THE CURRENT CHINESE ECONOMIC LANDSCAPE





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China's economic landscape

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Taking stock of 2024

China's economic recovery is losing steam

	2024Q1	Apr 2024	May 2024	Jun 2024	Jul 2024
GDP: YoY (%)	5.3	4.7 (Q2)			
CPI: YoY (%)	0	0.3	0.3	0.2	0.5
PPI: YoY (%)	-2.7	-2.5	-1.4	-0.8	-0.8
Industrial added value: YoY (%)	6.1	6.7	5.6	5.3	5.1
Fixed asset investment: YoY (%)	4.5	4.2 (cumulative)	4.0 (cumulative)	3.9 (cumulative)	3.6 (cumulative)
Property investment: YoY (%)	-9.5	- <mark>9.8</mark> (cumulative)	- <mark>10.1</mark> (cumulative)	- <mark>10.1</mark> (cumulative)	- <mark>10.2</mark> (cumulative)
Total retail sales: YoY (%)	4.7	2.3	3.7	2.0	2.7
Exports: YoY (%, in RMB)	4.9	5.1	11.2	10.7	6.5
Imports: YoY (%, in RMB)	5.0	12.2	5.2	-0.6	6.6
M1: YoY	1.1	-1.4	-4.2	-5.0	-6.6
M2: YoY	8.3	7.2	7.0	6.2	6.3

Assessing China's gingerly recovery

Growth held up amid property woes	~30%	Real estate related activities/GDP	
China's competitiveness beyond several	22%	Property investment/total investment	
emerging sectors	13%	Added value of strategic emerging industries (mainly including new generation of information technology, high-end equipment, and new energy vehicles) to GDP	
Exports have been bucking the trend but protectionism looms large even in regions			
where China is viewed favorably	10.7%	YoY growth rate of exports to ASEAN in 2024H1	

Unlocking domestic demand to bring down the savings rate is the ultimate policy goal

- Trump 2.0 could bring about external shocks on several fronts
- China and the EU may avoid a trade war but major member states' desire to defend strategic sectors should not be underestimated
- Tariffs are likely to be enacted by more countries
- Property sector's consolidation may take 3-5 years
- If consumers are expected to step up, then overall macro policy will have to shift away from producers to consumers
- Short term consumption boosting measures lower interest rates and greater fiscal transfers from central Government to local governments
- Long term consumption boosting measures to demolish the hukou system and to open up service sector

Policy choices

Shifting towards a lower growth rate

To reflate the economy but views on means are divided

Dr Yu Yongding's policy recommendations

Dr Yi Gang's policy recommendations

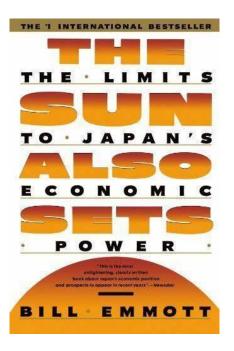


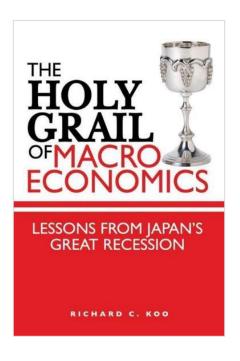


China today vs. Japan yesterday - Richard Koo's policy prescriptions

- Policy mistakes in dealing with real estate bubbles in Japan
- The role of fiscal stimulus in the context of a balance sheet recession (by firms and consumers)
- The pros and cons of Abenomics
- What can China learn from Japan? China's stance on the notion of balance sheet recessions is mixed







GDP: YoY

If not by a large fiscal stimulus? How to make monetary easing more effective?

The Central Government has a huge capacity to raise debt but its reluctance of taking over local governments' debt is not entirely unreasonable The stimulus program of "RMB4trn" has left side effects and legacies The doctrine of "smashing pots and selling iron" Over-capacities in the manufacturing sector Short term interest rates do not have much room to fall in nominal term Adjusting the RMB exchange rate will surely bring about more backlash against China's exports

Implications for China's auto market

