

Market Monitor – Chinese Mainland

Stimulus-induced domestic demand ended 2024 on a solid note



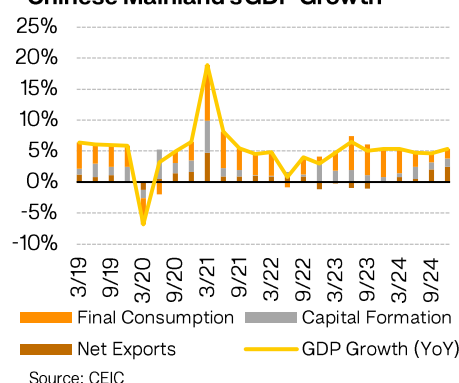
- The Chinese Mainland achieved its growth target of 5.0% in 2024, driven by net exports and intensified stimulus measures.
- China-US leadership resumed high-level dialogue, but tariff measures suddenly resurfaced.
- New policy measures to support capital markets were released.

Growth target for 2024 achieved

The Chinese Mainland's economic growth reached 5.0% in 2024, meeting the Government's annual growth target. Growth was largely driven by robust net exports and intensifying domestic stimulus measures. During 2024, real GDP growth moderated from 5.3% year-on-year (YoY) in Q1 to 4.7% in Q2 and 4.6% in Q3, before rebounding to 5.4% in Q4 after a slew of stimulus measures introduced in September. In Q4, net exports accounted for 45.8% of the growth, followed by final consumption at 29.7% and capital formation at 24.5%.

Domestic economic momentum picked up in December 2024. Export demand and policy support for equipment upgrades boosted industrial production, which accelerated from 5.4% YoY in November to 6.2% in December. Meanwhile, services production growth increased from 6.1% YoY in November to 6.5% in December. This uptick was driven by leasing & business, finance, information and software & IT services. On the expenditure side, growth of retail sales also picked up from 3.0% YoY in November to 3.7% in December. This was because trade-in policies unleashed demand for durable goods such as home appliances, which showed strong sales growth, rising from 22.2% YoY to 39.3%. These developments showcased an improving domestic outlook.

Chinese Mainland's GDP Growth



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Property market confidence appears to be stabilising. A survey conducted by the National Bureau of Statistics in December 2024 found that 69.3% of respondents in 70 major cities anticipated stable or rising home prices over the next 6 months, an increase of 0.8 percentage points from the previous month. With intensified policy support to boost housing demand and reduce inventories, the property market is set to stabilise further in 2025.

Economic activity expanded at a slower pace in January 2025 due to festive seasonality. The official manufacturing purchasing managers' index (PMI) fell from 50.1 in December 2024 to 49.1 in January 2025, a return to contraction territory, as factory workers returned home ahead of the Chinese New Year (CNY) holiday. Similarly, the Caixin manufacturing PMI moderated from 50.5 to 50.1. The report found that domestic demand supported new orders and manufacturing production, despite a marginal decline in export orders. The official services PMI also declined from 52.0 in December 2024 to 50.3 in January 2025. Travel-related services activity, including transport, accommodation and catering, remained in expansion territory. Similarly, the Caixin services PMI declined from 52.2 to 51.0. Overall, the Mainland economy maintained a steady expansionary path.

Festive spending remained robust during the CNY holiday. Tourist spending grew by 7.0% YoY to RMB 677 billion, while the number of domestic trips increased by 5.9% YoY to 501 million. Box office receipts hit a record CNY holiday high of RMB 9.51 billion. These figures reflected buoyant consumer sentiment and reinforced expectations for improving domestic consumption ahead.

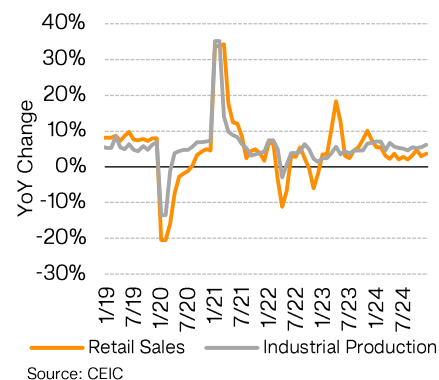
China-US leadership resumed high-level dialogue, but tariff measures suddenly resurfaced

China-US relations remain entrenched in a dynamic of both cooperation and competition. On 17th January, President Xi and US President-elect Trump held a phone call, reportedly discussing a wide range of issues including TikTok, trade, Taiwan and ongoing tensions in Europe and the Middle East. Both leaders left an upbeat response thereafter and agreed to maintain regular contact. That said, Trump suddenly announced the US would impose a 10% additional tariff on all imports from China, effective on 4th February. He cited this action as a means to hold China accountable to its promise to stop the flow of fentanyl into the US. In response, China announced retaliatory measures, including a 10-15% levy on coal, LNG, crude oil & farm equipment, imposing controls on exports of critical materials, and starting an anti-monopoly investigation into Google, etc. These events triggered significant volatility in global financial markets and highlighted an uncertain outlook for bilateral relations.

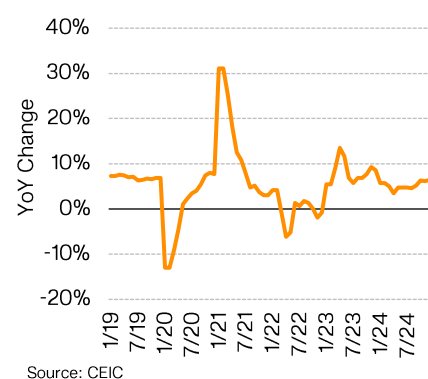
New policies supporting capital markets were released. In late January, the authorities announced new measures to encourage medium- and long-term funds investing in the capital market, such as increasing the scale and share of equity investment by insurance firms, pensions and mutual funds. The new move is expected to increase fund inflows in equities, thereby stabilising their returns to lift market confidence.

February 2025

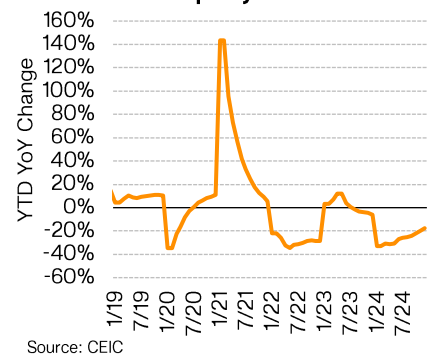
Retail Sales & Industrial Production



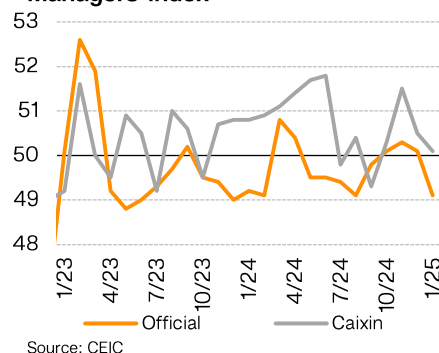
Services Production Index



Sales Value of Commercial Residential Property



Manufacturing Purchasing Managers' Index



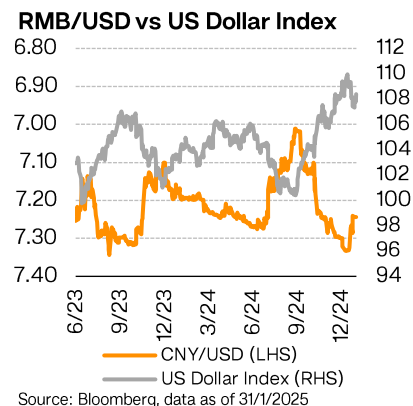
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Rising volatility in financial markets

Concerns over China-US relations induced higher volatility in financial markets.

In early January, two large Chinese companies were added to the US blacklist of companies with ties to the Chinese military, triggering a risk-off mood across financial markets. Since then, the high-level dialogue on 17th January boosted market sentiment regarding the prospects for more stable bilateral relations. However, this relief dissipated with the tariff threats near the end of January. These events have driven greater volatility in the equity market and RMB exchange rate. In January 2025, the Shanghai Stock Exchange A-share index declined by 3.0%. The onshore CNY and offshore CNH posted slight gains of 0.8% and 0.2% against the US dollar in January 2025, closing at 7.2446 and 7.3220 per US dollar, respectively.

February 2025



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