

## Economic QuickView



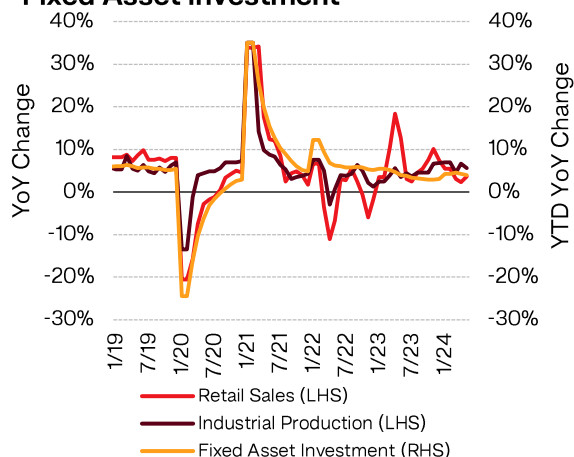
### Chinese Mainland Economy: Growth sustained steadily in May

- Retail sales growth picked up, while industrial production and fixed asset investment maintained stable growth rates.
- Enhanced policy support should contain downward pressures on the property market.
- It is worth following the third plenary session of the Central Committee in July for any signals of future reform and policy goals.

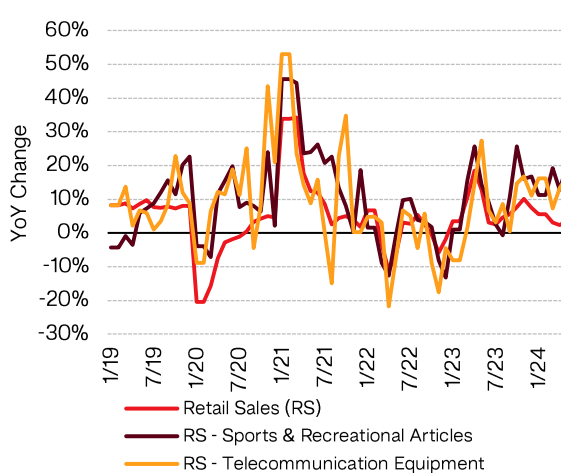
**The Chinese Mainland economy extended a steady growth trend in May.** In May 2024, retail sales beat market expectations with its year-on-year (YoY) growth picking up from a month ago. Meanwhile, industrial production and fixed asset investment (FAI) maintained stable growth rates, albeit somewhat slower than expectations. Since there were two more days of Golden Week holidays in May 2024 than in 2023, monthly indicators were possibly showing influences from the effects of additional holidays, in which consumers had more days to spend and where factory output was affected by a production break. Overall, the growth momentum of the Chinese Mainland remained stable, particularly as the effect of macro-policy support will further surface.

**Retail sales growth picked up.** Total retail sales climbed from 2.3% YoY in April to 3.7% in May, with its month-on-month (MoM) growth rising from 0.06% to 0.51%. Improved spending appetite was supported by favourable sentiment and more rest days during the Golden Week Holiday, early promotions ahead of the "June-18 festival", and policy incentives for equipment upgrades. While the growth rate seemed not that impressive compared to historical records, it was owing to high base effects as pent-up demand was unleashed in the first phase of full-reopening last year. Moreover, retail sales of automobiles saw a narrower decline at 4.4% YoY in May from 5.6% in April, supported by increased subsidies for trade-in programmes. Given various government support measures in place, consumer spending is expected to sustain a gradual recovery ahead.

**High-tech manufacturing continued to boost industrial production.** The value-added of industrial enterprises cooled from a rapid growth of 6.7% YoY in April to 5.6% in May. Its MoM growth also moderated, from 0.97% to 0.30%. Most notably, high-tech and equipment manufacturing maintained rapid growth of 10.0% YoY and 7.5% in May, respectively, compared to 11.3% YoY and 9.9% in April. In May, foreign trade expanded further, with exports up by 7.6% YoY (in US dollar terms), serving as a major driver for industrial activities. Since mid-May, the US and European Union (EU) have announced higher tariffs targeting Chinese electronic vehicles (EV). The US market was relatively small for Chinese producers, and the measures introduced by the EU have yet to be finalised and are subject to the outcomes of ongoing negotiations. Furthermore, while Chinese EV producers possess significant competitive advantages supported by a complete value chain, the effectiveness of these tariffs is still uncertain. Looking ahead, industrial production is expected to grow at a solid pace and serve as a major economic driver.

**Retail Sales, Industrial Production and Fixed Asset Investment**


Source: CEIC

**Retail Sales of Selected Sectors**


Source: CEIC

**Investments slowed somewhat in May.** Total FAI expanded by 4.0% YoY in January – May 2024, down from 4.2% in January – April, but its MoM decline narrowed from 0.29% in April to 0.04% in May. Property FAI remained the major drag, down from -9.8% to -10.1% in the first five months of 2024. Infrastructure and manufacturing FAIs slowed slightly from 6.0% YoY to 5.7% and from 9.7% to 9.6%, respectively. The recent policy boost for large-scale equipment renewals remained notable, with FAI for the purchase of equipment and instruments rising by 17.5%. Going forward, FAI is poised to stabilise further amid support from several positive drivers, such as improved corporate profitability, intensifying policy impacts from the issuance of ultra-long special treasury bonds and special purpose bonds, faster construction of key development projects and better sentiment among the construction sector.

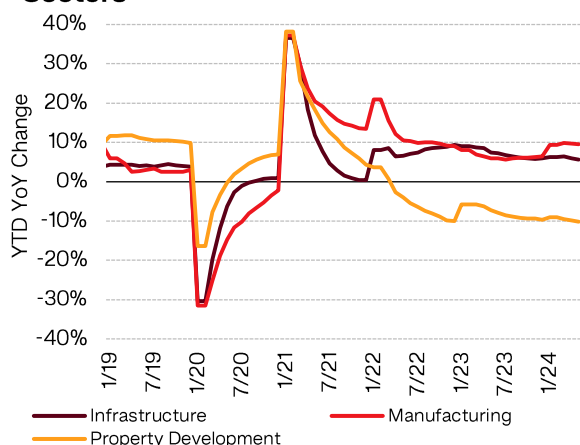
**Enhanced policy support would contain downward pressures on the property markets.** Property-related indicators largely levelled off with their declines stabilising: the sales of residential buildings (from -31.1% YoY in January – April 2024 to -30.5% in January - May), the funds for real estate developers (from -24.9% to -24.3%), and the floor space of newly started residential buildings (from -25.6% to -25.0%). In mid-May, the Mainland authorities announced a package to support the property markets, including a relending programme for the purchase of unsold homes, a reduction in the down payment ratio and a removal of the floor of mortgage rates. While it will take time for

## Economic Research Department

17 June 2024

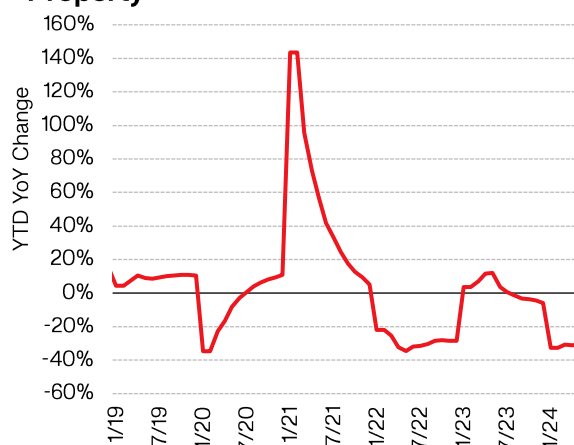
the effects of these policies to surface, anecdotal reports from tier-1 cities showed a visible surge in interest in potential homebuyers, pointing to fresh signs of stabilisation in homebuyers' sentiment. In early June, the State Council meeting stressed the continued study of new strategies to stabilise the property market and reduce inventory. It fuelled higher market expectations for more measures to shore up the property sector ahead. Given a strong policy determination to stabilise the property markets, further downside risks are likely to be contained.

**Fixed Asset Investment of Selected Sectors**



Source: CEIC

**Sales Value of Commercial Residential Property**



Source: CEIC

**Macro-policies are set to boost industrial upgrades.** In mid-June, President Xi emphasised improving the modern corporate system with Chinese characteristics and building an open and globally-competitive environment for scientific and technological innovation. This signalled a concerted policy direction to move up the value chain, cultivate emerging industries and bolster digitalisation. Among the authorities, the National Development and Reform Commission issued multiple action plans to promote green transition in traditional industries such as cement, oil refineries and steel. These plans called for greater fiscal support (e.g. government-led investment and preferential tax policies) and higher standards of energy efficiency to encourage the renewal of green equipment in related energy-intensive industries. More importantly, it is worth following the third plenary session of the Central Committee in July for any signals of future reform and policy goals, which would provide directions and implications for economic development in the medium term. With macro-policies gradually taking effect, the Chinese Mainland economy is set to attain the 2024 growth target of around 5.0%.

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