

Greater China — Week in Review

9 December 2024

Highlights: a shift to prioritize domestic players

Both equity and bond markets rallied last week while RMB recouped most of the intra-week losses. The Shanghai Composite Index climbed back above 3,400, while 10-year yields fell below 2%, driven by rising expectations for increased policy support in 2025. Attention now turns to the Central Economic Working Conference scheduled for December 11–12. As 2025 marks the final year of China's 14th Five-Year Plan, policymakers are expected to intensify efforts to ensure economic stability.

Recent developments suggest China is shifting its focus to prioritize domestic players against the backdrop of uncertain external environment.

Firstly, the Ministry of Finance (MOF) released a draft last Thursday outlining new standards and policies favoring domestic products in government procurement. Under the proposed rules, "Made-in-China" goods will be priced 20% lower than their actual cost for procurement purposes. The MOF emphasized that both domestic and foreign-funded enterprises will be treated equally, provided their products meet the required standards, ensuring fair access to government procurement support.

Secondly, four Chinese industrial associations—representing the telecommunications, digital economy, automotive, and semiconductor sectors—advised their members to be wary of purchasing U.S. chips, citing concerns about their safety. The associations encouraged members to source locally produced alternatives instead.

Thirdly, the Ministry of Commerce announced stricter export controls on dual-use items to the United States. Exports for U.S. military users or military purposes are now prohibited. Additionally, export licenses for items involving gallium, germanium, antimony, and superhard materials will generally not be issued, with stricter end-user and end-use reviews applied to dual-use graphite items.

These measures reflect a strategic push to strengthen domestic industries and reduce reliance on foreign technologies, particularly in light of ongoing geopolitical and economic tensions.

The Central Committee of the Communist Party of China and the State Council have jointly issued the "Opinions on Promoting the Construction of New Urban Infrastructure to Build Resilient Cities," outlining eleven key tasks to accelerate the digital transformation of urban infrastructure. The document emphasizes the integration of digital technologies with urban development, aiming to enhance cities' resilience, sustainability, and overall quality of life.

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In November 2024, the People's Bank of China (PBOC) increased its gold reserves by 160,000 ounces, bringing the total to 72.96 million ounces. This marks the first addition since May, following an 18-month streak of consistent purchases. The decision to increase gold holdings, particularly following Trump's recent election victory, reflects the PBOC's proactive approach to safeguarding economic stability amid evolving global conditions.

For this week, other than the Central Economic Working Conference, Chinese Premier Li Qiang will host the "1+10" dialogue today with the heads of 10 leading multinational organizations, including the World Bank, International Monetary Fund (IMF), World Trade Organization (WTO), and Organisation for Economic Co-operation and Development (OECD). The dialogue will focus on three key topics: "Seizing Opportunities in Transformation to Promote World Economic Transition and Growth". "Upholding Multilateralism in Advancing Reform and Development of the Global Economic Governance System" and "China's Endeavor to Further Deepen Reform Comprehensively and Break New Ground in Chinese Modernization". China aims to collaborate with these international organizations and like-minded partners to promote a balanced and sustainable recovery of the global economy. The dialogue underscores China's commitment to multilateralism and its role in shaping global economic governance.

| Key Developments | |
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| Facts | OCBC Opinions |
| <ul style="list-style-type: none"> The Central Committee of the Communist Party of China and the State Council have jointly issued the "Opinions on Promoting the Construction of New Urban Infrastructure to Build Resilient Cities," outlining eleven key tasks to accelerate the digital transformation of urban infrastructure. The document emphasizes the integration of digital technologies with urban development to enhance cities' resilience, sustainability, and quality of life. | <ul style="list-style-type: none"> Key Highlights: Advancement of "5G+Vehicle-to-Everything" (V2X): The initiative aims to facilitate the development of intelligent transportation systems by leveraging 5G networks. This includes the gradual adoption of assisted and autonomous driving technologies to improve transportation efficiency and safety. Development of Digital Homes: The plan prioritizes the creation of digitally connected homes through the establishment of a unified operating system ecosystem. This ecosystem will enable seamless connectivity and resource sharing across devices, enhancing residents' urban living experience. These measures aim to strengthen urban infrastructure, improve public service delivery, and raise the overall quality of life for urban residents. The "Opinions" provide a strategic blueprint for building digitally integrated and resilient cities, aligning with China's broader objectives of sustainable urban development and technological innovation. |

| Key Economic News | |
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| Facts | OCBC Opinions |
| <ul style="list-style-type: none"> China's FX reserve in November remained largely flat at US\$3.2658 trillion, up from US\$3.261 trillion. | <ul style="list-style-type: none"> In November 2024, the People's Bank of China (PBOC) increased its gold reserves by 160,000 ounces, bringing the total to 72.96 million ounces. This marks the first addition since May, following an 18-month streak of consistent purchases. The decision to increase gold holdings, particularly following Trump's recent election victory, reflects the PBOC's proactive approach to safeguarding economic stability amid evolving global conditions. |

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