

SARASIN

Six Minute Strategy

Is the 'Japanification' of the Chinese property market inevitable?

18 October 2024



This document is intended for retail investors and/or private clients in the US only.
You should not act or rely on this document but should contact your professional adviser.

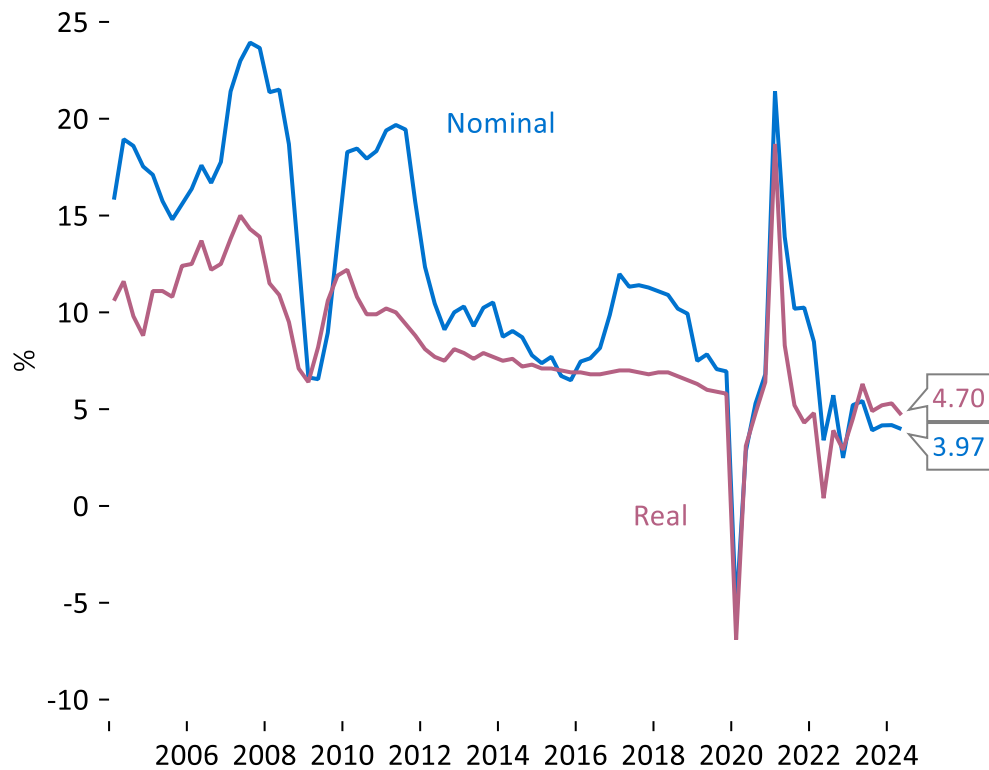


Excess capacity and deflation are weighing on nominal growth



Economy continues to slow

Chinese real and nominal GDP growth

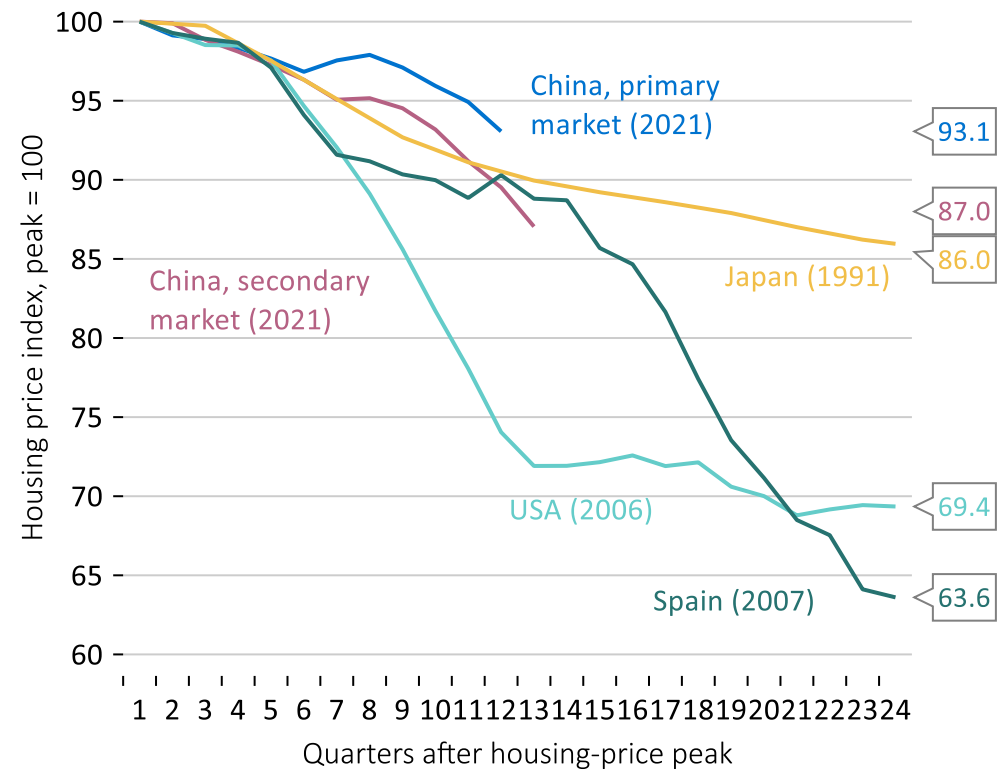


Source: Macrobond, 16.10.24



Parallels with Japanese property deflation remain

Country comparison of housing-price corrections



Source: Macrobond, 01.10.24

China stimulus package



Key features of Chinese stimulus – September 2024

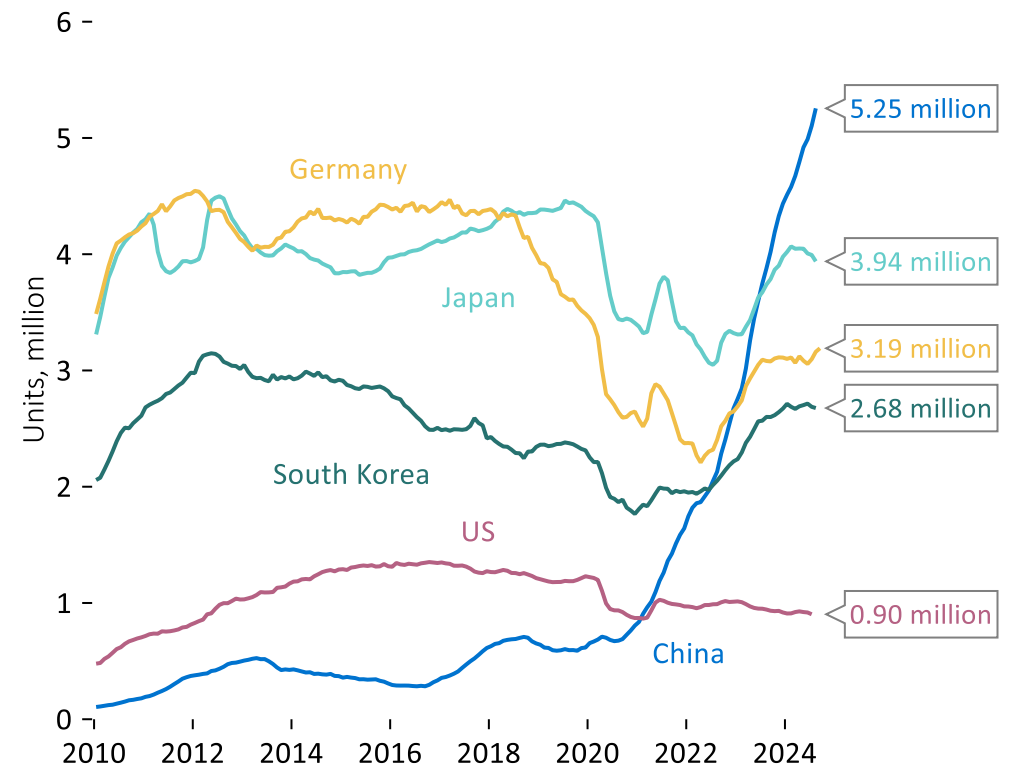
Measure	Details	Expected impact
Central bank rates	Cut Reserve Requirement Ratio and lending rates	Modest positive – more required
Bank recap	Inject RMB1 trillion into largest banks	Modest positive
Housing measures	PBOC fund local government purchase of unsold homes Minimum down-payment for second homes reduced Tier 1 cities removing some or all buying restrictions	Marginally positive but property structurally challenged
Fiscal package	Estimated RMB2 trillion (1.5% of GDP)	Consumer stimulus helpful – more required
Stock market package	RMB800 billion financing facility	Boosts sentiment

What should we expect? A China shock 2.0?

- Chinese growth to stabilise as sentiment recovers underpinning global demand.
- Balance sheets of banks and local governments - struggling with debt and deflation - will benefit. This will **help monetary and fiscal policy transmission** in due course.
- Stimulus does not divert from President Xi's overarching strategy as laid out at the Third Plenum in July.
- China to continue with '**Common Prosperity**' and "**New Productive Forces**" to "**promote revolutionary breakthroughs in technology and in depth industrial transformation and upgrading**".
- **How big will China Shock 2.0 be?**

Chinese competition damaging margins industry wide

Exports of Passenger Cars; Rolling 12m sum



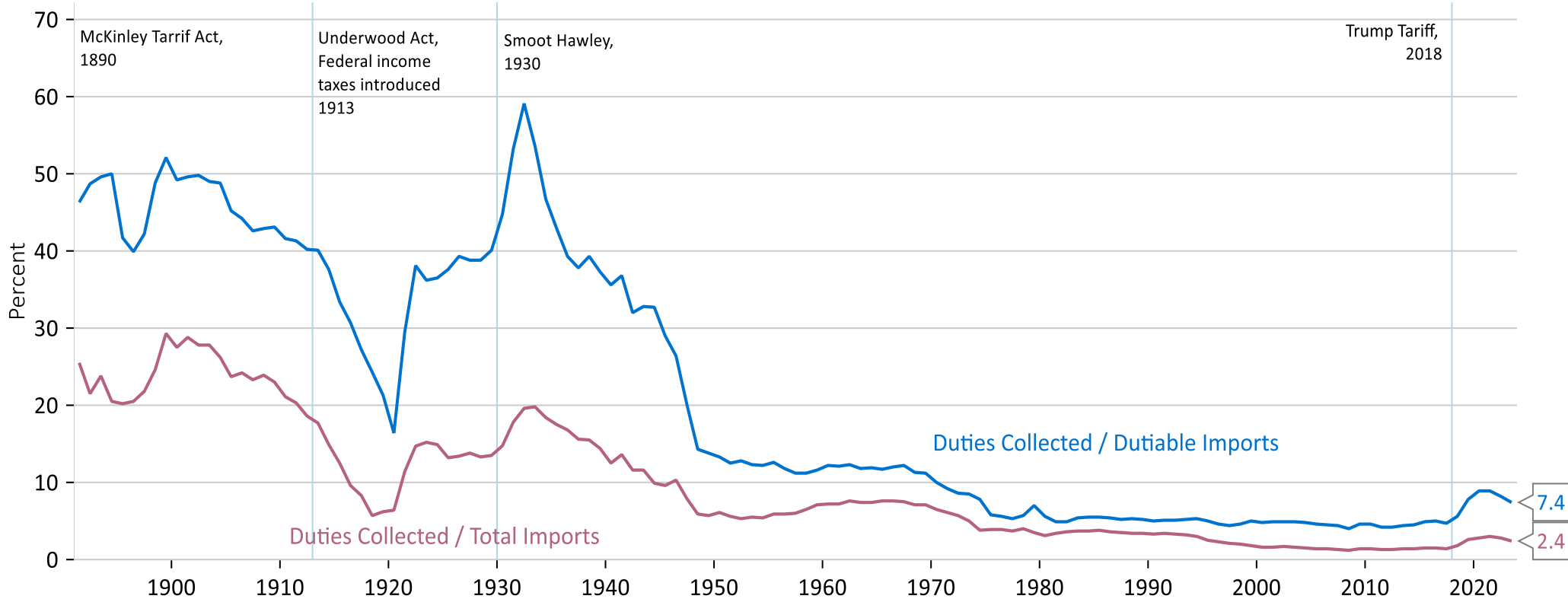
Source: Macrobond, 15.10.24

And a return to protectionism in the US?



Tariff rates in the US

United States International Trade Commission



Source: Macrobond, 15.10.24

Important information

This document is intended for retail investors and/or private clients in the US only. You should not act or rely on this document but should contact your professional adviser.

This document has been prepared by Sarasin & Partners LLP (“S&P”), a limited liability partnership registered in England and Wales with registered number OC329859, which is authorised and regulated by the UK Financial Conduct Authority with firm reference number 475111 and approved by Sarasin Asset Management Limited (“SAM”), a limited liability company registered in England and Wales with company registration number 01497670, which is authorised and regulated by the UK Financial Conduct Authority with firm reference number 163584 and registered as an Investment Adviser with the US Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. The information in this document has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

In rendering investment advisory services, SAM may use the resources of its affiliate, S&P, an SEC Exempt Reporting Adviser. S&P is a London-based specialist investment manager. SAM has entered into a Memorandum of Understanding (“MOU”) with S&P to provide advisory resources to clients of SAM. To the extent that S&P provides advisory services in relation to any US clients of SAM pursuant to the MOU, S&P will be subject to the supervision of SAM. S&P and any of its respective employees who provide services to clients of SAM are considered under the MOU to be “associated persons” as defined in the Investment Advisers Act of 1940. S&P manages mutual funds in which SAM may invest its clients’ assets as appropriate. To the extent that SAM is able to exercise proxy voting on behalf of its clients, SAM follows the policy set by S&P. Proxy voting is an operational process dependent upon support from SAM’s clients’ custodians, some of which do not support proxy voting in all or certain markets.

This document has been prepared for marketing and information purposes only and is not a solicitation, or an offer to buy or sell any security. The information on which the material is based has been obtained in good faith, from sources that we believe to be reliable, but we have not independently verified such information and we make no representation or warranty, express or implied, as to its accuracy. All expressions of opinion are subject to change without notice.

This document should not be relied on for accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views and information in this material when taking individual investment and/or strategic decisions.

The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor’s reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance. Management fees and expenses are described in SAM’s Form ADV, which is available upon request or at the SEC’s public disclosure website, <https://www.adviserinfo.sec.gov/Firm/115788> .

Important information

Neither Sarasin & Partners LLP, Sarasin Asset Management Limited nor any other member of the J. Safra Sarasin Holding Ltd group accepts any liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The use of this document should not be regarded as a substitute for the exercise by the recipient of their own judgement.

Where the data in this document comes partially from third-party sources the accuracy, completeness or correctness of the information contained in this publication is not guaranteed, and third-party data is provided without any warranties of any kind. Sarasin & Partners LLP shall have no liability in connection with third-party data.

© 2024 Sarasin Asset Management Limited – all rights reserved. This document can only be distributed or reproduced with permission from Sarasin Asset Management Limited. Please contact marketing@sarasin.co.uk.

SARASIN

Sarasin Asset Management Limited

Juxon House
100 St. Paul's Churchyard
London EC4M 8BU

T: +44 (0)20 7038 7000
F: +44 (0)20 7038 6850

E: marketing@sarasin.co.uk

www.sarasinassetmanagement.com

45 Rockefeller Plaza
20th Floor
New York NY 10111 USA

