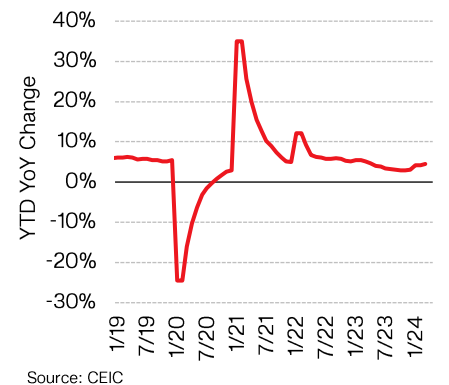
The Mainland authorities signalled implementation and well-coordination of forceful macro-policies

A supportive policy environment continues to solidify growth momentum. Since mid-April, various authorities have jointly unveiled action plans to promote consumption of automobiles and green & smart appliances and to boost equipment investment and digital transformation. The China Securities Regulatory Commission also formulated 16 measures to broaden financing

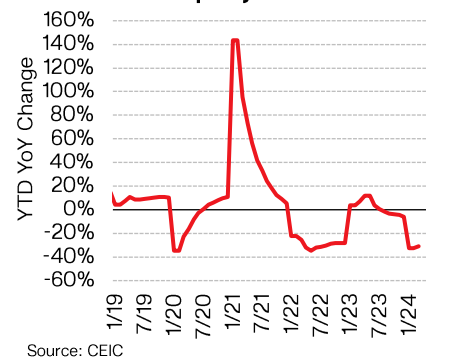
Retail Sales & Industrial Production



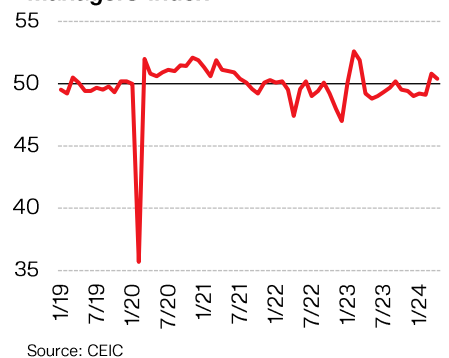
Fixed Asset Investment



Sales Value of Commercial Residential Property



Official Manufacturing Purchasing Managers' Index



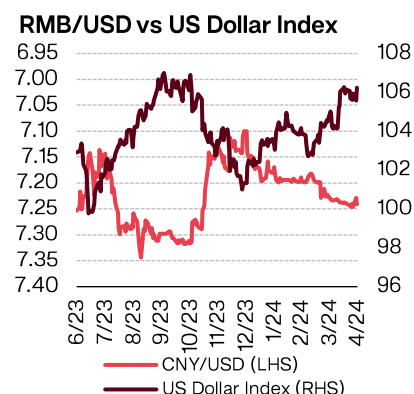
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support for tech companies through various capital market activities such as IPOs, M&As, bond issuance and private equity investments. The latest Politburo meeting in late April called for a continuous implementation of proactive fiscal policy and prudent monetary policy, with faster issuance of ultra-long special sovereign bonds and local government special-purpose bonds, as well as a flexible deployment of monetary tools like interest rates and reserve requirement ratios. The meeting also underscored expanding domestic demand and fostering new quality productive forces. Additionally, the meeting emphasised the need to prevent and defuse major risks, particularly in addressing housing inventories and ensuring debt-laden provinces and cities reduce their debt burden. Also, the third plenary session of the Central Committee will be held in July, which will shed light on the nation's medium-to-longer-term economic reform and development. Considering a solid start in Q1, the Chinese Mainland economy is on track to attain the 2024 growth target of around 5.0%.

Positive sentiment fuelled a visible rally in financial markets

Financial markets rose on hopes for stronger policy support. Market sentiment turned positive in late April, as the property market is expected to receive a boost after the Mainland authorities announced new measures to further loosen home purchase restrictions across major cities and the Politburo meeting stressed the need to address housing inventories. The news caused property-related shares to surge. The Shanghai Stock Exchange A-Share index rose by 2.1% in April, as compared to the previous month. In April, the onshore RMB depreciated slightly by 0.3% against the US dollar, while the offshore RMB remained largely unchanged compared to the previous month, with the CNY and CNH closing at 7.2411 and 7.2548 per US dollar, respectively.

May 2024



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