Greater China — Week in Review

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Highlights: Ways to boost consumption

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The key Chinese economic indicators for the first two months of 2025 have surpassed market expectations. The value-added output of large-scale industrial enterprises increased by 5.9% YoY, up 0.1 percentage points from the full-year 2024 growth rate. Total retail sales of consumer goods grew by 4% YoY, 0.5 percentage points higher than in 2024, and fixed asset investment (FAI), excluding rural households, expanded by 4.1% YoY—0.9 percentage points faster than the previous year. The accelerated growth in manufacturing investment was driven by the adoption of advanced, intelligent, and green manufacturing practices and the implementation of large-scale equipment renewal policies.

These stronger-than-expected data suggest that the economy is likely to grow by about 5% in Q1 2025. However, rising tariff uncertainties may still challenge the economy's ability to meet its full-year growth target in 2025.

Meanwhile, the property market, though showing signs of stabilization, remains subdued. Household medium- to long-term loans declined by CNY11.2 billion YoY in February and by CNY144.9 billion YoY in January–February. Additionally, M1 growth slowed to 0.1% YoY, down 0.3 percentage points from January, while real estate investment fell by 9.8% YoY over the same period, weighing on overall investment growth.

China’s policy remains supportive. In February 2025, aggregate social financing (TSF) increased by CNY 2.2 trillion, up CNY 730 billion YoY, with outstanding TSF growth accelerating to 8.2% YoY, 0.2 percentage points higher than the previous month. Government bond issuance was the primary driver of TSF expansion, with net government bond financing rising by CNY 1.1 trillion YoY, contributing 0.27 percentage points to TSF growth.

Fiscal policy remained expansionary, providing support for corporate cash flows. Net government bond financing reached CNY 2.39 trillion in January-February, CNY 1.49 trillion higher YoY, while fiscal deposits increased by CNY 1.11 trillion YoY. However, despite the sharp rise in fiscal deposits, M2 growth remained at 7%, unchanged from the previous month.

In addition, the General Office of the CPC Central Committee and the General Office of the State Council have issued the Special Action Plan to Boost Consumption. Central to the plan is the “Urban and Rural Residents’ Income Enhancement Initiative,” which focuses on four key areas: promoting reasonable wage growth, expanding asset-based income channels, implementing measures to increase farmers’ income, and addressing overdue payments to improve household earnings.

A major highlight is the expansion of asset-based income channels, signaling the government's commitment to stabilizing the stock market and creating a wealth effect. Simultaneously, efforts to promote wage growth and increase farmers' income are designed to expand the middle-income group and raise income levels among lower-income households.

The action plan also targets bulk-item consumption—such as housing and automobiles—as well as service consumption. In housing, the plan explicitly outlines supportive measures for the housing provident fund, including timely reductions in loan interest rates and an expansion of its usage scope. This is the first time a State Council-issued consumption-boosting document has detailed specific measures to support housing consumption, underscoring the coordinated approach to boosting overall household spending. Housing consumption, which drives upgrades in home appliances, furniture, and home renovations, is positioned as a critical pillar of the plan.

Furthermore, the plan proposes extending the automotive consumption chain by piloting reforms in automobile circulation, fostering a robust used-car market, and strengthening information sharing in the sector. Finally, the shift from goods to services consumption reflects an evolution in consumption patterns, as services exhibited stronger growth potential in 2024. With service retail sales growing by 6.2% YoY, outpacing goods retail sales by 3 percentage points, the increased contribution of services is expected to drive overall consumption growth in the coming years.

Market will watch for the press conference later today about detailed plan to boost domestic consumption.

China's Ministry of Commerce reportedly summoned Walmart for discussions after the retailer allegedly demanded up to 10% price cuts from Chinese suppliers to offset the impact of U.S.-China tariffs. Chinese authorities cautioned that retroactive price reductions could violate existing supply contracts, signaling Beijing's determination to protect its supply chain ecosystem and ensure fair business practices for domestic suppliers. The move also serves as a warning to multinational corporations that unilateral cost-shifting strategies will not be tolerated. Given the already thin margins for Chinese manufacturers, there is limited capacity for suppliers to absorb the additional costs, making it likely that a significant portion of the tariffs will ultimately be passed on to U.S. consumers through higher retail prices.

Hong Kong stock market continued to outperform, remaining resilient despite worsened global risk sentiment amid heightened uncertainties surrounding growth and policies. Hang Seng Index closed the Friday session slightly below the 24,000 mark, with the year-to-date gain at 19.4%. The narrative has shifted from "un-investable" to "un-stoppable".

Local market sentiment was bolstered by corporate's buyback schemes and potential review of board lot sizes (minimum trading unit of each stock), as well as expectation for further consumption support measures to be announced in mainland this week. On the other hand, net southbound purchases reached a record high of HK$29.6 billion last Monday.

Hong Kong's stock exchange is reviewing board lot size (minimum trading unit of each stock), aiming to lower investment threshold.

Currently, the board lot sizes vary from 100 to 1000 shares per trade. While partial board lots are available, they are costlier than whole units. To improve market liquidity and enhance market structure, the authority is looking into options to adjust board lot size for high priced shares. Prior to this, the Hong Kong government had already taken steps to lower the equity trading stamp duty and narrow the bid-ask spread.

Macau's housing prices continued their slide down the slippery road, after a brief rebound in December. In sequential terms, Macau's residential property price index fell by 1.3% in Nov24-Jan25, after rebounding by 0.1% in Oct24-Dec24. Compared the recent high, residential property price index fell cumulatively by 24.6%. On the other hand, trading volume remained subdued at 294 cases in January, not far from the six-month moving average at 297.

Housing market showed little signs of bottoming out nor stabilizing, after four consecutive years of downturn. Headwinds, such as uneven economic recovery and stiff competition from neighbouring city Zhuhai, continued to dampen housing market demand. We tip the year-on-year decline of housing prices at 4% for 2025, following a decline of 11.7% YoY in 2024, with further prime rate cut and mainland's increased housing support measures offsetting part of the headwinds.

Key Development	
Facts	**OCBC Opinions**
▪ The General Office of the CPC Central Committee and the General Office of the State Council have issued the Special Action Plan to Boost Consumption. Central to the plan is the "Urban and Rural Residents' Income Enhancement Initiative," which focuses on four key areas: promoting reasonable wage growth, expanding asset-based income channels, implementing measures to increase farmers' income, and addressing overdue payments to improve household earnings.	▪ A major highlight is the expansion of asset-based income channels, signaling the government's commitment to stabilizing the stock market and creating a wealth effect. Simultaneously, efforts to promote wage growth and increase farmers' income are designed to expand the middle-income group and raise income levels among lower-income households. ▪ The action plan also targets bulk-item consumption—such as housing and automobiles—as well as service consumption. In housing, the plan explicitly outlines supportive measures for the housing provident fund, including timely reductions in loan interest rates and an expansion of its usage scope. This is the first time a State Council-issued consumption-boosting document has detailed specific measures to support housing consumption, underscoring the coordinated approach to boosting overall household spending. Housing consumption, which drives upgrades in home appliances, furniture, and home renovations, is positioned as a critical pillar of the plan. ▪ Furthermore, the plan proposes extending the automotive consumption chain by piloting reforms in automobile circulation, fostering a robust used-car market, and strengthening information sharing in the sector. Finally, the shift from goods to services consumption reflects an evolution in consumption patterns, as services exhibited stronger growth potential in 2024. With service retail sales growing by 6.2% YoY, outpacing goods retail sales by 3 percentage points, the increased contribution of services is expected to drive overall consumption growth in the coming years.
▪ Hong Kong's stock exchange is reviewing board lot size (minimum trading unit of each stock), aiming to lower investment threshold.	▪ Currently, the board lot sizes vary from 100 to 1000 shares per trade. While partial board lots are available, they are costlier than whole units. To improve market liquidity and enhance market structure, the authority is looking into options to adjust board lot size for high priced shares. Prior to this, the Hong Kong government had already taken steps to lower the equity trading stamp duty and narrow the bid-ask spread.

Key Economic News	
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▪ In February 2025, aggregate social financing (TSF) increased by CNY 2.2 trillion, up CNY 730 billion YoY, with outstanding TSF growth accelerating to 8.2% YoY, 0.2 percentage points higher than the previous month.	▪ Government bond issuance was the primary driver of TSF expansion, with net government bond financing rising by CNY 1.1 trillion YoY, contributing 0.27 percentage points to TSF growth. ▪ However, on-balance-sheet lending weakened, with new CNY loans totaling approximately CNY 1 trillion, down CNY 440 billion YoY, bringing loan growth down 0.2 percentage points to 7.3%. Short-term and medium-to-long-term corporate loans declined by CNY 200 billion and CNY 750 billion YoY, respectively. In January-February, corporate medium- to long-term loans fell by CNY 600 billion YoY, possibly reflecting the impact of debt swap issuances. Local governments issued CNY 954.2 billion in debt swap bonds during this period, and as funds were disbursed, some enterprises may have prepaid bank loans, reducing credit demand. ▪ Meanwhile, household medium- to long-term loans declined by CNY 112 billion YoY in February, and by CNY 144.9 billion YoY in January-February, indicating that the real estate recovery remains

	sluggish. ▪ Fiscal policy remained expansionary, providing support for corporate cash flows. Net government bond financing reached CNY 2.39 trillion in January-February, CNY 1.49 trillion higher YoY, while fiscal deposits increased by CNY 1.11 trillion YoY. However, despite the sharp rise in fiscal deposits, M2 growth remained at 7%, unchanged from the previous month. This suggests that a significant portion of newly issued local government debt for debt restructuring has been temporarily deposited into corporates. ▪ At the end of February, M1 growth slowed to 0.1% YoY, down 0.3 percentage points from January, mainly due to seasonal factors, such as the impact of year-end bonus payments boosting demand deposits in January before a natural pullback in February. Nonetheless, M1 growth remains notably weak, indicating that further efforts are needed to stabilize the real estate market, restore consumer confidence, and strengthen corporate investment sentiment.
▪ In January–February 2025, China's industrial production continued to expand robustly. The value-added output of large-scale industrial enterprises increased by 5.9% YoY, up 0.1 percentage points from the full-year 2024 growth rate.	▪ Overall manufacturing output grew by 6.9% YoY, while equipment manufacturing surged by 10.6% YoY—an acceleration of 2.9 percentage points compared to last year—providing strong support for industrial growth. High-tech manufacturing also saw steady expansion, with value-added output rising 9.1% YoY, up 0.2 percentage points from 2024. Notably, industrial robot production increased by 27% YoY and integrated circuit wafer production grew by 19.6% YoY. The new energy sector remained robust, with new energy vehicle (NEV) production up 47.7% YoY and lithium-ion power battery production for automobiles increasing by 37.5% YoY. ▪ On the demand side, expanded consumer goods replacement policies and strong spending on tourism, culture, and sports during the Lunar New Year fueled a recovery in retail and service consumption. Consequently, total retail sales of consumer goods grew by 4% YoY, 0.5 percentage points higher than the full-year growth in 2024. ▪ Fixed asset investment (FAI), excluding rural households, grew by 4.1% YoY—0.9 percentage points faster than in 2024. Infrastructure investment rose by 5.6% YoY, accelerating by 1.2 percentage points, while manufacturing investment expanded by 9% YoY. The adoption of advanced, intelligent, and green manufacturing practices, along with the implementation of large-scale equipment renewal policies, spurred significant growth in manufacturing investment. Equipment and tool purchases surged by 18% YoY, 2.3 percentage points higher than in 2024, contributing 62.3% of total investment growth. Furthermore, investment in manufacturing technological transformation grew by 10% YoY, up 2 percentage points from 2024, reflecting intensified efforts to upgrade traditional industries.
▪ Macau's housing prices continued their slide down the slippery road, after a brief rebound in December. In sequential terms, Macau's residential property price index fell by 1.3% in Nov24-Jan25, after rebounding by 0.1% in Oct24-Dec24. Compared the recent high, residential property price index fell cumulatively by	▪ Housing market showed little signs of bottoming out nor stabilizing, after four consecutive years of downturn. Headwinds, such as uneven economic recovery and stiff competition from neighbouring city Zhuhai, continued to dampen housing market demand. We tip the year-on-year decline of housing prices at 4% for 2025, following a decline of 11.7% YoY in 2024, with further prime rate cut and mainland's increased housing support measures offsetting part of the headwinds.

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