

China

In Q3, activity accelerated in China (+0.9% after +0.5%). However, this pace of growth remains significantly lower than before the health crisis (► [Figure 1](#)), due mainly to lacklustre domestic demand. Since the beginning of the year, Chinese growth has therefore been driven mainly by foreign trade, despite some trade tensions and the increase in some customs duties: year on year, exports by volume should be up 11% in Q3, compared to 2% for imports (► [Figure 2](#)).

Since March, year-on-year improvement in retail sales has remained strictly below 5%, indicating an ongoing listless increase in private consumption. The consumer confidence index, which fell sharply in early 2022, has since remained at a low level, with no recovery. Although it is increasing, the production capacity utilisation rate remained low in Q3 at 75.1%, after falling at the beginning of 2024 to 73.6%, its lowest level since mid-2016 (excluding the health crisis). Thus, producer prices in industry are falling back (-2.9% year on year in October), especially given that the prices of industrial commodities and energy are somewhat in decline. This deflation can be seen in Chinese export prices, which have been falling for more than a year, whereas export prices are stable in the Eurozone and the United States (► [Figure 3](#)). Gains by volume in China are therefore the result of strong price compression.

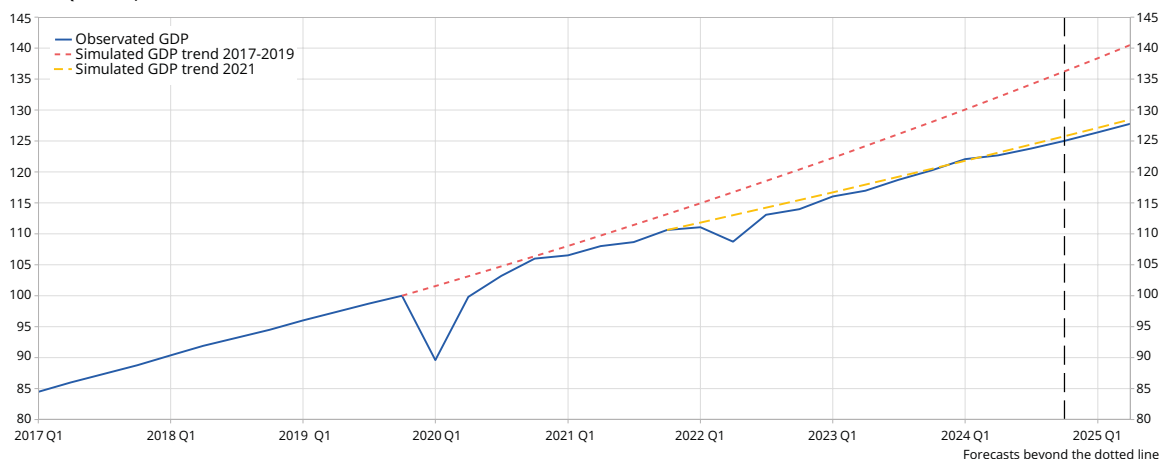
Faced with this slowdown, in September 2024 the Chinese authorities announced a series of measures to boost the economy: lowering base interest rates, supporting the real estate market (especially via the renovation of housing and the extension of loans to certain developers), and recapitalising the major Chinese commercial banks. The aim of these measures is to boost credit and increase asset prices in order to revive investment and consumption via wealth effects; in this way, they are particularly targeting companies rather than household purchasing power.

In the forecast, GDP growth in Q4 is expected to be +1.0% and annual growth in 2024 should stand at +4.6%, below the +5.0% target set by the authorities. Below this threshold, this annual growth would be a historic low since 1990 (excluding the health crisis).

In H1 2025, activity is expected to accelerate slightly, stimulated by the measures announced (+1.1% per quarter). However, it is likely that the stimulus will remain modest, and the gains in market share will gradually fade with the increase in trade tensions, and the introduction of tax measures aimed at increasing the price of certain export products (especially aluminium). ●

► 1. GDP growth is still weaker than before the health crisis

(GDP, base 100 in Q4 2019)



Last point: Q2 2025 (forecast from Q4 2024).

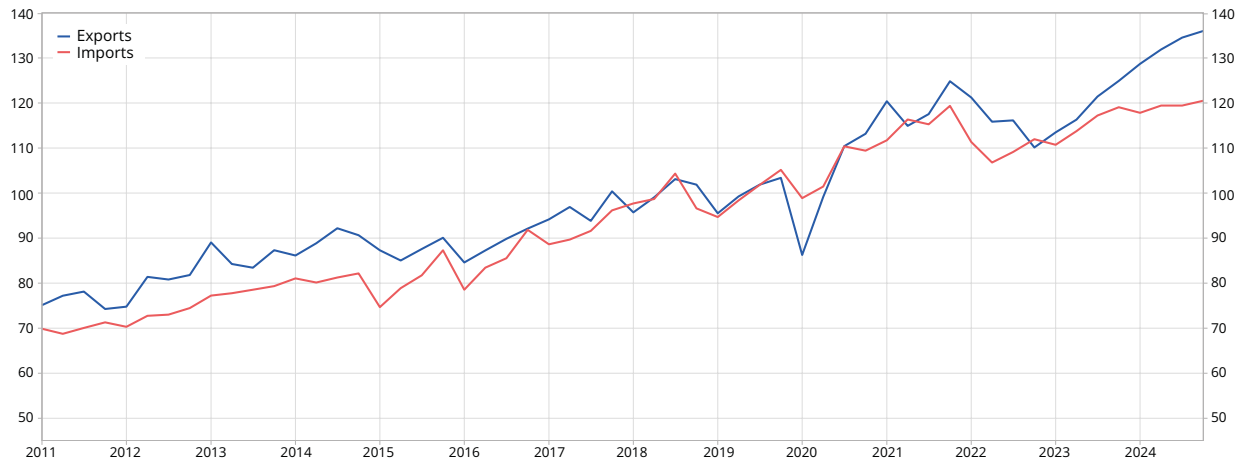
Note: the 2017-2019 (or 2021) trend curve has been plotted by extending the GDP series at a constant quarterly rate from Q1 2020 (or Q1 2022), equal to average quarterly GDP growth over the period 2017-2019 (or 2021).

How to read it: in Q3 2024, GDP increased by 24% compared to its Q4 2019 level. According to the trend observed between 2017 and 2019, it would have increased by 34%.

Source: NBSC, INSEE calculations.

► 2. The gap between exports and imports is widening

(base 100 2019)



Last point: Q3 2024 (forecast Q3 2024 based on customs and CPB data).

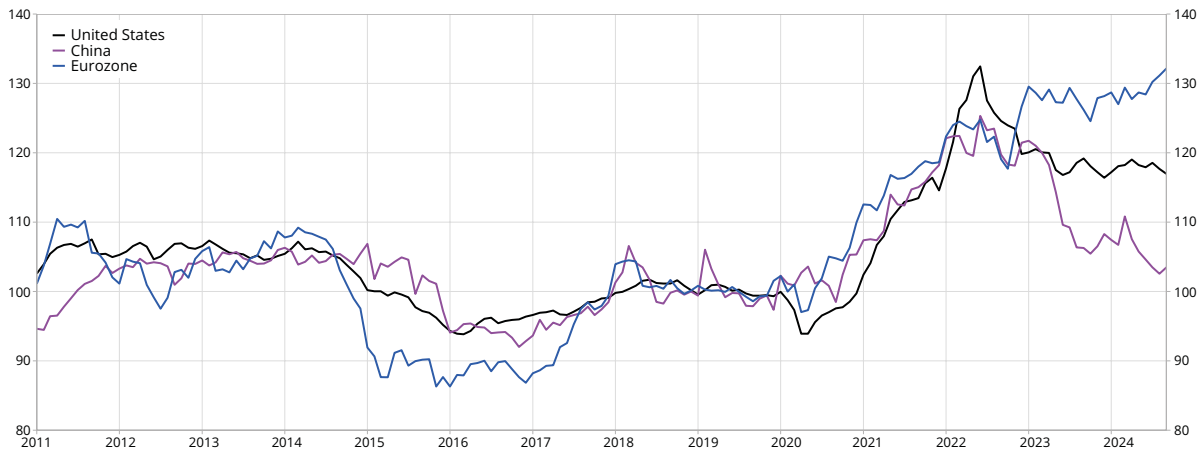
Note: exports and imports in goods by volume.

How to read it: in Q2 2024, exports were 32% above their 2019 level, against 20% for imports.

Source: NBSC, OCDE, CPB, INSEE calculations.

► 3. Chinese exporters are dropping their prices substantially to increase their sales volumes

(price index for exports of goods base 100 = average 2019)



Last point: September 2024.

How to read it: in September 2024, the export price index for the United States was 17 points above its 2019 average, for the Eurozone 32 points above its 2019 average, and for China it was 3 points above its 2019 average.

Source: CPB.