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China consumption support measures

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Market Highlights

Over the weekend, China announced steps to help revive domestic consumption in 2025. These measures include plans to: **1) increase incomes** through supporting employment, skills training, while reducing overdue payments, **2) expand consumption capacity** through improving social services and targeted assistance, **3) improve service consumption** through encouraging inbound tourism and expanding service industry offerings, **4) support consumption upgrades** through consumer goods trade-in programs and stabilising the real estate market, and **5) enhance the quality of consumption** through supporting the development of Chinese brands both at home and abroad, together with facilitating the integration of technology and consumption, among other policy pledges.

While these measures did not include large-scale cash handouts and continue to be quite supply-side focused, our best sense right now is that these policies are in combination probably a small upside surprise to markets and hence growth expectations this year. This announcement also comes ahead of a planned press conference later today led by China's Finance Ministry and the Central Bank to discuss measures to boost consumption. This press conference was likely a key reason why Chinese equities including the onshore CSI300 rose sharply by 2.4% on Friday.

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CHART 1: CHINA EQUITY MARKETS ROSE SHARPLY IN ANTICIPATION OF CONSUMPTION BOOSTING MEASURES TO BE ANNOUNCED



Ahead Today

G3: US Retail Sales, US Empire Manufacturing

Asia: China Industrial Production, Retail Sales, Fixed Assets, Singapore Non-Oil Domestic Exports, India Trade Deficit, Indonesia Trade Balance, Philippines Remittances

Regional FX

Of course, the translation to CNY/CNH and Asia FX markets more broadly is complicated by the multitude of global and local crosscurrents, not least US military strikes on Yemen's Houthi militants over the weekend, continued tariff plans from Trump 2.0, but juxtaposed with the positives from a fiscal spending agreement in Germany between Friedrich Merz and the Greens and continued hopes for a possible détente between Russia and Ukraine. Asia FX delivered a somewhat mixed performance heading into the weekend, with IDR (+0.5%) and THB (+0.5%) outperforming, while MYR (-0.4%) and VND (-0.2%) underperformed. Looking ahead, it will be a busy day of macro data from Asia today, together with a busy week of central bank meetings with the Fed, BOJ, BI and Taiwan's CBC deciding on policy. China releases its macro numbers for January-February 2025 today including industrial production, retail sales and fixed asset investment. Consensus forecasts for China's hard data are pointing towards stability in the numbers in the first two months of 2025, with a slight dip in industrial production while pick up in retail sales albeit from weak levels to begin with. Meanwhile, India's trade deficit is likely to show a slight narrowing to US\$21bn from US\$23bn the previous month, but with imports likely to show some rebound as domestic demand picked up.

INDICATIVE RATES 14-Mar-2025

FOREIGN EXCHANGE

	<u>Asia</u>	<u>% Chg</u>	<u>London close 6pm</u>	<u>New York close 5pm</u>		<u>Close</u>	<u>% Chg</u>
USDJPY	148.89	0.66	148.44	148.64	INDU	41488.19	1.65
EURJPY	161.60	0.47	161.54	161.69	NKY	37053.10	0.72
EURUSD	1.0854	-0.17	1.0882	1.0879	DAX	22986.82	1.86
GBPUSD	1.2933	-0.12	1.2928	1.2935	UKX	8632.33	1.05
USDSGD	1.3355	0.09	1.3336	1.334	STI	3836.02	-0.04
USDTHB	33.603	-0.54	33.624	33.639	SET	1173.76	1.22
USDMYR	4.4462	0.22	OTHER INDICATORS		KLCI	1512.15	0.14
USDIDR	16350	-0.46	DXY Curncy	103.718	JCI	6515.63	-1.98
USDPHP	57.258	-0.18			PSEI	6294.11	0.83
USDINR	Closed	Closed	GT2 Govt	4.018	SENSEX	Closed	
USDKRW	1453.35	-0.14	GT10 Govt	4.314	KOSPI	2566.36	-0.28
USDTWD	32.965	-0.02	GTJPY2Y Govt	0.829	TWSE	21968.05	0.03
AUDUSD	0.6310	0.30	GTJPY10Y Govt	1.511	AS51	7789.68	0.52
USDHKD	7.7720	0.02	GTDEM10Y Govt	2.874	HSI	23959.98	2.12
USDCNY	7.2288	-0.19	CO1 Comdty	70.58	SHCOMP	3419.56	1.81
USDVND	25519	0.10	XAU Curncy	2984.16	VNINDEX	1326.15	-0.01

FX estimated closing. % Chg & bps chg indicate daily changes versus prior trading day. Sources: Bloomberg

* As of 4:30pm, Beijing Time

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