Investments - Flash

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1,000 BILLION YUAN FOR THE CHINESE ECONOMY

More is needed to stimulate growth

The Chinese government has adopted a strategy resolutely geared towards supporting economic growth, announcing the issue of 1,000 billion yuan of sovereign debt in recent days. This injection of liquidity complements other measures, and will be followed in the near future by successive reductions in the bank reserve ratio and a cut in the refinancing rate. These factors could already be positive factors fuelling renewed optimism about the expected economic recovery in China. Growth forecasts are still relatively cautious, however, remaining close to +4.5% for 2024. Despite this support, the Chinese economy is struggling to gain momentum, but should still post GDP growth of +5.1% in 2023.

However, the latest GDP figures for the 3rd quarter could suggest a year-end recovery that is hardly expected. The government's determination to revive economic momentum by increasing its deficit and boosting construction and infrastructure projects is a positive factor, but may not be enough to counter the real estate sector's still glaring problems.

Further measures will be needed to boost consumption, while the industrial machine is also suffering from the decline in activity in key economic partners, notably Europe, and the risk of a global slowdown in early 2024. Chinese equities are still down -14% in 2023 (-40% since the top), while most international indices are up.

While it's still too early to expect a clear improvement in economic fundamentals, the CSI300's fall below 3500, its lowest level since 2019, may already be an opportunity.