

Economic QuickView



Chinese Mainland Economy: GDP growth reached 5.0% YoY in 1H 2024 amid short-term volatility

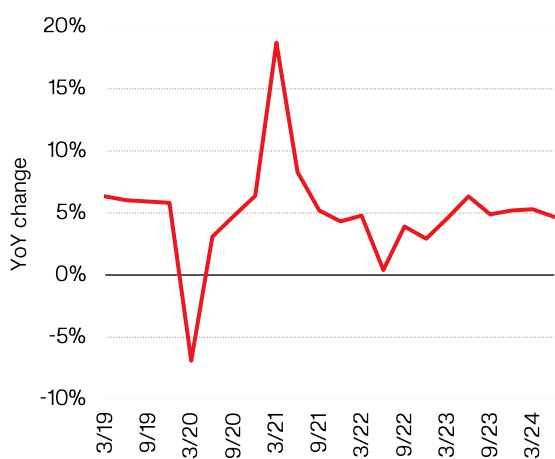
- The Chinese Mainland's economy expanded steadily by 5.0% YoY in 1H 2024, with a 4.7% growth in Q2 2024, following a 5.3% growth in Q1 2024.
- The industrial sector grew solidly and led the overall recovery, while retail sales and investment recovered at modest paces.
- The property market remained in a phase of adjustment and transformation, with market activities somewhat recovering after the new round of supportive measures.

The Chinese Mainland economy expanded steadily in 1H 2024. Real gross domestic product (GDP) growth reached 5.0% year-on-year (YoY) in 1H 2024. On a quarterly basis, GDP grew at a slower pace of 4.7% YoY in Q2 2024, down from 5.3% in Q1 2024 and below market consensus of 5.1%. Part of the slowdown in YoY growth reflected a higher base of comparison (+6.3% YoY in Q2 2023) and disruptions amid adverse weather conditions. On a sequential basis, GDP growth slowed to 0.7% quarter-on-quarter (QoQ) in Q2 2024, down from 1.6% in Q1 2024. On top of a supportive policy environment, improving external demand is also generating tailwinds for the Chinese Mainland economy, along with widened trade surpluses and a further boost to industrial production. Among the major expenditure components, final consumption contributed 60.5% of the GDP growth in 1H 2024, followed by gross capital formation (25.6%) and net exports (13.9%).

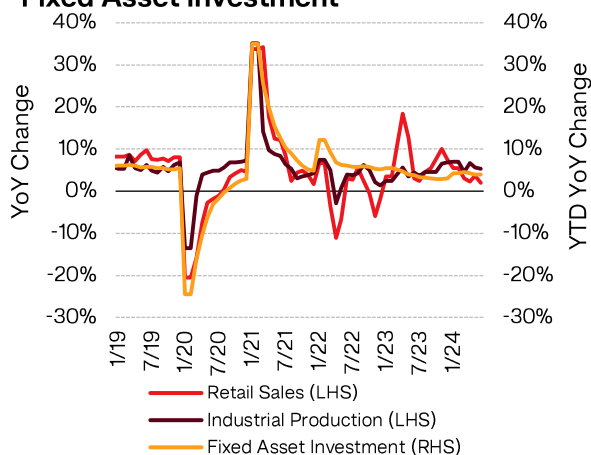
The monthly economic indicators in June showed a similar divergent growth pattern to the aggregate figures in 1H 2024, with industrial production outpacing investment and retail sales. The National Bureau of Statistics acknowledged that the economy faced certain short-term volatility, but the Mainland authorities are taking stronger macro-policy support to ensure stable growth ahead.

Industrial production took the lead in the recovery. In 1H 2024, the value-added of industrial enterprises expanded solidly by 6.0% YoY, driven by buoyant export demand and industrial upgrading. Merchandise exports (in US dollar terms) grew by 3.6% in 1H 2024, with trade surpluses widening to USD 435.0 billion (the trade surplus in June 2024 reached a record of USD 99.1 billion). Apart from external demand, efforts to promote new and green industries as new growth drivers have been evident. Specifically, high-tech and equipment manufacturing grew briskly by 8.7% YoY and 7.8% in 1H 2024, with double-digit growth rates seen in the production of 3D printing machines (+51.6%), new energy vehicles (+34.3%) and semiconductors (+28.9%). In June 2024, industrial production moderated slightly to 5.3% YoY from 5.6% in May, but was still above market expectations. The Caixin manufacturing purchasing managers' index (PMI), which focuses on smaller and export-oriented firms, has remained in expansionary territory since November 2023, with the latest June reading at 51.8. It is believed that exports should continue to provide support for the industrial sector going forward.

Consumer spending rose modestly. In 1H 2024, total retail sales grew by 3.7% YoY. Retail sales of services sustained faster growth at 7.5% YoY compared to retail sales of commodities (+3.2%), reflecting the release of services consumption demand given the improvements and upgrades in services supply, particularly in quality cultural tourism. In recent months, retail sales have posted an easing trend, with monthly growth softening to 2.0% in June 2024, the slowest pace since December 2022. In addition to cautious sentiment, the slowdown was caused by high base effects in certain consumer discretionary items like automobiles (+6.8% YoY in 1H 2023 vs. -1.1% in 1H 2024) and clothes, shoes, hats & textiles (+12.8% YoY in 1H 2023 vs. +1.3% in 1H 2024). Moreover, housing related spending remained volatile, with the retail sales growth of household appliances & AV equipment swinging from +12.9% YoY in May 2024 to -7.6% in June 2024. To lift domestic demand, more supportive policies were implemented. In late June, the National Development and Reform Commission (NDRC) and 4 authorities jointly issued measures to foster new consumption scenarios and boost demand in various sectors, including tourism, automobiles, and electronics. Meanwhile, the labour market has remained stable, with the unemployment rate holding steady at 5.0% in June 2024. Looking ahead, retail sales are expected to grow moderately.

Chinese Mainland GDP Growth


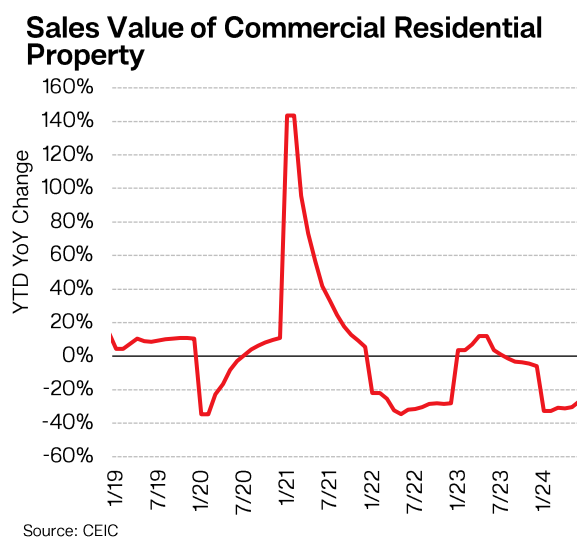
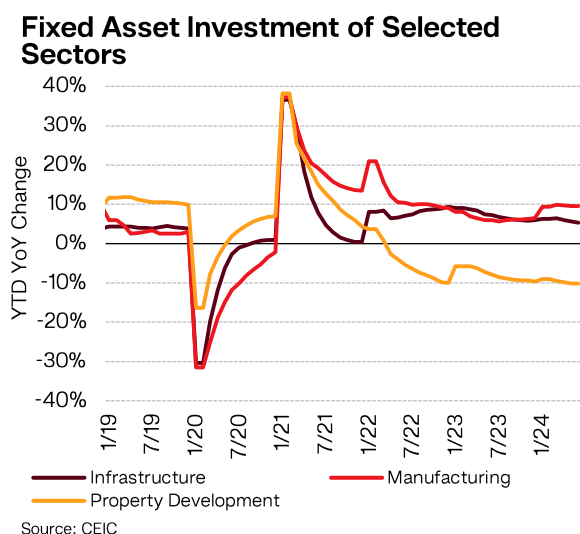
Source: CEIC

Retail Sales, Industrial Production and Fixed Asset Investment


Source: CEIC

Investments maintained a steady growth trend. Total fixed asset investment (FAI) expanded by 3.9% YoY in 1H 2024, down slightly from 4.0% in January – May. Property FAI remained the major drag, declining by 10.1% YoY in 1H 2024, the same as January – May. The policies for promoting equipment renewals have led to a rapid expansion in the FAI for the purchases of equipment & instruments, which rose 17.3% YoY, contributing to 54.8% of FAI growth in 1H 2024. Infrastructure and manufacturing FAI sustained faster-than-average growth at 5.4% and 9.5% YoY in 1H 2024, respectively. Going forward, FAI is likely to grow steadily, as the funds from special purpose bonds and ultra-long special treasury bonds are readily available for disbursement to public investment projects.

The property market showed signs of stabilisation as the impacts of policy support surfaced. While major property-related indicators remained in contraction, their declines generally narrowed in 1H 2024. Besides, market activities became more active, as secondary market sales were reportedly up in YoY terms recently. As the latest rounds of support packages were implemented from mid-May, their effects are likely to emerge further in the coming months. Looking forward, the policy environment is likely to remain supportive. Recently, the Ministry of Natural Resources was reportedly studying measures to revitalise housing inventory. This hints that the Mainland authorities are ready to enact more policy support if necessary.



All eyes are on the third plenary session for future policy directions. Given steady growth in 1H 2024, coupled with further policy room on hand, the Chinese Mainland should be able to achieve the full-year growth target of around 5.0% for 2024. More importantly, the third plenary session of the Central Committee has been kicked off, starting today and lasting until 18th July. The meeting outcomes are likely to determine the Mainland's future policy directions, which would include the strategic goals for further comprehensively deepening reform and advancing Chinese-style modernisation. Thus, the third plenary session is expected to have profound implications for the Mainland's mid-term economic development.

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