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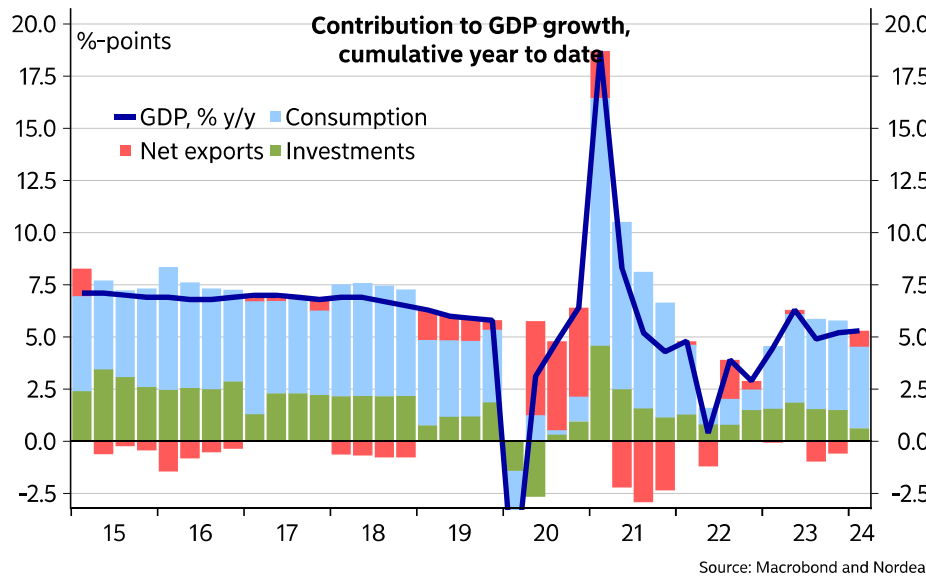
China's economic outlook after the two sessions

18.4.2024

Tuuli Koivu, Chief Economist

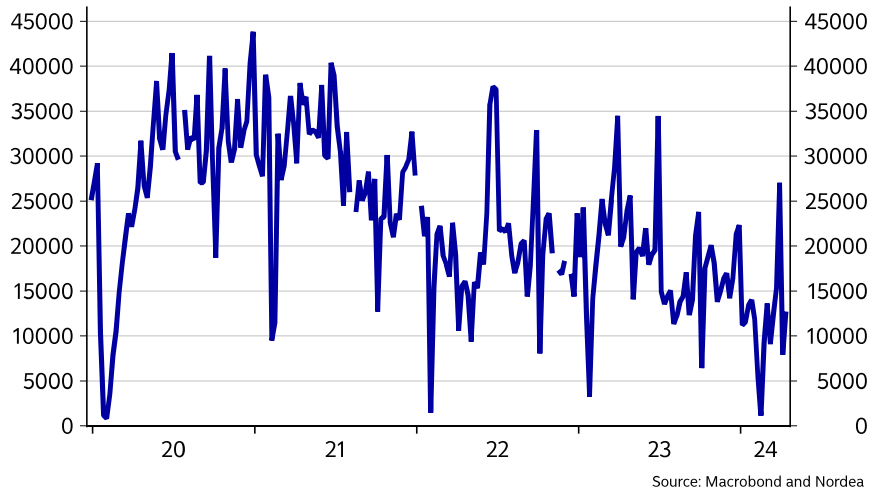


China's 5% growth is robust but relies a lot on fiscal easing and official policies to support investment in manufacturing and infrastructure

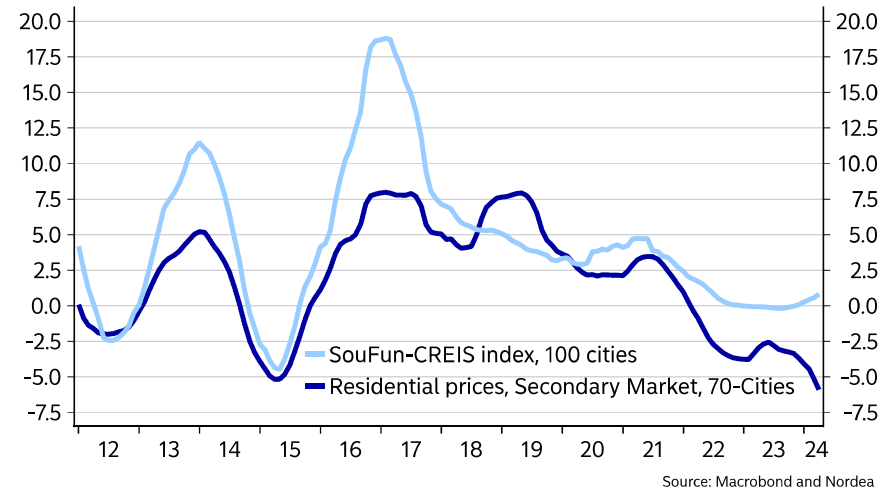


Downward correction in the housing market continues. Going forward, we are more worried about the wealth effect than the construction volumes as such.

Real estate transactions in China's largest cities, weekly data

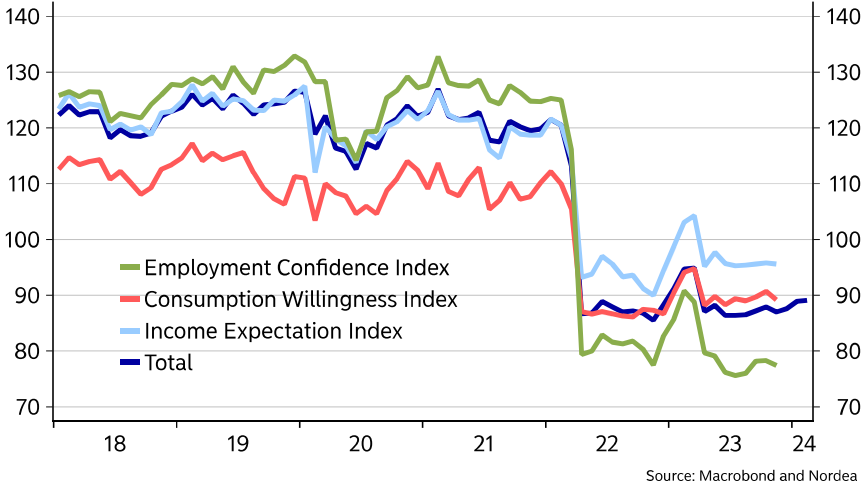


China, Real Estate Prices, %-change y/y

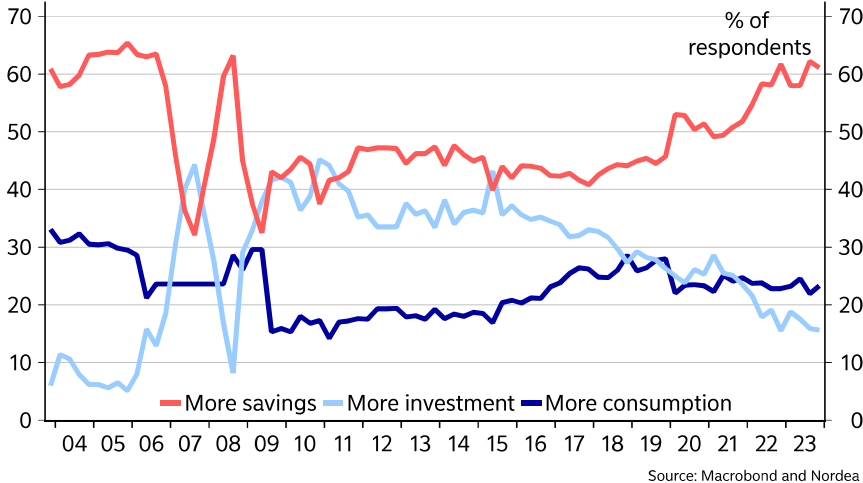


The downside correction in the housing market is one of the reasons keeping consumer confidence weak

China's Consumer Confidence Indicators

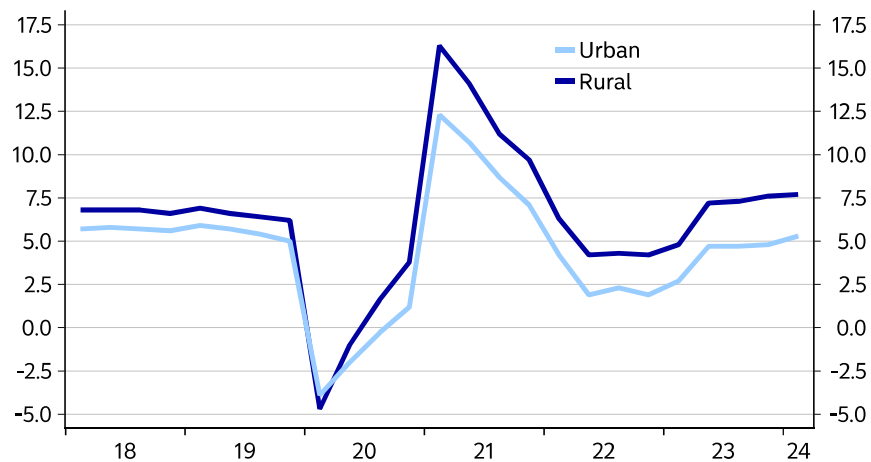


Consumers' preferences



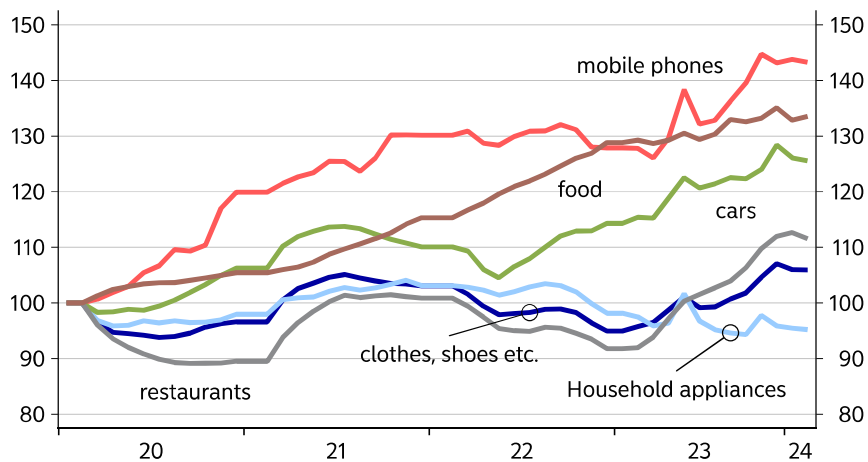
If confidence improves, consumption could surprise positively

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



Source: Macrobond and Nordea

China, Domestic Trade, Retail Trade, CNY

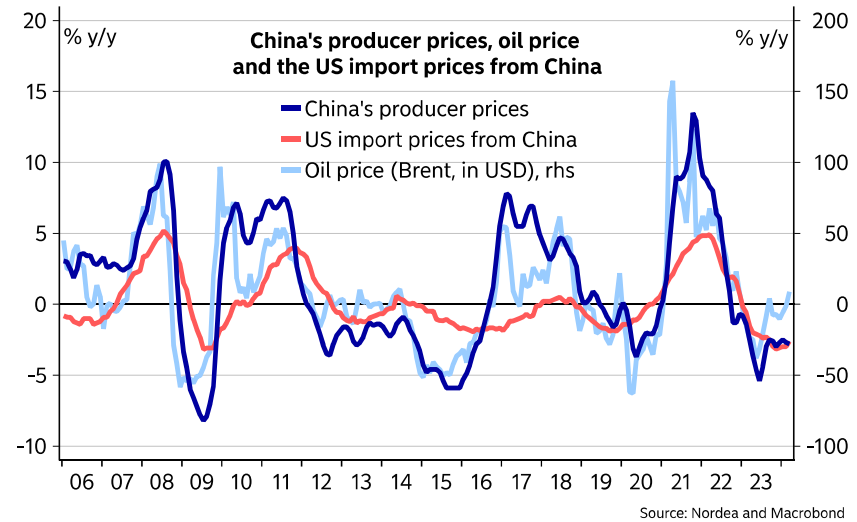
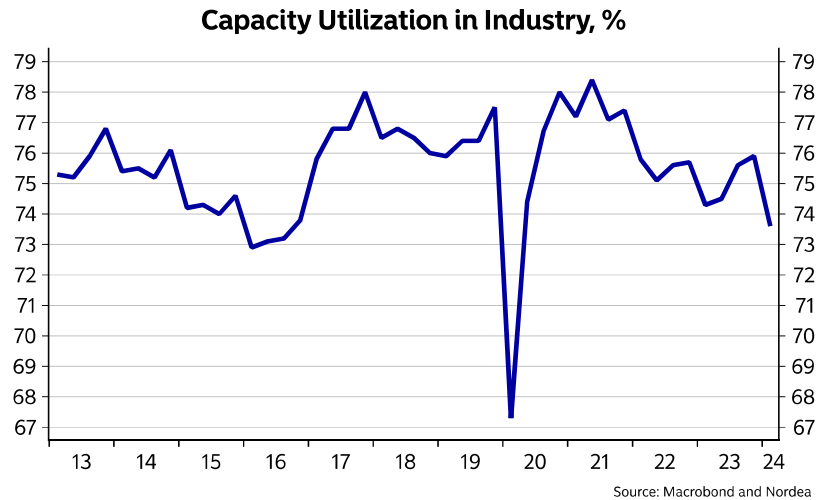


Source: Macrobond and Nordea

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



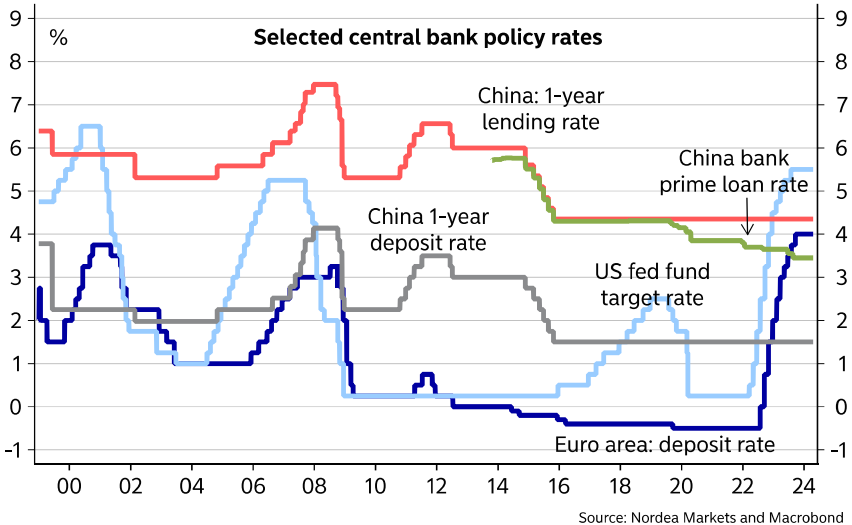
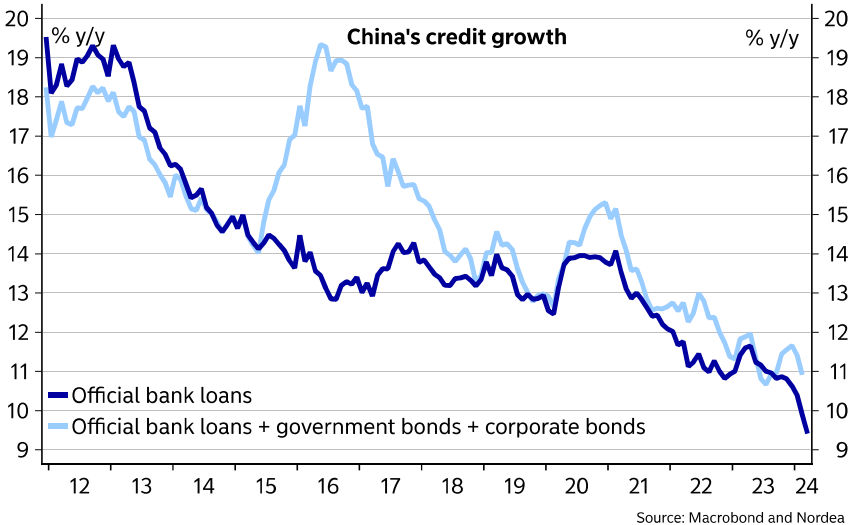
A potential Trump win has companies already planning for Chinese tariffs and a new trade war

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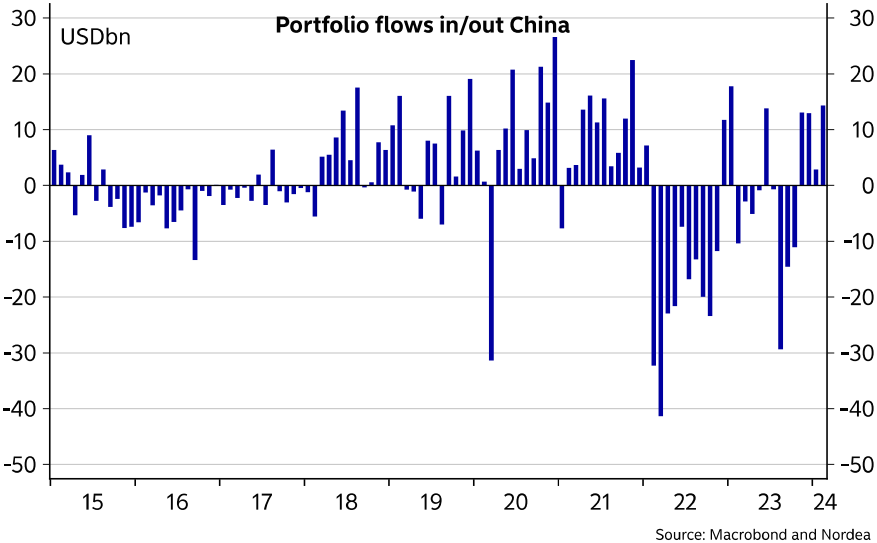
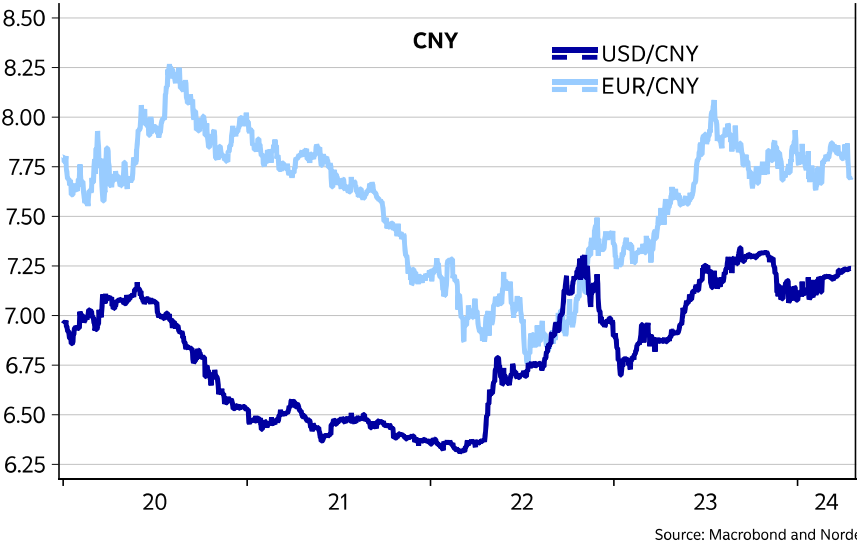
China-EU Summit Reveals a Fundamental Disconnect

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

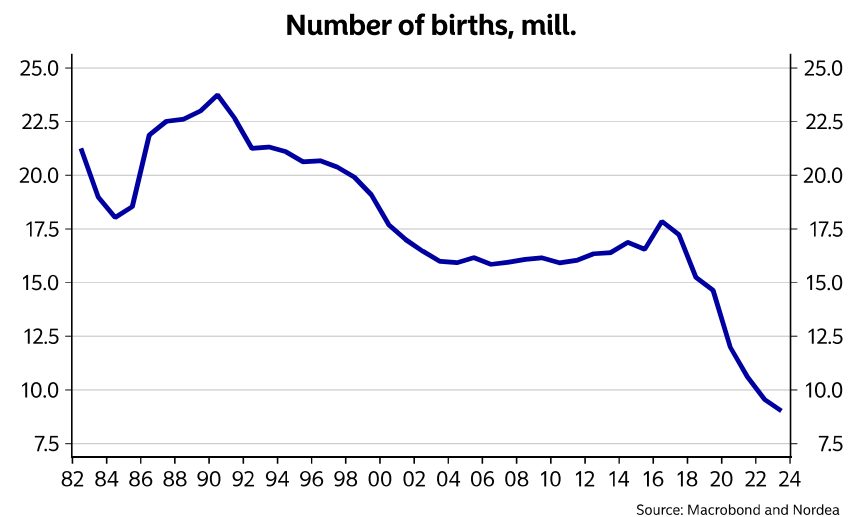


More control on many financial sector indicators



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



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