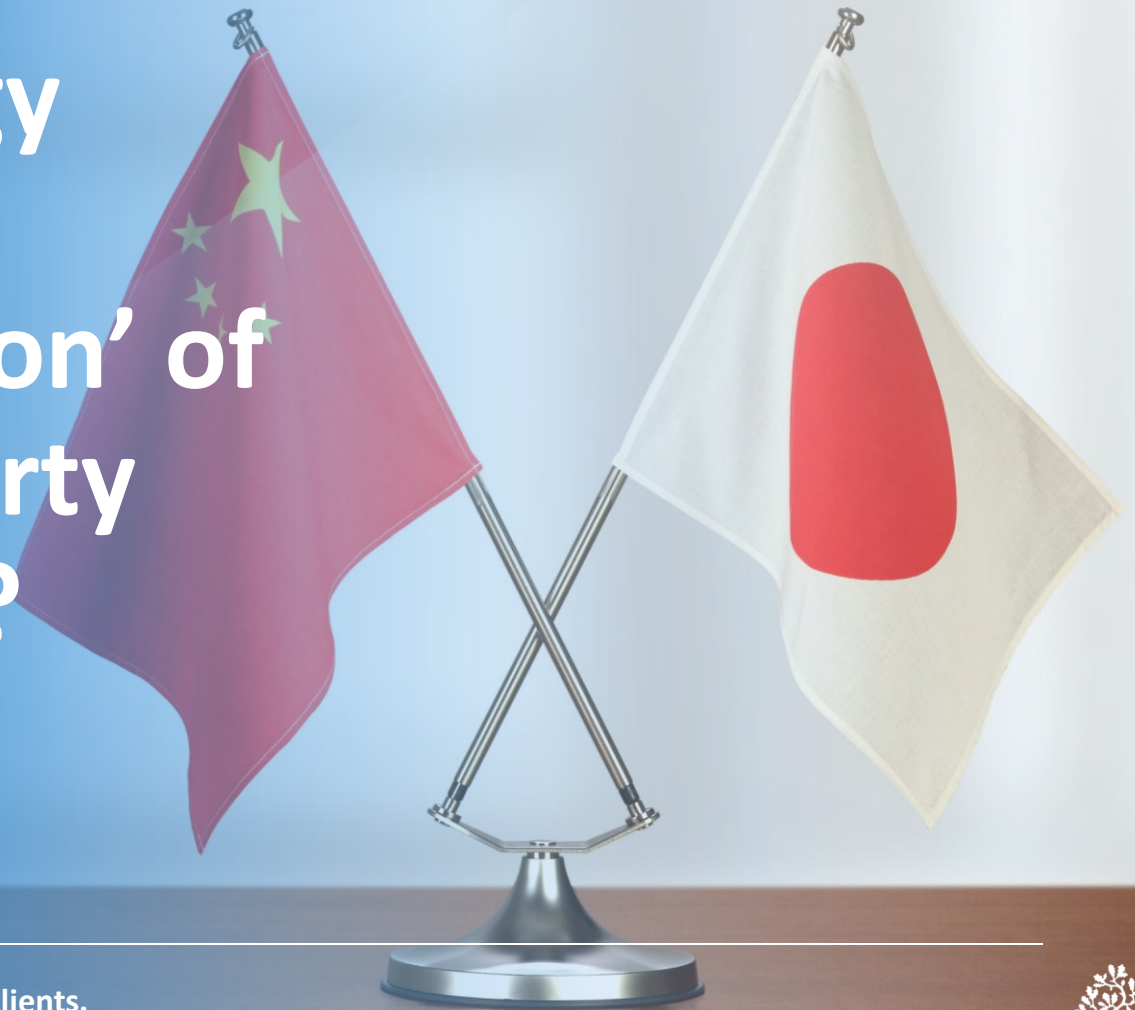


Six Minute Strategy

Is the 'Japanification' of the Chinese property market inevitable?

18 October 2024

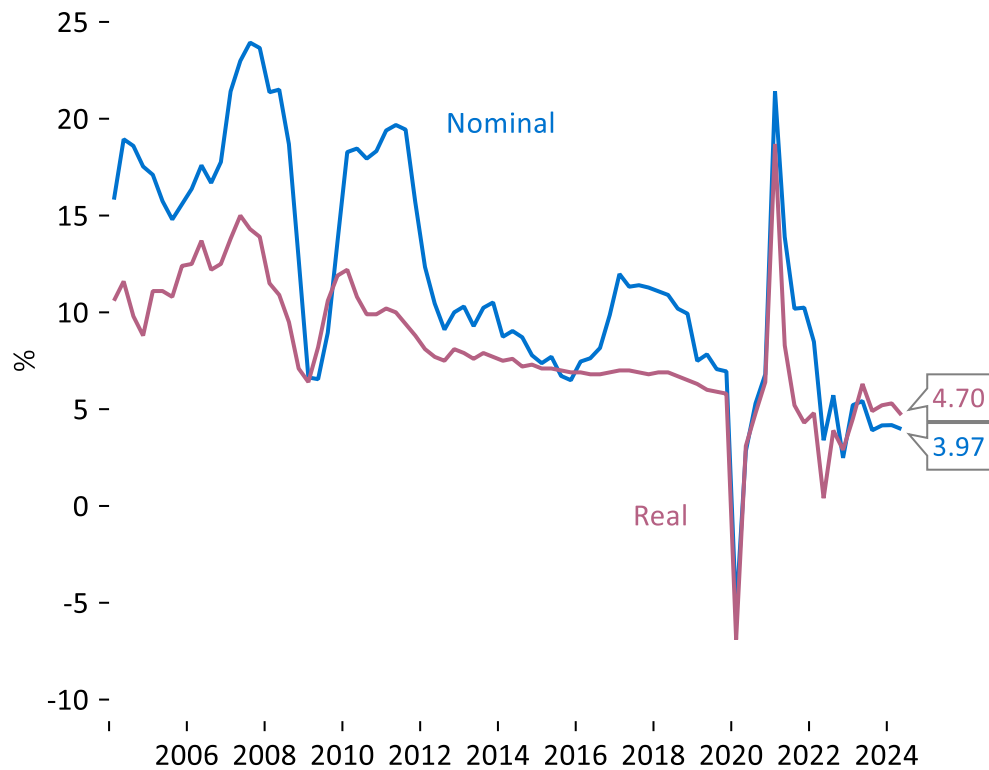


Excess capacity and deflation are weighing on nominal growth



Economy continues to slow

Chinese real and nominal GDP growth

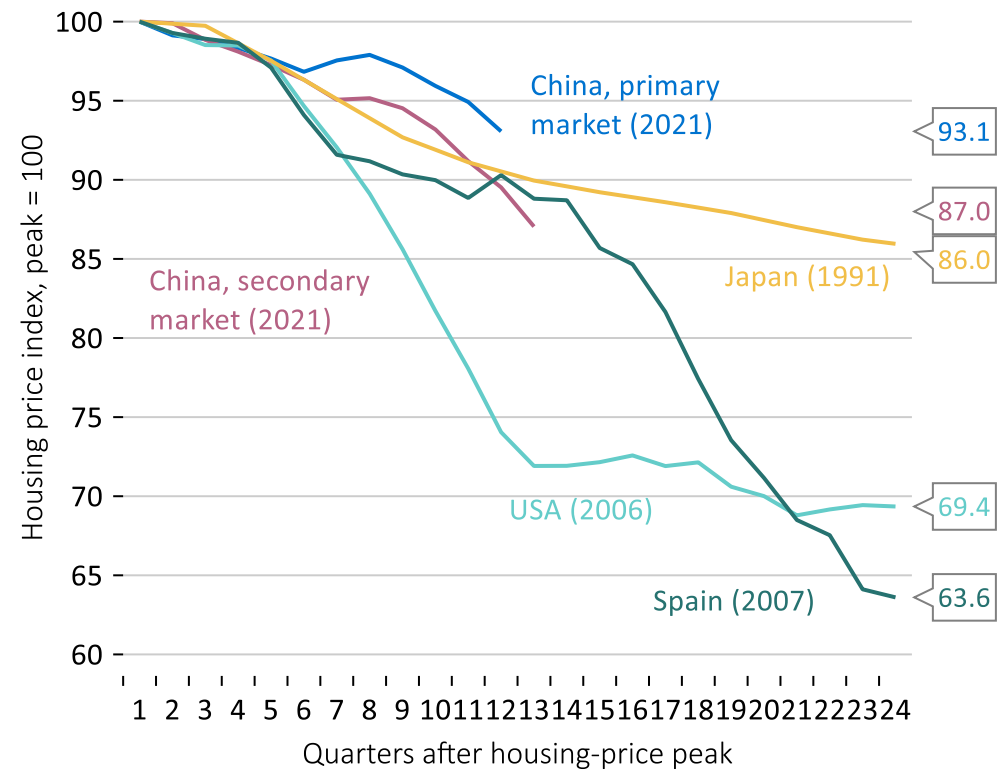


Source: Macrobond, 16.10.24



Parallels with Japanese property deflation remain

Country comparison of housing-price corrections



Source: Macrobond, 01.10.24

China stimulus package



Key features of Chinese stimulus – September 2024

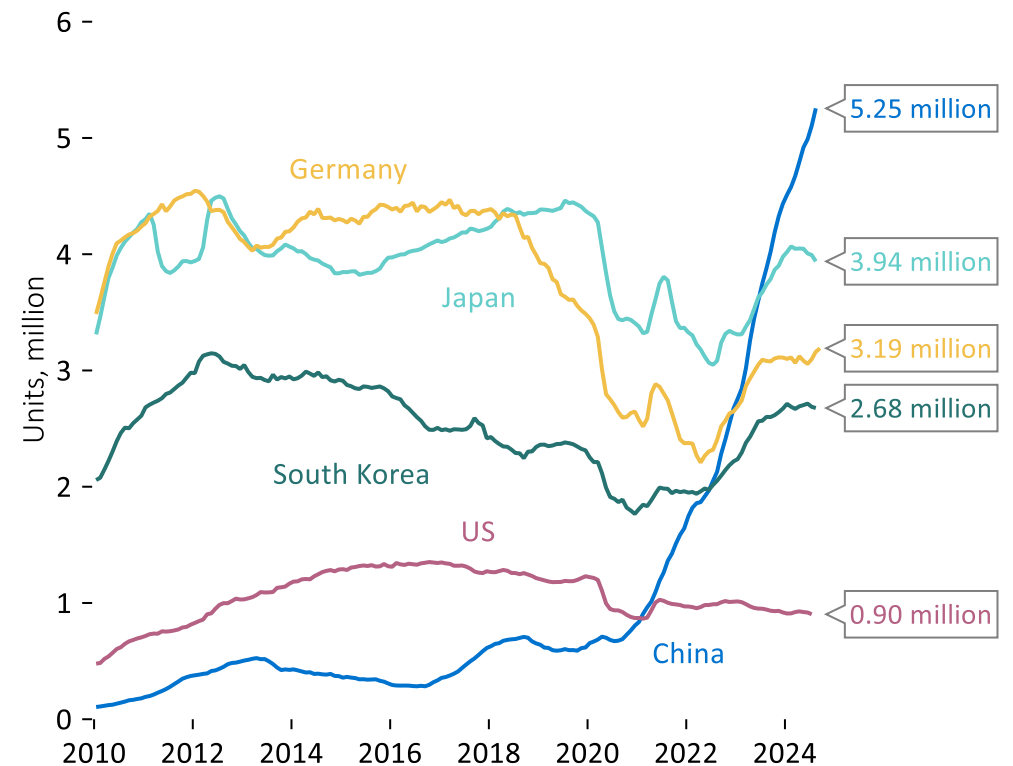
Measure	Details	Expected impact
Central bank rates	Cut Reserve Requirement Ratio and lending rates	Modest positive – more required
Bank recap	Inject RMB1 trillion into largest banks	Modest positive
Housing measures	PBOC fund local government purchase of unsold homes Minimum down-payment for second homes reduced Tier 1 cities removing some or all buying restrictions	Marginally positive but property structurally challenged
Fiscal package	Estimated RMB2 trillion (1.5% of GDP)	Consumer stimulus helpful – more required
Stock market package	RMB800 billion financing facility	Boosts sentiment

What should we expect? A China shock 2.0?

- Chinese growth to stabilise as sentiment recovers underpinning global demand.
- Balance sheets of banks and local governments - struggling with debt and deflation - will benefit. This will **help monetary and fiscal policy transmission** in due course.
- Stimulus does not divert from President Xi's overarching strategy as laid out at the Third Plenum in July.
- China to continue with '**Common Prosperity**' and "**New Productive Forces**" to "**promote revolutionary breakthroughs in technology and in depth industrial transformation and upgrading**".
- **How big will China Shock 2.0 be?**

Chinese competition damaging margins industry wide

Exports of Passenger Cars; Rolling 12m sum

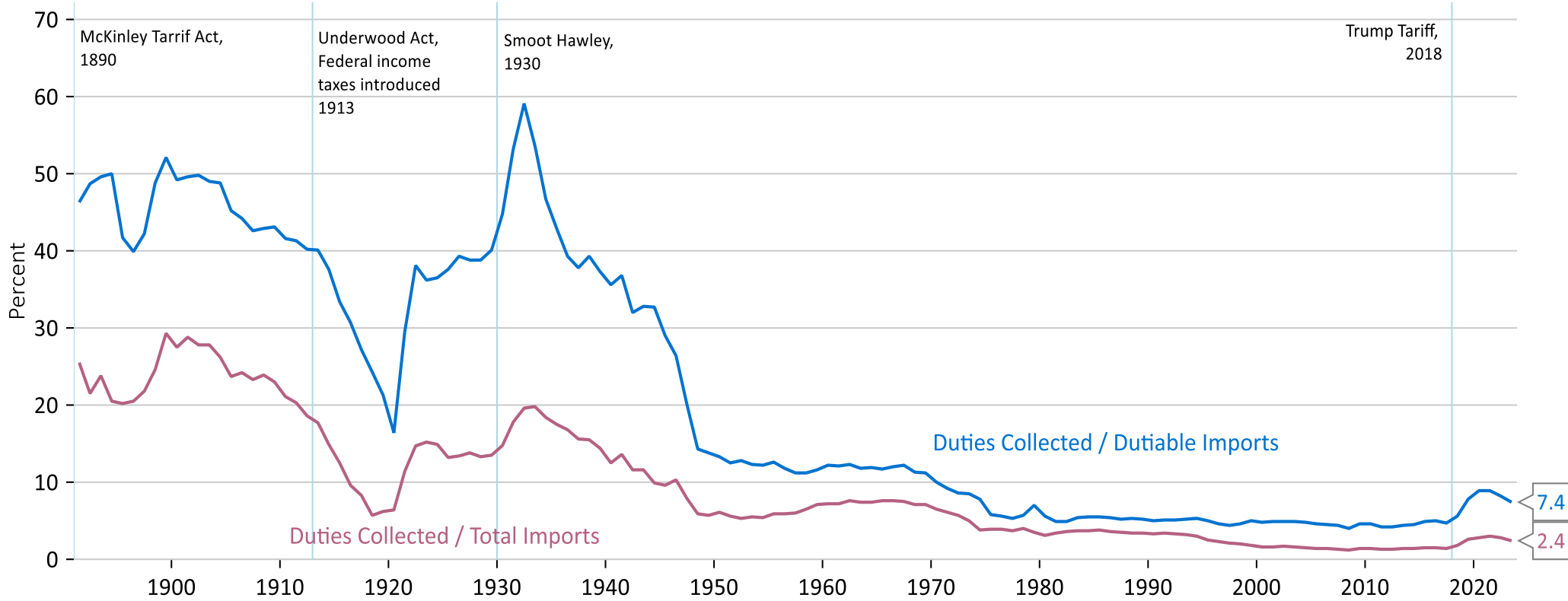


Source: Macrobond, 15.10.24

And a return to protectionism in the US?

Tariff rates in the US

United States International Trade Commission



Source: Macrobond, 15.10.24

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SARASIN & PARTNERS

Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

T: +44 (0) 20 7038 7000
www.sarasinandpartners.com

