

Market Monitor – Chinese Mainland

Growth picks up as stimulus measures gradually take effect



- External demand continued to support the economy in Q3, with GDP growth reaching 4.8% YoY in Q1 – Q3 2024.
- Growth momentum picked up in October, and the property market showed signs of recovery as stimulus measures gradually took effect.
- A debt swap plan to tackle hidden local government debts is to be announced following a NPCSC meeting held on 4-8 November.

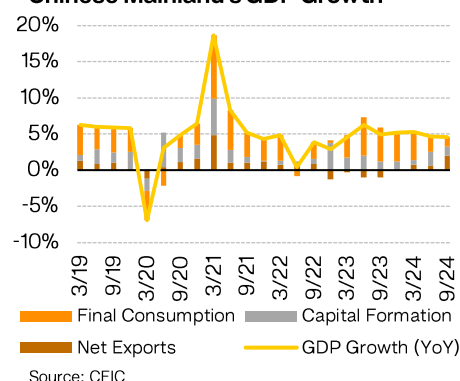
Recovery momentum has gradually gathered pace

The Chinese Mainland economy maintained stable performance. Real gross domestic product (GDP) grew by 4.8% year-on-year (YoY) in the first three quarters of 2024. In Q3, economic growth held steady at 4.6% YoY, from 4.7% in Q2. External demand drove the expansion of net exports, which became the primary growth driver in Q3 (contributing 42.9% of GDP growth). Meanwhile, final consumption and capital formation contributed 29.3% and 27.8% of GDP growth, respectively.

Industrial production improved in September, accelerating to a growth of 5.4% YoY from 4.5% in August. This was driven by high-tech manufacturing (+10.1% YoY) amid stronger demand for advanced products. However, industrial enterprises continued to face pressures amid falling producer prices and rising costs. The declines of industrial enterprises' profits widened from 17.8% YoY in August to 27.1% in September.

Consumer demand saw initial signs of a recovery. Enhanced trade-in policies for consumer goods boosted consumer spending, with the growth of total retail sales accelerating to 3.2% YoY in September from 2.1% in August. The recovery trend is set to extend into October. According to the advance estimate by China's

Chinese Mainland's GDP Growth



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Passenger Car Association, retail sales of passenger cars grew by 9% YoY in the first 27 days of October, reflecting fresh signs of recovering demand for durable goods amid stronger policy support.

Investment stabilised following months of slowdown. Fixed asset investment grew by 3.4% YoY in Q1 – Q3 (January – August: 3.4%). Among the major sectors, manufacturing investment remained strong at 9.2% YoY in Q1 – Q3, while the declines in property investment narrowed slightly to 10.1% YoY in Q1 – Q3 (January – August: -10.2%). However, infrastructure investment moderated further to a 4.1% growth in Q1 – Q3 (January – August: 4.4%). The National Development and Reform Commission announced that the investment plans originally set for 2025 will be front-loaded, with RMB 200 billion worth of investment projects identified in October. This would expedite construction work for infrastructure projects.

The property market showed signs of a turnaround. A holistic policy package includes easing restrictive measures, lowering interest rates and down payment ratios, increasing housing renovation projects and raising credit lines for the "white-list" housing projects for facilitating completions and absorbing housing inventories. These measures have improved homebuyer sentiment. According to the Ministry of Housing and Urban-Rural Development, the national sales volume of new homes increased by 0.9% YoY in October, ending a 15-month streak of declines going back to June 2023. Given a strong policy determination to halt further market declines, the Chinese Mainland property market is poised to gradually bottom out.

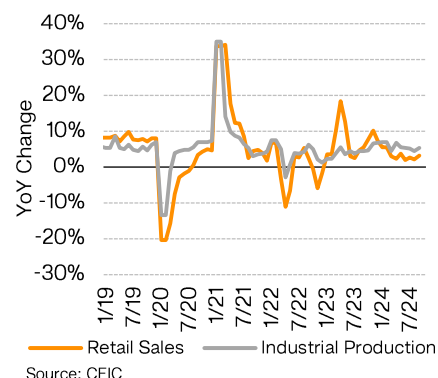
Survey data pointed to a pickup in momentum in early Q4. The manufacturing sector saw renewed growth momentum with improving underlying demand. Both the official (focusing on large & medium sized firms) and Caixin (focusing on smaller & export oriented firms) manufacturing purchasing managers' indices (PMI) returned to expansionary territory, rising from 49.8 in September to 50.1 in October and from 49.3 to 50.3, respectively. Travel and social activities rose during the National Day Golden Week holiday, particularly in services like transport and catering, driving the official services PMI to rise from 49.9 to 50.1. Meanwhile, the Caixin services PMI advanced from 50.3 to 52.0, reflecting a stronger performance for small-and-medium-sized enterprises. Overall, recent data indicates increasing market optimism, which should support a further pickup in growth momentum ahead.

A massive debt swap plan is set to be released soon

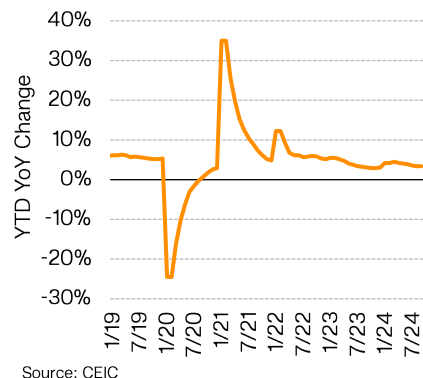
A second Trump presidency would signal significant policy uncertainty. During his first term, global financial market volatility spiked sharply, as trade restrictions and other protectionist measures were widely used. In this election campaign, Trump largely maintained his aggressive stance on trade policies. Notably, he threatened to impose a 60% tariff on Chinese imports. It can be anticipated that policy uncertainty will escalate ahead. That said, the Chinese Mainland economy is becoming more resilient, as Mainland authorities have been proactively increasing investment in technologies and building a diversified global

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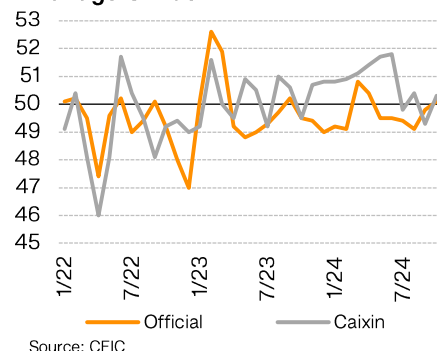
Retail Sales & Industrial Production



Fixed Asset Investment



Manufacturing Purchasing Managers' Index



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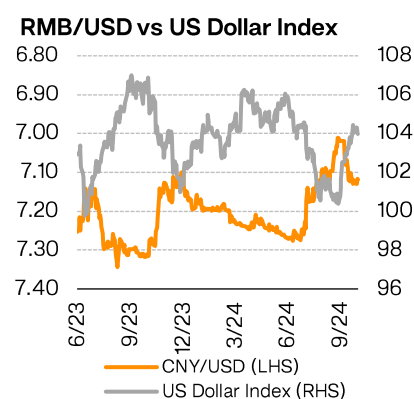
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commercial network. Together with ample policy room to be deployed, the Chinese Mainland is expected to continue its steady development path ahead.

On 4 November, the National People's Congress Standing Committee (NPCSC) reportedly reviewed a proposal to lift local governments' debt ceilings to replace their existing hidden debts. The plan is expected to defuse debt risks and reduce funding costs for the local governments. In mid-October, officials from the Ministry of Finance hinted that the scale of the debt swap plan would be large. Details of the plan are set to be released after the NPCSC meeting on 8 November.

Investors adopted a wait-and-see approach after a strong rally

Financial markets cooled in October after a rapid surge. A series of stimulus measures introduced since late-September have boosted market confidence in the Chinese Mainland's economic outlook. However, investor sentiment turned cautious in October and awaited more details of further stimulus measures. This resulted in certain profit-taking activities. As of end-October, the Shanghai Stock Exchange A-share index retreated by 1.7% compared to last month. Moreover, recent US economic data showed a resilient growth outlook, which tempered expectations for the size and speed of rate cuts by the US Federal Reserve, resulting in a stronger US dollar. As a result, the onshore CNY and offshore CNH depreciated by 1.4% and 1.6% against the US dollar in October, closing at 7.1180 and 7.1216 per US dollar.



Source: Bloomberg, data as of 31/10/2024

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