Investments - Flash

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CHINA IS READY TO BOOST CONSUMPTION SERIOUSLY

Positive prospects for Chinese assets and commodities

China announces a stronger stimulus plan in 2025 to counter the potential effects of increased tariffs by the US administration. China is preparing to fight back against increased US trade sanctions by adopting a much more flexible monetary policy. The Politburo has pledged to support interest rate cuts with a new, clearer and more determined language. A more proactive fiscal policy has also been announced, according to which the budget deficit could be increased by 25%. Greater government spending will then support economic growth. Although the tone is decidedly positive, it remains to be seen what the authorities will actually be able to implement. While it remains to be seen what measures will be taken to stabilize stock markets and the real estate sector, and what measures will be taken to revitalize domestic consumption, it is important to emphasize that this has become the authorities' main objective. Xi Jinping seems convinced of the urgent need to act and reinforce the measures announced in September. It will also be a question of combating a deflationary situation characterized by producer prices down for the 26th consecutive month and consumer prices at +0.2% year-on-year. If, indeed, China decides to do all it can to stimulate consumption, the outlook opens up for a new, more positive future for Chinese assets. We reiterate our recommendation to overweight Chinese equities in diversified portfolios, and to positively reconsider exposure to commodities benefiting from the upturn in Chinese demand.