

Chartbook

23 January 2025

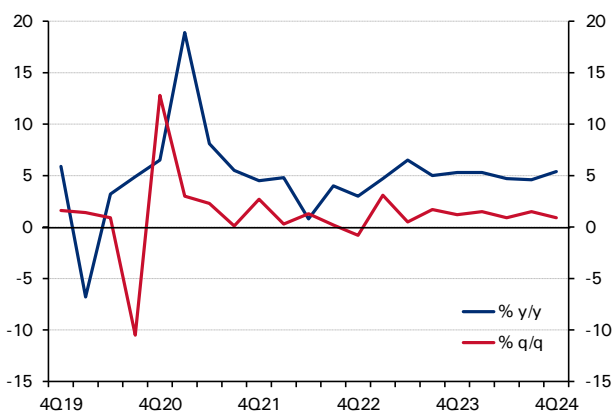


China: GDP growth at 5% in 2024, meeting the government's target, after a strong Q4

The Chinese economy grew 5.4% y/y in Q4 2024, beating consensus estimates of a 5.0% increase and accelerating from 4.6% in Q3. December data generally reflected an overall improvement in business activity. The Q4 GDP reading was the strongest since Q2 2023, helped by the string of stimulus measures rolled out late last year to boost domestic demand and arrest the property market decline. This pushed up full-year 2024 growth to 5%, meeting the government's target of "around 5%". While domestic demand was relatively muted in 2024, GDP growth was buoyed by higher exports, which may have even benefitted recently from the anticipated tariff hikes under the current US administration. In contrast, the property market continued to be a drag with the annual decrease in house prices uninterrupted, though the decline softened in the last two-three months.

Despite the more positive end of the year, the outlook for 2025 remains uncertain, especially in the context of likely higher US tariffs on Chinese products. And while the very recent threat by President Trump of a 10% duty as of 1 February is way lower than prior indications, we believe this is a dynamic issue that will likely continue to evolve in the coming months, keeping uncertainty elevated. Tariffs aside, the Chinese economy continues to face several challenges such as weak domestic demand, deflationary pressures, and ongoing decline in the real estate market. This is being reflected in the continued slump in government bond yields, with the 10-year touching multi-decade lows. Hence, a key matter for 2025 will be the extent of fiscal policy support in addition to the degree of additional monetary policy easing. Nevertheless, the ailing property market, which does not seem to be bottoming out yet though possibly past its worst, will likely continue to weigh on growth in 2025.

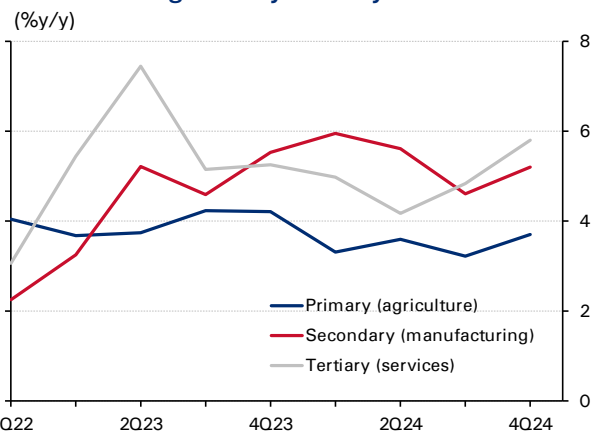
Chart 1: Real GDP growth



The economy expanded by 5.4% y/y in Q4 2024, above consensus estimates of 5.0% and the prior quarter's reading of 4.6%.

Source: Haver Analytics

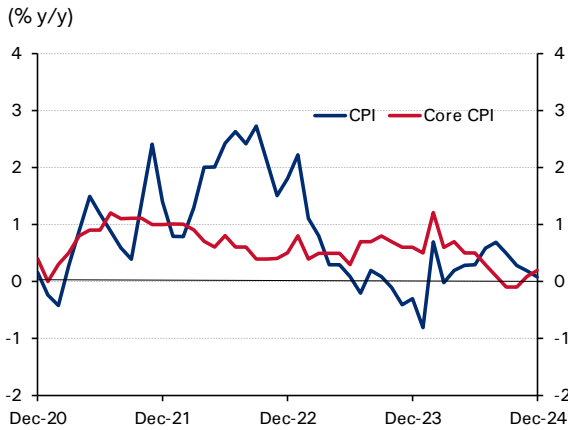
Chart 2: GDP growth by industry



Growth was led by the services industry, which accounts for more than half of the economy, as it grew by 5.8% y/y in Q4 from 4.8% y/y in Q3.

Source: Haver Analytics.

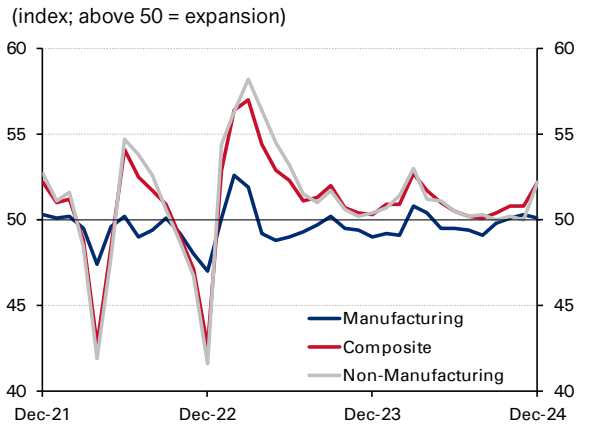
Chart 3: Consumer price inflation



The increase in core CPI has improved to 0.4% y/y in December (versus 0.1% in September), while headline CPI inflation fell to only 0.1% y/y, the lowest since March.

Source: Haver Analytics

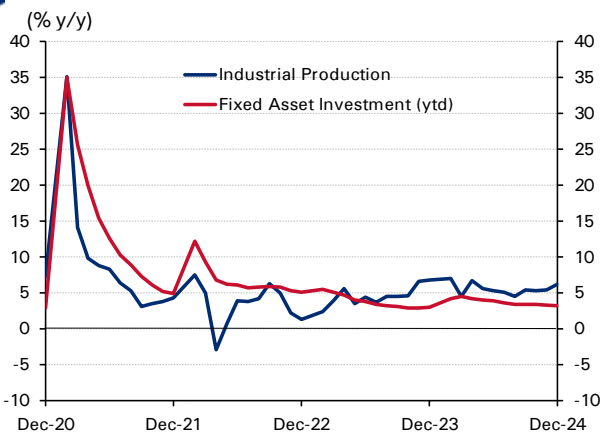
Chart 4: Purchasing Managers' Index surveys



Both composite PMI and non-manufacturing PMI increased to 52.2 in December, while the manufacturing PMI decreased, remaining marginally in expansion territory (50.1).

Source: Haver Analytics

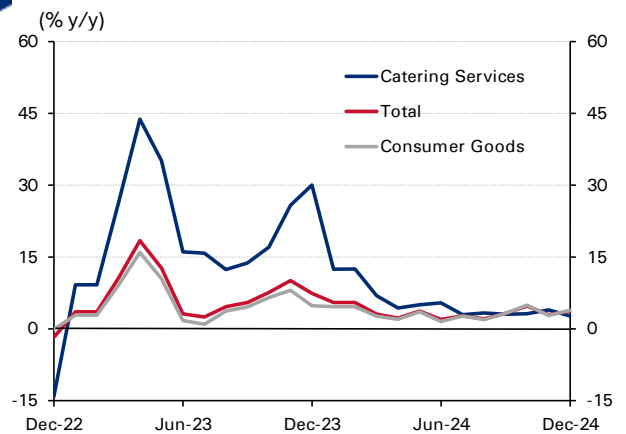
Chart 5: Industrial output and fixed investment



Fixed asset investment stood at 3.2% in 2024, similar to 3% in 2023 while industrial production growth climbed to 6.2% y/y in December from 5.4% in November.

Source: Haver Analytics

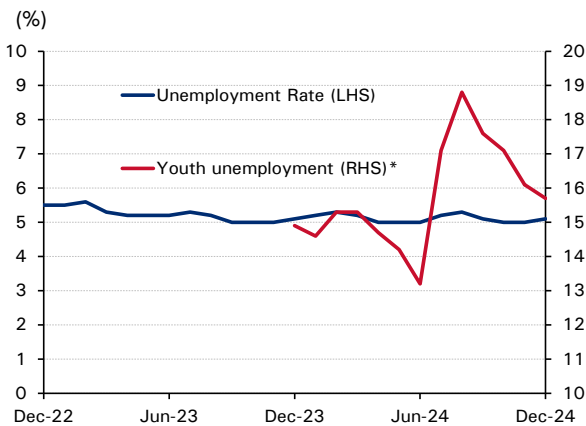
Chart 6: Retail sales



Retail sales ended the year on a strong note, growing by a higher-than-expected 3.7% y/y in December and up from 3% in November.

Source: Haver Analytics

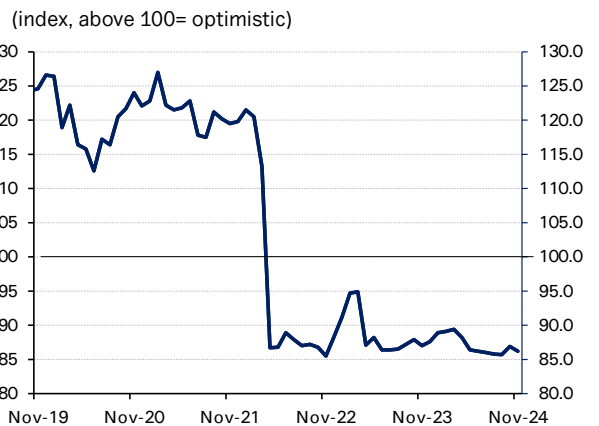
Chart 7: Unemployment rate



The youth unemployment rate fell to 15.7% in December down from a peak of nearly 19% in August while overall unemployment stood at 5.1%, broadly unchanged in 2024.

Source: Haver Analytics. *After methodology change; excludes students

Chart 8: Consumer Confidence

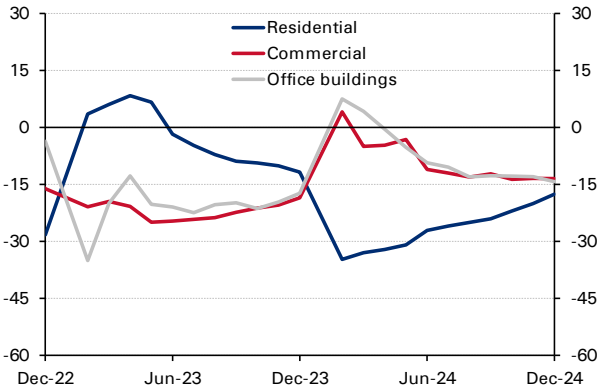


The consumer confidence index inched down to 86.2 in November from 86.9 in the previous month, leaving it hovering slightly above its record-low of 85.5.

Source: Haver Analytics

Chart 9: Real estate sales by value

(% y/y, Cumulative ytd)

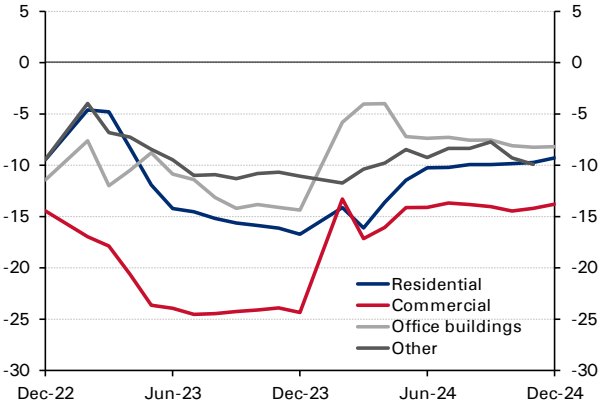


Real estate sales across all sectors continued their decline, albeit at a softer pace, with overall sales down by 17% in 2024.

Source: Haver Analytics

Chart 10: Real estate investments

(% y/y, Cumulative ytd)

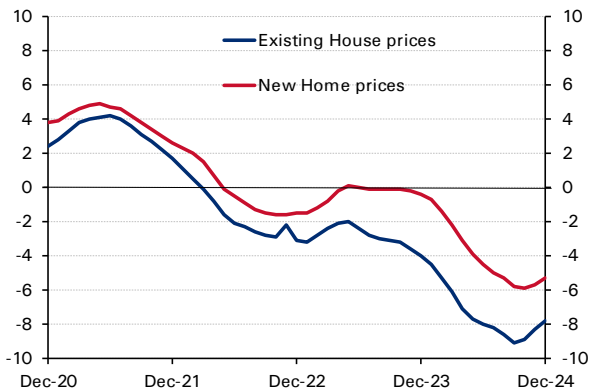


Real estate investment growth remained negative y/y across the board, with all four components stabilizing at broadly the same level of decline since June.

Source: Haver Analytics

Chart 11: House prices in 70 medium & large cities

(% y/y)

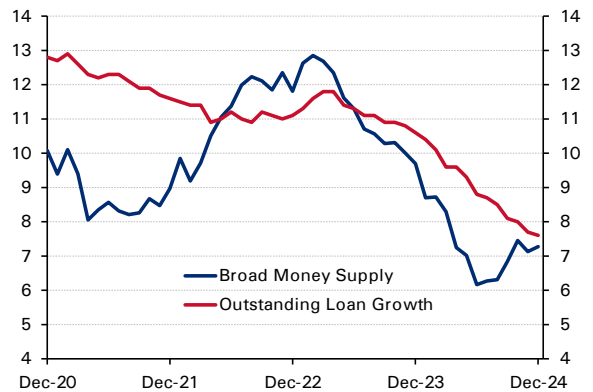


New and existing home prices continued to fall y/y, but the rate of decline has softened in the past two-three months to 5.3% and 7.8% through December, respectively.

Source: LSEG

Chart 12: Money supply (M2) and credit growth

(% y/y)

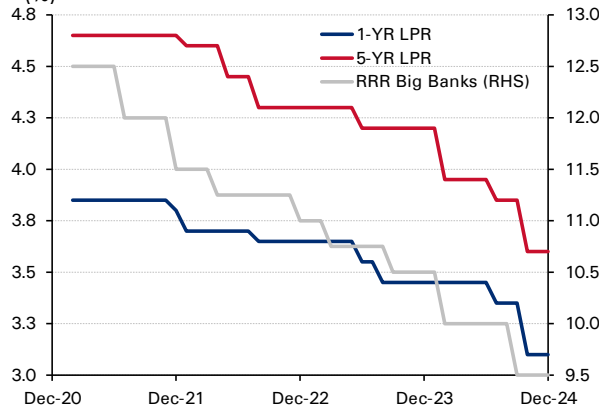


Credit trends continued to be weak, with growth falling to 7.6% in 2024, the lowest in more than 20 years.

Source: Haver Analytics

Chart 13: Interest rates

(%)

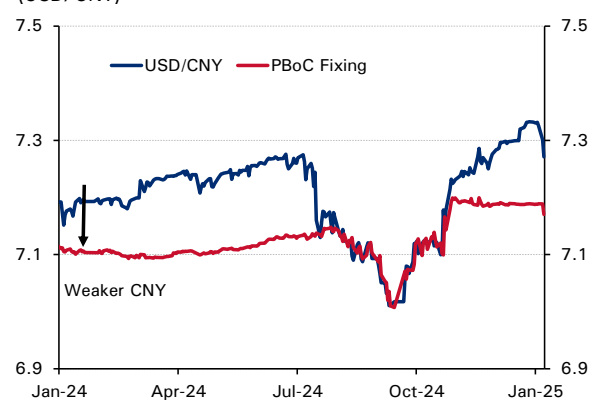


The PBoC maintained the 1Y LPR at 3.10% and the 5Y LPR at 3.6% in January, but authorities pledged to adopt an "appropriately loose" monetary policy in 2025.

Source: Haver Analytics

Chart 14: Dollar-yuan exchange rate

(USD/CNY)

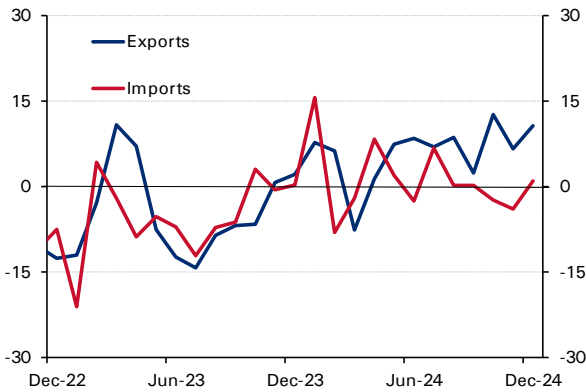


The Chinese Yuan has weakened against the USD since the announcement of the first series of stimulus measures in September.

Source: Haver Analytics

Chart 15: International trade

(% y/y)

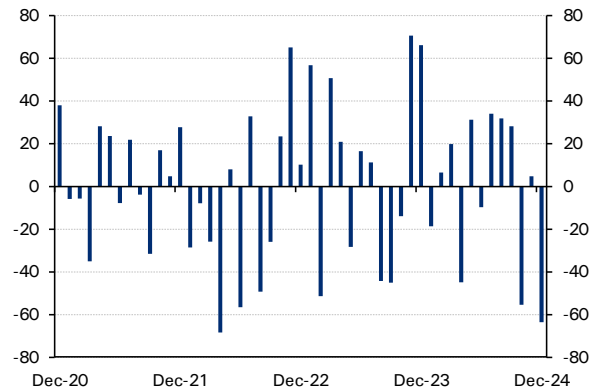


Trade ended the year on a high note, with exports up 11% y/y in December and imports up 1%, leaving China with a record trade surplus of around \$990 billion for the year.

Source: Haver Analytics

Chart 16: Monthly FX reserve changes

(USD billions)

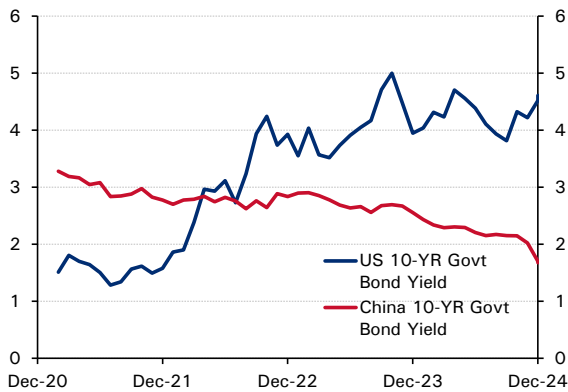


Foreign exchange reserves declined by over \$114 billion in Q4, after hitting a recent peak in September.

Source: Haver Analytics

Chart 17: China and US government bond yields

(%)



The yield on China's 10-year government bond continued its slump, touching multi-decade lows.

Source: Haver Analytics

Chart 18: Stock markets

(Rebased; 3 January 2022 = 100)



Both the CSI 300 and the Hang Seng Index have fallen from their October highs that followed the stimulus announcements, with the CSI down 10%.

Source: Haver Analytics

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