

Beijing looks to boost domestic consumption

Article

The news: China's top leaders plan to embrace a “moderately loose” monetary policy next year and be “more proactive” with fiscal policy, per Bloomberg.

- The Politburo, led by President **Xi Jinping**, pledged to be more responsive to economic downturns, to boost domestic demand, and to stabilize the housing market.
- The statement dovetailed with the release of government data that showed an economy in which domestic demand remains weak, consumer prices rose just 0.2% YoY in November, and producer prices fell 2.5% YoY.

The big challenge: China's yearslong property crisis remains a massive drag on consumer spending given that roughly 70% of household wealth in China is tied up in property. The situation has made many middle class consumers reluctant to splurge on discretionary purchases.

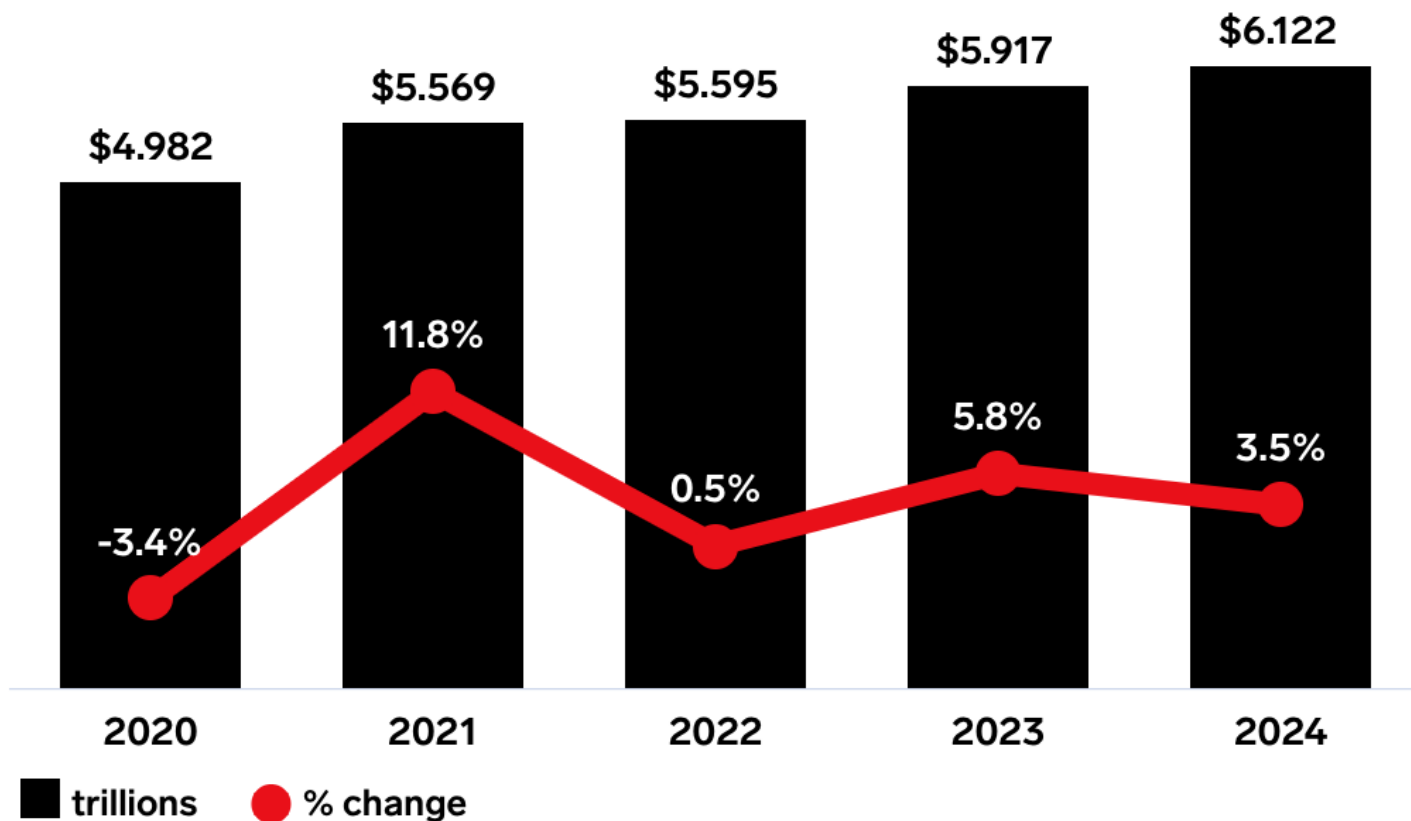
While the Politburo has not provided specifics of its plan, most observers are skeptical that its efforts will be bold enough to drive consumers to spend, per The New York Times.

Our take: We don't expect China's challenges to abate anytime soon, which is bad news for most, but not all, brands.

We expect retail sales in China to slow to 3.5% this year, down from 5.8% last year. Growth is forecast to be 3.5% next year as well.

Retail Sales

China, 2020-2024



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales; excludes Hong Kong

Source: EMARKETER Forecast, July 2024

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