

China Watch

Chart book series #129: Major local govts set growth target at 5%

Major local govts set GDP target at 5% or above in 2024

As of Jan 24, 26 (out of 31) provincial and municipal governments have announced their major economic indicator targets for 2023 (Exhibit 1). In particular, key local governments, including Beijing, Shanghai, Shandong and Jiangsu, set their GDP target at 5% this year, while Zhejiang province at 5.5%. Within the major tasks for 2024, “social housing projects” and “urban village refurbishment (UVR)” has been highlighted by most provinces in their work reports.

Mobility largely stable; Production activities eased

Both inter- and intra-city mobility remained roughly stable this week (Exhibit 3 & Exhibit 4). Box office revenue stayed largely flat (Exhibit 7), while Auto sales improved against a low base during Jan 15-21 (Exhibit 6). Approaching LNY, most production activities slowed, while coal consumption in major IPPs held up (Exhibit 9). Container freight index rose further after the Red Sea incident (Exhibit 13).

Weak new home sales; Mortgage rate lowered in Jan

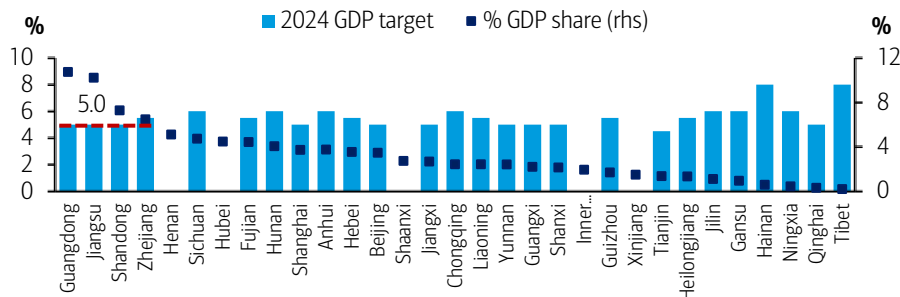
This week, new home sales in key cities still remained sluggish (Exhibit 14), but secondary home sales continued to hold up well (Exhibit 15). According to Beike, average mortgage rate of first home mortgages trended down further by 2bps in Jan (Exhibit 16). On Jan 24, PBoC eased certain financial constraints on developers, by allowing them to use commercial property loans in repaying corporate loans and credit bonds.

RRR to be cut ahead of LNY; FX stability still in focus

On Jan 24, PBoC announced it will cut RRR by 0.5ppts on Feb 5, and to inject long-term liquidity of RMB1tn, ahead of the LNY holiday. We expect further rate cut may follow going forward (see: [report](#)). USDCNY stayed in the 7.1-7.2 range this week, while PBoC continued its FX stability management via the setting of higher fixings (Exhibit 18).

Exhibit 1: GDP growth target by province

Most of provinces set their GDP growth targets at between 5% and 6%, especially for major provinces



Source: Local government websites, CEIC, BofA Global Research Note: Provincial GDP share is calculated based on 2022 data, and some local government are yet to announce their growth target for 2024

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Abbreviations:

- OMO: Open market operations
- PCR: Passenger Car Radial tires
- TBR: Truck, Bus and Radial tires
- PBoC: People's Bank of China
- MLF: Medium term lending facility
- OMO: Open market operation
- IPP: Independent power plants
- CPCA: China Passenger Car Association
- LNY: Lunar New Year
- RRR: Reserve ratio requirements

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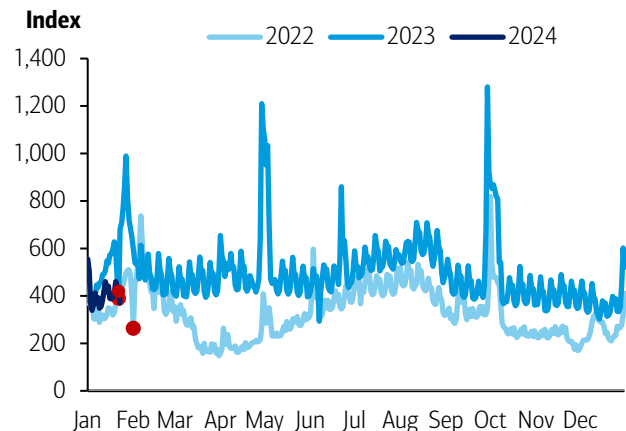
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Mobility & Consumption

Exhibit 2: Baidu migration index

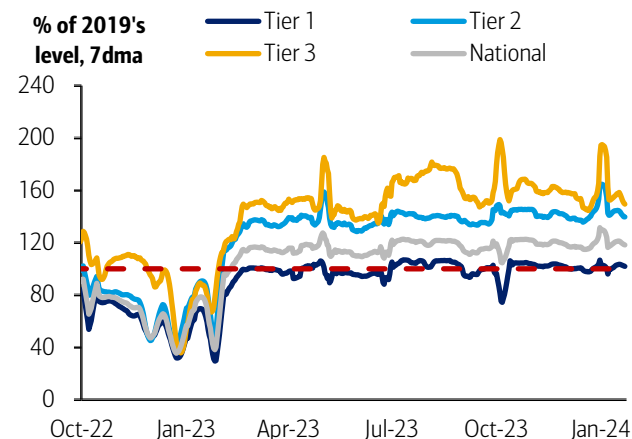
Inter-city trips remained stable



Source: Baidu, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Jan 23, 2024
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Exhibit 3: Daily subway rides by city tiers (28-city)

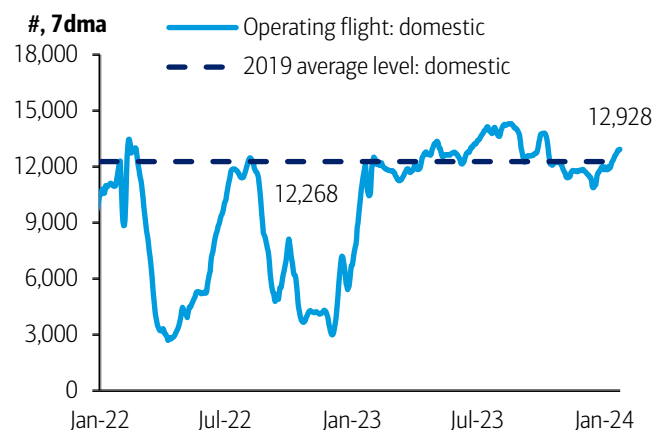
Daily subway rides remained resilient



Source: Wind, Note: 100 represents benchmark (subway volume in December 2019); data as of Jan 22, 2024
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Exhibit 4: China's operating flights: domestic

The number of domestic flights edged up to 12,928 as of Jan 23

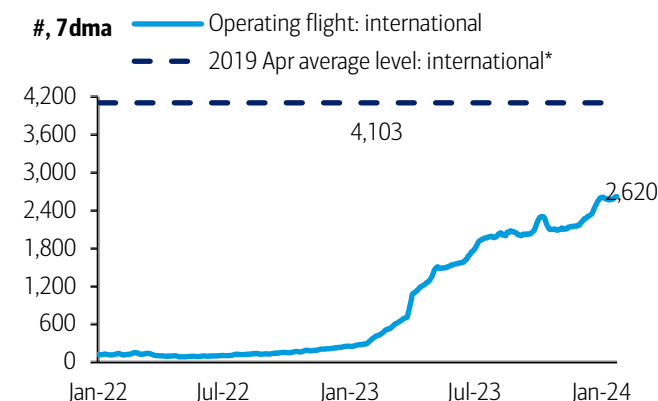


Source: Wind, Note: data as of Jan 23, 2024

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Exhibit 5: China's operating flights: international

The number of international flights stabilized at 64% of 2019 April level

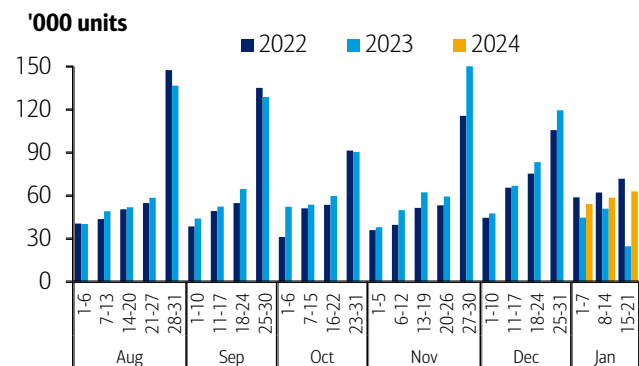


Source: Wind, Note: "We have reset the benchmark of pre-COVID level based on the Apr's press conference by CAAC, data as of Jan 23

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Exhibit 6: Auto Sales

Auto sales during Jan 15-21 rose by 155% yoy, against a low base in LNY 2023

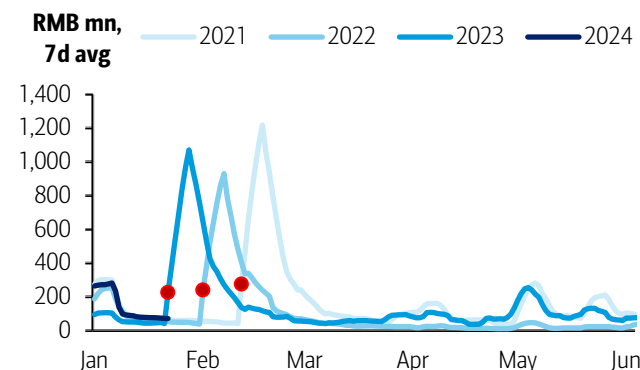


Source: CPCA, Note: data as of Jan 21

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Exhibit 7: Box office revenue

Box office revenue trended down further and stayed roughly 2021 level



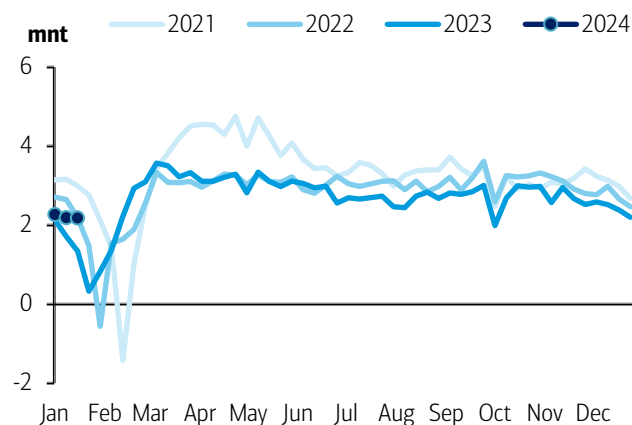
Source: Wind, China film administration, Note: Red dots indicate Lunar New Year (LNY) in each year; data as of Jan 22, 2024

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Production & Logistics

Exhibit 8: Weekly average rebar apparent consumption

Rebar consumption trended down ahead of LNY

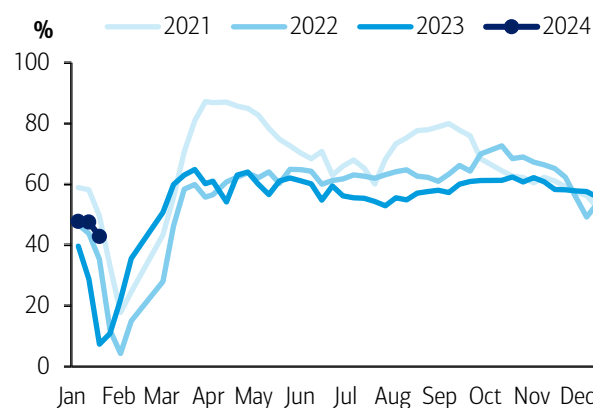


Source: Mysteel, Note: data as of Jan 19, 2024

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Exhibit 10: Cement shipment ratio

Cement shipment ratio trended down amid rainy weather

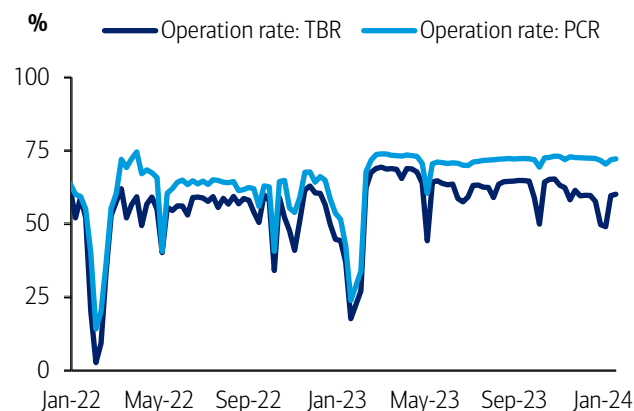


Source: Digital Cement Note: Shipment ratio is defined as the shipment volume over the production capacity in the same period, data as of Jan 19, 2024

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Exhibit 12: Operation rate of TBR and PCR

Operation rate of TBR and PCR remained roughly stable last week

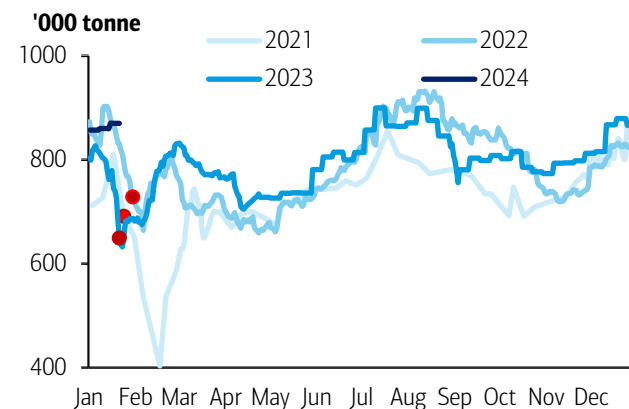


Source: Wind, Note: data as of Jan 18, 2024

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Exhibit 9: Daily coal consumption at major IPPs

Coal consumption for major IPPs remained stable at high level

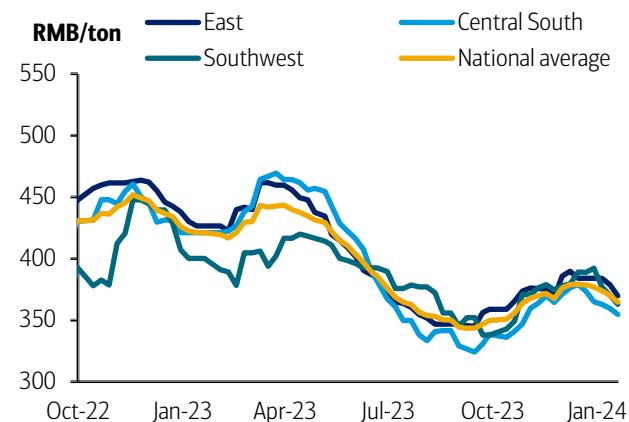


Source: Sxcoal, Note: Red dots indicate Lunar New Year (LNY) in each year, IPPs: independent power plants, data as of Jan 21, 2024

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Exhibit 11: Cement price by region

National average cement prices trended down due to destocking producers

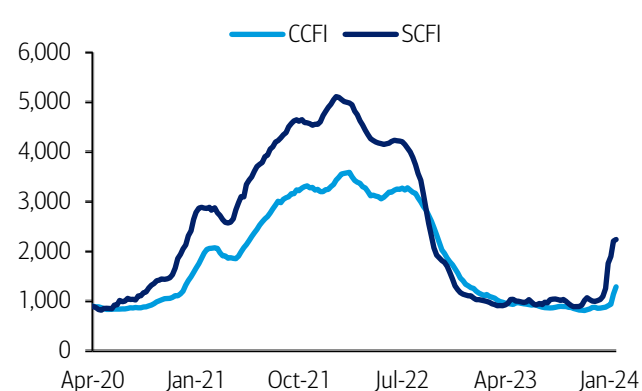


Source: Digital Cement, Note: data as of Jan 19, 2024

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Exhibit 13: Shanghai container freight index (SCFI) & China container freight index (CCFI)

Both SCFI and CCFI continued to rise amid recent red sea incident



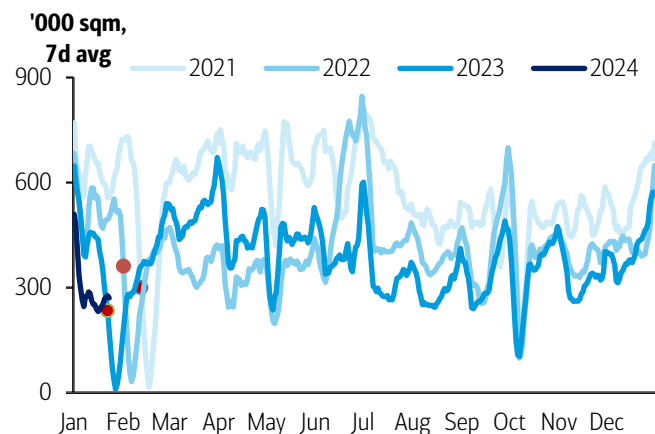
Source: Wind, Note: data as of Jan 19, 2024

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Property & Financial market

Exhibit 14: Property transaction in 30 major cities

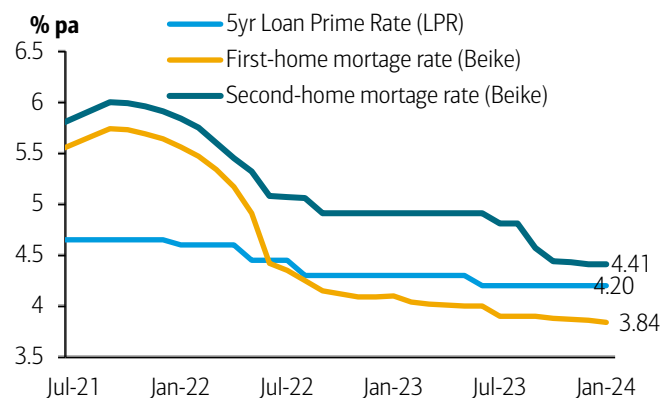
New home sales stabilized at a low level this week



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Jan 23, 2024
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Exhibit 16: Mortgage rate and 5y LPR rate

Average mortgage rate for first home mortgage trended down further in Jan rate (3.84%, vs. 3.86% in Dec 2023)

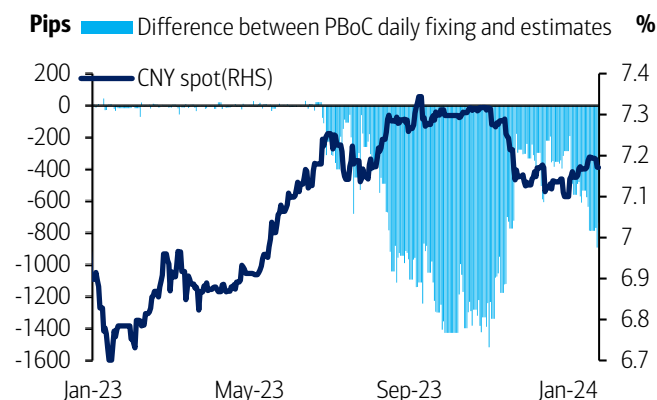


Source: Beike, CEIC

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Exhibit 18: USDCNY exchange rate with daily fixing

The daily fixing's difference with estimates widened amid fluctuating USDCNY

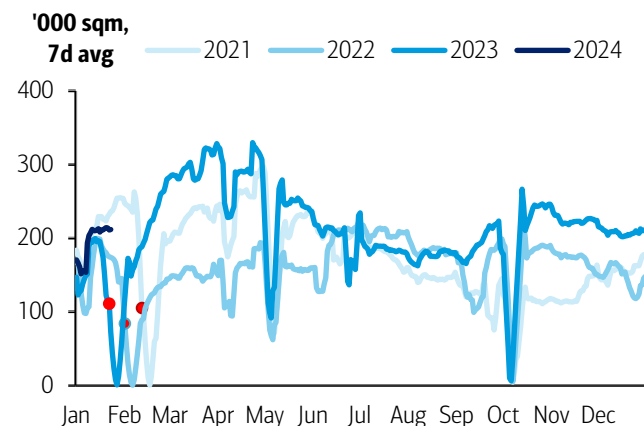


Source: Bloomberg, Note: data as of Jan 24

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Exhibit 15: Secondary housing transaction in 10 cities

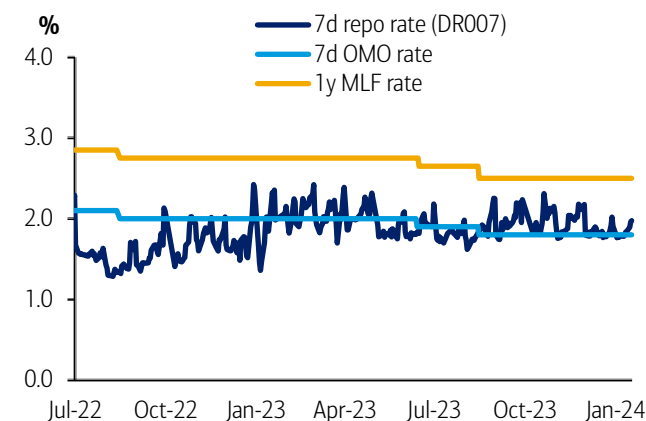
While secondary home sales stabilized at above 2022-23 level



Source: Wind, Note: Red dots indicate Lunar New Year (LNY) in each year, data as of Jan 23, 2024
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Exhibit 17: Money market rates vs policy rates

DR007 stayed closer to the policy rate (7d OMO rate) recently

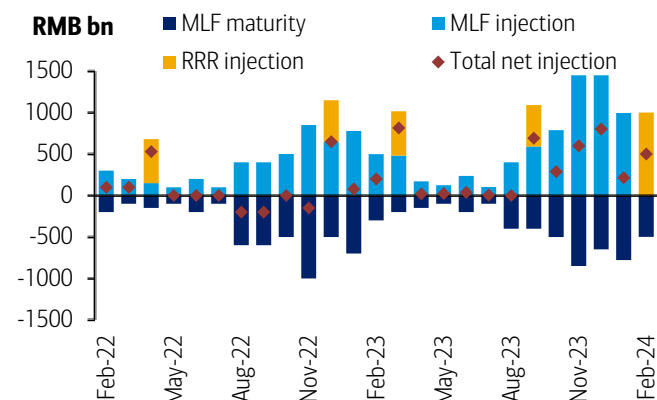


Source: Bloomberg, Wind, Note: data as of Jan 24

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Exhibit 19: Medium/long term liquidity injection and maturity

PBoC lowered RRR by 50bp (equivalent to injecting RMB1,000bn liquidity), effective Feb 5



Source: BofA Global Research, Wind,

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