Economic Research **December 2024**

Market Monitor – Chinese Mainland

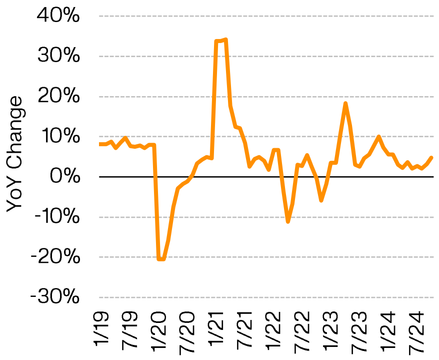
Growth improved with more stimulus measures likely in 2025

- Retail sales in October gathered pace amid improving sentiment. Investment and industrial production remained steady.
- The property market showed signs of stabilisation, with narrower declines in major property market indicators.
- The upcoming Central Economic Work Conference in December is likely to offer insights into major economic work for 2025.

Growth picks up as stimulus measures take effect

The economy gained momentum in October. A comprehensive stimulus package introduced in late September has restored market confidence. Key economic indicators for October showed visible improvements, particularly in consumption and trade, indicating a broad-based pickup in demand. Meanwhile, industrial production and investment activity held up in October. The trade surplus widened in October and provided tailwinds for Q4 growth, driven by a faster growth in exports. Overall, the Chinese Mainland is poised to see a stronger outlook, as the impacts of stimulus measures will be unleashed further.

Retail Sales



Source: CEIC

Consumer demand extended recovery with supportive policies. Total retail sales growth expedited from 3.2% year-on-year (YoY) in September to 4.8% in October, driven by supportive trade-in policies, buoyant sentiment during the National Day Golden Week holiday and wealth effects from equity market rallies. Consumer spending is likely to sustain solid growth in November. According to the advance estimate by China's Passenger Car Association, retail sales of passenger cars climbed by 29% YoY in the first 24 days of November. The advance statistics from the Ministry of Commerce showed double-digit growth for retail sales of household appliances & telecommunication equipment in the first half of

November. These figures reflected that policy incentives continued to underpin demand for durable goods.

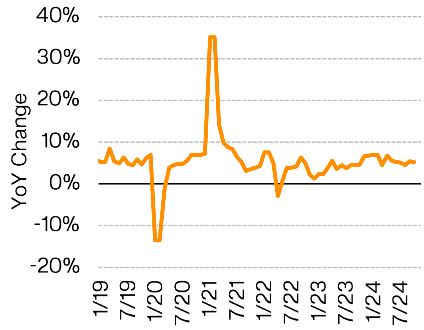
Broad-based pick-up in demand supported steady industrial production. Exports accelerated from 2.4% YoY in September to 12.7% in October, driven by high-tech products. Pro-consumption policies lifted domestic demand for manufacturing of durable goods. Together, these positive drivers support a robust industrial production growth of 5.3% YoY in October, compared to 5.4% in September. The profitability of industrial enterprises improved markedly, from a 27.1% YoY decline in September to a growth of 10.0% in October. This turnaround was led by the equipment (+4.5% YoY) and high-tech manufacturing (+12.9%) sectors. Their outperformance reflected the competitiveness in advanced equipment and high-tech products.

Investment maintained a stable growth rate. In January-October, fixed asset investment growth stabilised at 3.4% YoY, with strong growth of manufacturing investment (+9.3% YoY) supported by the policies promoting equipment renewals and technological upgrades. Faster construction of large-scale projects also supported infrastructure investment to grow by 4.3% YoY. Property investment remained in consolidation, with its declines widening slightly to 10.3% YoY.

Intensifying policy support is set to stabilise the property market. The declining trends of property market indicators narrowed further in October, such as property sales and price indices for new homes. In mid-November, the Ministry of Finance and other authorities jointly announced it would reduce deed tax for 1st and 2nd homes (up to 140 sqm) to 1% from up to 3% and lower the threshold for the land appreciation tax by 0.5 percentage points. Tier-1 cities also announced that they intend to scrap the distinctions between ordinary and non-ordinary housing. These measures are expected to lower the cost of home purchases and boost demand. As the impacts of policy support continue to materialise, the property market is expected to stabilise ahead.

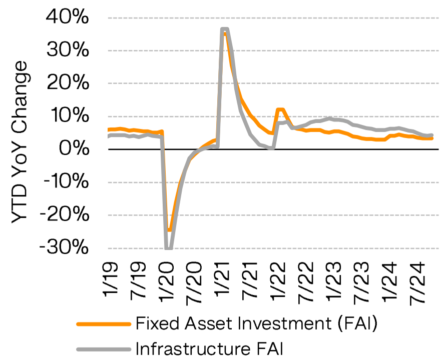
Survey data pointed to a continued expansion in November. Stronger market demand bolstered manufacturing production to grow further. Both the official (focusing on large & medium-sized firms) and Caixin (focusing on smaller & export-oriented firms) manufacturing purchasing managers' indices (PMI) showed faster paces of expansion, increasing from 50.1 in September to 50.3 in October and from 50.3 to 51.5, respectively. The official services PMI stayed unchanged at 50.1 in November, as buoyant producer services activities (e.g. telecommunications, internet software & information technology, and financial services) offset a seasonal slowdown in consumer services (e.g. accommodation, catering) after the National Day Golden Week holiday. Meanwhile, the Caixin services PMI reached 51.5 in November from 52.0 in October. Small-and-medium-sized services firms sustained solid pace of growth. Overall, underlying growth momentum is getting stronger, on track to achieve the growth target of around 5.0% for 2024.

Industrial Production



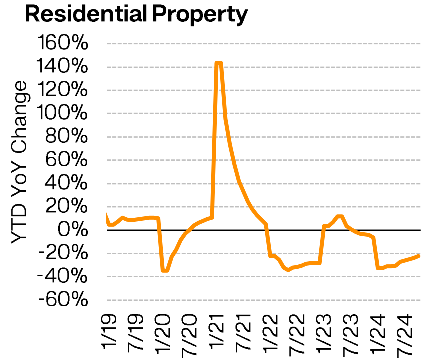
Source: CEIC

Fixed Asset Investment



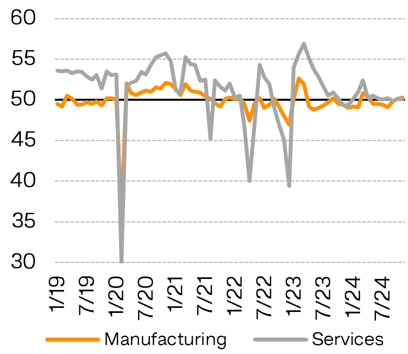
Source: CEIC

Sales Value of Commercial Residential Property



Source: CEIC

Official Purchasing Managers' Index



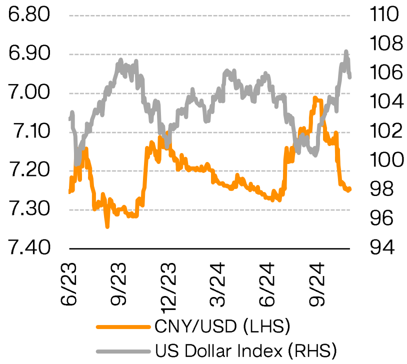
Source: CEIC

Economic Research

Major economic work for 2025 to be released soon

More stimulus measures to enhance growth momentum are widely anticipated. The Central Economic Work Conference (CEWC), expected to be held in December, is likely to offer insights into major economic work for 2025. Last year, the CEWC emphasised stabilising expectations, growth and employment to extend the post-pandemic recovery. Given the recent shift in policy stance, this year's CEWC is poised to signal stronger stimulus efforts to mitigate risks and bolster domestic demand amid rising external uncertainties. Potential measures may include: 1) Expanding fiscal spending: increasing the issuance of government bonds to foster public investment in major national strategies and security capacity building; 2) Boosting consumer demand: expanding the coverage of consumer goods eligible for trade-in subsidies; 3) Accelerating resolution of local debt risks: encouraging faster replacement of hidden debts; 4) Stabilising the property market: providing stronger funding support to purchase existing unsold homes; 5) Bolstering the equity market: supporting market valuations of listed companies to attract capital inflows. These measures are expected to solidify the growth momentum in 2025.

RMB/USD vs US Dollar Index



Source: Bloomberg, data as of 30/11/2024

Rising external uncertainties clouded financial markets.

Investors remained cautious amid an uncertain US policy outlook. Concerns over a potential escalation of US-China trade tensions mounted as the President-elect, Trump, renewed his threats to impose additional tariffs on Chinese imports. However, rising expectations for additional stimulus measures to be unveiled at the upcoming CEWC helped stabilise financial markets toward the end of November. The Shanghai Stock Exchange A-share index rose slightly by 1.4% in November compared to last month. In addition, Trump's policy agenda to lower corporate taxes and raise tariffs posed upside risks to the inflation outlook. This led to increased expectations for a slower pace of rate cuts by the Federal Reserve and sustained strength in the US dollar. Both onshore CNY and offshore CNH depreciated by 1.8% against the US dollar in November, closing at 7.2467 and 7.2491 per US dollar.

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).