

# What's in store for China's economy in 2024?

## 2024 年中國經濟展望

Economic growth in the Mainland will be marked by a mixed bag of imbalances, opportunities and challenges even as the Government zeroes in on stability

國家着力維持經濟穩定，內地經濟仍將呈現不平衡增長、挑戰與機遇並存的基本格局

**At the opening session of the National People's Congress in 2024, Premier Li Qiang delivered his first government work report, proposing the main economic and policy goals for 2024. As widely expected, the GDP growth target is set at "around 5%," unchanged from last year. The continuity hints at a focus on economic stability. However, without the aid from reopening demand and a lower relative base, the bar for achieving this target will be significantly higher this year.**

Months into 2024, the economy still showed an uneven recovery, with concerns about housing market corrections and deflationary pressures still to be addressed to restore private sector confidence. As the economy shifts from a property-led growth model, enhanced support for new economy sectors should help compensate for the slack in the housing market while promoting the government's pursuit of high-quality growth. In our view, the Chinese economy will be marked by "four imbalances," "three challenges" and "three opportunities" in 2024.

### Four Imbalances

First, nominal GDP growth is abnormally lower than real GDP growth under a deflationary environment. A negative GDP deflator may be a major factor in poor private sector sentiment, as household incomes and corporate earnings are directly related to nominal GDP. If nominal GDP continues to disappoint, achieving the real GDP growth target alone may not be enough to revive the private sector.

Second, consumer spending remains disproportionately skewed toward service consumption. But in the absence of a significant good consumption stimulus, a broader consumption recovery will depend on higher income growth and improving consumer confidence. But that may take longer to materialize.

Third, fixed asset investment is primarily led by public investment, while private investment still declined. The bifurcation is driven in part by ongoing policy support to promote the so-called new infrastructure investment (such as

new energy vehicle charging stations and big data centres). But property investment, which is largely privately owned, remains a drag.

Fourth, new economy sectors have significantly outshone old economy sectors. The term "new three products" was born out of the strong domestic and foreign demand for solar cells, electric vehicles and lithium batteries in the context of global green energy transformation. Trade-in schemes to boost sales of "old products" (garment, furniture, household appliances) sales were announced, but more clarity would still be needed with regard to the size and financing of such schemes.

### Three Challenges

First, how can the housing market achieve a soft landing? The policy tone of the housing market has undergone fundamental changes, and the regulatory barrier for home purchases has significantly lowered. But households' home buying decisions remain complexly influenced by a range of factors,



including income expectations, house price expectations or concerns about home delivery. Despite targeted financial support to ensure the delivery of pre-sale homes, property developers are still facing cash flow pressures as home sales recover at a sluggish pace.

Second, how to revive private sector sentiment? A lack of confidence among households, corporates and investors remains widespread. There appears to be no quick fix, but stabilization of house prices, a clear exit from deflation and a more predictable regulatory environment will be the necessary conditions for a rebound in sentiment.

Third, how to pull the economy out of deflationary pressure? Easing destocking pressures on certain products, such as pork and cars, coupled with a low relative base, should pave the way for a moderate return to inflation. But overall weak

demand could put it well below the government's target of around 3%.

### Three Opportunities

First, macro policies will remain accommodative, and policy coordination will improve. Fiscal measures will play a leading role, supplemented by monetary support. Although support from the traditional fiscal toolkits (i.e. budget deficits and local government special bond issuance) appears to be modest and little changed from last year, actual fiscal spending is likely to be boosted by special central government bonds issuances, which seek to provide targeted support for strategic initiatives. To support expansionary fiscal policy, monetary policies will also be coordinated to provide a favourable liquidity environment for financing.

Secondly, the government will continue to facilitate the

development of new growth drivers to pick up the slack from the housing sector. Digital transformation and energy transition should still stand out given their strategic significance, and ongoing tax and financing incentives towards these initiatives should continue to roll out.

Thirdly, public housing investment could step up to offset the softness in commercial housing investment. The resumption of the pledged supplementary lending (PSL) program was widely thought to be supporting the so-called "three major projects," which include public housing and urban village renovation. For an optimistic scenario where these funds are fully used to purchase undeveloped land or unfinished projects from private developers and convert them into public housing, this will help reduce housing inventory and ease cash flow pressure for developers as well.

在十四屆全國人大二次會議開幕會上，國務院總理李強宣讀其任內第一份《政府工作報告》，提出 2024 年主要經濟和政策目標。一如普遍預期，GDP 增長目標設定為 5% 左右，與去年持平。這顯示了維持經濟穩定的政策重點，但在低基數效應和積壓需求釋放殆盡的背景下，今年實現這一目標的門檻將明顯提升。

踏入 2024 年，經濟復蘇仍不平衡，私營部門信心仍受制於房地產市場調整和通縮壓力。隨着房地產市場的結構性變化，內地經濟正過渡至「後地產時代」，亟待培育新增長動能，以配合中央政府邁向高質量發展的目標。我們認為，中國經濟在 2024 年將呈現「四重不平衡」、「三大挑戰」及「三大機遇」的基本格局。

### 四重不平衡

一是名義 GDP 增速滯後於實際 GDP 增速。2023 年中國全年 GDP 平減指數為負值，反映了通縮壓力，也直接影響居民收入和企業利潤等名義經濟指標的修復，可能是私營部門氣氛淡靜的主因。如名義 GDP 繼續表現欠佳，單單達成實際 GDP 目標或不足以重振私營部門。

二是貨物消費落後於服務消費。在缺乏大規模耐用品消費刺激的情況下，更全面的消費復蘇將取決於居民收入和消費者信心的改善，但這可能需要更長時間才能實現。

三是固定資產投資主要由公共投資推動，民間投資仍然滯後。造成這種分歧的部分原因在於產業政策重心不斷向新基建領域（如新能源汽車充電站和大數據中心）轉移，而由民營企業主導的房地產投資則不斷萎縮。

四是傳統經濟產業落後於新興經濟產業。受惠於全球能源綠色轉型，包括電動車、鋰電池、太陽能電池在內的



「新三樣」產品的海內外需求持續走強，而「老三樣」產品（服裝、家具、家電）將開展以舊換新計劃促銷，惟計劃規模和資金來源仍有待明確。

### 三大挑戰

一是房地產市場如何軟著陸？房地產市場的政策基調已徹底改變，購房門檻明顯降低。然而，居民購房決定仍受制於收入預期、房價預期、期房爛尾等因素，房屋銷售復蘇緩慢。儘管供給端融資支持政策不斷出台，以確保期房能按期交付，房地產發展商仍然面臨資金周轉壓力。

二是如何重振私營部門信心？針對家庭、企業和投資者信心疲軟的狀況，我們認為房價穩定、通脹回升及穩定的監管環境將成為信心回升的必要條件，不能一蹴而就。

三是如何幫助經濟走出通縮壓力？豬肉、汽車等若干產品去庫存壓力緩解，加上基數較低，今年通脹可望溫和修復。但由於內需疲軟，在政府目標約 3% 以下的核心通脹低位運轉的現象很可能會持續。

### 三大機遇

一是宏觀政策有望維持寬鬆，同時財政與貨幣政策將協同發力。儘管 2024 年財政預算赤字率及新增專項債額度與去年相比變化不大，但考慮到去年和今年發行的特別國債，實際財政支出力度將明顯增強。積極的財政政策有望帶動總需求，加上穩健的貨幣政策協同配合，為政府發債融資提供有利的流動性環境。

二是新舊增長動能切換可望持續，新興產業上行繼續對沖房地產下行。「數碼化」和「綠色化」將繼續成為政策的着力方向，相關的稅收和融資激勵措施或將繼續加碼。

三是保障性住宅建設有望加速，以彌補商品房投資下滑。市場普遍認為，人民銀行在去年底重啟的抵押補充貸款主要投向「三大工程」，其中包括保障性住房和城中村改造。在理想的情況下，保障性住宅建設可透過改建或收購存量商品房作為保障房，盤活閒置土地和房屋，有效地減少市場庫存，並舒緩發展商的資金壓力。