China's November data showed mixed signals as 2024 winds down

Encouraging property price developments for a second straight month, but key activity data came in a little softer than expected in November

Property price data continued to show encouraging signs

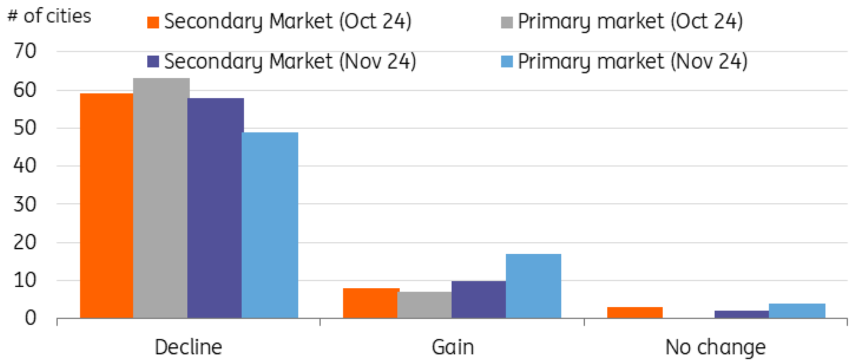
China's National Bureau of Statistics kicked off the last data dump of the year with November's 70-city property prices release. New home prices fell by -0.2% month-on-month, while used home prices fell by -0.35% MoM. These levels represented the smallest monthly declines since June and May of 2023 respectively, and bringing the decline from the peak to -9.6% and -16.1% respectively. Overall the data is another positive signal that China's property market could be bottoming out.

Of the 70-city sample, 21 cities saw new home prices unchanged or move higher in November, which was far and away the highest proportion of the year. In the secondary market, 12 of 70 cities saw prices unchanged or higher. As expected, prices appear to be stabilising from the core tier 1 and 2 cities to start, while a recovery in lower tier cities will take some time and is likely to be uneven.

The activity data unsurprisingly remained sluggish. Property investment continued to slump, edging down 0.1 percentage point to -10.4% year-on-year, year to date. New residential property starts and completions stayed heavily in contraction at -23.1% and -26.0% YoY ytd respectively. Real estate investment still likely faces some hurdles before it is no longer on a headwind on growth – prices have not yet stabilised, but property inventories are still relatively elevated at this stage, and property developer sentiment remains cautious. Recent supportive policy measures indicate that we should see the pace of state-owned enterprise and local government purchases of unsold homes pick up in 2025, which should help with the inventory situation.

A second consecutive month of improving price data is a positive signal for the property market bottoming out, and we expect a trough to be established in 2025 and the start of an L-shaped recovery to take effect.

More cities saw property prices stabilise in November



Sources: CEIC, NBS, ING

Fixed asset investment softened slightly as caution persists

Fixed asset investment (FAI) growth edged down 0.1 ppt to 3.3% YoY ytd in November, the lowest level of the year. This bucked our and market expectations for a slight uptick on the month.

The slowdown was broad-based on the month, seen in both public (6.1%) and private (-0.4%) investment, both of which dipped 0.1 ppt on the month as well. In terms of industry subcategories, most slowed slightly as well, including the hi-tech FAI category which continued to comfortably headline growth at 8.8% YoY ytd, but nonetheless slowed 0.5 ppt on the month. The only significant category to see a pickup was water conservancy, environment & utility management, which is likely tied to a slight pickup of green infrastructure investment.

As the FAI data is released in YoY ytd terms, volatility toward the tail end of the year tends to be very low, and as such it's likely that it will end the year within 0.1-0.2 ppt of the current level. This year's FAI has been constrained amid weak private sector sentiment but also limited room to operate for many local governments. We expect an acceleration of FAI in 2025 amid a more supportive fiscal policy stance.

Retail sales unexpectedly slowed in November

Retail sales surprisingly slowed to 3.0% YoY in November, down from October's stronger-than-expected 4.8% YoY. This was the big disappointment of the month, as retail sales failed to build upon the momentum and came in well softer than both consensus and our forecasts.

We continued to see the beneficiaries of trade-in policies perform strongly in November, with household appliances slowing to a still impressive 22.2% YoY, and auto sales up to a 9-month high of 6.6% YoY. Amid the transition to electric vehicles, petroleum & related products (-7.1%) continued to see soft sales growth.

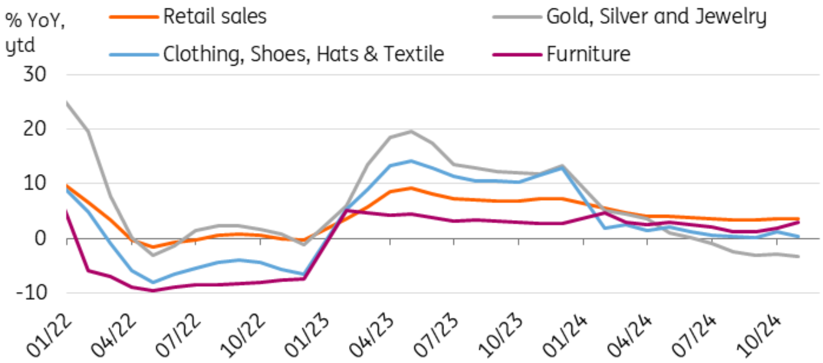
Discretionary consumption outside of these categories remained soft. Cosmetics (-26.4%), communications appliances (-7.7%), gold & jewelry (-5.9%), as well as garments (-4.5%) all remained well in negative territory.

We also saw the "eat, drink, and play" theme which has solidly outperformed for most of the year start to fade, with catering (4.0%), alcohol and tobacco (-3.1%), and sports & recreation (3.5%) softening to around or below the headline growth rate.

A silver lining was seen in furniture sales, which rebounded to 10.5% YoY, the highest level of the year. This uptick of the last two months add another signal for the property market recovery.

Household confidence clearly remains soft, and it remains to be seen if the "vigorous support" for consumption promised next year will be effective in stimulating a recovery. We expect the rollout of supportive policies could take some time, but overall retail sales growth should recover in 2025.

Retail sales slumped as discretionary consumption drag persists



Sources: CEIC, ING

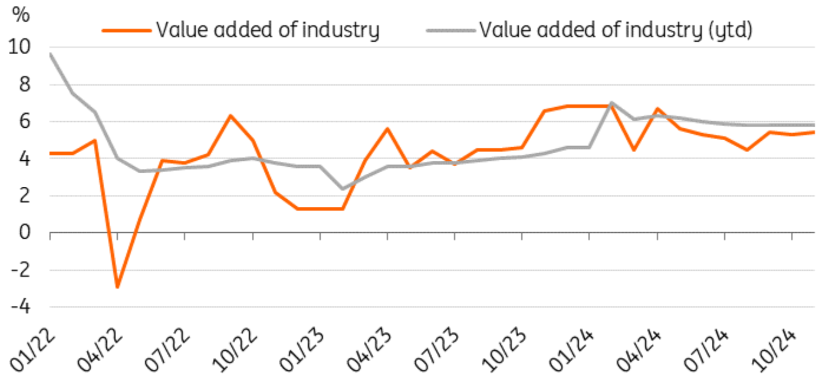
Value added of industry edged up

Value added of industry edged up by 0.1 ppt to 5.4% YoY in November, which was in line with market expectations, and the only of three main activity indicators to see an uptick in November. Recent survey data has indicated that domestic activity might be recovering, and there could also be a near-term uptick in export frontloading ahead of potential tariff hikes in 2025.

In terms of subcategories, hi-tech manufacturing (7.8%), auto (12.0%), rail, ship, and aeroplanes (7.9%), and chemicals (9.5%) comfortably outpaced the headline. In terms of products, electric vehicle production accelerated to 51.1% YoY, while industrial robots (29.3%), semiconductors (8.7%), and solar panels (10.9%) continued to outperform but saw slower YoY growth in November.

Export demand has been a contributor to solid industrial production growth in 2024, but this factor is expected to weaken somewhat in 2025 as tariffs set in. The silver lining is that for China's main areas of growth, the US market is not a major area of focus. Additionally, China's domestic demand is expected to improve to help fill some of this gap as stimulus policies roll out, but the impact remains unclear.

Value added of industry has been stable for the last few months



Sources: CEIC, ING

Policy support looks set to ramp up in coming months

Despite data coming in a little softer than expectations, with only one month of data still to come, China will likely manage to complete its "around 5%" growth objective for 2024. We maintain our forecast of 4.8% YoY growth in 2024.

The Politburo meeting and Central Economic Work Conference from last week signalled that we will see a strong policy support push next year, in line with our expectations laid out in our 10 questions for China in 2025 article. The key language on fiscal and monetary policy direction turned more supportive – from "proactive fiscal policy" to "more proactive fiscal policy" and from "prudent monetary policy" to "moderately loose monetary policy." The fiscal deficit target and the special government bond issuance targets were both raised, which along with November's RMB 10tn debt package should create more room for fiscal stimulus in 2025.

The speed and scale of domestic stimumlus will likely play the biggest role in determining whether or not China's economy will be able to maintain stable growth. The eventual growth target setting at next year's Two Sessions meetings in March will give a better indication of how confident policymakers are in terms of growth stabilisation.

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