

**Nordea**

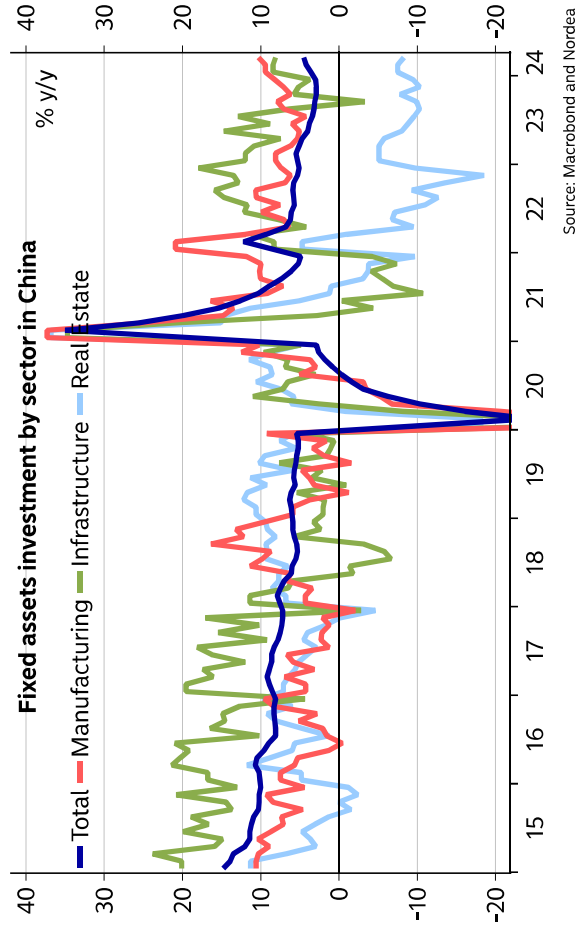
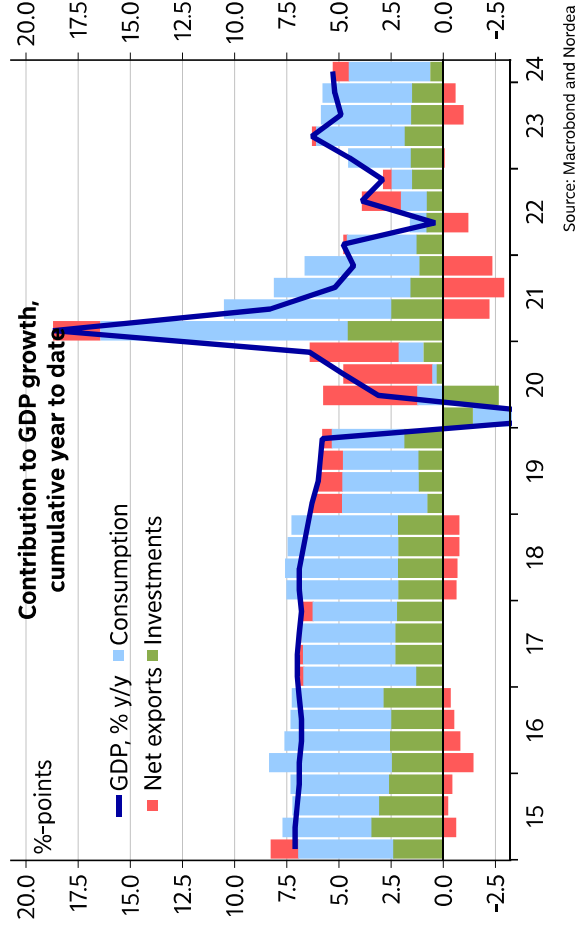
## **China's economic outlook after the two sessions**

**18.4.2024**

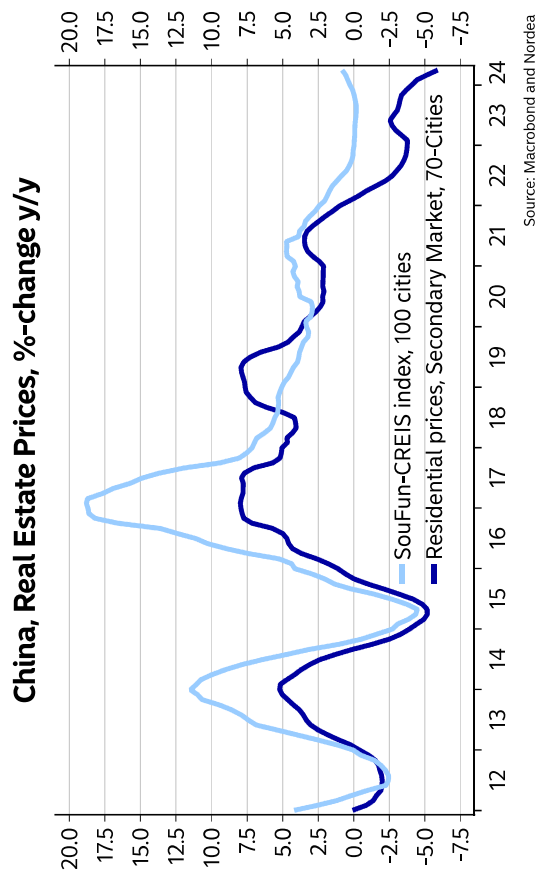
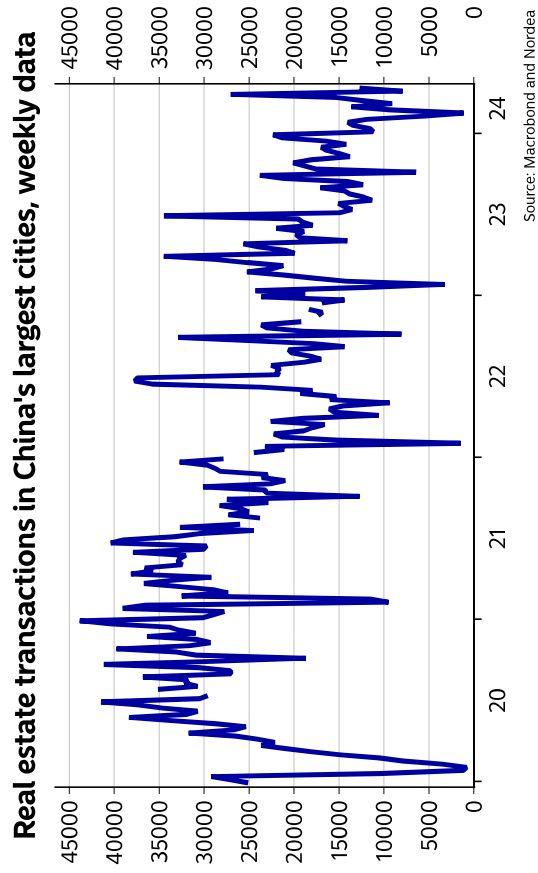
Tuuli Koivu, Chief Economist



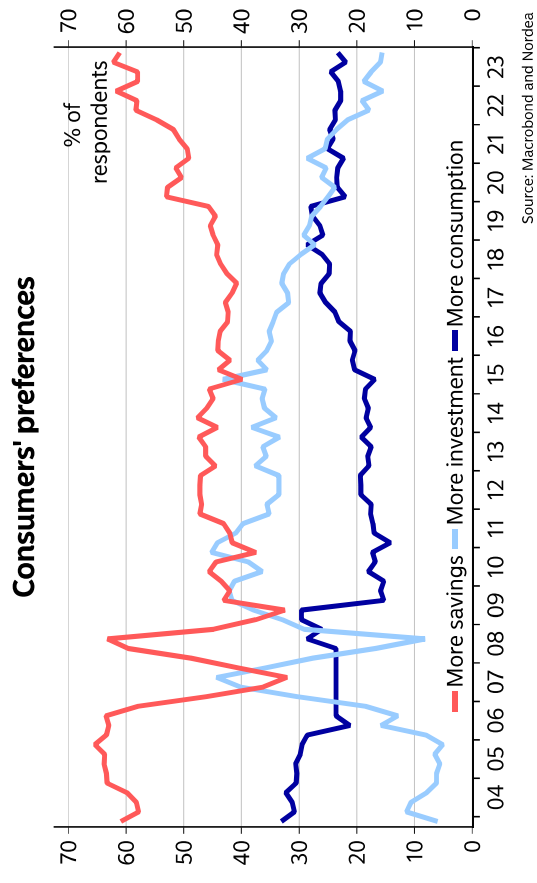
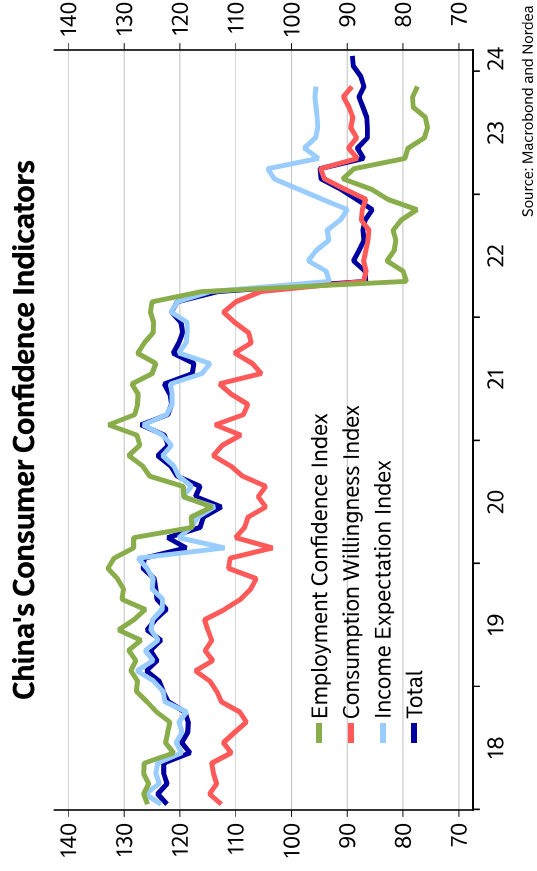
## China's 5% growth is robust but relies a lot on fiscal easing and official policies to support investment in manufacturing and infrastructure



**Downward correction in the housing market continues. Going forward, we are more worried about the wealth effect than the construction volumes as such.**

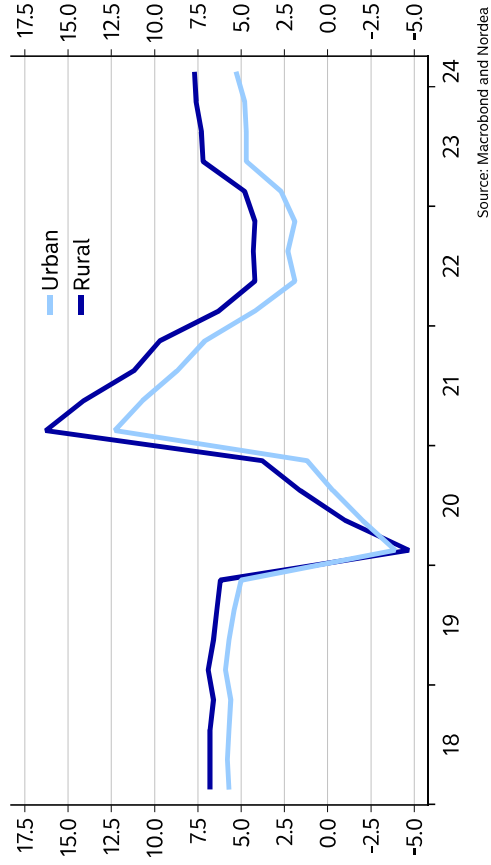


# The downside correction in the housing market is one of the reasons keeping consumer confidence weak



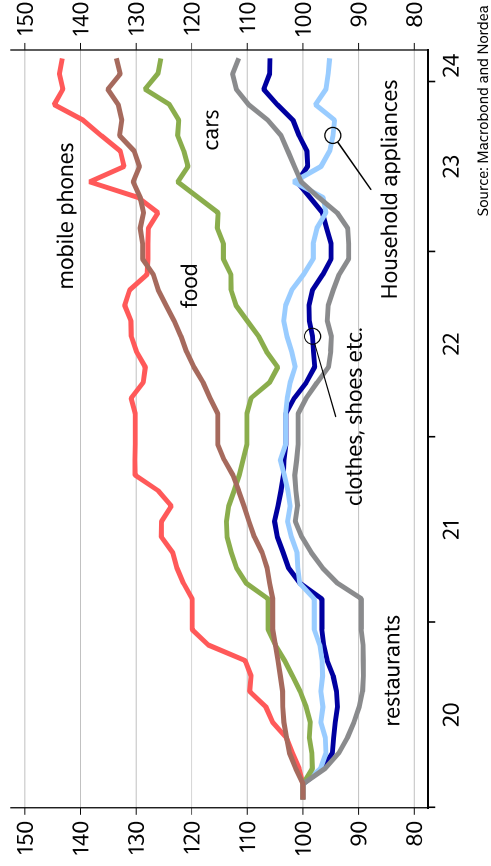
## If confidence improves, consumption could surprise positively

China, Disposable Income, Per Capita, y/y %-change



Source: Macrobond and Nordea

China, Domestic Trade, Retail Trade, CNY

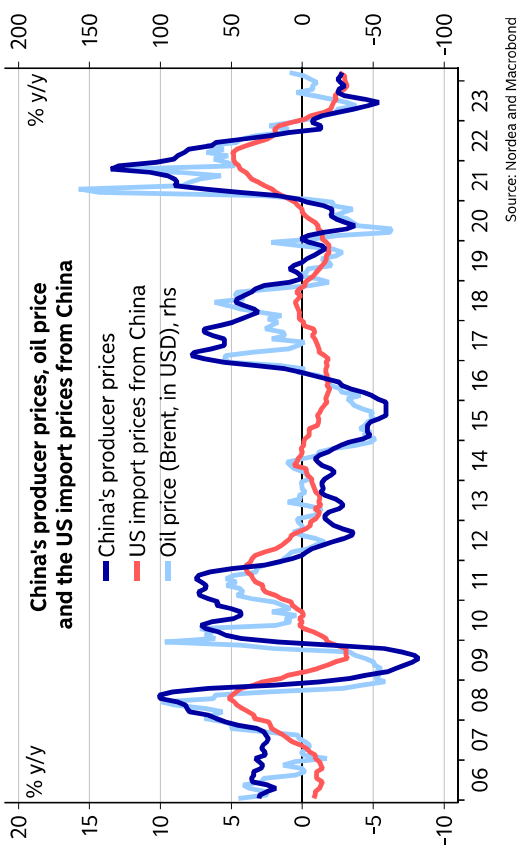
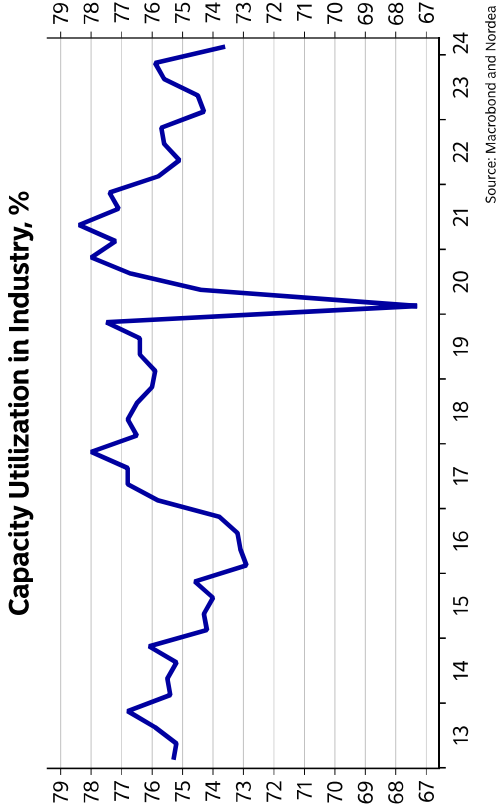


Source: Macrobond and Nordea

## The big picture did not change in the double meetings

- Political practises keep changing: no PM press conference, no Third Party Plenum
- Ambitious growth target at ‘around 5%’ for 2024 illustrates the importance of growth
- But no structural reforms, neither vast stimulus.
- How can China achieve the growth target?
  - Fiscal deficit will rise from around 7% to 8% unlike the official target 3.0%
  - Loose monetary policy, some targeted measures on the real-estate market
  - Using magic words: “*new quality productive forces*” to encourage investments in manufacturing and infra
  - Nice words about the economy, private sector and FDIs

## Beyond the surface, problems continue to exist



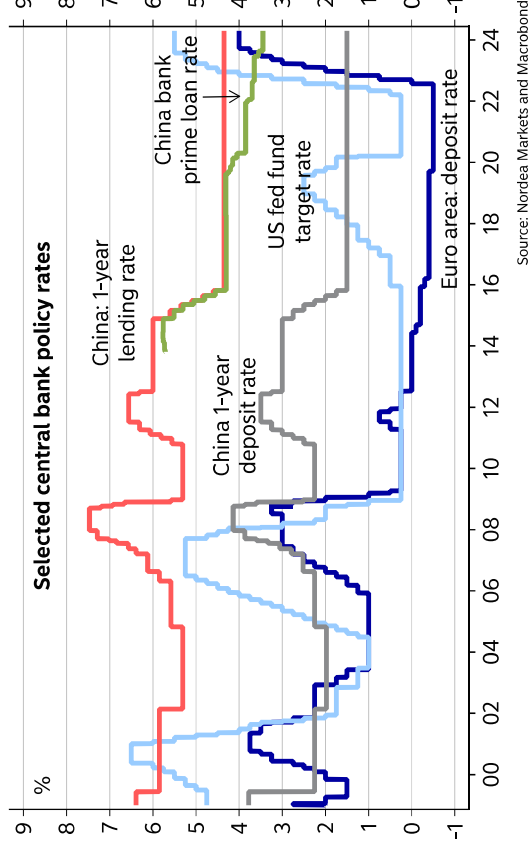
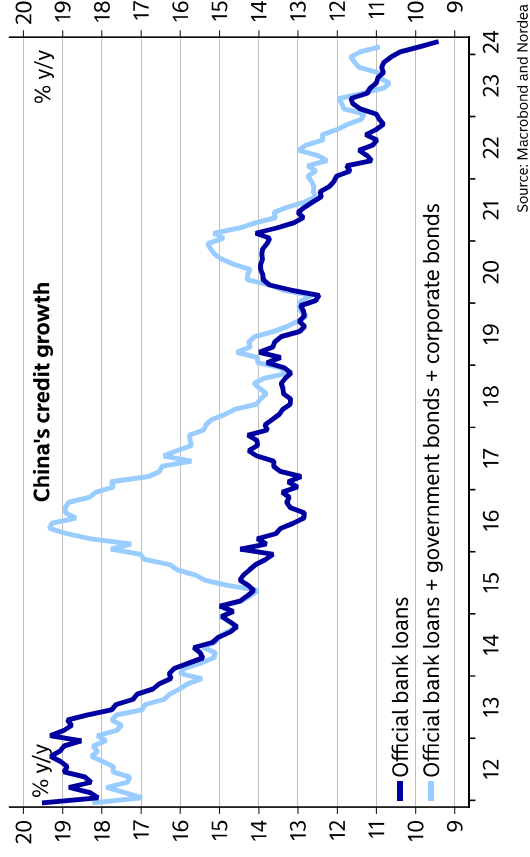
## A potential Trump win has companies already planning for Chinese tariffs and a new trade war

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## China-EU Summit Reveals a Fundamental Disconnect

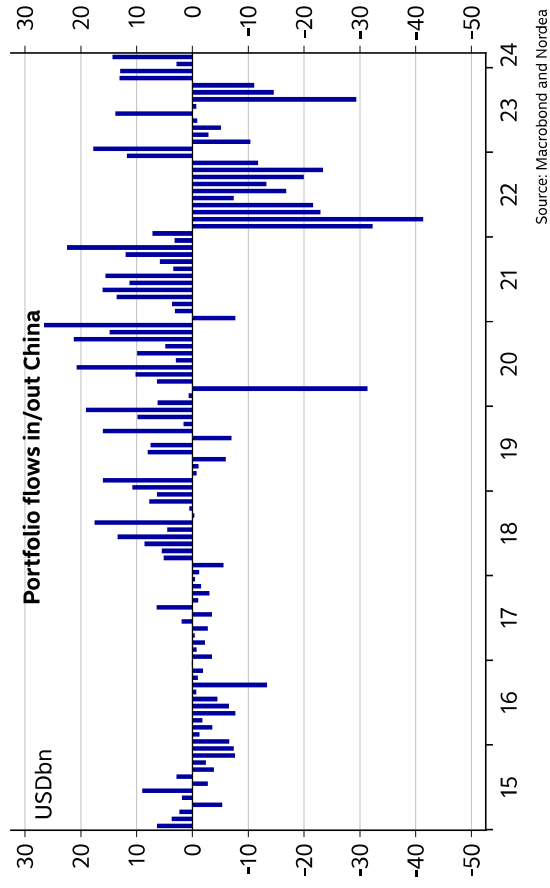
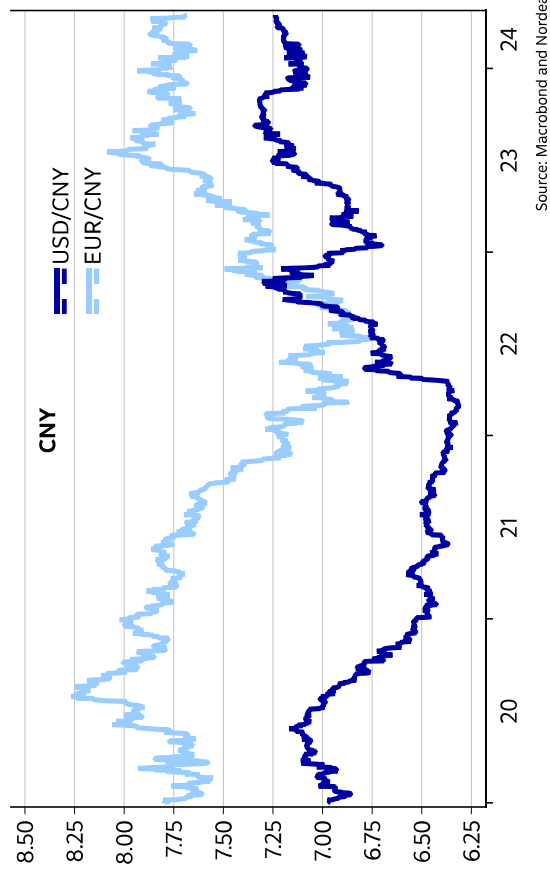
The EU sees a relationship in dire need of an overhaul. China thinks everything is just fine.

## Monetary policy will be loose but the demand for loans is low



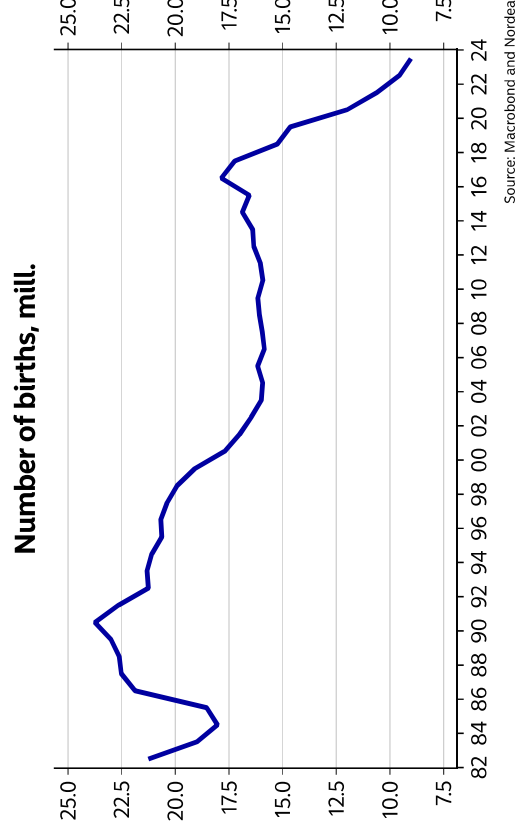


## More control on many financial sector indicators



## China's economic outlook in 2024

- China's short-term outlook is robust and we expect growth to be close to the targeted 5% in 2024
- However, sectoral differences are large and growth relies on fiscal easing
- The level of confidence in the private sector and households continues to be low
- What could turn the development in the housing sector?
- The double meeting communication was pro-growth but there are no signs of structural reforms that would improve long-term economic outlook



# Nordea

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