

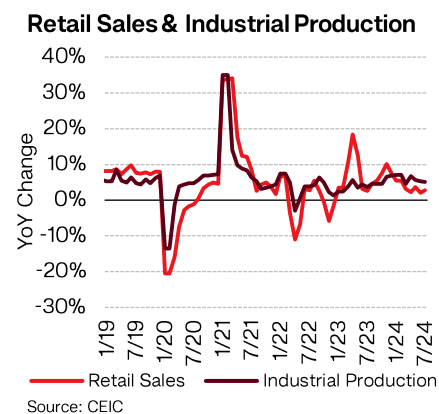
Market Monitor – Chinese Mainland
More forceful policies expected to sustain growth trend


- Growth momentum stayed stable in July, with industrial production taking the lead, followed by investment and retail sales.
- The property market improved marginally, with expectations of further policy support on the horizon.
- Supportive policies have been enhanced to boost consumption and investment for a more balanced growth pattern.

The Chinese Mainland's economy extended its stable recovery

Monthly economic indicators in July pointed to a steady start for 2H. Industrial production continued to lead the overall recovery, followed by fixed asset investment (FAI) and retail sales. Foreign trade grew at a solid pace, amid a highly uncertain external environment. The property sector remained in consolidation with marginal improvements. These trends highlighted that policy supports need to be enhanced to consolidate the economic recovery.

Industrial production sustained solid growth. The value-added of industrial enterprises grew by 5.1% year-on-year (YoY) in July from 5.3% in June. The manufacturing sector is undergoing a structural upgrade towards smart, green and digital production. Equipment and high-tech manufacturing expanded briskly by 7.3% YoY and 10.0% in July, respectively, reflecting the policy boost promoting equipment renewals. Meanwhile, Chinese manufacturers are able to stay competitive amid improving global demand this year, with double-digit YoY growth in exports of automobiles (+18.1%) and semiconductors (+22.5%) in January – July. Solid industrial activity lifted the profitability of industrial enterprises, which reported faster profit growth from 3.6% YoY in July to 4.1% in August.



Economic Research

Investment slowed somewhat due to seasonal factors. Growth of total FAI softened from 3.9% YoY in 1H to 3.6% in January – July, which was largely due to extreme weather conditions affecting certain construction projects. Across the major sectors, manufacturing investment remained strong at 9.3% YoY in January - July, followed by infrastructure investment (+4.9%). Property investment stayed subdued, down by 10.2% YoY in January - July (-10.1% in 1H).

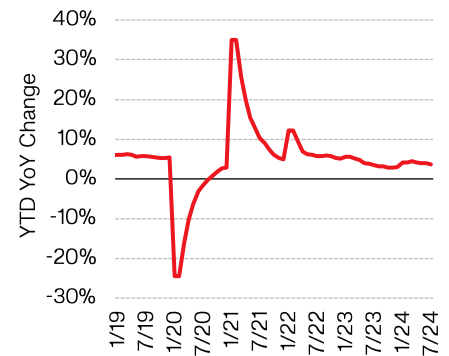
Retail sales picked up slightly. Growth of total retail sales increased from 2.0% YoY in June to 2.7% in July. Retail sales of services remained robust at 7.2% YoY growth in January – July, bolstered by strong travel demand during the summer season. That said, demand for certain consumer discretionary items remained soft. Particularly, the retail sales of automobiles dropped by 4.9% YoY in July, the fourth consecutive month of decline. Besides, retail sales of property-related items like household appliances & AV equipment and construction & decoration materials have yet to recover meaningfully.

The property market improved marginally with stronger policy support on the horizon. The decline in the sales of residential buildings narrowed from -26.9% YoY in 1H to -25.9% in January – July. Recent policies still focus on clearing housing inventories, with more local governments releasing implementation details related to the purchase of unsold homes, such as purchase price ceilings and home sizes. Moreover, it was reported that the Mainland authorities are considering new supportive measures, such as issuing special bonds as a funding option for purchasing unsold homes, lowering existing mortgage rates and allowing mortgage refinancing with cheaper loan rates. Moving forward, housing policies are expected to remain supportive in unleashing housing demand and ensuring steady property market development.

Surveys indicated diverging growth patterns. The official manufacturing purchasing managers' index (PMI) remained in the contractionary territory for the fourth consecutive month at 49.1 in August, down from 49.4 in July. According to the National Bureau of Statistics, it was affected by high temperatures, heavy rainfall and seasonal slackening of production in certain industries. In contrast, the Caixin manufacturing PMI, which focuses on smaller and export-oriented firms, rebounded back into expansion territory, rising from 49.8 in July to 50.4 in August. This was led by improving new orders amid stronger underlying demand and promotional efforts. The divergence between the official and Caixin's PMIs reflected varying growth momentum among various manufacturing enterprises. Meanwhile, the non-manufacturing PMI edged up from 50.2 to 50.3 in August, supported by modest improvements in services activity (from 50.0 to 50.2) and a mild expansion of the construction sector (down from 51.2 to 50.6). The Caixin services PMI declined from 52.1 to 51.6 in August, reflecting continued expansion of services activities of the small-and-medium sized enterprises but at a slower pace. Among the sub-indices, the services sector was supported by accelerating rise of export orders. However, rising input prices, declining employment and more discounts offerings amid increasing competition have constrained the services sector.

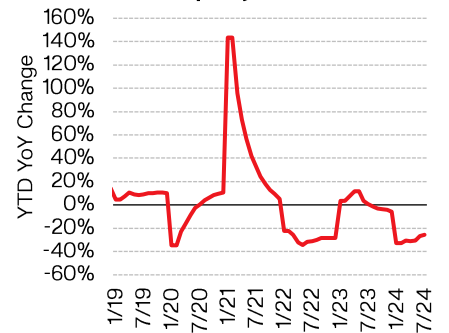
September 2024

Fixed Asset Investment



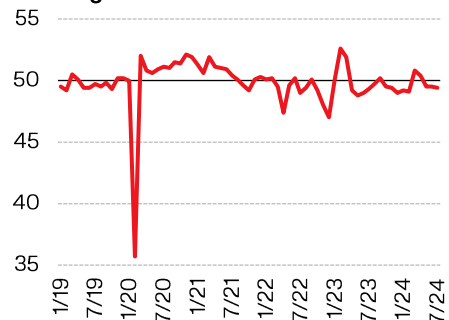
Source: CEIC

Sales Value of Commercial Residential Property



Source: CEIC

Official Manufacturing Purchasing Managers' Index



Source: CEIC

Economic Research

Stronger policies to promote a balanced recovery

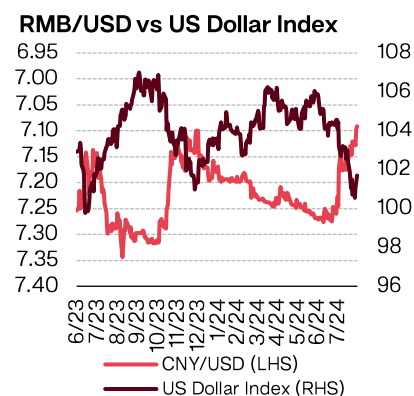
Policy measures have been enhanced to bolster economic momentum.

Recently, the Ministry of Commerce, along with other authorities, announced further policy support to promote the consumption of automobiles and household appliances, including doubling the subsidies for trade-ins of new energy vehicles and fuel vehicles to RMB 20,000 and 15,000, as well as providing subsidies for the purchases of household appliances. Moreover, the Ministry of Finance signalled a stronger push to accelerate the issuance of special purpose bonds for local governments and better use ultra-long special treasury bonds to support major strategic and safety projects, thereby boosting effective investment. In addition, the State Council meeting in mid-August emphasised expanding high-level opening up, particularly in services trade. It includes further opening up in telecommunications, education and health care services and closer international development of certain professional services like finance, consultation, design and certification. Overall, these enhanced policy supports are expected to help the economy achieve a more balanced growth pattern ahead.

Risk-off sentiment prevailed in financial markets

Financial markets continued to experience heightened volatility. In early August, global financial markets retreated sharply, driven by growing concerns over the US economic outlook following a weaker-than-expected July labour market report. Moreover, investment sentiment remained cautious for the month, awaiting further policy support to boost the Mainland's economy. As of end-August, the Shanghai Stock Exchange A-share index declined by 3.3% compared to last month. The RMB exchange rate advanced further, supported by a weakened US dollar exchange rate and rising expectations of US rate cuts. Both the onshore CNY and offshore CNH appreciated by 1.9% against the US dollar in August, closing at 7.0913 and 7.0900 per US dollar.

September 2024



Disclaimer

This material is prepared by The Bank of East Asia, Limited ("BEA") for customers' reference only. The content is based on information available to the public and reasonably believed to be reliable, but has not been independently verified. Any projections and opinions contained herein are expressed solely as general market commentary, and do not constitute an offer of securities or investment, nor a solicitation, suggestion, investment advice, or guaranteed return in respect of such an offer. The information, forecasts, and opinions contained herein are as of the date hereof and are subject to change without prior notification, and should not be regarded as any investment product or market recommendations. This material has not been reviewed by the Securities and Futures Commission of Hong Kong, Hong Kong Monetary Authority, or any regulatory authority in Hong Kong.

BEA will update the published research as needed. In addition to certain reports published on a periodic basis, other reports may be published at irregular intervals as appropriate without prior notice.

No representation or warranty, express or implied, is given by or on behalf of BEA, as to the accuracy or completeness of the information and stated returns contained in this material, and no liability is accepted for any loss arising, directly or indirectly, from any use of such information (whether due to infringements or contracts or other aspects). Investment involves risks. The price of investment products may go up or down, and may become valueless. Past performance is not indicative of future performance. The investments mentioned in this material may not be suitable for all investors, and the specific investment objectives or experience, financial situation, or other needs of each recipient are not considered. Therefore, you should not make any investment decisions based solely on this material. You should make investment decisions based on your own investment objectives, investment experience, financial situation, and specific needs; if necessary, you should seek independent professional advice before making any investment.

This material is the property of BEA and is protected by relevant intellectual property laws. Without the prior written consent of BEA, the information herein is not allowed to be copied, transferred, sold, distributed, published, broadcast, circulated, modified, or developed commercially, in either electronic or printed forms, nor through any media platforms that exist now or are developed later.

For more information, please visit our webpage at <https://www.hkbea.com/html/en/bea-about-bea-economic-research.html>. For any enquiries, please contact the Economic Research Department of BEA (email: lerd@hkbea.com/telephone number: (852) 3609-1504/postal address: GPO Box 31, Hong Kong).